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Contemporary Amperex Technology Co. Ltd. | Asia Pacific

Is Lower Unit Margin the New Normal?

AlphaSignals Earnings Reaction

Weakens our thesis	↓ **Meaningful shortfall**	↓ **Meaningful revision lower**
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

Key Takeaways

- 3Q26 earnings missed on a decline in unit margin. Management explained this was due primarily to an unfavorable product mix.
- Net profit was Rmb21.2bn, up 15% YoY. Battery sales were more than 260gwh, and unit net margin fell to Rmb0.08/wh, from Rmb0.1 in 1H26.
- The VAT rebate reduction, along with the 2% domestic consumption tax effective in September, added Rmb1.5bn of incremental cost vs. 2Q.
- GP rose 27% YoY to Rmb34.2bn. GPM dropped 2.5ppt QoQ to 20.7%.

CATL's 3Q earnings came in at Rmb21.2bn, 12% below our estimate, primarily reflecting unit margin compression to Rmb0.08/wh, from Rmb0.10 in 1H. Management attributed the decline in margin to 1) an unfavorable product mix, with higher contribution from lower-margin products, and 2) the VAT rebate reduction and domestic consumption tax. We expect meaningful earnings estimate revisions by consensus following the results. We think the key debate now is whether Rmb0.08/wh is the new normal, or if unit profitability can recover toward 1H levels as the product mix improves.

Although we believe CATL's quality premium remains intact, emerging price competition in the ESS market could weigh on unit margins as relatively less stringent quality requirements in the domestic market reduce the monetization of its quality advantage. Meanwhile, the incremental tax burden, if not passed through to customers, should be gradually absorbed by ongoing cost reductions, providing a natural offset over time, in our view. As such, we expect some recovery from the 3Q margin trough, but the magnitude will depend increasingly on the product mix and competitive intensity in the ESS market.

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Contemporary Amperex Technology Co. Ltd. (300750.SZ, 300750 CS)

Top Pick

China Energy & Chemicals | China

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	Rmb500.00
Up/downside to price target (%)	93
Shr price, close (Oct 20, 2026)	Rmb259.08
52-Week Range	Rmb468.75-259.08
Sh out, dil, curr (mn)	4,564
Mkt cap, curr (mn)	Rmb1,244,403
EV, curr (mn)	Rmb1,061,660
Avg daily trading value (mn)	Rmb12,235

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
Revenue, net (Rmb mn)	423,702	607,716	717,435	873,553
EBITDA (Rmb mn)	97,874	132,552	152,469	189,028
EPS, basic (Rmb)*	15.53	21.04	24.77	30.79
EPS (Rmb)**	16.14	21.04	24.90	30.95
P/E, basic*	23.7	12.3	10.5	8.4
P/BV	5.2	3.1	2.7	2.3
EV/EBITDA	16.1	7.4	5.9	4.3
RNOA (%)	57.1	54.1	76.7	110.6
Div yld (%)	2.2	4.1	4.8	6.6
FCF yld ratio (%)**	5.1	10.3	10.7	11.9
Net income (Rmb mn)*	72,201	95,088	111,958	139,148

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
* = GAAP or approximated based on GAAP
** = Based on consensus methodology
e = Morgan Stanley Research estimates

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Valuation Methodology and Risks

Contemporary Amperex Technology Co. Ltd. (300750.SZ)

Base case, EV/EBITDA. We use this methodology to remain consistent with the approach taken by our global battery analysts for international peers. We assign a 13x EV/EBITDA multiple to 2027E EBITDA, which implies a 20x P/E for 2027E. This is the three-year +0.5 SD level, to reflect a potential new product cycle. Our target value implies a 35% discount to our DCF-based NAV, showing valuation discipline.

Risks to Upside

- Faster-than-expected EV penetration and ESS application
- Lower geopolitical risks
- Better-than-expected margins
- Higher-than-expected market share gain

Risks to Downside

- Weaker EV penetration and ESS application
- Potential threats from other battery makers
- Geopolitical risks lead to decoupling of battery supply chain
- Stall in market share gain

Contemporary Amperex Technology Co. Ltd. (3750.HK)

Base case, EV/EBITDA. We use this methodology to remain consistent with the approach taken by our global battery analysts for international peers. We assign a 16x EV/EBITDA multiple to 2027E EBITDA, on par with LGES, implying a 20% H/A target premium. Our A-share target multiple is 13x, implying 20x 2027E P/E, +0.5 SD over the past three years, to reflect the company's new product cycle.

Risks to Upside

- Faster-than-expected EV penetration and ESS application
- Lower geopolitical risks
- Better-than-expected margins
- Higher-than-expected market share gain

Risks to Downside

- Weaker EV penetration and ESS application
- Potential threats from other battery makers
- Geopolitical risks lead to decoupling of battery supply chain
- Stall in market share gain

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(as of September 30, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1599	43%	455	48%	28%	783	44%
Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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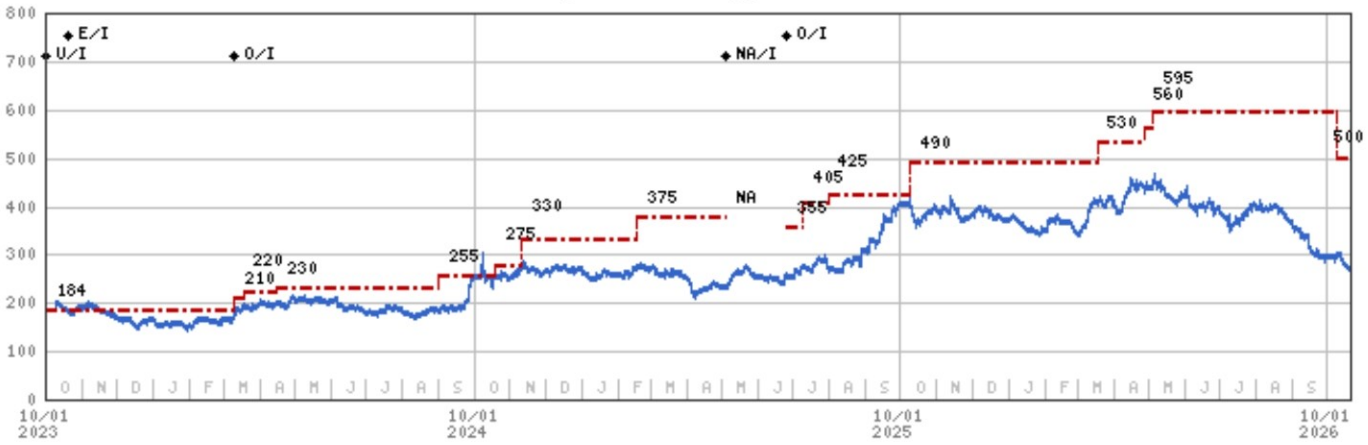
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Stock Price, Price Target and Rating History (See Rating Definitions)

Contemporary Amperex Technology Co. Ltd. (300750.SZ) - As of 10/20/26 GMT in CNY
Industry : China Energy & Chemicals



Stock Rating History: 10/1/21 : U/A; 8/18/22 : U/I; 1/30/23 : E/I; 6/7/23 : U/I; 10/20/23 : E/I; 3/10/24 : O/I; 5/5/25 : NA/I; 6/25/25 : O/I

Price Target History: 9/2/20 : 139.44; 11/16/21 : 203.33; 4/11/22 : 210; 5/3/22 : 180.56; 5/5/22 : 155.56; 9/2/22 : 161.11; 11/3/22 : 172.22; 1/18/23 : 194.44; 1/30/23 : 227.78; 2/22/23 : 211.11; 3/14/23 : 213.89; 6/7/23 : 180; 6/21/23 : 184; 3/10/24 : 210; 3/18/24 : 220; 4/16/24 : 230; 9/1/24 : 255; 10/19/24 : 275; 11/11/24 : 330; 2/18/25 : 375; 5/5/25 : NA; 6/25/25 : 355; 7/9/25 : 405; 7/31/25 : 425; 10/9/25 : 490; 3/18/26 : 530; 4/27/26 : 560; 5/4/26 : 595; 10/9/26 : 500

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
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Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Contemporary Amperex Technology Co. Ltd. (3750.HK) - As of 10/20/26 GMT in HKD
Industry : China Energy & Chemicals



Stock Rating History: 6/25/25 : O/I; 10/9/25 : E/I; 5/4/26 : O/I

Price Target History: 6/25/25 : 390; 7/9/25 : 445; 7/31/25 : 465; 10/9/25 : 585; 3/18/26 : 655; 4/27/26 : 695; 5/4/26 : 815; 10/9/26 : 705

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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INDUSTRY COVERAGE: China Energy & Chemicals

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/20/2026)
Jack Lu		
China Oilfield Services Ltd. (2883.HK)	E (03/28/2026)	HK$7.62
China Oilfield Services Ltd. (601808.SS)	U (03/28/2026)	Rmb12.90
China Petroleum & Chemical Corp. (600028.SS)	E (08/19/2024)	Rmb5.45
China Petroleum & Chemical Corp. (0386.HK)	O (07/29/2025)	HK$4.46
CNOOC (0883.HK)	O (03/17/2021)	HK$24.22
Contemporary Amperex Technology Co. Ltd. (300750.SZ)	O (06/25/2025)	Rmb259.08
Contemporary Amperex Technology Co. Ltd. (3750.HK)	O (05/04/2026)	HK$411.80
EVE Energy Co Ltd (300014.SZ)	E (05/31/2022)	Rmb44.04
Gotion High Tech Co Ltd (002074.SZ)	E (04/17/2023)	Rmb27.82
Guangzhou Tinci Materials Technology Co (002709.SZ)	E (01/08/2026)	Rmb28.09
Hengli Petrochemical Co Ltd (600346.SS)	++	Rmb15.50
Ningbo Ronbay New Energy Technology (688005.SS)	U (10/27/2025)	Rmb20.87
Ningxia Baofeng Energy Group Co., Ltd. (600989.SS)	E (04/15/2026)	Rmb22.45
PetroChina (601857.SS)	O (08/19/2024)	Rmb12.85
PetroChina (0857.HK)	O (03/17/2021)	HK$9.98
REPT Battero Energy Co (0666.HK)	E (10/20/2025)	HK$7.64
Rongsheng Petrochemical Co Ltd (002493.SZ)	O (09/09/2026)	Rmb11.63
Shanghai Putailai New Energy Tech Co Ltd (603659.SS)	U (10/27/2025)	Rmb19.65
Shenzhen Senior Technology Material Co (300568.SZ)	E (01/08/2026)	Rmb13.91
Yunnan Energy New Material Co Ltd (002812.SZ)	O (10/27/2025)	Rmb46.55
Kaylee Xu		
Jiangsu Cnano Technology Co Ltd (688116.SS)	U (03/10/2025)	Rmb31.25
Jiangsu Yangnong Chemical (600486.SS)	O (06/12/2026)	Rmb52.66
Shandong Sinocera Functional Material (300285.SZ)	E (03/23/2026)	Rmb46.23
Shenzhen Capchem Technology Co Ltd (300037.SZ)	O (07/14/2026)	Rmb55.79
Sunresin New Materials Co Ltd (300487.SZ)	E (10/25/2024)	Rmb64.95
Wanhua Chemical (600309.SS)	O (04/10/2026)	Rmb66.90
Zhejiang NHU Co. Ltd. (002001.SZ)	E (01/26/2026)	Rmb26.30

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* Historical prices are not split adjusted.

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