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China Auto Industry

2027: Will the worst case become the base case?
Downgrade BYD-A to UW

- We believe upcoming 3Q26 results will lead to downgrades of 4Q26 and 2027 earnings, not simply because 3Q26 could mostly miss, but also because the Street will start to incorporate key headwinds into earnings assumptions: **(1) stagnant domestic demand** (yet every OEM believes it can outgrow the industry); **(2) cost inflation**, particularly for memory chips (JPMe further 22-26% hike in 2027), where OEMs have limited pricing power; **(3) export VAT rebate cut** from 13% to 9% from Apr-27 – a full pass-through may not be easy – we believe OEMs will strive to mitigate with a better mix, but some absorption is possible; and **(4) a volume shortfall** on PHEV exports to the EU (JPMe ~200k-250k units in 2027) after the EU's latest measure (here), which will hit OEMs with HEV/PHEV exposure in the EU, e.g., BYD, Chery and SAIC, though it should accelerate Chinese OEM localization in the long run. J.P. Morgan Head of European Autos Research Jose Asumendi believes Chinese OEMs' PHEV market share in the EU will dip in 2027 before recovering from 2028 (here).

- **Six key variables for 2027 earnings: (1) export VAT rebate cut on NEVs** – assuming OEMs will export more cars before the Apr-27 effective date and can pass on most of the hit, we estimate the impact on 2027E earnings at ~5-10%. **(2) Volume cap on EU PHEV imports** – this would hit BYD and Chery earnings by 6-8% and others' not by much. While both should mitigate through local plants, output from localization may not fully offset the volume shortfall immediately. We will monitor whether they can make up the shortfall from other markets, e.g., Southeast Asia. **(3) Memory chip price hikes**, if they materialize, imply another Rmb1k-2k/unit BOM cost increase after the ~Rmb6k-8k hike this year. **(4) Lithium or battery prices**, on the positive side, are expected to roll over and help margin. Our concern is that OEMs may eventually give away such gains through price competition. **(5) Stagnant domestic PV demand** (JPMe flat to -5%), meaning the pricing environment will remain unfavorable despite the government's anti-involution efforts. **(6) Export growth:** JPMe 20%.

- **Geopolitics: What to watch? (1) The EU-UK Summit on 20-Nov** for whether the UK will impose tariffs on Chinese NEVs in order to win better market access treatment under the IAA (Industry Accelerator Act, here); the UK accounts for ~6% of China auto exports YTD. **(2) Nov-26:** Thailand is expected to decide whether to lift the excise tax to 30% on imported EVs (here); Thailand represents ~3% of China's exports. **(3) Dec-26 EU Parliament** vote on IAA, which will define EV subsidy and local content requirements for cars and batteries toward 2030. **(4) Early 2027** negotiations between the EU and Japan and Korea on a "trusted partner" agreement under the IAA framework.

- **Estimate cuts:** As a precaution reflecting our cautious sector stance, we cut estimates for all our main covered OEMs: **(1) BYD-A downgrade to UW, keep BYD-H at Neutral** (3Q26 should meet, but BYD-A's 16x 2027E P/E may not

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be sustainable); **(2) Geely** and **Great Wall** (3Q miss due to product mix and FX; we cut 2027 estimates); **(3) Nio** and **Li Auto** (3Q could see a moderate miss, 4Q sales under pressure; we trim 2027E shipments; **(4) XPeng** (3Q could see a moderate beat, but bottom-line pressure from rising R&D expense in 2027); **(5) Leapmotor** (3Q miss, can Leapmotor maintain high volume growth and sustained margin?); and **(6) Chery Auto** (3Q meet; we trim 2027 estimates to reflect our cautious sector stance, stock now at a 5x 2027E P/E).

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Equity Ratings and Price Targets

Company	Ticker	Mkt Cap ($ mn)	Price CCY	Price	Rating Cur	Rating Prev	Price Target Cur	Price Target End Date	Price Target Prev	Price Target Prev End Date
BYD Company Limited - A	002594 CH	99,906	CNY	81.42	UW	N	65.00	Jun-27	88.00	n/c
BYD Company Limited - H	1211 HK	74,722	HKD	71.60	N	n/c	60.00	Jun-27	88.00	n/c
Chery Auto - H	9973 HK	7,019	HKD	23.38	OW	n/c	30.00	Jun-27	35.00	n/c
Geely Automobile Holdings Ltd. (0175)	175 HK	16,636	HKD	14.25	N	n/c	14.00	Jun-27	16.00	n/c
Great Wall Motor - A	601633 CH	19,021	CNY	13.90	UW	n/c	8.00	Jun-27	10.50	n/c
Great Wall Motor - H	2333 HK	7,728	HKD	6.64	UW	n/c	5.50	Jun-27	7.00	n/c
Li Auto - ADR	LI US	11,207	USD	11.39	UW	n/c	9.00	Jun-27	n/c	n/c
Li Auto	2015 HK	5,791	HKD	45.08	UW	n/c	35.00	Jun-27	n/c	n/c
XPeng - H	9868 HK	3,888	HKD	37.12	N	n/c	40.00	Jun-27	45.00	n/c
XPeng	XPEV US	7,566	USD	9.21	N	n/c	10.00	Jun-27	11.50	n/c
NIO	NIO US	7,477	USD	3.29	N	n/c	3.70	Jun-27	4.50	n/c
Zhejiang Leapmotor Technology Co.,Ltd	9863 HK	4,018	HKD	33.52	N	n/c	30.00	Jun-27	36.00	n/c

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. n/c = no change. All prices as of 23 Oct 26.

Will worst case become the base case in 2027?

Another wave of earnings downgrade to come post 3Q26 result season

As far as earnings estimates are concerned, we believe the Street`s 2027 forecasts across most OEMs (according to Bloomberg consensus) have yet to reflect potential industry challenges despite wide discussion among investors:

- **EU's recent PHEV policy** (click here for our recent note and analysis)
- **Export VAT rebate reduction** (click here for our recent note)
- **Stagnant or potentially falling domestic PV demand** (JPMe flat to down 5%)
- Further **cost inflation,** in particular memory chip prices given tight supply from Korean suppliers. J.P. Morgan projects memory prices are likely to be hiked by another >20% or more from the current level in 2027.
- Continued uncertainties around the **EU's IAA policy-** including local content requirements, whether **UK** will impose additional tariff on Chinese cars, and implications on Chinese OEMs if the EU does reach a "**trusted partners**" agreement with Japan and Korea. Investors should have developments on the above in the next 1-2 quarters.
- Outside EU, **Thailand** recently discussed if it should lift the excise tax on imported NEVs or BEVs from the current 10% to 30% starting in 2027 (news here). Besides EU and Thailand, it is hard to predict who else may impose similar tariffs or non-tariff barriers that can cap or slow Chinese OEMs` overseas growth.
- At the same time, **weaker lithium or battery prices** may not fully translate into margin improvement in our view as OEMs may eventually give away such gains to customers through price cuts due to fierce competition.

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Our concern is whenever policy uncertainties become certain (be it domestic or overseas), this will trigger earnings revisions each time. As such, investors may eventually find the level of earnings estimates for, say, 2H27 to be materially different from today. At the minimum, these policy uncertainties plus domestic demand weakness should cap valuation upside.

In this report, we aim to address these topics and reflect them in our revised earnings assumptions. In brief, we cut 2H26 and/or 2027 earnings forecasts for main OEMs- BYD, Geely, Great Wall, Li Auto, Nio, Leapmotor, Chery Auto and Xpeng. (summary table below). We also downgrade BYD-A to Underweight from Neutral following the earnings revisions and our view that the stock's rich valuation (~16x 2027 PER) may not be sustained.

Table 1: China Auto- Key OEMs 3Q26 earnings expectation vs. consensus (likely no Beat but only Miss or Meet in 3Q result season)

Company	3Q26 estimate- JPMe (RMB)	Bloomberg consensus (RMB, in most cases, limited numbers so it may not be truly indicative of investor's anticipation)	Buy side expectation based on our discussions with investors (RMB)	Meet or Miss based on our forecast	Result date	Why? What to watch?
BYD	10.5bn	12.1bn	~10-11bn	Meet with Buy side forecast	Oct 29	Analysts call on Oct 29 evening HKT. We will focus on mgmt strategy to mitigate overseas challenges and continue to deliver solid growth
Geely	4.9bn	5.2bn	~5.2bn	Miss	Oct 29	3Q volume up 14% QoQ but relatively weaker mix and FX loss would weigh on bottom line
Great Wall	1.4bn	2.2bn	~1.5-1.6bn	Miss	Oct 30	3Q had better mix but rising input cost, FX loss and weaker mix weigh on bottom line
Chery Auto	5.3bn	4.2bn	~5-5.5bn	Meet with Buy side forecast	Oct 30	3Q earnings shall increase by ~13% QoQ on the back of volume increase (14% QoQ) and sustained overseas profitability
Leapmotor	~0.5bn	1.1bn	Above Rmb600mn	Miss	Around Nov 16 (TBC)	While 3Q volume up 26% QoQ, bottom line weakness comes from higher exports (carrying lower margin due to business model with Stellantis JV), higher sales of entry level models and marketing expense in our view
Li Auto	Vehicle GPM 11.2%; Non-GAAP loss Rmb1.0bn	Vehicle GPM 13.2%; Non-GAAP lossRmb650mn	NA	Miss	Around Nov 27 (TBC)	We will focus on volume guidance or comment for 4Q26 and draw implication for 2027; Export can be an opportunity from low base
NIO	Vehicle GPM 17.7%; Non-GAAP just above breakeven	Vehicle GPM 18.7%, Non-GAAP profit Rmb63mn	NA	Miss on GPM, Meet on bottom line	Around Nov 25 (TBC)	We will focus on volume guidance in 4Q26 and also how Nio's upcoming new key models- ET5T and ES6 will drive volume in 2027
XPeng	Vehicle GPM 13.2%; Non-GAAP loss Rmb830mn	Vehicle GPM 12.5%; Non-GAAP loss Rmb1.1bn	NA	Beat on GPM and bottom line	Around Nov 17 (TBC)	We will focus on volume guidance in 4Q26 and 2027 given successful launches including new models at recent Paris Auto Show. High R&D expense (likely higher in 2027) is another focus

Source: J.P. Morgan estimates, Bloomberg Finance L.P. as of Oct 23, 2026

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Table 2: China Auto- Key OEMs earnings forecasts vs. consensus

Company	Code	Rating	NP (LC) 26E	Consensus 26E	Diff	NP (LC) 27E	Consensus 27E	Diff	2027 valuation
Byd Company	1211 HK	N	38,071	38,696	-2%	44,959	49,963	-10%	13x PER
Byd Company	002594 CH	UW	38,071	38,880	-2%	44,959	51,060	-12%	16x PER
Chery Auto	9973 HK	OW	19,567	19,956	-2%	22,009	25,297	-13%	5x PER
Geely Automobile	175 HK	N	19,506	21,315	-8%	21,877	25,823	-15%	6x PER
Gwmotor	2333 HK	UW	6,988	8,722	-20%	7,034	10,386	-32%	7x PER
Zhejiang Leapm-H	9863 HK	N	1,163	2,719	-57%	2,498	5,204	-52%	0.2x P/S
Li Auto Inc -Adr	LI US	UW	(4,411)	(3,128)	41%	163	2,666	-94%	0.7x P/S
Nio Inc - Adr	NIO US	N	84	(491)	NM	1,216	1,768	-31%	0.4x P/S
Xpeng Inc Adr	XPEV US	N	(3,387)	(3,785)	NM	(1,952)	(421)	364%	0.6x P/S

Source: J.P. Morgan estimates, Bloomberg Finance L.P., as of Oct 23, 2026. Note: the 2027 valuations listed in the table are based on current market price and JPM earnings forecasts.

Recap of EU policy and potential winners from Chinese OEMs' possible market share dip in 2027

In the past week, our global auto team has published relevant notes post EU Council summit's decision on Oct 15-16 putting a volume cap on Chinese HEV/PHEV imports, including

- EU policy move part 2: Annual volume cap, by Nick Lai (click here)
- European Commission to enact auto-related bill by Akira Kishimoto (click here)
- EU curbs down auto hybrid imports from China by Jose Asumendi (click here)

Summary of EU policy from global auto perspective

EU policymakers are converging on a package that includes

- Constraints on China-made hybrid/plug-in hybrid imports via an allocation/volume ceiling mechanism- 350,000 unit volume cap for the first year (starting Dec 2026) with 6% annual growth in the following three years.
- Stricter "Made in Europe" incentive/procurement eligibility rules, while simultaneously easing the 2035 emissions end-state to a 90% reduction target rather than a full ICE phase-out.
- The near-term directional read-through is supportive for European pricing power and FY27 earnings resilience (according to Jose Asumendi), but the medium-term consequence is likely faster localization by Chinese OEMs (EU assembly + EU supply-chain content) rather than an enduring halt to Chinese share gains.

1) EU policy on China PHEV/HEV imports: what we know and what it implies

- **Policy direction and potential magnitude**

The policy direction is an import allocation/volume ceiling framework targeting China-made PHEV/HEV into the EU, with initial volume cap of 350k units for the first year starting Dec 2026, followed by 6% annual growth from the second year. The 350,000-unit volume cap represents a major decline of 2026 full year run-rate or expectation nearer ~800k units according to EU.

- **Estimated net impact on Chinese OEMs' PHEV volume in EU in 2027**

Assuming Chinese OEMs' export volume of PHEV into EU would be at least 800-900,000 units in 2027 IF without policy constraint, the 350,000-unit volume cap suggests an immediate volume shortfall of >450,000 units. Key OEMs exporting PHEV to EU are BYD and Chery Auto- BYD's Hungary plant is scheduled for SOP (start of production) from end-2026. At designed capacity of 150,000 units, we think it is prudent to assume BYD can produce ~100,000 units from its Hungary plant (as it will take 1-1.5 years to reach full ramp). Chery's Spain plant was already in operation since 2025 but with lower initial capacity. We think it is prudent to assume Chery can produce ~150,000 units from its Spain plant in 2027. As such, the net volume impact on Chinese OEMs- mainly BYD and Chery, would be roughly around 200-250,000 units in our back of envelop analysis.

- **Impact on Chinese OEMs: constraint first, localization next**

We believe 2027 will be a temporary period where Chinese OEM share could dip before re-accelerating from 2028, because we expect Chinese OEMs to respond by accelerating European assembly and leveraging existing European R&D footprints to replace "imports" with locally assembled vehicles. In other words. 2027 will be a year where Chinese OEMs will focus on localized production and engage EU suppliers to meet thresholds for comparable access to public funding or subsidy.

- **Potential second order (negative) impact on foreign brands outside EU?**

A key second-order effect is trade diversion: if China-to-EU PHEV exports are capped, displaced volume could flow into Southeast Asia, Australia, and Central/South America, intensifying competitive pressure in those markets where Japanese brands have strong presence. This is something we will monitor closely.

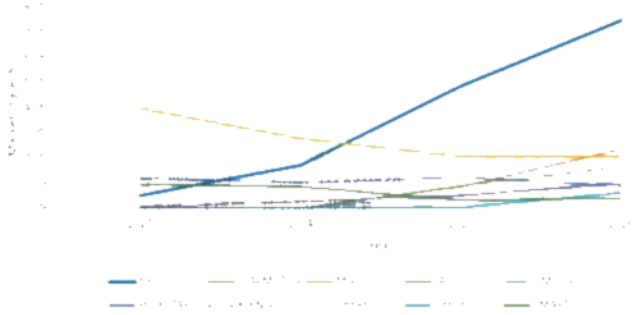
Table 3: Summary of key OEMs' overseas production bases

OEM	Location	Mode	Status	Capacity (Units/Year)
BYD	Thailand (Rayong)	Full-Process	Jul 2024 (Operational)	150k
	Uzbekistan	Joint Venture	Jun 2024 (Operational)	50k
	Brazil	Full-Process	2025	Phase I: 150k
	Hungary	Full-Process	2026 (Est)	150k – 300k
	Indonesia	Full-Process	2026 (Est)	150k
SAIC (MG)	Thailand / India	Full-Process	Operational	200k+ (Combined)
	Pakistan / Egypt	CKD Assembly	2026 (Est)	50k+
	Europe (TBD)	Full-Process	TBD	TBD
GWM	Rayong, Thailand	Full-Process	Jun 2021 (Operational)	80k
	Tula, Russia	Full-Process	Jun 2019 (Operational)	80k – 150k
	Brazil	Full-Process	Aug 2025 (Operational)	Phase I: 100k
	Promoting KD (Knock-Down) plant projects in 10 countries, including Malaysia, Indonesia, Vietnam, Pakistan, Tunisia, and Ecuador.			
Leapmotor	Spain	KD, Stellantis JV	4Q26 (Expected)	
XPeng	Indonesia/Malaysia	KD	2026 (Expected)	Small-scale
	Austria (Magna)	OEM (Magna)	Operational	Tens of thousands
Chery	Malaysia	Full-Process	Operational (expanding)	Total 150-200k (by 2027E)
	Thailand	Joint Venture	Operational	50k
	Spain	Joint Venture	Operational (expanding)	Total 200k (by 2027E)
	Brazil	Joint Venture & Contract	Operational (expanding)	Total 100k (by 2027E)
	Vietnam	Joint Venture	2027 (Est)	30k
	Indonesia	Assembly	Operational	100k

Source: Company FY25 annual reports, J.P. Morgan.

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Figure 1: Key Chinese brands' Nev market share in Europe



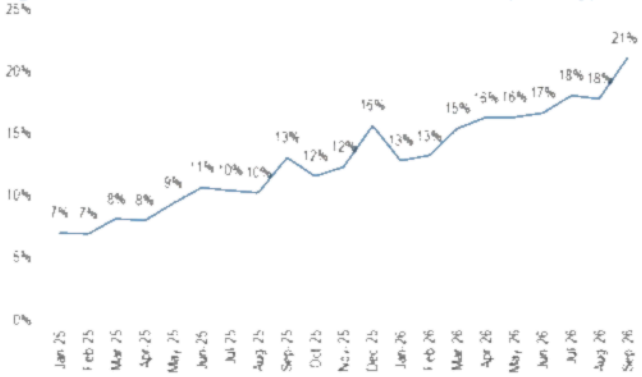
Source: JATO Dynamics, Bloomberg Finance L.P., J.P. Morgan calculations. Note: Europe in this chart represents Western and Eastern Europe, not including Russia. YTD26=9M26.

Figure 2: Chinese brands' NEV market share in Europe



Source: JATO Dynamics, Bloomberg Finance L.P., J.P. Morgan calculations. Note: Europe in this chart represents Western and Eastern Europe, not including Russia. YTD26=9M26.

Figure 3: Chinese Brands PV NEV market share in UK (monthly)



Source: JATO Dynamics, Bloomberg Finance L.P., J.P. Morgan calculations. YTD26=9M26.

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Table 4: Key Chinese and non-Chinese brands' monthly NEV market share in Europe (9M26)

Key Chinese brands market share	Sep-26	Aug-26	Jul-26	Jun-26	May-26	Apr-26	Mar-26	Feb-26	Jan-26
BYD	8.6%	7.5%	8.1%	7.6%	8.3%	7.6%	7.5%	6.2%	6.3%
LEAPMOTOR	2.5%	2.3%	2.3%	2.5%	2.6%	2.4%	2.2%	3.0%	1.5%
MG	3.2%	2.4%	2.7%	2.3%	2.2%	2.2%	1.7%	1.4%	1.4%
LAECOO	2.5%	1.6%	1.7%	1.5%	1.6%	1.5%	2.3%	1.2%	1.7%
OMODA	1.4%	1.1%	1.2%	0.9%	1.1%	1.1%	1.1%	1.0%	0.8%
POLESTAR	0.9%	0.6%	0.6%	1.3%	0.9%	0.9%	1.0%	0.8%	1.0%
XPENG	0.9%	1.4%	1.3%	0.9%	1.0%	0.9%	0.6%	0.8%	0.6%
CHERY	1.4%	0.7%	0.7%	0.7%	0.8%	0.8%	0.7%	0.6%	0.7%
GEELY	1.8%	1.0%	1.1%	0.7%	0.6%	0.7%	0.4%	0.1%	0.2%
SMART	0.4%	0.4%	0.5%	0.4%	0.5%	0.5%	0.3%	0.3%	0.3%
CR5	18.6%	15.2%	16.1%	15.2%	15.8%	14.8%	14.9%	12.9%	11.8%

Regional brand market share	Sep-26	Aug-26	Jul-26	Jun-26	May-26	Apr-26	Mar-26	Feb-26	Jan-26
Europe	47.0%	56.7%	59.4%	53.9%	56.8%	61.4%	55.6%	61.6%	64.6%
China	25.1%	20.4%	21.5%	20.0%	20.6%	19.6%	18.9%	16.4%	15.3%
United States	14.6%	8.5%	5.3%	13.8%	10.3%	6.8%	14.5%	10.5%	7.2%
South Korea	6.9%	7.9%	7.9%	6.8%	6.8%	7.3%	6.1%	6.5%	7.6%
Japan	6.3%	6.5%	5.9%	5.3%	5.4%	4.9%	5.0%	5.1%	5.2%

Key non-Chinese brands market share	Sep-26	Aug-26	Jul-26	Jun-26	May-26	Apr-26	Mar-26	Feb-26	Jan-26
VOLKSWAGEN	6.4%	8.2%	9.0%	7.1%	8.9%	9.8%	8.2%	9.6%	9.9%
BMW	5.1%	7.9%	7.8%	7.4%	7.2%	7.8%	7.6%	7.3%	7.5%
TESLA	11.8%	4.6%	1.3%	10.4%	7.2%	2.8%	10.5%	6.1%	2.8%
MERCEDES	5.3%	6.7%	6.5%	5.4%	5.7%	6.7%	5.6%	6.3%	6.5%
AUDI	4.7%	5.4%	5.7%	5.4%	5.8%	6.5%	5.9%	6.2%	6.7%
SKODA	4.7%	5.6%	5.4%	4.5%	5.5%	6.1%	5.2%	6.2%	6.0%
RENAULT	4.5%	4.7%	5.6%	5.1%	4.7%	4.7%	4.0%	4.4%	5.2%
PEUGEOT / CITROEN	4.0%	4.4%	4.4%	3.9%	4.3%	4.9%	4.5%	6.0%	6.3%
VOLVO	3.6%	3.5%	4.0%	4.4%	4.5%	4.3%	4.0%	4.8%	4.5%
KIA	4.3%	5.2%	4.6%	3.8%	3.9%	4.0%	3.3%	3.2%	3.9%
FORD	2.6%	3.5%	3.6%	3.1%	2.8%	3.6%	3.7%	3.8%	3.8%
CUPRA	2.5%	3.2%	3.4%	3.1%	3.0%	3.2%	3.1%	2.7%	3.0%
HYUNDAI	2.6%	2.7%	3.1%	2.9%	2.7%	3.2%	2.7%	3.2%	3.7%
TOYOTA	3.1%	3.5%	3.3%	2.9%	3.0%	2.8%	2.2%	2.8%	2.9%
MAZDA	0.9%	0.8%	0.4%	0.6%	0.5%	0.5%	0.8%	0.7%	0.7%
NISSAN	0.7%	0.7%	0.8%	0.5%	0.5%	0.5%	0.5%	0.5%	0.4%
HONDA	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.4%	0.1%	0.1%
CR5	33.3%	33.9%	34.5%	35.6%	34.7%	36.9%	37.6%	35.6%	36.9%

Source: Bloomberg Finance L.P., JATO Dynamics (registration data). NEV includes BEV, PHEV and HEV.

2) Who benefits: Europe, Japan, Korea (and under what conditions)

- **Europe-based OEMs and suppliers**

Jose Asumendi (our head of global auto research and EU auto analyst) believes that restricting China hybrid imports should reinforce European pricing power and provide modest market-share support for large European OEMs (VW, Stellantis, Renault), with a positive read-through to suppliers and a rebound in the SXAP into year end (click here).

- **Japan OEMs**

Akira Kishimoto (head of Japan auto research) believes that if China-to-EU (P)HEV exports are limited to ~350k units/year, Japanese automakers' HEV sales in Europe could benefit, but he also flags the risk of competition intensifying in export destinations outside Europe if displaced China volume re-routes to other overseas markets.

- **Korea OEMs**

For Korean OEMs, we believe they could also benefit from the EU's policy on Chinese PHEV imports. At the same time, Korean OEMs have limited presence in Southeast Asia, hence they should not see rising competition from Chinese OEMs in those markets.

3) "Made in Europe" / Industrial Accelerator Act (IAA): incentives become the second lever

- **Proposed eligibility thresholds (draft)**

Jose Asumendi thinks "Made in Europe car" requirements would start in 2028 (depending on how fast European parliament approves the package): vehicles eligible for public-purchase support or procurement would need to be assembled in Europe with at least 70% of total value created in components excluding the battery, plus battery localization requirements (including cells) for a portion of batteries in the longer term. The draft proposal still requires approval by other member states and the EU Parliament to become law.

- **UK treatment and "trusted partner" implications for Japan/Korea**

Akira Kishimoto notes that Germany and France recognize the Industrial Accelerator Act (IAA) could conditionally include the UK in preferential policies for "Made in EU" vehicles, subject to the UK introducing countervailing duties; if UK-made vehicles also qualify, he expects potential benefits for Toyota and Nissan due to UK manufacturing/development bases.

Separately, we shall also monitor the development on whether Japan/Korea will be classified as a "trusted partner" by EU – which is still under negotiation and potentially influenced by Europe's political cycle in 2027 (relevant news here).

4) What to watch next (policy design details that will drive earnings outcomes)

The key open items related to EU's latest policy on PHEV/HEV imports are primarily about *mechanics, scope, and allocation*, rather than the direction of travel. Specifically:

- Treatment of **other exporting countries** (Japan, Korea, ASEAN): what caps apply vs. China's 350,000 units

- **Quota allocation across Chinese OEMs** e.g. based on the latest EU sales-based allocation vs. alternative criteria such as a bidding system. So far we have not seen official discussion on this from the Chinese govt.

- Of note is that the **EU's anti-circumvent clause** will prevent potential "work-around" by Chinese OEMs trying to bypass the volume cap through exporting from other overseas plants outside China.

5) China export VAT rebate reduction: mechanism and earnings sensitivity

Besides EU policy, a VAT export rebate reduction on NEVs from the current 13% to 9% from April-27 could present another earnings headwind for OEMs- especially those with high NEV export exposure, e.g. BYD and Leapmotor as both companies' exports are all NEVs while others have a high proportion of exports of ICE/HEV vehicles- e.g. Great Wall (~80%), Chery (~65%) and Geely (~40%).

In our recent note (click here, "Another hit to bottom line in 2027"), we find potential higher impact (else qual) on BYD, followed by Leapmotor, then Geely, Great Wall and Chery Auto. In our earnings revisions across OEMs today, we incorporate such impact into our formal forecasts.

Stagnant domestic PV demand- another headwind into 2027

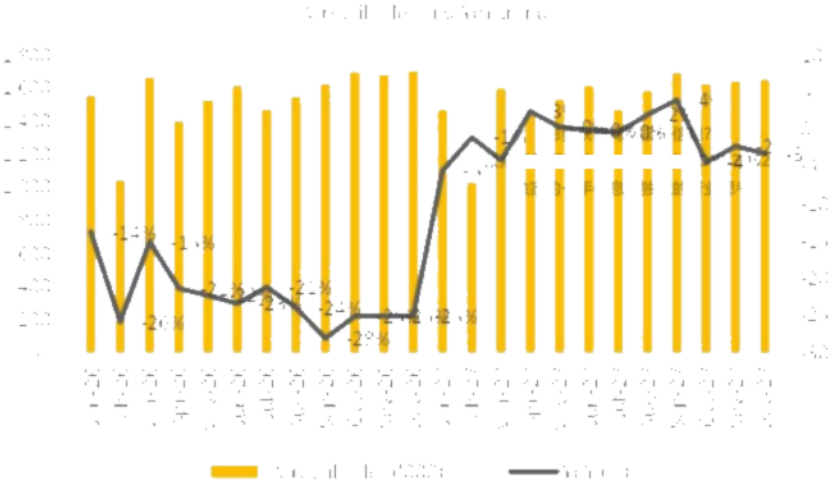
YTD, retail PV demand is down 22%, according to CPCA (China Passenger Car Association). With this run rate and 4Q26 likely to slip by ~25% YoY (similar to September's 28% yoy slippage), we believe full year 2026 will end up at a ~23% annual decline- marking the worst annual performance in China auto's history.

For 2027, our base case is domestic PV demand will be flat (blue-sky scenario if subsidy or stimulus package continues) to a ~5% decline (if no subsidy support). In either case, we believe domestic PV demand will likely stay stagnant at around 18.5mn units or so in the next 1-2 years.

Of note is that **YTD sales slippage in the auto market is happening across tier-1 and lower tier cities**. This contrasts with the past where tier-2/ 3 cities generally saw relative strength due to a lower base, no purchase restriction alike tier-1 cities and willingness to upgrade from two-wheelers to four-wheelers. This is not the case this year. Similarly, our recent store visit in Shanghai suggested that the **govt's subsidy budget so far remains available and is not consumed yet.** This contrasts with last year when the subsidy budget was largely exhausted by Oct, hence many OEMs had to top up the difference in order to persuade buyers to place orders. We believe this suggests an important message- **despite the gov't providing cash incentives to buyers, there is no strong willingness to spend on big-ticket items including cars** in this case.

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Figure 4: China PV retail demand and YoY growth analysis



Source: CPCA, J.P. Morgan estimates.

Table 5: China auto sales forecast

Sales Unit ('000)	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E
Sedan	11,528	10,308	9,275	9,934	11,116	11,490	11,517	12,424	9,566	9,184
MPV	1,735	1,384	1,054	1,055	937	1,102	1,050	1,213	1,079	1,079
SUV	9,995	9,353	9,461	10,101	11,187	13,206	14,722	16,123	17,574	17,715
Crossover	453	400	388	391	323	265	274	343	264	251
Total PV	**23,710**	**21,444**	**20,178**	**21,481**	**23,563**	**26,063**	**27,563**	**30,103**	**28,484**	**28,229**
(yoy % change)	*-4%*	*-10%*	*-6%*	*6%*	*10%*	*11%*	*6%*	*9%*	*-5%*	*-1%*
PV Export	758	725	760	1,603	2,527	4,140	4,955	6,038	9,697	11,636
(yoy % change)	*19%*	*-4%*	*5%*	*111%*	*58%*	*64%*	*20%*	*22%*	61%	20%
PV Import	1,120	1,119	1,000	939	769	767	686	470	418	405
(yoy % change)	*-1%*	*0%*	*-11%*	*-6%*	*-18%*	*0%*	*-11%*	*-25%*	-11%	-3%
Total PV retail sales	**22,745**	**21,016**	**19,598**	**20,397**	**20,809**	**21,937**	**23,098**	**23,995**	**18,956**	**18,008**
(yoy % change)	*-5%*	*-8%*	*-7%*	*4%*	*2%*	*5%*	*5%*	*4%*	*-21%*	*-5%*
Bus	450	444	430	489	398	483	503	565	604	616
Truck	2,871	2,720	3,140	2,972	2,324	2,786	2,594	2,786	2,925	2,983
Tractor	483	565	835	677	299	504	468	591	757	772
Bus chassis	35	30	18	16	10	8	8	9	10	10
Truck chassis	532	565	710	639	270	249	300	346	318	321
Total CV	**4,371**	**4,324**	**5,133**	**4,793**	**3,300**	**4,031**	**3,873**	**4,296**	**4,614**	**4,703**
(yoy % change)	*5%*	*-1%*	*19%*	*-7%*	*-31%*	*22%*	*-4%*	*11%*	*7%*	*2%*
CV Export	283	299	235	402	581	770	904	1,060	1,272	1,425
(yoy % change)	*12%*	*6%*	*-21%*	*71%*	*45%*	*33%*	*17%*	*17%*	20%	12%
CV Import	15	16	18	6	13	17	18	10	11	12
(yoy % change)	*52%*	*11%*	*11%*	*-64%*	*103%*	*26%*	*10%*	*-43%*	7%	7%
Total domestic CV wholesales	**4,103**	**4,042**	**4,917**	**4,397**	**2,733**	**3,277**	**2,987**	**3,247**	**3,353**	**3,290**
(yoy % change)	*5%*	*-1%*	*22%*	*-11%*	*-38%*	*20%*	*-9%*	*9%*	*3%*	*-2%*
Total vehicles	**28,081**	**25,769**	**25,311**	**26,274**	**26,864**	**30,094**	**31,436**	**34,400**	**33,098**	**32,932**
(yoy % change)	*-3%*	*-8%*	*-2%*	*4%*	*2%*	*12%*	*4%*	*9%*	*-4%*	*-1%*
Total Export	1,041.00	1,024.00	995.00	2,005	3,108	4,910	5,859	7,098	10,969	13,061
(yoy % change)	*17%*	*-2%*	*-3%*	*102%*	*55%*	*58%*	*19%*	*21%*	*55%*	*19%*
Total Import	1,135.02	1,135.39	1,018.46	945.02	782.43	784	704	480.00	*429.06*	*417.30*
(yoy % change)	*-1%*	*0%*	*-10%*	*-7%*	*-17%*	*0%*	*-10%*	*-32%*	*-11%*	*-3%*
Total domestic auto sales (PV+CV)	**28,175**	**25,880**	**25,335**	**25,214**	**24,538**	**25,967**	**26,281**	**27,782**	**22,558**	**20,288**
(yoy % change)	*-3%*	*-8%*	*-2%*	*0%*	*-3%*	*6%*	*1%*	*6%*	*-19%*	*-10%*

Source: CAAM, CPCA, J.P. Morgan estimates as of close of Sep 29, 2026.

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3Q26 preview and earnings revisions for 2027

We are lowering our earnings assumptions for most OEMs to reflect our cautious sector stance- within which we had discussed earnings sensitivity in recent notes including VAT rebate impact (click here) and the EU's PHEV policy (click here). We also provide our preview of 3Q26 earnings in this report.

Table 6: China Auto- Key OEMs 3Q26 earnings expectations vs. consensus

Company	3Q26 estimate- JPMe (RMB)	Bloomberg consensus (RMB, in most cases, limited numbers so it may not be truly indicative of investor's anticipation)	Buy side expectation based on our discussions with investors (RMB)	Meet or Miss based on our forecast	Result date
BYD	10.5bn	12.1bn	~10-11bn	Meet with Buy side forecast	Oct 29
Geely	4.9bn	5.2bn	~5.2bn	Miss	Oct 29
Great Wall	1.4bn	2.2bn	~1.5-1.6bn	Miss	Oct 30
Chery Auto	5.3bn	4.2bn	~5-5.5bn	Meet with Buy side forecast	Oct 30
Leapmotor	~0.5bn	1.1bn	Above Rmb600mn	Miss	Around Nov 16 (TBC)
Li Auto	Vehicle GPM 11.2%; Non-GAAP loss Rmb1.0bn	Vehicle GPM 13.2%; Non-GAAP lossRmb650mn	NA	Miss	Around Nov 27 (TBC)
NIO	Vehicle GPM 17.7%; Non-GAAP just above breakeven	Vehicle GPM 18.7%, Non-GAAP profit Rmb63mn	NA	Miss on GPM, Meet on bottom line	Around Nov 25 (TBC)
XPeng	Vehicle GPM 13.2%; Non-GAAP loss Rmb830mn	Vehicle GPM 12.5%; Non-GAAP loss Rmb1.1bn	NA	Beat on GPM and bottom line	Around Nov 17 (TBC)

Source: J.P. Morgan estimates, Bloomberg Finance L.P.

Following our preview and revisions, we are taking action on each of the companies that follow:

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J.P.Morgan

BYD Company Limited - A

▼ Underweight
Previous: Neutral

002594.SZ,002594 CH
Price (23 Oct 26): Rmb81.42

▼ Price Target (Jun-27): Rmb65.00
Prior (Jun-27): Rmb88.00

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 27E (Rmb)	5.54	4.98	-10.1%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	39	42	40	59	83
Growth	39	46	14	7	66
Momentum	57	84	93	20	12
Quality	36	42	31	45	80
Low Vol	28	38	39	37	82

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Downgrade to UW

We forecast BYD's 3Q26 earnings at ~Rmb10.5bn, up 27% QoQ from Rmb8.2bn in 2Q26, thanks to solid volume growth and export strength during the quarter. We expect a meaningful level of FX loss (potentially ~Rmb2bn or so) due to a strong CNY vs. other currencies- a repeated trend we saw in 1H26 across several OEMs who have high export exposure.

BYD will report 3Q26 results on Oct 29 where mgmt will host an investor call in the evening. We look forward to hearing mgmt's comment on the company's strategy to mitigate domestic and overseas challenges. We believe BYD will focus on

- Product premiumization in particular in overseas markets after recent success at the Paris Auto Show (click here for Jose Asumendi's note).
- Product mix improvement in the domestic market through flash-charging solutions
- Optimizing or adjusting incentive schemes with overseas dealers
- Passing some of the cost pressure on to component suppliers

As a precaution and to reflect our conservative sector view, we trim our 2027 earnings estimate for BYD by 10% to Rmb45bn (vs. consensus Rmb50bn). We believe our revision is prudent. Depending on BYD's execution and delivery against headwinds, we will review our thesis and assumptions in the coming months. Following our revision, BYD-A is trading at ~16x 2027 PER - a level with possible downward pressure in our view.

In the near term, we believe Chinese OEMs including BYD may plan to ship more cars to overseas markets before the export VAT rebate reduction date on April-27. This short-term move could support volume and earnings in the short term.

We downgrade BYD-A to Underweight. Our June-27 PT is Rmb65 (previously Rmb88), based on 13x 2027 PER. **For the A-share, our downgrade today is a combination of 1) a more cautious sector view, 2) our earnings downgrade and 3) valuation call (more conservative PER multiple)**. BYD-A share is trading at 16x 2027 PER on our revised estimate which we believe is not sustainable. On a comparative basis, CATL-H (covered by Rebecca Wen) is currently trading at 14.9x 2027 PER and CATL-A at 11.4x 2027 PER. We believe BYD-A will see valuation pressure along with sector de-rating and earnings downgrade risk- we hence believe ~13x 2027 PER is prudent, which remains ~20% premium over our target for BYD-H (11x 2027 PER).

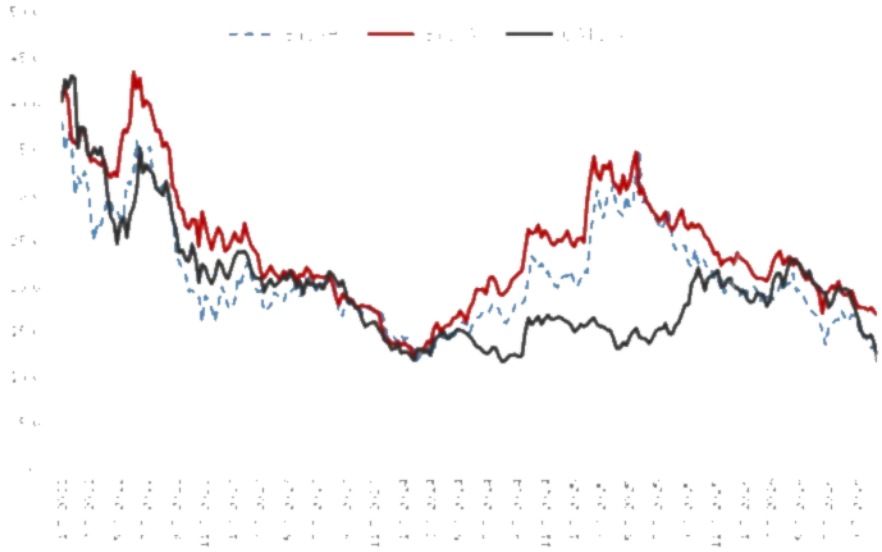
When examining BYD-H/A historical PER band and comparing with CATL-A (the largest battery maker in China), we notice a meaningful level of correlation of 75% between BYD-H and CATL-A or BYD-A and CATL-A since 2025 when underlying industry dynamics and drivers were very similar- including NEV business in China and international markets as well as rising ESS (energy storage system) where BYD is a top player at system level in this particular business, after CATL. As shown in the following chart, both BYD-H and CATL-A have experienced share price

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correction and valuation contraction since end-July: CATL-A slipped from ~20x forward PER in end-July to the current 11-12x while BYD-H also dropped from ~16x to the current ~12x. At the same time, valuation contraction of BYD-A has not been as substantial, from ~20x to now ~16x in the same period. We believe anticipated earnings downside risk and geopolitical uncertainty should together pressure BYD-A's valuation, hence our downgrade call.

Upside risk for BYD-A share includes sustainability of its valuation premium over BYD-H as well as CATL (either A or H). Better profitability and sales delivery in domestic and overseas markets would also drive share price or valuation upside.

Figure 5: One-year forward PER analysis: BYD-H, BYD-A and CATL-A



Source: J.P. Morgan estimates, Bloomberg Finance L.P.

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J.P.Morgan

Price Performance



— 002594.SZ Price (Rmb) SSEA (rebased)

	YTD	1m	3m	12m
Abs	-16.7%	-5.2%	-12.1%	-21.5%
Rel	-9.7%	1.1%	-7.3%	-15.6%

Company Data

Shares O/S (mn)	8,184
52-week range (Rmb)	111.82-77.60
Market cap ($ mn)	99,906
Exchange rate	6.67
Free float (%)	40.6%
3M ADV (mn)	29.27
3M ADV ($ mn)	387.7
Volatility (90 Day)	30
Index	SHASHR
BBG ANR (Buy | Hold | Sell)	41|3|0

Key Metrics (FYE Dec)

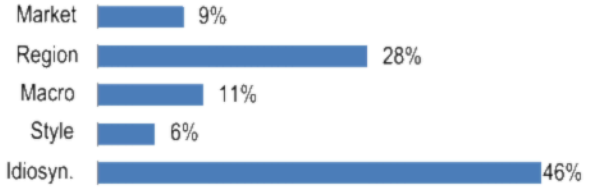
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	803,965	867,045	969,608	1,039,541
Adj. EBIT	39,104	52,768	55,904	67,236
Adj. EBITDA	119,629	130,910	133,005	143,479
Adj. net income	37,039	42,771	44,959	54,006
Adj. EPS	4.10	4.74	4.98	5.98
BBG EPS	4.00	4.24	5.62	6.74
Cashflow from operations	59,136	254,532	135,848	232,865
FCFF	(97,672)	182,532	63,848	160,865
Margins and Growth				
Revenue Growth Y/Y (%)	3.5%	7.8%	11.8%	7.2%
EBIT margin	4.9%	6.1%	5.8%	6.5%
EBIT Growth Y/Y (%)	(23.2%)	34.9%	5.9%	20.3%
EBITDA margin	14.9%	15.1%	13.7%	13.8%
EBITDA Growth Y/Y (%)	1.6%	9.4%	1.6%	7.9%
Net margin	4.6%	4.9%	4.6%	5.2%
Adj. EPS growth	(19.8%)	15.5%	5.1%	20.1%
Ratios				
Adj. tax rate	13.6%	15.2%	15.3%	15.4%
Interest cover	-	-	-	-
Net debt/Equity	0.1	NM	NM	NM
Net debt/EBITDA	0.3	NM	NM	NM
ROE	17.2%	16.2%	14.9%	15.6%
Valuation				
FCFF yield	(13.3%)	24.8%	8.7%	21.9%
Dividend yield	1.6%	0.4%	0.5%	0.6%
EV/Revenue	0.3	0.1	NM	NM
EV/EBITDA	2.0	0.4	NM	NM
Adj. P/E	19.8	17.2	16.3	13.6

Summary Investment Thesis and Valuation

We are Underweight on BYD-A, reflecting our longer-term cautious stance on the sector, including domestic demand, pricing, competition and overseas policy headwinds. Fundamentally, we believe BYD is best positioned among Chinese brands to weather the challenges. However, we see further earnings downside risk from stagnant domestic demand, input-cost inflation and overseas policy headwinds. Our downgrade reflects a combination of our cautious sector view, lower earnings forecasts and valuation concerns.

We set a Jun-27 PT for BYD-A at Rmb65, based on 13x 2027E P/E. Our PT reflects lower earnings forecasts and a more conservative target multiple, given slower earnings growth, downside earnings risk and geopolitical uncertainties that could cap valuation upside. Our target multiple retains an ~20% premium to BYD-H's 11x 2027E target P/E.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.12	0.29
Region: Hong Kong	0.58	0.56
Macro:		
JPM Global Equity Sentiment	0.44	0.38
JP Morgan GBI-EM Global Div	0.10	0.34
JPM EM Currency(EMCI) Fixing	0.09	0.33
Quant Styles:		
Size	-0.60	-0.39
Growth	-0.55	-0.33
DivYld	0.56	0.29

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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Table 7: Earnings revisions

	2026E			2027E		
RMBmn	Revised	Previous	Chang	Revised	Previous	Chang
Revenue	867,045	867,045	0%	969,608	989,833	-2%
Sales growth (%)	8%	8%		12%	14%	
COGS	711,541	711,541	0%	791,485	800,681	-1%
Gross profit	155,503	155,503	0%	178,123	189,151	-6%
Gross margin (%)	18%	18%		18.4%	19.1%	
Operating profit	50,668	50,668	0%	54,404	60,478	-10%
Operating margin (%)	6%	6%		5.6%	6.1%	
Pre-tax profit	48,068	48,068	0%	55,904	61,978	-10%
Tax rate	17%	17%		15%	15%	
Net profit	38,071	38,071	0%	44,959	50,000	-10%
Net margin (%)	4%	4%		4.6%	5.1%	
Net profit growth (%)	17%	17%		18%	31%	
EPS (basic)	4.2	4.2	0%	5.0	5.5	-10%

Source: J.P. Morgan estimates

Investment Thesis, Valuation and Risks

BYD Company Limited - A *(Underweight: Price Target: Rmb65.00)*

Investment Thesis

We are Underweight on BYD-A, reflecting our longer-term cautious stance on the sector, including domestic demand, pricing, competition and overseas policy headwinds. Fundamentally, we believe BYD is best positioned among Chinese brands to weather the challenges. However, we see further earnings downside risk from stagnant domestic demand, input-cost inflation and overseas policy headwinds. Our downgrade reflects a combination of our cautious sector view, lower earnings forecasts and valuation concerns.

Valuation

We set a Jun-27 PT for BYD-A at Rmb65, based on 13x 2027E P/E. Our PT reflects lower earnings forecasts and a more conservative target multiple, given slower earnings growth, downside earnings risk and geopolitical uncertainties that could cap valuation upside. Our target multiple retains an ~20% premium to BYD-H's 11x 2027E target P/E.

Risks to Rating and Price Target

Upside risks to our rating and price target include better-than-expected profitability and sales delivery in domestic and overseas markets, unexpected policy stimulus.

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J.P.Morgan

BYD Company Limited - A: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**777,102**	**803,965**	**867,045**	**969,608**	**1,039,541**
COGS	(626,047)	(661,305)	(711,541)	(791,485)	(843,284)
Gross profit	**151,056**	**142,660**	**155,503**	**178,123**	**196,258**
SG&A	(42,730)	(46,385)	(50,677)	(56,176)	(58,537)
Adj. EBITDA	**117,803**	**119,629**	**130,910**	**133,005**	**143,479**
D&A	(66,906)	(80,526)	(78,142)	(77,101)	(76,243)
Adj. EBIT	**50,897**	**39,104**	**52,768**	**55,904**	**67,236**
Net Interest	0	0	0	0	0
Adj. PBT	**54,029**	**44,174**	**52,768**	**55,904**	**67,236**
Tax	(8,093)	(5,992)	(8,018)	(8,547)	(10,348)
Minority Interest	(1,334)	(1,142)	(1,979)	(2,398)	(2,882)
Adj. Net Income	**44,603**	**37,039**	**42,771**	**44,959**	**54,006**
Reported EPS (Basic)	5.11	4.10	4.74	4.98	5.98
Adj. EPS	**5.11**	**4.10**	**4.74**	**4.98**	**5.98**
DPS	**1.03**	**1.32**	**0.36**	**0.42**	**0.50**
Payout ratio	20.2%	32.3%	7.6%	8.5%	8.3%
Shares outstanding	8,721	9,026	9,026	9,026	9,026

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	102,739	75,425	254,725	314,766	471,135
Accounts receivable	62,299	37,005	47,409	59,730	64,928
Inventories	116,036	138,421	95,511	143,019	88,018
Other current assets	89,498	120,618	120,618	120,618	120,618
Current assets	**370,572**	**371,468**	**518,262**	**638,133**	**744,698**
PP&E	262,307	292,776	290,909	289,452	288,314
LT investments	-	-	-	-	-
Other non current assets	150,476	219,486	217,311	215,168	213,562
Total assets	**783,356**	**883,730**	**1,026,483**	**1,142,752**	**1,246,574**
Short term borrowings	22,326	44,797	54,634	61,800	67,021
Payables	244,027	209,206	315,141	387,860	439,291
Other short term liabilities	229,632	214,448	214,448	214,448	214,448
Current liabilities	**495,985**	**468,451**	**584,224**	**664,109**	**720,760**
Long-term debt	8,258	65,703	55,866	48,700	43,479
Other long term liabilities	80,425	91,036	91,036	91,036	91,036
Total liabilities	**584,668**	**625,191**	**731,126**	**803,845**	**855,276**
Shareholders' equity	185,251	246,275	281,114	322,266	371,776
Minority interests	13,437	12,265	14,243	16,641	19,523
Total liabilities & equity	**783,356**	**883,730**	**1,026,483**	**1,142,752**	**1,246,574**
BVPS	**21.24**	**27.28**	**31.14**	**35.70**	**41.19**
y/y Growth	*33.5%*	*28.4%*	*14.1%*	*14.6%*	*15.4%*
Net debt/(cash)	(72,155)	35,075	(144,225)	(204,266)	(360,635)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**133,454**	**59,136**	**254,532**	**135,848**	**232,865**
o/w Depreciation & amortization	66,906	80,526	78,142	77,101	76,243
o/w Changes in working capital	(272)	(75,327)	138,441	12,890	101,234
Cash flow from investing activities	**(129,082)**	**(197,463)**	**(72,000)**	**(72,000)**	**(72,000)**
o/w Capital expenditure	(97,360)	(156,808)	(72,000)	(72,000)	(72,000)
as % of sales	*12.5%*	*19.5%*	*8.3%*	*7.4%*	*6.9%*
Cash flow from financing activities	**(10,268)**	**104,614**	**(3,231)**	**(3,807)**	**(4,496)**
o/w Dividends paid	(9,003)	(34,668)	(3,231)	(3,807)	(4,496)
o/w Shares issued/(repurchased)	98	40,222	0	0	0
o/w Net debt issued/(repaid)	(12,440)	64,786	0	0	0
Net change in cash	**(5,896)**	**(33,714)**	**179,300**	**60,041**	**156,369**
Adj. Free cash flow to firm	**36,094**	**(97,672)**	**182,532**	**63,848**	**160,865**
y/y Growth	*(24.2%)*	*(370.6%)*	*(286.9%)*	*(65.0%)*	*151.9%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	19.4%	17.7%	17.9%	18.4%	18.9%
EBITDA margin	15.2%	14.9%	15.1%	13.7%	13.8%
EBIT margin	6.5%	4.9%	6.1%	5.8%	6.5%
Net profit margin	5.7%	4.6%	4.9%	4.6%	5.2%
ROE	27.5%	17.2%	16.2%	14.9%	15.6%
ROA	6.1%	4.4%	4.5%	4.1%	4.5%
ROCE	22.0%	11.8%	12.0%	11.5%	12.4%
SG&A/Sales	5.5%	5.8%	5.8%	5.8%	5.6%
Net debt/Equity	NM	0.1	NM	NM	NM
Net debt/EBITDA	NM	0.3	NM	NM	NM
Sales/Assets (x)	1.1	1.0	0.9	0.9	0.9
Assets/Equity (x)	4.5	3.9	3.6	3.6	3.4
Interest cover (x)	-	-	-	-	-
Operating leverage	145.4%	(670.3%)	445.4%	50.3%	281.0%
Tax rate	15.0%	13.6%	15.2%	15.3%	15.4%
Revenue y/y Growth	29.0%	3.5%	7.8%	11.8%	7.2%
EBITDA y/y Growth	49.0%	1.6%	9.4%	1.6%	7.9%
EPS y/y Growth	48.2%	(19.8%)	15.5%	5.1%	20.1%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	15.9	19.8	17.2	16.3	13.6
P/BV (x)	3.8	3.0	2.6	2.3	2.0
EV/EBITDA (x)	1.1	2.0	0.4	NM	NM
Dividend Yield	1.3%	1.6%	0.4%	0.5%	0.6%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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BYD Company Limited - H

Neutral

1211.HK,1211 HK
Price (23 Oct 26): HK$71.60

▼ **Price Target (Jun-27): HK$60.00**
Prior (Jun-27): HK$88.00

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 27E (Rmb)	5.54	4.98	-10.1%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	25	38	37	55	81
Growth	47	51	17	11	66
Momentum	72	81	95	8	15
Quality	40	46	32	54	81
Low Vol	53	66	60	69	93
ESGQ	1	1	19	2	9

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Stay Neutral

We forecast BYD's 3Q26 earnings at ~Rmb10.5bn, up 27% QoQ from Rmb8.2bn in 2Q26, thanks to solid volume growth and export strength during the quarter. We expect a meaningful level of FX loss (potentially ~Rmb2bn or so) due to strong CNY vs. other currencies- a repeated trend we had seen in 1H26 across several OEMs who have high export exposure.

BYD will report 3Q26 results on Oct 29 where mgmt will host investor call in the evening. We look to hear mgmt comment on the company's strategy to mitigate domestic and overseas challenges. We believe BYD will focus on

- Product premiumization in particular in overseas market after recent success at Paris Auto Show (click here for Jose Asumendi's note).
- Product mix improvement in domestic market through flash-charging solution
- Optimizing or adjusting incentive scheme with overseas dealers
- Passing some of the cost pressure to component suppliers

As a precaution and to reflect our conservative sector view, we trim our 2027 earnings estimate for BYD to Rmb45bn (vs. consensus Rmb50bn). We believe our revision is prudent. Depending on BYD's execution and delivery against the headwinds, we will review our thesis and assumptions in coming months. Following our revision, BYD-H is trading at ~13x 2027 PER- a level with possible downward pressure in our view.

In the near term, we believe Chinese OEMs including BYD may plan to ship more cars to overseas market before export VAT rebate reduction date on April-27. This short-term move could support volume and earnings in the short term.

We remain Neutral on BYD-H. Our June-27 PT is HK$60 (previously HK$88), based on 11x 2027 PER. Our revised PT reflects 1) our earnings revision and 2) a more conservative PER multiple. For the H share, we previously assigned 14-15x PER, which was lower end BYD's historical trading band. Now that we believe BYD's earnings growth will slow significantly with possible earnings risk on the downside while geopolitical development can further cap valuation upside, we believe a more prudent multiple of 10-11x is reasonable- which is a discount to its historical average but still a premium over Chinese peers. On a comparative basis, CATL-H (covered by Rebecca Wen) is currently trading at 14.9x 2027 PER and CATL-A at 11.4x 2027 PER. We believe BYD-A will see valuation pressure along with sector de-rating and earnings downgrade risk- we hence believe ~13x 2027 PER is prudent, which remains ~20% premium over our target for BYD-A (11x 2027 PER).

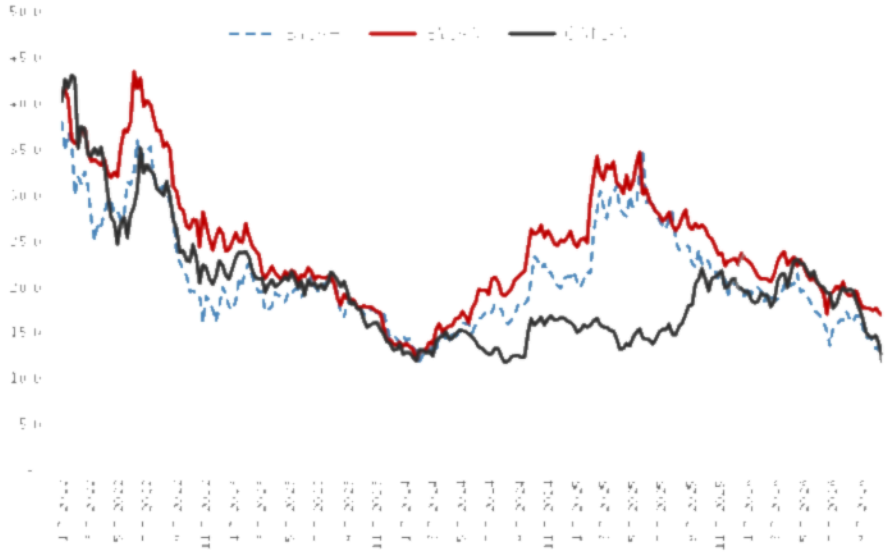
When examining BYD-H/A historical PER band and comparing with CATL-A (the largest battery maker in China), we notice a meaningful level of correlation of 75% between BYD-H and CATL-A or BYD-A and CATL-A since 2025 when underlying industry dynamics and drivers were very similar- including NEV business in China and international markets as well as rising ESS (energy storage system) where BYD

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is a top player at system level in this particular business, after CATL. As shown in the following chart, both BYD-H and CATL-A have experienced share price correction and valuation contraction since end-July: CATL-A slipped from ~20x forward PER in end-July to the current 11-12x while BYD-H also dropped from ~16x to the current ~12x. At the same time, valuation contraction of BYD-A has not been as substantial, from ~20x to now ~16x in the same period. We believe anticipated earnings downside risk and geopolitical uncertainty should together pressure BYD-A's valuation, hence our downgrade call.

Upside/downside risk for BYD-H lies in mainly the company's profitability and sales delivery in both domestic and international markets.

Figure 6: One-year forward PER analysis: BYD-H, BYD-A and CATL-A



Source: J.P. Morgan estimates, Bloomberg Finance L.P.

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Price Performance



— 1211.HK Price (HK$) HSCEI (rebased)

	YTD	1m	3m	12m
Abs	-24.9%	-10.9%	-19.2%	-31.1%
Rel	-11.9%	-4.6%	-12.1%	-14.5%

Company Data

Shares O/S (mn)	8,184
52-week range (HK$)	113.40-67.10
Market cap ($ mn)	74,722
Exchange rate	7.84
Free float (%)	99.9%
3M ADV (mn)	17.78
3M ADV ($ mn)	190.2
Volatility (90 Day)	38
Index	HSCEI
BBG ANR (Buy | Hold | Sell)	33|4|1

Key Metrics (FYE Dec)

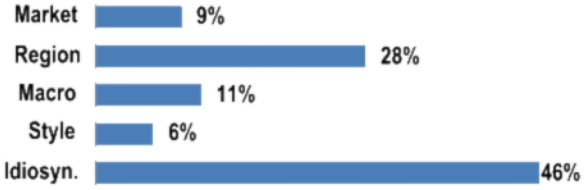
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	803,965	867,045	969,608	1,039,541
Adj. EBIT	39,104	52,768	55,904	67,236
Adj. EBITDA	119,629	130,910	133,005	143,479
Adj. net income	37,039	42,771	44,959	54,006
Adj. EPS	4.10	4.74	4.98	5.98
BBG EPS	3.98	4.27	5.50	6.59
Cashflow from operations	59,136	254,532	135,848	232,865
FCFF	(97,672)	182,532	63,848	160,865
Margins and Growth				
Revenue Growth Y/Y (%)	3.5%	7.8%	11.8%	7.2%
EBIT margin	4.9%	6.1%	5.8%	6.5%
EBIT Growth Y/Y (%)	(23.2%)	34.9%	5.9%	20.3%
EBITDA margin	14.9%	15.1%	13.7%	13.8%
EBITDA Growth Y/Y (%)	1.6%	9.4%	1.6%	7.9%
Net margin	4.6%	4.9%	4.6%	5.2%
Adj. EPS growth	(19.8%)	15.5%	5.1%	20.1%
Ratios				
Adj. tax rate	13.6%	15.2%	15.3%	15.4%
Interest cover	-	-	-	-
Net debt/Equity	0.1	NM	NM	NM
Net debt/EBITDA	0.3	NM	NM	NM
ROE	17.2%	16.2%	14.9%	15.6%
Valuation				
FCFF yield	(17.8%)	33.2%	11.6%	29.3%
Dividend yield	2.2%	0.6%	0.7%	0.8%
EV/Revenue	0.3	0.1	NM	NM
EV/EBITDA	2.0	0.4	NM	NM
Adj. P/E	14.8	12.9	12.2	10.2

Summary Investment Thesis and Valuation

We are Neutral on BYD-H, reflecting our longer-term cautious stance on the sector, including domestic demand, pricing, competition and overseas policy headwinds. Fundamentally, we believe BYD is best positioned among Chinese brands to weather the challenges. Nevertheless, stagnant domestic demand, input-cost inflation and overseas policy headwinds warrant more conservative earnings and valuation assumptions. Product premiumization, flash-charging-led domestic mix improvement and overseas localization remain key areas to monitor for mitigation of these pressures.

We set a Jun-27 PT at HK$60, based on 11x 2027E P/E. The target multiple is below BYD's historical average but retains a premium to Chinese peers, reflecting its leadership position and competitive vertical integration business model.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.12	0.29
Region: Hong Kong	0.58	0.56
Macro:		
JPM GlobalEquitySentiment	0.44	0.38
JP MorganGBI-EM GlobalDiv	0.10	0.34
JPM EM Currency(EMCI)Fixing	0.09	0.33
Quant Styles:		
Size	-0.60	-0.39
Growth	-0.55	-0.33
DivYld	0.56	0.29

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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Investment Thesis, Valuation and Risks

BYD Company Limited - H *(Neutral; Price Target: HK$60.00)*

Investment Thesis

We are Neutral on BYD-H, reflecting our longer-term cautious stance on the sector, including domestic demand, pricing, competition and overseas policy headwinds. Fundamentally, we believe BYD is best positioned among Chinese brands to weather the challenges. Nevertheless, stagnant domestic demand, input-cost inflation and overseas policy headwinds warrant more conservative earnings and valuation assumptions. Product premiumization, flash-charging-led domestic mix improvement and overseas localization remain key areas to monitor for mitigation of these pressures.

Valuation

We set a Jun-27 PT at HK$60, based on 11x 2027E P/E. The target multiple is below BYD's historical average but retains a premium to Chinese peers, reflecting its leadership position and competitive vertical integration business model.

Risks to Rating and Price Target

Downside risks to our rating and price target include worse-than-expected sales and industry competition from Chinese and foreign mass-market brands, such as Volkswagen, Geely and Great Wall Motor.

Upside risks include better-than-expected sales and unexpected policy stimulus.

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BYD Company Limited - H: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**777,102**	**803,965**	**867,045**	**969,608**	**1,039,541**
COGS	(626,047)	(661,305)	(711,541)	(791,485)	(843,284)
Gross profit	**151,056**	**142,660**	**155,503**	**178,123**	**196,258**
SG&A	(42,730)	(46,385)	(50,677)	(56,176)	(58,537)
Adj. EBITDA	**117,803**	**119,629**	**130,910**	**133,005**	**143,479**
D&A	(66,906)	(80,526)	(78,142)	(77,101)	(76,243)
Adj. EBIT	**50,897**	**39,104**	**52,768**	**55,904**	**67,236**
Net Interest	0	0	0	0	0
Adj. PBT	**54,029**	**44,174**	**52,768**	**55,904**	**67,236**
Tax	(8,093)	(5,992)	(8,018)	(8,547)	(10,348)
Minority Interest	(1,334)	(1,142)	(1,979)	(2,398)	(2,882)
Adj. Net Income	**44,603**	**37,039**	**42,771**	**44,959**	**54,006**
Reported EPS (Basic)	5.11	4.10	4.74	4.98	5.98
Adj. EPS	**5.11**	**4.10**	**4.74**	**4.98**	**5.98**
DPS	**1.03**	**1.32**	**0.36**	**0.42**	**0.50**
Payout ratio	20.2%	32.3%	7.6%	8.5%	8.3%
Shares outstanding	8,721	9,026	9,026	9,026	9,026

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	102,739	75,425	254,725	314,766	471,135
Accounts receivable	62,299	37,005	47,409	59,730	64,928
Inventories	116,036	138,421	95,511	143,019	88,018
Other current assets	89,498	120,618	120,618	120,618	120,618
Current assets	**370,572**	**371,468**	**518,262**	**638,133**	**744,698**
PP&E	262,307	292,776	290,909	289,452	288,314
LT investments	-	-	-	-	-
Other non current assets	150,476	219,486	217,311	215,168	213,562
Total assets	**783,356**	**883,730**	**1,026,483**	**1,142,752**	**1,246,574**
Short term borrowings	22,326	44,797	54,634	61,800	67,021
Payables	244,027	209,206	315,141	387,860	439,291
Other short term liabilities	229,632	214,448	214,448	214,448	214,448
Current liabilities	**495,985**	**468,451**	**584,224**	**664,109**	**720,760**
Long-term debt	8,258	65,703	55,866	48,700	43,479
Other long term liabilities	80,425	91,036	91,036	91,036	91,036
Total liabilities	**584,668**	**625,191**	**731,126**	**803,845**	**855,276**
Shareholders' equity	185,251	246,275	281,114	322,266	371,776
Minority interests	13,437	12,265	14,243	16,641	19,523
Total liabilities & equity	**783,356**	**883,730**	**1,026,483**	**1,142,752**	**1,246,574**
BVPS	**21.24**	**27.28**	**31.14**	**35.70**	**41.19**
y/y Growth	*33.5%*	*28.4%*	*14.1%*	*14.6%*	*15.4%*
Net debt/(cash)	(72,155)	35,075	(144,225)	(204,266)	(360,635)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**133,454**	**59,136**	**254,532**	**135,848**	**232,865**
o/w Depreciation & amortization	66,906	80,526	78,142	77,101	76,243
o/w Changes in working capital	(272)	(75,327)	138,441	12,890	101,234
Cash flow from investing activities	**(129,082)**	**(197,463)**	**(72,000)**	**(72,000)**	**(72,000)**
o/w Capital expenditure	(97,360)	(156,808)	(72,000)	(72,000)	(72,000)
as % of sales	*12.5%*	*19.5%*	*8.3%*	*7.4%*	*6.9%*
Cash flow from financing activities	**(10,268)**	**104,614**	**(3,231)**	**(3,807)**	**(4,496)**
o/w Dividends paid	(9,003)	(34,668)	(3,231)	(3,807)	(4,496)
o/w Shares issued/(repurchased)	98	40,222	0	0	0
o/w Net debt issued/(repaid)	(12,440)	64,786	0	0	0
Net change in cash	**(5,896)**	**(33,714)**	**179,300**	**60,041**	**156,369**
Adj. Free cash flow to firm	**36,094**	**(97,672)**	**182,532**	**63,848**	**160,865**
y/y Growth	*(24.2%)*	*(370.6%)*	*(286.9%)*	*(65.0%)*	*151.9%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	19.4%	17.7%	17.9%	18.4%	18.9%
EBITDA margin	15.2%	14.9%	15.1%	13.7%	13.8%
EBIT margin	6.5%	4.9%	6.1%	5.8%	6.5%
Net profit margin	5.7%	4.6%	4.9%	4.6%	5.2%
ROE	27.5%	17.2%	16.2%	14.9%	15.6%
ROA	6.1%	4.4%	4.5%	4.1%	4.5%
ROCE	22.0%	11.8%	12.0%	11.5%	12.4%
SG&A/Sales	5.5%	5.8%	5.8%	5.8%	5.6%
Net debt/Equity	NM	0.1	NM	NM	NM
Net debt/EBITDA	NM	0.3	NM	NM	NM
Sales/Assets (x)	1.1	1.0	0.9	0.9	0.9
Assets/Equity (x)	4.5	3.9	3.6	3.6	3.4
Interest cover (x)	-	-	-	-	-
Operating leverage	145.4%	(670.3%)	445.4%	50.3%	281.0%
Tax rate	15.0%	13.6%	15.2%	15.3%	15.4%
Revenue y/y Growth	29.0%	3.5%	7.8%	11.8%	7.2%
EBITDA y/y Growth	49.0%	1.6%	9.4%	1.6%	7.9%
EPS y/y Growth	48.2%	(19.8%)	15.5%	5.1%	20.1%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	11.9	14.8	12.9	12.2	10.2
P/BV (x)	2.9	2.2	2.0	1.7	1.5
EV/EBITDA (x)	1.1	2.0	0.4	NM	NM
Dividend Yield	1.7%	2.2%	0.6%	0.7%	0.8%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Chery Auto - H

Overweight

9973.HK,9973 HK
Price (23 Oct 26): HK$23.38

▼ **Price Target (Jun-27): HK$30.00**
Prior (Jun-27): HK$35.00

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Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	4	12	91	98	82
Growth	88	76			
Momentum	63	33			
Quality	8	3	1	1	87
Low Vol	51	52	21		

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Stay OW, Trim estimates

We forecast Chery Auto will deliver ~Rmb5.3-5.4bn profit in 3Q26, up 13% QoQ and consistent with its volume increase from 2Q26. Of note is that we believe Chery will also recognize some FX loss- likely around Rmb1.0bn or so given sharp appreciation of CNY vs. other currencies including USD and EUR. This implies Chery's core earnings would be stronger than the reported headline if excluding non-cash FX loss.

We trim our 2026 estimate moderately by ~7% but more aggressively by ~15% for 2027- mainly to reflect our reservations on the broader auto market- domestically and overseas in particular the EU where Chery has exposure.

Following our revision, Chery is trading at ~5x 2027 PER. Our June-27 PT is now HK$30 (previously HK$35) based on the same methodology of 6.5x forward PER. We believe this is reasonable and conservative considering Chery's market position despite its rapid growth in overseas market- where Chery's sales volume (~2.0mn units) would be higher than BYD's (~1.9mn) this year at the current YTD run rate. This target multiple is also lower than Geely (on adjusted earnings assuming the company expenses ~60% of R&D) and BYD (~13x for H-shr) given BYD's global leadership and vertical integration business model.

Downside risk is worse than expected profitability, competition and sales delivery in both domestic and overseas markets.

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Price Performance



— 9973.HK Price (HK$) HSI (rebased)

	YTD	1m	3m	12m
Abs	-24.2%	-8.1%	-4.1%	-27.6%
Rel	-14.3%	-1.1%	4.3%	-16.5%

Company Data

Shares O/S (mn)	2,355
52-week range (HK$)	34.06-22.50
Market cap ($ mn)	7,019
Exchange rate	7.84
Free float (%)	43.0%
3M ADV (mn)	3.08
3M ADV ($ mn)	9.9
Volatility (90 Day)	39
Index	HSI
BBG ANR (Buy | Hold | Sell)	14|0|0

Key Metrics (FYE Dec)

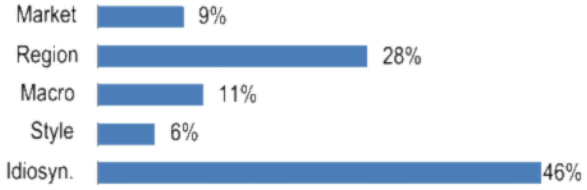
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	300,287	333,543	380,315	431,681
Adj. EBITDA	28,386	33,933	34,151	38,426
Adj. EBIT	23,964	28,426	27,726	31,052
Adj. net income	20,005	20,234	22,694	26,067
Net margin	6.7%	6.1%	6.0%	6.0%
Adj. EPS	3.60	3.64	4.09	4.70
BBG EPS	3.14	3.52	4.42	5.26
Cashflow from operations	20,130	38,930	27,491	38,991
FCFF	5,258	24,109	12,170	23,170
Margins and Growth				
Revenue Growth Y/Y (%)	11.3%	11.1%	14.0%	13.5%
EBITDA margin	9.5%	10.2%	9.0%	8.9%
EBITDA Growth Y/Y (%)	24.6%	19.5%	0.6%	12.5%
EBIT margin	8.0%	8.5%	7.3%	7.2%
Adj. EPS growth	20.5%	1.1%	12.2%	14.9%
Ratios				
Adj. tax rate	15.2%	19.0%	17.0%	15.0%
Interest cover	13.5	23.7	21.8	22.6
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROCE	34.9%	30.8%	25.1%	23.9%
ROE	51.8%	34.9%	30.9%	28.6%
Valuation				
FCFF yield	4.8%	21.8%	11.0%	21.0%
Dividend yield	0.0%	4.3%	4.7%	5.5%
EV/EBITDA	0.5	0.2	0.3	0.1
EV/Revenue	0.0	0.0	0.0	0.0
Adj. P/E	5.5	5.5	4.9	4.2

Summary Investment Thesis and Valuation

Chery is our preferred PV OEM and one of our top China auto picks. We believe the company's leading overseas scale and brand recognition, expanding localized footprint and broad multi-brand and multi-powertrain portfolio support better earnings visibility than at most PV peers. We retain our Overweight rating.

Our Jun-27 PT of HK$30 is based on a 6.5x 2027E P/E. We use a target P/E methodology, consistent with the approach commonly used by investors for profitable Chinese auto OEMs. We believe the target multiple remains reasonable and conservative given Chery's market position and overseas scale. It remains below Geely's R&D-adjusted target P/E, assuming 60% of Geely's R&D spending is expensed, and BYD-H's 11x target P/E, reflecting BYD's global leadership and stronger vertical integration.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.12	0.29
Region: Hong Kong	0.58	0.56
Macro:		
JPM Global Equity Sentiment	0.44	0.38
JP Morgan GBI-EM Global Div	0.10	0.34
JPM EM Currency(EMCI) Fixing	0.09	0.33
Quant Styles:		
Size	-0.60	-0.39
Growth	-0.55	-0.33
DivYld	0.56	0.29

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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Table 8: Earnings revisions

	2026E			2027E		
RMBmn	Revised	Previous	% change	Revised	Previous	% change
Net Sales	333,543	333,543	0%	380,315	380,315	0%
Sales growth (yoy%)	11%	11%		14%	14%	
COGS	280,935	280,315	0%	322,354	319,216	1%
Gross profit	52,608	53,228	-1%	57,962	61,099	-5%
Gross margin (%)	15.8%	16.0%		15.2%	16.1%	
Operating profit	28,426	29,046	-2%	27,726	34,097	-19%
Operating margin (%)	9%	9%		7%	9%	
Pre-tax profit	24,157	25,278	-4%	26,517	33,268	-20%
Net profit	19,567	20,475	-4%	22,009	27,613	-20%
Net margin (%)	6%	6%		6%	7%	
Net profit growth (yoy%)	0%	5%		12%	35%	
Core Net Profit (excl. FX)	22,567	23,475	4%	22,009	27,613	-20%
NPM- adj (%)	7%	7%		6%	7%	

Source: J.P. Morgan estimates

Investment Thesis, Valuation and Risks

Chery Automobile Co., Ltd. - H *(Overweight; Price Target: HK$30.00)*

Investment Thesis

Chery is our preferred PV OEM and one of our top China auto picks. We believe the company`s leading overseas scale and brand recognition, expanding localized footprint and broad multi-brand and multi-powertrain portfolio support better earnings visibility than at most PV peers. We retain our Overweight rating.

Valuation

Our Jun-27 PT of HK$30 is based on a 6.5x 2027E P/E. We use a target P/E methodology, consistent with the approach commonly used by investors for profitable Chinese auto OEMs. We believe the target multiple remains reasonable and conservative given Chery`s market position and overseas scale. It remains below Geely's R&D-adjusted target P/E, assuming 60% of Geely's R&D spending is expensed, and BYD-H's 11x target P/E, reflecting BYD's global leadership and stronger vertical integration.

Risks to Rating and Price Target

Downside risks include overseas policy tightening, localization execution challenges, sustained domestic competition, adverse FX and input cost movements, and suboptimal capital allocation.

Upside catalysts include stronger sales and new model performance, faster domestic loss reduction, better NEV profitability and successful overseas localization.

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Chery Auto - H: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**269,897**	**300,287**	**333,543**	**380,315**	**431,681**
COGS	(233,589)	(258,844)	(280,935)	(322,354)	(366,742)
Gross profit	**36,308**	**41,443**	**52,608**	**57,962**	**64,939**
SG&A	(14,379)	(17,246)	(21,347)	(23,770)	(25,685)
Adj. EBITDA	**22,786**	**28,386**	**33,933**	**34,151**	**38,426**
D&A	(3,849)	(4,422)	(5,507)	(6,425)	(7,374)
Adj. EBIT	**18,937**	**23,964**	**28,426**	**27,726**	**31,052**
Net Interest	(2,310)	(2,096)	(1,433)	(1,568)	(1,703)
Adj. PBT	**16,612**	**23,001**	**24,157**	**26,517**	**29,854**
Tax	(2,278)	(3,494)	(4,590)	(4,508)	(4,478)
Minority Interest	(199)	(488)	(978)	(1,100)	(1,269)
Adj. Net Income	**16,350**	**20,005**	**20,234**	**22,694**	**26,067**
Reported EPS (Basic)	2.58	3.43	3.35	3.77	4.34
Adj. EPS	**2.99**	**3.60**	**3.64**	**4.09**	**4.70**
DPS	**0.00**	**0.00**	**0.86**	**0.94**	**1.09**
Payout ratio	0.0%	0.0%	25.7%	24.9%	25.2%
Shares outstanding	5,470	5,552	5,552	5,552	5,552

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	62,693	46,955	58,027	56,614	64,808
Accounts receivable	17,423	32,511	32,486	34,697	37,255
Inventories	36,324	36,752	43,102	46,808	51,243
Other current assets	45,961	74,394	74,143	74,143	74,143
Current assets	**162,401**	**190,612**	**207,759**	**212,262**	**227,449**
PP&E	23,443	30,090	36,583	42,658	48,284
LT investments	16,531	18,450	28,212	38,090	48,002
Other non current assets	11,621	20,195	23,016	25,837	28,658
Total assets	**213,996**	**259,347**	**295,569**	**318,847**	**352,394**
Short term borrowings	20,068	11,991	13,491	14,991	16,491
Payables	101,496	110,213	129,476	133,764	146,308
Other short term liabilities	44,238	58,740	58,740	58,740	58,740
Current liabilities	**165,802**	**180,944**	**201,707**	**207,495**	**221,539**
Long-term debt	3,098	3,933	3,933	3,933	3,433
Other long term liabilities	19,172	23,672	23,672	23,672	23,672
Total liabilities	**188,072**	**208,549**	**229,312**	**235,100**	**248,644**
Shareholders' equity	26,488	50,757	65,238	81,627	100,361
Minority interests	(564)	41	1,019	2,120	3,389
Total liabilities & equity	**213,996**	**259,347**	**295,569**	**318,847**	**352,394**
BVPS	**4.84**	**9.14**	**11.75**	**14.70**	**18.08**
y/y Growth	*71.4%*	*88.8%*	*28.5%*	*25.1%*	*23.0%*
Net debt/(cash)	(39,527)	(31,031)	(40,603)	(37,690)	(44,884)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**44,887**	**20,130**	**38,930**	**27,491**	**38,991**
o/w Depreciation & amortization	3,849	4,422	5,507	6,425	7,374
o/w Changes in working capital	22,893	(2,544)	13,188	(1,628)	5,550
Cash flow from investing activities	**(3,177)**	**(30,048)**	**(24,583)**	**(25,199)**	**(25,733)**
o/w Capital expenditure	(7,681)	(14,872)	(14,821)	(15,321)	(15,821)
as % of sales	*2.8%*	*5.0%*	*4.4%*	*4.0%*	*3.7%*
Cash flow from financing activities	**(13,783)**	**(5,939)**	**(3,275)**	**(3,705)**	**(5,064)**
o/w Dividends paid	(1,900)	(5,807)	(4,775)	(5,205)	(6,064)
o/w Shares issued/(repurchased)	-	-	-	-	-
o/w Net debt issued/(repaid)	(12,895)	(9,115)	1,500	1,500	1,000
Net change in cash	**27,645**	**(15,738)**	**11,072**	**(1,413)**	**8,194**
Adj. Free cash flow to firm	**37,206**	**5,258**	**24,109**	**12,170**	**23,170**
y/y Growth	*101.6%*	*(85.9%)*	*358.5%*	*(49.5%)*	*90.4%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	13.5%	13.8%	15.8%	15.2%	15.0%
EBITDA margin	8.4%	9.5%	10.2%	9.0%	8.9%
EBIT margin	7.0%	8.0%	8.5%	7.3%	7.2%
Net profit margin	6.1%	6.7%	6.1%	6.0%	6.0%
ROE	78.0%	51.8%	34.9%	30.9%	28.6%
ROA	8.3%	8.5%	7.3%	7.4%	7.8%
ROCE	31.5%	34.9%	30.8%	25.1%	23.9%
SG&A/Sales	5.3%	5.7%	6.4%	6.3%	6.0%
Net debt/Equity	NM	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM	NM
Sales/Assets (x)	1.4	1.3	1.2	1.2	1.3
Assets/Equity (x)	9.4	6.1	4.8	4.2	3.7
Interest cover (x)	9.9	13.5	23.7	21.8	22.6
Operating leverage	53.5%	235.8%	168.1%	(17.5%)	88.8%
Tax rate	13.7%	15.2%	19.0%	17.0%	15.0%
Revenue y/y Growth	65.4%	11.3%	11.1%	14.0%	13.5%
EBITDA y/y Growth	38.0%	24.6%	19.5%	0.6%	12.5%
EPS y/y Growth	56.5%	20.5%	1.1%	12.2%	14.9%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	6.7	5.5	5.5	4.9	4.2
P/BV (x)	4.1	2.2	1.7	1.4	1.1
EV/EBITDA (x)	0.3	0.5	0.2	0.3	0.1
Dividend Yield	0.0%	0.0%	4.3%	4.7%	5.5%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Geely Automobile Holdings Ltd. (0175)

Neutral

0175.HK,175 HK
Price (23 Oct 26): HK$14.25

▼ **Price Target (Jun-27): HK$14.00**
Prior (Jun-27): HK$16.00

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	2.09	1.88	-9.9%
Adj. EPS - 27E (Rmb)	2.62	2.11	-19.2%

Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	6	20	18	39	57
Growth	31	34	29	79	68
Momentum	71	22	24	57	36
Quality	32	31	30	79	74
Low Vol	53	75	76	80	80
ESGQ	4	8	9	1	13

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Maintain Neutral

We project Geely's 3Q earnings will likely miss- at around Rmb4.9bn vs. the market expectation of Rmb5.2bn due to 1) FX loss as a result of strong CNY, 2) relatively weaker mix as high margin model Zeekr 9X SUV sales slipped by ~10k units in 3Q26 vs. 2Q26. 3) elevated cost can be another factor.

We trim our 2026/27 earnings estimates to Rmb19bn and Rmb21bn respectively to reflect a possible 3Q26 miss and our longer-term reservations on the sector. Our forecasts are below Bloomberg consensus, Rmb21.3bn and Rmb25.6bn in 2026/27 respectively.

Following our revision, Geely is trading at ~6x 2027 PER, seemingly lower than peers. However, in our recent sector downgrade note, we argue that investors will examine earnings (quality) and comparability closely in this market. Geely currently expenses ~40% of R&D expense but capitalizes the rest- this contrasts with peers such as BYD or Chery Auto who expense ~80% of R&D. If we assume Geely were to expense ~60% of R&D, implied valuation would then be ~9x. In other words, we believe Geely's valuation gap with peers may not narrow in the near term.

We stay Neutral on Geely with a June-27 PT of HK$14 (previously HK$16), based on the same methodology- 10x adjusted 2027 earnings assuming Geely expenses ~60% of its R&D as opposed to capitalization, which makes its earnings more comparable with peers (although we understand there isn't necessarily a standard industry norm- German OEMs' R&D capitalization is higher than Japanese or Korean players while in China, peers such as BYD and Chery expense ~80% of R&D.

Upside/downside risk lies in mainly the company's profitability and sales delivery in both domestic and international markets.

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Price Performance



— 0175.HK Price (HK$) HSCEI (rebased)

	YTD	1m	3m	12m
Abs	-20.4%	-9.6%	-23.1%	-26.7%
Rel	-7.4%	-3.3%	-15.9%	-10.1%

Company Data

Shares O/S (mn)	9,156
52-week range (HK$)	25.62-13.89
Market cap ($ mn)	16,636
Exchange rate	7.84
Free float (%)	54.4%
3M ADV (mn)	41.65
3M ADV ($ mn)	91.4
Volatility (90 Day)	42
Index	HSCEI
BBG ANR (Buy | Hold | Sell)	46|1|0

Key Metrics (FYE Dec)

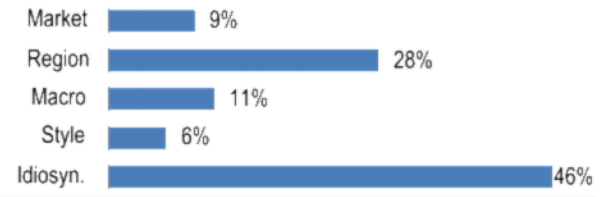
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	345,232	387,367	421,626	461,390
Adj. EBITDA	36,013	41,324	34,737	34,391
Adj. EBIT	20,093	20,934	23,448	27,110
Adj. net income	16,852	19,506	21,877	25,306
Net margin	4.9%	5.0%	5.2%	5.5%
Adj. EPS	1.63	1.88	2.11	2.44
BBG EPS	1.60	1.99	2.42	2.86
Cashflow from operations	47,274	45,537	47,975	24,630
FCFF	29,357	27,619	30,057	6,713
Margins and Growth				
Revenue Growth Y/Y (%)	43.7%	12.2%	8.8%	9.4%
EBITDA margin	10.4%	10.7%	8.2%	7.5%
EBITDA Growth Y/Y (%)	32.9%	14.7%	(15.9%)	(1.0%)
EBIT margin	5.8%	5.4%	5.6%	5.9%
Adj. EPS growth	(1.1%)	15.7%	12.2%	15.7%
Ratios				
Adj. tax rate	17.8%	8.9%	9.0%	9.1%
Interest cover	NM	NM	NM	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROCE	16.9%	16.7%	16.5%	16.7%
ROE	18.8%	19.5%	18.9%	19.0%
Valuation				
FCFF yield	23.4%	22.0%	24.0%	5.3%
Dividend yield	2.6%	3.7%	4.4%	4.9%
EV/EBITDA	2.1	1.4	0.9	0.8
EV/Revenue	0.2	0.1	0.1	0.1
Adj. P/E	7.4	6.4	5.7	5.0

Summary Investment Thesis and Valuation

We are Neutral on Geely. We remain positive on its long-term positioning, underpinned by a strong product cycle across price segments, a broad BEV/PHEV/HEV portfolio, continued investment in AI and intelligent driving, and overseas expansion supported by localization and partnerships. Nevertheless, our cautious China auto outlook, intensifying domestic competition and rising overseas execution risks warrant a more balanced stance into 2027. We also expect weaker product mix, FX losses and elevated input costs to weigh on near-term earnings. While headline valuation appears inexpensive, differences in R&D capitalization limit earnings comparability with peers and could prevent the valuation gap from narrowing in the near term.

Our Jun-27 PT of HK$14 is based on the expectation that stock can trade at 10x 2027 PER on adjusted earnings, i.e., assuming 60% of R&D expensed so its earnings are more comparable to peers. 10x PER is below the historical average of 14x to reflect our conservative view of the industry.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.12	0.29
Region: Hong Kong	0.58	0.56
Macro:		
JPM Global Equity Sentiment	0.44	0.38
JP Morgan GBI-EM Global Div	0.10	0.34
JPM EM Currency(EMCI) Fixing	0.09	0.33
Quant Styles:		
Size	-0.60	-0.39
Growth	-0.55	-0.33
DivYld	0.56	0.29

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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Table 9: Earnings revisions

Rmb mn	2026E			2027E			2028E		
	Current	Previous	% diff	Current	Previous	% diff	Current	Previous	% diff
Revenue	387.367	387.367	0%	421.626	431.460	-2%	461.390	481.430	-4%
Sales growth (%)	12%	12%		9%	11%		9%	12%	
COGS	320.844	319.861	0%	349.640	355.641	-2%	380.925	394.768	-4%
Gross profit	66.523	67.506	-1%	71.986	75.818	-5%	80.465	86.662	-7%
Gross margin (%)	17%	17%		17%	18%		17%	18%	
Operating profit	18.877	21.216	-11%	21.391	27.063	-21%	25.052	32.694	-23%
Operating margin (%)	5%	5%		5%	6%		5%	7%	
Pre-tax profit	21.130	23.470	-10%	23.716	29.394	-19%	27.455	35.116	-22%
Tax rate	9%	9%		9%	9%		9%	9%	
Net profit	19.506	21.651	-10%	21.877	27.085	-19%	25.306	32.334	-22%
Net margin (%)	5%	6%		5%	6%		5%	7%	
Net profit growth (%)	16%	28%		12%	25%		16%	19%	
EPS (basic)	1.93	2.14	-10%	2.16	2.68	-19%	2.50	3.20	-22%
EPS (fully diluted)	1.88	2.09	-10%	2.11	2.62	-19%	2.44	3.12	-22%
EPS growth (%)	16%	28%		12%	25%		16%	19%	

Source: J.P. Morgan estimates

Investment Thesis, Valuation and Risks

Geely Automobile Holdings Ltd. *(Neutral; Price Target: HK$14.00)*

Investment Thesis

We are Neutral on Geely. We remain positive on its long-term positioning, underpinned by a strong product cycle across price segments, a broad BEV/PHEV/HEV portfolio, continued investment in AI and intelligent driving, and overseas expansion supported by localization and partnerships. Nevertheless, our cautious China auto outlook, intensifying domestic competition and rising overseas execution risks warrant a more balanced stance into 2027. We also expect weaker product mix, FX losses and elevated input costs to weigh on near-term earnings. While headline valuation appears inexpensive, differences in R&D capitalization limit earnings comparability with peers and could prevent the valuation gap from narrowing in the near term.

Valuation

Our Jun-27 PT of HK$14 is based on the expectation that stock can trade at 10x 2027 PER on adjusted earnings, i.e., assuming 60% R&D expensed so its earnings are more comparable to peers. 10x PER is below the historical average of 14x to reflect our conservative view of the industry.

Risks to Rating and Price Target

Key upside/downside risks include: 1) better- or worse-than-expected domestic passenger vehicle market, 2) currency swing and FX loss – for now, a risk due to strong CNY vs EUR and USD, and 3) developments in overseas markets including Geely's execution and foreign governments' policies.

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Geely Automobile Holdings Ltd. (0175): Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**240,194**	**345,232**	**387,367**	**421,626**	**461,390**
COGS	(201,993)	(287,885)	(320,844)	(349,640)	(380,925)
Gross profit	**38,201**	**57,347**	**66,523**	**71,986**	**80,465**
SG&A	(4,897)	(6,482)	(6,973)	(7,168)	(7,705)
Adj. EBITDA	**27,105**	**36,013**	**41,324**	**34,737**	**34,391**
D&A	(9,393)	(15,920)	(20,389)	(11,289)	(7,281)
Adj. EBIT	**17,711**	**20,093**	**20,934**	**23,448**	**27,110**
Net Interest	692	137	196	268	345
Adj. PBT	**18,404**	**20,230**	**21,130**	**23,716**	**27,455**
Tax	(1,604)	(3,601)	(1,884)	(2,130)	(2,485)
Minority Interest	(167)	224	259	291	336
Adj. Net Income	**16,632**	**16,852**	**19,506**	**21,877**	**25,306**
Reported EPS	1.65	1.63	1.88	2.11	2.44
Adj. EPS	**1.65**	**1.63**	**1.88**	**2.11**	**2.44**
DPS	**0.20**	**0.31**	**0.45**	**0.53**	**0.60**
Payout ratio	12.1%	19.1%	23.8%	25.2%	24.4%
Shares outstanding	10,103	10,354	10,354	10,354	10,354

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	40,865	65,319	89,353	115,055	116,836
Accounts receivable	58,307	58,768	81,719	88,946	97,334
Inventories	23,078	31,934	38,388	28,667	44,387
Other current assets	3,072	3,392	391	425	465
Current assets	**125,322**	**159,413**	**209,850**	**233,093**	**259,023**
PP&E	26,384	34,370	18,108	10,947	7,794
LT investments	-	-	-	-	-
Other non current assets	77,686	96,627	111,717	126,807	141,896
Total assets	**229,392**	**290,410**	**339,675**	**370,847**	**408,713**
Short term borrowings	834	11,996	11,996	11,996	11,996
Payables	125,379	101,568	128,825	137,412	149,413
Other short term liabilities	988	65,895	73,196	79,575	86,504
Current liabilities	**127,200**	**179,459**	**214,017**	**228,982**	**247,913**
Long-term debt	1,762	2,000	2,000	2,000	2,000
Other long term liabilities	8,010	15,335	15,335	15,335	15,335
Total liabilities	**136,972**	**196,795**	**231,352**	**246,318**	**265,249**
Shareholders' equity	86,742	92,398	107,365	123,862	143,133
Minority interests	5,678	1,217	958	667	331
Total liabilities & equity	**229,392**	**290,410**	**339,675**	**370,847**	**408,713**
BVPS	**8.62**	**9.14**	**10.62**	**12.25**	**14.16**
y/y Growth	*7.7%*	*6.1%*	*16.2%*	*15.4%*	*15.6%*
Net debt/(cash)	(41,341)	(54,715)	(75,748)	(101,484)	(103,305)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**26,507**	**47,274**	**45,537**	**47,975**	**24,630**
o/w Depreciation & amortization	9,393	15,920	20,389	11,289	7,281
o/w Changes in working capital	9,316	18,278	5,153	17,459	(5,178)
Cash flow from investing activities	**(9,132)**	**(23,370)**	**(17,160)**	**(17,160)**	**(17,160)**
o/w Capital expenditure	(12,836)	(17,918)	(17,918)	(17,918)	(17,918)
as % of sales	*5.3%*	*5.2%*	*4.6%*	*4.2%*	*3.9%*
Cash flow from financing activities	**(13,297)**	**(1,839)**	**(4,343)**	**(5,113)**	**(5,690)**
o/w Dividends paid	(2,195)	(3,119)	(4,539)	(5,381)	(6,035)
o/w Shares issued/(repurchased)	0	0	0	0	0
o/w Net debt issued/(repaid)	(10,051)	8,366	0	0	0
Net change in cash	**4,090**	**22,262**	**24,034**	**25,702**	**1,781**
Adj. Free cash flow to firm	**13,671**	**29,357**	**27,619**	**30,057**	**6,713**
y/y Growth	*90.1%*	*114.7%*	*(5.9%)*	*8.8%*	*(77.7%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	15.9%	16.6%	17.2%	17.1%	17.4%
EBITDA margin	11.3%	10.4%	10.7%	8.2%	7.5%
EBIT margin	7.4%	5.8%	5.4%	5.6%	5.9%
Net profit margin	6.9%	4.9%	5.0%	5.2%	5.5%
ROE	19.9%	18.8%	19.5%	18.9%	19.0%
ROA	7.9%	6.5%	6.2%	6.2%	6.5%
ROCE	18.7%	16.9%	16.7%	16.5%	16.7%
SG&A/Sales	2.0%	1.9%	1.8%	1.7%	1.7%
Net debt/Equity	NM	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM	NM
Sales/Assets (x)	1.1	1.3	1.2	1.2	1.2
Assets/Equity (x)	2.52	2.90	3.15	3.07	2.92
Interest cover (x)	NM	NM	NM	NM	NM
Operating leverage	887.4%	30.8%	34.3%	135.8%	165.6%
Tax rate	8.7%	17.8%	8.9%	9.0%	9.1%
Revenue y/y Growth	34.0%	43.7%	12.2%	8.8%	9.4%
EBITDA y/y Growth	115.0%	32.9%	14.7%	(15.9%)	(1.0%)
EPS y/y Growth	214.2%	(1.1%)	15.7%	12.2%	15.7%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	7.4	7.4	6.4	5.7	5.0
P/BV (x)	1.4	1.3	1.1	1.0	0.9
EV/EBITDA (x)	3.5	2.1	1.4	0.9	0.8
Dividend Yield	1.6%	2.6%	3.7%	4.4%	4.9%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Great Wall Motor - A

Underweight

601633.SS,601633 CH
Price (23 Oct 26): Rmb13.90

▼ **Price Target (Jun-27): Rmb8.00**
Prior (Jun-27): Rmb10.50

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	0.96	0.82	-15.3%
Adj. EPS - 27E (Rmb)	1.05	0.82	-21.5%

Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	41	44	42	81	77
Growth	72	55	53	81	50
Momentum	85	86	63	39	10
Quality	60	65	43	70	69
Low Vol	15	19	30	74	86

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Stay UW, Trim forecasts

We forecast Great Wall Motor (GWM)'s 3Q26 earnings at ~Rmb1.4bn, down from Rmb1.5bn in 2Q26 and shy of limited Bloomberg consensus Rmb2.1bn. We believe the shortfall, despite volume up slightly by 3% QoQ, will be attributed to 1) relatively weaker sales mix from high margin models- e.g. Tank series, 2) continued increase in material cost which was not fully reflected in 2Q earnings, 3) FX loss due to strong CNY- a similar pattern that may apply across peers such as Geely and BYD. On the positive side, higher export volume should offset some of the earnings weakness during the quarter.

One main variable to earnings in 2H26 is scrappage tax rebate from Russia business. We believe the company will recognize some of this in 2H26, hence boosting full year earnings to ~Rmb7bn (vs. core of ~Rmb5.5bn, if excluding such tax rebate).

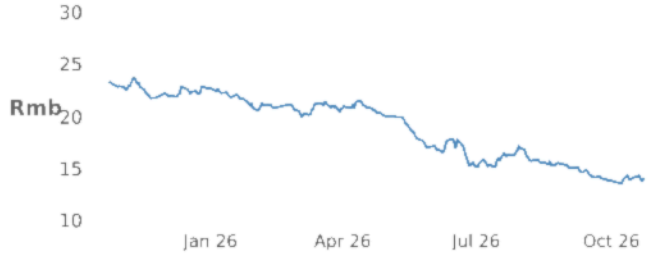
We revise down our 2026/27 estimates by 15%/22% respectively to reflect an anticipated weak 3Q26 earnings performance and lingering industry headwinds into 2027. Our revised forecasts are ~20%/40% below street 2026/27 consensus according to Bloomberg. We stay UW on GWM-A shares. Our revised June-2027 PT is Rmb8 (previously Rmb10.5), based on the same methodology of 10x 2027E PER.

Upside risk mainly lies in better-than-expected profitability and sales delivery in both domestic and international markets.

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Price Performance



— 601633.SS Price (Rmb) SSEA (rebased)

	YTD	1m	3m	12m
Abs	-38.6%	-1.5%	-14.2%	-40.1%
Rel	-31.6%	4.8%	-9.4%	-34.2%

Company Data

Shares O/S (mn)	9,127
52-week range (Rmb)	23.81-13.37
Market cap ($ mn)	19,021
Exchange rate	6.67
Free float (%)	16.2%
3M ADV (mn)	14.48
3M ADV ($ mn)	32.5
Volatility (90 Day)	29
Index	SHASHR
BBG ANR (Buy | Hold | Sell)	23|3|4

Key Metrics (FYE Dec)

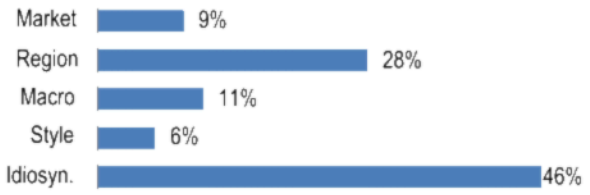
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	222,824	222,628	249,071	271,386
Adj. EBITDA	20,992	16,532	14,935	15,018
Adj. EBIT	11,534	8,105	8,133	9,364
Adj. net income	9,865	6,988	7,034	8,086
Net margin	4.4%	3.1%	2.8%	3.0%
Adj. EPS	1.15	0.82	0.82	0.95
BBG EPS	1.44	1.11	1.44	1.65
Cashflow from operations	40,355	24,504	22,389	22,325
FCFF	28,846	21,804	19,689	19,625
Margins and Growth				
Revenue Growth Y/Y (%)	10.2%	(0.1%)	11.9%	9.0%
EBITDA margin	9.4%	7.4%	6.0%	5.5%
EBITDA Growth Y/Y (%)	(8.5%)	(21.2%)	(9.7%)	0.6%
EBIT margin	5.2%	3.6%	3.3%	3.5%
Adj. EPS growth	(22.8%)	(29.2%)	0.7%	15.0%
Ratios				
Adj. tax rate	16.1%	16.1%	16.1%	16.1%
Interest cover	NM	-	-	-
Net debt/Equity	0.2	0.1	0.1	NM
Net debt/EBITDA	0.7	0.8	0.4	NM
ROCE	7.3%	4.8%	4.2%	4.4%
ROE	11.8%	7.8%	7.5%	8.1%
Valuation				
FCFF yield	24.3%	18.3%	16.6%	16.5%
Dividend yield	3.2%	2.5%	1.8%	1.8%
EV/EBITDA	4.8	6.2	6.9	6.8
EV/Revenue	0.5	0.5	0.4	0.4
Adj. P/E	12.1	17.0	16.9	14.7

Summary Investment Thesis and Valuation

We welcome management's initiatives and remain positive on the company's longer-term efforts to improve sales mix towards higher-end products. However, considering fierce competition, our reservations lie in whether GWM will be able to sustain its market share in the domestic market. We see further downside risks on GWM-A due to domestic market competition, cost inflation, trade-policy and geopolitical risks, and thus remain Underweight on the stock. Near-term earnings face additional pressure from weaker high-margin model sales, rising material costs and FX losses.

Our Jun-27 PT of Rmb8 is based on FY27E P/E of 10x. Our target P/E is below the stock's historical average P/E of 19x considering our cautious view on overall sector. Our more conservative multiple reflects our LT reservation on domestic demand in Chinese market and GWM's lack of strong position or catalyst especially in domestic market although we recognize its solid development in overseas market; something we see across all main Chinese OEMs.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.12	0.29
Region: Hong Kong	0.58	0.56
Macro:		
JPM Global Equity Sentiment	0.44	0.38
JP Morgan GBI-EM Global Div	0.10	0.34
JPM EM Currency(EMCI) Fixing	0.09	0.33
Quant Styles:		
Size	-0.60	-0.39
Growth	-0.55	-0.33
DivYld	0.56	0.29

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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Table 10: Earnings revisions

	2026E			2027E			2028E		
RMBmn	Revised	Previous	% change	Revised	Previous	% change	Revised	Previous	% change
Net Sales	222,628	222,628	0%	249,071	249,071	0%	271,386	271,386	0%
Sales growth (%)	-0.1%	-0.1%		11.9%	11.9%		9.0%	9.0%	
COGS	180,997	180,267	0%	202,692	201,762	0%	222,341	219,247	1%
Gross profit	41,630	42,361	-2%	46,379	47,309	-2%	49,045	52,140	-6%
Gross margin (%)	18.7%	19.0%		18.6%	19.0%		18.1%	19.2%	
Operating profit	8,105	9,615	-16%	8,133	10,432	-22%	9,364	11,916	-21%
Operating margin (%)	3.6%	4.3%		3.3%	4.2%		3.5%	4.4%	
Pre-tax profit	8,329	9,839	-15%	8,383	10,683	-22%	9,637	12,189	-21%
Tax rate	16.1%	16.1%		16.1%	16.1%		16.1%	16.1%	
PAT	6,988	8,255		7,034	8,963		8,086	10,227	
Minority	0.0%	0.0%		0.0%	0.0%		0.0%	0.0%	
Net profit	6,988	8,255	-15%	7,034	8,963	-22%	8,086	10,227	-21%
Net margin (%)	3.1%	3.7%		2.8%	3.6%		3.0%	3.8%	
Net profit growth (%)	-29.2%	-16.3%		0.7%	8.6%		15.0%	14.1%	
Net profit excl. one-off	6,000	8,255		7,034	8,963		8,086	10,227	
	0.0%	0.0%		0.0%	0.0%		0.0%	0.0%	
	-1.0%	36.2%		17.2%	8.6%		15.0%	14.1%	
EPS (adjusted)	0.82	0.96	-15%	0.82	1.05	-22%	0.95	1.20	-21%
EPS growth (%)	82%	96%		82%	105%		95%	120%	

Source: J.P. Morgan estimates

Investment Thesis, Valuation and Risks

Great Wall Motor - A *(Underweight; Price Target: Rmb8.00)*

Investment Thesis

We welcome management's initiatives and remain positive on the company's longer-term efforts to improve sales mix towards higher-end products. However, considering fierce competition, our reservations lie in whether GWM will be able to sustain its market share in the domestic market. We see further downside risks on GWM-A due to domestic market competition, cost inflation, trade-policy and geopolitical risks, and thus remain Underweight on the stock. Near-term earnings face additional pressure from weaker high-margin model sales, rising material costs and FX losses.

Valuation

Our Jun-27 PT of Rmb8 is based on FY27E P/E of 10x. Our target P/E is below the stock's historical average P/E of 19x considering our cautious view on overall sector. Our more conservative multiple reflects our LT reservation on domestic demand in Chinese market and GWM's lack of strong position or catalyst especially in domestic market although we recognize its solid development in overseas market; something we see across all main Chinese OEMs.

Risks to Rating and Price Target

Upside/downside risks to our rating and price target include: 1) a better-/worse-than-expected auto industry demand recovery; and 2) a better-/worse-than-expected competitive landscape in the SUV/pickup and EV businesses, affecting GWM's sales performance and profitability, including its high-end brand *Wey* and EV brand *Ora*.

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Great Wall Motor - A: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**202,195**	**222,824**	**222,628**	**249,071**	**271,386**
COGS	(162,747)	(182,622)	(180,997)	(202,692)	(222,341)
Gross profit	**39,449**	**40,202**	**41,630**	**46,379**	**49,045**
SG&A	(12,587)	(16,019)	(16,697)	(17,684)	(17,911)
Adj. EBITDA	**22,949**	**20,992**	**16,532**	**14,935**	**15,018**
D&A	(9,028)	(9,458)	(8,427)	(6,803)	(5,654)
Adj. EBIT	**13,921**	**11,534**	**8,105**	**8,133**	**9,364**
Net Interest	(91)	1,970	0	0	0
Adj. PBT	**14,283**	**11,758**	**8,329**	**8,383**	**9,637**
Tax	(1,591)	(1,893)	(1,341)	(1,349)	(1,551)
Minority Interest	(0)	0	0	0	0
Adj. Net Income	**12,692**	**9,865**	**6,988**	**7,034**	**8,086**
Reported EPS	1.49	1.15	0.82	0.82	0.95
Adj. EPS	**1.49**	**1.15**	**0.82**	**0.82**	**0.95**
DPS	**0.30**	**0.45**	**0.35**	**0.25**	**0.25**
Payout ratio	20.1%	39.0%	42.9%	30.2%	26.4%
Shares outstanding	8,498	8,556	8,556	8,556	8,556

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	30,741	28,846	47,955	65,823	83,613
Accounts receivable	9,638	11,254	34,667	41,900	46,431
Inventories	25,408	26,148	19,835	22,213	24,366
Other current assets	67,648	71,399	71,287	72,053	72,699
Current assets	**133,435**	**137,647**	**173,744**	**201,989**	**227,109**
PP&E	33,974	35,042	33,205	31,702	30,486
LT investments	11,551	12,222	12,795	13,369	13,942
Other non current assets	38,306	40,377	35,898	32,708	30,381
Total assets	**217,266**	**225,288**	**255,642**	**279,768**	**301,918**
Short term borrowings	42,693	40,305	56,319	67,672	76,536
Payables	43,543	45,874	55,787	62,474	68,530
Other short term liabilities	35,992	40,037	40,170	41,044	42,023
Current liabilities	**122,228**	**126,216**	**152,276**	**171,189**	**187,089**
Long-term debt	6,481	1,069	1,369	1,669	1,969
Other long term liabilities	9,560	10,112	10,112	10,112	10,112
Total liabilities	**138,270**	**137,396**	**163,756**	**182,969**	**199,169**
Shareholders' equity	78,988	87,892	91,886	96,798	102,749
Minority interests	8	0	0	0	0
Total liabilities & equity	**217,266**	**225,288**	**255,642**	**279,768**	**301,918**
BVPS	**9.30**	**10.27**	**10.74**	**11.31**	**12.01**
y/y Growth	*15.3%*	*10.5%*	*4.5%*	*5.3%*	*6.1%*
Net debt/(cash)	22,121	15,722	12,928	6,712	(1,913)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**27,783**	**40,355**	**24,504**	**22,389**	**22,325**
o/w Depreciation & amortization	9,028	9,458	8,427	6,803	5,654
o/w Changes in working capital	4,382	20,543	8,827	8,428	8,236
Cash flow from investing activities	**(23,296)**	**(29,154)**	**(2,700)**	**(2,700)**	**(2,700)**
o/w Capital expenditure	(11,737)	(11,509)	(2,700)	(2,700)	(2,700)
as % of sales	*5.8%*	*5.2%*	*1.2%*	*1.1%*	*1.0%*
Cash flow from financing activities	**(12,178)**	**(13,445)**	**(2,695)**	**(1,821)**	**(1,835)**
o/w Dividends paid	(3,346)	(4,379)	(2,995)	(2,121)	(2,135)
o/w Shares issued/(repurchased)	-	-	-	-	-
o/w Net debt issued/(repaid)	(7,718)	(6,097)	300	300	300
Net change in cash	**(8,062)**	**(1,953)**	**19,109**	**17,868**	**17,790**
Adj. Free cash flow to firm	**16,045**	**28,846**	**21,804**	**19,689**	**19,625**
y/y Growth	*1441.7%*	*79.8%*	*(24.4%)*	*(9.7%)*	*(0.3%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	19.5%	18.0%	18.7%	18.6%	18.1%
EBITDA margin	11.4%	9.4%	7.4%	6.0%	5.5%
EBIT margin	6.9%	5.2%	3.6%	3.3%	3.5%
Net profit margin	6.3%	4.4%	3.1%	2.8%	3.0%
ROE	17.2%	11.8%	7.8%	7.5%	8.1%
ROA	6.1%	4.5%	2.9%	2.6%	2.8%
ROCE	9.7%	7.3%	4.8%	4.2%	4.4%
SG&A/Sales	6.2%	7.2%	7.5%	7.1%	6.6%
Net debt/Equity	0.3	0.2	0.1	0.1	NM
Net debt/EBITDA	1.0	0.7	0.8	0.4	NM
Sales/Assets (x)	1.0	1.0	0.9	0.9	0.9
Assets/Equity (x)	2.84	2.65	2.68	2.84	2.92
Interest cover (x)	251.7	NM	-	-	-
Operating leverage	557.7%	(168.1%)	33688.3%	2.9%	169.0%
Tax rate	11.1%	16.1%	16.1%	16.1%	16.1%
Revenue y/y Growth	16.7%	10.2%	(0.1%)	11.9%	9.0%
EBITDA y/y Growth	59.3%	(8.5%)	(21.2%)	(9.7%)	0.6%
EPS y/y Growth	80.8%	(22.8%)	(29.2%)	0.7%	15.0%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	9.3	12.1	17.0	16.9	14.7
P/BV (x)	1.5	1.4	1.3	1.2	1.2
EV/EBITDA (x)	4.4	4.8	6.2	6.9	6.8
Dividend Yield	2.2%	3.2%	2.5%	1.8%	1.8%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Great Wall Motor - H

Underweight

2333.HK,2333 HK
Price (23 Oct 26): HK$6.64

▼ **Price Target (Jun-27): HK$5.50**
Prior (Jun-27): HK$7.00

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	0.96	0.82	-15.3%
Adj. EPS - 27E (Rmb)	1.05	0.82	-21.5%

Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	4	10	14	34	57
Growth	76	62	58	85	50
Momentum	90	83	35	25	11
Quality	64	66	43	72	71
Low Vol	45	65	72	91	91
ESGQ	91	94	12	3	7

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Stay UW, Trim forecasts

We forecast Great Wall Motor (GWM)'s 3Q26 earnings at ~Rmb1.4bn, down from Rmb1.5bn in 2Q26 and shy of limited Bloomberg consensus Rmb2.1bn. We believe the shortfall, despite volume up slightly by 3% QoQ, will be attributed to 1) relatively weaker sales mix from high margin models- e.g. Tank series, 2) continued increase in material cost which was not fully reflected in 2Q earnings, 3) FX loss due to strong CNY- a similar pattern that may apply across peers such as Geely and BYD. On the positive side, higher export volume should offset some of the earnings weakness during the quarter.

One main variable to earnings in 2H26 is scrappage tax rebate from Russia business. We believe the company will recognize some of this in 2H26, hence boosting full year earnings to ~Rmb7bn (vs. core of ~Rmb5.5bn, if excluding such tax rebate).

We revise down our 2026/27 estimates by 15%/22% respectively to reflect an anticipated weak 3Q26 earnings performance and lingering industry headwinds into 2027. Our revised forecasts are ~20%/40% below street 2026/27 consensus according to Bloomberg. We stay UW on GWM-H shares. Our revised June-2027 PT is HK$5.5 (previously HK$7), based on the same methodology of 6x FY2027E PER.

Upside risk mainly lies in better-than-expected profitability and sales delivery in both domestic and international markets.

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Price Performance



— 2333.HK Price (HK$) HSCEI (rebased)

	YTD	1m	3m	12m
Abs	-56.6%	-9.7%	-25.7%	-57.0%
Rel	-43.6%	-3.5%	-18.6%	-40.4%

Company Data

Shares O/S (mn)	9,127
52-week range (HK$)	16.75-6.45
Market cap ($ mn)	7,728
Exchange rate	7.84
Free float (%)	98.1%
3M ADV (mn)	14.90
3M ADV ($ mn)	15.1
Volatility (90 Day)	33
Index	HSCEI
BBG ANR (Buy | Hold | Sell)	17|8|2

Key Metrics (FYE Dec)

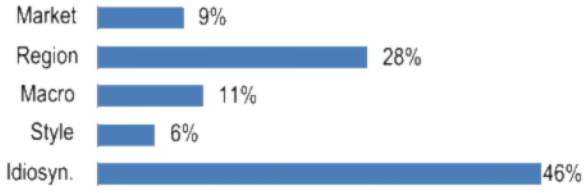
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	222,824	222,628	249,071	271,386
Adj. EBITDA	20,992	16,532	14,935	15,018
Adj. EBIT	11,534	8,105	8,133	9,364
Adj. net income	9,865	6,988	7,034	8,086
Net margin	4.4%	3.1%	2.8%	3.0%
Adj. EPS	1.15	0.82	0.82	0.95
BBG EPS	1.35	1.00	1.20	1.36
Cashflow from operations	40,355	24,504	22,389	22,325
FCFF	28,846	21,804	19,689	19,625
Margins and Growth				
Revenue Growth Y/Y (%)	10.2%	(0.1%)	11.9%	9.0%
EBITDA margin	9.4%	7.4%	6.0%	5.5%
EBITDA Growth Y/Y (%)	(8.5%)	(21.2%)	(9.7%)	0.6%
EBIT margin	5.2%	3.6%	3.3%	3.5%
Adj. EPS growth	(22.8%)	(29.2%)	0.7%	15.0%
Ratios				
Adj. tax rate	16.1%	16.1%	16.1%	16.1%
Interest cover	10.7	-	-	-
Net debt/Equity	0.2	0.1	0.1	NM
Net debt/EBITDA	0.7	0.8	0.4	NM
ROCE	7.3%	4.8%	4.2%	4.4%
ROE	11.8%	7.8%	7.5%	8.1%
Valuation				
FCFF yield	59.7%	45.1%	40.7%	40.6%
Dividend yield	8.0%	6.2%	4.4%	4.4%
EV/EBITDA	4.8	6.2	6.9	6.8
EV/Revenue	0.5	0.5	0.4	0.4
Adj. P/E	4.9	6.9	6.9	6.0

Summary Investment Thesis and Valuation

We welcome management's initiatives and remain positive on the company's longer-term efforts to improve sales mix towards higher-end products. However, considering fierce competition, our reservations lie in whether GWM will be able to sustain its market share in the domestic market. We see further downside risks on GWM-A due to domestic market competition, cost inflation, trade-policy and geopolitical risks, and thus remain Underweight on the stock. Near-term earnings face additional pressure from weaker high-margin model sales, rising material costs and FX losses.

Our Jun-27 PT of HK$5.5 is based on 6x 2027E P/E. Our target P/E is slightly below GWM-H's historical average. Our conservative multiple reflects our longer-term reservations on domestic demand and GWM's lack of a strong position or catalyst, especially in the domestic market, although we recognize its solid development overseas.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.12	0.29
Region: Hong Kong	0.58	0.56
Macro:		
JPM Global Equity Sentiment	0.44	0.38
JP Morgan GBI-EM Global Div	0.10	0.34
JPM EM Currency(EMCI) Fixing	0.09	0.33
Quant Styles:		
Size	-0.60	-0.39
Growth	-0.55	-0.33
DivYld	0.56	0.29

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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Investment Thesis, Valuation and Risks

Great Wall Motor - H *(Underweight; Price Target: HK$5.50)*

Investment Thesis

We welcome management's initiatives and remain positive on the company's longer-term efforts to improve sales mix towards higher-end products. However, considering fierce competition, our reservations lie in whether GWM will be able to sustain its market share in the domestic market. We see further downside risks on GWM-A due to domestic market competition, cost inflation, trade-policy and geopolitical risks, and thus remain Underweight on the stock. Near-term earnings face additional pressure from weaker high-margin model sales, rising material costs and FX losses.

Valuation

Our Jun-27 PT of HK$5.5 is based on 6x 2027E P/E. Our target P/E is slightly below GWM-H's historical average. Our conservative multiple reflects our longer-term reservations on domestic demand and GWM's lack of a strong position or catalyst, especially in the domestic market, although we recognize its solid development overseas.

Risks to Rating and Price Target

Upside/downside risks to our rating and price target include: 1) a better-/worse-than-expected auto industry demand recovery; and 2) a better-/worse-than-expected competitive landscape in the SUV/pickup and EV businesses, affecting GWM's sales performance and profitability, including its high-end brand *Wey* and EV brand.

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Great Wall Motor - H: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**202,195**	**222,824**	**222,628**	**249,071**	**271,386**
COGS	(162,747)	(182,622)	(180,997)	(202,692)	(222,341)
Gross profit	**39,449**	**40,202**	**41,630**	**46,379**	**49,045**
SG&A	(12,587)	(16,019)	(16,697)	(17,684)	(17,911)
Adj. EBITDA	**22,949**	**20,992**	**16,532**	**14,935**	**15,018**
D&A	(9,028)	(9,458)	(8,427)	(6,803)	(5,654)
Adj. EBIT	**13,921**	**11,534**	**8,105**	**8,133**	**9,364**
Net Interest	91	(1,970)	0	0	0
Adj. PBT	**14,283**	**11,758**	**8,329**	**8,383**	**9,637**
Tax	(1,591)	(1,893)	(1,341)	(1,349)	(1,551)
Minority Interest	(0)	0	0	0	0
Adj. Net Income	**12,692**	**9,865**	**6,988**	**7,034**	**8,086**
Reported EPS	1.49	1.15	0.82	0.82	0.95
Adj. EPS	**1.49**	**1.15**	**0.82**	**0.82**	**0.95**
DPS	**0.30**	**0.45**	**0.35**	**0.25**	**0.25**
Payout ratio	20.1%	39.0%	42.9%	30.2%	26.4%
Shares outstanding	8,498	8,556	8,556	8,556	8,556

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	30,741	28,846	47,955	65,823	83,613
Accounts receivable	9,638	11,254	34,667	41,900	46,431
Inventories	25,408	26,148	19,835	22,213	24,366
Other current assets	67,648	71,399	71,287	72,053	72,699
Current assets	**133,435**	**137,647**	**173,744**	**201,989**	**227,109**
PP&E	33,974	35,042	33,205	31,702	30,486
LT investments	11,551	12,222	12,795	13,369	13,942
Other non current assets	38,306	40,377	35,898	32,708	30,381
Total assets	**217,266**	**225,288**	**255,642**	**279,768**	**301,918**
Short term borrowings	42,693	40,305	56,319	67,672	76,536
Payables	43,543	45,874	55,787	62,474	68,530
Other short term liabilities	35,992	40,037	40,170	41,044	42,023
Current liabilities	**122,228**	**126,216**	**152,276**	**171,189**	**187,089**
Long-term debt	6,481	1,069	1,369	1,669	1,969
Other long term liabilities	9,560	10,112	10,112	10,112	10,112
Total liabilities	**138,270**	**137,396**	**163,756**	**182,969**	**199,169**
Shareholders' equity	78,988	87,892	91,886	96,798	102,749
Minority interests	8	0	0	0	0
Total liabilities & equity	**217,266**	**225,288**	**255,642**	**279,768**	**301,918**
BVPS	**9.30**	**10.27**	**10.74**	**11.31**	**12.01**
y/y Growth	*15.3%*	*10.5%*	*4.5%*	*5.3%*	*6.1%*
Net debt/(cash)	22,121	15,722	12,928	6,712	(1,913)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**27,783**	**40,355**	**24,504**	**22,389**	**22,325**
o/w Depreciation & amortization	9,028	9,458	8,427	6,803	5,654
o/w Changes in working capital	4,382	20,543	8,827	8,428	8,236
Cash flow from investing activities	**(23,296)**	**(29,154)**	**(2,700)**	**(2,700)**	**(2,700)**
o/w Capital expenditure	(11,737)	(11,509)	(2,700)	(2,700)	(2,700)
as % of sales	*5.8%*	*5.2%*	*1.2%*	*1.1%*	*1.0%*
Cash flow from financing activities	**(12,178)**	**(13,445)**	**(2,695)**	**(1,821)**	**(1,835)**
o/w Dividends paid	(3,346)	(4,379)	(2,995)	(2,121)	(2,135)
o/w Shares issued/(repurchased)	-	-	-	-	-
o/w Net debt issued/(repaid)	(7,718)	(6,097)	300	300	300
Net change in cash	**(8,062)**	**(1,953)**	**19,109**	**17,868**	**17,790**
Adj. Free cash flow to firm	**16,045**	**28,846**	**21,804**	**19,689**	**19,625**
y/y Growth	*1441.7%*	*79.8%*	*(24.4%)*	*(9.7%)*	*(0.3%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	19.5%	18.0%	18.7%	18.6%	18.1%
EBITDA margin	11.4%	9.4%	7.4%	6.0%	5.5%
EBIT margin	6.9%	5.2%	3.6%	3.3%	3.5%
Net profit margin	6.3%	4.4%	3.1%	2.8%	3.0%
ROE	17.2%	11.8%	7.8%	7.5%	8.1%
ROA	6.1%	4.5%	2.9%	2.6%	2.8%
ROCE	9.7%	7.3%	4.8%	4.2%	4.4%
SG&A/Sales	6.2%	7.2%	7.5%	7.1%	6.6%
Net debt/Equity	0.3	0.2	0.1	0.1	NM
Net debt/EBITDA	1.0	0.7	0.8	0.4	NM
Sales/Assets (x)	1.0	1.0	0.9	0.9	0.9
Assets/Equity (x)	2.84	2.65	2.68	2.84	2.92
Interest cover (x)	NM	10.7	-	-	-
Operating leverage	557.7%	(168.1%)	33688.3%	2.9%	169.0%
Tax rate	11.1%	16.1%	16.1%	16.1%	16.1%
Revenue y/y Growth	16.7%	10.2%	(0.1%)	11.9%	9.0%
EBITDA y/y Growth	59.3%	(8.5%)	(21.2%)	(9.7%)	0.6%
EPS y/y Growth	80.8%	(22.8%)	(29.2%)	0.7%	15.0%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	3.8	4.9	6.9	6.9	6.0
P/BV (x)	0.6	0.5	0.5	0.5	0.5
EV/EBITDA (x)	4.4	4.8	6.2	6.9	6.8
Dividend Yield	5.3%	8.0%	6.2%	4.4%	4.4%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Li Auto - ADR

Underweight

LI,LI US
Price (23 Oct 26): $11.39

Price Target (Jun-27): $9.00

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Revenue - 27E (Rmb mn)	132,550	125,136	-5.6%

Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	50	44	24	29	33
Growth	96	74	95	4	19
Momentum	99	99	100	1	35
Quality	89	90	71	92	93
Low Vol	57	75	89	95	98

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Stay UW

We project Li Auto's bottom line loss will narrow in 3Q26 (GAAP and non-GAAP basis), thanks to better sales mix from higher end models including Mega MPV and L-series SUVs, and at the same time lower proportion from the entry level i6 SUV. As such, we project an expansion of vehicle GPM from 9.4% in 2Q26 toward 11.4% in 3Q26. A narrowing loss should also help the company's FCF position.

To reflect our broader sector (cautious) view discussed throughout this report, we are trimming Li Auto's 4Q26 and 2027 delivery assumptions to ~120k units and ~460k units respectively. We note our 2027 shipment assumption (11% YoY growth) is lower than Bloomberg consensus at ~520k units. We believe our assumption is reasonable as we project domestic NEV demand to grow by mid to high single digits in 2027, hence Li Auto should at least perform in line with the industry but substantial market share gains, implied by Bloomberg consensus, could be challenging in our view.

We maintain our UW recommendation on Li Auto - ADR and keep our PT at US$9.0 as the company's current market cap (US$11.9bn) is already lower than cash on balance sheet (Rmb85.6bn or US$12.6bn based on the 1H26 financial report). Our PT is based on 0.5x 2027E P/Sales.

Upside risk mainly lies in better-than-expected profitability and sales delivery in both domestic and international markets.

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Price Performance



	YTD	1m	3m	12m
Abs	-32.7%	-2.6%	-7.9%	-48.8%
Rel	-44.1%	-1.6%	-10.8%	-61.9%

Company Data

Shares O/S (mn)	984
52-week range ($)	22.44-10.66
Market cap ($ mn)	11,207
Exchange rate	1.00
Free float (%)	-
3M ADV (mn)	3.01
3M ADV ($ mn)	36.5
Volatility (90 Day)	39
Index	S&P 500
BBG ANR (Buy | Hold | Sell)	15|17|1

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	112,313	107,329	125,136	143,347
Adj. EBITDA	4,114	(1,922)	5,538	9,867
Adj. EBIT	(521)	(7,508)	(1,753)	1,396
Adj. net income	1,124	(5,265)	(586)	1,969
Net margin	1.0%	(4.9%)	(0.5%)	1.4%
Adj. EPS	1.12	(5.23)	(0.58)	1.95
BBG EPS	2.17	(2.80)	2.04	3.93
Cashflow from operations	(8,611)	(6,011)	6,536	14,581
FCFF	(14,013)	(15,858)	(4,214)	3,721
Margins and Growth				
Revenue Growth Y/Y (%)	(22.3%)	(4.4%)	16.6%	14.6%
EBITDA margin	3.7%	(1.8%)	4.4%	6.9%
EBITDA Growth Y/Y (%)	(59.2%)	(146.7%)	(388.1%)	78.2%
EBIT margin	(0.5%)	(7.0%)	(1.4%)	1.0%
Adj. EPS growth	(86.2%)	(568.3%)	(88.9%)	(436.3%)
Ratios				
Adj. tax rate	12.2%	(13.1%)	(15.0%)	15.0%
Interest cover	NM	1.4	NM	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	22.1	NM	NM
ROCE	(0.6%)	(11.0%)	(2.7%)	1.6%
ROE	1.6%	(7.7%)	(0.9%)	2.9%
Valuation				
FCFF yield	(18.3%)	(20.7%)	(5.5%)	4.9%
Dividend yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA	5.4	NM	7.4	3.7
EV/Revenue	0.2	0.3	0.3	0.3
Adj. P/E	68.1	NM	NM	38.9

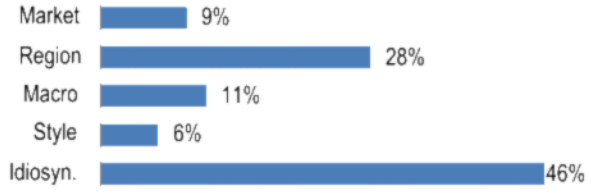
Summary Investment Thesis and Valuation

Our key concern on Li Auto remains execution risk, as a growing number of Chinese competitors — including NIO, XPeng, Huawei-backed brands, Xiaomi, Zeekr and Leapmotor — are launching EREV and BEV products that increasingly overlap with Li Auto's core franchise across price points, specifications/features, distribution channels and target family-buyer segments. This could weigh on top-line momentum, while price competition, incentives and input-cost inflation may continue to pressure margins. We stay UW as we see potential further downside from current levels given margin and profitability pressure in upcoming quarters.

Valuation

We set our Jun-27 PT at US$9 based on 0.5x 2027E P/S. We apply conservative assumptions in our multiple to reflect: 1) our cautious view on the overall NEV market, and 2) our more cautious earnings forecasts – we project a full-year loss larger than consensus.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.12	0.29
Region: Hong Kong	0.58	0.56
Macro:		
JPM Global Equity Sentiment	0.44	0.38
JP Morgan GBI-EM Global Div	0.10	0.34
JPM EM Currency(EMCI) Fixing	0.09	0.33
Quant Styles:		
Size	-0.60	-0.39
Growth	-0.55	-0.33
DivYld	0.56	0.29

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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Investment Thesis, Valuation and Risks

Li Auto Inc. - ADR *(Underweight; Price Target: $9.00)*

Investment Thesis

Our key concern on Li Auto remains execution risk, as a growing number of Chinese competitors — including NIO, XPeng, Huawei-backed brands, Xiaomi, Zeekr and Leapmotor — are launching EREV and BEV products that increasingly overlap with Li Auto's core franchise across price points, specifications/features, distribution channels and target family-buyer segments. This could weigh on top-line momentum, while price competition, incentives and input-cost inflation may continue to pressure margins. We stay UW as we see potential further downside from current levels given margin and profitability pressure in upcoming quarters.

Valuation

We set our Jun-27 PT at US$9 based on 0.5x 27E P/sales. We apply conservative assumptions in our multiple to reflect: 1) our cautious view on the overall NEV market, and 2) our more cautious earnings forecasts – we project a full-year loss larger than consensus.

Risks to Rating and Price Target

Upside and downside risks: (1) better-/worse-than-expected vehicle sales; (2) better-/worse-than-expected overall auto market sales/EV demand; and (3) better-/worse-than-expected (pricing) competition and margins.

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Li Auto - ADR: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**144,460**	**112,313**	**107,329**	**125,136**	**143,347**
COGS	(114,804)	(91,327)	(94,068)	(105,440)	(117,770)
Gross profit	**29,656**	**20,985**	**13,261**	**19,695**	**25,577**
SG&A	(12,229)	(10,665)	(9,233)	(9,451)	(11,165)
Adj. EBITDA	**10,077**	**4,114**	**(1,922)**	**5,538**	**9,867**
D&A	(3,058)	(4,635)	(5,586)	(7,291)	(8,471)
Adj. EBIT	**7,019**	**(521)**	**(7,508)**	**(1,753)**	**1,396**
Net Interest	1,632	1,751	1,368	874	787
Adj. PBT	**9,316**	**1,297**	**(6,052)**	**(692)**	**2,326**
Tax	(1,270)	(158)	794	104	(349)
Minority Interest	(13)	(15)	(7)	2	(8)
Adj. Net Income	**8,032**	**1,124**	**(5,265)**	**(586)**	**1,969**
Reported EPS (Basic)	8.06	1.12	(5.23)	(0.58)	1.95
Adj. EPS	**8.06**	**1.12**	**(5.23)**	**(0.58)**	**1.95**
DPS	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Shares outstanding	997	1,008	1,008	1,008	1,008

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	65,901	65,901	50,890	47,427	52,008
Accounts receivable	135	135	206	240	275
Inventories	8,186	8,186	7,216	8,089	9,034
Other current assets	52,088	52,088	52,088	52,088	52,088
Current assets	**126,310**	**126,310**	**110,400**	**107,843**	**113,405**
PP&E	8,324	8,324	11,738	14,448	15,977
LT investments	923	923	923	923	923
Other non current assets	26,792	26,792	26,792	26,792	26,792
Total assets	**162,349**	**162,349**	**149,854**	**150,006**	**157,097**
Short term borrowings	14,117	14,117	14,117	14,117	14,117
Payables	53,596	53,596	45,511	45,501	49,755
Other short term liabilities	1,503	1,503	1,503	1,503	1,503
Current liabilities	**69,216**	**69,216**	**61,131**	**61,121**	**65,375**
Long-term debt	8,152	8,152	8,152	8,152	8,152
Other long term liabilities	13,661	13,661	13,661	13,661	13,661
Total liabilities	**91,029**	**91,029**	**82,944**	**82,933**	**87,187**
Shareholders' equity	70,875	70,875	66,457	66,622	69,452
Minority interests	445	445	453	450	458
Total liabilities & equity	**162,349**	**162,349**	**149,854**	**150,006**	**157,097**
BVPS	**71.12**	**70.34**	**65.96**	**66.12**	**68.93**
y/y Growth	*16.3%*	*(1.1%)*	*(6.2%)*	*0.2%*	*4.2%*
Net debt/(cash)	(57,468)	(57,468)	(42,458)	(38,994)	(43,575)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**15,933**	**(8,611)**	**(6,011)**	**6,536**	**14,581**
o/w Depreciation & amortization	3,058	4,635	5,586	7,291	8,471
o/w Changes in working capital	(880)	(15,582)	(7,186)	(917)	3,273
Cash flow from investing activities	**(41,137)**	**(703)**	**(9,000)**	**(10,000)**	**(10,000)**
o/w Capital expenditure	(7,730)	(4,206)	(9,000)	(10,000)	(10,000)
as % of sales	*5.4%*	*3.7%*	*8.4%*	*8.0%*	*7.0%*
Cash flow from financing activities	**(416)**	**767**	**0**	**0**	**0**
o/w Dividends paid	-	-	-	-	-
o/w Shares issued/(repurchased)	15	15	0	0	0
o/w Net debt issued/(repaid)	(430)	1,357	0	0	0
Net change in cash	**(25,422)**	**(9,000)**	**(15,011)**	**(3,464)**	**4,581**
Adj. Free cash flow to firm	**2,493**	**(14,013)**	**(15,858)**	**(4,214)**	**3,721**
y/y Growth	*(93.4%)*	*(662.1%)*	*13.2%*	*(73.4%)*	*(188.3%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	20.5%	18.7%	12.4%	15.7%	17.8%
EBITDA margin	7.0%	3.7%	(1.8%)	4.4%	6.9%
EBIT margin	4.9%	(0.5%)	(7.0%)	(1.4%)	1.0%
Net profit margin	5.6%	1.0%	(4.9%)	(0.5%)	1.4%
ROE	12.3%	1.6%	(7.7%)	(0.9%)	2.9%
ROA	5.3%	0.7%	(3.4%)	(0.4%)	1.3%
ROCE	8.2%	(0.6%)	(11.0%)	(2.7%)	1.6%
SG&A/Sales	8.5%	9.5%	8.6%	7.6%	7.8%
Net debt/Equity	NM	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	22.1	NM	NM
Sales/Assets (x)	0.9	0.7	0.7	0.8	0.9
Assets/Equity (x)	2.3	2.3	2.3	2.3	2.3
Interest cover (x)	NM	NM	1.4	NM	NM
Operating leverage	(31.5%)	482.7%	(30214.3%)	(462.0%)	(1234.3%)
Tax rate	13.6%	12.2%	(13.1%)	(15.0%)	15.0%
Revenue y/y Growth	16.6%	(22.3%)	(4.4%)	16.6%	14.6%
EBITDA y/y Growth	9.4%	(59.2%)	(146.7%)	(388.1%)	78.2%
EPS y/y Growth	(32.2%)	(86.2%)	(568.3%)	(88.9%)	(436.3%)

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	9.4	68.1	NM	NM	38.9
P/BV (x)	1.1	1.1	1.2	1.1	1.1
EV/EBITDA (x)	2.2	5.4	NM	7.4	3.7
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which



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Li Auto

Underweight

2015.HK,2015 HK
Price (23 Oct 26): HK$45.08

Price Target (Jun-27): HK$35.00

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Revenue - 27E (Rmb mn)	132,550	125,136	-5.6%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	59	51	27	48	57
Growth	96	28	94	4	16
Momentum	99	99	99	1	
Quality	91	89	72	92	93
Low Vol	64	80	91	94	56
ESGQ	3	-	-	2	-

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Stay UW

We project Li Auto's bottom line loss will narrow in 3Q26 (GAAP and non-GAAP basis), thanks to better sales mix from higher end models including Mega MPV and L-series SUVs, and at the same time lower proportion from the entry level i6 SUV. As such, we project an expansion of vehicle GPM from 9.4% in 2Q26 toward 11.4% in 3Q26. A narrowing loss should also help the company's FCF position.

To reflect our broader sector (cautious) view discussed throughout this report, we are trimming Li Auto's 4Q26 and 2027 delivery assumptions to ~120k units and ~460k units respectively. We note our 2027 shipment assumption (11% YoY growth) is lower than Bloomberg consensus at ~520k units. We believe our assumption is reasonable as we project domestic NEV demand to grow by mid to high single digits in 2027, hence Li Auto should at least perform in line with the industry but substantial market share gains, implied by Bloomberg consensus, could be challenging in our view.

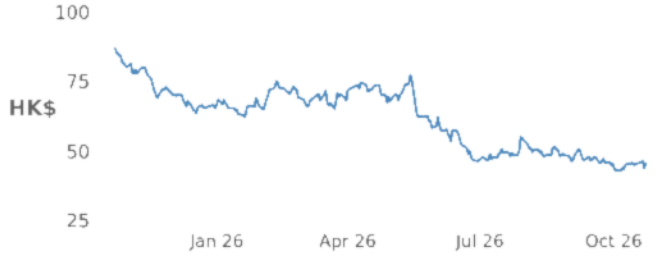
We maintain our UW recommendation and keep our PT at HK$35 as the company's current market cap is already lower than cash on balance sheet (Rmb85.6bn based on 1H26 financial report). Our PT is based on 0.5x 2027E P/Sales.

Upside risk mainly lies in better-than-expected profitability and sales delivery in both domestic and international markets.

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Price Performance



— 2015.HK Price (HK$) HSCEI (rebased)

	YTD	1m	3m	12m
Abs	-30.5%	-2.5%	-7.9%	-48.1%
Rel	-17.5%	3.7%	-0.8%	-31.5%

Company Data

Shares O/S (mn)	1,008
52-week range (HK$)	87.60-41.70
Market cap ($ mn)	5,791
Exchange rate	7.84
Free float (%)	65.4%
3M ADV (mn)	9.14
3M ADV ($ mn)	55.9
Volatility (90 Day)	43
Index	HSCEI
BBG ANR (Buy | Hold | Sell)	22|14|2

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	112,313	107,329	125,136	143,347
Adj. EBITDA	4,114	(1,922)	5,538	9,867
Adj. EBIT	(521)	(7,508)	(1,753)	1,396
Adj. net income	1,124	(5,265)	(586)	1,969
Net margin	1.0%	(4.9%)	(0.5%)	1.4%
Adj. EPS	1.12	(5.23)	(0.58)	1.95
BBG EPS	1.09	(1.40)	1.02	1.96
Cashflow from operations	(8,611)	(6,011)	6,536	14,581
FCFF	(14,013)	(15,858)	(4,214)	3,721
Margins and Growth				
Revenue Growth Y/Y (%)	(22.3%)	(4.4%)	16.6%	14.6%
EBITDA margin	3.7%	(1.8%)	4.4%	6.9%
EBITDA Growth Y/Y (%)	(59.2%)	(146.7%)	(388.1%)	78.2%
EBIT margin	(0.5%)	(7.0%)	(1.4%)	1.0%
Adj. EPS growth	(86.2%)	(568.3%)	(88.9%)	(436.3%)
Ratios				
Adj. tax rate	12.2%	(13.1%)	(15.0%)	15.0%
Interest cover	NM	1.4	NM	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	22.1	NM	NM
ROCE	(0.6%)	(11.0%)	(2.7%)	1.6%
ROE	1.6%	(7.7%)	(0.9%)	2.9%
Valuation				
FCFF yield	(36.3%)	(41.1%)	(10.9%)	9.6%
Dividend yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA	5.4	NM	7.4	3.7
EV/Revenue	0.2	0.3	0.3	0.3
Adj. P/E	34.4	NM	NM	19.6

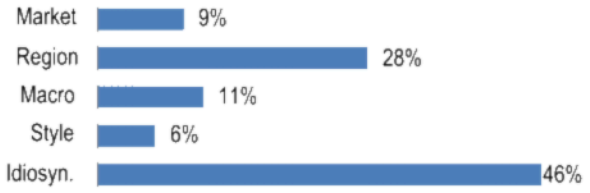
Summary Investment Thesis and Valuation

Our key concern on Li Auto remains execution risk, as a growing number of Chinese competitors — including NIO, XPeng, Huawei-backed brands, Xiaomi, Zeekr and Leapmotor — are launching EREV and BEV products that increasingly overlap with Li Auto's core franchise across price points, specifications/features, distribution channels and target family-buyer segments. This could weigh on top-line momentum, while price competition, incentives and input-cost inflation may continue to pressure margins. We stay UW as we see potential further downside from current levels given margin and profitability pressure in upcoming quarters.

Valuation

We set our Jun-27 PT at HK$35 based on 0.5x 27E P/Sales. We apply conservative assumptions in our multiple to reflect: 1) our cautious view on the overall NEV market and 2) our cautious earnings forecasts – we project a full-year loss larger than consensus.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.12	0.29
Region: Hong Kong	0.58	0.56
Macro:		
JPM Global Equity Sentiment	0.44	0.38
JP Morgan GBI-EM Global Div	0.10	0.34
JPM EM Currency(EMCI) Fixing	0.09	0.33
Quant Styles:		
Size	-0.60	-0.39
Growth	-0.55	-0.33
DivYld	0.56	0.29

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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Table 11: Earnings revisions

	2026E			2027E		
RMBmn	Revised	Previous	% change	Revised	Previous	% change
Net Sales	107,329	109,316	-2%	125,136	132,550	-6%
Sales growth (yoy%)	-4%	-3%		17%	21%	
COGS	94,068	95,592	-2%	105,440	110,005	-4%
Gross profit	13,261	13,724	-3%	19,695	22,545	-13%
Gross margin (%)	12%	13%		16%	17%	
Operating profit	(7,508)	(7,326)	-2%	(1,753)	780	325%
Operating margin (%)	-7%	-7%		-1%	1%	
OP (Non- GAAP)	(6,661)	(6,462)	-3%	(1,002)	1,575	164%
OPM- adj (%)	-6%	-6%		-1%	1%	
Pre-tax profit	(6,052)	(5,812)	-4%	(692)	1,869	137%
Net profit	(5,265)	(5,062)	-4%	(586)	1,582	137%
Net margin (%)	-5%	-5%		0%	1%	
Net profit growth (yoy%)	-568%	-550%		-89%	-131%	
NP (Non- GAAP)	(4,411)	(4,190)	-5%	163	2,384	-93%
NPM- adj (%)	-4%	-4%		0%	2%	

Source: J.P. Morgan estimates

Investment Thesis, Valuation and Risks

Li Auto Inc. *(Underweight; Price Target: HK$35.00)*

Investment Thesis

Our key concern on Li Auto remains execution risk, as a growing number of Chinese competitors — including NIO, XPeng, Huawei-backed brands, Xiaomi, Zeekr and Leapmotor — are launching EREV and BEV products that increasingly overlap with Li Auto's core franchise across price points, specifications/features, distribution channels and target family-buyer segments. This could weigh on top-line momentum, while price competition, incentives and input-cost inflation may continue to pressure margins. We stay UW as we see potential further downside from current levels given margin and profitability pressure in upcoming quarters.

Valuation

We set our Jun-27 PT at HK$35 based on 0.5x 27E P/Sales. We apply conservative assumptions in our multiple to reflect: 1) our cautious view on the overall NEV market; and 2) our cautious earnings forecasts – we project a full-year loss larger than consensus.

Risks to Rating and Price Target

Upside and downside risks: (1) better-/worse-than-expected vehicle sales; (2) better-/worse-than-expected overall auto market sales/EV demand; and (3) better-/worse-than-expected (pricing) competition and margins.

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Li Auto: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**144,460**	**112,313**	**107,329**	**125,136**	**143,347**
COGS	(114,804)	(91,327)	(94,068)	(105,440)	(117,770)
Gross profit	**29,656**	**20,985**	**13,261**	**19,695**	**25,577**
SG&A	(12,229)	(10,665)	(9,233)	(9,451)	(11,165)
Adj. EBITDA	**10,077**	**4,114**	**(1,922)**	**5,538**	**9,867**
D&A	(3,058)	(4,635)	(5,586)	(7,291)	(8,471)
Adj. EBIT	**7,019**	**(521)**	**(7,508)**	**(1,753)**	**1,396**
Net Interest	1,632	1,751	1,368	874	787
Adj. PBT	**9,316**	**1,297**	**(6,052)**	**(692)**	**2,326**
Tax	(1,270)	(158)	794	104	(349)
Minority Interest	(13)	(15)	(7)	2	(8)
Adj. Net Income	**8,032**	**1,124**	**(5,265)**	**(586)**	**1,969**
Reported EPS (Basic)	8.06	1.12	(5.23)	(0.58)	1.95
Adj. EPS	**8.06**	**1.12**	**(5.23)**	**(0.58)**	**1.95**
DPS	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Shares outstanding	997	1,008	1,008	1,008	1,008

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	65,901	65,901	50,890	47,427	52,008
Accounts receivable	135	135	206	240	275
Inventories	8,186	8,186	7,216	8,089	9,034
Other current assets	52,088	52,088	52,088	52,088	52,088
Current assets	**126,310**	**126,310**	**110,400**	**107,843**	**113,405**
PP&E	8,324	8,324	11,738	14,448	15,977
LT investments	923	923	923	923	923
Other non current assets	26,792	26,792	26,792	26,792	26,792
Total assets	**162,349**	**162,349**	**149,854**	**150,006**	**157,097**
Short term borrowings	14,117	14,117	14,117	14,117	14,117
Payables	53,596	53,596	45,511	45,501	49,755
Other short term liabilities	1,503	1,503	1,503	1,503	1,503
Current liabilities	**69,216**	**69,216**	**61,131**	**61,121**	**65,375**
Long-term debt	8,152	8,152	8,152	8,152	8,152
Other long term liabilities	13,661	13,661	13,661	13,661	13,661
Total liabilities	**91,029**	**91,029**	**82,944**	**82,933**	**87,187**
Shareholders' equity	70,875	70,875	66,457	66,622	69,452
Minority interests	445	445	453	450	458
Total liabilities & equity	**162,349**	**162,349**	**149,854**	**150,006**	**157,097**
BVPS	**71.12**	**70.34**	**65.96**	**66.12**	**68.93**
y/y Growth	*16.3%*	*(1.1%)*	*(6.2%)*	*0.2%*	*4.2%*
Net debt/(cash)	(57,468)	(57,468)	(42,458)	(38,994)	(43,575)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**15,933**	**(8,611)**	**(6,011)**	**6,536**	**14,581**
o/w Depreciation & amortization	3,058	4,635	5,586	7,291	8,471
o/w Changes in working capital	(880)	(15,582)	(7,186)	(917)	3,273
Cash flow from investing activities	**(41,137)**	**(703)**	**(9,000)**	**(10,000)**	**(10,000)**
o/w Capital expenditure	(7,730)	(4,206)	(9,000)	(10,000)	(10,000)
as % of sales	*5.4%*	*3.7%*	*8.4%*	*8.0%*	*7.0%*
Cash flow from financing activities	**(416)**	**767**	**0**	**0**	**0**
o/w Dividends paid	-	-	-	-	-
o/w Shares issued/(repurchased)	15	15	0	0	0
o/w Net debt issued/(repaid)	(430)	1,357	0	0	0
Net change in cash	**(25,422)**	**(9,000)**	**(15,011)**	**(3,464)**	**4,581**
Adj. Free cash flow to firm	**2,493**	**(14,013)**	**(15,858)**	**(4,214)**	**3,721**
y/y Growth	*(93.4%)*	*(662.1%)*	*13.2%*	*(73.4%)*	*(188.3%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	20.5%	18.7%	12.4%	15.7%	17.8%
EBITDA margin	7.0%	3.7%	(1.8%)	4.4%	6.9%
EBIT margin	4.9%	(0.5%)	(7.0%)	(1.4%)	1.0%
Net profit margin	5.6%	1.0%	(4.9%)	(0.5%)	1.4%
ROE	12.3%	1.6%	(7.7%)	(0.9%)	2.9%
ROA	5.3%	0.7%	(3.4%)	(0.4%)	1.3%
ROCE	8.2%	(0.6%)	(11.0%)	(2.7%)	1.6%
SG&A/Sales	8.5%	9.5%	8.6%	7.6%	7.8%
Net debt/Equity	NM	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	22.1	NM	NM
Sales/Assets (x)	0.9	0.7	0.7	0.8	0.9
Assets/Equity (x)	2.3	2.3	2.3	2.3	2.3
Interest cover (x)	NM	NM	1.4	NM	NM
Operating leverage	(31.5%)	482.7%	(30214.3%)	(462.0%)	(1234.3%)
Tax rate	13.6%	12.2%	(13.1%)	(15.0%)	15.0%
Revenue y/y Growth	16.6%	(22.3%)	(4.4%)	16.6%	14.6%
EBITDA y/y Growth	9.4%	(59.2%)	(146.7%)	(388.1%)	78.2%
EPS y/y Growth	(32.2%)	(86.2%)	(568.3%)	(88.9%)	(436.3%)

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	4.8	34.4	NM	NM	19.6
P/BV (x)	0.5	0.5	0.6	0.6	0.6
EV/EBITDA (x)	2.2	5.4	NM	7.4	3.7
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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XPeng - H

Neutral

9868.HK,9868 HK
Price (23 Oct 26): HK$37.12

▼ **Price Target (Jun-27): HK$40.00**
Prior (Jun-27): HK$45.00

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Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	97	85	86	98	64
Growth	92	9	11	34	23
Momentum	100	99	23	6	
Quality	94	94	97	97	95
Low Vol	80	94	95	100	90
ESGQ	5	8	10	4	-

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Stay Neutral

We project XPeng's vehicle GPM to top 13.2% in 3Q26, up slightly from 12.1% in 2Q26, thanks to 15% QoQ volume growth and hence scale effect. Continued growth in overseas markets, despite being from a low base, should be a key driver of the bottom line in the long term. At the bottom line, we think the non-GAAP loss will narrow as a result and potentially turn into a profit in 4Q26 as we project a major surge in 4Q26 sales delivery to over 150k units or near 30% QoQ, driven mainly by new SUVs under Mona brand domestically and increasingly in overseas markets.

For 2027, we forecast XPeng will see rapid volume growth of over 25% to ~550k units as new models launched in 2H26 or 4Q26 will have full year contributions. Also, we believe XPeng's position as a technology leader in autonomous driving and application of physical AI will appeal to young buyers in both domestic and overseas markets. We note however our volume assumption (~550k) is lower than consensus of 629k units according to Bloomberg, which represents ~45% yoy growth.

We retain our Neutral rating on XPeng H-share and set our June-27 PT at HK$40 (previously HK$45) based on unchanged 0.4x FY27E P/S and EV/S and our revised earnings estimates.

Upside/downside risk lies in mainly the company's profitability and sales delivery in domestic and international markets in 2027. Development of XPeng's robot business (IRON robot) as well as robotaxi deployment in China will be also key focuses for investors next year in our view.

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Price Performance



— 9868.HK Price (HK$) HSI (rebased)

	YTD	1m	3m	12m
Abs	-53.2%	-8.1%	-27.6%	-54.8%
Rel	-43.3%	-1.1%	-19.2%	-43.7%

Company Data

Shares O/S (mn)	821
52-week range (HK$)	110.80-35.12
Market cap ($ mn)	3,888
Exchange rate	7.84
Free float (%)	79.5%
3M ADV (mn)	11.12
3M ADV ($ mn)	62.1
Volatility (90 Day)	48
Index	HSI
BBG ANR (Buy | Hold | Sell)	38|4|2

Key Metrics (FYE Dec)

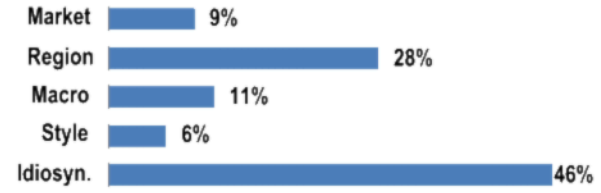
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	76,720	84,529	102,897	114,369
Adj. EBITDA	(399)	(955)	(94)	1,258
Adj. EBIT	(2,771)	(3,561)	(2,826)	(1,584)
Adj. net income	(1,139)	(3,648)	(2,261)	(1,033)
Net margin	(1.5%)	(4.3%)	(2.2%)	(0.9%)
Adj. EPS	(1.20)	(3.83)	(2.38)	(1.09)
BBG EPS	(0.66)	(1.96)	0.05	1.33
Cashflow from operations	8,259	(1,627)	3,546	3,038
FCFF	7,390	(3,500)	(838)	(380)
Margins and Growth				
Revenue Growth Y/Y (%)	87.7%	10.2%	21.7%	11.1%
EBITDA margin	(0.5%)	(1.1%)	(0.1%)	1.1%
EBITDA Growth Y/Y (%)	(91.2%)	139.2%	(90.2%)	(1443.4%)
EBIT margin	(3.6%)	(4.2%)	(2.7%)	(1.4%)
Adj. EPS growth	(80.5%)	220.1%	(38.0%)	(54.3%)
Ratios				
Adj. tax rate	(1.2%)	(4.7%)	0.0%	0.0%
Interest cover	0.5	1.8	0.4	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	16.2	1.8	13.1	NM
ROCE	(6.8%)	(9.4%)	(7.5%)	(4.3%)
ROE	(3.7%)	(12.7%)	(8.7%)	(4.2%)
Valuation				
FCFF yield	24.6%	(11.6%)	(2.8%)	(1.3%)
Dividend yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA	NM	NM	NM	46.7
EV/Revenue	0.7	0.7	0.6	0.5
Adj. P/E	NM	NM	NM	NM

Summary Investment Thesis and Valuation

We are Neutral on XPeng. Its planned robotaxi and humanoid-robot deployments into 1H27 provide company-specific AI optionality, but we remain conservative given weaker volume expectations, rising R&D investment and limited near-term monetization. With losses expected to continue through 2027 and our cautious sector outlook, we see limited valuation upside.

We set our Jun-27 PT at HK$40. We value the company based on a sum-of-the-parts valuation methodology. For vehicle sales, we apply a 0.4x FY27E P/S and EV/S to reflect our cautious view on the broader market. For the other business initiatives (incl. robotaxi and humanoid robot), we use the bear case valuation of each business initiative.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.12	0.29
Region: Hong Kong	0.58	0.56
Macro:		
JPM GlobalEquitySentiment	0.44	0.38
JP MorganGBI-EM GlobalDiv	0.10	0.34
JPM EM Currency(EMCI)Fixing	0.09	0.33
Quant Styles:		
Size	-0.60	-0.39
Growth	-0.55	-0.33
DivYld	0.56	0.29

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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Investment Thesis, Valuation and Risks

XPeng Inc. - H *(Neutral; Price Target: HK$40.00)*

Investment Thesis

We are Neutral on XPeng. Its planned robotaxi and humanoid-robot deployments into 1H27 provide company-specific AI optionality, but we remain conservative given weaker volume expectations, rising R&D investment and limited near-term monetization. With losses expected to continue through 2027 and our cautious sector outlook, we see limited valuation upside.

Valuation

We set our Jun-27 PT at HK$40. We value the company based on a sum-of-the-parts valuation methodology. For vehicle sales, we apply a 0.4x FY27E P/S and EV/S to reflect our cautious view on the broader market. For the other business initiatives (incl. robotaxi and humanoid robot), we use the bear case valuation of each business initiative.

SOTP valuation

(USDmn)	Implied mkt cap
Vehicle sales	7,375
Robotaxi service	568
Humanoid robot	1,798
Total implied equity value (USD mn)	9741
Implied value per share (USD)	10
Implied value per share (HKD)	40

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Downside risks to our rating and price target include: worse-than-expected pricing competition in China's NEV market; execution risk and worse-than-expected competition in robotaxi, humanoid robots and other business. Key factors to track for validating or falsifying our valuation thesis on the three new initiatives include: the launch of L4 vehicles by end-2026, cost management and shipment volumes of humanoid robots, progress in the certification process for other business, and the execution of supply chain operations.

Potential upside catalysts include successful collaboration between XPeng and VW on future products and technology, better-than-expected development and demand in robotaxi, humanoid robots and other business.

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XPeng - H: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**40,866**	**76,720**	**84,529**	**102,897**	**114,369**
COGS	(35,021)	(62,247)	(67,914)	(85,172)	(94,912)
Gross profit	**5,846**	**14,473**	**16,614**	**17,725**	**19,457**
SG&A	(6,871)	(9,398)	(8,957)	(8,132)	(8,720)
Adj. EBITDA	**(4,549)**	**(399)**	**(955)**	**(94)**	**1,258**
D&A	(2,109)	(2,372)	(2,605)	(2,732)	(2,843)
Adj. EBIT	**(6,658)**	**(2,771)**	**(3,561)**	**(2,826)**	**(1,584)**
Net Interest	1,031	783	541	222	197
Adj. PBT	**(5,831)**	**(1,157)**	**(3,483)**	**(2,261)**	**(1,033)**
Tax	70	(14)	(165)	0	0
Minority Interest	0	0	0	0	0
Adj. Net Income	**(5,790)**	**(1,139)**	**(3,648)**	**(2,261)**	**(1,033)**
Reported EPS (Basic)	(6.12)	(1.20)	(3.83)	(2.38)	(1.09)
Adj. EPS	**(6.12)**	**(1.20)**	**(3.83)**	**(2.38)**	**(1.09)**
DPS	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Shares outstanding	946	952	952	952	952

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	18,586	17,330	13,127	13,098	13,561
Accounts receivable	2,450	1,997	1,204	1,466	1,629
Inventories	5,563	10,381	10,234	12,367	13,782
Other current assets	23,137	33,547	33,547	33,547	33,547
Current assets	**49,736**	**63,254**	**58,112**	**60,478**	**62,518**
PP&E	11,522	13,527	15,440	18,029	19,337
LT investments	1,963	1,469	1,469	1,469	1,469
Other non current assets	19,485	24,913	23,470	22,224	21,148
Total assets	**82,706**	**103,163**	**98,490**	**102,199**	**104,472**
Short term borrowings	4,609	4,282	4,282	4,282	4,282
Payables	23,080	37,163	36,841	42,003	44,466
Other short term liabilities	12,175	16,668	15,205	15,205	15,205
Current liabilities	**39,865**	**58,113**	**56,328**	**61,490**	**63,952**
Long-term debt	5,665	6,589	7,089	7,589	8,089
Other long term liabilities	5,902	8,092	8,092	8,092	8,092
Total liabilities	**51,431**	**72,794**	**71,509**	**77,170**	**80,133**
Shareholders' equity	31,275	30,368	26,981	25,029	24,339
Minority interests	0	0	0	0	0
Total liabilities & equity	**82,706**	**103,163**	**98,490**	**102,199**	**104,472**
BVPS	**33.07**	**31.90**	**28.34**	**26.29**	**25.57**
y/y Growth	*(20.8%)*	*(3.5%)*	*(11.2%)*	*(7.2%)*	*(2.8%)*
Net debt/(cash)	(8,313)	(6,459)	(1,756)	(1,227)	(1,190)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**(2,012)**	**8,259**	**(1,627)**	**3,546**	**3,038**
o/w Depreciation & amortization	2,109	2,372	2,605	2,732	2,843
o/w Changes in working capital	56	8,697	617	2,766	885
Cash flow from investing activities	**(1,255)**	**(7,334)**	**(3,075)**	**(4,075)**	**(3,075)**
o/w Capital expenditure	(2,226)	(3,156)	(3,075)	(4,075)	(3,075)
as % of sales	*5.4%*	*4.1%*	*3.6%*	*4.0%*	*2.7%*
Cash flow from financing activities	**669**	**515**	**500**	**500**	**500**
o/w Dividends paid	-	-	-	-	-
o/w Shares issued/(repurchased)	0	0	0	0	0
o/w Net debt issued/(repaid)	1,197	515	500	500	500
Net change in cash	**(2,562)**	**1,661**	**(4,203)**	**(29)**	**463**
Adj. Free cash flow to firm	**(5,388)**	**7,390**	**(3,500)**	**(838)**	**(380)**
y/y Growth	*48.5%*	*(237.2%)*	*(147.4%)*	*(76.1%)*	*(54.6%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	14.3%	18.9%	19.7%	17.2%	17.0%
EBITDA margin	(11.1%)	(0.5%)	(1.1%)	(0.1%)	1.1%
EBIT margin	(16.3%)	(3.6%)	(4.2%)	(2.7%)	(1.4%)
Net profit margin	(14.2%)	(1.5%)	(4.3%)	(2.2%)	(0.9%)
ROE	(17.1%)	(3.7%)	(12.7%)	(8.7%)	(4.2%)
ROA	(6.9%)	(1.2%)	(3.6%)	(2.3%)	(1.0%)
ROCE	(15.4%)	(6.8%)	(9.4%)	(7.5%)	(4.3%)
SG&A/Sales	16.8%	12.3%	10.6%	7.9%	7.6%
Net debt/Equity	NM	NM	NM	NM	NM
Net debt/EBITDA	1.8	16.2	1.8	13.1	NM
Sales/Assets (x)	0.5	0.8	0.8	1.0	1.1
Assets/Equity (x)	2.5	3.0	3.5	3.9	4.2
Interest cover (x)	4.4	0.5	1.8	0.4	NM
Operating leverage	(117.0%)	(66.5%)	279.8%	(94.9%)	(394.1%)
Tax rate	(1.2%)	(1.2%)	(4.7%)	0.0%	0.0%
Revenue y/y Growth	33.2%	87.7%	10.2%	21.7%	11.1%
EBITDA y/y Growth	(49.5%)	(91.2%)	139.2%	(90.2%)	(1443.4%)
EPS y/y Growth	(48.6%)	(80.5%)	220.1%	(38.0%)	(54.3%)

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	NM	NM	NM	NM	NM
P/BV (x)	1.0	1.0	1.1	1.2	1.2
EV/EBITDA (x)	NM	NM	NM	NM	46.7
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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J.P.Morgan

XPeng

Neutral

XPEV,XPEV US
Price (23 Oct 26): $9.21

▼ **Price Target (Jun-27): $10.00**
Prior (Jun-27): $11.50

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Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	90	80	72	81	40
Growth	92	28	13	27	32
Momentum	100	100	12	29	25
Quality	94	94	97	97	95
Low Vol	84	96	96	100	99

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Stay Neutral

We project XPeng's vehicle GPM to top 13.2% in 3Q26, up slightly from 12.1% in 2Q26, thanks to 15% QoQ volume growth and hence scale effect. Continued growth in overseas markets, despite being from a low base, should be a key driver of the bottom line in the long term. At the bottom line, we think the non-GAAP loss will narrow as a result and potentially turn into a profit in 4Q26 as we project a major surge in 4Q26 sales delivery to over 150k units or near 30% QoQ, driven mainly by new SUVs under Mona brand domestically and increasingly in overseas markets.

For 2027, we forecast XPeng will see rapid volume growth of over 25% to ~550k units as new models launched in 2H26 or 4Q26 will have full year contributions. Also, we believe XPeng's position as a technology leader in autonomous driving and application of physical AI will appeal to young buyers in both domestic and overseas markets. We note however our volume assumption (~550k) is lower than consensus of 629k units according to Bloomberg, which represents ~45% yoy growth.

We retain our Neutral rating on XPeng-ADR and set our June-27 PT at US$10 (previously US$11.5) based on an unchanged 0.4x FY27E P/S and EV/S and our revised earnings estimates.

Upside/downside risk lies in mainly the company's profitability and sales delivery in domestic and international markets in 2027. Development of XPeng's robot business (IRON robot) as well as robotaxi deployment in China will be also key focuses for investors next year in our view.

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Price Performance



— XPEV Price ($) HSCI (rebased)

	YTD	1m	3m	12m
Abs	-54.6%	-10.5%	-27.8%	-57.1%
Rel	-40.7%	-2.3%	-18.4%	-41.3%

Company Data

Shares O/S (mn)	821
52-week range ($)	28.24-9.01
Market cap ($ mn)	7,566
Exchange rate	1.00
Free float (%)	-
3M ADV (mn)	7.15
3M ADV ($ mn)	78.3
Volatility (90 Day)	44
Index	HSCI
BBG ANR (Buy | Hold | Sell)	24|5|2

Key Metrics (FYE Dec)

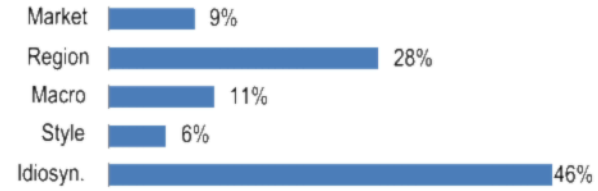
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Adj. EBITDA	(399)	(955)	(94)	1,258
Adj. EBIT	(2,771)	(3,561)	(2,826)	(1,584)
Adj. net income	(1,139)	(3,648)	(2,261)	(1,033)
Net margin	(1.5%)	(4.3%)	(2.2%)	(0.9%)
Adj. EPS	(1.20)	(3.83)	(2.38)	(1.09)
BBG EPS	(1.32)	(3.92)	0.09	2.66
Cashflow from operations	8,259	(1,627)	3,546	3,038
FCFF	7,390	(3,500)	(838)	(380)
Margins and Growth				
Revenue Growth Y/Y (%)	87.7%	10.2%	21.7%	11.1%
EBITDA margin	(0.5%)	(1.1%)	(0.1%)	1.1%
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EBIT margin	(3.6%)	(4.2%)	(2.7%)	(1.4%)
Adj. EPS growth	(80.5%)	220.1%	(38.0%)	(54.3%)
Ratios				
Adj. tax rate	(1.2%)	(4.7%)	0.0%	0.0%
Interest cover	0.5	1.8	0.4	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	16.2	1.8	13.1	NM
ROCE	(6.8%)	(9.4%)	(7.5%)	(4.3%)
ROE	(3.7%)	(12.7%)	(8.7%)	(4.2%)
Valuation				
FCFF yield	12.6%	(6.0%)	(1.4%)	(0.7%)
Dividend yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA	NM	NM	NM	46.7
EV/Revenue	0.7	0.7	0.6	0.5
Adj. P/E	NM	NM	NM	NM

Summary Investment Thesis and Valuation

We are Neutral on XPeng. Its planned robotaxi and humanoid-robot deployments into 1H27 provide company-specific AI optionality, but we remain conservative given weaker volume expectations, rising R&D investment and limited near-term monetization. With losses expected to continue through 2027 and our cautious sector outlook, we see limited valuation upside.

We set our Jun-27 PT at US$10. We value the company based on a sum-of-the-parts valuation methodology. For vehicle sales, we apply a 0.4x FY27E P/S and EV/S to reflect our more cautious view on the broader market. For the other business initiatives (incl. robotaxi and humanoid robot), we use the bear case valuation of each business initiative.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.12	0.29
Region: Hong Kong	0.58	0.56
Macro:		
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Investment Thesis, Valuation and Risks

XPeng Inc. *(Neutral; Price Target: $10.00)*

Investment Thesis

We are Neutral on XPeng. Its planned robotaxi and humanoid-robot deployments into 1H27 provide company-specific AI optionality, but we remain conservative given weaker volume expectations, rising R&D investment and limited near-term monetization. With losses expected to continue through 2027 and our cautious sector outlook, we see limited valuation upside.

Valuation

We set our Jun-27 PT at US$10. We value the company based on a sum-of-the-parts valuation methodology. For vehicle sales, we apply a 0.4x FY27E P/S and EV/S to reflect our more cautious view on the broader market. For the other business initiatives (incl. robotaxi and humanoid robot), we use the bear case valuation of each business initiative.

Risks to Rating and Price Target

Downside risks to our PT include: worse-than-expected pricing competition in China's NEV market; execution risk and worse-than-expected competition in robotaxi, humanoid robots and other business. Key factors to track for validating or falsifying our valuation thesis on the three new initiatives include: the launch of L4 vehicles by end-2026, cost management and shipment volumes of humanoid robots, progress in the certification process for other business, and the execution of supply chain operations.

Potential upside catalysts include successful collaboration between XPeng and VW on future products and technology, better-than-expected development and demand in robotaxi, humanoid robots and other business.

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Net Interest	1,031	783	541	222	197
Adj. PBT	**(5,831)**	**(1,157)**	**(3,483)**	**(2,261)**	**(1,033)**
Tax	70	(14)	(165)	0	0
Minority Interest	0	0	0	0	0
Adj. Net Income	**(5,790)**	**(1,139)**	**(3,648)**	**(2,261)**	**(1,033)**
Reported EPS (Basic)	(6.12)	(1.20)	(3.83)	(2.38)	(1.09)
Adj. EPS	**(6.12)**	**(1.20)**	**(3.83)**	**(2.38)**	**(1.09)**
DPS	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Shares outstanding	946	952	952	952	952

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	18,586	17,330	13,127	13,098	13,561
Accounts receivable	2,450	1,997	1,204	1,466	1,629
Inventories	5,563	10,381	10,234	12,367	13,782
Other current assets	23,137	33,547	33,547	33,547	33,547
Current assets	**49,736**	**63,254**	**58,112**	**60,478**	**62,518**
PP&E	11,522	13,527	15,440	18,029	19,337
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Total assets	**82,706**	**103,163**	**98,490**	**102,199**	**104,472**
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Payables	23,080	37,163	36,841	42,003	44,466
Other short term liabilities	12,175	16,668	15,205	15,205	15,205
Current liabilities	**39,865**	**58,113**	**56,328**	**61,490**	**63,952**
Long-term debt	5,665	6,589	7,089	7,589	8,089
Other long term liabilities	5,902	8,092	8,092	8,092	8,092
Total liabilities	**51,431**	**72,794**	**71,509**	**77,170**	**80,133**
Shareholders' equity	31,275	30,368	26,981	25,029	24,339
Minority interests	0	0	0	0	0
Total liabilities & equity	**82,706**	**103,163**	**98,490**	**102,199**	**104,472**
BVPS	**33.07**	**31.90**	**28.34**	**26.29**	**25.57**
y/y Growth	*(20.8%)*	*(3.5%)*	*(11.2%)*	*(7.2%)*	*(2.8%)*
Net debt/(cash)	(8,313)	(6,459)	(1,756)	(1,227)	(1,190)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
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o/w Changes in working capital	56	8,697	617	2,766	885
Cash flow from investing activities	**(1,255)**	**(7,334)**	**(3,075)**	**(4,075)**	**(3,075)**
o/w Capital expenditure	(2,226)	(3,156)	(3,075)	(4,075)	(3,075)
as % of sales	*5.4%*	*4.1%*	*3.6%*	*4.0%*	*2.7%*
Cash flow from financing activities	**669**	**515**	**500**	**500**	**500**
o/w Dividends paid	-	-	-	-	-
o/w Shares issued/(repurchased)	0	0	0	0	0
o/w Net debt issued/(repaid)	1,197	515	500	500	500
Net change in cash	**(2,562)**	**1,661**	**(4,203)**	**(29)**	**463**
Adj. Free cash flow to firm	**(5,388)**	**7,390**	**(3,500)**	**(838)**	**(380)**
y/y Growth	*48.5%*	*(237.2%)*	*(147.4%)*	*(76.1%)*	*(54.6%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	14.3%	18.9%	19.7%	17.2%	17.0%
EBITDA margin	(11.1%)	(0.5%)	(1.1%)	(0.1%)	1.1%
EBIT margin	(16.3%)	(3.6%)	(4.2%)	(2.7%)	(1.4%)
Net profit margin	(14.2%)	(1.5%)	(4.3%)	(2.2%)	(0.9%)
ROE	(17.1%)	(3.7%)	(12.7%)	(8.7%)	(4.2%)
ROA	(6.9%)	(1.2%)	(3.6%)	(2.3%)	(1.0%)
ROCE	(15.4%)	(6.8%)	(9.4%)	(7.5%)	(4.3%)
SG&A/Sales	16.8%	12.3%	10.6%	7.9%	7.6%
Net debt/Equity	NM	NM	NM	NM	NM
Net debt/EBITDA	1.8	16.2	1.8	13.1	NM
Sales/Assets (x)	0.5	0.8	0.8	1.0	1.1
Assets/Equity (x)	2.5	3.0	3.5	3.9	4.2
Interest cover (x)	4.4	0.5	1.8	0.4	NM
Operating leverage	(117.0%)	(66.5%)	279.8%	(94.9%)	(394.1%)
Tax rate	(1.2%)	(1.2%)	(4.7%)	0.0%	0.0%
Revenue y/y Growth	33.2%	87.7%	10.2%	21.7%	11.1%
EBITDA y/y Growth	(49.5%)	(91.2%)	139.2%	(90.2%)	(1443.4%)
EPS y/y Growth	(48.6%)	(80.5%)	220.1%	(38.0%)	(54.3%)

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	NM	NM	NM	NM	NM
P/BV (x)	1.9	1.9	2.2	2.3	2.4
EV/EBITDA (x)	NM	NM	NM	NM	46.7
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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NIO

Neutral

NIO,NIO US
Price (23 Oct 26): $3.29

▼ **Price Target (Jun-27): $3.70**
Prior (Jun-27): $4.50

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 27E (Rmb)	(0.43)	(0.38)	12.5%

Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	92	100	100	100	69
Growth	45	44	22	35	85
Momentum	96	15	8	95	87
Quality	100	100	99	98	99
Low Vol	87	96	96	98	99

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Stay Neutral

We forecast NIO's vehicle GPM to slip slightly to 17.7% in 3Q26 form 18.5% in 2Q26 mainly due to elevated input cost including memory chips as well as batteries. We however project GPM to improve in 4Q26, to around 18.1%. At the bottom line, we believe NIO will remain non-GAAP profitable or just above break-even as guided by mgmt during the 2Q26 results call.

We will focus on mgmt guidance on 4Q26 volume delivery; given the stagnant domestic market, we project Nio's 4Q26 sales volume will be ~120k units, up slightly from 109k units in 2Q26, as buyers may rush to place orders before potential subsidy expiry by year-end. That said, considering the stagnant domestic market and weak consumer confidence, we think risk to our forecast could be on the downside.

For 2027, Nio plans to introduce two main models- the ET5T (a sport sedan, scheduled to debut at year-end Nio Day, followed by delivery post Chinese New Year in Feb-27) and ES6 (official launch date to be announced). Given these two models are at the end of their product cycle and the "peak" of their sales during 2024 was significantly higher than the run rates today, we believe they will contribute to the majority of Nio's volume growth and profitability in 2027. At the moment, we conservatively project Nio's total volume delivery will increase by 10% to ~460k units in 2027 (shy of Bloomberg consensus 512k units), based on the assumption that Nio's volume growth should move broadly in line or moderately above industry domestic growth of ~5-10%.

We stay Neutral on Nio with a June-27 PT of US$3.7 (previously US$4.5), based on the blended average of 0.4x FY27E P/S and 0.3x FY27E EV/sales (previously 0.5x/0.4x).

Upside/downside risk lies in mainly the company's profitability and sales delivery in domestic market in 2027.

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Price Performance



	YTD	1m	3m	12m
Abs	-35.5%	-10.4%	-29.1%	-52.2%
Rel	-28.5%	-4.1%	-24.3%	-46.3%

Company Data

Shares O/S (mn)	2,273
52-week range ($)	7.54-3.24
Market cap ($ mn)	7,477
Exchange rate	1.00
Free float (%)	-
3M ADV (mn)	32.12
3M ADV ($ mn)	127.7
Volatility (90 Day)	37
Index	SSE
BBG ANR (Buy | Hold | Sell)	22|7|1

Key Metrics (FYE Dec)

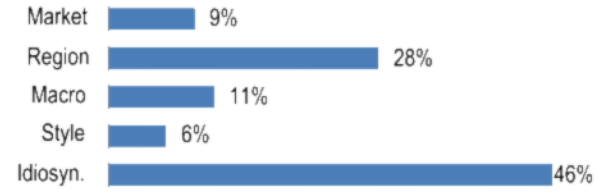
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	87,488	132,226	147,649	164,330
Adj. EBITDA	(14,041)	(1,688)	384	4,801
Adj. EBIT	(14,041)	(1,688)	384	4,801
Adj. net income	(15,571)	(2,403)	(854)	2,840
Net margin	(17.8%)	(1.8%)	(0.6%)	1.7%
Adj. EPS	(6.85)	(1.06)	(0.38)	1.25
BBG EPS	(6.46)	(0.25)	0.66	1.48
Cashflow from operations	2,993	3,175	4,230	17,296
FCFF	(4,883)	(6,028)	(4,913)	8,248
Margins and Growth				
Revenue Growth Y/Y (%)	33.1%	51.1%	11.7%	11.3%
EBITDA margin	(16.0%)	(1.3%)	0.3%	2.9%
EBITDA Growth Y/Y (%)	(35.8%)	(88.0%)	(122.7%)	1150.6%
EBIT margin	(16.0%)	(1.3%)	0.3%	2.9%
Adj. EPS growth	(37.9%)	(84.6%)	(64.5%)	(432.7%)
Ratios				
Adj. tax rate	(0.8%)	(7.4%)	(15.0%)	15.0%
Interest cover	NM	NM	0.2	2.7
Net debt/Equity	0.3	0.6	0.7	NM
Net debt/EBITDA	NM	NM	25.9	NM
ROCE	(67.3%)	(9.4%)	2.2%	17.3%
ROE	(307.5%)	(57.2%)	(17.6%)	36.1%
Valuation				
FCFF yield	(9.8%)	(12.1%)	(9.9%)	16.5%
Dividend yield	-	-	-	-
EV/EBITDA	NM	NM	197.6	13.7
EV/Revenue	0.8	0.6	0.5	0.4
Adj. P/E	NM	NM	NM	17.6

Summary Investment Thesis and Valuation

We rate NIO Neutral. We remain encouraged by NIO's sustained profitability, resilient vehicle margins and improving FCF generation despite input-cost inflation. However, we expect volume growth to moderate as China's PV demand remains sluggish and pricing competition intensifies into 2027. NIO's limited overseas exposure also provides less earnings diversification than peers with stronger international businesses. We therefore see limited earnings upside over the next 6-9 months and expect the stock to perform broadly in line with our coverage universe.

We lower our Jun-27 PT of US$3.7 based on the blended average of 0.4x FY27E P/S and 0.3x FY27E EV/sales. Our target multiples reflect: 1) our cautious view on China's PV demand and the increasingly competitive pricing environment into 2027; and 2) company-specific risks, including potential moderating volume growth, rising input costs and limited overseas earnings contribution. We benchmark NIO against XPeng and Li Auto, considering differences in operating performance, product pipelines and growth outlook, based on Bloomberg consensus estimates.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.12	0.29
Region: Hong Kong	0.58	0.56
Macro:		
JPM Global Equity Sentiment	0.44	0.38
JP Morgan GBI-EM Global Div	0.10	0.34
JPM EM Currency(EMCI) Fixing	0.09	0.33
Quant Styles:		
Size	-0.60	-0.39
Growth	-0.55	-0.33
DivYld	0.56	0.29

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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Table 12: Earnings revisions

	2026E			2027E		
RMBmn	Revised	Previous	% change	Revised	Previous	% change
Net Sales	132,226	134,264	-2%	147,649	151,492	-3%
Sales growth (yoy%)	51%	53%		12%	13%	
COGS	108,378	110,291	-2%	120,605	124,305	-3%
Gross profit	23,849	23,973	-1%	27,045	27,187	-1%
Gross margin (%)	18.0%	17.9%		18.3%	17.9%	
Operating profit	(1,688)	(1,613)	-5%	384	224	71%
Operating margin (%)	-1%	-1%		0%	0%	
OP (Non- GAAP)	439	542	-19%	2,451	2,648	-7%
OPM- adj (%)	0%	0%		2%	2%	
Pre-tax profit	(2,207)	(2,130)	-4%	(1,002)	(1,144)	12%
Net profit	(2,403)	(2,338)	-3%	(854)	(975)	12%
Net margin (%)	-2%	-2%		-1%	-1%	
Net profit growth (yoy%)	-85%	-85%		-64%	-58%	
NP (Non- GAAP)	84	177	-53%	1,216	1,451	-16%
NPM- adj (%)	0%	0%		1%	1%	

Source: J.P. Morgan estimates

Investment Thesis, Valuation and Risks

NIO Inc. *(Neutral: Price Target: $3.70)*

Investment Thesis

We rate NIO Neutral. We remain encouraged by NIO's sustained profitability, resilient vehicle margins and improving FCF generation despite input-cost inflation. However, we expect volume growth to moderate as China's PV demand remains sluggish and pricing competition intensifies into 2027. NIO's limited overseas exposure also provides less earnings diversification than peers with stronger international businesses. We therefore see limited earnings upside over the next 6-9 months and expect the stock to perform broadly in line with our coverage universe.

Valuation

We lower our Jun-27 PT of US$3.7 based on the blended average of 0.4x FY27E P/S and 0.3x FY27E EV/sales. Our target multiples reflect: 1) our cautious view on China's PV demand and the increasingly competitive pricing environment into 2027; and 2) company-specific risks, including potential moderating volume growth, rising input costs and limited overseas earnings contribution. We benchmark NIO against XPeng and Li Auto, considering differences in operating performance, product pipelines and growth outlook, based on Bloomberg consensus estimates.

Risks to Rating and Price Target

Upside/downside risks include better-/worse-than-expected execution and delivery of vehicles, overall auto market sales/EV demand, and competition from rivals with products at similar price points.

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NIO: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**65,732**	**87,488**	**132,226**	**147,649**	**164,330**
COGS	(59,239)	(75,572)	(108,378)	(120,605)	(133,398)
Gross profit	**6,493**	**11,916**	**23,849**	**27,045**	**30,933**
SG&A	(15,741)	(16,088)	(16,844)	(16,611)	(15,829)
Adj. EBITDA	**(21,874)**	**(14,041)**	**(1,688)**	**384**	**4,801**
D&A	(5,875)	(7,147)	(5,463)	(5,764)	(6,009)
Adj. EBIT	**(21,874)**	**(14,041)**	**(1,688)**	**384**	**4,801**
Net Interest	55	(124)	(792)	(1,681)	(1,796)
Adj. PBT	**(22,425)**	**(14,821)**	**(2,207)**	**(1,002)**	**3,333**
Tax	23	(122)	164	150	(500)
Minority Interest	92	(18)	(3)	(2)	7
Adj. Net Income	**(22,658)**	**(15,571)**	**(2,403)**	**(854)**	**2,840**
Reported EPS (Basic)	(11.03)	(6.85)	(1.06)	(0.38)	1.25
Adj. EPS	**(11.03)**	**(6.85)**	**(1.06)**	**(0.38)**	**1.25**
DPS	**-**	**-**	**-**	**-**	**-**
Payout ratio	-	-	-	-	-
Shares outstanding	2,055	2,273	2,273	2,273	2,273

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	19,329	11,274	8,104	5,849	15,970
Accounts receivable	7,702	16,078	8,694	9,708	10,805
Inventories	7,087	8,531	10,392	9,913	10,964
Other current assets	27,767	40,750	40,750	40,750	40,750
Current assets	**61,886**	**76,633**	**67,940**	**66,220**	**78,490**
PP&E	25,893	25,828	27,447	28,765	29,838
LT investments	0	0	0	0	0
Other non current assets	19,826	21,940	21,704	21,607	21,560
Total assets	**107,605**	**124,401**	**117,091**	**116,592**	**129,888**
Short term borrowings	5,730	4,692	5,192	5,692	6,122
Payables	34,387	53,310	45,416	43,201	51,832
Other short term liabilities	22,194	20,581	20,581	20,581	20,581
Current liabilities	**62,311**	**78,583**	**71,189**	**69,474**	**78,534**
Long-term debt	11,441	10,092	10,092	10,092	9,522
Other long term liabilities	20,346	23,034	23,034	23,034	23,034
Total liabilities	**94,098**	**111,709**	**104,315**	**102,600**	**111,090**
Shareholders' equity	5,967	4,159	4,241	5,454	10,266
Minority interests	7,540	8,533	8,536	8,538	8,531
Total liabilities & equity	**107,605**	**124,401**	**117,091**	**116,592**	**129,888**
BVPS	**2.90**	**1.83**	**1.87**	**2.40**	**4.52**
y/y Growth	*(80.7%)*	*(37.0%)*	*1.9%*	*28.6%*	*88.2%*
Net debt/(cash)	(2,159)	3,510	7,180	9,935	(326)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**(7,849)**	**2,993**	**3,175**	**4,230**	**17,296**
o/w Depreciation & amortization	5,875	7,147	5,463	5,764	6,009
o/w Changes in working capital	5,917	6,749	(2,371)	(2,749)	6,482
Cash flow from investing activities	**(4,958)**	**(11,460)**	**(6,846)**	**(6,985)**	**(7,035)**
o/w Capital expenditure	(9,142)	(6,065)	(7,076)	(7,076)	(7,076)
as % of sales	*13.9%*	*6.9%*	*5.4%*	*4.8%*	*4.3%*
Cash flow from financing activities	**1,772**	**6,844**	**500**	**500**	**(140)**
o/w Dividends paid	0	0	0	0	0
o/w Shares issued/(repurchased)	-	-	-	-	-
o/w Net debt issued/(repaid)	(1,596)	(5,374)	500	500	(140)
Net change in cash	**(10,874)**	**(1,639)**	**(3,170)**	**(2,255)**	**10,121**
Adj. Free cash flow to firm	**(17,926)**	**(4,883)**	**(6,028)**	**(4,913)**	**8,248**
y/y Growth	*(18.3%)*	*(72.8%)*	*23.5%*	*(18.5%)*	*(267.9%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	9.9%	13.6%	18.0%	18.3%	18.8%
EBITDA margin	(33.3%)	(16.0%)	(1.3%)	0.3%	2.9%
EBIT margin	(33.3%)	(16.0%)	(1.3%)	0.3%	2.9%
Net profit margin	(34.5%)	(17.8%)	(1.8%)	(0.6%)	1.7%
ROE	(143.8%)	(307.5%)	(57.2%)	(17.6%)	36.1%
ROA	(20.1%)	(13.4%)	(2.0%)	(0.7%)	2.3%
ROCE	(65.5%)	(67.3%)	(9.4%)	2.2%	17.3%
SG&A/Sales	23.9%	18.4%	12.7%	11.3%	9.6%
Net debt/Equity	NM	0.3	0.6	0.7	NM
Net debt/EBITDA	0.1	NM	NM	25.9	NM
Sales/Assets (x)	0.6	0.8	1.1	1.3	1.3
Assets/Equity (x)	7.1	22.9	28.7	24.1	15.7
Interest cover (x)	395.1	NM	NM	0.2	2.7
Operating leverage	(19.0%)	(108.2%)	(172.0%)	(1052.2%)	10184.7%
Tax rate	(0.1%)	(0.8%)	(7.4%)	(15.0%)	15.0%
Revenue y/y Growth	18.2%	33.1%	51.1%	11.7%	11.3%
EBITDA y/y Growth	(3.4%)	(35.8%)	(88.0%)	(122.7%)	1150.6%
EPS y/y Growth	(11.3%)	(37.9%)	(84.6%)	(64.5%)	(432.7%)

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	NM	NM	NM	NM	17.6
P/BV (x)	7.6	12.0	11.8	9.1	4.9
EV/EBITDA (x)	NM	NM	NM	197.6	13.7
Dividend Yield	-	-	-	-	-

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Zhejiang Leapmotor Technology Co.,Ltd

Neutral

9863.HK,9863 HK
Price (23 Oct 26): HK$33.52

▼ **Price Target (Jun-27): HK$30.00**
Prior (Jun-27): HK$36.00

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	1.89	0.84	-55.8%
Adj. EPS - 27E (Rmb)	3.24	1.80	-44.5%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	29	45	74	100	99
Growth	4	3	4	33	86
Momentum	78	79	3	13	
Quality	83	98	98	98	
Low Vol	71	89	91	97	

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Stay Neutral

We forecast Leapmotor's 3Q26 earnings could potentially slip to ~Rmb500mn, down from Rmb598mn in 2Q26 despite 3Q26 volume being up 26% QoQ. The shortfall likely comes mainly from a relatively weaker sales mix during the quarter- 1) exports accounted for ~20% of 3Q delivery, higher than that in 2Q. Of note is Leapmotor's business model in the export business- the company sells cars to its 49% owned JV with Stellantis (51%) at a cost-plus approach, meaning the higher the export volume, the lower the blended GPM Leapmotor will see in its P&L. Leapmotor will in return be "compensated" by selling carbon credit to Stellantis- it booked Rmb1.0bn such revenue in 2025 and mgmt guides another ~Rmb2.0bn of revenue this year.

With an anticipated year-to-Sep earnings run rate of ~Rmb700mn, and considering industry headwinds discussed throughout this report, we take down Leapmotor's 2026/27 earnings by 56%/45% respectively.

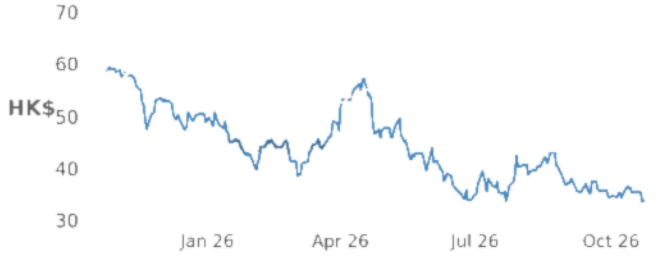
We remain Neutral on Leapmotor. Now that we project the company will be under stress- hence PER at ~38x /~25x 2026 and 2027 PER on our revised numbers, we change our valuation methodology back to a Price to Sales approach as opposed to the previous 10x PER. We assign a trough 2027 P/S of 0.2x, which implies a June-27 PT of HK$30 (previously HK$36 based on 10x 2027E PER).

Upside/downside risk lies in mainly the company's profitability and sales delivery in both domestic and international markets.

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Price Performance



— 9863.HK Price (HK$) HSCEI (rebased)

	YTD	1m	3m	12m
Abs	-31.1%	-5.3%	-3.2%	-41.8%
Rel	-18.1%	1.0%	3.9%	-25.1%

Company Data

Shares O/S (mn)	940
52-week range (HK$)	60.45-32.80
Market cap ($ mn)	4,018
Exchange rate	7.84
Free float (%)	59.4%
3M ADV (mn)	6.80
3M ADV ($ mn)	32.7
Volatility (90 Day)	50
Index	HSCEI
BBG ANR (Buy | Hold | Sell)	36|1|0

Key Metrics (FYE Dec)

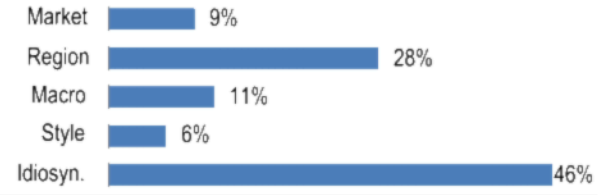
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	64,732	119,384	164,015	179,537
Adj. EBITDA	1,254	2,866	4,098	4,043
Adj. EBIT	177	1,097	2,214	2,058
Adj. net income	538	1,163	2,498	2,837
Net margin	0.8%	1.0%	1.5%	1.6%
Adj. EPS	0.38	0.84	1.80	2.04
BBG EPS	0.52	1.96	3.65	5.07
Cashflow from operations	12,623	25,013	30,027	20,663
FCFF	7,353	22,155	27,043	17,640
Margins and Growth				
Revenue Growth Y/Y (%)	101.3%	84.4%	37.4%	9.5%
EBITDA margin	1.9%	2.4%	2.5%	2.3%
EBITDA Growth Y/Y (%)	(153.8%)	128.5%	43.0%	(1.3%)
EBIT margin	0.3%	0.9%	1.3%	1.1%
Adj. EPS growth	(118.2%)	117.6%	114.8%	13.6%
Ratios				
Adj. tax rate	0.0%	15.0%	15.0%	15.0%
Interest cover	NM	NM	NM	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROCE	1.4%	5.9%	9.4%	7.0%
ROE	4.5%	7.8%	14.6%	14.0%
Valuation				
FCFF yield	18.4%	55.9%	68.3%	44.5%
Dividend yield	-	-	-	-
EV/EBITDA	12.3	NM	NM	NM
EV/Revenue	0.2	NM	NM	NM
Adj. P/E	74.1	34.1	15.9	14.0

Summary Investment Thesis and Valuation

Our Neutral rating is a valuation call, similar to BYD-H and Geely Auto. On the one hand, we like Leapmotor's rapid volume growth potential in both domestic and international markets; nonetheless, our reservation is that the company prioritizes volume or market share gains over profitability, which arguably makes sense in this competitive market. This would cap the company's valuation upside. We see further earnings pressure from weaker sales mix, a higher export contribution under its cost-plus business model with Stellantis, and higher marketing expenses.

Our Jun-27 PT of HK$30 is based on a trough 0.2x 2027E P/S. Our conservative target multiple reflects concerns over the sustainability of margins alongside rapid volume growth, as well as slowing demand and intensifying competition.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.12	0.29
Region: Hong Kong	0.58	0.56
Macro:		
JPM Global Equity Sentiment	0.44	0.38
JP Morgan GBI-EM Global Div	0.10	0.34
JPM EM Currency(EMCI) Fixing	0.09	0.33
Quant Styles:		
Size	-0.60	-0.39
Growth	-0.55	-0.33
DivYld	0.56	0.29

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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Table 13: Earnings revisions

	2026E			2027E		
	Current	Previous	diff	Current	Previous	diff
Net Sales	119,384	120,175	-1%	164,015	164,587	0%
Sales growth (%)	84%	86%		37%	37%	
COGS	105,204	104,593	1%	144,193	142,577	1%
Gross profit	14,180	15,583	-9%	19,822	22,010	-10%
Gross margin (%)	11.9%	13.0%		12.1%	13.4%	
Operating profit	1,097	2,498	-56%	2,214	3,989	-44%
Operating margin (%)	0.9%	2.1%		1.3%	2.4%	
Pre-tax profit	1,368	2,769	-51%	2,938	4,741	-38%
Tax rate	15%	5%		15%	5%	
Net profit	1,163	2,630	-56%	2,498	4,504	-45%
Net margin (%)	1%	2%		2%	3%	
Net profit growth (%)	116%	389%		115%	71%	
NP (Non- IFRS)	1,521	3,111	-51%	2,990	5,162	-42%
NPM- adj (%)	1%	3%		2%	3%	
EPS (basic)	0.84	1.89	-56%	1.80	3.24	-45%
EPS (fully diluted)	0.84	1.89	-56%	1.80	3.24	-45%
EPS growth (%)	116%	389%		115%	71%	

Source: J.P. Morgan estimates

Investment Thesis, Valuation and Risks

Zhejiang Leapmotor Technology Co.,Ltd *(Neutral; Price Target: HK$30.00)*

Investment Thesis

Our Neutral rating is a valuation call, similar to BYD-H and Geely Auto. On the one hand, we like Leapmotor's rapid volume growth potential in both domestic and international markets; nonetheless, our reservation is that the company prioritizes volume or market share gains over profitability, which arguably makes sense in this competitive market. This would cap the company's valuation upside. We see further earnings pressure from weaker sales mix, a higher export contribution under its cost-plus business model with Stellantis, and higher marketing expenses.

Valuation

Our Jun-27 PT of HK$30 is based on a trough 0.2x 2027E P/S. Our conservative target multiple reflects concerns over the sustainability of margins alongside rapid volume growth, as well as slowing demand and intensifying competition.

Risks to Rating and Price Target

Downside risks to our rating and price target include: 1) fiercer-than-expected competition in the China NEV market; and 2) worse-than-expected vehicle deliveries.

Upside risks include better-than-expected volume, revenue and profitability in both domestic and overseas markets – including carbon credit revenue from Stellantis in 2027E.

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Zhejiang Leapmotor Technology Co.,Ltd: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**32,164**	**64,732**	**119,384**	**164,015**	**179,537**
COGS	(29,470)	(55,320)	(105,204)	(144,193)	(155,685)
Gross profit	**2,694**	**9,412**	**14,180**	**19,822**	**23,851**
SG&A	(3,275)	(5,595)	(7,041)	(9,635)	(12,502)
Adj. EBITDA	**(2,331)**	**1,254**	**2,866**	**4,098**	**4,043**
D&A	(840)	(1,077)	(1,769)	(1,884)	(1,984)
Adj. EBIT	**(3,171)**	**177**	**1,097**	**2,214**	**2,058**
Net Interest	309	294	194	639	1,186
Adj. PBT	**(2,821)**	**538**	**1,368**	**2,938**	**3,338**
Tax	(0)	0	(205)	(441)	(501)
Minority Interest	0	0	0	0	0
Adj. Net Income	**(2,821)**	**538**	**1,163**	**2,498**	**2,837**
Reported EPS	(2.11)	0.38	0.84	1.80	2.04
Adj. EPS	**(2.11)**	**0.38**	**0.84**	**1.80**	**2.04**
DPS	-	-	-	-	-
Payout ratio	-	-	-	-	-
Shares outstanding	1,337	1,400	1,390	1,390	1,390

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	6,378	10,985	35,272	64,572	84,509
Accounts receivable	1,981	5,210	2,226	1,579	1,471
Inventories	2,023	4,548	10,665	14,617	15,782
Other current assets	16,070	18,918	18,918	18,918	18,918
Current assets	**26,453**	**39,662**	**67,081**	**99,686**	**120,680**
PP&E	5,537	10,243	11,283	12,192	12,985
LT investments	4,033	10,125	10,125	10,125	10,125
Other non current assets	1,624	2,788	2,783	2,802	2,845
Total assets	**37,647**	**62,818**	**91,272**	**124,805**	**146,634**
Short term borrowings	1,266	654	1,154	1,654	2,154
Payables	18,903	33,099	54,094	78,069	93,140
Other short term liabilities	4,806	9,077	13,015	17,584	18,966
Current liabilities	**24,975**	**42,829**	**68,262**	**97,306**	**114,259**
Long-term debt	1,108	2,307	3,807	5,307	6,807
Other long term liabilities	1,493	3,564	3,564	3,564	3,564
Total liabilities	**27,576**	**48,700**	**75,634**	**106,177**	**124,630**
Shareholders' equity	10,071	14,118	15,638	18,628	22,004
Minority interests	0	0	0	0	0
Total liabilities & equity	**37,647**	**62,818**	**91,272**	**124,805**	**146,634**
BVPS	**7.53**	**10.16**	**11.25**	**13.41**	**15.83**
y/y Growth	*(29.8%)*	*34.9%*	*10.8%*	*19.1%*	*18.1%*
Net debt/(cash)	(5,258)	(11,173)	(33,460)	(60,761)	(78,697)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**8,471**	**12,623**	**25,013**	**30,027**	**20,663**
o/w Depreciation & amortization	840	1,077	1,769	1,884	1,984
o/w Changes in working capital	11,809	10,492	21,801	25,238	15,396
Cash flow from investing activities	**(13,323)**	**(11,086)**	**(2,726)**	**(2,726)**	**(2,726)**
o/w Capital expenditure	(2,151)	(4,799)	(2,677)	(2,677)	(2,677)
as % of sales	*6.7%*	*7.4%*	*2.2%*	*1.6%*	*1.5%*
Cash flow from financing activities	**(503)**	**3,097**	**2,000**	**2,000**	**2,000**
o/w Dividends paid	-	-	-	-	-
o/w Shares issued/(repurchased)	0	2,993	0	0	0
o/w Net debt issued/(repaid)	(413)	396	2,000	2,000	2,000
Net change in cash	**(5,353)**	**4,607**	**24,287**	**29,301**	**19,936**
Adj. Free cash flow to firm	**5,910**	**7,353**	**22,155**	**27,043**	**17,640**
y/y Growth	*(785.3%)*	*24.4%*	*201.3%*	*22.1%*	*(34.8%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	8.4%	14.5%	11.9%	12.1%	13.3%
EBITDA margin	(7.2%)	1.9%	2.4%	2.5%	2.3%
EBIT margin	(9.9%)	0.3%	0.9%	1.3%	1.1%
Net profit margin	(8.8%)	0.8%	1.0%	1.5%	1.6%
ROE	(25.0%)	4.5%	7.8%	14.6%	14.0%
ROA	(8.5%)	1.1%	1.5%	2.3%	2.1%
ROCE	(27.1%)	1.4%	5.9%	9.4%	7.0%
SG&A/Sales	10.2%	8.6%	5.9%	5.9%	7.0%
Net debt/Equity	NM	NM	NM	NM	NM
Net debt/EBITDA	2.3	NM	NM	NM	NM
Sales/Assets (x)	1.0	1.3	1.5	1.5	1.3
Assets/Equity (x)	2.9	4.2	5.2	6.3	6.7
Interest cover (x)	7.6	NM	NM	NM	NM
Operating leverage	(29.9%)	(104.3%)	613.8%	272.5%	(74.1%)
Tax rate	(0.0%)	0.0%	15.0%	15.0%	15.0%
Revenue y/y Growth	92.1%	101.3%	84.4%	37.4%	9.5%
EBITDA y/y Growth	(38.3%)	(153.8%)	128.5%	43.0%	(1.3%)
EPS y/y Growth	(41.7%)	(118.2%)	117.6%	114.8%	13.6%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	NM	74.1	34.1	15.9	14.0
P/BV (x)	3.8	2.8	2.5	2.1	1.8
EV/EBITDA (x)	NM	12.3	NM	NM	NM
Dividend Yield	-	-	-	-	-

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which