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Contemporary Amperex Technology Co. Ltd. | Asia Pacific

Structural Pressure or Temporary Mix Headwinds?

WHAT'S CHANGED

Contemporary Amperex Technology Co. Ltd. (3750.HK)	From	To
Rating	Overweight	**Equal-weight**
Price Target	HK$705.00	**HK$390.00**
Contemporary Amperex Technology Co. Ltd. (300750.SZ)		
Price Target	Rmb500.00	**Rmb335.00**
Top Pick Removed	300750.SZ	-

After a detailed review of the 3Q earnings drivers, we view the weaker profitability as largely a near-term revision story. We cut our earnings estimates back to the level of early this year. CATL-A's shareholder returns provide an attractive yield underpinning – stay OW. Downgrade CATL-H to EW.

Where we got it wrong: We correctly anticipated CATL's strong volume growth and market share gains, as reflected in its 59% YoY revenue growth in 3Q – but the unexpected volatility in product mix caught us off guard, leading us to overestimate profitability.

3Q unit net margin reduction QoQ = Rmb29/kWh or Rmb24/kWh after tax: This is the sum of 1) lithium inventory loss Rmb6.5/kWh+ 2) FX loss Rmb2.8/kWh + 3) consumption tax Rmb4.2/kWh+ 4) VAT rebate reduction Rmb3.8/kWh+ 5) customer rebate Rmb3.8/kWh + 6) product mix change Rmb7.6/kWh. *Adding back one-off items (1 + 2) and reversible items (5 + 6), 3Q unit net margin looks still resilient.*

Temporary mix headwinds? We attribute ~Rmb2bn of CATL's 3Q earnings miss to an unfavorable product mix, with a higher contribution from domestic EV LFP and ESS cells as overseas revenue exposure fell to ~22% of the mix from 31% in 1H26. Whether this mix can be normalized remains to be validated by the next quarterly results.

Tax burden pass-through depends on pricing scheme and end markets: Lithium price decline provides a more benign backdrop for tax pass-through. In the ePV market, the consumption tax should be difficult to pass through effectively to customers. Yet we believe eCV and ESS markets offer greater flexibility (Exhibit 2).

We remain constructive on long-term prospects: The global ex-US electrification TAM is likely to double over the next five years; the battery innovation cycle should continue. The sodium battery product cycle is beginning to materialize. CATL's battery swap alliance is progressing well, with Huawei and Geely joining recently. CATL-A is trading at 4.8% NTM yield on our revised estimates. But we downgrade CATL-H to EW – we think the H/A premium may continue to narrow over the next three months.

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

China Energy & Chemicals | China

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	Rmb335.00
Up/downside to price target (%)	41
Shr price, close (Oct 26, 2026)	Rmb238.00
52-Week Range	Rmb468.75-216.51
Sh out, dil, curr (mn)	4,564
Mkt cap, curr (mn)	Rmb1,139,877
EV, curr (mn)	Rmb957,134
Avg daily trading value (mn)	Rmb12,626

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
Revenue, net (Rmb mn)	423,702	610,908	743,847	908,450
EBITDA (Rmb mn)	97,874	129,704	149,858	176,616
EPS, basic (Rmb)*	15.53	19.78	23.05	27.78
EPS (Rmb)**	16.14	19.78	23.17	27.92
P/E, basic*	23.7	12.0	10.3	8.6
P/BV	5.2	2.9	2.5	2.2
EV/EBITDA	16.1	6.9	5.6	4.3
RNOA (%)	57.1	50.9	63.2	77.1
Div yld (%)	2.2	4.2	4.9	6.5
FCF yld ratio (%)**	5.1	9.0	9.8	11.6
Net income (Rmb mn)*	72,201	89,401	104,180	125,541

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

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Detailed Review of 3Q Results

Following a detailed review of CATL's 3Q results, we estimate that unit profitability was affected by six factors:

1. Inventory provisions of Rmb1.7bn;
2. FX losses of RMB0.7bn;
3. Consumption tax of RMB1.1bn;
4. Reduced VAT rebates of RMB1bn;
5. Customer rebate provisions of RMB1bn; and
6. Unfavorable product mix impact of RMB2bn.

Together, these factors represent approximately RMB29/kWh of pre-tax earnings pressure, or RMB24/kWh after tax.

Adjusting for the one-off inventory provisions and FX losses, as well as potentially reversible customer rebates and product-mix headwinds, CATL's underlying 3Q unit net margin appears resilient, contrary to what the reported results suggest.

Around Rmb2bn of CATL's 3Q earnings miss was attributable to an unfavorable product mix. There was a higher contribution from domestic EV LFP and ESS cells, with a decline in overseas revenue exposure to ~22% from 31% in 1H26. Whether this mix can be normalized remains to be validated by the next quarterly results. We assume the mix change is partially reversed over the next couple quarters for now.

Exhibit 1: CATL margin reduction breakdown in 3Q

		1Q26	2Q26	3Q26
Net income	**Rmb bn**	**20.7**	**22.6**	**21.2**
Volume	GWh	203	226	262
Unit net margin-nominal	Rmb/kWh	102	100	81
QoQ changes breakdown:	Rmb/kWh			
1) lithium inventory loss				6.5
2) currency ex-rate impact				2.7
3) consumption tax				4.2
4) VAT rebate reduction				3.8
5) customer rebate				3.8
6) product mix change				7.6
Total QoQ decrease (increase)	**Rmb/kWh**			**29**
of which,				
1) one-off items (1+2)	Rmb/kWh			9
2) new tax burden (3+4)	Rmb/kWh			8
3) reversible items (5+6)	Rmb/kWh			11
Adjusted margin, adding back 1 only				**89**
Adjusted margin, adding back 1+3				**99**

Source: CATL, Morgan Stanley Research

How we think about the new tax burden

We think the impact of the new consumption tax varies significantly across end markets depending on the prevailing pricing mechanism. In the passenger EV market, battery pricing remains largely cost-plus in nature, with contract prices typically adjusted in line with changes in key raw materials, particularly metal materials. Given the increasing weakness of China's ePV sales, we assume it would be difficult for CATL to raise battery

ASPs solely to offset the new tax burden. As a result, our base case assumption is that the consumption tax cannot be effectively passed through to customers in the domestic passenger EV market and therefore represents a direct earnings headwind.

ESS and commercial vehicle markets offer greater flexibility: In contrast, pricing in the ESS and commercial EV segments is more market-based and negotiated on a project-by-project basis. With lithium costs having fallen roughly Rmb26.5/Wh (ex-VAT) in 4Q versus 3Q, CATL has room to incorporate the new consumption tax into its pricing discussions while still offering customers lower headline battery prices. In other words, part of the tax burden could be absorbed within ongoing lithium-driven cost deflation rather than fully affecting margins. We therefore see a higher likelihood of partial tax pass-through in ESS and commercial vehicle markets, which should help mitigate the earnings impact over the coming quarters.

- **Industry peers have recently indicated that they already passed through the tax in these areas.**

Attractive economics underpin robust e-commercial vehicle demand in China, with payback periods of less than two years, driven by substantial fuel-cost savings from switching from diesel to electricity. We believe these favorable economics should sustain strong battery demand while providing room for battery manufacturers to pass through the incremental consumption tax burden to customers, particularly against a backdrop of declining lithium costs.

Exhibit 2: New tax burden and the path to pass through

		1Q26	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27
New tax provision	**Rmb mn**			**2,100**	**3,225**	**4,238**	**4,718**	**7,991**	**8,815**
Consumption tax provision	Rmb mn			1,100	2,225	1,954	2,175	5,044	5,563
VAT rebate reduction	Rmb mn			1,000	1,000	2,284	2,543	2,948	3,251
Unit margin impact	Rmb/kwh			**8.0**	**11.2**	**16.7**	**16.7**	**24.4**	**24.4**
Unit consumption tax	Rmb/kwh			4.2	7.7	7.7	7.7	15.4	15.4
Unit VAT rebate reduction	Rmb/kwh			3.8	3.5	9.0	9.0	9.0	9.0
Tax burden (partial pass-through)				**2,100**	**2,573**	**2,977**	**3,315**	**5,401**	**5,957**
Domestic ePV - no pass-through	Rmb mn				968	1,032	1,149	1,946	2,147
Domestic eCV - 70% pass-through	Rmb mn				356	319	355	601	663
Domestic ESS - 50% pass-through	Rmb mn				263	209	233	395	436
Oversea ePV - no pass-through	Rmb mn				739	1,058	1,178	1,995	2,201
Oversea ESS - 70% pass-through	Rmb mn				247	359	400	464	511
Volume breakdown:									
Domestic ePV	%			30%	30%	24%	24%	24%	24%
Domestic eCV	%			22%	22%	25%	25%	25%	25%
Domestic ESS	%			10%	10%	10%	10%	10%	10%
Oversea ePV	%			23%	23%	25%	25%	25%	25%
Oversea ESS	%			15%	15%	16%	16%	16%	16%
Total	%			**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Unit margin impact (after tax)	Rmb/kwh			**6.8**	**7.6**	**10.0**	**10.0**	**14.0**	**14.0**
QoQ increase/(decrease)	Rmb/kwh			6.8	0.8	2.4	-	4.0	-
+/(-)									
1) lithium inventory loss				5.5	(2.6)	(2.7)	-	-	-
2) currency ex-rate impact				2.3	(0.6)	-	-	-	-
3) consumption tax and VAT impact				6.8	0.8	2.4	-	4.0	-
4) customer rebate				3.2	-	-	-	-	-
5) product mix change				6.5	(1.5)	(1.7)	-	-	-
QoQ decrease (increase) after tax	**Rmb/kWh**			**24.3**	**(4.0)**	**(1.9)**	-	**4.0**	-
Net margin	**Rmb/kwh**	**102**	**100**	**81**	**85**	**87**	**87**	**83**	**83**
X									
Volume	GWh	203	226	262	289	254	283	328	361
Adjusted earnings	**Rmb bn**	**20.7**	**22.6**	**21.2**	**24.6**	**22.1**	**24.6**	**27.2**	**30.0**

Source: CATL, Morgan Stanley estimate = 4Q26-2027

Quality premium still there? Yes: We think CATL's batteries continue to offer a compelling total cost of ownership (TCO) proposition; however, monetizing these quality advantages may prove increasingly challenging in the ESS market, where procurement decisions remain heavily skewed toward upfront cost competitiveness and quality requirements may be less stringent. Importantly, the economic consequences of inferior battery quality may take years to emerge; this mismatch could constrain CATL's ability to sustain its historical pricing premium, even if its underlying technological advantage remains intact.

On the positive side, domestic ESS competition and margin appear to have bottomed, and CATL's growing pipeline of integrated ESS projects should support a richer product mix, offsetting some of the pricing pressure in battery cells.

We remain constructive on CATL's long-term prospects:

1. We see the potential for the global electrification total addressable market (TAM), excluding the US, to double over the next five years, while continued battery

innovation should unlock new applications and growth opportunities.

2. CATL remains at the forefront of technological advancement, supported by a substantial R&D investment lead over peers.
3. The sodium-ion battery product cycle is beginning to materialize, potentially opening up new market segments and reinforcing CATL's technology leadership, alongside the n of next-gen EV batteries - condensed batteries.
4. Meanwhile, CATL's battery-swapping ecosystem continues to gain momentum, with Huawei and Geely recently joining its alliance, further strengthening industry collaboration and supporting broader adoption of battery-swapping solutions.

Revised Earnings Estimates

We lower our net income estimate 6% YoY for 2026, to Rmb89.4bn (adjusted earnings estimate is cut 3.2%, to Rmb92bn, adding back lithium inventory and FX losses). Our net income estimates drop 7% for 2027 and 10% for 2028, to reflect partial recovery in product mix impact, rather than a full reversal.

We now forecast adjusted net profit per kWh of Rmb92.5/kWh, Rmb85/kWh, and Rmb81/kWh in 2026, 2027, and 2028, respectively. Our revised assumptions primarily reflect a more conservative product mix outlook following the weaker-than-expected 3Q margin performance. We expect part of the adverse mix impact to reverse in 4Q26, with continued normalization through 2027 as overseas ESS projects ramp up. However, we still model a gradual decline in unit profitability over the forecast period. The further margin compression in 2028 mainly reflects the lagged impact of the higher consumption tax introduced in September 2027.

Exhibit 3: Earnings estimate revisions after 3Q

	FY2026E				FY2027E				FY2028E			
(RMB mn)	New	Old	chg%	yoy%	New	Old	chg%	yoy%	New	Old	chg%	yoy%
Revenue	**610,908**	607,716	**0.5%**	**44.2%**	**743,847**	717,435	**3.7%**	**21.8%**	**908,450**	873,553	**4.0%**	**22.1%**
Gross Profit	**144,497**	150,216	**-3.8%**	**29.8%**	**184,500**	176,351	**4.6%**	**27.7%**	**226,039**	222,013	**1.8%**	**22.5%**
GP mgn %	24%	25%	-1.1 ppt	-2.6 ppt	25%	25%	0.2 ppt	1.2 ppt	25%	25%	0.0 ppt	0.0 ppt
SG&A	(51,976)	(51,950)	0.0%	28.7%	(74,192)	(59,177)	25.4%	42.7%	(92,685)	(72,055)	28.6%	24.9%
Adj. EBITDA	129,704	132,552	-2.1%	21.6%	149,858	152,469	-1.7%	15.5%	176,616	189,028	-6.6%	17.9%
EBITDA mgn %	21%	22%	-0.6 ppt	-3.9 ppt	20%	21%	-1.1 ppt	-1.1 ppt	19%	22%	-0.1 ppt	0.0 ppt
EBIT	92,521	98,266	-5.8%	30.4%	110,308	117,174	-5.9%	19.2%	133,354	149,958	-11.1%	20.9%
EBIT mgn-%	15%	16%	-1.0 ppt	-1.6 ppt	15%	16%	-1.5 ppt	-0.3 ppt	15%	17%	-0.1 ppt	0.0 ppt
Financial cost, net	2,221	5,230	-57.5%	-72.0%	6,299	10,033	-37.2%	183.6%	9,218	9,941	-7.3%	46.3%
PBT	111,521	117,875	-5.4%	24.6%	130,792	138,990	-5.9%	17.3%	157,542	172,478	-8.7%	20.5%
Net Income	89,401	95,088	-6.0%	23.8%	104,180	111,958	-6.9%	16.5%	125,541	139,148	-9.8%	20.5%
Net mgn-%	15%	16%	-1.0 ppt	-2.4 ppt	14%	16%	-1.6 ppt	-0.6 ppt	14%	16%	-0.1 ppt	0.0 ppt
EPS	19.78	21.04	-6.0%	22.6%	23.17	24.90	-6.9%	17.1%	27.92	30.95	-9.8%	20.5%

Source: CATL, Morgan Stanley Research estimates

If consumption tax and VAT rebate reduction are enirely absorbed: In this case, we expect unit net margin to be Rmb90/kWh in 2026, Rmb77/kWh in 2027, and Rmb73/kWh in 2028. Net income would be Rmb88bn, Rmb94bn, and Rmb112bn, respectively – 1.1%, 9.5%, and 10.5% below our current base case.estimates.

Valuation

CATL-A

Exhibit 4: Valuation [see comment below on CATL-H]

Base case - New	Rmb mn
27E EBITDA	149,858
X multiple	8.5
EV	1,273,796
Minus:	
'26 net debt	(279,201)
MI	37,044
Target value	1,515,953
÷ Shares out	4,519
Value/shr (Rmb)	335
Roundup PT-A (Rmb)	335
Roundup PT-H (HK$)	390
@ target H/A premium	0%
@ex-rate	1.15

Source: Morgan Stanley Research

We continue to employ EV/EBITDA methodology. We cut our target multiple on 2027E EBITDA from 13x to 8.5x, to reflect our earnings estimate downgrade. The 3Q results have also raised investor concerns over CATL's ability to sustain its global leadership premium. The weaker-than-expected margin performance has triggered debate over whether recent profitability pressure reflects temporary mix effects or a more structural competitive challenge.

There are no material changes in our net debt or minority interest assumptions. Thus we derive our new CATL-A price target of Rmb335, down 33%.

The implied P/E multiple is 14x, -1 SD from the average over the past three years, and on par with BYD-A's current level. Given their respective leadership positions in batteries and EVs, CATL-A and BYD-A have typically traded at broadly similar valuation levels over the past three years, with periods of premium and discount largely converging over time.

While our analysis supports the view that the profitability pressure is transitory, we believe market sentiment is likely to remain cautious until management can demonstrate a meaningful margin recovery in the coming quarters.

We think CATL-A is a yield play now, trading at 4.8% 2027E yield based on our estimate, plus ~3% share buyback.

As we discussed previously, we see the weaker profitability as largely a near-term revision story rather than the onset of a solar-like structural downturn. We remain constructive on the company's long-term prospects, driven by continued global electrification and CATL's technology advancement.

CATL-H

For CATL-H, we reduce our target H/A premium from 20% to 0%, reflecting both the liquidity headwinds facing the Hong Kong market and the widening H-share discount observed across the broader market. Thus we derive our new CATL-H price target of HK $390, down 45%.

We expect the H-shares to remain volatile in the near term, with a more significant re-rating opportunity likely requiring both margin normalization and the emergence of the next major product cycle.

Why It Is Not Too Late to Downgrade CATL-H

CATL-H has already corrected meaningfully. However, we believe the downside risk is less about earnings estimate revisions from here and more about the sustainability of the H-share valuation premium. As a result, we do not think the recent share price correction fully captures the potential de-rating risk.

1) Despite the pullback, CATL-H still trades at roughly a 30% premium to the A-shares, which remains difficult to justify in the current market environment: This compares with BYD, where the H-shares trade at a discount of more than 35% to the A-shares. Historically, CATL's premium has been supported by investors' willingness to pay for its global leadership position, superior technology franchise, and scarcity value in offshore markets. Following the 3Q results, however, the market has become increasingly skeptical about the durability of these advantages.

2) The broader market backdrop has become less supportive: Many A/H dual-listed companies have experienced a significant widening in their H-share discounts amid liquidity headwinds in the Hong Kong market. In this context, maintaining a substantial H-share premium requires continued investor confidence in a company's ability to achieve superior growth and profitability. We believe CATL's recent earnings miss has weakened that conviction, at least temporarily.

3) Investors are unlikely to resolve the current debate until the next quarter's results: The key question is no longer near-term volume growth, which remains strong, but whether margins can recover as overseas ESS projects ramp and product mix normalizes. More importantly, investors will be looking for evidence that CATL's competitive moat and global leadership remain intact, rather than facing the early stages of a structural margin compression cycle. Given that a significant portion of CATL-H's historical valuation premium was built on perceptions of technology leadership and global dominance, any uncertainty around these attributes could continue to weigh on the stock.

As a result, we expect CATL-H to remain volatile over the next three months. While we do not see a structural deterioration as our base case, we believe investors will demand clearer evidence of margin stabilization and competitive resilience before being willing to re-establish a meaningful H-share premium. Until that validation arrives, the path of least resistance is likely toward further normalization of the H/A valuation gap.

Bull Case Unchanged: Innovation-Driven Growth and Ecosystem Expansion

Nevertheless, we keep our bull case unchanged for both CATL-A and CATL-H. We continue to believe that the company's innovation leadership can create incremental demand and preserve margin resilience through successive product cycles. Beyond batteries, CATL is building a broader ecosystem that could further strengthen its competitive moat. In particular, a scaled battery-swapping network could reinforce its influence across the EV value chain and enhance customer stickiness over time. In energy storage, accelerating AI data center construction and the growing power requirements associated with inference workloads should create a significant long-term demand opportunity, where CATL's technology, safety, and reliability advantages are likely to command a meaningful margin premium in the high-end ESS segment.

In addition, we believe CATL is entering one of its most compelling product cycles in recent years, led by sodium-ion batteries and condensed batteries. Both technologies have the potential to expand the addressable market and unlock new use cases beyond conventional lithium-ion applications, creating a new wave of long-term growth. Under our bull case scenario, these innovations not only sustain CATL's market leadership but also restore investor confidence in its dominance across global battery markets. As a result, we maintain our bull case valuation unchanged, assuming a substantial re-rating driven by renewed confidence in the company's technology leadership, earnings growth trajectory, and ecosystem advantages. Our bull case values remain at Rmb570 for CATL-A and HK$805 for CATL-H.

Bear Case: Structural Margin Compression from Intensifying Competition

The key downside risk for CATL is that the battery industry becomes increasingly commoditized, leading to sustained price competition and a weaker ability to monetize its quality advantages. While CATL has historically commanded a premium through superior safety, reliability, energy density, and life cycle performance, customers may become increasingly price-sensitive amid slower EV demand growth and excess industry capacity. If battery performance gaps continue to narrow, OEMs and ESS developers could place greater emphasis on upfront cost rather than total life cycle economics, forcing CATL to sacrifice pricing in order to defend market share.

At the same time, competitive pressure could expand beyond lower-end products into CATL's core premium segments, including NCM batteries and overseas ESS markets where CATL has traditionally enjoyed stronger profitability. Under this scenario, CATL's quality premium may no longer translate into meaningful pricing power, driving a sharper-than-expected decline in unit margins. We estimate that if industry pricing becomes the primary purchasing criterion and battery products are increasingly viewed as interchangeable components, CATL's earnings margin could more than halve over the medium term, resulting in material earnings downgrades and a structural de-rating of the stock.

The critical debate for investors over the next 12 months is therefore not whether CATL can maintain market share, but whether batteries remain a differentiated technology product capable of sustaining premium returns, or gradually evolve into a commoditized manufacturing industry where scale alone is insufficient to preserve margins.

We adopt 3x EV/EBITDA target multiple for our bear case: That's in line with the cyclical industry's valuation level. We cut our bear case value 33% for the A-shares, to Rmb135, and 45% for the H-shares, to HK$155, consistent with the base case revision, to reflect a scenario that CATL will face severe price competition.



Financial Summary

Exhibit 5: Financial Summary

Assumptions	2024	2025	2026e	2027e	2028e
Sales - EV battery (GWh)	381.0	541.0	735.3	913.2	1,159.6
Sales - ESS (GWh)	93.0	121.0	245.0	311.0	379.8
ASP - EV battery (Rmb/Wh)	0.66	0.59	0.58	0.57	0.56
ASP - ESS (Rmb/Wh)	0.62	0.52	0.52	0.51	0.50
GP margin - EV battery (%)	24%	24%	22%	24%	25%
GP margin - ESS (%)	27%	27%	18%	18%	18%

Income Statement (Rmb mn)	2024	2025	2026e	2027e	2028e
Net sales	362,013	423,702	610,908	743,847	908,450
Gross profit	88,494	111,319	144,497	184,500	226,039
EBITDA	**79,515**	**97,874**	**129,704**	**149,858**	**176,616**
EBIT	**54,577**	**70,938**	**92,521**	**110,308**	**133,354**
Net financing cost	4,132	7,940	2,130	6,214	9,218
Pre-tax profit	**63,182**	**89,527**	**111,521**	**130,792**	**157,542**
Tax	(9,175)	(12,740)	(15,870)	(18,613)	(22,419)
Minority interest	(3,262)	(4,585)	(6,250)	(7,999)	(9,582)
Net profit	**50,745**	**72,201**	**89,401**	**104,180**	**125,541**
MW net income	**50,745**	**72,201**	**89,401**	**104,180**	**125,541**

Cash Flow (Rmb mn)	2024	2025	2026e	2027e	2028e
EBITDA	79,515	97,874	129,704	149,858	176,616
-Taxes paid	(9,175)	(12,740)	(15,870)	(18,613)	(22,419)
-Working capital	14,775	33,134	22,518	24,566	35,377
-Others	(4,811)	(9,427)	(10,362)	(10,362)	(10,362)
Operating cash flow	**96,990**	**133,220**	**155,192**	**175,652**	**209,109**
-Capex	(31,180)	(42,345)	(52,477)	(62,389)	(75,125)
FCF	65,810	90,875	102,715	113,263	133,984
Investing cash flow	**(48,875)**	**(94,503)**	**(45,591)**	**(55,851)**	**(68,969)**
Equity raised	2,560	44,814	-	-	-
Debt raised	30,540	39,790	-	-	-
Dividend	(25,807)	(34,923)	(35,918)	(44,701)	(52,090)
Financing cash flow	**(14,524)**	**(6,310)**	**(39,238)**	**(54,817)**	**(59,998)**
Net cash flow	**31,994**	**29,743**	**70,363**	**64,984**	**80,142**

Per Share Data (Rmb)	2024	2025	2026e	2027e	2028e
EPS for Consensus	11.55	16.14	19.78	23.17	27.92
DPS	6.05	8.03	9.89	11.58	15.36
BVPS	62.25	82.94	94.63	109.22	126.62

Profitability Ratios %	2024	2025	2026e	2027e	2028e
ROE	23%	25%	25%	25%	26%
EBITDA margin	22%	23%	21%	20%	19%
EBIT margin	15%	17%	15%	15%	15%
Net profit margin	14%	17%	15%	14%	14%
Net Debt / Equity %	-61%	-58%	-65%	-70%	-75%
Days sales AR outstanding	127	119	119	119	119
Days in inventory	60	81	88	88	88
Days payable outstanding	245	266	259	255	255
Cash conversion cycle	(57)	(66)	(53)	(49)	(49)

Balance Sheet (Rmb mn)	2024	2025	2026e	2027e	2028e
Cash & equivalents	303,512	333,513	403,876	468,860	549,002
Receivables	126,153	137,766	198,636	241,861	295,381
Inventories	59,836	94,526	146,618	178,523	218,028
PP&E	112,589	146,401	156,695	172,833	198,696
Intangible asset	14,420	15,264	15,264	15,264	15,264
Long-term investment	54,792	64,884	64,884	64,884	64,884
Other current asset	6,286	12,379	12,379	12,379	12,379
Other asset	109,071	170,094	176,387	183,309	190,924
Total Assets	**786,658**	**974,828**	**1,174,739**	**1,337,915**	**1,544,559**
Payables	242,585	308,996	433,762	520,193	634,642
Borrowings	135,739	116,851	124,675	124,675	124,675
Other current liability	32,009	55,457	66,171	79,436	93,389
Other liabilities	102,869	122,497	122,497	122,497	122,497
Total Liabilities	**513,202**	**603,801**	**747,104**	**846,801**	**975,203**
Shareholders equity	246,930	337,108	390,591	450,071	523,521
Minority interest	26,526	33,919	37,044	41,043	45,834
Total Equity	**273,456**	**371,026**	**427,635**	**491,114**	**569,355**

Growth %	2024	2025	2026e	2027e	2028e
Battery volume	22%	40%	48%	25%	26%
Battery ASP	-25%	-12%	-1%	-2%	-2%
Battery GP per Wh	-1%	-12%	-8%	7%	1%
Sales	-10%	17%	44%	22%	22%
Gross profit	15%	26%	30%	28%	23%
EBITDA	17%	23%	33%	16%	18%
EBIT	20%	30%	30%	19%	21%
Net profit	15%	42%	24%	17%	21%

Source: CATL, Morgan Stanley Research

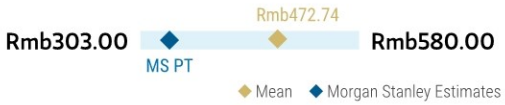
Risk Reward – Contemporary Amperex Technology Co. Ltd. (300750.SZ)

We think recent profitability pressure reflects temporary mix effects

PRICE TARGET Rmb335.00

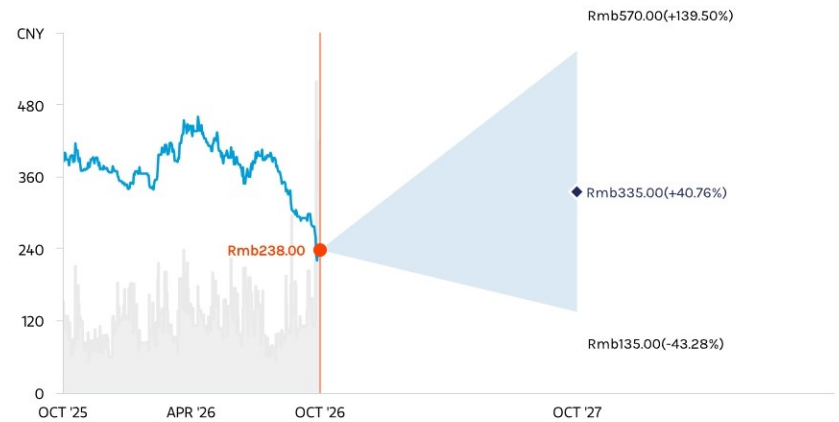
Base case, EV/EBITDA. We use this methodology to remain consistent with the approach taken by our global battery analysts for international peers. We assign a 8.5x EV/EBITDA multiple to 2027E EBITDA, which reflects constraints on CATL's ability to sustain its historical pricing premium, even if its underlying technological advantage remains intact.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



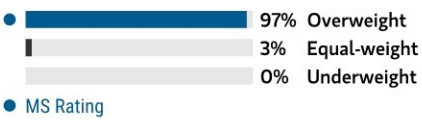
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

OVERWEIGHT THESIS

- 3Q results have raised investor concerns over CATL's ability to sustain its global leadership premium.
- The weaker-than-expected margin performance has triggered debate over whether recent profitability pressure reflects temporary mix effects or a more structural competitive challenge.
- We think it is the former. The global ex-US electrification TAM is likely to double over the next five years; the battery innovation cycle should continue.
- The sodium battery product cycle is beginning to materialize.
- CATL's battery swap alliance is progressing well.
- CATL-A is also trading at 4.8% NTM yield on our revised estimates.
- Our price target is now based on 8.5x 2027e EV/EBITDA.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Electric Vehicles:	*Positive*
Renewable Energy:	*Positive*
Technology Diffusion:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE Rmb570.00

15x 2027e EV/EBITDA

We think CATL will stay on the path of multi-fold R&D investment vs. peers, leading technology iteration, and generating high ROE. Under this scenario, valuation could rise to 15x EV/EBITDA for 2027, anchoring to LGES's average EV/EBITDA multiple over the past three years.

BASE CASE Rmb335.00

8.5x 2027e EV/EBITDA

We expect EBITDA growth of ~17% in 2026-28, driven by robust ESS demand, electric truck adoption, global electrification and market share gains.

BEAR CASE Rmb135.00

3x 2027e EV/EBITDA

Battery competition becomes severe owing to technology breakthroughs by tier-2 battery makers; CATL faces market share loss and margin pressure.

Risk Reward – Contemporary Amperex Technology Co. Ltd. (300750.SZ)

KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
EV Battery sales volume (GWh)	541.0	735.3	913.2	1,159.6
EV Battery ASP (Rmb/Wh)	0.6	0.6	0.6	0.6
EV Battery gross margin (%)	23.8	22.1	24.1	24.8

INVESTMENT DRIVERS

- EV penetration (including both PV and CV)
- ESS economics and adoption
- Product mix improvement
- New technology development
- Market share development

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

4/5 MOST — 3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

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

RISKS TO DOWNSIDE

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

OWNERSHIP POSITIONING

Inst. Owners, % Active 95.7%



Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue (Rmb, mn)	442,100.0	610,907.9 / 620,052.0	716,101.2
EBIT (Rmb, mn)	81,909.1	92,521 / 101,972.0	124,311.0
Net income (Rmb, mn)	13,959.0	89,401 / 87,749.6	98,100.0
EPS (Rmb)	15.2	19.8 / 19.7	21.1

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research


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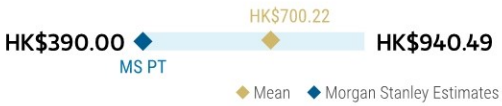
Risk Reward – Contemporary Amperex Technology Co. Ltd. (3750.HK)

H/A valuation gap is likely to normalize further - EW

PRICE TARGET HK$390.00

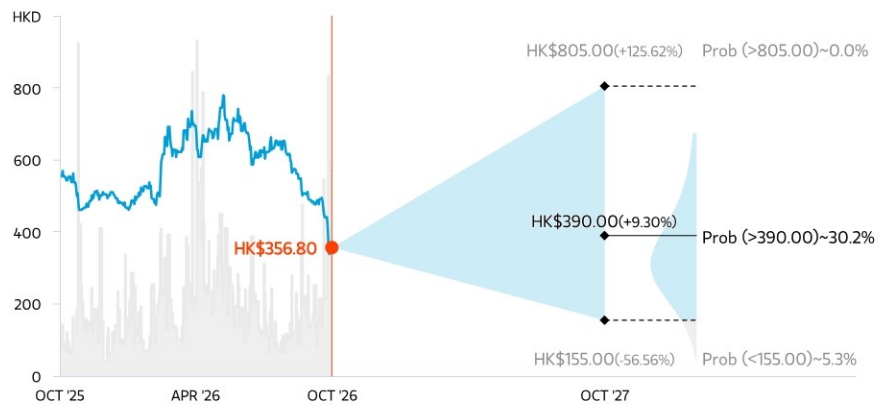
- Base case, EV/EBITDA. We use this methodology to remain consistent with the approach taken by our global battery analysts for international peers. We assign an 8.5x EV/EBITDA multiple to 2027E EBITDA, and apply a zero H/A target premium. We believe investors will demand clearer evidence of margin stabilization and competitive resilience before being willing to re-establish a meaningful H-share premium.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



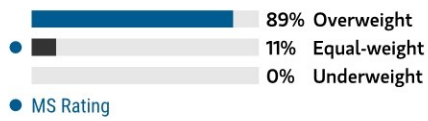
Key: Historical Stock Performance Current Stock Price Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 26 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

EQUAL-WEIGHT THESIS

- We remain constructive on CATL's long-term prospects:. However, we rate the H-shares EW at present.
- We expect CATL-H to remain volatile over the next three months.
- While we do not see a structural deterioration as our base case, we believe investors will demand clearer evidence of margin stabilization and competitive resilience before being willing to re-establish a meaningful H-share premium.
- Until that validation arrives, the path of least resistance is likely toward further normalization of the H/A valuation gap.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Electric Vehicles:	*Positive*
Renewable Energy:	*Positive*
Secular Growth:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE HK$805.00

18x 2027e EV/EBITDA

We think CATL will stay on the path of multi-fold R&D investment vs. peers, leading technology iteration, and generating high ROE. Under this scenario, valuation could rise to 18x EV/EBITDA in 2027, anchoring to global peers' average EV/EBITDA multiple over the past three years.

BASE CASE HK$390.00

8.5x 2027e EV/EBITDA

We expect EBITDA growth of ~17% in 2026-27, driven by robust ESS demand, electric truck adoption, and market share gains.

BEAR CASE HK$155.00

3x 2027e EV/EBITDA

Battery competition becomes severe owing to technology breakthroughs by tier-2 battery makers; CATL faces market share loss and margin pressure.

Risk Reward – Contemporary Amperex Technology Co. Ltd. (3750.HK)

KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
EV Battery sales volume (GWh)	541.0	735.3	913.2	1,159.6
EV Battery ASP (Rmb/Wh)	0.6	0.6	0.6	0.6
EV Battery gross margin (%)	23.8	22.1	24.1	24.8

INVESTMENT DRIVERS

- EV penetration (including both PV and CV)
- ESS economics and adoption
- Product mix improvement
- New technology development
- Market share development

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

2/5 MOST — 3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

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

RISKS TO DOWNSIDE

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

OWNERSHIP POSITIONING

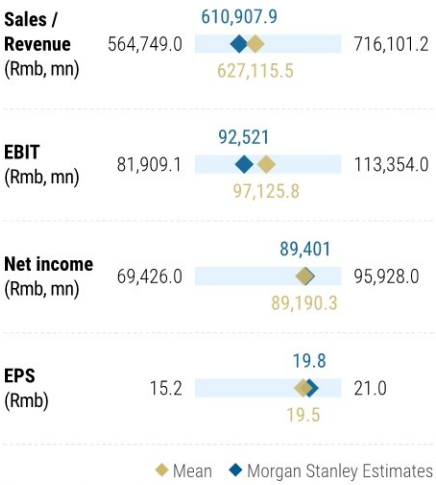
Inst. Owners, % Active 72.8%



Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Source: Refinitiv, Morgan Stanley Research

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Jack Lu; Kaylee Xu.

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Global Stock Ratings Distribution

(as of September 30, 2026)

The Stock Ratings described below apply to Morgan Stanley's Fundamental Equity Research and do not apply to Debt Research produced by the Firm.

For disclosure purposes only (in accordance with FINRA requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

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

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

Analyst Stock Ratings

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

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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



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

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

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

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.



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

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

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

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/26/2026)
Jack Lu		
China Oilfield Services Ltd. (2883.HK)	E (03/28/2026)	HK$7.98
China Oilfield Services Ltd. (601808.SS)	U (03/28/2026)	Rmb13.49
China Petroleum & Chemical Corp. (600028.SS)	E (08/19/2024)	Rmb5.56
China Petroleum & Chemical Corp. (0386.HK)	O (07/29/2025)	HK$4.64
CNOOC (0883.HK)	O (03/17/2021)	HK$23.94
Contemporary Amperex Technology Co. Ltd. (300750.SZ)	O (06/25/2025)	Rmb238.00
Contemporary Amperex Technology Co. Ltd. (3750.HK)	E (10/26/2026)	HK$356.80
EVE Energy Co Ltd (300014.SZ)	E (05/31/2022)	Rmb47.21
Gotion High Tech Co Ltd (002074.SZ)	E (04/17/2023)	Rmb26.48
Guangzhou Tinci Materials Technology Co (002709.SZ)	E (01/08/2026)	Rmb27.43
Hengli Petrochemical Co Ltd (600346.SS)	++	Rmb15.46
Ningbo Ronbay New Energy Technology (688005.SS)	U (10/27/2025)	Rmb20.49
Ningxia Baofeng Energy Group Co., Ltd. (600989.SS)	O (10/26/2026)	Rmb21.98
PetroChina (601857.SS)	O (08/19/2024)	Rmb13.38
PetroChina (0857.HK)	O (03/17/2021)	HK$10.16
REPT Battero Energy Co (0666.HK)	E (10/20/2025)	HK$6.86
Rongsheng Petrochemical Co Ltd (002493.SZ)	O (09/09/2026)	Rmb11.71
Shanghai Putailai New Energy Tech Co Ltd (603659.SS)	U (10/27/2025)	Rmb20.21
Shenzhen Senior Technology Material Co (300568.SZ)	E (01/08/2026)	Rmb13.20
Yunnan Energy New Material Co Ltd (002812.SZ)	O (10/27/2025)	Rmb48.03
Kaylee Xu		
Jiangsu Cnano Technology Co Ltd (688116.SS)	U (03/10/2025)	Rmb32.60
Jiangsu Yangnong Chemical (600486.SS)	O (06/12/2026)	Rmb51.73
Shandong Sinocera Functional Material (300285.SZ)	E (03/23/2026)	Rmb43.19
Shenzhen Capchem Technology Co Ltd (300037.SZ)	O (07/14/2026)	Rmb53.02
Sunresin New Materials Co Ltd (300487.SZ)	E (10/25/2024)	Rmb62.80
Wanhua Chemical (600309.SS)	O (04/10/2026)	Rmb67.65
Zhejiang NHU Co. Ltd. (002001.SZ)	E (01/26/2026)	Rmb25.89

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