Morgan Stanley | RESEARCH

UPDATE

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Shenzhen Kedali Industry Co Ltd | Asia Pacific

Stable growth continued in 3Q26

AlphaSignals Earnings Reaction

Unchanged	**Modest upside**	**Largely unchanged**
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

Key Takeaways

- Kedali delivered another quarter of consistent growth, a rarity in the battery and materials space.

Strong 3Q26: 9M26 NP was Rmb1.53bn, +29% YoY. 3Q26 NP was better than our expectation at Rmb584mn, +21% QoQ/+41% YoY, with YoY growth accelerating from 23% in 1H26. NPM reached 10%, in line with the company's target.

Revenue growth accelerated in 3Q: 9M26 revenue was Rmb15.0bn, +41% YoY, in line with Kedali's FY26 revenue growth target of 30-40%. 3Q26 revenue reached Rmb5.77bn, +14% QoQ/+46% YoY (China battery production volume +19% QoQ in 3Q), accelerating from 39% YoY growth in 1H26.

Sequential margin recovery: GPM was 20.9% in 9M26 and 21.1% in 3Q26, +0.7ppt QoQ/-2.6ppts YoY. We attribute the QoQ recovery to scale effect and low base in 2Q due to higher aluminum prices. 3Q26 gross profit increased 18% QoQ/30% YoY to Rmb1.21bn, supported by strong revenue growth and a sequential margin recovery.

Higher R&D expenses: 3Q26 SG&A increased by Rmb167mn YoY/Rmb75mn QoQ to Rmb500mn, mainly driven by R&D expenses. SG&A expense ratio edged up 0.3ppt YoY/0.3ppt QoQ to 8.7%.

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Shenzhen Kedali Industry Co Ltd (002850.SZ, 002850 CH)

Greater China Materials | China

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	Rmb216.00
Shr price, close (Oct 23, 2026)	Rmb155.59
52-Week Range	Rmb237.77-135.88
Mkt cap, curr (mn)	Rmb42,778.4
EV, curr (mn)	Rmb40,196.7
Avg daily trading value (mn)	Rmb950

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (Rmb)**	6.46	8.50	11.29	13.19
Revenue, net (Rmb mn)	15,213	19,694	25,516	29,333
ModelWare net inc (Rmb mn)	1,764	2,336	3,105	3,627
P/E	24.4	18.3	13.8	11.8
P/BV	3.2	2.9	2.6	2.3
EV/EBITDA	13.3	10.5	7.8	6.4
Div yld (%)	1.6	2.1	2.8	3.3
FCF yld (%)	2.6	4.6	8.3	9.1
Leverage (EOP) (%)	(18.7)	(22.2)	(32.0)	(39.7)

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

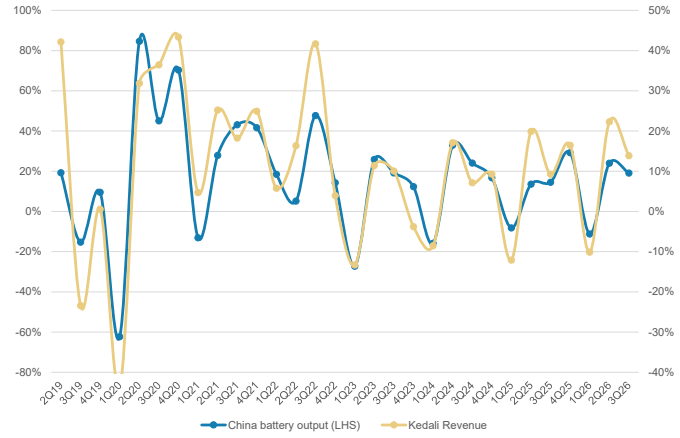
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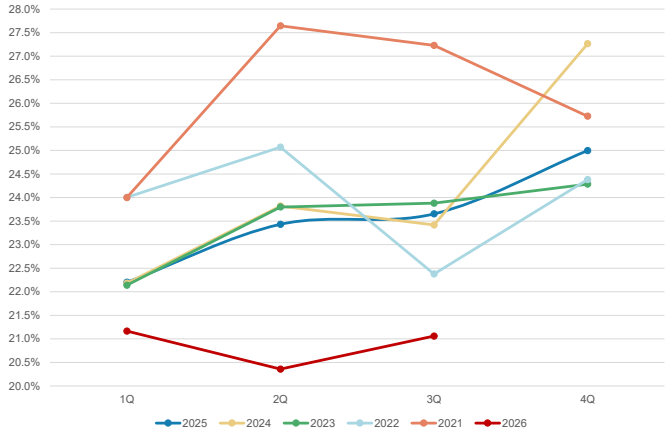


Exhibit 1: QoQ change: China's battery output vs. Kedali's revenue



Source: Company data, China EV Battery Industry Innovation Alliance, Morgan Stanley Research.

Exhibit 2: Kedali GPM, by quarter



Source: Company data, Morgan Stanley Research.

Valuation Methodology and Risks

Shenzhen Kedali Industry Co Ltd (002850.SZ)

Base case, derived from discounted cash flow model through 2035. We apply a cost of equity of 12.2% based on a beta of 1.3, a risk-free rate of 2.7% and an equity risk premium of 7.3%. We assume 2% terminal growth beyond our explicit forecast period.

Risks to Upside

- Faster-than-expected growth of China's EV battery sales
- Kedali enters the supply chain of more overseas EV battery makers

Risks to Downside

- Weaker-than-expected growth of China's EV battery sales
- Decline in battery structural parts value per GWh

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(as of September 30, 2026)

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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	

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INDUSTRY COVERAGE: Greater China Materials

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/23/2026)
Chris Jiang		
Anhui Honglu Steel Construction (002541.SZ)	U (12/16/2025)	Rmb20.25
CGN Mining Co Ltd (1164.HK)	O (01/18/2023)	HK$2.05
Chengxin Lithium Group Co. Ltd. (002240.SZ)	E (12/16/2025)	Rmb20.16
GEM Co Ltd (002340.SZ)	U (04/20/2026)	Rmb5.89
Shenzhen Kedali Industry Co Ltd (002850.SZ)	O (08/21/2023)	Rmb155.59
Sinomine Resource Group Co Ltd (002738.SZ)	O (12/16/2025)	Rmb35.22
Yongxing Special Materials Technology (002756.SZ)	E (11/25/2022)	Rmb35.89
Zhejiang Huayou Cobalt Co Ltd (603799.SS)	O (10/08/2025)	Rmb32.14
Hannah Yang, CFA		
China Hongqiao Group (1378.HK)	O (09/15/2023)	HK$19.02
Chuangxin Industries Holdings Ltd. (2788.HK)	O (03/19/2026)	HK$13.26
Flat Glass Group Co Ltd (6865.HK)	O (07/30/2020)	HK$5.13
Flat Glass Group Co Ltd (601865.SS)	O (07/30/2020)	Rmb9.17
MMG Ltd (1208.HK)	O (12/16/2024)	HK$7.05
Shandong Pharmaceutical Glass Co. Ltd. (600529.SS)	U (04/20/2026)	Rmb18.21
Shenhuo Coal and Power (000933.SZ)	O (09/02/2025)	Rmb25.25
Tianshan Aluminum (002532.SZ)	E (07/08/2026)	Rmb11.29
Xinyi Glass Holding Limited (0868.HK)	U (05/14/2024)	HK$7.80
Zhongfu Shenying Carbon Fiber Co Ltd (688295.SS)	E (10/07/2026)	Rmb32.90
Rachel L Zhang		
Aluminum Corp. of China Ltd. (601600.SS)	O (11/30/2020)	Rmb8.63
Aluminum Corp. of China Ltd. (2600.HK)	O (11/30/2020)	HK$7.14
Anhui Tongguan Copper Foil (301217.SZ)	E (10/20/2026)	Rmb82.52
Baoshan Iron & Steel (600019.SS)	O (01/16/2016)	Rmb5.88
Beijing New Building Materials (000786.SZ)	E (10/07/2026)	Rmb16.52

Beijing Oriental Yuhong Waterproof Techn (002271.SZ)	E (09/25/2024)	Rmb10.65
China Jushi (600176.SS)	O (12/22/2020)	Rmb32.90
China Lesso Group Holdings Ltd (2128.HK)	U (10/08/2025)	HK$2.95
China Steel Corp. (2002.TW)	U (12/16/2025)	NT$19.55
CMOC Group Ltd (3993.HK)	O (09/24/2019)	HK$13.01
CMOC Group Ltd (603993.SS)	O (06/21/2024)	Rmb14.23
CNGR Advanced Material Co., Ltd. (300919.SZ)	E (01/12/2026)	Rmb33.49
CNGR Advanced Material Co., Ltd. (2579.HK)	O (01/12/2026)	HK$17.29
FangDa Carbon New Material Co. Ltd. (600516.SS)	U (12/16/2024)	Rmb5.05
Ganfeng Lithium Co. Ltd. (002460.SZ)	O (04/20/2026)	Rmb36.69
Ganfeng Lithium Co. Ltd. (1772.HK)	O (12/16/2025)	HK$22.52
Grace Fabric Technology Co. Ltd. (603256.SS)	O (09/14/2026)	Rmb91.70
Henan Liliang Diamond Co. Ltd (301071.SZ)	U (04/20/2026)	Rmb50.80
Jiangsu Dingsheng New Materials (603876.SS)	U (04/20/2026)	Rmb14.87
Jiangxi Copper (0358.HK)	O (10/08/2025)	HK$29.06
Jiangxi Copper (600362.SS)	O (10/08/2025)	Rmb36.92
Jiujiang Defu Technology Co., Limited (301511.SZ)	O (10/20/2026)	Rmb72.19
JL Mag Rare-Earth Co. Ltd (6680.HK)	O (04/23/2025)	HK$14.43
JL Mag Rare-Earth Co. Ltd (300748.SZ)	O (04/23/2025)	Rmb25.67
Nine Dragons Paper (2689.HK)	E (01/04/2023)	HK$4.73
PT Merdeka Gold Resources Tbk (6228.HK)	O (08/04/2026)	HK$28.82
Shandong Gold Mining Co. Ltd (600547.SS)	E (07/09/2026)	Rmb26.00
Shandong Gold Mining Co. Ltd (1787.HK)	E (07/09/2026)	HK$17.44
Shandong Nanshan Aluminium Co. (600219.SS)	E (07/08/2026)	Rmb4.28
Tianqi Lithium Industries Inc. (9696.HK)	O (12/16/2025)	HK$23.38
Tianqi Lithium Industries Inc. (002466.SZ)	O (04/20/2026)	Rmb35.99
Weixing New Building Materials (002372.SZ)	U (10/08/2025)	Rmb8.27
Zhaojin Mining Industry (1818.HK)	E (07/09/2026)	HK$16.54
Zijin Gold International (2259.HK)	O (11/06/2025)	HK$121.20
Zijin Mining Group (2899.HK)	O (11/06/2025)	HK$29.46
Zijin Mining Group (601899.SS)	O (11/06/2025)	Rmb28.79

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* Historical prices are not split adjusted.

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