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Eve Energy (300014.SZ)

Positive Takeaways from 3Q26 Results Call

CITI'S TAKE

We dialed in Eve Energy's 3Q26 Results Presentation Call. Mr Yuan Huagang, Senior Vice President, and Ms Jiang Min, Board Secretary, presented at the call. Management targets ~100% YoY growth in power battery shipments and >50% growth in ESS shipments in 2027, supported by accelerating large cylindrical battery deliveries to BMW, strong commercial vehicle demand and rising US ESS orders. Importantly, management expects continued margin recovery despite consumption tax and export rebate headwinds, driven by improving customer mix, higher overseas exposure and manufacturing efficiencies. We see three key positives: (1) cylindrical battery demand materially exceeding initial expectations; (2) ESS capacity remaining fully utilized through 2027, with overseas shipments accounting for at least 40%; and (3) further gross margin improvement toward management's 18–20% medium-term aspiration. Maintain Top Pick.

Buy	
Price (23 Oct 26 15:00)	Rmb44.330
Target price	Rmb83.400
Expected share price return	88.1%
Expected dividend yield	2.2%
Expected total return	90.4%
Market Cap	Rmb96,342M
	US$14,434M

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- **2027 shipment outlook: stronger order visibility across EV and ESS.** Management expects power battery shipments to roughly double YoY in 2027, while ESS shipments should increase by over 50%. Management stressed that the improved outlook reflects greater order certainty following successful product qualification and stable deliveries, rather than simply more optimistic assumptions. In 3Q26, combined EV and ESS shipments exceeded 53GWh, with 4Q production scheduled to increase 15–20% QoQ.

- **Large cylindrical batteries: demand materially exceeds expectations.** Management expects nearly 10GWh of large cylindrical battery deliveries in 2026, with shipments growing to more than 3x this level in 2027. Existing Jingmen and Shenyang facilities are running at full capacity. Current capacity cannot fully meet demand. Additional growth should come from Mercedes-AMG and domestic OEMs, including Hongqi, XPeng, Leapmotor and FAW, with the new Hefei facility supporting incremental deliveries.

- **ESS: capacity constraints persist; overseas mix to rise.** ESS production is expected to remain fully utilized through 2027, while overseas shipments should account for at least 40% of ESS volume next year. Under its 2027–31 framework agreement with Fluence, approximately 16GWh of deliveries have been confirmed for 2027, with the allocation of the remaining

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200GWh+ yet to be finalized. Several US customers began ramping up in 2H26 and should contribute full-year volumes in 2027. Management also clarified that slower large-format ESS cell shipments reflected deliberate capacity reallocation toward commercial vehicles, not weak customer demand.

- **Margins: gradual recovery despite tax headwinds.** Overall gross margin improved slightly QoQ in 3Q26, driven primarily by ESS, followed by EV batteries. Consumer battery margins declined due to initial ramp-up costs at the Malaysian cylindrical battery facility, but should recover in 4Q. Management reiterated its ambition to improve EV and ESS gross margins toward 18–20%. Overseas shipment mix increased by nearly 3ppt QoQ in 3Q, with international customers generally offering better profitability. Regarding consumption tax and export rebate adjustments, agreements have been reached with the vast majority of customers, although some costs are shared rather than fully passed through. Negotiations remain ongoing with a few domestic passenger vehicle OEMs.

- **Capacity expansion and localization remain on schedule.** Management confirmed that all domestic projects under construction, including Hefei, Jingmen, Chengdu and Huizhou, are proceeding according to plan despite tighter regulatory scrutiny of new battery capacity. The Hungary plant remains on track for mass production in 2H27, with two of three planned production lines expected to be installed by end-2027. European localization should help mitigate tariffs, export rebate exposure and logistics costs. Meanwhile, the company is gradually reducing outsourced ESS production and improving equipment efficiency (OEE) to increase internally controlled capacity.

- **3Q earnings quality and consumer batteries guidance.** Management disclosed approximately Rmb270mn in share-based compensation expenses and Rmb60mn in FX losses in 3Q26. Eve recognized over Rmb300mn in one-off investment gains from exiting its separator JV with SEMCORP, which should be excluded when assessing recurring earnings. For consumer batteries, management expects approximately 15% growth in lithium primary batteries and over 30% growth in consumer Li-ion batteries in 2027.



Eve Energy

Valuation

We value Eve Energy shares at Rmb83.4/sh using a sum-of-the-parts (SOTP) approach to capture the company's core business and other contributions. For Eve Energy's battery business, we use 14.3x (previously 15.1x) 2026E EV/EBITDA, set at -0.7SD below the company's historical average since 2019 considering we expect EBITDA growth to decelerate over 2026E-28E (though still robust). We derive a fair value of Rmb78.2/sh for Eve Energy's battery business. Other contributions are valued at Rmb5.2/sh. Our target price of Rmb83.4/sh implies 16.7x 2027E P/E.

Risks

The shares are deemed High Risk based on our quantitative model assessing volatility, but we believe assigning a High Risk rating to Eve Energy is not supported by its qualitative factors such as a solid footing in the Chinese battery market, a good customer base, and a clear growth outlook. Key downside risks that could cause the shares to fail to reach our target price include: 1) weaker macroeconomic demand conditions; 2) slower-than-expected EV penetration in a low oil price environment; and 3) higher-than-expected raw material costs.

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Appendix A-1

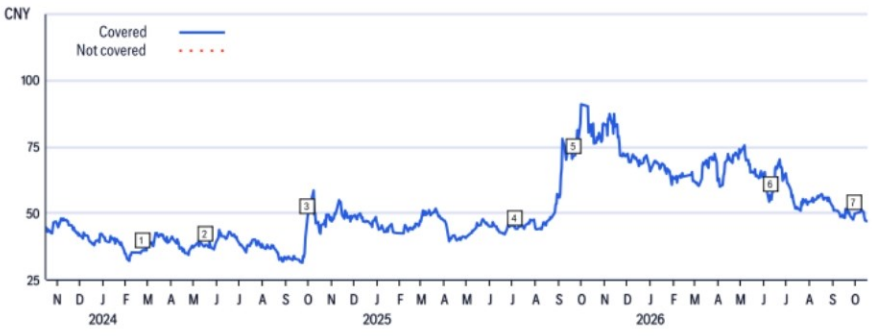
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Eve Energy (300014.SZ)
Ratings and Target Price History
Fundamental Research

Analyst: Jack Shang, CFA



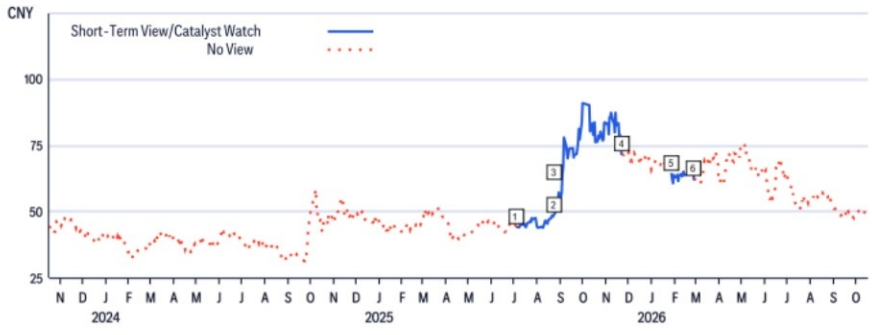
	Date	Rating	Target Price	Closing Price
1	22-Feb-24 05:35:55	1	*58.20	35.67
2	17-May-24 06:56:08	1	*57.30	38.07
3	07-Oct-24 09:38:25	1	*56.50	48.78
4	06-Jul-25 22:59:39	1	*59.20	44.20
5	19-Sep-25 04:05:51	1	*93.90	71.41
6	09-Jun-26 01:37:14	1	*87.90	56.86
7	07-Oct-26 09:20:58	1	*83.40	49.81

*Indicates Change

Rating/target price changes above reflect Eastern Time

Eve Energy (300014.SZ)
Short-Term View/Catalyst Watch Research

Analyst: Jack Shang, CFA



	Date	Action	Expected Direction	Duration	Closing Price
1	06-Jul-25 18:59:39	Add STV	Downside	90 Days	44.20
2	23-Aug-25 02:05:04	Remove STV	Downside	90 Days	48.50
3	23-Aug-25 02:05:04	Add CW	Upside	90 Days	48.50
4	21-Nov-25 12:15:09	Remove CW	Upside	90 Days	71.74
5	27-Jan-26 07:40:16	Add CW	Downside	30 Days	64.20
6	26-Feb-26 21:27:47	Remove CW	Downside	30 Days	62.16

CW - Catalyst Watch , STV - Short-Term View

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	12 Month Rating			Catalyst Watch		
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% of companies in each rating category that are investment banking clients	39%	43%	30%	42%	38%	36%

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