

“Right” Worries, “Wrong” Price?

- Lithium nearly tripled, yet CATL held 9M26 gross margin at 22.7% and grew net profit 31.6% y-y, proof that pricing power is intact
- Automakers can diversify, but tier-2 quality and scale gaps keep CATL hard to replace
- Reiterate BUY, TP HKD584 / THB24.87 (20x 2027E P/E)

The sell-off

CATL-H has fallen 37.5% since the start of September 2026, versus a 6.1% drop in the Hang Seng Index, and now trades about 54% below its early-May peak. Two concerns drove the sell-off: falling gross margin, and the “De-CATL-ization” push by automakers. We think both are real, but the market has drawn the wrong conclusion from them. Read correctly, the first is evidence of the moat, and the second is a negotiation tactic rather than an exit.

The margin dip proves the moat

Lithium carbonate rose to RMB174k/tonne in 2Q26, from RMB64k/tonne a year earlier, yet CATL’s gross margin held at 22.7% in 9M26, versus 25.3% in 9M25. The softer 3Q26 margin came mainly from a richer mix of lower-margin Energy storage systems, along with the turn in lithium prices and a lower export VAT rebate. What matters is not that margin fell, but how far. A price-taker would have seen its margin collapse as its biggest input cost nearly tripled.

Moat comes with a cost: De-CATL-ization

We accept that De-CATL-ization is a real concern, but we think the market is worrying too much. The right question is not whether automakers want to rely less on CATL, but whether switching to tier-2 suppliers are possible, as their quality record still lags and affects customer confidence. Making batteries in-house is far harder. CATL shipped 661GWh in 2025, and no single automaker comes close to that scale and cost. We see self-sourcing as closer to a bargaining tactic than a real plan, and CATL’s global market share, up to 39.9% this year (vs 39.2% in 2025), tells the same story.

ESS keeps compounding

Beyond EV batteries, our thesis also rests on Energy Storage Systems (ESS), and 1H26 confirms the view. ESS revenue grew 87.5% y-y to RMB53.3b, driven by grid storage and AI data centers. We believe this is CATL’s second S-curve, and one that no De-CATL-ization headline can touch, since its growth does not depend on any automaker’s sourcing decision.

Reiterate BUY, TP THB24.87

We revise our net profit forecast by 6.5%/6.0%/1.7% in 2026E-28E, as we expect CATL to share more battery cost with automakers and absorb part of the new tax costs, yet earnings still compound at a healthy 23.7% CAGR through 2028E. Applying a more conservative 20x 2027E P/E, from 25x, we set a new TP of HKD584 for CATL (3750.HK) and THB24.87 for CATL80 (DR). At just 9.5x consensus P/E, we believe the market is too pessimistic and **reiterate BUY**.

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BUY

Target Price 12M (THB)	24.87
VS. BB Consensus TP (%)	-18.0%
Share Price (THB)	15.60
Upside/Downside	+59.4%
Conversion Ratio (DR : Underlying)	100 : 1

Underlying Share Data

Company Name	CATL (3750.HK)
Market Cap (HKD b)	1440
Free Float (%)	52.76
Issued Shares (m shares)	4626.7

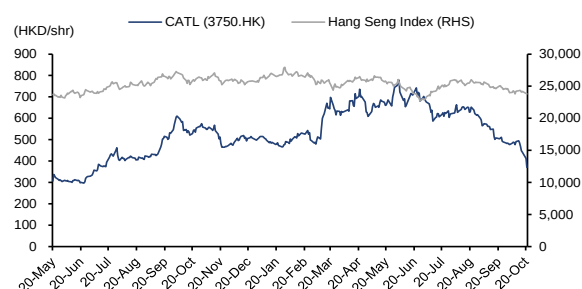
Financial forecast – Underlying share

Year ending Dec	2025	2026E	2027E	2028E
Revenue (RMB b)	423.7	684.0	779.9	888.6
Net profit (RMB b)	72.2	92.4	115.1	136.8
Core net profit (RMB b)	71.9	92.4	115.1	136.8
vs Consensus (%)		0.6	3.6	3.3
Net profit growth (%)	42.3	28.0	24.5	18.9
Core net profit growth (%)	38.2	28.5	24.5	18.9
EPS (RMB/share)	15.82	20.11	24.87	29.56
Core EPS (RMB/share)	15.76	20.11	24.87	29.56
Chg in core EPS (%)		(7.2)	(7.2)	(3.1)
DPS (RMB/share)	6.56	8.04	9.95	11.82
P/E (x)	27.09	15.47	12.50	10.52
P/BV (x)	6.81	3.67	3.12	2.65
Dividend yield (%)	1.30	2.59	3.20	3.80
ROE (%)	24.72	25.32	26.94	27.21

Source: Financial Statement and Globlex securities

DR Share Price Performance (%)

	1M	3M	6M	YTD
Stock	(25.82)	(41.47)	(47.33)	(22.93)
Market	n/a	n/a	n/a	n/a
12M High/Low (THB)			32.75 / 15.50	



Major Shareholders (%) as of 14 July 2026

Xiamen Ruiting Investment Co Ltd.	23.24
HKSCC Nominees Ltd	17.27
Huang Shilin	9.54

Company Profile

Contemporary Amperex Technology Co.,Ltd. Manufactures and distributes battery products. The Company produces power battery systems, energy storage batteries, battery cells, and other products. CATL also provides batteries recycling services.

Source: Bloomberg

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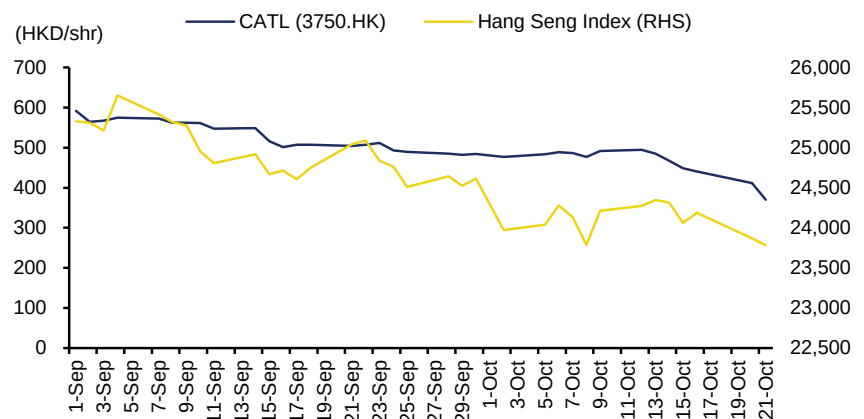
The sell-off

CATL-H has fallen 37.5% since the start of September 2026, while the Hang Seng Index fell only 6.1% over the same period. The decline began in September, when the stock fell 19.2%, and deepened after the 3Q26 results in October. That leaves the stock about 53.6% below its early May peak. The sell-off was not about one headline. Two concerns were stacked on top of each other, and each made the other look worse.

1. Gross margin came down
2. The “De-CATL-ization” trade took hold

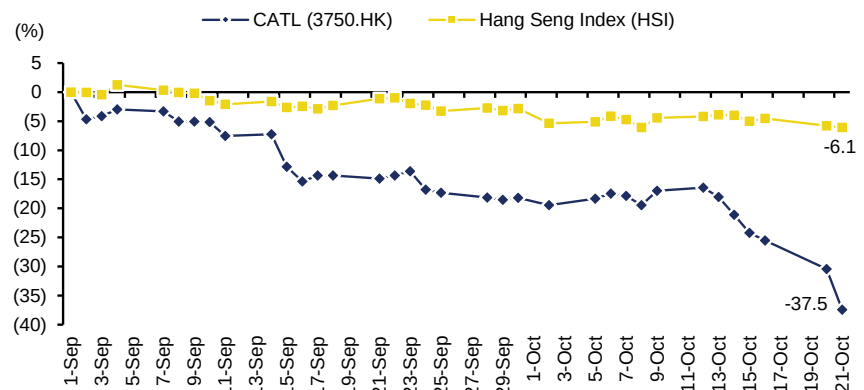
We think both concerns are real, but the market has drawn the wrong conclusion from them. The first, read correctly, is evidence of the moat rather than a crack in it. The second is a negotiation tactic that the market has mistaken for an exit.

Exhibit 1: CATL vs Hang Seng Index price since 1-Sep-2026



Sources: FACTSET; Globlex research

Exhibit 2: Cumulative return since 1-Sep-2026



Sources: FACTSET; Globlex research

A Margin Dip That Proves the Moat

CATL's gross profit margin (GPM) was 22.7% in 9M26, down from 25.3% in 9M25. On a quarterly basis, the decline is sharper. GPM peaked at 28.2% in 4Q25, then fell to 24.8% in 1Q26, 23.2% in 2Q26 and 20.7% in 3Q26.

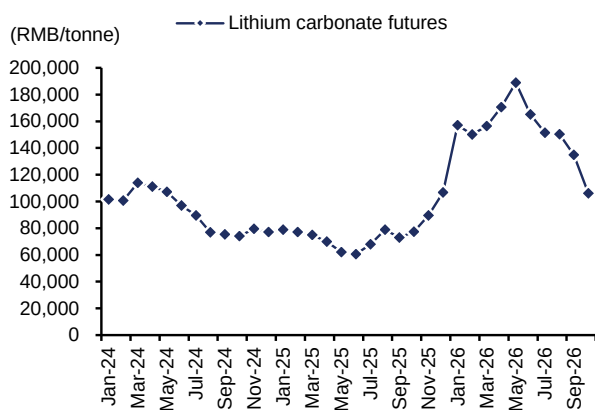
The decline in 1H26 came from lithium. The average lithium carbonate price reached RMB174k/tonne in 2Q26, almost three times the RMB64k/tonne of 2Q25. Lithium is the single largest material cost in a battery cell, and no battery maker could absorb a move this large without some pressure on margin.

The 3Q26 decline came mainly from product mix. CATL shipped more than 260GWh in 3Q26, and energy storage made up about a quarter of that, or roughly 65GWh. A growing share of these were AC-side systems, which carry higher value per Wh but lower percentage margins than cells, as much of their value comes from bought-in components such as power conversion equipment and containers.

As a result, gross profit per Wh fell to about RMB0.131 in 3Q26. Two further factors added pressure. First, lithium prices turned down from their May peak of about RMB189k/tonne to an average of about RMB145k/tonne in 3Q26, while part of CATL's cost still reflected higher 2Q26 prices. Second, a lower export VAT rebate for batteries took full effect for the first time in 3Q26.

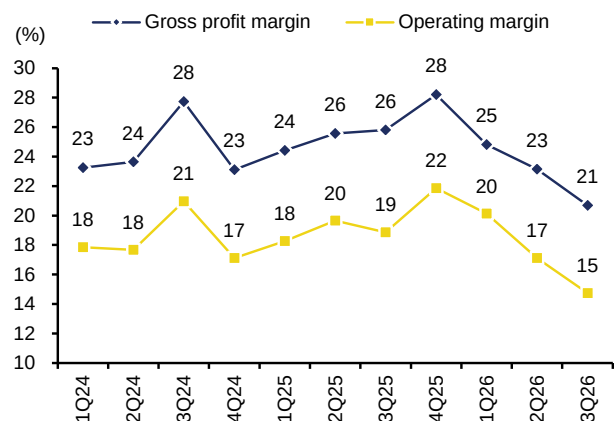
However, in our view, what matters is not that margin fell, but how far it fell. A battery maker without pricing power would have seen its margin collapse when its biggest input cost nearly tripled. CATL still delivered a gross margin above 20% in every quarter of 2026. That is not the profile of a price-taker. It is the profile of a company that can pass rising costs through to its customers, and it is the same pattern we highlighted in our initiation report, when CATL held its margin through the 2022 lithium spike.

Exhibit 3: Lithium carbonate price



Sources: Guangzhou Futures Exchange (GFEX)

Exhibit 4: Gross profit margin and Operating margin



Sources: CATL; Globlex research

We see three reasons CATL can do this.

1. Economic power. CATL supplies roughly 46% of China's EV batteries and 39% globally. An OEM that refuses a price adjustment risk losing supply of the cells its vehicles were designed around. Few OEMs can afford that risk.

2. Raw-material-linked pricing since 2022. When lithium prices spiked in 2021-22, CATL began to "dynamically adjust" battery prices in line with upstream raw material costs. It then moved its contracts with customers toward a pricing mechanism linked to the price of lithium. Under this structure, a rise in lithium cost flows through to the selling price with a lag, rather than being absorbed in full by CATL.

3. Vertical integration upstream. CATL owns its key raw materials directly, which lets it control part of its cost at the source.

- Lithium mine: CATL's Jianxiawo lithium mine in Yichun, Jiangxi, accounted for 8-10% of China's lithium carbonate output before it was suspended in August 2025. The mine received its safety production permit and resumed operation on 29 June 2026. It is expected to add more than 45,000 tonnes of lithium carbonate supply in 2H26, while prices remain well above 2025 levels.
- Recycling: Brunp, the world's largest battery recycler, recovered 24,000 tonnes of lithium salts in 2025. Every tonne recovered is a tonne CATL does not have to buy at spot.

Together, these assets do not cover all of CATL's lithium needs, but they cover enough to soften a price spike that its smaller rivals must absorb in full at market price.

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Exhibit 6: CATL’s Factories and mining site

Region	Site(s)	Status	Capacity / Stake
BATTERY FACTORIES			
China (domestic base)	Ningde (HQ), Yibin, Jining, Xining, Liyang, Zhaoqing — 6 plants	Operating	~758 GWh
Germany	Arnstadt (Thüringen)	Operating	14 GWh
Hungary	Debrecen	Under construction	100 GWh (planned)
Spain	Zaragoza	Under construction	50 GWh (planned)
Indonesia	Karawang	Under construction	15 GWh (planned)
Morocco	Site TBD	Planned	n/d
United States	Marshall, Michigan	Licensed (Ford-owned)	~20 GWh (planned)
MINING SITES			
China	Yichun lithium mine (Jiangxi)	Operating (paused mid-2025, resumed)	Majority equity stake
Dem. Rep. of Congo	Kisanfu copper-cobalt mine	Operating	25% stake (via CMOC)
Indonesia	Nickel project	Under development	Large-scale stake

Sources: CATL; Globlex research

Moat comes with a cost: De-CATL-ization

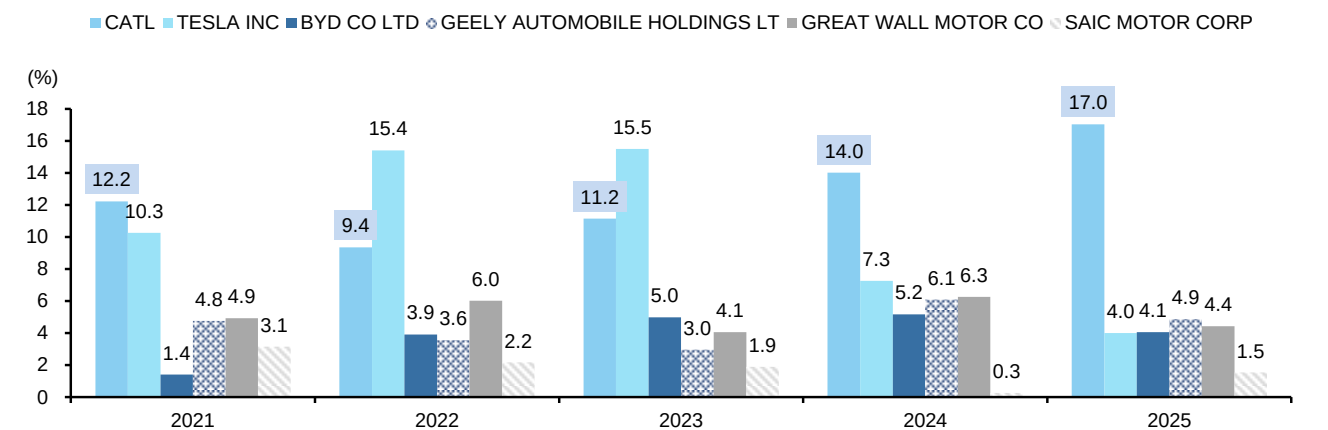
But pricing power has a cost, and it leads straight to the second reason CATL underperformed the market by about 31ppt since the start of September. That reason is De-CATL-ization, the push by Chinese automakers to reduce their reliance on CATL batteries.

The logic is simple. CATL can raise its battery prices. Automakers cannot raise car prices. China's EV market is in a long price war with more than a hundred brands competing for the same buyers, and demand for cars is highly price-elastic. If an automaker raises its price, buyers simply walk to the next brand. Therefore, when battery costs rise, the automaker has to absorb the increase itself.

That is a heavy burden on a business that already earns very little. China's auto industry earned a profit margin of only 4.1% in 2025, down from 4.3% in 2024 and at a historical low. That is even below the 5.3% average for China's industrial sector as a whole. CATL's net profit margin in 2025 was 17.0%. In 2025, CATL earned RMB72.2b in net profit, more than the combined profit of China's seven largest carmakers. To automakers, that gap looks like their profit flowing upstream to CATL. The response has been visible.

- **Li Auto:** Moved the new L8 to Sunwoda cells, invested RMB2.65b for an 11% stake in Sunwoda's EV battery unit, and announced it will roll out in-house batteries across its lineup.
- **Xiaomi:** Launched its own battery program with CALB and Sunwoda.
- **Leapmotor and Xpeng:** Both announced in-house cell development.

Exhibit 7: Net profit margin of CATL vs EVs brand



Sources: Bloomberg; Globlex Research

Worth Worrying? Yes. Worth Selling? No.

We accept that this is a real concern. Every GWh an automaker moves to another supplier, or to its own plant, is a GWh that does not run through CATL's factories. That matters more now than usual, because CATL is in the middle of its largest expansion ever. Its capacity should exceed 1,000GWh by end-2026 and grow by about 1.5x within three years. If volume does not follow, utilization falls and fixed costs are spread over fewer cells.

But we believe the market is worrying too much. The right question is not whether automakers want to reduce their reliance on CATL. Clearly, they do. The right question is whether they actually can. There are only two ways to do it: buy from another supplier or make batteries themselves.

Route 1: Switching to a tier-2 supplier — possible, but not free

We think this route is possible. The technology gap between tier-2 makers such as Sunwoda, CALB and Gotion and the tier-1 makers CATL and BYD has genuinely narrowed. 800V platforms and 5C fast charging are now common across the industry, not only at CATL and BYD.

However, a battery's real test is not its launch spec, but how it holds up after years on the road, and on that test tier-2 makers still carry a weaker track record.

Exhibit 8: Battery-related recalls and fire incidents involving tier-2 suppliers (2026)

Date	OEM / Model	Cell supplier	Incident	Outcome
26-Feb	Zeekr 001 (Geely)	Sunwoda	Geely's battery unit sued Sunwoda over defective cells delivered in 2021-23 and sought RMB2.3b in compensation	Sunwoda settled for RMB608m. Zeekr recalled 38,277 vehicles to replace battery packs
26-Feb	Volvo EX30 (global)	Geely-Sunwoda JV (Shandong Geely Sunwoda Power Battery)	Battery cells could overheat and lead to fire	Global recall of 40,323 units. Owners told to cap charging at 70%
26-May	Volvo EX30 (Thailand)	Geely-Sunwoda JV	Two EX30s caught fire in Thailand	Volvo Car Thailand advised a 70% charge cap. Battery module replacement began 22 May 2026
26-Jun	Volvo EX30 (China)	Geely-Sunwoda JV	Same overheating defect as the global recall	2,501 units recalled in China (SAMR filing)
26-Jul	GAC Aion AION S (177Ah LFP)	CALB	Cell bulging, leakage and power cuts while driving	GAC Aion apologised and extended the battery warranty from 150,000km to 300,000km. Newer Aion models moved back to CATL
26-Sep	GAC Aion AION S / S Plus (169Ah LFP)	EVE Energy	Complaints from ride-hailing fleets of cell swelling and cars failing to start after 150,000-260,000km	Under media scrutiny. No formal recall yet

Sources: Globlex research

These cases explain why consumer confidence in tier-2 batteries still trails CATL's by a wide margin. We believe this matters a great deal in an EV purchase, where the battery is the most expensive part of the car and the part buyers worry about most. An automaker that swaps CATL for a cheaper cell saves on cost, but it may lose the sale.

Route 2: Self-sourcing — more bargaining tactic than real plan

The second route is far harder, and we believe it is closer to a bargaining tactic than a real plan. The battery business requires heavy R&D that costs both time and money. CATL spent RMB22.1b on R&D in 2025, roughly as much as all other Chinese battery makers combined and has built that lead over more than a decade.

Scale is the bigger wall. CATL's capacity should exceed 1,000GWh by end-2026. Even five tier-2 makers combined shipped 462GWh in 2025, still below CATL's 661GWh. Scale is precisely what gives CATL a better gross margin than everyone else. It buys more raw materials than anyone, spreads its fixed costs over the largest volume, and learns from the largest base of batteries on the road.

If dedicated battery makers cannot reach CATL's scale, a single car brand producing only for itself has even less chance, and scale is what drives battery cost. CATL produces LFP packs at roughly USD50-60/kWh, against about USD84/kWh for tier-2 makers. An automaker building batteries only for its own cars would start from an even smaller base, and so at an even higher cost. Matching CATL's economics would take car sales at BYD's level, about 4.6m vehicles a year, and BYD itself has been building batteries since 1995. No other Chinese automaker is anywhere near that scale.

Therefore, we do not believe that self-sourcing will succeed at a scale that threatens CATL.

Exhibit 9: Scale comparison — CATL vs tier-2 battery makers vs OEM in-house programs

Group	Company	EV	ESS	Total	vs CATL
Tier 1	CATL	540	121	661	1.0x
	BYD	229	57	286	2.3x smaller
	EVE	50	71	121	5.5x smaller
	CALB	66	50	116	5.7x smaller
Tier 2	Gotion	69	31	100	6.6x smaller
	REPT	34	49	83	8.0x smaller
	Sunwoda	30	12	42	15.7x smaller
	Tier-2 combined (5 makers)	249	213	462	0.7x of CATL
OEM in-house	SVOLT (Great Wall)			~45	~15x smaller
	Jidian (Geely), Yinpai (GAC), Tesla, Qingtao (SAIC), Deyi (Chery)			<10 each	66-100x+ smaller

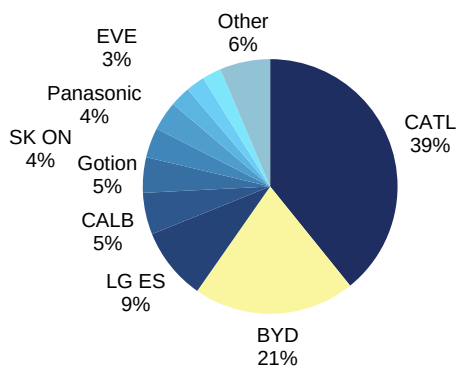
Sources: Company data; GGII; Globlex research

The numbers already tell the story

If De-CATL-ization were working, it would show up in market share, but it does not. CATL's global EV battery market share rose from 39.2% in 2025 to 39.9% in January-July 2026, according to SNE Research. In China, its share of domestic installations was 46.0% in 1H26. The customers making headlines are also small for CATL: Li Auto and Xiaomi each account for a low single-digit percentage of its total shipments.

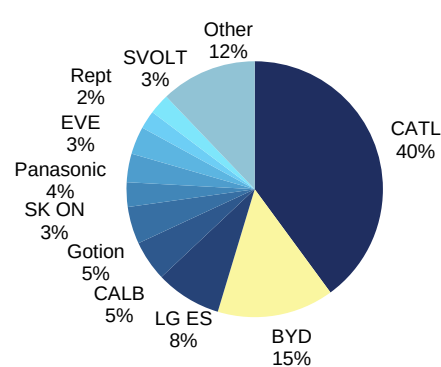
Meanwhile, the customers moving the other way get far less attention. In September 2026, CATL received approval to acquire a Geely-linked battery plant in Chongqing, an automaker handing its own battery assets to CATL, not the other way round. In October 2026 alone, Seres signed a long-term agreement keeping its AITO brand on CATL batteries, and Changan agreed to expand its CATL joint venture by 25GWh, to a planned 75GWh.

Exhibit 10: EV battery market (As of 2025)



Sources: SNE Research

Exhibit 11: EV battery market (As of Jan-July 2026)



Sources: SNE Research

1H26 Confirms CATL's Second S-Curve

Beyond EV batteries, our thesis on CATL also rests on Energy Storage Systems (ESS). As we set out in our initiation report, ESS is a second engine that runs on a different cycle from the car market. We expect it to grow on two drivers.

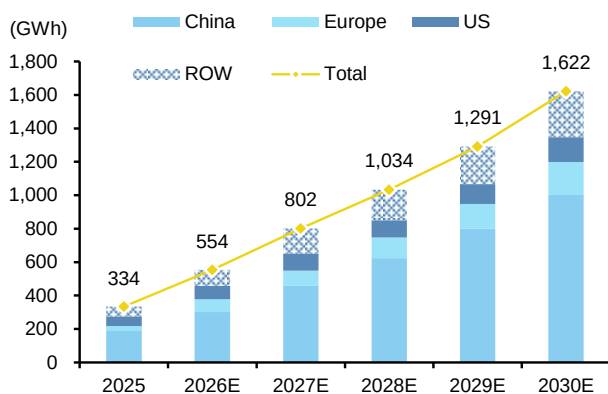
1. Grid capex and renewables firming. Solar and wind need storage to deliver steady power, and global ESS demand is expected to grow from about 334GWh in 2025 to more than 1,500GWh by 2030.
2. AI data centers. Hyperscalers have pledged 24/7 carbon-free power, which diesel generators cannot deliver and battery storage can. We estimate about 400GWh of incremental storage demand from new data center capacity by 2030.

On top of demand, CATL has the product to win it. Its TENER Stack, with 587Ah cells and a zero-degradation guarantee for the first five years, is now in mass delivery. For grid buyers running 20-year projects, performance over the asset's life matters more than the upfront price.

1H26 numbers confirm the view. ESS revenue grew to RMB53.3b (+87.5% y-y), with a gross margin of 24.0%. ESS shipments made up roughly a quarter of CATL's total volume, and domestic ESS demand is no longer the only engine, as overseas orders keep rising. This growth also has nothing to do with automakers. No De-CATL-ization headline touches a grid operator in Europe or a data center in the US.

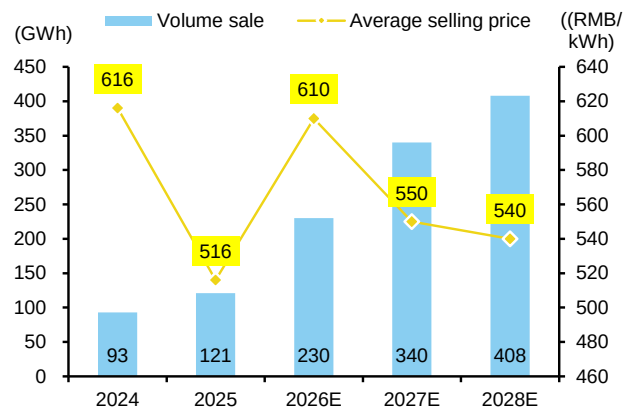
We forecast ESS revenue at RMB140.3b/RMB187.0b/RMB220.3b in 2026E/27E/28E, respectively, up from RMB62.4b in 2025. As ESS grows faster than EV batteries, it also makes CATL's earnings less dependent on any single automaker's sourcing decision.

Exhibit 12: Global ESS demand by region



Sources: SNE Research

Exhibit 13: ESS volume sale and ASP (RHS)



Sources: Globlex Research

Giving Back Margin, Keeping Growth

Revenue lifted on price, not volume

We revise our 2026E revenue forecast by 7.7% to RMB684.0b (+61.4% y-y), from RMB635.0b previously. The change is entirely in price. We raise our 2026E average selling price (ASP) assumption by 8% for power battery systems, to RMB660/kWh, and by 9% for ESS, to RMB610/kWh, to reflect the lithium price spike in 2026. 9M26 revenue of RMB442.1b (+56.2% y-y) already covers 65% of our full-year forecast.

We keep our 2027E and 2028E ASP unchanged. Our previous forecast had already assumed lithium prices would ease, and we still expect that. Volume forecasts are also unchanged. That leaves revenue at RMB779.9b in 2027E and RMB888.6b by 2028E, a 28.0% CAGR from 2025.

Margin trimmed for a tougher pricing table

At the same time, we revise our margin assumptions to reflect three pressures: a richer mix of lower-margin AC-side ESS systems, cost sharing with automakers, and new tax costs. China has cut its export VAT rebate for batteries, which lowers gross margin on exports, and will remove it entirely from 2027. It has also imposed a 2% consumption tax on domestic battery sales from September 2026. We believe CATL can pass on more of the consumption tax, which every battery maker in China must pay, while its overseas plants help offset the loss of the export rebate.

- 2026E: We lower our gross profit per unit assumption to RMB135/kWh for power battery systems, from RMB140/kWh, and to RMB150/kWh for ESS, from RMB155/kWh, to reflect 9M26 results.
- 2027E and 2028E: We lower EV power battery gross margin by 2ppt in both years. CATL is likely to share more of its battery cost burden with automakers to keep its customers close and take the heat out of the De-CATL-ization push, while the removal of the export rebate adds a further cost. We see this as the price of keeping its share, and the price CATL can afford to pay.

As a result, group gross margin moves to 22.9% in 2026E, 24.3% in 2027E and 24.6% in 2028E, from 26.3% in 2025.

Exhibit 54: Key change in assumption

Key assumptions	Unit	Current			Previous			Change (%/ppts.)		
		2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Volume sale	GWh									
Power Battery System		750	900	1,035	750	900	1,035	0%	0%	0%
Energy Storage System		230	340	408	230	340	408	0%	0%	0%
Average selling price	RMB/ kWh									
Power Battery System		660	600	590	610	600	590	8%	0%	0%
Energy Storage System		610	550	540	560	550	540	9%	0%	0%
Gross profit per unit	RMB/ kWh									
Power Battery System		135	130	130	144	144	141	-6%	-10%	-8%
Energy Storage System		150	145	145	152	147	144	-1%	-1%	1%
Gross profit margin	%									
Power Battery System		20%	22%	22%	24%	24%	24%	-3%	-2%	-2%
Energy Storage System		25%	26%	27%	27%	27%	27%	-2%	0%	0%
Battery Materials & Recycling		27%	27%	28%	22%	22%	22%	5%	5%	6%
Battery Mineral Resources		12%	12%	12%	12%	12%	12%	0%	0%	0%

Sources: Globlex research

Net profit forecast slightly lower, growth still strong

Overall, we revise our net profit forecast by 6.5%/6.0%/1.7% in 2026E/27E/28E respectively, mainly on lower gross margin, partly offset by lower operating expenses following 9M26 results. We now forecast net profit at RMB92.4b in 2026E (+28.0% y-y), RMB115.1b in 2027E (+24.5% y-y) and RMB136.8b by 2028E (+18.9% y-y).

9M26 results support our forecast. CATL earned RMB64.5b in net profit in the first nine months (+31.6% y-y), or 70% of our full-year 2026E forecast, in line with 68% for the same period of 2025.

Despite the revisions, net profit still compounds at 23.7% CAGR from 2025 to 2028E. Few manufacturing companies of CATL's size can grow earnings this fast while giving back margin to their customers.

Exhibit 15: Key change in our forecast

RMB m	Current			Previous			Change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	683,974	779,941	888,555	634,974	779,941	888,555	7.7	0.0	0.0
Gross profit	156,718	189,283	218,904	162,701	200,924	228,779	(3.7)	(5.8)	(4.3)
Operating profit	103,780	130,048	152,778	110,815	139,189	155,196	(6.3)	(6.6)	(1.6)
Net profit	92,389	115,067	136,769	98,842	122,366	139,161	(6.5)	(6.0)	(1.7)
EPS (RMB/share)	20.11	24.87	29.56	21.66	26.81	30.49	(7.2)	(7.2)	(3.1)

Sources: Globlex research

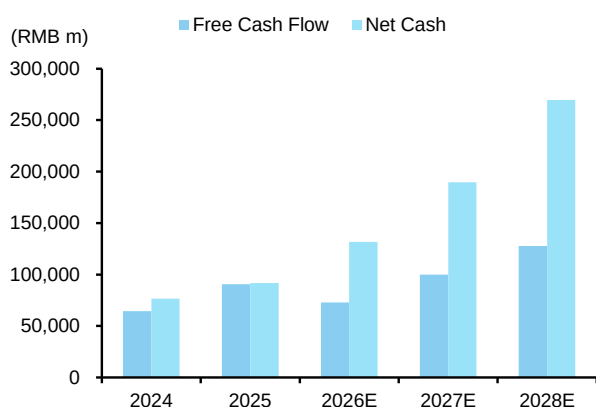
A Fortress Balance Sheet, Room to Return More

CATL sits on a net cash position of RMB91.7b at end-2025, up from RMB76.5b a year earlier. Even after our cuts, we forecast net cash to grow to RMB131.8b in 2026E, RMB189.6b in 2027E and RMB269.6b by 2028E. That is a fortress position, one no rival can match.

A balance sheet this strong gives CATL plenty of room to return more cash to shareholders, and it has already started. In July 2026, CATL launched an RMB20-40b A-share buyback, the largest in A-share history. All repurchased shares will be retired. By end-September, CATL had bought back 10.9m shares for RMB3.3b.

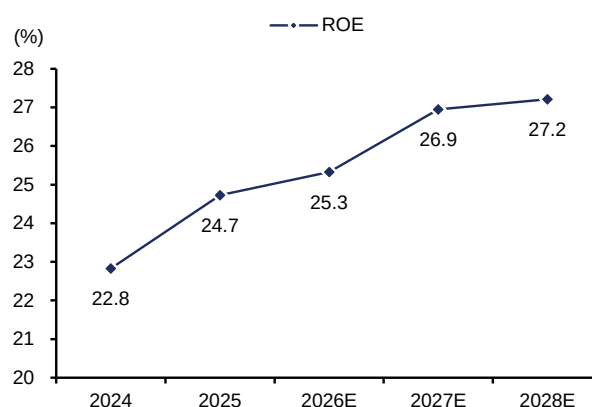
Return on equity rises to 25.3% in 2026E and around 27% in 2027E-28E, even with lower margins, up from 24.7% in 2025. That remains the highest ROE among global battery peers by a wide margin.

Exhibit 16: Free Cash Flow and Net cash



Sources: CATL; Globlex research

Exhibit 17: Return on Equity (%)



Sources: CATL; Globlex research

Reiterate BUY

Too much bad news in the price

At the current price, CATL's A-shares (300750.SZ), trade at only 9.5x consensus forward P/E, 57% below their peers. We think that level prices in the worst version of the supplier-shift story, not the most likely one. As we have argued throughout this report, three points matter most.

- **The margin dip proves the moat.** Lithium prices nearly tripled, yet CATL kept gross margin above 20% in every quarter of 2026.
- **Automakers can diversify, but they cannot replace CATL.** Tier-2 suppliers still trail on quality and consumer trust, and no single automaker has the scale to make batteries at CATL's cost.
- **ESS is the second engine the market ignores.** ESS revenue grew 87.5% y-y in 1H26, and that growth does not depend on any automaker's sourcing decision.

Even on conservative assumptions, the upside is large

We do not need the market to return to its old optimism to see value in CATL. Our new target price of HKD584 for CATL (3750.HK) and THB24.87 for CATL80 (DR) is based on a more conservative 20x 2027E P/E, from 25x previously, on our new 2027E EPS of RMB24.87.

The lower multiple reflects the wider discount global investors currently apply to Chinese equities amid geopolitical uncertainty, the new tax costs facing the battery industry, and a more normal pace of growth, as net profit growth moderates from 28.0% in 2026E to 18.9% by 2028E.

At 20x, we remain above the Chinese peer average, a premium we believe CATL's lead in scale, cost and returns still deserves (see exhibit 19). Our multiple is also less demanding than it looks. CATL's H-shares (3750.HK) trade at about a 30% premium to its A-shares (300750.SZ), so 20x for the H-shares is equivalent to about 15.5x for the A-shares, below their two-year average of 17.6x. We believe the market is too pessimistic on CATL, and **we reiterate our BUY rating**.

Exhibit 18: P/E sensitivity table

P/E (x)	Target price HKD/share	CATL80 target THB/share	Upside/(Downside) (%)	Implied PEG ratio (x)
13x	379	16.2	4%	0.56
14x	409	17.4	12%	0.60
15x	438	18.7	20%	0.64
16x	467	19.9	28%	0.69
17x	496	21.1	36%	0.73
18x	525	22.4	44%	0.77
19x	555	23.6	52%	0.81
20x	584	24.87	60%	0.86
21x	613	26.1	68%	0.90
22x	642	27.4	76%	0.94

Notes: Upside based on CATL (3750.HK) price of HKD365
Sources: CATL; Globlex research

Exhibit 19: CATL's ROE and Net profit margin comparison

Company name	Ticker	ROE	NPM
Chinese peer			
Eve Energy Co Ltd	300014 CH	16.9%	7.0%
Gotion High-tech Co Ltd	002074 CH	7.7%	3.7%
Sunwoda Electronic Co Ltd	300207 CH	10.3%	2.9%
CALB Group Co Ltd	3931 HK	8.7%	4.7%
BYD Co Ltd	1211 HK	15.8%	5.1%
Global peer			
Panasonic Holdings Corp	6752 JP	9.9%	6.1%
LG Energy Solution Ltd	373220 KS	5.4%	2.6%
Samsung SDI Co Ltd	006400 KS	5.3%	4.8%
Contemporary Amperex Technology (CATL)	300750 SZ	25.1%	14.9%

Sources: Bloomberg; Globlex research

Exhibit 20: CATL's valuation comparison (As of 21 Oct 2026)

Company name	Ticker	BF P/E	BF EV/EBITDA	LF P/BV
Chinese peer				
Eve Energy Co Ltd	300014 CH	9.8x	11.7x	1.8x
Gotion High-tech Co Ltd	002074 CH	19.4x	33.5x	1.6x
Sunwoda Electronic Co Ltd	300207 CH	11.8x	24.6x	1.4x
CALB Group Co Ltd	3931 HK	5.5x	12.5x	0.5x
BYD Co Ltd	1211 HK	11.6x	13.0x	2.3x
Mean		11.6x	19.1x	1.5x
Global peer				
Panasonic Holdings Corp	6752 JP	16.3x	9.0x	1.7x
LG Energy Solution Ltd	373220 KS	78.7x	15.9x	4.3x
Samsung SDI Co Ltd	006400 KS	34.8x	15.6x	1.8x
Mean		43.3x	13.5x	2.6x
Contemporary Amperex Technology (CATL)	300750 SZ	9.5x	6.3x	2.7x
Mean (All)		21.9x	15.8x	2.0x
Current Premium to Comps Mean		-57%	-60%	36%

Sources: Bloomberg; Globlex research

Balance sheet (RMB m)					
Year ending Dec	2024	2025	2026E	2027E	2028E
Current assets					
Cash & ST investment	280,172	314,623	357,347	418,449	502,200
Account receivable	117,649	121,158	195,584	223,026	254,084
Inventories	59,836	94,526	161,699	180,728	204,950
Others	52,486	108,174	138,154	149,208	161,719
Non-current assets					
Net fixed assets	156,776	193,928	212,110	219,452	221,328
Others	119,740	142,418	149,846	158,607	166,701
Total Assets	786,658	974,828	1,214,740	1,349,469	1,510,983
Current liabilities					
Account payable	130,977	160,329	274,263	306,538	347,623
ST borrowing	109,879	138,395	145,314	152,580	160,209
Others	76,315	100,902	162,885	185,739	211,605
Long-term liabilities					
Long-term debts	93,824	84,483	80,259	76,246	72,434
Others	102,207	119,692	119,692	119,692	119,692
Total liabilities	513,202	603,801	782,413	840,795	911,562
Paid-up capital	4,403	4,564	4,564	4,564	4,564
Retained earnings	128,796	176,904	232,337	301,378	383,439
Others	113,730	155,640	155,640	155,640	155,640
Minority interest	26,526	33,919	39,786	47,093	55,778
Shareholders' equity	273,456	371,026	432,327	508,674	599,421

Key ratios					
Year ending Dec	2024	2025	2026E	2027E	2028E
Growth (%YoY)					
Sales	(9.7)	17.0	61.4	14.0	13.9
Operating profit	20.3	30.3	40.7	25.3	17.5
EBITDA	15.9	25.2	40.7	23.0	16.4
Net profit	15.0	42.3	28.0	24.5	18.9
Core net profit	19.1	38.2	28.5	24.5	18.9
EPS	15.1	36.6	27.1	23.7	18.9
Core EPS	19.1	32.7	27.6	23.7	18.9
Profitability (%)					
Gross margin	24.4	26.3	22.9	24.3	24.6
Operation margin	15.6	17.4	15.2	16.7	17.2
EBITDA margin	21.5	23.0	20.0	21.6	22.1
Net margin	14.0	17.0	13.5	14.8	15.4
ROE	22.8	24.7	25.3	26.9	27.2
ROA	6.9	8.2	8.4	9.0	9.6
Stability					
Interest bearing debt/equity (x)	0.7	0.6	0.5	0.4	0.4
Net debt/equity (x)	n.a.	n.a.	n.a.	n.a.	n.a.
Interest coverage (x)	14.6	27.0	26.4	28.6	33.1
Interest & ST debt coverage (x)	0.5	0.5	0.7	0.8	0.9
Cash flow interest coverage (x)	24.6	48.5	31.7	32.0	37.4
Current ratio (x)	1.6	1.6	1.5	1.5	1.6
Quick ratio (x)	1.3	1.1	0.9	1.0	1.1
Net debt (RMB m)	(76,470)	(91,745)	(131,773)	(189,622)	(269,557)
Activity					
Asset turnover (X)	0.48	0.48	0.62	0.61	0.62
Days receivables	118.6	104.4	104.4	104.4	104.4
Days inventory	86.5	119.4	119.4	119.4	119.4
Days payable	189.4	202.6	202.6	202.6	202.6
Cash cycle days	15.8	21.2	21.2	21.2	21.2

Profit & loss (RMB m)					
Year ending Dec	2024	2025	2026E	2027E	2028E
Revenue					
Revenue	362,013	423,702	683,974	779,941	888,555
Cost of goods sold	(273,519)	(312,383)	(527,257)	(590,658)	(669,651)
Gross profit	88,494	111,319	156,718	189,283	218,904
Operating expenses	(31,859)	(37,548)	(52,938)	(59,234)	(66,127)
Operating profit	56,634	73,770	103,780	130,048	152,778
EBIT	56,634	73,770	103,780	130,048	152,778
Depreciation	(21,088)	(23,510)	(33,102)	(38,351)	(43,320)
EBITDA	77,722	97,280	136,881	168,400	196,097
Non-operating income	7,971	10,855	6,198	7,831	11,037
Other incomes	3,846	1,353	(1,673)	(1,103)	530
Other non-op income	4,125	9,502	7,871	8,934	10,507
Non-operating expense	(5,166)	(2,452)	(3,924)	(4,544)	(4,615)
Interest expense	(3,879)	(2,734)	(3,924)	(4,544)	(4,615)
Other non-op expense	(1,287)	282	0	0	0
Equity income(loss)	3,743	7,353	8,111	9,039	10,134
Pre-tax Profit	63,182	89,527	114,164	142,374	169,334
Extraordinary items	(9,175)	(12,740)	(15,908)	(20,000)	(23,880)
Current taxation	(3,262)	(4,585)	(5,867)	(7,307)	(8,685)
Net Profit	50,745	72,201	92,389	115,067	136,769
Core net profit	52,032	71,919	92,389	115,067	136,769
EPS (RMB)	11.58	15.82	20.11	24.87	29.56
Core EPS (RMB)	11.88	15.76	20.11	24.87	29.56

Cash flow (RMB m)					
Year ending Dec	2024	2025	2026E	2027E	2028E
Operating cash flow					
Operating cash flow	95,530	132,609	124,223	145,546	172,803
Net profit	50,745	72,201	92,389	115,067	136,769
Depre. & amortization	21,088	23,510	33,102	38,351	43,320
Change in working capital	12,367	4,736	4,338	(2,396)	(842)
Others	11,330	32,162	(5,606)	(5,476)	(6,444)
Investment cash flow	(39,113)	(40,507)	(47,238)	(41,671)	(38,161)
Net CAPEX	(31,105)	(42,133)	(51,283)	(45,693)	(45,196)
Change in LT investment	(12,982)	(5,193)	(571)	(1,151)	411
Change in other assets	4,974	6,818	4,616	5,173	6,623
Free cash flow	64,425	90,476	72,939	99,853	127,608
Financing cash flow	(18,076)	(57,651)	(34,260)	(42,774)	(50,891)
Change in share capital	27,539	41,474	0	0	0
Net change in debt	1,086	19,175	2,696	3,253	3,817
Dividend paid	(22,088)	(29,941)	(36,956)	(46,027)	(54,708)
Others	(24,612)	(88,360)	(0)	0	0
Net cash flow	38,341	34,450	42,724	61,102	83,751
Per share (RMB)					
EPS	11.58	15.82	20.11	24.87	29.56
Core EPS	11.88	15.76	20.11	24.87	29.56
CFPS	16.40	20.97	27.12	33.16	38.92
BVPS	56.37	73.87	84.84	99.77	117.50
Sales/share	82.64	92.84	147.83	168.58	192.05
EBITDA/share	17.74	21.32	29.59	36.40	42.38
DPS	5.04	6.56	8.04	9.95	11.82
Valuation					
P/E (x)	1.9	27.1	15.5	12.5	10.5
P/BV (x)	0.4	6.8	3.7	3.1	2.6
Dividend yield (%)	22.6	1.3	2.6	3.2	3.8
Dividend payout ratio (%)	43.5	41.5	40.0	40.0	40.0

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Analyst Certification

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RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

- BUY:** Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.