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Auto

Sequential rebound: 2H26 outlook & 2Q26 earnings preview

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We revise our full-year 2026 industry forecasts to reflect a weaker domestic retail market in 1H26, more aggressive dealer-side destocking and stronger export momentum than we expected. While retail was soft on the subsidy shifts and macro uncertainties, we believe wholesale remains resilient, underpinned by a surge in exports. We view 1H26 as the cyclical bottom and project a sequential rebound in 2H26, with export traction and upmarket shifts driving both volume and earnings quality. We expect 2Q26 results to diverge, as export- and mix-led names (Geely, BYD, Leapmotor, NIO) may beat some investors' expectations. We continue to favour OEMs with the strongest global expansion and product premiumization, and we see policy stimulus as an under-priced source of upside.

- **Wholesale resilience despite retail weakness.** We cut our 2026 passenger-vehicle (PV) retail volume forecast by 11% to 20.65mn units (-11.2% YoY) but only trim our wholesale forecast by 0.7% to 30.77mn units (+2.2% YoY). This divergence is primarily explained by a booming export market, which we now project to contribute 10.36mn units (+75% YoY), more than a third of total wholesale volume.

- **1H26 recap: macro drag and subsidy shifts drive OEMs upmarket and overseas.** Domestic retail volume fell 19% YoY in 1H26, dragged by subsidy phase-out and macro headwinds, with the sub-RMB200k segment and lower-tier cities bearing the brunt of the decline. In response, OEMs aggressively expanded larger vehicles priced above RMB200k+ (which are less impacted by subsidy shifts) and overseas markets for margin protection. Upmarket positioning and strong new model cycles drove OEMs' sales outperformance in China in 1H26, whereas incumbents with established distribution networks continue to top overseas markets.

- **2Q26 earnings to diverge**. Product mix and overseas momentum will also shape Chinese OEMs' 2Q26 earnings as most players delivered sequential volume growth. In our view, Geely, BYD, Leapmotor and NIO could stand out for positive earnings surprise amid better model mix and/or greater overseas sales portion. Xpeng's net loss may also narrow significantly QoQ while Li Auto may see wider net loss QoQ.

- **Catalysts and top picks.** We expect the domestic retail decline to moderate in 2H26, as high base effect eases. We view new stimulus measures as possible and a meaningful positive catalyst for share prices given the current bearish market positioning. For stock selection, we still favour bottom-up selection and range-trading over a top-down call on industry volume. We prefer **Geely** among OEMs and **Horizon Robotics** among auto parts.

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Stocks Covered:

Name	Ticker	Rating	TP (LC)
Geely	175 HK	BUY	27
BYD	1211 HK	BUY	125
BYD	002594 CH	BUY	125
Leapmotor	9863 HK	BUY	60
NIO	NIO US	BUY	7
NIO	9866 HK	BUY	55
Xpeng	XPEV US	BUY	21
Xpeng	9868 HK	BUY	82
Li Auto	LI US	HOLD	16
Li Auto	2015 HK	HOLD	62
GWM	2333 HK	BUY	19
GWM	601633 CH	BUY	28.5
GAC	2238 HK	BUY	4.2
GAC	601238 CH	BUY	9
Horizon	9660 HK	BUY	7.8
Zenergy	3677 HK	BUY	13
Minth	425 HK	BUY	44
Refire	2570 HK	BUY	80
Yongda	3669 HK	BUY	1.8
Meidong	1268 HK	BUY	2.2
Tuhu	9690 HK	BUY	18
EVA	838 HK	BUY	1.3

Source: Bloomberg, CMBIGM

Related Reports:

"China Auto Sector - 2026 Outlook: Second half of the NEV match" - 5 Dec 2025

"China Auto Sector - Weak 4Q25 sales may lead to earning miss" - 21 Jan 2026

Contents

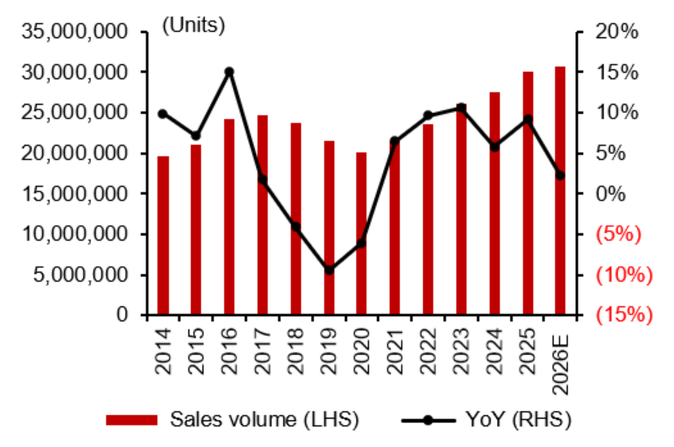
2H26 Industry Outlook: Exports Underpin Resilience; Wholesale Volume's Sequential Rebound Likely

Lowering retail estimates on 1H weakness, exports anchor wholesale growth

We cut our 2026 PV retail forecast by 11% to 20.65mn units (-11.2% YoY) to factor in the weaker retail sales volume and greater inventory cuts at dealers in 1H26 than we expected. However, our downward revision to the wholesale forecast is far milder. We project 2026 PV wholesale volume to rise 2.2% YoY to 30.77mn units (vs. prior +2.9% YoY), as the retail shortfall in 1H26 was offset by stronger-than-expected exports.

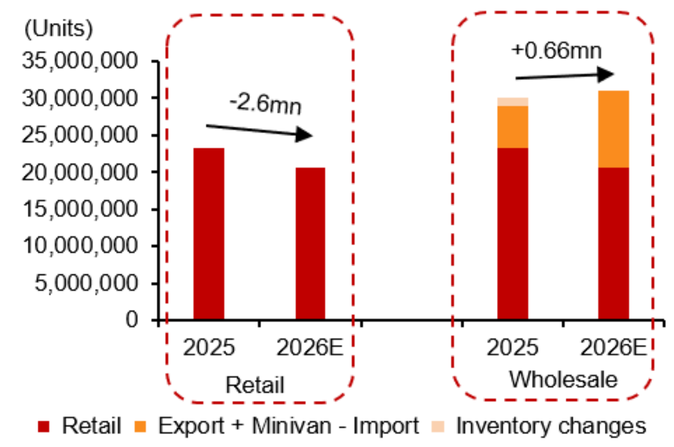
Having underestimated the severity of China's retail sales volume decline in 1H26, we also caught dealers' inventory cuts off guard. However, as we project the retail decline to moderate in 2H26, we also expect dealers' destocking to stabilize over the remainder of the year.

Figure 1: China's PV wholesale volume



Source: CAAM, CMBIGM

Figure 2: China's PV retail vs wholesale forecast

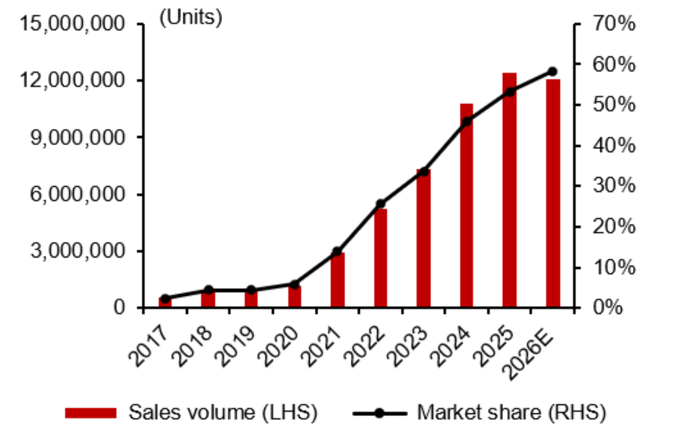


Source: CAAM, CATARC, CMBIGM estimates

We project total exports to soar 75% YoY, or 4.5mn units YoY to 10.55mn units in 2026, the largest unit increase in history. We estimate exports to account for more than a third of total wholesale volume in 2026. We expect NEV exports to surge 133% YoY to 5.5mn units in 2026–making a second consecutive year of more than 100% growth–driven by increasing NEV penetration in overseas markets amid high oil prices. Consequently, we expect NEVs to account for 52.2% of total PV exports in 2026, higher than our prior expectation.

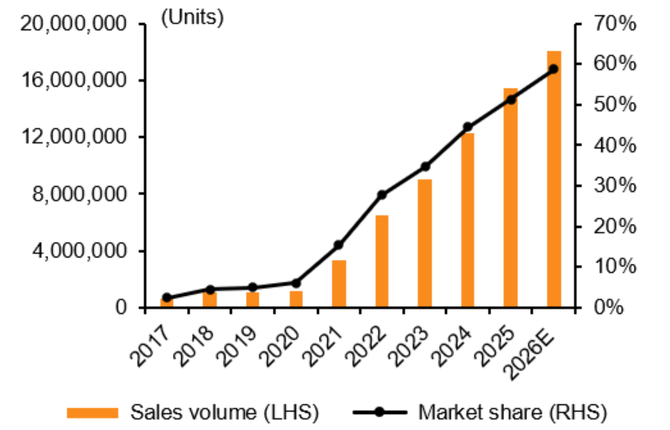
We cut our NEV retail sales volume forecast by 3% amid broader PV retail sales weakness. As a result, we expect China's NEV retail sales volume to fall 2.7% YoY to 12.05mn units in 2026, following a 14% YoY decline in 1H26, marking the segment's first annual contraction since 2020. Although NEV retail market share fell to 51.9% in 1H26 (vs. 53.3% in 2025), we project the full-year NEV market share to rise 5.1ppts YoY to 58.4% in China, driven by a robust pipeline of new NEV models and growing competitiveness against ICE cars. Along with strong NEV exports, we project NEV wholesale volume to rise 17% YoY in China, with market share rising to 58.8%.

Figure 3: China's NEV wholesale forecast



Source: CAAM, CMBIGM estimates

Figure 4: China's NEV retail forecast



Source: CATARC, CMBIGM estimates

Figure 5: CMBIGM China PV forecast revision

Metric (mn units)	2025	2026E	YoY	Prior 2026E	Comment
PV retail	23.26	20.65	-11.2%	flat	Cut on 1H26 miss
PV wholesale	30.10	30.77	+2.2%	+2.9%	Resilient on export surge
NEV retail	12.39	12.05	-2.7%	+12.6%	Cut on subsidy-sensitive cheap NEVs
NEV wholesale	15.45	18.09	+17.1%	+15.1%	Export-led
NEV retail share	53.3%	58.4%	+5.1ppts	60.0%	-
NEV wholesale share	51.3%	58.8%	+7.5ppts	57.4%	-
PV export	6.04	10.55	+74.8%	+15.9%	Raised on 1H26 beat
NEV export	2.36	5.50	+132.9%	+29.5%	Raised on 1H26 beat

Source: CAAM, CATARC, CMBIGM estimates

Subsidy phase-out, macro softness as key drivers behind 1H26 retail weakness

In 1H26, PV retail sales volume in China fell 19% YoY to 8.72mn units, while wholesale volume only fell by 6% YoY to 12.72mn units, aided by export growth of 72% YoY. NEV retail and wholesale volume fell 14% YoY and rose 6% YoY to 4.53mn/6.88mn units in 1H26, respectively, still stronger than ICE vehicles. We acknowledged the high comparison base in 1H25 and pre-buying effect, while macro challenges have made the negative impact more severe.

Figure 6: 1H26 sales volume performance

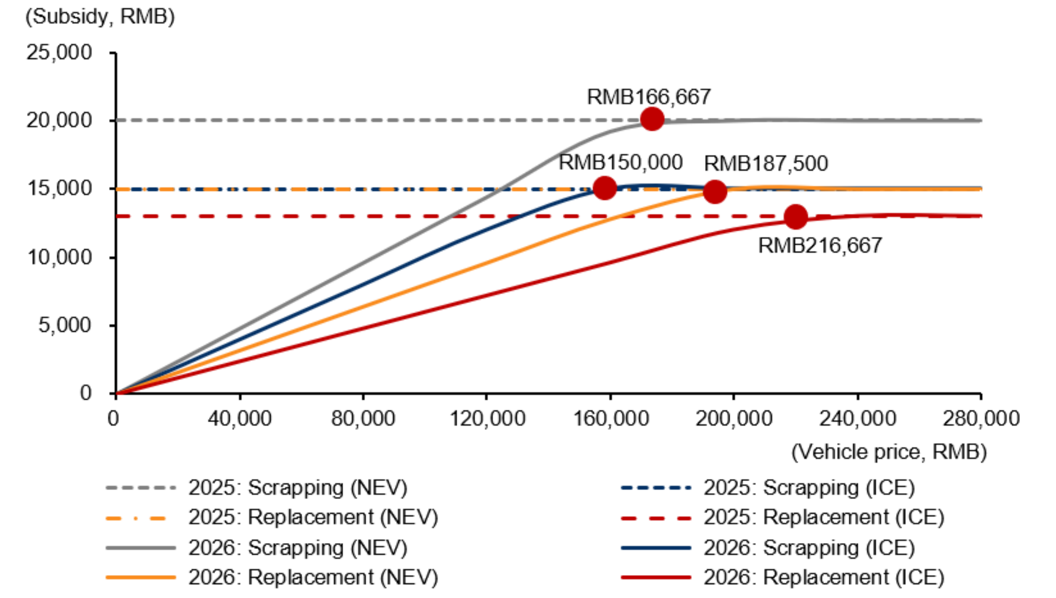
Metric (mn units)	1H25	1H26	1H26 YoY
PV wholesale	13.53	12.72	-6.0%
PV retail	10.72	8.72	-18.6%
PV export	2.58	4.42	71.6%
NEV wholesale	6.51	6.88	5.7%
NEV retail	5.28	4.53	-14.2%
NEV export	0.96	2.18	128.4%

Source: CAAM, CATARC, CMBIGM

- **Mass-market subsidy drag vs. high-end price deflation**

In 2026, subsidies shifted from a fixed amount per vehicle to a percentage-of-price formula with the capped amounts, which reduced the subsidies for low-priced vehicles. For example, a consumer scrapping an old car to purchase a new NEV priced at RMB100,000 received a subsidy of RMB20,000 in 2025; under the new framework, the benefit drops to RMB12,000 in 2026. Fig. 7 illustrates the subsidy differences for different car prices and trade-in schemes (scrapping to buy a new one or trading in as a used car to buy a new one).

Figure 7: 2026 trade-in subsidies vs. 2025's



Source: Ministry of Commerce, CMBIGM

We believe the 23% YoY retail sales volume drop for vehicles priced below RMB200,000 in 1H26 serves as clear evidence of reduced subsidy support, particularly when contrasted with a much milder 6% YoY decline for vehicles priced between RMB200,000-400,000. In our view, changes to the NEV purchase-tax exemption created an additional drag on low-priced vehicles, given the high price sensitivity of buyers in this segment.

Figure 8: 1H26 retail sales volume by price band

Price band (mn units)	1H25	1H26	YoY	1H26 share
RMB 0–200k	7.18	5.53	-23.0%	63.4%
RMB 200–300k	1.67	1.55	-7.0%	17.8%
RMB 300–400k	1.08	1.03	-5.1%	11.8%
RMB 400k+	0.79	0.62	-22.0%	7.1%

Source: CATARC, ThinkerCar, CMBIGM

Interestingly, retail sales volume for vehicles priced above RMB400,000 also fell 22% YoY in 1H26. We attribute this pullback to macro uncertainties weighing on luxury spending, as Chinese consumers adopt a more cautious stance. Within this high-end segment, traditional luxury ICE brands suffered steeper volume decline than Chinese premium NEV makers.

Another easily overlooked factor driving high-end segment softness is the prolonged price war. Heightened competition in China has forced automakers to aggressively cut prices to gain market share, pushing some models previously in the RMB400,000+ bracket in 1H25 down into the RMB300,000-400,000 range in 1H26. Meanwhile, NEVs in the RMB300,000-400,000 tier have been adding more high-end, flagship-grade features, forcing new and facelifted models to launch at lower price points than they otherwise would have.

City tier trends: lower-tier cities suffered more with larger NEV share loss

City-tier data further reinforces the subsidy impact. Volume declines worsened progressively across lower-tier markets in 1H26: dropping from 11% YoY in Tier-1 cities to 23% YoY in Tier-4 and below, compared to 19% YoY nationwide decline. This divergence aligns with our thesis: lower-tier buyers skew heavily towards lower-priced vehicles, leaving them disproportionately exposed to reduced subsidy benefits. This headwind was further compounded by macro softness, as lower tier incomes and consumer confidence remain inherently more sensitive to economic headwinds.

Figure 9: PV retail sales volume YoY growth by city tier

PV YoY%	2023	2024	2025	1H26
Tier 1	4.1%	-3.2%	2.2%	-11.3%
Tier 2	7.0%	7.5%	-1.2%	-17.1%
Tier 3	7.2%	12.5%	-1.8%	-21.3%
Tier 4 and below	3.0%	9.6%	1.0%	-22.8%
Nationwide	**5.9%**	**7.8%**	**-0.5%**	**-18.6%**

Source: CATARC, CMBIGM

NEV retail market share also contracted across all city tiers in 1H26, easing to 51.9% nationwide from 53.3% in 2025. This marks the first growth pause following years of steady market share gains. Lower-tier cities experienced broader share losses (down 2-3ppts) than higher-tier markets (down 0.5-1ppts).

Figure 10: NEV market share by city tier

NEV %	2023	2024	2025	1H26
Tier 1	43.2%	50.5%	60.1%	59.0%
Tier 2	35.4%	47.9%	54.3%	53.8%
Tier 3	32.1%	46.2%	53.1%	50.2%
Tier 4 and below	26.0%	39.4%	47.6%	45.4%
Nationwide	**33.7%**	**46.0%**	**53.3%**	**51.9%**

Source: CATARC, CMBIGM

OEM pipeline upsizing to larger vehicles; BEV market share more resilient than expected

We believe such demand shift–driven by subsidy adjustments and macro uncertainties–partially explains automakers' strategic push towards larger family vehicles in the 2026 model launch pipeline. Across the broader industry, we project C-class models to account for 34% of new launches in 2026 (vs.28% in 2025) and D-class launches to expand to 14% (vs. 9% in 2025). This upsizing trend is even more pronounced within NEVs, where C-class and D-class models will likely represent 37% and 15% of pipeline launches in 2026, respectively, based on the data we have compiled. By migrating upmarket, automakers in China aim to safeguard profitability amid rising component costs.

Figure 11: New model pipeline by size class (% of launches)

Class	2024	2025	2026E	2026E (NEV only)
A00-class	2.5%	3.1%	0.4%	0.4%
A0-class	7.6%	5.5%	4.6%	4.3%
A-class	27.4%	27.6%	20.4%	15.9%
B-class	28.0%	27.6%	26.9%	27.6%
C-class	28.0%	27.6%	**34.2%**	**37.1%**
D-class	6.4%	8.6%	**13.5%**	**14.7%**

Source: Company data, CMBIGM

Unlike our previous forecast, BEVs continued to gain market share, rising to 64.8% in 1H26 from 62.5% in 2025 on a wholesale volume basis. In our view, improving battery technologies (especially ultra-fast charging), expanding charging infrastructure, lower maintenance costs and elevated oil prices outweighed the impact of raw material cost inflation (which typically favors PHEVs) as well as PHEVs' inherent advantages in larger vehicle segments.

Figure 12: BEV vs PHEV market share in NEV segment

	2023	2024	2025	1H26
Market share (wholesale)				
BEV	69.1%	58.3%	62.5%	64.8%
PHEV (incl. EREV)	30.9%	41.7%	37.5%	35.2%
Market share (retail)				
BEV	67.6%	58.4%	62.3%	67.4%
PHEV (incl. EREV)	32.4%	41.6%	37.7%	32.6%

Source: CAAM, CATARC, CMBIGM

■ Upmarket positioning and new model cycles drive 1H26 winners

While the nationwide NEV retail sales volume fell 14.2% YoY in 1H26, the top 10 NEV OEMs (as shown in the table below) reveal a striking divergence: four (namely Leapmotor, NIO, Xiaomi (1810 HK) and Seres (601127 CH, NR)) of the top 10 players posted higher NEV retail sales volume than a year ago, whereas the top three (BYD, Geely and Changan (000625 CH, NR)) suffered declines. BYD and SAIC-GM-Wuling lost market share in the NEV retail segment in 1H26 compared with 1H25.

Figure 13: Top-10 OEMs by China NEV retail volume, 1H26

OEM	1H26 volume (units)	YoY	NEV segment share
BYD	981,408	**-37.2%**	21.7%
Geely (incl. Zeekr)	527,800	-13.0%	11.7%
Changan (incl. Avatr)	281,086	-12.9%	6.2%
Leapmotor	258,758	**+45.1%**	5.7%
Tesla	239,134	-9.8%	5.3%
SAIC-GM-Wuling	205,896	**-37.2%**	4.5%
NIO	195,835	**+67.7%**	4.3%
Li Auto	191,488	-8.0%	4.2%
Xiaomi	186,131	**+17.8%**	4.1%
Seres	159,488	+8.4%	3.5%
Total NEV	**4,528,423**	**-14.2%**	**100.0%**

Source: CATARC, CMBIGM

SAIC-GM-Wuling's NEV retail sales volume fell 37% YoY in 1H26, bearing the brunt of market weakness given its heavy exposure to low-priced models, in line with our expectation. Meanwhile, 1H26 represents a transition period for BYD, as it rapidly expands infrastructure for Flash Charging 2.0 and rolls out compatible new models. We view this technology as attractive to Chinese consumers, although more industry players are following suit. Leapmotor, on the other hand, continued to gain share from peers through aggressive pricing strategies. The combined retail sales volume of the *A10, B01* and *Lafa5* accounted for 135% of its YoY sales increment in 1H26.

Outperforming OEMs concentrated in upmarket segments, except Leapmotor. NIO led growth among the top 10 NEV makers, posting a 68% YoY surge in 1H26 retail sales volume, driven by its large-size SUVs, namely the *ES8* and Onvo *L90*. Xiaomi achieved

18% YoY retail volume growth in 1H26, despite a 48% YoY decline for the *SU7*, aided by the *YU7*, which was rolled out in Jun 2025. Seres' 8% YoY growth in retail sales volume also benefited from new models, the *M6* (launched in Apr 2026) and *M7* (redesigned in Sep 2025). Overall, all four OEMs that delivered positive YoY volume growth benefited from strong new model sales.

Despite NEV retail sales volume declines, Geely (-13% YoY), Tesla (-10% YoY, TSLA US, NR) and Li Auto (-8% YoY) still managed to outperform the overall market. Geely's premium brand, Zeekr, achieved a 64% YoY retail volume growth in 1H26, while other NEVs lost share to peers. Sales volume of Tesla's aging models are more resilient than some investors' expectation, while their profit margins have been eroding. As Li Auto's EREV models were in a transition period, the *i6* BEV supported its sales volume in 1H26, leading to a worsening product mix.

The competitive landscape in China's auto sector remains dynamic, with frequent shifts in market share and rankings. It reaffirms our repeated argument that identifying long-term winners is challenging, as the industry cycle remains depressed longer than many investors expected, which also makes linear extrapolation of current leaders risky.

Furthermore, shortened model lifecycles have made new product launches more critical than before for driving volume. Tesla seems to be the only exception in China, although its profit margins continue to compress. This fast-paced cycle demands higher, ongoing R&D investment from automakers. On a positive note, market share gain for larger vehicles in the price range of RMB200,000-400,000 means Chinese consumers are seeking true value-for-money rather than engaging in simple consumption downgrade.

1H26 Exports: Europe's surge, Geely's acceleration

- **Europe claims top export destination spot amid broader regional divergence**

Europe has emerged as China's largest PV export market. Western Europe accounted for 21.4% of China's PV exports in 1H26, up 5.0ppts from 2025, with volume surging 89% YoY to 0.97mn units. Including Eastern Europe (13.9% share, +106% YoY), Europe as a whole now represents about one-third of China's total PV exports. Notably, this strong growth occurred despite the EU tariffs and Russia's heightened recycling fees, underscoring the strong cost-to-feature competitiveness of Chinese vehicles.

Export destinations are also becoming increasingly diversified. Latin America now takes the No.2 spot (19.7% share, +57% YoY), followed by Southeast Asia (11.2% share, +51% YoY). Smaller markets, such as North Africa (+112% YoY) and East Asia (+100% YoY), are also growing rapidly from low bases.

The Middle East is the only top-eight region to post a YoY decline in 1H26. Export volume fell 27% YoY in 1H26, driving its market share down to 9.1% (vs. 18.0% in 2025). This contraction was primarily triggered by the US-Iran conflict. We expect exports to rebound in 2H26 as regional conditions normalize.

Figure 14: China PV exports by region

Region (units)	2025	1H26	1H26 YoY	1H26 share	Share chg vs. 2025
Western Europe	1,170,770	974,645	+89%	21.4%	+5.0ppts
Latin America	1,308,129	895,998	+57%	19.7%	+1.4ppts
Eastern Europe	924,822	632,943	+106%	13.9%	+0.9ppts
Southeast Asia	798,452	509,790	+51%	11.2%	0.0ppts
Middle East	1,288,483	415,605	-27%	9.1%	-8.9ppts
Oceania	265,651	228,981	+86%	5.0%	+1.3ppts
Central Asia	423,966	215,512	+39%	4.7%	-1.2ppts
North Africa	295,013	192,527	+112%	4.2%	+0.1ppts
Grand total	**7,145,327**	**4,557,418**	**+55%**	**100%**	

Source: China Customs, ThinkerCar, CMBIGM

Country-level data further highlights this regional divergence. Russia remains the single largest destination with a share of 9.5%. Brazil has jumped to No.2, with 1H26 volume reaching 0.40mn units–already surpassing its full-year 2025 total–partially driven by front-loaded demand ahead of Jul 2026 import duty hikes. The UK (0.25mn units), Belgium (0.22mn units) and Australia (0.21mn units) round out the top five. Conversely, the UAE and Mexico were the two primary laggards, dragged by the US-Iran conflict and tariff hikes, respectively.

Figure 15: China PV exports by country

Country (units)	2025	1H26	1H26 YoY
Russia	556,430	433,701	153%
Brazil	308,132	399,904	158%
UK	320,882	251,309	91%
Belgium	289,597	215,348	46%
Australia	246,245	211,994	84%
Mexico	527,833	161,928	-31%
UAE	542,411	136,624	-36%
Thailand	163,287	129,871	101%

Source: China Customs, ThinkerCar, CMBIGM

■ Incumbents top export volume as Geely leads growth

Chinese brands dominate the export book. In 1H26, Chery (9973 HK, NR) was the largest PV exporter with about 0.91mn units (20.7% share), followed by BYD with 0.77mn units (17.4% share) and Geely at 0.47mn units (10.7% share). SAIC (600104 CH, NR), Great Wall, Changan and Tesla each held 5-9% shares, with other OEMs making up the remainder.

We highlight two key structure features:

1) Uneven growth momentum: Geely posted the fastest expansion, surging about 1.5x YoY, as it expanded into multiple new markets. Tesla recorded the second-highest YoY growth, largely driven by a low base resulting from its prior-year model transition.

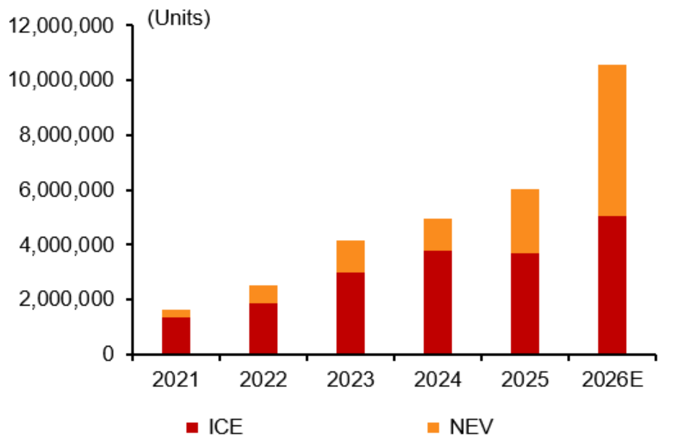
Figure 16: China PV export breakdown by OEM, 1H26

OEM	1H26 export (units)	YoY	Share
Chery	914,859	72.5%	20.7%
BYD	769,330	73.6%	17.4%
Geely	472,456	158.3%	10.7%
SAIC	390,461	61.0%	8.8%
Great Wall	256,000	52.8%	5.8%
Changan	251,369	64.2%	5.7%
Tesla	228,994	126.6%	5.2%
SAIC-GM-Wuling	170,996	37.0%	3.9%
Other OEMs	966,976	53.1%	21.9%
Total	**4,421,441**	**71.6%**	**100.0%**

Source: CAAM, CMBIGM

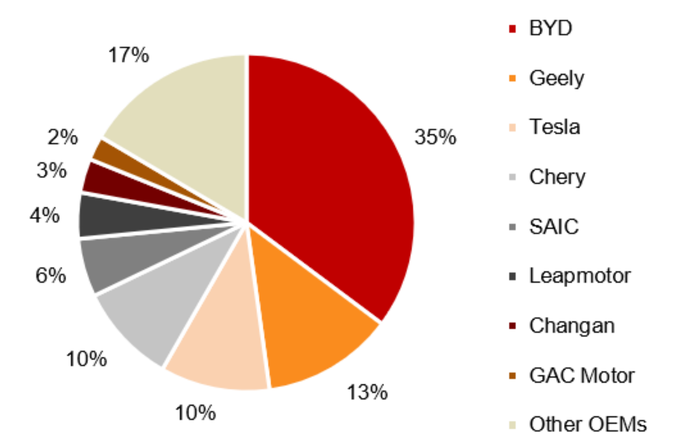
2) Incumbents lead over NEV start-ups: Top exporters are primarily established domestic leaders rather than NEV start-ups. Overseas distribution network expansion and brand building require significant time and capital, a challenge for mostly unprofitable start-ups that must prioritize intense domestic price competition. Furthermore, ICE vehicles still account for roughly half of total exports, a segment pure-play NEV start-ups cannot address. Leapmotor could be a notable exception among start-ups, supported by its strategic partnership with Stellantis (STLAM US, NR). Leapmotor's exports surged 3.7x YoY to about 96,000 units in 1H26, ranking No.9. However, under the current cooperation framework, these exports are unlikely to generate significant profits for Leapmotor in the near term.

Figure 17: China's PV export by powertrain



Source: CAAM, CMBIGM estimates

Figure 18: 1H26 China's NEV export breakdown



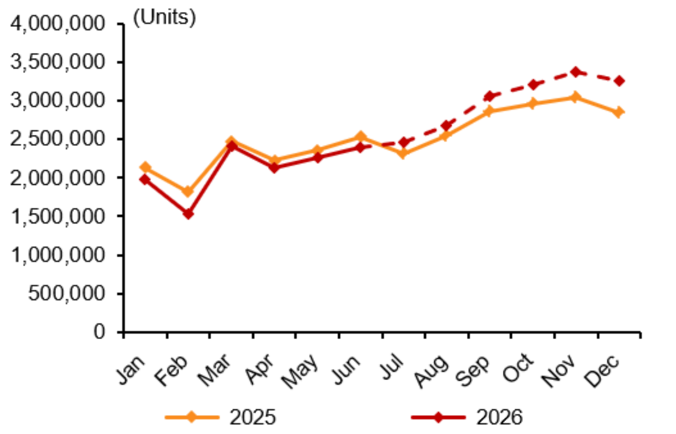
Source: CAAM, CMBIGM

2H26 outlook and catalysts

We expect the retail decline to moderate in 2H26. Much of the drag in 1H26 was driven by a high comparison base created by policy stimulus in 1H25. As this base effect eases with trade-in subsidies being temporarily suspended or running out of funds in some provinces in 2H25, YoY retail contraction will naturally narrow even without a major shift in underlying demand. Moreover, we expect some pent-up demand to unlock in 2H26, supported by the volume ramp-up of competitive new models heading into peak seasonal demand. Therefore, we expect 2H26 PV retail volume to fall 5% YoY but surge 37% HoH to 11.93mn units in China.

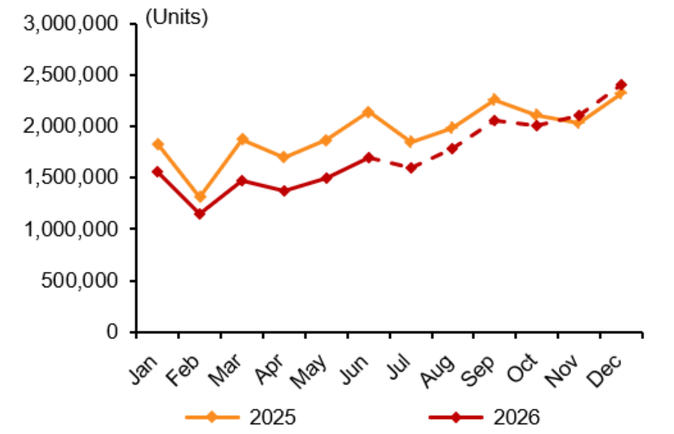
In our view, wholesale volume in China in 2026 could still beat investors' expectation. We project 2H26 wholesale volume to rise 9% YoY and 42% HoH to about 18.05mn units, driven by continued strong export growth of 77% YoY and moderated retail decline.

Figure 19: Monthly PV wholesale forecast



Source: CAAM, CMBIGM estimates

Figure 20: Monthly PV retail forecast



Source: CATARC, CMBIGM estimates

Figure 21: 2H26 PV sales forecast

(mn units)	1H25	2H25	1H26	2H26E	YoY growth	HoH growth
PV wholesale	13.53	16.57	12.72	18.05	8.9%	41.9%
PV retail	10.72	12.54	8.72	11.93	-4.8%	36.7%
PV export	2.58	3.46	4.43	6.12	77.1%	38.1%

Source: CAAM, CATARC, CMBIGM estimates

Policy optionality remains an under-priced source of upside. Vehicle consumption is one of the most important levers available to support the broader economy. Consistent with our standing view, new stimulus measures are plausible, should demand weakness persist. Given the current bearish market positioning, any policy intervention, or even a less severe fundamental outturn than feared, would likely be a positive catalyst for the auto sector.

The perception gap could present an entry point. We expect the export engine to continue driving wholesale volume, which serve as the primary revenue and profit driver for most listed OEMs. We believe current investor consensus could be a bit too pessimistic regarding sector fundamentals.

Chinese OEMs: 2Q26E Earnings Preview & 2H26E Outlook

We expect significant 2Q26 earnings divergence across our coverage. In our view, Geely, BYD, Leapmotor and NIO should stand out with key potential upside surprises. Geely and BYD should deliver strong sequential profit recovery on better product mix and a rising overseas contribution. Leapmotor is poised to record all-time high revenue and profit on operating leverage. Although the NEV trio delivered comparable sales volumes in 2Q26, diverging product mix dynamics will likely lead to contrasting earnings trajectories. NIO is set to narrow its loss sharply as it approaches breakeven, aided by its premium models including the *ES8* and *ES9*. Xpeng's net loss may also narrow significantly QoQ amid greater economies of scale.

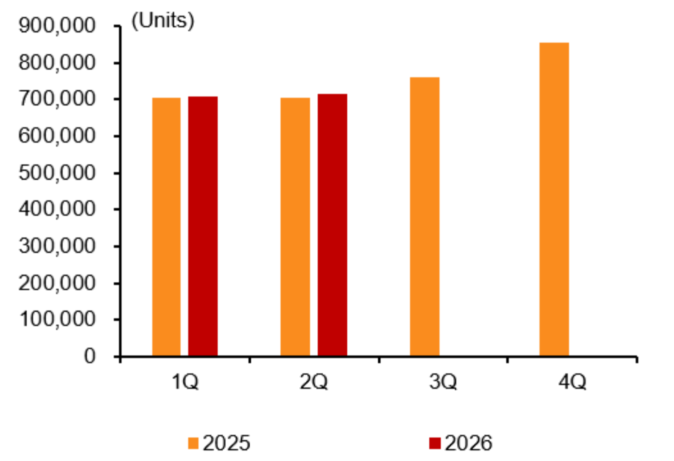
Conversely, results may appear more subdued for Li Auto and GAC. Li Auto's net loss will likely widen amid intensifying competition and higher volume portion of the low-margin *i6*, while GAC's profit alert flags a wider loss due to joint venture margin deterioration and cost headwinds. Great Wall represents a noisier case: headline net profit falls sharply YoY on the timing of Russian recycling-fee reimbursement and forex, but core profitability is broadly flat.

Geely: Core net profit to grow QoQ; accelerating European localization

Geely's 2Q26 wholesale volume rose 1% YoY to about 714,000 units, as strong export volume offset domestic sales decline. We expect the overall ASP to rise to about RMB130,000 (from RMB118,000 in 1Q26), thanks to a better model mix with higher sales volume contribution from Zeekr and overseas sales. Therefore, we estimate its 2Q26 revenue to rise 20% YoY to RMB92.8bn.

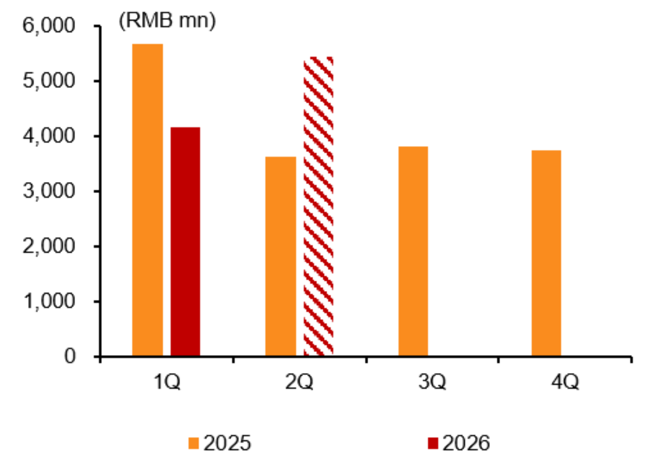
We forecast its 2Q26 gross margin to widen by 1.3ppts YoY and 0.9ppts QoQ to 18.4%, driven by higher portion of sales from more premium models and overseas markets. We project its combined SG&A and R&D expense ratio to narrow 0.8ppts YoY to about 12.4%, reflecting its improving operating leverage. That, along with our assumption of forex gains, results in a net profit of about RMB5.4bn, or a core net profit (adjusted for forex and non-financial-asset impairment) of about RMB5.0bn, up 57% YoY and 10% QoQ, based on our estimates.

Figure 22: Geely's sales volume



Source: Company data, CMBIGM

Figure 23: Geely's net profit forecast



Source: Company data, CMBIGM estimates

On 23 Jul 2026, Geely announced the acquisition of a 34% stake in Ford España, S.L. from Ford for EUR221mn, forming a joint venture (to be booked as an associate on the consolidated financial statement) to conduct contract manufacturing at the Spanish plant. We view this as positive: it marks Geely and Galaxy brands' first local production base in Europe and follows its asset-light, partnership-driven overseas playbook. It can help Geely bypass the EU's high tariffs on Chinese EVs, while requiring far less time and capital than building a plant from scratch. This reinforces our positive view on Geely's European expansion, following its accelerated overseas sales growth this year.

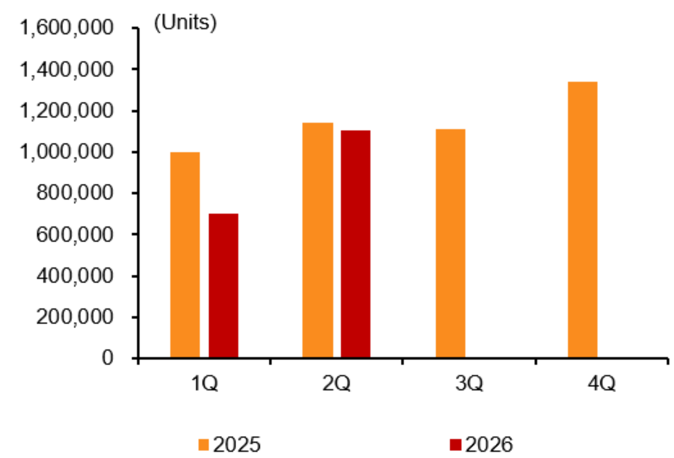
We slightly trim our full-year sales volume forecast by 6% to 3.28mn units (+8% YoY), with exports forecast intact at 1mn units (+137% YoY). We revise down its domestic sales volume forecast amid industrywide headwinds and possible destocking this year. We believe Geely’s upcoming new models, including the *Galaxy TT* and *Battleship 700,* could boost domestic sales in 2H26. We continue to view Geely as one of our top picks in the sector, underpinned by its product premiumization and accelerating global expansion.

BYD: Strong sequential earnings rebound

BYD's 2Q26 wholesale volume fell 3% YoY but rose 58% QoQ to about 1.11mn units. Overseas sales volume rose by 83% YoY to about 471,000 units, accounting for 43% of the total. We estimate 2Q26 vehicle ASP to rise by about RMB4,000 QoQ, driven by a better product mix, based on our model-level sales analysis. However, we project blended ASP to fall 10% QoQ in 2Q26, as robust sequential vehicle volume growth diluted the relative revenue contribution from the non-automotive business. Therefore, we estimate its 2Q26 revenue to rise 6% YoY and 42% QoQ to RMB212.9bn.

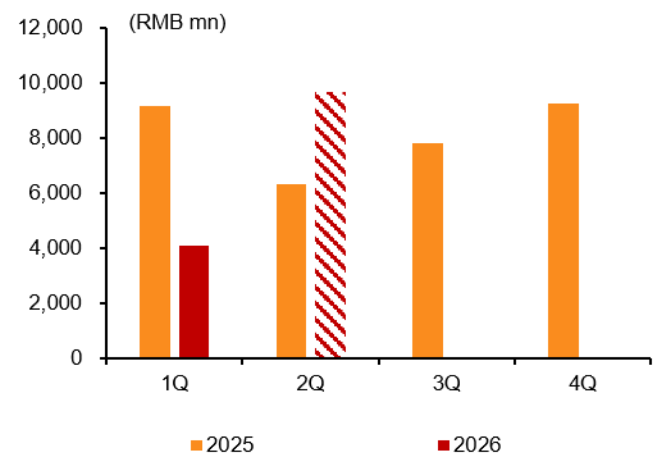
We forecast its 2Q26 gross margin at 18.4%, up 2.1ppts YoY but slightly down from 18.8% in 1Q26, as domestic sales accounted for a higher volume portion QoQ. We project the combined SG&A and R&D ratio to contract 1.2ppts QoQ to 7.3% in 2Q26, supported by sequential sales volume recovery and operating leverage. Therefore, we expect BYD’s 2Q26 net profit to rise 52% YoY and 137% QoQ to about RMB9.7bn, implying net profit per vehicle recovering to about RMB8,700 (from RMB5,800 in 1Q26), which could beat some investors’ expectation.

Figure 24: BYD’s sales volume



Source: Company data, CMBIGM

Figure 25: BYD’s net profit forecast



Source: Company data, CMBIGM estimates

We revise down our full-year sales volume forecast by 0.5mn units to 4.5mn units (-2% YoY), with 0.7mn units cut for domestic sales (to 2.7mn units) and 0.2mn units added for overseas markets (to 1.8mn units). Accordingly, we trim our FY26E net profit forecast by

8% to RMB35.0bn, up 7% YoY. We still expect its net profit per vehicle to rise from RMB7,100 in FY25 to RMB7,800 in FY26E, given a much higher overseas sales volume portion (23% in FY25 vs. 40% in FY26E). We continue to see BYD as one of the biggest beneficiaries of high oil prices, while its rising R&D capitalization ratio may provide additional earnings resilience.

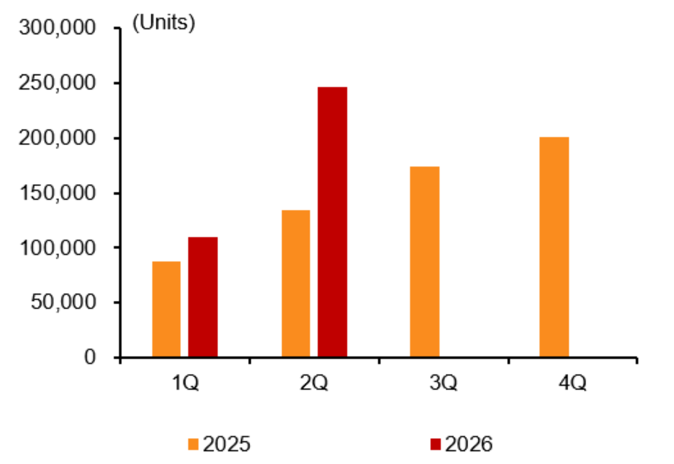
Leapmotor: All-time high sales volume in 2Q26 may lead to record-high revenue and net profit

Leapmotor's 2Q26 wholesale volume soared 84% YoY and 124% QoQ to 246,000 units, in line with management's previous guidance of 240,000-250,000 units, significantly higher than the NEV trio's 2Q26 sales volume of about 100,000-110,000 units. About 89% of sequential sales volume growth in 2Q26 was from domestic market, aided by new models, namely the *A10* and *D19*. We view the new A-series (*A10* + *A05*) and D-series (*D19* + *D99*) as competitive, and expect their monthly wholesale volume in the domestic market to exceed 20,000 units and 10,000 units in 2H26, respectively.

We expect its 2Q26 ASP in the domestic market to be largely flat QoQ, while its overseas ASP may rise QoQ given a higher sales portion of the B-series and C-series. This, along with higher revenue from European CO_2 credits and strategic cooperation with other OEMs, may drive the overall ASP 8% higher QoQ to about RMB106,000, based on our estimates. Therefore, we expect its 2Q26 revenue to surge 84% YoY and 142% QoQ to RMB26.2bn, reaching a historical high. Despite raw material price hikes, we estimate Leapmotor's 2Q26 gross margin to widen by 3.4ppts QoQ to 12.8% amid greater economies of scale and lower discounts for new models.

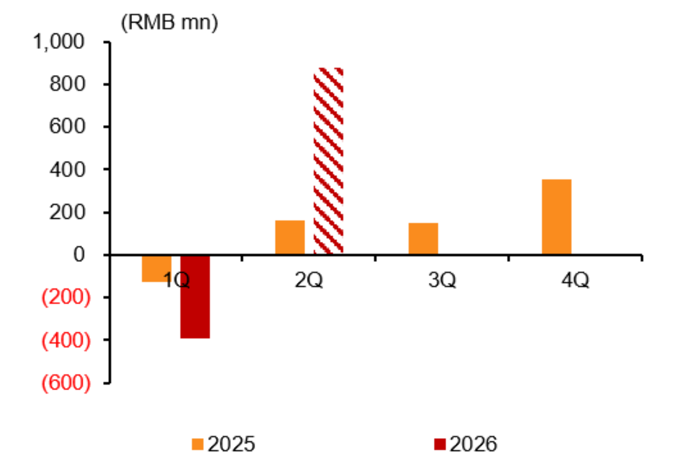
We project its combined SG&A and R&D ratio to fall 8.2ppts QoQ to 11.8% in 2Q26, driven by enhanced operating leverage and limited expenses related to the overseas business. Therefore, we estimate Leapmotor's 2Q26 net profit to soar 439% YoY to RMB878mn, a record high in history. Assuming breakeven for the overseas business, its earnings per vehicle in the domestic market may reach RMB4,600 in 2Q26, based on our estimates.

Figure 26: Leapmotor's sales volume



Source: Company data, CMBIGM

Figure 27: Leapmotor's net profit forecast



Source: Company data, CMBIGM estimates

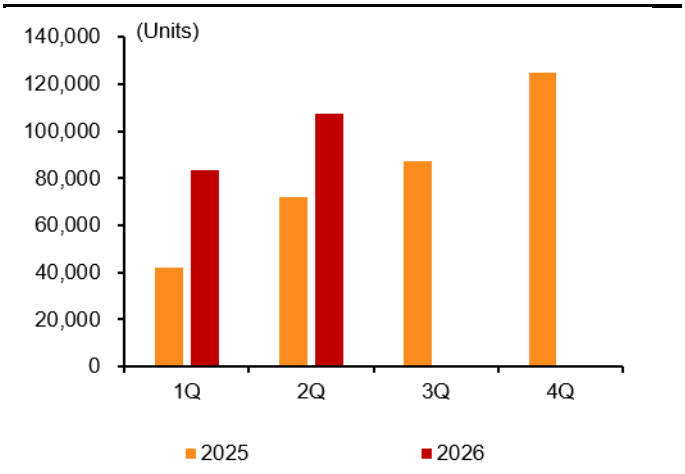
We maintain our FY26E sales volume forecast of 0.97mn units (+63% YoY). This implies its 2H26 sales volume could rise 64% YoY and 72% HoH to about 614,000 units, driven by the A-series, D-series and overseas sales. We cut our FY26E net profit by 10% to RMB3.1bn (+481% YoY) to reflect the persisting impact of raw material price hikes.

NIO: Approaching breakeven in 2H26

NIO's 2Q26 deliveries rose 49% YoY and 29% QoQ to about 108,000 units, slightly higher than Li Auto's and Xpeng's, but slightly lower than its sales volume guidance of 110,000-120,000 units. We believe this partially reflects the company's higher priority on profitability over sales volume in 2Q26, as the overall discounts were narrowed QoQ. The combined deliveries of the *ES8* and *ES9* (launched in late May) in 2Q26 were largely flat compared with the *ES8* deliveries of about 45,000 units in 1Q26. The sequential sales volume increase was mainly from the Onvo *L80* (launched in mid-May) and the *Firefly*.

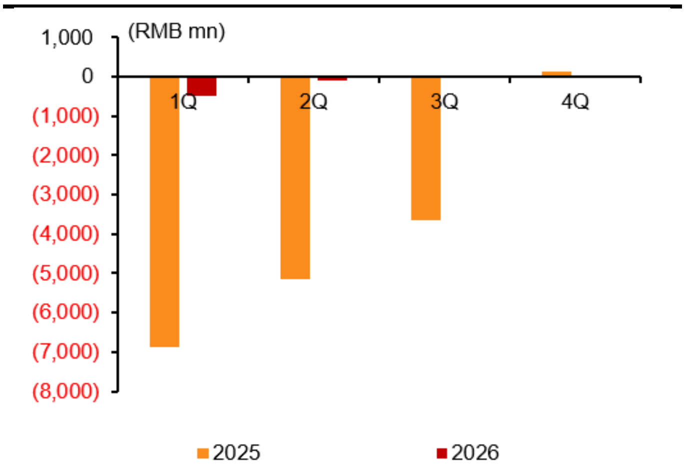
We expect the overall ASP to fall 4% QoQ to about RMB295,000 in 2Q26, as lower-pricing models accounted for a higher sales portion. Therefore, we estimate NIO's 2Q26 revenue to rise 67% YoY and 24% QoQ to RMB31.8bn. We forecast 2Q26 overall gross margin to fall 0.4ppts QoQ to 18.6%, due to a slightly worse product mix and a lower revenue portion of other sales. Given NIO's continuous efforts in cost control, we project its combined SG&A and R&D ratio to fall 2.2ppts QoQ to 18.9%. Therefore, we estimate NIO's net loss to narrow significantly YoY and QoQ to about RMB108mn. We believe NIO is likely to hover around breakeven in 2Q26.

Figure 28: NIO's sales volume



Source: Company data, CMBIGM

Figure 29: NIO's net profit forecast



Source: Company data, CMBIGM estimates

Following the launch of the 5-seat *ES8* with a manufacturer's suggested retail price (MSRP) cut of RMB24,000 vs. 6/7-seat versions on 9 Jul, we believe NIO's all new models for this year have been rolled out. We maintain our full-year sales volume forecast of 0.46mn units, implying that 2H26 deliveries could rise 27% YoY and 41% HoH to about 269,000 units, largely depending on the sales momentum of the *ES9*, 5-seat *ES*8 and Onvo *L80*.

We believe NIO's fundamentals have bottomed out since 3Q25. We believe the successful launch of the Onvo *L90* in Aug 2025 has helped NIO find a way to make competitive large-size models, followed by the launches of the NIO *ES8*, *ES9* and Onvo *L80* from Sep 2025 to May 2026. The gross margin of other sales (including battery swap services) has also turned positive since 2Q25, gradually rising to 20.6% in 1Q26. That should significantly alleviate investors' concerns about battery swap stations' drag on profitability. Therefore, we expect NIO to approach US-GAAP breakeven in 2H26.

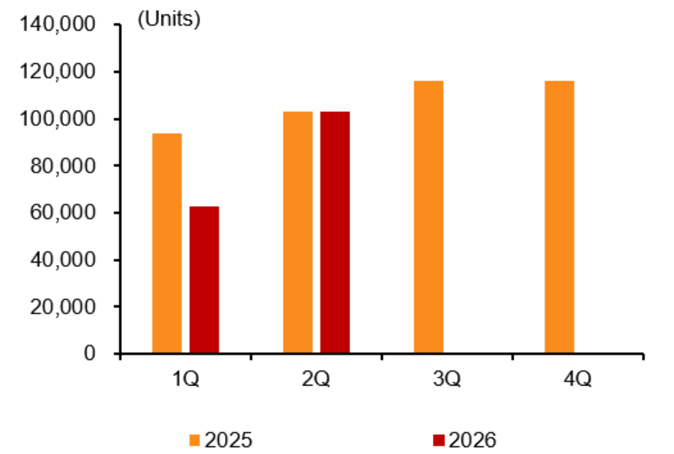
Xpeng: Net loss to narrow sharply on new-model ramp-up

Xpeng's 2Q26 deliveries were largely flat YoY but surged 65% QoQ to about 103,000 units, in line with its sales volume guidance of 100,000-106,000 units. The QoQ recovery was mainly driven by a rebound in the *Mona M03* and new *GX*.

We expect the overall ASP to fall 7% QoQ to about RMB193,000 in 2Q26, as the *Mona M03* contributed over 50% of the sequential sales volume increment. We estimate its 2Q26 revenue to rise 9% YoY and 53% QoQ to RMB20.0bn. Although we believe Xpeng's vehicle gross margin could improve sequentially, we still forecast its 2Q26 overall gross margin to narrow slightly by 0.4ppts QoQ to 20.2%, as its high-margin IP licensing and R&D service revenue is likely to make up a lower portion.

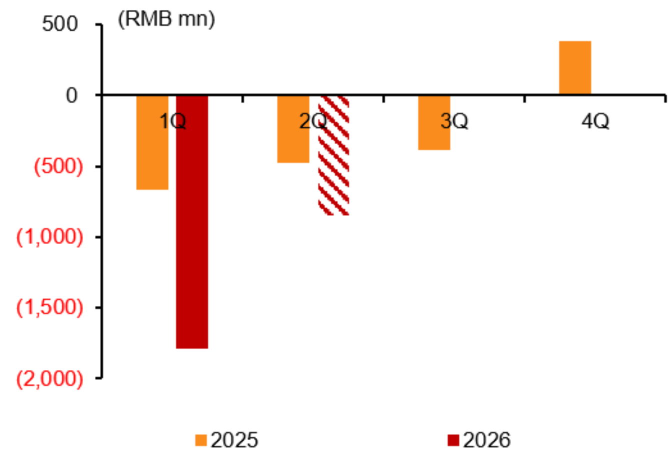
With our assumption of largely flat R&D expenses compared with 1Q26, we project Xpeng combined SG&A and R&D ratio to fall sharply by about 10.5ppts QoQ to 26.3% in 2Q26, driven by improved operating leverage amid strong revenue growth. Therefore, we expect Xpeng's 2Q26 operating loss to narrow to about RMB0.9bn and its net loss to narrow significantly QoQ to about RMB0.8bn (vs. a net loss of RMB1.8bn in 1Q26).

Figure 30: Xpeng's sales volume



Source: Company data, CMBIGM

Figure 31: Xpeng's net profit forecast



Source: Company data, CMBIGM estimates

We maintain our FY26E sales volume forecast of about 0.5mn units (+16% YoY), implying a doubled sales volume sequentially in 2H26, driven by two brand-new Mona SUVs (the *L03* was rolled out on 16 Jul), the *GX* and exports. We continue to expect Xpeng to turn net profitable in 2H26 amid greater economies of scale. We also view its humanoid robot's (Iron) mass production by end-2026 and the 3Q26 robotaxi pilot in Guangzhou as positive catalysts for its valuation.

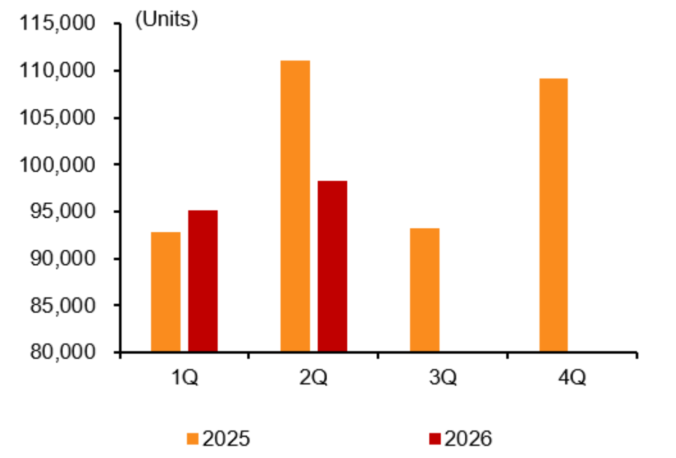
Li Auto: Net loss likely to extend into 2Q26

Li Auto's 2Q26 deliveries fell 11% YoY and rose 3% QoQ to about 98,000 units, in line with its sales volume guidance of 95,000-100,000 units. The new-generation *L9* was launched on 15 May with MSRPs being lifted to RMB459,800/509,800 from RMB409,800/439,800 (Model Year 2025). We estimate that the new *L9* contributed about 8,000+ units in 2Q26. It appears to us that the stable monthly deliveries of the new *L9* are unlikely to rebound to 10,000 units as in 2023-24, given its pricing strategy and intensifying competition now. The new-generation *L8* was rolled out on 23 Jun, which may make a very limited contribution to the total deliveries in 2Q26.

We estimate the blended ASP to rise 4% QoQ to RMB252,000 in 2Q26, thanks to the *L9*. Therefore, we expect its 2Q26 revenue to fall 18% YoY and rise 8% QoQ to RMB24.8bn. We forecast its 2Q26 gross margin to improve by 3.4ppts QoQ to 11.3%, still down 8.8ppts YoY. The sequential margin recovery is mainly driven by a better product mix, while the upside may be still capped due to the low-margin *i6*, which accounted for 64% of 2Q26 total deliveries.

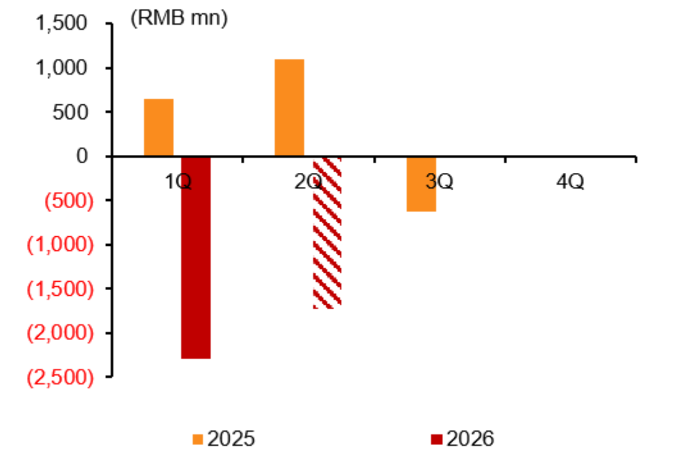
We project its combined SG&A and R&D ratio to stay largely flat QoQ at about 20.8% in 2Q26 amid a similar sales volume. Therefore, we expect Li Auto to post a net loss of about RMB1.7bn in 2Q26, narrowing from the net loss of RMB2.3bn in 1Q26, but marking the automaker's second-largest quarterly net loss since its IPO in 2020.

Figure 32: Li Auto's sales volume



Source: Company data, CMBIGM

Figure 33: Li Auto's net profit forecast



Source: Company data, CMBIGM estimates

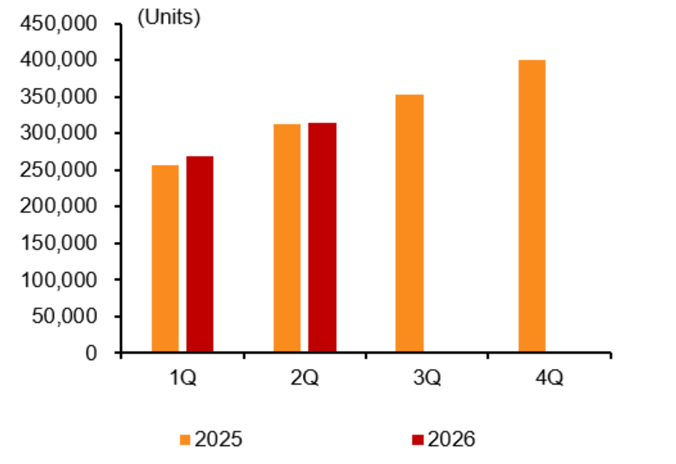
We cut our FY26E sales volume forecast by 20,000 units to 0.47mn units (+16% YoY). This implies its 2H26 sales volume could rise 37% YoY and 43% HoH to about 277,000 units, driven by the sales ramp-up of the new-generation L series and *i9*. We project Li Auto to turn profitable in 2H26, but not enough to offset the loss in 1H26. We believe Li Auto's advantage over peers has been narrowing before physical AI becomes pivotal in the future.

Great Wall Motor: Core net profit flat YoY

Great Wall issued a profit alert, guiding 1H26 net profit of RMB2.35bn-2.6bn (-59% to -63% YoY), which implies a 2Q26 net profit of RMB1.4bn-1.7bn (-64% to -69% YoY but +49% to +75% QoQ). The YoY decline was mainly due to the delayed recognition of about RMB2.0bn from the recycling-fee reimbursement in Russia (vs. RMB2.3bn in 2Q25) and adverse forex swings. Excluding these one-offs, we estimate its 1H26 core net profit was largely flat YoY. Our 2Q26 net profit forecast of about RMB1.6bn sits within the guided range.

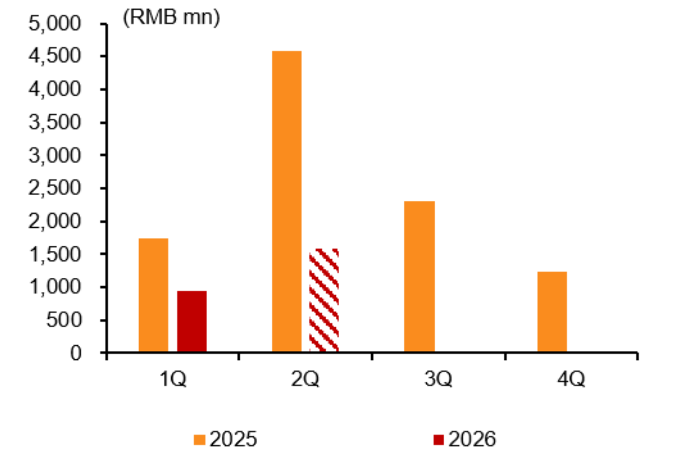
Great Wall's 2Q26 sales volume rose 1% YoY and 17% QoQ to about 315,000 units, with export volume reaching about 161,000 units (51% of the total), up 51% YoY. We expect the overall ASP to rise to about RMB175,000, thanks to a higher export mix. Therefore, we estimate its 2Q26 revenue to rise 5% YoY and 22% QoQ to RMB55.1bn. We forecast its 2Q26 gross margin at 18.2% (vs. 18.8% in 2Q25 and 18.5% in 1Q26).

Figure 34: Great Wall's sales volume



Source: Company data, CMBIGM

Figure 35: Great Wall's net profit forecast



Source: Company data, CMBIGM estimates

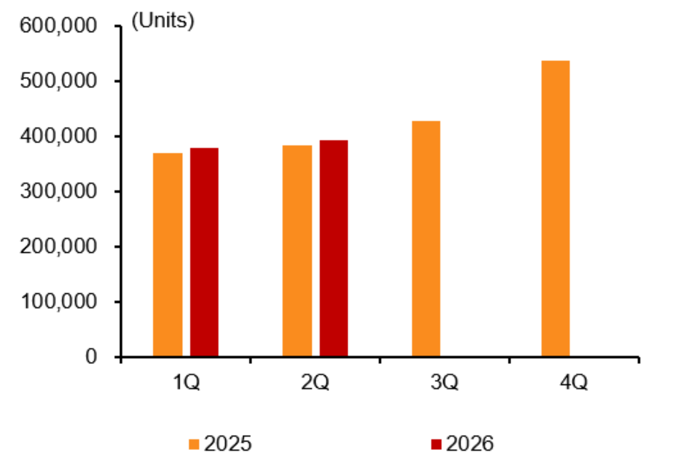
We cut our full-year sales volume forecast from 1.45mn units to 1.38mn units (+4% YoY), due to lower estimates for the domestic sales. As the cannibalization within Wey brand has been larger than we expected, we revise down our FY26E sales volume forecast for Wey brand from 0.19mn units to 0.14mn units. Management expects the related Russian recycling-fee reimbursement of RMB3.0bn-4.0bn to be received by the end of this year. Therefore, we only trim our FY26E net profit forecast by 8% to RMB9.4bn, implying 2H26 net profit could surge 169% HoH to about RMB6.8bn.

GAC Group: Profit alert flags a wider loss

GAC also issued a profit alert, guiding 1H26 net loss of RMB4.06-4.57bn (a wider loss vs. RMB-2.5bn in 1H25). This implies a 2Q26 net loss of about RMB3.4-3.9bn, significantly wider than net losses of RMB1.8bn in 2Q25 and RMB0.7bn in 1Q26. Management attributes the wider loss to earnings deterioration at its JVs, rising raw-material costs, higher selling expenses and forex losses.

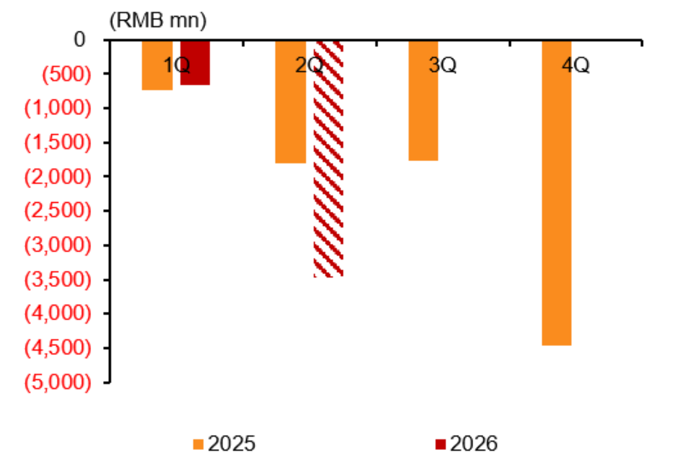
GAC's 2Q26 total wholesale volume rose 2% YoY to about 393,000 units, with homegrown brands rising 30%, GAC Honda falling 54% and GAC Toyota being flat. We estimate its 2Q26 consolidated gross margin to remain negative at about -3.1% (vs. -4.9% in 2Q25 and -2.7% in 1Q26).

Figure 36: GAC's sales volume (homegrown + JVs)



Source: Company data, CMBIGM

Figure 37: GAC's net profit forecast



Source: Company data, CMBIGM estimates

For FY26E, we still expect exports (targeted to roughly double to about 0.25mn units) and the new Huawei-co-developed Aistaland brand (with the *GT7* launched in Jun 2026) to be the key drivers for a narrower loss over time.

Figure 38: 2Q26 earnings forecasts for Li Auto, Xpeng, NIO, Leapmotor, Geely, BYD, GWM and GAC

	Li Auto			Xpeng			NIO			Leapmotor		
RMB mn	**2Q25**	**1Q26**	**2Q26E**	**2Q25**	**1Q26**	**2Q26E**	**2Q25**	**1Q26**	**2Q26E**	**2Q25**	**1Q26**	**2Q26E**
Sales volume ('000 units)	111	95	98	103	62	103	72	83	108	134	110	246
Revenue	30,246	22,983	24,819	18,274	13,034	19,954	19,009	25,533	31,757	14,230	10,820	26,197
GP	6,067	1,808	2,804	3,167	2,683	4,032	1,898	4,859	5,921	1,933	1,017	3,365
GPM	**20.1%**	**7.9%**	**11.3%**	**17.3%**	**20.6%**	**20.2%**	**10.0%**	**19.0%**	**18.6%**	**13.6%**	**9.4%**	**12.8%**
R&D & SG&A	(5,528)	(4,771)	(5,159)	(4,373)	(4,790)	(5,250)	(6,972)	(5,382)	(6,000)	(2,299)	(2,160)	(3,086)
OP	827	(2,999)	(2,255)	(935)	(1,874)	(918)	(4,909)	(309)	121	61	(410)	778
OPM	2.7%	-13.0%	-9.1%	-5.1%	-14.4%	-4.6%	-25.8%	-1.2%	0.4%	0.4%	-3.8%	3.0%
NP	**1,093**	**(2,276)**	**(1,719)**	**(478)**	**(1,784)**	**(848)**	**(5,141)**	**(496)**	**(108)**	**163**	**(390)**	**878**
NPM	3.6%	-9.9%	-6.9%	-2.6%	-13.7%	-4.3%	-27.0%	-1.9%	-0.3%	1.1%	-3.6%	3.4%

	Geely			BYD			GWM			GAC		
RMB mn	**2Q25**	**1Q26**	**2Q26E**	**2Q25**	**1Q26**	**2Q26E**	**2Q25**	**1Q26**	**2Q26E**	**2Q25**	**1Q26**	**2Q26E**
Sales volume ('000 units)	705	709	714	1,145	700	1,108	313	269	315	139	166	180
Revenue	77,593	83,776	92,768	200,921	150,225	212,931	52,316	45,109	55,088	22,732	20,229	23,363
GP	13,273	14,664	17,069	32,681	28,252	39,169	9,836	8,324	10,026	(1,107)	(538)	(724)
GPM	**17.1%**	**17.5%**	**18.4%**	**16.3%**	**18.8%**	**18.4%**	**18.8%**	**18.5%**	**18.2%**	**-4.9%**	**-2.7%**	**-3.1%**
R&D & SG&A	(10,223)	(10,283)	(11,479)	(27,084)	(22,253)	(24,137)	(6,029)	(5,836)	(6,356)	(2,639)	(2,488)	(2,757)
OP	4,213	4,826	6,380	7,699	4,696	11,355	5,138	1,205	2,032	(2,625)	(1,067)	(3,873)
OPM	5.4%	5.8%	6.9%	3.8%	3.1%	5.3%	9.8%	2.7%	3.7%	-11.5%	-5.3%	-16.6%
NP	**3,617**	**4,166**	**5,446**	**6,356**	**4,085**	**9,680**	**4,586**	**945**	**1,588**	**(1,807)**	**(656)**	**(3,477)**
NPM	4.7%	5.0%	5.9%	3.2%	2.7%	4.5%	8.8%	2.1%	2.9%	-7.9%	-3.2%	-14.9%

Source: Company data, CMBIGM estimates

Figure 39: FY26 and FY27 earnings forecasts for Li Auto, Xpeng, NIO, Leapmotor, Geely, BYD, GWM and GAC

	Li Auto			Xpeng			NIO			Leapmotor		
RMB mn	**FY25**	**FY26E**	**FY27E**	**FY25**	**FY26E**	**FY27E**	**FY25**	**FY26E**	**FY27E**	**FY25**	**FY26E**	**FY27E**
Sales volume ('000 units)	406	470	560	429	500	700	326	460	570	597	970	1,140
Revenue	112,313	121,791	149,522	76,720	88,904	114,101	87,488	133,831	155,067	64,732	101,413	115,439
GP	20,985	17,253	24,517	14,473	16,650	20,571	11,916	23,891	26,095	9,412	13,123	15,610
GPM	**18.7%**	**14.2%**	**16.4%**	**18.9%**	**18.7%**	**18.0%**	**13.6%**	**17.9%**	**16.8%**	**14.5%**	**12.9%**	**13.5%**
R&D & SG&A	(21,980)	(21,641)	(22,115)	(18,888)	(21,650)	(22,900)	(26,693)	(25,784)	(26,915)	(9,888)	(11,892)	(13,602)
OP	(521)	(3,988)	2,902	(2,771)	(3,500)	(329)	(14,041)	(1,093)	179	177	2,321	3,298
OPM	-0.5%	-3.3%	1.9%	-3.6%	-3.9%	-0.3%	-16.0%	-0.8%	0.1%	0.3%	2.3%	2.9%
NP	**1,124**	**(1,928)**	**4,151**	**(1,139)**	**(2,126)**	**1,239**	**(15,571)**	**(747)**	**644**	**538**	**3,126**	**4,977**
NPM	1.0%	-1.6%	2.8%	-1.5%	-2.4%	1.1%	-17.8%	-0.6%	0.4%	0.8%	3.1%	4.3%

	Geely			BYD			GWM			GAC		
RMB mn	**FY25**	**FY26E**	**FY27E**	**FY25**	**FY26E**	**FY27E**	**FY25**	**FY26E**	**FY27E**	**FY25**	**FY26E**	**FY27E**
Sales volume ('000 units)	3,025	3,280	3,700	4,602	4,500	5,160	1,324	1,380	1,600	609	624	700
Revenue	345,232	398,665	447,687	803,965	835,458	929,318	222,824	230,030	272,490	96,542	97,873	107,488
GP	57,347	72,759	81,997	142,660	150,633	165,220	40,202	41,558	48,785	(2,700)	418	4,816
GPM	**16.6%**	**18.3%**	**18.3%**	**17.7%**	**18.0%**	**17.8%**	18.0%	18.1%	17.9%	-2.8%	0.4%	4.5%
R&D & SG&A	(44,529)	(49,960)	(56,025)	(104,363)	(103,272)	(111,964)	(26,452)	(27,405)	(30,360)	(11,689)	(10,026)	(10,083)
OP	18,838	24,625	28,883	40,185	42,966	51,737	11,534	10,668	13,435	(12,186)	(6,683)	(2,274)
OPM	5.5%	6.2%	6.5%	5.0%	5.1%	5.6%	5.2%	4.6%	4.9%	-12.6%	-6.8%	-2.1%
NP	**16,852**	**21,646**	**25,837**	**32,619**	**34,952**	**41,845**	**12,692**	**10,937**	**12,499**	**(8,784)**	**(4,748)**	**(1,222)**
NPM	4.9%	5.4%	5.8%	4.1%	4.2%	4.5%	6.3%	5.0%	5.0%	-9.1%	-4.9%	-1.1%

Source: Company data, CMBIGM estimates

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