
BFW 10/14 11:56 NIO Jumps After JPMorgan Nearly Triples Price Target to \$40

NIO, BYD Shares Hit Record on Wall Street Vote of Confidence (1)
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By Esha Dey

(Bloomberg) -- Chinese electric carmaker NIO Inc. received confidence votes from at least two Wall Street analysts on Wednesday, after JPMorgan and Citi both upgraded their ratings on the stock.

While JPMorgan's action was based on the expectation that the use of new-energy vehicles in China will quadruple by 2025 from last year's levels, Citi pointed to multiple factors, including a very strong order backlog during the country's Golden Week national holiday, an increase in NIO's market share and a drop in battery costs.

JPMorgan analyst Nick Lai expects the penetration of new-energy vehicles in China to accelerate, jumping to 20% of the market by 2025 from less than 5% in 2019. Shifting customer preferences will help drive the trend, along with an expected drop in the cost of electric-car and battery production, the analyst wrote in a note.

The upbeat outlook follows strong September car sales data Tuesday that showed purchases of sedans, SUVs, minivans and multipurpose vehicles jumped 7.4% during the month, according to the China Passenger Car Association. Wholesales of new-energy vehicles (NEVs), which consist of pure electric cars, plug-in hybrids and fuel-cell autos, surged 68% to 138,000 units, a record for the period.

China's focus on incentivizing electric-car developers -- Beijing wants new-energy vehicles to account for 15% or more of the market in 2025 -- will play a big role, Lai said. Tesla, the global front-runner in the space, is also driving "a rising tide lifts all boats" phenomenon, creating a fast-growing market, he added.

The analyst upgraded NIO to the equivalent of a buy rating from the equivalent of a hold and raised the price target on the stock to a Street high of \$40 from \$14, sparking a rally in the shares on Wednesday. NIO ADRs gained as much as 23% to touch a record high of \$26.50 in New York. Lai also raised his price target on BYD Co. to HK\$150 from HK\$122. BYD ADRs jumped as much

as 4% to an all-time high of \$17.53.

Citi analyst Jeff Chung raised NIO to buy from neutral, and his price target to \$33.20 from \$18.10.

The two upgrades were also followed by increased activity in NIO options. The company's options were the most active among all U.S. listed contracts, led by the Oct. 25 calls.

Story Link: NIO Jumps After JPMorgan Upgrades on New Energy Vehicle Growth

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