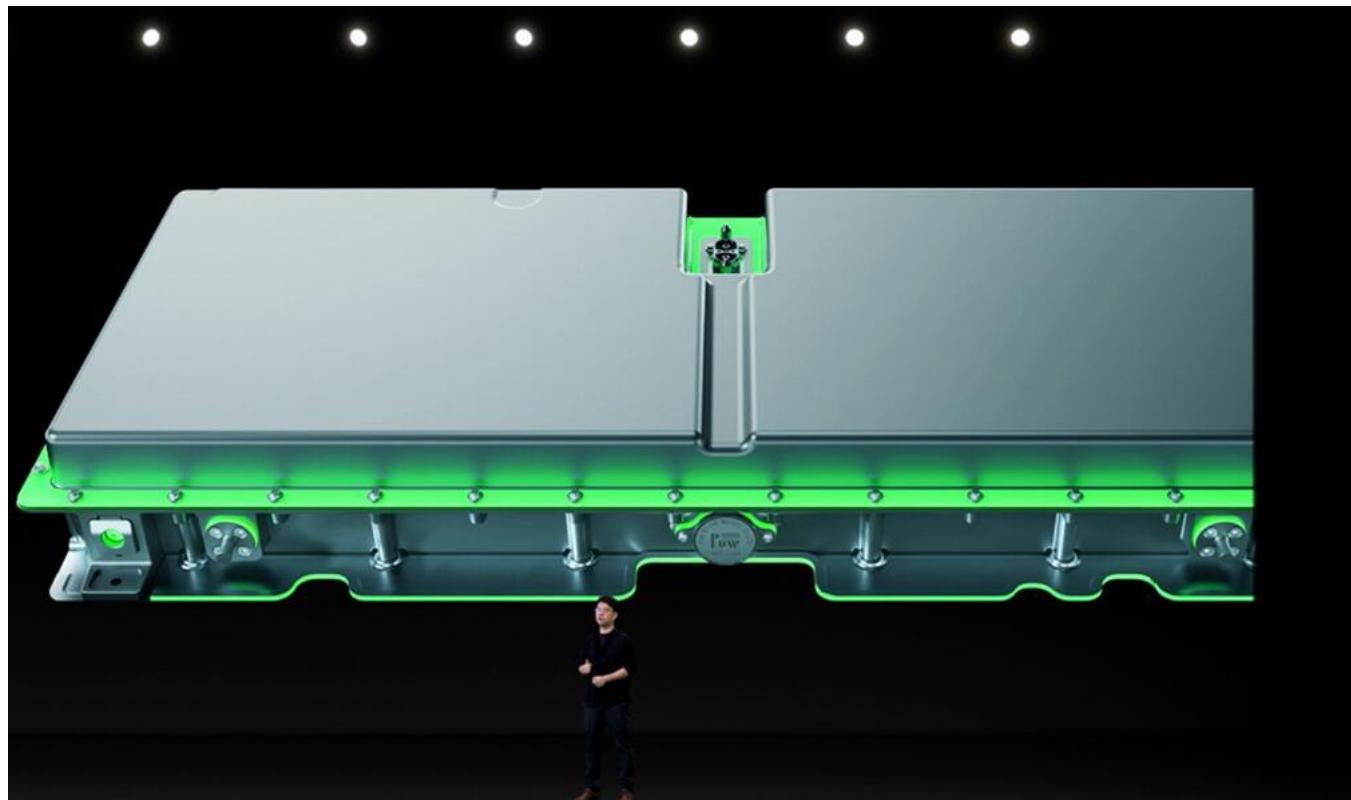




CATL says it has renegotiated prices with customers to jointly address supply chain pressures

👤 Phate Zhang/CnEVPost • Apr 29, 2022 21:30 GMT+8

CATL is very cautious when it comes to prices in order to maintain a healthy industry, but prices have risen too quickly this year, an executive said.



(Image credit: CATL)

As raw material prices continue to rise, Contemporary Amperex Technology Co Ltd (CATL, SHE: 300750) is reconsidering its previous attitude of taking on this pressure itself as it faces pressure on its earnings.

CATL has renegotiated prices with customers to jointly address pressure from the supply chain, the power battery giant said in a CCTV interview after announcing first-quarter earnings.

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The company reported revenue of RMB 48.68 billion in the first quarter, up 154 percent from a year earlier and down 15 percent from the fourth quarter last year. Its net profit attributable to shareholders was RMB 1.49 billion, down 24 percent year-on-year and 82 percent lower than in the fourth quarter of last year.

CATL's operating costs were RMB 41.6 billion in the first quarter, up 199 percent year-on-year, due to the rapid increase in upstream material prices, which was the main cause of pressure on its earnings.

Rising upstream raw material prices since 2021 have challenged battery makers, and CATL is being very cautious on the price front to maintain a healthy industry, said Jiang Li, Board Secretary of the company.

However, this year's price hike was really too fast and violent, and CATL had to negotiate with its major customers to jointly cope with supply chain pressure, Jiang said, adding that the results of the negotiations were good.

"In fact, peers were waiting for the company to raise prices so they could follow suit," Jiang said.

Upstream price increases have slowed and demand is still strong, so CATL still sees good prospects for the industry and the company, Jiang said.

CATL has tried to secure supply with long-term agreements and joint ventures, but it has suffered some due to the time it takes to mine mineral resources and the company's fast-growing power cell shipments, according to Jiang.

The company has recently laid out the mining of resources with partners in Jiangxi and other places, and as production capacity is released, prices should trend back down, Jiang said, adding that supply and demand are expected to be significantly reversed in the second half of this year.