Chuangxin Industries (2788 HK)

Takeaways from post-results meeting

Chuangxin hosted a post-results analyst meeting yesterday (19 Mar). Questions were mostly around the progress of aluminium capacity construction in Saudi Arabia as well as the acquisition of coal mine through connected transaction. **Key takeaways:** (1) Saudi project is in good progress with no disruption so far; (2) the all-in production cost in Saudi is expected to be US$1,900/t, which is ~RMB1,000/t lower than that in China; (3) the coal mine to be acquired will need RMB3bn capex, which will be spent in 2027E-28E. Chuangxin's share dropped 10% yesterday, which we believe was due to concerns on (1) the additional capex on coal mine; and (2) rising aluminium inventory in the market. We see the pullback as entry opportunity given the limited scale of coal mining business and the overall tight supply of aluminium. Maintain **BUY** with TP of HK$32 (based on 13x 2026E P/E). **CMBI will host a NDR conference call on 23 Mar (14:00 HKT).** Please contact your sales representative for details.

- **Saudi Arabia aluminium project:** The project is located in Yanbu (at the coastal region of Red Sea), which is 1,200km away from the Persian Gulf. Management reveals that there has been no disruption on both construction and logistics so far. The project (500kt for phase one) is expected to commence operation in 1H27. Ingots will be produced at the beginning, followed by alloy products (for Apple supply chain and lightweight materials for automotive) in 2H27. Chuangxin has signed a 10-year agreement with Saudi Ministry of Energy for power supply, with electricity tariff of US$0.032/kWh (heavy oil as power source). Chuangxin expects an all-in production cost of US$1,900/t of aluminium in Saudi.
- **Renewable power construction in China:** 750MW of renewable power installed capacity was completed by end-2025 (Wind: 650MW + Solar: 100MW). The remaining 1GW is expected to come online this year. Management expects 3bn/5bn kWh of power will be generated by renewable capacity in 2026E/27E (total annual power usage: 10bn kWh), which will help reduce the cost of electricity from RMB0.295/kWh in 2025 to RMB0.275/kWh in 2026E.
- **The development plan of Tongliao Smart Mining:** The coal mine (to be acquired) has planned annual capacity of 6mt, which will match with the coal demand from Chuangxin's captive coal power plant. Management reveals that capex for capacity construction will be RMB3bn, which will be spent between 2H27 and 1H28. The mine is expected to commence operation by end-2028. The all-in cost is expected to be RMB195/t.
- **Capex plan:** In China, a total of RMB1.5bn capex is budgeted in 2026E, including RMB1.2-1.3bn on renewable power capacity construction. For the Saudi project, the total capex is US$277mn. So far US$200mn has been spent and the remaining US$77mn will be spent by end-2026 or early 2027.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	15,163	18,681	19,670	19,956	20,120
YoY growth (%)	9.8	23.2	5.3	1.5	0.8
Adjusted net profit (RMB mn)	2,056.3	2,730.8	4,546.5	4,845.3	5,083.0
EPS (Adjusted) (RMB)	1.37	1.76	2.19	2.34	2.45
Consensus EPS (RMB)	na	na	2.12	2.57	na
P/E (x)	16.3	12.7	10.2	9.6	9.1
P/B (x)	26.8	4.8	3.7	2.7	2.1
Yield (%)	1.0	3.2	1.0	1.0	1.1
Net gearing (%)	864.0	58.8	39.4	(0.9)	(21.4)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$32.00**
Up/Downside	**25.4%**
Current Price	**HK$25.52**

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Stock Data

Mkt Cap (HK$ mn)	38,280.0
Avg 3 mths t/o (HK$ mn)	148.9
52w High/Low (HK$)	NA/NA
Total Issued Shares (mn)	1500.0

Source: FactSet

Shareholding Structure

Cui Lixin	72.3%

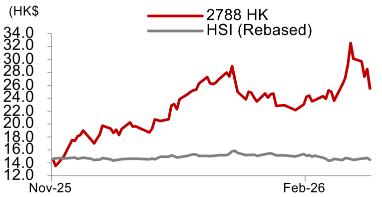
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	11.3%	16.6%
3-mth	32.6%	33.6%
6-mth	NM	NM

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

Chuangxin Industries (2788 HK) – 2025 profit +33% YoY; surprising dividend – 18 Mar 2026 (link)

Production cut in Qatar to further increase supply risks; +ve to aluminium price – 4 Mar 2026 (link)

Potential supply disruption in the Middle East will support the aluminium price – 2 Mar 2026 (link)

Aluminium price to be fuelled by tight supply throughout 2026 – 4 Feb 2026 (link)

Chuangxin Industries (2788 HK) - Capacity growth in Saudi Arabia + superb cost advantage on low green energy cost in China - 4 Feb 2026 (link)

Figure 1: Segment revenue and gross profit

(RMB mn)	2022	2023	2024	2025	2026E	2027E	2028E
Revenue							
Electrolytic Aluminum	12,882	12,502	12,884	13,622	15,757	15,284	15,131
Alumina & other related products	271	977	1,850	4,417	3,239	3,964	4,246
Others	337	335	430	642	674	708	743
Total	**13,490**	**13,815**	**15,163**	**18,681**	**19,670**	**19,956**	**20,120**
Revenue growth							
Electrolytic Aluminum	-	-2.9%	3.1%	5.7%	15.7%	-3.0%	-1.0%
Alumina & other related products	-	261.2%	89.2%	138.8%	-26.7%	22.4%	7.1%
Others	-	-0.7%	28.4%	49.3%	5.0%	5.0%	5.0%
Average	**-**	***2.4%***	***9.8%***	***23.2%***	***5.3%***	***1.5%***	***0.8%***
Gross profit							
Electrolytic Aluminum	1,737	2,030	3,469	4,116	6,924	7,044	6,864
Alumina & other related products	17	61	580	205	(36)	(248)	20
Others	287	246	228	304	337	354	371
Total	**2,041**	**2,336**	**4,277**	**4,625**	**7,224**	**7,150**	**7,255**
Gross margin							
Electrolytic Aluminum	13.5%	16.2%	26.9%	30.2%	43.9%	46.1%	45.4%
Alumina & other related products	6.3%	6.2%	31.3%	4.6%	-1.1%	-6.3%	0.5%
Others	85.1%	73.3%	53.0%	47.4%	50.0%	50.0%	50.0%
Blended gross margin	***15.1%***	***16.9%***	***28.2%***	***24.8%***	***36.7%***	***35.8%***	***36.1%***

Source: Company data, CMBIGM estimates

Figure 2: Earnings sensitivity (annualized) to 5% change in aluminium ASP & coal cost

2026E net profit (RMB mn)		**Aluminium ASP (RMB/t)**				
		18,781	19,825	**20,868**	21,911	22,955
	306	3,616	4,175	4,734	5,293	5,852
	323	3,522	4,081	4,640	5,199	5,759
Coal cost	**340**	3,428	3,987	**4,546**	5,106	5,665
RMB/t	357	3,334	3,893	4,453	5,012	5,571
	374	3,240	3,800	4,359	4,918	5,477

Source: CMBIGM estimates

Figure 3: Earnings sensitivity (annualized) to 5% change in alumina ASP & bauxite cost

2026E net profit (RMB mn)		**Alumina ASP (RMB/t)**				
		2,284	2,411	**2,537**	2,664	2,791
	441	4,656	4,752	4,848	4,944	5,039
	466	4,506	4,601	4,697	4,793	4,889
Bauxite	**490**	4,355	4,451	**4,546**	4,642	4,738
RMB/t	515	4,204	4,300	4,396	4,492	4,587
	539	4,054	4,149	4,245	4,341	4,437

Source: CMBIGM estimates

Figure 4: Earnings sensitivity (annualized) to 5% change in aluminium ASP & bauxite cost

2026E net profit (RMB mn)		**Aluminium ASP (RMB/t)**				
		18,781	19,825	**20,868**	21,911	22,955
	441	3,730	4,289	4,848	5,407	5,966
	466	3,579	4,138	4,697	5,256	5,815
Bauxite	**490**	3,428	3,987	**4,546**	5,106	5,665
RMB/t	515	3,278	3,837	4,396	4,955	5,514
	539	3,127	3,686	4,245	4,804	5,363

Source: CMBIGM estimates

Key risks: (1) Unexpected removal of capacity cap in China; (2) volatility of aluminium and alumina prices; (3) power shortage; (4) supply chain disruption; (5) new project execution risk in Saudi Arabia.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**13,815**	**15,163**	**18,681**	**19,670**	**19,956**	**20,120**
Cost of goods sold	(11,478)	(10,887)	(14,056)	(12,445)	(12,806)	(12,865)
Gross profit	**2,336**	**4,277**	**4,625**	**7,224**	**7,150**	**7,255**
Selling expense	(0)	(1)	(3)	(1)	(1)	(1)
Admin expense	(206)	(279)	(388)	(393)	(359)	(362)
R&D expense	(21)	(28)	(36)	(28)	(28)	(28)
Other income	53	42	67	59	60	60
Other gains/(losses)	5	18	(116)	20	20	20
Share of (losses)/profits of associates/JV	0	(1)	(26)	(31)	305	413
EBITDA	**2,943**	**4,772**	**5,330**	**8,024**	**8,036**	**8,139**
Depreciation	781	760	1,065	1,163	1,215	1,215
EBIT	**2,162**	**4,012**	**4,265**	**6,862**	**6,821**	**6,924**
Interest income	45	13	39	54	61	88
Interest expense	(940)	(762)	(680)	(589)	(478)	(385)
Net Interest income/(expense)	**(895)**	**(748)**	**(641)**	**(535)**	**(417)**	**(298)**
Pre-tax profit	**1,273**	**3,281**	**3,481**	**6,315**	**6,730**	**7,060**
Income tax	(192)	(651)	(562)	(1,263)	(1,346)	(1,412)
Minority interest	(77)	(573)	(188)	(505)	(538)	(565)
Adjusted net profit	**1,004**	**2,056**	**2,731**	**4,546**	**4,845**	**5,083**
Gross dividends	0	330	1,466	455	485	508

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**7,241**	**3,784**	**10,532**	**8,668**	**12,453**	**14,835**
Cash & equivalents	584	176	5,091	4,242	6,904	10,386
Account receivables	96	39	120	52	122	54
Inventories	1,255	1,578	2,436	837	2,531	853
ST bank deposits	1,309	681	1,654	1,654	1,654	1,654
Other current assets	3,997	1,310	1,231	1,882	1,242	1,888
Non-current assets	**12,312**	**14,536**	**17,817**	**19,087**	**18,874**	**19,187**
PP&E	6,686	9,152	12,046	12,525	12,252	11,979
Deferred income tax	6	83	0	0	0	0
Investment in JVs & assos	0	0	685	1,402	1,807	2,320
Intangibles	3,289	3,218	3,146	3,079	3,012	2,945
Goodwill	0	0	0	0	0	0
Financial assets at FVTPL	0	0	0	0	0	0
Other non-current assets	2,332	2,082	1,939	2,080	1,803	1,942
Total assets	**19,554**	**18,320**	**28,349**	**27,755**	**31,327**	**34,022**
Current liabilities	**9,881**	**8,738**	**14,857**	**11,677**	**11,820**	**9,352**
Short-term borrowings	4,251	4,942	9,429	8,929	7,929	6,929
Account payables	4,699	2,945	5,091	2,411	3,554	2,086
Tax payable	159	459	167	167	167	167
Other current liabilities	772	392	171	171	171	171
Non-current liabilities	**6,223**	**7,255**	**3,318**	**2,318**	**818**	**818**
Long-term borrowings	5,031	6,007	2,976	1,976	476	476
Other non-current liabilities	1,192	1,249	343	343	343	343
Total liabilities	**16,105**	**15,994**	**18,176**	**13,996**	**12,639**	**10,171**
Total shareholders equity	**2,950**	**1,255**	**9,623**	**12,704**	**17,094**	**21,693**
Minority interest	499	1,072	550	1,055	1,594	2,159
Total equity and liabilities	**19,554**	**18,320**	**28,349**	**27,755**	**31,327**	**34,022**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**1,273**	**3,281**	**3,481**	**6,315**	**6,730**	**7,060**
Depreciation & amortization	781	760	1,065	1,163	1,215	1,215
Tax paid	(25)	(447)	(562)	(1,263)	(1,346)	(1,412)
Change in working capital	1,620	(953)	1,376	(1,876)	228	(578)
Others	(1,104)	3,920	1,602	8,291	6,633	7,835
Net cash from operations	**4,554**	**3,462**	**4,925**	**4,905**	**6,938**	**6,170**
Investing						
Capital expenditure	(450)	(3,005)	(3,754)	(1,500)	(800)	(800)
Acquisition of subsidiaries/ investments	0	(1)	(712)	(748)	(100)	(100)
Others	2,082	579	39	49	56	83
Net cash from investing	**1,632**	**(2,427)**	**(4,427)**	**(2,199)**	**(844)**	**(817)**
Financing						
Dividend paid	0	(330)	0	(1,466)	(455)	(485)
Net borrowings	(1,548)	1,666	1,456	(1,500)	(2,500)	(1,000)
Proceeds from share issues	0	329	3,600	0	0	0
Others	(4,213)	(3,109)	268	(589)	(478)	(385)
Net cash from financing	**(5,761)**	**(1,443)**	**5,324**	**(3,555)**	**(3,433)**	**(1,870)**
Net change in cash						
Cash at the beginning of the year	159	584	176	5,091	4,242	6,904
Exchange difference	0	0	(908)	(0)	(0)	(0)
Cash at the end of the year	**584**	**176**	**5,091**	**4,242**	**6,904**	**10,386**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	2.4%	9.8%	23.2%	5.3%	1.5%	0.8%
Gross profit	14.5%	83.0%	8.1%	56.2%	(1.0%)	1.5%
EBITDA	15.1%	62.1%	11.7%	50.6%	0.1%	1.3%
EBIT	18.9%	85.5%	6.3%	60.9%	(0.6%)	1.5%
Adj. net profit	13.9%	104.9%	32.8%	66.5%	6.6%	4.9%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	16.9%	28.2%	24.8%	36.7%	35.8%	36.1%
EBITDA margin	21.3%	31.5%	28.5%	40.8%	40.3%	40.5%
Adj. net profit margin	7.3%	13.6%	14.6%	23.1%	24.3%	25.3%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	2.7	8.6	0.6	0.4	(0.0)	(0.2)
Current ratio (x)	0.7	0.4	0.7	0.7	1.1	1.6
Receivable turnover days	1.8	1.7	1.6	3.6	3.6	0.0
Inventory turnover days	48.0	47.5	52.1	48.0	48.0	48.0
Payable turnover days	181.8	128.1	104.3	110.0	85.0	80.0

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	33.5	16.3	12.7	10.2	9.6	9.1
P/B	11.4	26.8	4.8	3.7	2.7	2.1
Div yield (%)	0.0	1.0	3.2	1.0	1.0	1.1

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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