21 Jul 2026

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Zenergy (3677 HK)

NDR takeaways and 1H26 earnings preview

Maintain BUY. We hosted non-deal roadshows (NDRs) for Zenergy in Hong Kong and Shenzhen on 18-19 Jul 2026, with our key takeaways as below. We also estimate its 1H26E net profit to surge 78% YoY. Despite short-term GPM uncertainties, we believe it is well positioned for strong growth in the long term.

- **On track for strong long-term growth.** Management reiterated its FY26E sales volume target of 30GWh+ and raised its ESS volume guidance to 5-6GWh, lifting ESS' projected volume contribution from 10-15% to 15-20%. Order visibility remains high: the company has already secured orders for the majority of its new 35GWh capacity (which includes 20GWh for ESS), fully paving the way for its scheduled mass production ramp-up in 4Q26. That has bolstered management's confidence to pursue further capacity expansion in FY27-28E. A new factory in Changshu, with construction expected to commence by late 2026, will drive Zenergy's total annual capacity to 120GWh by the end of FY28E. Management also detailed the flexible design of its production lines, which can seamlessly transition between EV and ESS battery manufacturing to adapt to shifting market demand. On the other hand, management expects about 80% of lithium carbonate price increase to be passed through to EV makers. We estimate that could drag Zenergy's 1H26E GPM down by about 3ppts YoY, holding everything else constant.
- **1H26E earnings preview.** We project Zenergy's sales volume to be 13GWh in 1H26E, based on its 52% YoY growth in EV battery installation based on CABIA (China Automotive Battery Innovation Alliance) data and rising ESS volume. We project revenue to surge 68% YoY to RMB5.3bn and GPM to narrow 2.2ppts YoY to 15.7% in 1H26E, taking both raw-material price volatility and greater economies of scale into account. We estimate SG&A and R&D combined ratio to drop by 4ppts YoY to 9.9%, leading to an operating profit of RMB333mn (+175% YoY) and a net profit of RMB392mn (+78% YoY) in 1H26E.
- **Valuation/Key risks.** We project FY26E sales volume to rise by 62% YoY to 32GWh but cut our FY26E net profit estimate by 25% to RMB1.09bn due to worse-than-expected GPM in 1H26E. We project FY27E sales volume to be 58GWh and cut our FY27E net profit estimate by 10% to RMB1.86bn to factor in more uncertainties in GPM. We maintain our BUY rating and trim our target price from HK$18.00 to HK$13.00, based on 15x (prior 20x, peers' 14x) our revised FY27E P/E to reflect the recent weak market sentiment on lithium battery makers. Key risks include lower sales volume from major clients, slower client expansion and lower margins than we expect.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	5,130	8,101	12,585	20,775	27,716
YoY growth (%)	23.3	57.9	55.3	65.1	33.4
Gross margin (%)	14.6	18.4	16.3	16.4	16.5
Operating profit (RMB mn)	(90.9)	377.2	1,002.3	1,912.7	2,710.3
Net profit (RMB mn)	91.0	808.6	1,092.7	1,859.0	2,533.2
YoY growth (%)	na	788.4	35.1	70.1	36.3
EPS (Reported) (RMB)	0.04	0.33	0.43	0.73	0.99
P/S (x)	2.4	1.5	1.0	0.6	0.5
P/E (x)	124.4	15.0	11.5	6.7	5.0
ROE (%)	1.7	11.6	12.6	18.3	20.4
Net gearing (%)	12.8	5.4	15.1	(2.2)	(25.4)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$13.00**
(Previous TP	HK$18.00)
Up/Downside	**129.3%**
Current Price	**HK$5.67**

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Stock Data

Mkt Cap (HK$ mn)	14,483.6
Avg 3 mths t/o (HK$ mn)	29.1
52w High/Low (HK$)	12.30/5.39
Total Issued Shares (mn)	2554.4

Source: FactSet

Shareholding Structure

Ms. Cao Fang and concert parties	45.4%
Others	54.6%

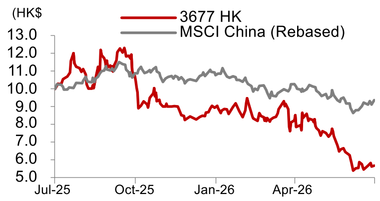
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-12.4%	-11.8%
3-mth	-31.0%	-22.3%
6-mth	-37.1%	-25.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Interim results

RMB mn	1H24	2H24	1H25	2H25	1H26E	YoY	HoH
Revenue	1,845	3,286	3,172	4,929	5,330	68.0%	8.1%
Gross profit	183	565	569	923	837	47.1%	-9.3%
Selling expenses	(17)	(19)	(16)	(16)	(21)	30.0%	33.3%
Admin expenses	(135)	(167)	(173)	(179)	(195)	12.9%	8.7%
R&D expenses	(260)	(296)	(253)	(267)	(310)	22.6%	15.9%
Operating profit	(206)	116	121	256	333	174.6%	30.4%
Net profit	(130)	221	220	588	392	77.7%	-33.4%
Gross margin	9.9%	17.2%	17.9%	18.7%	15.7%	-2.2 ppts	-3.0 ppts
Operating margin	-11.2%	3.5%	3.8%	5.2%	6.3%	2.4 ppts	1.1 ppts
Net margin	-7.0%	6.7%	6.9%	11.9%	7.3%	0.4 ppts	-4.6 ppts

Source: Company data, CMBIGM estimates

Figure 2: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	12,585	20,775	27,716	16,058	22,628	N/A	-21.6%	-8.2%	N/A
Gross profit	2,056	3,411	4,573	2,721	3,923	N/A	-24.4%	-13.1%	N/A
Operating profit	1,002	1,913	2,710	1,390	2,091	N/A	-27.9%	-8.5%	N/A
Net profit	1,093	1,859	2,533	1,455	2,067	N/A	-24.9%	-10.0%	N/A
Gross margin	16.3%	16.4%	16.5%	16.9%	17.3%	N/A	-0.6 ppts	-0.9 ppts	N/A
Operating margin	8.0%	9.2%	9.8%	8.7%	9.2%	N/A	-0.7 ppts	0.0 ppts	N/A
Net margin	8.7%	8.9%	9.1%	9.1%	9.1%	N/A	-0.4 ppts	-0.2 ppts	N/A

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	12,585	20,775	27,716	15,045	22,806	31,333	-16.4%	-8.9%	-11.5%
Gross profit	2,056	3,411	4,573	2,588	3,945	5,640	-20.6%	-13.5%	-18.9%
Operating profit	1,002	1,913	2,710	1,136	1,842	2,971	-11.8%	3.8%	-8.8%
Net profit	1,093	1,859	2,533	1,219	1,815	2,687	-10.4%	2.4%	-5.7%
Gross margin	16.3%	16.4%	16.5%	17.2%	17.3%	18.0%	-0.9 ppts	-0.9 ppts	-1.5 ppts
Operating margin	8.0%	9.2%	9.8%	7.6%	8.1%	9.5%	0.4 ppts	1.1 ppts	0.3 ppts
Net margin	8.7%	8.9%	9.1%	8.1%	8.0%	8.6%	0.6 ppts	1.0 ppts	0.6 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**4,162**	**5,130**	**8,101**	**12,585**	**20,775**	**27,716**
Cost of goods sold	(3,953)	(4,382)	(6,610)	(10,529)	(17,364)	(23,143)
Gross profit	**208**	**748**	**1,491**	**2,056**	**3,411**	**4,573**
Operating expenses	**(714)**	**(839)**	**(1,114)**	**(1,054)**	**(1,498)**	**(1,863)**
Selling expense	(58)	(36)	(32)	(43)	(67)	(87)
Admin expense	(259)	(301)	(352)	(404)	(566)	(661)
R&D expense	(424)	(556)	(520)	(646)	(877)	(1,082)
Others	27	54	(209)	39	11	(33)
Operating profit	**(506)**	**(91)**	**377**	**1,002**	**1,913**	**2,710**
Share of (losses)/profits of associates/JV	(25)	302	360	345	337	309
EBITDA	**(117)**	**821**	**1,496**	**2,289**	**3,501**	**4,568**
Depreciation	334	530	677	859	1,166	1,462
Other amortisation	79	79	82	84	85	86
EBIT	**(531)**	**212**	**737**	**1,347**	**2,250**	**3,020**
Interest expense	(73)	(133)	(128)	(139)	(125)	(108)
Pre-tax profit	**(604)**	**79**	**609**	**1,207**	**2,125**	**2,912**
Income tax	15	12	199	(115)	(266)	(379)
After tax profit	**(590)**	**91**	**809**	**1,093**	**1,859**	**2,533**
Minority interest	0	0	0	0	0	0
Net profit	**(590)**	**91**	**809**	**1,093**	**1,859**	**2,533**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**4,355**	**5,732**	**8,905**	**9,672**	**14,717**	**20,530**
Cash & equivalents	2,034	2,199	4,183	2,867	3,884	6,407
Restricted cash	472	1,060	1,077	1,100	1,200	1,200
Account receivables	1,147	1,623	1,700	2,758	4,838	6,454
Inventories	614	679	1,227	2,019	3,235	4,248
Financial assets at FVTPL	0	0	109	322	740	1,164
Other current assets	88	171	609	605	820	1,056
Non-current assets	**9,775**	**9,862**	**12,251**	**15,189**	**17,272**	**18,492**
PP&E	5,619	5,704	7,605	10,144	12,150	13,306
Right-of-use assets	257	226	506	872	922	960
Investment in JVs & assos	3,351	3,467	3,511	3,579	3,655	3,727
Intangibles	491	423	354	290	215	139
Goodwill	1	1	1	1	1	1
Other non-current assets	55	40	274	302	328	358
Total assets	**14,131**	**15,594**	**21,156**	**24,862**	**31,989**	**39,022**
Current liabilities	**6,150**	**6,497**	**8,679**	**10,859**	**16,150**	**20,904**
Short-term borrowings	694	1,246	1,858	1,324	1,200	1,200
Account payables	3,416	3,743	5,014	7,788	12,607	16,802
Tax payable	0	0	0	0	0	0
Other current liabilities	1,968	1,463	1,736	1,666	2,219	2,743
Lease liabilities	27	30	31	24	29	32
Contract liabilities	45	15	39	58	95	127
Non-current liabilities	**3,234**	**3,200**	**4,385**	**4,778**	**4,725**	**4,453**
Long-term borrowings	2,841	2,769	3,835	4,035	3,635	2,935
Other non-current liabilities	392	432	550	742	1,090	1,518
Total liabilities	**9,384**	**9,697**	**13,064**	**15,637**	**20,875**	**25,358**
Share capital	2,256	2,387	2,554	2,561	2,564	2,566
Other reserves	2,491	3,510	5,537	6,664	8,550	11,098
Total shareholders equity	**4,747**	**5,897**	**8,092**	**9,225**	**11,114**	**13,664**
Minority interest	0	0	0	0	0	0
Total equity and liabilities	**14,131**	**15,594**	**21,156**	**24,862**	**31,989**	**39,022**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(604)**	**79**	**609**	**1,207**	**2,125**	**2,912**
Depreciation & amortization	414	609	759	943	1,252	1,548
Tax paid	(24)	(0)	(0)	(115)	(266)	(379)
Change in working capital	64	(1,012)	3	961	2,012	2,170
Others	435	(37)	66	(92)	(85)	(22)
Net cash from operations	**284**	**(361)**	**1,437**	**2,904**	**5,037**	**6,230**
Investing						
Capital expenditure	(814)	(625)	(2,601)	(3,970)	(3,410)	(2,910)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Net proceeds from disposal of short-term investments	1,169	0	(108)	(200)	(400)	(400)
Others	(53)	(150)	409	436	456	437
Net cash from investing	**303**	**(775)**	**(2,300)**	**(3,734)**	**(3,354)**	**(2,873)**
Financing						
Net borrowings	1,221	1,369	2,915	1,000	800	500
Proceeds from share issues	5	1,000	1,358	15	8	5
Others	(715)	(1,071)	(1,415)	(1,501)	(1,475)	(1,338)
Net cash from financing	**511**	**1,298**	**2,858**	**(485)**	**(667)**	**(834)**
Net change in cash						
Cash at the beginning of the year	936	2,034	2,199	4,183	2,867	3,884
Exchange difference	0	3	(11)	0	0	0
Cash at the end of the year	**2,034**	**2,199**	**4,183**	**2,867**	**3,884**	**6,407**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	26.5%	23.3%	57.9%	55.3%	65.1%	33.4%
Gross profit	na	259.0%	99.3%	37.9%	65.9%	34.1%
Operating profit	na	na	na	165.7%	90.8%	41.7%
EBITDA	na	na	82.3%	53.0%	52.9%	30.5%
EBIT	na	na	248.3%	82.7%	67.0%	34.2%
Net profit	na	na	788.4%	35.1%	70.1%	36.3%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	5.0%	14.6%	18.4%	16.3%	16.4%	16.5%
Operating margin	(12.2%)	(1.8%)	4.7%	8.0%	9.2%	9.8%
EBITDA margin	(2.8%)	16.0%	18.5%	18.2%	16.9%	16.5%
Return on equity (ROE)	(16.3%)	1.7%	11.6%	12.6%	18.3%	20.4%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	0.2	0.1	0.1	0.2	(0.0)	(0.3)
Current ratio (x)	0.7	0.9	1.0	0.9	0.9	1.0
Receivable turnover days	100.6	115.5	76.6	80.0	85.0	85.0
Inventory turnover days	56.7	56.5	67.7	70.0	68.0	67.0
Payable turnover days	315.4	311.7	276.9	270.0	265.0	265.0

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	ns	124.4	15.0	11.5	6.7	5.0
P/E (diluted)	ns	124.4	15.0	11.5	6.8	5.0
P/B	2.0	1.9	1.5	1.4	1.1	0.9
P/CFPS	32.9	ns	8.5	4.3	2.5	2.0
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

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

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