

Chuangxin Industries (2788 HK)

2025 profit +33% YoY; surprising dividend

Chuangxin's net profit in 2025 grew 33% YoY to RMB2.73bn, which is 5% above our expectations but 2% below Bloomberg consensus. Chuangxin proposed a final dividend of HK\$0.77/shr, equivalent to ~54% payout, which is higher than our expectation. Meanwhile, Chuangxin announced two connected transactions, including (1) the acquisition of the remaining 41.5% interest in Shandong Chuangyuan (i.e. the existing alumina refinery business unit) for a consideration of RMB526mn, and (2) the acquisition of a coal mining business (RMB1bn). We think it makes sense for Chuangxin to increase its alumina exposure from a long-term perspective (despite the down-cycle at the moment). However, we see the acquisition of coal mining business as slightly negative, as Chuangxin has already been shifting from coal power to renewables power as a cost reduction measure for its aluminium business. Still, we maintain our positive stance on Chuangxin given its strong capacity growth (Saudi project) and substantial cost reduction potential in China. Maintain **BUY** with unchanged TP of HK\$32 (13x 2026E P/E). We have yet to model the two acquisitions as they are subject to shareholders' approval.

■ **2025 results highlights.** Revenue grew 23% YoY to RMB18.7bn, driven by 6%/139% YoY increase in aluminium / alumina & alumina hydroxide. Gross margin for aluminium business expanded 3.3ppt YoY to 30.2%. Blended gross margin narrowed 3.4ppt YoY to 24.8%, due to the higher growth of low-margin alumina revenue (gross margin: 4.6%). Chuangxin reported other loss of RMB116mn (vs gain of RMB18mn in 2024), due to FX loss and loss on derecognition of financial liabilities. With the help of preferential tax rate (effectively 16%), net profit grew 33% YoY to RMB2.7bn. As at end-2025, net debt to equity ratio was reduced to 56% (from 466% by end-2024), helped by the strong earnings and IPO in HK.

■ **Acquisition of Shandong Chuangyuan will increase alumina exposure.** The consideration for the 41.5% stake is RMB526mn, which is equivalent to a total valuation (assuming 100% stake) of RMB1.27bn (implying ~4.7x 2025 P/E). That said, the alumina segment should be loss-making at the moment due to the weakness of the alumina price. After the acquisition, Shandong Chuangyuan will become a wholly-owned subsidiary of Chuangxin.

■ **Valuation not attractive for Tongliao Smart Mining (coal mining).** The consideration (for 100% stake) is RMB1bn. Tongliao Smart Mining has recoverable reserves of 481 mn tonnes, while the planned annual production capacity is 6mn. In 2025, Tongliao Smart Mining's after-tax profit was only RMB520k. While we think the valuation is not attractive, the absolute amount is not sizeable compared with the current business scale of Chuangxin.

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	4,544.3	4,850.3	5,088.8
EPS (Adjusted) (RMB)	1.37	1.76	2.19	2.34	2.45
Consensus EPS (RMB)	na	1.80	2.12	2.57	0.00
P/E (x)	17.5	13.6	11.0	10.3	9.8
P/B (x)	28.7	5.2	3.9	2.9	2.3
Yield (%)	0.9	2.9	0.9	1.0	1.0
Net gearing (%)	864.0	58.8	45.0	(14.5)	(19.4)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$32.00
Up/Downside	17.0%
Current Price	HK\$27.34

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Stock Data

Mkt Cap (HK\$ mn)	41,010.0
Avg 3 mths t/o (HK\$ mn)	146.2
52w High/Low (HK\$)	NA/NA
Total Issued Shares (mn)	1500.0

Source: FactSet

Shareholding Structure

Cui Lixin	72.3%
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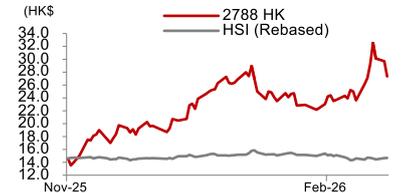
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	19.3%	23.1%
3-mth	42.9%	40.7%
6-mth	NM	NM

Source: FactSet

12-month Price Performance



Source: FactSet

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Figure 1: 2025 results highlights

YE Dec 31 (RMB mn)	2024	2025	Change (YoY)
Total revenue	15,163	18,681	23.2%
Cost of sales	(10,887)	(14,056)	29.1%
Gross profit	4,277	4,625	8.1%
Other income	42	67	60.6%
S&D expenses	(1)	(3)	349.7%
Administrative expenses	(279)	(388)	39.2%
Impairment losses under ECL model	0	0	-1.0%
Other expenses	(28)	(36)	31.8%
EBIT	4,012	4,265	6.3%
Net finance income/(cost)	(748)	(641)	-14.3%
Finance income	13	39	190.4%
Finance expenses	(762)	(680)	-10.7%
Other gains and losses	18	(116)	n/a
Share of profit of JV and associates	(1)	(26)	2999.4%
Pretax profit	3,281	3,481	6.1%
Income tax	(651)	(562)	-13.8%
After tax profit	2,630	2,919	11.0%
MI	(573)	(188)	-67.2%
Net profit	2,056	2,731	32.8%

Source: Company data, CMBIGM

Figure 2: 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 3: 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	3,614	4,173	4,732	5,291	5,850
	323	3,520	4,079	4,638	5,197	5,756
Coal cost	340	3,426	3,985	4,544	5,103	5,663
RMB/t	357	3,332	3,891	4,450	5,009	5,569
	374	3,238	3,797	4,356	4,916	5,475

Source: CMBIGM estimates

Figure 4: 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	4,654	4,750	4,846	4,942	5,037
	466	4,503	4,599	4,695	4,791	4,887
Bauxite	490	4,353	4,449	4,544	4,640	4,736
RMB/t	515	4,202	4,298	4,394	4,489	4,585
	539	4,051	4,147	4,243	4,339	4,434

Source: CMBIGM estimates

Figure 5: 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	3,728	4,287	4,846	5,405	5,964
	466	3,577	4,136	4,695	5,254	5,813
Bauxite	490	3,426	3,985	4,544	5,103	5,663
RMB/t	515	3,275	3,834	4,394	4,953	5,512
	539	3,125	3,684	4,243	4,802	5,361

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	7,979	7,991	8,094
Depreciation	781	760	1,065	1,117	1,169	1,169
EBIT	2,162	4,012	4,265	6,862	6,821	6,924
Interest income	45	13	39	51	68	96
Interest expense	(940)	(762)	(680)	(589)	(478)	(385)
Net Interest income/(expense)	(895)	(748)	(641)	(538)	(410)	(290)
Pre-tax profit	1,273	3,281	3,481	6,312	6,736	7,068
Income tax	(192)	(651)	(562)	(1,262)	(1,347)	(1,414)
Minority interest	(77)	(573)	(188)	(505)	(539)	(565)
Adjusted net profit	1,004	2,056	2,731	4,544	4,850	5,089
Gross dividends	0	330	1,466	454	485	509
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	7,241	3,784	10,532	7,956	14,780	14,398
Cash & equivalents	584	176	5,091	3,530	9,231	9,949
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	18,433	18,265	18,623
PP&E	6,686	9,152	12,046	11,871	11,643	11,416
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	26,389	33,045	33,021
Current liabilities	9,881	8,738	14,857	10,314	13,535	8,342
Short-term borrowings	4,251	4,942	9,429	8,929	7,929	6,929
Account payables	4,699	2,945	5,091	1,047	5,268	1,076
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	12,632	14,354	9,161
Total shareholders equity	2,950	1,255	9,623	12,702	17,097	21,701
Minority interest	499	1,072	550	1,055	1,594	2,159
Total equity and liabilities	19,554	18,320	28,349	26,389	33,045	33,021

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,273	3,281	3,481	6,312	6,736	7,068
Depreciation & amortization	781	760	1,065	1,117	1,169	1,169
Tax paid	(25)	(447)	(562)	(1,262)	(1,347)	(1,414)
Change in working capital	1,620	(953)	1,376	(3,240)	3,306	(3,302)
Others	(1,104)	3,920	1,602	9,697	3,608	10,614
Net cash from operations	4,554	3,462	4,925	3,496	9,970	3,398
Investing						
Capital expenditure	(450)	(3,005)	(3,754)	(800)	(800)	(800)
Acquisition of subsidiaries/ investments	0	(1)	(712)	(748)	(100)	(100)
Others	2,082	579	39	46	63	91
Net cash from investing	1,632	(2,427)	(4,427)	(1,502)	(837)	(809)
Financing						
Dividend paid	0	(330)	0	(1,466)	(454)	(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	3,530	9,231
Exchange difference	0	0	(908)	(0)	(0)	(0)
Cash at the end of the year	584	176	5,091	3,530	9,231	9,949
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%	49.7%	0.2%	1.3%
EBIT	18.9%	85.5%	6.3%	60.9%	(0.6%)	1.5%
Adj. net profit	13.9%	104.9%	32.8%	66.4%	6.7%	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%	40.6%	40.0%	40.2%
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	0.5	(0.1)	(0.2)
Current ratio (x)	0.7	0.4	0.7	0.8	1.1	1.7
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	90.0	90.0	90.0
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	35.9	17.5	13.6	11.0	10.3	9.8
P/B	12.2	28.7	5.2	3.9	2.9	2.3
Div yield (%)	0.0	0.9	2.9	0.9	1.0	1.0

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

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