China Hongqiao (1378 HK)

Major subsidiary's 1Q26 profit +38% YoY; in line with expectations

BUY (Maintain)

Target Price	**HK$45.00**
Up/Downside	**23.6%**
Current Price	**HK$36.40**

China Materials

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Hongqiao Holdings (002379 CH, NR), the major subsidiary (88.99% stake) of China Hongqiao, announced over the weekend that revenue / net profit in 1Q26 rose +3% / +38% YoY to RMB40.9bn/ RMB6.76bn. The results were driven by higher ASP (Shanghai aluminium price +17% to RMB24k/t in 1Q26) and lower input costs (such as bauxite). Given that Hongqiao Holdings carries the majority of operating assets of China Hongqiao (except bauxite JV, Indonesia alumina capacity and captive power plants), we expect China Hongqiao achieved similar results in 1Q26. Shanghai aluminium price in Apr (MTD) has further increased 3% versus 1Q26. We maintain our view that tight global supply will continue to lend support to the aluminium price. We estimate every 1% increase in aluminium price will boost China Hongqiao's 2026E earnings by ~2.3% (other factors being constant). We have left our earnings forecast unchanged. Maintain **BUY** with unchanged TP of HK$45, based on 11x 2026E P/E (equivalent to the historical average plus 2SD to reflect the supply constraint-driven upcycle).

- **Key risks**: (1) unexpected removal of capacity cap in China; (2) faster-than-expected overseas capacity ramp-up; (3) slowdown of global economy; (4) sharp increases in input costs such as bauxite and coal.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	156,169	162,354	168,188	163,056	159,500
YoY growth (%)	16.9	4.0	3.6	(3.1)	(2.2)
Adjusted net profit (RMB mn)	24,564.8	26,418.2	36,122.6	32,942.2	30,598.5
EPS (Adjusted) (RMB)	2.59	2.78	3.64	3.32	3.08
Consensus EPS (RMB)	na	na	3.45	3.53	na
P/E (x)	13.4	13.3	8.7	9.6	10.3
P/B (x)	2.8	2.4	2.1	1.9	1.8
Yield (%)	4.7	4.8	6.9	6.3	5.8
Net gearing (%)	24.4	11.4	(5.5)	(9.9)	(18.0)

Source: Company data, Bloomberg, CMBIGM estimates

Stock Data

Mkt Cap (HK$ mn)	361,247.4
Avg 3 mths t/o (HK$ mn)	1,580.7
52w High/Low (HK$)	40.22/13.74
Total Issued Shares (mn)	9924.4

Source: FactSet

Shareholding Structure

Shipping Trust Company (Zhang's family)	61.5%
CITIC Group	5.7%

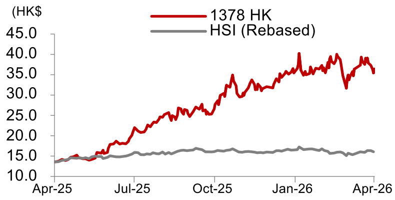
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	6.9%	3.2%
3-mth	1.5%	4.5%
6-mth	31.3%	32.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

China Hongqiao (1378 HK) – 2025 core profit in-line; Supply disruption to drive ASP in 2026E – 22 Mar 206 (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)

China Hongqiao (1378 HK) - Raising earnings and TP on higher aluminium price – 4 Feb 2026 (link)

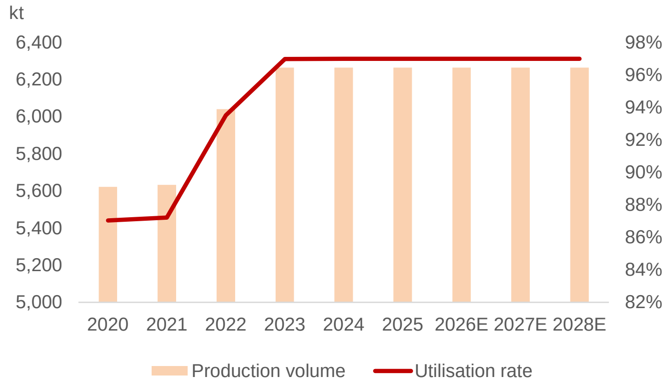
Operating assumptions

Figure 1: Key operating assumptions

	2023	2024	2025	2026E	2027E	2028E
Sales volume (000 tonnes)						
Aluminum alloy products	5,748	5,837	5,824	5,889	5,889	5,889
Alumina	10,374	10,921	13,397	11,601	11,601	11,601
Aluminum fabrication products	580	766	798	649	662	675
Change YoY						
Aluminum alloy products	5.0%	1.5%	-0.2%	1.1%	0.0%	0.0%
Alumina	25.0%	5.3%	22.7%	-13.4%	0.0%	0.0%
Aluminum fabrication products	-4.8%	32.1%	4.2%	-18.7%	2.0%	2.0%
ASP (RMB/t) ex-VAT						
Aluminum alloy products	16,465	17,549	18,217	20,950	20,321	19,712
Alumina	2,560	3,420	2,899	2,522	2,396	2,396
Aluminum fabrication products	19,835	20,328	20,911	22,793	22,337	21,890
Change YoY						
Aluminum alloy products	-6.4%	6.6%	3.8%	15.0%	-3.0%	-3.0%
Alumina	-0.8%	33.6%	-15.2%	-13.0%	-5.0%	0.0%
Aluminum fabrication products	-9.2%	2.5%	2.9%	9.0%	-2.0%	-2.0%
Unit cost (RMB/t)						
Aluminum alloy products	-13,602	-13,232	-13,034	-12,790	-12,787	-12,802
Alumina	-2,275	-2,208	-2,256	-2,050	-2,050	-2,050
Aluminum fabrication products	-17,016	-15,369	-17,118	-17,550	-17,199	-16,855
Change YoY						
Aluminum alloy products	-10.6%	-2.7%	-1.5%	-1.9%	0.0%	0.1%
Alumina	4.1%	-2.9%	2.2%	-9.1%	0.0%	0.0%
Aluminum fabrication products	-5.1%	-9.7%	11.4%	2.5%	-2.0%	-2.0%
Unit gross profit (RMB/t)						
Aluminum alloy products	2,863	4,317	5,183	8,160	7,534	6,910
Alumina	285	1,212	643	472	346	346
Aluminum fabrication products	2,819	4,959	3,793	5,242	5,137	5,035
Change YoY						
Aluminum alloy products	20.8%	50.8%	20.1%	57.4%	-7.7%	-8.3%
Alumina	-27.6%	324.9%	-46.9%	-26.6%	-26.7%	0.0%
Aluminum fabrication products	-28.0%	75.9%	-23.5%	38.2%	-2.0%	-2.0%

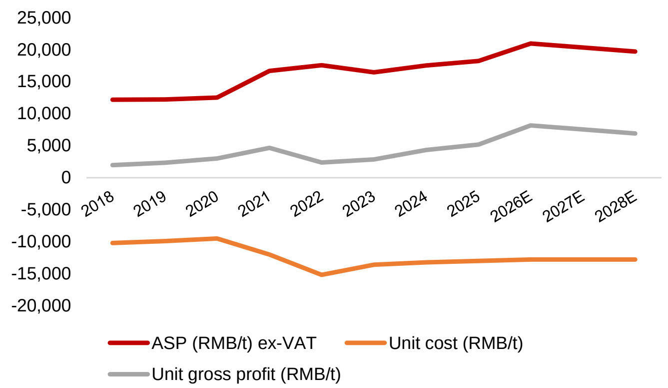
Source: Company data, CMBIGM estimates

Figure 2: Aluminium production volume, utilisation rates



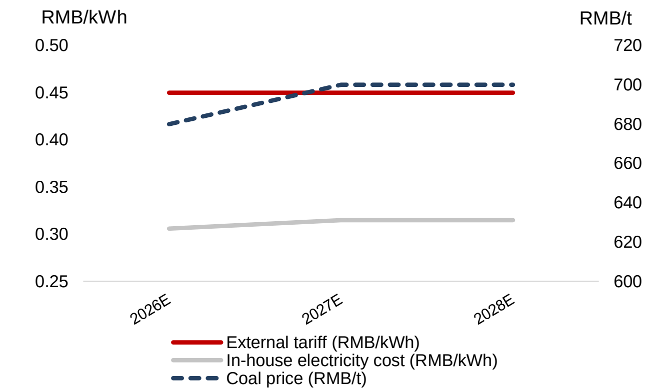
Source: Company data, CMBIGM estimates

Figure 3: Aluminum ASP, unit cost & margin



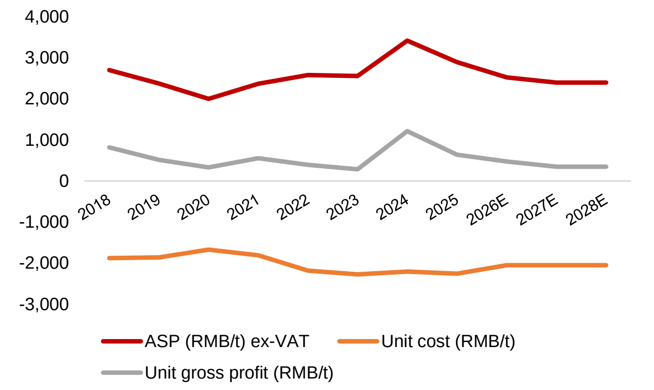
Source: Company data, CMBIGM estimates

Figure 4: Electricity and coal costs forecast



Source: Company data, CMBIGM estimates

Figure 5: Alumina ASP, unit cost & margin



Source: Company data, CMBIGM estimates

Earnings sensitivity

Figure 6: Earnings sensitivity (annualized) to 5% change in aluminium ASP & coal cost

2026E net profit (RMB mn)		Al ASP (RMB/t)				
		18,855	19,902	**20,950**	21,997	23,045
	612	28,736	32,980	37,223	41,467	45,710
	646	28,186	32,430	36,673	40,916	45,160
Coal cost	**680**	27,636	31,879	**36,123**	40,366	44,609
RMB/t	714	27,086	31,329	35,572	39,816	44,059
	748	26,535	30,779	35,022	39,265	43,509

Source: CMBIGM estimates

Figure 7: Earnings sensitivity (annualized) to 5% change in aluminium ASP & external tariff

2026E net profit (RMB mn)		Al ASP (RMB/t)				
		18,855	19,902	**20,950**	21,997	23,045
	0.41	28,917	33,161	37,404	41,647	45,891
	0.43	28,277	32,520	36,763	41,007	45,250
External tariff	**0.45**	27,636	31,879	**36,123**	40,366	44,609
RMB/kWh	0.47	26,995	31,238	35,482	39,725	43,969
	0.50	26,354	30,598	34,841	39,084	43,328

Source: CMBIGM estimates

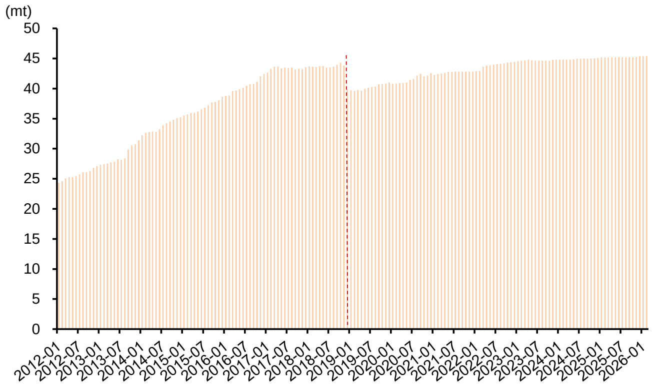
Figure 8: Earnings sensitivity (annualized) to 5% change in alumina ASP & bauxite cost

2026E net profit (RMB mn)		Alumina ASP (RMB/t)				
		2,270	2,396	**2,522**	2,648	2,774
	450	36,341	36,953	37,564	38,176	38,788
	475	35,620	36,232	36,844	37,455	38,067
Bauxite	**500**	34,899	35,511	**36,123**	36,734	37,346
RMB/t	525	34,178	34,790	35,402	36,013	36,625
	550	33,457	34,069	34,681	35,292	35,904

Source: CMBIGM estimates

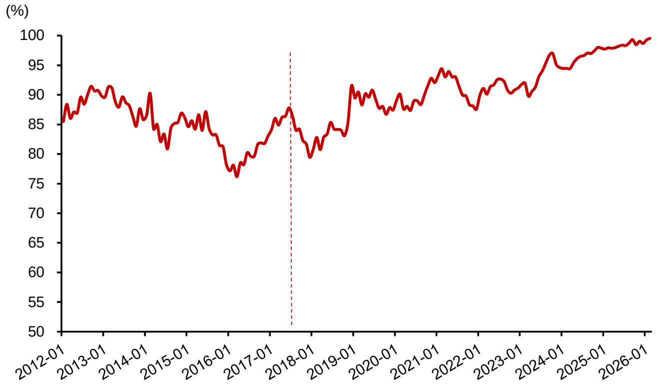
Industry trend

Figure 9: China aluminium annual capacity



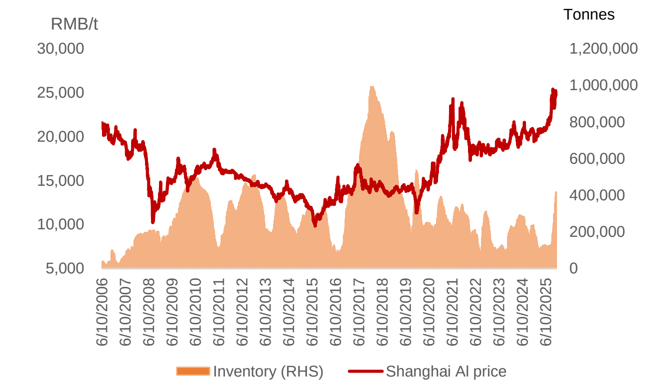
Source: Wind, CMBIGM

Figure 10: China aluminium capacity utilisation rate



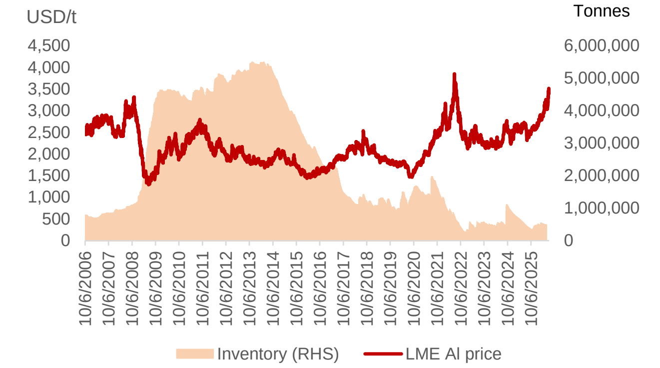
Source: Wind, CMBIGM

Figure 11: Shanghai aluminium price and inventory



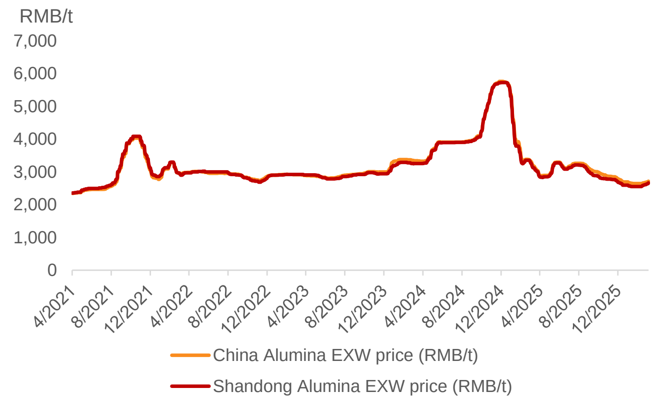
Source: Bloomberg, CMBIGM

Figure 12: LME aluminium price and inventory



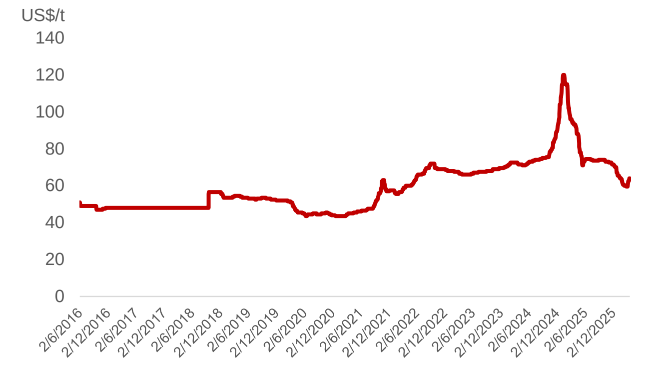
Source: Bloomberg, CMBIGM

Figure 13: Alumina EXW price in China



Source: Wind, CMBIGM

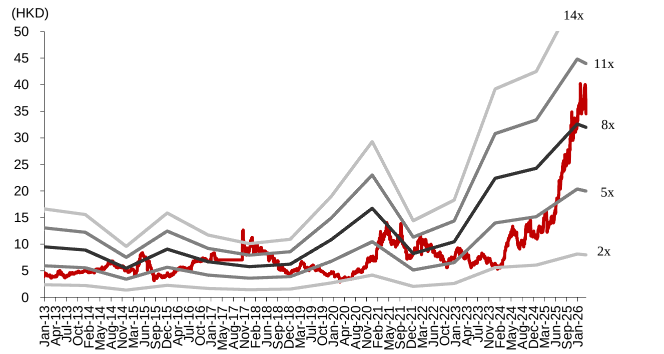
Figure 14: Import price of bauxite from Guinea to China (CIF)



Source: Bloomberg, CMBIGM

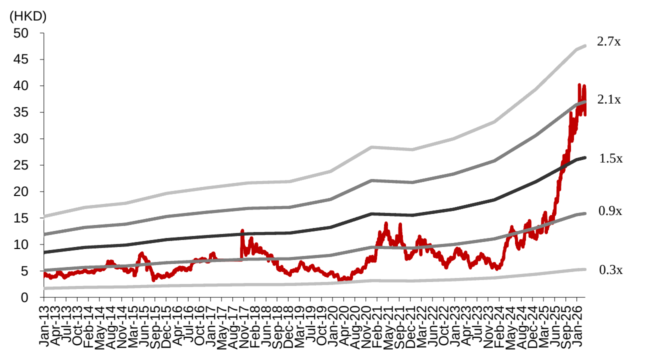
Valuation

Figure 15: Hongqiao's 12M forward P/E band



Source: Bloomberg, company data, CMBIGM estimates

Figure 16: Hongqiao's 12M forward P/B band



Source: Bloomberg, company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**133,624**	**156,169**	**162,354**	**168,188**	**163,056**	**159,500**
Cost of goods sold	(112,669)	(114,006)	(120,848)	(111,372)	(111,356)	(111,482)
Gross profit	**20,955**	**42,163**	**41,505**	**56,816**	**51,700**	**48,018**
Selling expense	(755)	(661)	(743)	(673)	(652)	(638)
Admin expense	(4,953)	(4,993)	(4,275)	(5,046)	(4,892)	(4,785)
R&D expense	(945)	(2,899)	(1,221)	(841)	(815)	(798)
Other income	3,405	2,632	2,058	3,027	2,935	2,871
Other gains/(losses)	(49)	(2,192)	(3,782)	0	0	0
Share of (losses)/profits of associates/JV	1,193	1,758	2,629	1,436	1,763	1,919
EBITDA	**24,619**	**42,479**	**43,791**	**60,029**	**55,223**	**51,816**
Depreciation	6,912	6,237	6,468	6,745	6,947	7,148
EBIT	**17,707**	**36,242**	**37,324**	**53,284**	**48,276**	**44,668**
Interest income	308	353	359	782	914	1,010
Interest expense	(3,268)	(3,363)	(3,483)	(3,949)	(3,939)	(3,930)
Net Interest income/(expense)	**(2,960)**	**(3,011)**	**(3,124)**	**(3,167)**	**(3,026)**	**(2,919)**
Pre-tax profit	**15,890**	**32,797**	**33,046**	**51,552**	**47,013**	**43,668**
Income tax	(3,393)	(8,252)	(8,893)	(11,857)	(10,813)	(10,044)
Minority interest	(1,037)	(2,173)	(1,518)	(3,573)	(3,258)	(3,026)
Adjusted net profit	**11,461**	**24,565**	**26,418**	**36,123**	**32,942**	**30,599**
Gross dividends	5,411	14,094	15,035	21,674	19,765	18,359

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**87,395**	**109,825**	**114,567**	**138,185**	**145,813**	**160,583**
Cash & equivalents	31,721	44,770	51,187	74,570	82,197	97,356
Account receivables	5,489	9,774	8,894	4,929	9,366	4,618
Inventories	33,958	37,344	36,636	34,154	36,625	34,235
ST bank deposits	1,827	2,797	6,328	6,328	6,328	6,328
Other current assets	14,400	15,139	11,522	18,203	11,297	18,047
Non-current assets	**112,925**	**119,340**	**130,812**	**135,518**	**138,349**	**141,135**
PP&E	70,200	75,393	78,986	82,208	83,230	84,053
Deferred income tax	2,990	2,622	2,934	2,934	2,934	2,934
Investment in JVs & assos	11,034	13,222	18,423	19,858	21,621	23,541
Intangibles	43	45	58	62	65	65
Goodwill	278	278	198	198	198	198
Financial assets at FVTPL	13,127	12,233	12,593	12,593	12,593	12,593
Other non-current assets	15,253	15,546	17,620	17,664	17,708	17,752
Total assets	**200,320**	**229,165**	**245,379**	**273,703**	**284,162**	**301,718**
Current liabilities	**74,029**	**76,983**	**54,089**	**57,753**	**53,685**	**57,382**
Short-term borrowings	49,118	45,104	26,893	26,693	26,493	26,293
Account payables	11,648	14,931	11,189	15,052	11,185	15,082
Tax payable	2,586	3,674	2,251	2,251	2,251	2,251
Other current liabilities	10,677	13,274	13,757	13,757	13,757	13,757
Non-current liabilities	**20,035**	**33,569**	**49,579**	**49,579**	**49,579**	**49,579**
Long-term borrowings	13,792	25,781	44,381	44,381	44,381	44,381
Other non-current liabilities	6,243	7,788	5,198	5,198	5,198	5,198
Total liabilities	**94,064**	**110,552**	**103,669**	**107,332**	**103,265**	**106,962**
Total shareholders equity	**92,245**	**107,800**	**132,593**	**153,681**	**164,949**	**175,782**
Minority interest	14,012	10,814	9,117	12,690	15,948	18,974
Total equity and liabilities	**200,320**	**229,165**	**245,379**	**273,703**	**284,162**	**301,718**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**15,890**	**32,797**	**33,046**	**51,552**	**47,013**	**43,668**
Depreciation & amortization	6,912	6,237	6,468	6,745	6,947	7,148
Tax paid	(1,686)	(6,367)	(8,893)	(11,857)	(10,813)	(10,044)
Change in working capital	(983)	(4,459)	4,103	3,629	(3,869)	4,286
Others	2,269	5,775	4,271	1,732	1,263	1,000
Net cash from operations	**22,402**	**33,983**	**38,995**	**51,800**	**40,541**	**46,059**
Investing						
Capital expenditure	(5,662)	(12,311)	(10,121)	(10,000)	(8,000)	(8,000)
Acquisition of subsidiaries/ investments	(3,700)	(2,884)	(2,572)	0	0	0
Others	(8,526)	2,638	(9,802)	767	899	995
Net cash from investing	**(17,889)**	**(12,557)**	**(22,494)**	**(9,233)**	**(7,101)**	**(7,005)**
Financing						
Dividend paid	(3,786)	(7,659)	(8,933)	(15,035)	(21,674)	(19,765)
Net borrowings	3,240	7,975	389	(200)	(200)	(200)
Proceeds from share issues	0	0	4,867	0	0	0
Others	347	(8,747)	(6,460)	(3,949)	(3,939)	(3,930)
Net cash from financing	**(200)**	**(8,431)**	**(10,136)**	**(19,184)**	**(25,813)**	**(23,895)**
Net change in cash						
Cash at the beginning of the year	27,385	31,721	44,770	51,187	74,570	82,197
Exchange difference	22	54	52	(0)	0	0
Cash at the end of the year	**31,721**	**44,770**	**51,187**	**74,570**	**82,197**	**97,356**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	1.5%	16.9%	4.0%	3.6%	(3.1%)	(2.2%)
Gross profit	14.9%	101.2%	(1.6%)	36.9%	(9.0%)	(7.1%)
EBITDA	12.7%	72.5%	3.1%	37.1%	(8.0%)	(6.2%)
EBIT	17.1%	104.7%	3.0%	42.8%	(9.4%)	(7.5%)
Adj. net profit	31.7%	114.3%	7.5%	36.7%	(8.8%)	(7.1%)

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	15.7%	27.0%	25.6%	33.8%	31.7%	30.1%
EBITDA margin	18.4%	27.2%	27.0%	35.7%	33.9%	32.5%
Adj. net profit margin	8.6%	15.7%	16.3%	21.5%	20.2%	19.2%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	0.3	0.2	0.1	(0.1)	(0.1)	(0.2)
Current ratio (x)	1.2	1.4	2.1	2.4	2.7	2.8
Receivable turnover days	13.8	17.8	21.0	15.0	16.0	16.0
Inventory turnover days	115.4	114.1	111.7	116.0	116.0	116.0
Payable turnover days	43.0	42.5	39.4	43.0	43.0	43.0

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	26.3	13.4	13.3	8.7	9.6	10.3
P/B	3.3	2.8	2.4	2.1	1.9	1.8
Div yield (%)	1.8	4.7	4.8	6.9	6.3	5.8

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

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