

Hongqiao Holdings (002379 CH)

Net profit +77% YoY in 1H26, in line with profit alert

Hongqiao Holdings' net profit came in at RMB15.6bn (up 77% YoY) in 1H26, in line with the profit alert announced in Jul. The results imply 1.2x YoY growth of net profit in 2Q26. The earnings growth in 1H26 was much higher than that of **China Hongqiao (1378 HK, BUY)**, as (1) Hongqiao Holdings' expense growth was less than that of China Hongqiao, and (2) Hongqiao Holdings does not own bauxite asset (weak bauxite price in 1H26). We revise up our 2026E/27E/28E earnings forecasts by 7%/4%/4%, mainly due to lower minority interest assumptions, which offset the lower forecast on alumina profit. Our TP is slightly lowered to RMB28, based on 12x 2026E P/E, equivalent to unchanged 20% premium to our target multiple (10x) for China Hongqiao (previously RMB29, as we trimmed our target P/E of China Hongqiao).

Key highlights of 1H26 earnings

(RMB mn)	1H25	1H26	Change (YoY)
Total revenue	77,270	86,504	12.0%
Cost of sales	-62,693	-64,551	3.0%
Gross profit	14,576	21,953	50.6%
Other income and gains	-27	392	n/a
S&D expenses	-26	-19	-25.9%
Administrative expenses	-1,329	-1,356	2.0%
Other expenses	-200	-524	162.3%
EBIT	12,995	20,446	57.3%
Net finance income/(cost)	-634	-478	-24.5%
Finance income	208	-21	n/a
Finance expenses	-842	-457	-45.7%
Change in fair values	-8	-34	357.1%
Share of profit of JV and associates	15	16	6.5%
Pretax profit	12,368	19,949	61.3%
Income tax	-3,090	-4,303	39.3%
After tax profit	9,278	15,645	68.6%
MI & discontinued operation	-440	0	n/a
Net profit	8,838	15,645	77.0%
Recurring net profit	8,838	15,645	77.0%

			Change (ppt)
Key ratios			
Gross margin	18.9%	25.4%	6.5
S&D expenses ratio	0.03%	0.02%	-0.0
Administrative expense ratio	1.7%	1.6%	-0.2
Other expense ratio	0.3%	0.6%	0.3
Net margin	12.0%	18.1%	6.1
Effective tax rate	25.0%	21.6%	-3.4

Source: Company data, CMBIGM

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	150,336	156,721	173,106	172,446	175,574
YoY growth (%)	na	4.2	10.5	(0.4)	1.8
Adjusted net profit (RMB mn)	17,227.9	17,863.5	30,285.2	27,393.7	25,465.7
EPS (Adjusted) (RMB)	na	1.37	2.32	2.10	1.95
Consensus EPS (RMB)	na	na	2.55	2.79	2.92
P/E (x)	na	13.3	7.8	8.7	9.3
P/B (x)	na	5.2	3.3	3.1	2.9
Yield (%)	na	1.4	9.6	8.6	8.0
Net gearing (%)	27.4	10.7	(24.8)	(26.6)	(26.3)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **RMB28.00**
 (Previous TP **RMB29.00**)
Up/Downside **53.6%**
Current Price **RMB18.23**

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Stock Data

Mkt Cap (RMB mn) 237,557.3
 Avg 3 mths t/o (RMB mn) 1,021.0
 52w High/Low (RMB) 32.53/14.15
 Total Issued Shares (mn) 13031.1

Source: FactSet

Shareholding Structure

China Hongqiao 89.0%

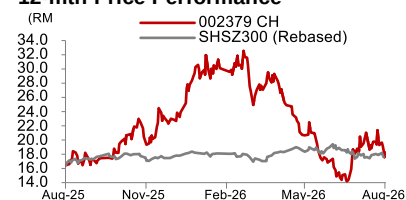
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	1.1%	3.7%
3-mth	-11.8%	-8.6%
6-mth	-39.5%	-38.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

Aluminium – Upside to our supply forecast following the resumption of EGA production – 13 Aug 2026 ([link](#))

Aluminium – Concerns largely priced in; Attractive valuation – 23 Jun 2026 ([link](#))

A prolonged supply deficit even assuming the end of Iran war – 12 May 2026 ([link](#))

Hongqiao Holdings (002379 CH) - High earnings sensitivity to aluminium price, high dividend payout; initiate with BUY – 12 May 2026 ([link](#))

Results highlights

Figure 1: Key financials in 2Q26

(RMB mn)	1Q25	1Q26	Change YoY	2Q25	2Q26	Change YoY
Total revenue	39,662	40,933	3.2%	37,608	45,571	21.2%
Cost of sales	-31,570	-31,097	-1.5%	-31,123	-33,454	7.5%
Gross profit	8,092	9,836	21.6%	6,485	12,117	86.8%
Other income	77	-6	n/a	-105	397	n/a
S&D expenses	-15	-12	-18.5%	-10	-7	-36.5%
Administrative expenses	-654	-678	3.7%	-675	-678	0.4%
Other expenses	-85	-421	395.9%	-115	-103	-10.3%
EBIT	7,415	8,719	17.6%	5,580	11,727	110.2%
Net finance income/(cost)	-500	-218	-56.4%	-134	-260	94.7%
Change in fair value	-15	31	n/a	7	-65	n/a
Share of profit of JV and associates	7	5	-31.2%	7	11	44.6%
Pretax profit	6,908	8,536	23.6%	5,460	11,412	109.0%
Income tax	-1,749	-1,780	1.8%	-1,341	-2,524	88.2%
After tax profit	5,159	6,757	31.0%	4,120	8,889	115.8%
MI	-246	1	n/a	-194	-1	-99.3%
Net profit	4,913	6,758	37.6%	3,925	8,887	126.4%
Key ratios			Change (ppt)			Change (ppt)
Gross margin	20.4%	24.0%	3.6	17.2%	26.6%	9.3
S&D expenses ratio	0.0%	0.0%	-0.0	0.0%	0.0%	-0.0
Administrative expense ratio	1.6%	1.7%	0.0	1.8%	1.5%	-0.3
Other expense ratio	0.2%	1.0%	0.8	0.3%	0.2%	-0.1
Net margin	13.0%	16.5%	3.5	11.0%	19.5%	8.6
Effective tax rate	25.3%	20.9%	-4.5	24.6%	22.1%	-2.4

Source: Company data, CMBIGM estimates

Figure 2: Revenue and gross margin breakdown in 1H26

(RMB mn)	1H25	1H26	Change (YoY)
Revenue			
Aluminum (alloy products + molten aluminum)	52,122	60,262	15.6%
Alumina	15,270	13,261	-13.2%
Aluminum fabrication products	7,441	10,397	39.7%
Recycled aluminum	328	582	77.6%
Others	2,108	2,001	-5.1%
Total	77,270	86,504	12.0%
Gross margin			Change (ppt)
Aluminum (alloy products + molten aluminum)	19.9%	30.7%	10.9
Alumina	18.9%	1.2%	(17.7)
Aluminum fabrication products	13.6%	25.7%	12.1
Recycled aluminum	41.6%	24.4%	(17.1)
Others	9.5%	23.4%	13.9
Total	18.9%	25.4%	6.5

Note: Aluminum hydroxide has been included in "others" since 1H26

Source: Company data, CMBIGM estimates

Operating assumptions

Figure 3: Change in key operating assumptions

	Old			New			Change		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
(RMB mn)									
Revenue									
Aluminum (alloy products + molten aluminum)	127,197	123,381	119,680	127,197	123,381	119,680	0%	0%	0%
Alumina	23,743	22,556	22,556	22,379	22,379	22,379	-6%	-1%	-1%
Aluminum fabrication products	17,963	20,711	27,062	18,128	20,901	27,310	1%	1%	1%
Recycled aluminum	744	781	820	1,134	1,304	1,500	52%	67%	83%
Aluminum hydroxide	1,599	1,679	1,763	1,599	1,679	1,763	0%	0%	0%
Others	2,669	2,803	2,943	2,669	2,803	2,943	0%	0%	0%
Total	173,916	171,911	174,824	173,106	172,446	175,574	0%	0%	0%
Gross margin							Change in ppt		
Aluminum (alloy products + molten aluminum)	32.2%	31.2%	29.1%	32.6%	30.9%	28.8%	0.38	-0.31	-0.32
Alumina	4.1%	-1.0%	-1.0%	-1.8%	-4.1%	-4.1%	-5.85	-3.06	-3.06
Aluminum fabrication products	13.0%	14.5%	16.0%	22.0%	18.0%	18.0%	9.02	3.50	2.00
Recycled aluminum	21.6%	21.6%	21.6%	21.6%	21.6%	21.6%	0.00	0.00	0.00
Aluminum hydroxide	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	0.00	0.00	0.00
Others	39.8%	39.8%	39.8%	39.8%	39.8%	39.8%	0.00	0.00	0.00
Blended gross margin	25.6%	24.1%	22.4%	26.2%	23.9%	22.1%	0.62	-0.19	-0.28
Net finance expense	-1,016	-892	-856	-1,010	-894	-871	-1%	0%	2%
S&D expense ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0
Administrative expense ratio	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	0.0	0.0	0.0
Other expense ratio	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	0.0	0.0	0.0
Profit from JV/Associates (RMB mn)	24	26	28	24	26	28	0%	0%	0%
Minority interest	-1,409	-1,311	-1,224	0	0	0	-100%	-100%	-100%
Recurring net profit (RMB mn)	28,208	26,240	24,517	30,285	27,394	25,466	7%	4%	4%

Source: Company data, CMBIGM estimates

Figure 4: Key operating assumptions

	2025	2026E	2027E	2028E
Sales volume (000 tonnes)				
Aluminum alloy products	5,871	6,071	6,071	6,071
Alumina	11,141	10,124	10,124	10,124
Aluminum fabrication products	717	789	929	1,238
Change YoY				
Aluminum alloy products	0.2%	3.4%	0.0%	0.0%
Alumina	27.9%	-9.1%	0.0%	0.0%
Aluminum fabrication products	1.1%	10.2%	17.6%	33.3%
ASP (RMB/t) ex-VAT				
Aluminum alloy products	18,217	20,950	20,322	19,712
Alumina	2,696	2,210	2,210	2,210
Aluminum fabrication products	20,875	22,962	22,503	22,053
Change YoY				
Aluminum alloy products	4.0%	15.0%	-3.0%	-3.0%
Alumina	-16.5%	-18.0%	0.0%	0.0%
Aluminum fabrication products	3.1%	10.0%	-2.0%	-2.0%
Unit cost (RMB/t)				
Aluminum alloy products	-14,206	-14,118	-14,037	-14,037
Alumina	-2,368	-2,250	-2,300	-2,300
Aluminum fabrication products	-18,165	-17,911	-18,452	-18,083
Change YoY				
Aluminum alloy products	-1.0%	-0.6%	-0.6%	0.0%
Alumina	1.1%	-5.0%	2.2%	0.0%
Aluminum fabrication products	3.8%	-1.4%	3.0%	-2.0%
Unit gross profit (RMB/t)				
Aluminum alloy products	4,012	6,832	6,285	5,675
Alumina	327	-40	-90	-90
Aluminum fabrication products	2,710	5,052	4,051	3,970
Change YoY				
Aluminum alloy products	26.7%	70.3%	-8.0%	-9.7%
Alumina	-63.0%	-112.1%	126.3%	0.0%
Aluminum fabrication products	-1.0%	86.4%	-19.8%	-2.0%

Source: Company data, CMBIGM estimates

Earnings sensitivity

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

2026E net profit (RMB mn)		Al ASP (RMB/t)				
		18,855	19,903	20,950	21,998	23,045
Coal cost	612	20,892	25,589	30,285	34,982	39,679
	646	20,892	25,589	30,285	34,982	39,679
	680	20,892	25,589	30,285	34,982	39,679
	714	20,892	25,589	30,285	34,982	39,679
	748	20,892	25,589	30,285	34,982	39,679

Source: CMBIGM estimates

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

2026E net profit (RMB mn)		Al ASP (RMB/t)				
		18,855	19,903	20,950	21,998	23,045
External tariff RMB/kWh	0.42	24,229	28,926	33,622	38,319	43,016
	0.45	22,561	27,257	31,954	36,650	41,347
	0.47	20,892	25,589	30,285	34,982	39,679
	0.49	19,223	23,920	28,617	33,313	38,010
	0.52	17,555	22,251	26,948	31,645	36,341

Source: CMBIGM estimates

Figure 7: Earnings sensitivity (annualized) to 5% change in alumina ASP & bauxite cost

2026E net profit (RMB mn)		Alumina ASP (RMB/t)				
		1,989	2,100	2,210	2,321	2,431
Bauxite RMB/t	450	31,035	31,560	32,086	32,611	33,137
	475	30,135	30,660	31,186	31,711	32,236
	500	29,234	29,760	30,285	30,811	31,336
	525	28,334	28,859	29,385	29,910	30,436
	550	27,434	27,959	28,485	29,010	29,536

Source: CMBIGM estimates

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

Financial Summary

INCOME STATEMENT	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)					
Revenue	150,336	156,721	173,106	172,446	175,574
Cost of goods sold	(120,165)	(126,392)	(127,794)	(131,152)	(136,786)
Gross profit	30,171	30,328	45,313	41,294	38,789
Selling expense	(56)	(47)	(52)	(52)	(52)
Admin expense	(2,594)	(2,667)	(2,946)	(2,935)	(2,988)
R&D expense	(2,176)	(1,500)	(1,657)	(1,650)	(1,680)
Other income	164	422	466	517	527
Other gains/(losses)	24	(43)	0	0	0
Share of (losses)/profits of associates/JV	15	25	24	26	28
EBITDA	29,351	30,787	45,553	41,779	39,349
Depreciation	3,842	4,250	4,429	4,604	4,754
EBIT	25,509	26,537	41,125	37,175	34,595
Interest income	(184)	(98)	281	387	401
Interest expense	(1,613)	(1,563)	(1,291)	(1,281)	(1,272)
Net Interest income/(expense)	(1,797)	(1,661)	(1,010)	(894)	(871)
Pre-tax profit	23,751	24,858	40,139	36,306	33,751
Income tax	(5,678)	(6,102)	(9,854)	(8,913)	(8,285)
Minority interest	(845)	(892)	0	0	0
Adjusted net profit	17,228	17,864	30,285	27,394	25,466
Gross dividends	0	3,258	22,714	20,545	19,099

BALANCE SHEET	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)					
Current assets	56,192	59,325	84,390	86,048	90,633
Cash & equivalents	15,221	18,473	41,190	43,497	44,398
Account receivables	3,506	2,839	4,170	2,812	4,296
Inventories	32,588	32,411	33,309	34,138	36,206
ST bank deposits	0	0	0	0	0
Other current assets	4,876	5,603	5,722	5,600	5,733
Non-current assets	51,834	51,963	54,584	56,999	58,298
PP&E	29,662	37,162	39,926	42,515	43,954
Deferred income tax	2,680	2,857	2,857	2,857	2,857
Investment in JVs & assos	257	296	314	334	356
Intangibles	6,423	6,547	6,369	6,191	6,013
Goodwill	80	0	0	0	0
Financial assets at FVTPL	0	0	0	0	0
Other non-current assets	12,731	5,101	5,116	5,100	5,118
Total assets	108,026	111,288	138,974	143,046	148,931
Current liabilities	49,497	48,997	49,655	49,048	50,013
Short-term borrowings	19,878	8,831	8,631	8,431	8,231
Account payables	8,831	8,161	9,019	8,612	9,776
Tax payable	3,807	3,189	3,189	3,189	3,189
Other current liabilities	16,981	28,816	28,816	28,816	28,816
Non-current liabilities	13,830	16,727	16,727	16,727	16,727
Long-term borrowings	7,048	14,531	14,531	14,531	14,531
Other non-current liabilities	6,782	2,196	2,196	2,196	2,196
Total liabilities	63,327	65,724	66,383	65,776	66,740
Total shareholders equity	42,690	45,571	72,599	77,278	82,199
Minority interest	2,010	(8)	(8)	(8)	(8)
Total equity and liabilities	108,026	111,288	138,974	143,046	148,931

CASH FLOW	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)					
Operating					
Profit before taxation	23,751	24,858	40,139	36,306	33,751
Depreciation & amortization	3,842	4,250	4,429	4,604	4,754
Tax paid	(5,678)	(6,102)	(9,854)	(8,913)	(8,285)
Change in working capital	(402)	(1,503)	(1,505)	259	(2,538)
Others	3,769	2,492	986	868	844
Net cash from operations	25,282	23,995	34,195	33,125	28,525
Investing					
Capital expenditure	(9,091)	(5,345)	(7,000)	(7,000)	(6,000)
Acquisition of subsidiaries/ investments	0	(20)	0	0	0
Others	448	(912)	271	378	392
Net cash from investing	(8,642)	(6,277)	(6,729)	(6,622)	(5,608)
Financing					
Dividend paid	0	0	(3,258)	(22,714)	(20,545)
Net borrowings	0	(3,563)	(200)	(200)	(200)
Proceeds from share issues	0	0	0	0	0
Others	(11,027)	(11,519)	(1,291)	(1,281)	(1,272)
Net cash from financing	(11,027)	(15,083)	(4,749)	(24,195)	(22,017)
Net change in cash					
Cash at the beginning of the year	na	15,221	18,473	41,190	43,497
Exchange difference	na	616	0	0	0
Cash at the end of the year	15,221	18,473	41,190	43,497	44,398
GROWTH	2024A	2025A	2026E	2027E	2028E
YE 31 Dec					
Revenue	na	4.2%	10.5%	(0.4%)	1.8%
Gross profit	na	0.5%	49.4%	(8.9%)	(6.1%)
EBITDA	na	4.9%	48.0%	(8.3%)	(5.8%)
EBIT	na	4.0%	55.0%	(9.6%)	(6.9%)
Adj. net profit	na	3.7%	69.5%	(9.5%)	(7.0%)
PROFITABILITY	2024A	2025A	2026E	2027E	2028E
YE 31 Dec					
Gross profit margin	20.1%	19.4%	26.2%	23.9%	22.1%
EBITDA margin	19.5%	19.6%	26.3%	24.2%	22.4%
Adj. net profit margin	11.5%	11.4%	17.5%	15.9%	14.5%
GEARING/LIQUIDITY/ACTIVITIES	2024A	2025A	2026E	2027E	2028E
YE 31 Dec					
Net debt to equity (x)	0.3	0.1	(0.2)	(0.3)	(0.3)
Current ratio (x)	1.1	1.2	1.7	1.8	1.8
Receivable turnover days	na	7.4	7.4	7.4	7.4
Inventory turnover days	na	93.9	93.9	93.9	93.9
Payable turnover days	na	24.5	24.5	24.5	24.5
VALUATION	2024A	2025A	2026E	2027E	2028E
YE 31 Dec					
P/E	na	13.3	7.8	8.7	9.3
P/B	na	5.2	3.3	3.1	2.9
Div yield (%)	na	1.4	9.6	8.6	8.0

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

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HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
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UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

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