MIRAE ASSET Securities

Equity Research
October 29, 2025

600438 CH · Global Solar PV · China

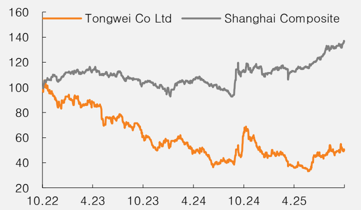
Tongwei

Unmatched cost competitiveness in polysilicon

(Initiate)	**Buy**
Target price	**CNY29.0**
Current price (10/28/25)	CNY22.61
Upside	28.3%

SSE Composite	3,988.22
EPS growth (25F, %)	-
P/E (25F, x)	-
Dividend yield (%)	0.0
Market cap (CNYbn)	101.79
Market cap (Wtr)	20.49
Shares (mn)	4,502.0
60-day avg. trading value (CNYmn)	2,205.25
52-week low (CNY)	14.98
52-week high (CNY)	31.12

(%)	1M	6M	12M
Absolute	4.0	36.2	-21.5
Relative	-0.2	12.3	-34.6



Mirae Asset Securities Co., Ltd.

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Initiate at Buy with TP of CNY29

We initiate our coverage of Tongwei with a Buy rating and target price of CNY29 (implying roughly 28% upside). Our target price is based on a 12-month forward P/B of 3.2x—the company's average multiple in 2H20, when polysilicon prices were rising. The stock is currently trading at a P/B of 2.4x (vs. five-year average of 3.0x); while this is higher than the multiples of other polysilicon producers (0.5-1x P/B), it is not high compared with cell/module makers (2x-6x P/B). As the company already commands a premium for its vertically integrated business model, we see limited potential for further multiple expansion from improved earnings alone. However, given its position as the world's largest polysilicon producer, we believe a strong earnings recovery could still drive a sharp share price rebound.

2026 outlook

In 2026, we expect Tongwei to deliver revenue of CNY106.1bn (+23% YoY) and gross profit of CNY10.7bn (turning to profit YoY). Because its business portfolio is dominated by polysilicon (the most oversupplied segment in the solar value chain), any rapid improvement in profitability is unlikely. However, while its earnings recovery may be slower than that of peers initially, Tongwei is more sensitive to changes in the polysilicon market than any other player, meaning its shares will likely rally strongly once earnings enter a full-fledged recovery phase. Of note, Tongwei's strength does not come from proprietary technology but rather from its ability to rapidly commercialize mainstream technologies and gain market share through large-scale production. With its production capacity and efficiency already proven, the company is poised to be among the biggest beneficiaries once the industry enters an up-cycle.

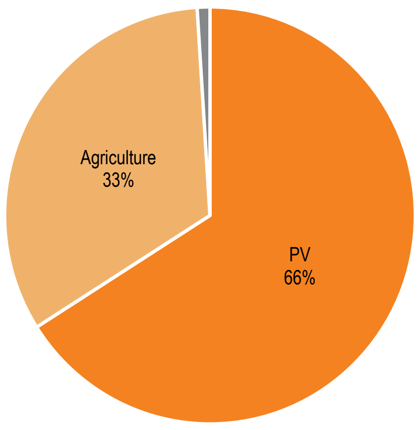
Unmatched cost competitiveness in polysilicon production

Tongwei demonstrates exceptional production efficiency in terms of both power and silicon consumption. Its electricity consumption is about 13% lower than the industry average, and its silicon consumption is around 1.03kg per kg of polysilicon, which is about 6% below the industry average. Thanks to these cost-saving technologies, Tongwei has become the lowest-cost polysilicon producer in the world (among producers using the Siemens process). While it may take time for the polysilicon segment to reach a stage of meaningful margin expansion, Tongwei's high sensitivity to market conditions positions it for a strong rebound once conditions pick up.

(Dec.)	2023	2024	2025F	2026F	2027F
Revenue (CNYmn)	139,104	91,994	86,438	106,076	123,424
OP (CNYmn)	22,290	-8,718	-13,331	317	11,090
OP margin (%)	16.0	-9.5	-15.4	0.3	9.0
NP (CNYmn)	13,574	-7,039	-9,682	164	7,755
EPS (CNY)	3.02	-1.58	-2.15	0.04	1.72
ROE (%)	22.2	-12.8	-22.1	0.4	18.0
P/E (x)	8.3	-	-	621.3	13.1
P/B (x)	1.8	1.9	2.5	2.5	2.1

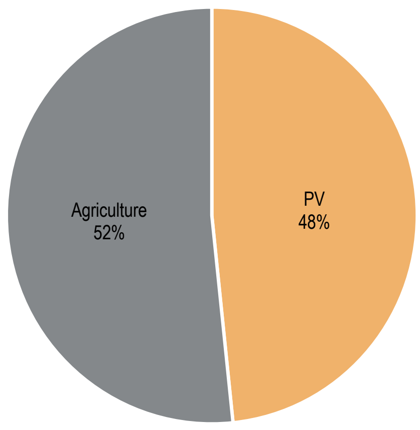
Notes: Under GAAP; NP is attributable to owners of the parent
Source: Company data, Mirae Asset Securities Research estimates

Figure 1. Tongwei: Revenue breakdown by segment



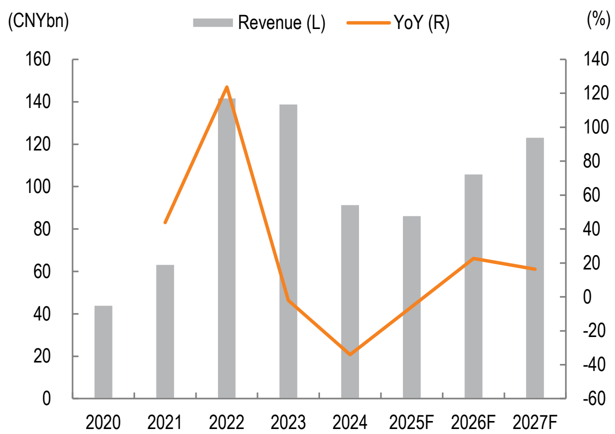
Source: Company data, Mirae Asset Securities Research

Figure 2. Tongwei: GP breakdown by segment



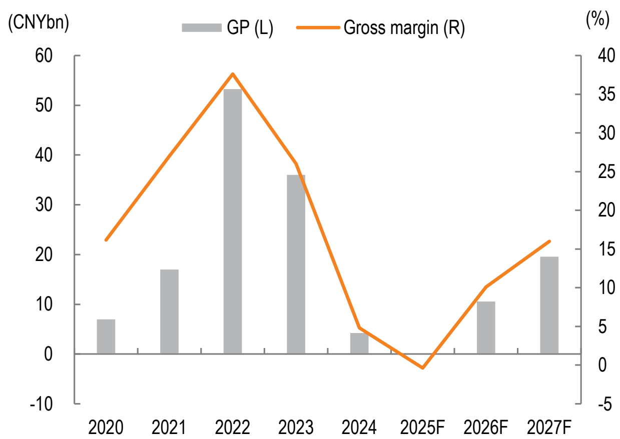
Source: Company data, Mirae Asset Securities Research

Figure 3. Tongwei: Revenue and growth



Source: Company data, Mirae Asset Securities Research

Figure 4. Tongwei: GP and gross margin



Source: Company data, Mirae Asset Securities Research

Table 1. Quarterly and annual earnings (CNYmn)

	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25F	4Q25F	2024	2025F	2026F
Revenue	19,459	24,124	24,376	23,722	15,933	24,575	22,708	23,220	91,680	86,438	106,076
GP	1,495	1,019	1,698	200	-729	217	-394	581	4,412	-325	10,714
NP	-647	-2,993	-1,130	-3,338	-3,043	-3,059	-3,314	-2,806	-8,109	-12,222	212
Polysilicon sales volume (tonnes)	105,000	123,900	135,000	103,700	75,000	86,300	70,875	82,825	467,600	315,000	393,750
Cell sales volume (GW)	7.6	9.0	10.9	14.1	9.1	16.3	9.4	8.6	41.7	43.4	41.3
Module sales volume (GW)	7.0	11.7	11.0	16.0	10.8	13.7	13.5	14.7	45.7	52.7	50.6

Source: Company data, Mirae Asset Securities Research

Tongwei (600438 CH)

Income statement (summarized)

(CNYmn)	2024	2025F	2026F	2027F
Revenue	**91,994**	**86,438**	**106,076**	**123,424**
Cost of revenue	**90,681**	**86,479**	**95,362**	**103,694**
GP	**1,313**	**-41**	**10,714**	**19,730**
SG&A expenses	**10,032**	**13,289**	**10,397**	**8,640**
OP	**-8,718**	**-13,331**	**317**	**11,090**
Non-operating profit	**35**	**-92**	**-87**	**-88**
Net financial income	0	-1,205	-2,202	-3,171
Net income from associates	0	0	0	0
Other	35	1,113	2,115	3,083
Pretax profit	-8,683	-13,423	230	11,002
Income tax	-575	-1,201	18	960
NP	**-8,109**	**-12,222**	**212**	**10,042**
Attr. to owners of the parent	-7,039	-9,682	164	7,755
Non-controlling interest	-1,070	-2,540	48	2,287

Growth & margins	2024	2025F	2026F	2027F
Revenue growth (%)	-33.9	-6.0	22.7	16.4
GP growth (%)	-96.3	-103.1	-26,231.7	84.2
OP growth (%)	-139.1	52.9	-102.4	3,398.4
NP growth (%)	-144.4	50.7	-101.7	4,636.8
EPS growth (%)	-	-	-	4,633.8
Gross margin (%)	1.4	0.0	10.1	16.0
OP margin (%)	-9.5	-15.4	0.3	9.0
Net margin (%)	-8.8	-14.1	0.2	8.1

Balance sheet (summarized)

(CNYmn)	2024	2025F	2026F	2027F
Current assets	**66,193**	**63,923**	**72,026**	**76,068**
Cash & equivalents	14,461	13,286	18,031	24,563
Accounts receivable	22,951	22,465	23,588	22,409
Inventory	12,633	12,366	12,984	12,335
Other	16,148	15,806	17,423	16,761
Non-current assets	**129,724**	**130,920**	**138,387**	**144,387**
Investments	2,570	4,773	6,240	6,240
PP&E	116,288	115,267	121,267	127,267
Intangible	5,320	5,331	5,331	5,331
Other	5,546	5,549	5,549	5,549
Total assets	**195,917**	**194,843**	**210,413**	**220,455**
Current liabilities	**56,538**	**61,165**	**74,146**	**74,146**
Accounts payable	35,051	34,310	44,853	44,853
Short-term borrowings	2,889	5,127	5,127	5,127
Other	18,598	21,728	24,166	24,166
Non-current liabilities	**81,460**	**83,322**	**85,699**	**85,699**
Long-term financial liabilities	80,778	83,057	83,057	83,057
Other	682	265	2,642	2,642
Total liabilities	**137,998**	**144,487**	**159,845**	**159,845**
Equity attr. to owners of the parent	48,456	39,019	39,183	46,939
Capital stock	4,502	4,502	4,502	4,502
Capital surplus	16,138	16,644	16,644	16,644
Retained earnings	29,977	20,294	20,458	28,213
Other	-2,161	-2,421	-2,421	-2,420
Non-controlling interest	9,463	11,337	11,386	13,672
Shareholders' equity	57,919	50,356	50,569	60,611

Cash flow statement (summarized)

(CNYmn)	2024	2025F	2026F	2027F
Operating cash flow	**1,144**	**-1,599**	**16,234**	**15,042**
NP	0	-12,222	212	10,042
Depreciation & amortization	0	0	0	0
Other	1,144	10,623	16,022	5,000
Cash flow from investing activities	**-28,520**	**-10,026**	**-10,298**	**-8,510**
Capex	-28,388	-6,529	-6,000	-6,000
Other	-132	-3,497	-4,298	-2,510
Cash flow from financing activities	**27,480**	**10,684**	**0**	**0**
Dividends	5,628	976	0	0
Chg. in equity	3	506	0	0
Chg. in financial liabilities	44,931	7,819	0	0
Other	-23,082	1,383	0	0
Chg. in cash & equivalents	93	-1,176	4,745	6,532
Beginning balance	14,369	14,461	13,286	18,031
Ending balance	14,461	13,286	18,031	24,563

Key valuation metrics/ratios

	2024	2025F	2026F	2027F
P/E (x)	-	-	621.3	13.1
P/S (x)	1.1	1.2	1.0	0.8
P/B (x)	1.9	2.5	2.5	2.1
EV/EBITDA (x)	-	-	573.8	16.1
EPS (CNY)	-1.58	-2.15	0.04	1.72
BPS (CNY)	11.47	9.11	9.15	10.87
DPS (CNY)	0.00	0.00	0.00	0.00
Dividend payout ratio (%)	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0
Accounts receivable turnover (x)	3.9	3.8	4.6	5.4
Inventory turnover (x)	9.0	6.9	8.4	9.7
Accounts payable turnover (x)	2.9	2.5	2.4	2.3
ROA (%)	-4.5	-6.3	0.1	4.7
ROE (%)	-12.8	-22.1	0.4	18.0
ROIC (%)	-7.6	-10.3	0.3	8.8
Debt-to-equity ratio (x)	238.3	286.9	316.1	263.7
Current ratio (x)	117.1	104.5	97.1	102.6
Net debt-to-equity ratio (x)	115.4	151.1	139.9	107.0

Source: Company data, Mirae Asset Securities Research estimates

Appendix 1

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