

# Xinyi Glass (868 HK)

## Automotive Glass Became a Key Support

Hong Kong | Industry Goods | Update Report

4 September

### Investment Summary

#### H1 2025 Results Pressured by Weak Float Glass Market

Xinyi Glass recently released its interim results for 2025. In H1 2025, the Company recorded revenue of RMB9.821 billion (RMB, the same below), down 9.7% yoy and 14% mom; net profit attributable to the parent company was RMB1.01 billion, down 59.6% yoy. Basic EPS was RMB0.2325, and the interim dividend per share was HK\$0.125, representing a payout ratio of 49.3%, compared to 47.9% in the same period last year.

The decline in results was mainly due to: 1) insufficient industry demand, which led to a continued fall in the average selling price of float glass products and reduced gross profit from architectural glass products, negatively impacting gross margin; 2) one-off impairment losses arising from production suspension and significant foreign exchange gains in the same period last year; 3) a sharp decrease in the share of profit contributed by Xinyi Solar; 4) reduced income from government subsidies and sales of automated machinery; and 5) a weakened cost dilution effect due to declining revenue, further eroding profit.

#### Sluggish Float Glass Prices Dragged Gross Margin Down by 2.6ppts

In H1 2025, the overall gross margin was 31.6%, down 2.6ppts from 34.2% in the same period last year.

Due to slower-than-expected growth in completed floor space, float glass prices came under pressure. As of end-June 2025, the domestic average price of 5mm float glass was RMB66 per heavy box, down 15.4% yoy, and the industry as a whole remained in a trough. The Company's float glass segment faced considerable pressure, with profitability weighed down by weak demand. In H1, revenue from float glass fell 16.4% yoy to RMB5.38 billion, and segment gross margin narrowed by 10.5ppts yoy to 17.8%. The Company plans to enhance effective float glass capacity through the phased commissioning of two production lines in Indonesia, aiming to achieve some flexibility in future operations.

#### Automotive Glass Became a Key Support to H1 Results

Benefiting from the rapid expansion of the new energy vehicle market and the Company's continued efforts in channel development, revenue from the automotive glass segment reached RMB3.32 billion, up 10.6% yoy. Segment gross margin rose by 4.9ppts yoy to 54.5%, mainly due to ongoing investment in high-value-added products, which lifted both product unit prices and profitability. Meanwhile, the revenue contribution from automotive glass increased from 18% in 2021 to 34% in H1 2025. The higher share of this high-margin business helped ease the pressure from declining profitability in the float glass segment. Currently, automotive glass maintains a capacity utilization rate of over 85%, with a 26% share in the global after-market.

### Accumulate (Maintain)

CMP HKD 8.36

(Closing price as at 2 Sep)

TARGET HKD 9.2 (+10.0%)

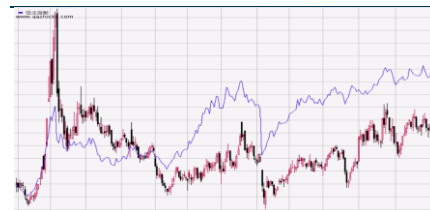
#### COMPANY DATA

O/S SHARES (MN) :	4391
MARKET CAP (HKD MN) :	36710
52 - WK HI/LO (HKD):	11.3 / 6.2

#### SHARE HOLDING PATTERN, %

Realbest Investment Limited	18.67
High Park Technology Limited	6.44

#### PRICE VS. HSI



Source: Phillip Securities (HK) Research

#### KEY FINANCIALS

CNY mn	FY24	FY25E	FY26E	FY27E
Net Sales	22,324	21,482	22,163	23,995
Net Profit	3,369	2,244	2,745	3,440
EPS, CNY	0.79	0.51	0.63	0.78
P/E, x	9.9	14.9	12.2	9.8
BVPS, CNY	7.87	8.20	8.56	9.13
P/BV, x	1.0	0.9	0.9	0.8
DPS (CNY)	0.38	0.25	0.30	0.39
Div. Yield (%)	4.8%	3.3%	3.9%	5.1%

Source: Company reports, Phillip Securities Est.

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In H1, revenue from the Company's architectural glass business dropped 22.3% yoy to RMB1.12 billion, mainly due to a decrease in newly completed property projects in China. Although revenue declined, the gross margin of architectural glass rose by 1.3ppts yoy to 29.7%, primarily supported by lower float glass input prices. Meanwhile, the Company is also increasing investment in differentiated products such as low-emissivity glass to enhance product value and mitigate business downturn pressure.

### Expense Ratio Increased, But Financial Stability Improved

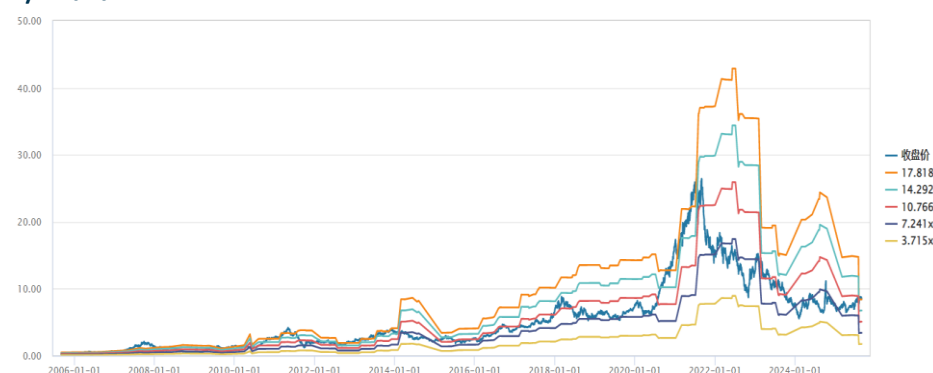
In H1, the period expense ratio was 18.5%, up 2.9ppts yoy, mainly due to the weakened dilution effect resulting from revenue decline. At the same time, asset disposal and impairment losses totaled RMB220 million, up RMB210 million yoy, primarily because of production suspension at certain float glass lines in Hainan.

The net gearing ratio decreased by 2ppts from end-2024 to 14.3%, and cash and bank deposits increased to RMB2.033 billion, up 18.9% from end-2024. As of 30 June 2025, the Company's debt-to-asset ratio stood at 28.5%, and its equity multiplier was 128.5%, outperforming other major enterprises in the industry during the same period. Additionally, through adjustments in loan structure, the average loan interest rate further declined to 2.74%. Overall, the Company's financial stability improved during the industry trough, helping to maintain stronger risk resilience amid market fluctuations.

### Overseas Markets Are the Current Focus

Regarding overseas markets, the new automotive glass production line launched in Malaysia last year is still in the ramp-up phase; the new line in Indonesia commenced operation in May this year, targeting the US market. However, the US market currently accounts for less than 10% of revenue, leaving considerable room for future growth. After years of expansion in China and major Southeast Asian economic zones, the Company continues to seek acquisition and greenfield project opportunities to facilitate market entry, reduce labour and raw material costs, and benefit from more favourable tax policies and energy advantages.

### P/E Band



Source: Wind, Phillip Securities Hong Kong Research

## Valuation and investment thesis

We expect that the Company's EPS to be RMB0.51/0.63/0.78 in 2025/2026/2027, we upgrade the target price to HK\$9.2, equivalent to 16.8/13.5/10.7x P/E for 2025/2026/2027. Also, the "Accumulate" rating is maintained.

**Risk**

Policy and market volatility risks: The glass industry is highly dependent on downstream industry policies such as construction, automobiles, and new energy. If photovoltaic subsidies are reduced, new energy vehicle promotion is not as expected, or real estate regulation is intensified, it may lead to a contraction in demand;

Raw material and cost control risks: The prices of key raw materials such as soda ash and natural gas are significantly affected by energy policies and geopolitical factors, and their fluctuations will directly erode the company's gross profit margin;

Technological iteration and substitution risk: If the enterprise's R&D investment is insufficient or the technology route is chosen incorrectly, it may lead to the depreciation of existing production capacity.

## Financials

FYE DEC	FY23	FY24	FY25E	FY26F	FY27F
<b>Valuation Ratios</b>					
P/E (X), adj.	6.4	9.9	14.9	12.2	9.8
P/B (X)	1.0	1.0	0.9	0.9	0.8
Dividend Yield (%)	7.6%	4.8%	3.3%	3.9%	5.1%
<b>Per share data (RMB)</b>					
EPS, reported	1.18	0.79	0.51	0.63	0.78
EPS, adj.	1.18	0.79	0.51	0.63	0.78
DPS	0.58	0.38	0.25	0.30	0.39
BVPS	7.73	7.87	8.20	8.56	9.13
<b>Growth &amp; Margins (%)</b>					
<b>Growth</b>					
Revenue	4.1%	-8.1%	-3.8%	3.2%	8.3%
EBIT	5.2%	-25.2%	-34.0%	21.3%	24.1%
Net Income, adj.	4.6%	-31.0%	-33.4%	22.3%	25.3%
<b>Margins</b>					
EBIT margin	22.6%	18.4%	12.6%	14.9%	17.0%
Net Profit Margin	20.1%	15.1%	10.4%	12.4%	14.3%
<b>Key ratios</b>					
ROE	15.8%	10.1%	6.4%	7.5%	8.9%
Dividend payout ratio	49.2%	48.1%	48.9%	48.0%	49.8%
<b>Income Statement (RMB mn)</b>					
<b>Revenue</b>	<b>24294</b>	<b>22324</b>	<b>21482</b>	<b>22163</b>	<b>23995</b>
Cost of sales	(16,476)	(15,594)	(14,994)	(15,403)	(16,605)
Gross profit	7,817	6,730	6,488	6,760	7,390
<b>Operating expenses</b>	<b>(3,516)</b>	<b>(3,434)</b>	<b>(3,910)</b>	<b>(3,812)</b>	<b>(3,887)</b>
Profit from operations	5,142	4,186	2,555	3,102	3,876
Financial cost	-279	-134	-93	-99	-112
Profit before tax	5,775	4,248	2,808	3,392	4,199
<b>Tax</b>	<b>(880)</b>	<b>(876)</b>	<b>(562)</b>	<b>(644)</b>	<b>(756)</b>
Profit for the period	4,895	3,372	2,246	2,747	3,443
<b>Minority interests</b>	<b>12</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Net profit</b>	<b>4,883</b>	<b>3,369</b>	<b>2,244</b>	<b>2,745</b>	<b>3,440</b>

Source: PSR

(現價截至 9 月 2 日)

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Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm 5\%$ from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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