

# Fuyao Glass (3606 HK)

## High-End Products Continue to Expand

China | Auto & Parts | Company Update

28 October 2025

### Investment Summary

#### Nearly 30% Increase in Profit for the First Three Quarters, High-End Products Continue to Expand Proportion

In the first three quarters of 2025, Fuyao Glass reported a revenue of RMB33.302 billion (RMB, the same below), a year-on-year (YoY) increase of 17.62%. Net profit attributable to the parent company reached RMB7.064 billion, up 28.93% YoY, setting a new historical high. In the third quarter alone, revenue amounted to RMB11.855 billion, a YoY increase of 18.86%, while net profit attributable to the parent company reached RMB2.259 billion, up 14.09% YoY.

Since the beginning of the year, the automotive market has continued to recover. In the first three quarters of 2025, the Chinese automotive market sold 24,363 thousand vehicles, a YoY increase of 12.9%. The new car sales of light vehicles in the United States increased slightly by 4.4%. The company's revenue growth continues to outperform the industry, mainly benefiting from the increased penetration of high-value-added products and further market share expansion.

During this period, innovative products such as intelligent sunroof glass, adjustable light glass, and HUD-integrated glass continued to ramp up, driving the steady increase in per vehicle glass value. In the first three quarters, the Company's average selling price (ASP) of automotive glass per square meter rose by approximately 6.9% YoY. The share of high-value-added products also increased by 4.9 percentage points. With the continuous advancement of automotive intelligence, autonomous driving levels, and the application and development of various new technologies and scenarios, as well as an increase in user experience-driven consumption, the trend towards high-end automotive glass is expected to continue. There is still room for further improvement in the proportion of high-value-added products in the Company's product mix.

Gross margin recorded a YoY increase of 0.99 percentage points. The net profit margin attributable to the parent company was 21.2%, a YoY increase of 1.86 percentage points. The main drivers of the performance were the operating leverage effect from improved capacity utilization, a YoY decrease in expense ratios, increased foreign exchange gains, and a narrowing of investment losses. In the first three quarters, the company's selling expense ratio was 2.84%, down 1.36 percentage points YoY; the administration expense ratio was 7.29%, down 0.07 percentage points YoY; and R&D expenditure amounted to RMB1.39 billion, accounting for 4.18% of revenue, a YoY decrease of 0.11 percentage points.

The company's cash flow remains strong, with net operating cash inflows reaching RMB9.88 billion in the first three quarters, a YoY increase of 57.3%. In the third quarter alone, net cash inflow amounted to RMB4.53 billion, setting a new historical high.

#### Gradual Release of New Production Capacity

The Company is accelerating the release of production capacity at its production bases in Fuqing, Hefei, and Illinois, USA. Domestically, the smart manufacturing bases in Fuqing and Anhui are under rapid construction, with production expected to begin before the end of 2025. The new capacity will support the further expansion of global market share. In terms of overseas business, Fuyao's U.S. subsidiary achieved a net profit of RMB433 million in the first half of 2025, up 11.8% YoY. As local production capacity utilization gradually increases, the advantages of the localized production, sales, and R&D system will become more evident. It is expected that the net profit margin in the North American market will stabilize above 11.2%, with a target of reaching 15%.

### Accumulate (Maintain)

CMP HKD 70.05

(Closing price as at 24 October)

TARGET HKD 79.8 (+13.9%)

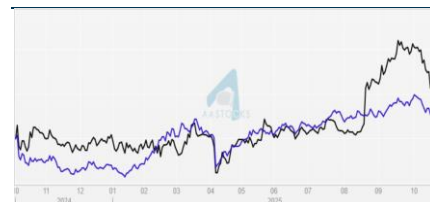
#### COMPANY DATA

O/S SHARES (MN) :	2610
MARKET CAP (HKD MN) :	42504
52 - WK HI/LO (HKD):	86/ 44.25

#### SHARE HOLDING PATTERN, %

Sanyi Development Limited	15.9
Heren Charitable Foundation	6.5
JP Morgan	11.13
BlackRock	6.06

#### PRICE VS. HSI



Source: Aastocks, Phillip Securities (HK) Research

#### KEY FINANCIALS

CNY mn	FY24	FY25E	FY26E	FY27E
Net Sales	39252	46317	53542	61574
Net Profit	7497	9503	11213	12784
EPS, CNY	2.87	3.64	4.30	4.90
P/E, x	22.4	17.6	14.9	13.1
BVPS, CNY	13.68	15.46	17.42	19.56
P/BV, x	4.7	4.1	3.7	3.3
DPS (CNY)	1.80	2.23	2.70	3.00
Div. Yield (%)	2.8%	3.5%	4.2%	4.7%

Source: Company reports, Phillip Securities Est.

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**Chairman’s Early Transition to Ensure Governance Upgrade and Strategic Continuity**

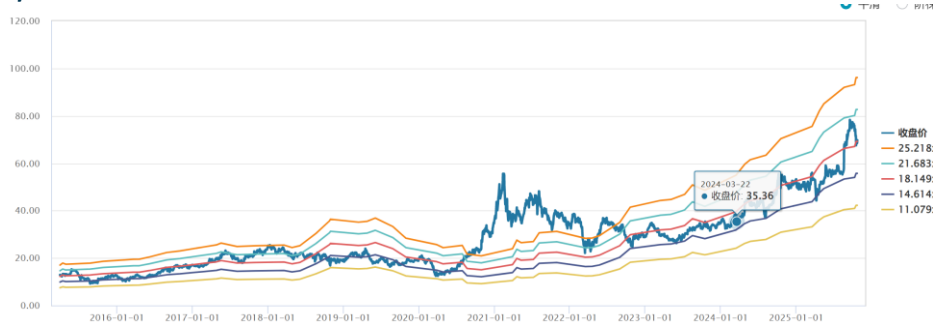
To drive strategic optimization of the Company’s governance structure and sustainable development, Mr. Cao Dewang resigned from his position as Chairman, and the Board of Directors elected Vice Chairman Mr. Cao Hui as the new Chairman. We believe that this early transition (originally scheduled for January 2027) signals the management’s proactive layout for the Fuyao’s sustainable development. By clearly defining the succession system, the company has completed its governance upgrade. At the same time, Mr. Cao Dewang will remain on the Board as Honorary Chairman, ensuring the continuity of the Fuyao’s strategy and minimizing the impact of the core leadership change.

**Investment Thesis**

With the global trend of automotive electrification and intelligentization, Fuyao Glass’s growth momentum is clearly visible. In the medium to long term, we expect the proportion of high-value-added products in automotive glass to continue to increase. The Company is also continuously expanding its product boundaries, opening up space for long-term sustainable growth.

In addition, the subsequent loss reduction of SAM and the improvement in the efficiency of the US factory are expected to bring more potential profit flexibility. As a global leader in the automotive glass industry, the Company is expected to continue benefiting from its competitive advantages and maintain a high dividend payout ratio. We forecast its EPS to be RMB 3.64/4.30/4.90 in 2025/2026/2027. We give the "Accumulate" rating, with a revised target price to be HK\$79.8, equivalent to 20/17/14.9x P/E for 2025/2026/2027. (Closing price as at 24 October)

**P/E Band**



Source: Wind, Phillip Securities (HK) Research

**Risks**

Demand for automobiles keeps sluggish; cost of raw materials increases; RMB appreciates

**Catalyst**

Success market development of overseas automobile market; rebound of domestic demand for automobile; depreciation of RMB

## Financials

FYE DEC	FY23	FY24	FY25F	FY26F	FY27F
<b>Valuation Ratios</b>					
P/E (X), adj.	29.6	22.4	17.6	14.9	13.1
P/B (X)	5.3	4.7	4.1	3.7	3.3
Dividend Yield (%)	2.0%	2.8%	3.5%	4.2%	4.7%
<b>Per share data (RMB)</b>					
EPS, (Basic)	2.16	2.87	3.64	4.30	4.90
EPS, (Diluted)	2.16	2.87	3.64	4.30	4.90
DPS	1.30	1.80	2.23	2.70	3.00
BVPS	12.05	13.68	15.46	17.42	19.56
<b>Growth &amp; Margins (%)</b>					
<b>Growth</b>					
Revenue	18.0%	18.4%	18.0%	15.6%	15.0%
EBIT	14.0%	29.9%	24.8%	19.6%	19.0%
Net Income, adj.	18.4%	33.2%	26.7%	18.0%	14.0%
<b>Margins</b>					
Gross margin	34.1%	35.5%	35.9%	36.6%	37.3%
EBIT margin	19.3%	21.1%	22.4%	23.1%	23.9%
Net Profit Margin	17.0%	19.1%	20.5%	20.9%	20.8%
<b>Key Ratios</b>					
ROE	18.6%	22.3%	25.0%	26.1%	26.5%
<b>Income Statement (RMB mn)</b>					
Revenue	<b>33161</b>	<b>39252</b>	<b>46317</b>	<b>53542</b>	<b>61574</b>
Gross profit	11321	13948	16628	19595	22949
EBIT	6390	8300	10356	12391	14746
Profit before tax	6715	8990	11443	13503	15396
Tax	1087	1487	1934	2282	2602
Profit for the period	5629	7503	9510	11221	12794
Minority interests	-0.15	6.063	6.7	8	10
Total capital share	2610	2610	2610	2610	2610
<b>Net profit</b>	<b>5629</b>	<b>7497</b>	<b>9503</b>	<b>11213</b>	<b>12784</b>

Source: PSR

(Closing price as at 24 October)

**PHILLIP RESEARCH STOCK SELECTION SYSTEMS**

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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