

# FLAT GLASS (6865 HK)

**FY25Q3 Saw Significant Improve, as the Anti-Excessive Competition Measures Strengthened**  
 Hong Kong | Industrial Goods | Update Report

17 November 2025

## Investment Summary

### Significant Performance Improvement in Q3 2025

According to the Company's announcement, in the first three quarters of 2025, Flat Glass Group Co., Ltd. recorded revenue of RMB12.464 billion (RMB, the same below), down 14.7% yoy, and net profit attributable to the parent company of RMB638 million, down 50.8% yoy. Specifically, the Company recorded revenue of RMB4.079/3.658/4.727 billion in Q1/Q2/Q3, down 28.8%/26.4%/up 21.0% yoy and flat/-10.3%/up 29.2% qoq; net profit attributable to the parent company amounted to RMB106/155/376 million, down 86.0%/79.0%/up 285.5% yoy and up 136.7%/46.0%/142.9% qoq, respectively. The results showed a trend of improvement quarter by quarter, with particularly notable growth in Q3.

### Anti-Excessive Competition Measures Strengthened, Driving Recovery in Profitability

The performance improvement was mainly driven by the accelerated inventory de-stocking that led to a recovery in industry prosperity, easing of cost pressures, and the support from overseas business (accounting for approximately 30%).

In 2025, the photovoltaic (PV) industry intensified its efforts to curb excessive competition. As of July 2025, the cold-repair capacity in the PV glass industry reached 7,750 tonnes/day, reducing the domestic operating capacity to 89 thousand tonnes/day—a decline of approximately 22.4% from the peak of 114.7 thousand tonnes/day in November 2024. This accelerated capacity reduction strengthened supply-side constraints, which supported PV glass price stabilisation. In July, prices bottomed out, followed by a rebound in August. In September, the price of 2.0mm PV glass rose 18% month-on-month to RMB13 – 13.5/sq.m, recovering approximately 25% from July's RMB10.5/sq.m.

The Company's gross margin for the first three quarters was 15.1%, down 3.9 ppts yoy. In Q3, gross margin reached 16.8%, up 10.8 ppts yoy and 0.1 ppt qoq, benefiting from increased shipments driven by price recovery, a decline in soda ash costs, and support from high-margin overseas business. The Q3 period expense ratio stood at 6.9%, down 3.7 ppts yoy and 0.6 ppt qoq, mainly attributable to scale effects. Additionally, a reversal of asset impairment losses of RMB80 million in Q3 further boosted profit. As a result, the Q3 net profit margin attributable to the parent company rose to 7.96%, up 13.2 ppts yoy and 3.7 ppts qoq.

### Industry Expected to Maintain Weak Balance in Q4

As of early November 2025, PV glass prices declined slightly due to weakening demand support, and industry inventories showed an increasing trend. The mainstream transaction price for 2.0mm PV glass was around RMB12.5 – 13/sq.m. However, considering the onset of the heating season and the resulting increase in natural gas prices, cost support is expected to limit the extent of price fluctuations. Benefiting from its advantages in technology, scale, capital, and clientele, the Company's cost advantages will become more prominent as market prices decline, potentially leading to an expansion in market share.

## Accumulate (Downgrade)

CMP HKD: 12.6

(Closing price as at 13 November 2025)

TARGET HKD: 14.4 (+14.3%)

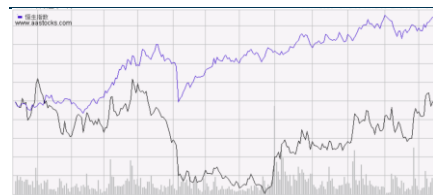
### COMPANY DATA

|                       |            |
|-----------------------|------------|
| O/S SHARES (MN) :     | 2343       |
| MARKET CAP (HKD MN) : | 44994      |
| 52 - WK HI/LO (HKD):  | 14.44/7.65 |

### SHARE HOLDING PATTERN, %

|                           |       |
|---------------------------|-------|
| Mr. Ruan Hongliang family | 52.78 |
|---------------------------|-------|

### PRICE VS. HSI



Source: Aastocks, Phillip Securities (HK) Research

### KEY FINANCIALS

| CNY mn         | FY24  | FY25E | FY26E | FY27E |
|----------------|-------|-------|-------|-------|
| Net Sales      | 18683 | 16156 | 18593 | 22477 |
| Net Profit     | 1007  | 958   | 1589  | 2234  |
| EPS, CNY       | 0.43  | 0.41  | 0.68  | 0.95  |
| P/E, x         | 27.5  | 28.2  | 17.0  | 12.1  |
| BVPS, CNY      | 9.28  | 9.54  | 10.08 | 10.84 |
| P/BV, x        | 1.3   | 1.2   | 1.1   | 1.1   |
| DPS            | 0.13  | 0.13  | 0.18  | 0.26  |
| Div. Yield (%) | 1.1%  | 1.1%  | 1.6%  | 2.3%  |

Source: Company reports, Phillip Securities Est.

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The Company showed a clear downward trend in inventory in Q3. As of the end of Q3 2025, the Company's inventory balance stood at approximately RMB1.207 billion, down RMB751 million qoq, with a possible slight rebound in Q4. As of the end of September 2025, the Company's cumulative operating capacity totalled 16,400 tonnes/day, down 15% from the beginning of the year. The Company's two lines in Anhui (2,400 tonnes/day) and four lines in Nantong (4,800 tonnes/day) will commence operation based on market conditions. The two new production lines in Indonesia (3,200 tonnes/day) are expected to have a long construction period and will not commence production for at least two years.

### Investment Thesis

Despite short-term pressure on industry prices, as a leading PV glass manufacturer, Flat Glass remains an industry leader in both scale and profitability. With continuous expansion of its overseas capacity, its profitability is expected to reach new heights. We expected the company's EPS for 2025/2026/2027 to be 0.41/0.68/0.95 yuan, respectively, and adjust the target price to HK\$14.4, corresponding to a valuation ratios of 32.3/19.5/13.8x P/E and 1.4/1.3/1.2x P/B for the respective years, with an downgrade rating to "Accumulate." (Closing price as at 13 November 2025)

### P/E Band



Source: Wind, Phillip Securities Hong Kong Research

## Financials

| FYE DEC                          | FY23         | FY24         | FY25F        | FY26F        | FY27F        |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Valuation Ratios</b>          |              |              |              |              |              |
| P/E (X), adj.                    | 9.7          | 27.5         | 28.2         | 17.0         | 12.1         |
| P/B (X)                          | 1.2          | 1.3          | 1.2          | 1.1          | 1.1          |
| Dividend Payout Ratio (%)        | 52.4%        | 30.2%        | 31.8%        | 26.5%        | 27.3%        |
| Dividend Yield (%)               | 5.4%         | 1.1%         | 1.1%         | 1.6%         | 2.3%         |
| <b>Per share data (RMB)</b>      |              |              |              |              |              |
| EPS, (Basic)                     | 1.18         | 0.43         | 0.41         | 0.68         | 0.95         |
| EPS, (Diluted)                   | 1.18         | 0.43         | 0.41         | 0.68         | 0.95         |
| DPS                              | 0.62         | 0.13         | 0.13         | 0.18         | 0.26         |
| BVPS                             | 9.50         | 9.28         | 9.54         | 10.08        | 10.84        |
| <b>Growth &amp; Margins (%)</b>  |              |              |              |              |              |
| <b>Growth</b>                    |              |              |              |              |              |
| Revenue                          | 39.2%        | -13.2%       | -13.5%       | 15.1%        | 20.9%        |
| EBIT                             | 47.7%        | -56.5%       | -1.7%        | 44.7%        | 38.3%        |
| Net Income, adj.                 | 30.0%        | -63.5%       | -4.8%        | 65.9%        | 40.6%        |
| <b>Margins</b>                   |              |              |              |              |              |
| Gross margin                     | 20.9%        | 14.4%        | 15.1%        | 16.9%        | 18.3%        |
| EBIT margin                      | 16.4%        | 8.2%         | 9.3%         | 11.7%        | 13.4%        |
| Net Profit Margin                | 12.8%        | 5.4%         | 5.9%         | 8.5%         | 9.9%         |
| <b>Key Ratios</b>                |              |              |              |              |              |
| ROE                              | 14.7%        | 4.6%         | 4.3%         | 6.9%         | 9.1%         |
| <b>Income Statement (RMB mn)</b> |              |              |              |              |              |
| <b>Revenue</b>                   | <b>21524</b> | <b>18683</b> | <b>16156</b> | <b>18593</b> | <b>22477</b> |
| <b>Gross profit</b>              | <b>4495</b>  | <b>2699</b>  | <b>2440</b>  | <b>3142</b>  | <b>4113</b>  |
| EBIT                             | 3535         | 1536         | 1510         | 2184         | 3021         |
| Profit before tax                | 3052         | 1129         | 1116         | 1849         | 2616         |
| <b>Tax</b>                       | <b>-289</b>  | <b>-112</b>  | <b>-142</b>  | <b>-240</b>  | <b>-356</b>  |
| Profit for the period            | 2763         | 1016         | 974          | 1609         | 2260         |
| Minority interests               | 3            | 10           | 16           | 20           | 26           |
| Total capital share              | 2339         | 2339         | 2343         | 2343         | 2343         |
| <b>Net profit</b>                | <b>2760</b>  | <b>1007</b>  | <b>958</b>   | <b>1589</b>  | <b>2234</b>  |

Source: PSR

(Closing price as at 13 November 2025)

### 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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