

NANSHAN AL (2610.HK)

Indonesian Electrolytic Aluminum Project Boosts Overseas Full-Chain Layout China | Non-Ferrous Metals | Initiation Report

23 Jun 2026

Overview

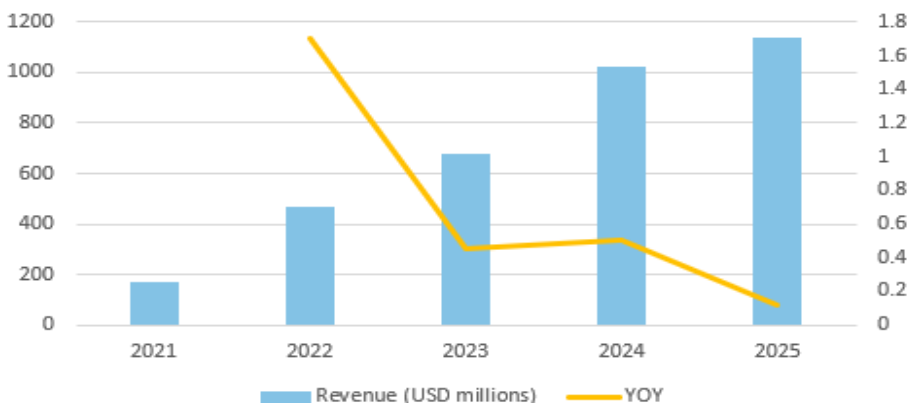
As a leading metallurgical-grade alumina manufacturer in Southeast Asia, the Group has long focused on the production and sale of alumina. Leveraging its strategic layout in Indonesia, it has built a stable, technologically advanced, and cost-competitive modern supply chain system. By the end of 2025, the Company's Indonesian production base had an annual designed alumina capacity of 4 million tonnes, further consolidating its position as one of the largest alumina producers in Southeast Asia.

Revenue Maintains Double-Digit Growth for Three Consecutive Years; Inaugural Dividend Payout

The Company's revenue grew from USD 173 million in 2021 to USD 1,142 million in 2025, with a CAGR of 60.3%, showing explosive growth. Net profit attributable to shareholders increased from USD 28 million to USD 408 million, with a CAGR of 94.4%, indicating that earnings growth significantly outpaced revenue growth. In 2025, revenue was USD 1,142 million, up 11.9% YoY, mainly due to higher sales volumes offsetting lower average selling prices. Total alumina (including aluminum hydroxide) sales volume reached approximately 2,643,000 tonnes, up 22.5% YoY from approximately 2,158,000 tonnes (including ~54,000 tonnes of aluminum hydroxide) in FY2024, demonstrating strong volume expansion. Meanwhile, aluminum hydroxide sales volume declined to approximately 23,000 tonnes, with its share of the mix decreasing. On pricing, impacted by market supply-demand dynamics and pricing mechanisms, the average selling price of alumina fell from USD 473/tonne in FY2024 to USD 432/tonne in FY2025, a YoY decline of approximately 8.7%, showing notable price headwinds. Under the volume-growth/price-decline scenario, incremental revenue contribution was partially offset by price erosion. Gross profit was USD 478 million, down 7.5% YoY, with a gross margin of 41.9%, down 8.7 percentage points YoY, mainly due to lower average selling prices and higher raw material costs. Basic EPS declined from USD 0.94 in FY2024 to approximately USD 0.72. The Board proposed a final dividend of HKD 0.41 per share for FY2025, which, together with the interim dividend of HKD 0.65 per share already paid during the year, brings the full-year FY2025 dividend to HKD 1.06 per share. This marks a significant shift from zero dividend payout in the previous fiscal year, reflecting improved operating cash flow and enhanced shareholder return willingness.

Figure 1:

Company Revenue and YoY Growth 2021–2025



Resources: Annual Report, PSHK

Accumulate

CMP HK\$30.72
(Closing price as of 22 Jun)
Target 35.28 HKD (+15%)

COMPANY DATA

O/S SHARES (MN) : 620
MARKET CAP (HKD bn) : 19.06
52 - WK HI/LO (HKD): 74.39/28.02

SHARE HOLDING PATTERN, %

Nanshan Aluminium Investment Holding Limited 56.97%

PRICE VS. HSI



Source: Phillip Securities (HK) Research

KEY FINANCIALS

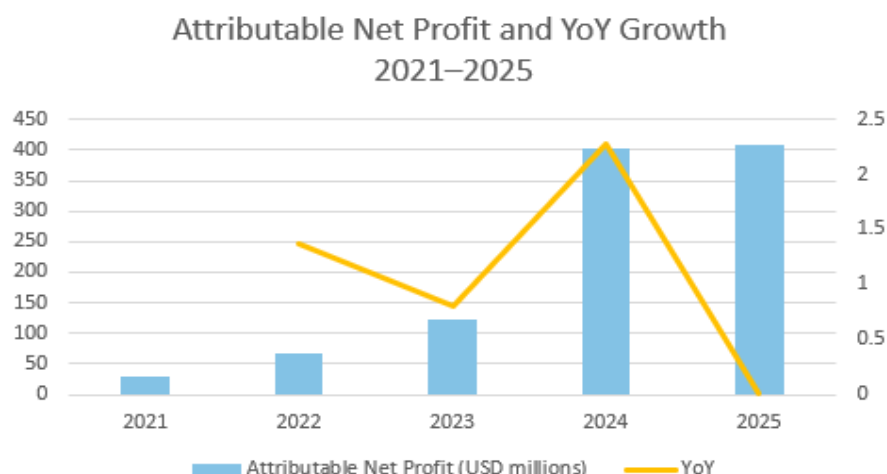
RMB mn	FY25	FY26E	FY27E	FY28E
Revenue	1142	1469	1598	2019
Net profit	408	464	564	819
EPS (RMB)	0.72	0.75	0.91	1.32
P/B ratio, x	5.54	5.34	4.40	3.03
Dividend Yield, %	3.3%	3.4%	4.1%	6.0%

Source: Company reports, Phillip Securities Est.

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Figure 2:

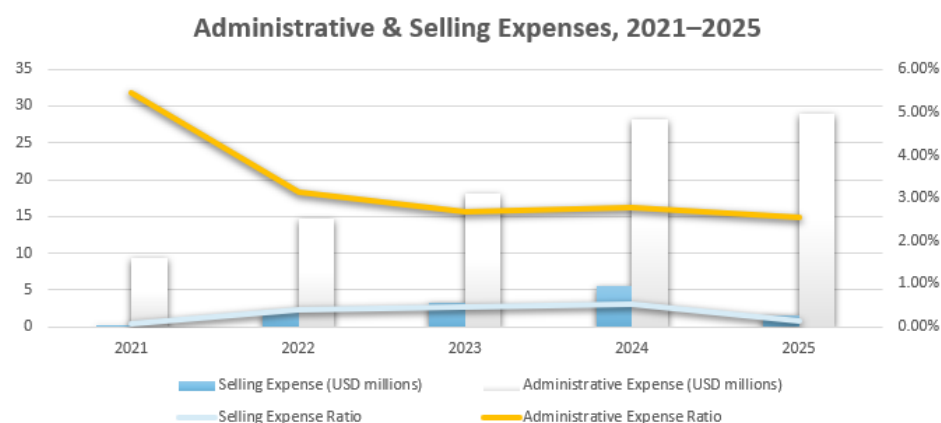


Resources: Annual Report, PSHK

Significant Scale Effects; Expense Ratios Continue to Decline

In terms of expenses, selling expenses in 2025 were USD 1.6 million, down 70% YoY, with a selling expense ratio of 0.14%, a substantial decrease of 0.4 percentage points. Administrative expenses were USD 29 million, roughly flat YoY, with an administrative expense ratio of 2.54%, down 0.22 percentage points YoY. The sharp decline in these expenses is primarily attributable to the Company's transition to high-end manufacturing, scale effects from its integrated full-industry-chain layout, and strict expense budget controls. The Company's interest-bearing debt remained at zero, with no financial expense outlays, and the overall expense structure continues to be at an industry-leading level.

Figure 3:



Resources: Annual Report, PSHK

Financial Structure Continues to Improve; Capacity Expansion Puts Short-Term Pressure

The asset-liability ratio decreased further from 24.8% in 2024 to 15.6% in 2025, significantly reducing financial leverage and enhancing risk-resistance capacity. Operating cash flow has steadily improved from a low of -USD 9 million in 2021, reaching USD 580 million in 2024. Although it fell back to USD 360 million in 2025, it still represented 0.89x of net profit for the same period, maintaining a high quality of earnings realization. Meanwhile, capital expenditure expanded sharply to USD 390 million in 2025, up 44.8% YoY, primarily directed toward the construction of the 250,000-tonne electrolytic aluminum project in Indonesia. We believe this reflects

that the Company is currently in a key investment phase for capacity expansion, with short-term cash flow pressure but promising long-term growth potential.

Alumina Market May Enter a Deep Capacity-Clearing Cycle

The global alumina market faces dual pressures from supply surges and weak demand, with significant deterioration in supply-demand balance. According to data from the China Nonferrous Metals Industry Association, domestic alumina production capacity reached 108 million tonnes/year in 2025, with actual new capacity of 8.3 million tonnes commissioned, mainly in the first half of the year. Full-year alumina production reached 94.448 million tonnes, up 9.4% YoY. The recent period coincides with a concentrated commissioning window, with incremental supply significantly exceeding market absorption capacity. On the demand side, electrolytic aluminum capacity is approaching the policy ceiling of 45 million tonnes, leaving extremely limited room for further expansion, making it difficult to absorb such a large volume of new alumina supply. On costs, impacted by Middle East tensions, Australian shipments remain unstable, and Guinea plans to control and tighten bauxite exports to curb export volumes and boost ore prices. Raw material prices remain elevated, with high-cost inland regions such as Shanxi and Henan having already fallen below cash cost lines, widening corporate losses and causing severe imbalances in industry profit distribution. Overall, the interplay between persistent oversupply and rigid costs suggests that domestic alumina prices are likely to maintain range-bound fluctuations in the second half of this year. For the industry to achieve a substantial balance, it still relies on the gradual exit of high-cost capacity, and "capacity reduction" will remain a key medium-term theme.

Electrolytic Aluminum: Supply Cap, Demand Expansion, and Low Inventory Resonance Drive Industry Upswing

From a global supply perspective, supply constraints on electrolytic aluminum continue to intensify. Domestically, the 45-million-tonne capacity ceiling constitutes a rigid cap, with installed capacity reaching 44.83 million tonnes by end-2025 and capacity utilization exceeding 98%, operating near full load, leaving virtually no supply elasticity. Overseas, geopolitical conflicts in the Middle East have triggered large-scale unplanned shutdowns, with Emirates Global Aluminium's Taweelah smelter (annual capacity of 1.6 million tonnes) completely halted and Bahrain Aluminium cutting production by approximately 19%. The restart cycle could last up to 12 months, indicating a prolonged supply contraction. In summary, the combined effect of capped domestic incremental capacity and reduced overseas effective capacity has clearly widened the global electrolytic aluminum supply-demand gap.

On the demand side, the consumption structure of electrolytic aluminum is accelerating its shift toward emerging sectors. Antaike data shows that China's electrolytic aluminum consumption in 2025 reached approximately 46.34 million tonnes, up 2.6% YoY, maintaining positive growth despite the continued downturn in traditional real estate. Transportation and power-related aluminum consumption now account for over 40%. New energy vehicles are a core growth driver, with aluminum content per vehicle nearly double that of traditional cars; the photovoltaic sector, driven by global installations, has generated over 10 million tonnes of aluminum consumption. AI data centers and energy storage, as emerging growth poles, have become the fastest-growing segments for aluminum consumption. Additionally, the "aluminum substitution for copper" process has accelerated significantly, achieving large-scale substitution in wire and cable, automotive wiring harnesses, and air-conditioning heat exchangers. Overall, emerging demand from new energy, photovoltaics, data centers, and energy storage will effectively offset the drag from real estate declines, with the aluminum demand structure characterized by "stable traditional sectors and growing emerging sectors," ensuring solid medium-to-long-term growth resilience.

LME data shows that LME aluminum inventories have continued to decline since November last year. As of the week of June 12, the latest inventory level fell to 319,500 tonnes, hitting a fresh three-year low. However, inventory pressure is not only reflected in total contraction but also in structural imbalances—affected by sanctions, the share of Russian-origin aluminum in LME-registered warehouses rebounded from 72% in April to 93% in May, as traders opted to withdraw Indian aluminum. Combined with a sharp drop in CME inventories this year, aggregate inventories across the three major exchanges can barely cover less than five days of global consumption. Overall, global spot electrolytic aluminum supply is already in a tight state, with low inventories providing solid support for aluminum prices.

Indonesian Electrolytic Aluminum Project Boosts Overseas Full-Chain Layout

In 2026, the Company launched a 250,000-tonne-per-annum electrolytic aluminum project (investment of approximately USD 437 million, with a two-year construction period). The site is adjacent to the existing alumina plant in the Karang Batung Special Economic Zone, enabling industrial synergies within the park. In the medium-to-long term, an additional 500,000 tonnes of capacity is planned, with a long-term goal of matching alumina and electrolytic aluminum capacities. Leveraging the strategic location along the Strait of Malacca shipping hub, Indonesia's abundant bauxite and coal resources, established overseas customer relationships, successful experience in operating large-scale alumina projects, and the industry resources and technical support from its controlling shareholder Nanshan Aluminum, the Company has built differentiated competitive advantages. This expansion downstream into electrolytic aluminum marks a strategic upgrade from an alumina leader to an integrated "alumina-electrolytic aluminum" aluminum industrial cluster. The Company is well-positioned to fully benefit from the upward price cycle of electrolytic aluminum, consolidate its leading position in the Southeast Asian market, and create long-term sustainable value.

Valuation and Investment Recommendations

The current share price is already at a post-listing low, with pessimistic expectations regarding the industry-wide alumina downturn fully priced in. We believe that in the medium-to-long term, the Company's Indonesian electrolytic aluminum integration project is the core variable for valuation re-rating. Upon completion, it will upgrade the Company from a single alumina producer to a full-industry-chain enterprise encompassing "bauxite-alumina-electrolytic aluminum," with both profitability and valuation center expected to significantly improve. We project revenue for 2026–2028 at USD 1.47 billion, USD 1.60 billion, and USD 2.02 billion, respectively, with EPS of USD 0.75/0.91/1.32. We assign an Accumulate rating with a target price of USD 4.5 (HKD 35.28), corresponding to 6x forecasted P/E for 2026.

Risk factors

- 1) Alumina price volatility;
- 2) Capacity release falling short of expectations;
- 3) Geopolitical factors;

Financial

Consolidated Statement of Profit or Loss

Dec Y/E, RMB mn	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	1021	1142	1469	1598	2019
Cost of sales	-504	-664	-908	-916	-1031
Gross profit	517	478	561	682	988
Operating expenses	-34	-31	-44	-48	-60
Finance costs	0	0	0	0	0
Profit before tax	501	479	555	674	979
Income tax expense	-43	-61	-67	-81	-117
Profit for the year	457	418	488	593	862
Profit for the year attributable to					
– Owners of the Company	402	408	464	564	819
EPS(USD)	0.94	0.72	0.75	0.91	1.32
DPS(USD)	0.00	0.13	0.13	0.16	0.24
Dividend payout ratio	0%	0%	18%	18%	18%
Weighted shares outstanding	425	567	620	620	620

Key Financial Data

Dec Y/E	FY24	FY25	FY26E	FY27E	FY28E
Valuation Ratio					
P/E ratio	4.23	5.54	5.34	4.40	3.03
Dividend Yield, %	0.0%	3.3%	3.4%	4.1%	6.0%
Per share data(USD)					
EPS	0.94	0.72	0.75	0.91	1.32
BVPS	3.0	3.3	3.7	4.5	5.7
DPS	0.00	0.13	0.13	0.16	0.24
Growth & Margin					
Growth					
Revenue Growth	50.6%	11.9%	28.7%	8.8%	26.3%
Gross Profit Growth	161.4%	-7.5%	17.4%	21.6%	44.8%
EBITDA Growth	130.0%	-2.6%	19.5%	20.9%	40.6%
Net Profit Growth	163.5%	-8.6%	16.7%	21.6%	45.2%
Margin					
Gross Profit Margin	50.6%	41.9%	38.2%	42.7%	49.0%
EBITDA Margin	55.0%	47.9%	44.4%	49.4%	55.0%
Net Profit Margin	44.8%	36.6%	33.2%	37.1%	42.7%
Key Ratios					
ROE	31.78%	21.92%	20.42%	20.27%	23.12%
ROA	23.35%	18.16%	17.23%	17.44%	20.21%

Consolidated Statement of Financial Position

Dec Y/E, RMB mn	FY24	FY25	FY26E	FY27E	FY28E
Current assets					
Inventories	100	212	224	226	254
Accounts receivable	41	64	71	84	117
Cash and cash equivalents	454	321	468	771	1122
Others	51	117	146	139	151
Total current assets	645	714	908	1219	1644
Non-current assets					
PPE	969	1396	1643	1873	2268
Others	106	138	140	139	138
Total current assets	1075	1534	1783	2012	2406
Total Assets	1721	2248	2691	3232	4050
Current liabilities					
Accounts and bills payables	18	59	80	81	91
Short-term Bank and other loans	0	0	0	0	0
Others	379	267	256	256	261
Total current liabilities	397	325	336	337	353
Non-current liabilities					
Long-term Bank& other loans	0	0	0	0	0
Others	29	24	24	24	24
Total non-current liabilities	29	24	24	24	24
Total liabilities	426	350	361	362	377
Equity attributable to equity holders of the Company	1264	1864	2271	2781	3540
Non-controlling interests	30	35	60	89	132
Total equity	1294	1899	2331	2870	3673
Total liabilities and equity	1721	2248	2691	3232	4050

Consolidated Statement of Cash Flow

Dec Y/E, RMB mn	FY24	FY25	FY26E	FY27E	FY28E
CFO	582	360	574	732	978
Net profit before tax	501	479	555	674	979
Change in working capital&others	49	-86	-26	-7	-63
Depreciation and Amortization	60	67	98	115	131
Others	-28	-101	-53	-51	-69
CFI	-274	-462	-347	-345	-525
Purchase of PP&E	-271	-392	-347	-345	-525
Others	-3	-70	0	0	0
CFF	-96	-18	-81	-84	-102
Cash payments for distribution of dividends, profits or repayment of interest	-95	-7	-81	-84	-102
Net Borrowings	0	0	0	0	0
Others	-1	-11	0	0	0
Net increase in cash and cash equivalents	203	-133	146	304	351

Current Price as of: 22 Jun

Exchange rate: USD/HKD = 7.84

Source : PSHK Est.

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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