Ganfeng Lithium (1772 HK)

2Q26: Results Beat, But Price Guidance Cut Clouds Outlook

Highlights

- 2Q26 margin beat expectations. 2Q26 GAAP net profit surged to Rmb2.4b, reversing from a loss in 2Q25. Gross margin expanded to 32.7%, driven by lithium product ASP spikes and cost control.
- Management has cut its guidance for lithium carbonate prices from its prior >Rmb200,000/tonne, on an expected 20-25% global supply growth in 2027 that would result in a balanced market.
- We raise 2026 net profit estimate by 23% on margin strength, but cut 2027-28 forecasts by 1%/11% on lower ASP assumptions. Maintain BUY and cut target price from HK$120.00 to HK$75.00.

2Q26 Results

Year to 31 Dec (Rmbm)	2Q25	1Q26	2Q26	yoy %	qoq %	1H26	yoy %	2026F	yoy %	1H26/2026
Revenue	4,604	9,196	13,901	201.9	51.2	23,097	175.7	52,288	126.5	0.44
Gross profit	444	2,733	4,545	922.9	66.3	7,278	680.1	15,687	332.3	0.46
Gross margin (%)	*9.6*	*29.7*	*32.7*	*23.0*	*3.0*	*31.5*	*20.4*	*30.0*	*14.3*	1.05
EBIT	(88)	2,001	3,802	n.a.	90.0	5,803	n.a.	10,458	656.4	0.55
EBIT margin (%)	*(1.9)*	*21.8*	*27.4*	*29.3*	*5.6*	*25.1*	*25.8*	*20.0*	*14.0*	1.26
Net profit (GAAP)	(175)	1,837	2,420	n.a.	31.7	4,257	n.a.	7,472	363.3	0.57
Net profit – adj	(671)	1,419	2,429	n.a.	71.2	3,848	n.a.	7,472	n.a.	0.51
Net margin (%)	*(3.8)*	*20.0*	*17.4*	*21.2*	*(2.6)*	*18.4*	*24.8*	*14.3*	*7.3*	1.29
Core net marginj (%)	*(14.6)*	*15.4*	*17.5*	*32.0*	*2.0*	*16.7*	*27.6*	*14.3*	*16.0*	1.17
Operating cash flow	1,872	787	542	(71.1)	(31.1)	1,328	342.2	11,961	306.2	0.11
Free cash flow	(1,122)	(37)	(436)	(61.2)	1,089.9	(472)	(88.4)	5,644	n.a.	(0.08)

Source: Ganfeng Lithium, Bloomberg, UOB Kay Hian

Analysis

- **2Q26 results beat estimates on margins.** Ganfeng Lithium's (Ganfeng) 2Q26 GAAP net profit and adjusted net profit came in as expected at Rmb2,420m (+31.7% yoy) and Rmb2,429m (+71.2% qoq) respectively, vs GAAP net loss of Rmb175m and adjusted net loss of Rmb671m in 2Q25. This takes 1H26 GAAP net profit and adjusted net profit to Rmb4,257m and Rmb3,848m respectively, accounting for 57% and 51% of our full-year estimates. The beat stemmed from margins.
  - **Revenue tripled yoy in 2Q26, primiarily driven by ASP spikes.** Revenue surged to Rmb13.9b (+201.9% yoy/+51.2% qoq) in 2Q26 and Rmb23.1b (+175.7% yoy) in 1H26, vs our full-year estimate of Rmb52.29b. In 1H26, sales revenue of lithium products grew 198.5% yoy to Rmb14.2b in 1H26 on a sales volume of around 100,000 tonne lithium carbonate equivalent (LCE) (+25% yoy) and ASP of Rmb142,000/tonne LCE (+140% yoy); battery sales revenue grew 163% yoy to Rmb7.83b on sales volume of around 20GWh (+100% yoy) and ASP of Rmb0.39 (+32% yoy).

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	18,906	23,082	50,647	59,191	73,237
EBITDA	1,824	3,912	15,253	17,448	20,415
Operating profit	440	1,383	12,409	14,464	17,255
Net profit (rep./act.)	(2,074)	1,613	9,192	10,350	12,439
Net profit (adj.)	(887)	(385)	8,687	10,350	12,439
EPS (Fen)	(102.8)	76.9	438.4	493.6	593.3
PE (x)	n.a.	45.7	8.0	7.1	5.9
P/B (x)	1.7	1.6	1.4	1.2	1.0
EV/EBITDA (x)	47.5	22.1	5.7	5.0	4.2
Dividend yield (%)	0.4	0.4	2.5	2.8	3.4
Net margin (%)	(11.0)	7.0	18.1	17.5	17.0
Net debt/(cash) to equity (%)	61.7	56.3	42.0	29.7	21.0
Interest cover (x)	0.5	0.9	9.5	11.7	15.7
ROE (%)	(4.7)	3.7	18.5	17.8	18.4
Consensus net profit	-	-	8,203	8,998	10,220
UOBKH/Consensus (x)	-	-	1.12	1.15	1.22

Source: Ganfeng Lithium, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$41.10
Target Price	HK$75.00
Upside	82.5%
Previous TP	HK$120.00

Stock Data

Sector	Materials
Bloomberg ticker	1772 HK
Shares issued (m)	483
Market cap (HK$m)	19,855
Market cap (US$m)	2,562
3-mth avg daily t'over (US$m)	396

Price Performance (%)

52-week high/low				HK$91.67/ HK$39.33
1mth	3mth	6mth	1yr	YTD
8.4	(24.6)	(26.3)	35.0	(14.3)

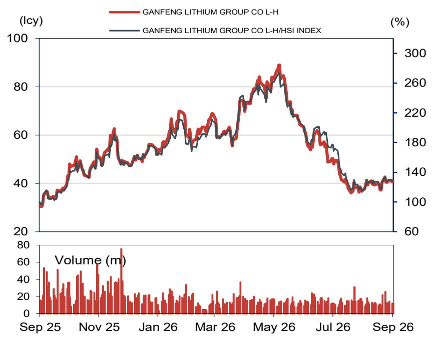
Major Shareholders (%)

Li Liang Bin	18.06
Wang Xiao Shen	6.75

Balance Sheet Metrics

FY26 NAV/Share (HK$)	17.52
FY26 Net Debt/Share (HK$)	12.67

Price Chart



Source: Bloomberg

Company Description

Ganfeng Lithium researches and produces lithium products. The company produces and sells lithium metal, lithium carbonate, lithium hydroxide, and other chemical products of lithium. Ganfeng Lithium also produces lithium batteries and exports lithium products.

- **Margin beat.** Gross margin soared to 32.7% (+23.0ppt yoy/+3.0ppt qoq) in 2Q26 and 31.5% (+20.4ppt yoy) in 1H26, above our full-year estimate of 30.0%. Lithium product gross profit per tonne LCE spiked 11x yoy to Rmb60,300 in 1H26, while battery gross profit per Wh grew 15% yoy to Rmb0.05. Opex/revenue ratio dropped to 5.1% (-6.9ppt yoy/-2.5ppt qoq) in 2Q26 and 6.1% (-6.9ppt yoy) in 1H26. EBIT margin rose to 27.4% (+5.6ppt yoy/+25.1ppt qoq) in 2Q26 and 25.1% (+25.8ppt yoy) in 1H26.

- **Going forward, Ganfeng's earnings will be supported by in-line volume growth and better cost control, but weighed by a weaker-than-expected ASP outlook.** While 1H26 margins beat estimates (with volumes and ASPs largely in line), the company has since toned down its guidance for lithium carbonate prices. It now expects a 20-25% global supply growth in 2027 that will create a balanced market, representing a clear downgrade from its prior >Rmb200,000/tonne price view.
  - **Maintain our 2026-28 lithium product sales volume estimates at 230,000/270,000/320,000 tonne LCE (20% three-year CAGR) respectively,** with the strong energy storage demand boosting the company's processing capacity utilisation to 68%/72%/76% in 2026-28 from 62% in 2025.
  - **Maintain our 2026 lithium product ASP assumption at Rmb142,000/tonne, but cut our 2027-28 assumptions to the same level (Rmb142,000/tonne each),** down from Rmb177,000/tonne and Rmb195,000/tonne, respectively.
  - **Lift our 2026-28 gross margin assumptions for the lithium product segment from 40%/40%/40% to 42%/42%/42% respectively, implying a steady gross profit per tonne LCE of Rmb59,000-60,000,** based on the lower-than-expected cost in 1H26. Additionally, Ganfeng's self-sufficiency rate for lithium compound production is expected to rise from 55% in 2025 to 70% in 2028 with the ramp-up of the Goulamina mine and Cauchari-Olaroz salt lake project, reducing reliance on external spodumene purchases and strengthening cost competitiveness.

- **The battery segment is emerging as a second growth driver.**
  - **Maintain 2026-28 battery sales volume estimates at 40/50/70GWh (48%/25%/40%) respectively.** The company is maintaining its full-year 2026 battery shipment guidance at 40GWh. Orders remain robust with capacity utilisation close to full. Going forward, the sales volume growth will be driven by capacity expansion (Xinyu 40GWh, Nanchang additions), new 588Ah/648Ah cells and 6.26MWh ESS, and robust storage demand.
  - **Maintain 2026 battery ASP assumption at Rmb0.40, and cut those for 2027-28 to 0.38/0.37/Wh, from Rmb0.44/Rmb0.45** respectively to factor in lower lithium carbonate prices.
  - **Keep 2026-28 gross margin assumptions for the battery segment at 12%/12%/12%, implying a gross profit per Wh of Rmb0.048/Rmb0.046/Rmb0.044 respectively.**

Earnings Revision/Risk

- **We raise 2026 net profit forecast by 23% to Rmb9,192m based on higher margins, but cut those for 2027-28 by 1.4%/11.4% to Rmb10,350m/Rmb12,439m respectively, based on lower ASPs.**
- **Risk: Fluctuations in lithium carbonate prices; disruption of upstream projects due to policy changes by foreign governments.**

Valuation/Recommendation

- **Maintain BUY and cut target price from HK$120.00 to HK$75.00**, based on lower lithium carbonate prices in our 10-year DCF (WACC: 12%; terminal growth: 4%). Our new target price implies 12.9x 2027F PE and 2.1x 2027F P/B.

Share Price Catalyst

- **Lithium price upside surprise; ramp-up of Goulamina and other low-cost mines boosting self-sufficiency.**

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	23,082	50,647	59,191	73,237
EBITDA	3,912	15,253	17,448	20,415
Deprec. & amort.	(2,529)	(2,845)	(2,983)	(3,160)
EBIT	1,383	12,409	14,464	17,255
Total other non-operating income	(466)	-	-	-
Associate contributions	1,805	1,805	1,300	1,300
Net interest income/(expense)	(1,534)	(1,312)	(1,239)	(1,096)
Pre-tax profit	1,188	12,901	14,526	17,458
Tax	75	(3,225)	(3,631)	(4,365)
Minorities	350	(484)	(545)	(655)
Net profit	1,613	9,192	10,350	12,439
Net profit (adj.)	(385)	8,687	10,350	12,439

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	36,712	41,149	44,185	49,468
Other LT assets	41,387	43,570	44,984	46,747
Cash/ST investment	7,868	15,587	21,691	20,972
Other current assets	27,290	39,537	45,466	55,556
Total assets	113,258	139,844	156,326	172,743
ST debt	16,508	21,508	23,508	19,508
Other current liabilities	21,766	33,990	39,416	48,810
LT debt	17,335	17,335	17,335	17,335
Other LT liabilities	5,811	5,811	5,811	5,811
Shareholders' equity	45,145	54,023	62,534	72,904
Minority interest	6,692	7,176	7,721	8,375
Total liabilities & equity	113,258	139,844	156,326	172,743

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	2,945	12,005	13,314	15,353
Pre-tax profit	1,188	12,901	14,526	17,458
Tax	75	(3,225)	(3,631)	(4,365)
Deprec. & amort.	2,529	2,845	2,983	3,160
Associates	(1,805)	(1,805)	(1,300)	(1,300)
Working capital changes	(415)	(23)	(502)	(697)
Non-cash items	1,374	1,312	1,239	1,096
Other operating cashflows	-	-	-	-
Investing	(4,407)	(7,229)	(5,462)	(8,140)
Capex (growth)	(7,422)	(7,659)	(6,133)	(8,906)
Investments	(824)	-	-	-
Others	3,839	430	672	766
Financing	3,720	2,943	(1,749)	(7,932)
Dividend payments	(1,375)	(2,057)	(3,749)	(3,932)
Proceeds from borrowings	24,825	28,000	27,000	20,000
Loan repayment	(21,151)	(23,000)	(25,000)	(24,000)
Others/interest paid	1,420	-	-	-
Net cash inflow (outflow)	2,257	7,719	6,104	(719)
Beginning cash & cash equivalent	5,641	7,868	15,587	21,691
Changes due to forex impact	(30)	-	-	-
Ending cash & cash equivalent	7,868	15,587	21,691	20,972

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	16.9	30.1	29.5	27.9
Pre-tax margin	5.1	25.5	24.5	23.8
Net margin	7.0	18.1	17.5	17.0
ROA	1.5	7.3	7.0	7.6
ROE	3.7	18.5	17.8	18.4
Growth				
Turnover	22.1	119.4	16.9	23.7
EBITDA	114.5	289.9	14.4	17.0
Pre-tax profit	(151.6)	n.a.	12.6	20.2
Net profit	n.a.	469.9	12.6	20.2
Net profit (adj.)	(56.6)	n.a.	19.1	20.2
EPS	n.a.	469.9	12.6	20.2
Leverage				
Debt to total capital	29.9	27.8	26.1	21.3
Debt to equity	75.0	71.9	65.3	50.5
Net debt/(cash) to equity	56.3	42.0	29.7	21.0
Interest cover (x)	0.9	9.5	11.7	15.7