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PRC Solar Sector

PRC Solar Product Prices Staying at Low Level amid Ample Supply and Soft Demand; Prefer Sungrow & Deye

CITI'S TAKE
The market prices of n-type grade rod-type polysilicon dropped slightly by 0.4% wow this week with more inventory whereas the market prices of other solar products were unchanged wow at low levels in view of ample supply amid low demand. We forecast this situation to persist in June-July. It is worth noting that India's new local manufacturing requirement for solar cells will redirect Chinese exports. We are selective to PRC solar sector for excessive supply. Anti-involution measures from the PRC government, if any, in 2026E would likely be softer than those in 2025 since PRC PPI and CPI have rebounded partly resulting from higher energy prices driven by the Middle East conflict. In PRC solar and ESS sector, we have Buy ratings on Sungrow and Deye.

China Solar Sector

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Polysilicon prices edged down slightly this week — The average market price of n-type grade rod-type polysilicon declined 0.4% wow to Rmb33.8/kg in the week ended June 3, and that of granular polysilicon was flat wow at Rmb33.5/kg, driven by market sentiment stemming from elevated inventory level pressure and shifting supply outlooks. According to SMM, total polysilicon inventory at producer plants was 299k tons as of May 28, down only 0.7% wow and still at elevated level. Moreover, scheduled production resumptions and capacity expansions in some manufacturers in June bolstered expectations of looser future supply, according to SMM.

Wafer prices flat wow — The latest market price of n-type wafers was Rmb0.89/W for 182mm products and that of 210mm was Rmb1.19/W, both flat wow. Silver material cost has declined recently but this will take time to reflect in photovoltaic prices. SMM estimated PRC wafer production volume could grow +6.3% mom to 54.3GW in June, and inventory level decreased 0.8% wow to 26.1k tonnes as of May 28.

Solar cell and module prices also unchanged wow — Average solar cell price this past week was flat wow at Rmb0.325/W for TOPCon products. Average solar module price this week was also flat wow at Rmb0.723/W for 182mm products. International Photovoltaic Power Generation and Smart Energy Conference & Exhibition (SNEC) will unveil in Shanghai from June 3 to 5, attracting more than 3,600 global exhibitors. The exhibition will focus on integrated PV, energy storage, AI + Energy and digital solutions, with frontier technologies. On June 1, India's *Approved List of Models and Manufacturers for Solar PV Cells – II* became formally effective, meaning solar cells in the relevant list have to be manufactured locally. China exports will shift to Southeast Asia or other places; or joint ventures, etc.

Solar glass price remained stable at low level — Average solar glass market price continued to be flat wow at Rmb9.0/m2 for 2.0mm products and flat wow at Rmb15.5/m2 for 3.2mm ones. Industry-wide average inventory period was high at

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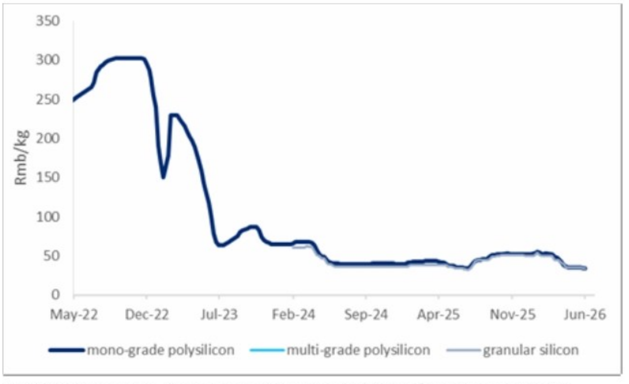
53.4 days as of 28 May. PRC operational daily solar glass melting capacity was flat wow to 82,550 tonnes (-17.4% yoy) as of 28 May, according to SCI99. Demand was still weak, according to SCI99.

Figure 1. PRC weekly polysilicon prices in the week ended Jun 3

	Mono-Si			
182mm TOPCon	**This week**	**WoW**	**MoM**	**YoY**
Polysilicon (Rmb/kg)	33.8	-0.4%	-3.8%	-4.1%
Wafer (Rmb/pc)	0.89	0.0%	-3.3%	-3.3%
Cell (Rmb/W)	0.33	0.0%	-1.5%	32.7%
Module (Rmb/W)	0.72	0.0%	-0.1%	7.7%
Glass -2.0mm (Rmb/m2)	9.0	0.0%	-4.3%	-23.4%

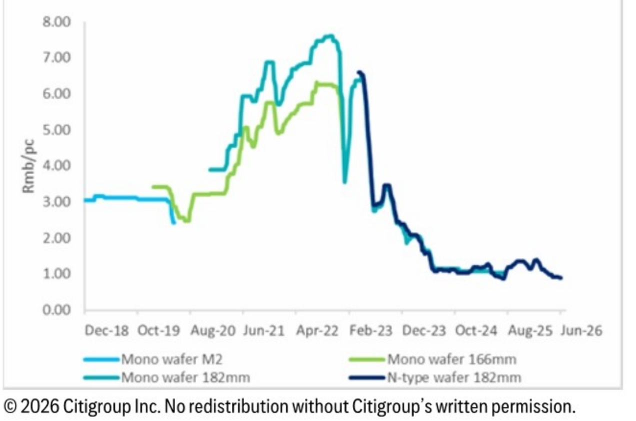
Source: SMM, Citi Research

Figure 2. PRC weekly polysilicon price



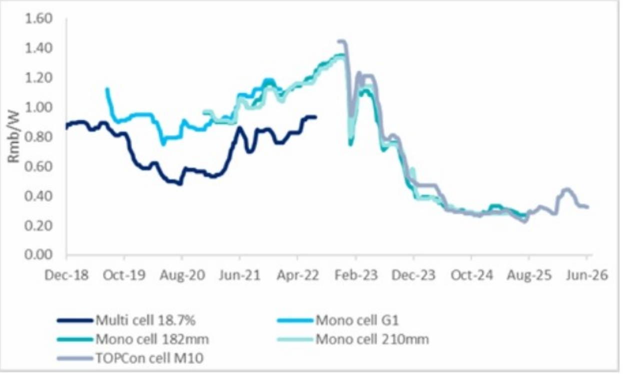
Source: SMM, Citi Research

Figure 3. PRC weekly wafer price



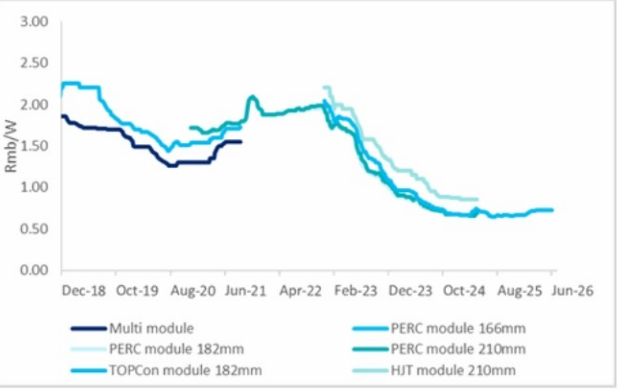
Source: SMM, Citi Research

Figure 4. PRC weekly cell price



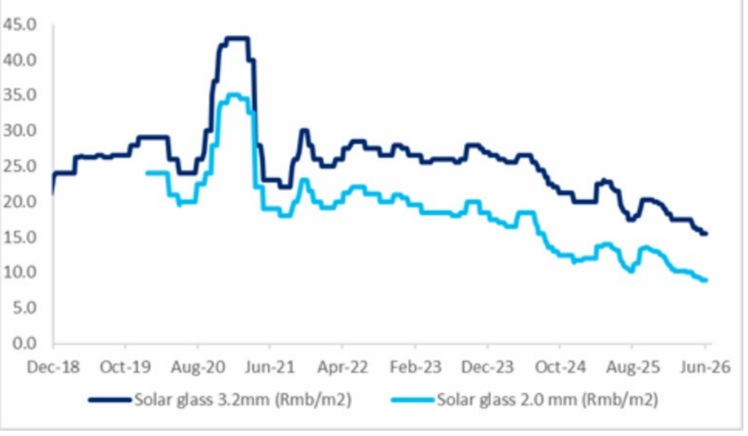
Source: SMM, Citi Research

Figure 5. PRC weekly module price



Source: SMM, Citi Research

Figure 6. PRC weekly solar glass price



Source: SMM, Citi Research

Ningbo Deye Technology

(605117.SS; Rmb115.33; 1; 03 Jun 26; 15:00)

Valuation

Our target price for Deye of Rmb200.0/share is based on a DCF model, which we believe is a suitable valuation methodology as we expect sustainable growth in energy storage demand from emerging markets, from current low penetration levels. Our model incorporates our forecasts for cash flows up to 2035E and assumes a terminal growth rate of 3.0%. We apply a WACC of 8.4%, derived from a risk-free rate of 1.6%, a market risk premium of 8.9%, and an equity beta of 0.9x. Our target price equates to a 2027E P/E of 26.8x and P/B of 10.0x.

Risks

Key downside risks that could cause Deye's shares to trade below our target price include: (i) lower-than-expected residential and C&I energy storage demand in emerging markets; (ii) fiercer-than-expected price competition among inverter peers; and (iii) higher-than-expected trade tariffs against Chinese inverter products in overseas markets.

Sungrow Power Supply

(300274.SZ; Rmb170.8; 1; 03 Jun 26; 15:00)

Valuation

Our target price for Sungrow shares of Rmb168.0 is based on a DCF valuation, which we believe is appropriate because it captures the long-term potential returns of the company. We factor in earnings forecasts up to 2035E and terminal growth of 4%. Our WACC for Sungrow is 9.0%, which assumes: 1) a risk-free rate of 5.2%; 2) a market risk premium of 6.8%; 3) an equity beta of 0.9x; 4) a cost-of-debt of 3.9%; 5) a target debt-to-capital ratio of 30%; and 6) a 25.0% corporate tax rate. At our DCF-based target price, Sungrow would trade at 25.5x 2026E PE and 6.1x PB.

Risks

Key downside risks that could prevent Sungrow shares from reaching our target price include: (i) slower-than-expected solar installation that could accelerate Sungrow's PV inverter and EPC business growth; (ii) less-than-expected energy storage system demand from China and the overseas market; and (iii) intensification of overseas trade tensions that could lessen the exports of Sungrow's products.

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Appendix A-1

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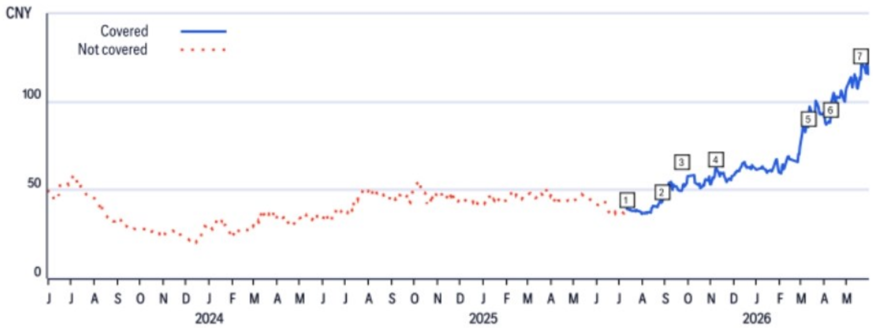
Ningbo Deye Technology (605117.SS)

Ratings and Target Price History
Fundamental Research

Analyst: Air Ma



	Date	Rating	Target Price	Closing Price
1	11-Jul-25 15:08:17	*1	*48.57	39.34
2	28-Aug-25 12:58:00	1	*50.71	44.42
3	22-Sep-25 03:45:06	1	*55.86	49.53
4	09-Nov-25 18:20:39	1	*72.86	62.72
5	10-Mar-26 05:39:48	1	*103.57	85.64
6	09-Apr-26 13:43:44	1	*117.86	90.65
7	20-May-26 02:58:11	1	*142.86	121.21

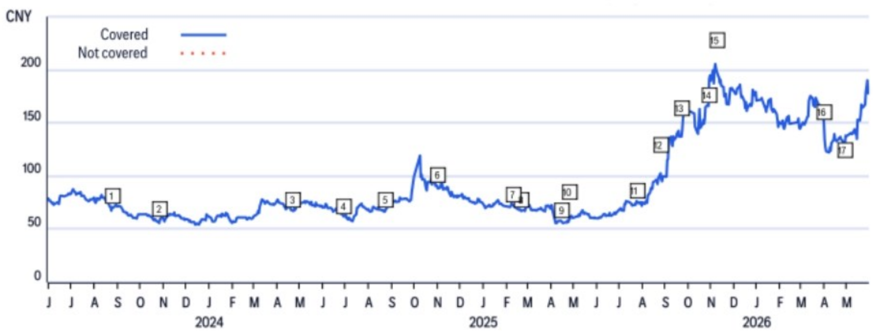
*Indicates Change

Rating/target price changes above reflect Eastern Time

Sungrow Power Supply (300274.SZ)

Ratings and Target Price History
Fundamental Research

Analyst: Pierre Lau, CFA



	Date	Rating	Target Price	Closing Price
1	24-Aug-23 14:05:57	1	*104.29	70.93
2	27-Oct-23 14:13:49	1	*85.71	59.19
3	22-Apr-24 12:53:27	1	*87.86	67.14
4	30-Jun-24 14:26:02	1	*76.00	62.03
5	25-Aug-24 11:11:18	1	*78.00	68.12
6	31-Oct-24 12:55:52	1	*105.00	90.62
7	10-Feb-25 09:07:21	1	*85.00	72.13
8	23-Feb-25 08:42:35	*3	*63.00	67.47
9	15-Apr-25 08:13:28	3	*48.00	57.29
10	27-Apr-25 20:08:42	3	*53.00	58.82
11	27-Jul-25 17:35:10	*1	*90.00	75.78
12	25-Aug-25 13:35:38	1	*120.00	102.60
13	22-Sep-25 03:45:06	1	*160.00	137.23
14	28-Oct-25 12:58:24	1	*200.00	165.88
15	09-Nov-25 16:02:51	1	*240.00	201.00
16	31-Mar-26 13:36:12	1	*200.10	150.76
17	27-Apr-26 12:08:02	1	*168.00	131.39

*Indicates Change

Rating/target price changes above reflect Eastern Time

#	Date	Action	Expected Direction	Duration	Closing Price
1	15-Apr-24 01:38:47	Add CW	Downside	30 Days	71.24
2	15-May-24 13:01:03	Remove CW	Downside	30 Days	75.11
3	01-Jul-24 00:27:42	Add CW	Downside	90 Days	63.15
4	27-Sep-24 14:27:48	Remove CW	Downside	90 Days	85.20
5	10-Feb-25 04:07:21	Add CW	Downside	90 Days	72.13
6	11-May-25 23:13:57	Remove CW	Downside	90 Days	62.52
7	27-Jul-25 13:35:10	Add STV	Upside	90 Days	75.78
8	24-Oct-25 14:21:43	Remove STV	Upside	90 Days	165.00
9	27-Jan-26 22:15:05	Add CW	Downside	90 Days	158.19
10	28-Apr-26 23:16:25	Remove CW	Downside	90 Days	129.89

CW - Catalyst Watch , STV - Short-Term View

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% of companies in each rating category that are investment banking clients	38%	41%	28%	42%	37%	36%

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