First Read

TCL Zhonghuan

Weak 1H26 results; semiconductor business as future growth driver

Equities

China

Electric Utilities

12-month rating **Buy**

12m price target	**Rmb12.00**
	Prior : Rmb10.60
Price (28 Aug 2026)	**Rmb9.82**

RIC: 002129.SZ **BBG:** 002129 CS

Trading data and key metrics

52-wk range	Rmb12.02-7.77
Market cap.	Rmb39.7b/US$5.91b
Shares o/s	4,043m (ORDA)
Free float	54%
Avg. daily volume ('000)	219,083
Avg. daily value (m)	Rmb2,216.3
Common s/h equity (12/26E)	Rmb16.6b
P/BV (12/26E)	2.4x
Net debt to EBITDA (12/26E)	11.9x

EPS (UBS, diluted) (CNY)

	From	To	% ch	Cons.
12/26E	(1.23)	(1.34)	NM	(0.87)
12/27E	0.54	0.55	2	0.62
12/28E	0.75	0.79	5	1.03

Weak 1H26 results well expected

Zhonghuan reported 1H26 net loss of Rmb3.2bn, in line with preliminary results. 2Q26 net loss slightly narrowed QoQ to Rmb1.6bn. The weak results were mainly due to loss making of wafer and module, and impairment loss. GPM contracted 2.4/1.9ppt YoY/QoQ to -10.5% in 2Q26.

Solar module and BC business to ramp up

Mgmt remains cautious on near-term profitability for solar industry, but expects supply-demand improvement from 2027-28. We believe the company could improve its profitability by increasing overseas module shipment and BC technology upgrade. In 1H26, Zhonghuan shipped 54GW wafer and 7.7GW module, with overseas sales at 8.3/2.1GW. Mgmt guided 15% YoY solar business revenue growth in 2026, and targets to maintain wafer/cell/module capacity at 130/20/25GW by end-1H27. For BC, the company plans to upgrade 6GW/14GW cell capacity in 3Q26/1Q27 and 25GW module capacity by 1Q27.

Semiconductor business to drive secular growth

With strong competitive edge and 21% revenue contribution for Zhonghuan in1H26, we believe semiconductor wafer could support the company's long-term growth. In 1H26, semiconductor business generated Rmb3.0bn revenue and Rmb860mn losses. 8 inch product GPM was 20% in 1H26, and is expected to maintain at this level going forward. 12 inch wafer already reached 58% of shipment, and monthly capacity for 12 inch was increased to 2.1mn pc in 1H26. Given strong order pipeline and tight supply, the company plans to further increase capacity amid booming demand from integrated circuit and memory.

Valuation: Maintain Buy

We cut 2026E EPS by 9% mainly on lower solar margin assumption, while lifting 2027-28E EPS by 2%/5% to reflect earnings upside from its semiconductor business. We lift our DCF-based PT from 10.6 to Rmb12 (WACC=7.8%) Maintain Buy on Zhonghuan.

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Highlights (Rmbm)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenues	59,146	28,419	29,050	41,632	52,631	51,732	54,138	56,073
EBIT (UBS)	4,283	(10,103)	(8,806)	(5,333)	3,991	5,139	6,160	6,975
Net earnings (UBS)	3,416	(9,818)	(9,264)	(5,416)	2,208	3,176	4,050	4,756
EPS (UBS, diluted) (Rmb)	0.84	(2.43)	(2.29)	(1.34)	0.55	0.79	1.00	1.18
DPS (net) (Rmb)	0.26	0.00	0.00	0.00	0.00	0.00	0.05	0.06
Net (debt) / cash	(31,472)	(38,757)	(45,000)	(47,173)	(41,655)	(35,594)	(	

Profitability/valuation	12/23	12/24	12/25	12/26E	12/27E	12/28E
EBIT (UBS) margin %	7.2	(35.6)	(30.3)	(12.8)	7.6	9.9
ROIC (EBIT) %	5.5	(11.6)	(10.5)	(6.6)	5.1	6.9
EV/EBITDA (UBS core) x	13.9	NM	NM	25.7	8.1	7.3
P/E (UBS, diluted) x	33.2	(4.4)	(3.7)	(7.3)	18.0	12.5
Equity FCF (UBS) yield %	(7.4)	(12.8)	(17.0)	(5.5)	13.9	15.3
Dividend yield (net) %	0.9	0.0	0.0	0.0	0.0	0.0

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price tha
price of Rmb 9.82 on 28-Aug-2026

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INCLUDING INFORMATION ON THE QUANTITATIVE RESEARCH REVIEW PUBLISHED BY UBS, BEGIN ON PAGE 4.

Forecast returns

Forecast price appreciation	22.2%
Forecast dividend yield	0.0%
Forecast stock return	22.2%
Market return assumption	6.8%
Forecast excess return	15.4%

Company Description

Established in 1988 in Tianjin, TCL Zhonghuan is one of the world's leading solar wafer manufacturers by market share. Zhonghuan has historically outperformed its peers on production yield, unit consumption of energy and raw materials, and thus offers cost advantages over other low-tier wafer makers. In an effort to vertically integrate, the company has expanded into the modules business. By end-2024, Zhonghuan's wafer/module capacity was 190/24GW.

Valuation Method and Risk Statement

Our price target is based on a DCF methodology.
Upside risks include: 1) stronger-than-expected global solar demand, 2) less fierce price competition, and 3) slower-than-expected industry capacity expansion.
Downside risks include: 1) weaker-than-expected global solar demand, 2) fiercer price competition, and 3) further expansion in solar wafer and module capacities leading to worse supply-demand
conditions.

Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

TCL Zhonghuan

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	3
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	4
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	2
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	N/A
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	N/A
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	No Catalyst
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	N/A
11. What is the catalyst?	