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China Northern Rare Earth High-Tech (600111.SS)

1H26 Results Presentation Takeaways

CITI'S TAKE

We came away from NRE's 1H26 briefing with a constructive view on the 2H rare-earth market and a clearer picture of its downstream expansion strategy. Management expects supply to remain tightly controlled under the quota system, while traditional restocking and high-performance NdFeB demand should support a further improvement in industry fundamentals. Beyond pricing, the more important medium-term development is Northern Rare Earth's push from separation and metals into higher-value magnets, permanent-magnet motors, hydrogen-storage materials and semiconductor-related products. Management highlighted emerging demand from NEV trucks, electrified construction machinery, industrial motors, humanoid robots and low-altitude applications. We view the company's longer-term growth increasingly as resource advantage + disciplined supply + downstream value creation, while humanoid robotics remains an early-stage option. Maintain Buy.

Buy	
Short-Term View: Upside, expires 04-NOV-26	
Price (27 Aug 26 15:00)	Rmb40.910
Target price	Rmb72.300
Expected share price return	76.7%
Expected dividend yield	0.3%
Expected total return	77.0%
Market Cap	Rmb147,892M
	US$22,008M

Anna Wang[AC]
+852-2501-2739
anna.d.wang@citi.com

Jack Shang, CFA
+852-2501-2441
jack.shang@citi.com

Jimmy Feng
+852-2501-7588
jimmy.feng@citi.com

Cynthia Wu
+852-2868-7813
cynthia.d.wu@citi.com

- **2H rare-earth fundamentals remain constructive.** Management expects supply to remain tightly controlled under national production quotas, while downstream restocking and high-performance NdFeB demand should strengthen entering the traditional peak season. It expects the supply-demand balance to continue improving and provide support to rare-earth prices.

- **Demand is broadening beyond passenger NEVs.** 1H26 China NEV sales reached c.7.45mn units, with domestic penetration at c.51%. New-energy heavy-truck sales reached c.126k units, +85% YoY, while 1Q electric two-wheeler exports were c.7.2mn units, +68% YoY. Electric-loader sales rose 82% YoY, and management also highlighted electrified excavators, forklifts, mining vehicles and marine propulsion as incremental magnet-demand drivers.

- **Industrial permanent-magnet motors are emerging as another sizeable application.** NRE has achieved full-process manufacturing of 1.1kW and 2.2kW permanent-magnet motors. A subsidiary's customized motor for rare-earth processing achieved 99.2% efficiency, c.7% above China's Grade-1 efficiency standard. Management sees industrial equipment replacement and energy-efficiency policies as a major medium-term demand driver.

- **Downstream magnet expansion focuses on lower-cost and emerging applications.** The company invested Rmb116mn in a JV targeting low-cost, high-performance cerium-based NdFeB magnets, aiming to broaden

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permanent-magnet applications while improving utilization of abundant La/Ce resources. It is also developing sintered and hot-pressed NdFeB magnetic rings for humanoid robots and low-altitude applications, although management provided no near-term volume guidance.

- **Hydrogen storage and semiconductor materials are additional growth areas.** NRE has developed AB5- and AB2-series solid-state hydrogen-storage materials, with cycle life exceeding 3,000 cycles, targeting hydrogen vehicles, engineering equipment, refueling stations and energy storage. It is also developing nano polishing materials, high-purity rare-earth compounds/metals and sputtering targets for semiconductor and high-end manufacturing applications.

- **Recycling is becoming a more important raw-material source.** Since 2022, the company has increasingly required downstream magnet customers to return production scrap on market-based terms. Its automated NdFeB recycling line has improved production efficiency by c.20%, while the recovery rate for rare earths, iron and boron exceeds **95%**.

- **Capex remains focused on value-chain upgrading.** Key investments include c.Rmb112mn for a rare-earth alloy JV, Rmb116mn for a magnet JV, Rmb780mn for a high-level technology innovation platform and c.Rmb48mn of additional investment in the Baotou Rare Earth Research Institute, alongside continued green-smelting upgrades and metal-capacity expansion.

- **New products are already contributing incremental growth.** Management said sales volumes of new specialty products have grown >30% since 2025, covering high-purity compounds, polishing materials, hydrogen-storage products, catalysts and other high-value applications.



China Northern Rare Earth High-Tech

Valuation

We value Northern Rare Earth shares at Rmb72.3 using a P/B-based methodology given the sector's cyclical earnings pattern and policy-regulated nature. We apply a 9.5x target 2026E P/B, set at +2.0sd premium to the stock's historical P/B average since 2013 to reflect the sector's early-to-mid upcycle, supported by policy tailwinds, supply discipline, and the growing strategic importance of rare earths in electrification and supply-chain security. While we do not expect this cycle to match the intensity of the previous peak in 2021 – when valuations briefly reached over +4.5SD above the historical mean – we believe structural demand growth, tighter resource control, and stronger policy tailwinds justify a valuation toward the upper end of the historical range. The current multiple represents a mid-cycle premium rather than a peak-cycle assumption, balancing upside potential with demand and geopolitical uncertainties. Our valuation also reflects NRE's rising ROE profile 13.9%/16.1%/18.4% for 2026E/27E/28E, well above its historical downcycle averages. Given the rare earth stocks' high sensitivity to trade barrier measures and rare earths policies in China, the US, and other key markets, we see scope for volatility even as fundamentals improve. Our target price is equivalent to 40x 2026E EV/EBITDA and 72.3x 2026E P/E.

Risks

Key risks for Northern Rare Earth, which could cause the shares to deviate from our target price, include: (a) Slower- or faster-than-expected downstream applications demand growth, including demand uncertainty from adoption trends in NEVs, wind power, or other applications; (b) Greater- or less-than-expected rare earths mining or processing capacity expansion outside of China, including global supply-chain diversification efforts that could erode the market share of China enterprises, changes in Myanmar export capacity, etc.; (c) Tariffs and other trade barriers, including those imposed by the US or China, as well as other key global economies; (d) Rare earths price volatility from various factors including cyclical swings in rare earth oxide and magnet markets; (e) Policy and quota adjustments in China affecting supply, costs, and profitability; (f) Emergence of alternate materials or technologies that could substitute for rare earth elements in key end-user applications; and (g) Rare earth sector M&A and consolidation activity in China or in other global markets.

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Appendix A-1

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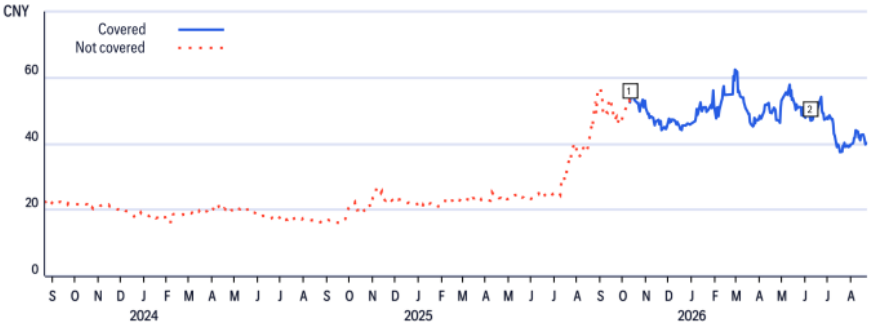
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China Northern Rare Earth High-Tech (600111.SS)

Ratings and Target Price History
Fundamental Research

Analyst: Anna Wang



	Date	Rating	Target Price	Closing Price
1	10-Oct-25 13:26:09	*1	*72.00	52.48
2	08-Jun-26 02:46:24	1	*72.30	46.98

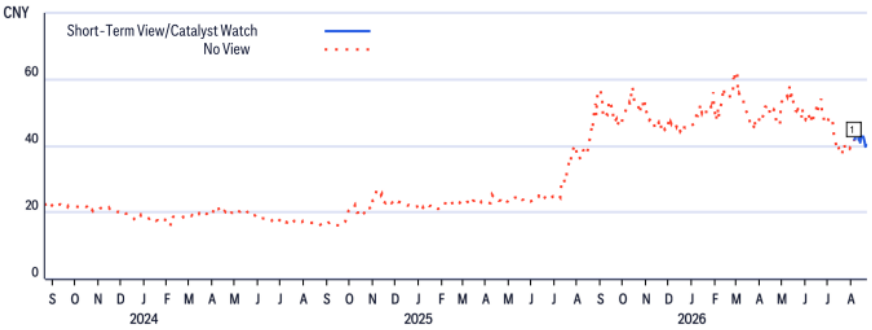
*Indicates Change

Rating/target price changes above reflect Eastern Time

China Northern Rare Earth High-Tech (600111.SS)

Short-Term View/Catalyst Watch Research

Analyst: Anna Wang



	Date	Action	Expected Direction	Duration	Closing Price
1	05-Aug-26 03:16:17	Add STV	Upside	90 Days	41.77

CW - Catalyst Watch , STV - Short-Term View

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