CHINA SOLAR: POLY

2Q26 miss; stay cautious on Poly price hike execution and new business upside

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2Q26 miss on lower ASP and asset impairments: The three Poly companies under our coverage (i.e. GCL Tech, Daqo, Tongwei) announced weaker-than-expected 2Q26 earnings due to lower ASP (8% lower than GSe for Daqo in 2Q26) and asset impairment loss (Rmb341mn for Daqo A and Rmb1,186mn for Tongwei in 2Q26, and Rmb172mn for GCL in 1H26), though shipment came in on avg. 15% higher than GSe.

Looking forward, outlook guided by Poly players suggests 25% higher pricing to Rmb40/kg in 2H26 vs. end-Jun. Despite the surging inventory and continued monthly production increase, Poly companies believe the strict price law enforcement will drive Poly price higher to Tier 1 players' factory level production cost. Apart from joint price hike, Daqo and GCL are actively seeking for new business opportunities in AIDC equipment and LFP cathode, respectively.

GS View: Cautious on price execution and new business upside: We remain cautious on the success of the joint price hikes given the deterioration of industry fundamentals since August. Moreover, we see limited earnings upside from the new business for now. As a result, we revise net profit by avg. -9% to +14% for our Poly coverage in 2026E-2030E and revise target price by -11% to +13% accordingly.

- For Poly business, the joint price hikes since early Aug still has not been accepted by downstream players while monthly Poly production surged by 16% mom in Aug, leading to 16% mom higher producer-side inventory by end-Aug. As result, we raise price forecast but lower shipment volume for Poly players in 2H26 based on their operational strategies. In the longer run, we believe Poly price upside will continue to be pressed by segment S/D and Tier 1 players' cost reduction progress. We keep our Poly price unchanged at an avg. Rmb32/kg in 2027E-2030E.
- For the new business, i) we bake nil. revenue accretion for Daqo but higher SG&A in 2026E-2030E; ii) we estimate Rmb30mn/Rmb216mn/360mn attributable earnings accretion for GCL in 2026E/2027E/2028E-30E, based on 400kton capacity it has committed so far.

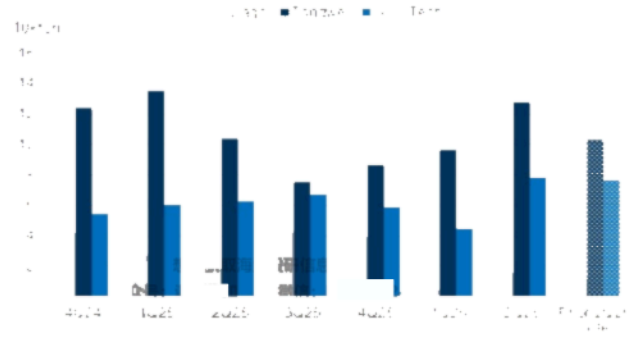
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Exhibit 1: Outlook guided by Poly players suggests 25% higher pricing to Rmb40/kg in 2H26 vs. end-Jun
Summary of Mgmt guidance

	Tongwei	GCL Tech	Daqo
Poly business			
Policy expectation	**(+2H)** Recent policy stance is guiding the market to transition from a 'price-only' mentality toward a 'value-for-money' approach and curbing the disorderly expansion of low-end capacity	**(+2H)** Mgmt mentioned that price law requires Poly players to set minimum selling price at above factory-wide production cost with attributable group level SG&A	**(+2H)** Mgmt believed the industry has reached consensus that selling below-cost could potentially violate the price law and the new round of industry self-regulation should be more sustainable as it avoids the monopoly risks associated with coordinated quotas and price
Impact from energy efficiency rule	All of Tongwei's Poly capacity can meet with the new energy efficiency rule	All of GCL's Poly capacity can meet with the new energy efficiency rule	Mgmt estimates 35k tons of Daqo's Xinjiang capacity (built pre-2020 ~10% of its nominal capacity) is non-compliant and intends to defer the capacity upgrade until industry re-balancing is achieved (2028E)
Pricing outlook	N A	Mgmt believed price law enforcement will drive Poly price at Rmb40-45/kg in 2H26 and further upside hinges on industry inventory depletion progress	**(+2H)** Mgmt is confident to see higher Poly price to Rmb38-42 kg in 2H26 (Tier 1 factory-level production costs) Rmb40-50/kg in 2027E (Tier 1 company-level total production costs) and Rmb50-55/kg in 2028E (Tier 2 company-level production costs)
Production plan	**(+3Q)** The company will adjust optimal UTR based on market conditions Tongwei's quarterly production is likely to increase to 820kton in 3Q26 (or 36% UTR) vs 3kton in 2Q26 (or 1% UTR) as per Oilchem and SMM	**(=3Q)** The company tends to keep our UTR at 60% to meet customer needs as our inventory level looks healthy	**(=3Q/+2H)** Mgmt raised FY26 production guidance by 10% to 160-180kton and guided for stable qoq production in 3Q26 (40-45kton) while maintaining healthy inventory level.
Cash cost	**(-) Rmb27/kg** by GSe Mgmt expected their cost advantage to be further enhanced after Lihao's acquisition which has the third lowest cost among the industry	**(-) Rmb25/kg** reported by company Cash cost to decline at least 5% yoy p.a. in the next 5 years all else equal	**(-) Rmb31/kg** (excl logistic cost) by Mgmt Cash cost to further decline via less electricity consumption and lower industrial silicon usage
New business			
Business	N A	Lithium iron phosphate (LFP) cathode	ESS, solid-state transformers/circuit breakers/batteries
Investment committed	N A	Rmb3bn for 400kton capacity in Sichuan by 1H2027 30% stake held by GCL	Rmb2.1bn to build production base
Investment budgeted	N A	Additional 400kton capacity in Xuzhou	Rmb6bn for phase II expansion
Earnings accretion	N A	At least Rmb3k/ton net profit as per Mgmt	Very early to estimate earnings Current plan to start ESS product shipment by 1H27 and transformer product shipment by 2H27

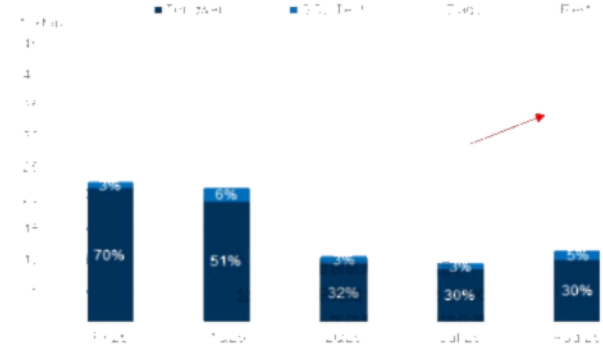
Source: Company data. Data compiled by Goldman Sachs Global Investment Research

Exhibit 2: 2Q26 Poly shipment for the three Tier 1 players came in on avg. 15% higher than GSe



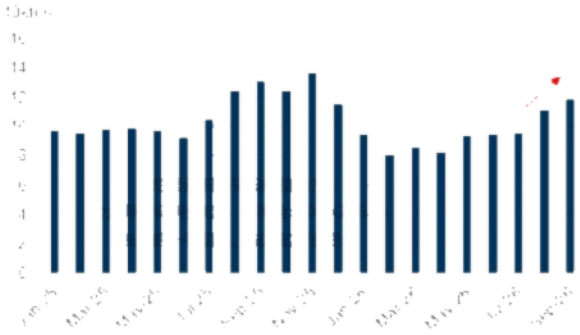
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: Producer side Poly inventory re-surged since Aug...
Monthly producer side inventory



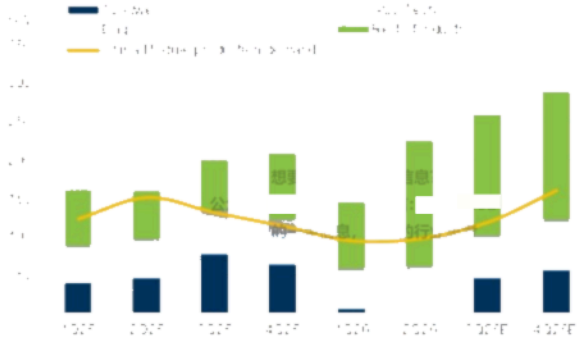
Source: Oilchem, SMM, Data compiled by Goldman Sachs Global Investment Research

Exhibit 4: ...and monthly production continued increasing as well
Monthly Poly production



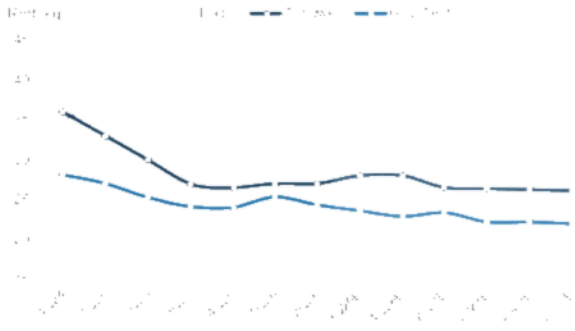
Source: Oilchem, SMM, Data compiled by Goldman Sachs Global Investment Research

Exhibit 5: Despite potential demand inflection in 2H26, we expect the Poly industry will continue to be challenged by production oversupply, leading to exacerbating inventory at already high levels (over 6 months by GSe)
Monthly Poly production vs. Module production demand



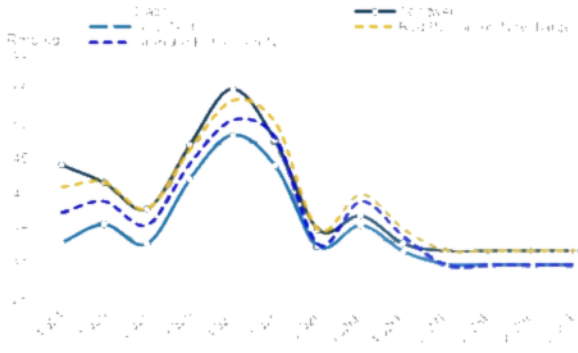
Source: Oilchem, SMM, Goldman Sachs Global Investment Research

Exhibit 6: Together with Tier 1 players' continued cost reduction efforts...
Quarterly cash production cost by Tier 1 players



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 7: ...we think Poly price is likely to stay at a low level for longer
Recognized Poly price by Tier 1 players



Source: Silicon China, Company data, Goldman Sachs Global Investment Research

Exhibit 8: We revise NP by avg. -9% to +14% for our Poly coverage in 2026E-2030E and revise TP by -11% to +13%

	Ticker	RCY	PCY	12m TP (New)	TP Chg%	Closing price	TP upside%	Net income (New, in RCY)					Net income (Prior, in RCY)					Net profit change %					Rationale
								26E	27E	28E	29E	30E	26E	27E	28E	29E	30E	26E	27E	28E	29E	30E	Avg 26E-30E	26E-30E
Main value chain																								
Longi	[illegible]	[illegible]	[illegible]	[illegible]	0%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	lower ASP, shipment and higher ASP in 2H26; lower fees revenue in 2026E-2030E post 2Q26 result
Daqo A	[illegible]	CNY	CNY	[illegible]	11%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	lower ASP, shipment and higher ASP in 2H26; higher R&A in 2026E-2030E on new business development
Daqo US	DQ	[illegible]	USD	[illegible]	0%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	updated w separate review note
GCL Tech	[illegible]	CNY	HKD	[illegible]	13%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	lower ASP, shipment and higher ASP in 2H26; earnings secret sensitive to TP in 2026E-2030E
Average																								

Source: Goldman Sachs Global Investment Research

Exhibit 9: Tongwei 2Q26 result comparison

Tongwei (Rmb mn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	yoy %	qoq %	Prior GSe	Diff
Revenue	15,933	24,575	24,091	19,529	12,125	22,232	-10%	83%	22,167	0%
Gross profit	(458)	488	1,741	501	(488)	(567)	-216%	-16%	(1,435)	61%
Net profit	(2,593)	(2,363)	(315)	(4,283)	(2,444)	(2,675)	-13%	-9%	(2,666)	0%
Gross profit margin (%)	-3%	2%	7%	3%	-4%	-3%	-5pp	1pp	-7%	4pp
SG&A as of sales (%)	9%	6%	6%	8%	12%	6%	0pp	-6pp	7%	-1pp
Net profit margin (%)	-16%	-10%	-1%	-22%	-20%	-12%	-2pp	8pp	-12%	0pp

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 10: GCL Tech 1H26 result comparison

GCL Tech 3800.HK	1H2025	2H2025	1H2026	yoy	hoh	Prior 1H26 GSe	Diff%
Revenue (Rmb mn)	5,735	8,690	5,777	1%	-34%	5,958	-3%
Gross profit (Rmb mn)	(700)	2,036	(434)	38%	-121%	(561)	23%
Net profit (Rmb mn)	(1,776)	(157)	(2,081)	-17%	n.m.	(1,775)	-17%
Gross profit margin (%)	-12%	23%	-8%	5pp	-31pp	-9%	2pp
SG&A as % of revenue	13%	14%	15%	2pp	0pp	14%	1pp
Net profit margin (%)	-31%	-2%	-36%	-5pp	-34pp	-30%	-6pp

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 11: Daqo A 2Q26 result comparison

Daqo A	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	yoy %	qoq %	Prior GSe	Diff
Revenue (Rmb mn)	**907**	**563**	**1,773**	**1,596**	**189**	**434**	**-23%**	**130%**	**366**	**19%**
Gross profit (Rmb mn)	(267)	(234)	254	143	(228)	(236)	-1%	-4%	(405)	42%
Net profit (Rmb mn)	**(558)**	**(589)**	**73**	**(56)**	**(801)**	**(794)**	**-35%**	**1%**	**(327)**	**-143%**
Gross profit margin (%)	**-29%**	**-42%**	**14%**	**9%**	**-121%**	**-54%**	**-13pp**	**66pp**	**-111%**	**56pp**
Net profit margin (%)	**-62%**	**-105%**	**4%**	**-4%**	**-425%**	**-183%**	**-78pp**	**242pp**	**-89%**	**-94pp**

Source: Company data, Goldman Sachs Global Investment Research

Investment thesis, TP methodology and risks

GCL Tech (3800.HK)

Investment thesis: GCL Tech is a leading Poly producer sitting at the lowest end of the industry cost curve and has managed to keep inventory at a low level at 3-7 days vs. industry average at over 6mths, thanks to its continued cost reduction and quality improvement efforts in its differentiated FBR Granular Poly tech. We are Buy rated on GCL Tech as we believe the market is overlooking its LT volume upside and cost reduction potential. We expect the accelerating downstream adoption of Granular Poly to help GCL to meaningfully improve its volume and profitability outlook despite a severely oversupplied industry backdrop.

TP methodology: Our 12m target price for GCL Tech of HK$0.79 is der
26E P/B based on its historical regression correlation of P/B and ROE.

Key downside risks: i) weaker-than-expected solar demand, and/or slower-than-expected capacity exit (e.g. lower-than-expected industry

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capacity buyout) that could trigger weaker-than-expected pricing policy execution to further dampen the profitability outlook; ii) unfavorable changes in raw material/electricity price may lift production costs, resulting in lower-than-expected gross margin.

3800.HK **12m Price Target: HK$0.79** **Price: HK$0.73** **Upside: 9%**

Buy

GS Forecast

		12/25	12/26E	12/27E	12/28E
Market cap: HK$20.9bn / $2.7bn	**Revenue (Rmb mn) New**	**14,424.9**	**14,313.7**	**26,738.0**	**35,987.0**
Enterprise value: HK$29.9bn / $3.8bn	Revenue (Rmb mn) Old	14,424.9	12,473.3	13,332.3	14,059.3
3m ADTV :HK$224.0mn/ $28.6mn	EBITDA (Rmb mn)	2,758.2	897.3	2,143.8	2,866.0
China	**EPS (Rmb) New**	**(0.07)**	**(0.13)**	**(0.10)**	**(0.08)**
China Clean Energy & Technology	EPS (Rmb) Old	(0.07)	(0.13)	(0.12)	(0.09)
	P/E (X)	NM	NM	NM	NM
M&A Rank: 3	P/B (X)	0.7	0.5	0.5	0.5
Leases incl. in net debt & EV?: Yes	Dividend yield (%)	0.0	0.0	0.0	0.0
	CROCI (%)	3.8	1.4	2.2	2.5

	12/25	6/26	12/26E	E
EPS (Rmb)	(0.01)	(0.06)	0.00	--

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 04 Sep 2026 close.

Daqo ADR (DQ)

Investment thesis: We are Sell rated on Daqo ADR. Daqo ADR is the parent company of Xinjiang Daqo New Energy Co (688303.SS) with a 71% stake owned as of Mar 2026. They share the same topline, but differ in cost drivers. Daqo is one of China's largest poly producers that used to sit at the low end of the industry cost curve, but we think current valuation has priced in a greater degree of optimism for the new round of Poly price hike execution and valuation looks unattractive.

TP methodology: Our 12m target price for Daqo ADR of US$10 is based on a 0.16X 2026E P/B based on its historical regression correlation of P/B and ROE.

Key risks: 1) meaningful Tier 1 poly capacity exit and/or stronger-than-expected solar demand substantially improves the profitability outlook; 2) Daqo's cost reduction progress were to come in faster-than-expected to match the levels of its Tier 1 Poly peer GCL Tech and Tongwei, leading to higher UTR for Daqo and better margins over the longer run; 3) Faster commercialization progress on its AIDC infrastructure products.

DQ	12m Price Target: $10	Price: $12.31	Downside: 18.8%

Sell

GS Forecast

		12/25	12/26E	12/27E	12/28E
Market cap: $814.4mn	Revenue ($ mn)	665.4	216.3	414.5	362.7
Enterprise value: $-1296014.3k	EBITDA ($ mn)	52.7	(134.4)	(156.8)	(122.7)
3m ADTV :$13.7mn	EPS ($)	(1.73)	(3.94)	(4.37)	(4.03)
China	P/E (X)	NM	NM	NM	NM
China Clean Energy & Technology	P/B (X)	0.2	0.1	0.2	0.2
	Dividend yield (%)	#VALUE!	#VALUE!	#VALUE!	#VALUE!
M&A Rank: 3	N debt/EBITDA (ex lease,X)	NM	--	--	--
Leases incl. in net debt & EV?: Yes	CROCI (%)	1.1	NM	NM	NM
	FCF yield (%)	(8.5)	5.4	(43.8)	(7.8)
		3/26	**6/26**	**9/26E**	**12/26E**
	EPS ($)	(1.31)	(1.20)	(0.48)	(0.90)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 04 Sep 2026 close.

Daqo A (688303.SS)

Investment thesis: Daqo A is the 71% owned subsidiary of Daqo New Energy (DQ). They share the same topline, but differ in cost drivers. Daqo is one of China's largest poly producers that used to sit at low end of the industry cost curve, but we expect the aggressive Tier 1 capacity expansion in the poly segment to be negatively compounded by a weak demand outlook, pushing Daqo towards the high end of the industry cost curve and capping its UTR at a low level for longer. We are Sell rated on Daqo A, as we believe current valuation (P/B) has priced in too much L-T optimism in terms of both price and volume upside. We highlight that Daqo appears to have relatively less cost reduction headroom through capacity mix optimization vs. its peers, and its solid balance sheet might be relatively weakened given lower profitability inflection potential vs. some low-cost players that are likely to see easing liquidity pressure via greater profitability inflection in the anti-involution context.

TP methodology: Our 12m TP for Daqo A of Rmb7.6 is based on a 0.45X 2026E P/B based on its historical regression correlation of P/B and ROE.

Key risks: 1) meaningful Tier 1 poly capacity exit (e.g. via. higher-than-expected industry level tail capacity buyout), and/or stronger-than-expected solar demand to substantially shift the profitability outlook; 2) Daqo's cost reduction progress coming in faster than expected, which could lead to higher a UTR for Daqo and better margins over the longer run.

688303.SS **12m Price Target: Rmb7.6** **Price: Rmb16.76** **Downside: 54.7%**

Sell

GS Forecast

		12/25	12/26E	12/27E	12/28E
Market cap: Rmb35.8bn / $5.3bn	**Revenue (Rmb mn) New**	**4,838.5**	**1,497.6**	**2,870.0**	**2,511.2**
Enterprise value: Rmb22.8bn / $3.4bn	Revenue (Rmb mn) Old	4,838.5	2,459.6	3,016.1	2,639.1
3m ADTV :Rmb307.4mn/ $45.4mn	EBITDA (Rmb mn)	1,261.3	329.7	(822.9)	(616.2)
China	**EPS (Rmb) New**	**(0.53)**	**(1.37)**	**(1.06)**	**(0.98)**
China Clean Energy & Technology	EPS (Rmb) Old	(0.53)	(1.22)	(0.98)	(0.90)
	P/E (X)	NM	NM	NM	NM
M&A Rank: 3	P/B (X)	1.3	1.0	1.1	1.1
Leases incl. in net debt & EV?: No	Dividend yield (%)	0.0	0.0	0.0	0.0
	CROCI (%)	4.0	NM	NM	NM
		6/26	**9/26E**	**12/26E**	**E**
	EPS (Rmb)	(0.37)	0.00	0.00	--

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 04 Sep 2026 close.

Tongwei (600438.SS)

Investment thesis: Tongwei is a solar world leader with an integrated business model from upstream poly to cell, and has expanded into the downstream module business since 2022. We are Sell rated on Tongwei, as we are cautious on Tongwei's high exposure to the Poly segment, which we prefer the least vs. our sector coverage due to severe oversupply (even among Top 3 Tier 1 players), and as a result, normalized ROE for Tongwei is likely to stay below its through-cycle level. We believe current valuation (on P/B) has overly priced in the Poly price upside with the implementation of ongoing anti-involution.

TP methodology: Our 12m target price for Tongwei of Rmb4.2 is derived from a 0.6X 26E P/B based on its historical regression correlation of P/B and ROE.

Key risks: 1) meaningful Tier 1 poly capacity exit (e.g. via. higher-than-expected industry level tail capacity buyout), and/or stronger-than-expected solar demand to substantially shift the profitability outlook; 2) better-than-expected module business development.

600438.SS **12m Price Target: Rmb4.2** **Price: Rmb11.39** **Downside: 63.1%**

Sell

GS Forecast

		12/25	12/26E	12/27E	12/28E
Market cap: Rmb51.3bn / $7.6bn	**Revenue (Rmb mn) New**	**84,128.3**	**78,741.6**	**92,828.3**	**101,442.8**
Enterprise value: Rmb129.4bn / $19.3bn	Revenue (Rmb mn) Old	84,128.3	80,608.4	93,541.1	102,211.4
3m ADTV :Rmb749.9mn/ $110.9mn	EBITDA (Rmb mn)	7,404.5	2,627.5	3,151.8	4,961.7
China	**EPS (Rmb) New**	**(2.12)**	**(2.13)**	**(1.75)**	**(1.55)**
China Clean Energy & Technology	EPS (Rmb) Old	(2.12)	(2.02)	(1.73)	(1.53)
	P/E (X)	NM	NM	NM	NM
M&A Rank: 3	P/B (X)	1.8	1.3	1.8	2.8
Leases incl. in net debt & EV?: No	Dividend yield (%)	0.0	0.0	0.0	0.0
	CROCI (%)	6.8	1.0	0.1	0.7
		6/26	**9/26E**	**12/26E**	**E**
	EPS (Rmb)	(0.59)	(0.46)	(0.53)	--

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 04 Sep 2026 close.