September 17, 2026 06:13 AM GMT

China Shenhua Energy | Asia Pacific

China BEST Conference Key Takeaways

Limited incremental shipment volume from Xinjiang port. NDRC noted in early September that it would make an arrangement to increase coal shipments from Xinjiang. Management thinks the near-term impact will be limited, given limited transportation capacity and high railway costs. Transportation cost for per ton of coal from Xinjiang to ports along the east coast will be ~Rmb600/t. Unless the coal price is sustained at >Rmb860/t, not much volume can be shipped out.

No change in full-year production volume guidance of 513mnt in 2026 despite lower volume in 1H26 due to: 1) slow progress of land acquisition in Inner Mongolia; 2) lower stripping of coal mines due to rainy weather; and 3) changes in mining surfaces. Volume can catch up in 2H26, especially in Inner Mongolia. Management sees no impact on production volume from ongoing safety inspections.

Coal chemicals remain a potential growth area, but rapid capacity expansion has tightened approvals for coal-to-olefins, methanol, and ethanol. Coal-to-gas is relatively more supported, due to favorable economics, low-cost Xinjiang coal, and mature technology, making it a more likely area for future expansion.

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China Shenhua Energy (1088.HK, 1088 HK)

China Coal | China

Stock Rating	**Overweight**
Industry View	**Cautious**
Price target	HK$48.30
Up/downside to price target (%)	7
Shr price, close (Sep 16, 2026)	HK$45.24
52-Week Range	HK$49.62-36.58
Sh out, dil, curr (mn)	3,377
Mkt cap, curr (mn)	US$138,520
EV, curr (mn)	US$129,595
Avg daily trading value (mn)	US$72.20

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
Revenue, net (Rmb bn)	295	407	407	410
EBITDA (Rmb bn)	103	123	121	121
ModelWare net inc (Rmb bn)	53	61	59	58
EPS (Rmb)**	2.66	3.02	2.90	2.85
EPS (Rmb)§	2.66	2.90	2.85	2.86
P/E	13.1	12.8	13.3	13.6
P/BV	1.7	1.8	1.7	1.7
EV/EBITDA	7.0	7.0	7.1	7.1
ROE (%)	12.6	15.0	13.3	12.7
Div yld (%)	12.6	5.9	5.7	5.6

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

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Valuation Methodology and Risks

China Shenhua Energy (1088.HK)

Our price target is based on a residual income model. We apply a cost of equity 6.5%, calculated from a 0.67 beta, 1.8% risk-free rate and 7% equity risk premium; 10.1% WACC assuming ROE of 14% and terminal growth rate of 2%.

Risks to Upside

- Stronger-than-expected coal demand
- Higher-than-expected realized domestic coal prices
- Stronger contributions from non-coal business (i.e., power, rail and ports)

Risks to Downside

- Slower-than-expected coal demand
- Lower-than-expected realized domestic coal prices
- Weaker contributions from non-coal business (i.e., power, rail and ports)

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(as of August 31, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1555	42%	450	48%	29%	767	44%
Equal-weight/Hold	1577	43%	395	42%	25%	770	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	559	15%	93	10%	17%	216	12%
Total	3,694		939			1754	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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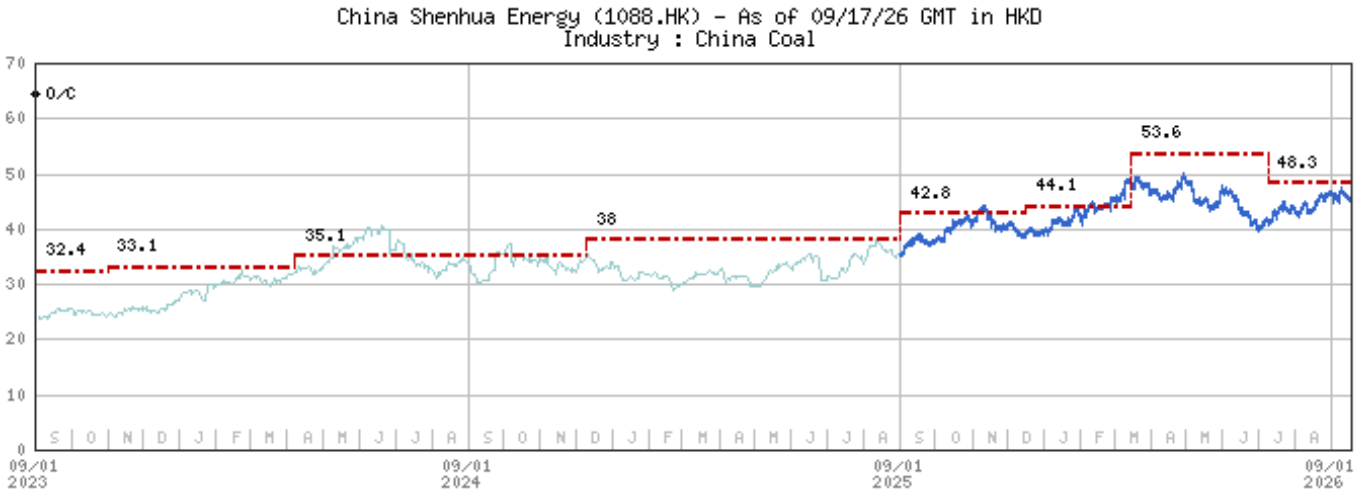
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 9/1/21 : O/I; 10/26/21 : O/C

Price Target History: 8/31/21 : 23.26; 3/30/22 : 26.36; 7/13/22 : 31.5; 1/4/23 : 32.6; 4/20/23 : 32.4; 11/1/23 : 33.1; 4/8/24 : 35.1; 12/10/24 : 38; 9/2/25 : 42.8; 12/16/25 : 44.1; 3/16/26 : 53.6; 7/9/26 : 48.3

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -·- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ▬
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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INDUSTRY COVERAGE: China Coal

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/16/2026)
Hannah Yang, CFA		
China Coal Energy Co., Ltd. (601898.SS)	E (03/16/2026)	Rmb14.29
China Coal Energy Co., Ltd. (1898.HK)	O (03/16/2026)	HK$10.95
China Shenhua Energy (1088.HK)	O (11/02/2017)	HK$45.24
China Shenhua Energy (601088.SS)	E (04/04/2019)	Rmb47.10
Shaanxi Coal Industry (601225.SS)	O (03/16/2026)	Rmb25.69
Shanxi Coking Coal (000983.SZ)	E (10/26/2021)	Rmb6.60
Yancoal Australia Ltd (3668.HK)	O (03/16/2026)	HK$34.20
Yankuang Energy Group Co Ltd (1171.HK)	O (03/16/2026)	HK$12.49
Yankuang Energy Group Co Ltd (600188.SS)	E (03/16/2026)	Rmb20.11

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

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