CHINA METALS & MINING

# Chinese lithium sector - earnings revision

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We forecast the benchmark China spot lithium carbonate price to average to US$18.9k/t-LCE (~Rmb140k/t-LCE) in 2026E (1% higher vs prior forecast), US$13.7k/t-LCE (~Rmb100k/t-LCE) in 2027E (33% higher vs prior forecast), US$11.0k/t-LCE (Rmb84k/t-LCE) in 2028E (31% lower vs prior forecast). See our report "Global Metals & Mining: Lithium - refreshing our global S/D balance, maintain cautious view on 2027E and 2028E". By reflecting these revisions to our lithium price assumptions, we update our earnings forecasts for covered lithium stocks accordingly.

For Ganfeng, we adjust earnings estimates by 33% for 2026E, 120% for 2027E and -76% for 2028E, by incorporating the latest lithium price forecast. We view current H-share price valuation as fair with an implied lithium price of US$12.6k/t-LCE, thus risk reward has become more balanced. In our view, Ganfeng-A share price remains expensive with an implied lithium price of US$14.9k/t-LCE. We maintain Ganfeng-H at Neutral and Ganfeng-A at Sell with revised TPs of HK$31.0/Rmb30.0 (from HK$46.0/Rmb45.0).

For Tianqi, we revise earnings estimates by 14% for 2026E, 45% for 2027E and -62% for 2028E, by incorporating the latest lithium price forecast. In our view, current H/A share prices remain expensive with implied lithium price of US$15.2-21.6k/t-LCE. Maintain Sell/Sell ratings on Tianqi-H/A with revised TPs of HK$22.0/Rmb21.0 (from HK$33.0/Rmb32.0).

For our other covered names, including Yahua, Yongxing, Huayou, and QHL, we revise 2026E earnings estimates by -2% to 19% and raise 2027E earnings estimates by 7%-55%, while lowering 2028E earnings estimates by 18%-80% to reflect our latest lithium price forecast. Our 12m TPs are lowered by 12%-23%.

No earnings revisions are made for Zijin Mining, as lithium remains a relatively small contributor to company earnings with limited earnings sensitivity to changes in our refreshed lithium price forecasts.

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**Exhibit 1: Lithium equities sensitivity table - China lithium companies**

**2027E NP**

| Carbonate CN spot US$/t-LCE | k Rmb/t-LCE (w tax) | Spodumene Spot US$/t | Ganfeng Rmb bn | Tianqi Rmb bn | Yahua Rmb bn | Yongxing Rmb bn |
|---|---|---|---|---|---|---|
| 8,000 | 61 | 688 | (0.28) | 1.22 | 0.21 | 0.59 |
| 10,000 | 76 | 938 | 1.32 | 2.04 | 0.77 | 0.90 |
| 13,000 | 99 | 1,313 | 3.62 | 3.28 | 1.56 | 1.35 |
| 16,000 | 122 | 1,688 | 5.87 | 4.51 | 2.34 | 1.80 |
| 20,000 | 153 | 2,188 | 8.84 | 6.16 | 3.36 | 2.40 |
| 13,689* | 104 | 1,571 | 3.57 | 3.27 | 1.31 | 1.45 |
| US$1,000/t-LCE NP chgs (%) | | | 28% | 16% | 34% | 10% |

**2027E EPS**

| Carbonate CN spot US$/t-LCE | k Rmb/t-LCE (w tax) | Spodumene Spot US$/t | Ganfeng Rmb/sh | Tianqi Rmb/sh | Yahua Rmb/sh | Yongxing Rmb/sh |
|---|---|---|---|---|---|---|
| 8,000 | 61 | 688 | (0.132) | 0.712 | 0.183 | 1.103 |
| 10,000 | 76 | 938 | 0.630 | 1.195 | 0.666 | 1.662 |
| 13,000 | 99 | 1,313 | 1.726 | 1.920 | 1.354 | 2.501 |
| 16,000 | 122 | 1,688 | 2.800 | 2.645 | 2.027 | 3.340 |
| 20,000 | 153 | 2,188 | 4.218 | 3.610 | 2.917 | 4.458 |
| 13,689* | 104 | 1,571 | 1.701 | 1.918 | 1.138 | 2.694 |
| US$1,000/t-LCE EPS chgs (%) | | | 28% | 16% | 34% | 10% |

Note: CNY:USD 6.75; *2027E base case

Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 2: Earnings and TP changes summary - China lithium coverage**

| Company | Ticker | Shr px | 12M TP | Old | Chgs | Rating | Old Upside | Mkt cap | EPS (rpt ccy/sh) | | | EPS vs Prior | | | EPS vs Consensus | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Price as of 5-Oct-2026* | | Tccy | Tccy | Tccy | % | | % | US$ bn | 26E | 27E | 28E | 26E | 27E | 28E | 26E | 27E | 28E |
| Ganfeng-H | 1772.HK | 30.2 | 31.0 | 46.0 | -33% | Neutral | 3% | 8.1 | 3.000 | 1.701 | 1.036 | 33% | 120% | -76% | -10% | -52% | -75% |
| Ganfeng-A | 002460.SZ | 43.4 | 30.0 | 45.0 | -33% | Sell | -31% | 13.6 | 3.000 | 1.701 | 1.036 | 33% | 120% | -76% | -10% | -54% | -77% |
| Tianqi-H | 9696.HK | 27.9 | 22.0 | 33.0 | -33% | Sell | -21% | 6.0 | 3.608 | 1.918 | 1.121 | 14% | 45% | -62% | 0% | -48% | -72% |
| Tianqi-A | 002466.SZ | 40.3 | 21.0 | 32.0 | -34% | Sell | -48% | 10.0 | 3.608 | 1.918 | 1.121 | 14% | 45% | -62% | -2% | -49% | -73% |
| Yahua | 002497.SZ | 15.7 | 12.0 | 15.5 | -23% | Sell | -24% | 2.7 | 1.691 | 1.138 | 0.384 | 19% | 7% | -80% | -16% | -42% | -85% |
| Yongxing | 002756.SZ | 39.0 | 30.0 | 36.0 | -17% | Sell | -23% | 3.1 | 2.708 | 2.694 | 2.462 | 1% | 55% | -40% | -20% | -29% | -53% |
| QH Salt Lake | 000792.SZ | 23.8 | 33.0 | 40.0 | -18% | Buy | 38% | 18.8 | 2.511 | 1.876 | 1.663 | -1% | 12% | -18% | 12% | -15% | -28% |
| Huayou | 603799.SS | 35.0 | 37.0 | 42.0 | -12% | Neutral | 6% | 9.9 | 2.996 | 3.555 | 3.435 | -2% | 7% | -26% | -29% | -33% | -44% |

Source: LSEG Data & Analytics, Company data, Goldman Sachs Global Investment Research

**Exhibit 3: Global valuation peers – Lithium**
Notes: NC = Not Covered where estimates for NC stocks are based on consensus numbers; target prices are based on a 12-month timeframe; *denotes stock is on the APAC Conviction List

| Company | Ticker | Rating | Target | Price | ccy | Mkt cap | PE | | PB | | ROE | | EV/EBITDA | | FCF yield | | Div yield | | | Perf. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Price as of 5-Oct-2026* | | | | Local | | US$ bn | 26E | 27E | 26E | 27E | 26E | 27E | 26E | 27E | 26E | 27E | 25A | 26E | 27E | YTD |
| Ganfeng-H | 1772.HK | Neutral | 31.00 | 30.16 | HKD | 8.1 | 8.6 | 15.2 | 1.1 | 1.0 | 12% | 7% | 7.1 | 10.8 | 6% | -1% | 1% | 2% | 1% | -44% |
| Ganfeng-A | 002460.SZ | Sell | 30.00 | 43.43 | CNY | 13.6 | 14.5 | 25.5 | 1.8 | 1.7 | 12% | 7% | 10.2 | 15.4 | 4% | -1% | 0% | 1% | 1% | -31% |
| Tianqi-H | 9696.HK | Sell | 22.00 | 27.92 | HKD | 6.0 | 6.6 | 12.4 | 0.6 | 0.6 | 9% | 5% | 3.2 | 4.1 | 15% | 20% | 0% | 3% | 2% | -47% |
| Tianqi-A | 002466.SZ | Sell | 21.00 | 40.25 | CNY | 10.0 | 11.2 | 21.0 | 1.0 | 1.0 | 9% | 5% | 4.9 | 6.4 | 10% | 13% | 0% | 2% | 1% | -27% |
| Sichuan Yahua | 002497.SZ | Sell | 12.00 | 15.70 | CNY | 2.7 | 9.3 | 13.8 | 1.4 | 1.3 | 15% | 10% | 5.4 | 6.6 | 10% | 6% | 0% | 1% | 1% | -37% |
| Yongxing | 002756.SZ | Sell | 30.00 | 38.99 | CNY | 3.1 | 14.4 | 14.5 | 1.5 | 1.4 | 10% | 10% | 8.3 | 8.1 | 6% | 4% | 1% | 2% | 2% | -28% |
| Qinghai Salt Lake | 000792.SZ | Buy | 33.00 | 23.83 | CNY | 18.8 | 9.5 | 12.7 | 2.2 | 2.0 | 23% | 16% | 4.8 | 6.3 | 12% | 8% | 0% | 5% | 4% | -15% |
| Zhejiang Huayou | 603799.SS | Neutral | 37.00 | 35.00 | CNY | 9.9 | 11.7 | 9.8 | 1.3 | 1.1 | 11% | 11% | 8.0 | 6.9 | -13% | 7% | 1% | 1% | 2% | -49% |
| GEM | 002340.SZ | Sell | 5.00 | 6.11 | CNY | 4.7 | 21.3 | 23.6 | 1.4 | 1.3 | 7% | 6% | 11.3 | 10.3 | -6% | -5% | 1% | 1% | 1% | -27% |
| Zijin Mining | 2899.HK | Buy* | 51.00 | 32.16 | HKD | 109.0 | 9.0 | 8.1 | 2.9 | 2.3 | 37% | 32% | 6.0 | 5.2 | 11% | 11% | 3% | 4% | 4% | -13% |
| Zijin Mining | 601899.SS | Buy* | 49.00 | 29.79 | CNY | 118.1 | 9.8 | 8.7 | 3.2 | 2.5 | 37% | 32% | 6.5 | 5.6 | 11% | 11% | 3% | 4% | 4% | -14% |
| Youngy | 002192.SZ | NC | NA | 56.40 | CNY | 2.2 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 9% |
| SZ Chengxin Lithium | 002240.SZ | NC | NA | 25.01 | CNY | 3.4 | 11.8 | 13.4 | 1.9 | 1.6 | 17% | 17% | 5.0 | 4.5 | n.a. | n.a. | n.a. | 2% | 2% | -27% |
| Nanjing Hanrui | 300618.SZ | NC | NA | 30.54 | CNY | 1.4 | 38.7 | 26.6 | 1.7 | 1.6 | 4% | 6% | n.a. | n.a. | n.a. | n.a. | n.a. | 1% | 1% | -32% |
| **Regional peers** | | | | | | | **13.6** | **15.8** | **1.7** | **1.5** | **16%** | **12%** | **6.7** | **7.5** | **6%** | **7%** | **1%** | **2%** | **2%** | **-27%** |
| Albemarle Corp. | ALB | NC | NA | 104.37 | USD | 12.3 | 9.0 | 9.8 | 1.3 | 1.2 | 15% | 14% | 4.8 | 4.4 | 9% | 9% | 2% | 2% | 2% | -27% |
| SQM | SQM | Neutral | 82.00 | 65.83 | USD | 18.8 | 10.7 | 10.5 | 3.0 | 2.6 | 28% | 25% | 6.0 | 5.8 | 7% | 7% | 0% | 5% | 5% | -6% |
| Lithium Argentina | LAR | NC | NA | 5.60 | USD | 0.9 | 22.4 | 23.3 | 1.1 | 1.0 | 3% | 1% | 9.2 | 6.0 | 0% | -5% | 0% | 0% | 0% | -8% |
| PLS Group | PLS.AX | Sell | 4.30 | 3.81 | AUD | 8.6 | 20.4 | 14.0 | 3.0 | 2.7 | 15% | 19% | 10.3 | 6.9 | 8% | 2% | 0% | 1% | 2% | -12% |
| Livium Ltd | LIT.AX | NC | NA | 0.01 | AUD | 0.0 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | -36% |
| Mineral Resources | MIN.AX | Neutral | 59.00 | 51.46 | AUD | 7.1 | 12.4 | 16.3 | 2.3 | 2.0 | 32% | 13% | 5.6 | 5.1 | 12% | 7% | 0% | 2% | 3% | -7% |
| Core Lithium | CXO.AX | Neutral | 0.25 | 0.31 | AUD | 0.7 | n.a. | 34.3 | 2.0 | 1.8 | -3% | 5% | n.a. | 12.9 | -5% | -7% | 0% | 0% | 0% | 11% |
| IGO Ltd. | IGO.AX | Buy | 9.50 | 6.52 | AUD | 3.4 | 45.3 | 12.2 | 2.2 | 1.9 | 5% | 16% | 17.0 | 9.9 | 2% | 7% | 0% | 1% | 2% | -21% |
| Liontown | LTR.AX | Neutral | 1.25 | 0.83 | AUD | 1.8 | 174.4 | 18.0 | 1.8 | 1.6 | 1% | 9% | 30.1 | 7.8 | 1% | -5% | 0% | 0% | 0% | -49% |
| Lithium Americas | LAC | Neutral | 4.50 | 2.55 | USD | 0.9 | n.a. | n.a. | 0.5 | 0.5 | -1% | -2% | n.a. | n.a. | -108% | -43% | n.a. | n.a. | n.a. | -47% |
| **Average global peers** | | | | | | | **20.0** | **17.3** | **1.9** | **1.7** | **11%** | **11%** | **11.9** | **7.3** | **4%** | **2%** | **0%** | **1%** | **2%** | **-20%** |

Source: Datastream, LSEG Data & Analytics, Goldman Sachs Global Investment Research

### Investment thesis - Ganfeng

Ganfeng is one of the largest global lithium producers. It sold 192kt-LCE lithium compound in 2025A, or a 12% global market share. The major end market for lithium is EV and consumer electronics batteries. We expect the Chinese and global lithium market to move from 16% deficit in most of 2026, to nearly balanced in 4Q26, and 8-18% surplus in 2027-2028E. Therefore, our base case maintains a view that benchmark lithium carbonate price peaks in 2026E at ~Rmb140k/t (US$18.9k/t), followed by correction to US$11.0-13.7k/t-LCE in 2027E-2028E. On the stock level, we believe current H-share prices have factored in lithium prices much below spot levels, but closer to spot levels for A-share. We see risk reward as balanced for H-share but unattractive for A-share. We are Neutral rated on Ganfeng-H and Sell rated on Ganfeng-A.

### Investment thesis - Tianqi

Tianqi Lithium is a leading global lithium upstream resources and compounds producer, with total compound output volume at 120.8kt-LCE (equity based) in 2025A, accounting for 8% global market share. We expect the Chinese and global lithium market to move from 16% deficit in most of 2026, to nearly balanced in 4Q26, and 8-18% surplus in 2027-2028E. Therefore, our base case maintains a view that benchmark lithium carbonate price peaks in 2026E at ~Rmb140k/t (US$18.9k/t), followed by correction to US$11.0-13.7k/t-LCE in 2027E-2028E. On the stock level, we believe Tianqi-H/A current share prices have factored in lithium prices closer to or above spot levels. We see risk reward as unattractive. We rate Tianqi-H/A at Sell/Sell.

**Investment thesis - Yahua**

Yahua is a top lithium hydroxide producer in China, with total lithium compound output volume at 69kt, accounting for 4% of global market share as of 2025A. We expect the Chinese and global lithium market to move from 16% deficit in most of 2026, to nearly balanced in 4Q26, and 8-18% surplus in 2027-2028E. Therefore, our base case maintains a view that benchmark lithium carbonate price peaks in 2026E at ~Rmb140k/t (US$18.9k/t), followed by correction to US$11.0-13.7k/t-LCE in 2027E-2028E. On the stock level, we believe current share prices have factored in lithium prices above spot levels, therefore suggesting downside risk. We are Sell rated on Yahua.

**Investment thesis - Yongxing**

Yongxing is a leading integrated lithium producer using lepidolite ore to produce lithium carbonate in China, with total lithium compound output volume of 25kt-LCE in 2025, accounting for 2% of global supply or 15% of China's lepidolite produced lithium carbonate market share in 2025. We expect the Chinese and global lithium market to move from 16% deficit in most of 2026, to nearly balanced in 4Q26, and 8-18% surplus in 2027-2028E. Therefore, our base case maintains a view that benchmark lithium carbonate price peaks in 2026E at ~Rmb140k/t (US$18.9k/t), followed by correction to US$11.0-13.7k/t-LCE in 2027E-2028E. On the stock level, we believe current share prices have factored in lithium prices closer to spot levels, therefore suggesting downside risk. We are Sell rated on Yongxing.

**Investment Thesis - QHL**

Qinghai Salt Lake Industry (QHL) is the largest potash producer and leading integrated brine-to-lithium carbonate operator in China. The company has exclusive mining rights for Qarhan salar, with 540mnt of potassium chloride, 6.6mnt of lithium reserves as of 2025A, and provides c.2/3 of the domestic potash supply, accounting for 1/3 of the total China potash market. We continue to see QHL setting up a solid track record on growth acceleration, driven by ramp-up of its new capacities, thus improving visibility on its strategic goal on doubling output for both potash and lithium carbonate by 2030E. The closing gap of its negative retained earnings, combined with its strong balance sheet, should also support its first dividend in 10 years. We are Buy-rated on QHL, as we believe the current valuation has not yet factored its accelerating earning growth outlook and potential improvement in shareholder return.

**Investment Thesis - Huayou**

Huayou Cobalt is a leading Chinese producer of cathodes with a fully integrated supply chain from mining and refining to the production of both ternary precursors and cathodes. Precursors are used in ternary cathodes for EV batteries. We estimate ternary cathode production accounted for 14% market share in China as of 2025A. We view current share prices for Huayou have partly factored in lithium price correction ahead and weaker profit from nickel business amid rising sulfur price. On the other hand, Huayou's ternary battery material business also showed signs of improvement in 1H26 results with shipments almost doubling yoy and unit GP much improved for both precursor and cathode. We estimate that current Huayou share prices imply that nickel

prices are closer to spot levels, thus risk reward has become more balanced in our view. We are Neutral rated on the stock.

**Price target risks and methodology - Ganfeng**

To capture both near-term earnings impact from spot price increase and long-term sustainable earnings outlook, our valuation is now based on an average of near-term and long-term mid cycle valuations. For our near-term valuation, we use Ganfeng's H/A average consensus 12-month forward trading multiples (12x/15x) over the past year, which we then apply to our 2027E EPS. For our long-term mid-cycle valuation we use a SOTP including 12x/12x P/E for the core operation from mining materials on 2030E earnings when we expect most of Ganfeng's ongoing construction projects to be fully ramped up and a lithium price at mid cycle levels, and 18x/18x P/E for core operation from EV recycling materials on 2030E earnings, discounting back to 2027E using a discount rate of 10.0%. Our 12-m target prices are HK$31.0/Rmb30.0 for Ganfeng-H/A.

Key upside/downside risks for Ganfeng-H: 1) higher/lower lithium product prices, driven by industry supply-demand dynamics, could support/weigh on the company's earnings; 2) project execution risk, faster/slower than expected ongoing project expansion could positively/negatively affect production growth and earnings; 3) raw material purchase risk, higher/lower than expected raw material costs due to new arrangements would support margins or reduce profitability; 4) policy risk that may affect the pace of EV adoption, leading to higher/lower than expected lithium compounds demand; 5) Favorable/adverse currency movements, regulatory changes, and geopolitical developments could support/weigh on overseas project development; and 6) Faster/slower growth in EV battery recycling could increase/reduce earnings contribution.

Key risks for Ganfeng-A: 1) higher lithium product prices; 2) faster-than-expected ongoing project expansion; 3) raw material purchase risk, lower-than-expected raw material costs due to new arrangements; 4) policy risk that may affect the pace of EV adoption, leading to higher-than-expected lithium compounds demand; 5) overseas assets' currency/country risk; and 6) EV battery recycling growth faster than expected.

**Price Target Risks and Methodology - Tianqi**

To capture both near-term earnings impact from spot price increase and long-term sustainable earnings outlook, our valuation is now based on an average of near-term and long-term mid cycle valuations. For our near-term valuation, we use Tianqi's H/A average consensus 12-month forward trading multiples (10x/12x) over the past year, which we then apply to our 2027E EPS. For our long-term mid-cycle valuation, we use long-term mid cycle valuation of 10x/10x P/E on 2030E earnings when lithium price at mid-cycle levels, discounted back to 2027E using a discount rate of 10.0%. Our 12-m target prices are HK$22.0/Rmb21.0 for Tianqi-H/A.

Key risks for Tianqi-H/A: 1) higher lithium product prices; 2) project execution risk, faster-than-expected ongoing project expansion could result in higher-than-expected company earnings; 3) raw material purchase risk; 4) uncertainty in government policy that may affect the pace of adoption of EVs, leading to higher-than-expected lithium compounds demand; 5) overseas assets' currency/country risk; with most of Tianqi's upstream projects located overseas, including in Australia/Chile, local mining laws, policy changes and FX rate changes could affect Tianqi's operations; 6) EV battery recycling

growth - if EV battery recycling is slower than our expectation and provides less recycled lithium, it would lead to stronger mining lithium demand; 7) positive outcome from SQM Atacama renewal, which could boost our LT earnings forecast.

**Price target risks and methodology - Yahua**

Our price target for Yahua is Rmb12.0/sh, based on SOTP including:

- Rmb7.8/sh for lithium operation on an average of near-term and long-term mid cycle valuations. For our near-term valuation, we use Yahua's average consensus 12-month forward trading multiple (10x) over the past year, which we then apply to our 2027E EPS. Our long-term mid cycle lithium valuation is derived from 10x PE on 2030E based earnings when lithium price at mid cycle levels, discounted back to 2027E using a discount rate of 10%;
- Rmb4.2/sh for the civil explosives operation at 15x P/E on 2027E based earnings, consistent with the average historical trading multiples of its domestic civil explosive peers at 15-30x P/E

Key upside risks include: 1) higher lithium product prices; 2) faster-than-expected ongoing project execution; 3) raw material purchase risk, lower-than-expected raw material costs due to new arrangements; 4) policy risk that may affect the pace of EV adoption, leading to higher-than-expected lithium compounds demand; 5) overseas assets' currency/country risk; and 6) EV battery recycling growth slower than expectation.

**Price target risks and methodology - Yongxing**

Our 12-month target price of Rmb30.0/sh is derived from SOTP including:

- Rmb20.0/sh for the lithium operation on an average of near-term and long-term mid cycle valuations. For our near-term valuation, we use Yongxing's average consensus 12-month forward trading multiple (12x) over the past year, which we then apply to our 2027E EPS. Our long-term mid-cycle lithium valuation is derived from 10x PE on 2030E based earnings when lithium price at mid cycle levels, discounted back to 2027E using a discount rate of 10%.
- Rmb10.0/sh for the special steel operation based on a 10x P/E on 2027E earnings, consistent with the average historical trading multiples for other specialty steel A-share peers.

Key risks include: 1) a rise in lithium product prices, including lithium compounds and spodumene; 2) better-than-expected project execution; 3) environmental cost for tailing management undershooting our assumptions; 4) more favorable
policy that may affect the pace of EV adoption; and 5) EV battery recyc
slower than expected.

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**Price target risks and methodology - QHL**

Our 12-m TP is Rmb33.0/sh, based on average of near-term and long-term valuation. We use QHL's past 12-month average P/E of 12x to arrive at a near-term valuation for 2027E, while using a long-term 2030E valuation based on 8x P/E for potash, and 12x P/E for lithium using a discount rate of 10% back to 2027E. We also include Rmb1.3/sh for available natural brine.

Key downside risks: 1) Lower-than-expected lithium carbonate prices due to slower-than-expected pace of EV and energy storage adoption; 2) Major expansion of domestic lepidolite based lithium carbonate projects; 3) EV battery recycling to provide higher-than-expected lithium supply; 4) Lower imported supply from Eastern Europe and Canada and/or acceleration in Laos potash projects; 5) Technology improvements leading to lower-than-expected output or deteriorating production efficiency on extraction and mining.

**Price Target Risks and Methodology - Huayou**

Our price target for Huayou Cobalt is Rmb37.0/sh, based on SOTP including

- Rmb29.5/sh using average of near-term and mid-cycle to value its battery material business. For our near-term valuation, we use Huayou's average consensus 12-month forward trading multiple (10x) over the past year, which we then apply to our 2027E EPS. Our long-term mid-cycle valuation applys 12x P/E on 2030E for the core operation from mining materials and 18x P/E on 2030E for core operation from EV recycling materials, discounting back to 2027E using a discount rate of 10.0%;
- Rmb7.5/sh for copper operation at 10x P/E on 2027E earnings.

Key risks: 1) EV battery recycling growth faster than expectations; 2) higher-than-expected precursor and cathode price/margin, which are driven by industry supply/demand; 3) project execution, including both operation starting time and ramp-up period; 4) lower-than-expected raw material costs; 5) overseas policy risk with its upstream projects in Indonesia and DRC.