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JI Mag Rare-Earth Co Ltd (6680.HK)

3Q26 NP In Line; Attractive H-share Yield and Robotics Upside

CITI'S TAKE

JL Mag reported 9M26 net profit at Rmb760mn, up 47.5% YoY, representing 77%/70% of Street consensus/our full-year estimation. Implied 3Q26 net profit was at Rmb298mn, up 46% QoQ and up 41.6% YoY, in line with our forecast of Rmb300mn. Net profit excluding one-offs reached Rmb684mn in 9M26, up 59% YoY, and in 3Q26 reached Rmb285mn, up 45.4% YoY and up 28% QoQ. 3Q26 GP delivered at Rmb609mn, up 33% YoY and up 11% QoQ. Automotive demand remained a key growth driver, while robotics and industrial servo-motor revenue more than doubled YoY. Looking ahead, humanoid robot rotor modules have entered the production ramp-up stage against customer orders, marking further progress in commercialization. We see an appealing combination of growth potential and shareholder returns for JL Mag. Maintain Buy.

Buy	
Short-Term View: Upside, expires 04-NOV-26	
Price (27 Oct 26 16:10)	HK$14.13
Target price	HK$38.20
Expected share price return	170.3%
Expected dividend yield	5.0%
Expected total return	175.4%
Market Cap	HK$35,479M
	US$4,522M

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3Q26 GP margin at 20.9%, down by 3.7ppt YoY and down by 0.1ppt QoQ — 3Q26 GP margin realized at 20.9%, down by 3.7ppt YoY and down by 0.1ppt QoQ. We expect 3Q sales volume to be flattish QoQ and the sequential GP margin increase was driven by raw materials procurement strategy during the quarter.

Net gearing at -18%, FCF remained positive — In 9M26, OCF reported an inflow of Rmb1,523mn. With capex at Rmb222mn (-75% YoY), 9M25 FCF was positive at Rmb1,301mn, vs negative Rmb1,071mn in 9M25. Implied 3Q FCF remaining with an inflow of Rmb270mn, down 65% QoQ and compared with negative Rmb202mn in 3Q25.

Humanoid robotics business update — Domestic magnet deliveries are increasing, with customers requesting further capacity expansion to support production ramp-ups. The company has also secured magnet and rotor-module nominations from Tesla, although large-scale deliveries remain pending. We see humanoid robotics as a growing revenue contributor in 2027, subject to customer production and delivery schedules.

Earnings Summary

Year to 31 Dec	Net Profit (RmbM)	Diluted EPS (Rmb)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	291	0.213	-49.4	56.3	2.3	4.1	1.7
2025A	706	0.513	140.4	23.4	2.2	9.7	3.3
2026E	1,083	0.788	53.5	15.3	2.1	14.1	5.1
2027E	1,787	1.299	65.0	9.2	2.0	22.3	8.4
2028E	2,267	1.648	26.8	7.3	1.9	26.8	10.7

Source: Powered by dataCentral

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliati

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Implications — JL Mag-H is currently trading at 15.6x 2026E P/E and 2.2x 2026E P/B. More details to follow at results call at 9am on Oct 28 and our investor meetings on Nov 3 (contact us if interested).

Figure 1. JL Mag: Financial Summary Review

Financial statement (Rmb mn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	QoQ	YoY	9M25	9M26	YoY
Gross revenue	1,754	1,753	1,866	2,345	2,036	2,613	2,917	12%	56%	5,373	7,566	41%
Tax surcharges	(6)	(6)	(13)	(11)	(11)	(16)	(13)	-19%	0%	(25)	(40)	63%
Net revenue	1,749	1,747	1,853	2,334	2,025	2,597	2,903	12%	57%	5,348	7,525	41%
COGS	(1,479)	(1,453)	(1,394)	(1,757)	(1,591)	(2,048)	(2,295)	12%	65%	(4,326)	(5,934)	37%
Gross profit	270	293	459	576	434	549	609	11%	33%	1,022	1,592	56%
SG&A	(67)	(44)	(87)	(150)	(86)	(126)	(83)	-34%	-5%	(198)	(294)	49%
R&D	(83)	(87)	(146)	(190)	(122)	(126)	(154)	22%	6%	(316)	(403)	27%
EBIT	172	156	232	225	232	350	355	1%	53%	560	937	67%
Finance expenses	0	0	2	1	0	6	2	-70%	7%	2	8	306%
Profit before tax	184	165	222	218	207	338	342	1%	54%	571	887	55%
Income tax expenses	(22)	(18)	(7)	(15)	(16)	(67)	(17)	-74%	141%	(47)	(99)	112%
Profit after tax	163	147	215	203	192	271	325	20%	51%	524	788	50%
MI	(2)	(3)	(4)	(12)	1	(2)	(27)	1230%	519%	(9)	(28)	214%
Net profit	161	144	211	190	193	269	298	11%	42%	515	760	47%
Gross margin	15.4%	16.7%	24.6%	24.6%	21.3%	21.0%	20.9%	-0.1ppt	-3.7ppt	19.0%	21.0%	2.0ppt
EBIT margin	10%	9%	12%	10%	11%	13%	12%	-1.2ppt	-0.3ppt	10%	12%	2.0ppt
Pre-tax profit margin	11%	9%	12%	9%	10%	13%	12%	-1.2ppt	-0.2ppt	11%	12%	1.1ppt
Net margin	9%	8%	11%	8%	9%	10%	10%	-0.1ppt	-1.1ppt 223	10%	10%	0.5ppt
SG&A % of revenue	4%	3%	5%	6%	4%	5%	3%	-2.0ppt	-1.8ppt	3.7%	3.9%	0.2ppt
R&D % of revenue	5%	5%	8%	8%	6%	5%	5%	0.5ppt	-2.5ppt	5.9%	5.3%	-0.6ppt
OCF	(350)	(199)	350	552	358	848	317	-63%	-10%	(199)	1523	-
CAPEX	(166)	(155)	(552)	406	(101)	(73)	(47)	-36%	-91%	(872)	(222)	-75%
FCF	(516)	(353)	(202)	958	256	775	270	-65%	-	(1071)	1301	-
Net gearing (%)	-5%	3%	-5%	-9%	-10%	-18%	-18%	-0.9ppt	-13.9ppt	-42%	-28%	14.2ppt

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Source: Citi Research, Company Reports

Jl Mag Rare-Earth Co Ltd

Valuation
We value JL Mag-A at Rmb49.8 and JL Mag-H at HK$38.2 on 2027E earnings to capture the impact of emerging robotics demand, applying 38.3x P/E for A-sh and 25.6x for H-sh, historical averages since listed.

Risks
Downside risks that could mean the JL Mag-H shares fail to achieve our target price include: risks related to the price fluctuations of rare earth raw materials; policy risks; risks related to large amounts of trade receivables and their recovery.

JL MAG Rare-Earth
(300748.SZ; Rmb23.91; 1; 27 Oct 26; 15:00)

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Risks
Upside and downside risks that could mean JL Mag-A shares fail to achieve our target price include: risks related to the price fluctuations of rare earth raw materials, policy risks, and sales vol expectation.