

# Zhejiang Dingli (603338 CH)

## Competitive advantage in place with reduced AD duties in EU

We believe the finalization of Dingli's anti-dumping (AD) duties (in EU) at 20.7% is a better-than-feared result, given that such rate reduced from the preliminary rate of 31.3% and is now the lowest among all Chinese manufacturers. This suggests that, in EU, Dingli will enjoy competitive advantage among Chinese players. This decision, together with the finalisation of AD duties in the US (reduced from 31.54% to 12.39%) earlier, implies that the overall duties will be reduced going forward, which offers a buffer for the potential tariff increase suggested by the president-elect in the US. We maintain our positive stance on Dingli which reiterates the strategy to focus on the US, the most promising market for AWP. We have left our earnings forecast unchanged. Maintain **BUY** with an unchanged TP of RMB75 (18x 2024E P/E, 1SD below the historical average of 31x).

- **AD duties on Dingli further reduced in EU.** The preliminary rate was set by the European Commission at 31.3% in Jun but reduced to 23.6% afterwards. The finalized rate further reduced to 20.7% following Dingli's negotiation. Based on our check, such rate is even lower than the 22.5%/22.9% for Oshkosh JLG (Tianjin) /Terex (Changzhou), and much lower than the 30-49% for other Chinese manufacturers. With the new duties in place, we believe Dingli will be able to gain market share from other Chinese players in the EU market. Going forward, Dingli will continue to offer differentiated products to increase pricing power, which will enable it to partially pass through the AD duties to the downstream.
- **AD duties in the US was revised down earlier.** Dingli's AD duties in the US was finalized at 12.39%, down substantially from the 31.54% set in 2022. Together with the counter-vailing duties (CVD) which is unchanged at 11.95%, Dingli's AD & CVD rate added up to 24.34% only. Such reduction will mitigate the potential increase in tariffs suggested by the president-elect in the US.
- **Key risks:** (1) Further intensified competition in China's AWP market; (2) a slowdown of overseas demand; and (3) higher-than-expected potential tariff in the US.

### Earnings Summary

| (YE 31 Dec)          | FY22A   | FY23A   | FY24E   | FY25E   | FY26E   |
|----------------------|---------|---------|---------|---------|---------|
| Revenue (RMB mn)     | 5,445   | 6,312   | 7,569   | 8,810   | 10,409  |
| YoY growth (%)       | 10.2    | 15.9    | 19.9    | 16.4    | 18.2    |
| Net profit (RMB mn)  | 1,257.2 | 1,867.2 | 2,104.9 | 2,424.7 | 2,870.1 |
| EPS (Reported) (RMB) | 2.48    | 3.69    | 4.16    | 4.79    | 5.67    |
| YoY growth (%)       | 36.3    | 48.5    | 12.7    | 15.2    | 18.4    |
| Consensus EPS (RMB)  | na      | na      | 4.10    | 4.88    | 5.75    |
| P/E (x)              | 24.6    | 16.6    | 14.7    | 12.8    | 10.8    |
| P/B (x)              | 4.4     | 3.5     | 2.9     | 2.5     | 2.1     |
| Yield (%)            | 0.8     | 1.6     | 1.9     | 2.2     | 2.6     |
| ROE (%)              | 19.3    | 23.3    | 21.6    | 21.1    | 21.3    |
| Net gearing (%)      | (28.4)  | (34.3)  | (30.7)  | (36.0)  | (35.7)  |

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

**Target Price** RMB75.00  
**Up/Downside** 22.8%  
**Current Price** RMB61.09

### China Capital Goods

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### Stock Data

|                          |             |
|--------------------------|-------------|
| Mkt Cap (RMB mn)         | 30,929.9    |
| Avg 3 mths t/o (RMB mn)  | 452.9       |
| 52w High/Low (RMB)       | 72.98/45.52 |
| Total Issued Shares (mn) | 506.3       |

Source: FactSet

### Shareholding Structure

|  |       |
|--|-------|
| XU Shugen                                | 45.5% |
| Deqing Zhongding Equity Investment Manag | 10.8% |

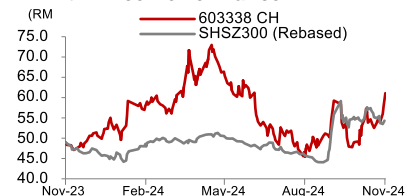
Source: HKEx

### Share Performance

|       | Absolute | Relative |
|-------|----------|----------|
| 1-mth | 24.2%    | 26.0%    |
| 3-mth | 34.2%    | 12.9%    |
| 6-mth | -6.5%    | -13.7%   |

Source: FactSet

### 12-month Price Performance



Source: FactSet

### Related reports:

Dingli – 3Q24 net profit +38% YoY, beat expectations; US remains the most promising market – 30 Oct 2024 ([link](#))

Capital Goods – Construction machinery sales in Sep: Decent export growth; weak demand in China – 16 Oct 2024 ([link](#))

Dingli – Boom lifts and US market remain the key drivers – 28 Aug 2024 ([link](#))

Capital Goods – Overhang largely removed following EU's preliminary results of AD duties on AWP – 19 Jun 2024 ([link](#))

Dingli – 4Q23 & 1Q24 earnings in line; Staying positive on overseas growth – 25 Apr 2024 ([link](#))

Dingli – New APW capacity expansion plan to further enhance global competitiveness – 25 Mar 2024 ([link](#))

**Figure 1: Anti-dumping duties on Chinese AWP manufacturers in EU**

| Company                     | AD duties |
|-----------------------------|-----------|
| Dingli                      | 20.7%     |
| Oshkosh JLG (Tianjin)       | 22.5%     |
| Terex (Changzhou)           | 22.9%     |
| Sinoboom                    | 49.3%     |
| Other cooperating companies | 30.2%     |
| All other companies         | 49.3%     |

Source: Company data, Access Briefing, CMBIGM

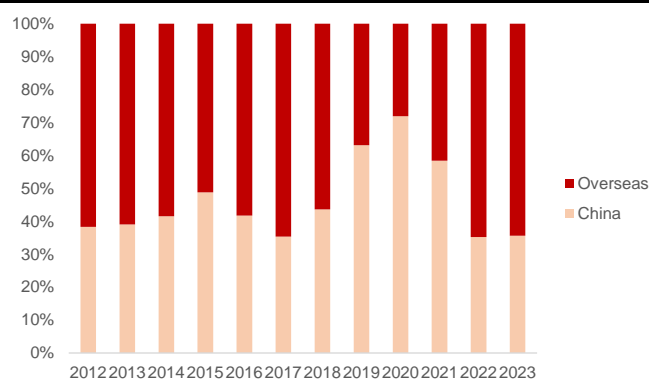
**Figure 2: Key assumptions**

|                                     | 2021          | 2022          | 2023          | 2024E         | 2025E         | 2026E         |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Sales volume (units)</b>         |               |               |               |               |               |               |
| Boom lifts                          | 3,954         | 3,511         | 5,492         | 7,414         | 9,268         | 11,863        |
| Scissor lifts                       | 44,112        | 46,262        | 42,823        | 47,534        | 51,336        | 56,470        |
| Vertical lifts                      | 3,610         | 7,477         | 7,533         | 8,362         | 9,198         | 9,198         |
| <b>Total (lifts)</b>                | <b>51,676</b> | <b>57,250</b> | <b>55,848</b> | <b>63,309</b> | <b>69,802</b> | <b>77,530</b> |
| <b>Growth rate</b>                  |               |               |               |               |               |               |
| Boom lifts                          | 182.6%        | -11.2%        | 56.4%         | 35.0%         | 25.0%         | 28.0%         |
| Scissor lifts                       | 27.5%         | 4.9%          | -7.4%         | 11.0%         | 8.0%          | 10.0%         |
| Vertical lifts                      | 74.4%         | 107.1%        | 0.7%          | 11.0%         | 10.0%         | 0.0%          |
| <b>Total (lifts)</b>                | <b>35.8%</b>  | <b>10.8%</b>  | <b>-2.4%</b>  | <b>13.4%</b>  | <b>10.3%</b>  | <b>11.1%</b>  |
| <b>ASP (RMB/unit)</b>               |               |               |               |               |               |               |
| Boom lifts                          | 416,207       | 414,084       | 445,361       | 465,000       | 470,000       | 470,000       |
| Scissor lifts                       | 64,529        | 71,221        | 70,292        | 70,000        | 70,000        | 70,000        |
| Vertical lifts                      | 72,931        | 64,112        | 66,924        | 68,000        | 68,000        | 68,000        |
| <b>Change (YoY)</b>                 |               |               |               |               |               |               |
| Boom lifts                          | 3.0%          | -0.5%         | 7.6%          | 4.4%          | 1.1%          | 0.0%          |
| Scissor lifts                       | 3.7%          | 10.4%         | -1.3%         | -0.4%         | 0.0%          | 0.0%          |
| Vertical lifts                      | 45.6%         | -12.1%        | 4.4%          | 1.6%          | 0.0%          | 0.0%          |
| (RMB mn)                            | 2021          | 2022          | 2023          | 2024E         | 2025E         | 2026E         |
| <b>Revenue</b>                      |               |               |               |               |               |               |
| Boom lifts                          | 1,646         | 1,454         | 2,446         | 3,448         | 4,356         | 5,575         |
| Scissor lifts                       | 2,847         | 3,295         | 3,010         | 3,327         | 3,594         | 3,953         |
| Vertical lifts                      | 263           | 479           | 504           | 569           | 625           | 625           |
| <b>Revenue (core business)</b>      | <b>4,755</b>  | <b>5,228</b>  | <b>5,960</b>  | <b>7,344</b>  | <b>8,575</b>  | <b>10,154</b> |
| Other business                      | 184           | 217           | 352           | 225           | 235           | 255           |
| <b>Total revenue</b>                | <b>4,939</b>  | <b>5,445</b>  | <b>6,312</b>  | <b>7,569</b>  | <b>8,810</b>  | <b>10,409</b> |
| <b>Gross margin</b>                 |               |               |               |               |               |               |
| Boom lifts                          | 18.2%         | 20.6%         | 30.5%         | 33.0%         | 33.5%         | 34.0%         |
| Scissor lifts                       | 32.5%         | 32.6%         | 40.3%         | 40.0%         | 40.0%         | 40.0%         |
| Vertical lifts                      | 38.4%         | 34.0%         | 43.5%         | 43.5%         | 43.5%         | 43.5%         |
| <b>Gross margin (core business)</b> | <b>27.8%</b>  | <b>29.4%</b>  | <b>36.5%</b>  | <b>37.0%</b>  | <b>37.0%</b>  | <b>36.9%</b>  |
| Other business                      | 67.8%         | 70.2%         | 71.5%         | 71.0%         | 71.0%         | 71.0%         |
| <b>Average gross margin</b>         | <b>29.3%</b>  | <b>31.0%</b>  | <b>38.5%</b>  | <b>38.0%</b>  | <b>37.9%</b>  | <b>37.8%</b>  |

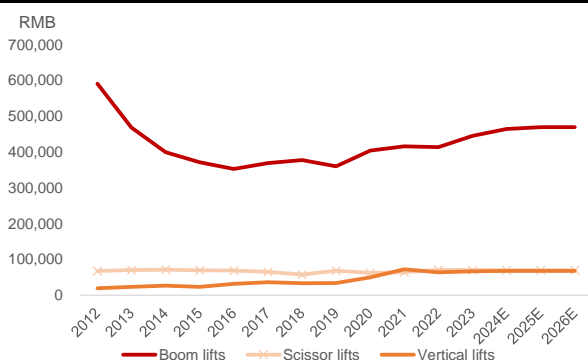
Source: Company data, CMBIGM estimates

**Figure 3: Dingli's revenue breakdown by product**

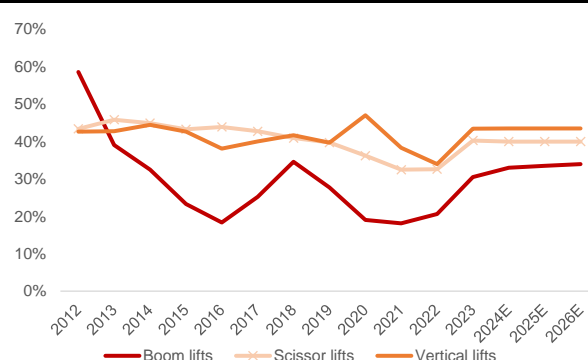
Source: Company data, CMBIGM estimates

**Figure 4: Dingli's revenue breakdown by region**

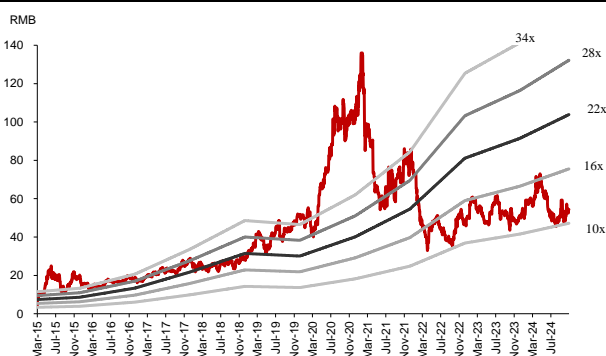
Source: Company data, CMBIGM

**Figure 5: Dingli's ASP trend**

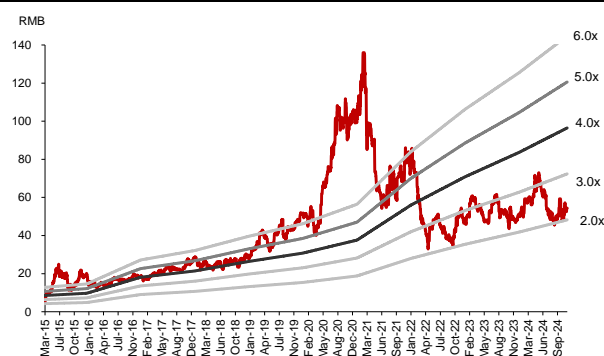
Source: Company data, CMBIGM estimates

**Figure 6: Gross margin trend**

Source: Company data, CMBIGM estimates

**Figure 7: Dingli's 12M forward P/E band**

Source: Bloomberg, company data, CMBIGM estimates

**Figure 8: Dingli's 12M forward P/B band**

Source: Bloomberg, company data, CMBIGM estimates

## Financial Summary

| INCOME STATEMENT                           | 2021A   | 2022A   | 2023A   | 2024E   | 2025E   | 2026E   |
|--|---------|---------|---------|---------|---------|---------|
| YE 31 Dec (RMB mn)                         |         |         |         |         |         |         |
| Revenue                                    | 4,939   | 5,445   | 6,312   | 7,569   | 8,810   | 10,409  |
| Cost of goods sold                         | (3,490) | (3,755) | (3,882) | (4,693) | (5,474) | (6,479) |
| Gross profit                               | 1,449   | 1,690   | 2,430   | 2,876   | 3,336   | 3,930   |
| Operating expenses                         | (401)   | (547)   | (689)   | (757)   | (872)   | (1,020) |
| Selling expense                            | (111)   | (158)   | (232)   | (280)   | (326)   | (385)   |
| Admin expense                              | (88)    | (123)   | (141)   | (159)   | (176)   | (198)   |
| R&D expense                                | (155)   | (202)   | (220)   | (257)   | (300)   | (354)   |
| Others                                     | (47)    | (64)    | (96)    | (61)    | (70)    | (83)    |
| Operating profit                           | 1,048   | 1,143   | 1,740   | 2,119   | 2,463   | 2,910   |
| Other gains/(losses)                       | 40      | 64      | 113     | 114     | 132     | 156     |
| Share of (losses)/profits of associates/JV | 1       | 20      | 76      | 54      | 58      | 67      |
| Depreciation                               | 77      | 101     | 129     | 156     | 176     | 191     |
| Interest income                            | 16      | 250     | 264     | 199     | 201     | 236     |
| Interest expense                           | (85)    | (17)    | (20)    | (38)    | (35)    | (32)    |
| Net interest income/(expense)              | (69)    | 233     | 245     | 161     | 166     | 204     |
| Pre-tax profit                             | 1,021   | 1,460   | 2,174   | 2,448   | 2,819   | 3,337   |
| Income tax                                 | (137)   | (203)   | (307)   | (343)   | (395)   | (467)   |
| After tax profit                           | 884     | 1,257   | 1,867   | 2,105   | 2,425   | 2,870   |
| Minority interest                          | 0       | 0       | 0       | 0       | 0       | 0       |
| Net profit                                 | 884     | 1,257   | 1,867   | 2,105   | 2,425   | 2,870   |

| BALANCE SHEET                 | 2021A | 2022A  | 2023A  | 2024E  | 2025E  | 2026E  |
|-------------------------------|-------|--------|--------|--------|--------|--------|
| YE 31 Dec (RMB mn)            |       |        |        |        |        |        |
| Current assets                | 7,394 | 8,821  | 10,140 | 11,738 | 13,393 | 16,134 |
| Cash & equivalents            | 3,514 | 3,522  | 4,397  | 4,461  | 5,583  | 6,228  |
| Account receivables           | 2,293 | 3,094  | 3,489  | 4,391  | 4,781  | 6,056  |
| Inventories                   | 1,387 | 1,795  | 1,921  | 2,553  | 2,696  | 3,516  |
| Prepayment                    | 42    | 9      | 7      | 7      | 7      | 7      |
| Other current assets          | 157   | 401    | 327    | 327    | 327    | 327    |
| Non-current assets            | 2,181 | 2,980  | 4,067  | 4,583  | 5,140  | 5,418  |
| PP&E                          | 828   | 947    | 1,613  | 2,072  | 2,311  | 2,436  |
| Deferred income tax           | 12    | 30     | 3      | 3      | 3      | 3      |
| Investment in JVs & assos     | 108   | 121    | 332    | 386    | 444    | 511    |
| Intangibles                   | 234   | 396    | 389    | 373    | 358    | 343    |
| Other non-current assets      | 999   | 1,486  | 1,731  | 1,749  | 2,023  | 2,125  |
| Total assets                  | 9,574 | 11,802 | 14,207 | 16,321 | 18,533 | 21,551 |
| Current liabilities           | 3,144 | 3,753  | 4,435  | 5,001  | 5,427  | 6,304  |
| Short-term borrowings         | 873   | 777    | 826    | 776    | 726    | 676    |
| Account payables              | 1,868 | 2,381  | 2,971  | 3,586  | 4,063  | 4,990  |
| Tax payable                   | 165   | 225    | 290    | 290    | 290    | 290    |
| Other current liabilities     | 220   | 341    | 323    | 323    | 323    | 323    |
| Contract liabilities          | 18    | 29     | 25     | 25     | 25     | 25     |
| Non-current liabilities       | 452   | 984    | 807    | 757    | 707    | 657    |
| Long-term borrowings          | 302   | 740    | 493    | 443    | 393    | 343    |
| Deferred income               | 108   | 183    | 191    | 191    | 191    | 191    |
| Other non-current liabilities | 42    | 61     | 122    | 122    | 122    | 122    |
| Total liabilities             | 3,596 | 4,737  | 5,242  | 5,757  | 6,134  | 6,961  |
| Total shareholders equity     | 5,978 | 7,065  | 8,965  | 10,564 | 12,399 | 14,590 |
| Minority interest             | 0     | 0      | 0      | 0      | 0      | 0      |
| Total equity and liabilities  | 9,574 | 11,802 | 14,207 | 16,321 | 18,533 | 21,551 |

| CASH FLOW                          | 2021A        | 2022A          | 2023A        | 2024E        | 2025E        | 2026E        |
|------------------------------------|--------------|----------------|--------------|--------------|--------------|--------------|
| YE 31 Dec (RMB mn)                 |              |                |              |              |              |              |
| <b>Operating</b>                   |              |                |              |              |              |              |
| Profit before taxation             | 1,021        | 1,460          | 2,174        | 2,448        | 2,819        | 3,337        |
| Depreciation & amortization        | 77           | 101            | 129          | 156          | 176          | 191          |
| Tax paid                           | (164)        | (260)          | (347)        | (343)        | (395)        | (467)        |
| Change in working capital          | (687)        | (211)          | 216          | (937)        | (331)        | (1,270)      |
| Others                             | 126          | (154)          | 56           | (215)        | (224)        | (271)        |
| <b>Net cash from operations</b>    | <b>374</b>   | <b>937</b>     | <b>2,227</b> | <b>1,109</b> | <b>2,046</b> | <b>1,520</b> |
| <b>Investing</b>                   |              |                |              |              |              |              |
| Capital expenditure                | (340)        | (819)          | (371)        | (600)        | (400)        | (300)        |
| Others                             | 271          | (402)          | (491)        | 199          | 201          | 236          |
| <b>Net cash from investing</b>     | <b>(69)</b>  | <b>(1,222)</b> | <b>(863)</b> | <b>(401)</b> | <b>(199)</b> | <b>(64)</b>  |
| <b>Financing</b>                   |              |                |              |              |              |              |
| Dividend paid                      | (126)        | (172)          | (253)        | (506)        | (589)        | (679)        |
| Net borrowings                     | 746          | 266            | (198)        | (100)        | (100)        | (100)        |
| Proceeds from share issues         | 1,482        | 0              | 0            | 0            | 0            | 0            |
| Others                             | (33)         | (49)           | 0            | (38)         | (35)         | (32)         |
| <b>Net cash from financing</b>     | <b>2,069</b> | <b>45</b>      | <b>(451)</b> | <b>(644)</b> | <b>(724)</b> | <b>(811)</b> |
| <b>Net change in cash</b>          |              |                |              |              |              |              |
| Cash at the beginning of the year  | 1,191        | 3,514          | 3,522        | 4,397        | 4,461        | 5,583        |
| Exchange difference                | (50)         | 248            | (39)         | 0            | 0            | 0            |
| <b>Cash at the end of the year</b> | <b>3,514</b> | <b>3,522</b>   | <b>4,397</b> | <b>4,461</b> | <b>5,583</b> | <b>6,228</b> |
| GROWTH                             | 2021A        | 2022A          | 2023A        | 2024E        | 2025E        | 2026E        |
| YE 31 Dec                          |              |                |              |              |              |              |
| Revenue                            | 67.1%        | 10.2%          | 15.9%        | 19.9%        | 16.4%        | 18.2%        |
| Gross profit                       | 40.4%        | 16.7%          | 43.7%        | 18.4%        | 16.0%        | 17.8%        |
| Operating profit                   | 37.2%        | 9.1%           | 52.2%        | 21.8%        | 16.3%        | 18.1%        |
| Net profit                         | 33.2%        | 42.1%          | 48.5%        | 12.7%        | 15.2%        | 18.4%        |
| PROFITABILITY                      | 2021A        | 2022A          | 2023A        | 2024E        | 2025E        | 2026E        |
| YE 31 Dec                          |              |                |              |              |              |              |
| Gross profit margin                | 29.3%        | 31.0%          | 38.5%        | 38.0%        | 37.9%        | 37.8%        |
| Operating margin                   | 21.2%        | 21.0%          | 27.6%        | 28.0%        | 28.0%        | 28.0%        |
| Return on equity (ROE)             | 18.2%        | 19.3%          | 23.3%        | 21.6%        | 21.1%        | 21.3%        |
| GEARING/LIQUIDITY/ACTIVITIES       | 2021A        | 2022A          | 2023A        | 2024E        | 2025E        | 2026E        |
| YE 31 Dec                          |              |                |              |              |              |              |
| Net debt to equity (x)             | (0.4)        | (0.3)          | (0.3)        | (0.3)        | (0.4)        | (0.4)        |
| Current ratio (x)                  | 2.4          | 2.4            | 2.3          | 2.3          | 2.5          | 2.6          |
| Receivable turnover days           | 130.9        | 180.6          | 190.3        | 190.0        | 190.0        | 190.0        |
| Inventory turnover days            | 121.8        | 154.7          | 174.7        | 174.0        | 175.0        | 175.0        |
| Payable turnover days              | 161.6        | 206.5          | 251.6        | 255.0        | 255.0        | 255.0        |
| VALUATION                          | 2021A        | 2022A          | 2023A        | 2024E        | 2025E        | 2026E        |
| YE 31 Dec                          |              |                |              |              |              |              |
| P/E                                | 33.5         | 24.6           | 16.6         | 14.7         | 12.8         | 10.8         |
| P/B                                | 5.2          | 4.4            | 3.5          | 2.9          | 2.5          | 2.1          |
| Div yield (%)                      | 0.6          | 0.8            | 1.6          | 1.9          | 2.2          | 2.6          |

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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**BUY** : Stock with potential return of over 15% over next 12 months  
**HOLD** : Stock with potential return of +15% to -10% over next 12 months  
**SELL** : Stock with potential loss of over 10% over next 12 months  
**NOT RATED** : Stock is not rated by CMBIGM

**OUTPERFORM** : Industry expected to outperform the relevant broad market benchmark over next 12 months  
**MARKET-PERFORM** : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months  
**UNDERPERFORM** : Industry expected to underperform the relevant broad market benchmark over next 12 months

## CMB International Global Markets Limited

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