

Zhejiang Dingli (603338 CH)

1Q25 profit rose 42% YoY but only helped by non-operating items

Zhejiang Dingli's (Dingli) EBIT in 1Q25 only slightly increased 2% YoY to RMB440mn, as the 30% YoY revenue growth was offset by higher SG&A expense which was likely a result of the consolidation of CMEC. The results were slightly weaker-than-expectations. Net profit grew 42% YoY to RMB429mn, but was largely helped by a 4.3x YoY increase in net finance income (FX gain based on our estimate) as well as a 93% YoY reduction on fair value loss (due to holdings in Horizon CD [9930 HK]). The net profit in 1Q25 accounted for 23% of our full-year net profit (15% below consensus). We maintain our view that the uncertain US tariff policy will (1) hurt the demand for AWP's in the US; and (2) put Dingli into a quandary given the high proportion of capacity in China serving the US market. We have left our earnings forecast unchanged. Maintain **HOLD** with TP of RMB44 (based on 12x 2025E P/E, derived from 1SD below the three-year average P/E of 13.5x to reflect earnings slowdown).

- **Dingli's measures to mitigate tariff impact.** The US formed the largest source of the company's revenue in 2024 (30% of the total). Dingli's current inventory of AWP's in the US (not subject to Trump's newly proposed tariff) is enough to cover sales until Sep 2025. Going forward, Dingli will likely pass through part of the tariff by raising ASP. Besides, in the case of a high level of tariff for a prolonged period, Dingli will expand the production capacity in the US, despite a much higher production cost compared with China.
- **Upside risks:** (1) Substantial reduction of proposed tariff on China; (2) stronger-than-expected demand in other countries that offsets the weakness in the US.
- **Downside risks:** (1) Further increase in tariffs in the US; (2) further intensified competition in China's AWP market; (3) continuous weakness of overseas demand.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	6,312	7,799	8,840	9,834	10,653
YoY growth (%)	15.9	23.6	13.3	11.2	8.3
Net profit (RMB mn)	1,867.2	1,628.7	1,863.8	2,058.1	2,243.4
EPS (Reported) (RMB)	3.69	3.22	3.68	4.06	4.43
YoY growth (%)	48.5	(12.8)	14.4	10.4	9.0
Consensus EPS (RMB)	na	na	4.32	4.90	na
P/E (x)	11.4	13.1	11.5	10.4	9.5
P/B (x)	2.4	2.1	1.9	1.7	1.5
Yield (%)	2.4	2.4	2.7	3.0	3.3
ROE (%)	23.3	17.1	17.4	17.0	16.4
Net gearing (%)	(34.3)	(40.1)	(42.1)	(45.6)	(47.8)

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

Target Price **RMB44.00**
 Up/Downside **4.3%**
 Current Price **RMB42.17**

China Capital Goods

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Stock Data

Mkt Cap (RMB mn)	21,350.7
Avg 3 mths t/o (RMB mn)	420.8
52w High/Low (RMB)	72.98/39.48
Total Issued Shares (mn)	506.3

Source: FactSet

Shareholding Structure

XU Shugen	45.5%
Deqing Zhongding Equity Investment Manag	10.8%

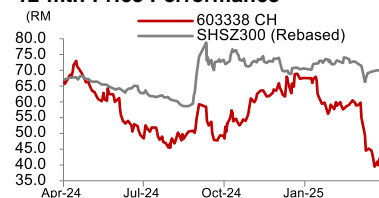
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-28.3%	-25.9%
3-mth	-37.6%	-37.1%
6-mth	-14.3%	-10.3%

Source: FactSet

12-month Price Performance



Source: FactSet

Related reports:

Dingli - 2024 earnings way below expectations; outlook remains challenging – 21 Apr 2025 ([link](#))

Dingli – Challenging situation with pressure from both end demand and US tariff; D/G to HOLD – 8 Apr 2025 ([link](#))

Capital Goods – Who are the potential beneficiaries of Germany's mega infrastructure investment plan? 18 Mar 2025 ([link](#))

Capital Goods – Non-earth-moving machinery sales data mixed in Feb – 17 Mar 2025 ([link](#))

Figure 1: Dingli's 1Q25 results

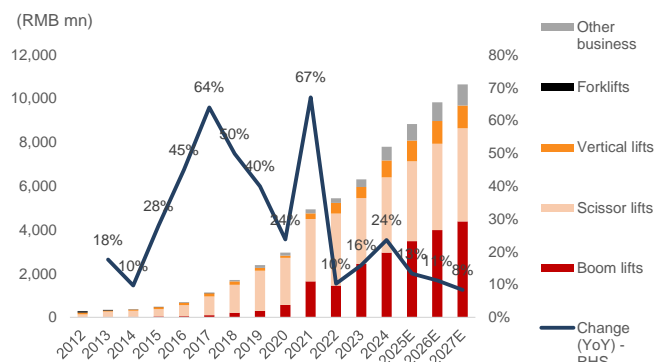
(RMB mn)	1Q24	1Q25	Chg YoY	2Q23	2Q24	Chg YoY	3Q23	3Q24	Chg YoY	4Q23	4Q24	Chg YoY
Total revenue	1,452	1,898	30.7%	1,797	2,408	34.0%	1,644	2,274	38.4%	1,570	1,665	6.1%
Cost of sales	(855)	(1,128)	31.9%	(1,272)	(1,642)	29.1%	(948)	(1,419)	49.8%	(851)	(1,150)	35.2%
Gross profit	597	770	29.0%	525	766	45.9%	696	855	22.8%	719	515	-28.4%
Other income	(10)	(18)	76.5%	(7)	(12)	60.3%	(6)	(9)	36.2%	(12)	(18)	45.7%
S&D expenses	(55)	(100)	80.8%	(3)	(24)	591.2%	(72)	(58)	-19.0%	(115)	(116)	1.0%
Administrative expenses	(29)	(99)	245.7%	(43)	(59)	36.2%	(24)	(55)	126.1%	(41)	(82)	101.3%
R&D expense	(51)	(70)	38.0%	(70)	(68)	-3.6%	(38)	(62)	61.7%	(71)	(75)	6.4%
Asset impairment	(22)	(42)	96.1%	(44)	9	n/a	6	(0)	n/a	(20)	(122)	501.6%
EBIT	430	440	2.4%	356	612	72.1%	562	672	19.6%	460	102	-77.9%
Net finance income/(cost)	18	93	431.3%	223	10	-95.5%	(62)	36	n/a	90	28	-68.7%
Other gains/(losses)	(88)	(6)	-93.3%	7	(3)	n/a	42	20	-51.2%	43	172	295.6%
Share of profit of JV and associates	10	0	n/a	23	(13)	n/a	6	0	n/a	38	(67)	n/a
Pretax profit	369	528	42.9%	609	606	-0.5%	548	728	33.0%	632	235	-62.8%
Income tax	(67)	(99)	47.5%	(97)	(83)	-14.3%	(86)	(91)	6.6%	(58)	(68)	15.9%
After tax profit	302	429	41.8%	512	523	2.1%	462	637	37.9%	574	167	-70.9%
MI	0	0	n/a	0	(0)	n/a	0	(1)	n/a	0	1	n/a
Net profit	302	429	41.8%	512	522	2.0%	462	636	37.7%	574	168	-70.7%
Gross margin	41.1%	40.6%	-0.5 ppt	29.2%	31.8%	2.6 ppt	42.4%	37.6%	-4.8 ppt	45.8%	30.9%	-14.9 ppt
S&D expense ratio	3.8%	5.3%	1.5	0.2%	1.0%	0.8	4.4%	2.5%	-1.8	7.3%	7.0%	-0.4
Administrative expense ratio	2.0%	5.2%	3.2	2.4%	2.5%	0.0	1.5%	2.4%	0.9	2.6%	5.0%	2.3
R&D expense ratio	3.5%	3.7%	0.2	3.9%	2.8%	-1.1	2.3%	2.7%	0.4	4.5%	4.5%	0.0
Effective tax rate	18.2%	18.8%	0.6	15.9%	13.7%	-2.2	15.7%	12.5%	-3.1	9.2%	28.8%	19.6

Source: Company data, CMBIGM

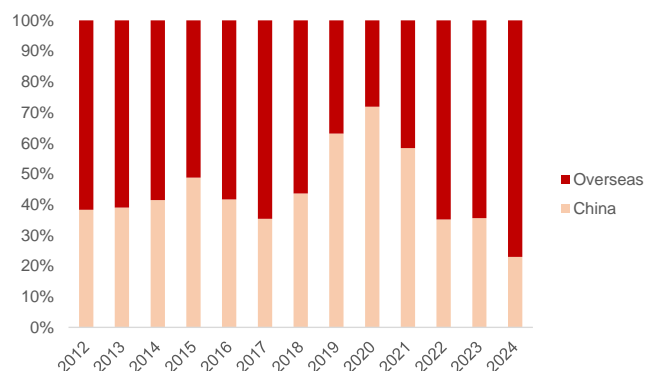
Figure 2: Key assumptions

	2021	2022	2023	2024	2025E	2026E	2027E
Sales volume (units)							
Boom lifts	3,954	3,511	5,492	6,516	7,493	8,393	9,232
Scissor lifts	44,112	46,262	42,823	37,023	38,874	41,984	45,343
Vertical lifts	3,610	7,477	7,533	9,709	11,845	13,029	13,029
Total (lifts)	51,676	57,250	55,848	53,248	58,213	63,406	67,604
Growth rate							
Boom lifts	182.6%	-11.2%	56.4%	18.6%	15.0%	12.0%	10.0%
Scissor lifts	27.5%	4.9%	-7.4%	-13.5%	5.0%	8.0%	8.0%
Vertical lifts	74.4%	107.1%	0.7%	28.9%	22.0%	10.0%	0.0%
Total (lifts)	35.8%	10.8%	-2.4%	-4.7%	9.3%	8.9%	6.6%
ASP (RMB/unit)							
Boom lifts	416,207	414,084	445,361	453,605	465,000	475,000	475,000
Scissor lifts	64,529	71,221	70,292	93,023	94,000	94,000	94,000
Vertical lifts	72,931	64,112	66,924	79,516	80,000	80,000	80,000
Change (YoY)							
Boom lifts	3.0%	-0.5%	7.6%	1.9%	2.5%	2.2%	0.0%
Scissor lifts	3.7%	10.4%	-1.3%	32.3%	1.0%	0.0%	0.0%
Vertical lifts	45.6%	-12.1%	4.4%	18.8%	0.6%	0.0%	0.0%

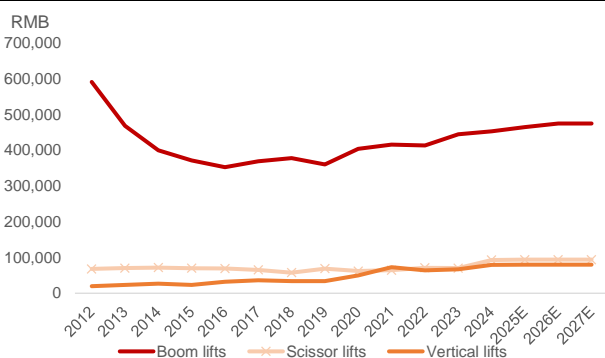
Source: Company data, CMBIGM estimates

Figure 3: Dingli's revenue breakdown by product

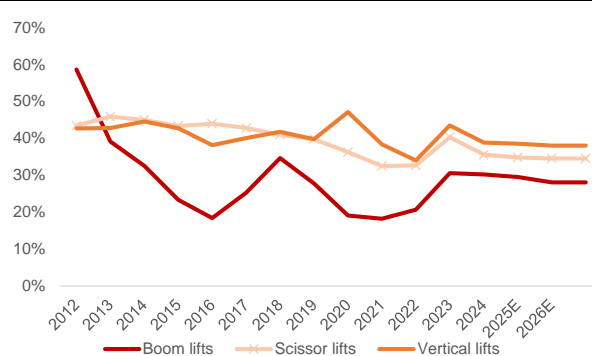
Source: Company data, CMBIGM estimates

Figure 4: Dingli's revenue breakdown by region

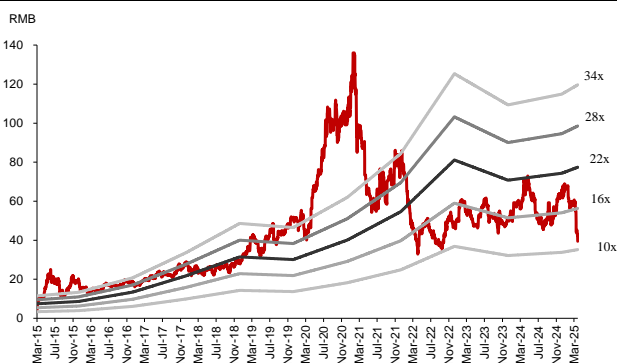
Source: Company data, CMBIGM

Figure 5: Dingli's ASP trend

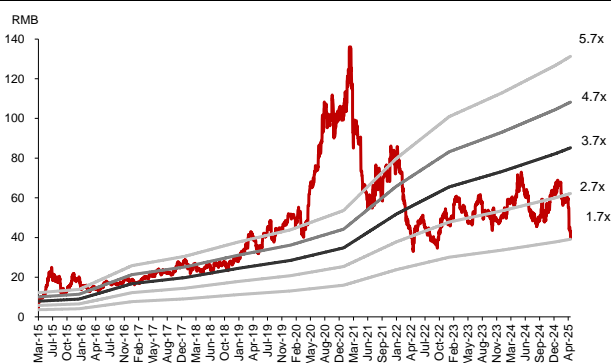
Source: Company data, CMBIGM estimates

Figure 6: Dingli's 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	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	5,445	6,312	7,799	8,840	9,834	10,653
Cost of goods sold	(3,755)	(3,882)	(5,066)	(5,799)	(6,531)	(7,077)
Gross profit	1,690	2,430	2,733	3,041	3,303	3,576
Operating expenses	(547)	(689)	(917)	(1,061)	(1,131)	(1,225)
Selling expense	(158)	(232)	(254)	(309)	(344)	(373)
Admin expense	(123)	(141)	(225)	(283)	(315)	(341)
R&D expense	(202)	(220)	(256)	(292)	(325)	(352)
Others	(64)	(96)	(182)	(177)	(148)	(160)
Operating profit	1,143	1,740	1,816	1,980	2,172	2,351
Other gains/(losses)	64	113	100	106	118	128
Share of (losses)/profits of associates/JV	20	76	(70)	0	0	0
Depreciation	101	129	200	221	236	251
Interest income	250	264	105	162	187	217
Interest expense	(17)	(20)	(13)	(30)	(27)	(25)
Net Interest income/(expense)	233	245	92	132	160	192
Pre-tax profit	1,460	2,174	1,938	2,219	2,450	2,671
Income tax	(203)	(307)	(309)	(355)	(392)	(427)
After tax profit	1,257	1,867	1,629	1,864	2,058	2,243
Minority interest	0	0	(0)	0	0	0
Net profit	1,257	1,867	1,629	1,864	2,058	2,243

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	8,821	10,140	11,365	13,183	14,507	16,347
Cash & equivalents	3,522	4,397	5,078	5,749	6,719	7,724
Account receivables	3,094	3,489	3,464	4,528	4,363	5,269
Inventories	1,795	1,921	2,342	2,424	2,944	2,873
Prepayment	9	7	26	26	26	26
Other current assets	401	327	455	455	455	455
Non-current assets	2,980	4,067	3,988	4,108	4,347	4,522
PP&E	947	1,613	1,800	1,954	2,053	2,136
Deferred income tax	30	3	84	84	84	84
Investment in JVs & assos	121	332	0	0	0	0
Intangibles	396	389	784	749	715	680
Other non-current assets	1,486	1,731	1,321	1,321	1,496	1,622
Total assets	11,802	14,207	15,354	17,290	18,854	20,870
Current liabilities	3,753	4,435	4,523	5,152	5,285	5,696
Short-term borrowings	777	826	674	624	574	524
Account payables	2,381	2,971	3,076	3,755	3,939	4,399
Tax payable	225	290	379	379	379	379
Other current liabilities	341	323	285	285	285	285
Contract liabilities	29	25	108	108	108	108
Non-current liabilities	984	807	793	743	693	693
Long-term borrowings	740	493	378	328	278	278
Deferred income	183	191	247	247	247	247
Other non-current liabilities	61	122	168	168	168	168
Total liabilities	4,737	5,242	5,316	5,895	5,978	6,388
Total shareholders equity	7,065	8,965	10,035	11,393	12,873	14,478
Minority interest	0	0	3	3	3	3
Total equity and liabilities	11,802	14,207	15,354	17,290	18,854	20,870

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,460	2,174	1,938	2,219	2,450	2,671
Depreciation & amortization	101	129	200	221	236	251
Tax paid	(260)	(378)	(559)	(355)	(392)	(427)
Change in working capital	(211)	216	(16)	(467)	(346)	(501)
Others	(154)	87	354	(132)	(160)	(192)
Net cash from operations	937	2,227	1,917	1,485	1,788	1,801
Investing						
Capital expenditure	(819)	(371)	(356)	(340)	(300)	(300)
Others	(402)	(491)	178	162	187	217
Net cash from investing	(1,222)	(863)	(179)	(178)	(113)	(83)
Financing						
Dividend paid	(172)	(253)	(506)	(506)	(578)	(638)
Net borrowings	266	(198)	(267)	(100)	(100)	(50)
Proceeds from share issues	0	0	0	0	0	0
Others	(49)	(69)	(223)	(30)	(27)	(25)
Net cash from financing	45	(520)	(997)	(636)	(705)	(713)
Net change in cash						
Cash at the beginning of the year	3,514	3,522	4,397	5,078	5,749	6,719
Exchange difference	248	30	(60)	0	0	0
Cash at the end of the year	3,522	4,397	5,078	5,749	6,719	7,724
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	10.2%	15.9%	23.6%	13.3%	11.2%	8.3%
Gross profit	16.7%	43.7%	12.5%	11.3%	8.6%	8.3%
Operating profit	9.1%	52.2%	4.4%	9.0%	9.7%	8.2%
Net profit	42.1%	48.5%	(12.8%)	14.4%	10.4%	9.0%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	31.0%	38.5%	35.0%	34.4%	33.6%	33.6%
Operating margin	21.0%	27.6%	23.3%	22.4%	22.1%	22.1%
Return on equity (ROE)	19.3%	23.3%	17.1%	17.4%	17.0%	16.4%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.3)	(0.3)	(0.4)	(0.4)	(0.5)	(0.5)
Current ratio (x)	2.4	2.3	2.5	2.6	2.7	2.9
Receivable turnover days	180.6	190.3	162.7	165.0	165.0	165.0
Inventory turnover days	154.7	174.7	153.6	150.0	150.0	150.0
Payable turnover days	206.5	251.6	217.8	215.0	215.0	215.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	17.0	11.4	13.1	11.5	10.4	9.5
P/B	3.0	2.4	2.1	1.9	1.7	1.5
Div yield (%)	1.2	2.4	2.4	2.7	3.0	3.3

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

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