

SANY International (631 HK)

Early stage of earnings recovery + attractive valuation offer good entry point

We expect SANYI to return to a growth trajectory in 2025E, driven by stabilized demand for road headers, strong growth of large-size port equipment, as well as better-than-expected domestic mining trucks, which will offset the relatively weak sales of combined coal mining units (CCMUs). Besides, we believe the emerging business segments are running at a manageable level of loss (~RMB200-250mn in 2025E), which we think will ease market concerns. We revise up our 2025E-27E earnings forecast by 3-4%, and accordingly revise up our TP to HK\$8.7 (unchanged multiple of 11x 2025E P/E, the average P/E since 2017). We view the current valuation of 8x 2025E P/E as attractive entry point, given the improving earnings visibility. Maintain **BUY**.

- **Expect domestic mining equipment segment to be stabilized.** According to the NBS, coal mining FAI growth in 4M25 reached 14% YoY, accelerating from the 9.4% in 2024 (full year). In 2Q25E, we expect SANYI's domestic wide-body truck sales growth will accelerate (1Q25: ~36% YoY) with gross margin expansion, while road headers demand will remain solid. In 2H25E, we expect China's coal mining capex growth will continue to improve given the low base in 2H24, which will translate to better demand for road headers and wide-body trucks.
- **Large port machinery to see high growth in 2Q25E.** SANYI's large port machinery revenue surged 74% YoY in 1Q25. We understand that the growth in 2Q25E will potentially accelerate to 2x YoY with continuous margin expansion, suggesting that the delivery is little affected by the erratic US tariff policy.
- **Demand for telescopic forklifts in Europe to offset the weakness in the US.** Demand in the US has declined since early this year. That said, SANYI has been expanding the European market for diversification. We see chances for SANYI to achieve stable sales (YoY) of telescopic forklifts for the full year in 2025E.
- **Major risk factors:** (1) weakness of coal mining activities in China; (2) higher-than-expected loss from emerging business; (3) uncertainties of the US tariff policy on port machinery.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	20,278	21,910	25,396	30,053	35,208
YoY growth (%)	30.5	8.0	15.9	18.3	17.2
Adjusted net profit (RMB mn)	1,929.0	1,849.9	2,243.8	2,774.4	3,275.5
YoY growth (%)	15.9	(4.1)	21.3	23.6	18.1
EPS (Adjusted) (RMB)	0.61	0.58	0.70	0.87	1.02
Consensus EPS (RMB)	na	na	0.69	0.82	0.95
P/E (x)	9.3	16.4	8.1	6.5	5.5
P/B (x)	1.6	1.5	1.3	1.2	1.0
Yield (%)	3.1	4.8	5.0	6.1	7.2
ROE (%)	17.8	9.3	17.4	19.1	19.8
Net gearing (%)	21.2	17.4	17.8	13.1	3.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$8.70**
 (Previous TP) **HK\$8.20**
Up/Downside **40.8%**
Current Price **HK\$6.18**

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Stock Data

Mkt Cap (HK\$ mn)	19,861.8
Avg 3 mths t/o (HK\$ mn)	34.8
52w High/Low (HK\$)	6.48/3.89
Total Issued Shares (mn)	3213.9

Source: FactSet

Shareholding Structure

Sany Heavy Equipment	66.4%
Investments Company	
Free float	33.9%

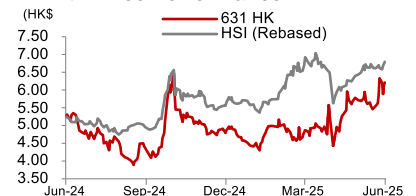
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	8.2%	3.1%
3-mth	26.9%	30.0%
6-mth	27.2%	6.2%

Source: FactSet

12-mth Price Performance

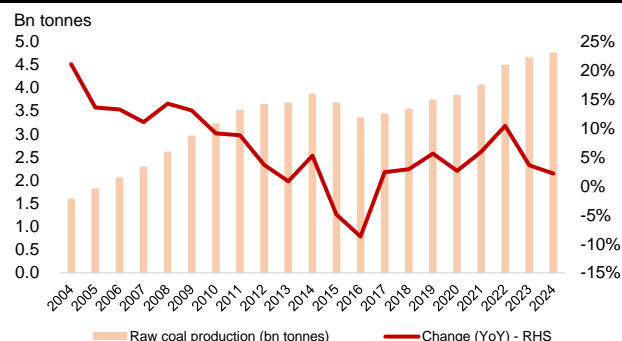


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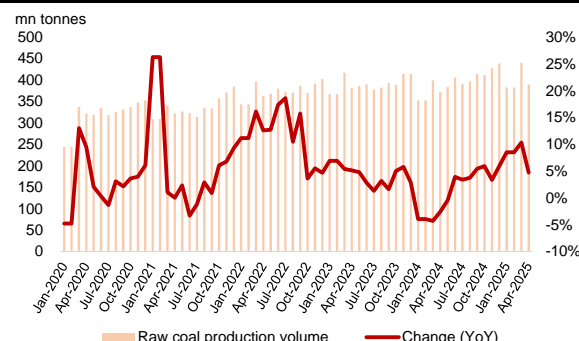
1. SANYI (631 HK, BUY) – 1Q25 net profit surged 23% YoY, holding up better-than-feared – 30 May 2025 ([link](#))
2. SANYI (631 HK, BUY) – Set for a recovery – 2 Apr 2025 ([link](#))
3. SANYI (631 HK, BUY) – Scale-down of solar power expansion plan a positive move – 30 Aug 2024 ([link](#))

Figure 1: China raw coal production (annual)



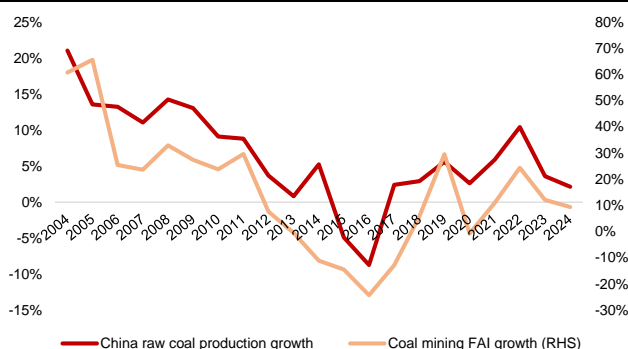
Source: Wind, CCTDCOAL, CMBIGM

Figure 2: China raw coal production (monthly)



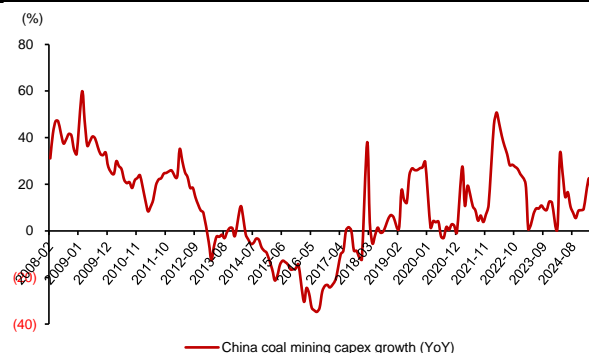
Source: Wind, CCTDCOAL, CMBIGM

Figure 3: China raw coal production vs coal mining FAI



Source: Wind, NBS, CMBIGM

Figure 4: China coal mining FAI monthly growth (YTD)

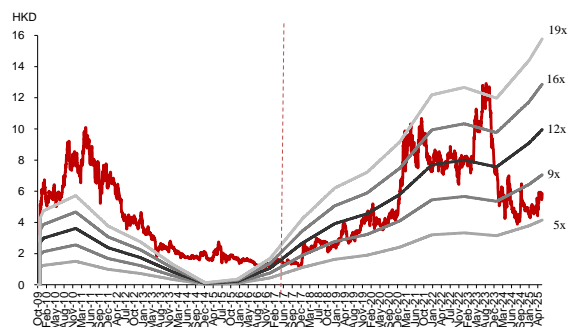


Source: Wind, NBS, CMBIGM

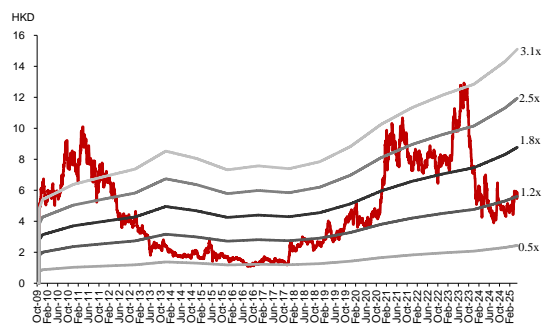
Figure 5: Changes in key assumptions for SANYI

	2025E	Old 2026E	2027E	2025E	New 2026E	2027E	2025E	Change 2026E	2027E
(RMB mn)									
Revenue									
Road header	2,299	2,345	2,392	2,414	2,511	2,612	5.0%	7.1%	9.2%
Combined coal mining units (CCMU)	3,150	3,402	3,674	2,700	2,835	2,977	-14.3%	-16.7%	-19.0%
Small-size port machinery	5,712	6,740	7,953	5,040	5,947	7,018	-11.8%	-11.8%	-11.8%
Large-size port machinery	2,850	3,705	4,631	3,420	4,446	5,558	20.0%	20.0%	20.0%
Mining trucks	4,141	4,514	4,872	4,378	4,786	5,226	5.7%	6.0%	7.3%
After sales service	1,952	2,381	2,905	1,952	2,381	2,905	0.0%	0.0%	0.0%
Lithium battery	1,250	2,250	3,375	1,350	2,430	3,645	8.0%	8.0%	8.0%
Oil and gas equipment	2,111	2,280	2,394	2,303	2,533	2,660	9.1%	11.1%	11.1%
Solar power	1,495	1,719	1,977	1,690	1,944	2,235	13.0%	13.0%	13.0%
Hydrogen	150	240	372	150	240	372	0.0%	0.0%	0.0%
Total	25,110	29,577	34,547	25,396	30,053	35,208	1.1%	1.6%	1.9%
Gross margin									
Road header	39.7%	39.5%	39.5%	39.7%	39.5%	39.5%	0.0	0.0	0.0
Combined coal mining units (CCMU)	18.0%	18.3%	18.3%	17.5%	17.8%	17.8%	(0.5)	(0.5)	(0.5)
Small-size port machinery	32.0%	32.0%	32.0%	34.0%	34.0%	34.0%	2.0	2.0	2.0
Large-size port machinery	16.5%	17.0%	17.5%	17.0%	18.0%	18.0%	0.5	1.0	0.5
Mining trucks	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	0.0	0.0	0.0
After sales service	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	0.0	0.0	0.0
Lithium battery	18.0%	20.0%	20.0%	18.0%	20.0%	20.0%	0.0	0.0	0.0
Oil and gas equipment	13.0%	15.0%	15.0%	16.0%	16.0%	16.0%	3.0	1.0	1.0
Solar power	12.0%	15.0%	15.0%	12.0%	15.0%	15.0%	0.0	0.0	0.0
Hydrogen	0.0%	5.0%	10.0%	0.0%	5.0%	10.0%	0.0	0.0	0.0
Blended gross margin	25.1%	25.4%	25.4%	25.4%	25.7%	25.6%	0.3	0.2	0.2
S&D expense ratio	5.8%	5.7%	5.7%	5.8%	5.7%	5.7%	0.0	0.0	0.0
Admin expense ratio	9.8%	9.6%	9.5%	9.8%	9.6%	9.5%	0.0	0.0	0.0
Net finance expense (RMB mn)	-106	-107	-81	-49	-48	-21	-53.7%	-55.5%	-74.6%
Net profit	2,159	2,690	3,188	2,244	2,774	3,275	3.9%	3.1%	2.7%

Source: Company data, CMBIGM estimates

Figure 6: SANYI's P/E band

Source: Bloomberg, company data, CMBIGM estimates

Figure 7: SANYI's 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	15,537	20,278	21,910	25,396	30,053	35,208
Cost of goods sold	(11,908)	(14,831)	(16,996)	(18,937)	(22,343)	(26,212)
Gross profit	3,628	5,447	4,913	6,459	7,711	8,996
Selling expense	(933)	(1,262)	(1,286)	(1,473)	(1,713)	(2,007)
Admin expense	(1,177)	(2,213)	(2,163)	(2,489)	(2,885)	(3,345)
Other income	447	441	507	559	661	775
Other expense	(25)	(42)	(502)	(51)	(60)	(70)
Other gains/(losses)	54	(144)	(25)	(13)	(15)	(18)
Share of (losses)/profits of associates/JV	0	0	2	4	5	5
EBITDA	2,287	2,751	2,249	3,919	4,731	5,456
Depreciation	293	525	803	922	1,028	1,120
EBIT	1,994	2,226	1,446	2,997	3,703	4,336
Interest income	59	193	204	257	268	297
Interest expense	(132)	(158)	(229)	(306)	(316)	(318)
Net interest income/(expense)	(73)	35	(25)	(49)	(48)	(21)
Pre-tax profit	1,921	2,260	1,421	2,947	3,655	4,315
Income tax	(252)	(422)	(353)	(737)	(914)	(1,079)
After tax profit	1,669	1,839	1,068	2,211	2,742	3,237
Minority interest	(4)	90	34	33	33	39
Net profit	1,665	1,929	1,102	2,244	2,774	3,275
Adjusted net profit	1,665	1,929	1,850	2,244	2,774	3,275
Gross dividends	538	556	863	898	1,110	1,310

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	17,191	20,778	26,227	26,690	32,750	34,325
Cash & equivalents	2,690	3,241	5,340	5,603	6,086	7,507
Account receivables	6,416	8,356	10,010	10,725	13,647	14,326
Inventories	3,283	3,432	5,048	4,291	6,727	5,912
Prepayment	700	1,261	1,598	1,598	1,598	1,598
ST bank deposits	50	43	71	71	71	71
Financial assets at FVTPL	2,088	2,160	2,394	2,394	2,394	2,394
Other current assets	1,964	2,284	1,767	2,008	2,226	2,517
Non-current assets	7,763	14,185	14,701	15,292	15,778	15,973
PP&E	4,066	7,276	7,990	8,836	9,577	10,027
Deferred income tax	298	336	423	423	423	423
Goodwill	1,130	2,537	2,067	2,067	2,067	2,067
Other non-current assets	2,269	4,036	4,221	3,966	3,711	3,456
Total assets	24,953	34,963	40,928	41,982	48,528	50,298
Current liabilities	10,836	16,173	21,210	20,617	25,319	24,962
Short-term borrowings	954	2,653	4,250	4,500	4,600	4,600
Account payables	6,646	8,098	11,213	10,370	14,972	14,615
Tax payable	155	237	162	162	162	162
Other current liabilities	3,080	5,184	5,584	5,584	5,584	5,584
Non-current liabilities	4,014	7,252	7,543	7,843	7,843	7,843
Long-term borrowings	2,691	5,249	5,684	5,984	5,984	5,984
Other non-current liabilities	1,323	2,003	1,858	1,858	1,858	1,858
Total liabilities	14,849	23,425	28,752	28,459	33,161	32,804
Total shareholders equity	10,040	11,589	12,221	13,602	15,479	17,645
Minority interest	64	(51)	(46)	(79)	(112)	(151)
Total equity and liabilities	24,953	34,963	40,928	41,982	48,528	50,298

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,921	2,260	1,421	2,947	3,655	4,315
Depreciation & amortization	293	525	803	922	1,028	1,120
Tax paid	(145)	(431)	(516)	(737)	(914)	(1,079)
Change in working capital	(808)	476	(446)	(1,043)	(975)	(511)
Others	(177)	(307)	890	45	43	16
Net cash from operations	1,084	2,524	2,152	2,135	2,838	3,861
Investing						
Capital expenditure	(889)	(2,294)	(725)	(1,500)	(1,500)	(1,300)
Acquisition of subsidiaries/ investments	0	(2,509)	(7)	0	0	0
Others	1,529	(162)	(242)	248	259	287
Net cash from investing	639	(4,965)	(973)	(1,252)	(1,241)	(1,013)
Financing						
Dividend paid	(466)	(729)	(634)	(863)	(898)	(1,110)
Net borrowings	(113)	(126)	(221)	(306)	(316)	(318)
Proceeds from share issues	8	104	4	0	0	0
Others	194	3,712	1,746	550	100	0
Net cash from financing	(377)	2,961	895	(619)	(1,114)	(1,427)
Net change in cash						
Cash at the beginning of the year	1,349	2,690	3,241	5,340	5,603	6,086
Exchange difference	(6)	32	25	0	0	0
Cash at the end of the year	2,690	3,241	5,340	5,603	6,086	7,507
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	52.4%	30.5%	8.0%	15.9%	18.3%	17.2%
Gross profit	51.8%	50.1%	(9.8%)	31.5%	19.4%	16.7%
EBITDA	30.2%	20.3%	(18.3%)	74.3%	20.7%	15.3%
EBIT	32.3%	11.6%	(35.0%)	107.2%	23.6%	17.1%
Net profit	32.2%	15.9%	(42.9%)	103.7%	23.6%	18.1%
Adj. net profit	53.2%	15.9%	(4.1%)	21.3%	23.6%	18.1%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	23.4%	26.9%	22.4%	25.4%	25.7%	25.6%
EBITDA margin	14.7%	13.6%	10.3%	15.4%	15.7%	15.5%
Adj. net profit margin	10.7%	9.5%	8.4%	8.8%	9.2%	9.3%
Return on equity (ROE)	17.8%	17.8%	9.3%	17.4%	19.1%	19.8%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.1)	0.2	0.2	0.2	0.1	0.0
Current ratio (x)	1.6	1.3	1.2	1.3	1.3	1.4
Receivable turnover days	125.5	132.9	153.0	149.0	148.0	145.0
Inventory turnover days	89.1	82.6	91.1	90.0	90.0	88.0
Payable turnover days	169.6	181.4	207.4	208.0	207.0	206.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	10.7	9.3	16.4	8.1	6.5	5.5
P/B	1.8	1.6	1.5	1.3	1.2	1.0
Div yield (%)	3.0	3.1	4.8	5.0	6.1	7.2

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

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