

SANY Heavy (600031 CH)

2Q25 profit +38% YoY with interim div; Solid upcycle

SANY Heavy (SANY)'s net profit in 1H25 grew 46% YoY to RMB5.2bn (2Q25: +38% YoY), which is a strong set of results with major machinery products (except concrete) saw strong growth. For the first time since 2017, SANY proposed interim dividend of RMB0.31/shr, implying a 50% pay-out ratio (similar to the full year in 2024). We maintain our positive stance on SANY due to the replacement-driven upcycle of excavators, as well as further improvement of non-road machinery. We revise up our 2025E-27E earnings forecast by 10-12%, after incorporating high sales and lower expense ratios. Accordingly, we revise up our TP to RMB24 (from RMB22), based on an unchanged target P/E of 24x (equivalent to 0.5SD above the average of 20x since 2017). Our above-average multiple is to reflect the earnings upcycle. Reiterate **BUY**.

■ **2Q25 results highlights.** Revenue grew 11% YoY to RMB23.6bn. Gross margin slightly contracted 0.4ppts YoY to 28.2%, while S&D expense ratio fell 1.3ppts YoY to 6.7%, representing a net expansion in margin (change in accounting effect eliminated). Administrative expense ratio dropped 0.4ppts YoY to 2.6%, while R&D expense ratio dropped 1.5ppts YoY to 4.7% (a continuous YoY reduction trend since late 2022). Net profit grew 38% YoY to RMB2.75bn, driven by strong operating leverage.

■ **Overseas revenue grew 12% in 1H25 (60% of total revenue).** In terms of region, Africa surged 41% YoY to RMB3.6bn (14% of overseas revenue); Asia Pacific (ex-China) grew 16% YoY to RMB11.4bn (44%); Europe grew 1% YoY to RMB6.1bn (23%); America also grew 1% YoY to RMB5.1bn (19%). Overseas gross margin was 31.2%, versus 22.1% in China.

Revenue breakdown by type of products

(RMB mn)	1H24	1H25	Change (YoY)
Revenue			
Concrete machinery	7,957	7,441	-6.5%
Excavator	15,215	17,497	15.0%
Crane machinery	6,620	7,804	17.9%
Piling machinery	1,165	1,341	15.1%
Earth moving machinery	1,578	2,159	36.8%
Other machinery	5,295	7,409	39.9%
Revenue (construction machinery)	37,830	43,650	15.4%
Interest income from financing	322	247	-23.5%
Other business	908	883	-2.8%
Total revenue	39,060	44,780	14.6%

Source: Company data, CMBIGM

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	74,019	78,383	90,158	100,732	110,154
YoY growth (%)	(8.4)	5.9	15.0	11.7	9.4
Adjusted net profit (RMB mn)	4,527.5	5,975.4	8,505.0	9,806.6	11,070.4
EPS (Reported) (RMB)	0.53	0.70	1.00	1.16	1.30
YoY growth (%)	6.0	32.0	42.3	15.3	12.9
Consensus EPS (RMB)	na	na	1.00	1.25	na
P/E (x)	39.4	29.8	21.0	18.2	16.1
P/B (x)	2.6	2.5	2.4	2.1	2.0
Yield (%)	1.0	1.7	2.4	2.8	3.1
Net gearing (%)	6.2	(14.5)	(16.5)	(22.4)	(23.8)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **RMB24.00**
 (Previous TP) RMB22.00
Up/Downside **14.3%**
Current Price **RMB21.00**

China Capital Goods

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Stock Data

Mkt Cap (RMB mn)	178,200.5
Avg 3 mths t/o (RMB mn)	1,282.3
52w High/Low (RMB)	21.22/15.24
Total Issued Shares (mn)	8485.7

Source: FactSet

Shareholding Structure

SANY Group	29.2%
Liang Wengen	2.8%

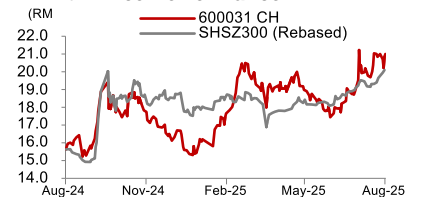
Source: SSE

Share Performance

	Absolute	Relative
1-mth	7.6%	2.9%
3-mth	10.5%	1.3%
6-mth	18.8%	10.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Reports

Capital Goods – Strong domestic sales and export of excavators in Jul – 8 Aug 2025 ([link](#))

Capital Goods – Upgrade of rural highways could become a trillion yuan market – 23 Jul 2025 ([link](#))

Capital Goods – 1Q25 earnings: SANY Heavy beat; Zoomlion & Weichai slightly below expectation – 30 Apr 2025 ([link](#))

SANY Heavy – 2024 earnings in-line; Emerging markets remain the key focus – 18 Apr 2025 ([link](#))

Figure 1: SANY Heavy's 2Q25 results

(RMB mn)	1Q24	1Q25	Chg YoY	2Q24	2Q25	Chg YoY	3Q23	3Q24	Chg YoY	4Q23	4Q24	Chg YoY
Total revenue	17,830	21,177	18.8%	21,230	23,603	11.2%	16,222	19,300	19.0%	17,883	20,023	12.0%
Cost of sales	-12,767	-15,447	21.0%	-15,169	-16,956	11.8%	-11,450	-13,792	20.5%	-13,303	-15,745	18.4%
Gross profit	5,063	5,730	13.2%	6,062	6,648	9.7%	4,771	5,508	15.4%	4,580	4,277	-6.6%
Other income	-113	-129	14.8%	-98	-150	53.4%	-81	-97	19.2%	-120	-124	2.9%
S&D expenses	-1,380	-1,350	-2.1%	-1,691	-1,578	-6.7%	-1,572	-1,614	2.7%	-1,660	-780	-53.0%
Administrative expenses	-670	-639	-4.6%	-641	-618	-3.5%	-647	-671	3.7%	-703	-1,015	44.4%
R&D expense	-1,294	-1,058	-18.2%	-1,319	-1,104	-16.3%	-1,353	-1,239	-8.5%	-1,636	-1,530	-6.5%
Fair value change	191	-299	n/a	-7	-377	5655.3%	417	-461	n/a	602	386	-35.9%
Asset impairment	-150	-165	9.6%	-302	-277	-8.3%	-252	-191	-24.3%	-365	-455	24.7%
EBIT	1,648	2,089	26.8%	2,004	2,543	26.9%	1,282	1,236	-3.6%	698	760	8.9%
Net finance income/(expense)	-155	370	n/a	-105	487	n/a	-482	-17	-96.5%	-45	76	n/a
Other gains/(losses)	309	421	36.5%	349	192	-44.9%	-11	322	n/a	-153	423	n/a
Share of profit of JV & associates	44	-7	n/a	27	-19	n/a	-3	-2	-34.7%	41	-11	n/a
Pretax profit	1,845	2,874	55.8%	2,275	3,203	40.8%	786	1,539	95.8%	542	1,249	130.6%
Income tax	-221	-371	67.7%	-250	-420	68.2%	-135	-209	54.7%	-84	-135	61.6%
After tax profit	1,623	2,502	54.1%	2,025	2,783	37.4%	651	1,331	104.3%	458	1,113	143.2%
MI	-43	-31	-28.1%	-32	-38	16.4%	-4	-35	815.1%	22	-6	n/a
Net profit	1,580	2,471	56.4%	1,993	2,745	37.8%	647	1,295	100.1%	480	1,107	130.7%
Key ratios:			<i>ppt</i>			<i>ppt</i>			<i>ppt</i>			<i>ppt</i>
Gross margin	28.4%	27.1%	-1.3	28.6%	28.2%	-0.4	29.4%	28.5%	-0.9	25.6%	21.4%	-4.2
S&D expense ratio	7.7%	6.4%	-1.4	8.0%	6.7%	-1.3	9.7%	8.4%	-1.3	9.3%	3.9%	-5.4
Administrative expense ratio	3.8%	3.0%	-0.7	3.0%	2.6%	-0.4	4.0%	3.5%	-0.5	3.9%	5.1%	1.1
R&D expense ratio	7.3%	5.0%	-2.3	6.2%	4.7%	-1.5	8.3%	6.4%	-1.9	9.1%	7.6%	-1.5
Net profit margin	9.1%	11.8%	2.7	9.5%	11.8%	2.3	4.0%	6.9%	2.9	2.6%	5.6%	3.0
Effective tax rate	12.0%	12.9%	0.9	11.0%	13.1%	2.1	17.2%	13.6%	-3.6	15.5%	10.8%	-4.6

Source: Company data, CMBIGM

Figure 2: SANY Heavy's overseas revenue breakdown

(RMB mn)	1H24	1H25	Chg YoY	% of total
Asia Pacific (ex-China)	9,850	11,450	16%	44%
Europe	6,110	6,150	1%	23%
America	5,000	5,060	1%	19%
Africa	2,580	3,630	41%	14%
Total	23,540	26,290	12%	100%

Source: Company data, CMBIGM

Figure 3: SANY Heavy's 1H25 revenue and gross margin breakdown

(RMB mn)	1H24	1H25	Change (YoY)
Revenue			
Concrete machinery	7,957	7,441	-6.5%
Excavator	15,215	17,497	15.0%
Crane machinery	6,620	7,804	17.9%
Piling machinery	1,165	1,341	15.1%
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Revenue (construction machinery)	37,830	43,650	15.4%
Interest income from financing	322	247	-23.5%
Other business	908	883	-2.8%
Total revenue	39,060	44,780	14.6%
Gross margin			Change (ppt)
Concrete machinery	22.2%	22.9%	0.7
Excavator	34.2%	32.7%	(1.5)
Crane machinery	27.6%	29.1%	1.5
Piling machinery	30.8%	29.4%	(1.4)
Earth moving machinery	29.2%	27.9%	(1.3)
Other machinery	21.0%	18.1%	(2.9)
Gross margin (construction machinery)	28.3%	27.6%	(0.8)
Interest income from financing	57.1%	64.7%	7.6
Other business	24.0%	20.9%	(3.1)
Blended gross margin	28.5%	27.6%	(0.8)

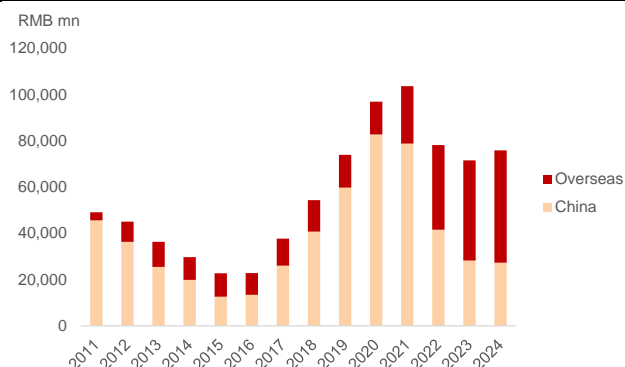
Source: Company data, CMBIGM

Figure 4: SANY Heavy's 1H25 financials

YE Dec 31 (RMB mn)	1H24	1H25	Change (YoY)
Total revenue	39,060	44,780	14.6%
Cost of sales	(27,936)	(32,402)	16.0%
Gross profit	11,124	12,378	11.3%
Surcharge	(211)	(280)	32.8%
S&D expenses	(3,071)	(2,928)	-4.7%
Administrative expenses	(1,310)	(1,257)	-4.0%
R&D expense	(2,612)	(2,162)	-17.2%
Fair value change	184	(677)	n/a
Asset impairment	(452)	(442)	-2.4%
EBIT	3,652	4,632	26.8%
Net finance income/(cost)	(261)	857	n/a
Finance income	218	1,176	440.1%
Finance expenses	(479)	(319)	-33.3%
Other gains/(losses)	657	613	-6.7%
Share of profit of JV and associates	71	(26)	n/a
Pretax profit	4,120	6,077	47.5%
Income tax	(471)	(792)	68.0%
After tax profit	3,648	5,285	44.9%
MI	(76)	(69)	-9.0%
Net profit	3,573	5,216	46.0%
Recurring net profit	3,573	5,216	46.0%
D&A	1,814	1,744	-3.9%
EBITDA	5,467	6,376	16.6%
Key ratios			
Gross margin	28.5%	27.6%	-0.8
S&D expense ratio	7.9%	6.5%	-1.3
Administrative expense ratio	3.4%	2.8%	-0.5
R&D expense ratio	6.7%	4.8%	-1.9
Net profit margin	9.3%	11.8%	2.5
Effective tax rate	11.4%	13.0%	1.6

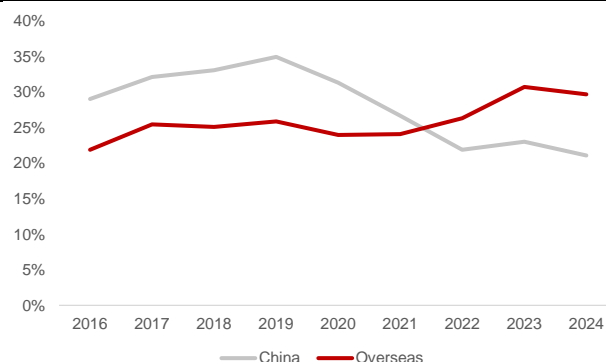
Source: Company data, CMBIGM

Figure 5: SANY Heavy's revenue breakdown by region



Source: Company data, CMBIGM

Figure 6: SANY Heavy's gross margin breakdown by region



Source: Company data, CMBIGM

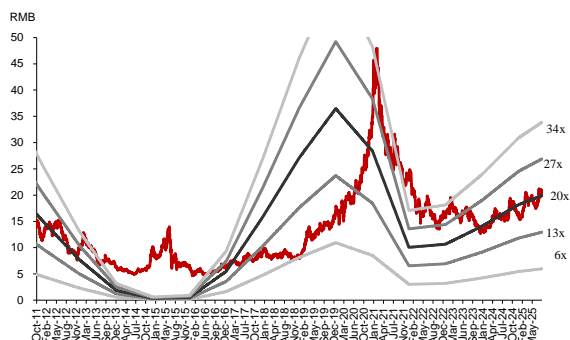
Figure 7: Change in key assumptions for SANY Heavy

(RMB mn)	Old			New			Change		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue									
Concrete machinery	16,920	18,274	19,736	14,100	15,228	16,446	-16.7%	-16.7%	-16.7%
Excavator	35,044	38,899	42,788	35,044	38,899	42,788	0.0%	0.0%	0.0%
Crane machinery	13,852	15,237	16,761	14,842	16,326	17,958	7.1%	7.1%	7.1%
Piling machinery	2,072	2,176	2,284	2,346	2,463	2,586	13.2%	13.2%	13.2%
Earth moving machinery	3,444	3,788	4,091	3,736	4,109	4,438	8.5%	8.5%	8.5%
Other machinery	14,832	16,612	18,273	17,411	20,894	22,983	17.4%	25.8%	25.8%
Revenue (construction machinery)	86,164	94,985	103,933	87,478	97,918	107,200	1.5%	3.1%	3.1%
Interest income from financing	640	673	706	640	673	706	0.0%	0.0%	0.0%
Other business	2,039	2,141	2,248	2,039	2,141	2,248	0.0%	0.0%	0.0%
Total revenue	88,843	97,799	106,888	90,158	100,732	110,154	1.5%	3.0%	3.1%
Gross margin									
Concrete machinery	20.8%	21.0%	21.5%	20.8%	21.0%	21.5%	0.0	0.0	0.0
Excavator	32.3%	32.8%	33.0%	32.3%	32.8%	33.0%	0.0	0.0	0.0
Crane machinery	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	0.0	0.0	0.0
Piling machinery	33.5%	33.5%	33.0%	33.5%	33.5%	33.0%	0.0	0.0	0.0
Earth moving machinery	28.0%	28.5%	28.5%	28.0%	28.5%	28.5%	0.0	0.0	0.0
Other machinery	21.0%	22.0%	22.2%	18.0%	19.0%	20.0%	(3.0)	(3.0)	(2.2)
Gross margin (construction machinery)	27.3%	27.7%	27.9%	26.7%	27.1%	27.4%	(0.5)	(0.7)	(0.5)
Interest income from financing	58.0%	58.0%	58.0%	59.0%	59.0%	59.0%	1.0	1.0	1.0
Other business	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	0.0	0.0	0.0
Blended gross margin	27.4%	27.8%	28.0%	26.9%	27.2%	27.6%	(0.5)	(0.6)	(0.5)
S&D expense ratio	7.0%	7.0%	7.0%	6.5%	6.5%	6.5%	(0.5)	(0.5)	(0.5)
Administrative expense ratio	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0	0.0	0.0
R&D expense ratio	6.5%	6.4%	6.4%	5.8%	5.8%	5.8%	(0.7)	(0.6)	(0.6)
Effective tax	12.0%	13.0%	13.0%	13.0%	13.0%	13.0%	1.0	0.0	0.0
Net profit	7,717	8,877	9,874	8,505	9,807	11,070	10.2%	10.5%	12.1%

Source: Company data, CMBIGM estimates

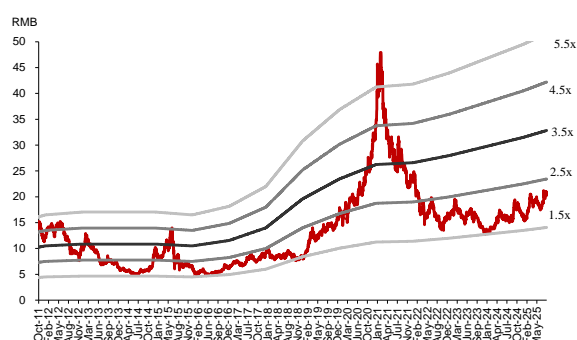
Valuation

Figure 8: SANY's P/E band



Source: Company data, Bloomberg, CMBIGM estimates
Note: 12M forward P/E on daily basis

Figure 9: SANY's P/B band



Source: Company data, Bloomberg, CMBIGM estimates
Note: 12M forward P/B on daily basis

Downside risks: Slowdown of overseas demand; and further deterioration of China's non-earth-moving machinery demand.

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	80,822	74,019	78,383	90,158	100,732	110,154
Cost of goods sold	(61,164)	(53,312)	(57,473)	(65,918)	(73,327)	(79,799)
Gross profit	19,658	20,707	20,910	24,240	27,404	30,355
Operating expenses	(17,147)	(16,394)	(15,261)	(16,137)	(17,608)	(19,258)
Selling expense	(6,302)	(6,218)	(5,464)	(5,860)	(6,548)	(7,160)
Admin expense	(2,639)	(2,651)	(2,996)	(3,156)	(3,526)	(3,855)
R&D expense	(6,923)	(5,865)	(5,381)	(5,229)	(5,842)	(6,389)
Others	(1,283)	(1,660)	(1,420)	(1,892)	(1,693)	(1,854)
Operating profit	2,512	4,313	5,649	8,103	9,796	11,097
Share of (losses)/profits of associates/JV	27	50	58	103	105	107
EBITDA	4,906	7,201	8,896	11,412	13,289	14,775
Depreciation	2,394	2,888	3,247	3,309	3,493	3,677
Interest income	696	980	1,009	1,070	1,024	1,205
Interest expense	(403)	(517)	(1,211)	(421)	(423)	(425)
Net Interest income/(expense)	294	463	(202)	649	601	780
Others	2,000	491	1,402	1,100	1,000	1,000
Pre-tax profit	4,832	5,317	6,908	9,955	11,502	12,984
Income tax	(428)	(710)	(815)	(1,294)	(1,495)	(1,688)
Minority interest	(132)	(79)	(117)	(156)	(200)	(226)
Adjusted net profit	4,273	4,527	5,975	8,505	9,807	11,070

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	105,762	97,633	101,505	103,947	119,221	123,366
Cash & equivalents	21,343	18,072	20,383	22,422	28,774	31,468
Account receivables	25,022	24,165	25,517	26,355	31,048	32,328
Inventories	19,738	19,768	19,948	19,783	23,610	24,050
Other current assets	39,659	35,629	35,658	35,387	35,788	35,519
Non-current assets	52,993	53,569	50,640	53,599	51,204	54,992
PP&E	19,681	23,453	22,369	21,771	20,989	20,022
Deferred income tax	2,499	3,070	3,577	3,577	3,577	3,577
Investment in JVs & assos	2,239	2,401	2,425	2,476	2,529	2,582
Intangibles	4,519	4,832	4,615	4,205	3,794	3,383
Goodwill	48	50	48	48	48	48
Financial assets at FVTPL	0	0	0	0	0	0
Other non-current assets	24,007	19,763	17,606	21,523	20,268	25,379
Total assets	158,755	151,202	152,145	157,546	170,425	178,358
Current liabilities	67,630	54,415	63,669	66,057	70,568	72,108
Short-term borrowings	11,064	9,551	9,461	9,561	9,661	9,761
Account payables	28,908	22,693	28,654	30,943	35,353	36,794
Tax payable	1,191	1,063	1,224	1,224	1,224	1,224
Other current liabilities	26,467	21,109	24,330	24,330	24,330	24,330
Non-current liabilities	25,116	27,614	15,474	15,474	15,474	15,474
Long-term borrowings	21,625	23,556	11,556	11,556	11,556	11,556
Other non-current liabilities	3,491	4,059	3,918	3,918	3,918	3,918
Total liabilities	92,746	82,029	79,143	81,532	86,043	87,583
Total shareholders equity	64,966	68,040	71,953	74,810	82,978	89,145
Minority interest	1,043	1,133	1,048	1,204	1,404	1,630
Total equity and liabilities	158,755	151,202	152,145	157,546	170,425	178,358

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	4,832	5,317	6,908	9,955	11,502	12,984
Depreciation & amortization	2,394	2,888	3,247	3,309	3,493	3,677
Tax paid	(428)	(710)	(815)	(1,294)	(1,495)	(1,688)
Change in working capital	(2,264)	(3,067)	4,910	(2,032)	(3,256)	(5,122)
Others	(436)	1,281	565	(752)	(706)	(887)
Net cash from operations	4,099	5,708	14,814	9,186	9,538	8,964
Investing						
Capital expenditure	(5,538)	(4,128)	(2,685)	(2,300)	(2,300)	(2,300)
Acquisition of subsidiaries/ investments	(20)	(92)	(11)	0	0	0
Others	3,720	1,527	1,538	1,122	1,076	1,259
Net cash from investing	(1,838)	(2,694)	(1,158)	(1,178)	(1,224)	(1,041)
Financing						
Dividend paid	(3,822)	(1,359)	(1,862)	(5,648)	(1,639)	(4,903)
Net borrowings	7,779	(2,049)	(6,884)	100	100	100
Proceeds from share issues	0	0	0	0	0	0
Others	870	(4,122)	(1,533)	(421)	(423)	(425)
Net cash from financing	4,826	(7,530)	(10,279)	(5,969)	(1,962)	(5,229)
Net change in cash						
Cash at the beginning of the year	14,812	21,343	18,072	20,383	22,422	28,774
Exchange difference	(556)	1,244	(1,066)	0	0	0
Cash at the end of the year	21,343	18,072	20,383	22,422	28,774	31,468
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(24.4%)	(8.4%)	5.9%	15.0%	11.7%	9.4%
Gross profit	(29.5%)	5.3%	1.0%	15.9%	13.1%	10.8%
Operating profit	(76.8%)	71.7%	31.0%	43.5%	20.9%	13.3%
EBITDA	(61.9%)	46.8%	23.5%	28.3%	16.4%	11.2%
Adj. net profit	(64.5%)	6.0%	32.0%	42.3%	15.3%	12.9%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	24.3%	28.0%	26.7%	26.9%	27.2%	27.6%
Operating margin	3.1%	5.8%	7.2%	9.0%	9.7%	10.1%
EBITDA margin	6.1%	9.7%	11.3%	12.7%	13.2%	13.4%
Adj. net profit margin	5.3%	6.1%	7.6%	9.4%	9.7%	10.0%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.1)	0.1	(0.1)	(0.2)	(0.2)	(0.2)
Current ratio (x)	1.6	1.8	1.6	1.6	1.7	1.7
Receivable turnover days	145.7	181.4	174.7	160.0	157.0	159.0
Inventory turnover days	114.0	135.2	126.1	110.0	108.0	109.0
Payable turnover days	171.5	176.6	163.0	165.0	165.0	165.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	41.7	39.4	29.8	21.0	18.2	16.1
P/B	2.7	2.6	2.5	2.4	2.1	2.0
Div yield (%)	0.8	1.0	1.7	2.4	2.8	3.1

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

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