28 Oct 2025

CMB International Global Markets | Equity Research | Company Update

Jiangsu Hengli (601100 CH)

3Q25 earnings growth accelerated to 31% YoY

Hengli's net profit in 3Q25 surged 31% YoY to RMB658mn, which implies an acceleration of earnings growth (+3%/+18% YoY in 1Q25/2Q25). The encouraging results were driven by continuous recovery of cylinder demand, which further enhances our above-consensus earnings forecast. While we have left our earnings forecast unchanged, we revise up our TP to RMB105 (from RMB92) after rolling over our valuation base to 2026E (based on an unchanged P/E multiple of 41x, +1SD above the historical average). We continue to like Hengli as (1) the replacement-driven excavator upcycle is solid; (2) humanoid robot components such as ball screws will serve as a structural growth driver. Reiterate **BUY.**

- **Key highlights in 3Q25 results:** Revenue in 3Q25 grew 25% YoY to RMB2.6bn. Gross margin expanded 1.1ppt YoY to 42.2%. Selling & distribution expense ratio slightly increased 0.2ppt YoY to 2.3%. Administrative and R&D expense ratios were down 1.3ppt/2.1ppt to 6.1%/7.4%. In 9M25, net profit increased 17% YoY to RMB2.1bn, accounting for 69% of our full-year forecast (run rate in 9M24: 65%).
- **Growth momentum to continue in Oct:** We understand that Hengli has scheduled a production volume of 55k units of hydraulic cylinders (for excavators) in Oct, up >30% YoY. Among this, the planned production of large-/medium-/small-size cylinders is expected to grow 32%/27%/41% YoY. For non-standardized cylinders, the planned production in Oct is expected to grow 35% YoY to 23k units, helped by the low base effect.
- **Risk factors:** (1) Slowdown of demand for hydraulic components; (2) slower-than-expected new business development.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	8,985	9,390	10,961	12,540	14,204
YoY growth (%)	9.6	4.5	16.7	14.4	13.3
Adjusted net profit (RMB mn)	2,498.7	2,508.7	3,007.1	3,432.7	3,883.9
EPS (Reported) (RMB)	1.86	1.87	2.24	2.56	2.90
YoY growth (%)	3.8	0.4	19.9	14.2	13.1
Consensus EPS (RMB)	na	na	2.11	2.46	na
P/E (x)	49.9	49.7	41.4	36.3	32.1
P/B (x)	8.7	7.9	7.0	6.2	5.5
Yield (%)	0.8	0.8	0.9	1.0	1.2
Net gearing (%)	(55.0)	(49.8)	(46.9)	(50.6)	(50.8)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**RMB105.00**
(Previous TP	RMB92.00)
Up/Downside	**13.0%**
Current Price	**RMB92.93**

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Stock Data

Mkt Cap (RMB mn)	124,602.4
Avg 3 mths t/o (RMB mn)	981.8
52w High/Low (RMB)	104.00/50.06
Total Issued Shares (mn)	1340.8

Source: FactSet

Shareholding Structure

WANG's family	66.7%
CCASS (Hong Kong)	12.1%

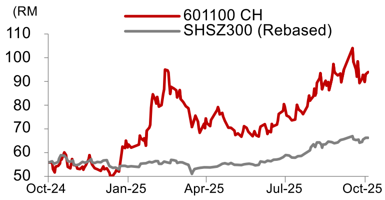
Source: SSE

Share Performance

	Absolute	Relative
1-mth	-0.4%	-2.5%
3-mth	19.8%	6.7%
6-mth	28.1%	4.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:
Capital Goods – Recovery of non-earth moving machinery sales in Sep suggests early sign of upcycle – 20 Oct 2025 (link)

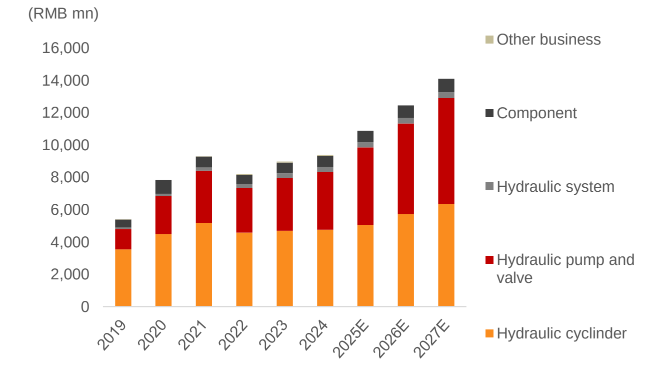
Jiangsu Hengli – 2Q25 earnings growth accelerated; Staying positive on both existing and new business – 26 Aug 2025 (link)

Figure 1: Quarterly results highlights

(RMB mn)	1Q24	1Q25	Change YoY	2Q24	2Q25	Change YoY	3Q24	3Q25	Change YoY	4Q23	4Q24	Change YoY
Total revenue	**2,362**	**2,422**	***2.6%***	**2,471**	**2,749**	***11.2%***	**2,103**	**2,619**	***24.5%***	**2,640**	**2,454**	***-7.1%***
Cost of sales	-1,415	-1,468	*3.8%*	-1,406	-1,539	*9.5%*	-1,240	-1,514	*22.1%*	-1,426	-1,308	*-8.3%*
Gross profit	**947**	**954**	***0.8%***	**1,066**	**1,210**	***13.5%***	**863**	**1,104**	***28.0%***	**1,215**	**1,146**	***-5.6%***
Other income	-24	-27	*13.4%*	-24	-26	*6.5%*	-21	-24	*15.1%*	-21	-22	*1.7%*
S&D expenses	-49	-58	*19.0%*	-52	-46	*-11.8%*	-43	-60	*37.7%*	-66	-73	*10.4%*
Administrative expenses	-116	-137	*18.2%*	-107	-159	*48.7%*	-156	-161	*3.2%*	-140	-213	*52.3%*
R&D expense	-106	-149	*39.9%*	-228	-208	*-8.9%*	-201	-194	*-3.3%*	-189	-193	*1.9%*
Asset impairment	-16	-4	*-72.6%*	-11	-19	*69.6%*	3	-4	*n/a*	-45	-42	*-7.6%*
EBIT	**636**	**579**	***-8.9%***	**644**	**753**	***16.9%***	**445**	**662**	***48.8%***	**753**	**604**	***-19.8%***
Net finance income/(cost)	55	199	*261.9%*	47	69	*45.9%*	64	-68	*n/a*	50	-35	*n/a*
Other gains/(loss)	25	-59	*n/a*	50	65	*28.8%*	58	136	*135.3%*	55	208	*275.6%*
Profit of JV & associates	0	0	*n/a*	0	0	*n/a*	0	0	*n/a*	0	0	*n/a*
Pretax profit	**716**	**719**	***0.5%***	**741**	**886**	***19.6%***	**567**	**731**	***28.8%***	**858**	**776**	***-9.6%***
Income tax	-113	-100	*-10.9%*	-54	-73	*34.8%*	-63	-72	*13.9%*	-111	-58	*-47.4%*
After tax profit	**603**	**619**	*2.7%*	**687**	**813**	*18.4%*	**504**	**659**	*30.6%*	**747**	**718**	*-3.9%*
MI	-1	-1	*38.5%*	-1	-2	*77.2%*	-1	-1	*51.7%*	-2	-1	*-64.1%*
Net profit	**602**	**618**	***2.6%***	**686**	**812**	***18.3%***	**504**	**658**	***30.6%***	**745**	**717**	***-3.8%***
Key ratios			*ppt*			*ppt*			*ppt*			*ppt*
Gross margin	*40.1%*	*39.4%*	*-0.7*	*43.1%*	*44.0%*	*0.9*	*41.0%*	*42.2%*	*1.1*	*46.0%*	*46.7%*	*0.7*
S&D expense ratio	*2.1%*	*2.4%*	*0.3*	*2.1%*	*1.7%*	*-0.4*	*2.1%*	*2.3%*	*0.2*	*2.5%*	*3.0%*	*0.5*
Adminstrative exp ratio	*4.9%*	*5.6%*	*0.7*	*4.3%*	*5.8%*	*1.5*	*7.4%*	*6.1%*	*-1.3*	*5.3%*	*8.7%*	*3.4*
R&D exp ratio	*4.5%*	*6.1%*	*1.6*	*9.2%*	*7.6%*	*-1.7*	*9.5%*	*7.4%*	*-2.1*	*7.2%*	*7.8%*	*0.7*
Effective tax rate	*15.8%*	*14.0%*	*-1.8*	*7.3%*	*8.2%*	*0.9*	*11.1%*	*9.8%*	*-1.3*	*12.9%*	*7.5%*	*-5.4*

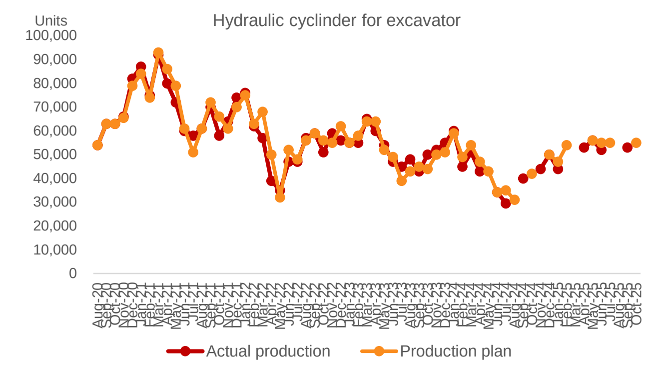
Source: Company data, CMBIGM

Figure 2: Hengli's revenue breakdown



Source: Company data, CMBIGM estimates

Figure 3: Hengli's hydraulic cylinders monthly production



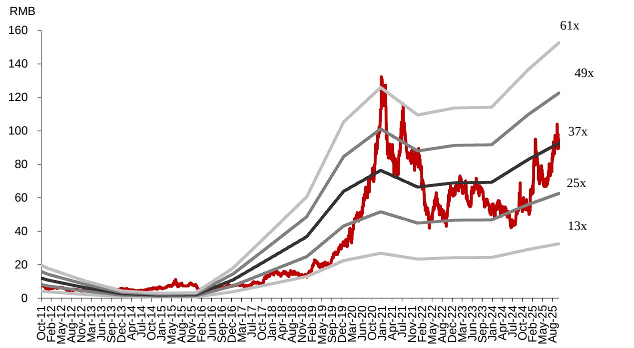
Source: Company data, CMBIGM

Figure 4: Key assumptions on Hengli

(RMB mn)	2020	2021	2022	2023	2024	2025E	2026E	2027E
Revenue								
Hydraulic cyclinder	4,497	5,187	4,584	4,693	4,761	5,054	5,734	6,361
Hydraulic pump and valve	2,338	3,236	2,755	3,268	3,583	4,805	5,612	6,551
Hydraulic system	157	196	253	292	296	311	336	363
Component	845	677	574	672	684	718	776	838
Revenue (hydraulic business)	**7,838**	**9,295**	**8,167**	**8,926**	**9,325**	**10,888**	**12,458**	**14,113**
Other business	17	14	30	59	65	73	82	91
Total revenue	**7,855**	**9,309**	**8,197**	**8,985**	**9,390**	**10,961**	**12,540**	**14,204**
Revenue growth								
Hydraulic cyclinder	27.0%	15.3%	-11.6%	2.4%	1.4%	6.2%	13.5%	10.9%
Hydraulic pump and valve	85.2%	38.4%	-14.9%	18.6%	9.6%	34.1%	16.8%	16.7%
Hydraulic system	82.9%	25.1%	29.1%	15.1%	1.6%	5.0%	8.0%	8.0%
Component	68.8%	-20.0%	-15.2%	17.1%	1.8%	5.0%	8.0%	8.0%
Revenue (hydraulic business)	45.4%	18.6%	-12.1%	9.3%	4.5%	16.8%	14.4%	13.3%
Other business	-23.1%	-19.6%	119.1%	96.0%	10.2%	12.0%	12.0%	12.0%
Total revenue	45.1%	18.5%	-12.0%	9.6%	4.5%	16.7%	14.4%	13.3%
Gross margin								
Hydraulic cyclinder	*46.8%*	*44.2%*	*40.1%*	*41.2%*	*42.6%*	*43.3%*	*43.4%*	*43.4%*
Hydraulic pump and valve	*52.3%*	*52.0%*	*48.2%*	*47.6%*	*47.9%*	*48.0%*	*48.0%*	*48.0%*
Hydraulic system	*45.7%*	*45.2%*	*44.9%*	*38.7%*	*38.1%*	*38.0%*	*38.0%*	*38.0%*
Component	*6.2%*	*3.5%*	*2.9%*	*15.9%*	*14.5%*	*15.0%*	*15.0%*	*15.0%*
Gross margin (hydraulic business)	*44.0%*	*44.0%*	*40.4%*	*41.6%*	*42.5%*	*43.4%*	*43.6%*	*43.7%*
Other business	*74.3%*	*70.9%*	*92.7%*	*91.1%*	*93.9%*	*90.0%*	*90.0%*	*90.0%*
Blended gross margin	*44.1%*	*44.0%*	*40.6%*	*41.9%*	*42.8%*	*43.7%*	*43.9%*	*44.0%*

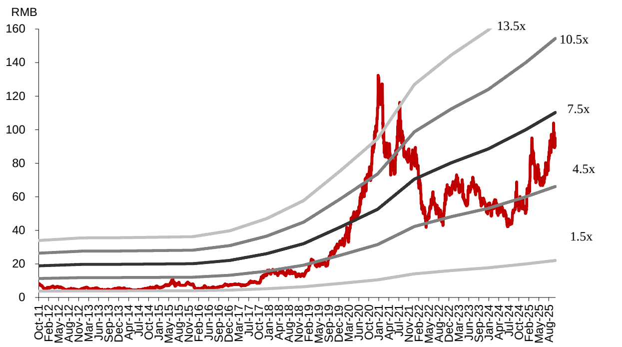
Source: Company data, CMBIGM estimates

Figure 5: Hengli's P/E band



Source: Bloomberg, company data, CMBIGM estimates

Figure 6: Hengli'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	**8,197**	**8,985**	**9,390**	**10,961**	**12,540**	**14,204**
Cost of goods sold	(4,873)	(5,220)	(5,368)	(6,175)	(7,040)	(7,951)
Gross profit	**3,324**	**3,765**	**4,021**	**4,786**	**5,500**	**6,253**
Selling expense	(124)	(186)	(217)	(252)	(288)	(327)
Admin expense	(275)	(404)	(592)	(680)	(777)	(881)
R&D expense	(650)	(694)	(728)	(844)	(966)	(1,094)
Others	(116)	(150)	(156)	(169)	(183)	(198)
Operating profit	**2,159**	**2,330**	**2,328**	**2,841**	**3,286**	**3,754**
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
EBITDA	**2,553**	**2,744**	**2,758**	**3,334**	**3,832**	**4,349**
Depreciation	394	413	430	492	547	595
Interest income	352	382	146	285	325	381
Interest expense	(20)	(13)	(14)	(1)	(1)	(1)
Net Interest income/(expense)	**332**	**369**	**131**	**284**	**324**	**380**
Other income/expense	137	131	341	219	251	284
Pre-tax profit	**2,629**	**2,830**	**2,800**	**3,345**	**3,861**	**4,418**
Income tax	(280)	(326)	(288)	(334)	(425)	(530)
Minority interest	(6)	(5)	(4)	(3)	(3)	(4)
Adjusted net profit	**2,343**	**2,499**	**2,509**	**3,007**	**3,433**	**3,884**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	**12,327**	**12,994**	**13,830**	**15,727**	**17,517**	**20,450**
Cash & equivalents	6,886	8,124	7,883	8,391	10,199	11,561
Account receivables	2,982	2,767	2,756	3,850	3,708	4,854
Inventories	1,766	1,692	1,765	2,059	2,184	2,609
Prepayment	141	156	157	157	157	157
Other current assets	552	255	1,270	1,270	1,270	1,270
Non-current assets	**3,874**	**4,901**	**5,808**	**6,521**	**6,879**	**7,089**
PP&E	2,836	2,851	3,889	4,614	4,985	5,208
Deferred income tax	54	58	139	139	139	139
Investment in JVs & assos	0	0	0	0	0	0
Intangibles	436	467	439	426	413	401
Goodwill	0	0	0	0	0	0
Financial assets at FVTPL	0	0	0	0	0	0
Other non-current assets	548	1,526	1,342	1,342	1,342	1,342
Total assets	**16,201**	**17,896**	**19,639**	**22,248**	**24,397**	**27,539**
Current liabilities	**3,144**	**3,099**	**3,379**	**3,917**	**3,772**	**4,331**
Short-term borrowings	329	203	19	19	19	19
Account payables	1,323	1,297	1,136	1,673	1,529	2,088
Tax payable	73	154	160	160	160	160
Other current liabilities	1,419	1,445	2,064	2,064	2,064	2,064
Non-current liabilities	**379**	**353**	**431**	**431**	**431**	**431**
Long-term borrowings	0	0	0	0	0	0
Deferred income	198	175	212	212	212	212
Other non-current liabilities	181	179	219	219	219	219
Total liabilities	**3,523**	**3,453**	**3,810**	**4,348**	**4,203**	**4,762**
Total shareholders equity	**12,630**	**14,391**	**15,775**	**17,843**	**20,133**	**22,713**
Minority interest	48	52	54	57	60	64
Total equity and liabilities	**16,201**	**17,896**	**19,639**	**22,248**	**24,397**	**27,539**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**2,629**	**2,830**	**2,800**	**3,345**	**3,861**	**4,418**
Depreciation & amortization	394	413	430	492	547	595
Tax paid	(280)	(326)	(288)	(334)	(425)	(530)
Change in working capital	(476)	(225)	(195)	(851)	(126)	(1,012)
Others	(203)	(15)	(269)	1	1	1
Net cash from operations	**2,064**	**2,677**	**2,479**	**2,652**	**3,857**	**3,472**
Investing						
Capital expenditure	(642)	(1,309)	(1,072)	(1,200)	(900)	(800)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	563	(1,742)	(2,028)	(5)	(5)	(5)
Net cash from investing	**(80)**	**(3,051)**	**(3,100)**	**(1,205)**	**(905)**	**(805)**
Financing						
Dividend paid	(953)	(831)	(939)	(939)	(1,143)	(1,304)
Net borrowings	(313)	(126)	(185)	0	0	0
Proceeds from share issues	2,000	0	0	0	0	0
Others	216	77	336	(1)	(1)	(1)
Net cash from financing	**949**	**(880)**	**(788)**	**(940)**	**(1,144)**	**(1,305)**
Net change in cash						
Cash at the beginning of the year	3,643	6,886	8,124	7,883	8,391	10,199
Exchange difference	310	2,492	1,167	0	0	0
Cash at the end of the year	**6,886**	**8,124**	**7,883**	**8,391**	**10,199**	**11,561**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(12.0%)	9.6%	4.5%	16.7%	14.4%	13.3%
Gross profit	(18.9%)	13.3%	6.8%	19.0%	14.9%	13.7%
Operating profit	(28.0%)	7.9%	(0.1%)	22.0%	15.6%	14.3%
EBITDA	(24.9%)	7.5%	0.5%	20.9%	14.9%	13.5%
Adj. net profit	(13.0%)	6.7%	0.4%	19.9%	14.2%	13.1%

PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	40.6%	41.9%	42.8%	43.7%	43.9%	44.0%
Operating margin	26.3%	25.9%	24.8%	25.9%	26.2%	26.4%
EBITDA margin	31.1%	30.5%	29.4%	30.4%	30.6%	30.6%
Adj. net profit margin	28.6%	27.8%	26.7%	27.4%	27.4%	27.3%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.5)	(0.6)	(0.5)	(0.5)	(0.5)	(0.5)
Current ratio (x)	3.9	4.2	4.1	4.0	4.6	4.7
Receivable turnover days	123.4	116.8	107.4	110.0	110.0	110.0
Inventory turnover days	126.3	120.9	117.5	113.0	110.0	110.0
Payable turnover days	94.0	91.6	82.7	83.0	83.0	83.0

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	51.8	49.9	49.7	41.4	36.3	32.1
P/B	9.9	8.7	7.9	7.0	6.2	5.5
Div yield (%)	0.7	0.8	0.8	0.9	1.0	1.2

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

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OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
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