Weichai Power (2338 HK/000338 CH)

Expect HDT engines growth to slow in 2026E; Eyes on backup power for data centres

We expect HDT industry demand growth to slow to 3% YoY in 2026E (from 21% in 2025E), due to the high base following the accelerated sales growth since mid-2025. That said, for Weichai, we expect the explosive growth of backup power engines for data centres will continue to gain traction *(more details in our 2026 sector outlook published today (link))*. We forecast Weichai's total engine sales volume (all types) to grow 8%/3% in 2025E/26E along with margin expansion, driven by elevated HDT demand in 2026E and higher contribution from high-margin data centre engines. We revise up our 2025E-27E earnings forecast by 1-5%, to reflect our latest industry forecast. Our SOTP-based TP for A/H, after rolling over to 2026E, is revised up to RMB22.3/HK$21.9. Maintain **BUY.**

- **Weichai's engine sales have recovered since Aug.** According to CICEIA, Weichai's multi-cylinder engine sales (including HDT, construction machinery, other engines) grew 19%/39%/35% YoY in Aug/Sep/Oct, following fluctuating sales in 7M25. The recent acceleration was driven largely by HDT demand growth. In 10M25, Weichai's multi-cylinder engine sales grew ~5% YoY.
- **Data centre power engines: Still limited contribution but growing fast.** We estimate Weichai to deliver 1.2k units of backup power engines for data centers in 2025E (+3x YoY). We estimate this will contribute ~5% of Weichai's total net profit in 2025E. While Weichai has yet to set a target for 2026E, we see huge potential for Weichai to boost power engine sales in 2026E, given that 3k units of annual capacity is already in place.
- **Key risks.** 1) High base of industry HDT sales in 2025; 2) lower-than-expected data centre backup power engine sales.

Earnings Summary - 2338 HK

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	213,958	215,691	231,484	241,016	247,613
YoY growth (%)	22.2	0.8	7.3	4.1	2.7
Adjusted net profit (RMB mn)	9,013.9	11,403.3	12,384.3	14,094.3	14,926.6
EPS (Reported) (RMB)	1.04	1.31	1.42	1.62	1.71
YoY growth (%)	85.6	25.4	8.6	13.8	5.9
Consensus EPS (RMB)	na	0.00	1.44	1.64	1.82
P/E (x)	16.8	13.4	12.3	10.8	10.2
P/B (x)	1.9	1.8	1.6	1.5	1.4
Yield (%)	3.0	4.1	4.5	5.1	5.4
Net gearing (%)	(62.0)	(38.8)	(51.2)	(66.6)	(79.4)

Source: Company data, Bloomberg, CMBIGM estimates

	2338 HK	000338 CH
	BUY	BUY
	Maintain	Maintain
TP	HK$21.90	RMB22.30
Prior TP	HK$19.50	RMB19.90
Up/Downside	13.6%	28.8%
Current Price	HK$19.3	RMB17.3

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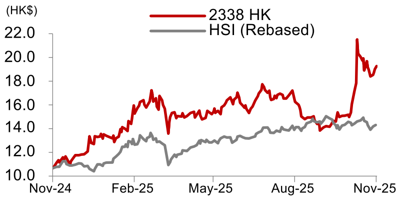
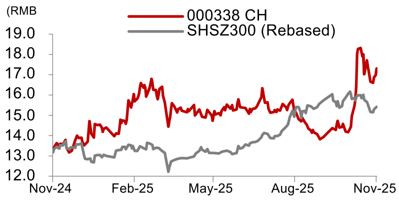
12-mth Price Performance





Source: FactSet

Stock Performance

	2338 HK Abs.	2338 HK Rel.	000338 CH Abs.	000338 CH Rel.
1-mth	28.6%	31.1%	22.5%	33.3%
3-mth	18.5%	14.6%	14.0%	16.9%
6-mth	25.0%	12.4%	15.3%	5.9%

Source: FactSet

Stock Data

(LC)	2338 HK	000338 CH
Mkt Cap (mn)	37268.18	117257.9
Avg 3 mths t/o (mn)	307.07	1797.9
52w High	21.5	18.32
52w Low	10.72	13.17
Issued Shares (mn)	1934	6774

Source: FactSet

Related reports:

Capital Goods - 3Q25 results first take: SANY Heavy & Zoomlion beat; Weichai in-line; SANYI missed – 31 Oct 2025 (link)

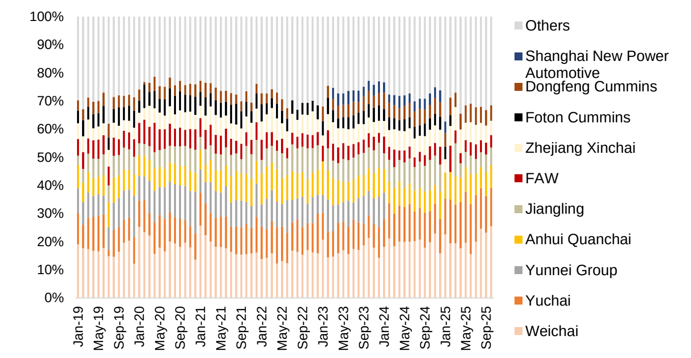
Weichai Power – 1H25 results dragged by higher expenses; Expect a better 2H25E – 1 Sep 2025 (link)

Figure 1: Changes in key assumptions for Weichai

	2025E			2026E			2027E		
Sales volume (unit)	Old	**New**	Change	Old	**New**	Change	Old	**New**	Change
Engine total	745,627	**792,051**	6.2%	773,644	**819,793**	6.0%	782,948	**843,211**	7.7%
HDT (Shaanxi Heavy-duty Motor)	133,340	**143,960**	8.0%	142,674	**151,158**	5.9%	146,954	**158,716**	8.0%
Gear box (Shaanxi Fast Gear Company)	861,530	**895,650**	4.0%	883,068	**918,041**	4.0%	891,899	**927,222**	4.0%
(RMB mn)									
Revenue									
Diesel engines	67,106	**71,285**	6.2%	70,402	**74,601**	6.0%	71,248	**76,732**	7.7%
Automobiles and major components	64,667	**67,575**	4.5%	67,699	**70,567**	4.2%	68,564	**71,672**	4.5%
Forklift trucks & supply chain solution	87,889	**87,889**	0.0%	90,526	**90,526**	0.0%	93,242	**93,242**	0.0%
Agricultural machinery	20,216	**19,474**	-3.7%	21,429	**20,642**	-3.7%	22,500	**21,674**	-3.7%
Intersegment sales	-14,278	**-14,739**	3.2%	-14,861	**-15,320**	3.1%	-15,149	**-15,707**	3.7%
Total revenue	225,600	**231,484**	2.6%	235,195	**241,016**	2.5%	240,406	**247,613**	3.0%
Segment profit									
Diesel engines	11,878	**12,831**	8.0%	12,531	**13,577**	8.3%	12,825	**13,965**	8.9%
Automobiles and major components	485	**507**	4.5%	542	**565**	4.2%	549	**573**	4.5%
Forklift trucks & supply chain solution	4,834	**4,219**	-12.7%	5,432	**5,432**	0.0%	5,595	**5,595**	0.0%
Agricultural machinery	869	**837**	-3.7%	964	**929**	-3.7%	1,013	**975**	-3.7%
Intersegment sales	-685	**-707**	3.2%	-713	**-735**	3.1%	-727	**-754**	3.7%
Total segment profit	17,381	**17,687**	1.8%	18,756	**19,767**	5.4%	19,253	**20,355**	5.7%
Segment margin			*Chg (ppt)*			*Chg (ppt)*			*Chg (ppt)*
Diesel engines	*17.7%*	***18.0%***	*0.3*	*17.8%*	***18.2%***	*0.4*	*18.0%*	***18.2%***	*0.2*
Automobiles and major components	*0.8%*	***0.8%***	*0.0*	*0.8%*	***0.8%***	*0.0*	*0.8%*	***0.8%***	*0.0*
Forklift trucks & supply chain solution	*5.5%*	***4.8%***	*-0.7*	*6.0%*	***6.0%***	*0.0*	*6.0%*	***6.0%***	*0.0*
Agricultural machinery	*4.3%*	***4.3%***	*0.0*	*4.5%*	***4.5%***	*0.0*	*4.5%*	***4.5%***	*0.0*
Average	*7.7%*	***7.6%***	*-0.1*	*8.0%*	***8.2%***	*0.2*	*8.0%*	***8.2%***	*0.2*
Net profit	12,243	**12,384**	1.2%	13,434	**14,094**	4.9%	14,185	**14,927**	5.2%

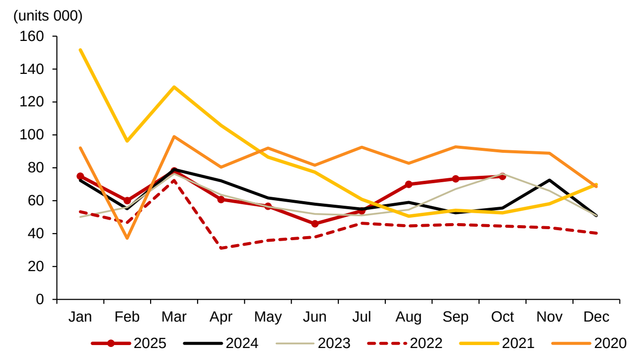
Source: Company data, CMBIGM estimates

Figure 2: China multi-cylinder engine market share



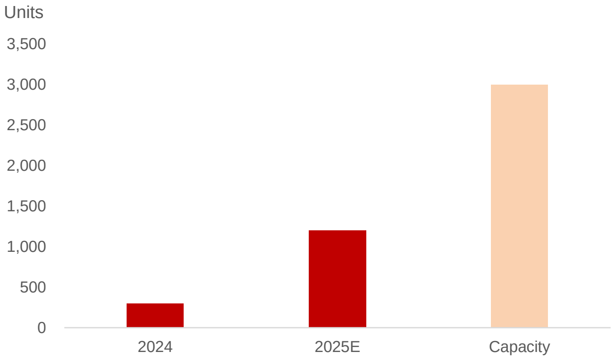
Source: CICEIA, CMBIGM

Figure 3: Weichai's multi-cylinder engine monthly sales volume



Source: CICEIA, CMBIGM

Figure 4: Weichai's backup power engine sales and capacity for data centres



Source: Company data, CMBIGM estimates

Figure 5: KION's guidance for 2025E

(EUR mn)	2023	2024	2025E guidance Low-end	High-end
Order intake	**10,876**	**10,321**	**-**	**-**
Growth (YoY)	*-7%*	*-5%*	*-*	*-*
Revenue	**11,434**	**11,503**	**11,100**	**11,400**
Growth (YoY)	*3%*	*1%*	*-4%*	*-1%*
Adjusted EBIT	**791**	**917**	**760**	**820**
Growth (YoY)	*171%*	*16%*	*-17%*	*-11%*
Adjusted EBIT margin	*6.9%*	*8.0%*	*6.8%*	*7.2%*
Net income	**314**	**370**	**-**	**-**
Growth (YoY)	*197%*	*18%*	*-*	*-*

Source: Company data, CMBIGM

Figure 6: KION's quarterly financials

(EUR mn)	3Q24	4Q24	1Q25	2Q25	3Q25
Order intake	**2,427**	**2,815**	**2,706**	**3,500**	**2,676**
Growth (YoY)	*-7%*	*-4%*	*11%*	*33%*	*10%*
Revenue	**2,699**	**3,068**	**2,788**	**2,708**	**2,704**
Growth (YoY)	*-1%*	*-1%*	*-2%*	*-6%*	*0%*
Adjusted EBIT	**220**	**250**	**196**	**189**	**190**
Growth (YoY)	*-2%*	*14%*	*-14%*	*-14%*	*-14%*
Adjusted EBIT margin	*8.2%*	*8.1%*	*7.0%*	*7.0%*	*7.0%*
Net income	**74**	**114**	**-47**	**95**	**119**
Growth (YoY)	*-10%*	*33%*	*-142%*	*34%*	*61%*

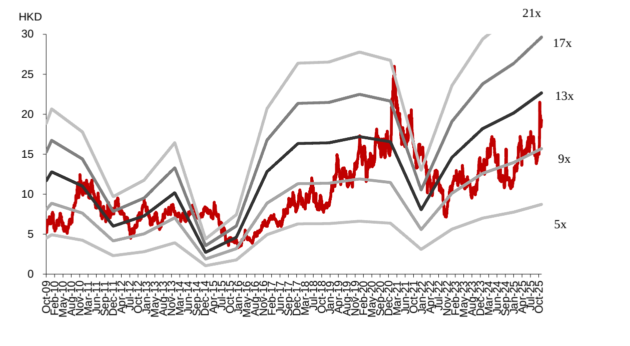
Source: Company data, CMBIGM

Figure 7: SOTP valuation

SOTP valuation	Valuation methodology	Target multiple (x)	EBITDA 2026E (RMB mn)	Estimated EV (RMB mn)	Net cash / (Net debt)	Equity value (RMB mn)	Equity value breakdown
Weichai core business	EV/EBITDA	7.0	19,221	134,546	33,667	168,213	86.5%
KION Group	Proportionate market value	-	-	-	-	32,487	16.7%
Ballard Power Systems	Proportionate market value	-	-	-	-	1,215	0.6%
Ceres Power	Proportionate market value	-	-	-	-	1,384	0.7%
Share of JV/associates	P/B	1.5	-	-	-	7,436	3.8%
Minority interest in core business						-16,202	-8.3%
Total NAV						**194,533**	100.0%
NAV per share (RMB)						**22.3**	
A/H discount						10%	
NAV per share (HK$)						**21.9**	

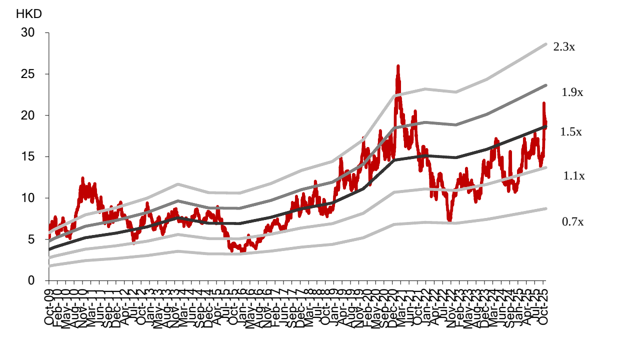
Source: Company data, CMBIGM estimates
Note 1: Weichai owns 46.5% interest in KION, 20% interest in Ballard Power and 20% interest in Ceres Power.
Note 2: Share of JV/associates excludes Ballard Power and Ceres Power

Figure 8: Weichai Power-H P/E band



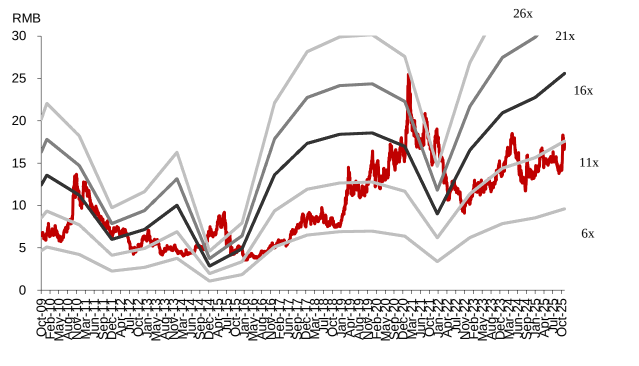
Source: Bloomberg, company data, CMBIGM estimates

Figure 9: Weichai Power-H P/B band



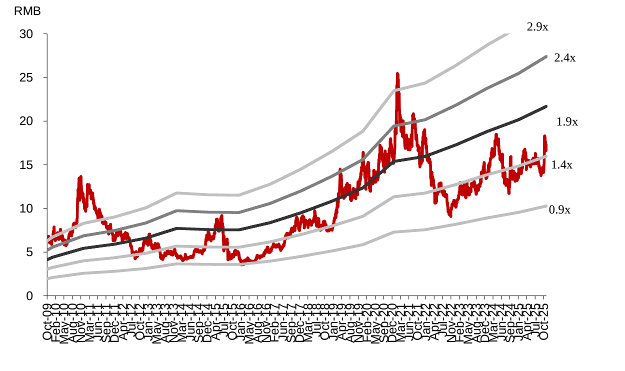
Source: Bloomberg, company data, CMBIGM estimates

Figure 10: Weichai Power-A P/E band



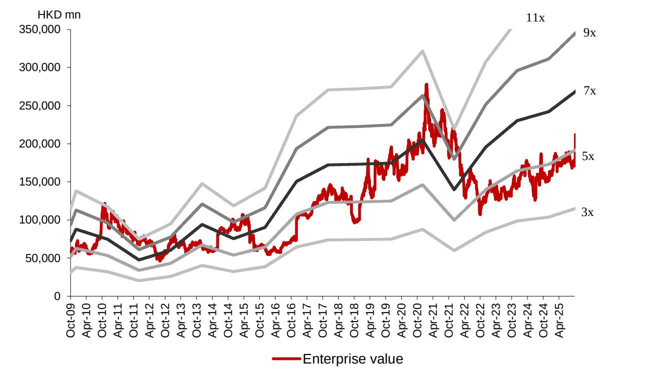
Source: Bloomberg, company data, CMBIGM estimates

Figure 11: Weichai Power-A P/B band



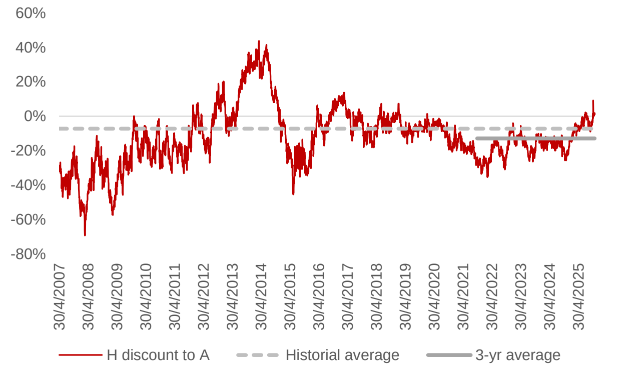
Source: Bloomberg, company data, CMBIGM estimates

Figure 12: Weichai Power EV/EBITDA band



Source: Bloomberg, company data, CMBIGM estimates

Figure 13: Weichai Power-A premium to H



Source: Bloomberg, company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	**175,158**	**213,958**	**215,691**	**231,484**	**241,016**	**247,613**
Cost of goods sold	(144,011)	(168,842)	(167,305)	(178,243)	(184,378)	(189,424)
Gross profit	**31,147**	**45,116**	**48,386**	**53,241**	**56,639**	**58,189**
Operating expenses	**(25,664)**	**(31,238)**	**(30,368)**	**(35,103)**	**(36,271)**	**(37,135)**
Operating profit	**5,482**	**13,878**	**18,018**	**18,138**	**20,367**	**21,054**
Share of (losses)/profits of associates/JV	(144)	(13)	(45)	99	100	100
EBITDA	**16,630**	**25,867**	**30,744**	**31,732**	**35,809**	**37,882**
Depreciation	11,148	11,989	12,726	13,594	15,441	16,828
Interest income	2,359	2,818	3,781	2,529	3,060	3,665
Interest expense	(1,450)	(3,378)	(4,011)	(1,424)	(1,428)	(1,431)
Net Interest income/(expense)	**909**	**(560)**	**(231)**	**1,105**	**1,632**	**2,234**
Other income/expense	(162)	(154)	(421)	(463)	(482)	(495)
Pre-tax profit	**6,086**	**13,151**	**17,322**	**18,878**	**21,617**	**22,894**
Income tax	(403)	(1,940)	(3,044)	(3,398)	(3,999)	(4,235)
Minority interest	(778)	(2,198)	(2,874)	(3,096)	(3,524)	(3,732)
Adjusted net profit	**4,906**	**9,014**	**11,403**	**12,384**	**14,094**	**14,927**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	**168,484**	**197,925**	**184,750**	**202,652**	**207,557**	**242,466**
Cash & equivalents	70,842	92,857	72,067	85,990	105,235	123,848
Account receivables	21,419	23,754	30,877	26,201	23,983	26,218
Inventories	33,374	37,930	35,675	44,412	32,370	46,513
Prepayment	1,473	1,691	1,368	1,287	1,206	1,125
Other current assets	41,378	41,693	44,762	44,762	44,762	44,762
Non-current assets	**125,182**	**136,322**	**159,130**	**156,559**	**150,641**	**141,837**
PP&E	37,892	44,073	47,301	45,787	41,014	33,440
Investment in JVs & assos	5,341	5,175	4,915	4,957	5,000	5,043
Intangibles	22,760	23,071	22,205	21,105	19,919	18,645
Goodwill	24,019	24,858	24,561	24,561	24,561	24,561
Other non-current assets	35,171	39,145	60,148	60,148	60,148	60,148
Total assets	**293,666**	**334,247**	**343,879**	**359,210**	**358,198**	**384,303**
Current liabilities	**119,743**	**146,215**	**154,839**	**160,957**	**149,139**	**164,337**
Short-term borrowings	15,824	16,949	22,772	22,872	22,972	23,072
Account payables	45,560	60,127	58,033	64,051	52,132	67,231
Other current liabilities	58,358	69,139	74,034	74,034	74,034	74,034
Non-current liabilities	**69,813**	**75,346**	**67,081**	**67,081**	**67,081**	**67,081**
Long-term borrowings	28,839	26,745	15,633	15,633	15,633	15,633
Other non-current liabilities	40,973	48,601	51,448	51,448	51,448	51,448
Total liabilities	**189,555**	**221,561**	**221,921**	**228,039**	**216,220**	**231,419**
Total shareholders equity	**73,184**	**79,335**	**86,696**	**92,813**	**100,096**	**107,271**
Minority interest	30,926	33,351	35,262	38,358	41,882	45,614
Total equity and liabilities	**293,666**	**334,247**	**343,879**	**359,210**	**358,198**	**384,303**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**6,086**	**13,151**	**17,322**	**18,878**	**21,617**	**22,894**
Depreciation & amortization	11,065	11,909	12,668	13,513	15,360	16,747
Tax paid	(403)	(1,940)	(3,044)	(3,398)	(3,999)	(4,235)
Change in working capital	(20,324)	6,089	(6,811)	1,958	2,341	(1,279)
Others	1,227	(1,738)	5,959	1,406	1,409	1,412
Net cash from operations	**(2,350)**	**27,471**	**26,094**	**32,358**	**36,728**	**35,538**
Investing						
Capital expenditure	(5,242)	(4,633)	(2,824)	(10,900)	(9,400)	(7,900)
Acquisition of subsidiaries/ investments	(309)	(156)	(584)	0	0	0
Others	(2,995)	(947)	(25,503)	56	57	57
Net cash from investing	**(8,545)**	**(5,737)**	**(28,911)**	**(10,844)**	**(9,343)**	**(7,843)**
Financing						
Dividend paid	(3,930)	(4,175)	(7,769)	(6,267)	(6,811)	(7,752)
Net borrowings	12,842	(969)	(5,289)	100	100	100
Proceeds from share issues	1,676	92	0	0	0	0
Others	(5,736)	(7,977)	(780)	(1,424)	(1,428)	(1,431)
Net cash from financing	**4,852**	**(13,029)**	**(13,838)**	**(7,591)**	**(8,139)**	**(9,083)**
Net change in cash						
Cash at the beginning of the year	75,043	70,842	92,857	72,067	85,990	105,235
Exchange difference	1,841	13,310	(4,135)	0	0	0
Cash at the end of the year	**70,842**	**92,857**	**72,067**	**85,990**	**105,235**	**123,848**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(13.9%)	22.2%	0.8%	7.3%	4.1%	2.7%
Gross profit	(21.3%)	44.8%	7.2%	10.0%	6.4%	2.7%
Operating profit	(59.6%)	153.1%	29.8%	0.7%	12.3%	3.4%
EBITDA	(31.2%)	55.5%	18.9%	3.2%	12.8%	5.8%
Adj. net profit	(47.0%)	83.8%	26.5%	8.6%	13.8%	5.9%

PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	17.8%	21.1%	22.4%	23.0%	23.5%	23.5%
Operating margin	3.1%	6.5%	8.4%	7.8%	8.5%	8.5%
EBITDA margin	9.5%	12.1%	14.3%	13.7%	14.9%	15.3%
Adj. net profit margin	2.8%	4.2%	5.3%	5.3%	5.8%	6.0%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.4)	(0.6)	(0.4)	(0.5)	(0.7)	(0.8)
Current ratio (x)	1.4	1.4	1.2	1.3	1.4	1.5
Receivable turnover days	41.3	38.5	46.2	45.0	38.0	37.0
Inventory turnover days	82.3	77.1	80.3	82.0	76.0	76.0
Payable turnover days	107.9	114.2	128.9	125.0	115.0	115.0

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	31.2	16.8	13.4	12.3	10.8	10.2
P/B	2.1	1.9	1.8	1.6	1.5	1.4
Div yield (%)	1.4	3.0	4.1	4.5	5.1	5.4

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

Disclosures & Disclaimers

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