

Weichai Power (2338 HK/000338 CH)

AIDC power driven re-rating to continue; Earnings forecast and TP raised

The strong growth of power related engines (in particular AIDC backup power engine: +2.4x YoY) in 1Q26 proved that Weichai is on-track to ride on the AIDC growth. Meanwhile, **Caterpillar's (CAT US, NR)** better-than-expected results in 1Q26, followed by the upward revision of power generation equipment sales target in 2030 (from >2x to >3x, compared with 2024), suggested that AIDC's medium-term demand will remain robust with good visibility. We revise up Weichai's 2026E/27E/28E earnings forecasts by 2%/11%/15%, due to higher assumptions on AIDC engine volume and margin. We now expect the contribution of power related engine EBITDA (on attributable basis) to increase substantially from 17% in 2026E to 38% in 2028E. We revise up our SOTP-based TP for Weichai H/A to HK\$45.1/RMB40.2 (from HK\$30.5/RMB28.7), as we now value Weichai's power engine business separately with a 35x target EV/EBITDA for 2026E in order to reflect the re-rating of power business. Reiterate **BUY**. We see Weichai a key pick in the Capital Goods sector.

- **Strong growth of AIDC backup power engine in 1Q26.** Weichai's power related engine sales volume grew 21% YoY to 30k units in 1Q26. Large-bore engine sales volume also grew +21% YoY to 3k units but carried much higher ASP (our estimate: >RMB500k/unit). Of the large-bore engine sales, AIDC engine sales surged 2.4x YoY to ~500 units (ASP: >RMB2mn/unit).
- **Higher assumptions for power related engines.** For AIDC engine, we expect the full-year sales in 2026E to surge 1.7x YoY to 4kt. In particular, we expect the breakthrough in the US market to continue to gain traction.
- **Potential for further re-rating.** Caterpillar is trading at 36x 2026E P/E and 28x EV/EBITDA. For Weichai, we now assign 35x target EBITDA for the power business, which we believe is justified given Weichai's much higher growth potential as a challenger (we expect 45% power segment EBITDA CAGR between 2026-28E). For traditional business (i.e. engine for HDT & machinery + HDT + agricultural machinery), we assign 10x target EBITDA (peak cycle valuation) to reflect the continuous up-cycle for the HDT sector.

Earnings Summary - 2338 HK

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	215,691	231,809	251,331	267,680	283,746
YoY growth (%)	0.8	7.5	8.4	6.5	6.0
Adjusted net profit (RMB mn)	11,403.3	10,930.8	14,430.3	17,072.0	19,353.8
EPS (Reported) (RMB)	1.31	1.25	1.66	1.96	2.22
YoY growth (%)	25.4	(4.1)	32.0	18.3	13.4
Consensus EPS (RMB)	na	na	1.64	1.94	2.17
P/E (x)	25.8	26.9	20.4	17.2	15.2
P/B (x)	3.4	3.2	2.9	2.7	2.4
Yield (%)	2.1	0.0	2.7	3.2	3.6
Net gearing (%)	(38.8)	(37.1)	(42.9)	(58.6)	(76.0)

Source: Company data, Bloomberg, CMBIGM estimates

2338 HK	000338 CH
BUY	BUY
Maintain	Maintain

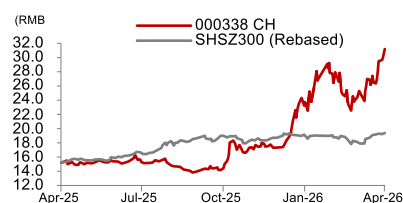
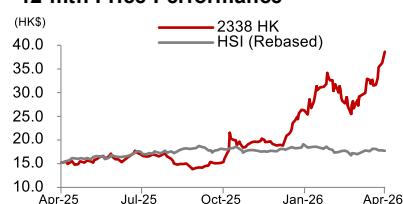
TP	HK\$45.10	RMB40.20
Prior TP	HK\$30.50	RMB28.70
Up/Downside	16.7%	28.8%
Current Price	HK\$38.6	RMB31.2

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12-mth Price Performance



Source: FactSet

Stock Performance

	2338 HK		000338 CH	
	Abs.	Rel.	Abs.	Rel.
1-mth	41.4%	36.0%	28.7%	30.8%
3-mth	45.2%	54.2%	31.4%	42.0%
6-mth	140.7%	142.0%	108.6%	132.3%

Source: FactSet

Stock Data

(LC)	2338 HK	000338 CH
Mkt Cap (mn)	74729.76	211348.8
Avg 3 mths t/o (mn)	680.04	3483.78
52w High	38.64	31.2
52w Low	13.8	13.77
Issued Shares (mn)	1934	6774

Source: FactSet

Related reports:

Weichai Power – 2025 earnings below expectations; structural transition story still intact – 27 Mar 2026 ([link](#))

Capital Goods - HDT sales +39% YoY in Jan on low base – 3 Feb 2026 ([link](#))

Capital Goods – Key themes in 2026; Focus on Mining equipment + Power for data centres + Replacement cycle – 1 Dec 2025 ([link](#))

Figure 1: Weichai 1Q26 results

(RMB mn)	1Q25	1Q26	Chg (YoY)	2Q24	2Q25	Chg (YoY)	3Q24	3Q25	Chg (YoY)	4Q24	4Q25	Chg (YoY)
Revenue	57,464	62,563	9%	56,110	55,688	-1%	49,464	57,419	16%	53,737	61,239	14%
Cost of sales	-44,691	-49,155	10%	-44,109	-43,364	-2%	-38,523	-45,145	17%	-40,758	-48,827	20%
Gross profit	12,773	13,408	5%	12,000	12,324	3%	10,941	12,274	12%	12,979	12,412	-4%
Other income	362	283	-22%	540	739	37%	617	260	-58%	888	562	-37%
Other gains and losses	-38	180	n/a	188	-83	n/a	139	147	5%	53	298	466%
S&D expenses	-3,237	-3,012	-7%	-2,856	-3,390	19%	-3,005	-3,300	10%	-3,353	-3,695	10%
Administrative expenses	-4,091	-2,875	-30%	-2,483	-2,690	8%	-2,444	-2,435	0%	-2,720	-2,785	2%
R&D expenses	-2,040	-2,010	-1%	-2,211	-2,096	-5%	-1,904	-2,040	7%	-2,094	-2,109	1%
Taxes and surcharges	-190	-238	25%	-144	-211	47%	-119	-155	30%	-215	-286	33%
Impairment loss of assets	-570	-479	-16%	-293	-535	82%	-121	253	n/a	-708	-328	-54%
EBIT	2,971	5,257	77%	4,742	4,058	-14%	4,104	5,004	22%	4,829	4,069	-16%
Other expenses	-32	-19	-40%	-141	-33	-76%	-72	-21	-71%	-166	-205	23%
Net finance cost	208	-364	n/a	75	261	248%	-357	124	n/a	157	-139	n/a
Share of profit of JV and associates	-17	4	n/a	63	-25	n/a	-32	89	n/a	-58	-97	67%
Pretax profit	3,129	4,878	56%	4,739	4,261	-10%	3,643	5,196	43%	4,762	3,628	-24%
Income tax	-308	-895	191%	-710	-519	-27%	-675	-907	34%	-827	-799	-3%
After tax profit	2,822	3,983	41%	4,029	3,742	-7%	2,968	4,288	44%	3,936	2,829	-28%
MI	-111	-897	708%	-725	-809	12%	-470	-1,054	124%	-934	-776	-17%
Net profit	2,711	3,086	14%	3,304	2,933	-11%	2,498	3,234	29%	3,002	2,053	-32%
Key ratios			Chg (ppt)			Chg (ppt)			Chg (ppt)			Chg (ppt)
Gross margin	22.2%	21.4%	-0.8	21.4%	22.1%	0.7	22.1%	21.4%	-0.7	24.2%	20.3%	-3.9
S&D expense ratio	5.6%	4.8%	-0.8	5.1%	6.1%	1.0	6.1%	5.7%	-0.3	6.2%	6.0%	-0.2
Administrative expense ratio	7.1%	4.6%	-2.5	4.4%	4.8%	0.4	4.9%	4.2%	-0.7	5.1%	4.5%	-0.5
R&D expense ratio	3.5%	3.2%	-0.3	3.9%	3.8%	-0.2	3.8%	3.6%	-0.3	3.9%	3.4%	-0.5
Effective tax rate	9.8%	18.3%	8.5	15.0%	12.2%	-2.8	18.5%	17.5%	-1.1	17.4%	22.0%	4.7

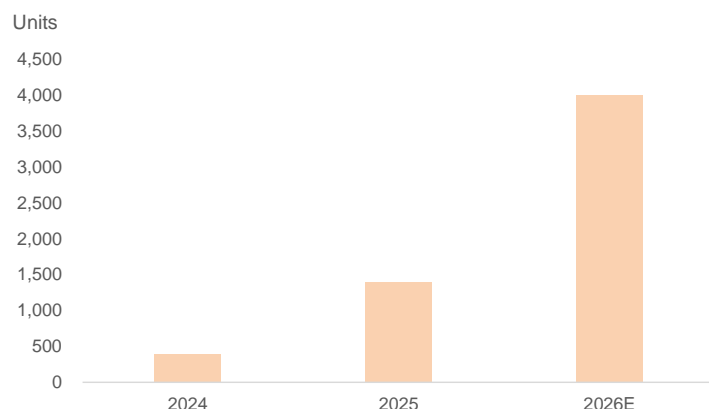
Source: Company data, CMBIGM estimates

Figure 2: Changes in key assumptions for Weichai

(RMB mn)	2026E			2027E			2028E		
	Old	New	Change	Old	New	Change	Old	New	Change
Revenue									
HDT and machinery engine	-	59,917	-	-	63,606	-	-	67,545	-
Power related engine	-	17,223	-	-	24,580	-	-	31,274	-
Large bore engine	-	9,736	-	-	15,596	-	-	20,943	-
AIDC	-	8,008	-	-	13,453	-	-	18,322	-
Non-AIDC	-	1,728	-	-	2,143	-	-	2,621	-
Non-large bore power related engines	-	7,487	-	-	8,984	-	-	10,330	-
Diesel engines	74,330	77,140	3.8%	79,328	88,186	11.2%	85,476	98,819	15.6%
Automobiles and major components	73,134	73,134	0.0%	75,540	75,540	0.0%	77,918	77,918	0.0%
Forklift trucks & supply chain solution	95,688	95,688	0.0%	98,558	98,558	0.0%	101,515	101,515	0.0%
Agricultural machinery	20,127	20,127	0.0%	21,133	21,133	0.0%	22,190	22,190	0.0%
Intersegment sales	-14,589	-14,758	1.2%	-15,206	-15,737	3.5%	-15,895	-16,695	5.0%
Total revenue	248,689	251,331	1.1%	259,355	267,680	3.2%	271,204	283,746	4.6%
Segment profit									
Diesel engines	13,008	13,499	3.8%	14,279	16,755	17.3%	15,557	19,270	23.9%
Automobiles and major components	1,097	1,097	0.0%	1,133	1,133	0.0%	1,169	1,169	0.0%
Forklift trucks & supply chain solution	5,741	5,741	0.0%	5,914	5,914	0.0%	6,091	6,091	0.0%
Agricultural machinery	865	865	0.0%	909	909	0.0%	954	954	0.0%
Intersegment sales	-700	-708	1.2%	-730	-755	3.5%	-763	-801	5.0%
Total segment profit	20,011	20,495	2.4%	21,505	23,955	11.4%	23,007	26,682	16.0%
Segment margin			Chg (ppt)			Chg (ppt)			Chg (ppt)
Diesel engines	17.5%	17.5%	0.0	18.0%	19.0%	1.0	18.2%	19.5%	1.3
Automobiles and major components	1.5%	1.5%	0.0	1.5%	1.5%	0.0	1.5%	1.5%	0.0
Forklift trucks & supply chain solution	6.0%	6.0%	0.0	6.0%	6.0%	0.0	6.0%	6.0%	0.0
Agricultural machinery	4.3%	4.3%	0.0	4.3%	4.3%	0.0	4.3%	4.3%	0.0
Average	8.0%	8.2%	0.1	8.3%	8.9%	0.7	8.5%	9.4%	0.9
Net profit	14,109	14,430	2.3%	15,448	17,072	10.5%	16,890	19,354	14.6%

Source: Company data, CMBIGM estimates

Figure 3: Weichai's backup power engine sales and capacity for data centres



Source: Company data, CMBIGM estimates

Figure 4: KION's guidance for 2026E

(EUR mn)	2024	2025	2026E guidance	
			Low-end	High-end
Order intake	10,321	11,705	-	-
Growth (YoY)	-5%	13%	-	-
Revenue	11,503	11,297	11,400	12,300
Growth (YoY)	1%	-2%	1%	9%
Adjusted EBIT	917	789	850	1,040
Growth (YoY)	16%	-14%	8%	32%
Adjusted EBIT margin	8.0%	7.0%	7.5%	8.5%
Net income	370	240	-	-
Growth (YoY)	18%	-35%	-	-

Source: Company data, CMBIGM

Figure 5: KION's quarterly financials

(EUR mn)	1Q25	2Q25	3Q25	4Q25	1Q26
Order intake	2,706	3,500	2,676	2,823	2,985
Growth (YoY)	11%	33%	10%	0%	10%
Revenue	2,788	2,708	2,704	3,097	2,771
Growth (YoY)	-2%	-6%	0%	1%	-1%
Adjusted EBIT	196	189	190	213	205
Growth (YoY)	-14%	-14%	-14%	-15%	5%
Adjusted EBIT margin	7.0%	7.0%	7.0%	6.9%	7.4%
Net income	-47	95	119	73	92
Growth (YoY)	n/a	34%	61%	-36%	n/a

Source: Company data, CMBIGM

Figure 6: SOTP valuation

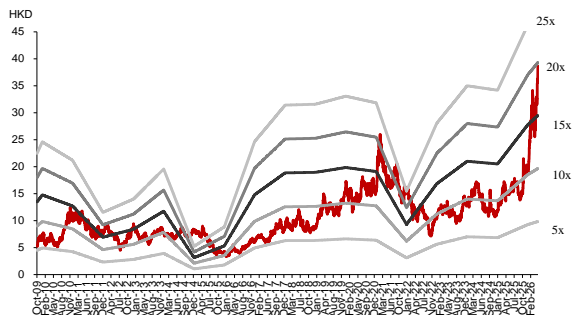
SOTP valuation	Valuation methodology	Target multiple (x)	EBITDA 2026E (RMB mn)	Estimated EV (RMB mn)	Net cash / (Net debt)	Equity value	Equity value breakdown
						(RMB mn)	(RMB mn)
Weichai traditional business	EV/EBITDA	10.0	15,479	154,785	39,264	194,049	55.3%
Weichai power engines	EV/EBITDA	35.0	4,133	144,669	-	144,669	41.2%
KION Group	Proportionate market value	-	-	-	-	22,027	6.3%
Ballard Power Systems	Proportionate market value	-	-	-	-	1,461	0.4%
Ceres Power	Proportionate market value	-	-	-	-	2,246	0.6%
Share of JV/associates	P/B	2.8	-	-	-	15,218	4.3%
Minority interest in core business						-28,470	-8.1%
Total NAV						351,201	100.0%
NAV per share (RMB)						40.2	
H discount to A						0%	
NAV per share (HK\$)						45.1	

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.

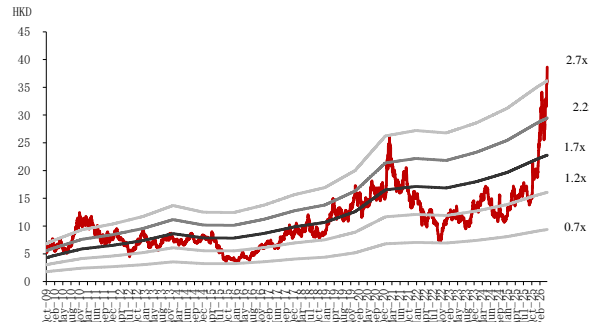
Note 2: Share of JV/associates excludes Ballard Power and Ceres Power

Figure 7: Weichai Power-H P/E band



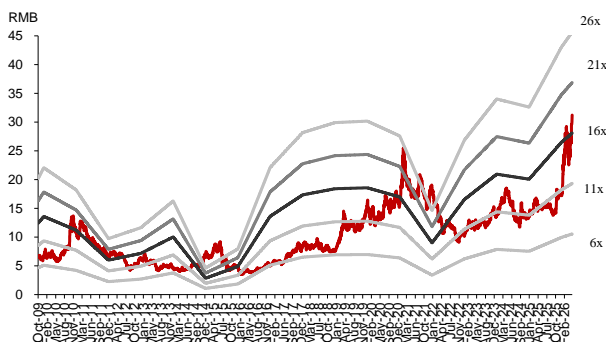
Source: Bloomberg, company data, CMBIGM estimates

Figure 8: Weichai Power-H P/B band



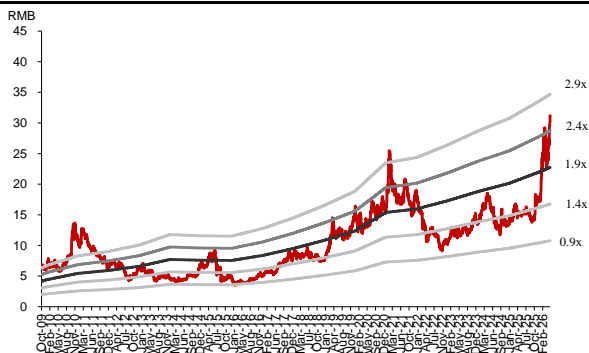
Source: Bloomberg, company data, CMBIGM estimates

Figure 9: Weichai Power-A P/E band



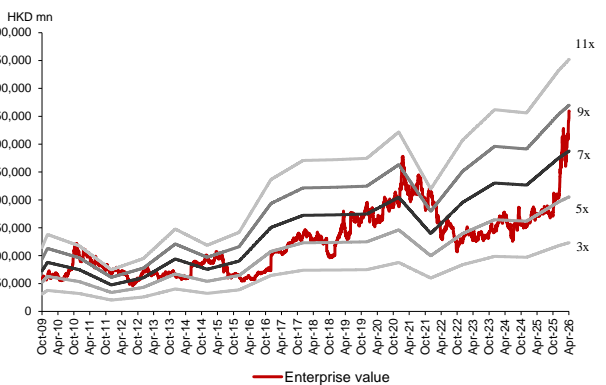
Source: Bloomberg, company data, CMBIGM estimates

Figure 10: Weichai Power-A P/B band



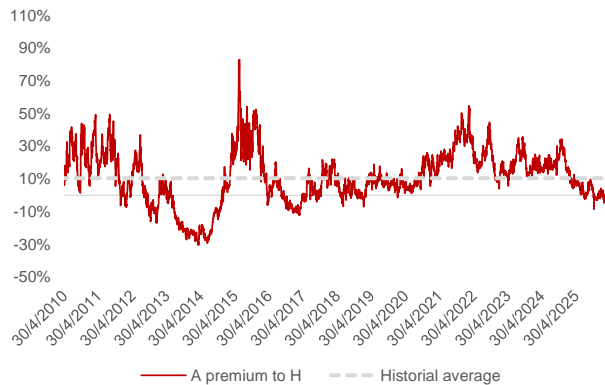
Source: Bloomberg, company data, CMBIGM estimates

Figure 11: Weichai Power EV/EBITDA band



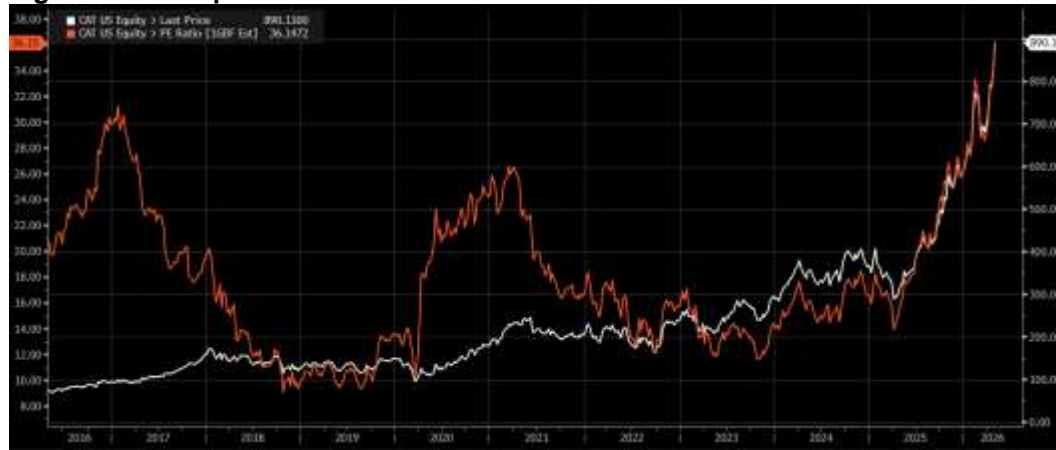
Source: Bloomberg, company data, CMBIGM estimates

Figure 12: Weichai Power-A premium to H



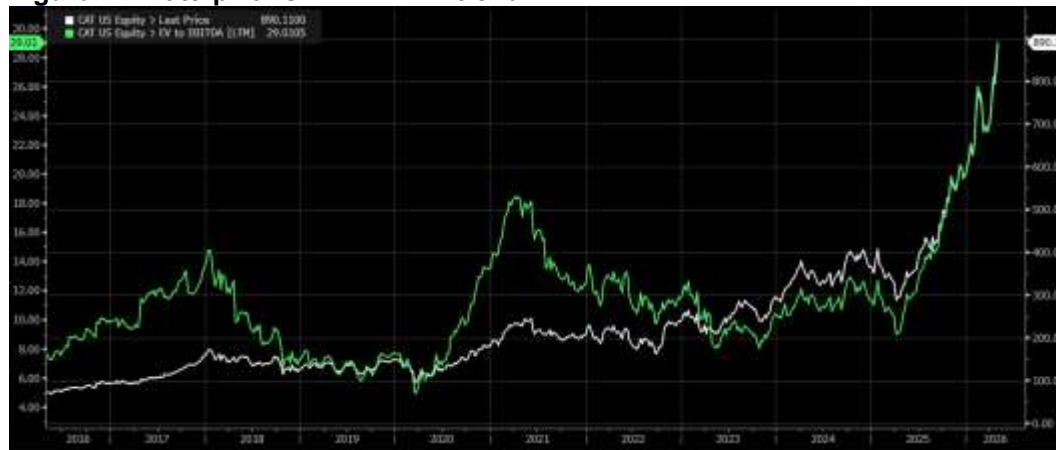
Source: Bloomberg, company data, CMBIGM estimates

Figure 13: Caterpillar's forward PE trend



Source: Bloomberg, CMBIGM
Note: Data as of 30 Apr 2026.

Figure 14: Caterpillar's EV/EBITDA trend



Source: Bloomberg, CMBIGM
Note: Data as of 30 Apr 2026.

Key risks: 1) unexpected slowdown in diesel and gas engine demand due to high oil and gas prices; 2) increase in raw material costs; 3) lower-than-expected AIDC backup power engine sales.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	213,958	215,691	231,809	251,331	267,680	283,746
Cost of goods sold	(168,842)	(167,305)	(182,027)	(196,038)	(207,452)	(218,485)
Gross profit	45,116	48,386	49,782	55,293	60,228	65,262
Operating expenses	(31,238)	(30,368)	(33,681)	(34,207)	(35,583)	(37,891)
Operating profit	13,878	18,018	16,101	21,086	24,645	27,371
Share of (losses)/profits of associates/JV	(13)	(45)	(51)	109	110	111
EBITDA	25,867	30,744	29,699	35,057	40,003	42,816
Depreciation	11,989	12,726	13,598	13,971	15,358	15,445
Interest income	2,818	3,781	3,561	2,343	2,829	3,600
Interest expense	(3,378)	(4,011)	(3,107)	(1,289)	(1,292)	(1,296)
Net interest income/(expense)	(560)	(231)	454	1,054	1,537	2,304
Other income/expense	(154)	(421)	(291)	(251)	(268)	(284)
Pre-tax profit	13,151	17,322	16,214	21,997	26,024	29,503
Income tax	(1,940)	(3,044)	(2,534)	(3,960)	(4,684)	(5,311)
Minority interest	(2,198)	(2,874)	(2,750)	(3,608)	(4,268)	(4,838)
Adjusted net profit	9,014	11,403	10,931	14,430	17,072	19,354

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	197,925	184,750	186,524	190,217	230,786	240,321
Cash & equivalents	92,857	72,067	68,713	77,699	99,112	125,892
Account receivables	23,754	30,877	34,355	17,977	43,626	15,455
Inventories	37,930	35,675	35,236	46,402	39,989	50,996
Prepayment	1,691	1,368	1,412	1,331	1,250	1,169
Other current assets	41,693	44,762	46,808	46,808	46,808	46,808
Non-current assets	136,322	159,130	180,952	176,508	169,179	161,762
PP&E	44,073	47,301	53,667	50,447	44,428	38,408
Investment in JVs & assos	5,175	4,915	5,435	5,482	5,529	5,577
Intangibles	23,071	22,205	22,063	20,793	19,436	17,991
Goodwill	24,858	24,561	25,269	25,269	25,269	25,269
Other non-current assets	39,145	60,148	74,517	74,517	74,517	74,517
Total assets	334,247	343,879	367,475	366,726	399,964	402,084
Current liabilities	146,215	154,839	161,534	149,091	168,927	156,243
Short-term borrowings	16,949	22,772	15,915	16,015	16,115	16,215
Account payables	60,127	58,033	68,037	55,494	75,229	62,446
Other current liabilities	69,139	74,034	77,583	77,583	77,583	77,583
Non-current liabilities	75,346	67,081	74,879	74,879	74,879	74,879
Long-term borrowings	26,745	15,633	18,248	18,248	18,248	18,248
Other non-current liabilities	48,601	51,448	56,632	56,632	56,632	56,632
Total liabilities	221,561	221,921	236,413	223,971	243,806	231,123
Total shareholders equity	79,335	86,696	93,190	101,275	110,411	120,375
Minority interest	33,351	35,262	37,872	41,479	45,747	50,586
Total equity and liabilities	334,247	343,879	367,475	366,726	399,964	402,084

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	13,151	17,322	16,214	21,997	26,024	29,503
Depreciation & amortization	11,909	12,668	13,438	13,890	15,277	15,364
Tax paid	(1,940)	(3,044)	(2,534)	(3,960)	(4,684)	(5,311)
Change in working capital	6,089	(6,811)	6,764	(7,331)	499	4,381
Others	(1,738)	5,959	(5,201)	1,260	1,263	1,266
Net cash from operations	27,471	26,094	28,682	25,858	38,379	45,202
Investing						
Capital expenditure	(4,633)	(6,600)	(6,670)	(9,400)	(7,900)	(7,900)
Acquisition of subsidiaries/ investments	(156)	(584)	(855)	0	0	0
Others	(947)	(21,727)	(9,103)	62	63	63
Net cash from investing	(5,737)	(28,911)	(16,628)	(9,338)	(7,837)	(7,837)
Financing						
Dividend paid	(4,175)	(7,769)	(9,373)	(6,345)	(7,937)	(9,390)
Net borrowings	(969)	(5,289)	(4,244)	100	100	100
Proceeds from share issues	92	0	0	0	0	0
Others	(7,977)	(780)	(4,704)	(1,289)	(1,292)	(1,296)
Net cash from financing	(13,029)	(13,838)	(18,320)	(7,534)	(9,129)	(10,585)
Net change in cash						
Cash at the beginning of the year	70,842	92,857	72,067	68,713	77,699	99,112
Exchange difference	13,310	(4,135)	2,913	0	0	0
Cash at the end of the year	92,857	72,067	68,713	77,699	99,112	125,892
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	22.2%	0.8%	7.5%	8.4%	6.5%	6.0%
Gross profit	44.8%	7.2%	2.9%	11.1%	8.9%	8.4%
Operating profit	153.1%	29.8%	(10.6%)	31.0%	16.9%	11.1%
EBITDA	55.5%	18.9%	(3.4%)	18.0%	14.1%	7.0%
Adj. net profit	83.8%	26.5%	(4.1%)	32.0%	18.3%	13.4%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	21.1%	22.4%	21.5%	22.0%	22.5%	23.0%
Operating margin	6.5%	8.4%	6.9%	8.4%	9.2%	9.6%
EBITDA margin	12.1%	14.3%	12.8%	13.9%	14.9%	15.1%
Adj. net profit margin	4.2%	5.3%	4.7%	5.7%	6.4%	6.8%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.6)	(0.4)	(0.4)	(0.4)	(0.6)	(0.8)
Current ratio (x)	1.4	1.2	1.2	1.3	1.4	1.5
Receivable turnover days	38.5	46.2	51.4	38.0	42.0	38.0
Inventory turnover days	77.1	80.3	71.1	76.0	76.0	76.0
Payable turnover days	114.2	128.9	126.4	115.0	115.0	115.0
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	32.3	25.8	26.9	20.4	17.2	15.2
P/B	3.7	3.4	3.2	2.9	2.7	2.4
Div yield (%)	1.6	2.1	0.0	2.7	3.2	3.6

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

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