

# Capital Goods

## Major global players' forecast about tariff impact

We have summarized the selected global machinery manufacturers' estimates about the impact of US tariffs. Most players expect the impact will materialize starting from 3Q should the tariffs be in place. Based on the numbers provided, Komatsu (6301 JP, NR) seems to be taking a relatively large hit among the major names. However, it's worth noting that the guidance is based on various scenarios made by different companies.

- **Caterpillar (CAT US, NR) – medium impact.** Assuming the tariff rate (as of Apr 29) to be in place throughout the year, revenue in 2025E is expected to drop slightly YoY (versus the case of being flat YoY if there is no tariff hike). The additional cost headwind in 2Q25E is expected to be US\$250-350mn. We calculate that it will be equivalent to 10-14% of operating profit in 1Q25.
- **Komatsu (6301 JP, NR) – high impact.** Based on the tariff announced on Apr 24, Komatsu expects the impact on FY25E will be ~JPY78.5bn (half-year impact). The impact is reflected in the FY25E full-year net profit guidance of JPY309bn (-30% YoY).
- **Cummins (CMI US, NR) – guidance withdrawn.** The impact of tariffs on materials cost will build over the next few months and will be fully felt in 2H25E. Cummins will pass on additional tariff cost to customers when the tariff cannot be mitigated. Cummins withdrew the 2025 outlook guidance given the highly uncertain macro trend as a result of tariffs, but mentioned that it will restore guidance when there is more stability.
- **Oshkosh Corp (OSK US, NR) – medium impact.** In 1Q25 post-results call, Oshkosh provided full-year EPS guidance of US\$11. Oshkosh forecasts the impact of tariffs (mainly on AWP segment) could reduce the EPS guidance by US\$1, while mitigation effects could help offset the impact by US\$0.5. Oshkosh expects some increases in ASP due to tariffs but aims to minimize the impact on customers.
- **Terex (TEX US, NR) – medium impact.** On average, 75% of Terex products are made and sold in the US (100% for environmental solutions; 70% for AWP; 40% for materials processing). In the 1Q25 post-results call, Terex provided full-year EPS guidance of US\$4.7-5.1, which incorporated US\$0.4 tariff impact, assuming a tariff rate of 50% to be imposed on China. The impact will be mostly in 3Q25E. Terex revealed that it is trying to absorb as much tariff impact as it can to avoid affecting the customers.
- **XCMG (000425 CH, NR) – insignificant impact.** XCMG expects ~RMB780-820mn of revenue subject to tariff impact (~RMB600mn exports to the US and RMB180-220mn sales from Mexico to the US), but this will represent <1% of XCMG's total revenue. XCMG will mitigate the tariff impact by leveraging the production capacities located in low-tariff regions.
- **SANY Heavy (600031 CH, BUY, TP: RMB22) – low impact.** Revenue in the US accounted for 5% of total revenue in 2024. The products sold to the US were exported from China, India and Indonesia. Given the limited sales in the US, the overall impact is not significant in our view.

**OUTPERFORM**  
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### China Capital Goods Sector

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- **Zhejiang Dingli (603338 CH, HOLD, TP: RMB44) – high impact.** The US formed the largest source of the company's revenue in 2024 (30% of the total). Dingli's current inventory of AWP's in the US (not subject to Trump's newly proposed tariff) is enough to cover sales until Sep 2025. Going forward, Dingli will likely pass through part of the tariff by raising ASP, but we believe it is subject to the pricing strategy of Oshkosh and Terex. Besides, in the case of a high level of tariffs for a prolonged period, Dingli will expand the production capacity in the US.
- **Zoomlion (1157 HK, BUY, TP: HK\$7.40 / 000157 CH, BUY, TP: RMB9.90) – insignificant impact.** US accounted for <1% of total revenue. Zoomlion has a production base in Mexico, mainly for AWP's.

**Investment ideas:** For stocks under our coverage, we continue to prefer **SANY Heavy (600031 CH, BUY, excavator upcycle + overseas sales growth)**, **Jiangsu Hengli (601100 CH, BUY, humanoid component growth potential)** and **Zoomlion-H (1157 HK, BUY, overseas expansion + potential share buyback)**.

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