Weichai Power (2338 HK/000338 CH)

High visibility of AIDC gensets; SOFC to offer upside potential

	2338 HK	000338 CH
	BUY	BUY
	Maintain	Maintain
TP	HK$44.70	RMB38.90
Prior TP	HK$45.10	RMB40.20
Up/Downside	36.4%	40.7%
Current Price	HK$32.8	RMB27.6

China Capital Goods

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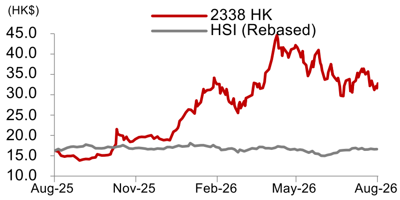
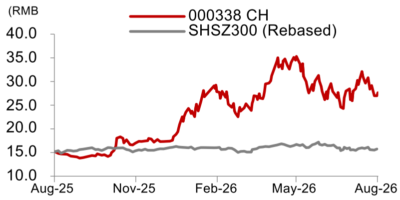
12-mth Price Performance





Source: FactSet

Stock Performance

	2338 HK		000338 CH	
	Abs.	Rel.	Abs.	Rel.
1-mth	6.0%	4.8%	5.5%	5.0%
3-mth	-22.3%	-24.0%	-21.7%	-17.1%
6-mth	0.4%	4.5%	-0.8%	2.6%

Source: FactSet

Stock Data

(LC)	2338 HK	000338 CH
Mkt Cap (mn)	63357.84	187233.36
Avg 3 mths t/o (mn)	635.12	3151.57
52w High	44.66	35.34
52w Low	13.8	13.77
Issued Shares (mn)	1934	6774

Source: FactSet

We are staying positive on Weichai after the post-results call, given (1) the high visibility of AIDC gas gensets sales (2k units in 2027E) as contracts have been signed with US hyperscalers; (2) AIDC diesel gensets sales are on track to reach 4k/6k units in 2027E/28E; (3) the unchanged capacity targets for SOFC (30MW/200MW by end-2027E/28E), even though time is needed for production ramp-up. On the other hand, we see manageable risks regarding the US executive order on foreign power equipment for bulk-power system, as Weichai's gensets are mainly for off-grid applications. We revise up our 2026E-28E earnings forecasts by 2-7%, after incorporating AIDC gas gensets sales. We slightly fine-tune our SOTP-based TP to HK$44.7/RMB38.9 for Weichai H/A, due largely to adjustments in MI and FX. Weichai remains a key pick in the Capital Goods sector. Maintain **BUY.**

- **Meaningful contribution from AIDC gas gensets in 2027E.** We expect Weichai's AIDC gas gensets to start delivery in Sep/Oct this year, with sales volume of 200-300 units in 2026E. We expect Weichai to deliver 2k units in 2027E, with a focus in the US. We understand that Weichai targets to boost the production capacity to 9k units by 2027E, which suggests strong potential sales growth in 2028E. We forecast AIDC gas gensets to contribute RMB0.8bn/8bn/16bn in 2026E/27E/28E.
- **On-track SOFC capacity construction.** Weichai maintains the capacity target of 30MW/200MW by end-2027E/28E. The company has already signed certain agreements with customers in Europe and Asia. Small batch delivery will likely start in early 2027E but actual volume is subject to production progress. Weichai believes that the US is a large potential market, but pricing (due to tariff and the lack of subsidies) will be a challenging factor.
- **Key risks:** 1) lower-than-expected AIDC capex; 2) unexpected slowdown in HDT engine demand; 3) increase in raw material costs.

Earnings Summary - 2338 HK

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	215,691	231,809	253,844	276,314	299,971
YoY growth (%)	0.8	7.5	9.5	8.9	8.6
Adjusted net profit (RMB mn)	11,403.3	10,930.8	14,849.5	17,408.9	20,636.5
EPS (Reported) (RMB)	1.31	1.25	1.70	2.00	2.37
YoY growth (%)	25.4	(4.1)	35.8	17.2	18.5
Consensus EPS (RMB)	na	na	1.65	2.03	2.43
P/E (x)	21.5	22.4	16.5	14.1	11.9
P/B (x)	2.8	2.6	2.4	2.2	2.0
Yield (%)	2.6	0.0	3.5	4.1	4.9
Net gearing (%)	(38.8)	(37.1)	(43.9)	(57.2)	(73.5)

Source: Company data, Bloomberg, CMBIGM estimates

Related reports:

Weichai Power – Net profit in 2Q26 +57% YoY helped by other income and expense control; Rising AIDC power contribution – 28 Aug 2026 (link)

Weichai Power – Positive on SOFC after our London visit to Ceres Power – 13 Jul 2026 (link)

Ceres Power – Key takeaways from London visit – 13 Jul 2026 (link)

Figure 1: Change in key assumptions for Weichai

	2026E			2027E			2028E		
	Old	**New**	Change	Old	**New**	Change	Old	**New**	Change
(RMB mn)									
Revenue									
HDT and machinery engine	59,917	**59,917**	0.0%	63,606	**63,606**	0.0%	67,545	**67,545**	0.0%
Power related engine	17,223	**18,027**	4.7%	24,580	**32,620**	32.7%	31,274	**47,354**	51.4%
Large bore engine	9,736	**10,540**	8.3%	15,596	**23,636**	51.6%	20,943	**37,023**	76.8%
AIDC (diesel gen set)	8,008	**8,008**	0.0%	13,453	**13,453**	0.0%	18,322	**18,322**	0.0%
AIDC (gas gen set)	-	**804**	-	-	**8,040**	-	-	**16,080**	-
Non-AIDC	1,728	**1,728**	0.0%	2,143	**2,143**	0.0%	2,621	**2,621**	0.0%
Non-large bore power related engines	7,487	**7,487**	0.0%	8,984	**8,984**	0.0%	10,330	**10,330**	0.0%
Diesel engines	77,140	**77,944**	1.0%	88,186	**96,226**	9.1%	98,819	**114,899**	16.3%
Automobiles and major components	73,134	**73,688**	0.8%	75,540	**76,685**	1.5%	77,918	**79,098**	1.5%
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	-14,758	**-13,603**	-7.8%	-15,737	**-16,288**	3.5%	-16,695	**-17,731**	6.2%
Total revenue	251,331	**253,844**	1.0%	267,680	**276,314**	3.2%	283,746	**299,971**	5.7%
Segment profit									
Diesel engines	13,499	**11,769**	-12.8%	16,755	**16,840**	0.5%	19,270	**21,256**	10.3%
Automobiles and major components	1,097	**2,284**	108.2%	1,133	**2,301**	103.0%	1,169	**2,215**	89.5%
Forklift trucks & supply chain solution	5,741	**6,028**	5.0%	5,914	**6,111**	3.3%	6,091	**6,294**	3.3%
Agricultural machinery	865	**966**	11.6%	909	**1,014**	11.6%	954	**1,065**	11.6%
Intersegment sales	-708	**-1,292**	82.4%	-755	**-1,303**	72.5%	-801	**-1,507**	88.1%
Total segment profit	20,495	**19,756**	-3.6%	23,955	**24,962**	4.2%	26,682	**29,323**	9.9%
Segment margin			*Chg (ppt)*			*Chg (ppt)*			*Chg (ppt)*
Diesel engines	*17.5%*	***15.1%***	*-2.4*	*19.0%*	***17.5%***	*-1.5*	*19.5%*	***18.5%***	*-1.0*
Automobiles and major components	*1.5%*	***3.1%***	*1.6*	*1.5%*	***3.0%***	*1.5*	*1.5%*	***2.8%***	*1.3*
Forklift trucks & supply chain solution	*6.0%*	***6.3%***	*0.3*	*6.0%*	***6.2%***	*0.2*	*6.0%*	***6.2%***	*0.2*
Agricultural machinery	*4.3%*	***4.8%***	*0.5*	*4.3%*	***4.8%***	*0.5*	*4.3%*	***4.8%***	*0.5*
Average	*8.2%*	***7.8%***	*-0.4*	*8.9%*	***9.0%***	*0.1*	*9.4%*	***9.8%***	*0.4*
Net profit	14,430	**14,849**	2.9%	17,072	**17,409**	2.0%	19,354	**20,636**	6.6%

Source: Company data, CMBIGM estimates

Figure 2: 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**	**11,525**	**12,025**
Growth (YoY)	*1%*	*-2%*	*2%*	*6%*
Adjusted EBIT	**917**	**789**	**880**	**980**
Growth (YoY)	*16%*	*-14%*	*12%*	*24%*
Adjusted EBIT margin	*8.0%*	*7.0%*	*7.6%*	*8.1%*
Net income	**370**	**240**	-	-
Growth (YoY)	*18%*	*-35%*	-	-

Source: Company data, CMBIGM

Figure 3: KION's quarterly financials

(EUR mn)	2Q25	3Q25	4Q25	1Q26	2Q26
Order intake	**3,500**	**2,676**	**2,823**	**2,985**	**2,809**
Growth (YoY)	*33%*	*10%*	*0%*	*10%*	*-20%*
Revenue	**2,708**	**2,704**	**3,097**	**2,771**	**2,916**
Growth (YoY)	*-6%*	*0%*	*1%*	*-1%*	*8%*
Adjusted EBIT	**189**	**190**	**213**	**205**	**224**
Growth (YoY)	*-14%*	*-14%*	*-15%*	*5%*	*19%*
Adjusted EBIT margin	*7.0%*	*7.0%*	*6.9%*	*7.4%*	*7.7%*
Net income	**95**	**119**	**73**	**92**	**115**
Growth (YoY)	*34%*	*61%*	*-36%*	*n/a*	*22%*

Source: Company data, CMBIGM

Figure 4: 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 traditional business	EV/EBITDA	10.0	14,844	148,435	39,100	187,535	55.2%
Weichai power engines	EV/EBITDA	35.0	4,326	151,423	-	151,423	44.6%
KION Group	Proportionate market value	-	-	-	-	21,408	6.3%
Ballard Power Systems	Proportionate market value	-	-	-	-	905	0.3%
Ceres Power	Proportionate market value	-	-	-	-	1,627	0.5%
Share of JV/associates	P/B	2.8	-	-	-	15,482	4.6%
Minority interest in core business						-38,843	-11.4%
Total NAV						**339,538**	100.0%
NAV per share (RMB)						**38.9**	
H discount to A						0%	
NAV per share (HK$)						**44.7**	

Source: Company data, CMBIGM estimates

Note 1: Weichai owns 46.5% interest in KION, 20% interest in Ballard Power and ~17.8% interest in Ceres Power.

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

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**213,958**	**215,691**	**231,809**	**253,844**	**276,314**	**299,971**
Cost of goods sold	(168,842)	(167,305)	(182,027)	(199,267)	(215,525)	(232,478)
Gross profit	**45,116**	**48,386**	**49,782**	**54,576**	**60,789**	**67,494**
Operating expenses	**(31,238)**	**(30,368)**	**(33,681)**	**(32,840)**	**(35,050)**	**(37,398)**
Operating profit	**13,878**	**18,018**	**16,101**	**21,737**	**25,739**	**30,096**
Share of (losses)/profits of associates/JV	(13)	(45)	(51)	219	223	227
EBITDA	**25,867**	**30,744**	**29,699**	**35,708**	**41,697**	**46,141**
Depreciation	11,989	12,726	13,598	13,971	15,958	16,045
Interest income	2,818	3,781	3,561	2,953	2,825	3,537
Interest expense	(3,378)	(4,011)	(3,107)	(1,289)	(1,292)	(1,296)
Net Interest income/(expense)	**(560)**	**(231)**	**454**	**1,664**	**1,533**	**2,242**
Other income/expense	(154)	(421)	(291)	(254)	(276)	(300)
Pre-tax profit	**13,151**	**17,322**	**16,214**	**23,367**	**27,218**	**32,265**
Income tax	(1,940)	(3,044)	(2,534)	(4,206)	(4,899)	(5,808)
Minority interest	(2,198)	(2,874)	(2,750)	(4,311)	(4,910)	(5,821)
Adjusted net profit	**9,014**	**11,403**	**10,931**	**14,849**	**17,409**	**20,636**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**197,925**	**184,750**	**186,524**	**193,328**	**232,767**	**243,624**
Cash & equivalents	92,857	72,067	68,713	78,941	97,613	123,470
Account receivables	23,754	30,877	34,355	18,500	45,090	17,370
Inventories	37,930	35,675	35,236	47,747	42,006	54,807
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**	**176,556**	**171,675**	**167,208**
PP&E	44,073	47,301	53,667	50,447	46,828	43,708
Investment in JVs & assos	5,175	4,915	5,435	5,529	5,625	5,723
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**	**369,883**	**404,442**	**410,832**
Current liabilities	**146,215**	**154,839**	**161,534**	**151,126**	**171,978**	**162,009**
Short-term borrowings	16,949	22,772	15,915	16,015	16,115	16,215
Account payables	60,127	58,033	68,037	57,529	78,281	68,212
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**	**226,006**	**246,858**	**236,888**
Total shareholders equity	**79,335**	**86,696**	**93,190**	**101,695**	**110,491**	**121,030**
Minority interest	33,351	35,262	37,872	42,183	47,093	52,914
Total equity and liabilities	**334,247**	**343,879**	**367,475**	**369,883**	**404,442**	**410,832**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**13,151**	**17,322**	**16,214**	**23,367**	**27,218**	**32,265**
Depreciation & amortization	11,909	12,668	13,438	13,890	15,877	15,964
Tax paid	(1,940)	(3,044)	(2,534)	(4,206)	(4,899)	(5,808)
Change in working capital	6,089	(6,811)	6,764	(7,164)	(97)	4,850
Others	(1,738)	5,959	(5,201)	1,150	1,150	1,150
Net cash from operations	**27,471**	**26,094**	**28,682**	**27,037**	**39,249**	**48,421**
Investing						
Capital expenditure	(4,633)	(6,600)	(6,670)	(9,400)	(10,900)	(11,400)
Acquisition of subsidiaries/ investments	(156)	(584)	(855)	0	0	0
Others	(947)	(21,727)	(9,103)	125	127	129
Net cash from investing	**(5,737)**	**(28,911)**	**(16,628)**	**(9,275)**	**(10,773)**	**(11,271)**
Financing						
Dividend paid	(4,175)	(7,769)	(9,373)	(6,345)	(8,613)	(10,097)
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)**	**(9,805)**	**(11,293)**
Net change in cash						
Cash at the beginning of the year	70,842	92,857	72,067	68,713	78,941	97,613
Exchange difference	13,310	(4,135)	2,913	0	0	0
Cash at the end of the year	**92,857**	**72,067**	**68,713**	**78,941**	**97,613**	**123,470**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	22.2%	0.8%	7.5%	9.5%	8.9%	8.6%
Gross profit	44.8%	7.2%	2.9%	9.6%	11.4%	11.0%
Operating profit	153.1%	29.8%	(10.6%)	35.0%	18.4%	16.9%
EBITDA	55.5%	18.9%	(3.4%)	20.2%	16.8%	10.7%
Adj. net profit	83.8%	26.5%	(4.1%)	35.8%	17.2%	18.5%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	21.1%	22.4%	21.5%	21.5%	22.0%	22.5%
Operating margin	6.5%	8.4%	6.9%	8.6%	9.3%	10.0%
EBITDA margin	12.1%	14.3%	12.8%	14.1%	15.1%	15.4%
Adj. net profit margin	4.2%	5.3%	4.7%	5.8%	6.3%	6.9%

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)	(0.7)
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	26.9	21.5	22.4	16.5	14.1	11.9
P/B	3.1	2.8	2.6	2.4	2.2	2.0
Div yield (%)	1.9	2.6	0.0	3.5	4.1	4.9

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

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