28 Jul 2026

CMB International Global Markets | Equity Research | Sector Update

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Capital Goods

Machinery: 2Q26 earnings preview

OUTPERFORM (Maintain)

We forecast SANY Heavy / Zoomlion to deliver net profit growth (excluding FX change) of 40% YoY / 30% YoY in 2Q26, driven by strong machinery sales in general. For SANY International (SANYI), we expect a moderate net profit decline (-10% YoY) in 2Q26, with the rate of decline improving from 1Q26's -20%. Meanwhile, given that RMB continued to appreciate against the major currencies in 2Q26 (+6% YoY vs USD; +4% YoY vs EUR), we expect FX loss to be recognized for most of the construction machinery companies, with the actual loss subject to their regional sales breakdown and hedging strategies.

- **SANY Heavy (6031 HK / 600031 CH, BUY)**. We forecast total revenue to grow ~20% YoY in 2Q26, driven by strong sales across all major segments. We forecast SANY Heavy's net profit (excluding FX change) to surge ~40% YoY to RMB3.8bn.

- **Zoomlion (1157 HK / 000157 CH, BUY)**. We forecast total revenue to grow ~10% YoY (overseas: +15% YoY; China: <10% YoY). We forecast net profit (excluding FX change) to grow ~30% YoY to RMB1.8bn in 2Q26. That said, including FX loss arising from the appreciation of RMB, we expect the net profit could remain largely stable YoY in 2Q26.

- **SANYI (631 HK, BUY)**. Due to a high base effect, we expect SANYI's net profit in 2Q26 to drop ~10% YoY to RMB600mn (1Q26 net profit: -20% YoY). We expect the fast-growing mining truck sales to partially offset the decline in coal mining equipment in 2Q26. Besides, we forecast that solar power business continued to remain under pressure in 2Q26 (segment loss of RMB100-200mn, based on our estimates), even though this was mainly due to non-cash depreciation. We trim our 2026E/27E/28E earnings forecasts by 12%/9%/7%, due mainly to lower assumptions for road header sales and higher loss from solar. We revise down our TP to HK$17.1 (from HK$18.9), based on unchanged 20x 2026E P/E (equivalent to the peak level since 2017, to reflect the upcycle of metals). Despite our lower forecasts, we are still positive on SANYI's structural penetration of large mining trucks overseas (link).

China Capital Goods Sector

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