

Zhejiang Dingli (603338 CH)

2Q25 profit grew 19% YoY but largely on FX gains

Zhejiang Dingli (Dingli) preannounced over the weekend the key financial figures for 1H25. We calculate that revenue grew 1% YoY to RMB2.4bn in 2Q25, which we think is a resilient figure given the volatile tariff level during the quarter. Net profit in 2Q25 grew 19% YoY to RMB622mn, largely driven by FX gains (strong EUR and GBP) which made the results slightly better than our expectation. We slightly revise up our 2025E earnings forecast by 3% largely on higher FX gains. Our TP is revised up from RMB44 to RMB48, to reflect the improving progress on the Sino-US tariff talks. That said, we maintain our cautious stance on Dingli as we think it will take time for the Company to adjust its strategy (i.e. high proportion of capacity in China serving the US market). Maintain **HOLD**.

- **1H25 key financials.** Revenue grew 12% YoY to RMB4.3bn. Net profit grew 27% YoY to RMB1.05bn, which accounted for 55% of our new full-year net profit forecast.
- **Valuation.** We revise up our TP from RMB44 to RMB48, based on 12.8x 2025E P/E (up from 12x previously) which is derived from 0.5SD (1.0SD previously) below the three-year average P/E of 13.5x. Our narrowed target discount is to reflect the improving progress on the Sino-US tariff talks.
- **Upside risks:** (1) Substantial reduction of proposed tariffs on China; (2) stronger-than-expected demand in other countries that offsets the weakness in the US.
- **Downside risks:** (1) Further increase in tariffs in the US; (2) further intensified competition in China's AWP market; (3) weakness of overseas demand.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	6,312	7,799	8,840	9,834	10,653
YoY growth (%)	15.9	23.6	13.3	11.2	8.3
Net profit (RMB mn)	1,867.2	1,628.7	1,910.0	2,059.1	2,244.3
EPS (Reported) (RMB)	3.69	3.22	3.77	4.07	4.43
YoY growth (%)	48.5	(12.8)	17.3	7.8	9.0
Consensus EPS (RMB)	na	na	3.90	4.25	na
P/E (x)	14.4	16.6	14.1	13.1	12.0
PIB (x)	3.0	2.7	2.4	2.1	1.9
Yield (%)	1.9	1.9	2.2	2.4	2.6
ROE (%)	23.3	17.1	17.8	16.9	16.4
Net gearing (%)	(34.3)	(40.1)	(42.3)	(45.7)	(47.9)

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

Target Price RMB48.00
 (Previous TP) RMB44.00
Up/Downside (9.9%)
Current Price RMB53.28

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Stock Data

Mkt Cap (RMB mn)	26,975.7
Avg 3 mths t/o (RMB mn)	351.2
52w High/Low (RMB)	68.88/39.48
Total Issued Shares (mn)	506.3

Source: FactSet

Shareholding Structure

XU Shugen	45.5%
Deqing Zhongding Equity Investment Manag	10.8%

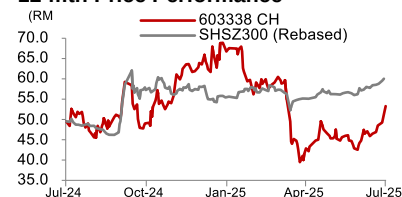
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	20.6%	15.7%
3-mth	24.3%	14.0%
6-mth	-20.2%	-25.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

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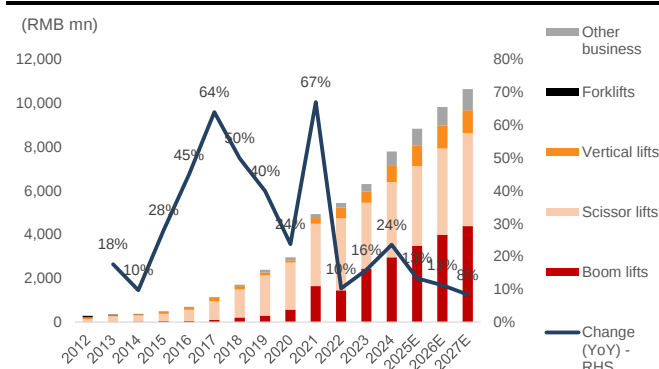
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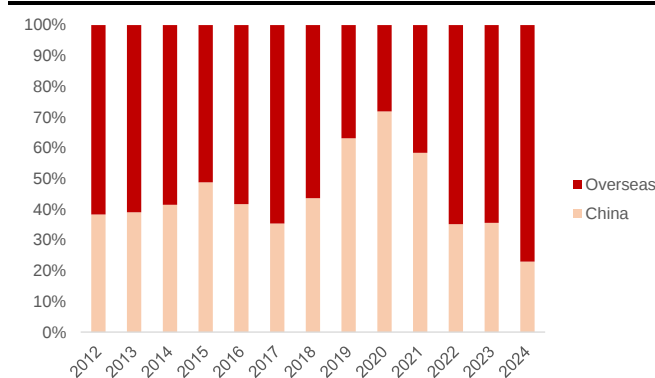
Figure 1: Change in key assumptions

	2025E	Old 2026E	2027E	2025E	New 2026E	2027E	2025E	Change 2026E	2027E
(RMB mn)									
Revenue									
Boom lifts	3,484	3,986	4,385	3,484	3,986	4,385	0.0%	0.0%	0.0%
Scissor lifts	3,654	3,947	4,262	3,654	3,947	4,262	0.0%	0.0%	0.0%
Vertical lifts	948	1,042	1,042	948	1,042	1,042	0.0%	0.0%	0.0%
Revenue (core business)	8,086	8,975	9,690	8,086	8,975	9,690	0.0%	0.0%	0.0%
Other business	753	858	964	753	858	964	0.0%	0.0%	0.0%
Total revenue	8,840	9,834	10,653	8,840	9,834	10,653	0.0%	0.0%	0.0%
Gross margin								ppt	
Boom lifts	29.5%	28.0%	28.0%	29.5%	28.0%	28.0%	0.0	0.0	0.0
Scissor lifts	34.8%	34.5%	34.5%	34.8%	34.5%	34.5%	0.0	0.0	0.0
Vertical lifts	38.5%	38.0%	38.0%	38.5%	38.0%	38.0%	0.0	0.0	0.0
Gross margin (core business)	32.9%	32.0%	31.9%	32.9%	32.0%	31.9%	0.0	0.0	0.0
Other business	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	0.0	0.0	0.0
Blended gross margin	34.4%	33.6%	33.6%	34.4%	33.6%	33.6%	0.0	0.0	0.0
S&D expense ratio	-3.5%	-3.5%	-3.5%	-3.5%	-3.5%	-3.5%	0.0	0.0	0.0
Admin expense ratio	-3.2%	-3.2%	-3.2%	-3.2%	-3.2%	-3.2%	0.0	0.0	0.0
R&D expense ratio	-3.3%	-3.3%	-3.3%	-3.3%	-3.3%	-3.3%	0.0	0.0	0.0
Net finance income	132	160	192	187	161	193	41.6%	0.7%	0.5%
Net profit	1,864	2,058	2,243	1,910	2,059	2,244	2.5%	0.0%	0.0%

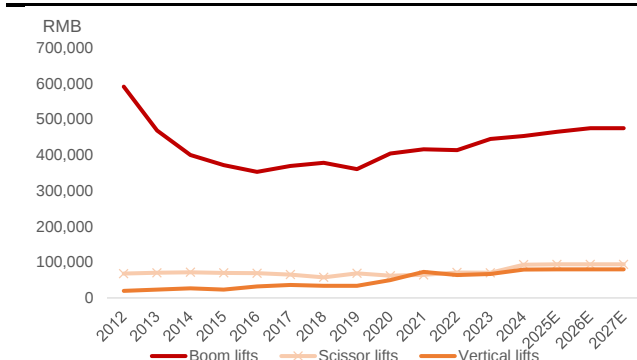
Source: Company data, CMBIGM estimates

Figure 2: Dingli's revenue breakdown by product

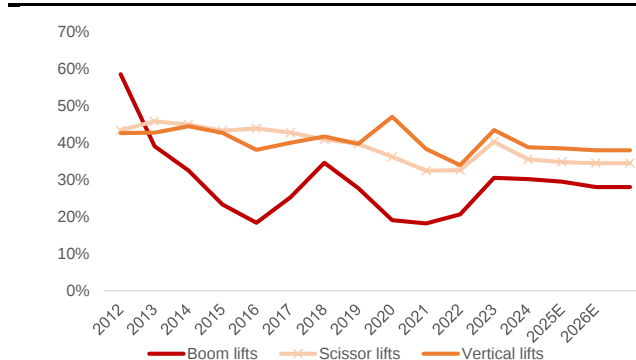
Source: Company data, CMBIGM estimates

Figure 3: Dingli's revenue breakdown by region

Source: Company data, CMBIGM

Figure 4: Dingli's ASP trend

Source: Company data, CMBIGM estimates

Figure 5: Dingli's gross margin trend

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	5,445	6,312	7,799	8,840	9,834	10,653
Cost of goods sold	(3,755)	(3,882)	(5,066)	(5,799)	(6,531)	(7,077)
Gross profit	1,690	2,430	2,733	3,041	3,303	3,576
Operating expenses	(547)	(689)	(917)	(1,061)	(1,131)	(1,225)
Selling expense	(158)	(232)	(254)	(309)	(344)	(373)
Admin expense	(123)	(141)	(225)	(283)	(315)	(341)
R&D expense	(202)	(220)	(256)	(292)	(325)	(352)
Others	(64)	(96)	(182)	(177)	(148)	(160)
Operating profit	1,143	1,740	1,816	1,980	2,172	2,351
Other gains/(losses)	64	113	100	106	118	128
Share of (losses)/profits of associates/JV	20	76	(70)	0	0	0
Depreciation	101	129	200	221	236	251
Interest income	250	264	105	217	188	218
Interest expense	(17)	(20)	(13)	(30)	(27)	(25)
Net Interest income/(expense)	233	245	92	187	161	193
Pre-tax profit	1,460	2,174	1,938	2,274	2,451	2,672
Income tax	(203)	(307)	(309)	(364)	(392)	(427)
After tax profit	1,257	1,867	1,629	1,910	2,059	2,244
Minority interest	0	0	(0)	0	0	0
Net profit	1,257	1,867	1,629	1,910	2,059	2,244

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	8,821	10,140	11,365	13,229	14,540	16,381
Cash & equivalents	3,522	4,397	5,078	5,796	6,752	7,757
Account receivables	3,094	3,489	3,464	4,528	4,363	5,269
Inventories	1,795	1,921	2,342	2,424	2,944	2,873
Prepayment	9	7	26	26	26	26
Other current assets	401	327	455	455	455	455
Non-current assets	2,980	4,067	3,988	4,108	4,347	4,522
PP&E	947	1,613	1,800	1,954	2,053	2,136
Deferred income tax	30	3	84	84	84	84
Investment in JVs & assos	121	332	0	0	0	0
Intangibles	396	389	784	749	715	680
Other non-current assets	1,486	1,731	1,321	1,321	1,496	1,622
Total assets	11,802	14,207	15,354	17,337	18,887	20,903
Current liabilities	3,753	4,435	4,523	5,152	5,285	5,696
Short-term borrowings	777	826	674	624	574	524
Account payables	2,381	2,971	3,076	3,755	3,939	4,399
Tax payable	225	290	379	379	379	379
Other current liabilities	341	323	285	285	285	285
Contract liabilities	29	25	108	108	108	108
Non-current liabilities	984	807	793	743	693	693
Long-term borrowings	740	493	378	328	278	278
Deferred income	183	191	247	247	247	247
Other non-current liabilities	61	122	168	168	168	168
Total liabilities	4,737	5,242	5,316	5,895	5,978	6,388
Total shareholders equity	7,065	8,965	10,035	11,439	12,906	14,512
Minority interest	0	0	3	3	3	3
Total equity and liabilities	11,802	14,207	15,354	17,337	18,887	20,903

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,460	2,174	1,938	2,274	2,451	2,672
Depreciation & amortization	101	129	200	221	236	251
Tax paid	(260)	(378)	(559)	(364)	(392)	(427)
Change in working capital	(211)	216	(16)	(467)	(346)	(501)
Others	(154)	87	354	(187)	(161)	(193)
Net cash from operations	937	2,227	1,917	1,476	1,787	1,801
Investing						
Capital expenditure	(819)	(371)	(356)	(340)	(300)	(300)
Others	(402)	(491)	178	217	188	218
Net cash from investing	(1,222)	(863)	(179)	(123)	(112)	(82)
Financing						
Dividend paid	(172)	(253)	(506)	(506)	(592)	(638)
Net borrowings	266	(198)	(267)	(100)	(100)	(50)
Proceeds from share issues	0	0	0	0	0	0
Others	(49)	(69)	(223)	(30)	(27)	(25)
Net cash from financing	45	(520)	(997)	(636)	(719)	(713)
Net change in cash						
Cash at the beginning of the year	3,514	3,522	4,397	5,078	5,796	6,752
Exchange difference	248	30	(60)	0	0	0
Cash at the end of the year	3,522	4,397	5,078	5,796	6,752	7,757
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	10.2%	15.9%	23.6%	13.3%	11.2%	8.3%
Gross profit	16.7%	43.7%	12.5%	11.3%	8.6%	8.3%
Operating profit	9.1%	52.2%	4.4%	9.0%	9.7%	8.2%
Net profit	42.1%	48.5%	(12.8%)	17.3%	7.8%	9.0%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	31.0%	38.5%	35.0%	34.4%	33.6%	33.6%
Operating margin	21.0%	27.6%	23.3%	22.4%	22.1%	22.1%
Return on equity (ROE)	19.3%	23.3%	17.1%	17.8%	16.9%	16.4%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.3)	(0.3)	(0.4)	(0.4)	(0.5)	(0.5)
Current ratio (x)	2.4	2.3	2.5	2.6	2.8	2.9
Receivable turnover days	180.6	190.3	162.7	165.0	165.0	165.0
Inventory turnover days	154.7	174.7	153.6	150.0	150.0	150.0
Payable turnover days	206.5	251.6	217.8	215.0	215.0	215.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	21.5	14.4	16.6	14.1	13.1	12.0
P/B	3.8	3.0	2.7	2.4	2.1	1.9
Div yield (%)	0.9	1.9	1.9	2.2	2.4	2.6

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

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