28 Aug 2026

CMB International Global Markets | Equity Research | Company Update

招銀国际 CMB INTERNATIONAL
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Weichai Power (2338 HK/000338 CH)

Net profit in 2Q26 +57% YoY helped by other income and expense control; Rising AIDC power contribution

Weichai's net profit in 1H26 grew 36% YoY to RMB7.7bn, which implies net profit of RMB4.6bn in 2Q26 (+57% YoY). The growth in 2Q26 was driven by investment income and sound expense control. While revenue grew only 9% YoY in 1H26, we continue to see rising contribution of power-related engines, with AIDC backup power engine sales surging 1.3x YoY. We maintain our positive stance on Weichai's AIDC backup engine and SOFC. Maintain **BUY** with unchanged SOTP-based TP of HK$45.1/RMB40.2 for Weichai H/A. Weichai remains a key pick in the Capital Goods sector**.**

- **Improved mix in engine segment.** Weichai's total engine sales grew 15% YoY to 415k units in 1H26. Exports of 44k units, which grew 18% YoY, accounted for 11% of total engines sales in 1H26. Large-bore engines grew 31% YoY to 6.7k units, of which engines for AIDC surged 1.3x YoY to 1.4k units. Total power-related engine sales volume grew 31% YoY to 65k units, which accounted for 16% of total engine sales in 1H26.
- **Engine EBIT dropped 2% YoY in 1H26.** Engine segment revenue grew 15% YoY to RMB37.3bn. However, the segment profit decreased 2% YoY to RMB5.4bn in 1H26 (segment margin -2.5ppt YoY to 14.6%), which is slightly weaker than our expectation.
- **Strong HDT segment margin despite slow volume growth.** Weichai delivered 76k units of HDTs in 1H26, up only 4% YoY. Sales in China dropped 2% YoY to 45k units, while exports grew 15% YoY to 31k units. The segment EBIT surged 4.6x YoY to RMB1.4bn, with segment margin sharply expanding 3.2ppt YoY to 3.9%.
- **Forklifts & supply chain solution (KION Group) EBIT continued to recover.** The segment EBIT in 1H26 surged 2.1x YoY to RMB3bn, helped by a low base arising from the high expenses related to the "efficiency program" in 1H25. The segment margin reached 6.6% in 1H26.

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	1.65	2.03	2.43
P/E (x)	20.7	21.6	16.4	13.8	12.2
P/B (x)	2.7	2.5	2.3	2.1	2.0
Yield (%)	2.7	0.0	3.4	4.0	4.5
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$45.10	RMB40.20
Up/Downside	42.7%	48.9%
Current Price	HK$31.6	RMB27.0

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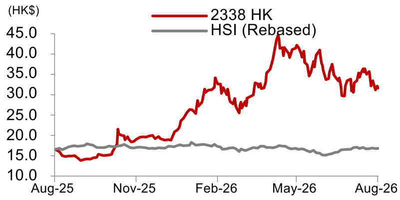
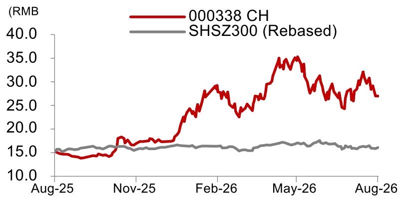
12-mth Price Performance





Source: FactSet

Stock Performance

	2338 HK		000338 CH	
	Abs.	Rel.	Abs.	Rel.
1-mth	-6.6%	-7.9%	-5.1%	-4.3%
3-mth	-25.1%	-25.8%	-21.8%	-19.9%
6-mth	-3.1%	0.9%	-3.1%	-0.6%

Source: FactSet

Stock Data

(LC)	2338 HK	000338 CH
Mkt Cap (mn)	61114.4	182830.26
Avg 3 mths t/o (mn)	632.17	3117.55
52w High	44.66	35.34
52w Low	13.8	13.77
Issued Shares (mn)	1934	6774

Source: FactSet

Related reports:

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)

Weichai Power – AIDC power driven re-rating to continue; Earnings forecast and TP raised – 2 May 2026 (link)

Figure 1: Weichai 2Q26 results

(RMB mn)	1Q25	1Q26	Chg (YoY)	2Q25	2Q26	Chg (YoY)
Revenue	**57,464**	**62,563**	***9%***	**55,688**	**60,600**	***9%***
Cost of sales	(44,691)	(49,155)	*10%*	(43,364)	(47,572)	*10%*
Gross profit	**12,773**	**13,408**	***5%***	**12,324**	**13,028**	***6%***
Other income	362	283	*-22%*	739	1,522	*106%*
Other gains and losses	(38)	180	*n/a*	(83)	350	*n/a*
S&D expenses	(3,237)	(3,012)	*-7%*	(3,390)	(3,016)	*-11%*
Administrative expenses	(4,091)	(2,875)	*-30%*	(2,690)	(2,621)	*-3%*
R&D expenses	(2,040)	(2,010)	*-1%*	(2,096)	(1,969)	*-6%*
Taxes and surcharges	(190)	(238)	*25%*	(211)	(239)	*13%*
Impairment loss of assets	(570)	(479)	*-16%*	(535)	(327)	*-39%*
EBIT	**2,971**	**5,257**	***77%***	**4,058**	**6,728**	***66%***
Other expenses	(32)	(19)	*-40%*	(33)	(57)	*69%*
Net finance cost	208	(364)	*n/a*	261	(283)	*n/a*
Share of profit of JV and associates	(17)	4	*n/a*	(25)	109	*n/a*
Pretax profit	**3,129**	**4,878**	***56%***	**4,261**	**6,497**	***52%***
Income tax	(308)	(895)	*191%*	(519)	(940)	*81%*
After tax profit	**2,822**	**3,983**	***41%***	**3,742**	**5,557**	***49%***
MI	(111)	(897)	*708%*	(809)	(941)	*16%*
Net profit	**2,711**	**3,086**	***14%***	**2,933**	**4,616**	***57%***
Key ratios			***Chg (ppt)***			***Chg (ppt)***
Gross margin	*22.2%*	*21.4%*	*-0.8*	*22.1%*	*21.5%*	*-0.6*
S&D expense ratio	*5.6%*	*4.8%*	*-0.8*	*6.1%*	*5.0%*	*-1.1*
Administrative expense ratio	*7.1%*	*4.6%*	*-2.5*	*4.8%*	*4.3%*	*-0.5*
R&D expense ratio	*3.5%*	*3.2%*	*-0.3*	*3.8%*	*3.2%*	*-0.5*
Effective tax rate	*9.8%*	*18.3%*	*8.5*	*12.2%*	*14.5%*	*2.3*

Source: Company data, CMBIGM estimates

Figure 2: Key assumptions for Weichai

	2023	2024	2025	2026E	2027E	2028E
(RMB mn)						
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	60,775	59,409	64,025	77,140	88,186	98,819
Automobiles and major components	65,098	61,838	70,803	73,134	75,540	77,918
Forklift trucks & supply chain solution	87,521	88,777	91,131	95,688	98,558	101,515
Agricultural machinery	16,200	18,546	19,169	20,127	21,133	22,190
Intersegment sales	-15,635	-12,879	-13,318	-14,758	-15,737	-16,695
Total revenue	**213,958**	**215,691**	**231,809**	**251,331**	**267,680**	**283,746**
Growth (YoY)						
Diesel engines	*55.2%*	*-2.2%*	*7.8%*	*20.5%*	*14.3%*	*12.1%*
Automobiles and major components	*39.1%*	*-5.0%*	*14.5%*	*3.3%*	*3.3%*	*3.1%*
Forklift trucks & supply chain solution	*10.8%*	*1.4%*	*2.7%*	*5.0%*	*3.0%*	*3.0%*
Agricultural machinery	*-8.6%*	*14.5%*	*3.4%*	*5.0%*	*5.0%*	*5.0%*
Intersegment sales	*107.1%*	*-17.6%*	*3.4%*	*10.8%*	*6.6%*	*6.1%*
Average	***22.2%***	***0.8%***	***7.5%***	***8.4%***	***6.5%***	***6.0%***
Segment profit						
Diesel engines	7,719	10,395	10,608	13,499	16,755	19,270
Automobiles and major components	594	563	1,420	1,097	1,133	1,169
Forklift trucks & supply chain solution	4,920	5,971	3,869	5,741	5,914	6,091
Agricultural machinery	671	796	801	865	909	954
Intersegment sales	-822	-611	-1,302	-708	-755	-801
Total segment profit	**13,082**	**17,115**	**15,396**	**20,495**	**23,955**	**26,682**
Segment margin						
Diesel engines	*12.7%*	*17.5%*	*16.6%*	*17.5%*	*19.0%*	*19.5%*
Automobiles and major components	*0.9%*	*0.9%*	*2.0%*	*1.5%*	*1.5%*	*1.5%*
Forklift trucks & supply chain solution	*5.6%*	*6.7%*	*4.2%*	*6.0%*	*6.0%*	*6.0%*
Agricultural machinery	*4.1%*	*4.3%*	*4.2%*	*4.3%*	*4.3%*	*4.3%*
Average	***6.1%***	***7.9%***	***6.6%***	***8.2%***	***8.9%***	***9.4%***

Source: Company data, CMBIGM estimates

Figure 3: 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 4: 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 5: 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	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 ~17.8% interest in Ceres Power.
Note 2: Share of JV/associates excludes Ballard Power and Ceres Power

Key risks: 1) lower-than-expected AIDC power demand; 2) unexpected slowdown in HDT engine demand; 3) increase in raw material costs.

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	26.0	20.7	21.6	16.4	13.8	12.2
P/B	3.0	2.7	2.5	2.3	2.1	2.0
Div yield (%)	1.9	2.7	0.0	3.4	4.0	4.5

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

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BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

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