

Weichai Power (2338 HK/000338 CH)

Positive on SOFC after our London visit to Ceres Power

Weichai is the largest shareholder of **Ceres Power (CWR LN, NR)** with an equity interest of ~17.8%. Our meeting with Ceres last week enhanced our confidence in the outlook of Solid Oxide Fuel Cell (SOFC) (for details, please refer to our note "[Key takeaways from London visit](#)" published today). For Weichai, based on our understanding, the SOFC capacity construction (using Ceres' technology) is on track. We expect Weichai's SOFC production capacity to reach 30MW/200MW by end-2026/27. We forecast it will potentially contribute ~RMB600mn/4bn revenue in 2027E/28E. We maintain our positive stance on Weichai's AIDC backup engine and SOFC. Reiterate **BUY** with unchanged SOTP-based TP of HK\$45.1/RMB40.2 for Weichai H/A. Weichai is a key pick in the Capital Goods sector.

■ **Key risks:** 1) lower-than-expected AIDC power demand; 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	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	1.66	2.05	2.46
P/E (x)	22.6	23.6	17.9	15.1	13.3
P/B (x)	3.0	2.8	2.6	2.3	2.1
Yield (%)	2.4	0.0	3.1	3.6	4.1
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	31.6%	45.8%
Current Price	HK\$34.3	RMB27.6

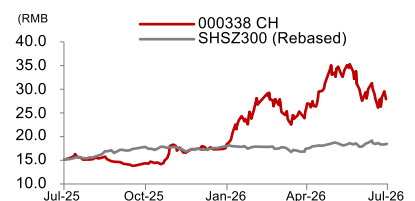
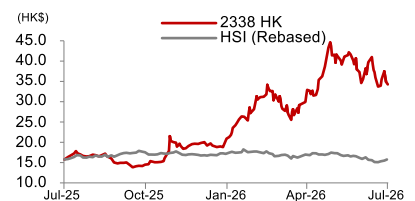
China Capital Goods

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12-mth Price Performance



Source: FactSet

Stock Performance

	2338 HK		000338 CH	
	Abs.	Rel.	Abs.	Rel.
1-mth	-1.0%	0.0%	-2.2%	-1.6%
3-mth	4.1%	11.5%	2.1%	0.9%
6-mth	63.9%	77.9%	50.3%	63.2%

Source: FactSet

Stock Data

(LC)	2338 HK	000338 CH
Mkt Cap (mn)	66258.84	186759.18
Avg 3 mths t/o (mn)	778.54	3632.88
52w High	44.66	35.34
52w Low	13.8	13.77
Issued Shares (mn)	1934	6774

Source: FactSet

Related reports:

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

Weichai Power – 2025 earnings below expectations; structural transition story still intact – 27 Mar 2026 ([link](#))

Capital Goods - HDT sales +39% YoY in Jan on low base – 3 Feb 2026 ([link](#))

Figure 1: 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 2: 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

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	28.4	22.6	23.6	17.9	15.1	13.3
P/B	3.3	3.0	2.8	2.6	2.3	2.1
Div yield (%)	1.8	2.4	0.0	3.1	3.6	4.1

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

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