

Zhejiang Dingli (603338 CH)

2024 earnings way below expectations; outlook remains challenging

Zhejiang Dingli's (Dingli) net profit in 2024 came in at RMB1.63bn (-13% YoY), substantially falling short of our/Bloomberg consensus by 20%/21%. The negative surprise was due to: (1) advanced shipments of AWP's to the US warehouses for customs clearance in 4Q24 to avoid upcoming tariff hikes, which in turn resulted in early recognition of some costs; (2) the acquisition of CMEC in mid-2024 that resulted in the consolidation of higher salary and warehouse expenses. During the post-results call, Dingli revealed that the current AWP inventory (not subject to the recent increase in tariff) will be enough to cover the sales in the US until Sep 2025. We maintain our view that the unpredictable US tariff policy will (1) hurt the demand for AWP's in the US; and (2) put Dingli into a quandary given the high proportion of capacity in China serving the US market. We revise down our 2025E-26E earnings forecast by 13%, due to higher cost assumptions. Maintain **HOLD** with new TP of RMB44 (previously RMB51), based on an unchanged 12x 2025E P/E (derived from 1SD below the three-year average P/E of 13.5x to reflect earnings slowdown).

- **4Q24 results highlights.** Dingli's gross profit dropped 28% to RMB515mn in 4Q24, due to a weak revenue growth (+6% YoY) and a 14.9ppt YoY contraction of gross margin (to 30.9%). Net profit plummeted 71% YoY to RMB168mn, due to a higher administrative expense ratio (+2.3ppt YoY), an increase in asset impairment and share of JV loss that offset the increase in other gains.
- **Measures to mitigate tariff impact.** The US was the largest source of revenue in 2024 (30% of the total). Dingli's current inventory of AWP's in the US (not subject to Trump's newly proposed tariff) is enough to cover sales until Sep 2025. Going forward, Dingli will likely pass through part of the tariff by raising ASP. Besides, in the case of a high level of tariff for a prolonged period, Dingli will expand the production capacity in the US, despite a much higher production cost compared with China.
- **Upside risks:** (1) Substantial reduction of proposed tariff 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) continuous 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	1,863.8	2,058.1	2,243.4
EPS (Reported) (RMB)	3.69	3.22	3.68	4.06	4.43
YoY growth (%)	48.5	(12.8)	14.4	10.4	9.0
Consensus EPS (RMB)	na	4.09	4.92	5.73	0.00
P/E (x)	10.7	12.3	10.7	9.7	8.9
P/B (x)	2.2	2.0	1.8	1.6	1.4
Yield (%)	2.5	2.5	2.9	3.2	3.5
ROE (%)	23.3	17.1	17.4	17.0	16.4
Net gearing (%)	(34.3)	(40.1)	(42.1)	(45.6)	(47.8)

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

Target Price RMB44.00
 (Previous TP) RMB51.00
Up/Downside 11.4%
Current Price RMB39.48

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Stock Data

Mkt Cap (RMB mn)	19,988.7
Avg 3 mths t/o (RMB mn)	387.3
52w High/Low (RMB)	72.98/39.48
Total Issued Shares (mn)	506.3

Source: FactSet

Shareholding Structure

XU Shugen	45.5%
Deqing Zhongding Equity Investment Manag	10.8%

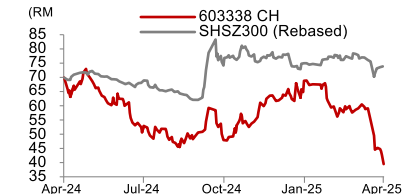
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-32.9%	-28.8%
3-mth	-42.6%	-41.7%
6-mth	-18.5%	-15.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

Dingli – Challenging situation with pressure from both end demand and US tariff; D/G to HOLD – 8 Apr 2025 ([link](#))

Capital Goods – Who are the potential beneficiaries of Germany's mega infrastructure investment plan? 18 Mar 2025 ([link](#))

Capital Goods – Non-earth-moving machinery sales data mixed in Feb – 17 Mar 2025 ([link](#))

Figure 1: Dingli's 4Q24 results

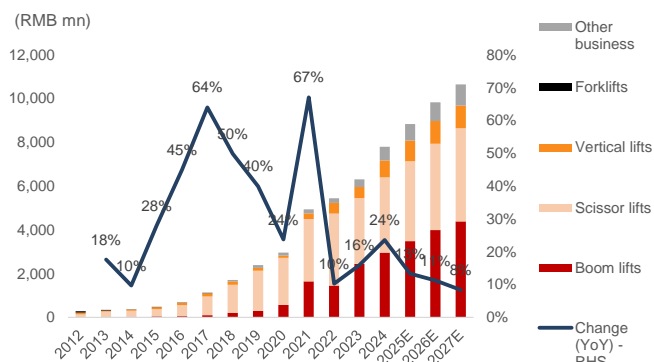
(RMB mn)	1Q23	1Q24	Chg YoY	2Q23	2Q24	Chg YoY	3Q23	3Q24	Chg YoY	4Q23	4Q24	Chg YoY
Total revenue	1,302	1,452	11.5%	1,797	2,408	34.0%	1,644	2,274	38.4%	1,570	1,665	6.1%
Cost of sales	-812	-855	5.2%	-1,272	-1,642	29.1%	-948	-1,419	49.8%	-851	-1,150	35.2%
Gross profit	489	597	22.0%	525	766	45.9%	696	855	22.8%	719	515	-28.4%
Other income	-8	-10	36.0%	-7	-12	60.3%	-6	-9	36.2%	-12	-18	45.7%
S&D expenses	-42	-55	31.5%	-3	-24	591.2%	-72	-58	-19.0%	-115	-116	1.0%
Administrative expenses	-33	-29	-12.4%	-43	-59	36.2%	-24	-55	126.1%	-41	-82	101.3%
R&D expense	-40	-51	25.4%	-70	-68	-3.6%	-38	-62	61.7%	-71	-75	6.4%
Asset impairment	-3	-22	529.9%	-44	9	n/a	6	-0	n/a	-20	-122	501.6%
EBIT	363	430	18.5%	356	612	72.1%	562	672	19.6%	460	102	-77.9%
Net finance income/(cost)	-7	18	n/a	223	10	-95.5%	-62	36	n/a	90	28	-68.7%
Other gains/(losses)	21	-88	n/a	7	-3	n/a	42	20	-51.2%	43	172	295.6%
Share of profit of JV and associates	9	10	15.1%	23	-13	n/a	6	0	n/a	38	-67	n/a
Pretax profit	386	369	-4.2%	609	606	-0.5%	548	728	33.0%	632	235	-62.8%
Income tax	-66	-67	1.6%	-97	-83	-14.3%	-86	-91	6.6%	-58	-68	15.9%
After tax profit	319	302	-5.4%	512	523	2.1%	462	637	37.9%	574	167	-70.9%
MI	0	0	n/a	0	-0	n/a	0	-1	n/a	0	1	n/a
Net profit	319	302	-5.4%	512	522	2.0%	462	636	37.7%	574	168	-70.7%
<i>Gross margin</i>	37.6%	41.1%	3.5 ppt	29.2%	31.8%	2.6 ppt	42.4%	37.6%	-4.8 ppt	45.8%	30.9%	-14.9 ppt
<i>S&D expense ratio</i>	3.2%	3.8%	0.6	0.2%	1.0%	0.8	4.4%	2.5%	-1.8	7.3%	7.0%	-0.4
<i>Administrative expense ratio</i>	2.5%	2.0%	-0.5	2.4%	2.5%	0.0	1.5%	2.4%	0.9	2.6%	5.0%	2.3
<i>R&D expense ratio</i>	3.1%	3.5%	0.4	3.9%	2.8%	-1.1	2.3%	2.7%	0.4	4.5%	4.5%	0.0
<i>Effective tax rate</i>	17.2%	18.2%	1.0	15.9%	13.7%	-2.2	15.7%	12.5%	-3.1	9.2%	28.8%	19.6

Source: Company data, CMBIGM

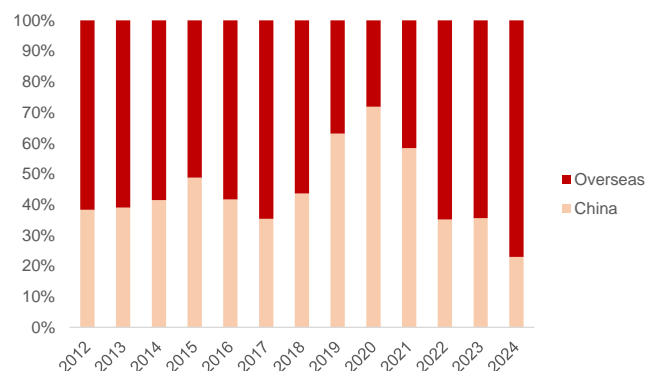
Figure 2: Change in key assumptions

	Old			New			Change		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
(RMB mn)									
Revenue									
Boom lifts	3,714	4,085	-	3,484	3,986	4,385	-6.2%	-2.4%	-
Scissor lifts	3,626	3,988	-	3,654	3,947	4,262	0.8%	-1.1%	-
Vertical lifts	614	614	-	948	1,042	1,042	54.3%	69.7%	-
Revenue (core business)	7,954	8,688	-	8,086	8,975	9,690	1.7%	3.3%	-
Other business	207	213	-	753	858	964	264.7%	303.3%	-
Total revenue	8,160	8,901	-	8,840	9,834	10,653	8.3%	10.5%	-
Gross margin									
Boom lifts	31.0%	31.0%	-	29.5%	28.0%	28.0%	-1.5	-3.0	-
Scissor lifts	39.0%	39.0%	-	34.8%	34.5%	34.5%	-4.2	-4.5	-
Vertical lifts	43.0%	43.0%	-	38.5%	38.0%	38.0%	-4.5	-5.0	-
Gross margin (core business)	35.6%	35.5%	-	32.9%	32.0%	31.9%	-2.6	-3.5	-
Other business	71.0%	71.0%	-	50.0%	50.0%	50.0%	-21.0	-21.0	-
Blended gross margin	36.5%	36.4%	-	34.4%	33.6%	33.6%	-2.1	-2.8	-
S&D expense ratio	-3.7%	-3.7%	-	-3.5%	-3.5%	-3.5%	0.2	0.2	-
Admin expense ratio	-2.0%	-1.9%	-	-3.2%	-3.2%	-3.2%	-1.2	-1.3	-
R&D expense ratio	-3.4%	-3.4%	-	-3.3%	-3.3%	-3.3%	0.1	0.1	-
Net finance income	185	227	-	132	160	192	-28.5%	-29.4%	-
Net profit	2,144	2,363	-	1,864	2,058	2,243	-13.1%	-12.9%	-

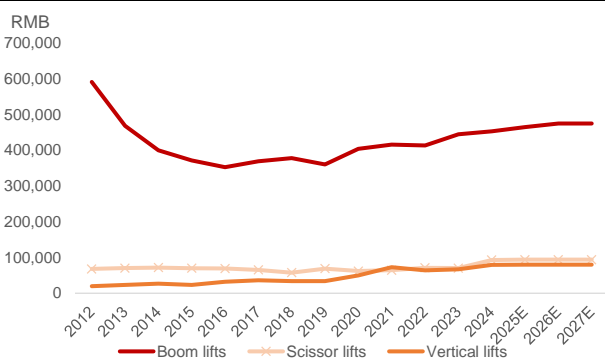
Source: Company data, CMBIGM estimates

Figure 3: Dingli's revenue breakdown by product

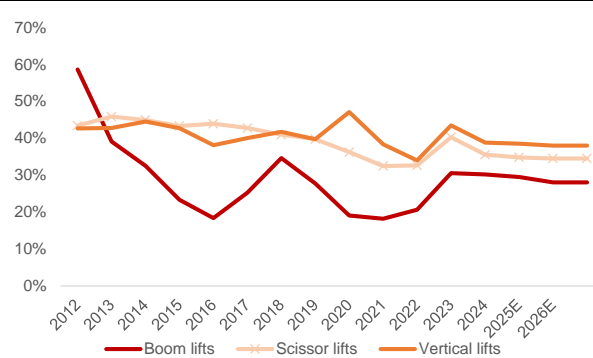
Source: Company data, CMBIGM estimates

Figure 4: Dingli's revenue breakdown by region

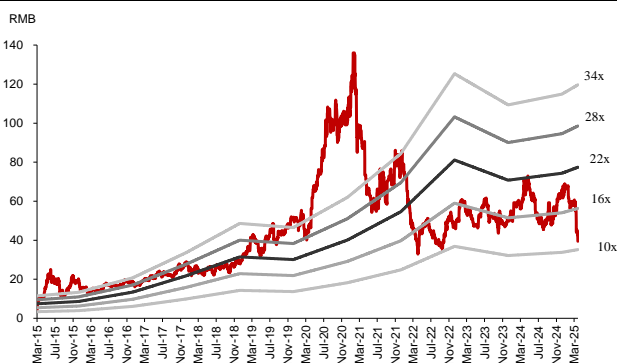
Source: Company data, CMBIGM

Figure 5: Dingli's ASP trend

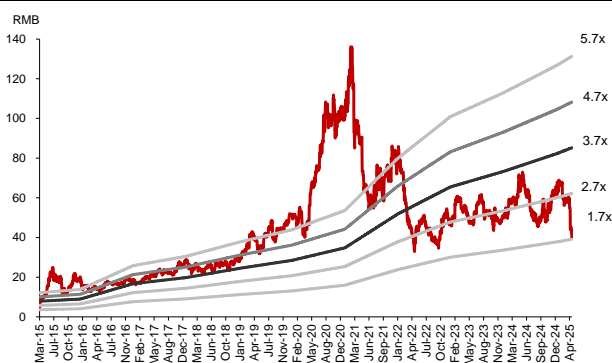
Source: Company data, CMBIGM estimates

Figure 6: Dingli's gross margin trend

Source: Company data, CMBIGM estimates

Figure 7: Dingli's 12M forward P/E band

Source: Bloomberg, company data, CMBIGM estimates

Figure 8: Dingli's 12M forward P/B band

Source: Bloomberg, 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	162	187	217
Interest expense	(17)	(20)	(13)	(30)	(27)	(25)
Net Interest income/(expense)	233	245	92	132	160	192
Pre-tax profit	1,460	2,174	1,938	2,219	2,450	2,671
Income tax	(203)	(307)	(309)	(355)	(392)	(427)
After tax profit	1,257	1,867	1,629	1,864	2,058	2,243
Minority interest	0	0	(0)	0	0	0
Net profit	1,257	1,867	1,629	1,864	2,058	2,243

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	8,821	10,140	11,365	13,183	14,507	16,347
Cash & equivalents	3,522	4,397	5,078	5,749	6,719	7,724
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	17,290	18,854	20,870
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	11,393	12,873	14,478
Minority interest	0	0	3	3	3	3
Total equity and liabilities	11,802	14,207	15,354	17,290	18,854	20,870

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,460	2,174	1,938	2,219	2,450	2,671
Depreciation & amortization	101	129	200	221	236	251
Tax paid	(260)	(378)	(559)	(355)	(392)	(427)
Change in working capital	(211)	216	(16)	(467)	(346)	(501)
Others	(154)	87	354	(132)	(160)	(192)
Net cash from operations	937	2,227	1,917	1,485	1,788	1,801
Investing						
Capital expenditure	(819)	(371)	(356)	(340)	(300)	(300)
Others	(402)	(491)	178	162	187	217
Net cash from investing	(1,222)	(863)	(179)	(178)	(113)	(83)
Financing						
Dividend paid	(172)	(253)	(506)	(506)	(578)	(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)	(705)	(713)
Net change in cash						
Cash at the beginning of the year	3,514	3,522	4,397	5,078	5,749	6,719
Exchange difference	248	30	(60)	0	0	0
Cash at the end of the year	3,522	4,397	5,078	5,749	6,719	7,724
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%)	14.4%	10.4%	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%	17.4%	17.0%	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	2.7	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	15.9	10.7	12.3	10.7	9.7	8.9
P/B	2.8	2.2	2.0	1.8	1.6	1.4
Div yield (%)	1.3	2.5	2.5	2.9	3.2	3.5

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

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