

Capital Goods

HDT sales +82% YoY in Sep

According to the preliminary data released by Cvworl, heavy-duty truck (HDT) wholesale volume (domestic + export) surged 82% YoY to 105k units in Sep, which is the second highest for the month of Sep historically. According to Cvworl, all major types of HDTs (diesel, gas, new energy) saw strong growth in Sep. We believe the underlying driver for the strong growth remains the truck replacement subsidies launched in Mar. We estimate the strong momentum will likely take the full-year industry sales to 1.1mn units (+22% YoY). While the concern is now on whether the purchasing power will weaken in early 2026 following the end of the subsidies by end-2025, our projection suggests that the HDT demand will likely stay high in 2026, given the large volume of old trucks for potential replacement (sales between 2017 and 2021 were a record high).

- **Weichai Power (2338 HK/000338 CH, BUY).** We understand that the market is concerned about the rapid increase in the penetration rate of new-energy HDTs (>20% in Sep 2025 vs ~4% in Jan 2024, per Cvworl data) that could pose technology risks for Weichai. That said, we are still positive on Weichai due to the strong HDT industry sales (including diesel and gas), as well as the company's continuous product diversification, including the fast-growing data centre engines. Trading at ~8x 2026E P/E and >6% yield after the share price pullback, the stock remains attractive in our view.
- **Sinotruk (3808 HK, HOLD).** Sinotruk is also subject to technology risks due to a meaningful earnings contribution from truck engines. Still, we see some upside risk to our HOLD call, as we expect Sinotruk to enjoy high operating leverage given the strong sales across all types of HDTs.

OUTPERFORM
(Maintain)

China Capital Goods Sector

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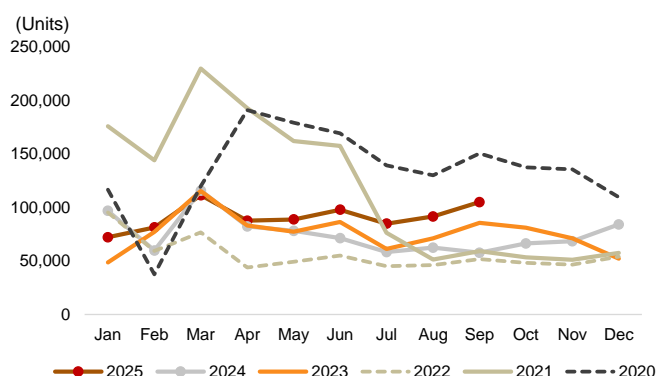
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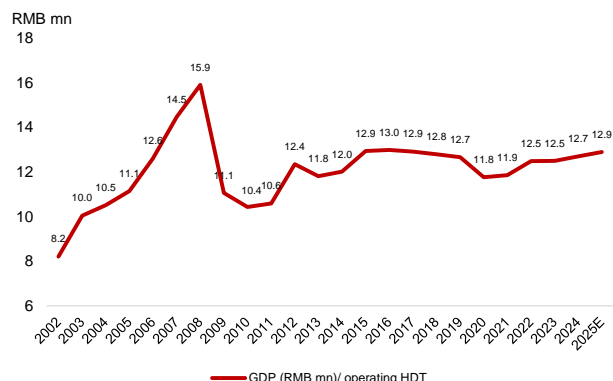
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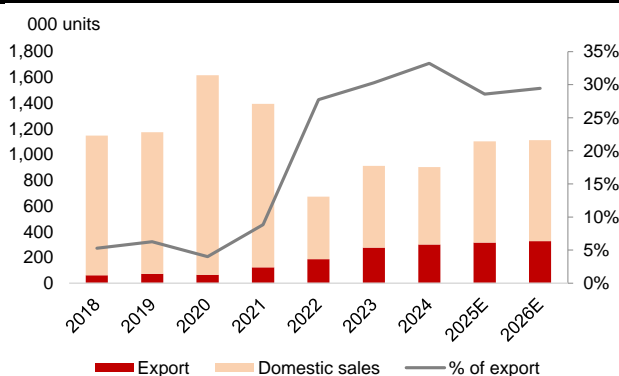
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Figure 1: China HDT monthly sales volume

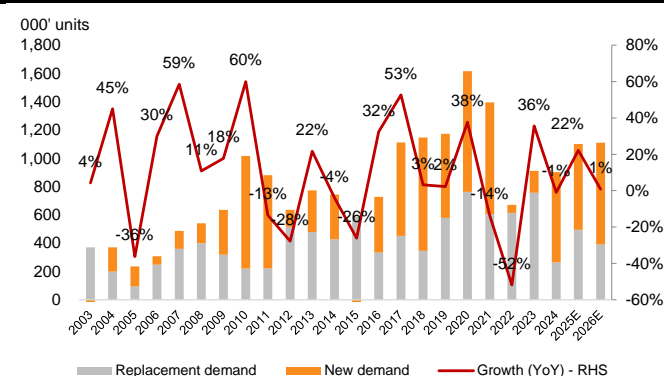
Source: Cvworlnd, Wind, CMBIGM
 Note: Domestic sales + exports

Figure 2: China GDP per unit of operating HDT

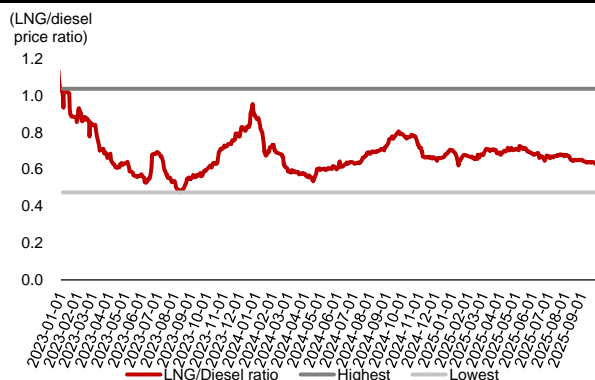
Source: Cvworlnd, Wind, CMBIGM estimates

Figure 3: Domestic sales and exports of HDTs

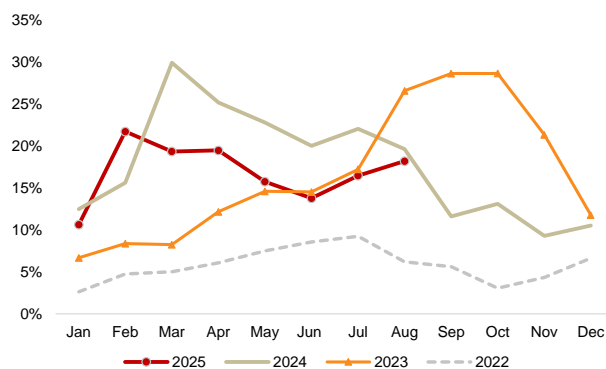
Source: Wind, CMBIGM estimates

Figure 4: CMBIGM HDT sales projection

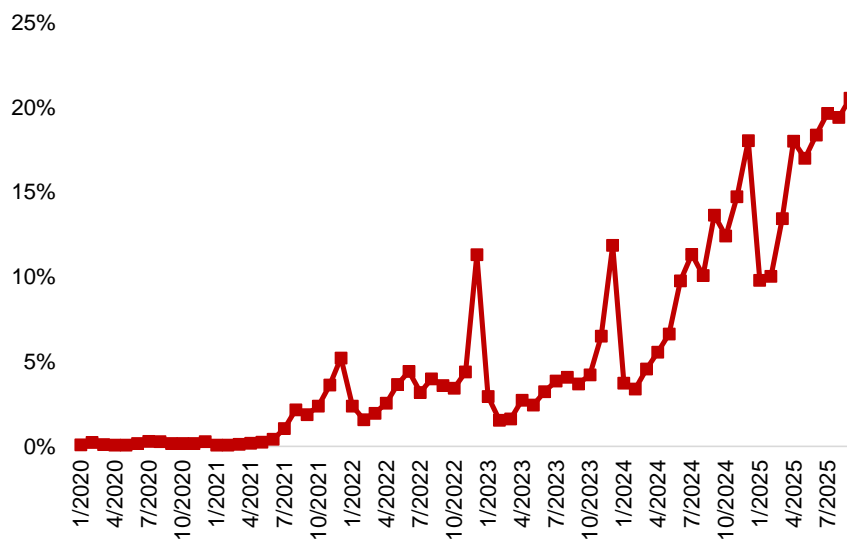
Source: Cvworlnd, Wind, CMBIGM estimates
 Note: China's domestic sales + exports

Figure 5: LNG/diesel price ratio

Source: Wind, Bloomberg, CMBIGM estimates

Figure 6: Natural gas HDTs as % of total HDTs sold

Source: Wind, Cvworl, CMBIGM

Figure 7: Electric HDTs as % of total HDTs sold

Source: CVworld, CMBIGM

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