Zoomlion (1157 HK/000157 CH)

Sluggish overseas revenue growth in 3Q26 due to wars

Zoomlion's net profit in 3Q26 declined 26% YoY to RMB859mn, due to weak revenue growth (+5% YoY), lack of other gains and the increase in selling expenses. Based on our understanding, the sluggish revenue growth was due to weak overseas growth (+1% YoY in 3Q26) arising from the wars in the Middle East and Ukraine. We trim our earnings forecasts in 2026E/27E/28E by 9%/5%/3%, due to lower sales volume and higher cost assumptions. Accordingly, our TPs for Zoomlion A/H are reduced to RMB10.7/HK$8.2, based on an unchanged 2026E target P/E multiple of 18.6x for A-share and 30% discount for H-share. We maintain our target P/E as we expect the potential ending of wars will help Zoomlion resume growth. Zoomlion will host investor call at 15:00 (HKT) today.

- **3Q26 earnings highlights:** Revenue in 3Q26 grew 5% YoY to RMB12.9bn (China +10% YoY; Overseas +1% YoY). Gross margin contracted 0.2ppt YoY to 27.8%. Given the lack of other gains in 3Q26 (~RMB388mn in 3Q25) and a 28% YoY increase in S&D expenses, EBIT dropped 32% YoY to RMB1bn. Net profit declined 26% YoY to RMB859mn.
- **Valuation:** Our A-share target P/E (18.6x unchanged) is based on the five-year average historical P/E of 13.7x plus 1SD. Our above-average target multiple intends to reflect Zoomlion's emerging market expansion story. Our H-share TP is based on a 30% discount to A-share.
- **Key risks:** (1) weaker-than-expected demand in China; (2) slowdown of overseas growth due to regional conflicts; (3) input cost pressure.

Earnings Summary - 1157 HK

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	45,478	52,107	57,988	65,321	73,722
YoY growth (%)	(3.4)	14.6	11.3	12.6	12.9
Adjusted net profit (RMB mn)	3,521.0	4,779.0	4,746.8	5,550.5	6,363.4
EPS (Reported) (RMB)	0.42	0.57	0.58	0.67	0.77
YoY growth (%)	(1.3)	33.6	1.4	16.9	14.6
Consensus EPS (RMB)	na	na	0.61	0.75	0.89
P/E (x)	10.0	7.5	7.4	6.3	5.5
P/B (x)	0.6	0.6	0.6	0.6	0.6
Yield (%)	7.0	9.3	9.2	10.8	12.4
ROE (%)	7.1	8.8	8.6	9.7	10.8
Net gearing (%)	18.9	29.5	30.3	30.4	33.3

Source: Company data, Bloomberg, CMBIGM estimates

	1157 HK	000157 CH
	BUY	BUY
	Maintain	Maintain
TP	HK$8.20	RMB10.70
Prior TP	HK$9.10	RMB11.80
Up/Downside	63.3%	80.7%
Current Price	HK$5.0	RMB5.9

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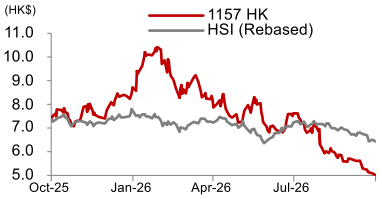
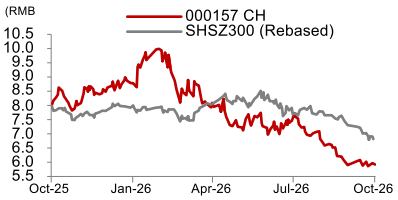
12-mth Price Performance





Source: FactSet

Stock Performance

	1157 HK		000157 CH	
	Abs.	Rel.	Abs.	Rel.
1-mth	-12.2%	-6.2%	1.0%	-6.5%
3-mth	-34.1%	-25.9%	-22.2%	-25.8%
6-mth	-39.1%	-30.7%	-27.0%	-28.2%

Source: FactSet

Stock Data

(LC)	1157 HK	000157 CH
Mkt Cap (mn)	7941.462	42008.484
Avg 3 mths t/o (mn)	33.09	288.66
52w High	10.46	10
52w Low	5.02	5.84
Issued Shares (mn)	1581.965	7096.0277

Source: FactSet

Related reports:
Capital Goods - Decent export growth of earth-moving machinery in Sep; Domestic excavator sales improved – 13 Oct 2026 (link)

Capital Goods - Key takeaways from investor calls after sector pullback – 17 Sep 2026 (link)

Figure 1: 3Q26 results highlights

(RMB mn)	1Q25	1Q26	Change YoY	2Q25	2Q26	Change YoY	3Q25	3Q26	Change YoY
Revenue breakdown									
China	5,549	5,562	*0%*	5,490	6,038	*10%*	4,803	5,283	*10%*
Overseas	6,568	7,390	*13%*	7,248	8,144	*12%*	7,497	7,603	*1%*
Total revenue	**12,117**	**12,952**	***7%***	**12,738**	**14,183**	***11%***	**12,301**	**12,884**	***5%***
Cost of sales	-8,642	-9,365	*8%*	-9,217	-10,492	*14%*	-8,856	-9,307	*5%*
Gross profit	**3,474**	**3,587**	***3%***	**3,522**	**3,691**	***5%***	**3,445**	**3,577**	***4%***
Other income	566	423	*-25%*	350	1,083	*210%*	388	50	*-87%*
S&D expenses	-1,014	-1,078	*6%*	-1,084	-1,414	*30%*	-995	-1,278	*28%*
Administrative expenses	-694	-741	*7%*	-863	-778	*-10%*	-632	-686	*8%*
R&D expenses	-730	-748	*2%*	-682	-685	*0%*	-633	-593	*-6%*
EBIT	**1,602**	**1,442**	***-10%***	**1,243**	**1,898**	***53%***	**1,573**	**1,071**	***-32%***
Net finance income/(cost)	87	-500	*n/a*	305	-399	*n/a*	-269	-285	*6%*
Other gains/(losses)	0	0	*n/a*	0	0	*n/a*	48	135	*n/a*
Share of profit of JV and associates	24	25	*2%*	35	-5	*n/a*	36	27	*-24%*
Pretax profit	**1,713**	**966**	***-44%***	**1,583**	**1,495**	***-6%***	**1,387**	**948**	***-32%***
Income tax	-197	-48	*-75%*	-199	-277	*39%*	-182	-44	*-76%*
After tax profit	**1,516**	**918**	***-39%***	**1,384**	**1,218**	***-12%***	**1,206**	**904**	***-25%***
MI	-106	-34	*-68%*	-29	-0	*-98%*	-50	-45	*-10%*
Net profit	**1,410**	**884**	***-37%***	**1,354**	**1,218**	***-10%***	**1,156**	**859**	***-26%***
Key ratios			***Change (ppt)***			***Change (ppt)***			***Change (ppt)***
Gross margin	*28.7%*	*27.7%*	*-1.0*	*27.6%*	*26.0%*	*-1.6*	*28.0%*	*27.8%*	*-0.2*
S&D expenses ratio	*8.4%*	*8.3%*	*-0.0*	*8.5%*	*10.0%*	*1.5*	*8.1%*	*9.9%*	*1.8*
Administrative expense ratio	*5.7%*	*5.7%*	*-0.0*	*6.8%*	*5.5%*	*-1.3*	*5.1%*	*5.3%*	*0.2*
R&D expense ratio	*6.0%*	*5.8%*	*-0.2*	*5.4%*	*4.8%*	*-0.5*	*5.2%*	*4.6%*	*-0.5*
Net margin	*12.5%*	*7.1%*	*-5.4*	*10.9%*	*8.6%*	*-2.3*	*9.8%*	*7.0%*	*-2.8*
Effective tax rate	*11.5%*	*5.0%*	*-6.5*	*12.6%*	*18.5%*	*5.9*	*13.1%*	*4.7%*	*-8.4*

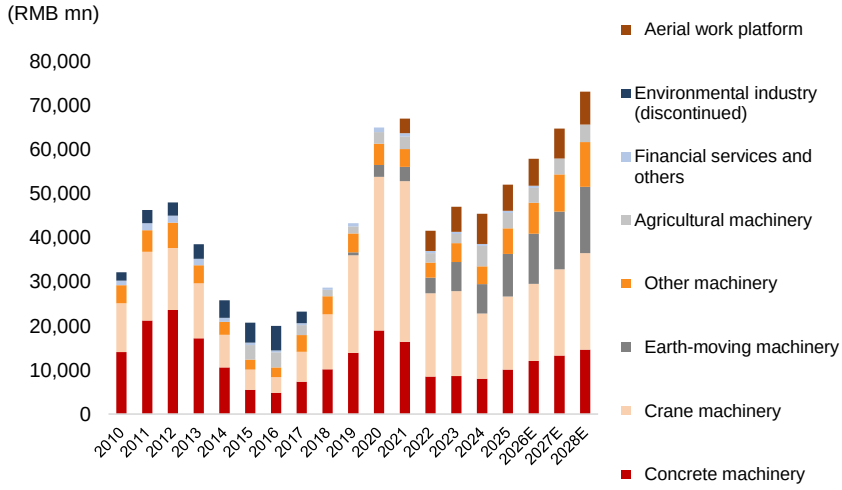
Source: Company data, CMBIGM estimates

Figure 2: Changes in key assumptions for Zoomlion

	Old			New			Change		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
(RMB mn)									
Revenue									
Construction machinery	55,457	62,654	70,841	54,153	61,194	69,208	-2%	-2%	-2%
Concrete machinery	11,666	12,832	14,115	12,068	13,275	14,602	3%	3%	3%
Crane machinery	19,466	21,802	24,418	17,469	19,566	21,914	-10%	-10%	-10%
Aerial work platform	6,150	6,765	7,441	6,150	6,765	7,441	0%	0%	0%
Earth-moving machinery	11,123	12,791	14,710	11,413	13,125	15,094	3%	3%	3%
Other machinery	7,053	8,464	10,157	7,053	8,464	10,157	0%	0%	0%
Agricultural machinery	4,073	4,480	4,928	3,364	3,634	3,997	-17%	-19%	-19%
Financial services and others	470	493	518	470	493	518	0%	0%	0%
Total revenue	**60,000**	**67,627**	**76,287**	**57,988**	**65,321**	**73,722**	**-3%**	**-3%**	**-3%**
Gross margin							***Change in ppt***		
Construction machinery	*29.5%*	*29.7%*	*29.7%*	*28.6%*	*29.4%*	*29.4%*	*-0.94*	*-0.27*	*-0.26*
Concrete machinery	*23.4%*	*23.5%*	*23.5%*	*23.4%*	*23.5%*	*23.5%*	*0.00*	*0.00*	*0.00*
Crane machinery	*33.1%*	*33.2%*	*33.2%*	*31.0%*	*33.0%*	*33.0%*	*-2.10*	*-0.20*	*-0.20*
Aerial work platform	*30.3%*	*30.3%*	*30.3%*	*29.5%*	*30.0%*	*30.0%*	*-0.80*	*-0.30*	*-0.30*
Earth-moving machinery	*30.0%*	*30.5%*	*30.5%*	*30.0%*	*30.5%*	*30.5%*	*0.00*	*0.00*	*0.00*
Other machinery	*28.2%*	*28.2%*	*28.2%*	*28.2%*	*28.2%*	*28.2%*	*0.00*	*0.00*	*0.00*
Agricultural machinery	*12.0%*	*14.0%*	*15.0%*	*9.0%*	*11.0%*	*13.0%*	*-3.00*	*-3.00*	*-2.00*
Financial services	*97.0%*	*97.0%*	*97.0%*	*97.0%*	*97.0%*	*97.0%*	*0.00*	*0.00*	*0.00*
Blended gross margin	***28.8%***	***29.1%***	***29.2%***	***28.0%***	***28.9%***	***29.0%***	***-0.86***	***-0.23***	***-0.19***
S&D expense ratio	*8.8%*	*8.8%*	*8.8%*	*9.5%*	*9.2%*	*9.0%*	*0.7*	*0.4*	*0.2*
Administrative expense ratio	*5.9%*	*5.9%*	*5.9%*	*5.7%*	*5.6%*	*5.5%*	*(0.2)*	*(0.3)*	*(0.4)*
R&D expense ratio	*5.4%*	*5.3%*	*5.3%*	*5.2%*	*5.3%*	*5.3%*	*(0.2)*	*0.0*	*0.0*
Effective tax rate	*13.0%*	*13.0%*	*13.0%*	*13.0%*	*13.0%*	*13.0%*	*0.0*	*0.0*	*0.0*
MI	4.8%	4.8%	4.8%	*4.8%*	*4.8%*	*4.8%*	*0.0*	*0.0*	*0.0*
Net profit	**5,241**	**5,817**	**6,534**	**4,747**	**5,551**	**6,363**	**-9.4%**	**-4.6%**	**-2.6%**

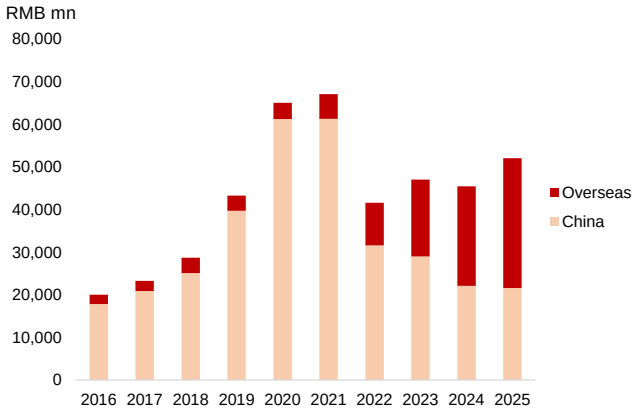
Source: Company data, CMBIGM estimates

Figure 3: Zoomlion's revenue breakdown



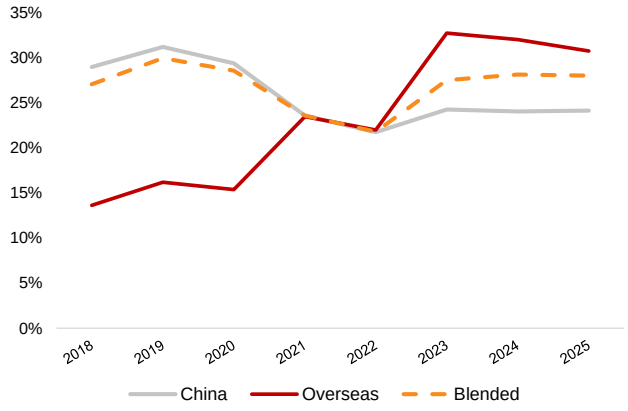
Source: Company data, CMBIGM estimates

Figure 4: Zoomlion revenue breakdown by region



Source: Company data, CMBIGM

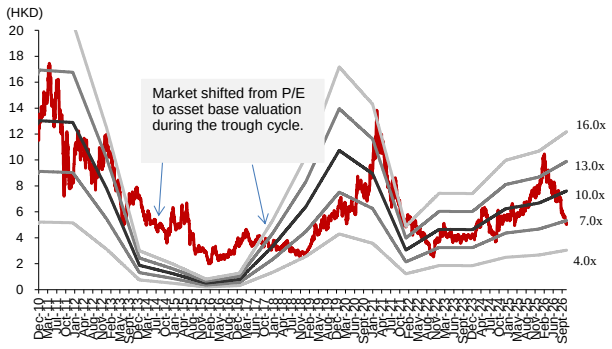
Figure 5: Gross margin overseas has exceeded that in China since 2023



Source: Company data, CMBIGM

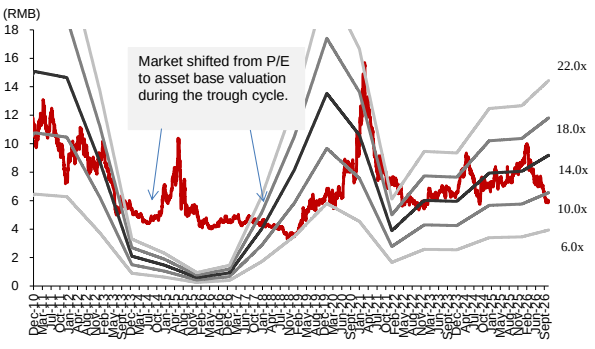
Valuation

Figure 6: Zoomlion-H 12M forward P/E band



Source: Bloomberg, company data, CMBIGM estimates

Figure 7: Zoomlion-A 12M forward P/E band



Source: Bloomberg, company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**47,075**	**45,478**	**52,107**	**57,988**	**65,321**	**73,722**
Cost of goods sold	(34,109)	(32,668)	(37,497)	(41,763)	(46,447)	(52,337)
Gross profit	**12,966**	**12,810**	**14,610**	**16,225**	**18,874**	**21,385**
Selling expense	(3,557)	(3,721)	(4,537)	(5,509)	(6,010)	(6,635)
Admin expense	(3,068)	(3,155)	(3,055)	(3,305)	(3,658)	(4,055)
R&D expense	(3,441)	(2,769)	(2,895)	(3,015)	(3,462)	(3,907)
Other income	935	1,162	1,690	1,438	1,088	1,088
Other gains/(losses)	0	0	0	0	0	0
Share of (losses)/profits of associates/JV	153	84	114	82	84	86
EBITDA	**4,980**	**5,413**	**6,999**	**7,160**	**8,263**	**9,397**
Depreciation	1,145	1,086	1,186	1,326	1,431	1,521
EBIT	**3,835**	**4,327**	**5,813**	**5,833**	**6,832**	**7,876**
Interest income	914	653	469	640	613	551
Interest expense	(630)	(681)	(602)	(825)	(827)	(830)
Net Interest income/(expense)	**284**	**(28)**	**(133)**	**(185)**	**(215)**	**(279)**
Pre-tax profit	**4,272**	**4,383**	**5,794**	**5,731**	**6,702**	**7,683**
Income tax	(457)	(374)	(767)	(745)	(871)	(999)
Minority interest	(265)	(488)	(248)	(239)	(280)	(321)
Net profit	**3,815**	**4,009**	**5,027**	**4,986**	**5,830**	**6,684**
Adjusted net profit	**3,550**	**3,521**	**4,779**	**4,747**	**5,551**	**6,363**
Gross dividends	2,777	2,603	3,459	3,418	3,996	4,582

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**78,006**	**74,478**	**84,030**	**80,767**	**88,541**	**89,317**
Cash & equivalents	13,606	12,155	11,872	11,154	10,500	8,072
Account receivables	32,033	32,400	42,395	35,451	45,081	39,750
Inventories	22,504	22,564	20,516	24,107	22,467	30,013
ST bank deposits	2,265	1,565	1,910	1,910	1,910	1,910
Financial assets at FVTPL	1,767	1,622	2,071	2,071	2,071	2,071
Other current assets	5,831	4,172	5,266	6,074	6,512	7,501
Non-current assets	**52,819**	**49,234**	**49,077**	**55,028**	**56,920**	**62,107**
PP&E	17,364	20,577	21,662	24,511	26,756	28,410
Deferred income tax	2,303	2,637	2,766	2,766	2,766	2,766
Investment in JVs & assos	4,497	4,484	4,079	4,161	4,245	4,331
Intangibles	1,988	2,019	1,882	1,722	1,561	1,401
Goodwill	2,641	2,580	2,580	2,580	2,580	2,580
Financial assets at FVTPL	2,669	2,017	1,730	1,730	1,730	1,730
Other non-current assets	21,357	14,920	14,378	17,558	17,281	20,889
Total assets	**130,825**	**123,712**	**133,107**	**135,796**	**145,461**	**151,424**
Current liabilities	**49,996**	**42,987**	**48,966**	**50,128**	**57,380**	**60,655**
Short-term borrowings	7,377	10,837	10,962	11,062	11,162	11,262
Account payables	40,513	29,763	36,083	37,145	44,297	47,472
Tax payable	154	310	311	311	311	311
Other current liabilities	1,952	2,077	1,610	1,610	1,610	1,610
Non-current liabilities	**21,698**	**20,923**	**24,303**	**24,303**	**24,303**	**24,303**
Long-term borrowings	14,922	15,412	21,980	21,980	21,980	21,980
Other non-current liabilities	6,776	5,511	2,323	2,323	2,323	2,323
Total liabilities	**71,694**	**63,910**	**73,269**	**74,431**	**81,683**	**84,958**
Total shareholders equity	**56,371**	**57,101**	**57,534**	**58,822**	**60,955**	**63,322**
Minority interest	2,760	2,701	2,304	2,543	2,823	3,144
Total equity and liabilities	**130,825**	**123,712**	**133,107**	**135,796**	**145,461**	**151,424**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**4,272**	**4,383**	**5,794**	**5,731**	**6,702**	**7,683**
Depreciation & amortization	1,145	1,086	1,186	1,326	1,431	1,521
Tax paid	(401)	(1,003)	(919)	(745)	(871)	(999)
Change in working capital	(2,837)	(3,410)	(1,584)	411	(1,014)	(3,651)
Others	113	418	96	102	131	193
Net cash from operations	**2,292**	**1,474**	**4,573**	**6,826**	**6,378**	**4,748**
Investing						
Capital expenditure	(1,727)	(3,902)	(4,212)	(4,000)	(3,500)	(3,000)
Acquisition of subsidiaries/ investments	0	0	(7)	0	0	0
Others	1,870	1,648	(1,121)	640	613	551
Net cash from investing	**143**	**(2,254)**	**(5,340)**	**(3,360)**	**(2,887)**	**(2,449)**
Financing						
Dividend paid	(2,694)	(2,777)	(2,603)	(3,459)	(3,418)	(3,996)
Net borrowings	319	3,950	6,693	100	100	100
Proceeds from share issues	(1,085)	(54)	(96)	0	0	0
Others	816	(1,798)	(3,528)	(825)	(827)	(830)
Net cash from financing	**(2,644)**	**(679)**	**466**	**(4,184)**	**(4,145)**	**(4,726)**
Net change in cash						
Cash at the beginning of the year	13,791	13,606	12,155	11,872	11,154	10,500
Exchange difference	24	8	18	0	0	0
Cash at the end of the year	**13,606**	**12,155**	**11,872**	**11,154**	**10,500**	**8,072**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	13.1%	(3.4%)	14.6%	11.3%	12.6%	12.9%
Gross profit	42.7%	(1.2%)	14.1%	11.1%	16.3%	13.3%
EBITDA	59.8%	8.7%	29.3%	2.3%	15.4%	13.7%
EBIT	84.2%	12.8%	34.3%	0.4%	17.1%	15.3%
Net profit	57.3%	5.1%	25.4%	(0.8%)	16.9%	14.6%
Adj. net profit	51.3%	(0.8%)	35.7%	(0.7%)	16.9%	14.6%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	27.5%	28.2%	28.0%	28.0%	28.9%	29.0%
EBITDA margin	10.6%	11.9%	13.4%	12.3%	12.7%	12.7%
Adj. net profit margin	7.5%	7.7%	9.2%	8.2%	8.5%	8.6%
Return on equity (ROE)	6.9%	7.1%	8.8%	8.6%	9.7%	10.8%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	0.1	0.2	0.3	0.3	0.3	0.3
Current ratio (x)	1.6	1.7	1.7	1.6	1.5	1.5
Receivable turnover days	343.9	329.6	307.1	291.0	271.0	256.0
Inventory turnover days	196.4	251.8	209.7	195.0	183.0	183.0
Payable turnover days	405.4	392.6	320.5	320.0	320.0	320.0

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	9.9	10.0	7.5	7.4	6.3	5.5
P/B	0.7	0.6	0.6	0.6	0.6	0.6
Div yield (%)	7.5	7.0	9.3	9.2	10.8	12.4

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

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