25 Aug 2026

CMB International Global Markets | Equity Research | Company Update

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Jiangsu Hengli (601100 CH)

Key takeaways from post-results call

We have several positive takeaways from the post-results call: (1) Loss in Mexico operation reduced in 2Q26 (vs 1Q26), and we now forecast the full-year loss to be ~RMB100mn (i.e. RMB20mn loss in 2H26E); (2) Precision industry (excluding ball screw) is expected to turn profitable in 2027E; (3) Demand for hydraulic components for excavators is strong, with potentially more order intakes for medium size cylinders for excavators from the major US construction machinery customer in 4Q26E; (4) Ball screws for humanoid robots capacity is on track to reach 100k units in the near term, and is expected to reach 1mn units in 3-5 years, according to the company. We trim our 2026E earnings forecast by 3%, as we incorporated FX loss in 1H26 and slightly lower margin assumptions. We maintain our positive stance on Hengli and roll over our TP to RMB132, based on 42x 2027E P/E (previously 48x 2026E P/E). Our target multiple is based on 1SD above the historical average to reflect both the upcycle of hydraulic business and the growth potential of precision industry business. Hengli remains a key pick in our universe.

- **Loss in Mexico operation to be further narrowed.** Mexico plant is engaged in hydraulic components business at the moment. Based on our understanding, the loss in Mexico plant narrowed to RMB20mn in 2Q26 from RMB60mn in 1Q26. We understand that the annual depreciation expense is ~RMB100mn while the annual operating expense is ~RMB40-50mn. Looking forward, we now assume only RMB20m loss in 2H26E. We forecast the full-year loss to be ~RMB100mn.
- **Ball screws for humanoid robots.** Two production lines in China are in operation at present. Hengli expects higher output in 4Q26E, while the growth in 1Q27E will depend on the production schedule of the major US humanoid robots manufacturer. Hengli's ball screw capacity is expected to reach 100k units in the near term, and is planned to increase to 1mn units in 3-5 years.
- **Precision industry segment (excluding ball screw) to potentially turn profitable in 2027E.** The downstream applications include semiconductor and machine tools. For machine tools, Hengli will focus more on high-end customers (higher margin). For semiconductor, Hengli will focus on import substitution. In terms of capacity, the annual production value is expected to reach RMB2bn. We expect the segment revenue to double and turn profitable in 2027E.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	9,390	10,941	13,600	16,409	19,169
YoY growth (%)	4.5	16.5	24.3	20.6	16.8
Adjusted net profit (RMB mn)	2,508.7	2,734.0	3,382.7	4,208.8	4,938.2
EPS (Reported) (RMB)	1.87	2.04	2.52	3.14	3.68
YoY growth (%)	0.4	9.0	23.7	24.4	17.2
Consensus EPS (RMB)	na	na	2.56	3.15	3.75
P/E (x)	56.2	51.5	41.7	33.5	28.6
P/B (x)	8.9	8.2	7.2	6.3	5.6
Yield (%)	0.7	0.8	1.0	1.3	1.5
Net gearing (%)	(49.8)	(51.1)	(43.4)	(49.0)	(49.9)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**RMB132.00**
(Previous TP	RMB125.00)
Up/Downside	**25.6%**
Current Price	**RMB105.11**

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Stock Data

Mkt Cap (RMB mn)	140,933.6
Avg 3 mths t/o (RMB mn)	995.0
52w High/Low (RMB)	123.74/83.80
Total Issued Shares (mn)	1340.8

Source: FactSet

Shareholding Structure

WANG's family	64.3%

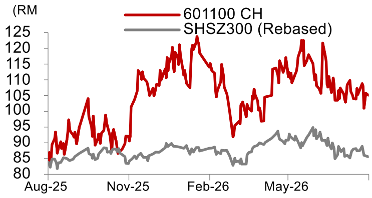
Source: SSE

Share Performance

	Absolute	Relative
1-mth	-1.6%	-0.9%
3-mth	-10.2%	-5.8%
6-mth	-7.8%	-6.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

Jiangsu Hengli - Net profit -3% YoY in 2Q26 but largely due to FX loss; strong revenue growth and EBIT – 25 Aug 2026 (link)

Jiangsu Hengli - 2Q26 preview: Revenue on track but profit hurt by FX; No impact from US foreign robots ban – 29 Jul 2026 (link)

Capital Goods – Strong growth of crane exports in Jun; AWP continues to see surprise – 16 Jul 2026 (link)

Jiangsu Hengli – Takeaways from plant visit: More positive than we thought – 5 Jun 2026 (link)

Figure 1: Change in key assumptions on Hengli

	Old			New			Change		
(RMB mn)	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue									
Hydraulic cyclinder	6,112	6,781	7,453	6,569	7,745	8,520	*7.5%*	*14.2%*	*14.3%*
Hydraulic pump and valve	5,404	6,300	7,192	5,404	6,300	7,192	*0.0%*	*0.0%*	*0.0%*
Hydraulic system	463	532	585	463	546	600	*0.0%*	*2.6%*	*2.6%*
Component	1,070	1,604	2,326	1,070	1,711	2,738	*0.0%*	*6.7%*	*17.7%*
Revenue (hydraulic business)	**13,049**	**15,218**	**17,556**	**13,506**	**16,303**	**19,050**	***3.5%***	***7.1%***	***8.5%***
Other business	95	106	119	95	106	119	*0.0%*	*0.0%*	*0.0%*
Total revenue	**13,144**	**15,324**	**17,675**	**13,600**	**16,409**	**19,169**	***3.5%***	***7.1%***	***8.5%***
Gross margin (hydraulic business)	***42.1%***	***42.0%***	***42.2%***	***40.9%***	***41.0%***	***41.2%***	*-1.1*	*-0.9*	*-1.0*
Other business	*95.0%*	*95.0%*	*95.0%*	*95.0%*	*95.0%*	*95.0%*	*0.0*	*0.0*	*0.0*
Blended gross margin	***42.4%***	***42.4%***	***42.5%***	***41.3%***	***41.4%***	***41.5%***	*-1.1*	*-1.0*	*-1.0*
								Change (ppt)	
S&D expense ratio	*-2.3%*	*-2.3%*	*-2.3%*	*-2.3%*	*-2.3%*	*-2.3%*	*0.0*	*0.0*	*0.0*
Admin expense and R&D ratio	*-12.3%*	*-12.2%*	*-12.2%*	*-12.1%*	*-11.9%*	*-11.9%*	*0.2*	*0.3*	*0.3*
Net finance income/(expense) RMB mn	43	202	245	-45	95	116	*-206.1%*	*-52.8%*	*-52.5%*
Net profit	**3,491**	**4,194**	**4,883**	**3,383**	**4,209**	**4,938**	***-3.1%***	***0.4%***	***1.1%***

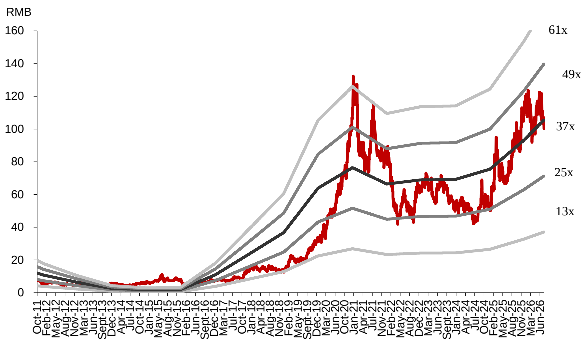
Source: Company data, CMBIGM

Figure 2: Key assumptions on Hengli

(RMB mn)	2023	2024	2025	2026E	2027E	2028E
Revenue						
Hydraulic cyclinder	4,693	4,761	5,254	6,569	7,745	8,520
Hydraulic pump and valve	3,268	3,583	4,326	5,404	6,300	7,192
Hydraulic system	292	296	385	463	546	600
Component	672	684	891	1,070	1,711	2,738
Revenue (hydraulic business)	**8,926**	**9,325**	**10,856**	**13,506**	**16,303**	**19,050**
Other business	59	65	85	95	106	119
Total revenue	**8,985**	**9,390**	**10,941**	**13,600**	**16,409**	**19,169**
Revenue growth						
Hydraulic cyclinder	2.4%	1.4%	10.4%	25.0%	17.9%	10.0%
Hydraulic pump and valve	18.6%	9.6%	20.7%	24.9%	16.6%	14.2%
Hydraulic system	15.1%	1.6%	30.0%	20.0%	18.0%	10.0%
Component	17.1%	1.8%	30.3%	20.0%	60.0%	60.0%
Revenue (hydraulic business)	9.3%	4.5%	16.4%	24.4%	20.7%	16.9%
Other business	96.0%	10.2%	29.9%	12.0%	12.0%	12.0%
Total revenue	9.6%	4.5%	16.5%	24.3%	20.6%	16.8%
Gross margin						
Hydraulic cyclinder	*41.2%*	*42.6%*	*39.7%*	*38.9%*	*40.0%*	*40.8%*
Hydraulic pump and valve	*47.6%*	*47.9%*	*48.8%*	*49.0%*	*49.0%*	*49.0%*
Hydraulic system	*38.7%*	*38.1%*	*34.4%*	*34.5%*	*34.8%*	*35.0%*
Component	*15.9%*	*14.5%*	*15.3%*	*15.8%*	*18.5%*	*23.0%*
Gross margin (hydraulic business)	*41.6%*	*42.5%*	*41.1%*	*40.9%*	*41.0%*	*41.2%*
Other business	*91.1%*	*93.9%*	*96.9%*	*95.0%*	*95.0%*	*95.0%*
Blended gross margin	*41.9%*	*42.8%*	*41.6%*	*41.3%*	*41.4%*	*41.5%*

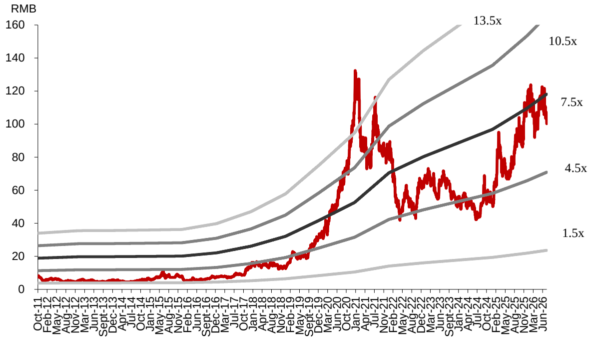
Source: Company data, CMBIGM estimates

Figure 3: Hengli's P/E band



Source: Bloomberg, company data, CMBIGM estimates

Figure 4: Hengli's P/B band



Source: Bloomberg, company data, CMBIGM estimates

Risk factors: (1) Slowdown of demand for hydraulic components; (2) slower-than-expected new business development.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**8,985**	**9,390**	**10,941**	**13,600**	**16,409**	**19,169**
Cost of goods sold	(5,220)	(5,368)	(6,392)	(7,980)	(9,616)	(11,215)
Gross profit	**3,765**	**4,021**	**4,549**	**5,620**	**6,793**	**7,954**
Selling expense	(186)	(217)	(254)	(313)	(377)	(441)
Admin expense	(404)	(592)	(649)	(789)	(935)	(1,093)
R&D expense	(694)	(728)	(705)	(857)	(1,017)	(1,188)
Others	(150)	(156)	(248)	(258)	(312)	(364)
Operating profit	**2,330**	**2,328**	**2,692**	**3,403**	**4,151**	**4,868**
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
EBITDA	**2,744**	**2,758**	**3,228**	**3,998**	**4,800**	**5,572**
Depreciation	413	430	536	595	649	704
Interest income	382	146	(2)	(43)	97	118
Interest expense	(13)	(14)	(4)	(2)	(2)	(2)
Net Interest income/(expense)	**369**	**131**	**(6)**	**(45)**	**95**	**116**
Other income/expense	131	341	346	408	492	575
Pre-tax profit	**2,830**	**2,800**	**3,032**	**3,766**	**4,738**	**5,560**
Income tax	(326)	(288)	(292)	(377)	(521)	(612)
Minority interest	(5)	(4)	(6)	(7)	(8)	(10)
Adjusted net profit	**2,499**	**2,509**	**2,734**	**3,383**	**4,209**	**4,938**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**12,994**	**13,830**	**15,224**	**17,151**	**20,387**	**23,619**
Cash & equivalents	8,124	7,883	8,871	8,507	10,954	12,697
Account receivables	2,767	2,756	3,269	4,928	5,232	6,322
Inventories	1,692	1,765	2,154	2,787	3,273	3,671
Prepayment	156	157	252	252	252	252
Other current assets	255	1,270	677	677	677	677
Non-current assets	**4,901**	**5,808**	**6,447**	**6,757**	**6,913**	**7,014**
PP&E	2,851	3,889	4,998	5,321	5,490	5,605
Deferred income tax	58	139	276	276	276	276
Investment in JVs & assos	0	0	0	0	0	0
Intangibles	467	439	451	437	424	410
Goodwill	0	0	0	0	0	0
Financial assets at FVTPL	0	0	0	0	0	0
Other non-current assets	1,526	1,342	723	723	723	723
Total assets	**17,896**	**19,639**	**21,671**	**23,909**	**27,300**	**30,633**
Current liabilities	**3,099**	**3,379**	**3,821**	**3,822**	**4,450**	**4,646**
Short-term borrowings	203	19	17	17	17	17
Account payables	1,297	1,136	1,792	1,793	2,422	2,617
Tax payable	154	160	231	231	231	231
Other current liabilities	1,445	2,064	1,780	1,780	1,780	1,780
Non-current liabilities	**353**	**431**	**512**	**512**	**512**	**512**
Long-term borrowings	0	0	20	20	20	20
Deferred income	175	212	253	253	253	253
Other non-current liabilities	179	219	239	239	239	239
Total liabilities	**3,453**	**3,810**	**4,333**	**4,334**	**4,963**	**5,158**
Total shareholders equity	**14,391**	**15,775**	**17,280**	**19,509**	**22,264**	**25,392**
Minority interest	52	54	58	65	73	83
Total equity and liabilities	**17,896**	**19,639**	**21,671**	**23,909**	**27,300**	**30,633**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**2,830**	**2,800**	**3,032**	**3,766**	**4,738**	**5,560**
Depreciation & amortization	413	430	536	595	649	704
Tax paid	(326)	(288)	(292)	(377)	(521)	(612)
Change in working capital	(225)	(195)	(1,256)	(2,290)	(161)	(1,294)
Others	(15)	(269)	(209)	2	2	2
Net cash from operations	**2,677**	**2,479**	**1,811**	**1,696**	**4,708**	**4,360**
Investing						
Capital expenditure	(1,309)	(1,072)	(908)	(900)	(800)	(800)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	(1,742)	(2,028)	51	(5)	(5)	(5)
Net cash from investing	**(3,051)**	**(3,100)**	**(857)**	**(905)**	**(805)**	**(805)**
Financing						
Dividend paid	(831)	(939)	(939)	(1,153)	(1,455)	(1,810)
Net borrowings	(126)	(185)	43	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Others	77	336	32	(2)	(2)	(2)
Net cash from financing	**(880)**	**(788)**	**(864)**	**(1,155)**	**(1,456)**	**(1,812)**
Net change in cash						
Cash at the beginning of the year	6,886	8,124	7,883	8,871	8,507	10,954
Exchange difference	2,492	1,167	899	0	0	0
Cash at the end of the year	**8,124**	**7,883**	**8,871**	**8,507**	**10,954**	**12,697**
GROWTH	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Revenue	9.6%	4.5%	16.5%	24.3%	20.6%	16.8%
Gross profit	13.3%	6.8%	13.1%	23.5%	20.9%	17.1%
Operating profit	7.9%	(0.1%)	15.6%	26.4%	22.0%	17.3%
EBITDA	7.5%	0.5%	17.0%	23.9%	20.1%	16.1%
Adj. net profit	6.7%	0.4%	9.0%	23.7%	24.4%	17.3%
PROFITABILITY	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Gross profit margin	41.9%	42.8%	41.6%	41.3%	41.4%	41.5%
Operating margin	25.9%	24.8%	24.6%	25.0%	25.3%	25.4%
EBITDA margin	30.5%	29.4%	29.5%	29.4%	29.3%	29.1%
Adj. net profit margin	27.8%	26.7%	25.0%	24.9%	25.6%	25.8%
GEARING/LIQUIDITY/ACTIVITIES	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Net debt to equity (x)	(0.6)	(0.5)	(0.5)	(0.4)	(0.5)	(0.5)
Current ratio (x)	4.2	4.1	4.0	4.5	4.6	5.1
Receivable turnover days	116.8	107.4	100.5	110.0	113.0	110.0
Inventory turnover days	120.9	117.5	111.9	113.0	115.0	113.0
Payable turnover days	91.6	82.7	83.6	82.0	80.0	82.0
VALUATION	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
P/E	56.4	56.2	51.5	41.7	33.5	28.6
P/B	9.8	8.9	8.2	7.2	6.3	5.6
Div yield (%)	0.7	0.7	0.8	1.0	1.3	1.5

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

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