

# China Construction Machinery

## Upbeat guidance from US AWP manufacturers reaffirms our positive stance on the sector

Major aerial work platform (AWP) manufacturers (Terex, Oshkosh) and rental company (United Rentals) in the US provide bullish guidance on 2023E outlook after reporting their 2022 results. Key takeaways: (1) AWP manufacturers saw strong order flow with backlog visibility of >12 months; (2) The mega projects, which are less macro reliant, will provide both rental companies and AWP manufacturers with growth certainty over the coming years; (3) manufacturers' margin improvement trend will continue despite the fact that supply chain will remain a constraint this year, suggesting strong pricing power. All these reaffirm our positive stance on the AWP sector this year. We believe the strong demand in overseas, together with the gradual demand recovery in China after re-opening, present good opportunities for Chinese AWP manufacturers which face limited constraint on supply chain and cost inflation. Reiterate **BUY** on **Zhejiang Dingli** (60% overseas revenue contribution) and **Zoomlion** (AWP value to be unlocked through separate listing + resumption of share buy-back last Fri).

- **Terex Corporation (TEX US, NR):** Terex released its 2022 results last Friday and held a conference call. As at end-2022, Terex had total backlog amounted to US\$2.9bn on AWP (+27% YoY). Around 14% of such backlog is scheduled to be delivered in 2024E. Terex revealed that customer (leasing company) demand continues to be strong, due to high utilization rate, aging fleet, robust infrastructure projects and electrification projects (for customers' ESG goal). Terex targets to achieve US\$2.6-2.7bn of AWP sales in 2023E (up 4.7-8.7% YoY) and operating margin of 9% (up 1.1ppt YoY).
- **Oshkosh (OSK US, NR):** Oshkosh's results were released in late Jan. Oshkosh believes strong utilization rate of the customers, elevated fleet age and large number of mega projects underway will remain the major sources of growth. The percentage of access equipment (including AWP) in rental fleets deployed for mega projects (value >US\$400mn) has more than doubled over the historical level. These mega projects, including factories for EVs, batteries, chips as well as non-residential projects such as data centers and healthcare facilities, will continue to contribute strong demand for Oshkosh's access equipment. As at end-2022, backlog for access equipment amounted to US\$4.36bn, up 22% YoY. Oshkosh targets to achieve US\$4.2bn revenue in 2023E (+5.7% YoY) and operating margin of 11% (+3ppt YoY).
- **Implications to the Chinese manufacturers.** We believe the tight supply of AWP due to supply chain uncertainties will offer some room for **Dingli (overseas focused)** to achieve sales growth in the US even with the anti-dumping and countervailing tax. Besides, the potential demand recovery in Europe and China will be growth driver this year. **Zoomlion (domestically-focused but with a rising overseas presence)** will also benefit from increasing export opportunities. We see upside to our China AWP sales forecast (domestic sales + export) of 20% YoY in 2023E.

**OUTPERFORM**  
(Maintain)

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### Related Reports

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**Figure 1: Terex and Oshkosh 2023 guidance on AWP**

(US\$ mn)	2022	2023E		Growth	
		Low-end	High-end	Low-end	High-end
<b>Terex</b>					
<b>Net sales</b>					
Materials processing	1,942	2,000	2,100	3.0%	8.1%
Aerial work platform	2,484	2,600	2,700	4.7%	8.7%
<b>Operating margin</b>					
				Growth (ppt)	
Materials processing	15.3%	-	15.5%	-	0.2
Aerial work platform	7.9%	-	9.0%	-	1.1
<b>Oshkosh</b>					
<b>Net sales</b>					
Access equipment	3,972	-	4,200	-	5.7%
AWP	1,949	-	-	-	-
Telehandlers	1,175	-	-	-	-
Others	848	-	-	-	-
<b>Operating margin</b>					
				Growth (ppt)	
Access equipment	8.0%	-	11.0%	-	3.0

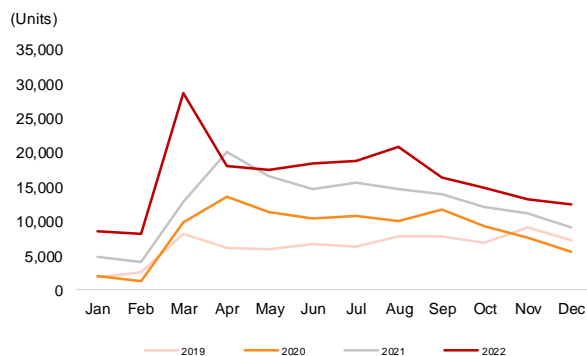
Source: Company data, CMBIGM

**Figure 2: US non-residential construction spending growth**

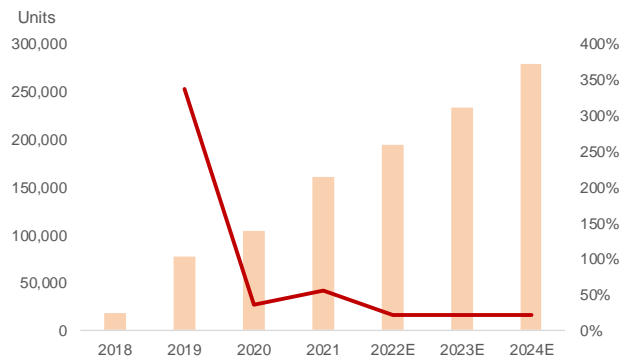
Source: Bloomberg, CMBIGM

**Figure 3: US manufacturing construction spending growth**

Source: Bloomberg, CMBIGM

**Figure 4: AWP monthly sales (China + export)**

Source: CCMA, CMBIGM

**Figure 5: CMBIGM AWP sales projection**

Source: IPAF, CCMA, CMBIGM estimates

**Figure 6: Peers comp table**

Ticker	Company	Rating	Price	TP	Upside/	Market cap	PE (x)		PB (x)	
			(local currency)	(local currency)	(downside)	(US\$ mn)	FY22E	FY23E	FY22E	FY23E
HK listed										
631 HK Equity	SANY INTERNATIONAL	BUY	7.69	13.20	72%	3,107	12.6	10.5	2.1	1.8
1157 HK Equity	ZOOMLION HEAVY-H	BUY	4.27	5.24	23%	7,191	11.2	9.0	0.6	0.6
2338 HK Equity	WEICHAI POWER-H	BUY	11.76	12.60	7%	14,648	21.2	16.1	1.2	1.2
3808 HK Equity	SINOTRUK HK LTD	HOLD	11.02	10.00	-9%	3,887	14.7	10.1	0.7	0.7
1839 HK Equity	CIMC VEHICLES -H	NR	5.07	-	-	2,224	n/a	n/a	n/a	n/a
564 HK Equity	ZHENGZHOU COAL-H	NR	8.90	-	-	3,395	5.6	4.5	0.9	0.7
HK listed average							13.0	10.1	1.1	1.0
A share										
000338 CH Equity	WEICHAI POWER-A	HOLD	11.75	11.40	-3%	14,701	24.5	18.7	1.4	1.4
601100 CH Equity	JIANGSU HENGLI-A	HOLD	65.42	58.00	-11%	12,954	33.7	30.0	7.9	6.7
603338 CH Equity	ZHEJIANG DINGLI -A	BUY	58.28	71.00	22%	4,358	24.5	20.4	4.2	3.6
600031 CH Equity	SANY HEAVY-A	HOLD	16.53	14.70	-11%	20,717	31.8	24.0	2.2	2.0
000157 CH Equity	ZOOMLION HEAVY-A	HOLD	6.06	6.00	-1%	7,217	18.4	14.8	0.9	0.9
000425 CH Equity	XCMG-A	NR	5.84	-	-	10,191	10.9	9.8	1.1	1.0
000528 CH Equity	GUANGXI LIUGONG-A	NR	6.28	-	-	1,813	13.3	10.9	0.8	0.7
603638 CH Equity	YANTAI EDDIE P	NR	18.18	-	-	2,256	64.9	51.9	5.0	4.6
600761 CH Equity	ANHUI HELI CO-A	NR	16.65	-	-	1,820	13.9	11.3	1.9	1.7
603298 CH Equity	HANGCHA GROUP-A	NR	20.38	-	-	2,608	17.6	14.5	2.8	2.5
000951 CH Equity	CNHTC JINAN T-A	NR	15.02	-	-	2,606	49.1	17.8	1.4	1.2
601717 CH Equity	ZHENGZHOU COAL-A	NR	13.77	-	-	3,407	9.9	8.1	1.7	1.2
600582 CH Equity	TIAN DI -A	NR	5.30	-	-	3,239	9.7	8.6	1.1	1.0
A-share average							24.8	18.5	2.5	2.2
Overseas										
CAT US Equity	CATERPILLAR INC	NR	247.7	-	-	128,890	15.7	14.6	7.7	6.6
DE US Equity	DEERE & CO	NR	417.8	-	-	124,149	14.9	14.2	6.2	5.0
6305 JP Equity	HITACHI CONST	NR	3,075.0	-	-	5,056	9.2	9.1	1.0	0.9
6301 JP Equity	KOMATSU LTD	NR	3,180.0	-	-	23,659	9.8	10.0	1.2	1.1
042670 KS Equity	DOOSAN INFRACORE	NR	7,800.0	-	-	1,246	7.0	6.3	0.9	0.8
VOLVB SS Equity	VOLVO AB-B	NR	203.5	-	-	40,299	11.5	11.2	2.5	2.4
Average							11.4	10.9	3.3	2.8
Hydraulic components										
PH US Equity	PARKER HANNIFIN	NR	348.9	-	-	44,749	17.9	16.3	4.6	4.0
7012 JP Equity	KAWASAKI HVY IND	NR	2,912.0	-	-	3,737	9.9	9.8	0.9	0.9
7242 JP Equity	KYB CORP	NR	3,545.0	-	-	698	4.3	3.9	0.6	0.5
6474 JP Equity	NACHI-FUJIKOSHI	NR	3,795.0	-	-	723	7.2	7.3	0.6	0.5
6268 JP Equity	NABTESCO CORP	NR	3,655.0	-	-	3,382	19.9	17.6	1.7	1.6
Average							11.9	11.0	1.7	1.5
Aerial working platform										
TEX US Equity	TEREX CORP	NR	54.3	-	-	3,667	11.3	10.7	2.6	2.2
OSK US Equity	OSHKOSH CORP	NR	90.3	-	-	5,906	16.1	12.5	1.8	1.6
LNR CN Equity	LINAMAR CORP	NR	71.8	-	-	3,303	11.3	9.0	n/a	n/a
PIG FP Equity	HAULOTTE GROUP	NR	3.4	-	-	115	n/a	65.0	0.5	0.5
6345 JP Equity	AICHI CORP	NR	770.0	-	-	450	10.5	9.8	n/a	n/a
Average (excluding Haulotte)							12.3	10.5	1.6	1.4

Source: Bloomberg, Company data, CMBIGM estimates

Note: Based on CMBI earnings estimates for stocks under coverage

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