28 Apr 2026

CMB International Global Markets | Equity Research | Company Update

Jiangsu Hengli (601100 CH)

1Q26 EBIT +34% YoY above expectation; net profit dragged by FX loss

BUY (Maintain)

Target Price	**RMB109.00**
Up/Downside	**12.4%**
Current Price	**RMB96.94**

China Capital Goods

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Hengli's 1Q26 net profit came in at RMB653mn, which increased only 6% YoY largely due to the recognition of net finance expense (RMB162mn vs net finance income of RMB199mn in 1Q25) as a result of the appreciation of RMB. EBIT grew 34% YoY to RMB775mn, driven by an impressive revenue growth of 33% YoY. Meanwhile, operating cash inflow in 1Q26 surged 9x YoY from a low base to RMB518mn. We see these as a set of decent operating results. We think FX volatility is normal and believe it should not affect the core valuation of Hengli. Maintain **BUY** with an unchanged TP of RMB109, based on 42x 2026E P/E (+1SD above the historical average unchanged, to reflect the machinery upcycle and humanoid robot components growth).

Hengli's 1Q26 results highlights

(RMB mn)	1Q25	1Q26	*Change YoY*
Total revenue	**2,422**	**3,210**	***32.5%***
Cost of sales	(1,468)	(1,972)	*34.3%*
Gross profit	**954**	**1,238**	***29.7%***
Other income	(27)	(28)	*4.7%*
S&D expenses	(58)	(69)	*19.0%*
Administrative expenses	(137)	(166)	*21.4%*
R&D expense	(149)	(183)	*23.0%*
Asset impairment	(4)	(16)	*266.9%*
EBIT	**579**	**775**	***33.9%***
Net finance income/(cost)	199	(162)	*n/a*
Other gains/(loss)	(59)	124	*n/a*
Profit of JV & associates	1	0	*n/a*
Pretax profit	**720**	**737**	***2.5%***
Income tax	(100)	(84)	*-16.6%*
After tax profit	**619**	**654**	*5.5%*
MI	(1)	(1)	*-5.3%*
Net profit	**618**	**653**	***5.6%***
Key ratios			*ppt*
Gross margin	*39.4%*	*38.6%*	*-0.8*
S&D expense ratio	*2.4%*	*2.2%*	*-0.2*
Adminstrative exp ratio	*5.6%*	*5.2%*	*-0.5*
R&D exp ratio	*6.1%*	*5.7%*	*-0.4*
Effective tax rate	*14.0%*	*11.4%*	*-2.6*

Source: Company data, CMBIGM

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

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	9,390	10,941	12,702	14,438	16,161
YoY growth (%)	4.5	16.5	16.1	13.7	11.9
Adjusted net profit (RMB mn)	2,508.7	2,734.0	3,471.5	4,036.0	4,585.0
EPS (Reported) (RMB)	1.87	2.04	2.59	3.01	3.42
YoY growth (%)	0.4	9.0	27.0	16.3	13.5
Consensus EPS (RMB)	na	na	2.55	3.02	na
P/E (x)	51.8	47.5	37.4	32.2	28.4
P/B (x)	8.2	7.5	6.6	5.9	5.2
Yield (%)	0.7	0.9	1.1	1.3	1.5
Net gearing (%)	(49.8)	(51.1)	(47.8)	(54.3)	(53.2)

Source: Company data, Bloomberg, CMBIGM estimates

Stock Data

Mkt Cap (RMB mn)	129,979.1
Avg 3 mths t/o (RMB mn)	1,098.5
52w High/Low (RMB)	123.74/66.70
Total Issued Shares (mn)	1340.8

Source: FactSet

Shareholding Structure

WANG's family	64.3%

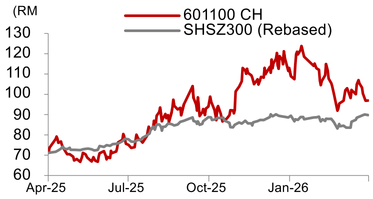
Source: SSE

Share Performance

	Absolute	Relative
1-mth	1.2%	-4.4%
3-mth	-14.2%	-15.3%
6-mth	3.2%	2.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

Jiangsu Hengli – 4Q25 earnings miss on gross margin and FX loss; But structural growth outlook still intact – 21 Apr 2026 (link)

Capital Goods – Strong export of earth-moving machinery in Feb – 9 Mar 2026 (link)

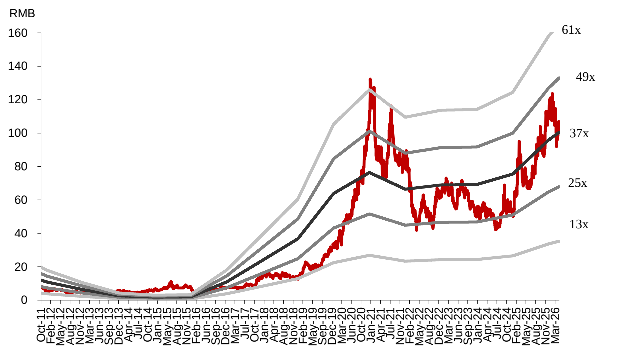
Capital Goods - Strong momentum of non-earth-moving machinery sales in Jan – 16 Feb 2026 (link)

Figure 1: Key assumptions on Hengli

(RMB mn)	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Revenue									
Hydraulic cyclinder	4,497	5,187	4,584	4,693	4,761	5,254	5,734	6,361	6,988
Hydraulic pump and valve	2,338	3,236	2,755	3,268	3,583	4,326	5,404	6,300	7,192
Hydraulic system	157	196	253	292	296	385	443	492	541
Component	845	677	574	672	684	891	1,025	1,179	1,320
Revenue (hydraulic business)	**7,838**	**9,295**	**8,167**	**8,926**	**9,325**	**10,856**	**12,607**	**14,332**	**16,042**
Other business	17	14	30	59	65	85	95	106	119
Total revenue	**7,855**	**9,309**	**8,197**	**8,985**	**9,390**	**10,941**	**12,702**	**14,438**	**16,161**
Revenue growth									
Hydraulic cyclinder	27.0%	15.3%	-11.6%	2.4%	1.4%	10.4%	9.1%	10.9%	9.9%
Hydraulic pump and valve	85.2%	38.4%	-14.9%	18.6%	9.6%	20.7%	24.9%	16.6%	14.2%
Hydraulic system	82.9%	25.1%	29.1%	15.1%	1.6%	30.0%	15.0%	11.0%	10.0%
Component	68.8%	-20.0%	-15.2%	17.1%	1.8%	30.3%	15.0%	15.0%	12.0%
Revenue (hydraulic business)	45.4%	18.6%	-12.1%	9.3%	4.5%	16.4%	16.1%	13.7%	11.9%
Other business	-23.1%	-19.6%	119.1%	96.0%	10.2%	29.9%	12.0%	12.0%	12.0%
Total revenue	45.1%	18.5%	-12.0%	9.6%	4.5%	16.5%	16.1%	13.7%	11.9%
Gross margin									
Hydraulic cyclinder	*46.8%*	*44.2%*	*40.1%*	*41.2%*	*42.6%*	*39.7%*	*41.1%*	*41.6%*	*42.1%*
Hydraulic pump and valve	*52.3%*	*52.0%*	*48.2%*	*47.6%*	*47.9%*	*48.8%*	*49.0%*	*49.0%*	*49.0%*
Hydraulic system	*45.7%*	*45.2%*	*44.9%*	*38.7%*	*38.1%*	*34.4%*	*34.5%*	*34.8%*	*35.0%*
Component	*6.2%*	*3.5%*	*2.9%*	*15.9%*	*14.5%*	*15.3%*	*15.8%*	*16.0%*	*16.5%*
Gross margin (hydraulic business)	*44.0%*	*44.0%*	*40.4%*	*41.6%*	*42.5%*	*41.1%*	*42.2%*	*42.5%*	*42.8%*
Other business	*74.3%*	*70.9%*	*92.7%*	*91.1%*	*93.9%*	*96.9%*	*95.0%*	*95.0%*	*95.0%*
Blended gross margin	*44.1%*	*44.0%*	*40.6%*	*41.9%*	*42.8%*	*41.6%*	*42.6%*	*42.9%*	*43.2%*

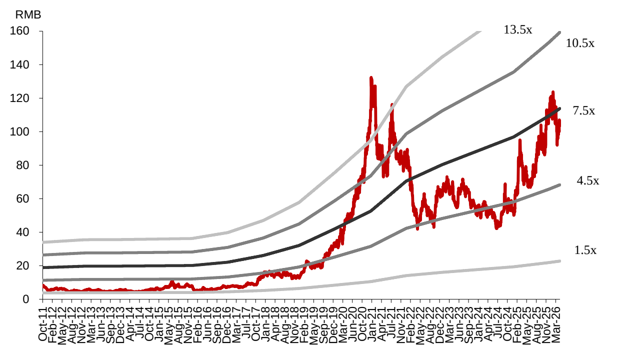
Source: Company data, CMBIGM estimates

Figure 2: Hengli's P/E band



Source: Bloomberg, company data, CMBIGM estimates

Figure 3: Hengli's P/B band



Source: Bloomberg, company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**8,985**	**9,390**	**10,941**	**12,702**	**14,438**	**16,161**
Cost of goods sold	(5,220)	(5,368)	(6,392)	(7,293)	(8,246)	(9,177)
Gross profit	**3,765**	**4,021**	**4,549**	**5,409**	**6,191**	**6,984**
Selling expense	(186)	(217)	(254)	(292)	(332)	(372)
Admin expense	(404)	(592)	(649)	(737)	(823)	(921)
R&D expense	(694)	(728)	(705)	(826)	(938)	(1,050)
Others	(150)	(156)	(248)	(184)	(200)	(215)
Operating profit	**2,330**	**2,328**	**2,692**	**3,370**	**3,898**	**4,425**
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
EBITDA	**2,744**	**2,758**	**3,228**	**3,955**	**4,531**	**5,106**
Depreciation	413	430	536	585	633	681
Interest income	382	146	(2)	137	215	254
Interest expense	(13)	(14)	(4)	(2)	(2)	(2)
Net Interest income/(expense)	**369**	**131**	**(6)**	**135**	**213**	**252**
Other income/expense	131	341	346	381	433	485
Pre-tax profit	**2,830**	**2,800**	**3,032**	**3,887**	**4,544**	**5,162**
Income tax	(326)	(288)	(292)	(408)	(500)	(568)
Minority interest	(5)	(4)	(6)	(7)	(8)	(9)
Adjusted net profit	**2,499**	**2,509**	**2,734**	**3,472**	**4,036**	**4,585**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**12,994**	**13,830**	**15,224**	**16,961**	**20,042**	**22,499**
Cash & equivalents	8,124	7,883	8,871	9,405	12,069	13,343
Account receivables	2,767	2,756	3,269	4,386	4,316	5,425
Inventories	1,692	1,765	2,154	2,241	2,729	2,802
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**	**6,767**	**6,939**	**7,063**
PP&E	2,851	3,889	4,998	5,331	5,517	5,654
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**	**23,729**	**26,981**	**29,562**
Current liabilities	**3,099**	**3,379**	**3,821**	**3,553**	**4,254**	**3,976**
Short-term borrowings	203	19	17	17	17	17
Account payables	1,297	1,136	1,792	1,525	2,226	1,948
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**	**4,065**	**4,767**	**4,489**
Total shareholders equity	**14,391**	**15,775**	**17,280**	**19,598**	**22,141**	**24,991**
Minority interest	52	54	58	65	73	82
Total equity and liabilities	**17,896**	**19,639**	**21,671**	**23,729**	**26,981**	**29,562**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**2,830**	**2,800**	**3,032**	**3,887**	**4,544**	**5,162**
Depreciation & amortization	413	430	536	585	633	681
Tax paid	(326)	(288)	(292)	(408)	(500)	(568)
Change in working capital	(225)	(195)	(1,256)	(1,472)	284	(1,460)
Others	(15)	(269)	(209)	2	2	2
Net cash from operations	**2,677**	**2,479**	**1,811**	**2,593**	**4,963**	**3,817**
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)	(1,493)	(1,735)
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)**	**(1,495)**	**(1,737)**
Net change in cash						
Cash at the beginning of the year	6,886	8,124	7,883	8,871	9,405	12,069
Exchange difference	2,492	1,167	899	0	0	0
Cash at the end of the year	**8,124**	**7,883**	**8,871**	**9,405**	**12,069**	**13,343**
GROWTH	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Revenue	9.6%	4.5%	16.5%	16.1%	13.7%	11.9%
Gross profit	13.3%	6.8%	13.1%	18.9%	14.5%	12.8%
Operating profit	7.9%	(0.1%)	15.6%	25.2%	15.7%	13.5%
EBITDA	7.5%	0.5%	17.0%	22.5%	14.6%	12.7%
Adj. net profit	6.7%	0.4%	9.0%	27.0%	16.3%	13.6%
PROFITABILITY	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Gross profit margin	41.9%	42.8%	41.6%	42.6%	42.9%	43.2%
Operating margin	25.9%	24.8%	24.6%	26.5%	27.0%	27.4%
EBITDA margin	30.5%	29.4%	29.5%	31.1%	31.4%	31.6%
Adj. net profit margin	27.8%	26.7%	25.0%	27.3%	28.0%	28.4%
GEARING/LIQUIDITY/ACTIVITIES	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Net debt to equity (x)	(0.6)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Current ratio (x)	4.2	4.1	4.0	4.8	4.7	5.7
Receivable turnover days	116.8	107.4	100.5	110.0	110.0	110.0
Inventory turnover days	120.9	117.5	111.9	110.0	110.0	110.0
Payable turnover days	91.6	82.7	83.6	83.0	83.0	83.0
VALUATION	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
P/E	52.0	51.8	47.5	37.4	32.2	28.4
P/B	9.0	8.2	7.5	6.6	5.9	5.2
Div yield (%)	0.7	0.7	0.9	1.1	1.3	1.5

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

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