

# Zhejiang Dingli (603338 CH)

## 3Q24 net profit +38% YoY, beat expectations; US remains the most promising market

Zhejiang Dingli's (Dingli) EBIT in 3Q24 grew 20% YoY to RMB672mn, driven by a 38% revenue growth (YoY) that offset the 4.8ppt YoY decrease in gross margin due mainly to an exceptional high base in 3Q23. Reported net profit grew 38% YoY to RMB636mn, helped by an increase in net finance income (FX gains). The results suggest Dingli's strong execution in expanding overseas. In the post-results call, management reiterated the strategy to focus on the US market, where outlook will remain the most promising in 2025E. In the near term, the anti-dumping (AD) results in the US (preliminary duties: down to 9.33% from 31.54%) and EU (from nil to 31.3%) could be released over the coming 1-2 months, which should help remove the overhang. We have left our earnings forecast unchanged. Maintain **BUY** with an unchanged TP of RMB75 (18x 2024E P/E, 1SD below the historical average of 31x).

- **Full consolidation of CMEC in 3Q24.** This is the first quarter with full contribution after the consolidation of CMEC, the major US subsidiary. Based on our understanding, revenue in the US was ~RMB1bn in 3Q24, with an estimated net margin of ~10%.
- **US sales target unchanged.** Dingli maintains the revenue target of US\$500mn (~RMB3.5bn) in 2024E for the US market, which implies ~RMB600mn potential sales in 4Q24E. Dingli believes that the incremental impact of a potential increase in tariffs in the case of Trump presidency should be manageable, as the reduction of anti-dumping duties could mitigate the impact.
- **Boom lift target overseas.** Dingli targets to deliver a total of 6k units of boom lifts overseas, including 2k units in the US (target unchanged). Overseas revenue from boom lifts will likely exceed scissors lifts for the full year, per our estimate.
- **Product differentiation to mitigate the impact of AD duties in EU.** Dingli expects sales in Europe will be relatively stable this year. Dingli will continue to offer differentiated products to increase pricing power, which will enable it to partially pass through the AD duties to the downstream.
- **Key risks:** (1) Further intensified competition in China's AWP market; (2) a slowdown of overseas demand; and (3) higher-than-expected anti-dumping duties in the US and EU.

### Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	5,445	6,312	7,569	8,810	10,409
YoY growth (%)	10.2	15.9	19.9	16.4	18.2
Net profit (RMB mn)	1,257.2	1,867.2	2,104.9	2,424.7	2,870.1
EPS (Reported) (RMB)	2.48	3.69	4.16	4.79	5.67
YoY growth (%)	36.3	48.5	12.7	15.2	18.4
Consensus EPS (RMB)	na	na	4.10	4.88	5.75
P/E (x)	19.5	13.2	11.7	10.1	8.6
P/B (x)	3.5	2.7	2.3	2.0	1.7
Yield (%)	1.0	2.1	2.4	2.8	3.3
ROE (%)	19.3	23.3	21.6	21.1	21.3
Net gearing (%)	(28.4)	(34.3)	(30.7)	(36.0)	(35.7)

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

**Target Price** RMB75.00  
**Up/Downside** 54.6%  
**Current Price** RMB48.50

### China Capital Goods

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### Stock Data

Mkt Cap (RMB mn)	24,555.6
Avg 3 mths t/o (RMB mn)	261.4
52w High/Low (RMB)	72.98/45.52
Total Issued Shares (mn)	506.3

Source: FactSet

### Shareholding Structure

XU Shugen	45.5%
Deqing Zhongding Equity Investment Manag	10.8%

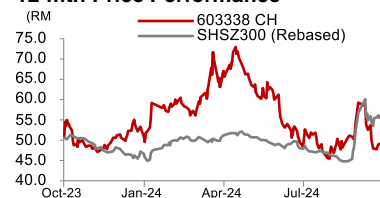
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	-10.8%	-16.7%
3-mth	0.2%	-14.3%
6-mth	-27.6%	-33.8%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

### Related reports:

Capital Goods – Construction machinery sales in Sep: Decent export growth; weak demand in China – 16 Oct 2024 ([link](#))

Dingli – Boom lifts and US market remain the key drivers – 28 Aug 2024 ([link](#))

Capital Goods – Overhang largely removed following EU's preliminary results of AD duties on AWP – 19 Jun 2024 ([link](#))

Dingli – 4Q23 & 1Q24 earnings in line; Staying positive on overseas growth – 25 Apr 2024 ([link](#))

Dingli – New APW capacity expansion plan to further enhance global competitiveness – 25 Mar 2024 ([link](#))

**Figure 1: Dingli's 3Q24 results**

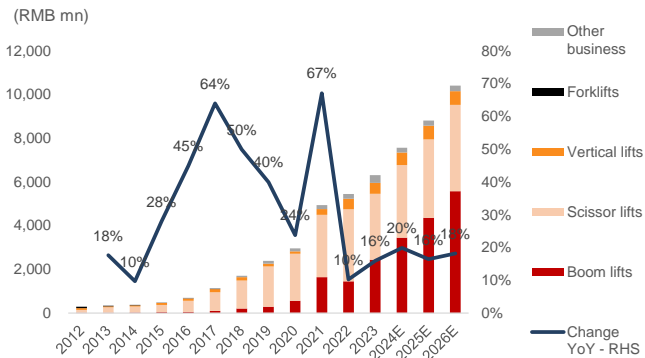
(RMB mn)	1Q23	1Q24	Chg YoY	2Q23	2Q24	Chg YoY	3Q23	3Q24	Chg YoY	4Q22	4Q23	Chg YoY
<b>Total revenue</b>	<b>1,302</b>	<b>1,452</b>	<b>11.5%</b>	<b>1,797</b>	<b>2,408</b>	<b>34.0%</b>	<b>1,644</b>	<b>2,274</b>	<b>38.4%</b>	<b>1,277</b>	<b>1,570</b>	<b>22.9%</b>
Cost of sales	-812	-855	5.2%	-1,272	-1,642	29.1%	-948	-1,419	49.8%	-806	-851	5.5%
<b>Gross profit</b>	<b>489</b>	<b>597</b>	<b>22.0%</b>	<b>525</b>	<b>766</b>	<b>45.9%</b>	<b>696</b>	<b>855</b>	<b>22.8%</b>	<b>471</b>	<b>719</b>	<b>52.7%</b>
Other income	-8	-10	36.0%	-7	-12	60.3%	-6	-9	36.2%	-3	-12	258.1%
S&D expenses	-42	-55	31.5%	-3	-24	591.2%	-72	-58	-19.0%	-36	-115	224.1%
Administrative expenses	-33	-29	-12.4%	-43	-59	36.2%	-24	-55	126.1%	-21	-41	94.5%
R&D expense	-40	-51	25.4%	-70	-68	-3.6%	-38	-62	61.7%	-53	-71	34.2%
Asset impairment	-3	-22	529.9%	-44	9	n/a	6	-0	n/a	-25	-20	-17.6%
<b>EBIT</b>	<b>363</b>	<b>430</b>	<b>18.5%</b>	<b>356</b>	<b>612</b>	<b>72.1%</b>	<b>562</b>	<b>672</b>	<b>19.6%</b>	<b>334</b>	<b>460</b>	<b>37.8%</b>
Net finance income/(cost)	-7	18	n/a	223	10	-95.5%	-62	36	n/a	71	90	27.2%
Other gains/(losses)	21	-88	n/a	7	-3	n/a	42	20	-51.2%	13	43	226.5%
Share of profit of JV and associates	9	10	15.1%	23	-13	n/a	6	0	n/a	2	38	1944.3%
<b>Pretax profit</b>	<b>386</b>	<b>369</b>	<b>-4.2%</b>	<b>609</b>	<b>606</b>	<b>-0.5%</b>	<b>548</b>	<b>728</b>	<b>33.0%</b>	<b>420</b>	<b>632</b>	<b>50.5%</b>
Income tax	-66	-67	1.6%	-97	-83	-14.3%	-86	-91	6.6%	-39	-58	48.8%
<b>After tax profit</b>	<b>319</b>	<b>302</b>	<b>-5.4%</b>	<b>512</b>	<b>523</b>	<b>2.1%</b>	<b>462</b>	<b>637</b>	<b>37.9%</b>	<b>381</b>	<b>574</b>	<b>50.7%</b>
MI	0	0	n/a	0	-0	n/a	0	-1	n/a	0	0	n/a
<b>Net profit</b>	<b>319</b>	<b>302</b>	<b>-5.4%</b>	<b>512</b>	<b>522</b>	<b>2.0%</b>	<b>462</b>	<b>636</b>	<b>37.7%</b>	<b>381</b>	<b>574</b>	<b>50.7%</b>
Gross margin	37.6%	41.1%	3.5 ppt	29.2%	31.8%	2.6 ppt	42.4%	37.6%	-4.8 ppt	36.9%	45.8%	8.9 ppt
S&D expense ratio	3.2%	3.8%	0.6	0.2%	1.0%	0.8	4.4%	2.5%	-1.8	2.8%	7.3%	4.6
Administrative expense ratio	2.5%	2.0%	-0.5	2.4%	2.5%	0.0	1.5%	2.4%	0.9	1.6%	2.6%	1.0
R&D expense ratio	3.1%	3.5%	0.4	3.9%	2.8%	-1.1	2.3%	2.7%	0.4	4.1%	4.5%	0.4
Effective tax rate	17.2%	18.2%	1.0	15.9%	13.7%	-2.2	15.7%	12.5%	-3.1	9.3%	9.2%	-0.1

Source: Company data, CMBIGM

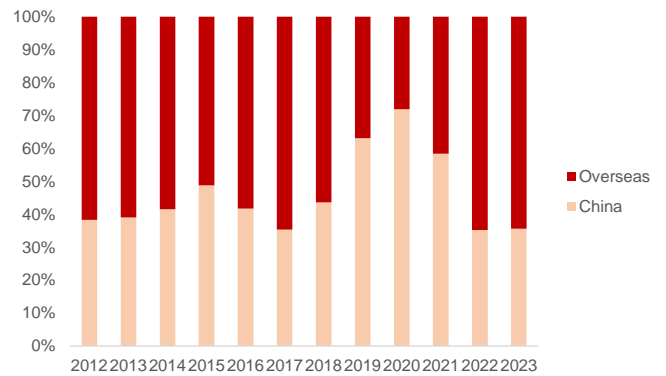
**Figure 2: Key assumptions**

	2021	2022	2023	2024E	2025E	2026E
<b>Sales volume (units)</b>						
Boom lifts	3,954	3,511	5,492	7,414	9,268	11,863
Scissor lifts	44,112	46,262	42,823	47,534	51,336	56,470
Vertical lifts	3,610	7,477	7,533	8,362	9,198	9,198
<b>Total (lifts)</b>	<b>51,676</b>	<b>57,250</b>	<b>55,848</b>	<b>63,309</b>	<b>69,802</b>	<b>77,530</b>
<b>Growth rate</b>						
Boom lifts	182.6%	-11.2%	56.4%	35.0%	25.0%	28.0%
Scissor lifts	27.5%	4.9%	-7.4%	11.0%	8.0%	10.0%
Vertical lifts	74.4%	107.1%	0.7%	11.0%	10.0%	0.0%
<b>Total (lifts)</b>	<b>35.8%</b>	<b>10.8%</b>	<b>-2.4%</b>	<b>13.4%</b>	<b>10.3%</b>	<b>11.1%</b>
<b>ASP (RMB/unit)</b>						
Boom lifts	416,207	414,084	445,361	465,000	470,000	470,000
Scissor lifts	64,529	71,221	70,292	70,000	70,000	70,000
Vertical lifts	72,931	64,112	66,924	68,000	68,000	68,000
<b>Change (YoY)</b>						
Boom lifts	3.0%	-0.5%	7.6%	4.4%	1.1%	0.0%
Scissor lifts	3.7%	10.4%	-1.3%	-0.4%	0.0%	0.0%
Vertical lifts	45.6%	-12.1%	4.4%	1.6%	0.0%	0.0%
<b>(RMB mn)</b>						
<b>Revenue</b>						
Boom lifts	1,646	1,454	2,446	3,448	4,356	5,575
Scissor lifts	2,847	3,295	3,010	3,327	3,594	3,953
Vertical lifts	263	479	504	569	625	625
<b>Revenue (core business)</b>	<b>4,755</b>	<b>5,228</b>	<b>5,960</b>	<b>7,344</b>	<b>8,575</b>	<b>10,154</b>
Other business	184	217	352	225	235	255
<b>Total revenue</b>	<b>4,939</b>	<b>5,445</b>	<b>6,312</b>	<b>7,569</b>	<b>8,810</b>	<b>10,409</b>
<b>Gross margin</b>						
Boom lifts	18.2%	20.6%	30.5%	33.0%	33.5%	34.0%
Scissor lifts	32.5%	32.6%	40.3%	40.0%	40.0%	40.0%
Vertical lifts	38.4%	34.0%	43.5%	43.5%	43.5%	43.5%
<b>Gross margin (core business)</b>	<b>27.8%</b>	<b>29.4%</b>	<b>36.5%</b>	<b>37.0%</b>	<b>37.0%</b>	<b>36.9%</b>
Other business	67.8%	70.2%	71.5%	71.0%	71.0%	71.0%
<b>Average gross margin</b>	<b>29.3%</b>	<b>31.0%</b>	<b>38.5%</b>	<b>38.0%</b>	<b>37.9%</b>	<b>37.8%</b>

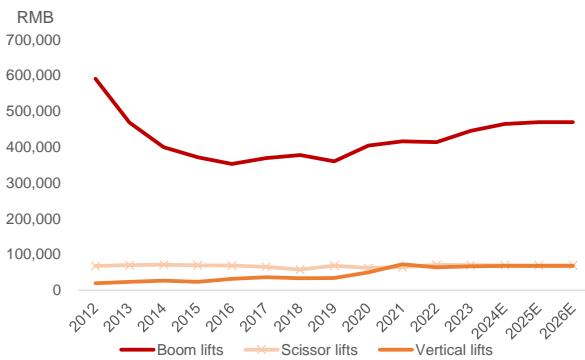
Source: Company data, CMBIGM estimates

**Figure 3: Dingli's revenue breakdown by product**

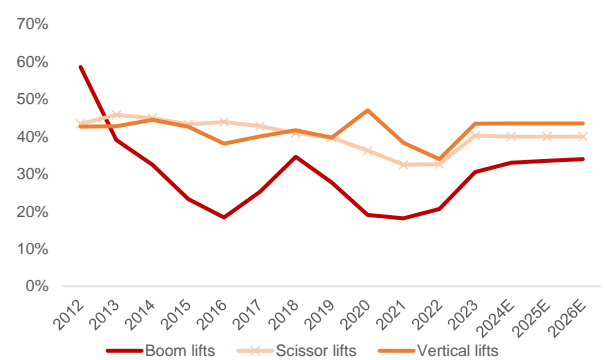
Source: Company data, CMBIGM estimates

**Figure 4: Dingli's revenue breakdown by region**

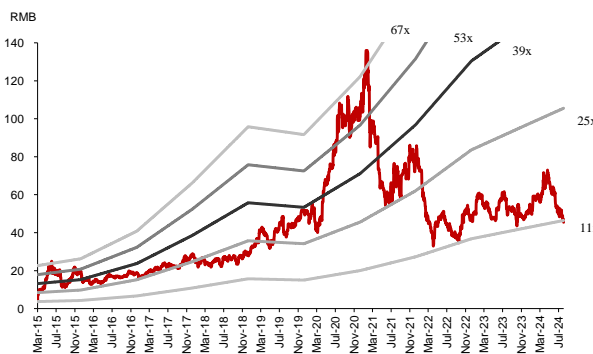
Source: Company data, CMBIGM

**Figure 5: Dingli's ASP trend**

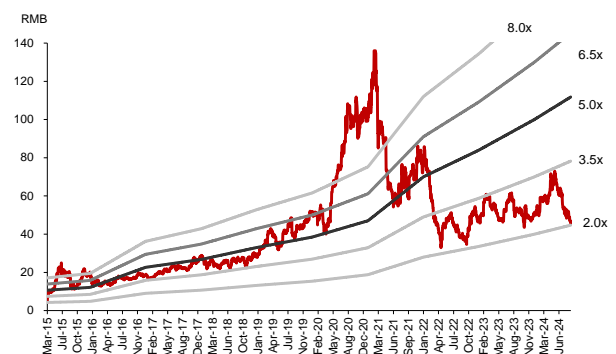
Source: Company data, CMBIGM estimates

**Figure 6: Gross margin trend**

Source: Company data, CMBIGM estimates

**Figure 7: Dingli's 12M forward P/E band**

Source: Bloomberg, company data, CMBIGM estimates

**Figure 8: Dingli's 12M forward P/B band**

Source: Bloomberg, company data, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	4,939	5,445	6,312	7,569	8,810	10,409
Cost of goods sold	(3,490)	(3,755)	(3,882)	(4,693)	(5,474)	(6,479)
Gross profit	1,449	1,690	2,430	2,876	3,336	3,930
Operating expenses	(401)	(547)	(689)	(757)	(872)	(1,020)
Selling expense	(111)	(158)	(232)	(280)	(326)	(385)
Admin expense	(88)	(123)	(141)	(159)	(176)	(198)
R&D expense	(155)	(202)	(220)	(257)	(300)	(354)
Others	(47)	(64)	(96)	(61)	(70)	(83)
Operating profit	1,048	1,143	1,740	2,119	2,463	2,910
Other gains/(losses)	40	64	113	114	132	156
Share of (losses)/profits of associates/JV	1	20	76	54	58	67
Depreciation	77	101	129	156	176	191
Interest income	16	250	264	199	201	236
Interest expense	(85)	(17)	(20)	(38)	(35)	(32)
Net interest income/(expense)	(69)	233	245	161	166	204
Pre-tax profit	1,021	1,460	2,174	2,448	2,819	3,337
Income tax	(137)	(203)	(307)	(343)	(395)	(467)
After tax profit	884	1,257	1,867	2,105	2,425	2,870
Minority interest	0	0	0	0	0	0
Net profit	884	1,257	1,867	2,105	2,425	2,870

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	7,394	8,821	10,140	11,738	13,393	16,134
Cash & equivalents	3,514	3,522	4,397	4,461	5,583	6,228
Account receivables	2,293	3,094	3,489	4,391	4,781	6,056
Inventories	1,387	1,795	1,921	2,553	2,696	3,516
Prepayment	42	9	7	7	7	7
Other current assets	157	401	327	327	327	327
Non-current assets	2,181	2,980	4,067	4,583	5,140	5,418
PP&E	828	947	1,613	2,072	2,311	2,436
Deferred income tax	12	30	3	3	3	3
Investment in JVs & assos	108	121	332	386	444	511
Intangibles	234	396	389	373	358	343
Other non-current assets	999	1,486	1,731	1,749	2,023	2,125
Total assets	9,574	11,802	14,207	16,321	18,533	21,551
Current liabilities	3,144	3,753	4,435	5,001	5,427	6,304
Short-term borrowings	873	777	826	776	726	676
Account payables	1,868	2,381	2,971	3,586	4,063	4,990
Tax payable	165	225	290	290	290	290
Other current liabilities	220	341	323	323	323	323
Contract liabilities	18	29	25	25	25	25
Non-current liabilities	452	984	807	757	707	657
Long-term borrowings	302	740	493	443	393	343
Deferred income	108	183	191	191	191	191
Other non-current liabilities	42	61	122	122	122	122
Total liabilities	3,596	4,737	5,242	5,757	6,134	6,961
Total shareholders equity	5,978	7,065	8,965	10,564	12,399	14,590
Minority interest	0	0	0	0	0	0
Total equity and liabilities	9,574	11,802	14,207	16,321	18,533	21,551

<b>CASH FLOW</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	1,021	1,460	2,174	2,448	2,819	3,337
Depreciation & amortization	77	101	129	156	176	191
Tax paid	(164)	(260)	(347)	(343)	(395)	(467)
Change in working capital	(687)	(211)	216	(937)	(331)	(1,270)
Others	126	(154)	56	(215)	(224)	(271)
<b>Net cash from operations</b>	<b>374</b>	<b>937</b>	<b>2,227</b>	<b>1,109</b>	<b>2,046</b>	<b>1,520</b>
<b>Investing</b>						
Capital expenditure	(340)	(819)	(371)	(600)	(400)	(300)
Others	271	(402)	(491)	199	201	236
<b>Net cash from investing</b>	<b>(69)</b>	<b>(1,222)</b>	<b>(863)</b>	<b>(401)</b>	<b>(199)</b>	<b>(64)</b>
<b>Financing</b>						
Dividend paid	(126)	(172)	(253)	(506)	(589)	(679)
Net borrowings	746	266	(198)	(100)	(100)	(100)
Proceeds from share issues	1,482	0	0	0	0	0
Others	(33)	(49)	0	(38)	(35)	(32)
<b>Net cash from financing</b>	<b>2,069</b>	<b>45</b>	<b>(451)</b>	<b>(644)</b>	<b>(724)</b>	<b>(811)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	1,191	3,514	3,522	4,397	4,461	5,583
Exchange difference	(50)	248	(39)	0	0	0
<b>Cash at the end of the year</b>	<b>3,514</b>	<b>3,522</b>	<b>4,397</b>	<b>4,461</b>	<b>5,583</b>	<b>6,228</b>
<b>GROWTH</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Revenue	67.1%	10.2%	15.9%	19.9%	16.4%	18.2%
Gross profit	40.4%	16.7%	43.7%	18.4%	16.0%	17.8%
Operating profit	37.2%	9.1%	52.2%	21.8%	16.3%	18.1%
Net profit	33.2%	42.1%	48.5%	12.7%	15.2%	18.4%
<b>PROFITABILITY</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Gross profit margin	29.3%	31.0%	38.5%	38.0%	37.9%	37.8%
Operating margin	21.2%	21.0%	27.6%	28.0%	28.0%	28.0%
Return on equity (ROE)	18.2%	19.3%	23.3%	21.6%	21.1%	21.3%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Net debt to equity (x)	(0.4)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)
Current ratio (x)	2.4	2.4	2.3	2.3	2.5	2.6
Receivable turnover days	130.9	180.6	190.3	190.0	190.0	190.0
Inventory turnover days	121.8	154.7	174.7	174.0	175.0	175.0
Payable turnover days	161.6	206.5	251.6	255.0	255.0	255.0
<b>VALUATION</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
P/E	26.6	19.5	13.2	11.7	10.1	8.6
P/B	4.1	3.5	2.7	2.3	2.0	1.7
Div yield (%)	0.7	1.0	2.1	2.4	2.8	3.3

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

# Disclosures & Disclaimers

## Analyst Certification

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## CMBIGM Ratings

**BUY** : Stock with potential return of over 15% over next 12 months  
**HOLD** : Stock with potential return of +15% to -10% over next 12 months  
**SELL** : Stock with potential loss of over 10% over next 12 months  
**NOT RATED** : Stock is not rated by CMBIGM

**OUTPERFORM** : Industry expected to outperform the relevant broad market benchmark over next 12 months  
**MARKET-PERFORM** : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months  
**UNDERPERFORM** : Industry expected to underperform the relevant broad market benchmark over next 12 months

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