

Capital Goods

Who are the potential beneficiaries of Germany's mega infrastructure investment plan?

The €500bn infrastructure plan proposed by Friedrich Merz, German Chancellor-in-waiting, is scheduled for parliament approval on 18 Mar. The approval of the plan has become likely (2/3 is needed) after winning support from the Greens last week. In HK & A share market, **Weichai Power (2338 HK / 000338 CH, BUY)**, being the controlling shareholder of **KION Group (KGX GR, NR)** which is the major industrial truck manufacturer in Europe, will likely become a beneficiary. **Zhejiang Dingli (603338 CH, BUY)** and **SANY Heavy (600031 CH, BUY)**, with ~20% revenue generated in Europe, will likely benefit as well.

- **Overview of the infrastructure investment plan.** The package is regarded as a major turning point in Germany's fiscal policy. A special fund, with a budget of €500bn spanning the next 12 years, will focus on key sectors such as transportation, energy, defence, and digital infrastructure.
- **Weichai Power.** Weichai is the controlling shareholder of KION Group with an equity interest of ~46.5%. In 9M24, KION's revenue from Western Europe reached €4.99bn, accounting for 59% of KION's total revenue. In 1H24, KION accounted for 11% of Weichai's attributable net profit. In our SOTP valuation, KION accounts for ~11% of our target price.
- **Zhejiang Dingli.** We estimate Europe accounted for ~20% of Dingli's total revenue (around half from EU countries within the 20%) in 2024. To recap, EU's anti-dumping duties on Dingli's AWP products is only 20.6% at present, which is much lower than those imposed on other China-based manufacturers (ranging from 30-55%). The makes Dingli able to enjoy a comparative advantage in the EU market.
- **SANY Heavy.** SANY Heavy generated ~22% of its total revenue from Europe in 9M24. In Germany, Putzmeister is a major concrete machinery manufacturer owned by SANY Heavy.

OUTPERFORM
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China Capital Goods Sector

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Figure 1: Overseas revenue contribution for major Chinese manufacturers

Company	Ticker	% of overseas revenue		
		2022	2023	1H24
Zhejiang Dingli	603338 CH	65%	64%	77%
SANY Heavy	600031 CH	47%	61%	62%
Zoomlion	1157 HK / 000157 CH	24%	38%	49%
Sinotruk	3808 HK	47%	36%	45%
XCMG	000425 CH	30%	40%	44%
SANY International	631 HK	27%	31%	36%
Jiangsu Hengli*	601100 CH	22%	22%	-
Weichai Power**	2338 HK / 000338 CH	54%	53%	52%

Source: Company data, CMBIGM

Note: * Certain domestic sales will become final products for export.

** Weichai owns 46.5% interest in KION (KGX GR), the major source of overseas revenue. Adjusted for KION's revenue, together with Weichai's direct and indirect exports, we estimate Weichai's attributable overseas revenue accounted for 30-40% of total revenue.

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