

Jiangsu Hengli (601100 CH)

Takeaways from plant visit: More positive than we thought

We arranged a site visit tour for investors to Hengli's production base in Changzhou on 3 Jun. Key takeaways include: (1) Strong demand for linear guideways driven by machine tools and semiconductor segments; (2) Huge potential for ball screws for humanoid robots due to strong commitment from the major customer; (3) Capacity for cylinders, pumps and valves are running at full utilisation driven by a wide range of downstream demand such as mining equipment and agricultural machinery. We revise up our 2027E/28E earnings forecasts by 4%/7%, due to higher volume assumptions. We now forecast Precision Industry revenue (linear guideways & ball screws) to increase from RMB80mn in 2025 to RMB0.4bn/1bn in 2026E/27E. We revise up our TP to RMB125 (from RMB109), based on 48x 2026E P/E, 1.5SD above the historical average (previously 1SD). Our expanded premium is to reflect both the upcycle of hydraulic business and the huge growth potential of precision business. Reiterate **BUY**.

Key takeaways:

- **Linear guideways:** At present, 90% of the linear actuator products are linear guideways which are produced in Changzhou factory. The products are applied in machine tools and semiconductor sectors which saw very strong demand. High precision is required in these applications.
- **Ball screws for humanoid robots:** A typical humanoid robot needs a total of 14 ball screws (4 for each leg; 3 for each arm excluding fingers). Hengli believes the keys to success in ball screw business include (1) product design; (2) production yield rate (for cost reduction); and (3) inspection (for product quality). Hengli has strong bonding with the major overseas customer and can participate in certain product design. Hengli's products currently account for <10% of the total value of a humanoid robot but will potentially increase to 10-20% in the future. According to Hengli, ball screw shipment volume is insignificant at the moment but is expected to see strong volume growth in 2H26E, and it will likely allocate the production of ball screws to Mexico plant. We expect Hengli will further expand its capacity over the coming years.
- **Strong growth across hydraulic business lines:** Demand for excavator cylinders, pumps & valves is robust, and capacity is running at full utilisation. For instance, strong mining activities in Africa have boosted high replacement demand for mining equipment. For pumps & valves, Hengli is confident of increasing their penetration in the major US machinery manufacturer (10% at present), as the Japanese hydraulic components makers have just raised ASP.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	9,390	10,941	13,144	15,324	17,675
YoY growth (%)	4.5	16.5	20.1	16.6	15.3
Adjusted net profit (RMB mn)	2,508.7	2,734.0	3,491.4	4,194.0	4,883.0
EPS (Reported) (RMB)	1.87	2.04	2.60	3.13	3.64
YoY growth (%)	0.4	9.0	27.7	20.1	16.3
Consensus EPS (RMB)	na	na	2.56	3.14	na
P/E (x)	61.0	56.0	43.9	36.5	31.4
P/B (x)	9.7	8.9	7.8	6.9	6.0
Yield (%)	0.6	0.8	1.0	1.2	1.4
Net gearing (%)	(49.8)	(51.1)	(45.4)	(51.2)	(52.0)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	RMB125.00
(Previous TP)	RMB109.00)
Up/Downside	9.5%
Current Price	RMB114.20

China Capital Goods

Wayne FUNG, CFA

(852) 3900 0826

waynefung@cmbi.com.hk

Stock Data

Mkt Cap (RMB mn)	153,121.6
Avg 3 mths t/o (RMB mn)	1,180.3
52w High/Low (RMB)	123.74/66.77
Total Issued Shares (mn)	1340.8

Source: FactSet

Shareholding Structure

WANG's family	64.3%
---------------	-------

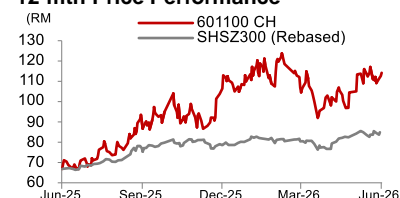
Source: SSE

Share Performance

	Absolute	Relative
1-mth	8.8%	5.9%
3-mth	9.2%	1.8%
6-mth	7.3%	-1.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Capital Goods - Strong sales of earth-moving machinery in Apr; price hikes planned for excavators – 11 May 2026 ([link](#))

Jiangsu Hengli - 1Q26 EBIT +34% YoY above expectation; net profit dragged by FX loss – 28 Apr 2026 ([link](#))

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

Figure 1: Change in key assumptions on Hengli

(RMB mn)	Old			New			Change		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue									
Hydraulic cylinder	5,734	6,361	6,988	6,112	6,781	7,453	6.6%	6.6%	6.6%
Hydraulic pump and valve	5,404	6,300	7,192	5,404	6,300	7,192	0.0%	0.0%	0.0%
Hydraulic system	443	492	541	463	532	585	4.3%	8.1%	8.1%
Component	1,025	1,179	1,320	1,070	1,604	2,326	4.3%	36.1%	76.2%
Revenue (hydraulic business)	12,607	14,332	16,042	13,049	15,218	17,556	3.5%	6.2%	9.4%
Other business	95	106	119	95	106	119	0.0%	0.0%	0.0%
Total revenue	12,702	14,438	16,161	13,144	15,324	17,675	3.5%	6.1%	9.4%
Gross margin (hydraulic business)	42.2%	42.5%	42.8%	42.1%	42.0%	42.2%	-0.1	-0.5	-0.7
Other business	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	0.0	0.0	0.0
Blended gross margin	42.6%	42.9%	43.2%	42.4%	42.4%	42.5%	-0.1	-0.5	-0.7
							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%	-12.3%	-12.2%	-12.2%	0.0	0.0	0.0
Net finance income/(expense) RMB mn	135	213	252	43	202	245	-68.4%	-5.0%	-2.8%
Net profit	3,472	4,036	4,585	3,491	4,194	4,883	0.6%	3.9%	6.5%

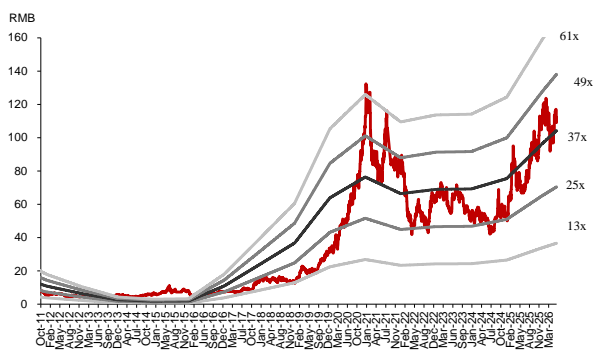
Source: Company data, CMBIGM estimates

Figure 2: Key assumptions on Hengli

(RMB mn)	2023	2024	2025	2026E	2027E	2028E
Revenue						
Hydraulic cylinder	4,693	4,761	5,254	6,112	6,781	7,453
Hydraulic pump and valve	3,268	3,583	4,326	5,404	6,300	7,192
Hydraulic system	292	296	385	463	532	585
Component	672	684	891	1,070	1,604	2,326
Revenue (hydraulic business)	8,926	9,325	10,856	13,049	15,218	17,556
Other business	59	65	85	95	106	119
Total revenue	8,985	9,390	10,941	13,144	15,324	17,675
Revenue growth						
Hydraulic cylinder	2.4%	1.4%	10.4%	16.3%	10.9%	9.9%
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%	15.0%	10.0%
Component	17.1%	1.8%	30.3%	20.0%	50.0%	45.0%
Revenue (hydraulic business)	9.3%	4.5%	16.4%	20.2%	16.6%	15.4%
Other business	96.0%	10.2%	29.9%	12.0%	12.0%	12.0%
Total revenue	9.6%	4.5%	16.5%	20.1%	16.6%	15.3%
Gross margin						
Hydraulic cylinder	41.2%	42.6%	39.7%	41.1%	41.6%	42.1%
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%	42.1%	42.0%	42.2%
Other business	91.1%	93.9%	96.9%	95.0%	95.0%	95.0%
Blended gross margin	41.9%	42.8%	41.6%	42.4%	42.4%	42.5%

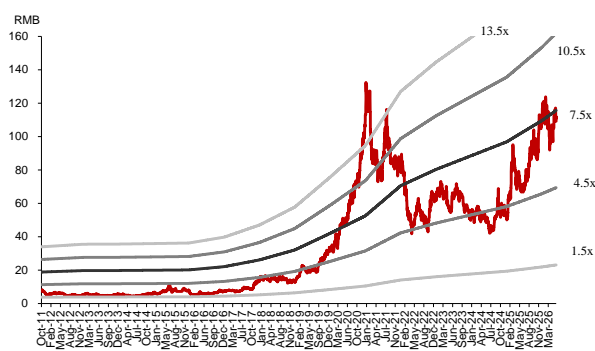
Source: Company data, CMBIGM estimates

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	13,144	15,324	17,675
Cost of goods sold	(5,220)	(5,368)	(6,392)	(7,565)	(8,834)	(10,161)
Gross profit	3,765	4,021	4,549	5,579	6,490	7,514
Selling expense	(186)	(217)	(254)	(302)	(352)	(407)
Admin expense	(404)	(592)	(649)	(762)	(873)	(1,007)
R&D expense	(694)	(728)	(705)	(854)	(996)	(1,149)
Others	(150)	(156)	(248)	(188)	(208)	(229)
Operating profit	2,330	2,328	2,692	3,472	4,060	4,722
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
EBITDA	2,744	2,758	3,228	4,057	4,693	5,403
Depreciation	413	430	536	585	633	681
Interest income	382	146	(2)	45	204	247
Interest expense	(13)	(14)	(4)	(2)	(2)	(2)
Net Interest income/(expense)	369	131	(6)	43	202	245
Other income/expense	131	341	346	394	460	530
Pre-tax profit	2,830	2,800	3,032	3,909	4,722	5,497
Income tax	(326)	(288)	(292)	(410)	(519)	(605)
Minority interest	(5)	(4)	(6)	(7)	(8)	(10)
Adjusted net profit	2,499	2,509	2,734	3,491	4,194	4,883
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	12,994	13,830	15,224	17,064	20,252	23,252
Cash & equivalents	8,124	7,883	8,871	8,952	11,451	13,250
Account receivables	2,767	2,756	3,269	4,653	4,835	5,818
Inventories	1,692	1,765	2,154	2,530	3,037	3,255
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	23,831	27,191	30,314
Current liabilities	3,099	3,379	3,821	3,635	4,294	4,328
Short-term borrowings	203	19	17	17	17	17
Account payables	1,297	1,136	1,792	1,607	2,266	2,300
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	4,148	4,807	4,841
Total shareholders equity	14,391	15,775	17,280	19,618	22,311	25,390
Minority interest	52	54	58	65	74	83
Total equity and liabilities	17,896	19,639	21,671	23,831	27,191	30,314

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	2,830	2,800	3,032	3,909	4,722	5,497
Depreciation & amortization	413	430	536	585	633	681
Tax paid	(326)	(288)	(292)	(410)	(519)	(605)
Change in working capital	(225)	(195)	(1,256)	(1,944)	(31)	(1,166)
Others	(15)	(269)	(209)	2	2	2
Net cash from operations	2,677	2,479	1,811	2,141	4,807	4,410
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)	(1,501)	(1,803)
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)	(1,503)	(1,805)
Net change in cash						
Cash at the beginning of the year	6,886	8,124	7,883	8,871	8,952	11,451
Exchange difference	2,492	1,167	899	0	0	0
Cash at the end of the year	8,124	7,883	8,871	8,952	11,451	13,250
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	9.6%	4.5%	16.5%	20.1%	16.6%	15.3%
Gross profit	13.3%	6.8%	13.1%	22.6%	16.3%	15.8%
Operating profit	7.9%	(0.1%)	15.6%	29.0%	16.9%	16.3%
EBITDA	7.5%	0.5%	17.0%	25.7%	15.7%	15.1%
Adj. net profit	6.7%	0.4%	9.0%	27.7%	20.1%	16.4%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	41.9%	42.8%	41.6%	42.4%	42.4%	42.5%
Operating margin	25.9%	24.8%	24.6%	26.4%	26.5%	26.7%
EBITDA margin	30.5%	29.4%	29.5%	30.9%	30.6%	30.6%
Adj. net profit margin	27.8%	26.7%	25.0%	26.6%	27.4%	27.6%
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	4.7	4.7	5.4
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	61.3	61.0	56.0	43.9	36.5	31.4
P/B	10.6	9.7	8.9	7.8	6.9	6.0
Div yield (%)	0.6	0.6	0.8	1.0	1.2	1.4

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

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

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

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.