

Zhejiang Dingli (603338 CH)

4Q23 & 1Q24 earnings in line; Staying positive on overseas growth

Zhejiang Dingli (Dingli)'s net profit in 2023 grew 49% YoY to RMB1.87bn, in line with the pre-announced profit of RMB1.86bn in Jan. In 1Q24, the adjusted net profit (excluding fair value loss of RMB101mn) grew 27% YoY to RMB404mn, which is in line with our expectation. During the post results call, management revealed that sales in the US has accelerated since early Apr, with a full year sales target of 2k units of boom lifts. Besides, boom lifts sales in overseas is expected to exceed that in China in 2024E (47% in 2023), implying better gross margin. In addition, phase five production plant is in ramp up stage, with a monthly boom lift output of 150 units at present which will be gradually increased. We raise our 2024E/25E earnings forecast by 7%/9%, due to higher assumptions on volume, gross margin and finance income. Accordingly, we revise up our TP to RMB75, based on unchanged 18x 2024E P/E (1SD below the historical average of 31x). Dingli remains our key pick given the continuous breakthrough in overseas market.

- 4Q23 net profit +51% YoY to a record high.** Revenue grew 23% YoY to RMB1.57bn in 4Q23. Gross margin expanded 4.1ppt YoY to 41%, driven by rising margin of boom lifts. Administrative expense ratio expanded 1ppt to 2.6%. Net profit surged 51% YoY to RMB574mn which is a record high. For the full year in 2023, revenue grew 16% YoY to RMB6.3bn (overseas/China mix: 64%/36%). Among the overseas sales, 75% came from the US and Europe. Net profit grew 49% YoY to RMB1.87bn. Proposed dividend implies 27% payout ratio (up from 20% in 2022).
- Adjusted net profit +27% YoY in 1Q24:** Revenue grew 11% YoY to RMB1.45bn. Dingli revealed that a portion of the overseas sales in 1Q24 will be recognized as revenue in 2Q24. Gross margin expanded 3.5ppt to 41.1% (largely stable QoQ). Dingli recognized RMB101mn of fair value loss due to the share price pullback of **Horizon CD (9930 HK, BUY)**. Excluding this item, the adjusted net profit would be RMB404mn, up 27% YoY.
- Progress of anti-dumping investigation in the EU.** Dingli expects the results will be announced in Jun. In the meantime, Dingli has accelerated the sales to the EU in response to the rush orders. Europe accounts for ~37% of Dingli's overseas sales, in which the EU accounts for half. We think the risk is manageable given Dingli's experience in handling the investigation in the US.
- Key risks:** (1) Further intensified competition in China's AWP market; (2) slowdown of overseas demand; and (3) higher-than-expected anti-dumping duties and countervailing 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	4.12	4.71	na
P/E (x)	26.3	17.7	15.7	13.6	11.5
P/B (x)	4.7	3.7	3.1	2.7	2.3
Yield (%)	0.8	1.5	1.8	2.1	2.4
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

(Previous TP) RMB70.00)

Up/Downside 14.9%

Current Price RMB65.28

China Capital Goods

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Stock Data

Mkt Cap (RMB mn)	33,051.3
Avg 3 mths t/o (RMB mn)	271.7
52w High/Low (RMB)	71.65/43.58
Total Issued Shares (mn)	506.3

Source: FactSet

Shareholding Structure

XU Shugen	45.5%
Deqing Zhongding Equity Investment Manag	11.6%

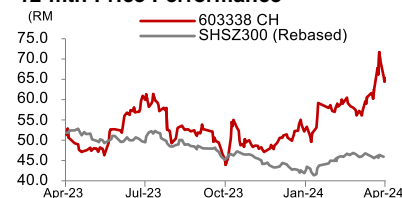
Source: HKEX

Share Performance

	Absolute	Relative
1-mth	16.4%	17.7%
3-mth	24.9%	16.8%
6-mth	48.5%	47.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

Capital Goods – More policies to support domestic machinery demand; expect sector rally to continue – 18 Apr 2024 ([link](#))

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

Capital Goods – 2M24: Solid growth of forklifts; weakness continued for tower cranes & excavators – 15 Mar 2024 ([link](#))

Capital Goods sector – Strong sales of AWP's & forklifts in Jan; Tower cranes the worst – 29 Feb 2024 ([link](#))

China Construction Machinery – Assessing the impact of the European Commission's anti-dumping investigation against China-made AWP – 14 Nov 2023 ([link](#))

Figure 1: Dingli's quarterly results

(RMB mn)	1Q23	1Q24	Chg YoY	2Q22	2Q23	Chg YoY	3Q22	3Q23	Chg YoY	4Q22	4Q23	Chg YoY
Total revenue	1,302	1,452	11.5%	1,691	1,797	6.2%	1,224	1,644	34.3%	1,277	1,570	22.9%
Cost of sales	(812)	(855)	5.2%	(1,234)	(1,220)	-1.1%	(828)	(923)	11.5%	(806)	(927)	15.0%
Gross profit	489	597	22.0%	457	577	26.1%	396	720	81.9%	471	643	36.5%
Other income	(8)	(10)	36.0%	(6)	(7)	14.2%	(1)	(6)	673.5%	(3)	(12)	258.1%
S&D expenses	(42)	(55)	31.5%	(39)	(55)	40.9%	(46)	(96)	106.6%	(36)	(39)	10.0%
Administrative expenses	(33)	(29)	-12.4%	(29)	(43)	48.2%	(38)	(24)	-35.9%	(21)	(41)	94.5%
R&D expense	(40)	(51)	25.4%	(49)	(70)	43.1%	(61)	(38)	-37.5%	(53)	(71)	34.2%
Asset impairment	(3)	(123)	3506.1%	(18)	(44)	142.9%	5	6	20.2%	(25)	(20)	-17.6%
EBIT	363	329	-9.5%	315	356	13.0%	255	562	120.5%	334	460	37.8%
Net finance income/(cost)	(7)	18	n/a	103	223	116.4%	74	(62)	n/a	71	90	27.2%
Other gains/(losses)	21	14	-36.0%	26	7	-74.1%	19	42	114.3%	13	43	226.6%
Share of profit of JV and associates	9	10	15.1%	2	23	1042.9%	14	6	-56.2%	2	38	1944.3%
Pretax profit	386	369	-4.2%	446	609	36.5%	362	548	51.1%	420	632	50.5%
Income tax	(66)	(67)	1.6%	(68)	(97)	42.8%	(60)	(86)	43.0%	(39)	(58)	48.8%
After tax profit	319	302	-5.4%	378	512	35.4%	302	462	52.7%	381	574	50.7%
MI	0	0	n/a	0	0	n/a	0	0	n/a	0	0	n/a
Net profit	319	302	-5.4%	378	512	35.4%	302	462	52.7%	381	574	50.7%
Gross margin	37.6%	41.1%	3.5 ppt	27.0%	32.1%	5.1 ppt	32.4%	43.8%	11.5 ppt	36.9%	41.0%	4.1 ppt
S&D expense ratio	3.2%	3.8%	0.6	2.3%	3.1%	0.8	3.8%	5.8%	2.0	2.8%	2.5%	-0.3
Administrative expense ratio	2.5%	2.0%	-0.5	1.7%	2.4%	0.7	3.1%	1.5%	-1.6	1.6%	2.6%	1.0
R&D expense ratio	3.1%	3.5%	0.4	2.9%	3.9%	1.0	5.0%	2.3%	-2.7	4.1%	4.5%	0.4
Effective tax rate	17.2%	18.2%	1.0	15.2%	15.9%	0.7	16.5%	15.7%	-0.9	9.3%	9.2%	-0.1

Source: Company data, CMBIGM

Figure 2: Change in key assumptions

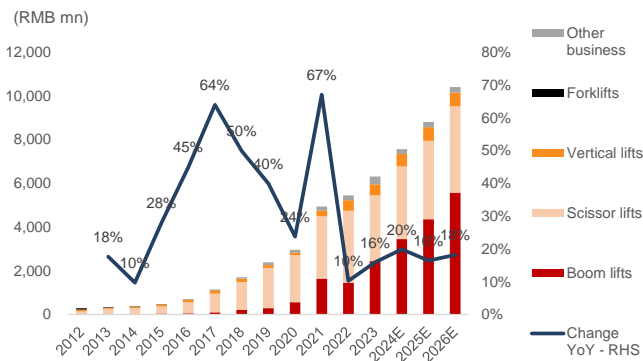
	Old			New			Change		
(RMB mn)	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Revenue									
Boom lifts	2,250	2,877	-	3,448	4,356	5,575	53.3%	51.4%	-
Scissor lifts	4,419	4,880	-	3,327	3,594	3,953	-24.7%	-26.4%	-
Vertical lifts	632	695	-	569	625	625	-10.0%	-10.0%	-
Revenue (core business)	7,300	8,453	-	7,344	8,575	10,154	0.6%	1.4%	-
Other business	208	194	-	225	235	255	8.2%	21.4%	-
Total revenue	7,508	8,646	-	7,569	8,810	10,409	0.8%	1.9%	-
Gross margin								ppt	
Boom lifts	31.0%	32.0%	-	33.0%	33.5%	34.0%	2.0	1.5	-
Scissor lifts	39.5%	38.5%	-	40.0%	40.0%	40.0%	0.5	1.5	-
Vertical lifts	37.0%	37.0%	-	43.5%	43.5%	43.5%	6.5	6.5	-
Gross margin (core business)	36.7%	36.2%	-	37.0%	37.0%	36.9%	0.3	0.8	-
Other business	70.0%	70.0%	-	71.0%	71.0%	71.0%	1.0	1.0	-
Blended gross margin	37.6%	36.9%	-	38.0%	37.9%	37.8%	0.4	0.9	-
S&D expense ratio	-2.9%	-2.9%	-	-3.7%	-3.7%	-3.7%	-0.8	-0.8	-
Admin expense ratio	-2.2%	-2.1%	-	-2.1%	-2.0%	-1.9%	0.0	0.1	-
R&D expense ratio	-3.5%	-3.5%	-	-3.4%	-3.4%	-3.4%	0.1	0.1	-
Net finance income	61	89	-	161	166	204	165.3%	86.8%	-
Net profit	1,963	2,229	-	2,105	2,425	2,870	7.2%	8.8%	-

Source: Company data, CMBIGM estimates

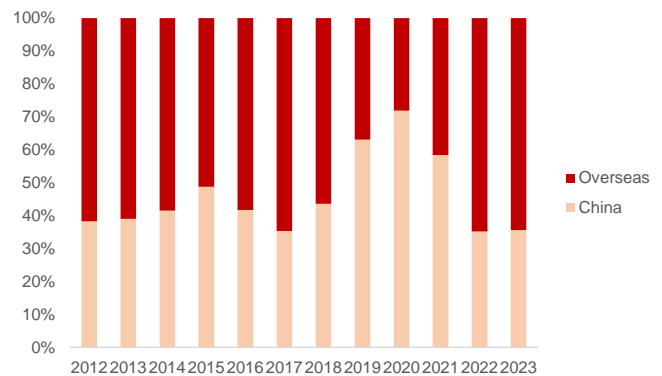
Figure 3: Key assumptions

	2021	2022	2023	2024E	2025E	2026E
Sales volume (units)						
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
Total (lifts)	51,676	57,250	55,848	63,309	69,802	77,530
Growth rate						
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%
Total (lifts)	35.8%	10.8%	-2.4%	13.4%	10.3%	11.1%
ASP (RMB/unit)						
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
(RMB mn)						
Revenue						
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
Revenue (core business)	4,755	5,228	5,960	7,344	8,575	10,154
Other business	184	217	352	225	235	255
Total revenue	4,939	5,445	6,312	7,569	8,810	10,409
Gross margin						
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%
Gross margin (core business)	27.8%	29.4%	36.5%	37.0%	37.0%	36.9%
Other business	67.8%	70.2%	71.5%	71.0%	71.0%	71.0%
Average gross margin	29.3%	31.0%	38.5%	38.0%	37.9%	37.8%

Source: Company data, CMBIGM estimates

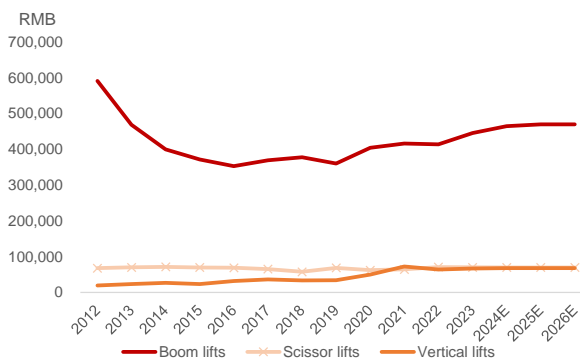
Figure 4: Dingli's revenue breakdown by product

Source: Company data, CMBIGM estimates

Figure 5: Dingli's revenue breakdown by region

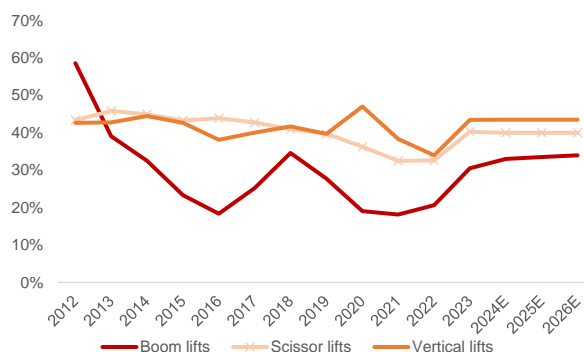
Source: Company data, CMBIGM

Figure 6: Dingli's ASP trend



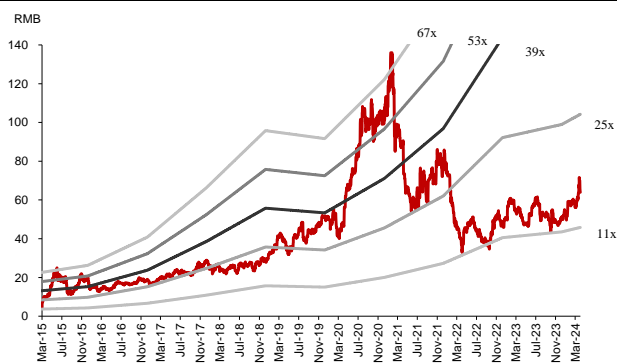
Source: Company data, CMBIGM estimates

Figure 7: Gross margin trend



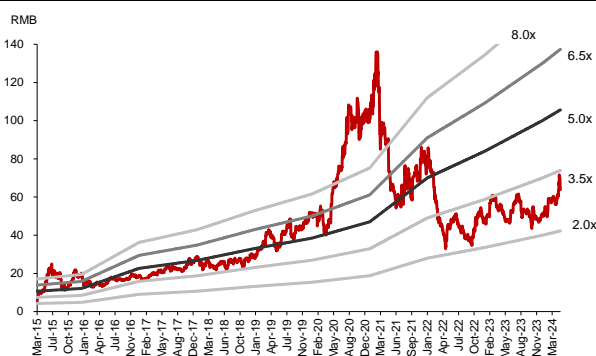
Source: Company data, CMBIGM

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



Source: Bloomberg, Company data, CMBIGM estimates

Figure 9: 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

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
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)
Net cash from operations	374	937	2,227	1,109	2,046	1,520
Investing						
Capital expenditure	(340)	(819)	(371)	(600)	(400)	(300)
Others	271	(402)	(491)	199	201	236
Net cash from investing	(69)	(1,222)	(863)	(401)	(199)	(64)
Financing						
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)
Net cash from financing	2,069	45	(451)	(644)	(724)	(811)
Net change in cash						
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
Cash at the end of the year	3,514	3,522	4,397	4,461	5,583	6,228
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
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%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
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%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
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
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	35.8	26.3	17.7	15.7	13.6	11.5
P/B	5.5	4.7	3.7	3.1	2.7	2.3
Div yield (%)	0.5	0.8	1.5	1.8	2.1	2.4

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

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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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