

SANY International (631 HK)

Set for a recovery

SANYI targets to achieve revenue of RMB50bn and gross margin of 24% in 2027E, implying a revenue CAGR of 32% (2025E-27E) and 1.6ppt gross margin expansion from 2024. SANYI is confident of achieving a 20% CAGR for overseas mining equipment segment over the coming years, driven by the strong demand for mining trucks. Besides, coal mining equipment is expected to see recovery in 2H25E. This, together with the solid port machinery as well as improving solar and oil & gas profitability, should enhance investor confidence that SANYI is about to bottom out and set for a recovery. We fine-tune our 2025E/26E earnings forecast by -1%/+3%. We revise up our TP to HK\$8.2 (previously HK\$7.2), after rolling over the valuation base to 2025, based on an unchanged 11x target P/E (the average P/E since 2017). Maintain **BUY**.

■ **2024 profit decline due to impairment but well expected.** Net profit dropped 43% YoY to RMB1.1bn, in line with the profit alert announced in Jan, due largely to the impairment of goodwill related to the oil & gas business acquisition (RMB470mn) and the impairment of property value (RMB278mn). Excluding these one-off items, the adjusted net profit would only drop 4% YoY to RMB1.85bn.

■ **Segment breakdown in 2024.** Total revenue grew 8% YoY to RMB21.9bn as the weakness of mining segment was more than offset by the growth of logistics equipment, oil & gas equipment and new business. Revenue from China dropped 1% YoY to RMB13.7bn while overseas revenue grew 28% YoY to RMB8.2bn. EBIT dropped 35% YoY to RMB1.44bn (mining equipment: +3% YoY; logistics machinery +4% YoY; emerging industries business: RMB432mn loss; oil & gas equipment: RMB600mn loss).

■ **100T mining trucks well received by the market.** Management revealed that the 100T model will likely see the highest growth among mining trucks. YTD, SANYI has already sold 150 units of the 100T model, and SANYI expects a full year delivery of 400 units. SANYI targets to achieve revenue of RMB1bn, with a gross margin of 30%.

■ **Lithium energy to see substantial revenue growth.** SANYI is confident of achieving at least RMB2bn sales value (VAT included) in 2025E, versus RMB500mn revenue in 2024. For energy storage products, SANYI has currently achieved RMB430/kWh in unit cost, versus industry level of RMB460/kWh. For power batteries, SANYI has currently achieved unit cost of RMB445/kWh, versus industry level of RMB490/kWh. SANYI targets to achieve cost level of RMB400/kWh in future.

■ **Stabilisation of coal mining equipment.** Management expects pressure will continue in 1H25. That said, SANYI still managed to achieve segment profit growth in 1Q25. We expect a meaningful recovery to begin in 2H25E due to the start of replacement cycle (4-5 years of useful life for road-header).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	20,278	21,910	25,110	29,577	34,547
YoY growth (%)	30.5	8.0	14.6	17.8	16.8
Adjusted net profit (RMB mn)	1,929.0	1,849.9	2,159.0	2,690.4	3,188.5
YoY growth (%)	15.9	(4.1)	16.7	24.6	18.5
EPS (Adjusted) (RMB)	0.61	0.58	0.67	0.84	1.00
Consensus EPS (RMB)	na	na	0.75	0.87	0.00
P/E (x)	8.0	14.2	7.2	5.8	4.9
P/B (x)	1.3	1.3	1.2	1.0	0.9
Yield (%)	3.6	5.5	5.5	6.9	8.2
ROE (%)	17.8	9.3	16.8	18.6	19.4
Net gearing (%)	21.2	17.4	17.2	13.7	3.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$8.20
(Previous TP)	HK\$7.20)
Up/Downside	56.8%
Current Price	HK\$5.23

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Stock Data

Mkt Cap (HK\$ mn)	16,808.6
Avg 3 mths t/o (HK\$ mn)	17.0
52w High/Low (HK\$)	6.99/3.89
Total Issued Shares (mn)	3213.9

Source: FactSet

Shareholding Structure

Sany Heavy Equipment Investments Company	66.4%
Free float	33.9%

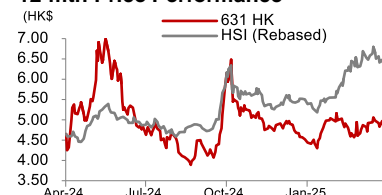
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	13.4%	12.2%
3-mth	16.0%	0.2%
6-mth	-10.1%	-18.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

1. SANYI (631 HK, BUY) – Scale-down of solar power expansion plan a positive move – 30 Aug 2024 ([link](#))
2. SANYI (631 HK, BUY) - Expect an improving trend after a weak 1Q24 – 20 May 2024 ([link](#))
3. SANYI (631 HK, BUY) – Expect an unexciting set of results in 1Q24E; Potential recovery in 2H24E – 14 May 2024 ([link](#))
4. SANYI (631 HK, BUY) – Solar power business remains major investor concern during site visit – 29 Mar 2024 ([link](#))

Figure 1: SANYI's 4Q24 results

RMB mn	1Q23	1Q24	Chg (YoY)	2Q23	2Q24	Chg (YoY)	3Q23	3Q24	Chg (YoY)	4Q23	4Q24	Chg (YoY)
Revenue	5,438	5,130	-6%	5,401	5,626	4%	4,998	5,154	3%	4,441	6,000	35%
Cost of sales	-4,108	-3,852	-6%	-3,899	-4,278	10%	-3,521	-3,865	10%	-3,303	-5,001	51%
Gross profit	1,330	1,278	-4%	1,502	1,348	-10%	1,476	1,289	-13%	1,139	999	-12%
Gross margin	24.5%	24.9%		27.8%	24.0%		29.5%	25.0%		25.6%	16.7%	
Pretax profit	707	558	-21%	733	594	-19%	655	541	-17%	165	-272	n/a
Pretax profit margin	13.0%	10.9%		13.6%	10.6%		13.1%	10.5%		3.7%	-4.5%	
Net profit	650	516	-21%	552	517	-6%	570	357	-37%	157	-288	n/a
Net margin	12.0%	10.1%		10.2%	9.2%		11.4%	6.9%		3.5%	-4.8%	
Adjusted net profit	650	516	-21%	552	517	-6%	570	357	-37%	157	-288	n/a
Adjusted net margin	12.0%	10.1%		10.2%	9.2%		11.4%	6.9%		3.5%	-4.8%	

Source: Company data, CMBIGM

Figure 2: SANYI's segment breakdown in 2024

(RMB mn)	2023	2024	Change (YoY)	1H23	1H24	Change (YoY)	2H23	2H24	Change (YoY)
Revenue									
<u>Mining equipment</u>	12,952	11,219	-13.4%	7,393	6,100	-17.5%	5,559	5,119	-7.9%
Sales	12,604	10,902	-13.5%	7,214	5,938	-17.7%	5,390	4,964	-7.9%
Others	348	316	-9.2%	179	161	-9.8%	170	155	-8.6%
<u>Logistics equipment</u>	6,011	8,108	34.9%	3,172	3,377	6.5%	2,839	4,731	66.6%
Sales	5,821	7,908	35.9%	3,066	3,282	7.1%	2,755	4,625	67.9%
Others	190	200	5.2%	106	95	-10.8%	84	106	25.3%
<u>Oil & Gas equipment</u>	1,517	1,919	26.5%	335	862	157.0%	1,181	1,057	-10.5%
Sales	1,502	1,867	24.3%	336	846	151.5%	1,166	1,021	-12.4%
Others	14	52	263.5%	-1	16	n/a	15	36	137.0%
<u>Emerging industry equipment</u>	466	2,021	333.9%	223	702	214.7%	243	1,319	443.3%
Sales	497	1,978	298.1%	223	690	209.1%	274	1,288	370.5%
Others	-31	43	n/a	-0	12	n/a	-31	31	n/a
Total sales	20,424	22,655	10.9%	10,839	10,756	-0.8%	9,585	11,899	24.2%
Segment EBIT									
Mining equipment	1,591	1,634	2.7%	880	903	2.7%	712	731	2.7%
Logistics machinery	811	840	3.6%	505	568	12.6%	306	272	-11.2%
Oil & Gas equipment	117	-600	n/a	57	-36	n/a	60	-563	n/a
Emerging industry equipment	-295	-432	46.4%	-1	-255	24218.7%	-294	-177	-39.7%
Total segment results	2,224	1,443	-35.1%	1,441	1,180	-18.1%	1,018	1,003	-1.5%
Segment margin			ppt			ppt			ppt
Mining equipment	12.6%	15.0%	2.4	12.2%	15.2%	3.0	13.2%	14.7%	1.5
Logistics machinery	13.9%	10.6%	-3.3	16.5%	17.3%	0.8	11.1%	5.9%	-5.2
Oil & Gas equipment	7.8%	-32.1%	-39.9	17.0%	-4.3%	-21.3	5.1%	-55.2%	-60.3
Emerging industry equipment	-59.3%	-21.8%	37.5	-0.5%	-36.9%	-36.5	-107.3%	-13.7%	93.5
Average	10.9%	6.4%	-4.5	13.3%	11.0%	-2.3	10.6%	8.4%	-2.2

Source: Company data, CMBIGM

Figure 3: SANYI's results in 2024

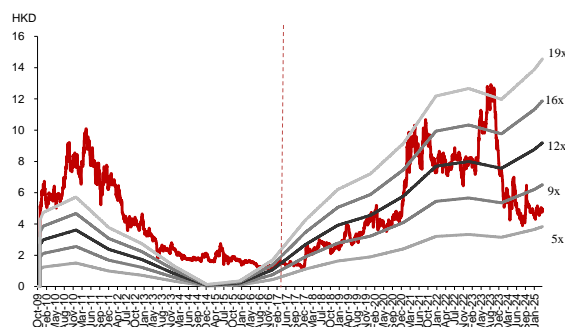
YE Dec 31(RMB mn)	2023	2024	Change (YoY)	1H23	1H24	Change (YoY)	2H23	2H24	Change (YoY)
Total sales	20,278	21,910	8.0%	10,839	10,756	-0.8%	9,439	11,154	18.2%
Cost of sales	-14,831	-16,996	14.6%	-8,007	-8,130	1.5%	-6,824	-8,866	29.9%
Gross profit	5,447	4,913	-9.8%	2,832	2,626	-7.3%	2,615	2,288	-12.5%
Other income	441	507	15.0%	298	309	3.9%	143	197	38.2%
Other gains and losses	-144	-25	-82.7%	-122	-54	-55.7%	-22	29	n/a
S&D expenses	-1,262	-1,286	1.9%	-536	-563	5.1%	-726	-723	-0.4%
Administrative expenses	-2,213	-2,163	-2.3%	-968	-1,109	14.5%	-1,245	-1,054	-15.4%
Other expenses	-42	-502	1081.6%	-49	-3	-94.8%	6	-499	n/a
EBIT	2,226	1,444	-35.1%	1,455	1,207	-17.1%	770	238	-69.1%
Net finance income/(cost)	35	-25	n/a	-15	-54	270.7%	49	29	-40.8%
Finance income	193	204	5.4%	59	59	-0.2%	134	145	7.9%
Finance expenses	-158	-229	44.3%	-74	-113	53.3%	-84	-115	36.4%
Share of profit of JV and associates	0	2	n/a	0	0	n/a	0	2	n/a
Pretax profit	2,260	1,421	-37.1%	1,441	1,153	-20.0%	820	269	-67.2%
Income tax	-422	-353	-16.2%	-257	-166	-35.6%	-164	-188	14.3%
After tax profit	1,839	1,068	-41.9%	1,183	987	-16.6%	655	81	-87.6%
MI	90	34	-62.7%	19	46	145.6%	72	-12	n/a
Net profit	1,929	1,102	-42.9%	1,202	1,033	-14.1%	727	69	-90.5%
Adjusted net profit	1,929	1,850	-4.1%						
D&A	525	803	52.8%	196	327	67.2%	330	476	44.2%
EBITDA	2,751	2,247	-18.3%	1,651	1,534	-7.1%	1,100	713	-35.2%

Source: Company data, CMBIGM

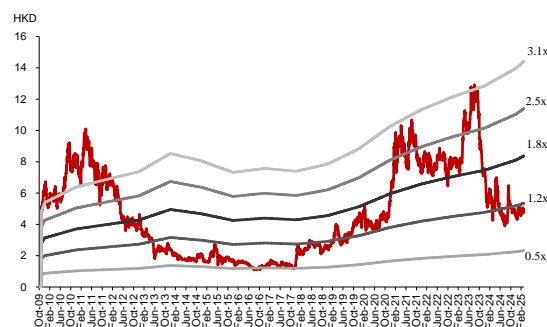
Figure 4: Change in key assumptions for SANYI

	2025E	Old 2026E	2027E	2025E	New 2026E	2027E	2025E	Change 2026E	2027E
(RMB mn)									
Revenue									
Road header	2,299	2,322	-	2,299	2,345	2,392	0.0%	1.0%	-
Combined coal mining units (CCMU)	4,184	4,519	-	3,150	3,402	3,674	-24.7%	-24.7%	-
Small-size port machinery	7,140	8,426	-	5,712	6,740	7,953	-20.0%	-20.0%	-
Large-size port machinery	1,641	1,838	-	2,850	3,705	4,631	73.7%	101.6%	-
Mining trucks	3,905	4,268	-	4,141	4,514	4,872	6.1%	5.8%	-
After sales service	2,050	2,501	-	1,952	2,381	2,905	-4.8%	-4.8%	-
Lithium battery	317	634	-	1,250	2,250	3,375	294.2%	254.8%	-
Oil and gas equipment	1,848	1,996	-	2,111	2,280	2,394	14.2%	14.2%	-
Solar power	1,248	1,435	-	1,495	1,719	1,977	19.8%	19.8%	-
Hydrogen	228	365	-	150	240	372	-34.2%	-34.2%	-
Total	24,859	28,302	-	25,110	29,577	34,547	1.0%	4.5%	-
Gross margin									
Road header	39.7%	39.5%	-	39.7%	39.5%	39.5%	0.0	0.0	-
Combined coal mining units (CCMU)	18.0%	18.3%	-	18.0%	18.3%	18.3%	0.0	0.0	-
Small-size port machinery	32.0%	32.0%	-	32.0%	32.0%	32.0%	0.0	0.0	-
Large-size port machinery	16.0%	16.0%	-	16.5%	17.0%	17.5%	0.5	1.0	-
Mining trucks	26.0%	26.0%	-	26.0%	26.0%	26.0%	0.0	0.0	-
After sales service	40.0%	40.0%	-	40.0%	40.0%	40.0%	0.0	0.0	-
Lithium battery	18.0%	20.0%	-	18.0%	20.0%	20.0%	0.0	0.0	-
Oil and gas equipment	13.0%	15.0%	-	13.0%	15.0%	15.0%	0.0	0.0	-
Solar power	15.0%	15.0%	-	12.0%	15.0%	15.0%	(3.0)	0.0	-
Hydrogen	0.0%	5.0%	-	0.0%	5.0%	10.0%	0.0	0.0	-
Blended gross margin	26.3%	26.5%	-	25.1%	25.4%	25.4%	(1.1)	(1.1)	-
Change (ppt)									
S&D expense ratio	6.5%	6.5%	-	5.8%	5.7%	5.7%	(0.7)	(0.8)	-
Admin expense ratio	11.2%	11.0%	-	9.8%	9.6%	9.5%	(1.4)	(1.4)	-
Net profit	2,178	2,612	-	2,159	2,690	3,188	-0.9%	3.0%	-

Source: Company data, CMBIGM estimates

Figure 5: SANYI's P/E band

Source: Bloomberg, company data, CMBIGM estimates

Figure 6: SANYI's P/B band

Source: Bloomberg, company data, CMBIGM estimates

Major risk factors: (1) further weakness of coal mining activities in China; (2) higher-than-expected loss from emerging business; (3) uncertainties of US tariff policy on port machinery.

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	15,537	20,278	21,910	25,110	29,577	34,547
Cost of goods sold	(11,908)	(14,831)	(16,996)	(18,796)	(22,053)	(25,777)
Gross profit	3,628	5,447	4,913	6,314	7,524	8,770
Selling expense	(933)	(1,262)	(1,286)	(1,456)	(1,686)	(1,969)
Admin expense	(1,177)	(2,213)	(2,163)	(2,461)	(2,839)	(3,282)
Other income	447	441	507	552	651	760
Other expense	(25)	(42)	(502)	(50)	(59)	(69)
Other gains/(losses)	54	(144)	(25)	25	30	35
Share of (losses)/profits of associates/JV	0	0	2	4	5	5
EBITDA	2,287	2,751	2,249	3,870	4,673	5,391
Depreciation	293	525	803	941	1,048	1,142
EBIT	1,994	2,226	1,446	2,928	3,624	4,249
Interest income	59	193	204	258	269	296
Interest expense	(132)	(158)	(229)	(365)	(376)	(377)
Net Interest income/(expense)	(73)	35	(25)	(106)	(107)	(81)
Pre-tax profit	1,921	2,260	1,421	2,822	3,517	4,168
Income tax	(252)	(422)	(353)	(706)	(879)	(1,042)
After tax profit	1,669	1,839	1,068	2,117	2,638	3,126
Minority interest	(4)	90	34	42	53	63
Net profit	1,665	1,929	1,102	2,159	2,690	3,188
Adjusted net profit	1,665	1,929	1,850	2,159	2,690	3,188
Gross dividends	538	556	863	864	1,076	1,275

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	17,191	20,778	26,227	26,444	32,438	33,792
Cash & equivalents	2,690	3,241	5,340	5,688	6,019	7,530
Account receivables	6,416	8,356	10,010	10,491	13,495	13,954
Inventories	3,283	3,432	5,048	4,221	6,654	5,775
Prepayment	700	1,261	1,598	1,598	1,598	1,598
ST bank deposits	50	43	71	71	71	71
Financial assets at FVTPL	2,088	2,160	2,394	2,394	2,394	2,394
Other current assets	1,964	2,284	1,767	1,980	2,207	2,470
Non-current assets	7,763	14,185	14,701	15,283	15,759	15,942
PP&E	4,066	7,276	7,990	8,836	9,577	10,027
Deferred income tax	298	336	423	423	423	423
Goodwill	1,130	2,537	2,067	2,067	2,067	2,067
Other non-current assets	2,269	4,036	4,221	3,957	3,692	3,425
Total assets	24,953	34,963	40,928	41,727	48,197	49,734
Current liabilities	10,836	16,173	21,210	20,456	25,151	24,638
Short-term borrowings	954	2,653	4,250	4,500	4,600	4,600
Account payables	6,646	8,098	11,213	10,209	14,805	14,292
Tax payable	155	237	162	162	162	162
Other current liabilities	3,080	5,184	5,584	5,584	5,584	5,584
Non-current liabilities	4,014	7,252	7,543	7,843	7,843	7,843
Long-term borrowings	2,691	5,249	5,684	5,984	5,984	5,984
Other non-current liabilities	1,323	2,003	1,858	1,858	1,858	1,858
Total liabilities	14,849	23,425	28,752	28,298	32,994	32,481
Total shareholders equity	10,040	11,589	12,221	13,517	15,344	17,456
Minority interest	64	(51)	(46)	(88)	(141)	(204)
Total equity and liabilities	24,953	34,963	40,928	41,727	48,197	49,734

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,921	2,260	1,421	2,822	3,517	4,168
Depreciation & amortization	293	525	803	941	1,048	1,142
Tax paid	(145)	(431)	(353)	(706)	(879)	(1,042)
Change in working capital	(808)	476	152	(872)	(1,068)	(356)
Others	(177)	(307)	129	102	103	76
Net cash from operations	1,084	2,524	2,152	2,288	2,721	3,988
Investing						
Capital expenditure	(889)	(2,294)	(1,226)	(1,500)	(1,500)	(1,300)
Acquisition of subsidiaries/ investments	0	(2,509)	0	0	0	0
Others	1,529	(162)	253	239	249	277
Net cash from investing	639	(4,965)	(973)	(1,261)	(1,251)	(1,023)
Financing						
Dividend paid	(466)	(729)	(556)	(863)	(864)	(1,076)
Net borrowings	(113)	(126)	(265)	(365)	(376)	(377)
Proceeds from share issues	8	104	0	0	0	0
Others	194	3,712	1,716	550	100	0
Net cash from financing	(377)	2,961	895	(678)	(1,139)	(1,454)
Net change in cash						
Cash at the beginning of the year	1,349	2,690	3,241	5,340	5,688	6,019
Exchange difference	(6)	32	25	0	0	0
Cash at the end of the year	2,690	3,241	5,340	5,688	6,019	7,530
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	52.4%	30.5%	8.0%	14.6%	17.8%	16.8%
Gross profit	51.8%	50.1%	(9.8%)	28.5%	19.2%	16.6%
EBITDA	30.2%	20.3%	(18.3%)	72.1%	20.7%	15.4%
EBIT	32.3%	11.6%	(35.0%)	102.5%	23.8%	17.2%
Net profit	32.2%	15.9%	(42.9%)	96.0%	24.6%	18.5%
Adj. net profit	53.2%	15.9%	(4.1%)	16.7%	24.6%	18.5%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	23.4%	26.9%	22.4%	25.1%	25.4%	25.4%
EBITDA margin	14.7%	13.6%	10.3%	15.4%	15.8%	15.6%
Adj. net profit margin	10.7%	9.5%	8.4%	8.6%	9.1%	9.2%
Return on equity (ROE)	17.8%	17.8%	9.3%	16.8%	18.6%	19.4%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.1)	0.2	0.2	0.2	0.1	0.0
Current ratio (x)	1.6	1.3	1.2	1.3	1.3	1.4
Receivable turnover days	125.5	132.9	153.0	149.0	148.0	145.0
Inventory turnover days	89.1	82.6	91.1	90.0	90.0	88.0
Payable turnover days	169.6	181.4	207.4	208.0	207.0	206.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	9.2	8.0	14.2	7.2	5.8	4.9
P/B	1.5	1.3	1.3	1.2	1.0	0.9
Div yield (%)	3.5	3.6	5.5	5.5	6.9	8.2

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

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