

SANY Heavy (600031 CH)

2024 earnings inline; Emerging markets remain the key focus

SANY Heavy (SANY) net profit in 2024 came in at RMB5.97bn (+32% YoY), which is 0%/-2% versus our/Bloomberg consensus estimates. The proposed dividend implies a 51% pay-out ratio (up from 41% in 2023), which is the highest since 2017. During the post-results call, SANY revealed that emerging markets such as Asia Pacific, Africa, the Middle East and South America will be the key focus, while it remained cautious on the US & Europe market due to geopolitics. Management also highlighted the potential of large-size/mining excavators going forward. We maintain our view that SANY remains the best proxy to play the upcycle of excavators. We slightly revise up our 2025E/26E earnings forecast by 5/7%. Accordingly, we revise up our TP to RMB22 (from RMB21), based on an unchanged target P/E of 24x (equivalent to 0.5SD above the average of 20x since 2017). Our above-average multiple is to reflect the earnings upcycle. Maintain **BUY**.

■ **4Q24 results highlights.** Revenue grew 12% YoY to RMB20bn. Gross margin slightly contracted 4.2ppt YoY to 21.4%, while S&D expense ratio fell 5.4ppt YoY to 3.9%, largely due to a change in accounting treatment (warranty expense was included in COGS instead of S&D expenses). Administrative expense ratio increased 1.1ppt YoY to 5.1%, while R&D expense ratio dropped 1.5ppt YoY to 7.6% (a continuous YoY reduction trend since late 2022). EBIT grew 9% YoY to RMB760mn. Net profit surged 1.3x to RMB1.1bn, helped by other income and FX gains. For the full year in 2024, net profit grew 32% YoY to RMB5.97bn. Operating cash inflow surged 1.6x YoY to RMB14.8bn.

■ **Overseas revenue grew 12% in 2024 (64% of total revenue).** In terms of region, Africa surged 44% YoY to RMB5.3bn (11% of overseas revenue); Asia Pacific (ex-China) grew 15% YoY to RMB20.6bn (42%); Europe grew 2% YoY to RMB2.3bn (25%); America grew 7% YoY to RMB10.3bn (21%). Overseas gross margin was 29.7%, higher than the 21% in China.

■ **Outlook:** SANY will continue to expand the overseas sales network and after-sales service capability. SANY sees potential sales growth of 20% in markets such as the Middle East, Asia Pacific and Africa. South America is another key market with potential sales growth of 25%. In terms of capacity, SANY is considering capacity expansion in Brazil.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	74,019	78,383	88,843	97,799	106,888
YoY growth (%)	(8.4)	5.9	13.3	10.1	9.3
Adjusted net profit (RMB mn)	4,527.5	5,975.4	7,716.9	8,876.9	9,874.4
EPS (Reported) (RMB)	0.53	0.70	0.91	1.05	1.16
YoY growth (%)	6.0	32.0	29.1	15.0	11.2
Consensus EPS (RMB)	na	0.72	0.95	1.21	0.00
P/E (x)	35.7	27.1	21.0	18.2	16.4
P/B (x)	2.4	2.2	2.1	2.0	1.9
Yield (%)	1.2	1.9	2.4	2.7	3.1
Net gearing (%)	6.2	(14.5)	(19.6)	(22.4)	(23.2)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price RMB22.00
 (Previous TP) RMB21.00
Up/Downside 15.4%
Current Price RMB19.06

China Capital Goods

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Stock Data

Mkt Cap (RMB mn)	161,738.2
Avg 3 mths t/o (RMB mn)	1,513.2
52w High/Low (RMB)	20.54/14.95
Total Issued Shares (mn)	8485.7

Source: FactSet

Shareholding Structure

SANY Group	29.2%
Liang Wengen	2.8%

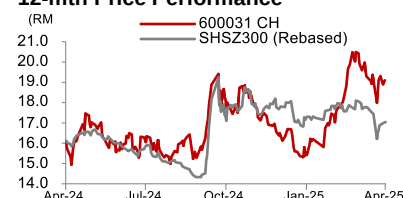
Source: SSE

Share Performance

	Absolute	Relative
1-mth	-6.7%	-1.2%
3-mth	23.6%	25.5%
6-mth	7.5%	8.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Reports

Capital Goods – Strong domestics sales of earth-moving machinery in Mar – 8 Apr 2025 ([link](#))

Capital Goods 2025 Outlook: Emerging markets the key growth driver; China market to be stabilized – 9 Dec 2024 ([link](#))

SANY Heavy (600031 CH, U/G to BUY) – Riding on the upcycle of excavator + overseas expansion – 9 Dec 2024 ([link](#))

Figure 1: SANY Heavy's 4Q24 results

(RMB mn)	1Q23	1Q24	Chg YoY	2Q23	2Q24	Chg YoY	3Q23	3Q24	Chg YoY	4Q23	4Q24	Chg YoY
Total revenue	17,997	17,830	-0.9%	21,918	21,230	-3.1%	16,222	19,300	19.0%	17,883	20,023	12.0%
Cost of sales	-12,985	-12,767	-1.7%	-15,574	-15,169	-2.6%	-11,450	-13,792	20.5%	-13,303	-15,745	18.4%
Gross profit	5,011	5,063	1.0%	6,344	6,062	-4.5%	4,771	5,508	15.4%	4,580	4,277	-6.6%
Other income	-90	-113	25.5%	-132	-98	-26.1%	-81	-97	19.2%	-120	-124	2.9%
S&D expenses	-1,301	-1,380	6.1%	-1,685	-1,691	0.4%	-1,572	-1,614	2.7%	-1,660	-780	-53.0%
Administrative expenses	-721	-670	-7.2%	-580	-641	10.5%	-647	-671	3.7%	-703	-1,015	44.4%
R&D expense	-1,407	-1,294	-8.1%	-1,468	-1,319	-10.2%	-1,353	-1,239	-8.5%	-1,636	-1,530	-6.5%
Fair value change	-92	191	n/a	-905	-7	-99.3%	417	-461	n/a	602	386	-35.9%
Asset impairment	-99	-150	51.2%	-541	-302	-44.2%	-252	-191	-24.3%	-365	-455	24.7%
EBIT	1,300	1,648	26.7%	1,033	2,004	94.1%	1,282	1,236	-3.6%	698	760	8.9%
Net finance income/(expense)	93	-155	n/a	896	-105	n/a	-482	-17	-96.5%	-45	76	n/a
Other gains/(losses)	322	309	-4.1%	333	349	4.8%	-11	322	n/a	-153	423	n/a
Share of profit of JV & associates	9	44	394.0%	4	27	662.3%	-3	-2	-34.7%	41	-11	n/a
Pretax profit	1,724	1,845	7.0%	2,265	2,275	0.5%	786	1,539	95.8%	542	1,249	130.6%
Income tax	-163	-221	36.0%	-329	-250	-24.1%	-135	-209	54.7%	-84	-135	61.6%
After tax profit	1,562	1,623	4.0%	1,936	2,025	4.6%	651	1,331	104.3%	458	1,113	143.2%
MI	-50	-43	-13.5%	-47	-32	-30.9%	-4	-35	815.1%	22	-6	n/a
Net profit	1,512	1,580	4.5%	1,889	1,993	5.5%	647	1,295	100.1%	480	1,107	130.7%
Key ratios:			ppt			ppt			ppt			ppt
Gross margin	27.8%	28.4%	0.5	28.9%	28.6%	-0.4	29.4%	28.5%	-0.9	25.6%	21.4%	-4.2
S&D expense ratio	7.2%	7.7%	0.5	7.7%	8.0%	0.3	9.7%	8.4%	-1.3	9.3%	3.9%	-5.4
Administrative expense ratio	4.0%	3.8%	-0.3	2.6%	3.0%	0.4	4.0%	3.5%	-0.5	3.9%	5.1%	1.1
R&D expense ratio	7.8%	7.3%	-0.6	6.7%	6.2%	-0.5	8.3%	6.4%	-1.9	9.1%	7.6%	-1.5
Net profit margin	8.7%	9.1%	0.4	8.8%	9.5%	0.7	4.0%	6.9%	2.9	2.6%	5.6%	3.0
Effective tax rate	9.4%	12.0%	2.6	14.5%	11.0%	-3.5	17.2%	13.6%	-3.6	15.5%	10.8%	-4.6

Source: Company data, CMBIGM

Figure 2: SANY Heavy's overseas revenue breakdown

(RMB mn)	2023	2024	Chg YoY	% of total
Asia Pacific (ex-China)	17,810	20,570	15%	42%
Europe	12,090	12,320	2%	25%
America	9,640	10,280	7%	21%
Africa	3,710	5,350	44%	11%
Total	43,250	48,520	12%	100%

Source: Company data, CMBIGM

Figure 3: SANY Heavy's 2024 revenue and gross margin breakdown

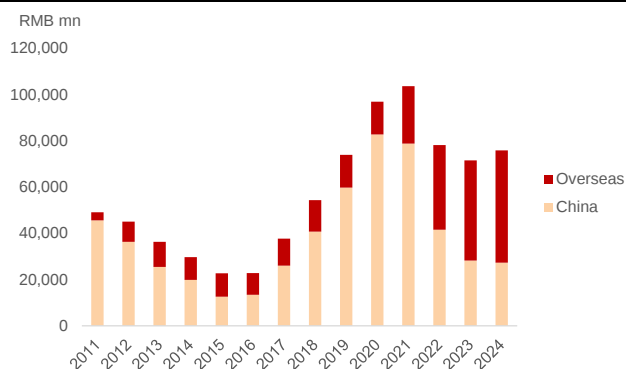
(RMB mn)	1H23	1H24	Change (YoY)	2H23	2H24	Change (YoY)
Revenue						
Concrete machinery	8,395	7,957	-5.2%	6,919	6,411	-7.3%
Excavator	15,150	15,215	0.4%	12,486	15,159	21.4%
Crane machinery	7,364	6,620	-10.1%	5,636	6,495	15.3%
Piling machinery	1,254	1,165	-7.1%	831	911	9.6%
Earth moving machinery	1,363	1,578	15.7%	1,122	1,424	26.8%
Other machinery	5,107	5,295	3.7%	5,895	7,602	29.0%
Revenue (construction machinery)	38,633	37,830	-2.1%	32,889	38,001	15.5%
Interest income from financing	418	322	-22.9%	379	288	-24.1%
Other business	864	908	5.1%	836	1,034	23.7%
Total revenue	39,915	39,060	-2.1%	34,104	39,323	15.3%
Gross margin			Change (ppt)			Change (ppt)
Concrete machinery	22.1%	22.2%	0.1	22.7%	18.5%	(4.2)
Excavator	34.3%	34.2%	(0.1)	31.8%	29.4%	(2.4)
Crane machinery	25.0%	27.6%	2.6	24.2%	26.9%	2.6
Piling machinery	32.7%	30.8%	(1.9)	36.2%	35.3%	(0.9)
Earth moving machinery	28.9%	29.2%	0.3	31.4%	25.6%	(5.8)
Other machinery	23.9%	21.0%	(2.9)	23.0%	18.3%	(4.7)
Gross margin (construction machinery)	28.2%	28.3%	0.1	27.1%	24.9%	(2.2)
Interest income from financing	50.7%	57.1%	6.5	54.9%	58.9%	4.0
Other business	26.7%	24.0%	(2.7)	27.5%	14.3%	(13.2)
Blended gross margin	28.4%	28.5%	0.0	27.4%	24.9%	(2.5)

Source: Company data, CMBIGM

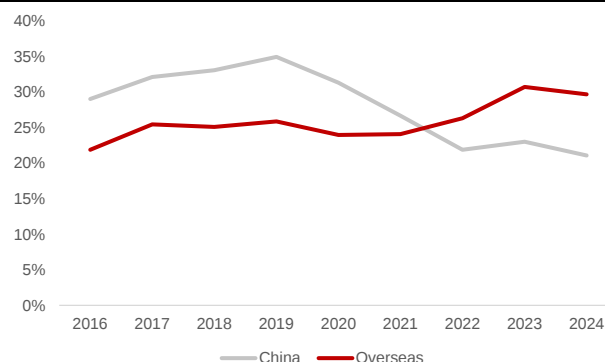
Figure 4: SANY Heavy's 2024 financials

YE Dec 31 (RMB mn)	1H23	1H24	Change (YoY)	2H23	2H24	Change (YoY)
Total revenue	39,915	39,060	-2.1%	34,104	39,323	15.3%
Cost of sales	-28,559	-27,936	-2.2%	-24,753	-29,537	19.3%
Gross profit	11,356	11,124	-2.0%	9,351	9,786	4.6%
Surcharge	-222	-211	-5.2%	-202	-221	9.5%
S&D expenses	-2,986	-3,071	2.8%	-3,232	-2,393	-26.0%
Administrative expenses	-1,301	-1,310	0.7%	-1,350	-1,686	24.9%
R&D expense	-2,875	-2,612	-9.1%	-2,989	-2,768	-7.4%
Fair value change	-998	184	n/a	1,019	-75	n/a
Asset impairment	-641	-452	-29.4%	-617	-646	4.7%
EBIT	2,333	3,652	56.6%	1,980	1,996	0.8%
Net finance income/(cost)	989	-261	n/a	-526	59	n/a
Finance income	1,539	218	-85.9%	-559	792	n/a
Finance expenses	-550	-479	-13.0%	32	-733	n/a
Other gains/(losses)	654	657	0.4%	-164	745	n/a
Share of profit of JV and associates	12	71	471.7%	37	-13	n/a
Pretax profit	3,989	4,120	3.3%	1,328	2,788	110.0%
Income tax	-492	-471	-4.2%	-219	-344	57.3%
After tax profit	3,497	3,648	4.3%	1,109	2,444	120.4%
MI	-97	-76	-21.9%	18	-41	n/a
Net profit	3,400	3,573	5.1%	1,127	2,403	113.1%
Recurring net profit	3,400	3,573	5.1%	1,127	2,403	113.1%
D&A	1,512	1,814	20.0%	1,377	1,433	4.1%
EBITDA	3,845	5,467	42.2%	3,357	3,429	2.2%
Key ratios						
Gross margin	28.4%	28.5%	0.0	27.4%	24.9%	-2.5
S&D expense ratio	7.5%	7.9%	0.4	9.5%	6.1%	-3.4
Administrative expense ratio	3.3%	3.4%	0.1	4.0%	4.3%	0.3
R&D expense ratio	7.2%	6.7%	-0.5	8.8%	7.0%	-1.7
Net profit margin	8.8%	9.3%	0.6	3.3%	6.2%	3.0
Effective tax rate	12.3%	11.4%	-0.9	16.5%	12.3%	-4.1

Source: Company data, CMBIGM

Figure 5: SANY Heavy's revenue breakdown by region


Source: Company data, CMBIGM

Figure 6: SANY Heavy's gross margin breakdown by region


Source: Company data, CMBIGM

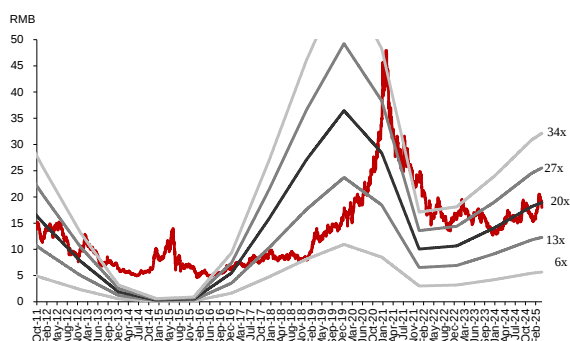
Figure 7: Change in key assumptions for SANY Heavy

(RMB mn)	Old			New			Change		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue									
Concrete machinery	16,920	18,274	-	16,920	18,274	19,736	0.0%	0.0%	-
Excavator	35,044	39,249	-	35,044	38,899	42,788	0.0%	-0.9%	-
Crane machinery	13,357	14,426	-	13,852	15,237	16,761	3.7%	5.6%	-
Piling machinery	2,053	2,155	-	2,072	2,176	2,284	1.0%	1.0%	-
Earth moving machinery	3,152	3,310	-	3,444	3,788	4,091	9.3%	14.5%	-
Other machinery	13,800	15,180	-	14,832	16,612	18,273	7.5%	9.4%	-
Revenue (construction machinery)	84,326	92,593	-	86,164	94,985	103,933	2.2%	2.6%	-
Interest income from financing	879	923	-	640	673	706	-27.1%	-27.1%	-
Other business	1,839	1,931	-	2,039	2,141	2,248	10.9%	10.9%	-
Total revenue	87,043	95,447	-	88,843	97,799	106,888	2.1%	2.5%	-
Gross margin									
Concrete machinery	22.8%	23.0%	-	20.8%	21.0%	21.5%	(2.0)	(2.0)	-
Excavator	33.7%	33.8%	-	32.3%	32.8%	33.0%	(1.4)	(1.0)	-
Crane machinery	26.2%	26.4%	-	28.0%	28.0%	28.0%	1.8	1.6	-
Piling machinery	33.5%	33.5%	-	33.5%	33.5%	33.0%	0.0	0.0	-
Earth moving machinery	30.0%	30.0%	-	28.0%	28.5%	28.5%	(2.0)	(1.5)	-
Other machinery	22.5%	23.0%	-	21.0%	22.0%	22.2%	(1.5)	(1.0)	-
Gross margin (construction machinery)	28.3%	28.6%	-	27.3%	27.7%	27.9%	(1.1)	(0.9)	-
Interest income from financing	52.0%	52.0%	-	58.0%	58.0%	58.0%	6.0	6.0	-
Other business	26.0%	26.0%	-	24.0%	24.0%	24.0%	(2.0)	(2.0)	-
Blended gross margin	28.5%	28.8%	-	27.4%	27.8%	28.0%	(1.1)	(0.9)	-
S&D expense ratio	8.0%	8.0%	-	7.0%	7.0%	7.0%	(1.0)	(1.0)	-
Administrative expense ratio	3.5%	3.5%	-	3.5%	3.5%	3.5%	0.0	0.0	-
R&D expense ratio	6.5%	6.4%	-	6.5%	6.4%	6.4%	0.0	0.0	-
Effective tax	13.8%	13.8%	-	12.0%	13.0%	13.0%	(1.8)	(0.8)	-
Net profit	7,337	8,338	-	7,717	8,877	9,874	5.2%	6.5%	-

Source: Company data, CMBIGM estimates

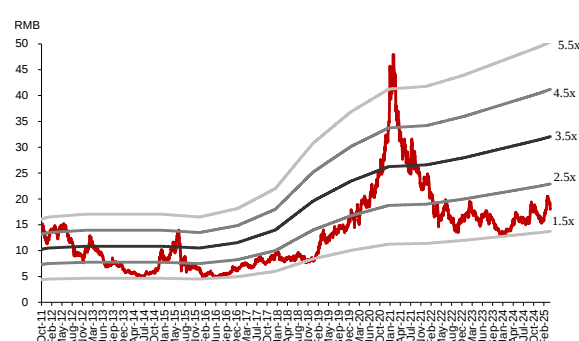
Valuation

Figure 8: SANY's P/E band



Source: Company data, Bloomberg, CMBIGM estimates
 Note: 12M forward P/E on daily basis

Figure 9: SANY's P/B band



Source: Company data, Bloomberg, CMBIGM estimates
 Note: 12M forward P/B on daily basis

Downside risks: Slowdown of overseas demand; further deterioration of China's non-earth-moving machinery demand.

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	80,822	74,019	78,383	88,843	97,799	106,888
Cost of goods sold	(61,164)	(53,312)	(57,473)	(64,493)	(70,569)	(76,906)
Gross profit	19,658	20,707	20,910	24,350	27,230	29,982
Operating expenses	(17,147)	(16,394)	(15,261)	(16,593)	(18,170)	(19,862)
Selling expense	(6,302)	(6,218)	(5,464)	(6,219)	(6,846)	(7,482)
Admin expense	(2,639)	(2,651)	(2,996)	(3,110)	(3,423)	(3,741)
R&D expense	(6,923)	(5,865)	(5,381)	(5,775)	(6,259)	(6,841)
Others	(1,283)	(1,660)	(1,420)	(1,489)	(1,642)	(1,798)
Operating profit	2,512	4,313	5,649	7,758	9,059	10,120
Share of (losses)/profits of associates/JV	27	50	58	103	105	107
EBITDA	4,906	7,201	8,896	11,067	12,552	13,797
Depreciation	2,394	2,888	3,247	3,309	3,493	3,677
Interest income	696	980	1,009	909	1,071	1,179
Interest expense	(403)	(517)	(1,211)	(421)	(423)	(425)
Net Interest income/(expense)	294	463	(202)	487	647	754
Others	2,000	491	1,402	600	600	600
Pre-tax profit	4,832	5,317	6,908	8,948	10,412	11,581
Income tax	(428)	(710)	(815)	(1,074)	(1,354)	(1,506)
Minority interest	(132)	(79)	(117)	(157)	(181)	(202)
Adjusted net profit	4,273	4,527	5,975	7,717	8,877	9,874
BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	105,762	97,633	101,505	104,954	117,219	120,461
Cash & equivalents	21,343	18,072	20,383	25,053	28,474	30,495
Account receivables	25,022	24,165	25,517	25,599	30,133	31,364
Inventories	19,738	19,768	19,948	18,924	22,837	23,096
Other current assets	39,659	35,629	35,658	35,377	35,775	35,506
Non-current assets	52,993	53,569	50,640	53,131	50,659	54,390
PP&E	19,681	23,453	22,369	21,771	20,989	20,022
Deferred income tax	2,499	3,070	3,577	3,577	3,577	3,577
Investment in JVs & assos	2,239	2,401	2,425	2,476	2,529	2,582
Intangibles	4,519	4,832	4,615	4,205	3,794	3,383
Goodwill	48	50	48	48	48	48
Financial assets at FVTPL	0	0	0	0	0	0
Other non-current assets	24,007	19,763	17,606	21,055	19,724	24,778
Total assets	158,755	151,202	152,145	158,085	167,878	174,851
Current liabilities	67,630	54,415	63,669	64,769	69,363	70,698
Short-term borrowings	11,064	9,551	9,461	9,561	9,661	9,761
Account payables	28,908	22,693	28,654	29,654	34,148	35,383
Tax payable	1,191	1,063	1,224	1,224	1,224	1,224
Other current liabilities	26,467	21,109	24,330	24,330	24,330	24,330
Non-current liabilities	25,116	27,614	15,474	15,474	15,474	15,474
Long-term borrowings	21,625	23,556	11,556	11,556	11,556	11,556
Other non-current liabilities	3,491	4,059	3,918	3,918	3,918	3,918
Total liabilities	92,746	82,029	79,143	80,243	84,837	86,173
Total shareholders equity	64,966	68,040	71,953	76,636	81,654	87,090
Minority interest	1,043	1,133	1,048	1,206	1,387	1,589
Total equity and liabilities	158,755	151,202	152,145	158,085	167,878	174,851

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	4,832	5,317	6,908	8,948	10,412	11,581
Depreciation & amortization	2,394	2,888	3,247	3,309	3,493	3,677
Tax paid	(428)	(710)	(815)	(1,074)	(1,354)	(1,506)
Change in working capital	(2,264)	(3,067)	4,910	(1,228)	(3,020)	(5,040)
Others	(436)	1,281	565	(590)	(752)	(861)
Net cash from operations	4,099	5,708	14,814	9,366	8,779	7,852
Investing						
Capital expenditure	(5,538)	(4,128)	(2,685)	(2,300)	(2,300)	(2,300)
Acquisition of subsidiaries/ investments	(20)	(92)	(11)	0	0	0
Others	3,720	1,527	1,538	960	1,123	1,233
Net cash from investing	(1,838)	(2,694)	(1,158)	(1,340)	(1,177)	(1,067)
Financing						
Dividend paid	(3,822)	(1,359)	(1,862)	(3,034)	(3,858)	(4,438)
Net borrowings	7,779	(2,049)	(6,884)	100	100	100
Proceeds from share issues	0	0	0	0	0	0
Others	870	(4,122)	(1,533)	(421)	(423)	(425)
Net cash from financing	4,826	(7,530)	(10,279)	(3,356)	(4,182)	(4,764)
Net change in cash						
Cash at the beginning of the year	14,812	21,343	18,072	20,383	25,053	28,474
Exchange difference	(556)	1,244	(1,066)	0	0	0
Cash at the end of the year	21,343	18,072	20,383	25,053	28,474	30,495
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(24.4%)	(8.4%)	5.9%	13.3%	10.1%	9.3%
Gross profit	(29.5%)	5.3%	1.0%	16.5%	11.8%	10.1%
Operating profit	(76.8%)	71.7%	31.0%	37.3%	16.8%	11.7%
EBITDA	(61.9%)	46.8%	23.5%	24.4%	13.4%	9.9%
Adj. net profit	(64.5%)	6.0%	32.0%	29.1%	15.0%	11.2%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	24.3%	28.0%	26.7%	27.4%	27.8%	28.0%
Operating margin	3.1%	5.8%	7.2%	8.7%	9.3%	9.5%
EBITDA margin	6.1%	9.7%	11.3%	12.5%	12.8%	12.9%
Adj. net profit margin	5.3%	6.1%	7.6%	8.7%	9.1%	9.2%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.1)	0.1	(0.1)	(0.2)	(0.2)	(0.2)
Current ratio (x)	1.6	1.8	1.6	1.6	1.7	1.7
Receivable turnover days	145.7	181.4	174.7	160.0	157.0	159.0
Inventory turnover days	114.0	135.2	126.1	110.0	108.0	109.0
Payable turnover days	171.5	176.6	163.0	165.0	165.0	165.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	37.9	35.7	27.1	21.0	18.2	16.4
P/B	2.5	2.4	2.2	2.1	2.0	1.9
Div yield (%)	0.8	1.2	1.9	2.4	2.7	3.1

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

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