

China Yuchai International Limited

NYSE: CYD

Maintaining Rating & Raising Target
HOLD, \$45.00

March 5, 2026

MARKET DATA

Share Price:	\$	42.60
Market Cap:	\$	1,598.35 M
52wk Range:	\$	12.66 - 56.55
Ave. Volume:		190,000
Basic S/O:		37.52 M
Fully Diluted S/O:		38.08 M
Float:		7.87 M
Institutional %:		15%
Insider %:		69%

FINANCIAL DATA (mrq)

Cash:	RMB	6,562.27 M
ST Debt:	RMB	N/A
Total Debt:	RMB	2,071.14 M
Book Value:	RMB	9,580.96 M
EBITDA (ttm):	RMB	N/A
FFFO (ttm):	RMB	N/A

Auditor: Ernst & Young

	2023A	2024A	2025A	2026e
Revenue (in Millions of RMB)				
Jun	9,171.00	10,306.42	13,806.17	14,226.99
Dec	8,875.35	8,827.15	11,783.84	13,724.35
REV	18,046.35	19,133.58	25,590.01	27,951.34
P/S	0.67	0.60	0.43	0.39

Diluted EPS (in RMB)

Jun	4.37	5.88	9.75	10.99
Dec	2.62	2.19	4.57	8.08
EPS	6.99	8.21	14.32	19.07
P/E	42.06	35.78	20.52	15.42

Dividend (in USD)

DIV	0.38	0.53	0.80e	1.00
Yield	0.9%	1.2%	1.9%	2.3%

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Heavy-Duty & HHP Engines Power H2:25 Results

Heavy-Duty and HHP Engines Power H2:25 Results. CYD reported second half results which saw unit sales increase 28.7% from the year ago period, with truck and bus engines up 49.2% year-over-year, and industrial and marine and genset sales up over 22%. As has been discussed recently, the genset growth is coming from increasing demand from the data center market. Revenue for the period totaled RMB 11.8 billion, up 33.5% from H2:24. Gross margins surged to 18.9% due in large part to a greater contribution from heavy-duty and high horsepower engines, which carry higher margins. Additionally, there was an adjustment in sales rebates accruals made in the first half. R&D expenses surged to a record RMB 874.9 million, which included an impairment of its older fuel cell developments. Management noted on the conference call that it continues to develop alternative fuel engines, NEV engines, and range extenders, which are nearing marketability. Additionally, the Company is prepping for a potential move towards National VII standard in the next few years. Operating Income was RMB 489.2 million, a sharp increase from RMB 181.5 million in the year ago period. Net Profit for the period was RMB 171.6 million, or 4.57 per share, a more than 100% increase year-over-year. We do note that income taxes were higher than expected in H2 after under-accruing in H1.

Yuchai Marine and Genset Power To List In Hong Kong. After announcing a potential subsidiary listing in August, CYD disclosed in late January that Yuchai Marine and Genset Power ("MGP") applied with the Hong Kong Stock Exchange regarding a proposed listing on the Main Board. This filing provided more detail into MGP than has been available before, and highlighted the impact data center construction is having on the business. Revenue for the first nine months of 2025 was RMB 4.96 billion, a 67% increase from the prior year period, on a nearly RMB 2.0 billion increase in sales to the China market. In terms of total power generator engines supplied in China, MGP held the top spot in the industry with a 20.2% market share, and this was prior to the jump in data center sales. Net Profit was up 77%, to RMB 761.9 million. It is quite possible MGP will go public at a market cap higher than CYD.

HHP Data Center Business Updates. In the second half of 2025, the Company announced its MTU JV launched its new *mtu* Series 2000 engine, which has a maximum output of 1,250kW. These engines are being produced at its Suzhou plant. MGP also launched its YC16VTF engine, which has a maximum output of 3,917kW. MTU has an annual capacity of 3,000 engines, while Yuchai recently completed the expansion of its own high horsepower engine capacity. CYD's management is expecting double digit growth for HHP engines in 2026, although has noted that it will not divert units away from core customers to fill potential one-off data center needs. Similarly, with the uncertainty of how long data center demand will last, it has no current plans to increase capacity beyond its current amount.

COMPANY UPDATE (continued)

HLGE Interest Increased. On November 4, 2025, CYD increased its ownership in HL Global Enterprises [SI: AVX] from 48.90% to 49.11% after acquiring 200,000 shares at S\$0.331 per share. AVX owns the Copthorne Hotel Cameron Highlands in Malaysia. While we do not currently cover AVX, we note the company is profitable and trading below its net cash value, even after the stock increased over 30% from CYD's purchase.

Controlling Acquisition of NYDK. In January, CYD acquired 83,918,495 shares of Nanyue Diankong (Hengyang) Industrial Technology Company ("NYDK") for RMB 176.2 million in cash. On an equity level, CYD acquired 27.97% of NYDK, however the deal provided CYD the rights to nominate six of the 9 directors to NYDK's Board and designate its general manager. NYDK is an industry leader in fuel injection systems, unit pumps and mechanical pumps. Management believes this deal strengthens its supply chain and could enhance margins over time.

Investigations Into Former Employees. In October, it was disclosed that Wu Qiwei, a Director of CYD and President of GYMCL, and Qin Xiaohong, Chief Accountant at GYMCL, were detained by Chinese authorities. Mr. Wu immediately resigned from his positions with the Company, while Ms. Qin's role was terminated. This followed the investigation into potential disciplinary and legal violations committed by the retired CYD Director and Chairman of GYMCL in July 2025. CYD management has not received any information relating to the details of these arrests. Subsequently, Jiang Fei was named to the Board of CYD in late December, having over 20 years experience within GYMCL.

Model Update. We made a number of changes to our model, namely reducing growth for engine sales in 2026 as a whole, but shifting a greater contribution to the much higher margin heavy-duty and high horsepower engines. The net impact of this is a slight reduction in our Revenue estimate, but an increase in Gross Profit relating to the product mix. The higher Gross Profit level translates to an increase in EPS to 19.07, from our previous estimate of 12.96. While we have not released our 2027 estimates, we note there are no current plans to increase capacity of the HHP engines, which at best would produce flat comparables next year.

Maintaining Rating & Raising Target. The growth in heavy-duty and high horsepower engines propelled H2:25 results and looks to carry on higher profitability in 2026. Although lost in the headlines of its data center exposure, Yuchai has done well to ramp up its export and bus business, which should help bring growth in the future. Despite the increases to our Net Profit estimates for 2026, we see the stock as fairly valued at this price and are reiterating our Hold rating on China Yuchai, but increasing our target price from \$28.00 to \$45.00 based on the higher estimates. Our target price is based on the average of a P/E multiple of roughly 15 times our 2026 diluted EPS estimate of RMB 19.07 and an EV/EBITDA multiple of roughly 6 times our forward twelve month EBITDA estimate of RMB 1,920.9 million.

RISKS

Government Incentives & Policies

Sales in the commercial vehicle sector in China are dependent in part on the policies put in place by the Chinese government, which range from overall economic growth policies to national emissions standards to anti-overloading policies, among others.

Cash Position

The Company has a large cash balance and may not be fully valued should it be unable to find uses that will be accretive to earnings over time.

New Energy Vehicles

The rise of new energy vehicles, and the incentives tied to them in China, have caused diesel engine sales to the bus market to fall in recent years, a trend we expect will continue. Additionally, movement from other vehicles traditionally powered by diesel engines, like construction vehicles, to electric will have a negative impact on CYD unless the Company is successful in bringing its new energy products to market. There are no certainties its heavy R&D spending will yield marketable products in this space.

Demand from Data Centers

Management must balance shorter term capacity expansion for high horsepower generators for the data center market against the potential of having overcapacity in the future when this demand matures. At this point, the Company is set on keeping capacity where it is, and there are no certainties it will be able to hold its market share position.

Staying Ahead of Emissions Standards

As a market leader, GYMCL must continue to invest in R&D and technological equipment to keep its engines ahead of the National emissions standards, which could come at increased costs to the Company.

Dependence on Dongfeng Group

Dongfeng Group is a long standing key customer and engine manufacturer that has accounts for more than 20% of annual revenue in the past. CYD no longer breaks out the exact figures for Dongfeng, but the loss of this customer would have a substantial adverse impact on future results.

No Formal Dividend Policy

CYD does not have a formal dividend policy and there are no assurances the Board will approve a dividend as predicted in our model.

Influence of HLA

HLA owns 44.0% of the shares of CYD and the Special Share, which gives it control over GYMCL. There are no assurances HLA will always act in the best interest of CYD shareholders. Similarly, should HLA sell off shares to lose the Special Share it is uncertain who would have control of GYMCL.

Financial Reporting & Auditing

Due to an accounting error the Company had to restate its 2005 financials. Since then CYD has not had any accounting irregularities, and has not had any material weaknesses in internal control since 2011.

Former Management Arrests

In the second half of 2025, three current or former executives of GYMCL were detained by Chinese authorities. No information has been disclosed surrounding the detainment, and at this time it is unclear if any of the matters revolved around GYMCL.

Past Disagreements with Yulin City Government

In 2003, CYD and HLA had severe disagreements over the status of GYMCL that led to a number of legal and operational issues, as well as a plan by HLA to diversify CYD away from diesel engines. While all parties have been on friendly terms since then, another such dispute could potentially arise at some point in the future.

ESTIMATED INCOME STATEMENT

(in 000s of RMB)	H1:24A	H2:24A	2024A	H1:25A	H2:25A	2025A	H1:26e	H2:26e	2026e
Revenue	10,306,424	8,827,151	19,133,575	13,806,167	11,783,844	25,590,011	14,226,992	13,724,348	27,951,340
Cost of Sales	(8,894,379)	(7,420,695)	(16,315,074)	(11,966,703)	(9,555,661)	(21,522,364)	(12,173,014)	(11,306,843)	(23,479,858)
Gross Profit	1,412,045	1,406,456	2,818,501	1,839,464	2,228,183	4,067,647	2,053,978	2,417,504	4,471,482
Other Operating Income	174,110	401,548	575,658	221,436	224,510	445,946	152,520	157,976	310,496
Research & Development	(393,560)	(591,099)	(984,659)	(476,693)	(874,914)	(1,351,607)	(483,718)	(933,256)	(1,416,973)
SG&A	(755,701)	(1,056,825)	(1,812,526)	(962,491)	(1,108,611)	(2,071,102)	(1,000,389)	(1,171,070)	(2,171,459)
Operating Income	436,894	160,080	596,974	621,716	469,168	1,090,884	722,391	471,156	1,193,546
Finance Costs	(40,925)	(37,057)	(77,982)	(32,194)	(29,571)	(61,765)	(38,153)	(38,153)	(76,305)
Share of Associates & JVs	43,075	58,473	101,548	61,407	49,657	111,064	77,332	127,316	204,648
Profit Before Tax	439,044	181,496	620,540	650,929	489,254	1,140,183	761,570	560,319	1,321,889
Income Tax Expense	(102,441)	(26,357)	(128,798)	(116,159)	(213,523)	(329,682)	(137,083)	(100,857)	(237,940)
Net Profit	336,603	155,139	491,742	534,770	275,731	810,501	624,488	459,461	1,083,949
Non-Controlling Interests	(96,273)	(72,414)	(168,687)	(168,980)	(104,131)	(273,111)	(212,326)	(156,217)	(368,543)
Net Profit to Shareholders	240,330	82,725	323,055	365,790	171,600	537,390	412,162	303,244	715,406
Basic EPS	5.88	2.19	8.21	9.75	4.57	14.32	10.99	8.08	19.07
Basic S/O	40,858	37,518	39,326	37,518	37,518	37,518	37,518	37,518	37,518
Diluted EPS	5.88	2.19	8.21	9.75	4.57	14.32	10.99	8.08	19.07
Diluted S/O	40,858	37,518	39,326	37,518	37,518	37,518	37,518	37,518	37,518
Dividend (in USD)			\$ 0.53			\$ 0.80			\$ 1.00
	H1:24A	H2:24A	2024A	H1:25A	H2:25A	2025A	H1:26e	H2:26e	2026e
Gross Profit	13.7%	15.9%	14.7%	13.3%	18.9%	15.9%	14.4%	17.6%	16.0%
Operating Income	4.2%	1.8%	3.1%	4.5%	4.0%	4.3%	5.1%	3.4%	4.3%
Net Margin	2.3%	0.9%	1.7%	2.6%	1.5%	2.1%	2.9%	2.2%	2.6%

Source: CYD documents filed with the SEC and Greenridge Global estimates

DISCLOSURES

Distribution of Ratings

Rating	Count	Percent	<u>I.B. last 12 months</u>	
			Count	Percent
BUY	9	82%	0	0%
HOLD	1	9%	0	0%
SELL	0	0%	0	0%
NO RATING	1	9%	0	0%

Explanation of Ratings

- BUY:** Describes undervalued stocks we expect to provide a total return (capital appreciation + yield) of 15% or more in the next twelve month period.
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- SELL:** Describes overvalued stocks we expect to provide a total negative return (capital depreciation + yield) of 15% or more in the next twelve month period.
- NO RATING:** Describes stocks that have their investment rating and/or target price temporarily removed for fundamental or compliance-based reasons.

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China Yuchai International Limited	-

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