

Jiangsu Hengli (601100 CH)

4Q25 earnings miss on gross margin and FX loss; But structural growth outlook still intact

Hengli's net profit in 4Q25 dropped 10% YoY to RMB647mn, which is 10%/5% below our/Bloomberg consensus estimates. The major deviation came from (1) a lower-than-expected gross margin (-6.11ppts YoY to 40.6%) due to higher sales of non-excavator component products; and (2) a RMB206mn net finance expense due mainly to fx loss (appreciation of RMB). That said, we are staying positive on Hengli as we expect continuous penetration into different downstream segments, as well as the structural growth outlook of humanoid robots. We slightly revise up our 2026E/27E earnings forecasts by 1%/4%, due to higher revenue and lower expense ratio assumptions. We slightly revise up our TP to RMB109 (from RMB105), based on 42x 2026E P/E (+1SD above the historical average unchanged, to reflect the machinery upcycle and humanoid robot components growth). We see any post-results share price pullback as buying opportunities.

■ **Key highlights in 2025 results:** Revenue in 2025 grew 17% YoY to RMB10.9bn (hydraulic cylinders: +10%; pump & valve: +21%; hydraulic systems: +30%; components: +30%). Blended gross margin contracted 1.2ppts YoY to 41.6%, due largely to a 2.9ppt YoY contraction of hydraulic cylinders margin. EBIT was +16% YoY due to lower SG&A and R&D expense ratio. Net profit only increased 9% YoY to RMB2.73bn due to a sharp reduction of net finance income as a result of FX loss. Operating cash inflow dropped 27% YoY to RMB1.8bn.

■ **Risk factors:** (1) Slowdown of demand for hydraulic components; (2) slower-than-expected new business development.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	9,390	10,941	12,702	14,438	16,161
YoY growth (%)	4.5	16.5	16.1	13.7	11.9
Adjusted net profit (RMB mn)	2,508.7	2,734.0	3,471.5	4,036.0	4,585.0
EPS (Reported) (RMB)	1.87	2.04	2.59	3.01	3.42
YoY growth (%)	0.4	9.0	27.0	16.3	13.5
Consensus EPS (RMB)	na	na	2.55	3.02	na
P/E (x)	55.2	50.7	39.9	34.3	30.2
P/B (x)	8.8	8.0	7.1	6.3	5.5
Yield (%)	0.7	0.8	1.1	1.3	1.4
Net gearing (%)	(49.8)	(51.1)	(47.8)	(54.3)	(53.2)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price RMB109.00
(Previous TP) RMB105.00
Up/Downside 5.5%
Current Price RMB103.32

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Stock Data

Mkt Cap (RMB mn)	138,533.5
Avg 3 mths t/o (RMB mn)	1,149.5
52w High/Low (RMB)	123.74/66.70
Total Issued Shares (mn)	1340.8

Source: FactSet

Shareholding Structure

WANG's family	64.3%
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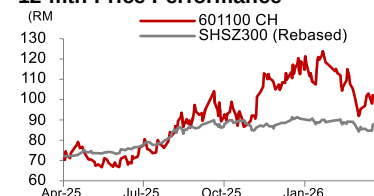
Source: SSE

Share Performance

	Absolute	Relative
1-mth	3.7%	0.1%
3-mth	-10.1%	-10.2%
6-mth	13.3%	8.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

Capital Goods – Strong export of earth-moving machinery in Feb – 9 Mar 2026 ([link](#))

Capital Goods - Strong momentum of non-earth-moving machinery sales in Jan – 16 Feb 2026 ([link](#))

Jiangsu Hengli – 3Q25 earnings growth accelerated to 31% YoY – 28 Oct 2025 ([link](#))

Figure 1: Quarterly results highlights

(RMB mn)	1Q24	1Q25	Change YoY	2Q24	2Q25	Change YoY	3Q24	3Q25	Change YoY	4Q24	4Q25	Change YoY
Total revenue	2,362	2,422	2.6%	2,471	2,749	11.2%	2,103	2,619	24.5%	2,454	3,151	28.4%
Cost of sales	-1,415	-1,468	3.8%	-1,406	-1,539	9.5%	-1,240	-1,514	22.1%	-1,308	-1,871	43.0%
Gross profit	947	954	0.8%	1,066	1,210	13.5%	863	1,104	28.0%	1,146	1,281	11.7%
Other income	-24	-27	13.4%	-24	-26	6.5%	-21	-24	15.1%	-22	-33	51.1%
S&D expenses	-49	-58	19.0%	-52	-46	-11.8%	-43	-60	37.7%	-73	-91	24.5%
Administrative expenses	-116	-137	18.2%	-107	-159	48.7%	-156	-161	3.2%	-213	-193	-9.7%
R&D expense	-106	-149	39.9%	-228	-208	-8.9%	-201	-194	-3.3%	-193	-155	-19.8%
Asset impairment	-16	-4	-72.6%	-11	-19	69.6%	3	-4	n/a	-42	-112	169.1%
EBIT	636	579	-8.9%	644	753	16.9%	445	662	48.8%	604	697	15.6%
Net finance income/(cost)	55	199	261.9%	47	69	45.9%	64	-68	n/a	-35	-206	488.5%
Other gains/(loss)	25	-59	n/a	50	65	28.8%	58	136	135.3%	208	204	-2.0%
Profit of JV & associates	0	0	n/a	0	0	n/a	0	0	n/a	0	0	n/a
Pretax profit	716	719	0.5%	741	886	19.6%	567	731	28.8%	776	696	-10.4%
Income tax	-113	-100	-10.9%	-54	-73	34.8%	-63	-72	13.9%	-58	-47	-18.9%
After tax profit	603	619	2.7%	687	813	18.4%	504	659	30.6%	718	648	-9.7%
MI	-1	-1	38.5%	-1	-2	77.2%	-1	-1	51.7%	-1	-1	32.7%
Net profit	602	618	2.6%	686	812	18.3%	504	658	30.6%	717	647	-9.8%
Key ratios			ppt			ppt			ppt			ppt
Gross margin	40.1%	39.4%	-0.7	43.1%	44.0%	0.9	41.0%	42.2%	1.1	46.7%	40.6%	-6.1
S&D expense ratio	2.1%	2.4%	0.3	2.1%	1.7%	-0.4	2.1%	2.3%	0.2	3.0%	2.9%	-0.1
Administrative exp ratio	4.9%	5.6%	0.7	4.3%	5.8%	1.5	7.4%	6.1%	-1.3	8.7%	6.1%	-2.6
R&D exp ratio	4.5%	6.1%	1.6	9.2%	7.6%	-1.7	9.5%	7.4%	-2.1	7.8%	4.9%	-2.9
Effective tax rate	15.8%	14.0%	-1.8	7.3%	8.2%	0.9	11.1%	9.8%	-1.3	7.5%	6.8%	-0.7

Source: Company data, CMBIGM

Figure 2: Change in key assumptions for Hengli

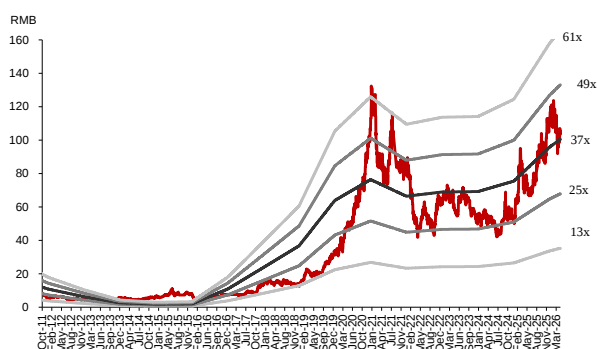
(RMB mn)	2026E	Old	2028E	2026E	New	2028E	2026E	Change	2028E
Revenue									
Hydraulic cylinder	5,734	6,361	-	5,734	6,361	6,988	0.0%	0.0%	-
Hydraulic pump and valve	5,612	6,551	-	5,404	6,300	7,192	-3.7%	-3.8%	-
Hydraulic system	336	363	-	443	492	541	31.8%	35.5%	-
Component	776	838	-	1,025	1,179	1,320	32.2%	40.7%	-
Revenue (hydraulic business)	12,458	14,113	-	12,607	14,332	16,042	1.2%	1.6%	-
Other business	82	91	-	95	106	119	16.0%	16.0%	-
Total revenue	12,540	14,204	-	12,702	14,438	16,161	1.3%	1.6%	-
Gross margin (hydraulic business)	43.6%	43.7%	-	42.2%	42.5%	42.8%	-1.4	-1.2	-
Other business	90.0%	90.0%	-	95.0%	95.0%	95.0%	5.0	5.0	-
Blended gross margin	43.9%	44.0%	-	42.6%	42.9%	43.2%	-1.3	-1.1	-
							Change (ppt)		
S&D expense ratio	-2.3%	-2.3%	-	-2.3%	-2.3%	-2.3%	0.0	0.0	-
Admin expense and R&D ratio	-13.9%	-13.9%	-	-12.3%	-12.2%	-12.2%	1.6	1.7	-
Net finance income/(expense) RMB mn	324	380	-	135	213	252	-58.3%	-44.0%	-
Net profit	3,433	3,884	-	3,472	4,036	4,585	1.1%	3.9%	-

Source: Company data, CMBIGM estimates

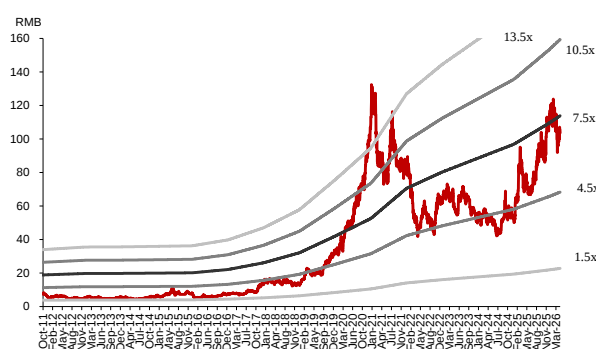
Figure 3: Key assumptions on Hengli

(RMB mn)	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Revenue									
Hydraulic cylinder	4,497	5,187	4,584	4,693	4,761	5,254	5,734	6,361	6,988
Hydraulic pump and valve	2,338	3,236	2,755	3,268	3,583	4,326	5,404	6,300	7,192
Hydraulic system	157	196	253	292	296	385	443	492	541
Component	845	677	574	672	684	891	1,025	1,179	1,320
Revenue (hydraulic business)	7,838	9,295	8,167	8,926	9,325	10,856	12,607	14,332	16,042
Other business	17	14	30	59	65	85	95	106	119
Total revenue	7,855	9,309	8,197	8,985	9,390	10,941	12,702	14,438	16,161
Revenue growth									
Hydraulic cylinder	27.0%	15.3%	-11.6%	2.4%	1.4%	10.4%	9.1%	10.9%	9.9%
Hydraulic pump and valve	85.2%	38.4%	-14.9%	18.6%	9.6%	20.7%	24.9%	16.6%	14.2%
Hydraulic system	82.9%	25.1%	29.1%	15.1%	1.6%	30.0%	15.0%	11.0%	10.0%
Component	68.8%	-20.0%	-15.2%	17.1%	1.8%	30.3%	15.0%	15.0%	12.0%
Revenue (hydraulic business)	45.4%	18.6%	-12.1%	9.3%	4.5%	16.4%	16.1%	13.7%	11.9%
Other business	-23.1%	-19.6%	119.1%	96.0%	10.2%	29.9%	12.0%	12.0%	12.0%
Total revenue	45.1%	18.5%	-12.0%	9.6%	4.5%	16.5%	16.1%	13.7%	11.9%
Gross margin									
Hydraulic cylinder	46.8%	44.2%	40.1%	41.2%	42.6%	39.7%	41.1%	41.6%	42.1%
Hydraulic pump and valve	52.3%	52.0%	48.2%	47.6%	47.9%	48.8%	49.0%	49.0%	49.0%
Hydraulic system	45.7%	45.2%	44.9%	38.7%	38.1%	34.4%	34.5%	34.8%	35.0%
Component	6.2%	3.5%	2.9%	15.9%	14.5%	15.3%	15.8%	16.0%	16.5%
Gross margin (hydraulic business)	44.0%	44.0%	40.4%	41.6%	42.5%	41.1%	42.2%	42.5%	42.8%
Other business	74.3%	70.9%	92.7%	91.1%	93.9%	96.9%	95.0%	95.0%	95.0%
Blended gross margin	44.1%	44.0%	40.6%	41.9%	42.8%	41.6%	42.6%	42.9%	43.2%

Source: Company data, CMBIGM estimates

Figure 4: Hengli's P/E band

Source: Bloomberg, company data, CMBIGM estimates

Figure 5: Hengli's P/B band

Source: Bloomberg, company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	8,985	9,390	10,941	12,702	14,438	16,161
Cost of goods sold	(5,220)	(5,368)	(6,392)	(7,293)	(8,246)	(9,177)
Gross profit	3,765	4,021	4,549	5,409	6,191	6,984
Selling expense	(186)	(217)	(254)	(292)	(332)	(372)
Admin expense	(404)	(592)	(649)	(737)	(823)	(921)
R&D expense	(694)	(728)	(705)	(826)	(938)	(1,050)
Others	(150)	(156)	(248)	(184)	(200)	(215)
Operating profit	2,330	2,328	2,692	3,370	3,898	4,425
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
EBITDA	2,744	2,758	3,228	3,955	4,531	5,106
Depreciation	413	430	536	585	633	681
Interest income	382	146	(2)	137	215	254
Interest expense	(13)	(14)	(4)	(2)	(2)	(2)
Net Interest income/(expense)	369	131	(6)	135	213	252
Other income/expense	131	341	346	381	433	485
Pre-tax profit	2,830	2,800	3,032	3,887	4,544	5,162
Income tax	(326)	(288)	(292)	(408)	(500)	(568)
Minority interest	(5)	(4)	(6)	(7)	(8)	(9)
Adjusted net profit	2,499	2,509	2,734	3,472	4,036	4,585

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	12,994	13,830	15,224	16,961	20,042	22,499
Cash & equivalents	8,124	7,883	8,871	9,405	12,069	13,343
Account receivables	2,767	2,756	3,269	4,386	4,316	5,425
Inventories	1,692	1,765	2,154	2,241	2,729	2,802
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	23,729	26,981	29,562
Current liabilities	3,099	3,379	3,821	3,553	4,254	3,976
Short-term borrowings	203	19	17	17	17	17
Account payables	1,297	1,136	1,792	1,525	2,226	1,948
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	4,065	4,767	4,489
Total shareholders equity	14,391	15,775	17,280	19,598	22,141	24,991
Minority interest	52	54	58	65	73	82
Total equity and liabilities	17,896	19,639	21,671	23,729	26,981	29,562

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	2,830	2,800	3,032	3,887	4,544	5,162
Depreciation & amortization	413	430	536	585	633	681
Tax paid	(326)	(288)	(292)	(408)	(500)	(568)
Change in working capital	(225)	(195)	(1,256)	(1,472)	284	(1,460)
Others	(15)	(269)	(209)	2	2	2
Net cash from operations	2,677	2,479	1,811	2,593	4,963	3,817
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)	(1,493)	(1,735)
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)	(1,495)	(1,737)
Net change in cash						
Cash at the beginning of the year	6,886	8,124	7,883	8,871	9,405	12,069
Exchange difference	2,492	1,167	899	0	0	0
Cash at the end of the year	8,124	7,883	8,871	9,405	12,069	13,343
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	9.6%	4.5%	16.5%	16.1%	13.7%	11.9%
Gross profit	13.3%	6.8%	13.1%	18.9%	14.5%	12.8%
Operating profit	7.9%	(0.1%)	15.6%	25.2%	15.7%	13.5%
EBITDA	7.5%	0.5%	17.0%	22.5%	14.6%	12.7%
Adj. net profit	6.7%	0.4%	9.0%	27.0%	16.3%	13.6%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	41.9%	42.8%	41.6%	42.6%	42.9%	43.2%
Operating margin	25.9%	24.8%	24.6%	26.5%	27.0%	27.4%
EBITDA margin	30.5%	29.4%	29.5%	31.1%	31.4%	31.6%
Adj. net profit margin	27.8%	26.7%	25.0%	27.3%	28.0%	28.4%
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	4.8	4.7	5.7
Receivable turnover days	116.8	107.4	100.5	110.0	110.0	110.0
Inventory turnover days	120.9	117.5	111.9	110.0	110.0	110.0
Payable turnover days	91.6	82.7	83.6	83.0	83.0	83.0
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	55.4	55.2	50.7	39.9	34.3	30.2
P/B	9.6	8.8	8.0	7.1	6.3	5.5
Div yield (%)	0.7	0.7	0.8	1.1	1.3	1.4

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

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