

Zhejiang Dingli (603338 CH)

Sustainability of growth remains to be seen

Dingli's share price surged 10% yesterday (28 Apr) following better-than-expected 1Q26 results (strong revenue growth + QoQ gross margin improvement + lower expense). Take a closer look at the results, however, could find it difficult to conclude that the high growth is sustainable. First, we believe the revenue growth in 1Q26 (30% YoY) included part of the US tariff pass-through. Second, the decline in SG&A expense ratio (through efficiency enhancement of the US subsidiary) has lasted for several quarters, setting a low base for upcoming quarters. We revise up our 2026E/27E earnings forecasts by 3%/6%, due to higher sales volume assumptions (slightly offset by lower finance income). Our TP is revised up to RMB59 (from RMB48), based on 14x 2026 P/E (0.5 SD below the three-year average P/E unchanged). We maintain our **HOLD** rating for now until we see a more sustainable growth trend.

- **1Q26 results highlights.** Revenue grew 30% YoY to RMB2.46bn. Gross margin contracted 6.8ppts YoY but expanded 5.2ppts QoQ to 33.8% (note: 2-month US tariff impact in 1Q26 before the court's ruling to halt). Given that both the SG&A and R&D expense ratio dropped YoY in 1Q26, EBIT grew 38% YoY to RMB609mn. Net finance expense was RMB82mn (vs net finance income of RMB93mn in 1Q26), due to appreciation of RMB. Net profit grew 6% YoY to RMB453mn, while operating cash outflow improved 61% YoY to RMB186mn.
- **Latest Anti-dumping (AD), countervailing duties (CVD) and tariff:** The US latest AD rate on Dingli is set at 18.27% (effective from 16 Apr 2026), with a rate same as Sinoboom, Terex (Changzhou) Machinery (owned by Terex [TEX US, NR]) and Oshkosh JLG (Tianjin) Equipment (owned by Oshkosh [OSK US]). The latest AD, together with the CVD (33.1%) and Section 301 tariff (25%), adds up to a total rate of ~76% for Dingli's AWP's selling into the US. We think such level of rate is still manageable given Dingli's rich experience in dealing with tariff and duties.
- **Upside risks:** (1) recovery of AWP demand; (2) strong demand for new products.
- **Downside risks:** (1) further intensified competition in China's AWP market; (2) additional tariff/AD/CVD.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	7,799	8,575	10,203	11,388	12,422
YoY growth (%)	23.6	10.0	19.0	11.6	9.1
Net profit (RMB mn)	1,628.7	1,899.2	2,117.7	2,379.3	2,604.2
EPS (Reported) (RMB)	3.22	3.75	4.18	4.70	5.14
YoY growth (%)	(12.8)	16.6	11.5	12.4	9.5
Consensus EPS (RMB)	na	na	4.33	4.96	5.48
P/E (x)	17.7	15.2	13.6	12.1	11.1
P/B (x)	2.9	2.5	2.2	2.0	1.7
Yield (%)	1.8	2.0	2.3	2.6	2.8
ROE (%)	17.1	17.7	17.4	17.2	16.7
Net gearing (%)	(40.1)	(33.7)	(31.7)	(35.9)	(39.8)

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

Target Price	RMB59.00
(Previous TP	RMB48.00)
Up/Downside	3.5%
Current Price	RMB57.02

China Capital Goods

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Stock Data

Mkt Cap (RMB mn)	28,869.2
Avg 3 mths t/o (RMB mn)	229.5
52w High/Low (RMB)	62.75/42.53
Total Issued Shares (mn)	506.3

Source: FactSet

Shareholding Structure

XU Shugen	45.5%
Deqing Zhongding Equity Investment Manag	10.8%

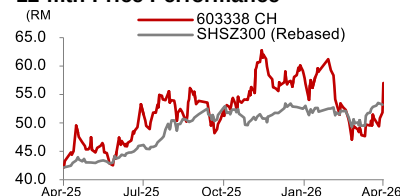
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	15.8%	9.3%
3-mth	-1.5%	-2.6%
6-mth	11.3%	9.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

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

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Dingli – 3Q25 net profit -15% YoY, below expectations – 30 Oct 2025 ([link](#))

Figure 1: 1Q26 results highlights

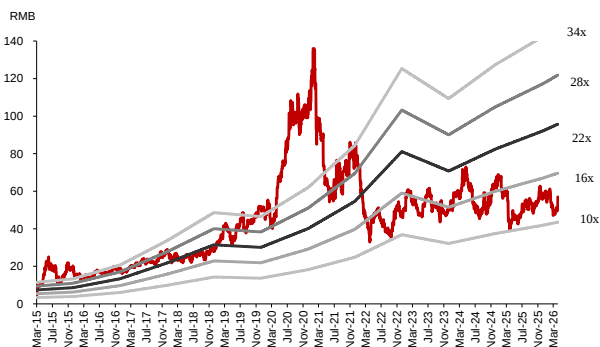
(RMB mn)	1Q25	1Q26	Chg YoY	2Q24	2Q25	Chg YoY	3Q24	3Q25	Chg YoY	4Q24	4Q25	Chg YoY
Total revenue	1,898	2,457	29.5%	2,408	2,438	1.3%	2,274	2,339	2.8%	1,665	1,901	14.1%
Cost of sales	(1,128)	(1,627)	44.2%	(1,642)	(1,658)	1.0%	(1,419)	(1,494)	5.3%	(1,150)	(1,358)	18.1%
Gross profit	770	831	7.9%	766	780	1.9%	855	845	-1.2%	515	543	5.4%
Other income	(18)	(8)	-55.2%	(12)	(19)	61.7%	(9)	(14)	62.3%	(18)	(17)	-5.6%
S&D expenses	(100)	(70)	-30.4%	(24)	(72)	199.2%	(58)	(74)	28.4%	(116)	(63)	-45.9%
Administrative expenses	(99)	(44)	-55.9%	(59)	(52)	-11.4%	(55)	(48)	-12.9%	(82)	(59)	-27.9%
R&D expense	(70)	(59)	-15.0%	(68)	(75)	9.8%	(62)	(82)	33.2%	(75)	(64)	-14.9%
Asset impairment	(42)	(41)	-2.0%	9	(31)	n/a	(0)	(3)	3921.6%	(122)	(3)	-97.8%
EBIT	440	609	38.2%	612	531	-13.3%	672	624	-7.2%	102	337	231.6%
Net finance income/(cost)	93	(82)	n/a	10	196	1870.6%	36	(37)	n/a	28	(41)	n/a
Other gains/(losses)	(6)	19	n/a	(3)	8	n/a	20	42	108.4%	172	44	-74.1%
Share of profit of JV and associates	0	0	n/a	(13)	0	n/a	0	0	n/a	(67)	0	n/a
Pretax profit	528	546	3.5%	606	735	21.4%	728	629	-13.7%	235	340	44.8%
Income tax	(99)	(93)	-6.2%	(83)	(111)	34.4%	(91)	(86)	-5.8%	(68)	(36)	-47.2%
After tax profit	429	453	5.7%	523	624	19.3%	637	543	-14.8%	167	304	82.1%
MI	0	(0)	n/a	(0)	(0)	n/a	(1)	(0)	n/a	1	0	n/a
Net profit	429	453	5.7%	522	624	19.4%	636	542	-14.7%	168	305	81.0%
Gross margin	40.6%	33.8%	-6.8	31.8%	32.0%	0.2	37.6%	36.1%	-1.5	30.9%	28.6%	-2.4
S&D expense ratio	5.3%	2.8%	-2.4	1.0%	3.0%	2.0	2.5%	3.2%	0.6	7.0%	3.3%	-3.7
Administrative expense ratio	5.2%	1.8%	-3.4	2.5%	2.2%	-0.3	2.4%	2.0%	-0.4	5.0%	3.1%	-1.8
R&D expense ratio	3.7%	2.4%	-1.3	2.8%	3.1%	0.2	2.7%	3.5%	0.8	4.5%	3.4%	-1.2
Effective tax rate	18.8%	17.0%	-1.8	13.7%	15.2%	1.5	12.5%	13.7%	1.1	28.8%	10.5%	-18.3

Source: Company data, CMBIGM estimates

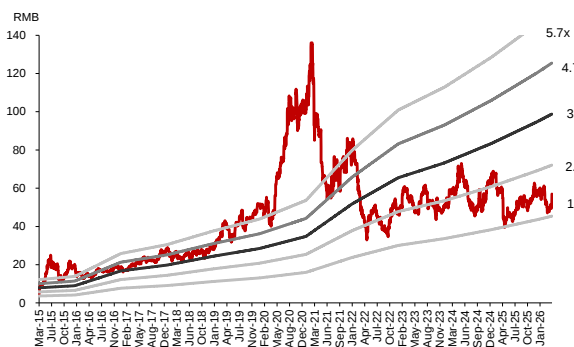
Figure 2: Change in key assumptions

	Old			New			Change		
(RMB mn)	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue									
Boom lifts	3,986	4,385	-	4,256	4,766	5,338	6.8%	8.7%	-
Scissor lifts	3,947	4,262	-	4,002	4,603	5,063	1.4%	8.0%	-
Vertical lifts	1,042	1,042	-	1,023	1,023	1,023	-1.8%	-1.8%	-
Revenue (core business)	8,975	9,690	-	9,281	10,392	11,425	3.4%	7.3%	-
Other business	858	964	-	921	995	997	7.3%	3.3%	-
Total revenue	9,834	10,653	-	10,203	11,388	12,422	3.8%	6.9%	-
Gross margin								ppt	
Boom lifts	28.0%	28.0%	-	28.5%	28.8%	29.0%	0.5	0.8	-
Scissor lifts	34.5%	34.5%	-	34.5%	34.7%	34.8%	0.0	0.2	-
Vertical lifts	38.0%	38.0%	-	38.0%	38.0%	38.0%	0.0	0.0	-
Gross margin (core business)	32.0%	31.9%	-	32.1%	32.3%	32.4%	0.1	0.4	-
Other business	50.0%	50.0%	-	50.0%	50.0%	50.0%	0.0	0.0	-
Blended gross margin	33.6%	33.6%	-	33.7%	33.9%	33.8%	0.2	0.3	-
S&D expense ratio	-3.5%	-3.5%	-	-3.5%	-3.5%	-3.5%	0.0	0.0	-
Admin expense ratio	-3.2%	-3.2%	-	-3.1%	-3.1%	-3.1%	0.1	0.1	-
R&D expense ratio	-3.3%	-3.3%	-	-3.3%	-3.3%	-3.3%	0.0	0.0	-
Net finance income	161	193	-	104	121	151	-35.7%	-37.3%	-
Net profit	2,059	2,244	-	2,118	2,379	2,604	2.8%	6.0%	-

Source: Company data, CMBIGM estimates

Figure 3: Dingli's 12M forward P/E band

Source: Bloomberg, company data, CMBIGM estimates

Figure 4: Dingli's 12M forward 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	6,312	7,799	8,575	10,203	11,388	12,422
Cost of goods sold	(3,882)	(5,066)	(5,638)	(6,759)	(7,531)	(8,224)
Gross profit	2,430	2,733	2,938	3,443	3,856	4,198
Operating expenses	(689)	(917)	(1,006)	(1,163)	(1,298)	(1,416)
Selling expense	(232)	(254)	(310)	(357)	(399)	(435)
Admin expense	(141)	(225)	(258)	(316)	(353)	(385)
R&D expense	(220)	(256)	(291)	(337)	(376)	(410)
Others	(96)	(182)	(147)	(153)	(171)	(186)
Operating profit	1,740	1,816	1,932	2,280	2,558	2,781
Other gains/(losses)	113	100	88	122	137	149
Share of (losses)/profits of associates/JV	76	(70)	0	0	0	0
Depreciation	129	200	209	233	258	258
Interest income	264	105	227	120	136	166
Interest expense	(20)	(13)	(16)	(17)	(15)	(14)
Net Interest income/(expense)	245	92	211	104	121	151
Pre-tax profit	2,174	1,938	2,232	2,506	2,816	3,082
Income tax	(307)	(309)	(332)	(388)	(436)	(478)
After tax profit	1,867	1,629	1,899	2,118	2,379	2,604
Minority interest	0	(0)	0	0	0	0
Net profit	1,867	1,629	1,899	2,118	2,379	2,604

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	10,140	11,365	12,690	13,996	15,804	17,707
Cash & equivalents	4,397	5,078	4,733	4,895	5,994	7,259
Account receivables	3,489	3,464	4,101	5,123	5,360	5,871
Inventories	1,921	2,342	2,902	3,024	3,496	3,624
Prepayment	7	26	25	25	25	25
Other current assets	327	455	928	928	928	928
Non-current assets	4,067	3,988	4,664	5,127	5,589	5,740
PP&E	1,613	1,800	1,768	2,068	2,344	2,620
Deferred income tax	3	84	145	145	145	145
Investment in JVs & assos	332	0	0	0	0	0
Intangibles	389	784	746	712	678	643
Other non-current assets	1,731	1,321	2,006	2,202	2,423	2,332
Total assets	14,207	15,354	17,354	19,123	21,393	23,448
Current liabilities	4,435	4,523	5,216	5,499	6,046	6,235
Short-term borrowings	826	674	573	523	473	423
Account payables	2,971	3,076	3,907	4,241	4,838	5,076
Tax payable	290	379	369	369	369	369
Other current liabilities	323	285	320	320	320	320
Contract liabilities	25	108	46	46	46	46
Non-current liabilities	807	793	729	679	679	679
Long-term borrowings	493	378	314	264	264	264
Deferred income	191	247	276	276	276	276
Other non-current liabilities	122	168	139	139	139	139
Total liabilities	5,242	5,316	5,945	6,178	6,725	6,913
Total shareholders equity	8,965	10,035	11,407	12,942	14,665	16,531
Minority interest	0	3	3	3	3	3
Total equity and liabilities	14,207	15,354	17,354	19,123	21,393	23,448

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	2,174	1,938	2,232	2,506	2,816	3,082
Depreciation & amortization	129	200	209	233	258	258
Tax paid	(378)	(559)	(709)	(388)	(436)	(478)
Change in working capital	216	(16)	(817)	(1,007)	(332)	(310)
Others	87	354	398	(104)	(121)	(151)
Net cash from operations	2,227	1,917	1,312	1,240	2,185	2,401
Investing						
Capital expenditure	(371)	(356)	(660)	(500)	(500)	(500)
Others	(491)	178	(126)	120	136	166
Net cash from investing	(863)	(179)	(786)	(380)	(364)	(334)
Financing						
Dividend paid	(253)	(506)	(506)	(582)	(656)	(738)
Net borrowings	(198)	(267)	(165)	(100)	(50)	(50)
Proceeds from share issues	0	0	0	0	0	0
Others	(69)	(223)	(143)	(17)	(15)	(14)
Net cash from financing	(520)	(997)	(815)	(699)	(722)	(802)
Net change in cash						
Cash at the beginning of the year	3,522	4,397	5,078	4,733	4,895	5,994
Exchange difference	30	(60)	(56)	0	0	0
Cash at the end of the year	4,397	5,078	4,733	4,895	5,994	7,259
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	15.9%	23.6%	10.0%	19.0%	11.6%	9.1%
Gross profit	43.7%	12.5%	7.5%	17.2%	12.0%	8.8%
Operating profit	52.2%	4.4%	6.4%	18.0%	12.2%	8.7%
Net profit	48.5%	(12.8%)	16.6%	11.5%	12.4%	9.5%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	38.5%	35.0%	34.3%	33.7%	33.9%	33.8%
Operating margin	27.6%	23.3%	22.5%	22.3%	22.5%	22.4%
Return on equity (ROE)	23.3%	17.1%	17.7%	17.4%	17.2%	16.7%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.3)	(0.4)	(0.3)	(0.3)	(0.4)	(0.4)
Current ratio (x)	2.3	2.5	2.4	2.5	2.6	2.8
Receivable turnover days	190.3	162.7	161.0	165.0	168.0	165.0
Inventory turnover days	174.7	153.6	169.8	160.0	158.0	158.0
Payable turnover days	251.6	217.8	226.1	220.0	220.0	220.0
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	15.5	17.7	15.2	13.6	12.1	11.1
P/B	3.2	2.9	2.5	2.2	2.0	1.7
Div yield (%)	1.8	1.8	2.0	2.3	2.6	2.8

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

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