

Jiangsu Hengli (601100 CH)

2Q26 preview: Revenue on track but profit hurt by FX; No impact from US foreign robots ban

We forecast Hengli to deliver 30% YoY revenue growth in 2Q26, driven by strong hydraulic parts for excavators, as well as fast-growing precision revenue. On the profit side, we expect net profit to largely stay flat YoY at ~RMB800mn in 2Q26, due to (1) high base arising from high gross margin (44%) in 2Q25, (2) FX loss of ~RMB200mn, based on our estimates, as a result of the appreciation of RMB in 2Q26. On the other hand, we believe the latest ban on foreign humanoid robots ([source](#)) sales in the US will have no impact on Hengli, given that the majority of Hengli's capacity of robotic ball screws is allocated to a major US robot manufacturer. Our TP is unchanged at RMB125 (based on 48x 2026E P/E, 1.5SD above the historical average to reflect both the upcycle of hydraulic business and the huge growth potential of precision business). Hengli remains a key pick in our universe. Reiterate **BUY**.

- **New ban on foreign robotic devices in the US.** The US Federal Communications Commission (FCC) released on 28 Jul that non-US made advanced mobile robots (including humanoids and quadrupeds) and power inverters will be banned from selling in the US (unless exemptions are granted), due to national security concerns. We believe Hengli, a component supplier tied mainly to the US humanoid robot supply chain, will see insignificant impact from such ban.
- **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	13,144	15,324	17,675
YoY growth (%)	4.5	16.5	20.1	16.6	15.3
Adjusted net profit (RMB mn)	2,508.7	2,734.0	3,491.4	4,194.0	4,883.0
EPS (Reported) (RMB)	1.87	2.04	2.60	3.13	3.64
YoY growth (%)	0.4	9.0	27.7	20.1	16.3
Consensus EPS (RMB)	na	na	2.56	3.14	3.74
P/E (x)	55.5	50.9	39.9	33.2	28.5
P/B (x)	8.8	8.1	7.1	6.2	5.5
Yield (%)	0.7	0.8	1.1	1.3	1.5
Net gearing (%)	(49.8)	(51.1)	(45.4)	(51.2)	(52.0)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **RMB125.00**
 Up/Downside **20.4%**
 Current Price **RMB103.80**

China Capital Goods

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Stock Data

Mkt Cap (RMB mn)	139,177.1
Avg 3 mths t/o (RMB mn)	1,155.3
52w High/Low (RMB)	123.74/73.16
Total Issued Shares (mn)	1340.8

Source: FactSet

Shareholding Structure

WANG's family	64.3%
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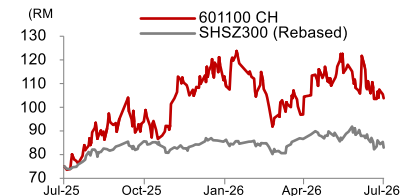
Source: SSE

Share Performance

	Absolute	Relative
1-mth	-4.1%	-0.7%
3-mth	-0.7%	0.5%
6-mth	-7.6%	-7.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

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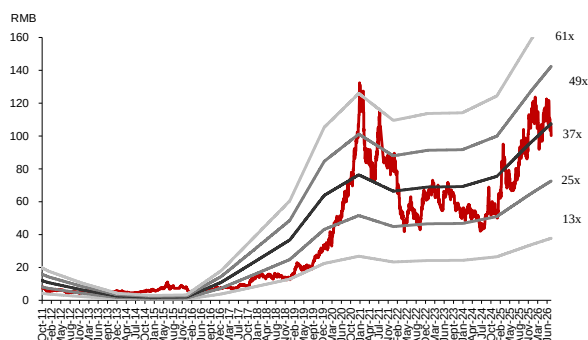
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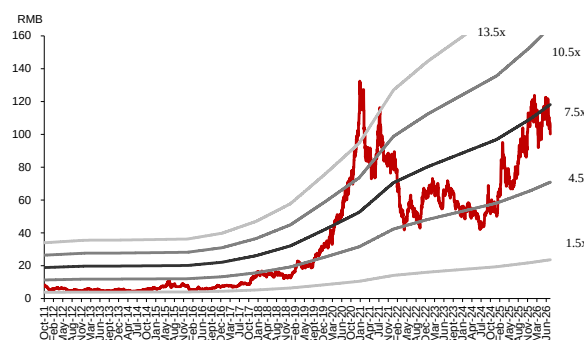
Figure 1: Key assumptions on Hengli

(RMB mn)	2023	2024	2025	2026E	2027E	2028E
Revenue						
Hydraulic cylinder	4,693	4,761	5,254	6,112	6,781	7,453
Hydraulic pump and valve	3,268	3,583	4,326	5,404	6,300	7,192
Hydraulic system	292	296	385	463	532	585
Component	672	684	891	1,070	1,604	2,326
Revenue (hydraulic business)	8,926	9,325	10,856	13,049	15,218	17,556
Other business	59	65	85	95	106	119
Total revenue	8,985	9,390	10,941	13,144	15,324	17,675
Revenue growth						
Hydraulic cylinder	2.4%	1.4%	10.4%	16.3%	10.9%	9.9%
Hydraulic pump and valve	18.6%	9.6%	20.7%	24.9%	16.6%	14.2%
Hydraulic system	15.1%	1.6%	30.0%	20.0%	15.0%	10.0%
Component	17.1%	1.8%	30.3%	20.0%	50.0%	45.0%
Revenue (hydraulic business)	9.3%	4.5%	16.4%	20.2%	16.6%	15.4%
Other business	96.0%	10.2%	29.9%	12.0%	12.0%	12.0%
Total revenue	9.6%	4.5%	16.5%	20.1%	16.6%	15.3%
Gross margin						
Hydraulic cylinder	41.2%	42.6%	39.7%	41.1%	41.6%	42.1%
Hydraulic pump and valve	47.6%	47.9%	48.8%	49.0%	49.0%	49.0%
Hydraulic system	38.7%	38.1%	34.4%	34.5%	34.8%	35.0%
Component	15.9%	14.5%	15.3%	15.8%	18.5%	23.0%
Gross margin (hydraulic business)	41.6%	42.5%	41.1%	42.1%	42.0%	42.2%
Other business	91.1%	93.9%	96.9%	95.0%	95.0%	95.0%
Blended gross margin	41.9%	42.8%	41.6%	42.4%	42.4%	42.5%

Source: Company data, CMBIGM estimates

Figure 2: Hengli's P/E band

Source: Bloomberg, company data, CMBIGM estimates

Figure 3: 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	13,144	15,324	17,675
Cost of goods sold	(5,220)	(5,368)	(6,392)	(7,565)	(8,834)	(10,161)
Gross profit	3,765	4,021	4,549	5,579	6,490	7,514
Selling expense	(186)	(217)	(254)	(302)	(352)	(407)
Admin expense	(404)	(592)	(649)	(762)	(873)	(1,007)
R&D expense	(694)	(728)	(705)	(854)	(996)	(1,149)
Others	(150)	(156)	(248)	(188)	(208)	(229)
Operating profit	2,330	2,328	2,692	3,472	4,060	4,722
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
EBITDA	2,744	2,758	3,228	4,057	4,693	5,403
Depreciation	413	430	536	585	633	681
Interest income	382	146	(2)	45	204	247
Interest expense	(13)	(14)	(4)	(2)	(2)	(2)
Net interest income/(expense)	369	131	(6)	43	202	245
Other income/expense	131	341	346	394	460	530
Pre-tax profit	2,830	2,800	3,032	3,909	4,722	5,497
Income tax	(326)	(288)	(292)	(410)	(519)	(605)
Minority interest	(5)	(4)	(6)	(7)	(8)	(10)
Adjusted net profit	2,499	2,509	2,734	3,491	4,194	4,883
BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	12,994	13,830	15,224	17,064	20,252	23,252
Cash & equivalents	8,124	7,883	8,871	8,952	11,451	13,250
Account receivables	2,767	2,756	3,269	4,653	4,835	5,818
Inventories	1,692	1,765	2,154	2,530	3,037	3,255
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	23,831	27,191	30,314
Current liabilities	3,099	3,379	3,821	3,635	4,294	4,328
Short-term borrowings	203	19	17	17	17	17
Account payables	1,297	1,136	1,792	1,607	2,266	2,300
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	4,148	4,807	4,841
Total shareholders equity	14,391	15,775	17,280	19,618	22,311	25,390
Minority interest	52	54	58	65	74	83
Total equity and liabilities	17,896	19,639	21,671	23,831	27,191	30,314

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	2,830	2,800	3,032	3,909	4,722	5,497
Depreciation & amortization	413	430	536	585	633	681
Tax paid	(326)	(288)	(292)	(410)	(519)	(605)
Change in working capital	(225)	(195)	(1,256)	(1,944)	(31)	(1,166)
Others	(15)	(269)	(209)	2	2	2
Net cash from operations	2,677	2,479	1,811	2,141	4,807	4,410
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)	(1,501)	(1,803)
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)	(1,503)	(1,805)
Net change in cash						
Cash at the beginning of the year	6,886	8,124	7,883	8,871	8,952	11,451
Exchange difference	2,492	1,167	899	0	0	0
Cash at the end of the year	8,124	7,883	8,871	8,952	11,451	13,250
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	9.6%	4.5%	16.5%	20.1%	16.6%	15.3%
Gross profit	13.3%	6.8%	13.1%	22.6%	16.3%	15.8%
Operating profit	7.9%	(0.1%)	15.6%	29.0%	16.9%	16.3%
EBITDA	7.5%	0.5%	17.0%	25.7%	15.7%	15.1%
Adj. net profit	6.7%	0.4%	9.0%	27.7%	20.1%	16.4%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	41.9%	42.8%	41.6%	42.4%	42.4%	42.5%
Operating margin	25.9%	24.8%	24.6%	26.4%	26.5%	26.7%
EBITDA margin	30.5%	29.4%	29.5%	30.9%	30.6%	30.6%
Adj. net profit margin	27.8%	26.7%	25.0%	26.6%	27.4%	27.6%
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	4.7	4.7	5.4
Receivable turnover days	116.8	107.4	100.5	110.0	113.0	110.0
Inventory turnover days	120.9	117.5	111.9	113.0	115.0	113.0
Payable turnover days	91.6	82.7	83.6	82.0	80.0	82.0
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	55.7	55.5	50.9	39.9	33.2	28.5
P/B	9.7	8.8	8.1	7.1	6.2	5.5
Div yield (%)	0.7	0.7	0.8	1.1	1.3	1.5

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

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