

China Yuchai International Limited

NYSE: CYD

Maintaining Rating & Target
Buy, \$60.00

August 18, 2026

MARKET DATA

Share Price:	\$	46.43
Market Cap:	\$	1,742.05 M
52wk Range:	\$	28.65 - 61.48
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	8,101.69 M
ST Debt:	RMB	N/A
Total Debt:	RMB	1,430.68 M
Book Value:	RMB	10,157.55 M
EBITDA (ttm-estimated):	RMB	2,244.06 M
CFFO (ttm):	RMB	N/A

Auditor: Ernst & Young

	2024A	2025A	2026e	2027e
Revenue (in Millions of RMB)				
Jun	10,306.42	12,877.93	14,666.43A	15,681.15
Dec	8,827.15	11,783.84	13,787.54	13,975.61
REV	19,133.58	24,661.77	28,453.97	29,656.77
P/S	0.64	0.48	0.41	0.40

Diluted EPS (in RMB)

Jun	5.88	9.75	14.81A	16.28
Dec	2.19	4.57	8.41	8.97
EPS	8.21	14.32	23.22	25.25
P/E	38.09	21.85	13.48	12.39

Dividend (in USD)

DIV	0.53	0.87	1.30	1.50
Yield	1.1%	1.9%	2.8%	3.2%

William Gregozeski, CFA
wgregozeski@greenridgeglobal.com
+1 414 435 1110

Sales To AI Data Centers Propel First Half Growth

HHP Sales Propel H1 Growth. CYD reported first half revenue of RMB 14.7 billion, 13.9% above the year ago period, but well shy of our revised estimate. The growth rates for nearly all segments looks impressive on the surface, but the details impacted the miss from our estimate. HHP engines drove Revenue growth, with 1,800 total HHP units going to AIDC. Of that, MTU contributed its full capacity of 500 per six months, which is excluded from CYD revenue, and Yuchai saw its AIDC sales increase from 650 in H1:25 to 1,300 in H1:26. At roughly RMB 1.0 million per unit, Yuchai's new HHP sales added 36% of the additional Revenue to CYD.

Excluding HHP engines, unit sales grew 10.7%, to roughly 276,000 units, while non-HHP revenue grew only 9.6%. Engines for the Ag market declined 18.9%, while total truck engine sales increased 20.4%, including growth of 23.6% in light-duty and 47.3% in heavy-duty, substantially outperforming their respective markets. Despite the favorable shift toward historically higher-priced and higher-margin heavy-duty engines, implied non-HHP ASP declined roughly 1%. This suggests pricing pressure and an unfavorable mix within non-truck applications.

The overall product mix skewing more towards HHP engines yielded a boost in Gross Margin, to 17.1%, well above the year ago period, but below H2:25. Opex of RMB 1.67 billion was slightly higher than expected due to reduced R&D capitalization. Share of Associated and JVs increased to RMB 95.9 million on the strength of MTU selling out its HHP capacity. Net Income to Shareholders for the period was RMB 560.6 million, or 14.81 per diluted share.

Model Update. Apart from a few small tweaks, we left our previous estimates mostly unchanged. Key items to watch going forward will be the Company's ability to continue outperforming domestic market sales, how product mix continues to impact ASP and margins, and how it will deal with capacity in light on ongoing AIDC demand.

Maintaining Rating & Target. With no slowdown in demand expected from the AIDC market, and Yuchai outperforming the domestic market, we expect continued strong results. As such, we are reiterating our Buy rating and \$60.00 target price on China Yuchai International. Our target price is based on the average of a P/E multiple of roughly 15 times our forward twelve month diluted EPS estimate of RMB 24.69 and an EV/EBITDA multiple of roughly 6 times our forward twelve month EBITDA estimate of RMB 2,272.1 million.

RISKS

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. The Company expanded capacity in 2026, but no plans have been announced beyond this year.

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.

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 does not appear that 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)	H1:25A	H2:25A	2025A	H1:26A	H2:26e	2026e	H1:27e	H2:27e	2027e
Revenue	12,877,928	11,783,844	24,661,772	14,666,429	13,787,538	28,453,967	15,681,154	13,975,613	29,656,768
Cost of Sales	(11,038,464)	(9,555,661)	(20,594,125)	(12,155,207)	(11,324,464)	(23,479,671)	(13,147,165)	(11,457,264)	(24,604,429)
Gross Profit	1,839,464	2,228,183	4,067,647	2,511,222	2,463,074	4,974,296	2,533,989	2,518,349	5,052,338
Other Operating Income	221,436	224,510	445,946	150,201	181,549	331,750	178,821	184,550	363,371
Research & Development	(476,693)	(874,914)	(1,351,607)	(593,402)	(965,128)	(1,558,530)	(548,840)	(978,293)	(1,527,133)
SG&A	(962,491)	(1,108,611)	(2,071,102)	(1,079,811)	(1,176,441)	(2,256,252)	(1,102,181)	(1,192,427)	(2,294,608)
Operating Income	621,716	469,168	1,090,884	988,210	503,055	1,491,265	1,061,789	532,180	1,593,969
Finance Costs	(32,194)	(29,571)	(61,765)	(27,044)	(26,243)	(53,287)	(23,918)	(21,709)	(45,628)
Share of Associates & JVs	61,407	49,657	111,064	95,907	111,233	207,140	100,702	116,795	217,497
Profit Before Tax	650,929	489,254	1,140,183	1,057,073	588,045	1,645,118	1,138,573	627,265	1,765,838
Income Tax Expense	(116,159)	(213,523)	(329,682)	(215,272)	(105,848)	(321,120)	(204,943)	(112,908)	(317,851)
Net Profit	534,770	275,731	810,501	841,801	482,197	1,323,998	933,630	514,357	1,447,987
Non-Controlling Interests	(168,980)	(104,131)	(273,111)	(281,199)	(163,947)	(445,146)	(317,434)	(174,881)	(492,316)
Net Profit to Shareholders	365,790	171,600	537,390	560,602	318,250	878,852	616,196	339,476	955,672
Basic EPS	9.75	4.57	14.32	14.94	8.48	23.42	16.42	9.05	25.47
Basic S/O	37,518	37,518	37,518	37,518	37,518	37,518	37,518	37,518	37,518
Diluted EPS	9.75	4.57	14.32	14.81	8.41	23.22	16.28	8.97	25.25
Diluted S/O	37,518	37,518	37,518	37,850	37,850	37,850	37,850	37,850	37,850
Dividend (in USD)			\$ 0.87			\$ 1.30			\$ 1.50
Gross Profit	14.3%	18.9%	16.5%	17.1%	17.9%	17.5%	16.2%	18.0%	17.0%
Operating Income	4.8%	4.0%	4.4%	6.7%	3.6%	5.2%	6.8%	3.8%	5.4%
Net Margin	2.8%	1.5%	2.2%	3.8%	2.3%	3.1%	3.9%	2.4%	3.2%

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	8	100%	0	0%
HOLD	0	0%	0	0%
SELL	0	0%	0	0%
NO RATING	0	0%	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.
HOLD:	Describes fully valued stocks we expect to provide a total return (capital appreciation + yield) of plus or minus 15% in the next twelve month period.
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.

Analyst Certification

I, William Gregozeski, CFA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security and subject company. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Company Disclosures

<u>Company</u>	<u>Required Disclosures</u>
China Yuchai International Limited	None

The following disclosures apply only when the corresponding disclosure code is identified in the Company Disclosures table. A designation of "None" means that none of the disclosures listed below applies.

1. Analyst Financial Interest: The research analyst or a member of the research analyst's household has a financial interest in the debt or equity securities of the subject company. The nature of the interest, including any option, right, warrant, future, long position or short position, will be disclosed.

2. Analyst Compensation Based on Investment-Banking Revenues: The research analyst received compensation based, among other factors, on Greenridge Global's investment-banking revenues.

3A. Public Offering: Greenridge Global or an affiliate managed or co-managed a public offering of securities for the subject company during the past 12 months.

3B. Investment-Banking Compensation: Greenridge Global or an affiliate received compensation for investment-banking services from the subject company during the past 12 months.

3C. Prospective Investment-Banking Compensation: Greenridge Global or an affiliate expects to receive or intends to seek compensation for investment-banking services from the subject company during the next three months.

4. Non-Investment-Banking Compensation: Greenridge Global or an affiliate received compensation from the subject company for products or services other than investment-banking services during the previous 12 months.

5. Client Relationship: The subject company is, or during the previous 12 months was, a client of Greenridge Global. The services provided will be identified as investment-banking services, non-investment-banking securities-related services or non-securities services.

6. Firm Ownership: Greenridge Global or an affiliate beneficially owns 1% or more of a class of common equity securities of the subject company, calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934.

7. Market Making: Greenridge Global was making a market in the securities of the subject company at the time this report was published or distributed.

8. Analyst Compensation From Subject Company: The research analyst received compensation from the subject company during the previous 12 months.

9. Other Material Conflict: Greenridge Global or the research analyst has another material conflict of interest concerning the subject company. This includes, when applicable, the analyst or a member of the analyst's household serving as an officer, director or advisory-board member of the subject company.

DISCLOSURES (continued)**Rating and Target Price History****Other Disclosures**

This report has been prepared by Greenridge Global LLC ("Greenridge"), an independent U.S.-based equity research firm that is not registered as a broker-dealer or investment adviser. The report has been prepared solely for informational purposes and reflects the analyst's views as of the date shown. It does not constitute individualized investment advice, a personal recommendation, an offer to sell, or a solicitation of an offer to buy any security, and it does not consider any recipient's particular investment objectives, financial situation or needs.

The information contained in this report was obtained from sources Greenridge believes to be reliable but has not been independently verified. Greenridge makes no representation or warranty, express or implied, regarding its accuracy, completeness or timeliness. Opinions, estimates, forecasts, valuations and price targets reflect judgments and assumptions as of the report date, are subject to change without notice and are not guarantees of future performance. Actual results may differ materially from those anticipated. Greenridge may update its research as appropriate but has no obligation to do so and may suspend or discontinue coverage at any time.

Investing in securities involves risk, including the possible loss of principal. Past performance is not indicative of future results. The securities discussed may not be suitable for all investors or available for purchase in all jurisdictions. Recipients should make their own investment decisions and seek appropriate financial, legal and tax advice. Additional and supporting information is available upon request.

Distribution and Reproduction

Greenridge Global's research reports are distributed electronically and may also be made available in printed form. Each report is made available at substantially the same time to all recipients Greenridge Global has determined are entitled to receive it. This report, or any portion thereof, may not be reproduced, sold or redistributed without the prior written consent of Greenridge Global LLC. To request inclusion on Greenridge Global's research distribution list, please contact:

William Gregozeski, CFA
 +1 414 435 1110
wgregozeski@greenridgeglobal.com

Greenridge Global LLC
 104 E. Locust St
 Columbia, IL 62236 USA
www.greenridgeglobal.com