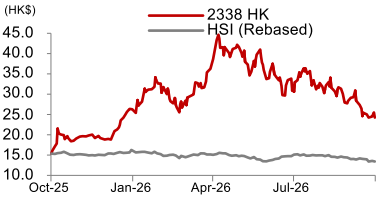
Weichai Power (2338 HK/000338 CH)

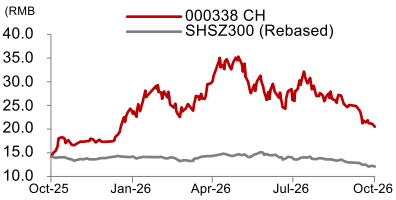
AIDC gen-sets growth on track; Attractive valuation after pullback

	2338 HK	000338 CH
	BUY	BUY
	Maintain	Maintain
TP	HK$44.70	RMB38.90
Prior TP	HK$44.70	RMB38.90
Up/Downside	84.4%	89.8%
Current Price	HK$24.2	RMB20.5

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12-mth Price Performance





Source: FactSet

Stock Performance

	2338 HK		000338 CH	
	Abs.	Rel.	Abs.	Rel.
1-mth	-14.5%	-8.7%	-18.0%	-9.1%
3-mth	-24.5%	-15.2%	-24.9%	-15.0%
6-mth	-32.9%	-23.7%	-32.0%	-21.0%

Source: FactSet

Stock Data

(LC)	2338 HK	000338 CH
Mkt Cap (mn)	46880.16	138867
Avg 3 mths t/o (mn)	545.43	2302.91
52w High	44.66	35.34
52w Low	15.36	14.44
Issued Shares (mn)	1934	6774

Source: FactSet

In the post-results call, Weichai revealed that AIDC gen-sets delivery is on a good track and is confident of maintaining a resilient ASP due to the shortage over the coming 2-3 years. Power business (including non-AIDC) accounted for 30% of total profit in 3Q26, up from 25% in 9M26, which has served as a key earnings growth driver. For HDT engines, by leveraging the partnership with Sinotruk (3808 HK, BUY), FAW (000800 CH, NR) and Foton (600166 CH, NR), Weichai is confident of enjoying the growth of HDT export going forward. We continue to like Weichai given the solid outlook of AIDC gen-sets. Besides, trading at only 5x 2026E EV/EBITDA which is below the historical average of 6x, Weichai's current valuation has yet to reflect AIDC gen-sets growth potential. Maintain **BUY** with unchanged SOTP-based TP of HK$44.7/RMB38.9 for Weichai H/A. Weichai remains a key pick in the Capital Goods sector.

- **3Q26 results highlights:** Weichai's revenue grew 1% YoY to RMB58bn in 3Q26. Gross margin expanded 1.5ppts YoY to 22.9%. Affected by FX loss and fair value change, EBIT increased only 2% YoY to RMB5.1bn. Net profit dropped 9% YoY to RMB2.96bn, due to higher effective tax rate.
- **AIDC gen-sets:** Weichai revealed that sales volume of AIDC diesel gen-sets in 3Q26 reached 1.3k units, up from 500/800 units in 1Q/2Q26. For natural gas gen-sets, the delivery is expected to be only 200 units this year as Weichai has allocated the capacity for diesel gen-sets. Looking into 2027E, Weichai expects the ramp-up of gas gen-sets will be similar to that of diesel gen-sets in 2026. We maintain our gas gen-sets sales forecast of 2k units in 2027E, as we see the deal between Generac (GNRC, NR) and Amazon (AMZN US, BUY, covered by our internet team) offers good demand visibility.
- **SOFC**: Weichai maintained the target of 30MW capacity (phase one) to be completed by end-2026. Production is expected to be 15-20MW in 2027E, as time is needed for ramp-up. Weichai expects 200MW capacity (phase two) to be completed by end-2027E.

Earnings Summary - 2338 HK

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	215,691	231,809	253,844	276,314	299,971
YoY growth (%)	0.8	7.5	9.5	8.9	8.6
Adjusted net profit (RMB mn)	11,403.3	10,930.8	14,849.5	17,408.9	20,636.5
EPS (Reported) (RMB)	1.31	1.25	1.70	2.00	2.37
YoY growth (%)	25.4	(4.1)	35.8	17.2	18.5
Consensus EPS (RMB)	na	na	1.69	2.22	2.67
P/E (x)	15.7	16.4	12.1	10.3	8.7
P/B (x)	2.1	1.9	1.8	1.6	1.5
Yield (%)	3.5	0.0	4.8	5.6	6.7
Net gearing (%)	(38.8)	(37.1)	(43.9)	(57.2)	(73.5)

Source: Company data, Bloomberg, CMBIGM estimates

Related reports:

Weichai Power - Generac & Amazon deal positive to Weichai – 17 Sep 2026 (link)

Weichai Power - High visibility of AIDC gensets; SOFC to offer upside potential – 31 Aug 2026 (link)

Weichai Power – Net profit in 2Q26 +57% YoY helped by other income and expense control; Rising AIDC power contribution – 28 Aug 2026 (link)

Ceres Power – Key takeaways from London visit – 13 Jul 2026 (link)

Figure 1: Weichai 3Q26 financials

(RMB mn)	1Q25	1Q26	Chg (YoY)	2Q25	2Q26	Chg (YoY)	3Q25	3Q26	Chg (YoY)
Revenue	**57,464**	**62,563**	***9%***	**55,688**	**60,600**	***9%***	**57,419**	**58,008**	***1%***
Cost of sales	-44,691	-49,155	*10%*	-43,364	-47,572	*10%*	-45,145	-44,733	*-1%*
Gross profit	**12,773**	**13,408**	***5%***	**12,324**	**13,028**	***6%***	**12,274**	**13,275**	***8%***
Other income	362	283	*-22%*	739	1,522	*106%*	260	169	*-35%*
Other gains and losses	-38	180	*n/a*	-83	350	*n/a*	147	-228	*n/a*
S&D expenses	-3,237	-3,012	*-7%*	-3,390	-3,016	*-11%*	-3,300	-2,823	*-14%*
Administrative expenses	-4,091	-2,875	*-30%*	-2,690	-2,621	*-3%*	-2,435	-2,683	*10%*
R&D expenses	-2,040	-2,010	*-1%*	-2,096	-1,969	*-6%*	-2,040	-2,024	*-1%*
Taxes and surcharges	-190	-238	*25%*	-211	-239	*13%*	-155	-217	*40%*
Impairment loss of assets	-570	-479	*-16%*	-535	-327	*-39%*	253	-388	*n/a*
EBIT	**2,971**	**5,257**	***77%***	**4,058**	**6,728**	***66%***	**5,004**	**5,080**	***2%***
Other expenses	-32	-19	*-40%*	-33	-57	*69%*	-21	-13	*-38%*
Net finance cost	208	-364	*n/a*	261	-283	*n/a*	124	-243	*n/a*
Share of profit of JV and associates	-17	4	*n/a*	-25	109	*n/a*	89	104	*17%*
Pretax profit	**3,129**	**4,878**	***56%***	**4,261**	**6,497**	***52%***	**5,196**	**4,929**	***-5%***
Income tax	-308	-895	*191%*	-519	-940	*81%*	-907	-1,007	*11%*
After tax profit	**2,822**	**3,983**	***41%***	**3,742**	**5,557**	***49%***	**4,288**	**3,922**	***-9%***
MI	-111	-897	*708%*	-809	-941	*16%*	-1,054	-965	*-8%*
Net profit	**2,711**	**3,086**	***14%***	**2,933**	**4,616**	***57%***	**3,234**	**2,957**	***-9%***
Key ratios			***Chg (ppt)***			***Chg (ppt)***			***Chg (ppt)***
Gross margin	*22.2%*	*21.4%*	*-0.8*	*22.1%*	*21.5%*	*-0.6*	*21.4%*	*22.9%*	*1.5*
S&D expense ratio	*5.6%*	*4.8%*	*-0.8*	*6.1%*	*5.0%*	*-1.1*	*5.7%*	*4.9%*	*-0.9*
Administrative expense ratio	*7.1%*	*4.6%*	*-2.5*	*4.8%*	*4.3%*	*-0.5*	*4.2%*	*4.6%*	*0.4*
R&D expense ratio	*3.5%*	*3.2%*	*-0.3*	*3.8%*	*3.2%*	*-0.5*	*3.6%*	*3.5%*	*-0.1*
Effective tax rate	*9.8%*	*18.3%*	*8.5*	*12.2%*	*14.5%*	*2.3*	*17.5%*	*20.4%*	*3.0*

Source: Company data, CMBIGM estimates

Figure 2: Key assumptions for Weichai

	2024	2025	2026E	2027E	2028E
(RMB mn)					
Revenue					
HDT and machinery engine	-	-	59,917	63,606	67,545
Power related engine	-	-	18,027	32,620	47,354
Large bore engine	-	-	10,540	23,636	37,023
AIDC (diesel gen set)	-	-	8,008	13,453	18,322
AIDC (gas gen set)	-	-	804	8,040	16,080
Non-AIDC	-	-	1,728	2,143	2,621
Non-large bore power related engines	-	-	7,487	8,984	10,330
Diesel engines	59,409	64,025	77,944	96,226	114,899
Automobiles and major components	61,838	70,803	73,688	76,685	79,098
Forklift trucks & supply chain solution	88,777	91,131	95,688	98,558	101,515
Agricultural machinery	18,546	19,169	20,127	21,133	22,190
Intersegment sales	-12,879	-13,318	-13,603	-16,288	-17,731
Total revenue	**215,691**	**231,809**	**253,844**	**276,314**	**299,971**
Growth (YoY)					
Diesel engines	*-2.2%*	*7.8%*	*21.7%*	*23.5%*	*19.4%*
Automobiles and major components	*-5.0%*	*14.5%*	*4.1%*	*4.1%*	*3.1%*
Forklift trucks & supply chain solution	*1.4%*	*2.7%*	*5.0%*	*3.0%*	*3.0%*
Agricultural machinery	*14.5%*	*3.4%*	*5.0%*	*5.0%*	*5.0%*
Intersegment sales	*-17.6%*	*3.4%*	*2.1%*	*19.7%*	*8.9%*
Average	***0.8%***	***7.5%***	***9.5%***	***8.9%***	***8.6%***
Segment profit					
Diesel engines	10,395	10,608	11,769	16,840	21,256
Automobiles and major components	563	1,420	2,284	2,301	2,215
Forklift trucks & supply chain solution	5,971	3,869	6,028	6,111	6,294
Agricultural machinery	796	801	966	1,014	1,065
Intersegment sales	-611	-1,302	-1,292	-1,303	-1,507
Total segment profit	**17,115**	**15,396**	**19,756**	**24,962**	**29,323**
Growth (YoY)					
Diesel engines	*34.7%*	*2.1%*	*10.9%*	*43.1%*	*26.2%*
Automobiles and major components	*-5.2%*	*152.2%*	*60.9%*	*0.7%*	*-3.7%*
Forklift trucks & supply chain solution	*21.4%*	*-35.2%*	*55.8%*	*1.4%*	*3.0%*
Agricultural machinery	*18.7%*	*0.7%*	*20.6%*	*5.0%*	*5.0%*
Intersegment sales	*-25.7%*	*113.3%*	*-0.8%*	*0.8%*	*15.7%*
Average	***30.8%***	***-10.0%***	***28.3%***	***26.4%***	***17.5%***
Segment margin					
Diesel engines	*17.5%*	*16.6%*	*15.1%*	*17.5%*	*18.5%*
Automobiles and major components	*0.9%*	*2.0%*	*3.1%*	*3.0%*	*2.8%*
Forklift trucks & supply chain solution	*6.7%*	*4.2%*	*6.3%*	*6.2%*	*6.2%*
Agricultural machinery	*4.3%*	*4.2%*	*4.8%*	*4.8%*	*4.8%*
Average	***7.9%***	***6.6%***	***7.8%***	***9.0%***	***9.8%***

Source: Company data, CMBIGM estimates

Figure 3: KION's guidance for 2026E

(EUR mn)	2024	2025	2026E guidance (Oct) Low-end	2026E guidance (Oct) High-end	2026E guidance (Jul) Low-end	2026E guidance (Jul) High-end
Order intake	**10,321**	**11,705**	**-**	**-**	**-**	**-**
Growth (YoY)	*-5%*	*13%*	*-*	*-*	*-*	*-*
Revenue	**11,503**	**11,297**	**11,450**	**11,750**	**11,525**	**12,025**
Growth (YoY)	*1%*	*-2%*	*1%*	*4%*	*2%*	*6%*
Adjusted EBIT	**917**	**789**	**815**	**875**	**880**	**980**
Growth (YoY)	*16%*	*-14%*	*3%*	*11%*	*12%*	*24%*
Adjusted EBIT margin	*8.0%*	*7.0%*	*7.1%*	*7.4%*	*7.6%*	*8.1%*
Net income	**370**	**240**	**-**	**-**	**-**	**-**
Growth (YoY)	*18%*	*-35%*	*-*	*-*	*-*	*-*

Source: Company data, CMBIGM

Figure 4: KION's quarterly financials

(EUR mn)	3Q25	4Q25	1Q26	2Q26	3Q26
Order intake	**2,676**	**2,823**	**2,985**	**2,809**	**2,651**
Growth (YoY)	*10%*	*0%*	*10%*	*-20%*	*-1%*
Revenue	**2,704**	**3,097**	**2,771**	**2,916**	**2,835**
Growth (YoY)	*0%*	*1%*	*-1%*	*8%*	*5%*
Adjusted EBIT	**190**	**213**	**205**	**224**	**203**
Growth (YoY)	*-14%*	*-15%*	*5%*	*19%*	*7%*
Adjusted EBIT margin	*7.0%*	*6.9%*	*7.4%*	*7.7%*	*7.2%*
Net income	**119**	**73**	**92**	**115**	**102**
Growth (YoY)	*61%*	*-36%*	*n/a*	*22%*	*-15%*

Source: Company data, CMBIGM

Figure 5: SOTP valuation

SOTP valuation	Valuation methodology	Target multiple (x)	EBITDA 2026E (RMB mn)	Estimated EV (RMB mn)	Net cash / (Net debt)	Equity value (RMB mn)	Equity value breakdown
Weichai traditional business	EV/EBITDA	10.0	14,844	148,435	39,100	187,535	55.2%
Weichai power engines	EV/EBITDA	35.0	4,326	151,423	-	151,423	44.6%
KION Group	Proportionate market value	-	-	-	-	21,408	6.3%
Ballard Power Systems	Proportionate market value	-	-	-	-	905	0.3%
Ceres Power	Proportionate market value	-	-	-	-	1,627	0.5%
Share of JV/associates	P/B	2.8	-	-	-	15,482	4.6%
Minority interest in core business						-38,843	-11.4%
Total NAV						**339,538**	100.0%
NAV per share (RMB)						**38.9**	
H discount to A						0%	
NAV per share (HK$)						**44.7**	

Source: Company data, CMBIGM estimates
Note 1: Weichai owns 46.5% interest in KION, 20% interest in Ballard Power and ~17.8% interest in Ceres Power.
Note 2: Share of JV/associates excludes Ballard Power and Ceres Power

Key risks: 1) lower-than-expected AIDC capex; 2) unexpected slowdown in HDT engine demand; 3) increase in raw material costs.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**213,958**	**215,691**	**231,809**	**253,844**	**276,314**	**299,971**
Cost of goods sold	(168,842)	(167,305)	(182,027)	(199,267)	(215,525)	(232,478)
Gross profit	**45,116**	**48,386**	**49,782**	**54,576**	**60,789**	**67,494**
Operating expenses	**(31,238)**	**(30,368)**	**(33,681)**	**(32,840)**	**(35,050)**	**(37,398)**
Operating profit	**13,878**	**18,018**	**16,101**	**21,737**	**25,739**	**30,096**
Share of (losses)/profits of associates/JV	(13)	(45)	(51)	219	223	227
EBITDA	**25,867**	**30,744**	**29,699**	**35,708**	**41,697**	**46,141**
Depreciation	11,989	12,726	13,598	13,971	15,958	16,045
Interest income	2,818	3,781	3,561	2,953	2,825	3,537
Interest expense	(3,378)	(4,011)	(3,107)	(1,289)	(1,292)	(1,296)
Net Interest income/(expense)	**(560)**	**(231)**	**454**	**1,664**	**1,533**	**2,242**
Other income/expense	(154)	(421)	(291)	(254)	(276)	(300)
Pre-tax profit	**13,151**	**17,322**	**16,214**	**23,367**	**27,218**	**32,265**
Income tax	(1,940)	(3,044)	(2,534)	(4,206)	(4,899)	(5,808)
Minority interest	(2,198)	(2,874)	(2,750)	(4,311)	(4,910)	(5,821)
Adjusted net profit	**9,014**	**11,403**	**10,931**	**14,849**	**17,409**	**20,636**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**197,925**	**184,750**	**186,524**	**193,328**	**232,767**	**243,624**
Cash & equivalents	92,857	72,067	68,713	78,941	97,613	123,470
Account receivables	23,754	30,877	34,355	18,500	45,090	17,370
Inventories	37,930	35,675	35,236	47,747	42,006	54,807
Prepayment	1,691	1,368	1,412	1,331	1,250	1,169
Other current assets	41,693	44,762	46,808	46,808	46,808	46,808
Non-current assets	**136,322**	**159,130**	**180,952**	**176,556**	**171,675**	**167,208**
PP&E	44,073	47,301	53,667	50,447	46,828	43,708
Investment in JVs & assos	5,175	4,915	5,435	5,529	5,625	5,723
Intangibles	23,071	22,205	22,063	20,793	19,436	17,991
Goodwill	24,858	24,561	25,269	25,269	25,269	25,269
Other non-current assets	39,145	60,148	74,517	74,517	74,517	74,517
Total assets	**334,247**	**343,879**	**367,475**	**369,883**	**404,442**	**410,832**
Current liabilities	**146,215**	**154,839**	**161,534**	**151,126**	**171,978**	**162,009**
Short-term borrowings	16,949	22,772	15,915	16,015	16,115	16,215
Account payables	60,127	58,033	68,037	57,529	78,281	68,212
Other current liabilities	69,139	74,034	77,583	77,583	77,583	77,583
Non-current liabilities	**75,346**	**67,081**	**74,879**	**74,879**	**74,879**	**74,879**
Long-term borrowings	26,745	15,633	18,248	18,248	18,248	18,248
Other non-current liabilities	48,601	51,448	56,632	56,632	56,632	56,632
Total liabilities	**221,561**	**221,921**	**236,413**	**226,006**	**246,858**	**236,888**
Total shareholders equity	**79,335**	**86,696**	**93,190**	**101,695**	**110,491**	**121,030**
Minority interest	33,351	35,262	37,872	42,183	47,093	52,914
Total equity and liabilities	**334,247**	**343,879**	**367,475**	**369,883**	**404,442**	**410,832**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**13,151**	**17,322**	**16,214**	**23,367**	**27,218**	**32,265**
Depreciation & amortization	11,909	12,668	13,438	13,890	15,877	15,964
Tax paid	(1,940)	(3,044)	(2,534)	(4,206)	(4,899)	(5,808)
Change in working capital	6,089	(6,811)	6,764	(7,164)	(97)	4,850
Others	(1,738)	5,959	(5,201)	1,150	1,150	1,150
Net cash from operations	**27,471**	**26,094**	**28,682**	**27,037**	**39,249**	**48,421**
Investing						
Capital expenditure	(4,633)	(6,600)	(6,670)	(9,400)	(10,900)	(11,400)
Acquisition of subsidiaries/ investments	(156)	(584)	(855)	0	0	0
Others	(947)	(21,727)	(9,103)	125	127	129
Net cash from investing	**(5,737)**	**(28,911)**	**(16,628)**	**(9,275)**	**(10,773)**	**(11,271)**
Financing						
Dividend paid	(4,175)	(7,769)	(9,373)	(6,345)	(8,613)	(10,097)
Net borrowings	(969)	(5,289)	(4,244)	100	100	100
Proceeds from share issues	92	0	0	0	0	0
Others	(7,977)	(780)	(4,704)	(1,289)	(1,292)	(1,296)
Net cash from financing	**(13,029)**	**(13,838)**	**(18,320)**	**(7,534)**	**(9,805)**	**(11,293)**
Net change in cash						
Cash at the beginning of the year	70,842	92,857	72,067	68,713	78,941	97,613
Exchange difference	13,310	(4,135)	2,913	0	0	0
Cash at the end of the year	**92,857**	**72,067**	**68,713**	**78,941**	**97,613**	**123,470**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	22.2%	0.8%	7.5%	9.5%	8.9%	8.6%
Gross profit	44.8%	7.2%	2.9%	9.6%	11.4%	11.0%
Operating profit	153.1%	29.8%	(10.6%)	35.0%	18.4%	16.9%
EBITDA	55.5%	18.9%	(3.4%)	20.2%	16.8%	10.7%
Adj. net profit	83.8%	26.5%	(4.1%)	35.8%	17.2%	18.5%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	21.1%	22.4%	21.5%	21.5%	22.0%	22.5%
Operating margin	6.5%	8.4%	6.9%	8.6%	9.3%	10.0%
EBITDA margin	12.1%	14.3%	12.8%	14.1%	15.1%	15.4%
Adj. net profit margin	4.2%	5.3%	4.7%	5.8%	6.3%	6.9%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.6)	(0.4)	(0.4)	(0.4)	(0.6)	(0.7)
Current ratio (x)	1.4	1.2	1.2	1.3	1.4	1.5
Receivable turnover days	38.5	46.2	51.4	38.0	42.0	38.0
Inventory turnover days	77.1	80.3	71.1	76.0	76.0	76.0
Payable turnover days	114.2	128.9	126.4	115.0	115.0	115.0

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	19.7	15.7	16.4	12.1	10.3	8.7
P/B	2.3	2.1	1.9	1.8	1.6	1.5
Div yield (%)	2.5	3.5	0.0	4.8	5.6	6.7

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

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