5 Jun 2026

CMB International Global Markets | Equity Research | Company Update

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Jiangsu Hengli (601100 CH)

Takeaways from plant visit: More positive than we thought

We arranged a site visit tour for investors to Hengli's production base in Changzhou on 3 Jun. Key takeaways include: (1) Strong demand for linear guideways driven by machine tools and semiconductor segments; (2) Huge potential for ball screws for humanoid robots due to strong commitment from the major customer; (3) Capacity for cylinders, pumps and valves are running at full utilisation driven by a wide range of downstream demand such as mining equipment and agricultural machinery. We revise up our 2027E/28E earnings forecasts by 4%/7%, due to higher volume assumptions. We now forecast Precision Industry revenue (linear guideways & ball screws) to increase from RMB80mn in 2025 to RMB0.4bn/1bn in 2027E/28E. We revise up our TP to RMB125 (from RMB109), based on 48x 2026E P/E, 1.5SD above the historical average (previously 1SD). Our expanded premium is to reflect both the upcycle of hydraulic business and the huge growth potential of precision business. Reiterate **BUY.**

Key takeaways:

- **Linear guideways:** At present, 90% of the linear actuator products are linear guideways which are produced in Changzhou factory. The products are applied in machine tools and semiconductor sectors which saw very strong demand. High precision is required in these applications.
- **Ball screws for humanoid robots:** A typical humanoid robot needs a total of 14 ball screws (4 for each leg; 3 for each arm excluding fingers). Hengli believes the keys to success in ball screw business include (1) product design; (2) production yield rate (for cost reduction); and (3) inspection (for product quality). Hengli has strong bonding with the major overseas customer and can participate in certain product design. Hengli's products currently account for <10% of the total value of a humanoid robot but will potentially increase to 10-20% in the future. According to Hengli, ball screw shipment volume is insignificant at the moment but is expected to see strong volume growth in 2H26E, and it will likely allocate the production of ball screws to Mexico plant. We expect Hengli will further expand its capacity over the coming years.
- **Strong growth across hydraulic business lines**: Demand for excavator cylinders, pumps & valves is robust, and capacity is running at full utilisation. For instance, strong mining activities in Africa have boosted high replacement demand for mining equipment. For pumps & valves, Hengli is confident of increasing their penetration in the major US machinery manufacturer (10% at present), as the Japanese hydraulic components makers have just raised ASP.

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	na
P/E (x)	61.0	56.0	43.9	36.5	31.4
P/B (x)	9.7	8.9	7.8	6.9	6.0
Yield (%)	0.6	0.8	1.0	1.2	1.4
Net gearing (%)	(49.8)	(51.1)	(45.4)	(51.2)	(52.0)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**RMB125.00**
(Previous TP	RMB109.00)
Up/Downside	**9.5%**
Current Price	**RMB114.20**

China Capital Goods

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Stock Data

Mkt Cap (RMB mn)	153,121.6
Avg 3 mths t/o (RMB mn)	1,180.3
52w High/Low (RMB)	123.74/66.77
Total Issued Shares (mn)	1340.8

Source: FactSet

Shareholding Structure

WANG's family	64.3%

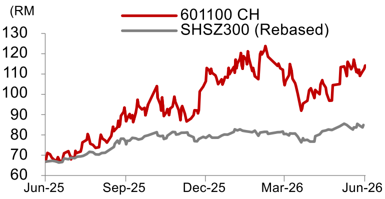
Source: SSE

Share Performance

	Absolute	Relative
1-mth	8.8%	5.9%
3-mth	9.2%	1.8%
6-mth	7.3%	-1.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Capital Goods - Strong sales of earth-moving machinery in Apr; price hikes planned for excavators – 11 May 2026 (link)

Jiangsu Hengli - 1Q26 EBIT +34% YoY above expectation; net profit dragged by FX loss – 28 Apr 2026 (link)

Jiangsu Hengli – 4Q25 earnings miss on gross margin and FX loss; But structural growth outlook still intact – 21 Apr 2026 (link)

Figure 1: Change in key assumptions on Hengli

	Old			New			Change		
(RMB mn)	**2026E**	**2027E**	**2028E**	**2026E**	**2027E**	**2028E**	**2026E**	**2027E**	**2028E**
Revenue									
Hydraulic cyclinder	5,734	6,361	6,988	6,112	6,781	7,453	*6.6%*	*6.6%*	*6.6%*
Hydraulic pump and valve	5,404	6,300	7,192	5,404	6,300	7,192	*0.0%*	*0.0%*	*0.0%*
Hydraulic system	443	492	541	463	532	585	*4.3%*	*8.1%*	*8.1%*
Component	1,025	1,179	1,320	1,070	1,604	2,326	*4.3%*	*36.1%*	*76.2%*
Revenue (hydraulic business)	**12,607**	**14,332**	**16,042**	**13,049**	**15,218**	**17,556**	***3.5%***	***6.2%***	***9.4%***
Other business	95	106	119	95	106	119	*0.0%*	*0.0%*	*0.0%*
Total revenue	**12,702**	**14,438**	**16,161**	**13,144**	**15,324**	**17,675**	***3.5%***	***6.1%***	***9.4%***
Gross margin (hydraulic business)	***42.2%***	***42.5%***	***42.8%***	***42.1%***	***42.0%***	***42.2%***	*-0.1*	*-0.5*	*-0.7*
Other business	*95.0%*	*95.0%*	*95.0%*	*95.0%*	*95.0%*	*95.0%*	*0.0*	*0.0*	*0.0*
Blended gross margin	***42.6%***	***42.9%***	***43.2%***	***42.4%***	***42.4%***	***42.5%***	*-0.1*	*-0.5*	*-0.7*
								Change (ppt)	
S&D expense ratio	*-2.3%*	*-2.3%*	*-2.3%*	*-2.3%*	*-2.3%*	*-2.3%*	*0.0*	*0.0*	*0.0*
Admin expense and R&D ratio	*-12.3%*	*-12.2%*	*-12.2%*	*-12.3%*	*-12.2%*	*-12.2%*	*0.0*	*0.0*	*0.0*
Net finance income/(expense) RMB mn	135	213	252	43	202	245	*-68.4%*	*-5.0%*	*-2.8%*
Net profit	**3,472**	**4,036**	**4,585**	**3,491**	**4,194**	**4,883**	***0.6%***	***3.9%***	***6.5%***

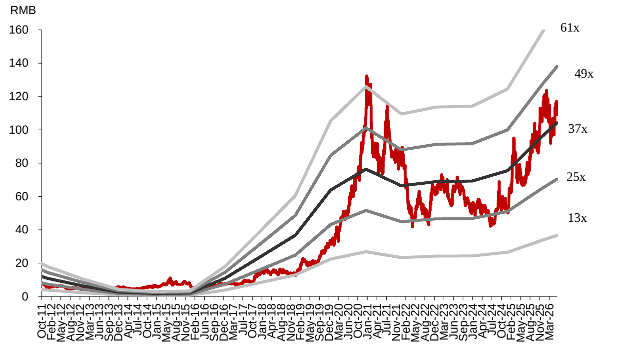
Source: Company data, CMBIGM estimates

Figure 2: Key assumptions on Hengli

(RMB mn)	**2023**	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Revenue						
Hydraulic cyclinder	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 cyclinder	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 cyclinder	*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%*

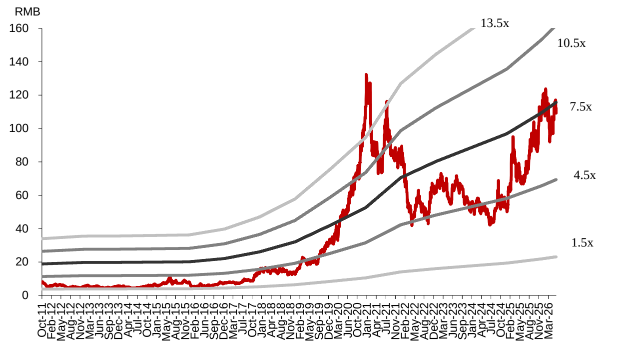
Source: Company data, CMBIGM estimates

Figure 3: Hengli's P/E band



Source: Bloomberg, company data, CMBIGM estimates

Figure 4: Hengli's P/B band



Source: Bloomberg, company data, CMBIGM estimates

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

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	61.3	61.0	56.0	43.9	36.5	31.4
P/B	10.6	9.7	8.9	7.8	6.9	6.0
Div yield (%)	0.6	0.6	0.8	1.0	1.2	1.4

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

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