



China | Machinery

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Sany Heavy Equipment (631 HK)

Margin pressure dented 1Q26 bottom line growth

- Sany Heavy Equipment's 1Q26 revenue increased 13.2% while NP decreased by 19.8%
- The rise in raw material prices eroded overall GPM of emerging businesses

1Q26 review

Sany Heavy announced its 1Q26 business update with revenue increased 13.2% YoY to Rmb6.7bn in 1Q26. Net profit, however, declined by 19.8% YoY to Rmb509.4m in 1Q26. Its GPM declined by 3.6ppt to 20.7% in 1Q26. Sany Heavy's GPM came under pressure primarily due to change in the product mix and higher material costs.

During the period under review, the revenue contribution from products which commanded relatively low GPM in the logistics equipment business increased, leading to a decline in the overall GPM. At the same time, the emerging businesses (including solar modules, hydrogen production equipment, power battery modules, electricity and energy storage systems) were impacted by rising raw material costs for silicon wafers, polysilicon and battery cells, which resulted in a reduction in Sany's overall GPM.

In 1Q26, the company's revenue from mining equipment and logistics equipment products sustained rapid growth. Sany Heavy also intensified its efforts to expand in overseas markets, achieving strong growth in international sales.

Globalization and innovation reinforced Sany's growth trajectory

Looking ahead, Sany Heavy will continue to advance its strategic priorities of globalization, digital transformation and low-carbon innovation. These initiatives drove notable revenue growth across key segments, including large port machinery, oil and gas equipment, emerging industries and overseas sales of mining trucks. In FY25, its international revenue amounted to Rmb9.2bn, representing a YoY increase of 13.0%. The company's intelligent products such as comprehensive smart customs clearance equipment have been deeply involved in major national projects. Micro-grid projects have been successively implemented overseas too.

Sany Heavy will actively drive the development of global channel and service systems, expand overseas manufacturing capacity, and accelerate the adoption of digital innovations. Concurrently, the company remained committed to high-quality operational standards, consistently integrating core resources, optimizing its business structure, and proactively seizing market opportunities from domestic and international markets. The company is set to achieve its 2028 targets: RMB 57.5 billion in sales revenue and a gross profit margin of 24%.

The company is now trading at consensus FY26/FY27 PE of 9.1x/ 7.1x.

Figure 1 Unaudited 1Q26 results highlight

| Year ended Dec (Rmbm) | 1Q25 | 1Q26 | YoY change (%) |
|-----------------------|---------|---------|------------------|
| Revenue | 5,876.4 | 6,651.9 | 13.2 |
| Gross profit | 1,428.4 | 1,378.5 | (3.5) |
| Profit before tax | 821.0 | 626.8 | (23.7) |
| Profit after tax | 635.5 | 523.8 | (17.6) |
| Net profit | 635.2 | 509.4 | (19.8) |
| | 1Q25 | 1Q26 | YoY change (ppt) |
| Gross margin (%) | 24.3 | 20.7 | (3.6) |
| Net margin (%) | 10.8 | 7.7 | (3.2) |

Source: Company data

NON-RATED

| | |
|------------------------|-----------|
| Last Price (HK\$)* | 8.97 |
| Target Price (HK\$) | N/A |
| Upside / (Downside)(%) | N/A |
| Previous rating | NON-RATED |
| Previous TP | N/A |
| Hang Seng Index* | 25,386.52 |
| *Prices as of | 21-May-26 |

Key Data

| | |
|--------------------------|---------|
| Ticker | 631 HK |
| Market Cap (HK\$m) | 29,509 |
| 3M avg daily T/O (HK\$m) | 136.7 |
| 52-week High (HK\$) | 16.24 |
| 52-week Low (HK\$) | 5.40 |
| Free Float (%) | 35.7% |
| Shares O/S (m) | 3,289.7 |

| Performance | Absolute | Relative |
|-------------|----------|----------|
| 1 month | -22.1% | -18.7% |
| 3 months | -40.2% | -37.7% |
| 6 months | 31.9% | 31.0% |

Price Chart



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Figure 2 P&L

| Year ended Dec (Rmb m) | FY24 | FY25 | YoY change (%) |
|--|------------|------------|----------------|
| Revenue | 21,909.6 | 24,333.6 | 11.1 |
| Cost of sales | (16,996.3) | (18,909.6) | |
| Gross profit | 4,913.4 | 5,424.0 | 10.4 |
| Selling and distribution expenses | (1,286.3) | (1,358.2) | |
| Administrative expenses | (2,162.6) | (2,173.9) | |
| Other income and gains | 815.5 | 1,005.0 | |
| Impairment losses on financial and contract assets (net) | (130.0) | (289.1) | |
| Other expenses | (501.8) | (171.3) | |
| Finance costs | (228.6) | (252.9) | |
| Share of loss of a JV | 1.8 | (5.0) | |
| Profit before tax | 1,421.4 | 2,178.5 | 53.3 |
| Income tax expense | (353.4) | (430.5) | |
| Non-controlling interests | 33.6 | 30.8 | |
| Net profit | 1,101.6 | 1,778.8 | 61.5 |

Source: Company data

Figure 3 Peer comparable

| Company | Ticker | Price | Mkt cap (US\$m) | 3-mth avg t/o (US\$m) | P/E (x) | | FY1-FY3 EPS Cagr (%) | | FY1 Div Yld (%) | | P/B (x) | | ROE (%) | | ROIC (%) | | Share px chg (%) | | |
|-----------------------|-----------|----------|-----------------|-----------------------|-------------|-------------|----------------------|------------|-----------------|------------|------------|------------|------------|-------------|------------|------------|------------------|-------------|-------|
| | | | | | FY1 | FY2 | PEG (x) | FY1 | FY2 | Hist | FY1 | Hist | FY1 | Hist | 1-mth | 3-mth | 12-mth | | |
| HSI | | 25,387 | | | 11.5 | 10.2 | 11.7 | 0.98 | 3.3 | 3.5 | 1.35 | 1.20 | 9.9 | 10.2 | | | (4.2) | (3.9) | 6.5 |
| HSCEI | | 8,475 | | | 10.5 | 9.2 | 12.7 | 0.82 | 3.2 | 3.4 | 1.25 | 1.08 | 10.5 | 10.1 | | | (5.2) | (5.4) | (2.1) |
| CSI300 | | 4,783 | | | 15.3 | 13.3 | 14.5 | 1.05 | 2.5 | 2.8 | 1.87 | 1.74 | 9.9 | 11.5 | | | 0.3 | 2.6 | 22.1 |
| Sector Average | | | | | 30.0 | 22.9 | 18.8 | 1.2 | 6.3 | 7.9 | 4.2 | 1.9 | 6.9 | 10.4 | 6.0 | 5.4 | (0.4) | 34.2 | |
| Sector Median | | | | | 19.7 | 16.6 | 14.6 | 1.0 | 6.3 | 7.9 | 1.8 | 1.6 | 5.6 | 7.4 | 4.2 | 7.0 | (2.4) | 16.9 | |
| Precision Tsugam | 1651 HK | 59.30 | 2,790 | 8.1 | 18.5 | 15.3 | 16.8 | 1.10 | N/A | N/A | 5.75 | 4.75 | 30.2 | 25.5 | 27.9 | 24.5 | 30.9 | 159.5 | |
| Haitian Intl | 1882 HK | 20.66 | 4,209 | 6.3 | 8.0 | 7.3 | 8.9 | 0.90 | N/A | N/A | 1.24 | 1.12 | 15.0 | 14.8 | 12.5 | (4.2) | (15.7) | 7.4 | |
| L.K. Technology | 558 HK | 2.60 | 453 | 0.8 | 10.0 | 8.7 | 12.7 | 0.79 | N/A | N/A | 1.73 | 1.59 | 17.2 | 16.7 | 7.9 | (12.2) | (25.3) | (10.3) | |
| Chen Hsong Hldgs | 57 HK | 1.64 | 132 | 0.0 | N/A | N/A | N/A | N/A | N/A | N/A | 0.33 | N/A | 4.8 | N/A | 3.9 | 1.2 | (3.5) | 18.0 | |
| Sany Heavy Equip | 631 HK | 8.97 | 3,767 | 17.4 | 9.1 | 7.1 | 27.4 | 0.33 | 6.3 | 7.9 | 1.91 | 1.69 | 14.7 | 20.2 | 8.5 | (22.1) | (40.2) | 60.5 | |
| Waihai Huadong-A | 002248 CH | 12.17 | 550 | 38.9 | N/A | N/A | N/A | N/A | N/A | N/A | 32.62 | N/A | 35.0 | N/A | 18.8 | (1.9) | (13.2) | 29.6 | |
| Zhejiang Rifa -A | 002520 CH | 6.44 | 711 | 38.8 | N/A | N/A | N/A | N/A | N/A | N/A | 16.32 | N/A | (33.2) | N/A | N/A | 14.8 | (4.2) | (8.1) | |
| Shenyang Mach-A | 000410 CH | 5.75 | 2,240 | 24.6 | N/A | N/A | N/A | N/A | N/A | N/A | 3.65 | N/A | (0.4) | N/A | N/A | (13.9) | (21.9) | (20.8) | |
| Qinchuan Machi-A | 000837 CH | 12.68 | 1,908 | 35.3 | 140.9 | 105.7 | N/A | N/A | N/A | N/A | 2.63 | 2.09 | 1.0 | 1.5 | 0.8 | 15.8 | 1.8 | (2.2) | |
| Ningbo Haitian-A | 601882 CH | 23.42 | 1,798 | 19.5 | 22.1 | 19.0 | 10.6 | 2.09 | N/A | N/A | 4.00 | 3.62 | 15.1 | 15.3 | 12.6 | 20.0 | 10.3 | 22.3 | |
| Awrea Mech | 1530 TT | 27.80 | 83 | 0.0 | N/A | N/A | N/A | N/A | N/A | N/A | 0.82 | N/A | (6.8) | N/A | (1.5) | 1.1 | (4.1) | (14.3) | |
| Goodway | 1583 TT | 47.10 | 163 | 0.0 | N/A | N/A | N/A | N/A | N/A | N/A | 0.91 | N/A | (8.7) | N/A | (1.9) | (1.3) | (1.3) | (21.4) | |
| Tong-Tai | 4526 TT | 38.05 | 307 | 7.5 | N/A | N/A | N/A | N/A | N/A | N/A | 2.02 | N/A | 10.0 | N/A | (4.2) | 11.1 | 16.9 | 43.9 | |
| Taiwan Takisawa | 6609 TT | 42.15 | 97 | 0.7 | 33.2 | 22.0 | N/A | N/A | N/A | N/A | 1.30 | N/A | (4.5) | 3.8 | (6.8) | 9.1 | 7.4 | (16.2) | |
| Tsugami Corp | 6101 JP | 5,940.00 | 1,794 | 10.2 | N/A | N/A | N/A | N/A | N/A | N/A | 3.45 | N/A | 23.4 | N/A | N/A | 33.0 | 53.3 | 214.3 | |
| Okuma Corp | 6103 JP | 4,035.00 | 1,714 | 12.1 | 15.3 | 13.6 | 14.6 | 1.05 | N/A | N/A | 0.98 | 1.02 | 5.3 | 7.0 | 4.2 | (6.7) | (10.6) | 15.8 | |
| Shibaura Machine | 6104 JP | 4,620.00 | 721 | 3.2 | 35.2 | 26.6 | 20.5 | 1.72 | N/A | N/A | 0.91 | 0.92 | 1.9 | 2.6 | N/A | 7.2 | 2.4 | 44.6 | |
| Amada Co Ltd | 6113 JP | 2,646.00 | 5,285 | 27.3 | 20.8 | 17.9 | 11.7 | 1.78 | N/A | N/A | 1.53 | 1.56 | 5.8 | 7.8 | 5.2 | 6.8 | 5.3 | 82.9 | |
| Dmg Mori Co Ltd | 6141 JP | 3,247.00 | 2,907 | 29.2 | 33.2 | 21.1 | 45.7 | 0.73 | N/A | N/A | 2.02 | 1.49 | 11.1 | 4.2 | N/A | 18.3 | 9.4 | 11.0 | |
| Jtekt Corp | 6473 JP | 1,916.50 | 3,841 | 14.3 | 14.1 | 10.0 | N/A | N/A | N/A | N/A | 0.77 | 0.78 | 1.6 | 5.6 | 1.3 | 8.2 | (6.3) | 66.9 | |

Source: Bloomberg, Crosby



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