Zhejiang Dingli Co Ltd. (603338.SS): NDR takeaways: Constructive demand outlook; striving for margin resilience; Buy

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We hosted an NDR group call with Dingli's management on Apr 17, post its 2025 results (see our first take note). Key takeaways include: 1) management remains constructive about overseas demand in 2026 with robust production and shipment momentum in 1Q26; 2) while the tariff/duty environment in the US remains fluid, Dingli is taking actions to protect profitability through ongoing pricing negotiation, new product launches and tariff rebates; and 3) overall, management aims to achieve ≥30% gross margin and ~20% net margin in 2026.

2025 performance by region

Topline

- Management shared that by geography Europe and the US together accounted for ~60% of its export revenue, with **Europe delivering modest growth** and **US (CMEC sales on a like-for-like basis) broadly flat** due to the shipment disruptions caused by the extreme tariff period in 2Q25, while **other overseas markets delivered faster growth**.
- **For domestic market,** management shared the decline was primarily due to reduced purchases from the large rental customers. Management highlighted that excluding the large rental customers**, procurement volume from small-to-medium sized customers increased by over +20% yoy.**

GPM

- Management attributed **the sequential decline in 4Q25 GPM mainly to seasonal factors** (e.g. unfavorable product mix shift during the low season) and **FX impact**. On a yoy basis, the decline was limited to ~2ppt despite a materially higher tariff/duty burden.
- **Regional margin ranking** was described as: **Overseas ex-US/Europe ≈ Europe > US > China**. The **US margin was pressured by tariffs & duties**, but management noted this was **partially offset by higher pricing on new products which have already reflected tariff pass-through**.
- Management mentioned the expanded domestic GPM (+3ppt yoy) was mainly due to reduced exposure to low-margin large customers and a more optimized product and customer mix.

Operating cash flow

- Management shared that operating cash flow fell ~30% yoy to ~Rmb13bn in 2025, mainly reflecting disrupted pace of production in response to tariff uncertainty and higher cash outflows following the full-year consolidation of CMEC.

2026 updates and outlook

Management reiterated that **overall overseas demand trends remain positive into 2026**.

US market

- **Revenue outlook:**
    - US demand is described as resilient, with new application scenarios such as data centres providing incremental support and increasing contribution from new products.
    - Management shared that US revenue in 2025 was short of the prior US$600m aspirational target due to the volatile tariff environment. For **2026,** management sees **a better outlook** while **reiterating the goal to move towards the US$600mn level, barring any unexpected change in macro and tariff/duty environment.** Management described **1Q production & shipment as busy.**
- **New product strategy and feedback:** Management shared that **new products currently account for ~20–30% of total sales**, with scope to rise further in 2026. Beyond traditional AWPs, Dingli is accelerating the rollout of **"AWP+" customised solutions**, including shipbuilding, ship repair and tunnel-specific models, **some of which are US-only products without domestic equivalents**.
- **Tariffs and duties:** Management characterized volatile tariff/duty environment as an ongoing nature rather than an exceptional event, emphasizing that the key is **whether they can sell into the market or not**. Management highlighted US-based competitors face similar pressures from steel and aluminium tariffs (Section 232), with cost burdens ultimately passed through to end customers. **Dingli is responding through pricing actions** (with customer for cost-sharing) and **potential tariff rebates**.
- **Pricing dynamics**
    - Management shared that **price increases are expected to gradually take effect from Apr 26**, as customer negotiations and orderbook confirmations typically come after the US trade shows held in March. Regarding the US competitors, management shared most peers initially held pricing stable earlier in the year, but **several of them have begun to raise prices since mid-April,** which the company is actively monitoring and verifying.
    - Regarding the pricing hike level management shared pricing is not designed to offset a single tariff item, but rather reflects holistic negotiations with customers, who have shown willingness to share cost pressures. **Sustainable profitability was referenced against 2024 margin levels**, with management

reiterating a clear profit-first stance.

Other regions

- **Europe** demand remained flattish, but management mentioned **company will continue to benefit from relatively lower duties and high-end product launches.** As a result, management expect **Dingli's sales in this region to see growth in 2026.**
- **Non-Europe/US markets are expected to sustain strong growth momentum**, supported by ongoing market expansion and penetration.

Profitability outlook

- Management reaffirmed **2026 margin targets of ≥30% gross margin and ~20% net margin**, despite elevated tariffs & duties, supported by:
  - **Product upgrades**, with US "AWP+" products enjoying premium pricing;
  - **Potential tariff rebates**, preliminarily estimated at **~US$50mn**, with timing yet to be determined;
  - **Continued cost savings**, with strict cost controls at the headquarter level and ongoing optimization of overseas subsidiaries.

CAPEX and shareholder returns

- **US manufacturing**: Management shared that company has plans for partial localisation of certain models, but **current tariff levels still allow exports**. Should tariffs rise to triple-digit levels or materially disrupt shipments, these plans would be activated. For now, management emphasized flexibility and commitment to the US market.
- **Dividend policy**: Management shared that, given elevated uncertainties around macro and tariff/duty environment as well as potential future capex needs, there are **no near-term plans to materially increase dividends or initiate buybacks**.

Investment Thesis - Zhejiang Dingli Co Ltd.

Zhejiang Dingli is one of China's largest suppliers of aerial working platforms (AWP), a type of powered access equipment used in building construction, maintenance, cleaning, utilities and events. Our Buy rating on the stock is based on 1) long-term adoption potential of AWPs in China (a significantly under-penetrated market from a global context) driven by rising labor wages (against falling rental rates for AWPs), a construction worker shortage, and increasing safety awareness; 2) product mix upgrade towards higher-ASP and higher-barrier-to-entry boom lifts (vs. scissor lifts) where Dingli has built a substantial technology gap vs. domestic peers while leading the 22m+ boom electrification technology globally; and 3) growing competitiveness in the overseas markets driven by product differentiation (electrification in particular).

Dingli remains well positioned within our China Machinery coverage with a proven track record of maintaining operational resilience under a high-tariff/duty environment; e.g. has navigated two complete rounds of targeted trade restrictions (on AWPs) by the US and EU, which in our view has significantly optimized the competitive landscape by limiting competition from (or raising the bar for) Chinese peer exporters. We view this as a strong testament to its product differentiation (leading to pricing power) and cost competitiveness enabled by a high level of vertical integration and superior supply chain management.

Price Target Risks and Methodology - Zhejiang Dingli Co Ltd.

Valuation: We base our 12-m TP of Rmb74.0 on an 11.0x 2026E DACF. Our target EV/DACF multiple of 11.0x is at 1SD below its 3-year average, reflecting likely lingering uncertainties around global trade (thereby capping valuation upside). The implied EV/GCI of 2.3x also looks fair against projected 2026E CROCI of 21% and an estimated WACC of 10%. Our target price implies 15.3x/12.8x 2026E/2027E P/Es, which we believe is justified given the +c.20% EPS CAGR projected over 2025E-27E (GSe).

Key risks: 1) Weaker-than-expected construction activities globally; 2) intensifying competition in the global aerial working platform (AWP) market; 3) slower-than-expected penetration of boom products in the US market; 4) escalating US-China trade tension that could potentially lead to more unfavorable duties/tariffs for the exports into the US market (currently ~30% of Dingli's sales); 5) unfavorable outcomes from unexpected trade restrictions.

603338.SS	12m Price Target: **Rmb74.00**	Price: **Rmb50.89**	Upside: **45.4%**

Buy

Market cap: Rmb24.7bn / $3.6bn
Enterprise value: Rmb20.7bn / $3.0bn
3m ADTV: Rmb240.8mn / $34.9mn
China
China Advanced Materials & Construction
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	12/24	12/25E	12/26E	12/27E
Revenue (Rmb mn)	7,798.9	8,949.4	10,811.4	12,645.7
EBITDA (Rmb mn)	2,137.3	2,385.9	2,993.1	3,528.5
EPS (Rmb)	3.22	4.09	4.84	5.79
P/E (X)	17.7	12.4	10.5	8.8
P/B (X)	2.9	2.2	2.0	1.7
Dividend yield (%)	1.8	2.4	2.9	3.4
N debt/EBITDA (ex lease,X)	(1.9)	(1.7)	(2.1)	(2.4)
CROCI (%)	21.6	19.4	20.7	20.8
FCF yield (%)	5.4	1.8	11.6	10.8

	6/25	9/25	12/25E	--
EPS (Rmb)	1.23	1.07	0.94	--

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 17 Apr 2026 close.

Disclosure Appendix

Reg AC

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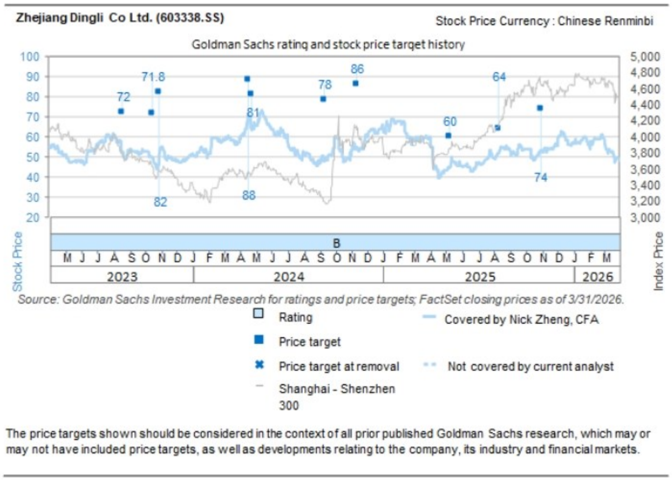

Target price history table(s)

Zhejiang Dingli Co Ltd. (603338.SS)

Date of report	Target price (Rmb)	Closing price (Rmb)
31-Oct-25	74.00	53.14
12-Aug-25	64.00	51.85
09-May-25	60.00	45.02
11-Nov-24	86.00	54.65
10-Sep-24	78.00	47.80
25-Apr-24	81.00	63.16
17-Apr-24	88.00	71.65
30-Oct-23	82.00	50.62
17-Oct-23	71.80	49.68
20-Aug-23	72.00	52.60

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