Goldman Sachs Research

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Weichai Power (000338.SZ): Raising estimates and TPs post 1Q26 results; maintain Buy

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Post 1Q26 results (see our first-take note here and NDR takeaways note here), we keep our 2026E EPS estimate largely unchanged but increase our 2027E-30E EPS estimates by 3-6% mainly to reflect faster-than-expected path to GW level shipment for gas gensets. Our 12-m TPs are lifted to HK$46.0/Rmb42.0 for H/A shares as we move to 22x average 2026E-27E EPS (vs. 2026E previously). We maintain our Buy ratings for both A- and H-shares.

The latest read-across from CAT's 1Q26 results also reaffirmed the trend that reciprocating engines are increasingly adopted as the behind-the-meter primary power solution for AI data center, with CAT further raising its capacity expansion plan for reciprocating engines to ~3x (vs. 2024 level) from 2x previously announced. CAT also shared that the company has secured six GW level date center prime power orders using CAT's reciprocating engines, on top of multiple projects with <1GW size. This along with INNIO's ~5GW and Wartsila's ~2.4GW, has pushed the industry level orders for reciprocating engines as AIDC prime power to c.15GW level over the past 6 months.

Exhibit 1: Earnings revision summary table

	Target Price (RMB/HKD per share)	Revenue 2026E	Revenue 2027E	Revenue 2028E	Net profit 2026E	Net profit 2027E	Net profit 2028E	EPS 2026E	EPS 2027E	EPS 2028E
Weichai Power (000338.SZ/2338.HK)		mn Rmb			mn Rmb			Rmb		
Gse (New)	**RMB 42.00/HKD 46.00**	**257,070**	**282,495**	**306,598**	**14,904**	**18,357**	**21,318**	**1.72**	**2.13**	**2.49**
Gse (Old)	RMB 38.00/HKD 41.00	256,396	279,517	301,976	14,954	17,806	20,482	1.73	2.07	2.39
% diff	*11%/12%*	*0%*	*1%*	*2%*	*0%*	*3%*	*4%*	*0%*	*3%*	*4%*
Visible Alpha Consensus		256,200	280,904	304,173	14,282	17,098	19,065	1.64	1.97	2.19
% diff		*0%*	*1%*	*1%*	*4%*	*7%*	*12%*	*5%*	*8%*	*14%*

Source: Company data, Goldman Sachs Global Investment Research, Visible Alpha Consensus Data

Exhibit 2: Weichai company NP breakdown

Rmb in billions (PRC GAAP)	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Net profit	11.4	10.9	14.9	18.4	21.3	25.4	29.2
% yoy	27%	-4%	36%	23%	16%	19%	15%
Traditional engines	8.6	7.2	8.1	8.2	8.7	9.4	10.1
% yoy		-17%	13%	2%	6%	8%	8%
% of total	76%	65%	54%	45%	41%	37%	35%
HDT engines	6.0	5.4	5.4	5.9	6.5	7.4	8.4
% yoy		-9%	-1%	9%	10%	14%	14%
% of total	53%	50%	36%	32%	30%	29%	29%
Diesel HDT engines	2.6	2.4	2.5	2.5	2.5	2.5	2.5
% yoy		-7%	5%	-3%	1%	1%	0%
% of total	23%	22%	17%	13%	12%	10%	9%
Domestic diesel HDT engines	0.5	0.6	0.6	0.5	0.5	0.5	0.5
% yoy		25%	-9%	-6%	-3%	-1%	-3%
% of total	4%	6%	4%	3%	2%	2%	2%
Volume (k units)	32	40	36	36	35	35	34
% yoy		25%	-9%	0%	-3%	-1%	-3%
Unit NP (k Rmb)	16	16	16	15	15	15	15
Overseas diesel HDT engines	2.1	1.8	2.0	1.9	2.0	2.0	2.0
% yoy		-15%	11%	-2%	2%	1%	1%
% of total	18%	16%	13%	10%	9%	8%	7%
Volume (k units)	130	110	122	128	131	132	133
% yoy		-15%	11%	5%	2%	1%	1%
Unit NP (k Rmb)	16	16	16	15	15	15	15
LNG HDT engines	3.4	3.0	2.8	3.4	4.0	4.9	5.9
% yoy		-11%	-7%	20%	17%	22%	22%
% of total	30%	28%	19%	19%	19%	19%	20%
Volume (k units)	114	117	114	136	160	195	237
% yoy		3%	-3%	20%	17%	22%	22%
Unit NP (k Rmb)	30	26	25	25	25	25	25
Off-highway engines	2.7	2.4	3.0	3.2	3.6	4.0	4.3
% yoy		-9%	23%	8%	12%	10%	8%
% of total	24%	22%	20%	18%	17%	16%	15%
Volume (k units)	179	162	186	214	240	264	285
% yoy		-9%	15%	15%	12%	10%	8%
Unit NP (k Rmb)	15	15	16	15	15	15	15
Large-bore engines (non-AIDC)	0.5	0.6	0.7	0.7	0.7	0.7	0.7
% yoy		8%	15%	5%	3%	2%	1%
% of total	5%	5%	4%	4%	3%	3%	3%
Volume (k units)	8	10	11	12	12	12	12
% yoy		24%	15%	5%	3%	2%	1%
Unit NP (k Rmb)	70	61	61	61	61	61	61
Inter-segment elimination	(0.6)	(1.3)	(0.9)	(1.5)	(2.1)	(2.7)	(3.4)
AIDC power generation	0.5	1.3	3.0	5.6	7.7	10.1	12.6
% yoy		157%	134%	89%	37%	32%	25%
% of total	4%	12%	20%	31%	36%	40%	43%
Diesel large-bore engines (AIDC)	0.2	0.9	2.4	3.6	4.5	5.4	6.0
% yoy		263%	174%	52%	25%	18%	12%
% of total	2%	8%	16%	20%	21%	21%	21%
Volume (k units)	0.4	1.4	3.5	5.3	6.3	7.2	8.0
% yoy		250%	150%	50%	20%	15%	10%
Unit NP (k Rmb)	600	621	681	692	719	741	756
SOFC			(0.0)	-	0.2	0.7	1.9
% yoy				-100%		288%	156%
% of total			0%	0%	1%	3%	6%
Volume (MW)			30	100	200	400	700
% yoy				233%	100%	100%	75%
Unit NP ('000 Rmb/kW)			(1.0)	-	1.0	1.8	2.7
Gas genset			0.3	1.6	2.5	3.5	4.2
% yoy				463%	56%	43%	20%
% of total			2%	9%	11%	14%	14%
Volume (MW)			400	1,500	2,000	2,500	3,000
% yoy				275%	33%	25%	20%
Unit NP ('000 Rmb/kW)			0.7	1.1	1.2	1.4	1.4
PSI (Power Solution International)	0.3	0.4	0.3	0.4	0.5	0.5	0.5
% yoy	166%	57%	-15%	20%	30%	0%	0%
% of total	2%	4%	2%	2%	2%	2%	2%
Shaanxi Heavy-duty Motor (陕西重汽)	0.4	0.7	0.7	0.7	0.8	0.9	1.0
% yoy	104%	80%	-1%	11%	9%	13%	13%
% of total	3%	6%	4%	4%	4%	4%	3%
Shaanxi Fast Gear (法士特)	0.4	0.3	0.3	0.4	0.4	0.5	0.5
% yoy	1%	-30%	15%	10%	10%	17%	17%
% of total	4%	3%	2%	2%	2%	2%	2%
KION (凯傲)	1.2	0.8	1.7	2.2	2.5	2.9	3.1
% yoy	31%	-37%	122%	30%	10%	17%	9%
% of total	11%	7%	12%	12%	12%	11%	11%
Weichai Lovol (潍柴雷沃)	0.6	0.6	0.8	1.0	1.3	1.5	1.8
% yoy	15%	1%	47%	25%	25%	19%	18%
% of total	5%	5%	6%	6%	6%	6%	6%
Others	(0.2)	0.2	0.3	0.1	(0.0)	0.1	(0.1)

Source: Company data, Goldman Sachs Global Investment Research

Price Target Risks and Methodology - Weichai Power

Valuation: We are Buy rated on Weichai H/A. We value Weichai's H-share at 22x average 2026E-27E EPS (12-m TP at HK$46.00/share), a ~100% premium over its long-term mid-cycle average of c.11x, to reflect the shift in investment narrative towards high-growth AIDC power generation business. The magnitude of rerating we have assumed is referenced to its global engine peers' rerating patterns over the past year, taking into account Weichai's stronger growth profile for the power generation business relative to peers. Our target 2026E/27E P/E multiple is also consistent with the average of global power generator peers. For the A-share, we assume nearly no discount/premium to the H-share equity value referencing to the trading patterns over the past 2-3 quarters, leading to a 12-m target price of Rmb42.00/share.

Key risks: 1) Slower-than-expected macro activity, particularly in road freight, infrastructure and property; 2) weaker-than-expected global economic growth; 3) powertrain shift to higher electrification penetration and lower LNG penetration; 4) weaker-than-expected HDT engine market share performance; 5) slower-than-expected development in power generation business.

Investment Thesis - Weichai Power

Weichai Power is China's largest manufacturer of internal combustion engines, with ~20% volume share in China's multi-cylinder engine market, with key verticals across commercial vehicle (mainly heavy-duty trucks), construction machinery, agricultural equipment, marine and power generation. In addition to the engine business, Weichai has also managed to build a diversified business portfolio over the years that spans across **1) complete vehicles and auto components**, primarily through its 51% owned subsidiary Shaanxi Heavy-duty Motor (China's third largest heavy-duty truck producer) and 51% owned subsidiary Fast Gear (China's largest manufacturer of gear boxes); **2) agricultural equipment** which is operated under its 61.1% owned subsidiary Weichai Lovol - China's largest manufacturer of agricultural equipment; and **3) intelligent logistics** (mainly sales of industrial trucks and supply chain solution) through its 46.5% owned subsidiary KION (KGX.DE), which is the second largest producer of industrial trucks globally and the largest provider of supply chain solutions globally.

We believe the investment narrative for Weichai has now shifted from heavy-duty trucks to AI data center power generation as the company has managed to build a comprehensive technology/product portfolio across large engines for diesel gensets (as back-up power for AIDC), gas gensets (onsite primary/standby power) and fuel cells (an emerging onsite generation solution). AIDC power generation, currently 12% of Weichai's total 2025E NP, is poised to grow ~10x by 2030E and see its earnings contribution more than tripling to 43% of the total, driving 60%+ of its incremental EPS growth through 2030E. Such a shift in investment narrative, in our view, warrants a rerating. We are Buy-rated on both the H-share and A-share.

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 30 Apr 2026 close.

Disclosure Appendix

Reg AC

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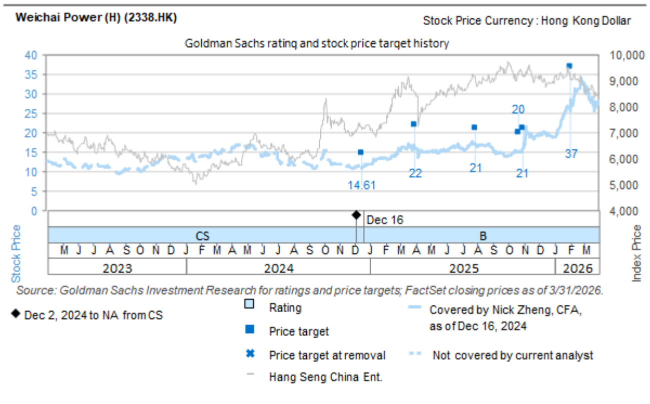

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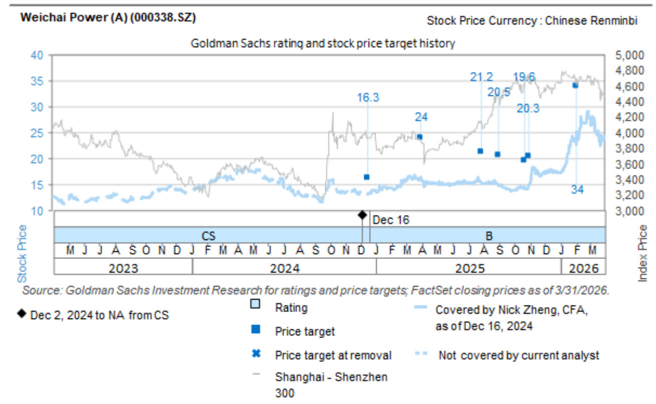

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Target price history table(s)

Weichai Power (A) (000338.SZ)

Date of report	Target price (Rmb)	Closing price (Rmb)
05-Apr-26	38.00	25.10
03-Feb-26	34.00	24.31
31-Oct-25	20.30	14.96
22-Oct-25	19.60	14.63
01-Sep-25	20.50	14.81
29-Jul-25	21.20	15.33
01-Apr-25	24.00	15.96
16-Dec-24	16.30	13.17

Weichai Power (H) (2338.HK)

Date of report	Target price (HK$)	Closing price (HK$)
05-Apr-26	41.00	29.10
03-Feb-26	37.00	27.18
31-Oct-25	21.00	16.05
22-Oct-25	20.00	15.13
29-Jul-25	21.00	17.04
01-Apr-25	22.00	16.00
16-Dec-24	14.61	11.12

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