Jefferies

ASIA-PACIFIC excl. Japan | Machinery

Weichai Power

Equity Research
June 30, 2026

Marketing Feedback on Weichai: High Conviction Amid the Noise

We met with 50+ investors across Asia over the past two weeks, with discussions largely centered on Weichai. As major tech players step up AI capex and global peers raise AIDC guidance, our conviction on Weichai has further strengthened. The power-energy build-out is becoming a multi-product franchise, not a single diesel-backup story. Investor debate focused on the earnings ramp from gas gensets and SOFC, legacy headwinds, and valuation. Details below.

Is the gas genset ramp achievable? We expect Weichai to deliver c.200 units in 2026 and around 1k units in 2027, with execution risk focused more on overseas channel ramp-up and customer onboarding than on the product itself. The economics are compelling, in our view, with ASPs of ~$600k/MW (4x diesel gensets) and estimated GPM of ~45%. Incremental capital requirements are limited, as gas gensets share much of the manufacturing process with diesel. Execution is tracking ahead of plan, with deliveries pulled forward to 3Q26. The key variable to watch is the pace of initial deliveries to end customers.

Is SOFC a real earnings driver or a post-2028 option? We see SOFC moving closer to a tangible earnings inflection rather than a distant option. Weichai has secured the key building blocks, including the Ceres license (Nov-25) and CE certification, while industry developments (i.e. Bloom/Oracle) help validate broader end-market demand. Capacity is set to ramp from 30MW in 2026 to 200MW in 2027, with upside to 400-500MW, and to reach 1GW by 2030. With breakeven at ~100MW, the step-up to 200MW in 2027 should mark a critical inflection point. Project visibility already supports this level across Southeast Asia, Taiwan, Korea and Europe, with North America under discussion.

How concentrated is US channel risk following PSI's miss? Mgmt has confirmed PSI's order book is rescheduled, not reduced, so the weakness affects near term sentiment rather than the underlying thesis. Generac remains a key US partner for Baudouin: the M55 platform powers Generac's data center genset range, supported by a $700m data center backlog, and a June hyperscaler agreement could represent $600m+ of potential value in 2027. The relationship is non-exclusive, leaving room for additional OEM partnerships.

Will BESS displace diesel backup? BESS is constrained by limited duration, while diesel offers the sustained runtime hyperscalers need during extended outages, so near-term displacement risk, in our view, is limited. Longer term, SOFC could become a common architecture, serving both prime and backup while delivering high-voltage DC directly to server racks.

AI tailwinds remain in full stride. We fine-tuned our 2026/27E earnings to RMB14.7/21.6bn, as we raise our AIDC engine shipment forecasts to 3.8k/6.3k units and also forecasts for SOFC shipments. Our SOTP-derived PTs are raised to RMB44.4/HKD50.8. **Reiterate Buy as our top pick.**

TARGET | ESTIMATE CHANGE	
RATING	BUY
PRICE	Rmb26.19^
PRICE TARGET | % TO PT	↑ Rmb44.20 (Rmb40.40) | +69%
52W HIGH-LOW	Rmb36.34 - Rmb13.65
FLOAT (%) | ADV MM (USD)	53.0% | 445.99
MARKET CAP	RMB228.5B | $33.6B
TICKER	000338 CH

^Prior trading day's closing price unless otherwise noted.

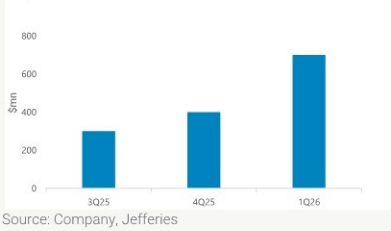
RATING	BUY
TICKER	2338 HK
PRICE	HK$33.72^
PRICE TARGET | % TO PT	↑ HK$50.80 (HK$46.40) | +51%

FY (Dec)	CHANGE TO JEFe		JEF vs CONS	
	2026	2027	2026	2027
REV	NA	NA	NA	NA
EPS	NA	+2%	NA	NA

2026 (RMB)	Q1	Q2	Q3	Q4	FY
EPS	--	--	--	--	1.69
PREV					

Related report: A Structural Winner Amid the Global Data Center Boom

Exhibit 1 - Generac Data Center Backlog (US $M)



Source: Company, Jefferies

FY (Dec)	2024A	2025A	2026E	2027E
Net Profit	11,403.3	10,930.5	14,679.9	21,607.8
EPS	1.31	1.26	1.69	2.49
FY P/E FY P/E	20.0x	20.8x	15.5x	10.5x

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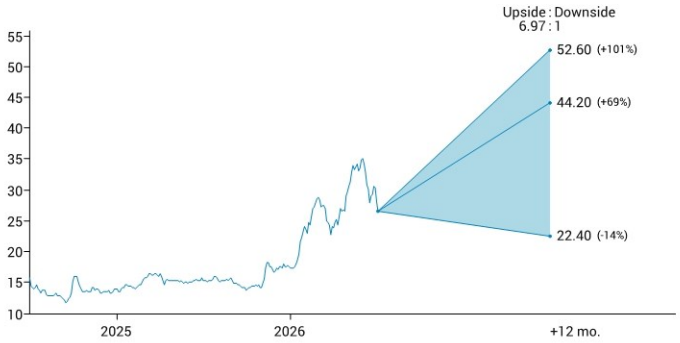
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The Long View: Weichai Power

Investment Thesis

- NS6 deployment to enhance strong demand for diesel engines
- Mix shift to high-displacement engines will improve operational efficiency and GPM
- LNG engines and non-road machinery engines are new growth drivers
- Overseas demand recovery and low base effect from Kion

Risk/Reward - 12 Month View



Base Case,
CNY44.2, +69%

- Weichai's total large bore engine shipments are expected to reach 13.6k/16.2k units in 2026/27, including 2.8k/4.2k units for AIDC applications.
- We expect HDT sales in China to reach 1.1mn units in 2026
- Product mix of the company's HDT engines shifts to high-margin products.
- AIDC gas engines are scheduled for release by mid-26
- Our PTs of RMB44.2/HKD50.8 are based on SOTP valuation, assigning RMB34.1/HKD39.2 per share to the power generation business.

Upside Scenario,
CNY52.6, +101%

- HDT sales came in ahead of market expectations.
- Large-bore engine shipments exceeded expectations.
- Gas genset orders were stronger than expected.
- KION delivered a better-than-expected earnings recovery.
- Our PTs of RMB52.6/HKD60.5 are based on a SOTP valuation, assigning RMB41.2/HKD49.9 per share to the power generation business.

Downside Scenario,
CNY22.4, -14%

- HDT sales fall short of market expectations
- Large-bore engine shipments miss expectations
- Gas genset orders underperform
- KION's earnings recovery proves weaker than expected
- Our PTs of RMB22.4/HKD25.7 are based on a SOTP valuation, assigning RMB7.4/HKD8.4 per share to the power generation business.

Sustainability Matters

Top Material Issue:

1. Technology & innovation: Technological R&D and innovation are critical to Weichai Power's sustainable development. Weichai Power cooperated with Sinotruk and SJTU to establish a joint research center for future commercial vehicle innovation.
2. Safe production is the basic guarantee for an enterprise. Weichai Power should build complete safety management systems and protect employees' health.

Company targets:

1. Achieve carbon peaking by 2030 and carbon neutrality by 2060 along with the decarbonization goal of China.
2. Deepen refined management and improve operational quality.

Qs to Mgmt.:

1. How can hydrogen technology help meet carbon reduction goals?
2. How can energy management system help to decrease energy consumption in the production and how much cost are needed?
3. What's the company's NEV HDT target in 2025/2030?

Catalysts

- Higher-than-expected HDT sales volume
- Increased adoption of LNG engines
- Deepening cooperation with Sinotruk
- Overseas demand recovery and US capex cycle revival
- More aggressive infrastructure fixed-asset investment

Exhibit 2 - SOTP Valuation

SOTP	
Traditional business (excl. Kion)	
2026E Net profit (Rmb m)	**6,976**
x Target multiple (PE)	8.0x
valuation (Rmb m)	55,808
Large-bore engine	
2026E Net profit (Rmb m)	**4,139**
x Target multiple (PE)	30.0x
Large-bore valuation (Rmb m)	124,178
Gas engine	
2030E Net profit (Rmb m)	**4,506**
x Target multiple (PE)	40.0x
Gas engine valuation (Rmb m)	180,260
Discounted back to 2026E	125,384
SOFC	
2030E Net profit (Rmb m)	**1,670**
x Target multiple (PE)	30.0x
SOFC valuation (Rmb m)	50,092
Discounted back to 2026E	34,843
PSI	
PSI PT (USD/share)	79
Weichai's stake	46%
Valuation of PSI stake (Rmb m)	5,783
KION	
KION PT (Euro/share)	45
KION market cap target (Euro m)	5,904
EUR/CNY	8.1
Weichai's stake	46.3%
Valuation of KION stake (Rmb m)	22,224
Total	
Equity value (Rmb m)	368,220
WACC	10%
shares (m)	8,330
PT - A (Rmb)	44.2
PT - H (HK$)	50.8

Source: Company, Jefferies

Exhibit 3 - Key Progress & Updates: Power Generation Competitive Landscape

Company	1Q26 Key Developments	Primary Application	Capacity / Delivery Update
Caterpillar	Power generation STU +41% YoY; P&E segment STU +37% YoY; P&E revenue +23% YoY (Q4); 4 prime power orders each ≥1GW for data centres (incl. 2GW Monarch	Large recip engine capacity target: 2× (double) 2024 levels by 2030; also on track to more than double industrial gas turbine capacity	On track to 2× (double) large recip engine capacity vs. 2024 levels by 2030; also on track to more than double industrial gas turbine capacity; backlog $51B (+71% YoY, record high)
Wärtsilä	5 data centre orders in the US totalling 2.4GW (148 × 50SG/34SG units); two additional large orders announced in April 2026 (790MW Texas + 412MW Ohio)	Medium-speed engines (50SG/34SG) suited for large off-grid AI data centre baseload / continuous 24/7 operation	First order (Ohio 282MW) delivering late 2026 into 2027; remaining 4 orders delivering 2027–2029; total pipeline capacity constrained
Cummins	95L and other high-speed engine orders booked through 2028	High-speed engines suited for mid-size data centers, peaking, and distributed power	Capacity doubled in 2025; lead times 12–24 months
GE Vernova	Total GW under contract grew 83GW → 100GW in Q1; 20% explicitly supporting data centers; total company backlog $163B (+80% equipment backlog vs. spin)	Turbines still dominant for hyperscale centralized power supply	On track to reach 20GW annualized output by 3Q 2026; expects ≥110GW under contract by end-2026
Siemens Energy	Q2 FY2026: record Gas Services orders €8.9B (+32% YoY); 5GW of DC order intake in Q2 bringing total DC commitments to 24GW (orders + reservations); total backlog all-time	Still dominant in large gas turbine power supply	Gas Services book-to-bill 2.55x (record backlog €66B); Gas turbine capacity expanding annually through 2030; ~70% firm orders / 30% reservations in backlog

Source: Company, Jefferies

Exhibit 4 - Key Variable Comparison - Global Leaders vs. Weichai Power in Prime Power Gas Engines

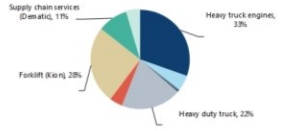
Dimension	Caterpillar	Wärtsilä	Cummins	Weichai Power
Primary Technology Path	High-speed large reciprocating engines	Medium-speed engines (50SG / 34SG); off-grid baseload for AI data centres	High-speed engines	High-speed first; extending to 5MW / medium-speed
Typical Power Output	~2MW class mainstream	18.8MW (50SG) / ~10MW (34SG) per unit; 15–42 units per project	95L engine; mid-size applications	2-3MW volume entry; 5MW under validation
1Q26 / Near-term Order Signal	4 prime power orders each ≥1GW for DC prime power (including 2GW Monarch Compute Campus order announced Jan 2026)	5 US orders totalling 2.4GW; two new orders April 2026 (790MW + 412MW)	Booked through 2028	Order pipeline "essentially full"; 2026 gas engine target 100–200 units
Delivery / Capacity	2030 capacity target: 2× (double) 2024 levels for large recip engines; also >2× for industrial gas turbines by 2030	First order (Ohio 282MW) delivering late 2026 into 2027; remaining 4 orders delivering 2027–2029; Wärtsilä capacity booked through 2029 with ~35% capacity expansion planned by early 2028	Lead time 12–24 months	Diesel gensets: 6–9 months; gas engines: ~12 months; significantly faster than international peers

Source: company,jefferies

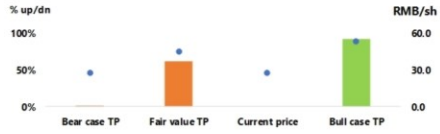
Exhibit 5 - Company snapshot - Weichai Power A

Weichai Power (000338 CH)	
Ticker	000338 CH
Rating	Buy
Target price - RMB/sh	44.2
Share price (June 30, 2026) - RMB/sh	27.5
Upside/Downside	*61%*
Number of shares (mn)	8,330
Market cap (US$ mn)	35,794

Gross profit by segment



Risk/Reward analysis



Income Statement (RMB mn)	2021	2022	2023	2024	2025	2026e	2027e	2028e
Revenue	203,548	175,158	213,958	215,691	231,809	280,526	334,302	382,659
Gross Profit	39,601	31,147	43,521	48,386	49,782	61,531	76,483	92,646
GPM	*19.5%*	*17.8%*	*20.3%*	*22.4%*	*21.5%*	*21.9%*	*22.9%*	*24.2%*
EBITDA	21,589	14,094	22,959	28,469	27,112	35,290	45,745	55,795
EBIT	13,162	4,934	12,965	17,131	15,310	22,076	32,086	41,405
EBIT margin	*6%*	*3%*	*6%*	*8%*	*7%*	*8%*	*10%*	*11%*
Net interest expense	450	909	(560)	(231)	454	(751)	(484)	235
Associates and JV	442	243	746	421	450	450	450	450
Pre-tax Profit	14,055	6,085	13,151	17,322	16,214	21,776	32,052	42,090
Net Profit	9,254	4,905	9,014	11,403	10,931	14,680	21,608	28,374
Core Net Profit (ex one-off)	9,050	4,153	9,504	10,906	10,654	14,403	21,331	28,098
Core NPM	*5%*	*3%*	*4%*	*5%*	*5%*	*5%*	*6%*	*7%*
Balance Sheet (RMB mn)	**2021**	**2022**	**2023**	**2024**	**2025**	**2026e**	**2027e**	**2028e**
Cash and liquid assets	75,043	70,842	92,857	72,067	68,713	88,718	112,711	136,666
Trade Receivables	34,753	37,933	40,595	45,950	50,505	61,120	72,836	83,372
Total Assets	**277,044**	**293,666**	**334,247**	**343,879**	**367,476**	**406,463**	**453,075**	**498,682**
Trade Payables	67,394	67,585	87,754	92,159	104,157	125,310	147,525	165,946
Interest bearing debt	25,889	38,607	34,857	31,289	26,967	26,967	26,967	26,967
Shareholders Equity	**70,907**	**73,184**	**79,335**	**86,696**	**93,190**	**100,765**	**112,831**	**127,161**
Net cash (debt)	49,154	32,235	58,000	40,778	41,746	61,751	85,744	109,699
Cash Flow (RMB mn)	**2021**	**2022**	**2023**	**2024**	**2025**	**2026e**	**2027e**	**2028e**
Cash flow from operations	14,658	(2,350)	27,471	26,094	28,682	40,442	49,422	56,187
Net capex	(6,011)	(6,635)	(7,200)	(7,360)	(6,797)	(13,332)	(15,888)	(18,186)
FCF	8,646	(8,985)	20,271	18,734	21,885	27,110	33,534	38,001
Comparison to consensus	**2021**	**2022**	**2023**	**2024**	**2025**	**2026e**	**2027e**	**2028e**
EPS	1.10	0.56	1.03	1.31	1.26	1.69	2.49	3.28
Consensus EPS						1.67	1.99	2.21
% diff to Bloomberg cons						*1%*	*26%*	*48%*
DPS	0.39	0.25	0.52	0.72	0.82	1.10	1.62	2.13
BVPS	8.51	8.39	9.10	9.95	10.76	11.63	13.03	14.68

Key assumptions	2021	2022	2023	2024	2025	2026e	2027e	2028e
Sales volume of HDT('000 units)	150	80	116	118	153	168	185	185
Sales volume of Heavy truck engines('000 units)	429	156	306	286	270	257	246	236
Sales volume of AIDC related engines('000 units)	-	-	100	400	1,400	4,000	7,270	9,978
ASP of HDT('000 RMB)	282	291	299	308	318	327	337	347
ASP of Heavy truck engines ('000 RMB)	77	77	77	77	77	77	77	77

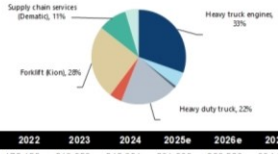
Valuation metrics	2021	2022	2023	2024	2025	2026e	2027e	2028e
PE	9.1	48.9	26.6	21.0	21.8	16.2	11.0	8.4
PB	1.2	3.3	3.0	2.8	2.6	2.4	2.1	1.9
PEG	(1.7)	(1.0)	0.3	0.8	(6.1)	0.5	0.2	0.3
EV/Sales	0.2	1.2	0.8	0.9	0.8	0.6	0.4	0.3
EV/EBITDA	1.5	14.7	7.8	6.9	7.1	4.9	3.2	2.2
EV/FCF	3.6	(23.0)	8.8	10.4	8.8	6.4	4.4	3.2
FCF Yield %	10.4%	(3.7%)	8.5%	7.8%	9.2%	11.4%	14.1%	16.0%
Dividend Yield %	3.9%	0.9%	1.9%	2.6%	3.0%	4.0%	5.9%	7.7%
Target price implied PE	40.2	78.6	42.7	33.8	35.0	26.1	17.7	13.5
Target price implied PB	5.2	5.3	4.9	4.4	4.1	3.8	3.4	3.0
Target price implied EV/EBITDA	14.7	25.0	14.1	12.0	12.5	9.0	6.4	4.8
Key company metrics	**2021**	**2022**	**2023**	**2024**	**2025**	**2026e**	**2027e**	**2028e**
Revenue growth %	3%	-14%	22%	1%	7%	21%	19%	14%
EPS growth %	-5%	-49%	84%	27%	-4%	34%	47%	31%
Core EPS growth %	-16%	-56%	129%	15%	-2%	35%	48%	32%
ROE	10%	5%	8%	10%	9%	11%	14%	17%
ROA	3%	2%	3%	3%	3%	4%	5%	6%
ROIC	8%	4%	6%	8%	7%	9%	12%	14%
Net Debt to Equity	-69%	-44%	-73%	-47%	-45%	-61%	-76%	-86%
Interest Cover (x)	12.4	12.2	3.5	3.9	4.4	4.2	6.3	9.2

Source: Company, Jefferies

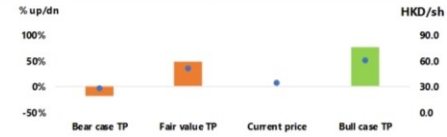
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Ticker	2338 HK
Rating	Buy
Target price - HKD/sh	50.8
Share price (June 30, 2026))- HKD/sh	34.4
Upside/Downside	*48%*
Number of shares (mn)	8,330
Market cap (US$ mn)	36,760

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PE	17.4	18.4	33.3	26.3	27.3	20.3	13.8	10.5
PB	2.3	1.2	3.8	3.5	3.2	3.0	2.6	2.3
PEG	(3.2)	(0.4)	0.4	1.0	(7.7)	0.6	0.3	0.3
EV/Sales	0.5	0.3	1.1	1.2	1.1	0.8	0.6	0.5
EV/EBITDA	5.0	4.0	10.4	9.0	9.3	6.6	4.5	3.2
EV/FCF	12.5	(6.3)	11.8	13.7	11.6	8.6	6.2	4.8
FCF Yield %	5.4%	(10.0%)	6.8%	6.2%	7.3%	9.1%	11.2%	12.7%
Dividend Yield %	2.0%	2.4%	1.5%	2.1%	2.4%	3.2%	4.7%	6.2%
Target price implied PE	46.2	90.4	49.1	38.8	40.3	30.0	20.4	15.5
Target price implied PB	6.0	6.1	5.6	5.1	4.7	4.4	3.9	3.5
Target price implied EV/EBITDA	17.2	29.1	16.6	14.0	14.6	10.6	7.6	5.8
Key company metrics	**2021**	**2022**	**2023**	**2024**	**2025e**	**2026e**	**2027e**	**2028e**
Revenue growth %	3%	-14%	22%	1%	7%	21%	19%	14%
EPS growth %	-5%	-49%	84%	27%	-4%	34%	47%	31%
Core EPS growth %	-16%	-56%	129%	15%	-2%	35%	48%	32%
ROE	10%	5%	8%	10%	9%	11%	14%	17%
ROA	3%	2%	3%	3%	3%	4%	5%	6%
ROIC	8%	4%	6%	8%	7%	9%	12%	14%
Net Debt to Equity	-69%	-44%	-73%	-47%	-45%	-61%	-76%	-86%
Interest Cover (x)	12.4	12.2	3.5	3.9	4.4	4.2	6.3	9.2

Source: Company, Jefferies

Company Description

Weichai Power

Weichai Power Co., Ltd is a company specialised in the research and development, manufacturing and sale of diesel engines. Its products are used in vehicles, marine vessels and power generators. The company is majority owned by state-owned Weichai Group.

Company Valuation/Risks

Weichai Power

Our target prices of RMB44.2/HKD50.8 are based on a SOTP valuation, assigning RMB34.1/HKD39.2 per share to the power generation business, with the remaining value attributed to the traditional engine and other businesses. Downside risks include: 1) slower-than-expected AIDC project ramp-up or delays in data center power demand, and 2) intensified competition in power generation equipment. 3) HDT sales fall short of market expectations

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Investment Recommendation Record

(Article 3(1)e and Article 7 of MAR)

Recommendation Published	June 30, 2026 4:34 A.M.
Recommendation Distributed	June 30, 2026 4:34 A.M.

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Buy - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

Hold - Describes securities that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Underperform - Describes securities that we expect to provide a total return (price appreciation plus yield) of minus 10% or less within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below $10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

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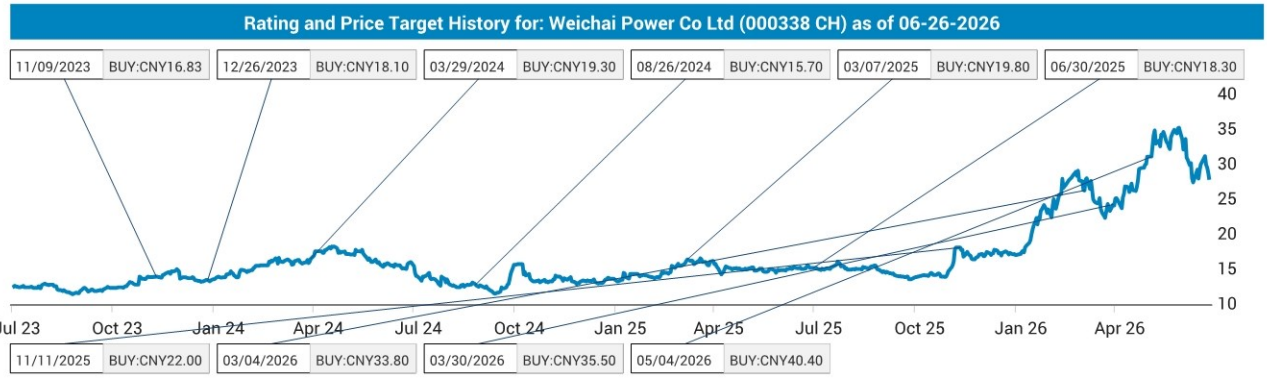
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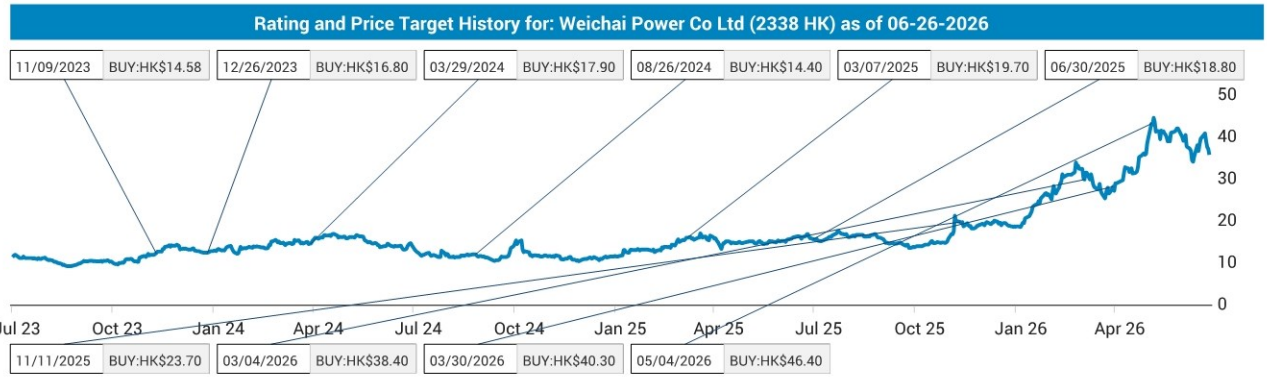
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Other Companies Mentioned in This Report

- Weichai Power Co Ltd (000338 CH: CNY26.19, BUY)
- Weichai Power Co Ltd (2338 HK: HK$33.72, BUY)





Notes: Each box in the Rating and Price Target History chart above represents actions over the past three years in which an analyst initiated on a company, made a change to a rating or price target of a company or discontinued coverage of a company.
Legend:

I: Initiating Coverage

D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

Distribution of Ratings

			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	2228	62.50%	389	17.46%	113	5.07%
HOLD	1173	32.90%	101	8.61%	20	1.71%
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