08 Jul 2026 13:11:57 ET | 15 pages

Hengli Hydraulic (601100.SS)

2Q26E Preview: Strong Core Business but Sizable FX Loss Again; Humanoid Robot in Progress

CITI'S TAKE

While we expect Hengli to deliver 30% YoY revenue growth in 2Q26E driven by strong excavator component demand, we estimate its net profit to come in at Rmb888mn in 2Q26E, up by only 9% YoY (up 36% QoQ) and 2% ahead of Visible Alpha consensus due to ~Rmb200mn FX loss in 2Q26E (vs. ~Rmb26mn FX gain in 2Q25). Regarding the humanoid robot business, Hengli is currently supplying planetary roller screws to support its US client to produce ~100 units of humanoid robots per week, and based on our industry talk, the US client could ramp production to ~1k/~19k in 3Q/4Q26 and further increase volumes to 200k in 2027. We therefore estimate Hengli's humanoid robot revenue contribution to jump from ~1% in 2026E to ~8% in 2027E. We recommend investors use the FX or fund-flow-led share price weakness to accumulate the stock. Reiterate Buy.

2Q26E GPM – We expect Hengli's GPM to stay flat YoY at 44.0% in 2Q26E as Mexico and ball screw & linear guide plants could negatively impact the overall GPM before the two factories scale up. Upside surprises, if any, could come from the ball screw and linear guide plant due to the spill-over effect on these products.

Compared to machinery OEM – While the downstream machinery OEMs' consolidation has come to an end, we think that the component makers' market share reshuffle is an ongoing event. We pointed out in 2024 that by establishing a JV with Eddie Precision (603638.SS), Kawasaki Heavy (7012.T) is gradually retreating from China's construction machinery component market, favorable to Hengli from the market share perspective (Figure 7).

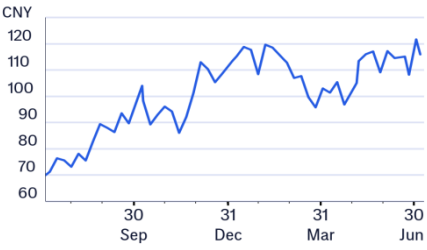
Humanoid robot potential – By acquiring the linear motion R&D team from a leading European bearing firm before and producing planetary roller screws in China by its ball screw & linear guide veterans, Hengli is competitive enough to penetrate the leading US humanoid robot maker. Besides planetary roller screws, Hengli strives to win orders of micro motors and micro screws for dexterous hands.

Earnings revision – We slightly increase our 2027E earnings forecasts by 1% to reflect higher humanoid robot revenue. We reiterate Buy on Hengli for its strong core business and "**humanoid robot optionality**" (Figure 4 and 6).

Buy

Price (08 Jul 26 15:00)	Rmb108.570
Target price	Rmb160.000
Expected share price return	47.4%
Expected dividend yield	0.6%
Expected total return	48.0%
Market Cap	Rmb145,573M
	US$21,505M

Price Performance
(RIC: 601100.SS, BB: 601100 CH)



Jamie Wang[AC]

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Earnings Summary

Year to 31 Dec	Net Profit (RmbM)	Diluted EPS (Rmb)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	2,509	1.870	0.5	58.1	9.2	16.6	0.6
2025A	2,734	2.040	9.1	53.2	8.4	16.5	0.5
2026E	3,291	2.454	20.3	44.2	9.6	20.3	0.6
2027E	4,350	3.244	32.2	33.5	7.9	25.9	0.8
2028E	5,295	3.949	21.7	27.5	6.4	25.7	1.0

Source: Powered by dataCentral

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

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601100.SS: Fiscal year end 31-Dec

Price: Rmb108.570; TP: Rmb160.000; Market Cap: Rmb145,573m; Recomm: Buy

Profit & Loss (Rmbm)	2024	2025	2026E	2027E	2028E
Sales revenue	9,390	10,941	13,880	17,675	21,900
Cost of sales	-5,368	-6,392	-8,066	-10,372	-12,907
Gross profit	4,021	4,549	5,814	7,303	8,993
Gross Margin (%)	42.8	41.6	41.9	41.3	41.1
EBITDA (Adj)	**3,085**	**3,586**	**4,507**	**5,431**	**6,481**
EBITDA Margin (Adj) (%)	32.9	32.8	32.5	30.7	29.6
Depreciation	-403	-512	-571	-601	-623
Amortisation	-20	-18	-19	-20	-21
EBIT (Adj)	**2,655**	**3,050**	**3,911**	**4,804**	**5,831**
EBIT Margin (Adj) (%)	28.3	27.9	28.2	27.2	26.6
Net interest	131	-6	-252	47	70
Associates	0	0	0	0	0
Non-Op/Except/Other Adj	14	-12	-10	-8	-6
Pre-tax profit	**2,800**	**3,032**	**3,650**	**4,843**	**5,895**
Tax	-288	-292	-352	-484	-589
Extraord./Min.Int./Pref.div.	-4	-6	-7	-9	-11
Reported net profit	**2,509**	**2,734**	**3,291**	**4,350**	**5,295**
Net Margin (%)	26.7	25.0	23.7	24.6	24.2
Core NPAT	2,509	2,734	3,291	4,350	5,295

Per share data	2024	2025	2026E	2027E	2028E
Reported EPS (Rmb)	1.870	2.040	2.454	3.244	3.949
Core EPS (Rmb)	1.870	2.040	2.454	3.244	3.949
DPS (Rmb)	0.700	0.560	0.674	0.891	1.084
CFPS (Rmb)	1.848	1.351	2.101	2.723	3.348
FCFPS (Rmb)	1.049	0.662	1.686	2.454	3.076
BVPS (Rmb)	11.765	12.888	11.251	13.821	16.879
Wtd avg ord shares (m)	1,342	1,340	1,341	1,341	1,341
Wtd avg diluted shares (m)	1,342	1,340	1,341	1,341	1,341

Growth rates	2024	2025	2026E	2027E	2028E
Sales revenue (%)	4.5	16.5	26.9	27.3	23.9
EBIT (Adj) (%)	8.5	14.9	28.3	22.8	21.4
Core NPAT (%)	0.4	9.0	20.4	32.2	21.7
Core EPS (%)	0.5	9.1	20.3	32.2	21.7

Balance Sheet (Rmbm)	2024	2025	2026E	2027E	2028E
Cash & cash equiv.	8,910	9,216	6,216	8,825	12,001
Accounts receivables	1,371	1,910	2,423	3,086	3,824
Inventory	1,765	2,154	2,718	3,496	4,350
Net fixed & other tangibles	5,361	5,986	5,933	5,651	5,348
Goodwill & intangibles	439	451	466	482	501
Financial & other assets	1,793	1,953	2,158	2,402	2,670
Total assets	**19,639**	**21,671**	**19,914**	**23,942**	**28,694**
Accounts payable	889	1,023	1,290	1,659	2,065
Short-term debt	15	14	14	14	14
Long-term debt	0	20	20	20	20
Provisions & other liab	2,906	3,277	3,440	3,644	3,880
Total liabilities	**3,810**	**4,333**	**4,764**	**5,337**	**5,978**
Shareholders' equity	15,775	17,280	15,085	18,531	22,631
Minority interests	54	58	65	74	85
Total equity	**15,828**	**17,338**	**15,150**	**18,605**	**22,716**
Net debt (Adj)	**-8,895**	**-9,183**	**-6,182**	**-8,792**	**-11,967**
Net debt to equity (Adj) (%)	-56.2	-53.0	-40.8	-47.3	-52.7

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	58.1	53.2	44.2	33.5	27.5
PB (x)	9.2	8.4	9.6	7.9	6.4
EV/EBITDA (x)	44.5	38.1	30.6	25.4	20.9
FCF yield (%)	1.0	0.6	1.6	2.3	2.8
Dividend yield (%)	0.6	0.5	0.6	0.8	1.0
Payout ratio (%)	37	27	27	27	27
ROE (%)	16.6	16.5	20.3	25.9	25.7

Cashflow (Rmbm)	2024	2025	2026E	2027E	2028E
EBITDA	2,817	3,362	4,225	5,149	6,199
Working capital	-234	-1,384	-961	-1,212	-1,329
Other	-105	-167	-446	-286	-380
Operating cashflow	**2,479**	**1,811**	**2,818**	**3,651**	**4,489**
Capex	-1,071	-924	-557	-361	-365
Net acq/disposals	-744	954	176	176	176
Other	-1,284	-887	63	62	85
Investing cashflow	**-3,100**	**-857**	**-317**	**-123**	**-104**
Dividends paid	-603	-906	-751	-904	-1,195
Financing cashflow	**-788**	**-864**	**-766**	**-919**	**-1,210**
Net change in cash	**-1,673**	**25**	**1,734**	**2,609**	**3,176**
Free cashflow to s/holders	**1,408**	**887**	**2,260**	**3,290**	**4,124**

For definitions of the items in this table, please click here.

Figure 1. Hengli: Earnings forecast revisions

In Rmb mn	Old			New			% Change		
except where indicated	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
P&L									
Revenue	13,814	17,227	21,183	13,880	17,675	21,900	0%	3%	3%
Gross profit	5,801	7,204	8,821	5,814	7,303	8,993	0%	1%	2%
Operating profit	3,657	4,823	5,842	3,660	4,851	5,901	0%	1%	1%
Net profit	3,288	4,325	5,242	3,291	4,350	5,295	0%	1%	1%
EPS (Rmb)	2.45	3.23	3.91	2.45	3.24	3.95	0%	1%	1%
Margin									
GPM	42.0%	41.8%	41.6%	41.9%	41.3%	41.1%	-0.1pp	-0.5pp	-0.6pp
OPM	26.5%	28.0%	27.6%	26.4%	27.4%	26.9%	-0.1pp	-0.6pp	-0.6pp
NPM	23.8%	25.1%	24.7%	23.7%	24.6%	24.2%	-0.1pp	-0.5pp	-0.6pp

In Rmb mn	Consensus			CitiE			CitiE vs. Consensus		
except where indicated	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
P&L									
Revenue	13,229	15,625	18,432	13,880	17,675	21,900	5%	13%	19%
Gross profit	5,614	6,698	7,915	5,814	7,303	8,993	4%	9%	14%
Operating profit	3,766	4,564	5,441	3,660	4,851	5,901	-3%	6%	8%
Net profit	3,433	4,217	5,033	3,291	4,350	5,295	-4%	3%	5%
EPS (Rmb)	2.59	3.16	3.76	2.45	3.24	3.95	-5%	3%	5%
Margin									
GPM	42.4%	42.9%	42.9%	41.9%	41.3%	41.1%	-0.6pp	-1.5pp	-1.9pp
OPM	28.5%	29.2%	29.5%	26.4%	27.4%	26.9%	-2.1pp	-1.8pp	-2.6pp
NPM	26.0%	27.0%	27.3%	23.7%	24.6%	24.2%	-2.2pp	-2.4pp	-3.1pp

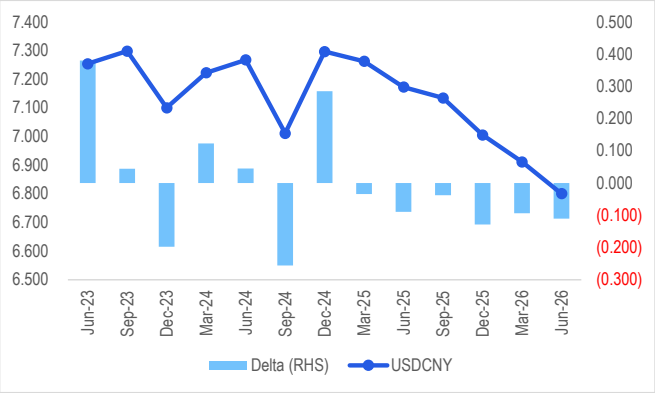
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Source: Company Reports and Citi Research Estimates, Bloomberg

Figure 2. Hengli: Quarterly P&L summary

Rmb mn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	YoY	QoQ	Consensus	Diff.
P&L										
Net sales	2,422	2,749	2,619	3,151	3,210	3,574	30%	11%	3,388	5%
Gross profit	954	1,210	1,104	1,281	1,238	1,573	30%	27%	1,439	9%
Operating profit	716	888	729	711	734	970	9%	32%	930	4%
Net profit	618	812	658	647	652	888	9%	36%	867	2%
EPS (Rmb)	0.461	0.605	0.491	0.483	0.486	0.662	9%	36%	0.646	2%
Margin										
GPM	39.4%	44.0%	42.2%	40.6%	38.6%	44.0%	0.0pp	5.4pp	42.5%	1.5pp
OPM	29.6%	32.3%	27.8%	22.6%	22.9%	27.1%	-5.1pp	4.3pp	27.5%	-0.3pp
NPM	25.5%	29.5%	25.1%	20.5%	20.3%	24.9%	-4.7pp	4.5pp	25.6%	-0.7pp

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Source: Company Reports and Citi Research Estimates, Visible Alpha

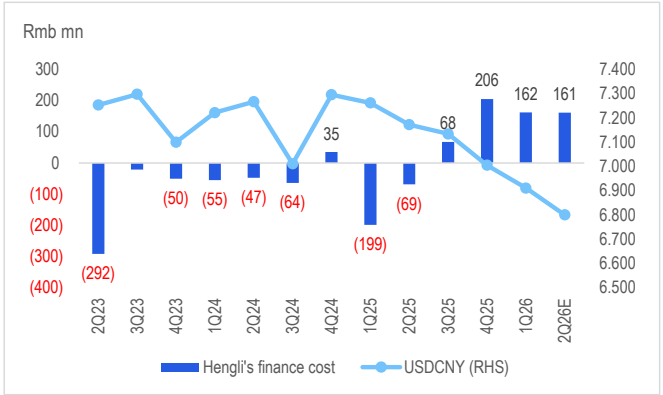
Figure 3. USDCNY and its changes



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Source: Citi Research, Bloomberg

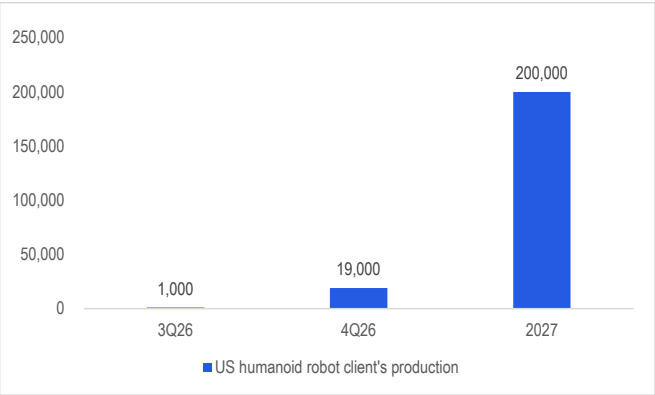
Figure 4. Hengli: Financial costs vs. USDCNY



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Source: Company Reports and Citi Research Estimates, Bloomberg

Figure 5. Hengli: US humanoid robot client's production estimate

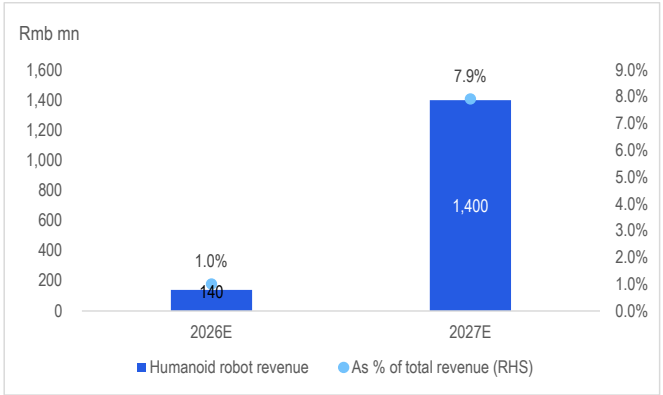


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*The production estimate is based on our checks with Chinese supply chain

Source: Company Reports and Citi Research Estimates

Figure 6. Hengli: Humanoid robot revenue and as % of total revenue

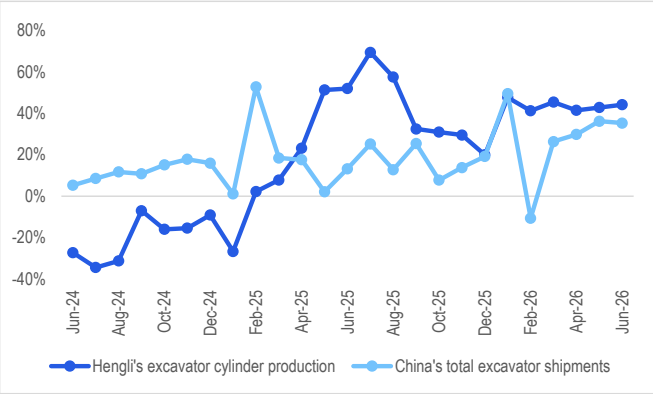


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Source: Company Reports and Citi Research Estimates



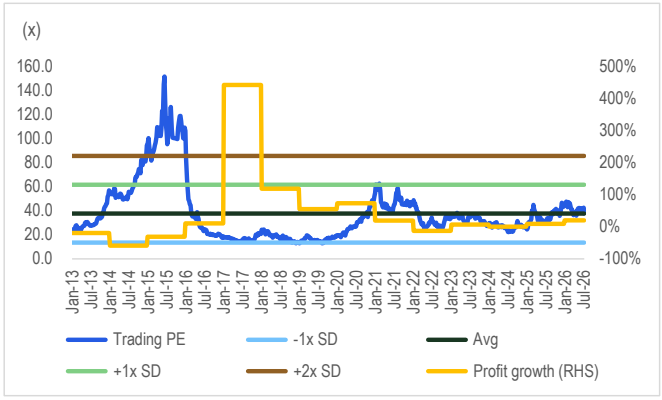
Figure 7. YoY: Hengli's excavator cylinder production vs. China total excavator shipment



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Source: Citi Research, CCMA

Figure 8. Hengli: Forward P/E trends vs. earnings growth

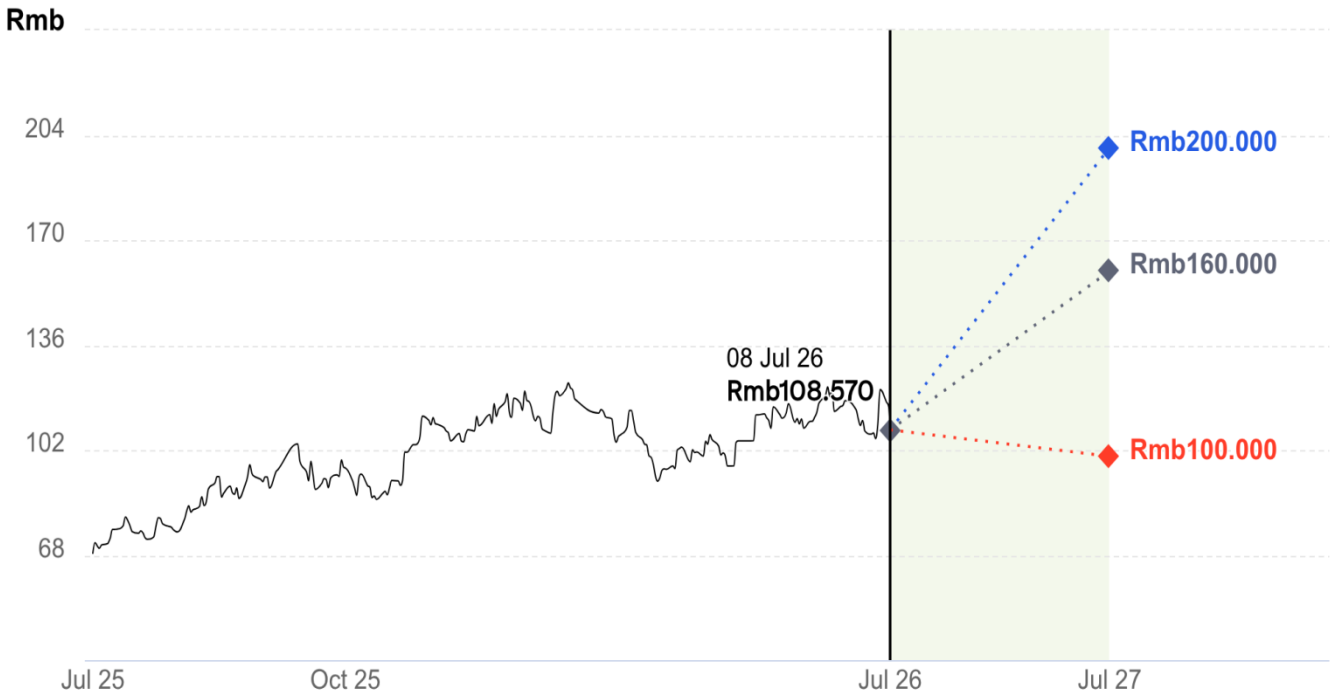


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Source: Company Reports and Citi Research Estimates

Bull/Bear: Hengli Hydraulic (601100.SS)

Rmb 200.000	Rmb 160.000	Rmb 100.000
▲84% Upside	▲47% Upside	▼7.9% Downside



Spread 92pp
Current Price and expected returns (upside/downside) as of 08 Jul 2026

BULL Assumptions

- Valuation rerate on 62x 2027E P/E on strong product demand.
-

BASE Assumptions

- Valuation based on 50x 2027E P/E.

BEAR Assumptions

- Valuation derate on 38x 2027E P/E due to weaker demand.