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Weichai Power - A/H

Positive read-throughs from BE, Innio, GE Vernova: SOFC, Gas Engines, BTM Demand; stay OW

We summarize in this note the latest read-throughs from Bloom Energy, Innio, and GE Vernova, focusing on SOFC, gas primary engines, gas engines, and BTM (behind-the-meter) power demand. Mark Strouse covers all three names with Overweight ratings, and his recent reviews of results and guidance remain constructive. All three companies reported robust Q2 orders and raised capacity or delivery guidance, with management teams consistently highlighting strong BTM and data center demand, persistent supply constraints, and multi-year order visibility. Despite recent market volatility and investor concerns about BTM overcapacity or potential AI/data center capex cuts, management commentary across the board points to order books that remain full, slot reservations stretching into the 2030s, and no evidence of a material oversupply or demand cliff. Pricing power and margin resilience are recurring themes, with all three companies signaling confidence in their ability to defend profitability even as the competitive landscape evolves.

Stock view: Weichai's latest management update and fireside chat reinforce the AIDC thesis and highlight margin resilience despite sector volatility. The company is tracking in line with its 2026 AIDC shipment guidance of 3,500–4,000 units, with a strong order pipeline and a back-half weighted ramp. Capacity expansion is on track, with AIDC-related engine capacity set to reach 8,000–10,000 units by end-2027, and SOFC ramping from 30MW in 2026 to 200MW in 2027. Following recent share price correction (H/A down c.19%/13% since May vs. MSCI China -5%), Weichai's valuation has turned compelling, trading once again as an industrial cyclical name with a c.4% yield. Notably, on July 21, 2026, Weichai's controlling shareholder, Weichai Group, announced plans to increase its holdings in the company's A-shares by up to Rmb400MM, which we see as a strong signal of confidence in the company's growth outlook and intrinsic value. We view the current reset as an opportunity, supported by resilient delivery, margin discipline, and a multi-year growth runway. Maintain OW on Weichai A/H.

Bloom Energy's results reinforce the structural upcycle in SOFC and BTM, with robust order momentum and pricing power

- Bloom Energy management highlighted that SOFC demand is accelerating, with customer visibility building into 2030 and order books expanding rapidly. The company is targeting utility and incremental machinery expansion, supporting the narrative that SOFC is poised for multi-year growth. This is highly relevant for Weichai's SOFC ambitions, as it suggests the global market is still in the early stages of a multi-year upcycle.

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000338.SZ, 000338 CH
Overweight
Price: Rmb26.19
28 Jul 2026
Price Target: Rmb49.00
PT End Date: 30 Jun 2027

2338.HK, 2338 HK
Overweight
Price: HK$30.92
28 Jul 2026
Price Target: HK$52.00
PT End Date: 30 Jun 2027

See page 6 for analyst certification and important disclosures, including non-US analyst disclosures.

- Data center orders are more than double of total FY25 orders, highlighting structural tailwinds for BTM power solutions. Management sees the total addressable market expanding, driven by AI/data center power shortages and the shift toward distributed generation.

- Pricing power is evident, as management noted robust ASPs and margin resilience despite supply chain challenges. The competitive landscape is evolving, but Bloom's technology and delivery capability are seen as differentiators. The company is investing in capacity and expects demand to remain supply-constrained for several years, which is highly relevant for Weichai's SOFC and BTM ambitions.

Innio's record orders and capacity ramp signal persistent strength in gas engines and BTM, with margin and TAM upside

- Innio reported record 2Q order activity, especially in data center and BTM segments, with a book-to-bill of 6.3x for data centers and 2.0x for utility solutions. Capacity ramp plans to 5 GW by YE26 and 10 GW by 2030 signal accelerating demand and fully booked slot reservations into the 2030s. This supports the view that gas engine demand is not only strong but also likely to remain supply-constrained for several years.

- Demand for gas engines is described as structurally strong, with distributed generation and BTM solutions seeing persistent tailwinds. Management expects supply constraints to persist, supporting pricing and margin power for high-quality suppliers. TAM is expanding, driven by electrification, grid constraints, and data center growth.

- The competitive landscape remains dynamic, but Innio's established technology and service-driven business model are seen as key advantages. Management highlighted favorable margin mix, with FY26 PF EBITDA guidance above Street expectations. Management is confident of maintaining pricing power and expects continued order strength as the market re-rates distributed power solutions.

GE Vernova's strong orders and capacity expansion highlight the durability of the power upcycle and BTM demand

- GE Vernova reported strong 2Q orders of $24.2B, well above expectations, and announced expansion to 20 GW of gas power capacity is complete, targeting 24 GW in FY28 and 30 GW by 2030. Data center orders are at record levels, underscoring structural demand for gas turbines and BTM solutions. This is a clear signal that the power sector is seeing sustained order strength, and that both gas engines and turbines are benefiting from the electrification trend and AI/data center power shortages.

- The company highlighted positive margin outlook, with FY26 FCF guidance raised to $11.5–12.5B, up from $6.5–7.5B previously. Management expects continued order strength and capacity expansion to

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drive multi-year growth. Pricing power and supply constraints are persistent, with management noting robust ASPs and margin resilience.

- The competitive landscape is intense, but GE Vernova's scale and diversification are seen as advantages. TAM is expanding, driven by electrification, AI/data center power shortages, and the shift toward distributed generation. Management is confident of maintaining pricing power and expects continued order strength as the market re-rates high-quality suppliers.

Table 1: AIDC power comparison table

	BBG	JPM rating	Last Price	JPM PT	Upside/	Mkt Cap	YTD	P/E (x)		EPS growth Y/Y		PEG		ROE (%)		P/B (x)	
	Ticker		LC	LC	Downside	US$Mn	Stock perf.	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Weichai Power-H	2338 HK	OW	31.24	52.00	66%	34,543	66%	15.0	13.2	22%	14%	0.7	0.9	15.9	16.6	2.3	2.1
Weichai Power-A	000338 CH	OW	27.10	49.00	81%	34,543	58%	15.1	13.2	22%	14%	0.7	1.0	15.9	16.6	2.3	2.1
Yingliu	603308 CH	OW	42.39	95.00	124%	4,251	2%	43.7	27.7	92%	58%	0.5	0.5	11.7	16.8	4.9	4.4
Techtronic	669 HK	OW	130.00	179.00	38%	30,295	45%	20.7	17.8	21%	16%	1.0	1.1	19.9	20.5	3.9	3.5
HD Hyundai Electric	267260 KS	OW	549000	1375000	150%	13,738	-30%	19.7	15.0	41%	31%	0.5	0.5	42.7	42.3	7.4	5.6
Hyosung Heavy Industr	298040 KS	OW	1926000	4100000	113%	12,444	8%	22.6	15.8	53%	43%	0.4	0.4	29.2	31.6	5.8	4.4
Gas/diesel engine manufacturers and OEMs																	
Caterpillar	CAT US	OW	840.85	1165.00	39%	387,289	47%	33.5	27.6	34%	21%	1.0	1.3	97.3	173.1	62.6	39.2
Cummins	CMI US	N	641.60	725.00	13%	88,534	26%	21.9	19.7	27%	11%	0.8	1.7	30.4	28.5	6.1	5.1
Generac	GNRC US	OW	195.60	267.00	37%	11,515	43%	22.1	20.6	40%	7%	0.6	2.8	18.8	17.8	3.9	3.4
Wartsila	WRT1V FH	N	29.45	30.60	4%	19,871	-2%	27.3	25.4	16%	7%	1.7	3.4	20.7	21.6	6.1	5.4
China Yuchai Internatio	CYD US	NC	46.43	NA	NA	1,742	31%	13.7	11.6	40%	18%	0.3	0.6	8.4	9.4	1.2	1.1
Weichai Heavy Machine	000880 CH	NC	20.92	NA	NA	1,433	-23%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Shanghai New Power A	600841 CH	NC	5.55	NA	NA	950	-9%	21.8	10.8	NA	NA	NA	NA	5.0	10.0	1.1	1.1
Tellhow Sci-Tech	600590 CH	NC	7.73	NA	NA	974	-18%	18.2	13.0	NA	40%	NA	0.3	10.0	12.9	1.9	1.6
Shanghai Cooltech	300153 CH	NC	19.43	NA	NA	918	-33%	41.3	25.2	-45%	64%	NA	0.4	15.0	21.8	6.2	5.5
Average								**25.0**	**19.2**	**19%**	**24%**	**0.9**	**1.5**	**25.7**	**36.9**	**11.1**	**7.8**
Turbine Components/OEM																	
Howmet	HWM US	OW	286.04	310.00	8%	114,447	40%	56.6	48.3	37%	17%	1.5	2.8	34.3	34.7	NA	NA
GE Vernova	GEV US	OW	943.38	1330.00	41%	251,254	44%	27.9	34.2	386%	-19%	0.1	-1.8	60.0	37.6	17.2	12.1
Siemens Energy	ENR GY	OW	137.90	235.00	70%	135,406	15%	28.0	21.2	204%	32%	0.1	0.7	34.4	33.9	8.3	6.3
Mitsubishi Heavy Indus	7011 JP	NC	3733.00	NA	NA	77,107	-3%	43.9	30.5	6%	44%	7.4	0.7	11.6	12.6	4.8	3.7
Baker Hughes	BKR US	OW	58.46	74.00	27%	58,032	28%	24.8	22.0	-5%	13%	-5.1	1.7	11.4	11.5	2.6	2.5
Doosan Enerbility	034020 KS	OW	57900.00	130000.00	125%	25,655	-24%	92.2	55.3	NA	67%	NA	0.8	5.0	7.9	4.5	4.2
Caterpillar	CAT US	OW	840.85	1165.00	39%	387,289	47%	33.5	27.6	34%	21%	1.0	1.3	97.3	173.1	62.6	39.2
Yantai Jereh	002353 CH	OW	136.97	162.00	18%	20,711	93%	40.4	27.4	14%	47%	2.9	0.6	14.1	14.5	5.2	4.4
Dongfang Electric	1072 HK	NC	21.20	NA	NA	12,487	-15%	13.2	10.7	21%	23%	0.6	0.5	10.5	11.7	1.3	1.2
Average								**38.0**	**28.6**	**94%**	**28%**	**1.0**	**0.6**	**30.5**	**37.8**	**13.3**	**9.2**
SOFC																	
Bloom Energy	BE US	OW	166.84	314.00	88%	49,139	92%	60.7	30.0	588%	103%	0.1	0.3	64.9	75.7	25.4	14.0
Ceres Power	CWR LN	NC	316.80	NA	NA	901	49%	NA	NA	NA	NA	NA	NA	-3.8	0.5	5.7	5.2
Average								**60.7**	**30.0**	**588%**	**103%**	**0.1**	**0.3**	**30.5**	**38.1**	**15.6**	**9.6**

Source: Bloomberg Finance L.P. Data as of intra-day 29 Jul 2026. J.P. Morgan estimates. Consensus estimates for not covered (NC) companies, J.P. Morgan estimates for all others. Note: For Japanese companies, next FY figures taken because FY ends in March. Past results are not an indicator of future performance.



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Table 2: Machinery sector comparison table

	BBG	JPM rating	Last Price	JPM PT	Upside/	Mkt Cap	YTD	P/E (x)		EV/EBITDA		Dividend yield		ROE (%)		P/B (x)	
	Ticker		LC	LC	Downside	US$Mn	Stock perf.	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Weichai Power-H	2338 HK	OW	31.30	52.00	66%	34,555	66%	15.0	13.2	8.1	7.0	3.8	4.4	15.9	16.6	2.3	2.1
Weichai Power-A	000338 CH	OW	26.19	49.00	87%	33,564	52%	14.6	12.8	8.1	7.0	4.0	4.5	15.9	16.6	2.2	2.1
Sinotruk	3808 HK	OW	41.16	47.00	14%	14,489	49%	11.6	10.2	7.7	7.0	4.1	5.6	17.9	18.5	2.0	1.6
CRRC-H	1766 HK	OW	5.22	7.00	34%	25,002	-13%	8.8	7.9	8.1	7.4	5.1	5.8	8.3	8.8	0.7	0.7
CRRC-A	601766 CH	OW	6.15	9.10	48%	25,002	-10%	12.1	10.8	8.1	7.4	3.7	4.2	8.3	8.8	1.0	0.9
ZZ CRRC-H	3898 HK	OW	32.92	47.00	43%	7,914	-12%	8.4	7.5	8.3	7.5	4.4	4.9	10.4	10.9	0.8	0.8
ZZ CRRC-A	688187 CH	OW	46.57	67.00	44%	7,914	-9%	13.7	12.3	8.3	7.5	2.7	3.0	10.4	10.9	1.4	1.3
SANY Heavy-A	600031 CH	OW	20.26	29.00	43%	27,301	-4%	19.1	13.2	9.4	7.8	2.6	3.8	10.7	14.3	2.0	1.8
SANY Heavy-H	6031 HK	OW	21.20	31.00	46%	27,301	-6%	17.3	12.0	9.4	7.8	2.9	4.2	10.7	14.3	1.8	1.6
SANY Heavy Equipment	631 HK	NC	7.34	NA	NA	3,079	-15%	9.5	7.2	6.7	5.1	5.7	7.2	16.0	19.5	1.4	1.3
XCMG	000425 CH	OW	8.90	13.00	46%	15,391	-23%	11.4	9.2	10.3	8.3	3.1	3.9	14.4	16.1	1.6	1.4
Zhejiang Dingli	603338 CH	N	60.40	52.00	-14%	4,516	7%	13.8	12.2	10.6	9.4	2.2	2.5	18.4	18.6	2.4	2.1
Zoomlion-H	1157 HK	NC	7.51	NA	NA	9,471	-3%	9.9	8.2	11.7	10.0	6.2	7.2	9.4	10.8	0.9	0.9
Zoomlion-A	000157 CH	NC	7.62	NA	NA	9,471	-12%	11.3	9.4	11.7	10.0	5.3	6.2	9.2	10.9	1.1	1.0
Hangcha Group	603298 CH	NC	27.28	NA	NA	5,276	3%	14.5	12.8	9.9	10.0	1.9	2.2	18.7	18.2	2.6	2.3
Anhui Heli	600761 CH	NC	17.82	NA	NA	2,344	-15%	11.4	10.2	7.0	6.7	2.6	2.9	11.6	11.8	1.3	1.2
Jiangsu Hengli	601100 CH	OW	103.80	121.00	17%	20,562	-6%	41.4	33.4	29.0	24.1	1.0	1.3	18.3	20.0	7.1	6.3
CIMC-ENRIC	3899 HK	OW	7.72	13.00	68%	2,078	-18%	10.1	7.3	6.7	5.3	4.8	6.6	10.7	13.6	1.1	1.1
Komatsu	6301 JP	NC	6767.00	NA	NA	38,482	35%	16.3	14.9	10.0	9.4	2.8	3.1	10.3	NA	1.7	1.6
HCM	6305 JP	NC	5374.00	NA	NA	7,066	16%	13.6	11.5	7.3	6.5	3.5	3.9	9.1	NA	1.2	1.1
HD Hyundai Heavy	329180 KS	OW	423500.00	870000.00	105%	30,630	-17%	13.2	12.1	7.7	7.1	2.0	2.0	26.3	NA	3.1	2.6
UN TRACTOR	UNTR IJ	OW	24900.00	42000.00	69%	5,135	-16%	6.9	4.6	3.3	2.5	6.8	5.8	12.5	17.0	0.8	0.7
Caterpillar	CAT US	OW	840.85	1165.00	39%	387,289	47%	33.5	27.6	22.8	19.1	0.8	0.8	97.3	173.1	62.6	39.2
Cummins	CMI US	N	641.60	725.00	13%	88,534	26%	21.9	19.7	13.8	12.6	1.3	1.3	30.4	28.5	6.1	5.1
Terex	TEX US	N	68.65	80.00	17%	7,840	29%	13.7	11.8	10.4	9.0	1.1	1.2	15.3	12.2	1.5	1.3
Oshkosh	OSK US	N	152.50	150.00	-2%	9,415	21%	14.3	11.6	9.0	8.0	1.5	1.6	14.1	15.8	1.9	1.8
URI	URI US	OW	1091.26	1235.00	13%	67,923	35%	22.5	20.1	10.4	9.6	NA	NA	30.0	30.8	7.0	6.2
Average								14.9	12.5	10.1	8.8	3.3	3.9	17.3	22.0	4.3	3.2

Source: Bloomberg Finance L.P. Data as of intra-day 29 July 2026. J.P. Morgan estimates. Consensus estimates for not covered (NC) companies, J.P. Morgan estimates for all others. Note: For Japanese companies, next FY figures taken because FY ends in March. Past results are not an indicator of future performance. Sinotruk is covered by Nick Lai; CIMC ENRIC is covered by Beatrice Lam; UN TRACTOR is covered by Arnanto Januri; Caterpillar, Cummins and Oshkosh are covered by Tami Zakaria.

Weichai Power - A *(Overweight; Price Target: Rmb49.00)*

Investment Thesis

Weichai is a leading HDT engine provider**,** with a ~40% domestic market share. Investors have started to recognize the company's transition from a cyclical, legacy engine story to a multi-year growth platform anchored by AIDC and new energy solutions. The re-rating is still at an early stage, with the market's attention so far focused on the strong momentum in AIDC backup engines, but not yet fully reflecting the scale of the aftermarket opportunity, which could potentially grow to 5x the size of new product sales over the coming years and is not yet modeled in consensus. More importantly, Weichai is moving into the AIDC primary power segment for overseas markets, leveraging its SOFC and gas engine technology to address the next phase of global data center investment. We maintain our bullish view on Weichai.

Valuation

Our Jun-27 PT of Rmb49 is based on our DCF valuation. Key assumptions include:

- A WACC of 8.1%, driven by a cost of equity of 8.6% and a beta of 0.9x (latest Bloomberg data).
- Cost of debt at 5% and a tax rate of 25%.
- Target debt-to-capital of 10% and terminal growth of 3%.
- A 5% A/H discount to value the A-shares.

Risks to Rating and Price Target

Key downside risks include: (1) a slower-than-expected recovery in heavy-duty truck sales; (2) weaker-than-expected market-share gains; and (3) weaker-than-expected performance at Kion.

Weichai Power - H *(Overweight; Price Target: HK$52.00)*

Investment Thesis

Weichai is a leading HDT engine provider**,** with a ~40% domestic market share. Investors have started to recognize the company's transition from a cyclical, legacy engine story to a multi-year growth platform anchored by AIDC and new energy solutions. The re-rating is still at an early stage, with the market's attention so far focused on the strong momentum in AIDC backup engines, but not yet fully reflecting the scale of the aftermarket opportunity, which could potentially grow to 5x the size of new product sales over the coming years and is not yet modeled in consensus. More importantly, Weichai is moving into the AIDC primary power segment for overseas markets, leveraging its SOFC and gas engine technology to address the next phase of global data center investment. We maintain our bullish view on Weichai.

Valuation

Our Jun-27 PT of HK$52 is based on our DCF valuation. Key assumptions include:

- A WACC of 8.1%, driven by a cost of equity of 8.6% and a beta of 0.9x (latest Bloomberg data).
- Cost of debt at 5% and a tax rate of 25%.
- Target debt-to-capital of 10% and terminal growth of 3%.

Risks to Rating and Price Target

Key downside risks include: (1) a slower-than-expected recovery in heavy-duty truck sales; (2) weaker-than-expected market-share gains; and (3) weaker-than-expected performance at Kion.