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Yingliu Electromechanical - A

Thoughts on SpaceX's turbine blade plan and its impact

Overweight

603308.SS, 603308 CH
Price (01 Sep 26):Rmb45.20
Price Target (Dec-27):Rmb85.00

- **What happened?** Elon Musk said SpaceX may bring gas turbine blade and vane casting in-house to ease a key supply bottleneck and shorten current turbine delivery times by up to 18 months (see news). This strategic initiative aims to circumvent global supply bottlenecks that have left traditional turbine manufacturers backlogged through 2030.
- **How does Yingliu view the development?** Yingliu's management expects industry bottlenecks to persist for the next 3-5 years. High-temperature alloy casting is capital-intensive, technically demanding and slow to commercialize. Production-line construction takes >1 year, while product development and qualification could push the full process >3 years. Management expects SpaceX to prioritize its own turbine and aftermarket needs, rather than supply external competitors, implying no material impact on Yingliu's overseas orders or the current global supply chain. The economics may also be less attractive than perceived, as overseas peers including PCC and Doncasters have relatively lower profit margins despite strong technical capabilities. Management therefore sees SpaceX's main objective as securing its internal supply chain, not building a highly lucrative third-party blade business.
- **Our view:** We see limited direct risk to Yingliu. Its US exposure is limited, with only indirect exposure through Doosan Enerbility, reducing its competitive overlap with SpaceX's US supplies. In addition, Yingliu's pricing is ~50% below US current peers, while its capacity ramp-up further supports its competitiveness. Our European analyst Phil Buller notes that casting and forgings are established bottlenecks that remain difficult to resolve quickly (see report). SpaceX has relevant engineering capabilities, including foundry, casting and forging experience from its Raptor engines, as well as ample financial resources. However, building capacity, qualifying hot-section components and reaching stable mass production all take time. The initiative appears to be aimed at solving SpaceX's own supply bottlenecks, not entering the broader component market. As Phil noted, this points to a sequentially stronger demand outlook for new gas turbines, rather than supporting concerns that industry orders are already near peak.

Infrastructure, Industrials & Transport

Jenny Qiu, CFA AC
(852) 2800 8503
jenny.qiu@jpmorgan.com

Karen Li, CFA
(852) 2800-8589
karen.yy.li@jpmorgan.com

Sunny Su
(852) 2800 8551
sunny.su@jpmorgan.com

Mufan Shi
(852) 2800-8502
mufan.shi@jpmorgan.com

Neil Zhang
(852) 2800-8598
neil.zhang@jpmorgan.com

J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

See page 4 for analyst certification and important disclosures, including non-US analyst disclosures.

Jenny Qiu, CFA AC
(852) 2800 8503
jenny.qiu@jpmorgan.com

Table 1: Global gas turbine components and OEM peer comparison

	BBG Ticker	JPM Rating	Last Price LC	JPM PT LC	Upside/ Downside	Mkt Cap US$Mn	YTD Stock perf.	P/E (x) FY26E	P/E (x) FY27E	P/E (x) FY28E	EPS growth Y/Y FY26E	EPS growth Y/Y FY27E	EPS growth Y/Y FY28E	PEG FY26E	PEG FY27E
Components															
Yingliu	603308 CH	OW	45	85	88%	4,898	8%	51	32	21	67%	59%	57%	0.9	0.6
Howmet	HWM US	OW	245	350	43%	97,686	19%	45	38	32	46%	20%	19%	2.2	2.0
Doncasters	DPC US	NC	42	NA	NA	6,269	NA	70	45	37	NA	54%	24%	1.3	1.9
Wedge	000534 CH	NC	23	NA	NA	1,752	5%	37	26	18	31%	44%	42%	0.8	0.6
Himile	002595 CH	NC	43	NA	NA	7,470	-26%	18	15	13	14%	15%	18%	1.1	0.8
Average								**44**	**31**	**24**	**39%**	**39%**	**32%**	**1.3**	**1.2**
OEMs															
GE Vernova	GEV US	OW	899	1,330	48%	239,309	37%	38	37	26	221%	3%	42%	14.7	0.9
Siemens En	ENR GY	OW	142	245	72%	142,078	18%	29	20	16	204%	45%	24%	0.6	0.8
MHI	7011 JP	NC	3,856	NA	NA	81,315	0%	45	30	26	6%	51%	17%	0.9	1.7
Baker Hughes	BKR US	OW	64	74	16%	63,084	40%	25	21	17	4%	16%	22%	1.5	1.0
Doosan Enerbility	034020 KS	OW	81,800	130,000	59%	38,176	8%	130	78	53	N.A	67%	47%	2.0	1.6
Caterpillar	CAT US	OW	797	1,100	38%	366,577	39%	28	24	20	51%	18%	20%	1.6	1.2
Jereh	002353 CH	OW	128	162	27%	19,418	80%	38	26	24	14%	47%	7%	0.8	3.6
Dongfang Elec	1072 HK	NC	20	NA	NA	12,533	-18%	13	11	9	20%	15%	20%	0.8	0.5
Shanghai Elec	2727 HK	NC	3	NA	NA	13,595	-24%	28	21	15	82%	30%	38%	0.9	0.6
Average								**41**	**30**	**23**	**75%**	**32%**	**26%**	**2.6**	**1.3**

Source: Bloomberg Finance L.P., J.P. Morgan estimates. Estimates for Not Covered (NC) companies are based on Bloomberg consensus data. Japanese names have financial years ending March. DPC was listed only in June 2026. Priced at close of September 1, 2026, HK time.

Related reports

- Yingliu: 1H26 Briefing Takeaways: Demand intact, guidance maintained; Model update (August 31, 2026).
- Yingliu: 2Q26 review: Cost pressure weighs; demand and backlog momentum intact (August 30, 2026).
- Yingliu: Read-across from Siemens Energy 3Q'26 results (August 5, 2026).
- Yingliu: Read-across from GE Vernova's 2Q26 results (July 23, 2026).
- Yingliu: Factory visit takeaways (July 13, 2026).
- Yingliu: JPM Fireside Chat Takeaways (June 4, 2026)
- Yingliu: Rare China play on the global gas turbine and aero-engine bottleneck; initiate with OW (June 1, 2026).

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Jenny Qiu, CFA AC
(852) 2800 8503
jenny.qiu@jpmorgan.com

Investment Thesis, Valuation and Risks

Yingliu Electromechanical - A *(Overweight; Price Target: Rmb85.00)*

Investment Thesis

Yingliu is China's largest high-temperature alloy and precision casting supplier positioned across gas turbine and aero-engine hot-end components, with access to global OEMs including Baker Hughes, Siemens Energy, Ansaldo, Doosan, GE Aerospace, Safran and Rolls-Royce. Its core appeal is scarcity: Yingliu's FY25A gas turbine revenue was only Rmb1B, implying about 2% global blade market share, but we expect this to rise to 10% by 2030 as OEMs diversify suppliers. Gas turbines are the near-term growth engine, supported by AIDC power demand and industry undersupply, with global gas turbine demand expected to exceed 100GW annually from 2026 to 2035, while 2026 manufacturing capacity is only 64GW. Aero engines provide a second growth leg, as Yingliu is the only China-based hot-end supplier to GE Aerospace, Safran and Rolls-Royce, with long-term contracts extending to 2030–2032.

Valuation

We derive our Rmb85 Dec-27 PT by applying 40x P/E to Yingliu's FY28E EPS, using Howmet's FY27E P/E of around 40x as the key benchmark and noting our US analyst's 45x FY28E target multiple for Howmet.

Risks to Rating and Price Target

Downside risks include: 1) slower-than-expected gas turbine demand growth if alternative power solutions such as gas engines gain share; 2) delayed customer ramp-up at key OEMs, including Baker Hughes, Siemens Energy and Ansaldo; 3) lower-than-expected GPM improvement due to weaker production yield, pricing or product mix; and 4) geopolitical or export-control risks affecting Russian client exposure or access to imported US/EU equipment needed for capacity expansion.