Weichai Power (000338.SZ)

Earnings Review: Raised guidance implies 2027 power gen earnings to triple; reiterate Buy

000338.SZ	12m Price Target: **Rmb48.00**	Price: **Rmb27.64**	Upside: **73.7%**
2338.HK	12m Price Target: **HK$55.00**	Price: **HK$32.76**	Upside: **67.9%**

BUY

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Weichai hosted an analyst briefing call on Aug 28, following its better-than-expected 2Q26 results (see our first take note). The discussions were primarily centered around the AIDC power generation business, where management upgraded guidance that points to a potential tripling in its power generation earnings (exceeding Rmb10bn based on GSe), and a faster-than-expected path for this vertical to contribute half of Weichai's total earnings. Our raised 2027E-28E EPS estimates now stand 6-22% ahead of the Street (Visible Alpha Consensus Data). Trading at a 10x 2027E P/E and with a 6.6% dividend yield with sizable exposure to the fast-growing AIDC power infrastructure theme, the stock in our view looks significantly undervalued. We reiterate our Buy rating on both A-shares and H-shares, with our unchanged 12m TPs implying 74%/68% (A/H) upside.

The upgraded set of guidance now looks for: **1) diesel large engine (back-up power) shipment** to exceed 4,000 units in 2026E (vs. 3,500 units guided previously and 1,400 units delivered in 2025) and further increase to 6,000 units (vs. high-end of the market expectation of 5,000-6,000 units); and **2) gas genset (BTM primary power) shipment** to be 200-300 units (vs. 200 units guided previously) in 2026 and grow nearly ten-fold to exceed 2,000 units in 2027, with all volume already covered by orders and customer deposits already shown up in contract liabilities (+Rmb3bn qoq).

While the guidance for SOFC (mainly capacity) was maintained during the call, management continued to highlight very strong customer interests and believes the key bottleneck is how quickly the company can scale up and smoothly ramp-up its 200MW fully-automated production lines in 2027 (vs. 30MW built for 2026E). This has held Weichai back for signing official large-scale orders with potential customers (given penalties will be applied if there's delay based on the contractual terms). Small batch deliveries

Key Data

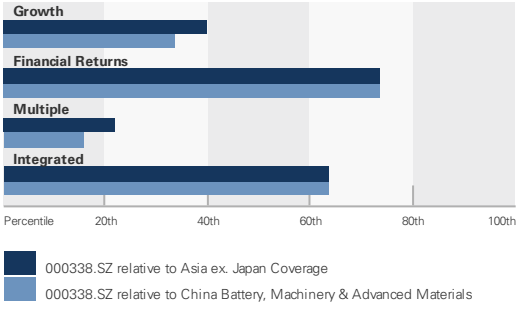
Market cap: Rmb241.2bn / $35.9bn
Enterprise value: Rmb248.0bn / $36.9bn
3m ADTV: Rmb3.1bn / $465.4mn
China
China Battery, Machinery & Advanced Materials
M&A Rank: 3
Leases incl. in net debt & EV?: Yes

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn) New	**231,809.3**	**263,177.5**	**292,073.7**	**315,331.5**
Revenue (Rmb mn) Old	231,809.3	262,600.1	286,569.9	313,644.6
EBITDA (Rmb mn)	27,451.6	35,303.2	46,799.4	52,005.1
EPS (Rmb) New	**1.25**	**1.77**	**2.62**	**2.94**
EPS (Rmb) Old	1.25	1.74	2.33	2.91
P/E (X)	12.4	15.6	10.5	9.4
P/B (X)	1.4	2.4	2.2	2.1
Dividend yield (%)	4.7	4.0	6.5	7.2
CROCI (%)	14.9	15.3	17.9	18.8

	3/26	6/26	9/26E	12/26E
EPS (Rmb)	0.36	0.53	0.38	0.50

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates.
See disclosures for details.

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BUY

Weichai Power (000338.SZ)

Rating since Dec 16, 2024

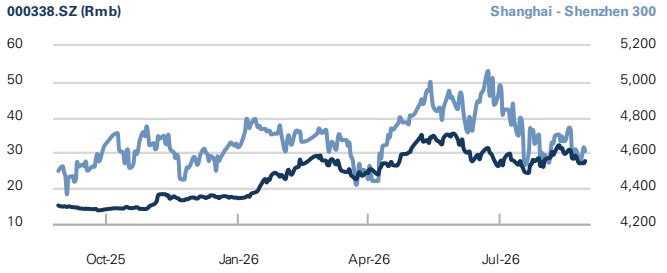
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	12.4	15.6	10.5	9.4
P/B (X)	1.4	2.4	2.2	2.1
FCF yield (%)	12.7	10.0	5.6	16.8
EV/EBITDAR (X)	5.3	7.0	5.6	4.9
EV/EBITDA (excl. leases) (X)	5.3	7.0	5.6	4.9
CROCI (%)	14.9	15.3	17.9	18.8
ROE (%)	12.2	16.0	22.0	22.9
Net debt/equity (%)	(21.2)	(24.8)	(13.6)	(20.8)
Net debt/equity (excl. leases) (%)	(21.2)	(24.8)	(13.6)	(20.8)
Interest cover (X)	3.8	7.1	12.3	15.7
Days inventory outst, sales	55.8	54.9	53.6	53.4
Receivable days	51.4	45.0	45.0	45.0
Days payable outstanding	126.4	125.0	120.0	115.0
DuPont ROE (%)	8.3	10.9	14.8	15.2
Turnover (X)	0.6	0.7	0.8	0.7
Leverage (X)	2.8	2.7	2.5	2.5
Gross cash invested (ex cash) (Rmb)	215,777.5	223,361.9	250,754.0	250,312.2
Average capital employed (Rmb)	92,404.6	92,690.3	94,112.9	89,937.7
BVPS (Rmb)	10.69	11.41	12.32	13.33

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	7.5	13.5	11.0	8.0
EBITDA growth	(1.2)	28.6	32.6	11.1
EPS growth	(4.0)	41.4	47.9	12.1
DPS growth	1.3	53.6	59.6	12.1
EBIT margin	6.0	7.6	10.2	10.6
EBITDA margin	11.8	13.4	16.0	16.5
Net income margin	4.7	5.8	7.7	8.0

Price Performance



	3m	6m	12m
Absolute	(21.7)%	(0.8)%	82.1%
Rel. to the Shanghai - Shenzhen 300	(16.5)%	1.4%	76.3%

Source: FactSet. Price as of 28 Aug 2026 close.

Income Statement (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Total revenue	231,809.3	263,177.5	292,073.7	315,331.5
Cost of goods sold	(182,027.3)	(206,461.4)	(223,657.5)	(240,394.0)
SG&A	(25,622.3)	(25,047.0)	(26,148.9)	(28,291.6)
R&D	(8,284.5)	(9,139.6)	(9,733.4)	(10,323.5)
Other operating inc./(exp.)	(2,021.7)	(2,615.2)	(2,769.2)	(2,830.0)
EBITDA	**27,451.6**	**35,303.2**	**46,799.4**	**52,005.1**
Depreciation & amortization	(13,598.1)	(15,388.9)	(17,034.8)	(18,512.6)
EBIT	**13,853.5**	**19,914.3**	**29,764.6**	**33,492.5**
Net interest inc./(exp.)	(67.7)	474.1	955.6	1,052.5
Income/(loss) from associates	(50.6)	120.0	0.0	0.0
Pre-tax profit	**16,213.9**	**23,394.5**	**32,907.4**	**36,813.7**
Provision for taxes	(2,533.6)	(4,211.0)	(5,758.8)	(6,442.4)
Minority interest	(2,749.8)	(3,819.4)	(4,557.1)	(5,191.7)
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**10,930.5**	**15,364.1**	**22,591.5**	**25,179.5**
Post-tax exceptionals	(1,268.8)	(1,253.2)	(1,392.8)	(1,439.5)
Net inc. (post-exceptionals)	**9,661.7**	**14,111.0**	**21,198.7**	**23,740.1**
EPS (basic, pre-except) (Rmb)	**1.25**	**1.77**	**2.62**	**2.94**
EPS (diluted, pre-except) (Rmb)	**1.25**	**1.77**	**2.62**	**2.94**
EPS (basic, post-except) (Rmb)	**1.11**	**1.63**	**2.46**	**2.77**
EPS (diluted, post-except) (Rmb)	**1.11**	**1.63**	**2.46**	**2.77**
DPS (Rmb)	0.73	1.12	1.78	2.00
Div. payout ratio (%)	58.0	63.0	68.0	68.0

Balance Sheet (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	68,712.7	74,943.3	74,962.3	106,408.9
Accounts receivable	34,355.1	30,538.0	41,480.2	36,272.8
Inventory	35,235.7	43,955.0	41,831.4	50,374.5
Other current assets	48,220.5	52,420.5	52,899.6	56,186.7
Total current assets	**186,523.9**	**201,856.9**	**211,173.6**	**249,242.8**
Net PP&E	58,338.4	57,198.2	54,471.8	50,342.3
Net intangibles	47,332.1	46,244.7	45,067.3	43,799.9
Total investments	13,711.2	15,431.2	15,681.2	15,931.2
Other long-term assets	61,570.0	61,508.6	61,477.6	61,462.0
Total assets	**367,475.6**	**382,239.7**	**387,871.5**	**420,778.2**
Accounts payable	68,036.6	73,375.3	73,687.2	77,793.9
Short-term debt	15,914.6	6,276.2	5,638.1	5,319.1
Short-term lease liabilities	–	–	–	–
Other current liabilities	77,583.0	88,420.9	83,233.6	99,425.7
Total current liabilities	**161,534.3**	**168,072.4**	**162,558.9**	**182,538.7**
Long-term debt	18,248.0	16,971.8	16,333.7	16,014.6
Long-term lease liabilities	–	–	–	–
Other long-term liabilities	56,631.4	56,631.4	56,631.4	56,631.4
Total long-term liabilities	**74,879.4**	**73,603.2**	**72,965.1**	**72,646.0**
Total liabilities	**236,413.6**	**241,675.5**	**235,523.9**	**255,184.7**
Preferred shares	–	–	–	–
Total common equity	93,190.2	98,873.0	106,099.3	114,153.5
Minority interest	**37,871.8**	**41,691.2**	**46,248.3**	**51,440.0**
Total liabilities & equity	**367,475.6**	**382,239.7**	**387,871.5**	**420,778.2**
Net debt, adjusted	(27,808.4)	(34,882.6)	(20,709.5)	(34,385.7)

Cash Flow (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Net income	10,930.5	15,364.1	22,591.5	25,179.5
D&A add-back	13,598.1	15,388.9	17,034.8	18,512.6
Minority interest add-back	(2,749.8)	(3,819.4)	(4,557.1)	(5,191.7)
Net (inc)/dec working capital	(1,768.5)	7,074.2	(14,173.1)	13,676.1
Other operating cash flow	8,671.1	7,079.7	8,193.7	9,365.9
Cash flow from operations	**28,681.5**	**41,087.6**	**29,089.7**	**61,542.5**
Capital expenditures	(6,796.7)	(13,100.0)	(13,100.0)	(13,100.0)
Acquisitions	(278.4)	–	–	–
Divestitures	35.0	–	–	–
Others	(9,588.1)	1,663.9	3,122.5	2,935.9
Cash flow from investing	**(16,628.3)**	**(11,436.1)**	**(9,977.5)**	**(10,164.1)**
Repayment of lease liabilities	–	–	–	–
Dividends paid (common & pref)	(8,324.2)	(9,681.4)	(15,365.1)	(17,125.3)
Inc/(dec) in debt	(7,811.8)	(10,914.6)	(1,276.2)	(638.1)
Other financing cash flows	728.5	(2,824.8)	(2,451.9)	(2,168.4)
Cash flow from financing	**(15,407.5)**	**(23,420.8)**	**(19,093.2)**	**(19,931.8)**
Total cash flow	**(3,354.3)**	**6,230.7**	**19.0**	**31,446.6**
Free cash flow	21,884.8	27,987.6	15,989.7	48,442.5

Source: Company data, Goldman Sachs Research estimates.

of demo projects are expected in 1Q27.

Key takeaways from the post-2Q26 analyst call

AIDC power generation business

- Management shared that AIDC-driven power shortages could reach 100–160GW over 2026–2030. Management remains positive on demand for gas and diesel gensets as prime/backup power solutions through 2030, given the long lead time for nuclear n.
- In addition, management shared contract liabilities rose by c.Rmb3bn in 2Q, mainly due to customer prepayments for power generation products.

Diesel large-bore engines (back-up power)

- Management shared that 1H26 shipments reached 1.4k units, more than doubled yoy. **2026E shipment guidance was raised to 4k+ units,** from the 3.5k+ units guided previously.
- **For 2027, management guided for 6k shipments.**

Reciprocating gas engines (BTM primary power)

- Management expects first **batch of shipments to kick off in Sep–Oct 2026. Management raised 2026 shipment guidance to 200–300 units**, from 100-200 units previously, and **expects shipments to exceed 2k units in 2027**, covered by secured framework orders.
- Management shared that AIDC remains the key application, accounting for 90%–95% of these shipments, with customers typically requesting capacity reservations through supply-guarantee framework agreements.
- **On product milestones**, management shared that the 2.5MW product has been released for sales; the 3.0MW product is expected to be released by end-2026; and the 5.0MW+ product is under development, with prototype delivery expected by end-2026 and release targeted in 2027.
- In terms of pricing, management shared **pricing is benchmarked against peers at c.US$0.6mn–0.7mn/MW**.

SOFC

- **Management shared that Weichai targets 30MW of SOFC capacity by end-2026**, alongside demo deliveries, and **plans to complete commissioning of a 200MW production line by end-2027.**
- On shipments, management **expects small-batch deliveries by en** 15MW of orders already signed and potential incremental orders su commissioning progress of the new production lines. Management Weichai's SOFC progress is currently more constrained by capacity t



- On **ASP/COGS**, management indicated that competitor pricing is c.US$2.7k/kW after subsidies, versus c.US$4.0k/kW before subsidies. While Weichai may still face cost-reduction challenges at the 200MW capacity stage, management believes at 1GW+ production scale, benchmarking to competitors' subsidized pricing looks achievable.

After-market opportunities

- Management noted that overseas peers derive 50%+ of profits from after-market services, and mentioned Weichai is shifting toward a full-ecosystem solution model, with after-market profit contribution varying from 10%–60% depending on the scope of service agreement.

Earnings revisions and valuation

Earnings revision

Post results, we raise our 2026E-28E EPS estimates by 1-13%, with larger revisions for 2027E given the upgraded guidance for the power generation business. We only slightly raised our estimates beyond 2027E (0-1%), awaiting further capacity plan as the data center power supply-demand dynamics continues to evolve. Our revised 2026E-27E EPS estimates are 6-22% above Visible Alpha consensus estimates.

Exhibit 1: Summary of key changes to earnings estimates and target prices

	Target Price	Revenue			Net profit			EPS		
	(RMB/HKD per share)	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Weichai Power (000338.SZ/2338.HK)		mn Rmb			mn Rmb			Rmb		
Gse (New)	**RMB 48.00/HKD 55.00**	**263,178**	**292,074**	**315,332**	**15,364**	**22,591**	**25,180**	**1.77**	**2.62**	**2.94**
Gse (Old)	RMB 48.00/HKD 55.00	262,600	286,570	313,645	15,109	20,069	24,951	1.74	2.33	2.91
% diff	*0%/0%*	*0%*	*2%*	*1%*	*2%*	*13%*	*1%*	*2%*	*13%*	*1%*
Visible Alpha Consensus		258,133	286,432	312,662	14,561	18,650	22,718	1.67	2.15	2.62
% diff		*2%*	*2%*	*1%*	*6%*	*21%*	*11%*	*6%*	*22%*	*12%*

Target price is based on a 12-month period.

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

Our revised earnings estimates now suggest the AIDC power generation business will exceed Rmb11bn, contributing 50% of Weichai's total net profit in 2027E.

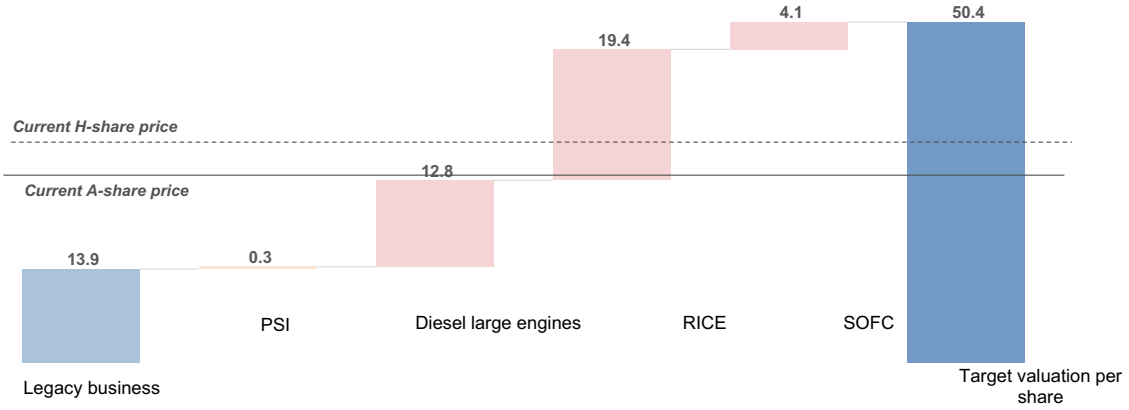
Exhibit 2: Weichai's earnings breakdown by key segment (2025A-2030E)

Traditional business	8.7	10.0	9.2	9.7	10.8	11.6
Engines	7.2	8.1	7.1	7.2	8.0	8.4
Heavy-duty trucks						

Valuation

We maintain our 12-m TPsor Weichai-A/H given minimal revisions to EPS estimates beyond 2027E, the base years upon which our AIDC power generation business is valued.

Exhibit 3: Our SoTP valuation suggests the H-shares have started to price in potential RICE upside but has yet to reflect the fuel cell (SOFC) potential while the A-shares have yet to price in either



1) RICE = Reciprocating Engines; SOFC = Solid Oxide Fuel Cells; 2) H-share price is converted to Rmb. Priced as of Aug 28, 2026.

Source: Company data, Goldman Sachs Global Investment Research, Refinitiv Eikon

Exhibit 4: Our SoTP valuation yields a valuation of HK$55.0/share for H-share and Rmb48.0/share for A-share
Summary of our SoTP valuation

Rmb/HK$ assumption	1.09						
Sum of Parts	% owned	Valuation (Rmb bn)	To Weichai (Rmb bn)	Rmb/shr	HK$/shr	% of SoTP valuation	Comments
Traditional business	**51%~100%**	**119**	**101**	**11.6**	**12.6**	**23%**	**@10x 2026E/27E**
Intelligent logistics - KION	**46.5%**	**42**	**20**	**2.3**	**2.5**	**4%**	**Current market cap**
AIDC power generation		**320**	**317**	**36.6**	**39.8**	**73%**	
Diesel large engine	100.0%	111	111	12.8	13.9	25%	@20x 2028E P/E discounted back to mid-2027E (CoE: 9%)
Gas gensets (RICE)	100.0%	168	168	19.4	21.1	38%	@25x 2030E P/E discounted back to mid-2027E (CoE: 9%)
Fuel cells (SOFC)	100.0%	35	35	4.1	4.4	8%	@25x 2030E P/E discounted back to mid-2027E (CoE: 9%)
PSIX	46.0%	7	3	0.3	0.4	1%	Current market cap
NAV		**481**	**437**	**50.4**	**HKD 55.0**	**100%**	

Our 12m target price of Rmb48.0 for the A-share is set at a 5% discount to the H-share equity value, referencing the trading patterns over the last 6 months.

Source: Company data, Goldman Sachs Global Investment Research

Investment Thesis, Price Target Risks and Methodology

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 2025 NP, is poised to grow ~10x by 2028E and we see its earnings contribution more than quadrupling to 50%+ of the total, driving 80%+ of its incremental EPS growth through 2028E. Such a shift in investment narrative, in our view, warrants a rerating. We are Buy rated on both the H-share and A-share.

Price Target Risks and Methodology - Weichai Power

Valuation: We adopt a SoTP-based valuation methodology as we believe SoTP better captures the different stages of growth the company's various power generation products are in. Our primary valuation is anchored to the H-share.

- We value **Weichai's legacy business** using lower-than-mid-cycle P/E (at 10x) on average 2026E-27E EPS and KION's attributable market cap value to Weichai.
- For Weichai's AIDC power generation business portfolio: **1) Diesel large engines (back-up power):** We apply a 20x 2028E P/E, discounted back to mid-2027E using a CoE of 9%; **2) RICE (prime power):** We apply a 25x 2030E P/E, discounted back to mid-2027E using a CoE of 9%. **3) SOFC (prime power):** We apply a 25x 2030E P/E, discounted back to mid-2027E using a CoE of 9%.

With this, we derive our H-share 12-m target price at HK$55.0/share. For the A-share, we assume a 5% discount to the H-share equity value referencing to the trading patterns over the 6 month, leading to a 12-m target price of Rmb48.00/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.

Disclosure Appendix

Reg AC

I, Nick Zheng, CFA, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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GS Factor Profile

The Goldman Sachs Factor Profile provides investment context for a stock by comparing key attributes to the market (i.e. our universe of rated stocks) and its sector peers. The four key attributes depicted are: Growth, Financial Returns, Multiple (e.g. valuation) and Integrated (a composite of Growth, Financial Returns and Multiple). Growth, Financial Returns and Multiple are calculated by using normalized ranks for specific metrics for each stock. The normalized ranks for the metrics are then averaged and converted into percentiles for the relevant attribute. The precise calculation of each metric may vary depending on the fiscal year, industry and region, but the standard approach is as follows:

Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

M&A Rank

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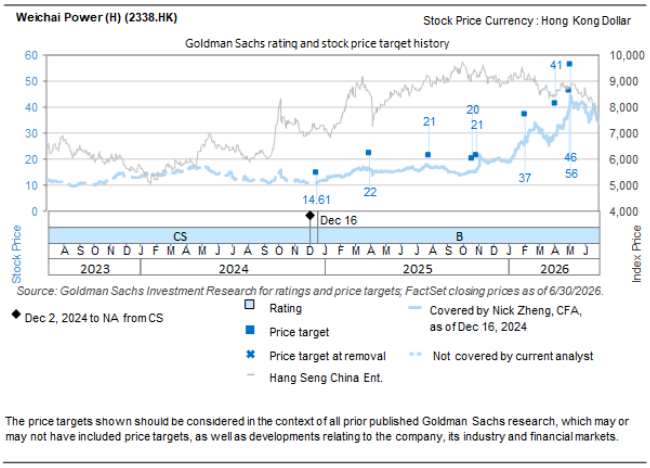
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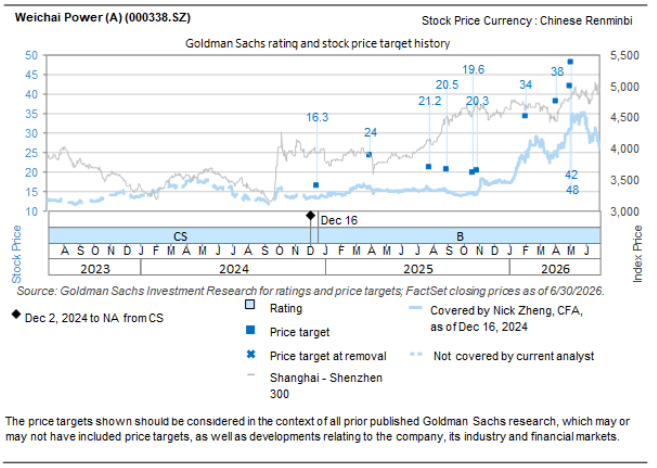
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Target price history table(s)

Weichai Power (A) (000338.SZ)

Date of report	Target price (Rmb)	Closing price (Rmb)
06-May-26	48.00	34.32
04-May-26	42.00	31.20
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$)	Closing price (HK$)
17-Aug-26	55.00	35.70
06-May-26	56.00	44.66
04-May-26	46.00	43.32
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

Price targets shown in table(s) are unadjusted for corporate actions.

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