# Weichai Power (000338.SZ): Generac's generator supply agreement with Amazon strengthens long-term visibility; reiterate Buy

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Generac (GNRC, not covered) – a global leader in backup power systems and a key US partner of Weichai Power (via Baudouin-branded large diesel engines) announced a long-term back-up generator supply agreement with Amazon after market close on September 16 (US local time). Generac's share price jumped 33% in after-hours trading post the announcement. We see positive implications for Weichai Power and reiterate our Buy rating on both the A-shares and H-shares.

**What's happened?**

On September 16, Generac announced that the company has entered into a transaction agreement (see announcement here) with Amazon that combines an equity-linked warrant package with a long-term supply commitment. Per the deal terms, Generac issued Amazon a warrant to purchase up to 1.69 million shares at $200.93/share, with 307,954 shares vesting upfront and the remainder vesting in tranches tied to up to $8bn of aggregate payments from Amazon and its affiliates for **backup generators used in Amazon data centers**. Alongside the warrant, **the parties signed a long-term supply agreement, with initial generator deliveries expected to total $2.4bn in 2027–28**. The warrant is exercisable through September 16, 2033, via cash or cashless exercise, subject to customary vesting, anti-dilution, and registration-rights provisions. The deal comes after Generac signed a global supply agreement with a leading hyperscale data center operator in early-June (see our note) and a second hyperscale supply agreement in late-June (see our note).

**Positive implications for Weichai Power**

As a key large engine supplier to Generac (thru its wholly-owned Baudouin), we see positive implications to Weichai:

- **The initial deliveries of $2.4bn over 2027-28 look substantial** compared to the $1.6bn data center backlog Generac had, coming out of 2Q, and 5x+ the company's FY26 data center revenue guidance of $450mn (which was raised from $300mn during 2Q26 results). Based on the average manufacturer prices in the US/MW), **we estimate the $2.4bn deliveries correspond to 7GW+ generator sets (or 2,500+/3,000+ units assuming 3MW/2.5MW unit size)**.
- **The long-term supply agreement (up to $8bn of aggregate payments)** has greatly enhanced order visibility beyond 2028, which should alleviate some

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investors' concerns around the sustainability of the data center power business.

Takeaways from our recent genset supply chain trip in Shandong (see our note) also point to upside potential to Weichai's 2027 volume target for the power gen business (from supplier channel checks), with additional upside to ASP arising from the unit upsizing trend for back-up power in the US and Southeast Asia.

**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.

| | | | |
|---|---|---|---|
| **000338.SZ** | 12m Price Target: **Rmb48.00** | Price: **Rmb25.52** | Upside: **88.1%** |
| **2338.HK** | 12m Price Target: **HK$55.00** | Price: **HK$29.56** | Upside: **86.1%** |

**Buy**

Market cap: Rmb222.7bn / $33.2bn
Enterprise value: Rmb229.5bn / $34.2bn
3m ADTV: Rmb2.7bn / $406.4mn
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) | 231,809.3 | 263,177.5 | 292,073.7 | 315,331.5 |
| EBITDA (Rmb mn) | 27,451.6 | 35,303.2 | 46,799.4 | 52,005.1 |
| EPS (Rmb) | 1.25 | 1.77 | 2.62 | 2.94 |
| P/E (X) | 12.4 | 14.4 | 9.7 | 8.7 |
| P/B (X) | 1.4 | 2.2 | 2.1 | 1.9 |
| Dividend yield (%) | 4.7 | 4.4 | 7.0 | 7.8 |
| N debt/EBITDA (ex lease,X) | (1.0) | (1.0) | (0.4) | (0.7) |
| CROCI (%) | 14.9 | 15.3 | 17.9 | 18.8 |
| FCF yield (%) | 12.7 | 10.7 | 6.0 | 17.9 |

| | 3/26 | 6/26 | 9/26E | 12/26E |
|---|---|---|---|---|
| EPS (Rmb) | 0.36 | 0.53 | | |

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 16 Sep 2026 close.

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