CHINA MACHINERY

3Q26 Preview: Domestic growth moderates, exports hold firm; profitability remains nuanced

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Our China machinery coverage companies are scheduled to report 3Q26 results towards end-Oct. In this note, we preview the upcoming prints based on the latest industry data.

Domestic: Growth moderated across most categories

- **Construction machinery:** Excavator growth slowed to 5% yoy, with moderation across all tonnage classes. Crane volumes were broadly flat, while the decline in road rollers widened. Loader and concrete machinery demand remained solid, while AWP was the standout, accelerating to 81% growth.
- **Heavy-duty trucks (HDT):** Domestic sales declined DD% yoy in 3Q26, mainly reflecting weakness in ICE and LNG HDTs. We attribute the softness in LNG trucks to elevated LNG prices and a high comparison base.
- **Tractors:** Domestic production sustained its growth momentum into 3Q26, rising 5% yoy in Jul–Aug, supported by 8% growth in high-HP tractors.

Exports: Broad-based growth; Africa strong, Southeast Asia moderated

- **Construction machinery:** Most categories recorded DD% yoy export growth, with excavator exports maintaining solid 20+% yoy growth. By region, North America remained solid, while Europe moderated. Across EMs, Africa and South America remained strong, Southeast Asia slowed further, and the Middle East returned to SD% growth.
- **HDT:** Exports remained robust (up 30+% yoy). Africa was the key driver, with 60+% growth, while South America moderated but remained solid at c.30% yoy. These offset softness in Southeast Asia, where growth slowed to 3% after sustaining DD% growth since 2024.
- **Tractors:** Exports rose 21% yoy, driven by 29% growth in high-HP tractors. The Middle East and Africa improved notably, while Europe remained solid. Growth in South America moderated, and Southeast Asia declined by LSD%.

3Q26 earnings preview: FX drag eased; freight a source of margin headwind

- We expect net profit growth at **Sany (3Q26E: +20% yoy)** and **First Tractor**

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(3Q26E: +32% yoy) to broadly track top-line growth, as the prior-period FX and one-off fair-value impacts roll off.

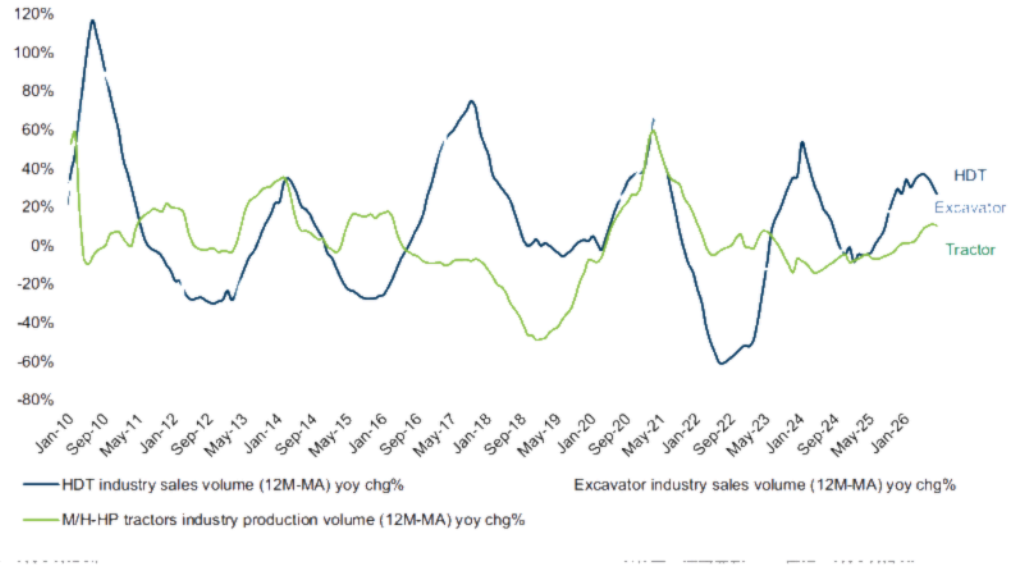
- **For Dingli,** we expect net profit to rise 4% yoy, as solid top-line growth is offset by the surge in U.S. ocean freight rates.
- **For Hengli,** we forecast 20% yoy net profit growth, with margin drag from new businesses and the Mexico plant partially offsetting strong core demand.
- **For Weichai,** we expect headline net profit to decline 9% yoy in 3Q26E, as solid core earnings is offset by FX losses (vs. an FX gain in 3Q25) and fair-value losses arising from the decline in Ballard Power's share price.

Stock views: Buy Weichai (on CL)/First Tractor/Sinotruk/Lonking/Dingli

Within our China machinery coverage, we maintain our preference for companies that fit one of three themes: 1) beneficiaries of strong global AIDC capex—Weichai (on CL), where we expect AIDC power generation to contribute 44%/52% of 2027E/28E earnings; 2) companies leveraged to resilient EM demand, with more attractive valuations and stronger shareholder returns—Sinotruk and Lonking; and 3) companies whose products remain in the early stages of a recovery cycle—First Tractor (agricultural tractors) and Dingli (AWP).

Exhibit 1: HDTs saw moderation entering 3Q, mainly dragged by decline in domestic sales, while excavators and tractors remained solid

China machinery cycle analysis - HDT & Excavator & Tractor



Source: CCMA, CAAM, NBS

Construction machinery: Domestic growth moderated, while exports remained resilient

Key industry highlights in 3Q26

Exhibit 2: Summary of key industry trends in 3Q26 - construction machinery

Industry association data	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	YoY 2Q25	YoY 3Q25	YoY 4Q25	YoY 1Q26	YoY 2Q26	YoY 3Q26
China domestic sales volume (unit)															
Excavator	20,538	26,598	36,562	29,075	24,240	28,641	39,579	39,446	25,505	8%	18%	8%	8%	36%	5%
Small (<20t)*	14,621	20,443	28,685	22,029	18,437	22,492	31,214	30,280	11,754	11%	26%	10%	9%	37%	4%
Medium (20-30t)*	3,171	3,391	4,930	3,983	3,300	3,418	5,151	5,443	2,390	-5%	4%	1%	4%	37%	14%
Large (≥30t)*	2,746	2,764	2,947	3,063	2,503	2,731	3,214	3,723	1,450	6%	-9%	-1%	9%	22%	-8%
Wheeled loader	12,497	12,916	16,379	19,243	14,374	16,334	18,677	22,719	16,964	22%	15%	26%	14%	18%	18%
Concrete Machinery*	3,536	4,746	4,715	7,853	6,077	9,181	7,066	13,637	5,308	25%	72%	93%	50%	74%	46%
Mixing truck	3,087	4,429	4,176	6,770	5,395	8,659	6,429	11,815	4,745	27%	75%	96%	54%	75%	49%
Pumping truck	449	317	539	1,083	682	522	637	1,822	563	14%	52%	65%	18%	68%	25%
Mobile crane*	5,502	6,523	8,717	8,274	6,771	8,460	8,661	8,791	4,343	-8%	23%	30%	-1%	6%	1%
Crawler crane	160	184	247	247	260	337	263	274	161	6%	63%	83%	6%	11%	7%
Truck crane	1,747	1,778	2,953	3,139	2,173	2,404	3,464	3,660	1,464	-4%	24%	35%	17%	17%	4%
Truck-mounted crane	3,595	4,561	5,517	4,888	4,338	5,719	4,934	4,857	2,718	-10%	21%	25%	-11%	-1%	-1%
AWP*	19,252	14,100	15,175	18,958	14,472	12,718	12,040	24,162	16,535	-37%	-25%	-10%	-21%	27%	81%
Road Roller*	1,264	1,110	1,687	1,918	1,571	1,285	1,545	1,778	808	14%	24%	16%	-8%	-7%	-21%
Forklift*	182,538	188,599	229,044	247,338	220,993	209,437	253,084	290,765	165,839	11%	21%	11%	10%	18%	19%
China export volume (unit)															
Excavator	23,630	27,152	24,810	30,073	29,279	32,577	33,757	39,538	36,449	14%	24%	20%	36%	31%	24%
Small (<20t)*	10,849	11,621	10,838	12,155	12,969	13,401	15,374	17,211	10,206	0%	20%	15%	42%	42%	24%
Medium (20-30t)*	8,540	10,613	9,132	10,725	9,366	11,534	11,375	13,271	8,403	20%	10%	9%	25%	24%	37%
Large (≥30t)*	4,241	4,918	4,840	7,193	6,944	7,642	7,008	9,056	5,034	38%	64%	55%	45%	26%	17%
Wheeled loader	12,283	13,495	14,188	14,959	14,596	17,994	19,648	21,008	18,061	2%	19%	33%	38%	40%	24%
Mobile crane*	4,015	3,420	4,169	4,588	3,963	4,463	4,621	5,039	3,017	11%	-1%	30%	11%	10%	23%
Crawler crane	397	439	494	578	539	713	721	862	551	25%	36%	62%	46%	49%	51%
Truck crane	2,277	2,160	2,320	2,350	2,180	2,465	2,583	2,656	1,529	-7%	-4%	14%	11%	13%	11%
Truck-mounted crane	1,341	821	1,355	1,660	1,244	1,285	1,317	1,521	937	46%	-7%	57%	-3%	-8%	34%
AWP*	29,514	26,956	26,504	29,293	24,933	20,552	33,340	42,025	22,488	-9%	-16%	-24%	26%	43%	26%
Road Roller*	2,078	1,932	2,783	3,062	2,543	2,612	3,625	4,262	2,684	25%	22%	35%	30%	39%	58%
Forklift*	126,024	126,256	119,139	143,813	146,079	135,925	145,528	172,557	117,943	17%	16%	8%	22%	20%	22%

China Customs data*	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Jul-Aug 2026	YoY 2Q25	YoY 3Q25	YoY 4Q25	YoY 1Q26	YoY 2Q26	YoY Jul-Aug 2026
China export volume (unit)															
Excavator	61,056	59,479	64,192	77,436	85,827	91,620	86,460	100,888	70,181	25%	41%	54%	35%	30%	23%
Loader	33,747	36,238	36,258	39,309	45,543	51,830	52,906	64,861	41,126	-4%	35%	43%	46%	65%	35%
Mobile crane	16,660	19,711	19,226	26,495	32,412	29,126	22,630	38,167	20,264	-4%	95%	48%	18%	44%	-20%
Road Roller	7,517	7,843	9,067	10,961	13,084	8,901	11,427	12,211	7,530	26%	74%	13%	26%	11%	-12%
Hydraulics	8,971,115	8,838,880	8,580,736	8,890,463	9,245,748	8,454,839	9,584,070	10,896,668	6,791,904	13%	3%	-4%	12%	23%	6%
Electric cylinder	242,554	238,058	233,566	276,500	332,101	258,833	291,023	443,281	275,764	51%	37%	9%	25%	60%	21%
Hydraulic cylinder	3,245,244	3,686,027	3,179,893	3,422,420	3,837,712	3,581,113	3,562,598	3,853,917	2,734,252	9%	18%	-3%	12%	13%	2%
Hydraulic pump	755,004	668,613	713,794	807,716	661,136	677,767	836,507	778,812	447,062	11%	-12%	1%	17%	-4%	5%
Hydraulic valve	4,728,313	4,246,182	4,453,483	4,383,827	4,414,799	3,937,126	4,893,942	5,820,658	3,334,826	15%	-7%	-7%	10%	33%	8%
Concrete machinery	5,857	4,977	5,778	7,407	6,982	6,970	8,155	8,649	5,018	27%	19%	40%	41%	17%	9%
Mixing truck	5,143	4,143	4,999	6,423	5,932	5,745	7,046	7,509	4,239	26%	15%	39%	41%	17%	9%
Pumping truck	714	834	779	984	1,050	1,225	1,109	1,140	779	35%	47%	47%	42%	16%	10%
China export value (mn USD)															
Excavator	2,041	2,180	2,266	2,626	2,743	3,072	2,857	3,396	2,130	24%	34%	41%	26%	29%	17%
Loader	934	982	936	1,069	1,130	1,315	1,170	1,419	979	-5%	21%	34%	25%	33%	29%
Mobile crane	914	977	903	1,134	1,140	1,166	1,053	1,286	832	11%	25%	19%	17%	13%	2%
Road Roller	170	162	194	231	204	192	230	263	191	18%	20%	19%	19%	14%	49%
Hydraulics	485	490	475	523	541	525	534	616	409	6%	12%	7%	12%	18%	14%
Electric cylinder	24	21	22	18	18	21	16	15	14	-12%	-25%	-1%	-26%	-14%	42%
Hydraulic cylinder	293	302	294	331	341	330	336	388	252	5%	16%	9%	14%	17%	10%
Hydraulic pump	99	100	97	109	115	110	113	131	87	17%	17%	10%	16%	20%	16%
Hydraulic valve	69	67	62	64	67	65	69	81	56	3%	-3%	-4%	12%	27%	21%
Concrete machinery	337	278	321	395	374	385	458	478	273	22%	11%	38%	42%	21%	12%
Mixing truck	229	178	216	268	240	241	306	322	182	20%	5%	36%	42%	20%	19%
Pumping truck	108	100	106	126	134	143	151	156	92	27%	24%	43%	43%	23%	1%

*Excavator by tonnage, ex-excavator machinery categories, and China Customs data are Jul-Aug 2026, others are 3Q data

Source: CCMA, China Customs, ThinkerCar

We summarize below key highlights at the industry level during 3Q26 (Exhibit 2):

Domestic: Growth moderated across most machinery categories, except AWP

- Domestic excavator volume growth moderated to +5% yoy in 3Q26 (vs. +36% in 2Q26), with the slowdown broad-based across tonnage classes. Large excavator volumes declined 8% yoy in Jul-Aug, while growth in small- and medium-sized excavators moderated to +4% and +14%, respectively (vs. +37% in 2Q26).
- Among non-excavator categories, loader growth remained solid at +18% yoy. Concrete machinery growth moderated but remained strong at +46% yoy, while crane growth slowed to +1%. Road roller volumes declined 21% yoy, a wider

contraction, while AWP was the only category to record a notable acceleration, with growth reaching +81% yoy.

Exports: DD% yoy growth across all key machinery categories

- **Excavator** exports maintained solid growth of 20+% yoy. By region (see our latest tracker here), exports to North America sustained DD% yoy growth, while growth in Europe moderated. Across EMs, Africa and South America remained robust, while Southeast Asia moderated further. The Middle East returned to positive growth of +SD% yoy.
- Among non-excavator categories, most machine categories maintained solid DD% yoy growth.

Key highlights for 3Q26 earnings preview

We summarize below the key preview highlights for our coverage companies (Exhibit 3):

- **Top-line growth:** Given the sustained strength in exports, we expect double-digit revenue growth across our China construction machinery coverage in 3Q26, led by Hengli (+30% yoy), followed by Sany Heavy (+17% yoy). We forecast slower growth for Dingli (+12% yoy), reflecting logistics disruptions during the quarter that could delay revenue recognition.
- **Profitability:**
  - While a softer USD continued to drive FX losses in 3Q26, the impact narrowed qoq and eased substantially yoy, as 3Q25 had already begun to reflect USD weakness, with most companies booking FX losses (vs. a large FX gain in 2Q25).
  - Surging freight rates were another margin headwind this quarter (CCFI up 55% yoy / 38% qoq). Companies with greater U.S. revenue exposure—notably Dingli—were the most affected, as U.S. shipping rates recorded the sharpest increases (up HDD% yoy). Rate increases in EMs were relatively modest, with Southeast Asia up ~30% yoy and Africa up SD% yoy.
- **Net profit:** With the adverse FX impact easing, we expect Sany's net profit growth (+20% yoy) to broadly track revenue growth. Hengli's net profit growth (+20% yoy) should lag revenue growth slightly, reflecting continued margin drag from new businesses and the Mexico plant. For Dingli, we forecast net profit growth of just 4% yoy, as solid top-line growth is offset by elevated freight costs.

Exhibit 3: 3Q26 preview for our China construction machinery coverage companies

	2025							2026						
mn Rmb	1Q25	2Q25	1H25	3Q25	4Q25	2H25	2025	1Q26	2Q26	1H26	3Q26E	4Q26E	2H26E	2026
Dingli														
Sales	1,898	2,438	4,336	2,339	1,901	4,239	8,575	2,457	2,957	5,414	2,619	2,265	4,885	10,299
yoy chg%	31%	1%	12%	3%	14%	8%	10%	29%	21%	25%	12%	19%	15%	20%
EBIT	440	531	971	623	333	956	1,928	609	708	1,316	648	411	1,059	2,375
yoy chg%	2%	-13%	-7%	-7%	59%	8%	0%	38%	33%	35%	-8%	23%	11%	23%
Net profit	429	623	1,052	542	305	847	1,899	453	537	990	564	441	1,005	1,995
yoy chg%	42%	19%	28%	-15%	81%	5%	17%	6%	-14%	-6%	4%	45%	19%	5%
Sany														
Sales	21,177	23,603	44,780	21,324	23,595	44,919	89,700	24,147	29,359	53,506	24,949	26,422	51,371	104,877
yoy chg%	19%	11%	15%	10%	18%	14%	14%	14%	24%	19%	17%	12%	14%	17%
EBIT	2,389	2,921	5,309	2,296	1,389	3,686	8,995	2,924	3,813	6,737	2,736	2,334	5,070	11,807
yoy chg%	64%	45%	53%	35%	278%	79%	63%	22%	31%	27%	19%	68%	38%	31%
Net profit	2,469	2,745	5,214	1,921	1,272	3,194	8,408	2,481	3,209	5,690	2,306	2,195	4,501	10,191
yoy chg%	56%	38%	46%	48%	17%	34%	41%	0%	17%	9%	20%	73%	41%	21%
Hengli														
Sales	2,422	2,749	5,171	2,619	3,151	5,770	10,941	3,210	3,623	6,833	3,404	3,727	7,131	13,964
yoy chg%	3%	11%	7%	25%	28%	27%	17%	33%	32%	32%	30%	18%	24%	28%
EBIT	579	753	1,332	662	697	1,360	2,692	774	920	1,694	851	945	1,796	3,490
yoy chg%	9%	16%	4%	49%	16%	30%	16%	34%	22%	27%	8%	35%	32%	30%
Net profit	617	812	1,429	658	646	1,303	2,734	652	784	1,435	791	880	1,672	3,107
yoy chg%	3%	18%	11%	31%	-10%	7%	9%	6%	-4%	0%	20%	36%	28%	14%

Source: Company data, Goldman Sachs Global Investment Research

Trucks and engines: Domestic demand weakened, while export growth remained robust

Key industry highlights in 3Q26

We summarize below the highlights at the industry level during 3Q26 (Exhibit 4):

- **Domestic sales declined DD% yoy in 3Q, with wholesale and retail volumes down 22% and 16% yoy, respectively.** By powertrain, ICE sales fell c.30% yoy. LNG HDT sales declined c.60% yoy, while eHDT sales rose c.50% yoy, lifting penetration to 48%. We attribute the weakness in LNG truck sales mainly to elevated LNG prices, with the LNG-to-diesel price ratio at one point exceeding 0.7—the economic threshold for LNG truck adoption. A high comparison base was another factor.
- **Exports maintained robust growth of 30%+ yoy.** Africa remained the key driver, with 60+% yoy growth, while growth in South America moderated but remained solid at c.30%. These offset softness in Southeast Asia, where growth slowed to 3% yoy after sustaining DD% growth since 2024.

Exhibit 4: Summary of key industry trends in 3Q26 - trucks and engines

	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	YoY 2Q25	YoY 3Q25	YoY 4Q25	YoY 1Q26	YoY 2Q26	YoY 3Q26
Heavy-duty truck															
China domestic sales volume (unit)															
Wholesales	108,598	150,094	190,895	192,840	196,229	222,726	216,436	221,999	153,296	25%	81%	48%	13%	15%	-22%
Retail sales	130,087	171,208	153,699	200,956	214,001	230,628	164,260	251,144	179,513	21%	65%	35%	7%	25%	-16%
By powertrain															
ICE	68,948	107,139	75,796	107,430	101,213	84,263	68,769	98,307	72,288	27%	47%	-21%	-9%	-8%	-29%
% share	53%	63%	49%	53%	47%	37%	42%	39%	40%						
LNG	39,562	29,791	47,009	44,494	54,157	53,065	51,604	56,386	71,311	-30%	37%	78%	10%	27%	-61%
% share	30%	17%	31%	22%	25%	23%	31%	22%	12%						
BEV	19,277	31,911	29,459	48,473	57,576	88,244	43,826	95,865	85,914	207%	199%	177%	49%	98%	49%
% share	15%	19%	19%	24%	27%	38%	27%	38%	48%						
Other NEV	2,299	2,366	1,434	558	1,054	5,055	60	585	365	-59%	-54%	114%	-96%	5%	-19%
% share	2%	1%	1%	0%	0%	2%	0%	0%	0%						
China exports															
Wholesales volume (unit)	69,857	68,942	74,120	81,460	85,858	99,420	101,415	121,093	115,411	5%	23%	44%	37%	49%	34%
China Custom volume data* (unit)	**98,670**	76,971	69,842	88,345	94,756	111,427	106,873	117,399	77,883	**2%**	**-4%**	**45%**	53%	33%	26%
Southeast Asia	14,413	17,778	18,954	22,208	21,499	24,519	27,940	28,073	14,518	38%	49%	38%	47%	26%	3%
Africa	19,965	22,684	20,710	27,564	34,572	40,179	41,803	45,985	36,309	52%	73%	77%	102%	67%	67%
Middle East	12,000	13,777	15,911	18,643	17,369	20,837	16,796	15,142	10,322	82%	45%	51%	6%	-19%	-8%
CIS	44,410	11,246	5,944	9,100	9,485	11,946	7,624	10,040	6,229	-71%	-79%	6%	28%	10%	-5%
South America	4,690	7,682	5,224	6,635	7,321	9,161	8,334	11,356	6,386	18%	56%	19%	60%	71%	29%
China Custom value data* (mn USD)	4,744	3,522	3,058	3,768	4,030	4,653	4,439	4,927	3,161	-10%	-15%	32%	45%	31%	18%
Southeast Asia	605	754	730	848	824	974	1,132	1,132	601	30%	36%	29%	55%	33%	12%
Africa	704	818	735	952	1,209	1,327	1,417	1,555	1,222	36%	72%	62%	93%	63%	59%
Middle East	625	675	820	987	867	997	860	774	482	69%	39%	48%	5%	-22%	-16%
CIS	2,359	616	300	397	448	552	346	467	275	-77%	-81%	-11%	15%	18%	-15%
South America	296	421	309	369	419	513	447	625	331	4%	41%	22%	45%	69%	16%
Engines*															
Domestic HDT engine installation (unit)															
Diesel engines	68,948	107,139	75,796	107,430	101,213	84,263	68,769	98,307	46,470	27%	47%	-21%	-9%	-8%	-29%
LNG engines	39,562	29,791	47,009	44,494	54,157	53,065	51,604	56,386	12,634	-30%	37%	78%	10%	27%	-59%
Multi-cylinder engines sales (k units)	**888**	**954**	**1,124**	**1,030**	**942**	**1,036**	**1,237**	**1,148**	**647**	**2%**	**6%**	**9%**	**10%**	**11%**	**8%**
Commercial vehicle-used	422	484	525	498	462	556	580	538	283	0%	9%	15%	11%	8%	1%
Non-commercial vehicle-used	466	470	600	532	480	480	657	611	365	3%	3%	2%	10%	15%	15%

China Customs data* and Engines data* are Jul-Aug 2026, Others are 3Q26 data

Source: CAAM, China Customs, CICEIA, ThinkerCar

Key highlights for 3Q26 earnings preview

We summarize below the key preview highlights (Exhibit 5):

- **Top-line growth:** We expect Weichai to deliver c.10% yoy revenue growth in 3Q26, as the ramp-up of new businesses and robust HDT exports partially offset weakness in the domestic HDT market, particularly in LNG trucks.
- **Profitability:** We expect Weichai's GPM to remain broadly flat qoq, as an unfavorable engine mix due to a lower LNG contribution is offset by the scaling of its higher-margin AIDC power business.
- **Net profit:** We expect Weichai's headline net profit to decline 9% yoy in 3Q26E, as solid core earnings are offset by an FX loss (versus an FX gain in the prior-year period) and a fair-value loss on its investment in Ballard Power following the correction in Ballard's share price during the quarter. Excluding these items, we expect core earnings to remain sequentially stable and grow yoy.

Exhibit 5: 3Q26 preview for Weichai

mn Rmb	2025 1Q25	2Q25	1H25	3Q25	4Q25	2H25	2025	2026 1Q26	2Q26	1H26	3Q26E	4Q26E	2H26E	2026
Weichai														
Sales	57,464	55,688	113,152	57,419	61,239	118,657	231,809	62,563	60,600	123,163	63,161	76,805	139,966	263,129
yoy chg%	*2%*	*-1%*	*1%*	*16%*	*14%*	*15%*	*7%*	*9%*	*9%*	*9%*	*10%*	*25%*	*18%*	*14%*
EBIT	2,646	3,402	6,048	4,597	3,208	7,806	13,854	4,794	4,856	9,650	4,769	5,509	10,278	19,928
yoy chg%	*-33%*	*-15%*	*-23%*	*37%*	*-18%*	*8%*	*-8%*	*81%*	*43%*	*60%*	*4%*	*72%*	*32%*	*44%*
Net profit	2,711	2,933	5,643	3,234	2,053	5,287	10,931	3,085	4,616	7,701	2,932	4,199	7,131	14,833
yoy chg%	*4%*	*-11%*	*-4%*	*29%*	*-32%*	*-4%*	*-4%*	*14%*	*57%*	*36%*	*-9%*	*105%*	*35%*	*36%*

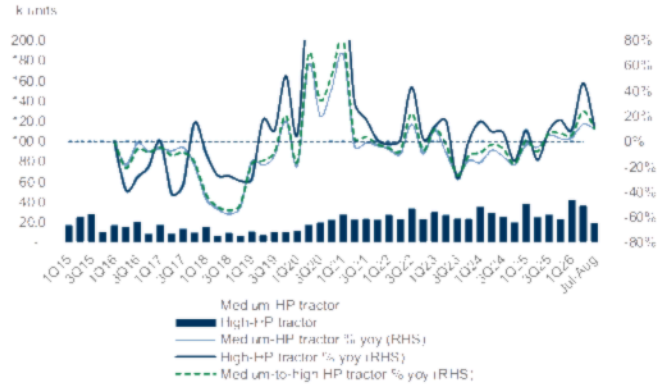
Source: Company data, Goldman Sachs Global Investment Research

Agricultural equipment: Domestic recovery sustained; Exports remain solid

Key industry highlights in Jul-Aug

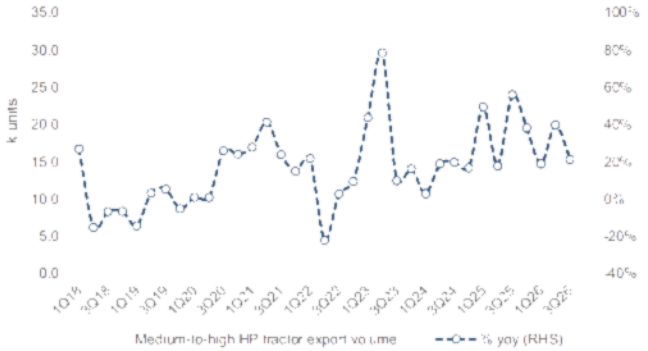
- Industry production volume maintained c.20% yoy growth in Jul while moderating to SD% in Aug, due to the decline in high-HP tractors off a high comparison base (Aug 25 marked the three-year high). As a result, **Jul-Aug saw c.10% yoy growth in medium-to-high HP tractors production, with c.10% yoy growth seen in both medium and high HP tractors (Exhibit 6)**
- By geography:
  - **Exports remained solid, up 21% yoy (Exhibit 7)**, drive by strong exports of high-HP tractors (up 29% yoy). By region, Middle East and Africa inflected notably, Europe stayed solid. South America saw growth moderation, and Southeast Asia turned to decline of LSD% yoy.
  - **Implied domestic demand**, measured as production minus exports, continued the growth trend into 3Q, **with Jul-Aug up +5% yoy, mainly helped by +8% yoy growth in high-HP tractor.**

Exhibit 6: Jul-Aug saw c.10% yoy growth in medium-to-high HP tractors production, with c.10% yoy growth seen in both medium and high HP tractors
China quarter medium-to-high HP tractor production volume (k units) and % yoy (RHS)



Source: NBS

Exhibit 7: Exports remained solid, up 21% yoy, drive by strong exports of high-HP tractors
China medium-to-high HP tractor exports volume (k units) and % yoy trends (RHS)



Source: China Customs

Key highlights for 3Q26 earnings preview

We summarize below the key preview highlights (Exhibit 8):

- **Top-line growth:** We expect First Tractor to deliver 30% yoy revenue growth in 3Q26E, as robust production momentum in 2Q flows through to revenue recognition this quarter. This is consistent with the solid operating momentum highlighted by management at its recent analyst meeting (see our takeaway note here).
- **Profitability:** We expect First Tractor's GPM to remain resilient and broadly flat qoq and yoy, as raw material cost headwinds are offset by a favorable mix shift toward higher-margin ultra-high-HP and intelligent tractors.

- **Net profit:** We expect First Tractor's net profit growth to broadly track revenue growth at 30% yoy this quarter, with no material impact from one-off gains or losses.

Exhibit 8: 3Q26 preview for First Tractor

	2025							2026						
mn Rmb	1Q25	2Q25	1H25	3Q25	4Q25	2H25	2025	1Q26	2Q26	1H26	3Q26E	4Q26E	2H26E	2026
First Tractor														
Sales	4,557	2,371	6,928	2,775	1,120	3,895	10,823	4,669	3,217	7,886	3,607	1,547	5,154	13,040
yoy chg%	*-2%*	*-25%*	*-11%*	*-5%*	*-4%*	*-5%*	*-9%*	*2%*	*36%*	*14%*	*30%*	*38%*	*32%*	*20%*
EBIT	500	136	636	184	(317)	(133)	503	551	278	829	251	(337)	(87)	742
yoy chg%	*-11%*	*-52%*	*-25%*	*18%*	*-12%*	*-35%*	*-22%*	*10%*	*104%*	*30%*	*37%*	*6%*	*-35%*	*48%*
Net profit	530	240	769	225	(182)	43	812	563	220	782	297	(189)	108	890
yoy chg%	*-12%*	*-22%*	*-15%*	*15%*	*2%*	*157%*	*-12%*	*6%*	*-8%*	*2%*	*32%*	*4%*	*151%*	*10%*

Source: Company data, Goldman Sachs Global Investment Research

Earnings revisions and valuation

To reflect the latest industry trends and near-term FX and ocean freight impacts, we fine-tune our 2026E–2028E EPS estimates across our China machinery coverage by -4% to +1%.

Reflecting these earnings revisions, unchanged valuation multiples, the roll-forward of our valuation base to 2027E, and mark-to-market adjustments to our A/H premium assumptions, we revise our 12-month target prices by -1% to +10%.

Exhibit 9: Summary of earnings revisions and GS estimates vs. Consensus

	Target Price	Revenue			Net profit			EPS		
	(Local Currency/share)	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Construction machinery										
Dingli Machinery (603338.SS)		Rmb mn			Rmb mn			Rmb		
Gse (New)	**78.0**	**10,299**	**12,031**	**13,711**	**1,995**	**2,662**	**3,061**	**3.94**	**5.26**	**6.04**
Gse (Old)	71.0	10,299	12,031	13,711	2,047	2,649	3,021	4.04	5.23	5.97
% diff	*10%*	*0%*	*0%*	*0%*	*-3%*	*1%*	*1%*	*-3%*	*1%*	*1%*
Visible Alpha Consensus		10,201	11,596	12,988	2,015	2,550	2,912	3.98	5.09	5.88
% diff		*1%*	*4%*	*6%*	*-1%*	*4%*	*5%*	*-1%*	*3%*	*3%*
Lonking Holdings (3339.HK)		Rmb mn			Rmb mn			Rmb		
Gse (New)	**4.2**	**13,542**	**15,271**	**16,749**	**1,506**	**1,628**	**1,786**	**0.35**	**0.38**	**0.42**
Gse (Old)	4.0	13,542	15,271	16,749	1,506	1,628	1,786	0.35	0.38	0.42
% diff	*5%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Visible Alpha Consensus		13,261	14,641	15,742	1,515	1,647	1,784	0.35	0.38	0.41
% diff		*2%*	*4%*	*6%*	*-1%*	*-1%*	*0%*	*1%*	*1%*	*2%*
Sany Heavy (600031.SS)		Rmb mn			Rmb mn			Rmb		
Gse (New)	**23.0**	**104,877**	**116,536**	**126,924**	**10,191**	**13,593**	**15,406**	**1.11**	**1.48**	**1.68**
Gse (Old)	22.0	102,564	114,111	125,124	10,578	13,709	15,787	1.15	1.49	1.72
% diff	*5%*	*2%*	*2%*	*1%*	*-4%*	*-1%*	*-2%*	*-4%*	*-1%*	*-2%*
Visible Alpha Consensus		104,437	118,988	134,931	10,438	13,391	16,076	1.14	1.47	1.79
% diff		*0%*	*-2%*	*-6%*	*-2%*	*2%*	*-4%*	*-3%*	*0%*	*-6%*
Hengli Hydraulics (601100.SS)		Rmb mn			Rmb mn			Rmb		
Gse (New)	**96.0**	**13,964**	**15,965**	**17,866**	**3,107**	**4,085**	**4,770**	**2.32**	**3.05**	**3.56**
Gse (Old)	97.0	14,042	16,207	18,286	3,155	4,126	4,917	2.35	3.08	3.67
% diff	*-1%*	*-1%*	*-1%*	*-2%*	*-2%*	*-1%*	*-3%*	*-2%*	*-1%*	*-3%*
Visible Alpha Consensus		13,484	16,103	18,854	3,422	4,302	5,183	2.55	3.21	3.87
% diff		*4%*	*-1%*	*-5%*	*-9%*	*-5%*	*-8%*	*-9%*	*-5%*	*-8%*
Trucks & engines										
Weichai Power (000338.SZ/2338.HK)		Rmb mn			Rmb mn			Rmb		
Gse (New)	**RMB 50.00/HKD 55.50**	**263,129**	**292,102**	**315,366**	**14,833**	**22,552**	**25,150**	**1.72**	**2.63**	**2.96**
Gse (Old)	RMB 48.00/HKD 55.00	263,178	292,074	315,332	15,364	22,591	25,180	1.77	2.62	2.94
% diff	*4%/1%*	*0%*	*0%*	*0%*	*-3%*	*0%*	*0%*	*-3%*	*0%*	*1%*
Visible Alpha Consensus		261,146	295,678	327,991	14,832	19,968	23,875	1.71	2.30	2.75
% diff		*1%*	*-1%*	*-4%*	*0%*	*13%*	*5%*	*1%*	*14%*	*8%*
Sinotruk (3808.HK)		Rmb mn			Rmb mn			Rmb		
Gse (New)	**51.0**	**135,044**	**144,250**	**158,078**	**8,371**	**9,988**	**10,866**	**3.03**	**3.62**	**3.94**
Gse (Old)	55.0	135,044	144,250	158,078	8,542	9,989	10,866	3.09	3.62	3.94
% diff	*-7%*	*0%*	*0%*	*0%*	*-2%*	*0%*	*0%*	*-2%*	*0%*	*0%*
Visible Alpha Consensus		135,915	150,449	164,308	8,752	10,250	11,409	3.18	3.72	4.14
% diff		*-1%*	*-4%*	*-4%*	*-4%*	*-3%*	*-5%*	*-5%*	*-3%*	*-5%*
Agricultural equipment										
First Tractor (601038.SS/0038.HK)		Rmb mn			Rmb mn			Rmb		
Gse (New)	**RMB 22.90/HKD 15.10**	**13,040**	**15,360**	**17,590**	**890**	**1,231**	**1,565**	**0.79**	**1.10**	**1.39**
Gse (Old)	RMB 21.40/HKD 14.00	13,040	15,360	17,590	931	1,231	1,565	0.83	1.10	1.39
% diff	*7%/8%*	*0%*	*0%*	*0%*	*-4%*	*0%*	*0%*	*-4%*	*0%*	*0%*
WIND Consensus		11,903	13,119	14,570	907	1,088	1,255	0.81	0.97	1.12
% diff		*10%*	*17%*	*21%*	*-2%*	*13%*	*25%*	*-2%*	*13%*	*25%*

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

Investment Thesis, Price Target Risks and Methodology

Investment Thesis - Lonking Holdings

Lonking is one of China's largest manufacturers of wheel loaders, a type of earthmoving machinery commonly used in infrastructure, property and mining projects. While we were previously cautious about the demand outlook for loaders in China due the normalization of the user preference (from preferring loaders to excavators during 2008-11 to excavators over loaders since 2016) that has led to a significant underperformance of loaders vs. excavators, we believe the trend of "excavators substituting loaders" in China seems to have largely come to an end, as evidenced by a normalized excavators/loaders ratio compared to the global ex-China level and the fact that loader demand has started to grow largely in tandem with excavators in this cycle. We view Lonking as the key beneficiary of the ongoing loader recovery cycle

domestically and China's strong export momentum in loaders. We are Buy rated on the stock.

Price Target Risks and Methodology - Lonking Holdings
Valuation: Our 12-month EV/GCI vs. CROCI-based target price of HK$4.2 is based on a target 2027E EV/DACF multiple of 6.1x, consistent with the mid-cycle average for the cycle since 2016 (when the trend of excavators replacing loaders took place) to reflect the current stage of the loader cycle (i.e. mid). The implied EV/GCI corresponds to 0.7x (vs. 0.8x on average since 2016), which appears warranted against a projected CROCI (11% in 2027E vs. c.12% on average over 2016-24).

Key risks: 1) An unexpected increase in raw material input costs – particularly steel; 2) weaker-than-expected industry demand for construction machinery likely due to macro policy environment turning less favorable; 3) intensifying market competition; 4) slower-than-expected export growth for loaders.

Investment Thesis - Sinotruk (Hong Kong)

Sinotruk is China's largest manufacturer of HDTs (HDTs), with 27% market share (measured by wholesale volume in 2025). It also leads in China HDT export market, with 45% of volume share in 2025. Other than the core HDT business (88%/100% of its 2025 topline/OP), Sinotruk also engages in the production of light-duty trucks (No.8 ranked overall in China).

We see a more favorable cyclical outlook ahead, with export strength likely to be sustained and a projected domestic HDT upcycle from 2027. With the company's growing dominance in China's export market, we also view Sinotruk as well positioned to capture the longer-term growth opportunities in under-penetrated overseas markets (LATAM, Oceania and potentially Europe via electrification). We value Sinotruk at 15x 2026E/27E average EPS and rate the shares Buy.

Price Target Risks and Methodology - Sinotruk (Hong Kong)
Valuation: We are Buy rated on Sinotruk and have a 12-month price target of HK$51.0. Our price target is based on 13x 2027E P/E.

Key downside risks: 1) weaker-than-expected macro activities; 2) weaker-than-expected truck industry policy support; 3) Softer-than-expected overseas HDT demand, especially in EMs; 4) Slower-than-expected share expansion in the overseas markets; 5) Unfavorable moves in FX and raw materials.

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 2027E 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 end-2027E using a CoE of 9%; **2) RICE (prime power):** We apply a 25x 2030E P/E, discounted back to end-2027E using a CoE of 9%. **3) SOFC (prime power):** We apply a 25x 2030E P/E, discounted back to end-2027E using a CoE of 9%.

With this, we derive our H-share 12-m target price at HK$55.5/share. For the A-share, we assume a 2% discount to the H-share equity value referencing to the trading patterns over the 6 month, leading to a 12-m target price of Rmb50.00/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.

Investment Thesis - First Tractor

First Tractor is China's largest producer of agricultural tractors by sales revenue in 2024. We view First Tractor as well positioned to capture the structural growth opportunities brought by China's tractor upsizing (towards high-HP tractors) and upgrading (towards intelligent tractors) trend in light of China's transition towards agricultural modernization to achieve food security. Exports, presenting c.3x the TAM opportunity in EMs (c.US$10bn) vs. the domestic market (2024), could add another leg of growth over the long term as First Tractor builds its global competitiveness. We believe these structural shifts should drive a gradual convergence of First Tractor's margin and return profiles towards its global peers and warrant a re-rating for the stock, which we view as

undervalued. We are Buy rated on both A-share and H-share.

Price Target Risks and Methodology - First Tractor

Valuation: We derive our 12-m target price of HK$15.1/share for First Tractor-H from an average of near- and long-term valuation. We apply a target P/E of 10.5x (in line with the long-term mid-cycle average) to 2027E EPS to derive our near-term valuation, while applying a target P/E of 12x on 2030E EPS (referencing to the long-term mid-cycle average of its global peers), discounted back to 2027E using a CoE of 9.5% to arrive at our long-term valuation. Our 12-m target price of Rmb22.9/share for First Tractor-A incorporates a 65% A/H premium, consistent with the average A/H premium for First Tractor over the past 6 months.

Key downside risks: 1) weaker-than-expected crop prices; 2) unfavorable changes in gov't subsidy policy for agricultural equipment; 3) intensifying market competition; 4) execution risks relating product mix upgrade; 5) slower-than-expected localization of key components; 6) slower-than-expected progress in overseas market expansion.

Investment Thesis - Zhejiang Dingli Co Ltd.

Zhejiang Dingli is one of China's largest suppliers of aerial working platforms (AWP), a type of powered access equipment used in building construction, maintenance, cleaning, utilities and events. Our Buy rating on the stock is based on 1) long-term adoption potential of AWPs in China (a significantly under-penetrated market from a global context) driven by rising labor wages (against falling rental rates for AWPs), a construction worker shortage, and increasing safety awareness; 2) product mix upgrade towards higher-ASP and higher-barrier-to-entry boom lifts (vs. scissor lifts) where Dingli has built a substantial technology gap vs. domestic peers while leading the 22m+ boom electrification technology globally; and 3) growing competitiveness in the overseas markets driven by product differentiation (electrification in particular).

Dingli remains well positioned within our China Machinery coverage with a proven track record of maintaining operational resilience under a high-tariff/duty environment; e.g. has navigated two complete rounds of targeted trade restrictions (on AWPs) by the US and EU, which in our view has significantly optimized the competitive landscape by limiting competition from (or raising the bar for) Chinese peer exporters. We view this as a strong testament to its product differentiation (leading to pricing power) and cost competitiveness enabled by a high level of vertical integration and superior supply chain management.

Price Target Risks and Methodology - Zhejiang Dingli Co Ltd.

Valuation: We base our 12-m TP of Rmb78.0 on an 11.0x 2027E DACF. Our target EV/DACF multiple of 11.0x is at 1SD below its 3-year average, reflecting likely lingering uncertainties around global trade (thereby capping valuation upside). The implied EV/GCI of 2.1x also looks fair against projected 2027E CROCI of ~20% and an estimated WACC of 10%.

Key risks: 1) Weaker-than-expected construction activities globally; 2) competition in the global aerial working platform (AWP) market; 3) slower-than-expected penetration of boom products in the US market; US-China trade tension that could potentially lead to more unfavorable

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the exports into the US market (currently ~30% of Dingli's sales); 5) unfavorable outcomes from unexpected trade restrictions.

Investment Thesis - Sany Heavy

Sany Heavy is one of China's leading manufacturers of construction machinery including excavators (ranked No.1 globally in terms of volume), concrete machinery (ranked No.1 globally) and cranes (top 3 in China), with infrastructure, property and mining its key end-markets. While cyclically we are seeing a more favorable near-term setup, with domestic machinery cycle inflecting (driven by replacement), EMs strength sustaining and signs of DM cycle bottoming out (on more balanced supply/demand), we believe the stock's notable re-rating so far in this cycle (vs. historical levels and against global peers) has well reflected Sany's much improved FCF generation capability and the company's increased exposure to the overseas markets, where Sany has managed to expand market share primarily in EMs. We therefore are Neutral rated on the stock.

Price Target Risks and Methodology - Sany Heavy

Valuation: We use a 2027E target EV/GCI of 1.3x based on the historical trading level against expected CROCI. Our 12-month target price of Rmb23.0 implies 20.8x/14.8x 2026E/2027E EPS (vs. the +20% EPS CAGR projected over 2025-28E) and 2.3x/2.1X 2026E/2027E PB (vs. projected ROEs of 12-14% over 2026E-27E).

Key risks: (1) Stronger/weaker-than-expected construction activities in China and/or globally; (2) faster/slower-than-expected market share gain both domestically and overseas; (3) unexpected decrease/increase in raw material prices, mainly steel; (4) an unexpected depreciation/appreciation in Rmb against major foreign currencies, which could lead to better/worse-than-expected GPM for its overseas business (73% of the company's total GP in 2025); (5) global trade environment turning more favorable/unfavorable.

Investment Thesis - Jiangsu Hengli Hydraulic Co.

Hengli Hydraulic is China's largest producer of hydraulic components (in terms of sales volume), a critical (therefore high-barrier-to-entry) part of the drive system for mobile machinery and general industrial applications. We are positive on the company's long-term growth prospects from expanding into non-excavator applications of hydraulics as well as its expansion into linear actuators (20% earnings accretion by 2030), including both general industrial application (linear guide and ball screws) and humanoid robot application (planetary roller screws for robot joints). However, we believe the market has already priced in very optimistic long-term assumptions for new businesses and the cyclical recovery in the core hydraulics business both domestically and overseas. We are Neutral rated on the stock as valuation looks fair against the company's growth prospect.

Price Target Risks and Methodology - Jiangsu Hengli Hydraulic Co.

Valuation: Our 12month TP of Rmb96.0 is based on a discounted P/E methodology, reflecting Hengli's long-term growth potential driven by accelerated import substitution in the broader-based hydraulic market, as well as its expansion into the linear actuator market. We apply an exit P/E multiple of 30x on 2030E EPS and discount back to 2027E with a CoE of 11%. Our target P/E multiple is in line with the company's long-term

average level, but higher than the average level the stock has traded at over the past 3 years (i.e., 25x, with the derating driven by growth deceleration in the core hydraulics business) as we expect the new business expansion will likely restore the company's long-term growth prospects.

Key risks: 1) Stronger/weaker-than-expected global demand for mobile machinery; 2) Faster/slower-than-expected new product development (e.g., linear actuators, electric cylinders, etc.); 3) Stronger/slower-than-expected global humanoid robot shipment outlook and higher/lower-than-expected wallet share in the planetary roller screw segment or the broader linear actuator segment; 4) global trade environment turning more favorable/unfavorable.