22 Oct 2026 05:39:03 ET | 19 pages

Henan Pinggao Electric Co (600312.SS)

A Defensive Growth Play Amid A Volatile Stock Market

CITI'S TAKE

We reiterate our Buy rating on Pinggao not just because of its 3Q26 earnings beat but also in view of its defensive business profile and relatively low investment risk. As a domestic power grid equipment provider, the company is largely insulated from overseas trade-related risks and is well-positioned to benefit from China's increasing UHV ('ultra-high voltage') transmission line investments. In addition, Pinggao is the industry leader with >30% market share in high voltage GIS ('gas insulated switchgears'). We raise our 2026-28E net profit forecasts by ~1% on higher margin assumption. Our DCF TP is +0.4% to Rmb24.6/share. Its 18.2x 2027E PER and 2.2x PB look undemanding in light of 15% 2026-28E EPS CAGR and 11.4% 2027E ROE.

9M26 results beat — Pinggao's net profit increased +25.3% yoy to Rmb1.231bn in 9M26, ahead of consensus estimates. GP margin expanded 4.7ppts yoy to 29.2% in the period driven primarily by the delivery of more high voltage GIS ('gas insulated switchgears') for UHV line construction. We estimate 1,000kV GIS and 750kV GIS accounted for ~9% and ~17% of 9M26 revenue. These sales are highly profitable - assuming 45% and 40% GP margin on these sales, we estimate they would have accounted for ~15% and ~23% Pinggao's 9M26 gross profit, respectively. For 3Q26, revenue rose 14% yoy to Rmb2.778bn and net profit rose 30.1% yoy to Rmb414m.

More new orders — Pinggao's new orders were up 13.9% yoy to Rmb13.9bn in 9M26 boosted by more UHV line construction in China, comprising 79% for high-voltage equipment, 19% for power distribution and 2% for international business. Orders on hand rose 3.1% yoy to Rmb16.5bn by end 3Q26, including 88% for high-voltage products, 10% for power distribution ones and 2% for international projects.

More delivery in 4Q26E and 2027E — Pinggao's orders on hand include 51 knots of 1,000kV GIS and over 140 knots of 750kV GIS. For 1,000kV GIS, it will deliver at least 15 knots in 2026E (incl. 4 for Aba project in 4Q26E), up from 11 in 2025. According to the company, there are 3 knots of 1,000kV GIS for Zhumadian and Liantang expansions which would be delivered in 4Q26E or 1Q27E. For 2027E, it will deliver 20-30 knots of 1,000kV GIS. For 750kV GIS, it will deliver 100 knots in 2026E, up from 93 in 2025; for 2027E, its 750kV GIS delivery should also increase yoy.

Buy

Price (22 Oct 26 15:00)	Rmb21.330
Target price	Rmb24.600↑
from Rmb24.500	
Expected share price return	15.3%
Expected dividend yield	2.0%
Expected total return	17.3%
Market Cap	Rmb28,943M
	US$4,335M

Price Performance
(RIC: 600312.SS, BB: 600312 CH)



China Power Grid Equipment Sector

Pierre Lau, CFA AC
+852-2501-2716
pierre.lau@citi.com

Air Ma
air.ma@citi.com

Earnings Summary

Year to 31 Dec	Net Profit (RmbM)	Diluted EPS (Rmb)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	1,023	0.754	25.4	28.3	2.8	10.0	1.4
2025A	1,120	0.825	9.4	25.8	2.6	10.3	1.6
2026E	1,380	1.017	23.2	21.0	2.4	11.8	2.0
2027E	1,594	1.175	15.5	18.2	2.2	12.5	2.4
2028E	1,818	1.340	14.0	15.9	2.0	13.2	2.9

Source: Powered by dataCentral

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

Not for distribution in the People's Republic of China, excluding the Hong Kong Special Administrative Region and Qualified Foreign Institutional Investors.

600312.SS: Fiscal year end 31-Dec

Price: Rmb21.330; TP: Rmb24.600; Market Cap: Rmb28,943m; Recomm: Buy

Profit & Loss (Rmbm)	2024	2025	2026E	2027E	2028E
Sales revenue	12,303	12,424	12,316	13,225	14,222
Cost of sales	-9,629	-9,523	-9,005	-9,543	-10,124
Gross profit	2,674	2,900	3,311	3,682	4,098
Gross Margin (%)	21.7	23.3	26.9	27.8	28.8
EBITDA (Adj)	**1,476**	**1,688**	**1,986**	**2,290**	**2,606**
EBITDA Margin (Adj) (%)	12.0	13.6	16.1	17.3	18.3
Depreciation	-212	-216	-224	-238	-253
Amortisation	-155	-164	-162	-174	-187
EBIT (Adj)	**1,108**	**1,308**	**1,600**	**1,878**	**2,166**
EBIT Margin (Adj) (%)	9.0	10.5	13.0	14.2	15.2
Net interest	66	-74	-44	-50	-54
Associates	0	0	0	0	0
Non-Op/Except/Other Adj	98	196	196	196	196
Pre-tax profit	**1,273**	**1,431**	**1,751**	**2,024**	**2,308**
Tax	-154	-201	-236	-273	-312
Extraord./Min.Int./Pref.div.	-96	-110	-135	-156	-178
Reported net profit	**1,023**	**1,120**	**1,380**	**1,594**	**1,818**
Net Margin (%)	8.3	9.0	11.2	12.1	12.8
Core NPAT	1,023	1,120	1,380	1,594	1,818

Per share data	2024	2025	2026E	2027E	2028E
Reported EPS (Rmb)	0.754	0.825	1.017	1.175	1.340
Core EPS (Rmb)	0.754	0.825	1.017	1.175	1.340
DPS (Rmb)	0.289	0.331	0.428	0.518	0.618
CFPS (Rmb)	2.217	0.597	1.568	1.422	1.599
FCFPS (Rmb)	2.079	0.377	1.340	1.167	1.314
BVPS (Rmb)	7.717	8.289	8.977	9.749	10.602
Wtd avg ord shares (m)	1,357	1,357	1,357	1,357	1,357
Wtd avg diluted shares (m)	1,357	1,357	1,357	1,357	1,357

Growth rates	2024	2025	2026E	2027E	2028E
Sales revenue (%)	12.0	1.0	-0.9	7.4	7.5
EBIT (Adj) (%)	32.0	18.0	22.3	17.4	15.3
Core NPAT (%)	25.4	9.4	23.2	15.5	14.0
Core EPS (%)	25.4	9.4	23.2	15.5	14.0

Balance Sheet (Rmbm)	2024	2025	2026E	2027E	2028E
Cash & cash equiv.	7,130	7,180	8,111	8,688	9,330
Accounts receivables	6,361	6,168	5,774	6,201	6,668
Inventory	1,547	1,765	1,750	1,879	2,020
Net fixed & other tangibles	3,610	3,445	3,657	3,904	4,189
Goodwill & intangibles	1,180	1,196	1,284	1,360	1,422
Financial & other assets	1,915	2,372	2,420	2,616	2,832
Total assets	**21,743**	**22,126**	**22,996**	**24,647**	**26,462**
Accounts payable	5,777	5,776	5,461	5,787	6,140
Short-term debt	2,772	1,962	1,962	1,962	1,962
Long-term debt	0	0	0	0	0
Provisions & other liab	2,229	2,620	2,736	2,857	2,984
Total liabilities	**10,777**	**10,358**	**10,159**	**10,606**	**11,086**
Shareholders' equity	10,471	11,247	12,181	13,228	14,386
Minority interests	494	521	656	812	990
Total equity	**10,965**	**11,768**	**12,837**	**14,040**	**15,376**
Net debt (Adj)	**-4,358**	**-5,218**	**-6,149**	**-6,725**	**-7,367**
Net debt to equity (Adj) (%)	-39.7	-44.3	-47.9	-47.9	-47.9

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	28.3	25.8	21.0	18.2	15.9
PB (x)	2.8	2.6	2.4	2.2	2.0
EV/EBITDA (x)	17.0	14.2	11.7	9.8	8.4
FCF yield (%)	9.7	1.8	6.3	5.5	6.2
Dividend yield (%)	1.4	1.6	2.0	2.4	2.9
Payout ratio (%)	38	40	42	44	46
ROE (%)	10.0	10.3	11.8	12.5	13.2

Cashflow (Rmbm)	2024	2025	2026E	2027E	2028E
EBITDA	1,476	1,688	1,986	2,290	2,606
Working capital	593	-112	225	-235	-269
Other	940	-765	-83	-126	-168
Operating cashflow	**3,008**	**811**	**2,128**	**1,929**	**2,169**
Capex	-187	-299	-309	-345	-385
Net acq/disposals	-20	-111	-313	-319	-326
Other	74	126	-127	-139	-153
Investing cashflow	**-134**	**-284**	**-749**	**-804**	**-865**
Dividends paid	-392	-449	-581	-703	-838
Financing cashflow	**-720**	**-512**	**-448**	**-549**	**-662**
Net change in cash	**2,155**	**11**	**931**	**576**	**642**
Free cashflow to s/holders	**2,821**	**512**	**1,819**	**1,584**	**1,784**

For definitions of the items in this table, please click here.

Prime Beneficiary of More UHV Line Development in China

Figure 1. Pinggao's 3Q26 and 9M26 results highlight

(Rmbm)	3Q26	YoY	QoQ	9M26	YoY	Comment for 9M26 results
Operating revenue	**2,778**	**1.4%**	**-5.0%**	**8,153**	**-3.4%**	
Less: Cost of sales	-1,942	-4.4%	-5.1%	-5,717	-9.5%	
Less: Business tax and surcharge	-17	-9.2%	17.3%	-56	3.6%	
Gross profit	**819**	**18.8%**	**-5.2%**	**2,379**	**15.4%**	
GP margin	*29.5%*	*4.3ppts*	*-0.1ppts*	*29.2%*	*4.7ppts*	
Less: Selling & distribution costs	-97	15.6%	20.1%	-237	-17.9%	* As % of revenue -0.5ppt yoy to 2.9% in 9M26
Less: Administrative expenses	-276	17.0%	24.2%	-674	7.4%	* As % of revenue +0.8ppt yoy to 8.3% in 9M26
						* R&D expenses -1.8% yoy to Rmb369m in 9M26
Less: Impairment loss of assets	-1	-251.0%	-98.6%	-76	180.1%	
Operating profit	**445**	**20.2%**	**-8.0%**	**1,392**	**24.4%**	
OP margin	*16.0%*	*2.5ppts*	*-0.5ppts*	*17.1%*	*3.8ppts*	
Less: Finance costs	11	-0.1%	233.9%	19	-51.9%	* Net cash position as at end 9M26
						* Interest income -15.8% yoy to Rmb46m in 9M26
Add: Other income	16	70.5%	-15.3%	59	82.4%	
Add: Investment income	25	157.6%	161.0%	47	57.6%	
Add: fair value gains	-9	360.5%	-331.8%	-1	-43.8%	
Add: Non-operating income	4	361.6%	318.2%	5	122.8%	
Less: Non-operating expenses	-3	471.5%	-34.4%	-9	359.6%	
Profit before tax	**488**	**22.4%**	**-5.3%**	**1,513**	**24.0%**	
Less: Income tax	-44	-25.5%	-51.5%	-207	28.0%	
Tax rate	*9.0%*	*-5.8ppts*	*-8.5ppts*	*13.7%*	*0.4ppts*	
Profit after tax	444	30.6%	4.5%	1,305	23.4%	
MI	-30	32.7%	29.8%	-74	-1.4%	
Net profit	**414**	**30.5%**	**3.1%**	**1,231**	**25.3%**	
NP margin	*14.9%*	*3.3ppts*	*1.2ppts*	*15.1%*	*3.5ppts*	
Less: one-off items						
Government grant	1	-67.7%	-92.6%	9	96.8%	
Other one-off items	-1	n/a	n/a	9	n/a	
Recurrent net profits	**415**	**31.5%**	**6.1%**	**1,213**	**24.2%**	
EPS (Rmb)	0.305	30.5%	3.1%	0.907	25.3%	

© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.

Source: Citi Research, Company Reports

Pinggao's net profit was up +25.3% yoy to Rmb1.231bn in 9M26, better than consensus estimates. GP margin expanded 4.7ppts yoy to 29.2% in the period driven primarily by the delivery of key UHV (Ultra-High Voltage) projects and initiatives to reduce costs and enhance efficiency. For 3Q26, revenue increased 14% yoy to Rmb2.778bn and net profit rose 30.1% yoy to Rmb414m. Operating cash flow remained in a net outflow position, while cash collection increased by Rmb1.3 bn yoy in 9M26 despite procurement expenditure rising Rmb1.6bn as the company shortened its payment cycles. Balance sheet remains robust with a net cash position.

Figure 2. Pinggao's new orders and orders on hand

(Rmbbn)	2023	1H24	9M24	2024	1H25	9M25	2025	1H26	9M26
New orders	14.5	8.33	12.2	16.5	8.7	12.2	17.3	9.3	13.9
YoY	19.6%	4.7%	8.80%	14.0%	4.2%	7.0%	12%	7.5%	13.9%
Orders on hand	15.1	17.0	16.8	12	15.5	16.0	n/a	15.9	16.5
YoY	53.0%	34.9%	29.2%	-20.5%	-8.8%	-4.8%	n/a	2.6%	3.1%

© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.

Source: Citi Research, Company Reports

Pinggao's new orders increased 13.9% yoy to Rmb13.9bn in 9M26, comprising Rmb11bn (+19% yoy) for high-voltage equipment, Rmb2.6bn (down yoy) for power distribution equipment (where there is intense competition) and Rmb260m for

international business. Orders on hand rose 3.1% yoy to Rmb16.5bn by end 3Q26, including Rmb14.5bn for high-voltage products, Rmb1.6 billion for power distribution equipment and Rmb300m for international projects. The pace of UHV infrastructure development has accelerated, with the budgeted capex in 15th Five-Year Plan period set to exceed the combined total of the 13th and 14th Five-Year Plan periods.

Figure 3. Pinggao's GIS ('gas insulated switchgears') delivery volume

(unit: Knots)	ASP (Rmbm)	2024	3Q25	9M25	2025	1Q26	2Q26	3Q26	9M26	2026E	2027E
1,000kV	70	14	0	3	11	5	2	4	11	15	20-30
750kV	16	97	38	65	93	n/a	n/a	42	86	100	up yoy
550kV	5	250	n/a	200	280	n/a	n/a	n/a	n/a	up yoy	up yoy
330kV	various	n/a	n/a	n/a	down yoy	n/a	n/a	n/a	n/a	flat yoy	flat yoy

© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.

Source: Company Reports, Citi Research Estimates

Pinggao sold 11 knots of 1,000kV GIS in 9M26, much more than only 3 in 9M25; it also delivered 86 knots of 750kV GIS in 9M26, well above 65 in 9M25. These increments were boosted by high volume of UHV tenders issued by State Grid in 2025, and the company had over one-third market share in high voltage GIS products. For 3Q26, it sold 4 knots of 1,000kV and 42 knots of 750kV GIS, both exceeding no sale of 1,000kV and 38 knots of 750kV GIS in 3Q25. The average sales prices were about Rmb70m for 1,000kV GIS and Rmb16m for 750kV GIS.

PRC UHV (Ultra-High Voltage) construction has accelerated since mid-2026. On 31 July, State Grid planned its capex for UHV line construction in the 15th FYP to exceed the total sum in the 13th and 14th FYPs. On 28 July, the Ganjiang–Gannan 1000kV AC project received official approval. By Sept end, the expansion of two AC substations in Ganzi and Aba, Sichuan, was also approved. On 21 Oct, three major projects—the second 1000kV AC line between Changzhi and Nanyang, and two DC (Direct Current) transmission lines (connecting Jiangmian to Sichuan and Badain Jaran to Sichuan) — received approval, with total investment of Rmb59.1bn. Regarding market bidding, the total value of UHV projects in the first four batches this year reached Rmb33bn, +50% yoy. Two more batches of equipment tendering are anticipated for the rest of 2026E.

Pinggao has ample orders on hand supporting its profit growth ahead. Its orders on hand include 51 knots of 1,000kV GIS (including 4 for Aba, 10 for Datong, 2 for Zhumadian expansion, 1 for Liantang expansion, 13 for Zhejiang loop network, 13 in Wenzhou, 2 for the Mengxi expansion, and 6 for projects outside the State Grid) and over 140 knots of 750kV GIS. According to the company, it will deliver at least 15 knots of 1,000kV GIS in 2026E, including 4 for Aba project in 4Q26E. Additionally, there are 3 knots of 1,000kV GIS for Zhumadian and Liantang expansions which would be delivered in 4Q26E or 1Q27E.

Figure 4. PRC UHV lines approvals in 2026E

Type	Project	Project (Chinese)	Generation end	Receiving end	Fuel type	Power Voltage	Investment (Rmbbn)	Length (km)	Approval Time	Completion time	Transmission capacity (MW)	Bidding/contracted time
Approved and expected to bid 2026E												
AC	Panzhihua - Xichang	攀枝花-西昌	Sichuan	Sichuan	Hydro	500kV	23.1	502	Oct-25	2028E	8,000	2026E
AC	Zhejiang	浙江环网	Zhejiang	Zhejiang	Wind + Hydro + Nuclear	1000kV	29.3	508	Dec-25	2029E		2026E
AC	Hami - Dunhuang	哈密-敦煌第三回	Xinjiang	Gansu	n/a	750kV	n/a	386	Feb-Mar 26	2028E		2026E
Expected to be approved and to be bidded 2026E												
DC	Shaanxi - Henan	陕西-河南	Shaanxi	Henan	Coal + Wind + Solar	±800 kV	19.2	728	2026E	2027E	8000	2026E
DC	Gansu - Sichuan	甘肃巴丹吉林-四川	Gansu	Sichuan	Coal + Wind + Solar + ESS	±800 kV	24.6	1,460	2026E	2028E		2026E
DC	Xinjiang - Sichuan-Chongqing	新疆-川渝	Xinjiang	Sichuan, Chongqing	Coal + Wind + Solar + ESS	±800 kV	31.1	1,996	2026E	2028E	8000	2026E
Expected to be approved 2026E												
DC	Songliao-Northern China	松辽-华北	Jilin	Northern China	n/a	±800 kV	n/a	1,031	2026E	n/a		
DC	Jinlin-Beijing	吉京直流	Jilin	Beijing	n/a	±800 kV	n/a	n/a	2026E	2029E	8,000	
AC	Jiangxi	鳍江-鳍南	Jiangxi	Jiangxi	n/a	1000kV	n/a	600	2026E	n/a		

© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.

Source: Citi Research, Company Reports

China's UHV development outlook looks bright in 2027E, supporting Pinggao's new orders outlook ahead. Feasibility studies are underway for several AC projects (including the westward extension of the "Eight North" lines, the Dalate project, the new Anhui Fuhao project, and various expansion projects). DC projects—such as Tengger–Jiangxi, the Kubuqi–Shanghai river-crossing project, Kubuqi–Jiangsu, the line from the Yangtze River region into Sichuan, and the Badain Jaran–Sichuan project—are expected to advance rapidly.

Pinggao's international segment may still incur losses this year, as overseas projects involve numerous uncertainties and complex execution environment. And the company said it might incur certain impairment losses in 4Q26E for certain obsolete assets.

Mild Net Profit Upward Revisions

Figure 5. Pinggao's profit forecast revision – New vs. Old

	New	Old	% change
Revenue (Rmbm)			
2026E	12,408	12,959	-4.2%
2027E	13,324	13,926	-4.3%
2028E	14,328	14,988	-4.4%
Operating profit (Rmbm)			
2026E	1,600	1,630	-1.8%
2027E	1,878	1,911	-1.8%
2028E	2,166	2,202	-1.7%
OP margin			
2026E	12.9%	12.6%	0.3ppts
2027E	14.1%	13.7%	0.4ppts
2028E	15.1%	14.7%	0.4ppts
Net profit (Rmbm)			
2026E	1,380	1,372	0.6%
2027E	1,594	1,585	0.6%
2028E	1,818	1,808	0.6%
NP margin			
2026E	11.1%	10.6%	0.5ppts
2027E	12.0%	11.4%	0.6ppts
2028E	12.7%	12.1%	0.6ppts
EPS (Rmb)			
2026E	1.017	1.011	0.6%
2027E	1.175	1.168	0.6%
2028E	1.340	1.332	0.6%
DCF (Rmb)	**24.60**	**24.50**	**0.4%**
Rating	**BUY**	**BUY**	

© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.

NB: The table shows gross sales (before deducting sales tax)

Source: Company Reports and Citi Research Estimates

We raise our 2026-28E net profit forecasts by ~1% on account of higher margins. Our DCF-based TP rises +0.4% to Rmb24.6/share.

Figure 6. Pinggao's net profit forecast – Citi vs consensus

Net profit (Rmbm)	Citi	Consensus	% diff
2026E	1,380	1,393	-0.9%
2027E	1,594	1,711	-6.8%
2028E	1,818	1,966	-7.5%

© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.

Source: Bloomberg, Citi Research

Key Assumptions

Figure 7. Segmental revenue (Rmbm)

Segment	2024	2025	2026E	2027E	2028E
High voltage products	7,698	7,747	8,522	9,374	10,311
yoy	25%	1%	10%	10%	10%
Mid-to-low voltage products & distribution products	3,242	3,264	2,611	2,611	2,611
yoy	11%	1%	-20%	0%	0%
International business	204	258	258	271	284
yoy	-72%	26%	0%	5%	5%
Maintenance and operation services & others	1,164	1,173	938	985	1,035
yoy	-1%	1%	-20%	5%	5%
Other non-major business	94	75	79	83	87
yoy	-18%	0%	5%	5%	5%
Gross Sales	12,402	12,517	12,408	13,324	14,328

© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.

Source: Citi Research, Company Reports

Figure 8. Segmental GP margin

Segment	2024	2025	2026E	2027E	2028E
High voltage products	25.5%	27.8%	31.3%	32.3%	33.3%
growth					
Mid-to-low voltage products & distribution products	16.0%	15.5%	15.0%	15.0%	15.0%
growth					
International business	-30.4%	-24.4%	5.0%	5.0%	5.0%
growth					
Maintenance and operation services & others	25.2%	28.9%	28.9%	28.9%	28.9%
growth					
Other non-major business	60.6%	79.9%	79.9%	79.9%	79.9%
growth					
Gross Sales	22.4%	23.9%	27.4%	28.4%	29.3%

© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.

Source: Citi Research, Company Reports

DCF Calculation

Figure 9. DCF Calculation

Rmbm	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Net Income		1,380	1,594	1,818	1,983	2,075	2,172	2,273	2,379	2,490	2,606
Less: Capex		-309	-345	-385	-430	-464	-501	-539	-580	-625	-672
Add: D&A		386	412	441	472	500	529	560	593	629	668
Less: Net Working Capital		-225	235	269	239	75	79	83	87	95	100
FCF		1,232	1,896	2,143	2,264	2,186	2,279	2,377	2,480	2,589	2,701
PV of Cash Flow		1,232	1,708	1,739	1,655	1,440	1,352	1,270	1,194	1,123	1,056

FCF in 2030E	2,701
Expected Terminal Growth Rate	4%
WACC	11%
Terminal Value	40,103
Discount Factor	2.84
NPV of Terminal Value	14,118
PV of Explicit Cash Flows	13,770
Less: net debt & minority interest	5,493
Total DCF	33,380
No. of Shares (m)	1,357
DCF/share (Rmb)	24.60

© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.

Source: Citi Research

Financial Statements & Key Ratios

Figure 10. Consolidated income statement (Rmbm)

Consolidated Income Statement	2024	2025	2026E	2027E	2028E
Gross Sales	**12,402**	**12,517**	**12,408**	**13,324**	**14,328**
(-) Sales tax	-99	-93	-92	-99	-107
Net sales	12,303	12,424	12,316	13,225	14,222
(-) Cost of sales	-9,629	-9,523	-9,005	-9,543	-10,124
Gross profit	**2,674**	**2,900**	**3,311**	**3,682**	**4,098**
(-) SG&A	-1,428	-1,494	-1,613	-1,705	-1,834
Other operating items	-137	-98	-98	-98	-98
EBIT	**1,108**	**1,308**	**1,600**	**1,878**	**2,166**
EBIT Margin	8.9%	10.5%	12.9%	14.1%	15.1%
(-) Depreciation & Amortization	-367	-380	-386	-412	-441
EBITDA	**1,476**	**1,688**	**1,986**	**2,290**	**2,606**
EBITDA Margin	11.9%	13.5%	16.0%	17.2%	18.2%
Total other non-operating items	62	163	163	163	163
Net interest income/expense	66	-74	-44	-50	-54
Adj Pretax profit	**1,273**	**1,431**	**1,751**	**2,024**	**2,308**
(-) Taxation	-154	-201	-236	-273	-312
(-) Minority interest	-96	-110	-135	-156	-178
Net income	**1,023**	**1,120**	**1,380**	**1,594**	**1,818**

© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.

Source: Citi Research, Company Reports

Figure 11. Consolidated cashflow statement (Rmbm)

Consolidated Cash Flow Statement	2024	2025	2026E	2027E	2028E
Net income	1,023	1,120	1,380	1,594	1,818
Depreciation and amortization	367	380	386	412	441
Interest/finance cost	2	2	2	2	2
Change in working capital	499	-473	110	-356	-397
Change in other current liabilities	94	360	115	121	127
Net change in operating assets & liabilities	**593**	**-112**	**225**	**-235**	**-269**
Other operating cash flow items	1,023	-578	135	156	178
Cash from operations	**3,008**	**811**	**2,128**	**1,929**	**2,169**
Investment in PP&E	-187	-299	-309	-345	-385
Proceeds from sale of PP&E	22	1	0	0	0
Purchase of long-term investments	-42	-112	-63	-69	-76
Total other investing cash flows	74	126	-127	-139	-153
Cash from investing activities	**-134**	**-284**	**-749**	**-804**	**-865**
Change in borrowings	-173	33	0	0	0
Equity raised/share buybacks	0	0	0	0	0
Dividends paid	-392	-449	-581	-703	-838
Interest paid	-152	-77	-2	-2	-2
Total other financing cash flows	-3	-19	135	156	178
Cash from financing activities	**-720**	**-512**	**-448**	**-549**	**-662**
Foreign exchange adjustment (non-operating)	1	-3	0	0	0
Change in cash	**2,155**	**11**	**931**	**576**	**642**
Opening cash	**4,922**	**7,077**	**7,180**	**8,111**	**8,688**
Closing cash	**7,077**	**7,088**	**8,111**	**8,688**	**9,330**

© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.

Source: Citi Research, Company Reports

Figure 12. Consolidated balance sheet (Rmbm)

Consolidated Balance Sheet	2024	2025	2026E	2027E	2028E
Cash and marketable securities	7,130	7,180	8,111	8,688	9,330
Accounts receivable	6,361	6,168	5,774	6,201	6,668
Inventory	1,547	1,765	1,750	1,879	2,020
Total other current assets	1,294	1,741	1,726	1,853	1,993
Total current assets	**16,332**	**16,854**	**17,361**	**18,620**	**20,011**
Net tangible fixed assets	2,151	2,178	2,263	2,371	2,503
Investments	621	631	694	763	840
Other non-current assets	1,458	1,267	1,394	1,533	1,686
Total intangible assets (excl. goodwill)	1,180	1,196	1,284	1,360	1,422
Total non-current assets	**5,410**	**5,272**	**5,635**	**6,027**	**6,451**
Total assets	**21,743**	**22,126**	**22,996**	**24,647**	**26,462**
Accounts payable	5,777	5,776	5,461	5,787	6,140
Short-term debt	2,772	1,962	1,962	1,962	1,962
Other short term liabilities	1,949	2,309	2,424	2,546	2,673
Current liabilities	**10,498**	**10,047**	**9,847**	**10,295**	**10,775**
Long-term debt	-	-	-	-	-
Other non-current liabilities	280	311	311	311	311
Non-current liabilities	**280**	**311**	**311**	**311**	**311**
Total liabilities	**10,777**	**10,358**	**10,159**	**10,606**	**11,086**
Minority interest - accumulated	493.9	521.0	656.0	812.0	989.9
Share capital	1,357	1,357	1,357	1,357	1,357
Retained earnings	3,487	4,261	5,194	6,242	7,399
Reserves & others	5,628	5,630	5,630	5,630	5,630
Shareholders' equity	**10,965**	**11,768**	**12,837**	**14,040**	**15,376**
Liabilities and shareholders' equity	**21,743**	**22,126**	**22,996**	**24,647**	**26,462**

© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.

Source: Citi Research, Company Reports

Figure 13. Key ratios

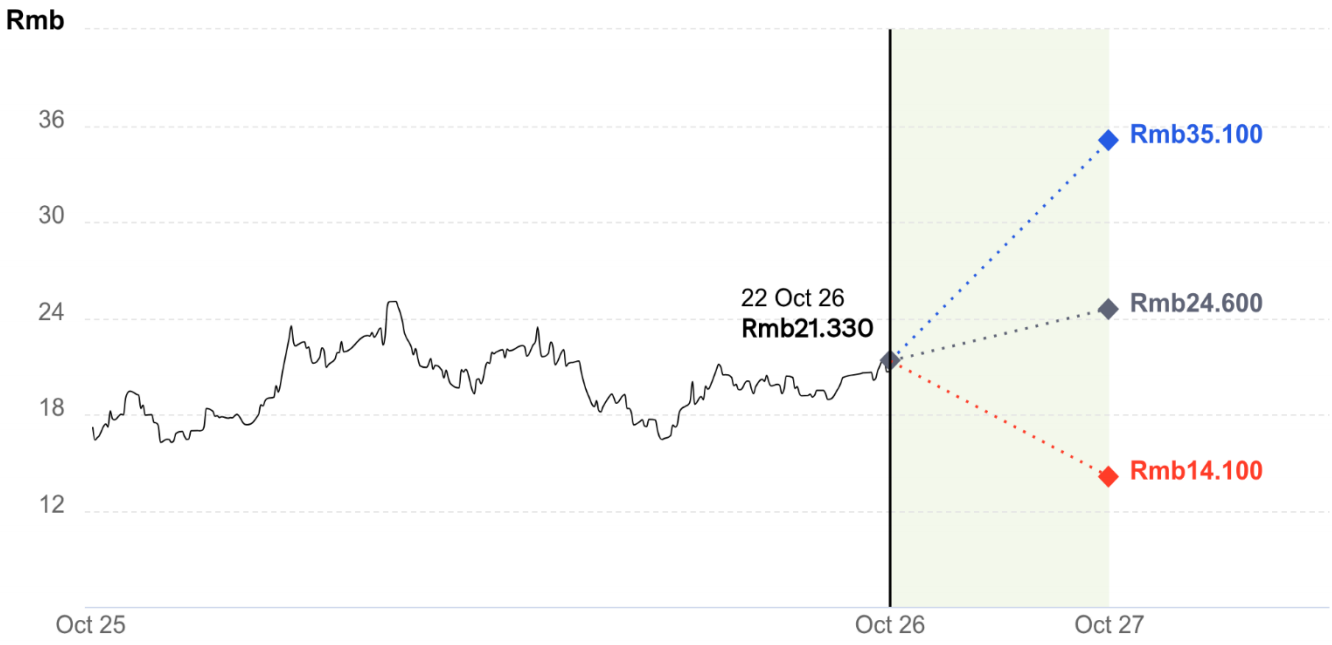
Key Ratios	2024	2025	2026E	2027E	2028E
Gross margin (%)	21.7%	23.3%	26.9%	27.8%	28.8%
Net margin (%)	8.3%	9.0%	11.2%	12.1%	12.8%
Net debt to total capital (x)	-0.3	-0.4	-0.4	-0.4	-0.4
Net debt to equity (x)	-0.40	-0.44	-0.48	-0.48	-0.48
Interest coverage ratio (x)	561	716	1,056	1,239	1,429
Debt to EBITDA ratio	1.9	1.2	1.0	0.9	0.8
EV/EBITDA (x)	20.0	17.5	14.8	12.9	11.3
ROA (%)	4.7%	5.1%	6.0%	6.5%	6.9%
ROE (%)	9.3%	9.5%	10.7%	11.4%	11.8%
Operating margin	9%	11%	13%	14%	15%
EPS	0.75	0.83	1.02	1.17	1.34
EPS growth (%)	25.3%	9.6%	23.2%	15.5%	14.0%
Three-year EPS growth (%)	19.2%	15.9%	17.5%	12.8%	9.2%

© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.

Source: Citi Research, Company Reports

Bull/Bear: Henan Pinggao Electric Co (600312.SS)

Rmb 35.100	Rmb 24.600	Rmb 14.100
▲65% Upside	▲15% Upside	▼34% Downside



Spread 98pp
Current Price and expected returns (upside/downside) as of 22 Oct 2026

BULL Assumptions

- High voltage products GP margin +5ppts
- Mid-to-low voltage products GP margin +5ppts
- SG&A expenses as of revenue -2ppts

BASE Assumptions

- Base case

BEAR Assumptions

- High voltage products GP margin -5ppts
- Mid-to-low voltage products GP margin -5ppts
- SG&A expenses as of revenue +2ppts



Henan Pinggao Electric Co

Company description

Pinggao Electric is a power grid equipment manufacturer in China. More than 70% of Pinggao's profit comes from high insulated electric appliance systems, in which the company has a domestic market share of 40%. In circuit breakers and high voltage switchgear, Pinggao has a market shares of around 40%. As a research station for PhD graduates, the company has a large advantage in technology development, in particular the technology for ultra-high voltage equipment.

Investment strategy

We have a Buy rating on Pinggao in view of its defensive business profile and relatively low investment risk. As a domestic power grid equipment provider, the company is largely insulated from overseas trade-related risks and is well-positioned to benefit from China's increasing UHV ('ultra-high voltage') transmission line investments. In addition, Pinggao is the industry leader with >30% market share in high voltage GIS ('gas insulated switchgears').

Valuation

Our target price for Pinggao of Rmb24.60/share is based on a DCF model, which we believe is a suitable valuation methodology given that cash flows are relatively stable for the power grid equipment industry in China. Our model incorporates our forecasts for cash flows up to 2030E and assumes a terminal growth rate of 4.0%. We apply a cost of equity of 11.0%, derived from a risk-free rate of 5.2%, a market risk premium of 6.8%, and an equity beta of 0.9x (according to Bloomberg). Our target price equates to 2027E P/E of 20.9x and P/B of 2.5x.

Risks

Key downside risks that could cause Pinggao's shares to trade below our target price include: (i) lower-than-expected approval process of UHV transmission line projects; (ii) higher-than-expected raw material costs; and (iii) lower-than-expected ASPs of GIS.

If you are visually impaired and would like to speak to a Citi representative regarding the details of the graphics in this document, please call USA 1-888-500-5008 (TTY: 711), from outside the US +1-210-677-3788

Appendix A-1

ANALYST CERTIFICATION

The research analysts primarily responsible for the preparation and content of this research report are either (i) designated by "AC" in the author block or (ii) listed in bold alongside content which is attributable to that analyst. If multiple AC analysts are designated in the author block, each analyst is certifying with respect to the entire research report other than (a) content attributable to another AC certifying analyst listed in bold alongside the content and (b) views expressed solely with respect to a specific issuer which are attributable to another AC certifying analyst identified in the price charts or