Shuanghuan Driveline (002472.SZ): 3Q26 in line; more focus on AI robotics gears with auto components outperforming industry on

Jacqueline Du
+852-2978-1783 |
jacqueline.du@gs.com
Goldman Sachs (Asia) L.L.C.

Shuanghuan reported broadly in-line 3Q26 results, with revenue/gross profit/operating profit/net profit of Rmb2,559mn/Rmb685mn/Rmb396mn/Rmb333mn, +14%/+14%/+16%/+4% yoy and +0%/+0%/-3%/-3% vs GSe. 3Q26 GPM/OPM/NPM came in at 27%/15%/13%, +0pp/+0pp/-1pp yoy and +0pp/-1pp/+0pp vs GSe. Per discussions with management, two important updates of company operations are 1) Positive progress with NEV gear samples in development for a North American NEV customer, scheduled to be sent in 1Q27 and supply to start in 2Q-3Q27E; We continue to forecast the company's NEV revenue to outperform industry trend in 2027E, delivering 16% revenue yoy growth (above GS China Auto team's forecast of 9% NEV production volume yoy growth, where an additional 4pp of growth will be driven by overseas sales growth and capacity ramp up, and 3pp of growth is from content value gain and co-axial gearbox penetration increase). 2) In addition to reduction gears for industrial robots, the company is making steady progress in AI robotics gears (with Rmb70mn revenue in 9M26, expected to reach c.Rmb150mn for 2026E, and subsequently more than doubling to Rmb400-500mn in 2027E, or 4% of total revenue). **It plans to participate across gear product categories, including integrated control module, reduction gear and other gear parts, where reduction gears involve not only harmonic reduction gears, planetary gearbox, single-stage cycloidal reduction gears, as well as miniature joints.**

3Q26 revenue breakdown and outlook by segments:

- **Auto gears: NEV revenue delivered 25% yoy growth in 3Q26 (c. Rmb1.3bn revenue), with overseas programs and coaxial products supporting 4Q growth.** Overseas programs are progressing, with gears and differential products in development, to be sent to the North American customer. Samples will be sent in 1Q27, followed by China supply in 2Q-3Q27 before production gradually shifts overseas. The company has also started supplying differential subassemblies to a European customer at about Rmb400 per vehicle. Coaxial product shipments are above 80k units per month, with monthly volume expected to reach 100k by year-end and continue to ramp quarterly in 2027. We continue to forecast company's NEV revenue to outperform industry trend in 2027E, delivering 16% revenue yoy growth (above GS China Auto team's forecast of 9% NEV production volume yoy growth, where an additional 4pp of growth will be driven by overseas sales growth and capacity ramp up, and 3pp of growth is from content value gain

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and co-axial gearbox penetration increase). **ICE** revenue was c.Rmb390mn in 3Q26, down 14% yoy, and is expected to decline by more than 10% yoy in 4Q. BorgWarner, ZF and Volkswagen's Dalian operations were relatively resilient, sustaining the company's less severe decline than the market.

- **Robotics gears: Reduction gear used in industrial robot and AI robotics remain key growth drivers, with steady progress and company's dedication to providing all major gear content.** Reduction gear revenue for industrial robots grew by more than 20% yoy in both 3Q26 and 9M26. AI robotics revenue was about Rmb70mn in 9M26 and is expected to reach c.Rmb150mn for 2026E; combined annual revenue is expected to exceed Rmb500mn. For 2027E, the company expects AI robotics revenue to more than double and reach Rmb400-500mn, including Rmb100-200mn from overseas customers. **It plans to participate across gear categories, including integrated control module, reduction gear and other gear parts, where reduction gears involve not only harmonic reduction gears, planetary gearbox, single-stage cycloidal reduction gears, as well as miniature joints.**
- **Others: Commercial vehicle** revenue was Rmb150mn, down 7% yoy; **Construction machinery** revenue grew 15% yoy, slower than in 2Q26, while the company continues to expect full-year growth of more than 20%, supported by Caterpillar's data center demand and share gains in overseas agricultural machinery; **Intelligent transmission gears** revenue was Rmb260mn in 3Q26, +34% yoy, with FY26 revenue expected to be about Rmb1.05bn.

Margins and cash flow: margins stayed resilient in 3Q26, with GPM/OPM/NPM came in at 27%/15%/13%, +0pp/+0pp/-1pp yoy. R&D expense increased by 17% yoy in the quarter, slightly faster than revenue growth, offset by a slower growth of selling and administrative expense at 6% yoy. Net profit was affected by FX loss of roughly Rmb8mn in the quarter. Cash flow from operations remained healthy, equivalent to 94% of net profit.

We tweak our 2026-30E EPS by -5%~3% to reflect the results and higher revenue potential in AI robotics. Consequently, our new 12-m TP is now at Rmb45.7 (Rmb45.5 prior), still based on 2027E target P/E of 25x (unchanged).

Exhibit 1: Shuanghuan 3Q26 financial summary

Shuanghuan (002472.SZ)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	yoy	qoq	Prior 3Q26 GSe	Diff
Revenue (Rmb mn)	2,065	2,164	2,237	2,646	2,095	2,463	2,559	14%	4%	2,550	0%
Gross profit (Rmb mn)	554	591	601	746	577	643	685	14%	7%	689	0%
EBIT (Rmb mn)	330	340	340	431	324	360	396	16%	10%	408	-3%
Net profit (Rmb mn)	276	301	321	363	284	303	333	4%	10%	344	-3%
EPS (Rmb)	0.33	0.36	0.38	0.43	0.33	0.36	0.39	4%	10%	0.40	-3%
Gross margin (Rmb mn)	27%	27%	27%	28%	28%	26%	27%	0pp	1pp	27%	0pp
EBIT margin (Rmb mn)	16%	16%	15%	16%	15%	15%	15%	0pp	1pp	16%	-1pp
Net margin (Rmb mn)	13%	14%	14%	14%	14%	12%	13%	-1pp	1pp	13%	0pp

Source: Company data, Goldman Sachs Global Investment Research

Investment thesis, valuation methodology and risks

Investment Thesis - Shuanghuan Driveline

Shuanghuan Driveline is one of the largest gear manufacturers in China and one of the few capable of producing high-precision gears. We believe Shuanghuan's EV gear revenue will deliver an 18% CAGR in 2026-30E, driven by rising content value from higher co-axial gearbox penetration and market share gains in ex-China markets. In parallel, Shuanghuan is proactively developing new growth drivers in intelligent transmission gears, for which we forecast a 27% CAGR in 2026-30E, expanding applications from robotic vacuum cleaners to e-bikes and intelligent vehicles, while also conducting R&D on robotic reduction gears and cooperating with more industrial and humanoid robot OEMs on new reduction gear designs. We forecast 15%/16% firmwide revenue/net profit CAGR in 2026-30E, reflecting internal operational efficiency improvements that should offset lower margins at overseas factories in Hungary and potentially Vietnam. We are Buy rated on consistently better-than-expected margins and operational resilience, and we believe future catalysts include faster overseas passenger-vehicle gear share gains and better-than-expected GPM improvement.

Price Target Risks and Methodology - Shuanghuan Driveline

Valuation and risks: Our 12-month TP of Rmb45.7 is based on 25x 2027E P/E.

Downside risks: 1) Lower-than-expected market share in NEV segment; 2) lower-than-expected new energy revenue outlook; 3) lower-than-expected industrial robot gears revenue.

002472.SZ	12m Price Target: **Rmb45.70**	Price: **Rmb41.00**	Upside: **11.5%**

Buy

Market cap: Rmb34.8bn / $5.2bn
Enterprise value: Rmb36.3bn / $5.4bn
3m ADTV: Rmb854.1mn / $127.2mn
China
China Industrial Tech & Machinery
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn) New	**9,112.2**	**10,041.5**	**11,405.9**	**12,990.0**
Revenue (Rmb mn) Old	9,112.2	10,021.8	11,371.0	12,876.4
EBITDA (Rmb mn)	2,359.6	2,531.5	2,879.4	3,184.2
EPS (Rmb) New	**1.48**	**1.52**	**1.83**	**2.11**
EPS (Rmb) Old	1.48	1.59	1.82	2.08
P/E (X)	24.8	26.9	22.4	19.4
P/B (X)	3.1	3.1	2.8	2.5
Dividend yield (%)	0.8	0.6	0.7	0.8
CROCI (%)	16.0	11.7	14.5	15.0

	6/26	9/26	12/26E	--
EPS (Rmb)	0.36	0.39	0.44	–

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 26 Oct 2026 close.

