UOBKayHian

Company – Results | Greater China

Thursday, 27 August 2026

Shuanghuan Driveline (002472 CH)

2Q26: Bottom Line Misses On Margins; Growth In 2H Intact

Highlights

- 2Q26 bottom line missed our estimate by 3.0% despite a 5.7% beat in revenue, as margins were worse than expected due to dilution amid overseas capacity ramp up.
- Forward guidance remains solid, with most key businesses expected to grow sequentially, and profitability should improve as production continues to ramp up. Forex might be a lingering issue due to elevated contribution from the EU.
- Maintain BUY but cut target price to Rmb50.00.

2Q26 Results

Year to 31 Dec (Rmbm)	2Q25	1Q26	2Q26	yoy (%)	qoq (%)
Revenue	2,164	2,095	2,463	13.8	17.6
Gross Profit	591	577	643	8.9	11.4
Operating Profit	374	360	409	9.4	13.5
Reported NP	301	284	303	0.5	6.5
Margin (%)					
GPM (%)	27.3	27.5	26.1	(1.2)	(1.4)
OPM (%)	17.3	17.2	16.6	(0.7)	(0.6)
NPM (%)	13.9	13.6	12.3	(1.6)	(1.3)

Source: Shuanghuan Driveline, UOB Kay Hian

Analysis

- **2Q26 revenue beat, but bottom line missed on weaker margins.** Shuanghuan Driveline's (Shuanghuan) 2Q26 revenue grew 13.8% yoy and 17.6% qoq to Rmb2.5b, with growth mainly driven by EV gears (+21% yoy), construction machinery gears (+28% yoy), and robotic reducers (>+20% yoy). Gross margin however declined 1.2ppt yoy and 1.4ppt qoq to 26.1% as the lower-margin Hungary plant (~Rmb200m revenue in 1H26) started to ramp up, while some new capacity was also in the early ramp-up phase. With the opex ratio largely in line with expectations, and an a Rmb22m forex loss from a weakening euro/US$ against Rmb, net profit grew 0.5% yoy and 6.5% qoq to Rmb303m, which is around 3.0%/5.0% below our/consensus estimates.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	8,781	9,112	10,094	11,470	12,830
EBITDA	2,121	2,519	2,765	3,088	3,457
Operating profit	1,351	1,606	1,780	2,176	2,497
Net profit	1,024	1,262	1,438	1,754	2,047
Net profit (adj.)	1,001	1,204	1,468	1,754	2,047
EPS (Fen)	122.3	148.4	169.2	206.3	240.8
P/E (x)	29.1	24.0	21.0	17.3	14.8
P/BV (x)	3.4	3.0	2.7	2.4	2.1
EV/EBITDA (x)	18.3	15.4	14.0	12.6	11.2
Dividend yield (%)	0.6	1.3	0.6	0.7	0.8
Net margin (%)	11.7	13.8	14.2	15.3	16.0
Net debt to equity (%)	12.5	9.0	(12.2)	(12.7)	(32.9)
Interest cover (x)	35.6	34.2	53.9	26.4	46.6
ROE (%)	11.9	12.8	13.9	14.8	15.1
Consensus net profit	-	-	1,444	1,687	1,967
UOBKH/Consensus (x)	-	-	1.00	1.04	1.04

Source: Shuanghuan Driveline, Bloomberg, UOB Kay Hian

Analyst(s)

Johnny Yum
johnny.yum@uobkh.com
+852 2235 6760

Murphy Li
murphy.li@uobkh.com
+852 2826 4867

BUY (Maintained)

Share Price	Rmb35.60
Target Price	Rmb50.00
Upside	+40.4%
Previous TP	Rmb52.00

Stock Data

Sector	Auto parts
Bloomberg ticker	002472 CH
Shares issued (m)	850
Market cap (Rmbm)	30,260
Market cap (US$m)	4,461
3-mth avg daily t'over (US$m)	227.0

Price Performance (%)

52-week high/low: Rmb53.50 / Rmb34.73

1mth	3mth	6mth	1yr	YTD
0.7	(20.4)	(14.7)	(5.1)	(24.9)

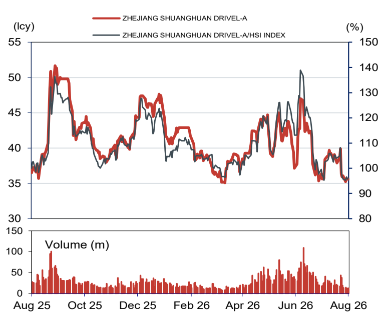
Major Shareholders (%)

Wu Changhong	7.1
Li Shaoguang	4.2

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	13.02
FY26 Net Cash/Share (Rmb)	1.59

Price Chart



Source: Bloomberg

Company Description

Shuanghuan Driveline produces and sells gears & shafts. The company's products are widely used in the field of automobiles, motorcycles, power tools and heavy equipment.

- **2Q26 performance by sector:** While quarterly split is not disclosed in the announcement, management provided some growth/contribution guidance for its major segments, and here are our estimates: a) ICE-gear registered a meaningful decline, estimated to be around 14% yoy, at around Rmb390m, or 16% of total revenue; b) EV-gears re-accelerated to 21% yoy growth at Rmb1.1b; c) construction machinery gears also registered a solid growth of around 28% to Rmb240m; d) CV-gears' revenue grew by high single-digit % to Rmb175m-180m; e) robotic reducers are estimated to have registered over 20% yoy growth at around Rmb220m; and f) the smart actuator business registered a single-digit % yoy growth at about Rmb240m.
- Note that the robotics and smart actuator businesses' revenue was above our expectation, EV gears, CV gears and construction machinery were largely in line, while the ICE-car gear business was worse than expected.
- **Guidance for 2H26:** The ICE-car gear business is expected to remain sluggish in 2H26 but the yoy decline will narrow; the EV gear business will remain strong, driven by overseas demand, accelerating coaxial gearbox penetration, and differential gear volume roughly doubling this year; construction machinery gears should sustain sequential growth, while smart actuators could register a better 2H compared with 1H.
- **Hungary plant is aiming for 5% net margin as first target.** The Hungary plant registered around Rmb200m in revenue in 1H26, and a positive net margin of 1-2%. Its key priority is to secure more orders and design wins to support operating scale, which is expected to continue ramping up through 2H26, and management now has a 5% net margin as its initial target. That said, although expected, we believe the market would have wanted the company to achieve new design wins with new clients such as BMW in this part.
- **Smart actuators at a transitional period in 2Q, E bikes and autos as new growth drivers in 2H26.** Shuanghuan gave up on some lower-margin home appliance orders to focus on profitability and new business developments such as E bike and autos, and the company is now expecting 2H to deliver better growth vs 1H. Its overall strategy to focus on large downstream verticals and large clients remains unchanged.

Valuation/Recommendation

- **Maintain BUY, but trim target price to Rmb50.00.** We are rolling over to our 2027 estimates, and our target price of Rmb50.00 is based on 24.2x 2027F PE, which is pegged to 1.1x PEG (down from 1.2x due to elevated margin pressure in the near term).

Earnings Revision/Risk

- We fine-tune our 2026-28 estimates and our net profit forecasts are adjusted down by 2.3%/0.2%/1.2% to Rmb1.4b/Rmb1.8b/Rmb2.0b respectively, as we revised down our margin assumptions on PV gears, smart actuators and robotic reducers.

Changes To 2026-28 Estimates

	------------ Estimated results/OLD Estimates -----------			----------- Actual Results/New estimates ---------			------------------- Change (%) ----------------		
(Rmbm)	2026F	2027F	2028F	2026F	2027F	2028F	2026F	2027F	2028F
Revenue (Rmbm)	10,094	11,470	12,830	10,094	11,470	12,830	-	-	-
PV gears	6,449	7,123	7,614	6,449	7,123	7,614	-	-	-
CV gears	682	772	867	682	772	867	-	-	-
Other gears	2,964	3,575	4,350	2,964	3,575	4,350	-	-	-
Margin (%)	28.0	28.8	29.3	27.7	28.8	29.3	(0.3)	-	-
PV gears	26.6	27.4	27.9	26.5	27.4	27.9	(0.1)	-	-
CV gears	28.8	28.9	29.0	28.8	28.9	29.0	-	-	-
Other gears	30.9	31.5	31.7	30.2	31.5	31.7	(0.7)	-	-
EBIT (Rmbm)	1,818	2,176	2,523	1,780	2,176	2,497	(2.1)	-	(1.0)
Net profit (Rmbm)	1,472	1,756	2,072	1,438	1,754	2,047	(2.3)	(0.2)	(1.2)

Source: Shuanghuan Driveline, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	9,112	10,094	11,470	12,830
EBITDA	2,519	2,765	3,088	3,457
Depreciation & amortization	(913)	(985)	(912)	(960)
EBIT	1,606	1,780	2,176	2,497
Total other non-operating income	(54)	(30)	-	-
Associate contributions	-	-	-	-
Net interest income/(expense)	(47)	(33)	(82)	(54)
Pre-tax profit	1,505	1,717	2,093	2,443
Tax	(180)	(206)	(251)	(293)
Minorities	(64)	(73)	(89)	(103)
Net profit	1,262	1,438	1,754	2,047
Net profit (recurrent)	1,204	1,468	1,754	2,047

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	7,219	7,020	6,791	6,515
Other LT assets	3,103	3,132	3,148	3,165
Cash/ST investment	2,367	5,089	5,351	8,956
Other current assets	6,073	4,144	7,030	5,218
Total assets	18,763	19,384	22,320	23,854
ST debt	3,122	3,322	3,522	3,722
Other current liabilities	4,230	3,594	4,662	4,031
LT debt	274	274	274	274
Other LT liabilities	626	626	626	626
Shareholders' equity	10,018	10,971	12,550	14,411
Minority interest	492	567	655	760
Total liabilities & equity	18,763	19,354	22,290	23,824

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	2,391	3,478	1,216	4,116
Pre-tax profit	1,505	1,717	2,093	2,443
Tax	(180)	(206)	(251)	(293)
Depreciation/amortization	913	985	912	960
Associates	-	-	-	-
Working capital changes	(41)	949	(1,620)	952
Non-cash items	194	33	82	54
Other operating cashflows	192	(30)	-	-
Investing	(2,293)	(800)	(700)	(700)
Capex (growth)	(2,069)	(800)	(700)	(700)
Investments	(209)	-	-	-
Proceeds from sale of assets	21	-	-	-
Others	(36)	-	-	-
Financing	1,092	(224)	(55)	(64)
Dividend payments	-	-	-	-
Issue of shares	202	-	-	-
Proceeds from borrowings	4,110	2,500	2,500	2,500
Loan repayment	(2,620)	(2,300)	(2,300)	(2,300)
Others/interest paid	(600)	(424)	(255)	(264)
Net cash inflow (outflow)	1,190	2,454	461	3,352
Beginning cash & cash equivalent	1,189	2,367	4,821	5,283
Ending cash & cash equivalent	2,367	4,821	5,283	8,634

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	27.3	27.7	28.8	29.3
Pretax margin	16.5	17.3	18.3	19.0
Net margin	13.8	14.2	15.3	16.0
ROA	7.0	7.7	8.4	8.8
ROE	12.8	13.9	14.8	15.1
Growth				
Turnover	3.8	10.8	13.6	11.9
Gross profit	13.4	12.4	17.9	13.8
Pre-tax profit	25.1	14.1	22.0	16.7
Net profit	23.2	14.0	22.0	16.7
Net profit (adj)	20.3	21.9	19.5	16.7
EPS	18.5	21.9	19.5	16.7
Leverage				
Debt to total capital	2.8	2.7	2.4	2.2
Debt to equity	5.3	4.8	4.2	3.7
Net debt to equity	9.0	(12.2)	(12.7)	(32.9)
Interest cover (x)	34.2	53.9	26.4	46.6

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