

Shuanghuan Driveline (002472 CH)

3Q26: Earnings In Line, Emerging Segments To Grow

Highlights

- Shuanghuan's 3Q26 results were broadly in line. Revenue grew 14% yoy and gross margin recovered 0.7ppt qoq to 26.8%; net profit was slightly below expectations, growing 3.8% yoy to Rmb333m due to a higher opex.
- Overseas order growth is accelerating, with mounting orders momentum from leading global OEMS. The penetration of coaxial reducers is also expected to accelerate at over 1-2x yoy growth in 2027 from a low base.
- Maintain BUY and raise target price slightly to Rmb52.00.

3Q26 Results

Year to 31 Dec (Rmbm)	3Q25	2Q26	3Q26	yoy (%)	qoq (%)
Revenue	2,237	2,463	2,559	14.4	3.9
Gross Profit	601	643	685	14.1	6.6
Operating Profit	393	409	435	10.5	6.3
Reported NP	321	303	333	3.8	10.2
Margin (%)					
GPM (%)	26.8	26.1	26.8	(0.1)	0.7
OPM (%)	17.6	16.6	17.0	(0.6)	0.4
NPM (%)	14.4	12.3	13.0	(1.3)	0.7

Source: Shuanghuan Driveline, UOB Kay Hian

Analysis

- Revenue in line, higher operating expenses dragged earnings.** Shuanghuan Driveline's 3Q26 revenue was up 14.4% yoy and 3.9% qoq to Rmb2,559m, largely in line; gross margin was also in line, down 0.1ppt yoy and expanding 0.7ppt qoq to 26.8%. Operating profit was slightly below expectations, growing 10.5% yoy and 6.3% qoq to Rmb435m due to higher opex, and as a result reported net profit was a slight miss at Rmb333m, growing 3.8% yoy and 10.2% qoq.
- NEV gears, intelligent actuators and robotics continued to drive revenue growth.** New energy vehicle (NEV) gears grew 26% yoy in 3Q26, intelligent actuators rose 31% yoy, robotics (industrial RV + harmonic) expanded around 20% yoy in 3Q26, and construction machinery gears grew 10% yoy in 3Q26. ICE-car gears continue to drag the overall growth, with revenue declining 14% yoy in 3Q26, and commercial vehicle gears also seeing a slowdown in momentum with revenue declining about 7% yoy during the quarter.

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	2,695	3,017	3,418
Operating profit	1,351	1,606	1,710	2,105	2,458
Net profit	1,024	1,262	1,379	1,692	2,012
Net profit (adj.)	1,001	1,204	1,409	1,692	2,012
EPS (Fen)	122.3	148.4	162.2	199.1	236.7
P/E (x)	33.9	27.9	25.5	20.8	17.5
P/BV (x)	3.9	3.5	3.2	2.8	2.5
EV/EBITDA (x)	20.6	17.3	16.2	14.5	12.8
Dividend yield (%)	0.5	1.1	0.5	0.6	0.7
Net margin (%)	11.7	13.8	13.7	14.8	15.7
Net debt to equity (%)	12.5	9.0	(11.6)	(11.9)	(32.1)
Interest cover (x)	35.6	34.2	50.7	25.0	43.6
ROE (%)	11.9	12.8	13.4	14.4	15.0
Consensus net profit	-	-	1,463	1,717	1,992
UOBKH/Consensus (x)	-	-	0.94	0.99	1.01

Source: Shuanghuan Driveline, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Rmb41.41
Target Price	Rmb52.00
Upside	+25.6%
Previous TP	Rmb50.00

Stock Data

Sector	Auto parts
Bloomberg ticker	002472 CH
Shares issued (m)	850
Market cap (Rmbm)	35,198
Market cap (US\$m)	5,240
3-mth avg daily t'over (US\$m)	130.1

Price Performance (%)

52-week high/low			Rmb49.47 / Rmb32.31	
1mth	3mth	6mth	1yr	YTD
6.3	13.9	7.6	(5.2)	(12.7)

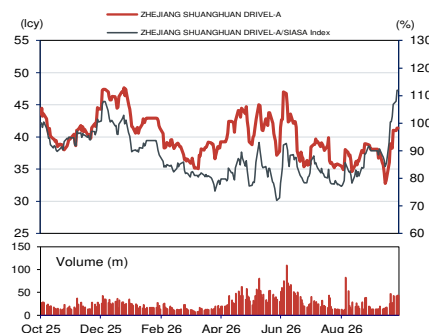
Major Shareholders (%)

Wu Changhong	7.1
Li Shaoguang	4.2

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	12.95
FY26 Net Cash/Share (Rmb)	1.50

Price Chart



Source: Bloomberg

Company Description

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

- **Coaxial reducer penetration and overseas orders to support NEV growth going forward.** Management stated that coaxial gears are expected to see a faster penetration in NEVs, with overseas momentum starting to pick up, including several full-assembly projects with global Tier 1 OEMs. Its Hungary plant on the other hand is ramping up its production steadily and is seeing robust demand from local European clients. Management is also not concerned with the US' current FCC rule and the EU's potential restrictions towards Chinese export goods, given its established bases in Hungary and Vietnam which will help circumvent potential export barriers.
- **Embodied robots business still picking up but management confident about achieving a dominant share globally.** Management highlighted that unlike automobile OEMs, embodied robots OEMs are far more open in the introduction of external component suppliers. Coupled with the fact that embodied robots have a high requirement on reducer precision, Shuanghuan Driveline (Shuanghuan) is confident of eventually securing a dominant share of the global market. The company is integrating operations and sharing resources between the parent company and its robotic reducer subsidiary, Fine-Motion, while looking to increase investment in relatively underdeveloped product categories, such as harmonic reducers, to complete its product portfolio.

Valuation/Recommendation

- **Maintain BUY and raise target price slightly to Rmb52.00**, now based on a higher 2027F PE of 26.1x, still pegged to 1.3x forward PEG. We believe Shuanghuan deserves to trade at a premium valuation given its dominant position in the global NEV/robotic reducer market, and the vast opportunities from the embodied AI investment trend going forward.

Earnings Revision/Risk

- We trim our 2026-28 net profit estimates by 4.1%/3.5%/1.7% respectively to Rmb1,379m/Rmb1,692m/Rmb2,012m. We have mainly factored in a lower margin assumption for PV-gears (including both ICE-car and NEV gears) and CV gears.

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 (%)	27.7	28.8	29.3	27.0	28.1	29.0	(0.7)	(0.6)	(0.3)
PV gears	26.5	27.4	27.9	25.5	26.5	27.5	(1.0)	(0.9)	(0.4)
CV gears	28.8	28.9	29.0	28.0	28.0	28.0	(0.8)	(0.9)	(1.0)
Other gears	30.2	31.5	31.7	30.2	31.5	31.7	-	-	-
EBIT (Rmbm)	1,780	2,176	2,497	1,710	2,105	2,458	(3.9)	(3.3)	(1.6)
Net profit (Rmbm)	1,438	1,754	2,047	1,379	1,692	2,012	(4.1)	(3.5)	(1.7)

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	2,695	3,017	3,418
Depreciation & amortization	(913)	(985)	(912)	(960)
EBIT	1,606	1,710	2,105	2,458
Total other non-operating income	(54)	(30)	-	-
Associate contributions	-	-	-	-
Net interest income/(expense)	(47)	(34)	(84)	(56)
Pre-tax profit	1,505	1,646	2,020	2,402
Tax	(180)	(198)	(242)	(288)
Minorities	(64)	(70)	(86)	(102)
Net profit	1,262	1,379	1,692	2,012
Net profit (recurrent)	1,204	1,409	1,692	2,012

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	2,391	3,408	1,162	4,077
Pre-tax profit	1,505	1,646	2,020	2,402
Tax	(180)	(198)	(242)	(288)
Depreciation/amortization	913	985	912	960
Associates	-	-	-	-
Working capital changes	(41)	941	(1,612)	948
Non-cash items	194	34	84	56
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	(225)	(50)	(59)
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)	(425)	(250)	(259)
Net cash inflow (outflow)	1,190	2,383	413	3,318
Beginning cash & cash equivalent	1,189	2,367	4,751	5,163
Changes due to forex impact	(12)	-	-	-
Ending cash & cash equivalent	2,367	4,751	5,163	8,481

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

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	27.3	27.0	28.1	29.0
Pretax margin	16.5	16.6	17.6	18.7
Net margin	13.8	13.7	14.8	15.7
ROA	7.0	7.4	8.1	8.7
ROE	12.8	13.4	14.4	15.0
Growth				
Turnover	3.8	10.8	13.6	11.9
Gross profit	13.4	9.6	18.3	15.1
Pre-tax profit	25.1	9.4	22.8	18.9
Net profit	23.2	9.3	22.8	18.9
Net profit (adj)	20.3	17.0	20.1	18.9
EPS	18.5	17.0	20.1	18.9
Leverage				
Debt to total capital	2.8	2.7	2.4	2.2
Debt to equity	5.3	4.9	4.3	3.7
Net debt to equity	9.0	(11.6)	(11.9)	(32.1)
Interest cover (x)	34.2	50.7	25.0	43.6

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