

Shuanghuan Driveline (002472 CH)

Accelerated Overseas Expansion and Diversified Product Portfolio Advance in Tandem

China | Automobile Components | Company Report

26 June 2025

Company profile:

Shuanghuan Driveline specializes in the manufacturing of gear transmission products, with the gear business accounting for about 80% of the Company's total business. The Company has gradually shifted from traditional gear products to high-precision gears and parts. Its main products span gear products (gears for passenger vehicles, commercial vehicles, engineering machinery, motorcycles and electric tools), reducers and other products, which are mainly applied in the electric drive systems, gearboxes and axles of vehicles, as well as electric tools, rail transit, wind power, industrial robots and other sectors. The Company operates five production bases in Zhejiang, Jiangsu, Chongqing, Dalian and other places.

Investment Summary

Strong Performance in New Energy Business Drives Rapid Net Profit Growth

In 2024, the Company recorded revenue of RMB8,781 million (RMB, the same below), up 8.76% yoy; net profit attributable to the parent company amounted to RMB1,024 million, up 25.42% yoy; net profit attributable to the parent company excluding non-recurring items was RMB1,001 million, up 24.64% yoy. EPS was RMB1.22, with a dividend per share of RMB0.226, representing a dividend payout ratio of 18.5%.

In Q1 2025, the Company reported revenue of RMB2,065 million, down 0.47% yoy, mainly due to the contraction of the steel trading business. Excluding this impact, core business revenue grew 12.5% yoy; net profit attributable to the parent company reached RMB276 million, up 24.70% yoy; and net profit attributable to the parent company excluding non-recurring items was RMB269 million, up 28.27% yoy.

Among the various business segments, the new energy vehicle (NEV) gear business delivered standout performance. In 2024, this segment generated revenue of RMB3.37 billion, accounting for 38.38% of the Company's total revenue, up 51.21% yoy, showing a strong upward trend. In Q1 2025, this segment continued to grow at a pace exceeding that of downstream NEV sales, further increasing its share of total revenue and becoming a key driver of performance growth.

The traditional internal combustion engine (ICE) vehicle gear segment recorded revenue of RMB1,954 million in 2024, down 1.99% yoy. In Q1 2025, this segment remained stable, with a yoy decline of approximately 5%.

The intelligent actuator segment posted revenue growth of over 69% yoy in 2024 and maintained a similar growth rate in Q1 2025.

The commercial vehicle gear segment saw a revenue decline of 18.01% yoy in 2024, mainly due to a significant yoy decrease in H2 2023. However, Q1 2025 revenue data suggests a gradual recovery from the bottom, with revenue surpassing that of Q3 and Q4 2024, although still down on a yoy basis. The Company is intensifying efforts to expand its presence in the commercial vehicle market by actively targeting leading overseas clients and strategically investing in NEV e-drive gear products for commercial vehicles.

The construction machinery gear segment remained stable across all quarters of 2024 and Q1 2025, with revenue in Q1 2025 performing slightly better than that in Q3 and Q4 2024..

Accumulate (Upgrade)

CMP CNY 31.27

(Closing price as at 24 June)

TARGET CNY 35 (+11.93%)

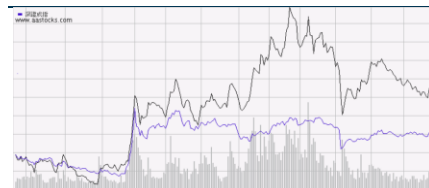
COMPANY DATA

O/S SHARES (MN) :	848
MARKET CAP (CNY MN) :	26508
52 - WK HI/LO (CNY):	42.7/ 18.47

SHARE HOLDING PATTERN, %

Mr Yip	19.3
--------	------

PRICE VS. SHCOMP



Source: Aastocks, Phillip Securities (HK) Research

KEY FINANCIALS

CNY mn	FY24	FY25E	FY26E	FY27E
Net Sales	8781	10374	11792	13508
Net Profit	1024	1252	1460	1752
EPS, CNY	1.22	1.48	1.72	2.07
P/E, x	25.6	21.2	18.2	15.1
BVPS, CNY	10.40	11.60	12.97	14.62
P/BV, x	3.0	2.7	2.4	2.1
DPS (CNY)	0.23	0.28	0.35	0.42
Div. Yield (%)	0.7%	0.9%	1.1%	1.3%

Source: Company reports, Phillip Securities Est.

Research Analyst

Zhangjing (+ 86 21-6351 2939)

zhangjing@phillip.com.cn

Improved Sales Structure Significantly Boosts Gross and Net Margins

The Company's gross margin increased from 22.24% in 2023 to 25.01% in 2024, up 2.8ppts yoy. In Q1 2025, gross margin further rose to 26.82%, up 4.17ppts yoy. This improvement was mainly due to a reduced share of low-margin steel trading and the scale effects of high value-added passenger vehicle gear business.

The Company maintained effective cost control and stable expense ratios: the period expense ratio stood at 10.59% in 2024, up 0.3ppt yoy, with selling/administration/R&D/financial expense ratios at 0.98%/3.99%/5.19%/0.43%, respectively, representing yoy changes of -0.03/-0.08/+0.44ppts/flat. In Q1 2025, the respective ratios were 1.0%/3.8%/5.4%/0.4%, up 0.06/0.1/0.6/-0.03ppts yoy, benefiting from ongoing cost reduction and efficiency enhancement measures, as well as scale effects. The Company will continue to implement such initiatives in the coming years, including smart manufacturing and big data systems. The rise in R&D expense ratio reflects sustained investment in innovation.

The Company's net profit margin reached 11.66% in 2024, up 1.55ppts yoy; and rose further to 13.37% in Q1 2025, up 2.7ppts yoy, indicating continued improvement in profitability.

Accelerated Overseas Expansion and Diversified Product Portfolio Advance in Tandem

In the high-profile NEV gear field, the Company had established an annual production capacity of 6,500 thousand sets for NEV transmission gear shafts by the end of 2024, with full capacity utilisation. The production base for NEV transmission components in Hungary is currently in the equipment commissioning phase, with capacity to be gradually released based on existing orders. As construction of the Hungary plant progresses, delivery lead times and logistics costs will be reduced, laying a solid foundation for further global market expansion.

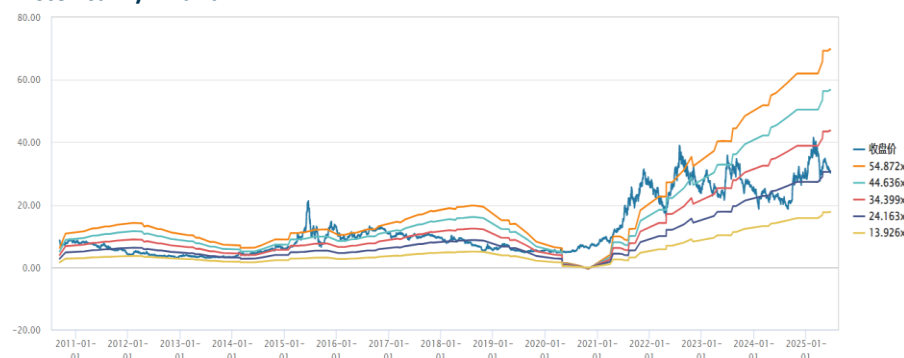
Centred on gear technology, the Company continues to advance its diversified product layout. Looking ahead to the next two to three years, development across business segments includes: first, driven by growing sales of domestic B-class and above models, demand for high-precision, low-noise gear products is surging. As a leading player in China's NEV gear market, the Company is expected to further increase its market share by leveraging its technological advantages and optimising its sales structure. Additionally, the coaxial reducer gear (used in industrial robots) and intelligent actuator (used in robotic vacuum cleaners) segments offer vast market potential and are likely to become new growth drivers. Other segments, including commercial vehicles and construction machinery, are expected to remain generally stable over the next two years..

Investment Thesis

Shuanghuan Driveline is a pacesetter in the domestic automotive gear industry and robotic RV reducer industry. By leveraging its advantages in capacity, management, R&D and customer base, the Company has seized the opportunities for upgrading brought by gear outsourcing and high industry barriers as a result of the booming new energy vehicle industry. Looking forward, the Company is expected to continuously benefit from the boom of new energy passenger vehicles, expansion of the industrial chains of automatic gearboxes of commercial vehicles, and rapid development of robotic reducers and gears for daily use.

As for valuation, we expected diluted EPS of the Company to RMB 1.48/1.72/2.07 of 2025/2026/2027. And we accordingly gave the target price to RMB35 respectively 24/20/17x P/E for 2025/2026/2027. "Accumulate" rating. (Closing price as at 24 June)

Historical P/E Band



Source: Wind, Company, Phillip Securities Hong Kong Research

Risk

Progress of new production line is below expectations
 Electric vehicle sales fall short of expectations
 Macroeconomic downturn affects product demand
 Sharply rising raw material prices or sharply falling product prices

Financials

FYE DEC	FY22	FY23	FY24	FY25F	FY26F	FY27F
Valuation Ratios						
P/E (X), adj.	42.8	32.2	25.6	21.2	18.2	15.1
P/B (X)	3.6	3.4	3.0	2.7	2.4	2.1
Dividend payout ratio(%)	11.0%	12.4%	18.5%	19.0%	20.3%	20.3%
Dividend Yield (%)	0.3%	0.4%	0.7%	0.9%	1.1%	1.3%
Per share data (RMB)						
EPS, (Basic)	0.73	0.97	1.22	1.48	1.72	2.07
EPS, (Diluted)	0.73	0.97	1.22	1.48	1.72	2.07
DPS	0.08	0.12	0.23	0.28	0.35	0.42
BVPS	8.64	9.33	10.40	11.60	12.97	14.62
Growth & Margins (%)						
Growth						
Revenue	26.8%	18.1%	8.8%	18.1%	13.7%	14.6%
EBIT	38.4%	41.1%	27.1%	22.5%	18.7%	16.5%
Net Income, adj.	78.4%	40.3%	25.4%	22.3%	16.6%	20.1%
Margins						
Gross margin	21.1%	22.2%	25.0%	25.9%	26.2%	26.9%
EBIT margin	10.1%	12.1%	14.2%	14.7%	15.4%	15.6%
Net Profit Margin	8.5%	10.1%	11.7%	12.1%	12.4%	13.0%
Key Ratios						
ROE	9.8%	10.8%	12.4%	13.4%	14.0%	15.0%
Income Statement (RMB mn)						
Revenue	6838	8074	8781	10374	11792	13508
Gross profit	1441	1796	2196	2687	3095	3634
EBIT	694	979	1245	1525	1811	2110
Profit before tax	619	933	1203	1475	1750	2099
Tax	33	99	147	177	228	273
Profit for the period	586	834	1057	1298	1522	1825
Minority interests	4	18	33	46	62	73
Total capital share	850	853	847	848	848	848
Net profit	582	817	1024	1252	1460	1752

Source: PSR

(Closing price as at 24 June)

PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm 5\%$ from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

GENERAL DISCLAIMER

This publication is prepared by Phillip Securities (Hong Kong) Ltd ("Phillip Securities"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication shall not be reproduced in whole or in part, distributed or published by you for any purpose. Phillip Securities shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources which Phillip Securities has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively the "Research") contained in this publication are based on such information and are expressions of belief only. Phillip Securities has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Securities shall not have any responsibility to maintain the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities be liable for any special, indirect, incidental or consequential damages which may be incurred from the use of the information or Research made available, even if it has been advised of the possibility of such damages.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a financial adviser regarding the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This publication should not be relied upon as authoritative without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in this research should take into account existing public information, including any registered prospectus in respect of such security.

Disclosure of Interest

Analyst Disclosure: Neither the analyst(s) preparing this report nor his associate has any financial interest in or serves as an officer of the listed corporation covered in this report.

Firm's Disclosure: Phillip Securities does not have any investment banking relationship with the listed corporation covered in this report nor any financial interest of 1% or more of the market capitalization in the listed corporation. In addition, no executive staff of Phillip Securities serves as an officer of the listed corporation.

Availability

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

Information contained herein is based on sources that Phillip Securities (Hong Kong) Limited ("PSHK") believed to be accurate. PSHK does not bear responsibility for any loss occasioned by reliance placed upon the contents hereof. PSHK (or its affiliates or employees) may have positions in relevant investment products. For details of different product's risks, please visit the Risk Disclosures Statement on <http://www.phillip.com.hk>.

© 2025 Phillip Securities (Hong Kong) Limited

Contact Information (Regional Member Companies)
SINGAPORE
Phillip Securities Pte Ltd

250 North Bridge Road, #06-00 Raffles City Tower,
Singapore 179101

Tel : (65) 6533 6001 Fax: (65) 6535 3834

www.phillip.com.sg

INDONESIA
PT Phillip Securities Indonesia

ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A,
Jakarta 10220, Indonesia

Tel (62) 21 5790 0800 Fax: (62) 21 5790 0809

www.phillip.co.id

THAILAND
Phillip Securities (Thailand) Public Co. Ltd.

15th Floor, Vorawat Building, 849 Silom Road,
Silom, Bangrak, Bangkok 10500 Thailand

Tel (66) 2 2268 0999 Fax: (66) 2 2268 0921

www.phillip.co.th

UNITED STATES
Phillip Futures Inc.

141 W Jackson Blvd Ste 3050

The Chicago Board of Trade Building

Chicago, IL 60604 USA

Tel (1) 312 356 9000 Fax: (1) 312 356 9005

MALAYSIA
Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3, Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur

Tel (60) 3 2162 8841 Fax (60) 3 2166 5099

www.poems.com.my

CHINA
Phillip Financial Advisory (Shanghai) Co. Ltd.

No 436 Heng Feng Road, Green Tech Tower Unit 604
Shanghai 200 070

Tel (86) 21 6351 2939 Fax: (86) 21 6091 1155

www.phillip.com.cn

FRANCE
King & Shaxson Capital Ltd.

3rd Floor, 35 Rue de la Bienfaisance
75008 Paris France

Tel (33) 1 4563 3100 Fax : (33) 1 4563 6017

www.kingandshaxson.com

AUSTRALIA
PhillipCapital Australia

Level 10, 330 Collins Street

Melbourne VIC 3000

Tel (+61) 3 8633 9803 Fax (+61) 3 8633 9899

www.phillipcapital.com.au

HONG KONG
Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway Hong Kong

Tel (852) 2277 6600 Fax: (852) 2868 5307

www.phillip.com.hk

JAPAN
Phillip Securities Japan, Ltd

4-2 Nihonbashi Kabutocho, Chuo-ku
Tokyo 103-0026

Tel: (81) 3 3666 2101 Fax: (81) 3 3664 0141

www.phillip.co.jp

INDIA
PhillipCapital (India) Private Limited

No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg,
Lower Parel West, Mumbai 400013

Tel: (9122) 2300 2999 Fax: (9122) 6667 9955

www.phillipcapital.in

UNITED KINGDOM
King & Shaxson Ltd.

6th Floor, Candlewick House, 120 Cannon Street
London, EC4N 6AS

Tel (44) 20 7929 5300 Fax: (44) 20 7283 6835

www.kingandshaxson.com

SRI LANKA
Asha Phillip Securities Limited

Level 4, Millennium House, 46/58 Navam Mawatha,
Colombo 2, Sri Lanka

Tel: (94) 11 2429 100 Fax: (94) 11 2429 199

www.ashaphillip.net/home.htm