EQUITY RESEARCH

Great Star IND (002444 CH)

Breakthrough in Power Tools

China | General Machinery | Company Report

18 August 2025

Company profile：

The Company was established in 1993, starting with OEM of hand tools. In 2009, it launched its first proprietary brand, Workpro, and began transitioning from original design manufacturer (ODM) to original brand manufacturer (OBM). At the same time, it continued overseas acquisitions to expand its brand portfolio, driving continuous growth in scale. Currently, the Company's products are mainly targeted at Europe and the United States. In 2024, overseas revenue accounted for 95%. Its products mainly include hand tools, power tools and industrial tools, with revenue of RMB10069 million (RMB, the same below), RMB1438 million and RMB3229 million, respectively. Among them, OBM and ODM revenue accounted for 47.92% and 51.67%, respectively.

Investment Summary

Steady Growth in Results

In 2024, the Company achieved revenue of approximately RMB14795 million, up 35.37% yoy; net profit attributable to the parent company of RMB2304 million, up 36.18% yoy; and a gross margin of 32.01%. Over the past five years since 2019, revenue and net profit have recorded an average growth rate of 17.5% and 20.6%, respectively.

On July 10, the Company issued a result forecast, expecting H1 2025 net profit attributable to the parent company to be RMB1253–1373 million, representing an estimated increase of 5%–15%; net profit attributable to the parent company excluding non-recurring items is expected to be RMB1267–1388 million, up approximately 5%–15%, equivalent to a Q2 net profit attributable to the parent company growth midpoint of 9.2%, better than market expectations.

Although U.S. tariffs negatively impacted production capacity utilization for approximately 40 days in Q2, affecting order delivery and revenue, it is excepted that Q2 revenue compared with the one in the same period last year remained almost the same. However, the Company improved its gross margin through cross-border e-commerce sales and increased sales of new products, particularly power tools. As a result, Q2 net profit attributable to the parent company is expected to grow, demonstrating strong growth potential..

Breakthrough in Power Tools

According to Frost & Sullivan, from 2022 to 2026, the global CAGR for power tools will exceed 6%, while the CAGR for hand tools will be 3%–4%, with powered products significantly outperforming non-powered ones. Since 2021, the Company has positioned power tools as a strategic business, and in 2024 achieved breakthroughs in 20V lithium battery tools in mainstream markets. It subsequently announced two major international retail customer orders for lithium battery power tools and related accessories, with total annual procurement values equivalent to no less than USD30 million and USD15 million, respectively. Notably, the first order required production and delivery in Vietnam for the U.S. market, marking the Company's first power tool order produced and delivered outside China, and validating its global supply capabilities with top-tier clients. The second order, from Europe, marked the Company's debut in the European power tools market.

Accumulate (Initiation)

CMP CNY 34.62
(Closing price as at 14 August)
TARGET CNY 39.4 (+13.8%)

COMPANY DATA

O/S SHARES (MN) :	1194
MARKET CAP (CNY MN) :	41353
52 - WK HI/LO (CNY):	35.18/ 19.94

SHARE HOLDING PATTERN, %

Mr. Chou	43.69

PRICE VS. SHCOMP

Source: Phillip Securities (HK) Research

KEY FINANCIALS

CNY mn	FY23	FY24E	FY25E	FY26E
Net Sales	**14795**	**17216**	**20103**	**24337**
Net Profit	2304	2436	3130	3898
EPS, CNY	1.93	2.04	2.62	3.26
P/E, x	17.9	17.0	13.2	10.6
BVPS, CNY	13.73	15.35	17.38	19.91
P/BV, x	2.5	2.3	2.0	1.7
DPS (CNY)	0.50	0.43	0.55	0.68
Div. Yield (%)	1.4%	1.2%	1.6%	2.0%

Source: Company reports, Phillip Securities Est.

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Global Capacity Layout to Respond Quickly to Market Demand and Strengthen Trade Barrier Resistance

Since 2018, the Company has accelerated its overseas capacity layout through self-built plants in Southeast Asia and acquisitions in Europe and the U.S. Currently, it operates 23 production bases worldwide, including 11 in China, 3 in Southeast Asia, 6 in Europe, and 3 in the U.S. The global supply chain system not only improves responsiveness to sudden market demands but also strengthens resilience against global trade barriers. In Q2 2025, due to the impact of the U.S. "Reciprocal Tariffs" policy, production capacity was restricted for about 40 days, significantly affecting order delivery and revenue. However, with the Vietnam production base, the Company partially avoided tariff risks. Now, the third phase of the Vietnam base is already in operation, and the fourth phase is under construction, with full coverage of Southeast Asia's shipments to the U.S. expected by the end of 2025. This arrangement reduces cost pressures from China–U.S. trade frictions and lays a solid foundation for future growth. In addition, the 20% tariff agreement between Vietnam and the U.S., which is lower than China's export tariff to the U.S., will help further consolidate the Company's competitiveness in global markets.

Investment Thesis

The Company's revenue is concentrated in Europe and the U.S., and in the future, it will leverage capacity relocation to establish a complete trade chain of "R&D in China – Manufacturing in Southeast Asia – Sales in Europe and the U.S." We are optimistic about the long-term development of the Company and expect EPS to be 2.04/2.62/3.26 yuan respectively for 2025/2026/2027. We offer a target price of 39.4 yuan, respectively 19.3/15/12.1x P/E for 2025/2026/2027, and an "Accumulate" rating. (Closing price as at 14 August)

Risk

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

Historical P/E Band

Source: Wind, Company, Phillip Securities Hong Kong Research

Financials

FYE DEC	FY22	FY23	FY24	FY25F	FY26F	FY27F
Valuation Ratios						
P/E (X), adj.	27.9	24.4	17.9	17.0	13.2	10.6
P/B (X)	3.1	2.8	2.5	2.3	2.0	1.7
Dividend payout ratio(%)	13.4%	19.4%	25.9%	21.1%	21.0%	20.8%
Dividend Yield (%)	0.5%	0.8%	1.4%	1.2%	1.6%	2.0%
Per share data (RMB)						
EPS, (Basic)	1.24	1.42	1.93	2.04	2.62	3.26
EPS, (Diluted)	1.24	1.42	1.93	2.04	2.62	3.26
DPS	0.17	0.28	0.50	0.43	0.55	0.68
BVPS	11.14	12.35	13.73	15.35	17.38	19.91
Growth & Margins (%)						
Growth						
Revenue	15.5%	-13.3%	35.4%	16.4%	16.8%	21.1%
EBIT	9.3%	13.5%	47.8%	6.2%	27.0%	32.0%
Net Income, adj.	11.8%	19.2%	36.2%	5.7%	28.5%	24.5%
Margins						
Gross margin	26.5%	31.8%	32.0%	31.2%	31.5%	32.0%
EBIT margin	12.5%	16.4%	17.9%	16.3%	17.7%	19.3%
Net Profit Margin	11.3%	15.5%	15.6%	14.1%	15.6%	16.0%
Key Ratios						
ROE	12.2%	12.1%	14.8%	14.0%	16.0%	17.5%
Income Statement (RMB mn)						
Revenue	**12610**	**10930**	**14795**	**17216**	**20103**	**24337**
Gross profit	3343	3476	4737	5363	6332	7798
EBIT	1576	1789	2645	2808	3566	4707
Profit before tax	1667	1989	2767	2935	3764	4683
Tax	223	294	402	429	550	684
Profit for the period	1445	1695	2366	2507	3214	3999
Minority interests	25	3	62	71	84	101
Total capital share	1203	1203	1194	1194	1194	1194
Net profit	**1420**	**1692**	**2304**	**2436**	**3130**	**3898**

Source: PSR

(Closing price as at 14 August)

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 ± 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

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