

Zhongding Group (000887 CH)

Expanding Liquid Cooling and Robot Business to Explore Growth Opportunities

30 September 2025

China | Automobile Components | Company Report

Company profile:

The company was founded in 1980 and is a multinational private enterprise group primarily focused on automotive components. Since 2008, the company has expanded its business through overseas acquisitions. Currently, its main business segments include intelligent chassis systems (encompassing air suspension systems and lightweight chassis systems), thermal management systems, sealing systems, and the humanoid robot business. In 2024, the company achieved a revenue of RMB18,854 million (RMB, the same below), a yoy increase of 9.33%, with domestic and overseas revenue shares at 51.71% and 48.29%, respectively. The net profit was RMB1,254 million, a yoy increase of 10.63%.

Investment Summary

Stable Growth in the First Half of 2025

In the first half of 2025, the company recorded revenue of RMB9,846 million, net profit attributable to the parent company of RMB817 million, and net profit excluding non-recurring items of RMB780 million, with yoy growth rates of +1.83%, +14.11%, and +21.53%, respectively. The gross margin was 23.58%, a yoy increase of 1.35 percentage points. In the second quarter of 2025, the company recorded revenue of RMB4,992 million, net profit attributable to the parent company of RMB415 million, and net profit excluding non-recurring items of RMB414 million, with yoy growth rates of +0.31%, +16.74%, and +21.61%, respectively.

Stable Growth in Traditional Businesses and Rapid Development of New Businesses

In recent years, the company has actively expanded into the new energy vehicle (NEV) sector, focusing on intelligent chassis systems. It has also achieved international leadership in several new energy sectors, including thermal management systems, lightweight chassis systems, and air suspension systems. In the first half of 2025, the revenue from cooling systems (thermal management), rubber business, sealing systems, lightweight chassis, and air suspension systems reached RMB2,606 million, RMB2,043 million, RMB1,942 million, RMB1,546 million, and RMB568 million, respectively, with yoy growth rates of +2.77%, +5.88%, +0.27%, +8.08%, and -0.66%. In the first half of the year, the company's sales in the new energy sector reached RMB3,762 million, accounting for 39.56% of its automotive business revenue, with domestic new energy sector sales reaching RMB2,887 million, accounting for 52.94% of domestic revenue.

In terms of orders, air suspension systems, lightweight chassis, and cooling systems have received orders amounting to RMB15.8 billion, RMB5.5 billion, and RMB7.1 billion, respectively..

Internationalization Strategy Reaching Harvest Phase

Since 2008, the company's internationalization strategy has gradually entered a harvest phase. From 2014 to 2018, through a series of overseas acquisitions, such as Germany's KACO and France's TFH, the company accelerated its international expansion. As of the first half of 2025, the company's production share in Asia, Europe, and the Americas was 65.41%, 25.04%, and 9.55%, respectively. By effectively integrating global resources, the company has quickly improved its technology, brand, profitability, and customer base, achieving dual-wheel drive through internal growth and external expansion.

Accumulate (Initiation)

CMP CNY 24.79

(Closing price as at 26 September)

TARGET CNY 29 (+17%)

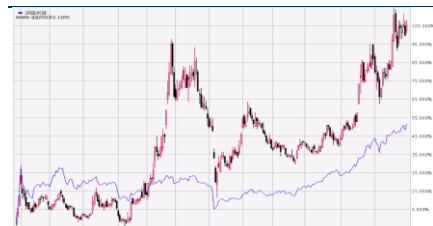
COMPANY DATA

O/S SHARES (MN) :	1316
MARKET CAP (CNY MN) :	32636
52 - WK HI/LO (CNY):	26.68/ 11.81

SHARE HOLDING PATTERN, %

Anhui Zhongding Holding(Group)	40.53
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PRICE VS. SZSE COMPONENT INDEX



Source: Aastocks, Phillip Securities (HK) Research

KEY FINANCIALS

CNY mn	FY24	FY25E	FY26E	FY27E
Net Sales	18854	21405	24119	26918
Net Profit	1252	1591	1912	2148
EPS, CNY	0.95	1.21	1.45	1.63
P/E, x	26.1	20.5	17.1	15.2
BVPS, CNY	9.85	10.91	12.15	13.55
P/BV, x	2.5	2.3	2.0	1.8
DPS (CNY)	0.15	0.19	0.23	0.28
Div. Yield (%)	0.6%	0.8%	0.9%	1.1%

Source: Company reports, Phillip Securities Est.

Research Analyst

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At the same time, the company has concentrated its resources to expand into the fields of new energy vehicles, automotive electronics, and system assemblies, incubating and reserving projects for future development.

Actively Expanding Liquid Cooling and Robot Business to Explore Growth Opportunities

Building on its automotive thermal management business, the company is actively expanding into energy storage thermal management, and supercomputing center thermal management. In the energy storage field, it has launched a series of liquid cooling units and immersion liquid cooling units. In the supercomputing center thermal management field, its main product is the CDU (cold liquid distribution unit). In the future, based on actual needs, the company plans to gradually apply immersion technology to supercomputing center thermal management and is currently accelerating customer engagement.

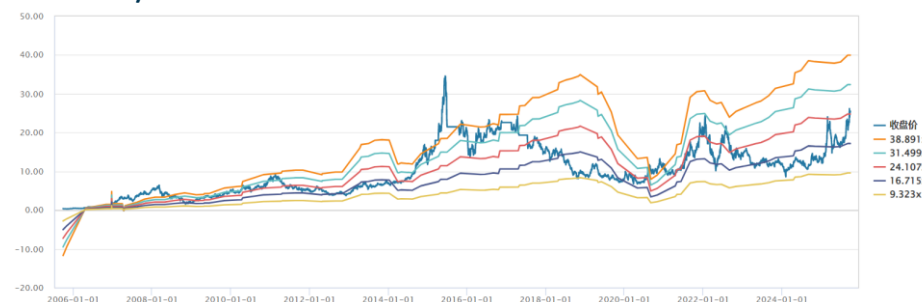
In the robot business, the company has completed its industrial layout in joint assemblies, harmonic reducers, planetary reducers, and force sensors through its subsidiaries, such as Anhui Ruisibo and Xinghui Sensing. The company's rubber products have already been matched, and lightweight skeletons have been sent to customers for sampling, ultimately aiming to achieve production and manufacturing of robot joint assembly products. The company and its subsidiaries have signed strategic cooperation agreements with Shenzhen Zhongqing Robot Technology Co., Ltd. and EFFORT Intelligent Equipment Co., Ltd. It has also signed project intention cooperation agreements with Shenzhen Zhuji Power Technology Co., Ltd., forming an upstream and downstream industrial chain layout to promote the development of robot body manufacturing and OEM business.

Investment Thesis

The company's automotive business remains stable, while it actively explores liquid cooling and robot business opportunities. We are highly optimistic about the company's development prospects.

As for valuation, we expected diluted EPS of the Company to RMB 1.21/1.45/1.63 of 2025/2026/2027. And we accordingly gave the target price to RMB 29, respectively 24/20/17.8x P/E for 2025/2026/2027. "Accumulate" rating. (Closing price as at 26 September)

Historical P/E Band



Source: Wind, Company, Phillip Securities Hong Kong Research

Risk

Progress of new production line is below expectations
Overseas market risk
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.	33.9	28.8	26.1	20.5	17.1	15.2
P/B (X)	2.9	2.7	2.5	2.3	2.0	1.8
Dividend payout ratio(%)	27.3%	23.3%	15.8%	15.7%	15.8%	17.2%
Dividend Yield (%)	0.8%	0.8%	0.6%	0.8%	0.9%	1.1%
Per share data (RMB)						
EPS, (Basic)	0.74	0.86	0.95	1.21	1.45	1.63
EPS, (Diluted)	0.73	0.86	0.95	1.21	1.45	1.63
DPS	0.2	0.2	0.15	0.19	0.23	0.28
BVPS	8.48	9.16	9.85	10.91	12.15	13.55
Growth & Margins (%)						
Growth						
Revenue	4.6%	16.1%	9.3%	13.5%	12.7%	11.6%
EBIT	-74.4%	26.3%	12.9%	19.3%	18.8%	4.8%
Net Income, adj.	-40.7%	17.3%	10.6%	27.1%	20.2%	12.3%
Margins						
Gross margin	18.1%	22.0%	22.8%	22.7%	22.9%	23.0%
EBIT margin	-5.1%	9.0%	9.3%	9.7%	10.3%	9.6%
Net Profit Margin	-0.1%	6.6%	6.6%	7.4%	7.9%	8.0%
Key Ratios						
ROE	9.2%	9.7%	10.0%	11.6%	12.6%	12.7%
Income Statement (RMB mn)						
Revenue	14852	17244	18854	21405	24119	26918
Gross profit	3099	3786	4302	4855	5516	6197
EBIT	1224	1546	1746	2083	2474	2593
Profit before tax	1110	1369	1542	1954	2293	2586
Tax	164	256	294	371	397	453
Profit for the period	946	1113	1248	1582	1896	2134
Minority interests	-18	-19	-4	-9	-16	-14
Total capital share	1316	1316	1316	1316	1316	1316
Net profit	964	1131	1252	1591	1912	2148

Source: PSR

(Closing price as at 26 September)

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

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