

Yinlun (002126 CH)

leader in Automotive Thermal Management, continuously Expanding Growth Curve

China | Automobile Parts | Company Initiation

27 January 2026

Company profile:

Yinlun Co., Ltd. originated from Tiantai Machinery Factory established in 1958. It was restructured into a privately held joint-stock company in 1999 and was listed on the main board of the Shenzhen Stock Exchange in 2007. The Company primarily produces heat exchangers and thermal management products for oil, water, gas, and refrigerant systems, as well as automotive air conditioning systems and related products for post-treatment exhaust systems.

The Company's business is mainly divided into four strategic lines. The first line focuses on thermal management for traditional vehicles and off-road machinery. The second line targets thermal management for new energy vehicles. The third line includes thermal management solutions for power stations, substations, energy storage systems, charging and battery swapping infrastructure, data centres, and low-altitude aircraft. The fourth line encompasses embodied intelligence modules including rotary joint modules, linear joint modules, dexterous hand modules, and thermal management modules.

After over 40 years of development, the Company has become a leading enterprise in China's automotive thermal management industry. In terms of industry position, the Company has maintained the number one domestic ranking in heat exchanger production and sales volume for 20 consecutive years. With more than 10 thousand employees globally, it has established production bases in 10 provinces and cities in China, as well as in seven countries including the United States, Mexico, and Sweden, thus possessing global supply capabilities. In H1 2025, the revenue contribution from the Company's overseas business reached 25.94%. Key clients include Mercedes-Benz, BYD, Cummins, Caterpillar, CATL, and Sungrow.

Investment Summary

Industry Analysis:

Thermal Management for New Energy Vehicles Rises in Volume and Value

In 2025, China's new energy vehicle sales reached 16,490 thousand units, up 28% yoy, with penetration exceeding 50%. The unit value of thermal management systems for new energy vehicles is 3 to 4 times that of traditional internal combustion vehicles (RMB5,850 to RMB6,050 for PTC systems (RMB, the same below), RMB9,550 to RMB9,950 for CO₂ heat pump systems), driving rapid expansion of the thermal management market. By 2025, the global thermal management market for new energy vehicles is projected to reach RMB226.5 billion, with a CAGR of 32.95% from 2022 to 2026; the China market is expected to reach RMB96.4 billion, with a CAGR of 20.33%. On the technology front, integrated thermal management systems (ITMS) are becoming mainstream, enhancing energy efficiency through integrated design of multi-way valves and heat exchangers. AI algorithms are dynamically optimising thermal strategies, and new materials such as phase-change materials and graphene thermal films are promoting lightweight design. The competitive landscape features "international Tier 1 takes the lead + domestic players break through". Leading domestic companies such as Yinlun Co., Ltd. have entered the global supply chain by leveraging advantages in specific products like oil coolers and water-cooled plates. In 2024, thermal management products for new energy vehicles accounted for 42% of the Company's revenue, with sales of 25,490 thousand units.

Accumulate (Initiation)

CMP CNY 40.05

(Closing price as at 23 January)

TARGET CNY 46.3 (+15.6%)

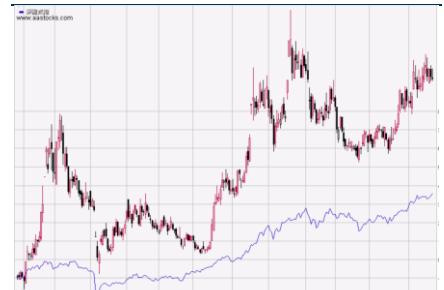
COMPANY DATA

O/S SHARES (MN) :	846
MARKET CAP (CNY MN) :	33871
52 - WK HI/LO (CNY):	46.98/ 18.99

SHARE HOLDING PATTERN, %

Mr Xu and related	10.38
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PRICE VS. SHCOMP



Source: Aastocks, Phillip Securities (HK) Research

KEY FINANCIALS

CNY mn	FY24	FY25E	FY26E	FY27E
Net Sales	12702	15252	18225	21347
Net Profit	784	974	1263	1561
EPS, CNY	0.92	1.15	1.49	1.85
P/E, x	43.5	34.8	26.8	21.7
BVPS, CNY	7.58	8.22	9.47	11.01
P/BV, x	5.3	4.9	4.2	3.6
DPS (CNY)	0.12	0.16	0.20	0.25
Div. Yield (%)	0.3%	0.4%	0.5%	0.6%

Source: Company reports, Phillip Securities Est.

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AI Computing Power Demand Drives Explosive Growth in Liquid Cooling of the Data Centre

The iteration of AI large models has led to increased power density in data centres. NVIDIA's next-generation Rubin GPU has a power consumption of 2,300W, making traditional air cooling insufficient. Liquid cooling has become a necessity due to its high efficiency (thousands of times greater than air cooling) and low PUE (maintainable below 1.15). In 2024, China's liquid-cooled server market reached USD2.37 billion, and is expected to exceed USD16.2 billion by 2029, with a CAGR of 46.8%. Global cloud vendors are significantly increasing capital expenditure; leading North American firms plan to invest USD500 billion over the next four years in building AI data centres. Meanwhile, China's "east data, west computing" policy is driving higher liquid cooling penetration. The industry chain features cross-sector competition. Automotive component companies like Yinlun Co., Ltd., leveraging accumulated thermal management expertise, have entered the upstream segment of liquid cooling. The Company's products cover CDUs, cold plates, and immersion cooling equipment. In H1 2025, the Company's digital energy business revenue reached RMB692 million, up 58.9% yoy.

Company Analysis:

Core Business Grows Steadily, and Capital Structure Remains Manageable During Expansion

In the first three quarters of 2025, the Company reported revenue of RMB11,057 million, up 20.12% yoy; net profit attributable to the parent company was RMB672 million, up 11.18% yoy. In Q3 2025 alone, the revenue was RMB3.89 billion, up 27.38% yoy, and net profit attributable to the parent company was RMB230 million, up 14.5% yoy.

The gross margin for the first three quarters was 19.30%, down 0.77 ppts yoy, mainly due to tariff pressures, OEM price reductions, and a one-off accounting standard adjustment. The period expense ratio showed some fluctuation: Driven by the accelerated globalisation strategy, expenses for developing overseas and emerging markets increased, leading to a 0.26 ppts yoy rise in the selling expense ratio to 1.61%. Administration and R&D expense ratios were 4.97% and 3.94%, down 0.39 and 0.77 ppts yoy, respectively, reflecting effective refined management and cost control. Benefiting from increased exchange gains due to exchange rate movements, the financial expense ratio fell significantly by 0.24 ppts to 0.25%.

By business segment, according to the Company's H1 2025 interim report, the revenue contributions from commercial vehicles and off-road/passenger vehicles and new energy/digital and energy thermal management businesses were 33.84%, 53.49%, and 9.65%, respectively. In terms of revenue growth, the first business line remained stable (+3.9%), the second showed rapid growth in the low-to-mid double digits (+20.5%), and the third sustained high growth in the mid-to-high double digits (+58.9%).

In terms of BS, the net cash flow from operating activities in the first three quarters of 2025 was a net inflow of RMB701 million, higher than net profit, but down 20.71% yoy, mainly due to increased pressure on receivables and bill collections. The Company is in a phase of high capital expenditure and expansion. As of the end of September 2025, total assets stood at RMB20,634 million, with a debt ratio of 62.5%, indicating a manageable capital structure.

Global Capacity Deployment Accelerates, and New Projects Continue to Advance

The Company continues to implement its "domestic + overseas" global strategy. The Southwest China intelligent manufacturing base in Sichuan (investment of RMB378 million) focuses on water-cooled plates and front-end modules, serving clients such as Chery. The Mexico base (investment of RMB269 million) targets the North American market, with a construction period from January 2026 to July 2027. In addition, the Company's overseas factories have begun to yield results. In H1 2025,

the North American plant reported revenue of RMB790 million and net profit of RMB30 million; the European plant is expected to achieve full-year turnaround.

During 2024, the Company secured more than 300 new projects, which, once fully ramped up over their life cycles, are expected to contribute additional annual sales revenue of approximately RMB9,073 million. In H1 2025, more than 200 new projects were secured, expected to generate an additional RMB5,537 million in annual revenue once in full production.

The Third Line: Liquid Cooling of the Data Centre Enters Volume Expansion Phase, Strengthened by Technological Moat

The product portfolio of the Company's digital energy business covers CDUs, cold plates, and integrated immersion liquid cooling equipment, forming a layout of "systems + primary/secondary cooling sources + components". In November 2025, the Company plans to acquire a 55% stake in Syslab, enhancing capabilities in controllers and drivers, aiming to transform from "thermal management hardware" to "thermal management + intelligent control" integrated systems. This supports the modular CDU products for data centre liquid cooling. Overseas, the Company plans an additional investment of RMB269 million to build the Mexico base, serving North American commercial vehicle and data centre clients, with production expected in 2027.

The Fourth Line: Establishment of the "1+4+N" Framework for Humanoid Robots, Strategically Positioned in Embodied Intelligence

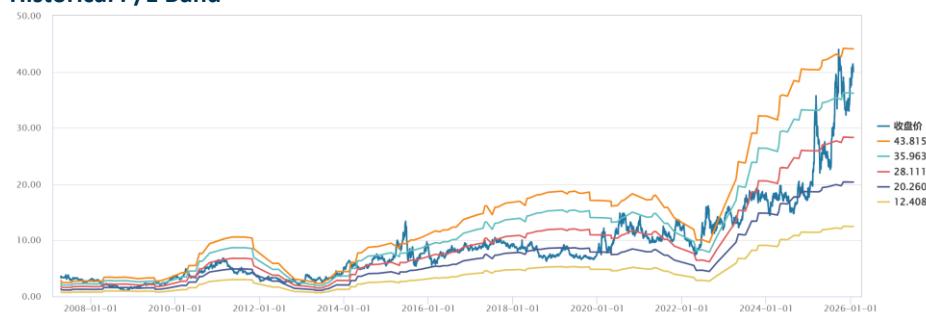
The Company has defined a framework of "1 cognitive system + 4 major modules (thermal management, rotary joints, actuators, and dexterous hands) + N key components" and established a joint venture, Suzhou Yizhi Dexterous Drive Technology Co., Ltd., with its partners to focus on developing dexterous hands. In October 2025, the Company confirmed supply cooperation for certain product categories with key clients. Although the business is still in an early stage, the technological approach is highly synergistic with the Company's thermal management capabilities. If mass production occurs in 2026–2027, this business line could become a new source of valuation upside.

Investment Thesis & Valuation

Yinlun is transitioning from a leader in automotive thermal management to a global core supplier for liquid cooling in digital energy. It is deeply integrated with top-tier clients, with new overseas bases about to begin production. Its dual positioning in technology and capacity captures the global AI computing thermal management opportunity, while its robot thermal management segment opens up a new growth curve.

As analyzed above, we expected diluted EPS of the Company to RMB 1.15/1.49/1.85 of 2025/2026/2027. And we accordingly gave the target price to 46.3, respectively 31x P/E for 2026. "Accumulate" rating. (Closing price as at 23 January)

Historical P/E Band



Source: Wind, Company, Phillip Securities Hong Kong Research

Financials

FYE DEC	FY24	FY25E	FY26E	FY27E
Valuation Ratios				
P/E (X), adj.	43.5	34.8	26.8	21.7
P/B (X)	5.3	4.9	4.2	3.6
Dividend payout ratio(%)	13.0%	13.9%	13.4%	13.5%
Dividend Yield (%)	0.3%	0.4%	0.5%	0.6%
Per share data (RMB)				
EPS, (Basic)	0.96	1.15	1.49	1.85
EPS, (Diluted)	0.92	1.15	1.49	1.85
DPS	0.12	0.16	0.20	0.25
BVPS	7.58	8.22	9.47	11.01
Growth & Margins (%)				
Growth				
Revenue	8.8%	20.1%	19.5%	17.1%
EBIT	14.4%	23.9%	28.7%	22.5%
Net Income, adj.	22.7%	24.4%	29.6%	23.6%
Margins				
Gross margin	19.5%	19.4%	19.8%	20.1%
EBIT margin	8.3%	8.6%	9.3%	9.7%
Net Profit Margin	6.2%	6.4%	6.9%	7.3%
Key Ratios				
ROE	13.2%	14.6%	16.9%	18.0%
ROA	4.5%	4.8%	5.5%	5.8%
Income Statement (RMB mn)				
Revenue	12702	15252	18225	21347
Gross profit	2478	2963	3605	4289
EBIT	1059	1312	1688	2068
Profit before tax	1002	1274	1643	2018
Tax	108	161	212	258
Profit for the period	894	1113	1431	1760
Minority interests	111	139	168	199
Total capital share	835	846	846	846
Net profit	784	974	1263	1561

Source: PSR

(Closing price as at 23 January)

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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