

## Zhejiang Supcon Technology (A)

## 2024 preliminary results in line; focus on AI and robotics; raise PO to RMB61; Buy

Reiterate Rating: BUY | PO: 61.00 CNY | Price: 54.31 CNY

## 4Q24 preliminary earnings up 1% YoY, in line

Supcon announced 2024 preliminary results and held an analyst briefing on 28 Feb. Its 2024 revenue came in at RMB9.4bn, up 8% YoY and largely in line with our forecast (RMB9.5bn). Net profit attributable to shareholders in 2024 came in at RMB1,130mn, up 3% YoY, in line with our estimate of RMB1,137mn (up 3% YoY). Excluding the FX impact from its GDR proceeds (RMB106mn/RMB25mn gain in 2023/24), the adjusted net profit would be RMB1,105mn (up 11% YoY) in 2024. The implied 4Q24 revenue came in at RMB3.0bn, +3% YoY. The implied 4Q24 earnings recorded RMB413mn, +1% YoY. Management attributed the weak revenue/earnings growth in 4Q24 to the scale down of some non-core businesses such as system integration and electric cabinet.

## Targets 10-20% YoY earnings growth in 2025

Supcon targets 5-15%/10-20% YoY revenue/earnings growth in 2025. It also expects overseas orders and revenue to grow 50% YoY in 2025, mainly supported by expansion in Southeast Asia and the Middle East. The company will continue to invest in **industrial artificial intelligence (AI)**. Its industrial LLM (also known as Time-series Pretrained Transformer, TPT) is now connected to DeepSeek, which improves its efficiency in interaction and decision-making. Supcon also targets to launch its second-generation TPT, and its LLM for business automation in 1H25. Its **robotics** business mainly focuses on the upstream (AI algorithm) and downstream (end-application) of humanoid robot.

## Raise PO to RMB61; reiterate Buy

Factoring in Supcon's preliminary results, we cut our 2024/25/26E earnings forecast by 1%/2%/3% due to lower revenue estimates, partially offset by higher margins forecast. However, we lift our PO to RMB61 (from RMB55), derived from the average of DCF and P/E valuations, as we raise our target P/E to 36x (earlier 30x), higher than its 1-year average as we expect a recovery in the automation market. We also raise our DCF-based valuation on better working capital management in 2025-35E, as the company is moving to a more asset-light business model. We reiterate Buy on Supcon, as we believe it will be one of the key beneficiaries amid the trend of equipment renewal, and see growth opportunities from the overseas market.

Estimates (Dec) (CNY)	2022A	2023A	2024E	2025E	2026E
Net Income (Adjusted - mn)	798	1,102	1,130	1,320	1,582
EPS	1.11	1.40	1.43	1.67	2.00
EPS Change (YoY)	36.4%	26.6%	2.0%	16.8%	19.9%
Dividend / Share	1.00	0.700	0.715	0.835	1.00
Free Cash Flow / Share	0.282	0.083	1.41	1.68	2.30
<b>Valuation (Dec)</b>					
P/E	49.03x	38.74x	37.99x	32.53x	27.14x
Dividend Yield	1.84%	1.29%	1.32%	1.54%	1.84%
EV / EBITDA*	54.87x	50.26x	38.80x	32.11x	25.96x
Free Cash Flow Yield*	0.47%	0.15%	2.59%	3.08%	4.23%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 8.

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**Refer to important disclosures on page 9 to 11. Analyst Certification on page 6. Price Objective Basis/Risk on page 6.**

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Timestamp: 28 February 2025 04:52AM EST

28 February 2025

## Equity

## Key Changes

(CNY)	Previous	Current
Price Obj.	55	61
2024E Rev (m)	9,501	9,351
2025E Rev (m)	11,038	10,282
2026E Rev (m)	12,788	11,316
2024E EPS	1.45	1.43
2025E EPS	1.71	1.67
2026E EPS	2.07	2.00

**Ming Hsun Lee, CFA** >>  
Research Analyst  
Merrill Lynch (Hong Kong)  
+852 3508 5006  
[minghsun.lee@bofa.com](mailto:minghsun.lee@bofa.com)

**Yikai Liu, CFA** >>  
Research Analyst  
Merrill Lynch (Hong Kong)  
[yikai.liu@bofa.com](mailto:yikai.liu@bofa.com)

**Fiona Liang** >>  
Research Analyst  
Merrill Lynch (Hong Kong)  
[fiona.liang3@bofa.com](mailto:fiona.liang3@bofa.com)

**Summer Wang, CFA** >>  
Research Analyst  
Merrill Lynch (Hong Kong)  
[summer.wang@bofa.com](mailto:summer.wang@bofa.com)

**Kenjin Hotta** >>  
Research Analyst  
BofAS Japan  
[kenjin.hotta@bofa.com](mailto:kenjin.hotta@bofa.com)

## Stock Data

Price	54.31 CNY
Price Objective	61.00 CNY
Date Established	28-Feb-2025
Investment Opinion	B-1-7
52-Week Range	34.20 CNY-63.20 CNY
Mrkt Val / Shares Out (mn)	5,905 USD / 790.6
Market Value (mn)	42,937 CNY
Average Daily Value (mn)	174.67 USD
Free Float	68.5%
BofA Ticker / Exchange	XDXFF / SHH
Bloomberg / Reuters	688777 CH / 688777.SS
ROE (2024E)	11.2%
Net Dbt to Eqty (Dec-2023A)	-44.7%

GDR: global depositary receipt

LLM: large language model

# iQprofile<sup>SM</sup> Zhejiang Supcon Technology (A)

Key Income Statement Data (Dec)	2022A	2023A	2024E	2025E	2026E
(CNY Millions)					
Sales	6,624	8,620	9,351	10,282	11,316
Gross Profit	2,363	2,861	3,067	3,381	3,782
Sell General & Admin Expense	(1,000)	(1,239)	(1,171)	(1,245)	(1,330)
Operating Profit	621	655	889	1,079	1,346
Net Interest & Other Income	249	527	307	337	355
Associates	NA	NA	NA	NA	NA
Pretax Income	870	1,183	1,196	1,417	1,701
Tax (expense) / Benefit	(63)	(60)	(51)	(82)	(104)
Net Income (Adjusted)	798	1,102	1,130	1,320	1,582
Average Fully Diluted Shares Outstanding	720	786	791	791	791

## Key Cash Flow Statement Data

Net Income	798	1,102	1,130	1,320	1,582
Depreciation & Amortization	74	104	94	109	124
Change in Working Capital	(626)	(971)	158	166	382
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	114	(43)	(119)	(120)	(120)
Cash Flow from Operations	360	191	1,264	1,475	1,968
Capital Expenditure	(157)	(126)	(150)	(150)	(150)
(Acquisition) / Disposal of Investments	(670)	731	0	0	0
Other Cash Inflow / (Outflow)	2	0	0	0	0
Cash Flow from Investing	(825)	606	(150)	(150)	(150)
Shares Issue / (Repurchase)	39	3,903	1	0	0
Cost of Dividends Paid	(194)	(428)	(553)	(565)	(660)
Cash Flow from Financing	423	3,179	(553)	(565)	(660)
Free Cash Flow	203	66	1,114	1,325	1,818
Net Debt	(307)	(4,442)	(5,003)	(5,763)	(6,921)
Change in Net Debt	703	(4,154)	(561)	(759)	(1,158)

## Key Balance Sheet Data

Property, Plant & Equipment	439	736	817	885	939
Other Non-Current Assets	1,022	1,542	1,650	1,759	1,866
Trade Receivables	2,485	3,276	3,386	3,657	4,093
Cash & Equivalents	1,387	5,473	6,034	6,793	7,951
Other Current Assets	7,731	6,854	6,888	6,875	6,790
Total Assets	13,063	17,880	18,774	19,968	21,639
Long-Term Debt	0	300	300	300	300
Other Non-Current Liabilities	83	93	93	93	93
Short-Term Debt	1,080	730	730	730	730
Other Current Liabilities	6,584	6,817	7,120	7,544	8,278
Total Liabilities	7,747	7,941	8,243	8,667	9,401
Total Equity	5,316	9,939	10,531	11,301	12,238
Total Equity & Liabilities	13,063	17,880	18,774	19,968	21,639

## iQmethod<sup>SM</sup> - Bus Performance\*

Return On Capital Employed	9.7%	8.8%	8.0%	9.0%	10.4%
Return On Equity	16.3%	14.6%	11.2%	12.2%	13.6%
Operating Margin	9.4%	7.6%	9.5%	10.5%	11.9%
EBITDA Margin	10.5%	8.8%	10.5%	11.6%	13.0%

## iQmethod<sup>SM</sup> - Quality of Earnings\*

Cash Realization Ratio	0.5x	0.2x	1.1x	1.1x	1.2x
Asset Replacement Ratio	2.1x	1.2x	1.6x	1.4x	1.2x
Tax Rate (Reported)	7.2%	5.1%	4.3%	5.8%	6.1%
Net Debt-to-Equity Ratio	-5.8%	-44.7%	-47.5%	-51.0%	-56.6%
Interest Cover	NM	NA	NA	NA	NA

## Key Metrics

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 8.

## Company Sector

Industrials/Multi-Industry

## Company Description

Zhejiang Supcon is one of the leading automation solution and service provider for process industries in China. Its major products include DCS, SIS, control valve, APC, etc. Supcon serves various process industries such as petrochemical, chemical, power, metallurgy, public utilities, etc. In 2024, Supcon secured 40% market share in the China DCS market, ranking No.1.

## Investment Rationale

We have a Buy rating for Zhejiang Supcon. As the leading domestic player in process automation in China, we believe Supcon will be one of the key beneficiaries amid the trend of equipment renewal and advanced manufacturing. We also see long-term growth opportunities from its expansion in the overseas market and new industries.

## Stock Data

Price to Book Value

4.1x



# Earnings review and revisions

## Exhibit 1: New vs. old estimates

We cut our 2024/25/26E earnings forecast by 1%/2%/3%

RMB mn	2024F			2025F			2026F		
	Old	New	diff. (%)	Old	New	diff. (%)	Old	New	diff. (%)
<b>Revenue</b>	9,501	9,351	-1.6%	11,038	10,282	-6.9%	12,788	11,316	-11.5%
Chemical	3,743	3,724	-0.5%	4,305	3,973	-7.7%	4,907	4,370	-10.9%
Petrochemical	1,988	1,971	-0.8%	2,286	2,149	-6.0%	2,629	2,401	-8.7%
Pharmaceutical & food	764	754	-1.4%	894	854	-4.6%	1,049	945	-9.9%
Energy	678	665	-1.9%	807	725	-10.2%	947	783	-17.3%
Oil & gas	924	889	-3.7%	1,166	1,085	-6.9%	1,399	1,194	-14.7%
Metallurgy	270	270	0.0%	299	298	-0.4%	336	329	-2.0%
Others	1,133	1,078	-4.9%	1,281	1,198	-6.4%	1,520	1,293	-14.9%
Gross Profit	3,109	3,067	-1.3%	3,538	3,381	-4.4%	4,089	3,782	-7.5%
Operating Profit	898	889	-1.0%	1,100	1,079	-1.9%	1,390	1,346	-3.2%
Investment income	134	134	0.0%	135	135	0.0%	135	135	0.0%
Pretax income	1,204	1,196	-0.6%	1,446	1,417	-2.0%	1,750	1,701	-2.8%
Net Income	1,153	1,145	-0.6%	1,362	1,335	-2.0%	1,642	1,597	-2.7%
Net Income attribute to shareholder	1,137	1,130	-0.6%	1,346	1,320	-2.0%	1,626	1,582	-2.7%
EPS	1.45	1.43	-1.2%	1.71	1.67	-2.6%	2.07	2.00	-3.3%
<b>Key ratios (%)</b>									
Sales growth	10.2%	8.5%		16.2%	10.0%		15.8%	10.1%	
EPS growth	3.2%	2.0%		18.4%	16.8%		20.8%	19.9%	
Gross margin	32.7%	32.8%		32.1%	32.9%		32.0%	33.4%	
Operating margin	9.5%	9.5%		10.0%	10.5%		10.9%	11.9%	
Net margin	12.1%	12.2%		12.3%	13.0%		12.8%	14.1%	

**Source:** BofA Global Research estimates; 2024 full financial result will be announced in March

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**Exhibit 2: P&L summary (quarterly)**

We see GPM improvement in 2025-26E

(RMB mn)	1Q23	2Q23	3Q23	4Q23	FY '23	1Q24	2Q24	3Q24	4Q24	FYE '24	1Q25	2Q25	3Q25	4Q25	FYE '25	1Q26	2Q26	3Q26	4Q26	FYE '26
Revenue	1,446	2,196	2,038	2,941	8,620	1,738	2,514	2,085	3,014	9,351	1,878	2,787	2,293	3,324	10,282	2,065	3,056	2,523	3,672	11,316
Total cost of goods sold	964	1,495	1,360	1,940	5,759	1,199	1,640	1,416	2,029	6,284	1,264	1,839	1,555	2,244	6,901	1,384	2,013	1,705	2,431	7,533
Gross profit	482	701	677	1,001	2,861	539	874	669	986	3,067	614	949	738	1,080	3,381	682	1,043	817	1,240	3,782
Op taxes and surcharges	10	15	13	21	58	9	16	13	22	59	9	17	14	24	64	10	19	16	26	71
Promotion	148	191	189	261	789	165	179	177	241	763	173	195	183	266	817	186	214	202	294	895
G&A	102	102	120	126	450	97	94	97	121	408	101	98	105	123	427	103	95	101	136	435
R&D	186	220	220	281	908	206	239	230	274	948	216	254	241	283	993	227	275	240	294	1,036
Operating expenses	445	528	542	690	2,205	477	527	517	658	2,178	499	564	544	695	2,302	527	603	558	750	2,437
Operating income	37	173	135	311	655	63	346	152	328	889	115	385	195	385	1,079	155	441	259	491	1,346
Investment income	27	51	44	59	182	39	27	36	32	134	30	35	30	40	135	31	34	32	38	135
Pretax income	101	453	197	431	1,183	152	406	203	435	1,196	204	465	269	478	1,417	251	525	337	587	1,701
Taxes or tax credit	5	30	12	13	60	8	27	-1	17	51	11	33	19	19	82	14	37	24	29	104
Profit before minority	96	424	185	418	1,123	144	380	204	417	1,145	193	433	251	459	1,335	237	489	314	558	1,597
Minority interest	4	5	2	10	21	-1	8	4	4	15	-1	8	4	4	15	-1	8	4	4	15
Net income	92	418	183	408	1,102	145	371	200	413	1,130	194	424	247	455	1,320	238	480	310	554	1,582
EPS (RMB)	0.12	0.53	0.23	0.52	1.40	0.18	0.47	0.25	0.52	1.43	0.25	0.54	0.31	0.58	1.67	0.30	0.61	0.39	0.70	2.00
Fully diluted shares (mn)	786	786	786	786	786	791	791	791	791	791	791	791	791	791	791	791	791	791	791	791
<b>Operating Ratios</b>																				
Gross margins	33.3%	31.9%	33.2%	34.0%	33.2%	31.0%	34.8%	32.1%	32.7%	32.8%	32.7%	34.0%	32.2%	32.5%	32.9%	33.0%	34.1%	32.4%	33.8%	33.4%
Promotion	10.2%	8.7%	9.3%	8.9%	9.2%	9.5%	7.1%	8.5%	8.0%	8.2%	9.2%	7.0%	8.0%	8.0%	7.9%	9.0%	7.0%	8.0%	8.0%	7.9%
G&A	7.0%	4.7%	5.9%	4.3%	5.2%	5.6%	3.7%	4.7%	4.0%	4.4%	5.4%	3.5%	4.6%	3.7%	4.2%	5.0%	3.1%	4.0%	3.7%	3.8%
R&D	12.9%	10.0%	10.8%	9.6%	10.5%	11.8%	9.5%	11.0%	9.1%	10.1%	11.5%	9.1%	10.5%	8.5%	9.7%	11.0%	9.0%	9.5%	8.0%	9.2%
Operating margin	2.5%	7.9%	6.6%	10.6%	7.6%	3.6%	13.8%	7.3%	10.9%	9.5%	6.1%	13.8%	8.5%	11.6%	10.5%	7.5%	14.4%	10.3%	13.4%	11.9%
Pre-tax margin	7.0%	20.7%	9.7%	14.7%	13.7%	8.7%	16.2%	9.7%	14.4%	12.8%	10.9%	16.7%	11.8%	14.4%	13.8%	12.1%	17.2%	13.4%	16.0%	15.0%
Tax rate	5.2%	6.6%	5.9%	3.0%	5.1%	5.1%	6.6%	-0.4%	4.0%	4.3%	5.5%	7.0%	7.0%	4.0%	5.8%	5.5%	7.0%	7.0%	5.0%	6.1%
Net margin	6.7%	19.3%	9.1%	14.2%	13.0%	8.3%	15.1%	9.8%	13.8%	12.2%	10.3%	15.5%	10.9%	13.8%	13.0%	11.5%	16.0%	12.4%	15.2%	14.1%
<b>YoY %</b>																				
Net revenues	47.3%	30.3%	30.6%	22.7%	30.1%	20.2%	14.5%	2.3%	2.5%	8.5%	8.0%	10.9%	10.0%	10.3%	10.0%	10.0%	9.6%	10.0%	10.5%	10.1%
Gross profit	25.4%	17.3%	24.1%	19.8%	21.1%	12.0%	24.7%	-1.3%	-1.5%	7.2%	13.8%	8.6%	10.4%	9.6%	10.2%	11.0%	10.0%	10.7%	14.8%	11.9%
Operating income	31.5%	-13.5%	33.3%	6.5%	5.5%	71.7%	100.6%	12.4%	5.5%	35.7%	81.9%	11.2%	28.1%	17.4%	21.4%	35.2%	14.4%	33.3%	27.4%	24.7%
Net income	54.3%	64.9%	13.6%	26.2%	38.1%	57.4%	-11.3%	9.5%	1.3%	2.6%	33.3%	14.3%	23.3%	10.0%	16.8%	23.0%	13.2%	25.5%	21.8%	19.9%
Fully diluted EPS	41.4%	51.1%	4.1%	15.7%	26.6%	56.5%	-11.8%	8.9%	0.7%	2.0%	33.3%	14.3%	23.3%	10.0%	16.8%	23.0%	13.2%	25.5%	21.8%	19.9%
<b>QoQ %</b>																				
Net revenues	-39.7%	51.9%	-7.2%	44.3%		-40.9%	44.6%	-17.1%	44.6%		-37.7%	48.5%	-17.7%	44.9%		-37.9%	48.0%	-17.5%	45.6%	
Gross profit	-42.3%	45.4%	-3.3%	47.7%		-46.1%	62.0%	-23.5%	47.4%		-37.7%	54.5%	-22.2%	46.3%		-36.9%	53.1%	-21.7%	51.7%	
Operating income	-87.4%	370.7%	-21.7%	130.1%		-79.8%	450.2%	-56.2%	116.0%		-65.1%	236.3%	-49.5%	97.9%		-59.8%	184.5%	-41.1%	89.1%	
Net income	-71.4%	352.7%	-56.3%	123.5%		-64.4%	155.3%	-46.1%	106.6%		-53.1%	118.9%	-41.8%	84.3%		-47.6%	101.6%	-35.5%	78.9%	
Fully diluted EPS	-73.8%	352.7%	-56.3%	123.5%		-64.6%	155.3%	-46.1%	106.6%		-53.1%	118.9%	-41.8%	84.3%		-47.6%	101.6%	-35.5%	78.9%	

Source: Company reports, BofA Global Research estimates \*Supcon recognized an -RMB120mn FX gain on its GDR proceeds in 2023. The after-tax impact was around RMB106mn.

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Valuation

Our PO of RMB61 (was RMB55) is based on the average of DCF and P/E valuation methodologies.

**DCF-based fair value:** A fair value of RMB61 (was RMB58) is derived from our DCF calculation, with assumptions of 3% FCF perpetuity growth rate (unchanged) and 12.3% WACC (unchanged). Our DCF-based valuation increased as we expect better working capital management in 2025-35E, as the company is moving to a more asset-light business model.

**P/E-based fair value:** We derive a P/E-based valuation of RMB60 (earlier RMB51) by applying a target P/E of 36x (previously 30x), higher than its 1-year average as we expect a recovery in the automation market, which is positive for Supcon’s valuation.

Exhibit 3: Valuation summary for Supcon  
We raise our PO to RMB61

Valuation methodology	Implied value (RMB)	Upside potential	Parameters
Methodology 1			
DCF	61		WACC of 12.3%
Methodology 2			
P/E	60		36 x
PO (rounded)	61	12%	

Source: BofA Global Research estimates

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## Price objective basis & risk

### Zhejiang Supcon Technology (XDXFF)

We use the average of DCF and P/E to derive our PO of RMB61. We see DCF is the suitable valuation methodology as it not only reflects Supcon's sustained earnings growth but also captures its cash-flow management capabilities, including working capital and capex. We also see P/E as an appropriate metric as it captures the sustained earnings growth that we estimate the firm will achieve.

(1) DCF methodology: A fair value of RMB61 is derived from our DCF calculation, with assumptions of 3% FCF perpetuity growth rate and 12.3% WACC.

(2) P/E methodology: We derive our P/E-based valuation of RMB60 by applying a target P/E of 36x, higher than its 1-year average at 29x.

Upside risks: 1) faster-than-expected automation penetration in China process industries. 2) market share gain from international players smoother than expected. 3) faster-than-expected development of Industry 4.0 products such as software.

Downside risks: 1) slower-than-expected downstream demand. 2) intensifying completion from emerging domestic players. 3) margin deterioration due to rising costs and ASP decline. 4) supply shortage of key instrument and other components.

## Analyst Certification

I, Ming Hsun Lee, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### APR - Industrials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Aboitiz Equity Ventures, Inc.	ABOIF	AEV PM	Julian Roxas
	AirTAC	ATCXF	1590 TT	Ming Hsun Lee, CFA
	Ayala Corporation	AYYLF	AC PM	Russ Toribio
	Centre Testing International	XCTEF	300012 CH	Yikai Liu, CFA
	Daifuku	DAIUF	6383 JP	Kenjin Hotta
	Daikin Industries	DKILF	6367 JP	Kenjin Hotta
	Daikin Industries	DKILY	DKILY US	Kenjin Hotta
	Fanuc	FANUF	6954 JP	Kenjin Hotta
	Fanuc	FANUY	FANUY US	Kenjin Hotta
	Goldwind	XJGWF	002202 CH	Gary Tsang
	Goldwind	XJNGF	2208 HK	Gary Tsang
	GTCAP	GTHOF	GTCAP PM	Jojo Gonzales
	Hangcha Group	XXCLF	603298 CH	Summer Wang, CFA
	Hangzhou Great Star	XNZLF	002444 CH	Summer Wang, CFA
	Hankuk Carbon	HKUCF	017960 KS	KJ Hwang
	Hanwha Aerospace	SSASF	012450 KS	KJ Hwang
	HD Hyundai Electric	XPELF	267260 KS	Joon-Ho Lee
	HD Hyundai Mipo	HYAIF	010620 KS	KJ Hwang
	Jingda	XJINF	600577 CH	Joey Yang, CFA
	Keyence	KYCCF	6861 JP	Kenjin Hotta
	Korea Aerospace	XAQHF	047810 KS	KJ Hwang
	LS Electric	LGXSF	010120 KS	Joon-Ho Lee
	LT Group, Inc.	XLTGF	LTG PM	Philip Albert Felix
	Makita	MKEWF	6586 JP	Kenjin Hotta
	Mingyang Smart Energy	XLARF	601615 CH	Charlotte Xia
	Mitsubishi Heavy Industries	MHVYF	7011 JP	Kenjin Hotta
	Nabtesco	NCTKF	6268 JP	Kenjin Hotta



**APR - Industrials Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	NARI Technology	XLODF	600406 CH	Matty Zhao
	Samsung Heavy Industries	SMSHF	010140 KS	KJ Hwang
	Sany Heavy Industry Co., Ltd	SHVYF	600031 CH	Ming Hsun Lee, CFA
	SATS Limited	SPASF	SATS SP	Nathan Gee, CFA
	SCG Packaging PCL	XAFLF	SCGP TB	Narumon Ekasamut
	Shanghai Bochu Electronic	XWUTF	688188 CH	Summer Wang, CFA
	SK Bend	SUKWF	014620 KS	KJ Hwang
	SM Investments Corporation	SVTMF	SM PM	Russ Toribio
	SMC	SMECF	6273 JP	Kenjin Hotta
	SMC	SMCAY	SMCAY US	Kenjin Hotta
	Suzhou Maxwell Technologies	XSMTF	300751 CH	Gary Tsang
	THK	THKLF	6481 JP	Kenjin Hotta
	Weichai Power Co. Ltd	WEICF	2338 HK	Fiona Liang
	Weichai Power Co. Ltd	XWPEF	000338 CH	Fiona Liang
	XCMG Construction Machinery Co Ltd	XVPZF	000425 CH	Ming Hsun Lee, CFA
	XJ Electric	XJECF	000400 CH	Matty Zhao
	Zhejiang Supcon Technology	XDXFF	688777 CH	Ming Hsun Lee, CFA
	Zoomlion Heavy Industry	XLRYF	000157 CH	Ming Hsun Lee, CFA
	Zoomlion Heavy Industry	ZLIOF	1157 HK	Ming Hsun Lee, CFA

**NEUTRAL**

	Dongguan Yiheda Automation	XDXGF	301029 CH	Yikai Liu,CFA
	Han's Laser	XHQTF	002008 CH	Summer Wang, CFA
	Jiangsu Hengli Hydraulic Co., Ltd	XHDCF	601100 CH	Ming Hsun Lee, CFA
	Kubota Corp	KUBTF	6326 JP	Kenjin Hotta
	Kubota Corp	KUBTY	KUBTY US	Kenjin Hotta
	OMRON Corporation	OMRNF	6645 JP	Kenjin Hotta
	OMRON Corporation	OMRNY	OMRNY US	Kenjin Hotta
	Sinotruk Hong Kong Ltd	SHKLF	3808 HK	Fiona Liang
	TGOOD	XQGDF	300001 CH	Yikai Liu,CFA
	Zhuzhou CRRC Times Electric	ZHUZF	3898 HK	Yikai Liu,CFA
	Zhuzhou CRRC Times Electric	XWCTF	688187 CH	Yikai Liu,CFA

**UNDERPERFORM**

	Alliance Global Group, Inc.	ALGGF	AGI PM	Russ Toribio
	CKD	CKDOF	6407 JP	Kenjin Hotta
	D&L Industries, Inc.	DALQF	DNL PM	Philip Albert Felix
	ESTUN Automation	XNJNF	002747 CH	Ming Hsun Lee, CFA
	HD Hyundai Heavy Industries	XHZXF	329180 KS	KJ Hwang
	Hitachi CM	HTCMF	6305 JP	Kenjin Hotta
	Hiwin Technologies	HITEF	2049 TT	Ming Hsun Lee, CFA
	Hongfa Technology	XQXAF	600885 CH	Fiona Liang
	Komatsu	KMTUF	6301 JP	Kenjin Hotta
	Komatsu	KMTUY	KMTUY US	Kenjin Hotta
	L.K. Technology	XBQXF	558 HK	Joey Yang, CFA
	Leader Harmonious Drive Systems	XLHNF	688017 CH	Yikai Liu,CFA
	OPT Machine Vision	XOTVF	688686 CH	Yikai Liu,CFA
	Shenzhen SC New Energy	XENYF	300724 CH	Yikai Liu,CFA
	Yaskawa Electric	YASKF	6506 JP	Kenjin Hotta

**RVW**

	Jingce Electronic	XCKBF	300567 CH	Fiona Liang
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## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

### Numerator

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

### Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

### Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

Amortization

Shareholders' Equity

Sales

N/A

N/A

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

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Zhejiang Supcon (XDXFF) Price Chart



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Equity Investment Rating Distribution: Industrials/Multi-Industry Group (as of 31 Dec 2024)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	52	55.32%	Buy	24	46.15%
Hold	17	18.09%	Hold	10	58.82%
Sell	25	26.60%	Sell	12	48.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2024)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1869	54.39%	Buy	1108	59.28%
Hold	766	22.29%	Hold	463	60.44%
Sell	801	23.31%	Sell	370	46.19%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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