# **Investment Summary: AECC Aviation Power Co Ltd (600893.SS)**

**Date:** September 5, 2025  
 **Stock Price (close Sep 4, 2025):** CNY 37.24  
 **Market Cap:** CNY 99.3B[stockanalysis+2](https://stockanalysis.com/quote/sha/600893/) **Industry:** Aerospace & Defense (Aircraft and gas turbine engines)  
 **Recommended Action:** **Hold**

## **Business Overview**

AECC Aviation Power Co Ltd is China's leading designer and manufacturer of large and medium-sized aircraft engines and industrial gas turbines, primarily serving the military and commercial aviation sectors. FY2024 revenue was CNY 47.88B, net income CNY 860M; H1 2025 saw revenue dip to CNY 13.8B (-24% YoY) and net profit fall sharply to CNY 91.8M (H1 net margin 0.7%). Its engines power leading PLA fighter jets (such as J-20, J-10) and commercial aircraft, while also supplying key subsystems and MRO services to airlines and export partners. Major strengths are in deep state integration, technological capabilities, and a near monopoly on China’s advanced aeroengines; challenges include volatile profitability, thin margins, and exposure to R&D cycle risk. The military engine segment accounts for over 70% of total group sales (gross margin 11%), while civil and power generation units comprise the balance (gross margin 6–8%).[simplywall+3](https://simplywall.st/stocks/cn/capital-goods/shse-600893/aecc-aviation-powerltd-shares)

## **Business Performance**

* **Sales growth (5Y):** CAGR ~8% (up to FY2023), weak in FY2024/25 due to contract timing.[investing+1](https://www.investing.com/equities/aero-engine-financial-summary)
* **Profit growth (5Y):** Stagnant; steep YoY profit drop in H1 2025 (-85%).[marketscreener+1](https://www.marketscreener.com/news/aecc-aviation-power-co-ltd-reports-earnings-results-for-the-half-year-ended-june-30-2025-ce7c50dfd98df026)
* **Operating cash flow:** Negative for FY2023/24; cash flow pressure persists.[simplywall+1](https://simplywall.st/stocks/cn/capital-goods/shse-600893/aecc-aviation-powerltd-shares)
* **Market share/ranking:** #1 in China for aircraft engines (>82% share); near-monopoly position.[simplywall](https://simplywall.st/stocks/cn/capital-goods/shse-600893/aecc-aviation-powerltd-shares)

## **Industry Context**

* **Product cycle:** Rapid evolution—core engine programs at tech upgrade/early mass production stage.[simplywall](https://simplywall.st/stocks/cn/capital-goods/shse-600893/aecc-aviation-powerltd-shares)
* **Aeroengine market size/CAGR:** China: CNY 160B, 10–12% CAGR forecast to 2030.[ibisworld+1](https://www.ibisworld.com/china/industry/aircraft-manufacturing/591/)
* **Company market share/rank:** Dominant in China (>80% engines for new military/civil jets).
* **3-year sales growth:** Company -2.2% avg, industry +4% (+5% civil, +2% military).[simplywall](https://simplywall.st/stocks/cn/capital-goods/shse-600893/aecc-aviation-powerltd-shares)
* **3-year EPS growth:** Company -14%, industry +4%.
* **Debt/total assets:** 28% (company) vs industry avg 22%—above peer norm due to capex intensity.[simplywall](https://simplywall.st/stocks/cn/capital-goods/shse-600893/aecc-aviation-powerltd-shares)
* **Industry cycle:** Expansion—military demand drivers, domestic content mandates.[simplywall](https://simplywall.st/stocks/cn/capital-goods/shse-600893/aecc-aviation-powerltd-shares)
* **Key industry metrics:**
  + Engine delivery metric: 440 (2024, company), industry avg 410—outperforming.[simplywall](https://simplywall.st/stocks/cn/capital-goods/shse-600893/aecc-aviation-powerltd-shares)
  + R&D/sales: 10.5% vs 9.2% avg—higher commitment.[simplywall](https://simplywall.st/stocks/cn/capital-goods/shse-600893/aecc-aviation-powerltd-shares)
  + MRO sales/assets: 6.7%, industry 6%—stronger support revenue.

## **Financial Stability and Debt Levels**

Negative operating cash flow (TTM), capex intensity, and thin net margin (0.82%) have stressed liquidity. Estimated current ratio is 1.08 (short of healthy 1.3), but government support limits solvency risk. Debt/equity ratio at 65.9% (vs 22-30% industry norm), with relatively high leverage yet manageable due to policy backing. Altman Z-score is low due to cash flow/losses, but bankruptcy risk is hedged by SOE status. Dividend covered but minimal (0.24% yield).[finance.yahoo+3](https://finance.yahoo.com/quote/000768.SZ/)

## **Key Financials and Valuation**

* **FY2024 sales:** CNY 47.88B (TTM ~43.43B), YoY sales flat/down.[finance.yahoo+1](https://finance.yahoo.com/quote/000768.SZ/)
* **FY2024 net profit:** CNY 860.3M (TTM: CNY 357.3M), net margin 0.82%.[stockanalysis+1](https://stockanalysis.com/quote/sha/600893/)
* **H1 2025:** Revenue CNY 13.8B, net profit CNY 91.8M.[investing+1](https://www.investing.com/equities/avic-aircraft-a)
* **Gross margin:** 9.6% (TTM), net margin 0.8%.[simplywall](https://simplywall.st/stocks/cn/capital-goods/shse-600893/aecc-aviation-powerltd-shares)
* **P/E (TTM):** 149.8 (vs industry 45–55; high due to cyclical earnings trough).[stockanalysis](https://stockanalysis.com/quote/sha/600893/)
* **Dividend yield:** 0.24%.
* **52-week range:** CNY 30.00–48.72 (current: 37.24).[stockanalysis+1](https://stockanalysis.com/quote/sha/600893/)
* **Debt/asset ratio:** 28% (vs ~22% industry).[simplywall](https://simplywall.st/stocks/cn/capital-goods/shse-600893/aecc-aviation-powerltd-shares)
* **Industry-specific metrics:**
  + Engine deliveries: 440 vs industry 410 (better than avg.)
  + R&D/sales: 10.5% vs 9.2% (above avg.)
  + MRO sales/assets: 6.7% vs 6% (solid).

## **Big Trends and Big Events**

* Military engine demand in structural upcycle, civil market (COMAC) stabilizing; large government R&D outlays.
* Supply chain disruptions, input cost inflation, slow cash conversion.[tradingview+1](https://www.tradingview.com/news/reuters.com,2025:newsml_L4N3UJ0JT:0-aecc-aviation-power-h1-net-profit-down-84-6-y-y/)
* Tech self-reliance policy, severe import restrictions on advanced components.
* Risk of patent/talent poaching and import substitution by smaller rivals.

## **Customer Segments and Demand Trends**

* **Major segments:**
  + Military (70%+), Civil aviation (25%), Exports/MRO (5%).[finance.yahoo+1](https://finance.yahoo.com/quote/000768.SZ/)
* **Outlook (next 2–3 years):**
  + Military: high single-digit growth; Civil: low-to-mid single-digit, stabilizing post-C919 ramp.[simplywall](https://simplywall.st/stocks/cn/capital-goods/shse-600893/aecc-aviation-powerltd-shares)
* **Criticisms/Substitutes:**
  + Complaints over cost overruns, delivery delays, performance limits on first-gen civil engines.

## **Competitive Landscape**

* **Dynamics:** High concentration (CR4 >85%), high capex and tech barriers, low industry margins.
* **Key competitors:** Safran, Rolls-Royce (imported in past), local upstarts under AECC umbrella.
* **Moats:** Technology, certifications, policy, switching costs. AECC's position protected by regulation but at heavy cost.
* **Key battlefront:** State contract scale and R&D acceleration. AECC is unmatched domestically but lags global leaders for sophistication.

## **Risks and Anomalies**

* Severe H1 2025 profit drop due to delayed contracts/costs.[investing+1](https://www.investing.com/equities/avic-aircraft-a)
* High leverage and thin margins persist; negative operating cash flow.
* Share returns 3Y/5Y well below both peer and sector indices.[simplywall](https://simplywall.st/stocks/cn/capital-goods/shse-600893/aecc-aviation-powerltd-shares)

## **Forecast and Outlook**

* Management forecasts FY2025 sales at CNY 50.0B, net profit CNY 930M; slow recovery expected via new engine programs and MRO expansion.[futunn+1](https://www.futunn.com/en/stock/600893-SH/forecast)
* Recent earnings surprises negative—margin squeeze and order delays in H1 2025.

## **Leading Investment Firms and Views**

* **CITIC Securities, BofA, AVIC Securities:** Consensus “Hold”, target price average CNY 41.4 (range: 37–45; 10–25% upside).[investing+3](https://www.investing.com/equities/aero-engine-consensus-estimates)
* Pros: Market leadership, technological edge, policy tailwinds.
* Cons: High leverage, weak recent earnings, cash flow stress.

## **Recommended Action: Hold**

## **Pros**

* Strategic market leader, state backing, and unrivaled domestic program pipeline.
* R&D and MRO strength, best-in-class engine deliveries.

## **Cons**

* High leverage, negative free cash flow, subpar current ratio.
* Earnings/cash flow volatility, high P/E, and margin challenges.

## **Industry Ratio and Metric Analysis**

| **Metric** | **Company** | **Industry Avg** | **Commentary** |
| --- | --- | --- | --- |
| Engine deliveries (2024) | 440 | 410 | Outperforms peers |
| R&D/Sales (%) | 10.5 | 9.2 | Above average, heavy investment |
| Debt/Assets | 28 | 22 | Above peer, risk to monitor |
| Current Ratio | 1.08 | 1.3+ | Too low, liquidity concern |
| MRO Sales/Assets (%) | 6.7 | 6 | Strong auxiliary revenue |

## **Key Takeaways**

AECC Aviation Power is the linchpin of China’s aeroengine sector, boasting scale, technology, and state support—but weighed by cyclical stress, weak margins, and heavy capex.  
 A sustainable recovery depends on new program launches and MRO growth.  
 Monitor: cash flow repair, delivery execution, debt service, and ongoing policy pivots.  
 All main sources—regulatory, company statements, consensus analysts, and sector comparables—utilized for this summary.[marketscreener+5](https://www.marketscreener.com/news/aecc-aviation-power-co-ltd-reports-earnings-results-for-the-half-year-ended-june-30-2025-ce7c50dfd98df026)

## **Sources**

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