# **Investment Summary: AVIC Xi’An Aircraft Industry Group Co Ltd (000768.SZ)**

**Date:** September 5, 2025  
 **Stock Price (close, Sep 4, 2025):** CNY 28.68[stockanalysis+2](https://stockanalysis.com/quote/she/000768/) **Market Cap:** CNY 78.1B[stockanalysis](https://stockanalysis.com/quote/she/000768/) **Industry:** Aerospace & Defense (Aircraft manufacturing, Civil & Military)  
 **Recommended Action:** **Hold**

## **Business Overview**

AVIC Xi’An Aircraft Industry Group Co Ltd (AVIC Xi’An) is a leading Chinese aerospace manufacturer specializing in the design, development, and assembly of large and medium transport and special aircraft, primarily serving military and civil aviation sectors. For the half year ended June 30, 2025, sales reached CNY 19.33B and net income CNY 688.88M; FY 2024 sales were CNY 42.7B, up 6.99% YoY. Aviation products contributed ~99% of revenues, with 95% from the domestic market. The company's core output – aircraft and key subsystems – are used by the PLA and commercial airlines to meet China’s growing demand for indigenous aviation solutions. Key strengths include strong state backing, integration into both defense and Airbus supply chains, and efficiency improvements. However, limited overseas exposure, regulatory pressures, and sensitivity to defense budgets are constraints.[finance.yahoo+4](https://finance.yahoo.com/quote/000768.SZ/)

**Divisional performance (H1 2025):**

* Aviation products: 99.19% of group sales (H1 revenue: CNY 19.26B), with gross profit margins estimated in the 8–10% range, consistent with sector norms.[investing+1](https://www.investing.com/equities/avic-aircraft-a)
* Services/others: <1% of group revenue.

## **Business Performance**

* **Sales Growth (5 Years):** CAGR ~7% (2019-2024); 2024-2025YTD shows ~2.5% decline in H1 but is forecast to recover in H2.[simplywall+2](https://simplywall.st/stocks/cn/capital-goods/szse-000768/avic-xian-aircraft-industry-group-shares/future)
* **Profit Growth (5 Years):** Generally low single-digit annual growth until 2023, ~4.8% net profit rise in H1 2025.[ainvest](https://www.ainvest.com/news/assessing-avic-xi-4-8-net-profit-growth-h1-2025-strategic-implications-china-defense-aerospace-sector-2508/)
* **Operating Cash Flow:** Volatile, with improvements in 2024 after weak 2022–2023.[simplywall](https://simplywall.st/stocks/cn/capital-goods/szse-000768/avic-xian-aircraft-industry-group-shares/future)
* **Market Share/Ranking:** Top 3 among Chinese aircraft manufacturers, serving the largest domestic transport/military aircraft programs.[ibisworld+1](https://www.ibisworld.com/china/industry/aircraft-manufacturing/591/)

## **Industry Context**

* **Product Cycle:** Late growth phase (civil demand), steady in military.[ibisworld](https://www.ibisworld.com/china/industry/aircraft-manufacturing/591/)
* **China Market Size:** Estimated CNY 600B in 2024, 6.6% CAGR (2019–2024); MRO subsector: 11.6%+ CAGR (2025–2035).[sphericalinsights+2](https://www.sphericalinsights.com/reports/china-aerospace-and-defense-mro-market)
* **Company Market Share:** Low single digits (industry highly fragmented, SOE dominated); AVIC group >65% of sector.[ibisworld](https://www.ibisworld.com/china/industry/aircraft-manufacturing/591/)
* **Sales vs. Industry AVG:** Co. ~7% CAGR, industry ~6.6%, so slightly outpacing peers.[investing+1](https://www.investing.com/equities/avic-aircraft-a)
* **EPS vs. Industry AVG:** Co. ~5% CAGR, industry ~5–7%.
* **Debt/Total Assets:** 0.05 (company) vs. industry ~0.25; below average, indicating low leverage.[palmyinvesting](https://palmyinvesting.com/stocks/focus/000768.SZ/financials)
* **Industry Cycle:** Growth, fueled by local procurement drive, tech upgrades.[ainvest+1](https://www.ainvest.com/news/assessing-avic-xi-4-8-net-profit-growth-h1-2025-strategic-implications-china-defense-aerospace-sector-2508/)
* **Industry-specific metrics:**
  + Aircraft Delivery Volumes: Matches or slightly trails COMAC/AVIC peers.[ibisworld](https://www.ibisworld.com/china/industry/aircraft-manufacturing/591/)
  + Local content ratio (Airbus A321): Rising sharply post-2024.[ainvest](https://www.ainvest.com/news/assessing-avic-xi-4-8-net-profit-growth-h1-2025-strategic-implications-china-defense-aerospace-sector-2508/)
  + Military procurement index: Stable, with budget growth.[ibisworld](https://www.ibisworld.com/china/industry/aircraft-manufacturing/591/)

## **Financial Stability and Debt Levels**

Operating cash flow rebounded in 2024, though liquidity remains below optimal (current ratio ~1.05, below the healthy threshold of 1.3). The company maintains net cash (CNY 3.21B as of Sep 2024), with limited long-term debt and capex well covered through state injections (CNY 3.8B in 2025). Interest coverage strong; Altman Z Score and credit rating improved to A2, default probability at low 0.5%. No immediate solvency risks, but short-term liquidity should be watched.[simplywall+3](https://simplywall.st/stocks/cn/capital-goods/szse-000768/avic-xian-aircraft-industry-group-shares/news/is-avic-xian-aircraft-industry-group-szse000768-using-too-mu-1)

## **Key Financials and Valuation**

* **Sales/Profitability:**
  + FY24: Sales CNY 42.7B (YoY +6.99%); FY24 net income CNY 1.06B (margin ~2.5%).[stockanalysis+1](https://stockanalysis.com/quote/she/000768/)
  + H1 2025: Sales CNY 19.3B (YoY -4.3%); Net income CNY 688.88M (margin 3.6%).[finance.yahoo](https://finance.yahoo.com/quote/000768.SZ/)
* **Valuation Metrics:**
  + P/E (TTM): 66.1 vs. industry avg ~45; historical 10Y avg: 112.[wisesheets](https://www.wisesheets.io/pe-ratio/000768.SZ)
  + PEG: Not meaningful due to low earnings base.[wisesheets](https://www.wisesheets.io/pe-ratio/000768.SZ)
  + Dividend yield: 0.42%.[stockanalysis](https://stockanalysis.com/quote/she/000768/)
  + 52-week range: CNY 21.06–32.64 (Current: CNY 28.68).[wsj+1](https://www.wsj.com/market-data/quotes/cn/xshe/000768)
* **Debt ratios:**
  + Net cash position; Total debt/total assets: 0.05 (industry: 0.25).[palmyinvesting](https://palmyinvesting.com/stocks/focus/000768.SZ/financials)
  + Current ratio: 1.05.[palmyinvesting](https://palmyinvesting.com/stocks/focus/000768.SZ/financials)
* **Industry metrics:**
  + Aircraft delivery count, local content in Airbus supply, and gross margin (all close to but below peers for gross margin, but above for localization and delivery count.[moomoo+3](https://www.moomoo.com/stock/000768-SZ/financials-revenue)

## **Big Trends and Events**

* Rapid increase in China’s civil aircraft localization due to Airbus A321 program.[ainvest](https://www.ainvest.com/news/assessing-avic-xi-4-8-net-profit-growth-h1-2025-strategic-implications-china-defense-aerospace-sector-2508/)
* Defense modernization, rising state procurement budgets, shift to domestic sourcing.[ibisworld](https://www.ibisworld.com/china/industry/aircraft-manufacturing/591/)
* Geopolitical risk (export controls, technology transfer limits) remains a top-3 concern.[ainvest](https://www.ainvest.com/news/assessing-avic-xi-4-8-net-profit-growth-h1-2025-strategic-implications-china-defense-aerospace-sector-2508/)
* Cost inflation and supply chain volatility are easing, but not fully resolved in 2025.[ainvest](https://www.ainvest.com/news/assessing-avic-xi-4-8-net-profit-growth-h1-2025-strategic-implications-china-defense-aerospace-sector-2508/)

## **Customer Segments and Demand Trends**

* **Segments:**
  + Military/government (dominant, est. >60% of sales), commercial aviation (<40%), foreign partners (Airbus: single-digit %).[barrons+2](https://www.barrons.com/market-data/stocks/000768/company-people?countrycode=cn)
* **Forecast growth (next 2-3 years):**
  + Military: Stable high single digit (driven by budget).
  + Commercial: Low double-digit, fueled by Airbus and domestic programs.[simplywall](https://simplywall.st/stocks/cn/capital-goods/szse-000768/avic-xian-aircraft-industry-group-shares/future)
* **Criticisms/Substitutes:**
  + Concerns: R&D pace, competitive bid pricing (esp. vs. COMAC), dependency on SOE contracts.
  + Substitutes: Foreign OEMs; switching limited by government policy.[ibisworld](https://www.ibisworld.com/china/industry/aircraft-manufacturing/591/)

## **Competitive Landscape**

* **Market dynamics:** High concentration (CR4 >80%), margins low, utilization capacities high (>85%).[ibisworld](https://www.ibisworld.com/china/industry/aircraft-manufacturing/591/)
* **Key competitors:** AVIC peer subsidiaries, COMAC, HAECO. AVIC Xi’An: top 3.[ibisworld](https://www.ibisworld.com/china/industry/aircraft-manufacturing/591/)
* **Moats:**
  + State backing, long-term supply contracts, Airbus and military integration, supply chain scale.[ainvest](https://www.ainvest.com/news/assessing-avic-xi-4-8-net-profit-growth-h1-2025-strategic-implications-china-defense-aerospace-sector-2508/)
* **Key battlefield:** Supply chain localization; AVIC Xi’An’s progress in Airbus programs is above sector average, but technology gap vs. global OEMs remains.[ainvest+1](https://www.ainvest.com/news/assessing-avic-xi-4-8-net-profit-growth-h1-2025-strategic-implications-china-defense-aerospace-sector-2508/)

## **Risks and Anomalies**

* Flat/slightly declining H1 2025 revenues despite higher profits, due to cost optimization.[finance.yahoo+1](https://finance.yahoo.com/quote/000768.SZ/)
* Weak liquidity (current ratio <1.3); industry-wide supply chain risks.[palmyinvesting](https://palmyinvesting.com/stocks/focus/000768.SZ/financials)
* Policy and leadership changes; possible geopolitical/regulatory disruption.[ainvest](https://www.ainvest.com/news/assessing-avic-xi-4-8-net-profit-growth-h1-2025-strategic-implications-china-defense-aerospace-sector-2508/)
* Margin volatility and FX risks in export business.

## **Forecast and Outlook**

* **Management proj. (2025E):** Sales CNY 46.7B, net income CNY 1.15B.[simplywall](https://simplywall.st/stocks/cn/capital-goods/szse-000768/avic-xian-aircraft-industry-group-shares/future)
* **Drivers:** Expansion of Airbus A321 localization, military procurement stability.[simplywall+1](https://simplywall.st/stocks/cn/capital-goods/szse-000768/avic-xian-aircraft-industry-group-shares/future)
* Recent earnings surprise: H1 2025 profitability increase despite revenue dip, attributed to cost controls.[ainvest](https://www.ainvest.com/news/assessing-avic-xi-4-8-net-profit-growth-h1-2025-strategic-implications-china-defense-aerospace-sector-2508/)

## **Leading Investment Firms’ Views**

* **Guotai Junan:** Target CNY 35.94, “Hold”/Shareholding (upside ~25%).[moomoo](https://www.moomoo.com/stock/000768-SZ/news/news)
* **Consensus:** Broadly neutral—average target CNY 33 (range: CNY 28–36), moderate upside.[barrons+1](https://www.barrons.com/market-data/stocks/000768/research-ratings?countrycode=cn&amp%2525253Bamp%2525253Bmod=quotes&amp%252525253Bamp%252525253Bmod=quotes&mod=quotes)
* **Main pros cited:** State support, strategy resilience, Airbus tie-ins.
* **Main cons cited:** High valuation, sluggish sector margins, execution/policy risk.

## **Recommended Action: Hold**

## **Pros:**

* Financial stability, net cash, and improved credit rating.[martini+1](https://martini.ai/pages/research/AVIC%20Xi%E2%80%99an%20Aircraft%20Industry%20Group%20Co.,%20Ltd.-49bdc4e86d496cd99bb35d811e63076a)
* Strong program pipeline (Airbus, defense sector).[ainvest](https://www.ainvest.com/news/assessing-avic-xi-4-8-net-profit-growth-h1-2025-strategic-implications-china-defense-aerospace-sector-2508/)
* Institutional/state support; strategic role in sector.
* Dividend record and commitment.

## **Cons:**

* Current ratio below best-practice threshold (1.05 vs. 1.3).[palmyinvesting](https://palmyinvesting.com/stocks/focus/000768.SZ/financials)
* Rich P/E vs. sector; dependence on policy and budget cycles.[wisesheets](https://www.wisesheets.io/pe-ratio/000768.SZ)
* Margin and cash flow volatility.
* Limited overseas sales growth.

## **Industry Ratio and Metric Analysis**

| **Metric** | **Company (2024/25)** | **Industry Avg** | **Commentary** |
| --- | --- | --- | --- |
| Aircraft Delivery | Near-top 3 | Matches leading peers | Strong per localization surge |
| Gross Margin (%) | ~8–10 | 10–13 | Below avg. but improving |
| Local content (%) | High (A321) | Low/mid | Key strategic advantage |
| Debt/Assets | 0.05 | ~0.25 | Very conservative (net cash) |
| Current Ratio | 1.05 | 1.3+ | Weak, but net cash mitigates risk |
| MRO CAGR (’25-35) | NA (low exposure) | 11.6 | Industry boom, limited exposure |

## **Key Takeaways**

* AVIC Xi’An is strategically placed as a key node in China’s indigenous aircraft supply chain, with strong state and Airbus ties driving expansion.
* Liquidity and margin improvements have bolstered resilience, but valuation premium, modest overseas exposure, and moderate program risks justify a **Hold** stance.
* Future opportunity lies in continuing Airbus/PLA partnerships, further localization, risk moderation, and capex discipline.
* Most essential factors have been covered. For further insight, monitoring longer-term internationalization and deep dive into new technology/product portfolios may increase edge.

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