Midea Group (000333 CH)

2Q26: Results In Line; OBM A Bright Spot; Maintains Full-year Guidance

Highlights

- Midea reported in-line 2Q26 results. Revenue growth accelerated to over 5% yoy in 2Q26, led by overseas markets, which grew over 10%, while domestic market grew by low single-digits.
- OBM growth momentum accelerated in 2Q26, and it now accounts for over 50% of overseas ToC revenue. Management expects OBM growth to accelerate further in 2H26 vs 1H26, and to maintain a solid growth pace in 2027-28. ToB revenue grew 3% in 2Q26, with domestic and overseas markets expanding at similar pace. Management expects ToB segment revenue growth to outpace ToC in 2H26.
- For the full year, management maintains its guidance of mid-to-high single-digit revenue growth and a stable net margin. Tariff refunds are expected to be reflected in 2H26 (not yet reflected in 1H26).
- Maintain BUY and keep target price unchanged at Rmb112.60.

2Q26 & 1H26 Results

Year to 31 Dec (Rmbm)	2Q26	1Q26	2Q25	yoy chg (%)	qoq chg (%)	1H26	1H25	yoy chg (%)
Total revenue	129,472	131,581	123,903	4.5	(1.6)	261,052	252,331	3.5
Gross profit	32,680	34,005	32,424	0.8	(3.9)	66,685	65,544	1.7
Gross margin (%)	25.2	25.8	26.2	(0.9)	(0.6)	25.5	26.0	(0.4)
EBIT	13,644	14,232	12,509	9.1	(4.1)	27,876	25,323	10.1
EBIT margin (%)	10.5	10.8	10.1	0.4	(0.3)	10.7	10.0	0.6
Attributable net profit	13,771	12,675	13,591	1.3	8.7	26,446	26,014	1.7
Attributable net margin (%)	10.6	9.6	11.0	(0.3)	1.0	10.1	10.3	(0.2)
Core net profit	8,633	10,962	13,486	(36.0)	(21.2)	19,595	26,235	(25.3)
Core net margin (%)	6.7	8.3	10.9	(4.2)	(1.7)	7.5	10.4	(2.9)

Source: Midea, UOB Kay Hian

Analysis

- **2Q26 results in line.** Midea Group (Midea) reported 1H26 revenue of Rmb261,052m (+3% yoy). Gross profit was Rmb66,685m (+2% yoy), with gross margin at 25.5% (-0.4ppt yoy). EBIT was Rmb27,876m (+10% yoy), with an EBIT margin of 10.7% (+0.6ppt yoy). Net profit was Rmb26,446m (+2% yoy), with net margin of 10.1% (-0.2ppt yoy). Both top-line and bottom line are in line with VA consensus.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	409,084	458,502	481,924	514,620	551,503
EBITDA	45,706	52,862	53,483	57,170	61,045
Operating profit	37,882	43,522	45,987	49,477	53,155
Net profit (rep./act.)	38,537	43,945	46,475	49,348	52,790
Net profit (adj.)	38,537	43,945	46,475	49,348	52,790
EPS (Fen)	542.0	576.0	611.7	649.6	694.9
PE (x)	15.9	15.0	14.1	13.3	12.4
P/B (x)	3.0	2.9	2.8	2.7	2.5
EV/EBITDA (x)	12.4	12.1	12.1	11.3	10.5
Dividend yield (%)	4.0	4.9	5.2	5.5	5.9
Net margin (%)	9.4	9.6	9.6	9.6	9.6
Net debt/(cash) to equity (%)	(91.7)	(19.8)	(15.9)	(17.0)	(18.1)
ROE (%)	20.3	20.0	20.3	20.6	21.0
Consensus net profit	-	-	46,744.0	51,006.6	55,325.0
UOBKH/Consensus (x)	-	-	0.99	0.97	0.95

Source: Midea, Bloomberg, UOB Kay Hian

Analyst(s)

Stella Guo
stella.guo@uobkh.com
+852 2236 6798

Ejann Hiew
hejann@uobkh.com
+603 2147 1995

BUY (Maintained)

Share Price	Rmb86.23
Target Price	Rmb112.60
Upside	+30.6%

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	000333 CH
Shares issued (m)	6,962.6
Market cap (Rmbm)	655,547.2
Market cap (US$m)	97,421.2
3-mth avg daily t'over (US$m)	421.1

Price Performance (%)

52-week high/low				Rmb89.50/Rmb71.02
1mth	3mth	6mth	1yr	YTD
(3.6)	6.7	9.7	17.0	10.3

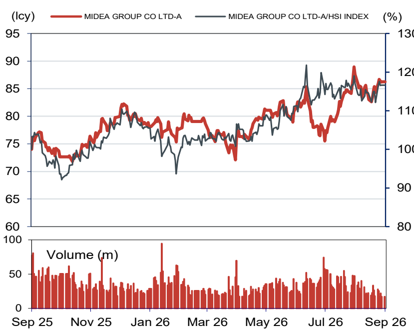
Major Shareholders (%)

Midea Holding	28.49

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	30.74
FY26 Net Cash/Share (Rmb)	5.07

Price Chart



Source: Bloomberg

Company Description

Midea Group Co. is a leading technology-driven global provider of smart home solutions and commercial & industrial solutions. Under smart home solutions, Midea offers a wide range of home appliances for consumers; under commercial & industrial solutions, its offerings cover various solutions for enterprise customers, such as home appliance compressors and motors, commercial air conditioners, industrial robots and supply chain services.

This implies 2Q26 revenue of Rmb129,472m (+5% yoy, -2% qoq). Gross profit was Rmb32,680m (+1% yoy, -4% qoq), with gross margin at 25.2% (-0.9ppt yoy, -0.6ppt qoq). EBIT was Rmb13,644m (+9% yoy, -4% qoq), with EBIT margin of 10.5% (+0.4ppt yoy, -0.3ppt qoq). Net profit was Rmb13,771m (+1% yoy, +9% qoq), with net margin of 10.6% (-0.3ppt yoy, +1.0ppt qoq).

- **2Q26 ToC segment: 2Q26 domestic sales grew by low single-digits and overseas sales grew over 10%.** In 1H26, smart home appliances revenue grew over 4% yoy, with both domestic and overseas growing over 4%. In 2Q26, revenue growth accelerated to over 5% yoy, led by overseas markets, which grew over 10%, while domestic market grew low single-digit. By product, air conditioner grew low single-digit (domestic: flat, overseas: over 5%), refrigerators and washing machines grew over 10% (domestic: nearly 10%, overseas: over 15%), and kitchen appliances grew around 5% (domestic: down high single-digit, overseas: nearly 15%).
- **ToC segment – domestic:** Expect better performance in 2H26. For the domestic market, air conditioner sales (in terms of installation cards) declined by high single-digit in July while August saw high single-digit growth. Looking into 2H26, although the demand remains subdued and competition is fierce, an easier comparable base should help support performance, making 2H26 better than 1H26.
- **ToC segment – overseas:** OBM accounts for 50% of ToC revenue; expect OBM faster growth in 2H26 than in 1H26. In 1H26, original brand manufacturer (OBM) revenue grew nearly 15% yoy, with 1Q26 up 10% and growth momentum further accelerating in 2Q26. OBM now accounts for over 50% of overseas ToC revenue, marking a key milestone. In July-August, overseas orders grew nearly 15% yoy, with OBM outpacing the overall overseas orderbook. Management expects OBM growth to accelerate further in 2H26 vs 1H26, and to maintain a solid growth pace in 2027-28. By profitability, original equipment manufacturer (OEM) remains above domestic sales, while OBM is the lowest.
- **ToB segment:** Building technology led growth; expect ToB segment revenue growth to outpace ToC in 2H26. In 1H26, ToB revenue grew 3% yoy, with the domestic market roughly flat and overseas markets up high single-digit. In 2Q26, ToB revenue grew 3%, with domestic and overseas markets expanding at similar pace. Building technology revenue grew over 10% (both domestic and overseas up more than 10%), robotics & automation (KUKA) revenue nearly 10% yoy (domestic: over 30%, overseas: low single-digit), and industrial technology revenue fell over 10% yoy (both domestic and overseas down over 10%), as the segment is highly tied to the pressured AC business. Management expects ToB segment revenue growth to outpace ToC in 2H26.
- **Full-year guidance maintained; expect tariff refunds to be recognised in 2H26.** For the full year, management maintains the guidance of mid-to-high single-digit revenue growth and a stable net margin. Tariff refunds are expected to be reflected in 2H26 (not yet reflected in 1H26).

Earnings Revision/Risk

- **We lower our 2026/27 earnings forecasts by 1%/2%, respectively.** We lower our 2026/27 revenue forecasts by 2%/3%, respectively. We lower our 2026/27 gross margin forecasts both by 0.3ppt yoy. We also lower our 2026 opex expense ratio forecast by 0.2ppt, but keep our 2027 opex expense ratio forecast unchanged. Thus, our 2026/27 earnings forecasts are lowered by 1%/2%, respectively.

Valuation/Recommendation

- **Maintain BUY and keep target price unchanged at Rmb112.60.** We maintain our SOTP-based target price at Rmb112.60. Our target price implies 18.4x 2026F PE and 17.3x 2027F PE. The stock currently trades at 14.1x 2026F PE and 13.3x 2027F PE.

Segmental Results (Quarterly)

Year to 31 Dec (Rmbm)	2Q26	2Q25	yoy chg (%)
Revenue - by product category			
Building technologies	14,825	11,810	25.5
Industrial technology	4,938	7,718	(36.0)
Robotics & Automation	16,621	15,073	10.3

According to Midea A Share
Source: Midea, UOB Kay Hian

Segmental Results (Semi-Annually)

Year to 31 Dec (Rmbm)	1H26	1H25	yoy chg (%)
Revenue - by product category			
Building technologies	21,625	19,511	10.8
Industrial technology	13,138	15,053	(12.7)
Robotics & Automation	16,621	15,073	10.3

According to Midea A Share
Source: Midea, UOB Kay Hian

Profit & loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	458,502.4	481,923.8	514,620.2	551,502.6
EBITDA	52,861.9	53,483.4	57,170.1	61,044.9
Deprec. & amort.	9,339.7	7,496.0	7,692.8	7,889.6
EBIT	43,522.2	45,987.3	49,477.3	53,155.3
Total other non-operating income	106.6	106.6	106.6	106.6
Associate contributions	1,694.7	1,745.5	1,797.9	1,851.8
Net interest income/(expense)	5,903.5	5,901.0	5,829.7	6,255.9
Pre-tax profit	53,085.3	56,140.5	59,611.4	63,769.5
Tax	(8,565.1)	(9,058.1)	(9,618.1)	(10,289.0)
Minorities	(574.8)	(607.9)	(645.4)	(690.5)
Net profit	43,945.4	46,474.5	49,347.8	52,790.1
Net profit (adj.)	43,945.4	46,474.5	49,347.8	52,790.1

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	44,983.4	43,292.4	41,535.7	39,713.1
Other LT assets	147,146.0	145,948.7	144,620.3	143,161.0
Cash/ST investment	85,247.2	71,383.0	75,468.2	78,358.2
Other current assets	331,415.2	362,494.8	385,724.4	411,928.1
Total assets	608,791.8	623,118.9	647,348.6	673,160.4
ST debt	43,904.6	37,976.5	36,246.9	33,088.4
Other current liabilities	299,479.2	309,362.8	322,172.5	336,763.4
LT debt	12,658.8	12,082.3	13,235.4	14,246.9
Other LT liabilities	16,325.0	16,325.0	16,325.0	16,325.0
Shareholders' equity	223,221.3	233,561.4	244,912.5	257,589.9
Minority interest	13,202.9	13,810.8	14,456.2	15,146.7
Total liabilities & equity	608,791.8	623,118.9	647,348.6	673,160.4

Cash flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	53,345.9	48,128.3	44,841.6	47,332.6
Pre-tax profit	53,085.3	56,140.5	59,611.4	63,769.5
Tax	(8,565.1)	(9,058.1)	(9,618.1)	(10,289.0)
Deprec. & amort.	9,339.7	7,496.0	7,692.8	7,889.6
Working capital changes	5,279.5	5,821.9	3,327.1	3,894.1
Other operating cashflows	(6,599.5)	(12,323.2)	(16,222.7)	(17,982.8)
Investing	25,340.3	(2,183.1)	(2,183.1)	(2,183.1)
Capex (growth)	(11,141.9)	(7,000.0)	(7,000.0)	(7,000.0)
Investments	(171,060.0)	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	207,542.2	4,816.9	4,816.9	4,816.9
Financing	(64,957.8)	(42,638.9)	(38,573.3)	(42,259.6)
Dividend payments	(33,080.1)	(36,134.4)	(37,996.8)	(40,112.6)
Issue of shares	4,725.9	0.0	0.0	0.0
Proceeds from borrowings	88,859.5	37,400.0	37,400.0	34,100.0
Loan repayment	(125,492.9)	(43,904.6)	(37,976.5)	(36,246.9)
Others/interest paid	29.9	0.0	0.0	0.0
Net cash inflow (outflow)	13,728.4	3,306.3	4,085.2	2,890.0
Beginning cash & cash equivalent	55,025.2	68,076.7	71,383.0	75,468.2
Other monetary funds	17,170.5	17,170.5	17,170.5	17,170.5
Ending cash & cash equivalent	85,247.2	71,383.0	75,468.2	78,358.2

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	11.5	11.1	11.1	11.1
Pre-tax margin	11.6	11.6	11.6	11.6
Net margin	9.6	9.6	9.6	9.6
ROA	7.2	7.5	7.8	8.0
ROE	20.0	20.3	20.6	21.0
Growth				
Turnover	12.1	5.1	6.8	7.2
EBITDA	15.7	1.2	6.9	6.8
Pre-tax profit	13.7	5.8	6.2	7.0
Net profit	14.0	5.8	6.2	7.0
Net profit (adj.)	14.0	5.8	6.2	7.0
EPS	6.3	6.2	6.2	7.0
Leverage				
Debt to total capital	21.0	17.8	17.1	15.8
Debt to equity	25.7	21.9	20.7	18.8
Net debt/(cash) to equity	(19.8)	(15.9)	(17.0)	(18.1)