Haier Smart Home (6690 HK)

2Q26: Sales Beat And Net Profit In Line; Expect HVAC To Achieve Double-digit Revenue And Profit Growth In 2H26

Highlights

- Haier's 2Q26 sales increased by 1%, better than expected, and net profit declined by 13% yoy, largely in line with consensus.
- The company's HVAC integration began delivering **benefits in 2Q26, and 2Q26 alone achieved 12% revenue growth. Looking ahead, management expects HVAC** revenue and operating profit to both achieve double-digit growth in 2H26. Particularly in the overseas markets, it expects double-digit growth in 2026 and around 15% growth in 2027-28.
- Overseas revenue increased by 2% in 2Q26. Looking ahead, management sets five-year growth targets of: low single-digit in North America, high single-digit in Europe, 15-20% in Southeast Asia, and nearly 30% in South Asia & Latin America, respectively.
- Maintain BUY; cut target price by 4% to HK$28.30.

2Q26 & 1H26 Results

Year to 31 Dec (Rmbm)	2Q26	1Q26	2Q25	yoy chg (%)	qoq chg (%)	1H26	1H25	yoy chg (%)
Total revenue	78,428	73,687	77,376	1.4	6.4	152,115	156,494	(2.8)
Gross profit	22,745	18,675	21,963	3.6	21.8	41,420	42,056	(1.5)
Gross margin (%)	29.0	25.3	28.4	0.6	3.7	27.2	26.9	0.4
EBIT	7,219	5,987	7,528	(4.1)	20.6	13,205	13,878	(4.8)
EBIT margin (%)	9.2	8.1	9.7	(0.5)	1.1	8.7	8.9	(0.2)
Attributable net profit	5,665	4,652	6,546	(13.5)	21.8	10,316	12,033	(14.3)
Attributable net margin (%)	7.2	6.3	8.5	(1.2)	0.9	6.8	7.7	(0.9)

Note: Haier's financial data is based on A share
Source: Haier Smart Home, UOB Kay Hian

Analysis

- **2Q26 sales better than expected and net profit in line.** In 1H26, revenue was Rmb152,115m, down 3% yoy. Gross margin was 27.2%, up 0.4ppt yoy. EBIT was Rmb13,205m, down 5% yoy, with EBIT margin of 8.7%, down 0.2ppt yoy. Net profit was Rmb10,316m, down 14% yoy, largely in line with VA consensus. The sharper net profit decline was primarily dragged by a Rmb911m forex loss (from a forex gain of Rmb881m in 1H25). Net margin was 6.8%, down 0.9ppt yoy.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	286,005	302,329	300,443	319,792	340,231
EBITDA	27,809	28,282	28,780	30,756	32,837
Operating profit	19,707	19,532	19,731	21,251	22,882
Net profit (rep./act.)	18,731	19,553	18,636	20,797	22,629
Net profit (adj.)	18,731	19,553	18,636	20,797	22,629
EPS (Fen)	203.1	212.2	200.3	223.5	243.2
PE (x)	9.0	8.6	9.1	8.2	7.5
P/B (x)	1.5	1.4	1.3	1.2	1.2
EV/EBITDA (x)	6.2	6.6	6.3	5.7	5.1
Dividend yield (%)	5.3	6.3	6.4	7.4	8.0
Net margin (%)	6.5	6.5	6.2	6.5	6.7
Net debt/(cash) to equity (%)	(18.7)	(8.1)	(10.5)	(14.8)	(18.8)
Interest cover (x)	10.3	10.9	10.7	19.1	31.7
ROE (%)	16.6	16.0	14.3	14.9	15.0
Consensus net profit	-	-	19,698.7	21,677.1	23,681.1
UOBKH/Consensus (x)	-	-	0.95	0.96	0.96

Source: Haier Smart Home, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$21.28
Target Price	HK$28.30
Upside	+33.0%
Previous TP	HK$29.40

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	6690 HK
Shares issued (m)	2,853.6
Market cap (HK$m)	219,214.8
Market cap (US$m)	27,961.4
3-mth avg daily t'over (US$m)	43.5

Price Performance (%)

52-week high/low				HK$28.20/HK$19.05
1mth	3mth	6mth	1yr	YTD
(2.3)	10.4	(22.2)	(15.8)	(12.4)

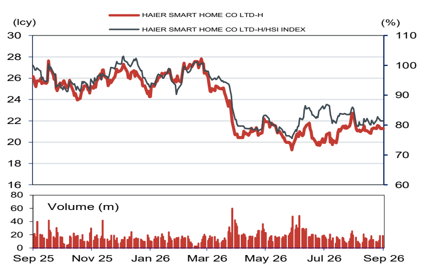
Major Shareholders (%)

HKSCC	24.66
Haier COSMO CO Ltd	13.42
Haier Co Ltd	11.44

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	13.60
FY26 Net Cash/Share (Rmb)	1.47

Price Chart



Source: Bloomberg

Company Description

Haier Smart Home is a leader in the global major home appliance industry, ranking first in the world in terms of retail volume of major home appliances for 15 consecutive years. The company has a global portfolio of home appliance brands consisting of Haier, Casarte, Leader, GE Appliances, Candy, Fisher & Paykel and AQUA. Currently, Haier's business covers more than 160 countries and regions around the world. It is also a global pioneer in providing smart home solutions suited for various lifestyle scenarios for users to satisfy their pursuit for a better life.

This implies 2Q26 revenue of Rmb78,428m, up 1% yoy, ahead of the company's previously guided flat yoy target. Gross margin was 29.0%, up 0.6ppt yoy. EBIT was Rmb7,219m, down 4% yoy, with EBIT margin of 9.2%, down 0.5ppt yoy. Gross margin expansion and R&D expense savings (-0.7ppt yoy) were dragged by higher SG&A expenses (+1.9ppt yoy), primarily driven by ToC channel transformation in the domestic market and overseas market expansion. Net profit was Rmb5,665m, down 13% yoy, with net margin of 7.2%, down 1.2ppt yoy.

- **HVAC integration delivering benefits; targets double-digit revenue and operating profit growth in 2H26.** By reclassified categories in 1H26, revenue from smart home appliances (including refrigerators/freezers, kitchen appliances and laundry appliances) and other business declined by 6% and 5% yoy, respectively, while the smart HVAC solutions (including air-conditioners and water appliance) increased by 6% yoy, with 2Q26 alone achieving 12% yoy growth. Within the HVAC segment, residential air conditioners delivered high single-digit growth in 1H26. Following HVAC integration, the company streamlined and optimised its product portfolio and centralised procurement, enhancing competitiveness. Looking ahead, management expects HVAC revenue and operating profit to both achieve double-digit growth in 2H26. Particularly in the overseas markets, it expects double-digit growth in 2026 and around 15% growth in 2027-28.
- **Overseas increased by 2% in 2Q26; targets low single-digit five-year CAGR in North America.** By region, in 1H26, revenue from the domestic market declined by 5% yoy, while the overseas markets remained largely flat (domestic market remained largely flat and overseas markets increased by 2% in 2Q26). Revenue from North America declined by 3% (in US dollar terms), Europe increased by 5%, South Asia increased by 17% and Southeast Asia increased by 13%. Looking ahead, management sets five-year growth targets of: low single-digit in North America, high single-digit in Europe, 15-20% in Southeast Asia, and nearly 30% in South Asia & Latin America, respectively.
- **Overseas gross margin improvement helped by tariff refunds.** By region, in 2Q26, gross margin improved 0.7ppt yoy to 34% in the domestic market, supported by SKU reduction and supplier platform opening, and 0.6ppt yoy to 25% in overseas markets, helped by tariff refunds. Regarding operating margin, the domestic market was nearly double-digit, down around 1ppt yoy, while overseas remained roughly flat yoy.

Earnings Revision/Risk

- **We lower our 2026/27 earnings forecasts by 9%/7%, respectively.** We lower our 2026/27 revenue forecasts both by 5%. We keep our 2026/27 gross margin estimates unchanged. We raise our 2026/27 selling and distribution expense ratio forecasts both by 0.1ppt. Thus, our 2026/27 earnings forecasts are lowered by 9%/7% respectively.

Valuation/Recommendation

- **Maintain BUY; cut target price by 4% to HK$28.30.** We lower our DCF-based target price by 4% to HK$28.30. Our target price implies 12.6x 2026F PE and 11.3x 2027F PE. The stock currently trades at 9.1x 2026F PE and 8.2x 2027F PE.

Segmental Information

Year to 31 Dec (Rmbm)	1H26	1H25	yoy chg (%)
Revenue by category			
Smart Home Appliances	89,356	95,302	(6.2)
Smart HVAC Solutions	45,028	42,547	5.8
Other Business	17,725	18,620	(4.8)
Total	152,109	156,469	(2.8)
Operating margin (%)			
Smart Home Appliances	9.2	9.8	(0.7)
Smart HVAC Solutions	10.1	8.5	1.7
Other Business	(1.0)	1.7	(2.7)
Total	8.3	8.5	(0.2)

Note: Haier's segmental information is based on H share
Source: Haier Smart Home, UOB Kay Hian

Profit & loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	302,329.0	300,442.7	319,792.1	340,231.1
EBITDA	28,282.0	28,779.7	30,755.6	32,836.8
Deprec. & amort.	8,750.0	9,048.7	9,504.6	9,955.2
EBIT	19,532.0	19,731.0	21,251.0	22,881.6
Associate contributions	1,328.0	1,328.0	1,328.0	1,328.0
Net interest income/(expense)	(2,587.0)	(2,681.7)	(1,606.1)	(1,037.3)
Pre-tax profit	23,479.0	22,377.3	24,972.9	27,172.3
Tax	(3,316.0)	(3,160.4)	(3,527.0)	(3,837.6)
Minorities	(610.0)	(581.4)	(648.8)	(706.0)
Net profit	19,553.0	18,635.6	20,797.1	22,628.7
Net profit (adj.)	19,553.0	18,635.6	20,797.1	22,628.7

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	45,708.0	49,172.1	52,222.2	54,858.5
Other LT assets	97,254.0	97,601.3	97,906.5	98,175.1
Cash/ST investment	46,268.0	35,556.0	33,672.2	37,910.1
Other current assets	106,565.0	106,978.6	112,182.9	117,680.3
Total assets	295,795.0	289,308.0	295,983.9	308,624.0
ST debt	21,716.0	16,166.0	7,825.0	6,675.0
Other current liabilities	120,829.0	120,346.0	125,300.6	130,534.3
LT debt	14,666.0	5,750.0	5,175.0	2,875.0
Other LT liabilities	12,607.0	12,607.0	12,607.0	12,607.0
Shareholders' equity	118,698.0	126,578.6	136,567.0	146,717.5
Minority interest	7,279.0	7,860.4	8,509.2	9,215.1
Total liabilities & equity	295,795.0	289,308.0	295,983.9	308,624.0

Cash flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	26,003.0	28,298.9	31,630.8	33,956.1
Pre-tax profit	23,479.0	22,377.3	24,972.9	27,172.3
Tax	(3,316.0)	(3,160.4)	(3,527.0)	(3,837.6)
Deprec. & amort.	8,750.0	9,048.7	9,504.6	9,955.2
Working capital changes	(5,150.0)	(896.6)	(249.7)	(263.7)
Non-cash items	138.0	0.0	0.0	0.0
Other operating cashflows	2,102.0	930.0	930.0	930.0
Investing	(17,075.0)	(13,790.0)	(13,790.0)	(13,790.0)
Capex (growth)	(8,851.0)	(11,500.0)	(11,500.0)	(11,500.0)
Investments	187.0	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(8,411.0)	(2,290.0)	(2,290.0)	(2,290.0)
Financing	(17,671.0)	(25,221.0)	(19,724.6)	(15,928.2)
Dividend payments	(11,579.0)	(10,755.0)	(10,808.6)	(12,478.2)
Issue of shares	(1,234.0)	0.0	0.0	0.0
Proceeds from borrowings	33,147.0	7,250.0	7,250.0	4,375.0
Loan repayment	(31,629.0)	(21,716.0)	(16,166.0)	(7,825.0)
Others/interest paid	(6,376.0)	0.0	0.0	0.0
Net cash inflow (outflow)	(8,743.0)	(10,712.0)	(1,883.8)	4,237.9
Beginning cash & cash equivalent	54,995.0	46,268.0	35,556.0	33,672.2
Changes due to forex impact	16.0	0.0	0.0	0.0
Ending cash & cash equivalent	46,268.0	35,556.0	33,672.2	37,910.1

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	9.4	9.6	9.6	9.7
Pre-tax margin	7.8	7.4	7.8	8.0
Net margin	6.5	6.2	6.5	6.7
ROA	6.7	6.4	7.1	7.5
ROE	16.0	14.3	14.9	15.0
Growth				
Turnover	5.7	(0.6)	6.4	6.4
EBITDA	1.7	1.8	6.9	6.8
Pre-tax profit	3.3	(4.7)	11.6	8.8
Net profit	4.4	(4.7)	11.6	8.8
Net profit (adj.)	4.4	(4.7)	11.6	8.8
EPS	4.5	(5.6)	11.6	8.8
Leverage				
Debt to total capital	24.2	14.4	8.7	6.2
Debt to equity	31.6	17.9	9.9	6.7
Net debt/(cash) to equity	(8.1)	(10.5)	(14.8)	(18.8)
Interest cover (x)	10.9	10.7	19.1	31.7