UOBKayHian

Country Daily | Greater China

Monday, 31 August 2026

Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	53560.0	(0.0)	0.5	2.0	11.4
S&P 500	7711.8	(0.2)	0.5	3.0	12.7
FTSE 100	10824.3	0.3	0.1	(0.4)	9.0
AS30	9294.3	0.6	0.3	1.7	3.1
CSI 300	4609.2	(0.5)	(0.2)	0.5	(0.4)
FSSTI	5699.9	0.3	0.2	1.3	22.7
HSCEI	8490.4	0.0	(1.7)	(1.4)	(4.7)
HSI	25584.8	0.1	(1.6)	(1.2)	(0.2)
JCI	6518.1	(0.1)	0.3	4.5	(24.6)
KLCI	1725.9	(0.9)	(0.6)	0.1	2.7
KOSPI	6788.9	(1.8)	1.4	2.9	61.1
Nikkei 225	66405.6	0.4	0.6	3.2	31.9
SET	1588.2	(0.8)	(1.6)	(2.2)	26.1
TWSE	46331.5	0.8	2.4	7.4	60.0
BDI	3186	2.5	12.1	16.6	69.7
CPO (RM/mt)	4613	0.4	(0.6)	1.8	17.3
Brent Crude (US$/bbl)	90	1.8	(2.7)	(0.5)	47.4

Source: Bloomberg

Corporate Events

	Venue	Begin	Close
Analyst Marketing by Julia Pan on Greater China Internet Sector	Singapore	07 Sep	08 Sep
Analyst Marketing by Julia Pan on Greater China Internet Sector	Malaysia	09 Sep	11 Sep
17th Asian Gems Conference 2026 (Virtual)	Singapore	22 Sep	23 Sep
Post-results NDR with Sunny Optical (2382 HK)	Taipei	22 Sep	23 Sep

Corporate and Macro Calendar

Economic Indicator/Event	Country/Region	Date
Aug PMI (Composite, Manufacturing, Non-manufacturing)	China	31 Aug
Jul Retail Sales (Value, Volume)	Hong Kong	31 Aug
Jul Money Supply (M1, M2, M3)	Hong Kong	31 Aug
Aug RatingDog China PMI (Mfg)	China	01 Sep
Aug RatingDog China PMI Composite	China	03 Sep
Aug RatingDog China PMI Services	China	03 Sep
August S&P Global Hong Kong PMI	Hong Kong	03 Sep

Top Stories

Sector Update | China Property Page 3 →

- On 28 Aug 26, China's Housing Ministry, Land Ministry and Financial Regulator unveiled policies to reform China's housing pre-sale system, followed by the PBOC, NFRA and CSRC's six companion documents rebuilding the sector's funding chain. Maintain UNDERWEIGHT on near-term headwinds to developers' financials. Greater clarity on the near-term earnings impact could provide a catalyst for a sector re-rating. COLI remains our top pick for greater financial resilience.

Company Results | BYD Company (1211 HK/**BUY**/HK$91.95/Target: HK$150.00) Page 6 →

- 2Q26 adjusted net profit beat estimates at Rmb8,226m (+51.5% yoy/+98.3% qoq). Stripping out forex gain/(loss), core net profit surged 141% yoy and 80% qoq to Rmb10.6b in 2Q26. The earnings beat stemmed from margins. BYD's FCF resumed positive at Rmb11.855b in 2Q26, as operating cash flow surged 48.6% yoy and capex plummeted 47.6%. Raise our 2026-28 net profit forecasts by 5%/14%/15% on higher margins. Maintain BUY and lift target price from HK$135.00 to HK$150.00.

Company Results | BYD Electronics (285 HK/**SELL**/HK$24.76/Target: HK$14.50) Page 9 →

- BYD Electronics' 2Q26 results were another major miss. Revenue rose 0.7% yoy to Rmb44.1b, beating consensus estimates. Gross margins deteriorated to 4.6% on a weaker mix and a forex loss of about Rmb700m for the half led to a 64.0% yoy decline in net profit, a significant miss vs expectations. Management expects AI-related growth to accelerate from 2H26, but meaningful contributions may not emerge until 2028-29. We maintain SELL and lower our target price to HK$14.50.

Company Results | Haier Smart Home (6690 HK/**BUY**/HK$21.28/Target: HK$28.30) Page 12 →

- 2Q26 net profit were in line with consensus estimates. Haier'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. Maintain BUY but cut target price by 4% to HK$28.30.

Company Results | Longfor Group (960 HK/**BUY**/HK$6.79/Target: HK$8.76) Page 15 →

- Longfor's 1H26 core net profit fell 95.4% yoy to Rmb64m, in line with the Rmb50m-100m profit warning, mainly dragged by property development. Recurring profit grew 4.2% yoy to Rmb6.7b, with 4% same-store sales growth in malls. Net gearing declined 0.2ppt hoh to 52.0%, with interest-bearing debt down Rmb5.7b hoh. Management expects a positive core net profit in 2027 and a return to a stable growth trajectory by 2028. The Rmb2.5b debt maturity in 2026 will be well covered. Maintain BUY; lower target price cut to HK$8.76.

Disclaimer: In Traders' Corner, technical analysis is carried out purely based on charting patterns, price movements and trends, and is thus independent of the fundamental research views of our analysts. As a result, and from time to time, we may make a technical recommendation that is opposite to our fundamental BUY/HOLD/SELL rating.

Company Results | Meituan (3690 HK/**HOLD**/HK$77.50/Target: HK$76.00) Page 18 →

- Meituan's 2Q26 earnings beat expectations. Revenue increased 14.4% yoy to Rmb104.6b, 3-4% above our and consensus estimates. Non-IFRS net profit rose 69.0% yoy to Rmb2.5b, above expectations, while non-IFRS net margin improved to 2.4%. For 3Q26, Meituan expects CLC revenue to grow at mid-teens yoy, while new initiatives revenue growth should accelerate to around 30% yoy with losses broadly flat qoq. Food delivery should remain profitable despite seasonal pressure. Maintain HOLD with an unchanged target price of HK$76.00.

Company Results | Midea Group (000333 CH/**BUY**/Rmb86.23/Target: Rmb112.60) Page 21 →

- Midea reported in-line 2Q26 results. Revenue growth accelerated to over 5% in 2Q26, led by overseas markets. OBM growth momentum accelerated in 2Q26, and is expected to accelerate further in 2H26 vs 1H26. ToB revenue grew 3% in 2Q26, and is expected to outpace ToC in 2H26. Management maintains full-year guidance of mid-to-high single-digit revenue growth and a stable net margin. Tariff refunds are expected to be reflected in 2H26. Maintain BUY; keep target price unchanged at Rmb112.60.

Company Results | Miniso (MNSO US/**BUY**/US$10.33/Target: US$17.50) Page 24 →

- 1H26 revenue slightly exceeded the previous guidance, driven by the domestic market while overseas fell short. Profit missed due to selling expenses. Miniso aims to slow down overseas expansion. Full-year revenue growth is lowered to mid-teens from high-teens, and adjusted operating profit is expected to decline by a high single digit, with operating margin down 3-4ppt (vs previously expected accelerated profit growth with an implied 1-2ppt margin decline). Maintain BUY but cut target price by 21% to US$17.50.

Company Results | Ningbo Tuopu Group Co. (601689 CH/**BUY**/Rmb47.09/Target: Rmb64.00) Page 27 →

- 2Q26 net profit missed estimates as margins were pressured by higher depreciation and labour expenses with the launches of new capacity dragging capacity utilisation. Margins are set to recover in 2H26 with the rebound of capacity utilisation at the Mexican plant. Revenue will be driven by the structural growth of its automotive parts business and the accelerated commercialisation of emerging segments. We cut our 2026-28 net profit forecast by 17%/10%/6% on lower margins. Maintain BUY; cut target price to Rmb64.00.

Company Results | Weichai Power (2338 HK/**HOLD**/ HK$32.76/Target: HK$31.00) Page 30 →

- Weichai's 2Q26 adjusted net profit rose 17.6% yoy to Rmb3,131m, in line with our estimate, while reported net profit rose 57.4% yoy on a Rmb1.31b disposal gain. Management guided for data centre diesel genset sales above 4,000 units in 2026 and gas genset sales above 2,000 units in 2027. We raise our 2026-28 net profit forecasts by 3%/16%/23% to Rmb15,212m/Rmb18,742m/Rmb21,596m. Maintain HOLD and cut target price to HK$31.00.

Company Results | Wuliangye Yibin (000858 CH/**HOLD**/Rmb71.51/Target: Rmb78.50) Page 33 →

- Wuliangye's 2Q26 revenue beat expectations but net profit was at the lower end of the preliminary results. The Wuliangye series was the main driver for revenue growth, with revenue growing 73% yoy and accounting for 83% of total revenue (vs 58% in 1H25), while non-Wuliangye series revenue fell 60% yoy. Cash flow was negative surprise. Cash inflow from sales of goods and services was Rmb12.2b in 2Q26, down 61% yoy and 9% qoq. Maintain HOLD; and cut target price by 15% to Rmb78.50.

Company Results | Yuexiu Property (123 HK/**BUY**/HK$3.775/Target:HK$4.50) Page 36 →

- Yuexiu's 1H26 results were in line with our preview. Revenue fell 23.0% yoy to Rmb36.6b, gross profit margin came in at 6.2% and core net profit was at Rmb80m, down 94.6% yoy. Contracted sales of Rmb50.5b were 50.5% of the Rmb100b full-year target, which we expect Yuexiu to meet. Net gearing improved 4.0ppt yoy to 49.2%. We keep our 2026-28 forecasts. Maintain BUY with an unchanged target price of HK$4.50.

Technical Analysis

Hang Seng Index And Hang Seng Tech Index Outlook Page 39 →

- Weekly Chart And Daily Chart

China Property

Presale System Reform Trades Near-term Pain For A Healthier Development Path

Highlights

- The China government announced polices to reform housing pre-sale mechanism. Pre-sale funds now contributing to over 30% of developers' funding. Thus, financial regulators have updated financial policies to align with the new development model.
- Near term, the reform tightens developers' funding channels and is negative on balance and P/L; over the medium to long term, it improves demand and supply dynamics – a positive on property price and developers' margins.
- Maintain UNDERWEIGHT on near-term headwinds to developers' financials. Greater clarity on the near-term earnings impact could provide a catalyst for a sector re-rating. Our top picks are COLI and CR Mixc.

Analysis

- **The China government announced polices to reform housing pre-sale mechanism.** On 28 Aug 26, MOHURD, the Ministry of Natural Resources and the NFRA jointly issued the Notice on Improving the Commodity Housing Sales System, marking a key step towards the reform of China's presale system. The key policy changes include:
  a) **Promoting completed-home sales.** Newly granted land parcels and projects that have not yet obtained construction planning permits will be prioritised for completed-home sales;
  b) **Tightening presale requirements for residential projects.** The requirement will be raised from the previous national standard of "all four permits obtained and more than 25% of construction and installation investment completed" to requiring "each building to have completed structural topping-out";
  c) **Tightening presale fund supervision.** All home-purchase funds, including buyers' down payments and individual mortgage loans, must be deposited into designated escrow accounts. Funds may only be released to developers after project completion acceptance and once supporting utilities and infrastructure are ready for delivery;
  d) Projects already under construction will be allowed to follow the existing presale framework to ensure a smooth policy transition.

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UNDERWEIGHT (Maintained)

Segmental Rating

Segment	Rating
China Property	UNDERWEIGHT (Maintained)
Property management	UNDERWEIGHT (Maintained)

Source: Bloomberg, UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (HK$)	Target Price (HK$)
COLI	688HK	BUY	13.42	19.88
CR Mixc	1209 HK	BUY	40.00	55.00

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 28 Aug 26 (HK$)	Target Price (HK$)	Upside To TP (%)	Last Year End	PE 2024 (x)	PE 2025F (x)	PE 2026F (x)	Yield 2025F (%)	ROE 2025F (%)	Market Cap. (HK$m)	Price/ NAV ps (x)
China Resources Land Ltd	1109 HK	BUY	33.96	39.60	16.6	12/25	9.3	10.3	9.2	3.8	4.7	242,166.7	0.70
China Overseas Land	688 HK	BUY	13.42	19.88	48.1	12/25	9.7	10.9	10.1	3.7	2.7	146,880.3	0.32
Longfor Properties	960 HK	BUY	6.48	10.12	56.3	12/25	5.3	n.a.	n.a.	0.2	-1.9	45,955.7	0.24
Yuexiu Property	123 HK	BUY	3.71	4.50	21.5	12/25	49.3	51.9	40.9	1.0	0.5	14,914.1	0.23
CR Mixc Lifestyle	1209 HK	BUY	40.00	55.00	37.5	12/25	19.8	17.8	16.0	6.2	26.6	91,300.0	4.8
China Overseas Property Holdings	2669 HK	BUY	3.37	4.20	24.6	12/25	7.0	7.8	7.9	5.5	18.5	11,066.9	1.4

Source: Bloomberg, UOB Kay Hian

- **The reform is expected to rebuild developers' funding structure.** According to NBS 7M26 data, deposits and advance receipts were 31.4% of developers' funds raised, against 13.8% from domestic loans and 36.2% from self-raised funds. Looking ahead, we expect the contribution from domestic loans and self-raised funding to increase meaningfully.
- **Financial regulators align financial policies with the new development model.** The People's Bank of China and the National Financial Regulatory Administration jointly issued the Opinions on Reforming and Improving Real Estate Credit Management and Accelerating the Establishment of a New Development Model for the Property Sector, together with a series of detailed policy measures, to align the financing system with the new development model. The key changes include:
  a) Banks must separate developer group risk from single-project risk, with credit approval centred on the project itself – project-based lending under a lead-bank model, with ring-fenced project management.
  b) Development loan tenor extended from the typical three years to a maximum of five years (presale projects) or seven years (completed-home projects).
  c) Maximum personal mortgage tenor extended from 30 years to 40 years.
  d) For presold homes, the mortgage disbursement point moves from structural topping-out to completion filing.
- **A policy positive on industry supply-demand dynamics and developers' margins in the medium term.** We expect the presale reform to result in: a) new-home supply delayed by 12-18 months; b) slower sales cash inflow; c) shrinking contract liabilities, ie deleveraging at the operating level; d) upward pressure on developers' net gearing ratios; e) developers' investment tightening; f) lower land premium rates overall; and g) less new supply plus lower land premiums lifting developers' margins. Near term, the reform tightens developers' funding channels and is negative on balance and P/L; over the medium to long term, it improves demand and supply dynamics – a positive on property price and developers' margins.

Valuation/Recommendation

- **Maintain UNDERWEIGHT on China's property sector.** The near-term pain from presale reforms is unavoidable: Tighter access to presale proceeds and a delayed sales-to-cash conversion cycle will increase balance sheet and earnings recognition pressure for developers. However, the policy package will benefit the sector's medium-term development by resulting in a sharper decline in new-home supply and supporting pricing of new homes and developers' margin. In view of near-term headwinds to financials, we maintain UNDERWEIGHT. Greater clarity on the near-term earnings impact could provide a catalyst for a sector re-rating, in our view. Our top pick for the China property sector is COLI.
- **COLI remains our top pick.** We view the ratio of contract liabilities to cash as a useful high-level indicator of a developer's reliance on presale proceeds. Based on FY25 data, COLI's ratio stood at 1.11x, the lowest among major developers. We therefore expect COLI to be among the most resilient developers as funding conditions tighten. In addition, its strong exposure to Tier 1 cities should position it to benefit earlier from sales recovery and margin stabilisation.

Sector Catalyst/Risk

- Stronger-than-expected recovery in property prices.

Developers' Sources Of Funding, FY2025 VS 7m26

Source of funds	----- FY2025 ----- (Rmbb)	% of total	------ 7M26 ------ (Rmbb)	% of total	7M26 yoy (%)
Domestic bank loans	1,409.4	15.1	630.0	13.8	-32.1
Foreign capital	2.5	0.0	0.4	0.0	-77.3
Self-raised funds	3,314.9	35.6	1,654.4	36.2	-18.5
Deposits and advance receipts	2,808.9	30.2	1,437.6	31.4	-14.4
Personal mortgage loans	1,285.2	13.8	604.0	13.2	-23.5
Other (residual)	490.8	5.3	248.4	5.4	n.a.
Total funds raised	9,311.7	100.0	4,574.8	100.0	-20.3

Source: NBS

Contract Liabilities To Cash On Hand, FY2025 VS FY2024

Company	CL (Rmbm)	Total cash (Rmbm)	--- CL / cash (x) --- 2025	2024
COLI (688 HK)	114,720	103,628	1.11	0.98
CR Land (1109 HK)	143,592	116,989	1.23	1.62
Vanke (2202 HK)	93,057	67,241	1.38	2.18
Yuexiu (123 HK)	63,058	45,356	1.39	1.76
Jinmao (817 HK)	64,198	32,389	1.98	1.51
Longfor (960 HK)	73,128	29,201	2.50	1.86

Source: company FY2025 annual reports, UOB Kay Hian.
CL = contract liabilities. Total cash = all cash and deposit balances carried in current assets.

Key Changes – Notice On Improving The Commodity Housing Sales System (28 Aug 26)

Area	Previous rule	New rule (original text quoted)
Presale eligibility	"Four certificates" (land-use right certificate with land premium paid in full, construction planning permit, works permit, presale permit) plus construction progress: "投入开发建设的资金达到工程建设总投资的25%以上" (Administrative Measures for the Presale of Urban Commodity Housing, Art. 5).	"商品住房项目实行预售的，单体建筑应完成主体结构封顶，具体条件由各地根据实际情况确定" – the individual building must top out before presale; cities set the detail.
Presale proceeds	City-level escrow of a locally-set "key supervision quota" only, released against construction milestones; the surplus was freely usable and up to 30% of the quota could be swapped for a bank guarantee (2022 rule).	"购房人支付的首付款、个人住房贷款等购房资金应全部存入资金监管账户"; escrow is released only after completion inspection and utilities are delivery-ready.
Completed-home sales	Local pilots only; the national language was orderly promotion of completed-home sales, not a requirement, and such parcels were a small share of land supply.	"新出让土地的商品住房项目和已出让土地未取得建设工程规划许可证的商品住房项目，优先选择现房销售".
Deposit system (new)	No national framework; developers could not collect any deposit-type payment before obtaining a presale permit.	"在取得建筑工程施工许可证后，房地产开发企业可与购房人签订购房定金合同，依法收取少量定金"; the deposit is escrowed at the project's lead bank.
Policy for projects under construction	n.a.	"本通知施行之日前已取得建设工程规划许可证的商品住房项目，实行预售的，预售条件、预售资金监管等按原有政策规定执行".
Land supply and financing support	Self-funded land purchases and instalment payment of land premium were already allowed; project lending was spread across several banks.	"须用自有资金购地，可按国家规定分期缴纳土地出让价款"; land may be sold with a planning scheme attached; "房地产项目实行主办银行制"; land-use rights may be mortgaged on a pooled per-unit basis.

Source: MOHURD, Ministry of Natural Resources, NFRA, UOB Kay Hian

Financial Regulators' Property Policy Package, 28-30 Aug 26

Date	Issuer	Document
28 Aug	PBOC, NFRA	Opinion on Reforming and Improving Real Estate Credit Management and Accelerating the Building of a New Real Estate Development Model (36 articles)
28 Aug	NFRA	Measures for the Administration of Commodity Housing Development Loans (Trial)
28 Aug	NFRA, PBOC	Measures for the Administration of Personal Housing Loans (Trial) (Jin Gui [2026] No. 5)
28 Aug	NFRA	Measures for the Administration of Commercial Property Loans (Trial)
28 Aug	NFRA, MOHURD	Measures for the Administration of Urban Renewal Project Loans (Trial)
28 Aug	NFRA	Measures for Trust Companies Conducting Real Estate Trust Business (Trial)
28 Aug	CSRC	Opinion on Capital Markets Supporting the Building of a New Real Estate Development Model (4 parts, 12 articles)

Source: PBOC, NFRA, CSRC, UOB Kay Hian.

BYD Company (1211 HK)

2Q26: Core Earnings Surge 141% yoy On Margin Beat; Raise Target Price To HK$150.00

Highlights

- 2Q26 adjusted net profit beat estimates at Rmb8,226m (+51.5% yoy/+98.3% qoq). Stripping out forex gain/(loss), core net profit surged 141% yoy and 80% qoq to Rmb10.6b in 2Q26. The earnings beat stemmed from margins.
- BYD's FCF resumed positive at Rmb11.855b in 2Q26, as operating cash flow surged 48.6% yoy and capex plummeted 47.6%.
- Raise our 2026-28 net profit forecasts by 5%/14%/15% on higher margins. Maintain BUY and lift target price from HK$135.00 to HK$150.00.

2Q26 Results

Year to 31 Dec (Rmbm)	2Q26	yoy %	qoq %	1H26	yoy %	2026F	yoy %	1H26/2026	Comment
Sales volume ('000 units)	1,108	(3.2)	58.2	1,809	(15.7)	5,000	8.6	0.36	
Net profit per vehicle (Rmb)	7.0	41.1	29.2	6.37	(0.3)	6.8	7.0	0.94	
Revenue	194,590	(3.2)	29.5	344,815	(7.1)	905,704	12.7	0.38	
Gross profit	36,737	12.4	30.0	64,989	(2.8)	170,155	19.3	0.38	
Gross margin (%)	*18.9*	*2.6*	*0.1*	*18.8*	*0.8*	*18.8*	*1.0*	1.00	
EBIT	14,097	130.4	96.4	21,273	41.9	51,961	36.3	0.41	
EBIT margin (%)	*7.2*	*4.2*	*2.5*	*6.2*	*2.1*	*5.7*	*1.0*	1.08	
Net profit (GAAP)	8,241	29.7	101.8	12,325	(20.5)	39,458	21.0	0.31	
Net profit (adj)j	8,226	51.5	98.3	12,373	(9.0)	40,620	37.9	0.30	
Net margin	*4.2*	*1.1*	*1.5*	*3.6*	*(0.6)*	*4.4*	*0.3*	0.82	

Source: BYD, Bloomberg, UOB Kay Hian

Analysis

- **Coe earnings surged 141% yoy in 2Q26 on margin beat.** 2Q26 results beat expectations with GAAP net profit of Rmb8,241m (+29.7% yoy/+101.8% qoq) and adjusted net profit of Rmb8,226m (+51.5% yoy/+98.3% qoq). Forex gain/(loss) swung to a net loss of Rmb4,703m in 1H26 from a net gain of Rmb3,160m in 1H25, dragging earnings. Stripping out forex gain (loss), core net profit surged 141% yoy and 80% qoq to Rmb10.6b in 2Q26, and grew 50% yoy to Rmb16.3b, beating estimates. The beat stemmed from upbeat margins, due to the increased share of exports in total sales.
  - **Revenue in line.** Revenue dipped 3.2% yoy but grew 29.5% qoq to Rmb194.59b in 2Q26, and fell 7.1% yoy to Rmb344.815b in 1H26, in line with estimates. In 1H26, the auto segment's revenue dropped 9% yoy to Rmb275.07b, while the electronics segment's revenue edged up 1% yoy to Rmb69.375b.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	777,102	803,965	905,704	1,082,205	1,244,933
EBITDA	119,783	118,636	143,568	169,357	191,363
Operating profit	52,877	38,110	54,678	71,683	88,073
Net profit (rep./act.)	40,254	32,619	41,297	60,934	76,164
Net profit (adj.)	36,983	29,446	42,280	55,006	68,754
EPS (Fen)	461.2	357.8	453.0	668.3	835.4
PE (x)	17.3	22.3	17.7	12.0	9.6
P/B (x)	3.8	3.0	2.6	2.1	1.8
EV/EBITDA (x)	1.4	1.4	1.2	1.0	0.9
Dividend yield (%)	1.7	0.4	0.6	0.8	1.0
Net margin (%)	4.8	3.7	4.7	5.1	5.5
Net debt/(cash) to equity (%)	(33.6)	17.7	9.8	(1.8)	(23.0)
Interest cover (x)	43.5	(58.7)	9.0	168.4	(72.4)
ROE (%)	22.8	13.6	15.9	17.6	18.3
Consensus net profit	-	-	40,139	51,342	60,908
UOBKH/Consensus (x)	-	-	1.03	1.19	1.25

Source: BYD, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	HK$91.95
Target Price	HK$150.00
Upside	63.1%
Previous TP	HK$135.00

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	1211 HK
Shares issued (m)	3,683
Market cap (HK$m)	338,689
Market cap (US$m)	43,422
3-mth avg daily t'over (US$m)	278

Price Performance (%)

52-week high/low				HK$117.19/ HK$71.40
1mth	3mth	6mth	1yr	YTD
2.4	2.3	(2.7)	17.5	(3.1)

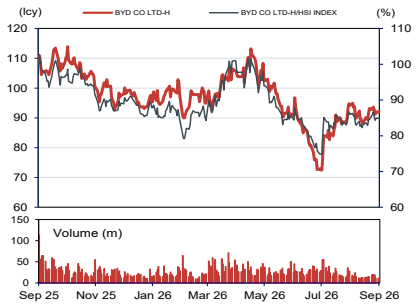
Major Shareholders (%)

Wang Chuan Fu	16.90
Lv Xiang Yang	7.87

Balance Sheet Metrics

FY26 NAV/Share (HK$)	26.7
FY26 Net Debt/Share (HK$)	3.5

Price Chart



Source: Bloomberg

Company Description

BYD Company produces electric vehicles (EV), EV batteries, rechargeable batteries and handset components in China.

  - **Upbeat margins on robust overseas sales.** Gross margin rose 2.6ppt yoy and 0.1ppt qoq to 18.9% in 2Q26, and expanded 0.8ppt yoy to 18.8% in 1H26, vs our full-year estimate of 18.8%. The share of overseas sales in total shipments doubled yoy to 43.8% in 1H26, and overseas sales boast a gross margin 10ppt above that of domestic sales. Opex/revenue ratio dropped 1.2ppt yoy and 2.5ppt qoq to 12.3%. This, coupled with the gross margin gain, boosted 2Q26 EBIT margin by 4.2ppt yoy and 2.5ppt qoq to 7.2% and 1H26 EBIT margin up by 2.1ppt yoy to 6.2%, vs our full-year estimate of 5.7ppt. Net profit per vehicle grew 41% yoy and 29% qoq to Rmb6,980 in 2Q26, beating our estimate.
  - **Strong cash flows.** Operating cash flow surged 48.6% yoy to Rmb34.54b in 2Q26, and capex plummeted 47.6% yoy to Rmb22.64b. As such, BYD Company (BYD) registered Rmb11.855b in FCF in 2Q26, vs negative FCF of Rmb19.895b/Rmb19.27b in 2Q25/1Q25 respectively.
- **Earnings driven by sales recovery and margin improvement with optimisation of sales mix.**
  - **Maintain our 2026-28 sales volume estimates at 5m/6m/7m units, including 2m/3m/4m units of overseas sales.** BYD's sales volume has resumed positive growth since May, and the yoy growth accelerated to over 20% in July, driven by a series of product launches across its multi-brand portfolio, including flash-charging variants of the "Seal 07EV," "Song Ultra EV," and "Tang EV," alongside the continued ramp-up of premium models under "Fangchengbao," "Denza," and "Yangwang." Overseas expansion serves as another key growth pillar, with export volumes, and the company's footprint now spanning 121 countries. This is complemented by the ongoing commissioning of localised production facilities in Brazil and Thailand, while additional overseas plant expansions are steadily advancing to support rising global demand and strengthen supply chain resilience.
  - **Maintain our 2026-28 gross margin assumptions at 18.8%/19.3%/19.6% respectively.** The prospective gross margin gain will be driven by an increasing share of the more lucrative overseas sales in its sales mix. Overseas sales as a percentage of BYD's total sales volume is expected to rise from 23% in 2025 to 40%/50%/57%. Overseas sales gross margin is 10ppt above domestic sales, as BYD car prices in overseas markets are 1-3x of domestic prices.
  - **Cut our 2026-28 opex/revenue ratio forecasts from 13.5%/13.5%/13.5% to 12.6%/12.5%/12.4% respectively,** due to the lower-than-expected expense ratios in 1H26 and the company's cost saving initiatives. Our gross margin estimates and assumptions on opex/revenue ratio imply 2026-28 EBIT margin of 6.0%/6.6%/7.1%.

Earnings Revision/Risk

- **We raise our 2026-28 net profit forecasts by 5%/14%/15% to Rmb41.30b/Rmb60.93b/Rmb76.16b respectively,** based on lower expense ratios.
- **Risks:** Trade restrictions by overseas countries; appreciation of the renminbi.

Valuation/Recommendation

- **Maintain BUY and raise target price from HK$135.00 to HK$150.00,** pegged to an unchanged 20x 2027F PE (on par with historical mean).

Share Price Catalyst

- Overseas production ramp-up, premium brand volume growth, flash-charging model penetration, autonomous driving monetisation, and energy storage order expansion.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	803,965	905,704	1,082,205	1,244,933
EBITDA	118,636	143,568	169,357	191,363
Deprec. & amort.	(80,526)	(88,890)	(97,674)	(103,290)
EBIT	38,110	54,678	71,683	88,073
Total other non-operating income	(1,863)	-	-	-
Associate contributions	2,857	569	1,283	1,382
Net interest income/(expense)	649	(6,084)	(426)	1,217
Pre-tax profit	39,753	49,163	72,540	90,671
Tax	(5,992)	(7,866)	(11,606)	(14,507)
Minorities	(1,142)	-	-	-
Net profit	32,619	41,297	60,934	76,164
Net profit (adj.)	29,446	42,280	55,006	68,754

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	350,152	420,142	491,499	517,360
Other LT assets	162,110	163,799	166,051	168,282
Cash/ST investment	68,395	84,337	144,092	222,581
Other current assets	303,072	330,080	370,751	408,188
Total assets	883,730	998,359	1,172,394	1,316,411
ST debt	44,797	44,797	70,790	60,790
Other current liabilities	423,655	500,250	591,488	675,434
LT debt	69,326	69,326	69,326	69,326
Other LT liabilities	87,413	87,413	87,413	87,413
Shareholders' equity	246,275	284,308	341,112	411,183
Minority interest	12,265	12,265	12,265	12,265
Total liabilities & equity	883,730	998,359	1,172,394	1,316,411

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	59,136	180,290	208,317	223,365
Pre-tax profit	39,753	49,163	72,540	90,671
Tax	(5,992)	(7,866)	(11,606)	(14,507)
Deprec. & amort.	80,526	88,890	97,674	103,290
Associates	(3,654)	(569)	(1,283)	(1,382)
Working capital changes	(47,933)	44,588	50,566	46,510
Non-cash items	(3,564)	6,084	426	(1,217)
Other operating cashflows	-	-	-	-
Investing	(197,463)	(157,748)	(166,726)	(124,860)
Capex (growth)	(156,808)	(160,000)	(170,000)	(130,000)
Investments	(2,815)	-	-	-
Others	(37,841)	2,252	3,274	5,140
Financing	104,614	(6,599)	18,165	(20,017)
Dividend payments	(14,125)	(6,599)	(7,829)	(10,017)
Proceeds from borrowings	134,006	134,006	160,000	150,000
Loan repayment	(69,220)	(134,006)	(134,006)	(160,000)
Others/interest paid	53,953	-	-	-
Net cash inflow (outflow)	(33,714)	15,942	59,755	78,488
Beginning cash & cash equivalent	102,257	68,395	84,337	144,092
Changes due to forex impact	(148)	-	-	-
Ending cash & cash equivalent	68,395	84,337	144,092	222,581

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	14.8	15.9	15.6	15.4
Pre-tax margin	4.9	5.4	6.7	7.3
Net margin	4.1	4.6	5.6	6.1
ROA	3.5	4.5	5.1	5.5
ROE	13.6	15.9	17.6	18.3
Growth				
Turnover	3.5	12.7	19.5	15.0
EBITDA	(1.0)	21.0	18.0	13.0
Pre-tax profit	(20.0)	23.7	47.5	25.0
Net profit	(19.0)	26.6	47.5	25.0
Net profit (adj.)	(20.4)	43.6	30.1	25.0
EPS	(22.4)	26.6	47.5	25.0
Leverage				
Debt to total capital	13.5	11.9	12.4	10.3
Debt to equity	48.4	41.9	42.5	32.9
Net debt/(cash) to equity	17.7	9.8	(1.8)	(23.0)
Interest cover (x)	(58.7)	9.0	168.4	(72.4)

BYD Electronics (285 HK)

2Q26: Yet Another Huge Miss On Weaker Margins

Highlights

- BYDE's 2Q26 results were another big miss, declining 64.0% yoy to Rmb399m and missing consensus estimates by 46.4% due to forex losses and much worse than expected margins.
- AI server seems to be the key growth driver for BYDE in the future, but we believe that it will not be able to offset core business' weaknesses until 2028.
- Maintain SELL. Cut target price to HK$14.50.

2Q26 Results

Year to 31 Dec (Rmbm)	2Q25	1Q26	2Q26	yoy (%)	qoq (%)
Turnover	43,725	38,183	44,051	0.7	15.4
Gross Profit	3,218	1,991	2,046	(36.4)	2.7
Net Profit (Reported)	1,108	28	399	(64.0)	1,331.9
Margins (%)					
Gross margin	7.4	5.2	4.6	(2.7)	(0.6)
Net margin	2.5	0.1	0.9	(1.6)	0.8

Source: BYD Electronics, UOB Kay Hian

Analysis

- **2Q26 is another huge miss.** BYD Electronics' (BYDE) 2Q26 revenue rose 0.7% yoy and 15.4% qoq to Rmb44.1b, 6.3% ahead of consensus' estimates of Rmb41.4b. However, gross margin sharply deteriorated by 2.7ppt yoy and 0.6ppt qoq to 4.6%, a 0.9ppt miss vs consensus estimates due to ongoing margin pressure and deteriorating mix. Coupled with an unfavourable exchange rate leading to an around Rmb700m forex loss for 1H26, net profit plunged 64.0% yoy to Rmb399m, which is 46.4% below consensus estimates.
- **1H26 segment performance:** New energy vehicle revenue rose 6.4% yoy to Rmb13.6b (16.6% of group's revenue), which is largely in line; Smart terminal grew 1.3% yoy to Rmb67.9b (82.5% of group's revenue), primarily driven by a better-than-expected assembly business which grew 5.1% yoy to Rmb56.0b, likely attributable to higher memory prices; but the component business deteriorated 13.4% yoy to Rmb11.9b as expected, and this had led to a deterioration in profitability as the assembly business has a much lower, single-digit % margin. AI computing infrastructure – the segment carrying the entire structural story – shrank 10.2% yoy to just Rmb753m, or 0.9% of group revenue.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	177,306	179,477	182,422	189,726	190,100
EBITDA	10,325	8,925	6,426	7,131	8,169
Operating profit	3,927	2,764	1,428	1,881	2,723
Net profit	4,266	3,515	1,766	2,876	3,752
Net profit (adj.)	4,266	3,515	1,766	2,876	3,752
EPS (fen)	189.3	156.0	78.4	127.7	166.5
P/E (x)	11.0	13.3	26.5	16.3	12.5
P/BV (x)	1.9	1.8	1.7	1.6	1.5
EV/EBITDA (x)	4.8	5.6	7.7	7.0	6.1
Dividend yield (%)	2.4	0.7	1.0	1.6	2.1
Net margin (%)	2.4	2.0	1.0	1.5	2.0
Net debt to equity (%)	3.4	(13.5)	(11.2)	(28.7)	(29.5)
Interest cover (x)	18.4	(410.5)	(7.1)	(6.4)	(6.2)
ROE (%)	13.8	10.5	5.0	7.8	9.5
Consensus net profit	-	-	3,986	5,707	5,496
UOBKH/Consensus (x)	-	-	0.44	0.50	0.68

Source: BYD Electronics, Bloomberg, UOB Kay Hian

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SELL (Maintained)	
Share Price	HK$24.76
Target Price	HK$14.50
Upside	-41.4%
Previous TP	HK$19.90

Stock Data

Sector	Electronics Components
Bloomberg ticker	285 HK
Shares issued (m)	2,253
Market cap (HK$m)	55,789
Market cap (US$m)	7,858
3-mth avg daily t'over (US$m)	39.0

Price Performance (%)

52-week high/low				HK$46.52/HK$20.10
1mth	3mth	6mth	1yr	YTD
6.8	(16.9)	(23.3)	(35.5)	(26.4)

Major Shareholders (%)

BYD Company	65.8

Balance Sheet Metrics

FY26 NAV/Share (HK$)	11.91
FY26 Net Debt/Share (HK$)	1.78

Price Chart

Source: Bloomberg

Company Description

BYD Electronic International Co., Ltd researches, develops, manufactures handset components such as handset casings and handset keypads and modules for handset manufacturers. The company also provides assembly services comprising assembly service and PCB assembly service to global handset manufacturers.

- **Management guidance:** Management expects large client business to pick up from 2H26 thanks to seasonality, although a true turnaround may only arrive in 2H27 when there are more meaningful specification upgrades; the automotive business is expected to register sustained growth on the back of share gains and penetration into new clients; and AI business to register more meaningful growth of over Rmb3b in 2026. In the longer term, management targets to achieve "tens of billions of renminbi" for the liquid cooling business and Rmb100b for the power supply business.
- **BYDE seems more like a 2028 story,** as its its current core businesses are likely to remain unexciting through 2H26-2027, due to share losses at large US clients, sustained elevated component prices destroying Android demand, and slower automotive business growth. AI server-related business is expected to pick up from 2H26, which should be BYDE's key growth driver for years to come. However, management stated that some of the key product types, such as HVDC, and optical interconnect, may not see meaningful contribution until 2028/29, which means the AI business is unlikely to reach a scale capable of offsetting the core business' weaknesses through 2027.

Valuation/Recommendation

- **Our SOTP-derived valuation is HK$14.50/share, equivalent to a blended 11.4x PE.** It is based on: a) 9.6x 2027F PE for the automotive electronics division b) 13.6x 2027F PE for the consumer electronics division; and c) 20.0x 2027F PE for the AI server division.

Earnings Revision/Risk

- We slash our 2026-28 net profit estimates by 48.0%/34.6%/27.9% respectively to Rmb1,766m/Rmb2,876m/Rmb3,752m respectively. We have factored in a higher revenue assumption, but this is more than offset by a much worse margin assumption.

Changes to 2026-28 estimates

Year to 31 Dec	Old estimates			New estimates			Differences (%)		
(Rmbm)	2026F	2027F	2028F	2026F	2027F	2028F	2026F	2027F	2028F
Revenue	178,033	182,539	185,941	182,422	189,726	190,100	2.5	3.9	2.2
Automotive	28,318	30,583	33,570	28,318	30,583	33,570	-	-	-
Consumer Electronics	146,415	147,005	145,935	151,275	153,485	149,175	3.3	4.4	2.2
Of which: intelligent products	13,856	14,133	14,415	13,856	14,133	14,415	-	-	-
existing consumer electronics	132,560	132,872	131,520	137,420	139,352	134,760	3.7	4.9	2.5
AI server	3,301	4,951	6,436	2,829	5,658	7,355	(14.3)	14.3	14.3
Margins(%)	5.8	6.2	6.5	4.8	5.0	5.4	(1.0)	(1.2)	(1.1)
Automotive	13.8	13.5	14.0	13.0	13.6	14.0	(0.8)	0.1	-
Consumer Electronics	4.2	4.4	4.4	3.2	3.2	3.3	(1.0)	(1.3)	(1.1)
AI server (restated)	9.1	12.8	16.0	7.5	9.0	10.0	(1.6)	(3.8)	(6.0)
Operating Profit	2,760	3,529	4,252	1,428	1,881	2,723	(48.3)	(46.7)	(36.0)
Net Profit	3,396	4,401	5,203	1,766	2,876	3,752	(48.01)	(34.6)	(27.9)

Source: BYD Electronics, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	179,477	182,422	189,726	190,100
EBITDA	8,925	6,426	7,131	8,169
Depreciation & amortization	(6,161)	(4,997)	(5,250)	(5,445)
EBIT	2,764	1,428	1,881	2,723
Total other non-operating income	1,151	355	1,055	1,055
Associate contributions	-	-	-	-
Net interest income/(expense)	7	201	296	438
Pre-tax profit	3,921	1,984	3,232	4,216
Tax	(407)	(218)	(356)	(464)
Minorities	-	-	-	-
Net profit	3,515	1,766	2,876	3,752
Net profit (recurrent)	3,515	1,766	2,876	3,752

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	17,798	17,460	16,843	15,945
Other LT assets	11,136	10,277	9,445	8,697
Cash/ST investment	16,362	13,710	20,681	21,822
Other current assets	38,316	49,100	41,549	49,088
Total assets	83,612	90,548	88,518	95,552
ST debt	8,891	6,891	6,891	6,891
Other current liabilities	39,444	46,965	42,589	46,733
LT debt	0	0	0	0
Other LT liabilities	2,543	2,543	2,543	2,543
Shareholders' equity	34,442	35,856	38,203	41,092
Minority interest	0	0	0	0
Total liabilities & equity	83,612	90,548	88,518	95,552

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	17,183	3,747	11,508	6,011
Pre-tax profit	3,921	1,984	3,232	4,216
Tax	(407)	(218)	(356)	(464)
Depreciation/amortization	6,161	4,997	5,250	5,445
Associates	-	-	-	-
Working capital changes	11,702	(3,263)	3,175	(3,394)
Non-cash items	(4,195)	247	207	207
Other operating cashflows	-	-	-	-
Investing	(6,033)	(3,800)	(3,800)	(3,800)
Capex (growth)	(6,033)	(3,800)	(3,800)	(3,800)
Investments	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Others	-	-	-	-
Financing	(4,650)	(2,599)	(737)	(1,070)
Dividend payments	(1,280)	(352)	(530)	(863)
Issue of shares	-	-	-	-
Proceeds from borrowings	12,000	10,000	10,000	10,000
Loan repayment	(15,000)	(12,000)	(10,000)	(10,000)
Others/interest paid	(370)	(247)	(207)	(207)
Net cash inflow (outflow)	6,500	(2,652)	6,971	1,140
Beginning cash & cash equivalent	7,052	13,552	10,900	17,872
Changes due to forex impact	-	-	-	-
Ending cash & cash equivalent	13,552	10,900	17,872	19,012

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	6.0	4.8	5.0	5.4
Pretax margin	2.2	1.1	1.7	2.2
Net margin	2.0	1.0	1.5	2.0
ROA	4.0	2.0	3.2	4.1
ROE	10.5	5.0	7.8	9.5
Growth				
Turnover	1.2	1.6	4.0	0.2
Gross profit	(12.6)	(18.9)	8.5	9.1
Pre-tax profit	(17.3)	(49.4)	62.9	30.4
Net profit	(17.6)	(49.8)	62.9	30.4
Net profit (adj)	(17.6)	(49.8)	62.9	30.4
EPS	(17.6)	(49.8)	62.9	30.4
Leverage				
Debt to total capital	10.6	7.6	7.8	7.2
Debt to equity	25.8	19.2	18.0	16.8
Net debt to equity	(13.5)	(11.2)	(28.7)	(29.5)
Interest cover (x)	(410.5)	(7.1)	(6.4)	(6.2)

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)

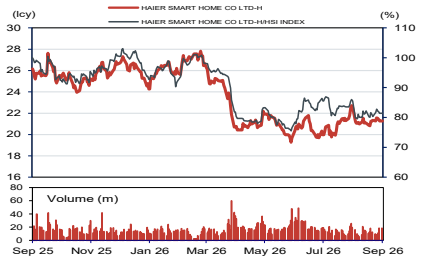
Major Shareholders (%)

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

Longfor Group (960 HK)

1H26: Expect Postive Bottom Line In 2027 And Back To Stable Growth Trajectory By 2028

Highlights

- 1H26 core net profit fell 95.4% yoy to Rmb64m, in line with the Rmb50m-100m profit warning. Recurring profit grew 4.2% yoy to Rmb6.7b.
- Management expects Longfor to report positive core net profit in 2027 and return to stable growth trajectory by 2028. The Rmb2.5b debt maturity in 2026 will be well covered.
- Maintain BUY, lower target price to HK$8.76.

1H26 Results

Year to 31 Dec (Rmbm)	1H26	2H25	1H25	yoy	hoh
Revenue	39,795	38,558	58,750	-32.3%	+3.2%
- PD	26,095	25,058	45,478	-42.6%	+4.1%
- IP operation	7,301	7,178	7,008	+4.2%	+1.7%
- Services and others	6,399	6,323	6,264	+2.2%	+1.2%
Gross Profit	4,424	2,013	7,422	-40.4%	+119.8%
Operating Profit	3,871	(1,149)	6,387	-39.4%	n/m
Core net profit	64	(3,080)	1,380	-95.4%	n/m
DPS (Rmb / share)	0.00	0.00	0.07	-100.0%	n/m
Margins					
GP margin	11.1%	5.2%	12.6%	-1.5ppt	+5.9ppt
Segment profit margin	6.8%	0.2%	8.9%	-2.1ppt	+6.6ppt
- PD	-15.8%	-27.8%	-2.6%	-13.2ppt	+12.0ppt
- IP operation	62.4%	65.6%	58.9%	+3.6ppt	-3.2ppt
- Services and others	28.3%	28.7%	28.4%	-0.1ppt	-0.4ppt
- recurring (IP + svcs)	44.1%	46.0%	41.7%	+2.4ppt	-1.9ppt
Core NP margin	0.2%	-7.6%	2.2%	-2.1ppt	+7.8ppt
Leverage					
Cash on hand (Rmbm)	24,883	29,201	44,666	-44.3%	-14.8%
Cash to ST debt ratio (x) *	~1.0x	1.14	>1.0x	n.a.	n.a.
Net gearing ratio	52.0%	52.2%	51.2%	+0.8pt	-0.2pt

Source: Longfor, UOB Kay Hian

Analysis

- **1H26 results continued to be dragged by property development (PD).** Core net profit fell 95.4% yoy to Rmb64m, in line with the guided range of Rmb50m-100m; attributable net profit of Rmb1,961m (-39.0% yoy) was flattered by a Rmb3,006m revaluation gain. PD revenue fell 42.6% yoy, while PD EBITDA margin declined 13.2ppt yoy. Recurring revenue grew 3.2% yoy, while EBITDA margin improved 2.4ppt to 44.1%. SG&A ratio rose 1.4ppt yoy to 6.9% on a smaller revenue base, while interest expense dropped 15.4% yoy with the average funding cost at 3.36% (1H25: 3.58%). The company declared no interim dividend, as expected.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	127,475	97,309	76,776	67,313	67,710
EBITDA	12,382	1,801	2,847	5,761	6,818
Operating profit	12,198	1,649	2,694	5,609	6,665
Net profit (rep./act.)	10,401	1,022	(4,934)	194	1,368
Net profit (adj.)	6,970	(1,700)	(4,934)	194	1,368
EPS (fen)	105.5	(24.9)	(44.6)	2.7	18.6
PE (x)	5.5	n.a.	n.a.	214.2	31.2
P/B (x)	0.2	0.2	0.3	0.3	0.3
EV/EBITDA (x)	19.2	132.1	83.6	41.3	34.9
Dividend yield (%)	5.5	1.2	0.0	0.1	1.0
Net margin (%)	8.2	1.1	(4.0)	0.3	2.0
Net debt/(cash) to equity (%)	73.6	71.3	76.3	74.7	77.2
Interest cover (x)	n.a.	n.a.	2.7	4.0	4.2
ROE (%)	6.6	0.6	(1.9)	0.1	0.9
Consensus net profit (Rmbm)	-	-	325.6	2,879.9	4,210.3
UOBKH/Consensus (x)	-	-	(9.47)	0.07	0.32

Source: Longfor, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$6.79
Target Price	HK$8.76
Upside	+29.0%
Previous TP	HK$10.12

Stock Data

GICS sector	Real Estate
Bloomberg ticker:	960 HK
Shares issued (m):	7,097.4
Market Cap (HK$m):	48,191.4
Market cap (US$m):	6,147.0
3-mth avg t'over (US$m):	15.8

Price Performance (%)

52-week high/low				HK$12.24/HK$5.98
1mth	3mth	6mth	1yr	YTD
0.6	(9.2)	(33.7)	(36.5)	(20.7)

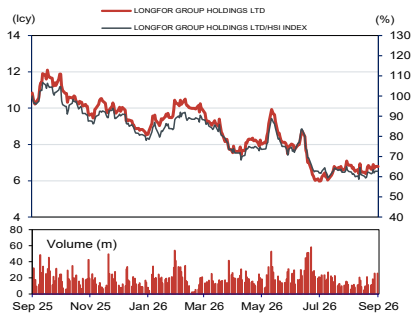
Major Shareholders (%)

Charm Talent International Ltd	43.96

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	23.09
FY26 Net Debt/ Share (Rmb)	17.61

Price Chart



Source: Bloomberg

Company Description

Longfor Group operates as a real estate development company. It develops and markets residential and commercial properties in mainland China, and holds and operates an investment property portfolio led by its Paradise Walk shopping malls, together with rental housing and property management and smart construction services.

- **Management remains committed to sustained growth in recurring business with slightly more cautious tones…** Although management adopted a slightly more cautious tone on its targets at the interim results briefing than it did in Mar 26, management reiterated its objective of returning to positive core net profit in 2027 and restoring Longfor Group (Longfor) to a stable growth trajectory by 2028. We believe Longfor's proven execution capabilities in its mall operation (as evidenced by stronger same-store sales growth and 3.6ppt yoy improvement in EBITDA margin) and services businesses will provide meaningful support for its medium- to long-term growth prospects.
- **… and further debt reduction, supported by positive operating cash flow.** On debt repayment, maturities due in 2026 have declined substantially and the cash-to-short-term-debt ratio remains around 1.0x. While the cash balance has decreased, we believe the company's overall liquidity and refinancing risks remain manageable.

Key Targets

Item	Aug 26 management guidance
Recurring-business core net profit	Targeting approximately Rmb10b in core net profit from recurring businesses by 2028 (slightly softening from the targets of achieving Rmb10b by 2027-28 shared at Mar 26 meeting), based on an assumed net profit margin of around 30%.
C2: Mall operations	Revenue target of Rmb15b by 2028, implying around 10% CAGR over 2025-28. Growth is expected to be driven by the opening of around 10 malls per annum, including five heavy-asset malls and five light-asset malls.
C3: Rental housing	Revenue is expected to remain broadly stable, with management focusing on improving profitability.
C4: Property management	Revenue target of Rmb14b by 2028, implying around 5% CAGR over 2025-28, supported by expansion into high-quality third-party projects.
C5: Smart construction	Revenue target of Rmb2b by 2028, implying around 20% CAGR over 2025-28.
2026 operating cash flow after capex	Targeting approximately Rmb5b of positive operating cash flow after capex (slightly softening from the target of Rmb5b-10b shared at Mar 26 meeting)

Source: Longfor, UOB Kay Hian

Key Operational Figures

	2023	2024	2025	1H25	1H26
Contracted sales (Rmbm)	173,490	101,120	63,160	35,010	16,550
yoy	-13.9%	-41.7%	-37.5%	-31.5%	-52.7%
Contracted sales GFA (000 sqm)	10,796	7,124	5,186	2,614	1,750
Contracted sales ASP (Rmb/sqm)	16,070	14,194	12,179	13,393	9,457
yoy	4.0%	-11.7%	-14.2%	-4.4%	-29.4%
IP operation revenue, net of tax (Rmbm)	12,940	13,520	14,190	7,010	7,300
yoy	8.9%	4.5%	1.6%	2.5%	4.1%
Property service revenue, net of tax (Rmbm)	11,950	13,190	12,580	6,260	6,400
yoy	n.a.	10.4%	-1.3%	0.0%	2.2%
Recurring revenue (Rmbm)	24,890	26,710	26,770	13,270	13,700
yoy	n.a.	7.3%	0.2%	1.3%	3.2%
Mall rental income (Rmbm)	n.a.	10,780	11,210	5,500	5,980
Shopping mall occupancy (%)	96.2	96.8	96.8	96.8	97.4
Net gearing ratio (%)	55.9	51.7	52.2	51.2	52.0

Source: Longfor, UOB Kay Hian

Valuation/Recommendation

- **Maintain BUY with a lower target price of HK$8.76,** based on a lower target PE of 6.0x on recurring earnings and a target P/B of 0.1x on PD. While pre-sale reform will tighten funding in the near term, Longfor's completed transition should underpin resilient operations. The lower target PE reflects more cautious investor sentiment in the next six months.

Earnings Revision/Risk

- Trim our 2026 earnings forecast to -Rmb4.9b from -Rmb3.0b previously to factor in a lower PD margin assumption. Our 2027/28 forecasts remain unchanged.

Share Price Catalyst

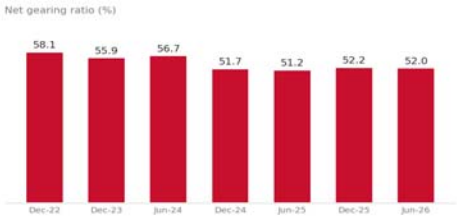
- Stronger-than-expected recovery in the property market of Tier 2 cities.

1H26 Contracted Sales By Region

Region	1H26 (Rmbm)	1H25 (Rmbm)
Pan Bohai Rim	5,347	8,228
Western China	4,687	9,825
Yangtze River Delta	3,592	9,293
Southern China	1,997	4,206
Central China	927	3,458
Total contracted sales	16,550	35,010
Contracted GFA (000 sqm)	1,750	2,614
ASP (Rmb/sqm)	9,457	13,393

Source: Longfor, UOB Kay Hian

Net Gearing Ratio



Source: Longfor, UOB Kay Hian

Recurring Businesses: Revenue Mix And KPIs

	1H26	1H25
Revenue, net of tax (Rmb b)		
Property operation	7.30	7.01
- of which mall rental income	5.98	5.50
Property service	6.40	6.26
Total recurring revenue (Rmb b)	13.70	13.27
KPIs	1H26	1H25
Mall rental income growth (yoy)	+8.7%	+4.9%
Shopping mall occupancy (%)	97.4	96.8
Shopping malls in operation	96	89
Rental housing occupancy (%)	94.9	95.6

Source: Longfor, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	97,308.6	76,776.3	67,312.5	67,710.1
EBITDA	1,801.3	2,846.7	5,761.4	6,817.7
Deprec. & amort.	152.6	152.6	152.6	152.6
EBIT	1,648.6	2,694.1	5,608.7	6,665.1
Total other non-operating income	4,517.1	0.0	0.0	0.0
Associate contributions	(1,237.8)	(1,114.0)	(1,002.6)	(902.3)
Net interest income/(expense)	310.1	(1,046.1)	(1,444.8)	(1,623.2)
Pre-tax profit	5,238.1	534.0	3,161.3	4,139.6
Tax	(4,190.5)	(3,000.0)	(3,000.0)	(3,000.0)
Minorities	(25.7)	(616.5)	32.3	227.9
Net profit	1,021.8	(4,934)	193.6	1,367.5
Net profit (adj.)	(1,700.0)	(4,934)	193.6	1,367.5

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	225,827.1	239,543.6	248,891.0	258,238.4
Other LT assets	53,553.1	52,439.1	51,436.6	50,534.2
Cash/ST investment	27,361.9	17,349.3	12,884.8	1,488.1
Other current assets	289,120.2	273,931.6	265,081.9	253,412.1
Total assets	595,862.4	583,263.7	578,294.2	563,672.8
ST debt	15,794.7	15,320.9	14,554.8	13,827.1
Other current liabilities	170,914.4	165,366.0	167,708.4	159,425.7
LT debt	127,694.2	123,863.4	117,670.2	111,786.7
Other LT liabilities	44,456.4	44,176.8	43,724.8	43,295.4
Shareholders' equity	162,809.9	159,727.3	159,858.9	160,788.8
Minority interest	74,192.7	74,809.2	74,776.9	74,549.0
Total liabilities & equity	595,862.4	583,263.7	578,294.2	563,672.8

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	21,876.3	10,610.0	9,453.4	9,453.8
Profit fo the year	5,238.1	534.0	3,161.3	4,139.6
Tax	(4,190.5)	(3,000.0)	(3,000.0)	(3,000.0)
Deprec. & amort.	152.6	152.6	152.6	152.6
Associates	1,237.8	1,114.0	1,002.6	902.3
Working capital changes	22,690.0	11,250.1	9,976.2	9,277.0
Non-cash items	(4,699.1)	0.0	0.0	0.0
Other operating cashflows	1,447.5	559.3	(1,839.4)	(2,017.7)
Investing	(9,189.0)	(12,495.0)	(5,883.0)	(5,840.0)
Capex (growth)	105.1	0.0	0.0	0.0
Investment	29,538.6	28,424.6	27,422.0	26,519.7
Others	(40,565.3)	(40,919.6)	(33,305.0)	(32,359.7)
Financing	(33,276.9)	(8,127.7)	(8,034.7)	(15,010.3)
Dividend payments	(677.6)	(492.9)	0.0	(62.0)
Proceeds from borrowings	(26,497.7)	(2,832.5)	(3,436.3)	(9,904.0)
Loan repayment	(5,574.1)	(4,802.3)	(4,598.4)	(5,044.3)
Others/interest paid	(527.6)	0.0	0.0	0.0
Net cash inflow (outflow)	(20,589.6)	(10,012.7)	(4,464.3)	(11,396.4)
Beginning cash & cash equivalent	47,951.6	27,361.9	17,349.3	12,884.8
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	27,361.9	17,349.2	12,885.0	1,488.3

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	1.9	3.7	8.6	10.1
Pre-tax margin	5.4	0.7	4.7	6.1
Net margin	1.1	(4.0)	0.3	2.0
ROA	0.2	(0.5)	0.0	0.2
ROE	0.6	(1.9)	0.1	0.9
Growth				
Turnover	(23.7)	(21.1)	(12.3)	0.6
EBITDA	(85.5)	58.0	102.4	18.3
Pre-tax profit	(72.0)	(89.8)	492.1	30.9
Net profit	(90.2)	n.a.	n.a.	606.4
Net profit (adj.)	n.a.	n.a.	n.a.	606.4
EPS	n.a.	n.a.	n.a.	585.8
Leverage				
Debt to total capital	37.7	37.2	36.0	34.8
Debt to equity	88.1	87.1	82.7	78.1
Net debt/(cash) to equity	71.3	76.3	74.7	77.2
Interest cover (x)	n.a.	2.7	4.0	4.2

Meituan (3690 HK)

2Q26: Earnings Beat; Food Delivery Remains Profitable Amid 3Q26 Seasonal Pressure

Highlights

- **Meituan's 2Q26 earnings beat expectations.** Revenue increased 14.4% yoy to Rmb104.6b, 3-4% above our and consensus estimates. Non-IFRS net profit rose 69.0% yoy to Rmb2.5b, above expectations, while non-IFRS net margin improved to 2.4%. For 3Q26, Meituan expects CLC revenue to grow at mid-teens yoy, while new initiatives revenue growth should accelerate to around 30% yoy with losses broadly flat qoq. Food delivery should remain profitable despite seasonal pressure.
- Maintain HOLD with an unchanged target price of HK$76.00.

2Q26 Results

Year to 31 Dec (Rmbm)	2Q25	1Q26	2Q26	QoQ	YoY	UOBKH	Var	Cons	Var
TOTAL REVENUE	91,490	91,039	104,643	14.9%	14.4%	100,713	3.9%	101,079	3.5%
Cost of revenue	(61,426)	(65,069)	(69,548)	6.9%	13.2%	(69,553)	(0.0%)		
Gross profit	30,064	25,970	35,095	35.1%	16.7%	31,160	12.6%	31,820	10.3%
Operating expenses	(31,108)	(32,950)	(35,631)	8.1%	14.5%	(33,895)	5.1%		
Non IFRS Operating profit	399	(5,854)	1,247	121.3%	212.6%	(713)	274.8%		
Non-IFRS OPM	0.4%	-6.4%	1.2%	7.6 ppt	0.8 ppt	-0.7%	1.9 ppt		
Net profit	365	(6,827)	2,155	131.6%	490.0%	(1,549)	239.2%		
Non-IFRS net profit	1,493	(4,968)	2,524	150.8%	69.0%	492	412.8%	340	641.7%
GPM	32.9%	28.5%	33.5%	5.0 ppt	0.7 ppt	30.9%	2.6 ppt	31.5%	2.1 ppt
Non-IFRS NPM	1.6%	-5.5%	2.4%	7.9 ppt	0.8 ppt	0.5%	1.9 ppt	0.3%	2.1 ppt

Source: Meituan, UOB Kay Hian

Analysis

- **Core local commerce returned to profitability on improving operating efficiency.** In 2Q26, Meituan's core local commerce (CLC) segment revenue grew 10.1% yoy to Rmb71.5b (1Q26: +0.1% yoy), while CLC operating profit swung to Rmb5.7b from a Rmb2.0b operating loss in 1Q26. 2Q26 delivery services revenue increased 17.5% yoy to Rmb27.8b, returning to positive growth, mainly due to more disciplined spending on user incentives. Merchant services revenue, which combines commission revenue and online marketing services revenue, rose 6.6% yoy to Rmb42.4b. Product sales revenue increased 48.8% yoy to Rmb26.7b, supported by strong growth in self-operated categories. Sales and marketing expenses were Rmb24.7b, with the expense ratio declining from 25.2% in 1Q26 to 23.6% in 2Q26.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	337,592	365,982	413,200	464,864	515,001
EBITDA	28,595	-34,339	-13,459	5,749	25,245
Operating profit	36,845	-24,340	-4,261	15,680	35,641
Net profit (rep./act.)	35,809	-22,653	-3,783	15,707	34,823
Net profit (adj.)	43,773	-17,947	821	22,037	41,290
EPS (fen)	703.1	(287.7)	13.1	351.9	658.0
PE	0.0	0.0	0.0	0.0	0.0
P/B	19.8	n.a.	1,058.2	39.5	21.1
EV/EBITDA	5.0	5.7	5.1	4.7	3.9
Dividend yield	0.0	0.0	0.0	0.0	0.0
Net margin	10.6	(6.2)	(0.9)	3.4	6.8
Net debt/(cash) to equity	(40.3)	(56.0)	(37.0)	(60.9)	(68.6)
ROE	22.1	(14.0)	(2.4)	8.8	17.1
Consensus net profit	-	-	(2,025.1)	23,103.8	38,708.1
UOBKH/Consensus (x)	-	-	n.m	0.95	1.07

Source: Meituan, Bloomberg, UOB Kay Hian

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HOLD (Maintained)

Share Price	HK$77.50
Target Price	HK$76.00
Upside	-1.9%

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	3690 HK
Shares issued (m)	5,596.3
Market cap (US$m)	478,599.4
Market cap (US$m)	61,042.7
3-mth avg daily t'over (US$m)	548.4

Price Performance (%)

52-week high/low				HK$109.70/HK$63.65
1mth	3mth	6mth	1yr	YTD
(14.2)	5.7	(6.3)	(33.4)	(25.0)

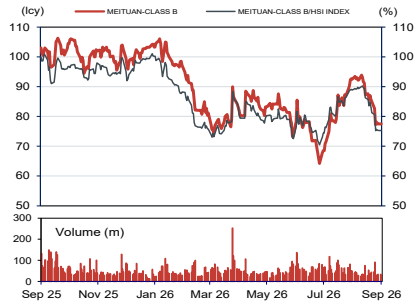
Major Shareholders (%)

Crown Holdings Asia	8.75

Balance Sheet Metrics

FY26 NAV/Share (Rmb$)	27.07
FY26 Net Debt/Share (Rmb$)	10.01

Price Chart



Source: Bloomberg

Company Description

Meituan is China's leading local services platform, offering on-demand services including food delivery, in-store dining, hotel and travel booking, and other lifestyle services through a highly integrated digital ecosystem

- **NIO segment.** The new initiatives segment revenue growth accelerated to 25.0% yoy in 2Q26 to Rmb33.1b, from 21.3% yoy in 1Q26. Operating loss narrowed to Rmb1.7b from Rmb2.1b, with loss margin improving to 5.3% from 7.8%, driven by better efficiency in domestic grocery and overseas Keeta businesses. Xiaoxiang Supermarket has expanded to 68 cities, while Keeta is sustainably profitable in Hong Kong and turned profitable in Saudi Arabia in Jul 26. Management expects 2026 New Initiatives losses not to exceed 2025 levels, despite continued expansion.
- **3Q26 top-line growth remains healthy despite a high delivery volume base.** Food delivery's 2Q unit economy (UE) was slightly below Rmb0.30/order, while 3Q UE is expected to decline qoq. Management expects food delivery order volume to decline yoy against a high base, although recovering average order value should support a high single-digit yoy growth in on-demand delivery gross transaction value (GTV). On-demand delivery revenue is expected to grow at a high-teens rate, while CLC revenue should grow at mid-teens yoy and group revenue by around 20% yoy in 3Q26.
- **Food delivery profitability to remain resilient despite near-term seasonal pressure.** Management expects 3Q26 food delivery profitability to decline qoq, but should remain sufficient to cover Instashopping losses, which are projected to stay broadly flat qoq at -Rmb500m in 3Q26. The 3Q UE pressure mainly reflects summer-season competition and deliberate strategic investment. Subsidies are expected to ease across platforms in 4Q26, with the medium- to long-term profitability recovery path remaining clear. Management continues to prioritise core users and high-quality orders over low-value volume, with Meituan's overall GTV share at the low-60% level and its share of orders above Rmb30 remaining at around 70%.
- **New Initiatives growth to accelerate while losses remain disciplined**. New Initiatives revenue is guided to accelerate to low-30% yoy growth, with operating losses broadly flat qoq. Higher investment in Xiaoxiang expansion, Keeta's Gulf Cooperation Council rollout and Brazil scaling should offset seasonal improvements elsewhere. Xiaoxiang's loss ratio continues to improve, while Brazil remains focused on São Paulo and part of the Middle East expansion has been deferred to 2027.
- **In-store, hotel & travel margins to normalise in 3Q26.** Management expects 3Q26 GTV and revenue growth to moderate slightly from 2Q26, mainly due to softer travel demand. Hotel and homestay room nights are expected to remain flat to slightly positive yoy, while weakness in attractions and transportation-related travel services could weigh on overall travel GTV. Segment margin is expected to normalise to around 25% from around 30% in 2Q26, mainly reflecting higher marketing investment and the shift of certain promotional expenses from 2Q into 3Q.
- **Capital allocation remains ROI-driven.** Core businesses remain the first priority, followed by disciplined investment in strategic initiatives, including overseas expansion, grocery retail and AI. Share buybacks remain the primary shareholder return tool, while management is also open to monetising selected investment assets, currently worth over Rmb70b, to provide additional funding flexibility.

Valuation/Recommendation

- **Maintain HOLD with an unchanged target price of HK$76.00, which** implies 20x 2027F PE. The company is trading at 0.9x 2026F EV/sales.

Earnings Revision/Risk

- We also raise our 2026 adjusted net profit forecast to Rmb821m from previous loss estimates of Rmb1.2b, reflecting recovering FD loss and easing competition in the food delivery segment.
- **Risks:** a) Challenging macro environment, b) increased competition with Douyin and Ele.me, and c) new initiatives achieving profitability at a slower-than-expected rate.

Share Price Catalyst

- a) Continued market share expansion the food delivery segment and increased penetration rate in the fresh groceries segment, and b) synergies with core businesses and new initiatives.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	365,982.0	413,200.3	464,864.1	515,000.7
EBITDA	(34,339.2)	(13,459.3)	5,748.6	25,244.8
Deprec. & amort.	(9,999.2)	(9,198.8)	(9,931.0)	(10,395.8)
EBIT	(24,340.1)	(4,260.5)	15,679.6	35,640.6
Total other non-operating income	(0.0)	(0.0)	0.0	0.0
Associate contributions	78.9	0.0	0.0	0.0
Net interest income/(expense)	124.7	57.6	1,772.7	3,051.5
Pre-tax profit	(24,136.4)	(4,202.9)	17,452.3	38,692.1
Tax	1,483.3	420.3	(1,745.2)	(3,869.2)
Minorities	0.0	0.0	0.0	0.0
Net profit	(22,653.1)	(3,782.6)	15,707.0	34,822.9
Net profit (adj.)	(17,946.9)	820.6	22,037.3	41,289.9

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	38,705.5	43,294.7	50,671.6	59,772.1
Other LT assets	83,147.4	114,496.6	106,855.9	110,202.2
Cash/ST investment	106,771.4	104,716.8	155,692.5	193,962.0
Other current assets	118,286.0	122,173.6	115,701.4	118,083.9
Total assets	346,910.3	384,681.7	428,921.4	482,020.2
ST debt	3,467.9	6,833.8	6,833.8	6,833.8
Other current liabilities	120,073.9	111,899.9	128,885.5	141,516.6
LT debt	18,789.3	35,304.5	35,304.5	35,304.5
Other LT liabilities	53,591.4	61,494.6	67,773.1	73,417.9
Shareholders' equity	151,045.9	169,206.5	186,561.9	221,384.8
Minority interest	(58.1)	(57.6)	(57.6)	(57.6)
Total liabilities & equity	346,910.3	384,681.7	425,301.2	478,400.0

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	(13,113.9)	(26,137.5)	72,959.3	60,463.9
Profit fo the year	(24,136.4)	(4,202.9)	17,452.3	38,692.1
Tax	1,483.3	420.3	(1,745.2)	(3,869.2)
Deprec. & amort.	(9,999.2)	(9,198.8)	(9,931.0)	(10,395.8)
Associates	(78.9)	0.0	0.0	0.0
Working capital changes	(1,055.9)	(30,615.5)	46,506.2	14,419.1
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	20,673.2	17,459.3	20,677.0	21,617.7
Investing	29,772.9	(7,805.1)	(29,100.0)	(22,194.4)
Capex (growth)	(13,270.7)	(15,772.4)	(17,663.0)	(19,433.8)
Investment	42,426.6	40,893.7	52,217.6	54,853.0
Others	(124,244.9)	(29,391.3)	(63,654.6)	(57,613.7)
Financing	21,242.7	38,236.7	0.0	0.0
Dividend payments	0.0	0.0	0.0	0.0
Proceeds from borrowings	42,232.3	19,881.2	0.0	0.0
Loan repayment	(5,344.4)	0.0	0.0	0.0
Others/interest paid	(15,645.2)	18,355.5	0.0	0.0
Net cash inflow (outflow)	37,901.6	4,294.1	43,859.3	38,269.5
Beginning cash & cash equivalent	70,900.7	107,539.1	111,833.2	155,692.5
Changes due to forex impact	(1,263.3)	0.0	0.0	0.0
Ending cash & cash equivalent	107,539.1	111,833.2	155,692.5	193,962.0

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	(9.4)	(3.3)	1.2	4.9
Pre-tax margin	(6.6)	(1.0)	3.8	7.5
Net margin	(6.2)	(0.9)	3.4	6.8
ROA	(6.7)	(1.0)	3.9	7.6
ROE	(14.0)	(2.4)	8.8	17.1
Growth				
Turnover	8.4	12.9	12.5	10.8
EBITDA	n.a.	n.a.	n.a.	339.1
Pre-tax profit	n.a.	n.a.	n.a.	121.7
Net profit	n.a.	n.a.	n.a.	121.7
Net profit (adj.)	n.a.	n.a.	2,585.5	87.4
EPS	n.a.	n.a.	2,580.2	87.0
Leverage				
Debt to total capital	12.8	19.9	18.4	16.0
Debt to equity	14.7	24.9	22.6	19.0
Net debt/(cash) to equity	(56.0)	(37.0)	(60.9)	(68.6)

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

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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

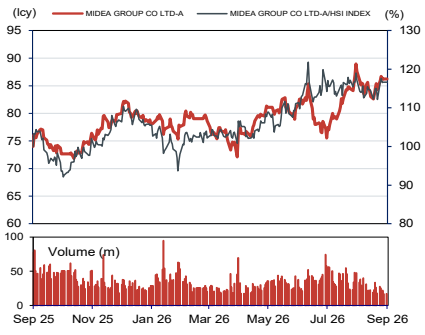
Major Shareholders (%)

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)

Miniso (MNSO US/9896 HK)

1H26: Revenue Slightly Exceeds Guidance But Profit Misses; Expect Operating Profit To Decline By A High Single Digit In 2026

Highlights

- Miniso's 1H26 revenue slightly exceeded the previous guidance, driven by the domestic market while overseas fell short. Profit missed due to an increase in selling expenses.
- The company aims to slow down overseas expansion, closing low-efficiency distributor stores while controlling the pace of DTC store expansion. For 2H26, management expects revenue to grow by a high single digit, thus bringing the full-year revenue growth to mid-teens (vs previous expectation of high-teens). The full-year adjusted operating profit is expected to decline by a high single digit, with operating margin down 3-4ppt (vs previously expected accelerated profit growth this year with an implied 1-2ppt margin decline), given that the distributor market revenue will decline over the next two quarters.
- Maintain BUY but cut target price by 21% to US$17.50.

2Q26 & 1H26 Results

Year to 31 Dec (Rmbm)	2Q26	1Q26	2Q25	yoy chg (%)	qoq chg (%)	1H26	1H25	yoy chg (%)
Revenue	5,811	5,688	4,966	17.0	2.1	11,499	9,393	22.4
Gross profit	2,630	2,464	2,199	19.6	6.7	5,094	4,157	22.5
Gross margin (%)	45.3	43.3	44.3	1.0	1.9	44.3	44.3	0.0
Adj. operating profit excl. FX	791	838	818	(3.3)	(5.7)	1,629	1,551	5.0
Adj. operating margin excl. FX (%)	13.6	14.7	16.5	(2.9)	(1.1)	14.2	16.5	(2.3)
Adj. net profit excl. FX	588	633	657	(10.5)	(7.1)	1,222	1,243	(1.7)
Adj. net margin excl. FX (%)	10.1	11.1	13.2	(3.1)	(1.0)	10.6	13.2	(2.6)

Source: Miniso, UOB Kay Hian

Analysis

- **1H26 results in line with the profit alert: Revenue slightly exceeded the guidance range but profit missed.** Miniso reported 1H26 revenue of Rmb11,499m (+22% yoy), slightly exceeding the guidance range of 20-22%. Gross margin was 44.3% (flat yoy). Adjusted operating profit excluding forex was Rmb1,629m (+5% yoy), below the guidance of high single-digit growth, with adjusted operating margin of 14.2% (-2.3ppt yoy). Adjusted net profit excluding forex was Rmb1,222m (-2% yoy), with adjusted net margin of 10.6% (-2.6ppt yoy). The decline in operating profit and net profit was primarily due to an increase in selling expenses (+2.7ppt yoy excluding share-based compensation).

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	16,994	21,444	24,720	27,888	31,281
EBITDA (adj.)	4,334	4,877	4,558	5,310	6,057
Operating profit (adj.)	3,401	3,671	3,382	3,914	4,441
Net profit (rep./act.)	2,618	1,205	1,728	2,422	2,892
Net profit (adj.)	2,721	2,898	2,608	2,980	3,351
EPS (Fen)	870.7	927.5	834.6	953.6	1,072.3
PE (x)	8.0	7.5	8.3	7.3	6.5
P/B (x)	2.1	2.0	2.0	1.8	1.6
EV/EBITDA (adj.) (x)	3.5	4.4	5.0	4.4	3.9
Dividend yield (%)	6.3	6.3	6.0	6.9	7.7
Net margin (%)	16.0	13.5	10.6	10.7	10.7
Net debt/(cash) to equity (%)	(64.1)	(6.6)	6.4	10.9	10.3
Interest cover (x)	n.a.	14.9	7.9	10.6	14.6
ROE (%)	27.9	27.7	24.1	25.8	26.4
Consensus net profit	-	-	2,988.5	3,391.0	3,952.5
UOBKH/Consensus (x)	-	-	0.87	0.88	0.85

Source: Miniso, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	US$10.33
Target Price	US$17.50
Upside	+69.4%
Previous TP	US$22.20

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	MNSO US
Shares issued (m)	303.5
Market cap (HK$m)	24,580.5
Market cap (US$m)	3,135.3
3-mth avg daily t'over (US$m)	8.7

Price Performance (%)

52-week high/low				US$25.92/US$10.01
1mth	3mth	6mth	1yr	YTD
(21.1)	(20.4)	(42.7)	(58.4)	(44.9)

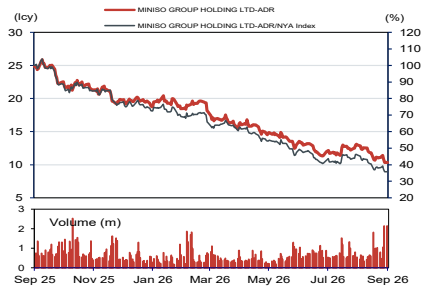
Major Shareholders (%)

Guofu Ye	63.10

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	35.26
FY26 Net Cash/Share (Rmb)	2.22

Price Chart



Source: Bloomberg

Company Description

Miniso is a global value retailer offering a variety of trendy lifestyle products featuring IP design. Its flagship brand "MINISO" offers a frequently-refreshed assortment of lifestyle products spanning across 11 major categories, including home decor, small electronics, textile, accessories, beauty tools, toys, cosmetics, personal care, snacks, fragrance and perfumes, stationery and gifts. The "TOP TOY" brand started operating in Dec 20 in Mainland China, and it now offers pop toys such as blind boxes, toy bricks, model figures, model kits, collectible dolls, Ichiban Kuji and other popular toys.

This implies 2Q26 revenue of Rmb5,811m (+17% yoy, +2% qoq). Gross margin was 45.3% (+1.0ppt yoy, +1.9ppt qoq). Adjusted operating profit excluding forex was Rmb791m (-3% yoy, -6% qoq), with an adjusted operating margin of 13.6% (-2.9ppt yoy, -1.1ppt qoq). Adjusted net profit excluding forex was Rmb588m (-10% yoy, -7% qoq), with an adjusted net margin of 10.1% (-3.1ppt yoy, -1.0ppt qoq).

In 2Q26, Miniso added 72 stores qoq in Mainland China, 27 stores qoq in overseas markets, and 10 Top Toy stores qoq, bringing the total store numbers to 4,665/3,644/365, respectively.

- **Domestic market beat but overseas markets missed.** In 1H26, domestic revenue grew 26% yoy, beating the company's guidance of 21-22%. The better-than-expected performance was primarily driven by faster channel upgrades and store expansion, and sales contribution from proprietary IP. Domestic SSS rose by a mid-single digit in 1H26, in line with the guidance. In 1H26, overseas revenue increased 15% yoy, falling short of the guided high-teens, primarily due to a 10% decline in distributor revenue. Overseas SSS declined by a low single digit in 1H26.
- **Overseas slowdown in 2H26; North America to generate Rmb4b in sales and Rmb400m in profit.** North America market revenue grew 37% yoy in 1H26, with revenue growth decelerating to 25% in 2Q26, due to a gap in IP launch cadence and elevated local direct sourcing. SSS grew by a mid-single digit, falling short of the previous guidance of high single digit to low-teens. For the full-year, management expects North America to generate Rmb4b in sales and around Rmb400m in profit (including a Rmb100m tariff refund).
- Looking into 2H26, the company aims to slow down overseas expansion, closing low-efficiency distributor stores while controlling the pace of directly-operated business (DTC) store expansion. It targets a net reduction of 50-70 stores in overseas markets in 2H26, with a net addition of 40-50 DTC stores and a net reduction of 100-110 distributor stores.
- **Expect operating profit to decline by a high single digit in 2026 vs previous expectation of accelerated growth.** For 2H26, management estimates that revenue will grow by a high single digit, thus bringing the full-year revenue growth to mid-teens (vs previous expectation of high-teens). Miniso China revenue could grow at mid-teens while overseas revenue is projected to grow at a low single digit in 2H26, with distributor revenue declining by low-teens and DTC growing by low-teens. TOP TOY revenue is forecast to be flat in 2H26, with low-teens growth for the full-year. The full-year adjusted operating profit is likely to decline by a high single digit, with operating margin down 3-4ppt (vs previously expected accelerated profit growth this year with an implied 1-2ppt margin decline), given that the distributor market revenue will decline over the next two quarters.

Earnings Revision/Risk

- **Lower our 2026/27 earnings forecasts by 15%/14% respectively.** We lower our 2026/27 revenue forecasts by 3%/5%, respectively. We trim our 2026 gross margin estimate by 0.1ppt, while keeping our 2027 gross margin estimate unchanged. We raise our 2026/27 selling and distribution expenses ratio by 2.1ppt/1.9ppt, respectively. Thus, our 2026/27 adjusted earnings (excluding exceptional items and share-based compensation) estimates are cut by 15%/14% respectively.

Valuation/Recommendation

- **Maintain BUY but cut target price by 21% to US$17.50.** We cut our DCF-based target price by 21% to US$17.50. Our target price implies 15.1x 2026F PE and 13.2x 2027F PE. The stock currently trades at 8.3x 2026F PE and 7.3x 2027F PE.

Revenue By Segment

(Rmbm)	2Q26	1Q26	2Q25	yoy chg (%)	qoq chg (%)
MINISO brand	5,340	5,173	4,563	17.0	3.2
- Mainland China	3,222	3,232	2,621	22.9	(0.3)
- Offline business	2,849	2,890	2,351	21.2	(1.4)
- Online business	373	342	270	38.1	9.1
- Overseas	2,118	1,941	1,942	9.1	9.1
TOP TOY brand	470	514	402	16.9	(8.6)
Others	1	1	1	(12.1)	11.2

Source: Miniso, UOB Kay Hian

Number Of Stores

	2Q26	1Q26	2Q25
MINISO China	4,665	4,593	4,305
(1) By type			
Directly operated stores	15	15	20
Third party stores	4,650	4,578	4,285
(2) By region			
Tier 1	611	605	572
Tier 2	1,928	1,894	1,774
Tier 3 and below	2,126	2,094	1,959
MINISO overseas	3,644	3,617	3,307
(1) By type			
Directly operated stores	580	745	579
Third party stores	2,849	2,872	2,728
(2) By region			
Asia excluding China	1,793	1,801	1,695
North America	536	499	394
Latin America	726	722	661
Europe	356	355	319
Others	233	240	238
TOP TOY	365	355	293
Directly operated stores	63	56	38
Third party stores	302	299	255
Total	8,674	8,565	7,905

Source: Miniso, UOB Kay Hian

Profit & loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	21,443.8	24,719.5	27,887.8	31,280.6
EBITDA (adj.)	4,877.3	4,558.3	5,310.3	6,057.1
Deprec. & amort.	1,206.3	1,176.1	1,396.1	1,616.1
EBIT (adj.)	3,671.0	3,382.3	3,914.3	4,441.0
Net interest income/(expense)	(326.5)	(575.0)	(502.4)	(413.5)
Pre-tax profit (adj.)	1,913.3	2,313.7	3,242.4	3,871.1
Tax	(703.5)	(578.4)	(810.6)	(967.8)
Minorities	(4.8)	(6.8)	(9.6)	(11.4)
Net profit	1,205.0	1,728.4	2,422.2	2,891.9
Net profit (adj.)	2,898.2	2,607.9	2,979.7	3,350.7

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	2,109.4	2,698.4	3,187.4	3,576.4
Other LT assets	12,437.8	12,837.4	13,116.9	13,276.3
Cash/ST investment	6,817.1	4,675.4	2,743.0	1,687.8
Other current assets	7,269.2	8,409.0	9,452.1	10,569.1
Total assets	28,633.5	28,620.3	28,499.4	29,109.6
ST debt	1,751.0	2,353.9	2,015.4	1,761.5
Other current liabilities	6,721.9	7,053.2	7,257.9	7,569.3
LT debt	5,415.4	4,061.6	3,046.2	2,284.6
Other LT liabilities	4,025.9	4,025.9	4,025.9	4,025.9
Shareholders' equity	10,618.8	11,018.3	12,037.1	13,339.8
Minority interest	100.5	107.3	116.9	128.4
Total liabilities & equity	28,633.5	28,620.3	28,499.4	29,109.6

Cash flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	2,577.9	2,138.3	3,024.9	3,749.3
Pre-tax profit	1,913.3	2,313.7	3,242.4	3,871.1
Tax	(703.5)	(578.4)	(810.6)	(967.8)
Deprec. & amort.	1,206.3	1,176.1	1,396.1	1,616.1
Associates	834.5	0.0	0.0	0.0
Working capital changes	(1,360.7)	(808.5)	(838.4)	(805.6)
Non-cash items	171.8	35.5	35.5	35.5
Other operating cashflows	(187.3)	(578.4)	(810.6)	(967.8)
Investing	(7,019.5)	(2,200.0)	(2,200.0)	(2,200.0)
Capex (growth)	(997.7)	(1,000.0)	(1,000.0)	(1,000.0)
Investments	(31,075.3)	0.0	0.0	0.0
Proceeds from sale of assets	25,117.9	0.0	0.0	0.0
Others	(64.4)	(1,200.0)	(1,200.0)	(1,200.0)
Financing	4,969.2	(2,080.0)	(2,757.3)	(2,604.6)
Dividend payments	(1,357.7)	(1,329.0)	(1,403.5)	(1,589.2)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	4,737.1	1,000.0	1,000.0	1,000.0
Loan repayment	(2,124.4)	(1,751.0)	(2,353.9)	(2,015.4)
Others/interest paid	3,714.3	0.0	0.0	0.0
Net cash inflow (outflow)	527.6	(2,141.7)	(1,932.4)	(1,055.2)
Beginning cash & cash equivalent	6,328.1	6,817.1	4,675.4	2,743.0
Changes due to forex impact	(38.6)	0.0	0.0	0.0
Ending cash & cash equivalent	6,817.1	4,675.4	2,743.0	1,687.8

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin (adj.)	22.7	18.4	19.0	19.4
Pre-tax margin (adj.)	17.6	12.9	14.3	14.3
Net margin (adj.)	13.5	10.6	10.7	10.7
ROA	12.4	9.1	10.4	11.6
ROE	27.7	24.1	25.8	26.4
Growth				
Turnover	26.2	15.3	12.8	12.2
EBITDA (adj.)	12.5	(6.5)	16.5	14.1
Pre-tax profit (adj.)	10.0	(15.6)	25.1	12.5
Net profit	6.5	(10.0)	14.3	12.5
Net profit (adj.)	6.5	(10.0)	14.3	12.5
EPS (adj.)	6.5	(10.0)	14.3	12.5
Leverage				
Debt to total capital	50.0	36.4	29.3	23.5
Debt to equity	68.5	59.3	43.9	31.9
Net debt/(cash) to equity	(6.6)	6.4	10.9	10.3
Interest cover (x)	14.9	7.9	10.6	14.6

Ningbo Tuopu Group Co. (601689 CH)

2Q26: Core Earnings In Line; Reported Profit Misses On Forex Loss

Highlights

- 2Q26 net profit missed estimates at Rmb471m (-35.5% yoy/-14.7% qoq) as margins were pressured by higher depreciation and labour expenses with the launches of new capacity dragging capacity utilisation.
- Margins are set to recover in 2H26 with the rebound of capacity utilisation at the Mexican plant.
- Revenue will be driven by the structural growth of its automotive parts business and the accelerated commercialisation of emerging segments.
- We cut our 2026-28 net profit forecast by 17%/10%/6% to Rmb2,608m/Rmb3,270m/Rmb3,792m on lower margins. Maintain BUY and cut target price to Rmb64.00.

2Q26 Results

Year to 31 Dec (Rmbm)	2Q26	yoy %	qoq %	1H26	yoy %	2026F	yoy %	1H26/2026
Revenue	7,571	5.6	14.2	14,199	9.8	32,540	10.0	0.44
Gross profit	1,395	1.0	9.3	2,671	5.6	6,280	9.3	0.43
Gross margin (%)	18.4	(0.9)	(0.8)	18.8	(0.7)	19.3	(0.1)	0.97
EBIT	692	(16.2)	(3.1)	1,407	(2.5)	3,713	11.7	0.38
EBIT margin (%)	9.1	(2.4)	(1.6)	9.9	(1.2)	11.4	0.2	0.87
Net profit (GAAP)	471	(35.5)	(14.7)	1,023	(21.0)	3,136	12.8	0.33
Net profit – adj	434	(35.6)	(8.2)	908	(21.9)	2,946	12.8	0.31
Net margin (%)	6.2	(4.0)	(2.1)	7.2	(2.8)	9.6	(1.9)	0.75
Net margin – adj (%)	5.7	(3.7)	(1.4)	6.4	(2.6)	9.1	(1.4)	0.71

Source: Tuopu, Bloomberg, UOB Kay Hian

Analysis

- **2Q26 results missed estimates on disappointing margins.** Ningbo Tuopu Group Company's (Tuopu) 2Q26 GAAP net profit and adjusted net profit missed estimates at Rmb471m (-35.5% yoy/-14.7% qoq) and Rmb434m (-35.6% yoy/-8.2% qoq) respectively. This brings 1H26 GAAP net profit and adjusted net profit to Rmb1,023m (-21% yoy) and Rmb908m (-21.9% yoy) respectively, representing 33% and 31% of our full-year estimates. The earnings miss stemmed from weaker margins and forex loss.
  - **Revenue in line.** Revenue grew 5.6% yoy and 14.2% qoq to Rmb7,571m in 2Q26, and by 9.8% yoy to Rmb14.2b in 1H26, representing 44% of our full-year 2026 estimate. The chassis segment served as the primary growth driver, growing 14.4% yoy in revenue to Rmb4.24b in 1H26 or 29.9% of total revenue. Robot actuator sales revenue also surged 83.4% yoy to Rmb14m in 1H26 on a low base.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	26,600	29,581	32,540	37,421	43,034
EBITDA	5,343	5,424	5,687	6,591	7,412
Operating profit	3,639	3,325	3,319	3,967	4,562
Net profit (rep./act.)	3,001	2,779	2,608	3,270	3,792
Net profit (adj.)	2,728	2,611	2,450	3,073	3,563
EPS (Fen)	178.0	164.8	154.7	194.0	224.9
PE (x)	26.5	28.6	30.4	24.3	20.9
P/B (x)	4.1	3.3	3.1	2.8	2.5
EV/EBITDA (x)	10.6	10.4	9.9	8.6	7.6
Dividend yield (%)	1.1	1.1	1.0	1.2	1.4
Net margin (%)	11.3	9.4	8.0	8.7	8.8
Net debt/(cash) to equity (%)	17.4	(0.1)	(1.1)	(4.7)	(9.3)
Interest cover (x)	22.0	30.5	15.9	51.1	77.0
ROE (%)	16.4	12.0	9.8	11.3	12.0
Consensus net profit	-	-	3,205	3,799	4,548
UOBKH/Consensus (x)	-	-	0.81	0.86	0.83

Source: Tuopu, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	Rmb47.09
Target Price	Rmb64.00
Upside	35.9%
Previous TP	Rmb100.00

Stock Data

Sector	Industrials
Bloomberg ticker	601689 CH
Shares issued (m)	1,738
Market cap (Rmbm)	81,835
Market cap (US$m)	11,210
3-mth avg daily t'over (US$m)	313

Price Performance (%)

52-week high/low				Rmb86.88/Rmb44.00
1mth	3mth	6mth	1yr	YTD
3.3	(28.5)	(30.6)	(19.8)	(39.0)

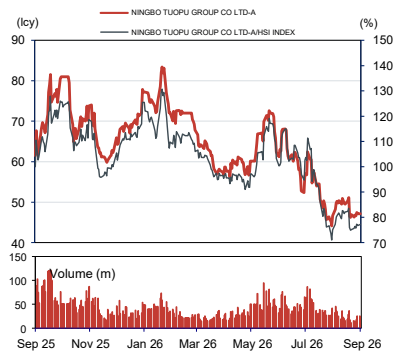
Major Shareholders (%)

Maike International Holding Hong Kong	57.88

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	14.18
FY26 Net Debt/Share (Rmb)	0.27

Price Chart



Source: Bloomberg

Company Description

Ningbo Tuopu Group Company is an automotive parts manufacturer of noise, vibration and hardness shock absorbers; interior/exterior decorative parts; chassis and body parts; chassis electronics; smart cockpit parts; and thermal management systems.

  - **Margin miss.** Gross margin fell 0.9ppt yoy and 0.8ppt qoq to 18.4% in 2Q26, below our full-year estimate of 19.3%, SG&A/revenue ratio and R&D/revenue ratio hiked 0.2ppt/0.5ppt yoy to 3.7ppt/5.6ppt in 2Q26. EBIT margin tumbled 2.4ppt yoy and 1.6ppt qoq to 9.1%, well below our full-year assumption of 11.4% and the company's target of 10%. The margin erosion in 1H26 was due to hikes in raw material prices, and higher depreciation and labour expenses as a percentage of revenue (6.9%/+0.4ppt yoy) with the launches of new capacity dragging capacity utilisation.
  - **Strong cash flows.** Operating cash flow grew 30.6% yoy and 274.4% qoq to Rmb2,049m, while free cash flow surged 225.3% yoy and 3,913.5% qoq to Rmb1,212m.
- **We maintain our 2026-28 revenue estimates at Rmb34.11b/Rmb39.23b/Rmb45.11b respectively (10%/15%/15%).** The revenue growth will be driven by driven by the structural growth of its automotive parts business and the accelerated commercialisation of emerging segments. The company's product platform spans eight automotive lines, reinforcing its Tier 0.5 collaboration with global OEMs. Robotics actuators are in small-batch delivery, while Thermal Management System 2.0 – with fully self-developed core subsystems – has secured Rmb1.75b in cumulative orders. Overseas, Mexico plant utilisation is rising, Poland Phase 2 is under planning, and Thailand Phase 1 is partially operational. Management expects full capacity utilisation and scale effects to strengthen revenue growth and long-term competitiveness.
- **We cut our 2026 gross margin assumptions from 19.3% to 18.9%, given the 1H26 gross margin miss, and keep those for 2027-28 at 19.3%/19.3% respectively.** The Mexican plant has been the core factor weighing on gross margin. In the second half of 2026, the plant's capacity utilisation is expected to recover from 70% to above 85%, reducing unit depreciation costs, which is projected to directly lift gross margin by 0.8ppt. The main driver comes from newly awarded nomination orders from customers such as Ford and General Motors, effectively filling the capacity gap left by the previous shortfall in orders from a single customer.
- **We lift SG&A/revenue ratio and R&D/revenue ratio for 2026-27 to 3.7%/3.7%/3.7% and 5.3%/5.3%/5.3% respectively,** from 3.6%/3.6%/3.6% and 5.1%/5.1%/5.1%, to reflect higher cost base with the launches of overseas plants.

Earnings Revision/Risk

- **We cut our 2026-28 net profit forecast by 17%/10%/6% to Rmb2,608m/Rmb3,270m/Rmb3,792m.**
- **We maintain our 2026-28 adjusted net profit projections at Rmb4,716m/Rmb5,449m/Rmb6,286m respectively (up 14%/16%/15%).**
- **Risks:** Renminbi volatility, annual price reductions from carmakers, high aluminum prices, and a slower humanoid robot ramp-up.

Valuation/Recommendation

- **Maintain BUY and cut target price from Rmb100.00 to Rmb64.00.** This reflects our rolling over of the valuation base year from 2026 to 2027, reducing the target PE multiple from 38x (9-year historical mean) to 33x (3-year historical mean), and cutting 2027F EPS. Our new target price of Rmb64.00 is pegged to 33x 2027F PE.

Share Price Catalyst

- **Catalysts**: Robotics actuator mass-production ramp-up with new OEM clients; Mexico/Poland/Thailand plant utilisation gains; thermal management penetration into liquid cooling and energy storage; air suspension orderbook expansion.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	29,581	32,540	37,421	43,034
EBITDA	5,424	5,687	6,591	7,412
Deprec. & amort.	(2,099)	(2,368)	(2,625)	(2,851)
EBIT	3,325	3,319	3,967	4,562
Total other non-operating income	(132)	(110)	(110)	(110)
Associate contributions	69	69	69	69
Net interest income/(expense)	(109)	(209)	(78)	(59)
Pre-tax profit	3,152	3,068	3,848	4,461
Tax	(369)	(460)	(577)	(669)
Minorities	(4)	-	-	-
Net profit	2,779	2,608	3,270	3,792
Net profit (adj.)	2,611	2,450	3,073	3,563

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	16,929	18,096	18,997	19,667
Other LT assets	3,561	3,595	3,638	3,686
Cash/ST investment	4,701	4,965	6,027	7,590
Other current assets	18,743	17,920	20,333	23,139
Total assets	43,935	44,575	48,995	54,081
ST debt	4,534	4,534	4,534	4,534
Other current liabilities	14,109	12,755	14,586	16,761
LT debt	668	668	668	668
Other LT liabilities	490	490	490	490
Shareholders' equity	24,098	25,871	28,359	31,169
Minority interest	37	37	37	37
Total liabilities & equity	43,935	44,575	48,995	54,081

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	4,482	4,686	5,422	6,103
Pre-tax profit	3,152	3,068	3,848	4,461
Tax	(369)	(460)	(577)	(669)
Deprec. & amort.	2,099	2,368	2,625	2,851
Associates	(69)	(69)	(69)	(69)
Working capital changes	(566)	(530)	(582)	(630)
Non-cash items	235	309	178	159
Other operating cashflows	-	-	-	-
Investing	(3,015)	(3,425)	(3,416)	(3,397)
Capex (growth)	(3,497)	(3,500)	(3,500)	(3,500)
Investments	(2,150)	-	-	-
Others	2,632	75	84	103
Financing	(919)	(997)	(944)	(1,143)
Dividend payments	(1,016)	(997)	(944)	(1,143)
Proceeds from borrowings	3,344	500	500	500
Loan repayment	(3,110)	(500)	(500)	(500)
Others/interest paid	(137)	-	-	-
Net cash inflow (outflow)	548	264	1,062	1,563
Beginning cash & cash equivalent	3,942	4,701	4,965	6,027
Changes due to forex impact	211	-	-	-
Ending cash & cash equivalent	4,701	4,965	6,027	7,590

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	18.3	17.5	17.6	17.2
Pre-tax margin	10.7	9.4	10.3	10.4
Net margin	9.4	8.0	8.7	8.8
ROA	6.4	5.5	6.6	6.9
ROE	12.0	9.8	11.3	12.0
Growth				
Turnover	11.2	10.0	15.0	15.0
EBITDA	1.5	4.9	15.9	12.5
Pre-tax profit	(7.9)	(2.6)	25.4	15.9
Net profit	(7.4)	(6.2)	25.4	15.9
Net profit (adj.)	(4.3)	(6.2)	25.4	15.9
EPS	(7.4)	(6.2)	25.4	15.9
Leverage				
Debt to total capital	11.8	11.7	10.6	9.6
Debt to equity	21.6	20.1	18.3	16.7
Net debt/(cash) to equity	(0.1)	(1.1)	(4.7)	(9.3)
Interest cover (x)	30.5	15.9	51.1	77.0

Weichai Power (2338 HK)

2Q26: In Line; Power And Energy Become The Growth Engine

Highlights

- 2Q26 adjusted net profit grew 17.6% yoy/4.8% qoq to Rmb3,131m, in line; reported net profit grew 57.4% yoy on a Rmb1.31b disposal gain.
- Management guided for data centre diesel genset sales above 4,000 units in 2026 and gas gensets above 2,000 units in 2027.
- Looking ahead, power and energy segments will serve as the primary growth drivers of Weichai, contributing about 20% of group profit.
- We raise our 2026-28 net profit forecasts by 3%/16%/23%, based on higher sales volumes and ASPs of large-bore engines.
- Maintain HOLD and cut target price from HK$35.00 to HK$31.00.

2Q26 Results

Year to 31 Dec (Rmbm)	2Q26	yoy %	qoq %	1H26	yoy %	2026F	yoy %	1H26/2026	Comment
Revenue	60,600	8.8	(3.1)	123,163	8.8	250,069	7.9	0.49	In line
Gross profit	13,028	5.7	(2.8)	26,436	5.3	53,765	8.0	0.49	In line
Gross margin (%)	*21.5*	*(0.6)*	*0.1*	*21.5*	*(0.7)*	*21.5*	*0.0*	1.00	
EBIT	5,474	24.5	6.5	10,612	38.5	22,348	35.2	0.47	Beat on operating leverage
EBIT margin (%)	*9.0*	*1.1*	*0.8*	*8.6*	*1.8*	*8.9*	*1.8*	0.96	
Net profit (GAAP)	4,616	57.4	49.6	7,701	36.5	14,808	35.5	0.52	Beat on disposal gain
Net margin (%)	*7.6*	*2.4*	*2.7*	*6.3*	*1.3*	*5.9*	*1.2*	1.06	
Net profit – adj	3,131	17.6	4.8	6,119	18.9	13,089	35.5	0.47	In line
Core net margin (%)	*5.2*	*0.4*	*0.4*	*5.0*	*0.4*	*5.2*	*1.1*	0.95	

Source: Weichai Power, Bloomberg, UOB Kay Hian

Analysis

- **Core earnings up 17.6% yoy, in line with estimates.** 2Q26 GAAP net profit beat estimates at Rmb4,616m (+57.4% yoy/+49.6% qoq). Stripping out the Rmb1.31b in gains from the disposal of long-term equity investments and other one-off items, adjusted net profit came in as expected at Rmb3,131m (+17.6% yoy/+4.8% qoq).
- **Revenue grew 8.8% yoy in 2Q26/1H26 as expected, driven by power and energy.** In 1H26, engine sales volume grew 14.4% yoy to 415,000 units in 1H26; large-bore engine sales volume grew 31.4% yoy to 6,700 units, of which 1,400 were for data centres, exceeding the 2025 full-year total; power generation set (genset) sales volume grew 31.3% yoy to 65,000 units; new energy powertrain sales volume doubled yoy to 4.7GWh.
- **Gross margin met estimate at 21.5% (-0.6ppt yoy/+0.1ppt qoq), but EBIT margin beat estimates at 9.0% (+1.1ppt yoy/+0.8ppt qoq),** as opex/revenue ratio fell 2.1ppt yoy to 12.5%, as a result of the restructuring of KION.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	215,691	231,809	251,320	285,193	309,871
EBITDA	30,755	30,130	37,404	42,504	46,490
Operating profit	18,029	16,532	22,964	28,054	32,030
Net profit (rep./act.)	11,403	10,931	15,212	18,742	21,596
Net profit (adj.)	10,527	9,662	13,032	16,567	19,089
EPS (Fen)	120.6	110.7	149.3	189.8	218.7
PE (x)	23.4	25.5	18.9	14.9	12.9
P/B (x)	2.8	2.6	2.4	2.3	2.1
EV/EBITDA (x)	6.2	6.6	5.2	4.3	3.7
Dividend yield (%)	2.3	2.6	3.7	4.6	5.3
Net margin (%)	5.3	4.7	6.1	6.6	7.0
Net debt/(cash) to equity (%)	(63.1)	(51.1)	(51.6)	(57.3)	(61.9)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	12.7	10.7	13.4	15.8	16.7
Consensus net profit	-	-	n.a.	n.a.	n.a.
UOBKH/Consensus (x)	-	-	n.a.	n.a.	n.a.

Source: Weichai Power, Bloomberg, UOB Kay Hian

Analyst(s)

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HOLD (Maintained)

Share Price	HK$32.76
Target Price	HK$31.00
Upside	-4.6%
Previous TP	HK$35.00

Stock Data

Sector	Industrials
Bloomberg ticker	2338 HK
Shares issued (m)	1,943.0
Market cap (HK$m)	63,109.9
Market cap (US$m)	8,091.0
3-mth avg daily t'over (US$m)	81.5

Price Performance (%)

52-week high/low				HK$45.44/HK$13.62
1mth	3mth	6mth	1yr	YTD
6.0	(22.3)	0.4	101.5	73.8

Major Shareholders (%)

Weichai Holding Group	16.33

Balance Sheet Metrics

FY26 NAV/Share (HK$)	10.72
FY26 Net Cash/Share (HK$)	6.97

Price Chart

Source: Bloomberg

Company Description

Weichai Power specialises in the R&D, manufacturing and sales of vehicles and parts. The company produces engines, heavy vehicles, light vehicles, construction machinery, hydraulic products, automotive electronics and related parts. Weichai Power markets its products worldwide.

- **Growth to 2028 should come from data centre power, exports and KION, against a flat domestic truck market and US policy risk.**
  - **Data centre power generation drives most of our forecast upgrade.** Management guided for data centre diesel genset sales above 4,000 units in 2026, up more than 200% yoy, and above 6,000 units in 2027, with at least 2,000 units for North America; gas gensets began batch production in Sep-Oct 26, guided at 200-300 units this year and above 2,000 in 2027 against capacity above 9,000 units, at US$600,000-700,000 per MW. **We raise our 2026-28 data centre engine sales volume estimates to 4,300/8,000/10,000 units, from 3,000/5,000/7,000 units, and lift our 2026-28 large-bore engine ASP assumption to Rmb691,000/Rmb1,499,000/Rmb1,750,000 per unit, from Rmb530,000 each year,** since a 2.5MW gas genset prices near Rmb10.7m against Rmb530,000 for a bare engine.
  - **Exports are the swing factor for engines and trucks.** Shaanxi Heavy Truck's 1H26 exports rose 16.0% yoy to 31,000 units, a record first half, within total sales of 76,000 units (+5.1% yoy), and exports now exceed 40% of group heavy truck-related sales; management put export growth at 6%/20%/30%/40-50% for engines/vehicles/gearboxes/agricultural machinery. **We maintain our 2026-28 truck engine sales volume estimates at 780,000/810,000/830,000 units.**
  - **KION's recovery.** Its 1H26 revenue rose 3.5% yoy to €5.69b, with supply chain solutions up 17.6% yoy to €1.63b, and net profit rose more than 300% yoy to €208m after the 2025 headcount restructuring. **We raise our KION net margin assumption to 3.6%/3.7%/3.8% in 2026-28, from 3.2% each year,** lifting its contribution to Rmb1.52b/Rmb1.61b/Rmb1.70b.
- **We raise our 2026-28 revenue estimates by 0.7%/7.2%/10.0% to Rmb251.32b/Rmb285.19b/Rmb309.87b respectively,** based on higher sales of power and energy. **We cut our agricultural equipment revenue growth estimates to 6% for 2026 and 8% for 2027-28, from 10% each year,** based on the segment's lower-than-expected revenue in 1H26.
- **We maintain our 2026 gross margin assumption at 21.5% and raise 2027-28 assumptions to 22.0%/22.3%, from 21.5% each year, lifting our EBIT margin assumptions to 9.1%/9.8%/10.3%, from 8.9%/9.1%/9.3%.** 1H26 gross margin was in line; the margin gains in 2027-28 reflect the rising share of the higher-margin gensets (30% gross margin) in revenue mix.

Earnings Revision/Risk

- **We raise our 2026-28 net profit forecasts by 3%/16%/23% to Rmb15,212m/Rmb18,742m/Rmb21,596m respectively.**
- **Risks**: Slower data centre capital expenditure, gas genset ramp-up delays, wider US restrictions on Chinese power equipment, and a weaker domestic truck cycle.

Valuation/Recommendation

- **Maintain HOLD and cut target price from HK$35.00 to HK$31.00.** This reflects rolling over the valuation base year from 2026 to 2027 and reducing the target PE multiple from 20x (2SD above historical mean) to 12x (on par with historical mean). We believe the market has turned more rational toward the auto parts companies with AI hardware/infrastructure exposure, removing the previous valuation premium. In our view, Weichai's earnings growth for 2026-27 is already fully priced in at a fair valuation.

Share Price Catalyst

- Data centre genset order wins, first gas genset shipments from 4Q26, KION margin recovery, SOFC line commissioning in 1Q27.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	231,809	251,320	285,193	309,871
EBITDA	30,130	37,404	42,504	46,490
Deprec. & amort.	(13,598)	(14,440)	(14,450)	(14,460)
EBIT	16,532	22,964	28,054	32,030
Total other non-operating income	140	0	0	0
Associate contributions	450	1,715	450	450
Net interest income/(expense)	454	(1,042)	(113)	156
Pre-tax profit	16,214	22,637	27,890	32,137
Tax	(2,534)	(3,622)	(4,462)	(5,142)
Minorities	(2,750)	(3,803)	(4,686)	(5,399)
Net profit	10,931	15,212	18,742	21,596
Net profit (adj.)	9,662	13,032	16,567	19,089

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	64,711	58,261	53,311	49,361
Other LT assets	116,241	116,466	115,416	114,356
Cash/ST investment	49,117	53,492	64,114	75,021
Other current assets	137,407	152,349	174,503	193,356
Total assets	367,476	380,568	407,344	432,093
ST debt	15,915	15,915	15,915	15,915
Other current liabilities	145,620	147,403	160,916	170,753
LT debt	23,594	23,594	23,594	23,594
Other LT liabilities	51,285	51,285	51,285	51,285
Shareholders' equity	93,190	100,696	109,274	118,787
Minority interest	37,872	41,675	46,360	51,759
Total liabilities & equity	367,476	380,568	407,344	432,093

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	28,682	29,859	39,399	42,333
Pre-tax profit	16,214	22,637	27,890	32,137
Tax	(2,534)	(3,622)	(4,462)	(5,142)
Deprec. & amort.	13,598	14,440	14,450	14,460
Associates	(450)	(1,715)	(450)	(450)
Working capital changes	(1,722)	(3,158)	1,358	985
Non-cash items	3,575	1,277	613	344
Other operating cashflows	-	-	-	-
Investing	(16,628)	(13,884)	(14,502)	(14,953)
Capex (growth)	(7,075)	(7,500)	(8,500)	(9,500)
Investments	(104,701)	(105,000)	(105,000)	(105,000)
Others	95,148	98,616	98,998	99,547
Financing	(18,320)	(11,599)	(14,276)	(16,474)
Dividend payments	(8,324)	(11,599)	(14,276)	(16,474)
Proceeds from borrowings	9,196	20,000	20,000	20,000
Loan repayment	(17,007)	(20,000)	(20,000)	(20,000)
Others/interest paid	(2,184)	0	0	0
Net cash inflow (outflow)	(6,267)	4,376	10,622	10,906
Beginning cash & cash equivalent	54,954	49,117	53,492	64,114
Changes due to forex impact	430	0	0	0
Ending cash & cash equivalent	49,117	53,492	64,114	75,021

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	13.0	14.9	14.9	15.0
Pre-tax margin	7.0	9.0	9.8	10.4
Net margin	4.7	6.1	6.6	7.0
ROA	3.1	4.2	5.0	5.6
ROE	10.7	13.4	15.8	16.7
Growth				
Turnover	7.5	8.4	13.5	8.7
EBITDA	(2.0)	24.1	13.6	9.4
Pre-tax profit	(6.4)	39.6	23.2	15.2
Net profit	(4.1)	39.2	23.2	15.2
Net profit (adj.)	(8.2)	34.9	27.1	15.2
EPS	(8.2)	34.9	27.1	15.2
Leverage				
Debt to total capital	30.1	27.8	25.4	23.2
Debt to equity	42.4	39.2	36.2	33.3
Net debt/(cash) to equity	(51.1)	(51.6)	(57.3)	(61.9)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

Wuliangye Yibin (000858 CH)

2Q26: Revenue Beat But Net Profit At The Lower End Of The Preliminary Results; Cash Inflow A Negative Surprise

Highlights

- Wuliangye's 2Q26 revenue beat expectations but net profit was at the lower end of the preliminary results announcement.
- The Wuliangye series was the main driver for revenue growth, with revenue growing 73% yoy and accounting for 83% of total revenue (vs 58% in 1H25), while non-Wuliangye series revenue fell 60% yoy.
- Cash flow was a negative surprise. Cash inflow from sales of goods and services was Rmb12.2b in 2Q26, down 61% yoy and 9% qoq.
- Maintain HOLD and cut target price by 15% to Rmb78.50.

2Q26 & 1H26 Results

Year to 31 Dec (Rmbm)	2Q26	2Q25	yoy chg (%)	1H26	1H25	yoy chg (%)
Total revenue	5,579	6,424	(13.2)	28,417	23,510	20.9
Gross profit	4,219	4,797	(12.0)	22,817	18,306	24.6
Gross margin (%)	75.6	74.7	1.0	80.3	77.9	2.4
Attributable net profit	690	208	232.6	8,753	4,624	89.3
Attributable net margin (%)	12.4	3.2	9.1	30.8	19.7	11.1
Core attributable net profit	447	194	130.4	8,483	4,612	84.0
Core attributable net margin (%)	8.0	3.0	5.0	29.9	19.6	10.2

Source: Wuliangye, UOB Kay Hian

Analysis

- **2Q26 revenue beat but net profit was at the lower end of the preliminary results.** Wuliangye Yibin (Wuliangye) reported its 1H26 results. In 1H26, revenue was Rmb28,417m (+21% yoy), 1% above Visible Alpha Insights (VA) consensus. Gross profit was Rmb22,817m (+25% yoy), with gross margin of 80.3% (+2.4ppt yoy), as sales mix shifted toward the higher-margin Wuliangye series. Net profit was Rmb8,753m (+89% yoy), 10% below VA consensus, with net margin of 30.8% (+11.1ppt yoy).

  This implies 2Q26 revenue of Rmb5,579m (-13% yoy). Gross profit was Rmb4,219m (-12% yoy), with gross margin of 75.6% (+1.0ppt yoy). Net profit was Rmb690m, at the lower end of the preliminary results announcement, up 233% yoy, with net margin of 12.4% (+9.1ppt yoy). The surge in net profit was primarily driven by sales tax decline (-29.5ppt yoy), higher other income (+4.1ppt yoy) and lower admin and other opex (+1.3ppt yoy), partially offset by higher selling and marketing expenses (+16.3ppt yoy) and higher income tax (+11.8ppt yoy).

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	89,175	40,529	52,487	53,780	55,260
EBITDA	42,240	10,489	18,526	19,079	19,730
Operating profit	41,020	9,214	17,226	17,753	18,377
Net profit (rep./act.)	31,853	8,954	14,912	15,473	15,882
Net profit (adj.)	31,853	8,954	14,912	15,473	15,882
EPS (Fen)	820.6	230.7	384.2	398.6	409.2
PE (x)	8.7	31.0	18.6	17.9	17.5
P/B (x)	2.1	2.3	2.4	2.5	2.6
EV/EBITDA (x)	3.6	14.6	7.7	7.7	7.7
Dividend yield (%)	8.0	7.2	7.0	7.1	7.1
Net margin (%)	35.7	22.1	28.4	28.8	28.7
Net debt/(cash) to equity (%)	(94.8)	(98.2)	(114.8)	(115.5)	(114.3)
ROE (%)	24.2	7.1	12.7	13.7	14.6
Consensus net profit	-	-	17,222.2	19,309.0	20,789.5
UOBKH/Consensus (x)	-	-	0.87	0.80	0.76

Source: Wuliangye, Bloomberg, UOB Kay Hian

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HOLD (Maintained)

Share Price	Rmb71.51
Target Price	Rmb78.50
Upside	+9.8%
Previous TP	Rmb92.20

Stock Data

Sector	Consumer Staples
Bloomberg ticker	000858 CH
Shares issued (m)	3,881.6
Market cap (Rmbm)	277,573.8
Market cap (US$m)	41,250.4
3-mth avg daily t'over (US$m)	377.3

Price Performance (%)

52-week high/low				Rmb131.50/Rmb70.52
1mth	3mth	6mth	1yr	YTD
(4.9)	(15.8)	(31.2)	(43.0)	(32.5)

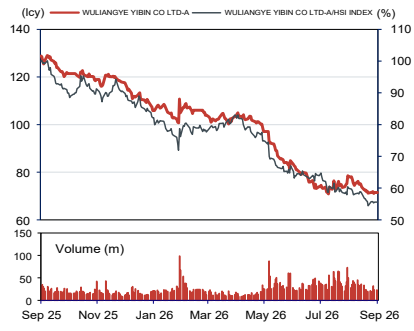
Major Shareholders (%)

Yibin Development Holding Group	34.43
Yibin Wuliangye Group	20.68

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	29.58
FY26 Net Cash/Share (Rmb)	35.48

Price Chart



Source: Bloomberg

Company Description

Wuliangye Yibin Co. is principally engaged in the production and sales of liquors. The primary product, Wuliangye, is a classic strong-flavour Chinese liquor. Additionally, based on different production techniques, the company has developed Wuliang Chun, Wuliang Tetouqu, and Mianrou Jianzhuang with complete categories and unique tastes to meet the diverse needs of different consumers.

Key Operational Data

Year to 31 Dec	1H26	1H25	yoy chg (%)
Baijiu revenue by products (Rmbm)			
Wuliangye series	23,632	13,673	72.8
non-Wuliangye series	3,235	8,122	(60.2)
Baijiu gross margin by products (%)			
Wuliangye series	87.9	92.0	(4.1)
non-Wuliangye series	60.5	68.5	(8.0)
Baijiu shipment (tons)			
Wuliangye series	16,292	8,654	88.3
non-Wuliangye series	31,181	86,005	(63.7)
ASP (Rmb/kg)			
ASP for Wuliangye series	1,451	1,580	(8.2)
ASP for non-Wuliangye series	104	94	9.9
Baijiu revenue by channel (Rmbm)			
Direct sales	8,391	8,242	1.8
Dealers channel	18,476	13,553	36.3
Baijiu gross margin by channel (%)			
Direct sales	87.9	92.8	(4.9)
Dealers channel	83.1	77.4	5.7
Baijiu revenue by products (Rmbm)			
Wuliangye series	23,632	13,673	72.8
non-Wuliangye series	3,235	8,122	(60.2)

Source: Wuliangye, Bloomberg, UOB Kay Hian

- **Wuliangye series to drive revenue growth.** By product, in 1H26, Wuliangye series revenue grew 73% yoy to Rmb23.6b, accounting for 83% of total revenue (vs 58% in 1H25), while non-Wuliangye series revenue fell 60% yoy to Rmb3.2b.
- **Cash inflow from sales of goods declined 61% yoy.** By end-1H26, the company's contract liability was at Rmb10.4b, increasing 4% yoy. Cash inflow from sales of goods and services was Rmb12.2b in 2Q26, down 61% yoy and 9% qoq.

Earnings Revision/Risk

- **We lower our 2026/27 earnings forecasts by 12%/11% respectively.** We lower our 2026/27 revenue forecasts by 4%/3%, respectively. We lower our 2026/27 gross margin estimates by 0.7ppt/0.5ppt, respectively. We maintain our 2026/27 selling expense ratio estimate unchanged. We raise our 2026/27 sales tax assumptions by 3.0ppt/2.9ppt, respectively. Thus, our 2026/27 earnings forecasts are lowered by 12%/11% respectively.

Valuation/Recommendation

- **Cut target price by 15% to Rmb78.50; maintain HOLD.** We maintain HOLD and cut DCF-based target price by 15% to Rmb78.50. Our target price implies 20.4x 2026F PE and 19.7x 2027F PE. The stock currently trades at 18.6x 2026F PE and 17.9x 2027F PE

Profit & loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	40,528.5	52,487.1	53,780.3	55,260.0
EBITDA	10,489.2	18,526.3	19,079.0	19,730.4
Deprec. & amort.	1,275.0	1,300.5	1,326.5	1,353.0
EBIT	9,214.2	17,225.8	17,752.5	18,377.3
Total other non-operating income	225.0	306.8	315.6	325.8
Associate contributions	111.6	111.6	111.6	111.6
Net interest income/(expense)	2,661.6	2,685.0	2,911.6	2,833.4
Pre-tax profit	12,198.9	20,315.7	21,077.8	21,634.6
Tax	(2,881.7)	(4,799.2)	(4,979.2)	(5,110.7)
Minorities	(362.9)	(604.3)	(627.0)	(643.5)
Net profit	8,954.3	14,912.2	15,472.6	15,882.3
Net profit (adj.)	8,954.3	14,912.2	15,472.6	15,882.3

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Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	7,641.2	10,711.5	13,769.7	16,815.5
Other LT assets	17,591.5	18,303.1	18,413.1	18,519.1
Cash/ST investment	127,014.4	137,733.8	134,032.4	128,932.0
Other current assets	37,737.1	27,199.4	25,952.3	26,336.6
Total assets	189,984.3	193,947.8	192,167.4	190,603.2
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	67,351.8	75,812.4	77,319.3	78,880.2
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	451.8	451.8	451.8	451.8
Shareholders' equity	119,932.3	114,830.9	110,916.7	107,148.0
Minority interest	2,248.4	2,852.7	3,479.7	4,123.2
Total liabilities & equity	189,984.3	193,947.8	192,167.4	190,603.2

Cash flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	29,706.3	34,891.9	19,255.8	18,130.2
Pre-tax profit	12,198.9	20,315.7	21,077.8	21,634.6
Tax	(2,881.7)	(4,799.2)	(4,979.2)	(5,110.7)
Deprec. & amort.	1,275.0	1,300.5	1,326.5	1,353.0
Working capital changes	20,683.3	17,233.6	2,435.7	847.6
Other operating cashflows	(1,569.1)	841.4	(605.0)	(594.2)
Investing	(1,970.6)	(4,159.0)	(3,571.3)	(3,581.5)
Capex (growth)	(1,967.4)	(3,500.0)	(3,500.0)	(3,500.0)
Investments	0.0	(659.0)	(71.3)	(81.5)
Proceeds from sale of assets	36.8	0.0	0.0	0.0
Others	(40.0)	0.0	0.0	0.0
Financing	(28,391.6)	(20,013.6)	(19,385.9)	(19,649.0)
Dividend payments	(28,005.2)	(20,013.6)	(19,385.9)	(19,649.0)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	138.6	0.0	0.0	0.0
Others/interest paid	(525.0)	0.0	0.0	0.0
Net cash inflow (outflow)	(655.9)	10,719.3	(3,701.4)	(5,100.4)
Beginning cash & cash equivalent	124,771.3	124,114.7	134,834.0	131,132.6
Other monetary funds	2,899.0	2,899.8	2,899.8	2,899.8
Ending cash & cash equivalent	127,014.4	137,733.8	134,032.4	128,932.0

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	25.9	35.3	35.5	35.7
Pre-tax margin	30.1	38.7	39.2	39.2
Net margin	22.1	28.4	28.8	28.7
ROA	4.7	7.8	8.0	8.3
ROE	7.1	12.7	13.7	14.6
Growth				
Turnover	(54.6)	29.5	2.5	2.8
EBITDA	(75.2)	76.6	3.0	3.4
Pre-tax profit	(72.4)	66.5	3.8	2.6
Net profit	(71.9)	66.5	3.8	2.6
Net profit (adj.)	(71.9)	66.5	3.8	2.6
EPS	(71.9)	66.5	3.8	2.6
Leverage				
Debt to total capital	n.a.	n.a.	n.a.	n.a.
Debt to equity	n.a.	n.a.	n.a.	n.a.
Net debt/(cash) to equity	(98.2)	(114.8)	(115.5)	(114.3)

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Yuexiu Property (123 HK)

1H26: In Line With Our Preview; Margin Pressure To Persist Through 2027

Highlights

- 1H26 core net profit fell 94.6% yoy to Rmb80m, in line with our preview and within the Rmb50m-100m range guided in the 17 July profit warning. Revenue fell 23.0% yoy and gross profit margin came in at 6.2%, down 4.4ppt yoy.
- Contracted sales fell 17.9% yoy to Rmb50.5b, or 50.5% of the Rmb100b full-year target, which we expect Yuexiu to meet. Attributable land investment of Rmb9.3b in 8M26 trails the Rmb30b full-year budget.
- We keep our 2026-28 forecasts. Maintain BUY, target price: HK$4.50.

1H26 Results

Year to 31 Dec (Rmbm)	1H26	2H25	1H25	yoy	hoh
Revenue	36,649	38,884	47,574	-23.0%	-5.7%
- property development	33,377	35,161	44,027	-24.2%	-5.1%
- others	3,271	3,723	3,546	-7.8%	-12.1%
Gross profit	2,268	1,685	5,063	-55.2%	+34.6%
Attributable net profit	87	(1,315)	1,370	-93.6%	n/m
Core net profit	80	(1,260)	1,520	-94.6%	n/m
Interim DPS (HK$ / share)	0.009	0.000	0.166	-94.6%	n/m
Dividend payout ratio	40.3%	n/m	40.0%	+0.3ppt	n/m
Margins					
GP margin	6.2%	4.3%	10.6%	-4.4ppt	+1.9ppt
SG&A-to-revenue ratio	4.3%	5.3%	4.4%	-0.1ppt	-0.9ppt
Core NP margin	0.2%	-3.2%	3.2%	-3.0ppt	+3.5ppt
Leverage					
Cash and bank balances	51,500	46,760	44,660	+15.3%	+10.1%
Net gearing ratio	49.2%	54.9%	53.2%	-4.0ppt	-5.7ppt

Source: Yuexiu Property, UOB Kay Hian

Analysis

- **1H26 results in line with our preview.** Yuexiu Property (Yuexiu) reported 1H26 core net profit of Rmb80m, down 94.6% yoy, and attributable net profit of Rmb87m, down 93.6% yoy, both within the Rmb50m-100m range guided in the 17 July profit warning. Revenue fell 23.0% yoy to Rmb36.6b, within the 20-30% decline we expected, and gross profit margin came in at 6.2%, 0.8ppt below our forecast. The SG&A-to-revenue ratio narrowed 0.1ppt yoy to 4.3%. Interim DPS of HK$0.009 holds the payout ratio at 40%. Net gearing improved 4.0ppt yoy to 49.2% and the weighted average borrowing cost fell 25bp yoy to 2.91%.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	86,400.6	86,457.3	80,977.6	78,076.8	79,546.8
EBITDA	3,990.0	3,135.9	1,279.1	2,004.7	2,879.4
Operating profit	3,451.2	2,648.2	747.8	1,425.4	2,247.3
Net profit (rep./act.)	1,040.1	55.1	67.3	133.3	230.9
Net profit (adj.)	1,590.0	260.0	247.3	313.3	410.9
EPS (HK$)	39.50	6.46	6.14	7.78	10.21
PE (x)	8.20	50.16	52.74	41.63	31.74
P/B (x)	0.24	0.24	0.24	0.24	0.24
EV/EBITDA (x)	29.23	37.20	91.19	58.19	40.51
Dividend yield (%)	5.34	4.66	0.76	0.96	1.26
Net margin (%)	1.20	0.06	0.08	0.17	0.29
Net debt/(cash) to equity (%)	134.20	108.50	96.88	86.88	82.84
Interest cover (x)	17.09	24.28	13.74	21.07	36.61
ROE (%)	1.88	0.10	0.12	0.24	0.42
Consensus net profit (HK$m)	-	-	352.6	734.5	1,093.3
UOBKH/Consensus (x)	-	-	0.70	0.43	0.38

Source: Yuexiu Property, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$3.775
Target Price	HK$4.50
Upside	+19.2%

Stock Data

GICS sector	Real Estate
Bloomberg ticker:	123 HK
Shares issued (m):	4,025.4
Market Cap (HK$m):	15,195.9
Market cap (US$m):	1,938.3
3-mth avg t'over (US$m):	4.0

Price Performance (%)

52-week high/low				HK$5.39/HK$3.34
1mth	3mth	6mth	1yr	YTD
1.2	(13.6)	(17.9)	(23.6)	(4.4)

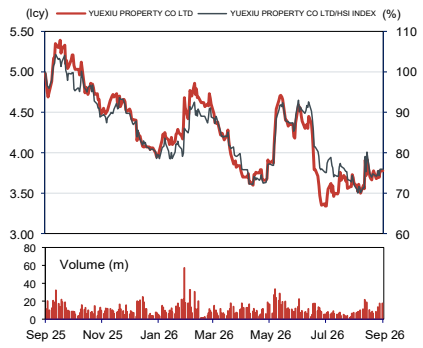
Major Shareholders (%)

Guangzhou Yuexiu Holdings Limited	*45.34*
Guangzhou Metro Group Co., Ltd.	*19.9*

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	13.61
FY26 Net Debt/ Share (Rmb)	13.19

Price Chart



Source: Bloomberg

Company Description

Yuexiu Property Company develops, sells, leases and manages residential and commercial properties in the PRC. It is the property development arm of Guangzhou-based state-owned Yuexiu Group, with its core land bank concentrated in Guangzhou and other Tier 1 and core Tier 2 cities.

- **Contracted sales on track for the Rmb100b full-year target.** Contracted sales fell 17.9% yoy to Rmb50.5b in 1H26, or 50.5% of the full-year target that management reiterated. Contracted GFA rose 16.3% yoy while ASP fell 29.4% yoy to Rmb29,732/sqm as the mix shifted towards destocking, with carried-over projects rising to 80.7% of contracted sales from 48% in 1H25. The core six cities contributed 84.5% of contracted sales. With Rmb215.7b of saleable resources and a seasonally stronger 2H26, we expect Yuexiu to achieve the target.
- **Land acquisition remains deliberately restrained.** Yuexiu acquired six parcels in 1H26 for Rmb7.0b of attributable land premium, with 96.8% of it in the core six cities, at a 9.5% premium. Including three parcels secured in 2H26 to date, attributable land investment reached Rmb9.3b in 8M26 against a Rmb30b full-year budget that management still expects to meet. Given the restrained pace and the prospect of Yuexiu acquiring an interest in the Guangzhou Machang project from its parent in 1Q27, we expect full-year land investment to come in slightly below Rmb30b.
- **Pre-2021 inventory continues to weigh on gross margin.** We expect gross profit margin to stay under pressure in 2026 and 2027. Management indicated that projects acquired before 2021 are settling at gross margins below 5%, those from 2022-24 at above 10% and those since 2025 at above 15%, while unrecognised contracted sales of Rmb132.4b carry a gross margin of 10-12%. We expect one to two more years of destocking before a visible improvement, and forecast a 2026 gross margin of 5.5%.

Key Operational Figures

	2023	2024	2025	1H25	1H26
Contracted sales (Rmbm)	142,030	114,540	106,210	61,500	50,506
yoy	13.6%	-19.4%	-7.3%	11.0%	-17.9%
Contracted sales GFA ('000 sqm)	4,450	3,920	2,950	1,460	1,699
Contracted sales ASP (Rmb/sqm)	31,917	29,219	36,003	42,123	29,732
yoy	5.6%	-8.5%	23.2%	43.0%	-29.4%
Total land bank ('000 sqm)	25,670	19,710	18,550	20,430	16,570
- in Tier 1 / Tier 2 cities	95.0%	96.0%	94.4%	94.0%	94.0%
Unsold saleable value (Rmbm)	270,000	235,400	332,800	235,400	290,500
New land acquired - no. of plots	28	24	25	13	6
New land acquired - GFA ('000 sqm)	4,910	2,710	2,780	1,480	680
Attr. land premium (Rmbm)	n.a.	29,460	24,400	10,960	7,000
Net gearing ratio (%)	57.0	51.7	54.9	53.2	49.2

Source: Yuexiu Property, UOB Kay Hian

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of HK$4.50,** based on a 72% discount to our 2026 NAV of HK$15.90. Yuexiu is trading at 0.26x 2026F P/B, 1.5SD below its historical mean.

Earnings Revision/Risk

- **Earnings forecast unchanged.** 1H26 results were in line with our preview and we make no change to our 2026/27/28 attributable net profit forecasts of Rmb67m/Rmb133m/Rmb231m.

Share Price Catalyst

- Faster-than-expected destocking of pre-2021 inventory.
- Injection of the Guangzhou Machang project from the parent.

Profit & Loss

Year to 31 Dec (Rmbm)	*2025*	*2026F*	*2027F*	*2028F*
Net turnover	86,457.3	80,977.6	78,076.8	79,546.8
EBITDA	3,135.9	1,279.1	2,004.7	2,879.4
Deprec. & amort.	487.7	531.3	579.3	632.1
EBIT	2,648.2	747.8	1,425.4	2,247.3
Total other non-operating income	0.0	0.0	0.0	0.0
Associate contributions	801.9	392.9	447.7	526.3
Net interest income/(expense)	-129.1	-93.1	-95.2	-78.7
Pre-tax profit	3,321.0	1,047.6	1,777.9	2,694.9
Tax	-1,542.7	-486.6	-825.9	-1,251.8
Minorities	-1,723.3	-493.7	-818.7	-1,212.2
Net profit	55.1	67.3	133.3	230.9
Net profit (adj.)	260.0	247.3	313.3	410.9

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	10,953.1	10,583.5	10,659.6	10,724.7
Other LT assets	61,105.9	57,596.1	58,428.7	59,362.6
Cash/ST investment	45,351.7	51,555.6	56,937.9	59,106.2
Other current assets	252,334.1	250,560.3	255,731.1	274,838.3
Total assets	369,744.9	370,295.6	381,757.3	404,031.8
ST debt	27,201.9	28,562.0	29,990.1	31,489.6
Other current liabilities	154,843.1	156,198.2	168,564.1	191,975.8
LT debt	77,625.1	76,072.6	74,551.1	73,060.1
Other LT liabilities	4,242.4	4,155.7	4,155.7	4,155.7
Shareholders' equity	54,817.3	54,785.6	54,793.6	54,860.2
Minority interest	51,015.1	50,521.5	49,702.7	48,490.5
Total liabilities & equity	369,744.9	370,295.6	381,757.3	404,031.8

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	24,528.1	4,428.1	-2,173.5	-15,788.3
Profit fo the year	3,321.0	1,047.6	1,777.9	2,694.9
Tax	-1,542.7	-486.6	-825.9	-1,251.8
Deprec. & amort.	487.7	531.3	579.3	632.1
Associates	-801.9	-392.9	-447.7	-526.3
Working capital changes	21,279.0	2,232.4	-4,696.5	-18,616.6
Non-cash items	1,566.8	1,410.1	1,269.1	1,142.2
Other operating cashflows	218.2	86.2	170.3	137.3
Investing	17,247.5	4,460.0	0.0	0.0
Capex (growth)	-312.9	0.0	0.0	0.0
Investment	19,019.7	15,010.2	15,272.6	15,540.2
Capex (growth)	0.0	0.0	0.0	0.0
Others	-1,459.3	-10,550.2	-15,272.6	-15,540.2
Financing	-26,151.9	-2,684.0	7,556.1	17,957.0
Dividend payments	-696.4	-607.8	-98.9	-125.3
Proceeds from borrowings	938.2	-192.4	-93.4	8.5
Loan repayment	828.3	792.3	794.3	777.8
Others/interest paid	-27,222.0	-2,676.0	6,954.0	17,296.0
Net cash inflow (outflow)	15,623.7	6,204.2	5,382.5	2,168.7
Beginning cash & cash equivalent	29,728.3	45,351.7	51,555.6	56,937.9
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	45,352.0	51,555.8	56,938.2	59,106.6

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	3.6	1.6	2.6	3.6
Pre-tax margin	3.8	1.3	2.3	3.4
Net margin	0.1	0.1	0.2	0.3
ROA	0.0	0.0	0.0	0.1
ROE	0.1	0.1	0.2	0.4
Growth				
Turnover	0.1	(6.3)	(3.6)	1.9
EBITDA	(21.4)	(59.2)	56.7	43.6
Pre-tax profit	(20.8)	(68.5)	69.7	51.6
Net profit	(94.7)	22.3	98.0	73.2
Net profit (adj.)	(83.6)	(4.9)	26.7	31.2
EPS	(83.6)	(4.9)	26.7	31.2
Leverage				
Debt to total capital	49.8	49.8	50.0	50.3
Debt to equity	191.2	191.0	190.8	190.6
Net debt/(cash) to equity	108.5	96.9	86.9	82.8
Interest cover (x)	24.3	13.7	21.1	36.6

HSI and HS Tech Index Outlook

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Weekly Chart

Source: TradingView

Daily Chart

Source: TradingView

Hang Seng Index

Last close:	25,584.79
Expected moving range:	25,090-28,050

Technical View:

Weekly Chart: The price is currently compressing within a pennant continuation pattern. Technical momentum reinforces the underlying bull case, as the RSI continues to hold comfortably above its neutral 50-midline. While directional expansion is expected upon a breakout from the pattern boundaries, the overall structural framework maintains a firm bullish bias toward higher extension targets.

Daily Chart: The price successfully maintained its footing above the resistance-turned-support zone, subsequently compressing within a potential pennant continuation pattern. The RSI continues to operate comfortably above its neutral 50-midline. Watch for a decisive breakout above the pennant resistance boundary to trigger momentum-following buyers and initiate an accelerated leg higher.

Weekly Chart

Source: TradingView

Daily Chart

Source: TradingView

Hang Seng Tech Index

Last close:	4,605.15
Expected moving range:	4,230-4,930

Technical View:

Weekly Chart: The price was capped at its weekly gap resistance zone, confirming active supply defense at key higher-timeframe structural levels as it begins to roll over. The RSI remains in bearish territory below its neutral 50-midline and sloping downward. As long as overhead gap resistance remains defended on intraday retests, path-of-least-resistance dynamics favour a sustained move lower toward subsequent support targets.

Daily Chart: The price was capped at its previous price high resistance zone, as the market resumes its sequence of lower highs and lower lows. Technical momentum fully supports this downward expansion, with the RSI sloping downward below its neutral 50-midline. Expect the price to maintain its downward posture and press toward nearest support targets as long as intraday bounces remain capped below the resistance pivot.

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