Estun Automation (002747 CH)

3Q26: Mixed Quarter But Profitability Improvements Ahead of Expectations

Highlights

- Estun continued to focus on high value orders in 3Q26, and as a result, revenue declined 12% yoy, but gross margins expanded 3.8ppt yoy to 34.1%. However, the bottom line was impacted by non-core items, and net profit only grew 22% yoy to Rmb19m.
- More importantly, management remains upbeat on profitability and provided solid updates on overseas sales growth.
- Upgrade to BUY with a target price of Rmb35.70.

3Q26 Results

Year to 31 Dec (Rmbm)	3Q25	3Q26	yoy (%)	9M25	9M26	yoy (%)
Revenue	1,258	1,101	(12.4)	3,812	3,699	(3.0)
Gross profit	n.a.	n.a.	n.a.	1,088	1,197	10.1
OP	n.a.	n.a.	n.a.	73	210	188.1
Net profit	15	19	21.5	8	171	1,984.2
Core net profit	20	46	133.3	2	116	5,537.4
Margins (%)						
GPM	n.a.	n.a.	n.a.	28.5	32.4	3.8
OPM	n.a.	n.a.	n.a.	1.9	5.7	3.8
NPM	1.2	1.7	0.5	0.2	4.6	4.4

Note: Comparative financials were restated to reflect the consolidation of Estun Codroid following a business combination
Source: Estun, UOB Kay Hian

Analysis

- **Margin expansion cushioned revenue shortfall.** Revenue for the quarter declined 12.4% yoy to Rmb1,101m, while reported net profit rose 21.5% yoy to Rmb19m despite a Rmb22m fair-value loss on financial assets. Core net profit grew 133.3% yoy to Rmb46m. In 9M26, revenue fell 3.0% yoy to Rmb3,699m, while gross margin, operating margin and net margin expanded by 3.8ppt, 3.8ppt and 4.4ppt to 32.4%, 5.7% and 4.6%, respectively.
- **Guidance:** Management expects revenue growth to reach about 10% in full-year 2026, gross margin to be around 32%, and core net profit to reach Rmb200m. Going forward, Estun will continue to focus on profitability and targets a 1.0-1.5ppt increase in gross margins every year, and net margin to be above 5%.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	4,009	4,888	5,141	6,408	7,107
EBITDA	(60)	333	543	703	835
Operating profit	(254)	138	345	499	621
Net profit (rep./act.)	(810)	45	257	393	500
Net profit (adj.)	(836)	7	193	358	465
EPS (Fen)	(93.2)	5.2	26.6	40.6	51.7
EPS (Fen) (adj.)	(96.1)	0.8	20.0	36.9	48.0
PE (x)	(31.4)	566.3	110.0	72.0	56.6
P/B (x)	14.2	13.0	11.5	9.7	8.2
EV/EBITDA (x)	(479.4)	84.4	51.0	40.2	32.8
Dividend yield (%)	-	-	-	-	-
Net margin (%)	(20.2)	0.9	5.0	6.1	7.0
Net debt/(cash) to equity (%)	174.5	139.3	102.2	108.1	64.6
Interest cover (x)	(1.9)	0.9	2.6	3.7	14.4
ROE (%)	(37.2)	0.4	9.2	14.8	16.2
Consensus net profit	-	-	273.7	366.3	449.0
UOBKH/Consensus (x)	-	-	0.94	1.07	1.11

Source: Estun, Bloomberg, UOB Kay Hian

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BUY (Upgrade)

Share Price	Rmb29.24
Target Price	Rmb35.70
Upside	22.1%
Previous TP	Rmb28.20

Stock Data

Sector	Industrial Equipment
Bloomberg ticker	002747 CH
Shares issued (m)	969
Market cap (Rmbm)	28,324
Market cap (US$m)	4,219
3-mth avg daily t'over (US$m)	237.7

Price Performance (%)

52-week high/low				Rmb49.00 / Rmb19.41
1mth	**3mth**	**6mth**	**1yr**	**YTD**
3.6	4.6	33.7	19.8	23.4

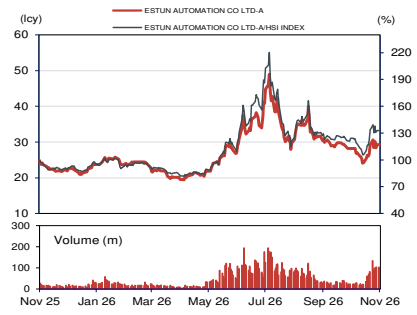
Major Shareholders (%)

NJ Paileisite Tech Co	26.31
Wu Bo	11.46

Balance Sheet Metrics

2026 NTAV/Share (Rmb)	0.46
2026 Net Debt/Share (Rmb)	2.68

Price Chart



Source: Bloomberg

Company Description

Estun develops and manufactures mechanical equipment. The company focuses on metal forming and electro-hydraulic robotic machines.

- **Estun continued to give up low margin orders in favour of profitability,** and this had led to a 10% yoy decline in domestic revenue (~Rmb420m) in 9M26. That said, management did state that new orders had remained strong, particularly from 3C/automotive OEM, and overseas clients. Notably, Estun had managed to achieve meaningful overseas order wins, including a 30m euros order from Caterpillar, which is likely to start contributing to revenue in 2027. Backed by the strong new orders growth from overseas, management highlighted that the overseas Cloos business is expected to generate a total of 200m euros in revenue in 2027, which is going to be a significant expansion compared to our estimates of around 100m euros this year. This will provide crucial support for both its top-line growth as well as margin expansion, as overseas businesses yield a much higher gross margin.
- **Updates on the embodied robot business.** Codroid, the newly consolidated embodied robot subsidiary under Estun, has two major businesses – the cobot business and the embodied robot business. Currently, the key sales driver is the Cobot business which had registered around 1,700 units in sales ytd, translating into a revenue of Rmb54m and net loss of Rmb14m in 9M26. Management is confident in achieving an additional Rmb30m in revenue in 4Q26, and expects the Cobot segment to register a core net profit of Rmb5m for full-year 2026, although this excludes the spending on the embodied AI side. Estun's strategy on embodied AI is similar to other industrial robot makers, where they utilise existing general platform LLMs and post-train in-house to differentiate themselves from their peers. Estun is also expected to focus on the development of single-task products in the near term (instead of general platform products) and utilise AI as a performance enhancer.

Valuation/Recommendation

- **Upgrade to BUY with a higher target price of Rmb35.70,** now based on 10.2x 2027F BVPS. While the 3Q results are still on the weaker side, we like Estun's sustained progress in margins expansion and ventures in embodied robots. We are also expecting the embodied robots sector to perform well and the companies that can deliver outperformance are likely to be the preferred targets for investors.

Earnings Revision/Risk

- We trimmed our 2026-28 earnings estimates by 16.6%/1.3%/2.7% respectively to factor in: a) lower revenue growth in 2026, b) higher opex on increased spending on embodied robots, which will be mostly offset by c) stronger margins assumptions, and d) better overseas sales.

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	5,558	6,421	6,927	5,141	6,408	7,107	(7.5)	(0.2)	2.6
Gross profit	1,788	2,066	2,232	1,680	2,107	2,354	(6.0)	1.9	5.5
Operating profit	405	520	599	345	499	621	(14.9)	(4.0)	3.8
Reported NP	308	398	514	257	393	500	(16.6)	(1.3)	(2.7)
GPM (%)	32.2	32.2	32.2	32.7	32.9	33.1	0.5	0.7	0.9
OPM (%)	7.3	8.1	8.6	6.7	7.8	8.7	(0.6)	(0.3)	0.1
NPM (%)	5.5	6.2	7.4	5.0	6.1	7.0	(0.5)	(0.1)	(0.4)

Source: Estun, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	4,888	5,141	6,408	7,107
EBITDA	333	543	703	835
Depreciation & amortization	196	198	203	214
EBIT	138	345	499	621
Total other non-operating income	8	8	8	8
Associate contributions	(3)	(2)	(2)	(2)
Net interest income/(expense)	(153)	(132)	(134)	(43)
Pre-tax profit	77	324	495	630
Tax	(32)	(65)	(99)	(126)
Minorities	(0)	(2)	(3)	(4)
Net profit	45	257	393	500
Net profit (recurrent)	7	193	358	465

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	1,471	1,519	1,558	1,589
Other LT assets	2,618	2,720	2,866	3,038
Cash/ST investment	876	1,565	1,008	1,821
Other current assets	4,449	3,037	5,769	3,673
Total assets	9,415	8,841	11,201	10,121
ST debt	1,278	1,500	1,500	1,500
Other current liabilities	3,930	2,885	4,849	3,265
LT debt	1,216	1,216	1,216	1,216
Other LT liabilities	973	973	973	973
Shareholders' equity	1,961	2,219	2,611	3,111
Minority interest	58	60	63	67
Total liabilities & equity	9,415	8,852	11,212	10,132

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	507	945	(35)	1,273
Pre-tax profit	138	345	499	621
Tax	(32)	(65)	(99)	(126)
Depreciation/amortization	196	198	203	214
Associates	3	2	2	2
Working capital changes	114	367	(768)	512
Non-cash items	88	98	128	51
Other operating cashflows	-	-	-	1
Investing	157	(334)	(372)	(391)
Capex (growth)	(312)	(260)	(260)	(260)
Investments	(1,872)	(87)	(128)	(156)
Proceeds from sale of assets	-	-	-	-
Others	2,340	13	16	26
Financing	(990)	77	(149)	(69)
Dividend payments	(134)	(145)	(149)	(69)
Issue of shares	-	-	-	-
Proceeds from borrowings	2,857	2,615	2,615	2,615
Loan repayment	(3,738)	(2,393)	(2,615)	(2,615)
Others/interest paid	25	0	-	-
Net cash inflow (outflow)	(327)	688	(557)	813
Beginning cash & cash equivalent	1,181	876	1,565	1,008
Ending cash & cash equivalent	876	1,565	1,008	1,821

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	6.8	10.6	11.0	11.7
Pre-tax margin	0.3	5.8	7.0	8.2
Net margin	0.9	5.0	6.1	7.0
ROA	0.1	2.1	3.6	4.4
ROE	0.4	9.2	14.8	16.2
Growth				
Turnover	21.9	5.2	24.6	10.9
EBITDA	(659.4)	62.8	29.5	18.8
Pre-tax profit	(110.0)	318.5	52.7	27.3
Net profit	(105.5)	472.0	52.7	27.3
Net profit (adj.)	(100.9)	2,554.0	85.1	30.0
EPS	(105.5)	414.8	52.7	27.3
Leverage				
Debt to total capital	38.3	43.3	34.2	37.9
Debt to equity	184.0	172.7	146.7	123.1
Net debt/(cash) to equity	139.3	102.2	108.1	64.6
Interest cover (x)	0.9	2.6	3.7	14.4

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