UOBKayHian

Company – Results | Greater China

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# Estun Automation (002747 CH)

2Q26: Solid Margins But Fairly Priced; Maintain HOLD

## Highlights

- 2Q26 results were in line with the preliminary announcement. Revenue grew 4.3% yoy and 11.9% qoq to Rmb1.36b, an 11.6% miss vs consensus, but gross margin expanded 6.0ppt yoy to 33.1% and core net profit swung to Rmb51m.
- Management guides for around 45,000 robot shipments globally in 2026, a 10-11% domestic market share and Rmb300m net profit, with gross margin and the expense ratio expected to improve further in 2H26.
- Maintain HOLD; target price raised to Rmb28.20 on higher estimates.

### 2Q26 Results

| Year to 31 Dec (Rmbm) | 2Q25 | 1Q26 | 2Q26 | yoy (%) | qoq (%) |
|---|---|---|---|---|---|
| Revenue | 1,304 | 1,217 | 1,361 | 4.3 | 11.9 |
| Gross profit | 353 | 370 | 450 | 27.6 | 21.8 |
| OP | 26 | 65 | 115 | 340.3 | 77.6 |
| Net profit | (6) | 98 | 63 | n.m. | (35.1) |
| Core net profit | (22) | 19 | 51 | n.m. | 162.5 |
| Margins (%) | | | | | |
| GPM | 27.0 | 30.4 | 33.1 | 6.0 | 2.7 |
| OPM | 2.0 | 5.3 | 8.5 | 6.5 | 3.1 |
| NPM | (0.5) | 8.0 | 4.7 | 5.1 | (3.4) |

*Source: Estun, UOB Kay Hian*

## Analysis

- **2Q26 print in line with preliminary results.** Estun Automation's (Estun) 2Q26 revenue grew 4.3% yoy and 11.9% qoq to Rmb1.36b, which is an 11.6% miss vs consensus estimates as the company gave up low-margin orders in favour for profitability. As a result, mix improved and gross margins expanded 6.0ppt yoy and 2.7ppt qoq to 33.1%, a big beat vs consensus at 30.8%. Opex ratio also declined 0.4ppt yoy and 0.2ppt qoq, indicating ongoing improvements in cost controls; core net profit swung to a profit of Rmb51m, vs a core net loss at Rmb22m in 2Q25.

### Key Financials

| Year to 31 Dec (Rmbm) | 2024 | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| Net turnover | 4,009 | 4,888 | 5,558 | 6,421 | 6,927 |
| EBITDA | (60) | 333 | 603 | 724 | 813 |
| Operating profit | (254) | 138 | 405 | 520 | 599 |
| Net profit (rep./act.) | (810) | 45 | 308 | 398 | 514 |
| Net profit (adj.) | (836) | 7 | 259 | 348 | 464 |
| EPS (Fen) | (93.2) | 5.2 | 31.9 | 41.1 | 53.1 |
| EPS (Fen) (adj.) | (96.1) | 0.8 | 26.7 | 36.0 | 48.0 |
| PE (x) | (33.1) | 596.9 | 96.7 | 74.9 | 58.0 |
| P/B (x) | 15.0 | 13.7 | 11.8 | 10.0 | 8.4 |
| EV/EBITDA (x) | (502.5) | 88.5 | 48.3 | 40.7 | 35.4 |
| Dividend yield (%) | - | - | - | - | - |
| Net margin (%) | (20.2) | 0.9 | 5.5 | 6.2 | 7.4 |
| Net debt/(cash) to equity (%) | 174.5 | 139.3 | 102.5 | 99.5 | 61.4 |
| Interest cover (x) | (1.9) | 0.9 | 3.1 | 3.9 | 14.2 |
| ROE (%) | (37.2) | 0.4 | 12.2 | 14.1 | 15.9 |
| Consensus net profit | - | - | 257.7 | 335.2 | 430.6 |
| UOBKH/Consensus (x) | - | - | 1.20 | 1.19 | 1.19 |

*Source: Estun, Bloomberg, UOB Kay Hian*


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### HOLD (Maintained)

| | |
|---|---|
| Share Price | Rmb30.82 |
| Target Price | Rmb28.20 |
| Upside | (8.5)% |
| Previous TP | Rmb21.20 |

### Stock Data

| | |
|---|---|
| Sector | Industrial Equipment |
| Bloomberg ticker | 002747 CH |
| Shares issued (m) | 968 |
| Market cap (Rmbm) | 29,828 |
| Market cap (US$m) | 4,397 |
| 3-mth avg daily t'over (US$m) | 503.6 |

### Price Performance (%)

| 52-week high/low | | | | Rmb49.00 / Rmb19.21 |
|---|---|---|---|---|
| 1mth | 3mth | 6mth | 1yr | YTD |
| 2.6 | 6.0 | 26.9 | 27.6 | 30.0 |

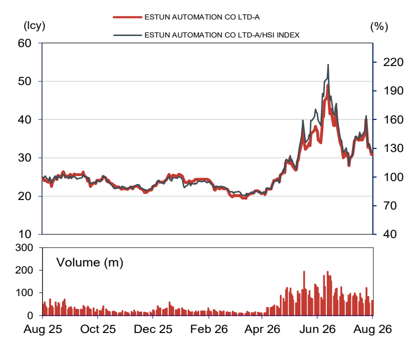
### Major Shareholders (%)

| | |
|---|---|
| NJ Paileisite Tech Co | 26.34 |
| Wu Bo | 11.47 |

### Balance Sheet Metrics

| | |
|---|---|
| FY26 NAV/Share (Rmb) | 0.37 |
| FY26 Net Debt/Share (Rmb) | 2.81 |

### Price Chart




*Source: Bloomberg*

### Company Description

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

- **Both segments registered solid margins in 1H26.** Industrial robots & intelligent manufacturing systems (83% of revenue) grew 2.2% to Rmb2.14b, with gross margin up 4.7ppt yoy to 31.7%. Of which, the Estun-branded robot main body's margins reached 35.8% which is a new high in recent years thanks to improvements in product mix; although this is partially offset by the integration business which has low-mid teens margins. Automation core components & motion control revenue dipped 3.8% yoy to Rmb439m, with gross margin up 1.8ppt yoy to 32.4%.
- **Full-year targets reiterated.** Management guides for around 45,000 robot shipments globally in 2026 (~42,000 domestic, ~2,000 overseas; 1H26: ~19,000), a 10-11% domestic market share and Rmb300m net profit, with gross margin and the expense ratio expected to improve further in 2H26. It began raising prices on selected motion control products in 2Q26 and may extend this to robots. New demand pockets for 2H26: AI-driven chip/memory/server capex and semiconductors (wafer robots in R&D), which carry higher gross margins.
- **High value products are a key priority.** Management is explicit about walking away from low-margin orders. Estun is seeking to provide superior product and after sales service quality to its clients in order to: a) bolster its mix (ie after sales service yields higher margins), and b) secure more high-value order wins.
- **Overseas expansion is the key growth engine**. Own-brand overseas revenue tripled yoy to about Rmb60m in 1H26, with total overseas orders and revenue both doubling yoy and Europe up over 200%. Estun is now in the supplier lists of several global auto-parts leaders and repeat orders are rising.
- **Codroid acquisition to add cobots and embodied robots.** The Codroid acquisition (announced early-Jul 26; board-approved early-August) is expected to close in 3Q26. Codroid shipped over 1,000 cobots in 1H26 and has started small-batch sales of 5kg-payload fixed dual-arm and wheeled humanoid bodies, targeting in-plant logistics and auto electronics (material handling, flexible assembly); a 20kg-payload dual-arm humanoid will launch in 2H26. Management views dual-arm cobots — not full humanoids — as the faster embodied-AI adoption path on cost and reliability, and will participate in physical AI via hardware and data rather than foundation models.

## Valuation/Recommendation

- **Maintain HOLD, and raise target price to Rmb28.20,** based on 9.2x 2027F BVPS, which is pegged to 0.5SD above the five-year historical forward mean valuation.

## Earnings Revision/Risk

- We raise our 2026-28 earnings estimates by 30.2%/36.6%/33.1% to Rmb308m/Rmb398m/Rmb514m respectively, as we: a) trim out revenue assumptions on more conservative core automation parts and robots sales; but this is more than offset by b) a higher gross margin assumption for both segments, and c) a lower assumption on operating expenses.

### 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 | 5,794 | 6,511 | 6,930 | 5,558 | 6,421 | 6,927 | (4.1) | (1.4) | (0.0) |
| Gross profit | 1,791 | 2,046 | 2,206 | 1,788 | 2,066 | 2,232 | (0.2) | 1.0 | 1.2 |
| Operating profit | 315 | 386 | 440 | 405 | 520 | 599 | 28.6 | 34.6 | 36.1 |
| Reported NP | 237 | 291 | 386 | 308 | 398 | 514 | 30.2 | 36.6 | 33.1 |
| GPM (%) | 30.9 | 31.4 | 31.8 | 32.2 | 32.2 | 32.2 | 1.3 | 0.8 | 0.4 |
| OPM (%) | 5.4 | 5.9 | 6.3 | 7.3 | 8.1 | 8.6 | 1.9 | 2.2 | 2.3 |
| NPM (%) | 4.1 | 4.5 | 5.6 | 5.5 | 6.2 | 7.4 | 1.5 | 1.7 | 1.8 |

*Source: Estun, UOB Kay Hian*

## Profit & Loss

| Year to 31 Dec (Rmbm) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Net turnover | 4,888 | 5,558 | 6,421 | 6,927 |
| EBITDA | 333 | 603 | 724 | 813 |
| Depreciation & amortization | 196 | 198 | 204 | 214 |
| EBIT | 138 | 405 | 520 | 599 |
| Total other non-operating income | 8 | 8 | 8 | 8 |
| Associate contributions | (3) | (3) | (3) | (3) |
| Net interest income/(expense) | (153) | (132) | (134) | (42) |
| Pre-tax profit | 77 | 389 | 502 | 648 |
| Tax | (32) | (78) | (100) | (130) |
| Minorities | (0) | (3) | (3) | (4) |
| Net profit | 45 | 308 | 398 | 514 |
| Net profit (recurrent) | 7 | 259 | 348 | 464 |

## 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 | 2,750 | 2,908 | 3,076 |
| Cash/ST investment | 876 | 1,505 | 1,176 | 1,877 |
| Other current assets | 4,449 | 3,574 | 5,385 | 4,122 |
| Total assets | 9,415 | 9,347 | 11,027 | 10,663 |
| ST debt | 1,278 | 1,500 | 1,500 | 1,500 |
| Other current liabilities | 3,930 | 3,329 | 4,607 | 3,724 |
| LT debt | 1,216 | 1,216 | 1,216 | 1,216 |
| Other LT liabilities | 973 | 973 | 973 | 973 |
| Shareholders' equity | 1,961 | 2,270 | 2,668 | 3,182 |
| Minority interest | 58 | 60 | 64 | 68 |
| Total liabilities & equity | 9,415 | 9,347 | 11,027 | 10,663 |

## Cash Flow

| Year to 31 Dec (Rmbm) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Operating | 507 | 915 | 206 | 1,155 |
| Pre-tax profit | 138 | 405 | 520 | 599 |
| Tax | (32) | (78) | (100) | (130) |
| Depreciation/amortization | 196 | 198 | 204 | 214 |
| Associates | 3 | 3 | 3 | 3 |
| Working capital changes | 114 | 274 | (533) | 380 |
| Non-cash items | 88 | 112 | 112 | 88 |
| Other operating cashflows | - | - | - | 1 |
| Investing | 157 | (363) | (386) | (386) |
| Capex (growth) | (312) | (260) | (260) | (260) |
| Investments | (1,872) | (117) | (141) | (152) |
| Proceeds from sale of assets | - | - | - | - |
| Others | 2,340 | 13 | 15 | 27 |
| 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) | 629 | (329) | 700 |
| Beginning cash & cash equivalent | 1,181 | 876 | 1,505 | 1,176 |
| Ending cash & cash equivalent | 876 | 1,505 | 1,176 | 1,877 |

## Key Metrics

| Year to 31 Dec (%) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Profitability | | | | |
| EBITDA margin | 6.8 | 10.8 | 11.3 | 11.7 |
| Pre-tax margin | 0.3 | 5.4 | 6.5 | 8.1 |
| Net margin | 0.9 | 5.5 | 6.2 | 7.4 |
| ROA | 0.1 | 2.8 | 3.4 | 4.3 |
| ROE | 0.4 | 12.2 | 14.1 | 15.9 |
| | | | | |
| Growth | | | | |
| Turnover | 21.9 | 13.7 | 15.5 | 7.9 |
| EBITDA | (659.4) | 80.9 | 20.0 | 12.3 |
| Pre-tax profit | (110.0) | 401.8 | 29.1 | 29.1 |
| Net profit | (105.5) | 585.7 | 29.1 | 29.1 |
| Net profit (adj.) | (100.9) | 3,452.1 | 34.6 | 33.3 |
| EPS | (105.5) | 517.1 | 29.1 | 29.1 |
| | | | | |
| Leverage | | | | |
| Debt to total capital | 38.3 | 41.0 | 34.7 | 35.9 |
| Debt to equity | 184.0 | 168.8 | 143.6 | 120.4 |
| Net debt/(cash) to equity | 139.3 | 102.5 | 99.5 | 61.4 |
| Interest cover (x) | 0.9 | 3.1 | 3.9 | 14.2 |