Lens Technology (6613 HK)

2Q26: Margin Expansion Drives Earnings Beat Despite Smartphone Revenue Drag

Highlights

- Net profit beat consensus by 48.7% to Rmb726m amid low expectations, driven by strong margin improvements across key segments through yield gains and higher-value product mix.
- Smartphone headwinds are bottoming out, while auto segment margin expansion and new emerging tech initiatives will support long-term growth.
- Maintain BUY. Target price trimmed to HK$43.10.

2Q26 Results

Year to 31 Dec (Rmbm)	2Q25	1Q26	2Q26	yoy (%)	qoq (%)
Revenue	15,897	14,140	14,727	(7.4)	4.2
Gross profit	2,503	2,058	2,684	7.2	30.4
Operating profit	701	289	1,028	46.8	255.3
Reported NP	714	(150)	726	1.8	n.a.
GPM (%)	15.7	14.6	18.2	2.5	3.7
OPM (%)	4.4	2.0	7.0	2.6	4.9
NPM (%)	4.5	(1.1)	4.9	0.4	6.0

Source: Lens Tech, UOB Kay Hian

Analysis

- **Margin expansion drove a solid 2Q26 profit beat.** Revenue fell 7.4% yoy but grew 4.2% qoq to Rmb14.7b, marginally below consensus estimates of Rmb14.9b, largely due to shipment volume weakness in consumer devices. Gross margin expanded 2.5ppt yoy and 3.7ppt qoq to 18.2%, 2.5ppt above consensus, due to cuts in the low-margin assembly business and improvements in yields. This supported a net profit growth of 1.8% yoy to Rmb726m, swinging from 1Q26's Rmb150m net loss, which is a 48.7% beat compared with consensus.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	69,897	74,410	73,779	88,207	104,902
EBITDA	9,404	10,068	11,245	13,455	16,154
Operating profit	4,251	5,090	5,295	7,177	9,544
Net profit (rep./act.)	3,624	4,018	4,736	6,430	8,555
Net profit (adj.)	3,624	4,018	4,736	6,430	8,555
EPS (fen)	73.0	80.9	95.4	129.5	172.3
PE (x)	27.4	24.7	21.0	15.5	11.6
P/B (x)	2.0	1.8	1.7	1.6	1.5
EV/EBITDA (x)	16.5	15.4	13.8	11.6	9.6
Dividend yield (%)	1.5	1.9	2.4	3.2	4.3
Net margin (%)	5.2	5.4	6.4	7.3	8.2
Net debt/(cash) to equity (%)	7.1	0.0	(2.4)	(13.4)	(19.1)
Interest cover (x)	(199.1)	476.0	111.4	149.6	204.6
ROE (%)	7.6	7.8	8.4	10.7	13.2
Consensus net profit	-	-	4,676	6,685	8622
UOBKH/Consensus (x)	-	-	1.01	0.96	0.99

Source: Lens Tech, Bloomberg, UOB Kay Hian

Analyst(s)

Johnny Yum
johnny.yum@uobkh.com
+852 2235 6760

Murphy Li
murphy.li@uobkh.com
+852 2826 4867

BUY (Maintained)

Share Price	HK$22.96
Target Price	HK$43.10
Upside	+87.7%
Previous TP	HK$43.70

Stock Data

Sector	Specialty Technology Hardware
Bloomberg ticker	6613 HK
Shares issued (m)	4,964
Market cap (HK$m)	156,824
Market cap (US$m)	20,023
3-mth avg daily t'over (US$m)	77.9

Price Performance (%)

52-week high/low				HK$33.94 / HK$15.68
1mth	3mth	6mth	1yr	YTD
5.0	5.3	(15.8)	(5.4)	(9.0)

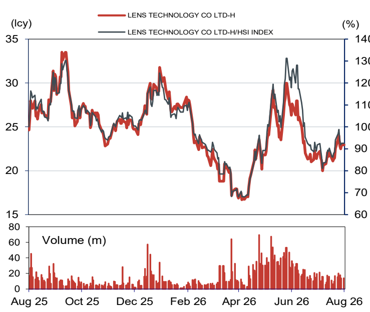
Major Shareholders (%)

Lens Technology (HK) Co	53.13
Changsha Qunxin Investment	5.38

Balance Sheet Metrics

2026 NAV/Share (Rmb)	1.71
2026 Net Cash/Share (Rmb)	(0.27)

Price Chart



Source: Bloomberg

Company Description

Lens Technology Co., Ltd. is a global leader in precision glass, sapphire, and ceramic component manufacturing. Founded by Zhou Qunfei in 2003, the company supplies cover glass, glass back covers, metal casings, and ultra-thin glass (UTG) to major consumer electronics brands including Apple (~50% of revenue), Samsung, and Xiaomi. Lens Tech has expanded into smart vehicles, AI server components (via Yuans Technology acquisition), and aerospace-grade UTG for satellite applications.

- **Management believes the worst is over for its traditional smartphone segment,** anticipating a recovery in the coming quarters as memory supply constraints improve, key customer production ramps up, and Android shipment volumes rebound. Gross margins are set to expand in 2H26, bolstered by higher premium content (UTG flexible glass, 3D glass, and titanium mid-frames) ahead of its major client's foldable launches. Shipments for flagship Apple smartphones remain strictly on track for 4Q26, with base follow-up models scheduled to extend into 1Q27.
- **The auto segment is positioned for continued margin expansion through late-26 and 2027.** With early setup inefficiencies at the Mexico facility now resolved, overseas operations will transition from a drag into a clear profit tailwind. Concurrently, scaling throughput at core domestic facilities and a rising product blend toward complex, high-value integrated solutions - such as curved HUD units, central display panels, and structural B-pillars - will sustain upward margin momentum.
- **Embodied intelligence, AI infrastructure, commercial aerospace, and TGV glass substrates are set to drive long-term growth.** In embodied intelligence, Lens has built a fully-automated production line for key embodied-robot modules, with annual capacity of 400,000 sets, and achieved two major design wins with Agibot. For AI server infrastructure, Lens has completed the construction for production lines for 36,000 cabinet structures and 50,000 liquid cooling sets. Qualification of 3-4 North American clients are progressing smoothly with mass production expected to begin from 4Q26. In TGV glass substrates, a 30,000 m² cleanroom is under construction in collaboration with both Intel and Samsung. The company now targeting to finish the first pilot line's construction by end-26, before mass production begins in 2027.

Valuation/Recommendation

- Maintain BUY for Lens-H, and upgrade Lens-A from HOLD to BUY. Our Lens-A target price is trimmed to Rmb48.40, as we update our target PE to a lower 37.4x 2027F PE, 2SD above historical mean. Our Lens-H target price is trimmed to HK$43.10, based on 29.9x 2027F PE and a 20% discount to Lens-A.

Earnings Revision/Risk

- We raise our 2026-28 estimates by 11.6%/1.4%/0.1% to Rmb4,736m/Rmb6,430m/Rmb8,555m respectively, as we raise our margins assumption for the automotive business and smartphone component businesses. This is partially offset by a lower assembly revenue assumption, and a lower smart devices margins 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	75,152	90,877	107,664	73,779	88,207	104,902	(1.8)	(2.9)	(2.6)
Smartphones and computers	60,662	74,462	89,044	59,289	71,792	86,281	(2.3)	(3.6)	(3.1)
Smart vehicles and cockpits	7,108	8,174	9,400	7,108	8,174	9,400	0.0	0.0	0.0
Intelligent head mounted displays and smart wearables	4,774	5,490	6,313	4,774	5,490	6,313	0.0	0.0	0.0
Other smart devices	1,209	1,330	1,463	1,209	1,330	1,463	0.0	0.0	0.0
Margin (%)	15.1	16.5	17.6	16.6	17.5	18.5	1.5	1.0	0.9
Smartphones and computers	14.8	16.0	17.4	17.2	17.9	18.6	2.4	1.9	1.2
Smart vehicles and cockpits	10.0	15.0	15.0	13.0	15.0	17.0	3.0	0.0	2.0
Intelligent head mounted displays and smart wearables	20.0	20.0	20.0	12.0	15.0	18.0	(8.0)	(5.0)	(2.0)
Other smart devices	25.0	30.0	30.0	12.0	15.0	18.0	(13.0)	(15.0)	(12.0)
EBIT (Rmbm)	4,729	7,065	9,522	5,295	7,177	9,544	12.0	1.6	0.2
Net Profit (Rmbm)	4,243	6,338	8,543	4,736	6,430	8,555	11.6	1.4	0.1

Source: Lens Tech, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	74,410	73,779	88,207	104,902
EBITDA	10,068	11,245	13,455	16,154
Depreciation & amortization	4,978	5,950	6,278	6,610
EBIT	5,090	5,295	7,177	9,544
Total other non-operating income	(556)	211	252	300
Associate contributions	93	-	-	-
Net interest income/(expense)	(21)	(101)	(90)	(79)
Pre-tax profit	4,605	5,405	7,339	9,764
Tax	(545)	(643)	(873)	(1,161)
Minorities	(23)	(27)	(37)	(49)
Net profit	4,037	4,736	6,430	8,555
Net profit (recurrent)	4,018	4,736	6,430	8,555

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	42,622	42,012	41,086	39,838
Other LT assets	12,244	12,221	12,187	12,142
Cash/ST investment	9,653	9,988	15,715	19,042
Other current assets	19,820	19,737	26,539	27,469
Total assets	84,339	83,957	95,528	98,491
ST debt	5,292	4,292	3,294	2,298
Other current liabilities	18,432	16,138	24,607	23,178
LT debt	4,367	4,367	4,367	4,367
Other LT liabilities	1,161	1,161	1,161	1,161
Shareholders' equity	55,023	57,909	61,971	67,311
Minority interest	64	91	128	177
Total liabilities & equity	84,339	83,957	95,528	98,491

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	11,465	8,602	14,501	12,934
Pre-tax profit	4,605	5,405	7,339	9,764
Tax	(545)	(643)	(873)	(1,161)
Depreciation/amortization	4,978	5,950	6,278	6,610
Associates	3	4	5	6
Working capital changes	1,725	(2,211)	1,667	(2,358)
Non-cash items	217	211	252	300
Other operating cashflows	481	(114)	(167)	(227)
Investing	(9,617)	(5,317)	(5,318)	(5,317)
Capex (growth)	(8,511)	(5,317)	(5,318)	(5,317)
Investments	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Others	(1,105)	-	-	-
Financing	(2,964)	(2,951)	(3,456)	(4,290)
Dividend payments	(1,482)	(1,850)	(2,368)	(3,215)
Issue of shares	-	-	-	-
Proceeds from borrowings	5,000	5,000	5,001	5,002
Loan repayment	(6,000)	(6,000)	(5,999)	(5,998)
Others/interest paid	(482)	(101)	(90)	(79)
Net cash inflow (outflow)	(1,115)	334	5,728	3,326
Beginning cash & cash equivalent	10,937	9,653	9,988	15,715
Changes due to forex impact	(168)	-	-	-
Ending cash & cash equivalent	9,653	9,988	15,715	19,042

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	16.0	16.6	17.5	18.5
Pretax margin	6.2	7.3	8.3	9.3
Net margin	5.4	6.4	7.3	8.2
ROA	4.9	5.6	7.2	8.8
ROE	7.8	8.4	10.7	13.2
Growth				
Turnover	6.5	(0.8)	19.6	18.9
Gross profit	7.1	2.8	26.5	25.4
Pre-tax profit	19.2	17.9	35.8	33.0
Net profit	10.9	17.9	35.8	33.0
Net profit (adj)	10.9	17.9	35.8	33.0
EPS	10.9	17.9	35.8	33.0
Leverage				
Debt to total capital	11.5	10.3	8.0	6.8
Debt to equity	17.6	15.0	12.4	9.9
Net debt to equity	0.0	(2.4)	(13.4)	(19.1)
Interest cover (x)	476.0	111.4	149.6	204.6