

Midea Group (000333 CH)

3Q26: EBIT Declines 3%; Targets Positive Sales Growth For 4Q26

Highlights

- Midea's 3Q26 EBIT declined 3% yoy. Reported net profit rose 26% yoy on investment gains. Excluding the gains, we estimate the recurring net profit would have declined 11%.
- In 3Q26, ToC revenue declined by high single-digits yoy, with domestic sales down by more than 15%, partially offset by mid-single-digit growth in overseas sales, with OBM growing by more than 20% yoy. ToB revenue grew by high single-digits, with steady growth of building technology and robotics yet industrial technology facing pressure.
- Looking ahead to 4Q26, management targets positive sales growth, with overseas to remain stable, while the domestic outlook remains uncertain. Maintain BUY and raise target price by 4% to Rmb116.80.

3Q26 & 9M26 Results

Year to 31 Dec (Rmbm)	3Q26	2Q26	3Q25	yoy chg (%)	qoq chg (%)	9M26	9M25	yoy chg (%)
Total revenue	108,035	129,472	112,385	(3.9)	(16.6)	369,087	364,716	1.2
Gross profit	28,585	32,680	30,051	(4.9)	(12.5)	95,270	95,597	(0.3)
Gross margin (%)	26.5	25.2	26.7	(0.3)	1.2	25.8	26.2	(0.4)
EBIT	11,485	13,643	11,793	(2.6)	(15.8)	39,360	37,116	6.0
EBIT margin (%)	10.6	10.5	10.5	0.1	0.1	10.7	10.2	0.5
Attributable net profit	14,947	13,771	11,870	25.9	8.5	41,393	37,883	9.3
Attributable net margin (%)	13.8	10.6	10.6	3.3	3.2	11.2	10.4	0.8
Core net profit	9,193	8,633	10,905	(15.7)	6.5	28,788	37,140	(22.5)
Core net margin (%)	8.5	6.7	9.7	(1.2)	1.8	7.8	10.2	(2.4)

Source: Midea (A Share), UOB Kay Hian

Analysis

- 3Q26 EBIT declined 3%; net profit rose 26% yoy on investment gains; estimated recurring net profit would have declined 11%.** Midea Group (Midea) reported 9M26 revenue of Rmb369,087m (+1% yoy). Gross profit was Rmb95,270m (flat yoy), with gross margin at 25.8% (-0.4ppt yoy). EBIT was Rmb39,361m (+6% yoy), with an EBIT margin of 10.7% (+0.5ppt yoy). Net profit was Rmb41,393m (+9% yoy), with a net margin of 11.2% (+0.8ppt yoy).

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	409,084	458,502	464,453	485,230	507,777
EBITDA	45,706	52,862	53,663	57,156	60,190
Operating profit	37,882	43,522	45,619	48,368	50,657
Net profit (rep./act.)	38,537	43,945	53,160	56,076	58,015
Net profit (adj.)	38,537	43,945	45,660	48,576	50,515
EPS (Fen)	542.0	576.0	601.0	639.4	664.9
PE (x)	16.1	15.2	14.6	13.7	13.2
P/B (x)	3.1	3.0	2.8	2.6	2.5
EV/EBITDA (x)	12.5	12.2	11.9	11.2	10.6
Dividend yield (%)	4.0	4.9	5.9	6.2	6.4
Net margin (%)	9.4	9.6	11.4	11.6	11.4
Net debt/(cash) to equity (%)	(62.9)	(76.6)	(78.5)	(74.6)	(71.7)
ROE (%)	20.3	20.0	22.9	22.7	22.3
Consensus net profit	-	-	46,562.5	50,369.4	54,339.0
UOBKH/Consensus (x)	-	-	0.98	0.96	0.93

Source: Midea, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Rmb87.48
Target Price	Rmb116.80
Upside	+33.5%
Previous TP	Rmb112.60

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	000333 CH
Shares issued (m)	6,962.6
Market cap (Rmbm)	650,707.3
Market cap (US\$m)	99,168.1
3-mth avg daily t'over (US\$m)	335.7

Price Performance (%)

52-week high/low		Rmb89.50/Rmb71.77		
1mth	3mth	6mth	1yr	YTD
6.7	0.5	8.7	17.6	11.9

Major Shareholders (%)

Midea Holding	28.43
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Balance Sheet Metrics

FY26 NAV/Share (Rmb)	31.62
FY26 Net Cash/Share (Rmb)	25.35

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 3Q26 revenue of Rmb108,035m (-4% yoy, -17% qoq), as the domestic appliance market continued to shrink. Gross profit was Rmb28,585m (-5% yoy, -13% qoq), with gross margin at 26.5% (-0.3ppt yoy, +1.2ppt qoq), the yoy contraction in gross margin was primarily due to forex and rising raw material prices. EBIT was Rmb11,485m (-3% yoy, -16% qoq), with EBIT margin of 10.6% (+0.1ppt yoy, +0.1ppt qoq). Reported net profit was Rmb14,947m (+26% yoy, +9% qoq), with a net margin of 13.8% (+3.3ppt yoy, +3.2ppt qoq). The increase in the net profit was primarily driven by investment gains from ChangXin Memory Technologies (CXMT) after its listing in Jul 26. Excluding the gains, we estimate that the recurring net profit would have reached around Rmb10.6b, down 11% yoy, primarily due to lower other income (-0.7ppt yoy) and a higher effective tax rate (around 19.9% vs 17.4% in 3Q25), while forex losses (-1.5ppt yoy) were largely offset by forex hedging gains (+1.6ppt yoy).
- Channel reform to weigh on operating cash flow in the near-term.** From 3Q26, Midea launched a domestic channel reform, moving away from aggressive sell-in to distributors and adopting an ordering model based on actual retail sales. This weighed on operating cash flow in the near-term, with 3Q26 operating cash flow declining by more than 80% yoy to around Rmb2.6b. Looking ahead, management expects operating cash flow to return to a normalised level after 2Q27.
- ToC segment: Domestic declined but overseas continued to grow with steady OBM expansion.** In 3Q26, to-consumer (ToC) revenue declined by high single-digits yoy, with domestic sales down by more than 15%, partially offset by mid-single-digit growth in overseas sales. By product, air conditioners declined by lower than 15% yoy, mainly dragged by domestic sales. Refrigerators and washing machines declined by mid-to-low single-digits, and kitchen appliances declined by low single-digits. For overseas, original brand manufacturer (OBM) revenue grew by more than 20% yoy in 3Q26, bringing the OBM contribution to over 50% of ToC overseas revenue in 9M26.
- ToB segment: Steady growth of building technology and robotics but industrial technology faced pressure.** In 3Q26, the ToB segment revenue grew by high single-digits, with domestic sales slightly growing and overseas growing by more than 15%. Of which, building technology and robotics grew high single-digits and 10%, respectively, while industrial technology revenue fell over 10% yoy.
- Targets positive sales growth in 4Q26.** Looking ahead to 4Q26, management targets positive sales growth, expecting overseas to remain stable, while the domestic outlook remains challenging, as industry demand has yet to recover. Management also expects US tariff refunds to be recognised gradually in 2H26.

Earnings Revision/Risk

- We lower our 2026/27 earnings forecasts by 2%/4%, respectively.** We lower our 2026/27 revenue forecasts by 4%/6%, respectively. We lower our 2026/27 gross margin forecasts by 0.4ppt/0.2ppt, respectively. We also lower our 2026/27 opex expense ratio forecasts by 0.7ppt/0.6ppt, respectively. Thus, our 2026/27 earnings forecasts are lowered by 2%/4%, respectively.

Valuation/Recommendation

- Maintain BUY and raise target price by 4% to Rmb116.80.** We roll over our SOTP-based target price to 2027 and raise our target price by 4% to Rmb116.80. Our target price implies 16.7x 2026F PE and 15.8x 2027F PE. The stock currently trades at 14.6x 2026F PE and 13.7x 2027F PE.

Segmental Results (Quarterly)

Year to 31 Dec (Rmbm)	3Q26	3Q25	yoy chg (%)
Revenue - by product category			
Building technologies	9,275	8,580	8
Industrial technology	5,162	5,981	(14)
Robotics & Automation	8,279	7,563	9

Source: Midea (A Share), UOB Kay Hian

Segmental Results

Year to 31 Dec (Rmbm)	9M26	9M25	yoy chg (%)
Revenue - by product category			
Building technologies	30,900	28,091	10
Industrial technology	18,300	21,034	(13)
Robotics & Automation	24,900	22,636	10

Source: Midea (A Share), UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	458,502.4	464,453.5	485,229.7	507,777.3
EBITDA	52,861.9	53,663.0	57,155.9	60,189.6
Deprec. & amort.	9,339.7	8,043.5	8,787.8	9,532.1
EBIT	43,522.2	45,619.5	48,368.1	50,657.4
Total other non-operating income	106.6	106.6	106.6	106.6
Associate contributions	1,694.7	3,000.0	3,000.0	3,000.0
Net interest income/(expense)	5,903.5	5,690.5	6,463.8	6,516.6
Pre-tax profit	53,085.3	64,216.6	67,738.5	70,080.6
Tax	(8,565.1)	(10,361.1)	(10,929.4)	(11,307.3)
Minorities	(574.8)	(695.3)	(733.4)	(758.8)
Net profit	43,945.4	53,160.1	56,075.7	58,014.5
Net profit (adj.)	43,945.4	45,660.1	48,575.7	50,514.5

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	53,345.9	62,090.3	56,174.1	58,653.1
Pre-tax profit	53,085.3	64,216.6	67,738.5	70,080.6
Tax	(8,565.1)	(10,361.1)	(10,929.4)	(11,307.3)
Deprec. & amort.	9,339.7	8,043.5	8,787.8	9,532.1
Working capital changes	5,279.5	5,118.0	1,737.0	2,252.2
Other operating cashflows	(6,599.5)	(4,977.9)	(11,211.0)	(11,955.8)
Investing	25,340.3	(11,183.1)	(11,183.1)	(11,183.1)
Capex (growth)	(11,141.9)	(16,000.0)	(16,000.0)	(16,000.0)
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)	(35,165.4)	(54,230.8)	(51,252.4)
Dividend payments	(33,080.1)	(36,134.4)	(42,919.9)	(45,066.9)
Issue of shares	4,725.9	0.0	0.0	0.0
Proceeds from borrowings	88,859.5	49,300.0	36,250.0	29,000.0
Loan repayment	(125,492.9)	(48,331.0)	(47,560.9)	(35,185.5)
Others/interest paid	29.9	0.0	0.0	0.0
Net cash inflow (outflow)	13,728.4	15,741.8	(9,239.7)	(3,782.4)
Beginning cash & cash equivalent	55,025.2	68,076.7	83,818.5	74,578.7
Other monetary funds	17,170.5	17,170.5	17,170.5	17,170.5
Ending cash & cash equivalent	85,247.2	100,988.9	91,749.2	87,966.8

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	44,983.4	51,744.9	57,893.1	63,428.0
Other LT assets	147,146.0	145,948.7	144,620.3	143,161.0
Cash/ST investment	85,247.2	100,988.9	91,749.2	87,966.8
Other current assets	331,415.2	332,912.2	347,673.0	363,692.3
Total assets	608,791.8	631,594.7	641,935.7	658,248.1
ST debt	43,904.6	47,560.9	35,185.5	27,985.9
Other current liabilities	299,479.2	299,165.6	306,928.3	315,719.7
LT debt	12,658.8	17,592.8	18,657.2	19,671.4
Other LT liabilities	16,325.0	13,130.2	13,130.2	13,130.2
Shareholders' equity	223,221.3	240,247.0	253,402.8	266,350.4
Minority interest	13,202.9	13,898.2	14,631.7	15,390.5
Total liabilities & equity	608,791.8	631,594.7	641,935.7	658,248.1

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	11.5	11.6	11.8	11.9
Pre-tax margin	11.6	13.8	14.0	13.8
Net margin	9.6	11.4	11.6	11.4
ROA	7.2	8.6	8.8	8.9
ROE	20.0	22.9	22.7	22.3
Growth				
Turnover	12.1	1.3	4.5	4.6
EBITDA	15.7	1.5	6.5	5.3
Pre-tax profit	13.7	21.0	5.5	3.5
Net profit	14.0	21.0	5.5	3.5
Net profit (adj.)	14.0	3.9	6.4	4.0
EPS	6.3	4.3	6.4	4.0
Leverage				
Debt to total capital	21.9	22.0	17.6	15.3
Debt to equity	29.2	28.1	21.8	18.3
Net debt/(cash) to equity	(76.6)	(78.5)	(74.6)	(71.7)

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