# NAURA Technology Group (002371 CH)

## 2Q26: Uneventful Results But Order Momentum Continues To Accelerate

### Highlights

- NAURA's 2Q26 net profit grew 6.6% yoy to Rmb1.7b, which is in line with our estimate but below consensus'. That said, we believe the market is already aware of the lower season and margin pressure during the quarter.
- Orderbook remains solid, and we expect sales growth to accelerate in 2H26 with margins improving thanks to better operating scale, though R&D expenses are likely to remain elevated.
- Maintain BUY; keep target price at Rmb930.00.

### 2Q26 Results

| Year to 31 Dec (Rmbm) | 2Q25 | 1Q26 | 2Q26 | yoy (%) | qoq (%) |
|---|---|---|---|---|---|
| Revenue | 7,936 | 10,323 | 9,839 | 24.0 | (4.7) |
| Gross profit | 3,277 | 4,209 | 3,869 | 18.1 | (8.1) |
| Operating Profit | 1,428 | 1,553 | 1,594 | 11.6 | 2.6 |
| Net Profit | 1,627 | 1,635 | 1,735 | 6.6 | 6.2 |
| Core net profit | 1,611 | 1,627 | 1,714 | 6.4 | 5.4 |
| Margin (%) | | | | | |
| Gross profit | 41.3 | 40.8 | 39.3 | (2.0) | (1.4) |
| Operating Profit | 18.0 | 15.0 | 16.2 | (1.8) | 1.2 |
| Net Profit | 20.5 | 15.8 | 17.6 | (2.9) | 1.8 |
| Adjusted Net margin | 20.3 | 15.8 | 17.4 | (2.9) | 1.7 |

*Source: NAURA, UOB Kay Hian*

### Analysis

- **2Q26 net profit is in line with our estimate but below consensus'.** NAURA Technology Group's (NAURA) 2Q26 revenue grew 24.0% yoy but declined 4.7% qoq (qoq decline due to seasonality) to Rmb9.8b, which is 9.2%/10.1% below our/consensus estimates as 2Q was still a transitional period amid customer validation for new products. Gross margins declined 2.0ppt yoy and 1.4ppt qoq to 39.3% due to the initial ramp up of new products, 0.7ppt/0.8ppt below our/consensus estimates. The opex ratio however declined 0.3ppt yoy and 2.7ppt qoq to 22.5%, which is lower than both our/consensus forecasts, and as a result, reported net profit grew 6.6% yoy and 6.2% qoq to Rmb1.7b, in line with our more conservative estimate but a slight 7.0% miss vs consensus.

### Key Financials

| Year to 31 Dec (Rmbm) | 2024 | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| Net turnover | 30,075 | 39,353 | 52,430 | 67,945 | 86,669 |
| EBITDA | 6,866 | 6,607 | 9,887 | 14,206 | 17,525 |
| Operating profit | 5,770 | 5,040 | 8,068 | 11,740 | 16,375 |
| Net profit (rep./act.) | 5,622 | 5,522 | 8,379 | 11,416 | 15,655 |
| Net profit (adj.) | 5,571 | 5,336 | 8,079 | 11,116 | 15,355 |
| EPS (Fen) | 1,057 | 762 | 1,156 | 1,575 | 2,160 |
| PE (x) | 66.3 | 91.9 | 60.6 | 44.5 | 32.4 |
| P/B (x) | 12.0 | 13.5 | 11.1 | 9.0 | 7.2 |
| EV/EBITDA (x) | 74.2 | 77.1 | 51.5 | 35.9 | 29.1 |
| Dividend yield (%) | 0.2 | 0.1 | 0.2 | 0.2 | 0.3 |
| Net margin (%) | 18.7 | 14.0 | 16.0 | 16.8 | 18.1 |
| Net debt/(cash) to equity (%) | (19.8) | 0.1 | 12.5 | 4.6 | 4.2 |
| Interest cover (x) | (109.5) | (28.9) | (24.3) | (40.2) | (51.1) |
| ROE (%) | 20.3 | 16.1 | 20.1 | 22.5 | 24.7 |
| Consensus net profit | - | - | 7,661 | 11,154 | 15,354 |
| UOBKH/Consensus (x) | - | - | 1.09 | 1.02 | 1.02 |

*Source: NAURA, Bloomberg, UOB Kay Hian*

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| **BUY (Maintained)** | |
|---|---|
| Share Price | Rmb700.40 |
| Target Price | Rmb930.00 |
| Upside | +32.8% |

### Stock Data

| | |
|---|---|
| Sector | Semiconductor Mfg Equipment |
| Bloomberg ticker | 002371 CH |
| Shares issued (m) | 726 |
| Market cap (Rmbm) | 508,273 |
| Market cap (US$m) | 74,909 |
| 3-mth avg daily t'over (US$m) | 1,340.0 |

### Price Performance (%)

52-week high/low: Rmb968.00 / Rmb345.00

| 1mth | 3mth | 6mth | 1yr | YTD |
|---|---|---|---|---|
| (7.5) | 0.3 | 41.2 | 84.3 | 52.6 |

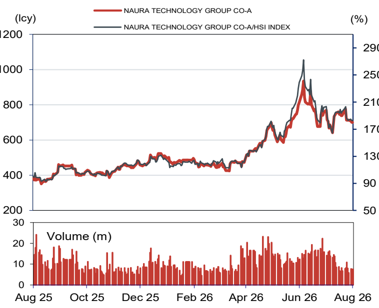
### Major Shareholders (%)

| | |
|---|---|
| Beijing Sevenstar Huachuang Electronic Tech | 33.2 |
| Beijing Electronics Holding | 7.3 |

### Balance Sheet Metrics

| | |
|---|---|
| FY26 NAV/Share (Rmb) | 42.43 |
| FY26 Net Cash/Share (Rmb) | (9.44) |

### Price Chart




*Source: Bloomberg*

### Company Description

NAURA Technology Group is an integrated micro-electronics company. The company designs, produces and sells integrated circuit equipment, solar battery system equipment, mass flow controllers, thin film transistors, lithium battery manufacturing system and other products.

- **Segment performance in 1H26:** Electronic equipment (WFE) registered a 25.9% yoy revenue growth to Rmb19.2b, while margins declined 2.0ppt yoy to 39.7%; electronic components (passive components) increased 5.5% to Rmb2b and margins deteriorated 4.2ppt yoy to 46.2%.
- **Readthrough from balance sheet indicates orders remained robust,** with inventory climbing 6.7% qoq to Rmb30.5b and finished goods + goods in production contributing to around 57% of the inventory book, while contract liabilities surged 26.6% qoq to Rmb5.3b which could indicate mounting upfront payments on the back of strong demand.
- **Robust growth trajectory remains unchanged.** Going forward, we expect sales growth to pick up meaningfully in 2H26 as we approach the peak delivery season, and as NAURA ramps up the production of its new products further. As a result, its profitability should also improve meaningfully compared with the trough levels in 2H25 and 1H26. On the other hand, we expect R&D expenses to further pick up given the strong demand for local WFE suppliers to achieve breakthroughs in advanced WFE products, although this will be partially offset by better operating scale for sales and admin expenses.

## Valuation/Recommendation

- **Maintain BUY and keep target price at Rmb930.00,** based on 59.0x 2027F PE, still pegged to 1.5SD above the five-year historical forward mean.

## Earnings Revision/Risk

- We fine-tune our 2026-28 estimates, and our net profit is adjusted by -3.0%/+0.1%/flat to Rmb8.4b/Rmb11.4b/Rmb15.7b respectively.

## Share Price Catalyst

- Further breakthroughs in China's semiconductor supply chain.

### 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 | 54,098 | 68,538 | 87,173 | 52,430 | 67,945 | 86,669 | (3.1) | (0.9) | (0.6) |
| Gross profit | 22,416 | 28,659 | 36,599 | 21,510 | 28,420 | 36,395 | (4.0) | (0.8) | (0.6) |
| Operating Profit | 8,708 | 11,737 | 16,375 | 8,068 | 11,740 | 16,375 | (7.4) | 0.0 | (0.0) |
| Net Profit | 8,641 | 11,406 | 15,655 | 8,379 | 11,416 | 15,655 | (3.0) | 0.1 | (0.0) |
| Core net profit | 8,341 | 11,106 | 15,355 | 8,079 | 11,116 | 15,355 | (3.1) | 0.1 | (0.0) |
| GPM (%) | 41.4 | 41.8 | 42.0 | 41.0 | 41.8 | 42.0 | (0.4) | 0.0 | 0.0 |
| OPM (%) | 16.1 | 17.1 | 18.8 | 15.4 | 17.3 | 18.9 | (0.7) | 0.2 | 0.1 |
| NPM (%) | 16.0 | 16.6 | 18.0 | 16.0 | 16.8 | 18.1 | 0.0 | 0.2 | 0.1 |
| Adjusted NPM (%) | 15.4 | 16.2 | 17.6 | 15.4 | 16.4 | 17.7 | (0.0) | 0.2 | 0.1 |

*Source: NAURA, UOB Kay Hian*

## Profit & Loss

| Year to 31 Dec (Rmbm) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Net turnover | 39,353 | 52,430 | 67,945 | 86,669 |
| EBITDA | 6,607 | 9,887 | 14,206 | 17,525 |
| Depreciation & amortization | (1,567) | (1,819) | (2,466) | (1,151) |
| EBIT | 5,040 | 8,068 | 11,740 | 16,375 |
| Total other non-operating income | 1,034 | 1,200 | 900 | 900 |
| Associate contributions | - | - | - | - |
| Net interest income/(expense) | (229) | (408) | (354) | (343) |
| Pre-tax profit | 5,845 | 8,860 | 12,286 | 16,931 |
| Tax | (436) | (709) | (983) | (1,355) |
| Minorities | 113 | 228 | 113 | 78 |
| Net profit | 5,522 | 8,379 | 11,416 | 15,655 |
| Net profit (recurrent) | 5,522 | 8,379 | 11,416 | 15,655 |

## Balance Sheet

| Year to 31 Dec (Rmbm) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Fixed assets | 7,568 | 8,123 | 8,625 | 9,173 |
| Other LT assets | 22,911 | 26,456 | 30,341 | 31,649 |
| Cash/ST investment | 17,183 | 11,921 | 11,347 | 11,367 |
| Other current assets | 42,138 | 56,339 | 67,002 | 87,157 |
| Total assets | 89,801 | 102,839 | 117,315 | 139,346 |
| ST debt | 319 | 719 | 1,119 | 1,519 |
| Other current liabilities | 25,861 | 30,900 | 34,511 | 41,707 |
| LT debt | 12,973 | 12,973 | 12,973 | 12,973 |
| Other LT liabilities | 6,720 | 6,720 | 6,720 | 6,720 |
| Shareholders' equity | 37,726 | 45,553 | 56,131 | 70,644 |
| Minority interest | 6,202 | 5,973 | 5,860 | 5,783 |
| Total liabilities & equity | 89,801 | 102,839 | 117,315 | 139,346 |

## Cash Flow

| Year to 31 Dec (Rmbm) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Operating | 2,133 | (1,591) | 3,082 | 4,112 |
| Pre-tax profit | 5,845 | 8,860 | 12,286 | 16,931 |
| Tax | (1,299) | (709) | (983) | (1,355) |
| Depreciation/amortization | 1,567 | 1,819 | 2,466 | 1,151 |
| Associates | - | - | - | - |
| Working capital changes | (6,766) | (9,161) | (7,053) | (8,139) |
| Non-cash items | 2,786 | (2,400) | (3,635) | (4,477) |
| Other operating cashflows | - | - | - | - |
| Investing | (3,929) | (3,111) | (2,864) | (3,007) |
| Capex (growth) | (2,262) | (3,111) | (2,864) | (3,007) |
| Investments | (775) | - | - | - |
| Proceeds from sale of assets | 841 | - | - | - |
| Others | (1,733) | - | - | - |
| Financing | 6,607 | (560) | (792) | (1,085) |
| Dividend payments | (908) | (960) | (1,192) | (1,485) |
| Issue of shares | - | - | - | - |
| Proceeds from borrowings | 9,503 | 1,000 | 1,000 | 1,000 |
| Loan repayment | (2,347) | (600) | (600) | (600) |
| Others/interest paid | 360 | - | - | - |
| Net cash inflow (outflow) | 4,812 | (5,262) | (574) | 20 |
| Beginning cash & cash equivalent | 12,385 | 17,183 | 11,921 | 11,347 |
| Ending cash & cash equivalent | (14) | - | - | - |
| Ending cash & cash equivalent | 17,183 | 11,921 | 11,347 | 11,367 |

## Key Metrics

| Year to 31 Dec (%) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Profitability | | | | |
| Gross margin | 40.1 | 41.0 | 41.8 | 42.0 |
| Pre-tax margin | 14.9 | 16.9 | 18.1 | 19.5 |
| Net margin | 14.0 | 16.0 | 16.8 | 18.1 |
| ROA | 7.1 | 8.7 | 10.4 | 12.2 |
| ROE | 16.1 | 20.1 | 22.5 | 24.7 |
| | | | | |
| Growth | | | | |
| Turnover | 30.9 | 33.2 | 29.6 | 27.6 |
| Gross profit | 22.2 | 36.3 | 32.1 | 28.1 |
| Pre-tax profit | (10.5) | 51.6 | 38.7 | 37.8 |
| Net profit | (1.8) | 51.7 | 36.2 | 37.1 |
| Net profit (adj.) | (4.2) | 51.4 | 37.6 | 38.1 |
| EPS | (27.9) | 51.7 | 36.2 | 37.1 |
| | | | | |
| Leverage | | | | |
| Debt to total capital | 16.3 | 4.9 | 4.6 | 4.2 |
| Debt to equity | 38.9 | 11.0 | 9.6 | 8.2 |
| Net debt/(cash) to equity | 0.1 | 12.5 | 4.6 | 4.2 |
| Interest cover (x) | (28.9) | (24.3) | (40.2) | (51.1) |