

NAURA Technology Group (002371 CH)

3Q26: Temporary Weakness Due To Component Shortage;
Demand Pushed Back To 4Q26

Highlights

- NAURA was impacted by component shortages in 3Q26, with revenue/net profit missing consensus estimates by 16%/9% respectively.
- This is however temporary as the company kept its full-year revenue target of Rmb49b unchanged, indicating confidence in a meaningful improvement in the supply shortage situation.
- Maintain BUY and cut target price to Rmb783.20. Our positive view on NAURA's exposure to China's WFE opportunities remains unchanged.

3Q26 Results

Year to 31 Dec (Rmbm)	3Q25	2Q26	3Q26	yoy (%)	qoq (%)
Revenue	11,160	9,839	11,306	1.3	14.9
Gross profit	4,498	3,869	4,334	(3.7)	12.0
Operating Profit	2,015	1,594	1,846	(8.4)	15.8
Net Profit	1,922	1,735	2,022	5.2	16.5
Core net profit	1,921	1,714	1,980	3.1	15.5
Margin (%)					
Gross profit	40.3	39.3	38.3	(2.0)	(1.0)
Operating Profit	18.1	16.2	16.3	(1.7)	0.1
Net Profit	17.2	17.6	17.9	0.7	0.2
Adjusted Net margin	17.2	17.4	17.5	0.3	0.1

Source: NAURA, UOB Kay Hian

Analysis

- Component shortages led to a weaker quarter.** In 3Q26, NAURA Technology Group's (NAURA) revenue grew 1.3% yoy and 14.9% qoq to Rmb11,306m, which is 16.2% below consensus, as component shortages constrained near-term shipments. Gross margin continued to trend down, declining 2.0ppt yoy and 1.0ppt qoq to 38.3%, which is 1.6ppt below consensus, caused by higher component costs for new products still in the early volume ramp-up phase with a worse operating scale. As a result, operating profit fell 8.4% yoy to Rmb1,846m, while net profit rose 5.2% yoy and 16.5% qoq to Rmb2,022m, missing consensus by 9.2%.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	30,075	39,353	48,987	65,631	84,729
EBITDA	6,866	6,607	8,697	13,572	17,003
Operating profit	5,770	5,040	6,878	11,113	15,856
Net profit (rep./act.)	5,622	5,522	7,365	10,896	15,217
Net profit (adj.)	5,571	5,336	7,065	10,596	14,917
EPS (Fen)	1,057	762	1,016	1,503	2,099
PE (x)	47.1	65.3	48.9	33.1	23.7
P/B (x)	8.5	9.6	8.1	6.6	5.2
EV/EBITDA (x)	52.4	54.5	41.4	26.5	21.2
Dividend yield (%)	0.2	0.2	0.2	0.3	0.4
Net margin (%)	18.7	14.0	15.0	16.6	18.0
Net debt/(cash) to equity (%)	(19.8)	0.1	7.7	7.8	2.4
Interest cover (x)	(109.5)	(28.9)	(29.9)	(47.3)	(57.0)
ROE (%)	20.3	16.1	17.9	22.0	24.6
Consensus net profit	-	-	7,546	11,362	15,597
UOBKH/Consensus (x)	-	-	0.98	0.96	0.98

Source: NAURA, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Rmb497.30
Target Price	Rmb783.20
Upside	+57.5%
Previous TP	Rmb930.00

Stock Data

Sector	Semiconductor Mfg Equipment
Bloomberg ticker	002371 CH
Shares issued (m)	728
Market cap (Rmbm)	362,011
Market cap (US\$m)	53,913
3-mth avg daily t'over (US\$m)	756.5

Price Performance (%)

52-week high/low	Rmb968.00 / Rmb386.62
1mth	(20.9)
3mth	(29.6)
6mth	(2.6)
1yr	17.4
YTD	8.3

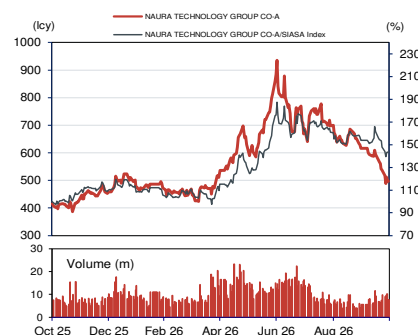
Major Shareholders (%)

Beijing Sevenstar Huachuang Electronic Tech	33.1
Beijing Electronics Holding	7.3

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	42.03
FY26 Net Cash/Share (Rmb)	(7.84)

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.

- **9M26 new orders growth further accelerated.** New orders growth surpassed 60% yoy in 9M26, which is an acceleration compared with 50% yoy in 1H26.
- **Management keeps full-year revenue target of Rmb49b unchanged,** which implies a sequential growth of over 55% in revenue to more than Rmb17b in 4Q26. This is also an implication that there could be a meaningful improvement in upstream component supplies, which is in line with our previous communications with NAURA that the company is now accelerating verification for Chinese-made components. Margins on the other hand may start to recover sequentially as well as operating scale kicks in, although the overall picture should still be slightly below expectations.
- **Strong growth in 2027 remains intact as we expect a resolution to the supply bottleneck.** Heading into 2027, we see strong orders coming from memory IDMs as ChangXin Memory Technologies and Yangtze Memory Technologies Corp are raising capex significantly and are increasingly reliant on domestic WFE suppliers for advanced fabrication processes. With the expectation that the component supply bottleneck will be resolved within 2027 thanks to localisation efforts, we expect growth to re-accelerate for leading WFE suppliers like NAURA.

Valuation/Recommendation

- **Maintain BUY and cut target price to Rmb783.20,** now based on 52.1x 2027F PE, pegged to 1SD above the five-year historical mean. We lowered our target multiple (from 1.5SD above mean) primarily due to a significant deterioration in the broader macro environment. Our positive view on NAURA's opportunities to register a secular growth in the coming three years remains unchanged.

Earnings Revision/Risk

- **We trim our 2026-28 earnings estimates by 12.6%/4.7%/2.8%** to Rmb7,065m/Rmb10,596m/Rmb14,917m respectively, based on: a) lower semiconductor equipment sales on supply-side disruptions, and b) a lower gross margin assumption on a bigger-than-expected cost impact from new product launches.

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	52,430	67,945	86,669	48,987	65,631	84,729	(6.6)	(3.4)	(2.2)
Gross profit	21,510	28,420	36,395	19,438	27,225	35,429	(9.6)	(4.2)	(2.7)
Operating Profit	8,068	11,740	16,375	6,878	11,113	15,856	(14.7)	(5.3)	(3.2)
Net Profit	8,379	11,416	15,655	7,365	10,896	15,217	(12.1)	(4.6)	(2.8)
Core net profit	8,079	11,116	15,355	7,065	10,596	14,917	(12.6)	(4.7)	(2.8)
GPM (%)	41.0	41.8	42.0	39.7	41.5	41.8	(1.3)	(0.3)	(0.2)
OPM (%)	15.4	17.3	18.9	14.0	16.9	18.7	(1.3)	(0.3)	(0.2)
NPM (%)	16.0	16.8	18.1	15.0	16.6	18.0	(0.9)	(0.2)	(0.1)
Adjusted NPM (%)	15.4	16.4	17.7	14.4	16.1	17.6	(1.0)	(0.2)	(0.1)

Source: NAURA, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	39,353	48,987	65,631	84,729
EBITDA	6,607	8,697	13,572	17,003
Depreciation & amortization	(1,567)	(1,819)	(2,459)	(1,146)
EBIT	5,040	6,878	11,113	15,856
Total other non-operating income	1,034	1,200	900	900
Associate contributions	-	-	-	-
Net interest income/(expense)	(229)	(291)	(287)	(298)
Pre-tax profit	5,845	7,787	11,726	16,458
Tax	(436)	(623)	(938)	(1,317)
Minorities	113	201	108	76
Net profit	5,522	7,365	10,896	15,217
Net profit (recurrent)	5,522	7,365	10,896	15,217

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	2,133	369	(987)	6,985
Pre-tax profit	5,845	7,787	11,726	16,458
Tax	(1,299)	(623)	(938)	(1,317)
Depreciation/amortization	1,567	1,819	2,459	1,146
Associates	-	-	-	-
Working capital changes	(6,766)	(6,216)	(10,725)	(4,915)
Non-cash items	2,786	(2,399)	(3,509)	(4,388)
Other operating cashflows	-	-	-	-
Investing	(3,929)	(2,933)	(2,871)	(2,993)
Capex (growth)	(2,262)	(2,933)	(2,871)	(2,993)
Investments	(775)	-	-	-
Proceeds from sale of assets	841	-	-	-
Others	(1,733)	-	-	-
Financing	6,607	(443)	(623)	(988)
Dividend payments	(908)	(843)	(1,023)	(1,388)
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	(3,008)	(4,481)	3,004
Beginning cash & cash equivalent	12,385	17,183	14,176	9,694
Changes due to forex impact	(14)	-	-	-
Ending cash & cash equivalent	17,183	14,176	9,694	12,699

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	26,160	29,865	31,165
Cash/ST investment	17,183	14,176	9,694	12,699
Other current assets	42,138	52,015	67,982	83,294
Total assets	89,801	100,474	116,168	136,329
ST debt	319	719	1,119	1,519
Other current liabilities	25,861	29,522	34,765	40,475
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	44,539	54,698	68,825
Minority interest	6,202	6,001	5,893	5,817
Total liabilities & equity	89,801	100,474	116,168	136,329

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	40.1	39.7	41.5	41.8
Pretax margin	14.9	15.9	17.9	19.4
Net margin	14.0	15.0	16.6	18.0
ROA	7.1	7.7	10.1	12.1
ROE	16.1	17.9	22.0	24.6
Growth				
Turnover	30.9	24.5	34.0	29.1
Gross profit	22.2	23.2	40.1	30.1
Pre-tax profit	(10.5)	33.2	50.6	40.4
Net profit	(1.8)	33.4	47.9	39.7
Net profit (adj)	(4.2)	32.4	50.0	40.8
EPS	(27.9)	33.4	47.9	39.7
Leverage				
Debt to total capital	16.3	5.0	4.7	4.3
Debt to equity	38.9	11.2	9.9	8.4
Net debt to equity	0.1	7.7	7.8	2.4
Interest cover (x)	(28.9)	(29.9)	(47.3)	(57.0)

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