Ningbo Joyson Electronic Corporation (600699 CH)

2Q26: Results Miss On Top-Line, Revenue To Resume Growth In 2H26

Highlights

- 2Q26 net profit fell 8.3% yoy to Rmb337m and adjusted net profit dropped 24.1% to Rmb293m, missing our estimates on revenue and margins.
- Order intakes grew 43.9% yoy to Rmb44.9b in 1H26, supporting a return to growth in 2H26.
- Looking ahead, growth will come from Chinese OEMs going overseas, ADAS ramps and robotics.
- We cut our 2026-28 net profit forecasts by 14%/16%/17% on lower revenue and gross margin. Maintain BUY and cut our target price to Rmb25.00.

2Q26 Results

Year to 31 Dec (Rmbm)	2Q26	yoy %	qoq %	1H26	yoy %	2026F	yoy %	1H26/2026	Comment
Revenue	14,276	(9.5)	3.3	28,091	(7.4)	64,854	6.0	0.43	Miss on the China and North America downturn
Gross profit	2,542	(12.4)	4.1	4,982	(9.6)	11,868	6.0	0.42	Miss on lower revenue and gross margin
Gross margin (%)	*17.8*	*(0.6)*	*0.1*	*17.7*	*(0.4)*	*18.3*	*0.0*	0.97	Miss on chip, PCB and energy cost hikes
EBIT	714	(27.2)	(6.5)	1,478	(21.1)	3,891	6.5	0.38	Miss on revenue and gross margin
EBIT margin (%)	*5.0*	*(1.2)*	*(0.5)*	*5.3*	*(0.9)*	*6.0*	*0.0*	0.88	Miss on operating deleverage
Net profit (GAAP)	337	(8.3)	(16.2)	739	4.4	1,784	33.5	0.41	Miss at 41% of our full-year estimate
Net profit – adj	293	(24.1)	(19.1)	655	(7.1)	1,784	19.2	0.37	Miss at 37% of our full-year estimate
Core net margin (%)	*2.1*	*(0.4)*	*(0.6)*	*2.3*	*0.0*	2.8	*0.3*	0.85	Miss on gross margin

Source: Ningbo Joyson Electronic Corp, Bloomberg, UOB Kay Hian

Analysis

- **2Q26 results missed our estimates on both top-line and margins**, with reported net profit falling 8.3% yoy to Rmb337m and adjusted net profit plummeting 24.1% yoy to Rmb293m. This brings 1H26 reported net profit and adjusted net profit to Rmb739m (+4.4% yoy) and Rmb655m (-7.1% yoy) respectively, representing 41% and 37% of our 2026 estimates.
  - **Revenue dragged by market downturn.** Revenue dropped 9.5% yoy to Rmb14.28b in 2Q26, and by 7.4% yoy to Rmb28.09b (43% of our full-year estimate), dragged by the sluggish auto markets in China and North America. China revenue and overseas revenue fell 13.9%/5.3% yoy to Rmb6.59b/Rmb21.36b respectively in 1H26.
  - **Gross margin squeezed by cost hikes.** Gross margin edged up 0.1ppt qoq to 17.8%, but still down 0.6ppt yoy and below our full-year assumption of 18.3%, due to the price hikes of chips, electronic components like PCBs, and energy costs. China gross margin tumbled 2.69ppt yoy to 16.65% in 1H26, while overseas gross margin edged up 0.34ppt yoy to 18.15%.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	55,864	61,183	61,183	66,077	72,685
EBITDA	5,993	7,085	7,285	7,826	8,515
Operating profit	2,810	3,655	3,487	3,766	4,143
Net profit (rep./act.)	960	1,336	1,530	1,712	1,959
Net profit (adj.)	1,282	1,496	1,530	1,712	1,959
EPS (Fen)	68.2	94.8	98.7	110.4	126.3
PE (x)	27.8	20.0	19.2	17.2	15.0
P/B (x)	2.0	1.5	1.6	1.5	1.4
EV/EBITDA (x)	6.9	5.8	5.7	5.3	4.8
Dividend yield (%)	1.4	1.0	1.0	1.2	1.3
Net margin (%)	1.7	2.2	2.5	2.6	2.7
Net debt/(cash) to equity (%)	129.0	90.6	85.8	75.2	63.6
Interest cover (x)	3.4	3.4	3.3	3.6	4.0
ROE (%)	9.4	9.7	8.5	8.9	9.4
Consensus net profit	-	-	1,827	2,247	2,541
UOBKH/Consensus (x)	-	-	0.84	0.76	0.77

Source: Ningbo Joyson Electronic Corp, Bloomberg, UOB Kay Hian

Analyst(s)

Ken Lee

ken.lee@uobkh.com

852-2236 6760

BUY (Maintained)

Share Price	Rmb18.98
Target Price	Rmb25.00
Upside	31.7%
Previous TP	Rmb43.00

Stock Data

Sector	Automobile
Bloomberg ticker	600699 CH
Shares issued (m)	1,550.8
Market cap (Rmbm)	29,433.6
Market cap (US$m)	3,797.9
3-mth avg daily t'over (US$m)	110.8

Price Performance (%)

52-week high/low				Rmb39.98/Rmb18.68
1mth	3mth	6mth	1yr	YTD
(1.1)	(40.6)	(32.1)	(9.7)	(39.5)

Major Shareholders (%)

Joyson Holdings Co., Ltd.	33.57

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	4.0
FY26 Net Debt/Share (Rmb)	10.3

Price Chart

Source: Bloomberg

Company Description

Ningbo Joyson Electronic Corp is the world's leading automotive parts supplier, mainly engaged in the research and development, manufacturing, and sale of smart driving systems, automotive safety systems, power management systems and Internet of Vehicles technologies.

- **Revenue to resume positive growth in 2H26.** We cut our 2026-28 revenue estimates by 5.7%/7.4%/9.1% to Rmb61.18b/Rmb64.85b/Rmb70.04b respectively, based on the revenue miss in 1H26. Our new revenue estimates imply a yoy growth of 7%/8%/10% in 2H26/2027/2028 respectively, up from -7.4% yoy in 1H26. The revenue recovery will be driven by the strong order flows and new project ramps with Chinese OEMs going overseas, as well as new businesses (the parts and components for humanoid robots, eVTOL, and AI data centre).
  - **Strong order flows.** New order intakes grew 43.9% yoy to Rmb44.9b in 1H26, mainly driven by the leading Chinese OEMs and Chinese EV upstarts.
  - **New project ramps with Chinese OEMs going overseas.** Chinese automakers prioritise global expansion, with rising export revenue from domestic and EV brands in intelligent driving, cockpits, zone controllers, and safety. Overseas plants secure local production orders and mass-produce. They also collaborate with European, Japanese, and Korean OEMs on mass-production and proof-of-concept projects across Europe and Asia.
  - **ADAS projects coming on stream.** The company's ADAS business will be driven by domestic brands' rising smart-feature adoption and Chinese OEMs' global push, which have brought new orders from a JV and a local brand. A lidar-based L2+ system now enables high-end autonomy in Rmb100,000-150,000 cars and will expand to global models by 2027. Overseas, VinFast L2 supply has commenced, Korean premium ADAS is being delivered, and projects focus on Southeast Asia for quick volume, Europe for durable partnerships, and emerging markets like India with new AEB (Automatic Emergency Braking) rules.
  - **Extending automotive power electronics into robotics, AIDC, and space.** Leveraging system solutions and global resources, it partners with a major overseas robot client (third-gen soft tooling, targeting 2,000-4,000 units/week by year-end after 4Q design lock-in). Its dexterous hand has early orders, while PSUs (Power Supply Unit) and satellite power are in development. The outlook shows robotics scaling soon, AIDC (Artificial Intelligence Data Centre) surging, and space tracking orbital timelines, collectively offering broader market potential than autos.
- **Trim our 2026-28 gross margin assumptions to 18.0%/18.0%/18.0%** from 18.3%/18.3%/18.3% respectively, based on the lower-than-expected 1H26 gross margin (17.7%). We expect gross margin to recover along with revenue in 2H26, due to cost pass-through, optimisation of product mix, and rising share of overseas businesses in revenue mix.

Earnings Revision/Risk

- **We cut our 2026-28 net profit forecasts by 14%/16%/17% to Rmb1,530m/Rmb1,712m/Rmb1,959m respectively (up 14.5%/11.9%/14.4% yoy).**
- **Risks:** Spikes in parts and component costs, renminbi appreciation.

Valuation/Recommendation

- **Maintain BUY and cut target price from Rmb43.00 to Rmb25.00**, as we roll over the base year for valuation from 2026 to 2027 and lower our target PE multiple from 33x (2SD above historical mean) to 23x (on par with historical mean).

Share Price Catalyst

- Securing new supply contracts with renowned customers or forming partnerships with leading players, especially for the new businesses like humanoid robot parts, and AI data centre liquid-cooling.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	61,183	61,183	66,077	72,685
EBITDA	7,085	7,285	7,826	8,515
Deprec. & amort.	(3,430)	(3,798)	(4,060)	(4,372)
EBIT	3,655	3,487	3,766	4,143
Total other non-operating income	(182)	3	9	11
Associate contributions	(213)	-	-	-
Net interest income/(expense)	(1,075)	(1,058)	(1,054)	(1,039)
Pre-tax profit	2,185	2,433	2,722	3,115
Tax	(570)	(632)	(708)	(810)
Minorities	(280)	(270)	(302)	(346)
Net profit	1,336	1,530	1,712	1,959
Net profit (adj.)	1,496	1,530	1,712	1,959

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	16,569	18,437	20,112	21,546
Other LT assets	19,983	18,618	17,183	15,677
Cash/ST investment	7,965	7,713	8,632	9,926
Other current assets	24,637	25,960	27,736	30,134
Total assets	69,155	70,728	73,664	77,283
ST debt	15,557	15,557	15,557	15,557
Other current liabilities	17,784	17,834	19,062	20,719
LT debt	9,139	9,139	9,139	9,139
Other LT liabilities	2,648	2,648	2,648	2,648
Shareholders' equity	17,322	18,576	19,982	21,599
Minority interest	6,704	6,974	7,277	7,622
Total liabilities & equity	69,155	70,728	73,664	77,283

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	5,398	5,383	6,579	6,975
Pre-tax profit	2,185	2,433	2,722	3,115
Tax	(570)	(632)	(708)	(810)
Deprec. & amort.	3,430	3,798	4,060	4,372
Associates	213	-	-	-
Working capital changes	(1,070)	(1,272)	(549)	(741)
Non-cash items	1,209	1,058	1,054	1,039
Other operating cashflows	-	-	-	-
Investing	(4,145)	(4,185)	(4,180)	(4,166)
Capex (growth)	(4,308)	(4,300)	(4,300)	(4,300)
Investments	(325)	-	-	-
Others	488	115	120	134
Financing	644	(1,450)	(1,479)	(1,516)
Dividend payments	(1,554)	(1,450)	(1,479)	(1,516)
Proceeds from borrowings	13,082	11,000	12,000	13,000
Loan repayment	(12,906)	(11,000)	(12,000)	(13,000)
Others/interest paid	2,021	-	-	-
Net cash inflow (outflow)	1,897	(251)	919	1,293
Beginning cash & cash equivalent	5,979	7,965	7,713	8,632
Changes due to forex impact	89	-	-	-
Ending cash & cash equivalent	7,965	7,713	8,632	9,926

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	11.6	11.9	11.8	11.7
Pre-tax margin	3.6	4.0	4.1	4.3
Net margin	2.2	2.5	2.6	2.7
ROA	2.2	2.2	2.4	2.6
ROE	9.7	8.5	8.9	9.4
Growth				
Turnover	9.5	0.0	8.0	10.0
EBITDA	18.2	2.8	7.4	8.8
Pre-tax profit	9.5	11.3	11.9	14.4
Net profit	39.1	14.5	11.9	14.4
Net profit (adj.)	16.7	2.3	11.9	14.4
EPS	39.1	4.0	11.9	14.4
Leverage				
Debt to total capital	35.7	34.9	33.5	32.0
Debt to equity	142.6	132.9	123.6	114.3
Net debt/(cash) to equity	90.6	85.8	75.2	63.6
Interest cover (x)	3.4	3.3	3.6	4.0