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Joyson (600699.SS / 0699.HK)

1Q Update on GPM, Optical Modules & Humanoid Robot Progress

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CITI'S TAKE

We joined Joyson's post-result analyst briefing call today, with key takeaways set forth below. Joyson expects **sequential GPM improvement** in 2026, driven by a domestic PV sales recovery and high-margin ADAS orders ramp-up. Fast Photonics (新菲光), its **optical module business**, serves cloud giants including Huawei, DeepSeek, Oracle, Amazon, Microsoft and Meta, with 800G modules in stable shipment, 1.6T in ramp-up and North American capacity scheduled to come online by mid-2026. For the **humanoid robot component business** with a leading US humanoids player, mgmt. expects mass-production around mid-2026.

GPM could improve QoQ in '26E — Mgmt. indicated the auto safety segment kept a stable gross margin YoY in 1Q26. For auto electronics, the domestic business faced short-term margin pressure from weak downstream demand in 1Q26, while Europe & US auto electronics GPM improved consistently. The memory cost inflation only impacts the cockpit intelligent hardware business, with limited impact on the group overall. With a likely sequential 2Q recovery of domestic PV sales and volume ramp-up of high-margin new ADAS orders, mgmt. expects GPM to improve QoQ.

Optical module business — Fast Photonics' customers include both domestic and global cloud giants, according to mgmt. Domestic core clients include Huawei and DeepSeek; overseas clients include Oracle, Amazon, Microsoft and Meta. 800G optical modules are in stable batch shipment, while 1.6T ultra-high-speed products are in rapid capacity expansion (3.2T under R&D). Localized production capacity in North America will be ready from May to June 2026, according to Joyson, to meet the urgent demand of overseas cloud computing clients.

Humanoids business updates — For a leading US humanoids manufacturer, the company has started small-batch trial delivery. Mgmt. expects to shift from trial production to mass-production in mid-2026. Domestically, the company obtained robotics domain controllers orders in 1Q26, partnering with leading local players.

Income tax expense to decline further — Mgmt. attributed the decline in income tax to their global tax planning. Going forward, they will continue to optimize global tax planning to steadily lower the comprehensive tax rate. *(Continued below...)*

						Rating		Short-Term	Target Price						Current Fiscal Year EPS		Next Fiscal Year EPS	
Company	Ticker	Ccy	Price	Mkt Cap (M)	Date & Time	Old	New	View	Old	New	ESPR (%)	Div Yld (%)	ETR (%)	Last Rpt Yr	Old	New	Old	New
NJEC	0699.HK	HK$	17.18	2,665	27 Apr 16:10	1	nc	-	22.20	nc	29.2	2.9	32.1	Dec-25	1.203	nc	1.559	nc
Joyson Electronic	600699.SS	Rmb	28.590	39,902	27 Apr 15:00	1	nc	-	33.600	nc	17.5	1.6	19.1	Dec-25	1.203	nc	1.559	nc

1 = Buy, 2 = Neutral, 3 = Sell, H = High Risk

ESPR = Expected Share Price Return, ETR = Expected Total Return, nc = no change

Source: Citi Research

^Catalyst Watch

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations

Questions and Answers

Q: Depth of cooperation with VinFast on ADAS?

A: Per mgmt., they have established a deep, long-term strategic supply partnership with VinFast, focusing on L2+ ADAS domain controllers and digital intelligent vehicle keys. These products cover VinFast's multiple core mainstream mass-production vehicle lines, with all software and hardware customized development fully completed. Formal mass production and shipment will start in mid-2026.

Q: Any newly awarded ADAS orders from mainstream overseas OEMs?

A: Cooperation with overseas luxury OEMs achieved a critical breakthroughs in 1Q26, and mgmt. expects to sign large-scale formal orders intensively in 2Q26. Newly won domestic and overseas intelligent driving orders are expected to enter mass-production in mid-2026.

Q: 1Q shipment and profitability status of the ADAS business?

A: Affected by the 1Q auto sales slow season, overall ADAS product shipment volume was muted, but the proportion of high-margin, mid-to-high-end domain controller products has kept increasing, greatly optimizing the product structure, according to mgmt.

Q: Capex outlook?

A: The 1Q capex hike was due to two key areas: production line construction for newly signed auto electronic orders and global strategic capacity restructuring. For FY26, mgmt. expects capex to remain flat YoY.

Joyson Electronic

Company description

Ningbo Joyson Electronic Corp is one of the world's leading automotive component manufacturers with a global footprint. Headquartered in Ningbo, China, Joyson has more than 100 bases in 30 countries with more than 80,000 employees worldwide. Starting out as a functional parts player, the company completely transformed its business through a series of M&As. Now the company focuses on auto safety parts and auto electronic parts business.

Investment strategy

We rate Joyson-H a Buy based on: (1) Its earnings are improving driven by cost reduction on vertical integration of the supply chain, enhanced operating efficiency and optimizing of the production capacity layout. The margin upside potential of Joyson has yet to be factored in by the market, in our view. (2) It has tapped into the humanoid robot supply-chain industry. We expect humanoid robot components to be its second growth curve in the long term. (3) Existing business (auto safety & electronics) is seeing robust orders.

Valuation

We derive our target price of HKD22.2 for Joyson-H based on 17x 26E P/E, 1.5SD above 5-year avg for HK-listed peers to reflect ongoing robotics progress and solid earnings growth trajectory in 2026-28E. The company's greater margin upside potential as well as its humanoid robot business expansion should support valuations, in our view.

Risks

Key downside risks that could cause Joyson's shares to trade below our target price include: 1) lower-than-expected global PV production growth; 2) higher-than-expected raw material prices and shipping fees; and 3) worse-than-expected global PV sales growth, especially in the US and European markets. Upside risks that could cause the shares to trade above our target price include: 1) better-than-expected auto demand translating into upside surprise in component shipment volumes; 2) better-than-expected efficiencies translating into better-than-expected margins; and 3) quicker-than-expected adoption of autonomous cars.

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Investment strategy

We rate Joyson-A a Buy based on: (1) Its earnings are improving driven by cost reduction on vertical integration of the supply chain, enhanced operating efficiency and optimizing of the production capacity layout. The margin upside potential of Joyson has yet to be factored in by the market, in our view. (2) It has tapped into the humanoid robot supply-chain industry. We expect humanoid robot components to be its second growth curve in the long term. (3) Existing business (auto safety & electronics) is seeing robust orders.

Valuation

Our target price of Rmb33.60 for Joyson-A is based on 28x 26E P/E, 0.5SD above average level after an earnings turnaround in 2022 to reflect ongoing robotics progress and solid earnings growth trajectory in 2026-28E. The company's greater margin upside potential as well as its humanoid robot business expansion should support valuations, in our view.

Risks

Key downside risks that could cause Joyson's shares to trade below our target price include: 1) lower-than-expected global PV production growth; 2) higher-than-expected raw material prices and shipping fees; and 3) worse-than-expected global PV sales growth, especially in the US and European markets. Upside risks that could cause the shares to trade above our target price include: 1) better-than-expected auto demand translating into upside surprise in component shipment volumes; 2) better-than-expected efficiencies translating into better-than-expected margins; and 3) quicker-than-expected adoption of autonomous cars.