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China Industrials | Asia Pacific

Humanoids: The Tide is Rising, Lifting 2026 Forecast

Commercial verification, policy support, and supply-chain feedback point to faster humanoid adoption in China. We raise our 2026 shipment forecast to 50k units. We prefer Leaderdrive, Hengli Hydraulic and Shuanghuan.

We lift our 2026 humanoid robot shipment forecast to 50k units, from 28k, and expect 446k by 2030e, as integrators compete to leverage deployment scale to close the deployment-data loop. More companies in China have announced mass production starting from late 2026, such as XPeng. In the meantime, the shipment mix should gradually shift toward full-size humanoids, at c.30%/50%/70% in 2026-28, in our view. Our supply-chain checks point to a constructive outlook for volume and the start of automated production lines.

Accelerated progress: Commercialization was the key theme in our 2026 outlook. In 1H26, we saw humanoid integrators, enterprise users, and government push commercial verification/adoption. For example, State Grid placed a Rmb6.8bn order for humanoid, quadruped, and dual-arm robots; SF Express and China Post are deploying Robotera's humanoids across logistics centers. For policy, the recent MIIT and SASAC's initiative is use-case driven, targeting 10k-level deployment capacity and >100 high-value applications by end-2026. Local governments and SOEs must identify operational sites (≥20/province, ≥10/central SOE) for humanoid training.

Wave of catalysts ahead. 3Q26 is likely to be eventful for the sector, with potential Optimus Gen 3 unveil and humanoid integrator IPOs. WAIC will be held in July, and WRC / World Humanoid Robot Games in August. We expect a wave of product launches around these events, which should support positive sector sentiment.

We add Kedali and Lens to our **China Humanoid Value Chain List**, while removing Guomao, Xusheng, and Zhongjian. Among our coverage, our preferred names are:

- **Leaderdrive**'s harmonic reducers hold a leading market share among humanoid integrators. With strong demand outlook, it has expanded capacity from 50k/month in 1Q26 to ~70k currently, and 100-120k by year-end. We expect humanoid to contribute 35%/50% of revenue in 2026/27e. We lift our PT 72% to Rmb464, assuming 25% long-term global market share in humanoid harmonic reducers.
- **Hengli Hydraulic**, a key planetary roller screw supplier for humanoid, potentially expanding offerings to motor and linear actuator assembly. Mexico capacity aims for c.100k robots by year-end.
- **Shuanghuan** supplies gears for reducer production and has been developing a new reducer with a leading US humanoid integrator for >2 years. We believe its precision gear know-how will transfer into humanoid components.

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CHINA INDUSTRIALS
Asia Pacific
Industry View **In-Line**

WHAT'S CHANGED

Leader Harmonious Drive Systems (688017.SS)	From	To
Price Target	Rmb269.00	**Rmb464.00**

Exhibit 1 : Upcoming Catalysts - For details, please see our catalyst preview report.

Date	Catalyst
Jun 30	UBTECH's UWORLD U1 Launch Event
July	World Artificial Intelligence Conference 2026 (WAIC)
Aug 19-23	World Robot Conference 2026 (WRC)
Aug 22-26	2nd World Humanoid Robot Games
3Q26	Tesla Optimus Gen3 unveil & production update
Aug/Oct	2Q26 & 3Q26 earnings release
-	Other integrators' production and commercialization update Commercial order announcement for real use cases

IPO Pipeline	Status
Unitree	Passed the Shanghai Stock Exchange listing committee review on June 1, awaiting CSRC registration
DeepRobot	Filed prospectus on May 18
Leju	Filed prospectus on May 19

Source: Morgan Stanley Research.

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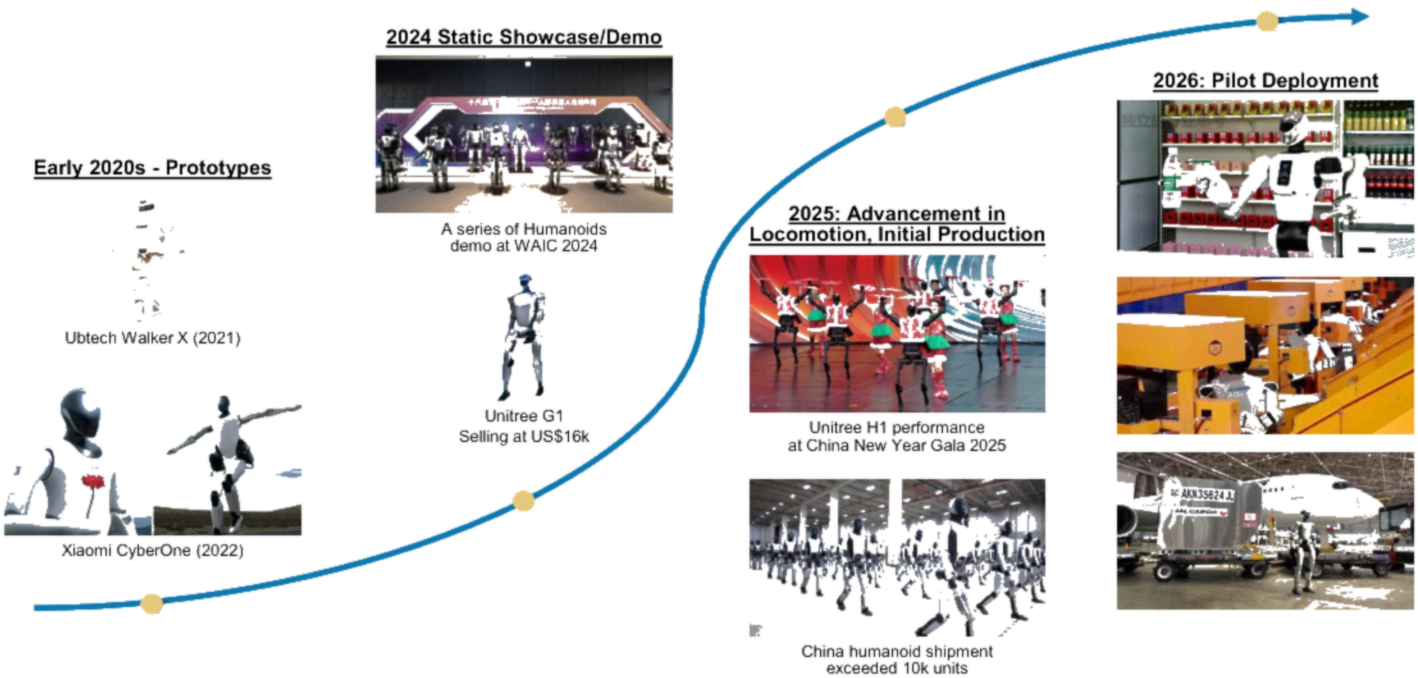
Our Latest Humanoid Volume Forecast

Exhibit 2: China humanoid development has seen rapid developments in 2024-26; we are in the early commercialization stage.



Source: Morgan Stanley Research

China Humanoid Market Forecast

Stronger push toward commercialization. As highlighted in our 2026 outlook, the focus of the humanoid industry is shifting from demonstrations to commercialization and real business value creation. In 1H26, we have observed accelerated progress, with initial use cases broadening across production lines, sorting lines, and commercial services, etc. Recent examples include continuous livestreams of humanoid robots working in factory and logistics settings, as well as further rollouts in unmanned retail stores and interactive commercial services. As business verification typically takes several months, we expect projects that began testing in 1H26 to translate into adoption from 2H26 onward.

Policy support is strengthening. In March 2026, the central government included robotics as a strategic emerging industry for the first time in the 15th five-year-plan (FYP). In June 2026, the Ministry of Industry and Information Technology (MIIT) and the State-owned Assets Supervision and Administration Commission (SASAC), announced a new nationwide initiative to push humanoids into real, operational environments. By end-2026, the government targets validated deployment in representative applications, forming 10k-level deployment capacity, alongside over 100 high-value application scenarios. Local governments and SOEs are required to identify real operational sites (≥20 per province, ≥10 per central SOE) and convert them into training environments for humanoids. MIIT and SASAC will evaluate case progress in November 2026. Support from state-owned enterprises is also materializing in actual orders. State Grid has placed a Rmb6.8bn (~US $940mn) order to procure 500 humanoid robots, 3k dual-arm robots, and 5k quadrupeds.

Supplier checks point to a more constructive outlook. During our recent trip, companies' commentary was broadly positive, with the humanoid supply chain moving toward an early volume ramp in 2026-27. We highlight three key trends from our checks.

1. **Expanding capacity in anticipation of rising humanoid demand**. Hengli's Mexico plant is targeting year-end capacity sufficient to support c.100k robot units. Leaderdrive has increased its monthly harmonic reducer capacity from 50k units in 1Q26 to c.70k currently, with a year-end target of 100-120k, while also benchmarking against Harmonic Drive's planned annual capacity of c.2mn units next year. Xinje is planning c.2mn sets of capacity for humanoid frameless torque motors this year and c.3mn sets next year.
2. **Component shipment and revenue to scale quickly.** Leadshine anticipates frameless torque motor shipments to rise from 120k units in 2025 to the million-unit level in 2026, while dexterous-hand shipments are expected to ramp from 1k units in 2025 to 10-30k units in 2026. Zhaowei expects humanoid-related revenue to at least double to Rmb40mn this year, with a bull case of c.Rmb100mn. Huayan expects humanoid-related revenue to approach Rmb100mn this year and reach Rmb400-500mn next year.
3. **Demand emerging for equipment and automated production lines.** Wuxi Lead has signed a strategic cooperation agreement with Beijing Humanoid Robot Innovation Center, covering future assembly-line equipment. Topstar indicated that humanoid robotics already accounts for c.30-40% of downstream demand for its CNC machine tools, suggesting that capacity expansion is starting to translate into equipment demand.

- *For more company-level details and commentary, please refer to our note here.*

We raise our 2026 shipment forecast to 50k units. Reflecting stronger commercialization momentum, policy support, and positive supplier feedback, we now forecast China humanoid robot shipments of 50k units in 2026, up from our previous estimate of 28k units. As commercialization is still at an early stage, the current shipments mostly come from entertainment, data collection, government projects, and interaction-focused commercial service applications. We estimate half-size humanoid robots, such as Unitree's G1, could account for ~70% of total humanoid robot shipments in 2026. As verification continues and adoption of manipulation-focused, full-size humanoids increases, we expect the mix of full-size units to rise to ~50% in 2027 and ~70% in 2028. By 2030, we forecast China humanoid robot shipments to reach 446k units, implying a 106% CAGR over 2025-30e.

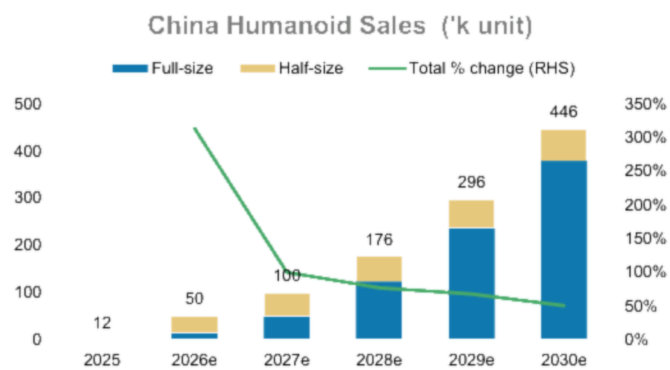
Cost deflation set to continue. We expect the industry's blended ASP to decline 15% in 2026 but rise 5%/2% in 2027/28, mainly due to the increasing adoption of full-size humanoids with higher prices. As the industry remains at an early stage of scaling, many integrators have yet to adopt fully automated production processes. However, based on our supplier checks, some equipment suppliers have already received related orders, suggesting room for manufacturing efficiency gains and cost reduction.

Combining our revised volume and ASP forecasts, we now expect China's humanoid robot market size to reach US$2bn in 2026 and US$15bn by 2030e.

- *For a copy of our Global Humanoid Model and Robot Model with forecasts across* *the full range of embodied AI (not just humanoids), please reach out to your Morgan Stanley representative.*

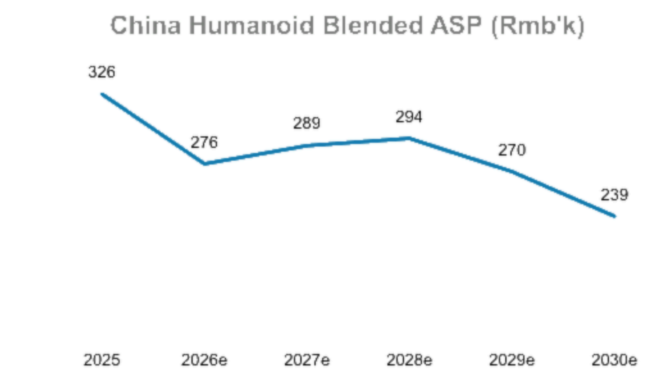
- *The humanoid sales figures in our forecast represent external sales only. We do not include humanoids that are produced for prototypes, pre-order trials, or internal R&D and uses, due to the uncertain commercial value. But we do factor them into the larger production volume for the component TAM model, considering component suppliers benefit no matter what the end use is.*
- *Also, we exclude small-size humanoid robots, defined as robots below 1m in height or without arms. We also exclude humanoid robots without the ability to move.*

Exhibit 3: We raise our China 2026 humanoid forecast to 50k unit and expect full-size humanoids to see more adoption with improving abilities.



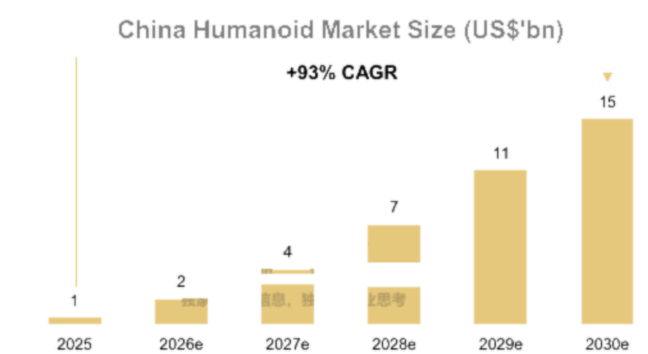
Source: Morgan Stanley Research estimates

Exhibit 4: We expect the industry's blended ASP to decline 15% in 2026 but rise 5%/2% in 2027/28, mainly due to the increasing adoption of full-size humanoid



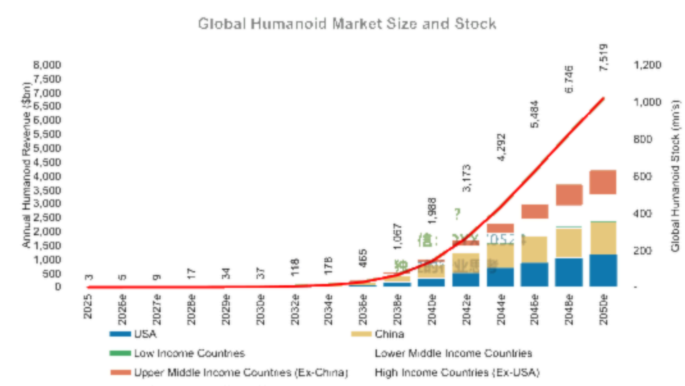
Source: Morgan Stanley Research estimates

Exhibit 5: ...Implying a market size of US$2bn/$15bn in 2026e/2030e.



Source: Morgan Stanley Research estimates

Exhibit 6: Our long-term global humanoid forecast is largely unchanged, expecting 1bn units of stock and US$7.5tr market size by 2050e.



Source: Morgan Stanley Research estimates

China Humanoid Value Chain

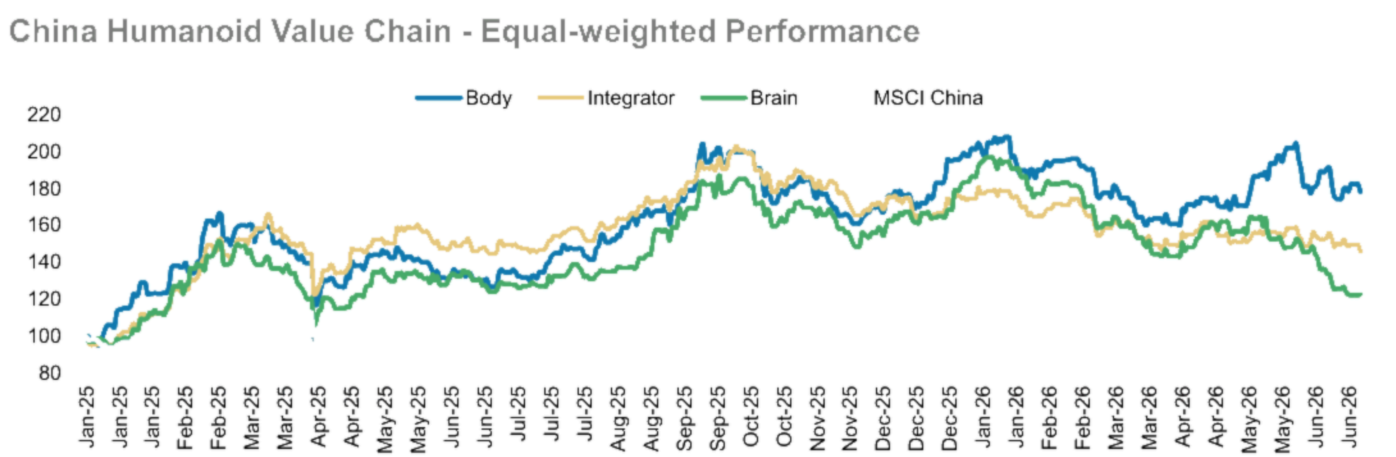
We update our humanoid stock list for China in this report: This is a constantly evolving list to reflect the latest progress in the industry. In this report, we add the below names:

- **Kedali** (covered by Chris Jiang) - offers harmonic reducers and joint modules. Per the company's 1Q26 earnings call (see the note here), management reiterated its confidence in obtaining orders from a leading humanoid integrator. Harmonic reducers are seeing the fastest progress in terms of orders; other products are also on the way.
- **Lens** (covered by Derrick Yang) - supplies domestic customers with joint modules/ structural components, while overseas opportunities are mainly head modules and structural parts; for one customer, head modules and structural parts in a dexterous-hand body robot are under validation, according to the company.

We **remove Guomao (covered by Sheng Zhong, 603915.SS), Xusheng (covered by Shelley Wang, 603305.SS), and Zhongjian (not covered, 002779.SZ),** considering their limited progress in the humanoid business.

For YTD 2026, the sector has been under pressure, the China Humanoid Value Chain index is down 11.3%, broadly in line with MSCI China's 12.1% decline, but with much wider intra-sector divergence. "Body" (component suppliers) have held up best at -8.7%, mainly supported by China supply chain order updates, and multiple domestic humanoid integrators' IPO filings. Integrators' stocks have declined 14.9% and companies making robot brains are down 27.2%.

Exhibit 7: China's Humanoid Value Chain Performance, Equal-weighted



Source: FactSet as of June 22, 2026 close, Morgan Stanley Research. Note: the list of companies are before the change of our China Humanoid Value Chain List as stated below. Results shown represent return excluding dividends, brokerage commissions and transaction costs. These figures are not audited. Past performance is no guarantee of future results

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Exhibit 8: China Humanoid Value Chain list: 45 stocks in total, including three in brains, 32 in body components, and 10 integrators. We add Kedali and Lens, remove Guomao, Xusheng, and Zhongjian.

	Ticker	Company	Analyst	Market Cap	Last Close (LCY)	Price Change 1W	3M	YTD	1Y	Notes
Brain	BIDU-US	Baidu	Yu, Gary	33,115	111.8	(4%)	(1%)	(14%)	34%	ERNIE 5.0, a natively multimodal foundation model that supports the "brain/platform" layer.
Brain	002230-CN	iFlytek	Shih, Sharon	13,794	43.9	6%	(6%)	(13%)	(4%)	Deepened cooperation with Beijing Humanoid Innovation Center: and delivered the first ~-100-unit soft-core order
Brain	9660-HK	Horizon Robotics	Hsiao, Tim	6,767	4.2	(11%)	(42%)	(52%)	NA	D-Robotics' RDK S100/S600 platforms target on-device robotics workloads including humanoids
Actuator	002050-CN	Sanhua	Wang, Shelley	26,929	45.2	(1%)	6%	(18%)	81%	One of Tesla tier-1 suppliers, developing humanoid actuators
Actuator	601689-CN	Tuopu	Wang, Shelley	16,011	60.2	(2%)	5%	(22%)	33%	One of Tesla tier-1 suppliers, developing humanoid actuators
Battery	300750-CN	CATL	Lu, Jack	266,226	409.0	3%	3%	11%	70%	Galbot S1 has reportedly entered CATL's production line, and CATL previously led Galbot financing
Battery	002245-CN	Azure	NC	4,847	22.2	10%	87%	84%	183%	Azure supplies robot batteries to Unitree, DeepRobotics, Fourier and others
Bearing	300718-CN	Changsheng	NC	3,607	64.9	(5%)	(6%)	(24%)	(1%)	Provides bearing products, screw products under R&D/sample stage, in collaboration with Unitree
Exterior	300433-CN	Lens	Yang, Derrick	42,202	53.8	17%	92%	78%	152%	Supplies domestic customers with joint-module/structural components, and overseas clients with head modules
Hands	003021-CN	Zhaowei	NC	4,504	94.4	(5%)	(3%)	(24%)	(4%)	Offers dexterous hands, motors and modules; guides revenue to double in 2026, Thailand capacity is largely ready
Hands	002979-CN	Leadshine	NC	2,577	53.4	4%	51%	27%	28%	Frameless torque motor shipments increased to ~120k units in 2025, targeting the million-unit level in 2026
LiDAR	HSAI-US	Hesai	Hsiao, Tim	2,245	16.9	(10%)	(17%)	(25%)	(7%)	1Q26 robotics LiDAR shipments were 118k units, up 137.8% YoY
LiDAR	2498-HK	Robosense	NC	1,469	23.3	(17%)	(29%)	(36%)	(24%)	1Q26 robotics LiDAR shipments were 186k units, up 1458.8% YoY
Magnets	300748-CN	JL Mag	Zhang, Rachel	6,221	34.4	9%	14%	1%	55%	Investing US$144mn in Mexico magnetic-component project, to improve competitiveness in humanoid and EVs
Motor	300124-CN	Inovance	Zhong, Sheng	25,248	69.0	(1%)	4%	(8%)	11%	++
Motor	600580-CN	Wolong	NC	8,339	35.8	1%	(7%)	(27%)	96%	Received small order for frameless torque motor, partnership with Zhangjiang humanoid center
Motor	603728-CN	Moons	NC	3,956	60.3	(3%)	6%	(17%)	12%	Offers coreless motor, frameless torque motor, encoder, reducer products for humanoids
Motor	688698-CN	Veichi	NC	1,891	57.0	(4%)	(12%)	(42%)	33%	Formed JV with Rongtai in Thailand for robotics products
Motor	688160-CN	Kinco	NC	1,506	109.0	(2%)	7%	(29%)	37%	Offers frameless torque motor and modules, collaborating with leading humanoid players
Reducer	002472-CN	Shuanghuan	Zhong, Sheng	4,845	42.1	(2%)	16%	(11%)	39%	Leading supplier of gears, developing new type of reducer for humanoids with a key North America client
Reducer	688017-CN	Leaderdrive	Zhong, Sheng	11,062	393.3	6%	116%	105%	238%	Monthly shipment reached c.50k units and capacity expansion continues, involved in module-related projects
Reducer	002850-CN	Kedali	Chris Jiang	8,622	189.0	(1%)	26%	20%	74%	Confident in getting orders from leading humanoid integrator. Harmonic reducer has fastest progress.
Reducer	002896-CN	Zhongda Leader	NC	2,392	79.7	(1%)	7%	(11%)	48%	Certified supplier for a key domestic integrator, announced to invest Rmb200mn for precision core components
Reducer	301550-CN	Sling	NC	3,037	96.7	(9%)	6%	1%	163%	Claims its harmonic reducer will take a significant share in the North American integrator
Screw	601100-CN	Hengli Hydraulic	Zhong, Sheng	23,378	115.1	(1%)	24%	5%	71%	Hengli's share in body screw products is indicated at 70%+. The capacity is being prepared mainly in Mexico
Screw	300100-CN	Shuanglin	NC	2,681	30.2	2%	(1%)	(24%)	(33%)	Developed roller screw and grinding machine for humanoid, 10k-unit capacity was planned for Jun-2026
Screw	603119-CN	Rongtai	NC	2,955	70.4	(3%)	29%	(21%)	140%	To invest US$77mn in Thailand for 7mn sets of robotics components, formed JV with Veichi in Thailand for robots
Screw	603667-CN	XCC	NC	3,838	65.8	(2%)	3%	(6%)	106%	To invest Rmb1.1bn for a new plant with an annual capacity of 980k sets of planetary roller screws
Semi	603501-CN	OmniVision	Chan, Charlie	16,566	90.6	2%	(9%)	(28%)	(27%)	Its existing sensor technology can be easily applied to humanoid's vision
Semi	688279-CN	Fortior	NC	3,225	203.2	(4%)	32%	(0%)	4%	Offers motor ASIC, driver IC, MCU, and established JV with Sanhua to develop dexterous hands
Sensor	600699-CN	Joyson	Wang, Shelley	5,228	23.8	(3%)	3%	(24%)	41%	Developed 6-axis force sensors, tactile sensors, IMU, and has placed commercial orders for humanoid robots
Sensor	603662-CN	Keli	NC	2,911	69.6	5%	27%	(3%)	16%	Developed 6-axis force sensor, and deploying humanoid robots in production line
Sensor	300007-CN	Hanwei	NC	1,934	38.5	(4%)	(9%)	(28%)	10%	Focus on soft, flexible sensor, cooperating with multiple leading integrators
Vision	688322-CN	Orbbec	NC	5,106	128.0	0%	71%	43%	133%	A key stuctured light camera supplier to leading domestic players
Vision	688400-CN	Luster LightTech	NC	4,710	68.2	15%	69%	61%	171%	Providing motion capturing solution - FZMotion for Unitree
Integrator	700-HK	Tencent	Yu, Gary	511,553	433.0	(6%)	(16%)	(28%)	(14%)	Tencent established a Robotics X lab in Shenzhen in 2018, unveiled XiaoWu
Integrator	BABA-US	Alibaba	Yu, Gary	256,882	107.1	(5%)	(15%)	(27%)	(5%)	Released Qwen Studio, a foundation model for physical intelligence. Ant Group's Robbyant unveiled LingBot VA
Integrator	1810-HK	Xiaomi	Meng, Andy	67,075	23.7	(10%)	(27%)	(40%)	(56%)	Unveiled Xiaomi-Robotics-0, an open-source VLA model
Integrator	1211-HK	BYD	Hsiao, Tim	83,446	78.4	(8%)	(27%)	(18%)	(38%)	Developing humanoid project - Yao Shun Yu, testing UBTECH humanoids; invested in Paxini
Integrator	300-HK	Midea/KUKA	Lou, Lillian	86,031	82.7	(9%)	0%	(3%)	N/A	The self-developed 6-arm wheel-based humanoid Robot Ultra has entered its washing machine factory
Integrator	XPEV-US	XPENG	Hsiao, Tim	10,288	13.2	(9%)	(30%)	(35%)	(28%)	Its humanoid robot - Iron, is expected to enter mass production stage by end-of-2026
Integrator	002747-CN	Estun	Zhong, Sheng	4,483	37.2	12%	86%	57%	98%	Codroid 02 was unveiled in Jun-2025 for flexible manufacturing
Integrator	9880-HK	UBTECH	NC	5,980	105.0	(7%)	12%	(17%)	39%	Walker S2 has begun mass production and delivery, targeting 5,000 annual industrial humanoids by 2026
Integrator	2432-HK	Dobot	NC	1,445	27.5	(3%)	(24%)	(27%)	N/A	Dobot started mass production and delivery of the third batch of industrial humanoid ATOM robots in Feb-2026
ODM	002600-CN	Lingyi iTech	Shih, Sharon	18,179	16.7	11%	30%	7%	103%	ODM for multiple integrators, first humanoid robots rolled off Lingyi's Beijing Super Factory

Source: FactSet as of June 22, 2026 close, Morgan Stanley Research. Note: This is a constantly evolving list of Chinese companies involved in humanoids. Companies are included based on the following criteria: (1) MS covered companies, (2) Non-MS covered companies - either announced cooperation with key humanoid companies, or a certain revenue level in products to be applied in humanoid robots

Blue indicates brain, yellow is body/component suppliers and green is integrators/ODVs.

Results shown represent return excluding dividends, brokerage commissions and transaction costs. These figures are not audited. Past performance is no guarantee of future results. For important disclosures regarding companies that are the subject of this screen, please see the Morgan Stanley Research Disclosure Website at www.morganstanley.com/researchdisclosures. ++ Rating and estimates for this company have been removed from consideration in this report because, under applicable law and/or Morgan Stanley policy, Morgan Stanley may be precluded from issuing such information with respect to this company at this time

Leaderdrive (688017.SS), Raising PT to Rmb464; Reiterate OW

A major beneficiary of the rise in humanoids. Leaderdrive is well positioned in the humanoid robot value chain, with shipments to key domestic humanoid integrators including UBTECH and Galbot. Reflecting its strong customer exposure and our revised China humanoid shipment forecast, we now assume a 2026 and long-term global market share for Leaderdrive's humanoid harmonic reducers at 40% and 25%, respectively. We expect humanoid-related sales to contribute 35%/50% of revenue in 2026/27, respectively. We lift our 2026/27e revenue forecasts by 16%/35%. Our 2026/27e revenue forecasts are 7%/12% above Visible Alpha consensus as of June 22, reflecting our positive view on humanoid sector growth and Leaderdrive's ability to sustain a leading market position.

Non-humanoid harmonic reducers to deliver steady growth. We expect Leaderdrive's traditional harmonic reducer business to maintain stable growth, supported by robust cobot growth (industry-level +34% in 1Q26), and the company's ongoing share gains among the "big four" global industrial robot players.

Stable margins supported by scale ramp-up. Despite ASP deflation, we expect Leaderdrive's margins to remain resilient, supported by higher utilization, economies of scale, and improving production efficiency. As a result, we raise our 2026/27e EPS forecasts by 19%/36%, respectively. We also introduce our 2028 forecasts.

Raising PT 72% to Rmb464; reiterate OW. We continue to value Leaderdrive using a DCF to capture the long-term structural potential of its robotics component business. Given the company's product competitiveness and strong customer positioning, we assume Leaderdrive's 2026 and long-term global market-share for humanoid harmonic reducers at 40% and 25%, respectively. Using an unchanged 11% WACC and 4% terminal growth rate, we discount cash flows over 2026-50e and derive our new price target of Rmb464 on the back of higher earnings forecasts. We also raise our bull case 122% to Rmb908 to reflect our bull case global humanoid volumes, and higher margin as Leaderdrive improving its product competitiveness and market position. However, we lower our bear case 15% to Rmb120 to reflect our bear case global humanoid volume and lower margin amid fiercer competition.

Key downside risks include: 1) slower humanoid volume growth due to delayed commercialization or limited commercial ROI; 2) lower-than-expected penetration of harmonic reducers in humanoid robots; 3) market-share erosion, being excluded in the US leading integrator's supply chain; and 4) intensified competition leading to greater pricing pressure.

Exhibit 9: Revision Summary

	2025	YoY	2026E		Change	YoY	2027E		Change	YoY	2028E	YoY
	Actual	%	Old	New	%	%	Old	New	%	%	New	%
EPS (Rmb)	0.69	108%	0.95	1.13	19%	63%	1.31	1.78	36%	58%	2.64	48%
Recurring EPS (Rmb)	0.59	92%	0.91	1.00	9%	69%	1.28	1.66	31%	67%	2.55	53%
Net profit (Rmb mn)	124	121%	174	207	19%	66%	240	327	36%	58%	484	48%
Revenue (Rmb mn)	571	47%	821	950	16%	66%	1,104	1,488	35%	57%	2,164	45%
Harmonic reducer & Precision parts	476	46%	670	828	24%	74%	907	1,327	46%	60%	1,963	48%
Gross profit (Rmb mn)	211	45%	303	338	12%	60%	407	529	30%	57%	770	46%
Harmonic reducer & Precision parts	175	49%	250	291	16%	66%	334	462	38%	59%	679	47%
Margin												
GP Margin	36.9%	-0.6%	36.9%	35.6%	-1.3%	-1.3%	36.9%	35.6%	-1.3%	0.0%	35.6%	0.0%
OP Margin	20.0%	5.2%	18.9%	20.1%	1.3%	0.2%	19.7%	20.5%	0.8%	0.3%	20.6%	0.2%
NP Margin	21.8%	7.3%	21.2%	21.8%	0.6%	0.0%	21.7%	22.0%	0.2%	0.2%	22.4%	0.4%

Source: Company data, Morgan Stanley Research estimates

Exhibit 10: Leaderdrive: Financial Summary

Leader Harmonious Drive Systems

Income Statement

(Rmb Mn)	2024A	2025A	2026E	2027E	2028E
Revenue	**387**	**571**	**950**	**1,488**	**2,164**
Cost of sales and services	(242)	(360)	(612)	(959)	(1,394)
Gross profit	**145**	**211**	**338**	**529**	**770**
Business Tax and plus	(4)	(3)	(5)	(8)	(12)
Selling exp.	(13)	(13)	(18)	(29)	(42)
G&A exp.	(72)	(80)	(123)	(188)	(271)
Operating profit	**57**	**114**	**191**	**304**	**446**
Financial cost/income	0	(2)	1	1	1
Other Income	11	12	19	30	43
Asset impairment Loss	(34)	(30)	(29)	(35)	(33)
Net Income from fair value changes	4	16	20	18	13
Investment Gains/Other Income	28	36	48	74	108
Credit Imapirment Loss	(5)	(1)	(8)	(10)	(11)
Non-operating profit	0	0	-	-	-
Non-operating loss	(0)	(1)	(2)	(3)	(5)
Gains on Asset Dispositions	0	0	-	-	-
Profit before tax	**61**	**144**	**240**	**379**	**562**
Tax	(5)	(18)	(31)	(48)	(72)
Net profit	**56**	**126**	**209**	**331**	**490**
Minority	0	(1)	(2)	(4)	(6)
Net profit to shareholders	**56**	**124**	**207**	**327**	**484**
EPS (Rmb)	**0.33**	**0.69**	**1.13**	**1.78**	**2.64**
Net profit to shareholders - recurring	**52**	**106**	**183**	**305**	**468**
EPS (Rmb) - recurring	**0.31**	**0.59**	**1.00**	**1.66**	**2.55**

Balance Sheet

(Rmb Mn)	2024A	2025A	2026E	2027E	2028E
Non-current assets	**1,550**	**1,337**	**1,491**	**1,729**	**2,063**
PPE	494	610	757	979	1,290
Intangible assets	59	57	56	56	57
Other current assets	998	670	677	694	716
Current assets	**2,205**	**2,592**	**2,499**	**2,629**	**2,808**
Cash	1,525	746	573	470	407
Cash Deposits and Equivalents	7	9	9	9	9
Notes Receivable	53	61	47	78	122
Account Receivable	147	194	299	428	563
Prepayments	13	7	34	53	76
Other Receivables	2	3	4	7	10
Inventory	246	285	470	709	1,012
Other Current Assets	212	1,286	1,063	874	608
Total Assets	**3,755**	**3,929**	**3,989**	**4,358**	**4,871**
Current liabilities	**228**	**271**	**232**	**338**	**471**
Notes Payable	-	56	-	-	-
Account Payable	67	112	134	210	305
Advances from Customers	11	3	13	20	30
Salary payable	12	25	29	45	65
Tax payable	3	24	10	15	22
Other current assets	133	50	47	48	49
Non-current liabilities	**97**	**115**	**73**	**115**	**167**
Non-controlling interests	**5**	**6**	**4**	**(0)**	**(6)**
Shareholders' equity	**3,425**	**3,537**	**3,680**	**3,905**	**4,240**
Share Capital	169	183	183	183	183
Additional Paid-in Capital	2,826	2,830	2,830	2,830	2,830
Retained Earnings	431	523	666	892	1,226
Total Liabilities and Equity	**3,755**	**3,929**	**3,989**	**4,358**	**4,871**

Source: Company data, Morgan Stanley Research

Financial Analysis

(Rmb Mn)	2024A	2025A	2026E	2027E	2028E
Growth (%)					
Turnover	8.8%	47.3%	66.5%	56.6%	45.4%
Operating Profit	-7.6%	99.8%	67.8%	59.3%	46.5%
Net Profit	-33.3%	121.4%	66.2%	58.1%	48.3%
Margins (%)					
Gross Margin	37.5%	36.9%	35.6%	35.6%	35.6%
Selling expenses	3.3%	2.3%	1.9%	1.9%	1.9%
G&A expenses	18.5%	14.1%	13.0%	12.6%	12.5%
Operating Margin	14.7%	20.0%	20.1%	20.5%	20.6%
Net Margin	14.5%	21.8%	21.8%	22.0%	22.4%
Efficiency					
Asset Turnover (X)	0.1	0.1	0.2	0.3	0.4
Inventory Days	370.4	288.9	280.0	270.0	265.0
Account Receivables Days	138.1	124.4	115.0	105.0	95.0
Account Payable Days	101.7	113.8	80.0	80.0	80.0
Return (%)					
ROA	1.5%	3.2%	5.2%	7.5%	9.9%
ROE	1.6%	3.5%	5.6%	8.4%	11.4%
ROIC	1.6%	3.6%	5.7%	8.5%	11.6%
Gearing (X)					
Asset/Equity	1.1	1.1	1.1	1.1	1.1
Total Liabilities/Equity	0.1	0.1	0.1	0.1	0.2
Net Cash	1,455.5	746.1	572.9	470.4	407.2
Valuations (X)					
P/E	324.5x	350.1x	215.0x	136.0x	0.0x
P/BV	5.3x	11.6x	11.1x	10.5x	0.0x
EV/EBITDA	148.9x	231.1x	137.8x	92.1x	0.0x
Dividend Yield (%)	0.1%	0.1%	0.1%	0.2%	0.0%

Cashflow Statement

(Rmb Mn)	2024A	2025A	2026E	2027E	2028E
Operating cash flow	28	152	110	103	220
Investing cash flow	(312)	(762)	(245)	(144)	(199)
Financing cash flow	840	(168)	(38)	(62)	(85)
Increase in cash	556	(779)	(173)	(103)	(63)
Effect of FX changes	(0)	(1)	-	-	-
Cash Restatement	0	1	-	-	-
Cash and cash equivalents at BOP	969	1,525	746	573	470
Cash and cash equivalents at EOP	1,525	746	573	470	407

E = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

Exhibit 11: Base case DCF

(in Rmb'mn unless specified)	2025	2026e	2027e	2028e	2029e	2030e	2040e	2050e
Revenue	**571**	**950**	**1,489**	**2,170**	**3,171**	**3,723**	**83,879**	**379,668**
Harmonic reducer - non-humanoid	395	463	552	609	714	862	4,504	18,129
Humanoid components (reducer, screw, and actuator)	47	330	739	1,320	2,175	2,536	78,197	358,942
Precision Parts	34	36	38	40	43	47	87	127
Integrated actuator	74	96	129	162	190	219	765	1,672
Intelligent equipment	15	21	27	34	43	54	321	793
Other business	5	5	5	5	5	5	5	5
Gross profit	**211**	**338**	**529**	**770**	**1,128**	**1,323**	**29,358**	**125,290**
GPM	*36.9%*	*35.6%*	*35.5%*	*35.5%*	*35.6%*	*35.5%*	*35.0%*	*33.0%*
Operating profit	**114**	**191**	**304**	**445**	**659**	**777**	**18,453**	**83,527**
OPM	*20.0%*	*20.1%*	*20.4%*	*20.5%*	*20.8%*	*20.9%*	*22.0%*	*22.0%*
FCFF		**74**	**121**	**179**	**271**	**324**	**8,690**	**43,130**

Start year	2026
End year	2050
NPV of future cash flow	36,473
Terminal value	591,502
NPV of terminal value	48,513
Terminal value % of EV	57.1%
Equity value	**84,986**
Per share value (Rmb)	**464**

Source: Company data, Morgan Stanley Research estimates

Exhibit 12: WACC methodology

WACC	
Cost of equity	**13.2%**
Risk free rate	4.2%
Equity risk premium	6.0%
Beta	1.5
Cost of debt	**2.1%**
Pre-tax CofD	2.4%
Tax rate	12.0%
Equity/Capital	80.0%
Debt/Capital	20.0%
WACC	**11.0%**

Source: Morgan Stanley Research estimate

Exhibit 13: Bull/bear case value

Bull/Base/Bear Scenario	2025e Global Volume	2050e OPM	Share Value	Upside/ Downside
Bull case	344	24%	908	131%
Base case	202	22%	464	18%
Bear case	38	20%	120	-69%

Source: Morgan Stanley Research. Note: market share represents humanoid harmonic reducer market share. Upside/downside represents the difference to the closing price of Rmb393 on June 22, 2026

Risk Reward – Leader Harmonious Drive Systems (688017.SS)

Well positioned to capture structural tailwind of humanoids and other robotics

PRICE TARGET Rmb464.00

Base case. We use DCF to value Leaderdrive, by discounting 2025-50e cash flow at a WACC of 11% and terminal growth rate of 4%, to derive per share value of Rmb464.

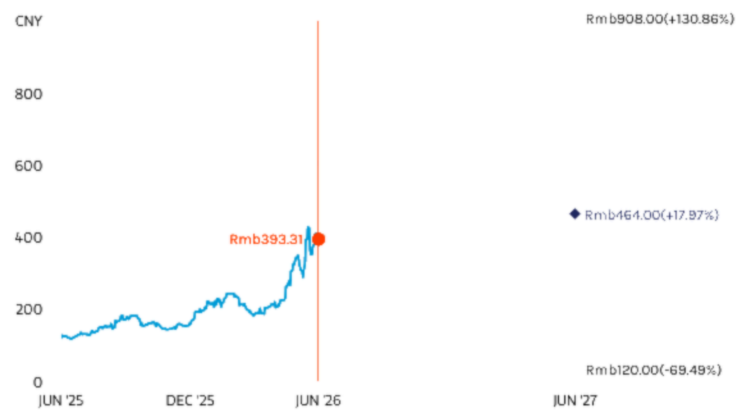
Consensus Price Target Distribution Rmb52.90 Rmb218.11 Rmb496.00

MS PT

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

OVERWEIGHT THESIS

- Leaderdrive is a key supplier of humanoid harmonic reducers, supplying key domestic integrators and has a leading market share.
- For other robots, we expect an increase in the average number of harmonic reducers per robot, thanks to rising manipulation capabilities, offsetting the price impact.
- Leaderdrive is developing other products for humanoids, such as planetary roller screws and linear actuators, which can capture higher value per robot.

Consensus Rating Distribution

- 65% Overweight
- 18% Equal-weight
- 18% Underweight

● MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Secular Growth: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE Rmb908.00

Bull case DCF

Leaderdrive's bargaining power continues to improve, supported by high technological barriers and quality, resulting in margin expansion. Humanoid robots progress is better than expected, bull case global volume.

BASE CASE Rmb464.00

Base case DCF

Leaderdrive, is a leading domestic harmonic reducer company, with leading market share in domestic humanoid integrators. Industrial robots continue steady growth. Rising manipulation capability leads to an increase in the average number of harmonic reducers per robot.

BEAR CASE Rmb120.00

Bear case DCF

Mass production of humanoid robots is slower than expected with much smaller volume. Harmonic reducers are no longer a mainstream solutions for humanoids, leading to price competition and margin erosion.

Risk Reward – Leader Harmonious Drive Systems (688017.SS)

KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Harmonic reducer revenue growth (%)	31.3	17.1	19.3	10.3
Harmonic reducer GP margin (%)	38.0	36.0	36.0	36.2

INVESTMENT DRIVERS

1) The average unit price of harmonic reducers returns to positive growth and the company's cost control ability remains strong.

2) Integrated actuator business expands quickly, with continuous gross profit margin improvement.

GLOBAL REVENUE EXPOSURE

- 0-10% APAC, ex Japan, Mainland China and India
- 0-10% Europe ex UK
- 0-10% North America
- 80-90% Mainland China

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

5/5 **MOST** 3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research. 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Faster growth in industrial robot demand
- Faster humanoid adoption
- Penetrating into more integrators' supply chain
- Margin expansion with high utilization and favorable product mix

RISKS TO DOWNSIDE

- Slower humanoid volume growth
- Lower penetration of harmonic reducers in humanoids
- Market-share erosion and failed to enter the US leading integrator supply chain
- Intensified competition, greater pricing pressure

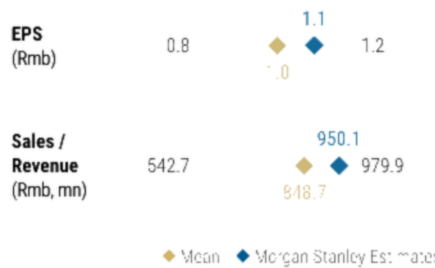
OWNERSHIP POSITIONING

Inst. Owners, % Active 95.1%

Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Source: Refinitiv, Morgan Stanley Research

Valuation Methodology and Risks

Jiangsu Hengli Hydraulic Co.Ltd (601100.SS)

Our price target is derived by 1) applying a 35x 2026e P/E multiple to its core business (excl. FX impact); and 2) using DCF for the humanoid robot parts business, discounting 2025-50e cash flows at a WACC of 11% and a applying a terminal growth rate of 4%. Combining both yields a price target of Rmb133.

Risks to Upside

- Stronger-than-expected excavator and pumps & valves demand.
- Notable penetration into foreign brands' supply chain.
- Faster-than-expected humanoid robots penetration and market share gain in the supply chain.

Risks to Downside

- Sharp decline in excavator and pumps & valves demand in China.
- Failure to expand its share in non-excavator parts.
- Slower-than-expected humanoid robot penetration.

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf