

Humanoid Robot

Physical AI's public debut: Sector rotation, policy support, and the new valuation anchors

Unitree's Aug. 19 IPO will likely mark a watershed moment for humanoid robotics, propelling the sector from scarcity-driven "proxy" trades to genuine public-market price discovery for pure-play OEMs. This shift is unfolding amid aggressive policy support—China deploying Rmb7T in infrastructure and national standards, the US leveraging foundation-model talent and compute, and Korea focusing on industrial-grade deployment through Hyundai and Google/NVIDIA partnerships. As the IPO pipeline accelerates, valuation anchors will likely be reset and capital should rotate toward tangible execution and commercial proof points, with volatility reminiscent of AI plays. We see the listed humanoid/robotics trade entering a digestion phase, as upcoming IPOs like Unitree and AgiBot could create a 1–6 month overhang as investors reassess scarcity value and fund allocation. Despite fewer incremental near-term catalysts, we believe the YTD sell-off in Chinese robot OEMs including UBTECH is likely overdone versus shipment upgrades and margin recovery. We maintain Overweight ratings on Estun and UBTECH, trimming UBTECH's price target to HK\$118 (8x FY27E P/S) as both companies remain well positioned to benefit from commercialization milestones and sector leadership. Our conviction remains strongest in scalable component champions like Leader Drive, Sanhua Intelligent, and Hengli Hydraulic, all rated Overweight, as we believe domestic supply chain names are poised to benefit from strong order momentum and commercialization commitments. In Korea, we continue to prefer OEMs (HMC/Kia; both OW) over parts suppliers, given OEMs' increasing discretion across the value chain in both autos and robotics. Investors must now navigate a landscape where commercial proof points, manufacturing discipline, and real-world reliability—not just software narratives—define the winners.

- **How will the IPO wave shift investor focus from scarcity premiums to event-driven catalysts and commercial proof points?** Unitree's IPO is likely to be not just a milestone for the company but a sector-wide reset, with its issue price and P/S multiple setting a new benchmark, while AgiBot's upcoming Hong Kong IPO and US players like Agility Robotics and Figure AI prepare to follow. The oversubscription of Unitree's retail tranche highlights the market's hunger for pure-play humanoid exposure, and this new supply is poised to compress scarcity premiums for incumbents. Investors are now benchmarking on shipment credibility, production cadence, and gross margin bridges, shifting away from "owning the only listed name" toward rewarding tangible execution and multi-site deployment wins. The upcoming IPO pipeline could create a 1–6 month overhang as investors reassess scarcity value, valuation anchors, and fund allocation across existing proxies versus new issues.
- **Why is the "Physical AI vs. LLM" debate central to underwriting the duration and market structure in humanoid robotics?** Unlike LLMs, humanoid robots face manufacturing, deployment, and safety constraints that slow their adoption curve, making commercial reliability and fleet learning the new milestones that matter. We believe the sector is poised to follow a smartphone or AV-like credibility curve, where leadership is defined by

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repeatable commercial proof points and multi-customer reliability, rather than a single viral “ChatGPT moment.” This dynamic supports a winner-takes-more outcome by layer—bottleneck components, scale-ready platforms, and a few “brain” stacks—strengthening our preference for scalable component exposure and reinforcing the importance of evidence-driven capital allocation.

- **Positioning for the next leg: How should investors navigate selective capital allocation and sector rotation as IPO supply accelerates?** We believe the next leg of sector performance will be driven by platforms and suppliers that can demonstrate scale readiness, manufacturing discipline, and the ability to convert pilot wins into repeatable, multi-site deployments. As the IPO pipeline accelerates, the market is poised to reward tangible execution, cost-down, and margin resilience, while penalizing names where near-term catalysts are limited or where the scarcity premium is no longer justified. We now prefer robotics supply chain names including Leader Drive, Sanhua Intelligent, and Hengli Hydraulic, all rated Overweight, as domestic supply chain names would directly benefit from strong order momentum as domestic OEMs make commercialization commitments. On the Tesla supply chain front, we believe Sanhua Intelligent and Hengli Hydraulic are well positioned as Optimus 3 hardware supplier candidates, poised to benefit from the initial mass production ramp-up. For Korea, we continue to prefer OEMs (HMC/Kia; both OW) over parts suppliers, given OEMs’ increasing discretion across the value chain in both autos and robotics.

Equity Ratings and Price Targets

Company	Ticker	Mkt Cap (\$ mn)	Price CCY	Price	Rating		Price Target			
					Cur	Prev	Cur	End Date	Prev	End Date
UBTECH Robotics - H	9880 HK	5,497	HKD	94.80	OW	n/c	118.00	Jun-27	161.00	n/c
Estun Automation - A	002747 CH	5,749	CNY	40.04	OW	n/c	50.00	Jun-27	n/c	n/c
Leader Harmonious Drive System Co.	688017 CH	9,534	CNY	380.80	OW	n/c	481.00	Jun-27	n/c	n/c
Zhejiang Sanhua Intelligent Controls - A	002050 CH	24,672	CNY	39.60	OW	n/c	60.00	Jun-27	n/c	n/c
Zhejiang Sanhua Intelligent Controls - H	2050 HK	15,194	HKD	28.38	OW	n/c	42.00	Jun-27	n/c	n/c

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. n/c = no change. All prices as of 18 Aug 26.

Sector/stock rotation accelerates as humanoid robotics moves into public market price discovery

Unitree's long-awaited listing on Aug. 19 marks a pivotal moment for the humanoid robotics sector, shifting the narrative from scarcity-driven "proxy" trades to a new phase of public-market price discovery for pure-play OEMs. This event is set to reset valuation anchors and drive a rotation in investor focus, as the market transitions from order-driven catalysts—such as China's government pilots and shipment ambitions—back to event-driven triggers like IPO pricing, landmark commercial wins, and credible autonomy breakthroughs. We expect a digestion period as new-issue supply and valuation benchmarks are absorbed, with capital likely to become more selective and evidence-driven. YTD, stock performance has already reflected this shift, with component leaders and scale-ready platforms outperforming, while names with limited near-term catalysts or fading scarcity value have lagged.

At the same time, the "Physical AI vs. LLM" debate is now central to how investors underwrite duration and market structure. Unlike LLMs (e.g., ChatGPT, Anthropic, Kimi, Zhipu, MiniMax), humanoid robots cannot scale at software speed due to manufacturing, deployment, and safety constraints. The sector is poised to follow a smartphone or AV-like credibility curve, where leadership is defined by repeatable commercial proof points, multi-customer reliability, and measurable fleet learning, rather than a single viral "ChatGPT moment." This dynamic supports a winner-takes-more outcome by layer—bottleneck components, scale-ready platforms, and a few "brain" stacks—rather than a winner-takes-all scenario, and it strengthens our near-term preference for scalable component exposure.

Stock views and actions: YTD, the sector's leading component and platform names (e.g., Leader Drive, Sanhua Intelligent, Hengli Hydraulic) have outperformed the CSI300, reflecting investor preference for scale-ready, profitable companies and bottleneck suppliers. However, over the past one month, humanoid/embodyed AI names including Leader Drive, Estun, UBTech, Sanhua and Tuopu have led the share price retreat, as the market digests the lack of near-term catalysts and the upcoming IPO supply. In contrast, Japanese, Taiwanese, and China factory automation names have been more resilient, supported by healthier end-market demand and less event-driven volatility.

Given this evolving landscape, we are updating our models for the major OEMs, including UBTech and Estun Automation. We **trim our price targets** for both UBTech and Estun to reflect the fading scarcity premium and a more event-driven tape, but we **maintain Overweight ratings** on both, as well as on Hengli Hydraulic and Sanhua Intelligent, given their intact fundamentals and strategic positioning. Our conviction is strongest in scalable component plays, and we **prefer Leader Drive** at this stage, as they offer cleaner exposure to the production ambitions of the sector without the single-platform adoption risk. Leader Drive remains well-positioned as harmonic reducers, with potential upside from overseas expansion via collaboration, while Orbbec is a key beneficiary of rising perception as "eyes" become more central to autonomy and safety. We believe the sector's performance will be driven by platforms and suppliers that can dem



readiness, manufacturing discipline, and the ability to convert pilot wins into repeatable, multi-site deployments. As the IPO pipeline accelerates, we expect the market to become more selective, rewarding tangible execution, cost-down, and margin resilience, while penalizing names where near-term catalysts are limited or where the scarcity premium is no longer justified.

Table 1: Major humanoid robot OEMs - commercialization and IPO pipeline

Company	Key 2026 Milestone	Cumulative Shipments (mid-2026)	IPO/Listing Status	Strategic Focus
Unitree	Aug. 19 IPO, Superman launch	16,000	STAR Market (Aug. 2026)	Low-cost, high functionality body, to define the hardware body for embodied AI industry
Agibot	A3 Ultra, G2 Max, Link Craft	15,000	HK IPO (late 2026)	Industrial/commercial deployment and ecosystem establishment, foundation model, dexterous hands
UBTech	U1, C1 launch, commercial rollout	Not specified	Listed (HK)	Industrial application, commercial/consumer application expansion via bionic robot
Agility Robotics	Digit v5, premonney equity value of US\$2.5B	Not specified	US SPAC (2026)	Logistics, warehouse, B2B
Figure AI	BMW pilot, F.03 ramp	12,000 units/year capacity	US IPO (2027–2028 target)	Automotive application, manufacturing, foundation model
Tesla	Optimus factory conversion	Internal pilots	Listed (US)	Full vertical integration, advantage from FSD and ADAS, dexterous hands, body design

Source: J.P. Morgan

The IPO wave is poised to end scarcity premiums and reprice the humanoid complex as an event-driven tape

Unitree's Aug. 19 IPO marks a pivotal moment for the sector, setting a new public-market benchmark for pure-play humanoid OEMs.

Unitree's IPO issue price is Rmb150.8/share, implying a Rmb61B market cap and c.19x FY26E P/S, with initial investor feedback suggesting the stock could double post-listing (potentially reaching c.38x P/S). The offering was reportedly oversubscribed by 5,000–8,000x on the retail tranche, highlighting intense demand for liquid humanoid exposure. AgiBot is reported to be targeting a US\$20B valuation (c.Rmb145B) for its Hong Kong IPO, with FY26E sales at Rmb4B, implying a c.35x P/S. These valuations are notably above current listed humanoid/robotics OEMs, and we expect them to act as a “valuation cap” for the sector, sharpening investor selectivity and compressing the scarcity premium for incumbents like UBTech and Estun.

The pipeline is robust: after Unitree, AgiBot is expected to list within 6–12 months, and U.S. players such as Agility Robotics (valued at US\$2.5B in its business combination with Churchill Capital Corp XI) and Figure AI (expanding to 12,000 units/year, IPO targeted for 2027–2028) are preparing to follow. The sector is transitioning from order-driven (China government pilots, pre-orders, shipment ambitions) to event-driven, with IPOs, commercial wins, and credible autonomy breakthroughs as the next catalysts. Investors are now focused on shipment credibility, production cadence, gross margin bridges, and customer replication, rather than simply “owning the only listed name.”

Primary-market fundraising is normalizing, with July deals and capital raised down M/M from June's peak, and capital is concentrating on embodied AI models and data infrastructure.

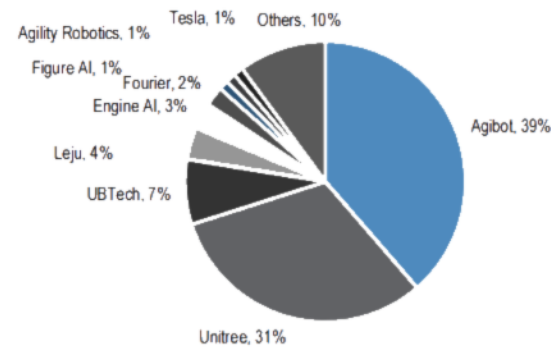
July saw 34 deals and Rmb12B raised, down from 47 deals and Rmb32B in June. The focus is shifting from “theme-based financing” to “capability-based financing,” with investors differentiating between hardware execution, model/data capability, and real-world deployment quality.

The IPO wave is likely to drive a more selective market, with dispersion between platform leaders, component specialists, brain/data infrastructure players, and application deployment companies. We expect investors to increasingly benchmark on shipment volume, manufacturability, and recurring revenue models, rather than scarcity

or theme exposure.

Rotation risk is now about timing and ownership digestion, not about the long-term Physical AI thesis breaking. IPO supply tends to create a near-term overhang even in structurally attractive themes, as investors often reduce existing positions to fund new-issue allocations and to re-benchmark the group once a new valuation anchor prints. The overhang is also behavioral: primary market excitement tends to concentrate attention on the IPO candidate, pulling incremental demand away from incumbents temporarily, especially when the IPO asset is perceived as a “purer play” on the new cycle. The condition that determines whether this becomes a shallow drawdown or a deeper reset is macro/sentiment: when the risk backdrop is supportive, the sector can digest new supply quickly and re-rate on better price discovery; when the macro tape is unstable, the market typically demands a wider margin of safety and punishes names where near-term catalysts are limited.

Table 2: Major humanoid OEM competitive landscape (2025 A)



Source: Omidia

Table 3: Humanoid robot technical specs (2025-2026)

Company	Model	Sensing/"Eyes"	"Brain"/Software Stack
Tesla	Optimus G2	Vision-only (2D Cameras)	FSD/Optimus Academy
Unitree	H2 Plus	LiDAR & Stereo Cameras	NVIDIA GR00T + Unitree stack
AgiBot	A3 Ultra	Binocular, LiDAR, RGB-D, Fisheye	NVIDIA Thor / EVAC
Agility	Digit v5	LiDAR & Stereo Cameras	NVIDIA toolkit + motor cortex development in house
Figure AI	Figure 02/03	Advanced Sensory Suite	Helix (Proprietary VLA)

Source: J.P. Morgan

Physical AI is not an LLM market, so the adoption curve is poised to look more like that between AVs and smartphones, not ChatGPT

Robotics credibility is compounding through “prove, replicate, standardize,” which structurally slows the curve versus digital AI. LLM platforms (ChatGPT, Anthropic, Kimi, Zhipu, MiniMax) can scale distribution instantly and iterate at low marginal cost, while humanoids must be manufactured, transported, deployed, maintained, and supervised, and failures carry safety and liability consequences. That difference drives a different set of “milestones that matter”: multi-customer commercial reliability, evidence of a fleet-learning loop that measurably improves performance across deployed units, and eventually safe household deployment. The investor implication is that the market’s gating questions are operational rather than purely technical: uptime, failure rates, serviceability, and deployment cost per site become the real KPI language. This also explains why the trade can oscillate between excitement and skepticism: strong demos lift sentiment, but the market quickly re-focuses on whether those capabilities can be delivered repeatedly across customers.

The market structure is poised to be winner-takes-more by layer, while end demand stays diversified by workload and form factor. In digital AI, network effects and distribution can lead to a small number of winners dominating usage and developer mindshare. In Physical AI, the physical world fragments demand: structured factories vs. semi-structured logistics vs. unstructured household chores; bipedal humanoids vs. wheeled humanoids vs. quadrupeds vs. AMRs; and differing safety regimes by geography. That fragmentation supports multiple OEM outcomes, but it can still create concentration at bottlenecks—component suppliers and horizontal platforms that become “default picks” as the industry standardizes architectures. This is why the near-term risk/reward can favor scalable component champions: they can participate across multiple OEM roadmaps without taking full adoption risk on any single platform, and they often see earlier order pull-forward once OEMs start signaling production commitments.

Table 4: Business model archetypes in humanoid robot

Model Type	Key Players	Core Strengths	Investor Focus
Hardware-first	Unitree, Deep Robotics, Boston Dynamics	Manufacturability, motion control, cost-down	Shipment credibility, margin bridge
Brain/data-first	Agibot, Galaxea AI, Sprit AI, NVIDIA, Physical Intelligence	Data flywheel, model generalization, VLA/world models	Data pipeline, model capability, cross-scenario, multi-task
Deployment-first	UBTech, Agility, Dobot	Scenario ownership, vertical know-how, early revenue	Revenue conversion, vertical defensibility

Source: J.P. Morgan

China's policy support is accelerating the commercialization and global leadership of physical AI and humanoid robotics

China's top-down policy framework is driving the industry from lab validation to mass production and real-world deployment. Under the 15th Five-Year Plan, intelligent robots are designated as one of six emerging pillar industries, and embodied intelligence is listed among six future industries. The national "Six Networks" infrastructure initiative, with over Rmb7T investment in 2026, is building out the compute, connectivity, energy, and logistics backbone needed for large-scale robot and AI deployment. In February 2026, MII released the Humanoid Robot and Embodied AI Standard System (2026 Edition), China's first top-level standard for the full industry chain and lifecycle, laying the foundation for standardized, scalable development. In June 2026, MII and SASAC jointly launched the "2026 Special Action for Real-Scenario Training of Humanoid Robots and Embodied AI," focusing on industrial, service, and specialized scenarios, and accelerating industrialization through normalized deployment in real production and living environments. The National Data Administration's "Action Plan for High-Quality Industry Dataset Construction" now includes real-machine interaction data for embodied AI as a key support area, ensuring that the data flywheel for model training is policy-backed and infrastructure-enabled.

China's policy coordination is creating a nationwide robot-training network and a "data factory" for embodied AI, mirroring the cloud infrastructure that enabled LLMs. The government is scaling beyond individual robot companies to build foundational infrastructure for physical AI. Shanghai's Kylin training ground currently hosts 100+ robots and targets over 1,000 by 2027, while Beijing and Hangzhou have deployed 120+ and 130+ robots, respectively, across dozens of real-world training scenarios. Regional centers in Henan, Guangdong, and Shandong are also emerging, creating a nationwide network that functions as a "data factory" for embodied AI. This infrastructure is designed to accelerate data accumulation, model iteration, and large-scale commercialization, giving China a structural advantage in the global race for physical AI.

Policy support is directly targeting localization of high-value components and supply chain resilience, with explicit targets for 80% core component localization by end-2026. China's policy push is not just about volume, but about value capture and supply chain security. The government is prioritizing the localization of high-barrier components such as planetary roller screws (currently 40–50% localized) and six-axis force sensors (less than 30% localized), with the goal of reaching 80% core component localization by the end of 2026. This is supported by a network of government-backed robotics industry funds in major cities (Beijing, Shanghai, Shenzhen, Suzhou, Chengdu, Nanjing, Shaoxing, Wuhan, Hefei, Hebei, Ganzhou), each with Rmb5–10B in capital,

targeting OEMs, key components, and innovative applications. The result is a robust ecosystem where upstream components and equipment are positioned to benefit disproportionately from the volume ramp, and where domestic champions like Leader Drive (harmonic reducers), Orbbec (3D vision), and Hengli Hydraulic (ball screws) are seeing order pipelines extend into 2027.

China's pragmatic "human teaches robot" model and dual-track simulation-to-real training system are accelerating the data flywheel and model iteration. Rather than relying solely on reinforcement learning, China's approach emphasizes teleoperation demonstrations and real-world deployment in factories, warehouses, and service settings. This enables rapid accumulation of high-quality operational data and a closed loop of real-world training → data collection → model improvement → commercial deployment. The dual-track system combines the efficiency of virtual simulation with the realism of physical environments, allowing robots to practice millions of times in simulation before fine-tuning in the real world. This approach shortens the path from R&D to commercialization and is a key reason why China is moving from lab validation to mass production faster than global peers.

Policy is also shaping the social and labor transition, with a focus on reskilling, new talent systems, and social governance.

As robots enter factories, homes, schools, hospitals, and public spaces, China is formalizing new career pathways (robot application technicians, AI engineers, robot maintenance staff, AI trainers, service robot application technicians) and building a multi-level training system across universities, vocational schools, and enterprise programs. The government is also emphasizing the need for stronger standards, compliance frameworks, privacy protections, and social safety nets to manage the transition and ensure that physical AI raises productivity, offsets labor shortages, and creates higher-value jobs.

The next 5–10 years could see China move from specialization to global leadership in physical AI, provided it closes technology gaps and deepens original innovation. China's leadership path depends on closing gaps in high-end core technologies (precision reducers, servo motors, advanced sensors, foundational algorithms, high-performance AI chips) and moving from mid- to low-end applications to differentiated, large-scale commercialization. The government's coordinated action plans, real-scenario training, and data infrastructure are designed to support this transition, with the goal of making physical AI a key pillar of China's next industrial upgrade and a driver of productivity growth.

Korea's ecosystem is coalescing around partnerships and industrial-grade execution rather than pure cost leadership

NVIDIA's Korea partnerships are strengthening a platform-led route into Physical AI, with Korea positioned as a high-reliability commercialization node. NVIDIA's ecosystem push is visibly deepening in Korea, with partnerships highlighted with Hyundai and LG Group and the provision of open humanoid robot reference designs and physical intelligence development tools to accelerate autonomous robot development. Korea's comparative edge here is that local industrial champions can take a reference platform and turn it into industrial-grade deployment—prioritizing functional safety, quality systems, and repeatable operations. The market read-through is that Korea can monetize the "last mile" of commercialization—integrating compute, sensing, and actuation into reliable products and workflows—while China continues to

win on fast iteration and aggressive cost-down. This also sets up a pragmatic cooperation model: Korea leans on global platforms for training and tooling, while local champions focus on industrial integration and enterprise customer validation.

Hyundai ownership of Boston Dynamics offers a credible bridge from world-class motion control into scaled industrial deployment, with a clearer line of sight to factory use cases. Boston Dynamics remains one of the strongest global benchmarks for high-end motion control and whole-body robotics engineering, and Hyundai's ownership makes Korea unusually relevant in the humanoid narrative even without a China-style consumer hardware ecosystem. Importantly, Hyundai has articulated an industrial deployment pathway for Atlas—starting at its Georgia Metaplant in 2028 for parts sequencing and expanding toward assembly later, while building toward 30,000 units/year of robot production capacity by 2028 and 25,000+ robots across Hyundai/Kia plants over time. The investment implication is that Korea's "humanoid optionality" is tied less to near-term shipment share and more to whether industrial-grade deployment at a large captive manufacturing footprint can compound learning, drive down service burden, and set a reference for safety standards and ROI curves that other industrial buyers can replicate.

Korea's strategic tension is balancing sovereign supply-chain control with the economic gravity of China's hardware cost curve, which keeps component and localization strategies front-and-center. As humanoids become strategically significant infrastructure, the "sovereign robotics" framing is rising: organizations and nations want to develop and deploy autonomous robotic systems with limited reliance on foreign technology, even when domestic sourcing is more expensive. Korea fits naturally into this discussion because its industrial champions can justify higher near-term costs in exchange for supply assurance, safety compliance, and long-term control—particularly for robots operating near people in factories, logistics centers, and public environments. The commercial reality remains that China's mature supply chain continues to pressure pricing globally, so Korea's best route to value capture is poised to be "premium deployment readiness": validated safety, strong after-sales capabilities, and integration depth that reduces lifecycle cost even if the upfront BOM is higher.

Table 5: Korean robotics companies in comparison

Company	Main Product Lines	Key Focus/Strengths	Global Position/Notes
Doosan Robotics	Collaborative robots (cobots)	High-precision, user-friendly 6-axis cobots; safety, flexibility, global distribution	Top-tier global cobot player; expanding into AI and mobile robotics
Rainbow Robotics	Humanoids (RB series, Hubo), cobots, mobile robots	R&D-driven, strong in bipedal/humanoid platforms; research, education, industrial automation	Spin-off from KAIST, "Hubo" is a well-known humanoid; expanding into commercial and service robots
Robotis	Modular robots, actuators, educational robots	Servo actuators, modularity, STEM/education, research platforms	Supplies actuators for other OEMs; "TurtleBot" and "OP" series are global research standards
Hyundai Robotics	Industrial robots, mobile robots, smart factory solutions	Industrial automation, smart factories, leveraging automotive expertise	Part of Hyundai Motor Group; investing in humanoids and service robots
Hanwha Robotics	Collaborative robots, logistics robots, smart factory solutions	Reliability, integration with Hanwha's automation ecosystem	Major Korean conglomerate; strong in industrial automation
Neuromeka	Cost-effective cobots, open robot platforms	SME/education focus, open platforms, affordability	Gaining share in domestic cobot market
Yujin Robot	Service robots (cleaning, logistics, navigation)	Autonomous navigation, service robotics, logistics	Pioneer in service robots; strong in cleaning/logistics robots
LG Electronics	Service robots (hospitality, logistics, retail)	Guide robots, delivery robots, AI integration	Developed airport guide robots, delivery robots for retail/hospitality

Source: J.P. Morgan

Table 6: Robotics Policy and Industry Comparison – China, Korea, Japan, US, Europe

Category	China	Korea	Japan	US	Europe
National Policy Focus	Mass production, supply chain localization, AI+robotics integration	Industrial robots, smart factories, service robots, talent pipeline	Industrial robots, automation, aging society, robotics for care	AI leadership, advanced manufacturing, reshoring, defense, R&D	Industry 4.0, automation, robotics for manufacturing and healthcare
Government Investment	Rmb27+ in data centers, robotics clusters	10.5T won (c.USD8B) in robotics/AI	JPY10.5T (c.USD65B) in physical AI, robotics, and automation	CHIPS Act, IRA, DoD/NSF/DOE grants, state incentives	EU Digital Europe, Horizon Europe, national robotics programs
Key OEMs	Utreee, AgiBot, UBTECH, Galaxia AI, Spirit AI, Estun	Doosan Robotics, Rainbow Robotics, Hyundai Robotics, Hanwha Robotics	Fanuc, Yaskawa, Kawasaki, Nidec	Tesla, Figure AI, Agility Robotics, Boston Dynamics, Apple/Apple	ABB, KUKA, Neura Robotics, Agile Robots
Component Champions	Leader Drive, Orbtec, Hengli Hydraulic, Sanhua Intelligent	Mobis, Mando, Samsung, LG Innorek	Harmonic Drive Systems, NSK, THK, Nabtesco, Nidec	Moog, Maxon, NVIDIA, Rockwell, Honeywell, Parker Hannifin	Schaeffler, SKF, Bosch Rexroth, Staubli, SICK, Festo
Market Share (2025)	>80% of global humanoid shipments	<5% of global humanoid shipments	c.10% of global industrial robots, <5% humanoid	c.10% of global industrial robots, <5% humanoid	c.20% of global industrial robots, <5% humanoid
Policy Timeline	2023–2027: MIIT Five-Year Plan, local mandates	2023–2027: Robotics Act, Smart Factory, K-Robot Valley	2023–2030: AI/robotics investment plan, Society 5.0, Moonshot R&D	2022–2027: CHIPS Act, IRA, National Robotics Initiative, DoD focus	2021–2027: Digital Europe, Horizon Europe, national strategies

Source: J.P. Morgan

The “eyes” strategy is now a business model choice, splitting the industry into vision-only vs. sensor-rich camps

The industry has not yet standardized around a single vision-perception architecture or data standard, making it premature to call a definitive winner between 2D RGB and 3D/depth-camera approaches. RGB-heavy stacks offer lower sensor BOM, but they push complexity into AI models, training data, and edge compute because depth and spatial relationships must be inferred from 2D inputs. By contrast, 3D/depth-camera stacks add hardware cost at the sensing layer but provide spatial information directly, which can reduce compute intensity and model-engineering burden while improving reliability in cluttered, close-range, and unstructured environments.

For 3D sensor providers, the key risk is uneven OEM adoption rather than simple architecture divergence. If some customers choose RGB-only or software-heavy solutions, demand for explicit depth sensing may vary by platform and use case. That risk can be mitigated through diversification across customers, applications, and deployment environments. In that framing, growth is not dependent on universal adoption of 3D sensing; it depends on having enough exposure to segments where direct depth data remains valuable for manipulation, navigation, safety, and repeatable real-world task execution.

The “joints” are still the economic center of gravity, and actuation readiness is now the key industrialization separator

Actuators dominate humanoid BOM and also dominate failure risk, which makes manufacturing discipline and yield the real moat. The economics of humanoids are still actuator-led: actuation is the core mechanical subsystem enabling range of motion, and it represents roughly half of total BOM cost, with meaningful cost concentration inside reducers/roller screws, sensors, and motors/drives. This shapes what “scale readiness” really means: the market is increasingly focused on whether OEMs (and their suppliers) can produce actuator modules at high yield, with stable performance and consistent calibration, and then service them efficiently in the field. Demos can validate peak capability, but industrialization requires shift-level durability, thermal stability, and predictable maintenance intervals. This favors suppliers with proven process discipline, as well as OEMs that can standardize architectures across models, reduce part counts, and simplify cabling and control electronics.

Reducers and precision motion components are poised to stay strategically important even as software narratives grow louder. Investors sometimes over-rotate to “brains” narratives, but the practical bottleneck today remains the mechanical stack’s ability to convert capability into reliable work. Reducers remain essential for torque delivery and low-backlash precision, particularly for “work” scenarios where repeatability matters. Over time, parts commoditization is poised to compress pricing, but that is a later-cycle feature: in early ramps, qualification friction and reliability requirements preserve pricing power for scaled suppliers. This is one reason we prefer scalable component champions in the near term: they capture upside from multiple OEM roadmaps without needing to underwrite a single OEM’s after-sales economics.

The “brain” race is converging on VLA + world-model hybrids, but embodied data is the binding constraint

VLA is the dominant control architecture today, but it scales on expensive demonstrations rather than cheap tokens. VLAs convert visual inputs and language instructions into motor commands, supporting task generalization without explicit programming, and this is increasingly the “default” direction for general-purpose humanoid control. The constraint is data: training requires high-fidelity robot demonstrations, teleoperation, motion capture, and sensor-aligned logs, which are scarce and expensive relative to internet text/image corpora. That means competitive advantage is tightly tied to deployment access and data infrastructure, not just model architecture. The market is poised to reward stacks that can close the loop from deployment → data capture → model improvement → measurable gains in task completion and reliability, because that is the path to reducing teleoperation burden and improving lifecycle economics.

World models can expand the robotics training funnel by using video, simulation, and synthetic data to cover scenarios that are difficult or costly to collect physically. But sim-to-real remains the key constraint: policies that perform well in simulation can degrade on real hardware unless domain gaps are closed through real-world fine-tuning and validation. The likely architecture is therefore layered, with world models supporting prediction and data generation, VLA policies mapping understanding into action, and low-level controllers enforcing balance, contact, and safety. The market implication is that robotics may not mirror the concentration pattern seen in I.I.Ms. Because real-world performance depends on multiple layers — simulation, data generation, perception, VLA policies, controls, safety, and hardware integration — horizontal platforms and toolchains can capture value across OEMs even if the OEM landscape remains fragmented.

Real-world adoption is moving from “pilot wins” to “replication wins,” and that is where the next rerating is poised to come from

Commercial proof points are now credible, but investors are demanding multi-site repeatability and cleaner ROI curves. High-quality pilots—especially in automotive manufacturing and logistics—are starting to demonstrate durability and operational learning loops, and that is shifting investor language from “could it work” to “can it be cloned.” The next leg of adoption depends on whether a successful deployment can be replicated across unrelated customers without heavy teleoperation and bespoke integration. Investors are increasingly focused on deployment metrics that map to unit economics: uptime, incident frequency, maintenance intensity, and the cost of support per deployed robot. That is also why “event-driven” catalysts matter again: a single large third-party commercial customer expansion, or a meaningful autonomy breakthrough that reduces support costs, can reset the adoption slope.

China leads in shipment density and hardware iteration speed, while the U.S. ecosystem leans on software and infrastructure advantages. China’s lead is anchored in supply-chain integration and deployment density, which accelerates hardware iteration and cost-down, while U.S. players often position differentiation around foundation-model ecosystems, AI talent reserves and compute access. The likely outcome is not a single winner but layered leadership: the U.S. retains strengths in “brain” tooling and integrated stacks, while China may retain body cost advantages and arguably have the capability to catch up with the leading technology at an astonishing pace. For investors, this supports owning multiple layers rather than betting only on OEM equity beta.

YTD price performance review and our pecking order emphasizes scalable components while we keep OW on selected OEM and FA winners

Component champions are showing cleaner, more resilient exposure to the sector’s production ramp, with Leader Drive and Orbbec as our top picks. We prefer component plays at this stage, notably Leader Drive and Orbbec, as they offer direct leverage to OEM production ambitions without requiring investors to underwrite single-platform adoption risk, after-sales cost curves, or consumer demand uncertainty. As robots expand their task sets and move toward higher autonomy, demand for reducers and “eyes” content is rising, while qualified capacity remains scarce in early ramps. Leader Drive, for example, has delivered a standout YTD share price performance of

+98%, the best among global peers, and continues to benefit from its positioning in harmonic reducers and potential overseas expansion via Minth/SKF collaboration. Orbbec, as a leading machine vision supplier, is well placed to capture the proliferation of sensor content across multiple OEM architectures.

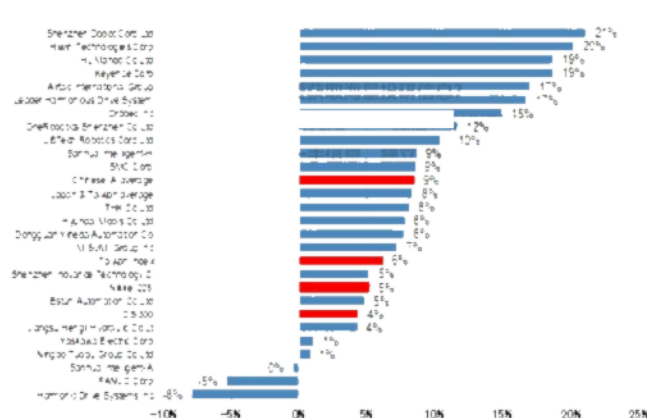
We keep OW on Tesla bot supply chain plays--Hengli Hydraulic and Sanhua Intelligent, given their potential to expand beyond Tesla's chain on the back of their precision manufacturing and expanding robotics/thermal/mechatronics adjacencies. Hengli Hydraulic is down just 2% YTD, outperforming most China OEMs and showing resilience in the face of sector volatility, while Sanhua Intelligent, despite a -29% YTD, remains a key beneficiary of the Tesla supply chain and broader robotics hardware ramp. Both are well positioned to supply ball screws, motors, actuators, and thermal management solutions as volumes grow, and their diversified exposure across automation and robotics supports more stable earnings.

We maintain OW on Chinese robotic OEMs including UBTECH and Estun Automation, but trim PT for UBTECH to reflect a fading scarcity premium and a more event-driven tape. UBTECH and Estun have both benefited from being among the few listed humanoid/robotics proxies, but with Unitree and Agibot approaching public markets, the scarcity value is poised to fade. UBTECH is down 25% YTD, and Estun, despite a strong +59% YTD, faces a more balanced risk/reward as humanoid exposure becomes less unique. We trim PT for UBTECH to reflect (i) the fading scarcity premium and (ii) a more event-driven market where near-term catalysts are harder to underwrite, but we keep OW given intact fundamentals and strategic positioning.

Share price action YTD and over the past month highlights the market's rotation toward scalable, high-quality leaders and bottleneck suppliers, while humanoid/embodied AI names have led the recent retreat. YTD, Leader Drive (+98%), Hiwin (+90%), THK (+81%), MISUMI (+59%), Airtac (+59%), and Estun (+59%), and Harmonic Drive (+58%), have all outperformed the CSI300 (+2%) and the Nikkei 225 (+34%), with Japanese & Taiwanese automation names averaging +56%. In contrast, humanoid/embodied AI names like Sanhua (-28%), UBTECH (-25%), Tuopu (-34%), and Dobot (-26%) have lagged, reflecting the market's digestion of a near-term catalyst gap and the upcoming IPO supply. Over the past month, Leader Drive (+17%), Dobot (+21%), Keyence (+17%), Hiwin (+20%), and Airtac (+17%) have led the rebound, while most China humanoid supply chain and FA names have been more resilient than Tesla humanoid supply chain names, supported by healthier end-market demand and less event-driven volatility.

The market is rewarding platforms and suppliers that can scale without margin leakage, while names with weaker supply chains, less product differentiation, or limited pricing power are struggling to translate revenue growth into earnings. The current environment favors companies with strong product portfolios, better supply-chain control, and broader customer coverage. As the sector moves from "theme-based" to "capability-based" financing, we expect further separation between platform leaders, component specialists, and application deployment companies, with each category valued on different metrics and milestones.

Figure 2: Asian Robotics share price over the past month



Source: Bloomberg Finance L.P., priced as of August 18, 2026.

	BBO Ticker	JPIM rating	Price LC	JPIM FPI	Updated Downside	Mkt Cap USD\$m	Adj. market cap USD\$m	Unlevered profit	PE (x)	EV/EBITDA	EPS Growth	ROE (%)	PS (x)	Revised growth (Y)				
									FY20E	FY21E	FY22E	FY20E	FY21E					
China																		
Leader Drive	188017 OH	OW	38.1	48.1	2%	10,363	793.7	16%	337.0	220.1	257%	53%	5.8	84	73.3	46.9	15%	10%
Estun	00747 OH	OW	40	50	20%	5,427	530.1	12%	31.9	94.6	32%	39%	0.9	11.4	5.8	5.0	21%	10%
Senkai Intelligent A	00749 OH	OW	40	60	20%	23,527	832.2	16%	36.0	30.0	17%	17%	4.2	4.8	47	41	11%	10%
Senkai Intelligent H	7598 HK	OW	28	47	30%	23,527	832.2	17%	71.6	61.6	17%	17%	4.2	4.8	38	33	10%	10%
Meituan	006808 OH	UW	51	48	44%	13,369	370.1	34%	19.9	27.9	-1%	11%	11.7	7.6	2.3	10%	2%	
Meituan	426 HK	OW	28	57	44%	42.45	95.5	1%	9.4	7.5	7%	24%	-2.3	10	10	0.9	11%	-9%
Zhongsheng Laser	002696 OH	NC	85	N/A	N/A	2,474	181.1	15%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Shenwan	004777 OH	NC	40	N/A	N/A	5.037	245.5	1%	23.3	19.8	17%	17%	13.4	13.9	3.3	2.9	9%	5%
Wing Lee Jayson	006198 OH	N	71	70	16%	4,623	154.5	13%	18.7	15.4	10%	2%	8.8	9.5	0.5	0.5	7%	4%
Wing Lee Jayson	60118 OH	N	68	121	7%	2,472	151.4	1%	40.0	34.7	19%	21%	83	26.0	10.8	9.0	73%	20%
Roboteam	4648 HK	OW	22	45	10%	1,342	95.1	1%	2.99	3.0	1%	1%	-2.4	9.5	3.7	2.3	10%	10%
Wohong Electric	798 HK	N	71	71	-1%	25.5	25.9	9%	12.7	10.4	N/A	N/A	19.5	7.4	87	87	N/A	4%
Wohong Electric	005683 OH	N	38	37	12%	8,773	324.2	13%	52.6	36.8	-13%	43%	9.6	15.9	3.8	3.3	-7%	3%
Orbtek	002693 OH	OW	115	150	20%	7,047	354.6	16%	149.5	77.3	N/A	148%	87	12.4	26.9	17.7	N/A	13%
Universal Robotics	9610 HK	OW	5	11	20%	5,552	132.1	16%	N/A	N/A	31%	43%	-24.6	-17.4	12	7.3	62%	33%
USBC Tools Group	980 HK	OW	91	118	20%	5,579	119.7	17%	N/A	91.6	32%	151%	47	30	10.4	6.5	39%	33%
Shenzhen Dobot	2432 HK	NC	28	N/A	N/A	1,338	11	27%	N/A	N/A	-40%	96%	4.7	6.7	12.5	8.8	100%	100%
Shenzhen Dobot	7598 HK	NC	11	N/A	N/A	1,784	12	14%	119.7	4.1	216%	41%	11.8	21	10.4	6.5	100%	100%
Xiang	006198 OH	OW	47	108	16%	11,545	119.0	16%	N/A	N/A	-140%	87%	-18.7	-2.9	8.9	0.6	70%	100%
Xiang	XFPX US	OW	12	27	16%	11,545	98.0	16%	N/A	N/A	-140%	87%	-18.7	-2.9	8.9	0.6	70%	100%
Average (Asia/China)									74.3	56.7	29%	30%	3.8	7.6	9.5	6.7	29%	32%
India																		
Hitachi	20441 TT	UW	368.0	160	57%	4,074	56.1	16%	37.4	57.3	37%	18%	52	60	49	47	9%	8%
Servot	3663 TT	OW	2,240.0	3,100	30%	15,373	218.1	16%	42.9	18.3	147%	87%	26.8	38.6	47	2.6	100%	100%
Servot	2621 TT	N	327.0	255	16%	2,186	18.7	20%	22.1	19.1	9%	9%	9.3	21.9	22	22	10%	10%
TML Robot	4683 TT	NC	296.00	N/A	N/A	979	4.8	7%	N/A	N/A	N/A	N/A						

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Overweight

9880.HK, 9880 HK

Price (18 Aug 26):HK\$94.80

▼ **Price Target (Jun-27):HK\$118.00**

Prior (Jun-27):HK\$161.00

Infrastructure, Industrials & Transport

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Key Changes (FYE Dec)

	Prev	Cur	Δ
EV/EBITDA - 27E	99.4	87.1	-12.3x

Style Exposure

Quant Factors	Current	Hist %Rank (1=Top)			
	%Rank	6M	1Y	3Y	5Y
Value	98	99	100	78	89
Growth	9	16	23	41	
Momentum	7	7	92		
Quality	97	98	98	100	
Low Vol	89	97	99		

UBTECH Robotics - H

Cutting PT

Cut PT to HK\$118. UBTECH's U1 launch strengthened the shipment and product-cycle narrative, but the debate now shifts from "can it launch?" to "can it deliver at scale, on time, with acceptable quality, after-sales economics and sustained demand?" We think this is a higher bar for incremental positive surprises. We use the FY27E P/S multiple at 8x vs. previously 11x, which aligns with the industry average of the HK/China listed humanoid/robotics trade. We believe the retreating industry multiple is justified given the limited positive catalysts ahead, providing fair risk-reward, particularly given the uncertainty regarding the impact of robot OEM IPOs in the pipeline.

Our PT cut mainly reflects (i) the fading scarcity premium as Unitree/AgiBot enter public markets, and (ii) a more event-driven tape where near-term catalysts are harder to underwrite. We are keeping our FY26-28E revenue and profit forecasts for UBTECH unchanged. We continue to believe UBTECH would gradually make progress in their industrial application roll-out, receiving repetitive orders from POC customers as their humanoid robot's accuracy and productivity improves. The delivery of pre-orders in commercial and household applications U1 from September would also provide further upside to FY26's shipment numbers.

Price Performance



	YTD	1m	3m	12m
Abs	-24.9%	10.6%	-16.2%	1.4%
Rel	-19.7%	6.7%	-14.5%	7.8%

Company Data

Shares O/S (mn)	455
52-week range (HK\$)	161.00-74.40
Market cap (\$ mn)	5,497
Exchange rate	7.84
Free float (%)	66.5%
3M ADV (mn)	9.40
3M ADV (\$ mn)	120.4
Volatility (90 Day)	68
Index	HSCEI
BBG ANR (Buy Hold Sell)	17 0 0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	2,001	4,004	6,369	10,752
Adj. EBITDA	(667)	(302)	359	1,335
Adj. EBIT	(718)	(404)	251	1,216
Adj. net income	(703)	(402)	204	1,057
Adj. EPS	(1.55)	(0.80)	0.41	2.10
BBG EPS	(2.08)	(0.63)	0.19	1.40
Cashflow from operations	(784)	(875)	(122)	506
FCFF	(882)	(997)	(272)	320
Margins and Growth				
Revenue Growth Y/Y (%)	53.3%	100.1%	59.1%	68.8%
EBITDA margin	(33.3%)	(7.5%)	5.6%	12.4%
EBITDA Growth Y/Y (%)	(37.6%)	(54.8%)	(218.9%)	272.1%
EBIT margin	(35.9%)	(10.1%)	3.9%	11.3%
Net margin	(35.1%)	(10.0%)	3.2%	9.8%
Adj. EPS growth	(42.0%)	(48.3%)	(150.7%)	418.4%
Ratios				
Adj. tax rate	(2.0%)	(2.0%)	2.0%	5.0%
Interest cover	17.0	10.0	NM	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	5.7	9.4	NM	NM
ROCE	(12.3%)	(5.1%)	3.1%	13.1%
ROE	(15.1%)	(5.7%)	2.9%	14.0%
Valuation				
FCFF yield	(2.4%)	(2.4%)	(0.7%)	0.8%
Dividend yield	-	-	-	-
EV/Revenue	15.6	7.8	4.9	2.9
EV/EBITDA	NM	NM	87.1	23.4
Adj. P/E	NM	NM	201.1	38.8

Summary Investment Thesis and Valuation

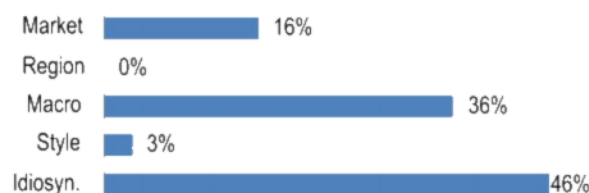
Investment Thesis

We have an Overweight rating on UBTech, a leading robotics company based in Shenzhen, China. As a strategic early mover in the humanoid robot industry, UBTech boasts a robust customer base, including over 10 clients in trial runs or with confirmed orders. Notable partners include industry giants such as BYD, Dongfeng Liuzhou Motor, Zeekr, Seres, Foxconn, and BAIC. The newly launched ultra-bionic humanoid robot targeting consumer and retail markets could provide further upside to the existing humanoid robot shipment consensus forecast. We are mindful that both the industry and UBTech itself have a short track record and limited commerciality at this stage, but we see these risks as increasingly mitigated by tangible progress in commercialization, customer adoption, and strong policy support amid the intensifying China-US race for humanoid robotics.

Valuation

Our Jun-2027 price target is HK\$118, based on a P/S methodology that reflects the industry's nascent stage and high growth potential, and corresponds to a FY27E forward P/S multiple of 8x, in line with the latest industry average.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.33	0.39
Region: Hong Kong	0.05	-0.01
Macro:		
Generic 1st 'CO' Future	-0.54	-0.46
Emerging Economies CPI(YoY)	0.54	0.42
Emerging Central Bank Rate	-0.53	-0.41
Quant Styles:		
Size	-0.31	-0.15
Momentum	-0.22	-0.10
Growth	-0.07	0.05

Investment Thesis, Valuation and Risks

UBTECH Robotics - H (*Overweight; Price Target: HK\$118.00*)

Investment Thesis

We have an Overweight rating on UBTECH, a leading robotics company based in Shenzhen, China. As a strategic early mover in the humanoid robot industry, UBTECH boasts a robust customer base, including over 10 clients in trial runs or with confirmed orders. Notable partners include industry giants such as BYD, Dongfeng Liuzhou Motor, Zeekr, Seres, Foxconn, and BAIC. The newly launched ultra-bionic humanoid robot targeting consumer and retail markets could provide further upside to the existing humanoid robot shipment consensus forecast. We are mindful that both the industry and UBTECH itself have a short track record and limited commerciality at this stage, but we see these risks as increasingly mitigated by tangible progress in commercialization, customer adoption, and strong policy support amid the intensifying China-US race for humanoid robotics.

Valuation

Our Jun-2027 price target is HK\$118, based on a P/S methodology that reflects the industry's nascent stage and high growth potential, and corresponds to a FY27E forward P/S multiple of 8x, in line with the latest industry average.

Risks to Rating and Price Target

Downside risks to our rating and price target include: 1) Lower-than-expected trial run progress with auto OEMs including BYD; 2) Slower-than-expected humanoid robot industry development; 3) Intensifying market competition; 4) Slower-than-expected sales growth delivery.

UBTECH Robotics - H: Summary of Financials

Income Statement						Cash Flow Statement					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	1,305	2,001	4,004	6,369	10,752	Cash flow from operating activities	(884)	(784)	(875)	(122)	506
COGS	(931)	(1,247)	(2,229)	(3,410)	(5,601)	o/w Depreciation & amortization	81	51	102	108	118
Gross profit	-	-	-	-	-	o/w Changes in working capital	(233)	(418)	(564)	(485)	(766)
SG&A	(894)	(807)	(1,094)	(1,294)	(1,969)	Cash flow from investing activities	(276)	(661)	(109)	(137)	(167)
Adj. EBITDA	(1,069)	(667)	(302)	359	1,335	o/w Capital expenditure	(227)	(409)	(142)	(169)	(204)
D&A	(81)	(51)	(102)	(108)	(118)	as % of sales	17.4%	20.4%	3.5%	2.7%	1.9%
Adj. EBIT	(1,149)	(718)	(404)	251	1,216	Cash flow from financing activities	1,826	5,184	(125)	204	203
Net Interest	(11)	39	30	29	33	o/w Dividends paid	0	0	0	0	0
Adj. PBT	(1,149)	(775)	(443)	225	1,250	o/w Shares issued/(repurchased)	1,866	5,882	0	0	0
Tax	(11)	(15)	(9)	4	(62)	o/w Net debt issued/(repaid)	83	(411)	(123)	207	207
Minority Interest	36	87	50	(25)	(130)	Net change in cash	670	3,697	(1,109)	(55)	543
Adj. Net Income	(1,124)	(703)	(402)	204	1,057	Adj. Free cash flow to firm	(974)	(882)	(997)	(272)	320
Reported EPS	(2.67)	(1.55)	(0.80)	0.41	2.10	y/y Growth	(11.2%)	(9.5%)	13.0%	(72.7%)	(217.5%)
Adj. EPS	(2.67)	(1.55)	(0.80)	0.41	2.10						
DPS	-	-	-	-	-						
Payout ratio	-	-	-	-	-						
Shares outstanding	421	455	503	503	503						
Balance Sheet						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	1,191	4,888	3,779	3,724	4,267	Gross margin	-	-	-	-	-
Accounts receivable	1,095	1,596	3,083	4,730	7,690	EBITDA margin	(81.9%)	(33.3%)	(7.5%)	5.6%	12.4%
Inventories	461	577	969	1,389	2,129	EBIT margin	(88.1%)	(35.9%)	(10.1%)	3.9%	11.3%
Other current assets	160	217	217	217	217	Net profit margin	(86.1%)	(35.1%)	(10.0%)	3.2%	9.8%
Current assets	2,906	7,277	8,049	10,060	14,303	ROE	(55.2%)	(15.1%)	(5.7%)	2.9%	14.0%
PP&E	139	242	309	393	499	ROA	(22.7%)	(9.1%)	(3.8%)	1.7%	7.0%
LT investments	50	67	67	67	67	ROCE	(33.1%)	(12.3%)	(5.1%)	3.1%	13.1%
Other non current assets	2,039	2,655	2,558	2,480	2,459	SG&A/Sales	68.5%	40.3%	27.3%	20.3%	18.3%
Total assets	5,134	10,241	10,983	13,000	17,328	Net debt/Equity	0.1	NM	NM	NM	NM
Short term borrowings	793	623	293	293	293	Net debt/EBITDA	NM	5.7	9.4	NM	NM
Payables	1,146	1,524	2,724	4,168	6,846	Sales/Assets (x)	0.3	0.3	0.4	0.5	0.7
Other short term liabilities	153	245	336	444	643	Assets/Equity (x)	2.4	1.6	1.5	1.7	2.0
Current liabilities	2,093	2,392	3,353	4,905	7,782	Interest cover (x)	NM	17.0	10.0	NM	NM
Long-term debt	709	439	646	853	1,060	Operating leverage	(23.9%)	(70.5%)	(43.6%)	(274.4%)	560.0%
Other long term liabilities	85	84	109	139	195	Tax rate	(0.9%)	(2.0%)	(2.0%)	2.0%	5.0%
Total liabilities	2,886	2,915	4,109	5,897	9,037	Revenue y/y Growth	23.6%	53.3%	100.1%	59.1%	68.8%
Shareholders' equity	2,112	7,218	6,816	7,020	8,077	EBITDA y/y Growth	(7.3%)	(37.6%)	(54.8%)	(218.9%)	272.1%
Minority interests	136	108	58	83	213	EPS y/y Growth	(12.4%)	(42.0%)	(48.3%)	(150.7%)	418.4%
Total liabilities & equity	5,134	10,241	10,983	13,000	17,328	Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
BVPS	-	-	-	-	-	P/E (x)	NM	NM	NM	201.1	38.8
y/y Growth	-	-	-	-	-	P/BV (x)	-	-	-	-	-
Net debt/(cash)	311	(3,826)	(2,840)	(2,578)	(2,914)	EV/EBITDA (x)	NM	NM	NM	87.1	23.4
						Dividend Yield	-	-	-	-	-

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

Overweight

002747.SZ, 002747 CH
Price (18 Aug 26):Rmb40.04
Price Target (Jun-27):Rmb50.00

Infrastructure, Industrials & Transport

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J.P. Morgan Securities (Asia Pacific) Limited/ J.P.
Morgan Broking (Hong Kong) Limited

Style Exposure

Quant Factors	Current	Hist %Rank (1=Top)			
	%Rank	6M	1Y	3Y	5Y
Value	97	99	99	95	96
Growth	59	89	83	15	15
Momentum	14	56	85	47	18
Quality	85	98	98	65	68
Low Vol	78	68	81	76	84

Estun Automation - A

Maintain OW

Estun has also benefited from being among the few listed humanoid/robotics proxies, but we keep OW on intact fundamentals and strategic positioning given their rooted strength in industrial application know-how accumulated from industrial robot business.

Price Performance



Company Data

Shares O/S (mn)	968
52-week range (Rmb)	49.00-19.21
Market cap (\$ mn)	5,749
Exchange rate	6.74
Free float (%)	56.5%
3M ADV (mn)	96.21
3M ADV (\$ mn)	500.1
Volatility (90 Day)	79
Index	SZBSHR
BBG ANR (Buy Hold Sell)	5 6 7

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	4,888	5,893	6,814	7,692
Adj. EBITDA	430	599	720	866
Adj. EBIT	234	427	553	702
Adj. net income	45	294	409	544
Adj. EPS	0.05	0.30	0.42	0.56
BBG EPS	0.06	0.27	0.35	0.45
Cashflow from operations	507	599	630	797
FCFF	259	498	532	698
Margins and Growth				
Revenue Growth Y/Y (%)	21.9%	20.6%	15.6%	12.9%
EBITDA margin	8.8%	10.2%	10.6%	11.3%
EBITDA Growth Y/Y (%)	(201.9%)	39.3%	20.2%	20.4%
EBIT margin	4.8%	7.2%	8.1%	9.1%
Net margin	0.9%	5.0%	6.0%	7.1%
Adj. EPS growth	(105.4%)	507.3%	39.3%	32.8%
Ratios				
Adj. tax rate	41.5%	8.0%	15.0%	15.0%
Interest cover	3.0	5.9	10.7	15.2
Net debt/Equity	1.3	0.3	0.2	0.1
Net debt/EBITDA	6.3	1.9	1.1	0.3
ROCE	2.4%	7.0%	8.2%	10.0%
ROE	2.4%	10.9%	11.4%	13.7%
Valuation				
FCFF yield	0.7%	1.3%	1.4%	1.8%
Dividend yield	0.0%	0.2%	0.2%	0.3%
EV/Revenue	7.4	6.1	5.3	4.7
EV/EBITDA	83.8	60.2	50.1	41.6
Adj. P/E	800.8	131.9	94.6	71.3

Summary Investment Thesis and Valuation

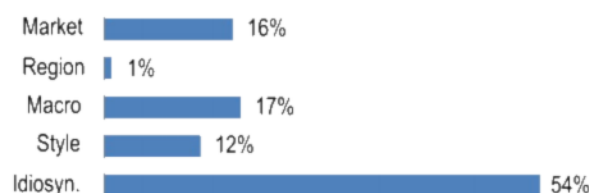
Investment Thesis

Estun, a leading domestic provider of servo systems and industrial robots in China, sets itself apart from its domestic robot-making peers through a highly integrated business model. This model enables Estun to produce in-house most of the key components required for industrial robots, including CNC systems, motion controllers, servos, robot visions, and smaller-sized reducers. Additionally, Estun is expanding into the humanoid robot sector through its sister company, Estun Codroid, further enhancing its product portfolio and growth prospects. With improved policy support for the factory automation (FA) sector and the company's strategic focus on innovation and market expansion, we maintain our Overweight rating.

Valuation

Our Jun-27 PT of Rmb50 is based on a FY27E P/E multiple of 120x, which is roughly aligned with the average through the past cycle of 125x.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.32	0.40
Region: China	0.06	0.09
Macro:		
Emerging Economies CPI(YoY)	0.42	0.39
JPM China A-shares Sentiment	0.49	0.30
Generic 1st 'CO' Future	-0.24	-0.21
Quant Styles:		
Value	-0.26	-0.26
DivYld	-0.23	-0.26
Growth	0.20	0.23

Investment Thesis, Valuation and Risks

Estun Automation - A *(Overweight: Price Target: Rmb50.00)*

Investment Thesis

Estun, a leading domestic provider of servo systems and industrial robots in China, sets itself apart from its domestic robot-making peers through a highly integrated business model. This model enables Estun to produce in-house most of the key components required for industrial robots, including CNC systems, motion controllers, servos, robot visions, and smaller-sized reducers. Additionally, Estun is expanding into the humanoid robot sector through its sister company, Estun Codroid, further enhancing its product portfolio and growth prospects. With improved policy support for the factory automation (FA) sector and the company's strategic focus on innovation and market expansion, we maintain our Overweight rating.

Valuation

Our Jun-27 PT of Rmb50 is based on a FY27E P/E multiple of 120x, which is roughly aligned with the average through the past cycle of 125x.

Risks to Rating and Price Target

Downside risks to our rating and price target include: 1) worse-than-expected supply chain management and margin performance; 2) worse-than-expected sales growth; and 3) shorter-than-expected industrial robot upcycle.

Estun Automation - A: Summary of Financials

Income Statement						Cash Flow Statement					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	4,009	4,888	5,893	6,814	7,692	Cash flow from operating activities	(74)	507	599	630	797
COGS	(2,823)	(3,448)	(4,070)	(4,673)	(5,238)	o/w Depreciation & amortization	199	196	172	166	164
Gross profit	1,185	1,440	1,823	2,141	2,454	o/w Changes in working capital	(82)	121	26	(17)	27
SG&A	(1,416)	(1,278)	(1,447)	(1,632)	(1,804)	Cash flow from investing activities	(192)	157	(97)	(95)	(88)
Adj. EBITDA	(422)	430	599	720	866	o/w Capital expenditure	(343)	(312)	(110)	(110)	(110)
D&A	(199)	(196)	(172)	(166)	(164)	as % of sales	8.5%	6.4%	1.9%	1.6%	1.4%
Adj. EBIT	(621)	234	427	553	702	Cash flow from financing activities	289	(990)	(340)	(365)	(188)
Net Interest	(112)	(143)	(101)	(68)	(57)	o/w Dividends paid	(198)	(134)	(59)	(82)	(109)
Adj. PBT	(775)	77	322	486	645	o/w Shares issued/(repurchased)	41	69	1,242	0	0
Tax	(42)	(32)	(26)	(73)	(97)	o/w Net debt issued/(repaid)	469	(881)	(1,409)	(200)	0
Minority Interest	7	(0)	(3)	(3)	(5)	Net change in cash	(15)	(305)	161	170	521
Adj. Net Income	(810)	45	294	409	544	Adj. Free cash flow to firm	(423)	259	498	532	698
Reported EPS	(0.93)	0.05	0.30	0.42	0.56	y/y Growth	16.5%	(161.1%)	92.3%	6.8%	31.3%
Adj. EPS	(0.93)	0.05	0.30	0.42	0.56						
DPS	0.00	0.00	0.06	0.08	0.11						
Payout ratio	0.0%	0.0%	20.0%	20.0%	20.0%						
Shares outstanding	871	899	968	968	968						
Balance Sheet						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	1,197	896	1,057	1,227	1,748	Gross margin	29.6%	29.5%	30.9%	31.4%	31.9%
Accounts receivable	1,956	2,039	2,297	2,563	2,788	EBITDA margin	(10.5%)	8.8%	10.2%	10.6%	11.3%
Inventories	1,721	1,478	1,633	1,810	1,957	EBIT margin	(15.5%)	4.8%	7.2%	8.1%	9.1%
Other current assets	1,189	913	922	931	939	Net profit margin	(20.2%)	0.9%	5.0%	6.0%	7.1%
Current assets	6,064	5,326	5,910	6,531	7,432	ROE	(36.1%)	2.4%	10.9%	11.4%	13.7%
PP&E	1,435	1,471	1,563	1,653	1,740	ROA	(8.0%)	0.5%	3.0%	4.0%	5.0%
LT investments	0	0	0	0	0	ROCE	(10.4%)	2.4%	7.0%	8.2%	10.0%
Other non current assets	2,642	2,618	2,462	2,316	2,175	SG&A/Sales	35.3%	26.1%	24.5%	23.9%	23.4%
Total assets	10,141	9,415	9,934	10,500	11,347	Net debt/Equity	1.6	1.3	0.3	0.2	0.1
Short term borrowings	2,949	2,393	1,459	1,326	1,326	Net debt/EBITDA	NM	6.3	1.9	1.1	0.3
Payables	2,208	1,900	2,243	2,575	2,886	Sales/Assets (x)	0.4	0.5	0.6	0.7	0.7
Other short term liabilities	855	914	1,020	1,122	1,218	Assets/Equity (x)	4.51	5.22	3.58	2.84	2.74
Current liabilities	6,012	5,207	4,721	5,023	5,430	Interest cover (x)	NM	3.0	5.9	10.7	15.2
Long-term debt	1,353	1,216	741	674	674	Operating leverage	2162.7%	(627.9%)	399.9%	189.3%	208.9%
Other long term liabilities	882	973	973	973	973	Tax rate	(5.4%)	41.5%	8.0%	15.0%	15.0%
Total liabilities	8,248	7,396	6,436	6,670	7,077	Revenue y/y Growth	(13.8%)	21.9%	20.6%	15.6%	12.9%
Shareholders' equity	1,789	1,961	3,439	3,766	4,201	EBITDA y/y Growth	(191.1%)	(201.9%)	39.3%	20.2%	20.4%
Minority interests	104	58	60	64	68	EPS y/y Growth	(681.3%)	(105.4%)	507.3%	39.3%	32.8%
Total liabilities & equity	10,141	9,415	9,934	10,500	11,347						
BVPS	2.06	2.25	3.55	3.89	4.34	Valuation					
y/y Growth	(33.9%)	9.5%	57.8%	9.5%	11.6%		FY24A	FY25A	FY26E	FY27E	FY28E
Net debt/(cash)	3,106	2,714	1,143	773	252	P/E (x)	NM	800.8	131.9	94.6	71.3
						P/BV (x)	19.5	17.8	11.3	10.3	9.2
						EV/EBITDA (x)	NM	83.8	60.2	50.1	41.6
						Dividend Yield	0.0%	0.0%	0.2%	0.2%	0.3%

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

Overweight

688017.SS, 688017.CH

Price (18 Aug 26):Rmb380.80

Price Target (Jun-27):Rmb481.00

Infrastructure, Industrials & Transport

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J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

Style Exposure

Quant Factors	Current	Hist %Rank (1=Top)			
	%Rank	6M	1Y	3Y	5Y
Value	83	91	93	91	84
Growth	8	7	20	25	17
Momentum	6	12	76	70	84
Quality	80	77	86	80	64
Low Vol	97	96	96	95	97

Leader Harmonious Drive System Co.

Maintain OW

We prefer component plays at this stage, notably Leader Drive and Orbbec, while maintaining OW on Hengli Hydraulic, Sanhua Intelligent, UBTech and Estun Automation. The practical portfolio construction logic is that component champions typically have cleaner exposure to OEM production ambitions without requiring investors to underwrite single-platform adoption risk, after-sales cost curves, or consumer demand uncertainty. Reducers and “eyes” content are rising as robots expand task sets and move toward higher autonomy, while qualified capacity is still scarce in early ramps. At the same time, we keep OW on Hengli and Sanhua given their strong positioning in precision manufacturing and the expanding robotics/thermal/mechatronics adjacency sets that matter as volumes grow.

Price Performance



	YTD	1m	3m	12m
Abs	98.2%	16.8%	17.9%	158.2%
Rel	97.7%	10.8%	21.4%	151.2%

Company Data

Shares O/S (mn)	169
52-week range (Rmb)	495.66-139.62
Market cap (\$ mn)	9,534
Exchange rate	6.74
Free float (%)	60.5%
3M ADV (mn)	14.69
3M ADV (\$ mn)	797.2
Volatility (90 Day)	100
Index	SSE
BBG ANR (Buy Hold Sell)	17 3 2

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	571	953	1,398	1,951
Adj. EBITDA	206	323	554	791
Adj. EBIT	146	262	409	590
Adj. net income	124	208	317	460
Adj. EPS	0.69	1.13	1.73	2.51
BBG EPS	0.67	1.06	1.59	2.32
Cashflow from operations	152	121	395	673
FCFF	52	(892)	(259)	218
Margins and Growth				
Revenue Growth Y/Y (%)	47.3%	67.0%	46.7%	39.5%
EBITDA margin	36.0%	33.9%	39.6%	40.5%
EBITDA Growth Y/Y (%)	76.8%	57.0%	71.4%	42.8%
EBIT margin	25.6%	27.5%	29.2%	30.2%
Net margin	21.8%	21.8%	22.7%	23.6%
Adj. EPS growth	108.0%	63.8%	52.7%	44.7%
Ratios				
Adj. tax rate	12.8%	12.8%	12.8%	12.8%
Interest cover	119.1	13.8	12.4	12.5
Net debt/Equity	NM	0.1	0.1	0.1
Net debt/EBITDA	NM	0.6	1.0	0.6
ROCE	3.6%	6.0%	8.0%	10.1%
ROE	3.6%	5.8%	8.4%	11.3%
Valuation				
FCFF yield	0.1%	(1.3%)	(0.4%)	0.3%
Dividend yield	0.1%	0.1%	0.1%	0.2%
EV/Revenue	112.0	68.1	46.7	33.4
EV/EBITDA	310.8	200.8	117.8	82.4
Adj. P/E	550.1	335.8	219.9	151.9

Summary Investment Thesis and Valuation

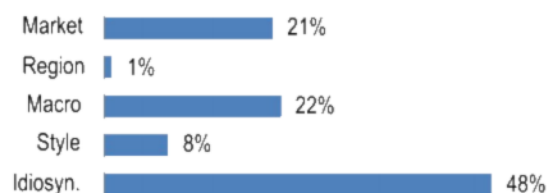
Investment Thesis

We have an OW rating on Leader Drive, the leading harmonic drive supplier, as we believe the company is well positioned to benefit from improving visibility for the humanoid robot industry's take-off along the robotics hardware supply chain.

Valuation

We value Leader Drive using a discounted cash flow (DCF) valuation. Our Jun-27 PT of Rmb481 corresponds to an FY27E P/E multiple of 222x. Our valuation assumes a WACC of 8.7% and a terminal growth rate of 6.5%.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.41	0.46
Region: China	0.08	0.11
Macro:		
Emerging Economies CPI(YoY)	0.38	0.36
US 10 Year Yield	0.34	0.33
Generic 1st 'CO' Future	-0.37	-0.32
Quant Styles:		
Value	-0.21	-0.23
DivYld	-0.19	-0.22
Growth	0.19	0.22

Investment Thesis, Valuation and Risks

Leader Harmonious Drive System Co. (*Overweight; Price Target: Rmb481.00*)

Investment Thesis

We have an OW rating on Leader Drive, the leading harmonic drive supplier, as we believe the company is well positioned to benefit from improving visibility for the humanoid robot industry's take-off along the robotics hardware supply chain.

Valuation

We value Leader Drive using a discounted cash flow (DCF) valuation. Our Jun-27 PT of Rmb481 corresponds to an FY27E P/E multiple of 222x. Our valuation assumes a WACC of 8.7% and a terminal growth rate of 6.5%.

Risks to Rating and Price Target

Downside risks to our rating and price target include: 1) weaker-than-expected quarterly sales growth delivery in the coming 12 months; 2) rising competition and higher-than-expected pricing pressure from downstream robot suppliers; and 3) slower-than-expected humanoid robot commercialization.

Leader Harmonious Drive System Co.: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E	Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	387	571	953	1,398	1,951	Cash flow from operating activities	28	152	121	395	673
COGS	(242)	(360)	(600)	(879)	(1,225)	o/w Depreciation & amortization	56	60	61	145	201
Gross profit	145	211	353	520	726	o/w Changes in working capital	(104)	(17)	(148)	(67)	12
SG&A	(39)	(43)	(63)	(87)	(113)	Cash flow from investing activities	(312)	(762)	(1,012)	(654)	(455)
Adj. EBITDA	116	206	323	554	791	o/w Capital expenditure	(32)	(100)	(1,012)	(654)	(455)
D&A	(56)	(60)	(61)	(145)	(201)	as % of sales	8.4%	17.5%	106.2%	46.7%	23.3%
Adj. EBIT	60	146	262	409	590	Cash flow from financing activities	840	(168)	386	307	222
Net Interest	0	(2)	(23)	(45)	(63)	o/w Dividends paid	(63)	(22)	(64)	(98)	(142)
Adj. PBT	61	144	238	364	527	o/w Shares issued/(repurchased)	1,417	5	0	0	0
Tax	(5)	(18)	(30)	(47)	(67)	o/w Net debt issued/(repaid)	(505)	(148)	450	405	364
Minority Interest	0	(1)	0	0	0	Net change in cash	556	(779)	(506)	48	440
Adj. Net Income	56	124	208	317	460	Adj. Free cash flow to firm	(4)	52	(892)	(259)	218
Reported EPS	0.33	0.69	1.13	1.73	2.51	y/y Growth	(106.1%)	(1273.0%)	(1806.1%)	(71.0%)	(184.2%)
Adj. EPS	0.33	0.69	1.13	1.73	2.51						
DPS	0.11	0.21	0.35	0.54	0.78						
Payout ratio	32.6%	30.3%	31.0%	31.0%	31.0%						
Shares outstanding	169	180	183	183	183						
Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E	Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	1,525	746	240	288	728	Gross margin	37.5%	36.9%	37.0%	37.2%	37.2%
Accounts receivable	200	255	398	514	620	EBITDA margin	30.0%	36.0%	33.9%	39.6%	40.5%
Inventories	246	285	415	520	602	EBIT margin	15.6%	25.6%	27.5%	29.2%	30.2%
Other current assets	235	1,305	1,305	1,305	1,305	Net profit margin	14.5%	21.8%	21.8%	22.7%	23.6%
Current assets	2,205	2,592	2,358	2,627	3,255	ROE	2.1%	3.6%	5.8%	8.4%	11.3%
PP&E	405	426	1,388	1,929	2,572	ROA	1.7%	3.2%	4.8%	6.3%	7.8%
LT investments	-	-	-	-	-	ROCE	1.8%	3.6%	6.0%	8.0%	10.1%
Other non current assets	1,146	911	901	868	479	SG&A/Sales	10.0%	7.5%	6.6%	6.2%	5.8%
Total assets	3,755	3,929	4,647	5,424	6,306	Net debt/Equity	NM	NM	0.1	0.1	0.1
						Net debt/EBITDA	NM	NM	0.6	1.0	0.6
Short term borrowings	109	0	450	855	1,220	Sales/Assets (x)	0.1	0.1	0.2	0.3	0.3
Payables	67	168	292	446	646	Assets/Equity (x)	1.2	1.1	1.2	1.3	1.4
Other short term liabilities	51	102	102	102	102	Interest cover (x)	NM	119.1	13.8	12.4	12.5
Current liabilities	228	271	845	1,403	1,968	Operating leverage	(132.7%)	298.9%	118.2%	120.4%	112.1%
Long-term debt	-	-	-	-	-	Tax rate	8.2%	12.8%	12.8%	12.8%	12.8%
Other long term liabilities	97	115	115	115	115	Revenue y/y Growth	8.8%	47.3%	67.0%	46.7%	39.5%
Total liabilities	325	386	960	1,518	2,083	EBITDA y/y Growth	0.5%	76.8%	57.0%	71.4%	42.8%
Shareholders' equity	3,425	3,537	3,680	3,900	4,217	EPS y/y Growth	(33.3%)	108.0%	63.8%	52.7%	44.7%
Minority interests	5	6	6	6	6	Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
Total liabilities & equity	3,755	3,929	4,647	5,424	6,306	P/E (x)	1,143.8	550.1	335.8	219.9	151.9
BVPS	20.30	19.29	20.08	21.27	23.00	P/BV (x)	18.8	19.7	19.0	17.9	16.6
y/y Growth	70.1%	(4.9%)	4.1%	6.0%	8.1%	EV/EBITDA (x)	543.8	310.8	200.8	117.8	82.4
						Dividend Yield	0.0%	0.1%	0.1%	0.1%	0.2%
Net debt/(cash)	(1,415)	(746)	210	567	491						

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

Overweight

002050.SZ, 002050 CH

Price (18 Aug 26):Rmb39.60

Price Target (Jun-27):Rmb60.00

Infrastructure, Industrials & Transport

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Style Exposure

Quant Factors	Current	Hist %Rank (1=Top)			
	%Rank	6M	1Y	3Y	5Y
Value	90	94	89	89	88
Growth	45	49	31	34	62
Momentum	43	12	53	27	73
Quality	33	35	24	19	42
Low Vol	79	83	73	81	53
ESGQ	27	12	91	-	88

Zhejiang Sanhua Intelligent Controls - A

Maintain OW

We prefer component plays at this stage, notably Leader Drive and Orbbec, while maintaining OW on Hengli Hydraulic, Sanhua Intelligent, UBTech and Estun Automation. The practical portfolio construction logic is that component champions typically have cleaner exposure to OEM production ambitions without requiring investors to underwrite single-platform adoption risk, after-sales cost curves, or consumer demand uncertainty. Reducers and “eyes” content are rising as robots expand task sets and move toward higher autonomy, while qualified capacity is still scarce in early ramps. At the same time, we keep OW on Hengli and Sanhua given their strong positioning in precision manufacturing and the expanding robotics/thermal/mechatronics adjacency sets that matter as volumes grow.

Price Performance



	YTD	1m	3m	12m
Abs	-28.4%	-0.4%	-25.2%	36.9%
Rel	-20.0%	-4.7%	-22.4%	44.0%

Company Data

Shares O/S (mn)	4,200
52-week range (Rmb)	60.77-28.30
Market cap (\$ mn)	24,672
Exchange rate	6.74
Free float (%)	55.6%
3M ADV (mn)	120.17
3M ADV (\$ mn)	812.7
Volatility (90 Day)	52
Index	MXCNX
BBG ANR (Buy Hold Sell)	23 10 3

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	31,012	34,274	38,701	43,006
Adj. EBITDA	6,097	6,658	7,736	8,787
Adj. EBIT	4,945	5,401	6,338	7,217
Adj. net income	4,063	4,745	5,549	6,333
Adj. EPS	0.97	1.13	1.32	1.51
BBG EPS	1.02	1.10	1.28	1.48
Cashflow from operations	5,091	4,988	5,564	6,710
FCFF	1,938	1,486	2,445	4,084
Margins and Growth				
Revenue Growth Y/Y (%)	11.0%	10.5%	12.9%	11.1%
EBITDA margin	19.7%	19.4%	20.0%	20.4%
EBITDA Growth Y/Y (%)	30.4%	9.2%	16.2%	13.6%
EBIT margin	15.9%	15.8%	16.4%	16.8%
Net margin	13.1%	13.8%	14.3%	14.7%
Adj. EPS growth	16.5%	16.8%	16.9%	14.1%
Ratios				
Adj. tax rate	15.2%	15.2%	15.2%	15.2%
Interest cover	NM	NM	NM	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROCE	14.2%	12.4%	13.5%	14.0%
ROE	15.9%	14.2%	14.8%	15.1%
Valuation				
FCFF yield	1.2%	0.9%	1.5%	2.5%
Dividend yield	0.7%	0.8%	1.0%	1.1%
EV/Revenue	5.4	4.9	4.3	3.8
EV/EBITDA	27.6	25.2	21.5	18.6
Adj. P/E	40.9	35.0	30.0	26.3

Summary Investment Thesis and Valuation

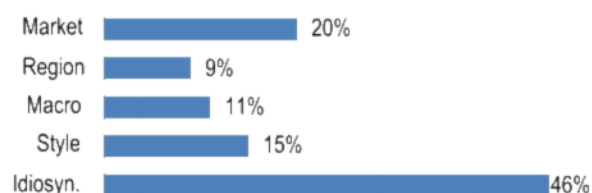
Investment Thesis

Our investment case is based on: (1) the Refrigeration Components business being poised to remain resilient on the back of extended policy support and an increasing contribution from AIDC cooling system demand; (2) Sanhua's auto parts business growth with a diversified customer portfolio; and (3) our increased confidence in the company's strategic positioning within the humanoid robot development landscape. We rate the stock OW.

Valuation

We value Sanhua-A using a discounted cash flow (DCF) valuation methodology. Key valuation assumptions behind our Jun-27 PT of Rmb60 include a WACC of 7.8% (based on Rf = 2.2% - aligned with the latest China 10-year bond yield, an equity risk premium of 6.8% and a beta of 1.0x), cost of debt at ~4%, target debt-to-capital of 20%, and a terminal growth rate of 4.0%.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.45	0.45
Region: China	0.27	0.34
Macro:		
Emerging Central Bank Rate	-0.35	-0.33
Generic 1st 'CO' Future	-0.45	-0.33
Emerging Economies CPI(YoY)	0.41	0.26
Quant Styles:		
Size	-0.50	-0.23
Value	-0.06	-0.22
DivYld	0.01	-0.18

Investment Thesis, Valuation and Risks

Zhejiang Sanhua Intelligent Controls - A (*Overweight; Price Target: Rmb60.00*)

Investment Thesis

Our investment case is based on: (1) the Refrigeration Components business being poised to stay resilient on the back of extended policy support and an increasing contribution from AIDC cooling system demand; (2) Sanhua's auto parts business growth with a diversified customer portfolio; and (3) our increased confidence in the company's strategic positioning within the humanoid robot development landscape. We rate the stock OW.

Valuation

We value Sanhua-A using a discounted cash flow (DCF) valuation methodology. Key valuation assumptions behind our Jun-27 PT of Rmb60 include a WACC of 7.8% (based on $R_f = 2.2\%$ - aligned with the latest China 10-year bond yield, an equity risk premium of 6.8% and a beta of 1.0x), cost of debt at ~4%, target debt-to-capital of 20%, and a terminal growth rate of 4.0%.

Risks to Rating and Price Target

Downside risks to our rating and price target include: 1) Lower-than-expected global EV demand, which could put Sanhua's auto parts business at risk and be a catalyst for a potential de-rating of the stock; 2) Greater-than-expected industry competition in the auto segment, which could lead to market share losses for the company; 3) A challenging global macro environment, which could put the refrigeration components business under pressure; and 4) Slower-than-expected humanoid robot business development.

Zhejiang Sanhua Intelligent Controls - A: Summary of Financials

Income Statement						Cash Flow Statement					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	27,947	31,012	34,274	38,701	43,006	Cash flow from operating activities	4,367	5,091	4,988	5,564	6,710
COGS	(20,270)	(22,087)	(24,451)	(27,456)	(30,354)	o/w Depreciation & amortization	1,029	1,257	1,196	1,336	1,508
Gross profit	7,677	8,924	9,823	11,245	12,653	o/w Changes in working capital	(109)	(596)	(997)	(1,364)	(1,175)
SG&A	(2,665)	(2,836)	(3,134)	(3,462)	(3,804)	Cash flow from investing activities	(3,512)	(3,793)	(3,323)	(2,939)	(2,446)
Adj. EBITDA	4,677	6,097	6,658	7,736	8,787	o/w Capital expenditure	(3,290)	(3,152)	(3,502)	(3,119)	(2,626)
D&A	(1,029)	(1,152)	(1,258)	(1,398)	(1,570)	as % of sales	11.8%	10.2%	10.2%	8.1%	6.1%
Adj. EBIT	3,648	4,945	5,401	6,338	7,217	Cash flow from financing activities	(955)	7,802	(2,275)	(2,068)	(2,045)
Net Interest	(31)	117	248	258	304	o/w Dividends paid	(1,445)	(1,088)	(1,176)	(1,373)	(1,606)
Adj. PBT	3,692	4,844	5,649	6,596	7,521	o/w Shares issued/(repurchased)	337	9,734	0	0	0
Tax	(580)	(737)	(860)	(1,004)	(1,144)	o/w Net debt issued/(repaid)	516	(392)	(1,100)	(695)	(439)
Minority Interest	(13)	(44)	(44)	(44)	(44)	Net change in cash	(181)	9,044	(610)	557	2,218
Adj. Net Income	3,099	4,063	4,745	5,549	6,333	Adj. Free cash flow to firm	1,076	1,938	1,486	2,445	4,084
Reported EPS	0.83	0.97	1.13	1.32	1.51	y/y Growth	10.0%	80.1%	(23.4%)	64.6%	67.0%
Adj. EPS	0.83	0.97	1.13	1.32	1.51						
DPS	0.25	0.28	0.33	0.38	0.44						
Payout ratio	30.1%	28.9%	28.9%	28.9%	28.9%						
Shares outstanding	3,731	4,200	4,200	4,200	4,200						
Balance Sheet						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	5,249	14,912	14,302	14,858	17,077	Gross margin	27.5%	28.8%	28.7%	29.1%	29.4%
Accounts receivable	9,628	10,993	12,321	14,106	15,804	EBITDA margin	16.7%	19.7%	19.4%	20.0%	20.4%
Inventories	5,280	5,640	6,366	7,285	8,054	EBIT margin	13.1%	15.9%	15.8%	16.4%	16.8%
Other current assets	2,144	2,178	2,211	2,257	2,302	Net profit margin	11.1%	13.1%	13.8%	14.3%	14.7%
Current assets	22,301	33,723	35,200	38,507	43,237	ROE	16.7%	15.9%	14.2%	14.8%	15.1%
PP&E	9,794	11,673	12,495	13,656	14,978	ROA	9.1%	9.5%	9.3%	10.0%	10.4%
LT investments	-	-	-	-	-	ROCE	13.6%	14.2%	12.4%	13.5%	14.0%
Other non current assets	4,259	4,010	5,316	5,758	5,374	SG&A/Sales	9.5%	9.1%	9.1%	8.9%	8.8%
Total assets	36,355	49,406	53,010	57,921	63,589	Net debt/Equity	NM	NM	NM	NM	NM
Short term borrowings	2,144	2,983	1,154	862	677	Net debt/EBITDA	NM	NM	NM	NM	NM
Payables	9,777	10,189	11,280	12,666	14,003	Sales/Assets (x)	0.8	0.7	0.7	0.7	0.7
Other short term liabilities	1,712	2,193	2,193	2,193	2,193	Assets/Equity (x)	1.83	1.68	1.53	1.48	1.45
Current liabilities	13,633	15,365	14,626	15,720	16,873	Interest cover (x)	149.7	NM	NM	NM	NM
Long-term debt	2,046	863	1,593	1,190	935	Operating leverage	34.8%	324.3%	87.6%	134.4%	124.7%
Other long term liabilities	1,156	1,138	1,138	1,138	1,138	Tax rate	15.7%	15.2%	15.2%	15.2%	15.2%
Total liabilities	16,835	17,366	17,357	18,048	18,946	Revenue y/y Growth	13.8%	11.0%	10.5%	12.9%	11.1%
Shareholders' equity	19,298	31,749	35,318	39,494	44,221	EBITDA y/y Growth	10.7%	30.4%	9.2%	16.2%	13.6%
Minority interests	222	291	335	379	423	EPS y/y Growth	2.5%	16.5%	16.8%	16.9%	14.1%
Total liabilities & equity	36,355	49,406	53,010	57,921	63,589						
BVPS	5.17	7.56	8.41	9.40	10.53	Valuation					
y/y Growth	4.2%	46.2%	11.2%	11.8%	12.0%		FY24A	FY25A	FY26E	FY27E	FY28E
Net debt/(cash)	(1,058)	(11,066)	(11,555)	(12,807)	(15,464)	P/E (x)	47.7	40.9	35.0	30.0	26.3
						P/BV (x)	7.7	5.2	4.7	4.2	3.8
						EV/EBITDA (x)	38.0	27.6	25.2	21.5	18.6
						Dividend Yield	0.6%	0.7%	0.8%	1.0%	1.1%

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

Overweight

2050.HK, 2050 HK

Price (18 Aug 26):HK\$28.38

Price Target (Jun-27):HK\$42.00

Infrastructure, Industrials & Transport

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J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

Style Exposure

Quant Factors	Current	Hist %Rank (1=Top)			
	%Rank	6M	1Y	3Y	5Y
Value	79	89	91	95	
Growth	55	37		55	65
Momentum	64	29			
Quality	33	29	23		
Low Vol	88	94	94		

Zhejiang Sanhua Intelligent Controls - H

Maintain OW

We prefer component plays at this stage, notably Leader Drive and Orbbec, while maintaining OW on Hengli Hydraulic, Sanhua Intelligent, UBTech and Estun Automation. The practical portfolio construction logic is that component champions typically have cleaner exposure to OEM production ambitions without requiring investors to underwrite single-platform adoption risk, after-sales cost curves, or consumer demand uncertainty. Reducers and “eyes” content are rising as robots expand task sets and move toward higher autonomy, while qualified capacity is still scarce in early ramps. At the same time, we keep OW on Hengli and Sanhua given their strong positioning in precision manufacturing and the expanding robotics/thermal/mechatronics adjacency sets that matter as volumes grow.

Price Performance



	YTD	1m	3m	12m
Abs	-25.9%	8.9%	-18.8%	-0.1%
Rel	-20.7%	5.0%	-17.1%	6.4%

Company Data

Shares O/S (mn)	4,200
52-week range (HK\$)	46.48-24.12
Market cap (\$ mn)	15,194
Exchange rate	7.84
Free float (%)	96.8%
3M ADV (mn)	13.96
3M ADV (\$ mn)	52.8
Volatility (90 Day)	49
Index	HSCEI
BBG ANR (Buy Hold Sell)	-

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	31,012	34,274	38,701	43,006
Adj. EBITDA	6,097	6,658	7,736	8,787
Adj. EBIT	4,945	5,401	6,338	7,217
Adj. net income	4,063	4,745	5,549	6,333
Adj. EPS	0.97	1.13	1.32	1.51
BBG EPS	-	-	-	-
Cashflow from operations	5,091	4,988	5,564	6,710
FCFF	1,938	1,486	2,445	4,084
Margins and Growth				
Revenue Growth Y/Y (%)	11.0%	10.5%	12.9%	11.1%
EBITDA margin	19.7%	19.4%	20.0%	20.4%
EBITDA Growth Y/Y (%)	30.4%	9.2%	16.2%	13.6%
EBIT margin	15.9%	15.8%	16.4%	16.8%
Net margin	13.1%	13.8%	14.3%	14.7%
Adj. EPS growth	16.5%	16.8%	16.9%	14.1%
Ratios				
Adj. tax rate	15.2%	15.2%	15.2%	15.2%
Interest cover	NM	NM	NM	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROCE	14.2%	12.4%	13.5%	14.0%
ROE	15.9%	14.2%	14.8%	15.1%
Valuation				
FCFF yield	1.9%	1.5%	2.4%	4.0%
Dividend yield	1.1%	1.3%	1.6%	1.8%
EV/Revenue	3.1	2.8	2.4	2.1
EV/EBITDA	15.7	14.3	12.2	10.4
Adj. P/E	25.2	21.6	18.5	16.2

Summary Investment Thesis and Valuation

Investment Thesis

Our investment case is based on: (1) the Refrigeration Components business being poised to remain resilient on the back of extended policy support and an increasing contribution from AIDC cooling system demand; (2) Sanhua's auto parts business growth with a diversified customer portfolio; and (3) our increased confidence in the company's strategic positioning within the humanoid robot development landscape. We rate the stock OW.

Valuation

We value Sanhua-H using a discounted cash flow (DCF) valuation methodology. Key valuation assumptions behind our Jun-27 PT of HK\$42 include a WACC of 7.8% (based on Rf = 2.2% - aligned with the latest China 10-year bond yield, an equity risk premium of 6.8% and a beta of 1.0x), cost of debt at ~4%, target debt-to-capital of 20%, and a terminal growth rate of 4.0%. We also adopt an A/H premium of 30% to reflect the recent widening A/H premium trend.

Performance Drivers

Market	17%
Region	18%
Macro	17%
Style	8%
Idiosyn.	39%

Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.35	0.42
Region: China	0.45	0.47
Macro:		
Emerging Central Bank Rate	-0.54	-0.43
Emerging Economies CPI(YoY)	0.59	0.41
Generic 1st 'CO' Future	-0.49	-0.36
Quant Styles:		
Size	-0.49	-0.16
Value	0.05	-0.14
Growth	-0.15	0.13

Investment Thesis, Valuation and Risks

Zhejiang Sanhua Intelligent Controls - H (*Overweight; Price Target: HK \$42.00*)

Investment Thesis

Our investment case is based on: (1) the Refrigeration Components business being poised to remain resilient on the back of extended policy support and an increasing contribution from AIDC cooling system demand; (2) Sanhua's auto parts business growth with a diversified customer portfolio; and (3) our increased confidence in the company's strategic positioning within the humanoid robot development landscape. We rate the stock OW.

Valuation

We value Sanhua-H using a discounted cash flow (DCF) valuation methodology. Key valuation assumptions behind our Jun-27 PT of HK\$42 include a WACC of 7.8% (based on $R_f = 2.2\%$ - aligned with the latest China 10-year bond yield, an equity risk premium of 6.8% and a beta of 1.0x), cost of debt at ~4%, target debt-to-capital of 20%, and a terminal growth rate of 4.0%. We also adopt an A/H premium of 30% to reflect the recent widening A/H premium trend.

Risks to Rating and Price Target

Downside risks to our rating and price target include: 1) Lower-than-expected global EV demand, which could put Sanhua's auto parts business at risk and be a catalyst for a potential de-rating of the stock; 2) Greater-than-expected industry competition in the auto segment, which could lead to market share losses for the company; 3) A challenging global macro environment, which could put the refrigeration components business under pressure; and 4) Slower-than-expected humanoid robot business development.

Zhejiang Sanhua Intelligent Controls - H: Summary of Financials

Income Statement						Cash Flow Statement					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	27,947	31,012	34,274	38,701	43,006	Cash flow from operating activities	4,367	5,091	4,988	5,564	6,710
COGS	(20,270)	(22,087)	(24,451)	(27,456)	(30,354)	o/w Depreciation & amortization	1,029	1,257	1,196	1,336	1,508
Gross profit	7,677	8,924	9,823	11,245	12,653	o/w Changes in working capital	(109)	(596)	(997)	(1,364)	(1,175)
SG&A	(2,665)	(2,836)	(3,134)	(3,462)	(3,804)	Cash flow from investing activities	(3,512)	(3,793)	(3,323)	(2,939)	(2,446)
Adj. EBITDA	4,677	6,097	6,658	7,736	8,787	o/w Capital expenditure	(3,290)	(3,152)	(3,502)	(3,119)	(2,626)
D&A	(1,029)	(1,152)	(1,258)	(1,398)	(1,570)	as % of sales	11.8%	10.2%	10.2%	8.1%	6.1%
Adj. EBIT	3,648	4,945	5,401	6,338	7,217	Cash flow from financing activities	(955)	7,802	(2,275)	(2,068)	(2,045)
Net Interest	(31)	117	248	258	304	o/w Dividends paid	(1,445)	(1,088)	(1,176)	(1,373)	(1,606)
Adj. PBT	3,692	4,844	5,649	6,596	7,521	o/w Shares issued/(repurchased)	337	9,734	0	0	0
Tax	(580)	(737)	(860)	(1,004)	(1,144)	o/w Net debt issued/(repaid)	516	(392)	(1,100)	(695)	(439)
Minority Interest	(13)	(44)	(44)	(44)	(44)	Net change in cash	(181)	9,044	(610)	557	2,218
Adj. Net Income	3,099	4,063	4,745	5,549	6,333	Adj. Free cash flow to firm	1,076	1,938	1,486	2,445	4,084
Reported EPS	0.83	0.97	1.13	1.32	1.51	y/y Growth	10.0%	80.1%	(23.4%)	64.6%	67.0%
Adj. EPS	0.83	0.97	1.13	1.32	1.51						
DPS	0.25	0.28	0.33	0.38	0.44						
Payout ratio	30.1%	28.9%	28.9%	28.9%	28.9%						
Shares outstanding	3,731	4,200	4,200	4,200	4,200						
Balance Sheet						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	5,249	14,912	14,302	14,858	17,077	Gross margin	27.5%	28.8%	28.7%	29.1%	29.4%
Accounts receivable	9,628	10,993	12,321	14,106	15,804	EBITDA margin	16.7%	19.7%	19.4%	20.0%	20.4%
Inventories	5,280	5,640	6,366	7,285	8,054	EBIT margin	13.1%	15.9%	15.8%	16.4%	16.8%
Other current assets	2,144	2,178	2,211	2,257	2,302	Net profit margin	11.1%	13.1%	13.8%	14.3%	14.7%
Current assets	22,301	33,723	35,200	38,507	43,237	ROE	16.7%	15.9%	14.2%	14.8%	15.1%
PP&E	9,794	11,673	12,495	13,656	14,978	ROA	9.1%	9.5%	9.3%	10.0%	10.4%
LT investments	-	-	-	-	-	ROCE	13.6%	14.2%	12.4%	13.5%	14.0%
Other non current assets	4,259	4,010	5,316	5,758	5,374	SG&A/Sales	9.5%	9.1%	9.1%	8.9%	8.8%
Total assets	36,355	49,406	53,010	57,921	63,589	Net debt/Equity	NM	NM	NM	NM	NM
Short term borrowings	2,144	2,983	1,154	862	677	Net debt/EBITDA	NM	NM	NM	NM	NM
Payables	9,777	10,189	11,280	12,666	14,003	Sales/Assets (x)	0.8	0.7	0.7	0.7	0.7
Other short term liabilities	1,712	2,193	2,193	2,193	2,193	Assets/Equity (x)	1.8	1.7	1.5	1.5	1.5
Current liabilities	13,633	15,365	14,626	15,720	16,873	Interest cover (x)	149.7	NM	NM	NM	NM
Long-term debt	2,046	863	1,593	1,190	935	Operating leverage	34.8%	324.3%	87.6%	134.4%	124.7%
Other long term liabilities	1,156	1,138	1,138	1,138	1,138	Tax rate	15.7%	15.2%	15.2%	15.2%	15.2%
Total liabilities	16,835	17,366	17,357	18,048	18,946	Revenue y/y Growth	13.8%	11.0%	10.5%	12.9%	11.1%
Shareholders' equity	19,298	31,749	35,318	39,494	44,221	EBITDA y/y Growth	10.7%	30.4%	9.2%	16.2%	13.6%
Minority interests	222	291	335	379	423	EPS y/y Growth	2.5%	16.5%	16.8%	16.9%	14.1%
Total liabilities & equity	36,355	49,406	53,010	57,921	63,589						
BVPS	5.17	7.56	8.41	9.40	10.53						
y/y Growth	4.2%	46.2%	11.2%	11.8%	12.0%						
Net debt/(cash)	(1,058)	(11,066)	(11,555)	(12,807)	(15,464)						
Valuation							FY24A	FY25A	FY26E	FY27E	FY28E
						P/E (x)	29.4	25.2	21.6	18.5	16.2
						P/BV (x)	4.7	3.2	2.9	2.6	2.3
						EV/EBITDA (x)	22.6	15.7	14.3	12.2	10.4
						Dividend Yield	1.0%	1.1%	1.3%	1.6%	1.8%

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which