# The 720: Asia Leaders Conference - Day 1 Takeaways, Zhipu, Japan Chemicals, Haitian, Kstar, Skshu Paint, Toto

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## Asia Leaders Conference Takeaways

### Consumer | Guming, Yum China, Midea

Guming – Solid Near-Term Performance – Buy (on CL). We hosted management at our Asia Leaders Conference, noting solid positive SSSG in July-August that slightly exceeded expectations of flat yoy growth. Management sees improving store-level profitability supporting sustainable expansion, targeting a 30k store network long-term despite near-term franchisee cashflow constraints. The company is actively driving traffic back to dine-in channels as food delivery subsidies contract, while expanding its coffee and bakery categories to drive margin upside. We maintain our Buy rating (on CL) and 12m TP of HK$33. *Michelle Cheng*

Yum China – Long-Term Growth Drivers Intact – Buy. We hosted management at our Asia Leaders Conference, noting that while July trading met expectations, August saw volatility due to extreme weather disruptions in core markets. Despite near-term SSSG lapping a high base from delivery subsidies, management sees better opportunities in 2027 and expects less pressure on labor costs through 2H26. Long-term growth remains supported by new module developments, with KCOFFEE delivering mid-single-digit incremental sales and KPRO generating over 20% incremental sales. We maintain our Buy rating with 12m TPs of US$59/HK$459 for the ADR/H-share. *Michelle Cheng*

Midea Group – Clear Strategic Positioning on 2B and Overseas – Buy. Management maintained guidance for mid-to-high single-digit revenue growth in 2026, driven by robust demand in 2B and overseas OBM businesses despite domestic appliance challenges. The intelligent building solutions segment continues to lead growth, while the automation and robotics business is diversifying into non-auto sectors to improve long-term profitability. Overseas 2C revenue is growing robustly across all regions except the Middle East, and domestic competition is expected to stabilize in 2H26. We maintain our Buy rating and 12m TPs of Rmb103/HK$119. *Nicolas Yi*

### Financials | STAN & PRU, ICICI Bank, KB Financial, Bank Rakyat, CICC

STAN/PRU – ALC 2026 Takeaways: Positive wealth outlook as structural drivers remain intact – Buy. Management from Standard Chartered and Prudential remain constructive on the Asian wealth management outlook, driven by rising affluence, intergenerational wealth transfer, and growing diversification needs. Standard Chartered highlighted its advisory capabilities and open-architecture platform

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offering alternative investments, while Prudential emphasized positioning insurance as an increasingly vital tool for broader wealth and legacy planning. Both firms indicated that recent Chinese regulatory developments have had limited impact on client sentiment or business momentum to date, viewing the measures as ensuring wealth diversification occurs through well-regulated channels. We maintain our Buy ratings on both Standard Chartered and Prudential. *Melissa Kuang, Thomas Wang*

ICICI Bank – Core PPoP Acceleration Ahead – Buy. We hosted management at our Asia Leaders Conference, where they guided to continued strong loan growth supported by the MSME segment and a pickup in retail loans. The bank has sustained strong market share in FCNR (B) deposit mobilization, which is expected to be earnings accretive despite causing a slight near-term moderation in domestic NIMs. Asset quality trends remain benign, and core revenue growth is expected to outpace operating costs over the next few years driven by stable cost trends and healthy fee traction. We maintain our Buy rating and 12m TP of Rs1,935. *Sumeet Kariwala*

KB Financial Group – Cost Discipline and Non-Bank Strength Underpin ROE Path – Buy. Following the GS Asia Leaders Conference, we remain positive on KBFG's forward NIM expansion trajectory, with management maintaining its FY26 NIM target of 1.78% despite temporary 2Q26 weakness. The company's diversified platform is emerging as a clear earnings differentiator, highlighted by KB Securities delivering a 21% annualized ROE in 1H26. We believe structural cost efficiency enhancements, aiming for a mid-30% cost-to-income ratio longer term, will combine with non-bank strength to underpin management's medium-term ROE ambition of above 13%. We maintain our Buy rating and 12m TP of W214,000, supported by dynamic capital allocation and an evolving shareholder return framework. *Sinyoung Park*

Bank Rakyat Indonesia – 2Q26 Results In-Line and Upgraded Growth Outlook – Buy. We note 2Q26 net profit of Rp15.4tn (+22% yoy) was broadly in line with our estimates, as weaker non-interest income was offset by lower operating expenses. Management raised FY26 loan growth guidance to 8-10% from 7-9%, driven by improving micro asset quality trends, lower NPL formation, and a gradual reacceleration in micro lending. We view the commentary as constructive, with Kupedes vintages improving and corporate loan growth expected to moderate in 2H26. We maintain our Buy rating and 12m TP of Rp3,270 as dividend payouts are likely to normalize gradually to support organic loan growth. *Melissa Kuang*

China International Capital Corp – M&A and International Expansion Support ROE Recovery – Buy. CICC reported solid 1H26 results with an annualized ROE of 12.8%, reinforcing the shift in investor focus toward structural ROE drivers like M&A-led capital deployment and international expansion. We raise our 2026E-28E net profit forecasts by 9% on average, driven by stronger investment income, lower operating expenses, and more efficient balance-sheet deployment following the pending restructuring transaction. Management reiterated a medium-term ROE target of around 15%, supported by capital synergies and retail franchise expansion. We maintain our Buy rating and raise our H-share 12m TP to HK$38.20. *Shuo Yang*

**Internet | Kanzhun**

Kanzhun – Enhanced Sales Visibility and AI-Driven Monetization – Buy. We hosted management at our Asia Leaders Conference, highlighting a strategic pivot from user

growth to ARPU expansion in mature tier-1 markets through moderate price hikes and AI tool bundling. The company is integrating AI into paid value-added services to drive matching efficiency and is commercializing outcome-based closed-loop recruitment services for high-end and blue-collar segments. Management targets double-digit cash billings and revenue growth with steadily expanding operating margins, alongside a disciplined city-by-city overseas expansion strategy. We maintain our Buy rating and 12m TP of US$22/HK$85. *Timothy Zhao*

**Technology | Luxshare, Kematek, Montage, InnoScience**

Luxshare – ALC 2026 Takeaways: AIDC and AI Devices in Expansion – Buy. Management remains positive on its AIDC business and AI-powered consumer electronics, noting that optical module production lines are expanding five to six months ahead of schedule. Management expects edge AI devices to drive consumer electronics growth despite rising memory costs, having already penetrated major brand AI PC supply chains. We expect revenues to grow at a 24% CAGR over 2025-28E, driven by data center expansion, automotive electronics, and legacy components, and maintain our 12m TPs of Rmb98 and HK$93.2. *Verena Jeng*

Kematek – ALC 2026 Takeaways: Capex Expansion and Mix Upgrade Drive Growth – Buy. Following the Asia Leaders Conference, we remain constructive on Kematek's growth outlook driven by rising China semiconductor capex and a product mix upgrade toward ceramic heaters and electrostatic chucks. Management is positive on domestic spending across logic and memory, noting that the low localization rate of key advanced ceramic structural components provides significant upside. The company is successfully expanding into more complex functional-structural products, with ceramic heaters entering large-scale production and electrostatic chucks starting small-batch delivery. We maintain our 12m TP of Rmb164 as capacity expansion and product development support long-term domestic substitution trends. *Allen Chang*

Montage – ALC 2026 Takeaways: PCIe switch/ CXL MXC chips in expansion; new DDR5 ramp up – Buy. We hosted management at our Asia Leaders Conference 2026 and remain positive on the company's leading position in memory interconnect ICs and expanding AI interconnect product portfolio. Management expects a gradual ramp-up of MRCD/MDB solutions to fulfill higher memory bandwidth and notes that DDR5 Gen 3 and Gen 4 RCD chips are now major revenue contributors, with Gen 5 in volume production and Gen 6 sampling. Furthermore, management highlighted progress across new products, including PCIe 7.0 R&D, PCIe switch chips targeting tape-out by year-end, and trial production of the CXL 3.2 MXC chip, which we believe will drive a better product mix and profitability. We maintain our 12m TPs of Rmb380 for the A-share and HK$572 for the H-share. *Allen Chang*

InnoScience – ALC 2026 Takeaways: Expanding GaN applications – Buy. We hosted InnoScience's Chairman at our Asia Leaders Conference 2026, where management highlighted a strong growth outlook and margin expansion driven by a mix upgrade toward data center and robotics applications. The company reported 1 grew 51% YoY with gross margins improving to 11.6%, and it continues GaN capacity in Suzhou to capture rising deployment across end marke expects steady growth supported by AI device upgrades, high-end hom and full value chain coverage in AI data center power supply solutions, a commercialization in humanoid robots. We maintain our 12m TP of HK$



**Healthcare | Hengrui, Terumo**

Hengrui Medicine – Sequential Commercialization Improvement and Autoimmune Opportunities – Buy. We hosted management at our Asia Leaders Conference, where they reiterated confidence in achieving their Rmb19.2bn innovative drug sales target for 2026 following a sequential commercial recovery in recent months. The autoimmune franchise is increasingly emerging as a differentiated global opportunity, with the company planning to start a global Phase III trial for its IL-23p19/IL-33 bispecific antibody in 2H26. The pipeline is diversifying beyond oncology into cardiometabolic diseases and pain management, supported by strong business development momentum and expanding AI-enabled drug discovery. We maintain our Buy rating and 12m TP of Rmb73.86. *Ziyi Chen*

Terumo – Stable Growth and Strong Business Foundation – Neutral. We hosted management at our Asia Leaders Conference, highlighting high certainty for sustainable growth driven by aging demographics and improved healthcare access in emerging markets. The company expects favorable volume growth and price effects to offset inflation, while actively pursuing M&A opportunities to expand its portfolio. Key growth drivers include the new Dual Sensor System in imaging, new CDMO projects at the Leverkusen plant, and expanding market share in Organ Technologies through its OrganOx acquisition. We maintain our Neutral rating and 12m TP of ¥2,650. *Akinori Ueda*

**Autos | Hyundai Motor India**

Hyundai Motor India – Margin Levers and Capacity Acceleration – Buy. We hosted management at our Asia Leaders Conference, noting expectations to outpace the anticipated 5% industry growth in 2HFY27 supported by new launches and lower discounts. Near-term margins should benefit from a richer export mix, Chennai plant incentives, and utilization normalizing toward 90%. The company is accelerating its localization push to 85-90% by 2030 and bringing forward third-shift operations at the Pune plant to October 2026 to support a 30% export mix target. We maintain our Buy rating and 12m TP of Rs2,640 as capacity expansion triggers a wave of new product launches. *Chandramouli Muthiah*

**Results | Inovance, Zhipu, JP Chemicals, Haitian F&F, Kstar, Mindray, Skshu Paint**

Shenzhen Inovance Technology Co. – 2Q26 Inline with Moderating Growth Ahead – Buy (on CL). Inovance reported 2Q26 net profit of Rmb1,796mn, up 9% yoy and largely in line with our expectations, driven by resilient margins and effective expense control. Management anticipates a continued positive demand trend in industrial automation, though at a more moderate pace than 1H26, and is targeting import substitution opportunities in the AI industry. To counter rising costs and automotive pricing pressures, the company plans further price increases and multi-sourcing, guiding for a 1-2 percentage point GPM improvement in 3Q26. We fine-tune our 2026-30E EPS and lower our 12m TP to Rmb89.2, maintaining our Buy rating (on CL). *Jacqueline Du*

Z.AI Co. – Strong ARR Ramp-Up Amid Cloud Transition – Neutral. Z.AI delivered a mixed 1H26 print featuring stronger-than-expected API monetization, though overall profitability was weighed down by the ongoing transition toward cloud-based MaaS and larger-than-expected 1H losses. We lift our 2026 year-end ARR estimate to US$2.7bn as August ARR exceeded US$1.6bn, driven by a 40X year-to-date surge in token consumption and higher pricing. Consequently, we lower our 2026-28E revenue

estimates by 2-8% on softer on-premise deployment and trim earnings estimates by 2-4%. We maintain our Neutral rating and 12m TP of HK$1,610, balancing the strong ARR ramp-up against near-term profit visibility constraints. *Ronald Keung*

Japan Specialty Chemicals – Earnings revisions for 7 electronic materials companies. Following recent earnings, we revise our forecasts for seven electronic materials companies, remaining highly constructive on Buy-rated Resonac, JX Advanced Metals, Nittobo, and Tokyo Ohka Kogyo driven by robust AI server demand, volume expansion, and strong pricing power. Conversely, we downgrade Mitsubishi Gas Chemical to Neutral with a lowered 12m TP of ¥4,700 and cut our FY27-FY29 BT materials operating profit forecasts by 12-27%, as glass cloth procurement constraints and a conservative pricing strategy limit margin expansion. We also lower our 12m TP for Mitsui Kinzoku to ¥43,200 and reduce FY27-FY29 operating profit estimates by 8-16% due to weakness in its metals and VSP copper foil segments, though we maintain our Buy rating on strong FaradFlex demand. *Atsushi Ikeda*

Foshan Haitian Flavouring & Food – Refocusing on core SKUs amid catering headwinds – Buy H (on CL). We lower our 12m TPs to Rmb35.1 for the A-share and HK$39.8 for the H-share, cutting 2026-2028E earnings estimates by 5%-6% to factor in short-term catering softness and higher FX losses. Management acknowledged a slower-than-expected catering recovery and weather impacts in South China, but expects third-quarter sales to gradually improve as restocking gains traction ahead of the Mid-Autumn Festival. To drive long-term market share gains, the company is deepening channel penetration into lower-tier markets, streamlining its portfolio around core SKUs, and expanding emerging categories, while anticipating resilient gross margins in the second half on easing raw material costs. *Leaf Liu*

Kstar – 2Q26 renewables miss offset by strong data center momentum – Buy. We lower our 12m TP to Rmb60 from Rmb67 following a 2Q26 earnings miss driven by weaker renewable product sales, though data center products maintained solid 27% year-over-year growth. We revise down our 2026–2030E net income forecasts by 12% on average to reflect domestic solar weakness, softening residential energy storage momentum, and foreign exchange headwinds. Despite these drags, we expect data center sales growth to accelerate to 40% year-over-year in 2H26E, supported by significantly higher new order momentum across domestic and overseas markets and the company's progress in testing 800 VDC products for AI data centers. *Hao Chen*

Mindray – 1H26 NP beat on margins; IVD and emerging businesses drive growth – Buy. We lift our 12m TP to Rmb249 following 1H26 results, where revenue of Rmb17.7bn (+6% yoy) were in line, but net profit of Rmb4.8bn beat our estimates driven by higher-than-expected EBIT margins and a lower effective tax rate. The core IVD business continues to demonstrate robust growth with overseas revenue expanding over 20% yoy and domestic volume increases offsetting price declines, while channel inventory has been reduced by Rmb1.1bn and is projected to reach historic lows by year-end, per management. Furthermore, management expects rapidly growing emerging segments like animal healthcare to eventually replace IVD as the primary domestic growth driver, supporting the company's long-term objective of double-digit revenue growth and market share expansion despite ongoing pricing pressures. *Tianyi Yan*

Skshu Paint – 2Q26 Miss on Weak Demand and Margins; Estimates Cut – Buy. We lower our 12m TP to Rmb31.5 from Rmb35.9 following a 2Q26 earnings miss, as net profit fell

roughly 40% year-over-year on project channel weakness and gross margin pressures. We cut our 2026–2028 net profit estimates by 35%/10%/8% to reflect a 4% lower topline forecast, a 0.8 percentage point reduction in gross margins amid intense competition and raw material cost inflation, and slower SG&A optimization. While management lowered its full-year revenue guidance to single-digit growth citing deteriorating project demand and pricing constraints, we note that the new retail business remains a solid growth engine with steady expansion in repaint and rural segments. *Yi Wang*

**Events | Toto**

Toto – President Meeting: Ceramic Recovery Expected in 2Q – Buy. Management expects the ceramic business to show major improvement in 1H3/27 as supply chain disruptions ease, while structural reforms in mainland China shifting focus to remodeling have lowered the risk of operating losses despite a weak real estate market. Furthermore, management sees significant growth potential for Washlets in the Americas given low penetration rates, though profit recovery in Japan housing equipment is delayed due to raw material costs, necessitating further structural reforms. 12m TP of ¥11,100. *Sachiko Okada*

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