UBTECH Robotics - H

Guidance intact, margin gains, delivery back-end loaded as per 1H26 briefing—operational progress contrasts with stock performance

Overweight

9880.HK, 9880 HK
Price (28 Aug 26):HK$83.50

Price Target (Jun-27):HK$118.00

Infrastructure, Industrials & Transport

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UBTech hosted its 1H26 results briefing on Sunday evening (August 30), providing updates on operational progress, shipment outlook, and financial performance. Management maintained its FY26 revenue guidance of Rmb3.5B–4.0B and also reiterated the shipment target of ~7k units, despite a slight delay at the Guangxi Liuzhou factory due to flooding and heavy rainfall. 1H revenue grew 104% Y/Y to Rmb1,267MM, gross margin expanded 9.7ppts Y/Y to 44.7%, and net loss narrowed 25% Y/Y. The company highlighted a strong backlog, a high-GPM product mix, and a continued focus on execution and delivery for 2H26, with the 2027 breakeven guidance unchanged. Management noted that 2H deliveries will be back-end loaded, and emphasized the importance of ramping up production and deliveries in the coming months. The stock has underperformed YTD with ~30% drop vs. the HSI, suggesting that any skepticism is already reflected in the price. Maintain OW.

- **Full-year guidance retained, 2H26 deliveries to be back-end loaded due to the Liuzhou delay.** Management continues to target FY26 revenue of Rmb3.5B–4.0B, citing a robust backlog, a high-GPM product structure, and confidence in maintaining an industry-leading revenue scale. The slight delay at the Guangxi Liuzhou factory, caused by flooding and heavy rainfall, means that much of the year's deliveries will be concentrated in 2H26. Management expects mass production to resume by mid-to-late September and is redeploying its Shenzhen capacity as a backup. It emphasized the importance of ramping up production and deliveries in the coming months, with execution and shipment cadence as the most important near-term indicators.
- **New product launches and industrial deployments to drive 2H26 growth, with order conversion and channel build-out as key watchpoints.** 2H26 growth is guided to be led by new products, including Walker C1, Cruzr Y1, and U1, with U1 targeting deliverable orders of 1,500–2,000 units and a mix led by Pro, Ultra, and Lite. UBTech is also focusing on industrial applications, with Walker S2 driving 1H26 revenue through use cases such as handling, depalletizing, sorting, and loading/unloading. Management noted that customer feedback has been positive and that core customers are deploying dozens of units, but broader adoption will depend on price reduction, task generalization, and delivery consistency. Management specifically pointed out that channel build-out, production standardization, cosmetic finishing automation, and delivery readiness remain bottlenecks, and that the company's ability to execute on these fronts will be key to meeting full-year guidance as order conversion and channel expansion continue to ramp up.
- **Margin improvement, cost discipline, and cash flow management remain in focus as UBTech prepares for a demanding second half.** Gross margin improved 9.7ppts Y/Y to 44.7% in 1H26, supported by a higher proportion of full-size humanoid robots and strong pricing power for Walker S2. Opex as a percentage of sales declined 38.8ppts Y/Y to 62.9%, with management highlighting improvements in selling and admin expense ratios, while R&D

See page 8 for analyst certification and important disclosures, including non-US analyst disc



investment remained elevated to support ongoing product development. Op-CF remained negative in 1H26, consistent with ongoing investment and ramp-up phase. Management stated that liquidity is sufficient for ongoing needs and reiterated the company's commitment to balancing investment with deliveries and cost control as UBTech executes its growth strategy.

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Key takeaways from UBTech's 1H26 briefing

UBTech hosted a 1H26 results briefing on Sunday evening (yesterday, August 30), providing updates on operational progress, shipment outlook, and financial performance. Management maintained FY26 revenue guidance at Rmb3.5B–4.0B and reiterated its shipment target of ~7,000 units, despite a slight delay at the Guangxi Liuzhou factory due to flooding and heavy rainfall. 1H26 revenue grew 104% Y/Y to Rmb1,267MM, gross margin expanded 9.7ppts Y/Y to 44.7%, and net loss narrowed 25% Y/Y. The company highlighted a strong backlog, a high-GPM product mix, and a continued focus on execution and delivery for 2H26, with the 2027 breakeven guidance unchanged. We note the company's ability to execute on these fronts and deliver actual units will be key to building a track record and meeting full-year guidance, especially as order conversion and channel expansion are still ramping up, in our view, though we note the stock has underperformed YTD with ~30% drop vs. the HSI suggesting that any skepticism has been priced in.

Full-year guidance is maintained, with 2H26 delivery and execution now the key focus as management targets a strong ramp.
Management continues to target FY26 revenue of Rmb3.5B–4.0B, citing a robust backlog, high-GPM product structure, and confidence in maintaining industry-leading revenue scale. While there was a slight delay at the Guangxi Liuzhou factory due to local natural events, specifically flooding and heavy rainfall, management expects mass production to begin by mid-to-late September. Walker S3 and U1 series deliveries are closely linked to Liuzhou, but UBTech is also redeploying its Shenzhen capacity as a backup to support 2H26 deliveries. This setup means 2H26 revenue will need to accelerate to ~Rmb2.7B as per our forecasts, keeping a double Y/Y momentum off a more challenging base. The market will be watching execution and shipment cadence closely as the most important near-term indicators.

New product launches in 2H26 are poised to drive growth, with order conversion and channel build-out as critical watchpoints.
Management expects 2H26 growth to be led by new products including Walker C1, Cruzr Y1, and U1. For U1, management targets deliverable orders of 1,500–2,000 units, with the mix led by Pro (40%), followed by Ultra (30%) and Lite (30%). B-end customer demand is still emerging, spanning cultural tourism, elderly care, schools, commercial complexes, offline stores, and livestream/IP-related channels. Channel build-out, standardized production, cosmetic finishing automation, and delivery readiness remain bottlenecks.

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Table 1: UBTech — Summary of guidance

Guidance topic	Management statement
Full-size industrial humanoid shipment (Walker S series, Y1)	Management expects to deliver ~5,000 units in 2026, with planned capacity ramping up towards 10,000 units per year. The shipments target is split between Walker S2/S3 and Y1, with ~30% order visibility as of mid-year.
Commercial/household robot shipment (C1, U1 series)	Management maintains a full-year delivery target of 1.5-2k units for commercial and household robots in 2026, with U1 bionic robot series ramping up from September and pre-orders delivery concentrated in 2H26.
Total shipment guidance (all robots)	Management expects a total delivery of ~7k units in 2026, combining industrial and commercial/household segments.
Breakeven guidance	Management's official guidance for breakeven remains 2027. Internal KPIs aim for breakeven as early as this year, but CFO and official external communication confirm 2027 as the public target.

Source: Company briefings, J.P. Morgan.

Industrial application remains at the center of UBTech's strategy, with management narrowing its focus to deliverable use cases and structured ROI. Management continues to prioritize industrial scenarios for model deployment and data accumulation, as use cases are more structured and customer ROI is clearer. 1H26 full-size humanoid revenue was mainly from Walker S2, with applications focused on handling, depalletizing, sorting, and loading/unloading. Current deployments are concentrated in logistics, palletizing, material sorting, and loading/unloading, while more complex tasks such as screw-driving and fine assembly are still under R&D. Customer validation feedback is positive, with core customers deploying dozens of units, but broader adoption still depends on price reduction, task generalization, and delivery consistency. Management believes that industrial use cases will remain the fastest path to scale and data flywheel effects.

UBTech's technology roadmap is centered on full-stack capability and manufacturing scale, not just single-point technical wins. Management believes industry competition is shifting from single-point capability to integrated system capability across robot body, model, data, AI inference, and scaled manufacturing. UBTech has built the Thinker model stack, including foundation model, world model, and VLA, with VLA already deployed on edge chips. Management indicated that the task-operation success rate has reached 99% in certain complex industrial processes, inference efficiency improved 176%, and the storage cost fell 60%. UBTech has accumulated ~11MM real robot operating data points, with over 80% from industrial scenarios, and is also building EGO data collection and simulation pipelines. The company's focus on data-driven iteration and system integration is poised to be a key differentiator as the market matures.

Component localization and capacity build-out are central to UBTech's cost-down and margin sustainability strategy. UBTech's consolidation with the acquired Fenglong is underway, aiming to strengthen key components such as dexterous hands and joint modules. Management highlighted that component verification is entering the final stage, with 2H26 expected to see further imports into the supply chain. The goal is to improve self-supply capability, reduce cost, and increase manufacturing controllability. For U1 Pro/Lite, management believes there is still meaningful room for cost reduction above the Rmb100k price band, helped by lower-cost compute choices, automation, and production scale. We see localization as positive for long-term GPM, but the near-term priority is still delivery execution and maintaining shipment cadence.

GPM sustainability looks better than expected, supported by product mix and S2 pricing power, with management confident of long-term margin support.
Full-size humanoid GPM reached 66.8% in 1H26, and management indicated S2 robot GPM can exceed 70% given strong bargaining power and one of the very few humanoid robot OEMs achieving true repeat-purchases in factory deployments today. In the long term, management expects humanoid GPM to sustain above 50%, providing meaningful support to group margin, with GPM improvement room from chip localization. The technology moat of embodied AI would also naturally support humanoid robot OEMs' pricing power. Management's focus on product mix and cost-down initiatives is poised to underpin margin sustainability as the business scales.

Path to breakeven remains intact, but timing is still the debate, with management reiterating 4Q27 as the official target.
Management reiterated the original 4Q27 breakeven target and hopes to pull it forward, with 4Q26 single-quarter EBITDA potentially turning positive if the delivery and mix targets are achieved. 1H26 adjusted net loss narrowed 46% Y/Y to Rmb170MM, showing progress, but headline net loss still narrowed only 25% Y/Y due to below-EBIT items. We think the most important indicators for the next two quarters are: 1) industrial applications' order growth; 2) Liuzhou production ramp-up; 3) new products including U1 series actual delivery; 4) humanoid GPM sustainability; 5) opex discipline; and 6) whether 4Q26 EBITDA can approach breakeven. Management's ability to deliver on these fronts will be critical to building credibility and supporting better performance of the stock.

1H26 results review

Revenue and margin growth in 1H26 were supported by a product mix shift toward full-size humanoid robots.
UBTech reported revenue of Rmb1,267MM in 1H26, up 104% Y/Y, with gross profit of Rmb567MM, up 161% Y/Y. Gross margin improved 9.7ppts Y/Y to 44.7%, driven by a higher proportion of full-size humanoid robots, which became the largest revenue source at 46.5% of total sales. Management attributed the margin improvement to product mix optimization and strong pricing power for Walker S2, and highlighted that high-GPM products and backlog provide support for the full-year outlook.

Order shipment and backlog trends reflect progress, with 2H26 deliveries concentrated due to the Liuzhou ramp schedule.
UBTech shipped 921 full-size humanoid units in 1H26, with sales value up 1445% Y/Y. Management reiterated the full-year shipment target of ~7,000 units, supported by a strong order backlog and new product launches. Management noted that the Liuzhou factory experienced a slight delay due to flooding and heavy rainfall, with mass production now likely to begin by mid-to-late September. As a result, management indicated that 2H26 deliveries will be back-end loaded, and emphasized the importance of ramping up production and deliveries in the coming months.

Opex ratio improved Y/Y, reflecting cost control and efficiency gains, with continued investment in R&D and manufacturing.
Operating expenses as a percentage of sales declined 38.8ppts Y/Y to 62.9% in 1H26. Management highlighted improvements in selling and admin expense ratios, while maintaining elevated R&D investment to support ongoing product development and technology leadership. The company continues to focus on cost discipline and

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operational efficiency as it scales up production and prepares for new product launches in 2H26.

Operating cash flow likely remained negative in 1H26, consistent with ongoing investment and ramp-up phase.
Management stated that liquidity remains sufficient to support R&D, manufacturing expansion, and working capital needs. Op-CF remained negative in 1H26, reflecting continued investment in capacity, technology, and channel build-out. Management reiterated the company's commitment to balancing investment with deliveries and cost control as UBTech executes its growth strategy.

Table 2: UBTech 1H26 financial review

Rmb MM	1H26	1H25	Y/Y chg%	FY26JPMe	Achieving %	2H26E	2H25	Y/Y chg%
Revenue	1,269	621	104%	4,004	32%	2,735	1,380	98%
Cost of sales	(702)	(404)	74%	(2,229)	32%	(1,526)	(843)	81%
Gross profit	**567**	**217**	161%	**1,776**	32%	1,209	537	125%
GPM%	*44.7%*	*35.0%*	*9.7ppts*	*44.3%*	*0.3ppts*	*44.2%*	39%	*5.3ppts*
Operating expenses	**(798)**	**(632)**	26%	**(2,250)**	35%	**(1,452)**	**(892)**	63%
Taxes and surcharges	(13)	(3)	263%	(39)	32%	(27)	(16)	65%
Selling expenses	(238)	(224)	6%	(622)	38%	(384)	(247)	55%
Admin expenses	(149)	(185)	-19%	(471)	32%	(322)	(151)	114%
R&D expenses	(303)	(218)	39%	(815)	37%	(512)	(289)	77%
Net impairment loss	(95)	(2)	5249%	(302)	31%	(207)	(189)	9%
Opex as % of sales	*62.9%*	*101.7%*	*-38.8ppts*	*56.2%*	*6.7ppts*	*53.1%*	*64.7%*	*-11.6ppts*
Investment income and other gains/losses (net)	**9**	**7**	32%	**70**	13%	**61**	**46**	32%
Other gains/loss	1	2	-64%	10	8%	9	8	20%
Other revenue	8	5	81%	60	14%	52	38	35%
EBIT	**(222)**	**(408)**	-46%	**(404)**	55%	**(182)**	**(310)**	-41%
EBIT margin%	*-17.5%*	*-65.6%*	*48.2ppts*	*-10.1%*	*-7.4ppts*	*-6.7%*	*-22.5%*	*15.8ppts*
Net finance expenses	**(23)**	**10**	-328%	**30**	-77%	53	(10)	-655%
Interest income	53	7	632%	33	162%	-20	35	-158%
Interest expenses	(1)	(2)	-44%	(2)	52%	(1)	(0)	132%
others	(75)	5	-1544%	0	N/A	75	(44)	-270%
Share of profit of associates & JCEs	**(34)**	**(37)**	-8%	(69)	50%	(35)	(20)	71%
Earnings before taxes	**(280)**	**(435)**	-36%	**(443)**	63%	(163)	(340)	-52%
Income tax expenses	(59)	(5)	1116%	(9)	682%	50	(10)	-590%
Effective tax rate	*-21.1%*	*-1.1%*	*-20.0ppts*	*-2.0%*	*-19.1ppts*	*30.9%*	*-3.0%*	*33.9ppts*
Net profit	**(339)**	**(440)**	-23%	**(452)**	75%	**(113)**	**(350)**	-68%
Minority interest	27	26	4%	50	55%	22	60	-63%
Net profit attributable to shareholders	**(311)**	**(414)**	**-25%**	**(402)**	**77%**	**(91)**	**(290)**	**-69%**
Net Margin	*-24.5%*	*-66.6%*	*42.0ppts*	*-10.0%*	*-14.5ppts*	*-3.3%*	*-21.0%*	*17.7ppts*

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

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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 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.