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Wuxi Lead Intelligent | Asia Pacific

2Q26 Earnings Largely in-line; Strong Order Outlook

AlphaSignals Earnings Reaction

Unchanged	**— In-line**	**— Largely unchanged**
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

2Q was broadly in-line except GPM miss due to NT pressures. The key focus is on new orders: 2Q was strong, and 3Q & 2027 outlook are reassuring, with strength from both battery and new business (MLCC, SOFC). Valuation looks attractive. OW.

Key Takeaways

- 2Q new orders grew >40% yoy to Rmb>9bn, on par with 1Q, with ~80% from LiB. Mgmt expects 3Q to reach similar new order size, and is positive on 2027.
- GPM has seen improvement in Jul-Aug. With stabilizing cost pressures and opex control, mgmt thinks NPM could converge towards historical high.
- Contrary to strong order outlook, market remains negative on the battery equipment outlook and under-appreciates Wuxi Lead's new business expansion, in our view.
- Trading at ~1.5x on 2026 new orders or ~10x implied P/E (15% margin) – we find the valuation attractive if new orders sustain growth into 2027.

2Q print: (=) Revenue of Rmb4.5bn (+28% yoy, +22% qoq) was in line with MSe. **(-) GPM** of 30.6% (-2.5ppts yoy) missed MSe by 3.4% due to raw material cost inflation and higher shipping costs. **(=) NP** of Rmb551mn (+47% yoy, 12.2% margin) was in line with MSe, helped by lower opex.

Management positive on battery equipment order outlook: 2Q new orders of >Rmb9bn remained strong (vs. Rmb9.6bn in 1Q), with 1H +>50% yoy. **For 3Q,** mgmt expects similar new orders to 1Q and 2Q, thus FY26 orders should beat previous guidance of +30% yoy. **SSB** and **NaB** are both progressing on track, with the SSB order target unchanged at ~2x in FY26. **For 2027**, mgmt is constructive on order growth given major customers' demand outlook and near-full utilization, as well as overseas growth. Mgmt believes this upcycle will last 3-5 years given: 1) growth is driven by leading customers with healthy fundamentals, ie less impact from regulatory tightening; 2) customers' capacity expansion pace is more rational; and 3) overseas growth. Also, market share gains will help Wuxi Lead outperform.

New businesses provide medium-term upside: Expansion into **MLCC** and **SOFC** can leverage replicable technology know-how from new energy equipment and existing customer resources, with target GPM >40-50%. **Humanoid** initial orders will likely

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Wuxi Lead Intelligent (300450.SZ, 300450 CS)

China Industrials | China

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	Rmb54.00
Up/downside to price target (%)	61
Shr price, close (Aug 28, 2026)	Rmb33.44
52-Week Range	Rmb69.72-28.40
Sh out, dil, curr (mn)	1,663
Mkt cap, curr (mn)	Rmb55,613
EV, curr (mn)	Rmb46,929
Avg daily trading value (mn)	Rmb3,867

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (Rmb)**	1.00	1.53	2.73	3.98
EPS (Rmb)§	1.07	1.52	2.04	2.65
Revenue, net (Rmb mn)	14,443	20,260	30,011	39,358
EBITDA (Rmb mn)	2,236	2,978	5,031	7,001
ModelWare net inc (Rmb mn)	1,564	2,516	4,600	6,543
P/E	50.1	21.8	12.2	8.4
P/BV	6.0	2.8	2.5	1.9
RNOA (%)	16.3	44.5	28.5	39.3
ROE (%)	13.5	19.1	23.7	28.4
EV/EBITDA	31.5	16.3	9.0	6.0
Div yld (%)	0.3	0.9	1.4	2.5

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

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materialize in 3Q, focusing on production automation.



2Q26 Results

Exhibit 1: Lead: 2Q26 results

Rmb mn	2Q25	1Q26	2Q26	% YoY	% QoQ	MSe	% vs MSe
Revenue	**3,512**	**3,691**	**4,498**	**28%**	**22%**	**4,566**	**(1%)**
COGS	(2,351)	(2,450)	(3,122)	33%	27%	(3,013)	4%
Gross Profit	**1,161**	**1,241**	**1,376**	**18%**	**11%**	**1,552**	**(11%)**
Business Tax and plus	(42)	(33)	(41)	-2%	24%	(41)	0%
Selling exp.	(88)	(80)	(79)	-10%	-2%	(110)	(28%)
Admin exp.	(283)	(301)	(254)	-10%	-16%	(342)	(26%)
R&D exp.	(431)	(405)	(421)	-2%	4%	(501)	(16%)
Operating Profit	**318**	**420**	**581**	**83%**	**38%**	**558**	**4%**
Asset/credit impairment Loss	38	39	(75)		-	-	na
Investment Gains and others	4	8	14	307%	76%	-	na
Financial expenses	19	(86)	(46)		-47%	(46)	0%
Non-operating profit/loss	35	47	98	178%	109%	58	69%
Profit before tax	**414**	**428**	**572**	**38%**	**34%**	**570**	**0%**
Tax	(50)	(39)	(35)	-30%	-11%	(44)	(20%)
Net profit	**364**	**389**	**537**	**48%**	**38%**	**526**	**2%**
Minority	(11)	(16)	(13)	21%	-18%	(25)	(47%)
Net profit to shareholders	**375**	**405**	**551**	**47%**	**36%**	**551**	**(0%)**
EPS (CNY)	**0.24**	**0.26**	**0.33**	**37%**	**27%**	**0.35**	**(7%)**
Margins							
Gross Margin	**33.1%**	**33.6%**	**30.6%**	**-2.5%**	**-3.0%**	**34.0%**	**-3.4%**
Selling expense as % of Revenue	2.5%	2.2%	1.8%	-0.8%	-0.4%	2.4%	-0.6%
Admin expense as % of Revenue	8.0%	8.2%	5.6%	-2.4%	-2.5%	7.5%	-1.9%
R&D expense as % of Revenue	12.3%	11.0%	9.4%	-2.9%	-1.6%	11.0%	-1.6%
Operating Margin	**9.1%**	**11.4%**	**12.9%**	**3.8%**	**1.5%**	**12.2%**	**0.7%**
Asset/credit impairment Loss	-1.1%	-1.1%	1.7%		-	0.0%	1.7%
Tax Rate	12.1%	9.1%	6.1%	-6.0%	-3.0%	7.6%	-1.6%
Net Margin	**10.7%**	**11.0%**	**12.2%**	**1.6%**	**1.3%**	**12.1%**	**0.2%**

Source: Company data, Morgan Stanley Research (E) estimate

Valuation Methodology and Risks

Wuxi Lead Intelligent (300450.SZ)

Base case, using a 2.5x market cap-to-new orders on our 2026 new orders forecast of Rmb36bn. We view the multiple as appropriate, as it's consistent with the level at which the stock traded in 2023. We believe this reflects new orders already being at a high level while growth is sustained into 2027, unlike the decline seen in 2024, supported by replacement demand, sodium battery commercialization, and gradual ramp of solid-state batteries.

Risks to Upside

- Stronger-than-expected ESS demand.
- Faster-than-expected progress of overseas expansion.
- Strong adoption for sodium/solid-state batteries.

Risks to Downside

- Weaker-than-expected ESS outlook.
- Limited progress of overseas expansion with global EV deceleration.
- Slower-than-expected adoption for sodium/solid-state batteries.

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(as of July 31, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1529	42%	442	47%	29%	750	43%
Equal-weight/Hold	1582	43%	396	42%	25%	773	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	560	15%	97	10%	17%	217	12%
Total	3,674		936			1741	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 9/1/21 : E/I; 1/7/22 : O/I; 2/4/23 : O/A; 1/5/24 : E/A; 9/20/24 : U/A; 1/8/25 : E/I; 9/8/25 : O/I

Price Target History: 8/30/21 : 65.19; 10/29/21 : 73.38; 1/7/22 : 93; 6/24/22 : 90; 12/13/22 : 61; 5/23/23 : 50; 9/12/23 : 43; 1/5/24 : 26; 9/20/24 : 10; 1/8/25 : 19; 5/19/25 : 18; 9/8/25 : 75; 5/5/26 : 87; 7/7/26 : 54

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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COMPANY (TICKER)	RATING (AS OF)	PRICE* (08/28/2026)
Chelsea Wang		
China Railway Group (601390.SS)	E (05/12/2022)	Rmb4.45
China Railway Group (0390.HK)	E (08/11/2025)	HK$3.45
China State Construction Engineering (601668.SS)	U (08/11/2025)	Rmb4.46
Han's Laser (002008.SZ)	O (10/02/2025)	Rmb87.62
Hefei Meyer Optoelectronic Technology (002690.SZ)	E (09/08/2025)	Rmb16.26
iRay Technology Company Limited (688301.SS)	O (07/07/2026)	Rmb94.61
Neway Valve (Suzhou) Co., Ltd (603699.SS)	O (09/12/2025)	Rmb50.70
Shanghai BOCHU Electronic Technology (688188.SS)	O (08/22/2024)	Rmb99.01
Shenzhen Envicool Technology Co Ltd (002837.SZ)	O (08/19/2024)	Rmb64.48
Sheng Zhong		
Beijing Geekplus Technology Co., Ltd. (2590.HK)	O (08/07/2025)	HK$10.18
Centre Testing International Group (300012.SZ)	E (11/18/2024)	Rmb15.06
CRRC Corp Ltd (1766.HK)	U (01/22/2026)	HK$5.41
CRRC Corp Ltd (601766.SS)	U (01/22/2026)	Rmb6.20
DR Laser (300776.SZ)	E (12/17/2021)	Rmb112.40
Estun Automation Co Ltd (002747.SZ)	E (08/25/2026)	Rmb31.49
Haitian International Holdings Limited (1882.HK)	E (09/08/2025)	HK$17.75
Hongfa Technology Co Ltd (600885.SS)	O (05/23/2023)	Rmb34.30
Jiangsu Guomao Reducer Co Ltd (603915.SS)	U (01/08/2025)	Rmb13.43
Jiangsu Hengli Hydraulic Co.Ltd (601100.SS)	O (05/23/2023)	Rmb101.36
Jingsheng Mechanical & Electrical Co (300316.SZ)	U (01/08/2025)	Rmb43.65
Leader Harmonious Drive Systems (688017.SS)	O (01/22/2026)	Rmb292.00
Sany Heavy Industry Co., Ltd. (600031.SS)	O (01/08/2025)	Rmb19.10
Shenzhen Inovance Technology (300124.SZ)	++	Rmb62.05
Shenzhen SC New Energy Technology Corp (300724.SZ)	U (09/08/2025)	Rmb58.21
Sinotruk (Hong Kong) Limited (3808.HK)	E (05/19/2025)	HK$41.90
Suzhou Maxwell Technologies Co Ltd (300751.SZ)	U (09/15/2023)	Rmb218.30
Times Electric (3898.HK)	E (01/22/2026)	HK$32.20

WeiChai Power (2338.HK)	O (03/30/2026)	HK$32.76
WeiChai Power (000338.SZ)	O (03/30/2026)	Rmb27.64
Wuxi Autowell Technology Co Ltd (688516.SS)	U (09/08/2025)	Rmb45.80
Wuxi Lead Intelligent (300450.SZ)	O (09/08/2025)	Rmb33.44
Zhejiang Dingli Machinery Co Ltd. (603338.SS)	O (11/05/2025)	Rmb57.35
Zhejiang Hangke Technology (688006.SS)	O (09/08/2025)	Rmb22.17
Zhejiang Shuanghuan Driveline Co. Ltd. (002472.SZ)	O (08/25/2023)	Rmb35.70
Zoomlion Heavy Industry (1157.HK)	O (09/08/2025)	HK$6.31
Zoomlion Heavy Industry (000157.SZ)	O (09/08/2025)	Rmb6.82

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

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