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Midea Group (000333.SZ)

Takeaways from Citi-hosted Investor Meeting; Maintain Buy

CITI'S TAKE

Despite near-term challenges to its full-year sales growth target (driven by three key variables discussed below), Midea's management expects YoY operating profit growth to outpace sales growth in 2H26E. This outlook is supported by sequentially easing gross profit margin pressure and lower selling-expense-to-sales ratios (management targets a YoY reduction of 2 percentage points in China and 1 percentage point overseas for FY26). Additionally, Midea aims to maintain a total shareholder cash return (including dividends and share buybacks) of no less than its annual net profit (excluding investment gains) over the next two to three years. Midea remains one of our **Top Buys** in the China consumer sector. See Citi's Sep 3 sector note: China Consumer - 1H26 Reporting Season Takeaways; Citi's Revised Pecking Orders.

Buy	
Price (03 Sep 26 15:00)	Rmb87.250
Target price	Rmb114.800
Expected share price return	31.6%
Expected dividend yield	5.4%
Expected total return	37.0%
Market Cap	Rmb607,486M US$90,411M

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2H26E Outlook — Management identifies three key variables that will affect the company's full-year sales growth in FY26 (compared to +3% YoY growth in 1H26): (1) the pace of recovery in China's home appliance industry as a low comparison base kicks in during 2H26E; (2) the recovery of global air conditioning demand, which drives the improvement of the currently pressured Industrial Technology business; and (3) the recovery pace of overseas OEM orders. According to management, GPM recovery in 2H26 will be supported by sequentially lower YoY pressure from FX volatility and copper and plastics inflation compared to 1H26. Management expects YoY OP growth to exceed group sales growth in 2H26E, driven by stringent opex control and efficiency improvements. This supports their target of reducing the selling-expense-to-sales ratio by 2 percentage points YoY in China and by 1 percentage point YoY in overseas markets for the full year 2026.

Cash Return — Midea targets a total cash return to shareholders (including dividends and share buybacks) of no less than its annual net profit (excluding investment gains from CXMT [688825.CH, NR]) over the next two to three years. The company plans to at least maintain its dividend payout ratio, which stood at 73% in 2025. In addition to robust operating cash flows, cash proceeds from the future disposal of Midea's stake in CXMT will serve as a reserve pool to support medium- to long-term shareholder cash returns.

Color on Overseas ToC Business — Europe contributed ~28% to overseas ToC sales in 1H26 (vs 25–26% in 2025), with OBM sales growing double-digits YoY. Per management, European YoY sales growth decelerated in 2Q26 due to slower OEM sales and the Teka business integration. Management expects sales volume for its hero product PortaSplit to reach ~200–300k units in 26E, with further fast-growth potential in 27E. More important, the product's success increased its access to more

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local channels in Europe, potentially expanding other categories' OBM sales. OBM is now 50%+ of overseas ToC sales, but OMP OP margin (at HSD%) is below that of OEM (at 10%+). Management expects that with enlarged scale, OBM OP margin should approach that of OEM in 2–3 years. Midea and Electrolux announced a 15-year North America partnership in April. Despite its likely limited P&L impact, it should help Midea access more local partners (including property developers) and expand its OBM business locally.

Color on ToB Business — (1) Industrial Tech sales declined 13% YoY in 1H26. Traditional appliance/HVAC components made up 90%+ of segment sales, and this segment's performance was dragged by the industry sales decline in 1H26. **(2) Building Tech** sales are currently a ~50/50 split between China and overseas markets. China sales grew MSD YoY in 1H26, and overseas sales grew faster, led by Europe (including the Clivet/Arbonia integration). Management expects meaningful sales contribution from data-center cooling-related sales (i.e., commercial AC sales) starting 2H27E. **(3) Robotics** sales grew ~10% YoY in 1H26, with China (30–35% of KUKA sales) up 20%+ YoY. Sales contribution from auto customers fell to 41–42% in 1H26 given client diversification into non-auto industries.

Midea Group

Valuation

Our target price for Midea of Rmb114.8 is based on 19x 26E target P/E, a 30% premium to its 5-year trading average, to reflect its enhanced potential in expanding to-b business globally.

Risks

Key downside risks that could impede the shares from reaching our target price include: 1) slower-than-expected white-goods growth; 2) price war among white-goods players; 3) slower-than-expected overseas expansion; and 4) higher-than-expected increase in raw material costs.

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Appendix A-1

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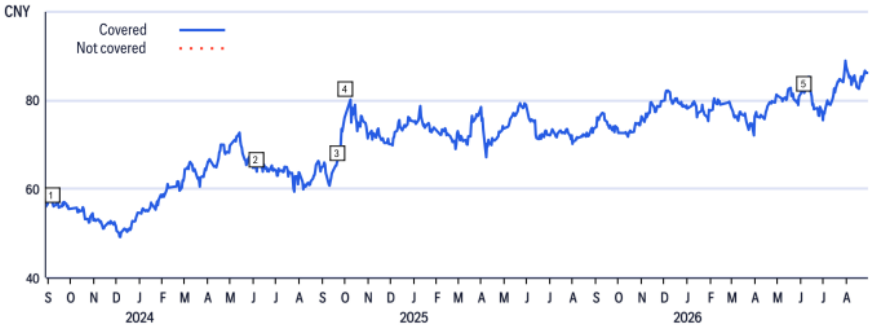
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Midea Group (000333.SZ)

Ratings and Target Price History
Fundamental Research

Analyst: Xiaopo Wei, CFA



	Date	Rating	Target Price	Closing Price
1	07-Sep-23 00:54:59	1	*70.98	56.57
2	04-Jun-24 11:04:53	1	*80.30	64.68
3	22-Sep-24 14:31:03	1	*81.89	66.06
4	03-Oct-24 05:58:59	1	*108.50	76.06
5	07-Jun-26 18:11:20	1	*114.80	81.69

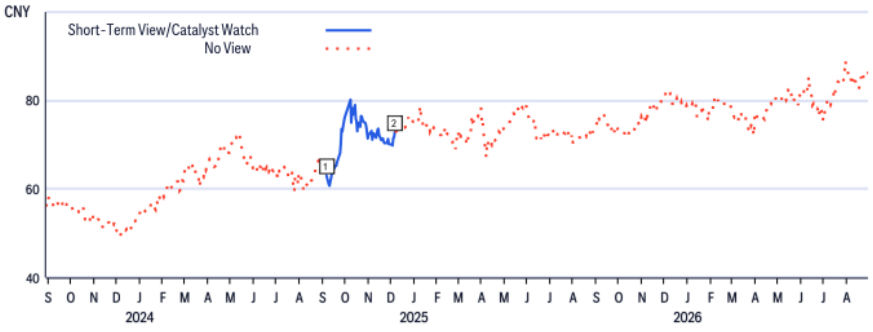
*Indicates Change

Rating/target price changes above reflect Eastern Time

Midea Group (000333.SZ)

Short-Term View/Catalyst Watch Research

Analyst: Xiaopo Wei, CFA



	Date	Action	Expected Direction	Duration	Closing Price
1	08-Sep-24 19:47:11	Add CW	Upside	90 Days	63.02
2	06-Dec-24 12:29:01	Remove CW	Upside	90 Days	72.85

CW - Catalyst Watch , STV - Short-Term View

Rating/target price changes above re

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% of companies in each rating category that are investment banking clients	38%	42%	27%	42%	37%	36%

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