Leader Harmonious Drive Systems Co. (688017.SS)

Raise TP to factor in 2035E humanoid robot potential; Stay Neutral on likely more aggressive pricing and margin headwinds in 2H26-28E

688017.SS	12m Price Target: **Rmb285.10**	Price: **Rmb290.50**	Downside: **1.9%**

We raise LeaderDrive's 12-month TP to Rmb285.1 from Rmb186.7 reflecting extended forecasts through 2035E to capture long-run humanoid robot market potential as 2030-35E earnings increments are likely to be more exponential underpinned by LeaderDrive's strong product positioning and competitiveness, thus our recognition on the visibility of that trajectory. However, we **maintain a Neutral rating**, with 0% implied upside (as of today's close) and the stock trading at c.250x 12-m forward P/E. Our revised TP utilizes a longer-term valuation framework **based on 35x 2035E P/E**, discounted back to 2027E with a 12% CoE. This target multiple is benchmarked against recent trading P/E multiples of Chinese industrial tech leaders Inovance/Sanhua at a similar revenue/net profit scale compared to our extended forecasts for LeaderDrive by 2035E.

We project **a robust 64%/37% total sales CAGR for 2025-30E/30-35E**, primarily fueled by the structural humanoid robot industry growth, with our global teams now seeing humanoid shipment reaching 890k/6.5mn units by 2030E/35E. Given the high density of harmonic reduction gears in humanoids especially the ones that demand high level of manipulation capability, we model LeaderDrive's humanoid related revenue to surge to Rmb5.7bn/30.5bn in 2030E/35E, representing **84% and 94% of total sales** respectively. To capture this demand, we model an aggressive capacity ramp to c.7mn units by 2030E, supporting a sustained c.30%/c.50% market share in high/low-to-mid-spec applications with higher share among the Chinese humanoid players while geopolitical sensitivities could limit overseas expansion, particularly among the US customer base.

Despite strong topline visibility and likely end-state market leadership, near-term earnings trajectory will likely be compromised by margins declines, as LeaderDrive is adopting **an aggressive pricing strategy to deter new entrants and pressure key**

NEUTRAL

Jacqueline Du
+852-2978-1783 | jacqueline.du@gs.com
Goldman Sachs (Asia) L.L.C.

Key Data

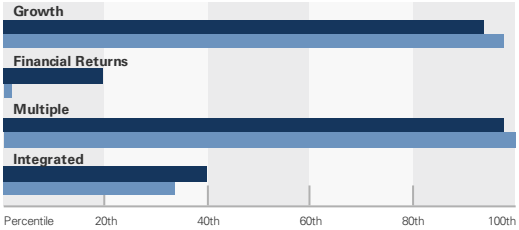
Market cap: Rmb53.3bn / $7.9bn
Enterprise value: Rmb52.6bn / $7.8bn
3m ADTV: Rmb4.5bn / $671.9mn
China
China Industrial Tech & Machinery
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn) New	**570.7**	**863.0**	**1,371.9**	**2,394.6**
Revenue (Rmb mn) Old	570.7	923.9	1,284.4	1,748.7
EBITDA (Rmb mn)	143.8	216.8	260.5	392.4
EPS (Rmb) New	**0.68**	**0.92**	**1.17**	**1.81**
EPS (Rmb) Old	0.68	1.18	1.84	2.60
P/E (X)	NM	NM	NM	160.6
P/B (X)	7.6	14.5	13.9	13.1
Dividend yield (%)	0.1	0.1	0.1	0.2
CROCI (%)	7.9	9.3	10.0	12.6

	3/26	6/26	9/26E	12/26E
EPS (Rmb)	0.18	0.20	0.26	0.28

GS Factor Profile



688017.SS relative to Asia ex. Japan Coverage
688017.SS relative to China Industrial Tech & Machinery

Source: Company data, Goldman Sachs Research estimates.
See disclosures for details.

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NEUTRAL

Leader Harmonious Drive Systems Co. (688017.SS)

Rating since Jan 13, 2025

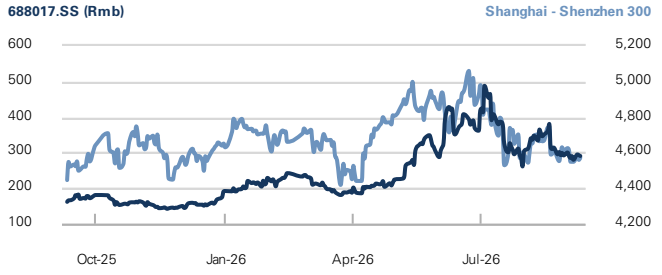
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	NM	NM	NM	160.6
P/B (X)	7.6	14.5	13.9	13.1
FCF yield (%)	0.2	(0.6)	(0.4)	(0.7)
EV/EBITDAR (X)	181.7	242.6	201.6	134.3
EV/EBITDA (excl. leases) (X)	181.7	242.6	201.6	134.3
CROCI (%)	7.9	9.3	10.0	12.6
ROE (%)	3.6	4.7	5.7	8.4
Net debt/equity (%)	(21.0)	(18.6)	(19.1)	(14.2)
Net debt/equity (excl. leases) (%)	(21.0)	(18.6)	(19.1)	(14.2)
Interest cover (X)	21.2	33,982.4	40,934.6	70,523.5
Days inventory outst, sales	169.7	149.0	142.8	130.8
Receivable days	153.7	131.1	112.2	97.2
Days payable outstanding	95.6	97.5	97.1	97.8
DuPont ROE (%)	3.5	4.6	5.6	8.2
Turnover (X)	0.1	0.2	0.3	0.5
Leverage (X)	1.1	1.1	1.2	1.3
Gross cash invested (ex cash) (Rmb)	2,596.0	2,917.6	3,192.1	3,798.2
Average capital employed (Rmb)	2,406.2	2,890.7	3,036.2	3,284.7
BVPS (Rmb)	19.33	20.00	20.83	22.12

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	47.3	51.2	59.0	74.5
EBITDA growth	82.9	50.8	20.2	50.6
EPS growth	103.8	36.1	26.5	55.0
DPS growth	93.4	31.9	26.5	55.0
EBIT margin	14.7	14.0	10.6	10.5
EBITDA margin	25.2	25.1	19.0	16.4
Net income margin	21.8	19.6	15.6	13.9

Price Performance



	3m	6m	12m
Absolute	(30.9)%	39.4%	78.8%
Rel. to the Shanghai - Shenzhen 300	(27.4)%	40.7%	73.4%

Source: FactSet. Price as of 9 Sep 2026 close.

Income Statement (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Total revenue	570.7	863.0	1,371.9	2,394.6
Cost of goods sold	(360.1)	(569.3)	(958.6)	(1,693.2)
SG&A	(39.7)	(34.5)	(68.6)	(143.7)
R&D	(53.9)	(94.9)	(137.2)	(215.5)
Other operating inc./(exp.)	(33.0)	(43.1)	(61.7)	(91.0)
EBITDA	**143.8**	**216.8**	**260.5**	**392.4**
Depreciation & amortization	(59.7)	(95.7)	(114.7)	(141.2)
EBIT	**84.1**	**121.0**	**145.8**	**251.2**
Net interest inc./(exp.)	(1.1)	7.5	6.8	7.3
Income/(loss) from associates	(0.8)	(0.5)	–	–
Pre-tax profit	**144.3**	**194.0**	**246.0**	**385.7**
Provision for taxes	(18.4)	(23.3)	(32.0)	(54.0)
Minority interest	(1.5)	(1.5)	–	–
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**124.4**	**169.2**	**214.0**	**331.7**
Post-tax exceptionals	–	–	–	–
Net inc. (post-exceptionals)	**124.4**	**169.2**	**214.0**	**331.7**
EPS (basic, pre-except) (Rmb)	**0.68**	**0.92**	**1.17**	**1.81**
EPS (diluted, pre-except) (Rmb)	**0.68**	**0.92**	**1.17**	**1.81**
EPS (basic, post-except) (Rmb)	**0.68**	**0.92**	**1.17**	**1.81**
EPS (diluted, post-except) (Rmb)	**0.68**	**0.92**	**1.17**	**1.81**
DPS (Rmb)	0.21	0.28	0.35	0.54
Div. payout ratio (%)	31.0	30.0	30.0	30.0

Balance Sheet (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	745.5	682.4	730.1	574.7
Accounts receivable	265.2	354.6	488.6	787.3
Inventory	285.0	419.5	653.7	1,061.9
Other current assets	1,296.0	996.0	696.0	396.0
Total current assets	**2,591.7**	**2,452.6**	**2,568.5**	**2,819.9**
Net PP&E	610.4	958.2	1,135.7	1,399.2
Net intangibles	56.8	49.6	42.5	35.3
Total investments	57.2	101.0	171.4	269.9
Other long-term assets	613.1	613.1	613.1	613.1
Total assets	**3,929.1**	**4,174.4**	**4,531.1**	**5,137.4**
Accounts payable	117.0	187.2	323.0	584.5
Short-term debt	0.1	0.1	0.1	0.1
Short-term lease liabilities	–	–	–	–
Other current liabilities	153.8	166.0	179.5	214.8
Total current liabilities	**270.9**	**353.3**	**502.6**	**799.4**
Long-term debt	0.0	0.0	0.0	0.0
Long-term lease liabilities	–	–	–	–
Other long-term liabilities	115.0	155.3	209.6	283.0
Total long-term liabilities	**115.0**	**155.3**	**209.6**	**283.0**
Total liabilities	**385.9**	**508.6**	**712.2**	**1,082.3**
Preferred shares	–	–	–	–
Total common equity	3,536.8	3,658.0	3,811.1	4,047.2
Minority interest	**6.4**	**7.9**	**7.9**	**7.9**
Total liabilities & equity	**3,929.1**	**4,174.4**	**4,531.1**	**5,137.4**
Net debt, adjusted	(745.4)	(682.3)	(730.0)	(574.6)

Cash Flow (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Net income	124.4	169.2	214.0	331.7
D&A add-back	59.7	95.7	114.7	141.2
Minority interest add-back	1.5	1.5	–	–
Net (inc)/dec working capital	(3.5)	(153.8)	(232.4)	(445.4)
Other operating cash flow	(30.1)	(3.5)	(16.1)	(25.2)
Cash flow from operations	**152.0**	**109.1**	**80.3**	**2.4**
Capital expenditures	(99.7)	(436.3)	(285.1)	(397.5)
Acquisitions	–	–	–	–
Divestitures	–	–	–	–
Others	(662.5)	300.0	300.0	300.0
Cash flow from investing	**(762.3)**	**(136.3)**	**14.9**	**(97.5)**
Repayment of lease liabilities	–	–	–	–
Dividends paid (common & pref)	(22.4)	(38.5)	(50.8)	(64.2)
Inc/(dec) in debt	(148.1)	–	–	–
Other financing cash flows	1.5	2.7	3.3	3.9
Cash flow from financing	**(168.9)**	**(35.8)**	**(47.5)**	**(60.3)**
Total cash flow	**(779.2)**	**(63.0)**	**47.7**	**(155.4)**
Free cash flow	52.3	(327.3)	(204.8)	(395.1)

Source: Company data, Goldman Sachs Research estimates.

competitors' profitability. Evidently, 2Q26 GPM contracted -4pp yoy and -2pp qoq to 31.3%. Furthermore, management's target to double capacity annually will incur higher depreciation costs before industry demand more meaningfully catches up in 2029E and beyond. We therefore **lower our 2026E/30E GPM forecasts to 34.0%/30.7% and OPM to 14.0%/12.9%**. After revising down 2026-30E net income estimates by -22% on average, we now forecast a 49% net income CAGR over 2025-30E as expanding sales are partially offset by margin declines. All in, our 2026-28E revenue forecasts are +21% above Wind Consensus on humanoid leadership, while our net income estimates are -19% below consensus.

Upside/downside risks: (1) faster/lower-than-expected volume production and/or technology advancement of humanoid robots; (2) better/worse-than-expected domestic industrial/collaborative robot demand; (3) faster/lower-than-expected penetration into key robot customers (especially foreign brands); (4) more/less competition pressure from overseas and local brands.

64%/37% 2025-30E/30-35E sales CAGR with humanoid market leadership backed by capacity ramp

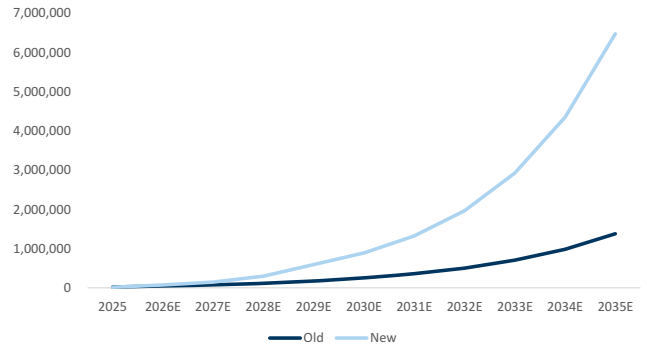
Our global teams recently raised global humanoid robot market forecasts and now expect **annual shipments** to reach **c.75k units in 2026E, 890k in 2030E, and 6.5mn in 2035E** (vs. 51k, 256k, and 1.4mn previously), as an increasing number of humanoid programs advance toward larger-scale prototype deployments and the early stages of commercial production (see *Physical AI - Framing the Forward Progress of Humanoids (with a Studied Focus on the Logistics Landscape*). This rapid growth in global humanoid robot shipments, and the fact that harmonic reduction gears are adopted at a much higher density on humanoid robots (avg. 14~16/10 harmonic reduction gears per high/mid-spec robot) than industrial robots (avg. 2 gears per robot) and cobots (avg. 6 gears per robots) will lead to **humanoid applications' share of the total global harmonic reduction gear demand mix surging** to 65%/89% by 2030E/35E from 3% in 2025, in our view.

We extend our forecasts for LeaderDrive through to 2035E (vs. 2030E previously) to capture the long-run potential of the humanoid industry and reflect these updated industry shipment assumptions. We continue to model the company capturing **c.30%/c.50% market share in the global high-specs/low-to-mid-specs humanoid robot industry in the long term with a dominant share in the China humanoid robot market**, supported by its competitive product quality, capacity advantage, customer relationships with the cobot brands (many of which are also setting foot into the humanoid space) as well as early dominance. That said, we believe **LeaderDrive's expansion in the overseas humanoid robot industry will, to a large degree, be subject to geopolitical sensitivities on critical emerging technologies and supply chain security, particularly within the US market.** Therefore, we adopt a conservative outlook regarding LeaderDrive's penetration into the US humanoid supply chain.

In our latest global supply/demand model for harmonic reduction gears (Exhibit 2), we model LeaderDrive to aggressively ramp up its annual capacity for to c.7mn by 2030E from 0.7mn/1.4mn units by 2025/26E, vs. management's long-term target of reaching 10mn units capacity. As such, we now model **revenue from humanoid robot end-market to reach Rmb5.7bn in 2030E** (vs. Rmb2.0bn prior) **and Rmb30.5bn in 2035E, accounting for 84% of total sales in 2030E** (vs. 58% prior and <20% in 2025) **and 94% in 2035E, with 123% CAGR over 2025-30E** (vs. 80% prior) **and 40% CAGR over 2030-35E**. Separately, We model a solid 18%/11% 2025-30E/30E-35E sales CAGR for the non-humanoid business, driven by market share gain on top of the organic growth in the global industrial/collaborative robot industry, as LeaderDrive continues to penetrate into the top 4 international industrial robot brands with increasingly on-par quality and competitive pricing vs. the global peers. All in, we look for **64% total sales CAGR in 2025-30E and 37% CAGR in 2030-35E**, mostly driven by the humanoid application.



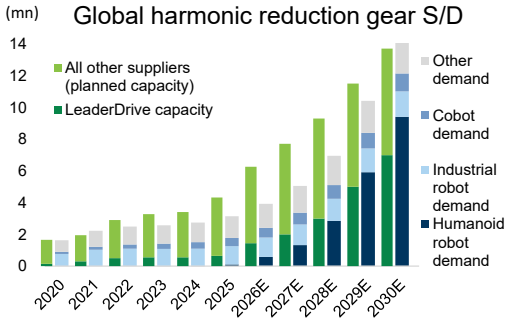
Exhibit 1: GS has raised global humanoid robot market forecasts and now expects annual shipments to reach c.75k units in 2026E, 890k in 2030E, and 6.5mn in 2035E (vs. 51k, 256k, and 1.4mn previously)



Source: Goldman Sachs Global Investment Research

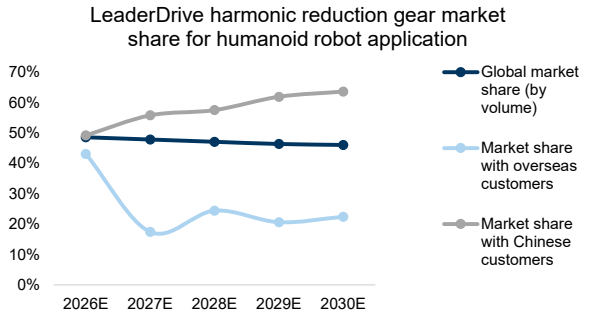
Exhibit 2: We expect LeaderDrive to aggressively ramp up capacity to c.7mn units of harmonic reduction gears by 2030E (from 0.7mn/1.4mn by 2025/26E), or proactively adapting to the surging humanoid demand

Global harmonid reduction gear supply/demand forecasts



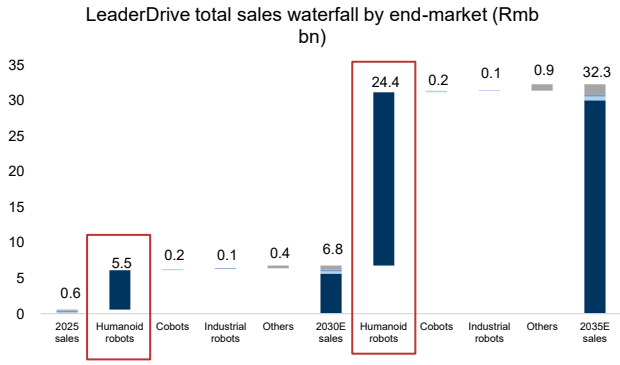
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: LeaderDrive to remain a leading player especially among China humanoid robot customers while geopolitics might complicate its overseas expansion



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 4: We expect 50% 2025-35E total sales CAGR mostly driven by humanoid robot application



Source: Company data, Goldman Sachs Global Investment Research

Lowering GPM and earnings estimates as company turned more aggressive on pricing

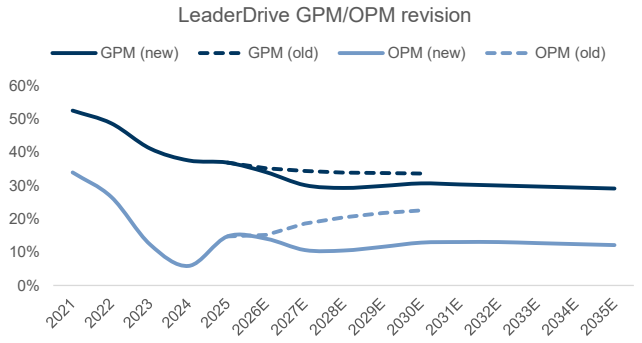
Despite the strong sales growth potential, we believe the **near-term earnings growth will be compromised by a declining pricing/GPM**. On the one hand, LeaderDrive is adopting a more aggressive pricing strategy to deter new entrants and pressure key competitors' profitability (such as Laifual, see Exhibit 13 - Exhibit 18 in the appendix) and defend its dominant market position, particular in the Chinese humanoid robot market. Management indicates that at 10mn-unit scale it could accept GPM above 30%, potentially 5-10ppt below current levels, reaching a level similar as any typical mass-produced automobile components with industry volume scaling up significantly in the next few years (see also: China Industrial Tech: Robotics & Automation: GS ALC 2026 Takeaways: Demand rotation, global expansion and humanoid robot momentum; LeaderDrive: China Forum 2026 - Key Takeaways: Full utilization, strong humanoid orders, diversifying product portfolio; Neutral on valuation). Evidently, **in 2Q26, GPM contracted by -4pp yoy/-2pp qoq** to 31.3% and was the key reason behind the results miss vs. GSe albeit with robust sales growth of +36% yoy / +49% qoq. On the other

hand, with the aggressive target of at least doubling capacity annually over the next three years (per management), we expect GPM will also be impacted by higher depreciation costs in 2026-28E before the overall industry demand catches up with the capacity expansion from LeaderDrive and its peers in 2029E and beyond.

Consequently, **we lower our 2026E/30E GPM forecasts to 34.0%/30.7%** (vs. 35.2%/33.6% previously) **as well as OPM forecasts to 14.0%/12.9%** (vs. 15.2%/22.5% previously) **while modeling 29.1%/12.1% GPM/OPM by 2035E**. We now forecast **49% net income CAGR over 2025-30E** (vs. 50% CAGR previously) after revising down 2026-30E net income forecasts by -22% on average as expanding humanoid-related sales were more than offset by the margins decline.

GSe sales higher but earnings lower vs. Consensus: Our **2026-28E revenue forecasts are on average +21% higher but our net income forecasts are on average -19% lower than Wind Consensus,** as we are positive on LeaderDrive's market leadership in the harmonic reduction gear for humanoid robot applications as well as market share gain potentials in the industrial/collaborative robot verticals in the longer term, but we recognize its GPM decline trend as the company proactively lowers pricing to discourage new entrants and the capacity expansion could lead to higher depreciation costs during this period before the industry demand keeps up in 2029-30E.

Exhibit 5: We lower GPM/OPM forecasts for LeaderDrive...



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 6: ... as the company turned more aggressive on pricing (as seen in 2Q margin/results miss)

LeaderDrive (688017.SS)	2Q26	yoy	qoq	Prior 2Q26 GSe	Diff
Revenue (Rmb mn)	**208**	**36%**	**49%**	**227**	**-8%**
Gross profit (Rmb mn)	65	21%	39%	77	-15%
EBIT (Rmb mn)	28	25%	66%	32	-11%
Net profit (Rmb mn)	**37**	**13%**	**15%**	**51**	**-27%**
EPS (Rmb)	**0.20**	**13%**	**15%**	**0.28**	**-27%**
Gross margin (%)	**31.3%**	**-4pp**	**-2pp**	**34%**	**-3pp**
EBIT margin (%)	**13.5%**	**-1pp**	**1pp**	**14%**	**0pp**
Net margin (%)	**18.0%**	**-4pp**	**-5pp**	**23%**	**-5pp**

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 7: LeaderDrive earnings revisions

LeaderDrive		2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Revenue (new)	**Rmb mn**	**863**	**1,372**	**2,395**	**4,388**	**6,782**	**9,567**	**13,245**	**18,110**	**24,402**	**32,315**
Previous	Rmb mn	924	1,284	1,749	2,411	3,354	n.m.	n.m.	n.m.	n.m.	n.m.
vs. Previous	%	-7%	7%	37%	82%	102%	n.m.	n.m.	n.m.	n.m.	n.m.
Net Income (new)	**Rmb mn**	**169**	**214**	**332**	**570**	**904**	**1,249**	**1,691**	**2,226**	**2,890**	**3,698**
Previous	Rmb mn	217	337	477	670	949	n.m.	n.m.	n.m.	n.m.	n.m.
vs. Previous	%	-22%	-36%	-30%	-15%	-5%	n.m.	n.m.	n.m.	n.m.	n.m.
EPS (new)	**Rmb**	**0.92**	**1.17**	**1.81**	**3.11**	**4.93**	**6.81**	**9.22**	**12.14**	**15.76**	**20.17**
Previous	Rmb	1.18	1.84	2.60	3.65	5.18	n.m.	n.m.	n.m.	n.m.	n.m.
vs. Previous	%	-22%	-36%	-30%	-15%	-5%	n.m.	n.m.	n.m.	n.m.	n.m.

Source: Company data, Goldman Sachs Global Investment Research

TP up to Rmb285.1 with a longer-term 2035E based valuation framework; stay Neutral

We raise our 12-month TP to Rmb285.1 (vs. Rmb186.7 previously), now based on 35x 2035E P/E (vs. previously based on 50x 2030E P/E) discounted back to 2027E

(unchanged) with 12% CoE (vs. 11.5% CoE previously) to capture the longer-term growth opportunities and to better align with our global teams' 2026-35E humanoid robot industry shipmentorecasts.

Our target multiple of 35x 2035E P/E reflects LeaderDrive's long-term humanoid earnings potential and our view that its competitive moat can scale with the market, supported by its dominant domestic share in humanoid harmonic reduction gears,ull utilization, stable pricing and aggressive capacity roadmap toward 10mn+ units longer term. We also **benchmark LeaderDrive to Inovance (300124.SZ, Buy) and Sanhua - A (002050.SZ, Neutral)** within our China Industrial Tech coverage, which are the dominant Chinese leaders in their respective fields (general industrial automation componentsor Inovance, and HVAC/EV thermal control componentsor Sanhua) which have been riding on theirast-growing end-markets in the past 20 years. In terms of total sales, we model LeaderDrive in 2035E to match Inovance's total sales level back in 2023-24 (when Inovance was trading at avg. 35x 12-monthorward P/E) and Sanhua in 2025-26 (when Sanhua was trading at avg. 38x P/E). On net income, we model LeaderDrive in 2035E to match Inovance in 2021-22 (when Inovance was trading at avg. 40x P/E) and to match Sanhua in 2024-25 (when Sanhua was trading at avg. 27x P/E). Our updated CoE of 12% is based on 1.7% risk-free rate (Chinese 10-year treasury bond yield), 6.8% equity risk premium per GS China Strategy team (link), and a beta of 1.5 calculated from LeaderDrive's share price perormance against the CSI300 Index over the past year. With 0% implied upside as of today's close and the stock trading at c.250x 12-monthorward P/E (higher than historical average of 183x), we stay Neutral on LeaderDrive.

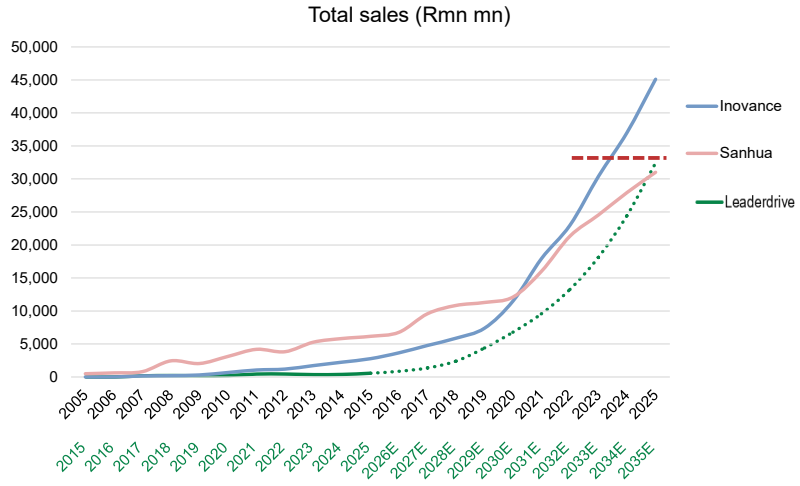
The author would like to thank Zhou Li, Hao Chen, Zhihan Ye, and Junfang Zhangor their contribution to this report.

Exhibit 8: LeaderDrive earningsorecasts and TP methodology

Revenue	**443**	**446**	**356**	**387**	**571**	**863**	**1,372**	**2,395**	**4,388**	**6,782**	**9,567**	**13,245**	**18,110**	**24,402**	**32,315**	**48%**	**37%**
yoy	105%	1%	-20%	9%	47%	51%	59%	75%	83%	55%	41%	38%	37%	35%	32%		
Humanoid related revenue	**-**	**-**	**8**	**17**	**103**	**324**	**738**	**1,632**	**3,472**	**5,697**	**8,366**	**11,912**	**16,627**	**22,746**	**30,465**	**59%**	**40%**
yoy				110%	507%	215%	128%	121%	113%	64%	47%	42%	40%	37%	34%		
Other revenue	443	446	348	370	468	539	634	763	916	1,085	1,201	1,333	1,483	1,656	1,850	14%	11%
yoy	105%	1%	-22%	6%	26%	15%	18%	20%	20%	18%	11%	11%	11%	12%	12%		
Gross profit	233	217	147	145	211	294	413	701	1,311	2,079	2,903	3,978	5,383	7,179	9,408	48%	35%
GPM	53%	49%	41%	38%	37%	34%	30%	29%	30%	31%	30%	30%	30%	29%	29%		
EBIT	151	118	44	23	84	121	146	251	509	872	1,248	1,726	2,304	3,030	3,908	51%	35%
EBIT margin	34%	27%	12%	6%	15%	14%	11%	10%	12%	13%	13%	13%	13%	12%	12%		
Net income	**189**	**155**	**84**	**56**	**124**	**169**	**214**	**332**	**570**	**904**	**1,249**	**1,691**	**2,226**	**2,890**	**3,698**	**43%**	**33%**
NPM	43%	35%	24%	14%	22%	20%	16%	14%	13%	13%	13%	13%	12%	12%	11%		
EPS (Rmb/share)	**1.13**	**0.92**	**0.50**	**0.33**	**0.68**	**0.92**	**1.17**	**1.81**	**3.11**	**4.93**	**6.81**	**9.22**	**12.14**	**15.76**	**20.17**	**43%**	**33%**
yoy	131%	-18%	-46%	-33%	104%	36%	26%	55%	72%	58%	38%	35%	32%	30%	28%		

2035E target P/E	**35.0x**
2035E implied value per share (Rmb)	705.9
Cost of equity	**12.0%**
12-month target price (Rmb)	**285.1**
Share price (Rmb)	292.5
Implied up/downside	**-3%**

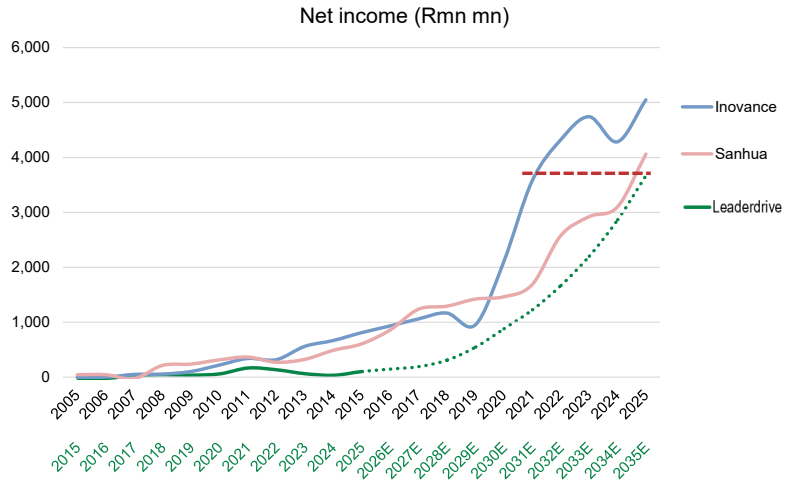
Exhibit 9: In terms of total sales, we model LeaderDrive in 2035E to match Inovance's total sales level back in 2023-24 (when Inovance was trading at avg. 35x 12-month forward P/E) and Sanhua in 2025-26 (when Sanhua was trading at avg. 38x P/E)



2005-2025 X-axis for Inovance and Sanhua; 2015-35E X-axis for LeaderDrive

Source: Company data, Goldman Sachs Global Investment Research

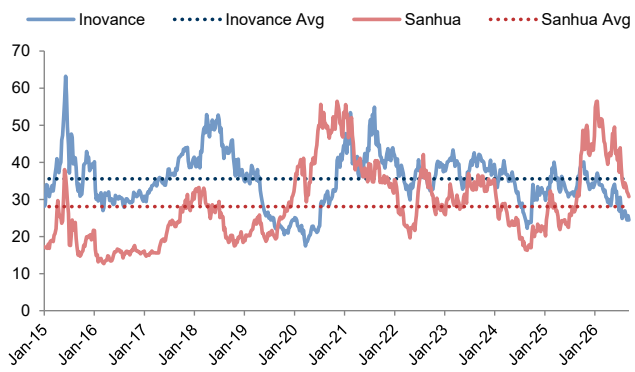
Exhibit 10: On net income, we model LeaderDrive in 2035E to match Inovance in 2021-22 (when Inovance was trading at avg. 40x P/E) and to match Sanhua in 2024-25 (when Sanhua was trading at avg. 27x P/E)



2005-2025 X-axis for Inovance and Sanhua; 2015-35E X-axis for LeaderDrive

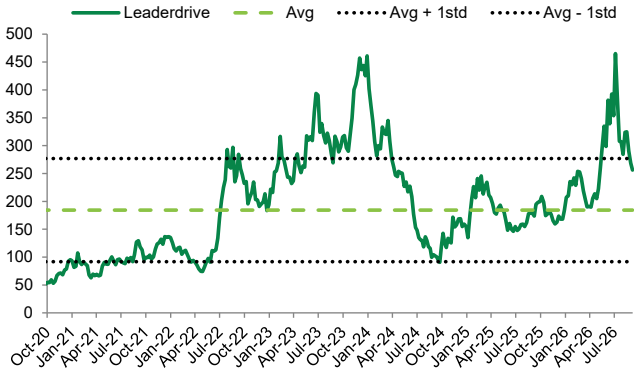
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 11: Inovance has been trading at 36x and Sanhua at 28x on average since 2015



Source: Company data, Goldman Sachs Global Investment Research

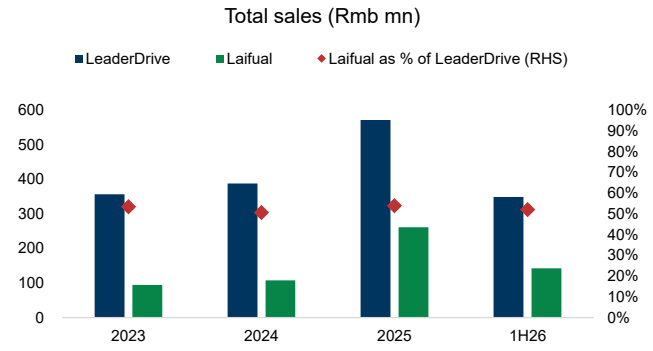
Exhibit 12: LeaderDrive is trading at 256x 12-month forward P/E, higher than historical average of 183x



Source: Company data, Goldman Sachs Global Investment Research

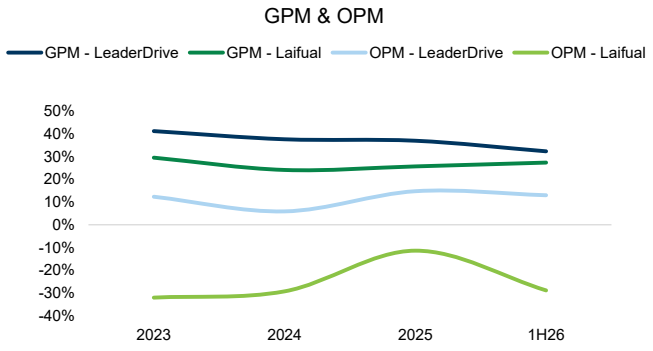
Appendix: Financial & operating metrics - LeaderDrive vs. Laifual (3952.HK, NC)

Exhibit 13: Total sales: LeaderDrive vs. Laifual



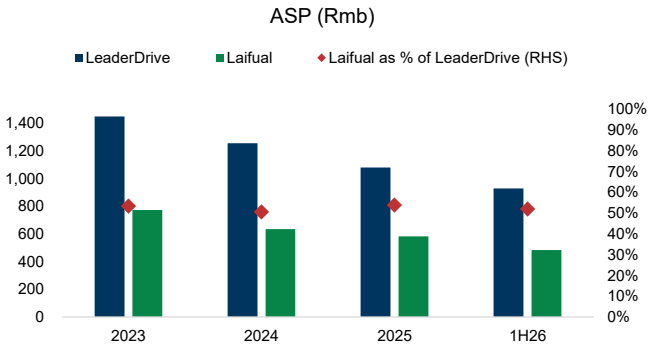
Source: Company data

Exhibit 14: Profitability: LeaderDrive vs. Laifual



Source: Company data

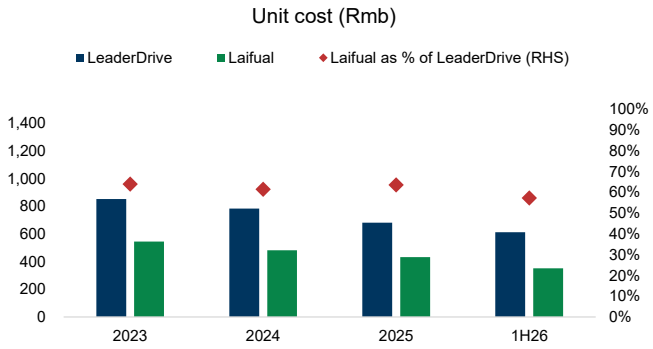
Exhibit 15: ASP of harmonic reduction gears: LeaderDrive vs. Laifual



LeaderDrive 1H26 data based on GSe

Source: Company data, Goldman Sachs Global Investment Research

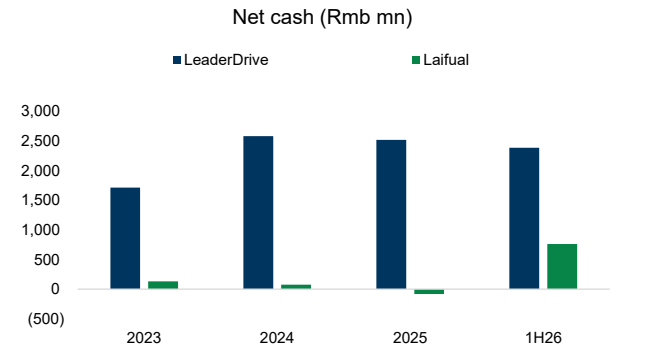
Exhibit 16: Unit cost of harmonic reduction gears: LeaderDrive vs. Laifual



LeaderDrive 1H26 data based on GSe

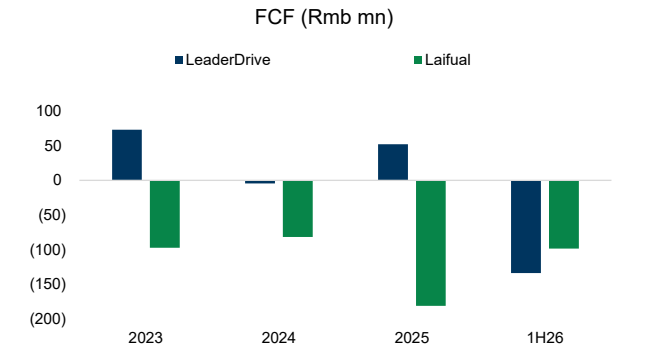
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 17: Net cash: LeaderDrive vs. Laifual



Source: Company data

Exhibit 18: Free cash flows: LeaderDrive vs. Laifual



Source: Company data

Exhibit 19: LeaderDrive's relatively higher unit costs stem from its use of imported alloy steels, nano-coating surface treatments, and proprietary multi-step precision machining processes designed to achieve consistent high-precision performance

Comparative analysis of technical approaches and performance/cost implications: LeaderDrive vs. Laifual

Dimension	Leaderdrive	Laifual	Performance & Cost Implications
Material System	**High-end alloy steel + Surface modification** • Flexspline/Rigid Spline: All using overseas alloy steel with high precision and reliability • Surface treatment: Carbonitriding + Nano-coating	**Hybrid materials + Intrinsic lubrication** • Flexspline: Japanese precision steel; Rigid Spline: Domestic ductile iron • Surface treatment: No additional coating; relies on micropores for oil retention	**Leaderdrive utilizes coatings to enhance tribological performance with a higher material costs to ensure longer durability and better precision**. Laifual leverages micropores in ductile iron to facilitate auxiliary lubrication, balancing material cost reduction with lubrication requirements. Ductile iron offers lower smelting costs and better machinability, contributing to overall BOM cost control.
Tooth Design	**"Stubby" profile + Coating-dependent** • Iterated P-type tooth • Larger contact area for improved load capacity • Requires nano-film to maintain low friction coefficient	**"Slender" profile + Geometric compensation** • Iterated δ-type tooth • Composite linear-arc involute profile • Optimizes meshing via geometry to offset material variances	**Leaderdrive's "stubby" profile demands high machining precision and coating process consistency**. Laifual's "slender" profile optimizes meshing conditions through geometric design, reducing reliance on surface treatments.
Manufacturing Process	**Multi-step precision machining + Specialized equipment** • Gear processing time: 2–3 hours per unit • Primarily WEDM/precision grinding with tight tolerance control • Development of dedicated machine tools	**High-efficiency cutting + Process parameter optimization** • Gear processing time: ~20 minutes per unit • Efficiency-oriented with notable economies of scale • Focus on controlling heat treatment distortion and tolerance consistency	Laifual's machining efficiency is faster that of Leaderdrive, helping amortize labor and depreciation costs, albeit with higher demands on heat treatment stability and process parameter control. **Leaderdrive prioritizes precision stability over longer cycle times**, whereas Laifual supports production throughput through extensive process tuning.
Equipment Strategy	**Proprietary specialized machines + Technology protection** • Self-developed 5-axis machines and planetary roller screw grinders • Specialized machines withheld from external sale for a defined period • Aimed at securing capacity and technological exclusivity	**General-purpose equipment + Process integration** • Process optimization based on general-purpose machine tools • Limited adoption of dedicated equipment • Aimed at reducing fixed asset investment and accelerating capacity expansion	**Leaderdrive's specialized machines reduce redundant functions found in general-purpose equipment, potentially lowering unit costs over the long term despite significant upfront R&D amortization**. Laifual's relatively asset-light model enables faster ramp-up, though long-term mass-production consistency remains subject to the accuracy retention of general-purpose machinery.

Source: Company data, Goldman Sachs Global Investment Research

Investment Thesis - Leader Harmonious Drive Systems Co.

On valuation, we are Neutral rated on LeaderDrive, the domestic leader in China's harmonic reduction gear market. We are positive on the company for its growing harmonic reduction gear TAM expansion, due to a growing set of applications both domestically and globally across industrial robots, collaborative robots (cobots), humanoid/service robots, CNC machine tools and other high-end equipment (solar/SPE/medical/aerospace). We continue to model the company to capture c.30%/c.50% market share in the global high-specs/low-to-mid-specs humanoid robot industry in the long term, supported by its competitive product quality, capacity advantage as well as early dominance, especially in the China humanoid robot market. The company is in the process of penetrating into overseas industrial robot customers, such as making volume shipments to 3 of the Big 4 international robot brands. That said, we expect a gradual decline of GPM and OPM in the next few years as management adopts defensive pricing to deter entrants and the company aggressively expands its production capacity to meet the fast-growing humanoid industry demand.

Price Target Risks and Methodology - Leader Harmonious Drive Systems Co.

Our 12-month target price for Leader Harmonious Drive Systems Co. is Rmb285.1, based on 35x 2035E P/E discounted back to 2027E with 12% CoE.

Upside/downside risks: (1) faster/lower-than-expected volume production and/or technology advancement of humanoid robots; (2) better/worse-than-expected domestic industrial/collaborative robot demand; (3) faster/lower-than-expected penetration into key robot customers (especially foreign brands); (4) more/less competition pressure from overseas and local brands.

Disclosure Appendix

Reg AC

I, Jacqueline Du, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

Contributing Authors: Jacqueline Du Goldman Sachs (Asia) L.L.C..

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

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Disclosures

Rating and pricing information

Sanhua Intelligent Controls (A) (Neutral, Rmb36.22) and Shenzhen Inovance Technology Co. (Buy, Rmb57.15)

The rating(s) for Leader Harmonious Drive Systems Co. is/are relative to the other companies in its/their coverage universe: Best, Bochu, CRRC Corp. (A), CRRC Corp. (H), Centre Testing Intl Group, Estun Automation Co.(A), Estun Automation Co.(H), Faratronic, Haitian International Holdings, Han's Laser Technology, Hongfa Technology, Huaming, Kehua Data Co., Lead Intelligent (A), Lead Intelligent (H), Leader Harmonious Drive Systems Co., Luster LightTech Co., Megmeet, Moons' Electric, NARI Technology, Nantong Jianghai Capacitor Co., OPT Machine Vision Tech Co., Sanhua Intelligent Controls (A), Sanhua Intelligent Controls (H), Shanghai Baosight Software, Shenzhen Envicool Technology, Shenzhen Inovance Technology Co., Shenzhen Kstar Science & Tech, Shuanghuan Driveline, Sieyuan Electric, Sungrow Power Supply Co., Techtronic Industries, Wuhan Raycus Fiber Laser Tech, Yiheda Automation, Yingliu, Zhejiang Supcon Technology Co., Zhuzhou CRRC Times Electric Co. (A), Zhuzhou CRRC Times Electric Co. (H)

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Goldman Sachs had an investment banking services client relationship during the past 12 months with: Leader Harmonious Drive Systems Co. (Rmb290.50)

Distribution of ratings/investment banking relationships

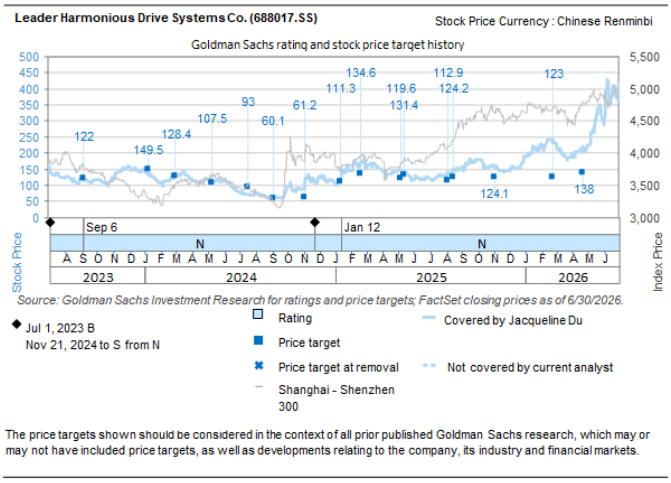
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	Buy	Hold	Sell	Buy	Hold	Sell
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Price target and rating history chart(s)



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Target price history table(s)

Leader Harmonious Drive Systems Co. (688017.SS)

Date of report	Target price (Rmb)	Closing price (Rmb)
22-Jul-26	186.70	316.70
23-Apr-26	138.00	203.77
24-Feb-26	123.00	232.70
03-Nov-25	124.10	159.50
17-Aug-25	124.20	148.31
06-Aug-25	112.90	140.13
13-May-25	131.40	146.06
07-May-25	119.60	146.07
20-Feb-25	134.60	169.83
12-Jan-25	111.30	120.04
04-Nov-24	61.20	106.20
05-Sep-24	60.10	65.04
18-Jul-24	93.00	71.70
09-May-24	107.50	115.31
01-Mar-24	128.40	129.88
08-Jan-24	149.50	131.96

Price targets shown in table(s) are unadjusted for corporate actions.

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