Leader Harmonious Drive Systems

Key beneficiary of embodied AI robots' growth, but valuation ahead of fundamentals

Equities

China

Industrial, Diversified

12-month rating **Sell**

12m price target	**Rmb216.00**
	Prior : Rmb52.90
Price (21 Sep 2026)	**Rmb288.88**

RIC: 688017.SS **BBG:** 688017 CH

Trading data and key metrics

52-wk range	Rmb488.00-141.92
Market cap.	Rmb53.0b/US$7.91b
Shares o/s	183m (ORDA)
Free float	55%
Avg. daily volume ('000)	11,061
Avg. daily value (m)	Rmb3,946.8
Common s/h equity (12/26E)	Rmb3.66b
P/BV (12/26E)	14.5x
Net debt to EBITDA (12/26E)	NM

EPS (UBS, diluted) (CNY)

	From	To	% ch	Cons.
12/26E	0.86	0.91	6	1.00
12/27E	1.07	1.33	24	1.48
12/28E	1.22	1.78	46	2.14

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Raising net profit forecasts mainly on stronger revenue growth

We raise 2026-28E net profit forecasts by 16-59% on stronger traditional-robot demand and higher humanoid-robot volumes and content per unit. We believe the company is well positioned to capture the growth in embodied AI, underpinned by its attractive price-performance ratio, responsive service, rapid R&D capabilities, and ongoing planned harmonic reducer capacity expansion from 90k units/month by September to 120k units/month by end-2026. However, we see limited potential for upside after the strong YTD rally of ~50%, as industry capacity expansion pressures margins and leading companies prioritize market share. At 239x forward PE, slightly higher than its 226x average since mid-2022, we view the valuation as demanding against 2026-28E net profit CAGR of 40%, versus ~20% in 2023-25. We believe key risks include weaker traditional-robot demand, slower humanoid-robot mass production, and delays in capacity, product, or customer ramp-ups.

Dual growth engines from traditional and humanoid robots

We are increasingly constructive on Leader Drive's traditional and humanoid-robot businesses to deliver 34%/62% revenues CAGR in 2026-28E. AI-driven automation, harmonic-reducer localisation and capacity expansion should support further share gains among global robot OEMs. We raise its humanoid-robot business revenues and earnings forecasts on stronger demand and higher content per robot as Leader Drive expands beyond reducers into integrated joint modules, miniature and planetary reducers, roller screws, and specialized bearings through its SKF joint venture.

But, margins are likely to be under pressure

The company's blended gross margin fell to 31.3% in Q2 2026, down 3.9ppt YoY and 2.3ppt QoQ, as capacity ramp-up increased headcount and fixed-cost absorption, as well as price cuts amid market competition. We think pressure should persist as Leader Drive and Laifual Drive, China's two largest reducer producers, rapidly expand capacity. With demand still at an early stage, faster supply growth could intensify price competition, while low utilization and yields weigh on margins. As management prioritizes market share over profitability, we expect revenue and shipments to outpace profit growth until utilization, scale, and supply-demand conditions improve.

Valuation: Raise price target from Rmb52.90 to Rmb216.00

We change our valuation method from PE to SOTP, valuing the traditional component business on 70x 2027E P/E (implied 2.3 PEG, close to global factory automation (FA) component peers) and the humanoid business on 15x 2030E P/S (close to leading humanoid OEM). Our price target implies 163x 2027E P/E and a 4.1x PEG (2027E PE on 2026-28E net profit CAGR). Maintain Sell as we believe valuation remains expensive.

Highlights (Rmbm)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenues	353	384	568	888	1,359	1,792	2,344	3,089
EBIT (UBS)	62	57	114	160	252	357	493	679
Net earnings (UBS)	84	56	125	167	244	327	438	599
EPS (UBS, diluted) (Rmb)	0.50	0.33	0.68	0.91	1.33	1.78	2.39	3.27
DPS (net) (Rmb)	0.30	0.11	0.21	0.28	0.41	0.55	0.74	1.01
Net (debt) / cash	411	1,416	746	507	240	126	55	26
Profitability/valuation	**12/23**	**12/24**	**12/25**	**12/26E**	**12/27E**	**12/28E**	**12/29E**	**12/30E**
EBIT (UBS) margin %	17.5	14.9	20.1	18.0	18.5	19.9	21.0	22.0
ROIC (EBIT) %	5.7	5.5	7.1	6.8	9.1	11.2	13.8	16.9
EV/EBITDA (UBS core) x	>100	>100	>100	>100	>100	>100	83.9	63.3
P/E (UBS, diluted) x	NM	NM	NM	NM	NM	NM	NM	88.4
Equity FCF (UBS) yield %	0.3	(0.1)	0.2	(0.4)	(0.4)	(0.1)	0.1	0.2
Dividend yield (net) %	0.2	0.1	0.1	0.1	0.1	0.2	0.3	0.3

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of Rmb 288.88 on 21-Sep-2026

This report has been prepared by UBS Securities Co. Limited. **ANALYST CERTIFICATION AND REQUIRED DISCLOSURES, INCLUDING INFORMATION ON THE QUANTITATIVE RESEARCH REVIEW PUBLISHED BY UBS, BEGIN ON PAGE 10.**

UBS-S Research THESIS MAP a guide to our thinking and what´s where in this report

PIVOTAL QUESTIONS

Q: Will we see AI accelerate robot adoption over the next few years?

Yes. We believe AI will accelerate the adoption of established robot categories by improving flexibility and ease of deployment. For humanoid robots, differentiation will likely shift from mobility to task generalisation, although constraints in AI models, data and reliability mean broad commercialisation remains some way off, in our view. We raise our 2026-30 global humanoid robot demand by over 70% a year to reflect faster commercial sector adoption, mainly from "preparing for the future" demand and simple use cases. We now estimate global humanoid demand and China's traditional robot demand market to grow at CAGRs of 76% and 10-60% , respectively, in 2026-30.

APAC Focus: Humanoids on the horizon, but AI-enabled traditional robotics to advance first, Phyllis Wang, 2026/09/21

Q: Will Leader Drive deliver high earnings growth in 2026-28?

Yes. We believe the company can deliver 40% net profit CAGR in 2026-28, driven by: (1) faster-than-expected market share gains in traditional industrial robotics, supported by ongoing capacity expansion; (2) a broader participation across the humanoid robotics value chain, as the company expands its product offering from harmonic reducers into integrated joint modules, miniature and planetary reducers, roller screws, and specialized bearings, which should more than offset margin pressure from increasing competition and pricing headwinds.

UBS-S VIEW

We raise our 2026-28E net profit 16-59%, reflecting stronger traditional robotics demand and higher humanoid robot volume and content assumptions. While Leader Drive remains a leading harmonic reducer supplier with strong exposure to humanoid robotics, we believe these positives are largely priced in. At 239x forward P/E, the stock trades at a demanding valuation despite rising industry capacity, intensifying competition and near-term margin pressure. We maintain our Sell rating.

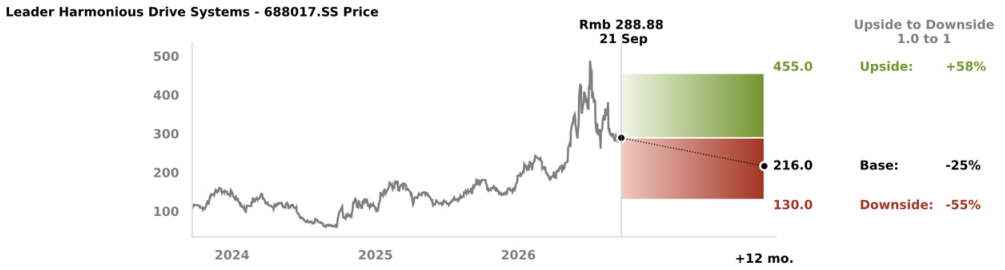
EVIDENCE

1) Leader Drive plans to raise its harmonic reducer capacity from 90k units/month by September to 120k units/month by end-2026. 2) In July 2026, Leader Drive announced a joint venture with SKF to develop and manufacture high-precision components such as bearings for the embodied AI market.

WHAT´S PRICED IN?

Trading at 239x forward PE, we think the market has priced in the positives on future earnings growth and thematic catalysts.

UPSIDE/DOWNSIDE SPECTRUM



Value drivers (2027E)	Revenue CAGR (2026-28E)	Gross margin (2027E)	SG&A (2027E)
Rmb455 upside	60%	40%	12%
Rmb216 base	42%	32.9%	14.2%
Rmb130 downside	20%	25%	18%

Source: UBS-S estimates

COMPANY DESCRIPTION

Leader Harmonious Drive is a high-tech enterprise specialising in the research and development, design, production and sale of precision transmission devices, including harmonic reducer...

Earnings forecast changes

We raise our 2026-28 net profit forecasts for the company by 16-59%, mainly reflecting faster-than-expected market share gains in traditional robotics and stronger-than-expected humanoid robot demand. Our key revisions are as follows: 1) we increase our reducer sales volume forecasts to reflect the company's ongoing capacity expansion and stronger-than-expected market share gains; and 2) we raise our humanoid robotics revenues and earnings forecasts on the back of stronger demand and rising content per robot. The company is expanding beyond harmonic reducers into integrated joint modules, miniature and planetary reducers, roller screws, and specialised bearings through its SKF joint venture, which should enable it to capture a larger share of the humanoid robotics value chain; 3) we lower our gross profit margin assumptions to incorporate intensifying competition and pricing pressure.

Figure 1: Earnings estimate revisions

Earnings Revision	2026E			2027E			2028E		
Rmb m	Old	New	%	Old	New	%	Old	New	%
Net Revenue	**543**	**888**	*64%*	**651**	**1,359**	*109%*	**740**	**1,792**	*142%*
Reducer & components	425	736	*73%*	488	1,117	*129%*	513	1,408	*174%*
YoY	*15%*	*54%*		*15%*	*52%*		*5%*	*26%*	
Others	121	154	*27%*	167	245	*47%*	232	389	*68%*
YoY	*38%*	*63%*		*38%*	*59%*		*39%*	*58%*	
COGS	331	596	*80%*	396	914	*130%*	450	1,196	*166%*
Gross profit	212	292	*38%*	255	445	*75%*	290	595	*105%*
Gross margin	**39.4%**	**33.0%**	**-6.4ppts**	**39.5%**	**32.9%**	**-6.6ppts**	**39.6%**	**33.4%**	**-6.2ppts**
SG&A	107	132	*23%*	116	194	*67%*	129	238	*85%*
SG&A ratio	**19.6%**	**14.8%**	**-4.8ppts**	**17.7%**	**14.2%**	**-3.5ppts**	**17.3%**	**13.3%**	**-4.0ppts**
EBIT	105	160	*52%*	139	252	*81%*	162	357	*121%*
Net margin	**26.4%**	**18.6%**	**-7.8ppts**	**27.6%**	**17.8%**	**-9.8ppts**	**27.7%**	**18.2%**	**-9.5ppts**
Net profit (reported)	144	166	*15%*	181	242	*34%*	206	326	*58%*
EPS (Rmb, reported)	0.86	0.90	*6%*	1.07	1.32	*23%*	1.22	1.78	*45%*
Net profit (UBS-S)	144	167	*16%*	181	244	*35%*	206	327	*59%*
EPS (UBS-S)	**0.86**	**0.91**	***6%***	**1.07**	**1.33**	***24%***	**1.22**	**1.78**	***46%***

Source: UBS-S estimates Note: EPS change lower than net profit change due to increased total shares count after our previous earnings forecasts.

Our 2026-28 revenue forecasts are 4-10% above market consensus while earnings forecasts are 14-17% below consensus. We believe the main reasons are because our gross margin assumptions are more conservative in view of market competition – we see major reducer suppliers are still aggressively expanding their capacities.

Figure 2: Our estimates versus consensus

vs. consensus	2026E			2027E			2028E		
(Rmb m)	UBS-Se	Consensus	vs. consensus	UBS-Se	Consensus	vs. consensus	UBS-Se	Consensus	vs. consensus
Revenue	888	861	4%	1,359	1,244	10%	1,792	1,694	7%
Net profit (reported)	166	194	-15%	242	284	-15%	326	394	-17%
Net margin	18.7%	22.7%	-4.0ppts	17.8%	23.1%	-5.3ppts	18.2%	23.5%	-5.3ppts
EPS (Rmb, reported)	0.91	1.06	-14%	1.33	1.55	-14%	1.78	2.15	-17%

Source: Wind, UBS-S estimates

Valuation

We are revising our valuation methodology from a P/E approach to a sum-of-the-parts (SOTP) framework, reflecting the increasingly distinct growth profiles of the company's traditional robotics component business and its emerging humanoid robotics business, as we expect revenue and earnings contributions from humanoid robot-related products to increase meaningfully over the coming years.

For the traditional robotics component business, we apply a target multiple of 70x 2027E P/E **(implying 2.3x PEG based on 40% 2026-28E net profit CAGR, broadly in line with the global FA peer average)**.

For the humanoid robotics business, we apply 15x 2030E P/S multiple (close to the 2030E P/S implied by the current share prices of leading humanoid robotics OEMs) and discount the implied equity value back to 2027E, reflecting the longer commercialization timeline of the humanoid robotics market.

Based on our SOTP valuation, we derive a price target of **Rmb216/sh.**

Figure 3: SOTP valuation

Unit in Rmb m unless indicated	2025	2026E	2027E	2028E	2029E	2030E
Main business						
Revenue	465	564	744	954		
Net profit	124	166	224	283		
Target PE (2027E)	126x	95x	70x			
Equity value in 2027E			15,667			
Humanoid robot business						
Revenue	106	326	623	857	1,301	2,184
Target PS (2030E)						15x
Equity value in 2030E						32,535
Cost of equity	11%					
Risk-free rate	1.83%					
Market risk premium	5%					
Beta	1.81					
Humanoid robot valuation discounted to 2027			23,867			
Total equity value			39,534			
Number of shares			183			
Price Target (Rmb/sh)			216			

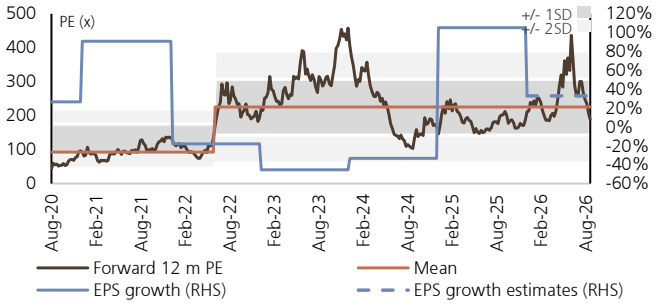
Source: Company data, UBS-S estimates. Note: Revenue from Leader Drive's JV with SKF is not consolidated into reported revenue, while its profit contribution is recognised as investment income. As we use a P/S valuation approach, the humanoid robotics revenue shown above includes the JV's revenue based on Leader Drive's ownership stake.

Valuation compared to historical average. Leader Drive is trading at 239x forward PE, slightly higher than the historical average level of 226x since mid-2022 when humanoid robot catalysts first emerged for the company; while its forward P/BV, at 14x, is over 1SD above its historical mean since mid-2022.

Valuation still at significant premium to peers. Leader Drive is trading at 217x 2027E PE and 13.7x 2027E P/BV; while its closest peers (Laifual Drive, Zhongda Leader and Harmonic Drive Systems) are trading at 85x 27F consensus PE and 7.8x 27F consensus P/BV on average. Leader Drive's PEG (2027E PE versus 2026-28E net profit CAGR) is at 5.4x while its closest peers average at 3.9x. The broader China FA component peers are trading at 49x 27F PE and 5x 27F P/BV. Overseas FA component peers are trading at 24x 27F PE and 4x 27F P/BV.

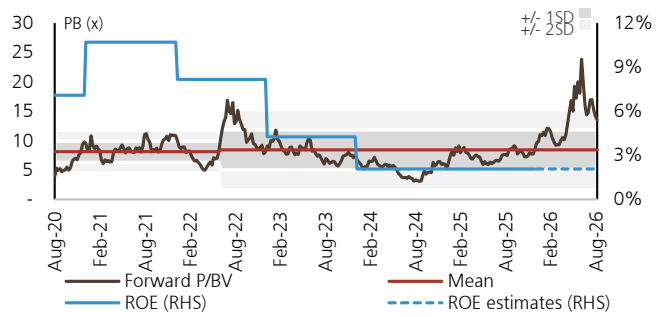
We continue to view Leader Drive as the industry leader in harmonic reducers, with an estimated China market share of over 30% (by reducer sales volume) in 2026 and meaningful leverage to the emerging humanoid robotics market. However, we believe **the stock's valuation already reflects much of these positives.** Following a ~50% YTD share price rally, risk-reward appears less compelling, in our view, as much of the potential earnings upside from its core business and humanoid robotics business appear to have been priced in.

Figure 4: Leader Drive's next 12-month PE band



Source: Wind, UBS-S estimates

Figure 5: Leader Drive's next 12-month P/BV band



Source: Wind, UBS-S estimates

Figure 6: FA component companies valuation comparison

Company Name	Ticker	Market Cap (USD bn)	Share Price (LC)	PE (x)		PS (x)		Net margin	PB (x)		ROE (%)		EPS CAGR	PEG (x)	Share price performance	
				2026	2027	2026	2027	2026	2026	2027	2026	2027	2026-28	2027	2025	2026 YTD
Mainland China																
Leader Drive*	688017.SH	7.9	288.88	318x	217x	59.7x	39.0x	19%	14.5x	13.7x	4.6	6.5	40%	5.4	78%	50%
FA components																
Guomao*	603915.SH	1.3	13.18	24x	21x	2.9x	2.6x	12%	2.2x	2.0x	9.1	9.7	13%	1.7	60%	-28%
Laifual Drive	3952.HK	0.7	49.58	N.M.	75x	12.9x	7.1x	-19%	NA	NA	-27.5	4.2	NA	NA	0%	-32%
Zhongda Leader	002896.SZ	1.8	61.50	142x	118x	10.0x	8.6x	7%	9.7x	9.2x	7.1	8.1	19%	6.1	203%	-31%
Inovance*	300124.SZ	21.4	52.84	25x	20x	2.7x	2.3x	11%	3.6x	3.1x	15.4	17.0	21%	0.9	29%	-29%
Supcon*	688777.SH	9.7	81.80	87x	62x	7.2x	6.2x	8%	6.0x	5.7x	7.1	9.4	36%	1.7	1%	66%
OPT*	688686.SH	2.6	140.70	68x	46x	10.8x	8.2x	16%	5.4x	4.9x	8.1	11.1	39%	1.2	65%	14%
Yiheda*	301029.SZ	2.4	24.79	27x	23x	4.4x	3.7x	16%	3.5x	3.2x	13.2	14.7	17%	1.4	9%	-4%
Xinje Electric	603416.SH	1.1	46.83	23x	19x	2.9x	2.3x	13%	2.6x	2.4x	11.1	12.5	20%	0.9	35%	-14%
Leadshine	002979.SZ	2.6	54.39	47x	36x	6.5x	5.1x	14%	8.2x	6.9x	18.2	20.4	28%	1.3	38%	30%
Orbbec	688322.SH	5.6	91.14	122x	71x	23.9x	15.8x	19%	11.5x	9.7x	9.0	13.1	61%	1.2	93%	2%
Robotics																
Unitree*	688836.SH	29.9	494.85	331x	225x	73.0x	43.3x	22%	21.4x	19.7x	10.1	9.1	42%	5.3	0%	-41%
Estun Automation-A*	002747.SZ	4.1	29.78	103x	97x	4.9x	4.3x	5%	8.3x	7.6x	10.3	8.2	20%	4.8	28%	26%
UBTECH	9880.HK	5.2	80.35	N.M.	194x	10.9x	7.0x	-9%	4.8x	4.4x	-4.6	1.8	NA	NA	130%	-36%
Dobot	2432.HK	1.2	21.10	N.M.	N.M.	11.9x	8.1x	-18%	2.9x	2.9x	-5.2	-2.3	NA	NA	60%	-44%
Geek Plus	2590.HK	1.3	8.16	333x	33x	2.6x	2.0x	1%	2.8x	2.5x	0.6	7.8	371%	0.1	24%	-63%
Reducers average				**83x**	**72x**	**9x**	**6x**	**9%**	**6x**	**6x**	**8x**	**7x**	**16%**	**3.9**		
FA component average				**63x**	**49x**	**8x**	**6x**	**13%**	**6x**	**5x**	**11x**	**12x**	**28%**	**1.8**		
Robotics average				**256x**	**137x**	**21x**	**13x**	**9%**	**8x**	**7x**	**7x**	**7x**	**145%**	**3.4**		
Taiwan																
Delta Electronics	2308.TW	153.3	1,875.00	46x	29x	6.3x	4.5x	14%	13.4x	10.4x	31.6	37.5	55%	0.5	124%	95%
Hiwin	2049.TW	3.7	334.00	37x	29x	4.0x	3.6x	11%	2.9x	2.7x	8.2	9.7	18%	1.6	-40%	72%
Airtac	1590.TW	7.8	1,240.00	21x	18x	5.7x	5.0x	27%	4.3x	3.9x	21.1	22.2	12%	1.6	13%	36%
Japan																
Keyence	6861.T	118.7	76,580.00	33x	29x	12.6x	11.2x	39%	4.7x	4.2x	15.3	15.6	12%	2.5	-12%	36%
Fanuc	6954.T	36.6	5,852.00	27x	25x	5.9x	5.6x	21%	2.8x	2.7x	10.9	11.5	8%	3.2	46%	-4%
Yaskawa Electric	6506.T	7.5	4,383.00	25x	20x	2.0x	1.8x	8%	2.2x	2.1x	9.2	10.8	20%	1.0	19%	-7%
Harmonic Drive	6324.T	3.8	6,200.00	91x	61x	8.2x	7.1x	9%	7.0x	6.4x	8.0	10.9	34%	1.8	14%	64%
Nabtesco	6268.T	3.5	4,619.00	23x	20x	1.6x	1.5x	7%	1.9x	1.8x	8.5	8.9	11%	1.8	37%	24%
Omron	6645.T	8.1	6,168.00	24x	18x	1.4x	1.3x	6%	1.4x	1.3x	5.8	7.4	19%	1.0	-25%	58%
Yokogawa Electric	6841.T	7.6	4,652.00	19x	16x	1.9x	1.8x	10%	2.2x	2.0x	12.2	13.1	13%	1.2	50%	-6%
THK	6481.T	4.8	6,272.00	15x	16x	2.3x	2.1x	14%	2.4x	2.3x	15.2	14.6	3%	5.2	16%	58%
SMC	6273.T	27.0	66,330.00	19x	19x	3.9x	3.6x	20%	1.9x	1.7x	10.1	10.1	6%	3.1	-11%	23%
NSK	6471.T	3.4	1,082.00	17x	13x	0.5x	0.5x	3%	0.8x	0.7x	4.7	5.9	27%	0.5	49%	13%
Misumi	9962.T	6.6	3,630.00	20x	17x	2.0x	1.8x	9%	2.5x	2.5x	12.4	13.7	11%	1.5	1%	50%
US																
Honeywell	HON.O	65.4	206.46	25x	21x	3.2x	3.2x	13%	3.5x	3.4x	18.4	20.6	15%	1.4	-6%	2%
Rockwell Automation	ROK.N	46.2	415.62	31x	28x	5.1x	4.8x	16%	12.3x	10.9x	39.1	40.2	12%	2.4	38%	8%
Cognex Corp	CGNX.O	10.4	61.56	36x	31x	9.0x	8.3x	25%	7.0x	6.1x	17.0	18.5	15%	2.1	1%	72%
Zebra Technologies	ZBRA.O	16.4	346.63	16x	16x	2.6x	2.5x	16%	4.5x	3.7x	24.8	24.1	7%	2.3	-37%	43%
Emerson	EMR.N	83.6	149.92	23x	21x	4.4x	4.2x	20%	4.1x	3.9x	17.8	27.1	9%	2.3	9%	14%
Europe																
ABB Ltd	ABBN.S	180.9	80.02	26x	27x	4.8x	4.3x	17%	9.1x	7.9x	35.7	30.0	5%	4.9	20%	36%
Siemens	SIEGN.DE	242.0	264.00	24x	21x	2.5x	2.4x	10%	3.1x	2.9x	13.3	14.6	15%	1.4	27%	10%
Schneider	SCHN.PA	193.2	285.75	28x	23x	3.7x	3.4x	13%	6.1x	5.4x	22.4	23.9	17%	1.4	-1%	21%
Overseas average				**28x**	**24x**	**4.3x**	**3.8x**	**15%**	**4.5x**	**4.0x**	**16.4**	**17.8**	**16%**	**2.0**		

Source: Wind, Reuters, *UBS-S estimates note: Red highlight companies for reducer peers. Data as of 21 September 2026.

Leader Harmonious Drive Systems (688017.SS)

Income Statement (Rmbm)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Revenues	**353**	**384**	**568**	**888**	*56.4*	**1,359**	*53.1*	**1,792**	**2,344**	**3,089**
Gross profit	143	142	207	292	*40.7*	445	*52.6*	595	791	1,056
EBITDA (UBS)	**109**	**113**	**174**	**230**	*32.3*	**342**	*48.9*	**469**	**623**	**826**
Depreciation & amortisation	(47)	(56)	(60)	(70)	*-16.5*	(91)	*-30.0*	(112)	(130)	(147)
EBIT (UBS)	**62**	**57**	**114**	**160**	*40.5*	**252**	*57.2*	**357**	**493**	**679**
Associates & investment income	12	28	36	41	*13.9*	46	*11.7*	49	55	73
Other non-operating income	(4)	(25)	(3)	(10)	*-181.2*	(15)	*-59.6*	(26)	(38)	(54)
Net interest	22	1	(1)	2	-	1	*-70.3*	(1)	(1)	(3)
Exceptionals (incl goodwill)	0	0	(1)	(1)	*0.0*	(1)	*0.0*	(1)	(1)	(1)
Pre-tax profit	**92**	**61**	**144**	**192**	*33.2*	**281**	*46.4*	**378**	**507**	**694**
Tax	(7)	(5)	(18)	(25)	*-33.2*	(36)	*-46.4*	(48)	(65)	(89)
Profit after tax	**85**	**56**	**126**	**168**	*33.2*	**245**	*46.4*	**330**	**442**	**605**
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	(1)	0	(1)	(2)	*-33.2*	(3)	*-46.4*	(4)	(5)	(7)
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	**84**	**56**	**124**	**166**	*33.2*	**242**	*46.4*	**326**	**437**	**598**
Net earnings (UBS)	**84**	**56**	**125**	**167**	*32.9*	**244**	*46.1*	**327**	**438**	**599**
Tax rate (%)	7.4	8.2	12.8	12.8	*0.0*	12.8	*0.0*	12.8	12.8	12.8

Per Share (Rmb)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
EPS (UBS, diluted)	0.50	0.33	0.68	0.91	*32.9*	1.33	*46.1*	1.78	2.39	3.27
EPS (local GAAP, diluted)	0.50	0.33	0.68	0.90	*33.2*	1.32	*46.4*	1.78	2.38	3.26
EPS (UBS, basic)	0.50	0.33	0.68	0.91	*32.9*	1.33	*46.1*	1.78	2.39	3.27
DPS (net) (Rmb)	0.30	0.11	0.21	0.28	*33.2*	0.41	*46.4*	0.55	0.74	1.01
Cash EPS (UBS, diluted) [1]	0.78	0.67	1.01	1.29	*27.6*	1.82	*41.4*	2.39	3.10	4.07
Book value per share	11.93	20.31	19.29	19.99	*3.6*	21.03	*5.2*	22.40	24.23	26.75
Average shares (diluted)	169	169	183	183	*0.0*	183	*0.0*	183	183	183

Balance Sheet (Rmbm)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Cash and equivalents	969	1,525	746	507	*-32.0*	274	*-45.9*	150	117	109
Other current assets	697	680	1,846	2,128	*15.3*	2,574	*21.0*	2,977	3,489	4,178
Total current assets	**1,666**	**2,205**	**2,592**	**2,635**	*1.7*	**2,848**	*8.1*	**3,127**	**3,606**	**4,287**
Net tangible fixed assets	491	494	611	846	*38.5*	1,060	*25.3*	1,203	1,327	1,435
Net intangible fixed assets	62	59	57	52	*-8.4*	47	*-9.1*	43	38	33
Investments / other assets	594	997	670	670	*0.0*	670	*0.0*	670	670	670
Total assets	**2,812**	**3,755**	**3,929**	**4,203**	*7.0*	**4,626**	*10.1*	**5,043**	**5,641**	**6,425**
Trade payables & other ST liabilities	177	159	271	415	*53.3*	610	*46.9*	783	1,001	1,295
Short term debt	434	69	0	0	-	0	-	0	0	0
Total current liabilities	**611**	**228**	**271**	**415**	*53.3*	**610**	*46.9*	**783**	**1,001**	**1,295**
Long term debt	124	40	0	0	-	34	-	23	62	83
Other long term liabilities	59	58	115	115	*0.0*	115	*0.0*	115	115	115
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	**794**	**325**	**386**	**530**	*37.4*	**759**	*43.1*	**921**	**1,178**	**1,493**
Common s/h equity	**2,013**	**3,425**	**3,537**	**3,664**	*3.6*	**3,855**	*5.2*	**4,106**	**4,442**	**4,905**
Minority interests	5	5	6	8	*31.0*	11	*34.7*	15	20	28
Total liabilities & equity	**2,812**	**3,755**	**3,929**	**4,203**	*7.0*	**4,626**	*10.1*	**5,043**	**5,641**	**6,425**

Cash Flow (Rmbm)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Net income (before pref divs)	84	56	124	166	*33.2*	242	*46.4*	326	437	598
Depreciation & amortisation	47	56	60	70	*16.5*	91	*30.0*	112	130	147
Net change in working capital	(4)	(105)	(16)	(181)	*NM*	(305)	*-69.1*	(297)	(375)	(497)
Other operating	13	8	(21)	45	-	56	*26.2*	71	87	109
Operating cash flow	**140**	**16**	**148**	**99**	*-32.6*	**84**	*-15.4*	**212**	**279**	**357**
Tangible capital expenditure	(76)	(32)	(98)	(300)	*-206.2*	(300)	*0.0*	(250)	(250)	(250)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) & disposals	0	0	0	0	-	0	-	0	0	0
Other investing	(112)	(280)	(664)	0	-	0	-	0	0	0
Investing cash flow	**(188)**	**(312)**	**(762)**	**(300)**	*60.6*	**(300)**	*0.0*	**(250)**	**(250)**	**(250)**
Equity dividends paid	(27)	(63)	(22)	(39)	*-72.1*	(51)	*-33.2*	(75)	(101)	(135)
Share issues / (buybacks)	4	1,417	5	0	-	0	-	0	0	0
Other financing	0	(9)	(3)	0	-	0	-	0	0	0
Change in debt & pref shares	247	(449)	(109)	0	-	34	-	(11)	39	20
Financing cash flow	**223**	**895**	**(129)**	**(39)**	*70.2*	**(17)**	*55.7*	**(86)**	**(62)**	**(115)**
Cash flow inc/(dec) in cash	**176**	**599**	**(744)**	**(239)**	*67.9*	**(233)**	*2.6*	**(124)**	**(33)**	**(8)**
FX / non cash items	64	(43)	(35)	0	-	0	-	0	0	0
Balance sheet inc/(dec) in cash	**240**	**555**	**(779)**	**(239)**	*69.3*	**(233)**	*2.6*	**(124)**	**(33)**	**(8)**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1] Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Leader Harmonious Drive Systems (688017.SS)

Valuation (x)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
P/E (local GAAP, diluted)	NM	NM	NM	NM	NM	NM	NM	NM
P/E (UBS, diluted)	NM	NM	NM	NM	NM	NM	NM	88.4
P/CEPS	NM	NM	NM	NM	NM	NM	NM	71.0
Equity FCF (UBS) yield %	0.3	(0.1)	0.2	(0.4)	(0.4)	(0.1)	0.1	0.2
Dividend yield (net) %	0.2	0.1	0.1	0.1	0.1	0.2	0.3	0.3
P/BV	10.7	5.1	7.6	14.5	13.7	12.9	11.9	10.8
EV/revenues (core)	NM	NM	NM	NM	NM	NM	NM	NM
EV/EBITDA (UBS core)	>100	>100	>100	>100	>100	>100	83.9	63.3
EV/EBIT (core)	>100	>100	>100	>100	>100	>100	>100	77.0
EV/OpFCF (core)	>100	>100	>100	NM	>100	>100	>100	90.8
EV/op. invested capital	18.9	15.0	15.7	22.0	18.8	16.4	14.6	13.0

Enterprise value (Rmbm)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Market cap.	21,535	17,332	26,836	52,960	52,960	52,960	52,960	52,960
Net debt (cash)	(415)	(914)	(1,081)	(627)	(373)	(183)	(91)	(41)
Buy out of minorities	5	5	6	8	11	15	20	28
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	**21,126**	**16,423**	**25,761**	**52,342**	**52,598**	**52,792**	**52,890**	**52,947**
Non core assets	(579)	(980)	(630)	(630)	(630)	(630)	(630)	(630)
Core enterprise value	**20,547**	**15,443**	**25,131**	**51,712**	**51,968**	**52,163**	**52,260**	**52,318**

Growth (%)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenue	(20.3)	8.7	48.0	56.4	53.1	31.8	30.8	31.8
EBITDA (UBS)	(39.5)	3.4	53.8	32.3	48.9	37.0	32.9	32.6
EBIT (UBS)	(55.5)	(7.7)	99.8	40.5	57.2	42.0	37.9	37.9
EPS (UBS, diluted)	(45.4)	(33.3)	105.2	32.9	46.1	34.4	33.8	36.8
Net DPS	NM	(63.8)	93.4	33.2	46.4	34.5	33.9	36.9

Margins & Profitability (%)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Gross profit margin	40.6	36.9	36.6	32.9	32.8	33.2	33.8	34.2
EBITDA margin	31.0	29.5	30.6	25.9	25.2	26.2	26.6	26.7
EBIT (UBS) margin	17.5	14.9	20.1	18.0	18.5	19.9	21.0	22.0
Net earnings (UBS) margin	23.9	14.7	22.1	18.8	17.9	18.3	18.7	19.4
ROIC (EBIT)	5.7	5.5	7.1	6.8	9.1	11.2	13.8	16.9
ROIC post tax	5.3	5.1	6.2	5.9	7.9	9.8	12.0	14.7
ROE (UBS)	4.3	2.1	3.6	4.6	6.5	8.2	10.2	12.8

Capital structure & Coverage (x)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Net debt / EBITDA	(3.8)	(12.5)	(4.3)	(2.2)	(0.7)	(0.3)	(0.1)	0.0
Net debt / total equity %	(20.4)	(41.3)	(21.1)	(13.8)	(6.2)	(3.1)	(1.2)	(0.5)
Net debt / (net debt + total equity) %	(25.6)	(70.3)	(26.7)	(16.0)	(6.6)	(3.2)	(1.2)	(0.5)
Net debt/EV %	(2.0)	(5.6)	(4.2)	(1.2)	(0.7)	(0.3)	(0.2)	(0.1)
Capex / depreciation %	179.3	62.0	177.8	NM	NM	NM	198.9	175.5
Capex / revenue %	21.6	8.3	17.3	NM	22.1	14.0	10.7	8.1
EBIT / net interest	-	-	NM	-	-	NM	NM	NM
Dividend cover (UBS)	1.7	3.1	3.3	3.2	3.2	3.2	3.2	3.2
Div. payout ratio (UBS) %	60.1	32.6	30.7	30.8	30.8	30.9	30.9	30.9

Revenues by division (Rmbm)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Others	353	384	568	888	1,359	1,792	2,344	3,089
Total	**353**	**384**	**568**	**888**	**1,359**	**1,792**	**2,344**	**3,089**

EBIT (UBS) by division (Rmbm)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Others	62	57	114	160	252	357	493	679
Total	**62**	**57**	**114**	**160**	**252**	**357**	**493**	**679**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	-25.2%
Forecast dividend yield	0.1%
Forecast stock return	-25.1%
Market return assumption	6.7%
Forecast excess return	-31.9%

Company Description

Leader Harmonious Drive is a high-tech enterprise specialising in the research and development, design, production and sale of precision transmission devices, including harmonic reducers, mechatronic actuators and precision parts. The company's products are widely used in industrial robots, service robots, computer numerical controlled machine tools, medical equipment, semiconductor production equipment and other high-end manufacturing fields.

Valuation Method and Risk Statement

We base our price target for Leader Drive on an SOTP methodology.
We believe upside risks include: 1) successfully accessing Big-Four foreign IR clients; 2) stronger IR demand and faster-than-expected expansion in new downstream such as new robot models; 3) better gross margin due to higher capacity utilization ratio; and 4) lower-than-expected SG&A ratio under expense management.
We believe downside risks include: 1) weaker IR demand; 2) slower expansion in new downstream; 3) lower-than-expected ASP due to competition or market supply surplus; and 4) delayed progress in capacity expansion.

Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

Leader Harmonious Drive Systems

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	2
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	4
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	4
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	3
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	3
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	

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12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	55%	24%
Neutral	FSR is between -6% and 6% of the MRA.	40%	21%
Sell	FSR is > 6% below the MRA.	6%	21%

Source: UBS. Rating allocations are as of 30 June 2026.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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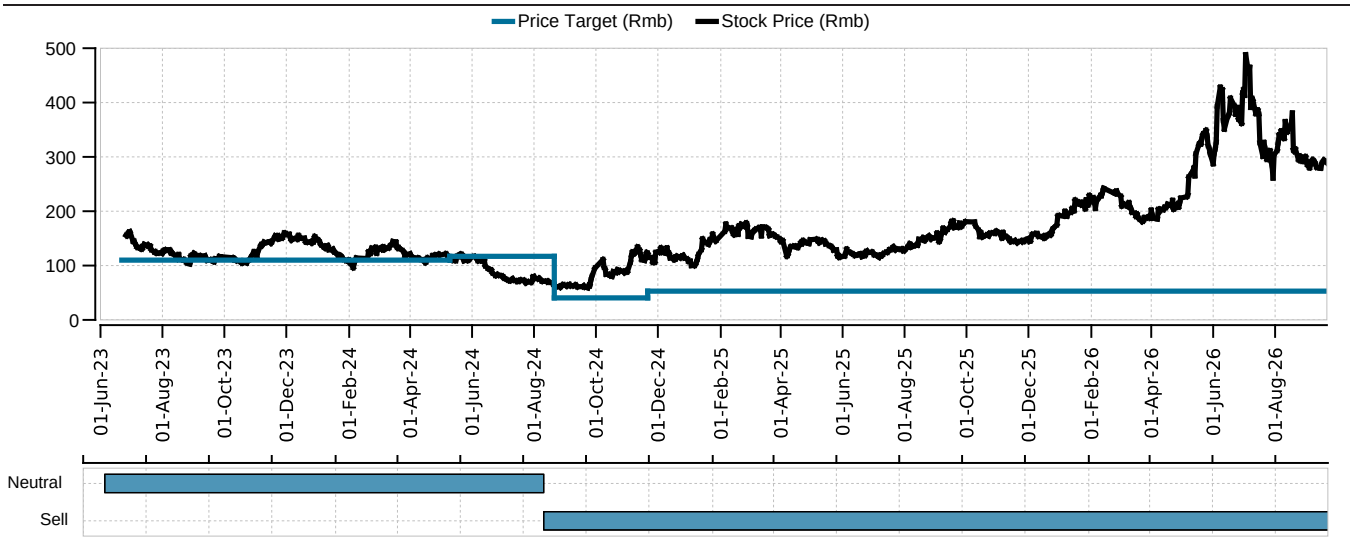
Company Disclosures

Company Name	Reuters	12-month rating	Price	Price date
Leader Harmonious Drive Systems	688017.SS	Sell	Rmb288.88	21 Sep 2026

Source: UBS Global Research; LSEG Eikon. All prices as of local market close. Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date.

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Leader Harmonious Drive Systems (Rmb)



Date	Stock Price (Rmb)	Price Target (Rmb)	Rating
2023-06-21	165.07	110.00	Neutral
2024-05-09	115.31	117.00	Neutral
2024-08-20	65.55	40.50	Sell
2024-11-20	123.98	52.90	Sell

Source: UBS Global Research; LSEG Eikon as of 21-Sep-2026. All prices as of local market close. Ratings as of date shown.

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