CHINA INDUSTRIAL TECH

2026 CIIF trip takeaways: Likely modest 4Q restocking with resilient 2027 demand support

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We highlight the following key takeaways from the 2026 China International Industrial Fair (CIIF) in Shanghai (Oct 12-16), which we visited on Oct 12-13, covering **12 companies across factory automation (FA), robotics and supply-chain companies, plus two third-party industry consultancies:** Gongkong and MIR/Marketing Intelligence Resources. Exhibition floor space increased c.3% yoy to 310k sqm (vs. 300k sqm in 2025), while visitor traffic felt slightly lower yoy based on our observations, likely as some companies prioritized application specific trade shows such as data center, semiconductor ones vs. more general trade shows such as CIIF.

Broadly, corporate and experts' confidence into 2027 surprised us to the upside, with everyone we met expecting sustained or improving growth into next year: Inovance expects c.20% IA segment CAGR to be sustainable into 2027 and the next few years, supported by sustained AI infrastructure investment extending from the US to China and rising equipment exports or capacity migration to ex-China amid geopolitical tensions. **Xinje** expects growth to accelerate in 2027 to above the 20-30% yoy range, driven primarily by domestic substitution, while **Estun** expects better growth in 2027 off a softer, new energy-dragged 2026 base as well as overseas contribution. **Bochu** expects c.20-25% revenue growth in the coming years, supported by 15-20% yoy laser-cutting growth and continued ramp-up in laser welding, where mgmt targets doubling revenue each year toward 2030. **Mech-Mind** expects 70-100% yoy topline growth in 2027 vs. 50% in 2026 mainly driven by 3D vision penetration increase in their addressable market and overseas expansion. **Our perception is that while on the one hand these corporate and industry experts may be extrapolating AI capex demand growth to a certain extent and therefore likely overly optimistic vs. stock market expectations on moderating trajectory ahead; on the other hand the market may be underestimating demand resilience into 2027 from marginal improvements in process industries, equipment replacement demand from general industries, shipping related, and emerging demand from AI-enabled intelligent hardware/wearables (robots, AI glass etc.). Plus potential 4Q26 channel restocking, we think a degree of rebound for the factory automation sector is likely post the 25% share price correction over the past 3 months (vs. -12% for the CSI300 index). Under our coverage, we are Buy rated on Inovance, Neutral on Bochu, and Neutral/Sell rated on Estun-H/A.**

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We summarize our key takeaways from the trip:

- **Potential 4Q sequential improvement as continued raw-material/component cost inflation is driving year-end price hikes and potential restocking.** Siemens will implement a list-price adjustment across its automation and industrial portfolio (Digital Industries segment) effective Nov. 1, and Gongkong expects several other leading brands to follow in 4Q. Gongkong therefore expects 4Q26 to improve vs. 3Q on distributor restocking ahead of such price hikes; Inovance similarly believes further price hikes are possible if PCB/MLCC costs continue to rise; Xinje plans a 5-8% ASP increase in 2H26. Per Gongkong, IA distributor inventory is now at a normalized c.1 month level and distributors have absorbed most of the c.10% price hikes proposed by major brands in 1H26, with only c.3-4% passed through to end customers.
- **2027 demand expectation (in terms of volume) looks broadly positive by major Chinese players as well as third-party industry experts, with support across AI infrastructure, semiconductors, shipping, modest recovery in process-industries, replacement demand for general industries and AI-enabled intelligent hardware/wearables (robots, AI glass etc.). On Industrial Automation (IA)**, Gongkong expects modest underlying demand improvement in 2027, with PA/process industries recovering as the 2-3 year downturn bottoms, while machine tools, data centers/3C/semiconductors and auto parts remain healthy. Additional bright spots may include: general-industrial replacement demand as Covid-era equipment enters its replacement cycle (per Xinje), chemical new materials and metallurgical industries (per Gongkong), and shipbuilding welding automation (per Bochu, Laifual). **On industrial robots (IR)**, MIR is constructive into 2027, seeing no meaningful slowdown through 3Q26 and, in its view, AI-related investment potentially can double again in 2027 following a doubling in 2026. MIR projects 10-20% yoy growth in broader consumer electronics end demand in 2027 (including AI infrastructure), with potential upside from AI-enabled intelligent hardware/wearables. Overall, MIR expects industrial robots (excluding humanoids) to sustain c.10%+ volume growth in 2027 (similar to 2026), although continued ASP declines imply more modest industry value growth (likely single digit) with corporate buffers from content value increase. **On market concerns around softer lithium battery demand,** MIR expects lithium-battery industrial-robot demand in 2027 to remain flat to growing rather than turning negative (vs. c.30% yoy growth in 2026).
- **AI adoption in industrial applications is still relatively limited; PLCs the clearest near-term application as a product-level competitiveness enhancer.** MIR sees AI-assisted PLC programming potentially reducing engineering manpower from hundreds to tens, while Inovance sees AI helping narrow product-performance gaps in large PLCs and predictive maintenance. At the product level, Siemens' new SIMATIC S7-1200 G2 upgrades processing power, memory and communication performance; broader Industrial Copilot ecosystem adds AI-enabled PLC capabilities, including code generation, translation and optimization, as well as troubleshooting support.
- **On competition landscape, impact of AI is likely to reinforce market**

concentration toward leading vendors rather than disrupt the existing competitive hierarchy. **Both AI-related demand and physical AI deployment might benefit high-end players with deep scenario-specific process know-how.** For Chinese vendors, Inovance sees AI helping narrow gaps vs. foreign peers in large PLCs and predictive maintenance, presenting potential share-gain opportunities in select categories, although broader moats around product breadth, reliability and customer adoption remain important (per Mech-Mind). AI-capex demand also points toward concentration, with project-based AI demand primarily benefiting large/high-end vendors vs. the broader-based 3C benefit (per Gongkong).

The author would like to thank Zhou Li, Hao Chen, Zhihan Ye, and Junfang Zhang for their contributions to this report.

Detailed takeaways by company

Inovance (300124.SZ, Buy)

- **2H26 IA growth is moderating vs. 1H26 mainly on a higher base last year, but Inovance still sees the underlying demand intact.** September orders re-accelerated despite a high base, where we estimate around 15-20% yoy growth, implying a slight recovery versus August. Lithium battery has been a relative drag with flat yoy order growth in both August and September. **On profitability, recent price increases across industrial robots/HMI and earlier increases in energy storage should support sequential GPM improvement in 3Q26 vs. 1H26; further hikes remain possible if PCB/MLCC costs rise, per the company.** Near-term capacity is not a bottleneck, while foreign competitors continue to face longer lead times, with Inovance servo lead times back to c.20 days. Into 4Q26, 2027 and the next few years, Inovance expects c.20% IA segment revenue CAGR to be sustainable, supported by sustained AI infrastructure investment extending from the US to China and rising equipment exports or capacity migration to ex-China amid geopolitical tensions.
- **Advanced manufacturing & domestic substitution:** AI-related automation demand is broadening into higher-end semiconductor and machine-tool applications, while domestic substitution is progressing into more sophisticated products. Inovance highlighted automation demand from liquid cooling, servers and machine tools, while its semiconductor exposure has expanded from back-end into front-end processes such as etching (c.Rmb1bn scale of total semiconductor exposure). In five-axis CNC, where Chinese producers face overseas supply restrictions, Inovance has achieved fully self-controlled capabilities across controllers, drives and motors, including multi-axis synchronization and precision for demanding aerospace machining applications. Altogether, direct and indirect exposure to AI (including semiconductor, liquid cooling, consumer electronics, machine tools, and lithium battery for some AIDC energy storage applications) together account for c.20-30% of IA exposure.
- **Overseas expansion remains a multi-year opportunity but meaningful scale will**

require broader customer replication and localization. IA customers remain highly scattered, with single Fortune 500 customer contributing only c.Rmb50mn revenue. Per the company, localization is progressing in Korea (display/lithium battery) and the Middle East/Turkey, while Inovance is pursuing German/US certifications and plans to leverage its Hong Kong listing to support overseas hiring and distributor network build-out.

- **CIIF products/demo highlights: wheeled mobile robot platform (first full-size humanoid product) and seven-axis bionic arms/EiOS enterprise digital platform.** Product emphasizes practical factory deployment with capabilities including: teleoperation/data-collection capability, liquid cooling, IP54 protection and swappable batteries. On the software side, key upgrade was EiOS (enterprise "factory operating system" that connects equipment data, production workflows and industrial AI agents for maintenance, diagnosis and optimization), extending Inovance's portfolio to the AI-enabled factory operating layer. Other showcased products were its simulation tools and comprehensive humanoid-related component stack (joint modules, frameless torque motors, linear/rotary actuators, encoders and bionic arms).

Estun (002747.SZ/2715.HK, Sell/Neutral)

- **3Q topline sequentially softer vs. 2Q mainly due to seasonality, but profitability held steady; mgmt expects growth to re-accelerate in 2027 off a softer new energy-dragged 2026 base as well as overseas contribution**. Looking ahead, growth is expected to accelerate as new energy moves off a lower 2026 base, alongside further domestic substitution and incremental growth from emerging end-markets, overseas and services. Separately, Estun's Sep. 29 share incentive plan targets recurring net profit of Rmb320mn/Rmb580mn in 2027/2028, implying 60%/81% yoy growth, with annual share-based compensation expense of Rmb30-40mn.
- **Overseas business on track toward 2027 breakeven at c.Rmb300mn revenue target** (vs. Rmb160-170mn revenue/c.Rmb50mn loss expected in 2026 per the company); **Europe remains the key market with >1,000 units expected in 2026.** Europe currently contributes c.60% of overseas revenue, where Estun has established both local production and a local sales team (Southeast Asia has established sales coverage in Malaysia and Vietnam; Latin America has established smaller local office/channel presence). Overseas sales remain margin-accretive, with robot GPM >50%, c.15-20ppt above domestic levels per mgmt. Customer penetration is also progressing, with Bosch supply-chain qualification and deployment faster than expected; Estun expects Bosch to contribute >1,000 units in 2027. Separately, the company notes that indirect overseas demand through Chinese customers is largely recorded as domestic revenue, including BYD export projects and CATL orders in Thailand/Hungary in 2Q.
- **Codroid and humanoid business updates**: Codroid has achieved single-month profitability and is targeting c.3,000 collaborative robot shipments in 2026. On humanoids, Estun remains focused on lower-cost deployment in practical industrial use cases such as material handling, logistics and loading/unloading, with an

automotive customer agreement for c.100 units expected next month. Estun plans to focus on the robot "cerebellum" rather than developing foundation models in-house, partnering with model providers and HKUST to bring embodied AI capabilities into industrial applications. e.g., Estun is leveraging Feidu Technology's VTLA-WM model for plug-insertion applications and collaborating with Qwen on LLM capabilities where force control and position perception/control were cited as key deployment challenges to overcome.

- **CIIF products/demo highlights: iER series/new heavy-duty robot with a 1.2-tonne payload/AI-enabled robotic applications.** Key iER upgrade is autonomous ("teachless"/"zero-programming") path generation via a redesigned OS (layered an Estun-proprietary Juliet language on top of existing Julia ecosystem), which improves deployment efficiency and adaptability to dynamic operating conditions. 3D vision-based burr detection was the key new AI-enabled application, enabling autonomous and more flexible deburring. On solution-level offerings, key upgrade was reducing third-party integration/secondary development, with Estun combining its machine tools and cobots into an integrated intelligent metal-processing solution.

Xinje (603416.SS, Not Covered)

- **Guiding growth acceleration into 2027 (vs. 26% yoy in 1H26, implying higher than 20%-30% yoy growth into 2027), with mgmt expecting general automation recovery (Covid-era equipment entering replacement cycle);** structural domestic substitution opportunity and potential policy support to provide additional drivers per Xinje. Products/equipment purchased during the pandemic are approaching their c.5-year replacement cycle, which mgmt expects to support replacement/upgrade demand over the next 1-2 years. Structural domestic substitution remains an additional driver, particularly in high-end markets such as semiconductor, where Xinje has several tens of millions of Rmb revenue and is expanding with customers including NAURA, which historically relied on foreign brands such as Beckhoff; mgmt expects more meaningful semiconductor contribution in 2027; in chemicals, company observes that end-customers are proactively approaching Xinje for domestic-substitution solutions as the company expands direct sales. Xinje expects >50% export growth in 2026 and c.Rmb100mn export revenue in 2027, concentrated in Southeast Asia. The company also commented on potential for stimulus measures to extend to other industries in 2027, following a positive impact on 3C demand.

- **Pricing actions and end-market commentary:** Xinje will implement a 5-8% ASP increase in 2H26 as raw material costs rise. Production has remained at full utilization since 2Q, supported by AI/high-end machine tools and embodied intelligence. Ytd, new energy is strongest at +50%-100% yoy (wind, solar and energy storage together now account for c.5-6% of revenue) vs. c.10% growth in traditional industries. Xinje noted that industry leaders are outperforming in the current environment, while its own share within these leading customers is increasing.
- **Multifold embodied intelligence demand increase expected in 2027:** Xinje added five frameless torque motor production lines in June-August, with new capacity

coming online in October, supporting potential 2026 shipments of c.500k units (Xinje supplies frameless torque motors and encoders into the humanoid robot supply chain). Based on customer plans, Xinje sees 2027 demand reaching c.1.5-2.0mn units for frameless torque motor. Standard frameless torque motor ASP is c.Rmb100, with customized products higher; usage is c.9-12 units per robotic dog and potentially c.28 units per humanoid.

Bochu (688188.SS, Neutral)

- **Mgmt expects 20-25% revenue growth in the coming years, with 3Q26 operation remaining stable and laser cutting sustaining 15-20% yoy growth;** 2026 equity-incentive targets imply 15%/25% revenue growth under the first/second tiers, with mgmt aiming for the latter. Domestic growth has been supported by increasing hardware attachment sales (cutting heads), as well as replacement demand for higher-speed machines. Overseas markets (via indirect export) contribute c.40-50% of end demand, mainly in Southeast Asia, Vietnam and India, with applications concentrated in light industrial processing and high-power machines gradually expanding into steel structures. **Shipbuilding (10% contribution to cutting in 2025 and expected to increase in 2026 due to rising industry demand) is another incremental opportunity**, where welding penetration has helped drive cutting adoption. The company is gradually expanding into integrated shipyard solutions, including cutting, bending, coating, marking and laser cleaning.
- **Laser welding targeting annual doubling toward 2030, while precision processing provides additional longer-term optionality.** Mgmt targets 2,500/5,000 welding sets in 2026/27 (2027 ASP Rmb65,000-70,000 per company target), with applications expanding from steel structures/shipbuilding into offshore oil pipelines, nuclear power and construction machinery; accumulated process libraries, robot algorithms and servo capabilities support application expansion, although customization/standardization and technology maturity remain bottlenecks. Precision processing is expected to reach Rmb70mn revenue this year, with opportunities in data-center liquid cooling components and battery precision welding; mgmt is evaluating expansion from laser control systems into complete equipment solutions to capture higher content value, although this would require additional organizational/talent investment and potentially higher capital intensity.
- **AI integration remains at an early stage, with adoption limited by reliability concerns in industrial applications.** The company has historically developed internal "models" or algorithms trained on customer feedback data to continuously improve its solutions. AI could further enhance development efficiency, particularly in areas such as code generation, but core algorithms and system architecture still require in-house expertise across optics, electronics, materials and physics.

Mech-Mind (9615.HK, Not Covered)

- **50%/70-100% yoy topline growth expected for 2026/2027 with overseas a key growth driver:** Overseas already contributes c.50% of revenue (+68% yoy, overseas GPM 70-80%) including >100% growth in the U.S. Localization is progressing steadily

across key markets by expanding teams in U.S., Europe, Korea, and Japan. That said, Mech-Mind's strategy is to remain focused on product sales and outsource service/installation/maintenance to local distributors (vs. building out in-house global service network) as the company believes such revenue is a drag on growth; the near-term focus for the company is growth first. Future growth will still be driven by end markets such as logistics, battery dispensing, 3C, optical modules and servers, as well as products/solutions such as precision equipment, measurement, mobile workstations, third-generation dexterous hands and dispensing/welding among key application drivers.

- **Emphasis on building switching costs through product/application depth rather than AI/model capability alone:** Mech-Mind sees the long-term competitive moat as similar to established automation leaders such as Siemens, Festo, ABB, Schneider and Keyence: offering a broad product portfolio with proven functionality, reliability and mature customer training/support, then rapidly replicating successful applications across large customers.

Dobot (2432.HK, Not Covered)

- **Application-vertical expansion drives mgmt's target of >50% shipment growth in 2026 (c.>30k units) and >40–50% revenue growth in 2027,** followed by broader portfolio, further overseas localization and incremental AI-related demand. On-site demonstrations showed expansion into adjacent tasks including sealant dispensing and optical-module base handling, beyond established pick-and-place, palletizing and welding capabilities. PULSA, CRH, Dobot Vega7 and a new wheeled dual-arm humanoid are key new product additions per DoBot. Localized channels/teams in Europe and U.S. are relatively well-established now, per the company. Increasing cobot use for robot model training (by physical AI/foundation model companies) is creating incremental AI-related demand, supported by R&D/AI capex growing from a near-zero base.
- **Robotic-arm upgrades focused on speed, precision, flexibility and AI capabilities, targeting broader industrial applications:** Pulsa reaches a joint speed of 790°/s, c.2–3x the industry average, higher precision and torque, greater flexibility (Vega7 features seven DoF versus six in traditional robots), and enhanced AI capabilities (Vega7 supports AI-model deployment and task execution using a wrist-mounted 3D camera). The new products also feature an integrated hollow-arm design, with motors and cabling housed internally to improve reliability in complex and harsh environments. The new products aim to penetrate applications historically served by traditional industrial robots (e.g., welding, with handling and loading/unloading extendable from the same platform) supported by comparable performance, greater flexibility and more competitive pricing.

Detailed expert meeting takeaways

Gongkong (third-party research/consultancy; industrial automation)
(1) Industry view: expecting a slight improvement in 4Q driven by re



of price hikes, and 2027 IA demand to trend better

In 1H26, total industrial automation industry growth rose 3-4% yoy (FA/PA at +8%/-1.6% yoy respectively), with 1Q stocking up inventory and 2Q slightly digesting inventory. 3Q orders slowed slightly, while 4Q could improve on channel restocking ahead of price hikes. **For 2027, demand (in volume terms) should improve modestly vs. 2026.** FA or OEM growth may slow, while PA/process industries could improve as the 2-3 year downturn bottoms.

Detailed comments by end-market:

- Positive end-markets may include data center-related end markets, such as (3C/semis/PCB, metal racks and related CNC demand); machine tools (supported by exports and replacement demand, as well as data centers), auto parts, as well as process industries such as chemical new materials, non-ferrous metal that have been relatively weak in 2026, but should fare better in 2027 as the 2-3 year downcycle bottoms. Equipment exports may also trend better in 2027 as the mix shifts from lower-value exports (e.g., tools, valves, pipe fittings) toward higher-end equipment, which should incur more IA demand, although they may favor foreign brands when sourcing key components.
- Weaker end-markets may include packaging machinery due to a higher base of export this year.

By product in 1H26, robots, servo, CNC and sensors are growing 20%+, supported by semiconductor/lithium battery demand for servo, equipment manufacturing/data center racks/3C for CNC, and robot vision/physical AI for high-end sensors. PLC growth is also solid, driven by 1) AI-driven PLC upgrade/replacement, 2) pre-stocking ahead of Siemens price hikes, and 3) export demand. Inverters are growing more modestly. DCS remains in decline. Heading into 2027, the expert expects higher growth for sensors and instruments from digitalization upgrade, and strong export growth for robots, motors, and PLC.

Inventory and pricing dynamics: Price hikes remain the key 2H26 swing factor. Siemens will implement a list-price adjustment across its automation and industrial portfolio (Digital Industries segment) effective Nov. 1, and Gongkong expects both ABB and Inovance to follow in 4Q (Inovance noted to be cost-driven, on selected products). Notably though, prior c.10% price hikes translated into only c.3% to end customers, meaning distributors absorbed much of the difference. The expert expects pricing to largely normalize by Chinese New Year.

(2) Chinese automation brands' overseas expansion has potential but remains a bumpy road, as Chinese brands need to build up product reliability and customer trust, catch up in high end despite a limited talent pool, while facing competition pressure from global players' China-made products:

- **Overseas expansion will depend on a broader set of capabilities, including: overseas supply chain coordination, product certification, localization, channel expansion, after-sales service, project delivery, brand credibility and customer trust.** This is mainly because cost advantages might be less valued in overseas market compared to long-time reliability and trust. By region, Gongkong sees the

best overseas expansion opportunities in Southeast Asia, followed by the Middle East; by product category, Gongkong is positive on power supplies, followed by robots and motors. Separately, Gongkong also noted **constructive OEM export trends that benefit industrial automation demand, but Japanese/Taiwanese automation suppliers are likely to benefit more than Chinese brands** as the equipment makers may prefer to source key components from foreign brands.

- **Growing competitive threat from global automation brands leveraging China-localized supply chains and China-made products for overseas markets.** ABB, Siemens and Schneider are already pursuing Southeast Asia certification/export from China, combining lower-cost China manufacturing with stronger brand credibility, channels and customer trust. With localized MNC products potentially priced only a few pp above Chinese brands vs. 30-50% historically, Chinese vendors' overseas pricing advantage could narrow materially per the expert.
- **Increasingly hard to catch up in the high-end for Chinese players due to limited talent pool:** Historically, domestic firms could hire talent from foreign brands e.g. Siemens, and learn from brands' China-based high-end product development. However, the expert notes that as MNCs reduce high-end R&D/new product launches in China and shift toward supply-chain localization, Chinese vendors have fewer opportunities to access such talent and know-how, potentially slowing catch-up in higher-end hardware.

(3) AI and data center demand:

- **Indirect demand (including CNC for metal racks.) in addition to automation for liquid cooling, optical modules, semi, etc. together constitute AI exposure (up to Rmb20-30bn):** Gongkong estimates pan-AI related direct automation demand from liquid cooling equipment, storage, optical modules, etc. using PLCs, inverters and robots is only several billion Rmb, or <10% of the IA industry. Including indirect demand from CNC for metal racks, secondary processing, machining and supporting exports, the total opportunity could reach Rmb20-30bn.
- **AI cycle is more project-based and high-end skewed vs. traditional 3C, hence benefits are concentrated among large brands and higher-end products.** AI demand, especially data center construction, is more project based. At the same time, AI supply chain may only favor the high end, with beneficiaries more limited versus consumer electronics beneficiaries.

(4) Physical AI opportunities and bottlenecks ahead: Near-term opportunities are concentrated in standardized industrial/logistics use cases, while broader deployment (e.g. core industrial processes, mixed-SKU warehouses) **remains constrained by hardware capability, AI generalization and challenging unit economics.** In China, low warehouse/logistics standardization, high throughput requirements and relatively low labor/land costs further raise the deployment bar, while low-cost robotic arms/grippers still face payload and working-range limitations.

MIR (third-party research/consultancy; industrial robots)
Industry view: No meaningful slowdown in China industrial robot in 3Q26 as

observed by MIR. Into 2027 per MIR's view, industrial robots (excluding humanoids) should sustain c.10%+ volume growth (similar to 2026), although **continued ASP declines** mean industry value growth should be more modest (likely single digit growth per MIR).

Further end-industry commentary:

- Regarding market concerns around soft **lithium battery demand, MIR sees the market remaining in growth or largely flat in 2027 rather than entering negative territory** (slowing vs. 30% yoy in 2026), supported by annual industrial robot demand remaining stable at c.20,000 units with some share redistribution among leading domestic players (Inovance's softer 3Q lithium battery performance was cited to partly reflect increased competition from Leadshine). While investment pressure remains given softer auto demand, incremental support is coming from overseas capacity expansion by Chinese customers, helping offset domestic weakness.
- **AI infrastructure remains the strongest growth engine;** AI-related investment doubled in 2026 **and may double again in 2027, in MIR's view.** Servers, memory, optical modules, connectors, PCB, and chips will continue to drive capex. Semiconductor/chip demand additionally benefits from robust China domestic capex, which MIR sees visibility into for the next few years. Broader consumer electronics (including AI infra) could deliver 10-20% yoy growth in 2027.
- **Auto-related demand still mixed:** MIR noted some continued investment in auto parts, but overall auto capex faces pressure from softer vehicle demand, with only limited incremental support from autonomous-driving-related investment and Chinese customers' overseas capacity expansion.

Continued price decline this year: Per the MIR expert, select robot ASPs have fallen, with Estun's largely priced lower, enabled partly by lower-cost domestic components sourcing (e.g., Estun's reducer sourcing from Laifual Drive/PICEA Motion vs. higher priced Leaderdrive).

Domestic substitution is in the later stage, as further share gains increasingly concentrate among a few Chinese leaders. MIR expects leading vendors to potentially reach 100-200k units eventually, while weaker players increasingly exit or pivot into new business such as humanoids.

Industrial AI applications: Near-term industrial AI value remains more about cost reduction and efficiency gains than new revenue opportunities, with AI-assisted PLC programming potentially reducing engineering manpower from hundreds to tens. MIR sees similar opportunities in energy management, predictive maintenance (e.g using gearbox vibration data) and process optimization, where proprietary process data could reinforce leading players. Physical AI remains at an earlier-stage, with reinforcement learning beginning to support better humanoid gait control but few compelling commercial products to date.

Investment thesis, PT valuation methodology and risks

Investment Thesis - Shenzhen Inovance Technology Co.
Shenzhen Inovance is a domestic leader in Industrial Automation. We like the company's growth outlook given: 1) although its two key products, i.e., inverter/servo already reached 25%/33% or No.1/No.1 in China as of 2025, the company still has opportunities in overseas markets; 2) we expect the company to gain market share in small/large PLC, which should serve as a building block for it to extend into digitalization and transform into an IoT solution provider; 3) EV components continue to ramp up share on top of fast industry growth; and 4) digitalization business development with the potential to exceed our expectations. We view Inovance's major competitive moats that will underpin its resilience through cycles as: 1) industry leading R&D effectiveness with high success rates for new product lines; and, 2) a comprehensive product portfolio and end-market coverage that reinforce customers' switching costs. We view valuation as attractive given the shares are trading at around historical average multiples with a solid long-term growth and return profile; we are Buy rated.

Price Target Risks and Methodology - Shenzhen Inovance Technology Co.
Valuation methodology: Our 12-month TP of Rmb75.9 is based on a 30x 2027E P/E.

Key downside risks: 1) Slower-than-expected industrial automation market share gains; 2) Weaker-than-expected margin trends; 3) EV component segment ramp-up coming slower than expected; 4) general manufacturing capex/automation demand slowing down.

Investment Thesis - Shanghai BOCHU Electronic Technology Co.
Bochu is China's largest domestic laser cutting control system provider. We forecast Bochu's high power market share to further expand due to strong R&D, lower ASP, existing relationships with customers and a packaged solution catering to SME customers. Aside from laser cutting controls, Bochu is making efforts to extend product lines in two dimensions: 1) vertically integrating more hardware (cutting heads) and software (nesting software/IoT) which will leverage its broader installed base; and 2) horizontally extending from laser control to robot welding controls. We see the following as key catalysts: 1) continued share gains in high power laser control systems; 2) faster new business expansion; and 3) faster overseas expansion. That said, we believe the current share price offers limited upside and we are Neutral rated on the stock.

Price Target Risks and Methodology - Shanghai BOCHU Electronic Technology Co.
Valuation methodology: Our 12m TP of Rmb108.0 is based on a 30x 2027E P/E.

Upside risks: (1) Faster-than-expected laser equipment export growth; (2) Faster-than-expected robot welding system penetration. Downside risks: (1) Slower-than-expected share gain in high power laser control system; (2) Weaker-than-expected laser industry growth.

Investment Thesis - Estun Automation Co.
Estun Automation Co is the domestic leader in industrial robots with in-house

production of servos and controllers. Its market share now ranks No.1 in the domestic industrial robot market and is rapidly expanding market share in the automation component market. We believe the tailwind from the trend of domestic substitution and production automation by industrial robots will continue in the coming years. Per Estun, the company aims to improve its product and business quality, and to compete directly with the Big Four to further drive market share gains. However, we are cautious on its margin outlook due to: 1) fierce price competition in its major end markets, auto and auto electronics; 2) inconsistent earnings track record. We do recognize the company already has credible monetization paths in "physical AI" for industrial settings and meaningful optionality into the broader humanoid ecosystem, and forecast AI projects to take up 10% of firmwide revenue by 2030E.

Price Target Risks and Methodology - Estun Automation Co.
Valuation: Our 12-month target prices for Estun A/H of Rmb14.7/HK$11.6 are derived from 2030E P/Es of 35X and 25X, discounted to 2027E at a COE of 11.5%. We are Sell rated on Estun A / Neutral on Estun H.

Upside risks for Estun A: (1) Faster-than-expected robotics market share gains; (2) Better-than-expected margin trend; (3) Faster-than-expected humanoid robot development progress.

Up/downside risks for Estun H: (1) Faster/slower-than-expected robotics market share gains; (2) Better/worse-than-expected margin trend; (3) Faster/slower-than-expected humanoid robot development progress.