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China Home Appliance

Paid to wait, but the wait just got longer; downgrade Haier A/H to Neutral

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The recovery in China home appliances is proving slower, bumpier and less visible than we had expected. Recent industry data and our distributor checks point to weaker-than-expected demand in both China (especially AC) and overseas (such as the US), with softer end demand now feeding into channel destocking and lower company shipments. We cut 2H26E/FY27E earnings for the Big 3 by 16%/10% on lower revenues, and we now expect the Big 3's recurring net profits to decline 9% (previous: +9%) in 2H26 and rebound 7% (previous: +10%) in FY27; our FY27E earnings now sit 9% below the Street. What has not changed is the sector's cash return, backed by strong balance sheets and management's strong commitments. Thus, we believe the near-term investment framework should shift from recovery/ growth to yield, earnings visibility and downside protection. Midea (OW) remains our preferred pick despite its outperformance (+8% YTD vs. -22%/-1% for Haier-A/Gree), given its more sustainable dividend policy, better earnings visibility and medium-term B2B optionality. We downgrade Haier A/H to Neutral from OW, as weaker earnings visibility makes the risk/reward less compelling, in our view, and we remain Neutral on Gree.

- **China B2C: Weaker end demand is becoming a sell-in problem.** The Big 3's domestic revenue was flat in 1H26 despite the 10% decline in retail sales, but this divergence looks increasingly hard to sustain. Industry data since 3Q26 from AVC and IOL suggest that major companies have reduced sell-in to de-risk channel inventory. AVC's latest report also shows that the domestic retail decline widened to 13% in September from 9% in August, despite a much easier comp base. Thus, we have lower confidence in domestic demand than before, and we expect channel unwind to pressure sell-in/revenues in 2H26-2027. We now expect the Big 3's domestic revenue to be -14% in 3Q26 (previous: +3%) and flat in 4Q26 (previous: +6%) off a low base, and to stay flattish in FY27 (previous: +1%).
- **Overseas B2C and B2B: Growth is still there, but quality diverges.** Overseas B2C growth is weaker and less volume-led than our prior expectations, as price hikes across key markets protect ASPs, but weigh on volumes and retailer replenishment. We now model Midea's overseas B2C growth at 6%/9% in 2H26/FY27 (previous: +13%/+14%), while Haier takes a bigger hit, with overseas B2C +1%/+3% (previous: +5%/+10%). B2B remains the better growth leg, especially commercial HVAC and robotics (where Midea has larger exposure), though appliance-linked industrial tech may still face component-order pressure.
- **Shareholder returns and stock strategy: Focus on yield and visibility.** Despite earnings cuts, Midea's and Haier's cash return commitments remain intact, supported by rock-solid balance sheets; we keep FY26E DPS largely unchanged (except for Gree, where we cut DPS by 7%). We estimate total shareholder returns at 7%/8%/10% for Midea/Haier-A/Gree. We prefer Midea for earnings visibility and cash return durability; Haier's yield support is offset by weaker earnings visibility, while Gree's yield looks highest on paper, but depends on buyback execution.

See page 43 for analyst certification and important disclosures, including non-US analyst disclosures.

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Equity Ratings and Price Targets

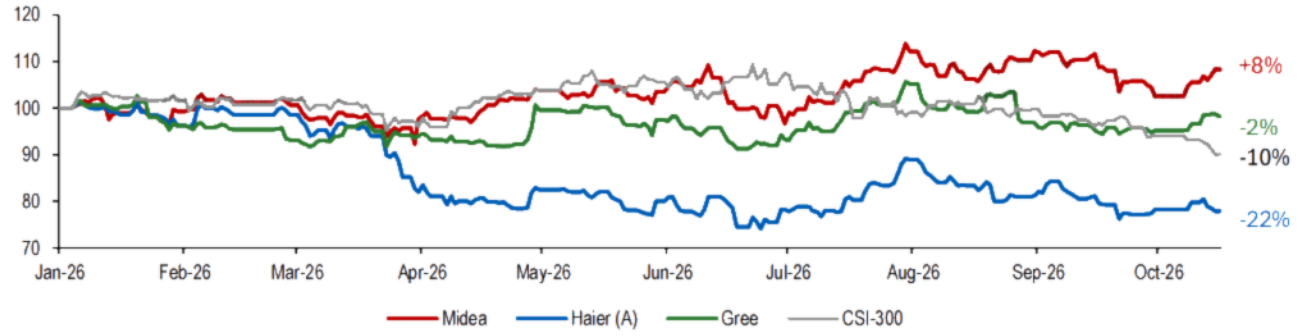
Company	Ticker	Mkt Cap ($ mn)	Price CCY	Price	Rating Cur	Rating Prev	Price Target Cur	Price Target End Date	Price Target Prev	Price Target End Date
Midea Group - A	000333 CH	96,199	CNY	84.60	OW	n/c	100.00	Jun-27	110.00	n/c
Haier Smart Home Co Ltd - A	600690 CH	28,502	CNY	20.33	N	OW	21.00	Jun-27	26.00	n/c
Haier Smart Home Co Ltd - H	6690 HK	24,050	HKD	20.12	N	OW	21.00	Jun-27	26.00	n/c
Gree Electric Appliances - A	000651 CH	33,060	CNY	39.49	N	n/c	39.00	Jun-27	42.00	n/c

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. n/c = no change. All prices as of 16 Oct 26.

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Investment thesis

Figure 1: China Home Appliance: Big 3 share price performance vs. CSI-300 Index



Source: Bloomberg Finance LP. Priced as of 16 October 2026. Note: Past performance is not an indicator of future results.

China B2C: Weaker end demand is becoming a sell-in problem

The Big 3's domestic revenue was flat in 1H26 despite the 10% decline in retail sales, but this divergence looks increasingly hard to sustain.

Industry data since 3Q26 from AVC and IOL suggest that major companies have reduced sell-in to de-risk channel inventory. AVC's latest report also shows that the domestic retail decline widened to 13% in September from 9% in August, despite a much easier comp base. Thus, we have lower confidence in domestic demand than before, and we expect channel unwind to pressure sell-in/revenues in 2H26-2027. We now expect the Big 3's domestic revenue to be -14% in 3Q26 (previous: +3%) and flat in 4Q26 (previous: +6%) off a low base, and to stay flattish in FY27 (previous: +1%).

Table 1: China Home Appliance: Big 3 revenue growth forecasts

Big 3	FY25	1H26	2H26E	FY26E	1H27E	2H27E	FY27E
Total revenue	**929**	**501**	**417**	**918**	**515**	**437**	**952**
YoY%		**(1%)**	**(2%)**	**(1%)**	**3%**	**5%**	**4%**
To-C: China	414	229	171	401	227	176	403
YoY%		0%	(8%)	(3%)	(1%)	3%	1%
To-C: Overseas	321	172	154	324	181	163	344
YoY%		0%	3%	1%	5%	6%	6%
To-B	141	76	69	145	81	75	156
YoY%		2%	4%	3%	7%	8%	8%
Others	53	25	22	48	26	23	49
YoY%		(17%)	(1%)	(10%)	3%	2%	2%

Haier	FY25	1H26	2H26E	FY26E	1H27E	2H27E	FY27E
Total revenue	**302**	**152**	**142**	**294**	**154**	**147**	**301**
YoY%	**6%**	**(3%)**	**(3%)**	**(3%)**	**2%**	**3%**	**2%**
To-C: China	147	73	65	138	73	66	139
YoY%	3%	(5%)	(7%)	(6%)	0%	2%	1%
To-C: Overseas	156	79	78	156	81	81	162
YoY%	8%	(0%)	1%	0%	3%	4%	3%
To-B							
YoY%							
Others							
YoY%							

Midea	FY25	1H26	2H26E	FY26E	1H27E	2H27E	FY27E
Total revenue	**457**	**260**	**205**	**465**	**270**	**220**	**490**
YoY%	**12%**	**4%**	**0%**	**2%**	**4%**	**7%**	**5%**
To-C: China	162	94	64	159	92	67	159
YoY%	9%	4%	(10%)	(2%)	(4%)	5%	(0%)
To-C: Overseas	138	80	66	145	86	71	158
YoY%	14%	5%	6%	6%	9%	9%	9%
To-B	123	67	61	128	72	66	138
YoY%	17%	3%	5%	4%	8%	8%	8%
Others	34	19	15	34	20	16	36
YoY%	2%	(2%)	5%	1%	4%	4%	4%

Gree	FY25	1H26	2H26E	FY26E	1H27E	2H27E	FY27E
Total revenue	**171**	**89**	**69**	**158**	**91**	**70**	**161**
YoY%	**(10%)**	**(8%)**	**(6%)**	**(7%)**	**2%**	**2%**	**2%**
To-C: China	106	61	43	104	62	43	106
YoY%	(12%)	2%	(6%)	(1%)	1%	1%	1%
To-C: Overseas	27	13	11	23	13	11	24
YoY%	(3%)	(22%)	(5%)	(15%)	5%	5%	5%
To-B	18	9	8	17	9	9	18
YoY%	2%	(9%)	3%	(3%)	3%	3%	3%
Others	19	6	7	14	6	7	13
YoY%	(16%)	(43%)	(11%)	(30%)	(2%)	(2%)	(2%)

Source: Company data, J.P. Morgan estimates.

Overseas B2C: Still growing, but growth quality is weakening

Overseas B2C remains in growth, but below our prior expectations. Cost inflation and trade friction have led most brands to raise prices 5-10% across the US, Europe and emerging markets, which helps protect ASPs, but is now costing volumes. This seems to

have led to a softer volume/order environment as consumers become more price-sensitive and retailers turn more cautious on replenishment.

This makes overseas growth less volume-led and less visible than before. We now model Midea's overseas B2C growth at 6% (previous: +13%) in 2H26, followed by a 9% recovery in FY27E (previous: +14%), while Haier takes a bigger hit, with overseas B2C +1%/+3% in 2H26E/FY27E (previous: +5%/+10%).

Table 2: China Home Appliance: Big 3 overseas sales growth forecasts

(RMB bn)	1H25	2H25	FY25	1H26	2H26E	FY26E	1H27E	2H27E	FY27E
Big 3 overseas To-C revenue	**171**	**150**	**320**	**171**	**154**	**324**	**181**	**163**	**344**
YoY%	12%	6%	9%	(0%)	3%	1%	6%	6%	6%
YoY% (FX neutral)	11%	3%	7%	2%	9%	5%	8%	6%	7%
Midea and Haier	**154**	**138**	**293**	**158**	**143**	**301**	**168**	**152**	**320**
YoY%	12%	8%	10%	2%	3%	3%	6%	6%	6%
YoY% (ex-FX)	11%	5.1%	8%	4.5%	9%	7%	9%	6%	7%
Midea (JPMe)	**75**	**62**	**137**	**79**	**66**	**145**	**86**	**71**	**158**
YoY%	13%	12%	13%	5%	6%	6%	9%	9%	9%
YoY% (FX neutral)	12%	9%	11%	7%	12%	10%	12%	9%	10%
Haier (JPMe)	**79**	**77**	**156**	**79**	**77**	**156**	**81**	**81**	**162**
YoY%	12%	5%	8%	(0%)	1%	0%	3%	4%	3%
YoY% (FX neutral)	11%	2%	6%	2%	7%	4%	5%	4%	5%
Gree (JPMe)	**16**	**11**	**27**	**13**	**10**	**23**	**13**	**11**	**24**
YoY%	10%	(17%)	(3%)	(22%)	(5%)	(15%)	5%	5%	5%
YoY% (FX neutral)	9%	(20%)	(5%)	(20%)	1%	(11%)	7%	5%	6%
FX impact (YoY%)									
USDCNY	1%	(1%)	(0%)	(5%)	(6%)	(5%)	(2%)	(0%)	(1%)
EURCNY	2%	7%	4%	1%	(6%)	(3%)	(3%)	0%	(1%)

Source: Company data, J.P. Morgan estimates.

B2B: Still the better growth leg, but not all B2B is created equal

We expect commercial HVAC and robotics to continue to deliver robust growth in 2H, providing a more stable growth offset as B2C demand weakens. This is also where we see the clearest medium-term optionality, especially for Midea. That said, not all B2B exposure is defensive: Industrial tech (compressors, effectively B2C in disguise) may still face pressure as softer global home appliance demand feeds back into component orders. In short, B2B remains the better story, but investors need to separate structural growth from appliance-cycle exposure.

Top-line pressure becomes a bigger profit risk

With China sell-in under pressure and overseas growth decelerating, the earnings risk is larger than the top-line risk, in our view. Our sensitivity analysis suggests that every 1% drop in revenue would cause a 2-4% drop in net profits for the Big 3 (see Table 3) due primarily to operating leverage. We reduce our FY26E-27E recurring net profits by 9% for Midea, 10% for Haier and 7% for Gree. Among the Big 3, we have higher confidence in Midea's earnings delivery, given its more diversified business mix and proven execution on cost/margin.

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Table 3: China Home Appliance: Big 3 operating leverage

(2027E)	Midea			Haier			Gree		
(Revenue = 100)	Current	Scenario	Change	Current	Scenario	Change	Current	Scenario	Change
Revenue	**100.0**	**99.0**	**(1.0%)**	**100.0**	**99.0**	**(1.0%)**	**100.0**	**99.0**	**(1.0%)**
(CoGS)	(74.0)	(73.4)	(0.9%)	(72.5)	(71.9)	(0.8%)	(70.0)	(69.4)	(0.9%)
GP	**26.0**	**25.6**	**(1.4%)**	**27.5**	**27.1**	**(1.4%)**	**30.0**	**29.6**	**(1.3%)**
GPM	26.0%	25.9%		27.5%	27.4%		30.0%	29.9%	
(Opex)	**(16.6)**	**(16.5)**	**(0.4%)**	**(20.5)**	**(20.4)**	**(0.4%)**	**(12.8)**	**(12.8)**	**(0.4%)**
(Selling expense)	(8.9)	(8.8)	(0.7%)	(12.1)	(12.0)	(0.7%)	(4.6)	(4.6)	(0.7%)
(Admin expense)	(3.5)	(3.5)	0.0%	(4.7)	(4.7)	0.0%	(3.5)	(3.5)	0.0%
(R&D expense)	(3.7)	(3.7)	(0.1%)	(3.3)	(3.3)	(0.1%)	(3.8)	(3.8)	(0.1%)
(Tax & surcharge)	(0.5)	(0.5)	(1.0%)	(0.4)	(0.4)	(1.0%)	(0.9)	(0.9)	(1.0%)
OP	**9.4**	**9.1**	**(3.0%)**	**7.0**	**6.7**	**(4.3%)**	**17.2**	**16.8**	**(2.1%)**
OPM	9.4%	9.2%		7.0%	6.8%		17.2%	17.0%	
NP	**9.6**	**9.4**	**(2.5%)**	**6.1**	**5.8**	**(4.2%)**	**16.7**	**16.4**	**(1.8%)**
NPM	9.6%	9.5%		6.1%	5.9%		16.7%	16.5%	

Source: J.P. Morgan estimates.

Shareholder return: Still the most investable part of the story

The earnings downgrade is meaningful, but we do not think it breaks the shareholder return story. Midea and Haier remain committed to cash returns, with Midea targeting stable DPS growth and Haier targeting stable DPS, supported by rock-solid balance sheets. Thus, we keep our FY26 DPS forecasts largely unchanged despite earnings cuts (except Gree, where we cut DPS by 7%), broadly in line with Street expectations. We estimate that Midea/Haier-A/Gree offer total shareholder returns of 7%/8%/10% (dividend + buyback). In a slower, bumpier recovery, that cash return is the valuation floor, even as earnings visibility deteriorates.

Table 4: China Home Appliance: Valuation comparison table

		J.P. Morgan	Price	MktCap	Share perf		P/E (x)		P/S (x)		Div yield (%)		ROE	Sales growth (p.a.)			Margins ('26E)		% of sales ('25A)		
Company	Ticker	Rating	PT	(local)	($ B)	YTD	12M	'26E	'27E	'26E	'27E	'26E	'27E	'26E	'22-25	'26E	'27E	GPM	NPM	R&D	S&M	G&A
Midea - A	000333 CH	OW	100.0	84.6	95.9	8%	16%	15.1	13.7	1.3	1.2	5.2%	5.5%	19%	10%	2%	5%	26%	9%	4%	9%	4%
Haier - A	600690 CH	N	21.0	20.3	26.7	(22%)	(19%)	10.9	10.4	0.6	0.6	5.6%	5.8%	15%	7%	(3%)	2%	27%	6%	3%	11%	8%
Haier - H	6690 HK	N	21.0	20.1	26.7	(17%)	(17%)	9.2	8.8	0.6	0.6	6.6%	6.8%	15%	7%	(3%)	2%	27%	6%	3%	11%	8%
Gree - A	000651 CH	N	39.0	39.5	33.1	(2%)	(3%)	8.4	8.2	1.3	1.3	6.9%	7.4%	18%	(3%)	(7%)	2%	29%	17%	4%	5%	3%
Supor - A	002032 CH	N	45.0	42.6	5.1	(3%)	(12%)	16.9	15.6	1.5	1.4	6.2%	6.5%	35%	4%	1%	3%	24%	9%	2%	11%	2%
Robam - A	002508 CH	N	15.0	16.6	2.3	(14%)	(12%)	14.0	13.0	1.7	1.6	6.0%	6.0%	12%	(1%)	(6%)	0%	49%	12%	4%	29%	5%
Ecovacs - A	603486 CH	UW	45.0	45.4	3.9	(44%)	(52%)	13.1	14.1	1.2	1.0	1.6%	1.7%	18%	8%	18%	9%	47%	9%	5%	31%	3%

Source: Bloomberg Finance L.P., J.P. Morgan estimates. Priced as of 16 October 2026.

Stock strategy: This is now a yield-and-visibility trade, not a recovery trade

We doubt investors will pay upfront for a 2027E recovery until channel destocking ends and Street cuts stop; earnings visibility and cash return durability should now drive stock selection, in our view. Midea remains our preferred pick despite rising 8% YTD (vs. -22%/-1% for Haier-A/Gree); despite our earnings cut, it (still) has the most diversified mix, sustainable cash returns and the strongest B2B leg. We downgrade Haier A/H to Neutral, as we believe the lower visibility on earnings delivery caps the upside, despite the yield support. We remain Neutral on Gree: The yield looks highest on paper, but buyback execution is the swing factor.

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Table 5: Our stock views, catalysts and downside risks

Midea	**Our view**	**Midea (OW, PT Rmb100)** remains our top pick in the China home appliance sector, given its more sustainable dividend policy, better earnings visibility and medium-term optionality on B2B growth. Near-term, its FY26E earnings are likely impacted by the sales convention change and softer global B2C demand. Despite the near-term headwind, management has committed to stable DPS growth and reiterated its policy to return nearly 100% of net profit to shareholders through dividends and buybacks over the next few years. Assuming a 77% dividend payout ratio (vs. 74% last year), we believe the Street DPS estimate of Rmb4.5, representing around 5% YoY growth, is achievable. Combined with the buyback, Midea offers a total shareholder return yield of around 7%. We believe the stability and visibility of yield should continue to support a premium valuation amid sector-wide earnings cuts. In the medium to long term, overseas OBM expansion and B2B development remain intact.
	Catalysts	1. Overseas order book converts into strong sales growth in 4Q26-1Q27. 2. On the B2B side, HVAC project wins and RV reducer breakthrough.
	Risks	1. Worse-than-expected domestic sales decline in 1Q27. 2. European tariffs on China appliance imports.
Haier	**Our view**	**Haier-A/H (N; PT Rmb21 / HK$21)** is trading at a 10x/9x P/E, a 20% discount to its historical average, but we see re-rating as difficult with a limited margin recovery. China and US markets accounted for >70% of the revenue base, but both are seeing weakening demand. At the same time, Haier's strategic investment in China DTC and US capacity modernization increases its operating leverage in a difficult external environment. Management is committed to at least stable DPS in FY26 (JPMe 60% payout ratio), which, together with the buyback program, offers a total shareholder return yield of around 8-9% this year. This helps protect downside at current levels, but does not justify a re-rating, in our view.
	Catalysts	1. Significant cost savings from the white goods BU consolidation. 2. Strong rebound in US appliance demand.
	Risks	1. China DTC reform cost overruns. 2. Unexpected friction costs during capacity relocation.
Gree	**Our view**	**Gree (N, PT Rmb39)** is a China-focused no-growth name trading at a fair discount to peers. The weakening domestic demand outlook and channel destocking should hit Gree's sales and net profit badly in FY26, with limited recovery in FY27. We also question margin sustainability, given Gree's already-industry-high net margin and continuous opex cuts over FY24-26E. At an 8x FY27E P/E, the main reason to own the stock remains shareholder return, in our view: a 7% dividend yield, plus a stated up to Rmb10bn buyback with 70% cancellation (c.3% yield).
	Catalyst	1. Continued buyback at the current run rate of Rmb1bn/month.
	Risks	1. Margin expansion stalls in 3Q26. 2. Worse-than-expected domestic sales decline in 1Q27.

Source: J.P. Morgan estimates.

Table 6: China Home Appliance: Big 3 3Q26 preview

(RMB bn)	Midea		Haier		Gree		Key drivers
	3Q26	YoY%	3Q26	YoY%	3Q26	YoY%	
Revenue	108.3	(3%)	72.5	(7%)	35.5	(11%)	Domestic AC led destocking, partly offset by overseas/B2B growth
GPM%	25.7%	(0.7%pt)	27.9%	(0.0%pt)	27.3%	(1.0%pt)	Sustained commodity inflation, partly offset by overseas price hike
OP (non-GAAP)	10.3	(8%)	4.4	(22%)	5.4	(18%)	Operating deleverage
Net profit	11.3	(5%)	4.2	(21%)	5.7	(20%)	

Source: J.P. Morgan estimates.

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Table 7: China Home Appliance: Big 3 2H26 and FY27 forecast changes

Rmb bn

Midea	2H26E	YoY%	Change	FY27E	YoY%	Change	Reasons behind change
Revenue	205.4	0%	(8%)	489.8	5%	(6%)	
To-C	129.4	(3%)	(11%)	316.3	4%	(7%)	China AC seasonal opening cancelled; destocking
To-B	60.9	5%	(4%)	138.0	8%	(4%)	Global rate hikes affecting industrial demand
GPM%	26.5%	(0.9%pt)	(0.1%pt)	26.0%	0.2%pt	(0.3%pt)	Sustained commodity headwind
(Opex)	(39.8)	0%	(1%)	(83.1)	3%	(4%)	Slower sales require less spending
Net profit	16.3	(9%)	(19%)	47.0	10%	(10%)	Sales deleveraging; does not include CXMT
Full year DPS	4.5	5%	(4%)	4.8	8%	(9%)	Committed DPS growth and ~100% total payout
Haier	2H26E	YoY%	Change	FY27E	YoY%	Change	Reasons behind change
Revenue	142.1	(3%)	(6%)	301.0	2%	(6%)	
China	64.6	(7%)	(8%)	139.3	1%	(4%)	Destocking and reduced entry-level AC
Overseas	77.5	1%	(4%)	161.7	3%	(8%)	Weaker US demand; Europe destocking
GPM%	27.5%	1.0%pt	0.4%pt	27.5%	0.1%pt	0.0%pt	Passive mix change
(Opex)	(32.3)	3%	(2%)	(63.4)	3%	(2%)	Slower sales require less spending
Net profit	7.1	(6%)	(14%)	18.1	4%	(15%)	Sales deleveraging; does not include tariff rebate
Full year DPS	1.15	0%	(2%)	1.20	5%	(15%)	Committed DPS stability
Gree	2H26E	YoY%	Change	FY27E	YoY%	Change	Reasons behind change
Revenue	69.1	(6%)	(10%)	161.3	2%	(4%)	
To-C	53.4	(6%)	(12%)	130.0	2%	(5%)	Domestic AC destocking
To-B	8.4	3%	0%	18.0	3%	0%	*--unch--*
GPM%	30.3%	(1.2%pt)	(0.6%pt)	30.0%	0.6%pt	(0.3%pt)	Sustained commodity inflation
(Opex)	(8.2)	(2%)	(5%)	(21.6)	4%	1%	Limited room of further opex cutting
Net profit	13.2	(10%)	(13%)	27.1	3%	(7%)	Sales deleveraging
Full year DPS	2.87	(4%)	(7%)	3.04	6%	(7%)	Payout unchanged but lower net profit

Source: J.P. Morgan estimates.

Table 8: China Home Appliance: Big 3 JPMe vs. Bloomberg consensus

	JPMe			Bloomberg consensus			JPMe vs Cons.		
(Rmb mn, FYE Dec 31)	**FY26**	**FY27**	**FY28**	**FY26**	**FY27**	**FY28**	**FY26**	**FY27**	**FY28**
Midea									
Revenue	**465,481**	**489,813**	**523,634**	**484,963**	**515,935**	**553,162**	**(4%)**	**(5%)**	**(5%)**
YoY%	2%	5%	7%	6%	6%	7%			
Net profit	**42,765**	**47,037**	**51,763**	**46,777**	**50,563**	**54,556**	**(9%)**	**(7%)**	**(5%)**
YoY%	(3%)	10%	10%	6%	8%	8%			
Haier									
Revenue	**294,241**	**300,996**	**314,066**	**305,975**	**320,032**	**336,553**	**(4%)**	**(6%)**	**(7%)**
YoY%	(3%)	2%	4%	1%	5%	5%			
Net profit	**17,421**	**18,127**	**19,193**	**19,170**	**20,847**	**22,832**	**(9%)**	**(13%)**	**(16%)**
YoY%	(11%)	4%	6%	(2%)	9%	10%			
Gree									
Revenue	**158,464**	**161,344**	**163,999**	**168,356**	**170,857**	**177,161**	**(6%)**	**(6%)**	**(7%)**
YoY%	(7%)	2%	2%	(1%)	1%	4%			
Net profit	**26,436**	**27,110**	**28,006**	**28,575**	**29,652**	**31,038**	**(7%)**	**(9%)**	**(10%)**
YoY%	(9%)	3%	3%	(1%)	4%	5%			

Source: J.P. Morgan estimates, Bloomberg Finance L.P.

AVC and IOL data imply destocking risk in China

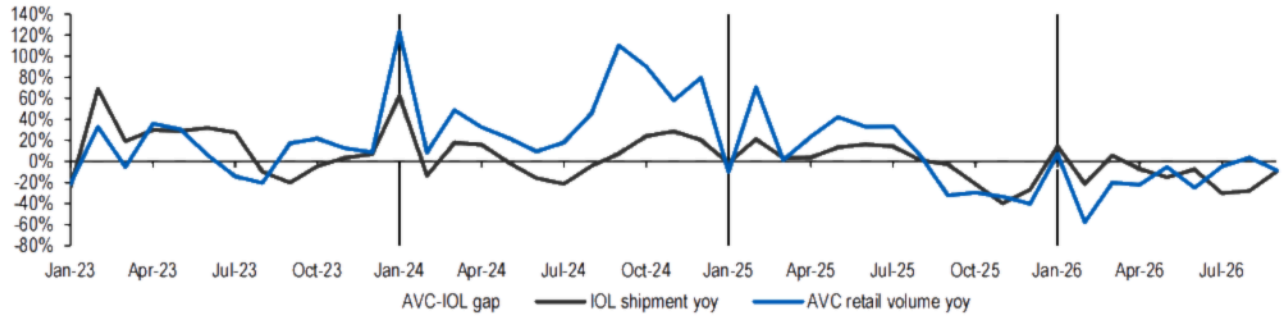
AVC data track retail sell-through across both online and offline channels, while ChinaIOL data capture factory sell-in to channels. We can form a rough view of channel inventory restocking or destocking trends by comparing YoY growth in AVC retail volumes with ChinaIOL shipment volumes.

- AC: Retail growth lagged shipment growth from 2H25 to 1H26, followed by shipment declines in July-August 2026 as the industry worked through channel

inventory destocking.

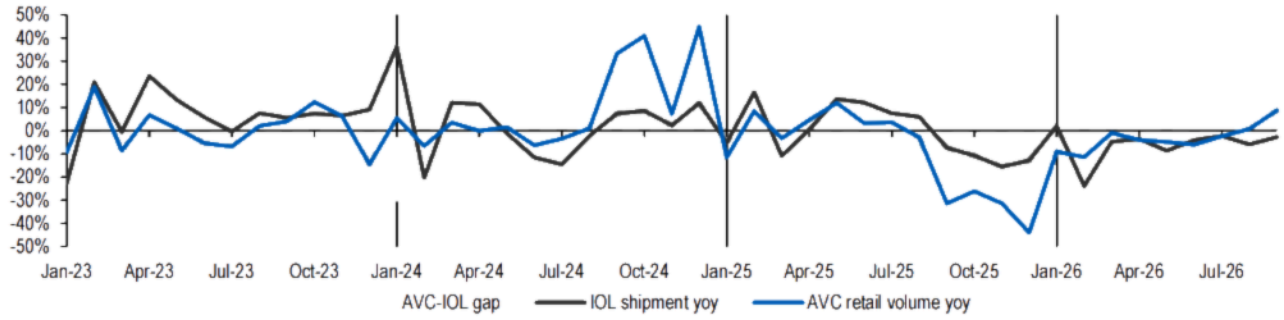
- Refrigerator: Retail growth lagged shipment growth from June 2025 to January 2026. The industry has entered a prolonged destocking phase since February 2026 that remains ongoing.
- Washing machine: Retail growth lagged shipment growth from September 2025 to February 2026, followed by a destocking cycle that began in March 2026 and has continued since.

Figure 2: China AC: Comparison of AVC retail volumes YoY and ChinaIOL shipment volumes YoY



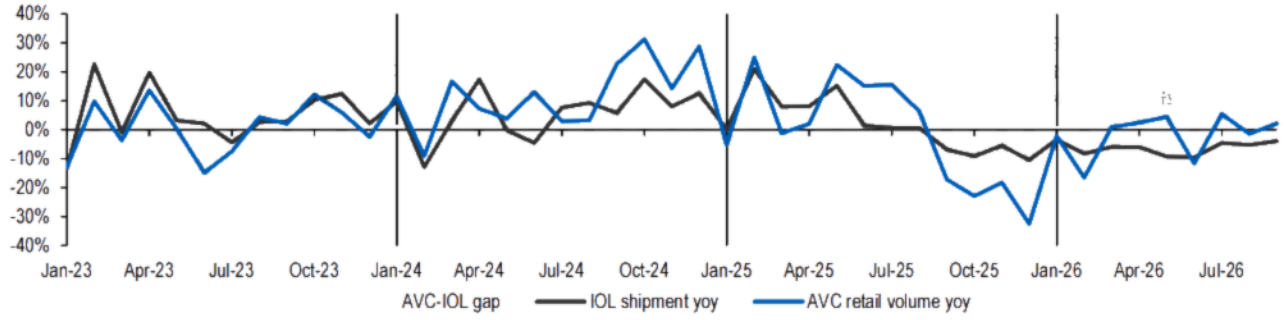
Source: AVC.

Figure 3: China refrigerator: Comparison of AVC retail volumes YoY and ChinaIOL shipment volumes YoY



Source: AVC.

Figure 4: China washing machine: Comparison of AVC retail volumes YoY and ChinaIOL shipment volumes YoY



Source: AVC.

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Summary of earnings forecasts by company

Table 9: Midea: Summary of P&L forecast

(RMB bn, FYE Dec 31)	FY24	FY25	1H26	2H26E	FY26E	1H27E	2H27E	FY27E	FY28E
Revenues	**407.1**	**456.5**	**260.0**	**205.4**	**465.5**	**269.6**	**220.2**	**489.8**	**523.6**
YoY%	9%	12%	4%	0%	2%	4%	7%	5%	7%
To-C	269.5	299.9	174.3	129.4	303.7	177.8	138.5	316.3	338.4
YoY%	9%	11%	4%	(3%)	1%	2%	7%	4%	7%
To-B	104.5	122.8	66.7	60.9	127.6	72.0	66.0	138.0	148.6
YoY%	7%	17%	3%	5%	4%	8%	8%	8%	8%
Others	33.1	33.8	19.0	15.1	34.1	19.8	15.7	35.5	36.6
YoY%	19%	2%	(2%)	5%	1%	4%	4%	4%	3%
Gross Profit	**107.6**	**120.5**	**65.7**	**54.4**	**120.0**	**68.3**	**58.9**	**127.3**	**137.5**
GPM%	26.4%	26.4%	25.3%	26.5%	25.8%	25.3%	26.8%	26.0%	26.3%
To-C	80.8	89.7	48.7	40.1	88.8	50.0	43.2	93.2	100.4
GPM%	30.0%	29.9%	27.9%	31.0%	29.2%	28.1%	31.2%	29.5%	29.7%
To-B	22.4	25.5	13.9	12.0	25.8	15.2	13.3	28.5	31.4
GPM%	21.4%	20.8%	20.8%	19.6%	20.3%	21.1%	20.2%	20.7%	21.1%
Others	4.4	5.2	3.1	2.3	5.4	3.2	2.4	5.6	5.7
GPM%	13.4%	15.5%	16.1%	15.2%	15.7%	16.1%	15.2%	15.7%	15.7%
(OPEX, incl. impairment)	**(72.6)**	**(80.5)**	**(41.1)**	**(39.8)**	**(80.8)**	**(41.3)**	**(41.7)**	**(83.1)**	**(88.3)**
YoY%	16%	11%	0%	0%	0%	1%	5%	3%	6%
As % of revenue	(17.8%)	(17.6%)	(15.8%)	(19.4%)	(17.4%)	(15.3%)	(19.0%)	(17.0%)	(16.9%)
OP (non-GAAP)	**34.9**	**40.0**	**24.6**	**14.6**	**39.2**	**27.0**	**17.2**	**44.2**	**49.1**
YoY%	5%	14%	5%	(12%)	(2%)	10%	18%	13%	11%
OPM%	8.6%	8.8%	9.5%	7.1%	8.4%	10.0%	7.8%	9.0%	9.4%
Others & finance	**11.5**	**13.0**	**7.1**	**5.0**	**12.1**	**6.4**	**6.1**	**12.5**	**13.3**
OP (Reported)	**46.4**	**53.0**	**31.7**	**19.6**	**51.3**	**33.4**	**23.3**	**56.7**	**62.5**
YoY%	15%	14%	1%	(10%)	(3%)	6%	19%	11%	10%
OPM%	11.4%	11.6%	12.2%	9.5%	11.0%	12.4%	10.6%	11.6%	11.9%
Non-op income/(expense)	0.3	0.1	0.2	0.0	0.2	0.2	0.0	0.2	0.2
(Tax & MI)	(8.2)	(9.1)	(5.4)	(3.3)	(8.7)	(5.7)	(4.2)	(9.9)	(10.9)
Net Profit	**38.5**	**43.9**	**26.4**	**16.3**	**42.8**	**27.9**	**19.1**	**47.0**	**51.8**
YoY%	14%	14%	2%	(9%)	(3%)	6%	17%	10%	10%
NPM%	9.5%	9.6%	10.2%	7.9%	9.2%	10.4%	8.7%	9.6%	9.9%

Source: Company data, J.P. Morgan estimates.

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Table 10: Midea: Quarterly P&L forecast

(RMB bn, FYE Dec 31)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E
Revenues	**127.8**	**123.3**	**111.9**	**93.4**	**131.1**	**128.9**	**108.3**	**97.2**
YoY%	20%	11%	10%	6%	3%	5%	(3%)	4%
(COGS)	(95.3)	(91.5)	(82.3)	(66.9)	(97.6)	(96.8)	(80.4)	(70.6)
Gross Profit	**32.5**	**31.8**	**29.6**	**26.5**	**33.5**	**32.2**	**27.8**	**26.5**
GPM%	25.4%	25.8%	26.4%	28.4%	25.6%	24.9%	25.7%	27.3%
(OPEX, incl. impairment)	**(20.9)**	**(20.0)**	**(18.5)**	**(21.1)**	**(20.3)**	**(20.8)**	**(17.5)**	**(22.2)**
YoY%	18%	11%	9%	6%	(3%)	4%	(5%)	5%
as % of revenue	(16.3%)	(16.3%)	(16.5%)	(22.6%)	(15.5%)	(16.1%)	(16.2%)	(22.9%)
OP (non-GAAP)	**11.6**	**11.8**	**11.1**	**5.4**	**13.3**	**11.3**	**10.3**	**4.3**
YoY%	11%	6%	28%	17%	14%	(4%)	(8%)	(20%)
OPM%	9.1%	9.5%	9.9%	5.8%	10.1%	8.8%	9.5%	4.5%
Others & finance	3.5	4.4	3.4	1.8	1.8	5.3	3.4	1.7
OP (Reported)	**15.1**	**16.1**	**14.5**	**7.2**	**15.1**	**16.6**	**13.6**	**6.0**
YoY%	42%	10%	13%	(12%)	(0%)	3%	(6%)	(17%)
OPM%	11.8%	13.1%	12.9%	7.8%	11.5%	12.9%	12.6%	6.2%
Non-op income/(expense)	0.0	0.1	0.0	(0.0)	0.1	0.1	0.0	0.0
(Tax & MI)	(2.7)	(2.6)	(2.6)	(1.2)	(2.5)	(2.9)	(2.4)	(0.9)
Net Profit	**12.4**	**13.6**	**11.9**	**6.1**	**12.7**	**13.8**	**11.3**	**5.1**
YoY%	38%	15%	9%	(11%)	2%	1%	(5%)	(17%)
NPM%	9.7%	11.0%	10.6%	6.5%	9.7%	10.7%	10.4%	5.2%

Source: Company data, J.P. Morgan estimates.

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Table 11: Haier: Summary of P&L forecast

(RMB bn, FYE Dec 31)	FY24	FY25	1H26	2H26E	FY26E	1H27E	2H27E	FY27E	FY28E
Revenue	**286.0**	**302.3**	**152.1**	**142.1**	**294.2**	**154.5**	**146.5**	**301.0**	**314.1**
YoY%	4%	6%	(3%)	(3%)	(3%)	2%	3%	2%	4%
China	142.2	146.6	73.3	64.6	138.0	73.3	65.9	139.3	143.5
YoY%	3%	3%	(5%)	(6%)	(6%)	0%	2%	1%	3%
Overseas	143.8	155.8	78.8	77.5	156.3	81.1	80.6	161.7	170.6
YoY%	5%	8%	(0%)	1%	0%	3%	4%	3%	5%
Gross Profit	**79.6**	**80.6**	**41.4**	**39.0**	**80.4**	**42.1**	**40.6**	**82.7**	**86.7**
GPM%	27.8%	26.7%	27.2%	27.5%	27.3%	27.2%	27.7%	27.5%	27.6%
China (JPMe)	42.4	41.4	22.4	18.1	40.5	22.4	18.6	41.0	42.6
GPM%	29.8%	28.2%	30.6%	28.0%	29.4%	30.6%	28.2%	29.5%	29.7%
Overseas (JPMe)	37.2	39.2	19.0	20.9	39.9	19.6	22.0	41.6	44.1
GPM%	25.9%	25.2%	24.1%	27.0%	25.5%	24.2%	27.3%	25.7%	25.9%
(OPEX, incl. impairment)	**(59.4)**	**(60.4)**	**(29.1)**	**(32.3)**	**(61.3)**	**(29.9)**	**(33.5)**	**(63.4)**	**(66.4)**
YoY%	3%	2%	0%	3%	2%	3%	4%	3%	5%
As % of revenue	(20.8%)	(20.0%)	(19.1%)	(22.7%)	(20.8%)	(19.3%)	(22.9%)	(21.1%)	(21.1%)
OP (non-GAAP)	**20.2**	**20.2**	**12.4**	**6.7**	**19.1**	**12.2**	**7.1**	**19.3**	**20.2**
YoY%	16%	(0%)	(5%)	(6%)	(5%)	(1%)	5%	1%	5%
OPM% (non-GAAP)	7.1%	6.7%	8.1%	4.7%	6.5%	7.9%	4.8%	6.4%	6.4%
China	13.1	13.4	8.3	4.5	12.8	8.0	4.5	12.5	12.9
OPM%	9.2%	9.1%	11.3%	7.0%	9.3%	10.9%	6.8%	9.0%	9.0%
Overseas	7.1	6.8	4.1	2.2	6.3	4.2	2.6	6.8	7.4
OPM%	4.9%	4.4%	5.2%	2.9%	4.0%	5.2%	3.2%	4.2%	4.3%
Others & finance	**2.7**	**3.5**	**0.7**	**1.4**	**2.0**	**1.3**	**1.5**	**2.8**	**3.2**
OP (Reported)	**22.9**	**23.7**	**13.0**	**8.1**	**21.1**	**13.6**	**8.6**	**22.1**	**23.5**
YoY%	12%	4%	(14%)	(6%)	(11%)	4%	6%	5%	6%
OPM%	8.0%	7.8%	8.6%	5.7%	7.2%	8.8%	5.8%	7.3%	7.5%
Non-op income/(expense)	(0.2)	(0.2)	0.0	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)
(Tax & MI)	(4.0)	(3.9)	(2.8)	(0.9)	(3.7)	(2.9)	(1.0)	(3.9)	(4.2)
Net Profit	**18.7**	**19.6**	**10.3**	**7.1**	**17.4**	**10.7**	**7.5**	**18.1**	**19.2**
YoY%	13%	4%	(14%)	(6%)	(11%)	3%	5%	4%	6%
NPM%	6.5%	6.5%	6.8%	5.0%	5.9%	6.9%	5.1%	6.0%	6.1%

Source: Company data, J.P. Morgan estimates.

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Table 12: Haier: Quarterly P&L forecast

(RMB bn, FYE Dec 31)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E
Revenues	**79.1**	**77.4**	**77.6**	**68.3**	**73.7**	**78.4**	**72.5**	**69.6**
YoY%	10%	10%	10%	(7%)	(7%)	1%	(7%)	2%
(CoGS)	(59.0)	(55.4)	(55.9)	(51.4)	(55.0)	(55.7)	(52.3)	(50.8)
Gross Profit	**20.1**	**22.0**	**21.6**	**16.9**	**18.7**	**22.7**	**20.2**	**18.8**
GPM%	25.4%	28.4%	27.9%	24.8%	25.3%	29.0%	27.9%	27.0%
(OPEX, incl. impairment)	**(14.0)**	**(15.0)**	**(15.9)**	**(15.5)**	**(12.9)**	**(16.1)**	**(15.8)**	**(16.5)**
YoY%	9%	10%	8%	(15%)	(8%)	8%	(1%)	6%
as % of revenue	(17.7%)	(19.4%)	(20.5%)	(22.7%)	(17.5%)	(20.6%)	(21.8%)	(23.7%)
OP (Non-GAAP)	**6.1**	**7.0**	**5.7**	**1.4**	**5.8**	**6.6**	**4.4**	**2.3**
YoY%	13%	13%	14%	(61%)	(5%)	(5%)	(22%)	62%
OPM%	7.7%	9.0%	7.4%	2.1%	7.8%	8.4%	6.1%	3.3%
Others & finance	0.8	1.2	0.7	0.8	(0.1)	0.7	0.7	0.7
OP (Reported)	**6.9**	**8.2**	**6.4**	**2.2**	**5.7**	**7.3**	**5.1**	**3.0**
YoY%	17%	16%	10%	(46%)	(17%)	(11%)	(20%)	36%
OPM%	8.7%	10.6%	8.2%	3.2%	7.8%	9.3%	7.0%	4.3%
Non-op income/(expense)	(0.1)	(0.1)	(0.0)	(0.1)	0.0	0.0	(0.0)	(0.0)
(Tax & MI)	(1.4)	(1.6)	(1.0)	0.0	(1.1)	(1.7)	(0.8)	(0.1)
Net Profit	**5.5**	**6.5**	**5.3**	**2.2**	**4.7**	**5.7**	**4.2**	**2.9**
YoY%	15%	16%	13%	(39%)	(15%)	(13%)	(21%)	31%
NPM%	6.9%	8.5%	6.9%	3.2%	6.3%	7.2%	5.8%	4.1%

Source: Company data, J.P. Morgan estimates.

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Table 13: Gree: Summary of P&L forecast

(RMB bn, FYE Dec 31)	FY24	FY25	1H26	2H26E	FY26E	1H27E	2H27E	FY27E	FY28E
Revenue	**189.2**	**170.4**	**89.4**	**69.1**	**158.5**	**91.1**	**70.3**	**161.3**	**164.0**
YoY%	(7%)	(10%)	(8%)	(6%)	(7%)	2%	2%	2%	2%
To-C	148.6	133.1	74.1	53.4	127.4	75.6	54.4	130.0	131.9
YoY%	(4%)	(10%)	(3%)	(6%)	(4%)	2%	2%	2%	1%
To-B	17.7	18.1	9.0	8.4	17.4	9.3	8.7	18.0	18.6
YoY%	(1%)	2%	(9%)	3%	(3%)	3%	3%	3%	3%
Others	22.9	19.3	6.3	7.3	13.6	6.2	7.2	13.3	13.4
YoY%	(26%)	(16%)	(43%)	(11%)	(30%)	(2%)	(2%)	(2%)	1%
Gross Profit	**55.7**	**50.8**	**25.8**	**20.9**	**46.7**	**26.8**	**21.7**	**48.4**	**49.3**
GPM%	29.4%	29.8%	28.8%	30.3%	29.5%	29.4%	30.9%	30.0%	30.1%
To-C	51.9	46.9	23.5	19.6	43.1	24.4	20.2	44.6	45.3
GPM%	34.9%	35.3%	31.8%	36.6%	33.8%	32.3%	37.1%	34.3%	34.3%
To-B	2.8	2.8	1.7	0.8	2.6	1.9	0.9	2.8	3.0
GPM%	16.0%	15.7%	19.3%	9.9%	14.8%	19.9%	10.6%	15.4%	15.9%
Others	1.0	1.0	0.5	0.6	1.0	0.5	0.6	1.0	1.1
GPM%	4.3%	5.3%	7.7%	7.6%	7.6%	7.9%	7.8%	7.8%	7.9%
(OPEX, incl. impairment)	**(25.7)**	**(22.8)**	**(12.5)**	**(8.2)**	**(20.7)**	**(13.1)**	**(8.5)**	**(21.6)**	**(22.0)**
YoY%	(23%)	(11%)	(14%)	(2%)	(9%)	4%	4%	4%	2%
As % of revenue	(13.6%)	(13.4%)	(14.0%)	(11.8%)	(13.1%)	(14.3%)	(12.1%)	(13.4%)	(13.4%)
OP (non-GAAP)	**29.9**	**28.0**	**13.2**	**12.8**	**26.0**	**13.7**	**13.2**	**26.9**	**27.3**
YoY%	13%	(7%)	0%	(14%)	(7%)	3%	3%	3%	2%
OPM%	15.8%	16.4%	14.8%	18.5%	16.4%	15.0%	18.7%	16.7%	16.7%
Others & finance	**7.0**	**6.7**	**2.8**	**2.7**	**5.5**	**2.7**	**2.8**	**5.5**	**6.1**
OP (Reported)	**37.0**	**34.7**	**16.1**	**15.5**	**31.5**	**16.4**	**16.0**	**32.3**	**33.4**
YoY%	13%	(6%)	(3%)	(14%)	(9%)	2%	3%	3%	3%
OPM%	19.6%	20.3%	18.0%	22.4%	19.9%	18.0%	22.7%	20.0%	20.4%
Non-op income/(expense)	(0.1)	(0.0)	(0.1)	(0.0)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)
(Tax & MI)	(4.7)	(5.6)	(2.7)	(2.3)	(5.0)	(2.8)	(2.4)	(5.2)	(5.3)
Net profit	**32.2**	**29.0**	**13.3**	**13.2**	**26.4**	**13.5**	**13.6**	**27.1**	**28.0**
YoY%	11%	(10%)	(8%)	(10%)	(9%)	2%	3%	3%	3%
NPM%	17.0%	17.0%	14.9%	19.1%	16.7%	14.9%	19.3%	16.8%	17.1%

Source: Company data, J.P. Morgan estimates.

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Table 14: Gree: Quarterly P&L forecast

(RMB bn, FYE Dec 31)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E
Revenue	**41.5**	**55.8**	**39.9**	**33.3**	**43.0**	**46.4**	**35.5**	**33.6**
YoY%	14%	(12%)	(15%)	(22%)	4%	(17%)	(11%)	1%
(CoGS)	(30.2)	(39.4)	(28.6)	(21.5)	(31.2)	(32.5)	(25.8)	(22.3)
GROSS PROFIT	**11.4**	**16.4**	**11.3**	**11.8**	**11.8**	**14.0**	**9.7**	**11.3**
GPM%	27.4%	29.3%	28.3%	35.5%	27.4%	30.1%	27.3%	33.5%
(OPEX, incl. impairment)	**(5.9)**	**(8.4)**	**(4.7)**	**(4.2)**	**(6.3)**	**(6.2)**	**(4.3)**	**(3.9)**
YoY%	(3%)	(19%)	(21%)	57%	6%	(26%)	(9%)	(7%)
as % of revenue	(14.3%)	(15.1%)	(11.9%)	(12.6%)	(14.6%)	(13.4%)	(12.1%)	(11.6%)
OP (Non-GAAP)	**5.4**	**7.9**	**6.6**	**7.6**	**5.5**	**7.8**	**5.4**	**7.4**
YoY%	28%	(17%)	(18%)	(12%)	1%	(2%)	(18%)	(3%)
OPM%	13.1%	14.2%	16.5%	22.9%	12.8%	16.7%	15.2%	22.0%
Others & finance	1.5	1.8	1.9	2.0	1.5	1.3	1.3	1.4
OP (Reported)	**6.9**	**9.7**	**8.5**	**9.6**	**7.0**	**9.1**	**6.6**	**8.8**
YoY%	30%	(12%)	(9%)	(16%)	1%	(6%)	(22%)	(8%)
OPM%	16.7%	17.4%	21.3%	28.9%	16.2%	19.6%	18.7%	26.3%
Non-op income/(expense)	(0.0)	(0.0)	0.0	(0.1)	(0.0)	(0.0)	0.0	(0.1)
(Tax & MI)	(1.0)	(1.2)	(1.5)	(2.0)	(0.9)	(1.8)	(1.0)	(1.3)
Net profit	**5.9**	**8.5**	**7.0**	**7.5**	**6.1**	**7.2**	**5.7**	**7.5**
YoY%	26%	(10%)	(10%)	(26%)	3%	(15%)	(20%)	(1%)
NPM%	14.2%	15.2%	17.7%	22.7%	14.2%	15.5%	16.0%	22.3%

Source: Company data, J.P. Morgan estimates.

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Table 15: China Home Appliance: Valuation comparison table

Company	Ticker	J.P. Morgan Rating	PT	Price (local)	MktCap ($ B)	Share perf YTD	Share perf 12M	P/E (x) '26E	P/E (x) '27E	P/S (x) '26E	P/S (x) '27E	Div yield (%) '26E	Div yield (%) '27E	ROE '26E	Sales growth (p.a.) '22-25	Sales growth (p.a.) '26E	Sales growth (p.a.) '27E	Margins ('26E) GPM	Margins ('26E) NPM	% of sales ('25A) R&D	% of sales ('25A) S&M	% of sales ('25A) G&A
Chinese Large Appliances																						
Midea - A	000333 CH	OW	100.0	84.6	95.9	8%	16%	15.1	13.7	1.3	1.2	5.2%	5.5%	19%	10%	2%	5%	26%	9%	4%	9%	4%
Haier - A	600690 CH	N	21.0	20.3	26.7	(22%)	(19%)	10.9	10.4	0.6	0.6	5.6%	5.8%	15%	7%	(3%)	2%	27%	6%	3%	11%	8%
Haier - H	6690 HK	N	21.0	20.1	26.7	(17%)	(17%)	9.2	8.8	0.6	0.6	6.6%	6.8%	15%	7%	(3%)	2%	27%	6%	3%	11%	8%
Gree - A	000651 CH	N	39.0	39.5	33.1	(2%)	(3%)	8.4	8.2	1.3	1.3	6.9%	7.4%	18%	(3%)	(7%)	2%	29%	17%	4%	5%	3%
Hisense - H	921 HK	NC	NC	20.4	4.5	(12%)	(17%)	10.2	9.2	0.3	0.3	6.1%	6.8%	17%	6%	0%	5%	21%	3%	4%	10%	3%
Robam - A	002508 CH	N	15.0	16.6	2.3	(14%)	(12%)	14.0	13.0	1.7	1.6	6.0%	6.0%	12%	(1%)	(6%)	0%	49%	12%	4%	29%	5%
						Weighted average		**12.5**	**11.5**	**1.2**	**1.1**	**5.8%**	**6.2%**	**18%**	**7%**	**(1%)**	**4%**	**27%**	**10%**	**4%**	**9%**	**4%**
Chinese Small Appliances																						
Supor - A	002032 CH	N	45.0	42.6	5.1	(3%)	(12%)	16.9	15.6	1.5	1.4	6.2%	6.5%	35%	4%	1%	3%	24%	9%	2%	11%	2%
Ecovacs - A	603486 CH	UW	45.0	45.4	3.9	(44%)	(52%)	13.1	14.1	1.2	1.0	1.6%	1.7%	18%	8%	18%	9%	47%	9%	5%	31%	3%
Bear Electric - A	002959 CH	NC	NC	34.4	0.8	(19%)	(30%)	16.2	13.9	1.0	1.0	3.0%	3.4%	11%	8%	(1%)	6%	36%	6%	4%	18%	5%
						Weighted average		**14.7**	**13.6**	**1.3**	**1.1**	**3.2%**	**3.5%**	**22%**	**16%**	**12%**	**10%**	**37%**	**9%**	**5%**	**21%**	**2%**
Global Home Appliances																						
LG Electronics	066570 KS	N	190K	170K	20.8	84%	102%	12.4	9.8	0.3	0.3	1.0%	1.2%	9%	2%	8%	5%	25%	2%	3%	14%	
LG India	LGEL IN	OW	1,885	1,724	12.3	13%	3%	56.0	46.1	4.7	4.2	0.7%	0.7%	26%	N.A.	11%	12%	31%	8%	N.A.	N.A.	N.A.
Whirlpool	WHR US	NC	NC	28.0	1.8	(61%)	(61%)	17.0	8.7	0.1	0.1	3.4%	0.0%	3%	(8%)	(4%)	4%	14%	1%		11%	
Electrolux	ELUXB SS	N	36.0	27.3	2.3	(22%)	(7%)	N.A.	9.1	0.2	0.2	0.0%	4.4%	(11%)	(1%)	0%	5%	14%	(1%)	N.A.	11%	4%
Shark Ninja	SN US	OW	207.0	193.7	27.3	73%	106%	29.1	25.1	3.6	3.2	1.0%	1.5%	30%	20%	17%	13%	50%	13%	6%	23%	6%
A.O. Smith	AOS US	UW	60.0	59.5	8.1	(11%)	(14%)	15.8	14.9	2.1	2.0	2.4%	2.5%	27%	1%	2%	4%	39%	13%		20%	
Rinnai	5947 JP	NC	NC	3,421	3.1	(14%)	1%	13.9	13.1	1.0	1.0	2.9%	3.2%	8%	3%	5%	7%	34%	7%		24%	
						Weighted average		**25.7**	**21.9**	**2.4**	**2.2**	**1.2%**	**1.5%**	**20%**	**8%**	**10%**	**9%**	**36%**	**8%**			
Global HVAC																						
Trane	TT US	OW	550.0	457.4	100.6	18%	10%	29.7	25.8	4.2	3.8	0.9%	0.9%	37%	10%	11%	10%	35%	14%		18%	
Johnson Control	JCI US	NC	NC	147.6	89.4	23%	35%	27.7	23.6	3.5	3.2	1.1%	1.2%	23%	(2%)	11%	8%	37%	12%		24%	
Carrier	CARR US	N	61.0	55.0	45.3	4%	(3%)	18.9	16.8	1.9	1.8	1.8%	1.7%	15%	2%	7%	6%	26%	10%	3%	11%	
Daikin	6367 JP	NC	NC	21,345	39.6	6%	20%	21.1	18.8	1.3	1.2	1.5%	1.7%	9%	8%	8%	3%	34%	5%	3%	21%	
Lennox	LII US	NC	NC	358.5	12.4	(26%)	(32%)	15.2	14.0	2.2	2.1	1.5%	1.6%	58%	3%	8%	6%	33%	15%		13%	
						Weighted average		**25.6**	**22.2**	**3.1**	**2.9**	**1.2%**	**1.2%**	**26%**	**4%**	**10%**	**7%**	**34%**	**12%**			
Chinese HVAC																						
Envicool	002837 CH	UW	40.0	44.7	8.5	(46%)	(24%)	54.2	30.6	5.9	3.9	0.5%	0.8%	26%	28%	60%	51%	28%	11%	7%	4%	4%
Shenling	301018 CH	NC	NC	74.7	4.2	65%	60%	68.6	39.1	4.9	3.3	0.4%	0.8%	13%	24%	37%	48%	N.A.	7%	5%	6%	5%
						Weighted average		**59.0**	**33.4**	**5.5**	**3.7**	**0.4%**	**0.8%**	**22%**	**26%**	**52%**	**50%**	**19%**	**10%**	**6%**	**5%**	**4%**
Global Robotics																						
FANUC	6954 JP	NC	NC	5,987	37.2	(2%)	32%	29.1	26.8	7.0	6.1	1.7%	2.2%	10%	0%	11%	8%	40%	21%	5%	12%	
Yaskawa Motom	6506 JP	NC	NC	4,378	7.4	(8%)	2%	27.7	20.2	2.2	2.0	1.6%	1.7%	9%	(1%)	8%	10%	36%	7%	4%	22%	
						Weighted average		**27.5**	**25.9**	**4.8**	**4.3**	**1.5%**	**1.7%**	**30%**	**3%**	**14%**	**11%**	**40%**	**17%**	**4%**	**17%**	
Chinese Robotics																						
Inovance	300124 CH	N	55.0	49.7	20.1	(34%)	(38%)	22.9	18.5	2.5	2.2	1.2%	1.4%	15%	25%	18%	17%	28%	11%	9%	3%	4%
Leader Drive	688017 CH	OW	358.0	236.8	6.5	23%	51%	238.5	156.7	49.6	32.3	0.1%	0.2%	5%	9%	53%	54%	36%	21%	9%	2%	5%
Estun	002747 CH	UW	21.0	24.2	3.3	2%	2%	84.2	62.7	4.0	3.4	0.2%	0.2%	11%	8%	14%	16%	31%	5%	9%	9%	9%
						Weighted average		**76.4**	**53.4**	**12.9**	**8.8**	**0.8%**	**1.0%**	**12%**	**20%**	**26%**	**25%**	**30%**	**12%**	**9%**	**4%**	**5%**
Global Industrial Tech																						
Siemens	SIE GY	OW	345	270.9	238.4	13%	11%	24.6	24.5	2.5	2.4	2.1%	2.2%	14%	3%	7%	5%	40%	10%	8%	11%	
Hitachi	6501 JP	OW	6,500	5,770	165.7	18%	25%	31.4	23.1	2.5	2.2	0.9%	1.0%	14%	(1%)	10%	8%	30%	7%	3%	16%	
Mitsubishi Electri	6503 JP	OW	7,100	5,005	67.0	9%	28%	21.3	17.3	1.8	1.6	1.1%	1.3%	11%	6%	8%	8%	33%	8%	4%	20%	
						Weighted average		**26.5**	**23.0**	**2.4**	**2.2**	**1.5%**	**1.6%**	**13%**	**2%**	**8%**	**7%**	**35%**	**9%**	**6%**	**14%**	
						Median		18.9	16.2	1.9	1.7	1.5%	1.7%	15%	6%	8%	7%	33%	9%	4%	11%	4%

Source: Bloomberg Finance L.P. Priced as of 16 October 2026.

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Overweight

000333.SZ, 000333 CH
Price (16 Oct 26):Rmb84.60

▼ **Price Target (Jun-27):Rmb100.00**
Prior (Jun-27):Rmb110.00

Co-Head of Asia Pacific Consumer Research and Head of Asia Gaming/ Leisure Research

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	6.19	5.68	-8.3%
Adj. EPS - 27E (Rmb)	7.07	6.35	-10.2%

Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	26	24	25	26	28
Growth	25	13	43	36	45
Momentum	23	53	49	27	71
Quality	7	2	10	6	8
Low Vol	8	9	10	22	21

Midea Group - A

Earnings reset, shareholder returns intact

Given the near-term demand headwinds, our OW thesis on Midea is now more anchored on shareholder returns than growth. We cut our FY26 net profit estimate by 8% and FY27–28 estimates by 10% each, reflecting the sales convention change, softer domestic demand, and more conservative overseas/B2B growth assumptions. We also lower our target price by 10% to RMB100, from RMB110. Post revision, we forecast Midea's net profit to decline 3% in FY26E, excluding the CXMT gain, and grow at a 10% CAGR over FY26–28E. Into 4Q26, we expect sector share prices to be pressured by consensus earnings cuts, while Midea should be relatively more resilient given its strong DPS anchor. On our revised forecasts, the stock trades at 13x FY27E P/E and offers a 5.3% dividend yield, based on the street DPS estimate of RMB4.5/share, plus a 2% market-cap buyback.

- **3Q preview: revenue/net profit to decline 3%/5% YoY**. We expect B2C revenue to decline 7%, driven by an 18% decline in China and 5% growth overseas. While difficult to precisely quantify, we roughly attribute around 80% of the 3Q China B2C decline to the sales convention change, as Midea stopped seasonal opening starting in 3Q26, which previously pulled forward revenue from the next 1–2 quarters (see details in report), and around 20% to sector destocking. The overseas sales slowdown, from 11% growth in 2Q to 5% in 3Q, was mainly due to slower Europe growth and continued FX headwinds. We expect B2B revenue to grow 3%, driven by 5% growth in building technology, 5% growth in robotics, and a 10% decline in industrial technology. We expect GPM to erode by 0.7ppt, as overseas OBM price hikes partially offset continued commodity headwinds, while opex should decline 7% on continued cost savings. As a result, we forecast net profit to decline 5% YoY to RMB11.3bn. We have not included the CXMT fair value gain or other one-off expenses in our model.
- **Earnings cut**. We cut our FY26 net profit estimate by 8% and our FY27–28 estimates by 10% each, reflecting the sales convention change, softer domestic demand, and more conservative overseas/B2B growth assumptions. Post revision, we expect China B2C sales to decline 2% in FY26E and remain flattish in FY27E, c.8% below our previous estimates. We also expect overseas B2C sales to grow 6%/9% in FY26E/FY27E, c.7% below our prior estimates. We largely maintain our GPM assumptions but reduce opex assumptions, as we expect management to adopt tighter budget control in a weaker demand environment. However, the opex reduction is smaller than our revenue downgrade over FY27–28E, implying some sales deleveraging. Our FY27 estimate is 7% below consensus, suggesting our revised forecasts embed a more conservative demand and margin outlook. FY26 consensus may include the CXMT gain and is therefore not directly comparable with our underlying estimate.
- **DPS growth stability**. Management emphasized DPS stability and reiterated its commitment to return nearly 100% of net profit to shareholders through dividends and buybacks. This is underpinned by strong FCF conversion (JPMe 90–100% of net profit in FY26–28E) and a net cash position of more than RMB200bn as of 1H26. As of end-September, the RMB13bn FY26 buyback program was c.80% executed and is expected to be fully completed by end-2026, with the repurchased shares fully cancelled, equivalent to around 2% of total shares. Assuming a 77% dividend payout ratio (vs 74% last year), we believe the street DPS estimate of RMB4.5/share, representing around 5% YoY growth, is achievable. Combined with the buyback, Midea offers a total shareholder return yield of 7%, which should provide downside support amid sector earnings cuts.

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

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J.P.Morgan

Price Performance



— 000333.SZ Price (Rmb) SHCOMP (rebased)

	YTD	1m	3m	12m
Abs	8.2%	-0.5%	3.4%	15.6%
Rel	14.6%	4.0%	7.7%	20.7%

Company Data

Shares O/S (mn)	7,608
52-week range (Rmb)	89.50-71.77
Market cap ($ mn)	96,199
Exchange rate	6.69
Free float (%)	58.7%
3M ADV (mn)	28.04
3M ADV ($ mn)	354.1
Volatility (90 Day)	23
Index	SSE
BBG ANR (Buy | Hold | Sell)	41|1|0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	456,452	465,481	489,813	523,634
Adj. EBITDA	54,366	61,762	58,449	63,838
Adj. EBIT	45,026	52,816	49,030	54,015
Adj. net income	43,945	42,765	47,037	51,763
Adj. EPS	5.78	5.68	6.35	7.10
BBG EPS	5.84	6.21	6.71	7.24
Cashflow from operations	53,346	49,474	60,745	68,495
FCFF	42,204	39,896	49,863	57,553
Margins and Growth				
Revenue Growth Y/Y (%)	12.1%	2.0%	5.2%	6.9%
Gross margin	26.4%	25.8%	26.0%	26.3%
EBITDA margin	11.9%	13.3%	11.9%	12.2%
EBIT margin	9.9%	11.3%	10.0%	10.3%
Adj. EPS growth	6.6%	(1.7%)	11.8%	11.8%
Ratios				
Adj. tax rate	16.1%	16.9%	16.9%	16.9%
Interest cover	-	40.8	-	-
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROCE	12.8%	14.9%	13.5%	14.8%
ROE	20.0%	19.2%	20.8%	22.2%
Valuation				
FCFF yield	6.6%	6.3%	8.0%	9.3%
Dividend yield	5.1%	5.3%	5.7%	6.4%
EV/Revenue	1.0	1.0	1.0	0.9
EV/EBITDA	8.7	7.8	8.1	7.2
Adj. P/E	14.6	14.9	13.3	11.9

Summary Investment Thesis and Valuation

Investment Thesis

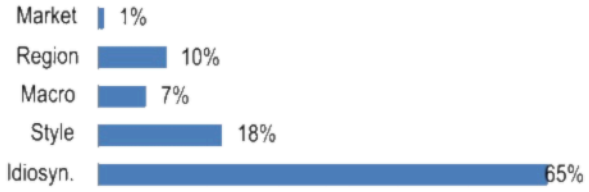
Midea is a leading technology-driven global provider of Smart Home Products (AC, laundry, refrigerators, kitchen & other appliances) and Commercial & Industrial Solutions (C&I HVAC, robotics & automation, industrial components, energy solutions, medical imaging, and more). It operates across 200+ countries/regions with 43 manufacturing bases and over 190,000 employees.

We remain OW on Midea given its more sustainable dividend policy, better earnings visibility, and medium-term optionality on B2B growth. Despite the near-term earnings headwinds, management committed to stable growth in DPS and reiterated its policy to return nearly 100% of net profit to shareholders through dividends and buybacks over the next few years. Assuming a 77% dividend payout ratio (vs 74% last year), we believe the street DPS estimate of RMB4.5/share, representing around 5% YoY growth, is achievable. Combined with the buyback, Midea offers a total shareholder return yield of around 7%. We believe the stability and visibility of yield should continue to support a premium valuation amid sector-wide earnings cuts. In the medium to long term, overseas OBM expansion and B2B development remain intact.

Valuation

Our SOTP-based Jun-27 PT of Rmb100 values the B2C segment at 12x FY28E P/E (in line with Midea's historical P/E) and the B2B segment at 27x (benchmarking to the average P/E of global B2B peers such as Trane, Daikin, and Hitachi).

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.13	-0.09
Region: China	0.45	0.32
Macro:		
Markit EM Composite PMI SA	-0.37	-0.28
JPM EM Currency(EMCI) Fixing	0.33	0.28
JP Morgan GBI-EM Global Div	0.30	0.25
Quant Styles:		
Value	0.60	0.43
DivYld	0.58	0.43
LowVol	0.58	0.41

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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Earnings forecasts

Table 16: Midea: summary of P&L

(RMB mn, FYE Dec 31)	FY23	FY24	1H25	2H25	FY25	1H26	2H26E	FY26E	FY27E	FY28E
Revenues	**372,037**	**407,150**	**251,124**	**205,328**	**456,452**	**260,042**	**205,438**	**465,481**	**489,813**	**523,634**
YoY%	8%	9%	16%	8%	12%	4%	0%	2%	5%	7%
To-C	246,351	269,532	167,201	132,726	299,927	174,341	129,408	303,749	316,294	338,435
YoY%	6%	9%	13%	9%	11%	4%	(3%)	1%	4%	7%
To-B	97,781	104,496	64,539	58,214	122,753	66,666	60,923	127,590	138,011	148,626
YoY%	17%	7%	21%	14%	17%	3%	5%	4%	8%	8%
Others	27,905	33,121	19,384	14,387	33,772	19,036	15,107	34,142	35,508	36,573
YoY%	2%	19%	19%	(15%)	2%	(2%)	5%	1%	4%	3%
(COGS)	(276,409)	(299,585)	(186,786)	(149,203)	(335,990)	(194,367)	(151,068)	(345,435)	(362,550)	(386,156)
Gross Profit	**95,628**	**107,565**	**64,338**	**56,125**	**120,462**	**65,676**	**54,370**	**120,046**	**127,263**	**137,477**
GPM%	25.7%	26.4%	25.6%	27.3%	26.4%	25.3%	26.5%	25.8%	26.0%	26.3%
To-C	70,680	80,791	47,679	41,988	89,668	48,727	40,117	88,843	93,171	100,370
GPM%	28.7%	30.0%	28.5%	31.6%	29.9%	27.9%	31.0%	29.2%	29.5%	29.7%
To-B	21,586	22,351	13,714	11,835	25,549	13,890	11,958	25,849	28,523	31,372
GPM%	22.1%	21.4%	21.2%	20.3%	20.8%	20.8%	19.6%	20.3%	20.7%	21.1%
Others	3,368	4,423	2,944	2,301	5,246	3,059	2,295	5,354	5,568	5,735
GPM%	12.1%	13.4%	15.2%	16.0%	15.5%	16.1%	15.2%	15.7%	15.7%	15.7%
(OPEX)	**(61,830)**	**(71,612)**	**(40,221)**	**(38,767)**	**(78,989)**	**(38,810)**	**(38,259)**	**(77,068)**	**(81,174)**	**(86,329)**
YoY%	13%	16%	14%	7%	10%	(4%)	(1%)	(2%)	5%	6%
(Selling expense)	(31,953)	(38,754)	(23,053)	(19,839)	(42,891)	(21,546)	(19,244)	(40,789)	(43,406)	(46,445)
YoY%	11%	21%	15%	6%	11%	(7%)	(3%)	(5%)	6%	7%
(Admin expense)	(13,477)	(14,506)	(7,257)	(8,836)	(16,092)	(7,615)	(9,012)	(16,628)	(17,126)	(17,983)
YoY%	16%	8%	8%	13%	11%	5%	2%	3%	3%	5%
(R&D expense)	(14,583)	(16,233)	(8,767)	(9,021)	(17,788)	(8,467)	(8,931)	(17,398)	(18,268)	(19,364)
YoY%	16%	11%	14%	5%	10%	(3%)	(1%)	(2%)	5%	6%
(Taxes & surcharges)	(1,817)	(2,120)	(1,146)	(1,072)	(2,217)	(1,181)	(1,072)	(2,253)	(2,374)	(2,538)
YoY%	16%	17%	4%	5%	5%	3%	0%	2%	5%	7%
Credit impairment (losses)/reversals	(199)	(5)	(346)	(9)	(356)	(606)	(300)	(906)	(700)	(700)
Asset impairment (losses)/gains	(440)	(1,008)	(366)	(790)	(1,156)	(1,653)	(1,200)	(2,853)	(1,200)	(1,300)
Operating Profit (non-GAAP)	**33,160**	**34,940**	**23,404**	**16,558**	**39,961**	**24,607**	**14,612**	**39,218**	**44,188**	**49,148**
YoY%	**19%**	**5%**	**8%**	**24%**	**14%**	**5%**	**(12%)**	**(2%)**	**13%**	**11%**
OPM%	**8.9%**	**8.6%**	**9.3%**	**8.1%**	**8.8%**	**9.5%**	**7.1%**	**8.4%**	**9.0%**	**9.4%**
Other income and expenses	**2,259**	**6,195**	**651**	**4,414**	**5,065**	**9,342**	**4,256**	**13,598**	**4,842**	**4,867**
Other income	2,082	3,235	1,396	1,269	2,664	1,483	1,350	2,833	2,946	3,035
Investment income/(loss)	464	1,443	646	1,049	1,695	3,040	1,750	4,790	1,779	1,833
Gain/(loss) on fair value change	(226)	1,302	(1,370)	2,152	782	4,997	1,156	6,153	116	0
Gain/(loss) on asset disposal	(61)	215	(21)	(55)	(76)	(178)	0	(178)	0	0
Financial Subsidiary income	1,637	1,930	1,207	842	2,049	1,009	797	1,806	1,900	2,032
Finance income/(expense)	3,262	3,329	5,988	(84)	5,904	(3,273)	(48)	(3,321)	5,799	6,403
Operating Profit (Reported)	**40,317**	**46,394**	**31,249**	**21,729**	**52,979**	**31,684**	**19,616**	**51,301**	**56,730**	**62,450**
YoY%	**16%**	**15%**	**23%**	**3%**	**14%**	**1%**	**(10%)**	**(3%)**	**11%**	**10%**
OPM%	10.8%	11.4%	12.4%	10.6%	11.6%	12.2%	9.5%	11.0%	11.6%	11.9%
Non-operating income	453	500	148	309	458	253	320	573	590	605
(Non-operating expenses)	(494)	(204)	(55)	(297)	(351)	(93)	(280)	(373)	(385)	(395)
Profit before tax	**40,277**	**46,690**	**31,343**	**21,742**	**53,085**	**31,845**	**19,656**	**51,501**	**56,935**	**62,660**
(Income tax expense)	(6,532)	(7,933)	(4,696)	(3,869)	(8,565)	(5,262)	(3,440)	(8,702)	(9,627)	(10,597)
Tax rate %	(16.2%)	(17.0%)	(15.0%)	(17.8%)	(16.1%)	(16.5%)	(17.5%)	(16.9%)	(16.9%)	(16.9%)
(Minority interest)	(25)	(220)	(634)	59	(575)	(137)	102	(35)	(270)	(300)
Net Profit	**33,720**	**38,537**	**26,014**	**17,932**	**43,945**	**26,446**	**16,319**	**42,765**	**47,037**	**51,763**
YoY%	**14%**	**14%**	**25%**	**1%**	**14%**	**2%**	**(9%)**	**(3%)**	**10%**	**10%**
NPM%	9.1%	9.5%	10.4%	8.7%	9.6%	10.2%	7.9%	9.2%	9.6%	9.9%

Source: Company reports and J.P. Morgan estimates.

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Table 17: Midea: JPMe forecast changes

	New			Previous			Change		
(Rmb mn, FYE Dec 31)	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	**465,481**	**489,813**	**523,634**	**483,271**	**520,902**	**559,893**	**(4%)**	**(6%)**	**(6%)**
YoY%	2%	5%	7%	6%	8%	7%			
To-C	303,749	316,294	338,435	319,230	341,576	363,779	(5%)	(7%)	(7%)
To-B	127,590	138,011	148,626	129,898	143,818	159,541	(2%)	(4%)	(7%)
Others	34,142	35,508	36,573	34,142	35,508	36,573	0%	0%	0%
(COGS)	(345,435)	(362,550)	(386,156)	(358,183)	(383,990)	(410,817)	(4%)	(6%)	(6%)
GROSS PROFIT	**120,046**	**127,263**	**137,477**	**125,087**	**136,912**	**149,075**	**(4%)**	**(7%)**	**(8%)**
GPM%	25.8%	26.0%	26.3%	25.9%	26.3%	26.6%	(0.1%)	(0.3%)	(0.4%)
To-C	29.2%	29.5%	29.7%	29.2%	29.7%	30.0%	0.0%	(0.2%)	(0.3%)
To-B	20.3%	20.7%	21.1%	20.3%	20.8%	21.5%	(0.0%)	(0.1%)	(0.4%)
Others	15.7%	15.7%	15.7%	15.7%	15.7%	15.7%	0.0%	0.0%	0.0%
(OPEX, including impairment)	**(80,828)**	**(83,074)**	**(88,329)**	**(81,262)**	**(86,619)**	**(93,383)**	**(1%)**	**(4%)**	**(5%)**
(Selling expense)	(40,789)	(43,406)	(46,445)	(40,789)	(44,868)	(48,907)	0%	(3%)	(5%)
(Admin expense)	(16,628)	(17,126)	(17,983)	(16,716)	(18,220)	(19,678)	(1%)	(6%)	(9%)
(R&D expense)	(17,398)	(18,268)	(19,364)	(17,669)	(19,436)	(20,408)	(2%)	(6%)	(5%)
(Taxes & surcharges)	(2,253)	(2,374)	(2,538)	(2,328)	(2,515)	(2,691)	(3%)	(6%)	(6%)
(Impairment costs)	(3,759)	(1,900)	(2,000)	(3,759)	(1,580)	(1,700)	0%	20%	18%
OPERATING PROFIT (Non-GAAP)	**39,218**	**44,188**	**49,148**	**43,826**	**50,293**	**55,693**	**(11%)**	**(12%)**	**(12%)**
YoY%	(2%)	13%	11%	10%	15%	11%			
OPM%	8.4%	9.0%	9.4%	9.1%	9.7%	9.9%	(0.6%)	(0.6%)	(0.6%)
Other income and expenses	13,598	4,842	4,867	13,598	4,842	4,867	0%	0%	0%
Financial Subsidiary income	1,806	1,900	2,032	1,875	2,021	2,172	(4%)	(6%)	(6%)
Finance income/(expense)	(3,321)	5,799	6,403	(3,321)	6,033	6,837	0%	(4%)	(6%)
Non-operating income	573	590	605	573	590	605	0%	0%	0%
(Non-operating expenses)	(373)	(385)	(395)	(373)	(385)	(395)	0%	0%	0%
Profit before tax	**51,501**	**56,935**	**62,660**	**56,177**	**63,394**	**69,780**	**(8%)**	**(10%)**	**(10%)**
(Income tax expense)	(8,702)	(9,627)	(10,597)	(9,520)	(10,741)	(11,823)	(9%)	(10%)	(10%)
Tax rate %	(16.9%)	(16.9%)	(16.9%)	(16.9%)	(16.9%)	(16.9%)	0.1%	0.0%	0.0%
Net profit	**42,765**	**47,037**	**51,763**	**46,623**	**52,383**	**57,657**	**(8%)**	**(10%)**	**(10%)**
YoY%	(3%)	10%	10%	6%	12%	10%			
NPM%	9.2%	9.6%	9.9%	9.6%	10.1%	10.3%	(0.5%)	(0.5%)	(0.4%)
Dividend	**33,122**	**35,278**	**38,822**	**34,358**	**38,603**	**42,490**	**(4%)**	**(9%)**	**(9%)**
DPS	**4.50**	**4.84**	**5.45**	**4.67**	**5.30**	**5.96**	(4%)	(9%)	(9%)
Buyback	**13,000**	**13,000**	**13,000**	**13,000**	**13,000**	**13,000**	0%	0%	0%
Total payout %	108%	103%	100%	102%	99%	96%	6%	4%	4%

Source: J.P. Morgan estimates.

Table 18: Midea: JPMe vs Bloomberg consensus estimates

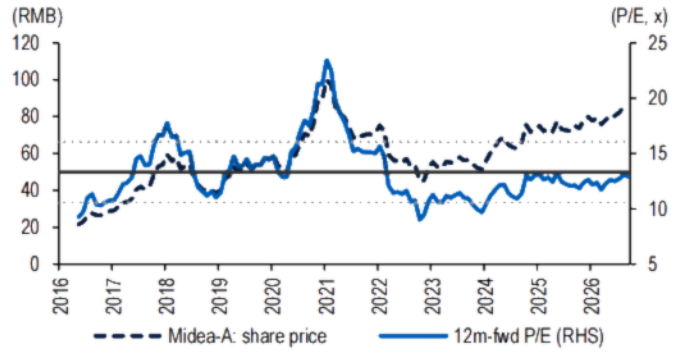
	JPMe			Bloomberg consensus			JPMe vs Cons.		
(Rmb mn, FYE Dec 31)	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
Revenue	**465,481**	**489,813**	**523,634**	**484,963**	**515,935**	**553,162**	**(4%)**	**(5%)**	**(5%)**
YoY%	2%	5%	7%	6%	6%	7%			
Gross Profit	**120,046**	**127,263**	**137,477**	**127,841**	**137,048**	**147,844**	**(6%)**	**(7%)**	**(7%)**
GPM%	25.8%	26.0%	26.3%	26.4%	26.6%	26.7%	(0.6%)	(0.6%)	(0.5%)
Operating Profit (Reported)	**51,301**	**56,730**	**62,450**	**55,363**	**59,435**	**63,999**	**(7%)**	**(5%)**	**(2%)**
OPM%	11.0%	11.6%	11.9%	11.4%	11.5%	11.6%	(0.4%)	0.1%	0.4%
Profit before tax	**51,501**	**56,935**	**62,660**	**56,304**	**61,026**	**65,964**	**(9%)**	**(7%)**	**(5%)**
Net profit	**42,765**	**47,037**	**51,763**	**46,777**	**50,563**	**54,556**	**(9%)**	**(7%)**	**(5%)**
YoY%	(3%)	10%	10%	6%	8%	8%			
NPM%	9.2%	9.6%	9.9%	9.6%	9.8%	9.9%	(0.5%)	(0.2%)	0.0%
DPS	**4.50**	**4.84**	**5.45**	**4.54**	**4.81**	**5.19**	**(1%)**	**1%**	**5%**

Source: J.P. Morgan estimates. Bloomberg Finance L.P.

Valuation and share price

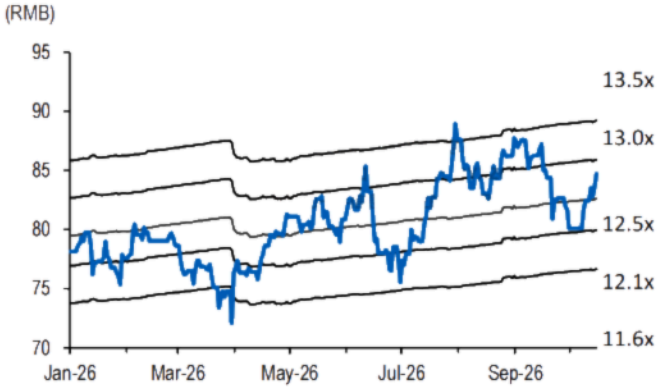
PT change: We lower our target price by 10% to RMB100, from RMB110, mainly reflecting our 10% earnings cut in FY27-28E.

Figure 5: Midea (A): share price and P/E valuation



Source: Bloomberg Finance L.P. (as of 16 Oct 2026)

Figure 6: Midea (A): share price and P/E valuation band



Source: Bloomberg Finance L.P. (as of 16 Oct 2026)

Figure 7: Midea (A): share price vs benchmark index

(Indexed to 2026/1/1=100)



Source: Bloomberg Finance L.P. (as of 16 Oct 2026)

Figure 8: Midea (A): share price and consensus EPS revisions



Source: Bloomberg Finance L.P. (as of 16 Oct 2026)

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Investment Thesis, Valuation and Risks

Midea Group - A *(Overweight; Price Target: Rmb100.00)*

Investment Thesis

Midea is a leading technology-driven global provider of Smart Home Solutions (AC, laundry, refrigerators, kitchen & other appliances) and Commercial & Industrial Solutions (C&I HVAC, robotics & automation, industrial components, energy solutions, medical imaging, and more). It operates across 200+ countries/regions with 43 manufacturing bases and over 190,000 employees.

We remain OW on Midea given its more sustainable dividend policy, better earnings visibility, and medium-term optionality on B2B growth. Despite the near-term earnings headwinds, management committed to stable growth in DPS and reiterated its policy to return nearly 100% of net profit to shareholders through dividends and buybacks over the next few years. Assuming a 77% dividend payout ratio (vs 74% last year), we believe the street DPS estimate of RMB4.5/share, representing around 5% YoY growth, is achievable. Combined with the buyback, Midea offers a total shareholder return yield of around 7%. We believe the stability and visibility of yield should continue to support a premium valuation amid sector-wide earnings cuts. In the medium to long term, overseas OBM expansion and B2B development remain intact.

Valuation

Our SOTP-based Jun-27 PT of Rmb100 values the B2C segment at 12x FY28E P/E (in line with Midea's historical P/E) and the B2B segment at 27x (benchmarking to the average P/E of global B2B peers such as Trane, Daikin, and Hitachi).

Midea - SOTP Valuation

(Rmb mn)	Fair value	Net profit 2028E	Target P/E 2028E	Benchmark
Group total	**828,742**	**51,763**	**16x**	
To C: Smart home appliances	**322,098**	**26,842**	**12x**	Historical average P/E for Midea
To B: Commercial & industrial solutions	**377,692**	**14,176**	**27x**	
- Industrial technology	63,083	2,628	24x	Average trading forward P/E of global industrial peers
- Smart building technology	174,061	6,447	27x	Average trading forward P/E of global commercial HVAC peers
- Robots and automation	86,135	2,833	30x	Average trading forward P/E of global commercial automation peers
- Other to-B business	54,412	2,267	24x	Average trading forward P/E of global industrial peers
Others & finance income	128,952	10,746	12x	
Total equity fair value (Dec-2028)	828,742			
Discount rate	7.5%			
Total equity fair value (Jun-2027)	743,544			
No of shares (mn)	7,469			
Price target (Rmb/share)	100			

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Key downside risks: 1) Poor execution leading to sub-optimal B2B growth; 2) China home appliance demand declines more sharply post-subsidy; 3) inability to pass through cost inflation amid competition; 4) US tariff escalation and potential Europe tariff; and 5) FX translation risk.

Key upside risks: 1) Faster-than-expected B2B growth delivery; 2) stronger-than-expected overseas order delivery; 3) faster margin convergence towards global B2B peers.

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J.P.Morgan

Midea Group - A: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**407,150**	**456,452**	**465,481**	**489,813**	**523,634**
COGS	(299,585)	(335,990)	(345,435)	(362,550)	(386,156)
Gross profit	**107,565**	**120,462**	**120,046**	**127,263**	**137,477**
SG&A	(53,260)	(58,984)	(57,417)	(60,533)	(64,427)
Adj. EBITDA	**48,959**	**54,366**	**61,762**	**58,449**	**63,838**
D&A	(7,824)	(9,340)	(8,946)	(9,419)	(9,823)
Adj. EBIT	**41,135**	**45,026**	**52,816**	**49,030**	**54,015**
Net Interest	5,259	7,952	(1,515)	7,700	8,435
Adj. PBT	**46,690**	**53,085**	**51,501**	**56,935**	**62,660**
Tax	(7,933)	(8,565)	(8,702)	(9,627)	(10,597)
Minority Interest	(220)	(575)	(35)	(270)	(300)
Adj. Net Income	**38,537**	**43,945**	**42,765**	**47,037**	**51,763**
Reported EPS	5.42	5.78	5.68	6.35	7.10
Adj. EPS	**5.42**	**5.78**	**5.68**	**6.35**	**7.10**
DPS	**3.50**	**4.30**	**4.50**	**4.84**	**5.45**
Payout ratio	64.6%	74.5%	79.2%	76.3%	76.7%
Shares outstanding	7,113	7,608	7,529	7,408	7,291

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	140,410	85,247	90,398	93,444	105,568
Accounts receivable	80,475	82,858	83,669	86,881	91,345
Inventories	63,339	64,629	67,360	70,697	75,301
Other current assets	104,839	183,929	183,929	183,929	183,929
Current assets	**389,064**	**416,662**	**425,355**	**434,951**	**456,142**
PP&E	43,529	53,582	58,128	62,123	65,670
LT investments	110,667	66,792	72,945	73,061	73,061
Other non current assets	61,092	71,756	70,963	70,292	69,749
Total assets	**604,352**	**608,792**	**627,391**	**640,426**	**664,622**
Short term borrowings	70,671	49,726	49,726	49,726	49,726
Payables	141,459	154,127	157,699	164,357	173,539
Other short term liabilities	139,690	139,530	141,041	148,413	158,661
Current liabilities	**351,820**	**343,384**	**348,466**	**362,496**	**381,927**
Long-term debt	13,759	15,854	30,854	20,159	20,159
Other long term liabilities	11,106	13,130	13,352	13,484	13,583
Total liabilities	**376,684**	**372,368**	**392,671**	**396,139**	**415,668**
Shareholders' equity	216,750	223,221	221,483	230,780	235,147
Minority interests	10,917	13,203	13,237	13,507	13,807
Total liabilities & equity	**604,352**	**608,792**	**627,391**	**640,426**	**664,622**
BVPS	**30.47**	**29.34**	**29.42**	**31.15**	**32.25**
Net debt/(cash)	(55,980)	(19,667)	(9,818)	(23,559)	(35,683)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**60,512**	**53,346**	**49,474**	**60,745**	**68,495**
o/w Depreciation & amortization	7,824	9,340	8,946	9,419	9,823
o/w Changes in working capital	20,202	5,280	1,540	7,481	10,363
Cash flow from investing activities	**(87,902)**	**25,340**	**(12,298)**	**(6,653)**	**(6,307)**
o/w Capital expenditure	(7,840)	(11,142)	(10,838)	(10,882)	(10,943)
as % of sales	*1.9%*	*2.4%*	*2.3%*	*2.2%*	*2.1%*
Cash flow from financing activities	**22,698**	**(64,958)**	**(32,026)**	**(51,046)**	**(50,065)**
o/w Dividends paid	(22,822)	(33,080)	(32,385)	(33,122)	(35,278)
o/w Shares issued/(repurchased)	34,633	(6,973)	(13,000)	(5,500)	(13,000)
o/w Net debt issued/(repaid)	12,814	(23,205)	15,000	(10,695)	0
Net change in cash	**(4,769)**	**13,390**	**5,151**	**3,046**	**12,124**
Adj. Free cash flow to firm	**52,672**	**42,204**	**39,896**	**49,863**	**57,553**
y/y Growth	*2.1%*	*(19.9%)*	*(5.5%)*	*25.0%*	*15.4%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	26.4%	26.4%	25.8%	26.0%	26.3%
EBITDA margin	12.0%	11.9%	13.3%	11.9%	12.2%
EBIT margin	10.1%	9.9%	11.3%	10.0%	10.3%
Net profit margin	9.5%	9.6%	9.2%	9.6%	9.9%
ROE	20.3%	20.0%	19.2%	20.8%	22.2%
ROA	7.1%	7.2%	6.9%	7.4%	7.9%
ROCE	12.7%	12.8%	14.9%	13.5%	14.8%
SG&A/Sales	13.1%	12.9%	12.3%	12.4%	12.3%
Net debt/Equity	NM	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM	NM
Sales/Assets (x)	0.7	0.8	0.8	0.8	0.8
Assets/Equity	287.2%	275.7%	278.0%	280.3%	280.1%
Interest cover (x)	-	-	40.8	-	-
Operating leverage	171.0%	78.1%	874.6%	(137.1%)	147.3%
Tax rate	17.0%	16.1%	16.9%	16.9%	16.9%
Revenue y/y Growth	9.4%	12.1%	2.0%	5.2%	6.9%
EBITDA y/y Growth	14.5%	11.0%	13.6%	(5.4%)	9.2%
EPS y/y Growth	10.0%	6.6%	(1.7%)	11.8%	11.8%
BVPS y/y Growth	28.1%	(3.7%)	0.3%	5.9%	3.5%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	15.6	14.6	14.9	13.3	11.9
P/BV (x)	2.8	2.9	2.9	2.7	2.6
P/Sales (x)	1.5	1.4	1.4	1.3	1.2
EV/EBITDA (x)	-	8.7	7.8	8.1	7.2
Dividend Yield	4.1%	5.1%	5.3%	5.7%	6.4%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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J.P.Morgan

Haier Smart Home Co Ltd - A

Downgrade to Neutral as margin recovery is pushed out

▼Neutral
Previous: Overweight

600690.SS, 600690 CH
Price (16 Oct 26):Rmb20.33

▼Price Target (Jun-27):Rmb21.00
Prior (Jun-27):Rmb26.00

Co-Head of Asia Pacific Consumer Research and Head of Asia Gaming/ Leisure Research

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	2.00	1.88	-6.0%
Adj. EPS - 27E (Rmb)	2.32	1.99	-14.6%

Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	29	26	32	38	43
Growth	72	29	48	35	67
Momentum	69	59	61	44	56
Quality	28	8	15	8	25
Low Vol	15	15	25	18	35

China and the US account for over 70% of Haier's revenue, but demand in both markets is weaker than we expected. At the same time, Haier is stepping up strategic investment — including DTC infrastructure in China and a US$3bn factory modernization plan in the US — which raises operating leverage just as the external environment is deteriorating. We cut FY26-27E earnings by 10%, now forecasting -6% YoY earnings growth in 2H26E (old: +9%), and +4% in FY27E (old: +14%). At 10x FY27E P/E on our revised EPS, we see the stock as fairly valued. A fixed DPS commitment of at least last year's RMB1.15, implying a 5.6% yield, plus c.3% buyback with partial share cancellation, should provide a solid valuation floor. We downgrade Haier to Neutral with a new PT of RMB21, from RMB26. Upside risks include greater cost savings from the white goods BU restructuring and a stronger US demand rebound. Downside risks include unexpected friction costs from capacity relocation and China DTC reform cost overruns.

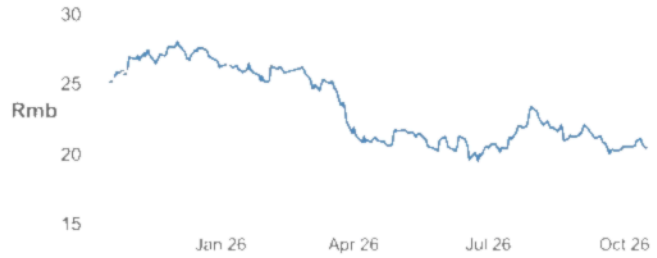
- **3Q preview: revenue/net profit decline of 7%/21% YoY**. We expect China revenue to fall 12%, with white goods down 8% and HVAC down 15%. Weak retail demand and cautious distributors likely drove sell-in below sell-through, causing moderate destocking. HVAC weakness reflects the scale-down of entry-level room AC sales, as higher commodity costs have made these products loss-making. Overseas revenue should decline 1% YoY in RMB terms, with US sales worsening to -6% from -3% in 2Q, and non-US growth slowing to +4% from +7%. Gross margin should remain broadly flat, helped by mix and overseas price hikes, while opex falls only 1%. We forecast net profit down 21% YoY to RMB4.2bn, excluding potential tariff refunds.
- **Revenue pool exposed to external headwinds**. In China (47% of revenue), we expect end demand to remain negative in 4Q26 and flat in FY27. The continued scale-down of entry-level AC models should further weigh on domestic recovery. In the US (26% of revenue), we expect a slower industry rebound given higher rates, inflation and weaker consumer confidence. Haier estimates 3Q26 industry sales fell 5%, worsening from -3% in 2Q, as price hikes to offset Section 232 costs led some consumers to cancel orders. In Europe (10% of revenue), white goods sales have slowed since 2Q26 as Haier reduces Candy channel inventory after the brand relaunch; the adjustment should be completed by 1H27.
- **Strategic investment plans reduce near-term opex flexibility**. In China, DTC reform improves value capture but shifts more costs from distributors to Haier. Before scale benefits emerge, opex per SKU could be worse than under the old model. In the US, Haier plans to invest US$3bn over five years, mostly capex, versus FY26E revenue of US$11bn. Higher fixed costs, especially depreciation, should pressure margins while topline growth remains weak over the next 1-2 years.
- **Earnings revision and downgrade to Neutral.** We cut FY26-27E earnings by 10%, with FY27E now 13% below consensus. FY26E consensus may include tariff refunds and is not directly comparable to our underlying estimate. With lower earnings visibility and only 3% upside to our new PT, we downgrade to Neutral. We believe the current 10x FY27E P/E — a 20% discount to Haier's historical average of 12.5x and below Midea's 13x — fairly reflects earnings risk. Haier's RMB30bn+ net cash and strong FCF, at c.100% of net profit, support its DPS commitment.

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

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J.P.Morgan

Price Performance



— 600690.SS Price (Rmb) SHCOMP (rebased)

	YTD	1m	3m	12m
Abs	-22.1%	-2.1%	-3.7%	-19.5%
Rel	-15.7%	2.4%	0.6%	-14.4%

Company Data

Shares O/S (mn)	9,380
52-week range (Rmb)	28.31-19.25
Market cap ($ mn)	28,502
Exchange rate	6.69
Free float (%)	54.8%
3M ADV (mn)	39.05
3M ADV ($ mn)	125.2
Volatility (90 Day)	24
Index	SSE
BBG ANR (Buy | Hold | Sell)	34|4|0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	302,347	294,241	300,996	314,066
Adj. EBITDA	32,170	31,346	31,921	33,594
Adj. EBIT	23,675	22,579	22,508	23,537
Adj. net income	19,553	17,421	18,127	19,193
Adj. EPS	2.08	1.88	1.99	2.13
BBG EPS	2.26	2.06	2.23	2.44
Cashflow from operations	26,003	27,612	30,680	32,084
FCFF	17,108	17,537	17,660	19,739
Margins and Growth				
Revenue Growth Y/Y (%)	5.7%	(2.7%)	2.3%	4.3%
Gross margin	26.7%	27.3%	27.5%	27.6%
EBITDA margin	10.6%	10.7%	10.6%	10.7%
EBIT margin	7.8%	7.7%	7.5%	7.5%
Adj. EPS growth	4.7%	(10.0%)	5.8%	7.3%
Ratios				
Adj. tax rate	14.1%	14.1%	14.2%	14.4%
Interest cover	NM	21.6	81.8	419.9
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROCE	13.1%	12.1%	11.9%	12.3%
ROE	17.0%	14.6%	15.0%	15.3%
Valuation				
FCFF yield	9.0%	9.3%	9.5%	10.8%
Dividend yield	5.6%	5.6%	5.9%	6.3%
EV/Revenue	0.6	0.6	0.6	0.6
EV/EBITDA	5.2	5.5	5.5	5.2
Adj. P/E	9.8	10.8	10.2	9.5

Summary Investment Thesis and Valuation

Investment Thesis

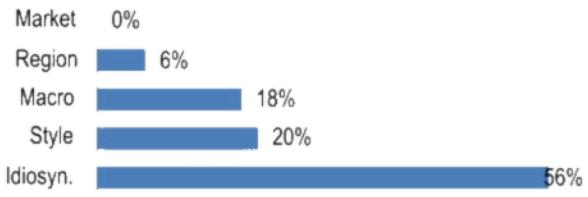
Haier is a leading global OBM appliance company with a good track record of market share gains across China, the US, Europe, and emerging markets.

We are Neutral on Haier-A as we see re-rating to be difficult with limited margin recovery. China and US markets account for >70% of the revenue base but both are seeing weakening demand. At the same time, Haier's strategic investment in China DTC and US capacity modernization increases its operating leverage in a difficult external environment. Management is committed to at least stable DPS in FY26E (JPMe 60% payout ratio), which, together with the buyback program, offers a total shareholder return yield of around 8-9% this year. This helps protect downside at current levels, but doesn't justify a re-rating.

Valuation

Our PT of Rmb21 is based on 10x FY27E P/E, a discount to Haier-A's historical average of 12.5x, due to limited visibility on its margin recovery trend.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.02	0.01
Region: China	0.27	0.22
Macro:		
HSI Volatility Index	-0.21	-0.31
Generic 1st 'CO' Future	0.31	0.22
Citi Economic Surprise - EM	0.20	0.19
Quant Styles:		
Size	-0.54	-0.44
Momentum	-0.52	-0.42
LowVol	0.49	0.35

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

China DTC transition

Haier's DTC transition in China started in 2Q25. Under this transition, Haier takes on several previously borne by distributors, including logistics, warehousing, and installation. DTC orders, defined as orders for which Haier provides the services, accounted for c.30% of total China orders in 2Q25, c.60% in end-2025, and c.70% in 1H26. The rationale for the reform is Haier can enjoy economies of scale by covering multiple distributors in the region (vs. each distributor doing their own job previously) and reduce costs of product damage. Financially, Haier can reduce discounts/rebates to distributors and earn higher revenue, but need to book extra cost of carrying out these services in SG&A. As the DTC transition is still underway, initial investment with lower efficiency can happen and reduce operating profit per product. When the DTC transition is fully scaled and optimized, Haier will start to harvest extra profit margin. Therefore, we see DTC as a long-term margin opportunity but a near-term opex headwind, especially while demand is weak and scale efficiency has not fully emerged.

GE Appliance Capex

Table 19: Details of GE Appliance's $3bn investment plan

The $3bn investment plan was announced on Aug 13, 2025, and followed by press releases of specific projects later.

Plant / location	Date announced	Disclosed investment	What is being built or changed	Expected timeline
Louisville, Kentucky - Appliance Park, buildings 1, 2 & 5	9/2/2026	$1.0bn	Expand laundry production; reshore dryers from Mexico; upgrade washer/dryer manufacturing.	Building 2 washers in 2027; Building 5 refrigerator ends in early 2027, dryers start late 2027
Camden, South Carolina	8/13/2025	Not disclosed	Add demand-response electric and GeoSpring hybrid heat-pump water heaters; double output and employment	First phase targeted for early 2026
Decatur, Alabama	4/16/2026	$28mn	Upgrade refrigerator manufacturing equipment, including automated thermoforming	Opened in Apr 2026
LaFayette, Georgia - Roper Corporation	8/13/2025	$180mn	Expand cooking product manufacturing; add smart wall ovens	Wall ovens scheduled to roll off the line in July 2026
Selmer, Tennessee - Monogram Refrigeration	8/13/2025	Not disclosed	Add two vertical zoneline AC models to US production	New models planned for Dec 2025; officially launched in early 2026
Louisville, Kentucky - Appliance Park	1/28/2026	Not disclosed	Add refrigerator water-filter production in-house	Launched in Jan 2026

Source: GE Appliance Press Room

According to the original press release by GE Appliance, it plans to invest more than US $3bn over the next five years in its US operations, workforce and communities. The company will expand its air conditioning and water heating portfolio, increase production output across all product lines, and further modernize its 11 U.S. manufacturing plants with new automation and capital equipment. We summarize the later specific releases for different projects under the plan in Table 19, and estimate around $1.5bn capex to be mainly allocated in 2026 and 2027. Assuming the capex to be mainly equipment with a 10-year depreciable life, we estimate RMB1bn incremental depreciation cost per year. The benefits will be profits from increased product sales and cost savings from increased automation. While the net cost/benefit is hard to quantify, it will be a leveraged function of the US appliances industry sales trend.

Leveraged fixed costs, including increased depreciation, are a key reason we now forecast overseas OPM to remain around 4.2% in FY27–28E, versus our previous assumptions of 5.4%/5.8%.

Earnings forecasts

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Table 20: Haier: summary of P&L forecasts

(RMB mn, FYE Dec 31)	FY23	FY24	1H25	2H25	FY25	1H26	2H26E	FY26E	FY27E	FY28E
Revenue	**274,205**	**286,015**	**156,494**	**145,853**	**302,347**	**152,115**	**142,126**	**294,241**	**300,996**	**314,066**
YoY%	13%	4%	10%	1%	6%	(3%)	(3%)	(3%)	2%	4%
China	137,793	142,201	77,415	69,140	146,555	73,339	64,645	137,984	139,277	143,455
YoY%	18%	3%	9%	(3%)	3%	(5%)	(6%)	(6%)	1%	3%
Overseas	136,412	143,814	79,079	76,713	155,792	78,776	77,480	156,257	161,719	170,611
YoY%	8%	5%	12%	5%	8%	(0%)	1%	0%	3%	5%
(CoGS)	(198,838)	(206,439)	(114,438)	(107,301)	(221,739)	(110,695)	(103,105)	(213,801)	(218,326)	(227,406)
Gross Profit	**75,366**	**79,576**	**42,056**	**38,552**	**80,608**	**41,420**	**39,020**	**80,440**	**82,670**	**86,660**
GPM%	27.5%	27.8%	26.9%	26.4%	26.7%	27.2%	27.5%	27.3%	27.5%	27.6%
China	40,525	42,370	22,992	18,381	41,373	22,442	18,101	40,542	41,036	42,554
GPM%	29.4%	29.8%	29.7%	26.6%	28.2%	30.6%	28.0%	29.4%	29.5%	29.7%
Overseas	34,841	37,206	19,064	20,171	39,235	18,978	20,920	39,898	41,634	44,106
GPM%	25.5%	25.9%	24.1%	26.3%	25.2%	24.1%	27.0%	25.5%	25.7%	25.9%
(OPEX)	**(56,133)**	**(57,792)**	**(28,178)**	**(30,888)**	**(59,066)**	**(28,215)**	**(31,724)**	**(59,939)**	**(61,862)**	**(64,834)**
YoY%	(6%)	3%	10%	(4%)	2%	0%	3%	1%	3%	5%
(Selling expense)	(32,727)	(33,609)	(15,817)	(18,061)	(33,878)	(16,439)	(18,603)	(35,042)	(36,279)	(38,274)
YoY %	(15%)	3%	9%	(5%)	1%	4%	3%	3%	4%	5%
(Admin expense)	(11,874)	(12,135)	(5,891)	(7,871)	(13,762)	(6,025)	(7,557)	(13,581)	(14,124)	(14,689)
YoY %	9%	2%	9%	17%	13%	2%	(4%)	(1%)	4%	4%
(R&D expense)	(10,380)	(10,770)	(5,790)	(4,305)	(10,096)	(5,072)	(4,908)	(9,980)	(10,080)	(10,432)
YoY %	9%	4%	12%	(23%)	(6%)	(12%)	14%	(1%)	1%	3%
(Taxes & surcharges)	(1,152)	(1,278)	(680)	(650)	(1,330)	(680)	(657)	(1,336)	(1,379)	(1,439)
YoY %	42%	11%	11%	(3%)	4%	0%	1%	0%	3%	4%
Credit impairment (losses)/reversals	(253)	(278)	(72)	46	(26)	(226)	(100)	(326)	(300)	(300)
Asset impairment (losses)/reversals	(1,512)	(1,301)	(744)	(570)	(1,314)	(613)	(469)	(1,082)	(1,230)	(1,279)
Operating Profit (Non-GAAP)	**17,467**	**20,206**	**13,062**	**7,140**	**20,202**	**12,367**	**6,727**	**19,093**	**19,278**	**20,247**
YoY%	20%	16%	13%	(17%)	(0%)	(5%)	(6%)	(5%)	1%	5%
OPM% (non-GAAP)	6.4%	7.1%	8.3%	4.9%	6.7%	8.1%	4.7%	6.5%	6.4%	6.4%
China	11,097	13,130	8,341	5,050	13,391	8,305	4,504	12,809	12,476	12,853
OPM% (non-GAAP)	8.1%	9.2%	10.8%	7.3%	9.1%	11.3%	7.0%	9.3%	9.0%	9.0%
Overseas	6,370	7,076	4,721	2,090	6,811	4,061	2,223	6,285	6,802	7,394
OPM% (non-GAAP)	4.7%	4.9%	6.0%	2.7%	4.4%	5.2%	2.9%	4.0%	4.2%	4.3%
Other income and expenses	**3,420**	**3,668**	**1,720**	**1,752**	**3,472**	**1,766**	**1,720**	**3,486**	**3,230**	**3,290**
Other income	1,716	1,716	775	1,106	1,882	652	930	1,582	1,620	1,650
Investment income/(loss)	1,699	1,916	917	613	1,530	881	700	1,581	1,610	1,640
Gain/(loss) on fair value change	17	47	35	57	92	176	90	266	0	0
Gain/(loss) on asset disposal	(12)	(11)	(7)	(24)	(31)	56	0	56	0	0
Finance income/(expense)	**(506)**	**(972)**	**351**	**(300)**	**51**	**(1,103)**	**(349)**	**(1,452)**	**(390)**	**(80)**
Operating Profit (Reported)	**20,381**	**22,902**	**15,133**	**8,593**	**23,725**	**13,029**	**8,098**	**21,127**	**22,118**	**23,457**
YoY%	14%	12%	16%	(13%)	4%	(14%)	(6%)	(11%)	5%	6%
OPM%	7.4%	8.0%	9.7%	5.9%	7.8%	8.6%	5.7%	7.2%	7.3%	7.5%
Non-operating income	134	184	122	200	322	91	100	191	200	200
(Non-operating expenses)	(304)	(363)	(258)	(311)	(569)	(49)	(150)	(199)	(300)	(300)
Profit before tax	**20,212**	**22,723**	**14,997**	**8,482**	**23,479**	**13,071**	**8,048**	**21,119**	**22,018**	**23,357**
(Income tax expense)	(3,123)	(3,157)	(2,512)	(804)	(3,316)	(2,195)	(773)	(2,968)	(3,121)	(3,354)
Tax rate %	(15.5%)	(13.9%)	(16.7%)	(9.5%)	(14.1%)	(16.8%)	(9.6%)	(14.1%)	(14.2%)	(14.4%)
(Minority interest)	(492)	(834)	(452)	(158)	(610)	(560)	(170)	(730)	(770)	(810)
Net Profit	**16,597**	**18,731**	**12,033**	**7,520**	**19,553**	**10,316**	**7,105**	**17,421**	**18,127**	**19,193**
YoY%	13%	13%	16%	(10%)	4%	(14%)	(6%)	(11%)	4%	6%
NPM%	6.1%	6.5%	7.7%	5.2%	6.5%	6.8%	5.0%	5.9%	6.0%	6.1%

Source: Company data, J.P. Morgan estimates

Earnings revision. Due to the unfavorable operating environment mainly in China and US, we cut revenue forecasts by 3% in FY26E and 6-7% in FY27-28E, now expecting group revenue to decline 3%/3% in 2H26E/FY26E, before recovering to +2%/+4% in FY27/28E. Due to relatively rigid opex and operating deleverage, w
estimates by 6% in FY26E and 15-19% in FY27-28E. We now expe
to decline 6%/11% in 2H26E/FY26E, before recovering to +4%/+6
FY27E/28E.

Tariff refunds: In 2Q26, Haier recognized c.RMB500mn of tariff r
in CoGS for the period, leading to group GP margin benefit of 0.6pp

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nature, it also benefited operating cash flow. Any further tariff refunds recognized in 2H26 will benefit group GP margin with the same mechanism. Given the uncertainty of the timing and amount of the refund, we haven't accounted for it in 2H26 in our model. We believe tariff refund will be mostly received in 2026 and unlikely to repeat in 2027.

Table 21: Haier: JPMe forecast changes

	New			Previous			Change		
(Rmb mn, FYE Dec 31)	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	**294,241**	**300,996**	**314,066**	**302,992**	**320,355**	**338,725**	**(3%)**	**(6%)**	**(7%)**
YoY%	(3%)	2%	4%	0%	6%	6%			
China	137,984	139,277	143,455	143,728	145,166	149,521	(4%)	(4%)	(4%)
YoY%	(6%)	1%	3%	(2%)	1%	3%			
Overseas	156,257	161,719	170,611	159,263	175,190	189,205	(2%)	(8%)	(10%)
YoY%	0%	3%	5%	2%	10%	8%			
(COGS)	(213,801)	(218,326)	(227,406)	(220,725)	(232,500)	(245,343)	(3%)	(6%)	(7%)
GROSS PROFIT	**80,440**	**82,670**	**86,660**	**82,267**	**87,855**	**93,382**	**(2%)**	**(6%)**	**(7%)**
GPM%	27.3%	27.5%	27.6%	27.2%	27.4%	27.6%	0.2%	0.0%	0.0%
China: GPM%	29.4%	29.5%	29.7%	29.1%	29.4%	29.6%	0.3%	0.0%	0.0%
Overseas GPM%	25.5%	25.7%	25.9%	25.4%	25.8%	25.9%	0.1%	(0.0%)	(0.1%)
(OPEX)	**(59,939)**	**(61,862)**	**(64,834)**	**(60,518)**	**(63,488)**	**(66,449)**	**(1%)**	**(3%)**	**(2%)**
(Selling expense)	(35,042)	(36,279)	(38,274)	(35,945)	(37,742)	(39,629)	(3%)	(4%)	(3%)
(Admin expense)	(13,581)	(14,124)	(14,689)	(13,109)	(13,614)	(14,090)	4%	4%	4%
(R&D expense)	(9,980)	(10,080)	(10,432)	(10,109)	(10,716)	(11,251)	(1%)	(6%)	(7%)
(Taxes & surcharges)	(1,336)	(1,379)	(1,439)	(1,356)	(1,417)	(1,478)	(1%)	(3%)	(3%)
Credit impairment (losses)/reversals	(326)	(300)	(300)	(326)	-	-			
Asset impairment (losses)/reversals	(1,082)	(1,230)	(1,279)	(1,082)	(1,230)	(1,279)			
Operating Profit (Non-GAAP)	**19,093**	**19,278**	**20,247**	**20,341**	**23,137**	**25,654**	**(6%)**	**(17%)**	**(21%)**
YoY%	(5%)	1%	5%	1%	14%	11%			
OPM% (Non-GAAP)	6.5%	6.4%	6.4%	6.7%	7.2%	7.6%	(0.2%)	(0.8%)	(1.1%)
China	12,809	12,476	12,853	13,265	13,616	14,615	(3%)	(8%)	(12%)
China OPM%	9.3%	9.0%	9.0%	9.2%	9.4%	9.8%	0.1%	(0.4%)	(0.8%)
Overseas	6,285	6,802	7,394	7,075	9,521	11,039	(11%)	(29%)	(33%)
Overseas OPM%	4.0%	4.2%	4.3%	4.4%	5.4%	5.8%	(0.4%)	(1.2%)	(1.5%)
Profit before tax	**21,119**	**22,018**	**23,357**	**22,366**	**25,877**	**28,764**	**(6%)**	**(15%)**	**(19%)**
(Income tax expense)	(2,968)	(3,121)	(3,354)	(3,087)	(3,871)	(4,297)	(4%)	(19%)	(22%)
Tax rate %	(14.1%)	(14.2%)	(14.4%)	(13.8%)	(15.0%)	(14.9%)	(0.2%)	0.8%	0.6%
(Minority interest)	(730)	(770)	(810)	(730)	(770)	(810)			
Net profit	**17,421**	**18,127**	**19,193**	**18,549**	**21,237**	**23,657**	**(6%)**	**(15%)**	**(19%)**
YoY%	(11%)	4%	6%	(5%)	14%	11%			
NPM%	5.9%	6.0%	6.1%	6.1%	6.6%	7.0%	(0.2%)	(0.6%)	(0.9%)
Dividend	**10,540**	**10,876**	**11,516**	**10,758**	**12,742**	**14,194**	**(2%)**	**(15%)**	**(19%)**
Buyback	**6,000**	**4,000**	**4,000**	**6,000**	**4,000**	**4,000**	**0%**	**0%**	**0%**
Total payout ratio (dvd+bbk)	95%	82%	81%	90%	79%	77%	5%	3%	4%
DPS	1.15	1.20	1.29	1.17	1.41	1.59	(2%)	(15%)	(19%)

Source: J.P. Morgan estimates.

Table 22: Haier: JPMe vs Bloomberg consensus estimates

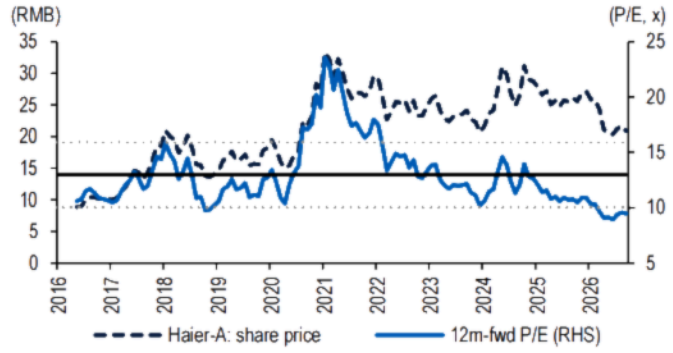
	JPMe			Bloomberg consensus			JPMe vs Cons.		
(Rmb mn, FYE Dec 31)	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
Revenue	**294,241**	**300,996**	**314,066**	**305,975**	**320,032**	**336,553**	**(4%)**	**(6%)**	**(7%)**
YoY%	(3%)	2%	4%	1%	5%	5%			
Gross profit	**80,440**	**82,670**	**86,660**	**81,481**	**85,545**	**90,452**	**(1%)**	**(3%)**	**(4%)**
GPM%	27.3%	27.5%	27.6%	26.6%	26.7%	26.9%	0.7%	0.7%	0.7%
Operating Profit (Reported)	**21,127**	**22,118**	**23,457**	**22,855**	**24,764**	**26,961**	**(8%)**	**(11%)**	**(13%)**
OPM%	7.2%	7.3%	7.5%	7.5%	7.7%	8.0%	(0.3%)	(0.4%)	(0.5%)
Profit before tax	**21,119**	**22,018**	**23,357**	**23,131**	**25,172**	**27,576**	**(9%)**	**(13%)**	**(15%)**
Net profit	**17,421**	**18,127**	**19,193**	**19,170**	**20,847**	**22,832**	**(9%)**	**(13%)**	**(16%)**
YoY%	(11%)	4%	6%	(2%)	9%	10%			
NPM%	5.9%	6.0%	6.1%	6.3%	6.5%	6.8%	(0.3%)	(0.5%)	(0.7%)
DPS	**1.15**	**1.20**	**1.29**	**1.18**	**1.32**	**1.48**	**(3%)**	**(9%)**	**(13%)**

Source: J.P. Morgan estimates. Bloomberg Finance L.P.

Valuation and share price

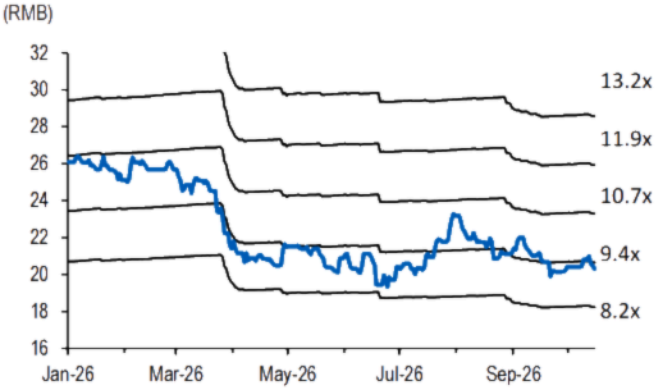
PT change: Due to earnings cuts and a lower target P/E of 10x FY27E (down from 11x previously), we derive our new PT of RMB21 (down from RMB26), implying only 3% upside.

Figure 9: Haier (A): share price and P/E valuation



Source: Bloomberg Finance L.P. (as of 16 Oct 2026)

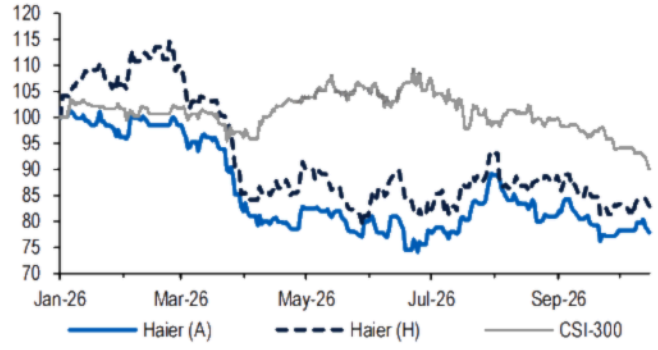
Figure 10: Haier (A): share price and P/E valuation band



Source: Bloomberg Finance L.P. (as of 16 Oct 2026)

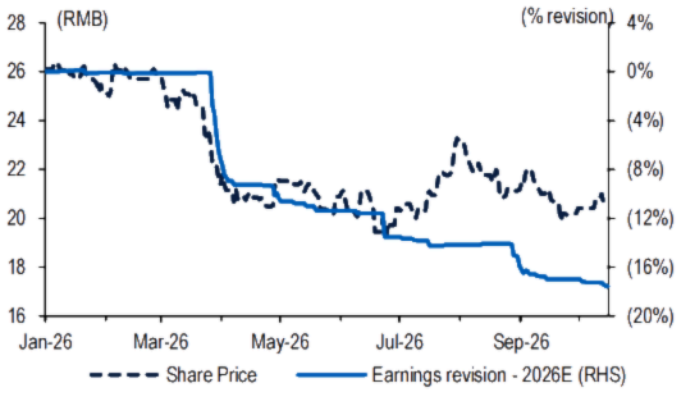
Figure 11: Haier (A/H) - share price vs benchmark index

(Indexed to 2026/1/1=100)



Source: Bloomberg Finance L.P. (as of 16 Oct 2026)

Figure 12: Haier (A): share price and consensus EPS revisions



Source: Bloomberg Finance L.P. (as of 16 Oct 2026)

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Investment Thesis, Valuation and Risks

Haier Smart Home Co Ltd - A *(Neutral: Price Target: Rmb21.00)*

Investment Thesis
Haier is a leading global OBM appliance company with a good track record of market share gains across China, the US, Europe, and emerging markets.

We are Neutral on Haier-A as we see re-rating to be difficult with limited margin recovery. China and US markets account for >70% of the revenue base but both are seeing weakening demand. At the same time, Haier's strategic investment in China DTC and US capacity modernization increases its operating leverage in a difficult external environment. Management is committed to at least stable DPS in FY26E (JPMe 60% payout ratio), which, together with the buyback program, offers a total shareholder return yield of around 8-9% this year. This helps protect downside at current levels, but doesn't justify a re-rating.

Valuation
Our PT of Rmb21 is based on 10x FY27E P/E, a discount to Haier-A's historical average of 12.5x, due to limited visibility on its margin recovery trend.

Risks to Rating and Price Target
Downside risks to our rating and price target include: 1) US tariff escalation or friction costs in supply chain relocation delays the US margin recovery; 2) China DTC reform cost overruns; 3) inability to pass through cost inflation amid competition; and 4) FX translation risk.

Upside risks include: 1) Strong rebound in US appliance demand; 2) significant cost savings from white goods BU consolidation; 3) faster European margin improvement.

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Haier Smart Home Co Ltd - A: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**286,015**	**302,347**	**294,241**	**300,996**	**314,066**
COGS	(206,439)	(221,739)	(213,801)	(218,326)	(227,406)
Gross profit	**79,576**	**80,608**	**80,440**	**82,670**	**86,660**
SG&A	(45,744)	(47,640)	(48,623)	(50,403)	(52,964)
Adj. EBITDA	**31,509**	**32,170**	**31,346**	**31,921**	**33,594**
D&A	(7,635)	(8,496)	(8,767)	(9,413)	(10,057)
Adj. EBIT	**23,874**	**23,675**	**22,579**	**22,508**	**23,537**
Net Interest	(972)	51	(1,452)	(390)	(80)
Adj. PBT	**22,723**	**23,479**	**21,119**	**22,018**	**23,357**
Tax	(3,157)	(3,316)	(2,968)	(3,121)	(3,354)
Minority Interest	(834)	(610)	(730)	(770)	(810)
Adj. Net Income	**18,731**	**19,553**	**17,421**	**18,127**	**19,193**
Reported EPS	1.99	2.08	1.88	1.99	2.13
Adj. EPS	**1.99**	**2.08**	**1.88**	**1.99**	**2.13**
DPS	**0.96**	**1.15**	**1.15**	**1.20**	**1.29**
Payout ratio	48.2%	55.0%	61.1%	60.4%	60.4%
Shares outstanding	9,411	9,380	9,283	9,126	9,003

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	55,584	47,622	43,576	42,604	40,106
Accounts receivable	50,243	47,581	46,671	47,462	48,991
Inventories	43,044	46,849	45,326	45,848	47,755
Other current assets	2,818	10,782	11,048	11,048	11,048
Current assets	**151,690**	**152,833**	**146,621**	**146,962**	**147,900**
PP&E	49,638	51,924	56,572	62,613	67,096
LT investments	42,640	43,880	43,880	43,880	43,880
Other non current assets	46,146	47,158	47,068	47,015	47,023
Total assets	**290,114**	**295,795**	**294,141**	**300,470**	**305,899**
Short term borrowings	30,313	26,100	26,100	26,100	26,100
Payables	108,335	107,521	104,592	106,205	109,440
Other short term liabilities	10,923	8,725	8,430	8,619	8,985
Current liabilities	**149,571**	**142,346**	**139,121**	**140,924**	**144,524**
Long-term debt	9,665	14,666	14,666	14,666	11,166
Other long term liabilities	12,488	12,806	12,980	13,149	13,352
Total liabilities	**171,725**	**169,818**	**166,768**	**168,739**	**169,042**
Shareholders' equity	111,366	118,698	119,364	122,952	127,269
Minority interests	7,023	7,279	8,009	8,779	9,589
Total liabilities & equity	**290,114**	**295,795**	**294,141**	**300,470**	**305,899**
BVPS	**11.83**	**12.65**	**12.86**	**13.47**	**14.14**
Net debt/(cash)	(15,606)	(6,856)	(2,811)	(1,839)	(2,840)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**26,318**	**26,003**	**27,612**	**30,680**	**32,084**
o/w Depreciation & amortization	7,635	8,496	8,767	9,413	10,057
o/w Changes in working capital	(2,794)	(5,550)	(792)	489	164
Cash flow from investing activities	**(20,079)**	**(17,075)**	**(11,151)**	**(13,274)**	**(12,352)**
o/w Capital expenditure	(10,080)	(8,852)	(11,324)	(13,354)	(12,413)
as % of sales	*3.5%*	*2.9%*	*3.8%*	*4.4%*	*4.0%*
Cash flow from financing activities	**(7,704)**	**(17,671)**	**(20,507)**	**(18,377)**	**(22,230)**
o/w Dividends paid	(10,092)	(13,873)	(12,681)	(12,500)	(12,796)
o/w Shares issued/(repurchased)	269	(1,226)	(6,000)	(4,000)	(4,000)
o/w Net debt issued/(repaid)	4,080	1,519	0	0	(3,500)
Net change in cash	**(1,721)**	**(8,727)**	**(4,045)**	**(972)**	**(2,498)**
Adj. Free cash flow to firm	**17,075**	**17,108**	**17,537**	**17,660**	**19,739**
y/y Growth	*4.0%*	*0.2%*	*2.5%*	*0.7%*	*11.8%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	27.8%	26.7%	27.3%	27.5%	27.6%
EBITDA margin	11.0%	10.6%	10.7%	10.6%	10.7%
EBIT margin	8.3%	7.8%	7.7%	7.5%	7.5%
Net profit margin	6.5%	6.5%	5.9%	6.0%	6.1%
ROE	17.6%	17.0%	14.6%	15.0%	15.3%
ROA	6.8%	6.7%	5.9%	6.1%	6.3%
ROCE	14.4%	13.1%	12.1%	11.9%	12.3%
SG&A/Sales	16.0%	15.8%	16.5%	16.7%	16.9%
Net debt/Equity	NM	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM	NM
Sales/Assets (x)	1.0	1.0	1.0	1.0	1.0
Assets/Equity	259.2%	254.7%	247.8%	245.4%	242.3%
Interest cover (x)	32.4	NM	21.6	81.8	419.9
Operating leverage	332.0%	(14.6%)	172.6%	(13.8%)	105.3%
Tax rate	13.9%	14.1%	14.1%	14.2%	14.4%
Revenue y/y Growth	4.3%	5.7%	(2.7%)	2.3%	4.3%
EBITDA y/y Growth	12.5%	2.1%	(2.6%)	1.8%	5.2%
EPS y/y Growth	13.2%	4.7%	(10.0%)	5.8%	7.3%
BVPS y/y Growth	10.3%	6.9%	1.6%	4.8%	4.9%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	10.2	9.8	10.8	10.2	9.5
P/BV (x)	1.7	1.6	1.6	1.5	1.4
P/Sales (x)	0.7	0.6	0.6	0.6	0.6
EV/EBITDA (x)	-	5.2	5.5	5.5	5.2
Dividend Yield	4.7%	5.6%	5.6%	5.9%	6.3%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Haier Smart Home Co Ltd - H

Downgrade to Neutral as margin recovery is pushed out

China and the US account for over 70% of Haier's revenue, but demand in both markets is weaker than we expected. At the same time, Haier is stepping up strategic investment — including DTC infrastructure in China and a US$3bn factory modernization plan in the US — which raises operating leverage just as the external environment is deteriorating. We cut FY26-27E earnings by 10%, now forecasting -6% YoY earnings growth in 2H26E (old: +9%), and +4% in FY27E (old: +14%). At 9x FY27E P/E on our revised EPS, we see the stock as fairly valued. A fixed DPS commitment of at least last year's RMB1.15, implying a 6.6% yield, plus c.3% buyback with partial share cancellation, should provide a solid valuation floor. We downgrade Haier (H) to Neutral with a new PT of HK$21, from HK$26. Upside risks include greater cost savings from the white goods BU restructuring and a stronger US demand rebound. Downside risks include unexpected friction costs from capacity relocation and China DTC reform cost overruns.

- **3Q preview: revenue/net profit decline of 7%/21% YoY**. We expect China revenue to fall 12%, with white goods down 8% and HVAC down 15%. Weak retail demand and cautious distributors likely drove sell-in below sell-through, causing moderate destocking. HVAC weakness reflects the scale-down of entry-level room AC sales, as higher commodity costs have made these products loss-making. Overseas revenue should decline 1% YoY in RMB terms, with US sales worsening to -6% from -3% in 2Q, and non-US growth slowing to +4% from +7%. Gross margin should remain broadly flat, helped by mix and overseas price hikes, while opex falls only 1%. We forecast net profit down 21% YoY to RMB4.2bn, excluding potential tariff refunds.
- **Revenue pool exposed to external headwinds**. In China (47% of revenue), we expect end demand to stay negative in 4Q26 and flat in FY27. The continued scale-down of entry-level AC models should further weigh on domestic recovery. In the US (26% of revenue), we expect a slower industry rebound given higher rates, inflation and weaker consumer confidence. Haier estimates 3Q26 industry sales fell 5%, worsening from -3% in 2Q, as price hikes to offset Section 232 costs led some consumers to cancel orders. In Europe (10% of revenue), white goods sales have slowed since 2Q26 as Haier reduces Candy channel inventory after the brand relaunch; the adjustment should be completed by 1H27.
- **Strategic investment plans reduce near-term opex flexibility**. In China, DTC reform improves value capture but shifts more costs from distributors to Haier. Before scale benefits emerge, opex per SKU could be worse than under the old model. In the US, Haier plans to invest US$3bn over five years, mostly capex, versus FY26E revenue of US$11bn. Higher fixed costs, especially depreciation, should pressure margins while topline growth remains weak over the next 1-2 years.
- **Earnings revision and downgrade to Neutral**. We cut FY26-27E earnings by 10%, with FY27E now 13% below consensus. FY26E consensus may include tariff refunds and is not directly comparable to our underlying estimate. With lower earnings visibility and only 4% upside to our new PT, we downgrade to Neutral. We believe the current 9x FY27E P/E — a 20% discount to Haier (H)'s historical average of 12x and below Midea's 13x — fairly reflects earnings risk. Haier's RMB30bn+ net cash and strong FCF, at c.100% of net profit, support its DPS commitment.

▼Neutral

Previous: Overweight

6690.HK, 6690 HK
Price (16 Oct 26):HK$20.12

▼Price Target (Jun-27):HK$21.00
Prior (Jun-27):HK$26.00

Co-Head of Asia Pacific Consumer Research and Head of Asia Gaming/ Leisure Research

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	2.00	1.88	-6.0%
Adj. EPS - 27E (Rmb)	2.32	1.99	-14.6%

Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	20	20	25	36	34
Growth	67	26	47	55	69
Momentum	67	55	60	47	54
Quality	23	6	13	18	26
Low Vol	34	43	53	53	64

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

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Price Performance



	YTD	1m	3m	12m
Abs	-17.1%	-2.8%	-5.1%	-17.1%
Rel	-11.5%	-0.7%	-1.8%	-10.5%

Company Data

Shares O/S (mn)	9,380
52-week range (HK$)	28.20-19.05
Market cap ($ mn)	24,050
Exchange rate	7.85
Free float (%)	99.7%
3M ADV (mn)	11.33
3M ADV ($ mn)	30.4
Volatility (90 Day)	27
Index	HSI
BBG ANR (Buy | Hold | Sell)	19|5|0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	302,347	294,241	300,996	314,066
Adj. EBITDA	32,170	31,346	31,921	33,594
Adj. EBIT	23,675	22,579	22,508	23,537
Adj. net income	19,553	17,421	18,127	19,193
Adj. EPS	2.08	1.88	1.99	2.13
BBG EPS	2.28	2.01	2.21	2.48
Cashflow from operations	26,003	27,612	30,680	32,084
FCFF	17,108	17,537	17,660	19,739
Margins and Growth				
Revenue Growth Y/Y (%)	5.7%	(2.7%)	2.3%	4.3%
Gross margin	26.7%	27.3%	27.5%	27.6%
EBITDA margin	10.6%	10.7%	10.6%	10.7%
EBIT margin	7.8%	7.7%	7.5%	7.5%
Adj. EPS growth	4.7%	(10.0%)	5.8%	7.3%
Ratios				
Adj. tax rate	14.1%	14.1%	14.2%	14.4%
Interest cover	NM	21.6	81.8	419.9
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROCE	13.1%	12.1%	11.9%	12.3%
ROE	17.0%	14.6%	15.0%	15.3%
Valuation				
FCFF yield	10.6%	11.0%	11.3%	12.8%
Dividend yield	6.7%	6.7%	7.0%	7.5%
EV/Revenue	0.6	0.6	0.6	0.6
EV/EBITDA	5.2	5.5	5.5	5.2
Adj. P/E	8.2	9.1	8.6	8.0

Summary Investment Thesis and Valuation

Investment Thesis

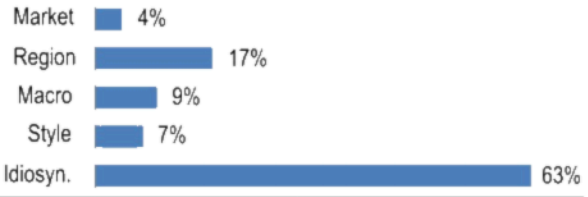
Haier is a leading global OBM appliance company with a good track record of market share gains across China, the US, Europe, and emerging markets.

We are Neutral on Haier-H as we see re-rating to be difficult with limited margin recovery. China and US markets account for >70% of the revenue base but both are seeing weakening demand. At the same time, Haier's strategic investment in China DTC and US capacity modernization increases its operating leverage in a difficult external environment. Management is committed to at least stable DPS in FY26E (JPMe 60% payout ratio), which, together with the buyback program, offers a total shareholder return yield of around 8-9% this year. This helps protect downside at current levels, but doesn't justify a re-rating.

Valuation

Our PT of HK$21 is based on 9x FY27E P/E, a 10% discount to our target multiple of 10x for Haier-A and a 20% discount to Haier-H's historical average of 12x, due to limited visibility on its margin recovery trend.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.12	0.21
Region: China	0.38	0.43
Macro:		
HSI Volatility Index	-0.13	-0.23
JPM Forecast Revision EM	0.31	0.19
JPM China A-shares Sentiment	0.20	0.18
Quant Styles:		
Size	-0.59	-0.39
Momentum	-0.56	-0.33
Growth	-0.56	-0.29

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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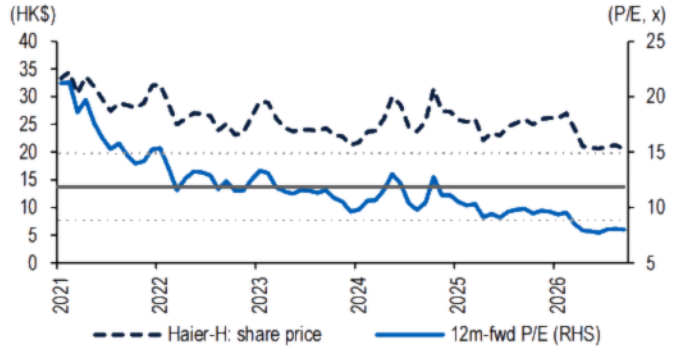
Earnings forecasts

Please refer to Haier (A) section for earnings forecasts.

Valuation and share price

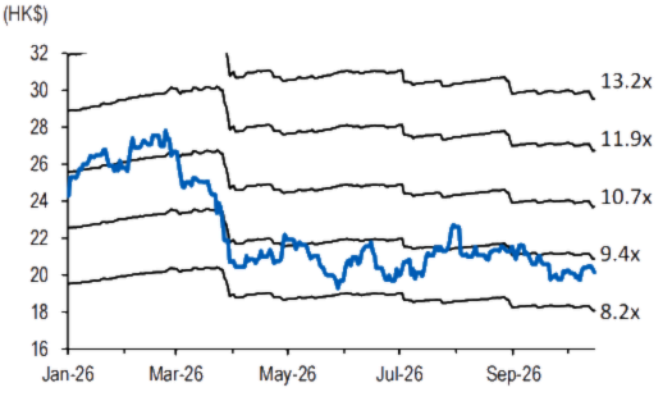
PT change: Due to earnings cuts and a lower target P/E of 9x FY27E (down from 10x previously), we derive our new PT of HKD21 (down from HKD26), implying only 4% upside.

Figure 13: Haier (H): share price and P/E valuation



Source: Bloomberg Finance L.P. (as of 16 Oct 2026)

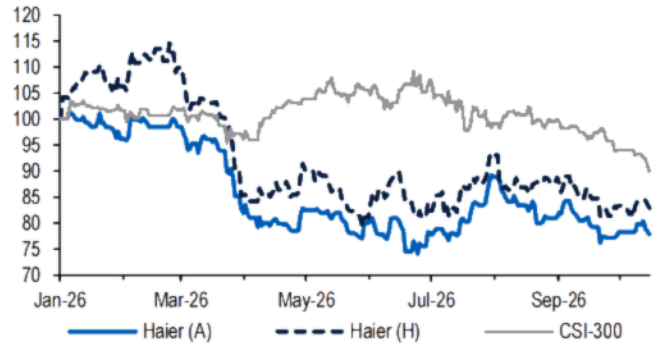
Figure 14: Haier (H): share price and P/E valuation band



Source: Bloomberg Finance L.P. (as of 16 Oct 2026)

Figure 15: Haier (A/H) - share price vs benchmark index

(Indexed to 2026/1/1=100)



Source: Bloomberg Finance L.P. (as of 16 Oct 2026)

Figure 16: Haier (H): share price and consensus EPS revisions



Source: Bloomberg Finance L.P. (as of 16 Oct 2026)

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Investment Thesis, Valuation and Risks

Haier Smart Home Co Ltd - H *(Neutral: Price Target: HK$21.00)*

Investment Thesis
Haier is a leading global OBM appliance company with a good track record of market share gains across China, the US, Europe, and emerging markets.

We are Neutral on Haier-H as we see re-rating to be difficult with limited margin recovery. China and US markets account for >70% of the revenue base but both are seeing weakening demand. At the same time, Haier's strategic investment in China DTC and US capacity modernization increases its operating leverage in a difficult external environment. Management is committed to at least stable DPS in FY26E (JPMe 60% payout ratio), which, together with the buyback program, offers a total shareholder return yield of around 8-9% this year. This helps protect downside at current levels, but doesn't justify a re-rating.

Valuation
Our PT of HK$21 is based on 9x FY27E P/E, a 10% discount to our target multiple of 10x for Haier-A and a 20% discount to Haier-H's historical average of 12x, due to limited visibility on its margin recovery trend.

Risks to Rating and Price Target
Downside risks to our rating and price target include: 1) US tariff escalation or friction costs in supply chain relocation delays the US margin recovery; 2) China DTC reform cost overruns; 3) inability to pass through cost inflation amid competition; and 4) FX translation risk.

Upside risks include: 1) Strong rebound in US appliance demand; 2) significant cost savings from white goods BU consolidation; 3) faster European margin improvement.

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Haier Smart Home Co Ltd - H: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**286,015**	**302,347**	**294,241**	**300,996**	**314,066**
COGS	(206,439)	(221,739)	(213,801)	(218,326)	(227,406)
Gross profit	**79,576**	**80,608**	**80,440**	**82,670**	**86,660**
SG&A	(45,744)	(47,640)	(48,623)	(50,403)	(52,964)
Adj. EBITDA	**31,509**	**32,170**	**31,346**	**31,921**	**33,594**
D&A	(7,635)	(8,496)	(8,767)	(9,413)	(10,057)
Adj. EBIT	**23,874**	**23,675**	**22,579**	**22,508**	**23,537**
Net Interest	(972)	51	(1,452)	(390)	(80)
Adj. PBT	**22,723**	**23,479**	**21,119**	**22,018**	**23,357**
Tax	(3,157)	(3,316)	(2,968)	(3,121)	(3,354)
Minority Interest	(834)	(610)	(730)	(770)	(810)
Adj. Net Income	**18,731**	**19,553**	**17,421**	**18,127**	**19,193**
Reported EPS	1.99	2.08	1.88	1.99	2.13
Adj. EPS	**1.99**	**2.08**	**1.88**	**1.99**	**2.13**
DPS	**0.96**	**1.15**	**1.15**	**1.20**	**1.29**
Payout ratio	48.2%	55.0%	61.1%	60.4%	60.4%
Shares outstanding	9,411	9,380	9,283	9,126	9,003

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	55,584	47,622	43,576	42,604	40,106
Accounts receivable	50,243	47,581	46,671	47,462	48,991
Inventories	43,044	46,849	45,326	45,848	47,755
Other current assets	2,818	10,782	11,048	11,048	11,048
Current assets	**151,690**	**152,833**	**146,621**	**146,962**	**147,900**
PP&E	49,638	51,924	56,572	62,613	67,096
LT investments	42,640	43,880	43,880	43,880	43,880
Other non current assets	46,146	47,158	47,068	47,015	47,023
Total assets	**290,114**	**295,795**	**294,141**	**300,470**	**305,899**
Short term borrowings	30,313	26,100	26,100	26,100	26,100
Payables	108,335	107,521	104,592	106,205	109,440
Other short term liabilities	10,923	8,725	8,430	8,619	8,985
Current liabilities	**149,571**	**142,346**	**139,121**	**140,924**	**144,524**
Long-term debt	9,665	14,666	14,666	14,666	11,166
Other long term liabilities	12,488	12,806	12,980	13,149	13,352
Total liabilities	**171,725**	**169,818**	**166,768**	**168,739**	**169,042**
Shareholders' equity	111,366	118,698	119,364	122,952	127,269
Minority interests	7,023	7,279	8,009	8,779	9,589
Total liabilities & equity	**290,114**	**295,795**	**294,141**	**300,470**	**305,899**
BVPS	**11.83**	**12.65**	**12.86**	**13.47**	**14.14**
Net debt/(cash)	(15,606)	(6,856)	(2,811)	(1,839)	(2,840)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**26,318**	**26,003**	**27,612**	**30,680**	**32,084**
o/w Depreciation & amortization	7,635	8,496	8,767	9,413	10,057
o/w Changes in working capital	(2,794)	(5,550)	(792)	489	164
Cash flow from investing activities	**(20,079)**	**(17,075)**	**(11,151)**	**(13,274)**	**(12,352)**
o/w Capital expenditure	(10,080)	(8,852)	(11,324)	(13,354)	(12,413)
as % of sales	*3.5%*	*2.9%*	*3.8%*	*4.4%*	*4.0%*
Cash flow from financing activities	**(7,704)**	**(17,671)**	**(20,507)**	**(18,377)**	**(22,230)**
o/w Dividends paid	(10,092)	(13,873)	(12,681)	(12,500)	(12,796)
o/w Shares issued/(repurchased)	269	(1,226)	(6,000)	(4,000)	(4,000)
o/w Net debt issued/(repaid)	4,080	1,519	0	0	(3,500)
Net change in cash	**(1,721)**	**(8,727)**	**(4,045)**	**(972)**	**(2,498)**
Adj. Free cash flow to firm	**17,075**	**17,108**	**17,537**	**17,660**	**19,739**
y/y Growth	*4.0%*	*0.2%*	*2.5%*	*0.7%*	*11.8%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	27.8%	26.7%	27.3%	27.5%	27.6%
EBITDA margin	11.0%	10.6%	10.7%	10.6%	10.7%
EBIT margin	8.3%	7.8%	7.7%	7.5%	7.5%
Net profit margin	6.5%	6.5%	5.9%	6.0%	6.1%
ROE	17.6%	17.0%	14.6%	15.0%	15.3%
ROA	6.8%	6.7%	5.9%	6.1%	6.3%
ROCE	14.4%	13.1%	12.1%	11.9%	12.3%
SG&A/Sales	16.0%	15.8%	16.5%	16.7%	16.9%
Net debt/Equity	NM	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM	NM
Sales/Assets (x)	1.0	1.0	1.0	1.0	1.0
Assets/Equity	259.2%	254.7%	247.8%	245.4%	242.3%
Interest cover (x)	32.4	NM	21.6	81.8	419.9
Operating leverage	332.0%	(14.6%)	172.6%	(13.8%)	105.3%
Tax rate	13.9%	14.1%	14.1%	14.2%	14.4%
Revenue y/y Growth	4.3%	5.7%	(2.7%)	2.3%	4.3%
EBITDA y/y Growth	12.5%	2.1%	(2.6%)	1.8%	5.2%
EPS y/y Growth	13.2%	4.7%	(10.0%)	5.8%	7.3%
BVPS y/y Growth	10.3%	6.9%	1.6%	4.8%	4.9%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	8.6	8.2	9.1	8.6	8.0
P/BV (x)	1.4	1.4	1.3	1.3	1.2
P/Sales (x)	0.6	0.5	0.5	0.5	0.5
EV/EBITDA (x)	-	5.2	5.5	5.5	5.2
Dividend Yield	5.6%	6.7%	6.7%	7.0%	7.5%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Neutral

000651.SZ, 000651 CH
Price (16 Oct 26):Rmb39.49

▼ **Price Target (Jun-27):Rmb39.00**
Prior (Jun-27):Rmb42.00

Co-Head of Asia Pacific Consumer Research and Head of Asia Gaming/ Leisure Research

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	5.23	4.87	-6.8%
Adj. EPS - 27E (Rmb)	5.39	5.00	-7.3%

Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	16	9	8	17	16
Growth	82	83	72	71	54
Momentum	47	77	68	35	84
Quality	25	23	17	16	13
Low Vol	6	8	12	14	9
ESGQ	3	9	100	100	-

Gree Electric Appliances - A

Earnings deteriorating; buybacks accelerating

We previously expected Gree's earnings growth to recover in 2H26 driven by an easier base, but the recent industry data suggested a weakening domestic demand outlook and our previous expectations on Gree were too optimistic. We cut our earnings forecast by 7%, reflecting a 4% revenue cut on destocking and operating deleverage. Post revision, we forecast Gree's revenue/net profit to decline 7%/9% YoY in FY26E and grow 2%/3% in FY27E, c. 8% below consensus. The good news is that buyback activity accelerated in September, which reduced some investor concerns about shareholder return visibility. Trading at 8x FY27 P/E (vs Midea's 13x and Haier's 10x), the stock has been fairly discounted for its no growth and reliance on China market. Shareholder return (7% dividend plus 3% buyback) limits downside risk. Maintain N with PT cut to RMB39 (from RMB42) on earnings cut.

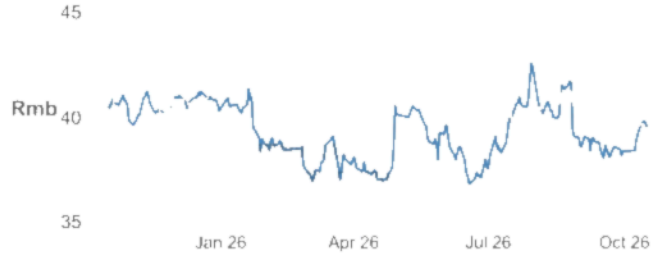
- **3Q preview - revenue/net profit decline of -11%/-20% YoY**. We expect the revenue weakness to be mainly driven by domestic AC destocking and continued export sales decline. The decline in non-core business is expected to narrow vs. in 1H as the comp base gets easier. We expect GPM to decline 1ppt to 27.3%, vs. up 0.8ppt in 2Q, as commodity cost pressures continue and domestic price hike room is limited. Opex should decline 11% YoY, similar to the sales decline, as the company scales back channel expense in a weak-demand market. Other incomes were a high comp base last year due to some reversals of previous credit impairment cost, putting more pressure on 3Q net profit growth this year. Net net, we expect net profit to decline 20% to RMB5.7bn, with net margin down 1.7ppt to 16.0%.
- **Earnings cut**. We cut our net profit estimates for FY26-28E by 7%, mainly reflecting the weakening domestic demand outlook and the effect of sales deleveraging. Post revision, we expect revenue to decline 7% in FY26E and recover to +2% in FY27E, c. 4% below our previous estimates. As opex has declined 35% over FY23-FY26E, we think further opex cuts will be limited and don't bring down our FY27-28E opex assumptions despite lower sales levels, implying some sales deleveraging. We now expect net profit to decline 9% in FY26E and recover to +3% in FY27E, c.7% below our previous estimates.
- **Share buybacks accelerated in September**. According to exchange filings, Gree repurchased RMB1bn worth of shares in September, accelerating from just RMB68mn in August and zero in July. The buyback program totals RMB5-10bn with 70% intended for cancellation, which was announced in April and approved by the AGM at end-June and will last through to June 2027. Given there are still nine months remaining, the current run rate suggests it is possible for Gree to execute all the RMB10bn buyback before June 2027. This gives us more confidence in its shareholder return profile. We expect a 58% dividend payout ratio in FY26E (same as 58% in FY25), implying a c.7% dividend yield. We estimate the buyback, if fully executed and 70% canceled, will add another c.3% yield.

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

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Price Performance



— 000651.SZ Price (Rmb) SHCOMP (rebased)

	YTD	1m	3m	12m
Abs	-1.8%	3.6%	-0.8%	-3.1%
Rel	4.6%	8.2%	3.4%	2.0%

Company Data

Shares O/S (mn)	5,601
52-week range (Rmb)	42.48-36.27
Market cap ($ mn)	33,060
Exchange rate	6.69
Free float (%)	69.1%
3M ADV (mn)	42.07
3M ADV ($ mn)	251.4
Volatility (90 Day)	19
Index	SSE
BBG ANR (Buy | Hold | Sell)	27|6|2

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	170,447	158,464	161,344	163,999
Adj. EBITDA	35,006	32,553	33,074	33,495
Adj. EBIT	29,951	27,964	28,514	28,962
Adj. net income	29,003	26,436	27,110	28,006
Adj. EPS	5.18	4.87	5.00	5.16
BBG EPS	5.47	5.08	5.30	5.54
Cashflow from operations	46,383	21,459	30,670	30,456
FCFF	44,666	17,301	26,509	26,292
Margins and Growth				
Revenue Growth Y/Y (%)	(9.9%)	(7.0%)	1.8%	1.6%
Gross margin	29.8%	29.5%	30.0%	30.1%
EBITDA margin	20.5%	20.5%	20.5%	20.4%
EBIT margin	17.6%	17.6%	17.7%	17.7%
Adj. EPS growth	(9.9%)	(5.9%)	2.5%	3.3%
Ratios				
Adj. tax rate	16.7%	16.2%	16.2%	16.2%
Interest cover	-	-	-	-
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROCE	11.3%	10.2%	10.2%	9.8%
ROE	20.5%	18.1%	17.9%	17.2%
Valuation				
FCFF yield	20.2%	8.1%	12.4%	12.3%
Dividend yield	7.6%	7.3%	7.7%	8.0%
EV/Revenue	0.7	0.8	0.7	0.6
EV/EBITDA	3.2	3.7	3.2	2.8
Adj. P/E	7.6	8.1	7.9	7.6

Summary Investment Thesis and Valuation

Investment Thesis

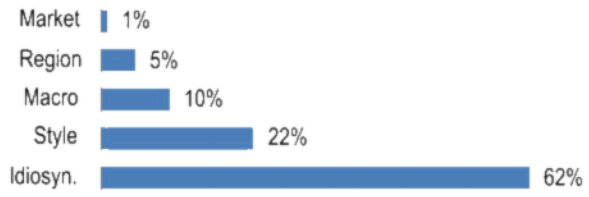
Gree is a leading air-conditioning company in the Chinese market, with diversification efforts into other home appliances, overseas expansion, and B2B business.

We are Neutral on Gree, as it remains a China-focused no-growth name trading at a fair discount vs peers. The weakening domestic demand outlook and channel destocking should hit Gree's sales and net profit badly in FY26E with limited recovery in FY27E. We also question margin sustainability given Gree's already industry-high net margin and continuous opex cuts over FY24-26E. At 8x FY27E P/E, the main reason to own the stock remains shareholder return: a 7% dividend yield, plus a stated up to Rmb10bn buyback with 70% cancellation (c.3% yield).

Valuation

Our PT of Rmb39 is based on 8x FY27E P/E, in line with its historical average over 2022-25 and reflecting a structural discount to peers.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.16	-0.07
Region: China	0.40	0.25
Macro:		
Generic 1st 'CO' Future	0.19	0.26
US 10 Year Yield	0.21	0.23
JP Morgan EMBI Global Spread	-0.16	-0.15
Quant Styles:		
Growth	-0.45	-0.46
LowVol	0.44	0.41
Momentum	-0.54	-0.40

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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Earnings forecasts

Table 23: Gree: summary of P&L

(Rmb mn, FYE Dec 31)	FY23	FY24	1H25	2H25	FY25	1H26	2H26E	FY26E	FY27E	FY28E
Revenue	**203,979**	**189,164**	**97,325**	**73,122**	**170,447**	**89,398**	**69,067**	**158,464**	**161,344**	**163,999**
YoY%	8%	(7%)	(2%)	(18%)	(10%)	(8%)	(6%)	(7%)	2%	2%
To-C	155,218	148,560	76,279	56,776	133,055	74,074	53,369	127,443	129,992	131,942
YoY%	11%	(4%)	(5%)	(17%)	(10%)	(3%)	(6%)	(4%)	2%	1%
To-B	17,779	17,670	9,906	8,156	18,061	9,026	8,408	17,434	18,010	18,608
YoY%	40%	(1%)	17%	(12%)	2%	(9%)	3%	(3%)	3%	3%
Others	30,982	22,933	11,140	8,190	19,330	6,297	7,289	13,587	13,342	13,449
YoY%	(16%)	(26%)	2%	(32%)	(16%)	(43%)	(11%)	(30%)	(2%)	1%
(CoGS)	(143,953)	(133,496)	(69,597)	(50,044)	(119,641)	(63,640)	(48,129)	(111,769)	(112,897)	(114,678)
GROSS PROFIT	**60,026**	**55,668**	**27,728**	**23,078**	**50,806**	**25,758**	**20,938**	**46,696**	**48,448**	**49,321**
GPM%	29.4%	29.4%	28.5%	31.6%	29.8%	28.8%	30.3%	29.5%	30.0%	30.1%
To-C	55,185	51,868	25,322	21,620	46,943	23,531	19,551	43,082	44,625	45,295
GPM%	35.6%	34.9%	33.2%	38.1%	35.3%	31.8%	36.6%	33.8%	34.3%	34.3%
To-B	3,395	2,819	2,006	834	2,840	1,743	832	2,575	2,778	2,960
GPM%	19.1%	16.0%	20.3%	10.2%	15.7%	19.3%	9.9%	14.8%	15.4%	15.9%
Others	1,445	980	399	623	1,023	483	555	1,038	1,045	1,066
GPM%	4.7%	4.3%	3.6%	7.6%	5.3%	7.7%	7.6%	7.6%	7.8%	7.9%
(OPEX)	**(30,220)**	**(24,514)**	**(14,229)**	**(7,738)**	**(21,967)**	**(12,364)**	**(7,419)**	**(19,783)**	**(20,498)**	**(20,931)**
YoY%	24%	(19%)	(10%)	(11%)	(10%)	(13%)	(4%)	(10%)	4%	2%
(Selling expense)	(14,802)	(9,753)	(6,202)	(2,209)	(8,411)	(5,130)	(1,988)	(7,117)	(7,402)	(7,550)
YoY%	31%	(34%)	(23%)	34%	(14%)	(17%)	(10%)	(15%)	4%	2%
(Admin expense)	(6,542)	(6,058)	(3,145)	(2,035)	(5,180)	(3,297)	(2,075)	(5,373)	(5,588)	(5,699)
YoY%	24%	(7%)	(5%)	(26%)	(14%)	5%	2%	4%	4%	2%
(R&D expense)	(6,762)	(6,904)	(3,918)	(2,546)	(6,463)	(3,167)	(2,596)	(5,763)	(5,994)	(6,174)
YoY%	8%	2%	11%	(25%)	(6%)	(19%)	2%	(11%)	4%	3%
(Taxes & surcharges)	(2,114)	(1,799)	(964)	(949)	(1,912)	(770)	(759)	(1,529)	(1,514)	(1,508)
YoY%	31%	(15%)	8%	4%	6%	(20%)	(20%)	(20%)	(1%)	(0%)
Credit impairment (losses)/reversals	(824)	(522)	(133)	645	512	(11)	0	(11)	(200)	(200)
Asset impairment (losses)/reversals	(2,494)	(687)	(131)	(1,226)	(1,357)	(139)	(756)	(895)	(886)	(877)
Operating Profit (Non-GAAP)	**26,488**	**29,945**	**13,235**	**14,759**	**27,994**	**13,244**	**12,763**	**26,007**	**26,864**	**27,312**
YoY%	13%	13%	(2%)	(10%)	(7%)	0%	(14%)	(7%)	3%	2%
OPM%	13.0%	15.8%	13.6%	20.2%	16.4%	14.8%	18.5%	16.4%	16.7%	16.7%
Other income and expenses	**1,938**	**3,028**	**782**	**1,175**	**1,957**	**889**	**1,068**	**1,958**	**1,650**	**1,650**
Other income	901	2,725	572	766	1,339	387	768	1,155	1,150	1,150
Investment income/(loss)	217	560	(44)	446	402	262	300	562	500	500
Gain/(loss) on fair value change	438	(274)	263	(98)	164	237	0	237	0	0
Gain/(loss) on asset disposal	383	17	(9)	61	52	4	0	4	0	0
PnL of Financial Subsidiary	**912**	**715**	**284**	**360**	**644**	**270**	**345**	**615**	**609**	**603**
Finance income/(expense)	**3,527**	**3,300**	**2,300**	**1,786**	**4,086**	**1,668**	**1,289**	**2,957**	**3,213**	**3,837**
Operating Profit (Reported)	**32,865**	**36,988**	**16,602**	**18,079**	**34,681**	**16,071**	**15,465**	**31,536**	**32,336**	**33,402**
YoY%	20%	13%	2%	(13%)	(6%)	(3%)	(14%)	(9%)	3%	3%
OPM%	16.1%	19.6%	17.1%	24.7%	20.3%	18.0%	22.4%	19.9%	20.0%	20.4%
Non-operating income	128	72	19	61	79	23	64	87	86	85
Non-operating expenses	(177)	(165)	(23)	(93)	(116)	(79)	(83)	(162)	(161)	(159)
Profit before tax	**32,816**	**36,896**	**16,597**	**18,047**	**34,645**	**16,015**	**15,446**	**31,461**	**32,261**	**33,328**
(Income tax expense)	(5,097)	(4,525)	(2,084)	(3,698)	(5,782)	(2,692)	(2,408)	(5,100)	(5,228)	(5,401)
Tax rate %	(15.5%)	(12.3%)	(12.6%)	(20.5%)	(16.7%)	(16.8%)	(15.6%)	(16.2%)	(16.2%)	(16.2%)
(Minority interest)	1,298	(186)	(100)	241	140	(45)	120	75	77	79
Net profit	**29,017**	**32,185**	**14,412**	**14,591**	**29,003**	**13,278**	**13,158**	**26,436**	**27,110**	**28,006**
YoY%	18%	11%	2%	(19%)	(10%)	(8%)	(10%)	(9%)	3%	3%
NPM%	14.2%	17.0%	14.8%	20.0%	17.0%	14.9%	19.1%	16.7%	16.8%	17.1%

Source: Company reports and J.P. Morgan estimates.

Table 24: Gree: JPMe forecast changes

	New			Previous			Change		
(Rmb mn, FYE Dec 31)	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	**158,464**	**161,344**	**163,999**	**165,845**	**167,525**	**168,638**	**(4%)**	**(4%)**	**(3%)**
YoY%	(7%)	2%	2%	(3%)	1%	1%			
To-C	127,443	129,992	131,942	134,824	136,173	136,581	(5%)	(5%)	(3%)
To-B	17,434	18,010	18,608	17,434	18,010	18,608	0%	0%	0%
Others	13,587	13,342	13,449	13,587	13,342	13,449	0%	0%	0%
(CoGS)	(111,769)	(112,897)	(114,678)	(116,446)	(116,746)	(117,515)	(4%)	(3%)	(2%)
GROSS PROFIT	**46,696**	**48,448**	**49,321**	**49,399**	**50,778**	**51,123**	**(5%)**	**(5%)**	**(4%)**
GPM%	29.5%	30.0%	30.1%	29.8%	30.3%	30.3%	(0.3%)	(0.3%)	(0.2%)
To-C: GPM%	33.8%	34.3%	34.3%	34.0%	34.5%	34.5%	(0.2%)	(0.2%)	(0.2%)
To-B: GPM%	14.8%	15.4%	15.9%	14.8%	15.4%	15.9%	0.0%	0.0%	0.0%
Others: GPM%	7.6%	7.8%	7.9%	7.6%	7.8%	7.9%	0.0%	0.0%	0.0%
(OPEX)	**(20,689)**	**(21,584)**	**(22,008)**	**(21,093)**	**(21,453)**	**(21,538)**	**(2%)**	**1%**	**2%**
(Selling expense)	(7,117)	(7,402)	(7,550)	(7,228)	(7,011)	(6,941)	(2%)	6%	9%
(Admin expense)	(5,373)	(5,588)	(5,699)	(5,434)	(5,597)	(5,709)	(1%)	(0%)	(0%)
(R&D expense)	(5,763)	(5,994)	(6,174)	(5,967)	(6,206)	(6,268)	(3%)	(3%)	(2%)
(Taxes & surcharges)	(1,529)	(1,514)	(1,508)	(1,558)	(1,542)	(1,536)	(2%)	(2%)	(2%)
(Impairment costs)	(906)	(1,086)	(1,077)	(906)	(1,097)	(1,084)	0%	(1%)	(1%)
Operating Profit (Non-GAAP)	**26,007**	**26,864**	**27,312**	**28,307**	**29,325**	**29,585**	**(8%)**	**(8%)**	**(8%)**
YoY%	(7%)	3%	2%	1%	4%	1%			
OPM%	16.4%	16.7%	16.7%	17.1%	17.5%	17.5%	(0.7%)	(0.9%)	(0.9%)
Profit before tax	31,461	32,261	33,328	33,711	34,772	35,634	(7%)	(7%)	(6%)
(Income tax expense)	(5,100)	(5,228)	(5,401)	(5,451)	(5,618)	(5,758)	(6%)	(7%)	(6%)
Tax rate %	(16.2%)	(16.2%)	(16.2%)	(16.2%)	(16.2%)	(16.2%)	(0.0%)	(0.0%)	(0.0%)
Net profit	**26,436**	**27,110**	**28,006**	**28,335**	**29,231**	**29,955**	**(7%)**	**(7%)**	**(7%)**
YoY%	(9%)	3%	3%	(2%)	3%	2%			
NPM%	16.7%	16.8%	17.1%	17.1%	17.4%	17.8%	(0.4%)	(0.6%)	(0.7%)
Dividend	**15,333**	**16,266**	**16,804**	**16,434**	**17,539**	**17,973**	**(7%)**	**(7%)**	**(7%)**
DPS	**2.87**	**3.04**	**3.14**	**3.08**	**3.28**	**3.37**	**(7%)**	**(7%)**	**(7%)**
Buyback	**10,000**	**-**	**-**	**10,000**	**-**	**-**			
Total payout %	96%	60%	60%	93%	60%	60%	3%	0%	0%

Source: J.P. Morgan estimates.

Table 25: Gree: JPMe vs Bloomberg consensus estimates

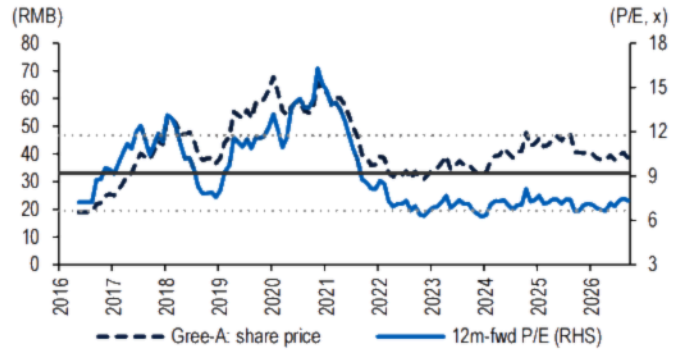
	JPMe			Bloomberg consensus			JPMe vs Cons.		
(Rmb mn, FYE Dec 31)	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
Revenue	**158,464**	**161,344**	**163,999**	**168,356**	**170,857**	**177,161**	**(6%)**	**(6%)**	**(7%)**
YoY%	(7%)	2%	2%	(1%)	1%	4%			
Gross Profit	**46,696**	**48,448**	**49,321**	**50,424**	**51,700**	**53,862**	**(7%)**	**(6%)**	**(8%)**
GPM%	29.5%	30.0%	30.1%	30.0%	30.3%	30.4%	(0.5%)	(0.2%)	(0.3%)
Operating Profit (Reported)	**31,536**	**32,336**	**33,402**	**32,014**	**33,063**	**34,280**	**(1%)**	**(2%)**	**(3%)**
OPM%	19.9%	20.0%	20.4%	19.0%	19.4%	19.3%	0.9%	0.7%	1.0%
Profit before tax	**31,461**	**32,261**	**33,328**	**33,641**	**34,968**	**36,450**	**(6%)**	**(8%)**	**(9%)**
Net profit	**26,436**	**27,110**	**28,006**	**28,575**	**29,652**	**31,038**	**(7%)**	**(9%)**	**(10%)**
YoY%	(9%)	3%	3%	(1%)	4%	5%			
NPM%	16.7%	16.8%	17.1%	17.0%	17.4%	17.5%	(0.3%)	(0.6%)	(0.4%)
DPS	**2.87**	**3.04**	**3.14**	**2.90**	**3.02**	**3.14**	**(1%)**	**1%**	**(0%)**

Source: J.P. Morgan estimates. Bloomberg Finance L.P.

Valuation and share price

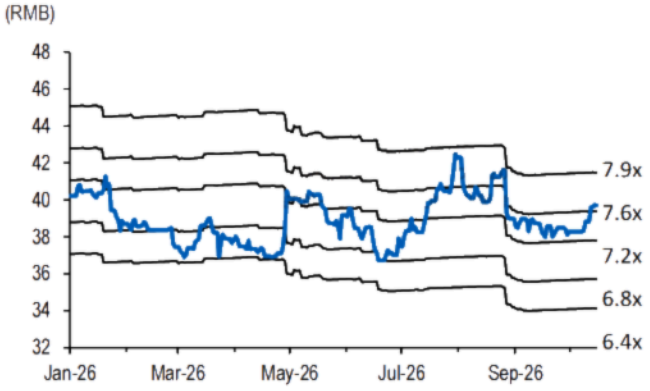
PT change: We cut our price target to RMB39 (from RMB42) mainly due to earnings cuts.

Figure 17: Gree: share price and P/E valuation



Source: Bloomberg Finance L.P. (as of 16 Oct 2026)

Figure 18: Gree: share price and P/E valuation band



Source: Bloomberg Finance L.P. (as of 16 Oct 2026)

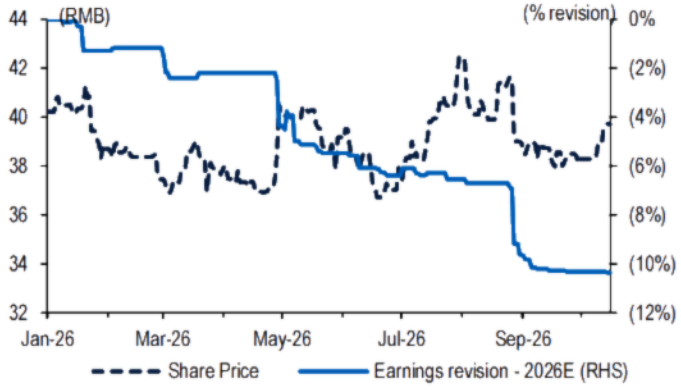
Figure 19: Gree: share price vs benchmark index

(Indexed to 2026/1/1=100)



Source: Bloomberg Finance L.P. (as of 16 Oct 2026)

Figure 20: Gree: share price and consensus EPS revisions



Source: Bloomberg Finance L.P. (as of 16 Oct 2026)

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Investment Thesis, Valuation and Risks

Gree Electric Appliances - A *(Neutral; Price Target: Rmb39.00)*

Investment Thesis
Gree is a leading air-conditioning company in Chinese market, with diversification efforts into other home appliances, overseas expansion, and B2B business.

We are Neutral on Gree, as it remains a China-focused no-growth name trading at a fair discount vs peers. The weakening domestic demand outlook and channel destocking should hit Gree sales and net profit badly in FY26E with limited recovery in FY27E. We also question margin sustainability given Gree's already industry-high net margin and continuous opex cuts over FY24-26E. At 8x FY27E P/E, the main reason to own the stock remains shareholder return: a 7% dividend yield, plus a stated up to Rmb10bn buyback with 70% cancellation (c.3% yield).

Valuation
Our PT of Rmb39 is based on 8x FY27E P/E, in line with its historical average over 2022-25 and reflecting a structural discount to peers.

Risks to Rating and Price Target
Key downside risks to our rating and price target include: 1) continued domestic share loss as Xiaomi scales and Jinghong cannibalizes the main brand; 2) further revenue decline if the subsidy cliff materializes; and 3) deteriorating distributor relationships.

Key upside risks include: 1) meaningful market share recovery; and 2) accelerating overseas or B2B growth providing diversification.

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Gree Electric Appliances - A: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**189,164**	**170,447**	**158,464**	**161,344**	**163,999**
COGS	(133,496)	(119,641)	(111,769)	(112,897)	(114,678)
Gross profit	**55,668**	**50,806**	**46,696**	**48,448**	**49,321**
SG&A	(15,811)	(13,591)	(12,490)	(12,990)	(13,250)
Adj. EBITDA	**38,230**	**35,006**	**32,553**	**33,074**	**33,495**
D&A	(5,257)	(5,055)	(4,588)	(4,560)	(4,533)
Adj. EBIT	**32,973**	**29,951**	**27,964**	**28,514**	**28,962**
Net Interest	4,016	4,730	3,572	3,822	4,440
Adj. PBT	**36,896**	**34,645**	**31,461**	**32,261**	**33,328**
Tax	(4,525)	(5,782)	(5,100)	(5,228)	(5,401)
Minority Interest	(186)	140	75	77	79
Adj. Net Income	**32,185**	**29,003**	**26,436**	**27,110**	**28,006**
Reported EPS	5.75	5.18	4.87	5.00	5.16
Adj. EPS	**5.75**	**5.18**	**4.87**	**5.00**	**5.16**
DPS	**2.99**	**3.00**	**2.87**	**3.04**	**3.14**
Payout ratio	52.0%	57.9%	58.8%	60.8%	60.8%
Shares outstanding	5,601	5,601	5,425	5,425	5,425

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	113,900	110,553	102,705	116,509	129,795
Accounts receivable	29,425	24,423	22,856	23,236	23,586
Inventories	27,911	28,183	26,601	26,644	27,064
Other current assets	53,566	87,784	87,784	87,784	87,784
Current assets	**224,803**	**250,944**	**239,946**	**254,172**	**268,230**
PP&E	40,862	36,410	36,259	36,125	36,006
LT investments	72,842	76,076	76,312	76,312	76,312
Other non current assets	29,524	27,943	27,664	27,400	27,150
Total assets	**368,032**	**391,372**	**380,182**	**394,009**	**407,698**
Short term borrowings	54,757	81,690	81,690	81,690	81,690
Payables	133,569	134,464	128,789	130,715	132,556
Other short term liabilities	12,799	15,415	11,301	11,503	11,689
Current liabilities	**201,125**	**231,570**	**221,780**	**223,908**	**225,935**
Long-term debt	18,230	3,135	2,129	2,129	2,129
Other long term liabilities	7,163	6,876	6,876	6,876	6,876
Total liabilities	**226,518**	**241,581**	**230,785**	**232,913**	**234,940**
Shareholders' equity	137,417	145,929	145,609	157,386	169,127
Minority interests	4,097	3,862	3,787	3,710	3,631
Total liabilities & equity	**368,032**	**391,372**	**380,182**	**394,009**	**407,698**
BVPS	**24.53**	**26.05**	**26.84**	**29.01**	**31.17**
Net debt/(cash)	(40,913)	(25,728)	(18,887)	(32,690)	(45,976)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**29,369**	**46,383**	**21,459**	**30,670**	**30,456**
o/w Depreciation & amortization	5,257	5,055	4,588	4,560	4,533
o/w Changes in working capital	(3,702)	(1,547)	(6,640)	1,705	1,256
Cash flow from investing activities	**(15,558)**	**(48,599)**	**(1,545)**	**(1,534)**	**(904)**
o/w Capital expenditure	(3,300)	(1,717)	(4,158)	(4,161)	(4,164)
as % of sales	*1.7%*	*1.0%*	*2.6%*	*2.6%*	*2.5%*
Cash flow from financing activities	**(23,703)**	**8,606**	**(27,761)**	**(15,333)**	**(16,266)**
o/w Dividends paid	(15,133)	(18,171)	(16,755)	(15,333)	(16,266)
o/w Shares issued/(repurchased)	61	90	(10,000)	0	0
o/w Net debt issued/(repaid)	(13,529)	11,556	(1,006)	0	0
Net change in cash	**(9,773)**	**6,426**	**(7,848)**	**13,803**	**13,287**
Adj. Free cash flow to firm	**26,069**	**44,666**	**17,301**	**26,509**	**26,292**
y/y Growth	*(48.9%)*	*71.3%*	*(61.3%)*	*53.2%*	*(0.8%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	29.4%	29.8%	29.5%	30.0%	30.1%
EBITDA margin	20.2%	20.5%	20.5%	20.5%	20.4%
EBIT margin	17.4%	17.6%	17.6%	17.7%	17.7%
Net profit margin	17.0%	17.0%	16.7%	16.8%	17.1%
ROE	25.3%	20.5%	18.1%	17.9%	17.2%
ROA	8.7%	7.6%	6.9%	7.0%	7.0%
ROCE	14.0%	11.3%	10.2%	10.2%	9.8%
SG&A/Sales	8.4%	8.0%	7.9%	8.1%	8.1%
Net debt/Equity	NM	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM	NM
Sales/Assets (x)	0.5	0.4	0.4	0.4	0.4
Assets/Equity	289.6%	268.0%	264.6%	255.5%	245.5%
Interest cover (x)	-	-	-	-	-
Operating leverage	(220.2%)	92.6%	94.4%	108.2%	95.5%
Tax rate	12.3%	16.7%	16.2%	16.2%	16.2%
Revenue y/y Growth	(7.3%)	(9.9%)	(7.0%)	1.8%	1.6%
EBITDA y/y Growth	13.4%	(8.4%)	(7.0%)	1.6%	1.3%
EPS y/y Growth	11.5%	(9.9%)	(5.9%)	2.5%	3.3%
BVPS y/y Growth	18.3%	6.2%	3.0%	8.1%	7.5%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	6.9	7.6	8.1	7.9	7.6
P/BV (x)	1.6	1.5	1.5	1.4	1.3
P/Sales (x)	1.2	1.3	1.4	1.3	1.3
EV/EBITDA (x)	-	3.2	3.7	3.2	2.8
Dividend Yield	7.6%	7.6%	7.3%	7.7%	8.0%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which