Yiheda Automation (301029.SZ): 3Q26 beat led by electronics and semiconductor exposure; Buy

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Post Oct 26 market close, Yiheda reported 3Q26 results that came in above our expectations. The company's 3Q26 revenue/operating profit/net profit recorded Rmb1,116mn/232mn/201mn, +52%/+62%/+48% yoy, which is +23%/+46%/+32% vs. GSe, mainly due to: 1) stronger-than-expected consumer electronics demand (incl. AI-related applications) that held up beyond the seasonal 2Q peak; 2) further acceleration in semiconductor (+100%+ yoy); and 3) resilient lithium battery demand (+20-30% yoy). GPM/OPM/NPM was 40%/21%/18%, -0.7pp/+1.3pp/-0.4pp yoy and +0.1pp/+3.2pp/+1.2pp vs. GSe. Looking into 4Q26E, mgmt. noted that consumer electronics demand remained stable in October and expects solid near-term yoy growth, while lithium battery demand is expected to be weaker than in 1-3Q26 on a high 4Q25 base. Overall, we expect revenue growth to slightly moderate in 4Q26E from 3Q's +52% yoy, as lithium normalization partly offsets consumer electronics/semis momentum. Yiheda also continued to advance its FB business, with a focus on brand awareness and AI-enabled drawing recognition/programming efficiency. **We revise up 2026E-30E EPS by an average of 7%** to reflect 3Q26 results but **refine our target P/E multiple to 30X from 32X on slightly moderating earnings CAGR ahead into 2027-2030E** due to battery exposure. **Accordingly, our new 12-m TP moves up to Rmb35.80 (vs. Rmb 35.70 previously). Maintain Buy.**

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Exhibit 1: Yiheda 3Q26 financial summary

Yiheda (301029.SZ)	3Q25	4Q25	1Q26	2Q26	3Q26	yoy	qoq	Prior 3Q26 Gse	Diff 3Q26
Revenue (Rmb mn)	736	751	746	1,107	1,116	52%	1%	906	23%
Gross profit (Rmb mn)	296	287	291	431	442	49%	3%	358	23%
EBIT (Rmb mn)	143	84	144	219	232	62%	6%	158	46%
Net profit (Rmb mn)	136	95	129	189	201	48%	6%	152	32%
EPS (Rmb)	0.21	0.15	0.20	0.30	0.32	48%	6%	0.24	32%
Gross margin (Rmb mn)	40%	38%	39%	39%	40%	-0.7pp	0.7pp	40%	0.1pp
EBIT margin (Rmb mn)	19%	11%	19%	20%	21%	1.3pp	0.9pp	18%	3.2pp
Net margin (Rmb mn)	18%	13%	17%	17%	18%	-0.4pp	0.9pp	17%	1.2pp

Source: Company data, Goldman Sachs Global Investment Research

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We attended the post-results conference call and our key takeaways are:

- **Downstream divergence continued in 1-3Q26**, led by lithium battery/consumer electronics/semiconductor, which contributed 24%/21%/9% of revenue and grew +42%/+25%/+100%+ yoy, while auto remained soft at 9% of revenue and flat yoy. Implied 3Q26 growth for lithium battery/consumer electronics/auto/semiconductor was c. +20-30%/+40+%/+HSD%/+100+% yoy, with respective revenue contributions of c.20%/20%+/c.9%/9%+.
  - **Lithium battery** recorded 1-9M26 revenue of close to Rmb700mn, driven by customers' capacity expansion, higher product coverage and new product introductions. Mgmt. expects weaker demand in 4Q26 vs. 1-3Q26, with a high 4Q25 base and deteriorating demand for traditional power battery equipment. Solid-state/other battery technologies remain potential sources of new demand, with applications in new cell packaging, corrosion-resistant and insulating structures.
  - **Consumer electronics** contribution was 20%+ in 3Q26, with growth accelerating to +40%+ yoy. Demand sustained, with Apple's new models driving continued equipment procurement for assembly/components/ultra-thin glass/thermal structural parts. Meanwhile, the AI infrastructure ramp-up drove server-related demand, with incremental orders from overseas end-customers and the Foxconn-led domestic supply chain. Looking into 4Q26, mgmt. sees stable demand in October and solid near-term yoy growth, though visibility remains limited given short order lead time.
  - **Semiconductor** recorded 1-3Q26 revenue of Rmb200mn+, +100%+ yoy, making up c.9% of total revenue. Yiheda aims to broaden the customer base through market share expansion and domestic substitution, supported by a newly established semiconductor BU and on-site engineering teams at key customers. Mgmt. sees upside in back-end packaging/testing and related equipment from AI supply chain expansion, alongside import substitution opportunities arising from core component shortages.

- **Margins remained resilient:** 3Q26 GPM/NPM was c.40%/18%, down 0.7pp/0.4pp yoy. Separately, the 1-3Q26 period expense ratio rose 1.27pp yoy to 18.32%, driven by higher staff costs and share-based compensation expenses. Looking forward, mgmt. expects GPM to remain stable by 1) focus on high margin long-tail, small-batch demand; 2) product mix optimization and scale expansion; 3) process improvements and product coverage expansion.
- **FB (non-standardized products)** achieved Rmb117mn revenue in 1-3Q26, +54% yoy (vs. Rmb76mn in 1-9M25). Mgmt. targets c.Rmb150mn FB revenue for FY26, with a focus on building brand awareness through existing sales channels/customers and facilitating faster order placement. Yiheda is also actively leveraging AI to improve drawing recognition and programming efficiency while exploring external software solutions to further enhance these functions.

Valuation:

We revise up 2026E-30E EPS by an average of 7% to reflect 3Q26 results but refine our 2027E target P/E multiple to 30X from 32X on slightly moderating earnings CAGR ahead into 2027-2030E due to battery exposure. **Accordingly, our new 12-m TP moves up to Rmb35.80 (vs. Rmb 35.70 previously). Maintain Buy.**

Downside risks: (1) Slower-than-expected SKU expansion; (2) Weak FA demand; (3) intense competition.

Investment Thesis, Price Target, Risks & Methodology

Investment Thesis - Yiheda Automation

We are positive on Yiheda Automation's business model to modernize China's manufacturing and factory automation (FA) supply chain, as it drives the move away from traditional mom & pop hardware stores and distributors by offering enhanced efficiency and lower costs for manufacturers. The company provides concrete benefits for clients such as: convenient online and offline channels, diverse SKUs, on-demand CAD configuration, professional technology support, agile supply chain management and competitive pricing. We are Buy rated on Yiheda with potential catalysts being faster SKU expansion/strong FA demand/better operational performance than overseas peers.

Price Target Risks and Methodology - Yiheda Automation

Price target: Our 12m target price of Rmb35.8 is based on a 2027E P/E of 30x.

Downside risks: (1) Slower-than-expected SKU expansion; (2) Weak FA demand; (3) intense competition.

301029.SZ	12m Price Target: **Rmb35.80**	Price: **Rmb26.33**	Upside: **36.0%**

Buy

Market cap: Rmb16.7bn / $2.5bn
Enterprise value: Rmb15.4bn / $2.3bn
3m ADTV: Rmb205.0mn / $30.5mn
China
China Industrial Tech & Machinery M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn) New	**2,948.0**	**3,979.8**	**4,671.1**	**5,473.3**
Revenue (Rmb mn) Old	2,948.0	3,678.5	4,334.0	5,069.7
EBITDA (Rmb mn)	611.7	800.8	919.5	1,061.4
EPS (Rmb) New	**0.81**	**1.01**	**1.19**	**1.38**
EPS (Rmb) Old	0.81	0.93	1.11	1.29
P/E (X)	31.7	26.1	22.1	19.1
P/B (X)	3.7	3.5	3.1	2.8
Dividend yield (%)	2.5	1.1	1.4	1.6
CROCI (%)	19.9	35.5	20.8	21.3

	6/26	9/26	12/26E	--
EPS (Rmb)	0.30	0.32	0.19	–

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 26 Oct 2026 close.

