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Joyson (600699.SS/0699.HK)

Robotics Component Ramp & Margin Outlook

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CITI'S TAKE

We hosted mgmt. update meeting with Joyson on 28-Oct. Key takeaways are as follows: **(1) Steady production ramps for the key North American humanoid robot client:** the weekly production run-rate is expected to ramp up from 800 units in late-Oct to 1,000 units in early-Nov, >2,000 units by end-Nov, and 2,500-3,000 units in Dec; FY26 shipment guidance at 16,000-20,000 sets, with ASP close to USD3,000 per set. **(2) Combined revenue from domestic robot clients** — led by Agibot and Unitree — is expected to exceed Rmb100mn in 2026. **(3) 4Q revenue outlook:** Mgmt. expects global auto market YoY decline magnitude to narrow in 4Q26 versus 9M26; despite macro headwinds, auto electronics segment continues to benefit from rising vehicle intelligence trend. Upon revision of earnings, we lowered our TP from Rmb33.6/HKD22.2 to Rmb30.8/HKD20.7, by rolling unchanged 28x/17x P/E multiple to 2027E on A/H share. Maintain Buy.

Humanoid robot business (key North American client) — (1) Full-year 2026 shipment guidance: 16,000-20,000 sets. Current ASP stands at nearly USD3,000 per set. ASP should decline with volume expansion; mgmt. aims to add high-value electronic components to defend value per unit in 2027. (2) Current supply scope: Mainly structural parts and head assembly. Joyson is in active discussions for dexterous-hand-related components and other electronic modules for next-generation products. (3) Production capacity: 2026 shipments to the key North American client are manufactured in Ningbo base and shipped by air. Joyson is also reviewing capacity plans in Mexico and the US.

Margin outlook — Mgmt. attributed 3Q margin pressures to top-line shrinkage, rising raw material costs including memory/chips and PCB; BOM cost for electronics components exceed 70%. Going forward, mgmt. expects cost reduction drivers including (i) price pass-through with domestic OEM customers (overseas clients already have established price-adjustment frameworks), (ii) improve overall efficiency via better capacity utilization, (iii) increasing gas-generator self-manufacturing rate to >50% by end-2026 (previously 20-30%). *(Continued)*

															Current Fiscal Year		Next Fiscal Year	
						Rating		Short-Term	Target Price						EPS		EPS	
Company	Ticker	Ccy	Price	Mkt Cap (M)	Date & Time	Old	New	View	Old	New	ESPR (%)	Div Yld (%)	ETR (%)	Last Rpt Yr	Old	New	Old	New
NJEC	0699.HK	HK$	10.49	1,562	27 Oct 16:10	1	nc	-	22.20	20.70	97.3	3.6	101.0	Dec-25	1.203	0.920	1.559	1.100
Joyson Electronic	600699.SS	Rmb	21.520	30,035	27 Oct 15:00	1	nc	-	33.600	30.800	43.1	1.6	44.7	Dec-25	1.203	0.920	1.559	1.100

1 = Buy, 2 = Neutral, 3 = Sell, H = High Risk
ESPR = Expected Share Price Return, ETR = Expected Total Return, nc = no change
Source: Citi Research
^Catalyst Watch

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

Estimate revision – We lower our 2026-28E revenue forecasts by 13% to reflect YTD global auto sales weakness and cut 2026-28E GPM forecasts by 1.1-1.5ppt to 17.1%/17.4%/17.7% to reflect cost inflations. As a result, we lower our 2026-28E NP forecasts by 24-29% to Rmb1,427/1,706/2,015mn.
Humanoid robot business (domestic client) — (1) Combined revenue from domestic robot clients should exceed Rmb100mn in 2026, with Agibot as the major contributor. (2) Agibot: Joyson supplies brain controller computing hardware and fisheye cameras. (3) Unitree: Joyson provides brain controller computing hardware plus battery packs.

3Q26 segmental breakdown – 3Q auto safety revenue came at Rmb8,885mn with GPM at 15.7% (-1.5ppt YoY/-0.3ppt QoQ); auto electronics segment revenue came at Rmb3,662mn with GPM at 19.1% (-0.3ppt YoY/-2.3ppt QoQ).

Overseas ADAS orders – Excluding North America, Joyson aligns development schedules with regional overseas OEMs. Several large global OEM projects are in final quotation and vendor selection during 4Q. Mgmt. expects a stream of overseas ADAS nominations will materialize in 1-2 years and gradually ramp into mass-production, resembling China's ADAS expansion trajectory of the past 2-3 years.

Q & A Session

Q: Break down domestic robot-client revenue between Agibot and Unitree?

A: Agibot contributes most of the >Rmn100mn domestic robot-business revenue in 2026. Unitree deliveries remain small in 2026 as projects are still in early-stage implementation. The Agibot computing controller uses high-end SoC chips, supporting relatively high ASP.

Q: Memory/chip and component costs keep rising. What is the gross margin outlook?

A: Gross margin pressure comes from multiple materials beyond memory chips, including PCB. The priority is to implement systematic price pass-through to downstream OEMs. Overseas customers already have price-adjustment mechanisms; Joyson will negotiate domestic customer pass-through in 4Q26. Improving revenue scale is fundamental for margin recovery.

Q: What are regional gross margin profiles across China, Europe and North America?

A: For 1H26, China region gross margin was ~16%, lower than overseas (~18%+), showing margin inversion. 3Q26 maintains similar regional patterns with slight compression across all regions.

Q: Why did 3Q effective tax rate jump sharply? What is future tax-rate guidance?

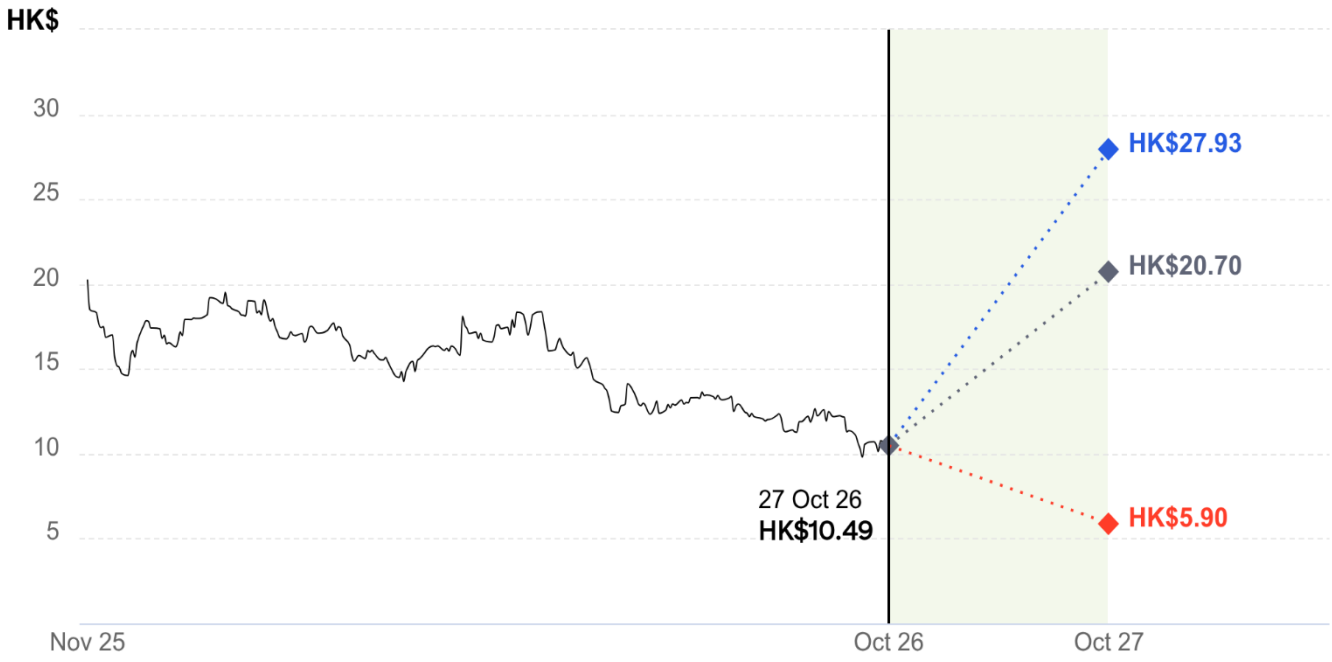
A: 2Q26 benefited from one-off global tax-planning optimization. 3Q26 saw lower pre-tax profit and some loss-making subsidiaries that could not recognize deferred-tax assets, lifting the effective rate above 30%. Management targets full-year consolidated effective tax rate below 25%, yet pre-tax profit performance remains the core variable driving net profit results.

Q: Any material one-off gains or expenses expected in 4Q?

A: Restructuring-related one-off items should occur year-end every year.

Bull/Bear: Joyson Electronic (0699.HK)

HK$ 27.93 ▲166% Upside | HK$ 20.70 ▲97% Upside | HK$ 5.90 ▼44% Downside



Spread 210pp
Current Price and expected returns (upside/downside) as of 27 Oct 2026

BULL Assumptions

- GP margin +1ppts
- SG&A-to-revenue -0.3ppts in 27E

BASE Assumptions

- Blended GP margin at 17.4% in 27E
- SG&A-to-revenue ratio at 12.3% in 27E

BEAR Assumptions

- GP margin -3ppts
- SG&A-to-revenue +0.5ppts in 27E

Bull/Bear: Joyson Electronic (600699.SS)

Rmb 37.450	Rmb 30.800	Rmb 17.180
▲74% Upside	▲43% Upside	▼20% Downside



Spread 94pp
Current Price and expected returns (upside/downside) as of 27 Oct 2026

BULL Assumptions

- GP margin +1ppts
- SG&A-to-revenue -0.3ppts in 27E

BASE Assumptions

- Blended GP margin at 17.4% in 27E
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Joyson Electronic

Company description

Ningbo Joyson Electronic Corp is one of the world's leading automotive component manufacturers with a global footprint. Headquartered in Ningbo, China, Joyson has more than 100 bases in 30 countries with more than 80,000 employees worldwide. Starting out as a functional parts player, the company completely transformed its business through a series of M&As. Now the company focuses on auto safety parts and auto electronic parts business.

Investment strategy

We rate Joyson-H a Buy based on: (1) Its earnings are improving driven by cost reduction on vertical integration of the supply chain, enhanced operating efficiency and optimizing of the production capacity layout. The margin upside potential of Joyson has yet to be factored in by the market, in our view. (2) It has tapped into the humanoid robot supply-chain industry. We expect humanoid robot components to be its second growth curve in the long term. (3) Existing business (auto safety & electronics) is seeing robust orders.

Valuation

We derive our target price of HKD20.70 for Joyson-H based on 17x 27E P/E, 1.5SD above 5-year avg for HK-listed peers to reflect ongoing robotics progress and solid earnings growth trajectory in 2027-29E. The company's greater margin upside potential as well as its humanoid robot business expansion should support valuations, in our view.

Risks

Key downside risks that could cause Joyson's shares to trade below our target price include: 1) lower-than-expected global PV production growth; 2) higher-than-expected raw material prices and shipping fees; and 3) worse-than-expected global PV sales growth, especially in the US and European markets. Upside risks that could cause the shares to trade above our target price include: 1) better-than-expected auto demand translating into upside surprise in component shipment volumes; 2) better-than-expected efficiencies translating into better-than-expected margins; and 3) quicker-than-expected adoption of autonomous cars.

Joyson Electronic

Company description

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Investment strategy

We rate Joyson-A a Buy based on: (1) Its earnings are improving driven by cost reduction on vertical integration of the supply chain, enhanced operating efficiency and optimizing of the production capacity layout. The margin upside potential of Joyson has yet to be factored in by the market, in our view. (2) It has tapped into the humanoid robot supply-chain industry. We expect humanoid robot components to be its second growth curve in the long term. (3) Existing business (auto safety & electronics) is seeing robust orders.

Valuation

Our target price of Rmb30.80 for Joyson-A is based on 28x 27E P/E, 0.5SD above average level after an earnings turnaround in 2022 to reflect ongoing robotics progress and solid earnings growth trajectory in 2027-29E. The company's greater margin upside potential as well as its humanoid robot business expansion should support valuations, in our view.

Risks

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