Sanhua Intelligent Controls (002050.SZ): 3Q26 OP in line with FX and equity investment loss; maintain Buy/Neutral for H/A on cooling &

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Post market close on Oct 28, Sanhua announced largely **inline 3Q26 results** with revenue/GP/EBIT/NP at Rmb8,374mn/2,419mn/1,261mn/1,023mn, +8%/+11%/+7%/-10% yoy, +0%/+0%/-7%/-12% vs. GSe; GPM/OPM/NPM was 29%/15%/12% (+1pp/0pp/-2pp yoy), 0pp/-1pp/-2pp vs. GSe. Core operations were broadly in line, with the net profit miss mainly affected by one-off FX loss (Rmb83mn in 3Q26, Rmb380mn in 9M26), and loss from fair value of investments (c.Rmb15mn in 3Q26, Rmb200mn in 9M26). **We revise down 2026E-30E earnings by 2-6% to reflect the result. We are Buy-rated on Sanhua-H (TP at HKD37.7, was Rmb40) and Neutral-rated on Sanhua-A (TP at Rmb36.4, was Rmb38.6).** We remain positive on Sanhua's stable main business and tailwinds from 1) liquid cooling, achieving Rmb1.8-2.1bn revenue in 9M26, 8% firmwide contribution, and potentially to deliver another 50-100% yoy growth in 2027E, driven by positive product development and certification progress; 2) AI robotics components across body/finger joint modules and extension into thermal solutions.

Main HVAC/Auto components business remained stable and outperformed end-industry:

- **HVAC control components** recorded revenue of Rmb15.3bn, +2.4% yoy in 9M26, implying 3Q26 revenue of Rmb4,881mn, +6.5% yoy. HVAC components was able to outperform domestic AC production trend, mainly from 1) liquid cooling still delivering 50%+ yoy growth; 2) domestic residential sales still outperformed domestic AC industry trend (3Q26 China AC production at -16% yoy growth, with domestic sales at -28% yoy and export at +4% yoy); 3) overseas sales remained strong with North America exposure delivering 20% yoy growth, and Japan and Southeast Asia still seeing energy efficiency upgrade for AC.
- **Margin:** HVAC control components recorded 9M26 GPM at 28.56%, +0.4pp yoy, implying 3Q26 GPM of 29%, +0.9pp yoy. 3Q26 NPM was 11.2%, -2pp yoy.
- **Auto thermal management** segment recorded revenue of Rmb9.9bn, +9.8% yoy in 9M26, implying 3Q26 revenue of Rmb3,493mn, +9.6% yoy. **4Q26 and 1Q27 strength:** Exports may be strong in 4Q26 and 1Q27 ahead of changes to relevant EU policies and export tax rebates. Beyond that period, management is more positive on the incremental demand of sensors, valves, and controllers from autonomous driving as well as incremental HVAC component demand with car refrigerators.

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- **Margin:** Auto thermal management recorded 9M26 GPM at 28%, flat yoy, implying 3Q26 GPM of 28.8%, +0.9pp yoy. 3Q26 NPM was 13.6%, -3pp yoy.

Liquid cooling is scaling, with secondary-side products adding upside:

- **Ytd sales and future guidance:** Liquid cooling sales reached approximately Rmb1.8bn-2.1bn in 1-9M26, comprising Rmb1.2bn-1.4bn from data centers and Rmb600mn-700mn from energy storage. 2025 revenue was Rmb2bn, and management still views full-year growth of 50%+ yoy is achievable. Into 2027, the company expects potentially another year of delivering 50%-100% growth for liquid cooling business.
- **Product coverage and customer progress**: Current primary-side products (from CDU to outdoor equipment) that Sanhua supplies include microchannel heat exchangers, valves, filters and sensors, mainly to leading North American customers. Sanhua's share of **microchannel** products exceeds 50% at several key customers, and **some orders are secured through 2027**. For North American cloud providers' in-house chip liquid-cooling systems, **flow-control valves and sensors** entered batch production in 3Q. On the secondary side (from servers/chips to CDU), the company is developing brazed plate heat exchangers, electric ball valves, vent valves, sensors and quick connectors. **Brazed plate heat exchangers began batch delivery for a Taiwanese CDU manufacturer in 3Q**, and **projects with Vertiv and Schneider Electric are also progressing.** Based on an estimated system value of Rmb5,000-6,000/kW, Sanhua's current supplied products represent around 20%-30% of system value. This could rise to 40%-60% if quick connectors and other products reach meaningful volume.
- **Margin:** Primary-side liquid cooling has GPM above the company average as they are supplied to North American customers; secondary-side profitability is also above existing commercial products amid tight supply and a focus on delivery speed.

AI robotics component business see progress across product categories:

Sanhua is developing body-joint actuators, finger joint modules, thermal management products and sensors. **Body-joint actuators remain in engineering and ramp-up. Finger-joint modules** use hollow-cup motors; some projects with leading domestic dexterous hand manufacturers **have entered batch production**. **Thermal management** projects with domestic and overseas robot manufacturers may reach batch-production milestones between 4Q and year-end.

Exhibit 1: Sanhua 3Q26 results summary

Sanhua Intelligent Control (002050.SZ)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	yoy	qoq	Prior 3Q26 GSe	Diff
Revenue (Rmb mn)	7,669	8,593	7,767	6,982	7,774	9,126	8,374	8%	17%	8,410	0%
Gross profit (Rmb mn)	2,057	2,515	2,176	2,176	2,161	2,582	2,419	11%	19%	2,422	0%
EBIT (Rmb mn)	1,049	1,459	1,174	909	1,203	1,496	1,261	7%	24%	1,362	-7%
Net profit (Rmb mn)	903	1,207	1,132	821	928	1,116	1,023	-10%	20%	1,164	-12%
EPS (Rmb)	0.24	0.29	0.27	0.19	0.22	0.27	0.24	-10%	20%	0.28	-12%
Gross margin (Rmb mn)	27%	29%	28%	31%	28%	28%	29%	1pp	0pp	29%	0pp
EBIT margin (Rmb mn)	14%	17%	15%	13%	15%	16%	15%	0pp	1pp	16%	-1pp
Net margin (Rmb mn)	12%	14%	15%	12%	12%	12%	12%	-2pp	0pp	14%	-2pp

Source: Company data, Goldman Sachs Global Investment Research

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Investment thesis, valuation methodology and risks

Investment thesis

Sanhua is a global leader in HVAC control & thermal management components. We like its growth potential in humanoid robot actuators on top of a solid market leadership position in its core business, and expect it to deliver 16%/17% revenue/net profit CAGR in 2025-30E. On the HVAC component segment, we believe the company is well positioned to deliver revenue growth above the residential HVAC industry, driven by commercial HVAC market share gain and ramp up in sensor products. On the EV thermal management segment, we believe the company's revenue growth will be driven by further global EV penetration increase and modest content value gain. In addition, we see humanoid robots as a significant long-term technology trend, with Sanhua likely to secure a key role in the supply chain, as a high visibility actuator assembler. Catalysts include technology advancement in humanoid robot functionality, volume production for humanoid robot big customers, and further EV penetration in Europe. However, we think the market has priced in a too bullish outlook for humanoid robots compared to rather a delayed timeline of Optimus production. We are Neutral/Buy-rated on Sanhua-A/H.

Price Target Risks and Methodology - Sanhua Intelligent Controls

Valuation: Our 12m target price for Sanhua A/H is Rmb36.4/HK$37.7, still based on 2030E P/E of 25X/23X, discounted back to 2027E with a COE of 9.5%.

Sanhua-A key upside/downside risks: (1) Faster/Slower-than-expected revenue contribution from humanoid robots; (2) Better/Worse-than-expected global EV sales; (3) Better/Worse-than-expected home appliance sales.

Sanhua-H key downside risks: (1) Slower-than-expected revenue contribution from humanoid robots; (2) Worse-than-expected global EV sales; (3) Worse-than-expected home appliance sales.

002050.SZ	12m Price Target: **Rmb36.40**	Price: **Rmb35.64**	Upside: **2.1%**
2050.HK	12m Price Target: **HK$37.70**	Price: **HK$23.18**	Upside: **62.6%**

Neutral

Market cap: Rmb150.0bn / $22.5bn
Enterprise value: Rmb140.6bn / $21.1bn
3m ADTV: Rmb1.8bn / $274.1mn
China
China Industrial Tech & Machinery
M&A Rank: 3
Leases incl. in net debt & EV?: Yes

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn) New	**31,011.7**	**32,939.3**	**37,119.5**	**43,403.9**
Revenue (Rmb mn) Old	31,011.7	33,057.6	37,667.0	45,851.5
EBITDA (Rmb mn)	5,743.7	6,263.4	7,081.4	8,250.9
EPS (Rmb) New	**0.97**	**0.94**	**1.19**	**1.39**
EPS (Rmb) Old	0.97	1.01	1.22	1.45
P/E (X)	34.5	37.8	29.9	25.6
P/B (X)	4.4	4.3	3.9	3.6
Dividend yield (%)	1.2	0.8	1.0	1.2
CROCI (%)	23.5	14.6	20.0	20.7

	6/26	9/26	12/26E	--
EPS (Rmb)	0.27	0.24	0.21	–

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 28 Oct 2026 close.

