31 Aug 2026

CMB International Global Markets | Equity Research | Company Update

Laifual Drive (3952 HK)

On track for profitability, volume leadership

Reiterate BUY. We view Laifual's 1H26 earnings as in line with our expectation and on track to achieve full-year adjusted net profitability. Its strong sales volume growth in 1H26 reinforced our thesis that Laifual, as a cost-driven disruptor, is positioned to become China's largest harmonic reducer maker by volume starting in FY27E. Furthermore, its strategic expansion into planetary reducers should unlock revenue headroom.

- **1H26 earnings in line.** Laifual's 1H26 revenue surged 80% YoY to RMB142mn as harmonic reducer shipments more than doubled YoY, largely in line with our prior forecast. GPM in 1H26 expanded 7.5ppts YoY to 27.3%, 1.5ppts lower than our projection. R&D and SG&A expenses were largely in line, leading to an operating loss of RMB37mn (vs. our RMB35mn loss estimate). Adjusted net loss (excluding share-based payment, change in redemption liabilities and listing fees) narrowed to RMB4mn, vs. our RMB2mn loss projection.
- **Closing the volume gap via cost edge.** We estimate Laifual continued to narrow its sales volume gap with LeaderDrive (688017 CH, NR) in 1H26. We reiterate our initiation thesis on 12 Aug that Laifual is positioned to overtake LeaderDrive as the top harmonic reducer manufacturer by volume in China starting in FY27E. This trajectory is underpinned by Laifual's structural cost advantage, which could become increasingly pronounced from FY27E, as industry capacity bottleneck may start to ease and demand shifts towards humanoid robotic OEMs, a client segment with significantly higher cost sensitivity than industrial robot makers.
- **Expanding into planetary reducer.** Leveraging its full-stack harmonic reducer expertise and material science capabilities partnered with Chongqing University, Laifual is expanding into planetary reducers with new product launch in 4Q26, a strategic move aligned with our thesis. As highlighted in our initiation report, we expect leading humanoid robotic OEMs to assemble joint modules in-house prior to broader industry standardization and maturity.
- **Earnings/Valuation.** We maintain our FY26-28E harmonic reducer sales volume at 0.68mn/1.40mn/2.30mn units. We fine tune our GPM forecast and thus revise FY26-28E adjusted net profit slightly by -4%/-1%/+3% to RMB14mn/76mn/139mn, respectively. That also implies a positive adjusted net profit in 2H26E. We maintain our BUY rating and target price of HK$150.00, still based on 18x our FY27E P/S. Key risks include lower sales volume and/or margins, and slower development in China's robotics market than we expect.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	108	261	401	731	1,054
YoY growth (%)	13.9	142.2	53.7	82.4	44.1
Gross margin (%)	24.1	25.6	27.9	29.1	31.1
Operating profit (RMB mn)	(22.9)	(23.5)	(38.4)	65.9	146.9
Net profit (RMB mn)	(168.8)	(170.6)	(75.2)	58.9	139.3
YoY growth (%)	na	na	na	na	136.4
Adjusted net profit (RMB mn)	(23.7)	(8.9)	14.1	76.1	139.3
P/S (x)	52.0	21.5	14.0	7.7	5.3
Net gearing (%)	na	na	43.5	12.8	28.3

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$150.00**
Up/Downside	**139.0%**
Current Price	**HK$62.75**

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Stock Data

Mkt Cap (HK$ mn)	6,534.5
Avg 3 mths t/o (HK$ mn)	72.7
52w High/Low (HK$)	NA/NA
Total Issued Shares (mn)	104.1

Source: FactSet

Shareholding Structure

Mr. Zhang Jie	28.2%
Others	71.8%

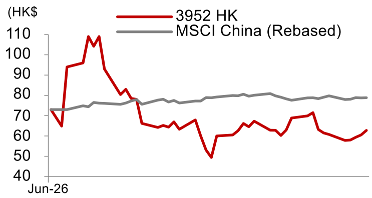
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	4.5%	2.3%
3-mth	NM	NM
6-mth	NM	NM

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Interim results

RMB mn	1H25	2H25	1H26	YoY	HoH
Harmonic reducer sales volume (units)	113,000	178,515	239,500	111.9%	34.2%
Revenue	79	182	142	80.1%	-21.8%
Gross profit	16	51	39	148.3%	-24.2%
Selling expenses	(3)	(6)	(15)	346.0%	163.2%
G&A expenses	(6)	(24)	(33)	465.1%	37.9%
R&D expenses	(19)	(30)	(31)	62.7%	1.3%
Operating profit	(11)	(13)	(37)	N/A	N/A
Net profit	(84)	(87)	(72)	N/A	N/A
Adj. net profit	(11)	2	(4)	N/A	N/A
Gross margin	19.8%	28.2%	27.3%	7.5 ppts	-0.9 ppts
Operating margin	-13.5%	-7.1%	-26.1%	-12.6 ppts	-19.0 ppts
Net margin	-106.0%	-47.8%	-50.5%	55.5 ppts	-2.8 ppts
Adj. net margin	-14.2%	1.3%	-2.9%	11.3 ppts	-4.2 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

	New			Old			Diff.		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	401	731	1,054	419	741	1,116	-4.4%	-1.4%	-5.6%
Gross profit	112	213	327	122	219	336	-8.6%	-3.1%	-2.5%
Operating profit	(38)	66	147	(35)	66	143	N/A	-0.8%	2.8%
Net profit	(75)	59	139	(113)	59	135	N/A	-0.9%	3.0%
Adj. net profit	14	76	139	15	77	135	-4.4%	-0.7%	3.0%
Gross margin	27.9%	29.1%	31.1%	29.2%	29.6%	30.1%	-1.3 ppts	-0.5 ppts	1.0 ppts
Operating margin	-9.6%	9.0%	13.9%	-8.3%	9.0%	12.8%	-1.3 ppts	0.1 ppts	1.1 ppts
Net margin	-18.7%	8.1%	13.2%	-26.9%	8.0%	12.1%	8.1 ppts	0.0 ppts	1.1 ppts
Adj. net margin	3.5%	10.4%	13.2%	3.5%	10.3%	12.1%	0.0 ppts	0.1 ppts	1.1 ppts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

	CMBIGM			Consensus			Diff.		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	401	731	1,054	419	741	1,116	-4.4%	-1.4%	-5.6%
Gross profit	112	213	327	122	219	336	-8.6%	-3.1%	-2.5%
Operating profit	(38)	66	147	(35)	66	143	N/A	-0.8%	2.8%
Net profit	(75)	59	139	(113)	59	135	N/A	-0.9%	3.0%
Gross margin	27.9%	29.1%	31.1%	29.2%	29.6%	30.1%	-1.3 ppts	-0.5 ppts	1.0 ppts
Operating margin	-9.6%	9.0%	13.9%	-8.3%	9.0%	12.8%	-1.3 ppts	0.1 ppts	1.1 ppts
Net margin	-18.7%	8.1%	13.2%	-26.9%	8.0%	12.1%	8.1 ppts	0.0 ppts	1.1 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**95**	**108**	**261**	**401**	**731**	**1,054**
Cost of goods sold	(67)	(82)	(194)	(289)	(519)	(726)
Gross profit	**28**	**26**	**67**	**112**	**213**	**327**
Operating expenses	**(51)**	**(49)**	**(90)**	**(150)**	**(147)**	**(181)**
Selling expense	(6)	(6)	(9)	(33)	(26)	(22)
Admin expense	(18)	(16)	(30)	(54)	(33)	(40)
R&D expense	(32)	(33)	(49)	(68)	(95)	(124)
Others	5	7	(2)	4	8	6
Operating profit	**(23)**	**(23)**	**(24)**	**(38)**	**66**	**147**
Other gains/(losses)	(145)	(145)	(145)	(31)	0	0
Depreciation	15	17	19	28	42	69
Depreciation of ROU assets	6	5	4	1	2	3
Other amortisation	1	2	2	2	2	3
EBIT	**(168)**	**(168)**	**(169)**	**(70)**	**66**	**147**
Interest expense	(1)	(1)	(2)	(5)	(7)	(8)
Pre-tax profit	**(169)**	**(169)**	**(171)**	**(75)**	**59**	**139**
Income tax	0	0	0	0	0	0
After tax profit	**(169)**	**(169)**	**(171)**	**(75)**	**59**	**139**
Minority interest	0	0	0	0	0	0
Net profit	**(169)**	**(169)**	**(171)**	**(75)**	**59**	**139**
Adjusted net profit	**(24)**	**(24)**	**(9)**	**14**	**76**	**139**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**317**	**261**	**425**	**1,298**	**1,361**	**2,088**
Cash & equivalents	147	71	34	735	414	804
Restricted cash	0	8	6	10	15	22
Receivables	85	95	239	355	623	870
Inventories	74	87	112	143	249	338
Financial assets at FVTPL	0	0	35	56	37	18
Other current assets	10	0	0	0	21	36
Non-current assets	**161**	**236**	**297**	**498**	**776**	**938**
PP&E	122	162	219	386	629	802
Right-of-use assets	30	23	19	18	41	40
Intangibles	4	3	2	2	3	5
Other non-current assets	5	49	57	91	102	90
Total assets	**478**	**497**	**722**	**1,796**	**2,137**	**3,026**
Current liabilities	**960**	**1,148**	**1,427**	**267**	**427**	**593**
Short-term borrowings	18	32	105	90	100	120
Payables	22	46	111	171	316	456
Other current liabilities	917	1,062	1,207	0	0	0
Lease liabilities	1	5	1	0	2	2
Contract liabilities	1	2	3	5	10	14
Non-current liabilities	**20**	**20**	**116**	**162**	**255**	**190**
Long-term borrowings	0	7	91	131	216	146
Deferred income	13	12	24	30	35	40
Other non-current liabilities	7	1	1	1	3	3
Total liabilities	**980**	**1,168**	**1,543**	**429**	**682**	**782**
Share capital	88	88	90	104	105	110
Other reserves	(590)	(759)	(911)	1,263	1,349	2,133
Total shareholders equity	**(502)**	**(671)**	**(821)**	**1,367**	**1,455**	**2,244**
Minority interest	0	0	0	0	0	0
Total equity and liabilities	**478**	**497**	**722**	**1,796**	**2,137**	**3,026**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(169)**	**(169)**	**(171)**	**(75)**	**59**	**139**
Depreciation & amortization	23	23	25	31	46	74
Change in working capital	(37)	(37)	(79)	(93)	(267)	(207)
Others	148	149	161	83	33	20
Net cash from operations	**(35)**	**(34)**	**(63)**	**(54)**	**(129)**	**26**
Investing						
Capital expenditure	(62)	(48)	(118)	(202)	(323)	(254)
Others	72	(30)	(34)	(45)	33	26
Net cash from investing	**10**	**(78)**	**(152)**	**(247)**	**(290)**	**(228)**
Financing						
Net borrowings	26	36	169	25	95	(50)
Proceeds from share issues	0	0	17	983	11	650
Others	(10)	(1)	(8)	(6)	(8)	(9)
Net cash from financing	**15**	**35**	**179**	**1,003**	**98**	**591**
Net change in cash						
Cash at the beginning of the year	157	147	71	34	735	414
Exchange difference	(0)	0	(0)	0	0	0
Cash at the end of the year	**147**	**71**	**34**	**735**	**414**	**804**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	na	13.9%	142.2%	53.7%	82.4%	44.1%
Gross profit	na	(6.9%)	157.9%	67.4%	89.9%	54.0%
Operating profit	na	na	na	na	na	122.8%
EBIT	na	na	na	na	na	122.8%
Net profit	na	na	na	na	na	136.4%
Adj. net profit	na	na	na	na	440.7%	83.0%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	29.5%	24.1%	25.6%	27.9%	29.1%	31.1%
Operating margin	(24.2%)	(21.3%)	(9.0%)	(9.6%)	9.0%	13.9%
Adj. net profit margin	(25.1%)	(22.0%)	(3.4%)	3.5%	10.4%	13.2%
Return on equity (ROE)	na	na	na	(27.5%)	4.2%	7.5%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	na	na	na	0.4	0.1	0.3
Current ratio (x)	0.3	0.2	0.3	4.9	3.2	3.5
Receivable turnover days	286.6	294.5	313.4	303.0	293.0	283.0
Inventory turnover days	406.6	387.8	209.8	180.0	175.0	170.0
Payable turnover days	56.6	134.0	138.0	140.0	145.0	150.0

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	ns	ns	ns	ns	95.7	41.7
P/E (diluted)	ns	ns	ns	ns	95.7	41.7
P/B	ns	ns	ns	3.8	3.9	2.6
P/CFPS	ns	ns	ns	ns	ns	220.1
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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