招銀国际
CMB INTERNATIONAL
招商银行全资附属机构
A Wholly Owned Subsidiary Of China Merchants Bank

Tuhu Car (9690 HK)

1H26 in line; gaining share amid headwinds

Maintain BUY. Tuhu's 1H26 revenue rose 11.4% YoY to RMB8.8bn, in line with our estimates; while adjusted net profit beat our forecast by 13% to RMB240mn. We continue to view Tuhu as a key beneficiary in China's auto aftermarket consolidation. With record openings (817 net) in 1H26, the company is well positioned to hit its 10,000-store target ahead of its original end-2027 timeline. Robust store economics, emerging NEV/premium growth drivers, and committed share repurchases support our positive outlook.

- **1H26 results largely in line with adjusted net profit beat.** Tuhu's 1H26 revenue rose 11.4% YoY to RMB8.8bn, in line with our earnings preview. Tire sales volume surged 18% YoY, far outpacing a 2% industrywide decline. Engine oil sales volume rose 12% against a 7% market decline. GPM fell 1.8ppts YoY to 23.3% on a high base, but edged up 0.2ppts HoH despite oil-driven cost pressure. 1H26 net profit fell 40% YoY and rose 63% HoH to RMB184mn, in line with our forecast. Adjusted net profit of RMB240mn beat our estimate by 13%, due to higher-than-expected share-based payment.
- **Competitive moat strengthens with record store expansion.** As the world's largest automotive service chain, Tuhu added 817 workshops in net in 1H26, the most among peers, to reach a total store count of 8,825, despite widespread industry closures. Management now expects to reach its 10,000-workshop milestone earlier than its original end-2027 timeline. That, along with superb supply chain management and cost reduction efforts, resulted in market share gains in key products: its replacement tire market share rose ~2ppts to 14% in China, and engine oil share reached a mid-to-high single digit in 1H26. We view its long-term target of 25%+ tire market share as achievable, aligning with management's target capacity of 15,000-20,000 workshops nationwide. Store-level economics remain robust and industry-leading, with over 90% of stores open for 6+ months operating profitably and payback period under 36 months.
- **NEV, premiumization and overseas as new growth drivers**. Out-of-warranty NEV repair revenue surged 250% YoY in 1H26 across 160+ NEV-specialised workshops, supported by a base of 5.3mn NEV transacting users (17.2% of total user mix). Management anticipates a major wave of out-of-warranty NEV repair volume starting around 2027-28E as early cohorts of EV models, including Tesla, exit warranty coverage. Tuhu has also upgraded 20 workshops to serve luxury-car owners, in a bid to expand its addressable market. Overseas expansion is also scaling steadily, anchored by an emerging network of 14 workshops in Malaysia and 7 in Hong Kong.
- **Earnings/Valuation.** Management guides 2H26E GPM flat HoH. We fine-tune our FY26-28E adjusted net profit forecasts to RMB486mn/626mn/759mn. We maintain BUY and TP of HK$18.00, based on 20x (unchanged) adjusted FY27E P/E. Key risks include slower network expansion, lower-than-expected revenue/margins, and a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	14,759	16,462	18,346	20,441	21,817
YoY growth (%)	8.5	11.5	11.4	11.4	6.7
Net profit (RMB mn)	483.8	420.4	347.6	392.7	496.4
Adjusted net profit (RMB mn)	624.1	700.1	486.4	626.3	759.2
P/E (Adjusted) (x)	13.3	11.7	17.4	13.5	11.2
ROE (%)	10.4	8.5	6.4	6.2	6.8

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$18.00**
Up/Downside	**50.1%**
Current Price	**HK$11.99**

China Auto

Wenjing DOU, CFA
(852) 6939 4751
douwenjing@cmbi.com.hk

Ji SHI, CFA
(852) 3761 8728
shiji@cmbi.com.hk

Austin Liang
(852) 3900 0856
austinliang@cmbi.com.hk

Stock Data

Mkt Cap (HK$ mn)	9,877.1
Avg 3 mths t/o (HK$ mn)	11.9
52w High/Low (HK$)	20.74/11.44
Total Issued Shares (mn)	823.8

Source: FactSet

Shareholding Structure

Tencent Holdings	19.3%
Mr. Chen Min	10.0%

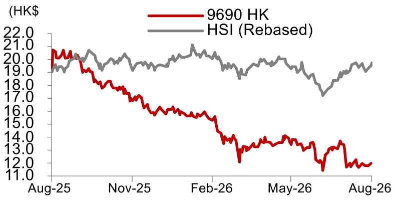
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-7.9%	-11.0%
3-mth	-10.7%	-12.8%
6-mth	-21.6%	-20.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Interim results

RMB mn	1H24	2H24	1H25	2H25	1H26	YoY	HoH
Revenue	7,126	7,633	7,877	8,585	8,778	11.4%	2.2%
Gross profit	1,846	1,900	1,982	1,985	2,048	3.3%	3.1%
Operation and support expenses	(283)	(293)	(310)	(372)	(349)	12.8%	-5.9%
R&D expenses	(302)	(338)	(344)	(420)	(366)	6.6%	-12.8%
SG&A expenses	(1,094)	(1,177)	(1,216)	(1,209)	(1,343)	10.5%	11.1%
Operating profit	212	119	222	30	108	-51.4%	256.0%
Net profit	286	198	307	113	184	-40.0%	62.9%
Adj. net profit	358	266	410	290	240	-41.6%	-17.2%
Gross margin	25.9%	24.9%	25.2%	23.1%	23.3%	-1.8 ppts	0.2 ppts
Operating margin	3.0%	1.6%	2.8%	0.4%	1.2%	-1.6 ppts	0.9 ppts
Net margin	4.0%	2.6%	3.9%	1.3%	2.1%	-1.8 ppts	0.8 ppts
Adj. net margin	5.0%	3.5%	5.2%	3.4%	2.7%	-2.5 ppts	-0.6 ppts

Source: Company data, CMBIGM estimates

Figure 2: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	18,346	20,441	21,817	18,329	20,433	21,826	0.1%	0.0%	0.0%
Gross profit	4,263	4,763	5,147	4,222	4,714	5,103	1.0%	1.0%	0.9%
Operating profit	192	259	381	201	260	379	-4.5%	-0.2%	0.6%
Net profit	348	393	496	357	394	512	-2.6%	-0.3%	-3.1%
Adj. net profit	486	626	759	496	628	775	-1.9%	-0.3%	-2.0%
Gross margin	23.2%	23.3%	23.6%	23.0%	23.1%	23.4%	0.2 ppts	0.2 ppts	0.2 ppts
Operating margin	1.0%	1.3%	1.7%	1.1%	1.3%	1.7%	0.0 ppts	0.0 ppts	0.0 ppts
Net margin	1.9%	1.9%	2.3%	1.9%	1.9%	2.3%	-0.1 ppts	0.0 ppts	-0.1 ppts
Adj. net margin	2.7%	3.1%	3.5%	2.7%	3.1%	3.6%	-0.1 ppts	0.0 ppts	-0.1 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	18,346	20,441	21,817	18,311	20,222	22,179	0.2%	1.1%	-1.6%
Gross profit	4,263	4,763	5,147	4,366	4,883	5,446	-2.4%	-2.5%	-5.5%
Operating profit	192	259	381	300	438	624	-35.9%	-40.8%	-38.9%
Adj. net profit	486	626	759	623	737	900	-21.9%	-15.0%	-15.7%
Gross margin	23.2%	23.3%	23.6%	23.8%	24.1%	24.6%	-0.6 ppts	-0.8 ppts	-1.0 ppts
Operating margin	1.0%	1.3%	1.7%	1.6%	2.2%	2.8%	-0.6 ppts	-0.9 ppts	-1.1 ppts
Net margin	2.7%	3.1%	3.5%	3.4%	3.6%	4.1%	-0.8 ppts	-0.6 ppts	-0.6 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**13,601**	**14,759**	**16,462**	**18,346**	**20,441**	**21,817**
Cost of goods sold	(10,242)	(11,013)	(12,494)	(14,083)	(15,678)	(16,670)
Gross profit	**3,359**	**3,746**	**3,968**	**4,263**	**4,763**	**5,147**
Operating expenses	**(3,198)**	**(3,415)**	**(3,715)**	**(4,071)**	**(4,503)**	**(4,765)**
Selling expense	(1,715)	(1,916)	(2,025)	(2,326)	(2,574)	(2,725)
Admin expense	(420)	(355)	(400)	(385)	(429)	(461)
R&D expense	(580)	(640)	(764)	(766)	(846)	(880)
Other rental related expenses	(600)	(577)	(681)	(759)	(825)	(874)
Others	117	73	154	165	170	175
Operating profit	**162**	**331**	**252**	**192**	**259**	**381**
Other gains/(losses)	6,465	0	0	0	0	0
Share of (losses)/profits of associates/JV	(11)	(12)	6	10	12	12
EBITDA	**7,106**	**819**	**739**	**703**	**802**	**986**
Depreciation	160	156	175	192	204	222
Depreciation of ROU assets	196	154	124	136	148	160
Other amortisation	5	5	5	6	6	7
EBIT	**6,744**	**503**	**434**	**369**	**443**	**597**
Interest income	129	183	176	167	172	204
Interest expense	(19)	(16)	(12)	(13)	(14)	(16)
Pre-tax profit	**6,725**	**487**	**422**	**356**	**429**	**582**
Income tax	(25)	(5)	(3)	(11)	(39)	(87)
After tax profit	**6,701**	**482**	**419**	**346**	**391**	**494**
Minority interest	2	2	1	2	2	2
Net profit	**6,703**	**484**	**420**	**348**	**393**	**496**
Adjusted net profit	**481**	**624**	**700**	**486**	**626**	**759**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**8,271**	**8,365**	**8,883**	**10,770**	**12,406**	**14,144**
Cash & equivalents	2,715	1,375	1,924	2,326	3,052	3,950
Restricted cash	1,455	1,109	1,093	1,699	1,925	2,066
Account receivables	218	226	362	302	336	359
Inventories	1,800	2,119	2,373	2,778	3,007	3,197
Financial assets at FVTPL	1,587	3,074	2,759	3,163	3,526	3,975
Other current assets	496	462	371	503	560	598
Non-current assets	**3,493**	**4,432**	**4,618**	**4,964**	**5,480**	**5,463**
PP&E	899	1,046	1,070	1,067	1,052	1,018
Right-of-use assets	467	398	384	406	415	413
Investment in JVs & assos	363	376	379	389	401	413
Intangibles	58	54	24	23	21	19
Goodwill	20	20	24	24	24	24
Financial assets at FVTPL	191	200	200	200	205	210
Other non-current assets	1,495	2,336	2,537	2,855	3,361	3,365
Total assets	**11,765**	**12,797**	**13,501**	**15,733**	**17,885**	**19,607**
Current liabilities	**6,602**	**7,199**	**7,690**	**8,910**	**9,926**	**10,622**
Short-term borrowings	1	8	0	0	0	0
Account payables	3,887	4,458	5,067	5,710	6,357	6,759
Tax payable	120	117	126	115	141	217
Other current liabilities	1,720	1,627	1,661	2,122	2,362	2,512
Lease liabilities	132	119	107	104	108	111
Contract liabilities	743	871	729	859	958	1,023
Non-current liabilities	**704**	**739**	**757**	**983**	**1,118**	**1,235**
Long-term borrowings	8	0	2	52	102	152
Other non-current liabilities	697	739	756	931	1,016	1,083
Total liabilities	**7,306**	**7,938**	**8,448**	**9,893**	**11,044**	**11,857**
Share capital	0	0	0	0	0	0
Other reserves	4,460	4,862	5,056	5,845	6,848	7,759
Total shareholders equity	**4,460**	**4,862**	**5,057**	**5,845**	**6,848**	**7,760**
Minority interest	(2)	(3)	(3)	(5)	(7)	(9)
Total equity and liabilities	**11,765**	**12,797**	**13,501**	**15,733**	**17,885**	**19,607**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**6,725**	**487**	**422**	**356**	**429**	**582**
Depreciation & amortization	362	316	304	334	359	389
Tax paid	(5)	(8)	(4)	(12)	(12)	(12)
Change in working capital	269	584	241	89	479	248
Others	(6,330)	(60)	32	10	96	97
Net cash from operations	**1,021**	**1,319**	**996**	**777**	**1,351**	**1,304**
Investing						
Capital expenditure	(362)	(322)	(247)	(205)	(205)	(205)
Acquisition of subsidiaries/ investments	(69)	(10)	(11)	0	0	0
Net proceeds from disposal of short-term investments	(2,108)	(2,191)	(198)	(539)	(863)	(449)
Others	167	95	757	177	182	214
Net cash from investing	**(2,372)**	**(2,428)**	**302**	**(567)**	**(886)**	**(440)**
Financing						
Net borrowings	(1)	(1)	(6)	50	50	50
Proceeds from share issues	1,168	0	0	0	0	0
Share repurchases	0	(248)	(575)	300	375	150
Others	182	8	(147)	(158)	(164)	(166)
Net cash from financing	**1,350**	**(241)**	**(728)**	**192**	**261**	**34**
Net change in cash						
Cash at the beginning of the year	2,686	2,715	1,375	1,924	2,326	3,052
Exchange difference	30	9	(21)	0	0	0
Cash at the end of the year	**2,715**	**1,375**	**1,924**	**2,326**	**3,052**	**3,950**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	17.8%	8.5%	11.5%	11.4%	11.4%	6.7%
Gross profit	48.0%	11.5%	5.9%	7.4%	11.7%	8.1%
Operating profit	na	104.9%	(23.8%)	(23.9%)	35.1%	47.1%
EBITDA	na	(88.5%)	(9.8%)	(4.8%)	14.1%	23.0%
EBIT	na	(92.5%)	(13.6%)	(15.0%)	20.1%	34.7%
Net profit	na	(92.8%)	(13.1%)	(17.3%)	13.0%	26.4%
Adj. net profit	na	29.7%	12.2%	(30.5%)	28.8%	21.2%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	24.7%	25.4%	24.1%	23.2%	23.3%	23.6%
Operating margin	1.2%	2.2%	1.5%	1.0%	1.3%	1.7%
EBITDA margin	52.2%	5.5%	4.5%	3.8%	3.9%	4.5%
Adj. net profit margin	3.5%	4.2%	4.3%	2.7%	3.1%	3.5%
Return on equity (ROE)	na	10.4%	8.5%	6.4%	6.2%	6.8%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.9)	(0.5)	(0.6)	(0.7)	(0.8)	(0.8)
Current ratio (x)	1.3	1.2	1.2	1.2	1.2	1.3
Receivable turnover days	5.9	5.6	8.0	6.0	6.0	6.0
Inventory turnover days	64.1	70.2	69.3	72.0	70.0	70.0
Payable turnover days	138.5	147.7	148.0	148.0	148.0	148.0

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	0.5	17.2	19.5	24.4	21.5	17.1
P/E (diluted)	17.2	13.8	12.1	17.8	13.7	11.4
P/B	0.7	1.7	1.6	1.5	1.2	1.1
P/CFPS	3.2	6.3	8.2	10.9	6.3	6.5
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.

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.
Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.
This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.
The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.
CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.
Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom
This report has been provided only to persons (I)falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time)("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.,) of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States
CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore
This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.