

# Sanhua (002050 CH)

## Dual-Engine Momentum Conversion

China | Automobile Components | Company Report

2 June 2026

### Company Profile

Sanhua is the world's largest manufacturer of HVACR controls and components, focusing on heat management business with heat pump technology as the core. It operates the domestic and commercial air conditioning business as well as automotive heat management fields, establishing a leading position in the industry. The products of the Company such as electronic expansion valves of air conditioning, four-way reversing valves, solenoid valves, micro-channel heat exchangers, automotive electronic expansion valves, new energy vehicle heat management integrated components and omega pumps have the highest market share across the world. The market proportion of service valves, thermostatic expansion valves for vehicles and receivers rank top among the world.

### Investment Summary

#### Core Business Maintained High Growth, Profitability Improved

FY2025 full-year results: The Company reported revenue of RMB31,012 million (RMB, the same below), up 10.97% yoy; net profit attributable to the parent company of RMB4,063 million, up 31.10% yoy; and gross margin of 28.8%, up 1.4 ppts yoy. The Company adopted a raw material price linkage mechanism and hedging measures to reduce costs and enhance efficiency, while continuously optimising its product mix and benefiting from economies of scale, driving an improvement in profitability.

In terms of business structure, revenue from refrigeration and air-conditioning electrical appliance components amounted to RMB18,585 million (accounting for 59.93%), up 12.22% yoy; revenue from automotive components amounted to RMB12,427 million (accounting for 40.07%), up 9.14% yoy.

FY2026 Q1 results: Revenue amounted to RMB7,774 million, up slightly by 1.36% yoy; net profit attributable to the parent company was RMB928 million, up 2.68% yoy; and net profit excluding non-recurring items was RMB986 million, up 15.52% yoy. Gross margin was 27.8%, up 1.0 ppt yoy. Although growth was moderate, after adding back foreign exchange losses of RMB140-150 million and securities investment losses of RMB100 million, adjusted net profit grew by more than 30% yoy, with net profit margin rising to 14.6%. This reflects that despite the challenge of rising raw material costs caused by the situation in the Middle East in Q1, the Company still achieved solid results growth.

#### Refrigeration Business Foundation Remained Solid, Liquid Cooling and Energy Storage Demand Was Strong

In 2025, revenue from the refrigeration components business grew against the trend, despite a 1.2% decline in total domestic air-conditioner industry sales volume. This was mainly attributable to the steady increase in market share and product mix optimisation. The segment's gross margin was 28.8%, up 1.42 ppts yoy. Notably, the Company's annual sales from liquid cooling and energy storage businesses reached RMB2 billion, among which revenue from data centre liquid cooling doubled. In 2026 Q1, despite a 3% yoy decline in domestic air-conditioner sales volume, the Company achieved steady revenue growth by expanding its data centre liquid cooling business and new application scenarios for energy storage thermal management. Based on strong demand, the Company maintained its full-year guidance of high growth of 50%-100% for data centre and energy storage-related businesses.

### Accumulate (Maintain)

CMP CNY 46.34

(Closing price as at 29 May)

TARGET CNY 53.4 (+15.2%)

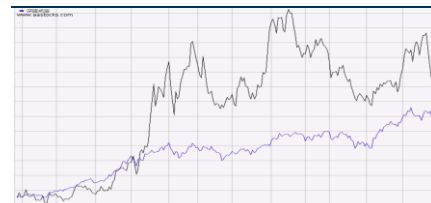
#### COMPANY DATA

O/S SHARES (MN) :	4208
MARKET CAP (CNY MN) :	186583
52 - WK HI/LO (CNY):	60.77/ 23.75

#### SHARE HOLDING PATTERN, %

Mr Zhangs'	39.03
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#### PRICE VS. SZ



Source: Phillip Securities (HK) Research

#### KEY FINANCIALS

CNY mn	FY25	FY26E	FY27E	FY28E
Net Sales	31012	35408	41475	46861
Net Profit	4063	4680	5459	6540
EPS, CNY	0.97	1.11	1.30	1.55
P/E, x	48.0	41.7	35.7	29.8
BVPS, CNY	7.54	8.17	8.95	9.86
P/BV, x	6.1	5.7	5.2	4.7
DPS (CNY)	0.40	0.50	0.55	0.65
Div. Yield (%)	0.9%	1.1%	1.2%	1.4%

Source: Company reports, Phillip Securities Est.

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### Refined Operations in Automotive Components Business

In 2025, the gross margin of the automotive components business segment increased by 1.15 ppts to 28.8%, reflecting the strategic results of the Company's shift from scale expansion to refined operations. In 2026 Q1, although NEV sales volume declined by 3.7% yoy, the Company's core customer Tesla recorded a 13% yoy increase in global production in Q1, the proportion of domestic emerging automaker customers increased, and exports of domestic brands grew rapidly, jointly driving the Company's automotive components business growth to outperform the industry average. Moreover, the Company's automotive thermal management business is transforming and upgrading from component supply to system integration, which helps increase the value of products per vehicle, product value-added and overall competitiveness.

### Cost Reduction and Efficiency Enhancement Delivered Significant Results

In 2025 H2, the Company adjusted its strategy and refocused on operational improvements. Through measures such as digital transformation and upgrades, the introduction of AI and digital employee tools, and the optimisation of operational efficiency at overseas bases, the Company improved its operational efficiency. In 2025 and 2026 Q1, the period expense ratios (sales + administration expense ratios) decreased by 0.65 ppts and 0.88 ppts yoy to 13.01% and 11.69%, respectively, with economies of scale continuing to emerge.

### Liquid Cooling Contributes Short-Term Certain Incremental Growth, While Robotics Opens Up a Hundred-Billion-Level Growth Space

The Company has entered the liquid cooling and energy storage sectors as a thermal management component supplier, with core products covering valves, pumps, heat exchangers and sensors. The common architecture of thermal management technology across the three major scenarios of automobiles, robotics and AI servers gives the Company the ability to reuse its technology for "one core and three applications". Its R&D investment efficiency is significantly higher than that of single-track companies, with a high self-production rate, more mature products and a clear platform-based expansion path. It has currently reached cooperation with several leading thermal management integrators. Among them, Tesla's HW4.0 valve island product has secured a nomination and entered the batch delivery stage, while AI server liquid cooling has reached cooperation with leading domestic cloud vendors, entered the prototype testing stage, and is expected to achieve small-scale mass production within the year. Short-term growth certainty in the liquid cooling segment is promising.

In the robotics field, the Company has entered the biomimetic robot market as an electromechanical actuator supplier, actively cooperating with customers in product R&D, trial production and iteration, while stepping up joint development efforts. At the same time, it is strengthening its technology reserves and capacity layout in parallel, and has launched the construction of a RMB3.8 billion robotics production base, laying the foundation for future profit growth.

### Investment Thesis

Sanhua Intelligent Controls is a leader in refrigeration components. As global NEV penetration remains on an upward trend, the Company's technical barriers and customer advantages remain solid, and its market share is expected to continue increasing. Its automotive components business is expected to maintain a double-digit CAGR over the next three years, while the liquid cooling and energy storage businesses have relatively high certainty of sustaining high growth. In the long term, the potential space in the robotics track is expected to reshape the Company's valuation logic.

As for valuation, we expected the Company's 2026/2027/2028 earnings per share to 1.11/1.30/1.55 yuan, a yoy increase of 15.2%/16.7%/19.8%. And we accordingly gave the target price to RMB53.4, respectively 48/41.2/34.4x P/E for 2026/2027/2028. "Accumulate" rating. (Closing price as at 29 May)

### Risk

Progress of new production line is below expectations  
 Electric vehicle sales fall short of expectations  
 Macroeconomic downturn affects product demand  
 Sharply rising raw material prices or sharply falling product prices

## Financials

FYE DEC	FY24	FY25	FY26F	FY27F	FY28F
<b>Valuation Ratios</b>					
P/E (X), adj.	55.8	48.0	41.7	35.7	29.8
P/B (X)	9.0	6.1	5.7	5.2	4.7
Dividend Yield (%)	0.8%	0.9%	1.1%	1.2%	1.4%
<b>Per share data (RMB)</b>					
EPS, (Basic)	0.83	0.97	1.11	1.30	1.55
EPS, (Diluted)	0.83	0.97	1.11	1.30	1.55
DPS	0.35	0.40	0.50	0.55	0.65
BVPS	5.17	7.54	8.17	8.95	9.86
<b>Growth &amp; Margins (%)</b>					
<b>Growth</b>					
Revenue	13.8%	11.0%	14.2%	17.1%	13.0%
EBIT	5.3%	35.3%	17.7%	14.1%	19.7%
Net Income, adj.	6.1%	31.1%	15.2%	16.7%	19.8%
<b>Margins</b>					
Gross margin	27.5%	28.8%	28.5%	28.5%	28.9%
EBIT margin	13.1%	16.0%	16.5%	16.1%	17.0%
Net Profit Margin	11.1%	13.1%	13.2%	13.2%	14.0%
<b>Key Ratios</b>					
ROE	16.7%	15.2%	14.1%	15.2%	16.5%
<b>Income Statement (RMB mn)</b>					
<b>Revenue</b>	<b>27947</b>	<b>31012</b>	<b>35408</b>	<b>41475</b>	<b>46861</b>
<b>Gross profit</b>	<b>7677</b>	<b>8924</b>	<b>10102</b>	<b>11804</b>	<b>13557</b>
EBIT	3666	4960	5839	6664	7976
Profit before tax	3692	4844	5576	6513	7812
<b>Tax</b>	<b>580</b>	<b>737</b>	<b>848</b>	<b>993</b>	<b>1191</b>
Profit for the period	3112	4107	4729	5519	6620
Minority interests	13	44	49	60	80
Total capital share	3732	4208	4208	4208	4208
<b>Net profit</b>	<b>3099</b>	<b>4063</b>	<b>4680</b>	<b>5459</b>	<b>6540</b>

Source: PSR

(Closing price as at 29 May)

### PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm$ 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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