Action | Citi Research

14 Aug 2026 11:29:00 ET | 13 pages

Merida (9914.TW)

China and EU Improve; SBC Visibility Remains Low

CITI'S TAKE

We maintain our Neutral rating as we believe Merida's better core biz recovery helped by strong China and EU subsidiaries is balanced by low visibility of SBC and limited near-term catalysts. Resilient China demand, EU inventory normalization and a better mix should support margins, but soft OEM and e-bike shipments and strategic reductions in outgoing model supply will likely constrain near-term sales growth. We raise our 2026-2028E earnings forecasts by 3-5% and lift our TP to NT$93, based on 15.5x NTM P/E. A more constructive view would require clearer evidence of sustainable SBC profitability, stronger OEM orders or better sell-through from upcoming product launches.

Neutral	
Price (14 Aug 26 13:30)	NT$83.30
Target price	NT$93.00↑
from NT$72.00	
Expected share price return	11.6%
Expected dividend yield	2.6%
Expected total return	14.3%
Market Cap	NT$24,905M
	US$775M

Outlook: TW plant shipment down single digit y/y while China turns positive y/y for FY26 — China shipments are guided to increase to 700K units from 630K in 2025, while TW pedal bike shipments should increase to 160K units from 140K. By contrast, TW e-bikes shipments are expected to drop to 120K in 2026 from 170K in 2025, reflecting a higher base and continued adjustment in e-bike biz. All in, Merida expects FY26 group sales to decrease by low teens y/y.

SBC: underlying profitability improved, yet tax a major drag — SBC 1H26 sales decreased by a single digit y/y, partly because it strategically reduced supply of outgoing models ahead of product launches. Nevertheless, pre-tax profit rose 41% y/y and pre-tax margin expanded to 6% from 3%, suggesting meaningful improvement in underlying operations. All regions except US were profitable; however, US losses combined with a larger accrual tax resulted in a higher effective tax rate, leading to a net loss. Mgmt. expects SBC's bottom-line to generate a profit comparable with 2025.

China: better than expected growth led by affordable products — China delivered 1H26 unit growth of 13% y/y and sales growth of 6% y/y, driven by resilient demand for entry level bikes. The lower sales growth relative to unit growth reflects a shift toward more affordable models, with 2Q26 ASP at RMB 1,550. Mgmt. notes the underlying demand is returning to a healthier and more rational pattern. China 1H26 GPM reached c.15% vs. 11% for TW plant. (continued)

Price Performance
(RIC: 9914.TW, BB: 9914 TT)

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Earnings Summary

Year to 31 Dec	Net Profit (NT$M)	Diluted EPS (NT$)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	-699	-2.34	-141.3	na	1.3	-3.5	4.8
2025A	1,200	4.01	271.7	20.8	1.3	6.2	3.0
2026E	1,590	5.32	32.4	15.7	1.2	8.0	3.9
2027E	2,024	6.77	27.3	12.3	1.2	9.8	5.0
2028E	2,325	7.78	14.9	10.7	1.1	10.8	5.8

Source: Powered by dataCentral

9914.TW: Fiscal year end 31-Dec

Price: NT$83.30; TP: NT$93.00; Market Cap: NT$24,905m; Recomm: Neutral

Profit & Loss (NT$m)	2024	2025	2026E	2027E	2028E
Sales revenue	29,633	26,757	24,505	26,129	27,896
Cost of sales	-24,253	-22,985	-20,256	-21,815	-23,225
Gross profit	5,380	3,773	4,249	4,315	4,671
Gross Margin (%)	18.2	14.1	17.3	16.5	16.7
EBITDA (Adj)	**3,349**	**1,947**	**2,280**	**2,276**	**2,560**
EBITDA Margin (Adj) (%)	11.3	7.3	9.3	8.7	9.2
Depreciation	-294	-265	-279	-282	-284
Amortisation	-21	-18	-13	-13	-13
EBIT (Adj)	**3,033**	**1,663**	**1,987**	**1,981**	**2,263**
EBIT Margin (Adj) (%)	10.2	6.2	8.1	7.6	8.1
Net interest	-134	-89	-72	-20	0
Associates	0	0	0	0	0
Non-Op/Except/Other Adj	-3,632	15	222	751	845
Pre-tax profit	**-733**	**1,589**	**2,137**	**2,712**	**3,108**
Tax	-34	-373	-532	-672	-767
Extraord./Min.Int./Pref.div.	67	-16	-16	-16	-16
Reported net profit	**-699**	**1,200**	**1,590**	**2,024**	**2,325**
Net Margin (%)	-2.4	4.5	6.5	7.7	8.3
Core NPAT	-699	1,200	1,590	2,024	2,325
Per share data	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Reported EPS ($)	-2.34	4.01	5.32	6.77	7.78
Core EPS ($)	-2.34	4.01	5.32	6.77	7.78
DPS ($)	4.00	2.48	3.28	4.18	4.80
CFPS ($)	7.48	8.17	9.22	6.72	7.89
FCFPS ($)	7.11	7.85	8.21	5.72	6.88
BVPS ($)	64.54	64.86	67.30	70.42	74.07
Wtd avg ord shares (m)	299	299	299	299	299
Wtd avg diluted shares (m)	299	299	299	299	299
Growth rates	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Sales revenue (%)	8.7	-9.7	-8.4	6.6	6.8
EBIT (Adj) (%)	-10.4	-45.2	19.5	-0.3	14.2
Core NPAT (%)	-141.3	271.7	32.4	27.3	14.9
Core EPS (%)	-141.3	271.7	32.4	27.3	14.9
Balance Sheet (NT$m)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Cash & cash equiv.	3,698	3,612	5,189	5,791	6,598
Accounts receivables	2,660	3,036	2,608	2,781	2,969
Inventory	10,721	8,469	8,178	8,509	8,741
Net fixed & other tangibles	3,757	2,898	2,919	2,937	2,953
Goodwill & intangibles	51	38	38	38	38
Financial & other assets	16,695	17,150	16,975	17,022	17,074
Total assets	**37,582**	**35,203**	**35,908**	**37,078**	**38,373**
Accounts payable	4,149	3,044	3,114	3,294	3,444
Short-term debt	7,341	7,155	7,155	7,155	7,155
Long-term debt	912	318	318	318	318
Provisions & other liab	4,898	4,862	4,756	4,801	4,842
Total liabilities	**17,300**	**15,380**	**15,343**	**15,568**	**15,758**
Shareholders' equity	19,295	19,393	20,121	21,054	22,146
Minority interests	987	430	443	456	469
Total equity	**20,282**	**19,823**	**20,564**	**21,510**	**22,615**
Net debt (Adj)	**4,555**	**3,861**	**2,284**	**1,682**	**875**
Net debt to equity (Adj) (%)	22.5	19.5	11.1	7.8	3.9

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	-35.6	20.8	15.7	12.3	10.7
PB (x)	1.3	1.3	1.2	1.2	1.1
EV/EBITDA (x)	3.8	7.0	5.3	4.9	4.1
FCF yield (%)	8.5	9.4	9.9	6.9	8.3
Dividend yield (%)	4.8	3.0	3.9	5.0	5.8
Payout ratio (%)	-171	62	62	62	62
ROE (%)	-3.5	6.2	8.0	9.8	10.8
Cashflow (NT$m)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
EBITDA	3,349	1,947	2,280	2,276	2,560
Working capital	-193	1,000	788	-324	-271
Other	-918	-505	-312	57	68
Operating cashflow	**2,237**	**2,441**	**2,756**	**2,009**	**2,358**
Capex	-110	-95	-300	-300	-300
Net acq/disposals	-216	91	0	0	0
Other	-1	7	-13	-13	-13
Investing cashflow	**-328**	**2**	**-313**	**-313**	**-313**
Dividends paid	-1,794	-1,196	-982	-1,250	-1,436
Financing cashflow	**-1,782**	**-2,515**	**-865**	**-1,094**	**-1,237**
Net change in cash	**181**	**-64**	**1,577**	**602**	**807**
Free cashflow to s/holders	**2,127**	**2,346**	**2,456**	**1,709**	**2,058**

For definitions of the items in this table, please click here.

EU: recovering as inventories normalized — EU subsidiaries' 1H26 sales were up 14% y/y and profit grew >45% y/y, supported by normalized channel inventories and new product launches. Mgmt. is seeing a recovery across both conventional road bikes and e-bikes, although the broader recovery remains gradual. EU subsidiaries generated an avg GPM of 24-25% in 1H26.

Implications — We raise our 2026-28E earnings forecasts by 3-5%, mainly to incorporate stronger gross margin in Merida's core business, supported by a better product mix, fewer discounted products, and improving profitability at its EU subsidiaries. We also factor in better China OBM sales and a gradual EU market recovery. We trim our non-op income for 2026-2028E to factor in SBC miss in 2Q26.

We lift our TP to NT$93 based on 15.5x 2H26-1H27E EPS. Our target multiple is 40% below its historical average, reflecting limited visibility into SBC's profitability, still soft OEM and e-bike shipment and the group's sales decline expected in 2026E.

We maintain our Neutral rating as we see limited near-term catalysts following the strong 2Q margin performance. A more constructive view would require clearer evidence of sustainable SBC net profitability, stronger OEM orders or better sell-through from upcoming product launches.

Figure 1. Merida: Earnings Estimates Revision

	2026E			2027E			2028E		
NT$ mn	New	Old	Chg	New	Old	Chg	New	Old	Chg
Revenue	24,505	23,866	*3%*	26,129	25,722	*2%*	27,896	27,669	*1%*
Gross profit	4,249	3,586	*19%*	4,315	3,962	*9%*	4,671	4,284	*9%*
OPEX	2,262	2,001	*13%*	2,334	2,079	*12%*	2,408	2,153	*12%*
Operating profit	1,987	1,585	*25%*	1,981	1,883	*5%*	2,263	2,131	*6%*
Pre-tax profit	2,137	2,076	*3%*	2,712	2,615	*4%*	3,108	2,956	*5%*
Net profit	1,590	1,544	*3%*	2,024	1,951	*4%*	2,325	2,211	*5%*
Basic EPS (NT$)	5.32	5.16	*3%*	6.77	6.53	*4%*	7.78	7.39	*5%*
Ratio	New	Old	*dffi*	New	Old	*dffi*	New	Old	*dffi*
Gross margin (%)	17.3	15.0	*2.3*	16.5	15.4	*1.1*	16.7	15.5	*1.3*
OPEX to Sales ratio (%)	9.2	8.4	*0.9*	8.9	8.1	*0.9*	8.6	7.8	*0.8*
Operating margin (%)	8.1	6.6	*1.5*	7.6	7.3	*0.3*	8.1	7.7	*0.4*
Net margin (%)	6.5	6.5	*0.0*	7.7	7.6	*0.2*	8.3	8.0	*0.3*

Source: Citi Research, Citi Research Estimates

Bull/Bear: Merida (9914.TW)

NT$ 118.00 ▲42% Upside	NT$ 93.00 ▲12% Upside	NT$ 70.00 ▼16% Downside

Spread 58pp
Current Price and expected returns (upside/downside) as of 14 Aug 2026

BULL Assumptions

- Sales increase of 0-2% yoy in 2026E
- GPM of 18% in 2026E
- Target P/E of 19x

BASE Assumptions

- Sales decrease of 8-10% yoy in 2026E
- GPM of 16-17% in 2026E
- Target P/E of 15.5x

BEAR Assumptions

- Sales decrease of 10-15% yoy in 2026E
- GPM of 15-16% in 2026E
- Target P/E of 13x

Merida

Company description

Merida is the second-largest bike manufacturer in Taiwan. Founded in 1972, Merida was initially involved in OEM manufacturing before it started marketing bikes under its own Merida brand in 1986. Merida has expanded its footprint globally through its Merida brand and three OEM brands: Specialized (in which Merida has a 35% stake), Centurion (51% stake), and Miyata (45%). Merida's own brand contributes around 30-40% of total revenues. Merida has established a proprietary network of stores throughout China, with 16 wholly owned subsidiaries and close to 2,000 retailers that sell only Merida-branded bikes.

Investment strategy

We rate Merida shares as Neutral. Although bike inventories have normalised in the major markets after aggressive clearance over the past 2 years, slower-than-expected bike demand recovery continues to weigh on Merida's topline momentum. The EU market appears to be where we should see better growth for 2026E, while China market also turns better than expected from 2Q26; yet with low visibility of SBC profit trend and limited positive catalysts in sight, we expect the share price to be range bound.

Valuation

Our target price for Merida shares of NT$93 is based on a 2H26-1H27E P/E of 15.5x, a 30% discount to its historical average of 22x during pre-Covid years (2014-2019), in view of soft order momentum as a result of slow recovery in bike demand, a volatile margin trend, and low visibility of SBC.

Risks

Downside risks that could mean the Merida shares trade below our target price include: 1) e-bike adoption slower than expected; 2) weaker restocking demand; 3) lukewarm sell-through at SBC; and 4) a weaker macro.

Upside risks that could mean the Merida shares trade above our target price include: 1) e-bike adoption faster than expected; 2) stronger restocking demand; 3) stronger sell-through at SBC; and 4) a strong macro.

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Appendix A-1

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IMPORTANT DISCLOSURES

Merida (9914.TW)

Ratings and Target Price History
Fundamental Research

Analyst: Angela Hsu

Date	Rating	Target Price	Closing Price
1 27-Nov-23 01:53:53	1	*215.00	179.00
2 06-Mar-24 15:52:43	1	*245.00	216.50
3 25-Jun-24 06:39:13	1	*250.00	223.00
4 03-Oct-24 05:20:14	*2	*215.00	221.50
5 13-Nov-24 09:12:29	2	*170.00	160.50
6 12-Jan-25 09:57:05	2	*160.00	153.50
7 15-May-25 06:13:15	2	*145.00	131.50
8 27-Aug-25 01:39:34	2	*123.00	112.50
9 21-Nov-25 06:01:50	2	*100.00	90.40
10 05-Feb-26 05:00:54	2	*96.00	86.40
11 13-Mar-26 10:50:40	2	*77.00	69.20
12 28-May-26 02:45:44	2	*72.00	66.00

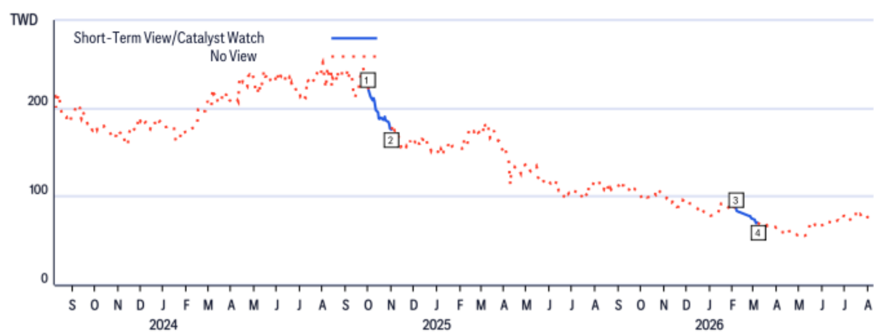
*Indicates Change

Rating/target price changes above reflect Eastern Time

Merida (9914.TW)

Short-Term View/Catalyst Watch Research

Analyst: Angela Hsu



Date	Action	Expected Direction	Duration	Closing Price
1 03-Oct-24 01:20:14	Add CW	Downside	30 Days	221.50
2 01-Nov-24 14:30:02	Remove CW	Downside	30 Days	176.00
3 05-Feb-26 00:00:54	Add STV	Downside	30 Days	86.40
4 06-Mar-26 12:23:03	Remove STV	Downside	30 Days	70.30

CW - Catalyst Watch , STV - Short-Term View

Rating/target price changes above reflect Eastern Time

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	12 Month Rating			Catalyst Watch		
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% of companies in each rating category that are investment banking clients	38%	42%	27%	42%	37%	36%

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