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Zacks Small-Cap Research

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Viomi Technology Co., Ltd (NASDAQ: VIOT)

VIOT: The Chinese Consumer Pullback Impacted First Half Results. Valuation is Compelling as International Markets May Deliver Future Growth.

Viomi released its first-half 2026 financial results with revenue and earnings per ADS falling well short of our adjusted forecasts. The strong balance sheet and sizeable share buyback program offer investors some protection. We are maintaining our 12-month valuation target at $2.25/ADS.

Current Price (8/27/26)	$0.82
Valuation	**$2.25**

OUTLOOK

Viomi Technology released its first-half 2026 financial results, which showed that the company continues to be affected by the consumer spending slowdown in China and by demand pulled forward in 2025 due to national subsidies.

Several major appliance manufacturers in China have reported similar 40-55% declines in year-over-year sales, and Viomi was not immune to the weak operating environment.

We anticipate that the company will expand into new international markets in 2026, but we assume the market in China will remain challenging.

SUMMARY DATA

52-Week High	**$3.68**
52-Week Low	**$0.66**
One-Year Return (%)	**-75%**
Beta	**0.43**
Average Daily Volume (sh)	**174,260**
Shares Outstanding (mil)	**68**
Market Capitalization ($mil)	**$56**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**1**
Insider Ownership (%)	**34**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2026 Estimate	**N/A**
P/E using 2027 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**High**
Type of Stock	**Small-Value**
Industry	**Home water filtration**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2024		115 A		176 A	290 A
2025		211 A		136 A	347 A
2026		109 A		122 E	230 E
2027		113 E		128 E	241 E

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2024		$0.01 A		$0.11 A	$0.13 A
2025		$0.25 A		$0.04 A	$0.29 A
2026		($0.06)A		($0.03)E	($0.09)E
2027		($0.04)E		($0.01)E	$(0.05)E

*2024 Rev/EPS restated to reflect continuing operations

*6 month estimates may not sum due to different exchange rates

WHAT'S NEW

First Half 2026 Results

Viomi Technology reported first-half results before the market open on August 27th that fell short of our expectations, as the market struggles to find balance after the national water-purification subsidy program in China was not renewed in 2026. We have had some difficulty determining exactly how much demand was pulled forward into 2025 as a result of these subsidies, but it is clear, after reviewing the company's first-half results and those of other home appliance companies focused on the Chinese market, that the impact was far greater than we expected. We do feel that comparisons will get easier for the balance of 2026; however, given the nature of the company's products, it is unclear how quickly the domestic market will resume its growth trajectory. The Chinese shopping holidays in November and December should help second-half results, but we are electing to be conservative with our new forecasts.

Viomi's total revenues for the first half of 2026 were RMB 740 million ($109 million), missing our revenue forecast by RMB 182 million, or nearly 20%. Revenues were down almost 50% versus the same period a year ago and 22% sequentially, as the market continues to seek a new equilibrium in the Chinese market after the national subsidy program for water purification was not renewed. Unlike many of the company's competitors that also sell numerous kitchen appliances, HVAC equipment, washers and dryers, etc., Viomi's focus on the water purification market means the impact of the subsidy's elimination on Viomi was likely more pronounced than on many of its competitors. It is difficult to gauge how much of the 2026 sales decline was due to the subsidy elimination and how much to the general slowdown in home appliance spending, but we recognize that the impact was greater on appliance manufacturers like Viomi with limited international exposure.

It is worth noting that home goods sales (even those still eligible for subsidies) fell roughly 30% in China in the first half of 2026 as the effectiveness of broad subsidies has diminished over time. In effect, consumers have capitalized on these programs in 2024 or 2025 to upgrade water purification, heating, refrigeration, or cooking appliances, and given the long life expectancy of these appliances, there simply aren't enough domestic consumers to support the same level of demand each year. Companies with thriving international businesses and broad product lineups, such as Haier Smart Home (HKSE: 6690.HK), have weathered this period better than companies with less diverse product lineups or greater sales concentration in China.

While Viomi has not provided official guidance for the balance of 2026 and 2027, other large home appliance manufacturers based in China largely project a gradual recovery of the market in the back half of 2026, driven largely by International growth and stabilization of the domestic market. We believe that comparisons with the second half of 2025 will also become easier (the demand decline began in the second half of 2025), so investors should be able to see an improving trend in sequential sales.

We are encouraged that the company's consumables business (water filters) managed to show year-over-year growth of nearly 7% despite a difficult comparison to the first half of 2025. This is in line with our thesis that as the company's installed base of water filtration systems grows, its consumable business should become a larger portion of the overall business, eventually leading to increased margins. Unfortunately, this story has been a bit derailed by market dislocation caused by the 2025 subsidy and its non-renewal in 2026.

The company's relationship with Xiaomi remains critical to its business, with 90% of total revenues derived from Xiaomi. As noted before, the company's reliance on Xiaomi poses a significant risk to investors, and we would look for an update on the status of the relationship in the second half of 2026, as we believe the current contract runs through 2027. The relationship between Xiaomi and Viomi appears strong, and we do not envision the structure changing, but it is a potential catalyst for investors to monitor.

Viomi's gross margin improved slightly in the first half of 2026, likely due to the increased contribution of consumables to overall sales.

The company continues to work to contain operating costs, and we think that will be a theme through 2026 and 2027.

As a result of the decline in sales and a fairly stable cost structure, the company reported a net loss of RMB 26.2 million, or $(3.9 million), for the first half, and earnings per ADS of $(0.06), versus our estimate of $0.03 per ADS.

OPERATIONAL PRIORITIES

Viomi’s management has previously discussed international expansion, but given the operating backdrop in China, there appears to be new urgency to focus on international expansion in key markets like North America and Southeast Asia. The North American market is challenging given the way water systems are sold (primarily online or in big-box retailers) and consumers that have limited capacity to handle installations. The company did note that its Amazon business sustained “triple-digit” year-over-year growth, but we believe that was off a very small base. The company’s products now appear at the top of sponsored search results when searching for reverse osmosis undersink filtration, but other brands like iSpring and Waterdrop still dominate the “best sellers” category. The company also noted that it was increasing R&D investments to bring new cooling and ice-making products to the market. These products could be particularly important as the company looks to expand in Southeast Asia.

The company also noted that it would seek to identify overseas strategic partners to help Viomi improve overall capacity utilization at its large filter factory. We have previously noted in conversations with management that several well-known home appliance brands lack a water filtration solution, and that the company could offer a private-label manufacturing option to help these brands access key markets. The company could also address the issue of excess capacity by producing filters for another company, but that may require retooling filter machinery, as each manufacturer has a proprietary approach to filter technology.

Given the challenges the company has faced in accessing the North American market so far, we are encouraged by the company’s decision to think outside the box to improve its growth outlook.

Finally, the company noted that it would be reviewing its cost structure to ensure a rapid return to profitability.

XIAOMI UPDATE

Sales to Xiaomi accounted for roughly 90% of total sales in the first half of 2026, underscoring the importance of this relationship.

Figure 1: Viomi Revenues from Xiaomi

	2022	2023	2024	H1 2025	H2 2025	H1 2026
Revenues from Xiaomi	¥ 1,336.6	¥ 1,292.9	¥ 1,752.2	¥ 1,361.0	¥ 853.8	¥ 666.1
Percentage of Total Revenues from Xiaomi	74.7%	78.9%	82.7%	92.1%	89.8%	90.0%

Source: Company Filings and Zacks Small Cap Research

Xiaomi has had a challenging year as memory costs have squeezed margins in its core smartphone business while Apple and Huawei have held prices firm to gain market share. The company's EV business is struggling to maintain market share in a very competitive Chinese auto market.

While the company's shares have rebounded a bit in August, Xiaomi's stock traded around $20 per share in early June, the lowest valuation for the company since 2024.

RECENT NEWS

Viomi has not had much news in recent months, but did note that it received a notice from the NASDAQ indicating that, because the ADSs are trading below $1.00, the company no longer meets the NASDAQ minimum bid requirement. The company has a 180-day compliance period (through January 19, 2027) for the stock to trade above $1.00 for 10 consecutive days to regain compliance.

BUYBACK UPDATE

In late October, the company announced that its board of directors had approved a stock buyback program under which Viomi can repurchase up to $20 million of its ADSs through December 31, 2027.

As of 6/30/26, Viomi indicated that it had repurchased approximately 2.4 million ADSs for $3.8 million, with the most recent trades averaging just under $1.00 per ADS. With more than $16.2 million available under the buyback facility, we think the company will be aggressive in this program when the stock is weak, which should provide a floor for the ADSs.

MODEL UPDATE AND VALUATION

The degree to which sales were pulled forward into the first half of 2025 as a result of the Chinese subsidies on water purification systems remains somewhat unknown, but it is clear that, like other broad stimulus programs (like "cash for clunkers" in the US), they have a long tail when it comes to impacting the market for products purchased once every 5-8 years. We had assumed that the impact of the subsidy would be similar to other "old-for-new" plans enacted around the globe, but unknown variables, such as the health of the Chinese domestic economy and Xiaomi's domestic reputation, likely also contributed to the weaker-than-expected results.

There continues to be significant period-to-period lumpiness in Viomi's results, and we think this is a good opportunity to reset expectations for Viomi, as several factors remain unknown heading into 2026. We assume the company can stabilize its core business with Xiaomi, gradually expand overseas, and eventually drive higher margins in 2028 and beyond through sales of its own branded products and consumable filters.

We are electing to be conservative with our estimates for 2026 and 2027, as the company's expansion plans are as yet unproven. Rather than assuming the company will rapidly expand into new markets, we now assume the core business will grow in the low single digits, and that successful international expansion could provide upside to our model.

We are updating our revenue estimates to $230 million for 2026 and $241 million for 2027, which we believe is overly conservative, but we would like to see the company demonstrate a return to growth over a few periods before establishing higher goals. Our USD earnings per ADS for 2026 and 2027 are reduced to a loss of ($0.09)/ADS and ($0.05)/ADS, respectively. This adjustment is obviously a major change from our previous forecast of $0.12/ADS for 2026 and $0.17/ADS for 2027, but we think it is the best approach until we can see a sustained path to profitability in the company's core business. With nearly $2/ADS in cash on the balance sheet, we think the company's shares are attractively valued at current prices, and its buyback program could provide additional support.

We believe the company would be fairly valued at an industry-low 0.6x our 2027 Revenue estimate of $241 million, so we are maintaining our 12-month target at $2.25/ADS. We would note that if the company were to expand its share buyback program or reach a major offline retail distribution agreement, it could change our outlook, and the company's shares could find support sooner than anticipated.

OVERVIEW

Viomi Technology Co., Ltd (NASDAQ: VIOT) operates in China, offering water filtration, mineralization systems, and related products as of September 2024. The company has undergone a significant transformation over the past few years, and we believe that this transformation from a large, multi-line, unprofitable home appliance and connected home device company into a significantly smaller, water solutions and kitchen appliance company has not been fully understood by investors.

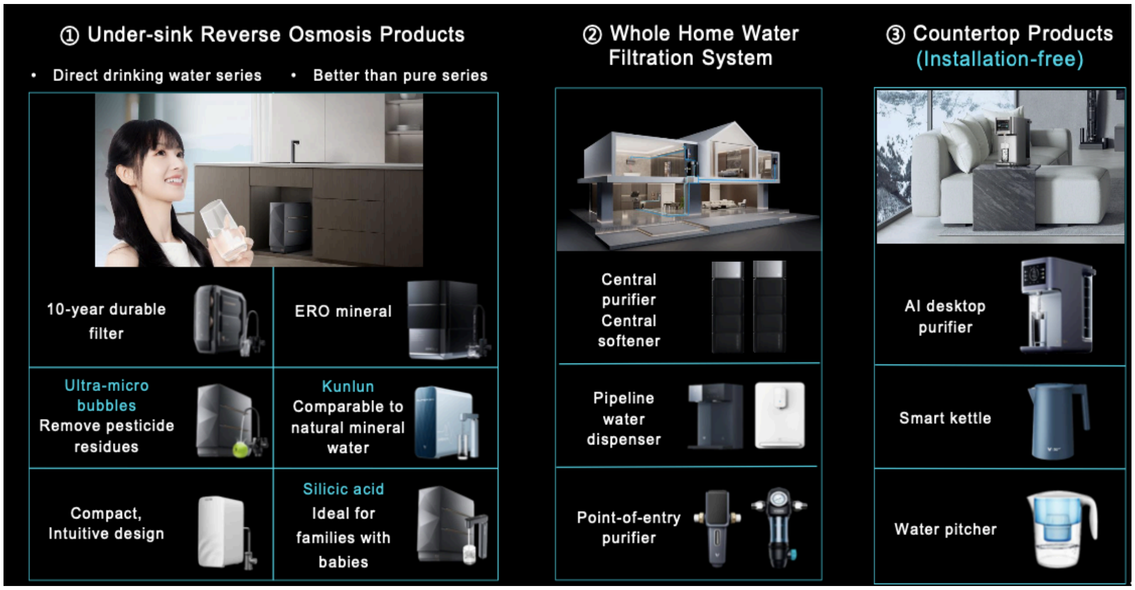
The ongoing operations of Viomi Technology, after the 2024 divestiture of its Internet of Things business, are principally related to the sale of

1. Home water systems – undersink filter systems, whole house filters, water softeners, water heaters, and water quality meters
2. Consumables – water filters
3. Kitchen appliances and other services – range hoods, gas stoves, small appliances, and installation services.

The company’s water purification products are sold under both the Viomi and Xiaomi brands (HKSE: 1810.HK). Xiaomi is a $120 billion smartphone, EV, and consumer electronics giant based in China.

VIOMI'S PRODUCT LINEUP

Figure 2: Viomi's Water Filtration Products



Source: Company Investor Presentation 2024

Viomi's water filtration products include under-the-sink reverse osmosis filtration systems, whole-house filtration systems, and various small countertop products.

Under-the-sink reverse osmosis products – The company offers a variety of products in the under-the-sink category, but the key differentiators are the flow rate of the water, the levels of filtration, and the degree of connectivity. Higher flow rates are valued by some consumers who wish to fill large bottles or pots for cooking. However, it should be noted that these higher flow rates may impact the life of the reverse osmosis membrane, as the force of the water being pushed through the membrane will be greater. The company's standard models marketed under the Viomi brand sell for an average price of between RMB 2,000 and RMB 3,000 ($275-$400) while the carbon filter replacements are around RMB 300 – 400 ($40-$55 - higher if it includes mineralization) and the reverse osmosis filters are around RMB 800 – 1000 ($110-$140).

In May 2025, the company introduced a new line of purifiers called the Kunlun series, which not only filters the water entering a home but also adds up to 6 minerals to the water, creating a "mineral water"-like experience from the tap. While reverse osmosis systems are valued for their ability to remove all contaminants, the process also removes beneficial minerals, such as calcium, magnesium, and iron. Health-conscious consumers are seeking ways to ensure they have access to safe drinking water while still consuming beneficial minerals. The Kunlun series enables consumers to add these minerals back to the water before consumption.

RISKS

- Xiaomi is an important partner, shareholder, and customer of the company. Sales to Xiaomi accounted for over 90% of total revenues in 2025. Obviously, the loss of Xiaomi as a customer would have a severe impact on Viomi and the valuation of the company's ADSs. The company's relationship with Xiaomi is based on a series of contracts that are subject to early termination by Xiaomi under certain circumstances. The company has extended its relationship for the sale of water products to Xiaomi for another three years through 2027.

- The company is currently undergoing a significant expansion of its manufacturing capacity, which is expected to be completed within five years. The first phase of this expansion was completed in 2023, which brought R&D and water purification smart manufacturing to the facility. The second phase of the expansion will include upgrading the water purification supply chain capabilities. If the company experiences delays or increased costs associated with this expansion, it could impact the company's ability to operate profitably.

- The company and its auditors have identified material weaknesses in the company's internal controls over financial reporting, particularly regarding the staff's familiarity with US GAAP. The company has implemented a plan to address these concerns by hiring additional staff who are familiar with US GAAP rules and providing sufficient training to existing staff.

- The company has a dual-class share structure with Class A and Class B shares. The Class B shares entitle the holders to 10 votes at the company's annual meeting versus just one vote for Class A shares. The holders of the Class B shares, principally the company's CEO and a subsidiary of Xiaomi, control over 90% of the voting rights of the company and will be able to exercise substantial control in directing all matters that come before the company for a vote.

- The company's operating entities currently conduct the majority of its operations in China and the People's Republic of China (PRC), and the government has "significant oversight and discretion" over their business. Additionally, economic challenges in China could have a material impact on the company's business.

PROJECTED INCOME STATEMENT

Viomi Technology Co., Ltd.
In USD at RMB 6.81 = 1 USD
8/28/26

		June	Dec		June	Dec		June	Dec	
	2024A	**H1 25 A**	**H2 25 A**	**2025A**	**H1 26 A**	**H2 26 E**	**2026E**	**H1 27 E**	**H2 27 E**	**2027E**
(Millions USD; December Year-End)										
Revenues:										
A related party (Xiaomi)	**249.2**	194.6	122.1	**316.7**	98.2	108.3	**206.2**	99.6	111.4	**211.0**
Third parties	**41.1**	16.7	13.8	**30.5**	10.8	13.4	**24.2**	13.6	16.6	**30.2**
Total Revenues	**290**	**211**	**136**	**347**	**109**	**122**	**230**	**113**	**128**	**241**
Cost of Revenues	215	155	104	259	83	92	175	86	96	182
Gross Profit	**75**	**56**	**32**	**88**	**26.2**	**30**	**55**	**27**	**32**	**59**
Gross Profit Margin	**25.9%**	**26.5%**	**23.5%**	**25.3%**	**24.1%**	**24.6%**	**24.1%**	**24.1%**	**25.1%**	**24.6%**
Operating Expenses:										
Research & Development Expense	20	13	11	24	14	14	29	14	15	29
Selling & Marketing Expense	29	18	21	40	16	16	33	14	17	31
General & Administrative Expense	10	9	3	12	6	6	12	6	6	12
Total Operating Expenses	**58**	**40**	**35**	**76**	**(36)**	**37**	**73**	**35**	**38**	**73**
other income, net	4	1	5	6	3	3	5	3	3	6
Operating Income (Loss)	**21**	**17**	**1**	**19**	**(8)**	**(4)**	**(12)**	**(5)**	**(3)**	**(8)**
Interest & Investment Income/(Loss)	1	3	1	4	2	2	4	2	2	4
Other non-operating Income	0	0	(0)	(0)	0	0	0	0	0	0
Income before Taxes	**22**	**20**	**2**	**23**	**(5)**	**(2)**	**(8)**	**(3)**	**(1)**	**(3)**
Income (Taxes)/Benefit	(2)	(2)	1	(2)	1	0	2	0	0	0
Net income from continuing operations	**20**	**17**	**3**	**21**	**(4)**	**(2)**	**(6)**	**(2)**	**(1)**	**(3)**
Net (loss)/income from discontinued operations	(11)	0	0	0	0	0	-	0	0	-
Less: Net loss attributable to non-controlling interest	(0)	0	0	0	0	0	0	0	0	0
Net Income (Loss) reported	**9**	**17**	**3**	**21**	**(4)**	**(2)**	**(6)**	**(2)**	**(1)**	**(3)**
Net Income in $										
EPS reported	**0.04**	**0.08**	**0.01**	**0.10**	**(0.02)**	**(0.01)**	**(0.03)**	**(0.01)**	**(0.00)**	**(0.02)**
Earnings Per ADS	**0.13**	**0.25**	**0.04**	**0.30**	**(0.06)**	**(0.03)**	**(0.09)**	**(0.04)**	**(0.01)**	**(0.05)**
Diluted Shares (weighted average)	**206.3**	205.9	210.9	**210.9**	203.9	203.4	**203.6**	202.9	202.4	**202.6**
ADS outstanding	68.8	68.6	70.3	70.3	68.0	67.8	67.9	67.6	67.5	67.5
Margins:										
Gross Margin	**25.9%**	26.5%	23.5%	**25.3%**	24.1%	24.6%	**24.1%**	24.1%	25.1%	**24.6%**

1 ADS (American Depository Share) = 3 ordinary shares
* Disposed businesses now reclassified as discontinued operations

Source: Zacks SCR, Brian Lantier, Company Filings

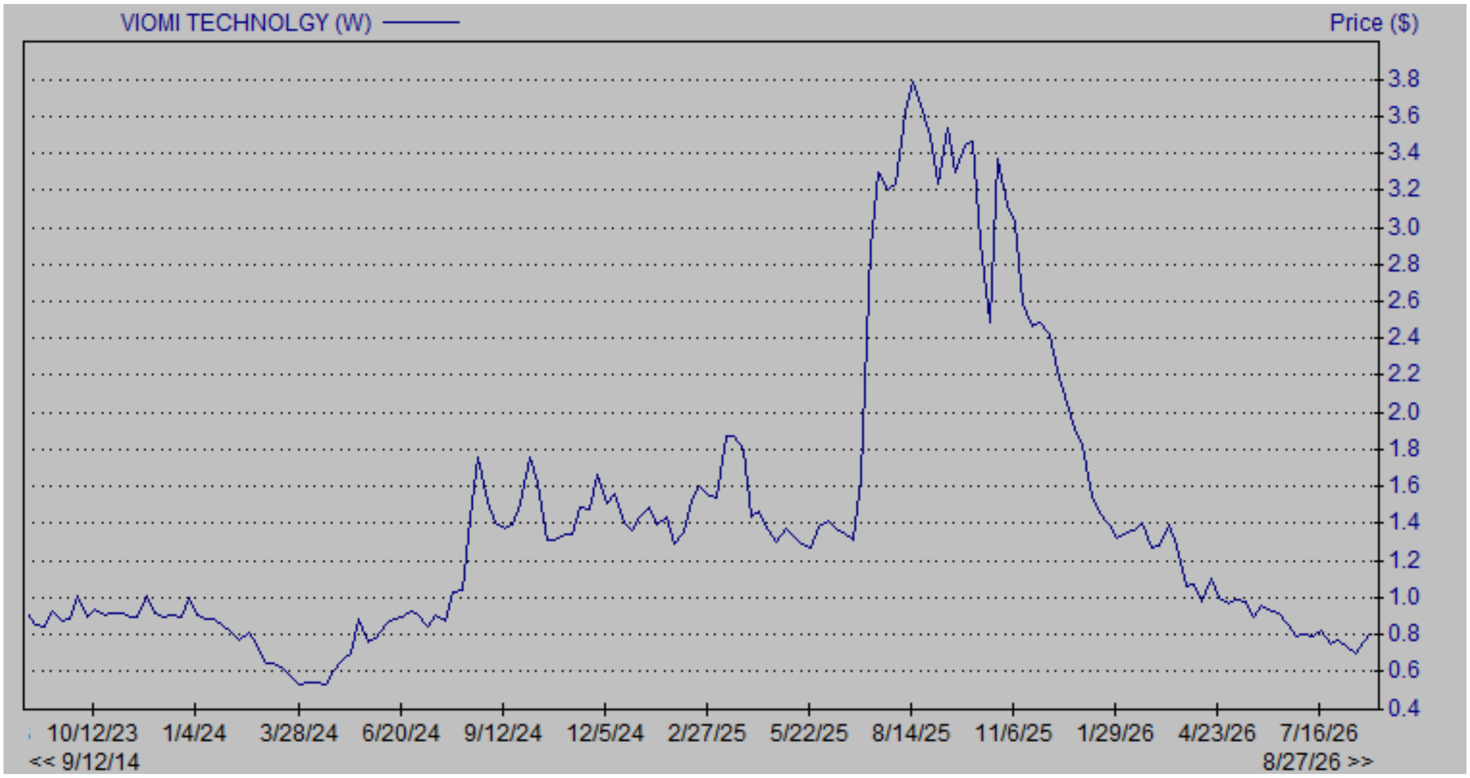
BALANCE SHEET

Viomi Technology Co., Ltd.
Balance Sheet in RMB (RMB 6.785 to US $1.00)
6/30/26

(Renminbi RMB in Millions) 6/30/26		
Assets		
Current Assets	**RMB**	**USD**
Cash and Cash Equivalents	604	89
Restricted Cash Current	153	23
Short-term Deposits	279	41
Short-term Investments	121	18
Accounts and Notes Receivable from 3rd Parties (net)	27	4
Accounts and Notes Receivable from Related Party (net)	390	57
Inventories	116	17
Prepaid expenses and other current assets	99	15
Other receivables from related parties	1	0
Total current assets	1,790	264
Non-Current Assets		
Prepaid expenses and other non-current assets	15	2
Property & Equipment (net)	311	46
Long-term Deposits	20	3
Deferred Tax Assets	22	3
Intangible Assets (net)	6	1
Right of use asset	1	0
Land use rights, net	56	8
Long-term investment	36	5
Total non-current assets	467	69
Total Assets	**2,257**	**333**
Liabilities		
Current Liabilities		
Short-Term borrowing	50	7
Accounts and notes payable	474	70
Advances from customer	12	2
Amount due to related parties	3	0
Accrued expenses and other liabilities	139	20
Income Tax Payable	5	1
Lease liabilities due within one year	0	0
Long-term borrowing-current portion	25	4
Total current liabilities	708	104
Non-Current Liabilities		
Accrued expenses	51	8
Long-term borrowing	39	6
Lease liabilities	0	0
Total Liabilities	**799**	**118**
Shareholder's Equity		
Ordinary Shares	0	0
Treasury Shares	(113)	(17)
Additional Paid-in Capital	1,421	209
Accumulated Other Comprehensive Loss	(25)	(4)
Retained Earnings	170	25
Non-controlling interests	5	1
Shareholder's Equity (Deficiency)	**1,458**	**215**
Total Liabilities & Shareholder's Equity	**2,258**	**333**

Source: Company Press Release

HISTORICAL STOCK PRICE



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