Hesai Group (2525 HK)

3Q26: Core Earnings Up 16% yoy; Robotics Products Ramping Up

Highlights

- Hesai posted mixed 3Q26 results with the beats on LiDAR ASP and SGI revenue offsetting the LiDAR sales miss. Core earnings grew 16% yoy, with the SGI loss partly offsetting the core LiDAR business' 88% EBIT growth.
- Forward earnings will be driven by the stabilisation of ADAS LiDAR prices, as well as robotics businesses. The company expects robotics businesses to contribute 50-60% of revenue in 2027, up from 40-50% in 2026.
- We cut our 2026 GAAP net profit forecast by 28% to the bigger share-based payment and forex loss, and keep those for 2027-28 at Rmb758m/Rmb1.2b respectively. Maintain BUY. Target price: HK$29.00.

3Q26 Results

Year to 31 Dec (Rmbm)	3Q26	yoy % chg	qoq % chg	9M26	yoy % chg	2026F (Previous)	yoy % chg
Total sales volume ('000 units)	729.7	65.3	16.1	1,829.7	84.9	3,150.0	94.4
Blended ASP	1,334.1	(24.3)	3.1	1,348.8	(32.7)	1,271.4	(30.5)
Revenue	1,068.3	34.3	24.1	2,609.7	28.7	4,070.0	34.4
Gross profit	438.2	30.8	26.9	1,049.5	22.8	1,632.8	29.1
Gross margin (%)	*41.0*	*(1.1)*	*0.9*	*40.2*	*(1.9)*	*40.1*	*(1.7)*
EBIT	62.6	(19.1)	2,751.1	56.2	(15.8)	302.9	79.5
EBIT margin (%)	*5.9*	*(3.9)*	*5.6*	*2.2*	*(1.1)*	*7.4*	*1.9*
Net profit	80.8	(68.5)	14.5	169.7	(40.0)	400.0	(8.2)
Net profit – adj	119.0	(58.6)	17.5	268.1	(27.5)	400.0	(27.3)
Net margin (%)	*7.6*	*(24.6)*	*(0.6)*	*6.5*	*(7.4)*	*9.8*	*(4.6)*
Net margin – adj (%)	*11.1*	*(25.0)*	*(0.6)*	*10.3*	*(8.0)*	*9.8*	*(8.4)*

Source: Hesai, UOB Kay Hian

Analysis

- **Hesai Group (Hesai) reported mixed 3Q26 results, with the beats on LiDAR ASP and Strategic Growth Initiatives (SGI) revenue offsetting the LiDAR shipment miss.** Overall, the continued profitable scaling in its core LiDAR business and strong SGI growth boosted core earnings by 16% yoy.
  - **LiDAR shipments reached 729,673 units (+65.3% yoy/+16% qoq), 7% below our forecast and 11% below consensus estimate,** due to softer sequential robotics LiDAR shipments (91,600 units/+51.1% yoy/-35.6% qoq), especially the robotic lawn mower LiDARs.
  - **Blended ASP was Rmb1,340 (-26% yoy/+3% qoq), 15% above our estimate,** due to the stabilisation of ADAS LiDAR prices and higher share of robotaxi LiDARs in sales mix.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	2,077.2	3,027.6	3,742.0	4,982.0	7,150.0
EBITDA	(73.1)	292.5	320.4	804.9	1,406.9
Operating profit	(204.9)	168.8	176.3	614.1	1,193.9
Net profit (rep./act.)	(102.4)	435.9	289.2	758.0	1,200.2
Net profit (adj.)	13.7	550.5	400.2	758.0	1,200.2
EPS (Fen)	(9.9)	39.2	22.9	60.1	95.2
PE (x)	n.a.	33.5	57.2	21.8	13.8
P/B (x)	3.5	1.8	1.8	1.7	1.5
EV/EBITDA (x)	n.a.	53.3	48.7	19.4	11.1
Dividend yield (%)	-	-	-	-	-
Net margin (%)	(4.9)	14.4	7.7	15.2	16.8
Net debt/(cash) to equity (%)	(65.8)	(45.0)	(43.2)	(42.5)	(42.0)
Interest cover (x)	n.a.	(1.5)	(0.9)	(3.1)	(5.5)
ROE (%)	(2.6)	6.8	3.2	7.9	11.3
Consensus net profit	-	-	453.0	816.1	1,241.8
UOBKH/Consensus (x)	-	-	0.88	0.93	0.97

Source: Hesai, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$15.07
Target Price	HK$29.00
Upside	92.4%

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	2525 HK
Shares issued (m)	1,261.1
Market cap (HK$m)	19,005.3
Market cap (US$m)	2,452.3
3-mth avg daily t'over (US$m)	21.4

Price Performance (%)

52-week high/low				HK$28.85/HK$11.50
1mth	3mth	6mth	1yr	YTD
(5.3)	(19.7)	(31.2)	(36.7)	(33.1)

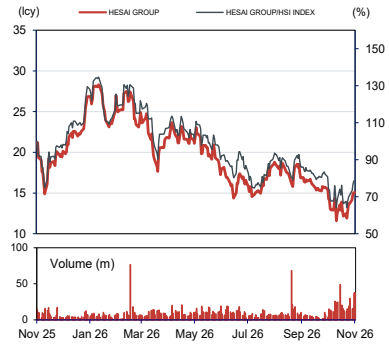
Major Shareholders (%)

Sun Kai	5.87
Xiang Shaoqing	5.66
Li Yifan	5.65

Balance Sheet Metrics

FY26 NAV/Share (HK$)	8.47
FY26 Net Debt/Share (HK$)	3.60

Price Chart



Source: Bloomberg

Company Description

Hesai Group develops, manufactures and sells LiDARs for automobiles, robotaxis and robots.

- **Revenue below guidance but in line with our estimate.** LiDAR sales revenue reached Rmb977.8m (+22.9% yoy/+17% qoq). SGI revenue more than doubled qoq to Rmb90.5m, beating our estimate, supported by robotic actuation module shipments of 23,405 units (+100% qoq). Total revenue was Rmb1,068m (+34.3% yoy/+24% qoq), missing the company's guidance of Rmb1.1b-1.15b. Management guides 4Q26 revenue of Rmb1.1–1.15b, up 10-15% yoy and flat qoq.
- **Gross margin stood at 41.0% (-1.1ppt yoy/+0.9ppt qoq), in line, underpinned by sales mix optimisation.**
- **Core LiDAR operating profit surged 88% yoy to Rmb146m, while the SGI business registered Rmb83m in operating losses.** This brings total operating profit to Rmb62.6m (-19.1% yoy/+2,751% qoq) with an EBIT margin of about 5.9% (-3.9ppt yoy/+5.6ppt qoq).
- **Adjusted net profit up 16% yoy in 3Q26, stripping out one-off gain in 3Q25.** Net profit missed our estimate at Rmb80.8m (-68.5% yoy/+14.5% qoq) due to bigger share-based payments and forex losses, while adjusted net profit met our estimate at Rmb119m (-58.6% yoy/+17.5% qoq). Stripping out the one-off gain in 3Q25, adjusted net profit grew 16% yoy.

- **Forward earnings will be driven by stabilisation of ADAS LiDAR prices, and buoyant sales growth of robotics LiDARs and SGI businesses.**
  - **Stabilisation of ADAS LiDAR prices.** ADAS LiDAR prices are stabilising, as competition turns more rational following industry consolidation. Signed 2027 contracts would support stable ATX forward LiDAR pricing and margins. As such, we expect yoy ASP drops for ADAS LiDARs to narrow from 28% in 2026 to 14%/9% in 2027/28. The yoy ASP drop will be primarily driven by the rising share of blind-spotting LiDARs in sales mix.
  - **Robotaxi LiDARs.** The LiDARs for robotaxis support L4 ADAS, and thus boast an ASP of over Rmb30,000 vs around Rmb1,000 for robotic lawn mower LiDARs. We expect shipment to grow from 40,000 units in 2026 to 60,000 units/90,000 units in 2027/28, based on strong order flows from the robotaxi operators in the US and China.
  - **Humanoid robot LiDARs.** Hesai's JT128-series LiDARs are specially designed for humanoid robots with an ASP of Rmb2,000-4,000. Shipment is expected to surge from over 10,000 units in 2026 to over 100,000 units p.a. in 2027-28, driven by strong order flows.
  - **SGI businesses.** These include actuation modules for humanoid robots and Kosmo – the world's first 8K capture-resolution AI spatial camera. The company maintains its SGI revenue target at Rmb200m-300m for 2026 and US$100m (~Rmb700m) for 2027 and aims for breakeven by 2027.
  - **Product mix premiumisation underpins blended ASP and gross margin.** The company expects the robotics businesses to contribute 50-60% revenue in 2027, up from 40-50% in 2026.

Earnings Revision/Risk

- **We cut our 2026 GAAP net profit forecasts by 28% to Rmb289m to factor in bigger share-based payments and forex losses, and keep those for 2027-28 at Rmb758m/Rmb1,200m.**
- **We keep 2026-28 adjusted net profit forecasts at Rmb400m/Rmb758m/Rmb1.2b respectively.**
- **Risks:** Geopolitical/tariff exposure.

Valuation/Recommendation

- **Maintain BUY and keep target price at HK$29.00,** based on 10-year DCF (WACC: 15%/terminal growth: 4%).

Share Price Catalyst

- **Robotics LiDAR volume ramp, new ADAS design wins, SGI revenue scaling.**

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	**3,027.6**	**3,742.0**	**4,982.0**	**7,150.0**
EBITDA	292.5	320.4	804.9	1,406.9
Deprec. & amort.	(123.8)	(144.1)	(190.8)	(213.0)
EBIT	**168.8**	**176.3**	**614.1**	**1,193.9**
Total other non-operating income	186.7	(50.0)	28.0	2.0
Associate contributions	(0.1)	-	-	-
Net interest income/(expense)	111.3	195.0	200.1	216.1
Pre-tax profit	**466.7**	**321.3**	**842.2**	**1,412.0**
Tax	(30.8)	(32.1)	(84.2)	(211.8)
Minorities	-	-	-	-
Net profit	**435.9**	**289.2**	**758.0**	**1,200.2**
Net profit (adj.)	550.5	400.2	758.0	1,200.2

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	1,099.3	1,455.2	1,624.4	1,811.4
Other LT assets	2,849.0	2,849.0	2,849.0	2,849.0
Cash/ST investment	1,663.5	1,626.7	1,889.1	2,337.7
Other current assets	5,307.0	5,378.8	6,111.9	7,410.9
Total assets	**11,261.3**	**11,629.3**	**12,817.9**	**14,794.0**
ST debt	448.2	448.2	448.2	448.2
Other current liabilities	728.7	801.9	1,048.4	1,492.8
LT debt	278.7	278.7	278.7	278.7
Other LT liabilities	42.9	42.9	42.9	42.9
Shareholders' equity	8,958.8	9,247.9	10,005.9	11,206.1
Minority interest	-	-	-	-
Total liabilities & equity	**11,261.3**	**11,629.3**	**12,817.9**	**14,794.0**

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	**117.0**	**463.2**	**622.4**	**848.6**
Pre-tax profit	466.7	321.3	842.2	1,412.0
Tax	(30.8)	(32.1)	(84.2)	(211.8)
Deprec. & amort.	123.8	144.1	190.8	213.0
Associates	0.1	-	-	-
Working capital changes	-	-	-	-
Non-cash items	-	-	-	-
Other operating cashflows	(442.8)	29.9	(326.3)	(564.5)
Investing	**(5,553.8)**	**(500.0)**	**(360.0)**	**(400.0)**
Capex (growth)	(309.4)	(500.0)	(360.0)	(400.0)
Investments	(2,704.7)	-	-	-
Others	(2,539.7)	-	-	-
Financing	**4,345.9**	**-**	**-**	**-**
Dividend payments	-	-	-	-
Proceeds from borrowings	459.5	120.0	120.0	120.0
Loan repayment	(347.2)	(120.0)	(120.0)	(120.0)
Others/interest paid	4,233.6	-	-	-
Net cash inflow (outflow)	**(1,090.9)**	**(36.8)**	**262.4**	**448.6**
Beginning cash & cash equivalent	2,842.6	1,667.5	1,630.7	1,893.2
Changes due to forex impact	(84.1)	-	-	-
Ending cash & cash equivalent	**1,667.5**	**1,630.7**	**1,893.2**	**2,341.7**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	9.7	8.6	16.2	19.7
Pre-tax margin	15.4	8.6	16.9	19.7
Net margin	14.4	7.7	15.2	16.8
ROA	5.1	2.5	6.2	8.7
ROE	6.8	3.2	7.9	11.3
Growth				
Turnover	45.8	23.6	33.1	43.5
EBITDA	n.a.	9.5	151.2	74.8
Pre-tax profit	n.a.	(31.2)	162.1	67.7
Net profit	n.a.	(33.7)	162.1	58.3
Net profit (adj.)	n.a.	(27.3)	89.4	58.3
EPS	n.a.	(41.4)	162.1	58.3
Leverage				
Debt to total capital	6.5	6.3	5.7	4.9
Debt to equity	8.1	7.9	7.3	6.5
Net debt/(cash) to equity	(45.0)	(43.2)	(42.5)	(42.0)
Interest cover (x)	(1.5)	(0.9)	(3.1)	(5.5)

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