Hesai Group (2525 HK)

2Q26: Miss On ASP And Other Incomes; 3Q26 Revenue To Accelerate; 2026 Shipment Target Kept With SGI Revenue Lifted

Highlights

- 2Q26 results miss estimates with net profit of Rmb70.6m (+60% yoy/+285% qoq) and adjusted net profit of Rmb101m (+38% yoy/+112% qoq) on lower-than-expected ASP and other incomes.
- Blended ASP fell 10% qoq to Rmb1,294 in 2Q26, but gross margin recovered 1.0ppt qoq to 40.1%. Other income plunged over 80% in 2Q26. We cut our 2026-28 net profit forecasts by 27%/17%/12% respectively to Rmb400m/Rmb758m/Rmb1,200m on lower ASP and other income.
- Hesai guides for Rmb1.1b-1.15b in 3Q26 revenue (up 38-45% yoy, vs +21% yoy in 2Q26), and keeps 2026 shipment target at 3.0m-3.5m and gross margin guidance at 40%. Meanwhile, it raises 2026 SGI revenue target from Rmb100m to Rmb200m-300m and targets US$100m in SGI revenue in 2027.
- Maintain BUY and cut target price from HK$33.00 to HK$29.00.

2Q26 Results

Year to 31 Dec (Rmbm)	1Q26	2Q26	yoy % chg	qoq % chg	1H26	yoy % chg	2026F	yoy % chg	Comments
Total sales volume ('000 units)	471.7	628.3	78.4	33.2	1,100.0	100.8	3,150.0	94.4	In line
Blended ASP	1,438.2	1,294.3	(34.1)	(10.0)	1,356.0	(38.4)	1,317.0	(28.0)	Miss
Revenue	680.6	860.8	21.9	26.5	1,541.4	25.1	4,215.0	39.2	Miss
Gross profit	266.0	345.2	14.9	29.8	611.3	17.6	1,686.0	33.3	Miss
Gross margin (%)	*39.1*	*40.1*	*(2.4)*	*1.0*	*39.7*	*(2.5)*	*40.0*	*(1.8)*	In line
EBIT	(8.6)	2.2	(90.4)	n.a.	(6.4)	(39.9)	465.0	175.6	Miss
EBIT margin (%)	*(1.3)*	*0.3*	*(3.0)*	*1.5*	*(0.4)*	*2.7*	*11.0*	*5.4*	Miss
Net profit	18.3	70.6	60.0	285.2	88.9	234.9	548.0	25.7	Miss
Net profit – adj	47.7	101.4	38.3	112.3	149.1	82.0	548.0	(0.4)	Miss
Net margin (%)	*2.7*	*8.2*	*2.0*	*5.5*	*5.8*	*3.6*	*13.0*	*(1.4)*	Miss

Source: Hesai, UOB Kay Hian

Analysis

- **2Q26 earnings miss on ASP and other income.** Hesai Group's (Hesai) 2Q26 results missed expectations with net profit of Rmb71m (+60.0% yoy/+285.2% qoq), vs our estimate of Rmb117m and consensus estimate of Rmb126m, and adjusted net profit of Rmb101m (+38.3% yoy/+112.3% qoq), vs our estimate of Rmb147m and consensus estimate of Rmb158m. This takes 1H26 net profit and adjusted net profit to Rmb88.9m (16% of our full-year estimate) and Rmb149m (27% of our full-year estimate). The earnings miss stemmed from ASP and other income.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	2,077.2	3,027.6	4,070.0	6,117.0	8,549.0
EBITDA	(73.1)	292.5	447.0	933.1	1,461.3
Operating profit	(204.9)	168.8	302.9	742.4	1,248.4
Net profit (rep./act.)	(102.4)	435.9	400.4	757.7	1,199.9
Net profit (adj.)	13.7	550.5	400.4	757.7	1,199.9
EPS (Fen)	(9.9)	39.2	31.8	60.3	95.4
PE (x)	n.a.	40.7	50.1	26.5	16.7
P/B (x)	4.3	2.2	2.1	2.0	1.8
EV/EBITDA (x)	n.a.	65.3	42.8	20.5	13.1
Dividend yield (%)	-	-	-	-	-
Net margin (%)	(4.9)	14.4	9.8	12.4	14.0
Net debt/(cash) to equity (%)	(65.8)	(45.0)	(45.1)	(44.0)	(45.0)
Interest cover (x)	n.a.	(1.5)	(2.1)	(5.0)	(7.6)
ROE (%)	(2.6)	6.8	4.4	7.8	11.2
Consensus net profit	-	-	591.9	952.0	1,372.6
UOBKH/Consensus (x)	-	-	0.7	0.8	0.9

Source: Hesai, Bloomberg, UOB Kay Hian

Analyst(s)

Ken Lee
ken.lee@uobkh.com
+852 2236 6760

BUY (Maintained)

Share Price	HK$18.34
Target Price	HK$29.00
Upside	+58.1%
Previous TP	HK$33.00

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	2525 HK
Shares issued (m)	1,257.1
Market cap (HK$m)	23,055.9
Market cap (US$m)	2,975.0
3-mth avg daily t'over (US$m)	19.9

Price Performance (%)

52-week high/low: HK$30.50/HK$14.26

1mth	3mth	6mth	1yr	YTD
25.9	(16.8)	(27.3)	n.a.	(17.5)

Major Shareholders (%)

Sun Kai	5.87
Xiang Shaoqing	5.66
Li Yifan	5.65

Balance Sheet Metrics

FY26 NAV/Share (HK$)	8.70
FY26 Net Debt/Share (HK$)	3.97

Price Chart

Source: Bloomberg

Company Description

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

- **1Q26 revenue up 21.9% yoy, missing on ASP; 2Q26 revenue growth guided to accelerate to 44.6% yoy.** 2Q26 revenue grew 21.9% yoy and 26.5% qoq to Rmb860.8m, bringing 1H26 revenue to Rmb1,541m (+25.1% yoy), 36.6% of our full-year estimate of Rmb4,215m (+39.2% yoy). The revenue growth was primarily driven by shipment growth, partly offset by a drop in ASP. Going forward, the company guides for revenue of Rmb1.1b-1.15b (up 38.3-44.6% yoy/up 27.8-33.6% qoq).
- **Shipments doubled on robotics LiDARs.** 2Q26 shipments surged 78.4% yoy and 33.2% qoq to 628,275 units, comprising 485,904 ADAS units (+60.1% yoy/+37.5% qoq) and 142,371 robotics units (+193.4% yoy/+20.4% qoq). That takes 1H26 shipments to about 1.1m units (+100.8% yoy), or 34.9% of our full-year forecast. Robotics LiDAR is doing the heavy lifting, at 23.7% of 1H26 volume, up 5.8ppt yoy.
- **We maintain our 2026-28 shipment forecasts of 3.15m/5.15m/7.80m units.** Our 2026 shipment forecast implies 2.05m units in 2H26, up 91% yoy. The company maintains its 2026 shipment target of 3.0m-3.5m units, based on strong order backlog from both auto OEMs (eg BYD, Geely, Xiaomi, Mercedes-Benz, Volkswagen) and robotics companies.
- **ASP fell faster than expected; trim 2026-28 ASP assumptions by 3-4%.** Blended ASP fell by 34.1% yoy and 10.0% qoq to Rmb1,294 in 2Q26, taking 1H26 numbers to Rmb1,356, vs our full-year assumption of Rmb1,317. We cut our 2026-28 ASP assumptions by 3%/4%/4% to Rmb1,271/Rmb1,175/Rmb1,088 respectively.
- **Strategic growth initiative (SGI) businesses emerging as second growth engine.** The SGI businesses, including the robotics and actuation businesses, booked Rmb44.9m in revenue in 1H26. The company raised the guidance on 2026 SGI revenue from Rmb100m to Rmb200m-300m, and targets US$100m (equivalent to ~Rmb670m) in revenue in 2027, driven by robotic actuation and Kosmo. We assume 2026-28 SGI revenue at Rmb250m/Rmb670m/Rmb1b respectively.
- **Gross margin held up well.** Gross margin still recovered 1.0ppt qoq to 40.1%, 2.4ppt below 2Q25. We keep our 2026-28 gross margin assumption at 40%. The addition of the SGI businesses to the revenue mix would not drag down the overall gross margin, as they boast a 40% gross margin. Management guides for a steady gross margin of 40% in 2026, based on the cost reduction from chipification and operating leverage.
- **We cut our 2026-28 estimates on other income to Rmb60m p.a. from Rmb200m p.a., vs Rmb181m in 2025, given 1H26 numbers.** Other income plunged over 80% to Rmb5m in 2Q26, and by 54% to Rmb29m in 1H26.

Earnings Revision/Risk

- **We cut our 2026-28 net profit forecasts by 27%/17%/12% to Rmb400m/Rmb758m/Rmb1,200m.**

Valuation/Recommendation

- **Maintain BUY and cut target price from HK$33.00 to HK$29.00, based on 10-year DCF at a 15% WACC and 4% terminal growth.** The new target price of HK$29.00 implies 41.5x 2027F PE, 0.7x 2027F PEG and 5.1x 2027F P/S.

Share Price Catalyst

- Delivery of 3Q26 revenue guidance, robotics lidar volume ramp-up, new ADAS design wins, SGI revenue scaling.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	3,027.6	4,070.0	6,117.0	8,549.0
EBITDA	292.5	447.0	933.1	1,461.3
Deprec. & amort.	(123.8)	(144.1)	(190.8)	(213.0)
EBIT	168.8	302.9	742.4	1,248.4
Total other non-operating income	186.7	-	-	-
Associate contributions	(0.1)	-	-	-
Net interest income/(expense)	111.3	142.0	149.0	163.3
Pre-tax profit	466.7	444.9	891.4	1,411.7
Tax	(30.8)	(44.5)	(133.7)	(211.8)
Minorities	-	-	-	-
Net profit	435.9	400.4	757.7	1,199.9
Net profit (adj.)	550.5	400.4	757.7	1,199.9

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	1,859.3	2,091.6	2,724.0
Other current assets	5,307.0	5,253.2	6,067.2	6,874.9
Total assets	11,261.3	11,742.6	12,997.3	14,671.1
ST debt	448.2	448.2	448.2	448.2
Other current liabilities	728.7	801.3	1,099.5	1,395.9
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	9,359.1	10,116.8	11,316.8
Minority interest	-	-	-	-
Total liabilities & equity	11,261.3	11,742.6	12,997.3	14,671.1

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	117.0	695.8	592.2	1,032.4
Pre-tax profit	466.7	444.9	891.4	1,411.7
Tax	(30.8)	(44.5)	(133.7)	(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)	151.3	(356.2)	(380.5)
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)	195.8	232.2	632.4
Beginning cash & cash equivalent	2,842.6	1,667.5	1,863.3	2,095.6
Changes due to forex impact	(84.1)	-	-	-
Ending cash & cash equivalent	1,667.5	1,863.3	2,095.6	2,728.0

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	9.7	11.0	15.3	17.1
Pre-tax margin	15.4	10.9	14.6	16.5
Net margin	14.4	9.8	12.4	14.0
ROA	5.1	3.5	6.1	8.7
ROE	6.8	4.4	7.8	11.2
Growth				
Turnover	45.8	34.4	50.3	39.8
EBITDA	n.a.	52.8	108.7	56.6
Pre-tax profit	n.a.	(4.7)	100.4	58.4
Net profit	n.a.	(8.1)	89.2	58.4
Net profit (adj.)	n.a.	(27.3)	89.2	58.4
EPS	n.a.	(18.7)	89.2	58.4
Leverage				
Debt to total capital	6.5	6.2	5.6	5.0
Debt to equity	8.1	7.8	7.2	6.4
Net debt/(cash) to equity	(45.0)	(45.1)	(44.0)	(45.0)
Interest cover (x)	(1.5)	(2.1)	(5.0)	(7.6)