XPeng Motors (9868 HK)

2Q26: Net Loss Narrows 25% qoq, Missing Estimates

Highlights

- 2Q26 results missed expectations with a net loss of Rmb1,337m (+180% yoy/-25% qoq). The miss lies in ASP and SG&A.
- The company guides for 11.3-17.1% yoy delivery growth and 9.9-18.5% revenue growth for 3Q26, in line with expectations.
- We lift our 2026 net loss estimate by 60% to Rmb3,235m, and cut our 2027-28 net profit forecasts by 46%/13% to Rmb1,437m/Rmb4,620m respectively, based on higher R&D expense for the AI and robotics businesses.
- Looking ahead, XPeng's bottom line will be driven by a strong product cycle, globalisation, software licensing and service revenue.
- Maintain BUY and cut target price from HK$90.00 to HK$60.00.

2Q26 Results

Year to 31 Dec (Rmbm)	2Q26	yoy %	qoq %	1H26	yoy %	2026F	yoy %	1H26/2026	Comment
Deliveries ('000 units)	103.3	0.1	64.8	168.7	(14.5)	480.0	11.8	0.35	
ASP (Rmb'000/unit)	165	0.9	(6.0)	169.0	6.6	170.0	6.8	0.98	
NP per unit – adj. (Rmb'000)	(12.0)	220.8	(55.5)	(17.6)	328.2	(4.2)	295.3	4.11	
Revenue	19,744	8.0	51.5	32,777	(3.8)	90,973	18.6	0.36	
Gross profit	4,083	28.9	52.2	6,766	20.2	17,577	21.5	0.38	
Gross margin (%)	*20.7*	*3.4*	*0.1*	*20.6*	*4.1*	*19.3*	*0.5*	1.07	
EBIT	(1,143)	22.2	(39.0)	(3,017)	52.7	(2,558)	(7.7)	1.18	
EBIT margin (%)	*(5.8)*	*(0.7)*	*8.6*	*(9.2)*	*(3.4)*	*(2.8)*	*0.8*	3.27	
Net profit (GAAP)	(1,337)	179.9	(25.1)	(3,121)	173.4	(2,023)	77.5	1.54	
Net profit – adj	(1,237)	221.1	(26.6)	(2,923)	260.4	(2,023)	341.8	1.45	
Core net margin (%)	*(6.3)*	*(4.2)*	*6.7*	*(8.9)*	*(6.5)*	*(2.2)*	*(1.6)*	4.01	

Source: XPeng, Bloomberg, UOB Kay Hian

Analysis

- **2Q26 results missed expectations with net loss of Rmb1,337m (+180% yoy/-25% qoq),** bigger than our estimate of Rmb950m and consensus estimate of Rmb772m. The miss lies in ASP and SG&A.
  - **Revenue grew 8% yoy and 51.5% qoq to Rmb19.74b, at the low-end of the company's guidance of Rmb19.6b-20.8b.** This brings 1H26 revenue to Rmb32.78b (-3.8% yoy), 36% of our full-year estimate. The revenue growth was mainly driven by the licensing and service segment, growing 94% yoy and 33% qoq in revenue to Rmb2.7b in 2Q26. Vehicle sales revenue rose to Rmb17.05b (+1% yoy/+55% qoq) in 2Q26 on in-line deliveries of 103,300 units (+0.1% yoy/+65% qoq) and disappointing ASP of Rmb165,000 (+0.9% yoy/-6% qoq).

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	40,866	76,720	90,460	123,014	149,193
EBITDA	(4,085)	217	(360)	4,327	8,278
Operating profit	(10,889)	(6,658)	(2,771)	(3,757)	1,000
Net profit (rep./act.)	(5,790)	(1,139)	(3,235)	1,437	4,620
Net profit (adj.)	(5,790)	(458)	(3,235)	1,437	4,620
EPS (Fen)	(306.9)	(60.4)	(171.4)	76.2	244.8
PE (x)	n.a.	n.a.	n.a.	54.4	16.9
P/B (x)	2.5	2.6	2.9	2.7	2.4
EV/EBITDA (x)	n.a.	287.8	n.a.	14.4	7.5
Dividend yield (%)	-	-	-	-	-
Net margin (%)	(14.2)	(1.5)	(3.6)	1.2	3.1
Net debt/(cash) to equity (%)	(82.2)	(100.3)	(80.2)	(76.9)	(56.6)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	(17.1)	(3.7)	(11.3)	5.2	15.0
Consensus net profit	-	-	(2,083)	1,190	3,598
UOBKH/Consensus (x)	-	-	n.a.	1.21	1.28

Source: XPeng, Bloomberg, UOB Kay Hian

Analyst(s)

Ken Lee

ken.lee@uobkh.com

852-2236 6760

BUY (Maintained)

Share Price	HK$47.68
Target Price	HK$60.00
Upside	25.8%
Previous TP	HK$90.00

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	9868 HK
Shares issued (m)	1,567.4
Market cap (HK$m)	74,735.2
Market cap (US$m)	9,581.4
3-mth avg daily t'over (US$m)	117.8

Price Performance (%)

52-week high/low: HK$110.80/HK$44.70

1mth	3mth	6mth	1yr	YTD
(3.6)	(23.8)	(32.5)	(48.1)	(39.9)

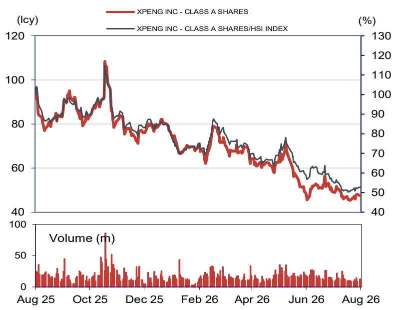
Major Shareholders (%)

He Xiao Peng	18.8

Balance Sheet Metrics

FY26 NAV/Share (HK$)	14.6
FY26 Net Cash/Share (HK$)	13.8

Price Chart



Source: Bloomberg

Company Description

Based in Guangzhou of China, XPeng produces smart electric vehicles in China under the brand of XPeng. Additionally, XPeng also produces AI chips, eVTOL aircrafts (flying cars) and humanoid robot.

- **Gross margin beat.** Gross margin soared to 20.7% (+3.4ppt yoy/+0.1ppt qoq), vs our estimate of 21.0% and consensus estimate of 19.3%. The gross margin gain in 2Q26 was primarily driven by an increased share of the licensing and service segment in total revenue. Gross margin of vehicle sales remained flat qoq at 12.1% in 2Q26, but down 2.3ppt yoy and below our full-year assumption of 13.5%, whereas gross margin of the licensing and service segment rose to 75.1% (+21.5ppt yoy/+8.6ppt qoq) in 2Q26.
- **Opex higher than expected.** R&D expenses remained flat qoq at Rmb2.91b (+32% yoy) in 2Q26, while SG&A expenses increased 15% yoy and 32.5% qoq to Rmb2.5b. Opex/revenue ratio jumped 2.7ppt yoy and dropped 7.5ppt qoq to 14.8% in 2Q26.

- **Maintain our 2026-28 delivery estimates at 480,000 units/650,000 units/780,000 units respectively (up 12%/35%/20% yoy).** This compares with the company's 3Q26 delivery guidance of 115,000-121,000 units (up 11-17% yoy) and 2026 delivery target of 550,000-600,000 units. XPeng Motors' (Xpeng) deliveries will be driven by: a strong new model cycle (including GX, G9L, and Mona SUVs), and global expansion.
  - **Robust new model cycle:** The new GX flagship SUV, G9L tech flagship, and multiple Mona-branded SUVs (eg Mona L03) will drive monthly deliveries from 30,000-40,000 units to 60,000 units.
  - **Global market acceleration:** Four overseas-dedicated models launching in late-26 will rapidly expand XPeng's international presence. Management expects export volume to surge through 2027-28, lifting revenue mix and gross margins. Higher ASPs abroad and scalable software services in new regions will diversify geographic risk and enhance overall earnings quality.
- **Lower our 2026-28 vehicle ASP assumptions from Rmb170,000 p.a. to Rmb165,000 p.a.,** based on the 2Q26 ASP and the shift of the sales mix towards the cheaper Mona sub-brand with the debuts of multiple Mona models.
- **Lift 2026-28 service revenue by 23%/39%/57% to Rmb11.26b/Rmb15.76b/Rmb20.49b respectively (up 35%/40%/30% yoy),** based on the upbeat 1H26 service revenue, and debut of VLA model.
- **Keep our 2026-28 revenue estimates basically unchanged at Rmb90.5b/Rmb123.0b/Rmb149.2b respectively (up 18%/36%/21% yoy).** This compares with the company's 3Q26 revenue guidance of Rmb21.7b-23.4b (up 9.9-18.5% yoy)
- **Cut 2026-28 gross margins for vehicle sales to 12.0%/12.0%/12.0%** from 13.5%/14.0%/14.5% respectively, based on 1H26 gross magin. This translates into blended gross magin of 19.2%/19.4%/20.0%. The rise in blended gross margin will be underpinned by the improving platform economies along with growing scale, higher share of overseas sales and service revenue.
- **Raise 2026-28 R&D expenses to Rmb13b/Rmb15b/Rmb17b** from Rmb12.0b/Rmb13.5b/Rmb15.0b respectively based on the higher-than-expected R&D expenses in 1H26 and the increasing R&D expenditure in humanoid robot. XPeng will start to deliver its humanoid robot IRON for sales assistance at shopping malls by 2027. We do not expect the humanoid robot business to contribute meaningful revenue in the next three years, and thus it will remain a drag on the bottom line.

Earnings Revision/Risk

- We lift our 2026 net loss estimate by 60% to Rmb3,235m, and cut our 2027-28 net profit forecasts by 46%/13% to Rmb1,437m/Rmb4,620m respectively.

Valuation/Recommendation

- **Maintain BUY and cut target price from HK$90.00 to HK$60.00,** based on 10-year DCF. Our target price implies 68.5x 2027F PE and 0.8x 2027F PS.

Share Price Catalyst

- Strong new models, AI robot commercialisation, and margin improvement.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	76,720	90,460	123,014	149,193
EBITDA	217	(360)	4,327	8,278
Deprec. & amort.	(2,988)	(3,397)	(3,327)	(3,251)
EBIT	(1,139)	(3,235)	1,437	4,620
Total other non-operating income	(801)	-	-	-
Associate contributions	-	-	-	-
Net interest income/(expense)	783	522	437	407
Pre-tax profit	(1,157)	(3,235)	1,437	5,435
Tax	(14)	-	-	(815)
Minorities	-	-	-	-
Net profit	(1,139)	(3,235)	1,437	4,620
Net profit (recurrent)	(1,139)	(3,235)	1,437	4,620

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	13,527	14,378	15,170	15,907
Other LT assets	26,382	25,133	24,015	23,026
Cash/ST investment	21,740	23,401	14,703	14,921
Other current assets	39,853	38,759	44,675	49,307
Total assets	103,163	92,974	98,780	99,963
ST debt	4,282	4,282	4,282	4,282
Other current liabilities	53,831	46,877	51,247	47,809
LT debt	10,835	10,835	10,835	10,835
Other LT liabilities	3,845	3,845	3,845	3,845
Shareholders' equity	30,369	27,134	28,571	33,191
Minority interest	-	-	-	-
Total liabilities & equity	103,163	92,974	98,780	99,963

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	8,259	(5,698)	3,217	(199)
Pre-tax profit	(1,157)	(3,235)	1,437	5,435
Tax	(14)	-	-	(815)
Deprec. & amort.	2,988	3,397	3,327	3,251
Associates	-	-	-	-
Working capital changes	-	-	-	-
Non-cash items	6,441	(5,860)	(1,547)	(8,069)
Other operating cashflows	-	-	-	-
Investing	(7,334)	(3,000)	(3,000)	(3,000)
Capex (growth)	(3,156)	(2,800)	(2,800)	(2,800)
Investments	-	-	-	-
Others	(4,179)	(200)	(200)	(200)
Financing	515	-	-	-
Dividend payments	-	-	-	-
Proceeds from borrowings	8,870	10,000	10,000	10,000
Loan repayment	(8,294)	(10,000)	(10,000)	(10,000)
Others/interest paid	(62)	-	-	-
Net cash inflow (outflow)	1,661	(8,698)	217	(3,199)
Beginning cash & cash equivalent	21,740	23,401	14,703	14,921
Changes due to forex impact	223	-	-	-
Ending cash & cash equivalent	23,401	14,703	14,921	11,722

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	0.3	(0.4)	3.5	5.5
Pre-tax margin	(1.5)	(3.6)	1.2	3.6
Net margin	(1.5)	(3.6)	1.2	3.1
ROA	(1.2)	(3.3)	1.5	4.6
ROE	(3.7)	(11.3)	5.2	15.0
Growth				
Turnover	87.7	17.9	36.0	21.3
EBITDA	n.a.	(266.1)	n.a.	91.3
Pre-tax profit	n.a.	n.a.	n.a.	278.1
Net profit	n.a.	n.a.	n.a.	221.4
Net profit (adj.)	n.a.	n.a.	n.a.	221.4
EPS	n.a.	n.a.	n.a.	221.4
Leverage				
Debt to total capital	10.5	11.7	11.0	10.9
Debt to equity	35.8	40.1	38.0	32.8
Net debt/(cash) to equity	(100.3)	(80.2)	(76.9)	(56.6)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.