Hesai Group (HSAI US)

SGI ramp-up ahead of plan although ADAS still sees headwinds

BUY (Maintain)

Target Price	**US$25.40**
(Previous TP	US$25.20)
Up/Downside	**77.5%**
Current Price	**US$14.31**

Hesai Group (Hesai) released (10 Nov) its 3Q26 financial results. Total revenue reached RMB1,068mn, up 34% YoY, and businesses beyond automotive lidar contributed more than 50% of Hesai's total revenues, 5% ahead of our forecast but 2% below Bloomberg consensus. Non-GAAP net profit came in at RMB119mn, vs our forecast/Bloomberg consensus of RMB110mn/RMB132mn; the 59% YoY decline was mainly due to one-off gains of RMB185mn in 3Q25. During the quarter, the LiDAR business generated operating profit of RMB145mn, up 88% YoY, while the strategic growth initiatives (SGI) segment recorded revenue/operating loss of RMB91mn/RMB83mn. Management reiterated its SGI revenue guidance of RMB200mn-300mn for 2026E and c.US$100mn for 2027E with breakeven in 2027E. Management guided for 4Q26E revenue of RMB1.10bn-1.15bn (+10-15% YoY), below consensus of RMB1.39bn, reflecting softer auto demand. We largely maintain our 2026-28E revenue forecasts and nudge up TP to US$25.4 (previous: US$25.2). We expect the ramp-up of SGI and rising adoption of L3 vehicles to support a valuation rerating. Maintain BUY.

- **SGI commercialization running ahead of plan.** SGI revenue doubled QoQ to RMB91mn in 3Q26, bringing 9M26 revenue to RMB135mn, above the initial full-year target of RMB100mn. Robotic actuation module shipments reached 23.4k units (+97% QoQ), with monthly capacity at 10k units and full-body modules now in mass production alongside hand modules. Management expects shipments to reach a six-digit level in 2027E, driven by anchor customer Sharpa, higher content per robot and new customers. Kosmo started contributing revenue in 3Q26, with early adoption across embodied AI, film and spatial commerce. We forecast SGI revenue of RMB250mn/685mn in 2026E/2027E in base-case scenario.
- **Soft ADAS demand partly offset by favorable robotics mix.** Total LiDAR shipments reached 730k units in 3Q26, up 65% YoY. Of these, ADAS LiDAR shipments reached 638k units (+68% YoY), below Bloomberg consensus at 677k due to soft auto demand, while robotics LiDAR shipments reached 92k units (+51% YoY). Blended ASP rose to RMB1.34k in 3Q26 from RMB1.30k in 2Q26, which we attribute to stronger shipments of higher-ASP products for robotaxi and humanoid robots. GPM of 41.0% exceeded consensus of 39.9%. Based on contracts signed for 2027, management expects ATX pricing to stabilize further and group GPM to stay relatively stable in 2027E.
- **Driving efficiency improvements in LiDAR while investing in new growth opportunities.** Operating expenses, including S&M, G&A and R&D, increased 27% YoY in 3Q26. However, management noted that operating expenses for the LiDAR business declined YoY, with the overall increase primarily attributable to incremental investment in SGI. The LiDAR segment's operating margin reached 14.9% in 3Q26 (3Q25: c.10%).
- **Valuations and risks.** Our target price of US$25.4 is based on an unchanged 7.5x 2026E P/S. Catalysts: 1) faster-than-expected adoption of L3 vehicles, which could drive higher dollar content per car; 2) ramp-up in SGI revenue. **Risks**: 1) weaker-than-expected auto demand; 2) industry competition to intensify; 3) slower-than-expected ramp-up in revenue contribution from SGI.

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Stock Data

Mkt Cap (US$ mn)	2,303.6
Avg 3 mths t/o (US$ mn)	9.6
52w High/Low (US$)	28.79/12.07
Total Issued Shares (mn)	161.0

Source: FactSet

Shareholding Structure

Sun Kai	7.1%
Xiang Shaoqing	6.8%

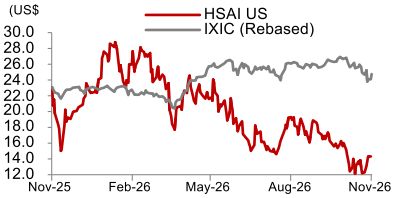
Source: NASDAQ

Share Performance

	Absolute	Relative
1-mth	-10.6%	-3.1%
3-mth	-25.9%	-21.9%
6-mth	-33.8%	-31.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	2,077	3,028	3,739	4,806	5,808
YoY growth (%)	10.7	45.8	23.5	28.5	20.8
Net profit (RMB mn)	(102.4)	435.9	302.1	620.6	876.5
Adjusted net profit (RMB mn)	13.7	550.5	429.4	740.5	996.3
EPS (Adjusted) (RMB)	0.11	3.96	2.64	4.60	6.19
Consensus EPS (RMB)	na	3.76	2.82	3.36	5.05

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: HSAI: quarterly financial results and consensus comparison

(RMBmn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	3Q26E consensus	Diff%	3Q26E CMBI forecast	Diff%
Total revenue	**525.3**	**706.4**	**795.4**	**1,000.5**	**680.6**	**860.8**	**1,068.3**	**1,085**	**-1.5%**	**1,020**	**4.8%**
YoY growth (%)	*46.3%*	*53.9%*	*47.5%*	*39.0%*	*29.6%*	*21.9%*	*34.3%*				
Gross profit	**219**	**300**	**335**	**410**	**266**	**345**	**438**	**433**	**1.3%**	**408**	**7.5%**
Operating profit	**(33)**	**23**	**77**	**102**	**(9)**	**2**	**63**	**32**		**28**	
Net profit	**(18)**	**44**	**256**	**153**	**18**	**71**	**81**	**132**		**80**	
Adj. net profit	**9**	**73**	**288**	**181**	**48**	**101**	**119**	**132**	**-9.8%**	**110**	**8.1%**
Margin (%)											
GPM	41.7%	42.5%	42.1%	41.0%	39.1%	40.1%	41.0%	39.9%	1.2 ppt	40.0%	1.0 ppt
OPM	-6.4%	3.2%	9.7%	10.2%	-1.3%	0.3%	5.9%	3.0%	2.9 ppt	2.7%	3.1 ppt
NPM	-3.3%	6.2%	32.2%	15.3%	2.7%	8.2%	7.6%	12.2%	-4.6 ppt	7.8%	-0.3 ppt
Adj. NPM	1.6%	10.4%	36.2%	18.1%	7.0%	11.8%	11.1%	12.2%	-1.0 ppt	10.8%	0.3 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: HSAI: forecast revision

	Current			Previous			Change (%)		
RMB mn	**2026E**	**2027E**	**2028E**	**2026E**	**2027E**	**2028E**	**2026E**	**2027E**	**2028E**
Revenue	3,739	4,806	5,808	3,704	4,781	5,749	1.0%	0.5%	1.0%
Gross profit	1,494	1,860	2,220	1,480	1,898	2,264	0.9%	-2.0%	-1.9%
Non-GAAP NP	429	740	996	417	772	1,024	2.9%	-4.0%	-2.7%
GPM	40.0%	38.7%	38.2%	40.0%	39.7%	39.4%	0.0 ppt	-1.0 ppt	-1.1 ppt
Non-GAAP NPM	11.5%	15.4%	17.2%	11.3%	16.1%	17.8%	0.2 ppt	-0.7 ppt	-0.7 ppt

Source: Company data, CMBIGM estimates

Figure 3: HSAI: target valuation

P/S Valuation (RMBmn)	2026E
2026E Revenue	3,739
Target 2026E P/S	7.5x
Equity value	28,045
No. of ADSs outstanding (diluted; mn)	161
Target price (USD)	**25.4**

Source: Company data, CMBIGM estimates
Note: USD/RMB assumption = 6.85:1 (unchanged)

Risks

1) Weaker-than-expected auto demand in China and slower penetration of LiDAR, which may further weigh on ADAS LiDAR shipments;

2) Rising competition from other companies developing LiDAR products, as well as a potential price war in LiDAR industry weighing on the blended ASP of HSAI's products;

3) Slower-than-expected commercialisation of SGI products (robotic actuation modules and Kosmo), and higher-than-expected operating expenses leading to slower-than-expected margin expansion.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**1,877**	**2,077**	**3,028**	**3,739**	**4,806**	**5,808**
Cost of goods sold	(1,216)	(1,193)	(1,762)	(2,245)	(2,946)	(3,587)
Others	0	0	0	0	0	0
Gross profit	**661**	**885**	**1,265**	**1,494**	**1,860**	**2,220**
Operating expenses	**(1,233)**	**(1,089)**	**(1,096)**	**(1,381)**	**(1,381)**	**(1,381)**
Selling expense	(149)	(193)	(192)	(209)	(209)	(209)
SG&A expense	(320)	(317)	(289)	(332)	(332)	(332)
R&D expense	(791)	(856)	(797)	(956)	(956)	(956)
Others	27	276	181	117	117	117
Operating profit	**(572)**	**(205)**	**169**	**114**	**479**	**840**
EBITDA	**(485)**	**(73)**	**293**	**249**	**644**	**1,031**
Depreciation	86	132	124	135	165	191
Interest income	100	104	130	228	194	155
Interest expense	(3)	(13)	(19)	(21)	(21)	(21)
Net Interest income/(expense)	**97**	**92**	**111**	**207**	**174**	**134**
Foreign exchange gain/loss	(0)	15	2	(47)	0	0
Other income/expense	0	(2)	185	0	0	0
Pre-tax profit	**(475)**	**(101)**	**467**	**302**	**653**	**974**
Income tax	(1)	(1)	(31)	0	(33)	(97)
Others	0	0	0	0	0	0
Net profit	**(476)**	**(102)**	**436**	**302**	**621**	**876**
Adjusted net profit	**(241)**	**14**	**551**	**429**	**740**	**996**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**4,398**	**4,683**	**7,069**	**6,903**	**7,694**	**8,748**
Cash & equivalents	3,141	3,246	4,850	4,630	4,835	5,344
Account receivables	525	765	1,262	1,252	1,609	1,944
Inventories	496	482	670	734	963	1,173
Other current assets	236	190	286	286	286	286
Non-current assets	**1,265**	**1,307**	**4,192**	**4,462**	**4,510**	**4,532**
PP&E	872	944	1,099	1,134	1,249	1,314
Other non-current assets	393	363	3,093	3,328	3,261	3,218
Total assets	**5,663**	**5,990**	**11,261**	**11,365**	**12,204**	**13,280**
Current liabilities	**1,335**	**1,629**	**1,895**	**1,852**	**2,070**	**2,270**
Short-term borrowings	112	345	448	448	448	448
Account payables	277	355	743	699	917	1,117
Other current liabilities	947	929	704	704	704	704
Non-current liabilities	**465**	**429**	**407**	**407**	**407**	**407**
Long-term borrowings	286	269	279	279	279	279
Other non-current liabilities	179	160	128	128	128	128
Total liabilities	**1,800**	**2,058**	**2,303**	**2,259**	**2,477**	**2,677**
Share capital	7,424	7,577	11,926	11,926	11,926	11,926
Retained earnings	(3,562)	(3,645)	(2,967)	(2,820)	(2,200)	(1,323)
Other reserves	0	0	0	0	0	0
Total shareholders equity	**3,862**	**3,932**	**8,959**	**9,106**	**9,726**	**10,603**
Minority interest	0	0	0	0	0	0
Total equity and liabilities	**5,663**	**5,990**	**11,261**	**11,365**	**12,204**	**13,280**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(476)**	**(102)**	**436**	**302**	**621**	**876**
Depreciation & amortization	86	132	124	135	165	191
Change in working capital	181	(148)	(298)	(97)	(368)	(345)
Others	266	180	(151)	0	0	0
Net cash from operations	**57**	**64**	**117**	**313**	**418**	**722**
Investing						
Capital expenditure	(415)	(271)	(342)	(533)	(213)	(213)
Acquisition of subsidiaries/ investments	(622)	1,227	(2,800)	0	0	0
Others	(24)	0	(2,411)	0	0	0
Net cash from investing	**(1,060)**	**956**	**(5,554)**	**(533)**	**(213)**	**(213)**
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	377	354	460	0	0	0
Share repurchases	1,225	0	4,250	0	0	0
Others	(12)	(104)	(364)	0	0	0
Net cash from financing	**1,590**	**251**	**4,346**	**0**	**0**	**0**
Net change in cash						
Cash at the beginning of the year	913	1,558	2,828	1,737	1,517	1,722
Exchange difference	58	14	(84)	0	0	0
Others	0	0	0	0	0	0
Cash at the end of the year	**1,558**	**2,828**	**1,737**	**1,517**	**1,722**	**2,231**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	56.1%	10.7%	45.8%	23.5%	28.5%	20.8%
Gross profit	40.1%	33.7%	43.0%	18.1%	24.5%	19.4%
Operating profit	na	na	na	(32.7%)	321.9%	75.2%
EBITDA	na	na	na	(14.9%)	158.7%	59.9%
Net profit	na	na	na	(30.7%)	105.5%	41.2%
Adj. net profit	na	na	3,921.7%	(22.0%)	72.5%	34.6%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	35.2%	42.6%	41.8%	40.0%	38.7%	38.2%
Operating margin	(30.5%)	(9.9%)	5.6%	3.0%	10.0%	14.5%
EBITDA margin	(25.9%)	(3.5%)	9.7%	6.7%	13.4%	17.7%
Adj. net profit margin	(12.9%)	0.7%	18.2%	11.5%	15.4%	17.2%
Return on equity (ROE)	(132.7%)	(2.6%)	6.8%	3.3%	6.6%	8.6%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	3.3	2.9	3.7	3.7	3.7	3.9
Receivable turnover days	98.2	113.3	122.2	122.2	122.2	122.2
Inventory turnover days	171.6	149.7	119.3	119.3	119.3	119.3
Payable turnover days	72.6	96.7	113.7	113.7	113.7	113.7

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	ns	ns	30.5	49.5	24.1	17.0
P/E (diluted)	ns	ns	30.5	51.5	24.8	17.5

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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