

Hesai Group (HSAI US)

1Q results beat; expecting SGI revenue to ramp up at a rapid pace

Hesai Group (Hesai) released (19 May) 1Q26 financial results: total revenue reached RMB680.6mn, up 30% YoY, inline with our forecast but 2% ahead of Bloomberg consensus. Non-GAAP NP came in at RMB47.7mn, ahead of both our forecast and Bloomberg consensus (RMB38mn/RMB13mn), supported by more optimized-than-expected operating expense control. Management expects strategic growth initiatives (SGI), which include new AI algorithm integrated spatial intelligence device Kosmo and robotic actuation, to generate RMB100mn revenue in 2026E, contribute RMB500mn revenue in 2027E, and grow to a scale that is comparable to core LiDAR business within 5 years. Management expects part of Kosmo to evolve toward a recurring ARR model through software and platform services, which should improve profitability as the installed base expands. We maintain both 2026E revenue forecast of RMB4.4bn and target price of US\$29.3 based on 7.5x 2026E P/S unchanged. We are positive that the increase in adoption of L3 vehicles, as well as ramp up in revenue from new products should support a valuation rerating. Maintain BUY.

■ **Our 2026E LiDAR shipment forecast stays unchanged.** Total LiDAR shipments for Hesai reached 471.7k in 1Q26, up 141% YoY and 9% above consensus. Among these, ADAS LiDAR shipments were 353.4k (+142% YoY), while robotics LiDAR shipments were 118.3k (+138% YoY). ASP declined to RMB1.4k in 1Q26 (4Q25: RMB1.6k) which we attribute to the revenue mix shift toward lower-ASP ATX and JT series products. For 2026E, our total LiDAR shipment forecast of 3.25mn units remains unchanged, which is composed of 2.75mn units of ADAS LiDAR and 500k units of robotics LiDAR.

■ **Sustained cost discipline while investing for long-term growth opportunity.** GPM reached 39.1% in 1Q26 (consensus: 39.9%), down 2.6ppts YoY which we attributed to change in product revenue mix and fierce industry competition. Operating expenses (S&M, G&A, and R&D) increased by 4% YoY in 1Q26. As a percentage of revenue, S&M/G&A/R&D expenses were 6.1/7.8/30.1% in 1Q26, improved from 9.6/10.3/34.9% in 1Q25, and operating margin improved to -1.3% in 1Q26 (1Q25: -6.4%). Management highlighted that it has maintained a disciplined approach while continuing to invest strategically for long-term growth. Excluding investment in SGI, operating expenses for LiDAR business declined YoY aided by operating efficiency gains and cost discipline.

■ **TP of US\$29.3 based on 7.5x 2026E P/S.** Our target price of US\$29.3 is based on 7.5x 2026E P/S (unchanged). Key catalysts include: 1) faster-than-expected adoption of L3 vehicles, which could increase LiDAR units per vehicle and drive higher dollar content per car; 2) ramp-up in SGI revenue and increasing contribution from international ADAS expansion.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	2,077	3,028	4,402	6,275	8,229
YoY growth (%)	10.7	45.8	45.4	42.6	31.1
Net profit (RMB mn)	(102.4)	435.9	509.1	900.2	1,361.1
Adjusted net profit (RMB mn)	13.7	550.5	658.9	1,054.3	1,514.1
EPS (Adjusted) (RMB)	0.11	3.96	4.04	6.55	9.41
Consensus EPS (RMB)	na	3.76	3.95	6.15	8.75

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price US\$29.30
Up/Downside 46.3%
Current Price US\$20.03

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Stock Data

Mkt Cap (US\$ mn)	3,223.6
Avg 3 mths t/o (US\$ mn)	23.8
52w High/Low (US\$)	29.80/15.03
Total Issued Shares (mn)	161.0
Source: FactSet	

Shareholding Structure

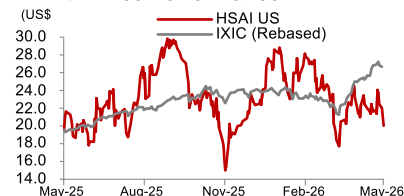
Fermat Star Limited	6.1%
Galbadia Limited	5.9%
Source: NASDAQ	

Share Performance

	Absolute	Relative
1-mth	-8.6%	-13.7%
3-mth	-27.9%	-36.2%
6-mth	33.2%	13.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: HSAI: quarterly financial results

(RMBmn)	1Q25	2Q25	3Q25	4Q25	1Q26	1Q26E consensus	Diff%	1Q26E CMBI forecast	Diff%
Total revenue	525.3	706.4	795.4	1,000.5	680.6	665	2.4%	683	-0.3%
YoY growth (%)	46.3%	53.9%	47.5%	39.0%	29.6%				
Gross profit	219	300	335	410	266	266	0.2%	270	-1.4%
Operating profit	(33)	23	77	102	(9)	(20)		(19)	
Net profit	(18)	44	256	153	18	6		0	
Adj. net profit	9	73	288	181	48	13	267.8%	38	26.3%
Margin (%)									
GPM	41.7%	42.5%	42.1%	41.0%	39.1%	39.9%	-0.9 ppt	39.5%	-0.4 ppt
OPM	-6.4%	3.2%	9.7%	10.2%	-1.3%	-3.1%	1.8 ppt	-2.8%	1.6 ppt
NPM	-3.3%	6.2%	32.2%	15.3%	2.7%	0.8%	1.9 ppt	0.0%	2.6 ppt
Adj. NPM	1.6%	10.4%	36.2%	18.1%	7.0%	2.0%	5.1 ppt	5.5%	1.5 ppt

Source: Bloomberg, company data, CMBIGM

Figure 2: HSAI: changes in financial forecast

RMB mn	Current			Previous			Change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	4,402	6,275	8,229	4,407	6,016	8,019	-0.1%	4.3%	2.6%
Gross Profit	1,742	2,463	3,192	1,741	2,347	3,091	0.1%	4.9%	3.3%
Non-GAAP NP	659	1,054	1,514	658	1,056	1,534	0.2%	-0.1%	-1.3%
GPM	39.6%	39.2%	38.8%	39.5%	39.0%	38.5%	0.1 ppt	0.2 ppt	0.2 ppt
Non-GAAP NPM	15.0%	16.8%	18.4%	14.9%	17.5%	19.1%	0.0 ppt	-0.7 ppt	-0.7 ppt

Source: CMBIGM estimates

Figure 3: CMBI forecast vs consensus

RMB mn	Current			Consensus			Diff (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	4,402	6,275	8,229	4,388	6,037	7,825	0.3%	4.0%	5.2%
Gross profit	1,742	2,463	3,192	1,745	2,397	3,012	-0.2%	2.7%	6.0%
Non-GAAP NP	659	1,054	1,514	608	949	1,357	8.4%	11.2%	11.6%
GPM	39.6%	39.2%	38.8%	39.8%	39.7%	38.5%	-0.2 ppt	-0.5 ppt	0.3 ppt
Non-GAAP NPM	15.0%	16.8%	18.4%	13.9%	15.7%	17.3%	1.1 ppt	1.1 ppt	1.1 ppt

Source: Bloomberg, CMBIGM estimates

Figure 4: HSAI: target valuation

P/S Valuation (RMBmn)	2026E
2026E Revenue	4,402
Target 2026E P/S	7.5x
Equity value	33,013
No. of ADS outstanding (diluted; mn)	161
Target price (USD)	29.3

Source: Company data, CMBIGM estimates

Note: USD/RMB = 7.0:1

Risks

- 1) Potential product defects, and other routes of technology proven to be more effective than that of LiDAR (such as camera-based system), which may both lead to reduced market adoption of LiDAR solutions;
- 2) Lower-than-expected pace of penetration of LiDAR/ADAS;
- 3) 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;
- 4) 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	4,402	6,275	8,229
Cost of goods sold	(1,216)	(1,193)	(1,762)	(2,659)	(3,812)	(5,037)
Others	0	0	0	0	0	0
Gross profit	661	885	1,265	1,742	2,463	3,192
Operating expenses	(1,233)	(1,089)	(1,096)	(1,288)	(1,494)	(1,577)
Selling expense	(149)	(193)	(192)	(221)	(252)	(264)
SG&A expense	(320)	(317)	(289)	(332)	(379)	(398)
R&D expense	(791)	(856)	(797)	(916)	(1,045)	(1,097)
Others	27	276	181	181	181	181
Operating profit	(572)	(205)	169	454	969	1,615
EBITDA	(485)	(73)	293	589	1,132	1,803
Depreciation	86	132	124	135	163	189
Interest income	100	104	130	179	149	107
Interest expense	(3)	(13)	(19)	(21)	(21)	(21)
Net interest income/(expense)	97	92	111	159	129	87
Foreign exchange gain/loss	(0)	15	2	0	0	0
Other income/expense	0	(2)	185	0	0	0
Pre-tax profit	(475)	(101)	467	613	1,098	1,701
Income tax	(1)	(1)	(31)	(104)	(198)	(340)
Others	0	0	0	0	0	0
Net profit	(476)	(102)	436	509	900	1,361
Adjusted net profit	(241)	14	551	659	1,054	1,514
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	4,398	4,683	7,069	7,294	8,504	10,222
Cash & equivalents	3,141	3,246	4,850	4,665	4,870	5,533
Account receivables	525	765	1,262	1,474	2,101	2,755
Inventories	496	482	670	870	1,247	1,647
Other current assets	236	190	286	286	286	286
Non-current assets	872	944	944	1,121	1,230	1,294
PP&E	1,026	1,026	944	1,235	1,487	1,719
Other non-current assets	(154)	(82)	0	(114)	(257)	(425)
Total assets	5,663	5,990	11,261	11,701	12,960	14,703
Current liabilities	1,335	1,629	1,895	1,981	2,340	2,721
Short-term borrowings	112	345	448	448	448	448
Account payables	277	355	743	828	1,187	1,569
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	2,388	2,747	3,129
Share capital	7,424	7,577	11,926	11,926	11,926	11,926
Retained earnings	(3,562)	(3,645)	(2,967)	(2,613)	(1,713)	(352)
Other reserves	0	0	0	0	0	0
Total shareholders equity	3,862	3,932	8,959	9,313	10,213	11,574
Minority interest	0	0	0	0	0	0
Total equity and liabilities	5,663	5,990	11,261	11,701	12,960	14,703

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(476)	(102)	436	509	900	1,361
Depreciation & amortization	86	132	124	135	163	189
Change in working capital	181	(148)	(298)	(325)	(645)	(673)
Others	266	180	(151)	0	0	0
Net cash from operations	57	64	117	319	418	876
Investing						
Capital expenditure	(415)	(271)	(342)	(504)	(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)	(504)	(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	1,552	1,757
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	1,552	1,757	2,420
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	56.1%	10.7%	45.8%	45.4%	42.6%	31.1%
Gross profit	40.1%	33.7%	43.0%	37.7%	41.3%	29.6%
Operating profit	na	na	na	169.3%	113.3%	66.6%
EBITDA	na	na	na	101.4%	92.2%	59.3%
Net profit	na	na	na	16.8%	76.8%	51.2%
Adj. net profit	na	na	3,921.7%	19.7%	60.0%	43.6%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	35.2%	42.6%	41.8%	39.6%	39.2%	38.8%
Operating margin	(30.5%)	(9.9%)	5.6%	10.3%	15.4%	19.6%
EBITDA margin	(25.9%)	(3.5%)	9.7%	13.4%	18.0%	21.9%
Adj. net profit margin	(12.9%)	0.7%	18.2%	15.0%	16.8%	18.4%
Return on equity (ROE)	(132.7%)	(2.6%)	6.8%	5.6%	9.2%	12.5%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	3.3	2.9	3.7	3.7	3.6	3.8
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	43.5	41.8	23.6	15.6
P/E (diluted)	ns	ns	43.5	43.7	24.4	16.1

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

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