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Hesai Group (HSAI US)

LiDAR business as stable profit generator; SGI growth visibility improves

FLASH

Hesai Group (Hesai) released its 2Q26 financial results on 18 Aug. Total revenue reached RMB860.8mn, up 22% YoY, in line with our forecast and Bloomberg consensus. Non-GAAP net profit came in at RMB101mn, ahead of our forecast/Bloomberg consensus of RMB98mn/RMB84mn, aided by investment income of RMB36.6mn. During the quarter, the LiDAR business generated operating profit of RMB66.2mn (2Q25: RMB22.9mn), while the strategic growth initiatives (SGI) segment recorded revenue/operating loss of RMB45mn/RMB64mn. Driven by stronger-than-expected early commercialization momentum for robotic actuation modules, management raised its 2026E SGI revenue guidance to RMB200mn-300mn (vs. RMB100mn previously) and guided for US$100mn (vs RMB500mn previously) in revenue and breakeven in 2027E. Management guided for 3Q26E revenue of RMB1.1bn-1.15bn, broadly in line with consensus of RMB1.14bn, implying 38-45% YoY growth, driven by higher LiDAR shipment volumes and incremental revenue contribution from SGI. We believe increasing adoption of L3 vehicles, together with the revenue ramp-up of new products, should support a valuation rerating. Maintain BUY.

- **SGI growth visibility continues to improve.** Management highlighted that its dedicated robotic actuation module production line is now fully operational, with more than 10k units delivered by the end of 2Q26. Applications are expanding from dexterous hands to full-body robotics, and management expects robotic actuation module shipments to reach a six-digit level in 2027. SGI revenue reached RMB45mn in 2Q26, primarily driven by robotic actuation modules. Management expects Kosmo to begin contributing revenue from 3Q26 and generate low-eight-digit RMB revenue in 2026E. Management also expects part of Kosmo's business model to evolve toward recurring ARR through software and platform services, which should support profitability as the installed base expands.
- **LiDAR shipments sustained robust growth.** Hesai's total LiDAR shipments reached 628k units in 2Q26, up 78% YoY and broadly in line with consensus. Of these, ADAS LiDAR shipments reached 486k units (+60% YoY), while robotics LiDAR shipments reached 142k units (+193% YoY). ASP declined to RMB1.3k in 2Q26 from RMB1.4k in 1Q26, which we attribute to a mix shift toward lower-ASP ATX and JT-series products. Nevertheless, Hesai's GPM of 40.1% in 2Q26 exceeded consensus of 39.4%, which we believe was driven by a higher revenue contribution from the relatively higher-margin SGI business and broadly stable gross margins in the LiDAR business.
- **Driving efficiency improvements in LiDAR while investing in new growth opportunities.** Operating expenses, including S&M, G&A and R&D, increased 14% YoY in 2Q26. 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 8.1% in 2Q26 (2Q25: c.3%).
- **Valuations and risks.** Our target price of US$29.3 is based on 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) industry competition to intensify; 2) slower than expected ramp-up in revenue contribution from SGI.

Rating	**BUY**
Target Price	**US$29.30**
Up/Downside	**62.1%**
Current Price	**US$18.07**

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