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CMB International Global Markets | Equity Research | Company Update

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CMB INTERNATIONAL
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SenseTime (20 HK)

Strong revenue growth and margin expansion fuelled by robust AI demand

BUY (Maintain)

Target Price	**HK$2.45**
(Previous TP	HK$2.50)
Up/Downside	**66.7%**
Current Price	**HK$1.47**

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SenseTime reported 1H26 results: total revenue was up by 23% YoY to RMB2.91bn, largely in line with Visible Alpha (VA) consensus estimates; adjusted net loss narrowed by 67% YoY to RMB386mn, better than consensus estimate of RMB523mn loss, mainly thanks to the enhanced efficiency and RMB521mn gains on disposal of subsidiaries. The company introduced and disclosed Recurring Revenue (RR) of RMB1.14bn in 1H26, up by 124% YoY and representing 39% of total revenue (1H25: 22%). The strong RR growth reflects the successful transformation of SenseTime's business model – from one-off project delivery to ongoing and sustainable revenue streams. We raise our FY26-28E total revenue forecasts by 0-7% in view of the strong Generative AI business performance. We fine-tune our target price to HK$2.45 based on 12x FY26E EV/sales (previous: HK$2.50 on 12x FY26E EV/sales). Maintain BUY.

- **Strong Gen AI business momentum on multiple drivers.** Generative AI revenue grew by 28% YoY to RMB2.33bn in 1H26 (80% of total revenue), primarily driven by the strong demand for its Token Factory and agent applications services: 1) Token Factory: SenseCore's daily average token service volume exceeded 2.4tn in July 2026, an 22-fold increase YoY; total compute power under operation reached 48,000 PFLOPS in Aug 2026, vs. 40,400 PFLOPS in Mar 2026; 2) Enterprise Agents: the company served over 1k enterprise customers in 1H26, with over 100 new customers added; Raccoon, the agent product built for office scenarios, saw its peak DAUs surpass 700k in 1H26; 3) Personal Assistants: the company built the Kapi series, a product matrix of agent-powered personal assistants, with cumulative users surpassing 45mn.
- **Computer Vision business drove overseas revenue growth.** Revenue from Computer Vision business increased by 14% YoY to RMB497mn in 1H26 (17% of total revenue), with reaccelerating growth (FY25: +3% YoY) thanks to the optimization of operating strategy. The Computer Vision business serves as a key entry point into industry verticals and overseas markets. The business covered over 20 countries and regions, with a recurring customer revenue contribution rate of 67% in 1H26. Supported by the solid Computer Vision business, the company's overseas revenue surged by 127% YoY and accounted for 14% of total revenue in 1H26.
- **Solid margin improvement.** GPM expanded by 2.9ppts YoY to 41.4% in 1H26, primarily thanks to the favourable revenue mix shift and improved project quality. Adjusted net margin also improved by 37ppts YoY to -13% in 1H26, mainly attributable to the prudent control in opex and gains on disposal of subsidiaries amounting to RMB521mn. Looking ahead, the company will focus on driving: 1) multimodal agents to continuously evolve through real-world tasks; 2) Token Factory to evolve from scaled intelligence production towards task delivery; 3) deeper multi-agent collaboration in personal and enterprise workflows.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	3,772	5,015	6,415	7,945	9,576
Adjusted net profit (RMB mn)	(4,224.6)	(1,940.0)	(605.5)	51.4	529.6
EPS (Adjusted) (RMB cents)	(12.66)	(5.23)	(1.49)	0.13	1.30
Consensus EPS (RMB cents)	(11.10)	(7.29)	(2.72)	(0.62)	0.00
P/S (x)	13.6	10.2	8.0	6.5	5.4

Source: Company data, Bloomberg, CMBIGM estimates

Stock Data

Mkt Cap (HK$ mn)	59,810.0
Avg 3 mths t/o (HK$ mn)	751.8
52w High/Low (HK$)	2.89/1.25
Total Issued Shares (mn)	40687.1

Source: FactSet

Shareholding Structure

Amind	17.1%

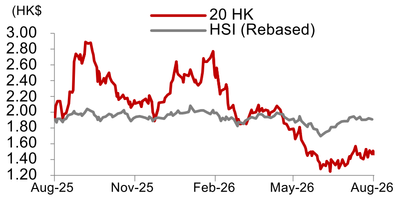
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	11.4%	8.4%
3-mth	-17.9%	-18.0%
6-mth	-39.8%	-38.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: SenseTime: forecast revision

	2026E			2027E			2028E		
RMBm	New	Old	%Diff	New	Old	%Diff	New	Old	%Diff
Sales	6,415	6,393	0%	7,945	7,678	3%	9,576	8,940	7%
Gross profit	2,542	2,481	2%	3,156	2,937	7%	3,811	3,419	11%
Adj net profit	-600	-674	NA	57	86	NA	536	1,112	-52%
EPS	0.02	-0.02	NA	0.02	0.00	NA	0.02	0.03	-32%
Margins									
GM	39.6%	38.8%	0.8pct	39.7%	38.3%	1.5pct	39.8%	38.2%	1.5pct
Adj. net margin	-9.4%	-10.5%	1.2pct	0.7%	1.1%	-0.4pct	5.6%	12.4%	-6.8pct

Source: CMBIGM estimates

Figure 2: SenseTime: CMBIGM estimates vs consensus

	2026E			2027E			2028E		
RMBm	CMBI	Street	Diff	CMBI	Street	Diff	CMBI	Street	Diff
Sales	6,415	6,475	-1%	7,945	8,213	-3%	9,576	10,089	-5%
Gross profit	2,542	2,502	2%	3,156	3,159	-0%	3,811	3,872	-2%
Adj. net profit	-600	-649	NA	57	-59	NA	536	876	-39%
EPS	0.02	-0.02	NA	0.02	-0.01	NA	0.02	0.02	-5%
Margins									
GPM	39.6%	38.6%	1.0pct	39.7%	38.5%	1.3pct	39.8%	NA	NA
Adj. net margin	-9.4%	-10.0%	0.7pct	0.7%	-0.7%	1.4pct	5.6%	NA	NA

Source: Visible Alpha, CMBIGM estimates

Valuation

We value SenseTime at HK$2.45 per share based on 12x FY26E EV/sales. Our target EV/sales is at a premium to the average EV/Sales of China's peers (5x), primarily due to SenseTime's leadership in China's Gen AI cloud services market and strong AI infrastructure.

Figure 3: Global AI companies: valuation comparison

Companies	Ticker	Price (LC)	PS(x) 2026E	PS(x) 2027E	EV/Sales (x) 2026E	EV/Sales (x) 2027E	Rev CAGR 25-27E
China							
Arcsoft	688088 CH	29.2	11.3	9.5	9.4	7.9	13%
Hikvision	002415 CH	34.8	3.1	2.8	2.8	2.5	9%
Dahua	002236 CH	16.2	1.5	1.4	1.4	1.2	8%
Average			**5.3**	**4.6**	**4.5**	**3.9**	
Overseas							
Palantir	PLTR US	177.5	52.3	34.8	51.4	34.2	67%
Coreweave	CRWV US	88.0	3.8	1.9	5.9	2.9	128%
UiPath	PATH US	16.8	5.4	4.9	4.4	4.0	11%
Average			**20.5**	**13.8**	**20.6**	**13.7**	

Source: Bloomberg, CMBIGM
Note: Data as of 26 Aug

Valuation

Intensifying competitions; macro uncertainty impacts IT budget; AI investment weighs on margin.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**3,406**	**3,772**	**5,015**	**6,415**	**7,945**	**9,576**
Cost of goods sold	(1,905)	(2,152)	(2,958)	(3,873)	(4,789)	(5,765)
Gross profit	**1,501**	**1,620**	**2,056**	**2,542**	**3,156**	**3,811**
Operating expenses	**(5,795)**	**(6,250)**	**(5,570)**	**(4,937)**	**(4,470)**	**(4,307)**
Selling expense	(819)	(655)	(569)	(552)	(542)	(523)
Admin expense	(1,511)	(1,464)	(1,226)	(1,041)	(869)	(703)
R&D expense	(3,466)	(4,132)	(3,775)	(3,345)	(3,059)	(3,080)
Operating profit	**(4,295)**	**(4,630)**	**(3,514)**	**(2,396)**	**(1,314)**	**(496)**
Interest income	342	449	258	258	362	315
Interest expense	(147)	(180)	(201)	(195)	(334)	(334)
Other income/expense	(2,405)	62	1,798	2,920	1,913	1,225
Pre-tax profit	**(6,504)**	**(4,300)**	**(1,660)**	**587**	**628**	**710**
Income tax	9	(7)	(122)	43	46	52
After tax profit	**(6,495)**	**(4,307)**	**(1,782)**	**631**	**674**	**763**
Minority interest	(55)	(28)	(16)	6	6	7
Net profit	**(6,440)**	**(4,278)**	**(1,766)**	**625**	**668**	**756**
Adjusted net profit	**(5,360)**	**(4,225)**	**(1,940)**	**(605)**	**51**	**530**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**16,940**	**18,227**	**18,784**	**26,296**	**25,622**	**24,788**
Cash & equivalents	9,423	8,888	10,887	17,191	15,555	13,806
Account receivables	5,159	5,068	4,304	5,328	6,214	7,055
Inventories	506	452	248	436	512	585
Financial assets at FVTPL	522	701	572	572	572	572
Other current assets	1,310	3,112	2,769	2,766	2,766	2,766
Contract assets	20	6	3	3	3	3
Non-current assets	**15,948**	**16,373**	**20,122**	**21,897**	**23,660**	**25,723**
PP&E	7,379	7,277	5,883	7,666	9,436	11,509
Right-of-use assets	350	239	283	283	283	283
Intangibles	326	239	121	115	107	98
Other non-current assets	7,894	8,617	13,834	13,834	13,834	13,834
Total assets	**32,888**	**34,600**	**38,906**	**48,193**	**49,282**	**50,511**
Current liabilities	**3,287**	**4,754**	**5,733**	**6,597**	**6,860**	**7,155**
Short-term borrowings	194	1,240	2,014	3,587	3,662	3,748
Account payables	2,262	1,789	2,090	2,543	2,660	2,795
Other current liabilities	613	2,591	3,352	3,699	3,774	3,860
Contract liabilities	266	277	229	293	363	437
Non-current liabilities	**6,445**	**6,204**	**6,112**	**9,013**	**9,166**	**9,337**
Long-term borrowings	4,279	4,681	3,710	6,601	6,741	6,900
Bond payables	5	36	0	0	0	0
Other non-current liabilities	2,161	1,486	2,401	2,412	2,424	2,437
Total liabilities	**9,733**	**10,958**	**11,845**	**15,611**	**16,025**	**16,492**
Share capital	0	0	0	0	0	0
Retained earnings	(52,634)	(56,913)	(58,678)	(58,054)	(57,385)	(56,630)
Other reserves	75,794	80,373	85,397	90,289	90,289	90,289
Total shareholders equity	**23,159**	**23,461**	**26,719**	**32,235**	**32,903**	**33,659**
Minority interest	(4)	181	342	348	354	361
Total equity and liabilities	**32,888**	**34,600**	**38,906**	**48,193**	**49,282**	**50,511**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(6,504)**	**(4,300)**	**(1,660)**	**587**	**628**	**710**
Depreciation & amortization	994	1,157	1,103	1,192	1,495	1,845
Tax paid	(22)	(26)	(10)	43	46	52
Change in working capital	812	(393)	4,048	(683)	(763)	(693)
Others	1,486	(366)	(3,784)	(63)	(29)	18
Net cash from operations	**(3,234)**	**(3,927)**	**(301)**	**1,076**	**1,377**	**1,933**
Investing						
Capital expenditure	(1,518)	(1,129)	(3,488)	(2,968)	(3,259)	(3,908)
Others	4,976	(1,668)	(19)	258	362	315
Net cash from investing	**3,458**	**(2,796)**	**(3,507)**	**(2,710)**	**(2,896)**	**(3,593)**
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	1,228	2,086	654	4,463	216	244
Proceeds from share issues	0	4,369	5,162	3,669	0	0
Others	(145)	(196)	(196)	(195)	(334)	(334)
Net cash from financing	**1,084**	**6,260**	**5,621**	**7,938**	**(118)**	**(90)**
Net change in cash						
Cash at the beginning of the year	7,963	9,423	8,888	10,887	17,191	15,555
Exchange difference	153	(72)	186	0	0	0
Cash at the end of the year	**9,423**	**8,888**	**10,887**	**17,191**	**15,555**	**13,806**
GROWTH	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Revenue	(10.6%)	10.8%	32.9%	27.9%	23.9%	20.5%
Gross profit	(41.0%)	7.9%	27.0%	23.6%	24.2%	20.7%
Net profit	na	na	na	na	6.9%	13.1%
Adj. net profit	na	na	na	na	na	930.7%
PROFITABILITY	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Gross profit margin	44.1%	42.9%	41.0%	39.6%	39.7%	39.8%
Operating margin	(126.1%)	(122.8%)	(70.1%)	(37.3%)	(16.5%)	(5.2%)
Adj. net profit margin	(157.4%)	(112.0%)	(38.7%)	(9.4%)	0.6%	5.5%
Return on equity (ROE)	(24.7%)	(18.4%)	(7.0%)	2.1%	2.1%	2.3%
GEARING/LIQUIDITY/ACTIVITIES	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Net debt to equity (x)	(0.1)	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)
Current ratio (x)	5.2	3.8	3.3	4.0	3.7	3.5
Receivable turnover days	345.5	241.9	266.1	252.8	240.1	228.1
Inventory turnover days	107.6	81.3	43.2	41.1	39.0	37.0
Payable turnover days	175.3	200.9	94.0	73.7	67.1	56.3
VALUATION	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
P/E	ns	ns	ns	82.1	76.8	67.8
P/B	1.8	1.8	1.7	1.6	1.5	1.5
EV	(6,936.2)	(6,830.4)	(8,522.4)	(10,363.0)	(8,510.6)	(6,517.7)
EV/Sales	(2.0)	(1.8)	(1.7)	(1.6)	(1.1)	(0.7)

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

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