Horizon Robotics (9660 HK)

1H26 earnings preview: largely on track; HSD sales to accelerate in 2H26

Maintain BUY. We project Horizon's 1H26E revenue to surge 44% YoY and GPM to be 60.4%. We estimate the company to turn profitable at net level, thanks to the fair value gain from convertible loans. We expect adjusted net loss to narrow by RMB0.2bn YoY to RMB1.1bn in 1H26E. We maintain our FY26E revenue of RMB6.0bn and we expect HSD sales to accelerate from 2H26.

- **We project 1H26 revenue to rise 44% YoY and GPM to be 60.4%.** We project Horizon's sales volume to rise 16% YoY to 2.29mn units in 1H26E. We also expect its production solution average selling price (ASP) to rise by 24% YoY to RMB488 in 1H26E with better product mix, especially aided by Horizon SuperDrive (HSD). Assuming license and service revenue reaches RMB1bn in 1H26E, we project Horizon's total revenue to surge 44% YoY to RMB2.26bn in 1H26E. We project its gross margin to narrow by 5ppts YoY to 60.4% in 1H26E, as high-margin license and service businesses make up a smaller portion of total revenue.

  We project Horizon's operating loss to narrow slightly YoY to RMB1.5bn by assuming R&D and SG&A expenses rising 13% YoY and 11% YoY, respectively. We also estimate a fair value gain of RMB6.3bn from convertible loans, as Horizon's share price fell from HK$8.66 on 31 Dec 2025 to HK$4.08 on 30 Jun 2026. Therefore, we project Horizon's net profit to be RMB4.8bn in 1H26. Accordingly, we estimate adjusted net loss to narrow by RMB0.2bn YoY to RMB1.1bn in 1H26E.

- **We expect HSD sales to accelerate from 2H26.** While HSD's penetration at Changan (000625 CH, NR) and Chery (9973 HK, NR) appears to be a bit slower than we expected, we believe BYD (002594 CH/1211 HK, BUY/BUY) could accelerate Horizon's HSD sales from 2H26, especially from 4Q26. In addition, we expect Horizon's cockpit-driving fusion SoC to help expand client base and aid its HSD sales. While some investors have raised concerns about proprietary chips made by automakers, we are not too much worried, as elaborated in detail in our report published on 9 Jul 2026.

- **Valuation/Key risks.** We maintain BUY rating and our target price of HK$7.80, which is based on 10x (unchanged) FY27E P/S. Key risks to our rating and target price include lower sales volume, especially for HSD, slower industrywide smart driving penetration and more intensifying competition than we expect, as well as a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	2,384	3,758	6,028	9,660	15,026
YoY growth (%)	53.6	57.7	60.4	60.3	55.6
Gross margin (%)	77.3	64.5	61.0	57.8	57.0
Operating profit (RMB mn)	(2,144.2)	(3,338.8)	(2,603.7)	(1,256.4)	1,014.5
Net profit (RMB mn)	2,346.6	(10,469.0)	643.5	(1,001.0)	1,314.1
Adjusted net profit (RMB mn)	(1,681.2)	(2,811.8)	(1,702.4)	(216.3)	2,098.9
P/S (x)	24.5	15.5	9.7	6.0	3.9

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$7.80**
Up/Downside	**69.2%**
Current Price	**HK$4.61**

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Stock Data

Mkt Cap (HK$ mn)	67,545.2
Avg 3 mths t/o (HK$ mn)	1,014.3
52w High/Low (HK$)	10.81/3.61
Total Issued Shares (mn)	14651.9

Source: FactSet

Shareholding Structure

Mr. Yu Kai	12.3%
SAIC QIJUN Holdings	7.0%

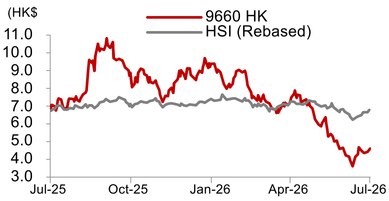
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	2.2%	0.1%
3-mth	-37.0%	-33.5%
6-mth	-50.8%	-47.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Interim results

RMB mn	1H24	2H24	1H25	2H25	1H26E	YoY	HoH
Revenue	935	1,449	1,567	2,192	2,259	44.2%	3.1%
Gross profit	739	1,103	1,024	1,402	1,364	33.2%	-2.7%
Selling expenses	(198)	(211)	(272)	(360)	(305)	12.1%	-15.3%
G&A expenses	(243)	(394)	(307)	(419)	(340)	10.7%	-18.8%
R&D expenses	(1,420)	(1,736)	(2,300)	(2,854)	(2,600)	13.0%	-8.9%
Operating profit	(1,105)	(1,039)	(1,592)	(1,747)	(1,501)	N/A	N/A
Net profit	(5,098)	7,445	(5,233)	(5,236)	4,786	N/A	N/A
Adj. net profit	(804)	(877)	(1,333)	(1,479)	(1,114)	N/A	N/A
Gross margin	79.0%	76.1%	65.4%	64.0%	60.4%	-5.0 ppts	-3.6 ppts
Operating margin	-118.3%	-71.7%	-101.6%	-79.7%	-66.4%	35.2 ppts	13.3 ppts
Adj. net margin	-86.0%	-60.5%	-85.0%	-67.5%	-49.3%	35.7 ppts	18.2 ppts

Source: Company data, CMBIGM estimates

Figure 2: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	6,028	9,660	15,026	6,019	9,660	15,026	0.2%	0.0%	0.0%
Gross profit	3,677	5,582	8,565	3,650	5,582	8,565	0.7%	0.0%	0.0%
Operating profit	(2,604)	(1,256)	1,015	(2,592)	(1,206)	1,075	N/A	N/A	-5.6%
Net profit	643	(1,001)	1,314	(5,530)	(950)	1,376	N/A	N/A	-4.5%
Adj. net profit	(1,702)	(216)	2,099	(1,690)	(166)	2,161	N/A	N/A	-2.9%
Gross margin	61.0%	57.8%	57.0%	60.6%	57.8%	57.0%	0.4 ppts	0.0 ppts	0.0 ppts
Operating margin	-43.2%	-13.0%	6.8%	-43.1%	-12.5%	7.2%	-0.1 ppts	-0.5 ppts	-0.4 ppts
Adj. net margin	-28.2%	-2.2%	14.0%	-28.1%	-1.7%	14.4%	-0.2 ppts	-0.5 ppts	-0.4 ppts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	6,028	9,660	15,026	5,993	9,582	14,657	0.6%	0.8%	2.5%
Gross profit	3,677	5,582	8,565	3,719	5,667	8,512	-1.1%	-1.5%	0.6%
Operating profit	(2,604)	(1,256)	1,015	(3,117)	(1,569)	883	N/A	N/A	14.9%
Adj. net profit	(1,702)	(216)	2,099	(2,720)	(919)	1,384	N/A	N/A	51.7%
Gross margin	61.0%	57.8%	57.0%	62.1%	59.1%	58.1%	-1.1 ppts	-1.4 ppts	-1.1 ppts
Operating margin	-43.2%	-13.0%	6.8%	-52.0%	-16.4%	6.0%	8.8 ppts	3.4 ppts	0.7 ppts
Adj. net margin	-28.2%	-2.2%	14.0%	-45.4%	-9.6%	9.4%	17.1 ppts	7.4 ppts	4.5 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**1,552**	**2,384**	**3,758**	**6,028**	**9,660**	**15,026**
Cost of goods sold	(457)	(542)	(1,333)	(2,351)	(4,078)	(6,462)
Gross profit	**1,094**	**1,841**	**2,426**	**3,677**	**5,582**	**8,565**
Operating expenses	**(3,125)**	**(3,986)**	**(5,764)**	**(6,280)**	**(6,838)**	**(7,550)**
Selling expense	(327)	(410)	(632)	(729)	(802)	(824)
Admin expense	(443)	(638)	(726)	(766)	(819)	(894)
R&D expense	(2,366)	(3,156)	(5,154)	(5,690)	(6,274)	(6,982)
Others	12	218	747	904	1,057	1,149
Operating profit	**(2,031)**	**(2,144)**	**(3,339)**	**(2,604)**	**(1,256)**	**1,015**
Share of (losses)/profits of associates/JV	(112)	(557)	(853)	(270)	(16)	98
EBITDA	**(6,229)**	**3,165**	**(9,635)**	**1,369**	**(389)**	**2,043**
Depreciation	76	114	137	(2)	(123)	(56)
Depreciation of ROU assets	52	59	77	77	90	106
Other amortisation	228	265	227	284	374	478
EBIT	**(6,585)**	**2,727**	**(10,076)**	**1,010**	**(731)**	**1,515**
Interest income	167	383	404	372	277	208
Interest expense	(9)	(7)	(14)	(5)	(6)	(7)
Pre-tax profit	**(6,744)**	**2,351**	**(10,466)**	**643**	**(1,001)**	**1,314**
Income tax	5	(5)	(3)	0	0	0
After tax profit	**(6,739)**	**2,347**	**(10,469)**	**643**	**(1,001)**	**1,314**
Minority interest	0	0	0	0	0	0
Net profit	**(6,739)**	**2,347**	**(10,469)**	**643**	**(1,001)**	**1,314**
Adjusted net profit	**(1,635)**	**(1,681)**	**(2,812)**	**(1,702)**	**(216)**	**2,099**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**13,538**	**17,196**	**24,118**	**21,460**	**20,248**	**21,686**
Cash & equivalents	11,360	15,371	20,188	16,307	12,750	10,279
Restricted cash	710	0	3	2	4	6
Account receivables	541	679	1,760	2,477	3,176	4,940
Inventories	791	585	1,069	1,933	3,352	5,134
ST bank deposits	0	0	637	0	0	0
Other current assets	(5,512)	(6,953)	(9,009)	740	967	1,327
Non-current assets	**2,336**	**3,183**	**6,493**	**5,648**	**7,514**	**9,471**
PP&E	433	774	1,053	(1,051)	(629)	(276)
Right-of-use assets	217	212	177	165	155	139
Deferred income tax	100	107	106	135	150	170
Investment in JVs & assos	1,108	1,038	1,297	1,458	1,669	2,013
Intangibles	303	320	239	405	581	703
Financial assets at FVTPL	81	630	3,503	4,398	5,393	6,438
Other non-current assets	94	103	118	139	196	284
Total assets	**15,874**	**20,379**	**30,611**	**27,108**	**27,762**	**31,156**
Current liabilities	**40,252**	**1,278**	**16,876**	**2,257**	**2,892**	**3,953**
Short-term borrowings	0	15	20	0	0	0
Account payables	11	15	234	64	112	177
Other current liabilities	40,164	928	16,281	1,482	1,809	2,271
Lease liabilities	52	72	75	66	77	89
Contract liabilities	25	249	266	644	894	1,416
Non-current liabilities	**287**	**7,186**	**1,096**	**1,129**	**1,273**	**1,416**
Long-term borrowings	113	393	508	703	783	863
Obligations under finance leases	112	82	43	66	77	89
Other non-current liabilities	62	6,712	545	360	413	464
Total liabilities	**40,539**	**8,464**	**17,971**	**3,386**	**4,165**	**5,369**
Share capital	0	0	0	0	0	0
Other reserves	(24,665)	11,914	12,639	23,722	23,597	25,787
Total shareholders equity	**(24,665)**	**11,914**	**12,639**	**23,722**	**23,597**	**25,787**
Minority interest	(0)	1	1	0	(0)	(0)
Total equity and liabilities	**15,874**	**20,379**	**30,611**	**27,108**	**27,762**	**31,156**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(6,744)**	**2,351**	**(10,466)**	**643**	**(1,001)**	**1,314**
Depreciation & amortization	357	438	441	359	341	528
Change in working capital	(938)	713	(307)	(1,861)	(1,875)	(3,120)
Others	5,581	(3,485)	8,226	(2,542)	388	378
Net cash from operations	**(1,745)**	**18**	**(2,106)**	**(3,400)**	**(2,147)**	**(900)**
Investing						
Capital expenditure	(454)	(912)	(701)	(750)	(850)	(900)
Acquisition of subsidiaries/ investments	(1,453)	(546)	(1,070)	(275)	(175)	(275)
Net proceeds from disposal of short-term investments	10	(478)	(2,527)	(495)	(495)	(495)
Others	1,229	4	(632)	3,042	2	2
Net cash from investing	**(667)**	**(1,932)**	**(4,930)**	**1,522**	**(1,518)**	**(1,668)**
Financing						
Net borrowings	100	294	121	175	80	80
Proceeds from share issues	0	5,404	10,063	0	0	0
Others	7,119	117	1,928	(2,178)	28	18
Net cash from financing	**7,219**	**5,815**	**12,111**	**(2,003)**	**108**	**98**
Net change in cash						
Cash at the beginning of the year	6,609	11,360	15,371	20,188	16,307	12,750
Exchange difference	(56)	111	(258)	0	0	0
Cash at the end of the year	**11,360**	**15,371**	**20,188**	**16,307**	**12,750**	**10,279**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	71.3%	53.6%	57.7%	60.4%	60.3%	55.6%
Gross profit	74.3%	68.3%	31.7%	51.6%	51.8%	53.4%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	70.5%	77.3%	64.5%	61.0%	57.8%	57.0%
Operating margin	(130.9%)	(90.0%)	(88.8%)	(43.2%)	(13.0%)	6.8%
EBITDA margin	(401.4%)	132.8%	(256.4%)	22.7%	(4.0%)	13.6%
Adj. net profit margin	(105.4%)	(70.5%)	(74.8%)	(28.2%)	(2.2%)	14.0%
Return on equity (ROE)	na	na	(85.3%)	3.5%	(4.2%)	5.3%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	0.3	13.5	1.4	9.5	7.0	5.5
Receivable turnover days	127.3	103.9	170.9	150.0	120.0	120.0
Inventory turnover days	631.3	394.1	292.9	300.0	300.0	290.0
Payable turnover days	8.9	9.8	64.2	10.0	10.0	10.0

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	ns	7.8	ns	90.8	ns	48.0
P/B	ns	1.5	4.1	2.5	2.6	2.4
P/CFPS	ns	1,035.1	ns	ns	ns	ns
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

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

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