

Horizon Robotics (9660 HK)

High growth potential with unique positioning

Transfer coverage with a BUY rating. Management has raised its revenue CAGR guidance for the next few years from 50% to 60% after Horizon SuperDrive (HSD) rollouts. We believe Horizon is well positioned with its rising market share in city NOA solutions, upcoming cockpit-driving fusion solutions, pilot operation of robotaxis, and overseas growth amid partnerships with global tier-1 suppliers. We think it deserves a valuation premium given its unique value in China's AD/robotics industries.

■ **Continued high R&D investments to support HSD penetration.** Horizon's 2H25 revenue rose 51% YoY to RMB2.2bn, in line with our prior forecast. GPM in 2H25 narrowed by 1.4ppts HoH to 64.0%, dragged by product solutions including Horizon Mono and Pilot. R&D expenses surged 64% YoY to RMB2.9bn in 2H25, about RMB0.3bn higher than our forecast. This resulted in an operating loss of RMB1.7bn in 2H25, or about RMB0.1bn worse than our forecast. Adjusted net loss (excluding share-based payment and fair value changes of preferred shares etc.) in 2H25 widened by about RMB0.15bn HoH to RMB1.48bn.

■ **Poised for high growth with diversified solutions and clients.** HSD, a city NOA solution with in-house algorithm powered by its most advanced chips, has been well received. Management expects HSD sales volume to rise 18x YoY to 0.4mn units in FY26E and we project such numbers to be more than doubled YoY in both FY27E and FY28E. It plans to roll out cockpit-driving fusion SoC, Agentic CAR, this year to further support HSD sales growth. We expect such solutions to start mass production by the end of FY26E, which could be quite competitive given its launch time is close to the Qualcomm SA8797 and its proven capabilities in AD solutions. Horizon also targets pilot operation of robotaxis in 3Q26 with ecosystem partners, showcasing its comprehensive AD capabilities. We are of the view that investors should not underestimate Horizon's growth potential in overseas markets and from foreign carmakers, as it partners with global leading tier-1 suppliers. It has secured shipment of model nominations of 10mn units over the lifecycle from 3 foreign marques.

■ **Earnings/Valuation.** Management guided a revenue CAGR of 60% for the next few years, which exceeds our prior forecast. We project revenue to rise 57%/65%/60% YoY in FY26-28E, driven by 5.5mn/7.3mn/9.1mn shipments and surging prices with higher HSD contribution. We expect adj. net loss to narrow in FY26-27E and an adj. net profit of RMB2.5bn in FY28E. We maintain our BUY rating with a new target price of HK\$10.00, which is based on 13x FY27E P/S, a similar level to Nvidia's (NVDA US, NR). We are of the view that such valuation is justified given its scarcity in both chip and software capabilities in China's AD/robotics industries and its unique value amid current geopolitical tensions. Key risks to our rating and target price include lower sales volume, especially for HSD, intensifying competition or more automakers using proprietary AD solutions, as well as a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	2,384	3,758	5,909	9,773	15,599
YoY growth (%)	53.6	57.7	57.2	65.4	59.6
Gross margin (%)	77.3	64.5	61.1	60.2	60.8
Operating profit (RMB mn)	(2,144.2)	(3,338.8)	(2,531.2)	(973.5)	1,623.7
Net profit (RMB mn)	2,346.6	(10,469.0)	(5,231.6)	(754.9)	1,902.5
Adjusted net profit (RMB mn)	(1,681.2)	(2,811.8)	(1,891.7)	(170.9)	2,486.5
P/S (x)	39.1	24.8	15.8	9.5	6.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$10.00
(Previous TP)	HK\$12.30
Up/Downside	37.9%
Current Price	HK\$7.25

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Stock Data

Mkt Cap (HK\$ mn)	106,226.2
Avg 3 mths t/o (HK\$ mn)	1,138.0
52w High/Low (HK\$)	10.81/4.62
Total Issued Shares (mn)	14651.9

Source: FactSet

Shareholding Structure

Mr. Yu Kai	12.3%
SAIC QIJUN Holdings	7.0%

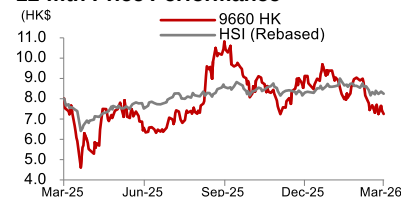
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-19.8%	-16.0%
3-mth	-20.5%	-19.9%
6-mth	-30.6%	-27.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Interim results

RMB mn	1H23	2H23	1H24	2H24	1H25	2H25	YoY	HoH
Revenue	371	1,180	935	1,449	1,567	2,192	51.2%	39.9%
Gross profit	227	868	739	1,103	1,024	1,402	27.1%	36.9%
Selling expenses	(143)	(185)	(198)	(211)	(272)	(360)	70.2%	32.2%
G&A expenses	(215)	(228)	(243)	(394)	(307)	(419)	6.2%	36.3%
R&D expenses	(1,049)	(1,317)	(1,420)	(1,736)	(2,300)	(2,854)	64.3%	24.1%
Operating profit	(1,237)	(793)	(1,105)	(1,039)	(1,592)	(1,747)	N/A	N/A
Net profit	(1,888)	(4,851)	(5,098)	7,445	(5,233)	(5,236)	N/A	N/A
Gross margin	61.0%	73.5%	79.0%	76.1%	65.4%	64.0%	-12.1 ppts	-1.4 ppts
Operating margin	-333.1%	-67.2%	-118.3%	-71.7%	-101.6%	-79.7%	-8.0 ppts	21.9 ppts
Net margin	-508.4%	-411.0%	-545.5%	513.8%	-334.0%	-238.9%	-752.7 ppts	95.1 ppts

Source: Company data, CMBIGM

Figure 2: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25A	FY26E	FY27E	FY25E	FY26E	FY27E	FY25A	FY26E	FY27E
Revenue	3,758	5,909	9,773	3,582	5,995	9,214	4.9%	-1.4%	6.1%
Gross profit	2,426	3,610	5,885	2,391	3,800	5,753	1.5%	-5.0%	2.3%
Operating profit	(3,339)	(2,531)	(974)	(3,016)	(2,145)	(554)	N/A	N/A	N/A
Adj. net profit	(2,812)	(1,892)	(171)	(4,155)	(1,702)	78	N/A	N/A	N/A
Gross margin	64.5%	61.1%	60.2%	66.7%	63.4%	62.4%	-2.2 ppts	-2.3 ppts	-2.2 ppts
Operating margin	-88.8%	-42.8%	-10.0%	-84.2%	-35.8%	-6.0%	-4.6 ppts	-7.1 ppts	-4.0 ppts
Net margin	-74.8%	-32.0%	-1.7%	-116.0%	-28.4%	0.9%	41.2 ppts	-3.6 ppts	-2.6 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	5,909	9,773	15,599
Cost of goods sold	(457)	(542)	(1,333)	(2,299)	(3,888)	(6,113)
Gross profit	1,094	1,841	2,426	3,610	5,885	9,486
Operating expenses	(3,125)	(3,986)	(5,764)	(6,141)	(6,858)	(7,862)
Selling expense	(327)	(410)	(632)	(658)	(771)	(848)
Admin expense	(443)	(638)	(726)	(770)	(852)	(950)
R&D expense	(2,366)	(3,156)	(5,154)	(5,418)	(5,940)	(6,758)
Others	12	218	747	704	705	695
Operating profit	(2,031)	(2,144)	(3,339)	(2,531)	(974)	1,624
Share of (losses)/profits of associates/JV	(112)	(557)	(853)	(270)	(16)	98
EBITDA	(6,229)	3,165	(9,493)	(4,146)	514	3,377
Depreciation	76	114	169	256	372	473
Depreciation of ROU assets	52	59	69	80	93	109
Other amortisation	228	265	346	446	571	714
EBIT	(6,585)	2,727	(10,076)	(4,928)	(523)	2,081
Interest income	167	383	404	315	246	197
Interest expense	(9)	(7)	(14)	(11)	(12)	(17)
Pre-tax profit	(6,744)	2,351	(10,466)	(5,233)	(756)	1,902
Income tax	5	(5)	(3)	0	0	0
After tax profit	(6,739)	2,347	(10,469)	(5,233)	(756)	1,902
Minority interest	0	0	0	1	1	1
Net profit	(6,739)	2,347	(10,469)	(5,232)	(755)	1,903
Adjusted net profit	(1,635)	(1,681)	(2,812)	(1,892)	(171)	2,487

BALANCE SHEET	2023A	2024A	2025E	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	13,538	17,196	25,482	23,560	23,542	26,597
Cash & equivalents	11,360	15,371	21,583	17,761	14,925	13,086
Restricted cash	710	0	1	2	4	6
Account receivables	541	679	1,750	2,428	3,213	5,128
Inventories	791	585	1,278	2,015	3,196	4,857
ST bank deposits	0	0	0	0	0	0
Other current assets	(4,173)	(4,621)	(5,203)	1,353	2,205	3,520
Non-current assets	2,336	3,183	3,418	4,309	5,182	6,071
PP&E	433	774	1,103	1,495	1,821	2,096
Right-of-use assets	217	212	202	187	174	155
Deferred income tax	100	107	120	135	150	170
Investment in JVs & assos	1,108	1,038	781	941	1,153	1,497
Intangibles	303	320	325	329	308	194
Financial assets at FVTPL	81	630	735	980	1,175	1,320
Other non-current assets	94	103	153	242	401	640
Total assets	15,874	20,379	28,900	27,870	28,724	32,669
Current liabilities	40,252	1,278	15,199	2,792	3,368	4,375
Short-term borrowings	0	15	0	0	0	0
Account payables	11	15	37	63	107	167
Other current liabilities	40,164	928	14,552	2,033	2,335	2,785
Lease liabilities	52	72	63	67	74	83
Contract liabilities	25	249	548	630	852	1,340
Non-current liabilities	287	7,186	889	1,143	1,482	1,824
Long-term borrowings	113	393	493	688	968	1,248
Obligations under finance leases	112	82	95	100	111	124
Other non-current liabilities	62	6,712	302	355	404	453
Total liabilities	40,539	8,464	16,088	3,935	4,850	6,199
Share capital	0	0	0	0	1	1
Other reserves	(24,665)	11,914	12,811	23,868	23,808	26,404
Total shareholders equity	(24,665)	11,914	12,811	23,868	23,808	26,405
Minority interest	(0)	1	0	67	66	65
Total equity and liabilities	15,874	20,379	28,900	27,870	28,724	32,669

CASH FLOW	2023A	2024A	2025E	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(6,744)	2,351	(10,466)	(5,233)	(756)	1,902
Depreciation & amortization	357	438	584	782	1,036	1,296
Change in working capital	(938)	713	(1,435)	(1,554)	(2,488)	(4,288)
Others	5,581	(3,485)	8,441	3,352	541	634
Net cash from operations	(1,745)	18	(2,876)	(2,653)	(1,666)	(457)
Investing						
Capital expenditure	(454)	(912)	(850)	(1,100)	(1,250)	(1,350)
Acquisition of subsidiaries/ investments	(1,453)	(546)	(525)	(275)	(175)	(275)
Net proceeds from disposal of short-term investments	10	(478)	(45)	(45)	(45)	(45)
Others	1,229	4	2	2	2	2
Net cash from investing	(667)	(1,932)	(1,418)	(1,418)	(1,468)	(1,668)
Financing						
Net borrowings	100	294	79	192	276	272
Proceeds from share issues	0	5,404	10,094	0	0	0
Others	7,119	117	334	57	21	13
Net cash from financing	7,219	5,815	10,506	249	297	285
Net change in cash						
Cash at the beginning of the year	6,609	11,360	15,371	21,583	17,761	14,925
Exchange difference	(56)	111	0	0	0	0
Cash at the end of the year	11,360	15,371	21,583	17,761	14,925	13,086
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	71.3%	53.6%	57.7%	57.2%	65.4%	59.6%
Gross profit	74.3%	68.3%	31.7%	48.8%	63.0%	61.2%
EBITDA	na	na	na	na	na	557.4%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	70.5%	77.3%	64.5%	61.1%	60.2%	60.8%
Operating margin	(130.9%)	(90.0%)	(88.8%)	(42.8%)	(10.0%)	10.4%
EBITDA margin	(401.4%)	132.8%	(252.6%)	(70.2%)	5.3%	21.6%
Adj. net profit margin	(105.4%)	(70.5%)	(74.8%)	(32.0%)	(1.7%)	15.9%
Return on equity (ROE)	na	na	(84.7%)	(28.5%)	(3.2%)	7.6%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025E	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	0.3	13.5	1.7	8.4	7.0	6.1
Receivable turnover days	127.3	103.9	170.0	150.0	120.0	120.0
Inventory turnover days	631.3	394.1	350.0	320.0	300.0	290.0
Payable turnover days	8.9	9.8	10.0	10.0	10.0	10.0
VALUATION	2023A	2024A	2025E	2026E	2027E	2028E
YE 31 Dec						
P/E	ns	12.4	ns	ns	ns	52.7
P/B	ns	2.4	6.4	3.9	4.2	3.8
P/CFPS	ns	1,653.7	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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