

SenseTime (20 HK)

FY25 results beat on solid Gen AI business and enhanced operating efficiency

SenseTime announced FY25 results: total revenue grew by 33% YoY to RMB5.01bn, 3% ahead of Bloomberg consensus estimate mainly thanks to the strong momentum of Generative AI business. Adjusted net loss narrowed by 54% YoY to RMB1.96bn in FY25, also better than consensus estimate of RMB2.29bn, primarily due to the effective control in opex (-11% YoY) and the operating leverage. Looking ahead, the company will continue to improve its multimodal capabilities and enhance model cost efficiency to capture the GenAI monetization opportunities. We lift our FY26-27E total revenue forecast by 3-6% given the strong Generative AI business. We now expect total revenue to grow by 27% YoY to RMB6.39bn in FY26E, driven by 35% YoY growth in Generative AI revenue. We raise our target price to HK\$2.50 based on 12x FY26E EV/sales (previous: HK\$2.45 on 12x FY26E EV/sales). Maintain BUY.

- **Gen AI business maintained strong momentum.** Revenue from Generative AI business increased by 51% YoY to RMB3.63bn in FY25 (72% of total revenue), primarily driven by the robust demand for model training and inference. SenseCore's total operational compute power increased to 40,400 PetaFLOPS in Mar 2026, compared to 25,000 PetaFLOPS in Aug 2025. On the AI applications front: 1) in office scenarios, SenseTime Raccoon has served over 15mn individual users and thousands of enterprise customers, with MAU up by seven-fold in 2025; 2) in content creation scenarios, SenseTime launched Seko in 2025, a short drama creation agent, which attracted over 300k creators within a few months from launch. Looking ahead, the company plans to launch a new model based on the second-generation NEO architecture in 2Q26, which should further enhance multimodal capabilities of AI agents and drive growth of the Gen AI business.
- **Computer Vision business to enter second growth phase.** Revenue from Computer Vision business grew by 3% YoY to RMB1.08bn in FY25 (22% of total revenue), mainly driven by the solid growth in overseas market and the recovery of domestic demand. The Computer Vision business has transited to a second growth phase through multimodal vision agents, with the share of projects adopting multimodal and agent capabilities up from 0% in 2024 to c.60% in 2025. Revenue from X businesses declined by 6% YoY to RMB302mn in FY25, primarily attributable to the deconsolidation of Autonomous Driving business in August 2025.
- **Margin expansion on improving operating efficiency.** GPM declined by 1.9ppts YoY to 41.0% in FY25, mainly due to the increased revenue contribution of AIDC-related business. Adjusted net margin improved by 75ppts YoY to -39% in FY25, mainly supported by the operating leverage and effective control in opex (-11% YoY). Looking into FY26E, we expect the company to achieve breakeven on adj. EBITDA level, and adjusted net loss to further narrow by 66% YoY.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	3,772	5,015	6,393	7,678	8,940
YoY growth (%)	10.8	32.9	27.5	20.1	16.4
Adjusted net profit (RMB mn)	(4,224.6)	(1,940.0)	(668.1)	86.1	1,102.5
EPS (Adjusted) (RMB cents)	(12.66)	(5.23)	(1.80)	0.23	2.97
Consensus EPS (RMB cents)	(12.66)	(5.23)	(2.72)	(0.62)	na
P/S (x)	16.6	12.5	9.8	8.1	7.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$2.50**
(Previous TP) **HK\$2.45**
Up/Downside **30.9%**
Current Price **HK\$1.91**

China Software & IT Services

Saiyi HE, CFA
(852) 3916 1739
hesaiyi@cmbi.com.hk

Wentao LU, CFA
luwentao@cmbi.com.hk

Ye TAO, CFA
(852) 3850 5226
franktao@cmbi.com.hk

Shuyin GUO
(852) 3916 3716
guoshuyin@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	70,843.6
Avg 3 mths t/o (HK\$ mn)	1,526.2
52w High/Low (HK\$)	2.89/1.28
Total Issued Shares (mn)	37090.9

Source: FactSet

Shareholding Structure

Amind	18.7%
SenseTalent Management	5.2%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-26.8%	-22.4%
3-mth	-10.3%	-7.6%
6-mth	-30.0%	-26.0%

Source: FactSet

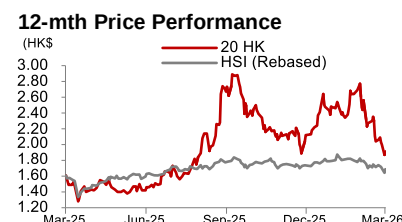


Figure 1: SenseTime: forecast revision

	2026E			2027E			2028E		
RMBm	New	Old	%Diff	New	Old	%Diff	New	Old	%Diff
Sales	6,393	6,236	3%	7,678	7,235	6%	8,940	NA	NA
Gross profit	2,481	2,364	5%	2,937	2,718	8%	3,419	NA	NA
Operating profit	-1,663	-1,450	NA	-546	-409	NA	577	NA	NA
Adj net profit	-674	-602	NA	86	120	NA	1,112	NA	NA
EPS	-0.02	-0.02	NA	0.00	0.00	NA	0.03	NA	NA
Margins									
GM	38.8%	37.9%	0.9pct	38.3%	37.6%	0.7pct	38.2%	NA	NA
OPM	-26.0%	-23.3%	-2.8pct	-7.1%	-5.7%	-1.5pct	6.5%	NA	NA
Adj. net margin	-10.5%	-9.7%	-0.9pct	1.1%	1.7%	-0.5pct	12.4%	NA	NA

Source: CMBIGM estimates

Figure 2: SenseTime: CMBIGM estimates vs consensus

	2026E			2027E			2028E		
RMBm	CMBI	Street	Diff	CMBI	Street	Diff	CMBI	Street	Diff
Sales	6,393	6,154	4%	7,678	7,808	-2%	8,940	NA	NA
Gross profit	2,481	2,316	7%	2,937	2,880	2%	3,419	NA	NA
Operating profit	-1,663	-1,144	NA	-546	-436	NA	577	NA	NA
Adj. net profit	-674	-1,140	NA	86	-252	NA	1,112	NA	NA
EPS	-0.02	-0.03	NA	0.00	-0.01	NA	0.03	NA	NA
Margins									
GPM	38.8%	37.6%	1.2pct	38.3%	36.9%	1.4pct	38.2%	NA	NA
OPM	-26.0%	-18.6%	-7.4pct	-7.1%	-5.6%	-1.5pct	6.5%	NA	NA
Adj. net margin	-10.5%	-18.5%	8.0pct	1.1%	-3.2%	4.4pct	12.4%	NA	NA

Source: Bloomberg, CMBIGM estimates

Valuation

We value SenseTime at US\$2.50 per share based on 12x FY26E EV/sales. Our target EV/sales is at a premium to the sector average (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)		EV/Sales (x)		Rev CAGR 25-27E
			2026E	2027E	2026E	2027E	
China							
Arcsoft	688088 CH	38.8	13.0	10.6	11.5	9.4	23%
Hikvision	002415 CH	30.0	2.6	2.4	2.4	2.1	10%
Dahua	002236 CH	16.4	1.5	1.4	1.3	1.2	9%
Average			5.7	4.8	5.0	4.2	
Overseas							
Coreweave	CRWV US	82.0	3.5	1.9	5.7	3.1	113%
UiPath	PATH US	12.1	4.1	3.7	3.1	2.8	11%
C3.ai	AI US	8.7	5.1	5.5	2.3	2.5	-23%
Average			4.6	4.6	2.7	2.7	
Global Avg.			5.3	4.7	4.1	3.6	

Source: Bloomberg, CMBIGM

Note: Data as of 23 Mar

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	3,406	3,772	5,015	6,393	7,678	8,940
Cost of goods sold	(1,905)	(2,152)	(2,958)	(3,912)	(4,740)	(5,521)
Gross profit	1,501	1,620	2,056	2,481	2,937	3,419
Operating expenses	(5,795)	(6,250)	(5,570)	(4,144)	(3,484)	(2,842)
Selling expense	(819)	(655)	(569)	(506)	(482)	(447)
Admin expense	(1,511)	(1,464)	(1,226)	(1,043)	(833)	(627)
R&D expense	(3,466)	(4,132)	(3,775)	(2,595)	(2,168)	(1,768)
Operating profit	(4,295)	(4,630)	(3,514)	(1,663)	(546)	577
Interest income	342	449	258	258	249	209
Interest expense	(147)	(180)	(201)	(195)	(283)	(278)
Other income/expense	(2,405)	62	1,798	1,044	619	445
Pre-tax profit	(6,504)	(4,300)	(1,660)	(556)	38	953
Income tax	9	(7)	(122)	(41)	3	70
After tax profit	(6,495)	(4,307)	(1,782)	(597)	41	1,024
Minority interest	(55)	(28)	(16)	(5)	0	9
Net profit	(6,440)	(4,278)	(1,766)	(591)	41	1,015
Adjusted net profit	(5,360)	(4,225)	(1,940)	(668)	86	1,102

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	16,940	18,227	18,784	20,171	19,396	19,191
Cash & equivalents	9,423	8,888	10,887	11,080	9,543	8,702
Account receivables	5,159	5,068	4,304	5,310	6,005	6,587
Inventories	506	452	248	440	506	560
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	21,584	22,547	23,210
PP&E	7,379	7,277	5,883	7,353	8,325	9,002
Right-of-use assets	350	239	283	283	283	283
Intangibles	326	239	121	114	104	91
Other non-current assets	7,894	8,617	13,834	13,834	13,834	13,834
Total assets	32,888	34,600	38,906	41,755	41,942	42,401
Current liabilities	3,287	4,754	5,733	6,074	6,201	14,614
Short-term borrowings	194	1,240	2,014	3,039	3,043	12,358
Account payables	2,262	1,789	2,090	2,569	2,633	1,673
Other current liabilities	613	2,591	3,352	3,150	3,155	12,470
Contract liabilities	266	277	229	292	350	408
Non-current liabilities	6,445	6,204	6,112	7,995	8,013	(964)
Long-term borrowings	4,279	4,681	3,710	5,583	5,591	(3,396)
Bond payables	5	36	0	0	0	0
Other non-current liabilities	2,161	1,486	2,401	2,412	2,422	2,432
Total liabilities	9,733	10,958	11,845	14,068	14,215	13,650
Share capital	0	0	0	0	0	0
Retained earnings	(52,634)	(56,913)	(58,678)	(59,270)	(59,229)	(58,214)
Other reserves	75,794	80,373	85,397	86,620	86,620	86,620
Total shareholders equity	23,159	23,461	26,719	27,350	27,391	28,405
Minority interest	(4)	181	342	337	337	346
Total equity and liabilities	32,888	34,600	38,906	41,755	41,942	42,401

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(6,504)	(4,300)	(1,660)	(556)	38	953
Depreciation & amortization	994	1,157	1,103	1,176	1,418	1,644
Tax paid	(22)	(26)	(10)	(41)	3	70
Change in working capital	812	(393)	4,048	(645)	(628)	(1,529)
Others	1,486	(366)	(3,784)	(63)	35	69
Net cash from operations	(3,234)	(3,927)	(301)	(129)	866	1,208
Investing						
Capital expenditure	(1,518)	(1,129)	(3,488)	(2,638)	(2,381)	(2,307)
Others	4,976	(1,668)	(19)	258	249	209
Net cash from investing	3,458	(2,796)	(3,507)	(2,380)	(2,132)	(2,098)
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	1,228	6,442	5,816	2,897	13	328
Proceeds from share issues	0	0	0	0	0	0
Others	(145)	(182)	(196)	(195)	(283)	(278)
Net cash from financing	1,084	6,260	5,621	2,702	(270)	49
Net change in cash						
Cash at the beginning of the year	7,963	9,423	8,888	10,887	11,080	9,543
Exchange difference	153	(72)	186	0	0	0
Cash at the end of the year	9,423	8,888	10,887	11,080	9,543	8,702
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	(10.6%)	10.8%	32.9%	27.5%	20.1%	16.4%
Gross profit	(41.0%)	7.9%	27.0%	20.6%	18.4%	16.4%
Net profit	na	na	na	na	na	2,388.1%
Adj. net profit	na	na	na	na	na	1,180.9%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	44.1%	42.9%	41.0%	38.8%	38.3%	38.2%
Operating margin	(126.1%)	(122.8%)	(70.1%)	(26.0%)	(7.1%)	6.5%
Adj. net profit margin	(157.4%)	(112.0%)	(38.7%)	(10.5%)	1.1%	12.3%
Return on equity (ROE)	(24.7%)	(18.4%)	(7.0%)	(2.2%)	0.1%	3.6%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	0.0
Current ratio (x)	5.2	3.8	3.3	3.3	3.1	1.3
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	35.2
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	ns	ns	ns	ns	1,531.8	61.5
P/B	2.4	2.4	2.3	2.3	2.3	2.2
EV	(6,936.2)	(6,830.4)	(8,522.4)	(5,818.4)	(4,268.7)	(3,100.2)
EV/Sales	(2.0)	(1.8)	(1.7)	(0.9)	(0.6)	(0.3)

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

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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