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Xpeng (XPEV.N/9868.HK)

2Q GPM Flat QoQ; Humanoid Robot & Robotaxi Roadmap on Track

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CITI'S TAKE

1Q revenue came in-line at Rmb13,034mn (-18% YoY/-41% QoQ), with blended ASP growth to Rmb175,478 (+15% YoY/+7% QoQ). 1Q GPM also in-line at 20.6% (+5.0ppt YoY/-0.7ppt QoQ), while bottom line missed market expectation at Rmb-1,784mn mainly due to intense R&D expense of Rmb2,907mn (+47% YoY/+1% QoQ). **2Q margin outlook:** Mgmt. anticipates 2Q blended GPM & vehicle GPM similar to 1Q level (20.6%/12.1%), as a result of mixed impact from (i) sales ramp-up of high-margin GX and (ii) rising battery and memory chip cost headwinds. To reflect margin downgrade amid cost headwinds, we trim our TP from US$25.6/HK$100.0 to US$22.5/HK$87.7. During analyst briefing, mgmt. anticipates that (1) high-margin overseas monthly sales >10k in 4Q26E, (2) Xpeng IRON robot demonstration in 3Q26E and mass-production by end-2026E, and (3) Robotaxi pilot operation in 3Q26E.

Overseas monthly sales to reach >10k units in 4Q26E — Mgmt. expects overseas revenue contribution to exceed 20% from 2Q26E. Along with 4 new models launched overseas, the company targets overseas monthly sales to be over 10k units in 4Q26E, with FY26 overseas sales to double YoY.

Humanoid robot SOP by end-2026E — Mgmt. view Xpeng is China's only full-stack in-house R&D robotics company (chip, foundation model, joint module, dexterous hand, motion control, etc.). They focus on automotive-grade safety, reliability, stability, and scalable supply chain. The new self-developed dexterous hand is more agile and much lower cost. Xpeng targets robot demonstration in 3Q26E and mass-production by end-2026E.

Robotaxi pilot operation in 3Q26E — The company targets to launch pilot passenger operations for Robotaxi service in 3Q26E. Mgmt. indicates they currently focus only on Guangzhou, where they have obtained the required license. Their strategy is to fully validate technology, product, and business model in Guangzhou first, then expand through local partners in China and globally. Mgmt. expects Robotaxi widened rollout will come after 2027, when they launch the cost-effective integrated platform. *(Continued)*

						Rating		Short-Term	Target Price						Current Fiscal Year EPS		Next Fiscal Year EPS	
Company	Ticker	Ccy	Price	Mkt Cap (M)	Date & Time	Old	New	View	Old	New	ESPR (%)	Div Yld (%)	ETR (%)	Last Rpt Yr	Old	New	Old	New
XPeng	9868.HK	HK$	66.35	127,024	28 May 16:10	1	nc	-	100.00	87.70	32.2	0.0	32.2	Dec-25	-0.419	-1.085	3.208	2.558
XPeng	XPEV	US$	16.45	15,746	27 May 16:00	1	nc	-	25.60	22.50	36.8	0.0	36.8	Dec-25	-0.419	-1.085	3.208	2.558

1 = Buy, 2 = Neutral, 3 = Sell, H = High Risk

ESPR = Expected Share Price Return, ETR = Expected Total Return, nc = no change

Source: Citi Research

^Catalyst Watch

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

Estimate revision – We lower our 2026-28E GPM forecasts by 0.6-0.7ppt to 19.3%/21.6%/22.1% to reflect cost inflations, with 2026-28E bottom-line forecasts lowered from Rmb-401/3,066/4,116mn to Rmb-1,038/2,445/3,434mn. By applying the same SOTP valuation, we trim TP from US$25.6/HK$100.0 to US$22.5/HK$87.7, by applying (1) 1.5x 2026E P/S on auto business (lowered from previous 1.75x to reflect industry cost headwinds), which yields TP of US$21.0/HK$81.8, and (2) 8x 2026E P/S on robotics business, which yields US$1.5/HK$5.9.

Questions and Answers

Q: GX order backlog and sales expectations?

A: Per mgmt., GX sales have significantly beaten expectations, as BEV flagship version's waiting time exceeds 30 weeks and orders continue to grow when they redirect orders to Ultra trims. Flagship version accounted for over 80% of initial orders and remain the highest-mix contributor. Max version is below 5% of total order, lower than expected. GX EREV versions are also gaining popularity, especially in northern and western China.

Q: Robotaxi expansion plans?

A: According to mgmt., recent regulatory tightening in China has no negative impact on Xpeng's Robotaxi progress. The company views Robotaxi as a major commercial opportunity post-2028. As for business model, Xpeng focuses on product development and commission-based cooperation with 3rd party. In the long run, Robotaxi will evolve into a separately new segment independent of selling consumer cars.

Q: What are the key improvements for XNGP 2.0 in 2026?

A: Per mgmt., they plan to significantly raise the performance ceiling, with the system becoming smarter and lower human intervention.

Q: 2Q vehicle margin outlook?

A: Mgmt. anticipates 2Q blended gross margin will be similar to 1Q level. Higher-margin GX deliveries will improve product mix, but headwinds remain from rising battery and memory chip costs.

Q: LT overseas growth drivers?

A: Mgmt. target over 50% of sales and profit from overseas in 5 years. Globalization should accelerate sharply in 2027–2028, supported by four new global models. Overseas sales now represent ~20% of total (vs. ~10% in 2025) with significantly better profitability than domestic. Also, mgmt. mentioned local production in Austria serves Europe, while Indonesia and Malaysia plants target Southeast Asia. Localization mitigates tariff risks and improves profitability.

Q: Robot application scenarios and pricing strategy?

A: Initial scenarios include store guide and shopping assistant in Xpeng stores, introducing vehicles and products, which later expand to retail, cashier, and other scenarios. For pricing strategy, mgmt. expects robot pricing to be higher than passenger vehicles with stronger gross margin.

Q: 2026 service revenue outlook?

A: According to mgmt., scale delivery of Turing SOC to Volkswagen starts in 2Q26E. Xpeng is open to global partnerships to monetize core technologies including ADAS, AI, and platform solutions.

Bull/Bear: XPeng (9868.HK)

HK$105.20 ▲59% Upside	HK$87.70 ▲32% Upside	HK$43.80 ▼34% Downside

Spread 93pp
Current Price and expected returns (upside/downside) as of 28 May 2026

BULL Assumptions

- 2026E vehicle shipments come in 10% higher than expectation
- 2026E blended ASP comes in 10% higher than expectation

BASE Assumptions

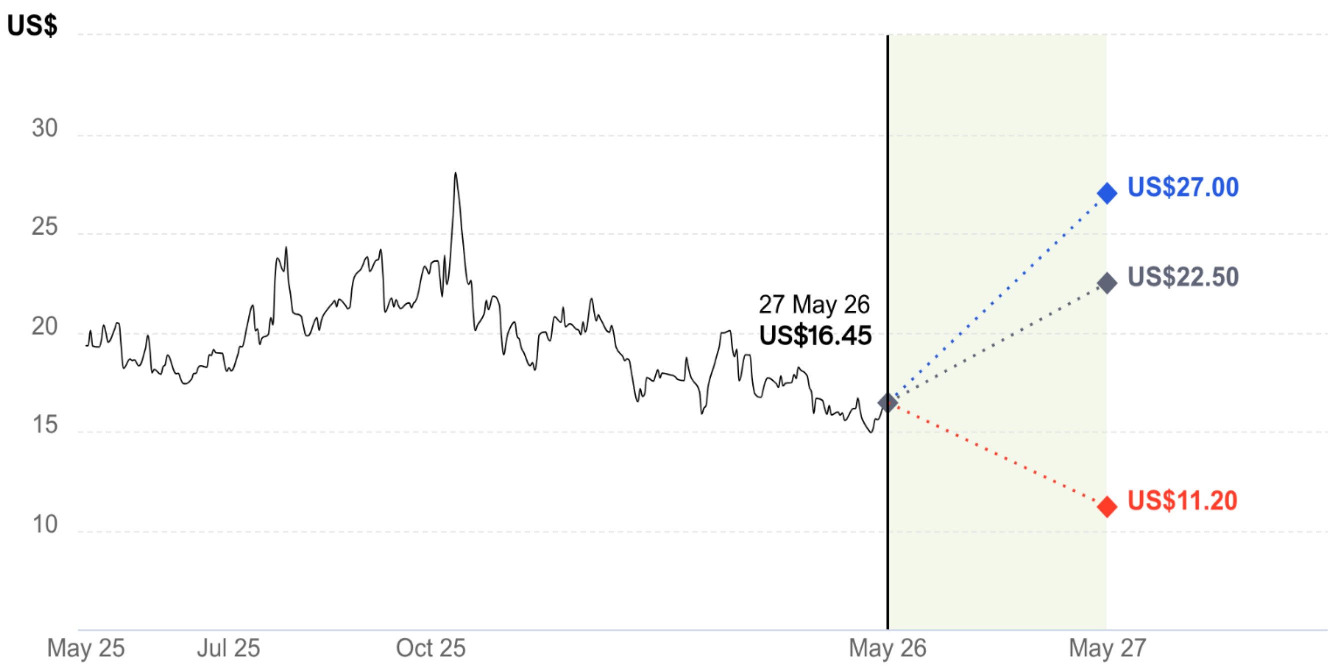
- 2026E vehicle shipments at 500k units
- 2026E gross margin at 19%

BEAR Assumptions

- 2026E vehicle shipments come in -30% lower than expectation
- 2026E blended ASP comes in -20% lower than expectation

Bull/Bear: XPeng (XPEV.N)

US$ 27.00 ▲64% Upside	US$ 22.50 ▲37% Upside	US$ 11.20 ▼32% Downside



Spread 96pp
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XPeng

Company description

XPeng is a smart electric vehicle automaker in China. Its main operations consist of designing, developing, manufacturing and marketing smart EVs in China. Founded in 2015, the company's vision is to bring smart EVs to Chinese consumers through innovation in autonomous driving, smart connectivity, and core vehicle systems. XPeng currently markets SUVs dubbed the G3/G6/G9, a four-door sports sedan dubbed the P7, a MPV X9, and a smart family sedan, the P5.

Investment strategy

We rate XPeng's listed shares as Buy, expecting strong volume growth in 2026/27E on robust order intake and new model launches, and potentially extra growth drivers on AI/Robotics.

Valuation

We adopt SOTP to value Xpeng with TP at US$22.5/HK$87.7: (1) 1.5x 2026E P/S on auto business (2SD above 2-year average), which yields TP of US$21.0/HK$81.8, and (2) 8x 2026E P/S on robotics business (similar to the average 2026E P/S valuation of A share robotics-thesis names Sanhua/Hengli, and lower than leading robotics manufacturer UBTech's valuation considering Xpeng's early ramp-up stage on robotics), which yields US$1.5/HK$5.9.

Risks

Key downside risk factors that could prevent the shares from reaching our target price include: (1) any failure to design and manufacture cars of sufficient quality, on schedule and in large scale; intensified competition; (2) lower-than-expected demand; and (3) failure to provide up-to-standard services to customers at a profit.

Key upside risks that could sustain the stock above our target price include: (1) higher-than-expected NEV sales; (2) blockbuster models that greatly improve the company's brand and reputation; and (3) investor concerns about cash burn and any possible refinancing are allayed.

Although the stock screens as High Risk in our Quant Risk Rating, we believe a High Risk rating is not warranted as the stock now has a long trading history, with full-year sales volume potentially exceeding 200k units in 2025E. We believe the company's corporate governance has also improved.

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