Morgan Stanley | RESEARCH

IDEA

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XPeng Inc. | Asia Pacific

Car-as-Robot – XPeng's AI Moat and 2026 Milestones

MORGAN STANLEY ASIA LIMITED+

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After unveiling its physical-world foundation model at CVPR 2026, XPeng elaborated on how its VLA 2.0 and world model can power both autonomous driving and robotics. We view this as strategically important, underpinning 2H robotaxi and humanoid catalysts and its pivot toward physical AI. Stay OW.

We remain constructive after correction: Macro uncertainty has led XPeng-H to drop 12% in June (HSI -4%). However, our positive stance is underpinned by its increasingly visible AI roadmap as a re-rating catalyst, alongside improving GX and overseas sales and upcoming model launches. Key milestones include the August OTA of world model, robotaxi trial operations in Guangzhou in 3Q, and the demo of cockpit-driving integration in 2H, marking further progress toward embodied AI.

Taking a firm stance: During a recent tech update, XPeng reiterated its view that simulation can refine distribution, but real-world edge cases are essential for true generalization. Xpeng argues that no simulator can generate all possible scenarios, making large-scale real-world data collection a barrier to entry. This reinforces XPeng's vertically integrated strategy as a necessity rather than a preference.

Committing to combining VLA and world models: Built on a shared foundation model, the system integrates high-level semantic understanding from human driving behavior with dense supervision from future environment prediction. This design addresses key limitations of standalone VLA models—such as implicit world understanding, sparse supervision, and dimensionality constraints, all enabling stronger comprehension of physical dynamics and robust decision-making across autonomous driving and robotics.

A "Trinity" world model – structured around active reasoning (XMind), controllable generation (XWord), and long-horizon forecasting (Foresight). XPeng has achieved a 2.7x inference speed improvement through acceleration technologies that require no retraining, supporting scalable commercial deployment.

A clear data hierarchy: Fleet-collected real-world corner cases are central to advancing L4 autonomy, while simulation and synthetic data smooth distribution. Combined with full-stack in-house development, including onboard chips, end-to-end data pipelines, and AI infrastructure, this creates a potentially durable competitive advantage in scaling autonomous systems.

"Car-as-a-robot": XPeng is leveraging shared infrastructure, foundation models, and system architecture. The General Smart Control Center (GSC) aligns teams to accelerate cabin-driving integration, linking user intent recognition with task execution. With limited fine-tuning, models deployed in vehicles can be applied to robotics, with differentiation primarily at the motion control layer.

XPeng Inc. (9868.HK, 9868 HK)

ADRXPEV.N

China Autos & Shared Mobility | China

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	HK$96.00
Up/downside to price target (%)	71
Shr price, close (Jun 11, 2026)	HK$56.20
52-Week Range	HK$110.80-56.20
Sh out, dil, curr (mn)	1,904
Mkt cap, curr (mn)	Rmb92,542.0
EV, curr (mn)	Rmb61,142.7
Avg daily trading value (mn)	HK$1,401

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (Rmb)**	(0.60)	(1.89)	(0.50)	0.10
EPS (Rmb)§	(0.89)	(0.46)	1.12	2.60
Revenue, net (Rmb mn)	76,720	83,126	103,254	116,316
EBITDA (Rmb mn)	216.5	(1,168.8)	1,849.8	3,196.6
ModelWare net inc (Rmb mn)	(1,139)	(3,600)	(950)	194
P/E	NM	NM	NM	476.9
P/BV	4.5	3.5	3.6	3.6
RNOA (%)	(78.9)	342.5	278.4	16.5
ROE (%)	(3.6)	(11.9)	(3.5)	0.8
EV/EBITDA	482.0	NM	33.8	16.7
FCF yld ratio (%)**	1.4	(4.4)	2.9	9.8
Leverage (EOP) (%)	(27.1)	(15.5)	(26.3)	(60.9)

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
§ = Consensus data is provided by Refinitiv Estimates
** = Based on consensus methodology
e = Morgan Stanley Research estimates

Risk Reward – XPeng Inc. (9868.HK)

Irons in the fire - AI Turing chip, humanoids, and robotaxis

PRICE TARGET HK$96.00

Derived from our ADR price target using 7.85 HKD/USD. We assign 30%/50%/20% weightings to our bull/base/bear case scenarios - the bull/bear weighting reflects the potential for valuation re-rating from non-vehicle business/the macro outlook to weaken and sector competition to worsen.
Key base case assumptions: 3% terminal growth rate, 1.6x beta, 12.8% WACC.

Consensus Price Target Distribution HK$68.22 — HK$96.56 — MS PT — HK$134.51

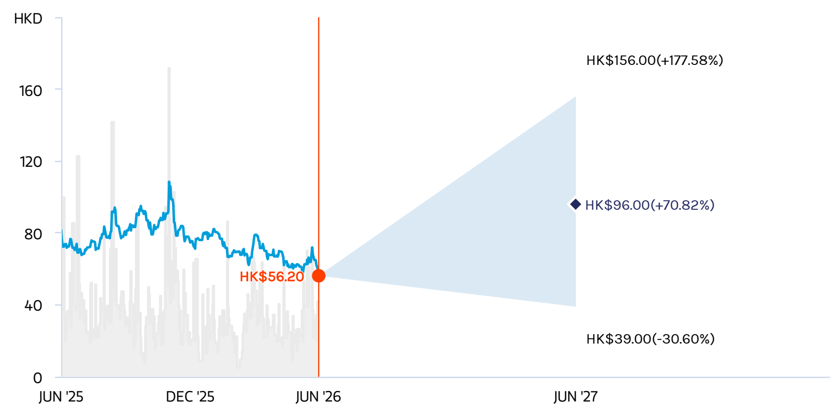
Source: Refinitiv, Morgan Stanley Research

◆ Mean ◆ Morgan Stanley Estimates

OVERWEIGHT THESIS

- With a robust new model pipeline, we expect XPeng's monthly sales to take off from 2H26 and further expand in 2027, underpinned by its super electric hybrid system and L4 rollout.
- More meaningful margin improvement should materialize from 2026, when the scale benefits of new models fully kick in.
- We see increasing value in XPeng's new initiatives in AI Turing chip, humanoids, and robotaxis, which should unlock potential valuation upside as they enter mass rollout in 2026.

RISK REWARD CHART



Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

Consensus Rating Distribution

●	90%	Overweight
	7%	Equal-weight
	3%	Underweight

● MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Electric Vehicles:	*Positive*
Pricing Power:	*Negative*
Secular Growth:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE HK$156.00

3.2x 2026E P/Sales

Acceleration in sales volume ramp-up and rapid rollout of new initiatives: (1) new hybrid model sales in 2027 ramp up at a more rapid pace; (2) volume increase leads to better operating leverage; (3) rapid rollout of humanoids and L4 robotaxis in 2026. Our SOTP valuation reflects 1) Rmb220bn from vehicle business (1.5x 2028 P/S), 2) Rmb35bn from AI Turing chip business (6x 2028 P/S), 3) Rmb11bn from humanoid business (10x 2028 P/S), 4) Rmb14bn from robotaxi business (10x 2028 P/S).

BASE CASE HK$84.00

1.7x 2026E P/Sales

Volume growth largely on track, helped by new model introductions: XPeng turns profitable in 2028, underpinned by scale benefits, ASP growth and margin expansion from overseas sales and premium model launches, as well as growing operating leverage. We expect technology service revenue from Volkswagen to help support the company's gross margins in the long run. Meanwhile, increasing ADAS adoption rate should provide more visibility on long-term growth potential from a service revenue perspective.

BEAR CASE HK$39.00

0.8x 2026E P/Sales

Less competitive model rollout amid a fiercer competitive landscape: (1) with increasing market entrants in the price range of Rmb150k-300k, Xpeng's market share gain slows; (2) weaker-than-expected ADAS adoption rate growth puts pressure on long-term growth potential.

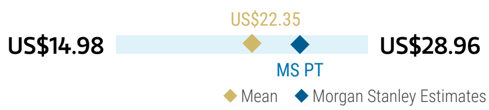
Risk Reward – XPeng Inc. (XPEV.N)

Irons in the fire - AI Turing chip, humanoids, and robotaxis

PRICE TARGET US$25.00

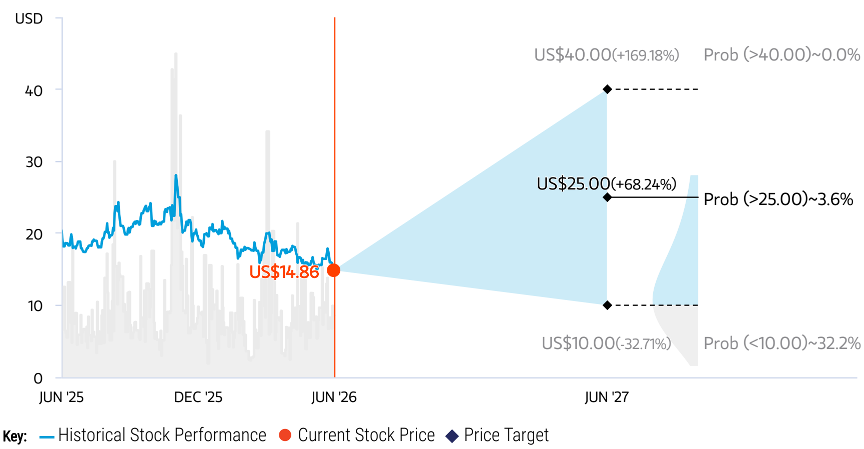
Probability-weighted DCF methodology. Weightings for our bull (SoTP)/base/bear case scenarios are 30%/50%/20% - the bull/bear weighting reflects the potential for valuation re-rating from non-vehicle business/the macro outlook to weaken and sector competition to worsen.
Key base case assumptions: 3% terminal growth rate, 1.6x beta, 12.8% WACC.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)

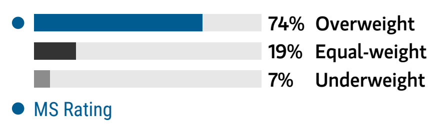


Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 10 Jun 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

- With a robust new model pipeline, we expect XPeng's monthly sales to take off from 2H26 and further expand in 2027, underpinned by its super electric hybrid system and L4 rollout.
- More meaningful margin improvement should materialize from 2026, when the scale benefits of new models fully kick in.
- We see increasing value in XPeng's new initiatives in AI Turing chip, humanoids, and robotaxis, which should unlock potential valuation upside as they enter mass rollout in 2026.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Electric Vehicles:	*Positive*
Pricing Power:	*Negative*
Secular Growth:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE US$40.00

3.2x 2026E P/Sales

Acceleration in sales volume ramp-up and rapid rollout of new initiatives: (1) new hybrid model sales in 2027 ramp up at a more rapid pace; (2) volume increase leads to better operating leverage; (3) rapid rollout of humanoids and L4 robotaxis in 2026. Our SOTP valuation reflects 1) Rmb220bn from vehicle business (1.5x 2028 P/S), 2) Rmb35bn from AI Turing chip business (6x 2028 P/S), 3) Rmb11bn from humanoid business (10x 2028 P/S), 4) Rmb14bn from robotaxi business (10x 2028 P/S).

BASE CASE US$21.00

1.7x 2026E P/Sales

Volume growth largely on track, helped by new model introductions: XPeng turns profitable in 2028, underpinned by scale benefits, ASP growth and margin expansion from overseas sales and premium model launches, as well as growing operating leverage. We expect technology service revenue from Volkswagen to help support the company's gross margins in the long run. Meanwhile, increasing ADAS adoption rate should provide more visibility on long-term growth potential from a service revenue perspective.

BEAR CASE US$10.00

0.8x 2026E P/Sales

Less competitive model rollout amid a fiercer competitive landscape: (1) with increasing market entrants in the price range of Rmb150k-300k, Xpeng's market share gain slows; (2) weaker-than-expected ADAS adoption rate growth puts pressure on long-term growth potential.

Risk Reward – XPeng Inc. (XPEV.N)

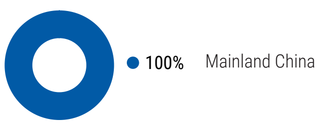
KEY EARNINGS INPUTS

Drivers	2025	2026e	2027e	2028e
Vehicle Sales Volume	429,445.0	442,114.0	559,508.3	626,204.8
Vehicle ASP (Rmb)	165,398	176,588	173,671	174,479
Vehicle Gross Margin (%)	12.8	13.0	13.5	13.6
R&D/sales (%)	12.4	14.8	12.8	12.1
SG&A/sales (%)	12.3	12.0	10.1	9.5

INVESTMENT DRIVERS

- Total vehicle sales volume
- XNGP adoption rate
- Gross margin

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

RISKS TO PT/RATING

RISKS TO UPSIDE

- More competitive model introductions that drive volume growth
- Greater-than-expected margin expansion
- Better-than-expected branding with superior in-car user experience

RISKS TO DOWNSIDE

- Intensified competition in the midrange/high-end segments
- Cash flow pressure with lower profitability
- Moderating auto sales growth pressuring overall industry valuation

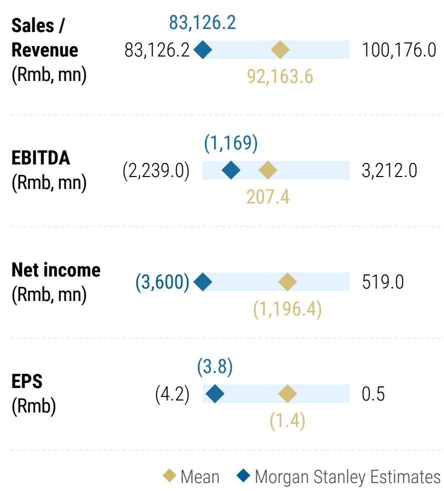
OWNERSHIP POSITIONING

Inst. Owners, % Active	62.2%
HF Sector Long/Short Ratio	1.7x
HF Sector Net Exposure	11.1%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Source: Refinitiv, Morgan Stanley Research

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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Global Stock Ratings Distribution

(as of May 31, 2026)

The Stock Ratings described below apply to Morgan Stanley's Fundamental Equity Research and do not apply to Debt Research produced by the Firm.

For disclosure purposes only (in accordance with FINRA requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1542	42%	465	51%	30%	707	43%
Equal-weight/Hold	1571	43%	369	40%	23%	723	44%
Not-Rated/Hold	3	0%	0	0%	0%	1	0%
Underweight/Sell	551	15%	86	9%	16%	201	12%
Total	3,667		920			1632	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

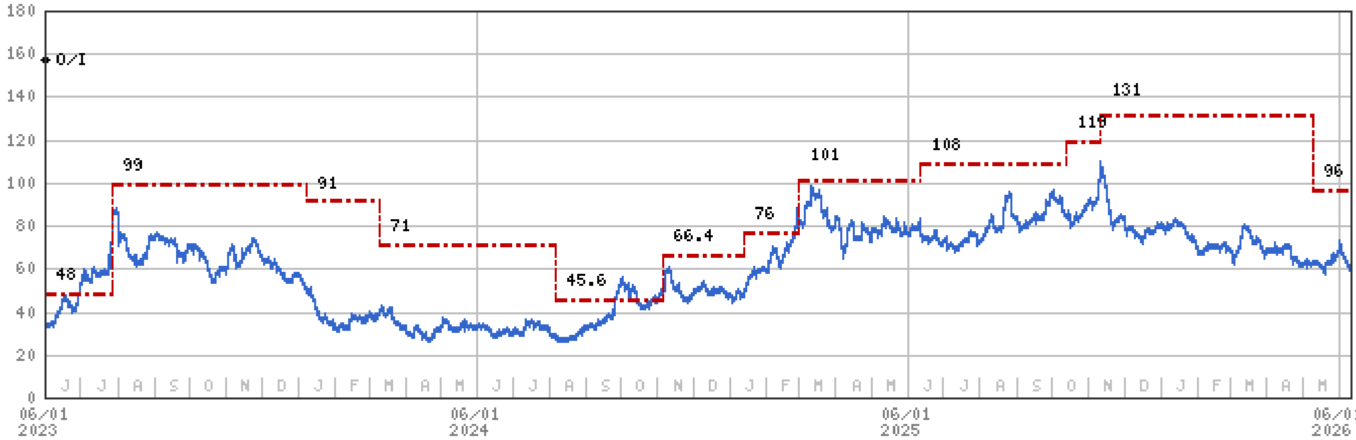
In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Stock Price, Price Target and Rating History (See Rating Definitions)

XPeng Inc. (9868.HK) - As of 06/11/26 GMT in HKD
Industry : China Autos & Shared Mobility



Stock Rating History: 11/16/21 : O/A; 8/25/22 : O/I

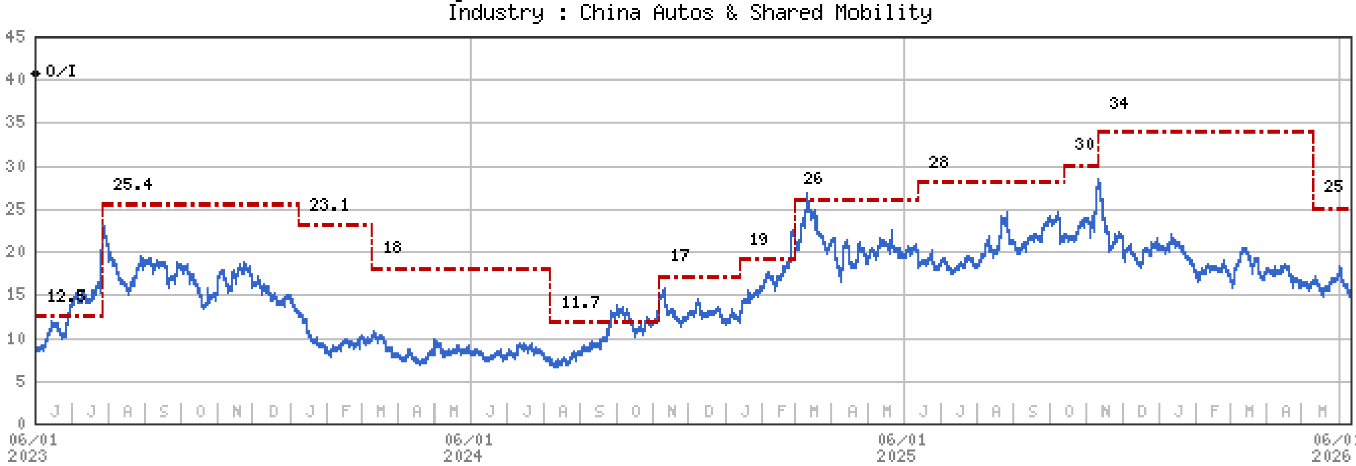
Price Target History: 11/16/21 : 275; 3/23/22 : 165; 7/8/22 : 160; 10/3/22 : 71; 11/3/22 : 43; 3/20/23 : 48; 7/28/23 : 99; 1/8/24 : 91; 3/10/24 : 71; 8/7/24 : 45.6; 11/6/24 : 66.4; 1/13/25 : 76; 2/28/25 : 101; 6/12/25 : 108; 10/13/25 : 119; 11/11/25 : 131; 5/11/26 : 96

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) --- Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

XPeng Inc. (XPEV.N) - As of 06/11/26 GMT in USD
Industry : China Autos & Shared Mobility



Stock Rating History: 6/1/21 : O/C; 9/1/21 : O/A; 8/25/22 : O/I

Price Target History: 3/26/21 : 57; 11/16/21 : 71; 3/23/22 : 42; 7/8/22 : 41; 10/3/22 : 18; 11/3/22 : 12; 3/20/23 : 12.5; 7/28/23 : 25.4; 1/8/24 : 23.1; 3/10/24 : 18; 8/7/24 : 11.7; 11/6/24 : 17; 1/13/25 : 19; 2/28/25 : 26; 6/12/25 : 28; 10/13/25 : 30; 11/11/25 : 34; 5/11/26 : 25

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) --- Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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INDUSTRY COVERAGE: China Autos & Shared Mobility

COMPANY (TICKER)	RATING (AS OF)	PRICE* (06/11/2026)

Joey Xu, CFA		
Anhui Jianghuai Automobile (600418.SS)	E (08/19/2023)	Rmb31.28
BAIC Motor (1958.HK)	E (10/02/2025)	HK$1.00
Brilliance China Automotive (1114.HK)	E (03/31/2025)	HK$2.63
Chongqing Changan Automobile (000625.SZ)	E (03/03/2026)	Rmb7.44
Guangzhou Automobile Group (601238.SS)	U (10/23/2019)	Rmb5.75
Guangzhou Automobile Group (2238.HK)	O (05/05/2020)	HK$2.38
Huayu Automotive (600741.SS)	O (09/08/2020)	Rmb16.65
Jiangsu Changshu Automotive Trim Group (603035.SS)	E (08/14/2023)	Rmb11.50
Ningbo Huaxiang Electronic Co., Ltd. (002048.SZ)	E (05/05/2026)	Rmb27.65
SAIC Motor Corp. Ltd. (600104.SS)	O (11/25/2021)	Rmb10.87
Voyah Automotive Technology Co. Ltd, (7489.HK)	O (03/31/2026)	HK$4.70
Zhengzhou Yutong Bus Co (600066.SS)	E (09/22/2023)	Rmb29.50
Shelley Wang, CFA		
Beijing Jingwei Hirain Technologies (688326.SS)	U (09/27/2024)	Rmb71.88
Bethel Automotive Safety Systems Co Ltd (603596.SS)	O (12/11/2023)	Rmb26.30
Changzhou Xingyu Automotive Lighting Sys (601799.SS)	O (09/27/2024)	Rmb119.58
China MeiDong Auto Holdings Ltd (1268.HK)	E (01/08/2024)	HK$0.68
China Yongda Automobiles Services (3669.HK)	E (08/13/2024)	HK$0.77
Foryou Corporation (002906.SZ)	O (03/06/2024)	Rmb25.03
Fuyao Glass Industry Group (600660.SS)	E (12/01/2016)	Rmb52.41
Fuyao Glass Industry Group (3606.HK)	E (12/01/2016)	HK$52.70
Huizhou Desay SV Automotive Co Ltd (002920.SZ)	O (02/28/2025)	Rmb85.48
Keboda (603786.SS)	O (01/17/2024)	Rmb45.41
Minth Group Limited (0425.HK)	O (08/24/2015)	HK$29.60
NavInfo Co Ltd (002405.SZ)	U (03/06/2024)	Rmb7.40
Nexteer Automotive Group (1316.HK)	E (02/28/2025)	HK$4.53
Ningbo Joyson Electronic Corp (600699.SS)	E (03/11/2026)	Rmb23.53
Ningbo Tuopu Group Co Ltd (601689.SS)	E (11/12/2025)	Rmb61.38
Ningbo Xusheng Group Co Ltd (603305.SS)	E (06/18/2025)	Rmb13.39
Suzhou Recodeal Interconnect System (688800.SS)	U (09/27/2024)	Rmb110.62
TUHU Car Inc (9690.HK)	O (07/29/2024)	HK$13.18
Zhejiang Sanhua Intelligent Controls (002050.SZ)	E (11/12/2025)	Rmb45.69
Zhongsheng Group Holdings (0881.HK)	O (10/12/2021)	HK$6.14
Tim Hsiao		
BAIC BluePark New Energy (600733.SS)	U (08/07/2024)	Rmb5.70
BYD Company Limited (002594.SZ)	O (04/14/2025)	Rmb89.80
BYD Company Limited (1211.HK)	O (04/14/2025)	HK$84.95
EHang Holdings Ltd (EH.O)	O (03/13/2025)	US$6.82
Geely Automobile Holdings (0175.HK)	O (06/26/2024)	HK$19.39
Great Wall Motor Company Limited (601633.SS)	U (03/16/2022)	Rmb17.52
Great Wall Motor Company Limited (2333.HK)	E (01/08/2024)	HK$10.25
Hesai Group (HSAI.O)	O (07/28/2025)	US$17.53
Horizon Robotics (9660.HK)	O (12/02/2024)	HK$4.59
Li Auto Inc. (LI.O)	O (08/24/2020)	US$13.69
Li Auto Inc. (2015.HK)	O (11/16/2021)	HK$53.15
NIO Inc. (9866.HK)	O (10/03/2022)	HK$41.78
NIO Inc. (NIO.N)	O (08/26/2020)	US$5.18
WeRide Inc (WRD.O)	O (11/19/2024)	US$6.10
XPeng Inc. (9868.HK)	O (11/16/2021)	HK$56.20
XPeng Inc. (XPEV.N)	O (01/29/2021)	US$14.86

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* Historical prices are not split adjusted.