

GS Asia Mobility Tech Company Call Series: Expect industry beta improvement around September and margin trough in 2Q

We hosted nine company management teams during our GS Asia Mobility Tech Company Call Series on Jul 2-3.

Key takeaways

Overall, we observed four key themes: **(1)** Management teams expect domestic PV industry beta to improve around September, with a narrowing yoy decline and potentially turning positive by year-end; **(2)** Most companies expect a margin trough to occur in 2Q26, followed by sequential improvement into 2H26; **(3)** OEMs are focusing more on overseas expansion, with most of them emphasizing Europe and planning to establish local production or local JVs towards potential IAA requirements, while still maintaining cost advantages through supply chain management; **(4)** Most OEMs expect a disciplined capex pace while allocating higher R&D spend to intelligence technology development.

- 1. Management teams expect domestic PV industry beta to improve around September:** Compared to Jan when management teams generally expected -5%~+1% yoy growth for domestic passenger vehicle retail sales in 2026, all companies mentioned that industry growth is weaker than prior expectations at -20% yoy for the domestic retail market in 1H26. However, most companies expect improvement in 2H26, anticipating a narrowing yoy decline around September, potentially turning positive by year-end.
- 2. Most companies expect a margin trough to occur in Q2:** Most companies saw Q1 margin pressure from 1) lower volume scale, 2) cost inflation, 3) FX headwinds. However, the majority expect profit/margin troughs in Q2 with sequential improvement quarter by quarter driven by 1) higher volume scale (Leapmotor, Voyah), 2) price increases (Fuyao, Taotao), and 3) a relatively high proportion from overseas (Chery).
- 3. Europe a key focus for overseas expansion:** All OEMs emphasized overseas expansion and many of them mentioned Europe as a key focus (Chery, Leapmotor, Voyah). However, we observe some potential challenges for them in Europe, including potential tariffs on PHEV models and the IAA (Industrial Acceleration Act). Most companies aim to establish local production overseas, or establish JV entities with local partners (Leapmotor, Voyah). Some investors are

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concerned about higher costs from overseas production, while Chery mentioned collaboration with Chinese suppliers to advance overseas and Great Wall sees cost savings of several thousand Rmb per vehicle over CBU imports, accounting for freight and tariffs.

- 4. **Most OEMs expect disciplined capex while allocating higher R&D spend to intelligence technology:** Most OEMs expect a disciplined capex pace going forward, while spending higher R&D costs to develop autonomous driving capabilities, including VLA models, world models, and end-to-end NOA.

Exhibit 1: Summary of key takeaways from management commentary during our GS Asia Mobility Tech Call Series

Company	2026 company volume & margin		Domestic market outlook	Overseas expansion	2026 new model pipeline	Capex and R&D
	Volume	Margin				
Summary	Most OEMs maintain volume guidance while adjusting regional breakdown (higher overseas, lower domestic)	Majority of companies expect margin trough to occur in 2026, followed by sequential improvement into 2H26	Managements expect domestic PV industry beta to improve around September	European market is the key focus for overseas expansion for most companies		Most OEMs expect disciplined capex while allocating higher R&D on intelligence technology
OEMs						
BYD	Over 1.5mn units delivery overseas (vs. 1.67mn per GSe; ~59% yoy)	Priontizing high-quality development under anti-involution campaign, supported by flash charging technology and cost benefits from vertical integration		The company is prepared for various scenarios for overseas expansion, including local production		Additional 20k-30k units of second generation Blade Battery capacity every month, meaningful capex reduction in 2026 vs. 2025
Chery	3mn units in total per company (14% yoy, 1.2mn from China and 1.8mn from overseas)	Expect profit trough in Q2-Q3 followed by Q4 recovery	Sees short-term volume rebound unlikely to materialize until the Sep-to-Oct peak season	Volume guidance uplift to 1.8mn from 1.5mn earlier this year	Luxeed V9 (Jun), Luxeed JEHX (Sep), iCAR V25 (Oct), Fulwin I7 and I7, Jetour Shanghai I7 and a separate all-electric SUV (YE)	
Great Wall	1.8mn units delivery (50% yoy vs. 1.2mn in 2025, less than 1.2mn from China, 0.6mn+ from overseas)		Expect yoy decline to narrow from September, ultimately turning positive on a monthly basis by YE	See upside to 600k units target (vs. 510k in 2025), focus on Latin America and Southeast Asia	Haval (H10 PHEV, a BEV SUV), Wey (9X and 8X), Tank (400 and 500), Ora (4 new models)	Target to priontize CBU exports based on three local production sites overseas, still seeing a cost saving of several thousand Rmb per vehicle over CBU imports, accounting for freight and tariffs. Invest R&D for VLA, world model and end-to-end NOA
Leapmotor	Total 1mn units delivery (~68% yoy, 10%-15% from overseas)	Expect margin improvement in Q2 vs Q1		Long-term overseas sales target of 1.5mn units, while Europe share to gradually decrease to two-thirds (from 80%), well-positioned for IAA	D99, A05	Plan to expand capacity to 1.5mn units (double shift) by year-end, slight increase from 2025
Voyah	See pressure on guidance of 200k-250k	Expect margin trough in Q1-Q2	1) Expect 2H26 to be marginally better than 1H26, with a narrowing rate of decline 2) See NEV penetration to surpass 60% this year and reach 80% in 2 years	Focus on Europe, JV with Stellantis under discussion		
Taotao	50-60% yoy growth in 2026 per company	GPM to stabilize due to price increase mitigated by cost inflation and supply constraints		See strong momentum in US		Enhance US production rather than Mexico
Suppliers						
Fuyao	Faster than industry growth	Expect Q2 margin stabilization due to ASP increase mitigated by cost inflation, fx change and depreciation	Lower than expectation earlier this year, but seeing 2H26 improvement	Continue to gain share in US and Europe		Capex cycle is proving longer than initially anticipated, with 2027 to mark the end of the peak capex period, followed by a stable transition over 1-2 years
Robosense	ADAS 1.2mn-1.8mn units delivery in 2026 (150% yoy vs. 600k units in 2025), robotics 800k-1mn units delivery (240% yoy vs. 250k units in 2025)	Expect stabilizing GPM in Q2, expect to maintain GPM of 20% from ADAS, 30%-40% from robotics in LT	See ASP pressure in ADAS		Proprietary chips and new physical AI product	Continue to invest R&D to develop new technologies and products (e.g. physical AI)

Source: Company data

BYD (002594.SZ/1211.HK, Buy): Volume recovery on track, navigating overseas trade and cost inflation

- **June's deliveries show robust growth:** In June, monthly deliveries surpassed 400k units, marking a 5% increase both MoM and YoY. **Exports** were particularly strong, exceeding 170k units, driven by custom-designed PHEVs such as the Yuan Plus and Yuan Up PHEV, which are exclusively for international markets. Additionally, the Dolphin G PHEV has been launched in Europe. **Domestically**, both Denza and Fang Cheng Bao continued their upward trajectory. Fang Cheng Bao's monthly volume (30k+ units) is now comparable to leading new energy vehicle startups (e.g. Li Auto, Nio, Zeekr, per management), largely propelled by new models like the successful Tai 7 PHEV and the flash-charging-enabled Tai 7 EV, alongside stable performance from the Bao 5 and Bao 8. Denza also benefits from flash charging technology across its Z9GT, N9, N8, and D9 series. The new Da Tang series made a meaningful contribution to domestic growth in June, with future Ocean 08 series models expected to integrate flash charging technology, systematically empowering the lineup. Concurrently, the company is actively enhancing its supply chain capabilities, with an additional 20k-30k units of second generation Blade Battery capacity every month.
- **NEV industry outlook and company strategy:** The company noted that the NEV market experienced a challenging start to this year, with penetration rates relatively weak in January and February, due to slower implementation of trade-in programs and higher purchase tax. Despite these headwinds, the company is focusing on a gradual market recovery instead of prioritizing short-term sales, significantly aided by the integration of flash charging technology.
- **Overseas market outlook:** Regarding potential EU tariffs on PHEVs, we believe the company is prepared for various scenarios, with its core advantages in product quality, diverse product matrix and cost advantages. Also, we note that it took 1-2 years to finalize and implement countervailing tariffs on BEVs in Europe (current tariff of 17.4% on BYD), and the company continued to gain share in Europe even after the additional tariff. BYD said it possesses effective countermeasures and inherent cost advantages, and continues to focus on local production.
- **Navigating cost pressure:** Regarding cost pressure such as lithium carbonate prices and storage costs, we see the company is now prioritizing high-quality development over an absolute sales volume focus under the anti-involution campaign. For instance, flash charging technology is mainly equipped in higher-end models. Meanwhile, BYD is trying to reduce costs by leveraging its vertical integration capabilities (such as larger motors, lower power consumption). It may also pass on cost inflation, as evidenced by the Rmb3k price increase for the "God's Eye B" installation package.

Chery Automobile Co. (9973.HK, Not Covered): Expect Q2-Q3 to be earnings trough before Q4 recovery

- **Market outlook:** The domestic PV market faced structural challenges in 1H26, characterized by a 20% decline in retail demand and elevated dealer inventory levels. The company believes a short-term volume rebound is unlikely to materialize

until the September-to-October peak season.

- **Company guidance:** In response to divergent geographic demand trends, management updated its full-year volume guidance recently to reflect higher confidence in overseas markets. The company adjusted its volume guidance of 1.2mn units in China and 1.8mn+ units for international markets, vs. 1.5mn units domestically and 1.5mn units overseas at the beginning of 2026. Management remains confident on overseas expansion with an active monthly run-rate of 170k to 180k units.
- **Exports offset domestic headwinds:** During 1H26, cumulative production and sales volumes reached **1.28mn units** (+8% yoy), supported by a strong export performance of **910k units** (+79% yoy) and domestic sales of **360k units** (-41% yoy). Chery's NEV penetration rate reached 40% overseas. Regarding profitability, the company said that improving GPM in 1Q26 was mainly driven by a higher proportion of overseas sales, where gross margins regularly exceed 20%. Per management, Chery generated unit profit of Rmb 10k-11k overseas in 1Q26.
- **Profit trough in Q2-Q3 followed by Q4 recovery:** Management believes a profit trough is likely to occur during 2Q26 and 3Q26, with a sequential turnaround in 4Q26 driven by higher volume scale and continuing high-level share from overseas sales (around 60%-70% in 2H26, vs. 72% in 1H26).
- **New model pipeline:** The group's new model launch pipeline will accelerate significantly in the second half of the year, led by the Luxeed V9 which commenced deliveries in June, and the Luxeed EHX coupe SUV scheduled for a September debut. The iCAR brand will launch the V25 in October. Meanwhile, the Fulwin series will roll out the I7 and T7 models featuring dual BEV and EREV powertrain options, supplemented by Jetour's Shanhai T7 and a separate all-electric SUV by year-end.
- **Key overseas markets:** The company sees Europe as its largest overseas market with full-year volume targets of 400k+ units, relying on a unified retail channel shared by the Jaecoo and Omoda brands, with a near-term focus on rolling out an entirely new HEV model. Also, it is complemented by mature dealer networks across the Asia-Pacific region, which are structurally organized to absorb three to four new model entries annually. Looking ahead to the end of the year, new BEV models will be deployed across European and Southeast Asian markets.

Great Wall Motor Co. (601633.SS/2333.HK, Not Covered): Expect narrowing domestic industry volume decline in September

- **Domestic market outlook:** Regarding the domestic market, the company noted trends of stronger overseas markets over domestic, NEV over ICE, and commercial vehicles over passenger vehicles. Despite a 20% decline in the passenger vehicle market from January to May, management maintained its confidence in an upcoming recovery. They project a shift from the off-season to peak season for passenger vehicles beginning in August-September, with the **yoy decline expected to narrow from September, ultimately turning positive on a monthly basis by year-end.**
- **Comprehensive product pipeline:** 1) Haval brand aims to introduce two new models going into 2H26, including a Great Wall H10 PHEV and a BEV SUV. 2) Wey

brand aims to launch two new models including large 6-seater Wey 9X and large 5-seater Wey 8X. 3) The Tank brand will see a styling upgrade and HEV powertrain for the Tank 300, alongside the integration of urban NOA functionality. Updates for Tank 400 and 500 are scheduled for 3Q and 4Q. 4) Ora's new product pipeline further includes two sedans, one SUV, and a crossover-styled wagon, with the latter targeting models like the MONA M03. Ora's monthly sales are projected by Great Wall to reach 25k-30k, with an ambitious target of 40k next year.

- **Volume guidance:** The company maintains its full-year sales target of 1.8mn units. However, the internal allocation (1.2mn domestic and 0.6mn overseas sales) has been adjusted: the domestic target is now perceived as more challenging. Consequently, the actual overseas sales target is expected to surpass 0.6mn units.
- **Measures to control cost inflation:** 1) Metals: The company actively employs commodity hedging strategies, particularly for key materials like lithium carbonate and batteries, utilizing futures contracts to mitigate price volatility. 2) Memory: However, for components such as memory chips, futures hedging is not feasible, and the company accepts prevailing market prices. The overarching priority remains ensuring a stable and secure supply chain for all critical components.
- **Overseas markets highlights:** The company's overseas market strategy is segmented across Latin America and Southeast Asia. Brazil stands out as a high-growth market, with total annual sales expected to surpass 100k units in 2026. Expansion efforts are also underway in Mexico, Ecuador, Chile, and Argentina. In Southeast Asia, the Ora 5 has been introduced in Thailand, while the Russian market is showing signs of recovery. Key focus markets for accelerated growth include Brazil, Thailand, and the European Union, where the Ora 5 is a primary offering. Furthermore, the company is actively pursuing new car sales in the Middle East.
- **Local production and cost advantages:** The company operates three overseas production bases, 1) Russian plant, established in 2019, has an initial capacity of 80k units, expandable to 150k, though this is still deemed insufficient for the Russian market, prompting consideration for additional KD (Knocked Down) assembly; 2) Thai facility has a 40k unit capacity, producing the H6 and Ora models; 3) In Brazil, Phase 1 of the plant is fully operational with a 50k unit capacity. Beyond these, KD assembly operations are utilized in various other regions. The company's strategy is to prioritize CBU (Completely Built Up) exports when import tariffs are favorable. Regarding cost advantages, management said that local production offers a cost saving of **several thousand Rmb** per vehicle over CBU imports, accounting for freight and tariffs.
- **Capex and R&D investment outlook:** The company anticipates no significant increase in fixed asset capital expenditure. However, R&D capitalization is projected to be in the range of 50%-60%, with a specific emphasis on increasing investment in R&D for intelligence development, including an advanced VLA (Vision Language Action) model and "World Model" technologies for premium brands, and end-to-end urban NOA (Navigation on Autopilot) for mainstream brands.

Leapmotor (9863.HK, Buy): Expect margin improvement in Q2

- **Market outlook and volume guidance:** Management acknowledged a challenging market outlook for 2026, citing raw material price volatility and weaker demand, yet viewed these conditions as ordinary fluctuations. Despite this, Leapmotor maintains 2026 volume guidance of 1mn units, with overseas sales of 150k-200k units unchanged. The company reiterated its long-term guidance of 3-5mn vehicles annually.
- **Domestic market strategy:** Domestically, the company aims to deepen its market penetration, particularly in lower-tier cities, while maintaining a consistent core product proposition across all vehicle models. The existing 'ABCD' model series will be sustained, complemented by the introduction of 4-6 new models and facelifts next year. Furthermore, the company is actively exploring the launch of an entirely new brand in the coming year.
- **Overseas expansion:** Leapmotor's global expansion strategy targets all major regions except for North America, with Europe constituting around 80% of overseas volume, supported by 900 points of sale and strategic leveraging of Stellantis's established distribution channels. The long-term overseas strategy aims to elevate overseas sales to 1.5mn units, driven by quality products, a comprehensive product portfolio, and competitive pricing. While Europe currently accounts for 80% of overseas volume, this proportion is projected to gradually decrease to approximately two-thirds as other international markets expand. Per the company, the A05 model is well-positioned to comfortably succeed the T03 in overseas markets.
- **Collaboration with Stellantis:** Leapmotor noted that a key advantage of the Stellantis partnership is the potential utilization of Stellantis's existing manufacturing facilities. Also, the company sees itself well-prepared for potential progress with the IAA (Industrial Acceleration Act) given its JV framework.
- **Margin improvement in Q2:** Financially, the first quarter typically represents the margin trough due to seasonality, with a slight improvement anticipated in the second quarter. The company demonstrates strong efficiency in capital allocation, R&D expenditure, and PP&E management, mitigating cost pressure.
- **ADAS capabilities:** Leapmotor's vertical integration strategy extends to Advanced Driver-Assistance Systems (ADAS). Significant enhancements have been made to the company's ADAS performance, positioning it very close to Tier 1 players. A technology launch event is scheduled for mid-September, primarily featuring ordinary updates to existing technological features.

Voyah Automobile (7489.HK, Not Covered): Expect margin to improve in Q3-Q4, Europe as key focus overseas

- **Industry outlook:** The company expects 2H26 to be marginally better than 1H26, with a narrowing rate of decline. In addition, the company looks for NEV penetration to surpass 60% this year and reach 80% within the next two years, with BEVs showing particularly strong penetration.
- **Volume guidance:** Management now sees pressure towards its full-year sales

guidance of 200k to 250k units. Breaking down the sales structure, the Dreamer is expected to contribute 80k units, vs. Taishan for 60k units, Zhiyin and FREE to collectively add 50k units, Passion (Zhuiguang) to add 20k units.

- **Overseas strategy:** Voyah targets to achieve accumulated sales of 500k overseas through 2030. Regarding its overseas strategy, Europe remains the most critical market. While current exports are conducted as Completely Built Up (CBU) vehicles through Dongfeng Import & Export channels, this approach is set for transformation. Future European market penetration will be significantly driven by the potential collaboration with Stellantis (JV structure under discussion).
- **Margin trough in Q1-Q2:** Management indicated that gross margins are currently at a low point, primarily due to industry-wide raw material price increases, which have impacted costs by an estimated Rmb8k per unit. The company expects margins in Q3 and Q4 to outperform Q1 and Q2.

Zhejiang Taotao Vehicles Co. (301345.SZ, Not Covered): Share gain supported by global supply chain and high level of in-house components

- **Strong momentum in Q2:** Taotao Vehicles, a leading recreational vehicle manufacturer in North America, highlighted low-speed electric vehicles (LSEVs) and the All-Terrain Vehicle (ATV) segment as strategic products. Per its 2Q26 preliminary report, Taotao anticipates a profit range from Rmb520mn-560mn (implying 52%-64% yoy growth). Revenue distribution shows a strong US focus, accounting for 80%, while non-US markets contribute 20%.
- **TAM outlook:** Per management, the **traditional golf cart** market stands at 300k units annually, and the household segment for **LSEVs** has also reached 300k units, experiencing rapid growth over the past five years. In comparison, the **ATV** market is approximately 700k units, while **recreational vehicles (RVs)** generate annual sales of 500k units. Management believes LSEVs are poised for increasing penetration across the US, with the potential for their installed base to surpass that of RVs due to faster replacement cycles.
- **Competitive dynamics:** The company currently holds an estimated 15-20% market share in the LSEV segment. However, Chinese imports are subject to nearly 300% tariffs, and even Southeast Asian golf cart exports to North America faced restrictions in 1Q26. Therefore, all LSEV manufacturing and assembly operations are now completed within the United States. Although the broader US market is dominated by established local players, the company has achieved a household market share comparable to Club Car. Per management, this success is underpinned by its strong **1) global supply chain capabilities, 2) local capacity and 3) sales channels.**
 - **1) Strategic in-house production and supply chain resilience:** The company emphasizes in-house production across a wide range of products including motors, battery packs, and plastic parts. While motors and batteries were initially outsourced, the cost of battery procurement has dramatically decreased from US\$6k per set to US\$2k per set this year, largely due to internal R&D and self-production efforts.

- **2) Local capacity:** The company is expanding its global manufacturing footprint across the US, China, and Vietnam, with Thailand commencing production in 2Q26. The overall in-house production rate stands at 70%. In the US, three production lines currently yield 7k units monthly, with plans to scale up to 9k-10k units by year-end. The US team comprises over 700 locally recruited personnel, including 300-400 factory workers, reflecting a strong commitment to local employment.
- **3) Strong sales channels:** The company employs a comprehensive, multi-channel distribution strategy across the US, and a robust dealer network. The LSEV segment currently has over 300 dealers, projected to expand to 400-500 by year-end. The company said it operates a relatively flat dealer network, delivering better customer service to dealers compared to its US peers.
- **Price increase to mitigate cost pressure and supply constraints:** Following a cost increase in 1Q25, dealer prices were adjusted twice: US\$200 in Feb and an additional US\$500 in Apr. These frequent adjustments were driven by rising costs and Southeast Asian export restrictions coupled with insufficient local production capacity. The company generally increased end-user prices by US\$1,000, which the company highlighted has significantly boosted dealer gross margins, making them more attractive than those offered by US peers. Overall, the company sees improving gross margins in 2Q26 compared to 1Q26.
- **Growth outlook:** Management expects an increase of 50%-60% in 2026 to ~60k units for LSEVs (vs. 40k units in 2025), with a long-term ambition to achieve 200k unit sales. With vehicle revenue projected to exceed Rmb10bn within three years, management is actively strategizing future growth drivers.

Fuyao Glass Industry Group (600660.SS/3606.HK, Buy): Expecting stabilization in 2Q26 with improvement in 2H26

- **Industry outlook:** Overall industry sentiment remains weaker than at the beginning of the year. The company sees growth pressure from its initial projection of annual production volume growth of 2-3%. The automotive industry's traditional peak season in 2H is expected to drive sequential improvement.
- **Resilient GPM amidst fx losses and higher depreciation:** Fuyao Glass experienced relatively stable operations in 2Q, despite continuing fx loss pressure. The company anticipates a degree of recovery in 2H, supported by the stabilization of the Euro and USD. The company expects stable margins in Q2 as it maintains tight cost and expense controls, with energy and freight costs currently stable. Moreover, the addition of 6mn new units last year will negatively impact depreciation, amortization, and labor costs. Nevertheless, a rising proportion of high-value-added products is expected to sustain stable profitability.
- **Market share expansion driven by overseas:** The company projects its market share to grow from 25% in 2020 to 37% by 2025, representing an annual increase of approximately 2%. This growth trajectory, supported by a consistent increase in order backlog, is expected to continue, with a 2-3% annual market share gain over

the next 3-4 years. This expansion will be primarily driven by robust growth in Europe and North America, per management, while China is anticipated to achieve slightly faster growth than the domestic industry average.

- **Aluminum business updates: Domestically**, the aluminum trim business faces greater challenges than auto glass. Beyond regular annual price reductions last year, rebates were more substantial than those for auto glass. Additionally, the introduction of new production lines (Shanghai and Changchun, expanding from 3 to 5 lines) is expected to lead to some operational disruption. **Overseas**, the SAM business experienced a revenue decline in 1Q. However, the company aims to achieve revenue levels comparable to last year, anticipating positive growth in 2H driven by new orders.
- **Capacity expansion timeline:** The capital expenditure cycle is proving longer than initially anticipated, with capacity expansion plans undergoing continuous adjustments. A planned 11mn units from last year could not be deployed this year and may be shifted to next year. The company expects 2027 to mark the end of the peak capex period, followed by a stable transition over 1-2 years, with annual capex stabilizing around Rmb4bn.

Robosense (2498.HK, Not Covered): Expect stabilizing GPM in Q2, tech innovations in proprietary chips and physical AI

- **Volume guidance:** The company maintains volume guidance: ADAS deliveries to increase 2-3x yoy, from 600k units last year to 1.2-1.8mn units this year, with volatility mainly from key clients like BYD and Geely. In the robotics sector, unit shipments are guided to reach 800k-1mn units, comprising 450-600k from lawn mowers, 150k units from industrial applications, 150k units from robovans, and the remaining 50k-100k units from embodied robots and robotaxis.
- **ASP and GPM outlook:** Per the company, the long-term ASP decline is a natural outcome of technological convergence, with ADAS components expected to stabilize at a 20% GPM, aligning with typical automotive parts, while the robotics sector is expected to generate a higher gross profit margin of 30%-40%.
- **Stabilizing gross margin in Q2:** The company anticipates greater profit pressure in the first half of the year, and despite a lower robotics segment contribution in Q2, gross profit margin for Q2 is expected to remain comparable to Q1.
- **Accelerating automotive Lidar penetration:** In the automotive sector, the company is rapidly increasing its market penetration, particularly with key clients like BYD and Geely, where the lidar adoption rate is projected to increase from under 10% to 30-40% this year. Concurrently, Robosense has secured new design wins with prominent domestic OEMs including Xiaomi, Leapmotor, and Great Wall, alongside six pure overseas design wins, per management.
- **Advancing Lidar technology with proprietary chip development:** The company is strategically expanding its Lidar applications beyond automotive into the robotics sector, with new Lidar products and spatial AI solutions to be released in 2H26. Additionally, Robosense unveiled a new "EOCENE" digital architecture alongside two proprietary SPAD-SoCs (Phoenix and Peacock series) on its 2026 Tech Day in Apr.

Peacock is an all-solid-state ultra-large array SPAD-SoC featuring a high-density resolution, propelling robotics into the era of image-grade 3D perception per the company, with volume shipments scheduled in 3Q26. Phoenix is an automotive-grade monolithic SPAD-SoC capable of 2,160-beam image-grade output, slated to enter mass production by 2026. Per the company, it enables line counts to increase from 192 to 450-720, with high-performance EM4 products evolving from 520 lines to 1,080 or even 2,160 lines this year. The company is actively pursuing cost optimization through its self-developed chips. Currently, SPAD-SoC is primarily sourced externally (e.g., Sony), but transitioning to in-house supply (e.g. Phoenix) is expected to reduce the cost by up to 50% (while this chip accounts for around 20% of total BOM for each Lidar).

- **Strategy for physical AI:** Management emphasizes its “Physical AI” approach, recognizing the complexities of a colorful, three-dimensional world often challenged by strong light, fog, or darkness. Unlike passive camera sensors, which struggle with accurate distance measurement and performance in adverse conditions, Lidar operates as an active sensor, providing robust data. To further enhance perception, the company targets to integrate camera and Lidar information at the hardware level. A key differentiator is the company’s proprietary single-chip fusion RGB solution, expected to launch by YE26 or early 2027, per management.

HL Mando (204320.KS, Buy): Expecting 2H26 to be seasonally stronger

- Mando expects 2026 results to come in line with initial expectations earlier in the year with revenue growing at low single digits and OPM at the 4% level. Mando expects 2H being seasonally stronger on the back of HMC & Kia’s upcoming model launches in the Americas while raw material and memory cost pressures stay in a manageable range. In the longer term, Mando expects several growth drivers including: (i) increased wallet share within GM & Ford’s next-gen EV platforms, (2) stronger presence in the Indian market from ties with the top 4 regional OEMs (HMK, Tata, Mahindra & Mahindra, Maruti Suzuki), (iii) stronger order intake for SDV parts (+30% ASP vs. legacy parts) such as steer-by-wire and brake-by-wire, having secured robotaxi parts orders from China and US companies.
- In terms of its robotics business, Mando currently supplies actuators to quadruped robots in the US, generating W15bn revenue p.a. For humanoid actuators, Mando is heavily focusing R&D on QDD (quasi-direct drive) actuators with an intent to offer system-level integration (motors, reducers, encoders, controllers etc.). Capex will be executed heavily in the US once customer orders are finalized. Mando shared that once a mass-order is secured, the company can leverage its existing chassis footprints to ramp up actuator production in the Americas in just 6 months. Through such efforts, Mando targets 10% global humanoid actuator M/S by 2035.
- We rate Mando a Buy as we believe its robotics angle is not yet priced in. Please refer to our initiation for more details ([link](#)).

Investment Thesis

BYD Co. (002594.SZ/1211.HK, Buy): BYD is a leading NEV maker both in China and globally. We believe the company is well-positioned both at home and abroad, capturing the largest mass-market demand and building up premium brands in the domestic market. At the same time, BYD has tapped into the overseas market with compelling (highly competitive, innovative) products, which we expect could become a second growth driver for the company, contributing 92% of incremental vehicle sales volume in 2024–2028E and overseas profit contribution to increase from 21% in 2024 to 76% by 2028E. With a comprehensive product portfolio and strong in-house capabilities enabling continued vehicle technology innovation, we expect BYD to grow its total vehicle sales volume from 4.3mn in 2024 to 7.1mn in 2030E. BYD A/H shares are trading below their historical average 12m forward P/Es, which we view as attractive. We are Buy rated. Catalysts include strong sales, breakthrough in overseas markets, and quarterly results. Downside risks: (1) intensifying electric vehicle competition; (2) slower-than-expected overseas expansion progress; (3) lower-than-expected external battery sales.

Leapmotor (9763.HK, Buy): We are Buy rated on Leapmotor, a leading pure NEV player with 5.1% market share in China (5M26) per CPCA, as we expect the company to execute a series of competitive new model launches with smooth production ramp-up, that should drive continued growth acceleration in the domestic market over the next three quarters; at the same time, we see 60% upside to the company's 2026 overseas target sales volume of 125k units (implying +108% yoy) at the mid-point (i.e. GSe 200k units), supported by strong overseas retail sales which were +554% yoy during 1Q26. Overall, we forecast Leapmotor to deliver one of the fastest revenue/earnings CAGR (25–27E) at 48%/143% among our China Mobility Tech coverage, yet the stock is currently trading at a c.60% discount to peers on both P/E and P/S. We forecast a 36% revenue CAGR (25–28E), mainly driven by 37% vehicle volume growth from 583k to 1,496k, while we expect continued pricing pressure in China's EV market to result in further ASP reduction. We forecast a 38% gross profit CAGR (25–28E) with gross margin improving from 14.5% to 14.9% mainly driven by improving economies of scale despite increasing cost pressure. The company turned free cash flow positive in 2024 and net profit break-even in 2025 with Rmb11.5bn net cash at end-2025, and we expect ongoing positive FCF generation with net margin improving to 5.1% in 2028E. Catalysts include new model launches, monthly delivery ramp-up and export acceleration to fulfill retail-end demand. On the other hand, risks of worsened market demand, cost inflation, and uncertainty overseas could exert pressure on volume/margins and cash flow.

Fuyao Glass Industry Group (600660.SS/3606.HK, Buy): Fuyao is one of the world's largest auto glass manufacturers with its operating margin consistently above 15% through prior demand cycles, outperforming competitors. We are Buy-rated on both A and H-share, as we see (1) notable margin improvement following pricing decline in energy and improving capacity utilization; (2) tailwind from vehicle exports and overseas business expansion; (3) attractive return of 55–60% dividend payout ratio / 4–5% dividend yield in 2024E. Key catalysts include overseas factory ramp up, business expansion on Chinese vehicle exports, adoption of high-value added glass in the new car models, as well as lower raw material and energy costs. Fuyao A/H are currently trading at 0.5/1sd below their 10-year average P/E, and with our expectations of topline

expansion and margin improvement, we see re-rating ahead.

HL Mando (204320.KS, Buy): HL Mando's key business areas include steering, braking, suspension, and ADAS. The company is also entering the humanoid actuator market. We rate HL Mando as a Buy because we believe it will be one of the key humanoid actuator suppliers in the US, given its track record in the automotive business and its quadruped actuator experience. With robotics increasingly taking a significant mind share in the market, we believe auto-parts companies with humanoid exposure will be re-rated on the high-growth potential of the new business. We believe 2035 will mark a significant period for HL Mando, where the humanoid actuator business will account for 18% of OP and eventually change the company's sustainable bottom-line growth profile towards a mid-teens level, even if the legacy auto-parts business grows at the rate of inflation. We thus believe a 15x exit P/E multiple should be a reasonable assumption for HL Mando, which leads to a meaningful upside from the current share price level.

Price Target Risks & Methodology

BYD Co. (002594.SZ/1211.HK, Buy): We are Buy rated with 12m DCF-based (WACC 10.8%, TGR 2.0%) TPs of Rmb137/HK\$134 on the A/H shares (applying a 10% discount to the H-share). Downside risks: (1) Intensifying electric vehicle competition; (2) Slower-than-expected overseas expansion progress; (3) Lower-than-expected external battery sales.

Leapmotor (9763.HK, Buy): Our 12-month target price of HK\$50/share is based on DCF methodology. Key downside risks: Weaker-than-expected China demand; Market share loss due to intensified competition; Cost pressure from raw materials; Uncertainties from collaboration with Stellantis; Policy uncertainties for overseas expansion (e.g. tariffs).

Fuyao Glass Industry Group (600660.SS/3606.HK, Buy): Our 12-month target prices for Fuyao's A/H share are Rmb73/HK\$73, based on 18.5x/16.7x 2026E P/Es. Risks: Worse-than-expected vehicles/EV sales in China and global markets; policy risks due to tariffs or higher tax in the imports/exports of auto components globally.

HL Mando (204320.KS, Buy): We are Buy-rated. Our 12-month target price of W109,000 is based on a target P/E multiple of 15.0x applied to 2035E EPS discounted back to June 2027. We see four downside risks: 1) No humanoid actuator orders by the end of 2027, 2) Higher Capex in North America expected in the next few years, hence, end-demand is key for margins, 3) Stagnant ADAS business, 4) Cost inflation.

