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Equity Research

25 August 2026 | 4:20PM CST

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Buy

XPENG INC. (XPEV/9868.HK)

Lower TP on slower vehicle ramp-up, maintain Buy on growth acceleration into 4Q26E and robotics commercialization in 2027E

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We cut estimates and target price of XPeng post its 2Q26 result where net profit missed market expectation (First Take). At the same time, 3Q26 guidance was also below expectation, with vehicle sales volume guidance -9%/-16% vs. GSe/VA Consensus and revenue guidance -1%/-19% vs. GSe/VA Consensus at the midpoint, mainly due to slower-than-expected Mona L03 ramp-up despite strong orders, and lower revenue contribution from VW Group (quarterly revenue of Rmb0.5-1bn in 2H26 per company). **That being said, we still expect quarterly growth acceleration into 4Q26E** driven by new model launches and delivery. In addition, with recent equity injection for its robotics business (report), we believe this could help **accelerate its humanoid robotics mass production and Physical AI model R&D iterations**. We expect XPeng's IRON to enter volume production towards end 2026 and start revenue generation in 2027E. **We maintain our Buy rating.**

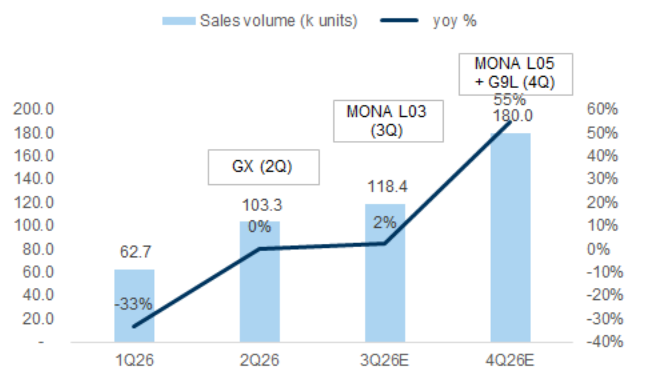
Looking ahead, we expect volume/revenue growth to accelerate to +29%/+28% yoy in 2H26E (vs. -16%/-4% yoy in 1H26) mainly driven by upcoming new model launches including G9L and Mona L05, as well as stronger 4Q26E model deliveries post production ramp-up both in China and overseas. Beyond automotive, we expect to see more updates from emerging businesses including humanoid and robotaxi, laying XPeng's path to transform into an embodied AI company supported by clear milestone timelines in 2H26-2027. **Upcoming catalysts**: (1) weekly order and monthly sales trends; (2) Mona L03 volume ramp-up both in China and overseas; (3) Humanoid robot showcase in 3Q26, external launch in 2Q27; (4) Robotaxi pilot passenger operations in 2H26, operation without safety operators in 2027; (5) G9L launch in Sep and Mona L05 launch in 4Q26.

For 2026E full year, we model (1) revenue growth of 14% factoring in volume guidance miss in Q3 and delivery acceleration in Q4; we forecast sales volume of 464k (+8% yoy) in 2026E. Domestically, XPeng has launched GX/Mona L03 in May/Jul, and plans for G9L/Mona L05 in Sep/4Q26E. We also expect overseas revenue to contribute 20%+ of total revenue with volume doubling in 2026E; **(2) Gross margin** to improve to 19.1% in 2026E (from 18.9% in 2025) with contribution from higher-margin GX model and overseas sales, offsetting the pressure from cost inflation and lower services revenue; **(3) R&D expenses** of Rmb12bn unchanged in 2026E (vs. Rmb9.5bn in 2025); **(4) SG&A expenses** of Rmb11bn on higher selling and marketing activities for product global launches (vs. Rmb9bn in 2025); **(5)**

Operating loss to widen to Rmb-4.2bn in 2026E (from Rmb-2.8bn in 2025) due to higher R&D investment.

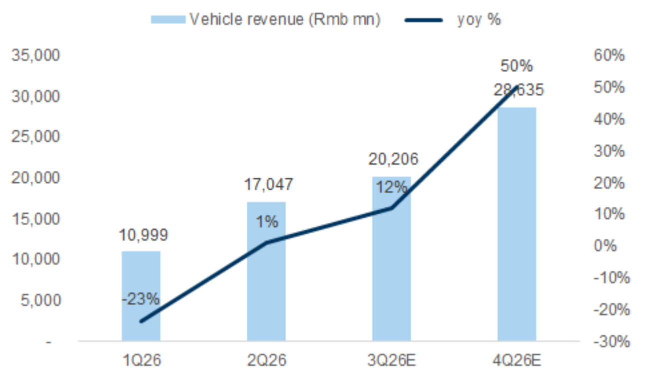
Estimate changes: Post result, we factor in lower sales volume from 3Q26 guidance, as well as lower services revenue esp. from VW. Our 2026E-28E earnings estimates change from Rmb-2.5bn/0.7bn/2.8bn to Rmb-3.7bn/-1.2bn/1.0bn, and our 12-month DCF-based target prices decrease to US$18/HK$69 (from US$20/HK$77), implying +48%/+45% upside. Maintain Buy rating.

Exhibit 1: We expect the new model cycle to drive acceleration...



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: ... in volume as well as revenue growth for XPeng



Source: Company data, Goldman Sachs Global Investment Research

Key takeaways from conference call

- **Q3 guidance miss while targeting to Q4 delivery acceleration:** XPeng reported 2Q26 vehicle deliveries of 103k units (+65% qoq). However, management expects Q3 deliveries between 115k-121k units (-9%/-16% vs. GSe/VA Consensus at the midpoint), mainly due to extreme weather (multiple typhoons) and supply chain disruptions hindering the immediate delivery ramp. The company has initiated double-shift production for the MONA L03 to resolve capacity constraints and anticipates significant delivery acceleration into Q4. Per company, monthly delivery targets to exceed 60k units in Q4, bolstered by the September launch of the G9L and the year-end introduction of the Mona L05.
- **Robotics financing could accelerate commercialization:** The company's robotics division recently secured over US$900mn in first round equity financing, achieving a post-money valuation exceeding US$6.3bn (see our analysis). This capital will support the mass production of IRON, a general-purpose humanoid robot featuring 76 degrees of freedom (DOF) across its body and 21 DOF in each hand. XPeng plans to begin volume production of IRON by YE26, with initial internal deployments at company stores and campuses. Large-scale deliveries to external retail and service sectors in China and overseas are scheduled for 2027 (external revenue generation starting from around 2Q27), with monthly production capacity to reach several thousand units. Per company, the lifetime revenue and gross profits contribution of each IRON, including hardware sales and recurring revenue from upgrades to its AI model capabilities, would be higher than the current ASP and gross profit per vehicle. Its pricing strategy for IRON humanoid robotics would be around 2.5x-3x of BOM cost, implying GPM of around 60%-67% per hardware, compared to GPM of

60.1% for Unitree (688836.SS)'s main business as of 2025.

- **VLA 2.0 advances robotaxi roadmap:** The upgrade of VLA 2.0 to be rolled out in end-Aug to early-Sep should significantly enhance XPeng's autonomous capabilities, increasing on-device model parameters by 3.5x and perception sensitivity by 300%. This update integrates L4-level functionalities, such as voice-activated pull-over parking, into standard passenger vehicles. Regarding its robotaxi initiative, XPeng has completed over 2k internal test orders in Guangzhou and developed a cloud remote takeover platform. The company aims to begin passenger operations without a safety operator in 2027, expanding globally through partnerships with major mobility platforms.
- **Global strategy for model roll-out and VLA deployment:** Global expansion remains a primary growth driver, with Q2 overseas deliveries exceeding 20k units. The company expects quarterly overseas delivery to surpass 40k units in Q4 as the MONA L03 begins its overseas rollout. Also, the company plans to launch all of its upcoming models both in China and overseas. XPeng intends to obtain regulatory approval for VLA 2.0 in Europe by 1H27 to provide enhanced driving experiences globally. Ultimately, the company plans to deploy VLA technology across all L03 models in every market to maintain its edge over global ADAS competitors.
- **Balance sheet and cash flow:** We see faster working capital turnover qoq since the company actively followed government guidance on faster payback cycle, while the company announced equity financing for its robotics business to support deteriorating cash position and leverage. XPeng ended 2Q26 with Rmb16bn in net cash (vs. Rmb21bn/29bn net cash in 1Q26/2Q25). Receivable days was shorter qoq/yoy (6 in 2Q26, vs. 8/9 in 1Q26/2Q25), payable days was shorter qoq/yoy (173 in 2Q26, vs. 272/185 in 1Q26/2Q25), and inventory days was shorter qoq/longer yoy (80 in 2Q26, vs. 117/40 in 1Q26/2Q25). Total debt to equity ratio was higher to 73% (vs. 58%/37% in 1Q26/2Q25) and total liabilities to asset ratio was higher to 72% (vs. 71%/65% in 1Q26/2Q25) in 2Q26.

9868.HK	**12m Price Target: HK$69**	**Price: HK$47.68**	**Upside: 44.7%**
XPEV	**12m Price Target: $18**	**Price: $12.19**	**Upside: 47.7%**

Buy	GS Forecast				
		12/25	**12/26E**	**12/27E**	**12/28E**
Market cap: $11.8bn	**Revenue (Rmb mn) New**	**76,719.7**	**87,348.6**	**97,452.3**	**109,900.3**
Enterprise value: $8.7bn	Revenue (Rmb mn) Old	76,719.7	92,741.6	100,757.7	113,168.3
3m ADTV :$99.1mn	EBITDA (Rmb mn)	(323.5)	(1,438.5)	1,250.6	3,848.6
China	**EPS (Rmb) New**	**(0.48)**	**(3.85)**	**(1.21)**	**1.08**
China Mobility Tech	EPS (Rmb) Old	(0.48)	(2.58)	0.76	2.93
	P/E (X)	NM	NM	NM	75.9
M&A Rank: 3	P/B (X)	4.5	3.0	3.2	3.2
Leases incl. in net debt & EV?: Yes	Dividend yield (%)	0.0	0.0	0.0	0.0
	CROCI (%)	NM	NM	28.7	51.8
		3/26	**6/26**	**9/26E**	**12/26E**
	EPS (Rmb)	(1.76)	(1.29)	(1.18)	0.34

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 21 Aug 2026 close.

Investment Thesis

XPeng is among the fastest-growing pure EV makers in China with a focus on intelligent vehicle features. Since 4Q24, XPeng has shown consistent improvement in its new and refreshed model launches with Mona M03 and P7+ sales volume ranking among the top 3 in their respective segments. XPeng has also stepped up its new model launch frequency with 10 launches over 2024-26, compared to only 1-2 new models each year from 2019-2023. XPeng will now introduce 10 new + refreshed models each year to better compete in the current highly dynamic market environment. In addition, XPeng is focusing more on overseas expansion with increasing product offerings (4 models in 2026) and localized production (Indonesia, Austria and Malaysia). We are Buy rated (ADR/H share), as we see the results of a series of efforts coming through the company's product launches and overseas expansion, leading to higher visibility for sustainable sales volume growth as well as profit margin improvement going forward. XPeng is currently trading in line with its historical average forward P/S multiple over the past 1 year which we view as attractive in light of its growth trajectory. Catalysts include upcoming product launches including the sales ramp-up from new models, updates on robotics and robotaxi as well as quarterly results.

Price Target Risks & Methodology

We are Buy rated with 12m DCF-based (WACC 11.8%, TGR 3.0%) TPs of US$18/HK$69 for the ADR/H share. Risks: lower-than-expected sales volume; worse-than-expected price competition; weaker-than-expected market demand.