Morgan Stanley | RESEARCH

UPDATE

August 31, 2026 11:55 AM GMT

Horizon Robotics | Asia Pacific

2Q26 revenue in line; GPM better, but higher opex drove operating deleverage

AlphaSignals Earnings Reaction

Unchanged	— In-line	— Largely unchanged
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Key Takeaways

- We had expected slower top-line growth in 1H26.
- Meaningful project breakthrough in 2H is required...
- ...to enhance operating leverage and restore investor confidence in sales momentum and growth potential of HSD 2.0 and J7.
- This is crucial to underpinning growth in 2027 amid crowded competition.

Horizon reported an adjusted net loss of Rmb1.7bn in 1H26, in line with its preliminary guidance of Rmb1.4-1.7bn: Operating loss widened from Rmb1.5bn in 1H25 to Rmb1.7bn, despite revenue growth, owing to higher opex.

1H26 revenue grew 33% YoY, to Rmb2.1bn, at the high end of preliminary guidance: Product solutions revenue increased 15% YoY, while sales volume grew 12%, implying ASP expansion. Meanwhile, licensing & services revenue increased 53% YoY.

GPM remained flat at 66%: A higher proportion of high-margin licensing revenue provided support, offsetting GPM contraction in product solutions.

Opex increased Rmb0.5bn YoY, to Rmb3.0bn: This more than offset the Rmb0.3bn YoY increase in gross profit, likely reflecting ongoing R&D investment in J7 and HSD V2.0, powered by world model and reinforcement learning.

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Horizon Robotics (9660.HK, 9660 HK)

China Autos & Shared Mobility | China

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	HK$8.70
Up/downside to price target (%)	84
Shr price, close (Aug 31, 2026)	HK$4.72
52-Week Range	HK$11.32-3.60
Sh out, dil, curr (mn)	14,652
Mkt cap, curr (mn)	Rmb59,334.8
EV, curr (mn)	Rmb36,060.8
Avg daily trading value (mn)	HK$1,328

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (Rmb)**	(0.81)	(0.19)	(0.08)	0.08
Prior EPS (Rmb)**	-	-	-	-
Revenue, net (Rmb mn)	3,758	6,092	9,381	13,300
EBITDA (Rmb mn)	(3,750)	(2,827)	(1,002)	1,559
ModelWare net inc (Rmb mn)	(10,469)	(2,793)	(1,143)	1,244
P/E	NM	NM	NM	47.7
ROE (%)	(87.9)	(22.1)	(10.6)	11.6
EV/EBITDA	NM	NM	NM	22.8

framework
** = Based on consensus methodology

investors should be aware that the firm may have a conflict of

Research as only a single factor i
decision.

**For analyst certification and oth
refer to the Disclosure Section, l
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Valuation Methodology and Risks

Horizon Robotics (9660.HK)

Probability-weighted DCF, with probability weightings of 25% bull case, 50% base case, 25% bear case. The balanced probabilities in our bull case vs. bear case reflect our constructive view on Horizon gaining volume market share among ADAS+AD players in China, but we are also aware of rising competition and potential geopolitical headwinds in the smart driving business. Key DCF assumptions: 12.2% WACC (1.9 beta, 3% long-term growth rate).

Risks to Upside

- Faster-than-expected ADAS/AD adoption growth in China
- Delays/failure in OEMs' in-house hardware design
- Narrowing access to other solutions providers in China
- Expanding customer base with additional key customers

Risks to Downside

- Slower-than-expected ADAS/AD adoption in China
- Supply chain disruption
- OEMs' successful in-house hardware design initiatives
- Vehicle sales pressure from key customers in China