Horizon Robotics (9660.HK): Rising NOA penetration to drive Journey 6 adoption and mix upgrade; 1H26 largely in line; Buy

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Horizon Robotics reported 1H26 result largely in line with its preliminary result (Link), with profit for the period turning positive to Rmb3.8bn (vs. Rmb5.2bn loss in 1H25) due to the fair value changes of financial liabilities. The company's revenues were up 33% YoY in 1H26, driven by strong growth of licenses and services at 53% YoY, followed by product & solutions rev growth at 15% YoY. In addition to product sales, the company adopts the "ARM + Android" business model to empower multiple automotive clients' independent development on hardware, algorithms and software, supporting its license revenue growth. We remain constructive on company's client expansion and mix upgrade towards high-end driving solutions carrying higher dollar content. Maintain Buy.

Continuous shipment growth with mix upgrade: The retail volume of passenger vehicles in China was down 20% YoY in 7M26 (report link), and retail of NEV in China was down 12% YoY. Despite near-term pressure on industry volumes, we see growing penetration of NOA (Navigate on Autopilot) at 46.8% in 1H26, with rising contribution from urban NOA. We are positive on the rising penetration to drive adoption of the company's Journey 6 Series (J6B/ J6M/ J6P) and continuous mix upgrade. On J6B, the company has expanded to JV clients and started mass production on GAC Toyota models.

Journey 7 SoC in progress: Management notes the next-generation Journey 7 SoC mainly targets high-end L3 and L4 autonomous driving scenarios, and the SoC tape out is scheduled to be completed in early 2Q27E. Mgmt. expects key upgrades of J7 SoC include: (1) significant increase in computing power, (2) native optimization of on-device deployment of the company's in-house HSD intelligent driving model, (3) integration of KKClaw intelligent cockpit model, and (4) improved deployment efficiency.

Exhibit 1: Horizon Robotics 1H26 result snapshot

Rmb m	1H25	2H25	1H26	HoH	YoY	GS	Act / GS
Revenues	1,546	2,212	2,055	-7%	33%	2,107	-2%
GP	1,020	1,405	1,356	-3%	33%	1,282	6%
OP	-1,871	-2,215	-1,977	na	na	-2,086	na
Net income	-5,233	-5,364	3,784	na	na	3,596	5%
Adj. net income	-1,333	-1,479	-1,671	na	na	-1,524	na
Margins							
GM	66.0%	63.5%	66.0%			60.9%	
OPM	-121.0%	-100.1%	-96.2%			-99.0%	
NM	-338.5%	-242.5%	184.1%			170.6%	

Source: Company data, Goldman Sachs Global Investment Research

Earnings revision: We factor in Horizon Robotics 1H26 result and revise down

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2026E/ 2028-30E earnings by 3%~9%, and revise down 2027 net loss to Rmb176m (vs. previously at Rmb71m) mainly on lower revenues. We revise down revenues on near-term pressure on industry volume, while we remain positive on the rising NOA penetration to drive the adoption and mix upgrade.

Exhibit 2: Earnings revision

	2026E			2027E			2028E			2029E			2030E		
Rmb$m	Old	New	Diff %	Old	New	Diff %	Old	New	Diff %	Old	New	Diff %	Old	New	Diff %
Revenues	6,394	5,663	-11%	10,735	10,180	-5%	18,996	17,879	-6%	24,856	23,333	-6%	28,444	26,657	-6%
GP	4,040	3,651	-10%	7,053	6,762	-4%	11,858	11,271	-5%	15,225	14,452	-5%	17,391	16,484	-5%
OP	(3,570)	(3,918)	na	(591)	(649)	na	4,165	3,820	-8%	7,053	6,628	-6%	8,415	8,104	-4%
Net income	1,698	1,643	-3%	(71)	(176)	na	4,782	4,347	-9%	7,524	7,045	-6%	8,942	8,564	-4%
Adj. net income	(2,223)	(2,353)	na	(5)	(99)	na	5,012	4,565	-9%	7,827	7,319	-6%	9,364	8,921	-5%
Margins															
GM	63.2%	64.5%	1ppts	65.7%	66.4%	1ppts	62.4%	63.0%	1ppts	61.3%	61.9%	1ppts	61.1%	61.8%	1ppts
OPM	-55.8%	-69.2%	na	-5.5%	-6.4%	-1ppts	21.9%	21.4%	-1ppts	28.4%	28.4%	0ppts	29.6%	30.4%	1ppts
NM	26.6%	29.0%	na	-0.7%	-1.7%	-1ppts	25.2%	24.3%	-1ppts	30.3%	30.2%	0ppts	31.4%	32.1%	1ppts

Source: Company data, Goldman Sachs Global Investment Research

Valuation: We keep our 12m TP at HK$13.12 (vs. previously at HK$13.14). Our valuation is based on 2030E EV/ EBITDA (unchanged), discounted back to 2027E. Our target 2030E discounted EV/ EBITDA multiple at 29.0 (previously 22.0x) is derived from the correlation of EBITDA growth and trading EV/EBITDA multiples of peers (including TI, Aptiv, NXP, Thundersoft, Kingsoft Office, AMD, and newly added automotive peers to the group, Desay SV and Starpower), which captures the growth elements in fundamentals, based on the company's 2031E EBITDA growth, and the higher multiple is driven by (1) updated peers group including closer automotive peers, and (2) sector re-rate on accelerated smart driving/ autonomous driving penetration. We then discount it back to 2027E using an unchanged COE of 11.5% (equity risk premium of 6.5%, risk free rate of 3.0%, and a beta of 1.3, unchanged). The implied 2027/ 28E EV/ Sales is at 17.1x/ 9.8x. Maintain Buy.

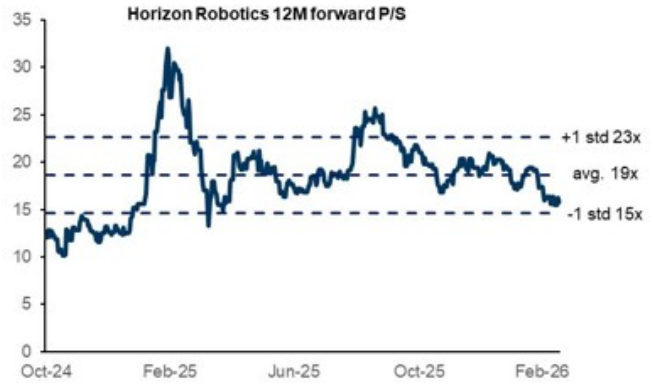
Exhibit 3: Horizon Robotics discounted EV/ EBITDA

Rmb m	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E
Key assumptions	**Local leading supplier**		**Market share gain with AD expansion**					**License fees**		
ADAS & AD China market share in value	2%	3%	4%	8%	12%	20%	34%			
AD chips (80+ TOPS) revenues exposure	3%	11%	10%	31%	35%	45%	57%			
ADAS & AD chipset revenues contribution	25%	29%	25%	41%	47%	58%	69%			
Revenues	**906**	**1,552**	**2,384**	**3,758**	**5,663**	**10,180**	**17,879**	**23,333**	**26,657**	**30,122**
Rev YoY growth	94%	71%	54%	58%	51%	80%	76%	31%	14%	13%
GM	69.3%	70.5%	77.3%	64.5%	64.5%	66.4%	63.0%	61.9%	61.8%	61.8%
Opex	2,552	3,137	4,204	6,512	7,569	7,411	7,452	7,824	8,381	8,868
Opex ratio	282%	202%	176%	173%	134%	73%	42%	34%	31%	29%
EBIT	(1,925)	(2,043)	(2,362)	(4,086)	(3,918)	(649)	3,820	6,628	8,104	9,760
Adjusted OP		*(1,687)*	*(1,495)*	*(2,372)*	*(2,553)*	*328*	*4,937*	*7,801*	*9,361*	*10,060*
OP margin	**-212.5%**	**-131.6%**	**-99.1%**	**-108.7%**	**-69.2%**	**-6.4%**	**21.4%**	**28.4%**	**30.4%**	**32.4%**
EBITDA	**(1,676)**	**(1,738)**	**(1,982)**	**(3,593)**	**(3,431)**	**(138)**	**4,329**	**6,736**	**8,416**	**10,010**
EBITDA margin	**-185.0%**	**-112.0%**	**-83.2%**	**-95.6%**	**-60.6%**	**-1.4%**	**24.2%**	**28.9%**	**31.6%**	**33.2%**
Non-OP	(6,800)	(4,702)	4,713	(6,380)	3,436	473	532	425	469	489
Pre tax income	(8,725)	(6,744)	2,351	(10,466)	(482)	(176)	4,352	7,052	8,573	10,249
Tax	(4)	(5)	5	3	44	(0)	4	7	9	9
Net income (Attributed to owners)	**(8,719)**	**(6,739)**	**2,347**	**(10,597)**	**1,643**	**(176)**	**4,347**	**7,045**	**8,564**	**10,240**
Adjusted NI		*(1,635)*	*(1,681)*	*(2,812)*	*(2,353)*	*(99)*	*4,565*	*7,319*	*8,921*	*10,590*
NI YoY								62%	22%	20%
EPS (Rmb)		(2.50)	0.17	(0.84)	0.10	(0.01)	0.27	0.44	0.54	0.73
Target EV/ EBITDA									29.0	
Target multiple x 2030 EBITDA (Rmb m)									244,055	
Enterprise value (2027E, Rmb m)						176,298				
Cash and equivalents (2027E, Rmb m)						14,909				
Debt (2027E, Rmb m)						508				
Fwd equity valuation (Rmb m, 2027E)						190,699				
Fwd equity valuation (US$ m, 2027E)						26,123				
Target price (HKD$, 2027E)						**13.12**				
Implied P/E							52.1	32.2	26.5	19.6
Implied EV/Sales					31.1	17.3	9.9	7.6	6.6	5.9

COE assumption	
Beta	1.3
Risk free	3.0%
Market risk premium	6.5%
COE	**11.5%**

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 4: Horizon Robotics 12M forward P/S



Source: Eikon Datastream

Exhibit 5: Horizon Robotics P&L Summary

Rmb m	1H25	2H25	1H26	2H26E	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
Revenues	1,546	2,212	2,055	3,608	1,552	2,384	3,758	5,663	10,180	17,879	23,333	26,657
COGS	526	807	699	1,313	457	542	1,333	2,012	3,419	6,608	8,881	10,173
Gross profits	1,020	1,405	1,356	2,295	1,094	1,841	2,426	3,651	6,762	11,271	14,452	16,484
Selling	354	277	251	291	327	410	632	542	352	282	296	323
G&A	277	449	328	471	443	638	726	799	519	519	545	572
R&D	2,260	2,894	2,755	3,473	2,366	3,156	5,154	6,228	6,539	6,651	6,983	7,486
Opex	2,891	3,620	3,333	4,235	3,137	4,204	6,512	7,569	7,411	7,452	7,824	8,381
OP income (EBIT)	(1,871)	(2,215)	(1,977)	(1,940)	(2,043)	(2,362)	(4,086)	(3,918)	(649)	3,820	6,628	8,104
Pretax income	(5,101)	(5,365)	1,661	(2,143)	(6,744)	2,351	(10,466)	(482)	(176)	4,352	7,052	8,573
Tax	4	(1)	46	(2)	(5)	5	3	44	(0)	4	7	9
Minority	127	(0)	(2,169)	-	(0)	(0)	127	(2,169)	-	-	-	-
Net income to owners	(5,233)	(5,364)	3,784	(2,141)	(6,739)	2,347	(10,597)	1,643	(176)	4,347	7,045	8,564
Net income	(5,106)	(5,364)	1,615	(2,141)	(6,739)	2,347	(10,469)	(526)	(176)	4,347	7,045	8,564
EBIT	(1,871)	(2,215)	(1,977)	(1,940)	(2,043)	(2,362)	(4,086)	(3,918)	(649)	3,820	6,628	8,104
EBITDA	(1,625)	(1,969)	(1,734)	(1,697)	(1,738)	(1,982)	(3,593)	(3,431)	(138)	4,329	6,736	8,416
Margins/ Ratios												
GM	66.0%	63.5%	66.0%	63.6%	70.5%	77.3%	64.5%	64.5%	66.4%	63.0%	61.9%	61.8%
OP margin (EBIT margin)	-121.0%	-100.1%	-96.2%	-53.8%	-131.6%	-99.1%	-108.7%	-69.2%	-6.4%	21.4%	28.4%	30.4%
EBITDA margin	-105.1%	-89.0%	-84.4%	-47.0%	-112.0%	-83.2%	-95.6%	-60.6%	-1.4%	24.2%	28.9%	31.6%
Net margin (Attributed to owners)	-338.5%	-242.5%	184.1%	-59.3%	-434.3%	98.4%	-282.0%	29.0%	-1.7%	24.3%	30.2%	32.1%
Ratios												
Net margin	-330.2%	-242.5%	78.6%	-59.3%	-434.3%	98.4%	-278.6%	-9.3%	-1.7%	24.3%	30.2%	32.1%
Selling ratio	22.9%	12.5%	12.2%	8.1%	21.1%	17.2%	16.8%	9.6%	3.5%	1.6%	1.3%	1.2%
G&A ratio	17.9%	20.3%	15.9%	13.1%	28.6%	26.8%	19.3%	14.1%	5.1%	2.9%	2.3%	2.1%
R&D ratio	146.1%	130.8%	134.1%	96.3%	152.5%	132.4%	137.1%	110.0%	64.2%	37.2%	29.9%	28.1%
Opex ratio	187.0%	163.6%	162.2%	117.4%	202.2%	176.4%	173.3%	133.7%	72.8%	41.7%	33.5%	31.4%
Tax rate	-0.1%	0.0%	2.8%	0.1%	0.1%	0.2%	0.0%	-9.1%	0.1%	0.1%	0.1%	0.1%
YoY												
Revenues	65%	53%	33%	63%	71%	54%	58%	51%	80%	76%	31%	14%
Gross profits	38%	27%	33%	63%	74%	68%	32%	51%	85%	67%	28%	14%

Source: Company data, Goldman Sachs Global Investment Research

Price Target Risks and Methodology - Horizon Robotics

Valuation: We derive our **12-month target price of HK$13.12** based on a 2030E discounted EV/EBITDA multiple of 29.0x (using our estimate of the company's 2030E EBITDA), which is based on the correlation of EBITDA growth and trading EV/EBITDA of its peers. We then discount it back to 2027E using a COE of 11.5% (equity risk premium of 6.5%, risk free rate of 3.0%, and a beta of 1.3; similar to what we apply for our coverage).

Key downside risks: (1) fiercer-than-expected competition or auto supply chain pricing pressure amid slow demand, (2) slower-than-expected product mix upgrade toward AD, (3) slower-than-expected expansion in the customer base, and (4) supply chain risks amid geopolitical tensions.



9660.HK	12m Price Target: **HK$13.12**	Price: **HK$4.37**	Upside: **200.2%**

Buy

Market cap: HK$55.1bn / $7.0bn
Enterprise value: HK$37.1bn / $4.7bn
3m ADTV: HK$898.4mn / $114.6mn
China
Greater China Technology
M&A Rank: 3
Leases incl. in net debt & EV?: Yes

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn) New	**3,758.3**	**5,662.7**	**10,180.4**	**17,879.2**
Revenue (Rmb mn) Old	3,758.3	6,394.0	10,734.7	18,995.6
EBITDA (Rmb mn)	(3,593.4)	(3,430.9)	(138.1)	4,328.7
EPS (Rmb) New	**(0.84)**	**0.10**	**(0.01)**	**0.27**
EPS (Rmb) Old	(0.83)	0.13	(0.01)	0.37
P/E (X)	NM	36.1	NM	13.7
P/B (X)	6.8	4.3	4.4	3.2
Dividend yield (%)	0.0	0.0	0.0	0.0
CROCI (%)	NM	NM	NM	NM

	6/26	12/26E	6/27E	12/27E
EPS (Rmb)	0.24	(0.14)	(0.02)	0.01

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 3 Sep 2026 close.