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XPeng (XPEV.N)

4Q26/27E Outlook, AD Software Monetization, Humanoid Robot & Robotaxi Update

CITI'S TAKE

We hosted a business update call with XPeng. Key takeaways: (1) Mgmt. targets 60k single-month deliveries in Nov or Dec as Mona L05 ramps, Oct volume to see obvious MoM growth with L03 capacity above 20k. (2) 4Q overseas volume of 40k+ should lift overseas revenue above 30% (FY26 90–100k), with doubling continuing in 27E; overseas GPM is notably above 20%, plus Rmb500mn carbon credit revenue recognized in 2H26. (3) Humanoid Robot to enter mass production by end-26 with external deliveries from 2Q27, priced around GX levels with GPM far above automotive. (4) Mgmt. expects EU urban NOA approval in 1H27, unlocking standalone software monetization for B/C end customers overseas. (5) Robotaxi commercial operations to start 4Q26 in Guangzhou, shifting to <Rmb200k BOM cost vehicles in 27E. (6) R&D expense ratio should decline in 27E as automotive and non-robot AI R&D stabilize while investment on robot continues.

4Q26 outlook — (1) Mgmt. targets 60k single month deliveries in Nov or Dec with mass delivery of Mona L05 official delivery in Nov. Oct volume should see obvious MoM growth backed by ramping-up L03 capacity (reaching 20k+ in Oct, 14k deliveries in Sep). (2) Mgmt. expects L05, positioned at Rmb150–200k, to reach 10k+ monthly volume contribution. (3) GX has sustained 7k+ monthly sales over four months since launch and mgmt. expects momentum to sustain, and G9L to contribute several thousand units monthly.

26/27E overseas target — (1) 4Q overseas volume could arrive 40k+ (revenue contribution>30% vs. >25% in 1H26), with full-year overseas volume of 90-100k, driven by L03 delivery to overseas. (2) Mgmt. sees the overseas volume doubling pace continuing in 27E with full-year contribution of L03 and L05, G9L, GX ramping-up. Overseas GPM is obviously above 20%. (3) Oversea stores are scaling from ~300 in early-26 to 600+ by end-26. (3) Mgmt. expects carbon credit revenue of Rmb500mn to be recognized in 2H and linked to 40k+ European deliveries. Mgmt. expects the credit volume to sustain triple-digit growth in 2027E along with sales while per-credit pricing is harder to predict.

(Continued with 26/27E R&D, Humanoid Robots, Robotaxi, EU supply chain...)

Buy	
Price (07 Oct 26 16:00)	US$9.58
Target price	US$21.40
Expected share price return	123.4%
Expected dividend yield	0.0%
Expected total return	123.4%
Market Cap	US$9,192M

Price Performance
(RIC: XPEV.N, BB: XPEV US)



Jeff Chung[AC]
Lawrence Ren
Kyle Wu

Earnings Summary

Year to 31 Dec	Net Profit (RmbM)	Diluted EPS (Rmb)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	-5,790	-6.101	48.8	-10.5	1.9	-17.1	na
2025A	-1,139	-1.194	80.4	na	2.0	-3.7	na
2026E	-3,974	-4.148	na	-15.5	2.3	-14.0	na
2027E	-145	-0.152	96.3	na	2.3	-0.6	na
2028E	871	0.909	699.9	70.7	2.3	3.3	na

Source: Powered by dataCentral

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

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2026/27E R&D update – (1) Mgmt. maintained 26E R&D guidance of Rmb12bn, among which Rmb5bn for four new car models and Rmb7bn for AI (chips, robots, autonomous driving), with R&D in robots at Rmb2bn. (2) Mgmt. expects 27E automotive R&D stays roughly stable despite several new global models; non-robot AI R&D stabilizes and robots are the main area of incremental investment. (3) Mgmt. expects obvious YoY decline in the R&D expense ratio in 27E.

Humanoid Robots – (1) Mgmt. expects humanoid robot to enter mass production by end-26, with supply agreements already signed with core partners and will deploy robots to XPeng's global stores and campuses for guided tours and sales assistance since 1Q27, with launch events for external customers and external customer deliveries from 2Q27. (2) Mgmt. mentions domestic price is comparable with GX (~Rmb270-350k), with GPM far above automotive. Overseas pricing should be more expensive.

Robotaxi – (1) Mgmt. points out that Robotaxi commercial operations will begin in 4Q26 in Guangzhou, focused on validating technology and operating models and building a safety record; fully driverless operation is targeted for 1H27. (2) Mgmt. expects robotaxi will shift to a Mona-platform L4 vehicle with BOM cost significantly below Rmb200k (vs. GX now), improving economics for operator partners. (3) Mgmt. sees overseas robotaxi more profitable than in China.

Autonomous driving – (1) Mgmt. mentions most L03 buyers chose the Ultra version, with a Rmb12k premium on ASP with two Turing chips, only <5% choose the base version. (2) Mgmt. expects EU-wide approval on urban NOA function in 1H27E. With Tesla already selling subscriptions in six European countries, XPeng sees an opportunity to monetize software overseas, where payment propensity exceeds China. (3) Mgmt. says company has formed a BD team to license its AD software and Turing chips to international OEMs as OEMs will see value in software and chip computing after potential regulatory easing in 27E.

Europe supply chain and export tax rebate cut – (1) Mgmt. believes Magna plant in Austria has ample headroom to support doubling volume next year), and company is also exploring lower-cost European production options. (2) On potential EU local-content rules of 70%+, XPeng is pre-validating overseas suppliers for fast switching and ex-battery components are mature and not expensive, with labor the main cost gap. (3) Management expects China's export tax rebate cut to be adjusted gradually.

Questions and Answers

Q: How large will the Robotaxi test fleet be by end-26, and when do robot deliveries scale?

A: Mgmt. say the largest fleets run at around 100 vehicles within a single administrative district in Guangzhou and there is no city-wide connectivity yet. Mgmt. expect robots delivery to external customer to start since 2Q27.

content and export-rebate changes?

A: Mgmt. believes capacity is ample and could support doubling or even tripling volume in 27E. XPeng is pre-validating overseas suppliers for fast switching if

local-content rules tighten and ex-battery components are mature and affordable, with labor the main cost gap. On export tax rebates, mgmt. expects a gradual adjustment.

Q: Will there be a major announcement at the Paris Auto Show, and when?

A: The G9L overseas launch and Xpeng's autonomous driving showcase and the media day is October 12.

XPeng

Company description

XPeng is a smart electric vehicle automaker in China. Its main operations consist of designing, developing, manufacturing and marketing smart EVs in China. Founded in 2015, the company's vision is to bring smart EVs to Chinese consumers through innovation in autonomous driving, smart connectivity, and core vehicle systems. XPeng currently markets SUVs dubbed the G3/G6/G9, a four-door sports sedan dubbed the P7, a MPV X9, and a smart family sedan, the P5.

Investment strategy

We rate XPeng's US-listed shares as Buy, expecting strong volume growth in 2026/27E on robust order intake and new model launches, and potentially extra growth drivers on AI/Robotics.

Valuation

We adopt SOTP to value Xpeng with TP at US$21.4/HK$83.6: (1) 1.5x 2026E P/S on auto business (2SD above 2-year average), which yields TP of US$19.9/HK$77.7, and (2) 8x 2026E P/S on robotics business (similar to the average 2026E P/S valuation of A share robotics-thesis names Sanhua/Hengli, and lower than leading robotics manufacturer UBTech's valuation considering Xpeng's early ramp-up stage on robotics), which yields US$1.5/HK$5.9.

Risks

Key downside risk factors that could prevent the shares from reaching our target price include: (1) any failure to design and manufacture cars of sufficient quality, on schedule and in large scale; intensified competition; (2) lower-than-expected demand; and (3) failure to provide up-to-standard services to customers at a profit.

Key upside risks that could sustain the stock above our target price include: (1) higher-than-expected NEV sales; (2) blockbuster models that greatly improve the company's brand and reputation; and (3) investor concerns about cash burn and any possible refinancing are allayed.

Although the stock screens as High Risk in our Quant Risk Rating, we believe a High Risk rating is not warranted as the stock now has a long trading history, with full-year sales volume potentially exceeding 200k units in 2025E. We believe the company's corporate governance has also improved.

Hengli Hydraulic

(601100.SS; Rmb87.39; 1; 08 Oct 26; 15:00)

Valuation



Our target price for Hengli of Rmb135.0 is based on ~44x 2027E P/E, set at 1.0x SD over the past 5 years to reflect its strong core business and potential re-rating due to rising humanoid robot exposure.

Risks

Key fundamental downside risks include: 1) weaker demand for excavator and non-excavator components; 2) weaker profitability of ball screw and Mexico plants due to weaker economies of production scale; and 3) lower-than-expected GPM on favorable product mix change. Any of these risk factors could cause the stock to deviate from our target price.

Sanhua

(2050.HK; HK$22.86; 2; 08 Oct 26; 16:10)

Valuation

We derive our H-share target price of HK$29 by applying 26x 2026E P/E, which is the average level since the listing in Jun-2025 (share price upcycle) and higher than the multiples for HK-listed peers to reflect Sanhua's opportunities in robotics and AIDC fields.

Risks

Key downside risks that could mean Sanhua stock fails to achieve our target price include a slowdown in China's economy and consumption leading to lower-than-expected growth, an escalating China-US trade dispute dampening growth, and failure by the company to further gain market share, leading to sales volume miss.

Upside risks that could cause the shares to trade above our target price include an accelerated economic recovery and an improvement in consumption leading to higher-than-expected growth in China and a sharp improvement in the sales of key automotive clientele, translating to sharper-than-expected auto parts sales volume growth.

UBTECH Robotics

(9880.HK; HK$69.2; 1; 08 Oct 26; 16:10)

Valuation

We value loss-making UBTECH using P/S. Our target price of HK$125.0 is based on 13x 2026E P/S, similar to its average P/S since 2025.

Risks

Downside risks that could prevent the stock from reaching our target price include: 1) weaker-than-expected revenue growth, 2) slower-than-expected