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UPDATE

October 23, 2026 01:05 AM GMT

Yushu Technology Co., Ltd. | Asia Pacific

Postcard from Unitree's World Physical AI Conference: Intelligence Ambitions

MORGAN STANLEY ASIA LIMITED+

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Key Takeaways

- Unitree is prioritizing in-house physical AI, external model partnerships, and compute investment, envisioning a "GPT moment" in 2027–28.
- Unitree is leveraging its ecosystem strategy, broadening applications across industrials, commercial services, and more, with expanding product lineups.
- Growth/sales target was not mentioned, but large scale manufacturing capability is also a key priority.
- The event strengthens our conviction in Unitree's transition toward becoming a full-stack intelligent platform.
- However, repeat commercial orders, more task validation, and intelligence-layer value capture are key milestones to support a more positive view. EW.

From hardware leadership towards full-stack intelligence. Founder, Chairman, and CTO, Wang Xingxing's, keynote outlined four priorities:

1. Large-scale manufacturing capability;
2. In-house physical AI model R&D while collaborating with global frontier model developers;
3. Large-scale compute infra;
4. Expanding open-source datasets.

He also previewed Physical AI Self Evolution V1.0, where the model autonomously writes code, trains in simulation and iterates through real-world testing, similar to recursive self-improvement (RSI) used in LLM training.

Wang envisions a "GPT moment" for the company in 2027-28 when he believes robots will accomplish 80% of tasks in 80% of unfamiliar environments. However, reliable physical interaction, fine manipulation, error self-correction and latency remain key bottlenecks. We view the roadmap as promising but requires more proof.

Broadening applications through an open ecosystem. Many exhibited solutions were developed by third-party developers and integrators, with Unitree providing the hardware and development platform. Quadrupeds remain more mature in practical applications, particularly autonomous inspection and emergency response, while humanoid industrial and commercial use cases are emerging.

This report references an entity or entities that have been designated by the U.S.

Yushu Technology Co., Ltd. (688836.SS, 688836 CG)

China Industrials | China

Stock Rating	**Equal-weight**
Industry View	**In-Line**
Price target	Rmb500.00
Up/downside to price target (%)	(3.8)
Shr price, close (Oct 22, 2026)	Rmb520.00
52-Week Range	Rmb1,100.00-404.03
Sh out, dil, curr (mn)	404
Mkt cap, curr (mn)	Rmb210,321
EV, curr (mn)	Rmb208,879
Avg daily trading value (mn)	Rmb2,371

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (Rmb)**	0.76	1.67	2.39	3.69
Prior EPS (Rmb)**	-	-	-	-
EPS (Rmb)§	-	1.60	2.78	4.84
Revenue, net (Rmb mn)	1,699.3	2,785.7	4,771.2	7,537.9
EBITDA (Rmb mn)	340.6	812.7	1,205.9	1,941.0
ModelWare net inc (Rmb mn)	278.2	641.6	966.6	1,492.0
P/sales	-	75.8	44.3	28.0
P/E	-	311.4	217.6	141.0
P/BV	-	23.3	21.4	19.1
RNOA (%)	57.1	58.2	79.0	112.1
ROE (%)	21.7	24.6	10.7	15.2
EV/EBITDA	-	249.2	167.4	103.5
Div yld (%)	-	0.1	0.1	0.1
FCF yld ratio (%)**	-	0.3	0.4	0.6

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
§ = Consensus data is provided by Refinitiv Estimates
** = Based on consensus methodology
e = Morgan Stanley Research estimates

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Exhibit 1: An expanding product lineup targets different use cases - full-size humanoid H2-X, robotics arm Z1, and explosion-proof quadruped B2-Ex



Source: Morgan Stanley Research

Exhibit 2: Broadening applications across industrials, commercial services, leveraging its global ecosystem strategy.



Source: Morgan Stanley Research

Valuation Methodology and Risks

Yushu Technology Co., Ltd. (688836.SS)

We use a discounted cashflow (DCF) methodology to value the company, assuming 9.3% WACC and 5% terminal growth. Our PT implies 42x P/S in 2027.

Risks to Upside

- Launch a competitive general-purpose robot foundation model
- Repeatable application deployment
- Larger share of customer economics

Risks to Downside

- Hardware competition
- Lagging intelligence performance
- Geopolitical risk