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Unitree Robotics - A

3Q26 review: Broad-based scaling and ecosystem engagement drive robust revenue growth of 70% Y/Y

Overweight

688836.SS, 688836 CH
Price (28 Oct 26):Rmb695.90
Price Target (Dec-27):Rmb995.00

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Unitree's 3Q26 results highlight a company in the midst of rapid scaling, with volume growth now broad-based across two-legged and four-legged platforms, and both small-sized and big-sized robots. Management delivered strong shipment growth, with the G1 humanoid now the world's best-selling model and four-legged lines maintaining global leadership. Revenue rose c.70% Y/Y in 3Q26, with YTD sales up c.60%, to Rmb1.8B, supported by a richer product portfolio. The company's ecosystem flywheel is picking up speed, as seen in developer engagement and scenario diversity, but this scaling up is not without cost: Margin headwinds remain as R&D spend rises sharply and BOM inflation persists. We believe the market's focus is squarely on the volume shipment S-curve over the coming one to three years, with most investors looking for evidence of sustained scale before the "ChatGPT moment" for physical AI truly arrives. In the near term, the debate is less about immediate margin expansion and more about Unitree's ability to capture share, build data and cement its ecosystem lead.

Stock view: Unitree's stock has surged c.55% since October, sharply outperforming CSI300 at -c.6%. Our recent upgrade reflects the strong business momentum and a wave of inbound investor interest, with debates centering on whether the physical AI adoption curve has truly accelerated. Most agree Unitree is among the best-positioned globally, especially as capital markets tighten and regulatory scrutiny rises, though the funding environment could shift quickly. Notably, Unitree stands out as one of the few profitable robotics OEMs, and the fact that it remains profitable despite its current aggressive expansion mode is a key differentiator in the sector. Maintain OW, as we view Unitree among the top picks within the robotics space, alongside scalable component plays with defensible moats, including Leader Drive, Hengli Hydraulic, Sanhua Intelligent and Orbbec.

- **Unitree's installed base is expanding rapidly, with volume growth now broad-based across two-legged and four-legged platforms, and both small-sized and big-sized robots.** Management delivered strong shipment growth in 3Q26, with the G1 humanoid now the world's best-selling model and cumulative shipments in the 10,000-20,000 range. Four-legged platforms also maintained global leadership, with small-sized robots gaining traction in education and research, and big-sized models expanding in industrial and public service. This broadening of volume growth is supported by a growing number of real-world deployments, not just pilots, and is a key driver of the company's data acquisition and feedback loop.
- **The ecosystem flywheel is gaining momentum, with clear proof points in developer and end-user engagement.** The company's recent ecosystem event gathered over 3,000 participants, with forums and exhibitions covering city governance, emergency response, education, entertainment and industrial applications. Management is investing in MM-level prize money for global competitions, which are open to teams and individuals worldwide, with tracks including athletics, fighting, dexterous manipulation and healthcare. These events are not just for show—they are designed to increase scenario diversity,



See page 5 for analyst certification and important disclosures, including non-US analyst disc

generate edge cases and accelerate the feedback loop across simulation, real-world testing and model improvement. The result is a faster cycle of data acquisition and product iteration, making Unitree the default partner for model companies, universities and system integrators seeking real-world touchpoints for data, testing and deployment.

- **Pricing and cost dynamics are front-and-center as Unitree scales**, with BOM inflation and competitive ASP pressure offset only partially by value-added features and ecosystem monetization. Management is working with suppliers to optimize cost structures, but near-term GPM headwinds are likely to persist as Unitree invests in platform scale, data infrastructure and scenario coverage. The company's first-mover advantage in real-world deployment, data acquisition and ecosystem mobilization remains the key to long-term value creation, even as the market transitions from hardware scarcity to platform and data-driven economics.
- **Margin headwinds are a reality of scaling up**, as GPM was squeezed by higher BOM costs, ongoing price competition and a step-up in R&D and ecosystem investment. R&D spend jumped c.250% Y/Y, to c.Rmb130MM in the quarter and c.Rmb260MM YTD, as Unitree doubled down on embodied intelligence, scenario coverage and real-world testing infrastructure. Interestingly, Unitree noted that the increased R&D spend was for physical AI development and computing power expense in addition to product development, echoing the message from the company's recent ecosystem event that Unitree could have turned more constructive on physical AI progress. Management believes the ability to close the loop between simulation and deployment will be the key to long-term differentiation, but near-term margin pressure is likely to persist as the company prioritizes ecosystem buildout over short-term profitability.
- **Op-CF and capex trends are key to watch in light of Unitree's growth ambitions.** YTD Op-CF came in at c.Rmb190MM, down c.55% Y/Y, due to working capital needs and investments in inventory, staff and technology. 9M26 capex of c.Rmb100MM, though tripling Y/Y, can still be self-funded during the same period, with spending focused on expanding production capacity, upgrading R&D infrastructure and technology investments to support aggressive scaling and ecosystem buildout.

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Table 1: Unitree 3Q26 financial review

RMB MMs PRC GAAP	9M26	9M25	Y/Y%	FY26E JPMe	Achieved %	3Q26	3Q25	Y/Y%	Implied 4Q26E
Total operating revenue (all operating revenue)	1,817	1,167	56%	2,819	64%	665	391	70%	1,002
Total operating costs	1,434	1,019	41%	2,057	70%	560	248	126%	623
Cost of sales	836	470	78%	1,200	70%	329	161	105%	364
Taxes and surcharges	6	4	50%	11	55%	2	1	33%	5
Selling expenses	230	76	203%	338	68%	66	29	126%	108
Administrative expenses	74	381	-81%	169	44%	32	17	88%	95
R&D expenses	263	90	192%	338	78%	127	36	252%	75
Financial expenses	25	(2)	-1350%	n.m	n.m	4	3	18%	n.m
– of which: interest expense	2	1	100%	n.m	n.m	1	1	0%	n.m
– of which: interest income	28	18	56%	n.m	n.m	10	9	12%	n.m
Add: Other income	29	23	26%	64	46%	3	9	-65%	35
Investment income	15	15	0%	n.m	n.m	4	8	-43%	n.m
– of which: from associates and JVs	(2)	0	n.m	n.m	n.m	(1)	0	n.m	n.m
Fair value change gains	1	0	n.m	n.m	n.m	1	(0)	-433%	n.m
Credit impairment losses	(5)	(3)	67%	n.m	n.m	(1)	0	-700%	n.m
Asset impairment losses	(8)	(13)	-38%	n.m	n.m	(0)	(5)	-92%	n.m
Operating profit	415	169	146%	816	51%	113	154	-27%	401
Add: Non-operating income	1	1	0%	n.m	n.m	1	1	14%	n.m
Less: Non-operating expenses	3	0	n.m	n.m	n.m	2	(0)	-950%	n.m
Total profit	413	170	143%	816	51%	112	155	-28%	403
Less: Income tax expense	26	66	-61%	200	13%	(1)	19	-106%	174
Net profit (all from continuing operations, all attributable to parent)	387	104	272%	616	63%	113	136	-17%	229

Source: Company data, J.P. Morgan estimates.

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Investment Thesis, Valuation and Risks

Unitree Robotics - A *(Overweight; Price Target: Rmb995.00)*

Investment Thesis

We believe the sector's multi-year potential has strengthened, as the physical-AI S-curve is likely being pulled forward by rapid advances in large-model planning AI such as Astra and other LLMs. These breakthroughs are shifting the industry bottleneck from "brain" to real-world deployment, making platform positioning and installed base more valuable. For Unitree, the combination of management's sharply accelerated commercialization timeline and extended regulatory scarcity premium—driven by delays and higher hurdles for new IPOs—creates a rare window for value capture. While competition is intensifying and the market is moving beyond simple hardware scarcity, we expect investors to focus on repeat enterprise demand, margin durability and the ability to monetize ecosystem leadership. In our view, Unitree's next phase will be defined less by volume growth and more by the quality and sustainability of its earnings, platform and data-driven ecosystem.

Valuation

Our Dec-27 PT of Rmb995 is based on a 30x FY28E P/S, benchmarking against the highest-quality global comps, and reflects our view that the physical-AI S-curve for sales is likely being pulled forward as adoption accelerates. The risk/reward now skews to the upside, with the scarcity premium extended by regulatory delays. The market is poised to focus on the pace and sustainability of sales ramp, the conversion of pilots to repeat enterprise demand, and Unitree's ability to capture value as the sector transitions from early hardware leadership to scaled deployment.

Risks to Rating and Price Target

Downside risks include: (1) slower-than-expected enterprise adoption or delays in converting pilots to repeat orders, which could undermine the platform's ability to scale; (2) intensified competition or margin pressure as new entrants accelerate commercialization, eroding Unitree's pricing power and scarcity premium; and (3) renewed regulatory tightening or geopolitical setbacks, which could limit international expansion and reduce the addressable market.