HESAI

Giving Physical AI Its Eyes

China built the LiDAR leader.
Can investors trust the evidence?

NASDAQ: HSAI | WATCHLIST | 3-5 YEAR HORIZON

BEYOND THE OBVIOUS

INVESTMENT SNAPSHOT

The opportunity is visible.
The proof is not complete.

REFERENCE PRICE	MITUXA FAIR VALUE	BUY BELOW
$19.10	**$21.00**	**$15.75**
21 AUGUST 2026	BASE-WEIGHTED	25% DISCOUNT

BUSINESS GRADE	RISK	DECISION
C / 84	**HIGH**	**WATCHLIST**
PROVISIONAL	CHINA + EXECUTION	NOT A BUY

> *Passing the screen earned Hesai our attention - not our trust.*

Hesai has scale, proprietary engineering and direct exposure to autonomous vehicles and robotics. What it has not yet demonstrated is durable free cash flow, recurring operating profitability and a price that compensates investors for the geopolitical risk.

01 / WHY THIS COMPANY MATTERS

Machines need perception.

Hesai wants to become their eyes.

LiDAR emits light pulses and measures their return to build a precise three-dimensional map. It allows vehicles and robots to understand distance, movement and shape - tasks that intelligence cannot perform from software alone.

> *If America builds the intelligence and China builds the machines, who owns the eyes?*

MITUXA VIEW / Hesai does not require China to win every layer of artificial intelligence. It needs China to remain a major production centre for intelligent machines.

Two engines.
Different economics.

AUTOMOTIVE ADAS

Scale engine

High-volume sensors designed into passenger vehicles. Long qualification cycles create switching friction, but automakers retain pricing power and may dual-source.

ROBOTICS

Growth engine

Robotaxis, delivery vehicles, industrial machines, lawnmowers and humanoids. Smaller today, but Q2 2026 shipments grew 193% year over year.

> *Today Hesai sells sensors - not recurring software.*

SGI, Kosmo and actuation modules are optionality. They receive minimal value in the base case until commercial evidence replaces management ambition.

03 / THE CENTRAL TENSION

More sensors.
Less revenue per sensor.

SHIPMENTS

1.62m

2025 / 7.3x

222k

2023

APPROX. REVENUE PER UNIT

~$1,100

2023

~$260

2025 / -76%

CAN COSTS FALL FASTER THAN PRICES?

The decline is not a like-for-like price comparison: the mix shifted sharply toward lower-priced ADAS products. The economic question nevertheless remains.

> *Scale creates value only when unit economics survive it.*

Scale is the advantage - until price falls faster.

01

MORE VOLUME

02

LOWER UNIT COST

03

COMPETITIVE PRICE

04

MORE DESIGN WINS

> *More shipments are not the KPI. Margin resilience and cash conversion are.*

The strongest evidence so far is gross margin: 35.2% in 2023, 42.6% in 2024 and 41.8% in 2025. Q2 2026 fell to 40.1%, placing the cost curve under observation.

An emerging industrial moat. Not yet a wide one.

SCALE

1.62m units shipped in 2025.

IN-HOUSE ASIC

Control over cost and performance.

QUALIFICATION

Automotive validation creates friction.

MANUFACTURING

Integrated production and capacity.

KNOW-HOW

Granted patents plus pending applications.

DESIGN WINS

40+ brands and 160+ vehicle models claimed.

> *The moat will be proven by margin resilience - not shipment leadership.*

Leadership depends on how the market is measured.

2025	HESAI	ROBOSENSE	OUSTER
Revenue	US$433m	RMB1.94bn	US$169m
Units	1.62m	912k	25k
Gross margin	41.8%	26.5%	49%*
Net income	Positive	Negative	Negative

* Ouster includes royalty revenue and serves a different product mix; it is not a direct unit-economics comparison.

> *RoboSense is credible. Hesai cannot be valued as if competition has already been defeated.*

Acceptable credibility. Material reservations.

AUDIT	Deloitte Shanghai; unqualified 2025 opinion.
CONTROLS	2024 material weakness reported remediated by end-2025.
STRUCTURE	Cayman parent with direct operating ownership; not a standard VIE.
CONTROL	Founders held 67.6% voting power in March 2026.

> *Transparency is sufficient to investigate - not sufficient to remove the China discount.*

Revenue is scaling.
Cash generation is not.

RMB MILLIONS	2023	2024	2025
Revenue	1,877	2,077	3,028
Gross margin	35.2%	42.6%	41.8%
Operating income	-572	-205	169
Net income	-476	-102	436
Operating cash flow	57	64	117
Approx. FCF	-349	-207	-225

> *Hesai reached accounting profitability before fully recurring operating profitability.*

RMB 436m of net income.
A much smaller core engine.

REPORTED NET INCOME	OPERATING INCOME	APPROX. FCF
RMB 436m	**RMB 169m**	**-RMB 225m**
FY 2025	FY 2025	FY 2025

Other operating income	**RMB 181m**
Interest income	**RMB 130m**
Other income, net	**RMB 185m**

MITUXA normalized observation

Removing other operating income alone would leave 2025 core operating profit slightly negative. Government grants, arbitration compensation and IP transfers must not be capitalised as recurring earnings.

Financial strength buys time.
It does not prove returns.

CASH RESERVE	TOTAL LIABILITIES	H1 OPERATING CASH
RMB 7.05bn	**RMB 2.05bn**	**-RMB 103m**
30 JUNE 2026	30 JUNE 2026	2026

> *Hesai does not have a balance-sheet problem. It has a cash-conversion question.*

The reserve provides room to fund capacity and R&D. It was reinforced by external equity financing, however, and should not be confused with internally generated free cash flow.

Three futures.
One disciplined price.

BEAR	BASE	BULL
$8	**$19-20**	**$37-38**
$0.8bn revenue	$1.2bn revenue	$1.7bn revenue
5% op. margin	13% op. margin	18% op. margin
Present-value estimate	Present-value estimate	Present-value estimate

> *MITUXA Fair Value: $21. Long-term BUY threshold: $15.75.*

The model uses 2030 revenue, recurring operating margins, terminal EV/revenue multiples, net cash, future dilution and scenario-specific discount rates. SGI receives limited value in Base and no standalone premium in Bear.

The risk is not one thing.

PRICE WAR	**HIGH**	Gross margin <35%
US-CHINA	**VERY HIGH**	Broader sanctions / access limits
CUSTOMERS	**HIGH**	Top five >65% of revenue
CASH	**HIGH**	FCF negative beyond 2027
PRODUCT	**VERY HIGH**	Recall or material defect
SGI	**MEDIUM**	Capital consumed without scale

The August 2026 US appellate ruling gave Hesai another opportunity to challenge the DoD designation on due-process grounds. It reduced legal asymmetry; it did not erase geopolitical risk.

Evidence changes the decision.

01 Gross margin below 35% for two consecutive quarters.

02 Revenue growth below 15% without a temporary explanation.

03 Materially negative FCF after 2027.

04 Significant loss of design wins to RoboSense.

05 Top-five customer concentration above 65%.

06 SGI consumes >20% of cash reserve without commercial scale.

07 New sanctions restrict customers, suppliers or investors.

08 Accounting issue, auditor change or material control weakness.

Eight signals.
No narrative excuses.

01 **GROSS MARGIN**

38-42% desired

02 **CORE OP. MARGIN**

Positive ex-grants

03 **FREE CASH FLOW**

Positive over 4 quarters

04 **ROBOTICS MIX**

Growth with margin

05 **REVENUE / UNIT**

Cost-down vs price-down

06 **CUSTOMER MIX**

Continued diversification

07 **SGI SPEND**

Milestones before capital

08 **1260H STATUS**

Legal and commercial effect

WATCHLIST

The opportunity is real. The margin of safety is not.

FAIR VALUE	REFERENCE	BUY BELOW
$21.00	**$19.10**	**$15.75**
MITUXA BASE	21 AUG 2026	25% DISCOUNT

WHY NOT BUY?

Free cash flow is negative. Core operating profitability is not fully proven. The current price does not compensate sufficiently for execution and China risk.

> *China may become the factory of Physical AI. Hesai may provide its eyes. Technological relevance is not yet durable shareholder value.*

Independent research.
Explicit uncertainty.

01 Hesai Group, 2025 Form 20-F, filed with the US SEC.

02 Hesai Group, Q2 2026 unaudited financial results, 18 August 2026.

03 RoboSense, FY2025 official results.

04 Ouster, FY2025 official results.

05 US Court of Appeals reporting on Hesai Section 1260H proceedings, 18 August 2026.

06 StockAnalysis / S&P Global market data, close of 21 August 2026.

VALUATION METHODOLOGY

MITUXA scenario analysis based on 2030 revenue, recurring operating margin, EV/revenue terminal multiples, net cash, dilution and risk-adjusted discount rates. Fair Value is an estimate, not a price target or guarantee.

DISCLAIMER

MITUXA *Beyond the obvious.*