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Asian Autos and China Semiconductors

China Autonomous Driving: 2026 Tour Takeaways – Advancing Autonomously



Eunice Lee, CFA
+852 2123 2606
eunice.lee@bernsteinsg.com



Qingyuan Lin, Ph.D.
+852 2123 2654
qingyuan.lin@bernsteinsg.com

We hosted our 3rd China Autonomous Driving Tour last month in Beijing, China. We took L2++ test rides in XPeng, Xiaomi, and Momenta-supported cars, and L4 Pony.ai and WeRide robotaxis. We also met with Horizon Robotics, Black Sesame, Qianli, Hesai (covered by Dien Wang), and RoboSense. This note summarizes our takeaways from test rides and meetings.

L2++ capability continues to advance meaningfully across the field. We remain impressed by XPeng's VLA 2.0, which delivers confident, natural, human-like driving, while Momenta has shown a clear step-up vs. its prior generation and Xiaomi has also demonstrated improving confidence. The broader adoption of world models for simulation and scenario generation is accelerating capability scaling, lowering development costs, and supporting progress toward higher levels of autonomy. Several L2++ players, including Horizon, are now positioning to advance to—or selectively leapfrog toward—L4 in the near future, with XPeng planning L4 robotaxi pilots in 2026 2H.

Competition is intensifying for L2++ Urban NOA software and chips. On software, Momenta is still dominant in terms of market adoption, but Horizon is delivering HSD total solution with their L2++ algorithm being adopted by increasingly more OEMs including, Chery, VW, Changan etc. Qianli also have their smart driving algorithm delivered to Geely/ Zeekr. Weride has also been collaborating with OEMs such as GAC to sell their scaled-down L4 algorithm as L2++.

Counting on hardware-software integration as the moat. On the chip side, Horizon is still the only credible competitor to Nvidia for 500+ TOPS chips in 2026 and is getting design wins from Chery, VW, BYD etc, but Momenta supported a ADAS chip startup called Xheart which has been deployed on the latest model from VW (ID ERA 9X). Black Sesame's L2++ chip could start to get more commercial momentum with design win with one OEM already achieved. Qianli decided to support Axera who is developing their own L2++ chips. Meanwhile, OEMs are increasingly bringing chip development in-house: XPeng has shipped 200k+ Turing chips and targets 1m units in 2026 (including for VW), NIO's Shenji is deployed on ET9, ES6, and EC6 and open to external licensing, Li Auto's M100 launches with the L9 Livis flagship—raising the competitive bar for all third-party chip vendors. Competition is adding some pressure on all players in the field, but we think Horizon is still differentiated with the newly released Cockpit-Driving Integrated SoC Starry that can run both AI agentic cockpit OS and L2++ smart driving algorithm, and cut cost for the customer through product innovation rather than compete in pricing.

L4 Robotaxis are now less constrained by autonomy breakthroughs and increasingly determined by cost reduction, operational scale, utilization density, and regulatory trust. Pony.ai is targeting < RMB 230k per vehicle by 2027, driven by fleet scale, component deflation (notably LiDAR), domestic substitution, and manufacturing optimization; and WeRide sees a path to c.RMB 150k BOM within five years. Robotaxi economics are converging toward manufacturing and operations optimization—especially utilization density (trips/day). China has largely proven technical viability, but international markets—with higher ARPU, faster breakeven, and asset-light *(… continue on page 2)*

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partnerships—are expected to drive profits. The biggest remaining uncertainty is regulation, not technology. Governments are not arbiters of autonomy architectures; they prioritize safety track record, operational reliability, and public trust. Industry-wide setbacks can quickly trigger regulatory backlash, as illustrated by the recent Baidu Apollo Go incident that halted license issuance.

Eunice Lee, CFA +852 2123 2606 eunice.lee@bernsteinsg.com 8 May 2026

BERNSTEIN TICKER TABLE

			7 May 2026		TTM		Reported EPS			Reported P/E (x)		
Ticker	Rating	Cur	Closing Price	Price Target	Rel. Perf.	Cur	2025A	2026E	2027E	2025A	2026E	2027E
1211.HK (BYD)	O	HKD	100.70	136.00	(66.8)%	CNY	3.58	4.90	6.90	24.5	17.9	12.7
002594.CH (BYD)	O	CNY	100.46	124.00	(61.4)%	CNY	3.58	4.90	6.90	28.1	20.5	14.6
175.HK (Geely)	O	HKD	22.70	25.00	(10.1)%	CNY	1.67	1.82	2.26	0.6	0.5	0.5
2333.HK (Great Wall-H)	M	HKD	12.25	13.00	(41.2)%	CNY	1.16	1.21	1.40	0.6	0.5	0.5
2238.HK (GAC)	M	HKD	2.78	3.00	(46.1)%	CNY	(0.85)	(0.13)	(0.01)	(2.9)	(18.6)	(379.8)
LI (Li Auto)	M	USD	17.72	19.00	(64.0)%	CNY	1.13	(2.33)	6.40	106.7	(51.8)	18.9
2015.HK (Li Auto)	M	HKD	69.95	74.00	(76.0)%	CNY	0.57	(1.17)	3.20	107.6	(52.1)	19.0
9866.HK (NIO)	M	HKD	47.24	43.00	12.9%	CNY	(6.85)	(2.79)	(1.90)	(6.0)	(14.7)	(21.6)
NIO (NIO)	M	USD	5.90	5.50	22.3%	CNY	(6.85)	(2.79)	(1.90)	(5.9)	(14.4)	(21.2)
600104.CH (SAIC)	M	CNY	13.59	15.00	(62.8)%	CNY	0.89	0.97	1.05	15.4	13.9	12.9
1810.HK (Xiaomi)	O	HKD	31.12	43.00	(69.2)%	CNY	1.62	1.05	1.75	1.2	1.1	0.9
9868.HK (XPeng)	M	HKD	62.25	86.00	(62.1)%	CNY	(0.60)	(1.50)	0.30	(90.4)	(36.1)	181.9
XPEV (XPeng)	M	USD	15.93	22.00	(48.3)%	CNY	(1.20)	(2.99)	0.60	(90.7)	(36.2)	182.4
9660.HK (Horizon Robotics)	O	HKD	7.24	15.00	(45.9)%	RMB						
2533.HK (Black Sesame)	U	HKD	18.36	16.00	(50.9)%	RMB						
ASIAX			1,945.40									
SPX			7,365.12									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

175.HK, 2333.HK, 1810.HK, 9660.HK, 2533.HK valuation is EV/Sales (x); 9660.HK, 2533.HK base year is 1999;

Source: Bloomberg, Bernstein estimates and analysis.

INVESTMENT IMPLICATIONS

Chinese Autos: For our EV names, we rate BYD and Xiaomi Outperform, and XPeng, Li Auto, and NIO Market-Perform. Within our traditional Chinese OEMs coverage, we rate Geely Outperform and Great Wall, GAC, and SAIC Market-Perform.

China Semiconductors: We rate Horizon Robotics Outperform and Black Sesame Underperform.

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