2 Sep 2026

CMB International Global Markets | Equity Research | Company Update

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Z.AI (2513 HK)

Scaling intelligence, scaling monetization

Following Z.ai's results release on 31 Aug (see our results review note here), our positive view was reinforced by the company's solid ARR growth trajectory, strong growth outlook, and incremental disclosures on user scale and engagement. We believe Z.ai has struck an effective balance among model iteration cadence, intelligence, and cost per task, demonstrating a strong ability to remain on the Pareto frontier of the large language model industry. This should provide substantial headroom for long-term monetization. Supported by strong customer adoption of Z.ai's foundation models and improvements in infrastructure capabilities that should drive further efficiency gains, we raise our 2025-28E revenue CAGR forecast to 275% from 199% previously and forecast total revenue of RMB38.1bn in 2028E. We raise our target price to HK$1,985.0, based on 28x 2028E P/S discounted back to 2026E (previously HK$1,503.9, based on 40x 2028E P/S). Maintain BUY.

- **A consistent model iteration track record lays a solid foundation for future monetization.** Z.ai's GLM 5 series iteration path can be viewed as a progression from coding capabilities to long-horizon task execution, deeper post-training, and ultimately a dual focus on frontier intelligence and cost efficiency. In our view, model iteration cadence, intelligence, and cost per task are equally important for a model developer seeking to maintain its position on the industry's Pareto frontier. We believe Z.ai can sustain its industry leadership, underpinned by its deep research capabilities.
- **Strong model capabilities, deeper user engagement, and infra enhancements support monetization.** Six GLM iterations in eleven months raised Z.ai's intelligence index from 32 to 60, based on Artificial Analysis data, with GLM-5.3 and GLM-5.3-Flash anchoring the high-value and cost-efficiency frontiers, respectively. Stronger capabilities translated directly into higher usage: registered users on the MaaS platform increased 144% to 7.4mn, paid DAUs rose 603%, and token invocation volume grew more than 40x YTD. These gains were accompanied by a c.101% increase in average API pricing, confirming that growth was capability-driven rather than price-driven. Z.ai's Open Platform and API ARR reached US$1.6bn as of August 2026, up from US$1.0bn in early July, driven by robust demand following improvements in model intelligence. Management guided for ARR to reach US$2.4bn by year-end. Meanwhile, the deployment of domestic chip clusters comprising 100,000 cards and the rebuilding of the inference stack reduced per-token costs by c.80% YTD, lifting the compute multiplier by 14x YoY and the Open Platform gross margin to 24.6% in 1H26.
- **Maintain BUY with TP lifted to HK$1985.0.** Our target price is based on 28x 2028E P/S, discounted back to 2026E at a 15% WACC. We believe this valuation is justified by our forecast 2025–28E revenue CAGR of 275%, supported by rapidly increasing token usage and continued improvements in model intelligence. **Catalysts include:** 1) the launch of next-generation frontier models; and 2) better-than-expected ARR growth.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	312	724	6,095	20,611	38,089
YoY growth (%)	150.9	131.9	741.4	238.2	84.8
Operating profit (RMB mn)	(2,538.4)	(3,786.8)	(3,841.0)	(1,294.9)	3,557.3
Net profit (RMB mn)	(2,956.5)	(4,698.2)	(3,751.4)	(1,213.6)	3,625.2
EPS (Adjusted) (RMB cents)	(1,542.18)	(1,990.28)	(736.10)	(176.55)	865.56
P/S (x)	1,507.6	650.2	77.3	22.9	12.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$1985.00**
(Previous TP	HK$1503.90)
Up/Downside	**68.4%**
Current Price	**HK$1179.00**

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Stock Data

Mkt Cap (HK$ mn)	549,414.0
Avg 3 mths t/o (HK$ mn)	7,343.3
52w High/Low (HK$)	2410.00/8.00
Total Issued Shares (mn)	466.0

Source: FactSet

Shareholding Structure

Lhasa Junqi Enterprise Management	11.2%
Suzhou Junlian Xiangdao Equity Investmen	7.7%

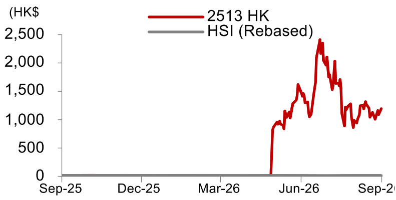
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	19.4%	22.0%
3-mth	-19.6%	-19.4%
6-mth	11,608.0%	12,209.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

Key business updates

A consistent model iteration track record lays a solid foundation for future monetization

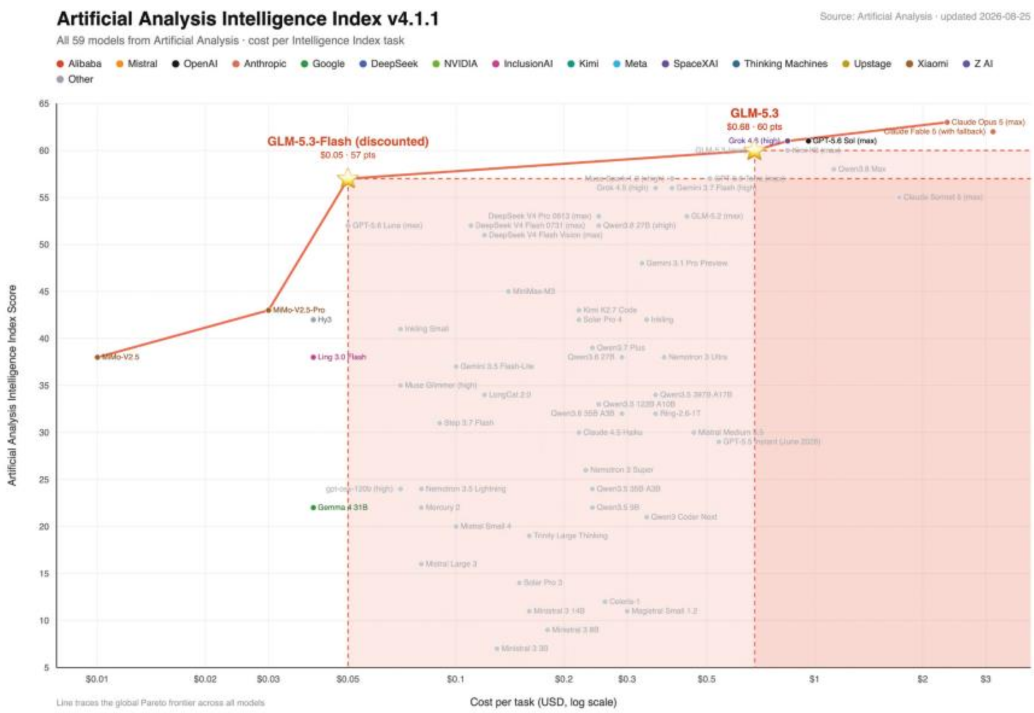
In 1H26, Z.ai's technology roadmap comprised three generations of models: 1) GLM-5; 2) GLM-5.2 and GLM-5.3; and 3) GLM-5.3-Flash. The company's model iteration path can be viewed as a progression from coding capabilities to long-horizon task execution, deeper post-training, and ultimately a dual focus on frontier intelligence and cost efficiency.

Z.ai chose coding as its initial breakthrough area because software engineering provides highly verifiable feedback, with clearly defined task objectives and observable execution outcomes. GLM-5 therefore expanded beyond code generation to encompass system understanding, task planning, tool invocation, continuous debugging, and engineering delivery, marking a shift from "vibe coding" towards agentic engineering. More importantly, the long-horizon capabilities developed through coding began to transfer to higher-value domains such as cybersecurity, data analytics, and complex automation. Coding itself also became Z.ai's largest source of revenue during 1H26.

With GLM-5.2 and GLM-5.3, Z.ai shifted its focus from simply scaling up to scaling deep. The company believes model capabilities depend not only on parameter count but also on training depth, task environments, data quality, and the allocation of computing resources across pre-training, mid-training, and post-training.

GLM-5.3 provided particularly clear validation of this thesis. It shares the same architecture, total parameter count, and active parameter count as GLM-5.2, with the principal difference being a substantial expansion in post-training, long-horizon task environments, and reinforcement learning. In Z.ai's real-world coding evaluation, end-to-end task completion improved by more than 50% compared with GLM-5.2. This demonstrates that post-training continues to offer substantial headroom for further intelligence gains, even without increasing the size of the base model.

Figure 1: Double Pareto created by GLM-5.3 and GLM-5.3-Flash



Source: Company data, Artificial Analysis, CMBIGM

GLM-5.3-Flash extended the company's iteration path from the intelligence frontier to the cost-efficiency frontier. While GLM-5.3 targets complex, long-horizon tasks requiring the highest level of capability, GLM-5.3-Flash is designed for high-frequency, high-volume, and cost-sensitive workloads. Its new 320B-parameter architecture, with only 18B active parameters and a hybrid sparse and linear attention design, materially reduces serving costs while maintaining strong long-context capabilities.

The model reportedly outperformed GLM-5.2 in both benchmarks and real-world applications while being offered at one-tenth of the price. Early adoption was also strong: its anonymous Ox-Alpha deployment ranked first on OpenRouter on its launch day, and processed more than 62tn tokens within six days, driving more than 20% growth in overall platform traffic.

Taken together, Z.ai's iteration path has evolved from unlocking verifiable long-horizon intelligence to deepening task-execution capabilities through post-training and, most recently, extending strong intelligence to lower-cost deployment scenarios.

Strong ARR growth driven by model iteration and deeper user engagement

Management highlighted strong ARR momentum on the latest earnings call. Z.ai's Open Platform and API ARR, calculated by annualizing monthly revenue, reached US$1.6bn as of August 2026, up from US$250mn at end-March and US$1.0bn in early July. This growth was driven by robust demand following improvements in model intelligence.

Importantly, this growth did not come at the expense of pricing. As of 31 August, token invocation volume on the MaaS platform had increased by more than 40x from the beginning of 2026, while API ASP had risen by c.101%. Management guided for ARR to reach US$2.4bn by year-end.

As of 31 August, Z.ai's MaaS platform had 7.4mn registered users, representing an increase of 144% from the beginning of 2026, while paid DAUs had risen by 603%. Among the company's ten largest customers by revenue, average daily invocation volume increased 98x over the same period.

The number of customers contributing more than US$100k/US$500k/US$1mn/US$10mn/ US$25mn/US$250mn in ARR stood at 115/25/37/8/2/2, respectively, representing increases of 94/20/35/7/2/2 from the beginning of the year.

In our view, these metrics demonstrate strong user growth and deepening engagement among high-value paying customers. They also suggest that model adoption is increasingly transitioning from experimentation to production deployment within customer organizations.

Strong infrastructure capabilities drive efficiency gains

During 1H26, Z.ai's compute multiplier—defined as Open Platform and API revenue generated per RMB1 invested in computing resources across both training and inference—increased 14x YoY. This improvement was driven by: 1) higher intelligence per token; and 2) lower token consumption and cost per task.

The rising amount of revenue generated per RMB1 of computing investment points to increasingly self-sustaining model economics and should support further margin expansion, in our view.

Figure 2: Z.ai: computing investment is beginning to yield returns

Source: Company data, CMBIGM

Business forecasts update and valuation

Given stronger-than-expected ARR growth, supported by continued model iteration and robust demand, we raise our 2025–28E revenue CAGR forecast to 275% from 199% previously. This is primarily driven by our forecast CAGR of 483% for Open Platform and API revenue.

We estimate that the Open Platform and API segment's contribution to total revenue will increase from 95.3% in 2026E to 99.0% in 2028E. Given the strong revenue growth, which should unlock greater operating leverage than we previously expected, we narrow our adjusted net loss forecasts for 2026E and 2027E by 16% and 80%, respectively.

Figure 3: Z.ai: forecast revision

	Current			Previous			Change (%)		
RMB mn	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	6,095	20,611	38,089	3,079	8,372	19,326	98%	146%	97%
Gross profit	1,678	6,198	13,331	1,076	2,997	7,560	56%	107%	76%
Operating profit	(3,841)	(1,295)	3,557	(4,848)	(4,935)	(3,022)	-21%	-74%	-218%
Net profit	(3,751)	(1,214)	3,625	(4,802)	(4,883)	(2,969)	-22%	-75%	-222%
Adj. net profit	(3,430)	(823)	4,034	(4,097)	(4,032)	(2,074)	-16%	-80%	-294%
GPM	28%	30%	35%	35%	36%	39%	-7 ppt	-6 ppt	-4 ppt
OPM	-63%	-6%	9%	-157%	-59%	-16%	94 ppt	53 ppt	25 ppt
NPM	-62%	-6%	10%	-156%	-58%	-15%	94 ppt	52 ppt	25 ppt
Adj. NPM	-56%	-4%	11%	-133%	-48%	-11%	77 ppt	44 ppt	21 ppt

Source: CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

	Current			Consensus			Diff (%)		
RMB mn	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	6,095	20,611	38,089	6,041	20,233	38,784	1%	2%	-2%
Gross profit	1,678	6,198	13,331	1,642	6,125	13,396	2%	1%	0%
Operating profit	(3,841)	(1,295)	3,557	(3,810)	(1,336)	3,799	1%	-3%	-6%
Net profit	(3,751)	(1,214)	3,625	(3,706)	(1,261)	3,593	1%	-4%	1%
Adj. net profit	(3,430)	(823)	4,034	(3,262)	(560)	4,468	5%	47%	-10%
GPM	28%	30%	35%	27%	30%	35%	0 ppt	0 ppt	0 ppt
OPM	-63%	-6%	9%	-63%	-7%	10%	0 ppt	0 ppt	0 ppt
NPM	-62%	-6%	10%	-61%	-6%	9%	0 ppt	0 ppt	0 ppt
Adj. NPM	-56%	-4%	11%	-54%	-3%	12%	-2 ppt	-1 ppt	-1 ppt

Source: Visible Alpha, CMBIGM estimates

Valuation

Our TP is based on 28.0x 2028E P/S, discounted to 2026E at a 15% WACC, which is justified in our view, by a 275% revenue CAGR over 2025-2028E on rapidly rising token usage, vs. peers' average CAGR of 89% during the same period.

Figure 5: Z.ai: target valuation

(RMBmn)	2026E
2028E Revenue	38,089
Target 2028E P/S	28.0x
Equity value (2028E)	1,066,493
Equity value (2026E; discount back at 15% WACC)	806,422
No. of shares outstanding (diluted; mn)	466
Target price (RMB)	1,731
Target price (HKD)	**1,985.0**

Source: Company data, CMBIGM estimates
Note: our HKD:RMB exchange rate assumption is 1:1.15

Figure 6: Global AI peers: valuation comparison

Company	Ticker	Price	Market cap	PS (x)			Revenue CAGR
		(Local)	(US$mn)	2026E	2027E	2028E	25-28E
MiniMax	100 HK Equity	358.0	15,931	36.5	12.1	5.6	241%
Xunce	3317 HK Equity	128.3	5,400	15.7	9.6	6.3	69%
Haizhi	2706 HK Equity	53.1	2,735	20.9	14.6	10.6	44%
Mininglamp	2718 HK Equity	45.2	882	3.3	2.4	1.8	32%
Plantir	PLTR US Equity	186.4	447,676	54.9	36.5	25.6	58%
Average				***26.2***	***15.1***	***10.0***	***89%***

Source: Bloomberg, CMBIGM
Note: data as of 31 Aug 2026

Risks

Fierce competition in the LLM industry; failure to attract and retain key talents may affect R&D and operation; slower-than-expected ARR growth.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**125**	**312**	**724**	**6,095**	**20,611**	**38,089**
Cost of goods sold	44	137	428	4,417	14,414	24,758
Others	0	0	0	0	0	0
Gross profit	**80**	**176**	**297**	**1,678**	**6,198**	**13,331**
Operating expenses	**(696)**	**(2,717)**	**(4,077)**	**(5,549)**	**(7,601)**	**(10,091)**
Selling expense	(101)	(387)	(391)	(430)	(473)	(511)
SG&A expense	(66)	(134)	(505)	(253)	(316)	(383)
R&D expense	(529)	(2,195)	(3,180)	(4,866)	(6,813)	(9,197)
Others	10	(2)	7	(29)	(109)	(317)
Operating profit	**(626)**	**(2,538)**	**(3,787)**	**(3,841)**	**(1,295)**	**3,557**
Interest income	11	13	15	83	140	346
Interest expense	(26)	(38)	(74)	(101)	(112)	(125)
Others	(147)	(395)	(872)	108	51	(155)
Pre-tax profit	**(788)**	**(2,958)**	**(4,718)**	**(3,751)**	**(1,216)**	**3,623**
Income tax	0	0	0	2	0	0
After tax profit	**(788)**	**(2,958)**	**(4,718)**	**(3,753)**	**(1,216)**	**3,623**
Minority interest	0	(2)	(20)	(2)	(2)	(2)
Net profit	**(788)**	**(2,956)**	**(4,698)**	**(3,751)**	**(1,214)**	**3,625**
Adjusted net profit	**(621)**	**(2,466)**	**(3,182)**	**(3,430)**	**(823)**	**4,034**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**1,863**	**3,016**	**3,571**	**4,197**	**9,771**	**20,225**
Cash & equivalents	1,249	2,268	2,255	3,779	9,339	19,760
Restricted cash	0	1	4	4	4	4
Account receivables	416	667	699	302	272	258
Inventories	29	32	126	61	55	52
ST bank deposits	0	0	109	0	0	0
Financial assets at FVTPL	159	43	377	50	100	150
Other current assets	0	0	0	0	0	0
Contract assets	10	5	2	1	1	1
Non-current assets	**997**	**1,360**	**1,282**	**2,860**	**3,274**	**3,719**
PP&E	788	866	656	1,867	2,016	2,190
Investment in JVs & assos	13	201	338	523	708	893
Intangibles	55	50	51	344	434	523
Goodwill	39	39	39	39	39	39
Other non-current assets	102	203	198	86	77	73
Total assets	**2,860**	**4,376**	**4,854**	**7,057**	**13,046**	**23,944**
Current liabilities	**3,609**	**7,838**	**12,406**	**2,969**	**5,620**	**8,311**
Short-term borrowings	0	269	605	0	0	0
Account payables	288	603	1,329	2,646	5,260	7,910
Other current liabilities	3,180	6,677	10,073	0	44	88
Lease liabilities	67	213	251	251	251	251
Contract liabilities	74	75	149	72	65	62
Non-current liabilities	**234**	**493**	**559**	**1,556**	**1,761**	**1,979**
Long-term borrowings	0	0	85	85	85	85
Deferred income	30	35	180	78	70	67
Other non-current liabilities	204	458	294	1,394	1,606	1,828
Total liabilities	**3,843**	**8,331**	**12,965**	**4,525**	**7,381**	**10,290**
Share capital	28	36	40	45	45	45
Capital surplus	0	0	0	14,113	18,113	22,113
Retained earnings	(998)	(3,954)	(8,133)	(11,884)	(13,098)	(9,473)
Other reserves	(13)	(39)	0	279	628	994
Total shareholders equity	**(983)**	**(3,957)**	**(8,093)**	**2,552**	**5,687**	**13,679**
Minority interest	0	1	(18)	(20)	(22)	(24)
Total equity and liabilities	**2,860**	**4,376**	**4,854**	**7,057**	**13,046**	**23,944**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(788)**	**(2,958)**	**(4,718)**	**(3,751)**	**(1,216)**	**3,623**
Depreciation & amortization	69	280	281	863	945	1,039
Tax paid	0	0	0	(2)	0	0
Change in working capital	(96)	(0)	704	1,659	2,613	2,635
Others	167	433	1,487	243	301	329
Net cash from operations	**(648)**	**(2,245)**	**(2,246)**	**(988)**	**2,644**	**7,626**
Investing						
Capital expenditure	(509)	(133)	(23)	(731)	(366)	(402)
Acquisition of subsidiaries/ investments	(110)	(131)	(40)	0	0	0
Others	(166)	215	(312)	486	0	0
Net cash from investing	**(785)**	**(49)**	**(376)**	**(246)**	**(366)**	**(402)**
Financing						
Net borrowings	0	266	1,385	(607)	0	0
Proceeds from share issues	98	0	0	4,000	4,000	4,000
Others	2,365	3,047	1,229	(635)	(717)	(803)
Net cash from financing	**2,463**	**3,312**	**2,614**	**2,757**	**3,283**	**3,197**
Net change in cash						
Cash at the beginning of the year	219	1,249	2,268	2,255	3,779	9,339
Others	0	0	(5)	0	0	0
Cash at the end of the year	**1,249**	**2,268**	**2,255**	**3,779**	**9,339**	**19,760**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	116.9%	150.9%	131.9%	741.4%	238.2%	84.8%
Gross profit	156.6%	118.5%	68.7%	465.7%	269.3%	115.1%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	64.6%	56.3%	41.0%	27.5%	30.1%	35.0%
Operating margin	(502.4%)	(812.5%)	(522.8%)	(63.0%)	(6.3%)	9.3%
Adj. net profit margin	(498.6%)	(789.2%)	(439.3%)	(56.3%)	(4.0%)	10.6%
Return on equity (ROE)	na	na	na	na	(29.5%)	37.4%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	0.5	0.4	0.3	1.4	1.7	2.4
Inventory turnover days	162.1	81.9	67.5	7.7	1.5	0.8

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	ns	ns	ns	ns	ns	129.9
P/E (diluted)	ns	ns	ns	ns	ns	129.9
P/B	53.4	36.9	33.3	66.7	36.1	19.7
P/CFPS	ns	ns	ns	ns	178.2	61.8

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

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