1 Sep 2026

CMB International Global Markets | Equity Research | Company Flash Note

Z.AI (2513 HK)

Capability converting into commercial scale

FLASH

Rating	**BUY**
Target Price	**HK$1503.90**
Up/Downside	**25.8%**
Current Price	**HK$1195.00**

China Software & IT Services

Saiyi HE, CFA
(852) 3916 1739
hesaiyi@cmbi.com.hk

Ye TAO, CFA
(852) 3850 5226
franktao@cmbi.com.hk

Shuyin GUO
(852) 3916 3716
guoshuyin@cmbi.com.hk

Wentao LU, CFA
luwentao@cmbi.com.hk

Z.ai released its 1H26 financial results on 31 Aug, with a strong ARR growth outlook. Total revenue increased 400% YoY to RMB953.9mn (Bloomberg consensus: RMB1.36bn), while adj. net loss came in at RMB1.96bn, better than consensus of a RMB2.75bn loss, with the adj. loss margin narrowing to -206% (1H25: -918%). Although the revenue missed consensus, we view the US$1.6bn ARR disclosed on the earnings call for Aug and management's US$2.4bn year-end target as positive. The incremental disclosures on user scale and engagement depth should also help alleviate market concerns over the sustainability of growth. We believe Z.ai has struck a good balance among model iteration cadence, intelligence, and cost per task, and has demonstrated a strong ability to maintain its position on the Pareto frontier of the large language model industry. This should provide substantial headroom for long-term monetization, in our view. Maintain BUY.

- **Key financials for 1H26 results.** Open Platform and API revenue reached RMB825.2mn, up 2,736% YoY, and accounted for 87% of total revenue (1H25: 15%). The strong growth primarily reflected enhanced model capabilities in high-value task scenarios and continued progress in long-horizon task execution, which drove a significant increase in average daily token usage per user. Overall GPM reached 26.4% in 1H26, while GPM for the Open Platform and API business improved to 24.6% from -0.4% in 1H25. Management sees further room for margin improvement, supported by continued enhancements in infrastructure efficiency.
- **Rapid ARR growth exceeded expectations.** Mgmt. highlighted strong ARR momentum: Z.ai's Open Platform and API ARR, calculated based on annualized monthly revenue, reached US$1.6bn as of Aug 2026, compared with US$250mn in end-Mar and US$1.0bn in early Jul. This was driven by robust demand propelled by model intelligence improvement. Importantly, the growth did not come at the expense of pricing. As of 31 Aug, token invocation volume on the MaaS platform increased by more than 40x from the beginning of 2026, while the API ASP was up by c.101%. Mgmt. guided ARR to reach US$2.4bn by year-end.
- **Solid user scale and engagement depth.** As of 31 Aug, Z.ai's MaaS platform had 7.4mn users, up 144% from the beginning of 2026, while the number of paid DAUs increased by 603%. Among its top ten customers by revenue, average daily invocation volume increased 98x from the beginning of 2026. The number of customers contributing more than US$100k/500k/1mn/10mn/25mn/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 usage among high-value paying customers, and 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 of computing power investment across both training and inference, increased 14x YoY. This was driven by: 1) higher intelligence per token; and 2) lower token consumption and cost per task. The increasing amount of revenue generated per RMB1 of computing power investment points to strengthening self-sustaining economics for the model and should support further margin expansion, in our view.

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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