

XtalPi (2228 HK)

Empowered by AI, unlocking broad commercial prospects

■ AI-powered innovative R&D platform backed by stable revenue growth.

XtalPi leverages its AI-driven innovative R&D platform to deliver stable revenue growth across its two core businesses: (i) drug discovery solutions, providing end-to-end modular solutions for the drug development process, and (ii) intelligent automation solutions, encompassing solid-state R&D services and automated chemical synthesis services. In the drug discovery segment, the company has established strategic collaborations with leading pharmaceutical firms, including Eli Lilly, Johnson & Johnson, CTTT, Zhuhai United Lab, Meta Biopharma, and Signet Therapeutics. Meanwhile, its intelligent automation solutions enhance R&D efficiency by integrating automated synthesis and data analysis, with applications spanning new materials and energy fields. XtalPi's revenue is on a robust growth trajectory, projected to grow from RMB174mn in FY23 to RMB251mn (+44% YoY) in FY24E, and further to RMB434mn (+73% YoY) in FY25E, per our estimates.

■ **Diversified partnerships to unlock cross-industry potential.** XtalPi's extensive network of partnerships underscores its broad application potential and commercial prospects across AI and robotics-enabled industries. Beyond drug discovery, the company collaborates with GCL Group to advance new energy materials, supporting the green transition in the energy sector. It also partners with Guangzhou University of Chinese Medicine to develop intelligent and automated platforms for TCM drug R&D, driving high-quality growth in the TCM industry. Collaborations with Microsoft China focus on innovation in biomedicine and new materials, while a partnership with JW Pharmaceutical leverages AI-enabled robotic labs to enhance R&D efficiency. Additionally, through its joint venture with Indonesia's Sinar Mas Group, XtalPi promotes AI applications across diverse industrial fields. The company has also extended its reach into agriculture, AI infrastructure, and other sectors through collaborations with enterprises and research institutions. These partnerships highlight XtalPi's strong cross-industry capabilities and its potential to create value in emerging markets.

■ **Maintain BUY.** XtalPi's dual revenue streams from drug discovery and intelligent automation are on a stable growth trajectory. The company further strengthened its financial position by completing two fundraising placement in 2025, raising HK\$3.2bn to enhance its cash reserves and fund future growth initiatives. With broad collaborations and cross-industry applications, XtalPi is well-positioned for future commercial success. We derive our target price of HK\$7.57 based on a DCF model (WACC: 9.64%, terminal growth rate: 3.0%).

■ **Risks:** Risks relating to 1) R&D progress of drug candidates in partnerships, 2) sustainability of commercialization, and 3) shareholder sell-off following lock-up expiration.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	133	174	251	434	841
YoY growth (%)	112.3	30.8	44.1	72.6	93.8
Net profit (RMB mn)	(1,439)	(1,906)	(1,491)	(310)	(86)
Adjusted net profit (RMB mn)	(437)	(543)	(466)	(260)	(86)
R&D expenses (RMB mn)	(359)	(481)	(400)	(370)	(378)
Admin expenses (RMB mn)	(204)	(296)	(380)	(250)	(294)

Source: Company data, Bloomberg, CMBIGM estimates.

Note: adjusted net profit removes the impacts from share-based compensation and fair value changes of convertible redeemable preferred shares.

BUY (Maintain)

Target Price **HK\$7.57**

(Previous TP) **HK\$7.25**

Up/Downside **13.3%**

Current Price **HK\$6.68**

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Stock Data

Mkt Cap (HK\$ mn)	26,852.3
Avg 3 mths t/o (HK\$ mn)	828.6
Total Issued Shares (mn)	4,019.8

Source: FactSet

Shareholding Structure

Tencent Holdings	10.9%
QuantumPharm ROC	7.4%

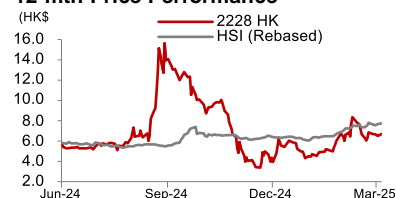
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-2.5%	-8.7%
3-mth	40.3%	14.5%
6-mth	-48.8%	-62.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Base case risk-adjusted DCF valuation

DCF Valuation (RMB mn)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	(1,515)	(357)	(158)	52	379	748	1,263	1,799	2,361	2,878	3,461	4,114
Tax rate	0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	(1,515)	(357)	(158)	44	322	636	1,074	1,529	2,006	2,447	2,942	3,497
+ D&A	56	57	56	55	54	54	53	53	52	52	52	52
- Change in working capital	(4)	(37)	(69)	(63)	(102)	(108)	(183)	(139)	(178)	(140)	(143)	(144)
- Capex	(60)	(60)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)
FCFF	(1,523)	(397)	(222)	(13)	224	532	895	1,394	1,831	2,309	2,801	3,354
Terminal value												52,024
Total PV (RMB mn)	24,305											
Net debt	(4,022)											
Minority interest (RMB mn)	26											
Equity value (RMB mn)	28,301											
Equity value (HK\$ mn)	30,431											
Equity value (US\$ mn)	3,901											
No. of shares (mn)	4,020											
DCF per share (HK\$)	7.57											
Terminal growth rate	3.0%											
WACC	9.64%											
Cost of equity	13.0%											
Cost of debt	4.0%											
Equity beta	1.0											
Risk free rate	2.5%											
Market risk premium	10.5%											
Target debt to asset ratio	35.0%											
Effective corporate tax rate	15.0%											

Source: CMBIGM estimates

Figure 2: Sensitivity analysis (HK\$)

		WACC				
		8.64%	9.14%	9.64%	10.14%	10.64%
Terminal growth rate	4.0%	10.72	9.51	8.52	7.71	7.02
	3.5%	9.90	8.87	8.01	7.29	6.67
	3.0%	9.23	8.33	7.57	6.93	6.37
	2.5%	8.66	7.87	7.19	6.61	6.11
	2.0%	8.18	7.47	6.87	6.34	5.88

Source: Company data, CMBIGM estimates

Figure 3: CMBIGM estimates revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	251	434	841	306	562	911	(18)	(23)	(8)
Operating profit	(640)	(357)	(158)	(692)	(313)	(50)	NA	NA	NA
Net profit	(1,491)	(310)	(86)	(660)	(281)	(23)	NA	NA	NA

Source: Company data, Bloomberg, CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	251	434	841	259	447	771	(3)	(3)	(9)
Operating profit	(640)	(357)	(158)	(648)	(385)	(133)	NA	NA	NA
Net profit	(1,491)	(310)	(86)	(586)	(321)	(100)	NA	NA	NA

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	63	133	174	251	434	841
Selling expense	(27)	(40)	(62)	(60)	(69)	(108)
Admin expense	(137)	(204)	(296)	(380)	(250)	(294)
R&D expense	(213)	(359)	(481)	(400)	(370)	(378)
Others	(30)	(67)	(126)	(152)	(152)	(219)
Operating profit	(299)	(525)	(722)	(640)	(357)	(158)
Other income	9	21	28	100	50	0
Other gains/(losses)	37	(8)	41	0	0	0
Interest income	14	50	103	35	59	84
Interest expense	(4)	(6)	(10)	(12)	(12)	(12)
Others	(1,848)	(958)	(1,277)	(875)	0	0
Pre-tax profit	(2,137)	(1,439)	(1,906)	(1,491)	(310)	(86)
Income tax	0	0	0	0	0	0
Minority interest	(0)	(0)	0	0	0	0
Adjusted net profit	(2,137)	(1,439)	(1,906)	(1,491)	(310)	(86)
BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	3,920	3,597	2,945	2,581	5,311	5,242
Cash & equivalents	3,524	574	711	831	4,225	4,075
Restricted cash	13	5	2	2	2	2
Account receivables	31	38	39	54	90	170
Prepayment	30	52	41	41	41	41
ST bank deposits	305	2,538	1,251	751	51	51
Financial assets at FVTPL	0	356	863	863	863	863
Other current assets	17	33	38	38	38	38
Non-current assets	462	719	1,060	1,064	1,068	1,062
PP&E	177	318	370	374	377	372
Right-of-use assets	94	78	189	189	189	189
Intangibles	5	7	8	8	8	8
Financial assets at FVTPL	170	285	424	424	424	424
Other non-current assets	16	33	69	69	69	69
Total assets	4,382	4,316	4,006	3,645	6,379	6,304
Current liabilities	161	198	297	309	309	320
Short-term borrowings	22	36	60	60	60	60
Account payables	11	14	14	25	25	36
Other current liabilities	101	108	139	139	139	139
Lease liabilities	17	24	59	59	59	59
Contract liabilities	10	16	26	26	26	26
Non-current liabilities	7,825	9,428	10,950	169	169	169
Long-term borrowings	11	0	0	0	0	0
Convertible bonds	7,701	9,321	10,780	0	0	0
Other non-current liabilities	113	107	169	169	169	169
Total liabilities	7,986	9,626	11,247	478	478	489
Share capital	0	0	0	0	0	0
Retained earnings	(3,684)	(5,126)	(7,040)	(8,532)	(8,841)	(8,927)
Other reserves	75	(202)	(227)	11,673	14,716	14,716
Total shareholders equity	(3,609)	(5,328)	(7,267)	3,141	5,875	5,789
Minority interest	5	18	26	26	26	26
Total equity and liabilities	(3,604)	(5,310)	(7,241)	3,168	5,901	5,815

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(2,137)	(1,439)	(1,906)	(1,491)	(310)	(86)
Depreciation & amortization	23	69	122	56	57	56
Tax paid	0	0	0	0	0	0
Change in working capital	20	(22)	(13)	(4)	(37)	(69)
Others	1,841	963	1,231	126	3	(73)
Net cash from operations	(254)	(429)	(568)	(1,313)	(287)	(172)
Investing						
Capital expenditure	(161)	(193)	(124)	(60)	(60)	(50)
Net proceeds from disposal of short-term investments	166	(207)	3,601	500	700	0
Others	(76)	(2,357)	(2,742)	35	59	84
Net cash from investing	(70)	(2,758)	736	475	699	34
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	20	25	60	0	0	0
Proceeds from share issues	2,480	0	0	970	2,993	0
Others	(24)	33	(86)	(12)	(12)	(12)
Net cash from financing	2,476	58	(26)	958	2,981	(12)
Net change in cash						
Cash at the beginning of the year	1,431	3,524	574	711	831	4,225
Exchange difference	(59)	179	(6)	0	0	0
Cash at the end of the year	3,524	574	711	831	4,225	4,075
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	76.2%	112.3%	30.8%	44.1%	72.6%	93.8%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Operating margin	(476.8%)	(393.9%)	(414.1%)	(254.7%)	(82.2%)	(18.8%)
Adj. net profit margin	(3,403.4%)	(1,078.7%)	(1,092.9%)	(593.3%)	(71.3%)	(10.2%)
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	24.4	18.2	9.9	8.4	17.2	16.4

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

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