招银国际
CMB INTERNATIONAL

CMBI Research Focus List

Our best high conviction ideas

10 Sep 2026

CMBI Focus List – Long and short ideas

Company	Ticker	Sector	Rating	M cap (US$ bn)	3M ADTV (US$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x) FY25A	P/E (x) FY26E	P/B (x) FY25A	ROE (%) FY25A	Yield FY25A	Analyst
Long Ideas														
BYD	1211 HK	Auto	BUY	106.2	242.7	80.1	125.00	56%	21.80	19.90	N/A	15.1	N/A	Shi Ji/ Wenjing Dou/ Austin Liang
Horizon Robotics	9660 HK	Auto	BUY	8.8	109.9	4.3	7.00	61%	N/A	N/A	N/A	N/A	N/A	Shi Ji/ Wenjing Dou/ Austin Liang
Weichai Power	2338 HK	Capital Goods	BUY	34.9	78.2	32.4	44.70	38%	23.40	16.30	2.70	12.20	0.0%	Wayne Fung
Jiangsu Hengli	601100 CH	Capital Goods	BUY	20.2	125.3	101.0	132.00	31%	51.00	41.20	8.10	16.5	0.8%	Wayne Fung
CGN Mining	1164 HK	Materials	BUY	2.4	14.5	2.5	3.37	38%	41.80	22.80	4.10	10.7	0.6%	Wayne Fung
Bosideng	3998 HK	Consumer Discretionary	BUY	6.5	15.8	4.4	5.55	27%	12.60	10.80	3.00	25.1	6.7%	Miao Zhang
Guoquan Food	2517 HK	Consumer Discretionary	BUY	0.5	2.9	1.7	3.07	84%	9.20	7.30	N/A	14.7	7.3%	Miao Zhang
Luckin Coffee	LKNCY US	Consumer Discretionary	BUY	9.7	43.8	34.0	54.68	61%	18.60	14.70	N/A	26.7	0.0%	Miao Zhang
CR Beverage	2460 HK	Consumer Staples	BUY	2.2	1.5	7.3	9.57	32%	15.50	15.00	1.40	8.9	4.0%	Miao Zhang
WuXi AppTec	603259 CH	Healthcare	BUY	69.1	1244.4	152.6	170.00	11%	N/A	19.30	N/A	N/A	N/A	Jill Wu/Benchen Huang
3SBio	1530 HK	Healthcare	BUY	5.1	66.6	15.8	34.78	121%	N/A	21.20	N/A	N/A	N/A	Jill Wu/Cathy Wang
Ping An	2318 HK	Insurance	BUY	140.3	259.6	54.6	81.00	48%	N/A	N/A	0.86	14.0	5.7%	Nika Ma
China Life	2628 HK	Insurance	BUY	148.2	203.1	30.0	39.00	30%	N/A	N/A	1.10	27.9	3.3%	Nika Ma
AIA	1299 HK	Insurance	BUY	100.1	276.3	75.9	112.00	48%	N/A	N/A	2.40	17.0	2.5%	Nika Ma
Tencent	700 HK	Internet	BUY	497.1	1613.0	428.4	705.00	65%	13.40	12.70	N/A	N/A	N/A	Saiyi He/Wentao Lu/ Frank Tao/Shuyin Guo
NetEase	NTES US	Internet	BUY	74.2	113.3	115.9	159.50	38%	13.90	12.80	N/A	N/A	N/A	Saiyi He/Wentao Lu/Frank Tao/Shuyin Guo
Meituan	3690 HK	Internet	BUY	59.8	512.8	76.0	138.00	82%	N/A	N/A	N/A	N/A	N/A	Saiyi He/ Frank Tao/Wentao Lu/Shuyin Guo
Alibaba	BABA US	Internet	BUY	271.9	1415.9	109.4	220.10	101%	N/A	N/A	N/A	N/A	N/A	Saiyi He/Frank Tao/Wentao Lu/Shuyin Guo
CR MixC Lifestyle	1209 HK	Property	BUY	11.3	24.8	38.8	53.58	38%	19.60	17.50	5.00	24.8	5.1%	Miao Zhang
Greentown Service	2869 HK	Property	BUY	1.7	1.7	4.2	6.55	55%	13.10	11.20	1.60	11.2	5.8%	Miao Zhang
NAURA	002371 CH	Semiconductors	BUY	69.1	1249.7	638.9	814.00	27%	86.40	63.90	N/A	N/A	N/A	Zhou Zhimin/Kevin Zhang/Aaron Guo
Lumentum	LITE US	Semiconductors	BUY	88.7	4012.1	989.0	1230.00	24%	428.60	101.60	N/A	N/A	N/A	Kevin Zhang/Aaron Guo
SMIC	981 HK	Semiconductors	BUY	94.4	1039.1	64.0	119.00	86%	N/A	N/A	3.40	N/A	N/A	Zhou Zhimin/Kevin Zhang/Aaron Guo
InnoScience	2577 HK	Semiconductors	BUY	5.2	53.8	44.2	74.20	68%	N/A	N/A	N/A	N/A	N/A	Zhou Zhimin/Kevin Zhang/Aaron Guo
Microsoft	MSFT US	Software & IT Services	BUY	3650.8	15292.7	491.7	634.20	29%	32.90	25.10	N/A	N/A	N/A	Saiyi He/ Frank Tao/Wentao Lu/Shuyin Guo

Source: Bloomberg, CMBIGM. Data as of 10/9/2026 1:00 p.m.

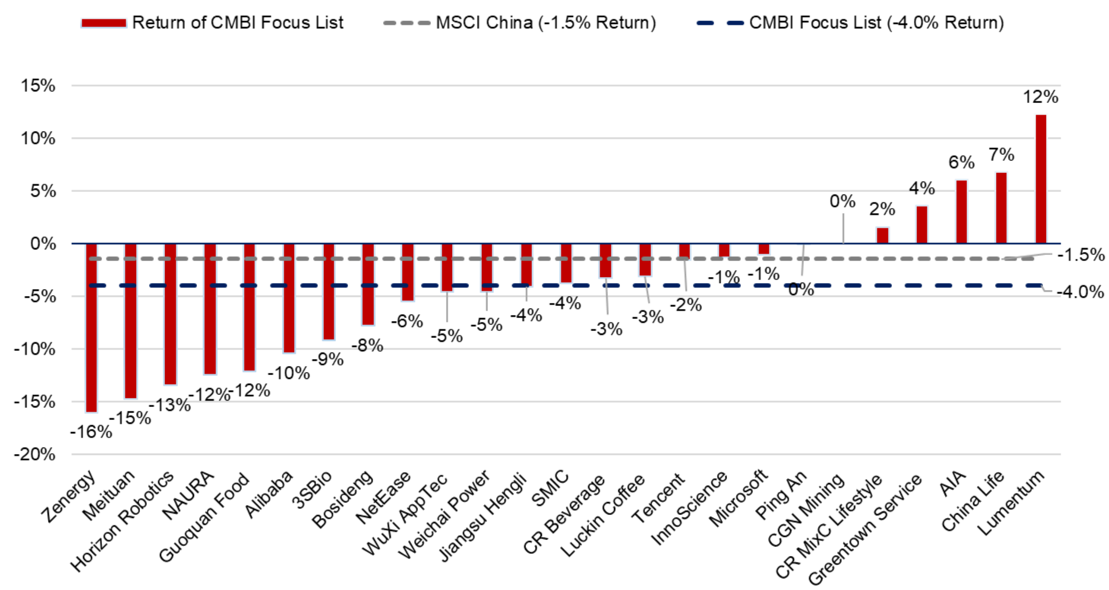
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
BYD	1211 HK/002594 CH	Auto	BUY	Shi Ji/ Wenjing Dou/ Austin Liang	The market tends to treat BYD as the bellwether of the EV sector, and it is best positioned to rebound first once sector sentiment recovers.
Deletions					
Zenergy	3677 HK	Auto	BUY	Shi Ji/ Wenjing Dou/ Austin Liang	The lithium-battery sector faces mounting pressure from the 2% consumption tax on lithium-ion cells (effective 1 Sep 2026, stepping up to 4% from Sep 2027) as well as intensifying competition, and Zenergy's 1H26 gross margin came in below our expectations.

Source: CMBIGM

Performance of our recommendations

- In our last list dated 13 Aug 2026, we highlighted a list of 25 long ideas.
- The basket (equal weighted) of these 25 stocks underperformed MSCI China index by 2.5 ppts, delivering -4.0% return (vs MSCI China -1.5%).
- 9 out of the 25 stocks outperformed the benchmark.



Source: Bloomberg, CMBIGM; Note: Stock performance from 13 Aug 2026 to 9 Sep 2026.

Long Ideas

BYD (1211 HK/002594 CH) - 2Q26 earnings signal enhanced cost discipline

Rating: BUY | **TP:** HK$125/RMB125 (56/48% upside) Analysts: SHI Ji/ DOU Wenjing/Austin Liang

- **2Q26 GPM beat; net profit missed on revenue and impairment.** 2Q26 revenue fell 3.2% YoY to RMB195bn, but GPM expanded 0.1ppts QoQ to 18.9%, the highest since 2Q25 and 0.5ppts above our forecast. Net profit rose 30% YoY to RMB8.2bn despite ~RMB1.1bn of higher-than-expected impairment losses; ex-impairment net profit per vehicle was about RMB8,900.

- **Stricter cost control unlocks earnings upside.** 1H26 total R&D investment declined 6.5% YoY with the R&D capitalization ratio up from 4% to 19%, and D&A grew just 5% YoY, the slowest pace since 1H20. With capacity, sales network and R&D resources well established, scale economies and vertical integration should deliver more resilient profitability than peers, with cost reductions becoming more pronounced in the next few years.

- **Overseas expansion improves the earnings mix.** We maintain our FY26E sales volume forecast of 4.5mn units, with overseas contributing 40%, and project FY27E volume to rise 11% YoY to 5.0mn units, aided by overseas markets. We forecast FY26E/FY27E net profit of RMB36.1bn/44.1bn, as stringent cost cuts extend into FY27E.

- **Earnings / Valuation.** We maintain BUY and H-share TP of HK$125.00, based on 22x our FY27E P/E; our A-share TP is based on the current 18% A/H premium. Key risks: lower sales volume or margins than we expect, and a sector de-rating.

Link to latest report: BYD (1211 HK/002594 CH) - 2Q26 earnings signal enhanced cost discipline

Financials and Valuations

(YE 31 Dec)	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	803,965	825,103	902,415	966,157
YoY growth (%)	3.5	2.6	9.4	7.1
Gross margin (%)	17.7	18.2	17.8	17.9
Operating profit (RMB mn)	24,717.0	39,657	45,443	54,895
Net profit (RMB mn)	32,619.0	36,112.1	44,079.7	52,606.5
YoY growth (%)	(19.0)	10.7	22.1	19.3
EPS (Reported) (RMB)	3.61	3.96	4.83	5.77
P/S (x)	0.9	0.9	0.8	0.7
P/E (x)	21.8	19.9	16.3	13.7
ROE (%)	15.1	13.7	14.8	15.6
Net gearing (%)	(1.1)	(8.7)	(13.7)	(31.4)

Source: Company data, Bloomberg, CMBIGM estimates

Horizon Robotics (9660 HK) – Re-acceleration on HSD expansion, overseas

Rating: BUY | **TP:** HK$7.00 (61% upside)   Analysts: SHI Ji/ DOU Wenjing/Austin Liang

- **1H26 revenue missed, GPM beat.** 1H26 revenue rose 33% YoY to RMB2.1bn, 9% below our forecast on lower-than-expected ASP, but GPM held flat YoY at 66.0% (5.6ppts above our forecast), driven by a richer mix of high-margin licensing and service revenue. Adjusted net loss of RMB1.7bn was RMB558mn wider than our estimate on elevated R&D.

- **HSD to accelerate from 2H26.** J6P/J6H-powered HSD solutions secured design wins across BYD's high-end product line with mass production slated for 2H26, and J6M should take 70-80% of its AD solution market share in 2H26E. Our FY26E shipment forecast of 5.2mn units implies 2H26E revenue growth back above 60% YoY, lifting product ASP from RMB417 in 1H26 to RMB712 in 2H26E.

- **Positioned for No.1 high-end AD chip share by 2027.** Management targets 7mn+ total deliveries in 2027, which should make Horizon China's No.1 high-end AD chip provider (from No.2 now) via combined shipments and licensed sales. A 20mn-unit J6B export order book adds a second growth engine, and high-margin licensing should keep GPM above 60% in FY26-28E.

- **Earnings/Valuation.** We have cut FY26-28E revenue forecasts by 7%/4%/4% on softer domestic auto sales, but raised GPM forecasts to 64.2%/61.9%/60.3% on an expanding licensing mix. We expect adjusted net losses to narrow from RMB4.4bn in FY26E to RMB0.57bn in FY27E, and the company to turn profitable with adj. net profit at RMB1.7bn in FY28E. We maintain BUY, with TP of HK$7.00 based on an unchanged 10x FY27E P/S. Key risks: slower HSD adoption, intensifying competition, sector de-rating.

Financials and Valuations

(YE 31 Dec)	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	3,758	5,617	9,265	14,472
YoY growth (%)	57.7	49.5	64.9	56.2
Gross margin (%)	64.5	64.2	61.9	60.3
Op. profit (RMB mn)	(3,338.8)	(3,038.3)	(1,427.6)	820.6
Net profit (RMB mn)	(10,469.0)	(1,261.3)	(1,453.6)	859.5
Adj. net profit (RMB mn)	(2,811.8)	(4,435.0)	(568.9)	1,744.3
P/S (x)	17.2	11.5	7.0	4.5

Source: Company data, Bloomberg, CMBIGM estimates

Link to latest report: Horizon Robotics (9660 HK) - Re-acceleration on HSD expansion, overseas

Weichai Power (2338 HK) – High visibility of AIDC gensets; SOFC to offer upside potential

Rating: BUY | TP: HK$44.7 (38% upside)

Analyst: Wayne Fung

- **Investment Thesis:** Weichai is transforming into a power play. We expect the contribution of power-related engine EBITDA (on attributable basis) to increase substantially from 18% in 2026E to 38% in 2028E. For the traditional business, HDT is still on an upcycle, driven by solid replacement demand, supportive replacement subsidies and exports.

- **Our View:** We are positive on Weichai due to (1) the high visibility of AIDC natural gas gensets sales (2k units in 2027E) as contracts have been signed with US hyperscalers; (2) AIDC diesel gensets sales are on track to reach 4k/6k units in 2027E/28E; (3) the unchanged capacity targets for SOFC (30MW/200MW by end-2027E/28E), even though time is needed for production ramp-up.

- **Where do we differ vs consensus:** Our earnings forecasts in 2026E/27E are 0%/-11% versus Bloomberg consensus. We believe the deviation in 2027E is due to a wide range of assumptions for the fast-growing AIDC gensets and SOFC business.

- **Catalysts:** (1) Higher-than-expected AIDC gensets sales in the US; (2) progress on SOFC; (3) better-than-expected HDT sales.

- **Valuation:** Our SOTP-based TP for Weichai-H is HK$44.7. We assign 35x target EV/EBITDA for the power business, which we believe is justified given Weichai's high growth potential as a challenger (we expect 78% power segment EBITDA CAGR between 2026E and 2028E). For traditional business (i.e. engines for HDTs & machinery + HDTs + agricultural machinery), we assign 10x target EV/EBIDTA (peak cycle valuation) to reflect the continuous up-cycle for the HDT sector.

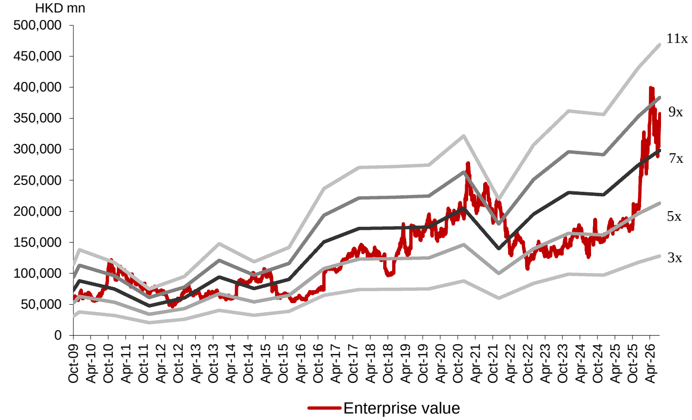
Link to latest report: Weichai Power (2338 HK) - High visibility of AIDC gendsets; SOFC to offer upside potential

Financials and Valuations

(YE 31 Dec)	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	231,809	253,844	276,314	299,971
YoY growth (%)	7.5	9.5	8.9	8.6
Core net income (RMB mn)	10,931	14,849	17,409	20,636
Core EPS (RMB)	1.25	1.70	2.00	2.37
YoY growth (%)	(4.1)	35.8	17.2	18.5
Consensus EPS (RMB)	N/A	1.71	2.23	2.70
P/E (x)	23.4	16.3	13.9	11.8
EV/EBITDA (x)	8.3	6.9	5.9	5.3
P/B (x)	2.7	2.4	2.2	2.0
Yield (%)	0.0	3.6	4.2	4.9
ROE (%)	12.2	14.8	16.1	16.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Weichai's EV/EBITDA band



Source: Company data, Bloomberg, CMBIGM estimates

Jiangsu Hengli (601100 CH) – Strong hydraulic segment; upside potential on humanoid robot components

Rating: BUY | **TP:** RMB132 (31% upside)

Analyst: Wayne Fung

- **Investment Thesis:** On the back of strong production capability of hydraulic components, Hengli is expanding into linear actuator business which has wide applications in machine tools, semiconductors and humanoid robots.
- **Our View:** We see several positive drivers: (1) Strong demand for linear guideways driven by machine tools and semiconductor sectors; (2) Huge potential for ball screws for humanoid robots due to strong commitment from the major overseas customer; (3) For hydraulic components, capacity for cylinders, pumps and valves are running at full utilisation driven by a wide range of downstream demands such as mining equipment and agricultural machinery.
- **Where do we differ vs consensus:** Our earnings forecasts in 2026E/27E are +2%/-1% versus Bloomberg consensus. We see this as normal deviation.
- **Catalysts:** (1) The production growth of humanoid robots by the major overseas manufacturer; (2) Upside in excavator demand.
- **Valuation:** Our TP of RMB132 is based on 42x 2027E P/E, 1SD above the historical average. Our valuation premium is to reflect both the upcycle of hydraulic business and the huge growth potential of precision business.

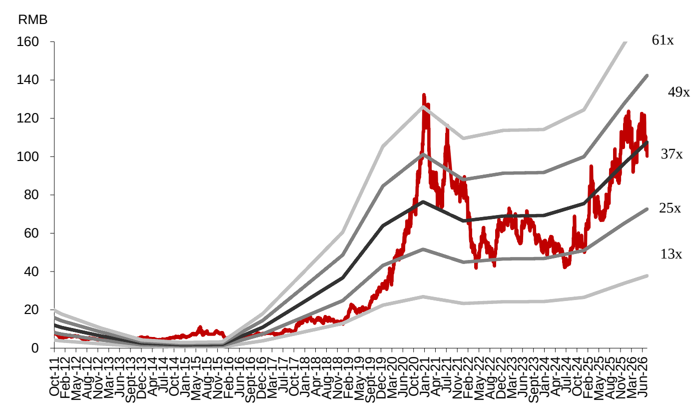
Link to latest report: Jiangsu Hengli (601100 CH) - Key takeaways from post-results call

Financials and Valuations

(YE 31 Dec)	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	10,941	13,600	16,409	19,169
YoY growth (%)	16.5	24.3	20.6	16.8
Core net income (RMB mn)	2,734	3,383	4,209	4,938
Core EPS (RMB)	2.04	2.52	3.14	3.68
YoY growth (%)	9.0	23.7	24.4	17.2
Consensus EPS (RMB)	N/A	2.48	3.16	3.78
EV/EBITDA (x)	40.5	32.7	27.2	23.5
P/E (x)	51.0	41.2	33.1	28.3
P/B (x)	8.1	7.1	6.3	5.5
Yield (%)	0.8	1.0	1.3	1.5
ROE (%)	16.5	18.9	20.0	20.5
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Hengli's P/E band



Source: Company data, Bloomberg, CMBIGM estimates

CGN Mining (1164 HK) – Good entry point to play the uranium story

Rating: BUY | **TP:** HK$3.37 (38% upside)

Analyst: Wayne Fung

- **Investment Thesis:** We anticipate that the global uranium demand will be driven by the structural growth of nuclear power over the next decade. This, coupled with the unstable uranium mine output, will likely keep uranium price elevated over the coming years. We believe CGN Mining is well-positioned to capitalize on the long-term uranium price uptrend, through its two JVs that hold stakes in four low-cost uranium mines in Kazakhstan.

- **Our View:** We believe the share price pullback since Feb has, to a certain extent, priced in the policy change in Kazakhstan uranium industry as well as the high sulphur price arising from the Middle East conflict. We see several near-term positive catalysts: (1) a resilient trend of spot uranium price, supported by strong contract price; (2) the easing tension in the Middle East to help stabilize the price of sulphur. In addition, the pullback since the release of 1H26 results was largely due to the delay of uranium shipment. Based on our understanding, such uranium shipment has been gradually delivered in 3Q26.

- **Where do we differ vs consensus:** Our earnings forecasts in 2026E/27E are -11%/-15% versus Bloomberg consensus. We believe it is due to the wide range of uranium ASP assumptions.

- **Catalysts:** (1) Further increase in uranium spot price; (2) improvement of sulphuric acid supply.

- **Valuation:** Our target multiple of NPV (2.5x) is to reflect the potential conversion from resources to reserves amid the uptrend of uranium price and the potential extension of mining licenses. Our long-term assumptions include: (1) uranium price increasing 5% p.a. from US$99/lb during 2027-31, (2) a stabilized price at US$120/lb thereafter, and (3) production costs inflation of 1% p.a. during 2027-42.

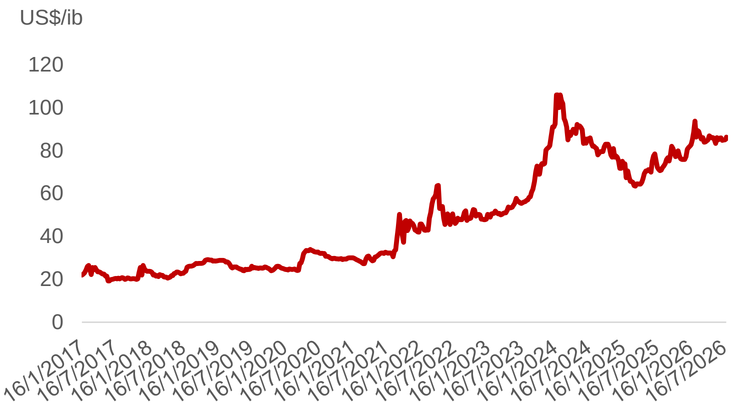
Link to latest report: CGN Mining (1164 HK) - Buying opportunities supported by near-term catalysts

Financials and Valuations

(YE 31 Dec)	FY25A	FY26E	FY27E	FY28E
Revenue (HK$ mn)	6,870	8,413	9,421	10,022
YoY growth (%)	(20.3)	22.5	12.0	6.4
Core net income (HK$ mn)	453	831	1,023	1,172
Core EPS (HK$)	0.060	0.109	0.135	0.154
YoY growth (%)	(14.0)	83.5	23.2	14.6
Consensus EPS (HK$)	N/A	0.12	0.16	0.20
EV/EBIDTA (x)	(1173.8)	399.7	1225.6	997.1
P/E (x)	41.8	22.8	18.5	16.1
P/B (x)	4.1	3.6	3.1	2.7
Yield (%)	0.6	0.9	1.1	0.9
ROE (%)	10.7	16.9	17.9	17.7
Net gearing (%)	5.7	1.8	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: UxC Uranium U308 weekly spot price (US$/lb)



Source: Bloomberg, CMBIGM

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Bosideng (3998 HK) – Prudent guidance but we are still confident

Rating: BUY | **TP:** HK$5.55 (27% upside)

Analyst: Miao Zhang

- **Investment Thesis:** Bosideng, with its superior fashion, digital capability and efficiency should gain more market share in the long run, in our view. It is not only the largest down apparel brand in China, but also a leading manufacturer in the world. It owns the BOSIDENG, SNOWFLYING brands, etc. and has over 5,300 offline stores. Growth drivers include: 1) sales per store growth (both ASP and volume), 2) more online and direct retail sales, and 3) gradual penetration of down apparel in China.

- **Our View:** We are positive on the 2025-2026 winter, thanks to, industry reasons such as: 1) favourable weather: temperature was warmer than the previous year during Sep and early Oct 2025, but got much colder in late Oct and Nov 2025, and chances of having a La Nina is higher than 50%, 2) the late CNY in 2026, and company-specific reasons like: 1) product upgrades around functionality, trendiness and diversity, 2) improvement on the youthfulness, including many crossovers (e.g. Kim jones), 3) continual restructuring of offline stores, and 4) further enhanced customer and membership experiences, etc..

- **Where do we differ vs consensus:** For FY26E/ 27E/ 28E, our net profit forecasts are +1%/ +3%/ +0% vs street as we are cautious on sales growth, but more positive on OP margin improvement, by solid operating leverage.

- **Catalysts:** 1) Better-than-expected government stimulus, 2) positive feedback on new products, and 3) favorable weather.

- **Valuation:** We derived our 12m TP of HK$5.55 based on 13x FY26E P/E. We believe successful new product launches, further upgrades around store formats and experience, favourable weather and late CNY may lead to a further re-rating. The stock is trading at 11x FY26E P/E and a 7% yield.

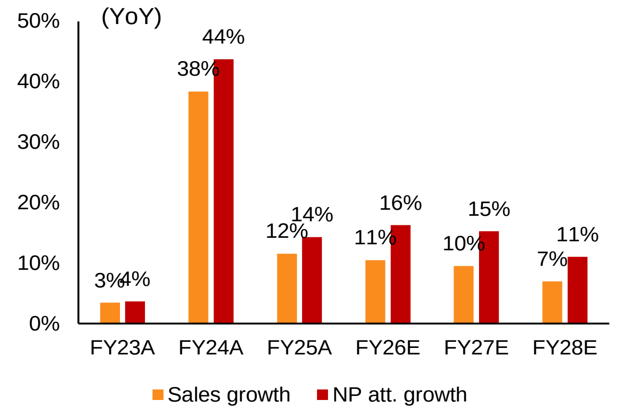
Link to latest report: Bosideng (3998 HK) – Prudent guidance but we are still confident

Financials and Valuations

(YE 31 Mar)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	23,214	25,902	28,624	31,351	33,535
YoY growth (%)	38.4	11.6	10.5	9.5	7.0
Op. profit (RMB mn)	4,397.6	4,966.9	5,516.0	6,255.4	6,831.9
Net profit (RMB mn)	3,120.1	3,552.7	4,128.8	4,756.4	5,279.7
EPS (Reported) (RMB)	0.27	0.30	0.35	0.41	0.45
YoY growth (%)	43.9	13.2	16.3	15.3	11.0
P/E (x)	14.3	12.6	10.8	9.4	8.5
P/B (x)	3.0	3.0	2.8	2.6	2.4
Yield (%)	6.0	6.7	7.4	8.5	9.5
ROE (%)	23.7	25.1	27.3	29.1	29.8
Net gearing (%)	46.7	51.5	54.9	57.7	59.3

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth



Source: Company data, CMBIGM estimates

Guoquan (2517 HK) – Expect slower store expansion with broader revenue support

Rating: BUY **| TP:** HK$3.07 (84% upside)

Analyst: Miao Zhang

- **Investment Thesis:** Guoquan is entering a more disciplined phase of growth, supported by higher-quality store expansion, broader revenue sources and mild margin recovery. Its long-term growth drivers include: 1) continued expansion toward 20,000 stores, 2) growth in membership and online channels, 3) the scale-up of Guoquan Farm and phased overseas expansion, and 4) supply-chain efficiencies and product-mix improvement.

- **Our View:** We view the lower FY26 store target as a clear shift from expansion speed to store quality. Management cut its target from 14,500 to over 13,100, with new openings limited to larger-format stores and the closure rate guidance was below 4% (was 5%). Meanwhile, membership increased by 63% YoY in 1H26, in-store Douyin GMV nearly doubled, and the first Hong Kong store was opened as a pilot for phased overseas expansion. Although 1H26 GPM declined by 0.6ppt YoY due to higher raw-material costs, lower-margin new categories and lower-ticket online orders, management expects a mild recovery through supply-chain efficiencies, higher-margin product display in the hotpot peak season in 2H26, and margin-mix optimization as Guoquan Farm scales up together with online-offline product synergy.

- **Where do we differ vs consensus:** Our FY26E/FY27E/FY28E revenue forecasts are 5.9%/10.6%/13.3% below consensus, and net profit forecasts are 4.8%/1.6%/3.1% below consensus, as we are more conservative on its store openings.

- **Catalysts:** 1) Better-than-expected SSSG; 2) faster-than-expected store expansion.

- **Valuation:** We derive our 12m TP of HK$3.07 based on a 14x FY26E P/E, in line with peers with closer business model resemblance, comprising franchise-led retailers and hotpot supply-chain names.

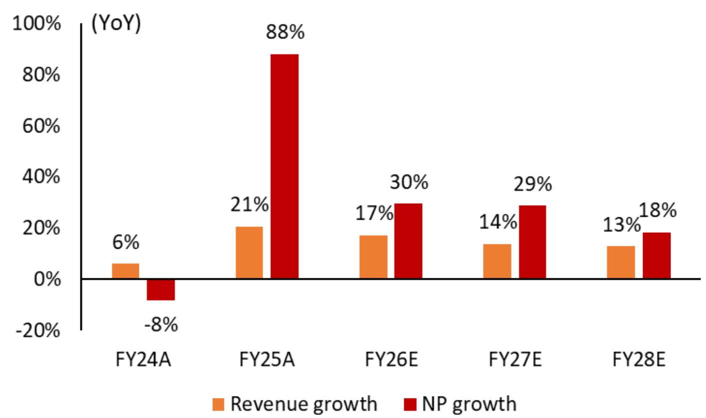
Link to latest report: [Guoquan Food (2517 HK) - Expect slower store expansion with broader revenue support]

Financials and Valuations

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	6,470	7,810	9,162	10,434	11,794
YoY growth (%)	6.2	20.7	17.3	13.9	13.0
Net profit (RMB mn)	241.2	453.9	587.6	756.5	895.7
EPS (Reported) (RMB cents)	0.08	0.16	0.20	0.26	0.31
YoY growth (%)	(5.9)	94.0	25.1	28.7	18.4
P/E (x)	17.8	9.2	7.3	5.7	4.8
Yield (%)	4.9	7.3	8.2	10.6	12.5
ROE (%)	7.5	14.7	18.6	22.0	23.7

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth, yearly



Source: Company data, CMBIGM estimates

Luckin Coffee (LKNCY US) – There are still multiple growth drivers in FY26E

Rating: BUY **| TP:** US$54.68 (61% upside) Analyst: Miao Zhang

- **Investment Thesis:** It is the largest and fastest-growing coffee brand in China, has 16,248 stores, sales of RMB 24.9bn and net profit of RMB 2.85bn and a market share of 21.7% in FY23. On top of quality coffee, it also emphasizes digital engagement, convenience, and competitive pricing. Growth drivers includes: 1) rapid store opening, 2) rise in ASP and new product launches, 3) further adoption of freshly made coffee and 4) higher purchase frequency from the young/ wealthy/ people in lower tier cities.

- **Our View:** We agree that the high base in FY25E (induced by the delivery subsides) could be an issue for the tea drink and coffee sector in general in FY26E (for both SSSG and valuation of various listed companies). However, we do think company is much more well-prepared than the others. For example, on SSSG, while we are conservatively forecasting a 2% in FY26E given we see: 1) category expansion (more non-coffee products like snacks, breakfast or even did increase to 30 different types of food), 2) greater push on the star products (More new SKUs in 3Q25 than in 3Q24, with less popularity than star products but have potential to improve in FY26E), 3) marketing expenses ratio decreased in 3Q25, but Luckin Coffee could ramp that up if needed; 4) further boosting the sales and purchasing frequency of customer (34.5mn new transacting customers in 9M25, +40%+ YoY). On the margin side: 1) GP margin is able to improve (as we expect efficiency improvement to more than offset overseas coffee bean price inflation), 2) delivery cost is likely to decrease YoY (from delivery platforms and major brands' point of view, we do think massive subsidies are only a short-term measure, with marginally low value to sustain);3) headquarters cost % will continue to improve.

- **Valuation:** We derived our 12m TP of US$54.68 based on 18x FY26E P/E. **Catalysts:** Better than expected new products, store expansion, store efficiency and government stimulus.

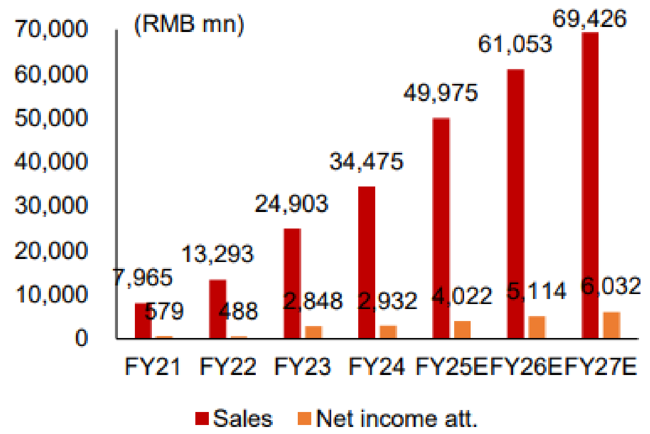
Link to latest report: Luckin Coffee (LKNCY US) – There are still multiple growth drivers in FY26E

Financials and Valuations

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	24,903	34,475	49,975	61,053	69,426
YoY growth (%)	87.3	38.4	45.0	22.2	13.7
EBITDA (RMB mn)	3,630.2	4,728.1	6,808.6	8,674.4	10,202.1
Net profit (RMB mn)	2,847.9	2,931.7	4,021.7	5,113.8	6,032.3
EPS (Reported) (RMB)	1.12	1.15	1.57	1.99	2.33
YoY growth (%)	479.6	2.3	36.5	26.5	17.4
P/E (x)	26.0	25.4	18.6	14.7	12.5
EV/EBITDA (x)	3.4	2.6	1.8	1.3	1.1
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	34.9	25.8	26.7	26.0	23.9

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit



Source: Company data, CMBIGM estimates

CR Beverage (2460 HK) – Pains from reform run deeper than expected; longer time required for recovery

Rating: BUY **| TP:** HK$9.57 (32% upside)

Analyst: Miao Zhang

- **Investment Thesis:** CR Beverage's ongoing headquarters, channel and R&D reforms have caused deeper-than-expected disruptions and delayed its return to growth. We view FY26E as the earnings trough, while reform payoffs and structural cost measures should support a gradual recovery and stable margins.

- **Our View:** 1) Water biz revenue declined by 7.9% YoY in 1H26, narrowing from the 23%/20% drops in 1H25/2H25, yet headwinds persist as the broader industry may worsen further; 2) beverages revenue fell 35.4% with the removal of low-price online SKUs and distributor margin reset, while management guides 2H26 beverage volume to return to YoY growth barring major external shocks; 3) GPM expanded 0.9ppt YoY despite upward oil/PET prices, above market expectations, supported by PET price-locking, higher shrink-wrapped pack penetration and logistics optimization; and 4) reform progressed steadily, but its benefits will take longer to materialize.

- **Where do we differ vs consensus:** Our FY26E/FY27E/FY28E revenue forecasts are 8.1%/8.2%/9.7% below Bloomberg consensus, while our net profit forecasts are 1.7%/2.8%/7.4% lower, as we factor in a slower return to growth.

- **Catalysts:** 1) Beverage revenue returning to YoY growth; 2) Stronger-than-expected reform implementation; 3) sustained GPM resilience despite volatile oil and carton prices ; 4) higher-than-expected dividend payout ratio.

- **Valuation:** Maintain BUY. TP at HK$9.57 based on 20x 2026E P/E.

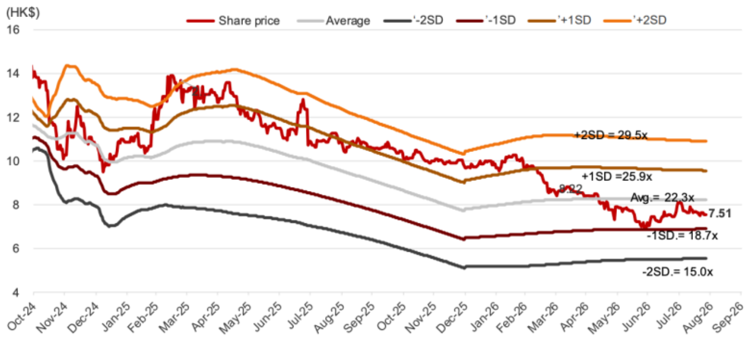
Link to latest report: CR Beverage (2460 HK) - Pains from reform run deeper than expected; longer time required for recovery

Financials and Valuations

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	13,521	11,002	10,530	11,210	11,811
YoY growth (%)	0.0	(18.6)	(4.3)	6.5	5.4
Net profit (RMB mn)	1,636.7	985.3	1,015.7	1,162.4	1,258.7
YoY growth (%)	23.1	(39.8)	3.1	14.4	8.3
EPS (Reported) (RMB)	0.79	0.41	0.42	0.48	0.52
Consensus EPS (RMB)	N/A	N/A	0.43	0.50	0.57
P/E (x)	8.1	15.5	15.0	13.1	12.1
P/B (x)	1.1	1.4	1.3	1.2	1.2
Yield (%)	7.6	4.0	4.1	4.7	5.1
ROE (%)	18.0	8.9	9.1	9.8	10.2
Net gearing (%)	(50.3)	(10.8)	(9.3)	(9.1)	(9.7)

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band



Source: Company data, Wind, CMBIGM estimates

WuXi AppTec (603259 CH) – Guidance raised after exceptional 2Q26 earnings

Rating: BUY **| TP:** RMB170.00 (11% upside)

Analysts: Jill Wu/Benchen Huang

- **Investment Thesis:** WuXi AppTec is a world-leading pharmaceutical R&D and manufacturing platform which provides services with quality and efficiency for global clients. With capabilities covering major stages of drug R&D, it has built close partnerships with a wide range of customers in the world, including all global Top20 pharmaceutical companies, positioning the Company as an indispensable part of the global pharmaceutical industry.
- **Our View:** The integrated CRDMO model has enabled WuXi AppTec to consistently capture business opportunities of global blockbuster drugs. With a pipeline spanning a broad range of therapeutic areas and a large client base globally, the Company possesses advantages of gaining deep industry insights, allowing it to proactively expand capabilities and capacities in advance. As a result, WuXi AppTec has successfully seized major manufacturing contracts such as oral COVID-19 therapeutics, peptides and small-molecule GLP-1 drugs. In 1H26, revenue from Small Molecule D&M segment surged by 72.7% YoY, becoming a new growth engine for the Company. As of 1H26, backlog from continuing operations increased by 25.2% YoY (or ~30% YoY excl. FX impacts) to RMB66.4bn, while newly signed orders in 1H26 grew by >40% YoY. In light of this strong momentum, WuXi AppTec plans to accelerate construction of new facility in Changzhou, which will include capacity for both small molecules and TIDES. Given its leading capabilities and capacities, we remain confident in WuXi AppTec's long-term competitiveness as the global leader in small-molecule CDMO market. We think that WuXi AppTec will continue to mitigate geopolitical risks with its global manufacturing network. Currently, it's P/E valuation is attractive.
- **Where do we differ vs consensus:** To factor in the strong momentum of its small molecule D&M and TIDES business as well as continuous recovery of early-stage business, we've raised our earnings forecasts. Our 2026E earnings forecasts are higher than BBG consensus, reflecting our positive view on the Company's economies of scale in the long run.
- **Valuation:** We derive our target price of RMB170.00 based on DCF valuation (WACC: 9.39%, terminal growth rate: 2.0%).

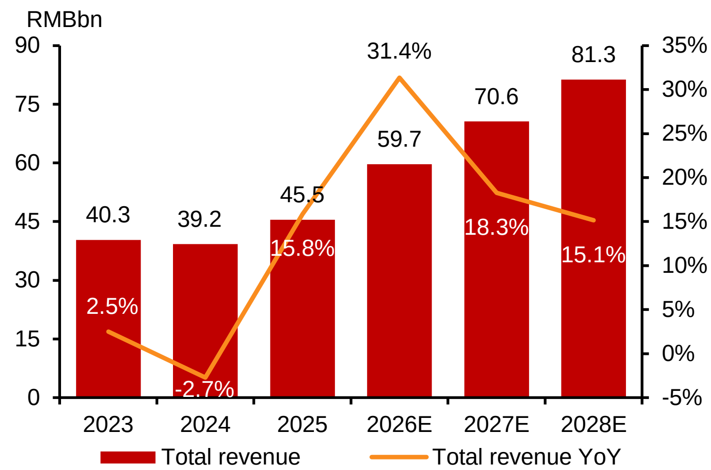
Link to latest report: WuXi AppTec (603259 CH) - Guidance raised after exceptional 2Q26 earnings

Financials and Valuations

(YE 31 Dec)	FY26E	FY27E	FY28E
Revenue (RMB mn)	59,709	70,608	81,295
Revenue YoY growth (%)	31.4	18.3	15.1
Adjusted net income (RMB mn)	23,788	27,335	31,058
Adj. net income YoY growth (%)	59.1	14.9	13.6
Adjusted EPS (RMB)	8.16	9.16	10.41
EPS YoY growth (%)	55.8	12.3	13.6
Consensus EPS (RMB)	7.61	9.05	10.57
P/E (x)	19.3	16.8	14.8
P/B (x)	5.0	4.2	3.5
ROE (%)	25.9	25.1	23.8
Net gearing (%)	Net cash	Net cash	Net cash

Source: Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

3Sbio (1530 HK) – Near-term pressure on product sales; 707 stands out as one of the global leaders in both development pace and breadth

Rating: BUY | **TP:** RMB34.78 (121% upside)

Analysts: Jill Wu/ Cathy Wang

- **Investment Thesis.** Global clinical development of 707 (PF'4404) is advancing rapidly by Pfizer, with data readouts from global trials expected to begin emerging over the next 2-3 years, which should support further value inflection for 707. Pfizer positions 707 as a backbone molecule within its oncology portfolio. Clinical development has progressed broadly as expected, with three global Phase III studies already registered across four indications, and an additional global Phase III trial planned in 2H26E for 707 in combination with PADCEV (Nectin-4 ADC). We also expect further clinical studies to be initiated over time across thoracic, GI, and GU cancers. Near term, attention will focus on updated China Phase II data for 707 plus chemotherapy in 1L NSCLC at ESMO 2026 (Oct 23-27), where we expect mPFS to be disclosed.
- **Our View:** (1) Value recognition for 707 is still at an early stage. To date, Pfizer has registered 11 global trials and initiated enrollment in nine, and the first ph3 study of 707+ADC for 1L mUC is expected to be initiated in 2026E, according to Pfizer. We expect the rapid clinical progress will trigger near-term milestone payments, significantly driving 3SBio's earnings. Beyond milestones, 3SBio is also benefiting from supplying drug substance for Pfizer's clinical studies, which drove CDMO revenue growth of 161% YoY in 1H26E. (2) Product headwinds remain, but visibility should improve into 2027E since the VAT impact should be fully digested in 2026E, TPIAO's final NRDL negotiation in late 2026E should largely remove pricing uncertainty, and new products may help offset pressure on the legacy portfolio. (3) More clinical data readouts are expected in 2027E.
- **Where do we differ vs consensus:** We think the market appears to have largely priced in near-term pressure on 3SBio's product sales in 2026E. However, value discovery for 707 remains at an early stage. Pfizer has already advanced multiple global studies, with the pace and breadth of development ranking among the global leaders. As global clinical data are expected to read out over the next several years, we believe 707's global blockbuster potential remains the dominant upside driver.
- **Valuation:** We derive our target price to HK$34.78 (WACC: 10.11%, terminal growth rate: 2.0%), based on a 10-year DCF.

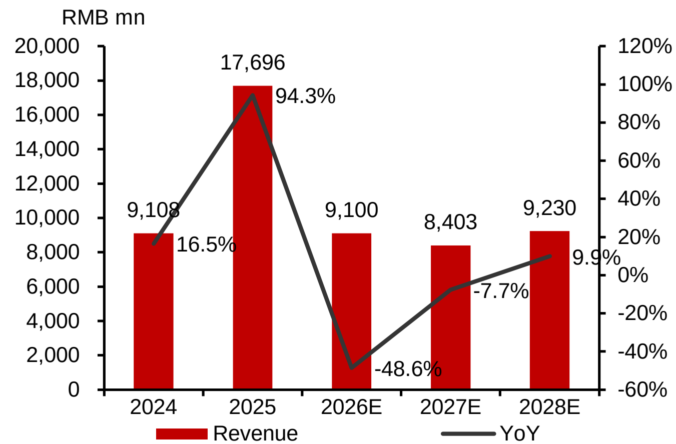
Link to latest report: 3SBio (1530 HK) - 707 remains the key value driver

Financials and Valuations

(YE 31 Dec)	FY26E	FY27E	FY28E
Revenue (RMB mn)	9,100	8,403	9,230
YoY growth (%)	(48.6)	(7.7)	9.9
Net profit (RMB mn)	2,070	1,612	1,800
YoY growth (%)	(75.6)	(22.1)	11.7
EPS (RMB)	0.82	0.64	0.71
P/E (x)	21.2	27.3	24.4

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

Ping An (2318 HK/601318 CH) – Expect CSM release growth to turn positive in 2026E

Rating: BUY | **TP:** HK$81.0/RMB73 (48/32% upside)

Analyst: Nika MA

- **Investment thesis:** Ping An is in the final phase of de-risking and with consecutive provisions being made to the AM segment, we expect the AM drag to ease further which could drive the Group's valuation re-rating over time. In 1H26, OPAT from AM segment surged 2.37x YoY to RMB9.2bn (10.9% mix), sustaining the more-than-doubled growth from 1Q26 (+1.93x YoY) marking a significant profit turnaround amid favorable market conditions. Core business segments' (Ping An L&H, Ping An P&C, and PAB) OPAT remained largely stable at RMB76.6bn, with Ping An L&H, Ping An P&C and PAB +0.9%/-12.4%/+3.3% YoY in 1H26. Life CSM balance growth turned positive for the first time in 1H26, up 0.6% YoY/1.7% HoH to RMB737.8bn; and we expect the uptrend to persist within the full year. We like Ping An for its resilient growth recovery fueled by 1) L&H OPAT growth acceleration in 2026E, as CSM release approaches an inflection point; 2) continued progress on AM de-risking; and 3) advanced deployment in technology, and healthcare and elderly-care buildout.
- **Our view:** Maintain BUY, with our TP at HK$81/RMB73. In our 1H26 review (*link*), we adjust our FY26E-28E EPS to RMB8.44/8.94/9.68 (prev. RMB8.18/9.03/9.96), and remain constructive on the outlook for Life OPAT acceleration in 2026E, as CSM release approaches a growth inflection. Our TP implies 0.80x FY26E P/EV and 1.2x FY26E P/B vs. the stock now trading at 0.54x FY26E P/EV and 0.8x FY26E P/B.
- **Catalysts:** 1) Life CSM release growth to turn growth in 2026E (1H26: -3.0% YoY); 2) outperforming OPAT growth in AM segment, led by continued de-risking progress; 3) rising OPAT payout; 4) a significant equity market rally; and 5) PAB profit increase.
- **Valuation:** Our SOTP-based TPs of HK$81 for Ping An-H and RMB73 for Ping An-A are based on 1) 1.1x Life EV, reflecting 13% average ROEV in FY26-28E; 2) 0.8x book value for Ping An P&C; 3) 0.6x BV for PAB; 4) 1.0x BV for AM and other segments; 5) HK$0.8/share for finance enablement businesses; and 6) a 10% Group conglomerate discount.
- **Key risks:** 1) Tightening regulatory oversight; 2) a prolonged low-rate environment; 3) heightened equity market volatilities; 4) lower-than-expected new business sales; 5) intensified pricing competition in the P&C industry; and 6) asset deterioration, etc.

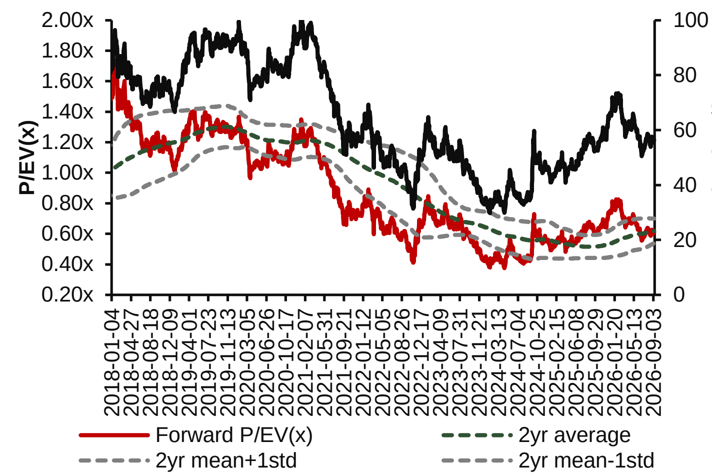
Link to latest report: Ping An (2318 HK/601318 CH) - Group OPAT strengthened by AM; NBV largely in-line

Financials and Valuations

(YE 31 Dec)	FY25A	FY26E	FY27E	FY28E
Net profit (RMB bn)	134.8	152.9	161.8	175.3
Diluted EPS (RMB)	7.44	8.44	8.94	9.68
Consensus EPS (RMB)	N/A	8.28	8.92	9.51
P/EV (x)	0.57	0.54	0.51	0.47
P/B (x)	0.86	0.80	0.74	0.69
Dividend yield (%)	5.7	6.2	6.5	6.9
ROE (%)	14.0	14.7	14.0	14.0

Source: Company data, Bloomberg, CMBIGM estimates

Ping An-H: Share price and P/EV(x) valuation band



Source: Bloomberg, CMBIGM estimates

China Life (2628 HK) – Interim DPS +50.4% a beat; expect 3Q underwriting resilience

Rating: BUY | **TP:** HK$39.0 (30% upside) Analyst: Nika MA

- **Investment Thesis:** We like China Life for 1) its leading market position with the most extensive offline distribution network (i.e. 0.61mn life agents) that supports robust NBV uptick (1H26: +33.7%); 2) better-than-peers' asset-liability duration match, i.e. A/L duration gap narrowed to <1.3yrs; 3) a balanced UW mix (~1/3 from traditional/participating/protection-type); and 4) reduced guaranteed liability cost of in-force/new book, to <2.9%/1.73% by 1H26 per mgmt. We think the 2Q profit surge has validated the insurer's dual drivers of underwriting and investment results, leading us to lift FY26-28E EPS forecasts to RMB7.67/6.10/6.55 (previous: RMB6.18/5.14/5.52). Core equities rose to 19.2% of total insurance funds, with OCI/TPL stock up 69%/7% HoH to RMB393bn/RMB645bn (38%/62%) in 1H26.
- **Our view:** Maintain BUY with TP of HK$39 (*link*), implying 0.6x FY26E P/EV and 1.3x FY26E P/B. We remain constructive on the prospects of A-share market rebounds and a stabilized long-term bond yield to drive earnings upward alongside 1) continued improvement in cost of liability for in-force/new books, and 2) robust NBV growth on the back of an increasing share of longer-duration policies.
- **Catalysts:** 1) Sustained A-share stock market rallies in 2H26E; 2) an interest rate hike; 3) significantly reduced in-force book cost to below the current level of <2.9%; 4) better-than-expected NBV uptick in 3Q26E amid continued margin expansion etc.
- **Valuation:** The stock is trading at 0.4x FY26E P/EV and 1.0x FY26E P/B, with 3yr forward ROE at >24%. Interim DPS rose 50.4% YoY, a beat to market expectations, which could boost the full-year dividend yield to 3.6% (*CMBI est*). We are positive on the insurer's stock price rebound along with the A-share market recovery in FY26E. Maintain BUY, with our TP implying FY26E 0.6x P/EV and 1.3x P/B.
- **Key risks:** 1) Intensified equity market volatilities; 2) a prolonged low-interest rate environment; 3) weaker-than-expected new business sales; 4) stringent regulatory oversight; 5) margin deterioration; and 6) a sharp decline in life sales agents, etc.

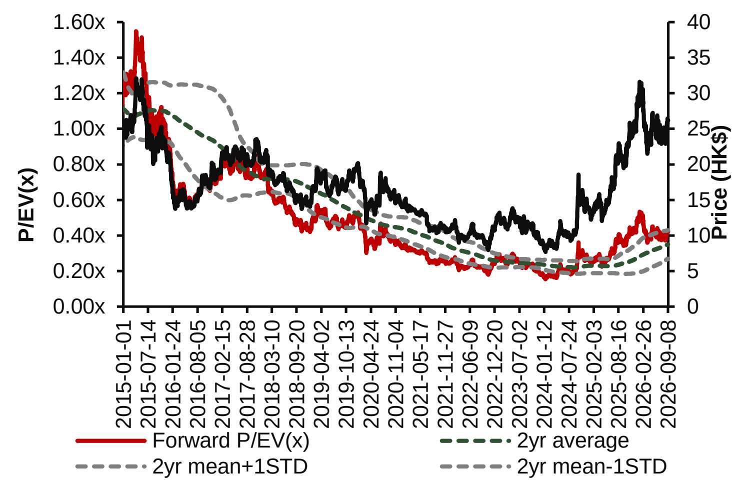
Link to latest report: China Life (2628 HK) - Strong underwriting and investment gains drive interim DPS beat; Raise TP to HK$39

Financials and Valuations

(YE 31 Dec)	FY25A	FY26E	FY27E	FY28E
Net profit (RMB bn)	154.1	216.8	172.4	185.3
EPS (RMB)	5.45	7.67	6.10	6.55
Consensus EPS (RMB)	n.a	5.64	5.39	5.87
P/EV (x)	0.50	0.44	0.41	0.38
P/B (x)	1.1	1.0	0.8	0.7
Dividend yield (%)	3.3	3.6	3.8	4.1
ROE (%)	27.9	32.6	21.3	19.2

Source: Company data, Bloomberg, CMBIGM estimates

Share price and P/EV(x) valuation band



Source: Bloomberg, CMBIGM estimates

AIA (1299 HK) – Short-term pushbacks do not overshadow robust UW resilience

Rating: BUY | **TP:** HK$112.0 (48% upside)

Analyst: Nika MA

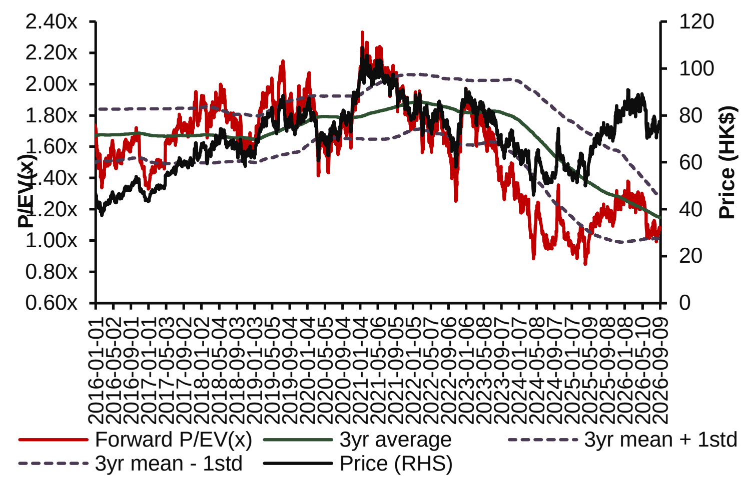
- **Investment Thesis:** 1) We expect strong demand to sustain across APAC markets in 2026E, supporting robust VONB growth amid broad-based margin expansion. We forecast Group VONB to achieve a mid-teens uptick in FY26E. 2) Group OPAT will likely grow on track to meet the 9%-11% OPAT per-share CAGR target in FY26E. 3) UFSG is expected to remain strong as a valuable addition to Group free surplus generation and contribute to a sustainable outlook for shareholder returns. 4) We expect a total of US$4.3bn shareholder returns in 2026E, incl. US$2.6bn dividends and US$1.7bn share buyback, which could translate into a 4.0% 12m-forward TSR.
- **Our view:** Maintain BUY with TP of HK$112, implying 1.7x FY26E P/EV**.** Our FY26-28E operating EPS forecasts land at US$0.78/0.86/0.96, primarily reflecting resilient VONB growth in 2026E, and a better investment outlook.
- **Catalysts:** 1) Group VONB to sustain a mid- to high-teens YoY in 2H26E to achieve the mid-teens growth target in FY26E, despite a high base for 3Q in AIA HK/mainland markets; 2) robust MCV sales momentum in HK in 3Q26E; 3) regulatory approvals on further geographic expansions in mainland China markets; and 4) a separate disclosure on TATA AIA's (India's JV) VONB contribution to the Group, etc.
- **Valuation:** The stock is trading at 1.17x FY26E P/EV or 2.21x FY26E P/B, with a yield of 2.8%. We expect the 12m-forward total shareholder return to be ~4.0%. We think the overseas insurance tax sell-off on Aug 6th due to the tax levies news from *Caixin* to be overdone (*link*), and expect to see robust sales momentum from MCVs for AIA HK in 3Q26E despite a high base (i.e. AIA HK VONB +40% YoY in 9M25). We believe the market has been more convinced by the growth narrative, rather than viewing AIA as a high-yield conviction.
- **Key risks:** 1) Intensified stock market fluctuations and unexpected shock in interest rates and FX movements; 2) a prolonged low interest rate environment in Chinese mainland; 3) sluggish sales momentum or margin contraction; 4) significant drawdown in shareholder capital ratio and negative shock in free surplus balance, etc.

Financials and Valuations

(YE 31 Dec)	FY25A	FY26E	FY27E	FY28E
Operating profit (US$ mn)	7,136	8,053	8,818	9,673
Operating EPS (US$)	0.68	0.78	0.86	0.96
Consensus EPS (US$)	N/A	0.77	0.85	0.96
P/EV (x)	1.3	1.2	1.0	0.9
P/B (x)	2.4	2.2	2.0	1.9
Dividend yield (%)	2.5	2.8	3.1	3.4
Operating ROE (%)	17.0	18.1	18.5	18.9

Source: Company data, Bloomberg, CMBIGM estimates

Share price and P/EV(x) valuation band



Source: Bloomberg, CMBIGM estimates

Link to latest report: AIA Group Ltd. (1299 HK) - 1H26 first take: VONB largely in line; OPAT lift a slight beat, with no additional 2H26 buyback

Tencent (700 HK) – Gradually capturing AI benefits in the long run

Rating: BUY | **TP:** HK$705.0 (65% upside) Analysts: Saiyi He/Wentao LU/Frank Tao/Shuyin GUO

- **Investment Thesis:** Tencent's competitive edges remain solid, and investors over-reacted to the short-term earnings impact of increased AI investment, in our view. We expect Tencent to deliver sustainable earnings growth (+5%/+5% YoY in FY26/27E) despite stepped-up AI investment. We expect several catalysts to support Tencent's fundamental and valuation recovery: 1) agentic applications like Xiaowei & WorkBuddy enable Tencent to leverage Weixin+AI to tap into the enormous AI agent market; 2) performance of evergreen titles remains solid, and new titles like *Roco Kingdom: World* contribute incremental revenue; 3) AI empowerment and improved monetization drive faster-than-sector marketing revenue growth. Tencent currently trades at 13x FY26E Non-IFRS PE, offering attractive risk-reward in our view.
- **Our View:** Tencent announced 2Q26 results: total revenue was up by 11% YoY to RMB204.8bn, mainly thanks to the solid growth of marketing and games businesses; non-IFRS operating profit grew by 9% YoY to RMB75.6bn; excluding new AI products investment, non-IFRS operating profit increased by 19% YoY to RMB86.1bn, demonstrating resilience of Tencent's core businesses. Free cash flow also remained healthy at RMB37.6bn if excluding prepayments for compute procurement, though total capex was up by 176% YoY to RMB52.8bn in 2Q26. Despite a slowdown in short-term earnings growth (2Q26/1Q26: +9%/11% YoY), we remain upbeat that Tencent will gradually gain benefits from AI investment in the long term through improved foundation models/productivity AI/consumer AI.
- **Catalysts:** 1) Weixin AI: Tencent is building the next-gen agentic services in Weixin, which will boost ecosystem activities and may generate revenue itself; 2) productivity AI: the company is introducing a range of autonomous AI agents like WorkBuddy, creating new monetization opportunities
- **Valuation:** Our SOTP-derived target price is HK$705.0, consisting of HK$318.3/31.1/134.9/107.5/36.0 for games/SNS/marketing/FBS/cloud and HK$5.1/72.0 for net cash/strategic investment.

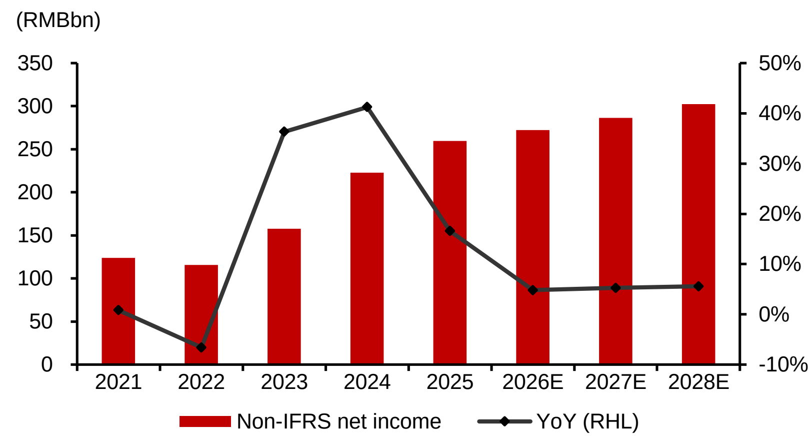
Link to latest report: Tencent (700 HK) - Solid 2Q26 results; gradually capturing AI benefits in the long run

Financials and Valuations

(YE 31 Dec)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (RMB mn)	660,257	751,766	816,510	873,828	925,213
Gross margin (%)	52.9	56.2	57.5	58.1	58.1
Adj net profit (RMB mn)	222,703	259,626	272,181	286,534	302,518
EPS (Adjusted) (RMB)	23.96	28.55	29.83	31.88	34.17
Consensus EPS (RMB)	23.96	28.55	29.03	30.45	33.29
Non-IFRS P/E (x)	16.0	13.4	12.7	11.8	11.1

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Non-IFRS net income growth



Source: Company data, CMBIGM estimates

NetEase (NTES US) – 2Q26 earnings beat; legacy game titles maintain solid performance

Rating: BUY | **TP:** US$159.5 (38% upside)   Analysts: Saiyi He/Wentao LU/Frank Tao/Shuyin GUO

- **Investment Thesis:** We expect NetEase to deliver solid earnings growth in FY26, supported by resilient evergreen game titles and margin expansion: 1) evergreen game titles like *Where Winds Meet* continue to maintain solid performance with active users reaching a new record high; 2) channel costs optimization and favorable revenue mix shift continues to support better-than-expected margin expansion. Besides, NetEase was included in Southbound stock connect on 30 Jun, which shall attract positive fund inflow in our view. We forecast NetEase FY26E operating income to grow by 33% YoY. The company currently trades at 13x FY26E non-GAAP PE. Our SOTP-derived target price is US$159.5, translating into 16x FY26E Non-GAAP PE.
- **Our View:** NetEase reported 2Q26 financial results: total revenue grew by 8% YoY to RMB30.1bn, thanks to the solid game business performance; operating income increased by 33% YoY to RMB12.1bn, mainly due to the strong GPM expansion and improved operational efficiency. Legacy game titles like *Where Winds Meet* continue to maintain solid performance with active users reaching new record high, although the launch of *Sea of Remnants* was below expectation and more time is needed for its revenue to ramp up. Maintain BUY on NetEase's strong game portfolio and solid earnings growth outlook.
- **Catalysts:** 1) Launch of *ANANTA* in Jan 2027; 2) Southbound connect inclusion attracts fund inflow.
- **Valuation:** Our SOTP-derived target price is US$159.5, consisting of US$142.0/1.0/2.2/1.1 for games/Youdao/NetEase Cloud Music/Innovative Businesses and Others and US$13.3 for net cash.

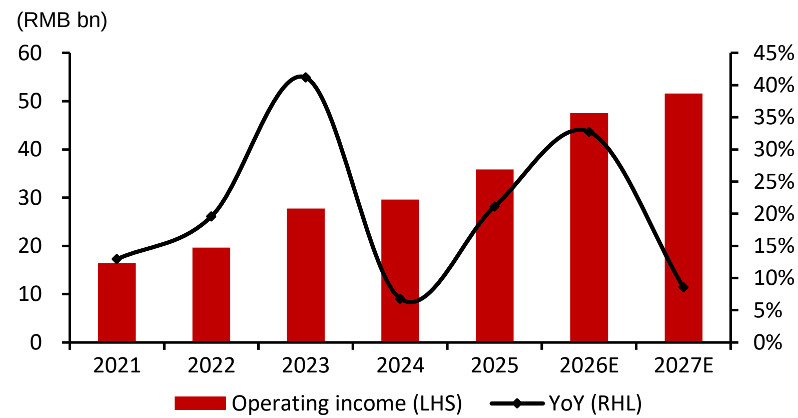
Link to latest report: NetEase (NTES US) - 2Q26 earnings beat; legacy game titles maintain solid performance

Financials and Valuations

(YE 31 Dec)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (RMB mn)	105,295	112,626	120,897	130,868	139,862
Gross margin (%)	62.5%	64.3%	70.0%	69.5%	69.8%
Adj net profit (RMB mn)	33,511	37,344	40,557	46,379	51,046
EPS (Adjusted) (RMB)	52.35	58.83	62.92	71.95	79.19
Consensus EPS (RMB)	52.35	58.83	60.86	70.95	76.88
Non-GAAP P/E (x)	15.5	13.9	12.8	11.2	10.2

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Operating income growth



Source: Company data, CMBIGM estimates

Meituan (3690 HK) – UE improved as expected amid more benign industry competition

Rating: BUY | **TP:** HK$138.0 (82% upside)   Analyst: Saiyi He/Frank Tao/Wentao LU/Shuyin Guo

- **Investment Thesis:** Earnings of Meituan's Core Local Commerce (CLC) business are bottoming out, in our view, as: 1) regulatory guidance in the food delivery industry is steering the sector toward healthier development; and 2) players in the in-store segment are increasingly focusing on their core competencies and categories to drive more efficient expansion. Meituan has demonstrated strong consumer mindshare in high-value food delivery (FD) orders, and improved operating efficiency should help sustain its unit economics (UE) advantage over peers in the long term.

- **Our View:** 2Q26 results further demonstrated Meituan's ability to defend its leadership in the mid-to-high average order value (AOV) segment of the FD market, and we also believe the in-store business has the potential to recover toward a 30% OPM over the long term as industry competition becomes more rational and stabilizes.

- **Catalysts:** 1) Better-than-expected UE recovery in the FD business, driven by greater-than-expected improvement in industry competition; 2) better-than-expected recovery in the OPM of the in-store business, driven by more benign-than-expected industry competition.

- **Valuation:** DCF-based valuation of HK$138.0, which translates into 17x 2028E adjusted PE.

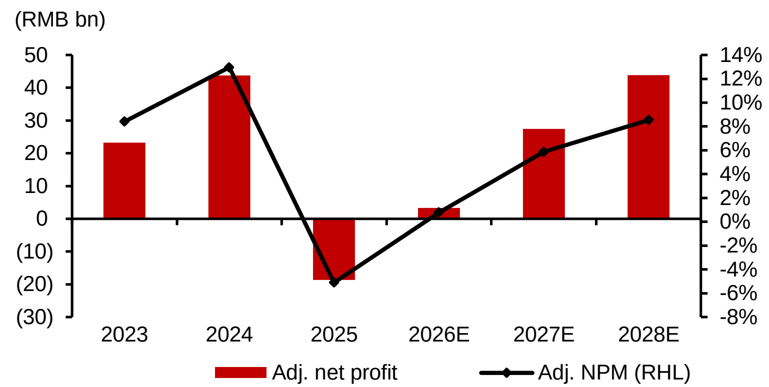
Link to latest report: Meituan (3690 HK) – UE improved as expected amid more benign industry competition

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMBmn)	337,592	364,855	419,518	467,914	513,661
YoY growth (%)	22.0	8.1	15.0	11.5	9.8
Net profit (RMBmn)	35,807	(23,355)	(1,848)	21,187	37,754
Adj. net profit (RMBmn)	43,772	(18,648)	3,265	27,471	43,858
YoY growth (%)	88.2	N/A	N/A	741.3	59.6
P/E (x)	11.4	N/S	N/S	19.1	10.7

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Meituan: adjusted net profit



Source: Company data, CMBIGM estimates

Alibaba (BABA US) – Strong cloud growth prospects with clear ROIC visibility

Rating: BUY **| TP:** US$220.1 (101% upside)   Analysts: Saiyi He/Frank Tao/Wentao LU/Shuyin GUO

- **Investment Thesis:** 1) Strong growth prospects for cloud computing revenue, driven by rising adoption of AI-related products and growing digitalization demand; 2) on-track loss reduction of quick commerce could support earnings recovery and create more room for Alibaba to invest in AI business deployment. Endowed with strong technological capabilities and abundant AI application scenarios, Alibaba is poised to drive its long-term revenue and profit growth through its two strategic business pillars: "Consumption" and "AI + Cloud".

- **Key updates for 1QFY27 (2Q26):** management highlighted that Alibaba Cloud's external revenue growth accelerated to 45% YoY (4QFY26: 40%) and expects the acceleration momentum to sustain in the coming quarters, supported by robust demand and continued capacity expansion. Moreover, management noted that AI-related capex can achieve a three-year payback period, with further shortening expected as AI-related product gross margins improve, supported by greater economies of scale, increased deployment of proprietary chips, and improved capital efficiency.

- **Our View:** We remain positive on Alibaba as one of the key beneficiaries of the AI theme within our coverage universe. In our view, the stable cash flow generated by Alibaba E-commerce Group (AEG) and Alibaba's strong balance sheet should support continued investment to capture opportunities in the AI era, while a clear path to attractive ROIC should underpin long-term shareholder returns.

- **Catalysts:** better-than-expected cloud revenue growth and margin expansion.

- **Valuation:** SOTP-based valuation of US$220.1.

Link to latest report: Alibaba (BABA US) – Strong cloud growth prospects with clear ROIC visibility

CR MixC Lifestyle (1209 HK) – Broadening drivers to ease residential PM reliance

Rating: BUY **| TP:** HK$53.58 (38% upside)

Analyst: Miao Zhang

- **Investment Thesis:** CR MixC is broadening its growth drivers beyond residential PM, supported by strong shopping mall operations, steady urban space expansion and fast-growing ecosystem businesses. Given its lower residential exposure, leading mall operating capabilities, 100% payout ratio, and appeal to both property and consumer investors on the service consumption theme, we maintain BUY and our top pick call.

- **Our View:** 1H26 core net profit rose 10.8% YoY, meeting double-digit guidance, while revenue grew 8.1%, slightly below target, pressured by weak basic PM growth. Shopping mall biz revenue grew 15.2% YoY and retail sales at malls in operation rose 21.7% with SSSG of 10.2%, far outpacing national retail sales ex-auto growth of 2.8%—reaffirming its distinct operational alpha. Three malls opened in 1H26, with ten more slated for 2H26, in line with the FY25 pace; 12 new projects were signed in 1H26, already matching last year‘s full-year count. The urban space biz grew steadily; GFA under management rose 11% YoY, and the company disclosed a collection rate of nearly 100%, c.20ppt above the industry average. Ecosystem revenue surged 87.8% YoY on a 93.3mn-strong membership base and the Mixc Beauty self-operated cosmetics rollout. Management targets doubling ecosystem revenue and profit over the 15th FYP period.

- **Where do we differ vs consensus:** More optimistic on commercial segment growth; cautious on residential third-party expansion. Net profit forecast is slightly below Bloomberg consensus, with a more prudent view on margin trends.

- **Catalysts:** 1) Better-than-expected monthly retail sales growth; 2) faster-than-expected third-party mall expansion; 3) stronger-than-expected recovery of VAS biz.

- **Valuation:** Maintain BUY. TP at HK$53.58 based on 25x 2026E P/E.

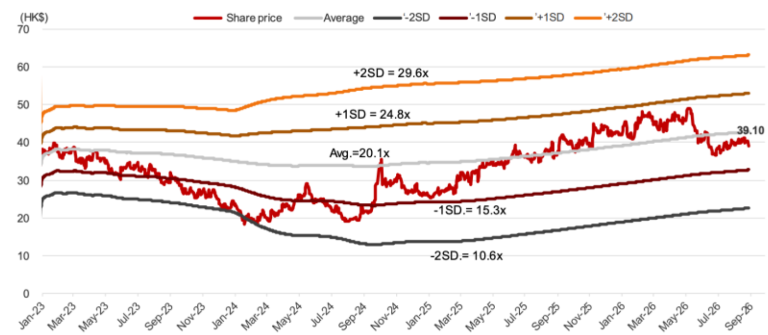
Link to latest report: CR MixC Lifestyle (1209 HK) - Broadening drivers to ease residential PM reliance; Maintain BUY

Financials and Valuations

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	17,043	18,022	19,661	21,308	22,937
YoY growth (%)	15.4	5.7	9.1	8.4	7.6
Net profit (RMB mn)	3,629.4	3,969.0	4,451.8	4,844.9	5,281.1
YoY growth (%)	1.59	1.74	1.95	2.12	2.31
EPS (Reported) (RMB)	23.9	9.4	12.2	8.8	9.0
Consensus EPS (RMB)	N/A	N/A	1.93	2.13	2.37
P/E (x)	21.5	19.6	17.5	16.1	14.8
P/B (x)	4.7	5.0	4.9	4.7	4.6
Yield (%)	4.5	5.1	5.7	6.2	6.8
ROE (%)	22.4	24.8	28.3	29.7	31.5

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band



Source: Company data, Wind, CMBIGM estimates (data as of 31 Aug 2026)

招銀国际 CMB INTERNATIONAL

Greentown Service (2869 HK) – Trading scale for quality in 1H26

Rating: BUY **| TP:** HK$6.55 (55% upside)

Analyst: Miao Zhang

- **Investment Thesis:** Greentown Service is shifting basic PM growth from scale to quality by exiting low-quality projects, which should support collection rates and project margins. Resilient basic PM, improving operating efficiency and high shareholder returns underpin the investment case, while community VAS remains constrained by the macro backdrop.

- **Our View:** 1H26 revenue rose 6.3% YoY, driven by resilient basic PM and offset by weak community VAS. Core operating profit (GP–SG&A) and attributable NP grew 16.3%/15.2% YoY respectively, beating the ">15% core OP growth" full-year guidance. Basic PM revenue growth held at 10% in 1H26 (vs 10.2% in 1H25), supported by better project quality. The company stepped up terminations of low-quality projects, which will keep lifting the overall collection rates and project margins in the long run. FY26 guidance was unchanged with core OP growth of >15%, +0.5ppt gross margin, -0.5ppt admin ratio, cash collections ratio at or above that in FY25, and operating cash flow above 1x net profit. The company has delivered these targets for four consecutive years.

- **Where do we differ vs consensus:** More optimistic on the sustainability of efficiency improvement; more prudent on medium-term fee collection pressure amid high new home vacancy. Net profit forecast is slightly below consensus, with a more cautious target P/E multiple.

- **Catalysts:** 1) Better-than-expected collection rate recovery; 2) faster-than-expected margin improvement; 3) stronger-than-expected profitability of VAS biz; 4) higher-than-expected dividend payout ratio.

- **Valuation:** Maintain BUY. TP at HK$6.55 based on 18x 2026E P/E.

Link to latest report: Greentown Service (2869 HK) - Trading scale for quality in 1H26; maintain BUY

Financials and Valuations

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	17,893	19,164	20,733	22,309	23,830
YoY growth (%)	6.4	7.1	8.2	7.6	6.8
Net profit (RMB mn)	785.1	880.2	1,030.1	1,159.4	1,253.4
YoY growth (%)	0.25	0.28	0.33	0.37	0.40
EPS (Reported) (RMB)	31.6	12.7	17.0	12.6	8.1
Consensus EPS (RMB)	N/A	N/A	0.33	0.37	0.42
P/E (x)	14.8	13.1	11.2	10.0	9.2
P/B (x)	1.7	1.6	1.5	1.4	1.4
Yield (%)	5.0	5.8	6.7	7.5	8.1
ROE (%)	10.3	11.2	12.6	13.5	14.0

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Managed GFA termination rate

Managed GFA movement (mn sqm)	2022A	2023A	2024A	2025A	1H24	1H25	1H26
At the beginning of the period	304.1	381.4	448.4	509.0	448.4	509.0	566.0
Addition	**83.3**	**83.4**	**79.2**	**79.1**	**40.3**	**39.3**	**31.9**
Termination	(6.0)	(16.4)	(18.6)	(22.1)	(7.0)	(12.0)	(17.6)
At the end of the period	381.4	448.4	509.0	566.0	481.7	536.3	580.3
Termination rate (=Termination/beginning GFA)	*-2.0%*	*-4.3%*	*-4.1%*	*-4.3%*	*-1.6%*	*-2.4%*	*-3.1%*

Source: Company data, CMBIGM

NAURA (002371 CH) – Compounding moats in a platform era

Rating: BUY | **TP:** RMB814 (27% upside) Analysts: Zhou Zhimin/Kevin Zhang/Aaron Guo

- **Investment thesis:** NAURA's 1H26 results showed steady top-line expansion (revenue +24.9% YoY to RMB20.16bn), though net profit (+5.1% YoY to RMB3.37bn) missed consensus due to temporary margin compression and elevated R&D/SG&A spend. 2Q26 GPM fell to 39.3% amid customer discounts and new-product validation costs, while aggressive investments into sales teams, Kingsemi (688037 CH, NR) integration, and process qualification (ICP/ion-beam etch, hybrid bonding, TSV) temporarily defer operating leverage. Crucially, leading order indicators remain robust: contract liabilities rose 26.6% QoQ (RMB5.3bn) and inventory reached RMB30.5bn, backed by strong 1H26 operating cash flow of RMB3.77bn. As China's foremost platform-based semiconductor equipment vendor, NAURA remains the prime beneficiary of domestic wafer fab equipment substitution across advanced logic, memory, and packaging.
- **Risks:** 1) Lower-than-expected domestic foundry capex plan; 2) slower-than expected R&D progress; 3) higher raw material costs, etc.
- **Valuation:** Maintain BUY, with TP of RMB814, based on 52x 2027 P/E.
- **Link to relevant reports:**

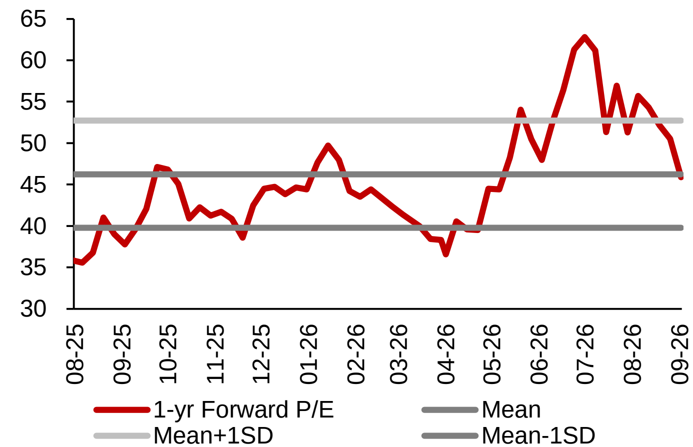
1. Naura Technology (002371 CH) - Platform strength drives solid growth; Maintain BUY (link)
2. Naura Technology (002371 CH) - Building for the next leg of WFE growth (link)
3. Naura Technology (002371 CH) - Intact long-term growth trajectory despite seasonal fluctuations; Maintain BUY (link)
4. Naura Technology (002371 CH) - Solid FY24 earnings amid accelerated semi supply chain domestication (link)
5. Naura Technology (002371 CH) - Solid Q3 earnings signal intact growth trajectory (link)

Financials and Valuations

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	30,075	39,353	50,677	64,217	80,124
YoY growth (%)	36.2	30.9	28.8	26.7	24.8
Gross margin (%)	42.9	40.1	39.8	41.7	43.1
Net profit (RMB mn)	5,621.8	5,522.0	7,500.4	11,353.9	15,926.3
YoY growth (%)	44.2	(1.8)	35.8	51.4	40.3
EPS (RMB)	7.83	7.64	10.34	15.65	21.95
P/E (x)	84.4	86.4	63.9	42.2	30.1

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band



Source: Company data, CMBIGM estimates

Lumentum (LITE US) – A tollbooth on the AI optics highway

Rating: BUY | **TP:** US$1,230 (24% upside)

Analysts: Kevin Zhang/Aaron Guo

- **Investment thesis:** Lumentum is structurally positioned to monetize the AI optical growth cycle through an expanding addressable market and sustained pricing power. The company's diverse product portfolio, spanning EML and CW lasers in pluggables to UHP and ELS for NPO and CPO architectures, captures incremental demand as data center interconnects evolve. Crucially, management views NPO as an additive opportunity rather than a replacement for CPO, which broadens the company's total addressable laser content. Concurrently, persistent supply constraints across EML, CW, and UHP lasers are providing immense support for selective pricing and high utilization rates. This dynamic has driven strong margin leverage, allowing the company to reach its long-term 50.4% non-GAAP gross margin target at roughly half the previously planned US$2bn revenue scale, signaling structurally higher earnings conversion moving forward.
- **Our view:** We maintain our BUY rating on Lumentum with a target price of US$1,230, based on an unchanged 35x FY28E P/E. This premium valuation is firmly justified by the company's status as a purer AI optical player and its impressive 4QFY26 financial beat. Recognizing this accelerated earnings leverage, improved CW laser economics, and sustained supply tightness, we have raised our FY27 and FY28 revenue estimates by 13% and 18%, alongside 0.9% and 0.8% upward revisions to gross margins in our latest company note. With a robust 1QFY27 revenue guidance of US$1.225-1.275bn and initial ELS module orders already secured for 2HCY27 delivery, we see a clear runway for continued outperformance driven by both systems-level exposure and broader pluggable/packaged demand.
- **Key risks:** Slower-than-expected InP capacity ramp due to supply chain constraints, manufacturing yields or qualification delays.
- **Valuation:** Our target price of US$1,230 is based on 35x FY28E P/E at non-GAAP EPS of US$35.1.

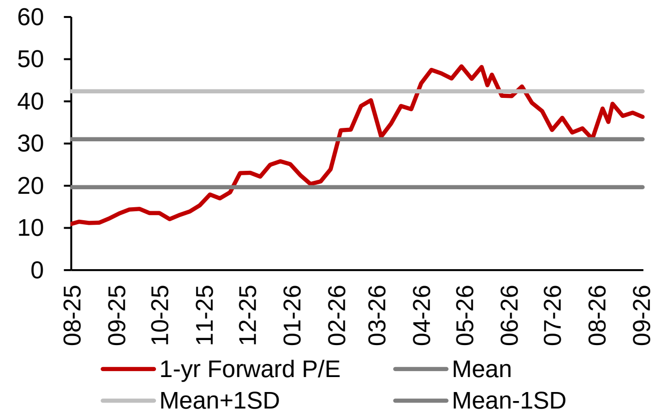
Link to latest report: Lumentum (LITE US) - 4Q earnings beat; optical momentum continues across multiple architecture

Financials and Valuations

(YE 28 Jun)	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue (US$ mn)	1,645	3,014	6,678	10,778	14,697
YoY growth (%)	21.0	83.2	121.6	61.4	36.4
Gross margin (%)	34.7	46.0	52.1	52.8	52.3
Adjusted NP (US$ mn)	146.4	782.3	2,225.4	3,583.5	4,849.0
YoY growth (%)	94.7	434.4	184.5	61.0	35.3
EPS (Adjusted) (US$)	2.06	8.67	21.82	35.13	47.54
P/E (Adjusted) (x)	428.6	101.6	40.4	25.1	18.5

Source: Company data, Bloomberg, CMBIGM estimates

Fig: P/E chart



Source: Company data, CMBIGM estimates

SMIC (981 HK) – The bedrock of domestic silicon

Rating: BUY | **TP:** HK$119 (86% upside)

Analysts: Zhou Zhimin/Kevin Zhang/Aaron Guo

- **Investment thesis:** SMIC's record 2Q26 beat underscores a durable earnings recovery driven by an ASP pricing inflection (+5.7% QoQ) and elevated utilization (93.7%), rather than wafer-size mix alone. While one-off non-operating gains materially inflated headline net profit, core operating momentum remains robust, supporting strong 3Q26 margin guidance (GPM 26-28%, per mgmt. guidance). Strategically, SMIC is deepening localization, with China revenue reaching 90.2%, and rotating its mix away from smartphones toward industrial, automotive, and AI-adjacent demand, alongside an expanding 12-inch manufacturing footprint. The thesis supports a BUY rating with TP of HK$119 (based on 5.0x FY27E P/B). We believe SMIC warrants a valuation premium over peers given its indispensable strategic leadership in China's domestic semiconductor ecosystem, sustained pricing power, and capacity monetization, which sufficiently offset near-term depreciation headwinds.
- **Catalyst:** 1) Core localization anchor; 2) capex-to-revenue conversion; 3) AI-driven demand resilience; 4) strategic infra. scarcity.
- **Risks:** Export restrictions, depreciation burden, capacity conversion bottlenecks, advanced-node execution limits.
- **Valuation:** Maintain BUY with TP set at HK$119, based on 5.0x 2027E P/B.

Link to relevant reports:

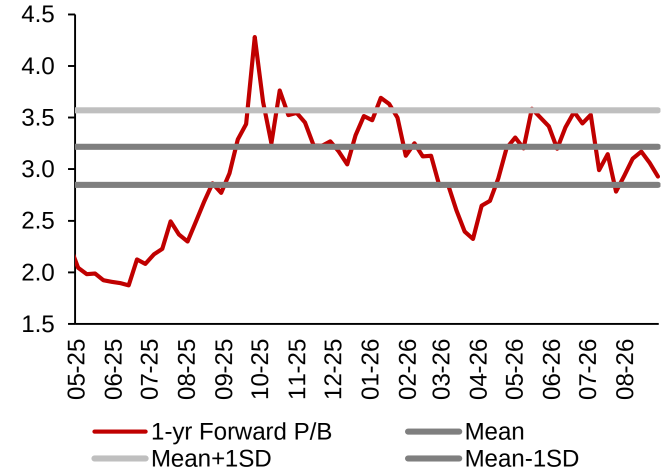
1. SMIC (981 HK) - 2Q earnings beat on pricing turn and earnings recovery (link)
2. SMIC (981 HK) - Scaling through cycles, strengthening through constraints; initiate at BUY (link)

Financials and Valuations

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US$ mn)	8,030	9,327	12,018	14,248	15,786
YoY growth (%)	27.0	16.2	28.9	18.6	10.8
Gross margin (%)	18.0	21.0	24.9	25.6	26.4
Net profit (US$ mn)	492.7	685.1	1,927.4	2,574.8	2,953.2
YoY growth (%)	(45.4)	39.0	181.3	33.6	14.7
EPS (Reported) (US$)	5.99	8.39	22.55	30.08	31.35
P/B (x)	3.4	3.3	3.2	2.9	2.6

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Forward P/B chart



Source: Company data, CMBIGM estimates

InnoScience (2577 HK) – Trading near-term margin for market hegemony

Rating: BUY | **TP:** HK$74.2 (68% upside)

Analysts: Zhou Zhimin/Kevin Zhang/Aaron Guo

- **Investment thesis:** In 1H26, the company's operating cash flow turned positive. Gross profit margin recovered to 11.6% via improved utilization and product upgrades, even as management prioritized market-share expansion over aggressive pricing. Industrial and energy storage (revenue +83% YoY) anchor near-term volume, while higher-value segments reached 64% of sales. Crucially, AI Data Center (AIDC) shipments surged 183% YoY across 100+ design-ins, positioning InnoScience to capture structural gains as hyperscalers transition to 800V DC power architectures. We have trimmed FY26/27E gross margins but raised FY27E revenue (+18.2%) on broader design conversion and 2H seasonality. Reiterate BUY with a target price of HK$74.2 (35x FY30E P/E discounted at 12% COE), reflecting InnoScience's scarce pure-play GaN platform value and significant medium-term AIDC power optionality.
- **Our view:** We view InnoScience as a structurally undervalued leader in the GaN ecosystem. By aggressively shifting its mix toward high-margin integrated ICs and modules, the company is effectively decoupling from consumer cycles. Crucial design wins in 800V AI data centers, automotive inverters, and robotics, supported by a massive 70k wfpm IDM capacity moat, create a clear path to long-term operating leverage, in our view.
- **Key risks:** Slower-than-expected capacity ramp-up, intensified competition, geopolitical uncertainties, etc.
- **Valuation:** TP is HK$74.2, based on 35.0x FY30E P/E and discounted back to 27E using COE of 12%.

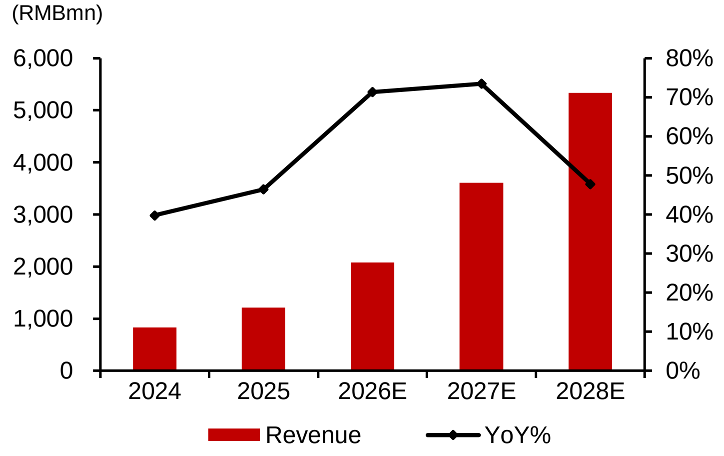
Link to latest report: InnoScience (2577 HK) - 1H26 takes a breather as mix and margins improved

Financials and Valuations

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	828	1,213	2,079	3,607	5,332
YoY growth (%)	39.8	46.4	71.4	73.5	47.8
Gross margin (%)	(19.5)	7.3	15.5	31.5	37.7
Net profit (RMB mn)	(1,045.7)	(840.5)	(641.4)	40.8	635.5
EPS (Reported) (RMB cents)	(127.64)	(95.40)	(70.43)	4.48	69.78
P/E (x)	ns	ns	ns	825.1	53.0

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue and growth



Source: Company data, CMBIGM estimates

Microsoft (MSFT US) – Tangible ROI increasingly evident

Rating: BUY **|** **TP:** US$634.2 (29% upside) Analysts: Saiyi He/Frank Tao/Wentao LU/Shuyin Guo

- **Investment Thesis:** Microsoft is one of the key beneficiaries of the Gen-AI era, in our view. Its cohesive product portfolio, large consumer and enterprise customer bases, and R&D leadership present significant new business opportunities amid the AI wave. We remain constructive on Microsoft's long-term growth potential across both its first-party applications, supported by AI integration, and its Intelligent Cloud business, aided by strengthening digitalization demand. On a FY25-28E (Jun year-end) revenue CAGR of 17%, we forecast operating profit to grow at a 17% CAGR. Microsoft currently trades at 25x FY27E non-GAAP P/E, versus its five-year average of 30x, offering an attractive risk-reward profile, in our view.
- **Our View:** the tangible ROI on capex investment is becoming increasingly evident across both Microsoft's cloud business and first-party applications, as evidenced by: 1) Azure and other cloud services revenue growth accelerating to 43% YoY in 4QFY26 (vs. guidance of 39-40%), with management expecting further acceleration to 45% YoY in 1QFY27; and 2) Microsoft 365 Copilot reaching 30mn paid seats, with net seat additions more than doubling QoQ, driven by improved product capabilities and more integrated AI offerings. We expect both trends to sustain, potentially supporting a further valuation rerating for Microsoft.
- **Catalysts:** 1) Stronger-than-expected Azure and other cloud services revenue growth; and 2) better-than-expected monetization and penetration of Microsoft 365 Copilot.
- **Valuation:** Our DCF-based target price is US$634.2 (WACC of 7.9%; terminal growth of 3%), translating into 32x FY27E PE.

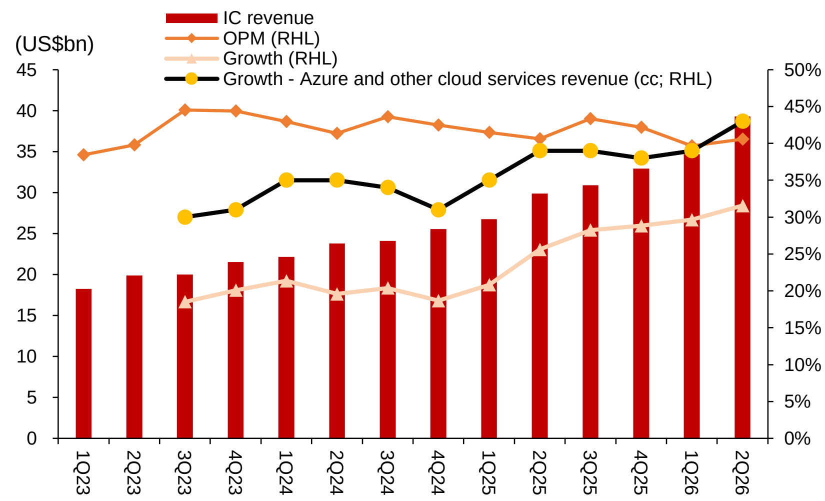
Link to latest report: Microsoft (MSFT US) - Tangible ROI increasingly evident

Earnings summary

(YE 30 Jun)	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue (US$ mn)	281,724	331,839	392,809	456,749	533,567
YoY growth (%)	14.9	17.8	18.4	16.3	16.8
Net profit (US$ mn)	101,832	133,749	147,668	170,789	198,927
YoY growth (%)	15.5	31.3	10.4	15.7	16.5
EPS (Reported) (US$)	13.70	18.00	19.89	23.01	26.82
P/E (x)	32.9	25.1	22.7	19.6	16.8

Source: Company data, CMBIGM estimates

Fig: Microsoft: cloud revenue growth



Source: Company data, CMBIGM estimates
Note: 1) IC: Intelligent Cloud; 2) fiscal periods are presented on a calendar-year basis; 2Q26 corresponds to 4QFY26.

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