Goldman Sachs Research

Equity Research

28 May 2026 | 1:50AM HKT

Kingsoft Cloud (KC)

Earnings Review: 1Q26 beat; AI billings +90% yoy driven by Xiaomi and top external customers; MaaS emerging as a margin-accretive growth driver; Buy

KC	12m Price Target: **$19.50**	Price: **$13.03**	Upside: **49.7%**

BUY

Timothy Zhao
+852-2978-2673 | timothy.zhao@gs.com
Goldman Sachs (Asia) L.L.C.

Ronald Keung, CFA
+852-2978-0856 | ronald.keung@gs.com
Goldman Sachs (Asia) L.L.C.

Eunice Liu
+852-2978-7472 | eunice.liu@gs.com
Goldman Sachs (Asia) L.L.C.

Kingsoft Cloud (KC)'s 1Q26 results beat expectations on revenue and adj. EBITDA (both 4% above Visible Alpha Consensus Data). Revenue grew +37% yoy, which was primarily driven by **+47% yoy** public cloud revenue growth. **AI gross billings** grew **+90% yoy** to Rmb998mn, which was equivalent to 37%/50% of total revenue/public cloud revenue (vs. 34%/49% in 4Q25). Revenue from **Xiaomi/Kingsoft ecosystem** grew **+69% yoy** in 1Q26 (vs. +63% yoy in 4Q25) driven by stronger AI demand and accounted for 31% of revenue, following the raised cap of related party transaction agreement between Xiaomi and Kingsoft Cloud.

Gross margin declined -3.6pp yoy/-4.1pp qoq to 13%, due to seasonality of enterprise cloud business with higher upfront investment in 1Q26. **Adj. EBITDA** grew +135% yoy in 1Q26 (1%/4% above GSe/consensus) with adj. EBITDA margin +11pp yoy to 27.6%. Non-GAAP operating loss was at Rmb60mn (inline with GSe or vs. consensus Rmb54mn operating loss).

We highlight key themes from management:

1) Robust third-party revenue growth and rising inference demand: Revenue from the top 5 non-ecosystem customers grew +66% yoy in 1Q26 (vs. +26% yoy for the total non-ecosystem customer revenue), with high level of backlog with demand coming from internet, AI, smart driving, and robotics sectors, where smart driving and robotics customers drive training and data processing workloads, while LLMs and internet companies drive rising inference and vibe coding demand.

2) MaaS services as a new growth driver: Token services revenue in April grew 53x vs. Jan on a small base since its launch in 4Q25. StarFlow training and inference platform has expanded its model ecosystem by adding voice recognition/synthesis, image and video generation models, while supporting automated one-click agent deployment for OpenClaw and Hermes via its Agent Engine.

Key Data

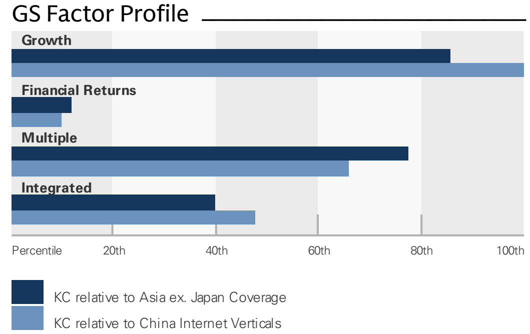
Market cap: $3.6bn
Enterprise value: $4.5bn
3m ADTV: $22.2mn
China
China Internet Verticals
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn) New	**9,558.6**	**12,506.7**	**15,707.7**	**19,050.9**
Revenue (Rmb mn) Old	9,558.6	12,410.5	15,584.6	18,448.1
EBITDA (Rmb mn)	2,328.1	3,958.6	5,655.9	7,477.8
EPS (Rmb) New	**(2.67)**	**(2.14)**	**(1.30)**	**(0.60)**
EPS (Rmb) Old	(2.67)	(2.26)	(2.38)	(1.91)
P/E (X)	NM	NM	NM	NM
P/B (X)	2.9	3.1	3.3	3.4
Dividend yield (%)	0.0	0.0	0.0	0.0
CROCI (%)	14.0	14.4	15.9	16.5

	3/26	6/26E	9/26E	12/26E
EPS (Rmb)	(0.78)	(0.64)	(0.57)	(0.15)

GS Factor Profile



Source: Company data, Goldman S

BUY

Kingsoft Cloud (KC)

Rating since Feb 11, 2026

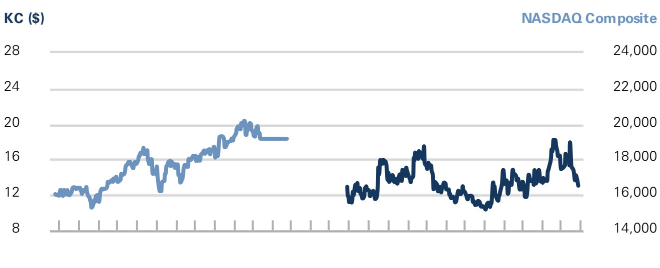
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	NM	NM	NM	NM
P/B (X)	2.9	3.1	3.3	3.4
FCF yield (%)	(3.5)	(6.4)	(9.5)	(6.1)
EV/EBITDAR (X)	13.7	8.7	6.8	5.6
EV/EBITDA (excl. leases) (X)	13.7	8.7	6.8	5.6
CROCI (%)	14.0	14.4	15.9	16.5
ROE (%)	(10.1)	(7.3)	(4.8)	(2.3)
Net debt/equity (%)	30.1	69.4	122.8	164.5
Net debt/equity (excl. leases) (%)	29.1	68.3	121.7	163.4
Interest cover (X)	(0.3)	0.1	0.6	0.9
Days inventory outst, sales	–	–	–	–
Receivable days	61.3	55.3	51.3	50.3
Days payable outstanding	88.6	85.2	85.2	81.1
DuPont ROE (%)	(7.9)	(7.6)	(4.9)	(2.3)
Turnover (X)	0.4	0.4	0.5	0.5
Leverage (X)	2.9	3.5	4.2	4.9
Gross cash invested (ex cash) (Rmb)	22,049.1	29,839.8	39,234.8	49,347.5
Average capital employed (Rmb)	8,114.6	10,077.5	11,686.9	13,539.7
BVPS (Rmb)	34.05	28.17	26.58	25.72

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	22.8	30.8	25.6	21.3
EBITDA growth	179.9	70.0	42.9	32.2
EPS growth	21.0	19.9	39.0	53.9
DPS growth	NM	NM	NM	NM
EBIT margin	(1.6)	0.3	2.3	3.7
EBITDA margin	24.4	31.7	36.0	39.3
Net income margin	(7.7)	(5.2)	(2.6)	(1.0)

Price Performance



	3m	6m	12m
Absolute	3.4%	4.7%	(0.3)%
Rel. to the NASDAQ Composite	2.4%	(2.1)%	(18.9)%

Source: FactSet. Price as of 26 May 2026 close.

Income Statement (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Total revenue	9,558.6	12,506.7	15,707.7	19,050.9
Cost of goods sold	(8,016.9)	(10,718.3)	(13,433.0)	(16,230.7)
SG&A	(1,114.8)	(1,147.3)	(1,235.6)	(1,335.8)
R&D	(752.9)	(774.6)	(851.3)	(962.7)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**2,162.0**	**3,777.9**	**5,482.1**	**7,304.0**
Depreciation & amortization	(2,480.4)	(3,918.3)	(5,294.3)	(6,782.4)
EBIT	**(152.2)**	**40.3**	**361.6**	**695.4**
Net interest inc./(exp.)	(417.2)	(509.2)	(590.9)	(709.3)
Income/(loss) from associates	–	–	–	–
Pre-tax profit	**(735.6)**	**(649.6)**	**(403.1)**	**(187.6)**
Provision for taxes	4.2	(5.1)	0.0	0.0
Minority interest	–	(0.1)	–	–
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**(731.4)**	**(654.7)**	**(403.1)**	**(187.6)**
Post-tax exceptionals	(204.9)	(296.8)	(306.4)	(363.4)
Net inc. (post-exceptionals)	**(936.3)**	**(951.5)**	**(709.5)**	**(551.0)**
EPS (basic, pre-except) (Rmb)	**(2.67)**	**(2.14)**	**(1.30)**	**(0.60)**
EPS (diluted, pre-except) (Rmb)	**(2.67)**	**(2.14)**	**(1.30)**	**(0.60)**
EPS (basic, post-except) (Rmb)	**(3.42)**	**(3.11)**	**(2.30)**	**(1.77)**
EPS (diluted, post-except) (Rmb)	**(3.42)**	**(3.11)**	**(2.30)**	**(1.77)**
DPS (Rmb)	–	–	–	–
Div. payout ratio (%)	0.0	0.0	0.0	0.0

Balance Sheet (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	6,117.2	4,398.7	3,296.6	3,602.4
Accounts receivable	1,740.5	2,047.3	2,365.6	2,882.1
Inventory	–	–	–	–
Other current assets	3,165.7	3,795.6	4,418.0	5,003.1
Total current assets	**11,023.4**	**10,241.6**	**10,080.2**	**11,487.6**
Net PP&E	10,193.3	14,794.6	18,849.9	22,304.6
Net intangibles	5,138.5	5,018.9	4,909.3	4,836.2
Total investments	234.2	234.2	234.2	234.2
Other long-term assets	139.8	139.8	139.8	139.8
Total assets	**26,729.2**	**30,429.1**	**34,213.4**	**39,002.5**
Accounts payable	2,014.5	2,988.2	3,279.3	3,935.5
Short-term debt	3,348.3	3,348.3	3,348.3	3,848.3
Short-term lease liabilities	40.9	40.9	40.9	40.9
Other current liabilities	4,017.7	4,589.9	5,084.5	5,581.3
Total current liabilities	**9,421.3**	**10,967.3**	**11,753.1**	**13,406.0**
Long-term debt	3,023.5	3,023.5	4,523.5	6,023.5
Long-term lease liabilities	51.1	51.1	51.1	51.1
Other long-term liabilities	4,920.1	7,772.8	9,674.4	11,498.2
Total long-term liabilities	**7,994.8**	**10,847.5**	**14,249.1**	**17,572.9**
Total liabilities	**17,416.2**	**21,814.8**	**26,002.2**	**30,978.9**
Preferred shares	0.0	–	–	–
Total common equity	9,317.0	8,618.2	8,215.1	8,027.5
Minority interest	**(4.0)**	**(3.9)**	**(3.9)**	**(3.9)**
Total liabilities & equity	**26,729.2**	**30,429.1**	**34,213.4**	**39,002.5**
Net debt, adjusted	2,714.6	5,885.8	9,989.6	13,107.6

Cash Flow (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Net income	(943.7)	(951.4)	(709.5)	(551.0)
D&A add-back	2,480.4	3,918.3	5,294.3	6,782.4
Minority interest add-back	–	–	–	–
Net (inc)/dec working capital	1,760.7	3,461.9	1,746.7	1,875.0
Other operating cash flow	503.6	252.7	306.4	363.4
Cash flow from operations	**3,801.0**	**6,681.5**	**6,637.8**	**8,469.8**
Capital expenditures	(4,742.4)	(8,400.0)	(9,240.0)	(10,164.0)
Acquisitions	–	–	–	–
Divestitures	–	–	–	–
Others	212.6	–	–	–
Cash flow from investing	**(4,529.7)**	**(8,400.0)**	**(9,240.0)**	**(10,164.0)**
Repayment of lease liabilities	–	–	–	–
Dividends paid (common & pref)	–	–	–	–
Inc/(dec) in debt	1,357.3	0.0	1,500.0	2,000.0
Other financing cash flows	2,758.5	0.1	0.0	0.0
Cash flow from financing	**4,115.8**	**0.1**	**1,500.0**	**2,000.0**
Total cash flow	**3,387.1**	**(1,718.4)**	**(1,102.2)**	**305.8**
Free cash flow	(941.3)	(1,718.5)	(2,602.2)	(1,694.2)

Source: Company data, Goldman Sachs Research estimates.

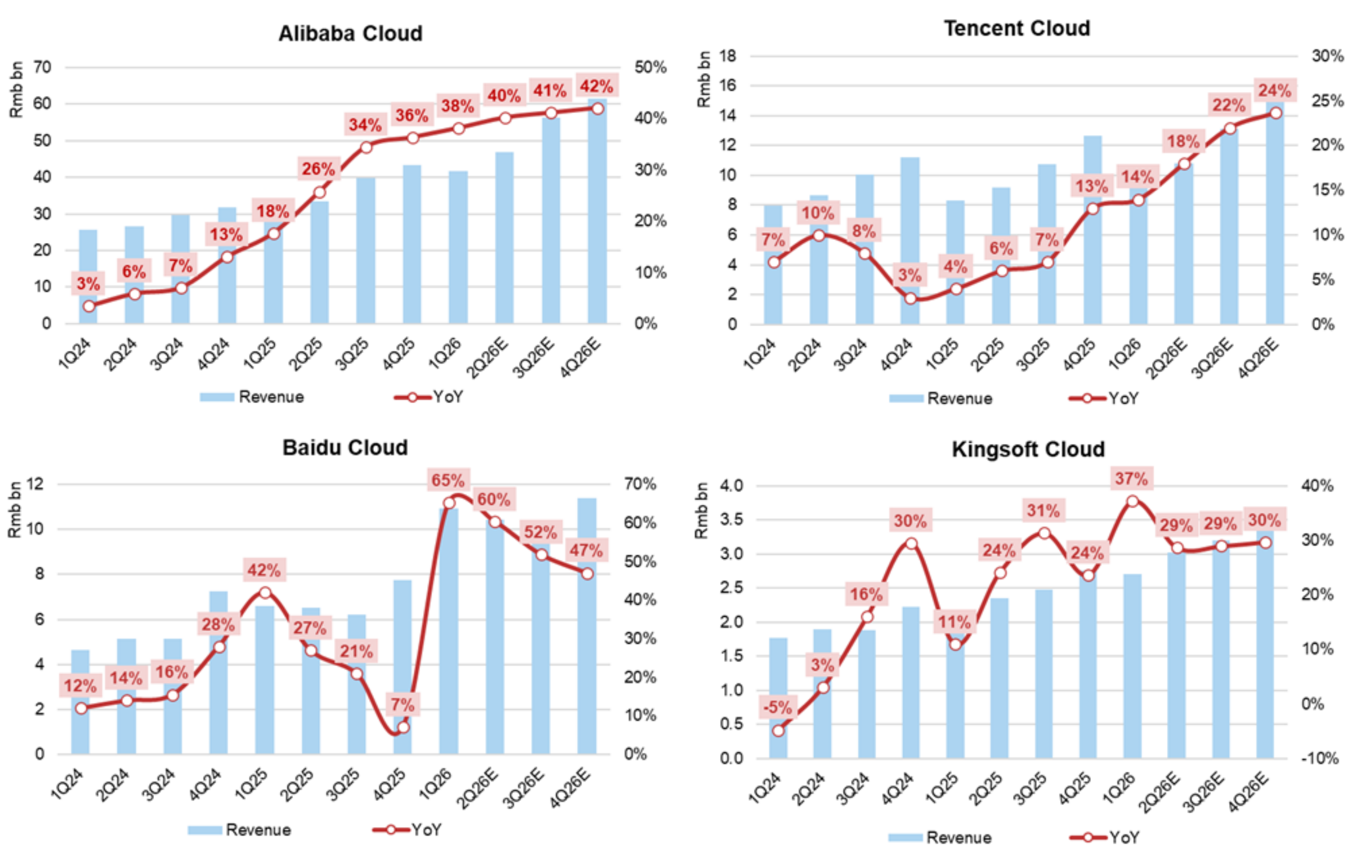
StarFlow has received demand from top-tier internet and various industry customers. Management sees the token business enjoying a **higher GPM** vs. traditional computing and standard intelligent computing, driven by operator and algorithm efficiency enhancements.

3) Capex expansion: Company expects total capex (including cash capex and leased assets obtained) to potentially reach **Rmb15-20bn** (vs. Rmb3bn of capex and leased assets obtained in 1Q26), doubled from Rmb8bn+ in 2025), depending on availability of computing resources. We model c.Rmb17bn of cash capex and leased assets obtained in 2026E.

4) Pricing dynamics: Pricing for AI computing increased along with surging prices of upstream components and raw materials, which could be fully passed through to the downstream customers. KC aims to sign contracts with more flexible contract periods, which carries smaller risks and fast payback periods.

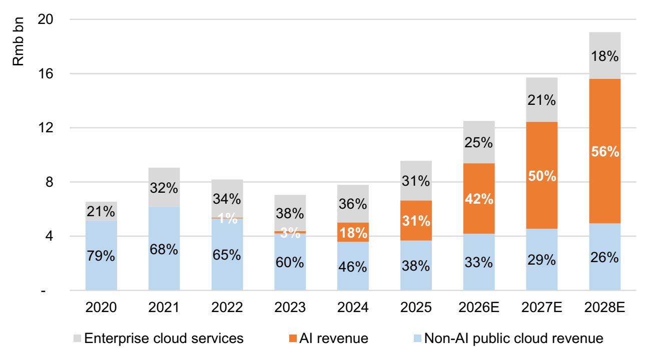
We raise our 2026E-28E revenue by 1-3% and revise 2026E-28E adj. EBITDA forecasts in the range of -2% to 2%. We fine-tune our DCF-based 12m TP to **US$19.5** (vs. US$19.4 prior) based on a 10.3% WACC and 3% terminal growth (unchanged) and implying 3.4x/2.7x 2026E/27E P/S multiples. Maintain Buy as we see its current valuation as attractive; post -20% correction over the past month (vs. +9% for the NASDAQ), KC is trading at a 2.0x 12m-fwd P/S, below its -1SD historical average level of 2.2x since 2025.

Exhibit 1: We model KC's revenue growth at +29% yoy in 2Q26E



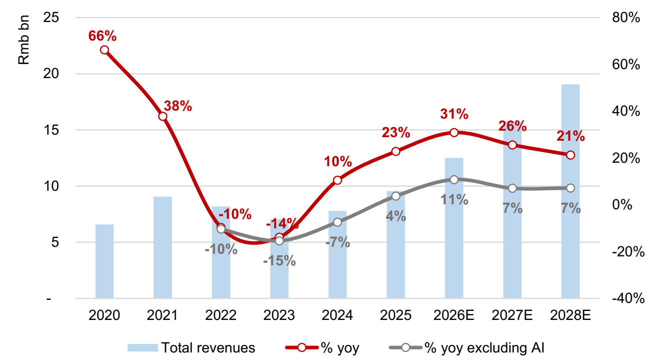
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: We expect AI related revenue to account for 56% of total revenue in 2028E vs. 31% in 2025



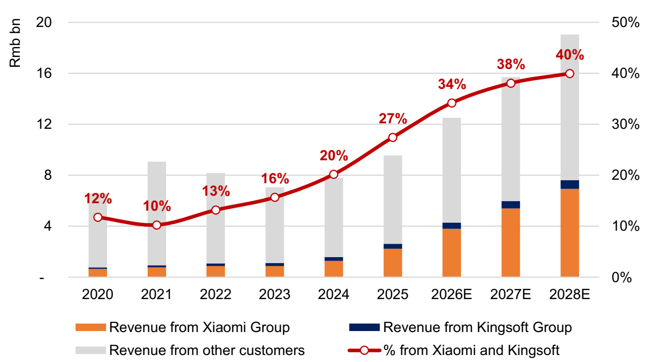
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: We expect AI related revenue contribution to boost total revenue growth to +31%/+26% yoy in 2026E/2027E



Source: Company data, Goldman Sachs Global Investment Research

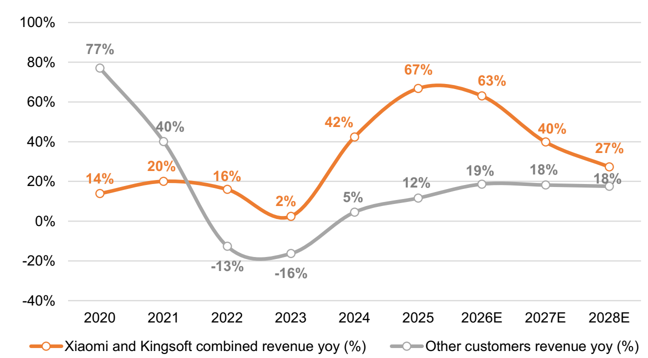
Exhibit 4: We expect Xiaomi and Kingsoft combined to account for 40% of KC's revenue by 2028E vs. 27% in 2025...



Source: Company data, Goldman Sachs Global Investment Research

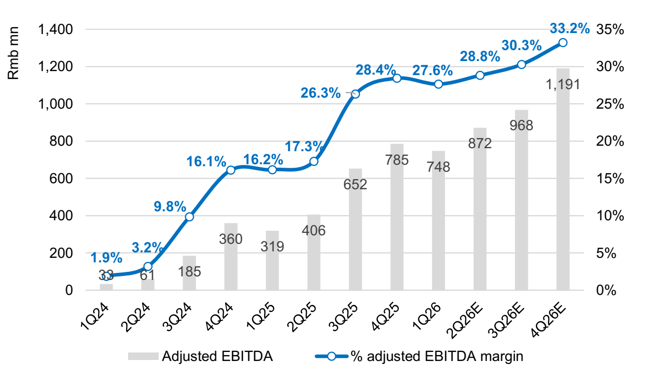
Exhibit 5: ... with revenue from Xiaomi/Kingsoft combined growing at a 43% CAGR in 2025-28E vs. an 18% CAGR for revenue from other customers

yoy revenue growth by customer



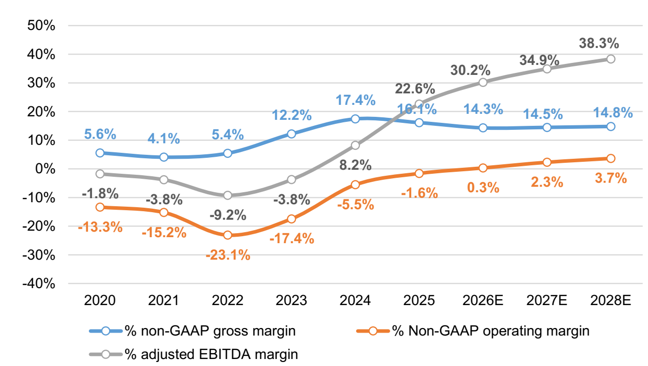
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 6: We expect steady adj. EBITDA margin improvement in 2026E, reaching 28.8% in 2Q26E



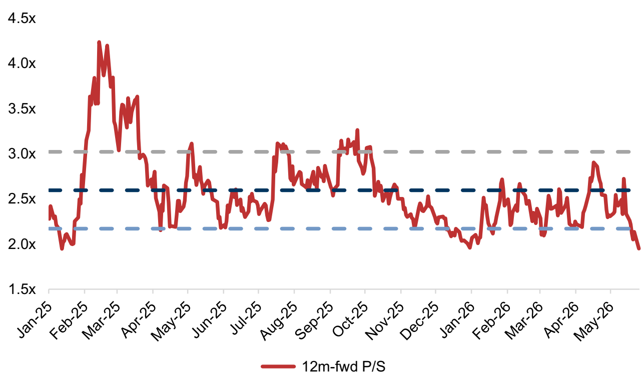
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 7: Our annual forecasts on GPM, EBITDA margin and operating margin



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 8: KC is trading at a 2.0x 12m-fwd P/S, below its -1SD historical average level of 2.2x since 2025
KC 12-fwd P/S ratio



Source: Bloomberg

Exhibit 9: KC 1Q26 results overview

Rmb mn	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	Act 1Q26	Est 1Q26	Act vs. Est	%QoQ	%YoY
Public cloud services	1,187	1,235	1,176	1,410	1,353	1,625	1,752	1,902	1,996	1,915	4%	5%	47%
Enterprise cloud services	588	657	710	822	616	724	726	859	707	669	6%	-18%	15%
Total revenues	**1,776**	**1,892**	**1,886**	**2,232**	**1,970**	**2,349**	**2,478**	**2,761**	**2,704**	**2,584**	**5%**	**-2%**	**37%**
Cost of revenues, GAAP	(1,482)	(1,573)	(1,582)	(1,806)	(1,652)	(2,010)	(2,097)	(2,296)	(2,358)	(2,224)	-6%	-3%	-43%
Gross (loss)/profit, GAAP	293	318	303	426	318	339	381	465	346	360	-4%	-26%	9%
Gross profit, non-GAAP	**299**	**323**	**308**	**428**	**328**	**351**	**393**	**471**	**351**	**368**	**-5%**	**-25%**	**7%**
Selling and marketing	(117)	(126)	(121)	(116)	(144)	(132)	(152)	(123)	(124)	(150)	18%	-1%	14%
General and administrative	(219)	(266)	(170)	(180)	(182)	(340)	(174)	(219)	(195)	(222)	12%	11%	-7%
Research and development	(232)	(204)	(236)	(174)	(226)	(194)	(200)	(190)	(193)	(208)	7%	-2%	15%
Total operating expense, GAAP	(567)	(596)	(527)	(469)	(553)	(666)	(526)	(532)	(512)	(580)	12%	4%	7%
Total operating expense, non-GA	**(470)**	**(555)**	**(1,411)**	**(446)**	**(427)**	**(561)**	**(421)**	**(459)**	**(455)**	**(472)**	**4%**	**1%**	**-6%**
Operating profit, GAAP	(274)	(278)	(1,144)	(44)	(234)	(327)	(145)	(66)	(166)	(220)	25%	-150%	29%
Operating profit, non-GAAP	**(127)**	**(189)**	**(140)**	**24**	**(56)**	**(166)**	**15**	**55**	**(60)**	**(60)**	**1%**	**-210%**	**-7%**
D&A	223	305	359	376	422	591	689	779	858	841	2%	10%	103%
Adjusted EBITDA	**33**	**61**	**185**	**360**	**319**	**406**	**652**	**785**	**748**	**738**	**1%**	**-5%**	**135%**
PBT	(379)	(347)	(1,050)	(204)	(307)	(455)	(10)	(176)	(339)	(354)	4%	-92%	-10%
Income tax expense	15	(7)	(11)	4	(9)	(2)	2	13	(5)	-	NM	NM	45%
Net loss	(364)	(354)	(1,061)	(201)	(316)	(457)	(8)	(163)	(344)	(354)	3%	-111%	-9%
Adjusted net loss attributable to	**(217)**	**(301)**	**(237)**	**(70)**	**(191)**	**(300)**	**(146)**	**(95)**	**(237)**	**(238)**	**0%**	**-151%**	**-24%**
EPADS, GAAP	(1.49)	(1.45)	(4.34)	(0.80)	(1.26)	(1.71)	(0.02)	(0.53)	(1.13)	(1.16)	2%	-114%	10%
EPADS, non-GAAP	**(0.90)**	**(1.24)**	**(0.97)**	**(0.28)**	**(0.77)**	**(1.12)**	**(0.53)**	**(0.31)**	**(0.78)**	**(0.78)**	**-1%**	**-150%**	**-2%**
Non-GAAP Margins	**1Q24**	**2Q24**	**3Q24**	**4Q24**	**1Q25**	**2Q25**	**3Q25**	**4Q25**	**Act 1Q26**	**Est 1Q26**	**Act vs. Est**	**%QoQ**	**%YoY**
Gross margin	16.8%	17.1%	16.3%	19.2%	16.6%	14.9%	15.8%	17.1%	13.0%	14.3%	(1.3)	(4.1)	(3.6)
Operating profit margin	-7.2%	-10.0%	-7.4%	1.1%	-2.8%	-7.1%	0.6%	2.0%	-2.2%	-2.3%	0.1	(4.2)	0.6
Adjusted EBITDA Margin	1.9%	3.2%	9.8%	16.1%	16.2%	17.3%	26.3%	28.4%	27.6%	28.5%	(0.9)	(0.8)	11.5
Adjusted net margin	-12.2%	-15.9%	-12.6%	-3.1%	-9.7%	-12.8%	-5.9%	-3.4%	-8.8%	-9.2%	0.4	(5.3)	0.9

Source: Company data, Goldman Sachs Global Investment Research

Investment Thesis - Kingsoft Cloud

Kingsoft Cloud is a leading cloud service provider in China. We believe KC stands out among China's cloud service providers in 1) highest AI contribution to revenue at 31% in 2025 and 2) revenue growth visibility from its related party Xiaomi which provides 46% revenue CAGR in 2025-28E. We see the company as a key beneficiary of Xiaomi's continued stepped-up AI investments (Rmb60bn over next 3 years) to support its ambition of becoming a leading LLM force and integrating AI with the physical world. Meanwhile, KC continues to capture AI demand (still mostly AI training) from other internet and AI companies. We are Buy rated.

Price Target Risks and Methodology - Kingsoft Cloud

We are Buy rated on Kingsoft Cloud. We have a 12-month target price of US$19.5, based on a DCF (WACC 10.3%, TGR 3%). **Downside risks:** 1) Supply chain disruptions and inability to secure high-end chips; 2) Heightened competitive pressure from peers; 3) Below-expected AI investments of key customers including Xiaomi; 4) Inability to secure funding to support capex investments; 5) Dilutive financing activities.