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China AI Foundation Models | Asia Pacific

1H26 Results Preview

As China open-weight models gain market share with improved n, we see potential ARR upside and upcoming model releases as near-term catalysts. Reiterate OW on MiniMax/Z.ai, and highlight MiniMax's recent ARR boost by H3, multiple model releases upcoming, and cheap valuations.

Key Takeaways

- We estimate ARRs of US\$600mn for MiniMax and US\$1.2bn for Z.ai in August, and expect them to reach US\$1bn and US\$2bn, respectively, by year end.
- We await M3.1 in August and M3 Pro (~3T) in September/October from MiniMax, along with GLM 6.0 from Z.ai in October.
- MiniMax and Z.ai trade at 15.5x and 33.7 P/ARR (MSe 2026e year-end ARR), respectively.

MiniMax:

- **ARR:** MiniMax's latest disclosed ARR was US\$400mn+ in May (vs. US \$150mn+ in February). We estimate ARR of US\$600mn in August, and expect it to reach US\$1bn by year end with potential upside after recent the H3 release.
- **1H26 P&L:** We forecast revenue of US\$115mn (MaaApp US\$55mn; MaaS US \$60mn), GPM of 29.5% (vs. 25.4% in 2025) as inference efficiency and higher MaaS (vs. MaaApp) mix offset higher text (vs. multimodal) mix, and a non-IFRS OP loss of US\$228.3mn (vs. a US\$290.5mn loss in 2025) including R&D expenses of US\$230mn in 1H26 (vs. US\$253mn in 2025).
- **Model releases:** 1) M3.1 in August; 2) M3 Pro (~3T) in September/October.

Z.ai:

- **ARR:** Z.ai's latest disclosed ARR was US\$1bn in Jun (vs. US\$250bn+ in March). We estimate ARR of US\$1.2bn in August, and expect it to reach US \$2bn by year end with potential upside after the recent GLM 5.3 release and 3P expansion.
- **1H26 P&L:** We forecast revenue of Rmb967mn (on-premise Rmb267mn; cloud-based Rmb700mn); GPM of 31.9% (vs. 41% in 2025), as higher cloud mix (72% in 1H26 vs. 26% in 2025) more than offsets price hikes (cloud-based GPM 25% in 1H26 vs. 19% in 2025); and a non-IFRS OP loss of Rmb2.3bn (vs. a Rmb3.2bn loss in 2025) including R&D expenses of Rmb2.3bn (vs. Rmb3.2bn in 2025).
- **Model releases:** 1) GLM 6.0 (~3T) in October.

VORGAN STANLEY ASIA LIMITED+

Gary Yu

Equity Analyst

Gary.Yu@morganstanley.com

+852 2886418

Lydia Lin

Equity Analyst

lydia.lin@morganstanley.com

+852 2294 1562

Yang Liu

Equity Analyst

Yang.Liu@morganstanley.com

+852 2234 1311

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Industry View

In-Line

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AlphaSignals Earnings Preview

Focus KPI	Focus KPI Surprise	Likely impact to consensus EPS*
MiniMax 0100.HK		
ARR	↑ Very likely upside surprise	— Largely unchanged
• MSe: US\$600mn in Aug, US\$1bn by year end		
Z.AI CO., LTD. 2513.HK		
ARR	↑ Likely upside surprise	— Largely unchanged
• MSe: US\$1.2bn in Aug, US\$2bn by year end		

*Likely impact to consensus EPS is for the next 12 months
Source: Company data, Morgan Stanley Research

1H26 Results Preview

Exhibit 1: MiniMax

Years Ending December 31 US\$ '000	1Q25	9M25	4Q25	2025	1H26E
AI-native products	10,135	38,020	15,055	53,075	55,000
Open Platform and other AI-based enterprise services	5,061	15,417	10,546	25,963	60,000
Total revenue	15,196	53,437	25,601	79,038	115,000
% YoY					
Cost of revenue	12213	40961	17998	58959	81,050
Gross profit	2,983	12,476	7,603	20,079	33,950
% GP margin	20%	23%	30%	25%	30%
S&M expenses	24,874	39,325	12,571	51,896	40,250
R&D expenses	63,516	180,312	72,459	252,771	230,000
G&A expenses	5,271	22,074	14,739	36,813	26,450
Operating profit/(loss) - MS denifition	(90,678)	(229,235)	(92,166)	(321,401)	(262,750)
% OP margin	-596.7%	-429.0%	-360.0%	-406.6%	-228%
SBC & others	2,394	12,256	18,655	30,911	34,500
Operating profit/(loss) - MS denifition (Non-IFRS)	(88,284)	(216,979)	(73,511)	(290,490)	(228,250)
% OP margin (Non-IFRS)	-581.0%	-406.0%	-287.1%	-367.5%	-198%
Non-operating items	(151,684)	(282,778)	(1,267,438)	(1,550,216)	7,814
Other income and gains, net	9,612	31,232	9,137	40,369	8,297
Finance costs	(208)	(511)	(161)	(672)	(483)
FV loss on financial liabilities	(161,120)	(313,477)	(1,276,373)	(1,589,850)	-
Impairment losses on financial assets, net	32	(22)	(41)	(63)	-
Profit/(loss) before tax	(242,362)	(512,013)	(1,359,604)	(1,871,617)	(254,936)
% PBT margin	-1594.9%	-958.2%	-5310.7%	-2368.0%	-221.7%
Income tax expense	-	-	-	-	-
% of PBT	0.0%	0.0%	0.0%	0.0%	0.0%
Minority interests					
Net profit/(loss)	(242,362)	(512,013)	(1,359,604)	(1,871,617)	(254,936)
% NP margin	-1595%	-958%	-5311%	-2368%	-222%
Extraordinary	163,514	325,733	1,295,028	1,620,761	34,500
Net profit/(loss) (Non-IFRS)	(78,848)	(186,280)	(64,576)	(250,856)	(220,436)
% NP margin (Non-IFRS)	-518.9%	-348.6%	-252.2%	-317.4%	-191.7%

Source: Company Morgan Stanley Research (E) estimates

Exhibit 2: Z.ai

Years Ending December 31 Rmb mn	1H24	2H24	1H25	2H25	1H26E	% YoY
On-premise deployment	27	237	162	372	267	65%
Cloud-based deployment	18	30	29	161	700	2305%
Total revenue	45	268	191	533	967	407%
% YoY	0%	0%	325%	99%	407%	
Cost of revenue	23	114	95	332	658	590%
On-premise deployment	17	157	96	165	133	40%
Cloud-based deployment	5	(4)	(0)	36	175	-150962%
Gross profit	22	154	95	201	308	223%
% GP margin	48.9%	57.5%	50.0%	38%	32%	
S&M expenses	144	243	209	182	250	20%
R&D expenses	859	1,336	1,595	1,586	2,312	45%
G&A expenses	51	82	185	320	324	75%
Total operating expenses	1,055	1,662	1,988	2,088	2,887	45%
Operating profit/(loss) - MS definition	(1,033)	(1,508)	(1,893)	(1,887)	(2,578)	36%
% OP margin	-2300.0%	-563.6%	-991.7%	-353.7%	-266.6%	
Operating profit/(loss) (MS, non-IFRS)	(1,029)	(1,488)	(1,734)	(1,488)	(2,260)	30%
% OP margin	-2290.6%	-556.4%	-908.5%	-278.9%	-233.8%	
Non-operating items	(203)	(215)	(465)	(473)	(11)	-98%
Interest income	4	9	5	10	5	0%
Finance costs	(12)	(26)	(53)	(21)	(15)	-72%
Share of profits/(losses) of associates	0	21	14	41	14	0%
Other income	0	6	0	0	-	-100%
Impairment losses on financial assets	(1)	(16)	(11)	(11)	(15)	41%
Changes in FV (FVPL)	7	59	10	15	-	-100%
Changes in the carrying amount of financial instruments issued to investors	(201)	(268)	(429)	(508)	-	-100%
Profit/(loss) before tax	(1,236)	(1,722)	(2,358)	(2,360)	(2,590)	10%
% PBT margin	-2751.2%	-643.9%	-1235.3%	-442.5%	-267.8%	
Income tax expense	-	-	-	-	-	
% of PBT	0.0%	0.0%	0.0%	0.0%	0.0%	
Non-controlling interests	-	(2)	(7)	(13)	(7)	
Net profit/(loss) attributable to equity holders	(1,236)	(1,721)	(2,351)	(2,347)	(2,583)	10%
% NP margin	-2751.2%	-643.3%	-1231.8%	-440.0%	-267.1%	
Adjusted net profit/(loss) (non-IFRS)	(1,030)	(1,435)	(1,752)	(1,430)	(2,272)	30%
% NP margin	-2293.9%	-536.6%	-917.9%	-268.1%	-235.0%	

Source: Company / Morgan Stanley Research (c) estimates

Valuation Methodology and Risks

MiniMax (0100.HK)

We use a discounted cash flow (DCF) methodology to value the company, assuming a 15% WACC and 3% terminal growth. Our PT implies 32x P/S for 2027.

Risks to Upside

- Launching global SOTA model
- Eased market competition

Risks to Downside

- Geopolitical risk
- Intensified competition and price war
- Model performance lagging peers

Z.AI CO., LTD. (2513.HK)

We apply discounted cash flow (DCF) methodology to value the company, assuming a 15% WACC and 3% terminal growth. Our price target implies 42x P/S for 2027.

Risks to Upside

- Launching global SOTA model
- Global expansion working with overseas CSP
- Easing market competition

Risks to Downside

- Computing constraints
- Model performance lagging peers
- Geopolitical risk