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Z.AI CO., LTD. | Asia Pacific

ARR Guidance Raised

Z.ai reached US$1.8bn ARR as of mid-September, and raised year-end ARR guidance from US$2.4bn to US$3bn. We reiterate OW.

Compute deployment creates a visible path from funding to monetization: Management's framework suggests the US$5bn (~Rmb30bn) funding round could support ~94k GPUs, with ~40% allocated to training and ~60% to inference. The inference pool of ~56k GPUs implies a theoretical annual revenue ceiling of ~Rmb41bn (US$6bn), before adjusting for utilization and pricing realization, with theoretical inference GPM of up to ~80%. On the R&D side, the training allocation supports ~Rmb3bn of annualized training spending over four years, sufficient for multiple GLM-5.3-class-or-larger training runs.

Compute bottleneck easing could unlock the next leg of growth: The compute supply bottleneck was evident in June, when GLM-5.2 demand surged but Z.ai's own infrastructure could serve only ~10% of token demand, with the remaining ~90% fulfilled by third parties deploying its open-weight models. The new capacity should support both larger-model training and materially higher inference throughput.

Cloud partnerships could materially improve capital efficiency and global distribution: Z.ai said it has reached revenue-sharing arrangements with leading domestic and overseas cloud vendors, under which GLM open-weight models will be offered on partner infrastructure, with revenue contribution expected from October. Strategically, this could reduce the need for Z.ai to self-fund all inference capacity while leveraging hyperscalers' enterprise distribution. More importantly, management views the model as validation that open-weight distribution and monetization are not mutually exclusive: open weight expands usage and ecosystem reach, while managed API and revenue-sharing mechanisms monetize scaled consumption.

Cowork is expanding beyond coding, with cybersecurity the first vertical to scale: More than 100 cybersecurity companies have integrated GLM models, with orders exceeding Rmb1bn within one month of GLM-5.3's launch. Management sees the same pattern extending into legal, financial, industrial and life-science workflows.

ARR guidance raised on three drivers - coding, cloud partnerships and Cowork: Management lifted 2026 year-end ARR guidance from US$2.4bn to US$3.0bn, with monthly ARR already at ~US$1.8bn as of mid-September. Coding remains the near-term engine, supported by rapid ZCode user growth after capacity restrictions were lifted; cloud revenue sharing should begin contributing from 4Q26, and Cowork is opening access to existing enterprise budget pools with shorter commercialization cycles. The key debate now shifts from whether demand exists to how quickly incremental compute, partner distribution and vertical workflow monetization can convert into recognized revenue and sustainable gross profit.

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

Greater China IT Services and Software | China

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	HK$1,800.00
Up/downside to price target (%)	150
Shr price, close (Sep 16, 2026)	HK$720.00
52-Week Range	HK$2,980.00-116.10
Sh out, dil, curr (mn)	466
Mkt cap, curr (mn)	US$42,747
EV, curr (mn)	US$42,445
Avg daily trading value (mn)	US$491

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (Rmb)**	(19.95)	(8.59)	(4.21)	12.02
EPS (Rmb)§	(10.80)	(10.65)	(7.74)	1.37
Revenue, net (Rmb mn)	724.3	6,328.9	19,312.8	47,641.2
EBITDA (Rmb mn)	(3,509.9)	(4,162.6)	(2,462.5)	5,170.2
ModelWare net inc (Rmb mn)	(4,698.2)	(4,303.5)	(2,564.3)	4,730.5
P/sales	-	45.3	14.9	6.0
P/E	NM	NM	NM	60.6
P/BV	-	9.4	10.1	8.4
ROE (%)	NM	NM	(8.4)	16.6
EV/EBITDA	NM	NM	NM	49.2
FCF yld ratio (%)**	-	(1.5)	(1.0)	1.1

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
§ = Consensus data is provided by Refinitiv Estimates
** = Based on consensus methodology
e = Morgan Stanley Research estimates

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Valuation Methodology and Risks

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 35x P/S for 2027e.

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

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(as of August 31, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1555	42%	450	48%	29%	767	44%
Equal-weight/Hold	1577	43%	395	42%	25%	770	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	559	15%	93	10%	17%	216	12%
Total	3,694		939			1754	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 2/20/26 : O/I

Price Target History: 2/20/26 : 560; 4/28/26 : 990; 8/10/26 : 1700; 9/1/26 : 1800

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
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INDUSTRY COVERAGE: Greater China IT Services and Software

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/16/2026)
Gary Yu		
MiniMax (0100.HK)	O (02/20/2026)	HK$238.00
Z.AI CO., LTD. (2513.HK)	O (02/20/2026)	HK$720.00
Lydia Lin		
Beisen Holding Limited (9669.HK)	O (06/23/2025)	HK$3.00
Chinasoft International Ltd (0354.HK)	U (05/04/2026)	HK$3.71
Glodon Co. Ltd. (002410.SZ)	E (08/23/2023)	Rmb8.40
Hundsun Technologies Inc. (600570.SS)	U (04/07/2025)	Rmb20.19
Meitu Inc (1357.HK)	O (10/01/2024)	HK$3.82
Yang Liu		
Beijing Kingsoft Office Software Inc (688111.SS)	U (08/26/2024)	Rmb222.81
Kingdee International Software Group (0268.HK)	O (08/03/2026)	HK$7.33
Kingsoft Cloud Holdings (KC.O)	O (07/07/2026)	US$9.52
Kingsoft Corp Ltd (3888.HK)	E (07/21/2025)	HK$24.22
Sangfor Technologies Inc (300454.SZ)	O (08/24/2026)	Rmb133.58
Tuya Inc. (TUYA.N)	O (11/29/2023)	US$1.77
Wangsu Science & Technology (300017.SZ)	U (11/12/2024)	Rmb14.70
Yonyou Network Technology Co Ltd (600588.SS)	U (11/12/2024)	Rmb9.37

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

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