China AIDD

Monetisation validated, asset optionality expands; watch BD, clinical proof and agentic AI

Equities
Health Care Providers & Srvcs

China

- 1H26 validates monetisation, while asset optionality unlocks meaningfully greater long-term TAM
- 2H26 BD execution and clinical milestones remain key near-term catalysts
- Insilico (Buy) remains our preferred pick, maintain Hold on Xtalpi; adjust TPs

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Business progress modestly ahead, with upside moving longer-dated. Across our AIDD coverage, 1H26 financial results were broadly in-line with expectations (except late revenue recognition from DoveTree for Xtalpi), while BD and pipeline execution were slightly ahead. In 1H26, Insilico revenue rose 287% y-o-y with profit breakeven, while XtalPi revenue grew 74% y-o-y (excluding the high-base USD51m upfront in 1H25), with AI4S revenue up 136%. Share price divergence between the two has widened: Insilico gained c40% YTD, while XtalPi fell c28% (vs. HSI -3%). Meanwhile, faster TAM expansion through new indications and modalities is creating greater upside potential, although we see monetisation to remain longer-term.

Three structural changes are reshaping the AIDD investment case. 1) A shift from a standalone AI platform toward an integrated CVC ecosystem fund + platform company; **2)** a clearer commercialisation path: BD plus owned assets, with indications expanding into peptides, pain, ophthalmology and longevity. Insilico's Rentosertib's IPF indication has advanced into Phase III with new anti-aging data update which could potentially bring bigger market upside; **3)** industry architecture is moving from expert GUI models toward agentic, multimodal AI, with benchmarks increasingly focused on measurable real-world productivity (see *exhibit 1* for summary).

2H26 catalyst density remains high, but investors should separate near-term execution from long-term optionality. We see four key drivers: **(1)** replicable BD remains the most visible near-term catalyst: For Insilico, we expect 2026 revenue to reach USD187m, with USD113.7m/ USD60.8m from BD and CRO. We also expect profit breakeven in 2027e, and GPM to remain structurally elevated at **85-90%** supported by upfront/milestone mix; **(2)** Clinical readouts and IND/clinical progression should increasingly validate proprietary assets; **(3)** Longevity, anti-aging, pain and ophthalmology represent strong TAM expansion potential, although clinical proof remains further away; and **(4)** continued BD and ecosystem build-out can broaden the asset pool**. Investor concerns** remain on competition from frontier labs and pharma, particularly Isomorphic Labs' clinical progress. We see Insilico's near-term clinical positioning as a differentiator, and its single-asset concentration risk is moderated by the breadth of the deal pipeline. Maintain Buy on **Insilico** and Hold on **Xtalpi**, with adjusted TPs. See valuation and risks on *page 5-6* and *page 8-9*.

Key valuation summary

			Current	TP		Rating		Upside/	Revenue estimates		
Company	Ticker	Currency	price	Old	New	Old	New	downside	2026e	2027e	2028e
Insilico	3696 HK	HKD	51.90	84.50	**85.90**	Buy	Buy	66%	USD186.8m	USD250.0m	USD296.4m
Xtalpi	2228 HK	HKD	6.84	8.00	**7.70**	Hold	Hold	13%	RMB988.8m	RMB1,364.8m	RMB1,825.1m

Source: Wind, HSBC Qianhai Securities estimates. Priced as of close at 14 Sep 2026

Disclosures & Disclaimer
This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it.

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Exhibit 1. AIDD key sector changes: moving from a standalone AI platform toward an integrated ecosystem fund, where capital, technology, partnerships & proprietary assets reinforce each other

Dimension	The Past	Current/Future
Technology	Proprietary tools → Single-task models (one model solving one problem)	Foundation models + integration frameworks; multimodal models; agent-based orchestration workflows
Industrial ecosystem	Independent exploration by AI-driven drug discovery companies	Major tech giants (Anthropic, OpenAI, Google, Tencent, etc.) making significant inroads into the life sciences sector
R&D focus	Focus on molecular design	Target discovery and the biological understanding of disease emerging as new focal points
Evaluation method	Lack of unified standards	Establishing industry benchmarks becoming a critical necessity
Collaboration model	Pharmaceutical companies & AI-driven drug discovery companies	Deep convergence among tech companies, AI-driven drug discovery firms, and traditional pharmaceutical companies

Source: PharmCube, HSBC Qianhai Securities

Insilico (3696 HK, CMP HKD51.90, TP HKD85.90, Buy)

Business Update

Insilico reported 1H26 results, with revenue up 287% y-o-y to USD106.3m, broadly in-line with our previous estimates of USD104.9m; net profit turned positive at USD35.5m, c12% above our previous estimates due to higher margins. Revenue growth was largely driven by **1)** strong drug discovery business that achieved multiple collaboration, including with Servier, CMS, Tenacia and SK Biopharma, plus a major licensing-out deal with Eli Lilly; **2)** the realisation of first-dose milestone of NLPR3 from Hygtia, and **3)** in-line software solution business (+34% y-o-y). The company also closed a USD305m zero-coupon convertible bond due 2027 which carry an initial conversion price of HKD58.07 (15.0% premium to 11 Sep 2026 close price). Its previous capital allocation aligned with advanced clinical trials, as well as its R&D roadmap.

Exhibit 2. Insilico: 1H26 earnings results

USDm	1H25	1H26	y-o-y	1H26e	vs. est
Revenue	**27.5**	**106.3**	**287%**	**104.9**	**1%**
Gross profit	23.0	96.0	317%	92.3	4%
Selling expense	-2.6	-6.4	142%	-3.8	67%
Admin expense	-7.0	-12.6	79%	-10.1	25%
R&D expense	-35.6	-49.3	39%	-47.8	3%
Other expense	3.1	8.3	166%	9.3	-11%
Operating profit	-19.1	36.0	-289%	39.8	-10%
Tax	0.0	-0.3	580%	-7.9	-96%
Net profit	**-19.2**	**35.5**	**-285%**	**31.7**	**12%**
Gross margin	83.8%	90.3%	644bps	88.0%	227bps
Selling exp as % of sales	9.6%	6.0%	-360bps	3.6%	236bps
G&A as % of sales	25.5%	11.8%	-1369bps	9.6%	223bps
R&D as % of sales	129.6%	46.4%	-8315bps	45.6%	77bps
Operating margin	-69.5%	33.8%	10333bps	38.0%	-414bps
Net margin	-70.0%	33.4%	10341bps	30.3%	316bps

Source: Company data, HSBC Qianhai Securities estimates

Looking ahead, we continue to expect Insilico's primary value comes from its business model as an "IP factory." We think this is the most effective and scalable model in the AI drug discovery space, and Insilico is executing on this.

Exhibit 3. Insilico: Major partnerships from 2022

Date	Partner	Details	Type	Upfront (USDm)	Milestone (USDm)	Total deal size (USDm)
1/11/2022	Fosun Pharma	QPCTL (CD47-SIRPα) Co-dev & 4 collaboration targets	CRO	13	69	82
11/9/2022	Sanofi	Up to 2+4 collaboration targets	CRO	22	1,179	1,200
9/1/2023	Exelixis	USP1 out-licensing	BD	80	875	955
1/4/2024	Menarini	KAT6 out-licensing	BD	12	494	506
1/10/2025	Menarini	KIF18A out-licensing	BD	20	530	550
11/10/2025	Eli Lilly	Research collaboration	CRO		100	100
12/11/2025	TaiGen	PHD1/2 Great China rights	BD		10	10
1/4/2026	Servier	Research	CRO	32	856	888
1/19/2026	Hygtia	NLPR3 Co-dev, + 50% global right	BD+CRO	10	56	66
1/26/2026	Qilu Pharma	Research collaboration	CRO		120	120
2/9/2026	CMS	CNS and autoimmune Co-dev	CRO		30	30
3/25/2026	Tenacia Biotech	Blood-brain barrier Co-dev	CRO		95	95
3/29/2026	Eli Lilly	Oral GLP1 + R&D	BD+CRO	115	2,635	2,750
6/22/2026	SK Biopharma	AI-enabled innovative candidates in neuroimmune area	CRO	18	2,482	2,500
7/2/2026	Takeda	Identify predefined and early development molecules	CRO	60	540	600
7/13/2026	CMS	CNS collaboration	CRO		1,200	1,200
7/15/2026	Bora Pharma	Multi-target strategic alliance	CRO		2,500	2,500

Source: Company data, HSBC Qianhai Securities

Exhibit 4. Insilico: Key company updates post 1H26 and growth drivers

Growth Pillar	Details
Asset Out-Licensing (Pipeline-as-a-Product)	33 PCCs, 20+ partnered programs. USD11bn total deal value. Recurring, repeatable serial licensing model — not a one-off.
Novel "First-in-Class" Targets	6 first-in-class; 27 best-in-class. Targets rooted in aging biology → massive indication expansion (pain, ocular, fibrosis, CNS).
MMAI Gym / AI-as-a-Service	Post-training LLMs for science. Revenue from Liquid AI, Tencent, Human Longevity. Benchmark-as-a-service launching.
Pharma AI Platform to MCP Tools	1000+ benchmarked tasks. Tools callable from any LLM harness. Enables agentic drug discovery.
Longevity AI Vertical	Virtual Agent Cell, GPT foundation models for aging. Aims to "convert money into life years" — the "Longevity Singularity."
Non-Pharma Applications	Saudi Aramco carbon capture (world-class molecule). TAM expansion beyond biopharma.
CVC / Ecosystem Fund	Insilico Exponential Technology Fund: monetize platform via startup investments & tech licensing.
New Modalities (H2 2026+)	ADC, oral peptides, molecular glue, protein degraders — diversifying beyond small molecules.

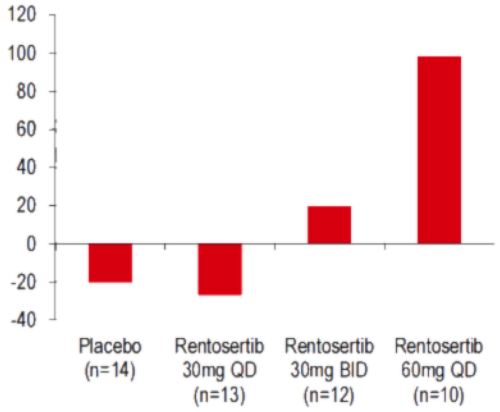
Source: Company data, HSBC Qianhai Securities

Clinical progress: Phase III GENESIS-IPF-3 initiation and biological age reversal hypothesis

Insilico recently marked a watershed moment for its lead generative AI-designed asset, rentosertib (ISM001-055, TNIK inhibitor). On 10 September 2026, the company officially dosed the first patient in its pivotal Phase III GENESIS-IPF-3 trial for Idiopathic Pulmonary Fibrosis (IPF). Concurrently, groundbreaking data published in Nature Biotechnology in September revealed that rentosertib not only halts fibrotic progression but actively reverses predicted biological age by 3 to 6 years across multiple proteomic aging clocks.

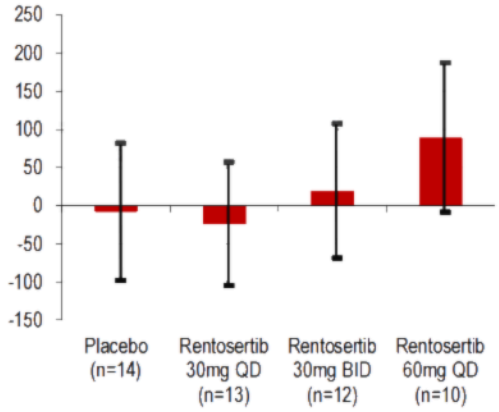
This dual mechanism – robust anti-fibrotic efficacy coupled with systemic geroprotective activity – differentiates rentosertib from standard-of-care (SoC) antifibrotics like nintedanib and pirfenidone, positioning it as a potential disease-modifying blockbuster in the IPF space with significant indication expansion potential, as per company.

Exhibit 5. The absolute changes in FVC ± 95% CI after 12 weeks of rentosertib treatment compared to baseline in PhII



Source: Company data, NIH, HSBC Qianhai Securities

Exhibit 6. The absolute change in FVC ± 95% CI ANCOVA model with multiple imputation assuming missing at random (MAR) in PhII



Source: Company data, NIH, HSBC Qianhai Securities

Following compelling proof-of-concept data, Insilico has rapidly advanced rentosertib into pivotal studies. The dosing of the first patient in the GENESIS-IPF-3 trial represents the first instance globally of a therapeutic – where both the target and the molecule were discovered and designed entirely by AI – reaching Phase III clinical evaluation.

Exhibit 7. ISM001-055 clinical design

Trial Parameter	Protocol Details
Study design	52-week, prospective, randomized, double-blind, placebo-controlled, parallel-group
Target enrollment	320 participants
Clinical sites	47 centers across China
Primary endpoint	Annual rate of decline in Forced Vital Capacity (FVC) over 52 weeks
Key secondary endpoint	Time to first occurrence of any disease progression event
Current status	First patient dosed (10 September 2026)

Source: Pharmcube, Insilico, HSBC Qianhai Securities

The most disruptive catalyst for rentosertib is the newly published evidence of systemic biological age reversal. Insilico initially identified TNIK via its AI platforms not as a conventional, heavily pursued IPF target, but as a dual target intrinsically linked to both fibrosis and the fundamental biological hallmarks of aging.

Data published in Nature Biotechnology in September 2026 as well as presented by CEO Alex Zhavoronkov at the Nature Conference in Paris on 8 September 2026 provided the first clinical proof-of-concept for this geroprotective hypothesis.

- **Methodology:** Researchers analysed longitudinal Olink proteomic data (encompassing 2,841 proteins) from 42 Phase IIa participants. This data was evaluated using six independent machine-learning 'proteomic aging clocks' and benchmarked against 55,319 UK Biobank profiles.
- **Consistent outcomes:** Despite different training methodologies, all six models consistently indicated a lower predicted biological age for patients treated with rentosertib compared to those receiving a placebo.
- **Magnitude of reversal:** Several models indicated a systemic age reversal of 3 to 4 years, with one specific model projecting up to 6 years of biological age reduction.
- **Pathway engagement:** The treatment normalised protein expression patterns, shifting them away from typical age-related degradation and actively affecting biological pathways involved in cellular senescence, growth-factor signaling, antioxidant activity, and cholesterol metabolism.

We view the anti-aging data as incrementally bullish but not a primary valuation driver today. In our view, its most important contribution is demonstrating that an AI-discovered, AI-designed molecule can produce a potentially meaningful aging-biology signal in humans, strengthening Insilico's platform credibility and long-term optionality.

However, our core investment thesis for Insilico still remains platform + lead asset, rather than a pure longevity story. Rentosertib's Phase III IPF outcome is a key near-term catalyst, while its expanding BD pipeline, cash position and external pharma validation provide a meaningful buffer against single-asset binary risk.

Estimate changes

We leave our 2026-28 revenue estimates unchanged, as the interim results are largely in-line with our previous estimates; we do not factor in the potential biological age reversal indication for now.

Exhibit 8. Insilico: unchanged earnings estimates

	2026e			2027e			2028e		
USDm	Old	New	Change	Old	New	Change	Old	New	Change
Revenue	**186.8**	**186.8**	**0%**	**250.0**	**250.0**	**0%**	**296.4**	**296.4**	**0%**
Gross profit	162.5	162.5	0%	220.0	220.0	0%	263.8	263.8	0%
Selling expense	-6.8	-6.8	0%	-8.1	-8.1	0%	-9.8	-9.8	0%
Admin expense	-17.9	-17.9	0%	-19.7	-19.7	0%	-21.7	-21.7	0%
R&D expense	-93.6	-93.6	0%	-98.3	-98.3	0%	-103.2	-103.2	0%
Other expense	-48.3	-48.3	0%	-48.3	-48.3	0%	-48.3	-48.3	0%
Operating profit	-4.0	-4.0	0%	45.6	45.6	0%	80.9	80.9	0%
Tax	0.9	0.9	0%	-6.8	-6.8	0%	-12.1	-12.1	0%
Net profit	**-3.5**	**-3.5**	**0%**	**38.5**	**38.5**	**0%**	**68.5**	**68.5**	**0%**
Gross margin	87.00%	87.0%	0bps	88.0%	88.0%	0bps	89.00%	89.0%	0bps
Selling exp as % of sales	3.62%	3.6%	0bps	3.2%	3.2%	0bps	3.29%	3.3%	0bps
G&A as % of sales	9.60%	9.6%	0bps	7.9%	7.9%	0bps	7.32%	7.3%	0bps
R&D as % of sales	50.09%	50.1%	0bps	39.3%	39.3%	0bps	34.81%	34.8%	0bps
Operating margin	-2.16%	-2.2%	0bps	18.3%	18.3%	0bps	27.30%	27.3%	0bps
Net margin	-1.85%	-1.9%	0bps	15.4%	15.4%	0bps	23.12%	23.1%	0bps

Source: HSBC Qianhai Securities estimates

Maintain Buy rating; increase target price to HKD85.90 (from HKD84.50)

We continue to value Insilico using a sum-of-the-parts (SOTP) methodology.

1) Software solutions segment is valued on a 16x EV/Revenue basis (unchanged) in line with SaaS peers, reflecting its recurring, subscription-based, and highly scalable revenue stream. We derive an implied EV at USD118m (unchanged).

2) Internal pipeline, CRO and BD segment is valued using a risk-adjusted NPV approach, incorporating clinical-stage probabilities of success, contracted milestone payments, expected peak sales, and a WACC of 9.6% (unchanged). We derive a total implied EV at USD4.2bn (from USD4.4bn).

3) Insilico's AI-driven discovery platform is valued using an "asset factory" framework, reflecting its ability to consistently generate 2-3 pre-clinical assets annually for licensing or internal development. Future asset creation is modeled based on historical deal economics and discounted using a biotech-style NPV methodology, capturing the platform's long-term innovation and monetisation potential. We derive an implied EV at USD1.2bn (unchanged).

Summing all above parts and other discovery (USD80m), we derive a total implied EV of USD5.6bn (from USD5.8bn). Key assumptions include WACC of 9.6% (based on a risk-free rate of 4.25%, China market risk premium of 4.75% and beta of 1.6), terminal growth rate of 3.0%, and our FX team's end-2026 forecast for USD/HKD of 7.83 (unchanged)

Our revised target price of HKD85.90 (from HKD84.50) reflects a higher cash in hand post its USD305m convertible bond offering, it implies 65.5% upside from current levels; accordingly, we maintain our Buy rating on the stock.

Exhibit 9. Insilico: SOTP valuation summary table

Platform and software revenue	Revenue (2026e, USDm)	EV/sales multiple (x)	Implied EV (USDm)
Drug discovery (CRO)	60.8	43.5	2,645.5
Pipeline development (BD)	113.7	11.6	1,316.3
Internal pipeline	-	-	238.5
Software solution SaaS	7.4	16	117.7
Platform value	-	-	1,183.0
Other discovery	5.0	16	79.6
Total	**186.8**	**29.87**	**5,580.6**
Assumptions:			
Risk-free rate	4.25%	Net cash	699
Equity risk premium	4.75%	EV	6,279.6
Beta	1.6	Shares outstanding (m)	572.402
Cost of equity	11.85%	USD-HKD	7.83
Taxation	15%	**Target price**	**HKD85.90**
Cost of debt	4.9%		
Cost of debt after tax	4.2%		
Target debt ratio	30%		
% equity	70%		
WACC	9.6%		

Source: HSBC Qianhai Securities estimates

Key downside risks:

- Clinical trial failure in key asset;
- Weaker-than-expected deal activity or delays in translating platform output into partnerships;
- Unpredictable revenue and milestone timing;
- Technological disruption;
- Intense competition;
- Geopolitical risk.

Xtalpi (2228 HK, CMP HKD6.84, TP HKD7.70, Hold)

Business Update

Xtalpi reported 1H26 results, with revenue down 24% y-o-y to RMB393.6m, c33% below our previous estimates of RMB589.1m; net loss was RMB251.9m, also below our previous estimates. We attribute the revenue miss to a late recognition of the second milestone payment (RMB129.4m) from DoveTree. Excluding the impact of DoveTree upfront payment impact in 1H25, 1H26 revenue was up 74% y-o-y.

Exhibit 10. Xtalpi: 1H26 earnings results

RMBm	1H25	1H26	y-o-y	1H26e	vs. est
Revenue	**517.1**	**393.6**	**-24%**	**589.1**	**-33%**
Gross profit	435.1	225.8	-48%	312.2	-28%
Selling expense	-40.4	-48.0	19%	-42.5	13%
Admin expense	-200.3	-212.1	6%	-207.0	2%
R&D expense	-221.5	-367.8	66%	-298.8	23%
Other expense	59.8	147.9	147%	145.2	2%
Operating profit	32.7	-254.2	-877%	-90.9	180%
Tax	0.0	-0.6	NA	8.8	-107%
Net profit	**82.8**	**-251.9**	**-404%**	**-9.4**	**-2585%**
Gross margin	84.1%	57.4%	-26.8ppts	53.0%	4.4ppts
Selling exp as % of sales	7.8%	12.2%	4.4ppts	7.2%	5.0ppts
G&A as % of sales	38.7%	53.9%	15.2ppts	35.1%	18.8ppts
R&D as % of sales	42.8%	93.4%	50.6ppts	50.7%	42.7ppts
Operating margin	6.3%	-64.6%	-70.9ppts	-15.4%	-49.2ppts
Net margin	16.0%	-64.0%	-80.0ppts	-1.6%	-62.4ppts

Source: Company data, HSBC Qianhai Securities estimates

In its 1H26 operational update, XtalPi highlighted a clear strategic pivot: the company is actively transitioning from a pure AI-driven drug discovery service provider (software/CRO model) to a biotech asset generator. While the company continues to leverage its quantum physics and AI-driven platform, management emphasised building out a proprietary therapeutic pipeline. Whilst in our view, the vast majority of XtalPi's active pipeline consists of partnered assets (co-development and out-licensing agreements with pharma partners). This partnered approach provides near-term milestone payments and partially validates the platform's utility while insulating the company from heavy R&D burn. However, management provided forward guidance in the interim report indicating a substantial wave of wholly-owned, internally developed programs expected to enter the IND-enabling stage over the next 12 to 24 months (2027–2028). This signifies a profound shift in capital allocation and risk profile.

While we acknowledge the computational strength of XtalPi's platform, we remain cautious on this aggressive transition to an internal pipeline model. We view XtalPi currently as a 'show-me' story, while the partnered pipeline offers downside protection and validates the technology at the preclinical level. We have a conservative view over its transition to an asset-heavy biotech model. We prefer to stay on the sidelines and await concrete clinical data readouts before crediting the proprietary pipeline in our DCF valuation. Maintain Hold.

Exhibit 11. Xtalpi: Pipeline updates at the PCC stage or beyond

Modality	Pipeline	Target/MoA	Indication	Current status	Rights/partner	Next milestones
Bispecific Ab	ALX001	TL1A/IL-23p19	Autoimmune	IND	Self-developed	Ph I in 2027
Trispecific Ab	ALX002	CD19/BCMA/CD3	Autoimmune	IND	Self-developed	Ph I in 2027
Bispecific Ab	ALX005	FcRn/HAS	Autoimmune	IND	Self-developed	Ph I in 2027
Small molecule	XTN004	TRK/RET	Intestinal pain	IND	Self-developed	China/US IND fillings in 2H26
Small molecule	SIGX1094	FAK/SRC	DGC	Ph I	Signet	Ph II in 2027
Small molecule	RTX-117	eIF2B	CMT, VWM	Ph I	ReviR	Ph II in 2027
Small molecule	PEP08	PRMT5	Solid tumor	Ph I	PharmEngine	-
Small molecule	SIGX2649	TEAD	Solid tumors	IND	Signet	Ph I in 2H26
Small molecule	MP-5342	LDH	IBD	IND	META	Ph I in 2H26
Small molecule	-	-	Oncology	IND	DoveTree	IND filing in 2027
Cell	META10-19	CD19, IL-10	R/R CD19+ B-cell hematologic malignancy	IND	Leman	Ph I in 2H26
Cell	META10-19	CD19, IL-10	Refractory B-cell autoimmune disease	IND	Leman	Ph I in 2H26
Cell	IL-10 GPC3 CAR-T	GPC3, IL-10	GPC3+ liver cancer	PCC	Leman	First solid tumor clinical data in 2H26
Cell	IL-10 EGFRvIII CAR-T	EGFRvIII, IL-10	EGFRvIII+ glioma	PCC	Leman	First solid tumor clinical data in 2H26
Cell	IL-10 Claudin 18.2 CAR-T	Claudin 18.2, IL-10	Claudin 18.2+ GC	PCC	Leman	IIT beginning in 2H26
Peptide	Px-002C	Single target	Glucose-lowing	-	Self-developed	-
Peptide	Px-003C	Single target	Lipid-lowing	PCC	Self-developed	-
Peptide	Px-001C	Single target	Cosmetics	PCC	Self-developed	New cosmetic ingredient filling in 2H27
Oligonucleotide	XS01	Single target	IgA nepropathy/PNH	PCC	Self-developed	-

Source: Company report, HSBC Qianhai Securities

Estimate changes

We lower our revenue estimates by 2-3% over 2026-28e due to a later-than-expected revenue recognition of DoveTree milestone payment. Accordingly, our net profit estimates are lower over the same period.

Exhibit 12. Xtalpi: earnings estimate changes

	2026e			2027e			2028e		
RMBm	Old	New	Change	Old	New	Change	Old	New	Change
Revenue	**1015.7**	**988.8**	**-3%**	**1399.8**	**1364.8**	**-2%**	**1868.8**	**1825.1**	**-2%**
Gross profit	538.3	524.0	-3%	769.9	750.6	-2%	1046.5	1022.1	-2%
Selling expense	-85.0	-85.0	0%	-89.1	-89.1	0%	-93.4	-93.4	0%
Admin expense	-414.0	-414.0	0%	-422.3	-422.3	0%	-434.9	-434.9	0%
R&D expense	-597.6	-597.6	0%	-627.5	-627.5	0%	-658.9	-658.9	0%
Other expense	250.4	250.4	0%	253.1	253.1	0%	255.9	255.9	0%
Operating profit	-308.0	-322.2	5%	-115.9	-135.2	17%	115.2	90.8	-21%
Tax	17.7	19.1	8%	-1.4	0.5	-138%	-24.7	-22.2	-10%
Net profit	**-145.0**	**-156.7**	**-8%**	**11.5**	**-4.4**	**NA**	**202.5**	**182.0**	**-10%**
Gross margin	53.00%	53.0%	0bps	55.0%	55.0%	0bps	56.00%	56.0%	0bps
Selling exp as % of sales	8.37%	8.6%	23bps	6.4%	6.5%	16bps	5.00%	5.1%	12bps
G&A as % of sales	40.76%	41.9%	111bps	30.2%	30.9%	77bps	23.27%	23.8%	56bps
R&D as % of sales	58.84%	60.4%	160bps	44.8%	46.0%	115bps	35.26%	36.1%	84bps
Operating margin	-30.32%	-32.6%	-227bps	-8.3%	-9.9%	-162bps	6.17%	5.0%	-119bps
Net margin	-14.27%	-15.8%	-157bps	0.8%	-0.3%	-114bps	10.84%	10.0%	-86bps

Source: HSBC Qianhai Securities estimates

Maintain Hold rating; decrease target price to HKD7.70 (from HKD8.00)

We continue to value XtalPi using a DCF methodology. Key assumptions in our valuation model include a WACC of 9.9% (based on a risk-free rate of 4.25%, a China H-share market risk premium of 4.75%, and a 1-year daily adjusted beta coefficient of 1.39), a terminal growth rate of 3.0%, and our FX team's end-2026e RMB/HKD exchange rate of 1.17 (all unchanged). Following our estimate revisions, our target price is lowered to HKD7.70, which implies c13% upside from current levels. We maintain our Hold rating on the stock, as we view its current valuation as fair, which reflects both near-term opportunities and execution risks.

Exhibit 13. XtalPi: Discounted cash flow valuation

(RMBm)	2023	2024	2025	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e
Revenue	174	266	803	989	1,365	1,825	2,507	3,510	4,738	6,278	8,162
Growth	31%	53%	201%	23%	38%	34%	37%	40%	35%	33%	30%
EBIT	(1,999)	(1,564)	33	(332)	(145)	81	427	970	1,310	1,787	2,556
Growth	35%	-22%	-102%	-1104%	-56%	-156%	429%	127%	35%	36%	43%
FCF	(1,877)	(1,477)	188	(14)	149	371	689	1,180	1,516	1,979	2,683

Perpetual growth rate	3.0%	Discounted free cash flow	5,218
WACC	9.9%	Discounted terminal value	20,800
Cost of debt after tax	2.70%	Enterprise value	26,018
COE	10.85%	Net cash (debt)	2,164
Risk-free rate	4.25%	Equity value	28,182
Market risk premium*	4.75%	2026e HSBC RMB/HKD exchange rate	1.17
Beta	1.39	**Value/share (HKD)**	**7.70**

Note: *We adopt the HSBC Global Investment Research equity strategy team's mainland H-share risk premium of 4.75% for Xtalpi, as the majority operating activities of the company are taking place in mainland China. See *Cost of Equity 2026* (13 July 2026) for more details
Source: Company reports, HSBC Qianhai Securities estimates

Key upside risks:

- Faster-than-expected major deals' milestone achieved;
- Major new MNC partnership
- Robotics capacity expansion completion
- Pipeline company IPO/M&A
- Operating leverage inflection

Key downside risks

- Milestone payment delay
- Competition intensifies
- Regulatory risk
- Forex risk

Financials & valuation: XtalPi

Hold

Financial statements

Year to	12/2025a	12/2026e	12/2027e	12/2028e
Profit & loss summary (CNYm)				
Revenue	803	989	1,365	1,825
EBITDA	33	-332	-145	81
Depreciation & amortisation	0	0	0	0
Operating profit/EBIT	33	-332	-145	81
Net interest	102	141	140	141
PBT	135	-191	-5	222
HSBC Qianhai PBT	135	-191	-5	222
Taxation	-1	19	1	-22
Net profit	124	-157	-4	182
HSBC Qianhai net profit	124	-157	-4	182
Cash flow summary (CNYm)				
Cash flow from operations	-165	-201	-45	144
Capex	-68	-31	-57	-60
Cash flow from investment	-3,946	124	97	95
Dividends	0	0	0	0
Change in net debt	-1,113	63	-66	-253
FCF equity	-233	-232	-102	84
Balance sheet summary (CNYm)				
Intangible fixed assets	233	233	233	233
Tangible fixed assets	378	410	467	527
Current assets	7,467	7,404	7,469	7,722
Cash & others	2,573	2,510	2,576	2,829
Total assets	10,217	10,186	10,309	10,622
Operating liabilities	441	441	441	441
Gross debt	346	346	346	346
Net debt	-2,227	-2,164	-2,230	-2,483
Shareholders' funds	9,384	9,352	9,475	9,788
Invested capital	5,065	5,096	5,153	5,213

Ratio, growth and per share analysis

Year to	12/2025a	12/2026e	12/2027e	12/2028e
Y-o-y % change				
Revenue	201.2	23.2	38.0	33.7
EBITDA		-1104.2		
Operating profit		-1104.2		
PBT		-241.1		
HSBC Qianhai EPS		-213.1		
Ratios (%)				
Revenue/IC (x)	0.2	0.2	0.3	0.4
ROIC	0.9	-5.9	-2.5	1.4
ROE	1.9	-1.7	-0.0	1.9
ROA	2.0	-1.6	0.1	2.0
EBITDA margin	4.1	-33.6	-10.6	4.4
Operating profit margin	4.1	-33.6	-10.6	4.4
EBITDA/net interest (x)		2.4	1.0	
Net debt/equity	-23.6	-23.0	-23.4	-25.2
Net debt/EBITDA (x)	-67.3	6.5	15.4	-30.7
CF from operations/net debt				
Per share data (CNY)				
EPS Rep (diluted)	0.03	-0.04	-0.00	0.04
HSBC Qianhai EPS (diluted)	0.03	-0.04	-0.00	0.04
DPS	0.00	0.00	0.00	0.00
Book value	2.18	2.17	2.20	2.27

Valuation data

Year to	12/2025a	12/2026e	12/2027e	12/2028e
EV/sales	25.9	21.1	15.2	11.2
EV/EBITDA	628.3	nm	nm	254.2
EV/IC	4.1	4.1	4.0	3.9
PE*	178.7	nm	nm	138.2
PB	2.7	2.7	2.7	2.6
FCF yield (%)	-0.9	-0.9	-0.4	0.3
Dividend yield (%)	0.0	0.0	0.0	0.0

* Based on HSBC Qianhai EPS (diluted)

ESG metrics

Environmental Indicators	12/2025a
GHG emission intensity*	
Energy intensity*	
CO_2 reduction policy	Yes
Social Indicators	**12/2025a**
Employee costs as % of revenues	
Employee turnover (%)	
Diversity policy	Yes

Governance Indicators	12/2025a
No. of board members	7
Average board tenure (years)	
Female board members (%)	14.3
Board members independence (%)	57.1

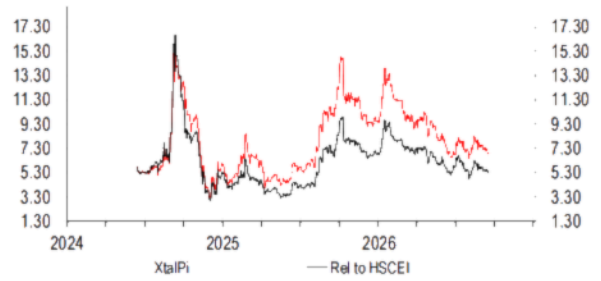
Source: Company data, HSBC Qianhai Securities

* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

Issuer information

Share price (HKD)	6.84	Free float	0%
Target price (HKD)	7.70	Sector	Biotechnology
RIC (Equity)	2228.HK	Country/Region	China
Bloomberg (Equity)	2228 HK	Analyst	Linda Shu, PhD
Market cap (USDm)	3,749	Contact	+86 755 88983246

Price relative



Source: HSBC Qianhai Securities

Note: Priced at close of 14 Sep 2026

Financials & valuation: InSilico Medicine

Buy

Financial statements

Year to	12/2025a	12/2026e	12/2027e	12/2028e
Profit & loss summary (USDm)				
Revenue	56	187	250	296
EBITDA	-352	-4	46	81
Depreciation & amortisation	0	0	0	0
Operating profit/EBIT	-352	-4	46	81
Net interest	0	0	0	0
PBT	-352	-4	45	81
HSBC Qianhai PBT	-352	-4	45	81
Taxation	0	1	-7	-12
Net profit	-352	-3	39	69
HSBC Qianhai net profit	-352	-3	39	69
Cash flow summary (USDm)				
Cash flow from operations	-77	-3	39	69
Capex	-3	0	0	0
Cash flow from investment	-50	0	0	0
Dividends	0	0	0	0
Change in net debt	-267	-302	-39	236
FCF equity	-80	-3	39	69
Balance sheet summary (USDm)				
Intangible fixed assets	0	0	0	0
Tangible fixed assets	13	13	13	13
Current assets	474	776	814	578
Cash & others	393	695	733	497
Total assets	490	792	830	594
Operating liabilities	4	4	4	4
Gross debt	0	0	0	0
Net debt	-393	-695	-733	-497
Shareholders' funds	452	449	487	556
Invested capital	90	90	90	90

Ratio, growth and per share analysis

Year to	12/2025a	12/2026e	12/2027e	12/2028e
Y-o-y % change				
Revenue	-34.5	232.2	33.8	18.6
EBITDA				77.3
Operating profit				77.3
PBT				77.8
HSBC Qianhai EPS				77.8
Ratios (%)				
Revenue/IC (x)	1.1	2.1	2.8	3.3
ROIC	-661.7	-3.6	43.0	76.2
ROE	332.5	-0.8	8.2	13.1
ROA	-111.1	-0.5	4.8	9.7
EBITDA margin	-626.0	-2.2	18.3	27.3
Operating profit margin	-626.0	-2.2	18.3	27.3
EBITDA/net interest (x)			156.1	276.8
Net debt/equity	-87.0	-154.9	-150.6	-89.4
Net debt/EBITDA (x)	1.1	172.3	-16.1	-6.1
CF from operations/net debt				
Per share data (USD)				
EPS Rep (diluted)	-4.48	-0.04	0.49	0.87
HSBC Qianhai EPS (diluted)	-4.48	-0.04	0.49	0.87
DPS	0.00	0.00	0.00	0.00
Book value	5.74	5.70	6.19	7.06

Valuation data

Year to	12/2025a	12/2026e	12/2027e	12/2028e
EV/sales	61.5	16.9	12.5	11.3
EV/EBITDA	nm	nm	68.3	41.5
EV/IC	38.3	35.0	34.5	37.1
PE*	nm	nm	13.5	7.6
PB	1.2	1.2	1.1	0.9
FCF yield (%)	-2.1	-0.1	1.0	1.8
Dividend yield (%)	0.0	0.0	0.0	0.0

* Based on HSBC Qianhai EPS (diluted)

ESG metrics

Environmental Indicators	12/2025a
GHG emission intensity*	
Energy intensity*	
CO_2 reduction policy	Yes
Social Indicators	**12/2025a**
Employee costs as % of revenues	
Employee turnover (%)	
Diversity policy	Yes

Governance Indicators	12/2025a
No. of board members	8
Average board tenure (years)	
Female board members (%)	12.5
Board members independence (%)	37.5

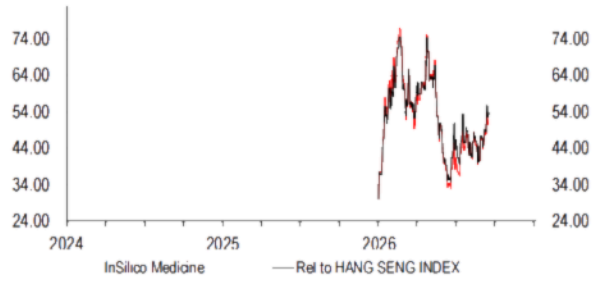
Source: Company data, HSBC Qianhai Securities

* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

Issuer information

Share price (HKD)	51.90	Free float	0%
Target price (HKD)	85.90	Sector	Biotechnology
RIC (Equity)	3696.HK	Country/Region	Hong Kong
Bloomberg (Equity)	3696 HK	Analyst	Linda Shu, PhD
Market cap (USDm)	3,854	Contact	+86 755 88983246

Price relative



Source: HSBC Qianhai Securities

Note: Priced at close of 14 Sep 2026