

XtalPi (2228 HK)

AI-driven innovation unlocks expansive commercial prospects

XtalPi's revenue increased by 52.8% YoY to RMB266mn in FY24, driven by strong growth in its intelligent robotics solutions segment, which rose by 87.8% to RMB163mn. This was largely due to robust demand of XtalPi R&D solutions, including traditional Chinese medicine (TCM) and electrolyte robotics offerings, as well as increased revenue from automated chemical synthesis services. During the period, revenue from drug discovery solutions also grew by 18.2% YoY to RMB104mn, supported by an expanded customer base and a higher number of revenue-generating programs. In FY24, XtalPi's adjusted net loss (excluding impact from share-based compensation, fair value loss of convertible preferred shares and listing expenses) reduced by 12.5% YoY to RMB457mn. R&D expenses declined by 13.0% YoY to RMB418m, in which SG&A expenses increased by 36% YoY to RMB489mn, mainly due to higher share-based compensation and listing-related expenses. Contract fulfillment costs increased by 13.3% YoY to RMB143mn, in line with expanded service delivery. As of end-2024, XtalPi had RMB3.1bn cash balance. The company further strengthened its financial position by completing two fundraising placement in early 2025, raising HK\$3.2bn to enhance its cash reserves and fund future growth initiatives.

- AI platform powering dual-core growth.** XtalPi leverages its proprietary AI-powered R&D platform to deliver stable and accelerating revenue growth across two core business areas: drug discovery and intelligent robotics. For drug discovery, the company offers end-to-end modular solutions and has built strategic collaborations with leading global and domestic pharma companies, including Eli Lilly, J&J, UCB, Zhuhai United Lab, Signet Therapeutics, META Biopharma and N1 Life. Notably, a drug candidate co-developed with Signet for the treatment of diffuse gastric cancer has entered Ph1 clinical trials in China and the US, while another candidate developed in collaboration with META, targeting primary hyperoxaluria, has progressed to the IND stage.
- Strategic partnerships across industries.** Beyond healthcare, XtalPi has extended its reach into materials science, agriculture, consumer, AI infrastructure, and other emerging verticals through extensive collaborations. These cross-industry partnerships highlight XtalPi's ability to deliver scalable, AI-enabled solutions with broad applicability. For instance, in the energy sector, XtalPi collaborates with GCL Group to accelerate the development of new materials for the green transition. It also deployed a high-throughput synthesis and catalyst pre-treatment solution for Sinopec's Research Institute. In the high-tech arena, XtalPi works with Microsoft China on innovations in biomedicine and new materials. XtalPi's expanding ecosystem of partnerships reflects its strong commercialization potential across AI and robotics-enabled industries.
- Maintain BUY.** With broad collaborations and cross-industry applications, XtalPi is well-positioned to create long-term value across multiple sectors. We derive our target price of HK\$7.57 based on a DCF model (WACC: 9.45%, terminal growth rate: 4.0%).

- Risks:** Potential delays in partnered R&D pipelines, uncertainty in commercialization sustainability, and possible sell-off following lock-up expiry.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	174	266	404	816	1,184
YoY growth (%)	30.8	52.8	51.5	102.2	45.1
Net profit (RMB mn)	(1,906)	(1,515)	(282)	(11)	154
R&D expenses (RMB mn)	(481)	(418)	(370)	(367)	(415)
Admin expenses (RMB mn)	(296)	(418)	(250)	(286)	(296)
CAPEX (RMB mn)	(124)	(60)	(60)	(50)	(50)

Source: Company data, Bloomberg, CMBIGM estimates.

BUY (Maintain)

Target Price **HK\$7.57**

(Previous TP) HK\$7.57)

Up/Downside **30.6%**

Current Price **HK\$5.80**

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Stock Data

Mkt Cap (HK\$ mn)	23,314.9
Avg 3 mths t/o (HK\$ mn)	714.9
52w High/Low (HK\$)	3.05/16.20
Total Issued Shares (mn)	4019.8

Source: FactSet

Shareholding Structure

Tencent Holdings	10.9%
QuantumPharm ROC	7.4%

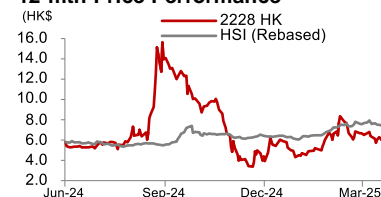
Source: HKEX

Share Performance

	Absolute	Relative
1-mth	-13.0%	-14.0%
3-mth	0.2%	-15.3%
6-mth	-53.0%	-54.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Base case risk-adjusted DCF valuation

DCF Valuation (RMB mn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	(368)	(142)	51	328	634	1,065	1,538	1,962	2,439	2,995	3,653
Tax rate	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	(368)	(142)	43	279	539	905	1,307	1,668	2,073	2,546	3,105
+ D&A	50	50	50	50	50	50	50	50	50	50	50
- Change in working capital	(2)	(94)	(77)	(115)	(124)	(233)	(193)	(210)	(219)	(240)	(262)
- Capex	(60)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)
FCFF	(381)	(237)	(34)	164	415	672	1,113	1,458	1,854	2,306	2,843
Terminal value											52,024
Total PV (RMB mn)	24,429										
Net debt	(3,915)										
Minority interest (RMB mn)	29										
Equity value (RMB mn)	28,316										
Equity value (HK\$ mn)	30,448										
Equity value (US\$ mn)	3,904										
No. of shares (mn)	4,020										
DCF per share (HK\$)	7.57										
Terminal growth rate	4.0%										
WACC	9.45%										
Cost of equity	12.7%										
Cost of debt	4.0%										
Equity beta	1.0										
Risk free rate	2.5%										
Market risk premium	10.2%										
Target debt to asset ratio	35.0%										
Effective corporate tax rate	15.0%										

Source: CMBIGM estimates

Figure 2: Sensitivity analysis (HK\$)

		WACC				
		8.45%	8.95%	9.45%	9.95%	10.45%
Terminal growth rate	5.0%	11.80	10.13	8.85	7.83	7.01
	4.5%	10.56	9.21	8.15	7.29	6.58
	4.0%	9.59	8.48	7.57	6.83	6.21
	3.5%	8.82	7.88	7.10	6.45	5.90
	3.0%	8.20	7.38	6.70	6.12	5.62

Source: Company data, CMBIGM estimates

Figure 3: CMBIGM estimates revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	404	816	1,184	434	841	1,250	-7%	-3%	-5%
Operating profit	(368)	(142)	51	(357)	(158)	52	NA	NA	NA
Net profit	(282)	(11)	154	(310)	(86)	105	NA	NA	NA

Source: Company data, Bloomberg, CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	404	816	1,184	410	670	1,141	-2%	22%	4%
Operating profit	(368)	(142)	51	(534)	(311)	(293)	NA	NA	NA
Net profit	(282)	(11)	154	(419)	(197)	8	NA	NA	NA

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	133	174	266	404	816	1,184
Selling expense	(40)	(62)	(71)	(75)	(128)	(173)
Admin expense	(204)	(296)	(418)	(250)	(286)	(296)
R&D expense	(359)	(481)	(418)	(370)	(367)	(415)
Others	(67)	(126)	(143)	(161)	(212)	(284)
Operating profit	(525)	(722)	(684)	(368)	(142)	51
Other income	21	28	66	50	0	0
Other gains/(losses)	(8)	41	35	35	35	35
Interest income	50	103	56	91	136	136
Interest expense	(6)	(10)	(7)	(5)	(5)	(5)
Others	(958)	(1,277)	(880)	0	0	0
Pre-tax profit	(1,439)	(1,906)	(1,515)	(282)	(11)	181
Income tax	0	0	0	0	0	(27)
Minority interest	(0)	0	0	0	0	0
Adjusted net profit	(1,439)	(1,906)	(1,515)	(282)	(11)	154
BALANCE SHEET						
	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	3,597	2,945	3,315	6,066	6,060	6,222
Cash & equivalents	574	711	1,166	4,614	4,509	4,586
Restricted cash	5	2	1	1	1	1
Account receivables	38	39	99	102	201	286
Prepayment	52	41	85	85	85	85
ST bank deposits	2,538	1,251	149	(551)	(551)	(551)
Financial assets at FVTPL	356	863	1,786	1,786	1,786	1,786
Other current assets	33	38	26	26	26	26
Non-current assets	719	1,060	1,039	1,050	1,050	1,050
PP&E	318	370	320	331	331	331
Right-of-use assets	78	189	91	91	91	91
Intangibles	7	8	8	8	8	8
Financial assets at FVTPL	285	424	555	555	555	555
Other non-current assets	33	69	65	65	65	65
Total assets	4,316	4,006	4,355	7,116	7,111	7,272
Current liabilities	198	297	280	280	286	293
Short-term borrowings	36	60	52	52	52	52
Account payables	14	14	16	17	22	30
Other current liabilities	108	139	163	163	163	163
Lease liabilities	24	59	32	32	32	32
Contract liabilities	16	26	17	17	17	17
Non-current liabilities	9,428	10,950	83	83	83	83
Long-term borrowings	0	0	0	0	0	0
Convertible bonds	9,321	10,780	0	0	0	0
Other non-current liabilities	107	169	83	83	83	83
Total liabilities	9,626	11,247	362	363	368	376
Share capital	0	0	0	0	0	0
Retained earnings	(5,126)	(7,040)	(8,572)	(8,854)	(8,865)	(8,711)
Other reserves	(202)	(227)	12,536	15,578	15,578	15,578
Total shareholders equity	(5,328)	(7,267)	3,964	6,725	6,714	6,868
Minority interest	18	26	29	29	29	29
Total equity and liabilities	4,316	4,006	4,355	7,116	7,111	7,272

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(1,439)	(1,906)	(1,515)	(282)	(11)	181
Depreciation & amortization	69	122	48	50	50	50
Tax paid	0	0	0	0	0	(27)
Change in working capital	(22)	(13)	(67)	(2)	(94)	(77)
Others	963	1,231	101	(36)	(131)	(131)
Net cash from operations	(429)	(568)	(1,433)	(271)	(187)	(3)
Investing						
Capital expenditure	(193)	(124)	(60)	(60)	(50)	(50)
Net proceeds from disposal of short-term investments	(207)	3,601	500	700	0	0
Others	(2,357)	(2,742)	56	91	136	136
Net cash from investing	(2,758)	736	496	731	86	86
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	25	60	0	0	0	0
Proceeds from share issues	0	0	970	2,993	0	0
Others	33	(86)	(7)	(5)	(5)	(5)
Net cash from financing	58	(26)	963	2,988	(5)	(5)
Net change in cash						
Cash at the beginning of the year	3,524	574	711	737	4,614	4,509
Exchange difference	179	(6)	0	0	0	0
Cash at the end of the year	574	711	737	4,614	4,509	4,586
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	112.3%	30.8%	52.8%	51.5%	102.2%	45.1%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Operating margin	(393.9%)	(414.1%)	(256.8%)	(91.2%)	(17.4%)	4.3%
Adj. net profit margin	(1,078.7%)	(1,092.9%)	(568.6%)	(69.8%)	(1.3%)	13.0%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	18.2	9.9	11.9	21.6	21.2	21.2

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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