14 Aug 2026

CMB International Global Markets | Equity Research | Company Flash Note

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Z.AI (2513 HK)

GLM-5.3 unveiled with strong capabilities

FLASH

Rating	**BUY**
Target Price	**HK$1503.90**
Up/Downside	**14.2%**
Current Price	**HK$1317.00**

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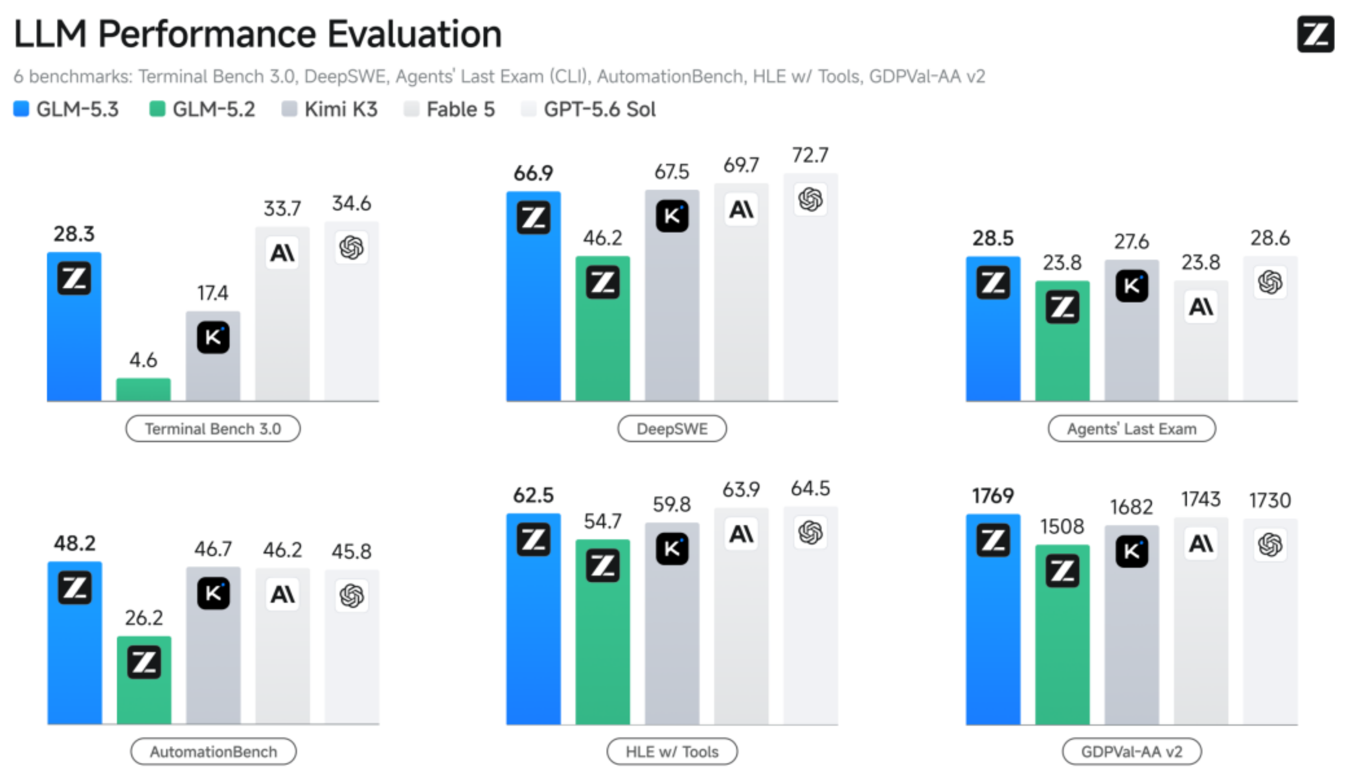
Z.ai unveiled (14 Aug) its GLM-5.3 (link). While the base model remains unchanged from GLM-5.2, Z.ai has materially raised the model's intelligence ceiling through aggressive post-training scaling. In our view, GLM-5.3 demonstrates significant improvements in coding and agentic capabilities, while achieving a better balance between performance and token efficiency. The model also exhibits emerging cybersecurity capabilities, with particular strength in earlier stages of cybersecurity task-chain such as vulnerability validation, while leaving room for further improvement in full-chain exploitation tasks. We view the launch of GLM-5.3 as a positive catalyst for the stock and remain constructive on Z.ai's long-term growth prospects. Reiterate BUY with a TP of HK$1,503.9.

- **GLM-5.3 demonstrates significant improvements in coding and agentic capabilities.** GLM-5.3 ranked No. 1 among open-source models on public benchmarks including Terminal-Bench 3.0 and Agents' Last Exam (see Fig. 1). On Terminal-Bench 3.0, which measures a model's ability to complete complex tasks in real terminal environments, GLM-5.3's score increased to 28.3 from 4.6 for GLM-5.2. On DeepSWE v1.1, which focuses on long-horizon software engineering and sustained code modification, its score rose to 66.9 from 46.2. On Agents' Last Exam, which covers a broad range of real-world professional scenarios and emphasizes cross-tool collaboration and long-horizon task execution, the score improved to 28.5 from 23.8. In addition, GLM-5.3 achieved a better balance between model performance and token efficiency.
- **GLM-5.3 exhibits emerging cybersecurity capabilities.** From a task-chain perspective, cybersecurity capabilities can broadly be divided into code review, vulnerability validation, vulnerability exploitation, and closed-loop attack-and-defense execution in real-world environments. At present, GLM-5.3's strengths are concentrated primarily in the earlier stages of this chain (see Fig. 2). Across the three evaluations, GLM-5.3 showed greater improvement over GLM-5.2 in tasks closer to the front end of the vulnerability-exploitation chain. As tasks progressed toward full-chain exploitation, the remaining gap versus frontier closed-source models such as Mythos 5 widened, suggesting room for further capability improvement, in our view.
- **Remain constructive on Z.ai's long-term growth prospects.** Our positive view on Z.ai is anchored by its: 1) frontier model capabilities, underpinned by deep research expertise that supports rapid model iteration; 2) strategic foresight in identifying monetization scenarios, positioning it well to capture opportunities yet to unfold; and 3) large institutional customer base served with tailor-made solutions, alongside strong growth prospects for its open platform and API business. (see link to our initiation report: *Sailing toward the vast frontier of AGI*, published on 11 Jun 2026).
- **Valuation and risks.** Our target price of HK$1,503.9 is based on 40.0x 2028E P/S, discounted back to 2026E at a 15% WACC. **Key catalysts:** 1) better-than-expected ARR growth; and 2) higher-than-expected penetration and monetization across new use cases and verticals. **Key risks:** 1) slower-than-expected iteration of frontier models; and 2) more intense industry competition than we expect.

Figure 1: LLM performance evaluation



Source: Company data, CMBIGM

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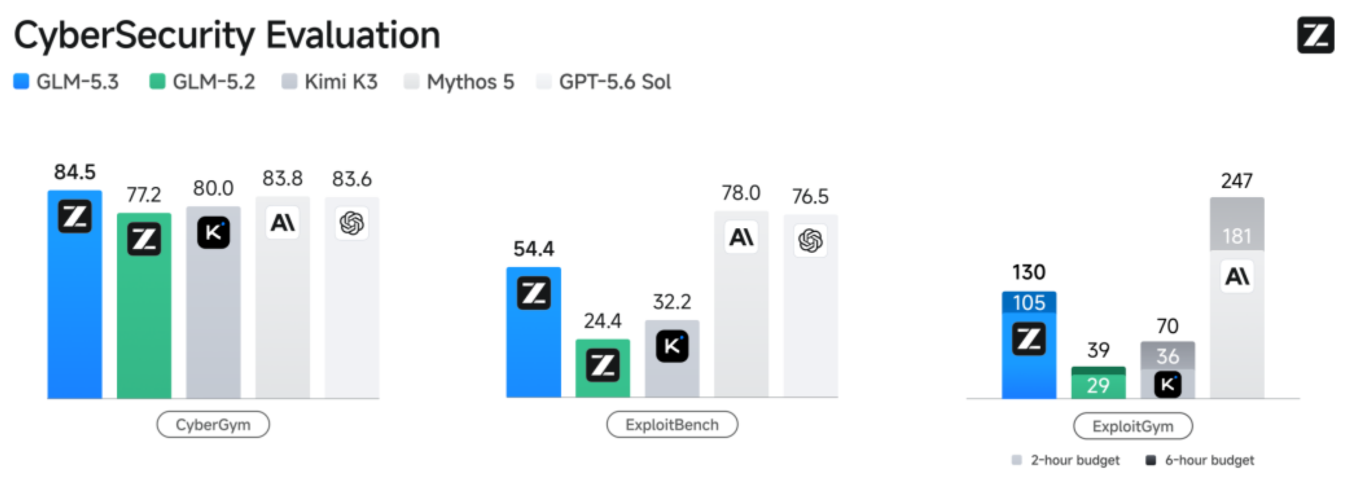
Figure 2: Cybersecurity evaluation



Source: Company data, CMBIGM

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