

2H25 EARNINGS UPDATE

Fangzhou Inc.

Profitability Turning Point in FY25: A New Era of Revaluation with Evolution to AI-Driven Digital Chronic Disease Service System

KEY POINTS

Beat market expectations, with AI-driven business model further validated. Fangzhou Inc. reported FY2025 revenue of RMB 3.5bn, above our estimate of RMB 3.2bn, representing 30% YoY growth, primarily driven by the continued expansion of its consumer healthcare business. On the bottom line, the company recorded IFRS net income attributable to shareholders of RMB 12.0mn, ahead of our estimate of RMB 3.0mn, marking its first full-year IFRS profitability. In our view, this result not only validates the scalability and commercial viability of Fangzhou Inc.'s business model, but also highlights its ongoing evolution from a traditional pharmaceutical e-commerce platform to an AI-enabled digital chronic disease ecosystem. Within this ecosystem, the trusted and sticky doctor-patient relationship continues to serve as a core competitive moat, while the deeper integration of AI is becoming an important driver of operating efficiency and service enhancement. Together, these two pillars support more personalized, higher-value, and closed-loop healthcare services, enabling the company to deliver increasingly resilient and visible growth despite a still-challenging external environment. In our view, the current valuation still does not fully reflect the company's long-term strategic value.

AI is driving an efficiency revolution in chronic disease services. During FY2025, Fangzhou Inc. further upgraded its industry-leading "H2H Smart Healthcare Service New Ecosystem Platform" into the "AI+H2H Service Platform". Underpinned by a service model in which trust remains the foundation, AI is increasingly functioning as a key lever to unlock step-change improvements in operating efficiency. Focusing on high-frequency use cases and core pain points in chronic disease services, the company has rolled out a series of AI-powered tools and agents. Among them, the "AI Pre-Consult Agent" enables end-to-end intelligent pre-consultation and helps move part of the service process upstream; the "AI Health Manager" provides intelligent triage and improves patient matching with appropriate physicians and specialists; while the "AI Doctor Assistant" and "AI Academic Assistant" are designed to improve physician-side efficiency by supporting follow-up consultation workflows as well as medical literature retrieval. Together, these applications help enhance consultation efficiency and overall service quality. The company has also begun pilot testing AI Digital Doctors, with the aim of further improving the accessibility, efficiency, and user experience of online consultations through AI Avatar Doctor. As an early mover in the "AI +Chronic Disease Management" filed, Fangzhou Inc. is leveraging technology as a core engine to transform fragmented and traditionally cumbersome healthcare services into a more lightweight, efficient, and precise digital healthcare experience.

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KEY DATA

Exchange: HKEX
Ticker: 6086
Current Price: HK\$1.38
52-Week Range: HK\$ 1.20 - 6.20
Average Volume (3M): 7.74M
Shares Outstanding (MM): 1,340
Market Capitalization (HK\$MM): 1,912
Fiscal Year-End: December

FINANCIALS

In RMB Million	FY24A	FY25	FY26E	FY27E
Revenue	2,707	3,526	4,562	6,364
Gross Profit	516	559	729	1,012
EBIT	-778	13	21	41
Non-IFRS Net Income	17	20	28	42

PRICE PERFORMANCE



Professional healthcare capabilities and commercial momentum are reinforcing each other. In FY25, Fangzhou Inc. reached an important milestone by establishing partnerships with leading pharmaceutical companies including Novo Nordisk and Innovent Biologics, which we believe further underscores the strength of its platform capabilities and commercialization value. Moreover, the weight loss field itself imposes extremely high requirements on patient compliance management and long-term health intervention—an area that constitutes the core advantage Fangzhou Inc. has accumulated through years of in-depth engagement in the chronic disease services sector. Drawing on its professional capabilities developed in chronic disease services, the company's successful entry into the GLP-1 track reflects a specific manifestation of Fangzhou Inc.'s core capabilities. In fact, the market-validated capability system not only supports the company in the rapid implementation of its layout in the GLP-1 track, but also facilitates its quick entry into other chronic disease segments and sustained expansion of business boundaries, highlighting the scalability of its core capabilities. We believe that these cooperative relationships reflect the market's recognition of Fangzhou Inc.'s differentiated commercialization scenarios, which are built on high-trust doctor-patient relationships and supported by integrated digital service capabilities. Meanwhile, GLP-1-related services have also enabled the company to attract high-quality users characterized by stronger payment willingness and higher health awareness. Aligned with the company's overall "AI + H2H" strategy, this business model remains user-centric: By integrating high-trust doctor-patient relationships with AI-empowered service capabilities, Fangzhou Inc. is able to deliver comprehensive, high-quality medical and health solutions, while realizing the coordinated unification of commercial value creation and social value embodiment.

Path to re-rating is becoming clearer. We believe the market may previously have underestimated Fangzhou Inc.'s earnings potential, partly due to the distortion created by legacy financial burdens such as convertible preferred shares. With those overhangs now largely behind the company, Fangzhou Inc. appears to be approaching a new inflection point in both profitability and valuation. Its repurchase rate of over 85% also enhances earnings visibility and supports stronger revenue predictability. In addition, one-off financial items have been fully cleared following the successful completion of the rights issue in January 2026, which should further improve the clarity of the company's financial profile. Against this backdrop, we believe Fangzhou Inc. is increasingly well positioned to attract broader institutional investor attention. Fangzhou Inc.'s shares are currently trading at HK\$1.38 per share, implying a market capitalization of HK\$1,912mn. We forecast CY2026 revenue of HK\$4,994mn, corresponding to a P/S multiple of 0.4x, which remains meaningfully below the peer group average of 3.5x.

FINANCIALS AND VALUATION UPDATES

Figure 1: Company's Financials 2024 – 2027E.

Unit: Million RMB	2024	1H25	2H25	2025	1H26E	2H26E	2026E	2027E
Revenue	2,707	1,494	2,033	3,526	1,964	2,598	4,562	6,364
Cost of sales	-2,191	-1,225	-1,741	-2,967	-1,632	-2,201	-3,833	-5,352
Gross profit	516	268	291	559	332	398	729	1,012
Other net income/(loss)	-28	3	1	4	3	2	4	4
Selling and distribution expenses	-356	-191	-211	-401	-236	-300	-535	-751
Administrative expenses	-909	-67	-81	-147	-79	-96	-175	-223
Impairment losses on trade receivables	0	-1	-1	-2	0	-2	-2	-1
Profit/(loss) from operations	-778	13	0	13	20	2	21	41
Finance costs	-77	-1	-1	-1	-1	-8	-2	-8
Profit/(loss) before taxation	-855	13	0	12	19	1	20	33
Income tax	-0.03	-0.03	-0.16	-0.19	-0.05	-0.03	-0.1	-0.1
Profit/(loss) and total comprehensive income for the period	-855	12	-1	12	19	1	20	33
Non-IFRS Adjustment Items	872	5	3	9	5	3	8	10
Non-IFRS Net Profit	17	18	3	20	24	4	28	42

Source: GLH Research; Company filings.

Figure 2: Peer Valuation Analysis.

Company	Ticker	Market Cap	Revenue			P/S			Category
			2025A	2026E	2027E	2025A	2026E	2027E	
Alibaba Health Information Technology Limited	SEHK:241	79,582	32,807	40,102	44,948	2.4x	2.0x	1.8x	Online Pharmacy Platforms
JD Health International Inc.	SEHK:6618	158,998	81,726	99,140	113,145	1.9x	1.6x	1.4x	Online Pharmacy Platforms
Yifeng Pharmacy Chain Co., Ltd.	SHSE:603939	29,934	24,636	26,783	29,577	1.2x	1.1x	1.0x	Online Pharmacy Platforms
Ping An Healthcare and Technology Company Limited	SEHK:1833	25,635	6,050	7,001	7,933	4.2x	3.7x	3.2x	Digital Diagnostics Platforms
Medlive Technology Co., Ltd.	SEHK:2192	6,140	770	972	1,185	8.0x	6.3x	5.2x	Digital Diagnostics Platforms
Yidu Tech Inc.	SEHK:2158	5,635	767	926	1,087	7.4x	6.1x	5.2x	Digital Diagnostics Platforms
						Median	3.3x	2.8x	2.5x
						Mean	4.2x	3.5x	3.0x
Fangzhou Inc.	SEHK:6086	1,912	3,860	4,994	6,966	0.5x	0.4x	0.3x	

Notes:

1. Data as of 3/20/2026.
2. For Hong Kong Stocks, market caps and revenues are in HKD; for China stocks, market caps and revenues are in RMB.
3. EBITDAs are in calendar year and estimates are provided by analyst consensus on Capital IQ.

Source: GLH Research; Company filings; Capital IQ.

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