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Zacks Small-Cap Research

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Xiao-I Corporation-ADS (AIXI-NASDAQ)

AIXI: AI commercialization efforts accelerate but significant hurdles remain.

A blend of technology and AI-related companies in China trade on average at 3.0x 2024 revenues. Applying a discount that multiple for Xiao-I's stage of development, we believe each ADS could be worth $2.40.

Current Price (04/30/24)	$1.22
Valuation	**$2.40**

OUTLOOK

Xiao-I (NASDAQ: AIXI) is leveraging its experience as a chatbot provider to establish itself as a provider of AI models, principally in China. The company is focused on commercializing products in the consumer, marketing, and banking sectors in 2024 and exploring international expansion opportunities.

The company is competing with some of the most successful companies in China for mindshare in AI markets. The company's balance sheet may become a greater focus in 2024 for investors.

SUMMARY DATA

52-Week High	**$10.04**
52-Week Low	**$1.20**
One-Year Return (%)	**-78.4**
Beta	**N/A**
Average Daily Volume (sh)	**106,920**
Shares Outstanding* (mil)	**72**
Market Capitalization ($mil)	**$88**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**14%**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2023 Estimate	**N/A**
P/E using 2024 Estimate	**N/A**
Zacks Rank	**N/A**

*Each ADS represents 1/3 of one share

Risk Level	**High,Speculative**
Type of Stock	**Growth**
Industry	**Artificial Intelligence**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022		12.9A		35.3A	48.2 A
2023		26.5A		32.7A	59.2A
2024		33.2E		38.0E	71.3E
2025		42.0E		45.5E	87.4E

*The company reports 6 month results

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022		$0.01A		-$0.10A	-$0.09A
2023		-$0.27A		-$0.12E	-$0.37E
2024		-$0.11E		-$0.07E	-$0.18E
2025		-$0.04E		-$0.02E	-$0.06E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

*EPS reported as net income/ADS

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WHAT'S NEW

Second Half and Full Year 2023 Results

- Xiao-I (NASDAQ; AIXI) reported 2023 full-year results on April 30, 2024, which we have utilized to back into the six-month results for the period ending 12/31/23. Revenues for the period exceeded our forecast by about 9% or $2.6 million largely due to the strong performance of the company's cloud business and a surprising uptick in demand for technology development services.

- Total revenue jumped 22.8% to $59.2 mil for the full year of 2023 principally as a result of several new contracts signed or extended for the company's core cloud-based AI solutions and an increased interest in the company's large language model. The company's cloud platform business – which accounted for 74% of revenues in the second half of 2023 – produced a sizable gross margin above 66% in the last six months of 2023, but we think that the increasingly competitive landscape in this market impacted margins slightly.

- The company continues to invest very heavily in R&D related to new AI products – principally, the company's large language model and new projects like the OOTDiffusion (an image model) and an investment tool to write financial reports like the one you are reading. R&D spending jumped to $52.4 million for all of 2023 (though declining sequentially to $22.7 million in the last six months of the year). While we expect R&D spending to remain the largest line item in the company's expenses, we do anticipate that R&D spending as a proportion of sales will moderate as spending stays between $50-$60 million in 2024 and 2025. The company noted on its conference call that 56% of its staff are now employed in R&D positions.

- The company has begun also reporting its business lines as Model as a Service (MaaS) vs. Non-Model as a Service (Non-MaaS). The company believes that by providing AI models rather than selling the model outright it can speed the adoption of AI tools. The company's MaaS business – cognitive intelligence AI model, the image model, and the Hua Zang large language model – grew 48% in 2023 and accounted for 30% of all revenues. The company's non-MaaS business lines include many of the business lines from the company's legacy operations like AI Chatbots and Live Chat.

- Despite the company's strong top-line growth, customer concentration remains high with 52% of 2023 revenues coming from just 3 customers (the largest of which accounted for over 29% of revenues). Given the incredibly competitive market for AI models, we will have to monitor the company's customer relations closely as the loss of any of these key customers could significantly impact our model and target valuation.

- We believe the company will have a fairly robust pipeline of product announcements in the coming months as the company's latest SEC filing highlighted the launch of

    - An AI Try-on Product (a virtual try-on tool) using the image model in May 2024
    - An AI Agent product based on the Hua Zang LLM in May 2024
    - An AI Baby Crib based on the Hua Zang LLM in June 2024 and
    - An AI Product for disabled persons based on the Hua Zang LLM in May 2024

- Given the company's significant losses and cash burn, investors are likely to focus on the company's path to cash flow-positive operations. Management indicated on its conference call that if it hits a 20% revenue growth goal and controls expenses it could have positive cash flow from operations. We think the debate about when this will occur is likely to dominate most investor attention around Xiao-I. In light of the changes made to the voting structure of the company last December with the

CEO now having close to 79% of the voting interest, we do think the risk of additional dilution is high for ADS holders. To meet the cash needs of the company for the next twelve months, the company has indicated that it will seek extensions on its borrowings, seek out additional bank financing, and focus on cost controls.

- The company has a sizeable loan due from a related party that may also raise some concern among investors. Shortly after raising $34,4 million from ADS investors via the company's IPO in March 2023, the company entered into an interest-free loan agreement with Zhizhen Gourui – an equity investment of the group that is developing an AI industrial park in China. As of 12/31/23 the outstanding loan balance was $13.9 million and the company believes that the repayment will be extended to more than a year. Given that this loan represents nearly 40% of the net proceeds from the company's IPO we think investors may be concerned about the company's cash management strategies.

- New projects like the previously mentioned OOTDiffusion (image model) offer some insights into ways that the company's AI tools can be used in the real world. The project works as a virtual try-on tool principally for clothing in the examples we've seen but we could imagine a number of alternatives for uses in advertising and print media. While there are some limitations to the project and the produced images occasionally are distorted, it doesn't take very long using the tools to see how a simple virtual try-on tool could be very popular with consumers and retailers.

- We are adjusting our revenue forecasts slightly for 2024 and 2025 but we will monitor commercialization efforts closely during 2024. We are maintaining our price target at $2.40 for the time being, but we recognize that the risk associated with management's control of the voting stock and the cash needs of the company could significantly impact investor sentiment. If the company seeks additional equity financing to fund operations in 2024 our target valuation would likely have to be adjusted lower.

KEY POINTS

➢ Xiao-I has operated on the edge of the artificial intelligence world through its legacy chatbot business for close to two decades and is leveraging that experience to expand into new product lines related to AI. The business has undergone a radical transformation over the past twelve months as a result of the company's IPO on the NASDAQ in 2023, its shift to a cloud-based model, and the introduction of the company's first large language model (LLM) in 2023.

➢ Global demand for AI solutions is exploding but as with past bubbles the actual application of the technology remains a bit more elusive, especially in China where the government has sought to limit some early AI applications (though these restrictions were later eased).

➢ The company launched the Hua Zang large language model (LLM) in October 2023 joining at least 100 other LLMs announced in China in 2023. We expect competition in the LLM market to continue to intensify before the leading technology companies establish their dominance. Xiao-I's success in providing industry-specific solutions (like those for the financial services sector) gives it a leg up when competing head-to-head with China's tech giants.

➢ The company has a long operating history and is attempting to reposition itself in the market as an AI solutions provider which has been met with some skepticism by the market. While the company has demonstrated some applications for its LLM that can be used in consumer products, we believe the current examples are just scratching the surface of the potential applications of these models going forward.

➢ The company granted its CEO 3.7 million preferred shares in mid-December and each preferred share is entitled to the voting power of 20 ordinary shares. As a result of this grant, the CEO now has control of more than 79% of the voting power of the company (up from just 13% prior to this grant). We believe ADS holders may be concerned about this shift in control of the company which occurred without any advance notice for the ADS holders.

➢ We are maintaining our target of $2.40/share for AIXI based on valuations for Chinese Technology and AI companies. We think that it is likely that the company's ADS will trade at a discount to the market average because of its concentration of customers, focus on the Chinese market, concerns over the cost of competing in the generative AI market, and the substantial control granted to the CEO via the preferred share grant in December.

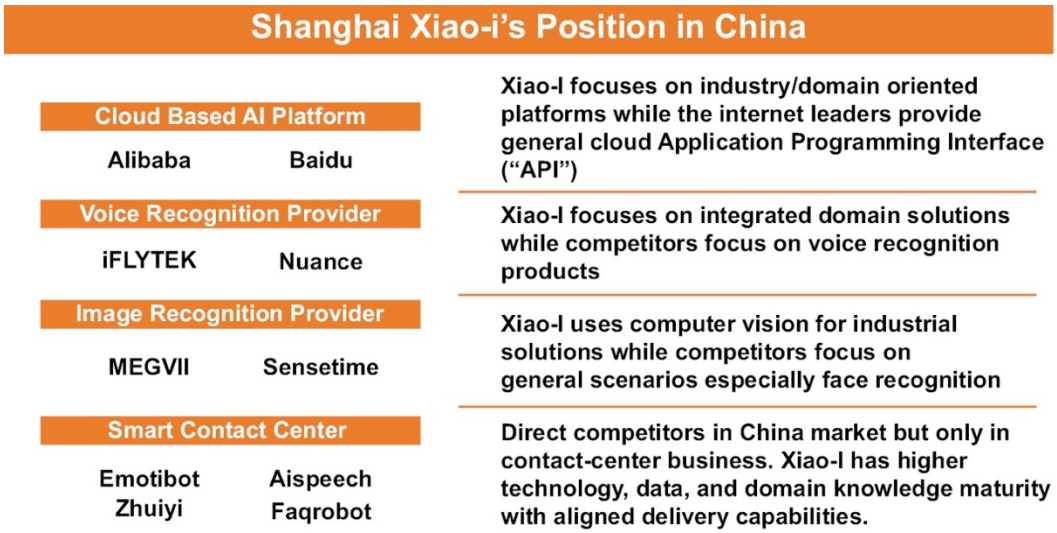
INDUSTRY OUTLOOK

The AI industry is evolving rapidly and we will have to consider both the new markets the company is targeting with its LLM and the legacy AI business.

The company's large language model (LLM), Hua Zang enters a very crowded market at a time when new models are being launched almost daily. Our view on the LLM market is that it is likely to be dominated by extremely large technology companies with a divide between companies based in the EU, North America and China. This means that while there are seemingly countless LLMs ultimately, we believe that the market leaders, OpenAI, Microsoft, Meta, and Google, along with potential private AI players like Anthropic or Stability AI, will control most of this market in the US. It is also possible that large technology firms like Apple, Amazon and Salesforce will use their significant financial capacity to catch up quickly via acquisition or through internal investments. Given the important geopolitical ramifications of AI advancements, we expect there will remain a fairly sharp divide between those companies with LLM models for the Western markets versus those companies serving the Chinese markets but the theme that large technology companies will dominate should remain intact. With companies like Baidu, Tencent, Alibaba, and ByteDance investing heavily in the space we expect leadership to consolidate at the top of the Chinese technology industry. Companies like IFlytek and SenseTime have also captured significant mindshare in China and several private companies have raised large sums of capital to compete in this market. We think Xiao-I's industry focus (serving principally banks and financial services) and natural language processing experience should be a good platform for establishing itself as an LLM provider but it will likely be as an industry-focused player rather than as a broad AI leader given the huge sums of money it will take to compete with the best of breed players.

Within the company's core existing businesses – smart contact, voice recognition, image recognition and cloud-based AI, the company's competitive positioning within the industry seems fairly strong in its core industries – finance and construction.

Figure 1: Shanghai Xiao-I's Competitive Positioning



Source: Company Prospectus

In general, we would agree with the company's assessment of its competitive position but it is clear that the market leaders have significant advantages (principally, financial capacity) over Xiao-I in every market except the smart contact center market.

The AI Landscape and Outlook:

2023 was the year of AI and perhaps equally the year that the use of AI as a buzzword in corporate marketing and financial documents has soared. In the second quarter of 2023, AI-related terms were used over 7,000 times by companies in the S&P 500 on their quarterly earnings calls up more than 400% from the number of mentions in the first quarter. [1]

Anyone who has been following the equity markets for the past decade can remember past frothy moments for 3-D printing, VR/AR, and of course, blockchain/crypto technology but the hype around AI seems to have surpassed all of those previous bubbles by a wide margin. In large part, this is likely due to the promise of AI and the potential that it has to impact so many areas of corporate operations. For all of the promise of improvements to be delivered by AI down the road, it's worth noting that corporate applications have been fairly limited to date. Customer service is one of the first areas where we anticipate broad AI adoption but the models released to date have not quite matched the hype that we've seen in the markets. We will discuss the ways we see the AI market shaping up over the balance of the decade below but first, we would like to take a step back and define what we mean when we say AI.

Generative AI

Most investors have probably at least logged into ChatGPT or DALL-E to create a travel itinerary or generate a fun picture and for most people that is their impression of AI today. However, the reality is that corporations are becoming very good at leveraging Generative AI tools to speed product development, enhance customer service and potentially improve employee productivity.

Generative AI systems can "generate" new documents or images based on patterns learned from source data even if the patterns weren't in the data that was input into the original model. While the use cases are many and growing every day, the most common applications are content creation, search and discovery, summarization and chatbot enhancements.

While the initial applications of generative AI tools were in more creative fields like design, increasingly they are seen as useful tools for customer service and sales optimization across many industries.

Cognitive AI
Cognitive AI is another emerging category of AI services that effectively attempts to replicate the human thought process. By combining existing technology like natural language processing and machine learning, these systems attempt to think and reason like a human. In this context we are not referring to the broader Artificial General Intelligence, but rather systems that can reason like a human in various applications.

Examples of cognitive AI deployed today include virtual personal assistants (think Siri, Alexa, etc.), chatbots (this is Xiao-I's principal offering today) and recommendation systems (like Amazon's suggested bundles or any streaming platform's recommended media). By analyzing user inputs these systems can make connections that may be overlooked by the user.

As you can see much of the AI that is in our lives every day sits in the background of various apps that we utilize every day and has enabled the broader adoption of the apps that they power.

Traditional AI
The foundations of the cognitive AI and the generative AI models that proliferate today originate in the traditional AI models that emerged over a decade ago. These traditional AI models were built to assess very specific data and focus on a specific goal or task. Early chatbots, like the ones first developed by Xiao-I, worked with predefined rules and parameters to make decisions. These traditional AI models were not very sophisticated but they were effective uses of the technology to demonstrate the power of AI.

The AI roadmap in 2024 and beyond

While we could fill a small novel with the prospects for AI to impact our society in ways good and bad, we'd like to focus investor attention on ways that we think will be some of the first enterprise applications. The clearest applications are where novel combinations can be tried in a model to achieve a desired result. For example, in the past, a pharmaceutical company might employ hundreds of researchers to identify compounds for combinations that may treat a particular disease. These drugs can now be designed using generative AI before entering trials which offers vast potential for new discoveries, reduced time to market and lower costs. In a similar fashion, areas that require significant testing and costs to develop new products like chip design or materials will likely see huge demand for AI toolsets.

Increasingly, we also expect governments to start taking a more proactive role in addressing the potential societal impacts of AI. In many developing economies, low-cost labor is a significant advantage and provides opportunities for people to provide for themselves and their families. While the impact of one company shifting all of their customer service operations to an AI tool wouldn't be significant, imagine the impact on countries like India or the Philippines if millions of customer service jobs are eliminated. These technological advances cannot be considered in a vacuum, without considering the impact on society at large.

In the Chinese market, we think the government will have to balance the needs of its people with the desire to remain competitive with the global technology leaders. We anticipate that the wave of job replacements coming across the globe will start at relatively low-end customer service positions but will rapidly move into more traditional white-collar jobs. In the back half of the decade, it is likely that there will be a larger push to integrate advanced AI tools into robotics that will enable machines to perform many tasks that require both general intelligence and dexterity which could significantly impact manufacturing jobs and the economies that are driven by those jobs such as China's.

We believe that the bleeding edge of the AI market will focus on steps toward Artificial General Intelligence (AGI) particularly when ChatGPT 5 is released and governments will have to address the prospect of rising unemployment, increased social support needs and growing corporate profits in a rapidly changing world.

MANAGEMENT

Mr. Hui Yuan – CEO and Chairman of the Board – founded the predecessor company Incesoft in 2001 before moving to the role of CEO of Shanghai Xiao-I and subsequently into his current role as CEO of Xiao-I. Given his experience in developing early chatbots and applications for artificial intelligence, Mr. Yuan has served as the vice chairman of the Artificial Intelligence Industry Innovation Alliance (CAIIIA) along with several other leadership positions in the IT and AI fields. Mr. Yuan has spoken internationally on the role technology (namely smart machine and AI tools) can play in driving the overall growth of the Chinese economy. Mr. Yuan is a key factor in the company's success and is likely to be important to the company's recruiting efforts in the market.

Ms. Wei Weng – CFO – Ms. Weng has served as the company's CFO since 2019 and has been the CFO of Shanghai Xiao-I since 2015. Prior to joining the firm, Ms. Weng worked for an international accounting firm for seven years.

The company's management team is relatively small for an emerging public company looking to compete with global companies like Tencent, Alibaba and Baidu. We anticipate that the company will look to round out the management team in 2024.

RISKS

- Customer concentration – In 2023, 52% of revenues were derived from the company's top 3 customers. A loss of any of these customers would have a material impact on the company.
- The company identified two material weaknesses in its internal controls over financial reporting (lack of sufficient accounting personnel and lack of appropriate US GAAP knowledge). The company is working to address these issues but has not announced any new hires publicly at this point.
- Investors in Xiao-I's ADSs are purchasing an equity interest in Xiao-I, the Cayman Islands holding company, not the operating entity in China. While this is fairly standard for Chinese companies, it remains a risk for investors in the ADSs.
- Competition is intensifying in the AI industry and the majority of the company's competitors have substantially greater access to financial resources.

SUMMARY

1) Despite the company's long operating history, Xiao-I can be viewed as an emerging AI player, migrating from a traditional software provider to one that can provide companies with specific tools to enhance their customer service or internal productivity. The company's shift to a cloud-based service provider has significantly improved gross margins but spending on R&D is likely to remain elevated for years.

2) The company has established itself as a leading provider of customer service tools in the banking sector in China but the competition is likely to intensify from leading technology companies who may also target this market.

3) As a result of the company's long operating history and frequent strategic shifts, we feel like the valuation is more reasonable today than it was at its IPO while the opportunities provided by the Hua Zang LLM, OOTDiffusion and other models offer reasonable upside.

4) Finally, the company faces a hypercompetitive landscape today where most of its peers have significantly greater financial, technological, and human resources. Investors are likely to wait for the company to reveal its future funding plans and wait to see the business model for the Hua Zang LLM before committing to the ADSs. The effective change in voting control of the company as a result of the preferred share issuance in December will also likely limit near-term gains.

OVERVIEW

Business

Xiao-I Corporation operates an existing legacy business with extensive experience in the customer service market. In 2022, the company began a significant push to join the artificial intelligence (AI) boom and the company is in the midst of a transition to focus on cognitive AI solutions. The company uses a broader definition of Artificial Intelligence than most and includes customer service tools that may have been labeled “chatbots” in 2019 as part of its AI solutions. We think the market has a clear understanding of the company’s existing business but its new AI initiatives are not fully appreciated.

The foundation of Xiao-I began back in 2001 when it established Shanghai Yingsi Software which built and introduced the “Xiaoi robot brand”, one of the first chatbots to hit the market in China. In 2009, the company shifted to a B2B model and the founders launched Shanghai Xiao-I to acquire the Xiaoi robot brand. Like many Chinese companies listed on the US markets, the company has a complex ownership and corporate structure that we will detail below.

Xiao-I today offers several natural language processing tools to its customers primarily in the banking industry designed to enhance customer service. The company also has an architectural design business that has contributed meaningfully to revenue in the past (mainly due to a few large contracts). The principal solutions sold to customers today are the company’s conversational chatbot, natural language processing and voice processing but the recently introduced “Hua Zang Universal Large Language Model” will be a significant focus of the company going forward and could provide upside to our estimates in future years.

In 2023 the company significantly shifted its focus from software sales to cloud platform sales and we expect that this will be the company’s business model going forward. At its core, this is principally a shift in the sales model (from software licensing to a cloud model) and while gross margins are impacted positively by this shift of the sales model, we are focusing more on the company’s product lines and opportunities for growth in the long run.

Xiao-I is leveraging its existing expertise with clients in the banking, insurance, and construction fields to offer advanced automated customer service tools. Despite realizing what we expect will be double-digit revenue growth in 2023, the company is investing very aggressively in developing new products which is likely to mean that profitability will be elusive until operations scale up significantly. We believe that globally, the AI market is likely to be dominated by much larger companies with significantly deeper pockets than Xiao-I but there could be room for the company in the Chinese market if they continue to offer a differentiated product that serves the needs of its core customers in industries like banking, insurance, and construction.

PROJECTED INCOME STATEMENT

Xiao-I Corporation
Income Statement

23%

	6 months 6/30/22	6 months 12/31/22	2022	6 months 6/30/23	6 months 12/31/23	2023	6 months 6/30/24	6 months 12/31/24	2024	6 months 6/30/25	6 months 12/31/25	2025
Sale of software products	1,397,996	$ 2,149,117	$ 3,547,113	$ 535,004	$ 1,031,451	$ 1,566,455	433,353	390,018	$ 823,371	351,016	315,915	$ 666,931
Sale of hardware products	18,431	27,864	46,295	30,175	45,188	75,363	27,233	25,871	53,104	24,578	23,349	$ 47,927
Technology development service	6,296,844	10,123,045	16,419,889	1,763,797	6,075,903	7,839,700	1,419,857	993,900	2,413,756	1,142,985	800,089	$ 1,943,074
M&S service	1,497,871	931,655	2,429,526	1,426,784	1,249,401	2,676,185	802,566	601,925	1,404,491	451,443	338,583	$ 790,026
Sale of cloud platform products	3,648,339	22,093,796	25,742,135	22,719,659	24,287,897	47,007,556	30,535,222	36,031,562	66,566,783	39,995,033	43,994,537	$ 83,989,570
Net revenues (including sales to related parties of $2,449,560, $286,875 and nil for the years ended December 31, 2020, 2021 and 2022, respectively)	**$ 12,859,481**	**$ 35,325,477**	**$ 48,184,958**	**$ 26,475,419**	**$ 32,689,840**	**$ 59,165,259**	**$ 33,218,230**	**$ 38,043,275**	**$ 71,261,505**	**$ 41,965,055**	**$ 45,472,472**	**$ 87,437,527**
Cost of sale of software products	170,377	717,843	888,220	368,021	466,549	834,570	303,347	273,013	576,360	245,711	221,140	466,851
Cost of sale of hardware products	12,545	12,596	25,141	26,118	25,083	51,201	23,693	22,508	46,201	21,383	20,313	41,696
Cost of technology development service	2,661,707	9,532,337	12,194,044	1,286,290	4,773,040	6,059,330	1,036,495	755,364	1,791,859	834,379	608,068	1,442,447
Cost of M&S service	339,213	916,760	1,255,973	805,948	165,469	971,417	521,668	391,251	912,919	293,438	220,079	513,517
Cost of Sale of cloud platform products	536,863	2,478,903	3,015,766	3,519,521	8,305,650	11,825,171	10,076,623	11,890,415	21,967,038	13,198,361	14,518,197	27,716,558
-												
Cost of revenues	**$ 3,720,705**	**$ 13,658,439**	**$ 17,379,144**	**$ 6,005,898**	**$ 13,735,791**	**$ 19,741,689**	**$ 11,961,826**	**$ 13,332,551**	**25,294,377**	**$ 14,593,272**	**$ 15,587,797**	**30,181,069**
Gross profit	**$ 9,138,776**	**$ 21,667,038**	**$ 30,805,814**	**$ 20,469,521**	**$ 18,954,049**	**$ 39,423,570**	**$ 21,256,404**	**$ 24,710,724**	**$ 45,967,129**	**$ 27,371,783**	**$ 29,884,675**	**$ 57,256,458**
Operating expenses:												
Selling expenses	2,094,124	1,817,694	3,911,818	2,377,409	2,173,588	4,550,997	2,304,003	2,419,203	4,723,207	2,564,356	2,692,573	5,256,929
General and administrative expenses	1,725,928	4,302,709	6,028,637	2,070,052	2,337,163	4,407,215	2,454,021	2,576,722	5,030,743	2,705,558	2,840,836	5,546,395
Research and development expenses	3,669,196	20,331,942	24,001,138	29,649,703	22,737,837	52,387,540	23,419,972	24,122,571	47,542,543	24,846,248	25,591,636	50,437,884
Total operating expenses	**$ 7,489,248**	**$ 26,452,345**	**$ 33,941,593**	**$ 34,097,164**	**$ 27,248,588**	**$ 61,345,752**	**28,177,997**	**29,118,497**	**57,296,493**	**30,116,162**	**31,125,046**	**61,241,208**
(Loss)/Income from operations	$ 1,649,528	($4,785,307)	($3,135,779)	($13,627,643)	($8,294,539)	($21,922,182)	($6,921,592)	($4,407,773)	($11,329,365)	($2,744,379)	($1,240,371)	($3,984,750)
Other income/(loss):												
Investment losses	($121,618)	($21,563)	($143,181)	($225,351)	$300,893	$75,542	$210,625	$189,563	$400,188	$132,694	$119,424	$252,118
Interest expense	(1,202,391)	(1,238,424)	(2,440,815)	(1,570,847)	(752,494)	(2,323,341)	(714,869)	(729,167)	($1,444,036)	(692,708)	(706,563)	($1,399,271)
Foreign currency exchange gain/(loss)	0	(68,902)	(68,902)	0	2,789	2,789	0	0	0	0	0	0
Other income, net	44,160	399,858	444,018	525,431	423,685	949,116	455,461	501,008	$956,469	538,583	592,441	$1,131,024
Total other income/(loss)	**($1,279,849)**	**($929,031)**	**($2,208,880)**	**($1,270,767)**	**($25,127)**	**($1,295,894)**	($48,783)	($38,597)	($87,379)	($21,431)	$5,303	($16,128)
(Loss)/Income before income tax expense	**$369,679**	**($5,714,338)**	**($5,344,659)**	**($14,898,410)**	**($8,319,666)**	**($23,218,076)**	($6,970,375)	($4,446,369)	($11,416,744)	($2,765,811)	($1,235,068)	($4,000,878)
Income tax benefit/(expense)	220,820	(881,475)	(660,655)	(3,871,118)	83,426	(3,787,692)	(1,045,556)	(666,955)	($1,712,512)	(414,872)	(185,260)	(600,132)
Net (loss)/income	$590,499	($6,595,813)	($6,005,314)	($18,769,528)	($8,236,240)	($27,005,768)	($8,015,931)	($5,113,324)	($13,129,256)	($3,180,682)	($1,420,328)	($4,601,010)
Net loss attributable to non-controlling interests	(2,674)	(104,105)	(106,779)	(173,782)	(370,179)	(543,961)	(144,287)	(92,040)	($236,327)	(57,252)	(25,566)	($82,818)
Net (loss)/income attributable to XIAO-I CORPORATION shareholders	$593,173	($6,491,708)	($5,898,535)	($18,595,746)	($7,866,061)	($26,461,807)	($7,871,645)	($5,021,285)	($12,892,929)	($3,123,430)	($1,394,762)	($4,518,192)
Foreign currency translation change, net of nil income taxes	145,129	258,687	403,816	507,422	(204,308)	303,114	0	0	$0	0	0	0
Total comprehensive (loss)/income	$735,628	($6,337,126)	($5,601,498)	($18,262,106)	($8,440,548)	($26,702,654)	($7,871,645)	($5,021,285)	($12,892,929)	($3,123,430)	($1,394,762)	($4,518,192)
(Loss)/Earnings per ordinary share attributable to XIAO-I CORPORATION shareholders												
Basic	$0.03	($0.29)	($0.27)	($0.80)	($0.33)	($1.12)	($0.33)	($0.21)	($0.53)	($0.13)	($0.06)	($0.18)
Diluted	$0.03	($0.29)	($0.27)	($0.80)	($0.33)	($1.12)	($0.33)	($0.21)	($0.53)	($0.13)	($0.06)	($0.18)
Weighted average number of ordinary shares outstanding												
Basic	22,115,592	22,115,592	22,115,592	23,308,370	23,983,636	23,646,003	24,118,923	24,360,112	24,360,112	24,847,315	25,095,788	25,095,788
Diluted	22,362,552	22,115,592	22,115,592	23,308,370	23,983,636	23,646,003						
	$ 0.01	$ (0.10)	$ (0.09)	$ (0.27)	$ (0.12)	$ (0.37)	($0.11)	($0.07)	($0.18)	($0.04)	($0.02)	($0.06)
Equivalent ADS 3 to 1 ordinary shares	67,087,656	66,346,776	66,346,776	69,925,110	71,950,908	71,950,908	72,356,769	73,080,337	73,080,337	74,541,944	75,287,363	75,287,363

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BALANCE SHEET

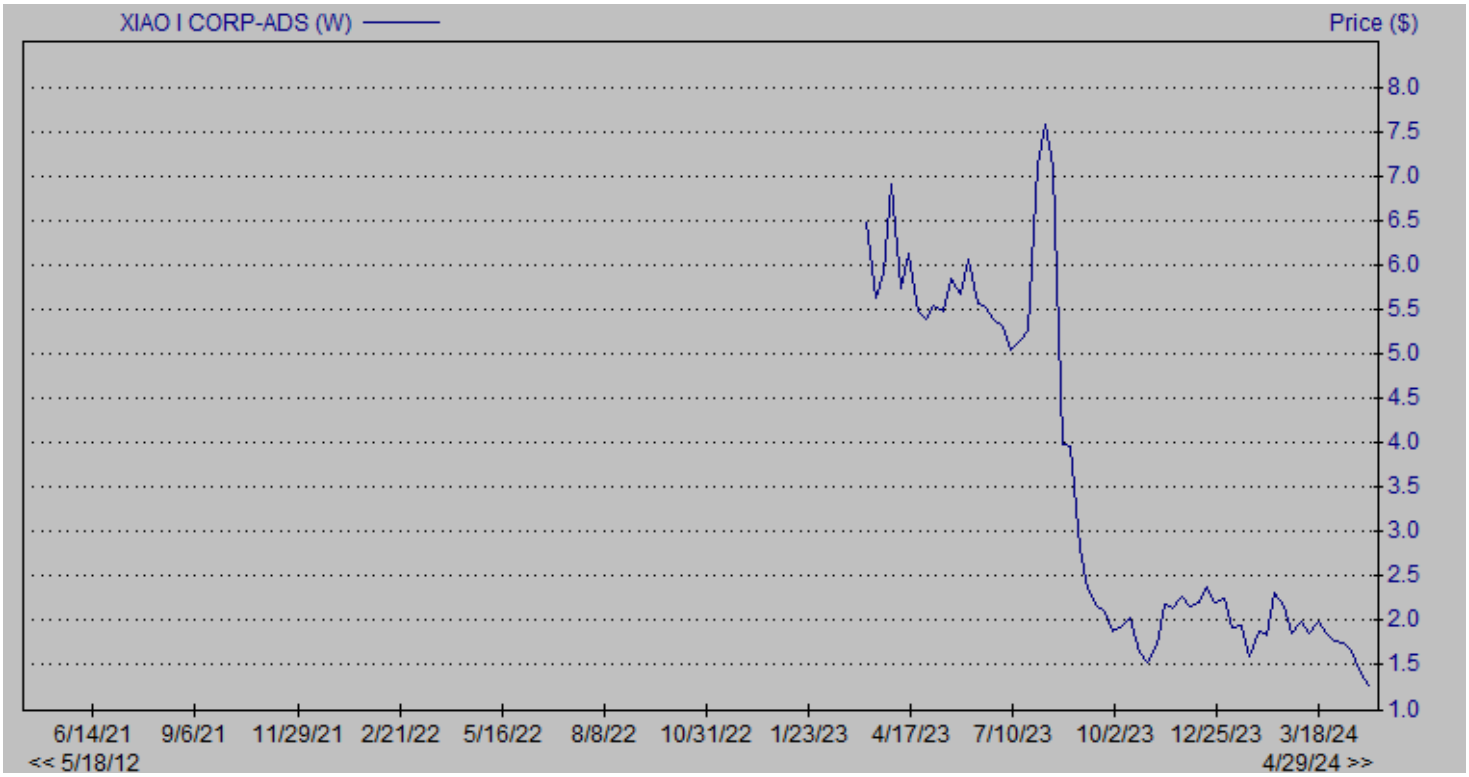
Xiao-I Corporation
Balance Sheet in USD
12/31/23

Assets		
Current Assets		
Cash and cash equivalents	$	1,585
Accounts Receivable (net)		28,327
Inventory		68
Contract costs		1,691
Advance to suppliers		1,150
Prepaid expenses and other current assets		5,234
Total current assets	$	38,055
Non-Current Assets		
Property & Equipment (net)	$	2,126
Intangible Assets, net		212
Long-term investment		2,650
Right of use assets		2,431
Prepaid expenses		7,000
Amount due from related parties		13,859
Total non-current assets	$	28,280
Total Assets	**$**	**66,334**
Liabilities		
Current Liabilities		
Short-term borrowings	$	26,761
Accounts payable		13,674
Due to related parties - current		705
Deferred revenue		1,654
Accrued Expenses and other current liabilities		13,938
Lease liabilities, current		930
Total current liabilities	$	57,662
Non-Current Liabilities		
Amount due to related parties, non current	$	7,905
Accured liabilities, non-current		7,759
Lease liabilities, non-current		1,474
Total Liabilities	**$**	**74,801**
Shareholder's Equity		
Oridnary shares		1
Additional Paid-in Capital		108,729
Statutory reserve		237
Accumulated deficit		(110,833)
Accumulated other comprehensive loss		(2,999)
Non-contolling interests		(3,603)
Shareholder's Equity (Deficiency)	**$**	**(8,467)**
Total Liabilities & Shareholder's Equity	**$**	**66,334**

Source: Company filing

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HISTORICAL STOCK PRICE



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