

# Dmall Inc (2586 HK)

## 1H25 review: AI empowers retail solutions and enhances operational efficiency

Dmall announced 1H25 results: total revenue grew by 15% YoY to RMB1.08bn, equivalent to 49% of our full-year estimate; adjusted net profit grew by 153% YoY to RMB77mn, representing 57% of our full-year estimate, mainly thanks to the optimized business structure and improved efficiency. Dmall continued to upgrade its retail solutions in 1H25, and leverages AI to drive business growth and operational efficiency. The company also actively participates in the Web3 opportunities, forming cooperation with HashKey and initiating preparations to apply for a stablecoin license in 1H25. We maintain our financial forecast and target price of HK\$16.00 (based on 6x FY25E EV/sales). Maintain BUY.

■ **Solid revenue growth across business lines.** By segment: 1) Revenue from AI retail core solution increased by 16% YoY to RMB488mn in 1H25, mainly driven by growth of client base (+13% YoY to 319 customers). Dmall signed several key accounts in 1H25, such as Shanghai Tangjiu and Xinjiang Wuika Times. The company also expanded its cooperation with existing customers like Pangdonglai and Lawson China. 2) Revenue from AI retail value-added service grew by 14% YoY to RMB591mn in 1H25, primarily attributable to the deepening cooperation with existing customers in areas like intelligent loss prevention, remote monitoring, and intelligent cashier. The company also signed new client Xinjiang Aijia in 1H25.

■ **AI to empower retail solutions and enhance internal efficiency.** Dmall leverages AI to improve its product offerings. 1) The company has launched the AI-powered Transportation Management System at DFI's Wellcome Supermarket Hong Kong, which significantly improves logistic efficiency through AI scheduling and route planning. 2) The company has also built an AI-powered Next-Gen Retail Solution upon in-depth research on Pangdonglai and AI applications such as AI intelligent customer flow and intelligent inspection. Through adopting this solution, daily average sales of several Wumart Supermarket stores reached 4-8 times that of pre-renovation levels. Besides, Dmall also leverages AI to improve its internal efficiency. The company has applied Gen AI coding tools like Cursor, which drives continued improvement in R&D efficiency and code quality.

■ **Committed to Web3 technology development.** Dmall opened a trading account on HashKey Exchange and made investment in Bitcoin in 1H25. Management noted that the amount of the investment remained insignificant and it is for the purpose of exploring stablecoin opportunities. The company has initiated preparations to apply for a stablecoin license and reached cooperation with Hailstone Labs to develop stablecoin solutions.

### Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	1,585	1,859	2,190	2,572	2,936
YoY growth (%)	19.4	17.3	17.8	17.5	14.1
Adjusted net profit (RMB mn)	(233.3)	29.8	134.4	337.8	517.5
YoY growth (%)	na	na	351.0	151.4	53.2
EPS (Adjusted) (RMB cents)	(44.43)	5.39	14.94	37.56	57.55
P/S (x)	5.8	4.9	4.2	3.6	3.1

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

Target Price **HK\$16.00**  
 Up/Downside **44.0%**  
 Current Price **HK\$11.11**

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### Stock Data

Mkt Cap (HK\$ mn)	9,990.8
Avg 3 mths t/o (HK\$ mn)	143.0
52w High/Low (HK\$)	NA/NA
Total Issued Shares (mn)	899.3

Source: FactSet

### Shareholding Structure

Celestial	47.8%
Vigorous Link	8.5%

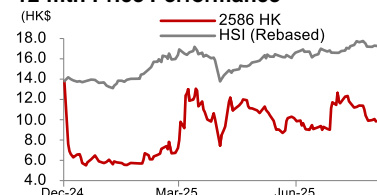
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	-5.8%	-11.3%
3-mth	1.4%	-8.5%
6-mth	82.1%	55.1%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

### Related report:

[Dmall Inc \(2586 HK\) - Full-year breakeven in FY24; focus on AI retail to drive long-term growth – 20 Mar 2025](#)

## Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	1,328	1,585	1,859	2,190	2,572	2,936
Cost of goods sold	(823)	(1,031)	(1,113)	(1,292)	(1,479)	(1,639)
Gross profit	505	555	746	898	1,093	1,297
Operating expenses	(891)	(818)	(920)	(777)	(760)	(746)
Selling expense	(239)	(151)	(92)	(103)	(105)	(108)
Admin expense	(252)	(259)	(308)	(312)	(317)	(322)
R&D expense	(586)	(521)	(413)	(385)	(364)	(346)
Others	186	114	(107)	23	26	30
Operating profit	(386)	(263)	(174)	121	334	551
Share of (losses)/profits of associates/JV	0	0	(0)	0	0	0
Interest expense	(23)	(13)	(4)	(6)	(6)	(10)
Others	(493)	(476)	(2,276)	0	0	0
Pre-tax profit	(902)	(752)	(2,454)	115	328	541
Income tax	2	3	1	(3)	(16)	(54)
After tax profit	(900)	(749)	(2,453)	112	311	487
Minority interest	(33)	(63)	(25)	1	3	5
Discontinued operations	59	94	233	0	0	0
Net profit	(926)	(592)	(2,195)	111	308	482
Adjusted net profit	(356)	(233)	30	134	338	518

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	811	844	1,284	1,688	2,355	3,363
Cash & equivalents	533	533	801	1,127	1,731	2,680
Account receivables	141	165	248	191	213	231
Inventories	6	11	5	11	12	14
Other current assets	131	135	230	359	399	439
Non-current assets	496	534	376	362	363	380
PP&E	74	77	70	47	33	24
Intangibles	93	84	144	153	169	194
Other non-current assets	329	373	162	162	162	162
Total assets	1,307	1,378	1,659	2,050	2,719	3,743
Current liabilities	7,112	7,794	918	975	1,174	1,453
Short-term borrowings	70	202	445	306	465	723
Account payables	64	87	99	94	108	120
Other current liabilities	6,978	7,505	374	575	601	611
Non-current liabilities	273	349	100	322	481	739
Long-term borrowings	50	112	84	306	465	723
Other non-current liabilities	222	237	16	16	16	16
Total liabilities	7,385	8,143	1,018	1,297	1,655	2,192
Share capital	0	0	1	1	1	1
Retained earnings	(6,161)	(6,865)	565	676	984	1,466
Total shareholders equity	(6,161)	(6,865)	566	676	984	1,466
Minority interest	83	100	75	76	80	85
Total equity and liabilities	1,307	1,378	1,659	2,050	2,719	3,743

<b>CASH FLOW</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	(842)	(659)	(2,454)	115	328	541
Depreciation & amortization	52	46	50	43	49	57
Tax paid	(0)	0	1	(3)	(16)	(54)
Change in working capital	178	(54)	(273)	118	(23)	(38)
Others	407	487	2,286	19	21	24
<b>Net cash from operations</b>	<b>(206)</b>	<b>(179)</b>	<b>(391)</b>	<b>292</b>	<b>358</b>	<b>530</b>
<b>Investing</b>						
Capital expenditure	(17)	(4)	(8)	(21)	(34)	(49)
Others	85	(27)	(65)	(23)	(30)	(39)
<b>Net cash from investing</b>	<b>69</b>	<b>(31)</b>	<b>(73)</b>	<b>(44)</b>	<b>(64)</b>	<b>(88)</b>
<b>Financing</b>						
Net borrowings	110	191	215	83	318	516
Others	172	16	517	(6)	(6)	(10)
<b>Net cash from financing</b>	<b>282</b>	<b>207</b>	<b>732</b>	<b>77</b>	<b>311</b>	<b>506</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	369	533	533	801	1,127	1,731
Exchange difference	19	3	0	0	0	0
<b>Cash at the end of the year</b>	<b>533</b>	<b>533</b>	<b>801</b>	<b>1,127</b>	<b>1,731</b>	<b>2,680</b>
<b>GROWTH</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Revenue	56.6%	19.4%	17.3%	17.8%	17.5%	14.1%
Gross profit	192.5%	9.8%	34.6%	20.3%	21.8%	18.6%
Operating profit	na	na	na	na	176.6%	65.0%
Net profit	na	na	na	na	178.5%	56.6%
Adj. net profit	na	na	na	351.0%	151.4%	53.2%
<b>PROFITABILITY</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Gross profit margin	38.0%	35.0%	40.1%	41.0%	42.5%	44.2%
Operating margin	(29.0%)	(16.6%)	(9.4%)	5.5%	13.0%	18.8%
Adj. net profit margin	(26.8%)	(14.7%)	1.6%	6.1%	13.1%	17.6%
Return on equity (ROE)	na	na	na	17.8%	37.1%	39.4%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Current ratio (x)	0.1	0.1	1.4	1.7	2.0	2.3
Receivable turnover days	32.1	35.2	33.4	31.8	30.2	28.7
Inventory turnover days	2.9	3.1	3.1	3.1	3.1	3.1
Payable turnover days	25.1	26.6	26.6	26.6	26.6	26.6
<b>VALUATION</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
P/E	ns	ns	ns	82.6	29.7	18.9

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

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