13 Aug 2026

CMB International Global Markets | Equity Research | Company Update

Dmall Inc (2586 HK)

1H26 review: Accelerating AI transformation

Dmall reported 1H26 results: total revenue grew by 7% YoY to RMB1.15bn, with growth decelerating (FY25: +20% YoY) mainly due to decline in revenue from lower-margin AI retail value-added services; adjusted net profit increased by 53% YoY to RMB118mn, primarily thanks to AI-enhanced operating efficiency. Looking ahead, the company will continue to accelerate AI transformation, upgrade its retail agent products (i.e. AI Merchandise/Store/Data Insight Agent), and improve its commercialization model. We lower FY26-28 total revenue forecasts by 9-11% as the company shifts its strategic focus from traditional retail VAS services to AI retail services. We trim our target price to HK$10.00 based on 3.0x FY26E EV/sales (previous: HK$10.80 on 3.0x FY26E EV/sales). That said, we remain upbeat on the long-term opportunities in AI retail. Maintain BUY.

- **AI Retail Core business maintains solid momentum.** Revenue from AI Retail Core Solution delivered a solid growth of 24% YoY to RMB647mn in 1H26 (56% of total revenue), thanks to the acquisition of new independent customers and strong demand for AI retail solutions. Independent customers accounted for 60% of AI Retail Core Solution revenue in 1H26 (vs. 48% in 1H25); and AI-related services revenue reached RMB36.8mn in 1H26. Revenue from AI Retail Value-Added Services was down by 9% YoY to RMB508mn in 1H26 (44% of total revenue), mainly due to less customer demand for labor outsourcing as the solutions mature. Revenue from overseas markets saw a strong growth of 85% YoY to RMB141mn in 1H26 (12% of total revenue), primarily driven by the deepening cooperation with existing customers like DFI retail and Cold Storage Singapore.
- **Focus on AI product innovations.** Dmall focuses on building three major retail AI agents to empower customers: 1) AI Merchandise Agent, the company's strategic priority in 1H26, focuses on key merchandise decisions such as product introduction, delisting, and pricing adjustments etc.; 2) AI Store Agent is capable of completing tasks such as shelf insights, display analysis and loss prevention; 3) AI Data Insight Agent is equipped with core capabilities such as cross-module operational data integration, anomaly attribution analysis, and operational early warning. To fully capture value from its agent solutions, the company also plans to gradually establish a diversified commercialization model that incorporates platform licensing, agent subscriptions, scenario packages, compute credits and outcome-based approaches.
- **Leveraging AI to enhance efficiency.** Overall adjusted net margin improved by 3ppt YoY to 10.2% in 1H26, as the company leveraged AI to improve R&D efficiency. The company's per capita efficiency reached RMB956k in 1H26, up by 19% YoY thanks to the AI tech implementation. Management expects further margin expansion and healthy earnings growth in 2H26E, supported by deepening AI integration.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	1,859	2,227	2,388	2,683	2,989
YoY growth (%)	17.3	19.8	7.2	12.3	11.4
Adjusted net profit (RMB mn)	29.8	203.4	243.2	356.7	485.7
YoY growth (%)	na	582.6	19.6	46.7	36.2
EPS (Adjusted) (RMB)	0.05	0.22	0.27	0.39	0.53
P/S (x)	2.3	2.0	1.8	1.6	1.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$10.00**
(Previous TP	HK$10.80)
Up/Downside	**81.3%**
Current Price	**HK$5.52**

China Software & IT Services

Saiyi HE, CFA
(852) 3916 1739
hesaiyi@cmbi.com.hk

Wentao LU, CFA
luwentao@cmbi.com.hk

Ye TAO, CFA
(852) 3850 5226
franktao@cmbi.com.hk

Shuyin GUO
(852) 3916 3716
guoshuyin@cmbi.com.hk

Stock Data

Mkt Cap (HK$ mn)	5,057.8
Avg 3 mths t/o (HK$ mn)	14.5
52w High/Low (HK$)	11.75/5.14
Total Issued Shares (mn)	917.1

Source: FactSet

Shareholding Structure

Celestial	47.8%
Vigorous Link	8.5%

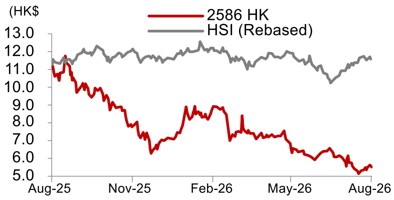
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-7.6%	-12.2%
3-mth	-15.2%	-12.1%
6-mth	-38.2%	-34.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: Dmall: forecast revision

	Current			Previous			Change (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	2,388	2,683	2,989	2,620	3,001	3,349	-8.9%	-10.6%	-10.7%
Gross profit	910	1,049	1,198	1,060	1,261	1,464	-14.1%	-16.8%	-18.2%
Operating profit	250	379	525	358	563	778	-30.1%	-32.8%	-32.5%
Non-IFRS net profit	243	357	486	338	518	705	-28.1%	-31.1%	-31.1%
Non-IFRS EPS (RMB)	0.3	0.4	0.5	0.4	0.6	0.8	-28.8%	-31.8%	-31.9%
Gross margin	38.1%	39.1%	40.1%	40.5%	42.0%	43.7%	-2.3 ppt	-2.9 ppt	-3.6 ppt
Operating margin	10.5%	14.1%	17.6%	13.7%	18.8%	23.2%	-3.2 ppt	-4.6 ppt	-5.7 ppt
Non-IFRS net margin	10.2%	13.3%	16.2%	12.9%	17.3%	21.1%	-2.7 ppt	-4.0 ppt	-4.8 ppt

Source: CMBIGM estimates

Our target price is HK$10.00, based on 3.0x FY26E EV/sales. Our valuation multiple is largely on par with the average EV/sales of China SaaS peers.

Figure 2: Valuation assumptions

	Unit	FY26E
FY26E sales	RMB mn	2,388
Target multiple	(x)	3.0
Implied EV	RMB mn	7,163
Add: net cash	RMB mn	867
Equity value	RMB mn	8,031
Less: minority interest	RMB mn	(58)
Attributable equity value	RMB mn	7,972
Attributable equity value	**HK$mn**	**9,248**
Number of shares	mn	922
Target price	**HK$**	**10.00**

Source: Company data, CMBIGM estimates
Note: RMB0.86 = HK$1

Figure 3: China SaaS: valuation

Companies	Ticker	Price	EV/Sales (x)		Revenue YoY	
		(LC)	FY26E	FY27E	FY26E	FY27E
Kingdee	268 HK	8.2	2.9	2.6	16%	14%
Weimob	2013 HK	1.2	2.0	1.9	17%	10%
Glodon	002410 CH	9.4	2.4	2.3	3%	5%
Shiji	002153 CH	8.6	5.1	4.7	2%	8%
	Average		**3.1**	**2.8**	**10%**	**9%**

Source: Bloomberg, Company data
Note: data as of 12 Aug 2026 close

Risks

Macro headwinds impact IT budgets; intensifying competition in China's software sector; relatively high revenue contribution from related party.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**1,585**	**1,859**	**2,227**	**2,388**	**2,683**	**2,989**
Cost of goods sold	(1,031)	(1,113)	(1,377)	(1,477)	(1,633)	(1,791)
Gross profit	**555**	**746**	**850**	**910**	**1,049**	**1,198**
Operating expenses	**(818)**	**(920)**	**(764)**	**(660)**	**(671)**	**(672)**
Selling expense	(151)	(92)	(121)	(138)	(149)	(158)
Admin expense	(259)	(308)	(279)	(255)	(255)	(255)
R&D expense	(521)	(413)	(366)	(288)	(282)	(276)
Others	114	(107)	1	20	14	16
Operating profit	**(263)**	**(174)**	**85**	**250**	**379**	**525**
Share of (losses)/profits of associates/JV	0	(0)	0	0	0	0
Interest expense	(13)	(4)	3	(4)	(3)	(4)
Others	(476)	(2,276)	0	0	0	0
Pre-tax profit	**(752)**	**(2,454)**	**89**	**246**	**375**	**522**
Income tax	3	1	38	(37)	(56)	(78)
After tax profit	**(749)**	**(2,453)**	**127**	**209**	**319**	**443**
Minority interest	(63)	(25)	(7)	2	3	4
Discontinued operations	94	233	0	0	0	0
Net profit	**(592)**	**(2,195)**	**134**	**207**	**316**	**439**
Adjusted net profit	**(233)**	**30**	**203**	**243**	**357**	**486**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**844**	**1,284**	**1,395**	**1,566**	**1,916**	**2,373**
Cash & equivalents	533	801	860	1,182	1,498	1,954
Account receivables	165	248	340	197	211	223
Inventories	11	5	19	12	14	15
Other current assets	135	230	176	175	193	181
Non-current assets	**534**	**376**	**339**	**336**	**347**	**365**
PP&E	77	70	72	53	38	45
Intangibles	84	144	114	130	155	167
Other non-current assets	373	162	153	153	153	153
Total assets	**1,378**	**1,659**	**1,734**	**1,903**	**2,262**	**2,738**
Current liabilities	**7,794**	**918**	**737**	**685**	**724**	**755**
Short-term borrowings	202	445	313	283	303	316
Account payables	87	99	111	108	119	131
Other current liabilities	7,505	374	313	294	302	309
Non-current liabilities	**349**	**100**	**42**	**53**	**55**	**56**
Long-term borrowings	112	84	21	31	34	35
Other non-current liabilities	237	16	21	21	21	21
Total liabilities	**8,143**	**1,018**	**779**	**738**	**778**	**811**
Share capital	0	1	1	1	1	1
Retained earnings	(6,865)	565	899	1,106	1,422	1,861
Total shareholders equity	**(6,865)**	**566**	**899**	**1,107**	**1,422**	**1,861**
Minority interest	100	75	56	58	62	66
Total equity and liabilities	**1,378**	**1,659**	**1,734**	**1,903**	**2,262**	**2,738**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(659)**	**(2,454)**	**89**	**246**	**375**	**522**
Depreciation & amortization	46	50	43	49	56	67
Tax paid	0	1	38	(37)	(56)	(78)
Change in working capital	(54)	44	(141)	128	(14)	16
Others	487	2,285	10	18	18	23
Net cash from operations	**(179)**	**(74)**	**40**	**404**	**379**	**550**
Investing						
Capital expenditure	(4)	(8)	(22)	(29)	(41)	(74)
Others	(27)	(24)	(23)	(30)	(39)	(31)
Net cash from investing	**(31)**	**(32)**	**(45)**	**(60)**	**(80)**	**(105)**
Financing						
Net borrowings	191	(144)	(196)	(19)	21	15
Others	16	517	259	(4)	(3)	(4)
Net cash from financing	**207**	**373**	**63**	**(23)**	**18**	**11**
Net change in cash						
Cash at the beginning of the year	533	533	801	860	1,182	1,498
Exchange difference	3	1	0	0	0	0
Cash at the end of the year	**533**	**801**	**860**	**1,182**	**1,498**	**1,954**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	19.4%	17.3%	19.8%	7.2%	12.3%	11.4%
Gross profit	9.8%	34.6%	13.9%	7.1%	15.3%	14.1%
Operating profit	na	na	na	192.9%	51.4%	38.8%
Net profit	na	na	na	55.0%	52.2%	39.1%
Adj. net profit	na	na	582.6%	19.6%	46.7%	36.2%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	35.0%	40.1%	38.2%	38.1%	39.1%	40.1%
Operating margin	(16.6%)	(9.4%)	3.8%	10.5%	14.1%	17.6%
Adj. net profit margin	(14.7%)	1.6%	9.1%	10.2%	13.3%	16.2%
Return on equity (ROE)	na	na	18.3%	20.7%	25.0%	26.7%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	0.1	1.4	1.9	2.3	2.6	3.1
Receivable turnover days	35.2	33.4	31.8	30.2	28.7	27.2
Inventory turnover days	3.1	3.1	3.1	3.1	3.1	3.1
Payable turnover days	26.6	26.6	26.6	26.6	26.6	26.6

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	ns	ns	32.2	21.0	13.8	9.9

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

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888   Fax: (852) 3900 0800

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