

Dmall Inc (2586 HK)

FY25 review: investing in AI to drive dual growth in revenue and profitability

Dmall announced FY25 results: total revenue grew by 20% YoY to RMB2.23bn, largely in line with our estimate; adjusted net profit increased by 583% YoY to RMB203mn, ahead of our estimate of RMB134mn, thanks to the operating leverage and effective cost control. The company leverages AI to drive quality revenue growth and efficiency improvement. Total revenue from the AI business reached RMB64.4mn in FY25. Looking into FY26E, Dmall will continue to integrate AI technology into its R&D chain and retail solutions, in order to drive dual growth in retail sales revenue and operational efficiency. The company also announced to change the use of the unutilized net proceeds (RMB194mn) from the top-up subscription completed in 2025, from blockchain to AI, further accelerating its AI development in 2026. We maintain our FY26-27 earnings forecasts largely unchanged, but lower our target price to HK\$10.80 based on 3.0x FY26E EV/sales, given the decline in SaaS sector valuation (previous: HK\$16.00 on 6.0x FY25E EV/sales). That said, we remain upbeat on the long-term opportunities in AI retail. Maintain BUY.

- Solid revenue growth from AI retail solutions.** Revenue from AI Retail Core Solution grew by 22% YoY to RMB1.06bn in FY25, primarily driven by the expansion of customer base. The company deepened collaboration with key customers like Pangdonglai, from the initial Weixin mini program solutions to the integration of Retail Core Solution modules such as store operations. The company also acquired several new key accounts in FY25, such as Shanghai Tangjiu, Xinjiang Wuika, and Zhuzhou Department Store etc. Revenue from AI Retail Value-Added Services increased by 18% YoY to RMB1.16bn in FY25, primarily driven by the increase in revenue from intelligent cashier, intelligent package sorting and intelligent merchandising solutions.
- AI to drive dual growth in revenue and profitability.** AI has become a key driver of revenue growth and efficiency improvement. 1) On the revenue front: the company has deployed 10 major retail AI applications scenarios in 2025, including product selection, dynamic pricing and intelligent replenishment etc. Total revenue from the AI business reached RMB64mn in FY25; 2) On the internal efficiency front: 100% of the company's R&D personnel used AI-assisted development tools, which significantly improved product iteration speed and shortened project delivery cycle.
- Strategic focus in FY26.** For FY26, the company will focus on: 1) leveraging AI to upgrade its R&D system and further enhancing R&D efficiency; 2) implementing AI agents such as "AI Merchandise Agent" and the "AI Store Agent" to capture new growth opportunities; 3) increasing efforts to expand into overseas market, while deepening presence in the domestic market.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	1,859	2,227	2,620	3,001	3,349
YoY growth (%)	17.3	19.8	17.7	14.5	11.6
Adjusted net profit (RMB mn)	29.8	203.4	338.0	517.6	705.1
YoY growth (%)	na	582.6	66.2	53.1	36.2
EPS (Adjusted) (RMB)	0.05	0.22	0.37	0.57	0.78
P/S (x)	3.3	2.7	2.3	2.0	1.8

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$10.80
(Previous TP)	HK\$16.00)
Up/Downside	41.7%
Current Price	HK\$7.62

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Stock Data

Mkt Cap (HK\$ mn)	6,913.2
Avg 3 mths t/o (HK\$ mn)	20.6
52w High/Low (HK\$)	12.86/6.28
Total Issued Shares (mn)	907.2

Source: FactSet

Shareholding Structure

Celestial	47.0%
Vigorous Link	8.3%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-14.4%	-10.3%
3-mth	7.3%	8.1%
6-mth	-25.2%	-22.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: Dmall: forecast revision

RMB mn	Current			Previous			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	2,620	3,001	3,349	2,572	2,936	NA	1.9%	2.2%	NA
Gross profit	1,060	1,261	1,464	1,093	1,297	NA	-3.0%	-2.8%	NA
Operating profit	358	563	778	334	551	NA	7.2%	2.2%	NA
Adjusted net profit	338	518	705	338	518	NA	0.1%	0.0%	NA
Adjusted EPS (RMB)	0.4	0.6	0.8	0.4	0.6	NA	-0.8%	-0.9%	NA
Gross margin	40.5%	42.0%	43.7%	42.5%	44.2%	NA	-2.0 ppt	-2.1 ppt	NA
Operating margin	13.7%	18.8%	23.2%	13.0%	18.8%	NA	0.7 ppt	0.0 ppt	NA
Adjusted net margin	12.9%	17.3%	21.1%	13.1%	17.6%	NA	-0.2 ppt	-0.4 ppt	NA

Source: CMBIGM estimates

Our target price of HK\$10.80 is 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	2,620
Target multiple	(x)	3.0
Implied EV	RMB mn	7,861
Add: net cash	RMB mn	958
Equity value	RMB mn	8,819
Less: minority interest	RMB mn	(64)
Attributable equity value	RMB mn	8,755
Attributable equity value	HK\$mn	9,806
Number of shares	mn	907
Target price	HK\$	10.80

Source: Company data, CMBIGM estimates

Note: RMB0.89 = HK\$1

Figure 3: China SaaS: valuation

Companies	Ticker	Price (LC)	EV/Sales (x)		Revenue YoY	
			FY26E	FY27E	FY26E	FY27E
Kingdee	268 HK	10.0	3.0	2.6	14%	14%
Weimob	2013 HK	1.8	2.1	1.9	14%	9%
Glodon	002410 CH	12.5	2.4	2.2	5%	6%
Shiji	002153 CH	11.0	4.6	3.9	12%	17%
	Average		3.0	2.7	11%	12%

Source: Bloomberg, Company data

Note: closing price as of 18 Mar 2026

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	1,585	1,859	2,227	2,620	3,001	3,349
Cost of goods sold	(1,031)	(1,113)	(1,377)	(1,560)	(1,740)	(1,885)
Gross profit	555	746	850	1,060	1,261	1,464
Operating expenses	(818)	(920)	(764)	(703)	(698)	(686)
Selling expense	(151)	(92)	(121)	(123)	(125)	(128)
Admin expense	(259)	(308)	(279)	(268)	(263)	(259)
R&D expense	(521)	(413)	(366)	(333)	(325)	(317)
Others	114	(107)	1	22	16	18
Operating profit	(263)	(174)	85	358	563	778
Share of (losses)/profits of associates/JV	0	(0)	0	0	0	0
Interest expense	(13)	(4)	3	(4)	(4)	(4)
Others	(476)	(2,276)	0	0	0	0
Pre-tax profit	(752)	(2,454)	89	354	559	774
Income tax	3	1	38	(53)	(84)	(116)
After tax profit	(749)	(2,453)	127	301	475	658
Minority interest	(63)	(25)	(7)	3	5	7
Discontinued operations	94	233	0	0	0	0
Net profit	(592)	(2,195)	134	298	470	651
Adjusted net profit	(233)	30	203	338	518	705
BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	844	1,284	1,395	1,704	2,243	2,935
Cash & equivalents	533	801	860	1,300	1,800	2,488
Account receivables	165	248	340	217	236	250
Inventories	11	5	19	13	15	16
Other current assets	135	230	176	175	193	181
Non-current assets	534	376	339	342	359	386
PP&E	77	70	72	58	51	66
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	2,046	2,602	3,321
Current liabilities	7,794	918	737	734	810	866
Short-term borrowings	202	445	313	308	358	399
Account payables	87	99	111	114	127	137
Other current liabilities	7,505	374	313	312	324	330
Non-current liabilities	349	100	42	55	61	65
Long-term borrowings	112	84	21	34	40	44
Other non-current liabilities	237	16	21	21	21	21
Total liabilities	8,143	1,018	779	789	871	931
Share capital	0	1	1	1	1	1
Retained earnings	(6,865)	565	899	1,197	1,667	2,318
Total shareholders equity	(6,865)	566	899	1,197	1,668	2,319
Minority interest	100	75	56	59	64	71
Total equity and liabilities	1,378	1,659	1,734	2,046	2,602	3,321

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(659)	(2,454)	89	354	559	774
Depreciation & amortization	46	50	43	49	58	71
Tax paid	0	1	38	(53)	(84)	(116)
Change in working capital	(54)	44	(141)	133	(14)	12
Others	487	2,285	10	18	18	23
Net cash from operations	(179)	(74)	40	501	538	765
Investing						
Capital expenditure	(4)	(8)	(22)	(35)	(51)	(86)
Others	(27)	(24)	(23)	(30)	(39)	(31)
Net cash from investing	(31)	(32)	(45)	(66)	(90)	(117)
Financing						
Net borrowings	191	(144)	(196)	9	56	45
Others	16	517	259	(4)	(4)	(4)
Net cash from financing	207	373	63	5	52	41
Net change in cash						
Cash at the beginning of the year	533	533	801	860	1,300	1,800
Exchange difference	3	1	0	0	0	0
Cash at the end of the year	533	801	860	1,300	1,800	2,488
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	19.4%	17.3%	19.8%	17.7%	14.5%	11.6%
Gross profit	9.8%	34.6%	13.9%	24.8%	18.9%	16.1%
Operating profit	na	na	na	319.2%	57.3%	38.3%
Net profit	na	na	na	122.8%	57.9%	38.4%
Adj. net profit	na	na	582.6%	66.2%	53.1%	36.2%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	35.0%	40.1%	38.2%	40.5%	42.0%	43.7%
Operating margin	(16.6%)	(9.4%)	3.8%	13.7%	18.8%	23.2%
Adj. net profit margin	(14.7%)	1.6%	9.1%	12.9%	17.3%	21.1%
Return on equity (ROE)	na	na	18.3%	28.4%	32.8%	32.7%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	0.1	1.4	1.9	2.3	2.8	3.4
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	45.4	20.4	12.9	9.3

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

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