13 Aug 2026

CMB International Global Markets | Equity Research | Company Update

# Kingdee (268 HK)

## AI-native revenue ramping up

**BUY (Maintain)**

| | |
|---|---|
| **Target Price** | **HK$15.10** |
| **Up/Downside** | **83.9%** |
| **Current Price** | **HK$8.21** |

Kingdee reported in-line 1H26 results. Revenue rose 13.6% YoY to RMB3.63bn (1H25: +11.2% YoY), in line with both our forecast and Bloomberg consensus. Net profit attributable to ordinary shareholders was RMB54.5mn (1H25: loss of RMB97.7mn), within the RMB40mn-60mn range indicated in the profit alert dated 7 Jul. Management highlighted strong momentum in its AI-native products in 1H26: 1) AI-native product revenue reached RMB296mn, up 189% YoY; and 2) contract value of AI-native products reached RMB605mn, up 159% YoY. Leveraging its existing customer base and strengths in enterprise data and workflow, Kingdee's AI-native products are delivering measurable value to customers, with monetization ramping up rapidly. We believe this could drive a reacceleration in revenue growth and support a valuation rerating. We forecast Kingdee's revenue growth to accelerate to 15.8% YoY in 2026E (2025: 12.0%), 2% ahead of consensus. We maintain our TP at HK$15.1, based on 5.2x 2026E EV/sales, in line with its three-year mean (previously: 5.4x). We remain positive on Kingdee, as accelerating AI monetization and a solid margin expansion trajectory should support both earnings growth and valuation rerating. BUY.

- **Cloud revenue contribution continued to increase.** In 1H26, Kingdee's cloud revenue grew 16.6% YoY to RMB3.1bn, accounting for 86.0% of total revenue (+2.3ppts YoY). Subscription ARR rose 18.3% YoY to RMB4.4bn (1H25: +18.5% YoY), supported by growth in new signings driven by Kingdee AI Suite and robust demand from customers in selected industries. Net dollar retention for Cloud Constellation/Galaxy/Stellar was 101%/96%/94% in 1H26, compared with 108%/94%/93% in 1H25.
- **AI-native product revenue is ramping up rapidly.** Management highlighted strong momentum in its AI-native products, comprising Lingee and Kingdee AI Suite. In 1H26: 1) AI-native product revenue reached RMB296mn, up 189% YoY; and 2) contract value reached RMB605mn, up 159% YoY and 47% HoH. Since its launch on 20 May, Lingee has signed 26 customers and deployed more than 40 agents across key business functions, including finance, supply chain, procurement and manufacturing. Management targets to sign 10k customers for Lingee by year-end.
- **Operating efficiency continued to improve.** In 1H26, Kingdee's GPM improved by 2.1ppts YoY to 67.7%, mainly driven by the increased contribution from subscription revenue with a higher gross profit margin, as well as the YoY improvement in GPM of implementation, consulting maintenance services and others. Operating loss margin narrowed to 1.4% in 1H26 from 9.1% in 1H25, supported by GPM expansion and improved operating efficiency. Management reiterated its 2026 guidance for: 1) double-digit YoY group revenue growth, with AI-native product revenue exceeding RMB1bn; 2) adjusted NPM of 7%, versus 3.3% in 2025; and 3) OCF growth of over 20% YoY.
- **Changes in forecasts and target price.** Post results, we raise our 2026-2028E revenue forecasts by 2-8%. Our revised revenue forecasts are now 2% above consensus in each of 2026E-2028E. We maintain our TP at HK$15.1, based on 5.2x 2026E EV/sales, in line with Kingdee's three-year mean (previously: 5.4x).

### Earnings Summary

| (YE 31 Dec) | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Revenue (RMB mn)** | 6,256 | 7,006 | 8,115 | 9,393 | 10,621 |
| **YoY growth (%)** | 10.2 | 12.0 | 15.8 | 15.8 | 13.1 |
| **Net profit (RMB mn)** | (142.1) | 92.9 | 454.1 | 818.0 | 1,250.7 |
| **EPS (Reported) (RMB cents)** | (3.96) | 2.62 | 12.79 | 23.04 | 35.24 |
| **Consensus EPS (RMB)** | (0.04) | 0.03 | 0.14 | 0.23 | 0.31 |

Source: Company data, Bloomberg, CMBIGM estimates

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**Stock Data**

| | |
|---|---|
| Mkt Cap (HK$ mn) | 29,228.6 |
| Avg 3 mths t/o (HK$ mn) | 411.9 |
| 52w High/Low (HK$) | 17.52/5.68 |
| Total Issued Shares (mn) | 3560.1 |

Source: FactSet

**Shareholding Structure**

| | |
|---|---|
| Oriental Tao Limited | 11.0% |
| Billion Tao Limited | 8.4% |

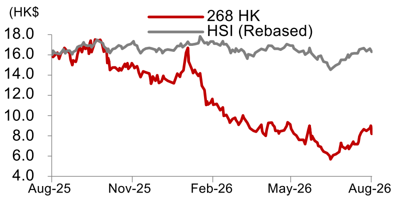
Source: HKEx

**Share Performance**

| | Absolute | Relative |
|---|---|---|
| 1-mth | 17.6% | 11.8% |
| 3-mth | -5.6% | -2.3% |
| 6-mth | -25.8% | -21.2% |

Source: FactSet

**12-mth Price Performance**




Source: FactSet

## Changes in forecast and valuation

**Figure 1: Kingdee: change in CMBI forecast**

| | 2026E | | | 2027E | | | 2028E | | |
|---|---|---|---|---|---|---|---|---|---|
| RMBmn | New | Old | Diff. | New | Old | Diff. | New | Old | Diff. |
| Sales | 8,115 | 7,948 | 2% | 9,393 | 8,941 | 5% | 10,621 | 9,862 | 8% |
| Gross profit | 5,570 | 5,412 | 3% | 6,550 | 6,179 | 6% | 7,517 | 6,918 | 9% |
| OP profit | 301 | 180 | 67% | 703 | 513 | 37% | 1,187 | 878 | 35% |
| PBT | 478 | 487 | -2% | 956 | 829 | 15% | 1,468 | 1,228 | 20% |
| Net profit | 454 | 448 | 1% | 818 | 709 | 15% | 1,251 | 1,046 | 20% |
| EPS | 0.13 | 0.13 | 1% | 0.23 | 0.20 | 15% | 0.35 | 0.30 | 19% |
| **Margins** | | | | | | | | | |
| GM | 68.6% | 68.1% | 56 bps | 69.7% | 69.1% | 62 bps | 70.8% | 70.1% | 63 bps |
| OPM | 3.7% | 2.3% | 144 bps | 7.5% | 5.7% | 175 bps | 11.2% | 8.9% | 227 bps |
| PBT margin | 5.9% | 6.1% | -24 bps | 10.2% | 9.3% | 91 bps | 13.8% | 12.5% | 137 bps |
| Net margin | 5.6% | 5.6% | -4 bps | 8.7% | 7.9% | 78 bps | 11.8% | 10.6% | 117 bps |

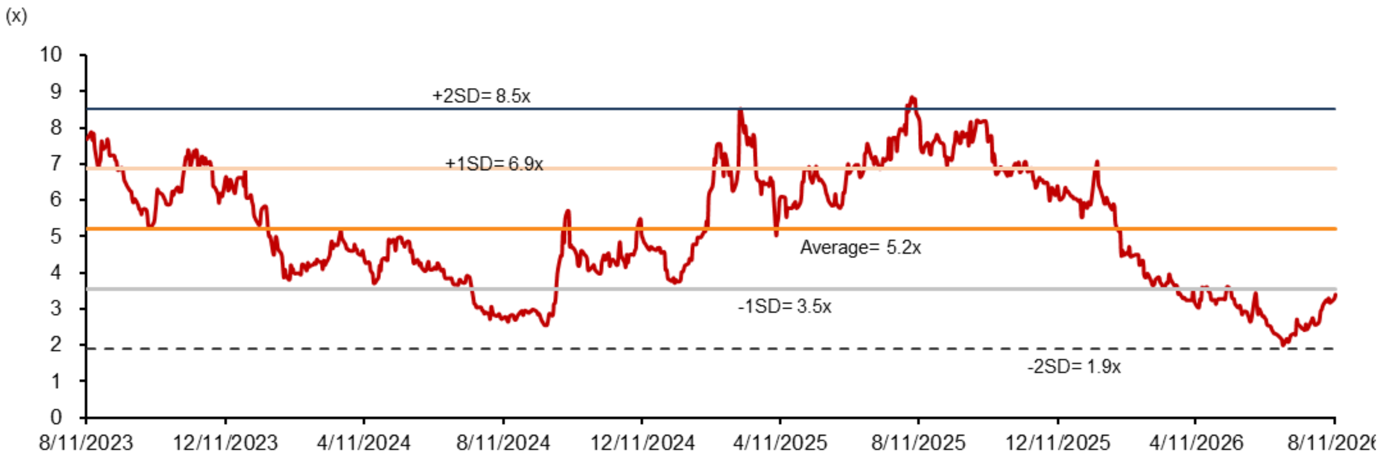
Source: CMBIGM estimates

**Figure 2: Kingdee: CMBI forecast vs Bloomberg consensus**

| | 2026E | | | 2027E | | | 2028E | | |
|---|---|---|---|---|---|---|---|---|---|
| RMBmn | CMBI | Street | Diff. | CMBI | Street | Diff. | CMBI | Street | Diff. |
| Sales | 8,115 | 7,982 | 2% | 9,393 | 9,216 | 2% | 10,621 | 10,389 | 2% |
| Gross profit | 5,570 | 5,447 | 2% | 6,550 | 6,401 | 2% | 7,517 | 7,371 | 2% |
| Operating profit | 301 | 286 | 5% | 703 | 671 | 5% | 1,187 | 1,078 | 10% |
| Profit before tax | 478 | 445 | 7% | 956 | 855 | 12% | 1,468 | 1,308 | 12% |
| Net profit | 454 | 444 | 2% | 818 | 819 | -0% | 1,251 | 1,214 | 3% |
| EPS | 0.13 | 0.14 | -6% | 0.23 | 0.23 | 2% | 0.35 | 0.31 | 13% |
| **Margins** | | | | | | | | | |
| GM | 68.6% | 68.2% | 40 bps | 69.7% | 69.5% | 27 bps | 70.8% | 71.0% | -18 bps |
| OPM | 3.7% | 3.6% | 12 bps | 7.5% | 7.3% | 20 bps | 11.2% | 10.4% | 79 bps |
| Profit before tax margin | 5.9% | 5.6% | 31 bps | 10.2% | 9.3% | 91 bps | 13.8% | 12.6% | 123 bps |
| Net margin | 5.6% | 5.6% | 4 bps | 8.7% | 8.9% | -17 bps | 11.8% | 11.7% | 9 bps |

Source: Bloomberg, CMBIGM estimates

**Figure 3: Kingdee: EV/sales valuation band over the past three years**




Source: Bloomberg, CMBIGM estimates

**Risks:** 1) Slower-than-expected revenue growth; 2) slower-than-expected margin expansion; 3) more intensified-than-expected industry competition.

# Financial Summary

| INCOME STATEMENT | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec (RMB mn)** | | | | | | |
| **Revenue** | **5,679** | **6,256** | **7,006** | **8,115** | **9,393** | **10,621** |
| Cost of goods sold | (2,035) | (2,185) | (2,302) | (2,545) | (2,843) | (3,104) |
| **Gross profit** | **3,644** | **4,071** | **4,704** | **5,570** | **6,550** | **7,517** |
| **Operating expenses** | **(4,249)** | **(4,556)** | **(4,867)** | **(5,269)** | **(5,847)** | **(6,330)** |
| Selling expense | (2,320) | (2,503) | (2,726) | (2,938) | (3,350) | (3,647) |
| Admin expense | (490) | (539) | (647) | (705) | (705) | (792) |
| R&D expense | (1,440) | (1,514) | (1,494) | (1,627) | (1,791) | (1,892) |
| **Operating profit** | **(605)** | **(485)** | **(163)** | **301** | **703** | **1,187** |
| **Net Interest income/(expense)** | **90** | **94** | **64** | **58** | **78** | **104** |
| Others | 214 | 162 | 138 | 119 | 176 | 178 |
| **Pre-tax profit** | **(301)** | **(230)** | **39** | **478** | **956** | **1,468** |
| Income tax | 31 | 45 | 35 | (34) | (143) | (220) |
| Minority interest | 60 | 42 | 19 | 10 | 5 | 3 |
| **Net profit** | **(210)** | **(142)** | **93** | **454** | **818** | **1,251** |

| BALANCE SHEET | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec (RMB mn)** | | | | | | |
| **Current assets** | **5,703** | **5,632** | **5,823** | **6,669** | **7,843** | **9,363** |
| Cash & equivalents | 2,964 | 1,530 | 1,695 | 2,479 | 3,531 | 4,932 |
| Restricted cash | 364 | 416 | 412 | 480 | 555 | 628 |
| Prepayment | 1,045 | 1,537 | 667 | 667 | 667 | 667 |
| Other current assets | 968 | 1,783 | 2,600 | 2,601 | 2,610 | 2,620 |
| Contract assets | 362 | 366 | 449 | 442 | 479 | 517 |
| **Non-current assets** | **8,436** | **8,149** | **8,763** | **8,741** | **8,773** | **8,849** |
| PP&E | 1,919 | 1,744 | 1,874 | 1,911 | 1,966 | 2,038 |
| Intangibles | 1,232 | 1,232 | 1,433 | 1,373 | 1,351 | 1,354 |
| Other non-current assets | 5,284 | 5,173 | 5,457 | 5,457 | 5,457 | 5,457 |
| **Total assets** | **14,139** | **13,781** | **14,586** | **15,410** | **16,616** | **18,213** |
| | | | | | | |
| **Current liabilities** | **4,529** | **5,480** | **5,638** | **6,017** | **6,410** | **6,756** |
| Short-term borrowings | 20 | 205 | 0 | 0 | 1 | 3 |
| Account payables | 1,231 | 1,488 | 1,757 | 1,794 | 1,885 | 1,973 |
| Other current liabilities | 101 | 63 | 65 | 65 | 65 | 65 |
| Contract liabilities | 3,177 | 3,724 | 3,815 | 4,158 | 4,458 | 4,715 |
| **Non-current liabilities** | **908** | **172** | **740** | **740** | **741** | **743** |
| Long-term borrowings | 757 | 0 | 0 | 0 | 1 | 3 |
| Other non-current liabilities | 151 | 172 | 740 | 740 | 740 | 740 |
| **Total liabilities** | **5,437** | **5,652** | **6,377** | **6,757** | **7,151** | **7,499** |
| | | | | | | |
| Share capital | 87 | 86 | 85 | 85 | 85 | 85 |
| Capital surplus | 6,512 | 6,174 | 5,988 | 5,988 | 5,988 | 5,988 |
| Retained earnings | 1,020 | 878 | 971 | 1,425 | 2,243 | 3,494 |
| Other reserves | 979 | 911 | 1,163 | 1,163 | 1,163 | 1,163 |
| **Total shareholders equity** | **8,599** | **8,050** | **8,207** | **8,662** | **9,480** | **10,730** |
| Minority interest | 103 | 79 | 1 | (9) | (14) | (17) |
| **Total equity and liabilities** | **14,139** | **13,781** | **14,586** | **15,410** | **16,616** | **18,213** |

| CASH FLOW | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec (RMB mn)** | | | | | | |
| **Operating** | | | | | | |
| **Profit before taxation** | **(301)** | **(230)** | **39** | **478** | **956** | **1,468** |
| Depreciation & amortization | 499 | 599 | 651 | 633 | 675 | 724 |
| Tax paid | 31 | 45 | 35 | (34) | (143) | (220) |
| Change in working capital | 347 | 460 | 247 | 318 | 269 | 225 |
| Others | 77 | 59 | 126 | (59) | (79) | (105) |
| **Net cash from operations** | **653** | **934** | **1,097** | **1,336** | **1,678** | **2,091** |
| **Investing** | | | | | | |
| Capital expenditure | (897) | (681) | (587) | (611) | (707) | (800) |
| Others | (408) | (393) | (21) | 59 | 79 | 105 |
| **Net cash from investing** | **(1,305)** | **(1,074)** | **(607)** | **(552)** | **(628)** | **(695)** |
| **Financing** | | | | | | |
| Dividend paid | 0 | 0 | 0 | 0 | 0 | 0 |
| Net borrowings | 307 | (572) | (200) | 0 | 2 | 4 |
| Proceeds from share issues | 1,412 | 0 | 0 | 0 | 0 | 0 |
| Others | (48) | (719) | (121) | 0 | 0 | 0 |
| **Net cash from financing** | **1,671** | **(1,291)** | **(321)** | **0** | **2** | **4** |
| **Net change in cash** | | | | | | |
| Cash at the beginning of the year | 1,943 | 2,964 | 1,530 | 1,695 | 2,479 | 3,531 |
| Exchange difference | 1 | (2) | (4) | 0 | 0 | 0 |
| **Cash at the end of the year** | **2,964** | **1,530** | **1,695** | **2,479** | **3,531** | **4,932** |
| **GROWTH** | **2023A** | **2024A** | **2025A** | **2026E** | **2027E** | **2028E** |
| **YE 31 Dec** | | | | | | |
| Revenue | 16.7% | 10.2% | 12.0% | 15.8% | 15.8% | 13.1% |
| Gross profit | 21.6% | 11.7% | 15.6% | 18.4% | 17.6% | 14.8% |
| Operating profit | na | na | na | na | 133.6% | 68.8% |
| Net profit | na | na | na | 388.8% | 80.1% | 52.9% |
| **PROFITABILITY** | **2023A** | **2024A** | **2025A** | **2026E** | **2027E** | **2028E** |
| **YE 31 Dec** | | | | | | |
| Gross profit margin | 64.2% | 65.1% | 67.1% | 68.6% | 69.7% | 70.8% |
| Operating margin | (10.7%) | (7.8%) | (2.3%) | 3.7% | 7.5% | 11.2% |
| Return on equity (ROE) | (2.6%) | (1.7%) | 1.1% | 5.4% | 9.0% | 12.4% |
| **GEARING/LIQUIDITY/ACTIVITIES** | **2023A** | **2024A** | **2025A** | **2026E** | **2027E** | **2028E** |
| **YE 31 Dec** | | | | | | |
| Net debt to equity (x) | (0.2) | (0.2) | (0.2) | (0.3) | (0.4) | (0.5) |
| Current ratio (x) | 1.3 | 1.0 | 1.0 | 1.1 | 1.2 | 1.4 |
| Receivable turnover days | 21.1 | 22.8 | 21.6 | 21.6 | 21.6 | 21.6 |
| Inventory turnover days | 2.9 | 2.7 | 2.8 | 2.8 | 2.8 | 2.8 |
| Payable turnover days | 191.1 | 227.1 | 257.3 | 257.3 | 242.0 | 232.0 |
| **VALUATION** | **2023A** | **2024A** | **2025A** | **2026E** | **2027E** | **2028E** |
| **YE 31 Dec** | | | | | | |
| P/E | ns | ns | 269.6 | 55.2 | 30.6 | 20.0 |
| P/B | 2.8 | 3.1 | 3.1 | 2.9 | 2.6 | 2.3 |
| Div yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EV/Sales | 4.5 | 4.3 | 3.7 | 3.1 | 2.6 | 2.2 |

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

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|---|---|
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