

Kingdee (268 HK)

Committed to AI transformation

Kingdee reported its 2025 results: revenue was RMB7.0bn, up 12.0% YoY (2024: +10.2% YoY), in line with Bloomberg consensus; net profit attributable to ordinary shareholders was RMB92.9mn (2024: loss of RMB142.1mn), below Bloomberg consensus of RMB132mn. In this print, Kingdee demonstrated its capability to deliver healthy revenue growth with improving operating efficiency, as well as its strong commitment to business transformation in the AI era, in our view. Competition from LLM companies in the software industry may continue to weigh on market sentiment in the near term and could impact overall industry valuations. However, we believe Kingdee remains one of the key beneficiaries in the AI application era, backed by its deep industry and scenario insights, as well as high-quality enterprise datasets. We roll forward our valuation to 2026E with a new target price of HK\$15.1 (was HK\$19.2). We lower our target EV/Sales multiple from 8.4x (in line with the two-year mean plus two standard deviations) to 5.4x (in line with the two-year mean) to reflect the change in market sentiment. Nevertheless, we reiterate Kingdee as our top pick in our China software coverage universe, and believe that a reacceleration in revenue growth—supported by improving macro conditions and AI monetization, as well as a solid margin expansion trajectory—could drive a future valuation rerating. Maintain BUY.

- Cloud revenue contribution continued to rise.** In 2025, Kingdee's cloud revenue grew 13.2% YoY to RMB5.8bn (82.5% of total revenue; +0.9ppt YoY). Despite ongoing macro headwinds, Kingdee achieved 19.2% YoY growth in ARR (2024: 20.0%) and 20.7% YoY growth in subscription-related contract liabilities (2024: 28.5%).
- Key product lines delivered healthy subscription revenue growth.** 1) Kingdee Cloud Cosmic & Constellation (C&C) recorded revenue of RMB1.94bn in 2025, up 28.0% YoY, of which subscription revenue grew 35.4% YoY to RMB528mn; its net dollar retention (NDR) rate increased by 2ppts YoY to 110%; 2) Kingdee Cloud Galaxy recorded subscription revenue of RMB1.52bn, up 19.3% YoY, with NDR reaching 97%, up 2ppts YoY; 3) subscription revenue for Small and Medium-sized Businesses (SMBs) products (mainly Kingdee Cloud Stellar and Jingdou Cloud) came in at RMB1.1bn, up 22.7% YoY. Regarding AI adoption, management highlighted that Kingdee AI has achieved contract value of c. RMB356mn in 2025.
- AI is driving effective cost savings for Kingdee.** In 2025, AI-assisted new code accounted for 41% of total new code, and management expects this ratio to increase further to 70% in 2026. Driven by the acceleration of AI transformation, total headcount and R&D headcount declined by 7.0% and 13.6% YoY, respectively, in 2025.
- 2026 NPM guidance comes in ahead of consensus.** For 2026, management guided for: 1) double-digit YoY growth in group revenue; 2) Kingdee AI Suite revenue to exceed RMB1bn with the surge in AI-native business revenue generation serving as the main driver; 3) adj. net margin to rise to ~7% (from 3.3% in 2025), driven by solid revenue growth and unleashing of operating leverage, and this was ahead of Bloomberg consensus at 4.8%; 4) OCF to grow over 20% YoY; 5) over HK\$500mn spending in share repurchases (c.1.4% of market cap based on latest market close as of 18 Mar), while remaining opportunistic depending on market conditions.

BUY (Maintain)

Target Price	HK\$15.10
(Previous TP)	HK\$19.20)
Up/Downside	50.7%
Current Price	HK\$10.02

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Stock Data

Mkt Cap (HK\$ mn)	35,422.7
Avg 3 mths t/o (HK\$ mn)	490.1
52w High/Low (HK\$)	18.82/9.09
Total Issued Shares (mn)	3535.2

Source: FactSet

Shareholding Structure

Oriental Tao Limited	10.9%
Billion Tao Limited	8.3%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-10.2%	-7.9%
3-mth	-26.8%	-28.2%
6-mth	-40.6%	-39.5%

Source: FactSet

12-mth Price Performance



Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	6,256	7,006	7,948	8,941	9,862
YoY growth (%)	10.2	12.0	13.4	12.5	10.3
Net profit (RMB mn)	(142.1)	92.9	447.8	709.1	1,046.3
EPS (Reported) (RMB cents)	(3.96)	2.62	12.68	20.12	29.69
Consensus EPS (RMB)	(0.04)	0.03	0.11	0.19	0.47

Source: Company data, Bloomberg, CMBIGM estimates

Changes in forecast and valuation

We lower our 2026E/2027E revenue forecasts by 2%/1% to reflect a more moderate cloud revenue growth outlook amid macro headwinds, while raising our net profit forecasts by 29%/28% to account for better-than-expected improvements in operating efficiency.

Figure 1: Kingdee: change in CMBI forecast

RMBmn	2026E			2027E			2028E		
	New	Old	%Diff	New	Old	%Diff	New	Old	%Diff
Sales	7,948	8,105	-2%	8,941	9,074	-1%	9,862	-	-
Gross profit	5,412	5,422	-0%	6,179	6,135	1%	6,918	-	-
Operating profit	180	27	574%	513	295	74%	878	-	-
Profit before tax	487	373	31%	829	647	28%	1,228	-	-
Net profit	448	346	29%	709	555	28%	1,046	-	-
EPS	0.13	0.10	31%	0.20	0.15	30%	0.30	-	-
Margins									
GM	68.1%	66.9%	118 bps	69.1%	67.6%	150 bps	70.1%	-	-
OPM	2.3%	0.3%	194 bps	5.7%	3.2%	249 bps	8.9%	-	-
PBT margin	6.1%	4.6%	153 bps	9.3%	7.1%	214 bps	12.5%	-	-
Net margin	5.6%	4.3%	136 bps	7.9%	6.1%	182 bps	10.6%	-	-

Source: CMBIGM estimates

Figure 2: Kingdee: CMBI forecast vs Bloomberg consensus

RMBmn	2026			2027			2028		
	CMBI	Street	Diff	CMBI	Street	Diff	CMBI	Street	Diff
Sales	7,948	7,986	-0%	8,941	9,143	-2%	9,862	10,340	-5%
Gross profit	5,412	5,379	1%	6,179	6,253	-1%	6,918	7,446	-7%
Operating profit	180	322	-44%	513	666	-23%	878	837	5%
Profit before tax	487	437	12%	829	801	3%	1,228	1,320	-7%
Net profit	448	391	14%	709	687	3%	1,046	1,114	-6%
EPS	0.13	0.11	17%	0.20	0.19	4%	0.30	0.47	-37%
Margins									
GM	68.1%	67.4%	73 bps	69.1%	68.4%	72 bps	70.1%	72.0%	-187 bps
OPM	2.3%	4.0%	-177 bps	5.7%	7.3%	-155 bps	8.9%	8.1%	81 bps
PBT margin	6.1%	5.5%	66 bps	9.3%	8.8%	51 bps	12.5%	12.8%	-31 bps
Net margin	5.6%	4.9%	74 bps	7.9%	7.5%	41 bps	10.6%	10.8%	-17 bps

Source: Bloomberg, CMBIGM estimates

Figure 3: Kingdee: EV/sales valuation band over the past two 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	7,948	8,941	9,862
Cost of goods sold	(2,035)	(2,185)	(2,302)	(2,537)	(2,762)	(2,944)
Gross profit	3,644	4,071	4,704	5,412	6,179	6,918
Operating expenses	(4,249)	(4,556)	(4,867)	(5,231)	(5,666)	(6,039)
Selling expense	(2,320)	(2,503)	(2,726)	(2,968)	(3,222)	(3,433)
Admin expense	(490)	(539)	(647)	(596)	(642)	(692)
R&D expense	(1,440)	(1,514)	(1,494)	(1,667)	(1,802)	(1,915)
Operating profit	(605)	(485)	(163)	180	513	878
Net Interest income/(expense)	90	94	64	98	120	152
Others	214	162	138	209	196	198
Pre-tax profit	(301)	(230)	39	487	829	1,228
Income tax	31	45	35	(49)	(124)	(184)
Minority interest	60	42	19	10	5	2
Net profit	(210)	(142)	93	448	709	1,046
BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	5,703	5,632	5,823	6,352	7,187	8,259
Cash & equivalents	2,964	1,530	1,695	2,223	2,982	3,980
Restricted cash	364	416	412	470	529	583
Prepayment	1,045	1,537	667	667	667	667
Other current assets	968	1,783	2,600	2,599	2,607	2,614
Contract assets	362	366	449	392	402	415
Non-current assets	8,436	8,149	8,763	9,046	9,377	9,737
PP&E	1,919	1,744	1,874	1,908	1,957	2,017
Intangibles	1,232	1,232	1,433	1,681	1,963	2,263
Other non-current assets	5,284	5,173	5,457	5,457	5,457	5,457
Total assets	14,139	13,781	14,586	15,399	16,563	17,996
Current liabilities	4,529	5,480	5,638	6,012	6,471	6,858
Short-term borrowings	20	205	0	0	1	3
Account payables	1,231	1,488	1,757	1,788	1,947	2,075
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	742
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	6,752	7,212	7,601
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	1,419	2,128	3,175
Other reserves	979	911	1,163	1,163	1,163	1,163
Total shareholders equity	8,599	8,050	8,207	8,655	9,364	10,411
Minority interest	103	79	1	(8)	(13)	(16)
Total equity and liabilities	14,139	13,781	14,586	15,399	16,563	17,996

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(301)	(230)	39	487	829	1,228
Depreciation & amortization	499	599	338	633	700	776
Tax paid	31	45	35	(49)	(124)	(184)
Change in working capital	347	460	788	373	382	311
Others	77	59	(102)	(99)	(121)	(153)
Net cash from operations	653	934	1,097	1,346	1,665	1,979
Investing						
Capital expenditure	(897)	(681)	(587)	(916)	(1,031)	(1,137)
Others	(408)	(393)	(21)	99	121	153
Net cash from investing	(1,305)	(1,074)	(607)	(817)	(909)	(984)
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	2,223	2,982
Exchange difference	1	(2)	(4)	0	0	0
Cash at the end of the year	2,964	1,530	1,695	2,223	2,982	3,980
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	16.7%	10.2%	12.0%	13.4%	12.5%	10.3%
Gross profit	21.6%	11.7%	15.6%	15.0%	14.2%	12.0%
Operating profit	na	na	na	na	184.3%	71.4%
Net profit	na	na	na	382.0%	58.3%	47.5%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	64.2%	65.1%	67.1%	68.1%	69.1%	70.1%
Operating margin	(10.7%)	(7.8%)	(2.3%)	2.3%	5.7%	8.9%
Return on equity (ROE)	(2.6%)	(1.7%)	1.1%	5.3%	7.9%	10.6%
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)	(0.3)	(0.4)
Current ratio (x)	1.3	1.0	1.0	1.1	1.1	1.2
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	257.3	257.3
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	ns	ns	335.9	69.3	43.7	29.6
P/B	3.5	3.9	3.8	3.6	3.3	3.0
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
EV	27,698.0	28,560.2	28,189.9	27,661.5	26,905.5	25,910.6
EV/Sales	4.9	4.6	4.0	3.5	3.0	2.6

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

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