Dmall Inc (2586 HK)

End-to-end retail digitalization enabler

Dmall is the largest retail cloud solution provider in China by GMV with market share of 13.3% in 2023. We expect Dmall's revenue to grow at a 30% CAGR over FY24-26E mainly due to the ramp-up of AIoT solutions and increasing adoption of Dmall OS system, a proprietary SaaS platform with over 1,000 modules covering end-to-end retail operations. We think Dmall's proven track record with Wumei Group will help it expand customer base. Our target price is HK$8.50 based on 2.5x FY25E EV/sales. Initiate at BUY.

- **Largest retail cloud solution provider in China.** Dmall, founded in 2015, is the largest retail cloud solution provider in China, with market share of 13.3% in 2023, according to Frost & Sullivan. After restructuring in 1H24, Dmall currently mainly focuses on offering SaaS-based Dmall OS (44.7% of 1H24 revenue) and AIoT solutions (54.7% of 1H24 revenue). Dmall has served 448 customers with dollar-based net retention rate of 123% in 1H24.

- **China's retail digitalization solution industry revenue to grow at a 27.7% CAGR in 2024-2028E.** Dmall is expected to ride on the digitalization trend in the retail industry. Given the relatively low digitalization rate in China/ Asia retail industry at 3.1%/ 4.5% (vs. US: 13.3%) in 2023, the digitalization demand will drive retail digitalization solution industry revenue growth of 27.7%/21.1% CAGR in 2024-2028E, reaching RMB61.8bn/RMB80.0bn respectively, according to Frost & Sullivan.

- **Proven track record in retail digitalization with Wumei Group.** Dmall developed proprietary Dmall OS which includes various service modules covering different retail management scenarios. Dmall has provided digitalization solutions to Wumei Group since 2015 (52% of FY23 revenue). After deploying Dmall's solutions, Wumei saved labor costs of >RMB10mn annually with lowered inventory days from 35 to 21 days. The proven track record helped Dmall win overseas customers such as DFI Retail Group and Metro Group. In FY23, 7.8% of Dmall's revenue was generated from overseas sales.

- **Initiate at BUY.** We expect Dmall's revenue to grow at a 30% CAGR over FY24-26E, mainly driven by 42%/36% CAGR of Dmall OS/AIoT solutions revenue. We expect Dmall to turn around from loss in FY25E with adjusted net profit of RMB195mn, thanks to cost control initiatives and economies of scale. Our target price is HK$8.50 based on 2.5x FY25E EV/sales and net cash of RMB816mn at the end of FY25E. Key risks include high customer concentration (top 5: 83.3% of FY23 revenue), intensifying competition in China's retail SaaS market, and new regulations.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	1,328	1,585	1,858	2,564	3,505
YoY growth (%)	56.6	19.4	17.2	38.0	36.7
Adjusted net profit (RMB mn)	(355.9)	(233.3)	(104.7)	194.9	531.9
YoY growth (%)	na	na	na	na	173.0
EPS (Adjusted) (RMB cents)	(67.77)	(44.43)	(11.80)	21.98	59.99
P/S (x)	3.7	3.1	2.6	1.9	1.4
P/E (x)	NA	NA	NA	28.1	9.9

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Initiate)

Target Price	HK$8.50
Up/Downside	44.3%
Current Price	HK$5.89

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Stock Data

Mkt Cap (HK$ mn)	5,222.6
Avg 3 mths t/o (HK$ mn)	15.7
52w High/Low (HK$)	NA/NA
Total Issued Shares (mn)	886.7

Source: FactSet

Shareholding Structure

Celestial	47.8%
Vigorous Link	8.5%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-6.4%	-2.7%
3-mth	NM	NM
6-mth	NM	NM

Source: FactSet

12-mth Price Performance
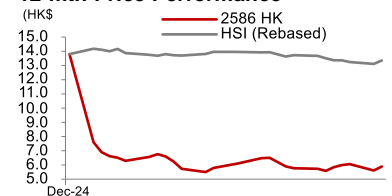
Source: FactSet

Contents

Investment Thesis

Largest retail cloud solution provider in China by GMV

Dmall, founded in 2015, is the largest retail cloud solution provider in China and Asia by GMV, with market share of 13.3% and 10.9% in 2023, according to Frost & Sullivan. Dmall's retail cloud solutions encompass end-to-end local retail operations from procurement and supply chain management, store and headquarters management, to marketing and omni-channel sales. After restructuring in 1H24, Dmall currently mainly focuses on offering SaaS-based Dmall OS (44.7% of 1H24 revenue) and AIoT solutions (54.7% of 1H24 revenue). Dmall served 448 customers with dollar-based net retention of 123% in 1H24.

Retail digitalization solution industry to grow at 27.7%/21.1% CAGR in China/ Asia, respectively

Retail cloud solutions include 1) retail SaaS, 2) value-added services in marketing and advertising, and 3) on-demand e-commerce services. China/Asia local retail digitalization rates were relatively low at 3.1%/ 4.5%, compared to that of the US at 13.3% in 2023. The increasing digitalization demand will drive the China/ Asia retail digitalization solution industry revenue growth of 27.7%/21.1% CAGR in 2024-2028E, reaching RMB61.8bn/ RMB80.0bn respectively, according to Frost & Sullivan.

Proven track record in retail digitalization with Wumei Group

Dmall has provided retail digitalization solutions to Wumei Group since 2015 (52% of FY23 revenue). After deploying Dmall's retail cloud solutions, Wumei saved labor costs of over RMB10mn annually, lowered inventory turnover days from 35 to 21 days, improved warehouse utilization rate by 10%, reduced floor planning labor cost by 50%, reduced online order picking time by 40%, and reduced the need for more than 500 cashiers. All of these suggested the effectiveness of Dmall's solutions in improving retailers' operating efficiency. The proven track record with Wumei helped Dmall penetrate into overseas markets with customers such as DFI Retail Group (APAC) and Metro Group (Europe). In FY23, 7.8% of Dmall's revenue was generated from overseas sales.

Revenue to grow at a 30% CAGR over FY24-26E

We expect Dmall's revenue to grow at a 30% CAGR over FY24-26E and reach RMB3,505mn in FY26E, mainly driven by 42%/36% CAGR of Dmall OS/AIoT solutions revenue. We expect Dmall to turn around from loss in FY25E with net profit of RMB195mn (vs. adj. net loss of RMB233mn in FY23), as the Company strategically scaled back its loss-making e-commerce service cloud business, optimized labor structure, and enhanced operating efficiency.

Initiate at BUY with target price of HK$8.50

We use EV/sales as the primary valuation methodology as operating leverage is insignificant during the expansion phase of SaaS given higher R&D and marketing spending. Our target price is HK$8.50 based on 2.5x FY25E EV/sales and net cash of RMB816mn at the end of FY25E. Key risks include 1) a concentrated customer base (top five customers accounted for 83.3% of revenue in FY23), 2) intensifying competition in China's retail SaaS market, and 3) regulatory risks.

Focus Charts

Figure 1: China retail digitalization solution industry revenue to grow at a 27.7% CAGR in 2024-2028E
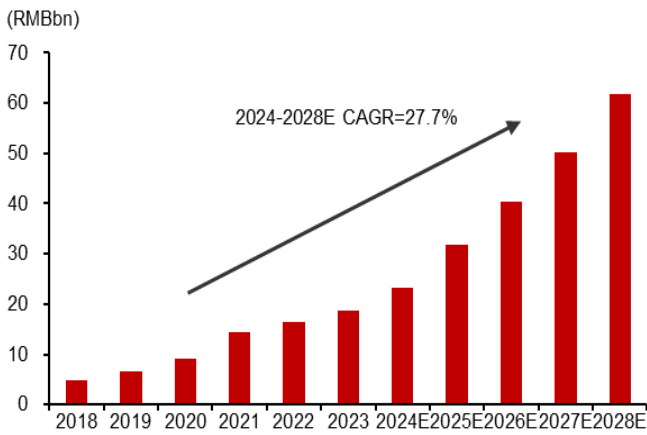
Source: Frost & Sullivan, CMBIGM

Figure 2: China and Asia local retail digitalization rates were relatively low (2023)
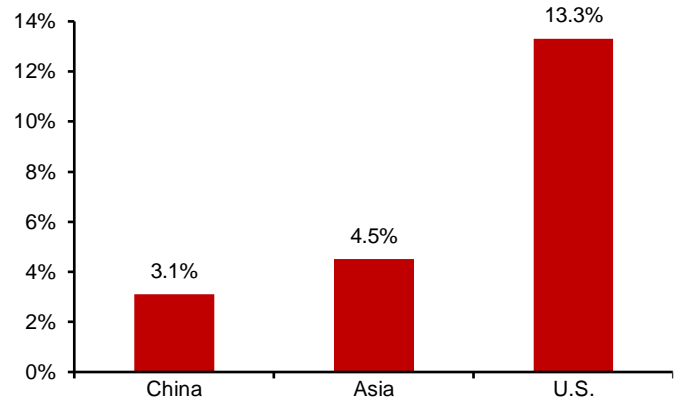
Source: Frost & Sullivan, CMBIGM

Figure 3: Revenue to grow 17%/38% YoY in FY24E/25E
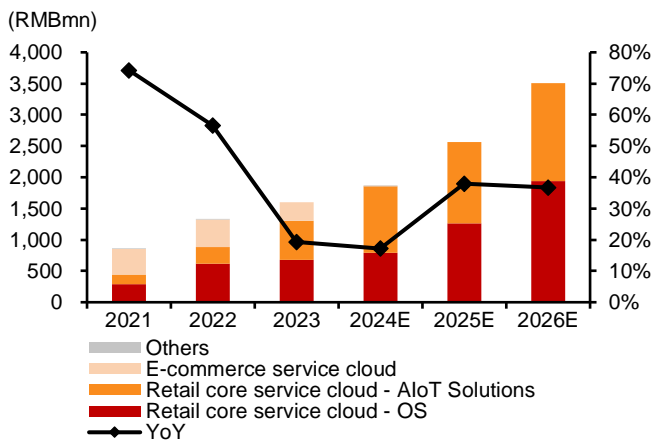
Source: Company data, CMBIGM estimates

Figure 4: Revenue mix

Source: Company data, CMBIGM

Figure 5: Cost of sales mix (FY23)

Source: Company data, CMBIGM

Figure 6: Margins

Source: Company data, CMBIGM estimates

Company Overview

Dmall, founded in 2015, is the largest retail cloud solution provider in China and Asia by GMV, with market share of 13.3% and 10.9% respectively in 2023, according to Frost & Sullivan. Dmall's business consists of 1) retail core se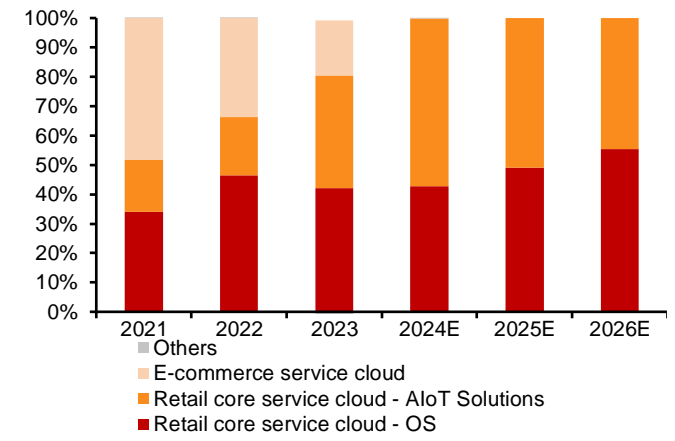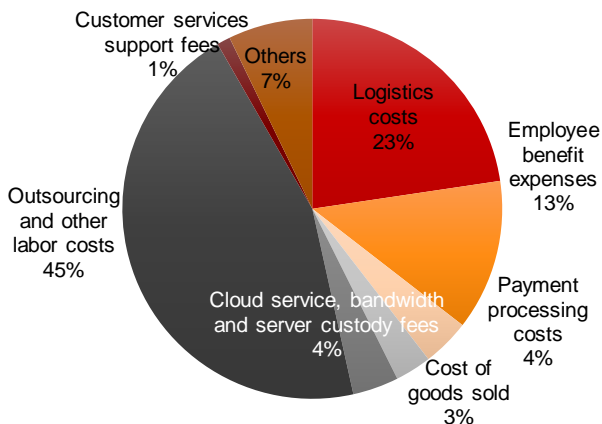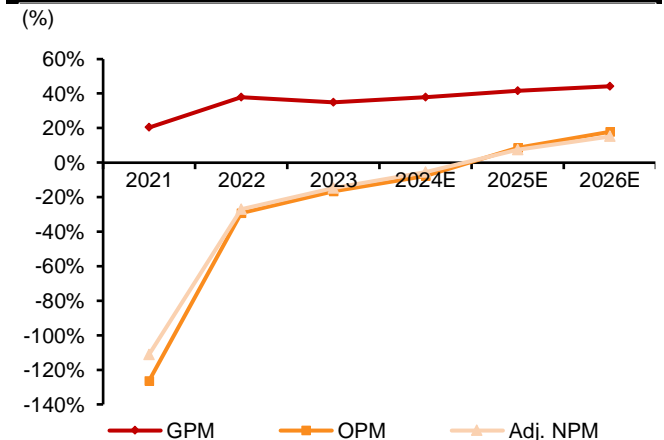rvice cloud (81.9% of FY23 revenue), which includes operating system (42.9% of FY23 revenue) and AIoT solutions businesses (39.0% of FY23 revenue); and 2) e-commerce service cloud (18.9% of FY23 revenue). In 2024, Dmall completed restructuring and ceased to provide system and delivery services under the e-commerce service cloud solutions. As a result, the Company will focus on offering retail core service cloud solutions in the future. For 1H24, Dmall served around 448 customers with dollar-based net retention ratio of 123%.

Since its establishment, Dmall has been providing digitalization solutions to Wumei Group, a leading supermarket chain in China. With the digitalization experience with Wumei Group, Dmall has developed the proprietary and core product Dmall OS. Dmall OS includes over 1,000 independently configurable modules that cover different management scenarios along the retail process chain. Apart from supermarkets, Dmall's digitalization solutions are also adopted by other retail formats such as warehouse supermarkets, department stores, and convenience stores.

Figure 7: Dmall: retail core service solutions

FY23	Blended	Operating system	AIoT solutions
Business overview			
Total number of customers	531	328	284
GMV processed (RMB bn)		141.9	10.2
Number of employees	1,813		
Revenue (RMB mn)	1,299	680	619
GPM (%)	41.7	70.4	10.3
Dmall adj. NPM (%)	(14.7)		

Source: Company data, CMBIGM

Industry analysis

Retail digitalization solutions, including 1) retail SaaS, 2) retail location digitalization solutions, and 3) other related value-added services, address the pain points faced by local retailers, brand owners and consumers. Driven by favorable policies, well-established cloud infrastructure and growing digitalization demand, the market size of China/Asia retail digitalization solution industry is expected to grow at 27.7%/21.1% CAGR in 2024-2028E, reaching RMB61.8bn/ RMB80.0bn respectively, according to Frost & Sullivan.

Retail digitalization solution industry to grow at 27.7%/21.1% CAGR in China/ Asia, respectively

The retail digitalization solution market has recorded strong growth historically and is expected to maintain sustainable growth in the near future, driven by favorable policies, well-established cloud infrastructure and growing digitalization demands.

In terms of revenue, China's retail digitalization solution industry market size increased from RMB4.8bn in 2018 to RMB18.7bn in 2023 (31.0% CAGR) and is expected to further grow at a CAGR of 27.7% in 2024 to 2028E, reaching RMB61.8bn, according to Frost & Sullivan. As for Asia, the market size of the retail digitalization solution industry rose from RMB8.8bn in 2018 to RMB31.0bn in 2023 (28.5% CAGR) and is expected to grow at a 21.1% CAGR from 2024 to 2028, reaching RMB80.0bn, based on the same source.

Figure 8: Market size of retail digitalization solution industry in China
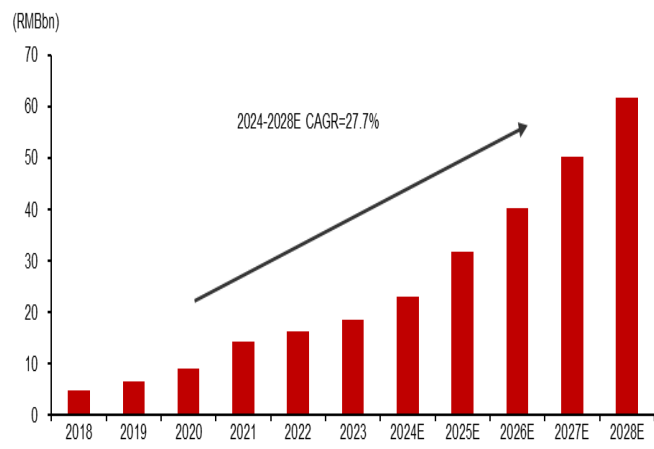
Source: Frost & Sullivan, CMBIGM

Figure 9: Market size of retail digitalization solution industry in Asia
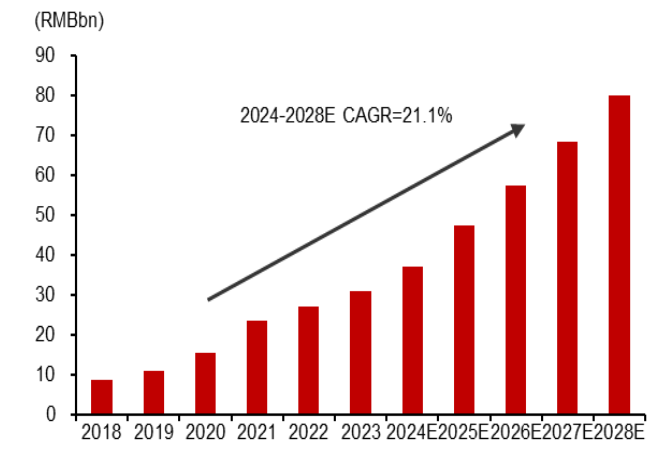
Source: Frost & Sullivan, CMBIGM

China and Asia local retail digitalization rates are relatively low

Local retail industry has been growing steadily in Asia and China over the past few years. According to Frost & Sullivan, the market size of the local retail industry in Asia increased from RMB30.0tn in 2018 to RMB31.1tn in 2023 (0.8% CAGR) in which China took up 43% of the market in 2023. Local retail participants including retailers, brand owners and consumers have been facing different pain points.

- **For retailers:** Rising operational challenges amid intensifying competition, increasing need for data-driven business decision making, lack of omni-channel service capabilities and lack of robust security system.
- **For brand owners:** High customer acquisition costs and lack of consumer insights.
- **For consumers:** Greater focus on quality and convenience.

The digitalization rate of the local retail industry in China and Asia is relatively low. According to Frost & Sullivan, the retailers' digitalization rate in China and Asia was 3.1% and 4.5% in 2023, respectively, significantly lower than 13.3% in the US. The digitalization rate of other industries in China, for example, the e-commerce, transportation and catering industries in 2023 was 7.7%, 7.1% and 5.1%, respectively, all significantly higher than 3.1% of the local retail industry.

Figure 10: Retailers' digitalization rate comparison	Figure 11: Retailers' digitalization rate in China
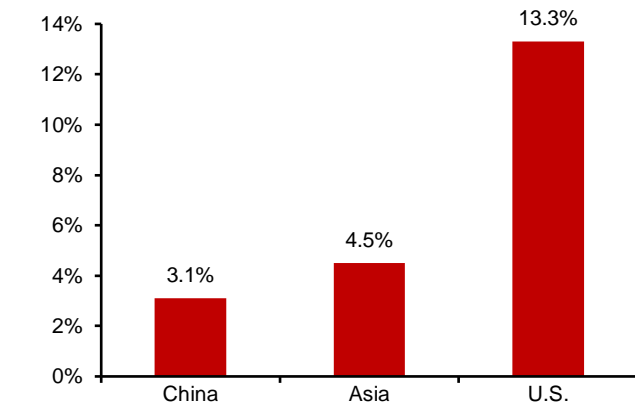
Source: Frost & Sullivan, CMBIGM
Note: Data as of 2023
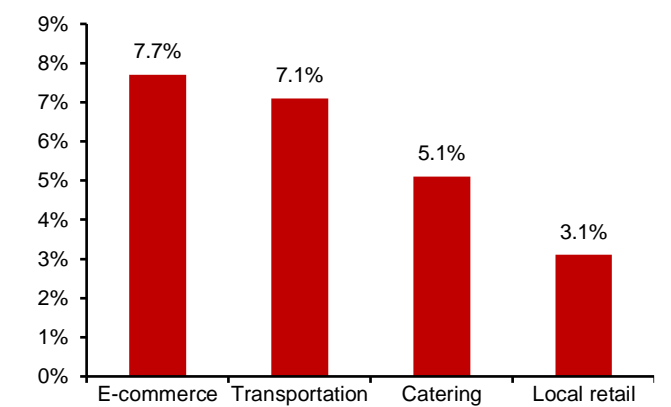
Source: Frost & Sullivan, CMBIGM
Note: Data as of 2023

Local retail digitalization process is evolving

The digitalization transformation process of local retail market is gradually evolving and can be divided into three stages according to Frost & Sullivan.

- **Stage 1**: Only offline retail exists. Local retailers lack the capability to internally build information management systems and thus often rely on traditional ERP systems to manage business functions. However, on-premise deployment with the usage of multiple vendor results in data silos and incorrect data output. The significant upfront digitalization cost deters the smaller retailers to adopt the traditional ERP systems.

- **Stage 2**: The rise of e-commerce and on-demand delivery services create the need for local retailers to manage omni-channel presence and the demand for more digitalized infrastructure. Some horizontal SaaS providers emerged to offer affordable and capital light solutions around certain functionalities, such as warehouse management system (WMS) or customer relationship management (CRM) which are appealing to small merchants. Larger local retailers, constrained by existing legacy ERP, may adopt hybrid of both horizontal SaaS and ERP. However, managing both SaaS and ERP adds management complexity and leads to inconsistent or incompatible data output as well as low integration across online and offline operation.

- **Stage 3**: Retailers need solutions that help them achieve online and offline capabilities as well as manage all key operation aspects seamlessly in an integrated approach. In addition, retailers and brand owners need in-depth data insights, which need to be collected and analysed from all channels through whole business process, to guide their operation and reach target consumer base more efficiently. Retail digitalization solutions with omni-channel capabilities and end-to-end coverage would provide comprehensive digitalization solutions while retain the benefits of low cost and easy deployment. Such one-stop approach facilitates real-

time data synchronization and helps retailers and brand owners optimize their operational performance.

Figure 12: Digitalization transformation process of local retail market

	Transformation process	Retail operating channel/ services	Deployment	Cost of implementation
Stage 1	Traditional ERP	Offline	On-premise	High
Stage 2	ERP and horizontal SaaS	E-commerce, on-demand delivery	Hybrid of horizontal SaaS and ERP	Medium
Stage 3	Retail cloud solutions	Omi-channel	Cloud	Low

Source: Frost & Sullivan, CMBIGM

Cloud-based solutions to address the pain points in local retail industry

Retail cloud solution refers to cloud-based solution that assists retailers and brand owners in the local retail industry to achieve digital transformation in their daily operations. These include: 1) retail SaaS, 2) value-added services in marketing and advertising as well as 3) on-demand e-commerce services.

Figure 13: Overview of retail cloud solution industry
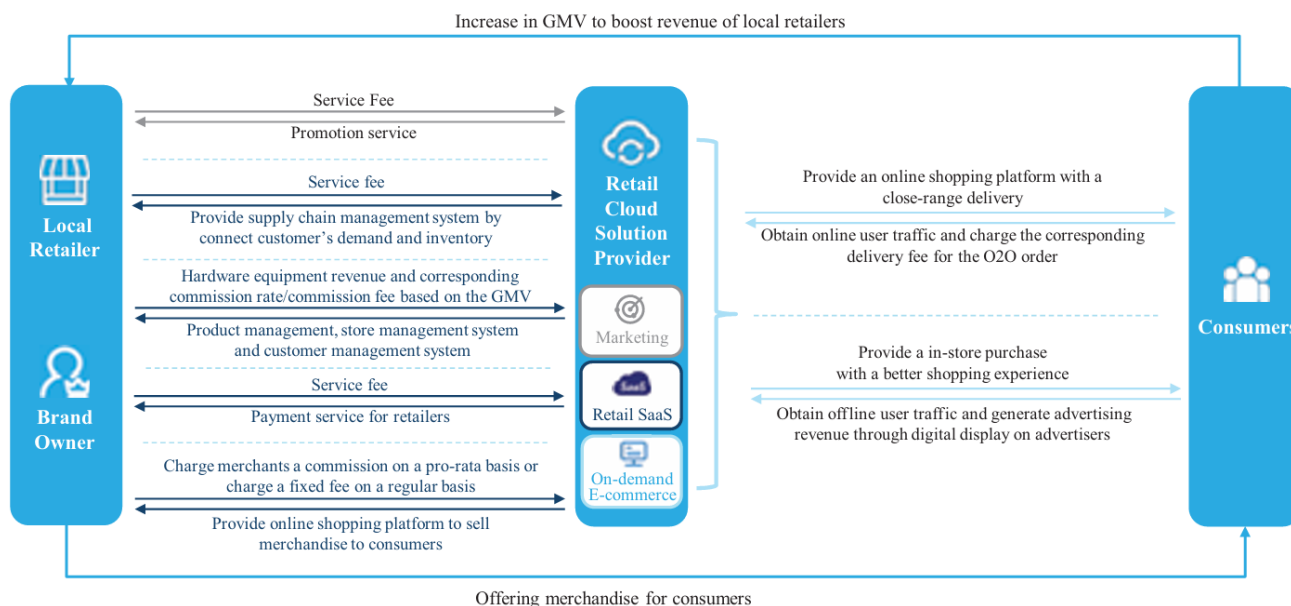
Source: Frost & Sullivan, CMBIGM

Based on the service module offerings, retail cloud solution providers can be classified into 1) function-specific providers and 2) end-to-end omni-channel providers.

- **Function-specific providers:** cover limited retail scenarios and provide a limited set of retail functions, such as warehouse management software (WMS) and customer relationship management (CRM).

- **End-to-end omni-channel providers:** cover integrated local retail scenarios and offer a full spectrum of solutions purpose built for the local retail industry, including supply chain management, product management, store management, customer

membership management, marketing and advertising services, as well as on-demand e-commerce services.

Figure 14: Types of key players in the retail cloud solution industry

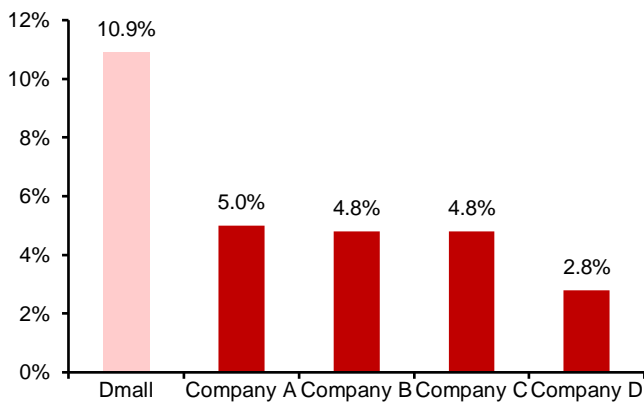|	Function module coverage	Customer type and service ability	Monetization model	Distribution channel coverage	Value created	Tailored retail solution
End-to-end omni-channel retail cloud solution provider						
End-to-end omni-channel provider	One-stop, full-spectrum solutions	2B: retailers, brand owners 2C	Take rate	Online & offline	Process optimization, data integration across departments, one-stop offerings	Retail specific
Function-specific retail cloud solution provider						
Traditional ERP provider	Offer limited function module that partially covers specific scenarios of local retail	2B: retailers	One-off payment	Offline	Efficiency or productivity enhancement limited to specific processes or functions	Industry agnostic modules
Retail SaaS provider focused on online retail		2B: retailers, brand owners	Subscription	Online		
Service provider focused on on-demand e-commerce		2B: retailers, brand owners 2C	Take rate	Online	Expand retailers' sales channels, consumers' purchasing channels, and increase brand owners' exposure	On-demand ecommerce centric

Source: Frost & Sullivan, CMBIGM

Competitive landscape

According to Frost & Sullivan, Dmall is the largest retail cloud solution provider in terms of GMV in Asia with 10.9% market share in 2023. The Company is the leading end-to-end omni-channel retail cloud solution provider in China. Dmall faces competition from 1) retail-industry focused SaaS and 2) traditional ERP providers.

- **Company A:** An ERP company founded in 1972 and listed on the New York Stock Exchange. This company mainly provides cloud solutions as well as other core applications and services to help customers establish digitalized operations.

- **Company B:** A retail cloud solution company founded in 2014 and listed on the Nasdaq Stock Exchange. This company provides retail cloud solutions, SaaS products, on-demand e-commerce services, and other technology-based products and services to help local retailers achieve digitalization.

- **Company C:** A cloud solution company founded in 1998 and listed on the Nasdaq Stock Exchange. This company provides cloud solutions for various industries, including retail, consumer packaged goods, financial services, etc., to help customers establish digitalized operations.

- **Company D:** An ERP company founded in 1993 and listed on the Hong Kong Stock Exchange. This company provides cloud solutions as well as other products and services to help customers establish digitalized operations.

- **Company E:** A private retail SaaS company founded in 2012. This company provides comprehensive retail digitalized modules and services to help retailers establish digitalized retail operations.

Figure 15: Top 5 retail cloud solution providers in Asia, by GMV (2023)	**Figure 16: Top 5 retail cloud solution providers in China, by GMV (2023)**

Source: Frost & Sullivan, CMBIGM
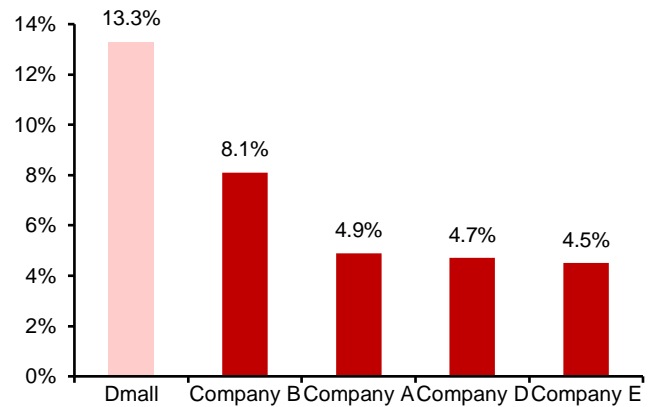
Source: Frost & Sullivan, CMBIGM

Business model

Dmall mainly focuses on offering retail core service cloud solutions after the restructuring in 1H24. Operating system and AIoT solutions each accounted for 44.7% and 54.7% of total revenue in 1H24. Retail core service cloud revenue is largely recurring in the sense that these solutions are mainly charged by applying a take rate to GMV processed under Dmall's system or charged on a subscription basis.

Figure 17: Dmall's business model overview

1H24	Operating system	AIoT solutions
Business description	Installation of modules of Dmall's operating system based on customer preference and needs, such as modules for supply chain management, product management, store management and distributed e-commerce system; development of mobile applications on Dmall's operating system and other software development, customization and maintenance services; provision of ongoing system maintenance and technical support services.	Provision of AIoT solutions such as Dmall's proprietary Scan-and-Go solutions, intelligent loss prevention solutions, intelligent cleaning solutions, intelligent stock management solutions, intelligent package sorting solutions, intelligent delivery solutions and intelligent energy saving solutions, among others.
Pricing	• Take rate • Subscription • Customization, implementation, software development and maintenance services	• Take rate • Subscription • Product sales
Payment terms	Ranging from monthly/quarterly to annually	
Term and renewal	Ranging from one to five years, subject to automatically renewal unless objected by either party	
Termination	May be terminated by either party upon 30-day notice under certain circumstances	
GMV processed through Dmall's system (RMB bn)	76.1	4.9
Revenue (RMB mn)	420	513
Revenue contribution	44.7%	54.7%
GPM (%)	76.8	9.0
No. of customers served	287	187

Source: Company data, CMBIGM

Dmall's retail core service cloud provides end-to-end digitalized solutions for retailers, including proprietary Dmall OS system, and AIoT solutions. Dmall generated RMB933.2mn revenue from retail core service cloud in 1H24, accounting for 99.4% of total revenue. As of Jun 2024, the number of customers using the retail core service cloud was 434.

- **Dmall OS systems:** a SaaS platform that helps retailers digitalize, manage, and improve the most critical parts of their operations. Dmall has developed about more than 1,000 independently configurable modules covering scenarios from product procurement process management, supply chain management, product management, store management, consumer membership management to headquarters management.

- **AIoT solutions:** value-added services that leverage the work of a large number of retail employees, significantly improving operational efficiency and helping retail enterprises optimize their cost structure. Main AIoT solutions include digitalized smart tags, AIoT-enabled shopping carts, Scan-and-Go solutions and intelligent loss prevention solutions.

Operating System

(i) Product procurement process management

Dmall's OS supplier auction system facilitates an online, live auction process where retailers launch programs online for bidding, suppliers remotely submit bids for different products, and retailers evaluate supplier proposals utilizing the Dmall OS system. The open and transparent bidding process removes geographical restrictions, creates competitive tension among suppliers and helps lower compliance risks such as under-the-table transactions.

Figure 18: Illustration of Dmall's supplier auction system

Source: Company data, CMBIGM

(ii) Supply chain management

(a) Logistics management
Dmall's intelligent fulfillment and distribution scheduling system helps retailers optimize delivery routes by collecting historical order data and accurately predicting peak sales and delivery volume to allow optimal planning for order packaging, delivery staff dispatching and delivery routing. As a result, retailers could ensure

more accurate delivery and reduce the average time required for delivery staff to fulfill each order. Such dynamic delivery staff assignment saves retailers costs in having excess delivery staff on stand-by during non-peak times and increases consumer satisfaction by improving online order fulfillment timeliness.

Customers' feedback after adoption

- o **Wumei:** saved labor costs of over RMB10mn annually.
- o **7-Eleven (Guangdong):** achieved 300% growth in single-day takeaway orders within six months of adoption, as of Jun 2022.

(b) Inventory management

Dmall's inventory auto replenishment system takes into account a wide range of parameters such as inventory level, product category, and seasonality to automatically make precise sales predictions and inventory replenishment plans for each store.

Customers' feedback after adoption

- o **Wumei:** reduced inventory turnover days from 35 to 21 days after adopting Dmall's intelligent inventory replenishment module.

Figure 19: Illustration of Dmall's inventory auto replenishment module

Source: Company data, CMBIGM

(c) Warehouse management

Dmall's warehouse management system consolidates inventory management, transfers, and replenishment to one platform using real-time data inputs and analysis. The system records product inventory's warehouse location, manufacture and expiration dates and quantity.

Customers' feedback after adoption

- o **Wumei:** Warehouse utilization rate improved by 10%.

- o **7-Eleven (Guangdong):** Frozen goods sorting time decreased by 28% per hour, and the utilization of frozen warehouses increased by 30%.

(iii) Product management

(a) Merchandise selection

Dmall's intelligent merchandise selections system factors into differences in retail format, store location, store size, and consumer shopping behaviors, among others, and then generates merchandise recommendations that tailor to the specific circumstances of each retailer.

Figure 20: Illustration of Dmall's intelligent merchandise selection system
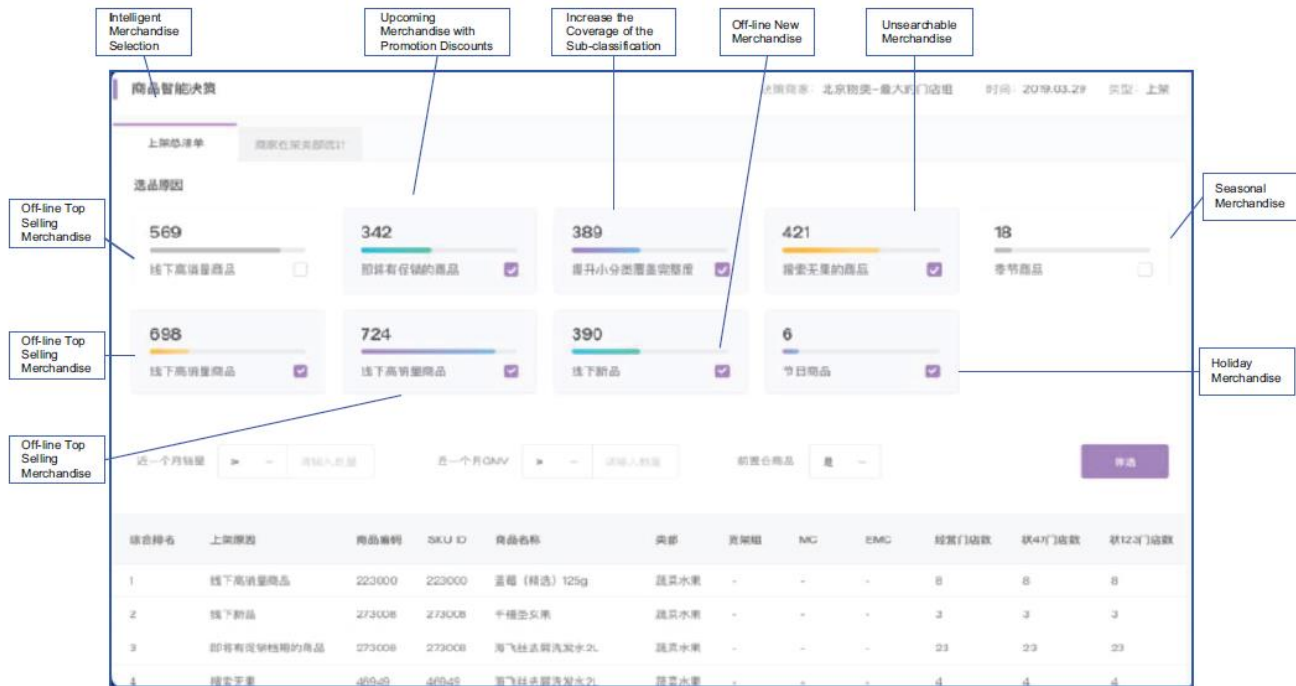
Source: Company data, CMBIGM

(b) Merchandise display planning and management

Dmall offers retailers with centralized control over the merchandise management for each store, and applies data-driven algorithms to recommend store layouts and merchandise display arrangements to reduce manual labor time, increase product variety and boost offline store sales.

Customers' feedback after adoption

- o **Wumei:** Floor planning labor cost reduced by 50% with 10 people managing the blueprints of over 300 stores.

Figure 21: Illustration of Dmall's merchandise display planning and management solutions
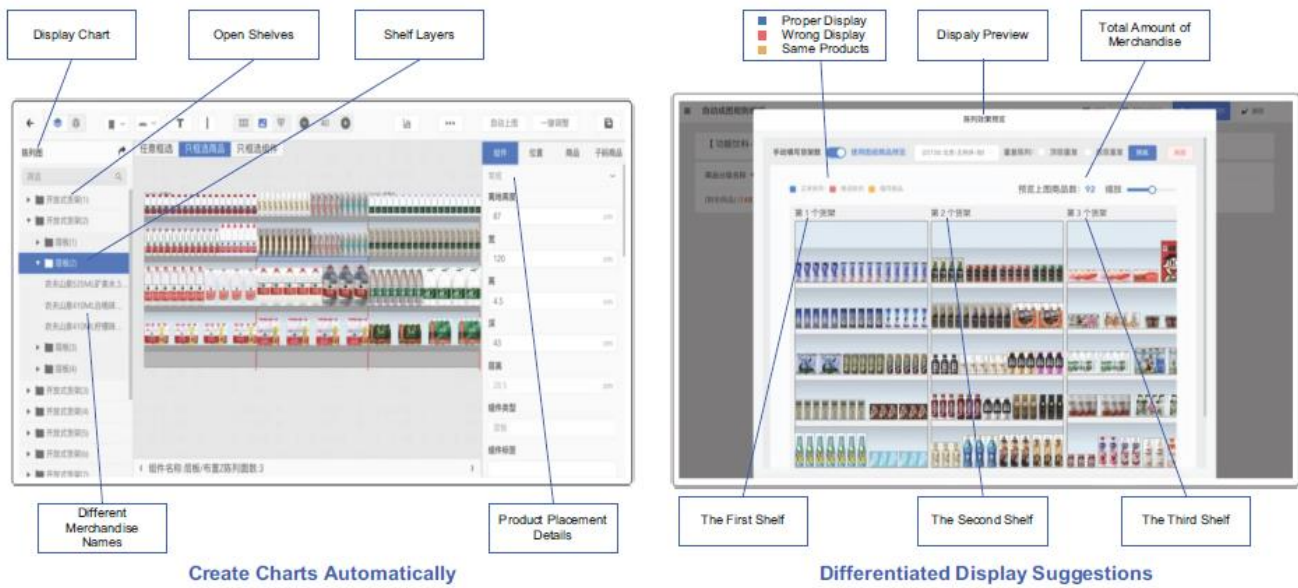
Source: Company data, CMBIGM

(iv) Store management

Dmall's store management module helps improve the overall operational and managerial efficiency of offline stores. Besides, Dmall helps retailers optimize their fast food area operation. It helps retailers to more accurately predict hot-sellers and the most optimal time to prepare them.

Customers' feedback after adoption

- o **Wumei:** helps reduce online order picking time by 40% from 25 mins to 15 mins per order.

Figure 22: Illustration of Dmall's store management system
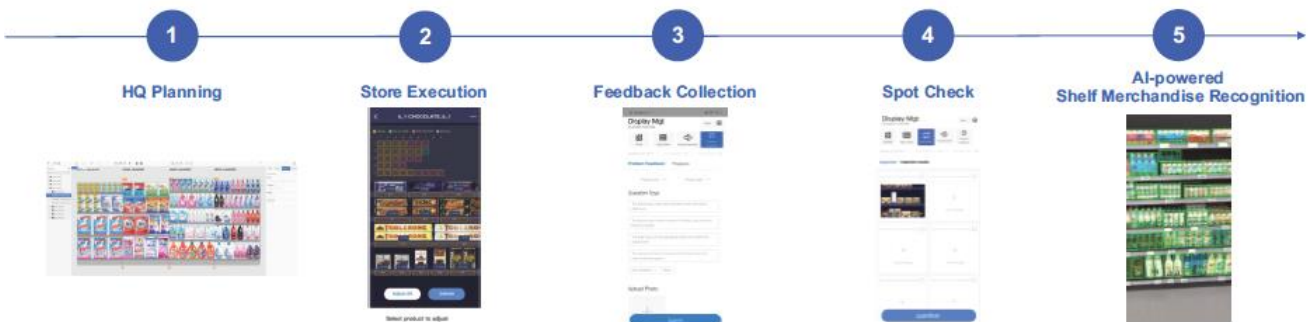
Source: Company data, CMBIGM

Figure 23: Illustration of Dmall's fast food area planning system

Source: Company data, CMBIGM

(v) Consumer membership management

Dmall's consumer membership management module helps retailers better retain customers via loyalty programs. The module automatically synchronizes and updates member profiles with information such as credits, purchase history, membership rights and gift vouchers, and payment records across multiple platforms and systems.

Figure 24: Illustration of Dmall's consumer membership management system
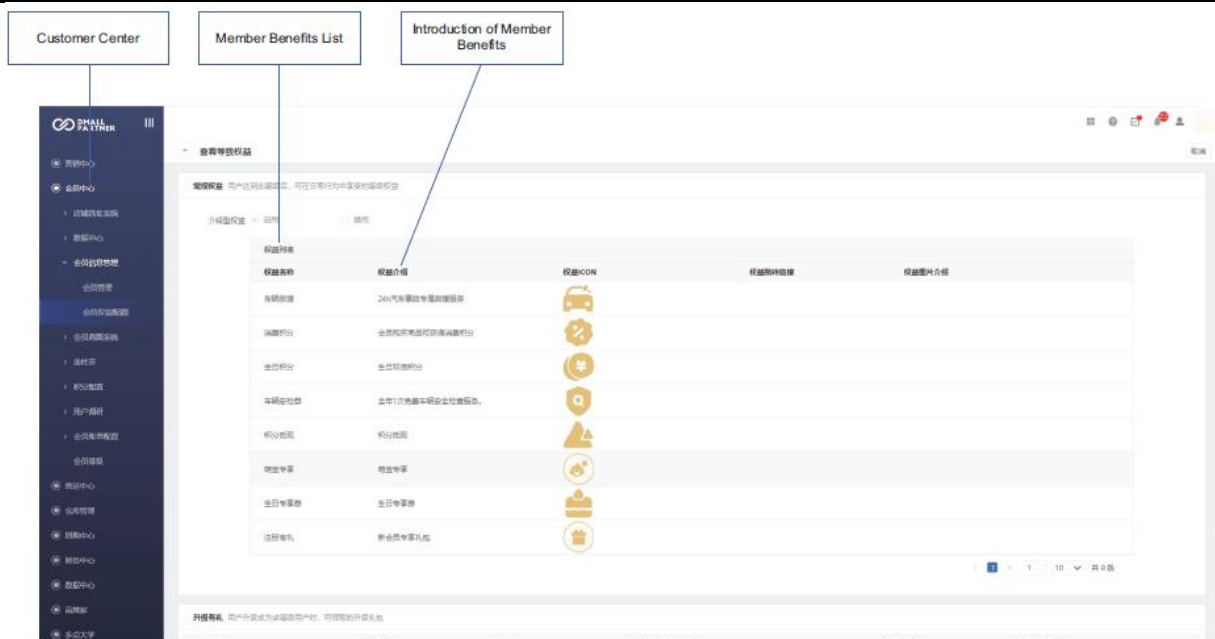
Source: Company data, CMBIGM

(vi) Headquarters management

Dmall's headquarters management module enables enterprise retailers to achieve timely and efficient coordination between their headquarters and offline retail locations. This module allows retailers to centralize their decision-making process and streamline storefront management tasks.

Figure 25: Illustration of Dmall's headquarters management module

Source: Company data, CMBIGM

AIoT solutions

Dmall's AIoT solutions such as digitalized smart tags, Scan-and-Go solutions for self-check-out, AI intelligent scales, customer flow cameras, etc. work together with Dmall OS to improve in-store management productivity and enhance personalized shopping experiences for customers. In 2022, Dmall launched intelligent loss prevention products and related services. The solution contains surveillance cameras installed on self-checkout machines that shoot consumer checkout video and related system that conducts consumer order and video analysis to detect suspicious orders.

Customers' feedback after adoption

- o **Wumei:** Wumei Group replaced 285 regular checkout counters requiring manual labor with 628 self-checkout counters. As of August 2021, Wumei Group reduced the need of more than 500 cashiers, and hence saving labor costs.

Figure 26: Dmall's AIoT solutions

New AIoT solutions	Description
Intelligent loss prevention solutions	An integrated solution with major products including: • Remote surveillance: support remote viewing and monitor the stores with customized monitoring scenes. • Intelligent inspection: support a variety of online and offline inspection methods. • Self-service night collection: replace the night duty personnel for door watching and opening. • Safety channel blockage monitoring: prevent safety hazards and trace abnormal situations. • Smoke and flame alarm: identify the fire point in real time and sound alarms automatically. • Intelligent anti-loss light poles: automatically identify abnormal checkout orders for self-service purchases.
Intelligent cleaning solutions	Leasing of sweeping robot, and cloud-based management of cleaning devices and related operation services.
Intelligent merchandise replenishment solutions	Include cameras and replenishment software to enable automatic and quantifiable replenishment. Customers could perform real-time monitoring on merchandise replenishment, optimize the payroll structure and offer better incentive plan to workers.
Intelligent package sorting solutions	A package sorting service solution including setting up intelligent shelves for retailer's O2O business. It helps optimize the route of package sorting personnel from shelf to packing table.
Intelligent cashier solutions	Digital solutions that replace the traditional check-out process. In addition to scan-and-go, services and products include AI self-service scale, digitalized check-out process, intelligent shift scheduling, performance evaluation and salary structure reform, queue monitoring and after check-out management.

Source: Company data, CMBIGM

Figure 27: Illustration of the interconnectivity between Dmall OS system and AIoT solutions
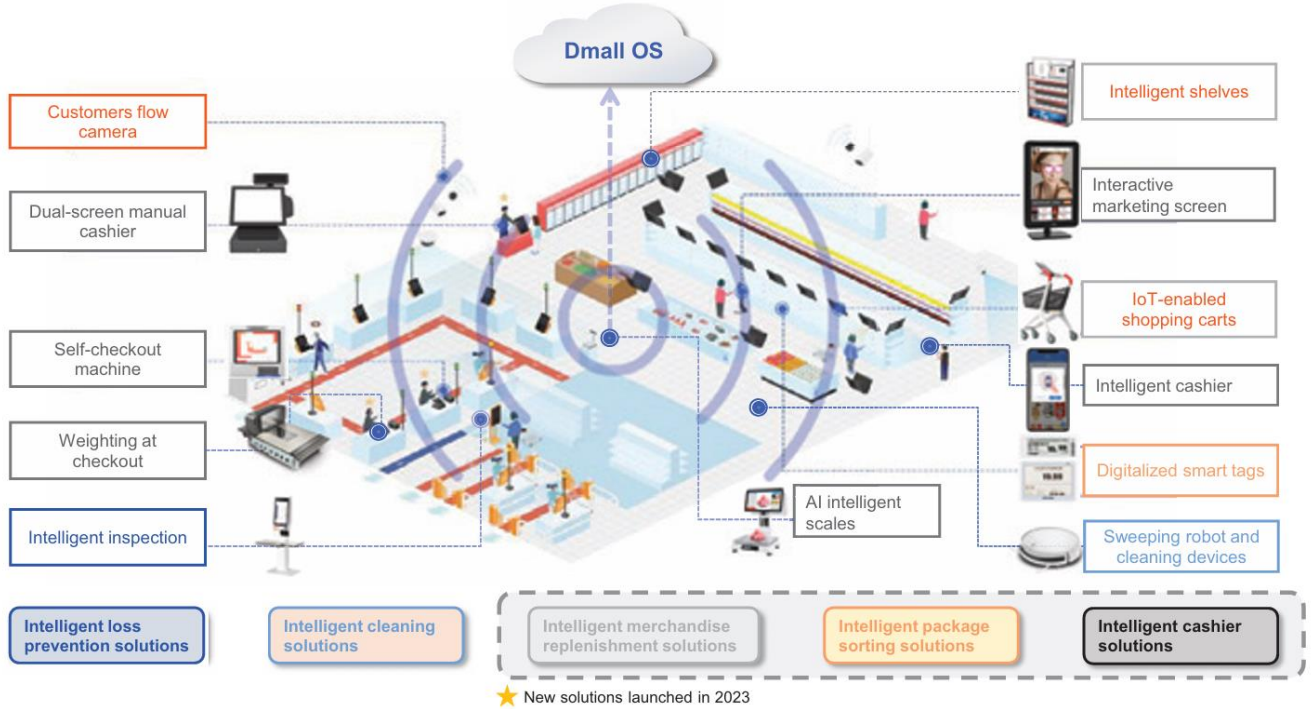
Source: Company data, CMBIGM

Financial analysis

Income statement

Revenue

We expect Dmall's revenue to grow 17/38/37% YoY to RMB1,858/2,564/3,505mn in FY24/25/26E. Dmall's revenue is concentrated with top five customers contributing 83% of revenue in FY23. Wumei Group is the largest customer, accounting for 52% of FY23 revenue.

Figure 28: Dmall's revenue	Figure 29: Revenue breakdown
Source: Company data, CMBIGM estimates	Source: Company data, CMBIGM estimates
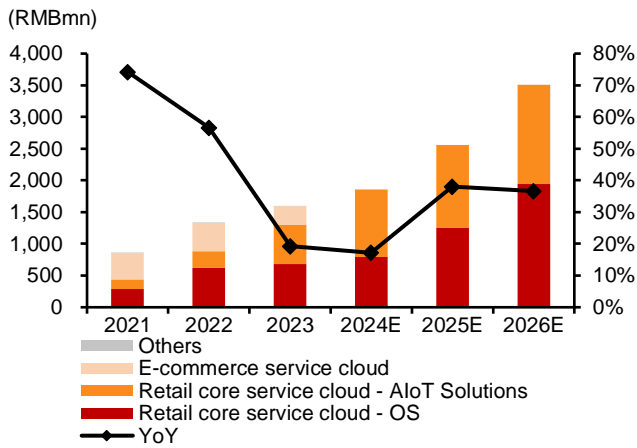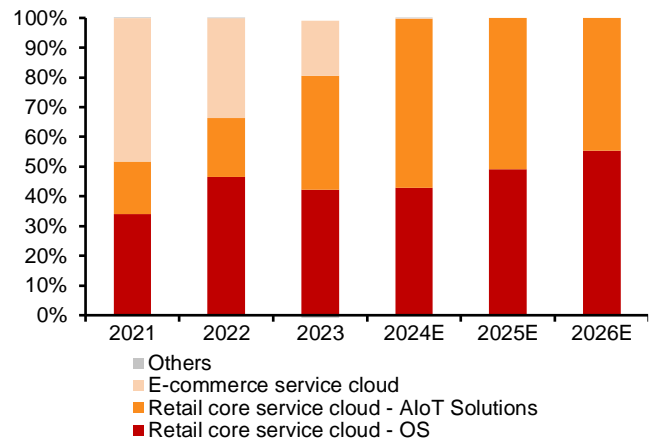
Dmall derived revenue from:

1) **Retail core service cloud:** We expect retail core service cloud revenue to grow 43%/38%/37% YoY to RMB1,854mn/2,564/3,505mn in FY24/25/26E. This segment is segregated into (i) operating system and (ii) AIoT solutions.

   Operating system (OS): Dmall's OS revenue is primarily charged by 1) a take rate (63% of FY23 Dmall's OS revenue) based on GMV processed by Dmall system or 2) a fixed subscription model (13%). The blended take rate Dmall charged was 0.48% in FY23. In addition, Dmall provides customization, implementation, software development and maintenance services, and charges corresponding service fees. Customer acquisition and growing GMV are the key growth drivers. We expect total GMV processed through Dmall OS to increase 8%/57%/56% YoY to RMB153bn/241bn/376bn in FY24E/25E/26E. Take rate will be relatively stable at 0.5% in FY24-26E. We forecast OS revenue to grow by 17%/58%/54% YoY to RMB795mn/1,260mn/1,942mn in FY24E/25E/26E.

   AIoT solutions: Dmall charges a take rate/subscription fee from customers utilizing Dmall's AIoT solutions. We expect AIoT solutions revenue to grow by 71%/23%/20% YoY to RMB1,059/1,304/1,563mn in FY24E/25E/26E, with no. of customer CAGR of 19% and ARPU CAGR of 14% over FY24-26E, as Dmall ramps up new revenue initiatives such as intelligent loss prevention solution and intelligent energy saving solutions.

2) **E-commerce service cloud and others:** In 1H24, Dmall completed restructuring and ceased to provide system and delivery services under the e-commerce service

Figure 30: Retail core service cloud revenue
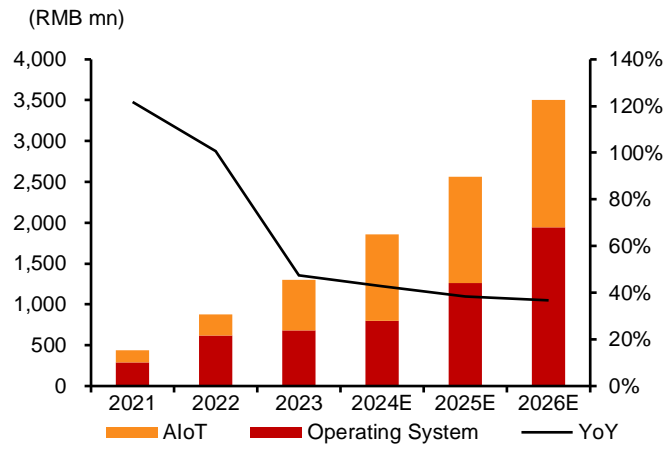
Source: Company data, CMBIGM estimates

Figure 31: Dmall's OS revenue breakdown
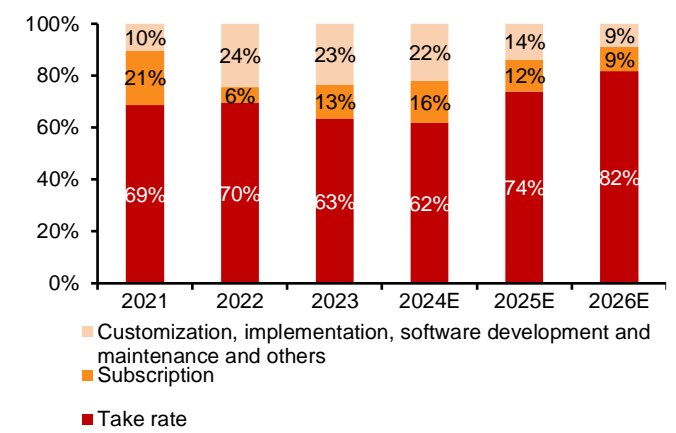
Source: Company data, CMBIGM estimates

Figure 32:Take rate customers GMV and take rate
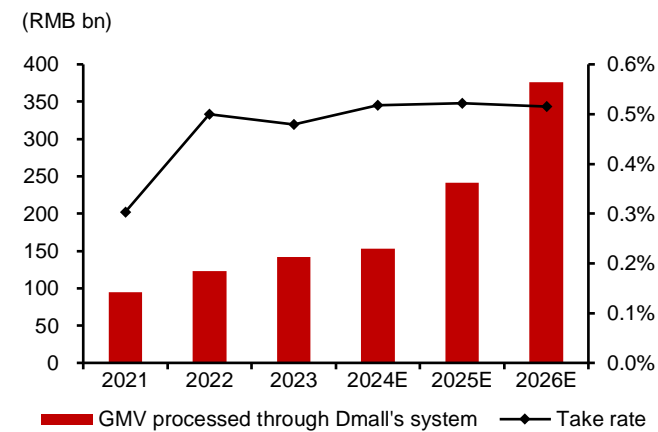
Source: Company data, CMBIGM estimates

Figure 33: AIoT solutions customers and ARPU

Source: Company data, CMBIGM estimates
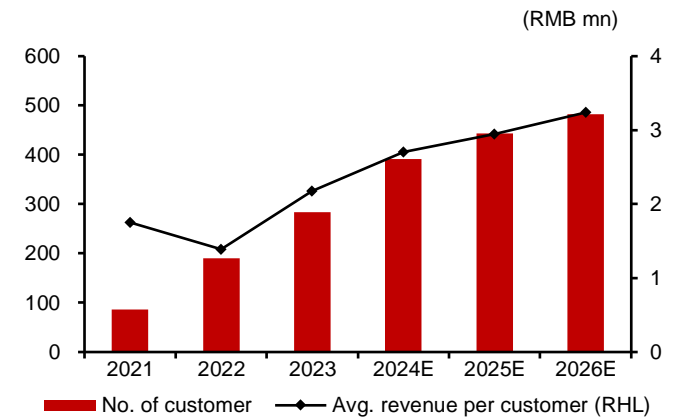
cloud solutions. We expect the revenue contribution of e-commerce service cloud and other businesses will be immaterial from 2024 onwards.

Cost structure

We expect blended gross margin to improve from 35.0% in FY23 to 37.9%/41.7%/44.3% in FY24E/25E/26E, mainly due to 1) cost control and efficiency improvement measures; and 2) reducing set up costs and economies of scale of the AIoT solution business.

Outsourcing and other labor costs is the biggest cost of revenue component (45% of FY23 cost of revenue). It arose as there is an increase in the use of outsourcing service providers during the initial stage of promoting and launching AIoT solutions. Besides, employee benefit expenses accounted for 13% of cost of revenue in FY23. Payment processing costs (4% of FY23 cost of revenue) represent fees paid to payment processing providers.

1) **Operating system (OS):** We expect OS GPM to improve from 70.4% in FY23 to 76.5% in FY24E, primarily due to Dmall's initiatives to optimize labor costs and improve operating efficiency. After that, we expect OS GPM will decline to 73.1%/69.5% in FY25E/26E, as Dmall acquires new customers which typically have lower GPM at the implementation stage.

2) **AIoT solutions:** We forecast AIoT solution GPM to rise from 10.3% in FY23 to 11.4%/12.9% in FY25E/26E, mainly thanks to the reduction in set up costs and the economies of scale.

Figure 34: Cost of sales mix (FY23)
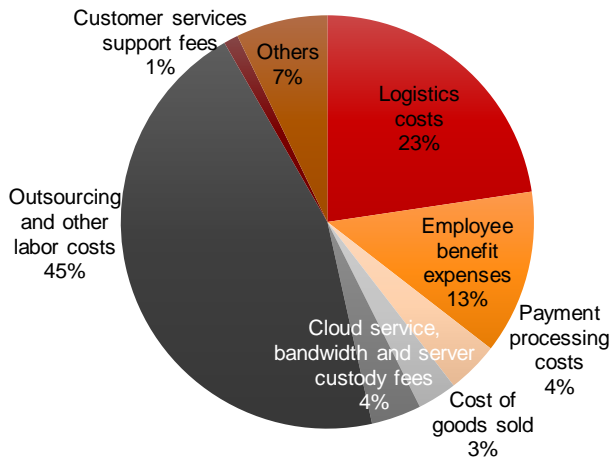
Source: Company data, CMBIGM

Figure 35: Gross profit margin by segment
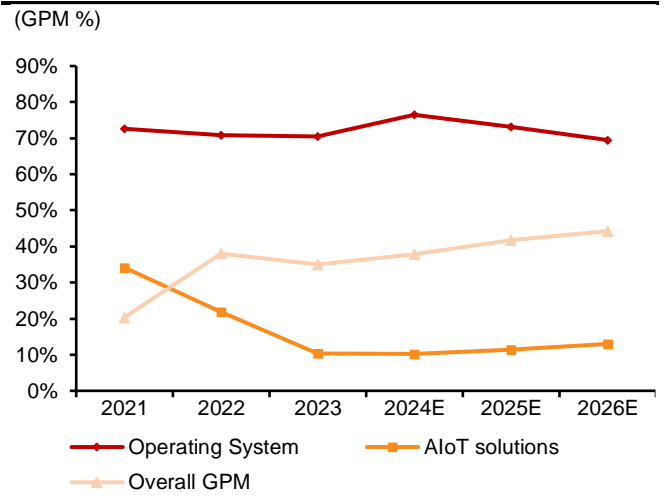
Source: Company data, CMBIGM estimates

Opex

We expect Dmall's opex ratio to decrease from 58.7% in FY23 to 34.1% in FY25E and achieve positive operating profit starting from FY25E.

The decline will largely come from 1) lower S&M expense ratio (5.0%/4.1%/3.2% in FY24E/25E/26E vs. 9.5% in FY23) as Dmall lowered promotional incentives budget and optimized sales labour structure; 2) lower R&D expenses ratio (22.0%/19.2%/16.2% in FY24E/25E/26E vs. 32.9% in FY23) as the Company has accumulated technology capabilities through prior investments and continued to improve R&D efficiency through AI capabilities.

Figure 36: Margins
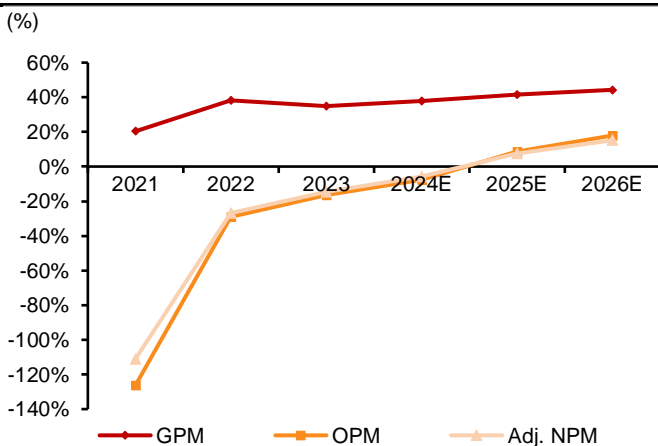
Source: Company data, CMBIGM estimates

Figure 37: Opex breakdown
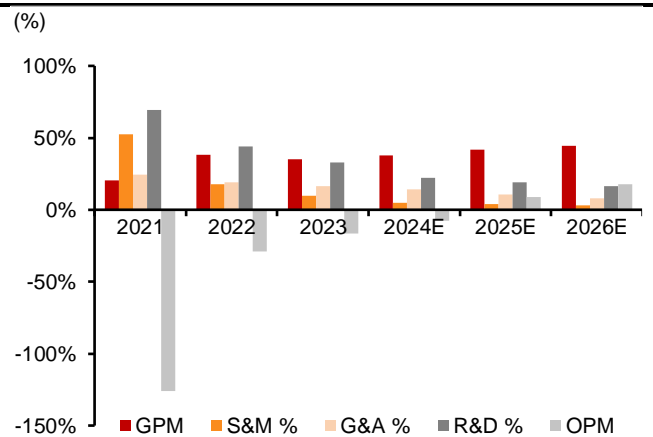
Source: Company data, CMBIGM estimates

Figure 38: Opex breakdown

RMB mn	2021	2022	2023	2024E	2025E	2026E
S&M expenses						
Expenses of promotion and marketing activities	245.2	118.4	48.0	11.1	15.4	21.0
Employee benefit expenses	177.2	101.8	81.0	61.8	70.2	70.3
Others	22.4	18.4	21.9	20.0	20.0	20.0
Total	444.9	238.6	150.9	92.9	105.6	111.4
G&A expenses						
Employee benefit expenses	126.9	145.9	185.4	168.0	180.0	184.0
Depreciation and amortization	30.5	23.5	15.7	23.2	23.2	23.2
Others	51.2	82.3	58.4	68.9	73.9	73.9
Total	208.6	251.7	259.4	260.1	277.1	281.1
R&D expenses						
Employee benefit expenses	531.3	535.1	473.0	360.0	441.6	515.0
Cloud service, bandwidth and server custody fees	16.7	14.0	17.2	18.1	20.0	21.9
Others	40.6	37.3	30.7	30.7	30.7	30.7
Total	588.6	586.3	520.9	408.8	492.3	567.6

Source: Company data, CMBIGM

Cash flow

Free cash flow

Dmall has been in negative free cash flow in the past few years as the Company experienced net losses. We expect Dmall's free cash flow to turn positive in FY25E when the Company achieves breakeven.

Figure 39: Free cash flow
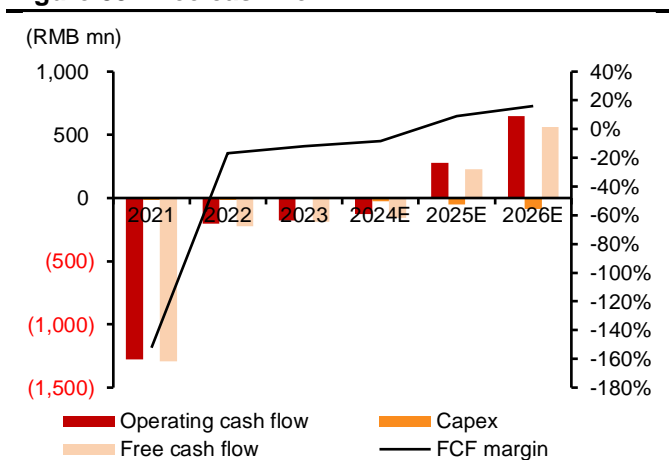
Source: Company data, CMBIGM estimates

Figure 40: Operating cash flow and net profit
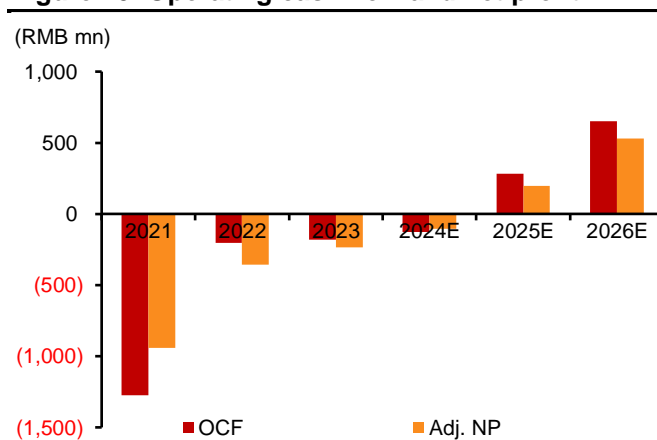
Source: Company data, CMBIGM estimates

Capex

As an asset-light software company, Dmall has limited capex. In FY20, Dmall spent RMB226.6mn capex on the purchase of property and equipment. This is related to the purchase of properties in Shenzhen, Guangdong for office use. In FY21, Dmall decided to lease out the properties and treated such properties as investment property. We expect capex spending to remain low at 1.5%/2.0%/2.5% of revenue in FY24E/25E/26E.

Figure 41: Capex breakdown

RMB mn	2021	2022	2023	2024E	2025E	2026E
Purchase of PPE	16	17	50	27	50	86
Purchase of intangible assets	0	0	3	1	2	2
Total	17	17	53	28	51	88
YoY (%)	-93%	3%	210%	-47%	84%	71%
Capex as % of revenue	2.0%	1.3%	3.3%	1.5%	2.0%	2.5%

Source: Company data, CMBIGM estimates

Figure 42: Operating model

RMB mn	2021	2022	2023	2024E	2025E	2026E
Revenues	848	1,328	1,585	1,858	2,564	3,505
Cost of sales	(675)	(823)	(1,031)	(1,154)	(1,494)	(1,953)
Gross profit	**173**	**505**	**555**	**703**	**1,069**	**1,552**
Gross margin	*20%*	*38%*	*35%*	*38%*	*42%*	*44%*
R&D	(589)	(586)	(521)	(409)	(492)	(568)
S&M	(445)	(239)	(151)	(93)	(106)	(111)
G&A	(209)	(252)	(259)	(260)	(277)	(281)
Operating income	**(1,070)**	**(386)**	**(263)**	**(139)**	**221**	**628**
Operating margin	*-126%*	*-29%*	*-17%*	*-8%*	*9%*	*18%*
Non-operating income	(737)	(516)	(490)	(2,186)	(10)	(26)
Profit before tax	(1,807)	(902)	(752)	(2,326)	211	601
Income tax (expense) credit	(1)	2	3	9	(32)	(90)
Minorities	(74)	(33)	(63)	(58)	4	13
Net income to shareholders	**(1,751)**	**(807)**	**(592)**	**(2,259)**	**175**	**498**
Net margin	*-206%*	*-61%*	*-37%*	*-122%*	*7%*	*14%*
Net profit/ (losses)	**(1,808)**	**(900)**	**(749)**	**(2,317)**	**179**	**511**
+ Equity-settled share-based payment expenses	134	13	14	11	15	21
+ FV changes of pref. shares and other fin. Liab	732	493	476	2,172	-	-
+ Changes in fair value on the derivative components of convertible bond	-	-	-	-	-	-
+ Listing expenses	-	38	26	29	-	-
Adj. net profit/ (losses)	**(942)**	**(356)**	**(233)**	**(105)**	**195**	**532**
Adj. net margin	*-111%*	*-27%*	*-15%*	*-6%*	*8%*	*15%*

Source: Company data, CMBIGM estimates
Note: *Dmall defines adjusted loss (non-IFRS measure) as loss for the period adjusted by adding back equity-settled share-based payment expenses, fair value change of convertible redeemable preferred shares, changes in fair value on the derivative components of convertible bond and listing expenses.*

Figure 43: Key assumptions

RMB mn	2021	2022	2023	2024E	2025E	2026E
Revenue breakdown						
Retail core service cloud	439	881	1,299	1,854	2,564	3,505
- Operating system	288	617	680	795	1,260	1,942
- AIoT solutions	150	264	619	1,059	1,304	1,563
Total	**848**	**1,328**	**1,585**	**1,858**	**2,564**	**3,505**
Revenue mix						
Retail core service cloud	52%	66%	82%	100%	100%	100%
- Operating system	34%	46%	43%	43%	49%	55%
- AIoT solutions	18%	20%	39%	57%	51%	45%
Revenue YoY						
Retail core service cloud	122%	101%	47%	43%	38%	37%
- Operating system	142%	114%	10%	17%	58%	54%
- AIoT solutions	92%	76%	134%	71%	23%	20%
Total	**74%**	**57%**	**19%**	**17%**	**38%**	**37%**
Cost of sales breakdown						
Employee benefit expenses	104	180	132	109	212	386
Outsourcing and other labor costs	5	49	465	889	1,089	1,298
Other expenses	566	594	433	156	193	270
Total	**675**	**823**	**1,031**	**1,154**	**1,494**	**1,953**
Cost of sales mix						
Employee benefit expenses	15%	22%	13%	9%	14%	20%
Outsourcing and other labor costs	1%	6%	45%	77%	73%	66%
Other expenses	84%	72%	42%	14%	13%	14%
Gross margin breakdown						
Retail core service cloud	59%	56%	42%	39%	42%	44%
- Operating system	73%	71%	70%	76%	73%	70%
- AIoT solutions	34%	22%	10%	10%	11%	13%
Blended GPM	**20%**	**38%**	**35%**	**38%**	**42%**	**44%**

Source: Company data, CMBIGM estimates

Valuation

We value Dmall based on EV/sales, a common methodology for valuing SaaS companies as short-term earnings are distorted by high R&D and marketing expenses during the ramp up stage.

We use average EV/sales of global SaaS companies to derive the equity value of Dmall. Our target price is HK$8.50 based on 2.5x FY25E EV/sales. Our valuation multiple is at a discount to the average EV/sales of China's SaaS peers (3.2x), to reflect Dmall's relatively high revenue contribution from related parties and lower profit margin.

Figure 44: Valuation assumptions

	Unit	FY25E
FY25E sales	RMB mn	2,564
Target multiple	(x)	2.5
Implied EV	RMB mn	6,332
Add: net cash	RMB mn	816
Equity value	RMB mn	7,148
Less: minority interest	RMB mn	(46)
Attributable equity value	RMB mn	7,102
Attributable equity value	**HK$mn**	**7,535**
Number of shares	mn	887
Target price	**HK$**	**8.50**
Implied P/S (x)	FY24E	3.8
Implied P/S (x)	FY25E	2.8

Source: Company data, CMBIGM estimates
Note: RMB0.90 = HK$1

Figure 45: Peers valuation

Companies	Ticker	Price	EV/Sales (x)		Revenue YoY		EBITDA margin		Rev CAGR
		(LC)	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24-26E
Kingdee	268 HK	8.4	4.1	3.5	11%	16%	4.9%	8.8%	14%
Weimob	2013 HK	2.3	3.9	3.5	-26%	12%	1.7%	13.4%	-3%
Yonyou	600588 CH	10.3	2.9	2.6	3%	13%	2.0%	7.9%	10%
Glodon	002410 CH	11.0	2.1	2.0	-10%	6%	14.8%	18.7%	1%
Shiji	002153 CH	6.8	5.2	4.5	10%	15%	7.6%	10.2%	14%
	Average		**3.6**	**3.2**	**-3%**	**13%**	**6%**	**12%**	**7%**

Source: Bloomberg, Company data, CMBIGM estimates
Note: closing price as of 14 Jan 2025

Investment risks

Concentrated customer base

Dmall currently derives a substantial portion of revenue from a limited number of customers, including Wumei Group, Maidelong Entities, DFI Retail Group, Chongqing Department Store Group, and Yinchuan Xinhua Group. In particular, Wumei Group will continue to account for a substantial portion of Dmall's revenue. In 2023, 83.3% of revenues were derived from top five customers.

Related party transactions

Dmall derives a substantial portion of revenue from the Related Entities, and Wumei Group was also the largest customer of the group. Related parties including Wumei Group, MDL Wholesale Group, Yinchuan Xinhua Group and Chongqing Department Store Group accounted for 51.8%/16.4%/3.5%/4.0% of Dmall's revenue in 2023.

Dependent on the performance of retailers and brand owners

Part of Dmall's revenues are dependent on its retailers and brand owners' GMV. Fluctuations in customers' business performance may negatively impact Dmall's financials.

Distressed earnings and cash flow

Dmall incurred net losses and negative cash flows in the past. The ability to achieve profitability and generate net operating cash inflows is affected by various factors. Dmall's revenue growth may not be able to offset the increased costs and expenses related to continued investments in services, technology and development.

Intensifying competition

The markets for retail cloud solutions are competitive and characterized by rapid market changes and technology evolution. Competitors may be more well-established and be able to devote greater resources to the development, promotion and sale of offerings and offer lower prices than Dmall.

Regulatory risks

Dmall's business is subject to a variety of laws and regulations in China. Non-compliance of laws and regulations could result in penalties or other significant legal liabilities. For instance, Dmall collects, stores, processes and uses data, some of which may contain sensitive personal information. Dmall may be held liable for failure in protecting users' personal data.

Appendix: Company profile

Key milestones

Figure 46: Key milestones

Year	Event
2015	• Dmall was founded and started to provide services to Wumei Group.
2017	• Started to provide online-to-offline solutions services and AIoT solutions to **Wumei Group**. • Reached a strategic cooperation with Zhongbai Holdings Group Co., Ltd.
2018	• Developed the core modules of the Dmall OS system. • Started to provide online-to-offline integration solutions services and AIoT solutions to the **Metro China Entities** and **Yinchuan Xinhua Group.**
2019	• Launched proprietary one-stop Dmall OS system. • Started to provide online-to-offline solutions services and AIoT solutions to **Chongqing Department Store Group.** • Started to provide **Dmall OS system** and deployed to **Wumei Group.** • Established Retail Technology Asia with **DFI Retail Group Management Limited** ("DRGML", formerly known as Dairy Farm Management Limited, together with each of its subsidiaries, collectively referred to as "DFI Retail Group").
2020	• Expanded business into **Hong Kong SAR.** • Entered into a cooperation agreement with **7-Eleven (Guangdong)** and became its exclusive digital service provider.
2021	• Expanded business into **Singapore** and **Cambodia.** • Expanded into the European market by cooperating with the **Metro Group.** • Started to provide Dmall OS system to Metro China Entities, Yinchuan Xinhua Group and Chongqing Department Store Group. • Entered into cooperation with Guoquan Shihui (锅圈食汇), a food and ingredient brand in China. • Entered into a series of equity transfer agreements to acquire 51% equity interest in Shenzhen Enjoy, a software development maintenance services provider.
2022	• Expanded business into **Macau SAR.** • Started to provide Dmall OS system to Metro Group stores in Poland.
2023	• Further entered into different module agreements with Metro Group to progressively integrate Dmall's services into around 500 stores in Poland. • SM Group became one of the customers.
2024	• Commenced and completed the Restructuring, which resulted in the divestment of all of Dmall's equity interests in Dmall Fresh (Beijing), its former VIE.

Source: Company data, CMBIGM

Management background

Figure 47: Management background

Name	Position	Age	Background
Mr. Zhang Feng (张峰)	Co-founder, executive director and president	42	Mr. ZHANG Feng has served as the director and president since Aug 2018 and Dec 2018. Mr. Zhang is responsible for the overall strategic planning, business operation and overall management of the Group. Mr. Zhang is the nephew of Dr. Zhang Wenzhong (the founder and senior advisor of Dmall). Mr. Zhang graduated from Huazhong University of Science and Technology in China majored in computer science and technology in Jun 2004. He received his EMBA from Marshall Business School of University of Southern California in the United States in Aug 2014.
Mr. Yang Kai (杨凯)	Chief technology officer	40	Mr. Yang Kai has joined the Group since Jun 2015 and has served as the chief technology officer since Feb 2017. Mr. Yang is responsible for overall strategy, the development of Dmall OS system and international market and management of research and development of the Group. Prior to joining, Mr. Yang served as a director of the Chengdu Research Institute at JD.com, Inc. from Mar 2010 to Jun 2015. Mr. Yang graduated from North China University of Science and Technology majored in computer science and technology in China in Jun 2006.
Mr. Ren Zhongwei (任中伟)	Chief strategy officer	45	Mr. Ren Zhongwei has joined the Group since Nov 2018 and has served as the chief strategy officer since Nov 2018. Mr. Ren is responsible for overall strategy, the development and marketing of Dmall OS system of the Group. Prior to joining, Mr. Ren served multiple roles at Lenovo Group Limited from 2009 to 2015. Mr. Ren obtained his bachelor's degree in applied mathematics from Sichuan University in China in Jul 2001. He graduated from EMBA program from China Europe International Business School in China in Sep 2012.
Mr. Liu Guihai (刘桂海)	Chief marketing officer	42	Mr. Liu Guihai has joined the Group since Dec 2015 and has served as the chief marketing officer since Feb 2017. Mr. Liu is responsible for overall strategy, brand building and marketing activities of the Group. Prior to joining, Mr. Liu served as the vice president and executive director of Three's Company Media Group Co Ltd from Jul 2014 to Dec 2015. Prior to that, Mr. Liu served as an account director in Phoenix New Media Limited from Dec 2007 to Jul 2014. Mr. Liu obtained his bachelor's degree in public service management from Beijing University of Posts and Telecommunication in China in Jun 2006.
Mr. Tang Yifan (汤毅凡)	Vice president and chief financial officer	42	Mr. Tang Yifan has joined the Group since Jun 2021 and has served as the vice president and chief financial officer since Jun 2021 and Sep 2021, respectively. Mr. Tang is responsible for overall strategy, finance, legal, internal controls functions, and the capital markets activities of the Group. Prior to joining, Mr. Tang served as general manager in the industrial financing department division of Kaiyuan Securities Co., Ltd. from Jul 2016 to Jun 2021. In addition, Mr. Tang served as a senior auditor in the Wuhan office of Ernst & Young Hua Ming LLP from Jan 2007 to Dec 2009. Mr. Tang obtained his bachelor's degree in computer science and technology and master's degree in computer system architecture from Huazhong University of Science and Technology in China in Jun 2004 and Mar 2007, respectively.
Ms. Wang Yi (王怡)	Vice president and board secretary	42	Ms. Wang Yi has joined the Group since Aug 2022 and has served as the vice president and board secretary since Aug 2022. Ms. Wang is responsible for overall strategy, information disclosure and investor relations of the Group. Ms. Wang has served as a board secretary, deputy chief financial officer and company secretary of WM Tech Corporation Limited since Sep 2020. Prior to that, Ms. Wang served as board secretary and investment director of the Wumei Technology from Jan 2016 to Sep 2020, and company secretary, board secretary and deputy director of finance department of Wumart Stores, Inc. from Jun 2013 to Jan 2016. Ms. Wang obtained her bachelor's degree and master's degree in economics from Nankai University in China in Jun 2004 and Jun 2006, respectively.

Source: Company data, CMBIGM

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	**848**	**1,328**	**1,585**	**1,858**	**2,564**	**3,505**
Cost of goods sold	(675)	(823)	(1,031)	(1,154)	(1,494)	(1,953)
Gross profit	**173**	**505**	**555**	**703**	**1,069**	**1,552**
Operating expenses	**(1,243)**	**(891)**	**(818)**	**(843)**	**(848)**	**(924)**
Selling expense	(445)	(239)	(151)	(93)	(106)	(111)
Admin expense	(209)	(252)	(259)	(260)	(277)	(281)
R&D expense	(589)	(586)	(521)	(409)	(492)	(568)
Others	(1)	186	114	(81)	27	36
Operating profit	**(1,070)**	**(386)**	**(263)**	**(139)**	**221**	**628**
Share of (losses)/profits of associates/JV	1	0	0	0	0	0
Interest expense	(5)	(23)	(13)	(14)	(10)	(26)
Others	(732)	(493)	(476)	(2,172)	0	0
Pre-tax profit	**(1,807)**	**(902)**	**(752)**	**(2,326)**	**211**	**601**
Income tax	(1)	2	3	9	(32)	(90)
After tax profit	**(1,808)**	**(900)**	**(749)**	**(2,317)**	**179**	**511**
Minority interest	(74)	(33)	(63)	(58)	4	13
Discontinued operations	(17)	59	94	233	0	0
Net profit	**(1,717)**	**(926)**	**(592)**	**(2,026)**	**175**	**498**
Adjusted net profit	**(942)**	**(356)**	**(233)**	**(105)**	**195**	**532**

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	**648**	**811**	**844**	**620**	**1,311**	**2,512**
Cash & equivalents	369	533	533	233	817	1,883
Account receivables	93	141	165	170	223	290
Inventories	7	6	11	10	13	16
Other current assets	179	131	135	208	259	323
Non-current assets	**633**	**496**	**534**	**504**	**483**	**484**
PP&E	76	74	77	51	38	45
Intangibles	105	93	84	79	72	66
Other non-current assets	452	329	373	373	373	373
Total assets	**1,281**	**1,307**	**1,378**	**1,124**	**1,794**	**2,996**
Current liabilities	**5,916**	**7,112**	**7,794**	**739**	**1,047**	**1,473**
Short-term borrowings	76	70	202	92	274	539
Account payables	49	64	87	84	109	142
Other current liabilities	5,790	6,978	7,505	563	664	791
Non-current liabilities	**105**	**273**	**349**	**329**	**511**	**777**
Long-term borrowings	79	50	112	92	274	539
Other non-current liabilities	26	222	237	237	237	237
Total liabilities	**6,020**	**7,385**	**8,143**	**1,068**	**1,558**	**2,250**
Share capital	0	0	0	0	0	0
Retained earnings	(4,823)	(6,161)	(6,865)	14	189	687
Total shareholders equity	**(4,822)**	**(6,161)**	**(6,865)**	**14**	**189**	**687**
Minority interest	83	83	100	42	46	59
Total equity and liabilities	**1,281**	**1,307**	**1,378**	**1,124**	**1,794**	**2,996**

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(1,824)**	**(842)**	**(659)**	**(2,326)**	**211**	**601**
Depreciation & amortization	63	52	46	52	63	78
Tax paid	(0)	(0)	0	9	(32)	(90)
Change in working capital	(405)	178	(54)	(55)	19	26
Others	891	407	487	2,192	19	35
Net cash from operations	**(1,275)**	**(206)**	**(179)**	**(128)**	**281**	**650**
Investing						
Capital expenditure	(16)	(17)	(4)	(27)	(50)	(86)
Others	(305)	85	(27)	(1)	(2)	(2)
Net cash from investing	**(321)**	**69**	**(31)**	**(28)**	**(51)**	**(88)**
Financing						
Net borrowings	(8)	110	191	(131)	365	531
Others	842	172	16	(14)	(10)	(26)
Net cash from financing	**834**	**282**	**207**	**(145)**	**355**	**504**
Net change in cash						
Cash at the beginning of the year	1,135	369	533	533	233	817
Exchange difference	(4)	19	3	0	0	0
Cash at the end of the year	**369**	**533**	**533**	**233**	**817**	**1,883**

GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	74.3%	56.6%	19.4%	17.2%	38.0%	36.7%
Gross profit	na	192.5%	9.8%	26.8%	52.0%	45.1%
Operating profit	na	na	na	na	na	183.7%
Net profit	na	na	na	na	na	184.7%
Adj. net profit	na	na	na	na	na	173.0%

PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	20.4%	38.0%	35.0%	37.9%	41.7%	44.3%
Operating margin	(126.2%)	(29.0%)	(16.6%)	(7.5%)	8.6%	17.9%
Adj. net profit margin	(111.0%)	(26.8%)	(14.7%)	(5.6%)	7.6%	15.2%
Return on equity (ROE)	na	na	na	na	172.0%	113.7%

GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	0.1	0.1	0.1	0.8	1.3	1.7
Receivable turnover days	24.9	32.1	35.2	33.4	31.8	30.2
Inventory turnover days	3.2	2.9	3.1	3.1	3.1	3.1
Payable turnover days	21.7	25.1	26.6	26.6	26.6	26.6

VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	ns	ns	ns	ns	28.1	9.9

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

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