

**Rapid GMV growth with prosperous financing income**

**Cogobuy FY14 GAAP profit attributable to shareholders improved remarkably at RMB194.1m (+136.4% yoy) on revenue of RMB6.84b (+183.3% yoy). GMV grew by 115.4% yoy to RMB8.4b on increasing user base. The new supply chain financing business generated 8% of the total GMV in 4Q, compared with 2.8% in 3Q, which is expected to continuously enlarge. The company is lead in gradually developing a comprehensive ecosystem in the electronics manufacturing industry, this strategy will be fostered by the government's "Internet+" program. We maintain "BUY" rating.**

**Rapid GMV & revenue growth.** Cogobuy FY2014 GMV was RMB8.4b (81.7% from direct sales, 15.1% from marketplace and 3.2% from new supply chain financing), up 115.4% yoy driven by increasing number of new customers, mainly from SMEs. The number of transaction customers reached 5,050 (97.5% of which are SMEs), representing an 85% yoy growth. Gross margin maintained at around 7.8% level. With the impact & popularity of the platform in the industry improve, numbers of SME customers & repeat procurement rate are expected to increase, consequently GMV & revenue will keep rapid growing.

**Supply chain financing business contributed remarkable GMV.** Cogobuy started its supply chain financing business in Sep, the GMV contributed by which in just four months has reached RMB268.8m and occupied 3.2% of the total GMV in the whole year. Loan to the third parties at the end of last year was RMB208.63m and the interest income for four months was RMB2.04m. By leveraging its accumulated transaction data, Cogobuy can perform better and faster risk analysis than traditional banks. In FY15, no matter GMV by this new business or interest income generated based on it may give us surprise, we expect it will offer 12% of total GMV.

**Ecosystem development matches government's "Internet+" program.** Cogobuy is continuously making efforts to develop an e-commerce ecosystem in the electronics manufacturing to benefit the operations of both customers and suppliers. Hardeggs, an online community platform is one step, the supply chain financing is the other business step. With more and more members join, further ideas such as insurance & cloud computing services will be realized gradually. Management has clear thoughts in this aspect and we see steady action. The company's strategy also matches the Chinese government's "Internet+" program advocated at National Congress. More policy promotions may release afterwards.

**Maintain Buy.** The company's FY14 GAAP profit attributed to shareholders was RMB194.1m and Non-GAAP profit could reach RMB267.1m. We forecast total GMV to grow at a 49% from RMB8.4b in FY14 to RMB12.5b in FY15E & RMB18.1b in FY16E, and revenue to increase at an 31.90% CAGR from RMB6.8b in FY14 to RMB11.91b in FY16, driven by increasing number of users and increasing GMV per customer. We expect adjusted net profit excluding NCI to be RMB350mn/481mn in FY15/16E, stripping out non-cash and non-operating expenses and net of tax. Our target price of HK\$7 is based on 21x FY15E P/E and 16x FY16E P/E.

Financials	RMB mn	2013A	2014A	2015E	2016E
Revenue		2,417	6,848	8,820	11,914
Revenue growth		1113%	183%	29%	35%
Gross profit		202	533	687	927
Gross profit margin		8%	8%	8%	8%
Net profit		87	210	379	520
Net profit margin		4%	3%	4%	4%
EPS		0.09	0.17	0.26	0.35

Source: Company data, CSCI Research

**Cogobuy Group  
(400.hk)**

<b>Rating</b>	<b>Buy</b>
<b>Target Price</b>	<b>HK\$7</b>
<b>Price</b>	<b>HK\$ 4.43</b>
<b>Upside</b>	<b>58%</b>

<b>Market data</b>	<b>03/20/2015</b>
<b>52-wk range(HK\$):</b>	3.23/6.07
<b>Market cap.(HK\$ bn):</b>	5.97
<b>Shares out. (mn):</b>	1,348
<b>Major shareholders:</b>	
<b>Envision Global Investments Limited</b>	51.13%
<b>Total Dynamic Holdings Limited</b>	22.25%
<b>150-day Avg. Daily Vol. (mn):</b>	3.74

<b>Valuation</b>	13A	14A	15E	16E
<b>EPS (RMB)</b>	0.09	0.17	0.26	0.35
<b>PE (x)</b>	49.8	26.4	17.2	12.6
<b>PB (x)</b>	13.6	3.7	2.7	2.1
<b>Yield (%)</b>	0	0	0	0

**Stock rel HSI performance (%)**

Since 18 Jul 2014

+11%/+4%


**Analyst:**

**NG Wai, Michael**

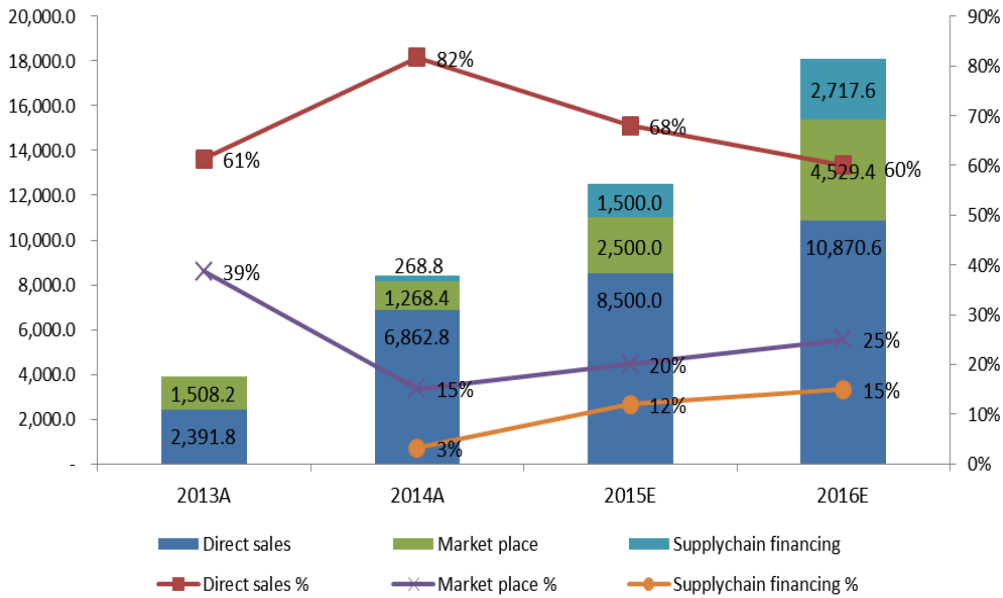
(CE No.: ANI759)

[michaelng@csci.hk](mailto:michaelng@csci.hk) +852 34655651

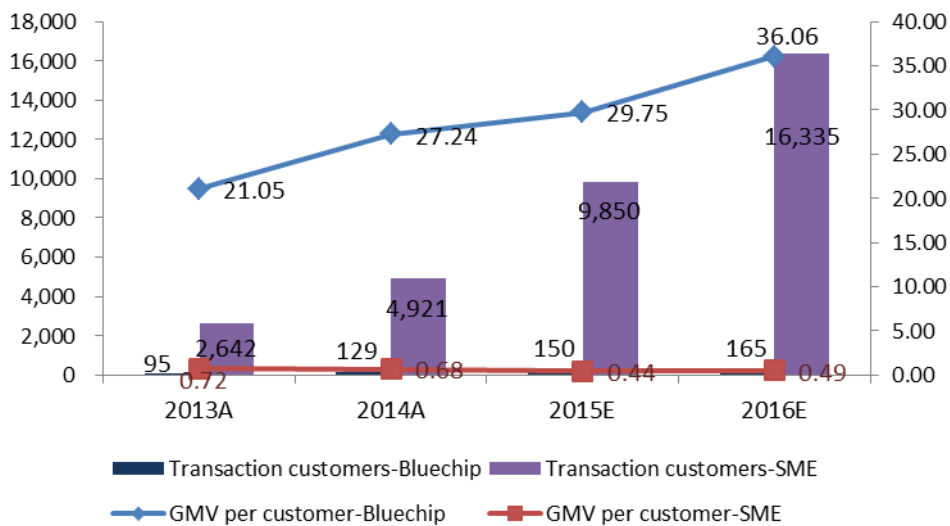
18 March 2015

**Financial data comparison**

	FY13A	FY14		13A-14A	
RMB mn		FY14A	CSCI Est.	yoy (%)	
<b>GMV breakdown</b>					
Direct sales	2,392	6,863	6,595	186.93%	
Market place	1,508	1,268	1,044	-15.90%	The decline of market place was due to internal structure adjustment and GMV calculation.
Supplychain financing		269			
<b>Total GMV</b>	3,971	8,400	7,639	87.87%	
<b>Number of Customers</b>					
Bluechip	95	129	111	35.79%	
SME	2,642	4,921	4,436	86.26%	
<b>Total customers</b>	2,737	5,050	4,547	84.51%	
<b>Direct sales GMV per customer</b>					
Bluechip	22	27.2	30	36.26%	
SME	0.7	0.7	1	2.52%	
<b>Revenues</b>					The increased revenue was primarily due to GMV growth, contributed by increased transactional customers and GMV per customer.
Direct sales	2,392	6,820	6,595	185.12%	
Marketplace	25	27	26	4.59%	
Supply chain finance		2.0			
<b>Total revenues</b>	2,417	6,848	6,616	183.31%	
<b>Gross profit</b>	202	533	507	163.81%	The declined gross profit margin was due to the group's internal structure adjustment.
<i>% gross margin</i>	8.4%	7.8%	8.4%		
<b>Other net (loss)/income</b>	1	(0)	(0)	-100.19%	
Selling and distribution expenses	(14)	(98)	(87)	611.90%	
R&D expenses	(16)	(42)		159.01%	All expenses increased because of business expansion and increased staff cost.
G&A and other operating expenses	(52)	(132)	(160)	153.17%	
<b>Operating profit</b>	123	268	263	118.66%	
<i>% operating profit margin</i>	5.1%	3.9%	3.9%		
Finance cost	(20)	(31)	(31)	54.32%	Operating profit margin dropped as staff cost including non-cash share based compensation.
<b>Profit before tax</b>	103	237	232	131.34%	
Income tax	(16)	(27)	(28)	70.21%	
<b>Net profit</b>	87	210	203	142.56%	
<i>% net margin</i>	3.6%	3.1%	3.1%		
<b>Adjusted NP attributable to shareholders</b>					
	93	267	250	174.79%	
<i>% net margin</i>	3.8%	3.9%	3.8%		

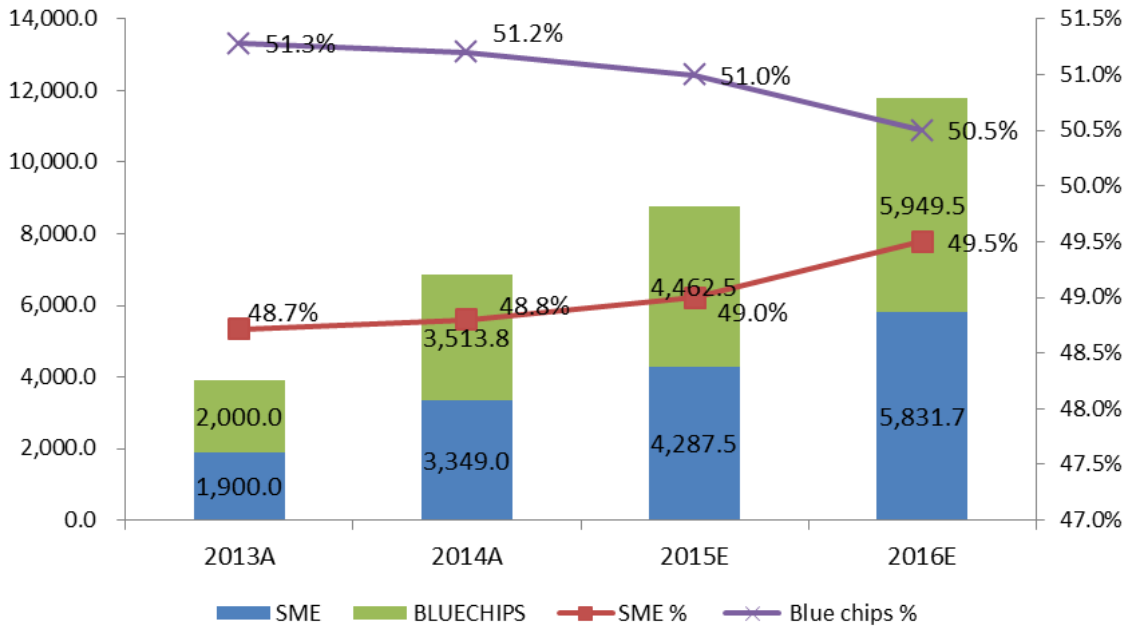
**Figure 1: FY2013-2016 GMV Breakdown (RMB mn)**


Source: Company data, CSCI Research

**Figure 2: FY2013-2016 Transaction Customers and Direct sales GMV per customer (RMB mn)**


Source: Company data, CSCI Research

Figure 3: FY 2013-2016 Direct Sales GMV Breakdown (RMB mn)



Source: Company data, CSCI Research

**Financial Summary**

<b>Profit &amp; Loss (RMB m)</b>					<b>Financial Ratios</b>				
	2013A	2014A	2015F	2016F		2013A	2014A	2015F	2016F
<b>Revenue</b>	2,417	6,848	8,820	11,914	Revenue growth (%)	-	183%	29%	35%
Cost of sales	(2,215)	(6,315)	(8,133)	(10,987)	Operating profit growth (%)	-	119%	71%	35%
<b>Gross profit</b>	<b>202</b>	<b>533</b>	<b>687</b>	<b>927</b>	Reported profit growth (%)	-	143%	80%	37%
Other revenue	2	6	6	6	Underlying profit growth (%)	-	4%	4%	4%
Other expenses	(82)	(271)	(234)	(317)	Underlying EPS growth (%)	-	130%	17%	33%
<b>Operating profit</b>	<b>123</b>	<b>268</b>	<b>459</b>	<b>617</b>	Dividend growth (%)	-	-	-	-
Finance costs	(20)	(31)	(31)	(30)	Dividend payout (%)	-	-	-	-
<b>Profit before taxation</b>	<b>102</b>	<b>237</b>	<b>427</b>	<b>587</b>	Gross profit margin (%)	8%	8%	8%	8%
Taxation	(16)	(27)	(49)	(67)	Operating profit margin (%)	5%	4%	5%	5%
<b>Net income</b>	<b>87</b>	<b>210</b>	<b>379</b>	<b>520</b>	Underlying profit margin (%)	4%	4%	4%	4%
<b>Profit attributable to equity share</b>	<b>82</b>	<b>194</b>	<b>350</b>	<b>481</b>	ROE (%)	28%	16%	16%	17%
Adjustments	10	73	17	11	ROA (%)	5%	7%	8%	9%
<b>Adj. NI attributable to shareholder</b>	<b>93</b>	<b>267</b>	<b>368</b>	<b>492</b>	Net debt/equity (%)	197%	12%	-1%	-9%
					Net debt/total assets	38%	5%	-0%	-5%
					Current ratio (%)	111%	171%	196%	217%
<b>Balance Sheet (RMB m)</b>					<b>Cash Flows (RMB m)</b>				
	2013A	2014A	2015F	2016F		2013A	2014A	2015F	2016F
Fixed assets	1	2	2	4	Operating profit	123	268	459	617
Intangible assets	31	24	16	9	Depreciation & amortization	9	8	8	8
Others	155	169	169	169	Interest income	1	6	6	6
<b>Non-current assets</b>	<b>187</b>	<b>194</b>	<b>188</b>	<b>181</b>	Others	30	310	248	190
Inventories	244	501	646	872	Change in working capital	(144)	(333)	(466)	(494)
loans to third party	-	209	441	596	Tax paid	(16)	(27)	(49)	(67)
Bank deposits & cash	515	1,965	2,140	2,362	<b>Operating activities</b>	<b>4</b>	<b>232</b>	<b>207</b>	<b>261</b>
Trade and other receivables	657	749	964	1,302	CAPEX	(1)	(1)	(1)	(2)
Others	106	22	-	-	Purchase of assets	-	-	-	-
<b>Current assets</b>	<b>1,521</b>	<b>3,446</b>	<b>4,190</b>	<b>5,133</b>	Disposal of non-current assets	-	4	-	-
Bank & other borrowings	930	1,424	1,393	1,356	Others	-	(520)	-	-
Trade & payables	433	566	706	953	<b>Investing activities</b>	<b>(1)</b>	<b>(517)</b>	<b>(1)</b>	<b>(2)</b>
Taxation	10	22	39	54	New loans raised	222	204	(31)	(37)
<b>Current liabilities</b>	<b>1,374</b>	<b>2,011</b>	<b>2,138</b>	<b>2,363</b>	Gross proceeds from IPO insuranc	-	1,096	-	-
Bank & other borrowings	-	-	-	-	Others	-	(73)	-	-
Others	5	4	-	-	<b>Financing activities</b>	<b>222</b>	<b>1,227</b>	<b>(31)</b>	<b>(37)</b>
<b>Non-current liabilities</b>	<b>5</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>Incl/(dec) in cash</b>	<b>225</b>	<b>942</b>	<b>175</b>	<b>222</b>
<b>Net assets</b>	<b>329</b>	<b>1,625</b>	<b>2,240</b>	<b>2,230</b>	Cash at beginning of year	52	282	1,223	1,398
Share capital	0	1	1	1	<b>Cash at end of year</b>	<b>282</b>	<b>1,223</b>	<b>1,398</b>	<b>1,620</b>
Premium & reserves	325	1,603	2,212	2,913					
<b>Shareholders' funds</b>	<b>325</b>	<b>1,603</b>	<b>2,212</b>	<b>2,913</b>					
Non-controlling interests	4	22	29	38					
<b>Total equity</b>	<b>329</b>	<b>1,625</b>	<b>2,240</b>	<b>2,951</b>					

Source: CSCI Research

## Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index; Time Horizon: 12 months

<b>Buy</b>	Relative Performance >15%;
<b>Accumulate</b>	Relative Performance is 5% to 15%;
<b>Neutral</b>	Relative Performance is -5% to 5%;
<b>Reduce</b>	Relative Performance is -5% to -15%;
<b>Sell</b>	Relative Performance is <-15%;

## Disclosure of Interests

As of the date of this report,

- The research analysts primarily responsible for the preparation of all or part of this report hereby certify that:
  - the views expressed in this research report accurately reflect the personal views of each such analyst about the subject securities and issuers; and
  - no part of the analyst's compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed in this research report.
- The research analysts primarily responsible for the preparation of all or part of this report, or his/her associate(s), do not have any interest (including any direct or indirect ownership of securities, arrangement for financial accommodation or serving as an officer) in any company mentioned in this report,
- This report has been produced in its entirety by China Securities (International) Brokerage Company Limited ("China Securities (International)") (CE Number: BAU373, regulated by the Securities and Futures Commission in Hong Kong)
- China Securities (International) and each of its group companies that carry on a business in Hong Kong in investment banking, proprietary trading or agency broking in relation to securities have no financial interest, in aggregate, equal to or more than 1% of the market capitalization in the stocks reviewed in this report.
- China Securities (International) and each of its group companies that carry on a business in Hong Kong in investment banking, proprietary trading or agency broking in relation to securities have received compensation from or mandates for investment banking services in the past 12 months from listed corporations whose stocks are being reviewed by China Securities (International) in this report.
- China Securities (International) and each of its group companies that carry on a business in Hong Kong in investment banking, proprietary trading or agency broking in relation to securities do not have any individual employed by or associated with them serving as an officer of a listed corporation whose stocks are being reviewed by China Securities (International) in this report.
- China Securities (International) and each of its group companies that carry on a business in Hong Kong in investment banking, proprietary trading or agency broking in relation to securities are not market makers in the stocks reviewed by China Securities (International) in this report.

## Disclaimer

This report is for information purposes only and should not be construed as an offer to sell or to solicitation of an offer to buy or sell any securities in any jurisdiction. The securities referred to in this research report may not be eligible for sale in some jurisdictions. This information contained in this report has been compiled by China Securities (International) from sources that it believes to be reliable and (subject to the above Disclosure of Interests) the opinions, analysis, forecasts, projections and expectations contained in this report are based on such information and are expressions of belief only and no representation, warranty or guarantee is made or given by China Securities (International) or any its accuracy or completeness. All opinions and estimates expressed in this report are (unless otherwise indicated) entirely those of China Securities (International) as of the date of this report only and are subject to change without notice. Such opinions and estimates may be different from or contrary to the opinions presented by the other business departments, units or affiliates of China Securities (International), as different assumptions and standards, different views and analytical methods may be adopted in the preparation of such other materials, and China Securities (International) is under no obligation to bring such other materials to the attention of any recipient of this report. Neither China Securities (International) nor its holding companies and affiliates accept any liability whatsoever for any direct or consequential loss arising from any use of material contained in this report or otherwise arising in connection therewith.

Any investment referred to herein may involve significant risk, may be illiquid and may not be suitable for all investors. The value of or income from any investment referred to herein may fluctuate and be affected by changes in exchange rates. Past performance is not indicative of future results. This report does not take into account the investment objectives, financial situation or particular needs of any particular person. Investors are expected to make their own investment decision without relying on this publication. Before entering into any transactions in any securities referred to in this research report investor should consider their own individual investment objectives and financial situation and seek professional financial, tax and legal advice, as necessary.

This report is strictly confidential to the recipient. It is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose. The distribution of this report in other jurisdictions may be restricted by law, and persons into whose possession this report comes should inform themselves about, and observe, any such restrictions. By accepting this report you agree to be bound by the foregoing instructions.

## China Securities (International) Research

18/F, Two Exchange Square, Central, Hong Kong

Tel: (852) 34655600 Fax: (852)21809495