

2019年7月18日

买入  
维持评级

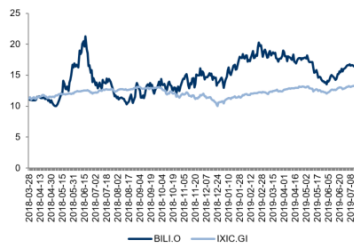
## 二次元游戏升温

哔哩哔哩(BILI:US)

### Market Data: 18 July 2019

Closing Price (USD)	15.58
Price Target (USD)	25.22
Nasdaq (IXIC)	8,185
S&P 500	2,984
52-week High/Low (USD)	21.50/9.09
Market Cap (US\$m)	5,004
Market Cap (Rmbm)	34,628
Shares Outstanding (m)	321
Exchange Rate (Rmb-US\$)	6.80

### Price Performance Chart:



Source: Bloomberg

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### Related Reports

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Bilibili (BILI: US) – Investing in content" 16 Apr, 2019  
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Bilibili (BILI: US) – Talent manager" 13 Dec, 2018

The clients shall have a comprehensive understanding of the disclosure and disclaimer upon the last page.

### Financial summary and valuation

	2017	2018	2019E	2020E	2021E
Revenue (Rmbm)	2,468	4,129	6,734	9,746	12,221
YoY (%)	371.70	67.27	63.09	44.73	25.40
Net income (Rmbm)	-184	-565	-1,328	111	981
YoY (%)	-	-	-	-	784
EPS (Rmb)	-8.17	-2.64	-4.13	0.35	3.06
Diluted EPS (Rmb)	-8.17	-2.64	-3.81	0.32	2.81
ROE (%)	-8.85	-7.86	-15.78	1.30	10.32
Debt/asset (%)	40.25	31.45	50.73	54.97	55.74
Dividend Yield (%)	-	-	-	-	-
PE (x)	-185.18	-60.22	-25.63	306.38	34.67
PB (x)	16.39	4.73	4.04	3.99	3.58
EV/Ebitda (x)	-678.09	-116.32	-33.39	58.64	22.35

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised.

我们预计哔哩哔哩 2Q19 收入为 14.8 亿元，同比增长 44.5%，净亏损 3.13 亿元。受益于联运游戏《明日方舟》五月预计超过 5 亿人民币的月流水和加速发行的独代游戏包括《Bang Dream》《重装战姬》，我们预计哔哩哔哩游戏业务表现亮眼。我们预计月度活跃用户将同比增长 26.3% 至 1.07 亿人，广告业务同比增长 67.7%，相比一季度增速加速。受《FGO》二季度表现较弱的影响，我们下调了游戏整体收入预期。但因联运游戏（100%毛利）比例的提高，我们提高了对毛利的预期。我们将 19 年摊薄 EPS 预测从 -4.01 元人民币上调至 -3.81 元人民币，将 20 年摊薄 EPS 预测从 0.18 元人民币上调至 0.32 元人民币，将 21 年摊薄 EPS 预测从 2.34 元人民币上调至 2.81 元人民币。我们维持目标价 25.22 美元，基于 61.9% 的上升空间，我们维持买入评级。

**二次元游戏升温。**五月发布的热门游戏《明日方舟》在 iOS 畅销榜中位列前五，预计月流水超过 5 亿人民币。哔哩哔哩手握核心的二次元用户，成为该游戏最大的安卓渠道。我们预期公司将持续受益于像《明日方舟》等优质二次元主题游戏的强劲表现。此外，公司自五月开始加快了发行游戏的步调，在二季度发布了《RWBY》和《Bang Dream》，计划将在三季度发行《重装战姬》、《无法触碰的掌心》和《英雄传说：星之轨迹》。随着 2019 年下半年游戏储备的释放和二次元主题游戏市场环境升温，我们预计哔哩哔哩 2Q19 游戏收入同比增长 12.7%，2019 年全年收入同比增长 39.4%。

**变现可见度高。**2019 年一季度，哔哩哔哩月度活跃用户数达 1.01 亿人，同比增长 31%，而付费用户增长至 570 万人，同比增长 132%，付费率大幅增长至 5.7%，仅在两个季度就提高了 2 个百分点。基于持续增长的付费用户数及用户互动行为，我们预期哔哩哔哩将呈现更高的变现可见度，预计二季度直播会员业务收入同比增长 166.4%，广告收入同比增长 67.7%（受益于品牌广告回暖）。考虑到产品销售收入确认的滞后，我们预计电商及其他业务将在二季度录得 1.66 亿元收入，同比增长 450%。我们预计哔哩哔哩 2Q19 平均月度活跃用户数达 1.07 亿人，2019 年全年平均达 1.124 亿人。

**部分毛利压力释放。**鉴于公司计划加速投入内容自制/采买，还有可能进行产业链上（如漫画、电竞）的战略并购、投资和组建联盟，叠加收入结构变化，市场对其短期的毛利下滑产生担忧。然而，我们发现联运游戏按分成后净收入确认收入，其超预期的游戏表现将直接贡献毛利润。我们预期公司相对固定的内容成本将被游戏收入迅速摊薄。我们预计 2Q19 毛利为 14.9%，2019 年全年毛利为 15.9%，高于之前的预期（2019 年全年 15.2%）。

**维持买入评级。**用户增长、付费率提高以及变现形式多元化为哔哩哔哩的业绩增长提供了强力支撑。考虑到二季度联运游戏的强劲表现和网络广告的逐渐回暖，我们将 19 年摊薄 EPS 预测从 -4.01 元人民币上调至 -3.81 元人民币，将 20 年摊薄 EPS 预测从 0.18 元人民币上调至 0.32 元人民币，将 21 年摊薄 EPS 预测从 2.34 元人民币上调至 2.81 元人民币。我们维持目标价 25.22 美元，基于 61.9% 的上升空间，我们维持买入评级。

## Investment Highlight :

We expect Bilibili to post 2Q19E revenue of Rmb1.48bn (+44.5% YoY) and a net loss of Rmb313m. We note strong performance of the jointly operated game Ark Nights with over Rmb500m monthly gross billings in May and the accelerated pace in publishing exclusively distributed games, such as Bang Dream and Final Gear. We forecast 26.3% YoY growth in monthly average users (MAUs) to 107m and 67.7% YoY growth in the advertising business, slightly recovering from 1Q19. We lower our online game revenue forecast given the weak performance of Fate/Grand Order (FGO), but lift gross margin with a higher portion of jointly operated games (100% gross margin). We revise up our EPS forecasts from –Rmb4.01 to –Rmb-3.81 in 19E, from Rmb0.18 to Rmb0.32 in 20E, and from Rmb2.34 to Rmb2.81 in 21E. We maintain our target price of US\$25.22. With 61.9% upside, we maintain BUY.

**ACG games warm up.** The popular title Ark Nights was launched in May, ranked among the top-five on iOS with estimated over Rmb500m monthly gross billings. Bilibili is the largest Android distributor with core anime, comic and games (ACG) users, consistently benefiting from the strong performance of high-quality ACG-themed games such as Ark Nights. Moreover, Bilibili has accelerated the publishing of games since May, launched RWBY and Bang Dream in 2Q, and will publish Final Gear, We Become What We Behold and The Legend of Heroes: Trails in the Star in 3Q. With an extensive game pipeline in 2H19 and a buoyant market environment for ACG-themed games, we expect Bilibili to achieve 12.7% YoY growth in 2Q19E game revenue and 39.4% YoY growth in 19E.

**High monetisation visibility.** MAUs grew 31% YoY to 101m in 1Q19, while paying users surged 132% YoY to 5.7m, representing a paying ratio of 5.7%, up 2ppts within only two quarters. Given sustained growth in paying users and engagement, we see higher monetisation visibility and forecast 166.4% YoY growth in live broadcasting & value-added service (VAS) revenue and 67.7% YoY growth in online advertising (recovery in brand ads) revenue in 2Q19E. We expect other segments (including ecommerce) to generate Rmb116m in 2Q19E revenue (+450% YoY), due to the lagged recognition of item sales, and total MAUs to reach 107m in 2Q19E and 112.4m in 19E.

**Partly released margin pressure.** Given Bilibili's aggressive investment in content production and acquisition and in industry chain development, coupled with a change in revenue mix, the market is concerned about near-term margin pressure. However, we find the higher-than-expected revenue from jointly operated games, which recognised on net basis, would directly contribute to gross profit. We expect relatively fixed content cost to be leveraged by games, and thus we forecast a blended gross margin of 14.9% in 2Q19E and 15.9% for 19E, better than our previous forecast (15.2% for 19E).

**Maintain BUY.** Bilibili enjoys organic growth through an increasing number of users, higher paying ratios, and diversified monetisation formats. We forecast strong performance of jointly operated games and slight recovery in online ads in 2Q19E. We revise up our EPS forecasts from –Rmb4.01 to –Rmb-3.81 in 19E, from Rmb0.18 to Rmb0.32 in 20E, and from Rmb2.34 to Rmb2.81 in 21E. We maintain our target price of US\$25.22. With 61.9% upside, we maintain BUY.

**Fig 1: Bilibili's revenue forecast**

(Rmbm)	2016	2017	2018	2Q18	1Q19	2Q19E	2019E	2020E	2021E
<b>Revenue</b>									
Online games	342	2,058	2,936	791	873	<b>891</b>	4,092	5,624	6,321
Live broadcasting & VAS	80	176	586	119	292	<b>316</b>	1,350	2,061	2,766
Advertising	61	159	463	96	112	<b>161</b>	783	1,298	2,027
Ecommerce and others	41	75	143	21	96	<b>116</b>	509	763	1,106
<b>Total</b>	<b>523</b>	<b>2,468</b>	<b>4,129</b>	<b>1,027</b>	<b>1,374</b>	<b>1,484</b>	<b>6,734</b>	<b>9,746</b>	<b>12,221</b>
<b>as % of revenue</b>									
Online games	65.43%	83.38%	71.12%	77.06%	63.59%	<b>60.06%</b>	60.77%	57.70%	51.73%
Live broadcasting & VAS	15.22%	7.15%	14.18%	11.55%	21.23%	<b>21.30%</b>	20.05%	21.15%	22.63%
Advertising	11.60%	6.45%	11.23%	9.34%	8.19%	<b>10.84%</b>	11.63%	13.32%	16.59%
Ecommerce and others	7.75%	3.02%	3.47%	2.05%	6.98%	<b>7.80%</b>	7.55%	7.83%	9.05%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>YoY growth</b>									
Online games	297.55%	501.15%	42.66%	60.90%	26.86%	<b>12.66%</b>	39.36%	37.43%	12.41%
Live broadcasting & VAS	1184.57%	121.51%	231.92%	186.33%	204.55%	<b>166.37%</b>	130.53%	52.67%	34.19%
Advertising	220.87%	162.09%	191.21%	131.69%	59.70%	<b>67.74%</b>	68.97%	65.73%	56.18%
Ecommerce and others	105.33%	84.04%	92.26%	148.23%	620.84%	<b>450.00%</b>	254.59%	50.00%	45.00%
<b>Total</b>	<b>299.49%</b>	<b>371.70%</b>	<b>67.27%</b>	<b>76.11%</b>	<b>58.24%</b>	<b>44.53%</b>	<b>63.09%</b>	<b>44.73%</b>	<b>25.40%</b>

Source: Company data, SWS Research

**Fig 2: Bilibili's operating matrix forecast**

Operating matrix	2016	2017	2018	2Q18	1Q19	2Q19E	2019E	2020E	2021E
<b>MAU</b>									
MAU	39.7	67.1	87.0	85.0	101.3	<b>107.4</b>	112.4	141.6	152.9
YoY	-	69.23%	29.62%	29.81%	30.71%	<b>26.33%</b>	29.15%	26.00%	8.00%
<b>MAPU</b>									
MAPU	0.4	1.0	3.3	3.0	5.7	<b>6.2</b>	6.6	8.9	9.9
YoY	-	169.60%	228.57%	188.60%	131.78%	<b>110.76%</b>	100.46%	34.49%	11.43%
Paying ratio	0.94%	1.50%	3.80%	3.48%	5.66%	<b>5.80%</b>	5.90%	6.30%	6.50%
<b>MAPU for game</b>									
MAPU for game	0.3	0.6	0.8	0.8	1.0	<b>1.2</b>	1.3	1.8	2.1
YoY	-	140.17%	39.43%	39.98%	23.13%	<b>44.04%</b>	48.77%	40.02%	20.96%
<b>Average daily time spent</b>									
Average daily time spent	72.2	76.3	78.5	75.0	81.0	-	-	-	-
<b>Daily video views</b>									
Daily video views	-	168	368	318	514	-	-	-	-
YoY	-	-	119.36%	123.00%	92.51%	-	-	-	-
<b>Monthly interactions</b>									
Monthly interactions	114	221	759	643	1,400	-	-	-	-
YoY	-	94.80%	243.28%	232.00%	361.00%	-	-	-	-

Source: Company data, SWS Research

**Fig 3: Bilibili's profitability forecast**

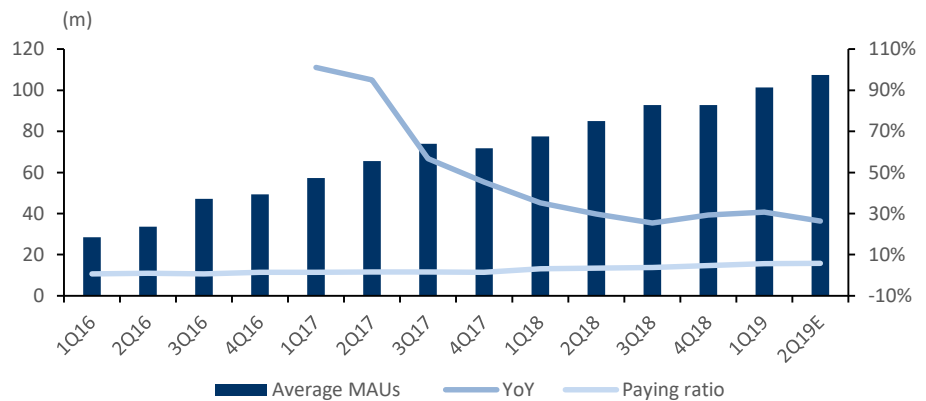
Profitability	2016	2017	2018	2Q18	1Q19	2Q19E	2019E	2020E	2021E
<b>Gross profit</b>									
Gross profit	249.5	549.2	855.4	250.7	179.7	<b>221.1</b>	1,071.0	3,275.6	4,847.3
Gross margin	-47.68%	22.25%	20.72%	24.42%	13.93%	<b>14.91%</b>	15.90%	33.61%	39.66%
<b>Operating profit, GAAP</b>									
Operating profit, GAAP	894.7	224.3	729.0	106.9	327.1	<b>357.5</b>	1,564.7	76.9	753.3
OPT margin	-170.97%	-9.09%	-17.66%	-10.42%	-25.35%	<b>-24.09%</b>	-23.24%	-0.79%	6.16%
<b>Net profit, GAAP</b>									
Net profit, GAAP	911.5	183.8	565.0	70.3	234.5	<b>313.0</b>	1,327.8	111.1	981.4
Net margin, GAAP	-174.18%	-7.44%	-13.68%	-6.85%	-18.18%	<b>-21.10%</b>	-19.72%	1.14%	8.03%
<b>Net profit, non-GAAP</b>									
Net profit, non-GAAP	545.5	101.3	377.4	19.5	195.7	<b>262.7</b>	1,117.6	344.9	1,240.3
Net margin, non-GAAP	-104.24%	-4.10%	-9.14%	-1.90%	-15.17%	<b>-17.71%</b>	-16.60%	3.54%	10.15%

Source: Company data, SWS Research

## Growing community

According to the management, Bilibili aims to achieve 110-120m MAUs in 2019 and 140-150m MAUs in 2020. We note the firm is on the right track to enlarge its community by providing diversified ACG, lifestyle, and documentary content, and by improving value-added services for both content creators and video viewers. We forecast total MAUs to reach 107m in 2Q19E (+26.3% YoY). We expect premium members to increase from 4.8m in 1Q19 to 5.3m in 2Q19E, and total paying users to hit 6.2m, representing a 5.8% paying ratio. The growth in paying users is mainly driven by live broadcasting and the premium membership programme. We note Bilibili's users exhibit stronger social interaction and higher engagement than on other platforms. Regardless of dilution effect with fast pace in user base expansion, Bilibili achieved stronger growth in interactions (+361% YoY in 1Q19 vs +298% YoY in 4Q18 vs +83% YoY in 1Q18) and longer average daily time spent per user (81min in 1Q19 vs 78min in 4Q18 vs 76min 1Q18).

Fig 4: Bilibili's MAUs & paying ratio



Source: Company data, SWS Research

## ACG games warm up

The popular title *Ark Nights* was launched in May, ranked among the top 5 on iOS with estimated over Rmb500m monthly gross billing. Bilibili is the largest android distributor with core ACG users, consistently benefit from the strong performance of ACG-themed games. We estimate *Ark Nights* to contribute Rmb50m to 2Q19E game revenue. Since it's the jointly operated game, whose revenue recognized by net basis, it would directly benefit gross margin. With deferred revenue rising 27% YoY and 31% QoQ to Rmb1,289m in 1Q19, we see a solid base for the company's game revenue in 2Q19. Despite the weak seasonality of FGO performance, we forecast Rmb891m of game revenue in 2Q19E (+12.7% YoY & +2% QoQ), on the back of *Ark Nights*' strong performance and solid deferred revenue.

Fig 5: Bilibili's mobile game revenue forecast



Source: Company data, SWS Research

Moreover, Bilibili has accelerated to publish games since May, launched *RWBY* and *Bang Dream* in 2Q19, and plans to publish *Final Gear*, *We Become What We Behold* and *The Legend of Heroes: Trails in the Star* in 3Q19. With extensive game pipeline in 2H19 and warmed up market environment for ACG-themed games, we expect Bilibili to achieve 12.7% YoY growth in 2Q19E game revenue and 39.4% YoY growth in 19E.

**Fig 6: Bilibili's game pipeline**

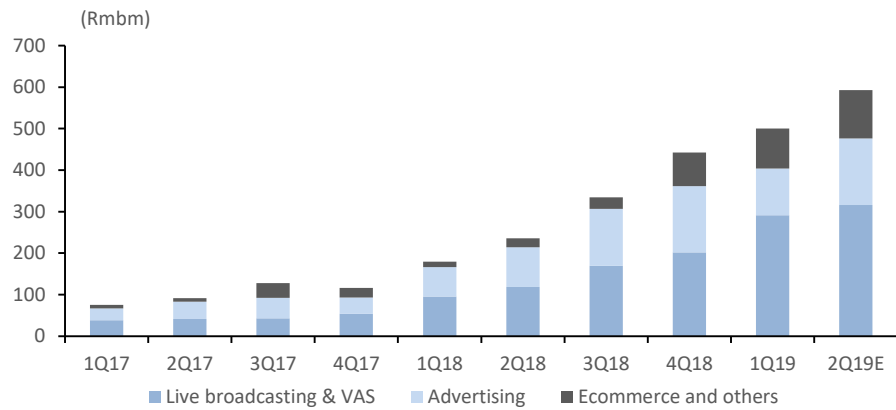
游戏名称	Game title	Type	Developer	Genre	Pre-order launch date	Pre-orders	TapTap score	Status
明日方舟	<i>Ark Nights</i>	Jointly operated	HyperGryph	Strategy	2017.10.14	855,674	8.6	Launched in May
瑰雪黑阳	<i>RWBY</i>	Jointly operated	Rooster Teeth Production	RPG	2018.01.09	545,054	4.8	Launched in May
少女乐团派对	<i>BanG Dream</i>	Exclusively distributed	Bushiroad & Craft Egg	Music	2017.11.09	547,310	8.2	Launched in Jun
英雄传说：星之轨迹	<i>The Legend of Heroes: Trails in the Star</i>	Jointly operated	User Joy	RPG	2018.06.01	314,957	3.6	Launched in Jul
<b>重装战姬</b>	<b><i>Final Gear</i></b>	<b>Exclusively distributed</b>	<b>Beike World</b>	<b>Action</b>	<b>2019.01.09</b>	<b>1,983,956</b>	<b>7.3</b>	<b>approved, Jul</b>
<b>无法触碰的掌心</b>	<b><i>We Become What We Behold</i></b>	<b>Exclusively distributed</b>	<b>Capcom</b>	<b>Simulation</b>	<b>2017.12.08</b>	<b>599,331</b>	<b>9.7</b>	<b>approved, Aug</b>
妃十三学园	<i>Alternative Girls</i>	Exclusively distributed	QualiArts	RPG/VR	2017.04.18	708,715	8.5	approved
晓之轨迹	<i>New Trajectory</i>	Exclusively distributed	Falcom	RPG	2017.10.24	281,702	-	approved
一血万杰	<i>Yi Xue Wan Jie</i>	Exclusively distributed	Rejet & DMM Override	RPG	2017.05.05	725,983	9.1	
桃源乡	<i>Tao Yuan Xiang</i>	Exclusively distributed	Rejet	RPG	2017.11.03	549,660	8.7	
<b>A3!</b>	<b><i>A3!</i></b>	<b>Exclusively distributed</b>	<b>Liberent</b>	<b>Simulation</b>	<b>2018.04.10</b>	<b>308,875</b>	<b>9.3</b>	
战刻夜想曲	<i>ZKXQ</i>	Exclusively distributed	Otomate	RPG	2018.10.22	192,103	9.1	
魔法纪录：小圆外传	<i>Magia record</i>	Exclusively distributed	F4samurai	RPG	2018.10.22	275,476	9.7	
公主连结	<i>Priconne Re: Dive</i>	Exclusively distributed	Cygames	RPG	2018.10.24	617,766	8.5	
双生视界	<i>Girl Café Gun2</i>	Exclusively distributed	Kingsoft Season Game	TPS	2019.03.10	312,474	8.2	
万灵启源	<i>Animistic</i>	Exclusively distributed	Kadokawa Games	RPG	2019.05.17	178,266	8.8	
死亡细胞	<i>Dead Cells</i>	Exclusively distributed	Motion Twin	Action	2019.07.10	318,800	9.8	

Source: Taptap, Company data, SWS Research

## Higher monetisation visibility

MAUs grew 31% YoY to 101m in 1Q19, while paying users surged 132% YoY to 5.7m, representing a paying ratio of 5.7%, up 2ppts within only two quarters. Given sustained growth in paying users and engagement, we see higher monetisation visibility. We forecast 166.4% YoY growth in live broadcasting & VAS revenue to hit Rmb316m, stimulated by increasing premium memberships and enlarged game live broadcasting communities. We expect brand ads to slightly recover in 2Q19, and forecast 67.7% YoY growth in online advertising revenue to hit Rmb161m. We expect other segments (including ecommerce) to generate Rmb116m in 2Q19E revenue (+450% YoY), due to the lagged recognition of item sales. Besides internal growth, we expect Alibaba (BABA:US – BUY) to further help Bilibili's content creators monetise through advertising and ecommerce in 2H19.

Fig 7: Bilibili's non-game revenue forecast



Source: Company data, SWS Research

## Partly released margin pressure

Given Bilibili's aggressive investment in content production and acquisition and in industry chain development, coupled with a change in revenue mix, the market is concerned about its near-term margin pressure. However, we find the higher-than-expected revenue from jointly operated games, which recognized on net basis, would directly contribute to gross profit. Even though the management expect to spend Rmb1.5bn to Rmb2bn cash investment in content production and acquisition, half of which would invest in Chinese Anime and expected to be a roughly fixed amount in next 2-3 years. We expect relatively fixed content cost to be leveraged fast by games, thus we forecast a blended gross margin of 14.9% in 2Q19E and 15.9% for 19E, better than previous forecast (15.2% for 19E).

## Valuation

Bilibili enjoys organic growth through an increasing number of users, higher paying ratios, and diversified monetisation formats. We forecast strong performance of jointly operated games and slight recovery in online ads in 2Q19E. We revise up our EPS forecasts from -Rmb4.01 to -Rmb3.81 in 19E, from Rmb0.18 to Rmb0.32 in 20E, and from Rmb2.34 to Rmb2.81 in 21E. In our sum-of-the-parts (SOTP) valuation model, we assign 16x 19E PE to the mobile game segment and 9x PS to the live broadcasting & VAS segment, and evaluate the firm's advertising and ecommerce business at Rmb150/MAU. As such, we maintain our target price of US\$25.22. With 61.9% upside, we maintain our BUY recommendation.

Fig 8: Bilibili's SOTP valuation

Valuation	Revenue 2019E (Rmbm)	Earnings 2019E (Rmbm)	Multiple	Equity market value (Rmbm)	Price per share (US\$)
Online games	4,092	1,199	16x PE	19,183	8.78
Live broadcasting & VAS	1,350	-	9x PS	12,556	5.75
Advertising and ecommerce	1,292	-	Rmb150/MAU	17,407	7.97
Cash and equivalents	5,941	-		5,941	2.72
<b>Total</b>				<b>55,087</b>	<b>25.22</b>

Source: Company data, SWS Research

Note: FX rate applied: USD\$1 = Rmb6.80

## Risks

**Concentration risk on single game.** In 2018, mobile games accounted for 71% of the company's total revenue. Within the segment, 74% of revenue was generated by a single game, *Fate/Grand Order*, and 11% by another game, *Azur Lane*. If the performance of these two titles falls short of expectations, it will have a negative impact on total revenue.

**Regulation risk.** We note regulation has become stricter in the online entertainment sector since last year, especially for games and media. Last May, the Ministry of Culture required distribution and live broadcasting platforms, like Bilibili, to remove a number of games, which involved violent action or pornography. If Bilibili fails to meet the regulatory rules, the company will be subject to penalties, which would negatively affect its business operations and financial conditions.

**Slower breakeven pace.** Bilibili's ability to achieve profitability will largely depend on the success of its monetisation process and its ability to manage costs and expenses. Its lack of track record in terms of monetisation results in potential high volatility for future operations. The firm may continue to experience losses due to increasing investment in technology and content.

**Policy risk.** The government recently criticised a number of short-video platforms (including Bilibili and Miaopai), resulting in some of the products being removed. The related increasing administrative expenses may have a negative impact on the firm's net profit.

## Appendix

### Consolidated Income Statement

Rmbm	2017	2018	2019E	2020E	2021E
<b>Revenue</b>	2,468	4,129	6,734	9,746	12,221
Cost of Sales	-1,919	-3,273	-5,663	-6,470	-7,374
<b>Gross Profit</b>	549	855	1,071	3,276	4,847
Other Income	48	121	119	121	121
Selling expenses	-232	-586	-1,004	-1,208	-1,466
Administrative expenses	-261	-461	-757	-975	-1,161
R&D expenses	-280	-537	-875	-1,169	-1,466
<b>EBITDA</b>	-130	-474	-1,224	348	1,259
<b>EBIT</b>	-176	-608	-1,446	44	874
Finance Costs	1	69	172	234	280
<b>Profit before tax</b>	-175	-539	-1,274	278	1,155
Income tax expense	-9	-26	-54	-167	-173
<b>Profit/Loss for the year</b>	-184	-565	-1,328	111	981

Source: Company data, SWS Research

### Consolidated Cash Flow Statement

Rmbm	2017	2018	2019E	2020E	2021E
<b>Profit before taxation</b>	-175	-539	-1,274	278	1,155
Plus: Depr. and amortisation	304	642	1,078	1,266	1,338
Finance cost	1	69	172	234	280
Losses from investments	-13	-2	0	0	0
Change in working capital	274	565	1,219	1,006	848
Others	72	2	-24	-179	-212
<b>CF from operating activities</b>	465	737	1,171	2,604	3,409
Capex	-631	-1,334	-1,870	-2,145	-2,231
Other CF from investing activities	-85	-1,863	0	0	0
<b>CF from investing activities</b>	-716	-3,196	-1,870	-2,145	-2,231
Equity financing	667	4,975	2,552	-221	-241
Net change in liabilities	0	0	3,375	0	0
Dividend and interest paid	9	0	0	0	0
Other CF from financing activities	0	0	0	0	1
<b>CF from financing activities</b>	676	4,975	5,725	-221	-241
<b>Net cash flow</b>	376	2,777	5,026	238	937
FCFF	-238	-760	-1,072	4	657
FCFE	-236	-691	2,475	238	937

Source: Company data, SWS Research



**Consolidated Balance Sheet**

Rmbm	2017	2018	2019E	2020E	2021E
<b>Current Assets</b>	2,153	6,550	12,348	13,325	14,980
Bank balances and cash	765	4,289	9,316	9,554	10,491
Accounts receivables	393	324	471	682	855
Trade assets and other receivables	488	945	945	945	945
Pledged deposits	30	0	0	0	0
Other current assets	477	991	1,616	2,144	2,689
<b>Non-current Assets</b>	1,320	3,940	4,732	5,610	6,503
PP&E	186	395	606	801	950
Long-term investments	477	2,361	2,941	3,625	4,369
Other non-current assets	657	1,184	1,184	1,184	1,184
<b>Total Assets</b>	3,474	10,490	17,080	18,936	21,483
<b>Current Liabilities</b>	1,398	3,299	5,290	7,035	8,601
Borrowings	0	0	0	0	0
Accounts payables	597	1,308	2,175	2,767	3,379
Trade and other payables	174	285	473	613	752
Other current liabilities	628	1,706	2,642	3,655	4,470
<b>Non-current Liabilities</b>	0	0	3,375	3,375	3,375
Deferred tax liabilities	-	-	-	-	-
Long term payable to MI	-	-	3,375	3,375	3,375
<b>Total Liabilities</b>	1,398	3,299	8,665	10,410	11,976
<b>Shareholder Equity</b>	2,076	7,191	8,415	8,526	9,507
Share Capital	4,055	4,055	6,607	6,607	6,607
Reserves	293	5,974	5,974	5,974	5,974
Retained earnings	-2,273	-2,838	-4,166	-4,055	-3,073
Minority Interests	0	0	0	0	0
<b>Total Liabilities and equity</b>	3,474	10,490	17,080	18,936	21,483

Source: Company data, SWS Research

**Key Financial Ratios**

	2017	2018	2019E	2020E	2021E
<b>Ratios per share (Rmb)</b>					
Earnings per share	-8.17	-2.64	-4.13	0.35	3.06
Diluted EPS	-8.17	-2.64	-3.81	0.32	2.81
Operating CF per share	6.64	3.16	3.65	8.11	10.61
Dividends per share	-	-	-	-	-
<b>Key Operating Ratios (%)</b>					
ROIC	-8.92	-8.81	-17.82	-1.44	7.37
ROE	-8.85	-7.86	-15.78	1.30	10.32
Gross profit margin	22.25	20.72	15.90	33.61	39.66
EBITDA Margin	-5.27	-11.47	-18.18	3.57	10.30
EBIT Margin	-7.14	-14.72	-21.47	0.45	7.15
Growth rate of Revenue(YoY)	371.70	67.27	63.09	44.73	25.40
Growth rate of Profit(YoY)	-	-	-	-	783.67
Debt-to-asset ratio	40.25	31.45	50.73	54.97	55.74
Turnover rate of net assets	118.93	57.42	80.02	114.31	128.54
Turnover rate of total assets	71.06	39.36	39.43	51.47	56.89
Effective tax rate (%)	-5.08	-4.82	-4.22	60.00	15.00
Dividend yield (%)	-	-	-	-	-
<b>Valuation Ratios (X)</b>					
P/E	-185.18	-60.22	-25.63	306.38	34.67
P/B	16.39	4.73	4.04	3.99	3.58
EV/Sale	13.79	8.24	5.05	3.49	2.78
EV/EBITDA	-678.09	-116.32	-33.39	58.64	22.35

Source: Company data, SWS Research

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