

2018 年 10 月 16 日

增持
维持

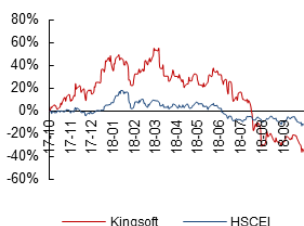
主要催化双双延期

金山软件 (3888:HK)

Market Data: 15, Oct

Closing Price (HK\$)	12.00
Price Target (HK\$)	14.00
HSCEI	10144
HSCCI	4077
52-week High/Low (HK\$)	30.96/11.90
Market Cap (HK\$ bn)	16.49
Market Cap (US\$ bn)	2.10
Shares Outstanding (Mn)	1374
Exchange Rate (US\$-HK\$)	7.84

Price Performance Chart:



Source: Bloomberg

Analyst

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Related Reports

"Office superhero"

Kingsoft (3888:HK)

Published 22 August 2018

"Margin contraction"

Kingsoft (3888:HK)

Published 24 May 2018

"At the top of its game"

Kingsoft (3888:HK)

Published 22 March 2018

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Financial summary and valuation

	2016	2017	2018E	2019E	2020E
Revenue (Rmbm)	3,834	5,181	5,672	7,406	8,674
YoY (%)	(32.5)	35.2	9.5	30.6	17.1
Net income (Rmbm)	-237	805	21	536	646
YoY (%)	(164.2)	(439.6)	(97.4)	2,417.8	20.6
EPS (Rmb)	(0.21)	0.62	0.02	0.39	0.47
Diluted EPS (Rmb)	(0.21)	0.61	0.02	0.39	0.47
ROE (%)	-2.60	6.90	-2.03	3.19	3.75
Debt/asset (%)	43	29	40	42	44
Dividend yield (%)	0.6	0.6	0.7	0.4	0.5
PE (x)	(48.8)	16.5	662.0	26.3	21.8
PB (x)	1.7	1.2	1.1	1.0	0.9
EV/Ebitda (x)	146.8	6.3	(41.2)	8.7	4.8

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

除了剑网3手游的推迟上线，公司的另一个重要的催化剂，WPS的上市时间也很有可能被推迟到明年。当前市场总值基本相当于只给了WPS和猎豹移动估值，相当于2019年大约为1倍的市净率(P/B)。虽然估值下行空间比较有限，但是我们也没有看到短期内上行的更多上升。我们降低了对稀释后每股收益的预计，2018年从0.4元到0.02元（-97%的年化率），2019年从0.76元到0.39元（2362%的年化增长率），2020年从0.59元到0.47元（20%的年化增长率）。我们将目标价格从港币17元下调到港币14元，相当于2018年758倍的市盈率（P/E）和1.3倍的市净率(P/B)，或者2019年31倍的市盈率（P/E）和1.1倍的市净率(P/B)。当公司可以确定更多关于剑网3手游的上线时间和WPS的上市时间，估值或有反弹，但金山软件仍然缺少长期驱动的增长动力。股价有17%的上升空间，我们维持增持评级。

WPS 上市延迟。上市流程比预计要更慢。前段时间，上市进程从2018年的第三季度推迟到2018的第四季度，现在大概会推迟到明年。WPS业务收入增长在2018年的上半年达到了60%多，远超预期，但由于2017年下半年基数更高，2018年下半年WPS的收入增长率可能会放缓至大约40%，对应WPS总体年收入增长45%-50%。我们仍认为WPS会是金山最有价值的资产。如果不对它的云业务和现有的游戏业务给予估值，WPS大约占了金山总估值的67%。

游戏上线推迟。除了剑网3手游的推迟上线，剑网3电脑端的资料片上线也因为游戏许可证的问题而有所延缓。剑网3资料片的推出日期从10月被推迟到最早11月。剑网3手游的Beta测试被定为今年的11月，不会在18年四季度贡献收入。测试的结果会直接决定明年初游戏上线时间。剑网2手游很快就会上线，今年估计只能贡献了2个月的月流水。总的来说，我们预计游戏业务的收入2018年第三季度大约为6亿人民币，2018年第四季度约为6.5亿元，意味着游戏业务年收入同比减少21%。

云业务费用超标。激烈的云服务价格战给像金山云这样的跟随者带来不小的压力。我们认为腾讯云和阿里云价格的降低也给金山云带来了很大的压力。云业务的亏损会远超过2017年亏损的绝对值，虽然公司对2018年下半年有更高的增长率的指引。我们预计2018年云业务的亏损会超过7亿元。

维持增持评级。考虑到游戏推迟上线，WPS推迟上市和云业务的费用增加，我们降低了对稀释后每股收益的预计，2018年从0.4元到0.02元（-97%的年化率），2019年从0.76元到0.39元（2362%的年化增长率），2020年从0.59元到0.47元（20%的年化增长率）。目前股价几乎不对云业务和游戏业务有估值，对应2019年的公司市净率(P/B)几乎只有1倍。我们将目标价格从港币17元下调到港币14元，对应2018年768倍的市盈率（P/E）和1.3倍的市净率(P/B)，或者2019年31倍的市盈率（P/E）和1.1倍的市净率(P/B)。鉴于股价仍有17%的上升，我们维持增持评级。

Gaming lag

Compounding the problems of previous delays to the launch of major pipeline title *JX Online III Mobile*, Kingsoft is likely to further delay its planned listing of its office software suite business, WPS, to next year. While we see the firm's valuation as having little further downside, we also see limited near-term upside. We lower our diluted EPS forecasts from Rmb0.40 to Rmb0.02 in 18E (-97% YoY), from Rmb0.76 to Rmb0.39 in 19E (+2362% YoY), and from Rmb0.59 to Rmb0.47 in 20E (+20% YoY). We cut our target price from HK\$17.00 to HK\$14.00, representing 758x 18E PE and 1.3X 18E PB, or 31X 19E PE and 1.1x 19E PB. As and when the firm confirms the timing of its release of *JX Online III mobile* and its WPS spin-off, we see a valuation recovery as possible, but note that the firm continues to lack long-term drivers. With 17% upside, we maintain our Outperform rating.

WPS listing delay. Kingsoft has already delayed its planned listing of WPS from 3Q18 to 4Q18, and now may postpone to sometime next year. WPS recorded revenue growth of 60%-plus YoY in 1H18, largely exceeding expectation, but with a higher base in 2H17E revenue growth is likely to slow to c.40% in 2H18E, bringing full-year growth to 40%-plus YoY. We maintain our view that WPS remains among Kingsoft's most valuable assets. Assuming the firm's cloud and gaming businesses are currently given no value, WPS represents c.67% of the firm's overall valuation.

Gaming delay. In addition to delays to the launch of *JX Online III Mobile*, the *JX Online III PC* expansion pack release was also delayed from October to November, at earliest, due to issues around the firm's gaming license. Beta testing for *JX Online III Mobile* is set for November this year, meaning the game will not show in 4Q18E financials, and the final launch date early next year will depend on progress of the beta testing. *JX Online II Mobile* is expected to be released soon, contributing only two months of revenue to the year. Overall, we estimate the gaming segment will contribute c.Rmb600m for 3Q18E and c.Rmb650m for 4Q18E, with full-year gaming revenue to decline 21% YoY.

Cloud costs rise. Intense price competition in the cloud services industry is challenging for pricing followers such as Kingsoft Cloud. We believe Tencent's (700:HK – N-R) and Alibaba's (BABA:US – BUY) decisions to cut prices have placed too much pressure on Kingsoft. Segment loss may significantly exceed the loss recorded in 2017, although the company guided higher growth in 2H18E. We estimate the cloud segment loss could exceed Rmb700m in 2018E.

Maintain Outperform. Taking into account the delay to the launch of the key game title and delays to the firm's planned listing of its WPS business, as well as the higher costs of its cloud services, we lower our diluted EPS forecasts, from Rmb0.40 to Rmb0.02 in 18E (-97% YoY), from Rmb0.76 to Rmb0.39 in 19E (+2362% YoY), and from Rmb0.59 to Rmb0.47 in 20E (+20% YoY). The firm is currently trading at c.1x 19E PB, with almost zero valuation for its cloud and gaming business. We cut our target price from HK\$17.00 to HK\$14.00, representing 768x 18E PE and 1.3X 18E PB, or 31x 19E PE and 1.1x 19E PB. With 17% upside, we maintain our Outperform rating.

Fig 1: SOTP valuation

(HK\$m)	Value to Kingsoft	Per share (HK\$)	Methodology
Gaming	6,516	4.4	10x 19E PE, 90% equity stake assumed
Software	12,656	5.6	40x 19E PE valuation, 61% equity stake
Cloud	-	0	No value under weak market
Cheetah	11,696	4.0	Market cap, 47% equity stake
Other investments		0	Mainly Xunlei and 21Vianet
SOTP value		14.00	

Source: SWS Research

Fig 2: Kingsoft's major games

Mobile Game	Terminal	Launch date	Type	Genre	Graphics style	Developer	Status
Three God of War	Mobile	3Q14	MMOG	RPG	3D	Licensed	Commercialised
Journey to the West: Conquering the Demons 3D	Mobile	3Q15	MMOG	Strategy	Card	in-house	Commercialised
National God	Mobile	4Q15	ACG	Board & Card		in-house	Commercialised
Lingyu	Mobile	2Q16	MMOG	RPG	3D	in-house	Commercialised
Three Kingdoms	Mobile	2Q16	MMOG	RPG	Card	in-house	Commercialised
JX Online I Mobile	Mobile	3Q16	MMOG	RPG		in-house	Commercialised
JX World Mobile	Mobile	3Q16	MMOG	RPG	3D	in-house	Commercialised
Girl Coffee Shoot	Mobile	4Q16	ACG	FPS		in-house	Commercialised
Genghis Khan Mobile	Mobile	1Q17	MMOG	RPG	3D	Co-developed	Commercialised
Princess Agents Mobile	Mobile	2Q17	MMOG	RPG	3D	Co-developed	Commercialised
The Ghouls	Mobile	3Q17	MMOG	RPG	3D	Co-developed	Commercialised
Eudemons Mobile	Mobile	4Q17	MMOG	RPG		Co-developed	Commercialised
Mi Shooting	Mobile	4Q17	MMOG	FPS		in-house	Commercialised
JX Online II Mobile	Mobile	4Q18E	MMOG	RPG		in-house	Under development
JX Online III Mobile	Mobile	1Q19E	MMOG	RPG		in-house	Under development
YSYY	Mobile	2Q18	Strategy	Strategy		in-house	Commercialised
JX World II Mobile	Mobile	3Q18	MMOG	RPG	3D	in-house	Commercialised
PC Game	Terminal	Launch date	Type	Genre	Graphics style	Developer	Status
JX Online I	Desktop PC	4Q03	MMOG	RPG	2D	in-house	Commercialised
The First Myth Online	Desktop PC	1Q05	MMOG	RPG	2D	in-house	Commercialised
JX Online II	Desktop PC	4Q05	MMOG	RPG	2D	in-house	Commercialised
The First Myth International	Desktop PC	2Q07	MMOG	RPG	2D	in-house	Commercialised
CQ	Desktop PC	3Q07	MMOG	RPG	2D	in-house	Commercialised
JX World Online	Desktop PC	4Q08	MMOG	RPG	2D	in-house	Commercialised
JX Online III	Desktop PC	3Q09	MMOG	RPG	3D	in-house	Commercialised
JX Online II Anecdotes	Desktop PC	3Q09	MMOG	RPG	2D	in-house	Commercialised
Moon Shadow Legend	Desktop PC	3Q12	MMOG	RPG	2.5D	in-house	Commercialised
Mission Against Terror	Desktop PC	1Q15	MMOG	First-person shooter (FPS)		in-house	Commercialised
New JX Online II	Desktop PC	4Q16	MMOG	RPG	2.5D	in-house	Commercialised
JX Online III revamped	Desktop PC	4Q17	MMOG	RPG	3D	in-house	Commercialised
Extopia	Desktop PC	2Q18	MMOG	FPS		in-house	Under development

Source: Kingsoft website, SWS Research

Appendix

Consolidated Income Statement

Rmbm	2016	2017	2018E	2019E	2020E
Revenue	3,834	5,181	5,672	7,406	8,674
Cost of Sales	-1,292	-2,169	-2,950	-3,481	-4,077
Gross Profit	2,541	3,012	2,723	3,925	4,597
Other Income	51	294	227	296	347
Distribution expenses	-323	-545	-681	-815	-954
Administrative expenses	-197	-257	-340	-333	-390
EBITDA	51	1,029	-174	680	942
EBIT	26	1,025	-174	680	942
Finance Costs	-107	-112	-131	-167	-276
Profit before tax	-82	912	-304	512	666
Income tax expense	-177	-134	46	-77	-100
Minority interests	-22	-22	-280	-100	-80
Profit attributable	-237	805	21	536	646

Source: SWS Research

Consolidated Cash Flow Statement

Rmbm	2016	2017	2018E	2019E	2020E
Profit before taxation	-96	3,432	-304	512	666
Plus: Depr. and amortisation	451	468	332	349	362
Finance cost	-107	-112	-131	-167	-276
Losses from investments	1,160	2,185	-100	-125	-150
Change in working capital	-321	49	689	-30	208
Others	307	-4,131	412	441	693
CF from operating activities	1,393	1,890	898	980	1,502
CAPEX	-683	-692	-400	-400	-400
Other CF from investing activities	-2,445	-3,416	0	0	0
CF from investing activities	-3,128	-4,108	-400	-400	-400
Equity financing	0	-10	0	0	0
Net change in liabilities	923	1,628	3,000	2,000	2,000
Dividend and interest paid	-169	-335	-104	-154	-207
Other CF from financing activities	-153	-1,549	0	0	0
CF from financing activities	601	-266	2,896	1,846	1,793
Net cash flow	-1,134	-2,484	3,394	2,426	2,895

Source: SWS Research

Consolidated Balance Sheet

Rmbm	2016	2017	2018E	2019E	2020E
Current Assets	13,105	10,545	14,115	17,158	20,505
Bank balances and cash	9,825	8,506	11,900	14,326	17,221
Trade and other receivables	2,896	1,847	2,022	2,640	3,093
Inventories	11	10	10	10	10
Other current assets	373	181	181	181	181
Long-term investment	572	4,056	4,156	4,281	4,431
PP&E	1,098	1,329	1,397	1,448	1,486
Intangible and other assets	2,804	1,833	1,833	1,833	1,833
Total Assets	17,579	17,762	21,500	24,719	28,254
Current Liabilities	3,731	3,854	6,697	9,284	11,942
Borrowings	380	374	3,186	5,185	7,184
Trade and other payables	2,684	1,792	2,437	2,876	3,368
Other current liabilities	667	1,688	1,074	1,223	1,390
Long-term liabilities	3,846	1,355	1,877	1,057	558
Total Liabilities	7,577	5,209	8,573	10,340	12,500
Minority Interests	2,115	464	184	84	4
Shareholder Equity	7,887	12,089	12,742	14,294	15,750
Share Capital	5	5	5	5	5
Reserves	7,835	12,098	12,752	14,304	15,760
Equity attributable	7,887	12,089	12,742	14,294	15,750
Total Liabilities and equity	17,579	17,762	21,500	24,719	28,254

Source: SWS Research

Key Financial Ratios

	2016	2017	2018E	2019E	2020E
Ratios per share (Rmb)					
Earnings per share	(0.21)	0.62	0.02	0.39	0.47
Diluted earnings per share	(0.21)	0.61	0.02	0.39	0.47
Operating CF per share	1.08	1.38	0.65	0.71	1.09
Dividend per share	0.09	0.09	0.10	0.06	0.07
Net assets per share	6.11	8.85	9.27	10.40	11.45
Key Operating Ratios (%)					
ROIC	0.60	6.17	(0.92)	3.00	3.64
ROE	(2.60)	6.90	(2.03)	3.19	3.75
Gross profit margin	66.29	58.14	48.00	53.00	53.00
Ebitda margin	1.32	19.86	(3.06)	9.18	10.86
Ebit margin	0.67	19.77	(3.06)	9.18	10.86
Growth rate of Revenue(YoY)	(32.46)	35.16	9.48	30.56	17.12
Growth rate of Profit(YoY)	(164.24)	(439.57)	(97.36)	2417.84	20.55
Debt-to-asset ratio	43.10	29.33	39.88	41.83	44.24
Turnover rate of net assets	0.38	0.41	0.44	0.52	0.55
Turnover rate of total assets	0.22	0.29	0.26	0.30	0.31
Effective tax rate (%)	(217.22)	15.00	15.00	15.00	15.00
Dividend yield (%)	0.64	0.64	0.71	0.42	0.50
Valuation Ratios (x)					
P/E	(48.84)	16.54	661.98	26.33	21.84
P/B	1.68	1.16	1.11	0.99	0.90
EV/Sale	1.94	1.25	1.26	0.80	0.52
EV/Ebitda	146.79	6.28	(41.24)	8.74	4.82

Source: SWS Research

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