


Rating
Sell

Asia
China

Technology
Software & Services

Company
500.com Alert

Reuters
WBAI.N

Bloomberg
WBAI US

Exchange
NYS
Ticker
WBAI

Date
12 November 2015

Results

Price at 11 Nov 2015 (USD)	19.45
Price target - 12mth (USD)	13.80
52-week range (USD)	30.00 - 9.23
HANG SENG INDEX	22,352

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Key changes

Price target	13.50 to 13.80	↑	2.2%
Sales (FYE)	282 to 99	↓	-64.9%
Op prof margin (FYE)	-48.6 to -294.5	↓	505.4%
Net profit (FYE)	-115.4 to -264.7	↓	129.3%

Source: Deutsche Bank

Stock data

Market cap (USDm)	685
Market cap (USDm)	685
Shares outstanding (m)	41.8
Major shareholders	-
Free float (%)	19
Avg daily value traded (USDm)	10.2

Source: Deutsche Bank

Key data

FYE 12/31	2014A	2015E	2016E
Sales (CNYm)	580	99	312
Net Profit (CNYm)	157.0	-264.7	-23.2
DB EPS (CNY)	6.90	-2.57	1.67
PER (x)	30.4	-	74.2
Yield (net) (%)	0.0	0.0	0.0

Source: Deutsche Bank

Zeroing out 3Q rev; no business through the winter

A revenue-free 3Q; resumption before year-end unlikely

500.com reported 3Q results with no revenue, given the continuing moratorium around online lottery sales. The company recorded an adjusted net loss of RMB46m. 500.com claims to have been doing the testing for the national sport lottery system. The company claims that the provisional lottery sales approval previously granted by the MOF is still valid and has not been revoked or amended. Given persistent regulatory uncertainty, we assume a resumption in sales as unlikely to happen before year-end. We expect updates from the MOF after the 2016 Chinese New Year. Maintain Sell.

Government streamlines approval process

The State Council last month announced new guidelines to streamline the approval process for new lottery product launches, special prize settings, and prize payouts nationwide. We view a simplified administration structure as a positive sign for the market. Despite the improving sentiment around a resumption in 1H 2016, the Sports Administration Centre claims to have established no clear timeline around resumption. We believe the leading lottery distribution platforms, including 500.com, should be allowed to connect to the national system once launched, and thus resume sales. We meanwhile would expect new lottery products relating to mobile lottery and sports lottery to become new catalysts of sales growth upon sales resumption.

Rolling forward forecast years; TP of US\$13.8, Maintain Sell

We roll forward our forecast years to 2016-2018, and lift our TP by 2% to US\$13.8. Our TP is based on a 0.8x PEG ratio (reflecting regulatory uncertainty) on non-GAAP EPS FY16E of US\$0.26 (vs prior FY15 US\$0.19) and EPADS CAGR FY16-18E of 66% (vs prior FY15-17 91%). Upside risks: faster business resumption, success in connecting the national system, fewer license approvals to peers.

Deutsche Bank AG/Hong Kong

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