



市场担忧过度，即将实现货币化；重申强力买入（摘要）

建议理由

我们重申对乐视网的强力买入建议，因为我们仍看好公司在中国快速增长的网络视频领域中的生态系统优势。我们认为乐视网最艰难的时期已经过去，原因在于：

(1) 政策风险降低，因为公司已经获准与中国国际广播电台互联网电视(CIBN)平台合作；(2) 现金流担忧缓解，因为公司在完成 48 亿元非公开发行后，目前所持现金达到将近人民币 100 亿元的记录峰值水平；(3) 硬件销售已具规模效应，超级电视和超级手机销量显著提高，同时我们预计利润率将继续改善。

推动因素

我们认为硬件销售和货币化将成为盈利推动因素，并预计货币化程度提高，从而推动 2016-2020 年期间每股盈利的年均复合增长率达到 52%。

(1) **硬件市场份额扩张**：我们预计较低的价格和生态系统协同效应将带动硬件的市场份额继续扩张，实现更显著的规模效应和经营杠杆，继而自 2016 年下半年起推动 EBIT 利润率上升；(2) **货币化程度提高**：我们认为，用户基础快速扩张以及与 CIBN 合作将使乐视网的货币化路径（包括广告投放、电视购物以及智能电视游戏等）更为清晰。我们认为毛利率也将因此增厚。(3) **乐迷节**：管理层预计 9 月 19 日展示乐视生态系统的乐迷节将实现创纪录的销量。

估值

虽然硬件销量走高推动我们将 2016-20 收入预测上调了 4%-16%，但我们将 2016-2020 年每股盈利预测下调了 3%-12%，以计入利息支出上升和营业外收入走低的影响。因此，我们将 12 个月目标价格下调了 3.1% 至人民币 63.43 元，仍基于 39 倍市盈率乘以 2020 年预期每股盈利人民币 2.21 元（原为 2.28 元），并以 8% 的股权成本贴现回 2016 年计算得出。我们维持强力买入建议，因为该股对应的潜在上行空间高达 40%，在我们所覆盖的国内传媒股中最为可观。

主要风险

超级电视/超级手机销售低于预期；硬件和内容成本高于预期。

*全文翻译随后提供

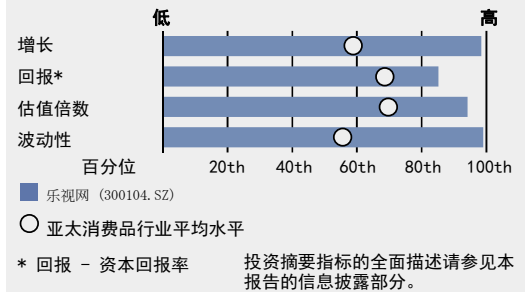
所属投资名单

亚太买入名单
亚太强力买入名单

行业评级：中性

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投资摘要

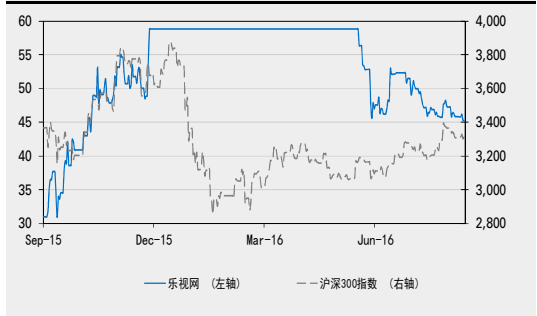


主要数据

	当前
股价 (Rmb)	45.23
12个月目标价格 (Rmb)	63.43
市值 (Rmb mn / US\$ mn)	89,702.6 / 13,428.3
外资持股比例 (%)	--

	12/15	12/16E	12/17E	12/18E
每股盈利 (Rmb) 新	0.31	0.41	0.73	1.29
每股盈利调整幅度 (%)	0.0	(12.2)	(12.2)	(7.7)
每股盈利增长 (%)	(28.7)	31.3	81.3	75.2
每股摊薄盈利 (Rmb) 新	0.31	0.41	0.73	1.29
市盈率 (X)	153.2	111.6	61.6	35.2
市净率 (X)	22.4	9.5	8.3	6.9
EV/EBITDA (X)	44.9	24.8	15.1	9.6
股息收益率 (%)	0.1	0.1	0.2	0.3
净资产回报率 (%)	16.2	12.0	14.4	21.4
ROIC (%)	25.4	26.3	27.8	32.5

股价走势图



股价表现 (%)

	3个月	6个月	12个月
绝对	(23.1)	(23.1)	46.0
相对于沪深300指数	(26.5)	(29.2)	48.3

资料来源：公司数据、高盛研究预测、FactSet（股价为9/02/2016收盘价）

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乐视网：财务数据概要

损益表(Rmb mn)	12/15	12/16E	12/17E	12/18E	资产负债表(Rmb mn)	12/15	12/16E	12/17E	12/18E
主营业务收入	13,016.7	23,978.6	32,708.6	40,941.9	现金及等价物	2,729.8	9,540.3	9,021.3	9,409.1
主营业务成本	(11,112.0)	(20,301.5)	(27,215.4)	(33,034.5)	应收账款	4,952.6	8,540.3	11,649.7	14,582.1
销售、一般及管理费用	(1,444.9)	(2,673.6)	(3,647.0)	(4,565.0)	存货	1,138.8	2,080.6	2,789.1	3,385.5
研发费用	(1,224.1)	(2,135.1)	(2,748.9)	(3,236.1)	其它流动资产	290.6	2.0	2.0	2.0
其它营业收入/(支出)	(120.2)	(120.0)	(120.0)	(120.0)	流动资产	9,111.8	20,163.2	23,462.1	27,378.6
EBITDA	1,980.3	3,483.3	5,736.3	9,066.3	固定资产净额	629.3	633.1	628.9	615.1
折旧和摊销	(1,640.6)	(2,599.8)	(4,010.1)	(5,843.9)	无形资产净额	6,051.6	6,640.8	7,388.7	8,398.4
EBIT	339.7	883.5	1,726.2	3,224.4	长期投资	169.6	2,437.6	2,469.1	2,502.1
利息收入	0.0	27.3	95.4	90.2	其它长期资产	1,019.9	1,118.6	1,192.3	1,247.3
财务费用	(370.4)	(535.7)	(599.5)	(600.9)	资产合计	16,982.2	30,993.3	35,141.1	40,141.6
联营公司	0.0	30.0	31.5	33.1	应付账款	5,618.5	8,343.1	11,184.4	13,575.8
其它	83.5	10.0	10.0	10.0	短期贷款	1,735.0	1,493.0	1,493.0	1,493.0
税前利润	74.2	415.1	1,263.6	2,754.7	其它流动负债	99.0	121.8	187.1	296.6
所得税	142.9	77.0	123.2	0.0	流动负债	7,452.5	9,957.9	12,864.5	15,365.4
少数股东损益	355.9	311.6	69.9	(203.0)	长期贷款	2,200.6	4,138.6	4,138.6	4,138.6
优先股股息前净利润	573.0	803.7	1,456.7	2,551.7	其它长期负债	3,513.9	6,869.9	6,869.9	6,869.9
优先股息	0.0	0.0	0.0	0.0	长期负债	5,714.5	11,008.5	11,008.5	11,008.5
非经常性项目前净利润	573.0	803.7	1,456.7	2,551.7	负债合计	13,167.0	20,966.4	23,873.0	26,374.0
税后非经常性损益	0.0	0.0	0.0	0.0	优先股	0.0	0.0	0.0	0.0
净利润	573.0	803.7	1,456.7	2,551.7	普通股权益	3,927.7	9,451.0	10,762.1	13,058.6
每股基本盈利(非经常性项目前)(Rmb)	0.31	0.41	0.73	1.29	少数股东权益	(112.5)	575.9	506.0	709.0
每股基本盈利(非经常性项目后)(Rmb)	0.31	0.41	0.73	1.29	负债及股东权益合计	16,982.2	30,993.3	35,141.1	40,141.6
每股摊薄盈利(非经常性项目后)(Rmb)	0.31	0.41	0.73	1.29	每股净资产(Rmb)	2.12	4.77	5.43	6.58
每股股息(Rmb)	0.03	0.04	0.07	0.13					
股息支付率(%)	10.0	10.0	10.0	10.0					
自由现金流收益率(%)	(2.2)	(1.9)	(0.5)	0.6					
增长率和利润率(%)	12/15	12/16E	12/17E	12/18E	比率	12/15	12/16E	12/17E	12/18E
主营业务收入增长率	90.9	84.2	36.4	25.2	CROCI (%)	25.4	26.3	27.8	32.5
EBITDA增长率	52.9	75.9	64.7	58.1	净资产回报率(%)	16.2	12.0	14.4	21.4
EBIT增长率	57.4	160.1	95.4	86.7	总资产回报率(%)	4.4	3.4	4.4	6.8
净利润增长率	57.4	40.3	81.3	75.2	平均运用资本回报率(%)	12.2	18.0	27.0	36.5
每股盈利增长	(28.7)	31.3	81.3	75.2	存货周转天数	30.8	28.9	32.7	34.1
毛利率	14.6	15.3	16.8	19.3	应收账款周转天数	101.4	102.7	112.7	116.9
EBITDA利润率	15.2	14.5	17.5	22.1	应付账款周转天数	131.8	125.5	130.9	136.8
EBIT利润率	2.6	3.7	5.3	7.9	净负债/股东权益(%)	31.6	(39.0)	(30.1)	(27.4)
					EBIT利息保障倍数(X)	1.0	1.7	3.4	6.3
现金流量表(Rmb mn)	12/15	12/16E	12/17E	12/18E	估值	12/15	12/16E	12/17E	12/18E
优先股股息前净利润	573.0	803.7	1,456.7	2,551.7	基本市盈率(X)	153.2	111.6	61.6	35.2
折旧及摊销	1,640.6	2,599.8	4,010.1	5,843.9	市净率(X)	22.4	9.5	8.3	6.9
少数股东权益	(355.9)	(311.6)	(69.9)	203.0	EV/EBITDA(X)	44.9	24.8	15.1	9.6
运营资本增减	(1,075.0)	(1,804.9)	(976.6)	(1,137.3)	企业价值/总投资现金(X)	8.0	4.7	3.6	2.7
其它	93.0	258.6	(31.5)	(33.1)	股息收益率(%)	0.1	0.1	0.2	0.3
经营活动产生的现金流	875.7	1,545.6	4,388.8	7,428.3					
资本开支	(2,809.3)	(3,291.6)	(4,827.4)	(6,894.8)					
收购	0.0	0.0	0.0	0.0					
剥离	0.0	0.0	0.0	0.0					
其它	(175.4)	(2,238.0)	0.0	0.0					
投资活动产生的现金流	(2,984.8)	(5,529.6)	(4,827.4)	(6,894.8)					
支付股息的现金(普通股和优先股)	(38.7)	(57.5)	(80.4)	(145.7)					
借款增减	2,700.6	1,696.0	0.0	0.0					
普通股发行(回购)	47.9	4,800.0	0.0	0.0					
其它	1,655.6	4,356.0	0.0	0.0					
筹资活动产生的现金流	4,365.3	10,794.5	(80.4)	(145.7)					
总现金流	2,256.3	6,810.5	(519.0)	387.8					

注：最后一个实际年度数据可能包括已公布和预测数据。

资料来源：公司数据、高盛研究预测

对此报告有贡献的人员

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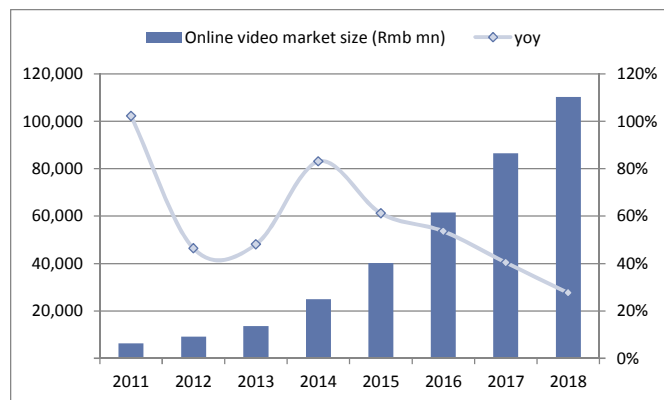
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LeTV has ecosystem advantage in fast growing online video sector

Online video is among the fastest growing media sectors in China, and we see it as still in the structural growth stage, replacing traditional TV, which has a market size of over Rmb200bn. According to iResearch, the market size of online video in China will grow at 54%/40%/28% in 2016-18. Among the revenue sources of the online video industry, membership subscription is projected by iResearch to grow at 91%/44%/33% in 2016-18 and take a higher percentage of industry revenue thanks to consumer's higher willingness to pay and availability of more high quality content.

Exhibit 1: Online video market size in China to grow at 20%+...

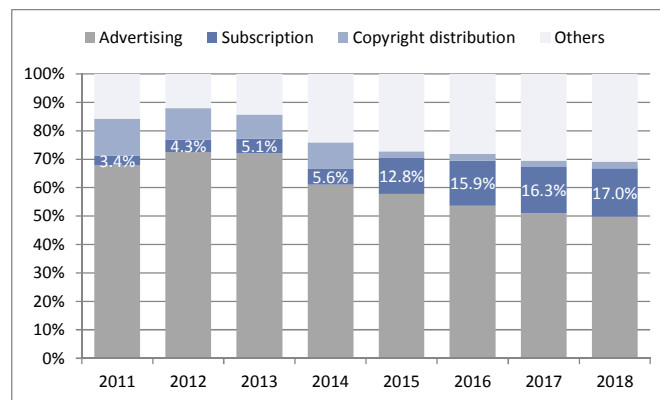
Online video market size



Source: iResearch

Exhibit 2: ...and membership subscription revenue to take a higher percentage of revenue

Online video industry revenue breakdown

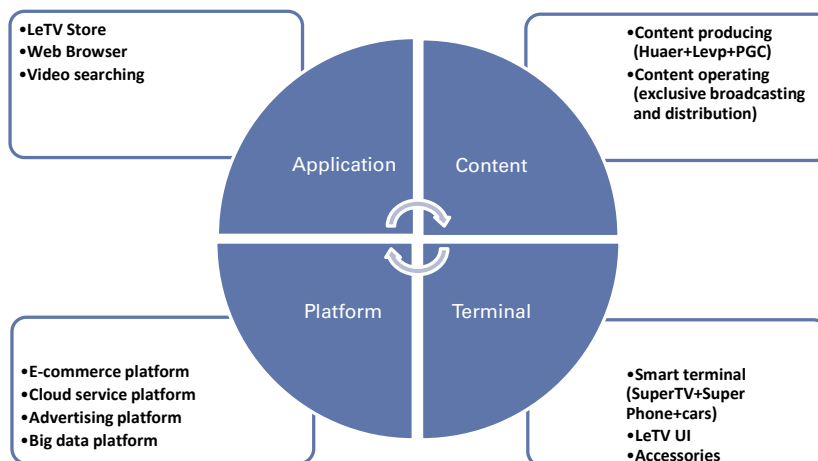


Source: iResearch

Competition in China's online video sector is fierce. The five big players are iQiyi, LeTV, Tencent Video, YoukuTudou and Sohu Video. In order to attract more users and especially paying subscribers, the contenders have been spending billions of Rmb per year to build their content library. However, we believe a competitive advantage based only on content spending is subject to considerable risk when the huge investment cannot be sustained. On the other hand, we believe LeTV has a unique ecosystem model that will help the company build a sustainable competitive advantage in the online video industry. See our previous report *More than China's Netflix – the ecosystem advantage; add to CL*, dated June 22, 2016.

In our view, LeTV benefits from its vertically integrated model of “platform + content + terminal + application”. LeTV could effectively cross-sell hardware and membership. Furthermore, we believe internet TV will start to see deeper monetization through advertising, online games, etc., from 2016, and we see LeTV as well positioned to benefit from this trend through the rise in subscription growth, advertising revenue, and value-added services.

Exhibit 3: LeTV's ecosystem



Source: Company data.

Lower policy risk thanks to approval to cooperate with CIBN

On Aug 22, LeTV announced that it received approval from SARFT (State Administration of Radio, Film and Television) to migrate all of LeTV's internet TV users to the integrated broadcasting & control platform of China International Broadcasting Network (CIBN). LeTV's currently operating internet TV platform will be closed.

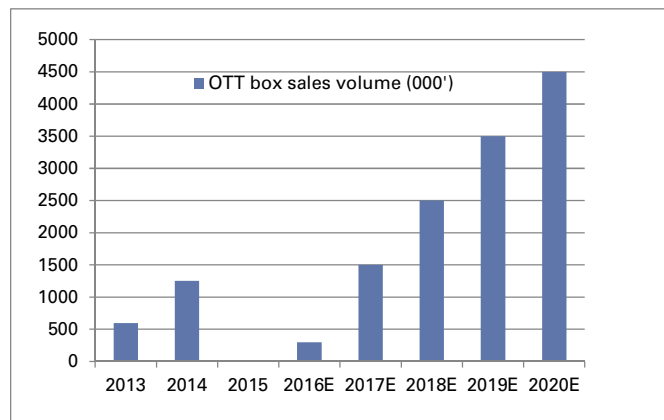
According to the announcement, LeTV will start a long term formal cooperation with CIBN, which we believe relieves policy uncertainty regarding internet TV platforms. We view this as positive for the long term development of LeTV's internet TV business.

Post this approval, LeTV can resume selling over-the-top (OTT) boxes, which the company stopped selling in 2015 due to the lack of cooperation with an integrated broadcasting & control platform, which was required by SARFT. We think this will boost the sale of OTT boxes and accelerate the development of internet TV user memberships.

For SuperTV, existing users can still have access to LeTV's content, with the UI (user interface) changing to CIBN from LeTV. We thus think sales of SuperTV will not be impacted by this change of platform.

Exhibit 4: We expect OTT box sales to grow quickly from 2016...

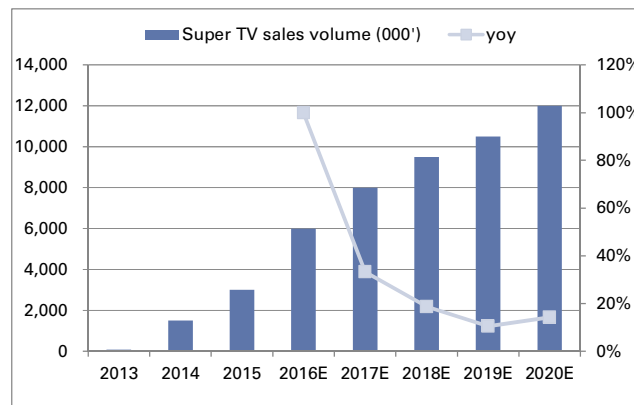
Sales volume of OTT boxes



Source: Company data, Gao Hua Securities Research

Exhibit 5: ...and SuperTV to continue showing rapid growth

Sales volume of SuperTV



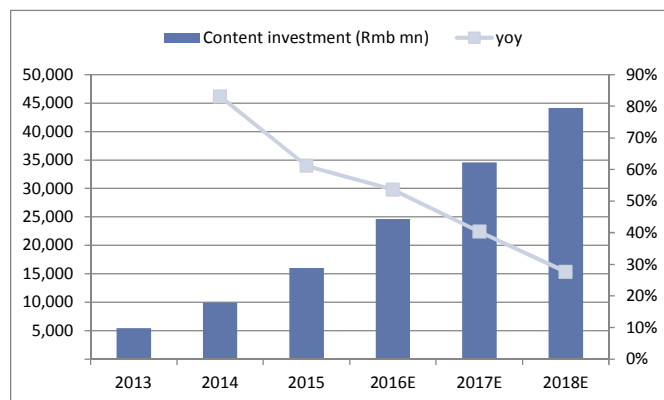
Source: Company data, Gao Hua Securities Research

Strong cash balance to help fight online video war

In the history of the company since its IPO, LeTV has not sought financing through an equity offering in the secondary market. Its consistent operating cash flow has been sufficient for its cash needs. However, in recent years, competition in the online video industry has intensified, with investments into online video copyright growing at a very fast speed. LeTV has had to keep up with the trend as well.

Exhibit 6: We expect industry content investment to increase rapidly...

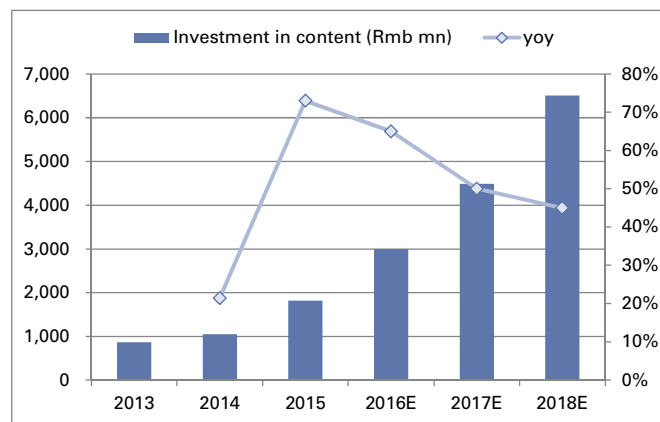
Industry investment in video content



Source: iResearch, Gao Hua Securities Research

Exhibit 7: ...and so would LeTV's content investment

LeTV's investment in video content



Source: Company data, Gao Hua Securities Research

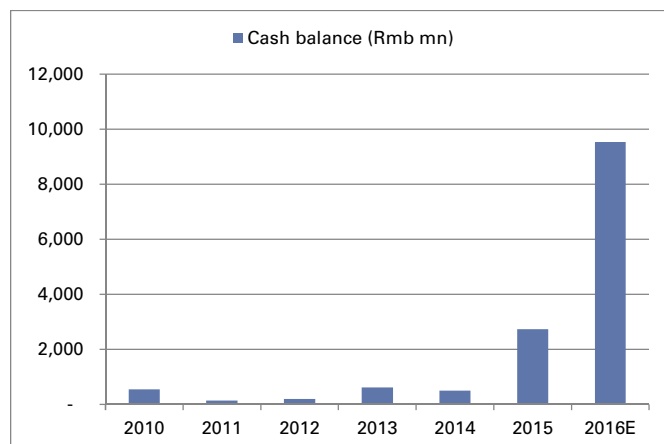
In order to fulfill the large cash need, LeTV for the first time issued 106mn shares for Rmb4.8bn invested capital. According to the company's announcement, Rmb4bn will be used to build its online video content library.

Apart from the equity offering, majority shareholders Jia Yueting and his sister Jia Yuefang also provided funding. As of 1H16, debt owed to Jia Yueting and Jia Yuefang is Rmb3.9bn. The

lenders have stated that these loans will be interest-free. In accounting terms, interest expense will be booked but will be added back to the capital reserve.

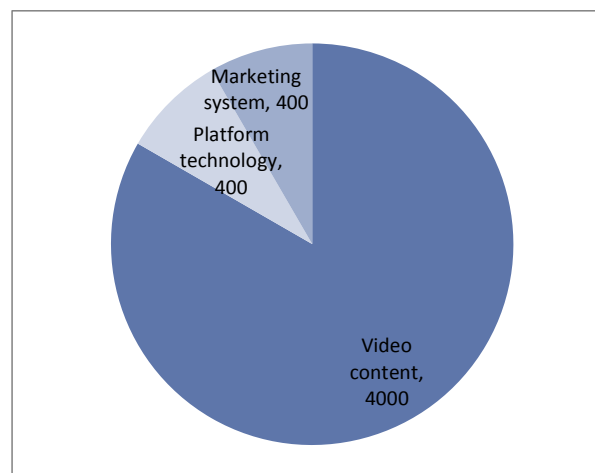
The company also received capital investment worth Rmb2.9bn from investment management companies to establish an M&A fund. In addition, the company has taken more bank loans (Rmb1.9bn) as of 1H16. We estimate the cash balance as of FY2016 will reach Rmb9.5bn, which should provide the company sizeable dry powder to fight the online video war and supply its business needs.

Exhibit 8: Cash balance has never been so high
LeTV's cash balance



Source: Company data, Gao Hua Securities Research

Exhibit 9: LeTV expects Rmb4bn from equity offering to be invested in video content
Usage of funding from equity offering, Rmb mn



Source: Company data

Hardware sales reaching scalability level, margin to improve

We view sales volume of hardware as near scalability levels. As we mentioned in our previous reports, currently LeTV is selling hardware at a loss. But as volume goes up, we expect the loss to shrink on economies of scale.

LeTV's SuperTV sales volume was 3mn in 2015. Management targets 6mn sales volume in 2016 and the company has already sold 2.5mn in 1H16. In 2015, LeTV's market share was 9% in China's smart TV market, based on market size data from AVC, a TV industry analysis company. We expect LeTV's share in this market to reach 13% in 2016 based on its ecosystem advantage over traditional TV manufacturers, making LeTV the top 3 player in terms of sales volume.

Gross margin of SuperTV has improved from 1H15's -44% to 1H16's -28.7%. Including membership revenue, SuperTV's gross margin was already positive in 2015. We expect SuperTV to have a positive net margin in 2017 thanks to economies of scale and higher membership revenue.

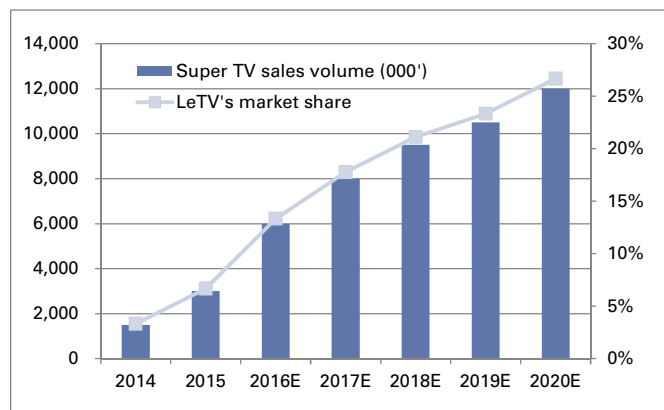
For SuperPhone, LeTV completed 3mn sales volume in 2015 after its initial launch in April 2015. According to management, sales volume of SuperPhone has already reached 10mn as of June 2016. We expect SuperPhone sales volume to be 15-20mn in 2016. According to market research institute Sino, LeTV ranked No.9 in China's smartphone market in terms of sales volume, with about 3% market share. However, from April to June, LeTV ranked No.7, showing strong grow momentum. The data also showed that LeTV ranked No.3 in the online channel, only after Xiaomi and Huawei.

In August 2016, Leshi Group (parent of LeTV) completed its investment into Coolpad, the top10 smartphone maker in China according to Sino. Post the investment, Leshi Group will own 28.9% of Coolpad. Leshi Group's chairman Mr. Jia Yueting will be the chairman of Coolpad. The two companies combined will rank No.6 in smartphone sales, according to our calculation based on Sino data for 1H16.

We view significant synergy between LeTV and Coolpad given they expect to cooperate closely in future. LeTV expects to leverage its online channels and cross-sell Coolpad's smartphones, while Coolpad will leverage its advantage in research, production and offline channels.

Exhibit 10: We expect SuperTV sales volume of 6mn in 2016

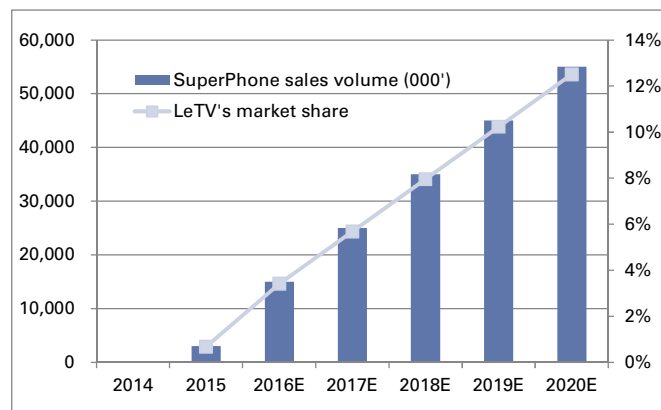
Sales volume and market share of SuperTV



Source: Company data, Gao Hua Securities Research

Exhibit 11: ...and SuperPhone sales volume to be 15mn

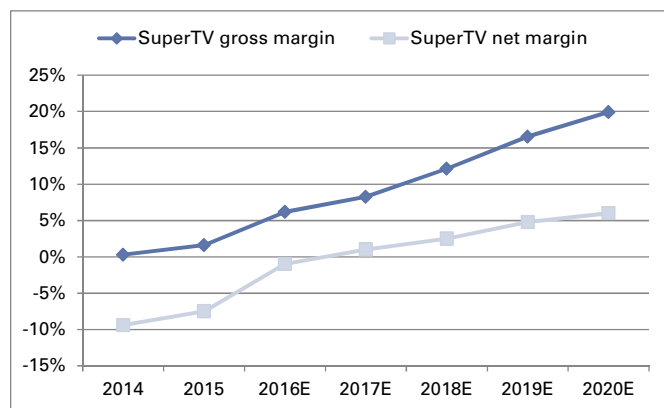
Sales volume and market share of SuperPhone



Source: Company data, Gao Hua Securities Research

Exhibit 12: We expect SuperTV to have positive net margin in 2017...

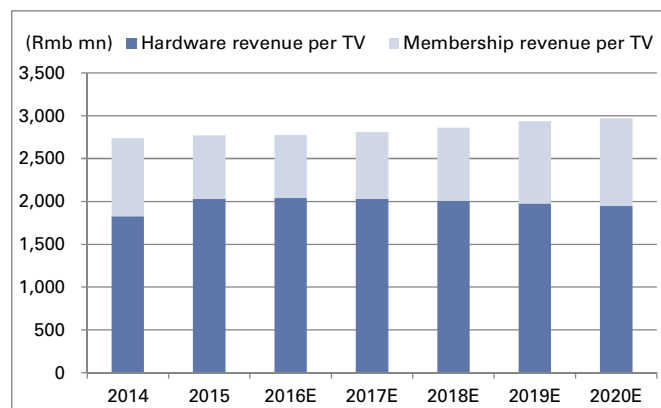
Gross margin and net margin of SuperTV



Source: Company data, Gao Hua Securities Research

Exhibit 13: ...and the share of membership revenue to increase

Hardware and membership revenue per SuperTV



Source: Company data, Gao Hua Securities Research

Catalysts

We think the market is currently concerned about the sustainability of LeTV's ecosystem and the success in monetization of users. Therefore, we keep a close watch on both hardware sales

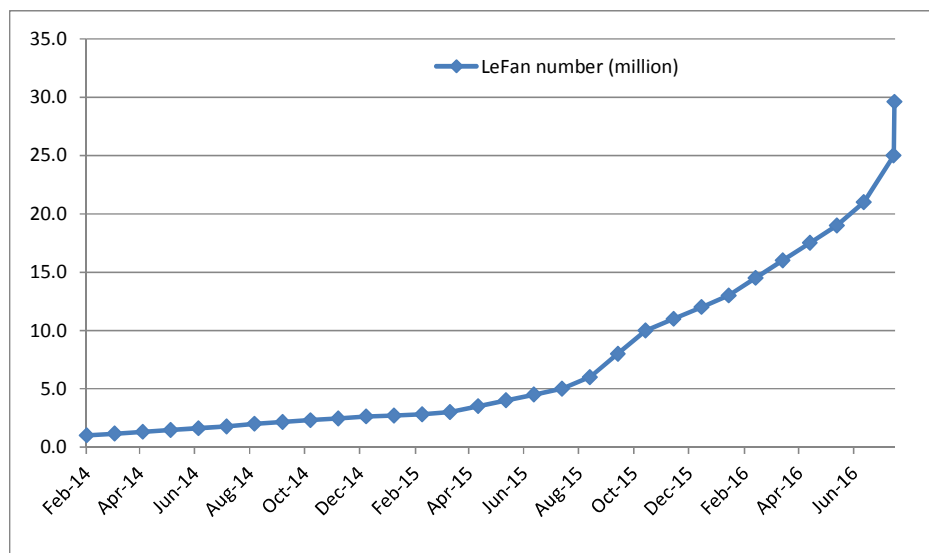
growth (to gain new users) and monetization (to raise user value), which we see as dual drivers of earnings.

Near-term catalysts include SuperTV / SuperPhone sales volume reaching the company's 2016 sales target of 6mn/15mn. By that time, cumulative SuperTV sales volume would have exceeded 10mn and cumulative SuperPhone sales would have exceeded 18mn. We expect the company will continue to expand market share based on its low price and ecosystem advantage, which would bring more scalability and operating leverage and in turn a recovery in EBIT margins.

Key events/dates to watch for in hardware:

- (1) **Sep 19 LeFan E-com Festival:** On Aug 30, LeEco (the parent group) announced that they expect to reach Rmb4bn sales on the day of the upcoming 919 (Sept. 19) LeFan E-com Festival. A LeFan could get hardware (including TV, smartphones) by only paying membership fees for a certain number of years. We think this festival is a comprehensive show of LeTV's ecosystem and will bring more paying members for the company. According to management, sales of Rmb4bn would be 75% higher than sales realized during the 414 (April 14) LeFan E-com Festival.
- (2) **Number of LeFans.** "LeFans" are the hardware buyers and service users of LeTV's whole ecosystem. As of the end of Aug 2016, the total number of LeFans climbed to 30mn. We note that it took 22 months for LeTV to gain the first 10mn LeFans, 7 months to gain the second 10mn, and now only 3 months to gain the third 10mn. We think the ecosystem scale is accelerating, thanks to the strong sales of hardware bundled with its various services. At this rate, LeFan's total base should be able to hit 50mn by the end of 2016 on our estimates.

Exhibit 14: Number of LeFans are accelerating



Source: Company data.

Meanwhile, with the user base growing at a high speed and platform cooperation with CIBN, we see more monetization opportunities, including ad placement, TV shopping, and SmartTV games, which should benefit GP margins.

Key points to monitor in monetization:

- (1) **Ad placement on large screen:** So far, LeTV only relies on ad placement on the display screen during launch, but has generated Rmb50mn per month (up 545% yoy) in advertising revenue. With the launch of pre-movie or pre-drama ad placement by the end of 2016, if the total installed base of SuperTVs hits 10mn, we expect advertisement revenue on large screens to more than double in 2017.
- (2) **SmartTV game:** With the accumulation of its installed base, SuperTV has become an important platform to launch high quality hardcore games. We expect 2017 would be a commercial year for SmartTV games, with more and more online game providers developing big games for SmartTV.

While for internet companies, topline growth is usually more a focus for investors than bottom line, we think that the turning point of earnings is also important to look at. In 1H16, LeTV realized revenue growth of 126%, and EBIT was up 337%. Excluding one-off investment gains, recurring NP attributable to shareholders was up 57%. We think margins of LeTV have bottomed since 2H15 and should be able to improve in the next couple of quarters with larger scale, operating leverage, and more monetization. Although our revenue forecast of 2017 is in line with Wind consensus, our 2017 EPS is 15% higher than Wind consensus.

Estimate changes: Raise revenue, cut margins on non-op. factors

Post 1H16 results, we revise our estimates. While we raise 2016E-20E revenue by 4.3%-15.9% to reflect greater hardware sales volume, we cut 2016E-20E EPS by 3.1%-12.2% as we now forecast higher interest expense and lower non-operating income.

Exhibit 15: Estimate changes

In Rmb mn, except per share data

Estimate Changes		2016E	2017E	2018E	2019E	2020E
Rev-New		23,979	32,709	40,942	48,332	57,137
Rev-Old		22,988	30,499	37,086	42,311	49,283
	Chg	4.3%	7.2%	10.4%	14.2%	15.9%
EPS-New		0.41	0.73	1.29	1.79	2.21
EPS-Old		0.46	0.84	1.39	1.88	2.28
	Chg	-12.2%	-12.2%	-7.7%	-5.0%	-3.1%
TP-New		63.43				
TP-Old		65.45				
	Chg	-3.1%				

Source: Gao Hua Securities Research

In 1H16, LeTV realized revenue growth of 126%, and EBIT was up 337%. Excluding one-off investment gains, recurring NP attributed to shareholders was up 57%. We now expect 63% yoy revenue growth, 120% yoy EBIT growth and 63% yoy NP attributed to shareholders.

Exhibit 16: We expect 63% yoy NP attributed to shareholders in 2H16

In Rmb mn, except per share data

		1H14	2H14	1H15	2H15	1H16	2H16E
Revenue		2,939	3,880	4,461	8,556	10,063	13,915
	YoY	291%	141%	52%	121%	126%	63%
COGS		2,488	3,340	3,788	7,324	8,558	11,743
Gross profit		451	540	673	1,232	1,505	2,172
	YoY	51%	37%	49%	128%	124%	76%
	Gross margin	15%	14%	15%	14%	15%	16%
Sales tax and other		15	42	17	78	30	42
	% of revenue	1%	1%	0%	1%	0%	0%
Sales expense		205	284	443	598	909	1,129
	% of revenue	7%	7%	10%	7%	9%	8%
Administrative expense		76	100	121	188	242	321
	% of revenue	3%	3%	3%	2%	2%	2%
	SG&A ratio	10%	11%	13%	10%	12%	11%
Operating margin		136	80	63	277	274	610
	YoY	20%	(36%)	(66%)	246%	337%	120%
	EBIT Margin	5%	2%	1%	3%	3%	4%
Finance expense		82	86	75	274	258	250
Investment gains		(1)	1	85	(7)	15	15
Non-operating revenue		13	14	0	45	18	32
Non-operating expense		0	2	0	40	0	40
Earnings before tax		66	7	73	1	46	369
Tax		(1)	(55)	(36)	(107)	(34)	(43)
Net income		66	63	109	108	80	412
	% of revenue	2%	2%	2%	1%	1%	3%
Minority interest		(86)	(150)	(145)	(210)	(204)	(107)
Net income attributable to majority shareholders		152	212	255	318	284	519
	YoY	30%	53%	68%	50%	12%	63%
Basic EPS		0.19	0.25	0.14	0.17	0.15	0.26

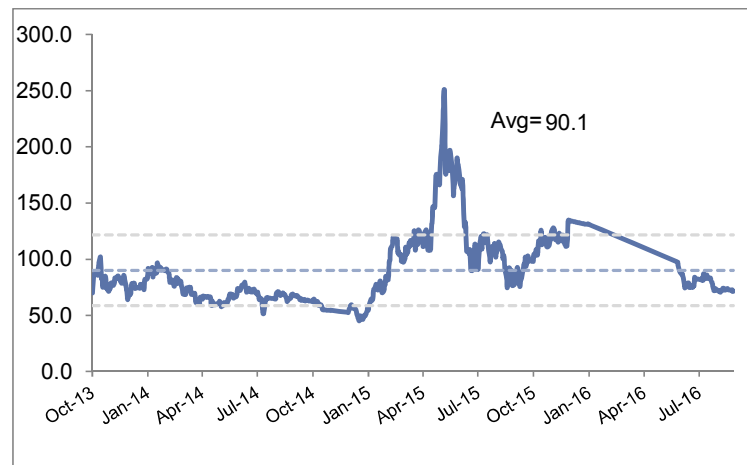
Source: Company data, Gao Hua Securities Research

For full year 2016, we expect revenue to maintain a high growth of 84% yoy thanks to strong hardware sales and related revenue such as membership payments and advertising revenue. As we expect EBIT margins to expand from 2.6% in 2015 to 3.7% in 2016E due to improving SuperTV margins, EBIT should grow 160% yoy. However, NP growth attributable to shareholders would be lower (c.40%) due to the drag from non-operating items, including higher interest expense and lower investment income.

Our 12-month target price is thus lowered by 3.1% to Rmb63.43, still based on 39X 2020E EPS of Rmb2.21 (was Rmb2.28) and discount back to 2016 using 8% COE.

Exhibit 17: Historical forward P/E average level is 90X

LeTV historical rolling 12-month forward P/E



Source: Bloomberg

Exhibit 18: Key drivers and financial highlights

Rmb mn	2013	2014	2015	2016E	2017E	2018E	2019E	2020E
Total revenue	2,361	6,819	13,017	23,979	32,709	40,942	48,332	57,137
yoy	102%	189%	91%	84%	36%	25%	18%	18%
Membership & distribution	1,018	2,422	3,782	6,726	9,159	11,669	14,276	17,287
Membership revenue	393	1,526	2,710	5,638	8,024	10,480	13,026	15,965
Online video distribution	625	705	776	776	776	776	776	776
Movie & TV drama distribution		191	296	312	359	413	475	546
Advertising Revenue	839	1,572	2,634	4,003	5,805	8,126	10,564	13,206
Other	0	85	512	1,000	1,500	2,100	2,730	3,276
Hardware Revenue	504	2,740	6,089	12,249	16,245	19,046	20,762	23,369
Total COGS	1,669	5,828	11,112	20,302	27,215	33,035	37,998	44,327
Depreciation	39	47	114	196	244	302	371	454
Amortization of content cost	580	990	1,430	2,402	3,740	5,497	7,645	9,882
Hardware cost	688	4,092	8,186	15,556	20,307	23,427	25,121	27,809
TV Drama Studio		95	95	125	144	165	190	218
Other	361	604	1,287	2,022	2,782	3,644	4,670	5,963
Gross profit	693	991	1,905	3,677	5,493	7,907	10,335	12,811
yoy	43%	43%	92%	93%	49%	44%	31%	24%
Gross margin	29.3%	14.5%	14.6%	15.3%	16.8%	19.3%	21.4%	22.4%
Sales tax and add-on	26	57	95	72	98	123	145	171
as % of revenue	1.1%	0.8%	0.7%	0.3%	0.3%	0.3%	0.3%	0.3%
Sales expense	195	489	1,041	2,038	2,780	3,480	4,108	4,857
as % of revenue	8.2%	7.2%	8.0%	8.5%	8.5%	8.5%	8.5%	8.5%
Administrative expense	90	175	309	563	769	962	1,136	1,343
as % of revenue	3.8%	2.6%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Net financial expenses	116	168	349	508	504	511	508	493
Impairment losses on PP&E	28	54	120	120	120	120	120	120
Investment gains/loss	(1)	0	79	30	32	33	35	36
Other non-operating income	11	28	45	50	50	50	50	50
Other non-operating expense	(1)	(3)	(40)	(40)	(40)	(40)	(40)	(40)
Pre-tax profit (income before)	246	73	74	415	1,264	2,755	4,362	5,873
Income taxes	14	(56)	(143)	(77)	(123)	-	173	467
Net income	232	129	217	492	1,387	2,755	4,189	5,406
Minority interests	(23)	(235)	(356)	(312)	(70)	203	644	1,017
Net income attributable to	255	364	573	804	1,457	2,552	3,545	4,388
yoy	31%	43%	57%	40%	81%	75%	39%	24%
Net margin	11%	5%	4%	3%	4%	6%	7%	8%
EPS - basic (Rmb)	0.32	0.43	0.31	0.41	0.73	1.29	1.79	2.21

Source: Company data, Gao Hua Securities Research

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