

Equities



UNITED STATES

WUBA US Outperform

Price (at 23:00, 11 Nov 2017 GMT) US\$67.11

Valuation US\$ 90.00

- PER

12-month target US\$ 90.00

12-month TSR % +34.1

GICS sector Software & Services

Market cap US\$m 9,770

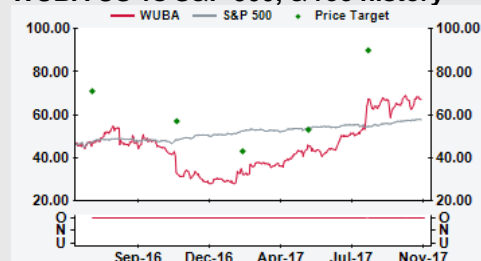
30-day avg turnover US\$m 55.6

Number shares on issue m 145.6

Investment fundamentals

| Year end 31 Dec | | 2016A | 2017E | 2018E | 2019E |
|-----------------|-----|-------|--------|--------|--------|
| Revenue | m | 7,592 | 10,014 | 12,695 | 15,535 |
| EBIT | m | 778 | 2,064 | 3,051 | 4,391 |
| Reported profit | m | -784 | 1,033 | 2,031 | 3,121 |
| Adjusted profit | m | -239 | 1,559 | 2,641 | 3,829 |
| Gross cashflow | m | -53 | 1,805 | 2,817 | 4,004 |
| CFPS | Rmb | -0.37 | 12.26 | 18.78 | 26.35 |
| CFPS growth | % | 96.2 | nmf | 53.2 | 40.3 |
| PGCFPS | x | nmf | 36.3 | 23.7 | 16.9 |
| EPS adj | Rmb | -1.72 | 10.56 | 17.60 | 25.18 |
| EPS adj growth | % | 82.6 | nmf | 66.6 | 43.1 |
| PER adj | x | nmf | 42.2 | 25.3 | 17.7 |
| Total DPS | Rmb | 0.00 | 0.00 | 0.00 | 0.00 |
| Total div yield | % | 0.0 | 0.0 | 0.0 | 0.0 |
| ROA | % | 3.0 | 8.0 | 10.7 | 13.4 |
| ROE | % | -1.3 | 8.4 | 13.0 | 16.3 |
| EV/EBITDA | x | 68.1 | 29.8 | 21.0 | 15.0 |
| Net debt/equity | % | 3.6 | 2.6 | -15.2 | -32.8 |
| P/BV | x | 3.6 | 3.5 | 3.1 | 2.7 |

WUBA US vs S&P 500, & rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, November 2017
(all figures in Rmb unless noted, TP in USD)

Analyst(s)

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13 November 2017

Macquarie Capital Limited

58.com

Bright outlook for 2018

Conclusion

- 3Q17 earnings came in nearly 100% higher than both MQ and consensus due to the strength in job revenue and lower than expected S&M expenses. Job revenue growth accelerated from 50% in 1H17 to 60+% yoy in 3Q17, while housing revenue grew 20+% yoy amid a housing market cool-down. We retain our long-term bullish view of 58's local ecosystem and expect 58 to continue to show operating leverage in 2018-19. We maintain our FY17-19 revenue forecast but raise our 2018-19 earnings estimates due to non-operating items. We maintain our Outperform rating and US\$90 TP based on 35x 2018 PE.

Impact

- 3Q results and 4Q guidance strong beat.** 3Q17 revenue increased 33% YoY to Rmb2.7bn, beating our/consensus by 3%/7%, on the back of stronger job category revenue growth. The number of paying accounts increased 26% yoy to 2.6m in 3Q17. Non-GAAP OPM improved 11ppts yoy to 24%, primarily attributable to the control over S&M expenses. Non-GAAP net income reached Rmb479bn, 98% higher than consensus estimate of Rmb241m. The company guides 4Q17 revenue to increase 25-30% YoY to Rmb2.63-2.73bn, 3-7% above consensus estimate of Rmb2.56bn.
- Job growth accelerated and housing was better than expected.** Job revenue growth accelerated to 60+% YoY in 3Q17 from c.50% YoY in 1Q17. We expect an expansion of job revenue by c.50% in 2018. 58 in the same county achieved 1m DAU and now covers 3,000 counties. The company is targeting an increase of coverage by 10 times to 30k counties in 2018. Despite the high base in 3Q16 and soft transaction volume in the housing market, the housing vertical generated better-than-expected 20+% yoy revenue growth in 3Q17. Looking to 2018, we expect revenue to grow 27% to Rmb12.7bn.
- Margin expansion should continue.** 3Q17 non-GAAP OPM improved 11ppts yoy to 24% as the advertising expense was prudently controlled and the synergies of the merger with Ganji kicked in. In addition, 58's customer are becoming more online self-served and customer services becoming more automated. Despite an increase in R&D personnel being expected in 2018, we believe 58 will further cut sales headcount in 2H18 onwards. We estimate non-GAAP OPM to expand from 10% in 2016 to 21%/24% in 2017/18. Furthermore, equity loss related to 58Home will be largely removed in 2018 and help non-GAAP net margin to expand from 15% in 2017 to 21% in 2018. We estimate Rmb679m equity loss in 2017.

Earnings and target price revision

- We raise 2018/19 EPS by 13%/9%, largely due to non-operating items, and maintain our TP of US\$90 based on a lower FY18E PER of 35x from 40x due to the lower earnings CAGR.

Price catalyst

- 12-month price target: US\$90.00 based on a PER methodology.
- Catalyst: Margin expansion, jobs growth

Action and recommendation

- Reiterate OP.

Analysis

- **3Q17 revenue increased 33% YoY to Rmb2.7bn**, beating MQ/consensus by 3%/7%. This was attributable to strong performance in job revenue and better-than-expected house category revenue. Membership revenue grew 27% YoY to Rmb994m and online marketing services grew 38% YoY to Rmb1,661m. The number of subscription-based paying membership accounts increased 26% YoY to 2.6m.
- **Margin expansion on track.** Non-GAAP OPM expanded 11ppts YoY QoQ to 24% as advertising expense was prudently controlled and synergies of the merger with Ganji kicked in. S&M expense as % of revenue decreased 12ppts YoY to 49%, due to a decrease in advertising spending on Ganji. Total headcount and sales headcount were stable at 22k and 17k respectively. The revenue growth was driven by the improved efficiency. We see margin expansion is well on track and expect non-GAAP operating margin to continue to improve from 10% in 2016 to 21%/24% in 2017/18.
- **Non-GAAP net income** reached Rmb479m, 98% higher than both MQ and consensus estimates.

Fig 1 3Q17 results review

| (Rmb m) | 3Q16 | 2Q17 | 3Q17 | QoQ | YoY | MQ est | Variance | Cons | Variance |
|------------------------------------|--------------|--------------|--------------|-------------|-------------|--------------|-------------|--------------|-------------|
| Total revenue | 2,043 | 2,593 | 2,723 | 5% | 33% | 2,650 | 2.7% | 2,552 | 6.7% |
| Cost of revenue | 177 | 235 | 228 | -3% | 29% | 240 | -5% | | |
| Gross Profit | 1,866 | 2,358 | 2,495 | 6% | 34% | 2,409 | 4% | 2,305.2 | 8% |
| Gross margin | 91.4% | 90.9% | 91.6% | 71bps | 28bps | 90.9% | 71bps | 90% | 129bps |
| S&M expenses | 1,254 | 1,282 | 1,346 | 5% | 7% | 1,563 | -14% | | |
| R&D expenses | 306 | 323 | 373 | 15% | 22% | 344 | 8% | | |
| G&A expenses | 163 | 171 | 253 | 48% | 55% | 199 | 27% | | |
| Total operating expense (GAAP) | 1,723 | 1,776 | 1,972 | 11% | 14% | 2,107 | -6% | | |
| Operating income (Non-GAAP) | 266 | 716 | 663 | -7% | 149% | 459 | 44% | 495 | 34% |
| Operating margin (Non-GAAP) | 13.0% | 27.6% | 24.4% | -325bps | 1133bps | 17.3% | 704bps | 19% | 496bps |
| Other income/(expense) | (350) | 42 | (81) | na | -77% | (205) | -60% | | |
| Income (loss) before tax | (207) | 624 | 441 | -29% | na | 98 | 351% | | |
| Income tax benefit (expense) | 12 | (55) | (51) | -8% | na | (13) | 302% | | |
| GAAP net income | (199) | 539 | 353 | -34% | na | 85 | 315% | 154 | 129% |
| Non-GAAP net income | (4) | 662 | 479 | -28% | na | 241 | 98% | 241 | 98% |
| Diluted EPADS (Non-GAAP) | (0.03) | 4.50 | 3.23 | -28% | na | 1.64 | 97% | 1.63 | 98% |

Source: Company data, Bloomberg, Macquarie Research, November 2017

Fig 2 Key assumptions

| (Rmb m) | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E |
|---------------------------|--------------|--------------|--------------|---------------|---------------|---------------|
| Total revenue | 1,628 | 4,478 | 7,592 | 10,014 | 12,695 | 15,535 |
| Membership | 857 | 1,860 | 2,951 | 3,749 | 4,610 | 5,483 |
| Online marketing services | 768 | 2,415 | 4,364 | 5,940 | 7,722 | 9,652 |
| E-commerce/ Anjuke | - | 145 | 167 | 99 | 104 | 109 |
| Other services | 3 | 58 | 110 | 226 | 260 | 292 |
| YoY | | | | | | |
| Total revenue | 81% | 175% | 70% | 32% | | 22% |
| Membership | 62% | 117% | 59% | 27% | 23% | 19% |
| Online marketing services | 113% | 214% | 81% | 36% | 30% | 25% |
| E-commerce/ Anjuke | | | 15% | -41% | 5% | 5% |
| Other services | -71% | 1991% | 90% | 105% | 15% | 12% |
| % of total revenue | | | | | | |
| Membership | 53% | 42% | 39% | 37% | 36% | 35% |
| Online marketing services | 47% | 54% | 57% | 59% | 61% | 62% |
| E-commerce/ Anjuke | 0% | 3% | 2% | 1% | 1% | 1% |
| Other services | 0% | 1% | 1% | 2% | 2% | 2% |

Source: Company data, Macquarie Research, November 2017

Estimate revisions

- We raise our R&D expenses forecast for FY18-19 as an increase in R&D personnel is expected while we lower our forecast on S&M and G&A cost due to the improving efficiency resulting from synergies after the merger.
- We raise our 2018-19 EPS estimates mainly because of non-operating items related to 58Home. 58Home will have no impact on P&L starting from 2018 as the investment has been fully written off.

Fig 3 Estimate revisions

| New estimates | | | | |
|----------------------------|--------------|--------------|--------------|--------------|
| (RMB m) | 4Q17E | 2017E | 2018E | 2019E |
| Revenue | 2,710 | 10,014 | 12,695 | 15,535 |
| Gross profit | 2,456 | 9,098 | 11,606 | 14,348 |
| GAAP Operating profit | 355 | 1,538 | 2,441 | 3,684 |
| Non-GAAP operating profit | 506 | 2,108 | 3,051 | 4,391 |
| Non-GAAP net profit | 313 | 1,564 | 2,641 | 3,829 |
| Non-GAAP diluted EPS (RMB) | 2.10 | 10.62 | 17.61 | 25.20 |
| Old estimates | | | | |
| (RMB m) | 4Q17E | 2017E | 2018E | 2019E |
| Revenue | 2,710 | 9,942 | 12,597 | 15,411 |
| Gross profit | 2,464 | 9,020 | 11,520 | 14,216 |
| GAAP Operating profit | 337 | 1,300 | 2,443 | 3,611 |
| Non-GAAP operating profit | 496 | 1,888 | 3,081 | 4,354 |
| Non-GAAP net profit | 316 | 1,325 | 2,322 | 3,488 |
| Non-GAAP diluted EPS (RMB) | 2.1 | 9.0 | 15.6 | 23.1 |
| Revision | 4Q17E | 2017E | 2018E | 2019E |
| Revenue | 0.0% | 0.7% | 0.8% | 0.8% |
| Gross profit | -0.3% | 0.9% | 0.7% | 0.9% |
| Operating profit | 5.4% | 18.3% | -0.1% | 2.0% |
| Non-GAAP operating profit | 2.1% | 11.7% | -1.0% | 0.9% |
| Non-GAAP net profit | -1.1% | 18.1% | 13.7% | 9.8% |
| Non-GAAP diluted EPS | -1.5% | 17.8% | 13.2% | 9.3% |
| Consensus | | | | |
| (RMB m) | 4Q17E | 2017E | 2018E | 2019E |
| Revenue | 2,561 | 9,590 | 11,909 | 14,459 |
| GAAP Operating profit | 419 | 1,613 | 2,574 | 3,593 |
| GAAP net profit | 90 | 736 | 1,449 | 2,251 |
| Non-gaap net profit | 224 | 1,080 | 1,840 | 3,019 |
| Non-GAAP diluted EPS (RMB) | 1.51 | 7.33 | 12.27 | 19.87 |
| Diff | 4Q17E | 2017E | 2018E | 2019E |
| Revenue | 5.8% | 4.4% | 6.6% | 7.4% |
| GAAP Operating profit | -15.3% | -4.6% | -5.2% | 2.5% |
| GAAP net profit | 80.2% | 40.3% | 40.2% | 38.7% |
| Non-gaap net profit | 39.4% | 44.9% | 43.6% | 26.8% |
| Non-GAAP diluted EPS | 39.4% | 44.9% | 43.6% | 26.8% |

Source: Company data, Bloomberg, Macquarie Research, November 2017

Fig 4 Financials

| YE December (RMB m) | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E | 16-17E | 17E-18E | 18E-21E |
|--|---------|---------|---------|---------|--------|--------|-----------|---------|---------|
| Consolidated income statement | | | | | | | | | |
| Revenue | 1,628 | 4,478 | 7,592 | 10,014 | 12,695 | 15,535 | 32% | 27% | 20% |
| Cost of revenue | 85 | 322 | 707 | 916 | 1,090 | 1,188 | 30% | 19% | 7% |
| Gross profit | 1,543 | 4,156 | 6,885 | 9,098 | 11,606 | 14,348 | 32% | 28% | 22% |
| GP margin | 95% | 93% | 91% | 91% | 91% | 92% | 0% | 1% | 1% |
| Operating expenses | 1,502 | 5,736 | 6,651 | 7,560 | 9,165 | 10,664 | 14% | 21% | 16% |
| Operating profit | 41 | -1,580 | 234 | 1,538 | 2,441 | 3,684 | 558% | 59% | 38% |
| Adjusted operating profit | 79 | -1,207 | 730 | 2,108 | 3,051 | 4,391 | 189% | 45% | 34% |
| OP margin | 5% | -27% | 10% | 21% | 24% | 28% | 1,144 bps | 298 bps | 890 bps |
| PBT | 178 | -1,697 | -824 | 1,232 | 2,389 | 3,672 | -250% | 94% | 39% |
| Income taxes (Credit) | -38 | 49 | 51 | -129 | -358 | -551 | -353% | 178% | 39% |
| Adjusted Net income | 177 | -1,145 | -204 | 1,564 | 2,641 | 3,829 | -866% | 69% | 34% |
| Non-GAAP EPS (diluted) | 2.02 | -9.77 | -1.42 | 10.62 | 17.61 | 25.20 | -850% | 66% | 33% |
| EBITDA | 76 | -1,371 | 640 | 1,900 | 2,812 | 4,064 | 197% | 48% | 34% |
| EBITDA margin | 5% | -31% | 8% | 19% | 22% | 26% | 1,054 bps | 317 bps | 834 bps |
| Adjusted EBITDA | 114 | -998 | 1,137 | 2,471 | 3,422 | 4,771 | 117% | 38% | 31% |
| Balance Sheet | | | | | | | | | |
| Cash and cash equivalents | 699 | 3,138 | 1,200 | 84 | 3,880 | 8,897 | -93% | 4528% | 81% |
| Term deposits | 1,747 | 31 | 1,152 | 668 | 668 | 668 | -42% | 0% | 0% |
| Short-term investments | 1,341 | 268 | 860 | 2,513 | 2,513 | 2,513 | 192% | 0% | 0% |
| Accounts receivable | 39 | 351 | 425 | 598 | 699 | 889 | 41% | 17% | 21% |
| Prepaid expenses and other current assets | 150 | 499 | 426 | 748 | 748 | 748 | 76% | 0% | 0% |
| Current assets | 3,976 | 4,288 | 4,063 | 4,611 | 8,508 | 13,714 | 13% | 85% | 49% |
| Property and equipment, net | 111 | 799 | 1,481 | 1,523 | 1,567 | 1,610 | 3% | 3% | 2% |
| Long-term prepayments | 130 | 1,035 | 224 | 309 | 309 | 309 | 38% | 0% | 0% |
| Goodwill | - | 15,982 | 15,904 | 15,904 | 15,904 | 15,904 | 0% | 0% | 0% |
| Non-current asset | 392 | 22,093 | 21,263 | 21,893 | 21,763 | 21,631 | 3% | -1% | -1% |
| Total assets | 4,368 | 26,380 | 25,326 | 26,504 | 30,271 | 35,345 | 5% | 14% | 18% |
| Short-term loan | - | 1,786 | 1,843 | 581 | 581 | 581 | -68% | 0% | 0% |
| Accounts payable | 99 | 660 | 612 | 819 | 995 | 1,224 | 34% | 22% | 20% |
| Customer advances and deposits | 223 | 981 | 1,236 | 1,630 | 2,067 | 2,529 | 32% | 27% | 20% |
| Current liabilities | 1,220 | 7,533 | 6,880 | 6,678 | 7,978 | 9,398 | -3% | 19% | 17% |
| Deferred tax liabilities | - | 430 | 374 | 333 | 333 | 333 | -11% | 0% | 0% |
| Total non-current liabilities | - | 456 | 594 | 594 | 594 | 594 | 0% | 0% | 0% |
| Total liabilities | 1,220 | 7,989 | 7,474 | 7,271 | 8,572 | 9,992 | -3% | 18% | 16% |
| Total shareholders' equity | 3,148 | 18,294 | 17,766 | 19,146 | 21,612 | 25,267 | 8% | 13% | 19% |
| Total liabilities and equity | 4,368 | 26,380 | 25,326 | 26,504 | 30,271 | 35,345 | 5% | 14% | 18% |
| Cashflow statement | | | | | | | | | |
| Net income (loss) | 139 | (1,649) | (773) | 1,103 | 2,031 | 3,121 | -243% | 84% | 39% |
| Changes in Working capital | 393 | 1,161 | 825 | 563 | 1,200 | 1,231 | -32% | 113% | 8% |
| Net cash (used for) provided by operating activities | 607 | 199 | 1,888 | 1,554 | 4,037 | 5,265 | -18% | 160% | 26% |
| Purchase of property and equipment | (200) | (1,256) | (212) | (230) | (241) | (248) | 8% | 5% | 0% |
| Net cash in investing activities | (1,884) | (2,781) | (3,948) | (2,076) | (241) | (248) | -47% | -88% | 0% |
| Proceeds from exercise of share options | 20 | 21 | 21 | - | - | - | -100% | na | na |
| Proceeds from issuance Preference/Ordinary Shares | 4,532 | 2,452 | - | - | - | - | na | na | na |
| Others | (2,967) | 2,457 | 38 | (594) | - | - | -1684% | -100% | na |
| Net cash provided by (used in) financing activities | 1,585 | 4,931 | 59 | (594) | - | - | -1113% | -100% | na |
| Effect of exchange rate changes | 5 | 109 | 64 | - | - | - | -100% | na | na |
| Net increase in cash and cash equivalents | 313 | 2,457 | (1,938) | (1,117) | 3,796 | 5,017 | -42% | -440% | 27% |
| Cash and cash equivalents at the beginning of the year | 369 | 682 | 3,138 | 1,200 | 84 | 3,880 | -62% | -93% | 467% |
| Cash and cash equivalents at the end of the year | 682 | 3,138 | 1,200 | 84 | 3,880 | 8,897 | -93% | 4528% | 81% |

Source: Company data, Macquarie Research, November 2017

Fig 5 Ratios

| YE 31 December | | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E | 16-17E | 17E-18E | 18E-21E |
|-----------------------------|---------|--------|--------|---------|--------|--------|--------|-----------|---------|---------|
| Per ADS | | | | | | | | | | |
| EPADS (Non-GAAP Diluted) | (RMB) | 2.02 | -9.77 | -1.42 | 10.62 | 17.61 | 25.20 | -850% | 66% | 33% |
| EPADS (diluted) | (RMB) | 1.59 | -13.42 | -5.44 | 7.02 | 13.54 | 20.54 | -229% | 93% | 38% |
| BVPADS | (RMB) | 35.93 | 156.04 | 123.23 | 130.04 | 144.12 | 166.27 | 6% | 11% | 18% |
| Cash per ADS | (RMB) | 7.98 | 11.54 | -4.46 | -3.38 | 22.00 | 54.72 | -24% | -751% | 88% |
| Avg. ADS - Diluted | (m) | 87.6 | 117.2 | 144.2 | 147.2 | 150.0 | 152.0 | 2% | 2% | 1% |
| Value | | | | | | | | | | |
| EV/Revenue | X | 44.0x | 16.0x | 9.4x | 7.1x | 5.6x | 4.6x | -- | -- | -- |
| EV/EBITDA | X | 945.3x | -52.2x | 111.8x | 37.7x | 25.5x | 17.6x | -- | -- | -- |
| EV/FCF | X | 247.3x | -60.6x | 48.6x | 29.7x | 19.1x | 14.6x | -- | -- | -- |
| P/E (Non-GAAP) | X | 228.7x | -47.4x | -326.9x | 43.6x | 26.3x | 18.4x | -- | -- | -- |
| P/E (non-GAAP, ex cash) | X | 201.5x | -39.3x | -348.6x | 45.8x | 17.7x | 3.4x | -- | -- | -- |
| Price/ Sales | X | 41.9x | 15.2x | 9.0x | 6.8x | 5.4x | 4.4x | -- | -- | -- |
| Price/ Book | X | 12.9x | 3.0x | 3.8x | 3.6x | 3.2x | 2.8x | -- | -- | -- |
| Profit & Loss | | | | | | | | | | |
| Gross Revenue | (RMB m) | 1,628 | 4,478 | 7,592 | 10,014 | 12,695 | 15,535 | 32% | 27% | 20% |
| EBITDA | (RMB m) | 76 | -1,371 | 640 | 1,900 | 2,812 | 4,064 | 197% | 48% | 34% |
| Operating Profit (non GAAP) | (RMB m) | 79 | -1,207 | 730 | 2,108 | 3,051 | 4,391 | 189% | 45% | 34% |
| Non-GAAP Net Income | (RMB m) | 177 | -1,145 | -204 | 1,564 | 2,641 | 3,829 | -866% | 69% | 34% |
| Profitability | | | | | | | | | | |
| Gross margin | % | 95% | 93% | 91% | 91% | 91% | 92% | 16 bps | 57 bps | 254 bps |
| EBITDA Margin | % | 5% | -31% | 8% | 19% | 22% | 26% | 1,054 bps | 317 bps | 834 bps |
| Operating Margin (non GAAP) | % | 5% | -27% | 10% | 21% | 24% | 28% | 1,144 bps | 298 bps | 890 bps |
| Non-GAAP Net Margin | % | 11% | -26% | -3% | 16% | 21% | 25% | 1,831 bps | 518 bps | 778 bps |
| Cash Flow | | | | | | | | | | |
| Operating Cash Flow | (RMB m) | 607 | 199 | 1,888 | 1,554 | 4,037 | 5,265 | -18% | 160% | 26% |
| Free Cash Flow : | (RMB m) | 289 | -1,181 | 1,472 | 2,409 | 3,749 | 4,920 | 64% | 56% | 27% |
| +EBIT*(1-t) | (RMB m) | 62 | -1,172 | 685 | 1,888 | 2,593 | 3,733 | 176% | 37% | 34% |
| +D&A | (RMB m) | 34 | 91 | 176 | 188 | 197 | 205 | 7% | 4% | 4% |
| +Capex & Investments | (RMB m) | -200 | -1,261 | -213 | -230 | -241 | -248 | 8% | 5% | 0% |
| +Change in NWC | (RMB m) | 393 | 1,161 | 825 | 563 | 1,200 | 1,231 | -32% | 113% | 8% |
| Yield | | | | | | | | | | |
| Dividend Yield | % | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0 bps | 0 bps | 0 bps |
| FCF Yield | % | 0.7% | -2.2% | 2.2% | 3.5% | 5.4% | 7.0% | 133 bps | 186 bps | 546 bps |
| Earnings Yield | % | 0.4% | -2.1% | -0.3% | 2.3% | 3.8% | 5.4% | 260 bps | 151 bps | 515 bps |
| Balance Sheet | | | | | | | | | | |
| Net debt (cash) | (RMB m) | -699 | -1,353 | 642 | 497 | -3,299 | -8,316 | -23% | -763% | 90% |
| Net debt/ equity | (RMB m) | cash | cash | 4% | 3% | cash | cash | -- | -- | -- |
| Shareholders' Equity | (RMB m) | 3,148 | 18,294 | 17,766 | 19,146 | 21,612 | 25,267 | 8% | 13% | 19% |
| Efficiency | | | | | | | | | | |
| ROE (average) | % | 8% | -11% | -1% | 8% | 13% | 16% | 961 bps | 448 bps | 617 bps |
| ROA (average) | % | 6% | -7% | -1% | 6% | 9% | 12% | 683 bps | 327 bps | 459 bps |
| ROIC (average) | % | 4% | -11% | 4% | 11% | 14% | 18% | 710 bps | 347 bps | 711 bps |

Source: Company data, Macquarie Research, November 2017

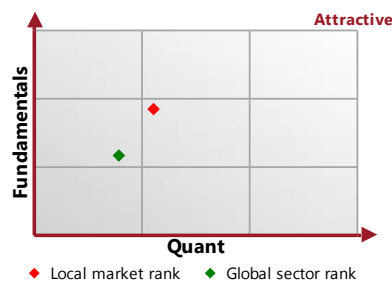
Macquarie Quant View

The quant model currently holds a reasonably negative view on 58.com. The strongest style exposure is Growth, indicating this stock has good historic and/or forecast growth. Growth metrics focus on both top and bottom line items. The weakest style exposure is Valuations, indicating this stock is over-priced in the market relative to its peers.

595/804

Global rank in
Software & Services

% of BUY recommendations 58% (11/19)
Number of Price Target downgrades 0
Number of Price Target upgrades 1

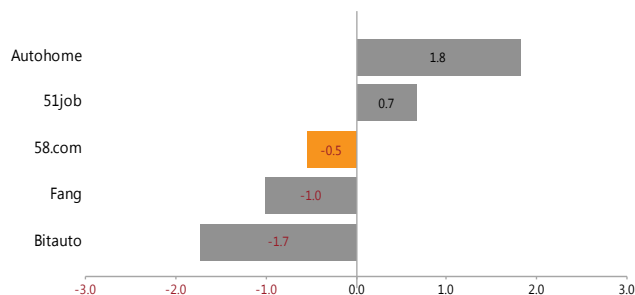


Displays where the company's ranked based on the fundamental consensus Price Target and Macquarie's Quantitative Alpha model.

Two rankings: Local market (China) and Global sector (Software & Services)

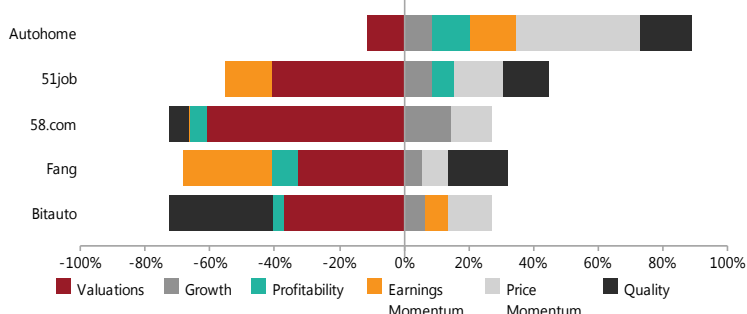
Macquarie Alpha Model ranking

A list of comparable companies and their Macquarie Alpha model score (higher is better).



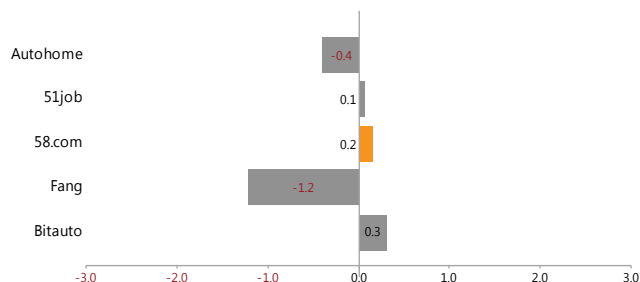
Factors driving the Alpha Model

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall Alpha score.



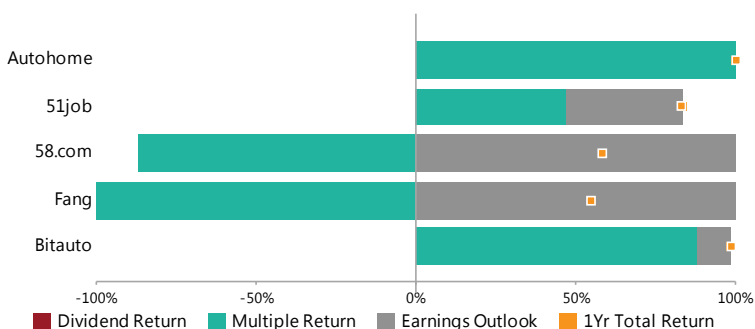
Macquarie Earnings Sentiment Indicator

The Macquarie Sentiment Indicator is an enhanced earnings revisions signal that favours analysts who have more timely and higher conviction revisions. Current score shown below.



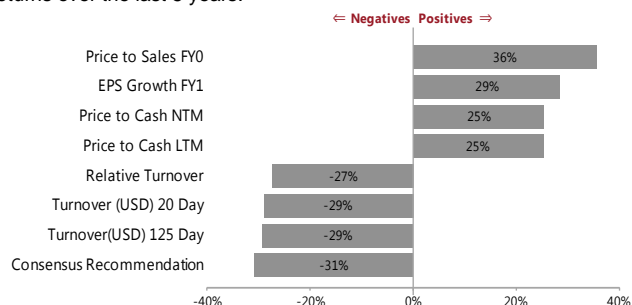
Drivers of Stock Return

Breakdown of 1 year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.



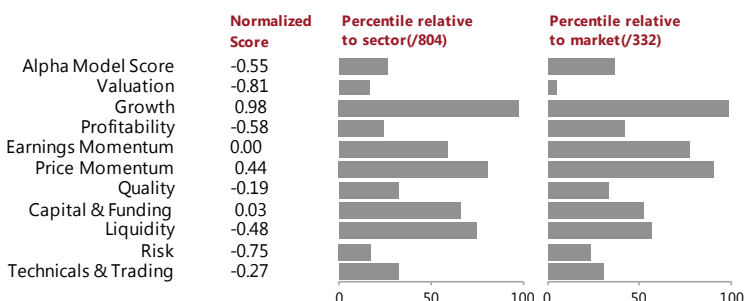
What drove this Company in the last 5 years

Which factor score has had the greatest correlation with the company's returns over the last 5 years.



How it looks on the Alpha model

A more granular view of the underlying style scores that drive the alpha (higher is better) and the percentile rank relative to the sector and market.



Source (all charts): FactSet, Thomson Reuters, and Macquarie Research. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative/Custom Products Group (cpq@macquarie.com)

Important disclosures:

Recommendation definitions

Macquarie - Australia/New Zealand

Outperform – return >3% in excess of benchmark return
 Neutral – return within 3% of benchmark return
 Underperform – return >3% below benchmark return

Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield

Macquarie – Asia/Europe

Outperform – expected return >+10%
 Neutral – expected return from -10% to +10%
 Underperform – expected return <-10%

Macquarie – South Africa

Outperform – expected return >+10%
 Neutral – expected return from -10% to +10%
 Underperform – expected return <-10%

Macquarie - Canada

Outperform – return >5% in excess of benchmark return
 Neutral – return within 5% of benchmark return
 Underperform – return >5% below benchmark return

Macquarie - USA

Outperform (Buy) – return >5% in excess of Russell 3000 index return
 Neutral (Hold) – return within 5% of Russell 3000 index return
 Underperform (Sell) – return >5% below Russell 3000 index return

Volatility index definition*

This is calculated from the volatility of historical price movements.

Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low–medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.

* Applicable to Asia/Australian/NZ/Canada stocks only

Recommendations – 12 months

Note: Quant recommendations may differ from Fundamental Analyst recommendations

Financial definitions

All "Adjusted" data items have had the following adjustments made:

Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
 Excluded: non recurring items, asset revaluations, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / efpowa*

ROA = adjusted ebit / average total assets

ROA Banks/Insurance = adjusted net profit / average total assets

ROE = adjusted net profit / average shareholders funds

Gross cashflow = adjusted net profit + depreciation

*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions – For quarter ending 30 September 2017

| | AU/NZ | Asia | RSA | USA | CA | EUR | |
|--------------|--------|--------|--------|--------|--------|--------|---|
| Outperform | 50.38% | 56.22% | 40.70% | 46.21% | 63.85% | 41.61% | (for global coverage by Macquarie, 4.18% of stocks followed are investment banking clients) |
| Neutral | 37.50% | 28.16% | 43.02% | 47.52% | 30.00% | 39.51% | (for global coverage by Macquarie, 2.68% of stocks followed are investment banking clients) |
| Underperform | 12.12% | 15.62% | 16.28% | 6.27% | 6.15% | 18.88% | (for global coverage by Macquarie, 1.08% of stocks followed are investment banking clients) |

WUBA US vs S&P 500, & rec history



(all figures in USD currency unless noted)

Note: Recommendation timeline – if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, November 2017

12-month target price methodology

WUBA US: US\$90.00 based on a PER methodology

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| Date | Stock Code (BBG code) | Recommendation | Target Price |
|-------------|-----------------------|----------------|--------------|
| 23-Aug-2017 | WUBA US | Outperform | US\$90.00 |
| 26-May-2017 | WUBA US | Outperform | US\$53.00 |
| 17-Feb-2017 | WUBA US | Outperform | US\$43.00 |
| 11-Nov-2016 | WUBA US | Outperform | US\$57.00 |
| 08-Jul-2016 | WUBA US | Outperform | US\$71.00 |

Target price risk disclosures:

WUBA US: Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

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