

Company Report: 58.com Inc (WUBA US)

公司报告: 58 同城 (WUBA US)

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3Q18 Results Beat, Growth of Paying Membership Accounts Retreated, "Accumulate"

2018年三季度业绩好于预期, 付费会员账户增长减慢, “收集”

- **58.com Inc ("58.com" or the "Company") posted consensus-beating 3Q18 results.** During 3Q18, total revenue reached RMB 3,626.8 mn, up 33.2% yoy, beating consensus by 2.0% and exceeding the higher end of the Company's previous guidance. Gross margin hit 89.5%, a decrease of 2.1 ppts yoy. Non GAAP net income attributable to ordinary shareholders reached RMB 843.5 mn, up 76.2% yoy. 4Q18 revenue guidance was between RMB 3,500 mn and RMB 3,600 mn, representing growth rate of 26.6% to 30.2%.
- **Key points: 1) Total subscription-based paid membership accounts grew by 13.7% yoy to 2,968,000 in 3Q18.** The yoy growth rate of subscription-based paid membership accounts hit the slowest growth rate since 2016. **2) Online marketing services reported strong growth in 3Q18.** The contribution of online marketing services increased by 3.2 ppts to 64.2% of total revenue. **3.) Expanding user scale remains top priority for the Company, however, user acquisition costs are increasing faster.** The Company's costs will continue to go up, in particular the user acquisition cost. Margin is expected to be under pressure in the near term.
- **Cut Target Price to US\$ 80.00 with investment rating as "Accumulate".** We think the slowdown of paid membership accounts has had negative impact on membership revenues and online marketing revenues. The Company will continue to expand its user scale, even though user acquisition cost is increasing. Our TP represents 6.2x 2018E PS and 30.0x 2018E non-GAAP PE.
- **58 同城("公司")2018 年第三季度业绩高于市场预期。**2018 年第三季度收入达到人民币 3,626.8 百万元, 同比增 33.2%, 超预期 2.0%及此前收入指引上限。毛利率达 89.5%, 同比下滑 2.1 个百分点。非 GAAP 股东净利润达到人民币 843.5 百万元, 同比增 76.2%。2018 年第四季度收入指引在人民币 3,500 百万元至人民币 3,600 百万元, 相当于 26.2%至 30.2% 的增长率。
- **要点: 1) 2018 年第三季度付费会员账户同比增长 13.7%至 2,968 百万个。**付费会员同比增长率创下自 2016 年最慢水平。2) **在线营销服务于 2018 年第三季度强劲增长。**在线营销服务收入贡献增长 3.2 个百分点至占总收入 64.2%。3) **增加用户规模仍是首要目标, 但用户获取成本越来越高。**公司成本会继续上升, 特别是用户获取成本。利润率预期在短期内承压。
- **下调目标价为 80.00 美元, 投资评级为“收集”。**我们认为付费会员账户放缓将对会员收入及在线营销服务收入有负面影响。尽管用户获取成本越来越高, 公司将会持续扩大其用户规模。目标价相当于 6.2 倍 2018 年预测市销率和 30.0 倍的 2018 年预测非 GAAP 市盈率。

Rating:

Accumulate

Maintained

评级:

收集 (维持)

6-18m TP 目标价:

US\$80.00

Revised from 原目标价:

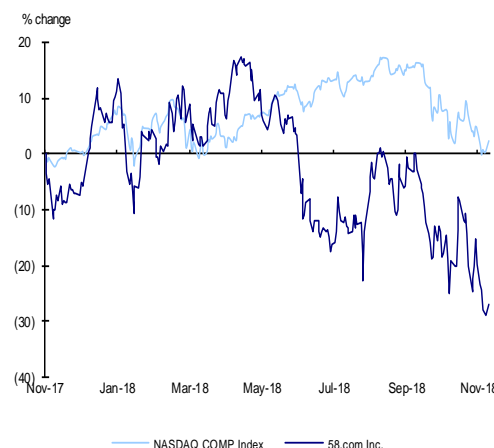
US\$90.00

ADS price ADS价格:

US\$55.250

Stock performance

股价表现



Change in ADS Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	(10.00)	(27.25)	(26.69)
Rel. % to NASDAQ Index 相对纳斯达克指数 %	(8.81)	(15.58)	(29.64)
Avg. ADS price(US\$) 平均股价 (美元)	61.68	66.97	73.86

Source: Bloomberg, Guotai Junan International.

Year End 年结	Turnover 收入	Net Profit 股东净利	Earnings/ADS 每份 ADS 净利	Earnings/ADS 每份 ADS 净利变动	PER 市盈率	BV/ADS 每份 ADS 净资产	PBR 市净率	DP ADS 每份 ADS 股息	Yield 股息率	ROE 净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2016A	7,592	(784)	(5.462)	n.a.	(70.3)	123.344	3.1	0.000	0.0	(4.4)
2017A	10,069	1,285	8.818	n.a.	40.8	134.443	2.7	0.000	0.0	6.9
2018F	13,127	2,168	14.656	66.2	26.0	147.113	2.6	0.000	0.0	10.5
2019F	16,033	2,707	18.028	23.0	21.1	162.966	2.3	0.000	0.0	11.7
2020F	18,575	3,334	21.875	21.3	17.4	182.432	2.1	0.000	0.0	12.8

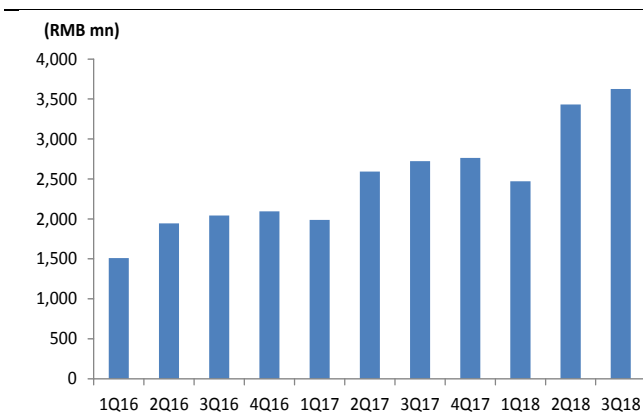
ADS in issue (m) 总 ADS 数 (m)	148.1	Major shareholder 大股东	JinBo Yao 10.5%
Market cap. (US\$ m) 市值 (US\$ m)	8,182.5	Free float (%) 自由流通比率 (%)	89.5%
3 month average vol. 3 个月平均成交股数 ('000)	1,147.2	FY18 Net gearing (%) FY18 净负债/股东资金 (%)	Net Cash
52 Weeks high/low (US\$) 52 周高/低 (US\$)	89.900 / 52.140	FY18 PS FY18 市销率	4.2

Source: the Company, Guotai Junan International.

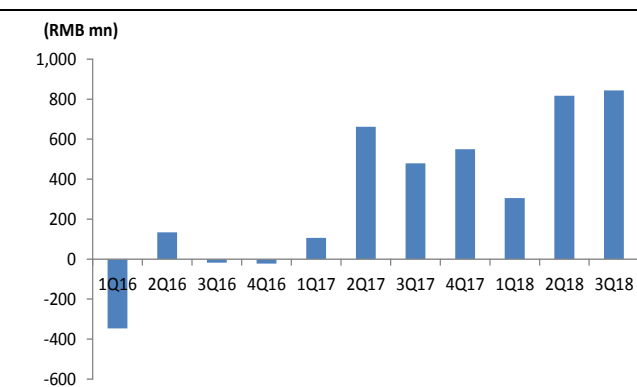
See the last page for disclaimer

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58.com Inc ("58.com" or the "Company") posted consensus-beating 3Q18 results. During 3Q18, total revenue reached RMB 3,626.8 mn, up 33.2% yoy, beating consensus by 2.0% and exceeding the higher end of the Company's previous guidance. Revenue was mainly generated from memberships and online marketing services, which contributed RMB 1,181.1 mn and RMB 2,328.9 mn, respectively. Gross margin stayed at 89.5%, a decrease of 2.1 ppts yoy. Non GAAP net income attributable to ordinary shareholders reached RMB 843.5 mn, up 76.2% yoy, 36.3% above market expectations. 4Q18 revenue guidance was between RMB 3,500 mn and RMB 3,600 mn, representing growth rate of 26.6% to 30.2%.

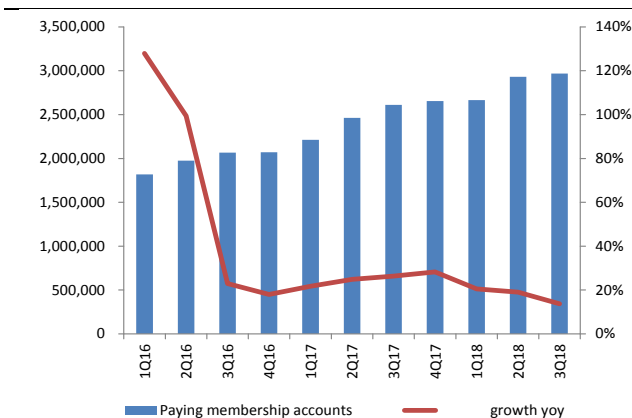
Figure-1: 58.com's Quarterly Revenue


Source: the Company, Guotai Junan International.

Figure-2: 58.com's Quarterly Non-GAAP Net Income


Source: the Company, Guotai Junan International.

Total subscription-based paid membership accounts grew by 13.7% yoy to 2,968,000 in 3Q18. Thanks to the increase in subscription-based paid membership accounts, membership revenues grew 18.8% yoy to RMB 1,181.1 mn during the period 3Q18. Membership revenues accounted for 32.6% of total revenue in 3Q18, down 3.9 ppts yoy. During the results conference call, the management emphasized that user scale is their main concern, however, the yoy growth rate of subscription-based paid membership accounts hit the slowest growth rate since 2016. The slowdown in paid membership accounts reflects that it is harder for the Company to attract more new paying members or retain existing paying members, despite increasing coverage areas and more services offered. According to the management, the majority of subscription-based paid membership accounts comes from the housing category. We think it will have a negative impact on growth of paid membership accounts if the housing market further goes down amid macroeconomic uncertainty. For the job category, the number of membership accounts is still relatively small; the management is confident that its paid membership accounts might sustain the strong growth rate due to: 1) lower base, 2) shifting user behaviour, and 3) increasing internet penetration rate in lower-tier cities and rural areas. We maintain our "neutral" view on the growth rate of subscription-based accounts, and we think that growth might further decelerate to a high single-digit percentage. Meanwhile, the Company told investors that they would not launch any aggressive pricing plan in 2019 amid macroeconomic uncertainty. All in all, we revise down our expectations on revenue growth from memberships for FY18-FY20 by 1.2 ppts/ 2.6 ppts/ 5.4 ppts to 19.0%, 11.5% and 5.5%, respectively.

Figure-3: Growth of Paid Membership Accounts


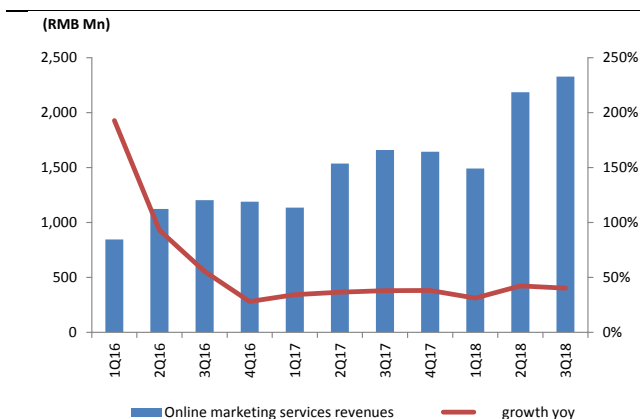
Source: the Company, Guotai Junan International.

Figure-4: 58.com's Quarterly Membership Revenues


Source: the Company, Guotai Junan International.

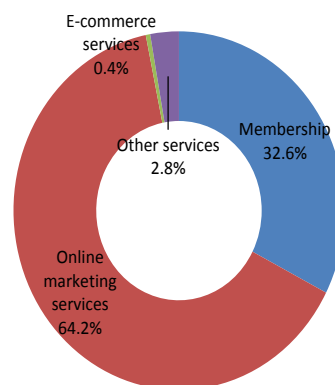
Online marketing services reported strong growth in 3Q18. Online marketing services revenues posted an increase of 40.3% yoy to RMB 2,328.9 mn, which was attributable to increasing adoption and effectiveness of the Company's various online marketing services, such as real time bidding, priority listing and various online marketing services. Contribution from online marketing services increased by 3.2 ppts to 64.2% of total revenue. The Company did not disclose contribution made by categories, such as job and housing categories, since 2Q18. Job and housing categories have always been the key business areas of the Company. We believe that online marketing services revenues will still heavily depend on the outlook of the 2 categories in the future. From our perspective, job category might continue growing at a fast pace while the housing category might slow down in 2019. Job category could take advantage of economies of scale, increasing coverage areas, more differentiated products and shifting user behaviour, thus faster growth is expected. For the housing category, we don't think the Chinese government will ease housing tightening policy in the near term. Consequently, low transaction volume will continue in the near term. What's more, people are sitting on the fence due to macroeconomic uncertainty. We believe that it might not help the transaction volume. Based on the rule of supply and demand, house prices might come under pressure, thus cause negative impacts on housing-related markets such as the rental market. Fortunately, the Company has diversified its products and penetrated into lower-tier cities; we believe that this could minimize the negative impacts arising from these issues. Taking a look at its track record, the Company ran its housing business that outperformed the overall market in the past few years. Therefore, we believe that the management has the experience to operate housing-related business during tough times. To conclude, our online marketing services revenues estimates for FY18-FY20 are RMB 8,296.7 mn, RMB 10,704.2 mn and RMB 12,995.6 mn, respectively, representing growth rate of 38.8%, 29.0% and 21.4% respectively.

Figure-5: 58.com's Quarterly Online Marketing Services Revenues



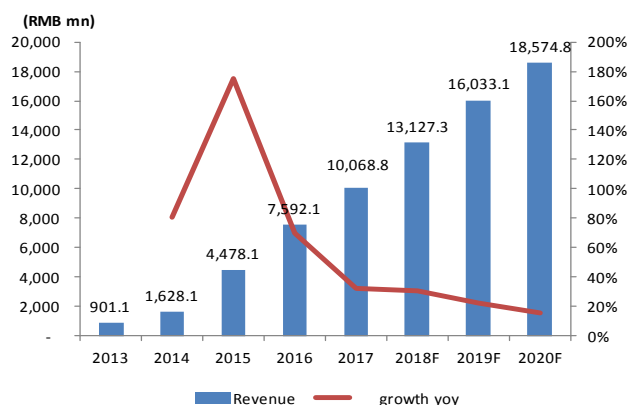
Source: the Company, Guotai Junan International.

Figure-6: 2Q18 Revenues Contribution by Business Line

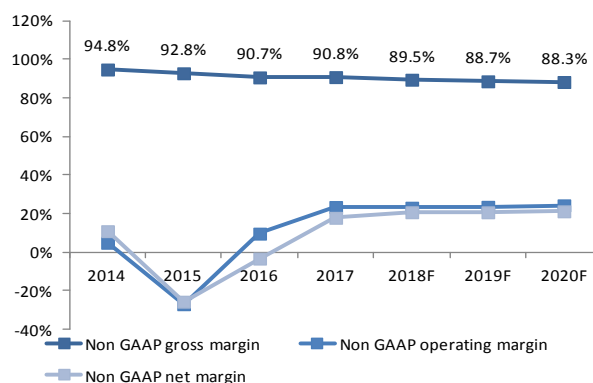


Source: the Company, Guotai Junan International.

Expanding user scale remains top priority for the Company, however user acquisition costs are increasing faster. As we had mentioned above, it seems that it is becoming harder for the Company to attract new paying membership customers and retain existing memberships, thus, the growth rate of paid membership accounts is retreating. Therefore, the Company would like to expand its coverage areas and "grab" more users to cement its market position. However, intensifying competition among the job and housing categories makes user acquisition cost much more expensive. Meanwhile, some new businesses, such as Zhuan Zhuan and 58 Town, are on-going concurrently. Most of these businesses are still in their early stages. The Company said user scale will be more important than monetization at this moment. Considered as a whole, cost will continue to go up, in particular user acquisition cost. On the revenue front, macroeconomic uncertainty is a headwind for the Company's growth momentum. To conclude, the margins are expected to come under pressure in the near term. Given that the margins this year were better than our predictions, we revise margins accordingly. However, we think that margins might not improve next year due to macroeconomic uncertainty and increasing user acquisition cost. So, we revise up our non-GAAP net margin forecasts for FY18-FY20 by 2.3 ppts/ 1.3 ppts/ 0.6 ppts to 20.7%, 20.7% and 21.2%, respectively. Meanwhile, we revise up our non-GAAP net profit forecasts for FY18-FY20 by 20.0%/ 16.5%/ 12.7% to RMB 2,718.7 mn, RMB 3,316.8 mn and RMB 3,936.6 mn, respectively.

Figure-7: 58.com's Revenue Growth


Source: the Company, Guotai Junan International.

Figure-8: 58.com's Profit Margin Estimates


Source: the Company, Guotai Junan International.

Cut Target Price to US\$ 80.00 with investment rating as "Accumulate". 58.com delivered consensus-beating results again. Overall margins were better than market and our expectations. However, the results showed that the Company is struggling to improve growth of paid membership accounts. We think that a slowdown in paid membership accounts had negative impacts on membership revenues and online marketing revenues as well. The Company will continue to expand its user scale, even though user acquisition cost is getting higher. Meanwhile, uncertainty might be sustained in the near term, however, it may not be a long-term concern. Therefore, we believe that margins might come under pressure in the short term, but not for the long term. Our TP represents 6.2x 2018E PS and 30.0x 2018E non-GAAP PE. Risk factors: further policy tightening in the property market; lower-than-expected growth in online recruitment business; failure in incubating new business or unsuccessful development of business in lower-tier cities; RMB depreciation risk; and slower-than-expected growth in paying membership accounts.

Table 1: Quarterly Results of 58.com

(RMB Million)	3Q17	4Q17	1Q18	2Q18	3Q18	3Q18	4Q18F	1Q19F	1-3Q17T1	1-3Q18
Total revenues	2,722.5	2,764.7	2,471.2	3,430.5	3,626.8	33.2%	3,598.8	2,956.2	7,304.1	9,528.5
Cost of revenues	(227.8)	(262.9)	(257.9)	(341.5)	(380.6)	67.1%	(403.1)	(325.2)	(662.6)	(980.1)
Gross profit	2,494.8	2,501.8	2,213.2	3,089.0	3,246.2	30.1%	3,195.8	2,631.0	6,641.5	8,548.4
Sales and marketing expenses	(1,346.)	(1,338.)	(1,439.)	(1,782.)	(1,920.)	42.6%	(1,871.)	(1,884.)	(3,873.8)	(5,141.9)
Research and development expenses	(372.9)	(357.9)	(346.4)	(394.0)	(468.8)	25.7%	(457.1)	(405.5)	(1,010.5)	(1,209.2)
General and administrative expenses	(253.3)	(191.6)	(160.8)	(169.4)	(186.7)	-26.3%	(183.5)	(174.6)	(574.4)	(516.9)
Income/(loss) from operations	522.4	613.7	266.8	742.9	670.6	28.4%	683.8	166.6	1,182.8	1,680.3
Interest income	1.7	7.5	1.2	2.1	0.4	-76.6%	1.8	1.2	(9.1)	3.6
Investment income/(loss), net	56.0	27.5	41.1	69.8	115.4	106.2%	75.3	45.2	314.7	226.2
Foreign currency exchange income/(loss), net	0.3	0.3	0.9	(1.8)	0.8	152.4%	0.8	0.8	0.5	(0.1)
Share of results of equity investees	(182.1)	(198.3)	(37.3)	(16.3)	(22.1)	-87.9%	(22.1)	(18.7)	(489.1)	(75.7)
Others, net	42.7	39.2	3.0	40.3	9.3	-78.3%	9.7	3.1	46.3	52.6
Income/(loss) before tax	441.0	489.9	275.6	837.0	774.3	75.6%	749.3	198.2	1,046.0	1,886.9
Income tax benefits/(expenses)	(51.2)	(42.1)	(70.1)	(119.4)	(16.8)	-67.2%	(134.9)	(34.7)	(104.5)	(206.3)
Net income/(loss)	389.9	447.7	205.5	717.6	757.5	94.3%	614.5	163.5	941.5	1,680.6
Add: Net loss attributable to non controlling interests	(1.8)	(0.8)	0.8	(0.4)	2.6	n.a.	2.1	0.6	(3.9)	3.1
Deemed dividend to mezzanine classified non controlling interests	(34.8)	(32.9)	(31.8)	(31.9)	(34.0)	-2.4%	(34.6)	(34.6)	(66.6)	(97.7)
Net income/(loss) attributable to 58.com Inc.	353.3	414.1	174.6	685.3	726.2	105.6%	582.0	129.5	871.0	1,586.1
Basic EPADS	2.421	2.823	1.187	4.649	4.922	103.3%	3.933	0.873	5.982	10.758
Diluted EPADS	2.383	2.782	1.168	4.571	4.844	103.2%	3.933	0.873	5.904	10.583
Non GAAP operating profit	663.4	762.5	411.6	888.7	856.5	29.1%	872.2	321.3	1,596.6	2,156.8
Non GAAP net income	478.7	549.0	305.8	817.5	843.5	76.2%	752.5	270.3	1,246.0	1,966.8

Source: the Company, Guotai Junan International.

Table-2: Peers Comparison

				Adjusted							
				Market Cap	PE			P/S			PEG
Company	Stock Code	Currency	Last price	mn HKD	FY18F	FY19F	FY20F	FY18F	FY19F	FY20F	FY18-FY20
Global Ecommerce Conglomerate											
Alibaba Group Holding-Sp Adr*	BABA US	USD	156.01	3,163,390.2	29.7	31.0	23.8	11.3	7.4	5.4	1.0
Ebay Inc	EBAY US	USD	28.8	216,907.9	12.5	11.1	9.8	2.6	2.5	2.3	1.0
Amazon.Com Inc	AMZN US	USD	1581.33	6,048,364.7	58.1	44.4	32.9	3.3	2.8	2.3	1.8
Yahoo Japan Corp*	4689 JT	JPY	311	110,486.8	13.5	16.4	15.0	1.8	1.7	1.6	1.5
Rakuten Inc	4755 JT	JPY	935	92,499.9	13.2	20.7	23.2	1.2	1.1	1.0	(0.5)
Jd.Com Inc-Adr	JD US	USD	20.46	229,552.0	88.6	43.6	22.6	0.5	0.4	0.3	0.9
Vipshop Holdings Ltd - Adr	VIPS US	USD	5.37	27,848.3	9.6	8.5	6.9	0.3	0.3	0.2	0.5
Pinduoduo Inc-Adr	PDD US	USD	21.22	183,880.6	n.a.	n.a.	21.0	13.5	6.1	3.5	n.a.
58.Com Inc-Adr	WUBA US	USD	55.25	64,022.9	22.7	18.5	13.4	4.3	3.6	3.1	0.8
Ctrip.Com International-Adr	CTRP US	USD	27.77	118,435.2	24.6	24.2	17.1	3.4	2.9	2.4	1.2
Simple Average					30.3	24.3	18.6	4.2	2.9	2.2	0.9
Weighted Average					46.4	37.8	28.5	5.8	4.2	3.2	1.4
Global Internet Conglomerate											
Tencent Holdings Ltd	700 HK	HKD	297.2	2,829,412.8	31.7	26.4	20.5	8.1	6.2	4.9	1.3
Baidu Inc - Spon Adr	BIDU US	USD	185.19	504,928.9	18.7	17.5	14.2	4.4	3.8	3.4	1.3
Alphabet Inc-CI C	GOOG US	USD	1048.62	5,723,104.4	19.2	18.4	15.1	6.7	5.6	4.7	1.5
Sogou Inc-Adr	SOGO US	USD	5.99	18,609.5	25.5	22.0	16.5	2.1	1.8	1.5	1.0
Facebook Inc-Class A	FB US	USD	136.38	3,070,271.2	16.3	16.0	14.1	7.1	5.7	4.7	2.1
Cheetah Mobile Inc - Adr	cmcm us	USD	8.16	9,074.4	12.7	10.7	n.a.	1.6	1.5	1.4	n.a.
Sohu.Com Ltd-Adr	SOHU US	USD	20.67	6,295.0	n.a.	n.a.	n.a.	0.4	0.4	0.4	1.8
Weibo Corp-Spon Adr	WB US	USD	59.25	103,425.4	22.3	17.1	12.9	7.5	5.7	4.5	0.7
Sina Corp	SINA US	USD	185.19	504,928.9	18.7	17.5	14.2	4.4	3.8	3.4	1.3
Simple Average					20.6	18.2	15.4	4.7	3.8	3.2	1.4
Weighted Average					21.2	19.5	15.9	6.9	5.6	4.7	1.6
Global HR Companies											
Recruit Holdings Co Ltd*	6098 JT	JPY	2792.5	326,540.9	31.1	28.3	24.1	2.2	2.0	1.9	1.4
Manpowergroup Inc	MAN US	USD	80.97	39,162.3	9.4	9.7	9.3	0.2	0.2	0.2	19.1
Randstad Nv	RAND NA	EUR	42.68	69,341.6	9.5	9.4	9.1	0.3	0.3	0.3	5.0
51Job Inc-Adr	JOBS US	USD	62.42	30,165.4	22.8	18.4	14.9	7.1	5.8	4.8	1.0
Simple Average					18.2	16.4	14.4	2.5	2.1	1.8	6.6
Weighted Average					25.5	23.3	20.0	2.1	1.9	1.7	3.4
Simple Average					24.3	20.5	16.7	4.1	3.1	2.5	2.2
Weighted Average					32.3	27.6	21.5	6.3	4.9	4.0	1.6

Source: Bloomberg, Guotai Junan International.

Note: * represents the figures of FY19/FY20/FY21

Financial Statements and Ratios

Income Statement					
Year end 31 Dec (RMB mn)	2016A	2017A	2018F	2019F	2020F
Total Revenue	7,592	10,069	13,127	16,033	18,575
Cost of revenues	(707)	(925)	(1,383)	(1,823)	(2,177)
Gross profit	6,885	9,143	11,744	14,210	16,397
Sales and marketing expenses	(4,941)	(5,212)	(7,013)	(8,385)	(9,517)
Research and development expenses	(1,108)	(1,368)	(1,666)	(1,986)	(2,252)
General and administrative expenses	(602)	(766)	(700)	(736)	(777)
Operating Profit	234	1,796	2,364	3,103	3,851
Interest income	(49)	(2)	5	6	6
Investment income/(loss), net	(145)	342	302	290	299
Foreign currency exchange income/(loss), net	(4)	1	1	3	3
Share of results of equity investees	(927)	(687)	(98)	(49)	(34)
Gain on deconsolidation and disposal of businesses	80	0	0	0	0
Others, net	(13)	85	62	64	45
Profit Before Tax	(824)	1,536	2,636	3,417	4,169
Income Tax	51	(147)	(341)	(582)	(709)
profit After Tax	(773)	1,389	2,295	2,835	3,460
Add: Net loss attributable to noncontrolling interests	5	(5)	5	10	12
Deemed dividend to mezzanine classified noncontrolling interests	(16)	(100)	(132)	(139)	(139)
Shareholders' Profit / Loss	(784)	1,285	2,168	2,707	3,334
Basic EPS	(2.731)	4.409	7.328	9.014	10.937
Basic Earnings per ADS	(5.462)	8.818	14.656	18.028	21.875
Weighted average shares outstanding					
Basic mn shares	287	291	296	300	305
ADS Basic mn shares	143	146	148	150	152
Non GAAP gross profit	6,885	9,147	11,748	14,214	16,402
Non GAAP operating profit	730	2,359	3,029	3,774	4,514
Non GAAP net income attributable to 58.com Inc.	(254)	1,795	2,719	3,317	3,937
Non GAAP EPADS	(1.768)	12.317	18.379	22.091	25.831

Cash Flow Statement					
Year end 31 Dec (RMB mn)	2016A	2017A	2018F	2019F	2020F
Net income/(loss)	(773)	1,389	2,295	2,835	3,460
Share-based compensation	267	351	458	454	457
DD&A	407	436	558	449	412
Other non cash gains or loss	1,163	325	(454)	(475)	(521)
Working capital change	825	197	451	194	(267)
Cash from Operating Activities	1,888	2,697	3,308	3,457	3,541
Investing activities					
Capital expenditure	(213)	(121)	(284)	(295)	(310)
Investment	(2,581)	(2,759)	(1,705)	(1,800)	(1,526)
Other cash proceeds related to investing activities.	(1,155)	18	(462)	(601)	(721)
Cash from Investing Activities	(3,948)	(2,862)	(2,451)	(2,696)	(2,557)
Financing activities					
New share issuance	21	1,474	111	122	134
Net borrowings	9	(1,064)	(1,050)	(960)	(916)
Others	28	161	625	402	144
Cash from Financing Activities	59	571	(314)	(436)	(638)
Effect of exchange rate changes on cash and cash equivalents	64	(82)	(99)	(49)	10
Net Changes in Cash	(1,938)	325	444	276	356
Cash at Beg of Year	3,138	1,200	1,525	1,969	2,245
Cash at End of Year	1,200	1,525	1,969	2,245	2,600

Balance Sheet					
Year end 31 Dec (RMB mn)	2016A	2017A	2018F	2019F	2020F
Property and equipment, net	1,481	1,352	1,406	1,476	1,565
Restricted cash-non-current	0	792	0	0	0
Intangible assets, net	1,532	1,310	1,246	1,271	1,334
Land use rights, net	4	4	4	4	4
Goodwill	15,904	15,865	16,023	16,504	16,999
Long-term investments	2,118	1,809	3,473	3,820	4,202
Long-term prepayments	224	755	793	849	908
Total Non-current Assets	21,263	21,885	22,944	23,923	25,012
Cash & Cash Equivalents	1,200	1,525	1,969	2,245	2,600
Restricted cash	1,152	93	840	1,134	1,452
Term deposits	26	0	0	0	0
Short-term investments	833	3,438	5,157	5,724	6,182
Accounts receivable, net	425	668	1,001	949	1,035
Prepayments and other current assets	426	657	1,047	991	1,045
Total Current Assets	4,063	6,381	10,014	11,043	12,314
Total Assets	25,326	28,267	32,958	34,965	37,326
Short-term loan	1,843	75	1,872	995	289
Accounts payable	612	624	1,030	991	1,147
Deferred revenues	1,846	2,124	2,480	2,352	2,228
Customer advances and deposits	1,236	1,365	1,533	1,541	1,512
Taxes payable	62	186	280	294	308
Salary and welfare payable	554	537	614	792	837
Accrued expenses and other current liabilities	728	689	764	817	628
Total Current Liabilities	6,880	5,801	8,573	7,782	6,949
Long term loans	150	777	99	176	51
Deferred tax liabilities	374	319	310	294	271
Other non-current liabilities	70	17	3	2	2
Total Non-current Liabilities	594	1,114	411	472	323
Total Liabilities	7,474	6,715	8,984	8,254	7,273
Mezzanine equity					
Mezzanine equity -non controlling interests	86	1,736	1,997	2,037	2,057
Total mezzanine equity	86	1,736	1,997	2,037	2,057
Total Shareholders' Equity	17,698	19,593	21,761	24,468	27,802
Minority Interest	67	222	217	207	195
Total Equity	17,766	19,815	21,978	24,675	27,996
BVPADS	123.344	134.443	147.113	162.966	182.432

Financial Ratios					
	2016A	2017A	2018F	2019F	2020F
Growth %					
Non GAAP gross profit	65.6%	32.8%	28.4%	21.0%	15.4%
Non GAAP operating profit	n.a.	223.2%	28.4%	24.6%	19.6%
Non GAAP net income	n.a.	n.a.	51.5%	22.0%	18.7%
Margin %					
Non GAAP gross margin	90.7%	90.8%	89.5%	88.7%	88.3%
Non GAAP operating margin	9.6%	23.4%	23.1%	23.5%	24.3%
Non GAAP Net margin	-3.3%	17.8%	20.7%	20.7%	21.2%

Source: the Company, Guotai Junan International.

Company Rating Definition

The Benchmark: NASDAQ Composite Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance>15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: NASDAQ Composite Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance>5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance<-5%; Or the fundamental outlook of the sector is unfavorable.

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