

## Company Report: 58.com Inc (WUBA US)

公司报告: 58 同城 (WUBA US)

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3 June 2019

# 1Q19 Results Beat, Maintain "Accumulate"

2019年一季度业绩超预期，维持“收集”

- **58.com Inc's ("58.com" or the "Company") 1Q19 results were far above our expectations.** During 1Q19, total revenue reached RMB3,028.3 mn, up 22.5% yoy. Non-GAAP net income attributable to ordinary shareholders reached RMB435.9 mn, up 42.6% yoy, whereas non-GAAP net margin stood at 14.4%, up 2.0 pts yoy. 2Q19 revenue guidance was between RMB4.0 bn and RMB4.1 bn, representing yoy growth rate of 17% to 20%.
- **Key points: 1) The yoy growth rate of membership revenue hit the slowest growth rate since 1Q16.** Membership revenue grew by 5.7% yoy to RMB982.0 mn, accounting for 32.4% of total revenue in 1Q19, down 5.2 pts yoy. **2) Online marketing services sustained strong growth, comprising 64.1% of total revenue.** We expect that merchants would like to increase marketing efficiency and cooperate with larger online platforms rather than smaller ones. **3) 58.com continued investing in technology innovation to improve user experience and differentiate product portfolio.** **4) We have raised our FY19 non-GAAP net margin estimate, but have maintained for FY20 and FY21.** **5) The Company announced that they have entered into a definitive agreement with Uxin Limited ("Uxin", UXIN US) with certain investors.**
- **Maintain Target Price at US\$75.00 with investment rating as "Accumulate".** A highly uncertain environment is likely to be sustained in the near term, limiting marketing activities and budgets of merchants. We expect the Company face challenges in 2H19. Our TP represents 27.2x 2019E non-GAAP PE.
- **58 同城("公司")2019 年第一季度业绩远超我们预期。**2019 年第一季度收入达到人民币 3,028.3 百万元，同比增 22.5%。非 GAAP 股东净利润达到人民币 435.9 百万元，同比增 42.6%，而非 GAAP 净利润率则达 14.4%，同比上升 2.0 个百分点。2019 年第二季度收入指引在人民币 40 亿元至人民币 41 亿元，相当于 17%至 20%的增长率。
- **要点: 1) 会员收入创下自 2016 年第一季度最慢增长率。**会员收入同比增长 5.7%至人民币 982.0 百万元，于 2019 年第一季度占总收入 32.4%，同比下跌 5.2 个百分点。**2) 在线营销服务持续强劲增长，占总收入 64.1%。**我们预期商家将想增加其营销效率，与更大的在线平台合作而不是较小的在线平台。**3) 58 同城将继续投资科技研发以改善用户体验及产品组合差异化。****4) 我们上调 2019 财年非 GAAP 净利率预测，但维持其 2020 财年和 2021 财年预测。****5) 公司宣布已与若干投资者跟优信集团("优信", UXIN US)签订最终协议。**
- **维持目标价为 75.00 美元，投资评级为“收集”。**高不确定性环境可能在短期内持续，限制商家的市场活动及预算。我们认为公司在下半年仍面对挑战。目标价相当于 27.2 倍的 2019 年预测非 GAAP 市盈率。

Rating:

**Accumulate**

Maintained

评级:

收集 (维持)

6-18m TP 目标价:

**US\$75.00**

Revised from 原目标价:

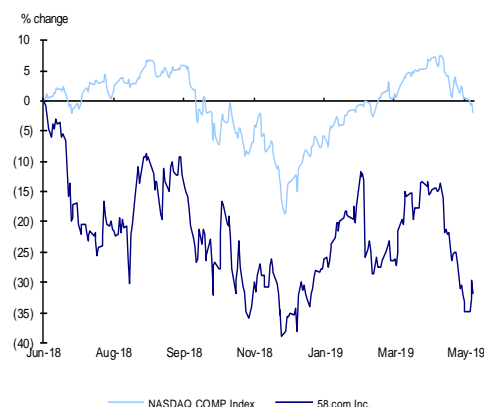
US\$75.00

ADS price ADS价格:

US\$57.030

## 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 %	(21.28)	(8.21)	(30.91)
Rel. % to NASDAQ Index 相对纳斯达克变动 %	(12.58)	(6.34)	(29.58)
Avg. ADS price(US\$) 平均股价 (美元)	62.25	64.97	65.86

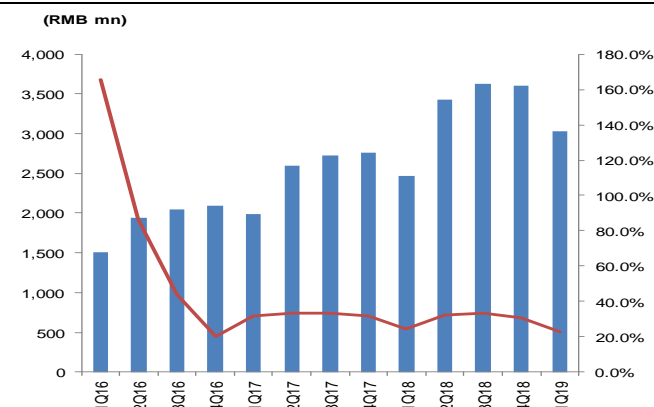
Source: Bloomberg, Guotai Junan International.

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)	(%)	(%)
2017A	10,069	1,285	8.818	n.a.	42.1	134.443	2.8	0.000	0.0	6.6
2018A	13,138	1,997	13.543	53.6	29.0	149.341	2.6	0.000	0.0	9.6
2019F	15,677	2,471	16.565	22.3	23.8	164.171	2.4	0.000	0.0	10.6
2020F	17,643	2,839	18.812	13.6	20.9	181.076	2.2	0.000	0.0	11.0
2021F	20,138	3,315	21.708	15.4	18.1	200.680	2.0	0.000	0.0	11.4
ADS in issue (m) 总 ADS 数 (m)				148.6	Major shareholder 大股东				JinBo Yao	10.5%
Market cap. (US\$ m) 市值 (US\$ m)				8,474.7	Free float (%) 自由流通比率 (%)					89.5
3 month average vol. 3 个月平均成交股数 ('000)				1,023.2	FY19 Net gearing (%) FY19 净负债/股东资金 (%)					Net Cash
52 Weeks high/low (US\$) 52 周高/低 (US\$)				84.780 / 50.300	FY19 PS FY19 市销率					3.7

Source: the Company, Guotai Junan International.

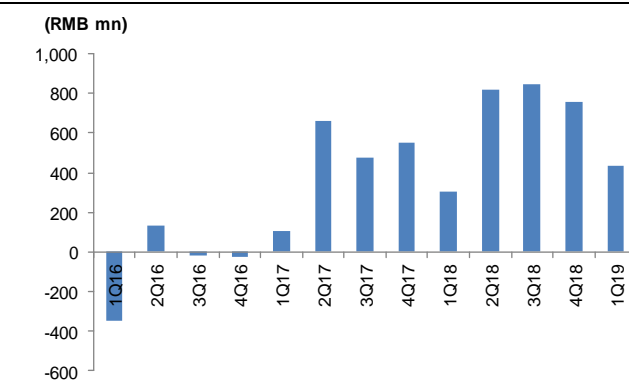
**58.com Inc's ("58.com" or the "Company") 1Q19 results were far above our expectations.** During 1Q19, total revenue reached RMB3,028.3 mn, up 22.5% yoy. Revenue was mainly generated from memberships and online marketing services, which contributed RMB982.0 mn and RMB1,940.9 mn, respectively, yoy growth of 5.7% and 30.1%, respectively. Gross margin was 90.2%, an increase of 0.6 ppts yoy. Non-GAAP net income attributable to ordinary shareholders reached RMB435.9 mn, up 42.6% yoy, whereas non-GAAP net margin stood at 14.4%, up 2.0 ppts yoy. Overall, 1Q19 results were far above our expectations. In addition, 2Q19 revenue guidance was between RMB4.0 bn and RMB4.1 bn, representing yoy growth rate of 17% to 20%.

**Figure-1: 58.com's Quarterly Revenue and Growth**



Source: the Company, Guotai Junan International.

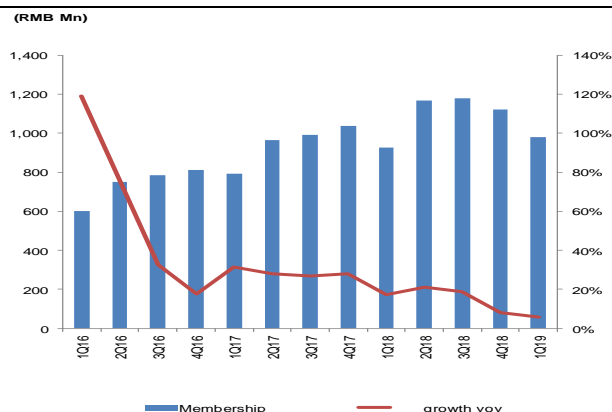
**Figure-2: 58.com's Quarterly Non-GAAP Net Income**



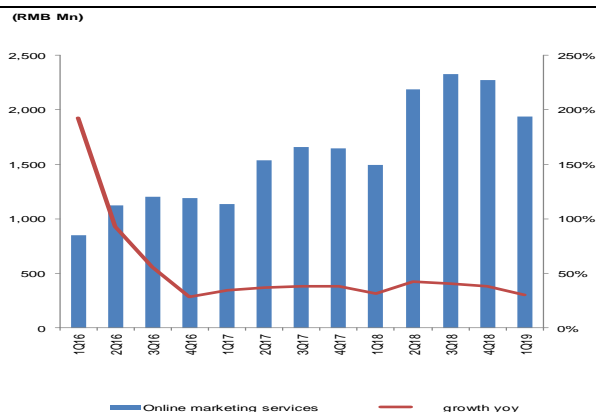
Source: the Company, Guotai Junan International.

**The yoy growth rate of membership revenue hit the slowest growth rate since 1Q16.** Membership revenue grew by 5.7% yoy to RMB982.0 mn, accounting for 32.4% of total revenue in 1Q19, down 5.2 ppts yoy. According to the Company, its paying business users reached approx 3.4 mn, up 7.5% yoy. The Company no longer discloses information on its subscription-based paying membership accounts; they believe that the number of paying business users will be more representative. Paying business users refer to users who are identified as business users with unique identity information and who have used the Company's subscription-based membership services or purchased at least one type of online marketing service in a given period. Such a figure will not ignore users who do not have subscription-based memberships and have purchased related services on the platform. In our view, membership revenue delivered the slowest growth rate, with 5.7 yoy growth, 4.4% below our expectation. In view of lower-than-expected membership revenue, we think that the Company will still struggle to lure more paying merchants amid a highly uncertain environment. Especially housing business and recruitment business, as the major businesses of the Company, both highly depend on economic outlook and market sentiment. Therefore we expect that membership revenue will further slow down in the near term along with weakening China's economic outlook and uncertainty about US-Sino trade tension. Generally, the merchants are willing to join or subscribe to the membership when they are confident about the economic outlook or when the economy is in a good condition. Thus revenue recognition is expected to defer since merchants are more willing to subscribe until the economy experiences a turnaround. We think that the hard times will disappear. Such that we expect growth of membership revenue may accelerate in the second half of 2020. Overall, we revise down our membership revenue forecasts for FY19 to FY21 by 5.3%/ 10.2%/ 5.2% to RMB4.77 mn/ RMB5.06 mn/ RMB5.83 mn, respectively, with yoy growth of 8.3%/ 6.1%/ 15.4%, respectively.

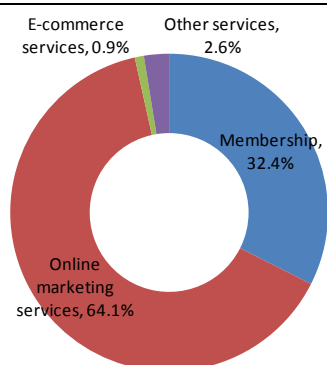
**Online marketing services sustained strong growth, comprising 64.1% of total revenue.** During 1Q19, online marketing services revenues posted strong growth of an increase of 30.1% yoy to RMB1,940.9 mn, which was attributable to increasing adoption and effectiveness of the Company's various online marketing services, such as real time bidding, priority listing and various online marketing services. The result was 7.7% higher than our expectation, reflecting stronger demand from merchants. We think that 58.com takes advantage of increased economies of scale, and differentiated products/ services offered, benefiting its online marketing services business. In the meantime, most of the merchants might cut marketing budget to face the uncertain environment, however, it is inevitable for merchants to do marketing activities regularly. In contrast to the smaller online platform, 58.com has a huge user base and deep penetration. With lower marketing budgets of the merchants, we expect that those merchants would like to increase their marketing efficiency and cooperate with larger online platform rather than smaller one. Thus it may somehow be a positive to the larger online platform like 58.com, driving the growth of ARPU. Due to higher-than-expected online marketing services revenues in 1Q19, we revise up our forecasts accordingly. We revise up our online marketing services revenues for FY19 to FY21 by 1.4%/ 2.3%/ 4.7% to RMB10,315.0 mn/ RMB11,909.4 mn/ RMB13,563.5 mn, respectively, with yoy growth of 24.5%/ 15.5%/ 13.9%, respectively.

**Figure-3: 58.com's Quarterly Membership Revenues**


Source: the Company, Guotai Junan International.

**Figure-4: 58.com's Quarterly Online Marketing Services Revenues**


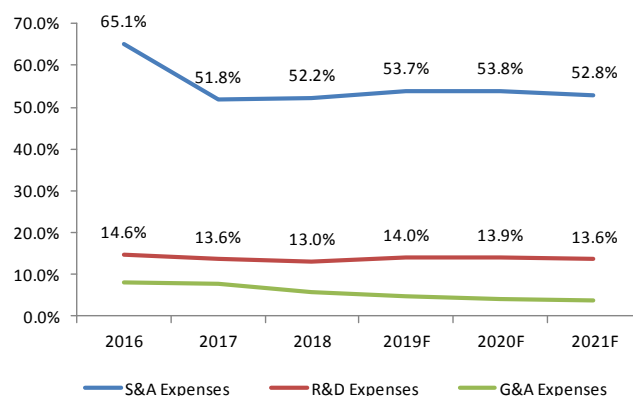
Source: the Company, Guotai Junan International.

**Figure-5: 1Q19 Revenues Contribution by Business Line**


Source: the Company, Guotai Junan International.

### 58.com continued to invest in technology innovation to improve user experience and differentiate product portfolio.

Except of R&D expenses, all operating expenses in 1Q19 are basically in line with our expectations. In 1Q19, R&D expenses amounted to RMB495.0 mn, 20.9% above our estimation. S&M expenses reached RMB1,793.0 mn, whereas G&A expenses was RMB162.2 mn. As we mentioned in the last report, the Company's R&D expenses as a percentage of total revenue stayed stable at around 13% to 14% in both 2017 and 2018. Therefore, we believe such ratio will be a benchmark for the Company to invest its technology. In view of 1Q19's R&D expenses were higher than our expected, so we revise up our R&D estimation for FY19 to FY21 by 7.0%/ 7.4%/ 9.8% to RMB2,194.9 mn/ RMB2,456.3 mn/ RMB2,746.2 mn, respectively, which represents 14.0%/ 13.9%/ 13.6% of total revenue, respectively. Accordingly, we revise up our total operating expense ratio estimates for FY19 to FY21 by 1.2 ppts/ 2.3 ppts/ 2.0 ppts to 72.5%/ 71.9%/ 70.3%, respectively.

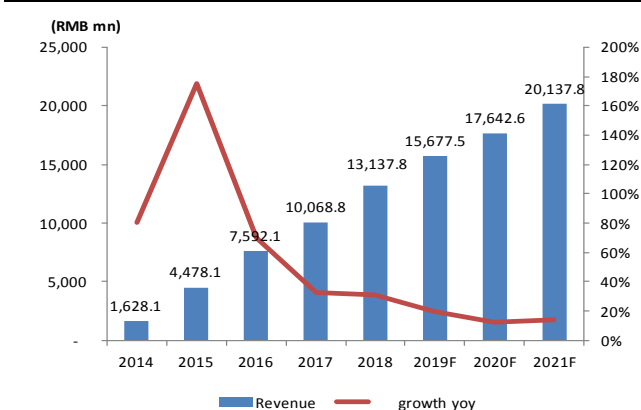
**Figure-6: 58.com's Expenses Ratio Breakdown**


Source: the Company, Guotai Junan International.

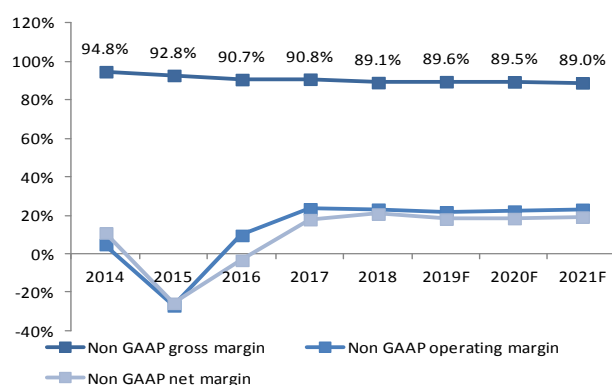
**We have raised our FY19 non-GAAP net margin estimate, but maintained for FY20 and FY21.** During 1Q19 earnings conference call, the management told investors that the margin of the Company's core business already achieved roughly 40%,

See the last page for disclaimer

and they reinvested part of the profit to invest in new businesses. The management believes that it is worth continuing investing in new businesses, driving the Company's long-term growth. Therefore non-GAAP net margin is expected to be dragged by continuously new business investment. In 1Q19, non-GAAP net margin reached 23.1%, up 16.0 ppts, exceeding our expectation by 17.6 ppts. The outstanding result was mainly driven by better market sentiment and strict cost control in 1Q19, which resulted in higher gross margin and higher operating efficiency. Gross margin stood at 90.2%, up 0.6 ppts yoy, 1.4 ppts above our estimation. This reflects on the Company having taken advantage of less traffic cost paid in 1Q19 or strict control the cost spent on Zhuan Zhuan, Anjuke and ChinaHR platforms. Given that there is high uncertainty surrounding China's economic outlook and escalated US-Sino trade tension, it is expected for the Company to ramp up more efforts on cost control, dealing with the potential downside risk came from external environment. To conclude, we raise our gross margin estimates for FY19 to FY21 by 1.3 ppts/ 1.6 ppts/ 1.4 ppts to 89.5%/ 89.4%/ 88.9%, respectively. Meanwhile, we raise our total operating expense ratio forecast for the next three years as we mentioned above. Overall, we have fine-tuned our non-GAAP net profit forecasts for FY19 to FY21 by 3.4%/ (1.7%)/ 1.7% to RMB2,841.8 mn/ RMB3,244.6 mn/ RMB3,856.1 mn, respectively, whereas our non-GAAP net margin forecast for FY19 to FY21 are 18.1%/ 18.4%/ 19.1%, 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.

**The Company announced that they have entered into a definitive agreement with Uxin Limited ("Uxin", UXIN US) with a certain number of investors.** Uxin is a used car e-commerce platform in China, which has been listed on the Nasdaq. Pursuant to such agreement, the Company will purchase convertible notes issued by Uxin for a principal amount of US\$100 mn (total aggregate amount of US\$230 mn from all co-investors) through a private placement. The convertible notes will bear interest at a rate of 3.75% per annum from the issuance date and mature in five years thereafter, each note will be convertible into Class A ordinary shares of Uxin at a conversion price of US\$3.09 per ADS, subject to certain adjustments, at the holder's option after a 180-day period. Uxin's closing price on 31 May 2019 was US\$2.30 per ADS, 47.9% below the conversion price. As at the end of March 2019, the Company had cash and cash equivalents, restricted cash and short-term investments of RMB7,696.6 mn. Such that we believe the Company has a healthy cash flow, such investment will not have a material impact on the Company's operations and financial position. What's more, we think this investment is a two-way investment, utilizing the Company's available cash well. If Uxin's share price surpasses the conversion price, the Company can opt to convert its note holding in turn of shareholding, otherwise the Company still can earn 3.75% per annum interest from its note holding. This type of two-way investment offers great investment opportunities to the Company; if the Company does not opt to convert, the Company still has nothing to lose, earning interest annually.

**Maintain Target Price at US\$75.00 with investment rating as "Accumulate".** The Company delivered consensus-beating results in 1Q19, however the big question is whether market sentiment can be sustained in the 2H19. Meanwhile, a highly uncertain environment is likely to remain in the near term, limiting merchant's marketing activities and budget. We think the Company will face challenges in 2H19. Our TP represents 4.9x FY19E PS and 27.2x FY19E non-GAAP PE. Risk factors: 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)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19F	3Q19F	1Q19yoy
Total revenues	2,471.2	3,430.5	3,626.8	3,609.3	3,028.3	4,086.4	4,305.4	22.5%
Cost of revenues	(257.9)	(341.5)	(380.6)	(457.7)	(296.9)	(425.2)	(456.4)	15.1%
Gross profit	2,213.2	3,089.0	3,246.2	3,151.6	2,731.4	3,661.2	3,849.0	23.4%
Sales and marketing expenses	(1,439.2)	(1,782.6)	(1,920.1)	(1,719.9)	(1,793.0)	(2,186.7)	(2,345.7)	24.6%
Research and development expenses	(346.4)	(394.0)	(468.8)	(493.5)	(495.0)	(518.4)	(578.0)	42.9%
General and administrative expenses	(160.8)	(169.4)	(186.7)	(231.8)	(162.2)	(169.1)	(187.2)	0.8%
Income/(loss) from operations	266.8	742.9	670.6	706.4	281.3	786.9	738.1	5.4%
Interest income	1.2	2.1	0.4	11.9	8.5	4.2	4.6	620.8%
Investment income/(loss), net	41.1	69.8	115.4	(190.9)	544.6	81.7	(93.9)	1,225.5%
Foreign currency exchange income/(loss), net	0.9	(1.8)	0.8	0.7	2.9	(1.9)	0.8	226.9%
Share of results of equity investees	(37.3)	(16.3)	(22.1)	(15.8)	(10.6)	(16.2)	(16.2)	-71.7%
Others, net	3.0	40.3	9.3	29.6	8.9	41.5	9.5	197.9%
Income/(loss) before tax	275.6	837.0	774.3	541.9	835.6	896.2	642.9	203.2%
Income tax benefits/(expenses)	(70.1)	(119.4)	(16.8)	(93.4)	(106.1)	(152.4)	(109.3)	51.4%
Net income/(loss)	205.5	717.6	757.5	448.4	729.5	743.9	533.6	255.0%
Add: Net loss attributable to non controlling interests	0.8	(0.4)	2.6	(2.9)	2.3	(0.1)	0.0	181.9%
Deemed dividend to mezzanine classified non controlling interests	(31.8)	(31.9)	(34.0)	(34.6)	(33.7)	(33.7)	(33.7)	6.1%
Net income/(loss) attributable to 58.com Inc.	174.6	685.3	726.2	410.9	698.2	710.1	499.9	299.9%
Basic EPADS	1.187	4.649	4.922	2.781	4.706	4.777	3.357	296.5%
Diluted EPADS	1.168	4.571	4.844	2.751	4.650	4.777	3.357	298.1%
Non GAAP operating profit	411.6	888.7	856.5	894.6	465.1	980.2	930.3	13.0%
Non GAAP net income	305.8	817.5	843.5	756.3	435.9	818.9	739.0	42.6%

Source: the Company, Guotai Junan International.

**Table-2: Peers Comparison**

Company	Stock Code	Currency	Last price	Market Cap mn HKD	Adjusted PE			P/S			PEG
					FY19F	FY20F	FY21F	FY19F	FY20F	FY21F	FY19-FY21
Global Ecommerce Conglomerate											
Alibaba Group Holding-Sp Adr*	BABA US	USD	149.26	3,025,149.0	28.1	22.6	17.6	7.1	5.2	4.0	0.8
Ebay Inc	EBAY US	USD	35.93	245,467.2	13.3	11.6	10.2	2.9	2.7	2.4	0.9
Amazon.Com Inc	AMZN US	USD	1775.07	6,850,597.9	48.5	36.1	27.3	3.2	2.7	2.3	1.5
Yahoo Japan Corp*	4689 JT	JPY	312	116,073.6	19.0	18.6	17.1	1.7	1.6	1.5	1.5
Rakuten Inc	4755 JT	JPY	1112	115,572.8	22.5	46.8	29.6	1.3	1.1	1.0	(1.8)
Jd.Com Inc-Adr	JD US	USD	25.76	293,600.2	36.7	25.3	18.0	0.5	0.4	0.3	0.9
Vipshop Holdings Ltd - Adr	VIPS US	USD	7.54	39,335.0	11.1	9.2	8.0	0.4	0.4	0.4	0.6
Pinduoduo Inc-Adr	PDD US	USD	19.42	176,947.3	n.a.	34.8	16.4	5.5	3.3	2.3	n.a.
58.Com Inc-Adr	WUBA US	USD	57.03	66,419.7	20.4	16.1	13.4	3.7	3.2	2.7	0.9
Ctrip.Com International-Adr	CTRP US	USD	34.56	149,949.6	23.8	19.3	16.1	3.6	3.0	2.7	1.1
Simple Average					24.8	24.0	17.4	3.0	2.4	2.0	0.7
Weighted Average					39.8	31.0	23.4	4.2	3.3	2.7	1.2
Global Internet Conglomerate											
Tencent Holdings Ltd	700 HK	HKD	331.4	3,157,018.0	29.8	23.9	19.4	7.0	5.5	4.5	1.2
Baidu Inc - Spon Adr	BIDU US	USD	110	301,810.9	22.1	14.1	10.6	2.4	2.1	1.8	0.5
Alphabet Inc-CI C	GOOG US	USD	1103.63	6,013,333.7	20.0	17.4	14.7	5.9	5.0	4.4	1.2
Sogou Inc-Adr	SOGO US	USD	4.17	12,982.4	17.3	12.7	11.4	1.3	1.2	1.0	0.8
Facebook Inc-Class A	FB US	USD	177.47	3,971,371.9	20.9	17.0	14.1	7.3	6.0	5.0	1.0
Cheetah Mobile Inc - Adr	cmcm us	USD	4.29	4,820.2	36.1	63.1	n.a.	0.9	0.8	0.7	n.a.
Sohu.Com Ltd-Adr	SOHU US	USD	13.48	4,145.2	n.a.	n.a.	n.a.	0.3	0.3	0.2	0.2
Weibo Corp-Spon Adr	WB US	USD	41.52	73,242.4	15.3	12.8	11.1	5.0	4.3	3.8	0.9
Sina Corp	SINA US	USD	110	301,810.9	22.1	14.1	10.6	2.4	2.1	1.8	0.5
Simple Average					22.9	21.9	13.1	3.6	3.0	2.6	0.8
Weighted Average					22.6	18.6	15.4	6.4	5.3	4.5	1.1
Global HR Companies											
Recruit Holdings Co Ltd*	6098 JT	JPY	3488	428,568.2	35.3	30.2	26.5	2.5	2.4	2.2	2.0
Manpowergroup Inc	MAN US	USD	85.52	40,103.0	11.0	10.3	8.8	0.2	0.2	0.2	0.9
Randstad Nv	RAND NA	EUR	46.2	74,191.5	10.7	10.3	10.0	0.3	0.3	0.3	3.1
51Job Inc-Adr	JOBS US	USD	70.35	34,121.8	22.3	18.2	15.7	6.8	5.7	5.0	1.2
Simple Average					19.8	17.2	15.3	2.5	2.1	1.9	1.8
Weighted Average					29.7	25.5	22.5	2.3	2.1	2.0	2.0
Simple Average					23.1	22.0	15.5	3.1	2.6	2.2	0.9
Weighted Average					30.2	24.2	19.0	5.3	4.4	3.6	1.1

Source: Bloomberg, Guotai Junan International.



**Financial Statements and Ratios**

Income Statement					
Year end 31 Dec (RMB mn)	2017A	2018A	2019F	2020F	2021F
Total Revenue	10,069	13,138	15,677	17,643	20,138
Cost of revenues	(925)	(1,438)	(1,643)	(1,867)	(2,231)
Gross profit	9,143	11,700	14,035	15,775	17,907
Sales and marketing expenses	(5,212)	(6,862)	(8,420)	(9,487)	(10,629)
Research and development expenses	(1,368)	(1,703)	(2,195)	(2,456)	(2,746)
General and administrative expenses	(766)	(749)	(758)	(744)	(788)
Operating Profit	1,796	2,387	2,663	3,088	3,744
Interest income	(2)	16	16	16	17
Investment income/(loss), net	342	39	380	437	349
Foreign currency exchng income/(loss), net	1	1	3	2	2
Share of results of equity investees	(687)	(91)	(58)	(56)	(52)
Gain on deconsolidation and disposal	0	(3)	0	0	0
Others, net	85	82	90	96	97
Profit Before Tax	1,536	2,429	3,095	3,584	4,157
Income Tax	(147)	(300)	(490)	(609)	(707)
Profit After Tax	1,389	2,129	2,604	2,974	3,450
Net loss attributable to NCI	(5)	0	2	(0)	(0)
Non-controlling Interest	(100)	(132)	(135)	(135)	(135)
Shareholders' Profit / Loss	1,285	1,997	2,471	2,839	3,315
Basic EPS	4.409	6.772	8.283	9.406	10.854
Basic Earnings per ADS	8.818	13.543	16.565	18.812	21.708
Weighted average shares outstanding					
Basic mn shares	291	295	298	302	305
ADS Basic mn shares	146	148	149	151	153
Non GAAP gross profit	9,147	11,706	14,043	15,784	17,917
Non GAAP operating profit	2,359	3,051	3,427	3,926	4,668
Non GAAP net income - 58.com Inc	1,795	2,723	2,842	3,246	3,858
Non GAAP EPADS	12.317	18.468	19.049	21.506	25.263

Cash Flow Statement					
Year end 31 Dec (RMB mn)	2017A	2018A	2019F	2020F	2021F
Net income/(loss)	1,389	2,129	2,604	2,974	3,450
Share-based compensation	351	463	549	620	706
DD&A	436	413	376	366	378
Other non cash gains or loss	407	210	(690)	(782)	(619)
Working capital change	197	585	375	(457)	(94)
Cash from Operating Activities	2,780	3,800	3,215	2,721	3,822
Investing activities					
Capital expenditure	(121)	(182)	(199)	(213)	(230)
Investment	(2,759)	(2,927)	(2,402)	(1,849)	(3,114)
Other cash proceeds.	(330)	22	29	34	41
Cash from Investing Activities	(3,210)	(3,087)	(2,573)	(2,028)	(3,303)
Financing activities					
New share issuance	1,474	14	39	44	49
Net borrowings	(1,064)	(75)	24	37	(16)
Others	161	108	146	115	552
Cash from Financing Activities	571	47	210	195	585
Effect of exchange rate chges on cash	(83)	30	24	27	30
Net Changes in Cash	58	789	875	914	1,133
Cash at Beg of Year	2,352	2,410	3,199	4,075	4,989
Cash at End of Year	2,410	3,199	4,075	4,989	6,122

Source: the Company, Guotai Junan International.

Balance Sheet					
Year end 31 Dec (RMB mn)	2017A	2018A	2019F	2020F	2021F
Property and equipment, net	1,352	1,330	1,373	1,439	1,508
Restricted cash-non-current	792	0	0	0	0
Intangible assets, net	1,310	1,100	1,100	1,102	1,107
Land use rights, net	4	4	4	4	4
Goodwill	15,865	15,874	15,906	15,887	15,883
Long-term investments	1,809	3,366	5,049	6,059	6,664
Long-term prepayments	755	639	665	732	805
Total Non-current Assets	21,885	22,313	24,097	25,222	25,970
Cash & Cash Equivalents	1,525	2,388	2,979	3,652	4,491
Restricted cash	93	812	1,096	1,337	1,632
Short-term investments	3,438	4,588	5,092	5,601	6,442
Accounts receivable, net	668	917	1,015	1,208	1,374
Prepayments and other	657	813	971	1,037	1,391
Total Current Assets	6,381	9,518	11,153	12,836	15,329
Total Assets	28,267	31,831	35,250	38,058	41,299
Short-term loan	75	813	878	1,048	481
Accounts payable	624	888	1,047	948	947
Deferred revenues	2,124	2,348	2,602	2,565	2,935
Customer advances and deposits	1,365	1,465	1,769	1,550	1,497
Taxes payable	186	250	263	276	290
Salary and welfare payable	537	642	573	604	581
Acc. exp and other current liabilities	689	878	850	961	1,080
Total Current Liabilities	5,601	7,285	7,980	7,953	7,811
Long term loans	777	0	0	0	0
Deferred tax liabilities	319	283	347	318	354
Operating lease liabilities	0	0	148	156	163
Other non-current liabilities	17	2	5	3	6
Total Non-current Liabilities	1,114	285	500	476	524
Total Liabilities	6,715	7,570	8,480	8,429	8,335
Mezzanine equity					
Mezzanine equity -NCI	1,736	1,944	1,983	2,003	2,023
Total mezzanine equity	1,736	1,944	1,983	2,003	2,023
Total Shareholders' Equity	19,593	22,021	24,492	27,331	30,646
Minority Interest	222	296	295	295	295
Total Equity	19,815	22,317	24,786	27,626	30,941
BVPS	134.443	149.341	164.171	181.076	200.680

Financial Ratios					
	2017A	2018A	2019F	2020F	2021F
Growth %					
Non GAAP gross profit	32.8%	28.0%	20.0%	12.4%	13.5%
Non GAAP operating profit	223%	29.3%	12.3%	14.6%	18.9%
Non GAAP net income	n.a.	52%	4.4%	14.2%	18.8%
Margin %					
Non GAAP gross margin	90.8%	89.1%	89.6%	89.5%	89.0%
Non GAAP operating margin	23.4%	23.2%	21.9%	22.3%	23.2%
Non GAAP Net margin	17.8%	20.7%	18.1%	18.4%	19.2%

### 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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