



Flash Note: 58.com Inc. (WUBA US)

快讯: 58 同城 (WUBA US)

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Used Goods E-Commerce Platform Zhuan Zhuan Secures US\$300 Mn in Financing

二手商品电子商务平台转转获得 3 亿美元融资

- **What happened:** 58.com Inc. (the "Company") announced that Zhuan Zhuan, an online used goods trading platform and a consolidated subsidiary of the Company, has entered into definitive agreements with a group of investors including the Company and Tencent (00700 HK), for its series B round of financing. The total amount to be invested into Zhuan Zhuan is approximately US\$300 mn. The transaction is expected to close in the fourth quarter of 2019 and is subject to certain customary closing conditions. After the completion of such transaction, the Company will remain as the majority shareholder of Zhuan Zhuan.
- **Comments and views:** Zhuan Zhuan has been the strategic focus of the Company in recent years. Additionally, Tencent initially invested US\$200 mn into Zhuan Zhuan in April 2017, and offered the Company prominent level 1 and level 2 access points on the Weixin platform to provide traffic support. Such a strategic partnership introduces more traffic volume to Zhuan Zhuan, which has lead Zhuan Zhuan to have more exposure to help the platform to be a leading used goods trading platform. As one of the leading used good trading platforms in China, the Company started to monetize Zhuan Zhuan in 2019, which fuels revenue growth of other services. In 2Q19, the revenue generated from other services surged 217.2% to RMB171.0 mn, mainly attributable to the monetization of Zhuan Zhuan, according to the Company. In our view, Zhuan Zhuan will remain as a key strategic investment decision by the Company in the future as the used goods market is still in the developing stage. However, it will be a long-term process due to lower standardization in the industry and a cultivation of user behavior. From the Company's view, such a transaction also offers Zhuan Zhuan more traffic volume, which also provides financial support to Zhuan Zhuan's long-term operation. In the meantime, as existing shareholders, the Company and Tencent both participate in such transactions, showing their confidence on Zhuan Zhuan's business model and growth potential. Despite the strong growth potential of Zhuan Zhuan, we still believe Zhuan Zhuan will generate operating loss in the near term, but expect loss to narrow as monetization has started. Therefore, we expect that this financing will relieve financial pressure on the Company, and strengthen the Company's financial position.
- **Investment suggestion:** We maintain the Company's target price at US\$58.00 with investment rating as "Accumulate".
- **事件描述:** 58 集团("公司")宣布, 在线二手货物交易平台及公司合并的附属公司转转已与包括公司及腾讯(00700 HK)在内的一组投资者订立最终协议的 B 轮融资。转转获得的投资总金额约为 3 亿美元。该交易预计将在 2019 年第四季度完成, 并受某些惯例成交条件的约束。该交易完成后, 公司将继续作为转转的大股东。
- **观点评论:** 转转是近年来公司的战略重点。此外, 腾讯最初于 2017 年 4 月向转转投资 2 亿美元, 并在微信平台上为公司提供突出的 1 级和 2 级接入点, 以提供流量支持。这样的战略合作伙伴关系为转转带来了更多的流量, 这使得转转更有可能成为领先的二手货交易平台。作为领先的良好交易平台之一, 公司于 2019 年开始将转转货币化, 推动其他服务业的收入增长。据公司称, 其他服务于 2019 年二季度产生的收入增长 217.2%至人民币 171.0 百万元, 主要归因于转转的货币化。我们认为, 由于二手货市场仍处于发展阶段, 转转仍将是公司未来的重点战略投资。然而, 由于行业标准化程度较低和用户行为的培养, 这将是一个长期的过程。从公司看来, 此交易不仅为转转提供了更多的流量, 也为转转的长期运营提供了资金支持。与此同时, 作为现有股东, 公司与腾讯均参与此项交易, 显示出对转转业务模式和增长潜力的信心。尽管转转的增长潜力很大, 但我们仍然认为转转将在短期内录得经营亏损, 但预计随着货币化的开始亏损将会收窄。因此, 我们预计此次融资将减轻公司的财务压力, 增强公司的财务状况。
- **投资建议:** 我们维持公司目标价在 58.00 美元, 投资评级为“收集”。

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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