# CMB International Securities | Equity Research | Company Initiation

# Perfect World (002624 CH)

# Game leader with valuable IPs

We expect Perfect World ("**PW**") to keep its solid game momentum and see potential entertainment recovery, backed by valuable IPs, strong development team and high-quality productions. We forecast PW to deliver 11%/17% revenue/earnings CAGR during FY18-21E. Initiate with BUY with DCF-based TP RMB49.

- A leading game & entertainment player with valuable IPs. As a PC game pioneer, PW successfully transferred its strategic focus on mobile games, and developed notable IP-based titles, such as New Jade Dynasty Mobile (新诛仙) and Perfect World Mobile (完美世界手游). We forecast PW to deliver 11%/17% revenue/earnings CAGR during FY18-21E, thanks to its solid game and entertainment pipeline.
- Game: rich game portfolio to maintain strong momentum. Backed by valuable IPs and strong development team, PW had rich game pipeline in 2H19E, including New Swordsman Mobile (新笑傲江湖), Nightmare, New Forsaken World (新神魔大陆), etc. We expect its rich game pipeline will continuously boost ongoing growth in 2020E, supported by stepping-up new games introduction and launch. We forecast its game sector to grow 23%/14% YoY in FY19/20E, in which PC/ mobile games to deliver 5%/39% YoY growth in FY19E.
- Entertainment: more high-quality productions to come. Film industry in China faces multiple challenges in 2019, including flat industrial growth and tightening regulations on celebrity, content and pipeline. Given recent film headwinds, we expect PW's entertainment segment to bear pressure in FY19E, but keep positive on it recovery in FY20E, supported by its strong pipeline with high-quality TV dramas and movies.
- Initiate with BUY. We initiate BUY with DCF-based TP of RMB49, implying 26.7x P/E in FY20E. We think the majority of PW's solid FY19E financials have been partly priced in, and PW's positive price drivers and catalysts originate from: 1) further performance of new games; and 2) stepping-up contribution from entertainment after regulation headwinds.

### **Earnings Summary**

(YE 31 Dec)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue (RMB mn)	7,930	8,034	8,651	9,945	11,056
YoY growth (%)	28.8	1.3	7.7	15.0	11.2
Net income (RMB mn)	1,505	1,706	2,086	2,410	2,719
EPS (RMB)	1.14	1.30	1.59	1.83	2.07
YoY growth (%)	29.0	13.4	22.3	15.5	12.8
P/E (x)	35.8	31.6	25.8	22.4	19.8
P/S (x)	6.8	6.7	6.2	5.4	4.9
Yield (%)	0.4	0.4	0.5	0.6	0.7
ROE (%)	17.5	20.2	18.7	18.5	17.6
Net gearing (%)	Net cash				

Source: Company data, CMBIS estimates



# **BUY (Initiation)**

Target Price	RMB48.9
Up/Downside	+19.3%
Current Price	RMB41.0

### **China Internet Sector**

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### Stock Data

Mkt Cap (RMB mn)	51,514
Avg 3 mths t/o (RMB mn)	421.2
52w High/Low (RMB)	41/22.6
Total Issued Shares (mn)	1,293
Source: Bloomberg	

#### Shareholding Structure

Perfect World	35.1%
DQ JunYang Ent	11.9%
Chi Yufeng	10.2%
Source: Bloomberg	

#### Share Performance

	Absolute	Relative
1-mth	32.1%	28.4%
3-mth	35.3%	34.3%
6-mth	62.3%	48.8%
Source: Bloomberg	3	

#### **12-mth Price Performance**



Source: Bloomberg



# **Investment Summary**

# Widely-anticipated IP reserve to deliver ongoing pipeline

## Leveraging valuable PC IPs to boost mobile momentum

We see high visibility for PW to continue develop high quality and selective hot titles, backed by its valuable PC IP reserve. Since 2013, PW has begun to transfer its strategic focus on mobile games from PC games, and successfully developed notable PC IP-based titles, such as New Jade Dynasty Mobile <新诛仙>, Perfect World Mobile <完美世界手游>, and Return of the Condor Heroes 2 <神雕侠侣 2>. Moreover, most of its hot titles have long lifecycle.

### Figure 1: PW's key titles



Source: Company, CMBIS

## Figure 2: PW's PC game in operation

No	Title	Chinese Title	Туре	Launch Date
1	Jade Dynasty 3	诛仙3	MMORPG	2007
2	PW International	完美国际	MMORPG	2006
3	Swordsman	笑傲江湖 OL	MMORPG	2013
4	My Own Swordsman	武林外传	MMORPG	2006
5	Forsaken World 2	神魔大陆 2	MMORPG	2013
6	Fantasy Jade Dynasty 2	梦幻诛仙 2	MMORPG	2009
7	Redcliffe	赤壁	MMORPG	2008
3	Creation chariots	创世战车	FTG	2019
9	The Mummy	神鬼传奇	MMORPG	2009
10	War of the Immortals	神鬼世界	MMORPG	2010
11	Perfect World	完美世界	MMORPG	2005
12	Condor Heroes	神雕侠侣	MMORPG	2012
13	Dance party MAX	热舞派对 MAX	Social Casual	2008
14	Pocketpet Journey West	口袋西游	MMORPG	2008
15	CS:GO	CS:GO	RTS	2012
16	DOTA 2	DOTA 2	MOBA	2013

Source: Company data, CMBIS



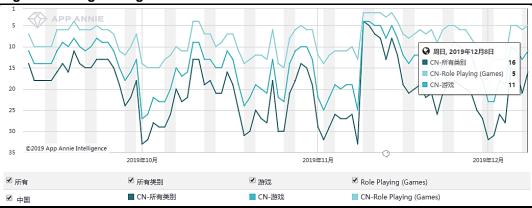
### Figure 3: PW's mobile game in operation

No	Title	Chinese Title	Туре	Grossing Rank	Launch Date
1	Jade Dynasty Mobile	诛仙手游	MMORPG	4	2016.09
2	Perfect World Mobile	完美世界手游	MMORPG	1	2019.03
3	My Own Swordsman Mobile	武林外传官方手游	MMORPG	3	2018.05
4	Condor Heroes 2	神雕侠侣2 手游	MMORPG	6	2019.07
5	Reincarnation	轮回诀	RPG	30	2018.04
6	Feng Long Zhan Ji	封龙战纪	MMORPG	63	2019.01
7	The Legend of The Condor Heroes Mobile	射雕英雄传手游	MMORPG	5	2017.06
8	The Legend of The Condor Heroes 3D	射雕英雄传 3D	MMORPG	9	2016.03
9	Dream book	梦间集	Simulation	61	2017.07
10	Torchlight	火炬之光	MMORPG	66	2016.12
11	Final Fantasy Awakening	最终幻想 · 觉醒	MMORPG	5	2016.12
12	Heavenly Sword Dragon Slaying Saber	倚天屠龙记	MMORPG	8	2016.05
13	Legend of Condor Hero Mobile	神雕侠侣手游	MMORPG	11	2015.01
14	The Flame's Daughter	烈火如歌	MMORPG	26	2018.04
15	My Origin	我的起源	Sandbox	48	2019.11
16	Yun Meng Si Shi Ge	云梦四时歌	RPG	6	2019.05

Source: Company data, App Annie, CMBIS

# Flagship of <Perfect World Mobile> to contribute meaningful revenue in FY19E

<Perfect World Mobile> gained tractions and ranked Top 10 grossing game since it was launched in Mar 2019. We believe the eye-catching performance of < Perfect World Mobile > could be a notable case to show its self-development ability and monetization potential of reputable IPs. PW will further develop and release its new generation of PC/console version, and we are bullish on its continuous contribution from this IP. We expect <Perfect World Mobile> to contribute 26% of total mobile game revenue in FY19E.



### Figure 4: iOS grossing rank of <Perfect World Mobile>

Source: App Annie, CMBIS

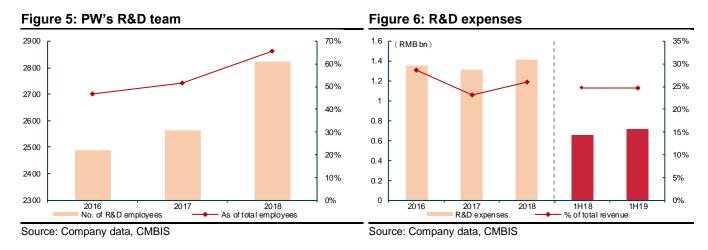
# Not only MMORPG, but more...

We expect PW's game category expansion to enrich its game portfolio and deliver ongoing contribution. PW had rich experience in MMORPG games development. Apart from MMORPG, PW continuously explores diversified game types, such as SLG, CCG, female-oriented games. For instance, <Dream Book>, as PW's self-developed female-oriented game performed well quickly, and PW plans to leverage this IP to incubate more versions.



### Stepping up game development to maximize IP monetization

We believe PW's solid R&D team and stepping-up investment play key role in well-known game development. In 2018, PW had a R&D team with 2,823 developers, accounting for 66% of total employees. Moreover, its R&D/rev ratio were around 25% in the past three years, higher than industrial average (18%).

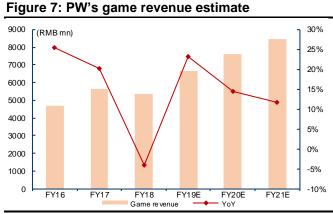


# Rich game portfolio with great monetization potential

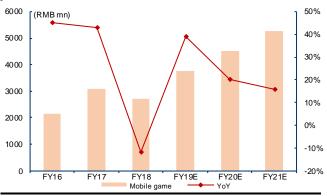
Backed by valuable IPs and strong development team, PW had rich game pipeline in 2H19E, including New Swordsman Mobile (新笑傲江湖), Nightmare, etc. PC games also see strong titles in pipeline, including New Fantasy Zhuxian (新诛仙世界), Perfect World (完美世界主机版). etc. We expect its rich game pipeline will continue boost ongoing growth in 2020E, supported by stepping-up new games introduction and launch (e.g. New Forsaken World (新神魔大陆), Meng Jian Ji Tian'e Zuo(梦间集天鹅座), New Fantasy Zhuxian(梦幻新诛仙)).

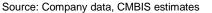
### Mobile games to maintain strong momentum

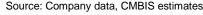
We are bullish on PW's mobile game revenue growth in FY19E. We forecast its mobile games to grow 39% YoY in FY19E, given its strong pipeline and newly-launched hot titles. In particular, we expect Perfect World Mobile (完美世界手游) and Zhuxian(诛仙) to contribute revenue significantly (accounting for 48% of total mobile game revenue in FY19E), due to 1) their high quality graphic effects, 2) innovative features based on its profound understanding of players, and 3) reputable IP and cooperation with Tencent.





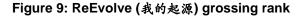








In 4Q19, ReEvolve (我的起源), a sandbox game distributed by Tencent, performed well after launch, with iOS grossing rank at ~30 in game category. New Swordsman Mobile (新 笑傲江湖) will also be launched in Dec 2019. We expect these new games to contribute 6%/17% of total revenue in FY19/20E.





## Figure 10: ReEvolve (我的起源)

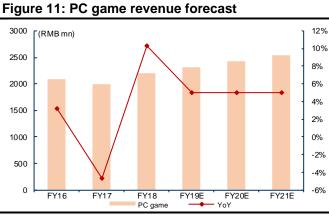


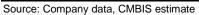
Source: App Annie, CMBIS

### Source: Company, CMBIS

# PC games outperformed despite industrial decline

Although PC games step into declining stage, PW's PC games still deliver solid growth in FY19E. We forecast its PC games to grow 5% YoY in FY19E, largely higher than industrial average. Among the new PC games to be launched, we are optimistic on the performance of New Fantasy Zhuxian (新诛仙世界), Perfect World (完美世界主机版).





### Figure 12: Perfect World PC version



Source: Company, CMBIS

# Expecting games to grow at 23% YoY in FY19E.

In total, we forecast its game sector to grow 23%/15% YoY in FY19/20E. We think FY19E performance has well acknowledged by the market, and further catalysts will derive from FY20E pipeline.



# Entertainment: solid pipeline with high quality products

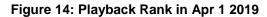
Film industry in China faces multiple challenges in 2019, including flat industrial growth and tightening regulations on celebrity, content, pipeline. Given recent film headwinds, we expect PW's entertainment to bear pressure in FY19E, but keep positive on its recovery in FY20E, supported by its strong pipeline with high quality TV dramas and movies.

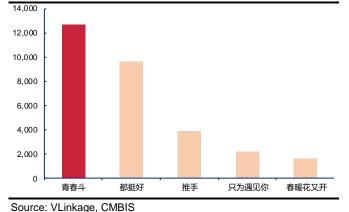
# Notable track record backed by solid team and high quality content

By investing in excellent production team and enterprises, PW has built over 10 selective production teams with diversified production style. It will introduce enriched productions catering to all kinds of audience demand. In the past years, PW produced multiple proven successful dramas, like Ashes of Live (香蜜沉沉烬如霜), The Flame's Daughter (烈火如歌) and recent Youth Strive (青春斗). We believe PW could leverage its M&A resources, solid team and content production, to continue deliver well-performed drama series.

Figure 13: The Flame's Daughter (烈火如歌)







Source: Company, CMBIS

### More high quality productions to come

With regulations on film and TV relaxed in 4Q19, we see high visibility for PW to see stepping-up production release and revenue recognized. Looking ahead, there are about 20 TV dramas in pipeline. We believe the upcoming productions will be further catalysts, including New Horizon (壮志高飞), Bu Hun Nv Wang (不婚女王), etc.

### Expecting entertainment to recover in FY20E

We expect entertainment segment to decline 23% YoY in FY19E, in which solid TV drama to partly offset movies decline. However, we expect its entertainment revenue to rebound in FY20E (forecasting 17% YoY growth), with strong pipeline and upcoming productions release. Meanwhile, we see high visibility for its entertainment segment GPM to recover, for decreasing cost of TV production and celebrity salaries.

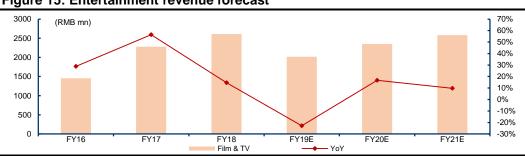


Figure 15: Entertainment revenue forecast

Source: Company data, CMBIS estimate



# Figure 16: Solid entertainment pipeline

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No.	Title	English Name
1	不婚女王	Bu Hun Nv Wang
2	壮志高飞	Zhuang Zhi Gao Fei
3	半生缘	Eighteen Springs
4	最美的乡村	The most beautiful countryside
5	暴风眼	Storm Eye
6	怪你过分美丽	You're too beautiful
7	冰糖炖雪梨	Bing Tang Dun Xue Li
8	月上重火	Heavy fire
9	全世界最好的你	Best of you
10	江山故人	Jiang Shan Gu Ren
11	新一年又一年	Year After Year
12	大海港	Seaport
19	我在天堂等你	Waiting for you in heaven
14	蓝盔特战队	Blue helmet
15	燃烧	Burning
16	高大霞的火红年代	Gao Daxia's Flaming Age
17	霍元甲	Huo Yuanjia

Source: Company, CMBIS

# Figure 17: Zhuang Zhi Gao Fei (壮志高飞)



Source: Company, CMBIS

# Figure 18: Bu Hun Nv Wang (不婚女王)



Source: Company, CMBIS

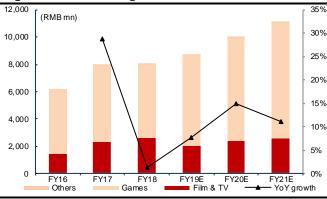


# **Financial Analysis**

# **Revenue Breakdown**

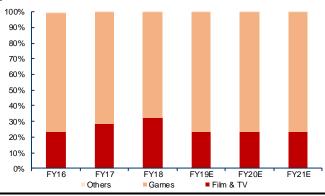
We forecast PW's revenue will grow at 8%/15%/11% YoY in FY19/20/21E, in which game business still devotes most of total revenue. We expect game revenue up to RMB6,636mn in FY19E with a CAGR of 16% in FY18-21E, accounting for 77% of total revenue. The robust growth is mainly driven by solid pipeline of both games and entertainment.

Figure 19: Revenue growth estimates



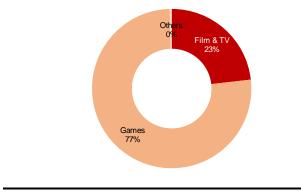
Source: Company data, CMBIS estimates

### Figure 21: Revenue breakdown estimates

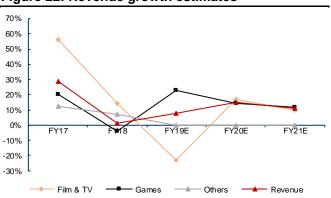


Source: Company data, CMBIS estimates

### Figure 20: FY19E revenue breakdown



Source: CMBIS estimates



### Figure 22: Revenue growth estimates



# **Income Statement**

We expect better margin outlook, and forecast its adj. net profit to grow at 17% CAGR in FY18-21E, mainly driven by 11% revenue CAGR and improving operating margin (28% in FY20E, vs. 24% in FY18).

We expect gross margin to pick up in FY19E, for lower revenue mix from entertainment (with lower GPM). In terms of operating margin, we expect opex ratio to rise in FY19E, but decline from FY20E, for operating leverage. Overall, we expect its adj. net margin up to 24%/24%/25% in FY19/20/21E.

As a result, we forecast its net profit to reach RMB2,086mn in FY19E, with net margin up to 24% in FY19E.

### Figure 23: Income statement

RMB mn, Dec-YE	FY16	FY17	FY18	FY19E	FY20E	FY21E
Revenue	6,159	7,930	8,034	8,651	9,945	11,056
Cost of sales	(2,404)	(3,381)	(3,550)	(3,114)	(3,852)	(4,326)
Gross profit	3,755	4,549	4,484	5,537	6,094	6,731
Sales and marketing expenses	(755)	(744)	(880)	(887)	(970)	(1,078)
Research and development expenses	-	-	(1,413)	(1,665)	(1,780)	(1,924)
General and administrative expenses	(1,836)	(2,073)	(704)	(737)	(788)	(903)
Other income	37	(143)	406	182	229	307
Operating (loss)/profit	1,201	1,589	1,892	2,431	2,785	3,132
Non-operating income	157	72	31	30	50	50
Non-operating expenses	(2)	(13)	(7)	(7)	(7)	(7)
Profit before taxation	1,356	1,649	1,916	2,453	2,828	3,175
Income tax expense	(223)	(189)	(156)	(307)	(353)	(397)
Profit for the year	1,133	1,460	1,759	2,147	2,474	2,778
Non-controlling interests	33	45	(53)	(61)	(65)	(59)
Net profit attributable to equity shareholders	1,166	1,505	1,706	2,086	2,410	2,719
Margin Analysis						
Gross margin	61%	57%	56%	64%	61%	61%
Operating margin	20%	20%	24%	28%	28%	28%
Net margin	19%	19%	21%	24%	24%	25%
Growth Analysis						
Revenue		29%	1%	8%	15%	11%
Gross profit		21%	-1%	23%	10%	10%
Operating profit		32%	19%	28%	15%	12%
Net profit		29%	13%	22%	16%	13%



# **Balance Sheet**

# Healthy balance sheet with net cash position in FY19/20/21E

According to our estimates of profit before taxation and change in working capital, PW has strong operating cash inflow in supporting CAPEX in the next three years. Therefore, we believe PW can stay in net cash position in FY19/20/21E. We expect PW to hold RMB7.2bn/RMB9.4bn cash and cash equivalent as of 31 Dec of 2019E and 2020E.

### Figure 24: Balance Sheet

FY17	FY18	FY19E	FY20E	FY21E
6,339	5,195	4,233	3,380	2,562
491	362	300	238	184
3,237	3,452	3,622	3,712	3,802
114	87	94	98	100
2,496	1,294	217	-668	-1,524
10,246	10,783	13,519	16,690	19,978
3,236	4,229	7,165	9,390	11,998
852	790	693	857	962
1,662	1,964	2,115	2,432	2,703
4,497	3,800	3,547	4,011	4,314
5,215	3,921	3,992	4,330	4,562
618		1,270	1,270	1,270
529	409	441	507	563
1,803	1,372	1,204	1,489	1,672
1,106	0	200	200	200
1,160	870	877	864	856
2,552	2,725	2,525	2,325	2,125
500	794	594	394	194
2,052	1,932	1,932	1,932	1,932
823	870	925	983	1,036
8,787	9,309	11,213	13,392	15,829
7,964	8,439	10,288	12,409	14,793
	6,339 491 3,237 114 2,496 10,246 3,236 852 1,662 4,497 5,215 618 529 1,803 1,106 1,160 2,552 500 2,052 823 8,787	6,339         5,195           491         362           3,237         3,452           114         87           2,496         1,294           10,246         10,783           3,236         4,229           852         790           1,662         1,964           4,497         3,800           5,215         3,921           618         1,270           529         409           1,803         1,372           1,106         0           1,160         870           2,552         2,725           500         794           2,052         1,932           823         870           8,787         9,309	$\begin{array}{c cccccc} \textbf{6,339} & \textbf{5,195} & \textbf{4,233} \\ 491 & 362 & 300 \\ 3,237 & 3,452 & 3,622 \\ 114 & 87 & 94 \\ 2,496 & 1,294 & 217 \\ \hline \textbf{10,246} & \textbf{10,783} & \textbf{13,519} \\ 3,236 & 4,229 & 7,165 \\ 852 & 790 & 693 \\ 1,662 & 1,964 & 2,115 \\ 4,497 & 3,800 & 3,547 \\ \hline \textbf{5,215} & \textbf{3,921} & \textbf{3,992} \\ 618 & 1,270 & 1,270 \\ 529 & 409 & 441 \\ 1,803 & 1,372 & 1,204 \\ 1,106 & 0 & 200 \\ 1,160 & 870 & 877 \\ \hline \textbf{2,552} & \textbf{2,725} & \textbf{2,525} \\ 500 & 794 & 594 \\ 2,052 & 1,932 & 1,932 \\ \hline \textbf{823} & \textbf{870} & 925 \\ \textbf{8,787} & \textbf{9,309} & \textbf{11,213} \\ \end{array}$	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$



# **Cash Flow and Working Capital**

# Solid pipeline to ensure strong operating cash flow

Leveraging its strong pipeline and margin improvement, we expect PW to maintain its strong operating cash inflow trend and record RMB2,244mn / RMB1,803mn of operating cash inflow in FY19/20E, respectively.

## Figure 25: Cash flow and working capital analysis

RMB mn, Dec-YE	FY17	FY18	FY19E	FY20E	FY21E
Net income	1,505	1,706	2,086	2,410	2,719
D&A	280	166	117	103	105
Change in WC	(1,074)	(1,261)	59	(630)	(468)
Others	93	(742)	(18)	(80)	(171)
Operating CF	804	(130)	2,244	1,803	2,185
Сарех	(194)	(141)	67	(69)	(69)
Associates	-	-	-	-	-
Others	1,909	3,117	960	922	886
Investing CF	1,715	2,976	1,027	853	817
Equity raised	2	0	-	-	-
Change of Debts	(359)	(160)	-	(200)	(200)
Others	(1,095)	(1,793)	(336)	(231)	(194)
Financing CF	(1,451)	(1,952)	(336)	(431)	(394)
Net change in cash	1,032	920	2,936	2,226	2,608
Cash (beg of yr)	1,900	2,931	3,852	6,788	9,013
FX	(37)	27	-	-	-
Cash (end of yr)	2,931	3,852	6,788	9,013	11,621



# Valuation

# **Investment Thesis**

We initiate BUY with DCF-based TP of RMB49, implying 26.7x FY20E P/E. We think the majority of PW's solid FY19E financials have been partly priced in, and PW's positive price drivers and catalysts originate from: 1) further performance of new games, and 2) stepping-up contribution from entertainment after regulation headwinds.

# **Initiate with BUY**

We use DCF valuation as our primary method since it is suitable to apply DCF valuation to game companies with healthy cash flows in the long run. Assuming a WACC of 13.9% and a terminal growth rate of 3%, our estimated TP is RMB49, representing 26.7x FY20E P/E, slightly higher than industry average of 23.5x FY20E P/E.

# Figure 26: DCF valuation

DCF Valuation (RMB mn)										
	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
EBIT	2,785	3,132	3,915	4,845	5,938	7,211	8,679	10,358	12,261	14,402
Tax	(353)	(397)	(496)	(614)	(752)	(914)	(1,100)	(1,312)	(1,554)	(1,825)
D&A	103	105	110	113	117	120	124	128	131	135
Change in working capital	(630)	(468)	(374)	(300)	(240)	(192)	(153)	(123)	(98)	(79)
CAPEX	(69)	(69)	(71)	(72)	(74)	(75)	(77)	(78)	(80)	(81)
FCF	1,836	2,302	3,084	3,973	4,989	6,150	7,473	8,972	10,661	12,553
Terminal Value										118,928
Assumptions										
WACC	13.9%									
Tax rate	-12.0%									
Risk free rate	3.53%									
Cost of debt	6.0%									
Beta	1.20									
Market risk return	11.4%									
Cost of equity	14.1%									
Debt/Assets	2.6%									
Long term growth	3.0%		_							
Debt	0						WAC	00		
					~	12%	13%	14%	15%	16%
Equity Value					1.5%	56.1	50.0	45.6	40.8	37.3
PV	58,630			erminal	2.0%	57.8	51.3	46.6	41.6	37.9
minus: Net debt (RMB mn)	(5,695)			growth	2.5%	59.6	52.7	47.7	42.4	38.6
minus: Minority interest (RMB mn)	0			rate	3.0%	61.6	54.2	48.9	43.3	39.3
Equity Value (RMB mn)	64,325			ale	3.5%	63.8	55.9	50.2	44.3	40.0
Shares(mn)	1,315				4.0%	66.4	57.7	51.7	45.4	40.9
TP (RMB)	49				4.5%	69.2	59.8	53.3	46.6	41.8

Source: Company data, Bloomberg, CMBIS estimates



# Peers comparison

We selected six games comps ((Tencent, NetEase, Kingsoft, Perfect World, Sanqi, Giant)) and four entertainment comps (TME, BILI, IQ, China Literature) as peers, to reflect its business model. Average FY20E P/E of China games and entertainment are 23.5x and 24.0x, respectively. Our DCF-based TP implies multiple of 26.7x FY20E P/E, slightly higher than industry average, for its higher earnings growth and strong pipeline. We believe its solid games and entertainment rebound could be further catalysts.

### Figure 27: Peers valuation

UBD nm)         Prize         <	Company	Ticker	Mkt.Cap	Currency	Price		P/E			P/S			EV/EBITDA		FY19-21
Tancent Manba Manba Marka <b< th=""><th>company</th><th>Tioner</th><th></th><th>Guirenoy</th><th>-</th><th>FY19E</th><th></th><th>FY21E</th><th>FY19E</th><th></th><th>FY21E</th><th></th><th></th><th>FY21E</th><th></th></b<>	company	Tioner		Guirenoy	-	FY19E		FY21E	FY19E		FY21E			FY21E	
Alkaba BableBABL US BOUUS505,243USD 12322618.013.92.82.52.318.61.6.81.222%JDJDUS50,569USD13332.777.230.85.74.33.414.427.7203%PinductuoPDD US44.969USD39NA64.752.110.362.54.33.4NANA71.422.723.9PinductuoPDD US44.969USD39NA64.752.110.36.57.12.712.712.773.9AverageEZ7.822.818.85.74.38.577.121.712.375.9BommeroEZ7.822.818.85.74.38.577.121.712.375.9CommeroEZ7.822.818.85.74.38.577.121.773.975.712.235.775.975.712.235.775.975.775.275.77	Leaders														
Bailor         BIDU US         42.685         USD         123         22.6         13.9         2.6         2.5         2.3         18.6         11.8         11.2         22.8           Mailtan         3900 HK         71.09         HKD         133         338.7         72.2         26.8         5.7         4.3         5.4         19.8         51.4         22.7         235.8           Prindaduo         DPU US         44.890         USD         39.8         19.3         11.8         17.1         4.2         4.0         3.6         14.2         12.7         737.8           Average         C         Z.7.8         27.8         12.8         17.1         4.2         4.0         3.6         14.2         17.8         77.7         78.7         <	Tencent	700 HK	453,672	HKD	378	33.7	28.0	23.1	8.5	6.8	5.6	24.5	20.1	16.8	21%
JDJDJDSDSDSDSDSDSDSDUSDSDSDSDUSD	Alibaba	BABA US	555,243	USD	207										
Metha         3690 HK         71 09         HKD         103         303.7         7.9.2         9.8.8         5.7         4.3.8         11         9.1.4         25.1.4         25.0.8         N         NA         77.4         NA           NetEsae         NTES US         38.985         USD         305         19.3         18.8         17.1         4.2         4.0         3.6         14.2         12.8         11.7         PM           Average         -         27.8         27.8         18.8         17.1         4.2         4.0         3.6         14.2         12.8         11.7         PM           Average         -	Baidu	BIDU US	42,685	USD	123	22.6	18.0	13.9	2.8	2.5	2.3	18.6	11.8	10.2	28%
Pinduodu         PD US         44, 49, 860         USD         39         NA         64, 47         52.1         10.3         62.2         4.5         NA         NA         NA         77.4         NB           Average         27.8         22.8         18.5         5.7         4.3         3.5         37.1         21.7         12.8         11.7         8.9           Average         7.8         22.8         18.5         5.7         4.3         3.5         37.1         21.7         12.3         75.5           JD         JD         55.2,43         USD         207         10.3         6.2         6.5         NA         7A.4         NA         54.7         52.1         10.3         6.2         6.5         NA         7A.4         NA         29.06         NA         7A.4         NA         22.3         5.5         4.5         3.5         NA         7A.4         10.4         NA         22.3         5.5         4.5         3.0         7A.4         14.4         166.3         24.7         10.4         7A.6         10.4         10.4         10.4         10.4         10.4         10.4         10.4         10.4         10.4         10.4         10.4	JD	JD US	50,580	USD	35	35.0	25.4	19.2	0.6	0.5	0.5	22.6	15.7	12.2	35%
NHE.Base         NTES US         38,9865         USD         30.5         19.3         18.8         17.1         4.2         4.0         3.6         14.2         12.8         11.7         95.9           Econnmerce         27.8         22.8         18.5         5.7         4.3         3.5         37.1         21.7         12.37         539           Econnmerce         JD US         50.580         USD         35         35.0         25.4         19.2         0.6         0.5         2.5         22.6         15.7         12.2         35%           Pinduado         PDD US         44,960         USD         35         35.0         25.4         19.0         0.6         0.5         5.5         4.5         NA         NA         74.0         NA           Metrage         USD         2.066         USD         34         25.5         21.2         77.1         3.9         3.5         3.0         2.4.6         18.4         14.1         166.3         24.7           Ordin         700H US         2.0.059         USD         34         25.5         21.2         17.1         3.9         3.5         3.0         2.4.6         10.4         15.4         22.9 <td>Meituan</td> <td>3690 HK</td> <td>78,109</td> <td>HKD</td> <td>103</td> <td>338.7</td> <td>79.2</td> <td>36.8</td> <td>5.7</td> <td>4.3</td> <td>3.4</td> <td>119.8</td> <td>51.4</td> <td>26.7</td> <td>203%</td>	Meituan	3690 HK	78,109	HKD	103	338.7	79.2	36.8	5.7	4.3	3.4	119.8	51.4	26.7	203%
Average         Z7.8         22.8         18.5         5.7         4.3         3.5         37.1         21.7         123.7         53%           Babala         BABA US         555,243         USD         207         0         0.6         0.5         0.5         0.5         22.6         15.7         12.2         35%           Pindodus         PDU US         40,4960         USD         39         NA         544.7         52.1         10.3         6.2         4.5         NA         NA         NA         7.4         NA         NA         7.4         0.8         NA         NA         7.4         10.9         0.7         0.6         10.5         8.3         7.6         10%         NA         NA         22.9         NA           Average         ZE.1         20.4         25.4         4.9         3.6         2.8         18.8         14.1         166.3         2.4         2.4         2.9         NA           Crippeneglong         700 HK         3.446         HKO         13         13.6         10.9         3.2         2.2         10.4         7.7         5.4         2.4         10.8         3.4         14.7         7.6         2.2 <t< td=""><td>Pinduoduo</td><td>PDD US</td><td>44,960</td><td>USD</td><td>39</td><td>NA</td><td>544.7</td><td>52.1</td><td>10.3</td><td>6.2</td><td>4.5</td><td>NA</td><td>NA</td><td>774.0</td><td>NA</td></t<>	Pinduoduo	PDD US	44,960	USD	39	NA	544.7	52.1	10.3	6.2	4.5	NA	NA	774.0	NA
Econmerce         Nababa         BABA US         S55 243         USD         207         Vision         Vision </td <td>NetEase</td> <td>NTES US</td> <td>38,985</td> <td>USD</td> <td>305</td> <td>19.3</td> <td>18.8</td> <td>17.1</td> <td>4.2</td> <td>4.0</td> <td>3.6</td> <td>14.2</td> <td>12.8</td> <td>11.7</td> <td>8%</td>	NetEase	NTES US	38,985	USD	305	19.3	18.8	17.1	4.2	4.0	3.6	14.2	12.8	11.7	8%
Albabe Albabe DBABA US 555,243655,243USD VIPS0350350350350350241920.60.524.6NA NANA NA774.0NA NAVipshop VipSVIPS9,266USD1414.811.910.90.70.610.58.37.616% 1058.37.616% 16%Babytne VipS VIPSVIPS US9,266USD1414.811.910.90.70.70.610.58.37.616% 16%24NA NA22.310.812.416%24NA NA22.314.516.312.416% 16%24NA NA16%24NA NA16%24.616.424% 16%16.424% 16%16.115.117.113.613.32.72.32.014.613.414.728.627.627.627.613.514.627.620.116.827.620.116.827.613.627.612.613.614.727.614.627.614.627.614.627.620.116.827.614.727.614.627.620.116.827.620.116.827.620.116.827.620.116.827.620.116.827.620.116.827.620.116.827.620.116.827.620.116.820.120.120.1	Average					27.8	22.8	18.5	5.7	4.3	3.5	37.1	21.7	123.7	53%
JD       JD       S 50,80       USD       35       35.0       25.4       19.2       0.6       0.5       0.5       22.6       15.7       12.2       39.8         Pinduoduo       VIPS US       44,960       USD       14       14.8       11.9       10.9       0.7       0.7       0.7       0.7       0.8       10.5       0.3.3       7.6       116%         Babytree       177 HK       38       HKD       2       NA       NA       222.3       5.5       4.5       3.8       14.1       166.3       24.6         Average       V       Z61       22.0       42.1       4.9       3.6       3.0       2.4.6       19.4       15.4       22%         Oth       X       XA       24.5       21.2       17.1       3.9       3.5       3.0       2.4.6       19.4       15.4       22%         Chip       TOM UK       2.0,69       USD       3.4       7.4       13.8       17.1       3.9       2.7       2.2       10.4       15.4       2.4%         Chip       ODH K       45.3,672       HKD       37.6       13.3       2.7       2.3       2.0       3.8       14.7       2.8.6	Ecommerce														
Pindsodu         PD         VIPS US         9,266         USD         39         NA         544.7         52.1         10.3         6.2         4.5         NA         NA         77.0         NA           VIPS US         9,266         USD         14         14.8         11.9         10.9         0.7         0.8         10.5         8.3         7.6         10.8           Averag         -         26.1         20.4         22.4         4.9         3.6         2.6         18.8         14.1         166.3         22.4           Chip         TOCM US         20.059         USD         3.4         7.6         17.4         13.6         10.9         3.3         2.7         2.0         10.4         7.7         6.1         22.4%           Tonchengelong         780 HK         3.44         HKD         13         17.1         13.3         2.7         2.3         2.0         17.5         10.8         3.4%           Tonchengelong         780 HK         3.8         3.7         2.80         2.21         16.6         6.6         6.6         2.45         2.01         16.8         2.4%           Gam         TTES US         3.985         USD<305	Alibaba	BABA US	555,243	USD	207										
Vipshop         ViPS US         9.266         USD         14         14.8         11.9         10.9         0.7         0.6         10.5         8.3         7.6         1976           Babytree         176 I IK         388         HKD         2         NA         NA         232.3         5.5         4.5         3.5         NA         NA         22.9         NA           Average         TOCM         0.0         0.005         0.05         0.05         0.05         2.6         1.7         3.9         3.5         3.0         7.6         10.4         7.6         12.2%           Toniu         TOUR US         2.0059         USD         2.0         NA         2.1         11.9         0.9         0.9         0.8         NA         NA         NA         NA           Average         To         0.7         13.3         17.7         47.7         13.1         2.3         1.8         17.6         13.1         2.3         1.4         14.8         17.9         14.7         2.5         14.8         17.7         14.7         2.5         14.8         17.7         14.7         14.7         2.4         4.0         3.6         14.1         14.8 <t< td=""><td>JD</td><td>JD US</td><td>50,580</td><td>USD</td><td>35</td><td>35.0</td><td>25.4</td><td>19.2</td><td>0.6</td><td>0.5</td><td>0.5</td><td>22.6</td><td>15.7</td><td>12.2</td><td>35%</td></t<>	JD	JD US	50,580	USD	35	35.0	25.4	19.2	0.6	0.5	0.5	22.6	15.7	12.2	35%
Babytree         1761 HK         388         HKD         2         NA         NA         22.3         6.5.         4.5         3.5         NA         NA         22.9         NA           Average         -         2.6.         2.6.         2.6.         3.6         2.8         18.8         14.1         16.6.3         24.9           Cinp         TOOM US         2.0.059         USD         3.4         2.5.5         2.1.2         17.1         3.3.9         3.5         3.0.3         2.4.6         19.4         12.4         22.9           Cinp         TOOM US         2.0.059         USD         3.4         17.1         13.6         10.9         3.3         2.7         2.2         NA         NA         NA         NA         NA           Average         VISU         2.87         USD         3.7         2.8.0         13.3         2.7         2.3         2.6         2.1         16.8         2.7           Game         TTS         3.8,985         USD         378         3.7         2.8.0         2.3         2.4.6         2.0.2         17.8         16.0         17.8           Sangl Interactive         002624 CH         5.7.7         C.9	Pinduoduo	PDD US	44,960	USD	39	NA	544.7	52.1	10.3	6.2	4.5	NA	NA	774.0	NA
Babytree         1761 HK         388         HKD         2         NA         NA         22.3         6.5.         4.5         3.5         NA         NA         22.9         NA           Average         -         2.6.         2.6.         2.6.         3.6         2.8         18.8         14.1         16.6.3         24.9           Cinp         TOOM US         2.0.059         USD         3.4         2.5.5         2.1.2         17.1         3.3.9         3.5         3.0.3         2.4.6         19.4         12.4         22.9           Cinp         TOOM US         2.0.059         USD         3.4         17.1         13.6         10.9         3.3         2.7         2.2         NA         NA         NA         NA         NA           Average         VISU         2.87         USD         3.7         2.8.0         13.3         2.7         2.3         2.6         2.1         16.8         2.7           Game         TTS         3.8,985         USD         378         3.7         2.8.0         2.3         2.4.6         2.0.2         17.8         16.0         17.8           Sangl Interactive         002624 CH         5.7.7         C.9	Vipshop	VIPS US	9,266	USD	14	14.8	11.9	10.9	0.7	0.7	0.6	10.5	8.3	7.6	16%
Average         26.1         20.4         25.4         4.9         3.6         2.8         18.8         14.1         166.3         24%           OTA         Crip         TOOM US         20,059         USD         34         25.5         21.2         17.1         3.9         3.5         3.0         24.6         19.4         15.4         22%           Tongchengelong         780 HK         3.446         HKD         13         17.1         13.6         10.9         3.3         2.7         2.2         10.4         7.7         6.1         24%           Average         28.7         VISD         2         NA         VISD         21.3         19.0         13.3         2.7         2.3         2.0         17.5         13.5         10.8         3%           Game         Incent         700 HK         453,672         HKD         37.8         3.7,7         1.7         1.7         1.7         7.8         16.0         15.6         6.8         5.6         24.5         20.1         16.8         21%           NetEase         NTE         3.8         18.8         17.1         14.2         4.9         14.8         17.7         1.0         1.8	Babytree						NA			4.5			NA		NA
Chip       TCOM US       20,059       USD       34       25.5       21.2       17.1       3.9       3.5       3.0       24.6       19.4       15.4       22%         Tongchengelong       780 HK       3.46       HKD       13       17.1       13.6       10.9       3.3       2.7       2.2       10.4       7.7       6.1       24%         Tuniu       TOUR US       287       USD       2       NA       10.9       0.8       0.9       0.8       NA       NA       NA       NA         Averag       Z       13.1       19.0       13.3       27.7       2.3       18.8       5.6       6.8       5.6       24.5       20.1       16.8       21%         NetEase       NTE       388 HK       3.47       28.0       23.1       8.5       6.8       5.6       24.5       20.1       16.8       21%         Sangl Interactive       3388 HK       3.44       7.4       24.9       23.4       18.8       17.7       4.1       2.2       4.6       20.2       17.8       16.0       15%         Sangl Interactive       002555 CH       7.553       CNY       26       27.3       27.6       8.6	Average					26.1	20.4	25.4		3.6		18.8	14.1	166.3	24%
Tongcheng-elong         780 HK         3.446         HKD         13         17.1         13.6         10.9         3.3         2.7         2.2         10.4         7.7         6.1         24%           Tuniu         TOUR US         2.87         USD         2         NA         2.21         11.9         0.9         0.9         0.8         NA	OTA														
Tunu         TOUR US         287         USD         2         NA         22.1         11.9         0.9         0.9         0.8         NA         NA         NA         NA         NA           Average Game         21.3         19.0         13.3         27.7         2.3         20         17.5         13.5         10.8         3%           Tencent         700 HK         453,672         HKD         378         33.7         28.0         23.1         8.5         6.8         5.6         24.5         20.1         16.8         21%           NetEsse         NTES US         388 HK         3.447         HKD         17.7         40.7         3.1         2.3         1.8         14.17         22.6         1.6         1.8         1.7.1         14.7         14.8           Verfect World         002635 CH         7.553         CNY         26         25.4         21.9         19.4         4.3         3.7         3.3         19.6         17.0         14.8         17.7           Sangi Interactive         00255 CH         7.553         CNY         26         25.4         21.9         19.4         4.3         3.7         2.0         NA         NA         NA </td <td>Ctrip</td> <td>TCOM US</td> <td>20,059</td> <td>USD</td> <td>34</td> <td>25.5</td> <td>21.2</td> <td>17.1</td> <td>3.9</td> <td>3.5</td> <td>3.0</td> <td>24.6</td> <td>19.4</td> <td>15.4</td> <td>22%</td>	Ctrip	TCOM US	20,059	USD	34	25.5	21.2	17.1	3.9	3.5	3.0	24.6	19.4	15.4	22%
Average         21.3         19.0         13.3         2.7         2.3         2.0         17.5         13.5         10.8         3%           Game         Game         700 HK         453,672         HKD         378         33.7         28.0         23.1         8.5         6.8         5.6         24.5         20.1         16.8         21%           NetEase         NTES US         38.985         USD         305         19.3         18.8         17.1         4.2         4.0         3.6         14.2         12.8         11.7         7%           Kingsoft         3888 HK         3,447         HKD         19         NA         71.7         40.7         3.1         2.3         1.8         141.7         2.8.6         17.6         NA           Sangi Interactive         002558 CH         7.553         CNY         26         25.4         21.9         19.4         4.3         3.7         3.3         19.6         17.0         14.8         17.4           Average         Z7.1         23.5         20.8         5.8         5.0         4.3         19.6         17.0         14.8         17.4           MOMO         MONU US         7.554         US	Tongcheng-elong	780 HK	3,446	HKD	13	17.1	13.6	10.9	3.3	2.7	2.2	10.4	7.7	6.1	24%
Game         Tencent         700 HK         453,672         HKD         378         33.7         28.0         23.1         8.5         6.8         5.6         24.5         20.1         16.8         21%           NetEase         NTES US         38.98 HK         3.447         HKD         19         NA         71.7         40.7         3.1         2.3         1.8         141.7         28.6         17.6         NA           Perfect World         002624 CH         7.406         CNV         41         24.9         21.4         18.7         6.1         5.2         4.6         20.2         17.8         16.0         15%           Sangi Interactive         002558 CH         5.177         CNV         18         32.3         27.3         25.6         8.6         7.7         6.9         NA         NA         NA         12%           Average         27.1         23.5         20.6         5.8         5.0         4.3         19.6         17.0         14.8         17%           Live streaming         27.1         23.5         20.6         5.8         5.0         4.3         19.6         17.0         14.8         17%           YY         YUS         <	Tuniu	TOUR US	287	USD	2	NA	22.1	11.9	0.9	0.9	0.8	NA	NA	NA	NA
Tencent         700 HK         453,672         HKD         378         33.7         28.0         23.1         8.5         6.8         5.6         24.5         20.1         16.8         21%           NetEase         NTES US         38,985         USD         305         19.3         18.8         17.1         4.0         3.6         14.2         12.8         11.7         7%           Kingsoft         3888 HK         3.447         HKD         19         NA         71.7         40.7         3.1         2.3         1.8         141.7         2.8.6         17.6         NA           Perfect World         002555 CH         7.553         CNV         26         25.4         21.9         19.4         4.3         3.7         3.8         19.6         17.1         14.7         14%           Giant Interactive         002555 CH         7.553         CNV         26         25.4         21.9         19.4         4.3         3.7         2.6         0.8         7.0         NA         12%         12% <t< td=""><td>Average</td><td></td><td></td><td></td><td></td><td>21.3</td><td>19.0</td><td>13.3</td><td>2.7</td><td>2.3</td><td>2.0</td><td>17.5</td><td>13.5</td><td>10.8</td><td>3%</td></t<>	Average					21.3	19.0	13.3	2.7	2.3	2.0	17.5	13.5	10.8	3%
NHE ASE         NTE S US         38,985         USD         305         19.3         18.8         17.1         4.2         4.0         3.6         14.2         12.8         11.7         7%           Kingsolt         3388 HK         3.447         HKD         19         NA         71.7         40.7         3.1         2.3         1.8         141.7         28.6         17.6         NA           Perfect World         002555 CH         7,553         CNY         24         21.4         18.7         6.1         5.2         4.6         20.2         17.8         16.0         15%           Giant Interactive         002555 CH         7,553         CNY         28         25.4         21.9         19.4         4.3         3.7         3.3         19.6         17.1         14.7         14%           Varage         V         V         18         32.3         27.3         25.6         8.6         7.7         6.9         NA         NA         NA           Varage         V         V         18.6         13.0         10.9         9.5         3.1         2.6         2.3         11.3         7.9         6.7         14%         4.3         3.0 <td< td=""><td>Game</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></td<>	Game														
Kingsoft       388 HK       3.447       HKD       19       NA       71.7       40.7       3.1       2.3       1.8       141.7       28.6       17.6       NA         Perfect World       002624 CH       7.406       CNY       41       24.9       21.4       18.7       6.1       5.2       4.6       20.2       17.8       16.0       17.8%         Sangi Interactive       0026255 CH       7.553       CNY       28       25.4       21.9       19.4       4.3       3.7       3.3       19.6       17.1       14.8       14%         Giant Interactive       002555 CH       7.573       CNY       18       32.3       27.3       25.6       8.6       7.7       6.9       NA       NA       NA       12%         Average       -       7.554       USD       36       13.0       1.0.9       9.5       3.1       2.6       2.3       11.3       7.9       6.6       3.8       38%         MVMO       MOMO US       7.554       USD       36       14.0       10.4       7.5       1.2       1.0       0.8       9.7       6.6       3.8       38%         MVM       YU US       4,525       USD	Tencent	700 HK	453,672	HKD	378	33.7	28.0	23.1	8.5	6.8	5.6	24.5	20.1	16.8	21%
Perfect World         002624 CH         7,406         CNY         41         24.9         21.4         18.7         6.1         5.2         4.6         20.2         17.8         16.0         15%           Sangi Interactive         002555 CH         7,553         CNY         26         25.4         21.9         19.4         4.3         3.7         3.3         19.6         17.1         14.7         14%           Glant Interactive         002555 CH         7,553         CNY         26         25.4         21.9         25.6         8.6         7.7         6.9         NA         Sa         Sa         Sa         Sa         Sa         Sa         Sa	NetEase	NTES US	38,985	USD	305	19.3	18.8	17.1	4.2	4.0	3.6	14.2	12.8	11.7	7%
Sanqi Interactive         002555 CH         7,553         CNY         26         25.4         21.9         19.4         4.3         3.7         3.3         19.6         17.1         14.7         14%           Giant Interactive         002558 CH         5,177         CNY         18         32.3         27.3         25.6         8.6         7.7         6.9         NA         NA         NA         14.8         12%           Average         27.1         23.5         20.8         5.8         5.0         4.3         19.6         17.0         14.8         17%           Live straaming           7.554         USD         56         14.0         10.4         7.5         1.2         1.0         0.8         9.7         6.6         3.8         38%           Inke         3700 HK         272         HKD         1         4.5         2.4         2.4         NA         NA         NA         NA         NA         NA         NA         38%         38%         38%         38%         38%         38%         38%         38%         38%         38%         38%         38%         38%         38%         38%         38%         38%	Kingsoft	3888 HK	3,447	HKD	19	NA	71.7	40.7	3.1	2.3	1.8	141.7	28.6	17.6	NA
Giant Interactive         002558 CH         5,177         CNY         18         32.3         27.3         25.6         8.6         7.7         6.9         NA         NA         NA         12%           Average         27.1         23.5         20.8         5.8         5.0         4.3         19.6         17.0         14.8         17%           Live streaming         MOMO         MOMO US         7,554         USD         36         13.0         10.9         9.5         3.1         2.6         2.3         11.3         7.9         6.7         19%           MOMO         MOMO US         7,554         USD         56         14.0         10.4         7.5         1.2         1.0         0.8         9.7         6.6         3.8         38%           Inke         3700 HK         272         HKD         1         4.5         2.4         2.4         NA	Perfect World	002624 CH	7,406	CNY	41	24.9	21.4	18.7	6.1	5.2	4.6	20.2	17.8	16.0	15%
Average         27.1         23.5         20.8         5.8         5.0         4.3         19.6         17.0         14.8         17%           Live streaming         MOMO         MOMO US         7,554         USD         36         13.0         10.9         9.5         3.1         2.6         2.3         11.3         7.9         6.7         19%           YY         YY         US         4,525         USD         56         14.0         10.4         7.5         1.2         1.0         0.8         9.7         6.6         3.8         38%           Huya         HUYA US         3.803         USD         17         38.8         22.9         15.4         3.2         2.3         1.9         39.5         16.3         10.5         66%           Average         17.6         11.6         8.7         2.5         2.0         1.7         20.2         10.3         7.0         39%           Entertainment         Incent Music         TME US         18,788         USD         11.5         29.4         23.9         17.9         5.2         4.1         3.2         24.6         18.7         13.6         28%           China Literature         772 HK </td <td>Sanqi Interactive</td> <td>002555 CH</td> <td>7,553</td> <td>CNY</td> <td>26</td> <td>25.4</td> <td>21.9</td> <td>19.4</td> <td>4.3</td> <td>3.7</td> <td>3.3</td> <td>19.6</td> <td>17.1</td> <td>14.7</td> <td>14%</td>	Sanqi Interactive	002555 CH	7,553	CNY	26	25.4	21.9	19.4	4.3	3.7	3.3	19.6	17.1	14.7	14%
Live streaming           MOMO         MOMO US         7,554         USD         36         13.0         10.9         9.5         3.1         2.6         2.3         11.3         7.9         6.7         19%           YY         YY US         4,525         USD         56         14.0         10.4         7.5         1.2         1.0         0.8         9.7         6.6         3.8         38%           Inke         3700 HK         272         HKD         1         4.5         2.4         2.4         NA	Giant Interactive	002558 CH	5,177	CNY	18	32.3	27.3	25.6	8.6	7.7	6.9	NA	NA	NA	12%
MOMO US         7,554         USD         36         13.0         10.9         9.5         3.1         2.6         2.3         11.3         7.9         6.7         19%           YY         YY US         4,525         USD         56         14.0         10.4         7.5         1.2         1.0         0.8         9.7         6.6         3.8         38%           Inke         3700 HK         272         HKD         1         4.5         2.4         2.4         NA         S.5         3.0         2.5         27.8         16.3         9.0         -48%           iQiyi         IQ US         14,352         USD         19.7         NA         NA         NA         3.6         3.1         23.3         75.2         16.0         25.	Average					27.1	23.5	20.8	5.8	5.0	4.3	19.6	17.0	14.8	17%
YY       YY US       4,525       USD       56       14.0       10.4       7.5       1.2       1.0       0.8       9.7       6.6       3.8       38%         Inke       3700 HK       272       HKD       1       4.5       2.4       2.4       NA       NA </td <td>Live streaming</td> <td></td>	Live streaming														
Inke         3700 HK         272         HKD         1         4.5         2.4         2.4         NA	MOMO	MOMO US	7,554	USD	36	13.0	10.9	9.5	3.1	2.6	2.3	11.3	7.9	6.7	19%
Inke         3700 HK         272         HKD         1         4.5         2.4         2.4         NA	YY	YY US	4.525	USD	56	14.0	10.4	7.5	1.2	1.0	0.8	9.7	6.6	3.8	38%
Huya       HUYA US       3,803       USD       17       38.8       22.9       15.4       3.2       2.3       1.9       39.5       16.3       10.5       65%         Average       17.6       11.6       8.7       2.5       2.0       1.7       20.2       10.3       7.0       39%         Entertainment       T       TME US       18,788       USD       11.5       29.4       23.9       17.9       5.2       4.1       3.2       24.6       18.7       13.6       28%         IQiyi       IQ US       14,352       USD       11.5       29.4       23.9       17.9       5.2       4.1       3.2       24.6       18.7       13.6       28%         Ghina Literature       772 HK       4,333       HKD       33.3       29.6       24.2       20.6       6.1       4.2       3.8       3.1       25.3       29.9       NA         Average       29.5       24.0       47.0       4.8       3.8       3.1       23.3       75.2       16.0       0%         Bilibili       BIL US       5.857       USD       123.2       22.6       18.0       13.9       2.8       2.5       2.3       18.6	Inke														38%
Entertainment           Tencent Music         TME US         18,788         USD         11.5         29.4         23.9         17.9         5.2         4.1         3.2         24.6         18.7         13.6         28%           iQiyi         IQ US         14,352         USD         19.7         NA         NA         NA         3.5         3.0         2.5         27.8         16.3         9.0         -48%           China Literature         772 HK         4,333         HKD         33.3         29.6         24.2         20.6         4.4         3.8         3.3         17.3         13.5         11.6         21%           Bilibili         BILU US         5,857         USD         18.0         NA         NA         102.6         6.1         4.2         3.2         NA         25.3         29.9         NA           Average         29.5         24.0         47.0         4.8         3.8         3.1         23.3         75.2         16.0         0%           Maidu         BIDU US         42,685         USD         123.2         22.6         18.0         13.9         2.8         2.5         2.3         18.6         11.8         <	Huya	HUYA US	3,803	USD	17	38.8	22.9	15.4	3.2	2.3	1.9	39.5	16.3	10.5	65%
The cust Music       TME US       18,788       USD       11.5       29.4       23.9       17.9       5.2       4.1       3.2       24.6       18.7       13.6       28%         iQiyi       IQ US       14,352       USD       19.7       NA       NA       NA       3.5       3.0       2.5       27.8       16.3       9.0       -48%         China Literature       772 HK       4,333       HKD       33.3       29.6       24.2       20.6       4.4       3.8       3.3       17.3       13.5       11.6       21%         Bilibili       BILI US       5,857       USD       18.0       NA       NA       102.6       6.1       4.2       3.2       NA       25.3       29.9       NA         Average       29.5       24.0       47.0       4.8       3.8       3.1       23.3       75.2       16.0       0%         Ads       USD       13.0       NA       NA       102.6       6.1       4.2       3.2       NA       25.3       29.9       NA         Adverage       23.0       MA       NA       102.6       6.1       4.2       3.2       NA       13.0	Average					17.6	11.6	8.7	2.5	2.0	1.7	20.2	10.3	7.0	39%
IQ US       14,352       USD       19,7       NA       NA       NA       NA       3.5       3.0       2.5       27.8       16.3       9.0       -48%         China Literature       772 HK       4,333       HKD       33.3       29.6       24.2       20.6       4.4       3.8       3.3       17.3       13.5       11.6       21%         Billibili       BILI US       5,857       USD       18.0       NA       NA       102.6       6.1       4.2       3.2       NA       252.3       29.9       NA         Average       29.5       24.0       47.0       4.8       3.8       3.1       23.3       75.2       16.0       0%         Ads	Entertainment														
China Literature       772 HK       4,333       HKD       33.3       29.6       24.2       20.6       4.4       3.8       3.3       17.3       13.5       11.6       21%         Bilibili       BILI US       5,857       USD       18.0       NA       NA       102.6       6.1       4.2       3.2       NA       252.3       29.9       NA         Average       29.5       24.0       47.0       4.8       3.8       3.1       23.3       75.2       16.0       0%         Ads       Bilibulis       BIDU US       42,685       USD       123.2       22.6       18.0       13.9       2.8       2.5       2.3       18.6       11.8       10.2       30%         Weibo       WB US       10,113       USD       44.9       16.5       15.8       13.8       5.7       5.3       4.7       14.0       12.9       11.3       10%         Sina       SINA US       2,590       USD       3.3       13.3       10.7       1.2       1.0       0.5       4.9       4.1       4%         Mobvista       1860 HK       662       HKD       3.4       15.4       9.8       6.4       1.2       1.0	Tencent Music	TME US	18,788	USD	11.5	29.4	23.9	17.9	5.2	4.1	3.2	24.6	18.7	13.6	28%
Billibili         BILI US         5,857         USD         18.0         NA         NA         102.6         6.1         4.2         3.2         NA         252.3         29.9         NA           Average         29.5         24.0         47.0         4.8         3.8         3.1         23.3         75.2         16.0         0%           Ads         Billoui         BIDU US         42,685         USD         123.2         22.6         18.0         13.9         2.8         2.5         2.3         18.6         11.8         10.2         30%           Weibo         WB US         10,113         USD         44.9         16.5         15.8         13.8         5.7         5.3         4.7         14.0         12.9         11.3         10%           Sina         SINA US         2,590         USD         37.3         13.3         13.3         10.7         1.2         1.1         1.0         5.3         4.9         4.1         14%           Mobvista         1860 HK         662         HKD         3.4         15.4         9.8         6.4         1.2         1.0         0.8         15.3         8.0         5.5         46%           Duib	iQiyi	IQ US	14,352	USD	19.7	NA	NA	NA	3.5	3.0	2.5	27.8	16.3	9.0	-48%
Average         29.5         24.0         47.0         4.8         3.8         3.1         23.3         75.2         16.0         0%           Ads         Baidu         BIDU US         42,685         USD         123.2         22.6         18.0         13.9         2.8         2.5         2.3         18.6         11.8         10.2         30%           Weibo         WB US         10,113         USD         44.9         16.5         15.8         13.8         5.7         5.3         4.7         14.0         12.9         11.3         10%           Sina         SINA US         2,590         USD         37.3         13.3         13.3         10.7         1.2         1.1         1.0         5.3         4.9         4.1         14%           Mobvista         1860 HK         662         HKD         3.4         15.4         9.8         6.4         1.2         1.0         0.8         15.3         8.0         5.5         46%           Duiba         1753 HK         646         HKD         4.6         20.2         8.4         5.9         2.3         1.6         1.2         16.8         5.3         3.6         232%           58.com	China Literature	772 HK	4,333	HKD	33.3	29.6	24.2	20.6	4.4	3.8	3.3	17.3	13.5	11.6	21%
Ads         Baidu         BIDU US         42,685         USD         123.2         22.6         18.0         13.9         2.8         2.5         2.3         18.6         11.8         10.2         30%           Weibo         WB US         10,113         USD         44.9         16.5         15.8         13.8         5.7         5.3         4.7         14.0         12.9         11.3         10%           Sina         SINA US         2,590         USD         37.3         13.3         10.7         1.2         1.1         1.0         5.3         4.9         4.1         14%           Mobvista         1860 HK         662         HKD         3.4         15.4         9.8         6.4         1.2         1.0         0.8         15.3         8.0         5.5         46%           Duiba         1753 HK         646         HKD         4.6         20.2         8.4         5.9         2.3         1.6         1.2         16.8         5.3         3.6         232%           58.com         WUBA US         9,299         USD         62.2         16.3         18.8         17.2         4.2         3.7         3.3         17.2         14.8         12.4	Bilibili	BILI US	5,857	USD	18.0	NA	NA	102.6	6.1	4.2	3.2	NA	252.3	29.9	NA
Baidu         BIDU US         42,685         USD         123.2         22.6         18.0         13.9         2.8         2.5         2.3         18.6         11.8         10.2         30%           Weibo         WB US         10,113         USD         44.9         16.5         15.8         13.8         5.7         5.3         4.7         14.0         12.9         11.3         10%           Sina         SINA US         2,590         USD         37.3         13.3         13.3         10.7         1.2         1.1         1.0         5.3         4.9         4.1         14%           Mobvista         1860 HK         662         HKD         3.4         15.4         9.8         6.4         1.2         1.0         0.8         15.3         8.0         5.5         46%           Duiba         1753 HK         646         HKD         4.6         20.2         8.4         5.9         2.3         1.6         1.2         16.8         5.3         3.6         232%           58.com         WUBA US         9,299         USD         62.2         16.3         18.8         17.2         4.2         3.7         3.3         17.2         14.8         12.	Average					29.5	24.0	47.0	4.8	3.8	3.1	23.3	75.2	16.0	0%
Weibo         WB US         10,113         USD         44.9         16.5         15.8         13.8         5.7         5.3         4.7         14.0         12.9         11.3         10%           Sina         SINA US         2,590         USD         37.3         13.3         13.3         10.7         1.2         1.1         1.0         5.3         4.9         4.1         14%           Mobvista         1860 HK         662         HKD         3.4         15.4         9.8         6.4         1.2         1.0         0.8         15.3         8.0         5.5         46%           Duiba         1753 HK         646         HKD         4.6         20.2         8.4         5.9         2.3         1.6         1.2         16.8         5.3         3.6         232%           58.com         WUBA US         9,299         USD         62.2         16.3         18.8         17.2         4.2         3.7         3.3         17.2         14.8         12.4         0%           Average         17.4         14.0         11.3         2.9         2.5         2.2         14.5         9.6         7.8         33%	Ads														
Sina         SINA US         2,590         USD         37.3         13.3         13.3         10.7         1.2         1.1         1.0         5.3         4.9         4.1         14%           Mobvista         1860 HK         662         HKD         3.4         15.4         9.8         6.4         1.2         1.0         0.8         15.3         8.0         5.5         46%           Duiba         1753 HK         646         HKD         4.6         20.2         8.4         5.9         2.3         1.6         1.2         16.8         5.3         3.6         232%           58.com         WUBA US         9,299         USD         62.2         16.3         18.8         17.2         4.2         3.7         3.3         17.2         14.8         12.4         0%           Average         17.4         14.0         11.3         2.9         2.5         2.2         14.5         9.6         7.8         33%	Baidu	BIDU US	42,685	USD	123.2	22.6	18.0	13.9	2.8	2.5	2.3	18.6	11.8	10.2	30%
Mobvista         1860 HK         662         HKD         3.4         15.4         9.8         6.4         1.2         1.0         0.8         15.3         8.0         5.5         46%           Duiba         1753 HK         646         HKD         4.6         20.2         8.4         5.9         2.3         1.6         1.2         16.8         5.3         3.6         232%           58.com         WUBA US         9.299         USD         62.2         16.3         18.8         17.2         4.2         3.7         3.3         17.2         14.8         12.4         0%           Average         17.4         14.0         11.3         2.9         2.5         2.2         14.5         9.6         7.8         33%	Weibo	WB US	10,113	USD	44.9	16.5	15.8	13.8	5.7	5.3	4.7	14.0	12.9	11.3	10%
Duiba         1753 HK         646         HKD         4.6         20.2         8.4         5.9         2.3         1.6         1.2         16.8         5.3         3.6         232%           58.com         WUBA US         9,299         USD         62.2         16.3         18.8         17.2         4.2         3.7         3.3         17.2         14.8         12.4         0%           Average         17.4         14.0         11.3         2.9         2.5         2.2         14.5         9.6         7.8         33%	Sina	SINA US	2,590	USD	37.3	13.3	13.3	10.7	1.2	1.1	1.0	5.3	4.9	4.1	14%
Duiba         1753 HK         646         HKD         4.6         20.2         8.4         5.9         2.3         1.6         1.2         16.8         5.3         3.6         232%           58.com         WUBA US         9,299         USD         62.2         16.3         18.8         17.2         4.2         3.7         3.3         17.2         14.8         12.4         0%           Average         17.4         14.0         11.3         2.9         2.5         2.2         14.5         9.6         7.8         33%	Mobvista	1860 HK	662	HKD	3.4	15.4	9.8	6.4	1.2	1.0	0.8	15.3	8.0	5.5	46%
Average 17.4 14.0 11.3 2.9 2.5 2.2 14.5 9.6 7.8 33%	Duiba	1753 HK	646	HKD	4.6	20.2	8.4	5.9	2.3	1.6	1.2	16.8	5.3	3.6	232%
Average 17.4 14.0 11.3 2.9 2.5 2.2 14.5 9.6 7.8 33%	58.com	WUBA US	9,299	USD	62.2	16.3	18.8	17.2	4.2	3.7	3.3	17.2	14.8	12.4	0%
Total Average 20.8 17.3 16.7 4.0 3.3 2.8 23.2 23.3 41.0 29.6%	Average					17.4	14.0	11.3	2.9	2.5	2.2	14.5	9.6	7.8	33%
	Total Average					20.8	17.3	16.7	4.0	3.3	2.8	23.2	23.3	41.0	29.6%

Source: Bloomberg

Note: Data updated by 18 Dec 2019

# **Key Investment Risks**

Key investment risks might derive from: 1) Uncertainty in regulations; 2) slower-thanexpected launch of new games; 3) grossing decline of hot titles; and 4) film headwinds.



# **Financial Summary**

Income statement	Cash flow summary										
YE 31 Dec (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E	YE 31 Dec (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue	7,930	8,034	8,651	9,945	11,056	Net income	1,505	1,706	2,086	2,410	2,719
Film & TV	2,277	2,611	2,015	2,352	2,582	D&A	280	166	117	103	105
Games	5,622	5,389	6,636	7,594	8,475	Change in WC	(1,074)	(1,261)	59	(630)	(468)
Others	31	33	33	33	33	Others	93	(742)	(18)	(80)	(171)
COGS	(3,381)	(3,550)	(3,114)	(3,852)	(4,326)	Operating CF	804	(130)	2,244	1,803	2,185
Gross profit	4,549	4,484	5,537	6,094	6,731	Operating CF		( /	,	,	,
Gross prom	4,349	4,404	3,337	0,094	0,751	Capay	(194)	(141)	67	(69)	(69)
0.014		(000)	(0.0)	(00)	((	Capex	(194)	(141)	- 07	(09)	(09)
S&M	(744)	(880)	(887)	(970)	(1,078)	Associates	4 000	0.447			
Admin.Exp.	(2,073)	(704)	(737)	(788)	(903)	Others	1,909	3,117	960	922	886
R&D	-	(1,413)	(1,665)	(1,780)	(1,924)	Investing CF	1,715	2,976	1,027	853	817
Others	(328)	(144)	(70)	75	160		0	0			
Operating profit	1,589	1,892	2,431	2,785	3,132	Equity raised	2	0	-	-	-
						Change of Debts	(359)	(160)	-	(200)	(200)
Non-operating Rev	72	31	30	50	50	Others	(1,095)	(1,793)	(336)	(231)	(194)
Non-operating Exp	(13)	(7)	(7)	(7)	(7)	Financing CF	(1,451)	(1,952)	(336)	(431)	(394)
Pre-tax Income	1,649	1,916	2,453	2,828	3,175						
	,	,	,	,	-, -	Net change in cash	1,032	920	2,936	2,226	2,608
Income Tax	(189)	(156)	(307)	(353)	(397)	Cash (beg of yr)	1,900	2,931	3,852	6,788	9,013
Less: MI	(103)	(130)	(61)	(65)	(59)	FX	(37)	2,331	5,052	0,700	3,013
		. ,			• •		2,931	3,852	6,788	9,013	11,621
Net profit	1,505	1,706	2,086	2,410	2,719	Cash (end of yr)	2,001	0,002	0,100	0,010	,021
Balance sheet						Key ratios					
YE 31 Dec (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E	YE 31 Dec	FY17A	FY18A	FY19E	FY20E	FY21E
Non-current assets	6,339	5,195	4,233	3,380	2,562	Sales mix (%)					
					184	Film & TV	28.7	32.5	23.3	23.6	23.4
Fixed asset	491	362	300	238							
LT investment	3,237	3,452	3,622	3,712	3,802	Games	70.9	67.1	76.7	76.4	76.6
Intangible assets	114	87	94	98	100	Others	0.4	0.4	0.4	0.3	0.3
Others	2,496	1,294	217	(668)	(1,524)	Total	100.0	100.0	100.4	100.3	100.3
Current essets	40.040	40 700	42 540	40.000	40.070	Crowth rate (%)					
Current assets	10,246	10,783	13,519	16,690	19,978	Growth rate (%)	~~~~			45.0	
Cash	3,236	4,229	7,165	9,390	11,998	Revenue	28.8	1.3	7.7	15.0	11.2
Restricted cash	852	790	693	857	962	Gross profit	21.1	(1.4)	23.5	10.0	10.5
Account receivable	1,662	1,964	2,115	2,432	2,703	EBIT	32.3	19.1	28.5	14.6	12.4
Others	4,497	3,800	3,547	4,011	4,314	Net profit	77.4	22.1	12.6	19.4	13.5
Current liabilities	5,215	3,921	3,992	4,330	4,562	P&L ratios (%)					
Short-term debt		•	•	•		OPM	20.0	23.6	28.1	28.0	28.3
	618	1,270	1,270	1,270	1,270				-		
Customer advances	529	409	441	507	563	Pre-tax margin	20.8	23.8	28.4	28.4	28.7
Accounts Payable	1,803	1,372	1,204	1,489	1,672	Net margin	17.6	21.2	22.2	23.1	23.5
1-year loan	1,106	-	200	200	200	tax rate	(2.4)	(1.9)	(3.5)	(3.6)	(3.6)
Others	1,160	870	877	864	856						
	.,	0.0	0			-					
					o 405	Returns (%)	17 5		40 7	40 5	47.0
Non-current liabilities	2,552	2,725	2,525	2,325	2,125	ROE	17.5	20.2	18.7	18.5	17.6
Borrowings	500	794	594	394	194	ROA	9.1	10.7	11.7	12.0	12.1
Others	2,052 1,932 1,932 1,932		1,932	1,932							
						Per share					
MI	823	870	925	983	1,036	EPS (RMB)	1.14	1.30	1.59	1.83	2.07
Total Equity	8,787	9,309	11,213	13,392	15,829	DPS (RMB)	0.17	0.18	0.22	0.25	0.29
Shareholders' equity	7,964	8,439	10,288	12,409	14,793	BVPS (RMB)	2.23	2.93	5.16	6.86	8.84



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