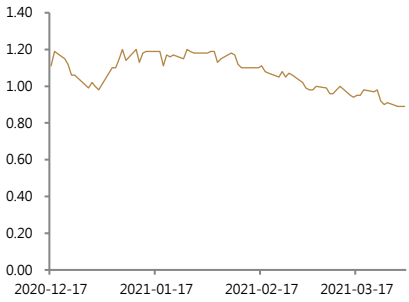
Analyst: Brian Ngo, CFA
T: +852 2533 3713
E: brianngo@sbichinacapital.com
Address: 4/F, Henley Building, No.5 Queen's Road Central, Hong Kong

Ticker (01163.HK)

Recommendation	**BUY**
Target price (HKD)	1.26
Current price (HKD)	0.89
Last 12 mth price range	0.68 – 1.55
Market cap (HKD, bn)	0.5

Source: Bloomberg, SBI CHINA CAPITAL

Performance (01163.HK)



	1mth	3mth	12mth
Change	-16.0%	-11.0%	-
Relative change	-14.0%	-15.5%	-

Source: Choice, SBI CHINA CAPITAL

AdTiger(01163.HK)

Bottom out in the intl. market and exploration in the China market, reiterate "BUY" and slash the TP to HKD 1.26/share

AdTiger(01163.HK) achieved a 10.0% YoY increase in revenue to RMB 210.3mn, in which 47.2% and 44.7% was contributed by the APP developers and e-commerce customers respectively. Besides, an uplift in TAC squeezed the gross margin by 7.8p.p. YoY to 20.3%; in addition to the investment in an online shipment tracking and logistics management system, the Group reported RMB 15.5mn adjusted net profit in 2020, representing a 55.1% YoY retreat as well as 7.4% adjusted profit margin.

The unavoidable international politics issues resulted in a loss in 2020 2H

Due to an unanticipated but escalating tension between China and India in 2020, 59 mobile APPs from China, including TikTok, Baidu, WeChat and UC Browser etc., were banned in India since Jun 2020, and the number of APPs covered in the list was expanded to more than 200 after 3 additional rounds of sanctions. In parallel, the US dubbed a program called Clean Network that protects the US as well as its citizens from information leakage, Chinese spies and censorship. The program applies to the telecoms carriers, APP stores, APPs, cloud services and undersea cables, in which untrusted APPs like TikTok and WeChat are removed from the APPs store.

Resulted from the ratcheting up conflicts between China and India / the US, i) Chinese APPs are removed from the APPs store, those developers have no choice but to suspend the marketing activities in particular regions, ii) unaffected APP developers become more conservative, slashing the demand for marketing services. According to the prospectus of the Group, India and the US ranked top 3 in terms of traffic-generating in the past 3 consecutive years, representing over 50% traffic of the ads placed. Therefore, suffered from the fatal anti-Chinese APPs policies in India and the US, the Group reported an RMB 87.4mn, representing a 28.7% YoY decline, and an RMB 20.4mn net loss (2019 2H: RMB 10.7mn net profit) in 2020 2H.

Be well-prepared to explore in China market

The R&D expenses as well as consultancy fee of AdTiger(01163.HK) surged approximately RMB 16.0mn and RMB 8.1mn in 2020, the former was primarily attributable to i) the engagement of external R&D teams to establish an online shipment tracking and logistics management system and ii) an upgrade of AdTensor, the logistics management system is suitable for the customers using their websites for sales, allowing the Group to provide one-stop advertising + logistic solution to the customers; the latter was attributable to the consultation services provided by an external team. The consultation covered the topics like ad content optimization, ad platform planning, ad strategy planning and information stream management, which helps the Group to be more familiar with Chinese media platforms such as TouTiao, Kuaishou and iFeng.com.

China region may take place to be the major growth driver

- Decent demand from the educational sector

  Online education was popular in China in 2020 Q1 due to an outbroke of the pandemic, educational institutes raised the marketing budget to actively seize the booming market, bringing a lustrous derived demand in the advertising industry. AdTiger(01163.HK) successfully shared a piece of cake and accomplished a 6.4x YoY uplift to RMB 17.8mn revenue generated from the educational institutes.

- Chinese market exploration in 2020 Q4

  AdTiger(01163.HK) suggested globalization strategy in 2020, including i) helping the Chinese companies to place ads overseas, ii) helping the Chinese companies to place ads locally, iii) helping the foreign companies to place ads in China, such practice is essential to the Group to diversify the geographical risk and to expand its income source. The Group officially stepped into the Chinese market in 2020 Q4, it aims to provide marketing solutions to the customers coming from e-commerce, social networking and gaming sectors. Furthermore, we cannot rule out the possibility that the Group may explore further to BiliBili as well as Xiaohongshu in the future.

- Recovering Chinese market may save AdTiger(01163.HK) from a plummet in revenue

  According to the National Bureau of Statistics of China, China achieved a 2.3% YoY increase in GDP to RMB 101.6tn in 2020, which is the first time hitting the record of RMB 100.0tn. By achieving one of the highest growth rates in the world, the contribution from China to the global economy rose 1.7p.p. to ~17%. China did well in the control of pandemic, resulting in an amazing recovery since 2020 2H, in addition to the strong demand from the e-commerce / APPs development sector, we believe that an exploration of the Chinese market can offset a temporary retreat in the global market, and China may likely be the main region driving the Group to grow.

Bottom out in the intl. market and exploration in the China market, reiterate "BUY" and slash the TP to HKD 1.26/share

Despite a difficult 2H in 2020, we still believe that AdTiger(01163.HK) can escape from the trough very soon. The Group invested aggressively in 2020 to explore the Chinese market, and it has picked the booming platforms to be its major ads distribution platforms, and platforms expansion will also possibly bring the Group a lustrous growth in the future. Moreover, we do not see any evidence showing that the international market will shrink further, providing the Group with a chance to bottom-out. Therefore, we downward adjust our forecast by 5.6% - 57.5%, reiterate"BUY" and slash the TP to HKD 1.26/share, implying 25.9x/10.1x/7.8x fw PE of 2021/2022/2023.

Peers comparison

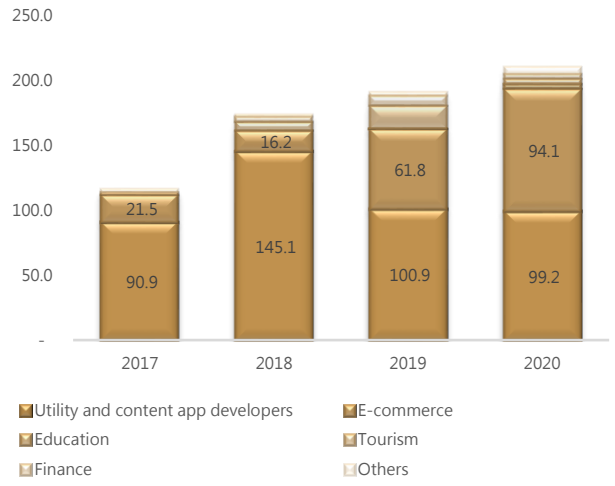
		Market Cap	PE	Fw PE	PB	PS	Revenue	GM	ROE
		(mn)	(X)	(X)	(X)	(X)	(mn)	(%)	(%)
01860.HK	Mobvista	9,772.9	-	17.4	4.4	2.4	4,003.3	23.7	10.2
02013.HK	Weimob	41,506.9	-	-	33.2	15.9	2,215.4	50.9	(76.1)
02131.HK	Netjoy	5,528.0	-	-	4.1	-	2,899.8	6.9	-
06988.HK	Joy Spreader	7,255.1	35.9	18.1	2.8	5.5	1,039.6	32.6	10.9
09911.HK	Newborn Town	4,874.4	104.8	17.2	7.7	3.5	1,329.6	63.7	6.8
	Average	*13,787.5*	*70.3*	*17.6*	*10.4*	*6.8*	*2,297.6*	*35.6*	*(12.1)*
01163.HK	Adtiger	547.8	44.5	-	5.7	1.8	236.7	28.1	-

Source: Bloomberg, SBI CHINA CAPITAL

Risk factor(s)

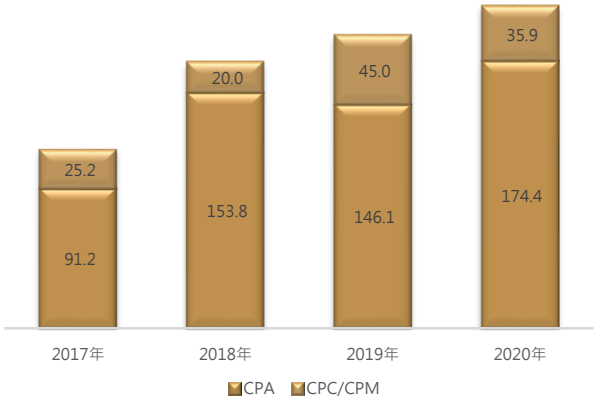
- Escalating tension between China and the US, the customers become more conservative
- Keen competition in China hinders the Group's exploration
- The demand for marketing coming from the e-commerce and APPs sector cools down in parallel with the amelioration of pandemic

Revenue breakdown by customers (RMB,mn)



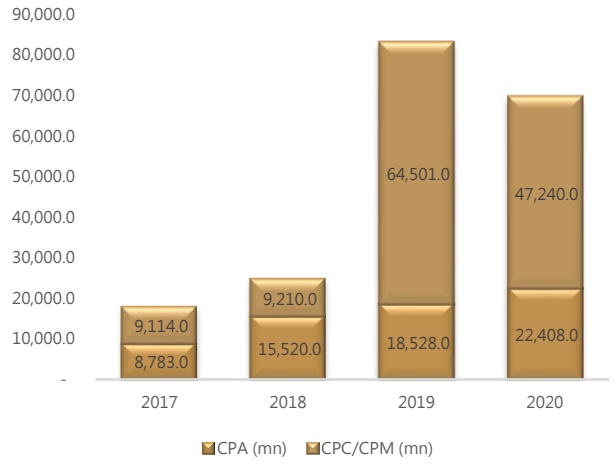
Source: Company data, SBI CHINA CAPITAL

Revenue breakdown by pricing models (RMB,mn)



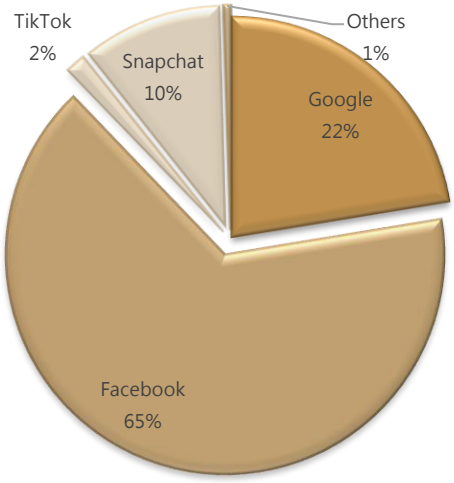
Source: Company data, SBI CHINA CAPITAL

Impression breakdown by pricing models



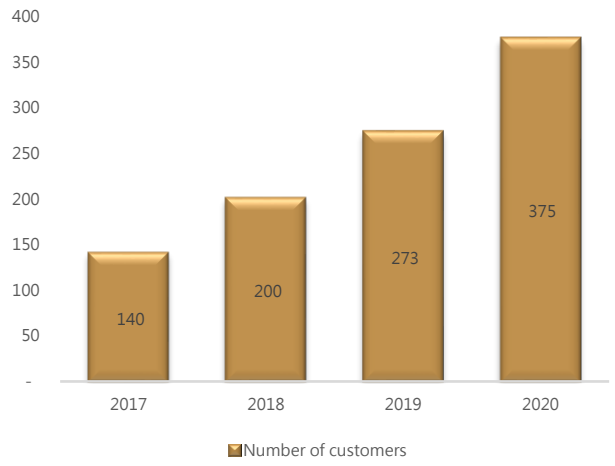
Source: Company data, SBI CHINA CAPITAL

Breakdown of the TAC by media publishers



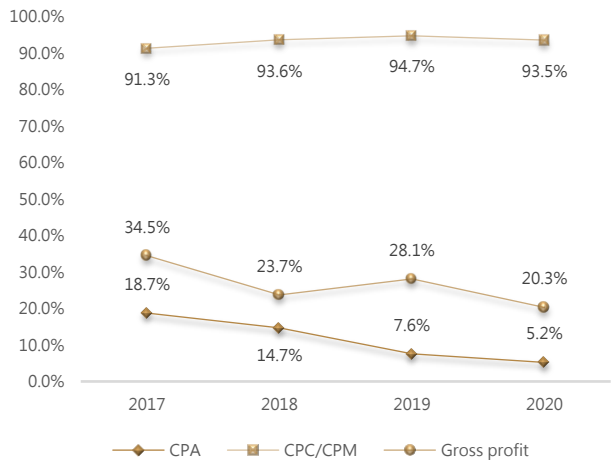
Source: Company data, SBI CHINA CAPITAL

Number of customers



Source: Company data, SBI CHINA CAPITAL

Gross margin



Source: Company data, SBI CHINA CAPITAL

Financial Statement

PnL	2020	2021	2022	2023
(RMB,mn)	(A)	(E)	(E)	(E)
Revenue	**210.3**	**395.0**	**531.6**	**649.8**
YoY growth	*10.0%*	*87.8%*	*34.6%*	*22.2%*
COGS	(167.7)	(313.0)	(412.0)	(497.3)
Gross profit	**42.7**	**82.0**	**119.6**	**152.5**
Other income	3.2	0.6	0.6	0.8
Operating expenses	(43.6)	(50.5)	(37.9)	(46.5)
Operating profit	**2.3**	**32.1**	**82.4**	**106.8**
Finance income	(0.0)	(0.0)	(0.0)	(0.0)
JV & Asso.	-	-	-	-
Profit before tax	**2.3**	**32.1**	**82.3**	**106.7**
Tax	0.6	(6.4)	(16.5)	(21.3)
Net profit	**2.9**	**25.7**	**65.9**	**85.4**
YoY growth	*-86.9%*	*789.4%*	*156.4%*	*29.6%*
Adj. EBITDA	**14.9**	**32.8**	**83.2**	**107.6**

Balance Sheet	2020	2021	2022	2023
(RMB,mn)	(A)	(E)	(E)	(E)
PPE	0.2	0.2	0.2	0.1
Intangible assets	-	-	-	-
Others	1.0	1.0	1.1	1.2
Non-current assets	**1.1**	**1.2**	**1.3**	**1.3**
Inventories	-	-	-	-
Trade receivables	108.7	193.1	242.8	292.5
Cash & cash equivalents	281.0	316.1	381.5	427.0
Others	5.8	22.4	18.6	35.5
Current assets	**395.6**	**531.6**	**642.9**	**755.0**
Total assets	**396.7**	**532.9**	**644.2**	**756.3**
LT borrowings	-	-	-	-
Others	-	-	-	-
Non-current liabilities	-	-	-	-
Trade payables	195.9	279.5	324.1	328.1
ST borrowings	-	-	-	-
Others	35.3	62.2	63.1	85.8
Current liabilities	**231.2**	**341.7**	**387.2**	**413.9**
Total liabilities	**231.2**	**341.7**	**387.2**	**413.9**
Non-controlling interests	-	-	-	-
Controlling interests	165.5	191.2	257.0	342.4
Total equities	**165.5**	**191.2**	**257.0**	**342.4**

Cash Flow	2020	2021	2022	2023
(RMB,mn)	(E)	(E)	(E)	(E)
Profit before tax	2.3	32.1	82.3	106.7
Finance expenses	0.0	0.0	0.0	0.0
Finance income	-	-	-	-
Depreciation&Amortization	0.1	0.2	0.2	0.1
Others	1.8	(4.5)	(14.3)	(18.9)
Change in working capital	11.9	8.4	(1.6)	(40.6)
CFO	**16.1**	**36.2**	**66.7**	**47.3**
CAPEX	(0.1)	(0.2)	(0.4)	(0.9)
Others	-	-	-	-
CFI	**(0.1)**	**(0.2)**	**(0.4)**	**(0.9)**
Share issuance	131.3	-	-	-
Net borrowings	-	-	-	-
Interest paid	-	-	-	-
Others	-	-	-	-
CFF	(32.2)	(0.9)	(0.9)	(0.9)
	99.0	**(0.9)**	**(0.9)**	**(0.9)**
FCFE				
FCFF	**5.6**	**36.0**	**66.2**	**46.4**
Profit before tax	**5.6**	**36.0**	**66.2**	**46.4**

Financial Ratio	2020	2021	2022	2023
	(A)	(E)	(E)	(E)
Gross margin	20.3%	20.8%	22.5%	23.5%
Operating margin	1.1%	8.1%	15.5%	16.4%
Net profit margin	1.4%	6.5%	12.4%	13.1%
Adj. EBITDA profit margin	7.1%	8.3%	15.7%	16.6%
Return on Equity	2.6%	14.4%	29.4%	28.5%
Return on Asset	0.8%	5.5%	11.2%	12.2%
Current ratio	171.1%	155.6%	166.0%	182.4%
Quick ratio	169.8%	149.0%	161.2%	173.8%
Cash ratio	121.6%	92.5%	98.5%	103.2%
Debt-to-Equity ratio	0.0%	0.0%	0.0%	0.0%
Net Debt-to-Equity ratio	-169.8%	-165.4%	-148.4%	-124.7%
Inventory turnover days	-	-	-	-
Receivable turnover days	219.7	141.7	152.1	153.1
Payable turnover days	464.0	277.2	267.4	239.3

Source: Company data、SBI CHINA CAPITAL

SBI China Capital is a dedicated small/mid cap investment banking/ stockbrokerage house. Find our research on: research@sbichinacapital.com, thomsononeanalytics.com, factset.com, S&P Capital IQ and multex.com.

SBI China Capital stock ratings:

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BUY : absolute upside of >10% over the next 12 months

HOLD : absolute return of -10% to +10% over the next 12 months

SELL : absolute downside of >10% over the next 12 months

STRONG SELL : absolute downside of >50% over the next 12 months

SBI China Capital Financial Services Ltd. acted as the Joint Bookrunners, Joint Global Coordinators, Joint Lead Managers, Stabilizing Manager and underwriter for AdTiger Corporations Limited (Stock code: 01163.HK) in Jun – Jul 2020.

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