

# Kingsoft Cloud (KC US)

## M&A and new customer win enhance visibility

We are encouraged to see higher visibility as 1) newly-acquired Camelot business has high customer stickiness and 2) winning Meituan in public cloud business since 2Q21. We expect KC 2Q21E revenue to grow at +42% YoY to RMB2.2bn but adj. EBITDA margin to decline slightly YoY to -2.4% on enterprise cloud project revenue recognition time gap. Maintain BUY.

- Higher enterprise cloud visibility with newly acquired Camelot.** On 2 Aug, KC announced to acquire Camelot, a financial IT service company, by issuing 4.4% of fully diluted shares to Camelot founders and shareholders. We estimate the consideration is approx. US\$422mn (RMB2.7bn). We are positive on the deal as Camelot has 94% revenue recurring ratio that enhances KC enterprise business visibility. As of 31 Jul 2021, Camelot has RMB3.8bn revenue backlog (vs. KC enterprise cloud FY21E revenue of RMB3.1bn). If we roughly assume Camelot to achieve RMB3.8bn revenue in FY22E and net margin of 10% (avg. for IT service co.), the transaction is priced at FY22E 0.7x P/S or 7.1x P/E (vs. KC trading at 3.2x FY22E P/S).
- Multi-cloud trend unchanged with new customer win in public cloud.** Meituan has become a new customer of KC public cloud since Jun 2021. The continuous customer wins (added Zhihu, Agora, Huya, Bigo, Sogou in FY20) suggested that the multi-cloud adoption trend remains unchanged. Multi-cloud strategy is adopted to ensure network stability and cloud resources flexibility. This will favor independent third-party cloud service providers like KC.
- 2Q21 preview: solid top-line growth but margin lags.** We expect KC to deliver revenue of RMB2,183mn (+42% YoY) in FY2Q21, in-line with prior guidance (+39-45% YoY). We estimate public cloud/ enterprise cloud revenue to grow at +22%/ +147% YoY to RMB1,564mn/ RMB608mn respectively. For margin, we expect adj. EBITDA margin to decline 0.1 pct pts YoY to -2.4% as 1) GPM fluctuates on enterprise cloud projects revenue recognition time gap and 2) FY2Q20 OPM boosted by social security expense exemption.
- Maintain BUY.** We raised FY21-22E revenue by 5-8% but we slightly cut target price to US\$43.85 (from US\$45.26) on sector de-rating regarding policy uncertainty. We now use 4.5x FY22E P/S (vs. prior 5x) to value KC. We have not factored in the financial impact from Camelot acquisition. The deal is expected to close in 4Q21, subject to regulatory approval.

### Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	3,956	6,577	9,550	13,952	18,759
YoY growth (%)	78%	66%	45%	46%	34%
Adj. EBITDA (RMB mn)	(418)	(119)	36	770	1,785
YoY growth (%)	n.a.	n.a.	n.a.	2038%	132%
Net income (RMB mn)	(1,161)	(982)	(1,204)	(1,005)	16
EPS (RMB)	(19.58)	(6.14)	(5.41)	(4.52)	0.07
YoY growth (%)	n.a.	n.a.	n.a.	-16%	-102%
Consensus EPS (RMB)	(19.58)	(6.14)	(4.27)	(1.50)	3.09
P/S	11.2	6.8	4.7	3.2	2.4
ROE (%)	-33%	-12%	-17%	-17%	0%
Net gearing (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, Bloomberg, CMBIS estimates

**BUY (Maintain)**

Target Price	US\$43.85
(Previous TP)	US\$45.26)
Up/Downside	+41.2%
Current Price	US\$31.06

### China Software & IT Services

#### Marley Ngan

(852) 3916 3719

marleyngan@cmbi.com.hk

#### Stock Data

Mkt Cap (HK\$ mn)	6,476
Avg 3 mths t/o (HK\$ mn)	57.90
52w High/Low (HK\$)	74.67/ 24.03
Total Issued Shares (mn)	223

Source: Bloomberg

#### Shareholding Structure

Kingsoft Group (3888 HK)	43.6%
Xiaomi (1810 HK)	13.8%
Mr. Jun LEI	13.8%

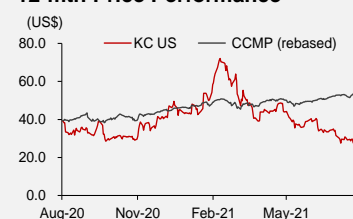
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	-15.4%	-16.3%
3-mth	-34.0%	-37.2%
6-mth	-46.5%	-51.2%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

Auditor: Ernst & Young Hua Ming

#### Related Reports

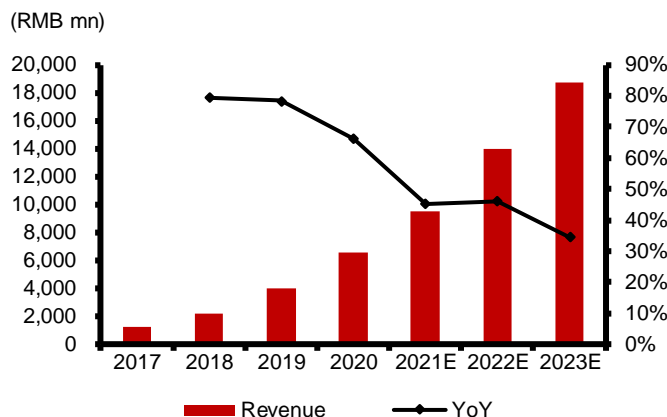
- "Kingsoft Cloud (KC US) – Reset expectation on Bytedance" – 24 Jun 2021
- "Kingsoft Cloud (KC US) – Riding on multi-cloud adoption" – 21 May 2021

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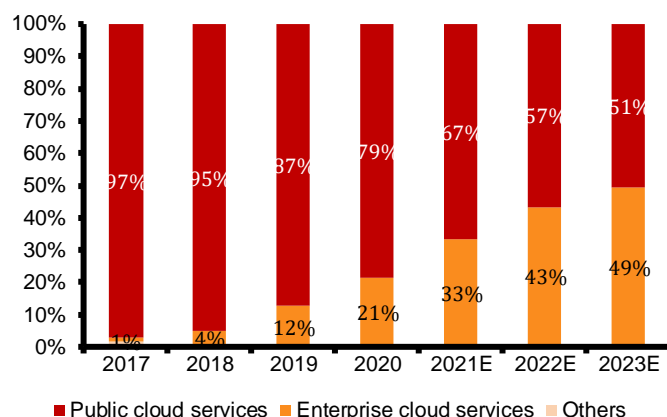
## Focus Charts

**Figure 1: Revenue and YoY**



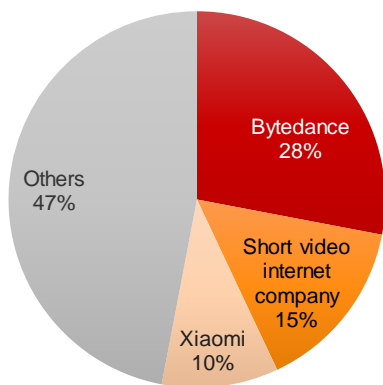
Source: Company data, CMBIS

**Figure 2: Revenue mix**



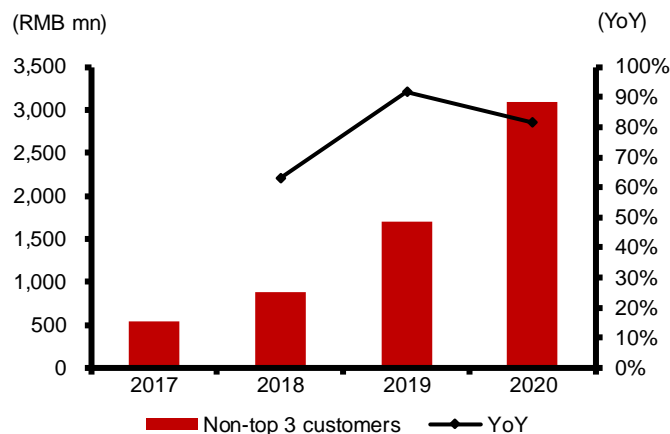
Source: Company data, CMBIS

**Figure 3: Customer mix (FY20)**



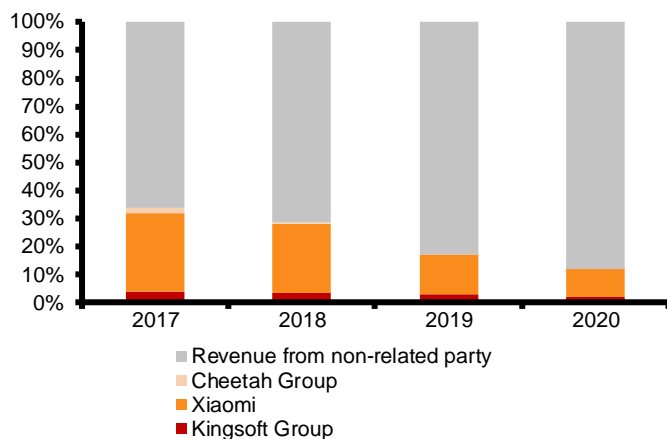
Source: Company data, CMBIS

**Figure 4: Revenue from non-top 3 customers**



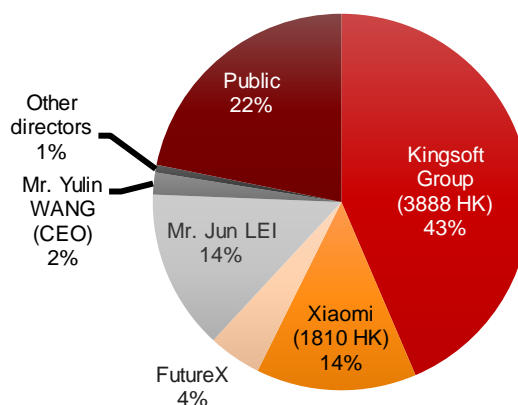
Source: Company data, CMBIS

**Figure 5: Related party transaction (revenue)**



Source: Company data, CMBIS

**Figure 6: Shareholding structure**



Source: Company data, CMBIS

## Acquisition of Camelot Employee Scheme Inc.

On 2 Aug, KC announced to acquire controlling interests in Camelot Employee Scheme Inc. ("Camelot"). Camelot is a financial software & IT service company in China. Business covers major cities including Beijing, Wuhan, Nanjing, Shanghai, among others.

### Consideration of the transaction:

- **Consideration:** The consideration will be settled in two parts:
  - (i) KC will issue to each of the two co-founders of Camelot unrestricted ordinary shares and restricted ordinary shares representing **1.6% and 1.0%** of total outstanding shares on a fully diluted basis. Also, KC will issue **another 1.8%** of fully diluted outstanding shares to other existing shareholders of Camelot, subject to certain adjustments and lock-up restrictions. The proposed transaction is **expected to close by end of 2021**, subject to customary closing conditions, including regulatory approvals.
  - (ii) KC will acquire the remaining stake from other existing shareholders in Camelot by **issuing up to RMB782.5mn worth of additional ordinary shares in Jun 2023**, subject to certain conditions.

**Figure 7: KC income statement**

Details	No. of shares (mn)
<u>As of 31 Mar 2021</u>	
Outstanding	3,340
Dilutive shares	187
Fully diluted shares	3,527
<b>Fully diluted ADS</b>	<b>235</b>
 <b>New shares to be issued by KC</b>	
<u>Settle in 4Q21</u>	
- To co-founders	2.60%
- To existing shareholders	1.80%
<u>Settle in Jun 2023*</u>	
- To existing shareholders	<b>Additional shares that worth</b> RMB782.5mn
 KC closing price (US\$) on 1 Aug 2021	
	29.00
 <b>Total consideration</b>	
	<b>US\$m</b>
Settle in 4Q21	300
Settle in Jun 2023*	122
	<b>422</b>

Source: Company Data, CMBIS estimates, \* *subject to certain conditions*  
 Exchange rate: RMB6.43 = US\$1

### Camelot company background:

- **High customer stickiness:** Camelot 2020 revenue recurring ratio was **94%** (defined as % of FY20 revenue generated by repeated clients from FY19) It has 213 premium customers (annual revenues over RMB700,000) in 2020.
- **Strong revenue backlog:** As of 31 Jul 2021, Camelot has **RMB3.8bn revenue backlog** (higher than our estimate for KC enterprise cloud service revenue in FY21E at RMB3.1bn).
- **Experienced management:** Camelot management team will join KC and bring along their industry know-how and client relationships. Senior personnel has worked for Camelot for a long time ranging from **15-29 years**. Prior to Camelot, they worked at IBM, BearingPoint and other global leading companies.

## Earnings revision

Figure 8: Earnings revision

RMB mn	2021E			2022E			2023E		
	New	Old	Diff	New	Old	Diff	New	Old	Diff
Sales	9,550	9,134	5%	13,952	12,959	8%	18,759	17,238	9%
Gross profit	651	646	1%	1,547	1,423	9%	2,980	2,482	20%
OP Profit	-1,464	-1,320	n.a.	-1,222	-1,007	n.a.	-162	-288	n.a.
Adj. EBITDA	36	-57	-163%	770	547	41%	1,785	1,695	5%
Net profit	-1,204	-1,058	n.a.	-1,005	-783	n.a.	16	-99	n.a.
EPS	-0.36	-0.32	n.a.	-0.30	-0.23	n.a.	0.00	-0.03	n.a.
<b>Margins</b>									
GM	6.8%	7.1%	-25 bps	11.1%	11.0%	11 bps	15.9%	14.4%	149 bps
OPM	-15.3%	-14.5%	-88 bps	-8.8%	-7.8%	-99 bps	-0.9%	-1.7%	81 bps
Adj. EBITDA margin	0.4%	-0.6%	100 bps	5.5%	4.2%	129 bps	9.5%	9.8%	-32 bps
Net margin	-12.6%	-11.6%	-102 bps	-7.2%	-6.0%	-116 bps	0.1%	-0.6%	66 bps

Source: Company data, CMBIS

Figure 9: CMBI vs. consensus forecast

RMB mn	2021E			2022E			2023E		
	CMBI	Street	Diff	CMBI	Street	Diff	CMBI	Street	Diff
Sales	9,550	9,830	-3%	13,952	14,966	-7%	18,759	22,691	-17%
Gross profit	651	794	-18%	1,547	1,933	-20%	2,980	3,951	-25%
Operating profit	-1,464	-1,185	n.a.	-1,222	-662	n.a.	-162	357	n.a.
Adj. EBITDA	36	-9	-485%	770	895	-14%	1,785	2,339	-24%
Net profit	-1,204	-846	n.a.	-1,005	-223	n.a.	16	1,021	-98%
EPS	-0.36	-4.27	n.a.	-0.30	-1.50	n.a.	0.00	3.09	-100%
<b>Margins</b>									
GM	6.8%	8.1%	-126 bps	11.1%	12.9%	-182 bps	15.9%	17.4%	-153 bps
OPM	-15.3%	-12.1%	-328 bps	-8.8%	-4.4%	-433 bps	-0.9%	1.6%	-244 bps
Adj. EBITDA margin	0.4%	-0.1%	47 bps	5.5%	6.0%	-47 bps	9.5%	10.3%	-79 bps
Net margin	-12.6%	-8.6%	-400 bps	-7.2%	-1.5%	-572 bps	0.1%	4.5%	-441 bps

Source: Company data, CMBIS

## Operating model

Figure 10: KC income statement

RMB mn	2017	2018	2019	2020	2021E	2022E	2023E
Revenues	1,236	2,218	3,956	6,577	9,550	13,952	18,759
Cost of sales	(1,354)	(2,419)	(3,949)	(6,220)	(8,899)	(12,404)	(15,778)
Gross Profit	<b>(118)</b>	<b>(200)</b>	<b>8</b>	<b>357</b>	<b>651</b>	<b>1,547</b>	<b>2,980</b>
<i>Gross margin</i>	<i>-9.6%</i>	<i>-9.0%</i>	<i>0.2%</i>	<i>5.4%</i>	<i>6.8%</i>	<i>11.1%</i>	<i>15.9%</i>
R&D	(399)	(441)	(595)	(775)	(1,075)	(1,436)	(1,611)
SG&A	(210)	(339)	(556)	(789)	(1,040)	(1,333)	(1,531)
Operating Income	<b>(727)</b>	<b>(979)</b>	<b>(1,144)</b>	<b>(1,207)</b>	<b>(1,464)</b>	<b>(1,222)</b>	<b>(162)</b>
<i>Operating margin</i>	<i>-58.8%</i>	<i>-44.2%</i>	<i>-28.9%</i>	<i>-18.4%</i>	<i>-15.3%</i>	<i>-8.8%</i>	<i>-0.9%</i>
Adj. EBITDA	<b>(338)</b>	<b>(520)</b>	<b>(418)</b>	<b>(119)</b>	<b>36</b>	<b>770</b>	<b>1,785</b>
<i>Adj. EBITDA margin</i>	<i>-27.4%</i>	<i>-23.4%</i>	<i>-10.6%</i>	<i>-1.8%</i>	<i>0.4%</i>	<i>5.5%</i>	<i>9.5%</i>
Non-Operating Income	13	(17)	41	260	271	225	178
Profit Before Tax	(714)	(997)	(1,102)	(947)	(1,193)	(996)	16
Income tax (expense) gain	(1)	(10)	(9)	(15)	(11)	(9)	0
Minorities	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Accretion to redemption value of redeemable convertible preferred shares	-	-	-	-	-	-	-
<b>Net Income to Shareholders</b>	<b>(1,320)</b>	<b>(1,749)</b>	<b>(1,161)</b>	<b>(982)</b>	<b>(1,204)</b>	<b>(1,005)</b>	<b>16</b>
<i>Net margin</i>	<i>-107%</i>	<i>-79%</i>	<i>-29%</i>	<i>-15%</i>	<i>-13%</i>	<i>-7%</i>	<i>0%</i>
<b>EPS (RMB) per share</b>	<b>(1.66)</b>	<b>(2.20)</b>	<b>(1.31)</b>	<b>(0.41)</b>	<b>(0.36)</b>	<b>(0.30)</b>	<b>0.00</b>
<b>EPS (RMB) per ADS</b>	<b>(24.95)</b>	<b>(33.06)</b>	<b>(19.58)</b>	<b>(6.14)</b>	<b>(5.41)</b>	<b>(4.52)</b>	<b>0.07</b>

Source: Company data, CMBIS

Figure 11: KC income statement (Quarterly)

RMB mn	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21E	3Q21E	4Q21E
Revenues	1,391	1,535	1,729	1,923	1,814	2,183	2,607	2,946
Cost of sales	(1,320)	(1,454)	(1,616)	(1,830)	(1,697)	(2,061)	(2,427)	(2,714)
Gross Profit	<b>71</b>	<b>81</b>	<b>113</b>	<b>93</b>	<b>117</b>	<b>122</b>	<b>180</b>	<b>232</b>
<i>Gross margin</i>	<i>5.1%</i>	<i>5.3%</i>	<i>6.5%</i>	<i>4.8%</i>	<i>6.4%</i>	<i>5.6%</i>	<i>6.9%</i>	<i>7.9%</i>
R&D	(196)	(231)	(168)	(181)	(265)	(249)	(296)	(265)
SG&A	(164)	(280)	(188)	(157)	(204)	(277)	(276)	(282)
Operating Income	<b>(289)</b>	<b>(430)</b>	<b>(243)</b>	<b>(245)</b>	<b>(352)</b>	<b>(404)</b>	<b>(392)</b>	<b>(316)</b>
<i>Operating margin</i>	<i>-20.8%</i>	<i>-28.0%</i>	<i>-14.0%</i>	<i>-12.8%</i>	<i>-19.4%</i>	<i>-18.5%</i>	<i>-15.0%</i>	<i>-10.7%</i>
Adj. EBITDA	<b>(39)</b>	<b>(36)</b>	<b>(26)</b>	<b>(18)</b>	<b>(49)</b>	<b>(52)</b>	<b>(9)</b>	<b>111</b>
<i>Adj. EBITDA margin</i>	<i>-2.8%</i>	<i>-2.3%</i>	<i>-1.5%</i>	<i>-0.9%</i>	<i>-2.7%</i>	<i>-2.4%</i>	<i>-0.4%</i>	<i>3.8%</i>
Non-Operating Income	(37)	12	142	144	(27)	7	135	138
Profit Before Tax	(326)	(418)	(101)	(102)	(379)	(398)	(257)	(178)
<b>Net Income to Shareholders</b>	<b>(351)</b>	<b>(420)</b>	<b>(106)</b>	<b>(105)</b>	<b>(382)</b>	<b>(401)</b>	<b>(259)</b>	<b>(180)</b>
<i>Net margin</i>	<i>-25.2%</i>	<i>-27.4%</i>	<i>-6.1%</i>	<i>-5.5%</i>	<i>-21.1%</i>	<i>-18.4%</i>	<i>-10.0%</i>	<i>-6.1%</i>
<b>EPS (RMB) per share</b>	<b>(0.39)</b>	<b>(0.19)</b>	<b>(0.03)</b>	<b>(0.03)</b>	<b>(0.11)</b>	<b>(0.12)</b>	<b>(0.08)</b>	<b>(0.05)</b>
<b>EPS (RMB) per ADS</b>	<b>(5.86)</b>	<b>(2.84)</b>	<b>(0.50)</b>	<b>(0.48)</b>	<b>(1.72)</b>	<b>(1.80)</b>	<b>(1.16)</b>	<b>(0.81)</b>

Source: Company data, CMBIS

Figure 12: KC operating model

RMB mn	2017	2018	2019	2020	2021E	2022E	2023E
<b>Revenue breakdown</b>							
Public cloud services	1,202	2,111	3,459	5,167	6,385	7,892	9,514
Enterprise cloud services	15	94	486	1,373	3,120	6,005	9,179
Others	18	13	11	38	45	54	65
<b>Total</b>	<b>1,236</b>	<b>2,218</b>	<b>3,956</b>	<b>6,577</b>	<b>9,550</b>	<b>13,952</b>	<b>18,759</b>
<b>Revenue mix</b>							
Public cloud services	97%	95%	87%	79%	67%	57%	51%
Enterprise cloud services	1%	4%	12%	21%	33%	43%	49%
Others	1%	1%	0%	1%	0%	0%	0%
<b>Revenue YoY</b>							
Public cloud services		76%	64%	49%	24%	24%	21%
Enterprise cloud services		518%	415%	182%	127%	92%	53%
Others		-27%	-16%	237%	20%	20%	20%
<b>Total</b>		79%	78%	66%	45%	46%	34%
<b>Key operating metrics</b>							
<b>Public cloud</b>							
No. of premium customers	112	139	175	191	201	211	221
YoY		24%	26%	9%	5%	5%	5%
Net dollar retention rate of premium customer		161%	155%	147%	121%	120%	115%
Avg. revenue per premium customer (RMB mn)	10.2	14.5	19.2	26.4	31.2	36.8	42.3
YoY		42%	32%	38%	18%	18%	15%
Computing	356	663	1,018	1,587	-	-	-
Storage	220	289	298	285	-	-	-
Delivery	629	1,161	2,137	3,318	-	-	-
<b>Enterprise cloud</b>							
No. of premium customers	2	17	67	124	217	332	442
Avg. revenue per premium customer (RMB mn)	-	5.5	7.2	11.0	14.3	18.1	20.8
<b>Cost of sales breakdown</b>							
IDC costs	1,033	1,890	2,857	4,059	5,098	6,238	7,445
Depreciation and amortization costs	290	407	599	746	975	1,274	1,547
Staff costs	17	24	52	48	69	101	122
Other costs	14	98	440	1,367	2,795	4,791	6,664
<b>Total</b>	<b>1,354</b>	<b>2,419</b>	<b>3,949</b>	<b>6,220</b>	<b>8,937</b>	<b>12,404</b>	<b>15,778</b>
<b>Cost of sales mix</b>							
IDC costs	76%	78%	72%	65%	57%	50%	47%
Depreciation and amortization costs	21%	17%	15%	12%	11%	10%	10%
Staff costs	1%	1%	1%	1%	1%	1%	1%
Other costs	1%	4%	11%	22%	31%	39%	42%

Source: Company data, CMBIS

## Valuation

### Maintain BUY

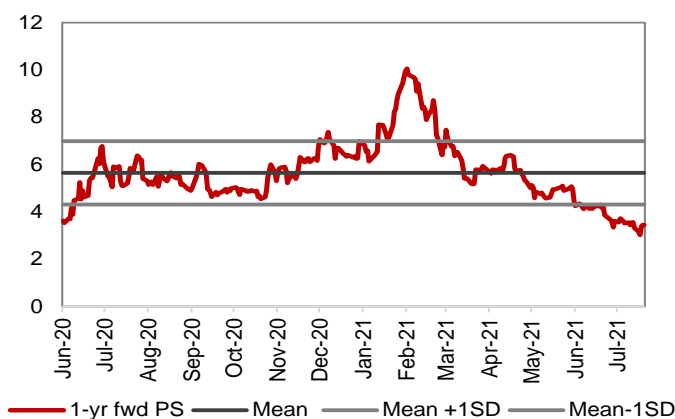
We maintain our BUY recommendation on Kingsoft Cloud but trimmed target price to US\$43.85 (prior US\$45.26) on internet sector de-rating regarding tightening policy. Our new target price is derived from 4.5x FY22E P/S (prior 5.0x FY22E P/S).

Figure 13: KC operating model

KC US			Market Cap	Price	P/S		EV/sales		Sales CAGR	P/S/Growth	EBITDA margin	
Company	Ticker	Rating	(US\$ bn)	(LC)	FY21E	FY22E	FY21E	FY22E	FY20-23E	FY22E	FY21	
<b>China IaaS pure-play</b>												
Kingsoft Cloud	KC US	BUY	6.5	29.0	4.7	3.2	3.8	2.5	42%	0.07	0.4%	
Ucloud	688158 CH	NR	2.6	39.7	4.6	3.3	4.1	2.9	44%	0.07	8%	
					<b>Mean</b>	<b>4.7</b>	<b>3.3</b>	<b>3.9</b>	<b>2.7</b>	<b>41%</b>	<b>0.07</b>	<b>4%</b>
<b>China SaaS and PaaS</b>												
Agora	API US	NR	3.7	31.6	21.3	15.2	16.2	11.6	37%	0.41	5%	
Tuya	TUYA US	NR	11.2	19.9	32.6	18.9	29.1	16.8	n.a.	n.a.	n.a.	
Glodon	002410 CH	BUY	11.9	65.1	15.4	12.7	14.5	12.0	22%	0.59	12%	
Yonyou	600588 CH	NR	19.5	38.6	12.4	9.5	12.3	9.4	24%	0.40	13%	
Kingsoft Office	688111 CH	NR	24.0	336.3	44.2	32.0	42.0	30.4	41%	0.77	36%	
Wangsu	300017 CH	NR	2.4	6.3	2.7	2.5	2.0	1.8	1%	1.85	13%	
Sangfor	300454 CH	NR	16.0	249.4	13.4	10.0	13.2	9.9	34%	0.29	14%	
Kingdee	268 HK	NR	10.6	23.8	16.5	13.1	15.4	12.2	25%	0.52	4%	
MYC	909 HK	BUY	7.0	27.8	19.1	13.8	17.0	12.3	38%	0.36	24%	
Youzan	8083 HK	NR	2.5	1.1	6.5	4.4	6.4	4.3	42%	0.11	-16%	
Weimob	2013 HK	NR	3.4	10.1	7.7	5.8	7.9	5.9	31%	0.19	4%	
					<b>Mean</b>	<b>17.4</b>	<b>12.5</b>	<b>16.0</b>	<b>11.5</b>	<b>29%</b>	<b>0.55</b>	<b>11%</b>
<b>Companies with IaaS business</b>												
Alibaba	BABA US	NR	530.6	195.2	4.9	3.7	4.3	3.3	31%	0.12	30%	
Tencent	700 HK	NR	577.7	467.8	6.4	5.3	6.6	5.5	20%	0.27	38%	
Baidu	BIDU US	NR	58.0	164.0	2.9	2.5	2.4	2.1	16%	0.15	25%	
Amazon	AMZN US	NR	1,685.2	3327.6	3.5	3.0	3.6	3.0	20%	0.15	14%	
Microsoft	MSFT US	NR	2,141.1	284.9	12.9	11.2	12.6	11.0	15%	0.74	46%	
Google	GOOG US	NR	1,800.0	2704.4	8.8	7.5	8.2	7.0	24%	0.32	43%	
<b>Avg.</b>					<b>Mean</b>	<b>6.6</b>	<b>5.5</b>	<b>6.3</b>	<b>5.3</b>	<b>21%</b>	<b>0.29</b>	<b>33%</b>

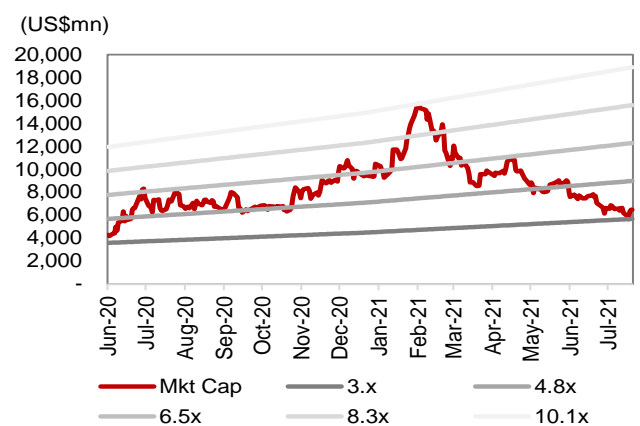
Source: Bloomberg

Figure 14: 12M forward P/S chart



Source: Bloomberg, CMBIS

Figure 15: 12M forward P/S band



Source: Bloomberg, CMBIS



## Financial Summary

### Income statement

YE Dec 31 (Rmb mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>3,956</b>	<b>6,577</b>	<b>9,550</b>	<b>13,952</b>	<b>18,759</b>
Cost of sales	(3,949)	(6,220)	(8,899)	(12,404)	(15,778)
<b>Gross Profit</b>	<b>8</b>	<b>357</b>	<b>651</b>	<b>1,547</b>	<b>2,980</b>
S&M	(317)	(409)	(560)	(768)	(853)
G&A	(239)	(380)	(480)	(565)	(678)
R&D	(595)	(775)	(1,075)	(1,436)	(1,611)
<b>Operating Profit/(Loss)</b>	<b>(1,144)</b>	<b>(1,207)</b>	<b>(1,464)</b>	<b>(1,222)</b>	<b>(162)</b>
<b>Adj. EBITDA</b>	<b>(418)</b>	<b>(119)</b>	<b>36</b>	<b>770</b>	<b>1,785</b>
Interest income	17	12	10	21	24
Interest expense	-	-	(2)	(2)	(4)
Other non-ops	778	958	1,130	784	40
<b>Profit Before Tax</b>	<b>(348)</b>	<b>(237)</b>	<b>(326)</b>	<b>(418)</b>	<b>(101)</b>
Income tax	(9)	(15)	(11)	(9)	0
<b>Profit After Tax</b>	<b>(1,111)</b>	<b>(962)</b>	<b>(1,203)</b>	<b>(1,005)</b>	<b>16</b>
Non Controlling Interest	-	(0)	(0)	(0)	(0)
Others	(50)	(20)	-	-	-
<b>Net profit</b>	<b>(1,161)</b>	<b>(982)</b>	<b>(1,204)</b>	<b>(1,005)</b>	<b>16</b>

### Cash flow summary

YE Dec 31 (Rmb mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Net Income</b>	<b>(1,111)</b>	<b>(962)</b>	<b>(1,203)</b>	<b>(1,005)</b>	<b>16</b>
Depreciation And	605	758	990	1,294	1,571
Net Change In Working	(113)	(300)	217	(520)	(436)
Others	181	213	0	0	0
<b>Net cash from operating</b>	<b>(439)</b>	<b>(290)</b>	<b>4</b>	<b>(231)</b>	<b>1,152</b>
Capital Expenditures	(1,000)	(1,560)	(1,526)	(1,742)	(1,311)
Short-term investments	(1,112)	(5,608)	0	0	0
Other Investing Activities	2,995	2,854	(2)	(2)	(2)
<b>Net cash from investing</b>	<b>883</b>	<b>(4,314)</b>	<b>(1,528)</b>	<b>(1,744)</b>	<b>(1,313)</b>
Equity raised	349	5,934	0	0	0
Change of debts	(81)	178	176	149	194
Dividend paid	0	0	0	0	0
Others	(204)	11	0	0	0
<b>Net cash from financing</b>	<b>65</b>	<b>6,124</b>	<b>176</b>	<b>149</b>	<b>194</b>
<b>Net change in cash</b>	<b>509</b>	<b>1,520</b>	<b>(1,348)</b>	<b>(1,826)</b>	<b>32</b>
Cash at the beginning of the	1,507	2,023	3,425	2,077	251
Exchange difference	8	(118)	0	0	0
Cash at the end of the year	2,023	3,425	2,077	251	283

### Balance sheet

YE Dec 31 (Rmb mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Non-current assets</b>	<b>1,882</b>	<b>2,384</b>	<b>2,922</b>	<b>3,372</b>	<b>3,114</b>
PPE, net	1,721	1,957	2,501	2,957	2,706
Intangible assets	7	17	11	4	-3
Others	154	411	411	411	411
<b>Current assets</b>	<b>4,150</b>	<b>9,545</b>	<b>8,773</b>	<b>8,893</b>	<b>10,773</b>
Cash	2,023	3,425	2,077	251	283
Accounts Receivable	1,347	2,335	2,848	4,356	5,725
Others	779	3,785	3,848	4,286	4,765
<b>Current liabilities</b>	<b>2,420</b>	<b>3,466</b>	<b>4,224</b>	<b>5,739</b>	<b>7,267</b>
Borrowings	100	74	74	74	74
Accounts Payable	1,255	2,057	2,412	3,332	4,258
Accrued Expenses	949	845	1,284	1,789	2,276
Others	116	489	453	542	659
<b>Non-current liabilities</b>	<b>75</b>	<b>224</b>	<b>435</b>	<b>495</b>	<b>572</b>
Borrowings	74	-	212	271	349
Amounts due	-	-	-	-	-
Others	0	224	224	224	224
Total mezzanine equity	7,735	-	-	-	-
Share capital	6	23	23	23	23
Capital surplus	92	14,150	14,150	14,150	14,150
Retained earnings	-	-	-	-	-
Others	608	-68	-68	-68	-68
<b>Total equity</b>	<b>-4,197</b>	<b>8,240</b>	<b>7,037</b>	<b>6,032</b>	<b>6,048</b>

### Key ratios

YE Dec 31	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Sales mix (%)</b>					
Public cloud services	87%	79%	67%	57%	51%
Enterprise cloud services	12%	21%	33%	43%	49%
Others	0%	1%	0%	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Growth (YoY)</b>					
Revenue	78%	66%	45%	46%	34%
Gross profit	n.a.	n.a.	82%	138%	93%
Adj. EBITDA	n.a.	n.a.	n.a.	n.a.	132%
Net profit	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Margins</b>					
Gross margin	0%	5%	7%	11%	16%
Operating margin	-29%	-18%	-15%	-9%	-1%
Adj. EBITDA margin	-11%	-2%	0%	6%	10%
<b>Balance sheet ratio</b>					
Net debt / equity ratio (%)	net	net	net	0.1	0.1
	cash	cash	cash		
Current ratio	1.7	2.8	2.1	1.5	1.5
<b>Returns (%)</b>					
ROE	-33%	-12%	-17%	-17%	0%
ROIC	-29%	-9%	-12%	-11%	0%
<b>Per ADS</b>					
EPS (RMB)	-19.58	-6.14	-5.41	-4.52	0.07
BVPS (RMB)	-70.8	51.5	31.6	27.1	27.2

Source: Company data, CMBIS estimates



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## CMB International Securities Limited

**Address:** 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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