

# Pinduoduo (PDD US)

## Strong consumer mindshare aids monetization progress and cost optimization

Pinduoduo (PDD) has established strong consumer mindshare with value proposition, which will aid resilient revenue growth amid macro uncertainties. PDD is also strategically incorporating more branded products, which will aid monetization rate improvement. Strong user stickiness enables PDD to optimize Opex, provide merchants with cost-effective traffic on its platform which lead to sustainable competitive edge and online GMV market share gain. As PDD is an asset-light marketplace model, its strong operating cash flows can help explore more TAM markets, such as expanding into overseas markets. With a 21-24E revenue CAGR of 20.9%, we forecast non-GAAP net profit CAGR of 48.2%. Our DCF-based TP is US\$92.9 per ADS, akin to 24.2x 2023E PE (non-GAAP). Maintain BUY.

- Sticky user base aids deepening monetization.** PDD outstrips its e-commerce peers in terms of GMV growth and further room for monetization improvement. According to QuestMobile data, PDD's DAU/MAU ratio was 60.4% in July 2022 (+5.5pp YoY), compared to that of 40.4% for Taobao (+2.2pp YoY) and 21.3% for JD (+0.6pp YoY). Strong user stickiness will ensure active transactions. With more brands and merchants conduct sales through PDD's platform, monetization potential increases. We expect this positive momentum will continue until proposition becomes impartial.
- Branded products and incorporation of high ASP products could support ARPU expansion.** PDD's GMV growth is driven by the expansion of average revenue per user (ARPU), which could be aided by the incorporation of more branded products, and high average selling-price (ASP) categories, such as home appliance. PDD could generate greater advertising revenue from branded merchants. We forecast 21-24E GMV/online marketing services revenue CAGR of 16.6/20.3%.
- Robust revenue and cash flow growth, watch for pace of investment for new initiatives.** Aided by the established consumer mindshare in key categories, and high user stickiness, PDD is in a more proactive position to manage its S&M spend, in our view. As PDD adheres to strict ROI target while driving revenue growth, S&M expense ratio could see a continuous optimizing trend over 21-24E, in our view, until PDD becomes more determined in investing in new initiatives that could support long-term revenue and earnings growth, such as cross-border e-commerce. We forecast non-GAAP S&M expense ratio to drop to 37.4/36.0/35.0% in 22/23/24E (2021: 46.0%), which could drive an increase in non-GAAP OPM to 27.1/28.7/29.6% (2021: 12.4%).

### Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	59,492	93,950	119,494	144,739	166,149
YoY growth (%)	97.4	57.9	27.2	21.1	14.8
Net profit (RMB mn)	(7,179.7)	7,768.7	23,866.8	30,496.6	37,113.1
Adjusted net profit (RMB mn)	(2,965.0)	13,829.5	30,915.4	37,930.3	44,974.1
EPS (Adjusted) (RMB)	(2.49)	9.56	21.64	26.55	31.48
P/E (x)	na	123.0	18.2	14.3	11.7
P/B (x)	10.2	12.7	4.1	3.0	2.3
ROE (%)	(16.9)	11.5	26.2	24.3	22.2

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

**Target Price** US\$92.90  
**Up/Downside** 95.5%  
**Current Price** US\$47.53

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#### Stock Data

Mkt Cap (US\$ mn)	67,893.8
Avg 3 mths t/o (US\$ mn)	58.1
52w High/Low (US\$)	95.00/25.53
Total Issued Shares (mn)	1428.4

Source: FactSet

#### Shareholding Structure

Entities affiliated with Zheng Huang	27.9%
Entities affiliated with Tencent	15.5%

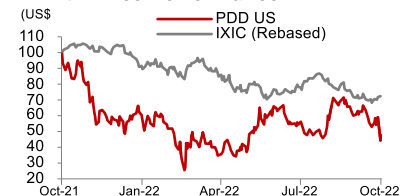
Source: Nasdaq

#### Share Performance

	Absolute	Relative
1-mth	-20.8%	-21.5%
3-mth	-15.4%	-9.0%
6-mth	33.5%	58.5%

Source: FactSet

#### 12-mth Price Performance

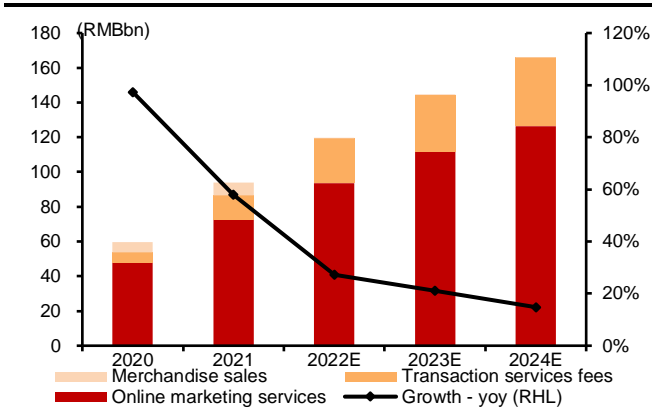


Source: FactSet

## Business segment forecast update

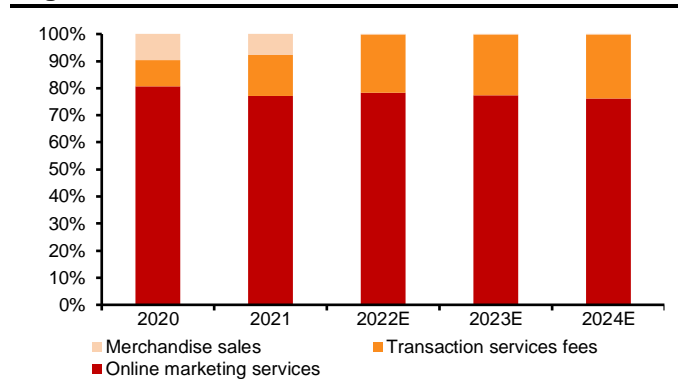
We forecast 2021-2024E total revenue CAGR of 20.9%, with total revenue to reach RMB166.1bn in 2024, within which we forecast online marketing services and transaction service fees to see CAGRs of 20.3% and 40.7% respectively. We forecast revenue generated from merchandise sales to decline from RMB7.2bn in 2021 to RMB271mn in 2022E, as PDD is strategically scaling down this business.

**Figure 1: PDD: revenue forecast and growth**



Source: Company data, CMBIGM estimates

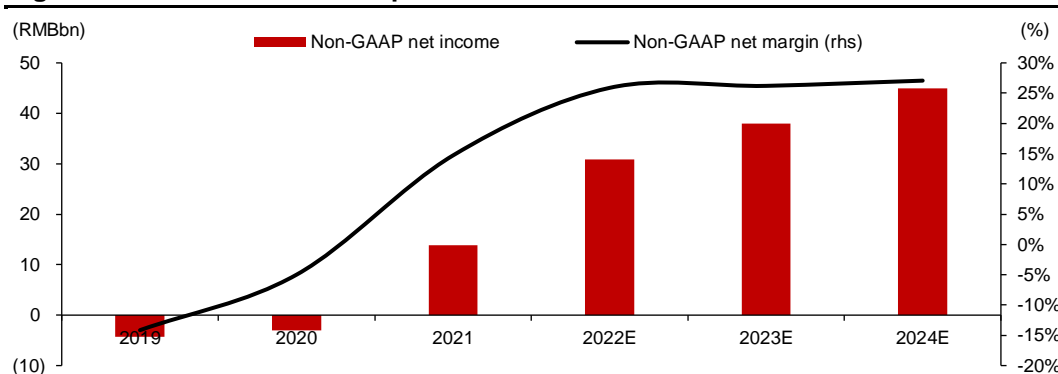
**Figure 2: PDD: revenue breakdown by business segment**



Source: Company data, CMBIGM estimates

For non-GAAP net income, we forecast 2021-2024E CAGR of 48.2%, to reach RMB45.0bn in 2024E, mainly driven by solid revenue growth, improvement in gross margin aided by enlarging economies of scale, and optimization in sales and marketing expense ratio aided by established consumer mindshare.

**Figure 3: PDD: non-GAAP net profit**



Source: Company data, CMBIGM estimates

Figure 4: PDD: key financial forecast

(RMB bn)	2020	2021	2022E	2023E	2024E
<b>GMV</b>	1,667.6	2,441.0	2,995.6	3,471.8	3,864.8
Growth (%)	65.7	46.4	22.7	15.9	11.3
Active buyer (mn)	788.4	868.7	903.4	926.9	943.8
Growth (%)	34.7	10.2	4.0	2.6	1.8
Annual spending per active buyer (RMB)	2,115.2	2,809.9	3,315.7	3,745.5	4,095.0
Growth (%)	23.0	32.8	18.0	13.0	9.3
1) Average selling price (RMB)	43.5	40.0	39.0	39.5	40.0
Growth (%)	(14.8)	(8.1)	(2.5)	1.3	1.3
2) No. of orders placed per user per year	48.6	70.2	85.0	94.8	102.4
Growth (%)	44.3	44.5	21.1	11.5	8.0
<b>Blended monetization rate (%)</b>	3.2	3.6	4.0	4.2	4.3
Online marketing service (%)	2.9	3.0	3.1	3.2	3.3
Transaction services fees (%)	0.3	0.6	0.9	0.9	1.0
<b>Total revenue</b>	59.5	93.9	119.5	144.7	166.1
Growth (%)	97.4	57.9	27.2	21.1	14.8
1) Online marketing service	48.0	72.6	93.5	111.9	126.5
Growth (%)	78.8	51.3	28.9	19.6	13.0
2) Transaction services fees	5.8	14.1	25.7	32.6	39.4
Growth (%)	73.9	144.3	82.0	26.7	20.8
3) Merchandise sales	5.8	7.2	0.2	0.2	0.3
Gross profit	40,213.2	62,231.8	87,071.3	105,687.2	121,094.9
Operating profit	(9,380.3)	6,896.8	25,456.5	34,094.8	41,321.4
Non-GAAP net profit	(2,965.0)	13,829.5	30,915.4	37,930.3	44,974.1

**Expense ratios and margins**

(%)

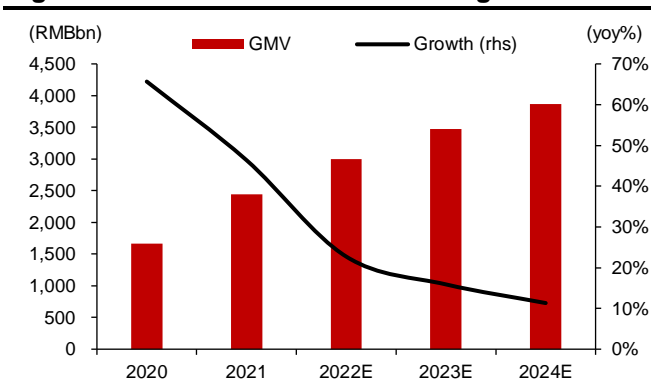
GPM	67.6	66.2	72.9	73.0	72.9
S&M expense as % of total revenue	69.2	47.7	39.1	37.6	36.5
OPM	(15.8)	7.3	21.3	23.6	24.9
Non-GAAP NPM	(5.0)	14.7	25.9	26.2	27.1

Source: Company data, CMBIGM estimates

**Online marketing services and others (78.3% of 2022E revenue)**

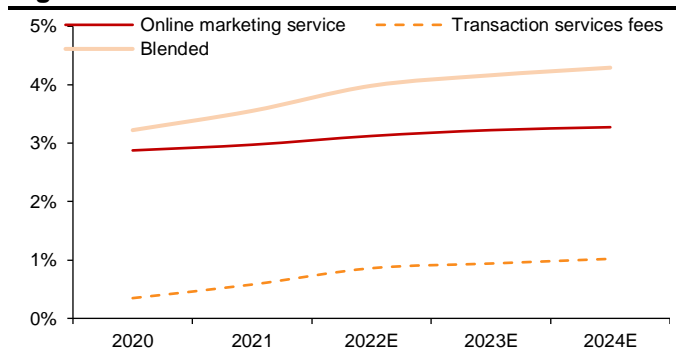
PDD provides online marketing services primarily to allow merchants to bid for keywords that match product listings appearing in search or browser results on its platform and advertising placements such as banners, links and logos. The placement and the price for such placement are determined through an online bidding system. Key drivers for this segment include growth in general merchandise volume (GMV) and increase in monetization rate.

Figure 5: PDD: revenue forecast and growth



Source: Company data, CMBIGM estimates

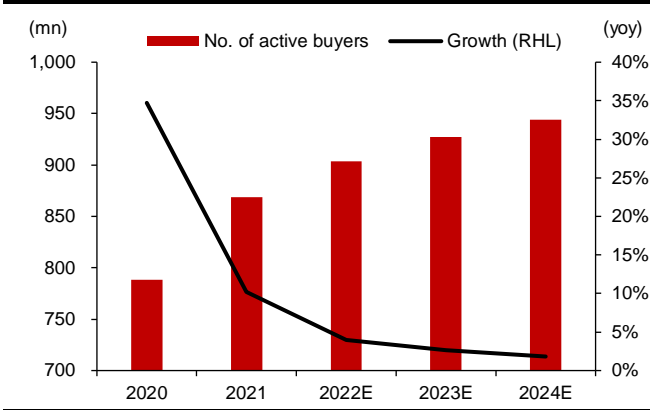
Figure 6: PDD: monetization rate



Source: Company data, CMBIGM estimates

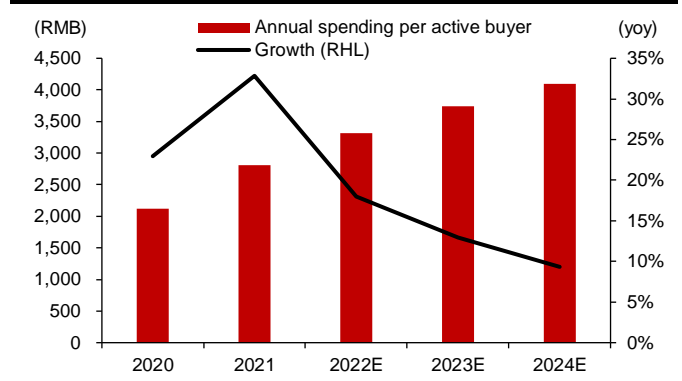
We estimate online marketing services revenue to see 2021-2024E CAGR of 20.3%, aided by 16.6% CAGR for GMV and 0.3pp expansion in monetization rate for online marketing services (from 3.0% in 2021 to 3.3% in 2024E). In our view, the GMV CAGR could be supported by 2.8% CAGR in annual active buyers and 13.4% CAGR in ARPU.

**Figure 7: PDD: No. of active buyers**



Source: Company data, CMBIGM estimates

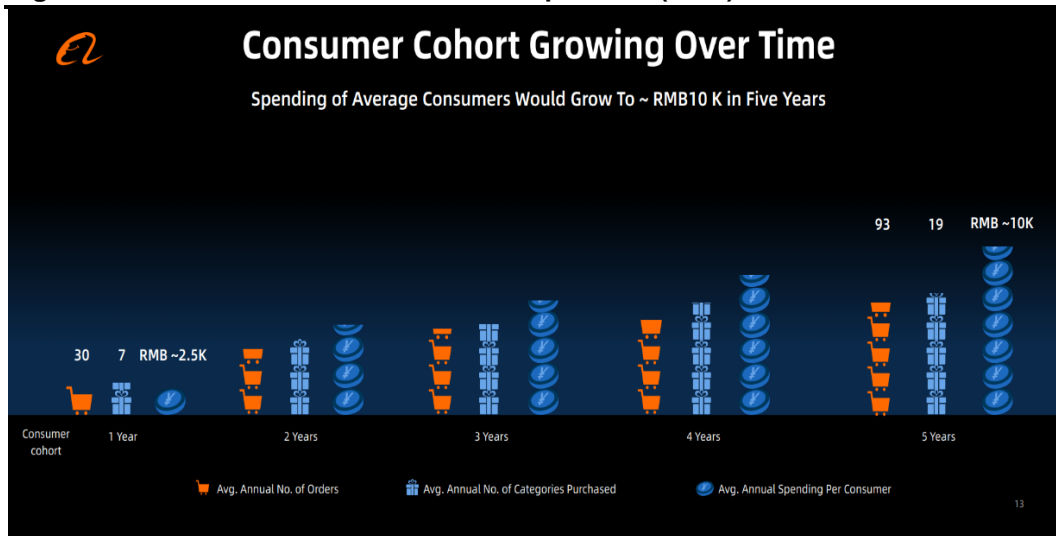
**Figure 8: PDD: average revenue per user**



Source: Company data, CMBIGM estimates

The ARPU expansion could be driven by enhanced competitive edge in agricultural products and value for quality products, which is likely to boost shopping frequency, and incorporation of more branded products and high ASP categories. Per company data, average number of order placed per year was 70.2 in 2021, up from 48.6 in 2020. A comparison between PDD and Taobao suggests that there is still room for increase for Pinduoduo's order frequency.

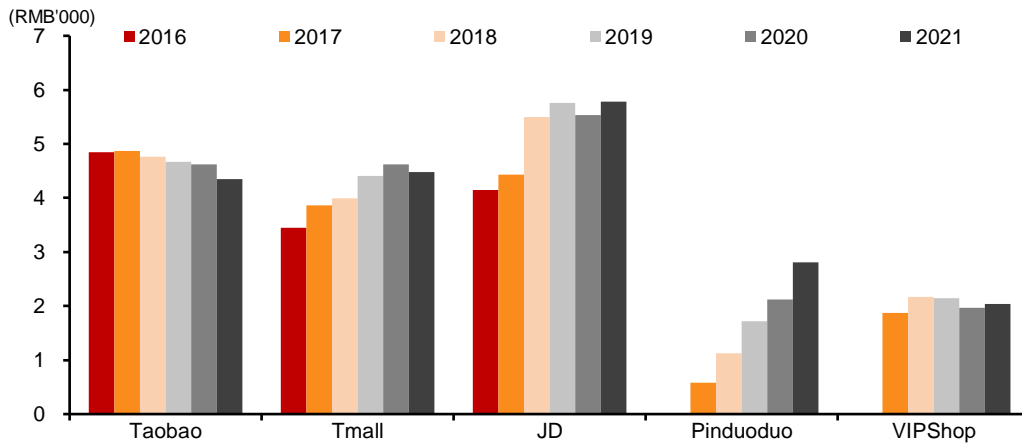
**Figure 9: Alibaba: consumer cohort on its platform (2020)**



Source: Company presentation, CMBIGM

Per Alibaba, average annual number of orders placed by consumer who stayed on its platform for five years could reach 93, and average ARPU could reach around RMB10,000. Based on our estimates, Taobao's ARPU was over RMB4k in FY21, and JD's ARPU was RMB5.8k in 2021, which in our view indicates that there is still room for PDD to further increase its ARPU.

**Figure 10: E-commerce: ARPU comparison among different platforms**

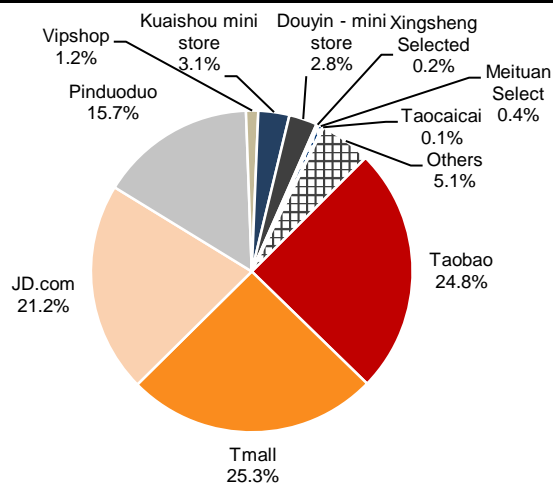


Source: Company data, CMBIGM estimates

Note: 1) For Taobao & Tmall data, we are using FY17-22 data for comparison (March year-end); 2) GMV for Taobao and Tmall have not been separately disclosed since FY21, and data in FY21&22 are based on our estimate.

PDD is enhancing its consumer mindshare gain over the past years, which is evidenced by a continuous market share gain in China's online retail sales market. Based on NBS data, company data, and our forecast, Pinduoduo's market share has expanded from 12.2% in 2020 to 15.7% in 2021, and should further improve to 18.3% in 2022.

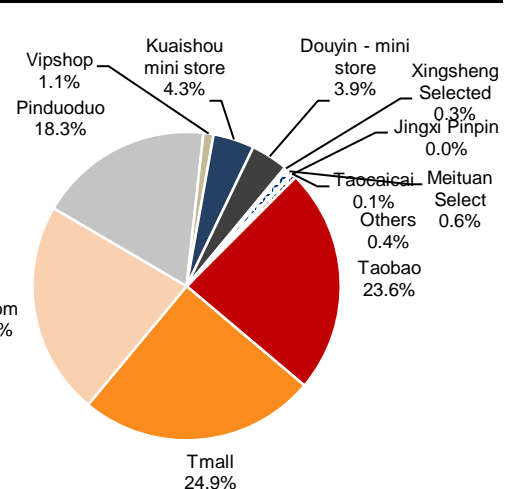
**Figure 11: China: e-commerce market share breakdown in terms of GMV (2021)**



Source: NBS, company data, CMBIGM estimates

Note: 1) For live e-commerce platforms, we use the GMV generated by their mini stores to calculate the GMV share to avoid double counting; 2) We assume a return rate of 35% for live e-commerce platforms and 16% for other e-commerce platforms.

**Figure 12: China: e-commerce market share breakdown in terms of GMV (2022E)**



Source: NBS, company data, CMBIGM estimates

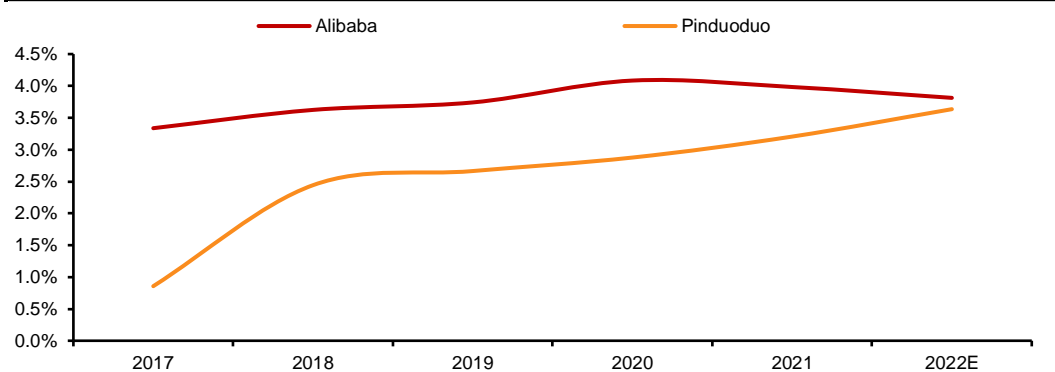
Note: 1) For live e-commerce platforms, we use the GMV generated by their mini stores to calculate the GMV share to avoid double counting; 2) We assume a return rate of 35% for live e-commerce platforms and 16% for other e-commerce platforms.

PDD is making solid inroad into high ASP categories and branded products. According to Caijing News and PDD, between 23 May and 17 June 2022, the GMV of home appliances on PDD's platform grew 103% YoY. During the 618 sales promotion in 2022, the number of branded flagship stores for home appliances and SKU of these stores were up 182% and 264% YoY, respectively. For home appliances orders generated during the 618 festival, new tier 1 and tier 2&3 cities together accounted for c. 50% of the total, and the

number of orders from tier 1 cities grew by 110% YoY, the fastest among all areas. In addition, brands are also providing more exclusive products for the PDD platform. For example, at this year's 618 festival, BULL, the socket brand, saw the number of orders for its PDD flagship store grow over 100% YoY and orders for the exclusive products provided solely for PDD platform accounted for 30% of total.

At this year's sales promotion, apart from home appliances, the beauty & cosmetics category saw its sales GMV achieve strong growth and sales volume on PDD's platform growing 122% YoY, according to China National Radio News. The high and continuously enhanced user stickiness could also help support a steady increase in monetization rate for online marketing services, in our view. In addition, PDD could generate greater advertising revenue from branded merchants, in our view, as they tend to have greater advertising budget than white-label brands. We forecast PDD's blended monetization rate to increase from 3.6% in 2021 to 4.3% in 2024E, with monetization rate for online marketing services to increase from 3.0% in 2021 to 3.3% in 2024E.

**Figure 13: Monetization rate comparison between PDD and Alibaba**



Source: Company data, CMBIGM estimates

Note: 1) For Alibaba data, we are using FY18-23 data for comparison (March year-end); 2) monetization rate of Alibaba is calculated by customer management revenue/GMV for China commerce marketplace; 3) we excluded pure transaction services fee revenue from our calculation of PDD's monetization rate, which is 0.38/0.34/0.33/0.35% of GTV in 2017-2020 based on company data, and 0.35% for 2021 & 2022 based on our estimate.

### Transaction services fees (21.5% of 2022E revenue)

PDD charges merchant fees for transaction-related services that it provided to merchants on its platform. Revenue generated from Duoduo grocery is also included in this business segment. Key growth drivers for this segment include GMV growth and increase in monetization rate, which could be supported by higher commission rate charges, in our view.

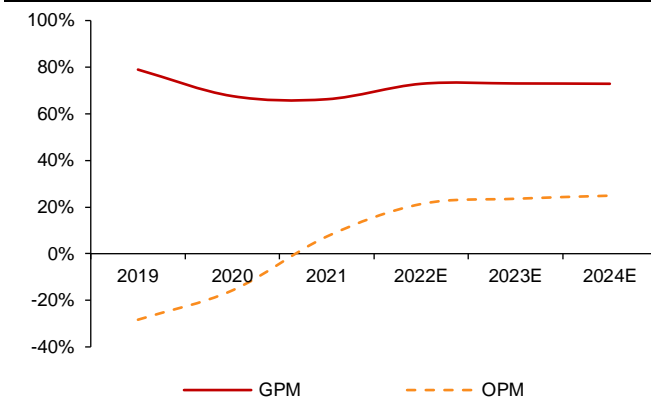
We forecast 2021-2024E revenue CAGR of 40.7% for transaction services, with revenue to reach RMB39.4bn in 2024E, driven by the solid development in Duoduo Grocery, and increase in commission revenue generation.

### Margin and cash flow analysis

We estimate gross margin under GAAP to improve from 66.2% in 2021 to 72.9% in 2022E, driven by the scale down of merchandise sales business, which has relatively low gross margin compared to online marketplace business, and improving economies of scale. We expect it to stay relatively stable at 73.0/72.9% in 2023/2024E.

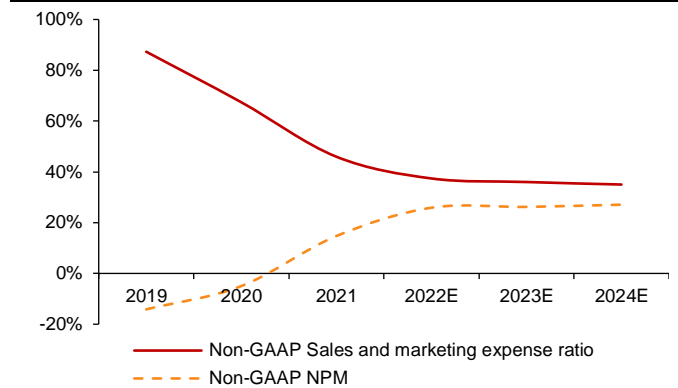
We forecast non-GAAP S&M expense ratio to drop to 37.4/36.0/35.0% in 22/23/24E (2021: 46.0%), which could drive an increase in non-GAAP NPM to 25.9/26.2/27.1% (2021: 14.7%).

**Figure 14: PDD: gross profit margin and operating profit margin**



Source: Company data, CMBIGM estimates

**Figure 15: PDD: non-GAAP S&M expense ratio and NPM**



Source: Company data, CMBIGM estimates

## ■ Sensitivity analysis on revenue and earnings

We conduct a sensitivity analysis to gauge PDD's total revenue growth sensitivity to its GTV growth and change in take rate, which we identify as key drivers for revenue growth. Under our bull-case assumption, if GTV growth forecast was raised by 1/3/5/8pp in 2023E driven by better than expected recovery in consumption sentiment and faster than expected pace of expansion to branded products, and if monetization rate was raised by 0.1/0.3/0.5/0.8pp in 2023E aided by enhanced user stickiness, PDD's total revenue could have 3.3/10.0/16.8/27.4% upside in 2023E. Under our bear-case assumption, if GTV growth forecast were lowered by 1/3/5/8pp in 2023E due to slower-than-expected recovery of macro environment, and take rate was cut by 0.1/0.3/0.5/0.8pp, Pinduoduo's total revenue could have 3.2/9.6/15.8/24.8% downside in 2023E.

**Figure 16: PDD total revenue: sensitivity analysis**

2023E (RMBmn)	Change in GTV growth forecast (2023E)	2023E GTV growth	Change in take rate forecast (2023E)	Increase in take rate (2023E)	Total revenue	Comparison with base case
Case I	-8%	7.9%	-0.80%	-0.62%	108,907.5	-24.8%
Case II	-5%	10.9%	-0.50%	-0.32%	121,894.9	-15.8%
Case III	-3%	12.9%	-0.30%	-0.12%	130,852.7	-9.6%
Case IV	-1%	14.9%	-0.10%	0.08%	140,050.2	-3.2%
Base case		15.9%		0.18%	144,738.8	0.0%
Case V	1%	16.9%	0.10%	0.28%	149,487.4	3.3%
Case VI	3%	18.9%	0.30%	0.48%	159,164.1	10.0%
Case VII	5%	20.9%	0.50%	0.68%	169,080.6	16.8%
Case VIII	8%	23.9%	0.80%	0.98%	184,404.5	27.4%

Source: Company data, CMBIGM estimates

We also conduct a sensitivity analysis to analyze PDD's non-GAAP net income sensitivity to its S&M expenses and G&A expenses. Under our bull-case assumption, if S&M expenses and G&A expenses growth forecasts were both decreased by 1/3/5/8pp in 2023E thanks to more effective than expected cost control measures, PDD's non-IFRS net income could increase by 1.1/3.2/5.4/8.6% in 2023E. Under our bear-case assumption, if S&M expenses and G&A expenses growth were raised by 1/3/5/8pp in 2023E as PDD enhanced its investment in overseas expansion initiative, PDD's non-IFRS net income could decrease by 1.1/3.2/5.4/8.6% in 2023E.

Figure 17: PDD non-GAAP net income: sensitivity analysis

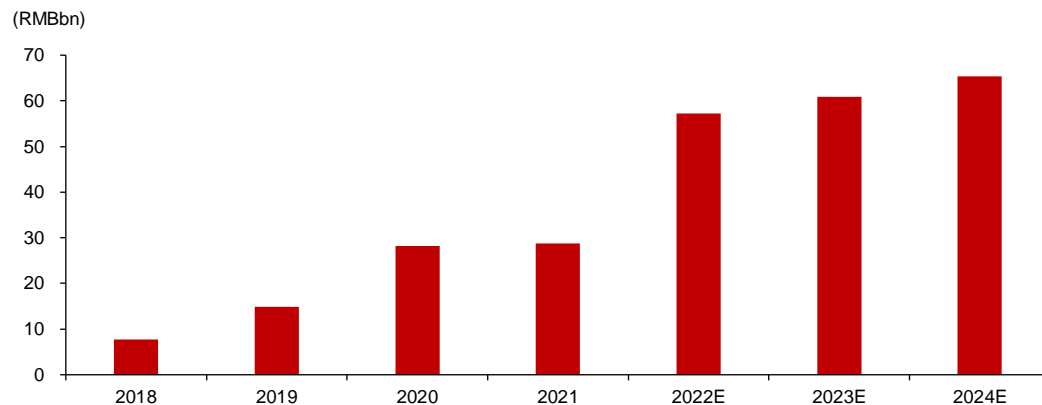
2023E (RMBmn)	Change in S&M/G&A expenses YoY growth	S&M expense YoY growth	G&A expense YoY growth	Implied S&M expense ratio	Implied G&A expense ratio	2023E Non-GAAP NPM	2023E Net profit	Comparison with base case
Case I	-8%	8.5%	6.7%	35.0%	1.7%	28.5%	41,183	8.6%
Case II	-5%	11.5%	9.7%	36.0%	1.7%	27.6%	39,963	5.4%
Case III	-3%	13.5%	11.7%	36.6%	1.7%	27.0%	39,150	3.2%
Case IV	-1%	15.5%	13.7%	37.3%	1.8%	26.5%	38,337	1.1%
Base case		16.5%	14.7%	37.6%	1.8%	26.2%	37,930	0.0%
Case V	1%	17.5%	15.7%	37.9%	1.8%	25.9%	37,524	-1.1%
Case VI	3%	19.5%	17.7%	38.6%	1.8%	25.4%	36,711	-3.2%
Case VII	5%	21.5%	19.7%	39.2%	1.9%	24.8%	35,897	-5.4%
Case VIII	8%	24.5%	22.7%	40.2%	1.9%	24.0%	34,678	-8.6%

Source: Company data, CMBIGM estimates

## ■ Cash flow forecast

PDD is operated under an asset light business model and has strong cash flow generation capability. Aided by increase in net profit generation supported by optimized spending on sales and marketing expense, we forecast PDD's operating cash flow to increase to RMB57.2/60.9/65.4bn in 2022/2023/2024E, from RMB28.8bn in 2021. PDD could maintain strong cash flow generation until it becomes more determined in investing in new initiatives that could support long-term revenue and earnings growth, such as cross-border e-commerce.

Figure 18: PDD: operating cash flow



Source: Company data, CMBIGM estimates

## Valuation method and risks statement

### ■ DCF based target price of US\$92.9

Our target price of US\$92.9 per ADS is based on DCF methodology, assuming WACC of 12.0% and terminal growth of 2.0%, which translates into 29.7x 2022E PE and 24.2x 2023E PE under non-GAAP.

**Figure 19: PDD: DCF model; WACC of 12.0%, terminal growth of 2.0%**

(RMBmn)	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Total revenue	119,494	144,739	166,149	185,454	203,228	219,009	232,823
NPV of FCF	405,086	393,918					
Discounted terminal value	301,321	337,480					
Total PDD equity valuation	854,480	940,265					
No. of shares (diluted, mn)	1,428	1,428					
Valuation per share (US\$)	86.4	95.1					
Target valuation per share (US\$)	92.9						

Source: Company data, CMBIGM estimates

Note: our target price is based on weighted average of three months in 2022 and nine months in 2023E to factor in the time value.

### ■ Consensus and valuation comparison

Our non-GAAP net income forecast for PDD is 5-7% higher than Bloomberg consensus over 2022-2023E, as we are expecting better than expected operating efficiency improvement under non-GAAP basis, which we see supporting factor coming from PDD's highly engaged consumer base.

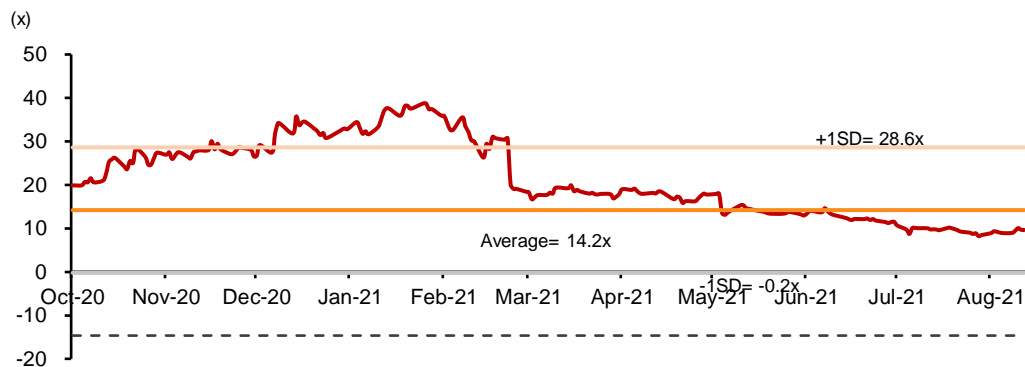
**Figure 20: CMBIGM estimates vs consensus**

(RMBbn)	CMBIGM			Consensus			Diff (%)		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
Revenue	119.5	144.7	166.1	123.1	152.3	178.7	-2.9%	-5.0%	-7.0%
Gross profit	87.1	105.7	121.1	89.0	110.9	130.3	-2.2%	-4.7%	-7.1%
Operating profit	25.5	34.1	41.3	25.4	34.4	45.4	0.2%	-1.0%	-8.9%
Non-GAAP net profit	30.9	37.9	45.0	28.9	36.2	45.1	7.2%	4.8%	-0.3%
Gross margin	72.9%	73.0%	72.9%	72.3%	72.8%	72.9%	0.5 ppt	0.2 ppt	0.0 ppt
Operating margin	21.3%	23.6%	24.9%	20.6%	22.6%	25.4%	0.7 ppt	0.9 ppt	-0.5 ppt
Non-GAAP net margin	25.9%	26.2%	27.1%	23.4%	23.8%	25.3%	2.4 ppt	2.4 ppt	1.8 ppt

Note: 1) data as of 25 October market close; 2) data are based on CMBIGM estimates

Source: Bloomberg, CMBIGM estimates

PDD is our top pick among e-commerce stocks, given its relatively greater visibility on earnings growth, and more attractive valuation versus earnings growth. PDD is trading at 0.3x 2022E PEG based on 2021-2024E earnings CAGR of 48.2%, compared to 0.5x for JD and 1.4x for Alibaba.

**Figure 21: PDD: PS band over the past two years(TTM)**


Source: Company data, Bloomberg, CMBIGM

**Figure 22: E-commerce comps table**

Companies	Ticker	Price (Local)	PE (x)			NP CAGR 2021- 2024E	PEG (x)		PS(x)		
			2022E	2023E	2024E		2022E	2022E	2023E	2024E	
Alibaba Group	BABA US	63.2	8.2	7.6	6.9	6.0	1.4	1.3	1.2	1.1	
JD.com	JD US	37.8	17.5	13.5	9.9	35.1	0.5	0.4	0.3	0.3	
Pinduoduo	PDD US	47.5	13.9	11.4	9.6	48.2	0.3	3.5	2.9	2.5	
<b>Average</b>			<b>13.2</b>	<b>10.8</b>	<b>8.8</b>		<b>0.7</b>	<b>1.7</b>	<b>1.5</b>	<b>1.3</b>	

Source: Bloomberg, CMBIGM

Note: 1) data as of 25 October market close; 2) data are based on CMBIGM estimates; 3) we are using FY23-25E estimate for Alibaba (March year-end); 4) data is based on non-GAAP measure.

Risks: 1) slower rise than we expect in monetization; 2) intensifying competition; and 3) overseas expansion initiative drags margin expansion.

## Financial Summary

INCOME STATEMENT	2019A	2020A	2021A	2022E	2023E	2024E
<b>YE 31 Dec (RMB mn)</b>						
<b>Revenue</b>	<b>30,142</b>	<b>59,492</b>	<b>93,950</b>	<b>119,494</b>	<b>144,739</b>	<b>166,149</b>
Cost of goods sold	(6,339)	(19,279)	(31,718)	(32,422)	(39,052)	(45,054)
<b>Gross profit</b>	<b>23,803</b>	<b>40,213</b>	<b>62,232</b>	<b>87,071</b>	<b>105,687</b>	<b>121,095</b>
<b>Operating expenses</b>	<b>(32,341)</b>	<b>(49,594)</b>	<b>(55,335)</b>	<b>(61,615)</b>	<b>(71,592)</b>	<b>(79,773)</b>
Selling expense	(27,174)	(41,195)	(44,802)	(46,722)	(54,422)	(60,644)
Admin expense	(1,297)	(1,507)	(1,541)	(2,266)	(2,600)	(2,819)
R&D expense	(3,870)	(6,892)	(8,993)	(12,626)	(14,570)	(16,310)
Others	0	0	0	0	0	0
<b>Operating profit</b>	<b>(8,538)</b>	<b>(9,380)</b>	<b>6,897</b>	<b>25,457</b>	<b>34,095</b>	<b>41,321</b>
Interest income	1,542	2,455	3,062	3,253	3,554	4,386
Interest expense	(146)	(757)	(1,231)	(472)	(472)	(472)
Foreign exchange gain/loss	63	225	72	72	72	72
Others	83	194	656	656	656	656
<b>Pre-tax profit</b>	<b>(6,996)</b>	<b>(7,263)</b>	<b>9,455</b>	<b>28,966</b>	<b>37,905</b>	<b>45,964</b>
Income tax	0	0	(1,934)	(5,346)	(7,655)	(9,098)
Others	29	84	247	247	247	247
<b>After tax profit</b>	<b>(6,968)</b>	<b>(7,180)</b>	<b>7,769</b>	<b>23,867</b>	<b>30,497</b>	<b>37,113</b>
Minority interest	0	0	0	0	0	0
<b>Net profit</b>	<b>(6,968)</b>	<b>(7,180)</b>	<b>7,769</b>	<b>23,867</b>	<b>30,497</b>	<b>37,113</b>
<b>Adjusted net profit</b>	<b>(4,266)</b>	<b>(2,965)</b>	<b>13,830</b>	<b>30,915</b>	<b>37,930</b>	<b>44,974</b>
<b>BALANCE SHEET</b>						
<b>YE 31 Dec (RMB mn)</b>						
<b>Current assets</b>	<b>73,001</b>	<b>149,524</b>	<b>160,909</b>	<b>217,153</b>	<b>279,049</b>	<b>345,200</b>
Cash & equivalents	5,768	22,421	6,427	61,556	122,351	187,568
Restricted cash	27,578	52,422	59,617	59,617	59,617	59,617
Account receivables	1,051	730	674	857	1,038	1,191
Prepayment	950	5,160	3,425	4,356	5,276	6,057
Other current assets	37,654	68,791	90,767	90,767	90,767	90,767
<b>Non-current assets</b>	<b>3,056</b>	<b>9,385</b>	<b>20,301</b>	<b>22,162</b>	<b>21,173</b>	<b>20,183</b>
PP&E	41	203	2,203	89	101	110
Right-of-use assets	517	630	939	939	939	939
Intangibles	1,994	1,277	701	4,677	3,677	2,677
Other non-current assets	503	7,275	16,457	16,457	16,457	16,457
<b>Total assets</b>	<b>76,057</b>	<b>158,909</b>	<b>181,210</b>	<b>239,315</b>	<b>300,222</b>	<b>365,383</b>
<b>Current liabilities</b>	<b>45,768</b>	<b>83,882</b>	<b>93,730</b>	<b>120,188</b>	<b>143,217</b>	<b>163,455</b>
Short-term borrowings	899	1,866	0	0	0	0
Account payables	29,926	53,834	62,510	80,815	96,516	110,619
Other current liabilities	9,950	16,735	16,707	21,030	24,573	27,499
Lease liabilities	116	253	427	427	427	427
Accrued expenses	4,877	11,193	14,086	17,915	21,700	24,910
<b>Non-current liabilities</b>	<b>5,643</b>	<b>14,851</b>	<b>12,365</b>	<b>12,365</b>	<b>12,365</b>	<b>12,365</b>
Convertible bonds	5,207	14,433	11,789	11,789	11,789	11,789
Other non-current liabilities	436	418	577	577	577	577
<b>Total liabilities</b>	<b>51,410</b>	<b>98,733</b>	<b>106,095</b>	<b>132,553</b>	<b>155,582</b>	<b>175,821</b>
Share capital	0	0	0	0	0	0
Capital surplus	41,494	86,699	95,341	95,341	95,341	95,341
Retained earnings	(18,295)	(25,475)	(17,707)	13,941	51,819	96,741
Other reserves	1,448	(1,048)	(2,520)	(2,520)	(2,520)	(2,520)
<b>Total shareholders equity</b>	<b>24,647</b>	<b>60,176</b>	<b>75,115</b>	<b>106,762</b>	<b>144,640</b>	<b>189,562</b>
<b>Total equity and liabilities</b>	<b>76,057</b>	<b>158,909</b>	<b>181,210</b>	<b>239,315</b>	<b>300,222</b>	<b>365,383</b>

<b>CASH FLOW</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
<b>Profit before taxation</b>	<b>(6,996)</b>	<b>(7,263)</b>	<b>9,455</b>	<b>28,966</b>	<b>37,905</b>	<b>45,964</b>
Depreciation & amortization	638	652	1,495	1,097	1,120	1,141
Tax paid	0	0	(1,934)	(5,346)	(7,655)	(9,098)
Change in working capital	18,606	31,050	13,562	25,344	21,927	19,305
Others	2,574	3,759	6,204	7,177	7,629	8,056
<b>Net cash from operations</b>	<b>14,821</b>	<b>28,197</b>	<b>28,783</b>	<b>57,238</b>	<b>60,926</b>	<b>65,368</b>
<b>Investing</b>						
Capital expenditure	(62)	(43)	(3,287)	(2,109)	(132)	(151)
Acquisition of subsidiaries/ investments	(52,666)	(93,160)	(130,268)	0	0	0
Net proceeds from disposal of short-term investments	24,798	55,083	97,547	0	0	0
Others	(390)	(238)	445	0	0	0
<b>Net cash from investing</b>	<b>(28,320)</b>	<b>(38,358)</b>	<b>(35,562)</b>	<b>(2,109)</b>	<b>(132)</b>	<b>(151)</b>
<b>Financing</b>						
Net borrowings	897	906	(1,875)	0	0	0
Proceeds from share issues	14,958	50,893	0	(0)	0	0
Share repurchases	0	0	0	0	0	0
Others	0	(0)	0	0	0	0
<b>Net cash from financing</b>	<b>15,855</b>	<b>51,799</b>	<b>(1,875)</b>	<b>(0)</b>	<b>0</b>	<b>0</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	30,540	33,346	74,844	6,427	61,556	122,351
Exchange difference	450	(140)	(145)	0	0	0
Others	0	0	(59,617)	0	0	0
<b>Cash at the end of the year</b>	<b>33,346</b>	<b>74,844</b>	<b>6,427</b>	<b>61,556</b>	<b>122,351</b>	<b>187,568</b>
<b>GROWTH</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>YE 31 Dec</b>						
Revenue	129.7%	97.4%	57.9%	27.2%	21.1%	14.8%
Gross profit	133.0%	68.9%	54.8%	39.9%	21.4%	14.6%
Operating profit	na	na	na	269.1%	33.9%	21.2%
Net profit	na	na	na	207.2%	27.8%	21.7%
Adj. net profit	na	na	na	123.5%	22.7%	18.6%
<b>PROFITABILITY</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>YE 31 Dec</b>						
Gross profit margin	79.0%	67.6%	66.2%	72.9%	73.0%	72.9%
Operating margin	(28.3%)	(15.8%)	7.3%	21.3%	23.6%	24.9%
Adj. net profit margin	(14.2%)	(5.0%)	14.7%	25.9%	26.2%	27.1%
Return on equity (ROE)	(32.1%)	(16.9%)	11.5%	26.2%	24.3%	22.2%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>YE 31 Dec</b>						
Current ratio (x)	1.6	1.8	1.7	1.8	1.9	2.1
Receivable turnover days	7.9	5.5	2.7	2.3	2.4	2.4
Payable turnover days	(1,359.0)	(792.9)	(669.4)	(806.8)	(828.7)	(839.0)
<b>VALUATION</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>YE 31 Dec</b>						
P/E	na	na	123.0	18.2	14.3	11.7
P/E (diluted)	na	na	79.7	16.1	13.1	11.0
P/B	9.2	10.2	12.7	4.1	3.0	2.3

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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