

Mobvista Inc. (1860 HK)

Solid 1Q24 with enhanced profitability

Supported by an upgraded smart bidding system, Mobvista delivered strong quarterly results, with revenue/adj. net profit +23%/97% YoY in 1Q24. Its verticals expansion effort (e.g. ecommerce and social media) continued to bear fruit, with non-gaming business revenue contribution up to 29% in 1Q24 (vs. 19.5% in 1Q23). Intelligent bidding products contributed over 60% of Mintegral revenue. As the overhang eased with a settlement agreement signed for Reyun transactions, we suggest investors refocus on its organic fundamentals improvement. We remain positive on FY24E's Mintegral momentum (forecasting rev +20% YoY) and earnings growth (+91% YoY). Maintain BUY with unchanged earnings forecasts and TP at HK\$6.0.

■ **Solid 1Q24 with continued margin expansion.** Mobvista reported strong 1Q24 results, with rev +23% YoY, 3% below our estimate. By segment, ad-tech/mar-tech revenue was +23%/19% YoY, in which programmatic advertising was resilient at +25% YoY. Adj. net profit surged 97% YoY to US\$8.9mn, 4% above our estimates. GPM reached 20.5% in 1Q24 (+1.3ppt YoY), mainly on higher ads efficiency and disciplined cost of mar-tech business. Coupled with operating leveraging in S&M and G&A, adj. NM continuously improved to 2.9% in 1Q24, +0.7ppts QoQ/+1.1ppts YoY.

■ **Upgraded smart bidding system bearing fruit.** In 1Q24, Mintegral rev accelerated to +25.4% YoY (vs. +19.5% YoY in 4Q23). With infrastructure upgrades and continued investment, the ROAS smart bidding model has become the main choice for developers in Mintegral. Benefiting from bidding system upgrades, Mobvista has achieved eye-catching performance in new verticals expansion. Apart from midcore and hardcore games penetration, Mobvista's non-gaming business rev share climbed up to 29% in 1Q24 (vs. 19.5% in 1Q23, +83% YoY). Among non-gaming categories, ecommerce and social media emerged as key drivers. Looking ahead, we remain positive on Mobvista's top line resilience (forecasting +20% YoY in FY24E) and enhancing profitability.

■ **Overhang eased with settlement agreement signed for Reyun transactions.** On 14 May, Mobvista announced that the company and sellers (owning 18.56% of equity interest of Reyun) entered into a settlement agreement, with US\$23.5mn payment to terminate the rest of acquisition. We expect this settlement agreement to lift the overhang around Reyun acquisition (high valuation but still in net loss position).

■ **Maintain BUY.** We keep our FY24-26E earnings forecasts unchanged, with SOTP-based TP at HK\$6.0 (by assigning 20x FY24E P/E to ad-tech biz and 3.0x FY24E P/S to mar-tech biz). **Risks:** macro uncertainty; slower ROAS adoption; and higher-than-expected investment in intelligent bidding system.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (US\$ mn)	894	1,054	1,265	1,479	1,731
YoY growth (%)	18.4	17.9	20.0	16.9	17.0
Net profit (US\$ mn)	15.0	21.8	26.5	31.9	39.5
EPS (Reported) (US\$ cents)	0.61	1.20	2.27	2.68	3.23
YoY growth (%)	NA	97.1	91.5	19.4	22.0
Consensus EPS (US\$)	NA	NA	2.65	3.35	3.20
P/E (x)	64.7	33.2	17.5	14.8	12.2
P/S (x)	0.7	0.6	0.5	0.4	0.4
ROE (%)	5.2	9.0	10.1	10.9	12.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$6.00
Up/Downside	92.9%
Current Price	HK\$3.11

China Entertainment

Sophie HUANG

(852) 3900 0889

sophiehuang@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	4,948.3
Avg 3 mths t/o (HK\$ mn)	2.1
52w High/Low (HK\$)	4.08/2.51
Total Issued Shares (mn)	315.0

Source: FactSet

Shareholding Structure

Seamless Technology	63.7%
GIC	8.1%

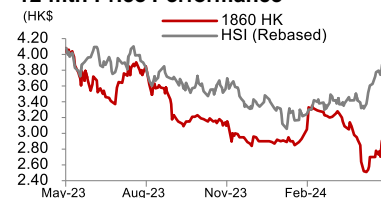
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	3.4%	-9.3%
3-mth	-1.0%	-17.6%
6-mth	-2.6%	-11.1%

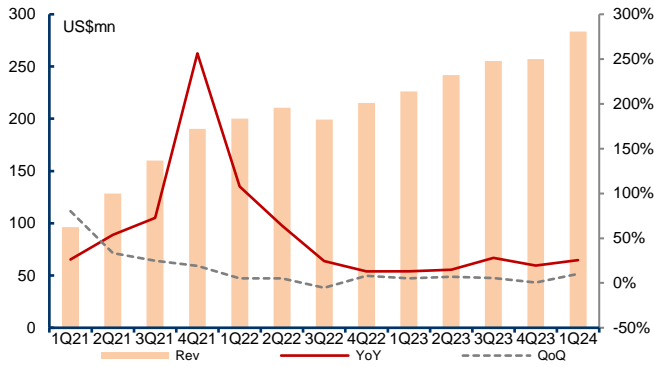
Source: FactSet

12-mth Price Performance



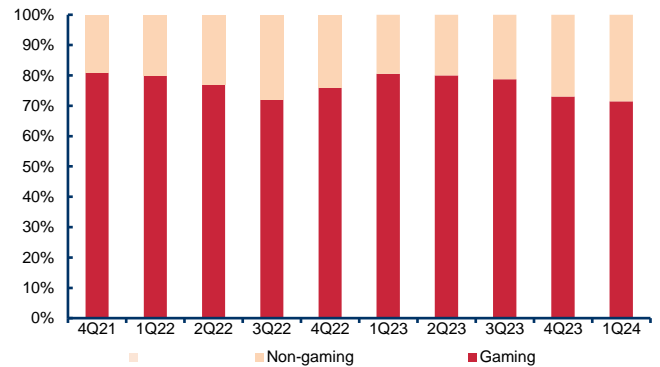
Source: FactSet

Figure 1: Mintegral ad rev trend



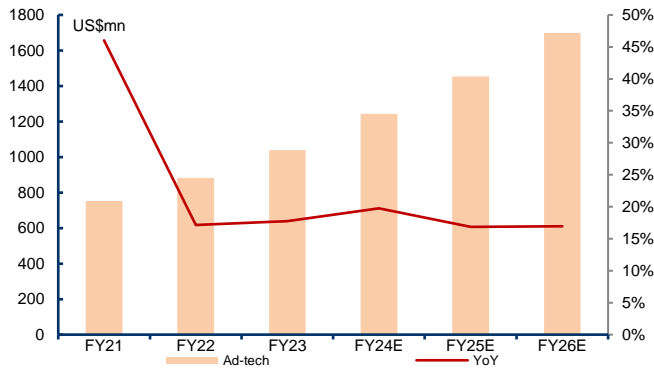
Source: Company data, CMBIGM

Figure 2: Higher rev share of non-gaming revenue



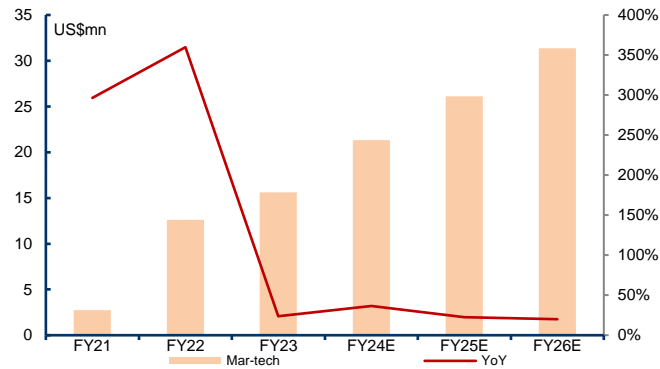
Source: Company data, CMBIGM

Figure 3: Ad-tech revenue growth estimates



Source: Company data, CMBIGM estimates

Figure 4: Mar-tech revenue growth estimates



Source: Company data, CMBIGM estimates

Figure 5: Mobvista's 1Q24 review

US\$'000	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	QoQ	YoY
Revenue	232,836	222,960	213,932	224,677	244,554	261,579	269,370	278,589	301,482	8%	23%
Gross profit	44,625	45,355	41,096	45,953	46,912	56,048	55,502	58,829	61,819	5%	32%
Operating profit	31,289	(14,628)	(10,749)	(3,667)	5,172	7,499	5,221	11,686	10,262	-12%	98%
Adj. net profit	33,446	(12,377)	(9,335)	(2,035)	4,510	4,431	4,065	6,114	8,868	45%	97%
Margin (%)											
Gross margin	19.2%	20.3%	22.5%	23.8%	19.2%	21.4%	20.6%	21.1%	20.5%		
Operating margin	13.4%	-6.6%	-5.0%	-1.6%	2.1%	2.9%	1.9%	4.2%	3.4%		
Adj.NPM	14.4%	-5.6%	-4.4%	-0.9%	1.8%	1.7%	1.5%	2.2%	2.9%		
Growth (%)											
Revenue (YoY)					5.0%	17.3%	25.9%	24.0%	23.3%		
Revenue (QoQ)					8.8%	7.0%	3.0%	3.4%	8.2%		
Operating profit		NA	NA	NA	NA	NA	NA	NA	98.4%		
Adj. net profit		NA	NA	NA	NA	NA	NA	NA	96.6%		

Source: Company data, CMBIGM

Figure 6: Mobvista's 4Q23 rev breakdown

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	QoQ	YoY
Revenue (US\$'000)	232,836	222,960	213,932	224,677	244,554	261,579	269,370	278,589	301,482	8%	23%
Ad-tech (Mobile advertising solutions)	229,645	219,512	210,956	221,700	240,995	257,814	265,409	274,273	297,264	8%	23%
Mintegral platform revenue	200,105	210,595	199,302	215,166	226,057	241,769	255,417	257,170	283,581	10%	25%
Nativex platform revenue	29,540	8,917	11,654	6,534	14,938	16,045	9,992	17,103	13,683	-20%	-8%
Mar-tech	3,191	3,448	2,976	2,977	3,559	3,765	3,961	4,316	4,218	-2%	19%

Source: Company data, CMBIGM

Figure 7: Mobvista's yearly financials forecast

US\$ mn, Dec-YE	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	500	516	755	894	1,054	1,265	1,479	1,731
Cost of Sales	(381)	(434)	(633)	(717)	(837)	(1,006)	(1,176)	(1,375)
Gross profit	119	82	122	177	217	259	303	355
Selling and marketing expenses	(10)	(17)	(47)	(66)	(51)	(60)	(71)	(83)
Research and development expenses	(35)	(32)	(69)	(107)	(94)	(119)	(139)	(163)
General and administrative expenses	(51)	(44)	(28)	(49)	(54)	(53)	(62)	(73)
Other net income	3	6	9	47	11	9	10	12
Operating profit	25	(5)	(12)	2	30	35	42	49
Finance costs	(2)	(2)	(4)	(5)	(7)	(3)	(3)	(2)
Profit before taxation	23	(7)	(31)	11	25	32	38	48
Income tax	(1)	2	6	(1)	(6)	(5)	(7)	(8)
Profit for the year	22	(5)	(25)	10	19	26	32	39
Profit attributable to owners of the Company	22	(5)	(25)	15	22	26	32	39
Non-controlling interests	0	0	(0)	5	3	0	0	0
Adjusted net profit	41	9	(4)	10	19	37	44	53
Margin Analysis								
Gross margin	24%	16%	16.1%	19.8%	20.6%	20.5%	20.5%	20.5%
Operating margin	5.0%	-1.0%	-1.6%	0.3%	2.8%	2.8%	2.8%	2.8%
Adj. net margin	8.2%	1.7%	-0.5%	1.1%	1.8%	2.9%	3.0%	3.1%
Growth Analysis								
Revenue	15%	3%	46%	18%	18%	20%	17%	17%
Gross profit	21%	-31%	48%	45%	23%	19%	17%	17%
Operating profit	-7%	-121%	137%	NA	NA	NA	NA	NA
Adj. net profit	16%	-78%	-144%	NA	97%	91%	19%	22%

Source: Company data, CMBIGM estimates

Figure 8: CMBIGM estimates vs consensus

US\$ mn, Dec-YE	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	1,265	1,479	1,731	1,259	1,489	1,731	0.5%	-0.6%	0.0%
Gross profit	259	303	355	261	312	355	-0.9%	-2.7%	0.1%
Operating profit	35	42	49	52	81	NA	-32.0%	-48.3%	NA
Adj. net profit	37	44	53	34	49	NA	9.3%	-10.8%	NA
Adj. EPS (RMB)	0.02	0.03	0.03	0.03	0.03	0.03	-14.5%	-20.1%	1.1%
Gross margin	20.5%	20.5%	20.5%	20.8%	21.0%	20.5%	-0.3ppts	-0.4ppts	+0.0ppts
Operating margin	2.8%	2.8%	2.8%	4.1%	5.4%	NA	-1.3ppts	-2.6ppts	NA
Adj. net margin	2.9%	3.0%	3.1%	2.7%	3.3%	NA	+0.2ppts	-0.3ppts	NA

Source: Bloomberg, CMBIGM estimates

Figure 9: SOTP valuation

SOTP	Methodology	Metrics	Multiple	Valuation
(US\$mn)				
Ad-tech	P/E	FY24E adj. NP	20.0	1,092
Mar-tech	P/S	FY24E Rev	3.0	64
Total				1,156
Equity Value (HK\$ mn)				9,075
No. of shares (mn)				1,601
Target Price (HK\$) based on SOTP				6

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Revenue	755	894	1,054	1,265	1,479	1,731
Cost of goods sold	(633)	(717)	(837)	(1,006)	(1,176)	(1,375)
Gross profit	122	177	217	259	303	355
Operating expenses	(134)	(175)	(188)	(224)	(261)	(306)
Selling expense	(47)	(66)	(51)	(60)	(71)	(83)
Admin expense	(28)	(49)	(54)	(53)	(62)	(73)
R&D expense	(69)	(107)	(94)	(119)	(139)	(163)
Others	9	47	11	9	10	12
Operating profit	(12)	2	30	35	42	49
Other expense	(4)	(5)	(7)	(3)	(3)	(2)
Pre-tax profit	(31)	11	25	32	38	48
Income tax	(6)	1	6	5	7	8
Net profit	(25)	15	22	26	32	39
Adjusted net profit	(4)	10	19	37	44	53

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Current assets	483	316	400	575	716	862
Cash & equivalents	160	106	146	305	413	528
Restricted cash	6	5	5	5	5	5
Account receivables	183	173	209	226	258	290
Other current assets	133	32	39	40	39	40
Non-current assets	264	286	291	177	150	122
PP&E	8	12	15	3	0	(3)
Deferred income tax	22	20	13	13	13	13
Intangibles	118	138	146	45	20	(4)
Goodwill	115	115	115	115	115	115
Other non-current assets	2	1	1	1	1	1
Total assets	747	602	692	753	866	984
Current liabilities	350	311	356	425	506	585
Short-term borrowings	59	46	50	50	50	50
Account payables	215	251	292	361	442	521
Tax payable	8	7	10	10	10	10
Other current liabilities	67	7	4	4	4	4
Non-current liabilities	38	43	76	11	11	11
Long-term borrowings	0	0	0	0	0	0
Deferred income	8	6	2	2	2	2
Share capital	17	16	16	16	16	16
Retained earnings	252	320	219	234	261	292
Total shareholders equity	337	235	250	277	308	348

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	42	98	108	113	116	121
Depreciation & amortization	29	30	31	32	32	33
Change in working capital	36	99	5	52	49	47
Others	8	(42)	47	(3)	(4)	(7)
Net cash from operations	42	98	108	113	116	121
Investing						
Capital expenditure	(11)	(1)	(5)	(5)	(5)	(5)
Others	29	(99)	1	1	1	1
Net cash from investing	18	(100)	(4)	(4)	(4)	(4)
Financing						
Net borrowings	4	57	0	0	0	0
Others	57	(111)	(7)	(3)	(3)	(2)
Net cash from financing	61	(54)	(7)	(3)	(3)	(2)
Net change in cash						
Cash at the beginning of the year	39,311	160,322	103,599	200,035	304,750	412,700
Exchange difference	(680)	(670)	0	0	0	0
Cash at the end of the year	160,322	103,599	200,035	304,750	412,700	527,645
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	46.4%	18.4%	17.9%	20.0%	16.9%	17.0%
Gross profit	48.4%	45.2%	22.7%	19.2%	17.1%	17.1%
Operating profit	na	na	1,217.5%	19.6%	18.3%	17.8%
Net profit	na	na	45.4%	21.5%	20.3%	23.9%
Adj. net profit	na	na	97.1%	91.5%	19.4%	22.0%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	16.1%	19.8%	20.6%	20.5%	20.5%	20.5%
Operating margin	(1.6%)	0.3%	2.8%	2.8%	2.8%	2.8%
Adj. net profit margin	(0.5%)	1.1%	1.8%	2.9%	3.0%	3.1%
Return on equity (ROE)	(8.3%)	5.2%	9.0%	10.1%	10.9%	12.0%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	0.3	0.3	0.4	0.9	1.2	1.4
Current ratio (x)	1.4	1.0	1.1	1.4	1.4	1.5
Receivable turnover days	114.2	71.7	65.3	62.0	59.0	57.0
Payable turnover days	103.6	116.9	116.9	117.0	123.0	126.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	NA	64.7	33.2	17.5	14.8	12.2

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

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

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

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.