

# Razer (1337 HK)

Benefit from stay at home, monetize the brand soon  
Hong Kong | Technology | Initiation

18 Nov 2020

## Investment Summary

Razer (the Company) is the world's leading lifestyle brand for gamers. The triple-headed snake trademark of Razer is one of the most recognized logos in the global gaming and esports communities. With a fan base that spans every continent, the Company has designed and built the world's largest gamer-focused ecosystem of hardware, software and services.

### The world's largest integrated ecosystem brings a superior life experience

The Company builds an integrated ecosystem of "hardware, software, and services" for players through its own product lines and services. The core of the Company's ecosystem is the Razer software platform. The Company's platforms include Razer Synapse, Razer Chroma, and Razer Cortex. The Company uses these software products to maintain interaction with users to collect data for analysis (including user game performance indicators, behavioral data, and game preferences, etc.), which able to gain an in-depth understanding of the user base. Most of the Company's hardware products are "connected devices" which can connect to the ecosystem through software. For example, users use the Razer Chroma Symphony Connection Module to connect the mouse, keyboard, and computer case to bring a unique illusion lighting experience. After successfully attracting these users to become a loyal user, the Company can monetize its business through Razer Gold and Fintech business.

### The core business continues to benefit from "stay-at-home"

The global 'stay-at-home' situation has boosted user engagement with gaming and esports to record levels. The Company's 2020 interim results performed strongly. Revenue hit a record high in history, reaching US\$447.5 million, up by 25.3% year-on-year, mainly due to the strong growth of the entire peripheral equipment portfolio. Among them, the hardware business increased by 26% year-on-year to US\$382.7 million; the revenue of the software and services segment increased by 79.3% to US\$64 million. Gross profit improved by 30.1% next year to US\$98.53 million, and gross profit margin improved from 21.2% in the same period last year to 22.0% in the same period this year.

### Monetize the brand through financial technology

The Company was founded in 2005. Over the years, it has established a brand popular among young people with high-quality products and services. The Company has one of the largest online social media followings globally among games and esports brands. As of October 15, 2020, the Company had more than 10 million "likes" on Facebook, 6.19 million followers on Instagram, 3.34 million followers on Twitter, 1.72 million subscribers on Youtube, and 440 thousand followers on Weibo, and the software business had over 100 million registered users. When these users recognize the brand, they will be willing to use other products or services launched by the Company. We believe that the Company can take advantage on its brand and huge fans base to grow rapidly in the Fintech business.

### Valuation and Investment Recommendation

As of the closing price on November 16, the Company's dynamic price-to-sales ratio (TTM) was 3.21. We believe that based on the Company's sound fundamentals, the Company is the industry leader and its business has grown strongly. We give the Company a target price to sales ratio of 3.0x in 2021. We expect the Company's 2020/2021/2022 revenue per share to be US\$0.12/0.14/0.17, and a twelve-month target price of HK\$3.27, corresponding to the P/S ratio of the revenue per share for 2020/2021/2022 is 3.58x/3.00x/2.52x. Buy rating is given for the first coverage. (Exchange rate: 7.78 USD/HKD) (Current price as of 16th November 2020)

### BUY (Initiation)

Current market price HKD2.55  
(Closing price as at 16<sup>th</sup> Nov 2020)  
Target price HKD 3.27 (+28.24%)

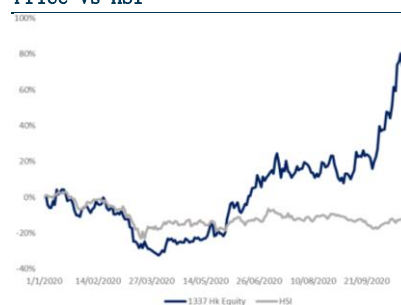
### COMPANY DATA

O/S SHARES (MN) :	8,884
MARKET CAP(HKD MN) :	226.54
52- WK HI/LO (HKD) :	2.73/0.89

### Major Shareholder %

Julius Baer Group Ltd	31.78
Risoluto Pte. Ltd.	18.73

### Price vs HSI



Source: Wind, PSHK

### KEY FINANCIALS

USD'mm except per share data	FY19	FY20E	FY21E	FY22E
Net Sales	821	1,068	1,275	1,516
Net Profit	(83)	(18)	35	75
EPS, USD	-0.01	-0.01	0.01	0.01
P/S x	3.55	2.73	2.28	1.92
BVPS, USD	0.06	0.06	0.07	0.07
P/BV, x	35.08	36.60	34.49	30.75
ROE%	-14.5	-3.3	5.8	10.85
ROA%	-8.4	-1.7	3.0	5.5

Source: Company reports, PSHK

Closing price as of 16th November 2020

### Research Analyst

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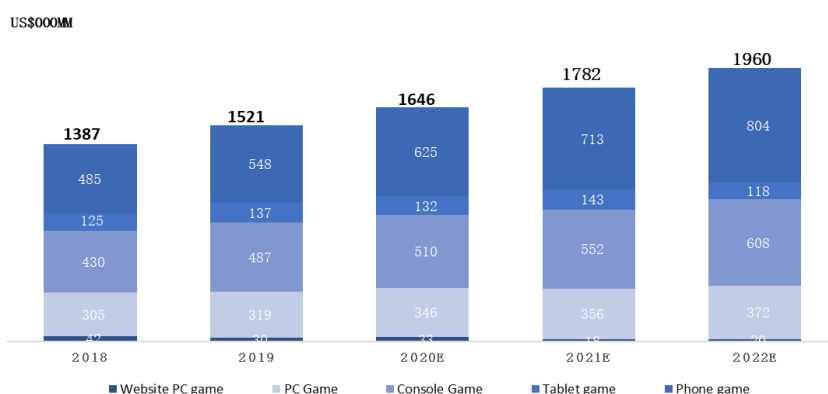
## Industry analytics

With the rapid growth amid rising consumer interest and publisher investment, competitive gaming (E-sports) have developed rapidly in the past few years and became new growth driver in the game field. The global game peripherals market has emerged with the launch of various games such as first-person shooting, real-time strategy, multiplayer online battles, and massively multiplayer online role-playing.

### Steady growth in the global gaming industry

With the increased penetration of the Internet, the global game market has continued to grow. According to Newzoo, the global gaming industry's total revenue recorded US\$152.1 billion in 2019, exceeding the combined revenue of the film and music industries. From 2018 to 2022, the global game market revenue rose from US\$138.7 billion to US\$196 billion, with a compound annual growth rate of 9%. In 2019, mobile games (smartphone and tablet games) are the largest segment, accounting for 45% of the market size, the console market is the second with 32%, and PC games are the third with 21%. They expect that mobile games will continue to grow, while the console market will maintain its share with the launch of Sony's PlayStation 5 (PS5), and PC games will maintain steady growth due to the continuous launch of competitive games, but the market share will reduce.

Figure1: 2018-2022 Global gaming industry's total revenue



Source: Newzoo, PSHK

### The number of players in worldwide continues to grow

According to Newzoo, in 2019, the number of active players worldwide was approximately 2.5 billion. As the number of active players will grow at a compound annual growth rate of 4.7%, starting from 2019, it is expected that this number will reach approximately 3.1 billion by 2023. The growth is driven by emerging markets, mainly due to the penetration rate of the Internet and the popularity of smart phones.

Figure2. Number of players in worldwide

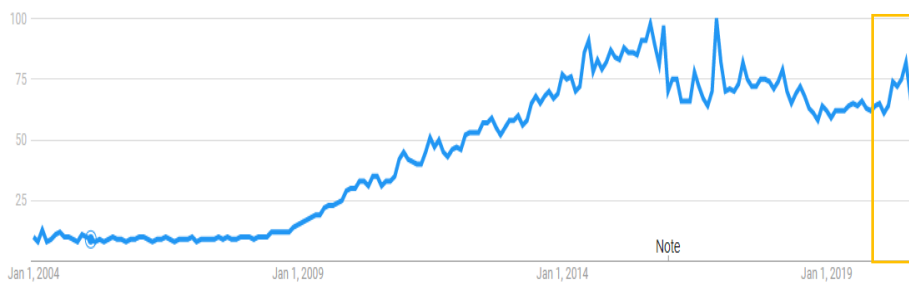


Source: Newzoo, PSHK

**Covid-19 accelerates the development of electronic payment**

With the continuous advancement of technology and the increase in mobile Internet penetration, global consumer payment methods have changed in recent years, and the application of electronic payments in various industries continued to increase. Especially with the emergence of COVID-19, consumers tend to reduce cash transactions in order to reduce the health risks caused by exposure to cash when making payments, and the utilization rate of contactless electronic payments has increased significantly. From the latest Google Trends search trends, the number of searches for the word "Online payment" rose in 2009. From February 2020 to August 2020, the search for "Online Payment" increased by 34%. As cashless payment methods are widely accepted by consumers, electronic payment instead of cash will become a global trend.

Figure3. GOOGLE TRENDS- [ Online Payment ]

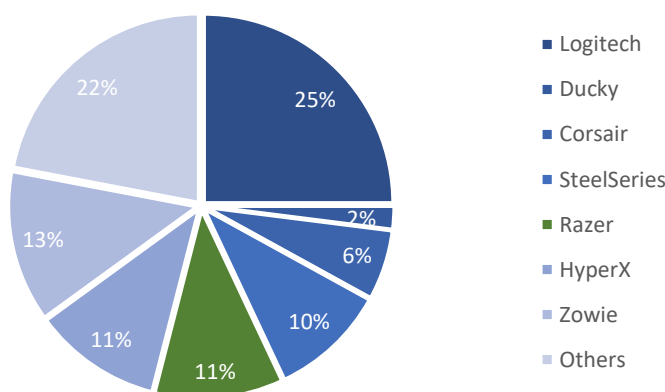


Source: Google, PSHK

**With industry consolidation, market concentration will increase**

The industry is in monopolistic competition. According to Bloomberg, Logitech is the leader in the gaming peripherals industry, with a market share of 25%. Zowie ranks second with a market share of 13%. Razer ranked third with 11%. As players continue to search for the best specifications and features, some companies that lack innovation and cost control capabilities will gradually be eliminated, and market-leading companies can take the opportunity to slowly expand.

Figure 4. E-sports peripherals market share (2019)



Source: Bloomberg, Amazon, PSHK

**Company profile**

Razer Founded in 2005, Razer has dual headquarters in Irvine and Singapore. It has 18 offices around the world. It is known as a world’s leading lifestyle brand for gamers. It was listed on the main board of Hong Kong exchange in 2017. The Company's main business includes 1) hardware business, 2) software business, and 3) services.

- 1) Hardware business refers to the development and sales of game peripherals and systems(laptops)

The Company’s hardware, which includes premium gaming peripherals (including high-precision mice, fully customizable keyboards, audio devices, mouse mats and gaming console controllers). It’s hardware won numerous awards from major magazines over the years. For example, Razer was awarded the “Best of CES” by the US Consumer Electronics Show, which is the eighth time the Company won this honor.

Figure 5. Razer’s Peripherals



Source: Company website, PSHK

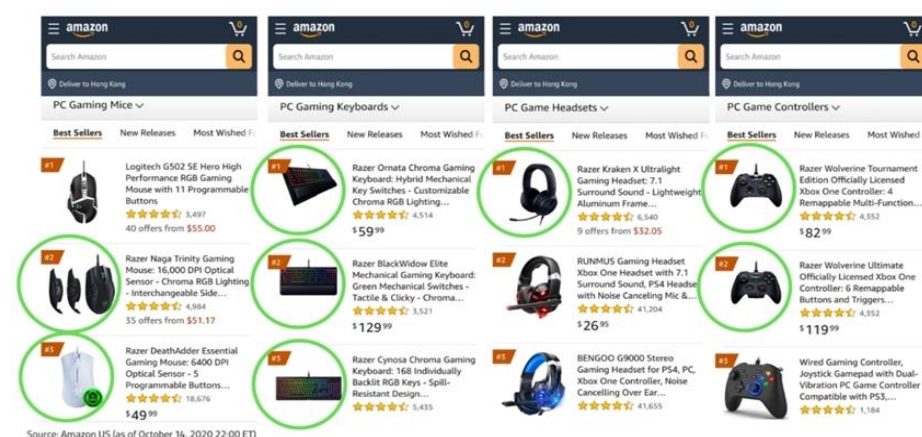
The price range of Razer's product line varies, but gamers who constantly seek the best specifications and features tend to purchase the best devices they can afford. The Company’s gaming mouse and gaming keyboard retail for \$25-\$150. According to Amazon.com, Razer’s mid-to-high-end products score higher than Logitech’s’. The Company also announced that its products sales well on Amazon Prime Day dated 13-14 October 2020, In particular, its PC game mice harvested seven out of the top ten spots, and eight out of ten for its game keyboards. It can be seen that Razer's products are popular in the industry.

Table1.Peripherals Pricing Profile(25/10/2020)

(\$US)	Logitech		Razer	
	Model	Amazon Rating	Model	Amazon Rating
<b>Gaming Mouse</b>				
Entry (<\$50)	G203	4.6	Viper Mini	4.4
Mid-Tier(\$50-\$149)	G604	4.4	Basilisk V2	4.5
Premium(>\$149)	G502 Lightspee	4.5	Basilisk Ultimate	4.5
<b>Gaming Keyboard</b>				
Entry (<\$50)	G213	4.6	N/A	N/A
Mid-Tier(\$50-\$149)	G513 Carbon	4.4	BlackWidow	4.7
Premium(>\$149)	G815	4.6	Huntsman Elite	4.7

Source: Company website, Amazon, PSHK

Figure6.Razer’s products great hit during Amazon Prime Day



Source: Amazon US (as of October 14, 2020 22:00 ET)

System products refers to the sale high-end gaming laptops, external graphics card boxes (eGPUs), chassis, computer accessories, etc. According to company report, its premium gaming laptop brand ranks as first in the United States. Razer’s laptops are developed in cooperation with Intel and Nvidia, which are highly efficient and portable without losing a sense of style.

- The software business refers to Razer's unique ecosystem. The core part of the Company's ecosystem is the Razer software platform. The Company's platforms include the Internet of Things platform Razer Synapse, a software platform for users to use hardware devices; Razer Chroma, its exclusive RGB lighting technology system; and Razer Cortex, a full-featured game launcher, game optimization program, Game aggregator and price comparator.
- The service business includes Razer Gold virtual credit points and Razer Fintech.

Razer Gold virtual credit score is one of the world's largest independent virtual credit score platforms for digital entertainment. Players can purchase zGold (virtual points) and exchange it for digital content and items from various content providers. Since the Company's comprehensive acquisition of "MOL Global" in 2018, the Company has increased its business development. In 2020 interim results, users in more than 130

countries can now purchase Razer Gold virtual credits from more than 4 million channel touchpoints.

Razer Fintech is mainly to provide online and offline e-wallet solutions for business to business (B2B) and business to customer (B2C). According to the Company's 2020 interim results, Razer Fintech has generated a total payment transaction size of US\$1.8 billion (2019: US\$2.1 billion). The Company also takes its brand advantages to extend its financial business to the Razer Youth Bank platform, providing young people with a comprehensive banking service experience.

Figure 7. Razer youth bank vision



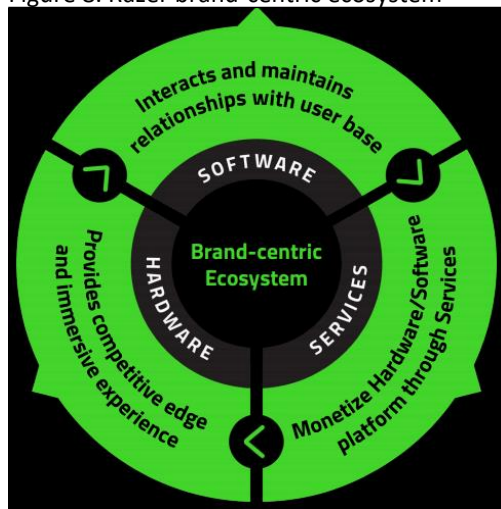
Source: Company, PSHK

Investment Highlights

**The world's largest integrated ecosystem brings a superior life experience**

The Company builds an integrated ecosystem of "hardware, software, and services" for players through its own product lines and services. The core of the Company's ecosystem is the Razer software platform. The Company's platforms include Razer Synapse, Razer Chroma, and Razer Cortex. The Company uses these software products to maintain interaction with users to collect data for analysis (including user game performance indicators, behavioral data, and game preferences, etc.), which able to gain an in-depth understanding of the user base. Most of the Company's hardware products are "connected devices" which can connect to the ecosystem through software. For example, users use the Razer Chroma Symphony Connection Module to connect the mouse, keyboard, and computer case to bring a unique illusion lighting experience. After successfully attracting these users to become a loyal user, the Company can monetize its business through Razer Gold and Fintech business.

Figure 8. Razer brand-centric ecosystem



Source: Company, PSHK

Figure 9. Razer Chroma



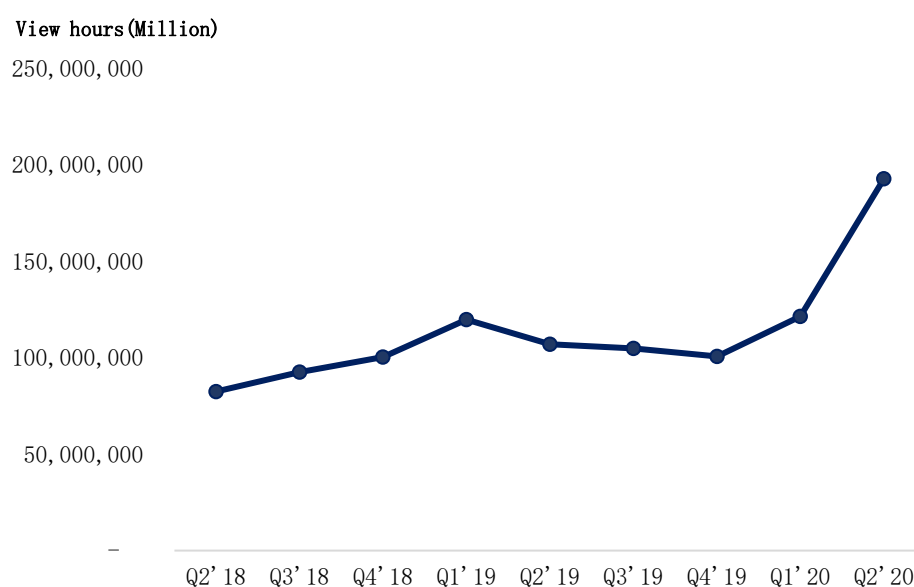
Source: Internet search, PSHK

**The core business continues to benefit from "stay-at-home"**

The global 'stay-at-home' situation has boosted user engagement with gaming and esports to record levels. The Company's 2020 interim results performed strongly. Revenue hit a record high in history, reaching US\$447.5 million, up by 25.3% year-on-year, mainly due to the strong growth of the entire peripheral equipment portfolio.

Among them, the hardware business increased by 26% year-on-year to US\$382.7 million; the revenue of the software and services segment increased by 79.3% to US\$64 million. Gross profit improved by 30.1% next year to US\$98.53 million, and gross profit margin improved from 21.2% in the same period last year to 22.0% in the same period this year. The software business continued to expand. The total number of accounts increased by 42.8% year-on-year to approximately 100 million, and monthly active users surged by more than 45%. The increase was mainly due to the increase in games, e-sports and live broadcast activities, which drove the strong growth of the Company's software product portfolio. According to Stream Hatchet, the viewing hours of game video streaming platform Twitch surged by 83.1% year-on-year and 58.7% quarter-on-quarter in the Q2 of 2020. Looking ahead, Nvidia's launch of RTX 30 series graphics cards in October 2020 will take PC players' experience to a higher level, while Microsoft and Sony will launch Xbox Series-X and PS5 respectively at the end of the year. We think this will indirectly bring more revenue to the Company next year.

Figure 10. Twitch's audience viewing hours



Source: Stream Hatchet, PSHK

### Monetize the brand through financial technology

The Company was founded in 2005. Over the years, it has established a brand popular among young people with high-quality products and services. The Company has one of the largest online social media followings globally among games and esports brands. As of October 15, 2020, the Company had more than 10 million "Likes" on Facebook, 6.19 million followers on Instagram, 3.34 million followers on Twitter, 1.72 million subscribers on Youtube, and 440 thousand followers on Weibo, and the software business had over 100 million registered users. When these users recognize the brand, they will be willing to use other products or services launched by the Company. We believe that the Company can take advantage on its brand and huge fans base to grow rapidly in the Fintech business.

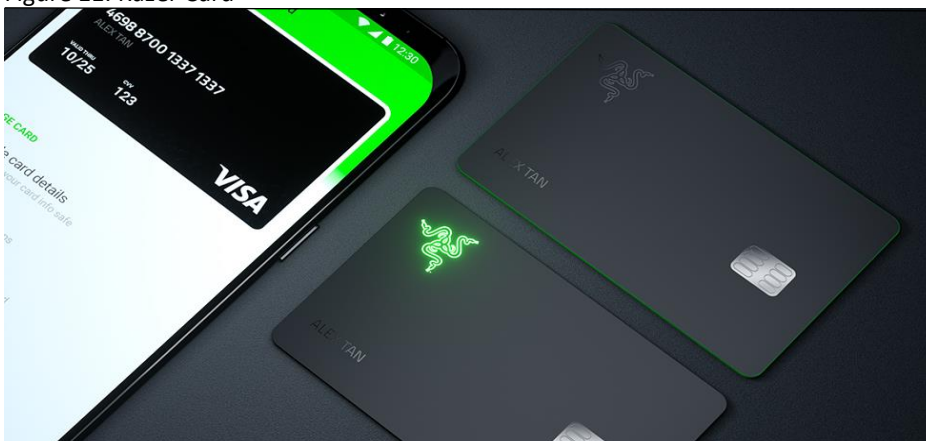
The Company is actively deploying in the financial field. The Company announced that it had reached a strategic cooperation with Franklin Resources Inc. on digital wealth management cooperation. Through this cooperation, the Company and Franklin Templeton will jointly design and create a new-generation digital wealth management platform, providing digital wealth management services and multi-asset solutions, covering investment themes and related investment portfolios, regular savings plans, currency Market funds, other products and investment tools, etc. Franklin Templeton is one of the world's largest asset management companies. It has an absolute advantage in financial management. However, traditional fund companies may not know what young people need and may not bring the experience young people want



today. Razer can make up for its shortcomings. The Company clearly understands the needs of young people and brings them a comprehensive banking service experience. In addition, the Company submitted an application for a digital banking license to the Monetary Authority of Singapore this year. The partners include FWD, Sheng Siong Holdings Pte Ltd and Linksure Global, etc. Long-term integration of lifestyle experience with digital banking platforms will reshape the banking industry for the younger generation.

Besides, the Company announced on October 5, 2020 that it will cooperate with Visa, a multinational financial services corporation, to launch the "Razer Card". In addition to basic credit card functions, its biggest feature is that users will flash green when paying with physical cards. The LED lights can foresee that the Company's future digital banking image will be unique and bright, and it will be able to create a profound brand image among young people. Compared with other new digital banks that use high-interest savings or consumption rebates to attract new customers, their customer acquisition costs will be lower and customer retention rates will be higher. In addition, the Company may develop virtual currency transactions in the future. Virtual currency refers to the use of digital accounting to replace physical currency transactions. In fact, zGold itself is also a type of virtual currency. Most of Razer's users are millennial consumers, and their acceptance of virtual currency is very high, and the virtual currency market has huge room for growth.

Figure 11. Razer Card



Source: Company, PSHK

In addition, Razer Pay is currently one of the largest O2O digital payment networks in Southeast Asia. It's online payment gateway provides more than 110 payment options and is powering a list of blue-chip merchants including Lazada, Grab and Uniqlo. The long-term attractiveness of the Southeast Asian market lies in its demographic advantage. There are about 600 million young people in the region and the middle-class population in the region is growing rapidly, and the Southeast Asian regional government's favorable policies such as increasing infrastructure construction are all conducive to the continued economic growth of the region and bring great business opportunities to companies operating in the region.

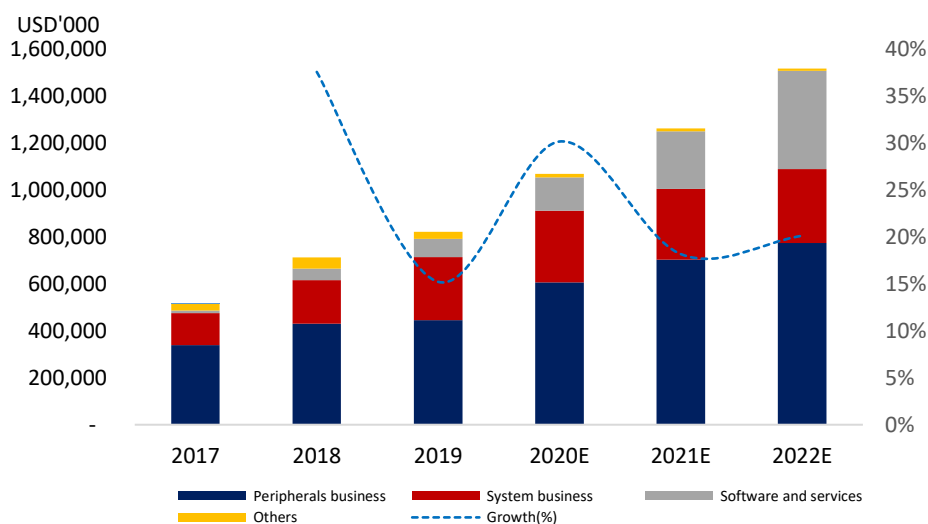
## Financial Analysis

### Revenue analysis

The Company's revenue is mainly divided into three parts, including 1) peripherals business, 2) systems business, and 3) software and services. Among them, the Company's peripherals business revenue for 2017/2018/2019 was US\$340/430/440 million, accounting for 65.4%/60.3%/54.2% of total revenue, and the compound annual growth rate was 14.6%. As the supply chain was affected by the COVID-19 in the first half of 2020, the supply chain did not recover until mid-March, resulting in a delay in the release of new products in late April. However, the management indicated that users have strong demand for their products, coupled with the recovery of the supply chain and the advent of different holidays (such as Double 11, Thanksgiving, etc.), we expect strong revenue growth in the second half of the year. In summary, we estimate that the Company's hardware business revenue for 2020/2021/2022 will be US\$606/703/773 million, a year-on-year increase of 36.3%/16%/10%.

The Company's system business revenue for 2017/2018/2019 was US\$137/185/269 million, accounting for 26.45%/26.1%/32.78% of the total revenue, with annual compound growth rate of 40%. The management expected the release of the new product series of Blade, the business recorded double-digit growth year-on-year in May and June. Based on our analysis of the Company in the previous article, we expect that the Company's system business will accelerate growth in 2020/2021/2022. We expect the Company's software business revenue for 2020/2021/2022 to be US\$ 305/313/315 million, year-on-year. An increase of 13.5%/2.77%/0.43% year-on-year. The 2017/2018/2019 software and services revenue was US\$10.6/49.6/77.0 million, accounting for 2.05%/6.96%/9.38% of the total revenue, respectively, with a compound annual growth rate of 170%. and we expect the Company's 2020/2021/2022 service business revenue will be US\$141/246/418 million, an increase of 82.7%/75%/70% year-on-year. All in all, we forecast total revenue for 2020/2021/2022 is US\$107/128/152 million respectively. The year-on-year growth was 30%/19%/18% respectively.

Figure12. Company income and forecast



Source: Company reports, PSHK

Table 2. Company income by segment

(USD '000)						
Fiscal year	2017A	2018A	2019A	2020E	2021E	2022E
Fiscal year end date	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22
Peripherals	338,717	429,606	444,902	606,494	703,281	773,609
Systems	137,001	185,919	269,077	305,422	313,870	315,235
Software and Services	10,604	49,564	77,027	140,734	246,285	418,684
Others	31,615	47,350	29,789	15,574	12,426	8,554
<b>Revenue</b>	<b>517,937</b>	<b>712,439</b>	<b>820,795</b>	<b>1,068,225</b>	<b>1,275,861</b>	<b>1,516,082</b>

Source: Company data, PSHK

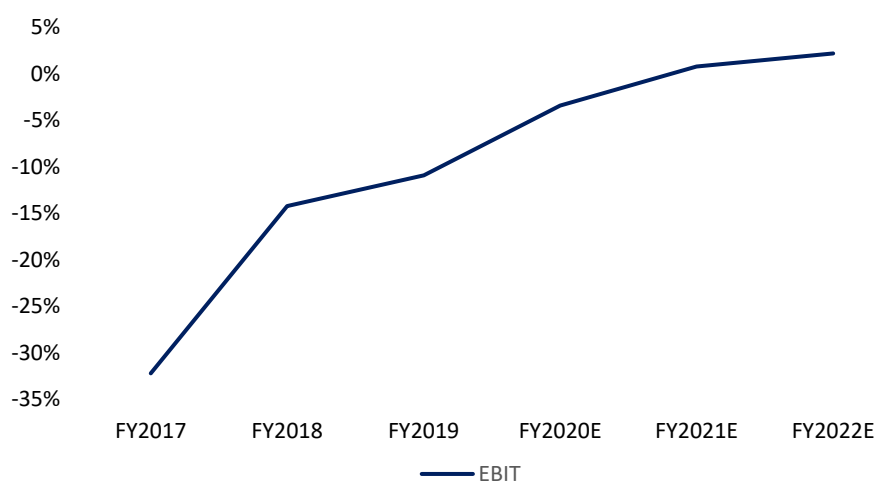
### Costs and expenses analysis

The main cost of the Company is the cost of sales, and the main expenses are sales and marketing expenses, research and development expenses and general and administrative expenses. In 2019, they were US\$650/110/52/89 million, accounting for 79.52%/14%/6%/11% of revenue. In terms of sales costs, considering that the Company has begun to provide users with more services and software services, we expect that the Company's sales costs as a percentage of revenue will gradually decline in 2020-2022, and they will be 75.90%/72.20%/71.10%, respectively. This means that we expect the Company's gross profit margin to be 24.1%/27.8%/28.9% in 2020-2022. We believe that sales and marketing expenses, R&D expenses, and general and administrative expenses will be reduced to a certain income ratio due to operating levers. Based on the above, we estimate that the operating costs of the Company in 2020-2022 will be US\$ 1.9/1.23/1.45 billion.

### EBIT margin analysis

The Company's operating profit (EBIT) margin has remained stable in the past three years, from a negative 32% in 2017 to a negative 11% in 2019. Mainly because the Company has been strictly controlling operating costs and actively exploring new growth drivers. We expect the Company to benefit from the housing economy in 2020. As one of the leaders in e-sports peripheral products, the Company will seize the opportunity to further narrow its operating profit margin to minus 2%. In 2021-2022, the operating profit margin will continue to rise due to the increase in the proportion of software and service businesses. We expect the Company will start to turn positive and reach 2.8% in 2021.

Figure 13. The Company's history EBIT and forecast



Source: Company data, PSHK

### Valuation

As of the closing price on November 16, the Company's dynamic Price-to-Sales ratio (TTM) was 3.21x. We believe that based on the Company's sound fundamentals, the Company is the industry leader and its business has grown strongly. We give the Company a target price to sales ratio of 3.0x in 2021.

We expect the Company's 2020/2021/2022 revenue per share to be 0.12/0.14/0.17 U.S. dollars, and a twelve-month target price of HK\$3.27, corresponding to the P/S ratio of the revenue per share for 2020/2021/2022 is 3.58x/3.00x/2.52x. Buy rating is given for the first coverage. (Exchange rate: 7.78 USD/HKD) (Current price as at 16<sup>th</sup> November 2020)

Figure14.Razer Price-Sales Ratio(TTM)



Source: Wind, PSHK

### Peer comparison

Company	Stock code	Closing Price	Market Cap	P/E			P/S			EV/EBITDA			
				TTM	2020	2021	TTM	2020	2021	TTM	2020	2021	
				(listed currency) (million RMB)									
雷蛇	1337 hk equity	2.48	19,230	-	-	-	3.1x	2.8x	2.4x	-	314.0x	54.6x	
索尼有限公司	6758 jp equity	9326.00	753,238	12.4x	14.5x	20.1x	1.4x	1.4x	1.4x	6.26x	8.20x	9.00x	
任天堂	7974 jp equity	54480.00	442,828	15.5x	33.8x	28.2x	3.9x	5.5x	4.6x	-	18.00x	10.69x	
Dell Technologies Inc	dell US equity	64.42	324,874	21.5x	10.2x	9.0x	0.5x	0.5x	0.6x	9.80x	8.35x	8.16x	
罗技国际股份有限公司	logi US equity	81.85	94,737	20.8x	43.6x	41.0x	3.8x	4.9x	3.5x	18.85x	35.62x	19.48x	
				<b>Average</b>	<b>17.6x</b>	<b>25.5x</b>	<b>24.6x</b>	<b>2.6x</b>	<b>3.0x</b>	<b>2.5x</b>	<b>11.6x</b>	<b>76.8x</b>	<b>20.4x</b>
				<b>Median</b>	<b>18.2x</b>	<b>24.2x</b>	<b>24.2x</b>	<b>3.1x</b>	<b>2.8x</b>	<b>2.4x</b>	<b>9.8x</b>	<b>18.0x</b>	<b>10.7x</b>

Closing price as of 16th November 2020

Source: Bloomberg, PSHK

### Risks

- 1) COVID-19 outbreak again
- 2) E-sports growth not as expected
- 3) The Company's products fail to cater the user trends

## Financial statements

### Key financial data

FYE DEC	FY18	FY19	FY20E	FY21E	FY22E
<b>Valuation Ratio</b>					
P/S ratio	N/A	3.55	2.73	2.28	1.92
P/B ratio	30.46	35.08	36.60	34.49	30.75
<b>Per share data (USD)</b>					
EPS	-0.01	-0.01	0.00	0.00	0.01
Book value per share	0.07	0.06	0.06	0.07	0.07
Revenue per share	0.08	0.09	0.12	0.14	0.17
<b>Growth &amp; Margin</b>					
Revenue growth	38%	15%	30%	19%	19%
Operating income growth	39%	12%	78%	278%	119%
Net profit growth	41%	15%	78%	295%	111%
Operating income margin	-14%	-11%	-2%	3%	5%
Net profit margin	-14%	-10%	-2%	3%	5%
<b>Key Ratios</b>					
ROE	-14.8%	-14.5%	-3.1%	5.8%	10.8%
ROA	-9.5%	-8.4%	-1.7%	3.0%	5.5%

Closing price as at 16th November 2020

Source: Company data, PSHK

### Consolidated Statement of Profit or Loss and Other Comprehensive income

(USD '000)

Fiscal year	2017A	2018A	2019A	2020E	2021E	2022E
Fiscal year end date	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22
Peripherals	338,717	429,606	444,902	606,494	703,281	773,609
Systems	137,001	185,919	269,077	305,422	313,870	315,235
Software and Services	10,604	49,564	77,027	140,734	246,285	418,684
Others	31,615	47,350	29,789	15,574	12,426	8,554
<b>Revenue</b>	<b>517,937</b>	<b>712,439</b>	<b>820,795</b>	<b>1,068,225</b>	<b>1,275,861</b>	<b>1,516,082</b>
Cost of Sales	(366,912)	(542,361)	(652,732)	(810,830)	(922,978)	(1,077,330)
<b>Gross Profit</b>	<b>151,025</b>	<b>170,078</b>	<b>168,063</b>	<b>257,395</b>	<b>352,883</b>	<b>438,752</b>
Sales and marketing expenses	(90,041)	(117,995)	(112,675)	(128,187)	(140,345)	(151,608)
Research and development expenses	(80,809)	(76,298)	(52,418)	(64,093)	(76,552)	(90,965)
General and administrative expenses	(143,589)	(75,383)	(89,267)	(85,458)	(102,069)	(121,287)
Impairment of goodwill and other assets	-	-	(9,525)	-	-	-
<b>Loss from operations</b>	<b>(163,414)</b>	<b>(99,598)</b>	<b>(95,822)</b>	<b>(20,343)</b>	<b>33,917</b>	<b>74,892</b>
Other non-operating (expenses)/income	(3,147)	(1,857)	6,188	395	1,575	2,719
<b>Operating profit (EBIT)</b>	<b>(166,561)</b>	<b>(101,455)</b>	<b>(89,634)</b>	<b>(19,949)</b>	<b>35,493</b>	<b>77,612</b>
Finance income	1,985	12,218	13,193	8,798	3,675	3,852
Finance costs	(9)	(310)	(1,375)	(1,754)	(506)	-
<b>Loss before income tax</b>	<b>(164,585)</b>	<b>(89,547)</b>	<b>(77,816)</b>	<b>(12,905)</b>	<b>38,661</b>	<b>81,463</b>
Taxes	(1,254)	(8,361)	(5,654)	(5,464)	(2,809)	(5,919)
<b>(Loss)/Profit for the year</b>	<b>(165,839)</b>	<b>(97,908)</b>	<b>(83,470)</b>	<b>(18,369)</b>	<b>35,852</b>	<b>75,544</b>
<b>Non-controlling interests</b>	<b>(1,819)</b>	<b>(942)</b>	<b>709</b>	<b>(1,073)</b>	<b>2,094</b>	<b>4,413</b>
<b>(Loss)/profit attributed to equity shareholder</b>	<b>(164,020)</b>	<b>(96,966)</b>	<b>(84,179)</b>	<b>(17,296)</b>	<b>33,758</b>	<b>71,132</b>

Source: Company data, PSHK

## Consolidated Statement of Financial Position

(USD'000)						
Fiscal year	2017A	2018A	2019A	2020E	2021E	2022E
Fiscal year end date	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22
<b>Non-current assets</b>						
Property, plant and equipment	15,937	18,120	29,982	47,551	69,266	97,179
Intangible assets and goodwill	32,006	111,638	104,895	96,595	88,295	79,995
Equity investments	20,250	1,210	1,297	1,297	1,297	1,297
Deferred tax assets	22,150	6,346	5,647	7,215	8,435	10,157
Restricted cash	1,635	1,771	2,047	2,615	3,058	3,682
Prepayments	1,451	230	182	233	272	327
Other receivables	-	1,464	2,829	3,615	4,226	5,088
	<b>93,429</b>	<b>140,779</b>	<b>146,879</b>	<b>155,274</b>	<b>170,351</b>	<b>192,310</b>
<b>Current assets</b>						
Inventories	41,428	68,511	74,820	95,598	111,764	134,576
Trade and other receivables	125,683	181,111	215,096	274,828	321,304	386,885
Prepayments	2,914	6,941	6,268	8,009	9,363	11,274
Current tax receivables	413	4,457	2,785	3,558	4,160	5,009
Equity investments	1,753	1,544	6,234	6,234	6,234	6,234
Restricted cash	210	6,877	14,395	18,392	21,503	25,892
Cash and cash balances	739,433	615,237	528,330	481,920	495,015	526,707
	<b>911,834</b>	<b>884,678</b>	<b>847,928</b>	<b>888,539</b>	<b>969,342</b>	<b>1,096,576</b>
<b>Total assets</b>	<b>1,005,263</b>	<b>1,025,457</b>	<b>994,807</b>	<b>1,043,813</b>	<b>1,139,693</b>	<b>1,288,886</b>
<b>Non-current liabilities</b>						
Deferred tax liabilities	60	4,944	3,265	4,172	4,877	5,873
Customer funds	4	77	1,655	2,115	2,472	2,977
Net defined benefit retirement obligation	-	334	515	658	769	926
Other payables	1,613	5,678	1,588	2,029	2,372	2,856
Other tax liabilities	2,217	1,240	1,095	1,399	1,636	1,970
Finance lease payables	27	10	9,981	3,309	-	-
	<b>3,921</b>	<b>12,283</b>	<b>18,099</b>	<b>13,681</b>	<b>12,126</b>	<b>14,602</b>
<b>Current liabilities</b>						
Trade and other payables	215,616	342,390	377,590	482,447	564,032	679,156
Contract liabilities	-	1,066	999	1,276	1,492	1,797
Customer funds (Deferred revenue)	1,628	4,355	12,869	16,443	19,223	23,147
Finance lease payables	48	17	4,029	4,029	2,890	-
Current tax payables	674	1,644	3,073	3,926	4,590	5,527
Other tax liabilities	-	1,760	3,360	4,293	5,019	6,043
	<b>217,966</b>	<b>351,232</b>	<b>401,920</b>	<b>512,414</b>	<b>597,247</b>	<b>715,671</b>
<b>Total liabilities</b>	<b>221,887</b>	<b>363,515</b>	<b>420,019</b>	<b>508,121</b>	<b>592,228</b>	<b>709,627</b>
Share capital	90,225	89,661	89,482	89,385	89,385	89,385
Share premium	725,125	714,082	683,847	683,847	683,847	683,847
Reserves	(33,742)	(143,933)	(205,054)	(237,540)	(225,768)	(193,973)
Non-controlling Interests	1,768	2,132	6,513	5,467	6,197	8,170
<b>Total equity</b>	<b>783,376</b>	<b>661,942</b>	<b>574,788</b>	<b>535,692</b>	<b>547,464</b>	<b>579,259</b>

Source: Company data, PSHK

## Consolidated Cash Flow Statement

(USD'000)						
Fiscal year	2017A	2018A	2019A	2020E	2021E	2022E
Fiscal year end date	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22
Loss for the year	(165,839)	(97,908)	(83,470)	(34,501)	12,503	33,767
Depreciation and amortization	15,640	20,427	24,137	21,561	22,616	23,755
Decreases / (Increases) in working capital assets	(40,759)	(45,955)	(54,374)	(86,867)	(47,830)	(67,492)
Increases / (Decreases) in working capital liabilities	47,776	59,337	46,069	105,134	3,032	2,995
Others	123,093	25,651	29,145	59,296	38,031	42,157
<b>Cash from operating activities</b>	<b>(20,089)</b>	<b>(38,448)</b>	<b>(38,493)</b>	<b>64,624</b>	<b>28,352</b>	<b>35,182</b>
Capital expenditures	(11,909)	(15,181)	(14,861)	(31,151)	(35,951)	(43,288)
Others	(19,549)	(1,745)	4,823	(5,490)	(804)	(490)
<b>Cash from investing activities</b>	<b>(31,458)</b>	<b>(16,926)</b>	<b>(10,038)</b>	<b>(31,151)</b>	<b>(35,951)</b>	<b>(43,288)</b>
<b>Cash from financing activities</b>	<b>639,490</b>	<b>(37,031)</b>	<b>(37,779)</b>	<b>(79,883)</b>	<b>20,694</b>	<b>39,798</b>
<b>Net change in cash during period</b>	<b>587,943</b>	<b>(92,405)</b>	<b>(86,310)</b>	<b>(46,410)</b>	<b>13,095</b>	<b>31,692</b>
Cash and cash equivalents at beginning of year	121,129	709,249	615,237	<b>528,330</b>	<b>481,920</b>	<b>495,015</b>
Effect of changes in foreign exchange rates on cash and cash equivalents	177	(1,607)	(597)	-	-	-
<b>Cash and cash equivalents at end of year</b>	<b>739,433</b>	<b>615,237</b>	<b>528,330</b>	<b>481,920</b>	<b>495,015</b>	<b>526,707</b>

Source: Company data, PSHK

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Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm$ 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

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