

Weimob Inc. (2013 HK)

1Q21 result beat market expectation, raised up USD 600 million to accelerate the investment ecosystem construction

10 June 2021

Hong Kong | TMT sector | Update Report

Investment Summary

1Q21 result beat market expectation

According to the company's announcement, the company's revenue from Subscription Solutions in 1Q21 represented an increase of over 100% as compared to 1Q20, which beat the market expectation. Further, as at the end of 1Q21, the number of paying merchants increased by approximately 21.9% as compared to 1Q20. The attrition rate was approximately 4.3%, with corresponding annualized attrition rate at 17.2%, which represented a huge improvement as compared to the 26.1% in 2020. On the other hand, the revenue from Merchant Solutions in 1Q21 was up by over 50% YoY.

Raised up USD 600 million to accelerate the investment ecosystem construction

According to the announcement on 25th of May, the company placed 156 million new shares with placing price at HKD 15.00, which represents a discount of approximately 6.6% to the closing price of 24th of May. The placing has been completed on 1st of June. At the same time, the company has proposed to issue USD 300 million of zero coupon guaranteed convertible bonds due 2026, with initial conversion price of HKD 21.00, which represents a premium of approximately 30.8% over the closing price of 24th of May. The placing and bond issuance will raise USD 600 million for the company and the proceeds will be used for improving the company's comprehensive research and development capabilities, upgrading the company's marketing system, supplementing working capital and general corporate purposes. The new share placing and the bond issuance recorded 8 times and 5 times subscription, respectively and many well-known and long term institution investors have shown interest, which fully demonstrated their recognition of the company's long term value. We believe the company will have sufficient capital for product R&D as well as M&A in various vertical industries, in order to further consolidate its competitive advantages in the market.

Valuation

We continue to be optimistic about the company's 1) the KA customer expansion in various vertical industries 2) three core strategies, 3) TSO (Traffic + SaaS + Operation) operation model. We believe that the TSO model is expected to further increase the ARPU of the KA customers, thereby uplifting the ceiling of the company's future growth.

We maintain our previous forecast on 2021-2023 Subscription Solutions revenue and adjust our forecast on 2021-2023 targeted marketing gross billing to HKD 15.8/20.8/26.9 billion (previous forecast was HKD 15.2/19.9/25.7 million). But since we expect the company to invest in PaaS and TSO continuously in the foreseeable future, we cut our 2021-2023 adjusted Net profit forecast to HKD 55/184/515 million (previous forecast was HKD 184/347/766 million). We maintain our 2022 targeted marketing target PE of 18x and 2022 subscription solution target PS of 23x, adjust TP slightly downward to HKD 26.46 (-0.9%), to reflect our more optimistic view on the company's targeted marketing business and to reflect the dilution effect as a result of the newly issued shares. The TP corresponds to adjusted PE of 966x/290x/103x in 2021/2022/2023, respectively. We maintain Buy rating. (Market closing price as of 8 June) (exchange rate: RMB 0.85/HKD)

Risk

1) The expansion of SaaS customers is worse than expected 2) The increased industry competition 3) Advertising demand is less than expected 4) Targeted marketing business mainly relies on the cooperation with Tencent 5) Valuation of the SaaS sector drops

Buy (Maintain)

CMP HKD 16.92

(Closing price as of 8 June)

TARGET HKD 26.46 (+56%)

COMPANY DATA

O/S SHARES (MN) :	2,432
MARKET CAP (HKD MN) :	41,143
52 - WK HI/LO (HKD):	33.50/7.94

SHARE HOLDING PATTERN, %

Yomi.sun Holding Limited	14.11
Tencent	8.02
THL H Limited	5.42
CP Wisdom Singapore Pte. Ltd.	7.08

PRICE VS. HSI



Source: Wind, Phillip Securities

KEY FINANCIALS

CNY mn	FY19	FY20E	FY21E	FY22E
Net Sales	1969	3148	4066	5246
P/S,x	16.3	10.8	8.4	6.5
Net income, Adj	108	55	184	515
EPS, Adj	0.05	0.02	0.08	0.22
P/E, Adj, x	298.9	617.4	185.4	66.1
ROE, Adj (%)	8.6	1.5	4.8	11.8
ROA, Adj (%)	1.8	0.5	1.6	3.9

Market closing price as of 8 June

Source: Company Data, Phillip Securities Est.

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Financial Statements

Consolidated Statement of Profit or Loss

Dec Y/E, RMB mn	FY19	FY20	FY21E	FY22E	FY23E
Revenue	1437	1969	3148	4066	5246
Gross Profit	797	1003	1828	2433	3291
S&M expense	-717	-919	-1322	-1667	-1993
Admin expense	-130	-261	-441	-569	-734
Other operating gain/(loss)	87	186	33	33	33
Operating Profit	38	9	98	230	596
Net finance income	-12	-43	-36	-26	-24
Other non-operating gain/(loss)	302	-23	0	0	0
Profit before tax	328	-58	61	204	572
Tax	-17	-22	-3	-11	-30
NCI	-1	-10	3	10	27
Profit for the year	312	-1157	55	184	515
Adjusted profit for the year	77	108	55	184	515
EPS (RMB)	0.15	-0.52	0.02	0.08	0.22
Adj. EPS (RMB)	0.04	0.05	0.02	0.08	0.22

Key Financial Data

Dec Y/E	FY19	FY20	FY21E	FY22E	FY23E
Valuation Ratio					
P/E ratio, x	94.3	-27.8	617.4	185.4	66.1
Adjusted P/E ratio, x	380.6	298.9	617.4	185.4	66.1
P/S ratio, x	20.5	16.3	10.8	8.4	6.5

Per share data (RMB)

EPS	0.15	-0.52	0.02	0.08	0.22
Adjusted EPS	0.04	0.05	0.02	0.08	0.22
Revenue per Share	0.70	0.88	1.33	1.72	2.22

Growth & Margin

Revenue Growth	66.1%	37.0%	59.9%	29.2%	29.0%
Operating income growth	N/A	-76.0%	973.5%	135.5%	159.5%
Net income Growth	N/A	N/A	-104.8%	233.0%	180.6%
Adjusted Net income Growth	52.1%	39.0%	-48.7%	233.0%	180.6%
Gross Profit Margin	55.5%	50.9%	58.1%	59.8%	62.7%
Operating profit Margin	2.6%	0.5%	3.1%	5.6%	11.4%
Net Profit Margin	21.7%	-58.7%	1.8%	4.5%	9.8%
Adjusted Net Profit Margin	5.4%	5.5%	1.8%	4.5%	9.8%

Key Ratios

ROE, Adj	3.9%	8.6%	1.5%	4.8%	11.8%
ROA, Adj	2.3%	1.8%	0.5%	1.6%	3.9%

Source: Company, PSHK Estimate

Market closing price as of 8 June

Consolidated Statement of Financial Position

Dec Y/E, RMB mn	FY19	FY20	FY21E	FY22E	FY23E
Non Current Asset					
PPE	21	64	83	107	140
ROU assets	61	114	114	114	114
Intangible assets	139	1016	687	494	388
Development costs	17	39	18	16	16
Others	211	401	520	453	569
Total Non Current Assets	449	1633	1422	1184	1226
Current Asset					
T/R	156	239	155	355	303
Inventories	0	0	0	0	0
Prepayments	1227	1758	1841	2676	2790
Cash and cash equivalents	870	1824	7455	6929	8504
Others	602	399	399	399	399
Total Current Assets	2855	4221	9850	10359	11996
Total Assets	3304	5854	11272	11543	13223

Non Current Liabilities

Long term loan	0	40	40	40	40
Contract liabilities	85	105	283	241	466
Others	55	2087	5026	5026	5026

Total Non Current Liabilities	140	2232	5348	5306	5532
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Current Liabilities

Short term loan	300	425	425	425	425
T/P	563	1490	877	1085	1299
Contract Liabilities	293	376	917	829	1527
Others	18	78	78	78	78

Total Current Liabilities	1174	2370	2297	2417	3330
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Equity

Share capital	2	2	2	2	2
Reserve	1989	1046	3417	3601	4116
Non controlling interest	0	204	207	217	244

Total Equity	1990	1252	3626	3819	4362
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Total Liabilities and Equity	3304	5854	11272	11543	13223
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Cashflow Statement

Dec Y/E, RMB mn	FY19	FY20	FY21E	FY22E	FY23E
Profit (loss) before tax	328	-1144	61	204	572
CFO	-451	-48	581	-321	1793
Capex	-128	-171	-170	-181	-196
Others	-539	64	1	1	1
CFI	-668	-107	-169	-179	-194
Proceeds from share issuance	1770	1064	2316	0	0
Others	87	100	2903	-26	-24
CFF	1856	1164	5218	-26	-24
Net Change in Cash	737	1009	5631	-526	1576
Foreign exchange	6	-55	0	0	0
Cash and CE at Y/E	870	1824	7455	6929	8504

PHILLIP RESEARCH STOCK SELECTION SYSTEMS

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

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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