

Ming Yuan Cloud Group (0909.HK)

Digitalization of the real estate ecological chain,
SaaS business maintains rapid growth
Hong Kong | TMT SaaS | Update Report

12 October 2021

Investment Summary

Ming Yuan Cloud announced the company's interim results as of June 30, 2021, benefiting from the steady development of real estate industry in the first half of the year and the rapid growth of the company's SaaS product revenue, the company's revenue reached RMB 970 million (+45% yoy) and its adjusted net profit reached RMB 193.5 million (+32.7% yoy). Among them, SaaS product revenue reached RMB 550 million (+66% yoy), accounting for about 57% of total revenue. The revenue of ERP solutions was RMB 420 million (+25% yoy), accounting for about 43% of total revenue.

CRM Cloud ARPU still has room to increase, Construction Cloud becomes the second largest growth engine

In 1H21, CRM Cloud's revenue reached RMB 430 million (+82% yoy), accounting for 78% of the total revenue of the SaaS business. In 1H21, CRM Cloud's achieved rapid growth in Average Revenue Per User (ARPU) while maintaining a high market penetration rate. The number of property sales offices in China equipped with CRM Cloud 16,200 (+8% yoy), while the ARPU increased from approximately RMB 19,000 to RMB 26,000 (+37% yoy). In the past, CRM Cloud mainly focused on solving the management and process problems of real estate marketing. Since last year, it has developed in the direction of business integration and gradually transitioned to helping developers improve their marketing capabilities. Affected by the government policy and supervision on real estate industry, in addition to reducing expenditure, acquiring customers is a major challenge for real estate industry in the future. Therefore, it is expected that CRM Cloud's will still have a room to increase as helping developers build private traffic. It is expected that with the gradual slowdown of penetration rate growth in the future, there are still room for increase in ARPU which can provide momentum for CRM Cloud's revenue growth.

In 1H21, Construction Cloud's revenue was RMB 79 million (+14% yoy), accounting for 14% of the total revenue of the SaaS business. In 1H21, the number of Construction Cloud's serving construction sites in China was approximately 6,000 (+ 46% yoy). At present, the real estate supply chain industry is still more traditional, with generally low efficiency and information asymmetries, including weak digital empowerment. Therefore, the Construction Cloud focus on the quality of supply and creates entire chain application scenario. It is expected that the Construction chain will break the industry in the next 1-2 years and become a major engine of the company's revenue growth.

In terms of Procurement Cloud, in 1H21, its revenue was RMB 20 million (+ 77% yoy), accounting for 4% if the total revenue of the SaaS business. There were approximately 3,100 property developers and 83,000 suppliers with access to Procurement Cloud respectively. The Existing Market's revenue in 1H21 was RMB 22 million (+ 25% yoy), accounting for 4% of the total revenue of the SaaS business. It is composed of Asset Management Cloud, Property Management Cloud and Commercial Management Cloud. Among them, the total area under management of Asset Management Cloud and Property Management Cloud increased by 113.5% and reached approximately 190 million square meters. Besides, the Company completed its investment in Shenzhen Woxiang Technology Co., Ltd. and the number of Commercial Management Cloud's serving shopping malls increased by 56% to 114.

Buy (Upgrade)

CMP HKD 27.20

(Closing price as of 8 Oct.)

Target HKD 42.40 (+55.9%)

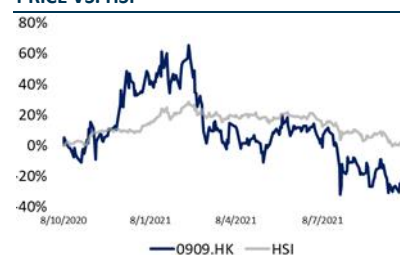
COMPANY DATA

O/S SHARES (MN) :	1,968.59
MARKET CAP (HKD BN) :	53.546
52 - WK HI/LO (HKD):	21.80/60.717

SHARE HOLDING PATTERN, %

Gao Yu	20.09%
Chen Xiaohui	15.07%
Jiang Haiyang	9.49%

PRICE VS. HSI



Source: Wind, Phillip Securities (HK) Research

KEY FINANCIALS

CNY mn	FY19	FY20	FY21E	FY22E
Net Sales	1,264	1,705	2,316	3,219
Net Profit	216	(704)	313	542
EPS, CNY	0.16	-0.48	0.16	0.28
P/S, x	37.9	26.4	19.7	14.1
BVPS, CNY	0.005	0.123	0.129	0.139

Source: Company reports, Phillip Securities Est.

Research Analyst

Samuel Sung (+852 2277 6527)

samuelsung@phillip.com.hk

ERP Solution maintain steady growth

In 1H21, the ERP Solutions revenue reached RMB 421.9 million (+25% yoy). Among it, software licensing and value-added services revenue accounted for 33% and 36% of the total revenue, reaching RMB 140 million and 150 million (+ 38% and 18% yoy). The company further strengthened the development of industry-leading enterprises and sinking markets, as well as enhanced product support service capabilities, strengthened centralized management and provided more value-added service products. Therefore, it is expected that the ERP solutions' revenue will increase steadily.

Company valuation

We maintain our forecasts for the company's revenue and net profit for 2021/ 2022/ 2023, and use the sum of the parts (SOTP) valuation to evaluate the company's two businesses separately. Taking into account the recent SaaS sector valuation callback, we lower the target price-earnings ratio (P/E) for the ERP solution to 20x in 2022 and the target price-sales ratio (P/S) in 2022. The target price given is HKD 42.40, corresponds to a P/S of 30.6x/ 22.0x/ 15.6x, corresponding to 2021/ 2022/ 2023 and the "BUY" rating is maintained.

SOTP Valuation	2022E (HKD mn)		Multiple	(x)	Value (HK)	Value per share (HKD)	Proportion(%)
	Revenue	Net Profit					
ERP Solutions		488	PE	20	9756	5.0	11.7%
SaaS Products	2,456		PS	30	73667	37.4	88.3%
						42.4	

Financial

Consolidated Statement of Profit or Loss

Dec Y/E, RMB mn	FY19	FY20	FY21E	FY22E	FY23E
Revenue	1,264	1,705	2,316	3,219	4,542
COGS	(269)	(366)	(440)	(590)	(757)
Gross Profit	995	1,340	1,875	2,629	3,785
S&D expense	(441)	(590)	(787)	(1,062)	(1,408)
Admin. expense	(108)	(208)	(240)	(305)	(410)
R&D expense	(286)	(356)	(504)	(686)	(978)
Other gains and losses	85	141	-	-	-
Operating Profit	244	326	344	575	989
Finance costs	(2)	12	5	7	10
Net losses upon financial	-	(989)	-	-	-
Profit before tax	242	(650)	349	582	999
Income tax	(11)	(18)	(17)	(29)	(50)
Profit for the year	232	(668)	331	553	949
Non-controlling interests	(15)	(36)	(18)	(12)	(10)
Net profit	216	(704)	313	542	939

Key Financial Data

Dec Y/E	FY19	FY20	FY21E	FY22E	FY23E
Valuation Ratio					
P/S ratio, x	34.9	24.3	18.1	13.0	9.2
Per share data (RMB)					
EPS	0.16	-0.48	0.16	0.28	0.48
BVPS	0.005	0.133	0.140	0.151	0.170

Growth & Margin

	FY19	FY20	FY21E	FY22E	FY23E
Growth					
Revenue Growth	38%	35%	36%	39%	41%
Gross Profit Growth	35%	35%	40%	40%	44%
Operating Profit Growth	35%	34%	5%	67%	72%
Net Profit Growth	37.7%	-	-	72.8%	73.3%
Margin					
Gross Profit Margin	79%	79%	81%	82%	83%
Operating Profit Margin	19%	19%	15%	18%	22%
Net Profit Margin	17%	17%	14%	17%	21%

Key Ratios

	FY19	FY20	FY21E	FY22E	FY23E
ROE	76.1%	-20.6%	4.7%	7.5%	11.8%
ROA	21.4%	-16.2%	4.1%	6.4%	9.8%

Consolidated Statement of Financial Position

Dec Y/E, RMB mn	FY19	FY20	FY21E	FY22E	FY23E
Non Current Asset					
PPE	118	150	173	207	243
Right-of-use assets	51	63	71	88	104
Intangible assets	2	3	3	3	3
Others	75	46	46	46	46
Total Non Current Assets	246	262	294	344	396
Current Asset					
Inventory	0.3	0.4	1	1	1
Trade and other receivables	21	30	39	57	78
Bank balance and cash	732	4,759	5,249	6,094	7,369
Others	235	2,420	2,420	2,420	2,420
Total Current Assets	988	7,210	7,709	8,572	9,868
Total Assets	1,235	7,472	8,003	8,916	10,264
Non Current Liabilities					
Contract liabilities	18	25	25	25	25
Lease liabilities	29	34	34	34	34
Deferred income tax liabilities	2	0	0	0	0
Total Non-current Liabilities	49	59	59	59	59
Current Liabilities					
Trade payables	24	43	23	75	44
Contract liabilities	378	549	769	1,076	1,506
Others	513	252	252	252	252
Total Current Liabilities	915	843	1,043	1,403	1,802
Equity					
Reserves	266	6,539	6,852	7,394	8,333
Non-controlling interests	4	31	49	60	70
Total equity	271	6,570	6,901	7,454	8,403
Total Liabilities and Equity	1,235	7,472	8,003	8,916	10,264

Consolidated Statement of Cash Flow

Dec Y/E, RMB mn	FY19	FY20	FY21E	FY22E	FY23E
CFO	339	406	550	925	1,363
Interest received	0.2	10	(5)	(7)	(10)
Income taxes paid	(12)	(33)	(17)	(29)	(50)
Cash generated from operat	350	429	573	961	1,423
CFI	(83)	(2,051)	(65)	(87)	(98)
Capital expense	(18)	(46)	(65)	(87)	(98)
Others	(65)	(2,006)	-	-	-
CCF	30	5889	5	7	10
Interest paid	(2)	(2)	5	7	10
Dividends paid	-	(5)	-	-	-
Total bond issuance	-	-	-	-	-
Others	31	5,896	-	-	-
Net Change in Cash	286	4243	490	845	1275
Foreign exchange	(1.4)	(216.3)	-	-	-
Cash and CE at Y/E	732	4,759	5,249	6,094	7,369

Current Price as of: 8th October

Source: PSHK

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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Contact Information (Regional Member Companies)
SINGAPORE
Phillip Securities Pte Ltd

250 North Bridge Road, #06-00 Raffles City Tower,
Singapore 179101

Tel : (65) 6533 6001 Fax: (65) 6535 3834

www.phillip.com.sg

INDONESIA
PT Phillip Securities Indonesia

ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A,
Jakarta 10220, Indonesia

Tel (62) 21 5790 0800 Fax: (62) 21 5790 0809

www.phillip.co.id

THAILAND
Phillip Securities (Thailand) Public Co. Ltd.

15th Floor, Vorawat Building, 849 Silom Road,
Silom, Bangrak, Bangkok 10500 Thailand

Tel (66) 2 2268 0999 Fax: (66) 2 2268 0921

www.phillip.co.th

UNITED STATES
Phillip Futures Inc.

141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA

Tel (1) 312 356 9000 Fax: (1) 312 356 9005

MALAYSIA
Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3, Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur

Tel (60) 3 2162 8841 Fax (60) 3 2166 5099

www.poems.com.my

CHINA
Phillip Financial Advisory (Shanghai) Co. Ltd.

No 436 Heng Feng Road, Green Tech Tower Unit 604
Shanghai 200 070

Tel (86) 21 5169 9400 Fax: (86) 21 6091 1155

www.phillip.com.cn

FRANCE
King & Shaxson Capital Ltd.

3rd Floor, 35 Rue de la Bienfaisance
75008 Paris France

Tel (33) 1 4563 3100 Fax : (33) 1 4563 6017

www.kingandshaxson.com

AUSTRALIA
PhillipCapital Australia

L Level 10, 330 Collins Street
Melbourne VIC 3000 Australia

Tel: (61) 3 9618 8238 Fax: (61) 3 9200 2277

www.phillipcapital.com.au

HONG KONG
Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway Hong Kong

Tel (852) 2277 6600 Fax: (852) 2868 5307

www.phillip.com.hk

JAPAN
Phillip Securities Japan, Ltd

4-2 Nihonbashi Kabutocho, Chuo-ku
Tokyo 103-0026

Tel: (81) 3 3666 2101 Fax: (81) 3 3664 0141

www.phillip.co.jp

INDIA
PhillipCapital (India) Private Limited

No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg,
Lower Parel West, Mumbai 400013

Tel: (9122) 2300 2999 Fax: (9122) 6667 9955

www.phillipcapital.in

UNITED KINGDOM
King & Shaxson Ltd.

6th Floor, Candlewick House, 120 Cannon Street
London, EC4N 6AS

Tel (44) 20 7929 5300 Fax: (44) 20 7283 6835

www.kingandshaxson.com

SRI LANKA
Asha Phillip Securities Limited

Level 4, Millennium House, 46/58 Navam Mawatha,
Colombo 2, Sri Lanka

Tel: (94) 11 2429 100 Fax: (94) 11 2429 199

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