

## Hong Kong

### ADD (no change)

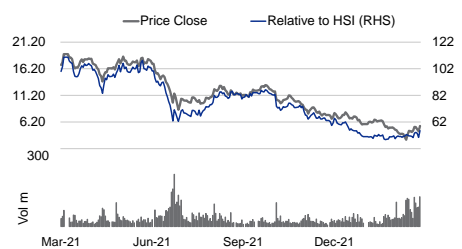
Consensus ratings\*: Buy 31 Hold 1 Sell 1

Current price:	HK\$5.45
Target price:	HK\$12.82
Previous target:	HK\$17.24
Up/downside:	135.2%
CGI / Consensus:	0.7%
Reuters:	2013.HK
Bloomberg:	2013 HK
Market cap:	US\$1,775m
	HK\$13,889m
Average daily turnover:	US\$27.73m
	HK\$216.5m
Current shares o/s:	2,584m
Free float:	76.2%

\*Source: Bloomberg

#### Key changes in this note

- 2022F and 2023F revenue increased by 10% and 15%, respectively.
- Net loss of Rmb639m and net profit of Rmb7m expected in 2022F and 2023F, respectively.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.4	-19.9	-67.5
Relative (%)	9.9	-14.9	-44.9

#### Major shareholders

	% held
Mr. Sun Taoyong	15.7
Tencent	8.1
GIC	

#### Analyst

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## Weimob Inc

### In-line 2021 results; toB exposure more resilient

- Weimob reported its 2021 results earlier; reported revenue was lower than our expectation, but the bottom line (net loss) was in line.
- Management guided resilient growth in both its subscription solutions business and merchant solutions.
- We have a lower SOTP-based target price of HK\$12.82, mainly because we lowered our target multiples to reflect a low-risk appetite for the Chinese Internet sector.
- Although market sentiment is turning conservative, we believe that Weimob's toB business remains stable vs. its toC peers, and we maintain our ADD rating.

#### 2021 results highlights

Weimob's 2021 revenue grew to Rmb2,685.7m, up 36.4% yoy, lower than our expectation of Rmb2822m. Weimob reported a net loss of Rmb853m in 2021, narrowing from a net loss of Rmb1166m in 2020. Its adjusted net loss was Rmb566m in 2021. Its gross profit margin increased from 50.9% in 2020 to 56.5% in 2021, attributable mainly to an increasing proportion of subscription solutions.

#### SaaS business is the growth driver

Revenue from subscription solutions grew 90.8% yoy to Rmb1,187.8m in 2021, from Rmb717.9m in 2020, and up 65.5% yoy, excluding the impact from an SaaS sabotage event. Of this, revenue from smart retail business was up 193% yoy in 2021. The attrition rate in the subscription solutions business was 23.3% in 2021 vs. 26.1% in 2020. Revenue from merchant solutions grew 47.5% yoy to Rmb779.1m in 2021. Gross billings for merchant solutions increased 12% yoy to Rmb10,947.8m in 2021, from Rmb9,764.3m in 2020. The number of paying merchants for subscription solutions increased by 4.9% yoy to about 102,813 in 2021, from 98,002 in 2020. The ARPU increased from Rmb7,326 in 2020 to Rmb11,553 in 2021. Large customer revenue accounted for 30% of revenue from subscription solutions in 2021.

#### WOS Operating System expected to drive long-term growth

Management highlighted the importance of WOS Operating System (WOS) regarding the Company's future development. WOS was launched in Mar 2022 and is a PaaS platform for the Company to upsell large customers and build an ecosystem. WOS is an open ecosystem, which is more suitable for meeting the needs of long-tail customers. Weimob can monetize WOS revenue by sharing with developers in the future. Weimob aims to complete the migration of all existing customers to WOS platform by end-Apr 2022.

#### Decent growth expected in 2022

Advertising revenue is expected to come under pressure in 1H22, given the volatile macro environment. This is in line with messages from other internet platforms. The recovery in economic activity (consumption) will help ad revenue pick up in 2H22. Weimob will expand its channels on other platforms, such as Kuaishou, Xiaohongshu and overseas, to drive ad revenue. TSO and operational revenue are expected to drive Weimob's merchant solutions revenue growth in 2022 and beyond.

#### Maintain ADD rating with a lower target price

We cut our 2022-2023F revenue forecasts by 10% and 15%, respectively. We expect Weimob to report a net loss of Rmb639m in 2022F and a net profit of Rmb7m in 2023F after factoring in lower SG&A expenses. We maintain our ADD rating for Weimob, with a lower SOTP-based target price of HK\$12.82. We lowered our target multiples from 20x to 10x for 2022F P/S SaaS and from 35x to 23x for 2022 P/E for targeted marketing. We consider Weimob's toB business to be more stable than its toC peers' business.

#### Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (Rmbm)	1,969	2,686	3,277	4,168	5,433
Operating EBITDA (Rmbm)	(166.9)	(998.4)	(688.4)	(43.3)	754.7
Net Profit (Rmbm)	(1,166)	(853)	(639)	7	898
Normalised EPS (Rmb)	(0.03)	(0.31)	(0.21)	0.04	0.39
Normalised EPS Growth	(413%)	889%	(33%)		848%
FD Normalised P/E (x)	NA	NA	NA	109.0	11.5
DPS (Rmb)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	NA	NA	NA	NA	13.98
P/FCFE (x)	9.19	16.09	NA	20.57	12.08
Net Gearing	47.0%	(22.9%)	(10.9%)	(16.3%)	(24.9%)
P/BV (x)	9.54	2.82	3.34	3.34	2.81
ROE	(4.7%)	(29.6%)	(14.5%)	3.1%	26.5%
% Change In Normalised EPS Estimates			(340%)	(73%)	
Normalised EPS/consensus EPS (x)			2.52	0.77	

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

**Figure 1: Change in assumptions**

	FY2022F			FY2023F		
	Old	New	% change	Old	New	% change
Revenue (Rmb m)						
SaaS	1,493.9	2,491.6	67%	2,046.6	3,343.4	63%
Targeted marketing	2,160.1	785.0	-64%	2,851.3	824.3	-71%
Total	3,654.0	3,276.6	-10%	4,897.8	4,167.6	-15%
YoY Change (%)						
SaaS	43.0	26.7		37.0	34.2	
Targeted marketing	21.5	9.2		32.0	5.0	
Total	29.5	22.0		34.0	27.2	
Gross margin (%)						
ppt						
SaaS	74.6	76.3	1.7	74.6	76.3	1.7
Targeted marketing	41.8	2.6	(39.2)	41.8	2.6	(39.2)
Costs (Rmb m)						
S,G&A	(2,349.1)	(2,621.9)	12%	(2,560.0)	(2,628.5)	3%
Financial Expenses	(104.0)	(105.0)	1%	(75.3)	(115.2)	53%
YoY Change (%)						
S,G&A	7.3	3.8		9.0	0.3	
Financial Expenses	5.2	15.2		7.4	9.8	

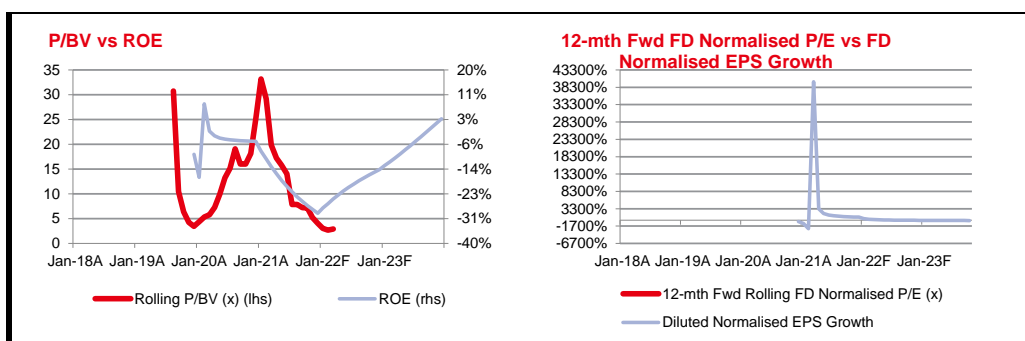
SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

**Figure 2: Weimob target price**

(Rmb m)	SaaS	Targeted marketing	Total
Revenue (Gross billing for targeted marketing)	2,492	908	1,437
Net profit	(648)	9	(639)
Net profit margin	(26%)	1.0%	(44%)
Valuation method	P/S	P/E	
Multiple	10x	23x	
Valuation	24,916	209	25,125
Shareholding	100.00%	100.00%	
Add: Net cash			965
Add: Other investment			1,507
Attributable to shareholders	24,916	209	27,597
Number of shares (m)			2,584
Target price (HK\$)			12.8

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

## BY THE NUMBERS



### Profit & Loss

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>Total Net Revenues</b>	<b>1,969</b>	<b>2,686</b>	<b>3,277</b>	<b>4,168</b>	<b>5,433</b>
<b>Gross Profit</b>	<b>1,003</b>	<b>1,516</b>	<b>1,922</b>	<b>2,572</b>	<b>3,507</b>
<b>Operating EBITDA</b>	<b>(167)</b>	<b>(998)</b>	<b>(688)</b>	<b>(43)</b>	<b>755</b>
Depreciation And Amortisation	(11)	(11)	(12)	(13)	(14)
<b>Operating EBIT</b>	<b>(177)</b>	<b>(1,010)</b>	<b>(700)</b>	<b>(56)</b>	<b>741</b>
Financial Income/(Expense)	(52)	(88)	(104)	(114)	(129)
Pretax Income/(Loss) from Assoc.	(23)	7	7	8	9
Non-Operating Income/(Expense)	204	345	265	276	384
<b>Profit Before Tax (pre-EI)</b>	<b>(49)</b>	<b>(747)</b>	<b>(532)</b>	<b>114</b>	<b>1,005</b>
Exceptional Items	(1,095)	(98)	(98)	(98)	(98)
<b>Pre-tax Profit</b>	<b>(1,144)</b>	<b>(844)</b>	<b>(630)</b>	<b>16</b>	<b>907</b>
Taxation	(22)	(9)	(9)	(9)	(9)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>(1,166)</b>	<b>(853)</b>	<b>(639)</b>	<b>7</b>	<b>898</b>
Minority Interests	0	0	0	0	0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
<b>Net Profit</b>	<b>(1,166)</b>	<b>(853)</b>	<b>(639)</b>	<b>7</b>	<b>898</b>
Normalised Net Profit	(71)	(755)	(541)	105	996
<b>Fully Diluted Normalised Profit</b>	<b>(71)</b>	<b>(755)</b>	<b>(541)</b>	<b>105</b>	<b>996</b>

### Cash Flow

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>EBITDA</b>	<b>(167)</b>	<b>(998)</b>	<b>(688)</b>	<b>(43)</b>	<b>755</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(91)	97	(103)	(148)	(726)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	11	11	12	13	14
Other Operating Cashflow	279	366	300	321	347
Net Interest (Paid)/Received	(56)	(91)	(105)	(115)	(130)
Tax Paid					
<b>Cashflow From Operations</b>	<b>(25)</b>	<b>(615)</b>	<b>(585)</b>	<b>27</b>	<b>259</b>
Capex	(15)	(15)	(15)	(15)	(15)
Disposals Of FAs/subsidiaries	122	(1,037)	0	0	0
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(214)	(180)	82	225	250
<b>Cash Flow From Investing</b>	<b>(107)</b>	<b>(1,232)</b>	<b>67</b>	<b>210</b>	<b>235</b>
Debt Raised/(repaid)	1,224	2,514	212	320	454
Proceeds From Issue Of Shares	0	1,897	0	0	0
Shares Repurchased					
Dividends Paid	0	0	0	0	(1)
Preferred Dividends					
Other Financing Cashflow	(84)	(532)	(105)	(115)	(130)
<b>Cash Flow From Financing</b>	<b>1,140</b>	<b>3,878</b>	<b>107</b>	<b>205</b>	<b>323</b>
Total Cash Generated	1,009	2,031	(411)	442	817
<b>Free Cashflow To Equity</b>	<b>1,093</b>	<b>667</b>	<b>(306)</b>	<b>557</b>	<b>948</b>
<b>Free Cashflow To Firm</b>	<b>(76)</b>	<b>(1,756)</b>	<b>(413)</b>	<b>352</b>	<b>624</b>

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

**BY THE NUMBERS... cont'd**
**Balance Sheet**

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	1,824	3,810	3,399	3,841	4,658
Total Debtors	1,998	1,971	2,082	2,320	3,025
Inventories	0	0	0	0	0
Total Other Current Assets	399	737	799	891	1,023
<b>Total Current Assets</b>	<b>4,221</b>	<b>6,518</b>	<b>6,280</b>	<b>7,052</b>	<b>8,705</b>
Fixed Assets	63	87	90	92	94
Total Investments	0	0	0	0	0
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	1,570	2,831	3,031	3,245	3,474
<b>Total Non-current Assets</b>	<b>1,632</b>	<b>2,918</b>	<b>3,121</b>	<b>3,337</b>	<b>3,568</b>
Short-term Debt	425	745	909	1,156	1,507
Current Portion of Long-Term Debt					
Total Creditors	0	0	0	0	0
Other Current Liabilities	1,945	2,048	2,436	3,099	3,890
<b>Total Current Liabilities</b>	<b>2,370</b>	<b>2,793</b>	<b>3,345</b>	<b>4,255</b>	<b>5,397</b>
Total Long-term Debt	1,988	2,100	2,100	2,100	2,100
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0	0	0	0	0
<b>Total Non-current Liabilities</b>	<b>1,988</b>	<b>2,100</b>	<b>2,100</b>	<b>2,100</b>	<b>2,100</b>
Total Provisions	244	330	382	455	554
<b>Total Liabilities</b>	<b>4,602</b>	<b>5,223</b>	<b>5,827</b>	<b>6,809</b>	<b>8,050</b>
Shareholders' Equity	1,048	4,063	3,425	3,430	4,073
Minority Interests	204	150	150	150	150
<b>Total Equity</b>	<b>1,252</b>	<b>4,214</b>	<b>3,575</b>	<b>3,581</b>	<b>4,223</b>

**Key Ratios**

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	37.0%	36.4%	22.0%	27.2%	30.4%
Operating EBITDA Growth	293%	498%	(31%)	(94%)	N/A
Operating EBITDA Margin	(8.5%)	(37.2%)	(21.0%)	(1.0%)	13.9%
Net Cash Per Share (Rmb)	(0.26)	0.37	0.15	0.23	0.41
BVPS (Rmb)	0.46	1.57	1.33	1.33	1.58
Gross Interest Cover	(3.19)	(11.08)	(6.67)	(0.49)	5.71
Effective Tax Rate	0.0%	0.0%	0.0%	55.1%	1.0%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	314.2	269.7	225.8	192.8	180.1
Inventory Days	-	-	-	-	-
Accounts Payables Days	-	-	-	-	-
ROIC (%)	(15.2%)	(48.5%)	(19.6%)	(1.6%)	21.5%
ROCE (%)	(2.0%)	(13.9%)	(7.7%)	1.9%	13.9%
Return On Average Assets	(0.42%)	(8.73%)	(4.64%)	2.22%	9.93%

**Key Drivers**

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Number of paying merchants	143,700.0	160,722.0	182,246.8	204,906.2	232,296.8
Gross billing (Rmbm)	10,679.8	11,778.8	15,162.8	23,226.7	35,803.4

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

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Distribution of stock ratings and investment banking clients for quarter ended on 31 Dec 2021		
619 companies under coverage for quarter ended on 31 Dec 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

**Spitzer Chart for stock being researched ( 2 year data )**

**Weimob Inc (2013 HK)**

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Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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