

China

ADD (no change)

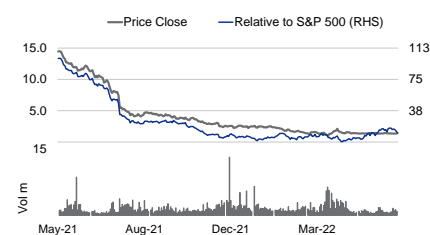
Consensus ratings*: Buy 3 Hold 2 Sell 2

Current price:	US\$1.41
Target price:	US\$2.50
Previous target:	US\$3.80
Up/downside:	77.3%
CGS-CIMB / Consensus:	29.3%
Reuters:	OCFT.A
Bloomberg:	OCFT US
Market cap:	US\$549.9m
Average daily turnover:	US\$2.33m
Current shares o/s:	7,800m
Free float:	60.6%

*Source: Bloomberg

Key changes in this note

- FY22F loss per share widened by 13%.
- FY23F loss per share widened by 31%
- FY24F loss per share widened by 822%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-0.7	-9	-91.3
Relative (%)	-0.1	-4	-90.3

Major shareholders	% held
Ping An Group	34.3
SBI StellarS and its affiliated entities	5.1

Analyst(s)


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OneConnect Financial Tech

Covid-19 continues to constrain expansion

- 1Q22 net loss widened 4% yoy to Rmb318m. Excluding one-off listing expenses of Rmb36.5m, 1Q22 net loss would have narrowed by 8% yoy.
- 1Q22 revenue growth was solid at 24% yoy (FY21: 25%; 4Q21: 19%). We see this slowing notably in 2Q22F due to Covid-19 outbreaks.
- 1Q22 third-party revenue mix remained relatively low at 33% (4Q21: 32%; 1Q21: 38%), and we expect this to continue in 2Q22F due to the pandemic.
- Reiterate Add rating; DCF-based TP cut from US\$3.80 to US\$2.50, due to lower FY22F-24F EPS estimates.

1Q22 net loss narrows, after adjusting for one-off listing expenses

1Q22 net loss widened 4% yoy to Rmb317.6m. Excluding one-off listing expenses of Rmb36.5m (OneConnect is looking to list in HK), 1Q22 net loss would have narrowed by 8% yoy, while net adjusted profit margin was -27.6%, an improvement of 9.6% pts yoy.

Cloud services the strongest revenue growth driver again

1Q22 revenue rose 24.3% yoy (4Q21: 19.0%; FY21: 24.8%). The fastest 1Q22 revenue growth driver was its cloud services platform, up 64% yoy and comprising 29% of total revenues in 1Q22 (Fig 1).

Third-party revenue mix struggling to rise amid Covid-19 outbreaks

1Q22 third-party revenue mix was 33%, barely above its record low of 32% in 4Q21. It has remained within the 32-33% range since 2Q21 (Fig 2). Covid-19 outbreaks in 2022 YTD have made it more difficult to increase this mix, in our view, as travel restrictions have adversely impacted implementation revenue. It has also hurt transaction-based revenue via a delay in volumes from financial products involving on-site checks for banks, as well as via reduced volumes in auto claims for insurance. OneConnect has responded by focusing on increasing the business volumes from existing customers.

Slight improvement in efficiency ratios yoy

While 1Q22 ratio of total expenses to total revenues fell 14.4% pts to 77.5%, it was higher than 4Q21's 71.3%. The yoy improvement in the efficiency ratio was driven by a marked fall in the ratio of selling and marketing expenses to total revenue, which fell 9.7% pts yoy to 10.7% in 1Q22 (Fig 3).

Reiterate Add rating; DCF-based TP cut from US\$3.80 to US\$2.50

We also widen our FY22F-24F loss per share forecasts by 13% in FY22F, 31% in FY23F and 822% in FY24F (Fig 5), with the changes driven by higher impairment charges and lower EBIT margins. Our TP (WACC: 16%) is cut from US\$3.80 to US\$2.50, given broadly lower FY22F-24F EPS (See Fig 7 for key assumptions of our DCF). Potential re-rating catalysts: regulatory approval to sell financial cloud services to banks and stronger third-party revenues. Key downside risks: adverse regulations, and Ping An Group reducing its technology spending.

Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (Rmbm)	3,312	4,132	5,060	6,257	7,705
Net Profit (Rmbm)	(1,354)	(1,282)	(1,029)	(673)	(212)
Core EPS (Rmb)	(3.81)	(3.47)	(2.81)	(1.84)	(0.58)
Core EPS Growth	(28.1%)	(9.0%)	(18.9%)	(34.6%)	(68.6%)
FD Core P/E (x)	NA	NA	NA	NA	NA
Price To Sales (x)	1.01	0.84	0.68	0.55	0.45
DPS (Rmb)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	NA	NA	NA	NA	11.91
P/FCFE (x)	1.16	3.87	1.46	1.60	1.74
Net Gearing	(57.8%)	(42.9%)	(49.3%)	(53.7%)	(59.9%)
P/BV (x)	0.71	0.97	1.11	1.16	1.24
ROE	(28.3%)	(28.5%)	(29.1%)	(20.8%)	(6.9%)
% Change In Core EPS Estimates			(13%)	(31%)	(822%)
CGS-CIMB/Consensus EPS (x)			1.08	1.24	0.64

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Covid-19 continues to constrain expansion

Third-party revenue mix remains relatively low as Covid-19 outbreak limits expansion

Figure 1: Key revenue details about OneConnect

(Rmb m)	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
OneConnect							
Implementation	217,151	279,421	168,567	159,456	189,003	216,622	171,678
<u>Transaction-based & Support</u>							
<i>Business origination</i>	130,245	148,326	118,499	117,751	114,662	99,685	114,793
<i>Risk management</i>	95,239	112,854	99,290	105,687	112,585	216,509	106,951
<i>Operation support</i>	314,415	294,898	212,237	274,479	280,196	330,807	255,208
<i>Cloud services platform</i>	97,229	190,519	180,512	262,048	302,936	304,683	295,834
<i>Post-implement support</i>	15,148	20,606	13,236	11,440	8,953	15,818	11,427
<i>Others</i>	12,020	29,102	27,424	36,885	56,246	96,141	63,047
Sub-total	664,296	796,305	651,198	808,290	875,578	1,063,643	847,260
Total	881,447	1,075,726	819,765	967,746	1,064,581	1,280,265	1,018,938
Growth yoy							
Implementation	88%	19%	21%	-26%	-13%	-22%	2%
<u>Transaction-based & Support</u>							
<i>Business origination</i>	-38%	-26%	-34%	-20%	-12%	-33%	-3%
<i>Risk management</i>	4%	104%	21%	46%	18%	92%	8%
<i>Operation support</i>	126%	9%	29%	-5%	-11%	12%	20%
<i>Cloud services platform</i>	n.a.	n.a.	n.a.	885%	212%	60%	64%
<i>Post-implement support</i>	6%	3410%	180%	-25%	-41%	-23%	-14%
<i>Others</i>	-9%	219%	185%	270%	368%	230%	130%
Sub-total	42%	48%	48%	45%	32%	34%	30%
Total	51%	39%	41%	25%	21%	19%	24%
Revenue mix							
Implementation	25%	26%	21%	16%	18%	17%	17%
<u>Transaction-based & Support</u>							
<i>Business origination</i>	15%	14%	14%	12%	11%	8%	11%
<i>Risk management</i>	11%	10%	12%	11%	11%	17%	10%
<i>Operation support</i>	36%	27%	26%	28%	26%	26%	25%
<i>Cloud services platform</i>	11%	18%	22%	27%	28%	24%	29%
<i>Post-implement support</i>	2%	2%	2%	1%	1%	1%	1%
<i>Others</i>	1%	3%	3%	4%	5%	8%	6%
Sub-total	75%	74%	79%	84%	82%	83%	83%
Total	100%	100%	100%	100%	100%	100%	100%

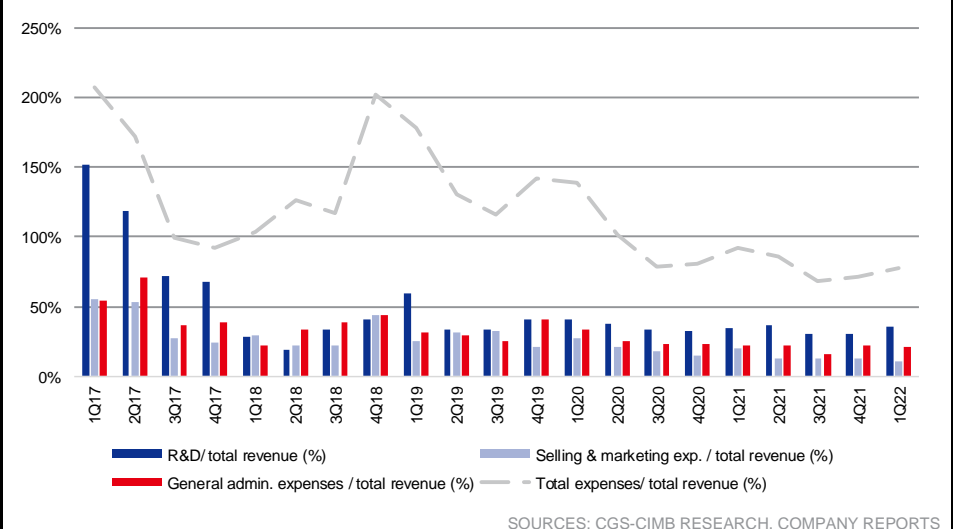
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: OneConnect's revenue details

(Rmb m)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue by origin									
Ping An Group	227,508	392,310	491,023	615,966	435,851	564,449	600,998	715,416	548,682
Lufax	83,399	95,175	88,083	76,595	75,105	89,553	112,562	150,851	129,100
3rd-party customers	269,891	286,834	302,341	383,165	308,809	313,764	351,021	413,978	341,156
Total	580,798	774,319	881,447	1,075,726	819,765	967,766	1,064,581	1,280,245	1,018,938
Growth yoy									
Ping An Group	11%	68%	105%	94%	92%	44%	22%	16%	26%
Lufax	30%	44%	61%	-33%	-10%	-6%	28%	97%	72%
3rd-party customers	50%	29%	4%	12%	14%	9%	16%	8%	10%
Total	30%	48%	51%	39%	41%	25%	21%	19%	24%
Mix									
Ping An Group	39%	51%	56%	57%	53%	58%	56%	56%	54%
Lufax	14%	12%	10%	7%	9%	9%	11%	12%	13%
3rd-party customers	46%	37%	34%	36%	38%	32%	33%	32%	33%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: OneConnect's efficiency ratios have been steadily improving



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: OneConnect's premium customers and premium plus customers across time


	FY21	1H21	2H21	1Q22
Premium customers	212	460	336	n.a.
Premium plus customers	796	113	99	74
Growth yoy				
Premium customers	26%	33%	35%	n.a.
Premium plus customers	34%	30%	22%	16%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: OneConnect's non-IFRS gross profit margin, operating margin, net loss ratio and gross margin

(%)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Non-IFRS gross profit margin (%)	46.0	47.5	51.2	42.8	43.5	42.3	42.2	40.8	38.8
Gross margin (%)	34.8	38.4	42.7	34.2	34.0	34.1	35.5	35.2	34.3
Operating margin (%)	-76.7	-46.6	-28.4	-38.5	-42.2	-40.9	-26.6	-29.7	-34.8
Net loss ratio (%)	-71.4	-42.7	-27.6	-33.9	-37.2	-36.1	-25.3	-28.0	-31.2

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

ESG in a nutshell		Refinitiv ESG Scores					
							
		C- ESG Score	A+ ESG Controversies Score	C- ESG Combined Score	D- ESG Environment Pillar Score	C+ ESG Social Pillar Score	D+ ESG Government Pillar Score
<p>OneConnect scored a C- rating for its combined ESG score by Refinitiv in 2020, the same as in 2019. OneConnect, an associate of Ping An Insurance Group, has integrated ESG core concepts not only into its own business operations but has also promoted ESG development in other countries. In Feb 2021, OneConnect entered into a Memorandum of Understanding (MOU) with Singapore Exchange (SGX) to collaborate and build an environmental, social and governance (ESG) platform to facilitate and simplify the ESG disclosure processes for companies listed on SGX. OneConnect and SGX stated that the platform will help overcome common challenges faced by companies and investors when dealing with ESG information, including a lack of comparability, investors' changing demands, and an evolving regulatory landscape. OneConnect has also committed to empowering the good growth of small and microenterprises through techniques and product and service development. Together with Internet Finance Association of Small and Medium-sized Banks (IFAB), OneConnect built the IFAB trade financing network based on blockchain, connected banks and small and medium-sized enterprises (SMEs), promoted better service of financial institutions, and solved the problem for these SMEs who find it difficult and costly to be financed. Ping An believes in "tech for social good". We believe that OneConnect, as part of the Ping An ecosystem, will benefit from the synergy with the development of Ping An's own artificial intelligence-driven ESG framework in China.</p>							
<p>Keep your eye on</p> <p>A report letter from Yonglin research, which is a company that does not seem to exist, that seemingly circulated on social media in Aug 2021 stated that OneConnect forged its financial data from 2019, and over 200 of its 900 non-Ping An VIP clients (comprising Rmb700m) were 'made-up', according to the Securities Times in Aug 2021. OneConnect immediately responded on its WeChat account that the report letter is not true and the company has true and accurate financial statements.</p>	<p>Implications</p> <p>OneConnect subsequently announced on 5 Nov 2021 that its internal audit committee has completed an investigation and has found no evidence to support the allegations of the report letter released by Yonglin research. We think that therefore it is currently no longer an issue.</p>						
<p>ESG highlights</p> <p>OneConnect's C- ESG score is at the bottom of the range of Refinitiv combined ESG scores of the stocks under our coverage (the range is B to C-). This is due to its relatively poor environmental score (D-), governance score (D+), resource use (D-) and social pillar score (C+).</p>	<p>Implications</p> <p>There seems to be significant scope for OneConnect to improve its ESG scores, especially given the extent that its parent, Ping An Group, seems to heavily focus on ESG. According to Ping An Group's 2020 sustainability report, its ESG rating of A from MSCI is the highest level for a financial company in China Mainland. Ping An Group also stated that its A- ESG rating from CDP (Carbon Disclosure Project) is also the highest level for a financial company in China Mainland.</p>						
<p>Trends</p> <p>OneConnect's Refinitiv combined ESG score has been stable after its 2019 listing at C- in both 2019 and 2020. Its Social pillar score rose from C in 2019 to C+ in 2020. This was offset by its Governance pillar score, which dropped from D+ in 2019 to D in 2020. Its ESG Controversies score was A+ in both 2019 and 2020.</p>	<p>Implications</p> <p>We see scope for improvement of its ESG ratings, given how low some of these ratings are.</p>						

SOURCES: CGS-CIMB RESEARCH, REFINITIV

Key changes to our estimates

We raise our loss per share (American Depositary Receipt) estimates for FY22F by 13%, and FY23F by 31% and FY24F by 822% (Fig 6), driven by higher net impairment loss forecasts and lower assumed earnings before interest and tax (EBIT) margins. We continue to assume that OneConnect breaks even in FY25F.

Figure 6: Key changes in our estimates

(Rmb m)	FY22F			FY23F			FY24F		
	Old	New	% change	Old	New	% change	Old	New	% change
Revenue	4,977	5,060	1.7%	5,959	6,257	5.0%	7,095	7,705	8.6%
Cost of revenue	-3,131	-3,183	1.7%	-3,605	-3,785	5.0%	-4,115	-4,469	8.6%
Gross profit	1,846	1,877	1.7%	2,354	2,472	5.0%	2,980	3,236	8.6%
R&D expenses	-1,434	-1,524	6.3%	-1,521	-1,734	14.0%	-1,615	-1,966	21.7%
Selling & marketing expenses	-540	-549	1.7%	-500	-525	5.0%	-467	-508	8.6%
General & admin. expenses	-839	-876	4.5%	-851	-907	6.5%	-862	-952	10.5%
Net impairment losses	-47	-88	86.8%	-36	-60	65.2%	-28	-42	48.3%
Other income	14	14	0.0%	14	14	0.0%	14	14	0.0%
Operating loss (EBIT)	-1,000	-1,147	14.7%	-541	-739	36.7%	21	-218	-1142.8%
Finance costs - net	-25	-14	-41.8%	-40	-18	-54.2%	-51	-22	-56.5%
Share of losses of associate & JVs	7	7	0.0%	5	5	0.0%	4	4	0.0%
Loss before income tax	-1,018	-1,154	13.4%	-575	-752	30.8%	-26	-236	822.0%
Tax	79	90	13.4%	45	58	30.8%	2	18	822.0%
Loss for the year	-938	-1,064	13.4%	-530	-694	30.8%	-24	-217	822.0%
Minority Interests	31	35	13.4%	16	21	30.8%	1	6	822.0%
Net loss/ profit	-908	-1,029	13.4%	-515	-673	30.8%	-23	-212	822.0%
Other items									
Cash & cash equivalents	1,497	1,483	-0.9%	1,597	1,568	-1.8%	1,698	1,653	-2.7%
Total assets	9,867	10,220	3.6%	10,572	11,712	10.8%	11,392	13,365	17.3%
Total liabilities	6,411	6,886	7.4%	7,077	8,497	20.1%	7,918	10,360	30.8%
Total equity	3,455	3,333	-3.5%	3,495	3,214	-8.0%	3,474	3,005	-13.5%
Gross margin	37.1%	37.1%	0.0 pts	39.5%	39.5%	0.0 pts	42.0%	42.0%	0.0 pts
EBIT margin	-20.1%	-22.7%	-2.6 pts	-9.1%	-11.8%	-2.7 pts	0.3%	-2.8%	-3.1 pts
EBITDA margin	-10.2%	-15.2%	-5.1 pts	-1.0%	-6.2%	-5.2 pts	7.1%	1.6%	-5.5 pts
Net profit margin	-18.2%	-20.3%	-2.1 pts	-8.6%	-10.8%	-2.1 pts	-0.3%	-2.7%	-2.4 pts
Revenue per ADS (Rmb)	13.61	13.83	1.6%	16.30	17.11	5.0%	19.40	21.07	8.6%
Earnings/ loss per ADS (Rmb)	-2.48	-2.81	-13%	-1.41	-1.84	-31%	-0.06	-0.58	822%
Book value per ADS (Rmb)	9.33	9.00	-3.6%	9.43	8.66	-8.1%	9.37	8.09	-13.7%
EBIT (Rmb m)	-1,000	-1,147	14.7%	-541	-739	36.7%	21	-218	-1142.8%
EBITDA (Rmb m)	-506	-771	52.5%	-60	-386	541.1%	502	124	-75.3%
ROE	-25%	-29%	-3.9 pts	-15%	-21%	-5.8 pts	-1%	-7%	-6.2 pts
Assets/ Equity ratio	2.9	3.1	7.4%	3.0	3.6	20.4%	3.3	4.4	35.6%
Dividend per ADS (Rmb)	0	0	n.a.	0	0	n.a.	0	0	n.a.
Effective tax rate	7.8%	7.8%	0.0 pts	7.8%	7.8%	0.0 pts	7.8%	7.8%	0.0 pts
Total revenue growth	20.4%	22.4%	2.0 pts	19.7%	23.7%	3.9 pts	19.1%	23.1%	4.1 pts
Total net profit growth	-29%	-20%	9.5 pts	-43%	-35%	8.7 pts	-96%	-69%	27.0 pts
Diluted EPS growth	-28%	-19%	9.6 pts	-43%	-35%	8.7 pts	-96%	-69%	27.0 pts
R&D/ total revenue (%)	28.8%	30.1%	1.3 pts	25.5%	27.7%	2.2 pts	22.8%	25.5%	2.8 pts
Selling & marketing exp. / total revenue (%)	10.8%	10.8%	0.0 pts	8.4%	8.4%	0.0 pts	6.6%	6.6%	0.0 pts
General admin. expenses / total revenue (%)	16.8%	17.3%	0.5 pts	14.3%	14.5%	0.2 pts	12.2%	12.4%	0.2 pts
Net impairment losses/ total revenue (%)	1.0%	1.7%	79.6 bp	0.6%	1.0%	34.7 bp	0.4%	0.5%	14.4 bp
Financing costs/ average borrowings (%)	4.9%	4.7%	-24.7 bp	4.9%	4.5%	-48.2 bp	4.9%	4.2%	-70.6 bp

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Valuation of OneConnect

Our discounted cash flow (DCF) based target price is US\$2.50, down from US\$3.80 previously (Fig 7). Our lower target price is driven by broadly lower FY22-24F EPS estimates, which translates into lower unlevered free cash flow over our 10-year forecast DCF period.

This results in a cut in our enterprise value of 19% and a 34% cut in our target price to US\$2.50.

Figure 7: Changes to our valuation

	Old	New	% change
Key assumptions			
Cost of debt	5.5%	5.5%	0.0 pts
Tax rate	25.0%	25.0%	0.0 pts
Cost of equity	18.5%	18.5%	0.0 pts
<i>of which:</i>			
Beta	1.94	1.94	0.0%
Risk free rate	3.0%	3.0%	0.0 pts
Equity risk premium	8.0%	8.0%	0.0 pts
Perpetual growth rate	5.0%	5.0%	0.0 pts
Mix of debt	30.2%	17.5%	-12.6 pts
WACC	14.2%	16.0%	1.8 pts
Unlevered free cash flow (Rmb m)			
Year 1	1,031	-463	-144.9%
Year 2	-349	-113	-67.6%
Year 3	23	439	1815.8%
Year 4	525	1,124	114.3%
Year 5	890	1,259	41.5%
Year 6	1,068	1,365	27.8%
Year 7	1,217	1,445	18.7%
Year 8	1,337	1,505	12.6%
Year 9	1,442	1,548	7.4%
Year 10	1,532	1,579	3.1%
DCF-based valuation (Rmb m)			
Enterprise value	8,915	7,253	-18.6%
Debt	1,549.28	858.13	-44.6%
Cash	2,227.28	1,441.35	-35.3%
Net debt	-678.00	-583.22	-14.0%
Minority interests	65.51	42.13	-35.7%
Equity valuation	8,172	6,627	-18.9%
Number of ADS (million)	334	390	16.8%
Valuation per share (Rmb)	24.47	16.99	-30.5%
Assumed US\$/ Rmb exchange rate	6.45	6.70	3.9%
Hence target price of ADS (US\$)	3.80	2.50	-34.2%
Current share price (US\$)		1.41	
Share price upside		77%	

SOURCES: CGS-CIMB RESEARCH ESTIMATES

Key re-rating catalysts are regulatory approval to sell financial cloud products to banks as argued in [Initiate with Add; sailing amid rocky waters](#), dated 13 Aug 2021. This could also help drive stronger third-party revenues, which is another catalyst. Key downside risks are 1) unexpected additional adverse regulations given that its customers operate in a highly regulated industry, and 2) Ping An Group reducing its technology spending, which would then hurt OneConnect's revenues.

Figure 8: China fintech companies comparison (share prices as of 31 May 2022)

Company Name	Bloomberg code	Rating	TP	Mkt. Cap.	Closing Price	P/S Ratio	P/E Ratio	Revenue Growth	Country
			(Listed Currency)	(Rmb m)	(Listed Currency)			(% YoY)	
Fintech software as a service company						FY22F	FY22F	FY22F	
China:									
Bairong	6608 HK	NR	n.a.	4,041	9.38	2.0	34.6	n.a.	China
Hithink Royalfush Info	300033 CH	NR	n.a.	45,868	85.32	11.7	21.7	34.4%	China
Hundsun Tech	600570 CH	Add	120	58,609	40.10	8.6	41.3	25.2%	China
Linklogis	9959 HK	NR	n.a.	13,655	7.00	9.0	40.9	n.a.	China
OneConnect	OCFT US	Add	2.5	3,659	1.41	0.7	n.a.	24.6%	China
Shenzhen Kingdom Sci-Tech	600446 CH	NR	n.a.	9,044	9.61	n.a.	n.a.	20.0%	China
Sunline Tech	300348 CH	NR	n.a.	6,496	9.01	3.1	27.9	22.2%	China
Ysstech Info-tech	300377 CH	NR	n.a.	6,260	8.33	n.a.	n.a.	35.0%	China
Yusys Tech	300674 CH	NR	n.a.	10,952	15.39	2.4	19.8	17.5%	China
Average						0.9	3.5	3.0%	

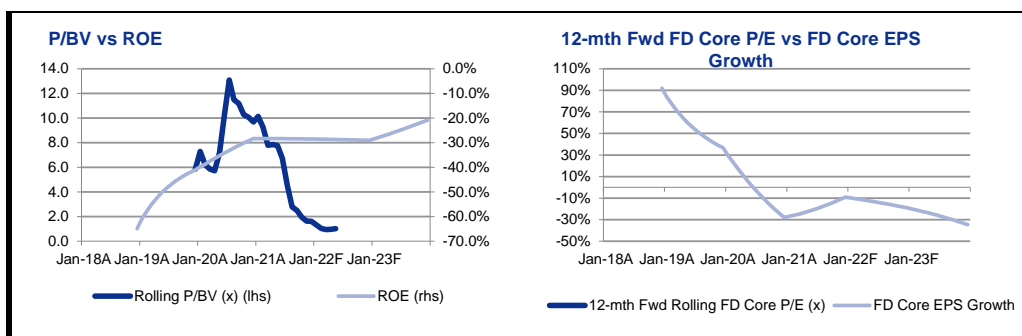
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Note: Forecasts for Not rated companies are based on Bloomberg consensus estimates. OneConnect's FY21 numbers are actual and not estimates, as they are the only company to have reported FY21 results.

Figure 9: Key financial data of OneConnect

	FY17	FY18	FY19	FY20	FY21	FY22F	FY23F	FY24F	FY25F
Profit & Loss (Rmb m)									
Revenue	582	1,413	2,328	3,312	4,132	5,060	6,257	7,705	9,414
Cost of revenue	-483	-1,025	-1,561	-2,069	-2,696	-3,183	-3,785	-4,469	-5,231
Gross profit	99	389	767	1,243	1,437	1,877	2,472	3,236	4,183
Research and Development expenses	-537	-459	-956	-1,173	-1,353	-1,524	-1,734	-1,966	-2,214
Selling & marketing expenses	-208	-442	-636	-629	-588	-549	-525	-508	-493
General & administrative expenses	-270	-520	-757	-835	-842	-876	-907	-952	-1,027
Net impairment losses	0	-2	-45	-135	-72	-88	-60	-42	-46
Other income, gains or loss-net	26	-80	-74	58	14	14	14	14	14
Operating loss (EBIT)	-890	-1,114	-1,701	-1,470	-1,405	-1,147	-739	-218	416
Finance costs - net	-84	-34	-47	-73	-48	-14	-18	-22	-28
Share of losses of associate & JVs	-3	-15	-15	-8	10	7	5	4	4
Loss before income tax	-977	-1,164	-1,762	-1,551	-1,443	-1,154	-752	-236	392
Tax	370	-26	75	137	112	90	58	18	-30
Loss for the year	-607	-1,190	-1,688	-1,414	-1,331	-1,064	-694	-217	361
Minority Interests	0	-5	27	61	49	35	21	6	-9
Loss attributable to owners	-607	-1,196	-1,661	-1,354	-1,282	-1,029	-673	-212	352
Mix of revenue									
Implementation	9%	21%	25%	26%	18%	13%	12%	11%	10%
Transaction-based and Support Services									
<i>Business origination services</i>	78%	39%	33%	18%	11%	8%	5%	4%	3%
<i>Risk management services</i>	0%	15%	14%	11%	13%	13%	13%	13%	12%
<i>Operation support services</i>	9%	22%	25%	32%	27%	26%	25%	24%	23%
<i>Cloud services platform</i>	0%	0%	0%	9%	25%	33%	38%	43%	47%
<i>Post-implementation support services</i>	1%	2%	2%	2%	1%	1%	1%	1%	1%
<i>Others</i>	4%	1%	2%	2%	5%	6%	6%	6%	5%
Sub-total	91%	79%	75%	74%	82%	87%	88%	89%	90%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%
Balance sheet									
Cash and cash equivalents	848	565	1,078	3,055	1,399	1,483	1,568	1,653	1,738
Other current assets	1,217	7,294	6,581	5,885	5,499	6,273	7,217	8,249	9,358
Total current assets	2,065	7,859	7,659	8,940	6,898	7,757	8,785	9,901	11,096
Total non current assets	951	1,524	2,269	1,946	2,442	2,463	2,927	3,464	4,730
Total assets	3,016	9,383	9,927	10,885	9,341	10,220	11,712	13,365	15,825
Short-term borrowings	1,502	3,386	3,219	2,283	815	901	988	1,090	1,192
Other current liabilities	1,359	1,736	1,721	2,883	4,347	5,545	6,944	8,544	10,336
Total current liabilities	2,861	5,122	4,940	5,167	5,162	6,446	7,932	9,633	11,529
Total non-current liabilities	189	429	467	433	343	440	565	727	937
Total liabilities	3,050	5,552	5,407	5,600	5,506	6,886	8,497	10,360	12,465
Equity pre-minorities	-35	3,720	4,370	5,195	3,794	3,290	3,169	2,958	3,310
Minorities	0	111	150	90	41	43	45	48	50
Total equity	-35	3,831	4,521	5,285	3,835	3,333	3,214	3,005	3,360
Key ratios and data									
Gross margin	17.1%	27.5%	32.9%	37.5%	34.8%	37.1%	39.5%	42.0%	44.4%
EBIT margin	-153.0%	-78.8%	-73.1%	-44.4%	-34.0%	-22.7%	-11.8%	-2.8%	4.4%
EBITDA margin	-103.6%	-53.8%	-53.3%	-31.7%	-23.4%	-15.2%	-6.2%	1.6%	8.1%
Net profit margin	-104.3%	-84.6%	-71.3%	-40.9%	-31.0%	-20.3%	-10.8%	-2.7%	3.7%
Revenue per ADS (Rmb)	1.94	4.59	7.43	9.33	11.19	13.83	17.11	21.07	25.74
Earnings per ADS (Rmb)	-2.02	-3.88	-5.30	-3.81	-3.47	-2.81	-1.84	-0.58	0.96
Book value per ADS (Rmb)	-0.12	12.08	13.96	14.64	10.27	9.00	8.66	8.09	9.05
EBITDA (Rmb m)	-603	-760	-1,241	-1,049	-966	-771	-386	124	766
ROE		-65%	-41%	-28%	-29%	-29%	-21%	-7%	11%
ROA		-19%	-17%	-13%	-13%	-11%	-6%	-2%	2%
Assets/ Equity ratio	-86.4	2.4	2.2	2.1	2.4	3.1	3.6	4.4	4.7
Dividend per ADS (Rmb)	0	0	0	0	0	0	0	0	0
Total revenue growth		142.9%	64.7%	42.3%	24.8%	22.4%	23.7%	23.1%	22.2%
Total net profit growth		97%	39%	-18%	-5%	-20%	-35%	-69%	-267%
R&D/ total revenue (%)	92%	32%	41%	35%	33%	30%	28%	26%	24%
Selling & marketing exp. / total revenue (%)	36%	31%	27%	19%	14%	11%	8%	7%	5%
General admin. expenses / total revenue (%)	46%	37%	33%	25%	20%	17%	14%	12%	11%
Net impairment losses/ total revenue (%)		0.2%	1.9%	4.1%	1.7%	1.7%	1.0%	0.5%	0.5%
Financing costs/ average borrowings (%)		6.7%	5.3%	5.5%	4.9%	4.7%	4.5%	4.2%	4.2%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	3,312	4,132	5,060	6,257	7,705
Gross Profit	1,243	1,437	1,877	2,472	3,236
Operating EBITDA	(1,049)	(966)	(771)	(386)	124
Depreciation And Amortisation	(421)	(439)	(375)	(354)	(342)
Operating EBIT	(1,470)	(1,405)	(1,147)	(739)	(218)
Financial Income/(Expense)	(73)	(48)	(14)	(18)	(22)
Pretax Income/(Loss) from Assoc.	(8)	10	7	5	4
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	(1,551)	(1,443)	(1,154)	(752)	(236)
Exceptional Items					
Pre-tax Profit	(1,551)	(1,443)	(1,154)	(752)	(236)
Taxation	137	112	90	58	18
Exceptional Income - post-tax					
Profit After Tax	(1,414)	(1,331)	(1,064)	(694)	(217)
Minority Interests	61	49	35	21	6
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	(1,354)	(1,282)	(1,029)	(673)	(212)
Recurring Net Profit	(1,354)	(1,282)	(1,029)	(673)	(212)
Fully Diluted Recurring Net Profit	(1,354)	(1,282)	(1,029)	(673)	(212)

Cash Flow

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	(1,049)	(966)	(771)	(386)	124
Cash Flow from Inv. & Assoc.	5	(10)	(7)	(5)	(4)
Change In Working Capital	130	434	(1,112)	(1,300)	(1,492)
(Incr)/Decr in Total Provisions	197	72	88	60	42
Other Non-Cash (Income)/Expense	97	134	2	(0)	(3)
Other Operating Cashflow					
Net Interest (Paid)/Received	(73)	(48)	(14)	(18)	(22)
Tax Paid	(10)	(21)	(98)	(89)	(73)
Cashflow From Operations	(704)	(404)	(1,912)	(1,739)	(1,428)
Capex	(56)	(164)	(204)	(240)	(270)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	0	(11)	0	0	0
Other Investing Cashflow	1,371	563	2,243	2,117	1,835
Cash Flow From Investing	1,316	388	2,038	1,877	1,565
Debt Raised/(repaid)	2,257	913	2,225	2,012	1,834
Proceeds From Issue Of Shares	2,722	0	0	0	0
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(3,446)	(2,525)	(2,268)	(2,066)	(1,886)
Cash Flow From Financing	1,534	(1,612)	(43)	(54)	(52)
Total Cash Generated	2,145	(1,628)	84	85	85
Free Cashflow To Equity	2,869	897	2,352	2,150	1,971
Free Cashflow To Firm	762	61	167	180	181

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	5,336	2,460	2,544	2,713	2,890
Total Debtors	1,540	1,868	2,004	2,145	2,293
Inventories					
Total Other Current Assets	2,064	2,570	3,209	3,927	4,719
Total Current Assets	8,940	6,898	7,757	8,785	9,901
Fixed Assets	229	250	281	328	373
Total Investments	198	826	813	1,165	1,530
Intangible Assets	917	687	555	481	463
Total Other Non-Current Assets	607	685	814	952	1,098
Total Non-current Assets	1,951	2,448	2,463	2,927	3,464
Short-term Debt	2,283	815	901	988	1,090
Current Portion of Long-Term Debt					
Total Creditors	2,173	2,652	3,490	4,490	5,655
Other Current Liabilities	710	1,695	2,055	2,454	2,889
Total Current Liabilities	5,167	5,162	6,446	7,932	9,633
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	413	333	429	553	714
Total Non-current Liabilities	413	333	429	553	714
Total Provisions	20	10	11	12	13
Total Liabilities	5,600	5,506	6,886	8,497	10,360
Shareholders' Equity	5,195	3,794	3,290	3,169	2,958
Minority Interests	90	41	43	45	48
Total Equity	5,285	3,835	3,333	3,214	3,005

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	42.3%	24.8%	22.4%	23.7%	23.1%
Operating EBITDA Growth	(15.5%)	(7.9%)	(20.1%)	(50.0%)	N/A
Operating EBITDA Margin	(31.7%)	(23.4%)	(15.2%)	(6.2%)	1.6%
Net Cash Per Share (Rmb)	7.83	4.22	4.21	4.42	4.62
BVPS (Rmb)	13.32	9.73	8.44	8.13	7.58
Gross Interest Cover	(9.78)	(18.33)	(28.43)	(17.53)	(4.95)
Effective Tax Rate	0%	0%	0%	0%	0%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	85.57	76.40	66.20	56.63	48.65
Inventory Days	-	-	-	-	-
Accounts Payables Days	232.1	249.5	287.1	319.3	350.1
ROIC (%)	(34.7%)	(42.6%)	(50.2%)	(42.1%)	(18.4%)
ROCE (%)	(18.1%)	(22.5%)	(25.2%)	(16.9%)	(4.7%)
Return On Average Assets	(13.1%)	(12.8%)	(10.8%)	(6.2%)	(1.6%)

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
R&D/ total revenue (%)	35.4%	32.7%	30.1%	27.7%	25.5%
Selling & marketing exp. / total revenue (%)	19.0%	14.2%	10.8%	8.4%	6.6%
General admin. expenses / total revenue (%)	25.2%	20.4%	17.3%	14.5%	12.4%
Net impairment losses/ total revenue (%)	406.1%	174.8%	174.8%	95.1%	54.0%
Minorities / profit pre minorities (%)	-4.3%	-3.7%	-3.3%	-3.0%	-2.7%
Effective tax rate (%)	8.8%	7.8%	7.8%	7.8%	7.8%
Financing costs/ average borrowings (%)	5.5%	4.9%	4.7%	4.5%	4.2%
Total revenue growth (%)	42.3%	24.8%	22.4%	23.7%	23.1%
Gross margin (%)	37.5%	34.8%	37.1%	39.5%	42.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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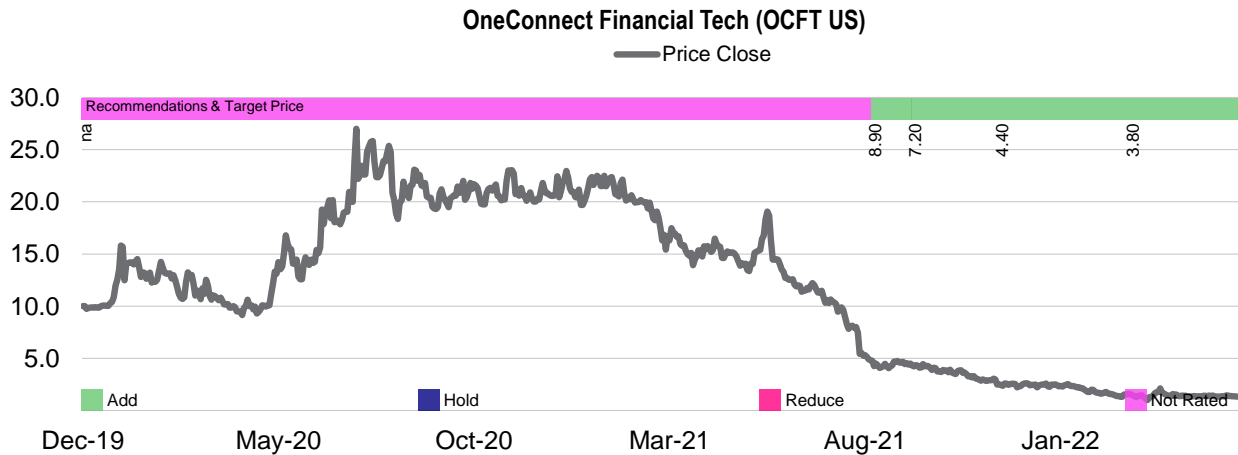
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2022		
632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%
Reduce	7.8%	0.2%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
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