

WEIMOB

Earnings Review

Solid 1H results, accelerating strategic investment to unleash future growth potential, new PT HK\$16.5

Solid 1H results, reiterate Buy with a new PT of HK\$16.5

Weimob reported solid 1H results. Ex-sabotage subscription solutions (SaaS) revenue grew by 80.3% YoY to RMB549.6mn, fueled by rising ARPU from its successful moving up-market strategy. Targeted marketing gross billings rose by 33.1% YoY to RMB6.1bn (RMB833.5mn in revenue, up 11.9% YoY), led by merchant solutions, which mainly serve the existing and potential merchants of its SaaS business. Gross profit reached RMB766.3mn, up 49.0% YoY, thanks to a favorable revenue mix. Due to the accelerating strategic investment in S&M and R&D, opex jumped by 176.4% YoY and the company reported adjusted net profit loss of RMB118.8mn. We reiterate Buy on Weimob, as its LT growth story is intact: 1) TSO business starts getting in shape along with the development of Weimob Cloud Platform and synergies between SaaS and targeted marketing continue to deepen; 2) the strong balance sheet with RMB4.4bn net cash can fuel future growth; 3) it has demonstrated strong execution and resilience amidst macro headwinds. By applying 12x FY23E SaaS revenue and 15x FY23E targeted marketing EBIT, we derive a new PT of HK\$16.5.

Rising ARPU and low attrition rate bode well for LT SaaS growth

For SaaS business, moving up-market strategy successfully helped the company expand into the large customer segment. ARPU rose by 28.0% sequentially and 56.5% YoY to RMB5,395 in 1H. In the meanwhile, attrition rate stayed low at 11.1%. Total no. of paying merchants reached 102k by the end of Jun. These indicate a healthy and sustainable growth trajectory of its SaaS business, in our view. On the revenue side, in 1H, Smart Retail revenue grew by 298.3% YoY to RMB183mn, accounting for 33.4% of its total SaaS revenue; Wei Mall maintained a stable growth of 30-40% YoY; and we believe Smart Catering will pick up as the pandemic lockdown is easing up in 2H. We project SaaS revenue will reach RMB1.87bn by FY23E. On the other hand, SaaS GPM was down slightly to 74.0% in 1H21 vs. 76.3% in 1H20, due to Heading consolidation.

Accelerating investment to realize full-chain marketing service

Under targeted marketing, Merchant Solutions contributes more than 90% of sector's gross profit. In 1H, the total no. of Merchant Solutions advertisers increased 11.7% YoY to 27k and ARPU was up 46.6% YoY to RMB14,910. Merchant Solutions revenue/gross profit grew by 63.8% YoY/41.6% YoY to RMB409.8mn/RMB353.4mn, respectively. In addition, to promote ecosystem build-up and unleash potential demand from full-chain marketing service, the company made RMB290mn incremental investment in S&M/R&D (Weimob Cloud Platform etc.) to pave the way for future growth.

Risks: slower customer acquisition, mounting regulatory risks

1) customer acquisition in SaaS business slowed down in 1H21; 2) facing mounting regulatory risks in TMT sector, macro headwinds, and COVID-19 uncertainties; 3) accelerating investment could put pressure on margins and cash flow.

Stock code: 2013.HK

Rating: Buy

Price target (HK\$)	16.5
Previous PT (HK\$)	13.7
Current price (HK\$, 20 Aug 2021)	9.7
Upside/downside %	69%
Market cap (HK\$ m)	25,167
Market cap (US\$ m)	3,231
Avg daily turnover over 1 yr (HK\$ m)	729

Source: Bloomberg, AMTD estimates

Key forecasts

(RMB mn)	FY20	FY21e	FY22e	FY23e
Gross billings-TM	10,680	13,847	17,181	20,586
yoy %	102%	30%	24%	20%
SaaS revenue	718	1,127	1,363	1,871
yoy %	42%	57%	21%	37%
Gross profit	1,098	1,626	2,000	2,557
yoy %	38%	48%	23%	28%
Adj. EBIT	83	(338)	(292)	(49)
yoy %	NA	NA	NA	NA
Adj. net profit	107	(210)	(191)	37
Adj. EPS (RMB)	0.05	(0.09)	(0.08)	0.02

Source: Company data, AMTD estimates

Valuation

	FY20	FY21e	FY22e	FY23e
P/S	10.1	7.5	6.4	5.2
P/E(adj.)	167.3	NA	NA	501.7
EV/EBITDA	95.6	NA	NA	107.1
ROE	NA	NA	NA	5.3%

Source: Bloomberg, AMTD estimates

Share price performance (HK\$)



Source: Bloomberg

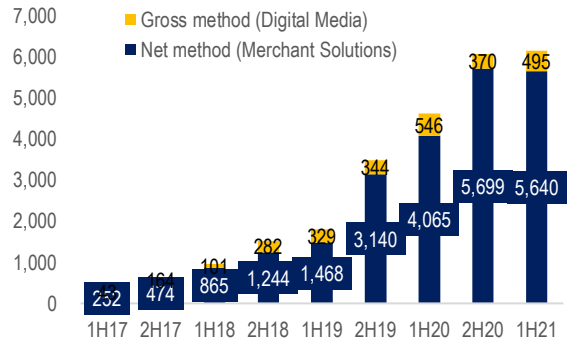
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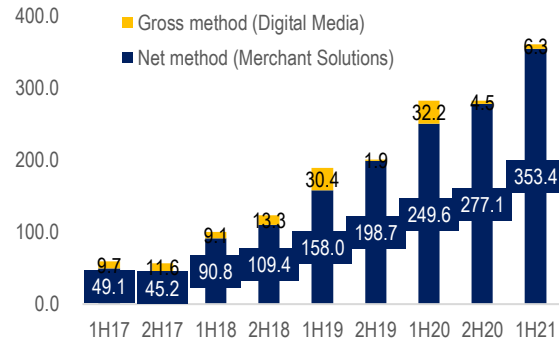
Targeted marketing

Figure 1: Targeted marketing gross billings (RMB mn)



Source: Company data, AMTD Research

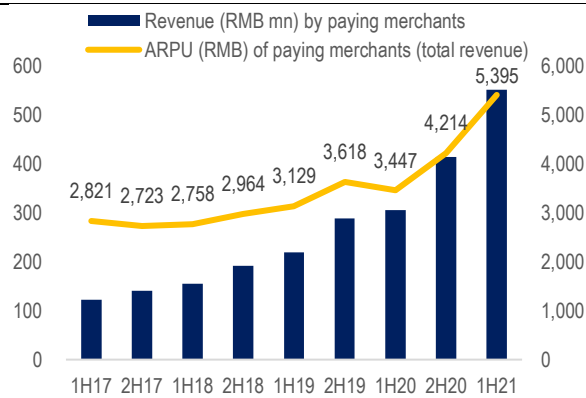
Figure 2: Targeted marketing gross profit (RMB mn)



Source: Company data, AMTD Research

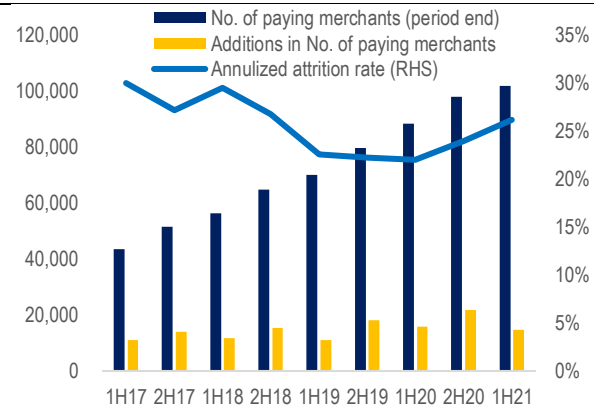
SaaS business

Figure 3: Revenue & ARPU



Source: Company data, AMTD Research

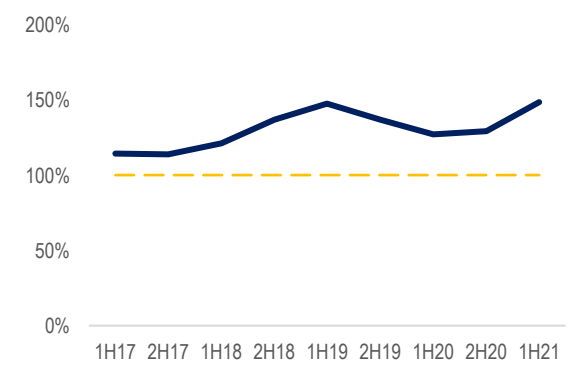
Figure 4: Customers & attrition rate



Source: Company data, AMTD Research

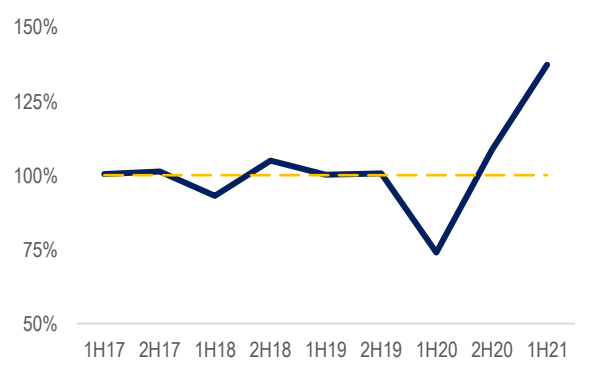
Operating expenses ratio

Figure 5: S&M to SaaS revenue ratio



Source: Company data, AMTD Research

Figure 6: operating expenses to gross profit ratio



Source: Company data, AMTD Research

Figure 7: Weimob's key financials & forecasts

RMB mn	FY18	FY19	FY20	FY21E	FY22E	FY23E	1H18	1H19	1H20	1H21
Targeted Marketing										
- Merchant solutions	2,108.8	4,608.5	9,764.3	12,968.5	16,192.7	19,497.8	864.6	1,468.3	4,065.4	5,640.4
- Digital media	383.7	672.6	915.5	878.4	988.0	1,088.6	101.5	329.1	545.5	494.5
Total billings	2,492.5	5,281.1	10,679.8	13,846.8	17,180.6	20,586.4	966.0	1,797.4	4,610.9	6,134.9
Digital Commerce	548.5	865.3	1,246.2	2,034.7	2,464.2	3,138.7	246.7	377.7	555.1	959.4
- Subscription solution	347.1	506.9	717.9	1,126.9	1,363.1	1,871.4	155.3	219.1	304.9	549.6
- Merchant Solution	201.5	358.4	528.3	907.8	1,101.1	1,267.4	91.4	158.6	250.2	409.8
Digital Media	316.5	571.4	818.2	755.4	810.1	870.9	85.4	279.0	494.8	423.7
Total Revenue	865.0	1,436.7	2,064.4	2,790.1	3,274.3	4,009.6	332.1	656.7	1,049.9	1,383.1
Cost of sales	(347.4)	(639.7)	(966.2)	(1,164.3)	(1,274.3)	(1,452.4)	(101.1)	(291.3)	(535.5)	(616.8)
Digital Commerce	495.1	764.7	1,061.5	1,614.4	1,987.8	2,544.1	221.8	335.1	482.2	760.0
-Subscription solution	294.9	408.0	534.8	833.7	1,018.9	1,403.5	131.0	177.0	232.6	406.6
-Merchant solution	200.2	356.7	526.7	780.7	969.0	1,140.6	90.8	158.0	249.6	353.4
Digital Media	22.5	32.3	36.7	11.3	12.2	13.1	9.1	30.4	32.2	6.3
Gross profit	517.6	797.0	1,098.2	1,625.7	2,000.0	2,557.2	231.0	365.4	514.4	766.3
<i>GPM</i>	59.8%	55.5%	53.2%	58.3%	61.1%	63.8%	69.5%	55.6%	49.0%	55.4%
S&M	(449.8)	(716.9)	(919.4)	(1,562.4)	(1,702.6)	(2,004.8)	(187.8)	(322.9)	(386.7)	(815.9)
Adj. G&A	(66.1)	(82.7)	(95.5)	(400.8)	(589.4)	(601.4)	(27.2)	(42.7)	6.3	(235.5)
Adj. OPEX	(515.9)	(799.6)	(1,014.9)	(1,963.2)	(2,292.0)	(2,606.2)	(215.0)	(365.6)	(380.4)	(1,051.4)
Adj. EBIT	1.8	(2.5)	83.3	(337.5)	(292.0)	(49.0)	16.0	(0.2)	134.0	(285.1)
<i>Adj. EBIT margin</i>	0.2%	-0.2%	4.0%	-12.1%	-8.9%	-1.2%	4.8%	-0.0%	12.8%	-20.6%
Adj. EBITDA	23.8	80.3	208.3	(203.5)	(115.1)	185.8	25.2	24.5	182.3	(176.5)
Profit before tax	(1,090.6)	328.4	(1,144.1)	(406.1)	(203.4)	39.6	(620.5)	291.7	(557.5)	(601.0)
Income Tax Expense (Benefit)	(0.6)	(17.1)	(22.3)	21.1	12.2	(2.8)	0.9	(3.6)	11.8	16.7
Net income	(1,089.2)	312.0	(1,156.6)	(384.1)	(190.2)	36.8	(617.0)	289.0	(543.7)	(557.7)
Adjusted net profit	48.8	77.3	107.4	(209.6)	(191.2)	36.8	(619.5)	29.4	52.3	(118.8)
<i>Adj. net profit margin</i>	5.6%	5.4%	5.2%	-7.5%	-5.8%	0.9%	-186.6%	4.5%	5.0%	-8.6%

Source: Company data, AMTD Research estimates

Figure 8: growth, YoY

	FY19	FY20	FY21E	FY22E	FY23E	1H19	1H20	1H21
Targeted Marketing								
- Merchant solutions	118.5%	111.9%	32.8%	24.9%	20.4%	69.8%	176.9%	38.7%
- Digital media	75.3%	36.1%	-4.1%	12.5%	10.2%	224.4%	65.8%	-9.3%
Total billings	111.9%	102.2%	29.7%	24.1%	19.8%	86.1%	156.5%	33.1%
Digital Commerce	57.8%	44.0%	63.3%	21.1%	27.4%	53.1%	47.0%	72.8%
- Subscription solution	46.1%	41.6%	57.0%	21.0%	37.3%	41.1%	39.2%	80.3%
- Merchant Solution	77.9%	47.4%	71.8%	21.3%	15.1%	73.6%	57.8%	63.8%
Digital Media	80.5%	43.2%	-7.7%	7.2%	7.5%	226.6%	77.3%	-14.4%
Total Revenue	66.1%	43.7%	35.2%	17.4%	22.5%	97.8%	59.9%	31.7%
Cost of sales	84.1%	51.0%	20.5%	9.4%	14.0%	188.0%	83.9%	15.2%
Digital Commerce	54.4%	38.8%	52.1%	23.1%	28.0%	51.0%	43.9%	57.6%
-Subscription solution	38.4%	31.1%	55.9%	22.2%	37.8%	35.1%	31.4%	74.8%
-Merchant solution	78.2%	47.7%	48.2%	24.1%	17.7%	74.1%	58.0%	41.6%
Digital Media	43.7%	13.6%	-69.1%	7.2%	7.5%	232.4%	5.9%	-80.4%
Gross profit	54.0%	37.8%	48.0%	23.0%	27.9%	58.2%	40.8%	49.0%
S&M	59.4%	28.2%	69.9%	9.0%	17.7%	72.0%	19.8%	111.0%
Adj. G&A	25.2%	15.5%	319.6%	47.0%	2.0%	57.1%	NA	NA
Adj. OPEX	55.0%	26.9%	93.4%	16.7%	13.7%	70.1%	4.0%	176.4%
Adj. EBIT	NA	NA	NA	NA	NA	NA	NA	NA
Adj. EBITDA	237.4%	159.5%	NA	NA	NA	-2.8%	644.1%	NA
Profit before tax	NA	NA	NA	NA	NA	NA	NA	NA
Net income	NA	NA	NA	NA	NA	NA	NA	2.6%
Adjusted net profit	58.3%	38.9%	NA	NA	NA	NA	77.8%	NA

Source: Company data, AMTD Research estimates

Valuation

Figure 9: sum of the parts summary

	Valuation (HKD mn)	Per share (HKD)
Targeted marketing	10,434	4.6
SaaS products	27,056	11.9
Price target	37,489	16.5

Source: AMTD Research estimates

Figure 10: targeted marketing valuation

(RMB mn)	FY19	FY20	FY21E	FY22E	FY23E
Merchant solutions	358	528	908	1,101	1,267
Digital media	571	818	755	810	871
Total	930	1,347	1,663	1,911	2,138
% YoY	79.5%	44.8%	23.5%	14.9%	11.9%
EBIT	276	461	499	535	577
EBIT margin	29.7%	34.3%	30.0%	28.0%	27.0%
x EBIT Multiple					15.0x
Weimob's targeted marketing in Rmb mn					8,660
Weimob's targeted marketing in HKD mn					10,434

Source: AMTD Research estimates; assuming HKDCNY of 0.83

Figure 11: SaaS business valuation

(RMB mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	507	718	1,127	1,363	1,871
% YoY	46.0%	41.6%	57.0%	21.0%	37.3%
x P/S Multiple					12.0x
Weimob's SaaS business in Rmb mn					22,456
Weimob's SaaS business in HKD mn					27,056

Source: AMTD Research estimates; assuming HKDCNY of 0.83

Comparables

Figure 12: Comparables

Date	20/8/2021	Price	Mkt cap	Sales				P/E				EBITDA			
				Price	P/S	CAGR	P/E	PEG	EV/EBITDA	CAGR					
		(LC)	(USD mn)	FY20	FY21E	FY22E	'20-22E	FY20	FY21E	FY22E	'21E-22E	FY20	FY21E	FY22E	'20-22E
SaaS - HK & China listed															
2013 HK	Weimob	9.74	3,231	10.1x	7.5x	6.4x	26%	167.3x	NA	NA	NA	144.49	NA	NA	NA
268 HK	Kindgee	24.60	10,960	22.5x	17.1x	13.6x	29%	NA	NA	NA	NA	978.8x	1044.8x	250.6x	97.6%
600588 CH	Yonyou	36.05	18,135	14.7x	11.6x	9.0x	28%	116.3x	116.3x	92.7x	4.6	80.3x	90.8x	70.0x	7.1%
8083 HK	China Youzan	0.72	1,595	6.0x	5.2x	3.8x	26%	NA	NA	NA	NA	NA	NA	NA	NA
1588 HK	Chanjet	17.88	499	6.7x	5.4x	4.3x	25%	69.5x	NA	298.0x	1.3	36.5x	NA	NA	NA
909 HK	Mingyuan Cloud	28.25	7,140	28.9x	19.5x	14.1x	43%	NA	121.2x	80.0x	2.4	135.8x	100.8x	67.4x	41.9%
Mean:				14.8x	11.1x	8.5x	29%	117.7x	118.8x	156.9x	3.5	275.1x	412.1x	129.3x	49%
Median:				12.4x	9.5x	7.7x	27%	116.3x	118.8x	92.7x	3.5	135.8x	100.8x	70.0x	42%
SaaS -US listed															
CRM US	Salesforce*	256.13	237,176	13.9x	11.2x	9.1x	23%	NA	55.2x	66.8x	0.1	68.2x	37.1x	30.0x	50.8%
WDAY US	Workday*	235.95	58,280	16.1x	13.5x	11.6x	18%	NA	87.4x	79.9x	0.0	NA	51.3x	44.8x	NA
VEEV US	Veeva*	320.72	49,044	44.4x	33.9x	26.9x	28%	168.6x	112.9x	91.5x	0.0	149.5x	78.1x	64.3x	52.5%
ADBE US	Adobe*	647.34	308,393	24.0x	20.3x	17.1x	18%	59.8x	57.6x	46.3x	2.4	60.1x	40.9x	33.9x	33.1%
SHOP US	Shopify	1450.70	180,893	61.7x	39.1x	29.2x	45%	725.4x	227.9x	232.9x	NA	969.2x	249.5x	217.8x	111.0%
NOW US	Service	600.52	118,963	26.3x	20.4x	16.3x	27%	759.1x	103.7x	83.4x	4.2	191.0x	63.4x	51.3x	92.9%
TTD US	Trade desk	77.18	36,944	44.2x	31.7x	24.6x	34%	156.0x	129.5x	105.4x	5.7	172.8x	82.5x	66.7x	60.9%
Mean:				30.7x	22.7x	18.2x	28%	279.4x	108.1x	96.3x	2.1	222.8x	82.2x	69.7x	67%
Median:				26.3x	20.4x	17.1x	27%	112.9x	91.5x	79.6x	1.2	78.1x	63.4x	51.3x	57%
Advertising (3P)															
QNST US	Quinstreet*	16.68	894	1.8x	1.7x	1.4x	15%	101.0x	31.0x	21.3x	0.06	36.66	17.68	12.57	70.7%
ICLK US	iClick	4.16	388	1.5x	1.2x	0.9x	29%	650.0x	33.3x	12.1x	0.19	75.24	28.75	9.07	188.1%
1860 HK	Mobvista	6.66	1,374	2.7x	2.0x	1.6x	30%	NA	61.1x	30.0x	0.59	169.53	80.86	43.97	96.4%
1753 HK	Duiba	2.04	282	1.8x	0.5x	NA	NA	NA	2.5x	NA	NA	NA	0.75	NA	NA
Mean:				1.9x	1.3x	1.3x	24%	340.5x	29.6x	19.9x	0.3	87.5x	30.7x	21.1x	118%
Median:				1.8x	1.3x	1.3x	29%	340.5x	27.3x	17.6x	0.2	75.2x	20.7x	10.3x	96%
Total Mean				18.3x	13.6x	11.4x	28%	249.2x	85.6x	92.7x	1.8	213.2x	138.2x	72.3x	75%
Total Median				13.5x	11.6x	9.4x	27%	114.6x	79.9x	79.6x	0.6	80.3x	63.9x	51.3x	66%

Source: Bloomberg, share prices as close of 20 August 2021, AMTD Research estimates

*Note: Salesforce, Workday, Veeva, and Quinstreet's FY21 ended 31 January 2021; Adobe's FY20 ended 27 November 2020

IMPORTANT DISCLOSURES

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Buy	Stock with potential return of over 20% over the next 12 months
Hold	Stock with potential return of -20% to +20% over the next 12 months
Sell	Stock with potential loss of over 20% over the next 12 months

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