**Next is the third part, the valuation section.**

First, I will briefly introduce the calculation of WACC. According to the definition of WACC, we need to estimate the cost of equity and the cost of debt.

In the one hand, the cost of debt is determined by the cost of short-term debt and the cost of long-term debt, with an estimated after-tax cost of debt of 4.25%.

In the other hand, the cost of equity is calculated using the CAPM model. The specific estimation process of beta is shown here. The final estimated value of the Weighted Unlevered Adjusted Beta is 0.6495.

Besides, we choose the rate of 10-years government bond as the Risk free rate and the annualized rate of return of Hang Seng Technology index in the past five years as the Expected market rate of return.

**Next, I will introduce the Prediction of Revenue and Profit.**

As can be seen from this graph, the growth rate of operating revenue has been continuously declining, with a significant drop to 55% in the latest period of Q1 in 2022, which is only one-third of that in the same period of Q1 in 2021.

Based on the trend of its rapid and continuous decline, it is predicted that the average growth rate of revenue for the whole year of 2022 will be 40%,(Because 40% is approximately one-third of the average annual growth rate in 2021). For the sake of caution, it is forecasted that the growth rate will be halved each year for the next two years, which will be 20% and 10% respectively. After 2025, it is assumed that the annual growth rate of revenue will remain constant at 10%.

Regarding the discussion on specific revenue items, in the first quarter of 2020, advertising revenue accounted for the largest proportion, followed by membership fees, while content service solutions and other businesses revenue accounted for a very small proportion.

During the period from Q1 in 2021 to Q1 in 2022, the growth rate of advertising revenue has declined rapidly, and its contribution of total revenue has decreased quarter by quarter. The growth rate of membership fee revenue has declined slowly, and its contribution of total revenue has remained relatively stable. The growth rate of content service solution revenue has also declined rapidly, and its contribution of total revenue first increased and then decreased.

Regarding the analysis of the main expenses items, during the period from 2020 to 2021, the average sales expense ratio was 45%. This was primarily due to an increase in promotion and advertising costs related to attracting new users and enhancing brand recognition.

In the other hand, the average administrative expense ratio was 41.8%, mainly due to an increase in equity incentive expenses and the costs incurred from the company's dual listing on the Hong Kong Stock Exchange.

**Finally, regarding the Future Main Expense Ratio Forecast.**

It is expected that the administrative expense ratio and the sales expense ratio will decrease annually from 2022 to 2026 to 10% and 25% respectively, and remain stable thereafter.

**In summary**, the four main Reasons for Declining Revenue Growth is The growth rate of user numbers is slow, The number of advertisements is somewhat excessive, Short video platforms have risen rapidly, and Zhihu's transformation in the short video field has failed.