

Company Report: Vipshop Holdings Limited (VIPS US)

公司报告: 唯品会 (VIPS US)

Danny Law 罗沛达

(852) 2509 7768

danny.law@gtjas.com.hk

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Expecting to Improve Margins Gradually, "Accumulate"

预期利润率逐步改善, “收集”

- **Healthy yoy growth for China commodity e-commerce GMV in November.** According to data published by the National Bureau of Statistics of China, China e-commerce GMV in 1M2020-11M2020 increased by 11.5% yoy to RMB10,537.4 bn, whereas total retail sales of consumer goods was RMB35.1 trillion, indicating a decrease of 4.8% yoy.
- **Key points: 1) Chinese regulators stepped up internet sector scrutiny, which could limit revenue growth but is positive on profitability improvement.** The regulations are not aiming to resist the development of the industry, they are trying to deter inappropriate acts from Internet enterprises, leading to healthy growth for the industry and benefitting the whole society eventually. **2) We have maintained our revenue forecast for 2020, but slightly revised down revenue growth projections for 2021 to 2022.** We view that opportunities and challenges will co-exist for all Internet companies in China while the Anti-Monopoly Law is executed. **3) We have slightly revised down our total operating expenses ratio forecasts for 2021 to 2022 due to a relatively prudent spending plan.** **4) We expect that net margin for 2021 and 2022 will be higher than we previously expected.**
- **Raise target Price to US\$35.00 and maintain investment rating as "Accumulate".** The execution of the Anti-Monopoly Law could increase uncertainty on the Company's growth outlook, however margin expansion is very likely to occur going forward. Historically, the Company has maintained stable profitability with moderate revenue growth. Our TP represents 22.0x 2021F non-GAAP PE.
- **11 月中国商品电商交易量同比健康增长。**根据中国国家统计局发布的数据, 2020 年 1 月至 11 月中国电商交易量同比增长 11.5%至人民币 105,374 亿元, 而社会消费品零售总额为人民币 35.1 万亿元, 同比下降 4.8%。
- **要点: 1)中国监管机构加强了对互联网行业的审查, 这可能会限制收入增长, 但有利于提高利润率。**这些法规的目的不是为了阻止行业的发展, 而是试图阻止互联网企业的不当行为, 从而导致行业的健康增长并最终使整个社会受益。**2)我们维持了 2020 年的收入预测, 但略微下调了 2021 年至 2022 年的收入增长预测。**我们认为, 在执行反垄断法的同时, 中国所有互联网公司都将面临机遇与挑战并存的状况。**3)由于支出计划相对谨慎, 我们略微下调了 2021 年至 2022 年的总运营支出比率预测。****4)我们预计 2021 年和 2022 年的净利润率将高于我们先前的预期。**
- **上调目标价至 35.00 美元, 并维持投资评级为“收集”。**反垄断法的执行可能会增加公司增长前景的不确定性, 但是利润率扩张于未来很可能会发生。历史上来看, 公司一直保持稳定的盈利能力及温和的收入增长。我们的目标价相当于 22.0 倍 2021 年预测非 GAAP 市盈率。

Rating:

Accumulate

Maintained

评级:

收集 (维持)

6.18m TP 目标价:

US\$35.00

Revised from 原目标价:

US\$27.00

ADS price ADS价格:

US\$28.110

Stock performance

股价表现



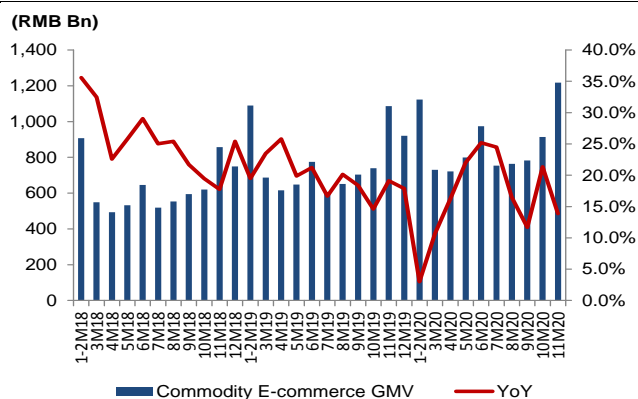
| Change in ADS Price | 1 M | 3 M | 1 Y |
|------------------------|------|------|------|
| 股价变动 | 1 个月 | 3 个月 | 1 年 |
| Abs. % | | | |
| 绝对变动 % | 11.9 | 83.1 | 89.9 |
| Rel. % to NASDAQ Index | | | |
| 相对纳指变动 % | 7.5 | 69.3 | 46.3 |
| Avg. ADS price (US\$) | | | |
| 平均 ADS 价 (美元) | 25.6 | 22.2 | 18.3 |

Source: Bloomberg, Guotai Junan International.

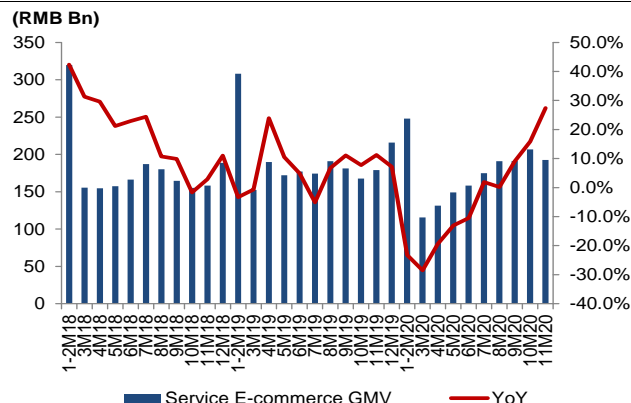
| Year End | Turnover | Net Profit | Earnings/ADS | Earnings/ADS | PER | BV/ADS | PBR | DP ADS | Yield | ROE |
|---|----------|------------|--------------|-----------------|--|------------|-----|-----------|--------------------|--------|
| 年结 | 收入 | 股东净利 | 每份 ADS 净利 | 每份 ADS 净利变动 | 市盈率 | 每股 ADS 净资产 | 市净率 | 每股 ADS 股息 | 股息率 | 净资产收益率 |
| 12/31 | (RMB m) | (RMB m) | (RMB) | (%) | (x) | (RMB) | (x) | (RMB) | (%) | (%) |
| 2018A | 84,524 | 2,129 | 3.219 | (3.0) | 60.1 | 26.024 | 7.4 | 0.000 | 0.0 | 13.5 |
| 2019A | 92,994 | 4,017 | 6.017 | 86.9 | 32.5 | 33.327 | 5.9 | 0.000 | 0.0 | 20.6 |
| 2020F | 100,661 | 5,457 | 8.069 | 34.1 | 22.8 | 40.968 | 4.5 | 0.000 | 0.0 | 22.2 |
| 2021F | 111,679 | 6,848 | 9.996 | 23.9 | 18.4 | 50.438 | 3.7 | 0.000 | 0.0 | 22.3 |
| 2022F | 118,684 | 7,935 | 11.434 | 14.4 | 16.1 | 61.225 | 3.0 | 0.000 | 0.0 | 20.9 |
| ADS in issue (m) 总 ADS 数 (m) | | | | 672.4 | Major shareholder 大股东 | | | | Eric Ya Shen 12.7% | |
| Market cap. (US\$ m) 市值 (US\$ m) | | | | 18,901.2 | Free float (%) 自由流通比率 (%) | | | | 87.3 | |
| 3 month average vol. 3 个月平均成交股数 ('000) | | | | 8,168.8 | FY21 Net gearing (%) FY21 净负债/股东资金 (%) | | | | Net Cash | |
| 52 Weeks high/low (US\$) 52 周高/低 (US\$) | | | | 28.375 / 11.530 | FY21 Non-GAAP PE FY21 非 GAAP 市盈率 | | | | 17.7 | |

Source: the Company, Guotai Junan International.

Healthy yoy growth for China commodity e-commerce GMV in November. According to data published by the National Bureau of Statistics of China (NBS), China e-commerce GMV in 1M2020-11M2020 reached RMB10,537.4 bn, up 11.5% yoy, in which China commodity e-commerce GMV grew 15.7% yoy to RMB8,779.2 bn. By category, food grew by 32.9% yoy, whereas apparel increased by 5.9% yoy in 1M2020-11M2020. As at November 2020, penetration of online purchasing was 25.0%. Analyzing GMV breakdown in November, China commodity e-commerce GMV reached RMB1,217.3 bn, up 13.9% yoy, whereas China service e-commerce GMV was RMB192.6 bn in the same period, up 27.4% yoy. Furthermore, China's express delivery volume reached 9.7 bn in 10M2020, up 36.7% yoy.

Figure-1: China Commodity E-Commerce GMV


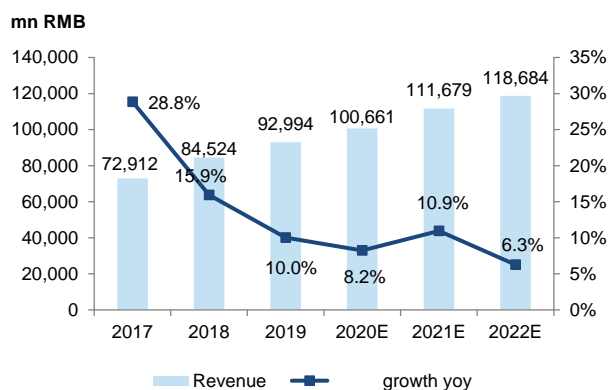
Source: National Bureau of Statistics of China, Guotai Junan International.

Figure-2: China Service E-Commerce GMV


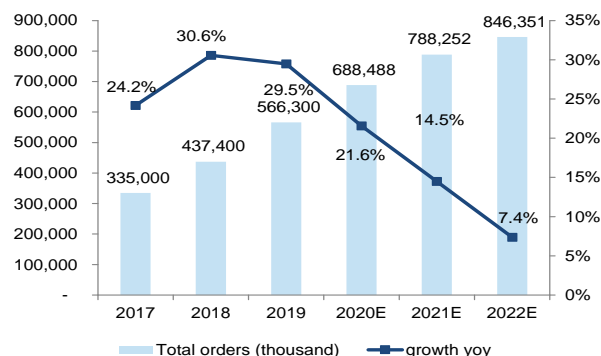
Source: National Bureau of Statistics of China, Guotai Junan International.

Chinese regulators stepped up internet sector scrutiny, which could limit revenue growth but is positive on profitability improvement. Chinese regulators recently launched an anti-monopoly investigation into Chinese internet giants, who expressed that anti-monopoly laws also apply to all entities including Internet enterprises. On 30 December 2020, Vipshop Holdings Limited (the "Company") also suffered administrative punishment of RMB0.5 mn for the case of improper price competition with its direct sales business during the Double 11 Shopping Festival. Through investigations on improper conduct in the past, this serves to remind all internet enterprises that their businesses should expand under a fair and competitive market basis. Considering that lower selling prices or subsidies are both common practices for the industry to stimulate consumption, however, some platforms may become over-aggressive on user acquisition and stimulate consumption amid intensified competition. Therefore, Chinese regulators have to remind internet giants to avoid improper conduct, such as forced exclusivity, improper price competition, among others, otherwise it could potentially cause social problems. Therefore, we expect that the re-investment strategy from industry players will be cooling down, implying fewer subsidies can be rolled out, which is positive for profitability enhancement. In terms of the top line, we expect revenue growth for internet giants will slow down due to fewer subsidies, however it is very likely to slow down slightly instead of sharply decelerate at this point. According to the press release from Chinese regulators, it commented that these moves are not aimed at resisting the development of the industry, they are trying to deter inappropriate acts by internet enterprises, leading to healthy growth of the industry and eventually benefitting the whole society. To conclude, we think that it is a step in the development of a fast-growing industry; Chinese regulators have expressed their concerns and this will help industry players to establish and adjust their long-term strategic development as early as possible.

We have maintained our revenue forecast for 2020, but slightly revised down revenue growth projections for 2021 to 2022. As we mentioned above, reinvestment strategy is the common practice for the industry to lure new customers and stimulate consumption; now Chinese regulators will not allow companies to price products at unreasonably low prices, which would otherwise create unfair competition and harm society. At the same time, Chinese regulators also mentioned forced exclusivity is not allowed, which will theoretically benefit smaller platforms. In our view, the Anti-Monopoly Law is a two-edged sword for all internet companies, both big platforms and small platforms. These regulations not only restrict bigger platforms to expand overaggressively, but also applies to the smaller platforms, particularly as smaller platforms might rely much more on selling products at bargain prices to attract new customers from major competitors. We view that opportunities and challenges will co-exist for all internet companies in China while the Anti-Monopoly Law is executed. Looking ahead, we expect revenue growth of the Company might slow down slightly as the Company adjusts its expansion strategy to align with the regulator's requirements. Due to expected downscale of reinvestment, we have slightly cut our revenue growth projections for 2021 to 2022 by 2.7 ppts and 1.3 ppts, respectively; our yoy revenue growth projections for 2020 to 2022 are 8.2%/ 10.9%/ 6.3%, respectively, which amounts to RMB100,661.0 mn/ RMB111,678.6 mn/ RMB 118,684.2 mn, respectively.

Figure-3: Vipshop's Revenues Estimates


Source: the Company, Guotai Junan International.

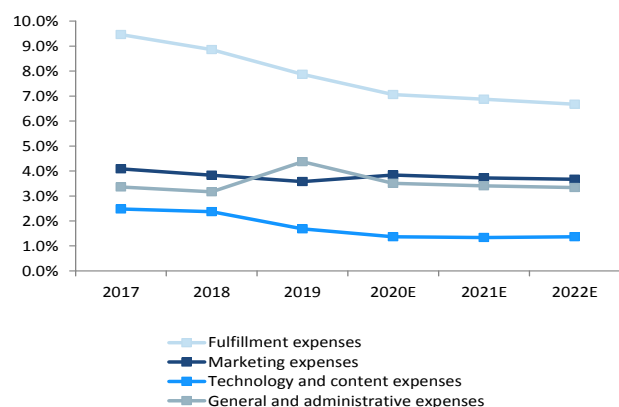
Figure-4: Vipshop's Total Orders Projection


Source: the Company, Guotai Junan International.

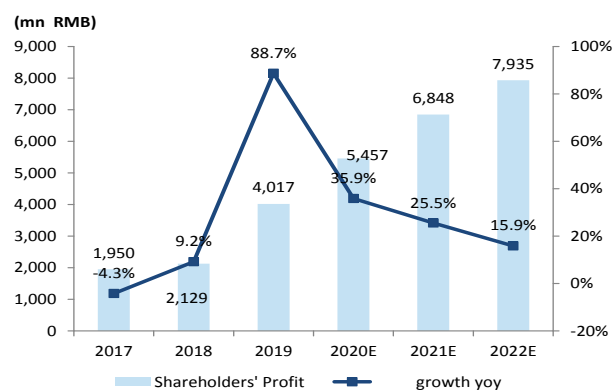
We have slightly revised down our total operating expenses ratio forecasts for 2021 to 2022 due to discipline in spending. We have made adjustments on our projections on the Company's marketing expenses ratio as we expect that a more prudent spending plan will be conducted in 2021 to 2022. To align with the regulator's requirements, we have cut our projection on marketing expenses ratio for 2021 to 2022 by 0.3 ppts /0.3ppts, respectively. Overall, our marketing expenses ratio projections for 2020 to 2022 are 3.8%/ 3.7%/ 3.7%, respectively, showing a stable proportion for marketing expenses. As a result, our forecasts for operating expenses for 2020 to 2022 are RMB15,010.6 mn/ RMB16,223.5 mn/ RMB16,925.9 mn, respectively, representing total operating expenses ratio of 15.8%/ 15.3%/ 15.0%, respectively.

We expect that net margin for 2021 and 2022 will be higher than we previously expected. Despite that the policy curb has limited revenue growth and the spending, we maintain our view on the Company's profitability that it will be sustained on an uptrend. Benefitted by expected slowing down of reinvestment, the reinvestment scale is expected to downsize, leading to margin expansion. Our net profit forecasts for 2020 to 2022 are RMB5,457.0 mn/ RMB6,848.3 mn/ RMB7,977.2 mn, respectively, with yoy growth of 35.9%/ 25.5%/ 15.9%, respectively. Accordingly, net margins estimates for 2020 to 2022 are 5.4%/ 6.1%/ 6.7%, respectively, maintaining margin expansion. In terms of non-GAAP net profit, it is expected to reach RMB5,781.6 mn/ RMB7,008.2 mn/ RMB7,977.2 mn in 2020 to 2022, representing non-GAAP net margin of 5.7%/ 6.3%/ 6.7% in the mentioned period, respectively.

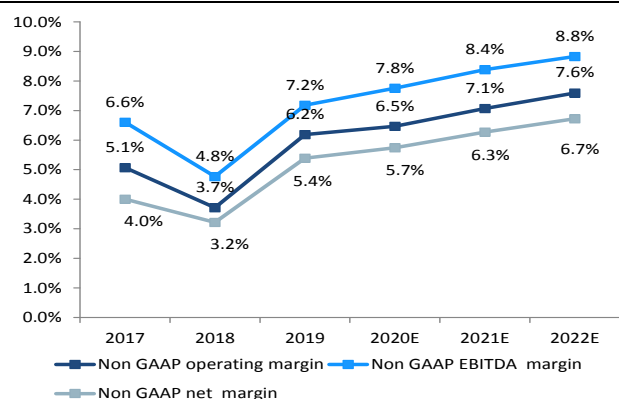
Raise target price to US\$35.00 and maintain investment rating as "Accumulate". The execution of the Anti-Monopoly Law could increase uncertainty on the Company's growth outlook in the near term, however, margin expansion is very likely to occur going forward. Historically, the Company has maintained stable profitability with moderate revenue growth. Meanwhile, repeat customer numbers of the Company has stayed at a very high level, showing the high loyalty of customers. We think that the Company could adjust its expansion strategy, restoring growth momentum by strengthening its strong categories. At the same time, limitation on travel abroad could potentially spur domestic consumption, indicating a substitute effect. We maintain investment rating as "Accumulate", reflecting the Company's growth potential and valuation upgrade for China's e-commerce industry. We have raised target price to US\$35.00, representing 26.7x 2020F non-GAAP PE or 22.0x 2021F non-GAAP PE. Risk factors: lower-than-expected revenue growth, sharp RMB depreciation, active buyer retreat or failure to uncover buyer value.

Figure-5: Vipshop's Operating Expenses Ratio


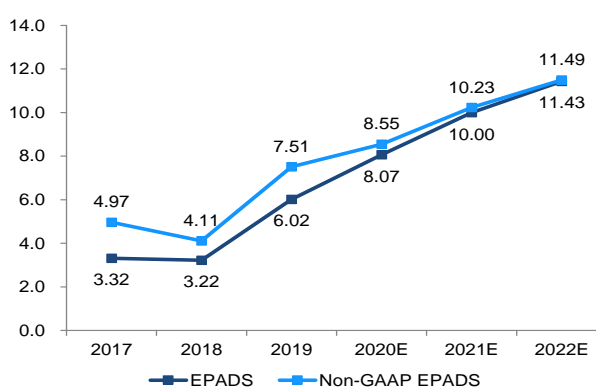
Source: the Company, Guotai Junan International.

Figure-6: Vipshop's Shareholders' Profit


Source: the Company, Guotai Junan International.

Figure-7: Vipshop's Margins Estimates


Source: the Company, Guotai Junan International.

Figure-8: Vipshop's EPS and Non-GAAP EPS


Source: the Company, Guotai Junan International.

Table-1: Peers Comparison

| Company | Stock Code | Currency | Last price | Market Cap | Adjusted PE | | | PS | | | EV/EBITDA | | | PEG |
|-------------------------------|------------|----------|------------|--------------|-------------|-------|-------|-------|-------|-------|-----------|-------|-------|---------|
| | | | | mn HKD | FY20F | FY21F | FY22F | FY20F | FY21F | FY22F | FY20F | FY21F | FY22F | FY20-22 |
| Global Ecommerce Conglomerate | | | | | | | | | | | | | | |
| Ebay Inc | EBAY US | USD | 50.25 | 268,554.7 | 14.8 | 13.7 | 12.1 | 3.4 | 3.2 | 2.9 | 10.2 | 9.0 | 7.7 | 1.4 |
| Amazon.Com Inc | AMZN US | USD | 3256.93 | 12,669,545.0 | 67.5 | 55.1 | 40.8 | 4.3 | 3.6 | 3.1 | 30.9 | 25.3 | 20.8 | 2.4 |
| Z Holdings Corp * | 4689 JT | JPY | 624.4 | 226,278.4 | 37.8 | 33.6 | 25.4 | 2.5 | 2.2 | 2.0 | 11.8 | 10.6 | 9.1 | 1.7 |
| Rakuten Inc | 4755 JT | JPY | 994 | 107,125.7 | n.a. | n.a. | 38.0 | 1.0 | 0.9 | 0.8 | 21.9 | 11.9 | 6.7 | n.a. |
| Groupon Inc | GRPN US | USD | 38.00 | 8,481.0 | n.a. | 47.6 | 15.6 | 0.8 | 1.2 | 1.2 | 14.5 | 3.8 | 2.1 | n.a. |
| Yelp Inc | YELP US | USD | 32.67 | 18,742.3 | 47.1 | 25.6 | 22.2 | 2.8 | 2.5 | 2.3 | 14.7 | 9.0 | 7.0 | 1.0 |
| Simple Average | | | | | 41.8 | 35.1 | 25.7 | 2.5 | 2.3 | 2.0 | 17.3 | 11.6 | 8.9 | 1.6 |
| Weighted Average | | | | | 65.3 | 53.4 | 39.9 | 4.2 | 3.6 | 3.1 | 30.1 | 24.6 | 20.2 | 2.3 |
| China Vertical Ecommerce | | | | | | | | | | | | | | |
| Vipshop Holdings Ltd - Adr | VIPS US | USD | 28.11 | 147,611.9 | 21.8 | 17.8 | 15.3 | 1.2 | 1.0 | 0.9 | 15.6 | 12.7 | 9.3 | 1.1 |
| Pinduoduo Inc-Adr | PDD US | USD | 177.67 | 1,695,142.6 | n.a. | 345.0 | 90.3 | 27.5 | 17.5 | 12.7 | n.a. | 869.3 | 96.1 | n.a. |
| Mogu Inc-Adr * | MOGU US | USD | 2.17 | 1,824.8 | n.a. | 22.4 | 9.3 | 1.9 | 1.3 | 0.9 | n.a. | n.a. | n.a. | n.a. |
| Yunji Inc-Adr | YJ US | USD | 1.85 | 3,045.2 | 66.1 | 34.3 | 18.9 | 0.5 | 0.4 | 0.3 | n.a. | n.a. | n.a. | 0.8 |
| Ruhnn Holding Ltd-Adr * | RUHN US | USD | 2.92 | 1,878.0 | 29.4 | 18.7 | 11.9 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Alibaba Group Holding Ltd * | 9988 HK | HKD | 232.6 | 5,034,648.6 | 23.5 | 19.5 | 15.9 | 6.1 | 4.6 | 3.9 | 20.1 | 15.6 | 12.1 | 1.1 |
| Jd.Com Inc-Adr | JD US | USD | 87.9 | 1,066,445.8 | 54.8 | 38.6 | 27.6 | 1.2 | 1.0 | 0.8 | 38.7 | 25.6 | 17.5 | 1.3 |
| Netease Inc-Adr | NTES US | USD | 95.77 | 513,081.7 | 26.1 | 22.4 | 19.2 | 5.9 | 5.0 | 4.4 | 22.4 | 18.5 | 15.4 | 1.6 |
| Trip.Com Group Ltd-Adr | TCOM US | USD | 33.73 | 155,090.9 | n.a. | 40.7 | 21.8 | 7.1 | 4.9 | 3.5 | 496.3 | 41.6 | 19.2 | n.a. |
| Simple Average | | | | | 36.9 | 62.1 | 25.6 | 6.4 | 4.5 | 3.4 | 118.6 | 163.9 | 28.3 | 1.2 |
| Weighted Average | | | | | 22.5 | 86.4 | 32.2 | 9.6 | 6.7 | 5.2 | 27.1 | 185.4 | 29.6 | 0.9 |
| US Discount Stores | | | | | | | | | | | | | | |
| Tjx Companies Inc | TJX US | USD | 68.29 | 635,668.8 | 26.0 | 158.1 | 25.5 | 2.0 | 2.5 | 1.9 | 15.3 | 51.0 | 14.7 | 0.9 |
| Ross Stores Inc | ROST US | USD | 122.81 | 339,400.5 | 26.8 | 127.1 | 27.0 | 2.7 | 3.5 | 2.6 | 17.1 | 52.9 | 16.4 | 1.0 |
| Burlington Stores Inc | BURL US | USD | 261.55 | 134,319.9 | 35.4 | n.a. | 38.4 | 2.4 | 3.1 | 2.3 | 20.6 | n.a. | 19.8 | n.a. |
| Simple Average | | | | | 29.4 | 142.6 | 30.3 | 2.4 | 3.0 | 2.3 | 17.7 | 52.0 | 17.0 | 1.0 |
| Weighted Average | | | | | 27.4 | 129.5 | 27.5 | 2.3 | 2.9 | 2.2 | 16.5 | 45.4 | 15.8 | 0.8 |
| Simple Average | | | | | 35.8 | 67.6 | 27.3 | 4.6 | 3.6 | 2.9 | 60.1 | 95.4 | 20.4 | 1.3 |
| Weighted Average | | | | | 47.4 | 69.4 | 36.4 | 6.1 | 4.7 | 3.8 | 28.3 | 85.8 | 23.5 | 1.7 |

Source: Bloomberg, Guotai Junan International.

* These compaines' year end is 31 Mar. of each year, their figures represent FY2021/ FY2022/ FY2023

Financial Statements and Ratios

| Income Statement | | | | | |
|---|----------|----------|----------|----------|----------|
| Year end 31 Dec (RMB m) | 2018A | 2019A | 2020F | 2021F | 2022F |
| Total Revenue | 84,524 | 92,994 | 100,661 | 111,679 | 118,684 |
| Cost of revenues | (67,455) | (72,314) | (79,962) | (88,451) | (93,676) |
| Gross profit | 17,069 | 20,680 | 20,699 | 23,228 | 25,009 |
| Fulfillment expenses | (7,489) | (7,318) | (7,110) | (7,680) | (7,921) |
| Marketing expenses | (3,240) | (3,324) | (3,867) | (4,154) | (4,351) |
| Technology and content expenses | (2,001) | (1,568) | (1,376) | (1,492) | (1,618) |
| General and administrative expenses | (2,674) | (4,064) | (3,530) | (3,803) | (3,958) |
| Other Income | 757 | 645 | 789 | 867 | 905 |
| Operating Profit | 2,421 | 4,773 | 5,605 | 6,965 | 8,067 |
| (Loss) gain on revaluation of investments | 192 | 167 | 931 | 1,049 | 1,214 |
| Net interest income | 83 | 131 | 269 | 339 | 396 |
| Currency translation gain(loss) | 71 | (1) | (86) | (16) | (19) |
| Other non-operating income | (20) | (128) | (99) | (73) | (75) |
| Profit Before Tax | 2,747 | 4,943 | 6,620 | 8,263 | 9,584 |
| Income Tax | (567) | (984) | (1,192) | (1,492) | (1,734) |
| Share of loss of affiliates | (47) | 27 | 18 | 23 | 27 |
| Profit After Tax | 2,133 | 3,986 | 5,447 | 6,794 | 7,878 |
| Non-controlling Interest | (5) | 30 | 10 | 54 | 57 |
| Shareholders' Profit / Loss | 2,129 | 4,017 | 5,457 | 6,848 | 7,935 |
| Basic Earnings Per ADS | 3.219 | 6.017 | 8.069 | 9.996 | 11.434 |
| Diluted Earnings Per ADS | 3.039 | 5.904 | 7.863 | 9.674 | 10.989 |
| Non-GAAP EPADS | 4.111 | 7.509 | 8.549 | 10.230 | 11.495 |
| Weighted Avg. Basic Shares Out. | 661 | 668 | 676 | 685 | 694 |
| Weighted Avg. Diluted Shares Out. | 700 | 680 | 694 | 708 | 722 |

| Cash Flow Statement | | | | | |
|---------------------------------------|---------|---------|---------|---------|---------|
| Year end 31 Dec (RMB m) | 2018A | 2019A | 2020F | 2021F | 2022F |
| Operating Activities | | | | | |
| Net Income | 2,133 | 3,986 | 5,447 | 6,794 | 7,878 |
| Depreciation of PPE | 770 | 830 | 1,013 | 1,090 | 1,068 |
| Amortizations of other assets | 119 | 97 | 285 | 385 | 404 |
| Other non cash gain or loss | 1,115 | 2,355 | (59) | (143) | (293) |
| Working capital change | 1,608 | 5,021 | 2,565 | (1,856) | (840) |
| Cash from Operating Activities | 5,746 | 12,290 | 9,252 | 6,269 | 8,216 |
| Investing Activities | | | | | |
| Capital Expenditure | (3,594) | (4,278) | (5,323) | (3,424) | (3,042) |
| Investment | (2,913) | (4,126) | (2,818) | (1,234) | (1,199) |
| Proceed from disposals of PPE or inv. | 5 | 33 | 37 | 40 | 45 |
| Others | (192) | 129 | 133 | 137 | 141 |
| Cash from Investing Activities | (6,694) | (8,241) | (7,971) | (4,480) | (4,055) |
| Financing activities | | | | | |
| Proceeds from issuance of shares | 4 | 0 | 0 | 0 | 0 |
| Net borrowings | 628 | (6,236) | 1,342 | (279) | (446) |
| Others | (45) | (21) | 1,627 | 415 | 892 |
| Cash from Financing Activities | 587 | (6,257) | 2,969 | 136 | 446 |
| Foreign Exchange Rate Effect | 178 | (112) | 20 | 28 | (21) |
| Net Changes in Cash | (184) | (2,319) | 4,270 | 1,954 | 4,586 |
| Cash at Beg of Year | 10,222 | 10,038 | 7,719 | 11,989 | 13,943 |
| Cash at End of Year | 10,038 | 7,719 | 11,989 | 13,943 | 18,529 |

Source: the Company, Guotai Junan International.

| Balance Sheet | | | | | |
|--|--------|--------|--------|--------|--------|
| Year end 31 Dec (RMB m) | 2018A | 2019A | 2020F | 2021F | 2022F |
| Property and equipment, net | 8,531 | 11,257 | 13,621 | 15,255 | 16,476 |
| Deposits for PPE | 177 | 102 | 105 | 108 | 111 |
| Land use right | 3,886 | 5,541 | 6,261 | 6,575 | 6,903 |
| Intangible assets | 353 | 337 | 363 | 383 | 396 |
| Investment in affiliates | 667 | 3,113 | 2,802 | 2,521 | 2,269 |
| Other long-term assets | 396 | 608 | 669 | 736 | 809 |
| Goodwill | 367 | 237 | 379 | 384 | 390 |
| Deferred tax assets | 389 | 540 | 637 | 700 | 770 |
| Amounts due from related parties | 0 | 102 | 59 | 81 | 70 |
| Right-of-use assets | 0 | 1,716 | 1,200 | 1,458 | 1,329 |
| Other Assets | 1,471 | 2,003 | 3,164 | 3,481 | 3,829 |
| Total Non-current Assets | 16,237 | 25,555 | 29,259 | 31,682 | 33,353 |
| Cash & restricted cash | 10,038 | 7,719 | 11,989 | 13,943 | 18,529 |
| Held to maturity securities | 2,321 | 3,053 | 5,342 | 5,876 | 6,464 |
| Accounts receivables | 5,675 | 1,296 | 911 | 1,537 | 1,064 |
| Other receivables | 3,595 | 2,898 | 3,169 | 2,950 | 2,903 |
| Inventories | 5,368 | 7,708 | 6,751 | 5,851 | 5,955 |
| Loan receivable, net | 311 | 306 | 260 | 299 | 344 |
| Deferred tax assets | 0 | 0 | 0 | 0 | 0 |
| Amounts due from related parties | 17 | 48 | 384 | 403 | 423 |
| Total Current Assets | 27,326 | 23,028 | 28,806 | 30,859 | 35,682 |
| Total Assets | 43,563 | 48,583 | 58,065 | 62,541 | 69,036 |
| Accounts payable | 11,630 | 13,792 | 14,249 | 12,407 | 12,231 |
| Advance from customers | 1,473 | 1,233 | 1,800 | 1,382 | 1,805 |
| Accrued exp and other liabilities | 5,513 | 6,535 | 7,048 | 6,765 | 5,554 |
| Amounts due to related parties | 323 | 533 | 519 | 644 | 433 |
| Deferred income | 368 | 406 | 431 | 498 | 413 |
| Bank borrowing | 2,312 | 1,094 | 2,436 | 2,157 | 1,711 |
| Convertible senior notes | 4,327 | 0 | 0 | 0 | 0 |
| Operating lease liabilities | 0 | 333 | 367 | 403 | 444 |
| Total Current Liabilities | 25,946 | 23,926 | 26,850 | 24,256 | 22,591 |
| Long term loan | 0 | 65 | 271 | 240 | 190 |
| Deferred tax liabilities | 5 | 165 | 446 | 468 | 491 |
| Deferred income-non current | 401 | 782 | 978 | 1,026 | 1,078 |
| Convertible senior notes | 0 | 0 | 0 | 0 | 0 |
| Operating lease liabilities | 0 | 1,396 | 1,814 | 1,996 | 2,195 |
| Total Non-current Liabilities | 406 | 2,407 | 3,508 | 3,730 | 3,955 |
| Total Liabilities | 26,352 | 26,333 | 30,358 | 27,986 | 26,546 |
| Minority Interest | (51) | 423 | 433 | 487 | 544 |
| Total Shareholders' Equity | 17,262 | 21,827 | 27,274 | 34,068 | 41,946 |
| Total Equity | 17,211 | 22,250 | 27,707 | 34,555 | 42,490 |
| Total Liabilities & Shareholders' Equity | 43,563 | 48,583 | 58,065 | 62,541 | 69,036 |

| Financial Ratios | | | | | |
|------------------------------------|-------|-------|-------|-------|--------|
| | 2018A | 2019A | 2020F | 2021F | 2022F |
| Non GAAP Operating Profit (RMB mn) | 3,138 | 5,754 | 6,513 | 7,894 | 9,012 |
| Non GAAP EBITDA (RMB mn) | 4,028 | 6,682 | 7,811 | 9,369 | 10,484 |
| Non GAAP Net Profit (RMB mn) | 2,719 | 5,013 | 5,782 | 7,008 | 7,977 |
| Annual Active Users (mn) | 61 | 69 | 81 | 95 | 104 |

Company Rating Definition

The Benchmark: NASDAQ Composite Index

Time Horizon: 6 to 18 months

| Rating | | Definition |
|------------|----|---|
| Buy | 买入 | Relative Performance>15%; or the fundamental outlook of the company or sector is favorable. |
| Accumulate | 收集 | Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable. |
| Neutral | 中性 | Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral. |
| Reduce | 减持 | Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable. |
| Sell | 卖出 | Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable. |

Sector Rating Definition

The Benchmark: NASDAQ Composite Index

Time Horizon: 6 to 18 months

| Rating | | Definition |
|--------------|------|--|
| Outperform | 跑赢大市 | Relative Performance>5%; or the fundamental outlook of the sector is favorable. |
| Neutral | 中性 | Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral. |
| Underperform | 跑输大市 | Relative Performance<-5%; Or the fundamental outlook of the sector is unfavorable. |

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 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.
 Tel.: (852) 2509-9118 Fax: (852) 2509-7793
 Website: www.gtja.com.hk