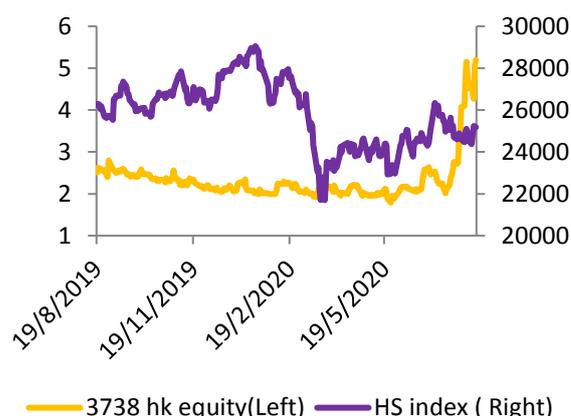


## Vobile Group Limited (3738.HK)

### Undervalued SaaS services provider



#### Key Data

2020E P/E (x)	80.9
2021E P/E(x)	32.6
2020E P/B (x)	5.8

Source: Bloomberg, CEBI estimates

#### Key performance (%)

1-month	+149.1
3-month	+160.1
Year to Date	+135.7

Source: Bloomberg

### CEBI Research

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(852)-2916-9631

**Vobile offers SaaS solutions to global firm studios.** Vobile, as a company that owns the largest market share in the global content protection industry, offers SaaS solutions to many of the world's largest film studios, TV studios, TV networks, and many other content owners to help them reduce infringement-induced revenue loss.

**Benefits from the growth in the global online video market.** The global online video market is experiencing an enormous growth. The size of global online video entertainment market is expected to lift from USD 54 billion in 2018 to USD 87 billion in 2021. Vobile's future plans could help content provider of short videos to benefit from the growth in the global online video market. In addition, the Company acquired Channel ID and Rights ID last year, which could transform the Company to leading content monetization platforms such as YouTube and Facebook, such that the Company can benefit from the growth in the global online video market.

**The popularization of DTC platform would be another catalyst.** The content protection SaaS industry benefits from the reform of DTC (a.k.a Direct to Consumer) platform. In the past, more and more consumers switch to online entertainment platform, leading to a gaining prevalence of Netflix, as well as an escalating demand for online content protection services. However, several film studios have launched their self-established DTC platform recently, leading to extra demand for content protection services.

**Investment in Foundation in the Greater Bay Area can boost the investors' confidence.** According to the notice dated 29 June 2020, the Company issue convertible bonds with a principal amount of HKD 100 million. After Acquisition, the Greater Bay Area Homeland Youth Community Foundation holds 8.15% of the shareholder rights. We expect the investment from the mainland investors can boost the overall investors' confidence in Mainland China.

**Initiated at Buy with a Target Price of HKD6.8.** We expect that the revenue of Vobile Group to reach USD 55.7 million in 2020 with a YoY growth of 197%. We also expect the Company can turn around this year and record net profit of USD 3.58 million. We expect the revenue in 2021 to reach USD 81.2 million with a YoY growth of 46% and profit to reach USD 8.89 million. We initiated at Buy with a Target Price of HKD 6.8, based on 28x EV/EBITDA, which is 30% discounts of peers, and also representing 42.8x 2021E PE and 4.7x 2021E PS ratio.

**Risk factors:** 1) High concentration in the U.S. market, 2) Inability to expand to the Chinese market, 3) The pressure for lower gross profit margin is higher than our expectation, 4) More fierce competition in the industry

	Revenue (USD '000)	YoY (%)	Net profit (USD '000)	YoY (%)	EPS (USD)	EPS YoY (%)	P/E	P/B	ROE (%)
2018	15,225	-3%	(2,502)	-2%	-0.006	-2%	-115.5	6.6	-5.7
2019	18,781	23%	(6,190)	147%	-0.014	147%	-46.8	8.2	-17.6
2020E	55,746	197%	3,582	-158%	0.008	-158%	80.9	5.7	7.0
2021E	81,244	46%	8,892	148%	0.020	148%	32.6	4.3	13.3
2022E	105,095	29%	14,222	60%	0.033	60%	20.4	3.3	16.3

Sources: company data, CEBI estimates

## 1) Company Information

### I) Business Model

Vobile is a leading provider of online video content protection services, which provides SaaS (a.k.a. Software as a Service) solutions for Global Film Studios, TV networks and other content owners. The Company ranked first in the world in terms of 2016 revenue with a worldwide market share of 7.5% in the global video content protection industry. Meanwhile, the Company has also started the video content distribution business.

The SaaS business that Vobile offers can be categorized in two parts, Subscription-based SaaS business and Transaction-based business.

#### **Subscription-based SaaS business**

The Company's Subscription-based SaaS business comprises

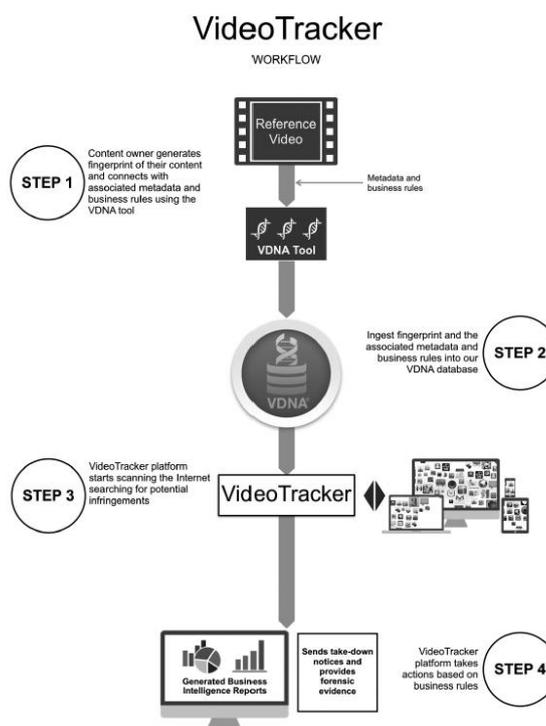
- 1) Content Protection,
- 2) Content Measurement and
- 3) Channel ID. We would introduce each of these products accordingly.

#### **1) Content Protection Platform, including VideoTracker and MediaWise**

VideoTracker is the Company's principal content protection platform, which is based on the Company's VDNA technology, a proprietary digital fingerprinting technology that extracts the key characteristics of a piece of content that is used for identifying the content. Through VideoTracker, the Company monitor all sharing sites, including UGC (a.k.a User Generated Content), P2P (a.k.a. Peer-to-Peer Protocols), search engines, cyber locker, hybrid, linking sites and live streaming. The Company identifies unauthorized use of the firm and TV content which belong to the copyright owners and sends DMCA notifications and accelerating the takedown process and disabling access to potentially infringing contents.

MediaWise is a content identification and filtering product that allows online videos sites to identify and filter user-uploaded videos against the Company's VDNA database and provides copyright information of the uploaded videos for the online video sites to determine whether to publish or block the content.

Figure 1: Workflow of VideoTracker



Source: Company, CEBI

### 1) Content Measurement

TV Ad Tracking and Analysis and mSync Content Measurement Platforms is a market intelligence product that tracks TV commercials, movie trailers, show promos, infomercials and brand logos across broadcast and cable TV networks to help brands validate that their content runs as planned. The mSync platform the an automatic content recognition product that creates second-screen applications on mobile devices and interactive TV programmes for broadcasters and content owners to increase audience engagement and viewership.

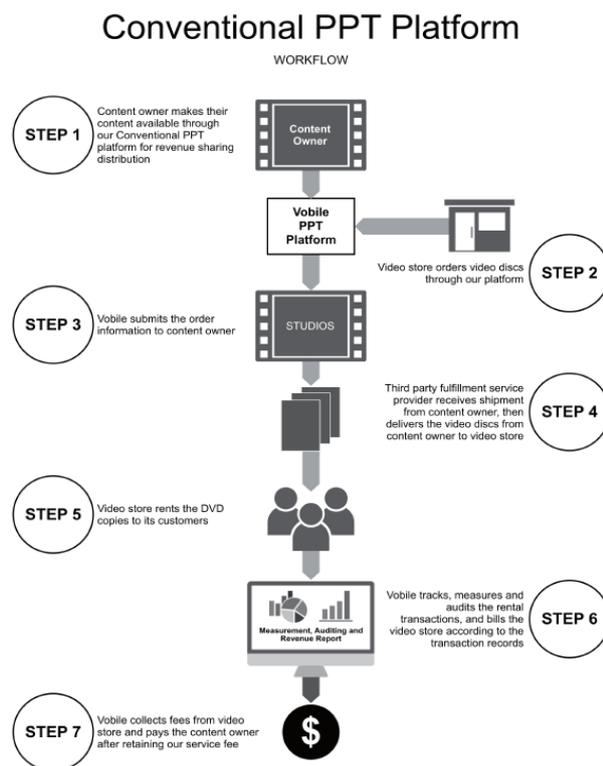
### Transaction-Based SaaS business

The Transaction-Based SaaS products are content monetization platforms comprising 1) Conventional PPT (a.k.a. Pay Per Transaction) Content Monetization Platform, 2) Online PPT Content Monetization Platforms, 3) advertising video-on-demand and Rights ID Content Monetization Platform.

#### 1) Conventional PPT Content Monetization Platform

It facilitates the distribution of physical home video content for the Company's film studio and TV network customers using a Revenue-Sharing Model. The Company negotiates distribution rights and revenue-sharing terms with film studios and TV networks, and offers software solutions for transactional data measurement and auditing that enable efficient distribution of the Company's content owner customers' content to hundreds of individual video stores on a revenue-sharing basis. Nevertheless, the Conventional PPT Content Monetization business has been declining with the increasing popularity of online videos.

Figure 2: Workflow of Conventional PPT platform



Source: Company, CEBI

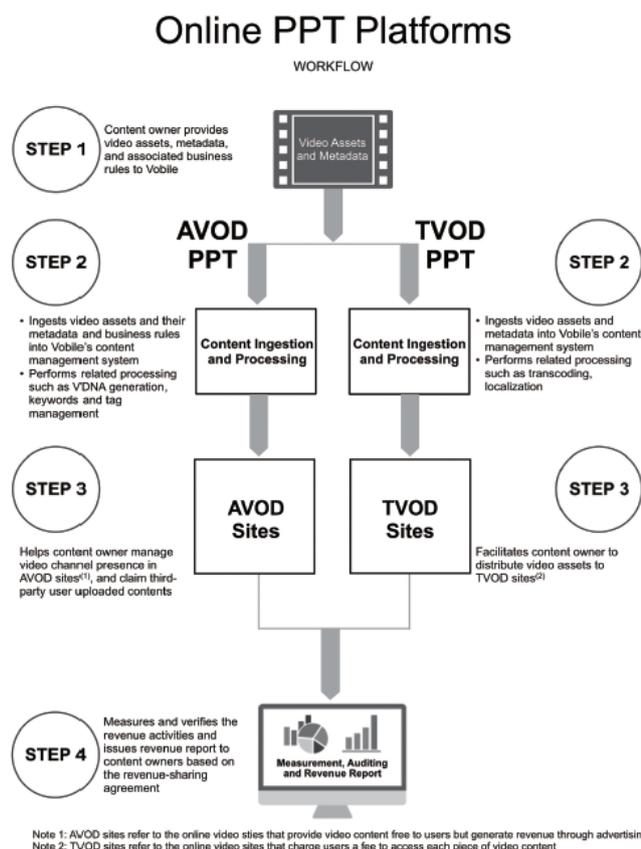
## 2) Online PPT Content Monetization Platforms

The Company's Online PPT Content Monetization Platforms comprise 1) AVOD PPT platform, 2) TVOD PPT platform.

AVOD PPT platform, also known as ReClaim, enables the Company's customers to monetize their content through online video sites that provide content to consumers for free but generate revenue on an advertising-based model. The Company negotiates content claiming rights and advertising revenue-sharing terms with content owners that distribute video content on online video sites such as YouTube, Facebook etc.

Meanwhile, the Company introduced a second Online PPT platform, the TVOD PPT platform, which enables the Company's content owner customers to monetize their content via the Revenue-Sharing Model on online video sites that charge consumers a transaction fee to stream or download each piece of video content. The TVOD PPT platform provides a third-party solution for transactional data measurement and auditing to facilitate revenue report under the Revenue-Sharing Model.

Figure 3: Workflow of Online PPT platforms



Source: Company, CEBI

### 3) Content Management & Monetization

The Company acquired the Rights ID and Channel ID business in 2019, boosting the capability of content management and monetization through online means. The technology that Rights ID and Channel ID use is complementary to the Company's existing VDNA technology. According to the Company, the technology that Channel ID and Rights ID use provides semantic-search based content identification to identify and contextualize semantics within video metadata from the acquisition. With the aforementioned products, the Company can be transformed to leading content monetization platforms such as YouTube and Facebook immediately. In the meantime, the Company's business scale and scope can be expanded while enlarging the source of income and customer base. Besides, the infringement-induced revenue loss can be reduced and the growth of online distribution revenue can be escalated.

#### Channel ID Product

Channel ID helps the Company's clients manage their branded channels on YouTube, generating consistent revenue from the video contents. Channel ID also provides data analysis and optimization strategies to expand the reach of the channel and better connect with its viewers and fans.

### **Rights ID Product**

Rights ID products operate on behalf of the content owners in the largest video and social media platforms, such as YouTube, Facebook, Instagram and SoundCloud. Right ID offers a comprehensive rights management system that identifies, prioritizes and maximizes video monetization on social media platforms for media entertainment companies. The innovative platform of the Rights products boosts the content owners' effectiveness in controlling the contents, including a comprehensive content monetization and tremendous incremental revenue, and eventually achieving maximization in intellectual property value. The Company is the only independent rights management provider that operates in collaboration and compliance with YouTube, Facebook, Instagram and SoundCloud.

### **I) Revenue Model**

**Subscription-Based Model.** The Company charges a relative fixed amount of service fees per month for the software services that the Company provides to their customers. For VideoTracker content protection platform, the Company normally enters into agreements with the content owner customers, including some of the film studio customers, for a period of time. The term is generally one year, but ranges from six months to five years.

**Transaction-Based Model.** In general, the Company charge the customers a specific percentage of the revenue generated from the service provided. For the Conventional PPT platform, the Company typically enters into periodic agreements with the content owner customers. The term generally ranges from one year to two years. The pricing includes the revenue-sharing terms for the transactions, the order processing fee and the end of term ownership transfer fee. Revenue is recognized from the processing fees for each of the DVD units shipped, and the end-of-term (end-of-lease) fee on each DVD unit shipped to a video store. As for Online PPT platforms,

Rights ID Products generate revenue from 2 approaches, the revenue-sharing model and the fee approach. 1) From the revenue-sharing model, the Company derived income from a specific proportion of the revenue generated from the infringement monitoring technology and services provided, which is based on the advertisement revenue induced in the social media from the content owner customers' IP. 2) From the fee approach, the customer pays a fixed or variable fee for the infringement monitoring solution and services.

Channel ID helps the Company's clients manage their branded channels on YouTube. Channel ID also provides data analysis and optimization strategies to expand the reach of the channel and better connect with its viewers and fans.

## 2) Industry Trend

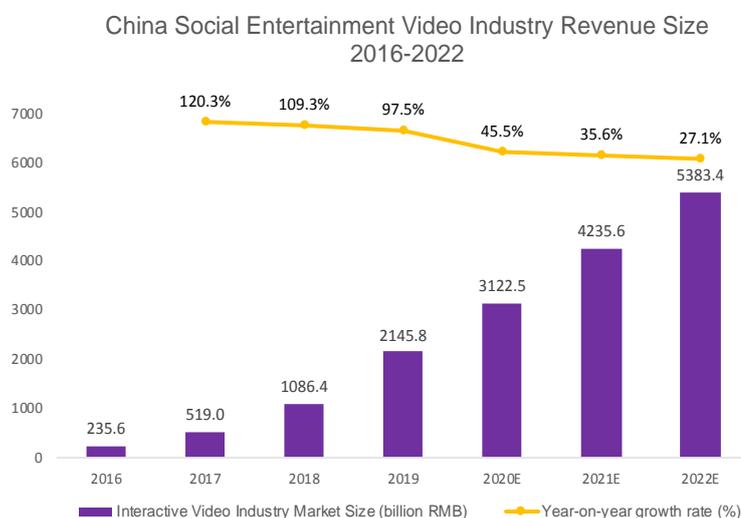
### 1) Rapid growth in the global video entertainment market

According to the Company, the size of the global video entertainment market is expected to escalate from USD 570 billion in 2018 to USD 633 billion in 2021. The size of global online video entertainment market is expected to lift from USD 54 billion in 2018 to USD 87 billion in 2021.

### 2) Development of the Chinese social entertainment video industry

The rapid growth of the social entertainment video industry persists and experienced an annual exponential growth from 2016 to 2019. Despite the growth is expected to flatten in the future, the market size of the social entertainment video industry is expected to reach 540 billion. Apart from the rapid growth in the social entertainment video industry, the source of income has been volatile. The revenue from advertisement and e-Commerce platform has been increasing since 2019 while the revenue of short video has been replacing entertainment live streaming as the primary source of income.

**Figure 4: Revenue of the Chinese social entertainment video industry from 2016 to 2022**

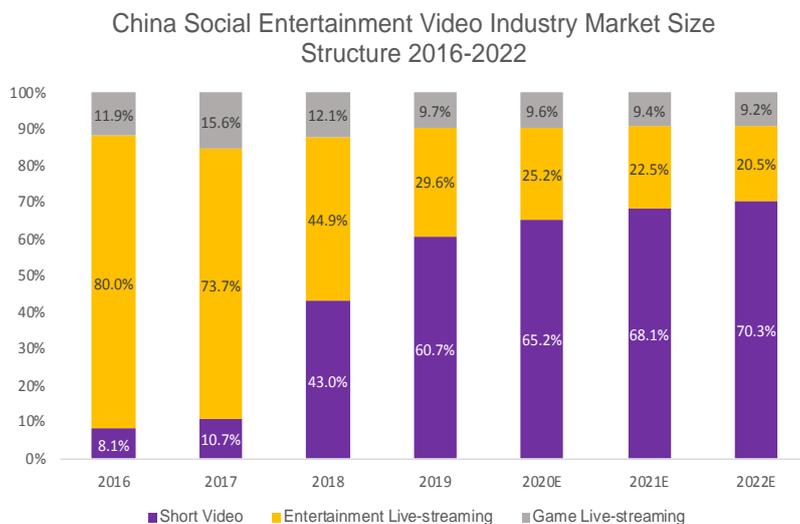


Source: iResearch, CEBI

### Social Entertainment Video Industry Structure

Although the social entertainment video industry is growing rapidly, the mix is changing. Benefit from the huge increase in advertising revenue and e-commerce platform revenue, short film revenue has officially replaced entertainment live streaming as the main source of revenue since 2019.

**Figure 5: Market Structure of the Chinese social entertainment video industry from 2016 to 2022**

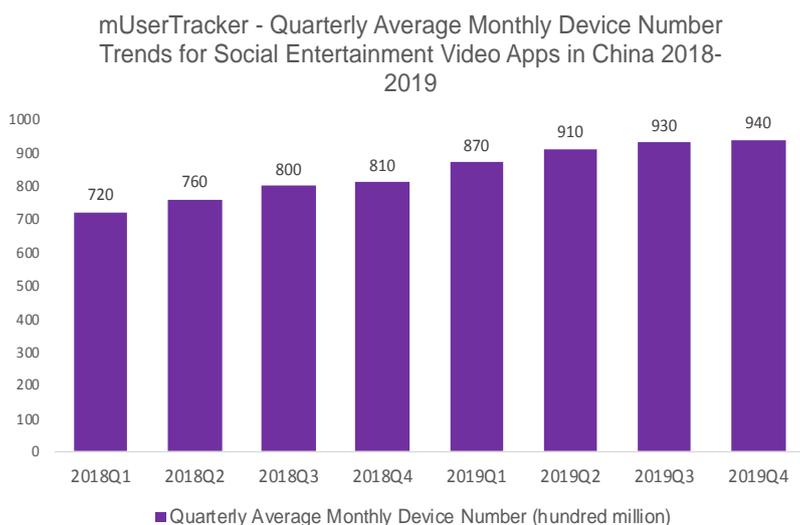


Source: iResearch, CEBI

### User Scale of Social Entertainment Video Industry

The Chinese social entertainment applications have been accounted for two-third of the total monthly unique devices in 2019Q4, which is 940 million, while the upward trend has been persisting, indicating that social entertainment video has become the primary leisure and entertainment for the majority of people.

**Figure 6: Average monthly unique devices trend of Chinese social entertainment applications from 2018 to 2019 (mUserTracker)**

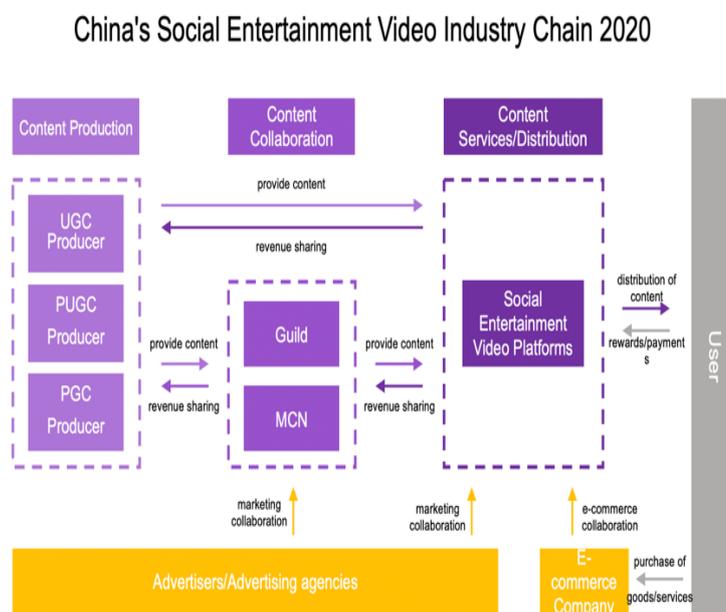


Source: iResearch, CEBI

### Industry chain and Core industry analysis

The social entertainment video industry has been developed to a relative mature industry chain from video production to video-playing platform. There is a clear division of work and sharing of interests among each stage, including live streaming, short video and other mixed modes. The structure of the industry chain is primarily composed of producers, video-playing platform and users.

**Figure 7: Industry Chain of the Chinese social entertainment videos in 2020**



Source: iResearch, CEBI

### Content Collaboration Model Analysis in the industry

While collaborating with the video-playing platform, content creators primarily select either to provide the content to the platform or distribute to the platform via institutes or MCN (a.k.a. Multi-Channel Networks). Collaborating with the distribution platform is relatively direct. In this case, producers would provide the final product of the contents to the platform while the platform would engage in a revenue-sharing process with the producers, taking the number of views, popularity and the revenue. This collaboration mode occurs recursively.

### Business model analysis

Since the industry become more and more mature, the general users are more willing to incur expenditure on social entertainment video platforms. The primarily source of income comes from customer fees and advertising revenue. Besides, the platform also starts initiatives to engage in different advertisement model, utilize live streaming and short videos for promoting eCommerce platforms etc.

The products in the social entertainment video market can be divided into live streaming and short videos in general, which have a distinctive business model associated. User fee is commonly found in live streaming platform. Platforms which hosts interact with the audiences can attract existing users to donate money easier under

the mainstream money-donation-oriented business on these platforms.

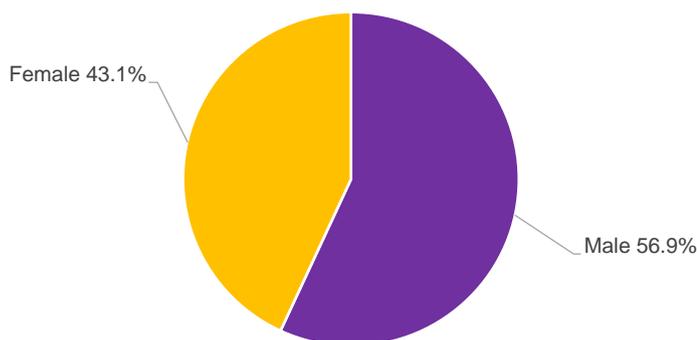
Meanwhile, the short video platform attracts different advertisers via advertisement in the videos, product placement or new feed advertisement based on the users' browsing contents. Short videos can often target a specific group of customers by using news feed advertisement, which attracts more news feed advertisement to the short video platform.

### User Attitude and Characteristics

According to the users' research data, male accounted for the majority of the users in the Chinese social entertainment video platform for 56.9%. The majority of the users come from first-tier and second-tier cities while users from third-tier and others accounted for only 28%.

**Figure 8. Gender Distribution of Chinese social entertainment video users in 2019**

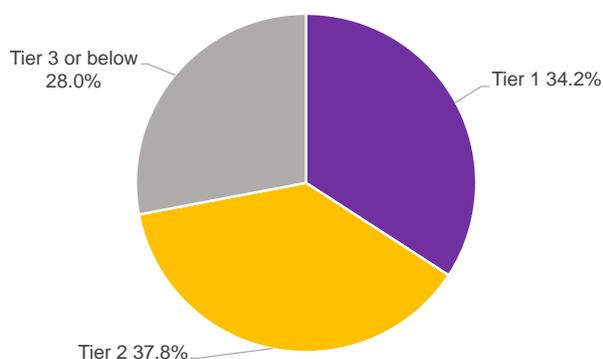
Distribution of Social Entertainment Video Users in China by Gender in 2019



Source: iResearch, CEBI

**Figure 9: Geographical Distribution of Chinese social entertainment video users in 2019**

Distribution of Social Entertainment Video Users in China by City Tier in 2019



Source: iResearch, CEBI

### User Habits and Frequency of use

The majority of the social entertainment video users have never watched live streaming or short videos spent 40 minutes to 2 hours in the platform. Since the duration of live streaming and short videos is different, live streaming audiences spent much time on the platform. Most live streaming audiences spent 1 to 2 hours per day while short video users spent 30 minutes to 1 hour in the platform.

**Fig.10: Daily time spent on Chinese social entertainment video users in 2019**

Distribution of Daily Hours Watched by Social Entertainment Video Users in China in 2019

Options	Live streaming users	Short video users
Over 2 hours	18.4%	14.0%
1-2 hours	33.7%	26.8%
30 minutes – 1 hour	32.3%	33.6%
10-30 minutes	10.1%	17.7%
Less than 10 minutes	1.8%	2.2%
"it depends"	3.8%	5.7%

Source: iResearch, CEBI

### 3) Investment Highlights

- 1) Vobile is the largest provider of online video content protection services, which has experienced exponential growth after 2 acquisition events and is still expanding in the global online video market.**

Vobile, as a company that owns the largest market share in the global content protection industry, offers SaaS solutions to many of the world's largest film studios, TV studios, TV networks, and many other content owners to help them reduce infringement-induced revenue loss.

The Company has engaged in 2 acquisition events since listing, including acquisition of IP-Echelon in 2018, which has been integrated successfully into the Company's content protection business. Meanwhile, the Company has also completed a very substantial acquisition of Rights ID and Channel ID businesses from ZFER, Inc. in Los Angeles, California. The Company can enlarge the scope of the service provided, expand the customer base and facilitate the Company's content protection business after the 2 acquisition, for the sake to consolidate the leading position in the digital video content

protection market and establish the Group as the market-leading content monetization platform.

According to the data, the majority of the users come from social media with

YouTube. As of September 2019, the MAU (a.k.a. Monthly Active Users) of YouTube reached 2 billion while the DAU (a.k.a Daily Active Users) of YouTube reached 30 million. As for content, YouTube has over 31 million channels and more than 1 billion hours of content watched every day. As for Revenue Sharing, the Advertisement Revenue reaches USD 15 billion in 2019.

Facebook. As of January 2020, the DAU (a.k.a. Daily Active Users) of Facebook reached 1.6 billion. The Advertisement Revenue reaches USD 68.935 billion.

Instagram. As of January 2020, the MAU (a.k.a. Monthly Active Users) of Instagram reached 1 billion while the DAU (a.k.a. Daily Active Users) of Instagram reached 500 million. The Advertisement Revenue reaches USD 20 billion in 2019.

We believe that the Company's content monetization business is still at its growing stage and the future will still be a Blue Ocean.

## **2) The popularization of DTC platform would be another catalyst for the Company's growth**

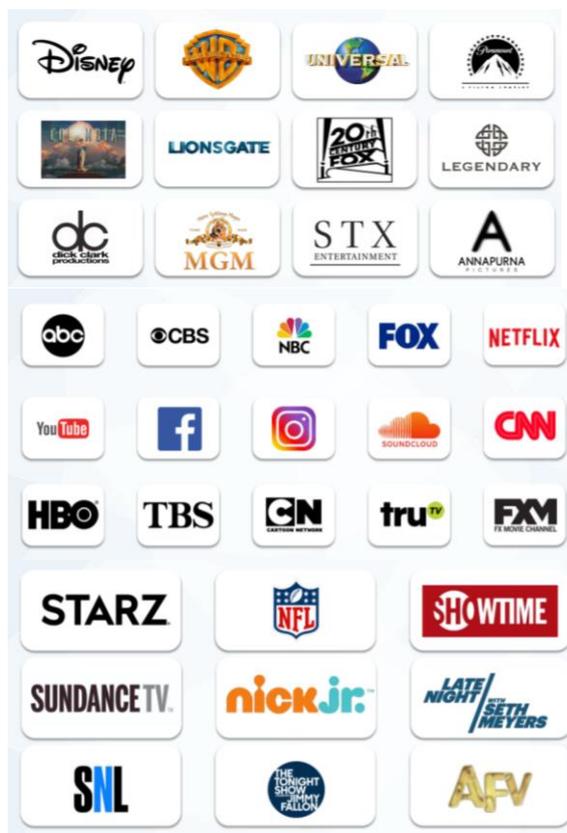
Meanwhile, the popularization of DTC platform could be another catalyst for the Company's growth. The content protection SaaS industry benefits from the reform of DTC (a.k.a Direct to Consumer) platform. In the past, more and more consumers switch to online entertainment platform, leading to a gaining prevalence of Netflix, as well as an escalating demand for online content protection services. However, several film studios have launched their self-established DTC platform recently and terminated the collaboration with convergence service provider such as Netflix, ranging from retracting the authorized use of contents from these content converging platforms to providing the DTC services on their own. The film studios involved include Disney, ESPN+, HUUU, WARNMER MEDIA, HBONOW etc.

To offer differentiated services to different customers, Several DTC platforms invested USD several billions to create their own original contents, such as Netflix spent USD 6 billion to create original video contents. Apple TV+ reserved approximately USD 6 billion on creating annual original contents. Disney will increase the budget of creating original content to USD 2.5 billion in 2020. HBO Max also invests in a similar scale as Disney+. DTC and online video market under the post-pandemic era can significantly shorten the window period. DTC services spent a large amount on participating in shares, leading to the total investment amount of original content production increase sharply, thus DTC service providers are required to invest tremendous resources on content protection.

## **3) Owns a group of reputational customers**

The clients can be categorized into 2 groups. The first group is global film studios, TV networks and content owners. The Company's list of key clients is summarized as follows.

Figure 11: The Company's client list



Source: Company, CEBI

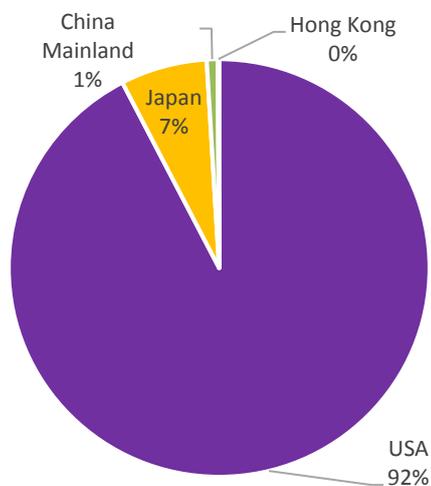
In the meantime, the Company keeps expanding the customer base. In February 2020, the Company signed a content service agreement with Lionsgate, and monetized more than 500 films with box office of more than USD 8 billion on video platform through AVOD mode. Lionsgate is a global content leader whose films, television series, digital products and linear and OTT (a.k.a. Over-the-Top) platforms reach next generation audiences around the world. Besides, the Company signed a content service agreement with Universal Pictures, monetizing more than 3000 films on video platforms through AVOD model.

Other than that, the Company is the only independent rights management provider that operates in collaboration and compliance with YouTube, Facebook, Instagram and SoundCloud. We believe that the Company's enormous customer base would boost the business growth in the future.

#### 4) Proactively expanding to the Chinese market in the future

In fact, the Company's revenue comes from the overseas market primarily. The American market accounts for 90% of the overall revenue. The Chinese market only accounts for 1%. Despite the Chinese market accounts for less revenue, there are different social media platforms in China recently. The Company has entered into collaboration agreement in the TVOD business with Alibaba, iQiyi and Wasu. We expect the rooms for revenue growth in this segment is larger.

Figure 12: Geographical Distribution of the Company's Revenue in 2019



Source: Company, CEBI

**5) Investment in Foundation in the Greater Bay Area can boost the investors' confidence in Mainland China**

According to the notice dated 29 June 2020, the Company issue convertible bonds with a principal amount of HKD 100 million. The investor is the Greater Bay Area Homeland Youth Community Foundation. The foundation is jointly established by several international and sizable industry institutions, financial institutions and New Economy enterprises. The foundation business includes venture capital, private equity investment, investment in listed companies and Mergers and Acquisition. After Acquisition, the Greater Bay Area Homeland Youth Community Foundation holds 8.15% of the shareholder rights. We expect the investment from the mainland investors can boost the overall investors' confidence in Mainland China.

#### 4) Financial analysis

Revenue of Vobile Group in 2019 mainly comes from 2 segment. In 2019, Subscription-based SaaS accounted for 34% of total revenue while transaction-based SaaS accounted for 66% of total revenue.

To sum up, revenue of Vobile Group in 2019 was USD18.8 million, rose by 23% YoY. However, the Company recorded USD 6.2million losses.

Fig.13: Vobile Group's revenue contribution in 2018

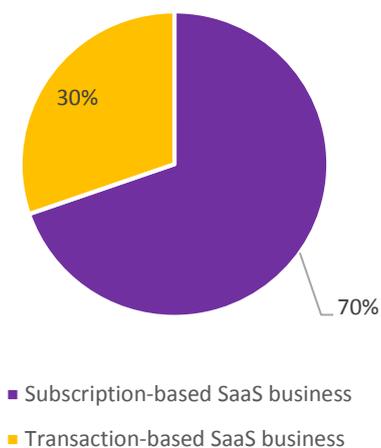
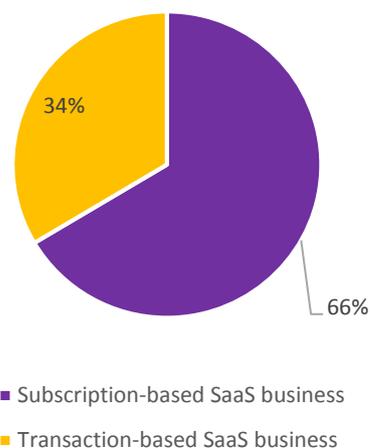


Fig.14: Vobile Group's revenue contribution in 2019

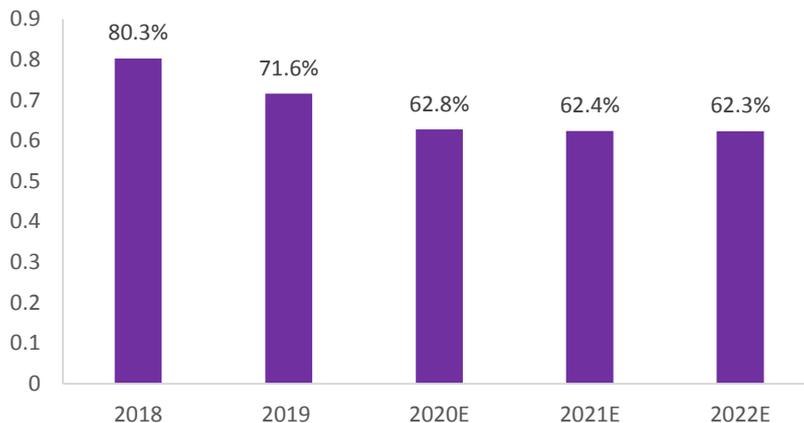


Source: company data, CEBI

### GPM is expected to decline

GPM of subscription-based SaaS business is higher than that of transaction-based SaaS business. As we expect transaction-based SaaS business will see a faster growth, the overall GPM of Vobile Group will decline steadily.

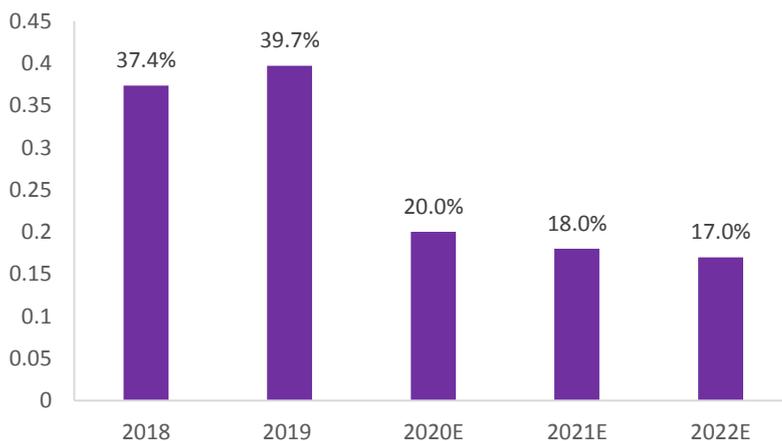
**Fig.15: Trend of Vobile Group's GPM during 2018-2022E**



Source: Company data, CEBI

### Selling expenses analysis

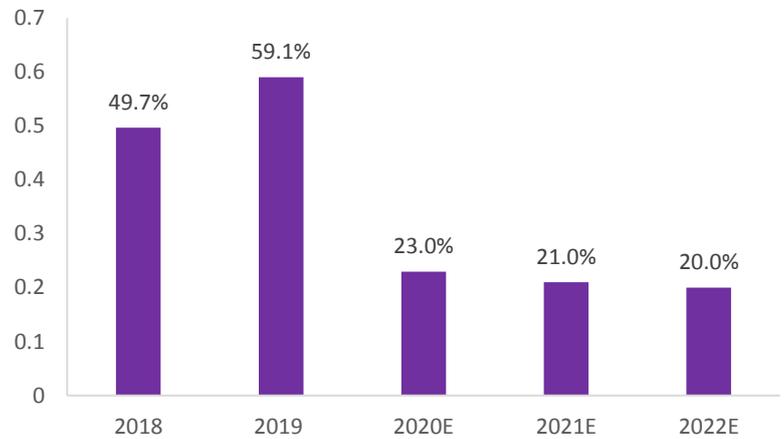
**Fig.16: Trend of Vobile Group's selling expenses to income ratio during 2018-2022E**



Source: Company data, CEBI

### Administrative expenses analysis

**Fig.17: Trend of Vobile Group's administrative expenses to income ratio during 2018- 2022E**



Source: Company data, CEBI

### Research expenses analysis

**Fig.18: Trend of Vobile Group's research expenses to income ratio during 2018-2022E**



Source: Company data, CEBI

## 5) Earnings estimation

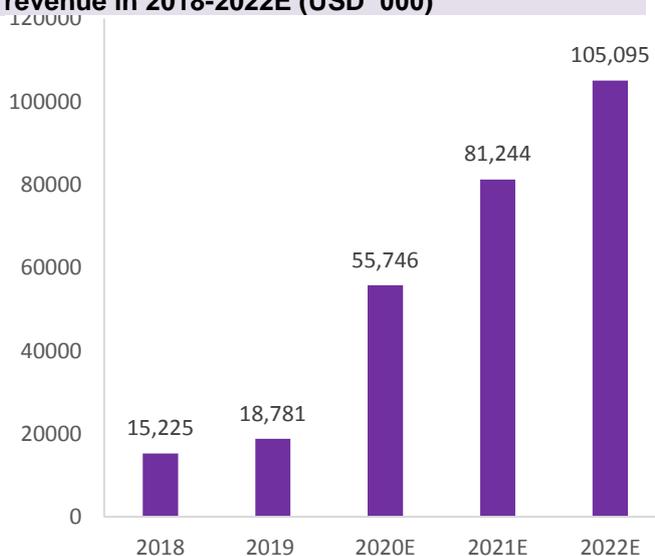
We expect Vobile Group's revenue to see a CAGR of 53.8% during 2019-2022. Meanwhile, we expect that the revenue of Vobile Group to reach USD 55.7 million in 2020 with a YoY growth of 197%. We also expect the Company can turn around this year and record net profit of USD 3.58 million. We expect the revenue in 2021 to reach USD 81.2 million with a YoY growth of 46% and profits to reach USD 8.89 million.

**Fig.19: Vobile Group's key earning forecast assumption**

Key Assumption	2018	2019	2020E	2021E	2022E
Revenue growth assumption (YoY)					
Subscription-based SaaS business	8.0%	17.6%	38.9%	38.1%	28.3%
Transaction-based SaaS business	-21.0%	36.5%	509.8%	49.2%	29.8%
Overall Revenue	-2.8%	23.4%	196.8%	45.7%	29.4%
Other ratio (%)					
GPM	80.3%	71.6%	62.8%	62.4%	62.3%
Selling expenses to revenue ratio	37.4%	39.7%	20.0%	18.0%	17.0%
Administrative expenses to revenue (%)	49.7%	59.1%	23.0%	21.0%	20.0%
Other income to income ratio (%)	1.7%	1.7%	1.7%	1.7%	1.7%
effective tax rate	0.9%	23.2%	28.0%	28.0%	28.0%

Source: Company data, CEBI estimate

**Fig.20: Vobile Group's projected revenue in 2018-2022E (USD '000)**



Source: Company data, CEBI estimate

**Fig.21: Vobile Group's projected profit in 2018-2022E (USD '000)**



## 6) Valuation

### Relative comparison

Vobile Group comparable peers are currently trading at approximately 60x 2021E P/E ratio, 40x 2021E EV/EBITDA ratio and 6.1x 2021E P/S ratio.

By using a relative valuation model, we initiated at Buy rating, with a TP of \$6.8, based on 28x 2021E EV/EBITDA, which is 30% discounts on the Company's peers. Our target price also represents 42.8x 2021E P/E ratio and 4.7x 2021E P/S ratio (USD/ HK\$ =7.8).

Fig.22: Comparable table (Data as of 14 Aug, 2020)

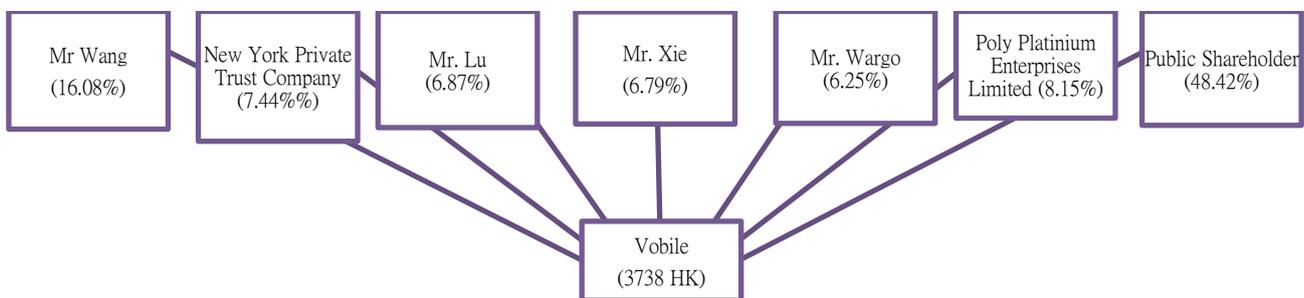
Ticker	Company Name	Price (HKD)	P/E ratio			P/B ratio			EV/EBITDA			P/S ratio			Market Cap (HKD m)
			2019	2020E	2021E	2019	2020E	2021E	2019	2020E	2021E	2019	2020E	2021E	
HK listed SaaS companies															
268 hk equity	KINGDEE INTERNATIONAL SFTWR	18.9	147.21	228.75	151.14	9.39	8.95	8.59	60.27	97.35	77.29	16.50	15.45	12.77	62,969.3
3888 hk equity	KINGSOFT CORP LTD	37.8	-	93.01	53.23	3.26	2.96	2.78	59.71	19.81	17.11	6.30	8.57	7.26	51,889.1
2013 hk equity	WEIMOB INC	10.7	63.89	354.93	106.48	10.87	10.42	8.91	166.26	161.85	71.49	13.65	10.49	7.46	24,115.9
8083 hk equity	CHINA YOUZAN LTD	1.6	-	-	-	5.37	-	-	-	-	-	15.10	12.81	7.87	27,589.9
9923 hk equity	YEAHKA LTD	55.6	-	35.24	35.75	-	10.14	9.59	-	35.61	26.18	-	7.34	5.70	23,697.0
1806 hk equity	HUIFU PAYMENT LTD	3.1	13.50	13.88	9.57	1.68	1.36	1.20	4.29	-	-	0.93	0.89	0.70	4,034.6
1753 hk equity	DUJIBA GROUP LTD	3.37	-	8.31	6.07	2.45	0.33	0.28	-7.86	8.47	6.16	1.67	1.66	1.29	3,630.6
Average			74.86	122.35	60.37	5.50	5.69	5.23	56.54	64.62	39.65	9.02	8.17	6.15	28,275.2

Source: Bloomberg, CEBI

## 6) Risk factor

- 1) High concentration in the U.S. market
- 2) Inability to expand to the Chinese market
- 3) The pressure for lower gross profit margin is higher than our expectation
- 4) More fierce competition in the industry

## 7) Shareholder background



Source: Company data, CEBI

# Company Research

18-8-2020

Figure 23: Financial information

Income Statement						Balance Sheet					
For the year ended 31 December	2018	2019	2020E	2021E	2022E	For the year ended 31 December	2018	2019	2020E	2021E	2022E
<b>(USD Thousands)</b>						<b>(USD Thousands)</b>					
Revenue	15,225	18,781	55,746	81,244	105,095	Trade receivables	8,156	13,743	25,964	35,614	43,190
YoY	-3%	23%	197%	46%	29%	other receivables and prepayments	2,556	4,080	7,636	11,129	14,397
Cost of sales	(3,001)	(5,329)	(20,752)	(30,576)	(39,613)	Cash and cash equivalents	17,641	4,825	23,370	46,277	77,148
Gross profits	12,224	13,452	34,994	50,668	65,481	Total current asset	28,733	23,003	56,970	93,020	134,734
GPM (%)	80	72	63	62	62	Right-of-use assets	598	378	721	884	1,094
Selling expenses	(5,687)	(7,456)	(11,149)	(14,624)	(17,866)	Property, plant and equipment	0	1,017	1,017	1,017	1,017
Administrative expenses	(7,563)	(11,093)	(13,936)	(17,874)	(21,019)	Intangible assets	13,622	78,921	78,921	78,921	78,921
Other income	262	328	948	1,381	1,787	Deferred tax asset	5,340	8,350	8,350	8,350	8,350
Other expenses	0	0	0	0	0	Restricted bank balances	167	37	37	37	37
Operating profits	(2,524)	(7,412)	6,533	14,063	21,808	Non-current assets	22,103	92,968	97,408	98,958	99,929
Operating profits margin	(17)	(39)	12	17	21	Total assets	50,836	115,971	154,378	191,978	234,663
Net impairment losses on financial assets	0.0	(649.0)	(1,557.6)	(1,713.4)	(2,056.0)	Other payables	2,618	5,695	14,213	19,267	22,791
Pre-tax income	(2,524)	(8,061)	4,975	12,350	19,752	Borrowings	0	1,500	3,000	3,600	4,320
Finance cost	22	1,871	(1,393)	(3,458)	(5,531)	Current liabilities	7,003	14,254	28,200	38,698	47,399
Effective tax rate (%)	0.9	23.2	28.0	28.0	28.0	Borrowings	0	48,500	57,000	68,400	82,080
Net profits	(2,502)	(6,190)	3,582	8,892	14,222	Other non-current liabilities	0	17,860	17,860	17,860	17,860
YoY (%)	98171.8%	147.4%	-157.9%	148.2%	59.9%	Rental liabilities	0	240	240	240	240
						Non-current liabilities	0	66,600	75,100	86,500	100,180
<b>For the year ended 31 December</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>	Total equity	43,833	35,117	51,078	66,780	87,083
<b>(USD Thousands)</b>						Total equity & debt	50,836	115,971	154,378	191,978	234,663
Pretax-income	(2,524)	(8,061)	4,975	12,350	19,752	<b>For the year ended 31 December</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
Depreciation and amortization	262	308	364	445	550	EBITDA margin (%)	(14.9)	(37.8)	12.4	17.9	21.3
Others	(2,016)	(822)	(2,436)	(4,588)	(5,978)	EBIT margin (%)	(16.6)	(39.5)	11.7	17.3	20.8
<b>Net cash from operating activities</b>	<b>(4,278)</b>	<b>(8,575)</b>	<b>2,903</b>	<b>8,207</b>	<b>14,324</b>	Net profits margin (%)	(16.4)	(33.0)	6.4	10.9	13.5
Capex	(446)	(33)	(111)	(162)	(210)	Return on assets (%)	(6.6)	(7.4)	2.6	5.1	6.7
Others	(5,000)	(30,000)	0	0	0	Return on equity (%)	(5.7)	(17.6)	7.0	13.3	16.3
<b>Net cash from investing activities</b>	<b>(10,773)</b>	<b>(30,604)</b>	<b>(111)</b>	<b>(162)</b>	<b>(210)</b>	Debt ratio (%)	-	43.1	38.9	37.5	36.8
Dividend	0	0	0	0	0						
Debt increase	0	30,000	10,000	12,000	14,400						
Equity increase	27,226	0	0	0	0						
Others	0	(964)	(321)	(428)	(571)						
<b>Net cash from financing activities</b>	<b>27,226</b>	<b>26,478</b>	<b>15,869</b>	<b>14,978</b>	<b>16,872</b>						
Change in cash	11,610	(12,816)	18,545	22,907	30,871						
Cash at the beginning of the year	6,031	17,641	4,825	23,370	46,277						
Cash at the end of the year	17,641	4,825	23,370	46,277	77,148						

Source: Company data, CEBI estimates

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<b>Buy</b>	<b>Expected return 10 % over the next twelve month</b>
<b>Hold</b>	<b>Expected return between -10% and 10% over the next twelve month</b>
<b>Sell</b>	<b>Expected return -10 % over the next twelve month</b>

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