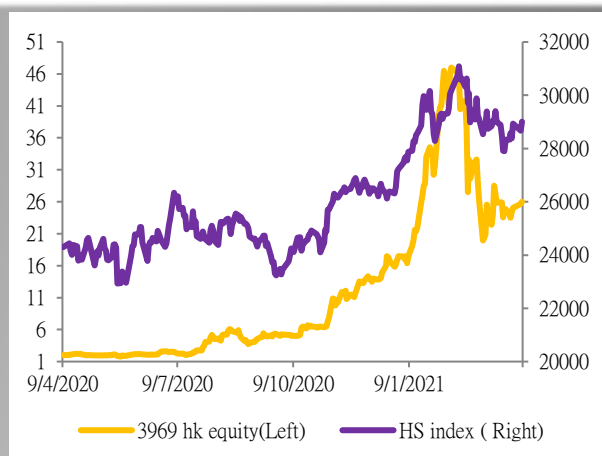


Vobile Group Limited (3738.HK)

Stronger-than-expected mainland business; Raised TP to HK\$34



Key Data

2021E P/E (x)	106.2
2022E P/E(x)	71.2
2022E P/B (x)	10.1

Source: Bloomberg, CEBI estimates

Key performance (%)

1-month	29.2
3-month	50.3
Year to Date	50.3

Source: Bloomberg

CEBI Research

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Revenue in 2020 increased 133.6% YoY. Vobile Group announced its 2020 results on March 31. Revenue of the company increased by 133.6% YoY to USD 43.9 million. Gross profit was approximately USD 21.3 million with an increase of around USD 7.8 million as compared to approximately USD 13.5 million in 2019. The profit attributable to the owners of the company was USD 10.5 million, as compared to approximately USD 6.2 million loss in 2019.

Revenue of SaaS business increased by 378.6% YoY. The company mainly uses the SaaS business model to deliver products and services. The subscription-based SaaS business generated USD 13.73 million in revenue for last year, with a YoY increase of 10%. Transaction-based SaaS business revenue was USD 30.146 million, with a YoY increase of 378.6%.

The company entered into strategic cooperation agreements with three leading industry participants. 1) Entered into a business cooperation agreement with Ant Group Co., Ltd. The company will be the online video and audio content protection technology supplier for a digital copyright service platform operated by AntChain and will provide online copyright management and monetization services for the platform overseas. 2) Entered into a new media copyright management and monetization services agreement with Wasu Media Networks Co., Ltd., 3) Entered into a strategic business collaboration agreement with Guangdong Advertising Group Co., Ltd.

Announced a business cooperation agreement with E-Surfing Media. On April 7, the company signed a business collaboration agreement with E-Surfing Media to establish a copyright protection and transaction platform as well as to provide video content copyright distribution via revenue sharing model. E-Surfing Media is the only online video operation platform of China Telecom, and this cooperation reflects the company is accelerating the business development in Mainland China.

Raised Target Price to HKD34; Maintain Buy. We believe that the business of content realization still has a lot of room for growth in the future. We expect the revenue of 2021 and 2022 to reach USD 83.84 million and USD 133 million respectively, with a YoY growth of 91% and 59%. The profit of 2021 and 2022 is expected to reach USD 13.54 million and USD 20.21 million respectively, with a YoY growth of 29.2% and 49.2%. We raise the target price to HKD 34, based on 55x 2022E EV/EBITDA and 14x 2022E 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 (%)
2019	18,781	23%	(6,210)	148%	-0.015	153%	-229.5	40.6	-17.7
2020	43,874	134%	10,479	-269%	0.024	-267%	137.2	14.1	10.3
2021E	83,839	91%	13,544	29%	0.032	29%	106.2	12.4	11.6
2022E	133,281	59%	20,210	49%	0.047	49%	71.2	10.1	14.2
2023E	204,860	54%	29,700	47%	0.069	47%	48.4	7.7	15.9

Sources: company data, CEBI estimates

Fig.1: Vobile Group's key earning forecast assumption

Key Assumption	2019	2020	2021E	2022E	2023E
Revenue growth assumption (YoY)					
Subscription-based SaaS business	17.6%	10.0%	10.0%	10.0%	10.0%
Transaction-based SaaS business	36.5%	378.6%	128.0%	69.7%	59.9%
Overall Revenue	23.4%	133.6%	91.1%	59.0%	53.7%
Other ratio (%)					
GPM	71.6%	48.7%	50.2%	50.4%	50.4%
Selling expenses to revenue ratio	39.9%	22.0%	14.0%	14.0%	14.0%
Administrative expenses to revenue (%)	58.9%	17.1%	10.0%	10.0%	10.0%
Other income to income ratio (%)	1.7%	41.9%	10.0%	6.0%	3.0%
effective tax rate	23.2%	-20.9%	23.0%	23.0%	23.0%

Source: Company data, CEBI estimate

Fig.2: Comparable table (Data as of 8 Apr, 2021)

Ticker	Company Name	Price (HKD)	P/E ratio			P/B ratio			EV/EBITDA			P/S ratio			Market Cap (HKD m)
			2020	2021E	2022E	2020	2021E	2022E	2020	2021E	2022E	2020	2021E	2022E	
HK listed SaaS companies															
268 hk equity	KINGDEE INTERNATIONAL SFTWR	25.85	-	-	1410.65	9.42	9.63	9.69	77.34	331.42	225.41	20.96	17.65	14.04	87,077.6
3888 hk equity	KINGSOFT CORP LTD	55.1	47.80	43.50	33.09	2.50	2.39	2.20	80.48	18.29	14.23	11.67	8.52	6.93	73,166.4
2013 hk equity	WEIMOB INC	18.3	-	230.42	109.41	32.72	26.96	28.97	277.89	102.01	53.40	15.66	11.52	8.72	41,051.8
8083 hk equity	CHINA YOUZAN LTD	2.49	-	-	-	9.42	-	-	-	-	-	19.03	12.91	8.73	43,150.0
9923 hk equity	YEAHKA LTD	60.05	30.08	38.11	29.36	6.96	6.20	5.09	-	29.91	21.19	-	6.22	4.92	25,747.2
Average			38.94	104.01	395.63	12.20	11.29	11.49	145.23	120.41	78.56	16.83	11.36	8.67	54,038.6

Source: Bloomberg, CEBI

Company Research

9-4-2021

Figure 4: Financial information

Income Statement						Balance Sheet					
For the year ended 31 December (USD Thousands)	2019	2020E	2021E	2022E	2023E	For the year ended 31 December (USD Thousands)	2019	2020E	2021E	2022E	2023E
Revenue	18,781	43,874	83,839	133,281	204,860	Trade receivables	13,743	8,967	20,673	32,864	44,901
YoY	23%	134%	91%	59%	54%	other receivables and prepayments	4,080	6,184	10,336	14,606	22,450
Cost of sales	(5,329)	(22,527)	(41,716)	(66,146)	(101,536)	Cash and cash equivalents	4,825	33,842	57,629	84,374	124,990
Gross profits	13,452	21,347	42,122	67,135	103,324	Total current asset	23,003	49,167	88,638	131,844	192,341
GPM (%)	72	49	50	50	50	Right-of-use assets	378	198	865	1,132	5,385
Selling expenses	(7,498)	(9,638)	(11,737)	(18,659)	(28,680)	Property, plant and equipment	1,017	2,892	2,892	2,892	2,892
Administrative expenses	(11,071)	(7,505)	(8,384)	(11,995)	(16,389)	Intangible assets	77,887	77,887	77,887	77,887	77,887
Other income	328	18,377	8,384	7,997	6,146	Deferred tax asset	9,364	10,468	10,468	10,468	10,468
Other expenses	0	0	0	0	0	Restricted bank balances	37	154	154	154	154
Operating profits	(7,432)	15,140	23,007	32,748	46,373	Non-current assets	92,948	99,628	102,327	105,861	117,272
Operating profits margin	(40)	35	27	25	23	Total assets	115,951	148,795	190,965	237,705	309,613
Net impairment losses on	(649.0)	(6,473.0)	(5,417.8)	(6,501.3)	(7,801.6)	Other payables	5,695	6,574	11,429	18,122	27,818
Pre-tax income	(8,081)	8,667	17,589	26,247	38,572	Borrowings	1,500	0	0	0	0
Finance cost	1,871	1,812	(4,046)	(6,037)	(8,871)	Current liabilities	14,254	12,612	23,334	36,385	55,292
Effective tax rate (%)	23.2	(20.9)	23.0	23.0	23.0	Borrowings	48,500	20,000	36,844	44,212	53,055
Net profits	(6,210)	10,479	13,544	20,210	29,700	Other non-current	17,860	0	0	0	0
YoY (%)	148.2%	-268.7%	29.2%	49.2%	47.0%	Rental liabilities	240	1,915	1,915	1,915	1,915
						Non-current liabilities	66,600	34,426	51,270	58,638	67,481
For the year ended 31 December (USD Thousands)	2019	2020E	2021E	2022E	2023E	Total equity	35,117	101,757	116,361	142,681	186,841
Pretax-income	(8,081)	8,667	17,589	26,247	38,572	Total equity & debt	115,971	148,795	190,965	237,705	309,613
Depreciation and	308	352	436	569	1,798						
Others	(802)	11,084	(3,179)	(2,575)	(1,657)						
Net cash from operating a	(8,575)	20,103	14,846	24,241	38,713						
Capex	(33)	(88)	(168)	(267)	(2,458)						
Others	(30,000)	0	(17,500)	(17,500)	(17,500)						
Net cash from investing a	(30,604)	(88)	(20,617)	(18,052)	(21,433)						
Dividend	0	0	0	0	0						
Debt increase	30,000	(1,437)	27,547	18,072	19,545						
Equity increase	0	0	0	0	0						
Others	(964)	6,957	1,998	2,664	3,873						
Net cash from financing a	26,478	5,263	29,673	20,671	23,450						
Change in cash	(12,816)	25,163	23,787	26,745	40,615	For the year ended 31	2019	2020E	2021E	2022E	2023E
Cash at the beginning of the	17,641	4,825	29,988	53,775	80,520	EBITDA margin (%)	(37.9)	35.3	28.0	25.0	23.5
Cash at the end of the year	4,825	29,988	53,775	80,520	121,136	EBIT margin (%)	(39.6)	34.5	27.4	24.6	22.6
						Net profits margin (%)	(33.1)	23.9	16.2	15.2	14.5
						Return on assets (%)	(7.4)	7.9	8.0	9.4	10.9
						Return on equity (%)	(17.7)	10.3	11.6	14.2	15.9
						Debt ratio (%)	43.1	13.4	19.3	18.6	17.1

Source: Company data, CEBI estimates

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Hold	Expected return between -10% and 10% over the next twelve month
Sell	Expected return -10 % over the next twelve month

Explanation of Stock Ratings: (i) Buy: A return potential of 10% or more relative to overall market within 6 – 12 months; (ii) Neutral: A return potential ranging from -10% to 10% relative to overall market within 6 – 12 months; and (iii) Sell: A negative return of 10% or more relative to overall market within 6 –12 months.

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