

Huitongda Network (9878 HK)

Resilient growth in 2H22

Huitongda delivered upbeat 1H22 results, with rev/ adj. net profit +33%/57.7% YoY, 8%/6% above our estimates. Commerce business recorded 33% YoY growth, attributable to resilient economy in low-tier cities and category expansion. Service business grew 259% YoY. We forecast 2H22E rev +28% YoY, driven by 1) strong commerce biz with category expansion; 2) deeper SaaS penetration; and 3) auto ramp up. Mgmt reiterated its guidance of topline/bottom line +>30%/50% YoY in FY22E. We see high visibility for HTD to achieve rev target of RMB10bn for NEV initiatives, with strong SaaS+ expansion. We slightly lifted its FY22-24E earnings forecast by 0%-2% to factor in resilient demand in low-tier markets and continuous category expansion, with higher TP of HK\$70.

- Upbeat 1H22.** 1H22 rev/ adj. net profit +33%/57.7% YoY, 8%/6% above our estimates. Commerce business recorded 33% YoY growth, attributable to resilient economy in low-tier cities and fast-growing categories such as liquor & beverages, agricultural means of production, vehicles & auto parts merchandise, and consumer electronics. Service business grew 259% YoY, in which SaaS+ subscription +259% YoY, thanks to stores' increasing demand for efficiency improvement amid challenging macro. GPM slightly declined to 2.9% in 1H22 from 3.1% in 2H21 (dragged by fast expansion in liquor), but adj. NPM came out at 0.5%, in line with our estimate.
- Resilient momentum to continue in 2H22E.** With potential lockdown relaxation, we expect HTD to deliver solid growth in 2H22E, with estimated rev +28% YoY in 2H22E, benefiting from: 1) strong commerce biz with category expansion; 2) deeper SaaS penetration; and 3) auto ramp up. For commerce business, consumer electronics and liquor momentum would continue, and we expect to see gradual recovery of household appliances and homebuilding. 2H would be the strong season for agricultural means products. HTD will further collaborate with NEV companies upstream and downstream to achieve segment rev target of RMB10bn in two or three years. Riding on deeper penetration of SaaS+, we expect service business will be still at triple digit growth in 2H22E. Mgmt guided that SaaS+ subscription will +>80% CAGR with 80% retention rate (vs. 54% in FY21 and 65% in 1H22) in the next two or three years.
- Maintain BUY.** We slightly raised HTD's FY22-24E earnings forecast by 0%-2%, to factor in resilient demand in low-tier markets and continuous category expansion, and lift our TP to HK\$70 (42x/26x FY23/24 P/E).

Earnings Summary

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	65,763	85,832	116,393	159,444
YoY growth (%)	32.5	30.5	35.6	37.0
Adj. net income (RMB mn)	328	464	806	1,261
Adj. EPS (RMB)	0.6	0.8	1.4	2.2
YoY growth (%)	58.8	27.9	73.8	56.5
Consensus EPS (RMB)	NA	0.8	1.4	2.1
P/E (x)	75	58	34	21
P/B (x)	0.4	0.3	0.2	0.2
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	(17)	11	7	10
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$70.0**
 (Previous TP **HK\$66.0**)
Up/Downside **+23.9%**
Current Price **HK\$56.5**

China Internet Sector

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Stock Data

Mkt Cap (HK\$ mn)	33,754
Avg 3 mths t/o (HK\$ mn)	16.46
52w High/Low (HK\$)	64.7/ 37.0
Total Issued Shares (mn)	180

Source: Bloomberg

Shareholding Structure

Wang Jianguo	21.92%
Alibaba China	13.82%
Xu Xiuxian	10.15%

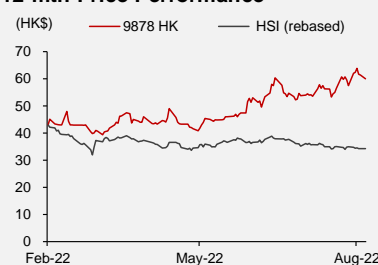
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	13.5%	18.1%
3-mth	35.2%	41.7%
6-mth	41.6%	73.1%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: KPMG

Related Reports

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Figure 1: 1H22 financial review

Rmb mn	1H20	2H20	1H21	2H21	1H22	CMBI	Diff
Revenue	20,679	28,950	29,975	35,789	39,895	36,915	8.1%
YoY growth	NA	NA	45.0%	23.6%	33.1%	23.2%	
HoH growth	NA	40.0%	3.5%	19.4%	11.5%	3.1%	
Gross profit	498	847	771	1,097	1,150	1,171	-1.7%
GPM	2.4%	2.9%	2.6%	3.1%	2.9%	3.2%	
Operating profit (IFRS)	96	311	257	382	336	318	5.6%
OPM	0.5%	1.1%	0.9%	1.1%	0.8%	0.9%	
Net profit (IFRS)	-231	-49	-138	-39	200	280	-28.6%
NPM	-1.1%	-0.2%	-0.5%	-0.1%	0.5%	0.8%	
Adjusted net profit attributable to equity shareholders (Non-IFRS)	17	179	119	209	187	176	6.1%
Adjusted NPM attributable to equity shareholders	0.1%	0.6%	0.4%	0.6%	0.5%	0.5%	
YoY growth	NA	NA	581.4%	16.5%	57.7%	48.7%	

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: Revenue breakdown

Rmb mn	1H20	2H20	1H21	2H21	1H22
Commerce business					
Revenue	20,524	28,778	29,757	35,469	39,485
% total rev	99.2%	99.4%	99.3%	99.1%	99.0%
YoY growth	NA	NA	45.0%	23.2%	32.7%
GPM	1.9%	2.7%	2.2%	2.4%	2.1%
Service business					
Revenue	109	133	168	270	364
% total rev	0.5%	0.5%	0.6%	0.8%	0.9%
YoY growth	NA	NA	53.5%	102.5%	117.2%
GPM	59.8%	42.8%	44.6%	78.5%	75.4%
Others					
Revenue	46	38	50	50	45
% total rev	0.2%	0.1%	0.2%	0.1%	0.1%
YoY growth	NA	NA	8.0%	30.4%	-9.9%
GPM	75.2%	62.1%	81.5%	84.4%	81.4%

Source: Company data, CMBIGM estimates

Figure 3: CMBIGM estimates vs consensus

RMB mn, Dec-YE	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	85,832	116,393	159,444	85,831	114,391	145,483	0.0%	1.7%	9.6%
Gross Profit	2,696	4,090	5,817	2,688	4,015	5,377	0.3%	1.9%	8.2%
Operating Profit	905	1,454	2,302	882	1,425	2,060	2.6%	2.0%	11.7%
Adj. net profit	464	806	1,261	455	781	1,152	1.9%	3.2%	9.4%
Adj. EPS (RMB)	0.82	1.43	2.24	0.83	1.40	2.09	-0.9%	2.0%	7.4%
Gross Margin	3.1%	3.5%	3.6%	3.1%	3.5%	3.7%	+0.0ppts	+0.0ppts	-0.0ppts
Operating Margin	1.1%	1.2%	1.4%	1.0%	1.2%	1.4%	+0.0ppts	+0.0ppts	+0.0ppts
Adj. net margin	0.5%	0.7%	0.8%	0.5%	0.7%	0.8%	+0.0ppts	+0.0ppts	-0.0ppts

Source: CMBIGM estimates, Bloomberg

Figure 4: Earnings revision

RMB mn, Dec-YE	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	85,832	116,393	159,444	85,384	116,273	158,017	0.5%	0.1%	0.9%
Gross Profit	2,696	4,090	5,817	2,804	4,104	5,850	-3.9%	-0.3%	-0.6%
Operating Profit	905	1,454	2,302	924	1,456	2,288	-2.1%	-0.2%	0.6%
Adj. net profit	464	806	1,261	453	807	1,262	2.3%	-0.2%	-0.1%
EPS (RMB)	0.82	1.43	2.24	0.81	1.44	2.24	2.3%	-0.2%	-0.1%
Gross Margin	3.1%	3.5%	3.6%	3.3%	3.5%	3.7%	-0.1ppts	-0.0ppts	-0.1ppts
Operating Margin	1.1%	1.2%	1.4%	1.1%	1.3%	1.4%	-0.0ppts	-0.0ppts	-0.0ppts
Net Margin	0.5%	0.7%	0.8%	0.5%	0.7%	0.8%	+0.0ppts	-0.0ppts	-0.0ppts

Source: Company data, CMBIGM estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	49,629	65,763	85,832	116,393	159,444
Commerce business	49,302	65,226	84,798	114,979	157,432
Service business	243	438	931	1,301	1,888
Others	84	100	102	113	124
COGS	(48,285)	(63,895)	(83,136)	(112,302)	(153,627)
Gross profit	1,345	1,868	2,696	4,090	5,817
S&M	(610)	(864)	(1,256)	(1,654)	(2,149)
Admin.Exp.	(415)	(479)	(559)	(747)	(958)
R&D	(58)	(79)	(121)	(236)	(408)
Other gains	122	137	124	-	-
Other rev	23	56	21	-	-
Operating profit	407	639	905	1,454	2,302
Other income/(exp), net	(604)	(713)	(77)	199	147
Pre-tax Income	(197)	(74)	829	1,653	2,449
Income Tax	(81)	(101)	(195)	(414)	(540)
Net profit	(405)	(350)	372	806	1,261
Adj. net profit	197	328	464	806	1,261

Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Net income	(405)	1,168	372	806	1,261
D&A	80	37	52	60	69
Change in WC	2,134	901	(66)	(407)	(1,171)
Others	(1,337)	(1,291)	619	826	1,041
Operating CF	472	815	977	1,285	1,200
Capex	(31)	(15)	(45)	(60)	(60)
Purchase of investments	(17,164)	-	-	-	-
Others	19,334	(1,812)	-	-	-
Investing CF	2,138	(1,827)	(45)	(60)	(60)
Equity raised	-	-	-	-	-
Change of Debts	(289)	(107)	-	-	-
Cash from CB raised	1,200	-	-	-	-
Others	(373)	(230)	1,977	-	-
Financing CF	538	(337)	1,977	-	-
Net change in cash	3,148	(1,349)	2,908	1,225	1,140
Cash (beg of yr)	1,168	4,316	2,967	5,875	7,100
FX	-	-	-	-	-
Cash (end of yr)	4,316	2,967	5,875	7,100	8,240

Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	1,420	2,245	2,238	2,238	2,229
Property and equipment	45	43	56	73	78
Right-of-use assets	128	111	91	74	61
Intangible assets	-	-	-	-	-
Others	1,247	2,091	2,091	2,091	2,091
Current assets	20,275	23,353	30,805	39,096	50,432
Cash	4,316	2,967	5,875	7,100	8,240
Prepayments	6,620	8,417	11,161	15,692	22,307
Financial assets at fair value	2	2	2	2	2
Trade receivables	1,847	2,653	3,527	4,783	6,552
Others	7,490	9,314	10,240	11,518	13,330
Current liabilities	23,643	27,231	22,675	29,326	38,339
Accounts payables	11,419	14,419	17,994	23,383	30,725
Other payables	495	661	732	972	1,312
Advances from customers	1	-	-	-	-
Others	11,728	12,151	3,949	4,970	6,303
Non-current liabilities	97	84	91	99	111
Lease liabilities	80	67	67	67	67
Others	17	17	24	32	44
MI	1,256	1,358	1,358	1,358	1,358
Total Equity	(2,044)	(1,717)	10,192	11,646	13,948
Shareholders' equity	(2,044)	(1,717)	10,277	11,909	14,211

Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Sales mix (%)					
Commerce business	99.3	99.2	98.8	98.8	98.7
Service business	0.5	0.7	1.1	1.1	1.2
Others	0.2	0.2	0.1	0.1	0.1
Total	100.0	100.0	100.0	100.0	100.0
Growth rate (%)					
Revenue	13.7	32.5	30.5	35.6	37.0
Gross profit	5.1	38.9	44.3	51.7	42.2
EBIT	21.7	57.0	41.7	60.6	58.3
Adj. net profit	41.6	66.4	41.5	73.8	56.5
P&L ratios (%)					
Operating margin	0.8	1.0	1.1	1.2	1.4
Pre-tax margin	(0.4)	(0.1)	1.0	1.4	1.5
Adj. net margin	0.4	0.5	0.5	0.7	0.8
Effective tax rate	0.2	0.2	0.2	0.3	0.2
Returns (%)					
ROE	(11.3)	(17.4)	10.8	7.3	9.7
ROA	1.0	1.4	1.6	2.2	2.7

Source: Company data, CMBIGM estimates

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