

China Entertainment

Embracing rich pipeline and sector mild re-rating

Although geographical tension and macro challenges are yet over, we believe most worst-case scenarios have been priced in. Jun would be good timing to accumulate some defensive & undervalued names over a 12-month horizon, as we expect sector sentiment will be moderately boosted by: 1) 2Q23E acceleration with low base; 2) upcoming strong drama & game pipeline in summer holiday; 3) solid performance for 618 promotions;; and 4) potential positive economic incentives. We prefer SFV&LFV and game subsectors, for resilience on macro uncertainty, stable competition landscape, and better margin outlook with solid growth. Our top picks: **Kuaishou, IQ, Tongcheng and CMGE**.

■ **Online entertainment: bullish on SFV & LFV acceleration and margin expansion.** China's entertainment saw short-term pullback in May for weak market sentiment and concern on content regulation environment change. We think the market has overreacted, and keep bullish on SFV & LFV acceleration and margin expansion, in which SFV strong momentum of ecommerce & lifestyle would continue and LFV will embrace rich drama pipeline to boost 3Q23E subs growth. Entertainment sector is trading at 12x FY23E P/E (15% earning CAGR in FY23-25E), with attractive valuation. We like Kuaishou for its stronger livestreaming & ecommerce and margin improvement, and we keep positive on iQIYI's long-term subs trend and profitability, backed by its abundant unique original content and high barrier with "Middle platform" strategy.

■ **Game: embracing structural recovery, with more titles to come.** Game would see structural recovery with rising licenses, strong product cycle ahead, and stepping up of overseas expansion. The market in China is concentrated, but SMID-caps still stand a chance. We recommend CMGE among SIMD-caps, considering its abundant pipeline (three highly anticipated titles in 2H23E), strong earnings growth (forecasting 1H23E rev +52% YoY, 24% earnings CAGR in FY23-25E) and low grossing concentration. We expect AIGC initiatives to improve efficiency and enhance user experience in the long run.

■ **Livestreaming ecommerce: share gain to continue.** Although overall consumption sentiment takes time to recover, we expect SFV players to see >30% GMV growth in 2Q23E (with mkt share up to 21%), backed by solid 618 (higher subsidies and deeper coordination with content & scenarios), apparel recovery and upgrading system. We expect Kuaishou to deliver >20% GMV CAGR in FY23-25E (forecasting +33%/41% YoY GMV/rev growth in FY23E), backed by higher monetization with mechanism enhancement and KOL commission charging. Further upsides: 1) upcoming launch of mall; 2) incremental GMV from Chuanliu Plan; 3) new comprehensive evaluation system, upgrading marketing & operating tools to improve higher efficiency.

Valuation Table

Company	Ticker	Mkt cap (USD mn)	Currency	Price	CMBI Rating	CMBI TP	PE			PS		
							FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Kuaishou	1024 HK	33,869	HKD	61	BUY	97	63.7	26.9	15.0	2.1	1.8	1.6
iQIYI	IQ US	5,001	USD	5	BUY	9	14.9	10.6	9.3	1.1	1.0	1.0
CMGE	302 HK	767	HKD	2	BUY	4	9.2	7.1	5.9	1.1	0.8	0.7
Tongcheng	780 HK	4,989	HKD	17	BUY	25	18.7	14.7	12.2	3.2	2.6	2.3

Source: Company data, Bloomberg, CMBIGM estimates

OUTPERFORM
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China Entertainment Sector

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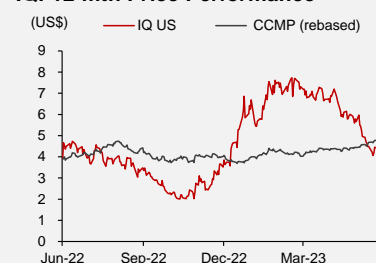
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Kuaishou: 12-mth Price Performance



Source: Bloomberg

IQ: 12-mth Price Performance



Source: Bloomberg

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- [iQIYI \(IQ US\) - Looking into 2Q23E rich pipeline](#) – May 2023

Online entertainment: bullish on SFV & LFV acceleration and margin expansion

Online entertainment sector saw short-term pullback in May for weak market sentiment and market concern on content regulation environment change. As most headwinds are priced in, we expect entertainment sentiment to moderately recover in Jun, boosted by: 1) some of the delayed dramas relaunched in Jun; 2) rich drama pipeline ahead in summer holiday to support 3Q23E LFV growth; 3) solid performance during 618 promotions for livestreaming ecommerce; and 4) livestreaming platforms to gradually resume growth in 2H23E. We view pan-entertainment sector as relatively defensive to macro uncertainty, with stable competition and better margin outlook. Online entertainment sector is trading at 12x FY23E P/E (15% earning CAGR in FY23-25E), with attractive valuation. We like Kuaishou for its stronger LS & ecommerce and margin improvement, and we keep positive on iQIYI's long-term subs trend and profitability, backed by its abundant unique original content and high barrier with "Middle platform" strategy.

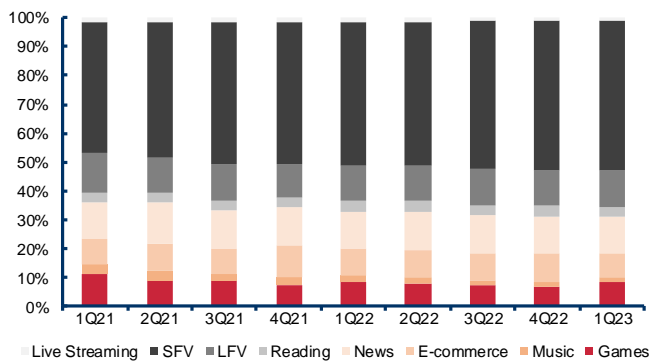
Short videos: strong momentum of ecommerce & lifestyle to continue, with ads recovery in sight

1Q23 SFV user metrics trended well, with relatively stable time spent and improving MAU&DAU. Douyin/ Kuaishou MAU +6%/6% YoY, DAU +6%/2% YoY in 1Q23, based on QuestMobile data. As Tencent and Douyin entered into video cooperation in copyrights and promotion in Apr, we view the competition of SFV & LFV tends to normalize. SFV will put priority on monetization enhancement (than time spent share gain), including ecommerce & lifestyle expansion, in our view.

Looking into 2Q23E, we expect LS ecommerce GMV strong momentum would continue (forecasting Kuaishou GMV +30% YoY in 2Q23E), backed by 618 promotion and low base. During this promotion, SFV platforms focus more on content engagement with products, value-for-money goods and campaigns simplification. On top of that, SFV external ads would gradually pick up from Apr (while ads industry in cautious recovery mode), mainly on rising ads budgets from offline and game verticals. Douyin's aggressive lifestyle expansion triggered higher subsidies of peers (e.g. Meituan, OTA platforms), and competition evolving and margin trend remain the key topics for investors.

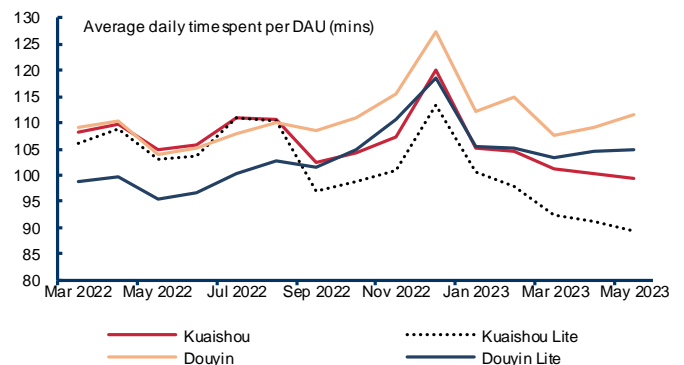
We forecast SFV subsector rev to grow at 28% YOY in FY23E, with margin improvement. In SFV segment, we reiterated our confidence in KS's share gain, improving profitability and higher ecommerce monetization, with potential catalysts: 1) strong 2Q23E results; and 2) upcoming launch of online shopping mall. We forecast Kuaishou's topline/bottom line to surge at 13%/104% CAGR in FY23-25E, boosted by: 1) livestreaming ecommerce GMV/rev at 21%/23% CAGR with rising penetration & ARPU as well as shelf-based mall upside; 2) ads rev at 17% CAGR with recovering external ads budgets and resilient internal ads; 3) livestreaming rev at 4% CAGR with effective operation and host enrichment. KS would see better margin outlook (forecasting adj. NPM up to 11% in FY25E from 3.4% in FY23E), considering disciplined S&M and narrowing loss of overseas biz, in our view. In the short run, we are more bullish on its 2Q23E momentum (forecasting rev +25% YoY), supported by: 1) resilient livestreaming to continue; 2) ads acceleration with external ads resuming growth; and 3) ecommerce share gain with higher take rate (GMV/rev +30%/50% YoY). Maintain BUY with SOTP-based TP at HK\$97 (implying 3.3x FY23E P/S), by assigning 1x/2x FY23E EV/sales to livestreaming/ad biz, and 0.16x P/GMV to ecommerce biz.

Figure 1: Video at TOP1 segment in time spent



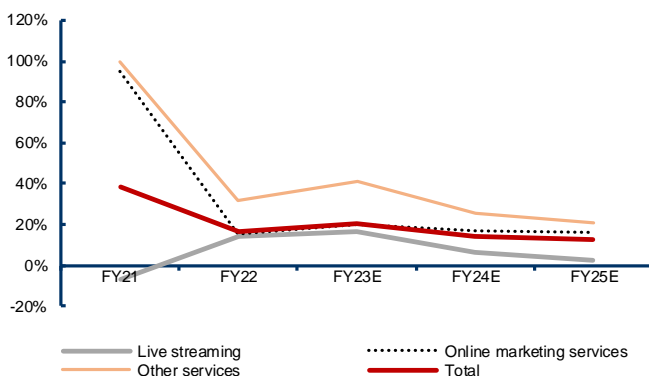
Source: QuestMobile, CMBIGM

Figure 2: Time spent trend of Douyin & Kuaishou



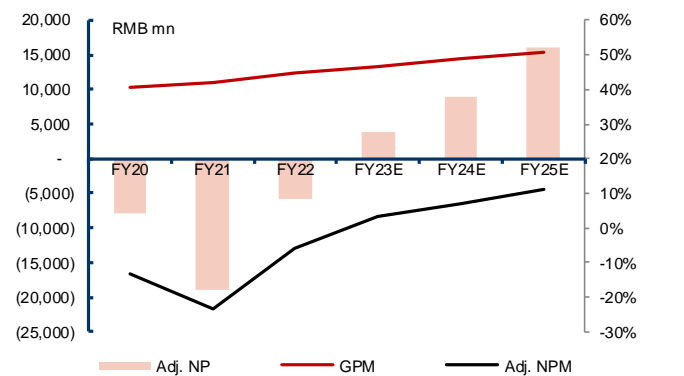
Source: QuestMobile, CMBIGM

Figure 3: KS's yearly rev growth estimates



Source: Company data, CMBIGM estimates

Figure 4: KS's margin expansion



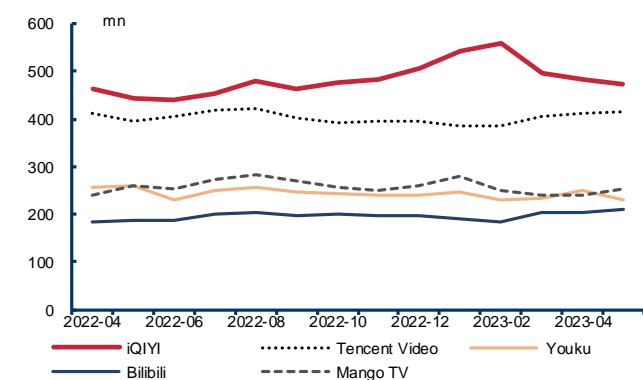
Source: Company data, CMBIGM estimates

LFV: rich drama pipeline to boost 3Q23E growth, with margin expansion intact

In May, several drama series and variety shows delayed their launch, triggering market concern on content regulation environment change. However, we think the market has overreacted and recent correction provides entry point, for: 1) some of the delayed dramas relaunched in Jun (e.g. The sea in the dream <梦中的那片海>) to partly alleviate regulation concern; and 2) rich high-quality content supply to supplement the slots (e.g. Beauty of Resilience <花戎> launched on 1 Jun after the delay of Story of Kunming Palace <宁安如梦>). We reiterate our confidence in LFV's growth acceleration and margin improvement, backed by quality enhancement with higher ROI, and strong pipeline to boost subs momentum and ads recovery (benefiting from rising ads budget from FMCG and ecommerce). In Jun, drama market was relatively decentralized, with Top1 drama to contribute around 10%-15% of total viewership (vs. TOP1 drama mkt share >30% in Apr and May, e.g. Till the end of the Moon <长月烬明>(Youku)). Looking ahead, we expect potential highly anticipated dramas released in summer holiday to boost 3Q23E momentum, including: 1) iQIYI: Destined <长风渡> (launched on 18 Jun), The Demon Hunter's Romance <无忧渡>; Seven Lifetimes of Destiny <七时吉祥>; 2) Tencent Video: Lost You Forever <长相思>, The longest Promise <玉骨遥>, Legend Shenli <与凤行>; 3) Youku: Legend of Anle <安乐传>, etc.

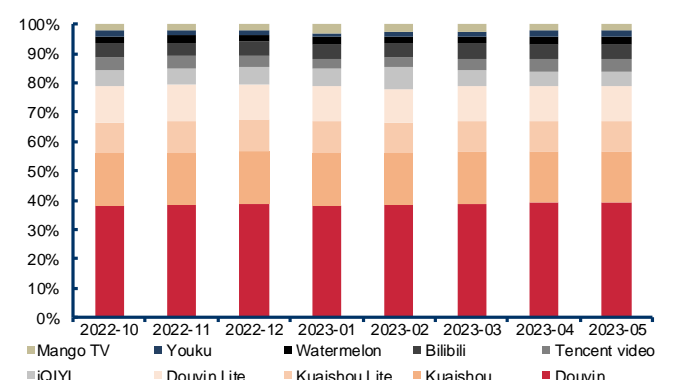
Among LfV peers, we keep positive on iQIYI's long-term subs trend and margin improvement, backed by its abundant unique original content, valuable IP and high barrier with "Middle platform" strategy. We forecast iQIYI to deliver 5%/27% rev/earnings CAGR in FY23-25E, backed by: 1) subs rev at 6% CAGR with ramp-up of both subs and ARM; 2) ads rev at 4% CAGR with enriched ads formats and recovering verticals (e.g. FMCG, retail, entertainment, healthcare, etc). We see high visibility for iQIYI to improve its profitability in the long run, for content cost control, price hike and operating leverage. We expect non-GAAP OP at RMB3.3bn in FY23E. In the long run, we forecast IQ to achieve non-GAAP OPM at 14% in FY25E (non-GAAP OP at RMB5.1bn), with GPM up to 30%. 2Q23E subs members might see slight sequential decline (forecasting at 112mn) for soft seasonality, but we expect upcoming rich pipeline to support subs momentum in summer holiday and 2H23E (e.g. The Demon Hunter's Romance). We expect 2Q23E rev to accelerate to +17% YoY, with non-GAAP OP at RMB710mn. Maintain BUY with DCF-based TP at US\$8.6 (implying 24x/17x FY23/24E P/E), largely in line with Netflix and Mango's multiple.

Figure 5: MAU trend of key LfV platforms



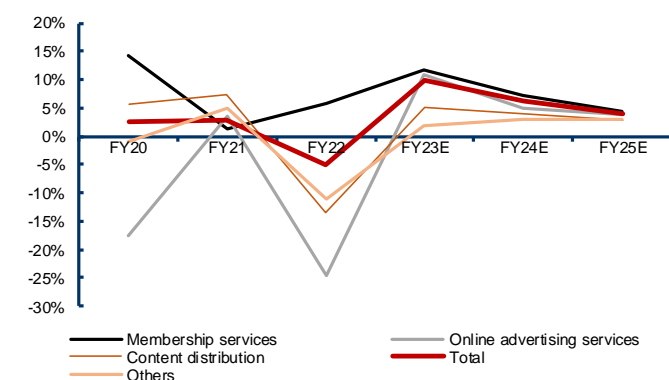
Source: QuestMobile, CMBIGM

Figure 6: Time spent of video platforms



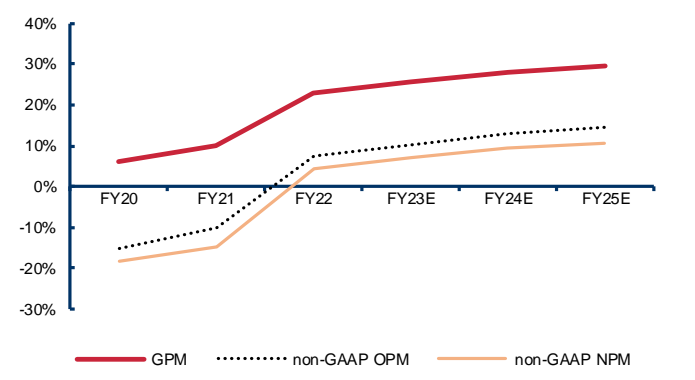
Source: QuestMobile, CMBIGM

Figure 7: IQ's yearly rev growth estimates



Source: Company data, CMBIGM estimates

Figure 8: IQ's margin expansion



Source: Company data, CMBIGM estimates

Figure 9: Key drama pipeline of iQIYI

Titles	Chinese titles	Genre	Starring
Bionic	仿生人間	Sci-fi	宋威龍、文淇
Special Lady	陌上人如玉	Romance	肖燕、翟子路、盛英豪
Destined	長風渡	Historical	白敬亭、宋軼、劉學義
Hua Xi Ji	花溪記	Romance	邢菲、徐開騁、徐方舟
The Lotus Casebook	蓮花樓	Romance	成毅、曾舜晞、肖順尧

Back for you	漫影寻踪	Romance	杨颖、王安宇、匡牧野
Rising with the wind	我要逆风去	Romance	龚俊、钟楚曦、吴宣仪
The Comic Bang	开画！少女漫	Romance	沈月、王敬轩、赵弈钦
I am criminal police	我是刑警	Crime	于和伟、李春嫒、刘泊潇
The disappeared 11th floor	消失的十一层	Crime	潘粤明、陈数、果靖霖
Meet me in your sound	幻乐森林	Historical	许佳琪、魏哲鸣、吴希泽
Golden Trio	老家伙	Life	张国立、王刚、张铁林
Hello Life	你好 Life	Life	热依扎、王阳、啜妮
The seventh generation	七时吉祥	Historical	杨超越、丁禹兮
The Mutations	天启异闻录	Historical	路阳、乔磊、范川
New York Mission 2	唐人街探案 2	Crime	邱泽、尚语贤、张钧甯
Tiger Crane	虎鹤妖师录	Historical	蒋龙、张凌赫、王玉雯
Chinese Paladin 4	仙剑奇侠传 4	Historical	鞠婧祎、陈哲远、茅子俊
The Demon Hunter's Romance	无忧渡	Romance	任嘉伦、宋祖儿
Fox Spirit Matchmaker	狐妖小红娘	Historical	杨冪、龚俊、郭晓婷
Story of Kunming Palace	宁安如梦	Historical	白鹿、张凌赫、王星越
Imperfect Victim	不完美受害人	Crime	周迅、刘奕君、林允
A Journey to Love	一念关山	Historical	刘诗诗、刘宇宁

Source: Company data, CMBIGM, as of 18 Jun

Figure 10: Key drama pipeline of Tencent video

Titles	Chinese titles	Genre	Starring
Yu Gu Yao	玉骨遥	Historical	肖战、任敏、王楚然
Lost You Forever	长相思	Historical	杨紫、张晚意、檀健次
The Legend of ShenLi	与凤行	Historical	赵丽颖、林更新
Blossoms	繁花	Life	胡歌、马伊琍、唐嫣
Twilight	暮色心约	Life	任嘉伦、杨颖
It takes two	好事成双	Romance	张小斐、黄晓明
West Out of the Yumen	西出玉门	Crime	倪妮、白宇
Missing you	很想很想你	Romance	檀健次、周也、侯雯元
Dongbo Xueying Land	雪鹰领主	Sci-fi	许凯、古力娜扎、白澍
The Infiltrator	潜伏者	Crime	黄晓明、蒋欣、吴晓亮

Source: Company data, CMBIGM, as of 18 Jun

Figure 11: Key drama pipeline of Youku

Titles	Chinese titles	Genre	Starring
The Hope	鸣龙少年	Life	张若昀、黄尧、王锵
An Le Zhuan	安乐传	Historical	迪丽热巴、龚俊、刘宇宁
Subtle fragrance floating	为有暗香来	Historical	周也、王星越、张逸杰
Huan Xi Sha	浣溪沙	Historical	佟丽娅、韩庚、何润东
South wind knows my mood	南风知我意	Life	成毅、张予曦、李欣泽
Bright	灿烂！灿烂！	Life	郭京飞、任敏、王源
Wrong Carriage Right Groom	花轿喜事	Romance	田曦薇、敖瑞鹏、白冰可
Be your own light	做自己的光	Life	刘涛、秦海璐、刘宇宁
Be reborn	重生之路	Crime	王俊凯、张译
Narcotics Heroes	破毒强人	Crime	陈豪、胡定欣、张曦雯

Source: Company data, CMBIGM, as of 18 Jun

Figure 12: Key drama pipeline of Mango

Titles	Chinese titles	Genre	Starring
Desire Catcher	以爱为营	Romance	白鹿、王鹤棣、魏哲鸣
Fireworks of My Life	我的人间烟火	Life	杨洋、王楚然、魏大勋
Young Blood2	大宋少年志 2	Crime	张新成、周雨彤、王佑硕
The Orphans of Ren Planet	火星孤儿	Sci-fi	费启鸣、赵弈钦、罗予彤

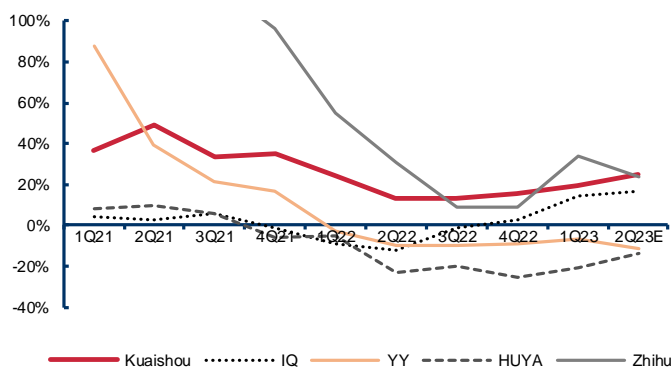
Qian Qiu Ling	千秋令	Historical	张予曦、佟梦实、韩栋
Love Never Fails	落花时节又逢君	Historical	袁冰妍、刘学义
Hug My Love	抱住锦鲤相公	Historical	阚清子、范世錡、苏梦迪
We are the future	白羽流星	Life	王子奇、付伟伦、姜贞羽
Dear Lord Fox	亲爱的天狐大人	Historical	王佑硕、吕小雨、杨霖
You Are My Desire	白日梦我	Romance	庄达菲、周翊然、陈鹤一

Source: Company data, CMBIGM, as of 18 Jun

Livestreaming: looking into 2H23E mild recovery

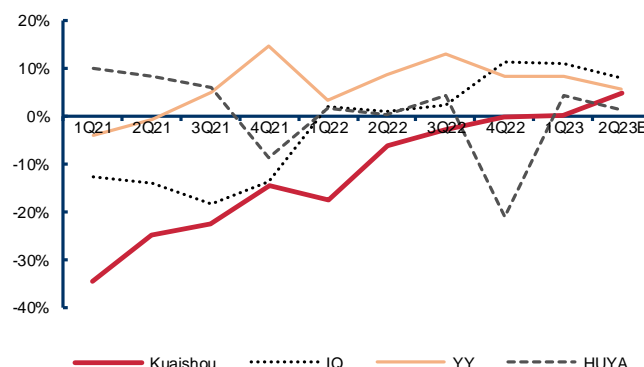
Given content regulation in livestreaming industry, several LS platforms guided muted momentum for their domestic business in 2Q23E (with self-inspection). We view the regulation to pose short-term pressure on SMID vertical platforms, while top players would be relatively resilient and continue to deliver strong growth with transparent rev sharing and multiple rounds of self-adjustment in the past years. As the majority of LS platforms traded below net cash, we view their current valuation has limited downside risk and 2H23E mild recovery would support potential rerating.

Figure 13: 2Q23E rev estimate of key platforms



Source: Company data, CMBIGM estimates

Figure 14: 2Q23E margin estimate of key platforms



Source: Company data, CMBIGM estimates

Online entertainment sub-sector

Kuaishou: We are confident on KS's ads recovery, share gain in ecommerce and livestreaming. We are more bullish on its 2Q23E momentum (forecasting rev +25% YoY), supported by: 1) resilient livestreaming to continue; 2) ads acceleration with external ads resuming growth; and 3) ecommerce share gain with higher take rate (GMV/rev +30%/50% YoY). After recent price correction for weak market sentiment, we suggest to buy on dips, for its stronger LS & ecommerce and better margin outlook. Maintain BUY with SOTP-based TP at HK\$97 (implying 3.3x FY23E P/S), by assigning 1x/2x FY23E EV/sales to livestreaming/ad biz, and 0.16x P/GMV to ecommerce biz. Valuation is not demanding.

iQIYI: After recent price correction on weak market sentiment and rescheduling of one drama, we view it as a good entry point to accumulate IQ, for: 1) 2Q23E results intact even with one drama delay (guidance unchanged); 2) rich pipeline to support subs momentum in summer holiday and 2H23E (e.g. Destined <长风渡, launched on 18 Jun>, The Demon Hunter's Romance <无忧渡>); 3) ads recovery from 2Q23E (forecasting rev +17% YoY), with rising budget from multiple verticals (e.g. FMCG, ecommerce). We

expect 2Q23E rev to accelerate to +17% YoY, with non-GAAP OP at RMB710mn. The stock is trading at 15x/11x FY23/24E P/E (with 27% earnings CAGR in FY23-25E), largely below Netflix and Mango's multiple. Maintain BUY with TP at US\$8.6 (implying 24x/17x FY23/24E P/E).

YY: JOYY's 1Q23 result was better-than-feared, with rev -6% YoY (4% above consensus) and bottom line at US\$50mn (155% above consensus). Given domestic biz adjustment, 2Q23E rev guidance missed 8%. We forecast rev -11% YoY/-9% QoQ in 2Q23E (in which Bigo -3% QoQ, largely in line), partly disrupted by Ramadan and competition in the Middle East. We suggest investors to move into 2H23E recovery, with Bigo's positive growth in Europe & North America and stabilization in the Middle East. Bigo's OPM would be relatively stable YoY in FY23E, with ROI-driven S&M. To factor in domestic business adjustment, we trim FY23-25E topline forecast by 6%-7%, but keep earnings barely changed. Our SOTP-based TP is US\$46. We think YY has limited downside risks from current level, supported by its margin improvement, low valuation and dividend plan & repurchase program. We expect Bigo recovery in 2H23E to help it re-rate.

Huya: Despite soft seasonality and epidemic impact, Huya delivered better-than-feared 1Q23 results (with upbeat rev and better margin). 2Q23E guidance was mixed on muted livestreaming (time spent shifted to offline on holidays and conservative operation) but better ads & margin. We forecast 2Q23E rev stable QoQ (1% below consensus), with adj. NPM at 1.4% (vs. consensus at -0.4%). We suggest to look into its 2H23E recovery, backed by: 1) a rebase after the regulatory change in livestreaming in June last year; 2) gradual macro recovery; and 3) new blockbuster game launch. We keep positive on its margin improvement ahead, and lift its adj. NPM by 0.7ppts in FY23E to reflect better GPM. Our rev forecast was barely changed, with TP at US\$6.9. The stock is trading below its net cash position, and its livestreaming to bottom out might help its re-rating ahead, in our view.

Zhihu: Zhihu delivered upbeat 1Q23 results (rev +34% YoY, 4% above consensus), with solid membership (+105% YoY) & vocational training (+171% YoY) and narrowing loss. We forecast 2Q23E rev +24% YoY, in which strong membership and vocational training would continue. Its newly-launched app of Yanyan <盐言故事> would bring further upside to membership. Marketing services saw a mild recovery from 3C and ecommerce verticals in 2Q23E, and 2H23E ads might see positive growth. Zhihu achieved positive OCF for the first time, and we expect healthy cash flow ahead with continuously narrowing loss. AI initiatives (Zhihaitu AI and upcoming more features) would unlock LT potential. We keep our FY23-25E earnings unchanged, with TP at US\$2.3.

Mobvista: Mobvista delivered solid 1Q23 results, with in-line rev (+5% YoY) and upbeat bottom line (at US\$4.5mn). We are impressed by Mintegral's vertical expansion, with rev mix of midcore & hardcore games vertical up to 28.5% (vs. 23% in 4Q22). We see high visibility for Mobvista to accelerate from 2Q23E (forecasting rev +22% YoY), and 2H23E would see further upside from ROAS mode and cooperation with Google. Margin enhancement would continue, backed by narrowing loss of Reyun and lower incentives. We keep our earnings forecast unchanged. Maintain BUY with SOTP-based TP at HK\$6.3 (1.2x/1.0x FY23/24E P/S, or 58x/40x FY23/24E P/E, with 31% earnings CAGR in FY23-25E).

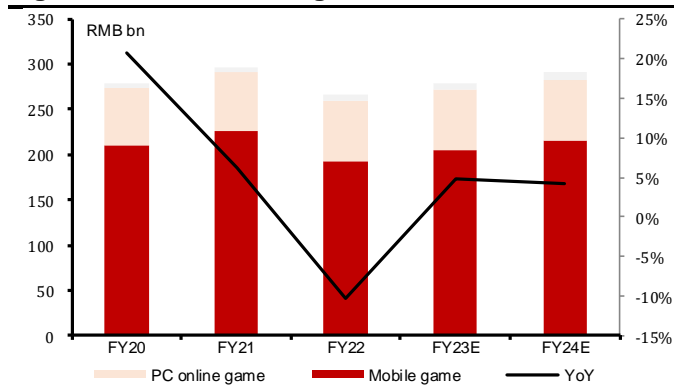
Game: embracing structural recovery

Sector to resume growth in sight

According to CNG data, China's game revenue declined 2% YoY in Apr, narrowing from -15% YoY in 1Q23. By segment, PC game +13% YoY (+7% YoY in 1Q23) and mobile game -4% YoY (vs. -19% YoY in 1Q23). Mobile game recovery was mainly driven by strong performance of new titles (e.g. Tencent's Metal Slug: Awakening <合金弹头: 觉醒> at TOP3-25, miHoYo's Honkai: Star Rail <崩坏: 星穹铁道> at TOP2-10 in iOS grossing rank) and resilient existing key titles (e.g. NetEase's Eggy Party <蛋仔派对>). For overseas market, overseas revenue generated by Chinese publishers declined 14% YoY in Apr, slightly narrowing from -15% YoY in 1Q23.

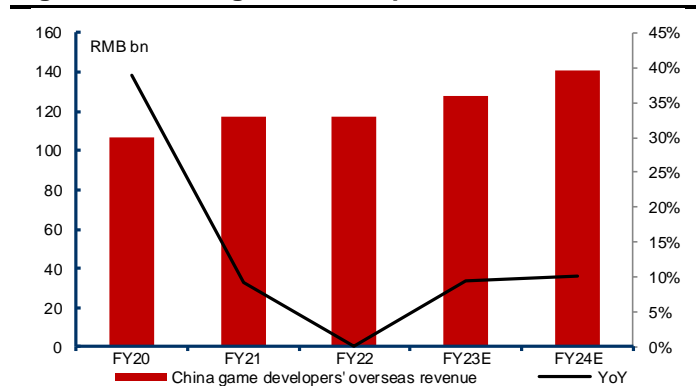
We expect game sector to resume growth in sight, boosted by 1) rising license approvals; 2) abundant high-quality pipeline in Jun and 2H23E; and 3) low base in FY22. We forecast game sector to grow 7% YoY in FY23E, and reiterate our preference on online games for its steady competition landscape, healthy cash flow and resilience to macro.

Figure 15: China online game mkt size forecast



Source: GPC, CMBIGM estimates

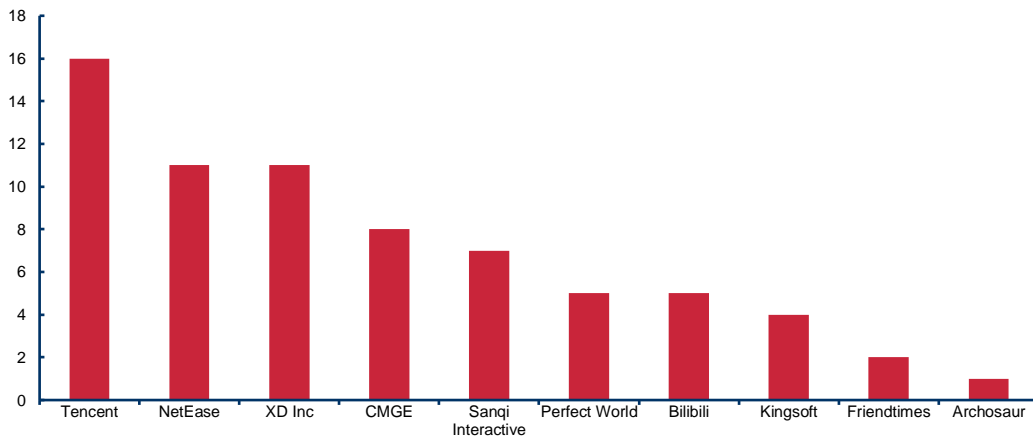
Figure 16: China game developers' overseas revenue



Source: GPC, CMBIGM estimates

Game approvals to normalize, and no. of games approved per month gradually increased

After resumption of game approvals from Apr 2022, approval process returns to normal, in which no. of game approved per month gradually increased MoM (but still below 2021 level). By platform, Tencent/ NetEase/ Bili/ CMGE/ Kingsoft/ Sanqi Interactive/ Perfect World/ Archosaur/ XD/ FriendTimes have obtained 16/11/5/8/4/7/5/1/11/2 game licenses after resumption, respectively. In 2023, there are 480 game licenses YTD. We expect rising licenses and games to be released would help this sector to rerate.

Figure 17: Game licenses obtained after resumption from Apr 2022

Source: SAPRFT, CMBIGM

Eyes on key titles in Jun and 2H23E

For tier-2 comps, key titles in Jun and 2H23E include: 1) Kingsoft: Containment Zone <尘白禁区>, The Other Shore (彼界); 2) Bili: Pretty Derby <赛马娘>; 3) XD: Sword of Convallaria <铃兰之剑>; 4) Sanqi: Ba Ye <霸业>, Fuyao Yimeng <扶摇一梦>, The Dragon and Alice <龙与爱丽丝>; 5) Perfect World: Forsaken World 2 <神魔大陆 2>, Zhuxian World <诛仙世界>; 6) CMGE: Hoop city 3v3 <全民街篮>, Soul Land: Shrek College <斗罗大陆: 史莱克学院>, Sword and Fairy World <仙剑世界>; and 7) FriendTimes: Twist of the Fate (浮生忆玲珑).

Concentrated market in China, but SMID-caps still stand a chance.

China's mobile game market is relatively concentrated and stable, with Top 2 players accounting for 77% market share in 2022. However, we think there are always opportunities for SMID-caps, as: 1) game competition is relatively stable and rational; 2) still ample room for unique game types, e.g. ACG, female-related games; 3) AI tends to have lower entry barrier for SMID-caps as well as trial-and-error cost to encourage innovation in both content and gameplay. For Tier 2 players, we prefer CMGE as our top pick, considering its abundant pipeline, strong earnings growth and low grossing concentration.

We keep bullish on CMGE's rev reacceleration in FY23E, and see high visibility for it to continuously leverage well-known IPs to derive abundant adapted games. CMGE starts bearing fruit from new titles launched in 1H23E, including Swallowed Star <吞噬星空> (Apr 7) and Cultivation Fantasy <我的御剑日记> (18 May), Sword and Fairy: Wen Qing <新仙剑之挥剑问情>. Sword and Fairy: Wen Qing ranked TOP16 in iOS grossing rank after its launch on 9 Jun. We estimate its first-month grossing at RMB200mn (TOP10-20 in iOS grossing rank). Coupled with full-year contribution of two hits launched in 2H22, we forecast 1H23E rev +52% YoY. 2H23E strong momentum would continue, with three key titles to bring further upside, including Hoop city 3v3 (licensed/Aug 2023), Soul Land: Shrek College (Oct 2023), Sword and Fairy World (Dec 2023).

We forecast CMGE's revenue to grow at 26% CAGR in FY23-25E, in which game publishing business still devotes the majority of total revenue. FY23E rev would accelerate to +97% YoY, mainly driven by: 1) full-year contribution from two games launched in 2H22; 2) strong pipeline in 2023E (five highly-anticipated titles); and 3) overseas expansion with >10 new titles. We expect adj. NPM to improve to 11% in FY23/24E from -7% in FY22, backed by revenue mix shift towards self-developed games, and overseas expansion

(lower channels charge). In the long run, AIGC initiatives would boost better margin outlook. As such, we forecast CMGE to deliver 24% earnings CAGR during FY23-25E, mainly driven by topline growth. Adj. net profit will recover to RMB601mn/RMB812mn/RMB931mn in FY23/24/25E, respectively, in our estimates. Maintain BUY with DCF-based TP of HK\$3.52 (implying 14x/11x FY23/24E P/E).

Longer term: A strong product cycle ahead, with stepping up of overseas expansion and AIGC initiatives.

As China's gaming population growth is tapering off, we expect game industry growth to be driven by product cycle and overseas expansion, while AIGC initiatives would bring further upside in the long run.

We anticipate the major trends in the game industry in the near term to be: 1) game premiumization, 2) stepping up of overseas expansion, and 3) stable competition landscape.

In the long run, AIGC initiatives would enhance user experience and improve efficiency. On the one hand, AIGC would empower game companies with more applications in gameplay and operation (e.g. Smart AI NPC, UGC creation). On the other hand, AIGC application would improve productivity on text generation, props & characters creation, landscape generation and promotion. For the process of text generation, props & characters creation, AIGC would help game companies to save 20%-30% staff cost (e.g. art outsourcing), and is expected to save 50%-70% time spent in the long run, based on our channel check.

For AIGC regulation, we believe healthy regulatory environment would promote secular development of industry. Game companies would focus more on security and controllability in content production, and ensure adherence to guidelines and mechanism under AIGC regulations.

Figure 18: Key titles in pipeline for major game companies

Company	Game	Chinese Title	Type	Release	License	Details
Kingsoft	Containment Zone	尘白禁区	Shooting	Jul-23	Y	ACG and TPS game; CBT on 23 May
	The other Shore	彼界	RPG	Aug-23	Y	ACG, roguelike card game; CBT on 23 Apr
XD	Sword of Convallaria	铃兰之剑	RPG	2H23	N	Prioritize overseas release with RMB15-20mn grossing for the first month
37 Interactive	Ba Ye	霸业	SLG	2H23	Y	CBT in May 2023
	Fuyao Yimeng	扶摇一梦	MMORPG	2H23	Y	A female oriented game, CBT on 23 Apr
	The Dragon and Alice	龙与爱丽丝	CCG	2H23	Y	An ACG card game, CBT on 23 Apr
Perfect World	Forsaken World2	神魔大陆 2	MMORPG	end-2Q23	Y	Overseas release; cooperates with Microsoft and integrates AI NPCs in the game
	World of Jade Dynasty (PC) 诛仙世界		MMORPG	2Q/3Q23	Y	Second beta test in 2Q23
CMGE						

	World of Castellan	城主天下	SLG	Jun 2023	Y	A self-developed SLG game, jointly published by Sanqi; expected to contribute RMB150mn to rev in FY23E
	Hoop City 3v3	全民街籃	Sports	Aug-23	Y	The cross-PC, console mobile-end game; expect to contribute RMB200mn in FY23E
	Soul Land: Shrek College	斗罗大陆: 史萊克學院	MMOPRG	Oct-23	N	A high-quality team-fight MMORPG game under Soul Land IP; expected to contribute RMB550mn to rev in FY23E
	Sword and Fairy World	仙劍世界	MMOPRG	Dec-23	N	An open-world and Metaverse game; expected to deliver >Rmb1bn annualized grossing
FriendTimes	Twist of the Fate	浮生忆玲珑	RPG	4Q23	Y	The sequel to Fate of the Empress (浮生为卿歌, FS1); expected to outperform FS1's annualized grossing at RMB761mn

Source: Company data, CMBIGM estimates

Online gaming

CMGE: After recent price correction on weak market sentiment, we view it as a good entry point to accumulate CMGE, for: 1) solid performance of new titles launched in 2Q23E (e.g. Sword and Fairy: Wen Qing <新仙剑之挥剑问情> ranked TOP16 in iOS grossing rank after its launch on 9 Jun); 2) more highly anticipated titles to come, Basketball 3v3 (licensed/Aug 2023), Soul Land: Shrek College (斗罗大陆, Oct 2023), Sword and Fair World (仙劍世界, Dec 2023); and 3) strong growth of 1H23E results (forecasting rev +52% YoY). We believe CMGE is relatively defensive to macro uncertainty, and would benefit from AIGC initiatives on both UGC content and efficiency. Our TP is HK\$3.52 (implying 14x/11x FY23/24E P/E, with 26%/24% rev/earnings CAGR in FY23-25E).

FriendTimes: As a leading female-oriented game boutique, we expect FT to embrace mild recovery in FY23E, backed by the launch of A Story of Lala (杜拉拉升职记, TOP50 iOS grossing rank). A Story of Lala is still at growing stage, and more titles will bring further upside, including Twist of the Fate (浮生忆玲珑, to be launched in 4Q23E), <Code: WX> and <Code: PE> in FY24E. We forecast its topline/bottom line to grow at 15%/49% CAGR in FY23-25E, with TP at HK\$1.45. We suggest to look beyond muted 1H23E (while net loss would narrow YoY), and move into 2H23E profitability.

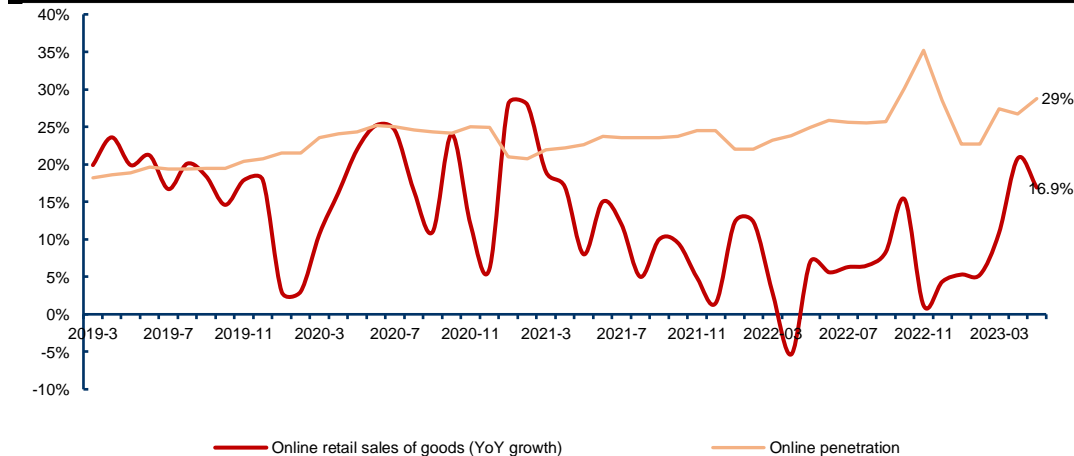
Livestreaming commerce: share gain to continue with solid 618 performance ahead

Livestreaming commerce share gain to continue

Retail sales softened as consumer confidence remained weak, but online retail sales data in May beat expectation. Although overall consumption sentiment takes time to recover, we expect short video players would continuously gain share in ecommerce segment with high user stickiness and vibrant community. We expect SFV players to see >30% GMV growth in 2Q23E, with market share of 21%.

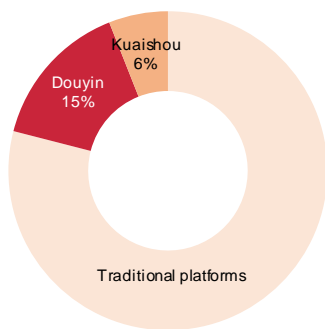
For Kuaishou, it focuses on “trust ecommerce” as key strategy: 1) offering low-price but high-quality products; 2) enhancing user experience; and 3) upgrading content to boost conversion. In 2023, Kuaishou emphasized on upgrades of content, digital shelf platforms, operating tools and marketing system to support merchants & KOLs with higher efficiency. With its social trust, first-mover advantage and system upgrade, we expect Kuaishou to deliver >20% GMV CAGR in FY23-25E (forecasting +33%/41% YoY GMV/rev growth in FY23E), backed by higher monetization with mechanism enhancement and KOL commission charging. We expect further upside would derive from: 1) upcoming launch of shopping malls (2Q23E to increase testing at Level I access point). Kuaishou saw rising penetration from searches for products (up to 69% in 1Q23), supporting large potential from shelf-based features; 2) incremental GMV from Chuanliu Plan (high-quality & targeted traffic distributed to merchants and KOLs). KS expects Chuanliu Plan to bring 20% incremental GMV in 2Q23E (vs. 15% in 1Q23); and 3) new comprehensive evaluation system, upgrading marketing system and operating tools to improve higher efficiency.

Figure 19: Online retail sales YoY growth



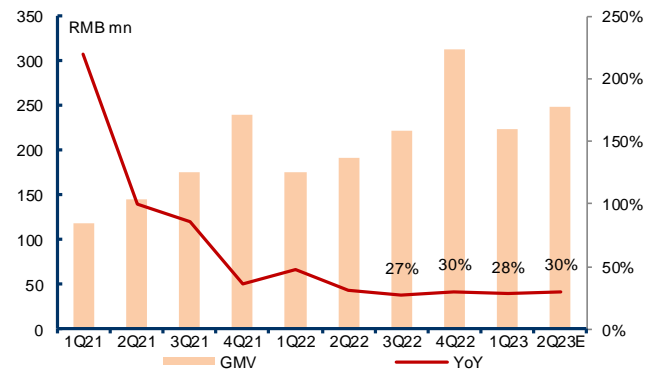
Source: NBS, CMBIGM

Figure 20: Top players' mkt share (by GMV) in 2023E



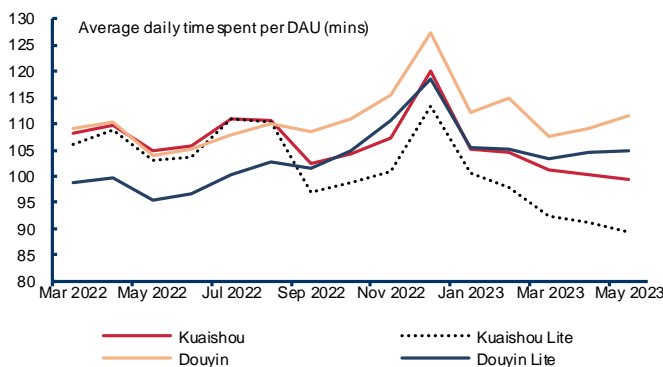
Source: Company data, CMBIGM estimates

Figure 21: Kuaishou's GMV growth estimates



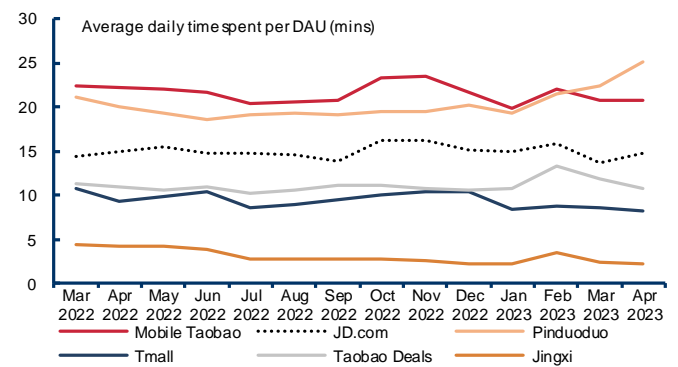
Source: Company data, CMBIGM estimates

Figure 22: Time spent trend of Douyin & Kuaishou



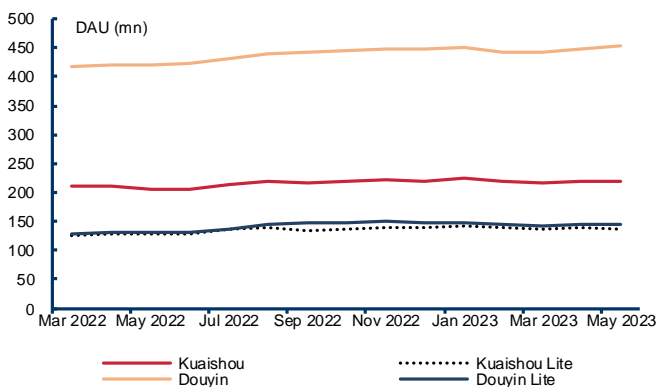
Source: QuestMobile, CMBIGM

Figure 23: Time spent trend of traditional platforms



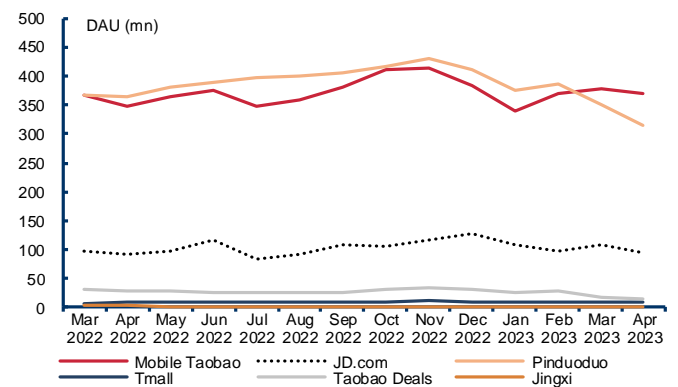
Source: QuestMobile, CMBIGM

Figure 24: DAU trend of Douyin & Kuaishou



Source: QuestMobile, CMBIGM

Figure 25: DAU trend of traditional platforms



Source: QuestMobile, CMBIGM

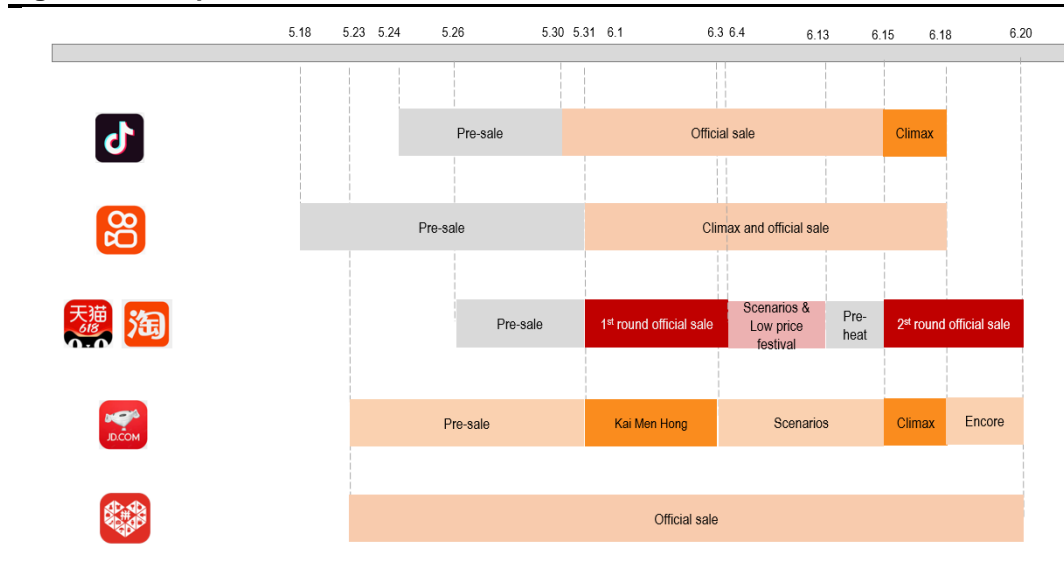
618 promotions with higher subsidies and content engagement into products

As the first "618" promotion post China's reopening, 618 saw mild GMV recovery with SFV share gain to continue. Bases on parcel volumes data in May and third-party channel check, the recovery pace was on track, and we expect 618 GMV at high-single-digit YoY growth (largely in-line with market expectation). SFV platforms would continue to outperform in 618 promotions.

During 618 promotions, platforms tend to emphasized more on subsidies and richer content & scenarios into mall to stimulate consumer conversion:

- **Higher subsidies to promote value-for-money products.** To cater to consumer behavior change, platforms offer higher discount and additional coupons in campaigns vs. last year. For instance, Kuaishou invests RMB1bn sales subsidies and offers 20% discount for general promotion (RMB40 off every RMB200 purchase, higher than peers of 15%-17%). Douyin provides additional coupons of RMB140. Taobao introduces “vertical coupon” and “direct discount” after traditional campaigns (e.g. RMB30 off for every RMB200 purchase).
- **Richer content & scenarios into mall.** Traditional platforms expanded diversified scenarios to display and promote products with vibrant content and community, while SFV players tend to leverage traffic & KOL advantage into its shelf-based mall cross-selling. For instance, Douyin launched its first 618 in “shopping mall” feature, with focus on synergies between content/LS with “mall”, backed by aggressive marketing and traffic support. Taobao emphasized more on content upgrades and livestreaming, with more traffic support to merchants operating SFV/LS formats.
- **Heavier merchant support with traffic and investment.** To better support merchants participation and improve efficiency, platforms launched a series of programs and incentives. For example, Douyin and Kuaishou opened up “site-wide marketing” to merchants, and Taobao introduced a special campaign for SMEs (淘宝好价节). PDD launched a program named “10bn Ecosystem Initiative” to support merchants’ sustainable growth with high-quality products.

Figure 26: 618 promotion timeline



Source: Company data, CMBIGM

Figure 27: 618 strategy and subsidies across key platforms

	Douyin	Kuaishou	Alibaba	JD	Pinduoduo
Discount & subsidies	General discount (17%+): RMB 25 off per RMB150, with three additional coupons (RMB30 off per RMB300, RMB10 off per RMB100, RMB100 off per RMB1000); New initiatives to promote shelf-based mall.	General discount (20%): RMB40 off per RMB200; RMB1bn subsidies.	Tmall: RMB50 off per RMB300 (17%), additional coupon of RMB520 for 88 VIP; Taobao: RMB30 off per RMB200 (15%) + Direct discount from JuHuaSuan; RMB10bn subsidies to 88VIP.	RMB50 off per RMB300 (17%), with additional three coupon of "RMB20 off per RMB200". JD PLUS can enjoy additional three types of coupons (RMB600 off per RMB6000, RMB300 off per RMB3000, RMB30 off per RMB300).	RMB30 off per RMB200 (17%), with additional coupons for selective products (RMB100 off per RMB500, RMB50 off per RMB300, RMB30 off per RMB200); Extra subsidies for Electronics & Appliances.
Strategy & focus	Focus on synergies between content/LS with "mall", backed by aggressive marketing and traffic support.	Differentiate KOL with merchants; More promotions on specific categories.	Emphasis on content upgrades and livestreaming, with offering more traffic support to merchants operating SFV/LS formats; Priority on price competitiveness.	Higher subsidies to attract & retain users; "Plentiful, Fast, Quality, Value-for-money".	Promote 618 to everyday; focus more on Electronics & Appliances.
Merchant Support	Interest-free loan for selective products and merchants. Traffic support; "site-wide marketing"; logistics insurance subsidies; Marketing subsidies from Ocean Engine, etc.	10bn traffic support and RMB1bn subsidies; Subsidies to merchants with extra GMV; "site-wide marketing" to brands, etc.	Interest discount for loan; >10bn traffic support for 1mn+ merchants; Low price festival for SMEs; logistics insurance subsidies, etc.	>1bn traffic support; reducing operating cost for selected merchants, etc.	Traffic recommendation to merchants participated; "10bn Ecosystem Initiative" to support merchants' sustainable growth with high-quality products, etc.

Source: Company data, CMBIGM

We see high visibility for KS to deliver 30%/50% YoY GMV/rev growth in 2Q23E, with solid 618 performance, apparels recovery, mechanism enhancement and KOL commission charging. According to KS's 618 pre-sale data published on 5 Jun, its no. of orders/buyers increased >72%/>50% YoY during 1 Jun to 3 Jun, and GMV from brands surged >222% YoY. By category, GMV of home appliances/ textiles/fresh products/3C/apparel grew ~500%/330%/200%/139%/60% YoY.

Figure 28: Kuaishou pre-sale performance in 618 promotion

Overall performance	GMV YoY
Num. of order	>72%
Num. of buyer	>50%
GMV from brands	>222%
GMV from linkage inserted in short videos (挂车)	>128%
By category	GMV YoY
Home appliances	~500%
Textiles	330%
Fresh products	~200%
3C	139%
Apparel	>60%
In-house streaming for female brands	133%

Source: Company data, CMBIGM

Lifestyle commerce: V-shaped rebound to continue

We keep positive on OTAs' V-shaped recovery post China's reopening, and expect OTA to continuously benefit from rising demand from short-haul travel and outbound tourism recovery in the mid-to-long run. Compared to other segments, we view OTA as more resilient to macro uncertainty and enjoy higher growth potential (with rising hotel online penetration in lower tier cities). Market debates lie on competition from Douyin's competition. We think the company has already adjusted hotel take rate guidance to reflect higher subsidies, and hotel biz should be more defensive on its supply chain barrier and relatively low frequency.

According to the Ministry of Culture and Tourism, tourism rev in Labor Day holiday reached 101% of 2019 level, with tourists at 119% of 2019 level, suggesting strong pent-up travel demand. Key players delivered upbeat 1Q23 results and stronger guidance (e.g. Tongcheng: 2Q23E rev +70%-75% vs. 2Q19). With faster recovery pace, platforms would conduct highly effective S&M strategy, thus leading to industrial margin improvement.

We recommended Tongcheng for: 1) its high visibility of V-shaped recovery and margin expansion; 2) barrier with its exposure in lower-tier cities, higher cross-selling and Tencent traffic support; and 3) reasonable valuation. We forecast TC to deliver 15%/16% rev/ earnings CAGR in FY23-25E, in which FY23E rev/ earnings would see +67%/188% YoY growth with strong pent-up travel demand. We expect 2Q23E rev to accelerate to +108% YoY (+72% vs. 2019 level), in which hotel strong momentum would continue (forecasting +75% YoY, +72% vs. 2019 level)) and transportation rev +130% YoY. In the mid-to-long term, we expect higher cross-selling, long-haul travel recovery and higher online penetration of hotel to bring further upside. Maintain BUY with new DCF-based TP at HK\$24.5 (27x/22x FY23/24E P/E).

Lifestyle commerce

Kuaishou: We are confident on KS's ads recovery, and share gain in ecommerce and livestreaming. We are more bullish on its 2Q23E momentum (forecasting rev +25% YoY), supported by: 1) resilient livestreaming to continue; 2) ads acceleration with external ads resuming growth; and 3) ecommerce share gain with higher take rate (GMV/rev +30%/50% YoY). After recent price correction for weak market sentiment, we suggest to buy on dips, for its stronger LS & ecommerce and better margin outlook. Maintain BUY with SOTP-based TP at HK\$97 (implying 3.3x FY23E P/S), by assigning 1x/2x FY23E EV/sales to livestreaming/ad biz, and 0.16x P/GMV to ecommerce biz. Valuation is not demanding.

Baozun: Looking into 2Q23E, we forecast rev at double-digit YoY growth, with mild EBC recovery (from rev decline trend to stable YoY) and sequential growth for BBM. By category, sports, luxury and apparels would deliver solid momentum, to offset soft electronics. We forecast Baozun 618 GMV at single-digit YoY growth, in which brands and platforms are well prepared and launched diverse initiatives in 618 promotions, while customer confidence remains to be seen for macro uncertainty. Baozun would see more synergies from GAP transformation and M&A opportunities. We keep FY23-25E financials forecast unchanged, with TP at US\$8.4 (implying 11x FY23 EV/EBIT of BEC, or 13x FY24E P/E).

Huitongda: Despite challenging macro and ecommerce competition, we remain confident in HTD to deliver above-industrial growth with better margin in the long run. We forecast its FY23E earnings +20% YoY, with moderate but high-quality topline

growth (+18% YoY). 1Q23E might be soft on Covid disruptions, but it is well anticipated. Looking into FY23E, we expect its household appliance and homebuilding materials to gradually recover post China's reopening, while liquor and beverages and consumer electronics would maintain solid growth (forecasting rev 20%+ YoY in FY23E). HTD prioritizes on high-quality growth and profitability enhancement. We remain confident in its above-industrial growth, considering: 1) resilient demand in low-tier markets with category expansion; and 2) consumption recovery post reopening. We keep positive on its secular growth (15%/24% topline/bottom line CAGR in FY23-25E). Our SoTP-based TP is HK\$55.

Tongcheng: We keep positive on TC's V-shaped recovery in 2Q23E, and expect it to continuously deliver above-industrial growth in the long run. Market concerns on competition and macro challenges have partly priced in recent price softness. We suggest to look into its 2Q23E acceleration, with rev +108% YoY. Compared to ecommerce/lifestyle peers, we think TC would be more resilient to macro uncertainty, on its exposure in lower-tier cities, higher cross-selling and Tencent traffic support. We raised FY23-25E earnings by 5-10%, to reflect faster recovery pace (on strong hotel, business travel, etc.). Maintain BUY with TP at HK\$24.5 (27x/22x FY23/24E P/E).

Selective in upcoming sector mild re-rating

Good entry point in Jun, with favourable risk reward.

Although geographical tension and macro challenges are yet over, we believe most worst-case scenarios have been priced in. As the majority of headwinds are well priced in, we expect sector sentiment to be further boosted by: 1) upcoming strong drama & game pipeline in summer holiday; 2) solid performance for 618 promotions; and 3) potential positive economic incentives. Sector valuation was trading at 15x FY23E P/E, close to 5-year historical trough. Risk reward is favorable, and suggest to buy the dips.

Prefer entertainment, in which Kuaishou, IQ, Tongcheng and CMGE as top picks.

Among all subsectors, we prefer SFV&LFV and games, for resilience on macro uncertainty, stable competition landscape and better margin outlook with solid growth. In SFV&LFV, OTA and games segment, our top picks are Kuaishou, IQ, Tongcheng and CMGE.

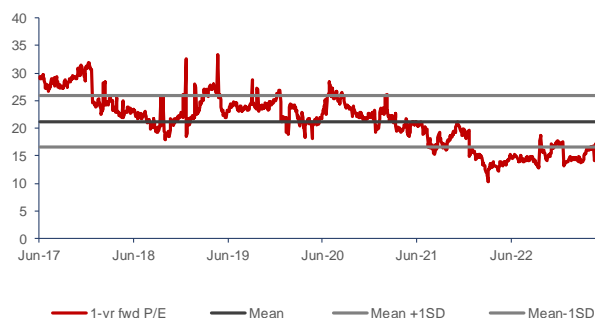
- **Kuaishou: stronger LS & ecommerce and better margin outlook.** We are bullish on 2Q23E momentum (forecasting rev +25% YoY), supported by: 1) resilient livestreaming to continue; 2) ads acceleration with external ads resuming growth; and 3) ecommerce share gain with higher take rate (GMV/rev +30%/50% YoY).
- **IQ: attractive valuation with fundamental improvement and multiple catalysts ahead:** 1) 2Q23E result intact even with one drama delay (guidance unchanged); 2) rich pipeline to support subs momentum in summer holiday and 2H23E (e.g. Destined <长风渡>, launched on 18 Jun>, The Demon Hunter's Romance <无忧渡>); 3) ads recovery from 2Q23E (forecasting rev +17% YoY), with rising budget from multiple verticals (e.g. FMCG, ecommerce).
- **Tongcheng: positive on TC's V-shaped recovery** in 2Q23E (forecasting rev +108% YoY), and expect it to continuously deliver above-industrial growth in the long run. TC would be more resilient to macro uncertainty, on its exposure in lower-tier cities, higher cross-selling and Tencent traffic support.
- **CMGE: a fruitful year with strong game pipeline.** 1) solid performance of new titles launched in 2Q23E; 2) more highly-anticipated titles to come, including Basketball 3v3 (licensed/Aug 2023), Soul Land: Shrek College (斗罗大陆, Oct 2023), Sword and Fair World (仙剑世界, Dec 2023); and 3) strong growth of 1H23E result (forecasting rev +52% YoY). Valuation is attractive (8x FY23E P/E), with AIGC initiatives to bring long-term upside.

Figure 29: Core Internet P/E band

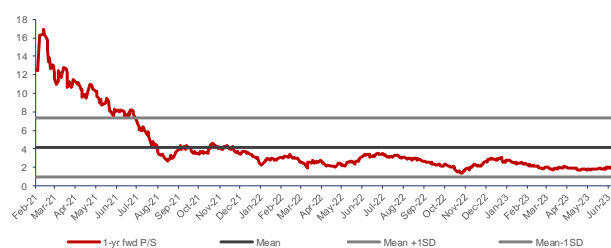


Source: Bloomberg

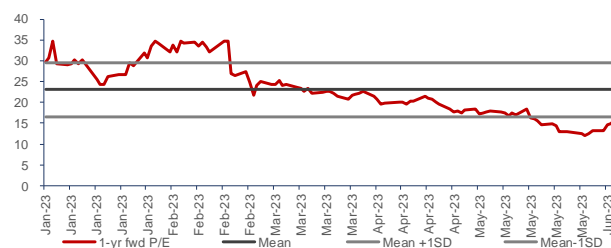
Figure 30: Entertainment P/E band



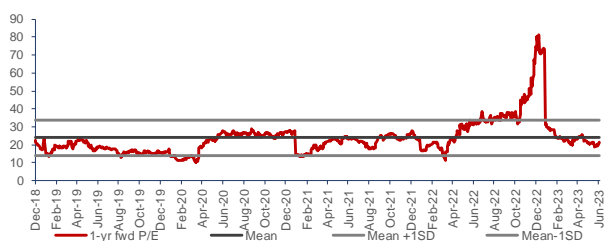
Source: Bloomberg

Figure 31: Kuaishou P/S band

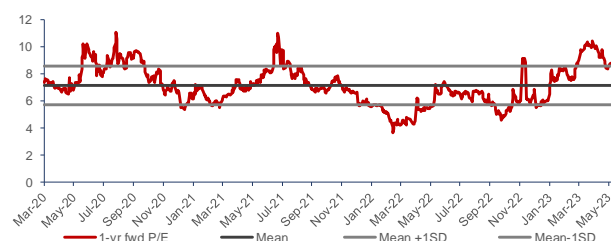
Source: Bloomberg

Figure 32: IQ P/E band

Source: Bloomberg

Figure 33: Tongcheng P/E band

Source: Bloomberg

Figure 34: CMGE P/E band

Source: Bloomberg

Figure 35: Peers valuation

Company	Ticker	Mkt cap (USD mn)	Currency	Price	CMBI Rating	CMBI TP	PE			PS			FY23-25 EPS
							FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	CAGR
China Internet Giants													
Tencent	700 HK	434,890	HKD	355	BUY	455	21.3	17.8	15.9	5.0	4.4	4.0	16%
Alibaba	BABA US	231,219	USD	89	BUY	157	11.0	9.9	8.3	1.7	1.6	1.5	15%
Baidu	BIDU US	51,464	USD	147	BUY	199	15.7	14.0	12.0	2.7	2.4	2.2	13%
JD	JD US	60,816	USD	39	BUY	63	13.6	11.5	9.7	0.4	0.4	0.3	17%
Meituan	3690 HK	109,420	HKD	137	BUY	172	42.8	25.0	16.5	2.8	2.3	1.9	59%
Pinduoduo	PDD US	99,469	USD	79	BUY	109	15.7	12.3	9.9	4.0	3.3	2.8	22%
NetEase	NTES US	63,618	USD	99	BUY	123	17.8	16.3	14.8	4.3	3.9	3.6	9%
Kuaishou	1024 HK	33,869	HKD	61	BUY	97	63.7	26.9	15.0	2.1	1.8	1.6	104%
Average							15.8	13.6	12.8	2.9	2.5	2.3	15%
E-commerce													
Alibaba	BABA US	231,219	USD	89	BUY	157	11.0	9.9	8.3	1.7	1.6	1.5	15%
JD	JD US	60,816	USD	39	BUY	63	13.6	11.5	9.7	0.4	0.4	0.3	17%
Pinduoduo	PDD US	99,469	USD	79	BUY	109	15.7	12.3	9.9	4.0	3.3	2.8	22%
Meituan	3690 HK	109,420	HKD	137	BUY	172	42.8	25.0	16.5	2.8	2.3	1.9	59%
Vipshop	VIPS US	10,175	USD	18	NA	NA	9.1	8.9	8.3	0.6	0.6	0.6	4%
Yatsen	YSG US	661	USD	1	NA	NA	NA	19.5	18.0	1.1	1.0	1.0	NA
Huitongda	9878 HK	2,286	HKD	32	BUY	55	30.1	22.2	17.7	0.2	0.1	0.1	29%
Baozun	BZUN US	264	USD	4	BUY	8	65.9	8.0	4.5	0.2	0.2	0.2	193%
Average							12.4	14.7	11.6	1.4	1.2	1.0	48%
OTA													
Trip.com	TCOM US	23,210	USD	36	BUY	46	21.0	16.5	14.0	4.0	3.4	2.9	21%
Tongcheng	780 HK	4,989	HKD	17	BUY	25	18.7	14.7	12.2	3.2	2.6	2.3	24%
Average							19.8	15.6	13.1	3.6	3.0	2.6	22%
Game													
Tencent	700 HK	434,890	HKD	355	BUY	455	21.3	17.8	15.9	5.0	4.4	4.0	16%
NetEase	NTES US	63,618	USD	99	BUY	123	17.8	16.3	14.8	4.3	3.9	3.6	9%
XD Inc	2400 HK	1,400	HKD	23	NA	NA	NA	27.6	15.4	2.3	1.9	1.5	155%
Kingsoft	3888 HK	5,694	HKD	33	NA	NA	52.8	32.0	25.5	4.5	3.8	3.2	47%
IGG	799 HK	738	HKD	5	NA	NA	NA	7.7	5.3	1.0	0.9	0.9	NA
FriendTimes	6820 HK	276	HKD	1	BUY	1	9.7	5.0	3.7	1.1	0.9	0.8	62%
CMGE	302 HK	767	HKD	2	BUY	4	9.2	7.1	5.9	1.1	0.8	0.7	26%
Archosaur Games	9990 HK	460	HKD	5	NA	NA	NA	15.2	80.6	2.2	1.7	2.1	NA
Perfect World	002624 CH	5,062	CNY	19	BUY	49	22.0	18.7	16.6	4.0	3.5	3.2	15%
Sanqi Interactive	002555 CH	10,663	CNY	34	BUY	30	22.4	19.7	17.5	4.0	3.5	3.2	14%
Giant Network	002558 CH	5,655	CNY	20	NA	NA	28.8	24.3	20.1	12.0	10.2	9.3	20%
Average							18.7	14.6	14.1	3.0	2.5	2.3	21%
Live Streaming													
Hello Inc	MOMO US	1,834	USD	10	HOLD	14	6.2	5.8	5.5	1.1	1.0	1.0	6%
JOYY	YY US	2,065	USD	30	BUY	46	15.7	12.8	10.5	0.9	0.8	0.8	20%
Inke	3700 HK	193	HKD	1	NA	NA	2.8	2.3	2.0	0.2	0.2	0.2	17%
Douyu	DOYU US	359	USD	1	NA	NA	NA	NA	65.6	0.5	0.5	0.4	445%
Huya	HUYA US	842	USD	4	BUY	7	NA	98.2	26.9	0.7	0.7	0.7	NA
Average							8.2	7.0	11.2	0.7	0.6	0.6	14%
Pan-entertainment													
TME	TME US	14,329	USD	8	BUY	11	16.3	15.1	13.8	3.4	3.1	2.9	9%
iQIYI	IQ US	5,001	USD	5	BUY	9	14.9	10.6	9.3	1.1	1.0	1.0	27%
China Literature	772 HK	5,015	HKD	39	NA	NA	23.1	20.3	17.9	4.3	3.9	3.6	12%
Bilibili	BILI US	7,309	USD	18	BUY	27	NA	NA	50.5	2.1	1.8	1.6	NA
Kuaishou	1024 HK	33,869	HKD	61	BUY	97	63.7	26.9	15.0	2.1	1.8	1.6	104%
Zhihu	ZH US	710	USD	1	BUY	2	NA	NA	16.0	1.1	0.9	0.8	NA
Average							18.1	18.2	14.4	2.3	2.1	1.9	16%
Ads													
Baidu	BIDU US	51,464	USD	147	BUY	199	15.7	14.0	12.0	2.7	2.4	2.2	13%
Weibo	WB US	3,567	USD	15	BUY	27	6.8	6.1	5.6	1.9	1.7	1.6	10%
Mobvista	1860 HK	774	HKD	4	BUY	6	37.7	19.3	19.3	0.7	0.6	0.5	41%
Duiba	1753 HK	54	HKD	0	BUY	4	NA	NA	NA	NA	NA	NA	NA
Average							11.2	13.2	12.3	1.8	1.6	1.5	22%
Average							15.3	14.1	11.5	2.9	2.5	2.3	18%

Source: Bloomberg

Note: Data updated by 15 Jun 2023

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