

iQIYI (IQ US)

Stronger momentum ahead

IQ delivered upbeat 4Q22 result, with rev +2.8% YoY (1% above consensus) and adj. NP at RMB856mn (176% above consensus). We believe such strong momentum would continue in 1Q23E (forecasting rev to accelerate to +10% YoY), backed by eye-catching performance of *The Knockout* (狂飆). IQ is one of our top picks in online entertainment segment, on its strong pipeline in FY23-24, healthy rev growth, clear margin improvement and the relaxation of LFV content regulation. To reflect stronger subs and margin expansion, we raised FY22-24E earnings forecast by 77%-91%, with higher DCF-based TP at US\$8.6.

- **Another upbeat quarter.** Total rev resumed growth at +2.8% YoY in 4Q22 (1%/4% above consensus/our estimates), attributable to strong subs (+15% YoY) and solid ads recovery (+25% QoQ). GPM came out at 28.9% (vs. consensus of 24.8%), mainly on lower-than-expected content costs. Non-GAAP NP recorded at RMB856mn, significantly above consensus by 176%, with better opex control and non-recurring items.
- **1Q23E to accelerate, with breakthrough of *The Knockout* (狂飆).** IQ subs climbed to 111.6mn in 4Q22, +10% QoQ, boosted by premium dramas launched (e.g. *Wild Bloom* <风吹半夏>, *New Life Begins* <卿卿日常>). We see high visibility for 1Q23E rev to accelerate (forecasting +10% YoY), for the wide popularity of *The Knockout* (>50% viewership mkt share, Top 1, based on Enlightent data). We forecast subs will increase to 123mn in 1Q23E, with net adds of 11mn. ARM might keep flat QoQ in 1Q23E, with higher mix from annual subs to offset pricing hike. In the long run, ARM would be in growth trajectory with stronger monetization and rising TV members (with higher price). We expect ads to keep stable YoY in 1Q23E. Looking ahead, its richer content pipeline would further support user expansion and subs growth in FY23E, including *Fox Spirit Matchmaker* <狐妖小红娘>, *Story of Kunning Palace* <宁安如梦> (2Q23E), etc.
- **Better margin outlook.** IQ upgraded its priority on margin expansion with "quality growth" in 2022. Given a series of high-quality dramas launched recently, we turn more confident on IQ's secular growth and profitability improvement. We expect iQIYI to achieve non-GAAP OPM at 10% in 1Q23E & FY23E (non-GAAP OP at RMB3.3bn in FY23E), with GPM up to 26%.
- **Maintain BUY.** We raised FY22-24E earnings forecast by 77%-91%, to reflect stronger subs and margin expansion. Our DCF-based TP was correspondingly adjusted to US\$8.6 (implying 24x/17x FY23/24E P/E), largely in line with Netflix and Mango's multiple. Key catalysts: 1) popular dramas to be launched; and 2) better ads recovery post China's reopening.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	30,554	28,998	31,841	33,799	35,152
YoY growth (%)	2.9	(5.1)	9.8	6.1	4.0
Adj. net income (RMB mn)	(4,549)	1,266	2,289	3,234	3,696
Adj. EPS (RMB)	(5.6)	1.5	2.4	3.4	3.9
YoY growth (%)	NA	NA	NA	NA	NA
Consensus EPS (RMB)	NA	0.3	1.4	2.5	4.2
P/E (x)	NA	33.6	20.9	14.8	13.1
P/S (x)	1.6	1.6	1.5	1.4	1.4
Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$8.6
(Previous TP	US\$4.1)
Up/Downside	+17.8%
Current Price	US\$7.3

China Internet Sector

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Stock Data

Mkt Cap (US\$ mn)	6,587
Avg 3 mths t/o (US\$ mn)	105.99
52w High/Low (US\$)	7.99/ 1.65
Total Issued Shares (mn)	513
Source: Bloomberg	

Shareholding Structure

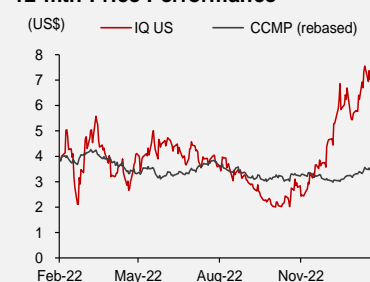
Goldman Sachs	4.93%
Oasis Management	4.58%
Bank of America	4.51%
Source: Bloomberg	

Share Performance

	Absolute	Relative
1-mth	22.1%	15.4%
3-mth	150.0%	136.4%
6-mth	93.6%	108.7%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PwC

Another strong quarter

Upbeat 4Q22. IQ reported upbeat 4Q22 results. Rev +2.8% YoY to RMB7.6bn, 1% above consensus. By segment, membership services +15% YoY to RMB4.4bn (3.7% ahead of our estimate), mainly attributable to premium dramas launched in 4Q22 (e.g. *Wild Bloom* <风吹半夏>, *Unchained Love* <浮图缘>, *New Life Begins* <卿卿日常>). No. of subs climbed to 111.6mn (+10.5% QoQ), in which paying subs +10.7% YoY (up to 110.9mn). Ads rev achieved sequential growth in 4Q22, +25% QoQ, 18% above our estimates. GPM was 28.9% (vs. consensus of 24.8%), mainly attributable to lower-than-expected content costs. Non-GAAP NP recorded at RMB856mn, 176% above consensus, backed by better opex control and non-recurring items.

Figure 1: 4Q22 financial review

RMB mn	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	QoQ	YoY	Consensus	Diff %	CMBI	Diff %
Revenue	7,968	7,608	7,589	7,389	7,277	6,657	7,471	7,593	1.6%	2.8%	7,495	1%	7,325	4%
Operating profit	(1,014)	(1,122)	(1,368)	7,389	93	126	310	784	153.0%	-89.4%	499	57%	103	662%
Net profit	(1,267)	(1,397)	(1,730)	(1,776)	169	(214)	(396)	304	NA	NA	103	195%	(130)	NA
Adj. net profit	(1,021)	(1,065)	(1,400)	(1,002)	162	78	187	856	357.4%	NA	310	176%	71	NA
EPS (RMB)	(1.29)	(1.34)	(1.75)	(1.25)	0.20	0.09	0.22	0.98	356.1%	NA	0.44	123%	0.08	NA
Margin (%)														
Gross margin	10.8%	9.7%	7.4%	11.9%	18.0%	21.2%	23.6%	28.9%			24.8%		21.0%	
Operating margin	-12.7%	-14.7%	-18.0%	100.0%	1.3%	1.9%	4.1%	10.3%			6.7%		1.4%	
Adj. net margin	-12.8%	-14.0%	-18.4%	-13.6%	2.2%	1.2%	2.5%	11.3%			4.1%		1.0%	
Growth (%)														
Revenue (YoY)	4.2%	2.7%	5.6%	-0.9%	-8.7%	-12.5%	-1.6%	2.8%			1.4%		-0.9%	
Revenue (QoQ)	6.8%	-4.5%	-0.3%	-2.6%	-1.5%	-8.5%	12.2%	1.6%			0.3%		-2.0%	
Operating profit	NA	NA	NA	NA	NA	NA	NA	NA			NA		NA	
Adj. net profit	NA	NA	NA	NA	NA	NA	NA	NA			NA		NA	

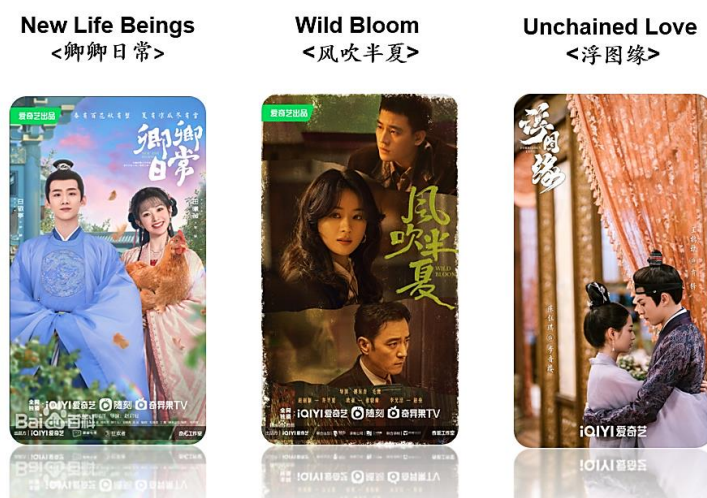
Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: 4Q22 revenue breakdown

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	QoQ	YoY
Revenue (RMB mn)	7,968	7,608	7,589	7,389	7,277	6,657	7,471	7,593	1.6%	2.8%
Membership Services	4,312	3,993	4,288	4,121	4,471	4,285	4,211	4,744	12.7%	15.1%
Online Advertising	1,917	1,825	1,660	1,665	1,337	1,194	1,247	1,553	24.6%	-6.7%
Content Distribution	779	688	627	762	626	479	730	635	-13.0%	-16.7%
Others	961	1,102	1,013	842	842	698	1,284	661	-48.5%	-21.5%

Source: Company data

Figure 3: Key premium dramas launched in 4Q22



Source: Company data, CMBIGM

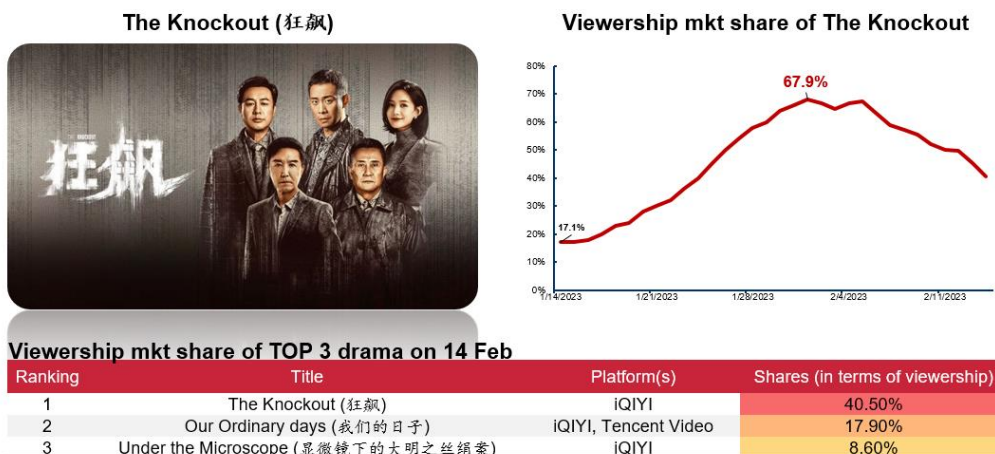
Eye-catching blockbuster drama to boost 1Q23E acceleration

We see high visibility for IQ rev to accelerate in 1Q23E (forecasting rev +10% YoY), for the wide popularity of *The Knockout* <狂飆>. *The Knockout* <狂飆> delivered eye-catching performance in CNY, with >50% viewership mkt share, based on Enlightent data. Mgmt stated that subs strong growth continued in CNY, with higher mix from annual subs and TV members. We forecast subs up to 123mn in 1Q23E, with net adds of 11mn.

Looking ahead, its richer content pipeline would further support user expansion and subs growth in FY23E, including *Fox Spirit Matchmaker* <狐妖小红娘>, *Story of Kunning Palace* <宁安如梦>, etc. In 2Q23E, we suggest to eye on key dramas to be launched, such as *Story of Kunning Palace* <宁安如梦>, *Destined* <长风渡>, *The Demon Hunter's Romance* <无忧渡>, *Take us home* <龙城>, and *I am criminal police* <我是刑警>.

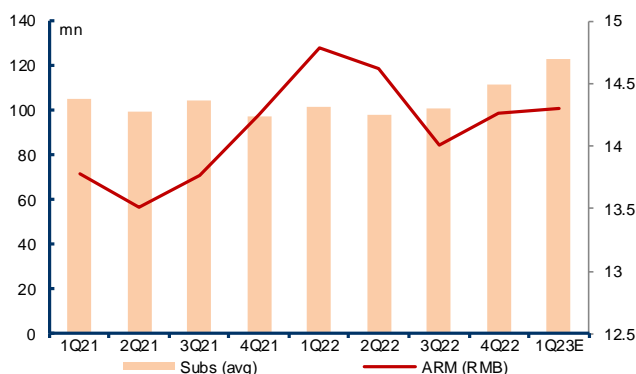
We forecast ARM to keep stable QoQ in 1Q23E, with higher mix from annual subs to offset pricing hike. In the long run, ARM would be in growth trajectory with pricing hike, stronger monetization, and rising TV members (with higher price).

Figure 4: Eye-catching performance of *The Knockout* <狂飆> in 1Q23



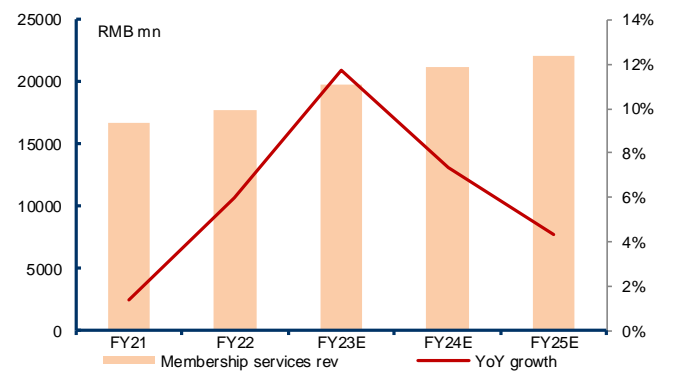
Source: Enlightent data, CMBIGM

Figure 5: Quarterly subs estimates



Source: Company data, CMBIGM estimates

Figure 6: Yearly subs rev estimates



Source: Company data, CMBIGM estimates

Figure 7: iQIYI's key drama series pipeline in FY23E

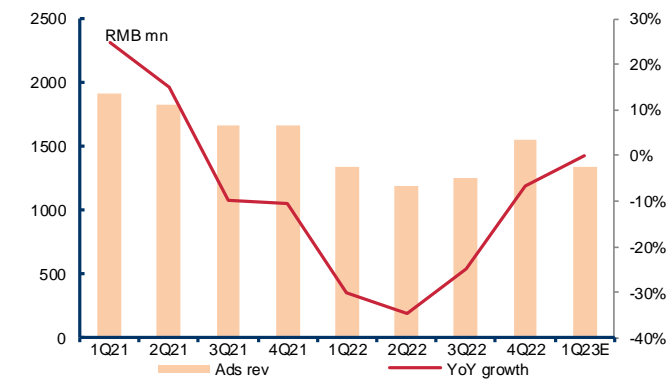
Title	Producer	Genre
A Cat and a Fish <骑着鱼的猫>	iQIYi	Romance
Take us home <龙城>	iQIYI	Romance
The magical women <灿烂的转身>	iQIYI, Lian Rui Pictures	Romance
Bionic <仿生人间>	iQIYI	Sci-Fi
Road Back Home <回来的女儿>	iQIYI, MingRun Entertainment	Crime
Special Lady <陌上人如玉>	iQIYI, Chinese Miracle	Romance
My wife is a thief <柳叶摘星辰>	iQIYI, Rising Star	Romance
Grandma's New World <外婆的新世界>	iQIYI, Radiant Pictures, Ten Space	Life
The Gate of Renewal <云襄传>	iQIYI, Youth Hello	Wuxia
Mo Bai <墨白>	iQIYI	Romance
Hua Xi Ji <花溪记>	iQIYI	Romance
The Lotus Casebook <莲花楼>	iQIYI	Romance
Back for you <漫影寻踪>	iQIYI	Romance
Rising with the wind <我要逆风去>	iQIYI, Stellar	Romance
First love you <初次爱你>	iQIYI	Romance
Song of the moon <月歌行>	iQIYI, Yide Culture	Historical
The Emperor's Love <倾城亦清欢>	iQIYI	Historical
The Comic Bang <开画！少女漫>	iQIYI	Romance
Good Women <女人万岁>	iQIYI	Life
Our Life <我们的日子>	iQIYI	Life
I am criminal police <我是刑警>	iQIYI	Crime
Road to home <归路>	iQIYI	Romance
Echo <回响>	iQIYI, Force Culture	Romance
The disappeared 11th floor <消失的十一层>	iQIYI, Force Culture	Crime
Meet me in your sound <月幻森林>	iQIYI	Historical
Golden Trio <老家伙>	iQIYI, Shandong Film & TV Production	Life
Hello Life <你好生活>	iQIYI, HuangCheng Pictures	Life
The seventh generation <七时吉祥>	iQIYI, Stellar	Historical
Life <人生路遥>	iQIYI	Life
The Mutations <天启异闻录>	iQIYI	Historical
New York Mission 2 <唐人街探案 2>	iQIYI	Crime
Tiger Crane <虎鹤妖师录>	iQIYI, Youyaoqi	Historical
Hua Jie <花戒>	iQIYI	Historical
Jiu Xiao Han Ye Nuan <九霄寒夜暖>	iQIYI	Romance
Chinese Paladin 4 <仙剑奇侠传 4>	iQIYI	Historical
The Lord of Losers S2 <破事精英 2>	iQIYI	Life
Moses on the Plain <平原上的摩西>	iQIYI (Light on Series)	Crime
The Demon Hunter's Romance <无忧渡>	iQIYI	Romance
Fox Spirit Matchmaker <狐妖小红娘>	iQIYI, Tencent Pictures, Stellar	Historical
Destined <长风渡>	iQIYI, Liehuo Film (烈火影业) Shengge Film (盛阁影视)	Historical
Story of Kunming Palace <宁安如梦>	iQIYI	Historical
Imperfect Victim <不完美受害人>	Haohan (浩瀚影视), iQIYI	Crime
A Journey to Love <一念关山>	iQIYI	Romance

Source: Company data, CMBIGM

Ads to recover in 1Q23E, forecasting stable rev YoY

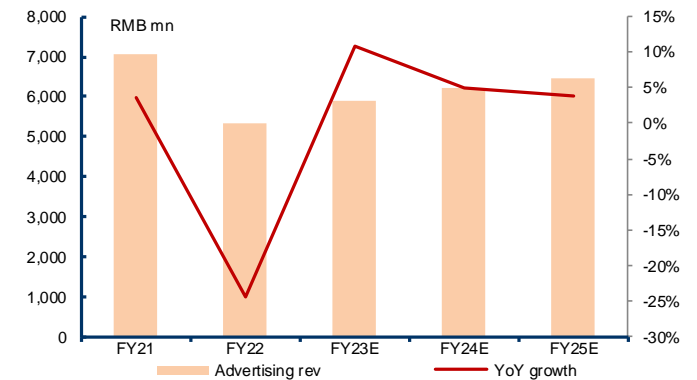
iQIYI ads continued to achieve sequential growth in 4Q22 (+25% QoQ), despite YoY decline. Strong performance of *Wild Bloom* <风吹半夏> and *New Life Begins* <卿卿日常> support ads recovery. Looking ahead, we forecast ads rev to keep flat YoY in 1Q23E, with CNY promotions and *The Knockout* <狂飙> outperformance. We forecast its ads rev to grow 11% YoY in FY23E.

Figure 8: iQIYI's quarterly ads rev estimates



Source: Company data, CMBIGM estimates

Figure 9: iQIYI's yearly ads rev estimates

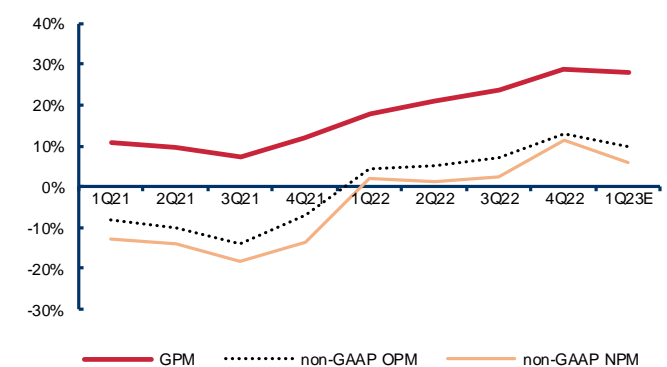


Source: Company data, CMBIGM estimates

Better margin outlook

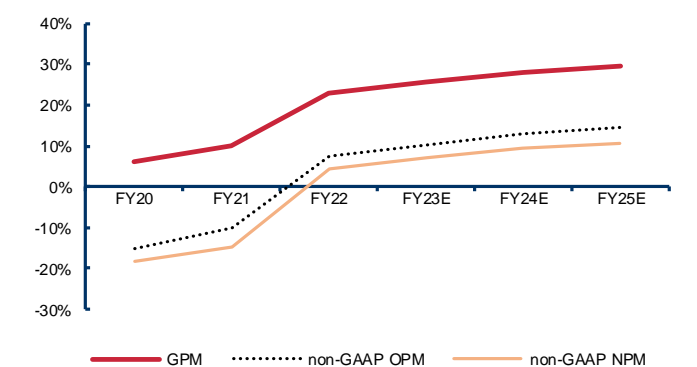
We see high visibility for iQIYI to improve its profitability in the long run, for content cost control, price hike and operating leverage. Mgmt. has upgraded its priority on margin expansion with “quality growth”, focusing on investing core biz and higher-ROI projects. We expect non-GAAP OP at RMB801mn in 1Q23E (non-GAAP OPM at 10%), and 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%.

Figure 10: Quarterly margin estimates



Source: Company data, CMBIGM estimates

Figure 11: Yearly margin estimates



Source: Company data, CMBIGM estimates

Maintain BUY with higher TP at US\$8.6

To factor in stronger subs (with better performance of content) and margin expansion, we raised FY22-24E earnings forecast by 77%-91%. We raise our DCF-based TP to US\$8.6 (implying 24.5x/17.4x FY23/24E P/E), considering earnings adjustment and higher multiple after sector re-rating. Our TP-implied P/E multiple is slightly above industrial average, but largely in line with Netflix and Mango's multiple (the most comparable ones).

iQIYI's positive price drivers and catalysts would originate from: 1) popular dramas in 1Q23E & 2Q23E to be launched; 2) better ads recovery; and 3) margin improvement. On top of that, we expect iQIYI to benefit from easing regulation ahead.

Figure 12: DCF Valuation

DCF valuation (RMB mn)										
	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
EBIT	3,271	4,402	5,054	5,867	6,773	7,708	8,546	9,404	10,251	11,071
Tax	(100)	(254)	(479)	(501)	(617)	(750)	(871)	(989)	(1,025)	(1,107)
D&A	13,292	13,605	14,018	14,607	15,107	15,559	16,022	16,495	17,319	18,185
Working capital	(9,873)	(13,800)	(14,182)	(14,697)	(15,236)	(15,714)	(16,137)	(16,644)	(17,476)	(18,350)
CAPEX	(892)	(913)	(995)	(1,031)	(1,065)	(1,080)	(1,080)	(1,092)	(1,147)	(1,193)
FCF	5,699	3,040	3,417	4,244	4,962	5,723	6,480	7,174	7,922	8,606
FCF Growth		-47%	12%	24%	17%	15%	13%	11%	10%	9%
Terminal Value										92,183
PV (FCF+ Terminal Value)	5,699	2,700	2,694	2,972	3,085	3,159	3,177	3,123	3,062	34,595

Assumptions	
WACC	12.6%
Tax rate	15.0%
Risk free rate	3.6%
Beta	1.10
Market risk return	11.8%
Terminal growth rate	3.0%

Equity Value	
PV	64,265
minus: Net cash	8,475
minus: Minority Interest	0
Equity Value	55,790
Shares (mn)	947
Target Price (US\$) based on DCF	8.6

		WACC				
		11%	12%	13%	14%	15%
Growth	1.5%	9.5	8.4	7.8	6.7	6.1
	2.0%	9.9	8.7	8.1	6.9	6.2
	2.5%	10.2	9.0	8.3	7.1	6.4
	3.0%	10.7	9.3	8.6	7.3	6.5
	3.5%	11.1	9.6	8.8	7.5	6.7
	4.0%	11.7	10.0	9.2	7.7	6.8
	4.5%	12.3	10.4	9.5	7.9	7.0

Source: CMBIGM estimates

Figure 13: CMBIGM estimates vs consensus

RMB mn, Dec-YE	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	31,841	33,799	35,152	31,052	33,129	35,651	2.5%	2.0%	-1.4%
Gross Profit	8,124	9,521	10,373	7,569	8,898	10,438	7.3%	7.0%	-0.6%
Operating Profit	2,320	3,392	4,004	1,983	2,922	3,159	17.0%	16.1%	26.7%
Adj. net profit	2,289	3,234	3,696	1,393	2,337	2,734	64.3%	38.4%	35.2%
Adj. EPS (RMB)	2.42	3.40	3.86	1.43	2.51	2.95	69.1%	35.4%	31.1%
Gross Margin	25.5%	28.2%	29.5%	24.4%	26.9%	29.3%	+1.1ppts	+1.3ppts	+0.2ppts
Operating Margin	7.3%	10.0%	11.4%	6.4%	8.8%	8.9%	+0.9ppts	+1.2ppts	+2.5ppts
Adj. net margin	7.2%	9.6%	10.5%	4.5%	7.1%	7.7%	+2.7ppts	+2.5ppts	+2.8ppts

Source: CMBIGM estimates, Bloomberg

Figure 14: Earnings revision

RMB mn, Dec-YE	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	31,841	33,799	35,152	30,492	32,075	NA	4.4%	5.4%	NA
Gross Profit	8,124	9,521	10,373	6,850	7,755	NA	18.6%	22.8%	NA
Operating Profit	2,320	3,392	4,004	1,245	1,954	NA	86.3%	73.6%	NA
Adj. net profit	2,289	3,234	3,696	1,198	1,824	NA	91.1%	77.3%	NA
EPS (RMB)	2.42	3.40	3.86	1.36	2.06	NA	78.0%	65.2%	NA
Gross Margin	25.5%	28.2%	29.5%	22.5%	24.2%	NA	+3.0ppts	+4.0ppts	NA
Operating Margin	7.3%	10.0%	11.4%	4.1%	6.1%	NA	+3.2ppts	+3.9ppts	NA
Net Margin	7.2%	9.6%	10.5%	3.9%	5.7%	NA	+3.3ppts	+3.9ppts	NA

Source: Company data, CMBIGM estimates

Figure 15: Valuation comps

Company	Ticker	Mkt cap (USD mn)	Currency	Price	CMBI Rating	CMBI TP	PE			PS			FY22-24 EPS CAGR
							FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	
iQIYI	IQ US	6,927	USD	7.3	BUY	9	33.6	20.9	14.8	1.6	1.5	1.4	59%
Internet giants													
Tencent	700 HK	426,000	HKD	350	BUY	450	25.0	20.4	17.5	5.3	4.7	4.2	19%
Alibaba	BABA US	251,781	USD	95	BUY	156	12.5	10.6	9.2	2.0	1.8	1.6	7%
Disney	DIS US	186,501	USD	102	NA	NA	24.9	18.8	15.6	2.1	1.9	1.8	29%
Netflix	NFLX US	150,305	USD	338	NA	NA	27.4	22.1	18.6	4.4	3.9	3.5	22%
Average							22.4	18.0	15.2	3.4	3.1	2.8	19%
VAS & Subscribers													
Mango	300413 CH	8,900	CNY	33	NA	NA	30.1	25.1	21.7	4.3	3.7	3.3	19%
Bilibili	BILI US	8,813	USD	22	BUY	30	NA	NA	NA	2.8	2.3	1.9	NA
TME	TME US	13,334	USD	8	BUY	11	19.1	17.3	15.6	3.2	3.1	2.9	10%
Huya	HUYA US	1,102	USD	5	BUY	8	NA	NA	51.9	0.8	0.9	0.8	NA
Douyu	DOYU US	438	USD	1	NA	NA	NA	NA	28.9	0.4	0.4	0.4	147%
Momo	MOMO US	1,838	USD	9	HOLD	14	6.9	6.5	6.0	1.0	1.0	0.9	7%
YY	YY US	2,274	USD	32	BUY	49	13.2	13.0	10.6	0.9	0.9	0.8	13%
China Literature	772 HK	4,627	HKD	36	NA	NA	23.8	20.1	17.4	3.9	3.6	3.2	20%
Average							15.7	16.4	16.7	2.2	2.0	1.8	14%
Advertising													
Baidu	BIDU US	48,660	USD	141	BUY	195	18.0	15.5	13.2	2.7	2.5	2.2	27%
Weibo	WB US	4,982	USD	21	BUY	28	10.2	9.4	8.8	2.7	2.7	2.4	9%
Facebook	META US	446,141	USD	172	NA	NA	16.8	14.2	12.6	3.6	3.3	2.9	18%
Snapchat	SNAP US	15,513	USD	10	NA	NA	NA	66.3	22.7	3.3	2.8	2.4	82%
Average							15.0	13.0	11.5	3.1	2.8	2.5	16%
Average							19.0	16.1	15.0	2.7	2.5	2.2	17%

Source: Bloomberg, CMBIGM estimates

Key Investment Risks

Key investment risks may derive from: 1) key content delay; 2) regulation uncertainty; 3) slower-than-expected ads recovery for macro uncertainty; and 4) competition from SFV.

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	30,554	28,998	31,841	33,799	35,152
Membership services	16,714	17,711	19,789	21,246	22,164
Online advertising services	7,067	5,332	5,911	6,203	6,447
Content distribution	2,856	2,470	2,593	2,697	2,778
Others	3,918	3,485	3,547	3,652	3,764
COGS	(27,513)	(22,319)	(23,717)	(24,277)	(24,780)
Gross profit	3,041	6,678	8,124	9,521	10,373
S&M	(4,725)	(3,467)	(3,765)	(4,025)	(4,230)
Admin.Exp.					
R&D	(2,795)	(1,899)	(2,039)	(2,104)	(2,139)
Operating profit	(4,479)	1,312	2,320	3,392	4,004
Other income/(exp), net	(1,533)	(1,346)	(822)	(849)	(813)
Pre-tax Income	(6,012)	(34)	1,498	2,543	3,191
Income Tax	(97)	(84)	(100)	(254)	(479)
Net profit	(6,251)	(155)	1,398	2,289	2,712
Adj. net profit	(4,549)	1,266	2,289	3,234	3,696

Cash flow summary

YE 31 Dec (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Net income	(6,170)	(136)	1,398	2,289	2,712
D&A	16,766	16,475	13,292	13,605	14,018
Change in WC	(17,586)	(18,346)	(9,873)	(13,800)	(14,182)
Others	977	1,937	891	946	984
Operating CF	(6,013)	(71)	5,708	3,040	3,532
Capex	(401)	(841)	(892)	(913)	(995)
Purchase of long-term investments	(386)	582	-	-	-
Others	2,049	525	-	-	-
Investing CF	1,262	266	(892)	(913)	(995)
Equity raised	268	-	-	-	-
Change of Debts	259	(240)	1,339	(469)	(422)
Cash from CB raised	632	5,222	-	-	-
Others	(4,119)	(513)	-	-	-
Financing CF	(2,959)	4,469	1,339	(469)	(422)
Net change in cash	(7,927)	4,664	6,156	1,658	2,115
Cash (beg of yr)	10,941	3,075	7,112	13,267	14,926
FX	(217)	-	-	-	-
Cash (end of yr)	3,075	7,112	13,267	14,926	17,041

Balance sheet

YE 31 Dec (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Non-current assets	30,948	32,263	29,412	30,890	32,364
Fixed asset	1,345	1,105	1,837	2,068	2,263
Long-term investments	3,035	2,454	2,454	2,454	2,454
Licensed copyrights, net	7,258	6,841	6,854	7,140	7,434
Others	19,310	21,864	18,267	19,229	20,213
Current assets	11,524	13,786	21,215	23,045	25,215
Cash	2,997	7,098	13,254	14,912	17,027
Restricted cash	78	14	14	14	14
Short-term investments	1,348	818	818	818	818
Account receivable	2,748	2,403	2,994	3,132	3,209
Others	4,353	3,453	4,135	4,168	4,146
Current liabilities	22,476	28,130	29,966	30,040	29,988
Account payable	8,896	5,993	7,734	7,917	8,012
Customer advances and deferred revenue	3,485	4,232	3,790	4,023	4,185
Accrued liabilities	3,172	2,626	2,894	2,962	3,024
Short-term borrowings	4,118	3,348	4,687	4,218	3,796
Others	2,806	11,931	10,861	10,919	10,971
Non-current liabilities	14,323	11,575	11,575	11,575	11,575
Convertible senior notes	12,652	9,568	9,568	9,568	9,568
Others	1,670	2,007	2,007	2,007	11,575
MI	88	93	93	93	93
Total Equity	5,364	6,436	10,236	13,471	17,166
Shareholders' equity	5,276	6,343	10,144	13,378	17,074

Key ratios

YE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Sales mix (%)					
Membership services	54.7	61.1	62.2	62.9	63.1
Online advertising services	23.1	18.4	18.6	18.4	18.3
Content distribution	9.3	8.5	8.1	8.0	7.9
Others	12.8	12.0	11.1	10.8	10.7
Total	100.0	100.0	100.0	100.0	100.0
Growth rate (%)					
Revenue	2.9	(5.1)	9.8	6.1	4.0
Gross profit	66.8	119.6	21.6	17.2	8.9
EBIT	NA	NA	76.7	46.2	18.0
Adj. net profit	NA	NA	80.8	41.3	14.3
P&L ratios (%)					
Operating margin	(14.7)	4.5	7.3	10.0	11.4
Pre-tax margin	(19.7)	(0.1)	4.7	7.5	9.1
Adj. net margin	(14.9)	4.4	7.2	9.6	10.5
Effective tax rate	(0.3)	(0.3)	(0.3)	(0.8)	(1.4)
Returns (%)					
ROE	(106.0)	(0.5)	16.5	20.6	19.9
ROA	(10.7)	2.7	4.5	6.0	6.4
Per share					
EPS (RMB)	(5.64)	1.50	2.42	3.40	3.86
DPS (RMB)	0.00	0.00	0.00	0.00	0.00
BVPS (RMB)	0.96	1.00	1.54	2.02	2.56

Source: Company data, CMBIGM estimates

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