

# SenseTime (20 HK)

## A slower AI adoption pace amid macro uncertainties

SenseTime delivered weak sets of FY1H22 results with revenue of RMB1.42bn (-14% YoY) and operating loss of RMB2.27bn. The pandemic has interrupted Smart City (revenue -45% YoY)/ Smart Business (revenue -12% YoY) project delivery as well as cash collection. Meanwhile, we are positive that AIDC has become a new and recurring revenue stream to SenseTime. Maintain BUY with lowered target price of HK\$3.07 (prior HK\$4.50).

- **FY1H22 miss.** SenseTime's FY1H22 revenue was RMB1.42bn (-14% YoY), 26%/ 31% below our/ consensus estimates. The weakness was largely attributable to the pandemic in FY2Q22. In particular, the lockdown in Shanghai, where SenseTime is headquartered at, has affected the project delivery. Gross margin decreased 7 ppts YoY to 66.0%, partially due to higher hardware sales. Operating loss narrowed to RMB2.27bn. Adjusted for share-based compensation, operating expense rose 39% YoY to RMB2.9bn.
- **Smart City, Smart Business and cash flow were affected by pandemic.** In FY1H22, Smart City revenue was RMB434mn (-45% YoY). Although no. of cities coverage was up 30% YoY to 155, avg. revenue per city was RMB2.8mn (-58% YoY). Meanwhile, Smart Business recorded a milder decline (-12% YoY to RMB568mn). No. of customers was down 19% YoY but avg. revenue per customer rose 9% YoY to RMB1.1mn. Smart City + Smart Business revenue contribution dropped to 71% (vs. 87% in FY1H21). The pandemic has caused delays in cash collection. We are concerned about the worsening AR days to 637 (vs. 342 in FY1H21). 69% of trade receivables have a repayment period of 6 months to 2 years and this ratio was only 40% in FY2H21.
- **AIDC started to generate recurring revenue but higher capex ahead.** SenseTime AIDC in Shanghai was launched. Among the 1.745 exaFLOPS of computing power, around 66% is currently used by customers. We are positive to see this new and recurring revenue stream to SenseTime. However, selling computing power will sacrifice gross margin given depreciation expense. Also, AIDC requires lots of hardware investment. Higher capex ahead will change SenseTime's asset-light model in the long term.
- **Maintain BUY.** We revised down FY22-24E revenue by 10-12%. Maintain BUY with lowered target price of HK\$3.07 (prior HK\$4.50), taking free-float into account. We continue to recognize SenseTime's leadership in AI and expect Smart City projects to sequentially recover in FY2H22E.

### Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	3,446	4,700	5,053	6,942	9,184
YoY (%)	14%	36%	8%	37%	32%
Adj. Op. profit (RMB mn)	-2,148	-3,316	-4,258	-4,683	-4,387
YoY (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Net profit att. (RMB mn)	-12,158	-17,140	-4,662	-5,344	-5,104
YoY (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Adj. net profit att. (RMB mn)	-878	-1,381	-4,043	-4,710	-4,392
YoY (%)	n.a.	n.a.	n.a.	n.a.	n.a.
EV/sales (x)	14.1	9.3	11.7	9.1	7.2
FCF margin (%)	-74%	-80%	-304%	-57%	-31%
ROE (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Net gearing (%) *	net cash	net cash	net cash	net cash	5%

Source: Company data, Bloomberg, CMBIGM estimates, \*excl. preferred shares liabilities

## BUY (Maintain)

Target Price	HK\$3.07
(Previous TP)	HK\$4.50
Up/Downside	+30.6%
Current Price	HK\$2.35

### China Software & IT Services

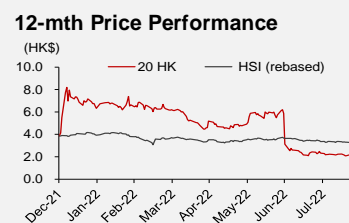
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Stock Data	
Mkt Cap (HK\$ mn)	78,742
Avg 3 mths t/o (HK\$ mn)	348.82
52w High/Low (HK\$)	9.70/ 2.04
Total Issued Shares (mn)	25,979
Source: Bloomberg	

Shareholding Structure	
Softbank	18.4%
ESOP	14.9%
Alibaba	9.4%
Source: HKEx	

Share Performance		
	Absolute	Relative
1-mth	-7.8%	-1.4%
3-mth	-52.5%	-50.5%
6-mth	-65.6%	-59.2%
Source: Bloomberg		



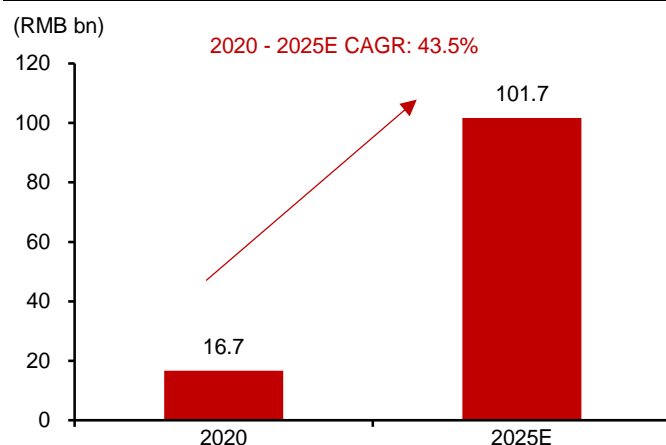
Auditor: PwC

### Related Reports:

1. China AI "Smart city bidding to pick up in 2H22" – 6 July 2022 ([link](#))
2. SenseTime (20 HK) "Focus on AlaaS plan in FY22" – 28 Mar 2022 ([link](#))

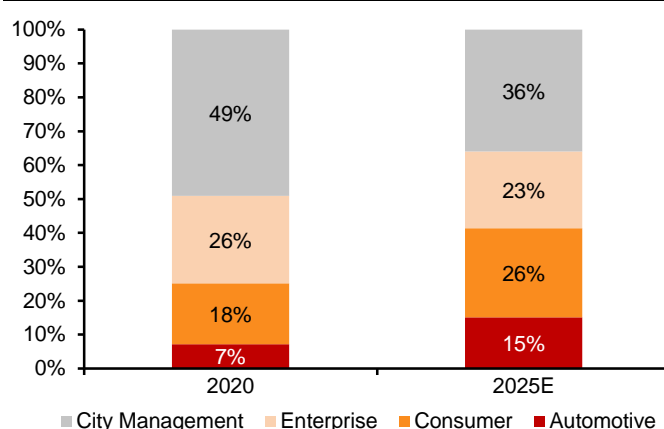
## Focus Charts

**Figure 1: China computer vision market to increase at 43.5% CAGR in FY20-25E**



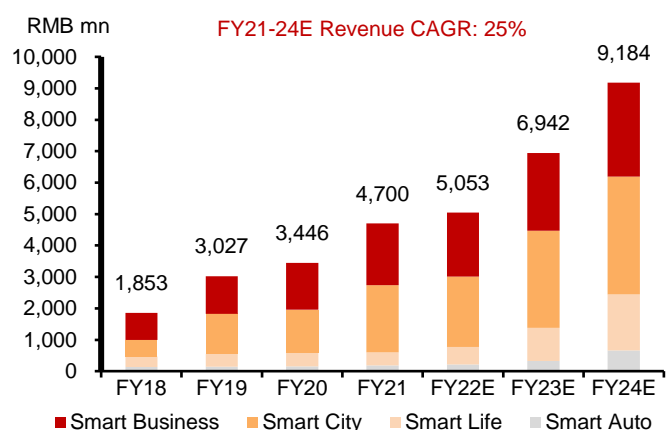
Source: Frost & Sullivan, CMBIGM

**Figure 2: China CV software market mix will change on stronger Consumer and Automotive growth**



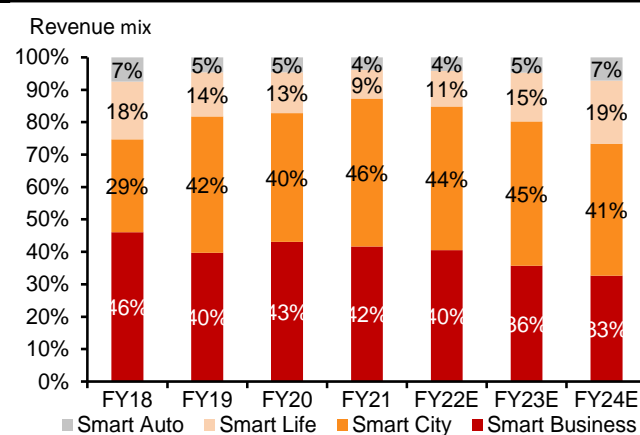
Source: Frost & Sullivan, CMBIGM

**Figure 3: SenseTime revenue to grow at 25% CAGR in FY21-24E**



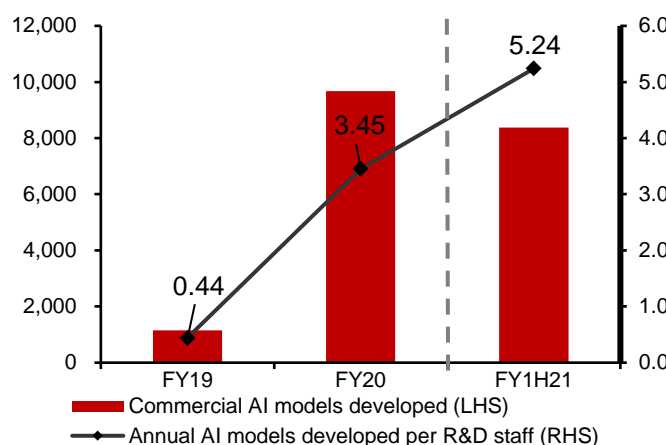
Source: Company data, CMBIGM estimates

**Figure 4: SenseTime AI are deployed in a wide range of scenarios**



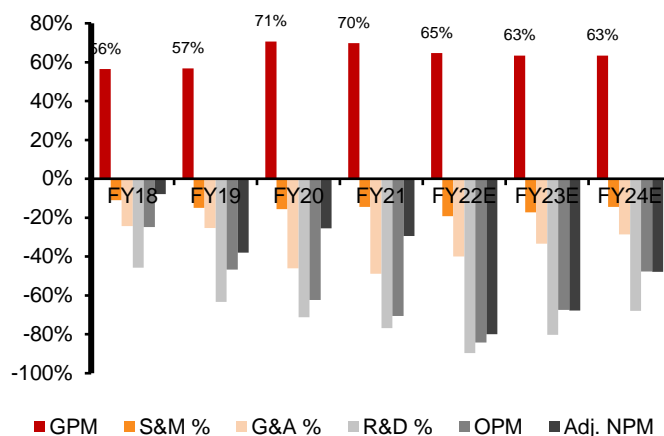
Source: Company data, CMBIGM estimates

**Figure 5: SenseCore enables more efficient AI model development**



Source: Company data, CMBIGM

**Figure 6: SenseTime has high GPM (70% in FY21) due to its AI software-centric business model**



Source: Company data, CMBIGM

## FY1H22 results review

- **Revenue** was RMB1,415mn (-14% YoY), missing our estimate by 26% and consensus by 31%.
  - **Smart Business** revenue was down 12% YoY to RMB568mn. No. of customers decreased 19% YoY to 512. Avg. revenue per customer increased 9% YoY to RMB1.1mn.
  - **Smart City** revenue was down 45% YoY to RMB434mn. No. of cities covered increased to 155 (+30% YoY). Avg. revenue from each city decreased 58% YoY to RMB2.8mn.
  - **Smart Life** revenue was up 98% YoY to RMB292mn. No. of customers increased by 18% YoY and avg. revenue per customer also rose 67% YoY to RMB1.60mn.
  - **Smart Auto** revenue grew 16% YoY to RMB184mn. No. of customers increased 54% YoY to 20 while avg. revenue per customer rose 11% YoY to RMB6.0mn.
- **Gross margin** was 66.0% (-7 pct pts YoY), below our estimates by 6 pct pts and consensus by 3 pct pts.
- **Operating loss** narrowed to RMB2,272mn, below our and consensus estimates.
  - Adjusted for share-based compensation, opex increased 39% YoY to RMB2.9bn.
- **Net loss** narrowed to RMB3,158mn, missing both our and consensus estimates.

Figure 7: FY1H22 results review

20 HK	1H21	2H21	1H22			1H22	versus	1H22	versus
RMB mn	Actual	Actual	Actual	YoY	HoH	CMBI	CMBI	Consensus	Consensus
Revenue	1,652	3,048	1,415	-14%	-54%	1,914	-26%	2,056	-31%
Gross profit	1,205	2,073	934	-22%	-55%	1,378	-32%	1,417	-34%
Gross margin	73.0%	68.0%	66.0%	-7 pct pts	-2 pct pts	72.0%	-6 pct pts	69.0%	-3 pct pts
Operating profit	-2,302	-1,014	-2,272	1%	-124%	-1,034	-120%	-1,533	-48%
Operating margin	-139.4%	-33.3%	-160.5%	-21.2 pct pts	-127.3 pct pts	-54.0%	-106.5 pct pts	-74.6%	-86 pct pts
Adj. EBITDA	-556	-323	-2,782	-400%	-762%	-785	-254%	-3,416	19%
Adj. EBITDA margin	-33.7%	-10.6%	-196.5%	-162.9 pct pts	-186 pct pts	-41.0%	-155.5 pct pts	-166.2%	-30.4 pct pts
Net non-op	-1,491	-12,334	-1,050	30%	91%	152	-789%	-2,167	52%
PBT	-3,793	-13,349	-3,322	12%	75%	-882	-277%	-3,700	10%
Net income	-3,703	-13,437	-3,158	15%	77%	-803	-293%	-3,673	14%
Net margin	-224.2%	-440.8%	-223.1%	1.1 pct pts	217.7 pct pts	-42.0%	-181.1 pct pts	-178.7%	-44.4 pct pts
EPS RMB	-0.39	-1.36	-0.09	76%	93%	-0.02	-293%	-0.07	-45%
<b>Revenue by segment</b>									
Smart Business	647	1,311	568	-12%	-57%				
Smart City	786	1,357	434	-45%	-68%				
Smart Life	148	268	292	98%	9%				
Smart Auto	71	114	121	71%	6%				

Source: Company data, CMBIGM

## Earnings revision

Figure 8: Earnings revision

RMB mn	2022E			2023E			2024E		
	New	Old	%Diff	New	Old	%Diff	New	Old	%Diff
Sales	5,053	5,639	-10%	6,942	7,880	-12%	9,184	10,297	-11%
Gross profit	3,269	3,862	-15%	4,397	5,301	-17%	5,815	6,789	-14%
OP Profit	-4,258	-2,107	102%	-4,683	-2,187	114%	-4,387	-2,154	104%
Adj. EBITDA	-3,788	-598	534%	-3,600	89	-4,156%	-3,051	493	-719%
Net profit	-4,662	-1,646	183%	-5,344	-1,675	219%	-5,104	-1,796	184%
EPS	-0	-0.05	183%	-0	-0.05	219%	-0	-0.05	184%
<b>Margins</b>									
GM	64.7%	68.5%	-379 bps	63.3%	67.3%	-394 bps	63.3%	65.9%	-261 bps
OPM	-84.3%	-37.4%	-4690 bps	-67.5%	-27.8%	-3970 bps	-47.8%	-20.9%	-2685 bps
Adj. EBITDA margin	-75.0%	-10.6%	-6438 bps	-51.9%	1.1%	-5298 bps	-33.2%	4.8%	-3801 bps
Net margin	-92.3%	-29.2%	-6308 bps	-77.0%	-21.2%	-5573 bps	-55.6%	-17.4%	-3814 bps

Source: Company data, CMBIGM

Figure 9: CMBI estimates vs consensus

RMB mn	2022			2023			2024		
	CMBI	Street	Diff	CMBI	Street	Diff	CMBI	Street	Diff
Sales	5,053	6,139	-18%	6,942	8,519	-19%	9,184	11,450	-20%
Gross profit	3,269	4,210	-22%	4,397	5,836	-25%	5,815	7,887	-26%
OP Profit	-4,258	-2,777	53%	-4,683	-2,717	72%	-4,387	-1,217	260%
Adj. EBITDA	-3,788	-2,467	54%	-3,600	-1,897	90%	-3,051	-1,428	114%
Net profit	-4,662	-3,230	44%	-5,344	-2,835	88%	-5,104	-2,132	139%
EPS	-0.14	-0.09	50%	-0.16	-0.08	99%	-0.15	-0.06	163%
<b>Margins</b>									
GM	64.7%	68.6%	-388 bps	63.3%	68.5%	-517 bps	63.3%	68.9%	-556 bps
OPM	-84.3%	-45.2%	-3904 bps	-67.5%	-31.9%	-3556 bps	-47.8%	-10.6%	-3714 bps
Adj. EBITDA margin	-75.0%	-40.2%	-3479 bps	-51.9%	-22.3%	-2959 bps	-33.2%	-12.5%	-2075 bps

Source: Company data, CMBIGM

## Operating model

Figure 10: SenseTime income statement

RMB mn	2018	2019	2020	2021	2022E	2023E	2024E
Revenues	1,853	3,027	3,446	4,700	5,053	6,942	9,184
Cost of sales	(807)	(1,307)	(1,014)	(1,423)	(1,784)	(2,545)	(3,368)
Gross Profit	<b>1,047</b>	<b>1,719</b>	<b>2,432</b>	<b>3,278</b>	<b>3,269</b>	<b>4,397</b>	<b>5,815</b>
<i>Gross margin</i>	<i>56.5%</i>	<i>56.8%</i>	<i>70.6%</i>	<i>69.7%</i>	<i>64.7%</i>	<i>63.3%</i>	<i>63.3%</i>
Selling & marketing expense	(205)	(453)	(537)	(682)	(975)	(1,193)	(1,335)
Administrative expense	(452)	(766)	(1,590)	(2,298)	(2,021)	(2,318)	(2,623)
Research & development expense	(849)	(1,916)	(2,454)	(3,614)	(4,532)	(5,569)	(6,244)
Operating Income	<b>(459)</b>	<b>(1,416)</b>	<b>(2,148)</b>	<b>(3,316)</b>	<b>(4,258)</b>	<b>(4,683)</b>	<b>(4,387)</b>
<i>Operating margin</i>	<i>-24.8%</i>	<i>-46.8%</i>	<i>-62.3%</i>	<i>-70.6%</i>	<i>-84.3%</i>	<i>-67.5%</i>	<i>-47.8%</i>
Non-Operating Income	(2,997)	(3,757)	(10,171)	(13,825)	(848)	(1,014)	(998)
Profit Before Tax	(3,456)	(5,173)	(12,319)	(17,142)	(5,106)	(5,697)	(5,384)
Income tax (expense) gain	23	205	161	(36)	434	342	269
Minorities	(5)	(5)	(0)	(37)	(10)	(12)	(11)
<b>Net Income to Shareholders</b>	<b>(3,428)</b>	<b>(4,963)</b>	<b>(12,158)</b>	<b>(17,140)</b>	<b>(4,662)</b>	<b>(5,344)</b>	<b>(5,104)</b>
<i>Net margin</i>	<i>-184.9%</i>	<i>-164.0%</i>	<i>-352.8%</i>	<i>-364.7%</i>	<i>-92.3%</i>	<i>-77.0%</i>	<i>-55.6%</i>
<b>Net profit/ (losses)</b>							
+Fair value losses of preferred shares and other financial liabilities	3,182	3,682	10,564	13,526	-	-	-
+Share-based compensation expenses	15	131	887	1,584	620	633	712
+Share-based compensation to a preferred shareholder	86	-	-	-	-	-	-
<b>Adj. net profit</b>	<b>(150)</b>	<b>(1,155)</b>	<b>(878)</b>	<b>(1,418)</b>	<b>(4,053)</b>	<b>(4,722)</b>	<b>(4,403)</b>
<i>Adj. net margin</i>	<i>-8.1%</i>	<i>-38.2%</i>	<i>-25.5%</i>	<i>-30.2%</i>	<i>-80.2%</i>	<i>-68.0%</i>	<i>-47.9%</i>

Source: Company Data, CMBIGM

**Figure 11: Revenue and cost of sales breakdown**

RMB mn	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Revenue breakdown</b>							
Smart Business	854	1,203	1,485	1,958	2,046	2,476	2,996
Smart City	530	1,271	1,369	2,143	2,239	3,090	3,739
Smart Life	330	414	434	415	555	1,045	1,791
Smart Auto	139	139	158	184	212	331	658
<b>Total</b>	<b>1,853</b>	<b>3,027</b>	<b>3,446</b>	<b>4,700</b>	<b>5,053</b>	<b>6,942</b>	<b>9,184</b>
<b>Revenue mix</b>							
Smart Business	46%	40%	43%	42%	40%	36%	33%
Smart City	29%	42%	40%	46%	44%	45%	41%
Smart Life	18%	14%	13%	9%	11%	15%	19%
Smart Auto	7%	5%	5%	4%	4%	5%	7%
<b>Revenue YoY</b>							
Smart Business		41%	23%	32%	5%	21%	21%
Smart City		140%	8%	57%	4%	38%	21%
Smart Life		25%	5%	-4%	34%	88%	71%
Smart Auto		0%	14%	16%	15%	56%	99%
<b>Total</b>		63%	14%	36%	8%	37%	32%
<b>Cost of sales breakdown</b>							
Hardware costs and subcontracting service fees	767	1,228	910	1,265	1,576	2,261	2,992
Server operation and cloud-based service fees	10	32	1	2	12	2	2
Employee benefit expenses	4	14	57	80	104	144	191
Depreciation and amortization	-	-	-	-	33	62	82
Other expenses	25	33	46	76	58	77	101
<b>Total</b>	<b>807</b>	<b>1,307</b>	<b>1,014</b>	<b>1,423</b>	<b>1,784</b>	<b>2,545</b>	<b>3,368</b>
<b>Cost of sales mix</b>							
Hardware costs and subcontracting service fees	95%	94%	90%	89%	88%	89%	89%
Server operation and cloud-based service fees	1%	2%	0%	0%	1%	0%	0%
Employee benefit expenses	1%	1%	6%	6%	6%	6%	6%
Depreciation and amortization	0%	0%	0%	0%	2%	2%	2%
Other expenses	3%	3%	5%	5%	3%	3%	3%

Source: Company data, CMBIGM estimates

**Figure 12: Semi-annual Operating model**

RMB mn	1H20	2H20	1H21	2H21	1H22	2H22E	1H23E	2H23E
Revenues	861	2,585	1,652	3,048	1,415	3,638	2,412	4,530
Cost of sales	(240)	(774)	(447)	(976)	(481)	(1,302)	(846)	(1,700)
Gross Profit	621	1,811	1,205	2,073	934	2,335	1,566	2,830
<i>Gross margin</i>	<i>72.1%</i>	<i>70.1%</i>	<i>73.0%</i>	<i>68.0%</i>	<i>66.0%</i>	<i>64.2%</i>	<i>64.9%</i>	<i>62.5%</i>
R&D	(1,219)	(1,234)	(1,772)	(1,842)	(2,035)	(2,496)	(2,915)	(2,654)
SG&A	(1,276)	(850)	(1,735)	(1,245)	(1,171)	(1,825)	(1,612)	(1,899)
Operating Income	<b>(1,874)</b>	<b>(274)</b>	<b>(2,302)</b>	<b>(1,014)</b>	<b>(2,272)</b>	<b>(1,986)</b>	<b>(2,960)</b>	<b>(1,723)</b>
<i>Operating margin</i>	<i>-217.6%</i>	<i>-10.6%</i>	<i>-139.4%</i>	<i>-33.3%</i>	<i>-160.5%</i>	<i>-54.6%</i>	<i>-122.7%</i>	<i>-38.0%</i>
Adj. EBITDA	<b>(1,053)</b>	<b>692</b>	<b>(556)</b>	<b>(323)</b>	<b>(2,323)</b>	<b>(1,524)</b>	<b>(3,075)</b>	<b>(1,836)</b>
<i>Adj. EBITDA margin</i>	<i>-122.2%</i>	<i>26.8%</i>	<i>-33.7%</i>	<i>-10.6%</i>	<i>-164.1%</i>	<i>-41.9%</i>	<i>-127.5%</i>	<i>-40.5%</i>
Non-Operating Income	(3,609)	(6,562)	(1,491)	(12,334)	(1,050)	202	(507)	(507)
Profit Before Tax	(5,483)	(6,836)	(3,793)	(13,349)	(3,322)	(1,784)	(3,467)	(2,230)
Income tax (expense) gain	150	10	80	(116)	114	320	171	171
Minorities	(9)	9	(10)	(27)	(50)	40	(6)	(6)
<b>Net Income to Shareholders</b>	<b>(5,324)</b>	<b>(6,834)</b>	<b>(3,703)</b>	<b>(13,437)</b>	<b>(3,158)</b>	<b>(1,504)</b>	<b>(3,290)</b>	<b>(2,053)</b>
<i>Net margin</i>	<i>-618.2%</i>	<i>-264.4%</i>	<i>-224.2%</i>	<i>-440.8%</i>	<i>-223.1%</i>	<i>-41.4%</i>	<i>-136.4%</i>	<i>-45.3%</i>
<b>EPS (RMB)</b>	<b>(0.60)</b>	<b>(0.75)</b>	<b>(0.39)</b>	<b>(1.36)</b>	<b>(0.10)</b>	<b>(0.04)</b>	<b>(0.10)</b>	<b>(0.06)</b>

Source: Company data, CMBIGM

## Valuation

### Maintain BUY with new target price of HK\$3.07

We maintain BUY on SenseTime with new target price of HK\$3.07 (prior HK\$4.50), based on lowered 12x FY23E EV/sales to reflect increasing macro uncertainties and that enterprises may take a slower pace to AI adoption. Our target multiple is based on 30% premium to China AI peers. We take into account SenseTime's leadership in AI technology, AI company scarcity and free float.

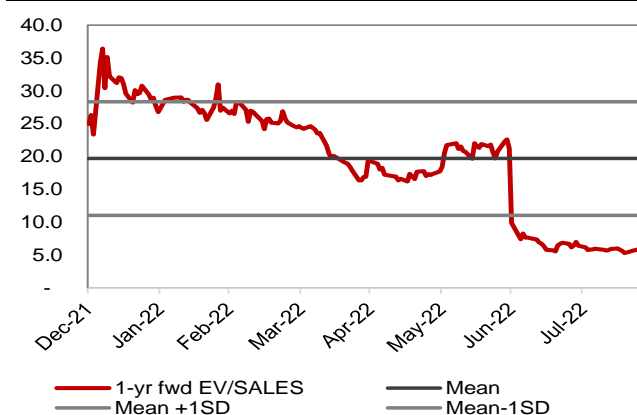
We use EV/sales as valuation methodology as AI deployment is still in an early stage that short term earnings are distorted by high R&D, marketing expense and depreciation related to heavy capex for computing infrastructure.

Figure 13: Peers comparison

			Market Cap	Price	TP	EV/sales (x)		P/S		Sales CAGR	EPS CAGR	FCF margin
Company	Ticker	Rating	(US\$ mn)	(LC)	(LC)	FY22E	FY23E	FY22E	FY23E	FY21-24E	FY21-24E	FY21
China AI companies												
SenseTime	20 HK	BUY	10,036	2.35	3.07	11.7	9.1	16.9	12.3	25%	n.a.	-74%
Ainnovation	2121 HK	NR	1,583	22.20	N/A	6.1	3.8	7.1	4.4	66%	n.a.	-33%
Cambricon	688256 CH	NR	3,360	57.44	N/A	21.7	14.4	23.4	15.5	44%	n.a.	-179%
Arcsoft	688088 CH	NR	1,689	28.50	N/A	13.8	10.3	17.0	12.6	29%	37%	11%
Hikvision	002415 CH	BUY	40,531	29.44	45.08	2.8	2.4	3.0	2.5	15%	10%	11%
Dahua	002236 CH	HOLD	6,503	14.69	17.06	1.3	1.1	1.2	1.0	15%	23%	1%
Mean						8.9	7.2	10.5	7.4	33%	23%	-43%
Median						7.0	4.7	9.1	6.2	29%	23%	-16%
Global AI companies												
Palantir	PLTR US	NR	16,720	8.10	N/A	7.6	6.0	8.8	7.0	25%	n.a.	21%
UiPath	PATH US	NR	9,391	17.24	N/A	8.6	7.0	10.6	8.6	32%	n.a.	4%
C3.ai	AI US	NR	2,131	19.66	N/A	4.7	3.9	8.3	6.9	29%	n.a.	-21%
Nvidia	NVDA US	NR	430,550	172.22	N/A	15.9	14.9	16.1	15.1	25%	41%	28%
Ambarella	AMBA US	NR	3,193	83.75	N/A	9.0	8.7	9.6	9.2	24%	n.a.	13%
Mean						9.2	8.1	10.7	9.4	27%	41%	9%
Median						8.6	7.0	9.6	8.6	25%	41%	13%

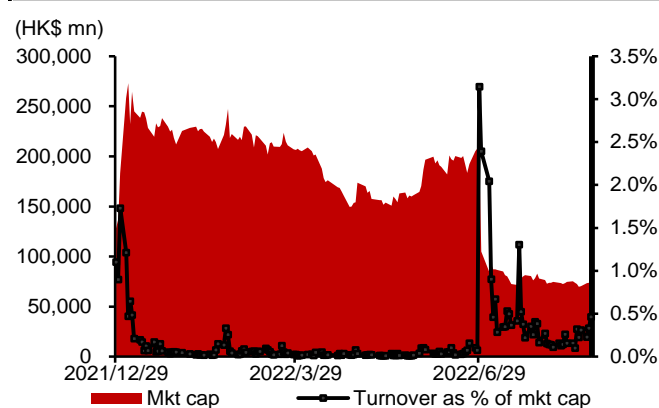
Source: Bloomberg, CMBIGM estimates

Figure 14: SenseTime forward EV/sales



Source: Bloomberg, CMBIGM estimates

Figure 15: SenseTime trading volume vs. mkt cap



Source: Bloomberg



## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>3,446</b>	<b>4,700</b>	<b>5,053</b>	<b>6,942</b>	<b>9,184</b>
Cost of sales	(1,014)	(1,423)	(1,784)	(2,545)	(3,368)
<b>Gross profit</b>	<b>2,432</b>	<b>3,278</b>	<b>3,269</b>	<b>4,397</b>	<b>5,815</b>
S&M	(537)	(682)	(975)	(1,193)	(1,335)
G&A	(1,590)	(2,298)	(2,021)	(2,318)	(2,623)
R&D	(2,454)	(3,614)	(4,532)	(5,569)	(6,244)
<b>Adj. op. profit/ (loss)</b>	<b>(2,148)</b>	<b>(3,316)</b>	<b>(4,258)</b>	<b>(4,683)</b>	<b>(4,387)</b>
Finance income	175	188	187	117	75
Finance expense	(113)	(34)	(23)	(270)	(250)
Other non-ops	(10,234)	(13,979)	(1,012)	(861)	(823)
<b>Profit before tax</b>	<b>(12,319)</b>	<b>(17,142)</b>	<b>(5,106)</b>	<b>(5,697)</b>	<b>(5,384)</b>
Income tax	161	(36)	434	342	269
<b>Profit after tax</b>	<b>(12,158)</b>	<b>(17,177)</b>	<b>(4,672)</b>	<b>(5,355)</b>	<b>(5,115)</b>
Non controlling Interest	(0)	(37)	(10)	(12)	(11)
<b>Net profit</b>	<b>(12,158)</b>	<b>(17,140)</b>	<b>(4,662)</b>	<b>(5,344)</b>	<b>(5,104)</b>
<b>Adj. net profit</b>	<b>(878)</b>	<b>(1,381)</b>	<b>(4,043)</b>	<b>(4,710)</b>	<b>(4,392)</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Net Income</b>	<b>(12,319)</b>	<b>(17,142)</b>	<b>(5,106)</b>	<b>(5,697)</b>	<b>(5,384)</b>
Depre. and amortization	570	658	862	1,311	1,447
Change In working capital	(1,290)	(2,026)	(3,671)	1,165	2,182
Others	11,810	16,024	270	495	444
<b>Net cash from operating act.</b>	<b>(1,229)</b>	<b>(2,485)</b>	<b>(7,644)</b>	<b>(2,726)</b>	<b>(1,311)</b>
Capex	(1,306)	(1,266)	(7,735)	(1,213)	(1,559)
Others	(5,765)	(283)	187	117	75
<b>Net cash from investing act.</b>	<b>(7,070)</b>	<b>(1,548)</b>	<b>(7,548)</b>	<b>(1,096)</b>	<b>(1,484)</b>
Equity financing	-	4,643	-	-	-
Change of debts	13,327	4,769	7,792	(455)	897
Dividend paid	-	-	-	-	-
Others	(141)	(34)	(23)	(270)	(250)
<b>Net cash from financing act.</b>	<b>13,186</b>	<b>9,378</b>	<b>7,769</b>	<b>(725)</b>	<b>647</b>
<b>Net change in cash</b>	<b>4,886</b>	<b>5,345</b>	<b>(7,424)</b>	<b>(4,547)</b>	<b>(2,148)</b>
Cash at the beg. of the year	6,673	11,428	16,530	9,106	4,559
Cash at the end of the year	11,428	16,530	9,106	4,559	2,410

### Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Non-current assets</b>	<b>6,753</b>	<b>8,860</b>	<b>15,733</b>	<b>15,635</b>	<b>15,747</b>
PPE, net	1,906	2,909	9,709	9,540	9,586
Intangible assets	108	225	298	369	435
Right-of-use assets	336	432	432	432	432
Others	4,402	5,294	5,294	5,294	5,294
<b>Current assets</b>	<b>31,726</b>	<b>28,084</b>	<b>25,624</b>	<b>21,006</b>	<b>18,960</b>
Cash & equivalents	11,428	16,530	9,106	4,559	2,410
Trade and other receivables	4,584	5,776	10,476	10,081	9,833
Inventories	716	496	760	1,084	1,434
Financial investments	-	273	273	273	273
Contract assets	22	19	19	19	19
Others	14,977	4,991	4,991	4,991	4,991
<b>Current liabilities</b>	<b>9,822</b>	<b>2,795</b>	<b>4,781</b>	<b>5,895</b>	<b>8,261</b>
Trade and other payables	1,724	2,290	3,567	4,577	6,762
Contract liabilities	244	172	185	254	336
Lease liabilities	110	155	155	155	155
Others	7,744	177	873	908	1,007
<b>Non-current liabilities</b>	<b>49,589</b>	<b>2,162</b>	<b>8,189</b>	<b>7,714</b>	<b>8,530</b>
Lease liabilities	184	229	229	229	229
Deferred tax liabilities	8	43	43	43	43
Contract liabilities	9	38	40	55	73
Others	49,388	1,852	7,876	7,386	8,185
Share capital	0	0	0	0	0
Reserves	(433)	70,078	71,150	71,150	71,150
Accumulated losses	(21,713)	(40,149)	(44,811)	(50,155)	(55,259)
Others	1,214	2,059	2,049	2,037	2,026
<b>Total equity</b>	<b>(20,933)</b>	<b>31,987</b>	<b>28,388</b>	<b>23,032</b>	<b>17,917</b>

### Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Sales mix (%)</b>					
Smart Business	43%	42%	40%	36%	33%
Smart City	40%	46%	44%	45%	41%
Smart Life	13%	9%	11%	15%	19%
Smart Auto	5%	4%	4%	5%	7%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Growth (YoY)</b>					
Revenue	14%	36%	8%	37%	32%
Gross profit	41%	35%	0%	34%	32%
Operating profit	52%	54%	28%	10%	-6%
Net profit	145%	41%	-73%	15%	-4%
Adj. net profit	-24%	57%	193%	17%	-7%
<b>Margins</b>					
Gross margin	71%	70%	65%	63%	63%
Adj. Operating margin	-62%	-71%	-84%	-67%	-48%
Net profit margin	-353%	-365%	-92%	-77%	-56%
Adj. net profit margin	-25%	-29%	-80%	-68%	-48%
<b>Balance sheet ratio</b>					
Net debt / equity ratio (%)	net cash	net cash	net cash	net cash	5%
Current ratio	3.2	10.0	5.4	3.6	2.3
<b>Returns (%)</b>					
ROE	n.a.	n.a.	n.a.	n.a.	n.a.
ROIC	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Per share</b>					
EPS (RMB)	(1.33)	(1.74)	(0.14)	(0.16)	(0.15)
BVPS (RMB)	(2.29)	0.95	0.85	0.69	0.53

Source: Company data, CMBIGM estimates

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