

# iQIYI (IQ US)

## ARM expansion to unlock subs LTV

iQIYI (IQ) delivered solid 3Q23 results with in-line revenue and upbeat earnings. Looking into 4Q23E, we forecast revenue +4% YoY, in which subs/ads +5%/0% YoY. We are positive on its average revenue per membership (ARM) (+3% QoQ in 4Q23E) and expect newly-launched top dramas (e.g. Story of Kunning Palace 宁安如梦) to support subs stability. More titles would bring further upside, including A journey to love (一念关山), and Fox Spirit Matchmaker (狐妖小红娘). We remain confident on IQ's margin outlook, and forecast non-GAAP OP at RMB908mn in 4Q23E. Market concern may lie on bite-sized shows' competition. However, we think it poses very limited impact on LFV for user difference and tightening regulation. We keep FY24/25E earnings forecast unchanged, with TP of US\$8.6.

- **Upbeat 3Q23 with solid margin and free cash flow.** IQ delivered solid 3Q23 with in-line revenue (+7.3% YoY) and upbeat adj. NP at RMB 622mn, 3%/11% ahead of our estimate/consensus. Membership revenue +19% YoY, driven by higher ARM (+15.6% YoY to RMB15.5). Ads grew 34% YoY, driven by both performance ads and brand ads. Adj. NP +232% YoY, with adj. NPM at 7.8%, above our estimate/consensus of 7.5%/7.0%, on ARM expansion and cost discipline. Free cash flow recorded RMB826mn in 3Q23, achieving cash flow of above US\$100mn in four consecutive quarters.
- **ARM expansion to offset subs volatility.** We forecast 4Q23E revenue +4% YoY, 4% below consensus. Subs revenue would grow 5% YoY, in which ARM expansion may continue. We are positive on its long-term ARM target at RMB25-30, and forecast ARM to increase to RMB16.1 (3% QoQ) in 4Q23E, backed by narrowing discounts and enriched subs benefits. Subs volatility might linger into 1Q24E for high base, but we expect upcoming launches to bring upside, including A journey to love (一念关山), and Fox Spirit Matchmaker (狐妖小红娘). Story of Kunning Palace (宁安如梦) ranked TOP1 in views (>20% market share) after its launch on 7 Nov, supporting its share gain in 4Q23E. For ads segment, we forecast ads to stay flat YoY, due to soft seasonality and lack of top variety shows.
- **Margin enhancement intact.** Despite deceleration in revenue, we remain confident on IQ's margin outlook. We forecast non-GAAP OP at RMB908mn in 4Q23E (implying 11.5% OPM), with stable GPM QoQ. In the long run, we expect higher ROI of content investment to support ~2ppts margin improvement per year, amid relatively stable competition landscape.
- **Maintain BUY.** To reflect upbeat margin in 3Q23, we raise FY23E earnings forecast by 5%, while keep FY24/25E earnings unchanged. Maintain BUY with DCF-based TP of US\$8.6 (17x FY24E P/E).

### Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	30,554	28,998	32,057	33,722	35,114
YoY growth (%)	2.9	-5.1	10.6	5.2	4.1
Adjusted net profit (RMB mn)	(4,549)	1,266	2,650	3,427	3,902
Diluted EPS (RMB)	(5.6)	1.5	2.8	3.6	4.1
YoY growth (%)	NA	NA	109.4	29.3	13.9
Consensus EPS (RMB)	NA	NA	2.4	3.1	3.8
P/E (x)	NA	23.2	12.4	9.7	8.5
P/S (x)	1.1	1.1	1.0	1.0	0.9
ROE (%)	(106)	(1)	23	24	23
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

Target Price	US\$8.60
(Previous TP)	US\$8.60
Up/Downside	81.1%
Current Price	US\$4.75

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### Stock Data

Mkt Cap (US\$ mn)	2,027.3
Avg 3 mths t/o (US\$ mn)	14.7
52w High/Low (US\$)	7.73/2.44
Total Issued Shares (mn)	426.8
Source: FactSet	

### Shareholding Structure

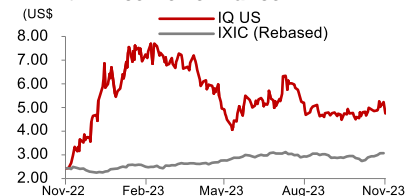
FIL Ltd	5.4%
Goldman Sachs Group Inc	5.0%
Source: HKEx	

### Share Performance

	Absolute	Relative
1-mth	3.3%	-6.1%
3-mth	-2.9%	-8.2%
6-mth	-3.5%	-14.0%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

Figure 1: 3Q23 financial review

RMB mn	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	QoQ	YoY	Consensus	Diff %	CMBI	Diff %
Revenue	6,657	7,471	7,593	8,349	7,802	8,015	2.7%	7.3%	8,001	0%	8,033	0%
Operating profit	126	310	784	859	610	747	22.3%	141.1%	685	9%	683	9%
Net profit	(214)	(396)	304	618	365	476	30.3%	NA	435	9%	438	9%
Adj. net profit	78	187	856	940	595	622	4.6%	232.3%	562	11%	604	3%
EPS (RMB)	0.09	0.22	0.98	0.97	0.61	0.64	4.6%	195.0%	0.52	22%	0.61	4%
<b>Margin (%)</b>												
Gross margin	21.2%	23.6%	28.9%	28.7%	26.0%	27.1%			27.1%		27.0%	
Operating margin	1.9%	4.1%	10.3%	10.3%	7.8%	9.3%			8.6%		8.5%	
Adj. net margin	1.2%	2.5%	11.3%	11.3%	7.6%	7.8%			7.0%		7.5%	
<b>Growth (%)</b>												
Revenue (YoY)	-12.5%	-1.6%	2.8%	14.7%	17.2%	7.3%			7.1%		7.5%	
Revenue (QoQ)	-8.5%	12.2%	1.6%	10.0%	-6.5%	2.7%			2.5%		3.0%	
Operating profit	NA	NA	NA	819.2%	385.3%	141.1%			121.1%		120.6%	
Adj. net profit	NA	NA	NA	479.3%	659.9%	232.3%			200.2%		222.6%	

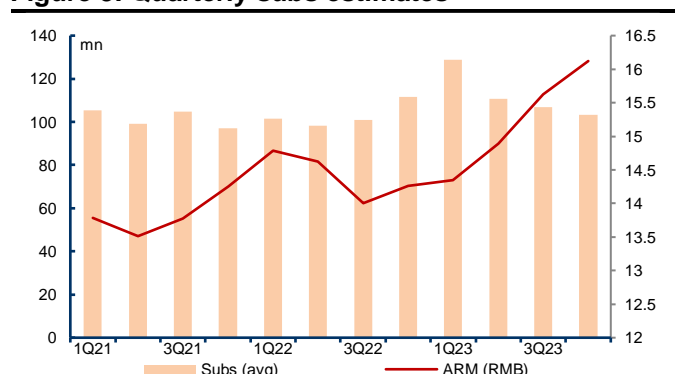
Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: 3Q23 revenue breakdown

	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	QoQ	YoY
<b>Revenue (RMB mn)</b>	<b>6,657</b>	<b>7,471</b>	<b>7,593</b>	<b>8,349</b>	<b>7,802</b>	<b>8,015</b>	<b>2.7%</b>	<b>7.3%</b>
Membership Services	4,285	4,211	4,744	5,547	4,947	5,012	1.3%	19.0%
Online Advertising	1,194	1,247	1,553	1,404	1,495	1,674	12.0%	34.3%
Content Distribution	479	730	635	727	553	526	-4.9%	-27.9%
Others	698	1,284	661	670	807	803	-0.5%	-37.4%

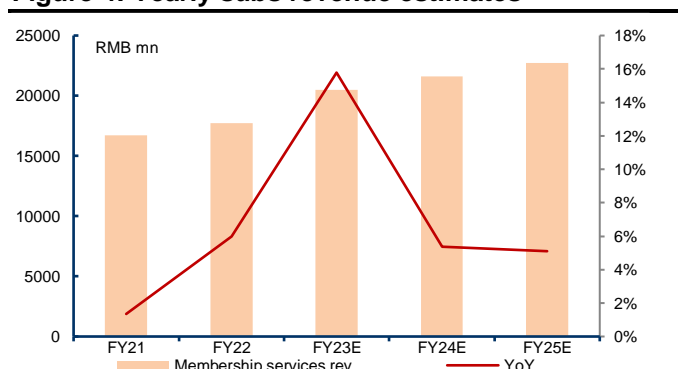
Source: Company data, CMBIGM

Figure 3: Quarterly subs estimates



Source: Company data, CMBIGM estimates

Figure 4: Yearly subs revenue estimates



Source: Company data, CMBIGM estimates

Figure 5: iQIYI's key drama series pipeline in FY23-25E

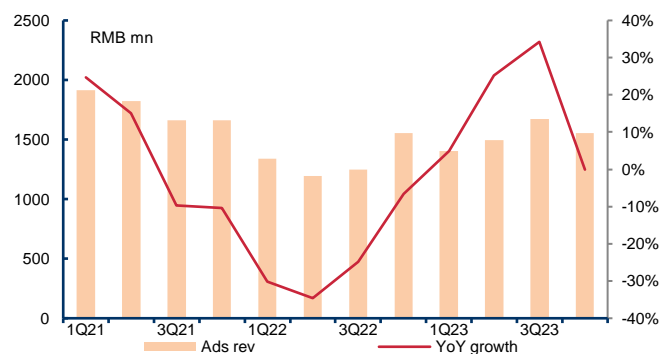
Type	Titles	Chinese Titles	Genre	Staring	Launch date
National Drama/ 国民大戏	The water of river	大河之水	Suspense	聂远、杨蓉	4Q23
	The baking challenge	点心之路	Comedy	王彦霖、赵小棠	4Q23
	The unique girl	独一无二的地	Romance	张云龙、宋伊人、毛林林	4Q23
	Gold Trio	老家伙	Life	张国立、王刚、张铁林	4Q23
	Ban to run	如果奔跑是我的宿命	Life	王宥钧、李添诺、荣飞	4Q23
	Young couple	小夫妻	Life	殷桃、郭京飞、齐溪	4Q23
	Soldiers from the wind	兵自风中来	Military	欧豪、蓝盈莹、刘怡君	2023
	The Comic Bang	开画！少女漫	Romance	沈月、王敬轩、赵弈钦	2023
	Men in love	请和这样的我恋爱吧	Romance	代旭、刘畅、孙嘉灵	2023

Oriental Fantasy/ 东方幻想	I am criminal police	我是刑警	Suspense	于和伟、李春嫒、刘泊潇	TBC
	Moments of youth	明天的少年	Life	吴宇恒、周彦辰、杨胖子	1Q24
	Road to brightness	长风破浪	Life	王一博、李沁、王阳	1Q24
	City of city	城中之城	Modern	白宇帆、于和伟、夏梦	2Q24
	San Ke Shu	南来北往	History	白敬亭、丁勇岱	1Q24
	My Altay	我的阿勒泰	Life	马伊琍、周依然、于适	1Q24
	Like a flowing river3	大江大河3	Life	王凯、杨烁、董子健	2Q24
	The white olive tree	白色橄榄树	Romance	陈哲远、梁洁	2Q24
	Beatiful lie	你的谎言也动听	Life	陈星旭、张予曦	4Q24
	Northward	北上	Modern	白鹿、欧豪	2024
	Ray of sunshine	橙色光芒	Modern	谭卓、高叶、刘奕君	2024
	Created in China	艰难的制造	History	高露、刘奕君、朱雨辰	2024
	Watchman	守城者	Crime	陈小春、李治廷、韩雪	2Q24
	Headwinds	迎风	Life	孙千、翟子路、刘琳	2024
	The elephant is right here	消失的大象	Modern	李九霄、蒋龙、马吟吟	2024
	Fighting for love	阿麦从军	Costume	张天爱、张昊唯	3Q23
	White Cat Legend	大理寺少卿游	Costume	丁禹兮、周奇	4Q23
	Meet me in your sound	幻乐森林	Costume	许佳琪、魏哲鸣、吴希泽	4Q23
	Special Lady	陌上人如玉	Romance	肖燕、翟子路、盛英豪	4Q23
	The Mutations	天启异闻录	Costume	路阳、乔磊、范川	4Q23
	The Demon Hunter's Romance	无忧渡	Romance	任嘉伦、宋祖儿	4Q23
	A journey of love	一念关山	Costume	刘诗诗、刘宇宁	4Q23
	Zi Chuan	紫川	Costume	杨旭文、刘宇宁、李墨之	2023
	Fox Spirit Matchmaker	狐妖小红娘月红篇	Costume	杨幂、龚俊、郭晓婷	2023
	Fox Spirit Matchmaker	狐妖小红娘竹业篇	Costume	刘诗诗、张云龙	2023
	My life is a thief	柳叶摘星辰	Costume	唐晓天、庄达菲、林枫松	TBC
	Love in the desert	漠风吟	Romance	哈妮克孜、方逸伦	4Q24
	Chinese Paladin 4	仙剑奇侠传4	Costume	鞠婧祎、陈哲远、茅子俊	4Q23
	New York Mission2	唐人街探案2	Suspense	邱泽、尚语贤、张钧甯	3Q23
	The truth of scent	闻香探案录	Suspense, Romance	姚弛、肖凯中、龚婉怡	3Q23
	Bionic	仿生人间	Sci-fi	宋威龙、文淇	4Q23
Legend of Justice/ 正义传奇	Back for you	漫影寻踪	Romance	杨颖、王安宇、匡牧野	4Q23
	Copycat killer	模仿犯	Suspense	吴慷仁、柯佳嬿、林心如	4Q23
	Ball Lightning	球状闪电	Sci-fi	童谣、王安宇、杨立新	1Q24
	Rident 2	三叉戟2	Crime	陈建斌、董勇、郝平	1Q24
	The truth II	凶案深处	Suspense	马思超、刘怡潼	1Q24

Annual Joy Party/ 一年一度喜乐会	Square Pavilion	四方馆	Costume	檀健次、周依然、杜淳	3Q24
	In the name of the brother	哈尔滨一九四四	History	张子贤、梁元晖、王鹤润	3Q24
	Stealing time	黄雀	Crime	郭京飞、秦岚	4Q24
	Dark night and dawn	暗夜与黎明	Crime	陈哲远、聂远、邢菲	2024
	Cat and Thief	斗贼	Crime	黄景瑜、修睿	TBC
	Annual Joy Party	一年一度喜乐会	Comedy	张哲华、土豆、张小婉	1Q24
	The limbo	二十一天	Suspense	欧豪、张雪迎、姜武	4Q23
	Interlaced scenes	交错的场景	Suspense	马伊琍、佟大为、高至霆	4Q23
	Tell no one	不可告人	Suspense	欧豪、李一桐	4Q23
	Lost in the shadows	看不见影子的少年	Suspense	张颂文、荣梓杉、成泰燊	1Q24
Light On/ 迷雾剧场	Man Hunt	三大队	Suspense	秦昊、李乃文、陈明昊	4Q24
	The sundown	乌云之上	Suspense	孙俪、罗晋、丁冠森	2024

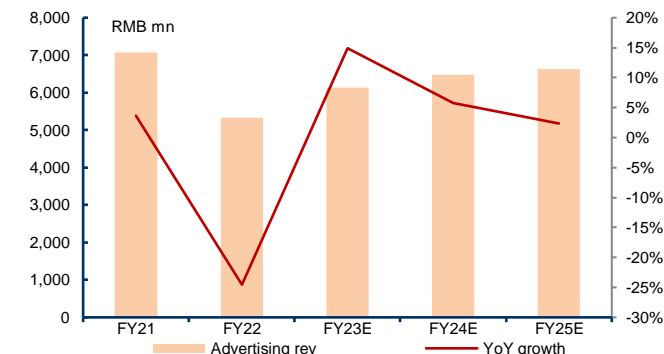
Source: Company data, CMBIGM

Figure 6: iQIYI's quarterly ads revenue estimates



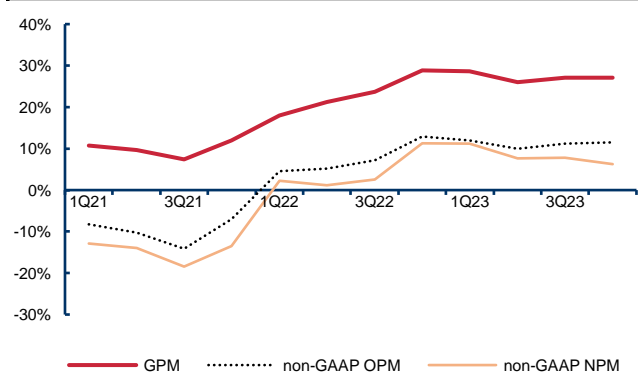
Source: Company data, CMBIGM estimates

Figure 7: iQIYI's yearly ads revenue estimates



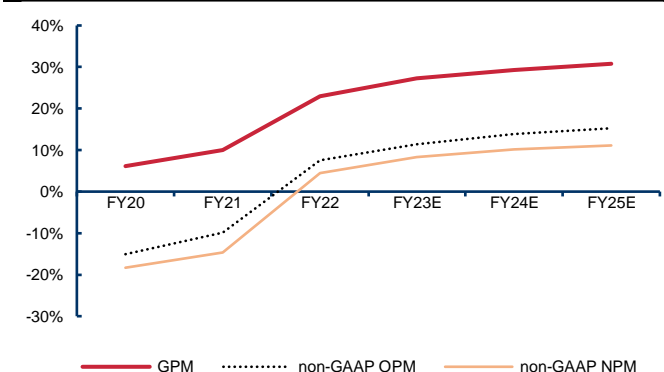
Source: Company data, CMBIGM estimates

Figure 8: iQIYI's quarterly margin estimates



Source: Company data, CMBIGM estimates

Figure 9: iQIYI's yearly margin estimates



Source: Company data, CMBIGM estimates

Figure 10: DCF valuation

DCF valuation (RMB mn)										
	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
EBIT	3,633	4,652	5,357	6,223	7,273	8,225	9,181	9,997	10,797	11,553
Tax	(100)	(312)	(575)	(591)	(727)	(865)	(1,003)	(1,117)	(1,080)	(1,155)
D&A	13,448	13,953	14,434	15,033	15,520	15,981	16,455	16,939	17,786	18,676
Working capital	(10,434)	(14,171)	(14,654)	(15,201)	(15,726)	(16,212)	(16,651)	(17,162)	(18,020)	(18,921)
CAPEX	(898)	(911)	(994)	(1,025)	(1,057)	(1,068)	(1,068)	(1,075)	(1,129)	(1,174)
FCF	5,650	3,212	3,568	4,440	5,283	6,063	6,915	7,582	8,355	8,978
FCF Growth	-43%	11%	24%	19%	15%	14%	10%	10%	7%	
Terminal Value										96,170
PV (FCF+ Terminal Value)	5,650	2,852	2,813	3,108	3,284	3,347	3,390	3,301	3,230	36,091

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	67,066
minus: Net cash	8,524
minus: Minority Interest	0
Equity Value	58,542
Shares (mn)	947
Target Price (US\$) based on DCF	8.6

Source: CMBIGM estimates

WACC					
	11%	12%	13%	14%	15%
Growth	1.5%	9.6	8.5	7.9	6.8
	2.0%	9.9	8.7	8.1	6.9
	2.5%	10.3	9.0	8.3	7.1
	3.0%	10.7	9.3	8.6	7.3
	3.5%	11.2	9.7	8.9	7.5
	4.0%	11.7	10.1	9.2	7.7
	4.5%	12.4	10.5	9.6	8.0

**Figure 11: CMBIGM estimates vs consensus**

RMB mn, Dec-YE	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	32,057	33,722	35,114	32,365	34,651	37,044	-1.0%	-2.7%	-5.2%
Gross Profit	8,733	9,890	10,810	8,837	10,247	11,430	-1.2%	-3.5%	-5.4%
Operating Profit	2,986	3,972	4,647	2,930	4,041	4,568	1.9%	-1.7%	1.7%
Adj. net profit	2,650	3,427	3,902	2,511	3,462	4,199	5.5%	-1.0%	-7.1%
EPS (RMB)	2.80	3.60	4.08	2.38	3.12	3.81	17.6%	15.3%	7.2%
Gross Margin	27.2%	29.3%	30.8%	27.3%	29.6%	30.9%	-0.1ppts	-0.2ppts	-0.1ppts
Operating Margin	9.3%	11.8%	13.2%	9.1%	11.7%	12.3%	+0.3ppts	+0.1ppts	+0.9ppts
Net Margin	8.3%	10.2%	11.1%	7.8%	10.0%	11.3%	+0.5ppts	+0.2ppts	-0.2ppts

Source: CMBIGM estimates, Bloomberg

**Figure 12: Estimates revision**

RMB mn, Dec-YE	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	32,057	33,722	35,114	32,382	34,581	35,952	-1.0%	-2.5%	-2.3%
Gross Profit	8,733	9,890	10,810	8,500	9,932	10,804	2.7%	-0.4%	0.1%
Operating Profit	2,986	3,972	4,647	2,539	3,599	4,227	17.6%	10.4%	10.0%
Adj. net profit	2,650	3,427	3,902	2,523	3,442	3,908	5.1%	-0.4%	-0.2%
EPS (RMB)	2.80	3.60	4.08	2.66	3.62	4.08	5.1%	-0.4%	-0.2%
Gross Margin	27.2%	29.3%	30.8%	26.2%	28.7%	30.1%	+1.0ppts	+0.6ppts	+0.7ppts
Operating Margin	9.3%	11.8%	13.2%	7.8%	10.4%	11.8%	+1.5ppts	+1.4ppts	+1.5ppts
Net Margin	8.3%	10.2%	11.1%	7.8%	10.0%	10.9%	+0.5ppts	+0.2ppts	+0.2ppts

Source: CMBIGM estimates, Bloomberg

**Figure 13: Comps table**

Company	Ticker	Mkt cap (USD mn)	Currency	Price	CMBI Rating	CMBI TP	PE			PS			FY23-25 EPS CAGR
							FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	
<b>IQIYI</b>	<b>IQ US</b>	<b>4,544</b>	<b>USD</b>	<b>4.8</b>	<b>BUY</b>	<b>8.6</b>	<b>12.4</b>	<b>9.7</b>	<b>8.5</b>	<b>1.0</b>	<b>1.0</b>	<b>0.9</b>	<b>21%</b>
<b>Internet giants</b>													
Tencent	700 HK	398,446	HKD	327	BUY	460	18.3	15.6	13.8	4.7	4.2	3.8	15%
Alibaba	BABA US	197,370	USD	78	BUY	155	8.6	8.0	7.1	1.5	1.4	1.2	11%
Disney	DIS US	172,274	USD	94	NA	NA	20.7	17.3	15.3	1.9	1.8	1.7	17%
Netflix	NFLX US	203,919	USD	466	NA	NA	37.2	28.5	23.3	6.1	5.3	4.8	27%
Average							15.9	17.3	14.9	3.5	3.2	2.9	17%
<b>VAS &amp; Subscribers</b>													
Kuaishou	1024 HK	33,582	HKD	60	BUY	97	30.9	16.7	11.1	2.1	1.9	1.7	67%
Mango	300413 CH	7,224	CNY	28	NA	NA	23.8	20.0	17.3	3.6	3.1	2.8	18%
Bilibili	BILI US	5,810	USD	14	BUY	24	NA	NA	47.0	1.9	1.6	1.4	NA
TME	TME US	14,364	USD	8	NA	NA	17.4	15.9	14.3	3.8	3.7	3.3	12%
Huya	HUYA US	911	USD	4	BUY	6	NA	51.8	19.7	1.0	1.0	0.9	NA
Douyu	DOYU US	298	USD	1	NA	NA	19.6	17.2	12.6	0.4	0.4	0.4	40%
Momo	MOMO US	1,316	USD	7	HOLD	14	4.6	4.4	4.2	0.8	0.8	0.8	5%
YY	YY US	2,578	USD	42	BUY	51	11.2	11.1	9.7	1.1	1.1	1.0	11%
China Literature	772 HK	3,861	HKD	29	NA	NA	18.7	16.5	14.6	3.6	3.3	3.0	14%
Average							15.9	14.5	12.9	2.0	1.9	1.7	17%
<b>Film, TV &amp; IP</b>													
Linmon Media	9857 HK	398	HKD	9	NA	NA	7.8	5.3	NA	1.7	1.3	NA	NA
Strawbear entertain	2125 HK	47	HKD	1	BUY	4	NA	NA	NA	NA	NA	NA	NA
Average							7.8	5.3	NA	1.7	1.3	NA	NA
<b>Advertising</b>													
Baidu	BIDU US	37,791	USD	108	BUY	199	10.5	10.4	9.2	2.0	1.9	1.7	6%
Weibo	WB US	2,753	USD	12	BUY	25	5.5	5.1	4.7	1.6	1.5	1.4	8%
Facebook	META US	861,007	USD	335	NA	NA	23.0	18.4	16.4	6.4	5.7	5.1	16%
Snapchat	SNAP US	19,576	USD	12	NA	NA	NA	97.5	74.4	4.3	3.8	3.3	98%
Average							13.0	11.3	10.1	2.6	2.4	2.9	10%
<b>Average</b>							<b>16.2</b>	<b>13.8</b>	<b>12.9</b>	<b>2.5</b>	<b>2.2</b>	<b>2.1</b>	<b>15%</b>

Source: Bloomberg, CMBIGM estimates

## Key Investment Risks

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

## Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	29,707	30,554	28,998	32,057	33,722	35,114
Cost of goods sold	(27,884)	(27,513)	(22,319)	(23,324)	(23,833)	(24,305)
Gross profit	1,823	3,041	6,678	8,733	9,890	10,810
Operating expenses	(7,863)	(7,520)	(5,366)	(5,747)	(5,918)	(6,162)
SG&A expense	(5,188)	(4,725)	(3,467)	(3,983)	(4,122)	(4,313)
R&D expense	(2,675)	(2,795)	(1,899)	(1,765)	(1,796)	(1,849)
Operating profit	(4,477)	(3,027)	2,181	3,633	4,652	5,357
Interest income	157	119	70	59	65	67
Interest expense	(1,066)	(1,350)	(715)	(881)	(914)	(880)
Foreign exchange gain/loss	43	55	(168)	0	0	0
Other income/expense	147	90	(319)	0	0	0
Pre-tax profit	(6,984)	(6,012)	(34)	2,164	3,122	3,835
Income tax	(23)	(97)	(84)	(100)	(312)	(575)
Minority interest	31	61	18	0	0	0
Net profit	(7,038)	(6,170)	(136)	2,064	2,810	3,259
Adjusted net profit	(5,476)	(4,549)	1,266	2,650	3,427	3,902

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	22,290	11,524	13,786	21,228	23,178	25,511
Cash & equivalents	10,915	2,997	7,098	13,204	15,035	17,301
Restricted cash	25	78	14	14	14	14
Account receivables	3,344	2,748	2,403	3,015	3,125	3,206
Prepayment	3,516	3,267	2,603	3,173	3,141	3,085
Financial assets at FVTPL	3,358	1,348	818	818	818	818
Other current assets	1,131	1,087	850	1,004	1,045	1,087
Non-current assets	25,895	30,948	32,263	29,569	31,057	32,563
PP&E	1,393	1,345	1,105	1,841	2,069	2,263
Deferred income tax	51	31	0	0	0	0
Investment in JVs & assos	3,203	3,035	2,454	2,454	2,454	2,454
Intangibles	7,062	7,803	7,277	7,646	8,025	8,471
Goodwill	3,888	3,888	3,826	3,826	3,826	3,826
Other non-current assets	10,297	14,845	17,601	13,803	14,683	15,549
Total assets	48,185	42,472	46,048	50,797	54,235	58,074
Current liabilities	24,855	22,476	28,130	29,775	29,785	29,723
Short-term borrowings	2,966	4,118	3,348	4,687	4,218	3,796
Account payables	7,562	8,896	5,993	7,606	7,772	7,859
Other current liabilities	11,086	6,290	16,163	14,637	14,888	15,102
Accrued expenses	3,241	3,172	2,626	2,846	2,908	2,966
Non-current liabilities	13,887	14,323	11,575	11,575	11,575	11,575
Long-term borrowings	0	0	0	0	0	0
Convertible bonds	11,927	12,652	9,568	9,568	9,568	9,568
Other non-current liabilities	1,960	1,670	2,007	2,007	2,007	2,007
Total liabilities	38,741	36,799	39,705	41,350	41,360	41,298
Share capital	0	0	0	0	0	0
Capital surplus	47,687	49,642	50,886	52,921	53,538	54,181
Retained earnings	(40,974)	(47,164)	(46,499)	(45,218)	(42,408)	(39,148)
Other reserves	2,543	2,709	1,863	2,709	2,709	2,709
Total shareholders equity	9,336	5,276	6,343	10,505	13,933	17,835
Total equity and liabilities	48,185	42,472	46,048	51,855	55,293	59,132

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	(6,984)	(6,012)	(34)	2,164	3,122	3,835
Depreciation & amortization	17,196	16,766	16,475	13,448	13,953	14,434
Change in working capital	(16,613)	(17,586)	(18,346)	(10,434)	(14,171)	(14,654)
Others	959	819	1,834	487	305	67
<b>Net cash from operations</b>	<b>(5,442)</b>	<b>(6,013)</b>	<b>(71)</b>	<b>5,665</b>	<b>3,210</b>	<b>3,682</b>
<b>Investing</b>						
Capital expenditure	(241)	(262)	(638)	(673)	(674)	(695)
Acquisition of subsidiaries/ investments	(1,017)	(386)	582	0	0	0
Net proceeds from disposal of short-term investments	(9,888)	(11,456)	0	0	0	0
Others	11,305	13,367	322	(224)	(236)	(298)
<b>Net cash from investing</b>	<b>159</b>	<b>1,262</b>	<b>266</b>	<b>(898)</b>	<b>(911)</b>	<b>(994)</b>
<b>Financing</b>						
Net borrowings	(369)	259	(240)	1,339	(469)	(422)
Proceeds from share issues	10	268	0	0	0	0
Others	9,733	(3,487)	4,709	0	0	0
<b>Net cash from financing</b>	<b>9,374</b>	<b>(2,959)</b>	<b>4,469</b>	<b>1,339</b>	<b>(469)</b>	<b>(422)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	6,910	10,941	3,075	7,112	13,218	15,048
Exchange difference	(91)	(217)	0	0	0	0
<b>Cash at the end of the year</b>	<b>10,941</b>	<b>3,075</b>	<b>7,112</b>	<b>13,218</b>	<b>15,048</b>	<b>17,315</b>
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
Revenue	2.5%	2.9%	(5.1%)	10.6%	5.2%	4.1%
Gross profit	na	66.8%	119.6%	30.8%	13.2%	9.3%
Operating profit	na	na	na	66.5%	28.1%	15.1%
Net profit	na	na	na	na	36.2%	16.0%
Adj. net profit	na	na	na	109.4%	29.3%	13.9%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
Gross profit margin	6.1%	10.0%	23.0%	27.2%	29.3%	30.8%
Operating margin	(15.1%)	(9.9%)	7.5%	11.3%	13.8%	15.3%
Adj. net profit margin	(18.4%)	(14.9%)	4.4%	8.3%	10.2%	11.1%
Return on equity (ROE)	(74.3%)	(84.4%)	(2.3%)	24.5%	23.0%	20.5%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
Net debt to equity (x)	1.0	3.5	1.6	0.6	0.3	0.1
Current ratio (x)	0.9	0.5	0.5	0.7	0.8	0.9
Receivable turnover days	42.8	36.4	34.7	32.9	33.2	32.9
Payable turnover days	103.2	109.2	132.8	116.9	117.8	117.4
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
P/E	na	na	na	15.6	11.5	9.9
P/E (diluted)	na	na	16.5	12.1	9.4	8.3
P/B	11.6	13.4	3.3	3.1	2.3	1.8

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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