

WEIMOB

Initiation of Coverage

A long-term growth story – frontrunner of SMB SaaS vendors chasing new digitalization growth

Initiate with Buy, PT of HK\$6.2

E-commerce is being redefined. Instead of relying on the centralized traffic platform to search for goods & services and then complete transactions, today buyers can complete transactions in a decentralized point-to-point manner under different kinds of scenarios. SaaS vendors provide merchants the automation solution of these kinds of business processes, which have greatly improved the traffic conversion rate and transaction volume and created more value for both merchants and buyers. Weimob is such a one-stop SaaS service vendor, providing merchants web-based, customer-facing, front-end business process automation solutions. We like Weimob, as it is one of the frontrunners in this booming sector. We find its stock's valuation is not demanding, trading at 37x FY21E EV/EBITDA with a CAGR of 120% in FY18-21E, compared to US peers of 77x/61% and Chinese peers of 38x/15%. Our PT of HK\$6.2 implies 47x FY21E EV/EBITDA with a 26% upside.

Riding on the acceleration of Tencent user monetization

As one of the largest third-party service vendors of Tencent ecosystem, Weimob continues to benefit from acceleration of Tencent user monetization, including: 1) increased ads load to 3 feeds per day in WeChat Moments since last May; and 2) lifted restriction on 5,000 friends limit on WeChat this Jan. On the other hand, WeChat recently released WMPF (WeChat Mini-Program Framework) to let mini-programs run beyond the app, which actually provides more application scenarios for Weimob's SaaS solutions. Driven by rising traffic and more application scenarios, we expect Weimob's targeted marketing gross billings will grow 94%/30% and SaaS revenue will grow by 36%/32% in FY19/20.

Benefit from synergies between two business sectors

Given the SaaS business is in early stage, we expect Weimob will invest heavily, such as S&M and potential M&A, to pursue growth. Good thing is targeted marketing could generate consistent positive cash flow, thereby mitigating heavily investment outflow from SaaS business, in our view. Currently, targeted marketing net margin of gross billings is about 5%, we expect it will contribute meaningful amount along with its scale expanding subject to normal prepayment and receivables conditions. Separately, customer overlapping ratio between two sectors is about 30%. Further cross-selling synergies will improve the operating leverage as well. In our model, we project adjusted EBITDA will grow to RMB252mn in FY21 at a CAGR of 120% from FY18 and adjusted FCF will turn positive in FY21.

Expect solid FY19 results but unfavorable events weigh on FY20

Targeted marketing gross billings will reach RMB4.8bn and SaaS revenue grow to RMB470mn in FY19 with attrition rate decline to 22%. Adjusted net profit will come in at RMB52.7mn. However, unexpected COVID-19 and recent database sabotage will weigh on topline growth in FY20, which has been reflected in our model. In addition, one-off cash compensation for sabotage would not have a big impact on financials but rising attrition rate due to the sabotage could be detrimental to the margins and delay the arriving of operating leverage, in our view.

Stock code: 2013.HK

Rating: Buy

Price target (HK\$)	6.2
Current price (HK\$, 6 March 2020)	4.9
Upside/downside %	26%
Market cap (HK\$ m)	10,990
Market cap (US\$ m)	1,414
Avg daily turnover over 1 yr (HK\$ m)	95

Source: Bloomberg, AMTD estimates

Key forecasts

(RMB mn)	FY18	FY19e	FY20e	FY21e
Net profit adj.	51	53	75	174
yoy %	347%	4%	42%	132%
Revenue	865	1,497	2,068	2,811
yoy %	62%	73%	38%	36%
Gross billings	2,493	4,830	6,264	8,644
yoy %	167%	94%	30%	38%
SaaS revenue	347	470	620	803
yoy %	32%	36%	32%	30%
Gross margin	59.8%	51.9%	48.2%	47.0%
Net margin	5.9%	3.5%	3.6%	6.2%
Adj. EPS (RMB)	0.03	0.02	0.03	0.08

Source: Company data, AMTD estimates

Valuation

	FY18	FY19e	FY20e	FY21e
P/S	11.7	6.7	4.8	3.6
P/E	176.8	189.3	133.3	57.4
EV/EBITDA	396.9	156.1	97.4	36.9
ROE	82.3%	n.a.	n.a.	8.6%

Source: Bloomberg, AMTD estimates

Share price performance (HK\$)



Source: Bloomberg

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Investment summary

- **In the long run – growing demand for web-based solution led by mobile internet**

Led by the rise of mobile internet and cloud computing, the digital transformation has been moving from creating MIS or ERP in the middle/back-end independently to the business process automation with network collaboration in the front-end. In this case, e-commerce is being redefined. Instead of relying on the centralized traffic platform to search for goods & services and then complete transactions, today buyers can complete transactions in a decentralized point-to-point manner under different kinds of scenarios. SaaS vendors provide merchants the automation solution of these kinds of business processes, which have greatly improved the traffic conversion rate and transaction volume and created more value for both merchants and buyers. Weimob is such a one-stop SaaS service vendor, providing merchants web-based, customer-facing, front-end business process automation solutions. We like Weimob, as it is one of the frontrunners in this booming sector.

- **In the near term – riding on acceleration of Tencent user monetization**

As one of the largest third-party service vendors of Tencent ecosystem, Weimob continues to benefit from acceleration of Tencent user monetization, including: 1) increased ads load to 3 feeds per day in WeChat Moments since last May; and 2) lifted restriction on 5,000 friends limit on WeChat this Jan. On the other hand, WeChat recently released WMPF (WeChat Mini-Program Framework) to let mini-programs run beyond the app, which actually provides more application scenarios for Weimob's SaaS solutions.

- **Targeted segment – shifting to high growth potential offline customers**

As of 2019, China's e-commerce penetration rate was only 27.8%, which means that the offline segment has higher growth potential in the future. However, given the difficulties of reaching those offline customers, for companies without an offline sales team, customer acquisition cost is relatively high. On the contrary, Weimob has extensive offline sales channels, which could help the company directly reach the higher growth potential segment. As of 1H18, Weimob had an extensive network of 917 channel partners and over 1,000 direct sales. Currently, the number of direct sales has increased to around 1,500.

- **Healthy financials – benefit from synergies between two business sectors**

Given the SaaS business is in early stage, we expect Weimob will invest heavily, such as S&M and potential M&A, to pursue growth. Good thing is targeted marketing could generate consistent positive cash flow, thereby mitigating pressure from SaaS business, in our view. Currently, targeted marketing net margin of gross billings is about 5%, we expect it will contribute meaningful amount with its scale expanding subject to normal prepayment and receivables conditions along. Separately, customer overlapping ratio between two sectors is about 30%. Further cross-selling synergies will improve the operating leverage. We expect Weimob's FCF will turn positive in FY21.

- **Valuation – not demanding**

Weimob stock's valuation is not demanding, trading at 37x FY21E EV/EBITDA with a CAGR of 120% in FY18-21E, compared to US peers of 77x/61% and Chinese peers of 38x/15%. Our PT of HK\$6.2 implies 47x FY21E EV/EBITDA with a 26% upside.

Key risks

- **System stability and security – recent database sabotage**

Weimob announced on 3 March that it has completed online restoration of data of SaaS business, which was sabotage by its technical staff on 23 February. Meanwhile, the compensation plan, including cash plan and traffic plan, in response to the accident was announced as well. For the cash plan, Weimob and the Company's senior management plan to establish a compensation fund with a total amount of RMB150mn, of which RMB100mn will be borne by the Company and RMB50mn will be borne by the Company's senior management.

One-off cash compensation would not have a big impact on financials but rising attrition rate due to the sabotage could be detrimental to the margins and delay the arriving of operating leverage, in our view. In order to prevent such accident from happening again, Weimob has introduced a slew of measures to reinforce the internal control including: 1) strengthening data security management and platform governance; 2) strengthening the construction of disaster recovery system to achieve multi-cloud cold backup; 3) migrate to cloud database.

- **Economy downturn due to COVID-19 outbreak**

The majority of the merchants that use Weimob's products and services are SMBs. However, Coronavirus outbreak hit the China's economy, and many SMBs struggle and have to close down in the headwinds of the COVID-19. In addition, the survived SMBs and entrepreneurs may disproportionately reduce their budgets and re-allocate their IT spending and advertising budgets, which may affect Weimob's business and development.

- **Over-reliance on Tencent's social platforms and ecosystem**

Weimob provides SaaS products on WeChat, and conducts targeted marketing services through Tencent's social media platforms. The company also use Tencent Cloud as its own cloud data processor and service provider of its cloud-based technology infrastructure. Therefore, any negative changes in cooperation process, the popularity of WeChat or other Tencent's social networking sites, or any negative development associated with Tencent's ecosystem will have significantly adverse impacts on Weimob's business.

- **Poor cash flow due to high prepayment & receivables**

In general, the third-party advertising platform business has relatively strong cash flow, because the company has a higher bargaining power over decentralized and smaller advertisers. However, as the Weimob gradually starts serving large enterprise customers, the bargaining power could be weakened. Rising prepayments and advertisers' receivables will put pressure on cash flow, which could reduce the operating flexibility and affect SaaS business as well.

- **Expensive M&A deals and high integration costs**

M&A is a very important strategy in SaaS business. However, the strategic acquisition and investments could expose the company to uncertainties and risks, including high acquisition and financing costs, unpredicted liabilities and failure to meet the intended objectives. The expensive M&A deals may also expose the company to the risk of liquidity and company's business may be adversely affected.

- **Local channel partners management risk**

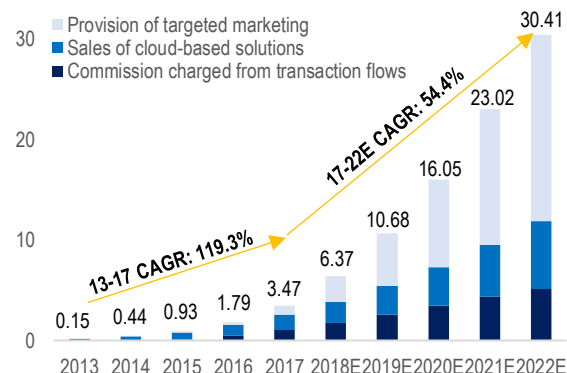
A large proportion of Weimob's revenue comes from their local channel partners who help the company promote products and maintain relationships with customers. For example, revenue contributed by channel partners accounts for 65.3% by the end of June 30, 2018. If Weimob cannot establish a stable and sound sales network and effectively manage these channel partners, company's operations will be negatively affected.

Growth prospects

Third-party service market for SMBs growing rapidly

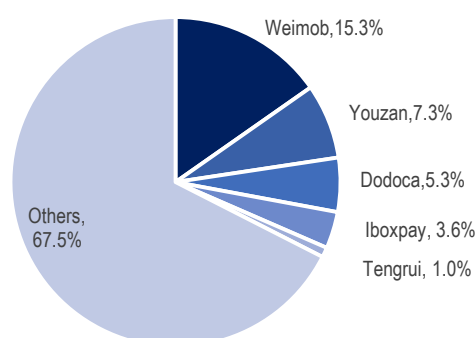
Weimob designs products and services mainly targeting for SMBs. The number of SMBs has more than 27.3mn in 2017, and is expected to further go up at a CAGR of 17.9% to 62.3mn in 2022, according to Frost & Sullivan. With the development of mobile devices and consumers' continued passion for "mobile lifestyle", social media has become the traffic entrance for those SMBs. Third-party service market based on WeChat, the China's largest social platform, for SMBs increased from RMB0.15bn to RMB3.47bn in 2013-2017, representing a CAGR of 119.3%, and is expected to continue growing at a CAGR of 54.4% to RMB30.41bn in 2022. Weimob ranked No.1 among the WeChat-based third-party service provider for SMBs in term of revenue in 2017. Tencent WeChat mini-program DAU exceeded 300mn and GMV surpassed RMB800bn in 2019.

Figure 1: The WeChat-based third-party service market for SMBs (China), RMB billion



Source: Frost & Sullivan, AMTD Research

Figure 2: Top five WeChat-based third-party service provider for SMBs (China) in term of revenue in 2017

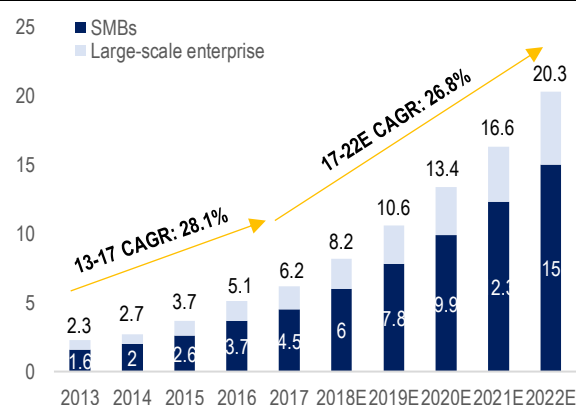


Source: Frost & Sullivan, AMTD Research

Cloud-based Commerce & Marketing Service for SMBs will grow at a CAGR of 27%

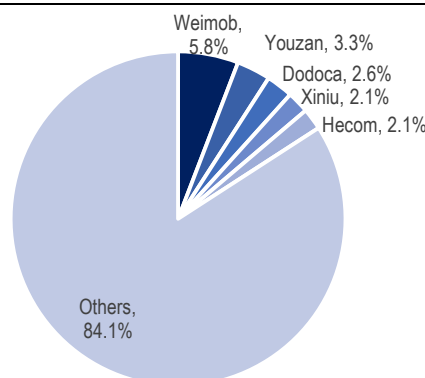
According to Frost & Sullivan, the market size for SMBs increased rapidly to RMB4.5bn in 2017, with a CAGR of 29.5% from 2013 to 2017, and keep rising to RMB15bn in 2022. SMBs, due to limited budgets and growing demand on online business, are more forward to choose these products, which provide one-stop business solutions at a lower price, to conduct business operations and optimize their efficiency. Weimob got 5.8% of market share in cloud-based and marketing service providers for SMBs in China in terms of revenue in 2017.

Figure 3: The market size of Cloud-based commerce and marketing service market (China), RMB billion



Source: Frost & Sullivan, AMTD Research

Figure 4: Top five Cloud-based commerce and marketing service providers for SMBs (China) in term of revenue in 2017

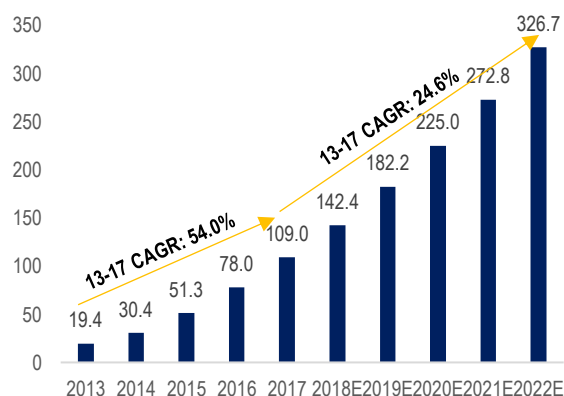


Source: Frost & Sullivan, AMTD Research

Targeted Marketing Services for SMBs will grow at a CAGR of 25%

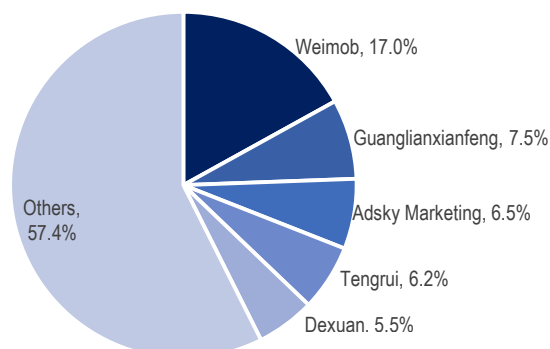
The market size of targeted marketing for SMBs also experienced a rapid growth to RMB109.0 bn in 2017, from RMB19.4 bn in 2013 at a CAGR of 54.0%. With the SMBs' imperative desire to boost their brand awareness, and improve take rate and ARPU, the total market of targeted marketing will rise up to RMB326.7 bn in 2022. Weimob was the top targeted marketing provider for SMBs on Tencent's social platforms.

Figure 5: The market size of Targeted Marketing for SMBs (China), RMB billion



Source: Frost & Sullivan, AMTD Research

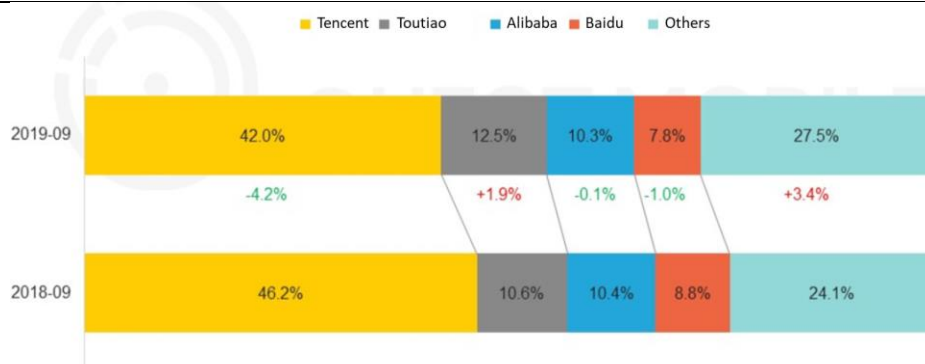
Figure 6: Top five targeted-marketing providers for SMBs (China) in term of gross billing in 2017



Source: Frost & Sullivan, AMTD Research

Publishers, such as Tencent, Toutiao, Baidu all have abundant advertising inventories, whose value is pretty high. According to QuestMobile, time occupied by Tencent and Toutiao's product mix among total time spent on China's app accounted for 54.5% in Sep 2019, which has slightly declined by 2.3% from 56.8% in Sep 2018. Therefore, the advertisers, in other words, the SMBs will seek to advertise on these platforms, leveraging on a wide availability of ad inventory and the precise content recommendation algorithm. The targeted marketing remains bullish.

Figure 7: China's Internet leaders' shares in total app's time consumption, by Sep 2019



Source: QuestMobile, AMTD Research

SaaS business

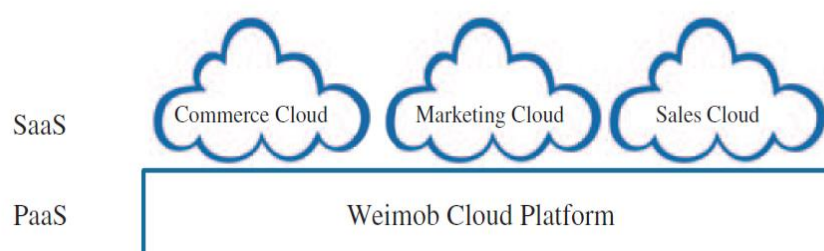
Launched its first SaaS product in 2013, Weimob is the leading provider of cloud-based commerce and marketing solutions on Tencent's social networking service platforms for SMBs in China. Today, Weimob offers ten Commerce Cloud solutions, three Marketing Cloud solutions and one Sales Cloud solution and is serving over 70,000 paying customers as of Jun 2019. We think the key strength of Weimob's SaaS business lies in the development of the PaaS platform and an extensive offline sales channel. The key points of tracking its SaaS business development are the customer retention rate and the total billings.

Expand product portfolio by strengthening PaaS platform

Platform as a service (PaaS) provides a lot of flexibility. It saves the expense and reduces complexity of buying, configuring, and managing all the hardware and software needed to run applications by leveraging third party resources. PaaS is a proven model for SaaS companies as it provides continuous growth driver for their businesses.

In October 2017, Weimob launched Weimob Cloud platform, a PaaS, designed for third-party developers to create more and better applications for merchants. On top of its PaaS, Weimob has developed three clouds, namely Commerce Cloud, Marketing Cloud, and Sales Cloud, to serve different kinds of demand from its customers in different vertical sectors. In terms of cloud platform, Weimob has amassed more than 450 third-party developers who offered approximately 700 applications as of 1H19.

Figure 8: Weimob's PaaS strategy



Source: Company, AMTD Research

Strategic acquisition to boost organic growth

The recent strategic acquisition of catering business SaaS provider – Yazuo showed Weimob's determination to pursue growth. The acquisition helped migrate Weimob's decentralized e-commerce business model to another vertical sector-catering where was always dominated by centralized e-commerce platforms. We think it will hit the catering business by providing merchants private traffic management solutions to further reduce their operating costs. For the deal itself, despite no meaningful financial benefit from the transaction and potential integration costs and expenses, we still see the deal could be a potential growth driver for the company going forward for: 1) expand into new vertical sectors; 2) move upmarket to serve larger customers; 3) Yazuo's growth reaccelerate due to the integration of Zuo's own business into Weimob's ecosystem. The RMB115mn all-cash deal acquiring 63.83% stake of Yazuo was not expensive given the implied valuation of 5x Yazuo's FY19 revenue.

Figure 9: comparison of operating & financials between Yazuo and Weimob's SaaS

	Yazuo as of Dec, 2019	Weimob SaaS as of Jun, 2019	Yazuo as % of Weimob
Operating data			
Paying merchants at end of period	1,625	70,006	2.3%
Annualized attrition rate	11.90%	22.6%	
TTM average revenue per user (RMB)	18,355	5,869	312.7%
Number of stores	5,944		
Number of members	71,003,623		
GMV (RMB mn)	15,522		
Financials*			
TTM Revenue (RMB mn)	36.0	410.9	8.8%
TTM net profit (RMB mn)	-38.1	n.a.	

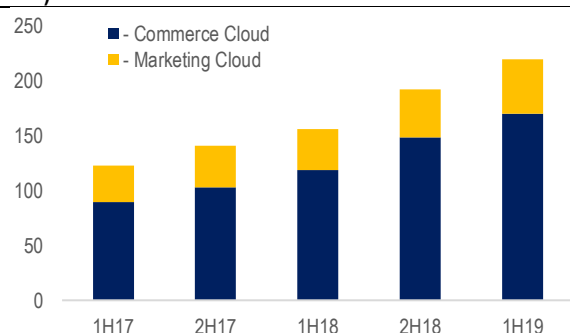
Source: Company, AMTD Research

Note: including Yazuo, Wuxi Yashe and Wuxi Daoli

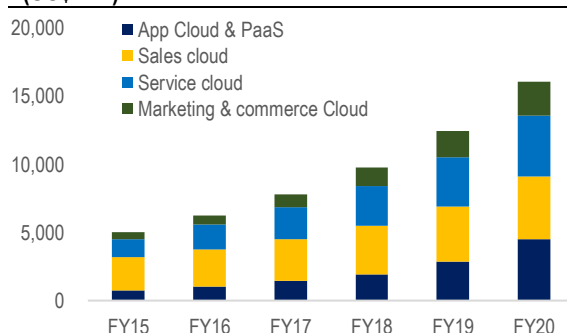
Salesforce case study: growing with the evolving PaaS platform and acquisitions

SaaS leader – Salesforce introduced its first PaaS platform - "Force.com" in 2007, which was renamed as "Lightning Platform" in 2015. This PaaS platform is capable of supporting all kinds of business applications and allows developers to create add-on applications that integrate into the main Salesforce.com applications. Apart from that, Salesforce has continued working on platform expansion to add new trending capabilities. Salesforce rolled out the Salesforce1 Platform in 2013 with the goal to target mobile market and introduced Einstein Platform in 2016 to beef up its AI capability in big data era. All of these efforts were paid off as Salesforce managed to achieve subscription revenue growth at a CAGR of 26.2% over the past six years despite its large revenue size.

Investors always challenge salesforce acquisitions business model as those target companies were not cheap and costed much in M&A. However, Salesforce is always able to plug each acquisition into Salesforce system, cut costs, and accelerate organic revenue growth later. The most recent cases were MuleSoft, which accelerated to 77% in Q3 vs 60% stand-alone, and the acquisition of Tableau for strengthening Customer 360. In addition, Salesforce is expanding industry offering with the acquisition of Vlocity in Q4. The deal is expected to close during the Q2FY21 with approximately US\$50mn revenue contribution in FY21.

Figure 10: Weimob's SaaS revenue by platform (RMB mn)

Source: Company data, AMTD Research

Figure 11: Salesforce subscription revenue by platform (US\$ mn)Source: Company data, AMTD Research
Note: FY20 ended 31 Jan 2020

Move upmarket to serve larger customers with rising ARPU

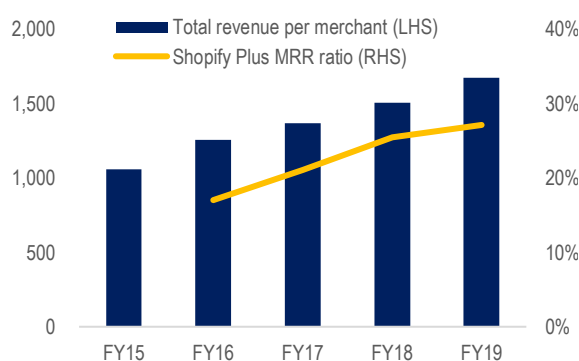
With the support of its PaaS and strategic acquisition, Weimob no longer only provides standard solutions to serve small and medium businesses, but it is also able to provide customized solutions to serve larger customers together with its partners. Factoring in the business opportunities within its evolving PaaS platform in coming years, we project Weimob's annualized ARPU, defined by new billings divided by new paying merchants, could rise by over 50% from RMB7,450 in 1H19 to more than RMB11,000 in 2H22.

Shopify case study: moving upmarket helped by its PaaS platform and ecosystem

Shopify built its own PaaS on top of Kubernetes called Cloudbuddies. Shopify has opened its platform to third parties and allows them to build apps that offer several niche services to Shopify's existing merchants. With the addition of 500 apps to its app store in the fourth quarter of 2019, Shopify started 2020 with more than 3,700 apps available to help merchants run their businesses.

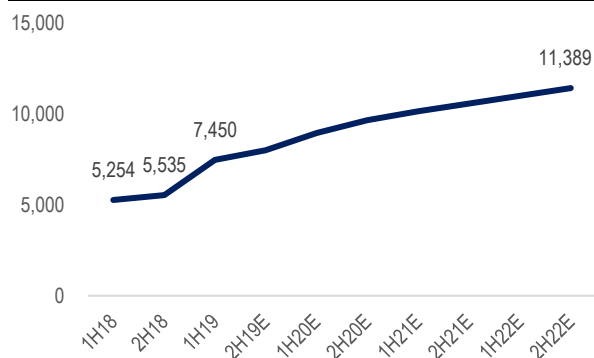
On the other hand, Shopify moved upmarket in 2015 by launching Shopify Plus to serve enterprise merchants. With the support of its powerful ecosystem, Shopify Plus continued to grow. In the latest quarter of Q4 2019, Shopify Plus contributed 27.1% of monthly recurring revenue (MRR), compared to 25.4% in Q4 2018. As Shopify Plus' pricing is more expensive and less visible than Shopify's plans, total revenue per merchant rose substantially from US\$1,058 in FY2015 to US\$1,671 in FY2019.

Figure 12: Shopify total revenue per merchant (US\$ '000) and Shopify Plus MRR ratio



Source: Company data, AMTD Research

Figure 13: Weimob's annualized ARPU (new billings) of new paying merchants (RMB)

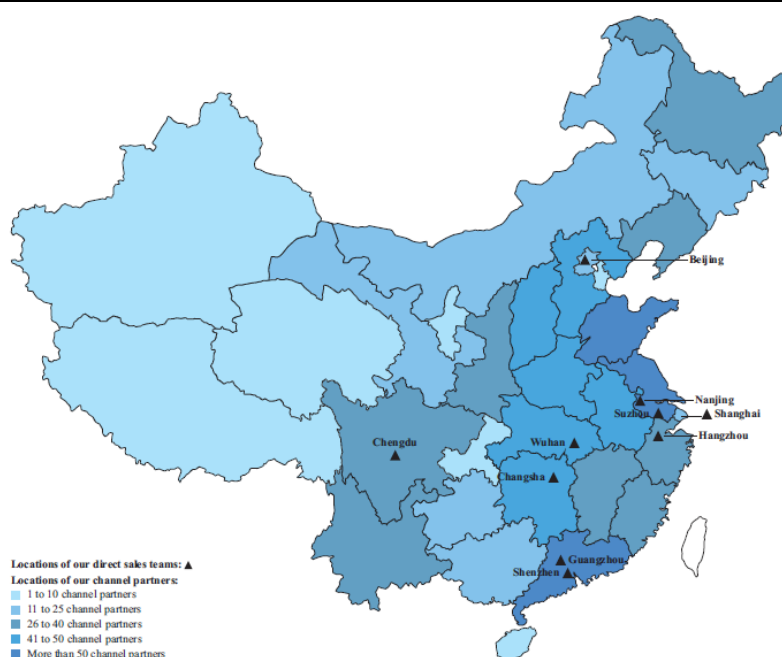


Source: Company data, AMTD Research estimates

Extensive distribution channels drive the growth of merchants

Distribution channel is often the most important function for software company, as it helps sales team sell the products and development team understand customer needs, ensuring delivery of high-quality products and services. In China, where digital transformation is still in its early stage, offline sales force is particularly important to those individual and SME customers. Weimob promotes its SaaS products through its own direct sales force and nationwide local channel partners. As of 1H18, Weimob had an extensive network of 917 channel partners and over 1,000 direct sales. Currently, the number of direct sales has increased to around 1,500.

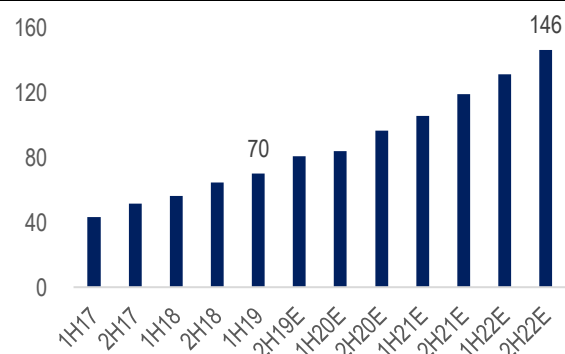
Figure 14: Geographical distribution of direct sales teams and channel partners for Weimob's SaaS products as of 1H18



Source: Company data

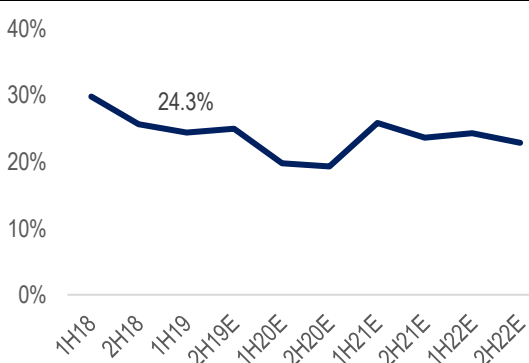
Strong distribution channels help drive the growth of paying merchants. In 1H19, the number of paying merchants rose by 24.3% to 70,006. On top of the organic growth, the acquisition of Yazuo in Feb 2020 will add another 1,600+ new paying merchants for the company in 1H20. Given the extensive distribution channels and the potential M&A going forward, we expect the total number of paying merchants will grow to 146k by the end of 2022 at a five-year CAGR of 22.6% from 2018.

Figure 15: No. of paying merchants at period end ('000) of Weimob's SaaS business



Source: Company data, AMTD Research

Figure 16: No. of paying merchants growth rate, YoY, of Weimob's SaaS business



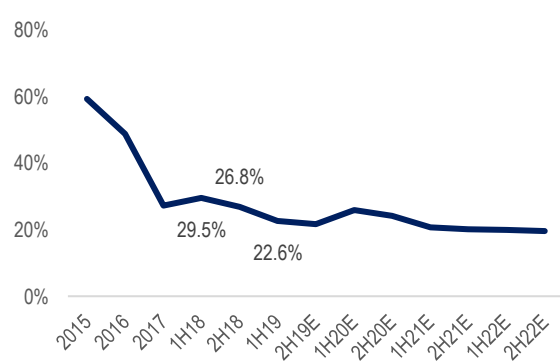
Source: Company data, AMTD Research

Declining attrition rate is key to achieve operating leverage

For SaaS companies, the operating leverage comes primarily from sales & marketing. Costs are recognized up front while revenue is deferred over multiple periods. When business becomes matured, operating leverage is realized. Therefore, low attrition rate is key to operating leverage. A successful SaaS company with high customer retention rate and high subscription renewal rate will improve the margin steadily over the long run.

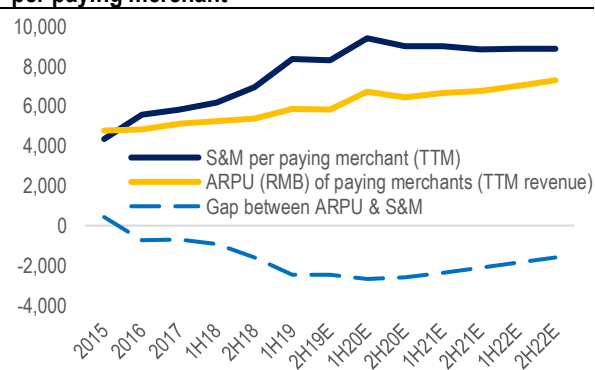
We tend to be more conservative on the progress of Weimob achieving operating leverage in its SaaS business in the sense that: 1) Weimob has extensive offline sales force; 2) its SaaS business still in early stage; 3) to invest more resources for recent database sabotage remedy. We saw Weimob had spent heavily on sell and marketing to push the sales of SaaS products since 2016 and expect the gap between revenue earned and S&M expense per paying merchant will come to the largest in 1H20 when database sabotage happened. Nevertheless, Weimob had a quite healthy attrition rate curve since it started SaaS business five years ago. In 1H19, SaaS products annualized attrition rate declined to 22.6%, compared to 26.8% at the end of 2018, and 29.5% in 1H18. As its SaaS business will become increasingly matured and attrition rate will be declining slowly, we expect operating leverage will be gradually improved after 2020.

Figure 17: annualized attrition rate of Weimob's SaaS products



Source: Company data, AMTD Research estimates

Figure 18: Weimob's operating leverage measured by per paying merchant

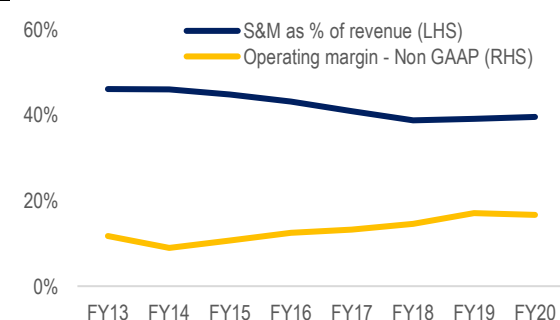


Source: Company data, AMTD Research estimates

Case study: Salesforce & Workday

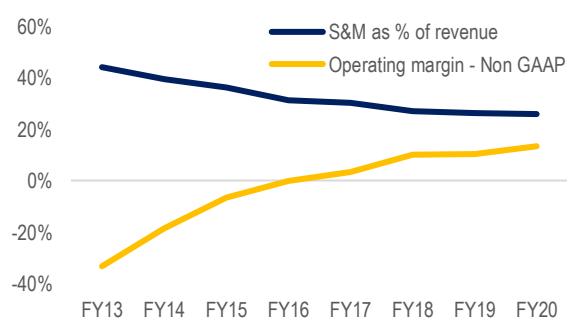
For Salesforce and Workday, their recurring subscription revenues accounted for more than 85% and 90% of their total revenue, respectively. Over the past few years, their operating margins (Non-GAAP) have been expanding along with the declining ratios of S&M to total revenue. In particular, Workday's Non-GAAP operating income broke even in FY16. In the meanwhile, Salesforce maintained dollar attrition rate below 10% while Workday's net retention was once again over 100% in latest quarter. Operating leverage has become increasingly visible in these two SaaS companies.

Figure 19: Salesforce's S&M as % of total revenue and operating margin (Non-GAAP)



Source: Company data, AMTD Research
Note: FY20 ended 31 Jan 2020

Figure 20: Workday's S&M as % of total revenue and operating margin (Non-GAAP)

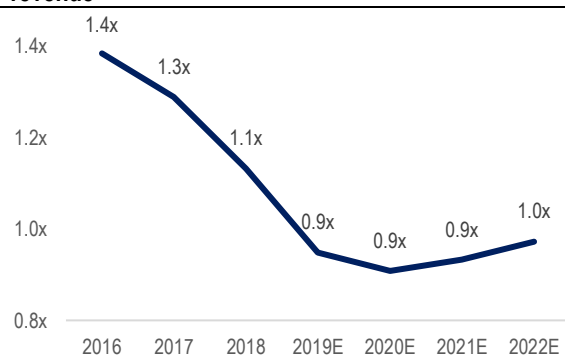


Source: Company data, AMTD Research
Note: FY20 ended 31 Jan 2020

Billings is an indicator of cash inflow and revenue outlook

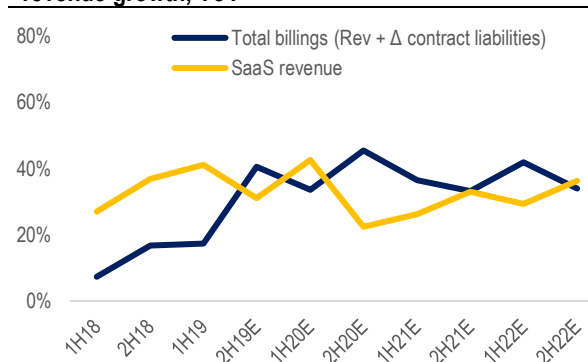
Defined as sum of changes of contract liabilities between two reporting periods and revenue recognized, total billings is an indicator of cash inflow. Billings occur when SaaS companies collect customers' money. Therefore, higher billings normally indicate a healthier cash flow. On the other hand, contract liabilities (or deferred revenue) also can be thought of as revenue that will hit the income statement once performance of obligations is completed. So, it provides certain revenue visibility for next reporting period. For Weimob, higher ratio of contract liabilities to revenue was due to higher proportion of long-term contracts in early business. We believe that as its SaaS business continues to expand and grow, total billings to revenue will come close to sector average of 1.0x. In addition, based on the assumption above, we expect revenue growth and total billings growth will converge to around 34% YoY in 2022.

Figure 21: Weimob's contract liabilities to SaaS revenue



Source: Company data, AMTD Research estimates

Figure 22: Weimob's SaaS business total billings and revenue growth, YoY



Source: Company data, AMTD Research estimates

Targeted marketing

Weimob began targeted marketing business in 2016, through which it provides a one-stop mobile social marketing solution enabling advertisers to optimize their marketing efforts and achieve brand promotion or targeted marketing goals. Basically, Weimob serves performance-based advertising for over 19,000 customers as of Jun 2019. Apart from Tencent ecosystem, its premium media resources also include Toutiao, Kuaishou, Baidu, and Zhihu.

Continue to benefit from Tencent's monetization acceleration

Weimob has a longstanding relationship with Tencent, who is also the strategic partner and investor of Weimob. Despite the macro headwinds in 2019, Tencent social advertising still managed to achieve 31.9% YoY revenue growth in Q3. As of Q3 2019, the combined MAU of Weixin and WeChat reached 1,151mn. Meanwhile, Tencent continued to accelerate monetization of its users: 1) increased ad load to 3 feeds per day in WeChat Moments and increased ad inventories in mini-program and other mobile applications last May; and 2) lifted restriction on 5000 friends limit this Jan. As the leading service provider in regional and industry channels of Tencent Ads, Weimob has been granted various key regional licenses and industrial licenses from Tencent Ads. We expect Weimob targeted marketing will continue to benefit from Tencent's monetization acceleration.

Figure 23: online advertising revenue growth, YoY, by platform

YoY growth of online advertising revenue		1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Online video								
	Tencent - media	31.5%	16.0%	23.5%	25.9%	5.5%	-7.0%	-28.3%
	Baidu - iQiyi (net)	51.7%	45.3%	-3.6%	8.9%	0.4%	-16.0%	-13.7%
Live video								
	BILI	143.9%	131.7%	179.2%	302.3%	59.7%	75.0%	80.1%
	Huya	212.4%	138.1%	92.9%	30.7%	55.5%	91.3%	81.3%
	Douyu					9.7%	21.2%	68.5%
	Momo	-3.6%	8.8%	0.8%	-15.4%	-32.1	-46.3%	-30.2%
Online services								
	58.com	31.2%	42.3%	40.3%	38.3%	30.1%	23.8%	20.1%
	Meituan Dianping			105.0%	106.3%	91.2%	73.0%	61.8%
Search engine								
	Baidu - search	20.3%	22.3%	21.8%	10.1%	3.2%	-7.6%	-8.6%
	Sohu - search (Sogou)	55.1%	44.9%	13.2%	12.0%	6.3%	2.0%	-0.1%
Social platform/IM								
	Tencent - social	68.8%	54.5%	61.2%	43.8%	33.9%	28.0%	31.9%
	Sina - Weibo	84.1%	68.3%	47.6%	20.0%	12.6%	0.2%	0.8%
News portal								
	Sina - portal	13.4%	13.7%	-10.4%	-25.8%	-26.9%	-25.2%	-32.8%
	NetEase	3.8%	6.5%	2.0%	3.3%	-5.1%	-8.3%	n.a.
	Qutoutiao	538.9%	525.3%	472.1%	399.4%	371.3%	209.2%	54.1%
Vertical platform								
	Ctrip	10.2%	23.6%	6.6%	45.5%	37.1%	22.1%	36.8%
	Autohome	12.8%	16.4%	13.0%	12.8%	10.1%	10.5%	2.6%
	Bitauto	16.3%	15.9%	7.7%	15.2%	13.9%	-5.4%	-12.5%
	Xiaomi	85.9%	69.6%	109.8%	57.2%	21.8%	-0.6%	-9.0%

Source: Company data, AMTD Research

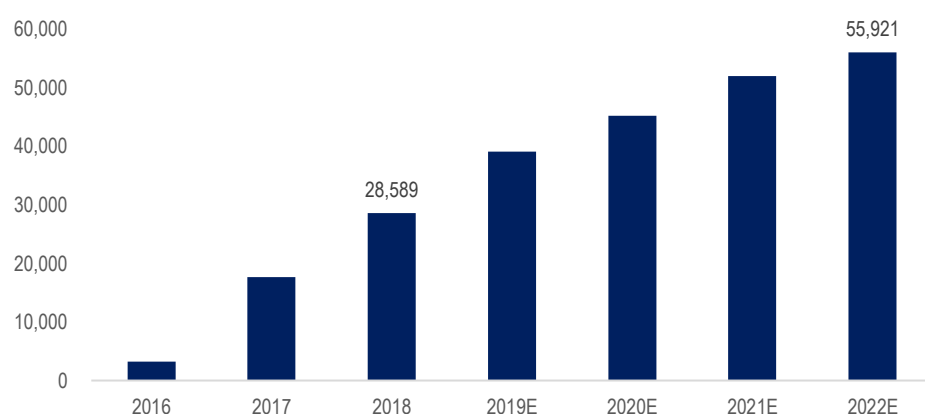
Performance-based advertising is more resilient during economic downturn

Weimob offers performance-based advertising services for advertisers. Integrated with analytics and optimization technology, Weimob's proprietary data management platform (DMP) can help customers on precise marketing by identifying audiences more accurately. Performance-based advertising is more resilient during economic downturn as it can provide better ROI than brand advertising. Given the economic slowdown and unexpected impact of COVID -19 recently, Weimob's targeted marketing could be more defensive, in our view.

Actively seeking cooperation with other platforms for diversified growth

Apart from Tencent ecosystem, Weimob was actively seeking cooperation with other major platforms, including Zhihu, Kuaishou, and Toutiao (TikTok). Weimob became third-party ad agent of Toutiao in 2019, mainly serving large-sized enterprise customers. Led by the platform expansion, we expect total number of advertisers will grow from 28,589 in 2018 to 55,921 in 2022 and targeted marketing business gross billings will reach nearly RMB11bn in 2022. On the margin side, as Weimob is moving to serve large-sized customers, including Tencent's KA and Toutiao channels, where has lower rebate rate, and expanding to platforms other than Tencent, where has lower acquisition costs due to cross-selling to its SaaS customers, we expect the gross margin of targeted marketing would decline slightly in the next few years.

Figure 24: number of advertisers of Weimob's targeted marketing



Source: Company data, AMTD Research estimates

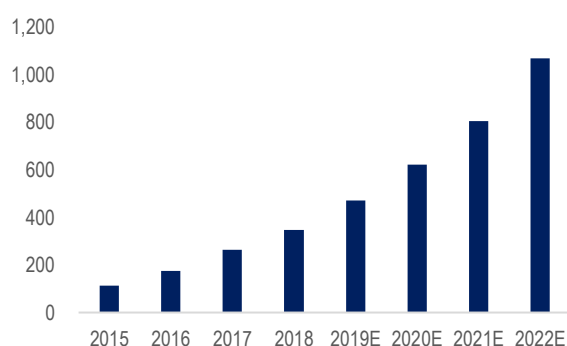
Financial overview

We estimate Weimob's total revenue will grow by 73%/38% to RMB1.50bn/RMB2.07bn in FY19/20, and adjusted net profit will come in at RMB53.0mn and RMB75.0mn in FY19/20.

SaaS products

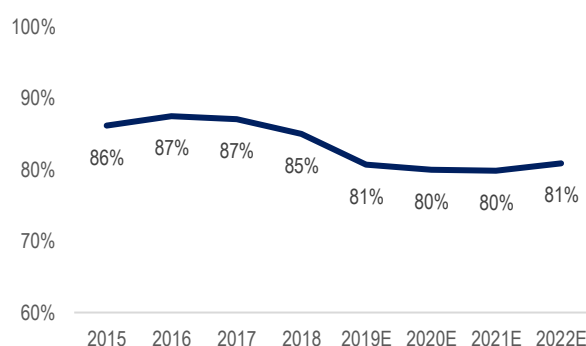
We project Weimob's SaaS business will grow by 36%/32% in FY19/20 to RMB470mn/RMB620mn and reach around RMB1.07bn in 2022, driven by offline merchants and new vertical sectors expansion. In our model, we assume: 1) the total number of paying merchants will grow to 146k by the end of 2022 at a five-year CAGR of 22.6% from 2018; 2) ARPU of new merchants will rise to more than RMB11,000 in 2H22; and 3) attrition rate will be slowly declining to around 19.6% in 2022. In addition, to expand product offerings by investing in R&D, which is amortized in COGS, we expect its SaaS products gross margin will decline in FY19/20.

Figure 25: SaaS products revenue (RMB mn)



Source: Company data, AMTD Research estimates

Figure 26: gross margin of SaaS products

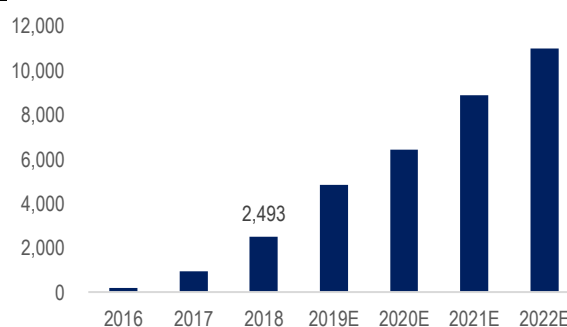


Source: Company data, AMTD Research estimates

Targeted marketing

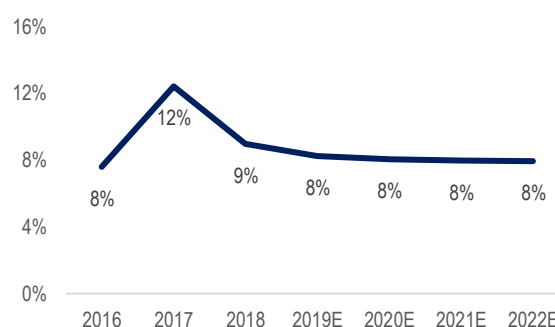
Gross billings is a better growth indicator of targeted marketing business, as the dollar revenue is subject to accounting standards on the classification of gross revenue and net revenue, in our view. We project Weimob's targeted marketing gross billings will grow by 94%/30% in FY19/20 to RMB4.8bn/RMB6.3bn, helped by Tencent's monetization acceleration and multi-platform expansion. As Weimob is now serving large-sized customer – KAs on Tencent and expanding enterprise customer channels on Toutiao, we expect gross margin (of gross billings) will be diluted in the next few reporting periods.

Figure 27: targeted marketing gross billings (RMB mn)



Source: Company data, AMTD Research estimates

Figure 28: gross margin (of gross billings) of targeted marketing

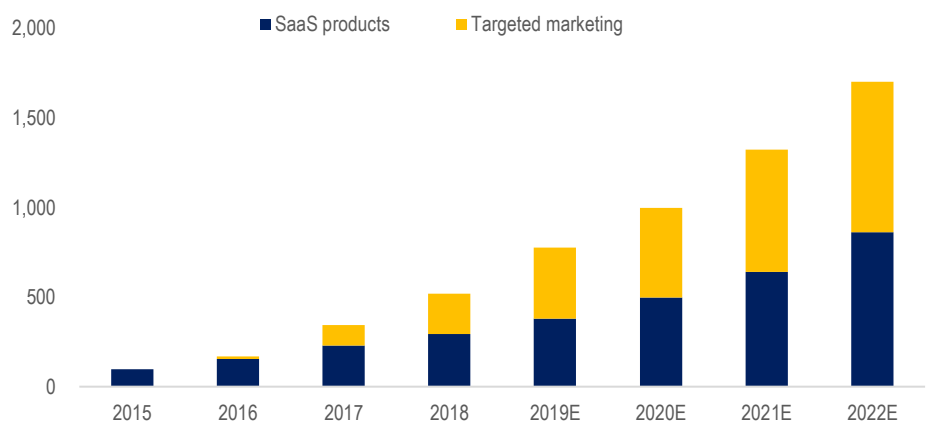


Source: Company data, AMTD Research estimates

Gross profit

Overall, Weimob's total gross profit will come in at RMB777mn and RMB997mn in FY19/20. Meanwhile, SaaS business and targeted marketing will each contribute half of the gross profit in the next few years.

Figure 29: Weimob's gross profit by business sector (RMB mn)

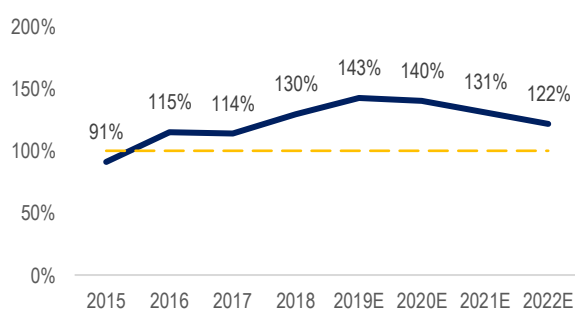


Source: Company data, AMTD Research estimates

Operating expenses

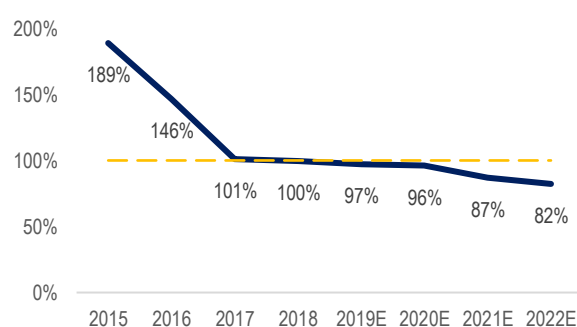
For Weimob, most of its sales & marketing expenses are related to the SaaS business, furthermore, the employee benefits expenses accounts for more than 50% of the sales & marketing expenses. As of 1H18, Weimob had an extensive network of 917 channel partners and over 1,000 direct sales for SaaS business. Today, the number of direct sales has increased to around 1,500. As Weimob will continue to push the sales of SaaS products to brick-and-mortar merchants, we expect S&M will maintain at a high level and the operating leverage will mainly come from declining attrition rate.

Figure 30: ratio of S&M to SaaS revenue



Source: Company data, AMTD Research estimates

Figure 31: operating expenses as % of gross profit



Source: Company data, AMTD Research estimates

Cash flow

Generally, advertising agency business has a positive cash flow given its nature of business. However, during 2018 when Weimob's targeted marketing was experiencing rapid growth, its cash flow turned negative, mainly due to the sharp increase of prepayments for purchasing advertising traffic. Actually, targeted marketing cash flow was improved in 1H19. On the other hand, we think the positive cash flow from targeted marketing will be very crucial to SaaS business, because SaaS business will experience continuous negative cash flow before Weimob can achieve meaningful operating leverage from sales & marketing.

Figure 32: operating cash flow breakdown by sector (RMB mn)

Source: Company data, AMTD Research estimates

Income statement**Figure 33: P&L (RMB mn)**

	2015	2016	2017	2018	2019E	2020E	2021E	2022E
Targeted marketing gross billing	0.0	173.8	933.0	2,492.5	4,829.6	6,264.0	8,643.7	10,700.2
Targeted marketing	0.0	13.5	271.4	518.0	1,026.3	1,448.5	2,007.9	2,550.4
SaaS products	114.0	175.7	262.6	347.1	470.4	619.8	803.2	1,066.7
Total Revenue	114.0	189.2	534.0	865.0	1,496.7	2,068.4	2,811.1	3,617.1
Cost of Goods Sold	(15.8)	(22.3)	(189.8)	(347.4)	(719.6)	(1,071.5)	(1,490.0)	(1,916.2)
Gross Profit	98.2	166.9	344.2	517.6	777.1	996.8	1,321.1	1,700.9
S&M	(103.8)	(202.4)	(299.2)	(449.8)	(670.6)	(868.9)	(1,053.6)	(1,299.5)
G&A	(84.0)	(50.7)	(59.7)	(151.4)	(100.8)	(88.6)	(94.1)	(99.1)
Operating expenses adj.	(185.5)	(244.4)	(347.0)	(515.9)	(754.5)	(957.5)	(1,147.8)	(1,398.5)
EBIT adj.	(87.3)	(77.4)	(2.8)	1.8	22.6	39.3	173.3	302.3
EBITDA	(87.1)	(75.0)	5.7	23.8	59.6	95.5	252.2	408.6
Total Financial Costs	0.0	0.0	0.0	(5.4)	(7.8)	(11.5)	(11.5)	(11.5)
Profit before tax	(97.6)	(86.1)	2.8	(1,090.6)	39.8	(30.3)	203.7	332.7
Income Tax Expense (Benefit)	9.1	5.1	(0.2)	(0.6)	(6.0)	4.5	(30.6)	(49.9)
Net Income	(88.5)	(77.3)	2.8	(1,089.2)	35.8	(25.1)	174.0	283.9
Adjusted net Profit	(50.8)	(72.8)	11.4	50.8	52.7	74.9	174.0	283.9
GM	86.1%	88.2%	64.5%	59.8%	51.9%	48.2%	47.0%	47.0%
EBIT margin	-76.5%	-40.9%	-0.5%	0.2%	1.3%	1.9%	6.2%	8.4%
Adjusted NPM	-44.6%	-38.5%	2.1%	5.9%	3.5%	3.6%	6.2%	7.8%

Source: Company data, AMTD Research

Figure 34: YoY, growth

	2016	2017	2018	2019E	2020E	2021E	2022E
Targeted marketing gross billing		437%	167%	94%	30%	38%	24%
Targeted marketing		1910%	91%	98%	41%	39%	27%
SaaS products	54%	50%	32%	36%	32%	30%	33%
Total Revenue	66%	182%	62%	73%	38%	36%	29%
Cost of Goods Sold	41%	753%	83%	107%	49%	39%	29%
Gross Profit	70%	106%	50%	50%	28%	33%	29%
S&M	95%	48%	50%	49%	30%	21%	23%
G&A	-40%	18%	153%	-33%	-12%	6%	5%
Operating expenses adj.	32%	42%	49%	46%	27%	20%	22%
EBIT adj.	-11%	-96%	-163%	1175%	74%	341%	74%
EBITDA adj.	-14%	-108%	316%	151%	60%	164%	62%
Total Financial Costs				44%	48%	0%	0%
Profit before tax	-12%	-103%	-38596%	-104%	-176%	-772%	63%
Income Tax Expense (Benefit)	-43%	-104%	211%	879%	-176%	-772%	63%
Net Income	-13%	-104%	-38574%	-103%	-170%	-793%	63%
Adjusted net Profit	43%	-116%	347%	4%	42%	132%	63%

Source: Company data, AMTD Research

Valuation

Sum of the parts (SOTP)

As Weimob generate revenues from two different business sectors, we derive our PT of HK\$6.2 from SOTP, which comprises 1) HK\$2.4 for targeted marketing; 2) HK\$3.8 for SaaS business; and implies a 47x FY21E EV/EBITDA. Weimob is currently trading at 37x FY21E EV/EBITDA with a 120% EBITDA CAGR in FY18-21E, compared to China ERP SaaS peers of 38x and 15%, US SaaS peers of 77x and 61%.

Figure 35: sum of the parts summary

	Valuation (HKD mn)	Per share (HKD)
Targeted marketing	5,531	2.4
SaaS products	8,478	3.8
Price target	14,009	6.2

Source: AMTD Research estimates

Targeted marketing – P/E multiples

Weimob's targeted marketing business is profitable. We estimate its gross billings will grow 38.0% to RMB8.64bn in 2021 with a gross margin at 7.9%. Net profit of targeted marketing will come in at RMB498mn after deducting G&A and tax, accordingly, up 42.0% vs. FY20E. We apply 10.0x FY21E P/E, in line with the median of third-party advertising peers (excl. big cap – Trade Desk), and derive Weimob's targeted marketing business value of RMB5.53bn.

Figure 36: targeted marketing valuation

(RMB mn)	2018	2019E	2020E	2021E
Gross billing	2,493	4,830	6,264	8,644
% YoY	167.2%	93.8%	29.7%	38.0%
Gross profit	223	397	501	680
% YoY	92.6%	78.5%	26.1%	35.6%
Gross margin	8.9%	8.2%	8.0%	7.9%
EBIT	142	314	412	586
tax	(21)	(47)	(62)	(88)
Net profit	120	267	351	498
% YoY	153.3%	121.6%	31.5%	42.0%
Net profit margin	4.8%	5.5%	5.6%	5.8%
x P/E				10.0x
Weimob's target adversiting in RMB mn				4,978
HKDCNY				0.90
Weimob's target adversiting in HKD mn				5,531

Source: AMTD Research estimates

SaaS – P/S multiples

Generally, compared to P/S multiple, FCF is a better metric to value SaaS business. However, Weimob's SaaS business is still in its early stage. In order to maintain rapid growth, Weimob has invested heavily and its SaaS business has not yet turned profitable. Therefore, in this case, we chose to use P/S multiples to value its SaaS business. For peers: 1) Kingdee, Yonyou Network and other Chinese ERP companies are not cloud-native and transitioning to the cloud currently. A significant portion of their revenues still come from perpetual licenses; 2) Microsoft, one third of its revenue come from the commercial cloud, and other revenues come from Windows authorization and server

related; 3) Shopify, the most comparable in the SaaS business, monetizes its SaaS users mainly from GMV but not subscription fee. Therefore, we selected SaaS companies with a recurring income ratio of more than 90%, including Salesforce, Workday, ServiceNow, Veeva, and Adobe as the best comparable companies for valuation. We apply 9.5x, the average of those best comparable SaaS companies, to derive Weimob's SaaS business value of RMB7.63bn.

Figure 37: SaaS business valuation

(RMB mn)	2018	2019E	2020E	2021E
revenue	347	470	620	803
% YoY	32.2%	35.5%	31.8%	29.6%
x P/S Multiple				9.5x
Weimob's SaaS business in RMB mn				7,630
HKDCNY				0.90
Weimob's SaaS business in HKD mn				8,478

Source: AMTD Research estimates

Comparables**Figure 38: Comparables**

				Sales								EBITDA			
Date		Price (LC)	Mkt cap (USD mn)	P/S			CAGR '18-21	P/E			PEG '20-21	EV/EBITDA			CAGR '18-21
				FY19E	FY20E	FY21E		FY19E	FY20E	FY21E		FY19E	FY20E	FY21E	
SaaS - HK & China listed															
2013 HK	Weimob	4.91	1,414	6.7x	4.8x	3.6x	48%	189.3x	133.3x	57.4x	0.4x	156.1x	97.4x	36.9x	119.6%
600588 CH	Yonyou	46.52	16,805	12.9x	11.2x	9.2x	16%	119.3x	104.8x	86.0x	3.94	81.11	57.28	43.6x	29.9%
268 HK	Kindgee	9.95	4,258	9.0x	7.6x	6.3x	0.2x	93.0x	79.0x	62.2x	2.3x	37.1x	35.6x	31.7x	1.0%
8083 HK	China Youzan	0.74	1,473	8.5x	5.2x	3.3x	72%	n.a.	-52.9x	-92.5x	2.2x	n.a.	n.a.	n.a.	n.a.
1588 HK	Chanjet	10.48	293	4.4x	3.8x	n.a.	n.a.	40.9x	24.7x	14.0x	0.2x	5.8x	4.9x	n.a.	n.a.
Mean (exc. Weimob):				8.7x	6.9x	6.3x	35%	84.4x	38.9x	17.4x	2.1x	41.3x	32.6x	37.7x	15%
Median (ecl. Weimob):				8.8x	6.4x	6.3x	17%	93.0x	51.8x	38.1x	2.2x	37.1x	35.6x	37.7x	15%
SaaS -US listed															
SHOP US	Shopify	472.07	54,960	35.3x	25.4x	18.9x	39%	2744.6x	2026.1x	574.3x	2.3x	783.6x	1017.6x	381.7x	n.a.
MSFT US	Microsoft	161.57	1,228,909	8.7x	7.7x	6.9x	17%	29.9x	25.5x	22.4x	1.6x	19.0x	16.5x	14.6x	12.9%
SaaS - US listed (recurring revenue ratio more than 90%)															
CRM US	Salesforce	164.08	146,852	8.6x	7.0x	5.8x	34%	56.6x	51.5x	41.5x	1.7x	29.6x	23.5x	20.2x	68.7%
WDAY US	Workday	158.68	36,814	10.2x	8.4x	7.1x	34%	88.4x	71.2x	56.8x	2.2x	48.8x	38.5x	31.8x	n.a.
NOW US	Service	317.24	60,212	17.5x	13.5x	10.7x	29%	97.9x	74.8x	57.2x	1.9x	61.4x	46.8x	36.5x	147.9%
VEEV US	Veeva	146.25	21,731	19.9x	15.5x	13.0x	34%	67.3x	58.0x	48.2x	2.4x	48.3x	39.2x	32.4x	39.1%
ADBE US	Adobe	336.77	162,750	12.4x	10.7x	9.3x	24%	34.3x	29.0x	24.6x	1.4x	26.8x	22.6x	20.2x	36.2%
Mean:				13.7x	11.0x	9.2x	31%	68.9x	56.9x	45.6x	1.9x	43.0x	34.1x	28.2x	73%
Median:				12.4x	10.7x	9.3x	34%	67.3x	58.0x	48.2x	1.9x	48.3x	38.5x	31.8x	54%
SaaS - US listed Mean:				16.1x	12.6x	10.3x	30%	445.6x	333.7x	117.8x	1.9x	145.3x	172.1x	76.8x	13%
SaaS - US listed Median:				12.4x	10.7x	9.3x	34%	67.3x	58.0x	48.2x	1.9x	48.3x	38.5x	31.8x	38%
Advertising (3P)															
TTD US	Trade Desk	252.94	11,527	17.5x	13.3x	10.6x	32%	75.5x	69.8x	56.0x	2.3x	54.6x	43.7x	33.9x	41.6%
QNST US	Quinstreet	11.16	577	1.1x	1.0x	0.9x	16%	16.2x	13.6x	9.5x	0.2x	9.9x	7.9x	5.4x	68.9%
ICLK US	iClick	4.96	284	1.4x	1.2x	0.9x	25%	n.a.	141.7x	18.9x	0.0x	103.5x	40.4x	12.8x	n.a.
1860 HK	Mobvista	3.47	685	1.2x	1.0x	0.8x	25%	16.1x	9.7x	6.8x	0.2x	15.9x	8.3x	5.7x	60.2%
1753 HK	Duiba	3.47	481	1.8x	1.2x	0.9x	46%	8.6x	6.5x	4.6x	0.1x	9.6x	3.1x	2.1x	n.a.
Mean:				4.6x	3.5x	2.8x	29%	29.1x	48.3x	19.2x	0.6x	38.7x	20.7x	12.0x	57%
Median:				1.4x	1.2x	0.9x	25%	16.1x	13.6x	9.5x	0.2x	15.9x	8.3x	5.7x	60%

Source: Bloomberg, share prices as of 6 March 2020, AMTD Research estimates

DCF

We cross check with 10-year DCF to value Weimob. We think DCF is appropriate as it take two business – targeted marketing and SaaS business as a whole from company level by taking into account the combined cash flow from these two businesses.

Figure 39: DCF valuation

('000 RMB)	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Targeted marketing - gross billing	2,493	4,830	6,264	8,644	10,700	12,925	15,225	17,629	20,061	22,427	24,623
YoY %	167.2%	93.8%	29.7%	38.0%	23.8%	20.8%	17.8%	15.8%	13.8%	11.8%	9.8%
Gross profit	223	397	501	680	838	1,000	1,163	1,329	1,512	1,690	1,856
margin	8.9%	8.2%	8.0%	7.9%	7.8%	7.7%	7.6%	7.5%	7.5%	7.5%	7.5%
SaaS products - revenue	347	470	620	803	1,067	1,406	1,839	2,387	3,075	3,930	4,984
YoY %	32.1%	35.5%	31.8%	29.6%	32.8%	31.8%	30.8%	29.8%	28.8%	27.8%	26.8%
Gross profit	295	380	496	641	862	1,138	1,491	1,937	2,498	3,195	4,054
margin	85.0%	80.7%	80.0%	79.8%	80.8%	80.9%	81.0%	81.1%	81.2%	81.3%	81.3%
Gross profit	518	777	997	1,321	1,701	2,138	2,653	3,266	4,010	4,885	5,910
Operating expenses excl. D&A	(494)	(717)	(901)	(1,069)	(1,292)	(1,536)	(1,796)	(2,064)	(2,330)	(2,607)	(2,891)
EBITDA	24	60	95	252	409	601	857	1,202	1,680	2,278	3,018
YoY %	316.0%	150.6%	60.2%	164.1%	62.0%	47.2%	42.5%	40.3%	39.8%	35.6%	32.5%
(-) tax	(1)	(6)	5	(31)	(50)	(78)	(111)	(156)	(218)	(296)	(392)
Change of OWC	(264)	(244)	(178)	(97)	18	22	27	32	38	45	53
(-) Capex & LT Investments	(73)	(87)	(99)	(116)	(140)	(161)	(177)	(186)	(195)	(205)	(215)
Free cash flow	(313)	(277)	(177)	8	236	384	595	892	1,304	1,821	2,463
YoY %				-105%	2753%	63%	55%	50%	46%	40%	35%

Source: AMTD Research estimates

We derived Weimob's equity value of HK\$6.18 per share, in line with our PT from SOTP, based on the major assumptions: 1) FCF will turn positive in 2021, and grow at a CAGR of 125.6% in FY21-28; 2) long-term growth rate of 3.0%; 3) WACC of 12.2%.

Figure 40: DCF

Long-term growth rate	3.0%
WACC	12.2%
Total present value of free cash flows	2,351
Present value of terminal value	9,534
Enterprise value	11,885
(+) Cash and short-term investments	970
(-) Noncontrolling interests	65
(-) Total debt	230
Implied equity value- Dec 2020(RMB)	12,560
Implied equity value - Dec 2020 (HKD)	13,955
No. of shares	2,258
Price target	6.18

Source: AMTD Research estimates

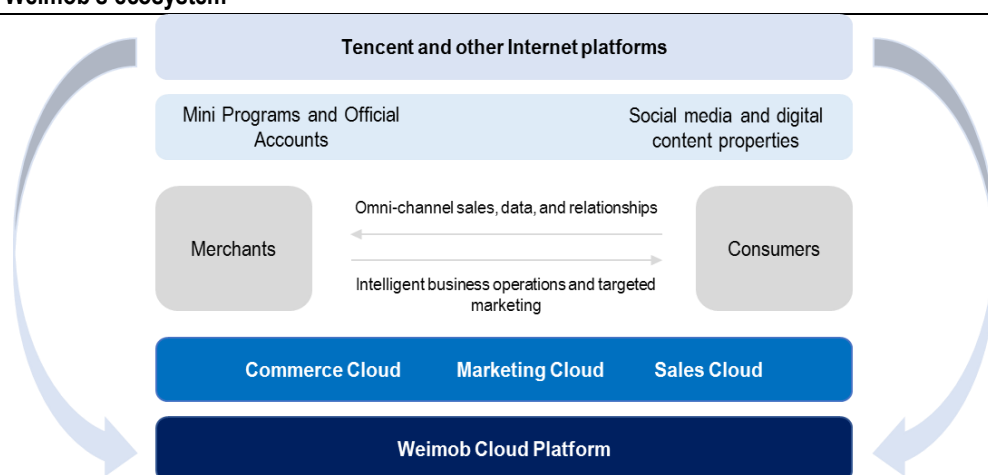
Appendix

Business overview

With the cloud-based commerce and marketing service platforms, Weimob connect merchants and consumers, and establishes a vibrant ecosystem which provides a decentralized digital business platform enabling SMBs to acquire users, accelerate monetization and bring synergies between their business segments.

Tencent's Mini Programs, Official Accounts, WeChat Moments and other business lines in Tencent's ecosystem have played an important role in the delivery of Weimob's business. Cooperated with Tencent and other Internet platforms, Weimob is providing one-stop solution to form a closed loop of marketing and SaaS products within the ecosystem.

Figure 41: Weimob's ecosystem



Source: Company data, AMTD Research

SaaS products and targeted marketing services are the cores of Weimob's business, which help enterprises to develop intelligent business solutions and targeted marketing services through Tencent and other internet platforms to address audience.

Figure 42: Product mix



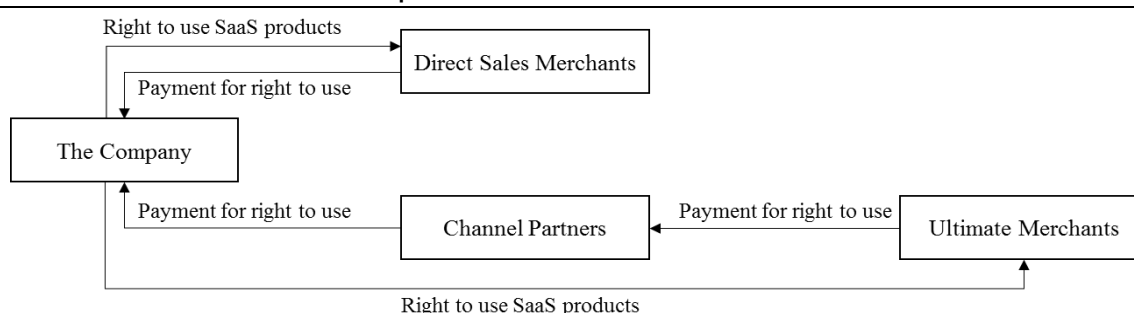
Source: Company data, AMTD Research

SaaS Products

Weimob has ten Commerce Cloud solutions, three Marketing Cloud solutions and one Sales Cloud solution. Among them, Commerce Cloud products allow merchants to build integrated omni-channel digital operations and enhance brand identity. Marketing Cloud products enable merchants equipped with digital tools to accurately target audiences and optimize online marketing activities, while Sales Cloud products improve merchants' abilities to acquire customers in high efficiency.










Sales of SaaS products are generated primarily through the company's own direct sales force and nationwide local channel partners.




Figure 43: Sales and fund flow of the SaaS products




Source: Company data, AMTD Research

Figure 44: SaaS Products

Commerce Cloud	
Name	Function
 Wei Mall	Wei Mall is an integrated e-commerce solution designed for SMBs centered on the WeChat ecosystem. Available in the form of WeChat Mini Program or WeChat Official Account, Wei Mall helps merchants build a comprehensive e-commerce sales system to capitalize on WeChat's user traffic and increase sales efficiently.
 Smart Retail	Smart Retail is a solution designed for offline retail merchants that provides multiple functions to manage products and orders, inventories, payment, customers, marketing and data to help them integrate online and offline operations and become intelligent businesses.
 Ke Lai Dian	Ke Lai Dian is a comprehensive WeChat-based solution designed for merchants in local lifestyle service industries with offline brick-and-mortar stores. This solution consists of a series of functionalities such as store management, membership management, digital marketing and online reservation and booking, all of which help merchants seamlessly integrate their online customer traffic with offline services.
 Smart Restaurant	Smart Restaurant targets merchants in the restaurant and catering industry and integrates various functions such as online ordering, food delivery, marketing, membership and payment in the form of WeChat Mini Program and WeChat Official Account. It enables merchants to attract customers to their offline restaurants through WeChat marketing and incentivizes existing customers to bring new customers, effectively increasing the membership conversion rate and customer retention rate.
 Cloud Store	A vertical solution for the food delivery industry, featuring mobile ordering, online payment, receipt issuing, physical delivery, mobile social networking marketing, sales promotion and customer membership management services.
 Smart Hotel	Smart Hotel is designed for merchants in the hospitality industry to build up their direct sales platform and expand their online presence by utilizing WeChat Mini Program and WeChat Official Account. It provides merchants with functions including online room booking, online hotel mall, membership management and customer data analysis to quickly attract customer traffic through WeChat and increase the merchants' operational efficiency through a comprehensive hotel room management system.
 Smart Beauty	Smart Beauty provides an innovative solution through the combination of WeChat Mini Programs and WeChat Official Accounts for the beauty industry merchants including personal care, hairdressing, body care, and nail art operators. By consolidating functions such as reservation, marketing, membership, reward points system, and payments, Smart Beauty is dedicated to facilitating merchants in the beauty industry to attract fans, convert customers, and encourage repeat purchases. It provides a seamless connection with the merchant's WeChat Official Account, and supports online ordering followed by offline in-store consumption. Smart Beauty also helps merchants build their own online storefronts, expand their business, and realize Internet-based digital transformation.
 Smart Meeting	Smart Meeting is a one-stop digital conference solution, featuring meeting marketing, flexible sign-in methods, in-meeting big-screen presentation, interaction by games, a powerful data system and multi-dimensional statistics reports.
 Smart Traveling	Designed for traditional travel agencies, Smart Traveling solution helps travel agencies expand sales channels and enhance their marketing and customer acquisition capabilities in the era of mobile Internet by providing them with online functions such as WeChat marketing, online sales, order management, member management and data analysis.

Marketing Cloud	
Name	Function
Wei Station 	Wei Station enables enterprises and brands to quickly and easily establish their own official WeChat Mini Program-based website. These WeChat Mini Programs are also compatible with H5 code which enables redirection to WeChat Official Accounts and traditional websites, allowing enterprises to reach potential customers through multiple channels. In addition, Wei Station's data analytics and plug-in functionalities provide enterprises with stronger brand marketing capability.
Smart Marketing 	Smart Marketing is a one-stop marketing platform provided by Weimob for enterprises. Through the marketing strategy, enterprise can easily achieve the goal of omni-channel users' data integration with a comprehensive sourcing, 360-degree customer portrait detection. By AI Tech, Smart Marketing can conduct automatic and precise remarketing to customers and continually optimizing management on customer life cycle to enhance their lifelong value.
Wei Form 	As a general solution providing merchants with various information collection capabilities, Wei Form is able to help merchants to conduct market research, customer feedback collection, and customer data accumulation in real time

Sales Cloud	
Name	Function
Smart Restaurant 	Sales Pusher is an intelligent solution for enterprises to improve the customer acquisition capability of their sales force. When a merchant's sales person shares his business card through WeChat Mini Program into WeChat, Sales Pusher will identify highly interested customers by calculating the likelihood of a transaction. Further, Sales Pusher enables a merchant's sales person to communicate and follow up with potential customers online in a timely manner without these customers having to add the sales person as a contact in WeChat. This solution assists merchants in discovering business opportunities and eventually converting online traffic into sales.

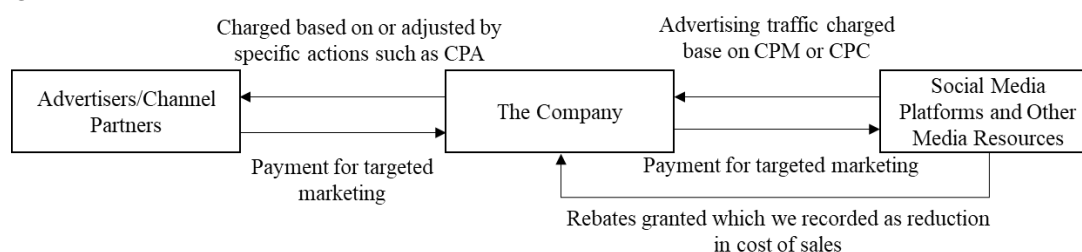
Source: Company data, AMTD Research

Targeted Marketing Services

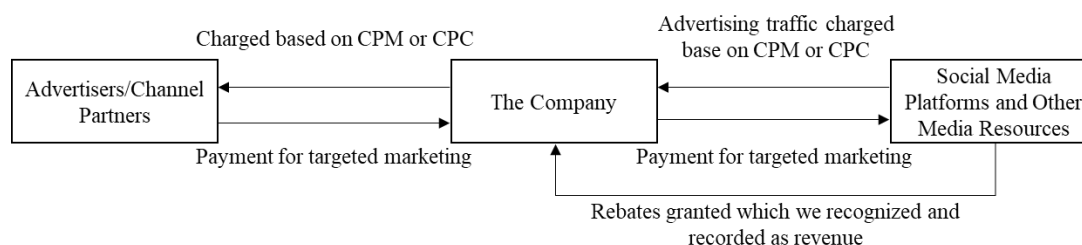
Weimob provides targeted marketing services as well, through which the company offers a one-stop mobile social marketing solution to help advertisers to address their target audiences. Its revenue is recognized through two methods: Gross basis and Net Basis, which have difference in the charge for the purchase of advertising traffic and rebates recognition.

Figure 45: Fund flow of the targeted marketing service under two revenue recognition methods

1. Gross Basis











2. Net Basis



Source: Company data, AMTD Research

Figure 46: Targeted Marketing Platforms

Name	Cooperation
WeChat Official Account advertisements 	WeChat Official Account advertisement is a marketing format based on WeChat Official Account ecosystem, where marketing contents appear in articles of WeChat Official Accounts. WeChat Official Account marketing offers multiple marketing activities such as WeChat Official Account follow, mobile application download, coupon distribution, and brand promotion.
WeChat Moments advertisements 	WeChat Moments advertisement is a native advertisement format based on WeChat Official Account ecosystem. This advertisement type is displayed in WeChat Moments in four major formats, namely local promotion, native promotion, video advertising and graphics advertising. WeChat users can interact with advertisements by means of likes and comments.
QQ and QQ QZone advertisements 	Leveraging Tencent's user behavior data and cross-terminal account system, QQ advertisements can provide advertisers with flexible and accurate audience selection. For example, marketing activities can be directed to target customers by using audience attribute labels, activity history, and behavior profile. According to public information, QZone had 563.3 million monthly active accounts as of December 31, 2017. QZone information flow advertisement appears in the customer's friend's newsfeed in QQ and is a native social advertisement.
Tencent News advertisements 	Weimob can provide clients with Tencent News advertising services. As China's leading mobile news app, Tencent News strives to create a rich, timely news application to provide users with an efficient, high-quality reading experience.
Tencent Video advertisements 	Weimob can provide clients with Tencent Video advertising services. A leading online video interactive platform in China, Tencent Video is designed to provide users with a rich, smooth high-definition video entertainment experience, meeting the various needs of users with a variety of products through its website, PC client, and mobile apps.
Baidu advertisements 	Baidu information flow marketing is a native advertisement displayed on the Baidu APP, Baidu portal, Baidu Tieba and Baidu mobile browser platforms.
Zhihu advertisements 	Zhihu advertisements are displayed on mobile Zhihu in the form of native advertisements. Zhihu advertisements can meet advertisers' various performance requirements by providing multiple advertising formats, including image-text, video, and text link.
Toutiao advertisements 	Toutiao advertisements are displayed on mobile Toutiao, a digital news aggregation service provider in China. Weimob can provide one-stop solution to enhance brand promotion, APP downloads and other demands.

Source: Company data, AMTD Research

Company background

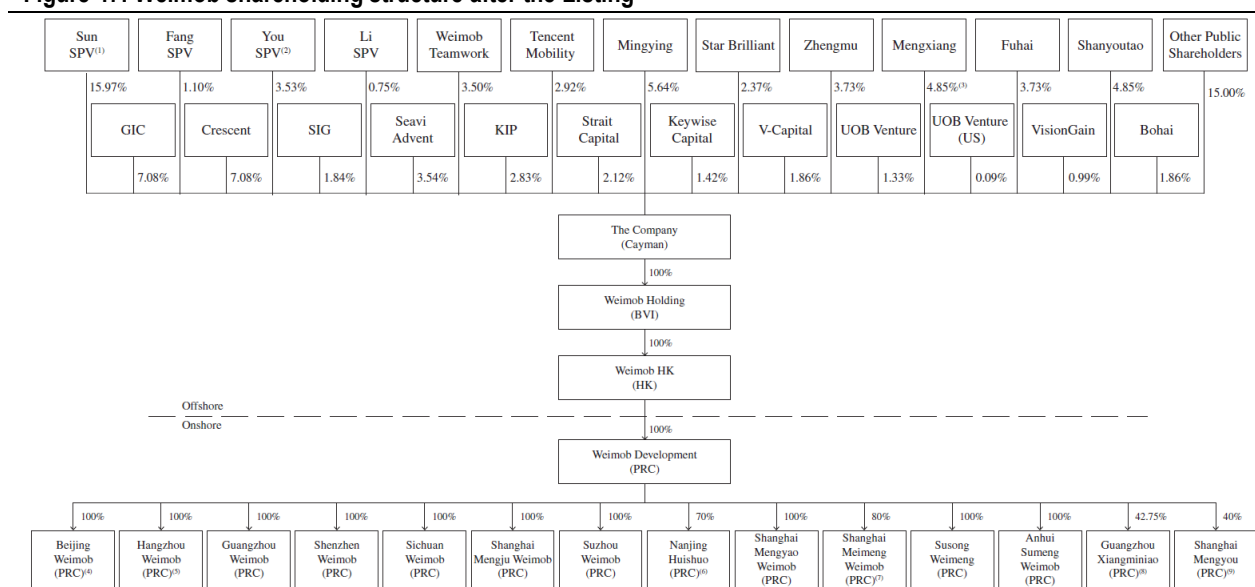
Established in 2013 and headquartered in Shanghai, Weimob has been listed on the Hong Kong Stock Exchange (2013.HK) since 2019. Weimob is the leading provider of cloud-based and market solutions and targeted marketing services on Tencent's social networking service platforms for SMBs in China.

Weimob and its subsidiaries, based on Tencent's ecosystem, are principally engaged in different businesses, including retail, catering, hotel and hospitality, travel and lifestyle, education and other industry verticals.

- Key milestones in the company's business

2013	• Establishment of Weimob Enterprise and launch of the first SaaS product and becoming one of the first collaborators on WeChat Official Accounts
2014	• Establishment of Weimob Development
2015	• Completion of the Series B Investments for a total amount in excess of RMB143 million
2016	• Transfer of the group's business from Weimob Enterprise to Weimob Development and awarded as the Best Service Provider in Regional and Industry Channels of Tencent Social Advertising
2017	• Launch of Weimob Cloud platform and becoming one of the first providers to offer commerce and marketing solutions through WeChat Mini Program
2018	• Completion of Series C and Series D Investments for a total amount in excess of US\$280 million and corporate reorganization

Figure 47: Weimob shareholding structure after the Listing



Source: Company data, AMTD Research

- Board of directors and management team profile

Figure 48: Board of directors and management team profile

Name	Age	Date of Joining	Position	Responsibilities	Experience
Mr. SUN Taoyong (孫濤勇)	33	April, 2013	Founder and Executive Director	Overall management of the Group	Mr. Sun is the founder of the group. He currently serves as the Chairman of the Board, executive Director and the Chief Executive Officer of the company. Mr. Sun also serves as an executive director and the chief executive officer of Weimob Development and holds various directorships in Weimob's subsidiaries. Mr. Sun has received numerous awards and recognitions, including "Top 10 Young IT Pioneers in Shanghai" (上海 IT 青年新銳獎) by Shanghai Informatization Youth Talent Association in 2015, "100 Most Innovative Individual in PRC Business of 2015" (2015 中國商業最具創意人物 100) by Fast Company Magazine in 2016, "China E-Commerce Innovation Best Person of the Year - Service Vendor" (年度電商創新服務商人物) by International E-Commerce Innovation Association (IECIA) in 2016, "Person of the Year in Anhui Province" (安徽年度新聞人物) by Anhui TV Station in 2016, "2016 Entrepreneurs Under 30" (2016 年 30 歲以下創業新貴) by CYZone (創業邦) in 2016, and "Forbes 30 Under 30 Asia List" by Forbes in 2017 (福布斯亞洲 30 歲以下傑出人物榜). Mr. Sun was also the national champion of the first season of "I am the Founder" (我是創始人). Mr. Sun is also a representative of the eighth Shanghai Baoshan District People's Congress. Mr. Sun obtained his bachelor's degree in educational technology from Anqing Normal University (安慶師範大學) in June 2010. He obtained his master's degree in software engineering from Beijing Institute of Technology (北京理工大學) in February 2013.
Mr. FANG Tongshu (方桐舒)	36	July, 2013	Co-founder and Executive Director	Overall operation and management of the software business	Mr. Fang currently serves as an executive Director and Senior Vice President of the Company. Mr. Fang also serves as the senior vice president at Weimob Development since September 2014. From March 2006 to March 2007, Mr. Fang served as a general sales manager at Hotsales Software Technology Co., Ltd. (上海火速軟體技術有限公司). From April 2007 to March 2013, Mr. Fang served as a general sales and operations manager at Hotsales Network Technology Co., Ltd. (上海火速網路科技有限公司). Mr. Fang obtained business administration degree at Nankai University (南開大學) in June 2019.
Mr. YOU Fengchun (游鳳椿)	32	Dec, 2015	Co-founder and Executive Director	Overall planning and operation of the targeted marketing business	Mr. You currently serves as an executive Director and Senior Vice President of the Company. Mr. You also serves as the senior vice president at Weimob Development since December 2015. From May 2012 to December 2015, Mr. You served as a Vice President of Shanghai Fuda Medical Group Co., Ltd. (上海復大醫療集團有限公司). Mr. You attended a senior executive development program in business management at Shanghai Jiao Tong University (上海交通大學) from November 2015 to March 2016.
Mr. HUANG Junwei (黃駿偉)	41	Sep, 2014	Executive Director	Overall technological policies, product research and development and the establishment of technological platforms of the Group	Mr. HUANG is an executive Director and the Chief Technology Officer of the Company. Mr. Huang also serves as the vice president and chief technology officer of Weimob Development since September 2014. Mr. Huang has over 10 years of experience in software product research and development. From July 2005 to April 2010, Mr. Huang served as a software engineer at Intel Asia and Pacific R&D Ltd. (英特爾亞太研發公司). From May 2010 to October 2010, Mr. Huang served as a software engineer at Google Information Technology (Shanghai) Co., Ltd. (咕果資訊技術(上海)有限公司). From October 2010 to April 2014, Mr. Huang worked at Baidu (China) Co., Ltd (百度(中國)有限公司), primarily responsible for product research and development. Mr. Huang obtained his bachelor's degree in computer science and technology from Fudan University (復旦大學) in July 2002. Mr. Huang obtained his master's degree in computer architecture from Fudan University in June 2005.
Dr. SUN Mingchun (孫明春)	49	Jul, 2018	Independent non-executive Director	Providing independent opinion and judgment to the Board	Dr. Sun has over 20 years of experience in finance. From July 1993 to August 1999, Dr. Sun served as an economist at the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局). Dr. Sun worked at Capital One Financial (美國第一資本金融管理公司) in 2002 and worked as an economist at Lehman Brothers Asia Limited (雷曼兄弟(亞洲)有限公司) in 2006. From October 2008 to November 2010, Dr. Sun served as the managing director, chief China economist and head of China equity research at Nomura International (Hong Kong) Limited (野村國際(香港)有限公司). From November 2010 to May 2013, Dr. Sun served as the managing director, head of China research and chief greater China economist at Daiwa Capital Markets Hong Kong Limited. From September 2013 to May 2014, Dr. Sun served as a senior partner and chief economist of China Broad Capital Co., Ltd. (上海博道投資管理有限公司). Since July 2014, Dr. Sun has been serving as an independent non-executive director at HJ Capital (International) Holdings Company Limited (華金國際資本控股有限公司). Since October 2014, Dr. Sun has been serving as the chairman and chief investment officer at Deepwater Capital Limited (博海資本有限公司). Since November 2016, Dr. Sun has been serving as an independent non-executive director at Great Wall Pan Asia Holdings Limited (長城環亞控股有限公司). Dr. Sun obtained his bachelor's degree in international economics from Fudan University (復旦大學) in July 1993. He obtained his master's degree in engineering-economic systems and operations research from Stanford University in June 2001, and his doctorate degree in management science and engineering from Stanford University in June 2006. Dr. Sun has been the Vice President of the Chinese Financial Association of Hong Kong since 2012 and has been a member of the China Finance 40 Forum since 2008.

(Cont'd) Name	Age	Date of Joining	Position	Responsibilities	Experience
Dr. LI Xufu (李緒富)	54	Jul, 2018	Independent non- executive Director	Providing independent opinion and judgment to the Board	<p>Dr. LI is an independent non-executive Director of the Company. Dr. Li has 24 years of experience in the securities and investment industry. He started his career as a senior manager of the investment banking department at Guotai Junan Securities Co., Ltd., until 1996 when he later joined China Southern Securities Co., Ltd. (南方證券股份有限公司) as a general manager of the investment banking department (Shanghai). In 2004, Dr. Li served as the general manager of corporate finance department at Changjiang BNP Paribas Peregrine Securities Co., Ltd, and later in 2006, Dr. Li served as a director at BNP Paribas Capital (Asia Pacific) Limited (法國巴黎融資(亞太)有限公司). From December 2007 to August 2009, Dr. Li was a partner of Bull Consultants Limited. From September 2009 to June 2018, Dr. Li was the executive partner and managing partner in Bull Capital Partners (Hong Kong) Limited. From January 2009 to May 2014, he served as a non-executive director at JD.com, Inc. (京東集團). From March 2008 to March 2014, he also served as an independent director at Gemdale Holdings Co., Ltd. (金地集團股份有限公司). Dr. Li currently serves as a managing partner of Ningbo Bull Equity Investment Management Partnership (Limited Partnership) (寧波雄牛股權投資管理合夥企業(有限合夥)).</p> <p>Dr. Li obtained his bachelor's degree in German from Shanghai International Studies University (上海外國語大學) in July 1988. He obtained his master's degree in world economics from Fudan University (復旦大學) in July 1994 and his doctorate degree in international finance from Fudan University in June 2003. Dr. Li is currently a visiting professor in the department of economics at Fudan University.</p>
Mr. TANG Wei (唐偉)	45	Jul, 2018	Independent non- executive Director	Providing independent opinion and judgment to the Board	<p>Mr. TANG is an independent non-executive Director of the Company. Mr. Tang has over 10 years of experience in accounting, financial management and investment banking. Most notably, from September 2006 to September 2008 and then January 2010 to October 2014, Mr. Tang served as an associate and an executive director of the investment banking department at Goldman Sachs Gao Hua Securities Co., Ltd. (高盛高華證券有限責任公司). From October 2008 to January 2010, Mr. Tang served as a deputy general manager in the investment banking department in China International Capital Corporation Limited (中國國際金融股份有限公司). From June 2015 to December 2015, he served as an investment director at CNIC Co., Ltd. (國新國際(中國)投資有限公司). From January 2016 to September 2018, Mr. Tang served as the chief financial officer of NavInfo Co., Ltd. (北京四維圖新科技股份有限公司). Since October 2018, Mr. Tang has been serving as the chief financial officer and secretary to the board of directors of AsialInfo Company Limited (亞信科技(成都)有限公司).</p> <p>Mr. Tang obtained his bachelor's degree in international financial management from China University of Petroleum-Beijing (中國石油大學(北京)) in July 1998. He obtained his master's degree in business management from University of International Business and Economics (對外經濟貿易大學) in June 2001. Mr. Tang has been accredited as a Certified Public Accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since October 2001 and has been admitted as a Fellow of the Association of Chartered Certified Accountants (FCCA) since December 2010.</p>

Source: Company data, AMTD Research

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Neutral	Industry sector expected to perform in-line with the market over the next 12 months
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