



Company Report: VOBILE GROUP (03738 HK)

公司报告：卓博集团 (03738 HK)

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Energizing Technological Innovation; Surpassing Expectations in the Growth Dynamics of Social Monetization Business

- Based on more optimistic revenue expectations, we have revised our revenue forecasts upward while maintaining a 'Buy' rating with a target price of HK\$5.79.** Considering the improved revenue outlook for Vobile (the "Company"), we raise our 2023 revenue forecast by 1.7%, resulting in an adjusted 2023 revenue projection of HK\$2.09 bn. We anticipate a YoY revenue growth of 44.9% for the Company in 2023. The forecasted growth encompasses both Vobile's ongoing efforts to increase penetration rate and coverage among crucial international IP holders, and the expansion of customer base in China.
- Vobile's revenue has witnessed an exceptionally high YoY growth of 80.3% in 1H23.** However, its gross margin has slightly decreased from 41.4% to 39.2% compared to 1H22. The overall operating expenses have remained steady and even experienced a slight decrease, accounting for 28.9% of the total revenue, down from 29.7% in 1H22. The marginal decline in operating margin, from 11.7% to 10.3%, can be attributed primarily to the decrease in gross profit margin and the increase in financial expenses. Overall, Vobile attained an EPS of HK\$0.0132, up 17.9% YoY. We believe that as Vobile's services penetrate further into the Chinese market, economies of scale and gross margin for the Company will gradually improve.
- We remain optimistic about the Company's ability to sustain high-speed revenue growth over the coming years while progressively improving profitability.** While Vobile's gross margin might experience short-term fluctuations due to revenue structure changes from Particle Technology's merger and the expansion of overseas teams, our confidence in the Company's long-term profitability is rooted in these factors: 1) Driven by increased customer demand, the renewal and initiation of cooperative contracts are poised to bring more-than-expected revenue growth for the full year of 2023. Notably, a revised cooperation agreement with a key client, Warner Bros, contributed nearly HK\$100 mn in Vobile's revenue for 1H23. 2) Vobile's cultural export strategy for Chinese film and television content has achieved notable success. The content export services to Mango TV, Douyin and clients linked to the Ant Group collaboration are estimated to contribute around HK\$200 mn in revenue in 2023.
- Recent collaborations between Vobile and prominent platforms such as Douyin, Mango TV, and Bilibili highlight the strong endorsement of Vobile's content protection services by influential Chinese online video platforms.** This underscores the increasing awareness of copyright protection in China, and also reinforces our belief in the Company's potential to replicate its successful overseas social platform monetization model in China.

Rating:

Buy

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

HK\$5.79

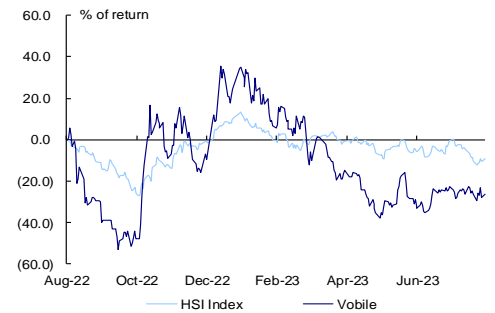
HK\$5.79

Share price 股价:

HK\$2.590

Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	(5.1)	12.9	(26.4)
Rel. % to HS Index 相对恒指变动 %	3.5	15.8	(16.7)
Avg. share price (HK\$) 平均股价 (港元)	2.65	2.59	3.14

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(HK\$ mn)	(HK\$ mn)	(HK\$ Cent)	(Δ %)	(x)	(HK\$)	(x)	(HK\$)	(%)	(%)
2021A	687	(23)	(1.185)	(58.2)	(218.5)	0.803	3.2	0.000	0.0	(2.0)
2022A	1,443	58	1.983	(267.4)	130.6	0.790	3.3	0.000	0.0	2.8
2023F	2,090	69	2.158	8.8	120.0	0.961	2.7	0.000	0.0	2.9
2024F	2,835	204	6.226	188.6	41.6	1.045	2.5	0.000	0.0	6.8
2025F	3,797	365	11.119	78.6	23.3	1.192	4.3	0.000	0.0	10.6
Shares in issue (m) 总股数 (m)			2,232.8		Major shareholder 大股东		Yangbin Bernard WANG		19.6%	
Market cap. (HK\$ m) 市值 (HK\$ m)			7,278.9		Free float (%) 自由流通比率 (%)				47.9%	
3 month average vol. 3 个月平均成交股数 ('000)			7827.7		FY23 Net gearing (%) FY23 净负债/股东资金 (%)				Net cash	
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)			5.020 / 1.660		FY23 Est. NAV (HK\$) FY23 每股估值 (港元)				6.1	

Source: the Company, Guotai Junan International.

Table-1: Earnings revisions

HK\$ mn	Previous Estimates			New Estimates			Changes		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenue	2,055	2,832	3,794	2,090	2,835	3,797	1.7%	0.1%	0.1%
Cost of revenue	(1,155)	(1,533)	(1,956)	(1,248)	(1,648)	(2,139)	8.0%	7.5%	9.3%
Gross profit	900	1,299	1,838	843	1,187	1,659	(6.4%)	(8.7%)	(9.7%)
Profit from operations	252	449	698	188	335	558	(25.6%)	(25.3%)	(20.2%)
Net profit	98	254	423	69	204	365	(29.2%)	(19.5%)	(11.5%)
EPS (HK\$)	0.030	0.077	0.129	0.022	0.062	0.111	(29.2%)	(19.5%)	(11.5%)

Source: the Company, Guotai Junan International

Table-2: Key Assumptions for Earnings Forecasts

(HK\$ '000)	2023F	2024F	2025F
Revenue by geographic area			
United States	1,054,033	1,380,483	1,781,065
% of total	50.4%	48.7%	46.9%
Mainland China	1,022,270	1,384,248	1,897,002
% of total	48.9%	48.8%	50.0%
Other countries/regions	14,114	70,256	119,402
% of total	0.7%	2.5%	3.1%
Revenue			
Subscription services	748,129	1,007,263	1,345,679
YoY	36.3%	34.6%	33.6%
Value-added services	1,340,418	1,825,481	2,448,985
YoY	50.3%	36.2%	34.2%
Others	1,870	2,244	2,804
YoY	20.0%	20.0%	25.0%
Total revenue	2,090,416	2,834,987	3,797,468
YoY	44.9%	35.6%	34.0%
Gross profit	842,754	1,186,516	1,658,864
Gross margin			
Subscription services	53.1%	56.6%	60.4%
Value-added services	33.2%	33.7%	34.5%
Overall	40.3%	41.9%	43.7%
Operating profit	187,772	335,095	557,599
Selling and marketing expenses	-220,176	-298,599	-379,747
% of revenue	-10.5%	-10.5%	-10.0%
Administrative expenses	-236,217	-283,499	-360,759
% of revenue	-11.3%	-10.0%	-9.5%
R&D expenses	-198,590	-269,324	-360,759
% of revenue	-9.5%	-9.5%	-9.5%
Net profit	69,433	204,383	365,353
YoY	19.5%	194.4%	78.8%

Source: the Company, Guotai Junan International

Table-3: Peers Valuation – Hong Kong Listed SaaS Companies

Company	Stock Code	Currency	Last price	Price/Sales			YoY Growth of Sales (%)			PE	ROE	Market Cap
				23F	24F	25F	23F	24F	25F			
SaaS Industry												
Kingdee International	00268 HK	HKD	12.52	6.9	5.7	4.7	11.4	21.6	21.2	n.a.	(3.8)	43,524
Kingsoft Corp Ltd	03888 HK	HKD	30.30	4.3	3.6	3.1	7.5	19.2	18.3	45.9	3.4	41,376
Weimob Inc	02013 HK	HKD	4.04	4.2	3.5	3.0	24.8	19.3	17.0	n.a.	(25.4)	11,290
Ming Yuan Cloud	00909 HK	HKD	4.00	3.9	3.4	2.8	(5.9)	15.6	19.3	n.a.	(7.4)	7,713
Yeahka Ltd	09923 HK	HKD	14.86	1.3	1.0	0.9	25.8	27.2	18.5	18.1	10.1	6,627
Linklogis Inc-Class B	09959 HK	HKD	1.68	3.0	2.4	2.0	18.6	23.3	21.3	12.0	2.0	3,839
Vobile Group Ltd	03738 HK	HKD	2.59	2.9	2.0	1.5	39.9	41.8	33.0	43.9	6.9	5,783
Yidu Tech Inc	02158 HK	HKD	4.18	6.5	4.3	3.1	(38.7)	13.5	39.0	n.a.	(15.6)	4,401
China Youzan Ltd	08083 HK	HKD	0.14	1.5	1.4	1.3	(6.2)	6.7	9.9	n.a.	0.3	2,487
Simple Average				3.8	3.0	2.5	8.6	20.9	21.9	24.7	(3.3)	
Weighted Average				4.9	4.0	3.4	10.5	20.9	20.6	40.2	(2.5)	

Source: Bloomberg, Guotai Junan International

Note: Above valuations and ROE are based on Bloomberg consensus forecasts. Market cap and last price are as at 28 August 2023.

Major Risks: 1) Chinese content rights holders' awareness of copyright protection may not improve as expected, and Vobile's business penetration of content protection in China may be slower than expected ; and 2) overseas content rights holders' demand for Vobile's new value-added services may be less than expected.

Financial Statements and Ratios

Income Statement					
Year ended 31 December (HK\$'000)	2021A	2022A	2023F	2024F	2025F
Total Revenue	686,528	1,442,670	2,090,416	2,834,987	3,797,468
Cost of revenues	(337,757)	(851,958)	(1,247,662)	(1,648,471)	(2,138,604)
Gross (loss)/profit	348,771	590,712	842,754	1,186,516	1,658,864
Other gains and losses	5,516	53,491	32,095	42,793	37,444
Selling and marketing expenses	(97,862)	(151,951)	(220,176)	(298,599)	(379,747)
General and administrative expenses	(128,840)	(162,912)	(236,217)	(283,499)	(360,759)
Research and development expenses	(111,840)	(133,129)	(198,590)	(269,324)	(360,759)
Operating profit	10,229	142,720	187,772	335,095	557,599
Total other income/(expenses), net	(10,339)	(10,804)	(10,452)	(19,845)	(26,582)
Share of losses of an associate	(108)	(93)	0	84	88
Finance costs	(20,174)	(92,772)	(110,224)	(66,150)	(46,615)
Profit before tax	(14,876)	92,542	99,190	291,976	521,933
Income tax	(7,801)	(34,439)	(29,757)	(87,593)	(156,580)
Profit After Tax	(22,677)	58,103	69,433	204,383	365,353
Non-controlling Interest	0	(16,101)	(17,358)	(51,096)	(91,338)
Shareholders' Profit / Loss	(22,677)	42,002	52,075	153,288	274,015
Basic EPS (HK cents)	(1.185)	1.983	2.158	6.226	11.119

Cash Flow Statement					
Year ended 31 December (HK\$'000)	2021A	2022A	2023F	2024F	2025F
(Loss)/profit before tax	241,720	92,542	99,190	291,976	521,933
Finance costs	20,174	92,772	110,224	66,150	46,615
Interest income	(1,615)	(4,549)	0	0	0
Depreciation of PPE	1,028	6,523	927	2,059	0
Changes in investment properties	(447)	6,962	(1,993)	(2,738)	(2,847)
Depreciation of right-of-use assets	10,676	11,212	10,065	12,077	13,285
Loss on disposal of PPE	0	0	0	0	0
Amortisation of other intangible assets	11,745	67,812	47,644	0	0
Impairment of financial assets	65	0	0	0	0
Changes in financial assets at FVTPL	5,075	(17,039)	3,870	(5,688)	7,812
Share of losses of an associate	108	0	0	0	0
Others	67,830	18,115	10,890	(113,468)	(192,357)
Change in working capital	(109,274)	(291,298)	160,905	(215,655)	(206,730)
Cash from operating activities	247,532	(23,910)	443,715	37,453	190,557
Change in PPE	(25,852)	(25,713)	(2,087)	(5,727)	(4,946)
Purchases of intangible assets	(40,430)	(35,943)	(74,520)	(9,567)	4,630
Others	(98,380)	0	0	0	0
Cash from investing activities	(164,662)	(61,656)	(76,607)	(15,294)	(316)
Proceeds from issue of convertible bonds	0	105,620	0	0	0
Issue of shares	629,702	0	463,653	0	0
Purchase of shares	(59,444)	(42,043)	0	0	0
Interest paid	(6,308)	0	(110,224)	(66,150)	(46,615)
Repayment of borrowings	(155,050)	0	(351,232)	(195,796)	(137,057)
Principal portion of lease payments	(10,191)	0	(13,031)	(13,380)	(14,774)
Cash from financing activities	398,709	63,577	(10,834)	(275,327)	(198,446)
Net changes in cash	481,579	(21,989)	356,274	(253,168)	(8,205)
Cash at beg of year	262,362	496,865	226,495	577,423	314,277
Effect of exchange rate changes	9,229	0	0	0	0
Cash at end of year	496,865	226,495	577,423	314,277	292,970

Balance Sheet					
Year ended 31 December (HK\$'000)	2021A	2022A	2023F	2024F	2025F
Property, plant and equipment	26,190	47,140	48,300	51,967	56,913
Investment properties	45,328	66,446	68,439	71,177	74,024
Right-of-use assets	23,239	20,129	24,155	26,570	29,227
Goodwill	607,297	1,184,396	1,184,396	1,184,396	1,184,396
Other intangible assets	111,449	388,056	414,932	424,499	419,868
Financial assets at FVTPL	48,316	193,481	189,611	195,300	187,488
Investment in associates	0	1,018	1,018	1,018	1,018
Deferred tax assets	83,603	93,785	121,921	158,497	206,046
Prepayments and deposits	1,986	1,951	3,329	4,148	4,308
Total non-current assets	947,408	1,996,402	2,056,100	2,117,571	2,163,289
Inventories	0	17,092	20,445	27,685	37,940
Trade receivables	269,637	686,151	835,657	1,133,428	1,518,380
Prepayments and other assets	50,877	114,479	163,112	203,237	211,105
Tax recoverable	5,363	11,863	13,049	14,354	15,790
Pledged deposits	0	207,843	0	0	0
Cash & cash equivalents	496,865	226,495	577,423	314,277	292,970
Total current assets	822,742	1,263,923	1,609,687	1,692,981	2,076,185
Total Assets	1,770,150	3,260,325	3,665,787	3,810,553	4,239,474
Trade payables	136,218	279,691	399,252	494,541	641,581
Other payables and accruals	25,709	71,089	104,107	131,878	171,088
Lease liabilities	9,473	11,496	12,071	12,674	13,308
Tax payable	20,094	34,606	38,067	41,873	46,061
Interest-bearing bank borrowing	0	652,654	652,654	456,858	319,800
Convertible bonds	0	4,680	0	0	0
Total Current Liabilities	191,494	1,054,216	1,206,151	1,137,824	1,191,838
Convertible bonds	0	97,006	48,503	0	0
Interest-bearing borrowings	0	351,232	0	0	0
Lease liabilities	14,790	9,695	10,180	10,689	11,223
Deferred tax liabilities	27,543	74,541	81,995	90,195	99,214
Total Non-current Liabilities	42,333	532,474	140,678	100,883	110,437
Total Liabilities	233,827	1,586,690	1,346,829	1,238,708	1,302,276
Share capital	417	417	417	417	417
Treasury shares	(62,437)	(79,893)	(79,893)	(79,893)	(79,893)
Equity component of convertible bonds	0	8,614	61,797	110,300	110,300
Reserves	1,598,343	1,563,311	2,155,451	2,359,835	2,725,188
Total Shareholders' Equity	1,536,323	1,492,449	2,137,772	2,390,659	2,756,012
Minority Interest	0	181,186	181,186	181,186	181,186
Total Equity	1,536,323	1,673,635	2,318,958	2,571,845	2,937,198

Financial Ratios					
	2021A	2022A	2023F	2024F	2025F
Gross margin (%)	50.8	40.9	40.3	41.9	43.7
Cost to revenue (%)	49.2	59.1	59.7	58.1	56.3
Selling expense to revenue (%)	14.3	10.5	10.5	10.5	10.0
R&D expense to revenue (%)	16.3	9.2	9.5	9.5	9.5
Admin expense to revenue (%)	18.8	11.3	11.3	10.0	9.5
Operating profit margin (%)	1.5	9.9	9.0	11.8	14.7
Net margin (%)	(3.3)	2.9	2.5	5.4	7.2
ROE (%)	(2.0)	2.8	2.9	6.8	10.6
ROA (%)	(1.6)	2.3	2.0	5.5	9.1

Source: the Company, Guotai Junan International.

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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