

Kingsoft Cloud (KC US)

Attractive risk reward

We expect KC to deliver strong FY4Q21 revenue growth of +35% YoY to RMB2.6bn. However, adj. EBITDA margin could decline to -10.8% on 1) extra IDC/ bandwidth cost as usage is less than planned and 2) higher opex related to Camelot acquisition. KC is trading at 1x net cash after recent sell-off and we think downside risk is limited at current valuation. Key catalyst being HK dual-listing progress. Maintain BUY with new target price of US\$6.37.

- FY4Q21 topline to be strong but operating loss to widen.** We expect KC FY4Q21 revenue to grow at +35% YoY to RMB2,592mn with Public Cloud/ Enterprise Cloud growth of +15%/ +85% YoY respectively. Despite a strong topline, we believe KC adj. EBITDA margin will deteriorate to -10.8% (vs. -5.8% in FY3Q21). This is mainly related to 1) extra IDC/ bandwidth cost incurred as usage is less than planned given lower CDN service demand from short video/ live streaming and 2) higher opex ratio of 11.8% (vs. 11.1% in FY3Q21) due to Camelot's business consolidation. This is similar to KC competitor's UCloud FY21E performance that revenue growth remained strong (+18% YoY) but net loss widened as GPM declined by 4.8 pct pts to 3.6%.
- Dual listing in HK should mitigate de-listing risk.** On 15 Mar 2022, KC announced that the company is exploring a dual listing plan on HKEx Main Board, subject to approvals and market conditions. We expect KC HK dual listing can be completed within this year and it should help mitigate the de-listing risk related to PCAOB's inability to inspect audit work on Chinese companies. We expect KC to provide more colors regarding HK listing progress during their FY21 results conference call to be held next week.
- Trading at 1x net cash limits downside risk.** KC share price was down 80% YTD and is trading at FY22E 0.5x P/S and 1.0x P/B. KC has RMB5.2bn net cash on hand as of FY3Q21. Comparing to its current market cap of US\$776mn (RMB4.9bn), we think the share price has overly priced in the macro/ geopolitical uncertainties.
- Maintain BUY.** We cut FY21-22E revenue by 1 to 17% to reflect 1) market share loss in public cloud and 2) weaker enterprise cloud demand as government IT spending could slow down. We now forecast FY22E revenue growth of 10% YoY. We revised down our target price to US\$6.37 on lowered 1.0x (prior 2.0x) FY22E P/S. After recent massive sell-off, we think downside risk at current valuation is limited. Maintain BUY.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	3,956	6,577	8,993	9,892	11,146
YoY growth (%)	78%	66%	37%	10%	13%
Adj. EBITDA (RMB mn)	(418)	(119)	(435)	(201)	167
YoY growth (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Net income (RMB mn)	(1,161)	(982)	(1,582)	(1,664)	(1,270)
EPS (RMB)	-19.58	-6.14	-6.55	-6.88	-5.26
YoY growth (%)	n.a.	n.a.	n.a.	n.a.	n.a.
P/S	1.3	0.8	0.6	0.5	0.4
P/B	-1.2	0.6	0.7	1.0	1.3
ROE (%)	-33%	-12%	-24%	-33%	-34%
Net gearing (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$6.37
(Previous TP)	US\$16.74)
Up/Downside	+98.4%
Current Price	US\$3.21

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Stock Data

Mkt Cap (HK\$ mn)	776
Avg 3 mths t/o (HK\$ mn)	25.37
52w High/Low (HK\$)	53.00/ 2.50
Total Issued Shares (mn)	242

Source: Bloomberg

Shareholding Structure

Kingsoft Group (3888 HK)	42.5%
Xiaomi (1810 HK)	13.4%
Mr. Jun LEI	13.4%

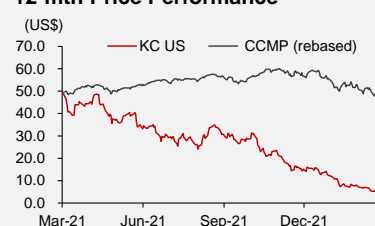
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-60.3%	-56.6%
3-mth	-77.9%	-73.4%
6-mth	-89.5%	-87.7%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

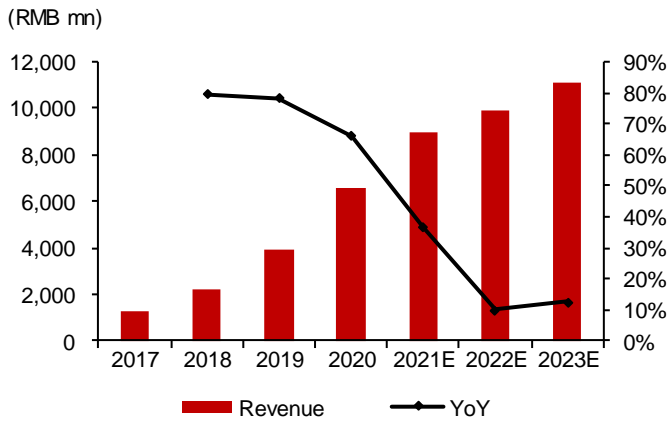
Auditor: Ernst & Young Hua Ming

Related Reports

- China Software & IT Services "China cloud market to recover in 2022E" – 25 Jan 2022 ([link](#))

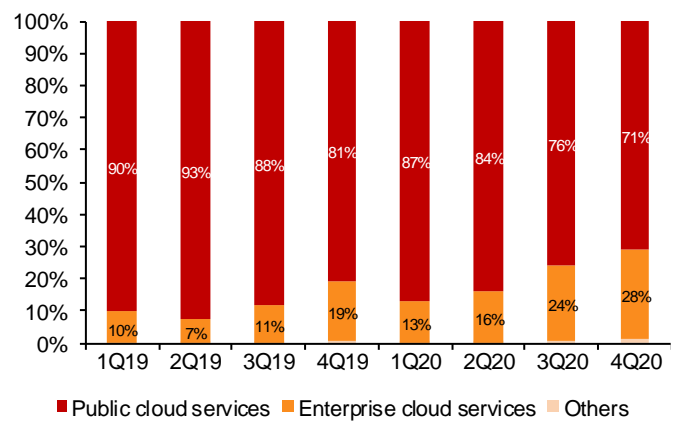
Focus Charts

Figure 1: Revenue and YoY



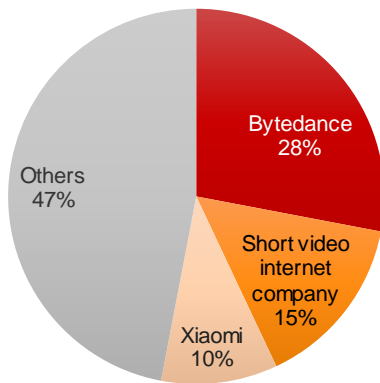
Source: Company data, CMBIGM

Figure 2: Revenue mix



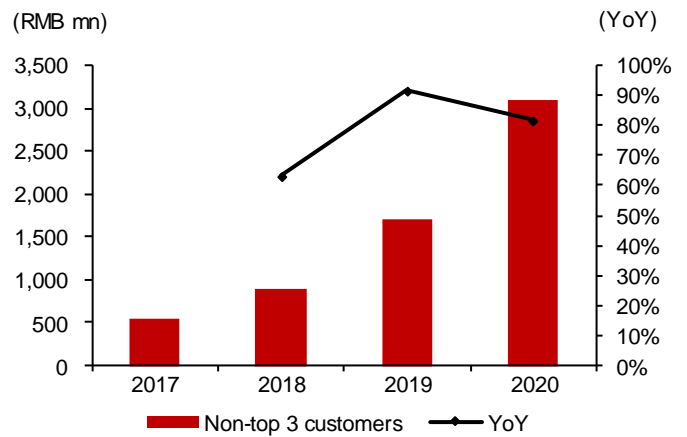
Source: Company data, CMBIGM

Figure 3: Customer mix (FY20)



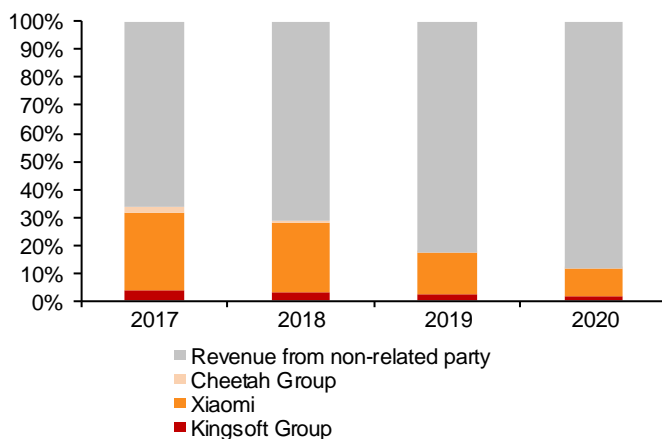
Source: Company data, CMBIGM

Figure 4: Revenue from non-top 3 customers



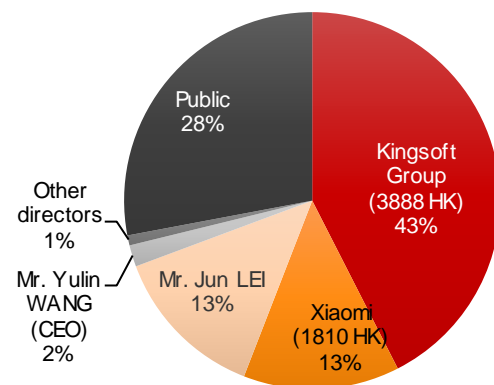
Source: Company data, CMBIGM

Figure 5: Related party transaction (revenue)



Source: Company data, CMBIGM

Figure 6: Shareholding structure



Source: Company data, CMBIGM

FY4Q21E results preview

- **Revenue** to be at RMB2,592mn (+35% YoY, +7% QoQ)
 - **Public Cloud:** revenue to be at RMB1,560mn (+15% YoY, -7% QoQ). We believe business slowdown is attributable to Kingsoft Cloud strategy change in providing less lower-margin CDN business.
 - **Enterprise Cloud:** revenue to be at RMB990mn (+85% YoY, +36% QoQ). The strong growth is driven by 1) Camelot business will be consolidated with around RMB300mn contribution and 2) project delivery schedule recovered from power shortage in FY3Q21.
- **Gross margin** to be at 1.5% (-3.3 pct pts YoY, -2.1 pct pts QoQ)
 - We expect lower GPM as extra IDC cost is incurred. Bandwidth usage is less than planned as short video/ gaming/ live streaming demand is affected by tightening regulation.
- **Operating loss to widen** at RMB638mn (vs. operating loss of RMB469mn in FY3Q21 and RMB245mn in FY4Q20)
 - We expect higher opex ratio of 11.8% in FY4Q21 (vs. 11.1% in FY3Q21) post Camelot acquisition.
- **Adj. EBITDA margin** deteriorated to -10.8% (-9.9 pct pts YoY, -5 pct pt QoQ).

Figure 7: FY4Q21E results preview

	Dec-20	Sep-21	Dec-21			Dec-21	
	4Q20	3Q21	4Q21E			4Q21E	versus
RMB mn	actual	actual	CMBI	YoY	QoQ	consensus	CMBI
Revenue	1,923	2,414	2,592	35%	7%	2,604	0%
Gross profit	93	88	40	-57%	-55%	56	-29%
Gross margin	4.8%	3.7%	1.5%	-3.3 pct pts	-2.1 pct pts	2.2%	-0.6 pct pts
Operating profit	-245	-469	-638	-160%	-36%	-534	-20%
Operating margin	-12.8%	-19.4%	-24.6%	-11.9 pct pts	-5.2 pct pts	-20.5%	-4.1 pct pts
Adj. EBITDA	-18	-141	-280	-1499%	-99%	-219	-28%
Adj. EBITDA margin	-0.9%	-5.8%	-10.8%	-9.9 pct pts	-5 pct pts	-8.4%	-2.4 pct pts
Net non-op	144	-33	124			21	
PBT	-102	-502	-514	-405%	-2%	-513	0%
Net income	-105	-508	-519	-394%	-2%	-669	22%
Net margin	-5.5%	-21.0%	-20.0%	-14.6 pct pts	1 pct pts	-25.7%	5.7 pct pts
EPS RMB	-0.03	-0.15	-0.15	-374%	-2%	-2	94%

Source: Company data, CMBIGM

Figure 8: Net cash

RMB mn	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
Net cash							
Cash and Equivalents	1,970	3,310	3,867	3,425	2,793	2,955	3,444
Restricted cash	-	-	-	-	-	-	151
Short-term investments	229	2,453	2,930	2,693	2,662	2,520	2,550
Less:	-	-	-	-	-	-	-
Total borrowings	174	303	403	353	452	664	901
Net cash	2,024	5,461	6,394	5,765	5,004	4,811	5,244

Source: Company data, CMBIGM

Figure 9: UCloud FY21E revenue to grow at +18% YoY...

1. 营业收入较上年同期增长 18.46%，公司各大业务板块中：公有云业务，收入平稳增长；边缘云业务（以云分发为主），由于引入了互联网细分行业头部客户，收入实现了快速增长；混合云业务较上年同期实现了较快的增速，为客户后续接入公有云起到了桥梁的作用；私有云业务受项目周期影响，本期验收的项目较上年同期略有减少。

Source: Company data, CMBIGM

Figure 10: but UCloud FY21E net loss to widen on lower GPM

2. 营业利润、利润总额、归属于母公司所有者的净利润、归属于母公司所有者的扣除非经常性损益的净利润较上年同期有所下降，主要原因是：

首先，报告期内，教育、游戏、直播等行业的环境发生变化，年初为此准备的资源未充分利用；电商等互联网行业的发展放缓，一定程度上影响了公司的经营业绩。

其次，公司主营业务毛利率较上年同期下滑约 4.79 个百分点，原因包括：
 ①低毛利的云分发业务收入占比提升导致的整体毛利率下降，主要系引入了一些互联网细分行业头部客户，此类客户的议价空间不大且对于稳定性等要求高，同时缺少同等规模可匹配的其他客户来提升资源复用率，故目前盈利水平较低；
 ②公司一直秉承着为客户创造价值的理念，致力于不断提升产品性能（尤其是在计算能力方面），以短期内基础资源和研发的投入，来换取长期的盈利能力；
 ③设备等资源的采购价格较上年同期有所上升，压缩了毛利空间。

再次，公司销售费用、管理费用和研发费用较上年同期增长约 35%，主要系公司为创造产品价值、开拓市场实现行业突破，加大了研发和销售人力的投入，导致人力成本较上年同期增长约 1.4 亿元，其他费用较上年同期增长约 4,800 万元。

Source: Company data, CMBIGM

Earnings revision

Figure 11: Earnings revision

RMB mn	2021E			2022E			2023E		
	New	Old	%Diff	New	Old	%Diff	New	Old	%Diff
Sales	8,993	9,054	-1%	9,892	11,984	-17%	11,146	16,083	-31%
Gross profit	363	418	-13%	414	834	-50%	841	1,864	-55%
OP Profit	-1,780	-1,604	11%	-1,819	-1,640	11%	-1,357	-899	51%
Adj. EBITDA	-435	-242	79%	-201	104	-293%	167	770	-78%
Net profit	-1,582	-1,405	13%	-1,664	-1,483	12%	-1,270	-806	58%
EPS	-6.55	-6.31	4%	-6.88	-6.66	3%	-5.26	-3.62	45%
Margins									
GM	4.0%	5.7%	-169 bps	4.2%	10.0%	-581 bps	7.5%	15.1%	-759 bps
OPM	-19.8%	-16.4%	-335 bps	-18.4%	-10.6%	-783 bps	-12.2%	-1.9%	-1024 bps
Adj. EBITDA margin	-4.8%	-1.3%	-355 bps	-2.0%	3.6%	-559 bps	1.5%	7.9%	-636 bps
Net margin	-17.6%	-12.5%	-507 bps	-16.8%	-8.1%	-876 bps	-11.4%	-0.3%	-1108 bps

Source: Company data, CMBIGM

Figure 12: CMBI vs. consensus forecast

RMB mn	2021E			2022E			2023E		
	CMBI	Street	Diff	CMBI	Street	Diff	CMBI	Street	Diff
Sales	8,993	9,065	-1%	9,892	10,941	-10%	11,146	14,057	-21%
Gross profit	363	388	-6%	414	760	-46%	841	1,471	-43%
Operating profit	-1,780	-1,532	16%	-1,819	-1,442	26%	-1,357	-946	43%
Adj. EBITDA	-435	-573	-24%	-201	-328	-39%	167	214	-22%
Net profit	-1,582	-1,367	16%	-1,664	-1,247	33%	-1,270	-802	58%
EPS	-6.55	-5.89	11%	-6.88	-4.94	39%	-5.26	-3.12	68%
Margins									
GM	4.0%	4.3%	-24 bps	4.2%	6.9%	-276 bps	7.5%	10.5%	-291 bps
OPM	-19.8%	-16.9%	-289 bps	-18.4%	-13.2%	-521 bps	-12.2%	-6.7%	-544 bps
Adj. EBITDA margin	-4.8%	-6.3%	149 bps	-2.0%	-3.0%	96 bps	1.5%	1.5%	-3 bps
Net margin	-17.6%	-15.1%	-251 bps	-16.8%	-11.4%	-542 bps	-11.4%	-5.7%	-569 bps

Source: Company data, CMBIGM

Operating model

Figure 13: KC income statement

RMB mn	2017	2018	2019	2020	2021E	2022E	2023E
Revenues	1,236	2,218	3,956	6,577	8,993	9,892	11,146
Cost of sales	(1,354)	(2,419)	(3,949)	(6,220)	(8,630)	(9,478)	(10,305)
Gross Profit	(118)	(200)	8	357	363	414	841
<i>Gross margin</i>	<i>-9.6%</i>	<i>-9.0%</i>	<i>0.2%</i>	<i>5.4%</i>	<i>4.0%</i>	<i>4.2%</i>	<i>7.5%</i>
R&D	(399)	(441)	(595)	(775)	(1,071)	(1,126)	(1,102)
SG&A	(210)	(339)	(556)	(789)	(1,072)	(1,107)	(1,096)
Operating Income	(727)	(979)	(1,144)	(1,207)	(1,780)	(1,819)	(1,357)
<i>Operating margin</i>	<i>-58.8%</i>	<i>-44.2%</i>	<i>-28.9%</i>	<i>-18.4%</i>	<i>-19.8%</i>	<i>-18.4%</i>	<i>-12.2%</i>
Adj. EBITDA	(338)	(520)	(418)	(119)	(435)	(201)	167
<i>Adj. EBITDA margin</i>	<i>-27.4%</i>	<i>-23.4%</i>	<i>-10.6%</i>	<i>-1.8%</i>	<i>-4.8%</i>	<i>-2.0%</i>	<i>1.5%</i>
Non-Operating Income	13	(17)	41	260	216	172	99
Profit Before Tax	(714)	(997)	(1,102)	(947)	(1,564)	(1,647)	(1,258)
Income tax (expense) gain	(1)	(10)	(9)	(15)	(17)	(16)	(13)
Minorities	(0)	0	(1)	(0)	(0)	(0)	(0)
Accretion to redemption value of redeemable convertible preferred shares	-	-	-	-	-	-	-
Net Income to Shareholders	(1,320)	(1,749)	(1,161)	(982)	(1,582)	(1,664)	(1,270)
<i>Net margin</i>	<i>-107%</i>	<i>-79%</i>	<i>-29%</i>	<i>-15%</i>	<i>-18%</i>	<i>-17%</i>	<i>-11%</i>
EPS (RMB) per share	(1.66)	(2.20)	(1.31)	(0.41)	(0.44)	(0.46)	(0.35)
EPS (RMB) per ADS	(24.95)	(33.06)	(19.58)	(6.14)	(6.55)	(6.88)	(5.26)

Source: Company Data, CMBIGM

Figure 14: KC income statement (Quarterly)

RMB mn	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21E
Revenues	1,391	1,535	1,729	1,923	1,814	2,174	2,414	2,592
Cost of sales	(1,320)	(1,454)	(1,616)	(1,830)	(1,697)	(2,055)	(2,325)	(2,552)
Gross Profit	71	81	113	93	117	118	88	40
<i>Gross margin</i>	<i>5.1%</i>	<i>5.3%</i>	<i>6.5%</i>	<i>4.8%</i>	<i>6.4%</i>	<i>5.5%</i>	<i>3.7%</i>	<i>1.5%</i>
R&D	(196)	(231)	(168)	(181)	(265)	(232)	(269)	(305)
SG&A	(164)	(280)	(188)	(157)	(204)	(207)	(289)	(373)
Operating Income	(289)	(430)	(243)	(245)	(352)	(320)	(469)	(638)
<i>Operating margin</i>	<i>-20.8%</i>	<i>-28.0%</i>	<i>-14.0%</i>	<i>-12.8%</i>	<i>-19.4%</i>	<i>-14.7%</i>	<i>-19.4%</i>	<i>-24.6%</i>
Adj. EBITDA	(39)	(36)	(26)	(18)	(49)	(55)	(141)	(280)
<i>Adj. EBITDA margin</i>	<i>-2.8%</i>	<i>-2.3%</i>	<i>-1.5%</i>	<i>-0.9%</i>	<i>-2.7%</i>	<i>-2.5%</i>	<i>-5.8%</i>	<i>-10.8%</i>
Non-Operating Income	(37)	12	142	144	(27)	103	(33)	124
Profit Before Tax	(326)	(418)	(101)	(102)	(379)	(217)	(502)	(514)
Net Income to Shareholders	(351)	(420)	(106)	(105)	(382)	(220)	(508)	(519)
<i>Net margin</i>	<i>-25.2%</i>	<i>-27.4%</i>	<i>-6.1%</i>	<i>-5.5%</i>	<i>-21.1%</i>	<i>-10.1%</i>	<i>-21.0%</i>	<i>-20.0%</i>
EPS (RMB) per share	(0.39)	(0.19)	(0.03)	(0.03)	(0.11)	(0.07)	(0.15)	(0.14)
EPS (RMB) per ADS	(5.86)	(2.84)	(0.50)	(0.48)	(1.72)	(0.99)	(2.22)	(2.15)

Source: Company Data, CMBIGM

Figure 15: KC operating model

RMB mn	2017	2018	2019	2020	2021E	2022E	2023E
Revenue breakdown							
Public cloud services	1,202	2,111	3,459	5,167	6,189	6,348	6,669
Enterprise cloud services	15	94	486	1,373	2,759	3,490	4,412
Others	18	13	11	38	45	54	65
Total	1,236	2,218	3,956	6,577	8,993	9,892	11,146
Revenue mix							
Public cloud services	97%	95%	87%	79%	69%	64%	60%
Enterprise cloud services	1%	4%	12%	21%	31%	35%	40%
Others	1%	1%	0%	1%	1%	1%	1%
Revenue YoY							
Public cloud services		76%	64%	49%	20%	3%	5%
Enterprise cloud services		518%	415%	182%	101%	26%	26%
Others		-27%	-16%	237%	20%	20%	20%
Total		79%	78%	66%	37%	10%	13%
Key operating metrics							
Public cloud							
No. of premium customers	112	139	175	191	194	195	199
YoY		24%	26%	9%	1%	0%	2%
Net dollar retention rate of premium customer		161%	155%	147%	115%	95%	105%
Avg. revenue per premium customer (RMB mn)	10.2	14.5	19.2	26.4	31.2	31.8	32.7
YoY		42%	32%	38%	18%	2%	3%
Computing	356	663	1,018	1,587	-	-	-
Storage	220	289	298	285	-	-	-
Delivery	629	1,161	2,137	3,318	-	-	-
Enterprise cloud							
No. of premium customers	2	17	67	124	200	230	264
Avg. revenue per premium customer (RMB mn)	-	5.5	7.2	11.0	13.8	15.2	16.7
Cost of sales breakdown							
IDC costs	1,033	1,890	2,857	4,059	5,152	5,225	5,435
Depreciation and amortization costs	290	407	599	746	892	1,106	1,281
Staff costs	17	24	52	48	65	72	80
Other costs	14	98	440	1,367	2,629	3,075	3,509
Total	1,354	2,419	3,949	6,220	8,739	9,478	10,305
Cost of sales mix							
IDC costs	76%	78%	72%	65%	59%	55%	53%
Depreciation and amortization costs	21%	17%	15%	12%	10%	12%	12%
Staff costs	1%	1%	1%	1%	1%	1%	1%
Other costs	1%	4%	11%	22%	30%	32%	34%

Source: Company Data, CMBIGM

Valuation

Maintain BUY

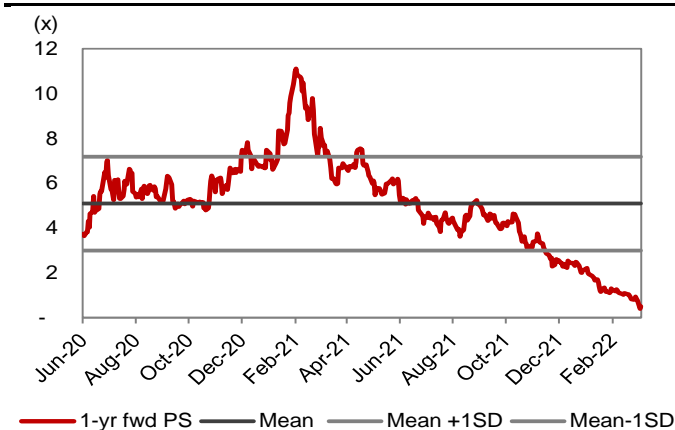
We maintain our BUY recommendation on Kingsoft Cloud with new target price US\$6.37, based on lowered 1x (prior 2x) FY22E P/S to factor in sector de-rating with growing uncertainty in macro economy (Omicron), as well as surging geopolitical risks.

Figure 16: Peers' valuation

Company	Ticker	Rating	Market Cap (US\$ bn)	Price (LC)	P/S		EV/sales		Sales CAGR FY20-23E	EBITDA margin FY21
					FY21E	FY22E	FY21E	FY22E		
Kingsoft Cloud	KC US	BUY	0.8	3.2	0.6	0.5	0.1	0.1	19%	-5%
Ucloud	688158 CH	NR	1.3	18.8	2.2	1.5	1.9	1.3	49%	8%
				Mean	1.4	1.0	1.0	0.7	34%	1%
Agora	API US	NR	0.8	7.1	5.0	4.6	0.4	0.4	21%	5%
Tuya	TUYA US	NR	1.1	2.0	3.7	3.0	0.2	0.2	n.a.	n.a.
Glodon	002410 CH	BUY	8.6	45.8	10.6	8.6	10.0	8.1	23%	12%
Yonyou	600588 CH	NR	13.7	25.4	9.0	7.1	9.1	7.2	20%	13%
Kingsoft Office	688111 CH	NR	14.0	192.1	26.5	19.6	24.3	18.0	37%	36%
Wangsu	300017 CH	NR	2.3	6.0	2.9	2.8	1.9	1.9	-6%	13%
Sangfor	300454 CH	NR	8.0	121.6	6.8	5.0	6.6	4.9	33%	14%
Kingdee	268 HK	NR	6.9	15.6	10.4	8.3	9.6	7.7	26%	4%
MYC	909 HK	BUY	2.2	8.6	6.1	4.7	3.2	2.5	30%	24%
Youzan	8083 HK	NR	0.4	0.2	1.7	1.4	1.7	1.4	12%	-16%
Weimob	2013 HK	NR	1.2	3.8	2.9	2.3	2.3	1.8	24%	4%
				Mean	7.8	6.1	6.3	4.9	22%	11%
Alibaba	BABA US	NR	208.1	76.8	1.9	1.5	1.2	1.0	25%	30%
Tencent	700 HK	NR	450.6	367.0	5.1	4.4	5.3	4.6	16%	38%
Baidu	BIDU US	NR	37.7	108.4	1.9	1.8	1.3	1.2	13%	25%
Amazon	AMZN US	NR	1,499.7	2947.3	3.2	2.8	3.3	2.8	19%	14%
Microsoft	MSFT US	NR	2,152.7	287.2	13.0	10.8	12.7	10.6	17%	46%
Google	GOOG US	NR	1,711.0	2593.2	8.2	6.7	7.6	6.3	26%	43%
Avg.				Mean	5.5	4.7	5.2	4.4	19%	33%

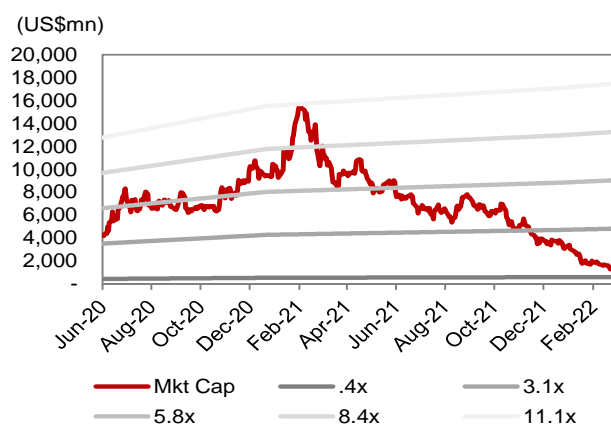
Source: Bloomberg, CMBIGM

Figure 17: 12M forward P/S chart



Source: Bloomberg, CMBIGM

Figure 18: 12M forward P/S band



Source: Bloomberg, CMBIGM

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	3,956	6,577	8,993	9,892	11,146
Cost of sales	(3,949)	(6,220)	(8,630)	(9,478)	(10,305)
Gross Profit	8	357	363	414	841
S&M	(317)	(409)	(480)	(533)	(508)
G&A	(239)	(380)	(592)	(574)	(588)
R&D	(595)	(775)	(1,071)	(1,126)	(1,102)
Operating Profit/(Loss)	(1,144)	(1,207)	(1,780)	(1,819)	(1,357)
Adj. EBITDA	(418)	(119)	(435)	(201)	167
Interest income	17	12	10	21	24
Interest expense	-	-	(2)	(2)	(4)
Other non-ops	778	958	1,446	1,382	1,235
Profit Before Tax	(348)	(237)	(326)	(418)	(101)
Income tax	(9)	(15)	(17)	(16)	(13)
Profit After Tax	(1,111)	(962)	(1,581)	(1,664)	(1,270)
Non Controlling Interest	-	(0)	(1)	(0)	(0)
Others	(50)	(20)	-	-	-
Net profit	(1,161)	(982)	(1,582)	(1,664)	(1,270)

Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Net Income	(1,111)	(962)	(1,581)	(1,664)	(1,270)
Depreciation And	605	758	906	1,123	1,301
Net Change In Working	(113)	(300)	327	(167)	(84)
Others	181	213	0	0	0
Net cash from operating	(439)	(290)	(348)	(707)	(54)
Capital Expenditures	(1,000)	(1,560)	(1,074)	(1,479)	(719)
Short-term investments	(1,112)	(5,608)	0	0	0
Other Investing Activities	2,995	2,854	(5)	(5)	(5)
Net cash from investing	883	(4,314)	(1,079)	(1,484)	(724)
Equity raised	349	5,934	0	0	0
Change of debts	(81)	178	176	1,468	500
Dividend paid	0	0	0	0	0
Others	(204)	11	0	0	0
Net cash from financing	65	6,124	176	1,468	500
Net change in cash	509	1,520	(1,251)	(722)	(278)
Cash at the beginning of the	1,507	2,023	3,425	2,174	1,451
Exchange difference	8	(118)	0	0	0
Cash at the end of the year	2,023	3,425	2,174	1,451	1,173

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	1,882	2,384	2,557	2,918	2,341
PPE, net	1,721	1,957	2,132	2,497	1,926
Intangible assets	7	17	14	10	4
Others	154	411	411	411	411
Current assets	4,150	9,545	8,649	8,422	8,582
Cash	2,023	3,425	2,174	1,451	1,173
Accounts Receivable	1,347	2,335	2,682	3,088	3,402
Others	779	3,785	3,793	3,882	4,007
Current liabilities	2,420	3,466	4,112	5,322	5,976
Borrowings	100	74	74	74	74
Accounts Payable	1,255	2,057	2,339	2,546	2,781
Accrued Expenses	949	845	1,245	1,367	1,486
Others	116	489	453	1,334	1,634
Non-current liabilities	75	224	435	1,023	1,223
Borrowings	74	-	212	799	999
Amounts due	-	-	-	-	-
Others	0	224	224	224	224
Total mezzanine equity	7,735	-	-	-	-
Share capital	6	23	23	23	23
Capital surplus	92	14,150	14,150	14,150	14,150
Retained earnings	-	-	-	-	-
Others	608	-68	-67	-67	-67
Total equity	-4,197	8,240	6,659	4,995	3,725

Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Sales mix (%)					
Public cloud services	87%	79%	69%	64%	60%
Enterprise cloud services	12%	21%	31%	35%	40%
Others	0%	1%	1%	1%	1%
Total	100%	100%	100%	100%	100%
Growth (YoY)					
Revenue	78%	66%	37%	10%	13%
Gross profit	n.a.	4531%	2%	14%	103%
Adj. EBITDA	n.a.	n.a.	n.a.	n.a.	-183%
Net profit	n.a.	n.a.	n.a.	n.a.	n.a.
Margins					
Gross margin	0%	5%	4%	4%	8%
Operating margin	-29%	-18%	-20%	-18%	-12%
Adj. EBITDA margin	-11%	-2%	-5%	-2%	1%
Balance sheet ratio					
Net debt / equity ratio (%)	net	net	net	0.1	0.4
	cash	cash	cash		
Current ratio	1.7	2.8	2.1	1.6	1.4
Returns (%)					
ROE	-33%	-12%	-24%	-33%	-34%
ROIC	-29%	-9%	-16%	-17%	-14%
Per ADS					
EPS (RMB)	-19.58	-6.14	-6.55	-6.88	-5.26
BVPS (RMB)	-70.8	51.5	27.6	20.7	15.4

Source: Company data, CMBIGM estimates

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