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# Coronavirus: Time to consider buying

March 25, 2020

# Blue Lotus Internet Coverage (25 stocks)



Company	Primary Analyst	Ticker	Market Cap (USD mn)	Share Price (Local)	Rating	Target Price (Local)	Non-GAAP Operating Income (mn)			Revenues (mn)		
							4Q19E*	1Q20E*	2020E	4Q19E*	1Q20E*	2020E
<b>E-commerce/O2O(Shawn/Mickey/Marissa)</b>												
Alibaba Group Holding	Shawn	BABA US	523,990	195.32	BUY	US\$ 250	RMB 50,662	RMB 24,539	RMB 182,864	RMB 161,456	RMB 115,469	RMB 659,428
Meituan Dianping	Shawn	3690HK	67,664	90.15	HOLD	HK\$ 85	RMB 26	RMB (493)	RMB (3,848)	RMB 26,955	RMB 20,427	RMB 118,766
Pinduoduo Inc	Shawn	PDD US	43,019	37.01	HOLD	US\$ 35	RMB (1,337)	RMB (1,902)	RMB (3,193)	RMB 10,793	RMB 6,021	RMB 50,710
JD.com Inc	Shawn	JD US	61,341	42.01	BUY	US\$ 48	RMB 704	RMB 1,642	RMB 16,599	RMB 170,684	RMB 139,017	RMB 706,938
Vipshop Holdings Ltd	Shawn	VIPS US	9,782	14.59	BUY	US\$ 19.4	RMB 2,166	RMB 4,35	RMB 7,944	RMB 29,319	RMB 17,596	RMB 97,041
Baozun Inc	Shawn	BZUN US	1,826	29.10	HOLD	US\$ 30	RMB 75.9	RMB 216	RMB 752	RMB 2,746	RMB 1,632	RMB 9,431
58.com Inc	Shawn	WUBA US	7,536	50.36	HOLD	US\$ 55	RMB 950	RMB (66)	RMB 3,342	RMB 4,156	RMB 2,249	RMB 15,711
<b>Online Games/entertainment/content/advertising/(Adam/Jason/Terry/Zoe/Merry)</b>												
Tencent Holdings Ltd	Adam	700 HK	470,505	381.80	BUY	HK\$ 390	RMB 30,856	RMB 35,306	RMB 141,044	RMB 99,690	RMB 98,320	RMB 428,126
NetEase Inc	Adam	NTES US	40,684	317.94	SELL	US\$ 286	RMB 3,585	RMB 4,459	RMB 18,034	RMB 15,735	RMB 16,668	RMB 70,553
Baidu Inc	Adam	BIDU US	35,214	101.82	HOLD	US\$ 136	RMB 6,753	RMB (968)	RMB 20,144	RMB 28,884	RMB 22,131	RMB 110,536
TME	Adam	TME US	16,319	9.98	BUY	US\$ 14	RMB 1,036	RMB 1,165	RMB 5,220	RMB 7,088	RMB 7,343	RMB 32,358
Trip.com	Jason	TCOM US	14,722	25.02	HOLD	US\$ 28	RMB 890	RMB 163	RMB 5,998	RMB 8,284	RMB 5,933	RMB 35,332
IQiyi Inc	Terry	IQ US	14,313	19.51	BUY	US\$ 26	RMB (2,259)	RMB (2,624)	RMB (7,343)	RMB 7,497	RMB 7,505	RMB 52,285
Weibo Corp	Adam	WB US	8,045	35.75	BUY	US\$ 48	US\$ 169	US\$ 44.5	US\$ 660	US\$ 468	US\$ 292	US\$ 1,729
Autohome Inc	Jason	ATHM US	8,396	71.12	HOLD	US\$ 80	RMB 1,102	RMB 600	RMB 3,428	RMB 2,330	RMB 1,570	RMB 8,677
MoMo Inc	Terry	MOMO US	4,771	23.01	HOLD	US\$ 32	RMB 1,326	RMB 1,223	RMB 6,358	RMB 4,521	RMB 3,862	RMB 18,390
Bilibili Inc	Terry	BILI US	7,514	23.04	BUY	US\$ 26	RMB (370)	RMB (338)	RMB (1,461)	RMB 2,008	RMB 2,155	RMB 10,118
YY Inc	Terry	YY US	4,464	55.12	BUY	US\$ 90	RMB 617	RMB 670	RMB 3,057	RMB 7,618	RMB 6,939	RMB 33,216
Yixin Group Inc	Jason	2858 HK	1,085	1.32	BUY	HK\$ 2.2	-	-	RMB 972	-	-	RMB 6,217
BitAUTO Holdings Ltd	Jason	BITA US	749	10.67	BUY	US\$ 18	RMB 215	-	RMB 1,699	RMB 3,182	-	RMB 13,255

Source: Bloomberg, Blue Lotus (as of March 27, 2020)

# Blue Lotus Company Coverage (25 stocks)

Company	Primary Analyst	Ticker	Market Cap	Share Price	Rating	Target Price	Non-GAAP Operating Income (mn)			Revenues (mn)		
			(USD mn)	(Local)		(Local)	4Q19E*	1Q20E*	2020E	4Q19E*	1Q20E*	2020E
<b>Education (Terry/Hana)</b>												
TAL Education Group	Terry	TAL US	32,978	55.73	BUY	US\$52	US\$137	US\$83.4	US\$334	US\$727	US\$703	US\$ 3,376
New Oriental Education	Terry	EDU US	19,835	125.20	BUY	US\$150	RMB 694	RMB 1,786	RMB 4,035	RMB 5,698	RMB 7,444	RMB 26,555
OneSmart International	Terry	ONE US	793	4.90	HOLD	US\$9.40	RMB 102	RMB (52)	RMB 622	RMB 1,311	RMB 858	RMB 5,328
<b>Online Healthcare (Jason/Shuang)</b>												
Ping An Good Doctor	Jason	1833HK	9,417	68.40	BUY	HK\$ 74	NA	NA	RMB (840)	NA	NA	RMB 7,644
AliHealth	Jason	241HK	20,743	13.32	BUY	HK\$ 15	NA	NA	RMB (690)	NA	NA	RMB 9,147

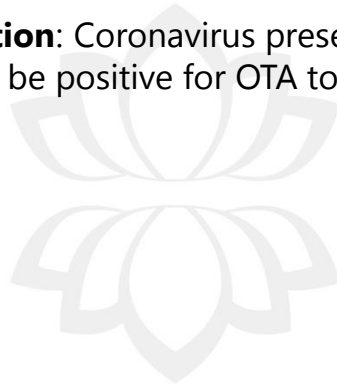
Source: Bloomberg, Blue Lotus (as of March 27, 2020)



- **Numbers are no longer important:** There exists a variety of standards and practices in reporting infection numbers. Many infections are undetected, self-healed and unreported. As long as severe cases do not overrun the emergency room, such practice has no fallacies, except...
- **Silent infectees continue to infect others:** This means the decision to unlock will be difficult. "Partial lockdowns" or "rotating lockdowns" will lock down the economy for a longer period of time than a "precise lockdown", which means the economic cost will incur nevertheless;
- **Lockdown is still the only viable way:** Most antiviral drugs are only effective at early stage with various side effects. Most early stage infection ends up self-healing anyway. Late stage is often incurable. Unless (1) a drug can be effective with low side effects easy means and easy to delivery, selling cheap and mass producible, or (2) an effect treatment of cytokine storm can be developed, lockdown is still the only workable approach. Vaccine will also take long time;
- **Developing countries will be the worst hit:** Due to the inaccuracy of data, we must look at alternative indicators like (1) death toll, (2) celebrity and noble infections, (3) test completeness to fathom the true depth of pandemic in each country. All known facts point to severe casualty at the developing world, despite a lack of data showing so;
- **China stands to benefit from pandemic in the LR:** Countries who are unable or unwilling to (1) mobilize their society to enforce a lockdown and (2) maintain stability at time of crisis, will lose out to those who can. All being equal, the pandemic will extend China's timeline in retaining manufacturing. It spurs investment in medical infrastructure and manpower. It can bring back talents;
- **Coronavirus will not change the basics of US-China standoff:** The US-China standoff will remain a contest of speed between (1) how fast China develops its high-tech industry and (2) how fast US moves its supply chain out of China. China starts at a disadvantage and the pandemic will not change the outcome, nor calculation.

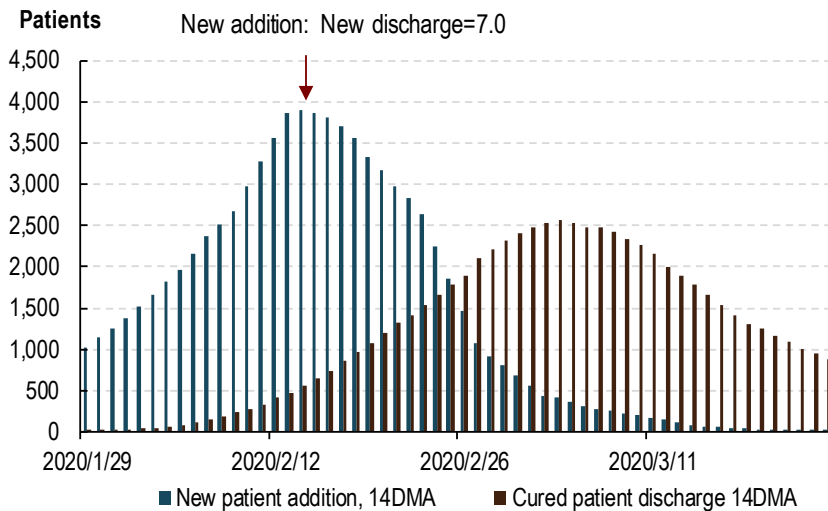
- **Solid fundamentals:** On the condition that no financial crisis has arisen, fundamentals of Chinese Internet companies remain sound with the pandemic under control at home. **Sector top pick: E-commerce; Sector top avoid: Advertising;**
- **Physical Internet will benefit:** E-Commerce will see a major boost from economic sanitization with fresh food receiving the biggest boost. PDD and VIPS will benefit first with excess inventory clearances but in the long run might be harmed as China solidifies its global manufacturing dominance. O2O is a mixed bag as people are switching from dine-out to dine-in. Macro uncertainty might cut consumer spending, both ST and LT. **Top Pick: BABA, JD, VIPS;**
- **2B will benefit more than 2C:** Coronavirus is a major catalyst from which China's 2B industry to take off. Beneficiaries include cloud, SaaS, IDC, etc...Stock to look at: **GDS, VNET, Weimob, Youzan;**
- **Online channel player will benefit if offline channel dwarfs online:** Online real estate promotion is a good example. **Top Pick: LEJU.** We believe after the Coronavirus, businesses that require large-scale close human contact will face demise. Those who pick up the demand will benefit;
- **Logistics industry will benefit:** logistics industry will receive a major boost, not only from e-commerce, but also from disaster-relief subsidies. But we don't subscribe to the industry consolidation story. **Top Pick: ZTO;**
- **Online healthcare will benefit:** online healthcare can alleviate China's problem of low per capita medical resources and put them into more efficient use. Two leading players will continue to dominate thanks to their lofty entry barrier. **Top Pick: AliHealth;**
- **Online education will benefit:** Big class and 2B have proved business model validity. Coronavirus will further lower the breakeven point for these two business models. **Top Pick: EDU, GSX**

- **Online game receives a ST boost:** We expect game revenues to fall significantly after people return to work. The industry's saturation issue remains. Tencent is a 2B story. **Top Pick: Tencent;**
- **Online advertising will be weak for some time:** Gaming revenue supported advertising during pandemic but we don't expect it to last. Macro economy will be heavily impacted by Coronavirus. Rescheduling of the Tokyo Olympics will impact advertising. iQiyi is a content cost story. **Top Pick: iQiyi;**
- **Online entertainment has a competition issue in 2020:** Competition from Douyin and Kwai will pressure existing players. YY is an overseas story. **Top Pick: YY;**
- **Online travel needs to look at consolidation:** Coronavirus presented many overseas acquisition opportunities. Low occupancy rate will also be positive for OTA to raise rates starting from C3Q20. **Top Pick: CTRP;**



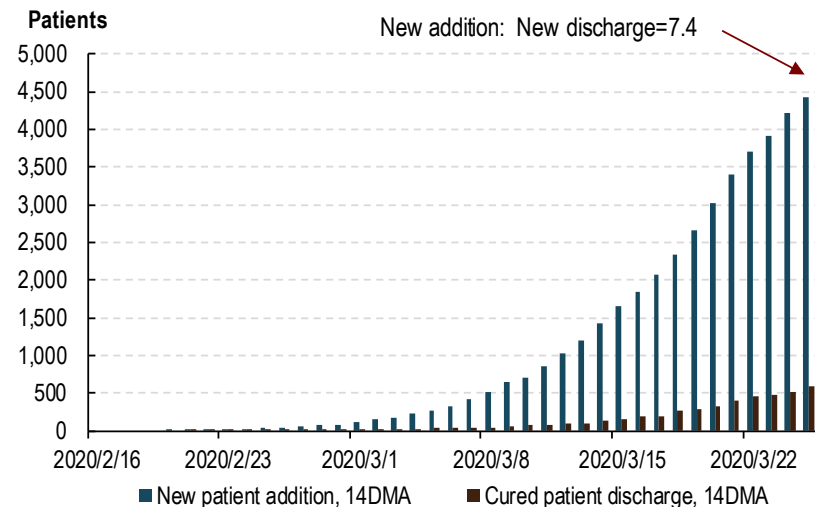
- **Italy holds particular importance to the Western countries:** Data shows that at the time of the peak, daily new infected over daily recovered ratio stood  $\sim 7.0$ . Italy now at  $\sim 7.4$ . If so, Italy is  $\sim 1$  weeks from hitting its peak;
- **The shoes are yet to drop for UK and Japan:** Judging from sources of import cases to China, UK has already become a major infection region. Japan might have escaped outbreak but may not continue so, thanks to population density;
- **Big countries like US and Canada might be able to practice regional or rotating lockdowns:** Rational behavior will prevail once the market sees and learns from Italy. However, to work out logistics of a regional or rotating lockdown isn't easy;
- **The worst fear has been priced into the market:** The worst case is long term social degeneration, which can only happen if Western countries cannot maintain order. Now the uncertainties are in how bad and whether savable (1) UK and Japan can be, (2) developing country can be. The market may revisit lows if answers prove unsettling.

## New patient addition and discharge, China



Source : Worldmeters, Blue Lotus (as of Mar 25,2020)

## New patient addition and discharge, Italy





# Major China Internet App Data During the Epidemic

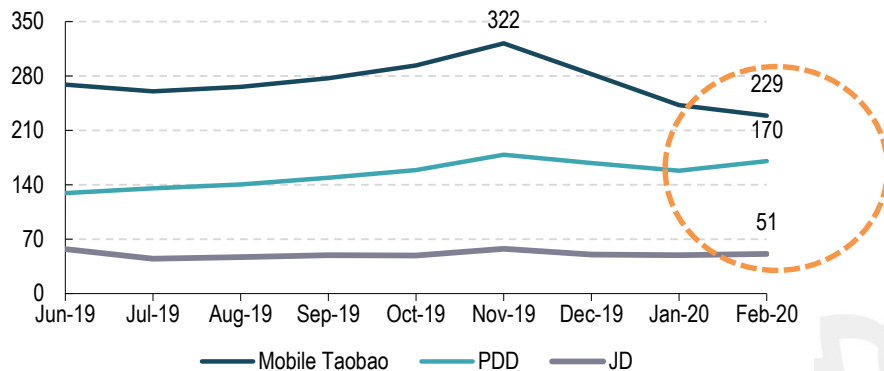
(+) Telework, Online Video, eCommerce

(=) Social Network, Mobile Games

(-) Local Service, Map

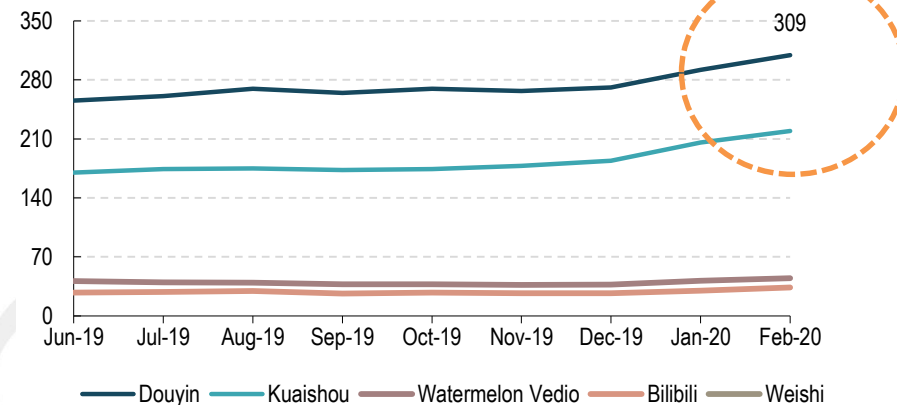
# Traffic trend of major apps

## E-commerce App DAU (mn)



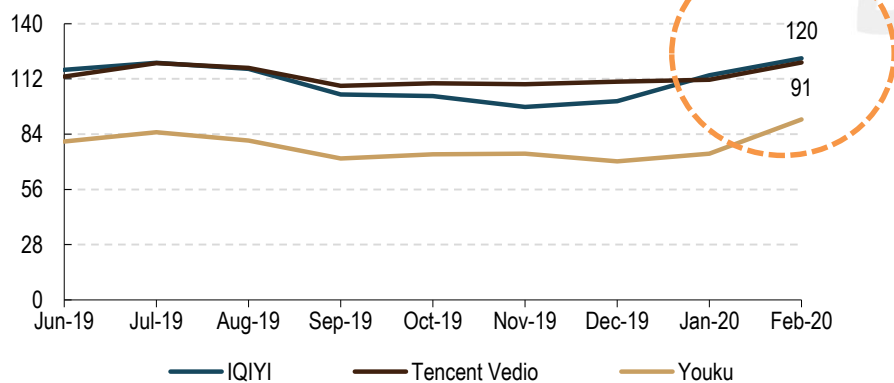
Source : Quest Mobile Data, Blue Lotus (as of Mar 16,2020)

## Short Video APP DAU (mn)



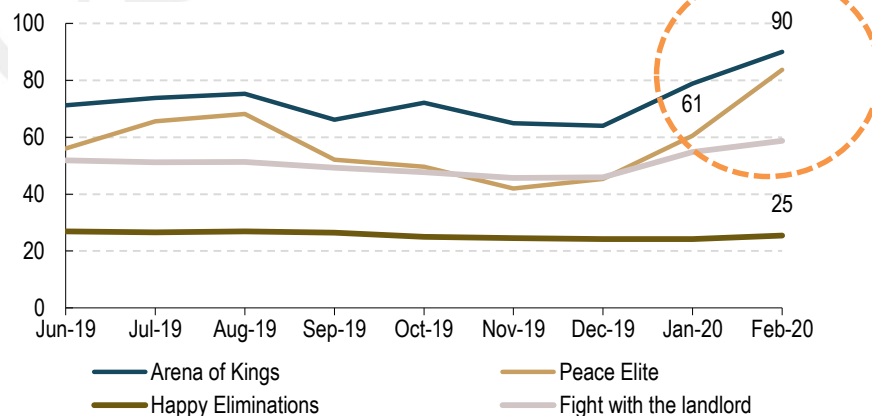
Source : Quest Mobile Data, Blue Lotus (as of Mar 16,2020)

## Long Video APP DAU (mn)



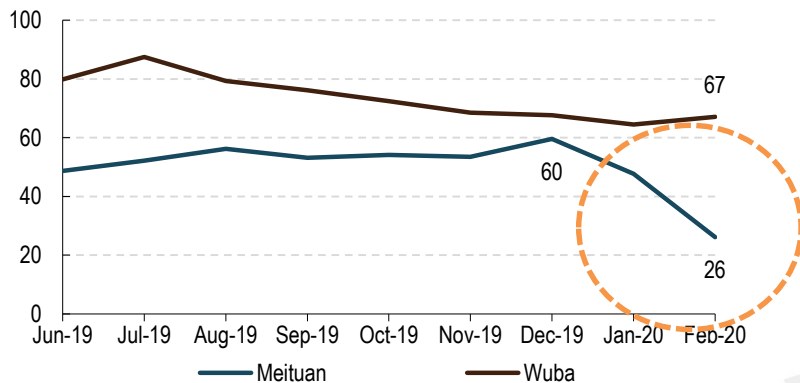
Source : Quest Mobile Data, Blue Lotus (as of Mar 16,2020)

## Mobile Game APP DAU (mn)



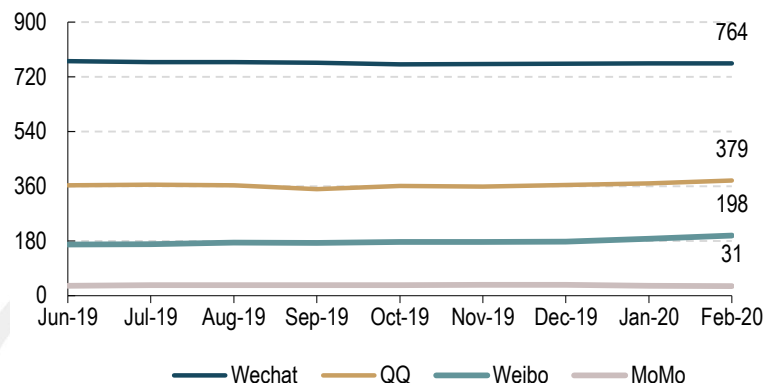
Source : Quest Mobile Data, Blue Lotus (as of Mar 16,2020)

## Local Service APP DAU(mn)



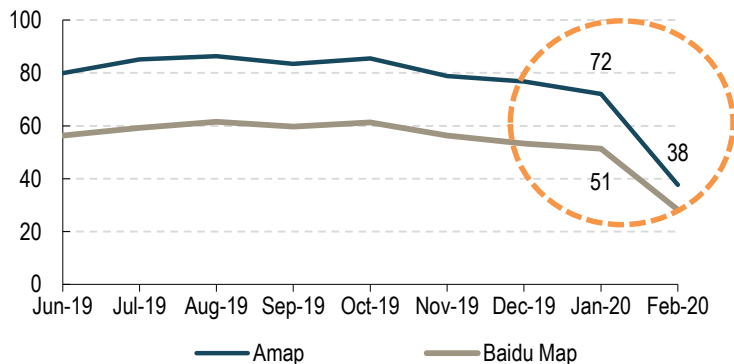
Source : Quest Mobile Data, Blue Lotus (as of Mar 16,2020)

## Social Network App DAU(mn)



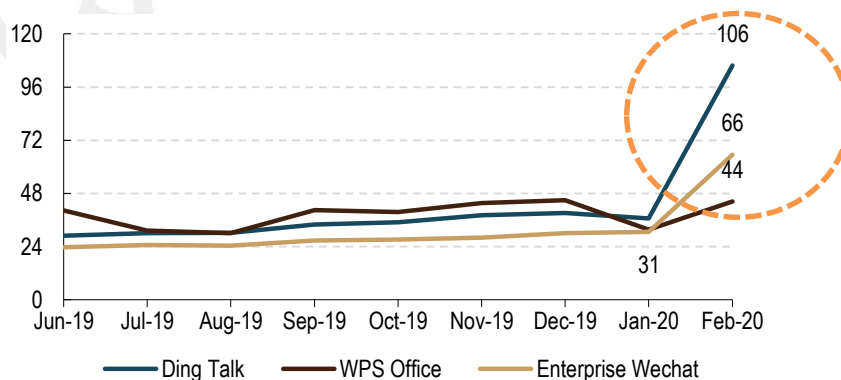
Source : Quest Mobile Data, Blue Lotus (as of Mar 16,2020)

## MAP DAU(mn)



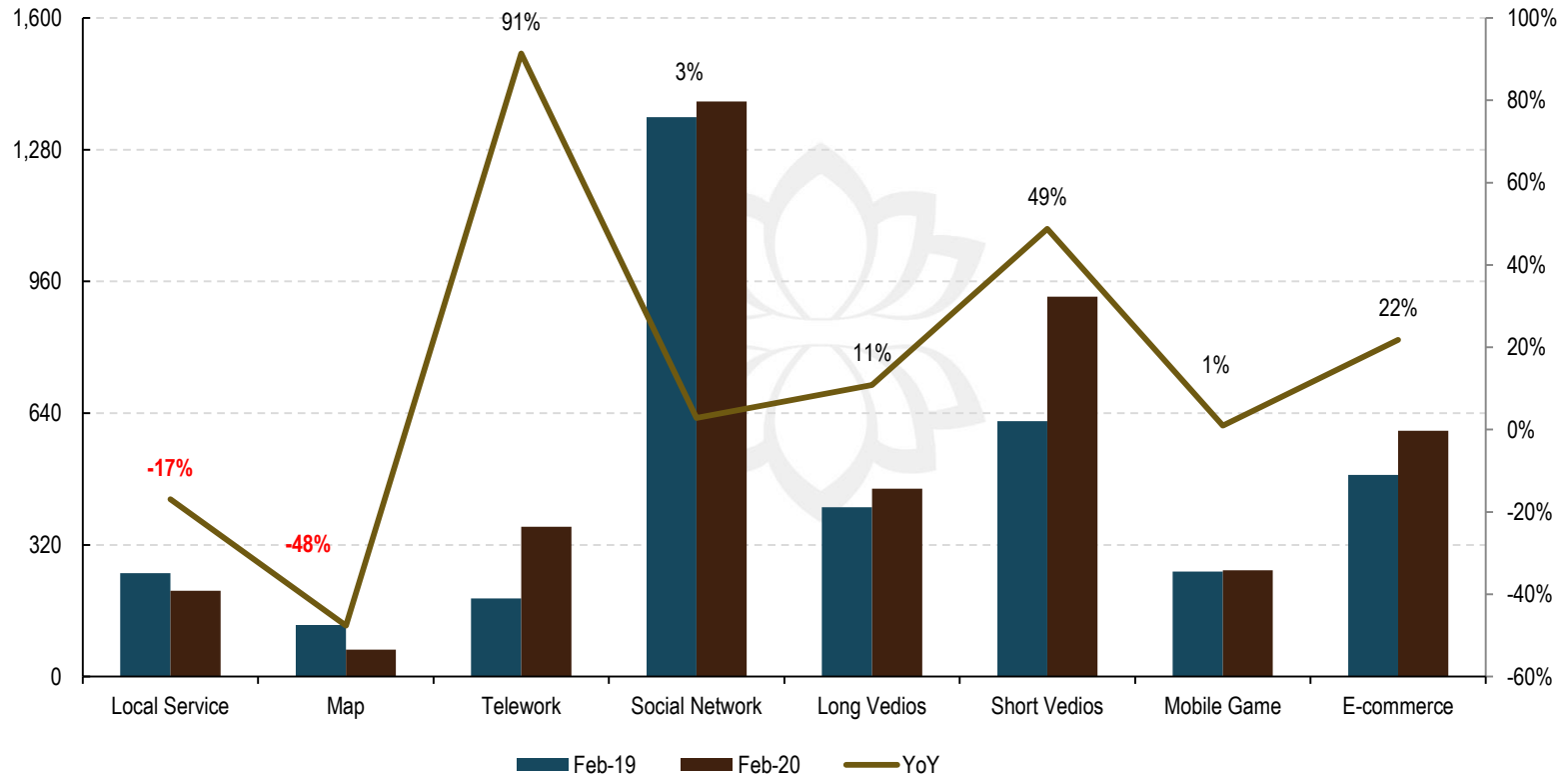
Source : Quest Mobile Data, Blue Lotus (as of Mar 16,2020)

## Telework APP DAU (mn)



Source : Quest Mobile Data, Blue Lotus (as of Mar 16,2020)

## Accumulated DAU of top China internet Apps, by sub sectors (mn)



Source : Quest Mobile Data, Blue Lotus (as of Mar 16,2020)

**2-3 days**

RO (Basic reproduction rate, R0)

**6-7 days**

Infected case double

**5-8 days**

Average incubation period

**15%-20%**

Severity rate

**4.6%**

Death rate in Wuhan  
(as of China CDC report  
on Mar. 4)

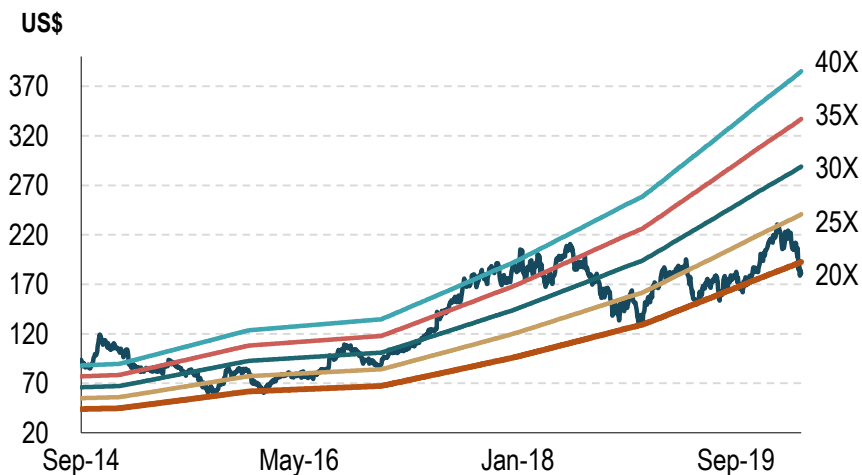
**2.3%**

Death rate in China  
(as of China CDC report  
on Feb. 24)

## Key points

- Largest eCommerce platform in China, enjoy from the robust demand of Chinese consumers;
- Online penetration continues to increase, fresh food could be the next large market moving from offline to online.
- Price war in logistic sector continues, which benefits Baba merchants.
- Self-strengthening eco-system, key areas include core eCommerce, internet finance, local service, cloud, online entertainment, etc. The synergy between different business is the key driver.
- Quick learner of social eCommerce techniques, including live streaming, group purchase and direct subsidy.

## Forward PE chart



Source: BABA (2020/3)

## Key Financials

Rmb (mn)	2018A	2019A	2020E	2021E	2022E
Revenues	376,844	515,688	669,863	822,712	991,228
Non-GAAP op. profit	97,003	105,302	142,909	185,332	231,971
Non-GAAP EPS(Rmb)	23.9	37.3	43.8	64.2	80.4
PE	51.7	33.1	28.2	19.2	15.3
Free cash flow yield	3.53%	3.01%	5.87%	4.96%	6.21%

Source: BABA, Blue Lotus (2020/3)

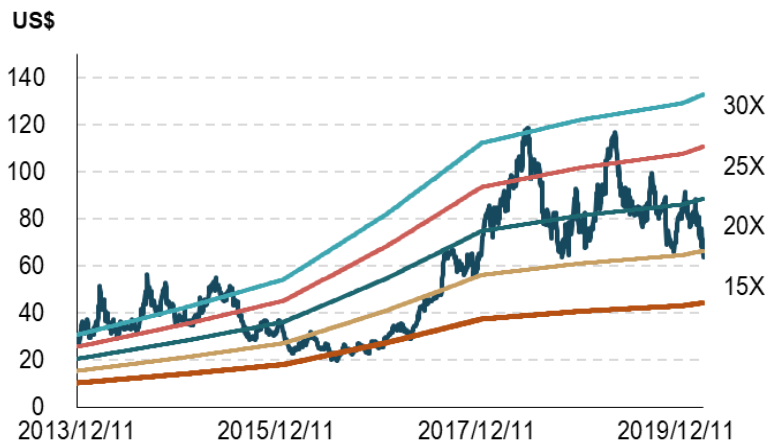
## SWOT analysis for its ambitions

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Self-strengthening eco-system</li> <li>• Well positioned in attracting brand merchants</li> <li>• Experienced management</li> </ul>	<ul style="list-style-type: none"> <li>• Traffic growth slow down</li> <li>• Sometimes too much focus on profit, which makes the company conservative.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• New business including offline payments, oversea business and clouds</li> <li>• Fresh good to be the next market to penetrate</li> <li>• More brands move business from offline to online</li> </ul>	<ul style="list-style-type: none"> <li>• Competitors from social e-commerce platform like PDD and mini program eCommerce</li> <li>• Competitors from local service, mainly Meituan</li> <li>• Weak macro demand</li> </ul>

## Key points

- Epidemic led to weak new car sales performance with volume declined by (43.6%) YoY in the first two months of 2020.
- Weak sales volume would result in lower ads spending budgets from OEMs which bring near term pressure to ATHM's media business.
- Lead gen biz would be impacted negatively by decline in no. of dealers due to weak market condition given no price increase for 2020 package.
- Epidemic also caused several delays on new products promotion to dealers which were expected to be the new growth driver for led gen biz.
- However, ATHM's data products, such as "online AR/VR auto show" and "Intelligent new car launch" could benefit from epidemic, as offline activities are prohibited and OEMs would allocate more budgets to online.

## Forward PE chart



Source: Autohome (2020/3)

## Key Financials

Rmb (mn)	2018A	2019A	2020E	2021E	2022E
Revenues	7,233	8,421	8,677	9,835	11,071
Non-GAAP op. profit	3,071	3,440	3,598	4,183	4,825
Non-GAAP EPADS	25.81	28.10	28.79	33.31	38.34
PE	17.54	15.84	15.20	12.91	11.02
Cash flow yield	5.6%	8.3%	7.2%	8.1%	9.5%

Source: Autohome, Bloomberg, Blue Lotus (2020/3)

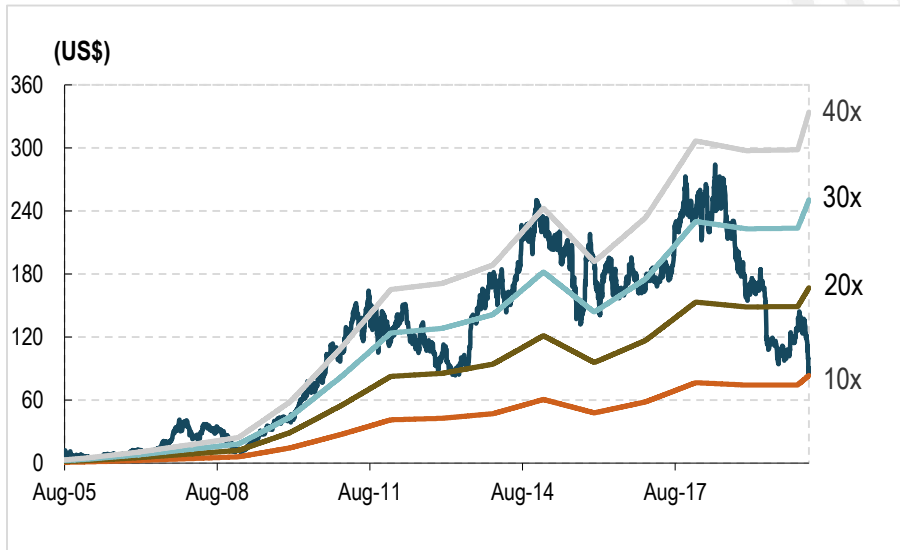
## SWOT analysis for its ambitions

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• No. 1 in auto verticals</li> <li>• Strong traffic with high user stickiness</li> <li>• Penetrated over 90% of OEMs and authorized dealers</li> <li>• Synergy from the largest shareholder of PingAn Group.</li> <li>• Strong profitability</li> </ul>	<ul style="list-style-type: none"> <li>• Traditional businesses of media and lead gen are gradually approaching ceiling</li> <li>• No new initiatives are not sufficient enough to support further growth in near-term</li> <li>• Bargaining power over OEMs and dealers are deteriorating</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Further migration of OEM's ads budgets from offline to online after epidemic.</li> <li>• International expansion</li> <li>• Used car/AFS biz opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Weak auto market conditions</li> <li>• Weak macro conditions</li> <li>• More intensified competition</li> </ul>

## Key points

- The ARPU of mobile search / mobile feeds could decline because of the epidemic, however, we also estimated the ARPU would soon rebound.
- We estimate Baidu will launch more cost control initiatives including cutting marketing expenses of Baidu app, cutting off marketing expenses of short-video platforms, reducing content cost and cutting staffs, and therefore expand margin.
- Baidu's devotion to pushing users to switch to in-app search from browser search.
- Devotion to develop AI technology
- Bidu has low PE valuation.

## Forward PE chart



Source: Baidu (2020/3)

## Key Financials

Rmb (mn)	2018A	2019A	2020E	2021E	2022E
Revenues	102,277	107,413	110,536	125,612	139,457
Non-GAAP op. profit	20,324	12,800	18,064	34,821	38,747
Non-GAAP EPS	67.21	54.68	52.18	75.47	87.41
PE	12	15	16	11	9.5
Cash flow yield	4.9%	10.3%	7.7%	4.1%	4.5%

Source: Baidu, Blue Lotus (2020/3)

## SWOT analysis for its ambitions

### Strengths

- Dominated in searching industry.
- Great synergy between searching and feeds.
- High R&D on AI

### Weaknesses

- Primary market is saturated'
- Fail to step into new market
- Management retention is low.

### Opportunities

- Traffic switch from browsers to native apps .
- Macro turning over.
- AI industry is developing fast.

### Threats

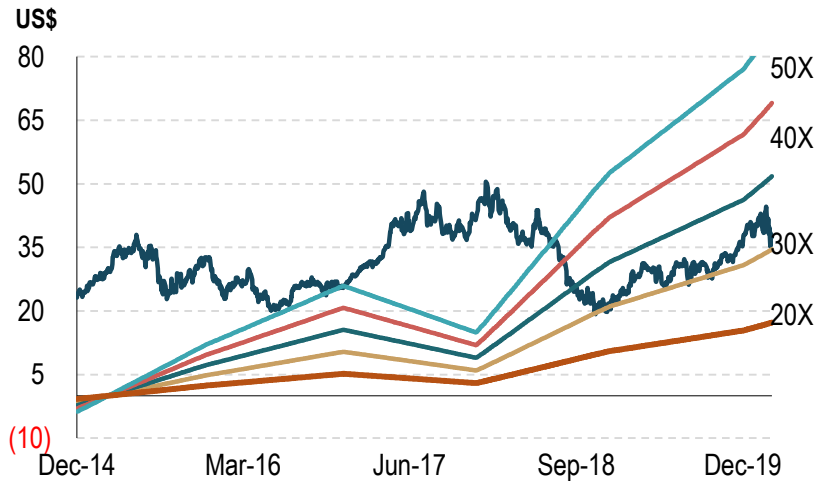
- Competitions from vertical search platforms such as RED (小红书) and Honeycomb (马蜂窝).
- Competitions from Toutiao App may distract traffic.
- Stricter regulation



## Key points

- With the fewest buyer numbers among three major eCommerce platform, JD is going to be benefited most if it could attract more users from low-tier cities.
- Customers in low tier cities will gradually look for high quality products and services, which means they are likely to turn to JD.
- JD is actively learning from social eCommerce and launched Jinxi, a product like PDD.
- Also, JD served as a pioneer force in the epidemic by delivering medical products to epidemic strike areas. JD's good reputation could help to win more orders from government and state-owned enterprises.

## Forward PE chart



Source: JD (2020/3)

## Key Financials

Rmb (mn)	2018A	2019A	2020E	2021E	2022E
Revenues	362,332	462,019	576,888	706,938	832,716
Non-GAAP op. profit	3,694	1,693	5,067	16,599	24,690
Non-GAAP EPS (Rmb)	3.57	2.06	6.70	10.02	15.47
PE	75.6	131	40.3	27.0	17.5
EBITDA margin	2.18%	1.50%	2.11%	3.66%	4.41%

Source: JD, Blue Lotus (2020/3)

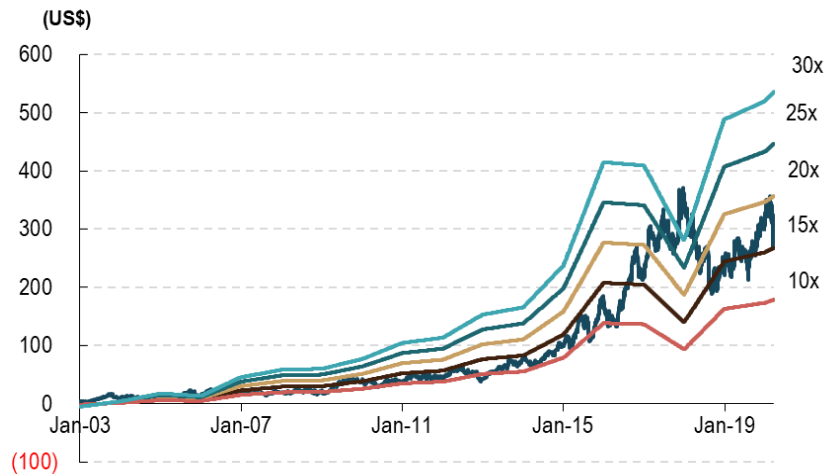
## SWOT analysis for its ambitions

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Logistic advantage</li> <li>• Authentic products</li> <li>• Best customer service among eCommerce platforms</li> </ul>	<ul style="list-style-type: none"> <li>• Weak performance of apparel and clothing</li> <li>• Lack of attraction to female users</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Further penetration in low tier cities</li> <li>• New franchise logistic network targeting</li> <li>• Leading player in offering products to government and state-owned enterprises</li> </ul>	<ul style="list-style-type: none"> <li>• Other social e-commerce platform like PDD may attract its users</li> <li>• Need to balance between its traditional high ASP products and new demand from low tier city users</li> </ul>

## Key points

- Gaming pipeline is lackluster in 2020.
- FWWJ 3D underperformed, and other key old games are in natural decline;
- Game code approval policy impedes NTES's game development process;
- Cost control is still strict so that margin can maintain high level
- Cloud music is growing fast, especially for its live broad casting business

## Forward PE chart



Source: NetEase (2020/3)

## Key Financials

Rmb (mn)	2018A	2019A	2020E	2021E	2022E
Revenues	51,178	59,241	70,553	77,255	83,049
Non-GAAP op. profit	12,448	16,178	18,034	20,244	21,954
Non-GAAP EPS	83	120	115	133	144
PE	23.9	17.4	17.3	14.0	14.5
Cash flow yield	5.79%	6.53%	7.18%	7.71%	8.15%

Source: NetEase, Blue Lotus (2020/3)

## SWOT analysis for its ambitions

### Strengths

- Strong existing flagship games
- Strong gaming developing capability
- Solid loyal player base

### Weaknesses

- Ineffective game development model under game code approval system
- Lack of in-house distribution channels
- Relatively low staff retention.

### Opportunities

- Blizzard is planning to develop mobile games with PC game IP
- Success in Japan market with potential to further expand
- Find good way to monetize cloud music.

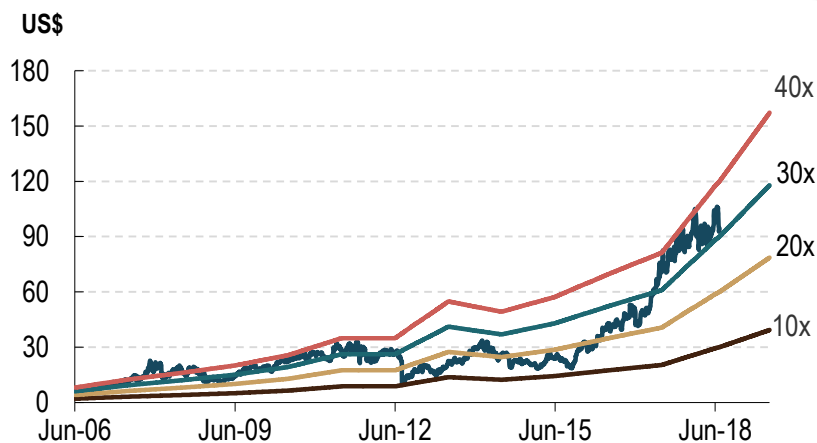
### Threats

- Tencent's developing capability is quickly improving
- Difficult to get potential blockbuster games approved.
- Lack of games attractive to young people

## Key points

- EDU will benefit from industry consolidation with small AST institutions exiting after the epidemic.
- EDU's offline expansion and low tier cities penetration start to payoff.
- Learning centers' utilization still has much room to improve.
- After school tutoring demand remains strong despite weak economic.
- EDU is our top pick in the offline after school tutoring sector because it has more learning centers to be ramped up after the epidemic.

## Forward PE chart



Source: New Oriental (2020/3)

## Key Financials

Rmb (mn)	2018A	2019A	2020E	2021E	2022E
Revenues	15,792	20,976	26,555	37,478	53,728
Non-GAAP op. profit	2,072	2,511	4,035	6,048	9,265
Non-GAAP EPS(Rmb)	14.5	16.1	27.5	38.0	54.1
PE	62	56	34	24	17
Cash revenue	17,792	21,731	29,562	41,036	57,878

Source: New oriental, Blue Lotus (2020/3)

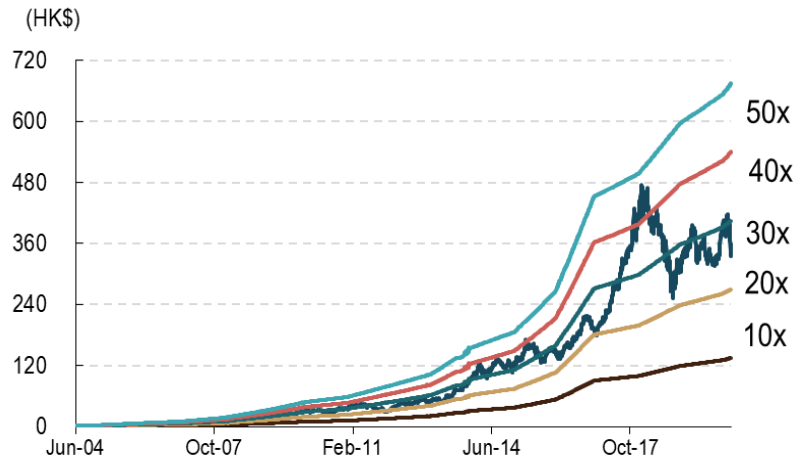
## SWOT analysis for its ambitions

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Abundant learning centers to be ramped up.</li> <li>• Low tier cities penetration are better than its peers.</li> <li>• Utilization still has much room to improve.</li> </ul>	<ul style="list-style-type: none"> <li>• Offline wait for government permission to restart.</li> <li>• Oversea study business might impact by the epidemic.</li> <li>• Online business is smaller than TAL.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Industry consolidation is accelerating.</li> <li>• Strong AST demand.</li> <li>• Small players are exiting the market</li> </ul>	<ul style="list-style-type: none"> <li>• Online AST are expanding very fast.</li> <li>• TAL is also re-focusing on offline expansion.</li> <li>• Weekend might shorten by the education department.</li> </ul>

## Key points

- Strong 1Q20 gaming performance because of virus outbreak;
- Solid gaming pipeline in 2020 with potential blockbusters including DnF Mobile, LoL Mobile, CoD Mobile, etc.
- Fintech margin is expected to further expand thanks to eased competition;
- Ads sector is relatively resilient because of Wexin Moment inventory release and strong performance in gaming verticals;
- Content cost is declining due to drama series price dropping

## Forward PE chart



Source: Tencent (2020/3)

## Key Financials

Rmb (mn)	2018A	2019A	2020E	2021E	2022E
Revenues	312,694	377,289	430,081	534,126	614,546
Non-IFRS op. profit	104,957	128,822	145,532	177,311	196,073
Non-IFRS EPS	8.95	10.7	12.3	14.1	15.4
PE	34.3	28.6	25.0	21.8	20.0
Cash flow yield	2.34%	2.93%	3.38%	4.68%	3.74%

Source: Tencent, Blue Lotus (2020/3)

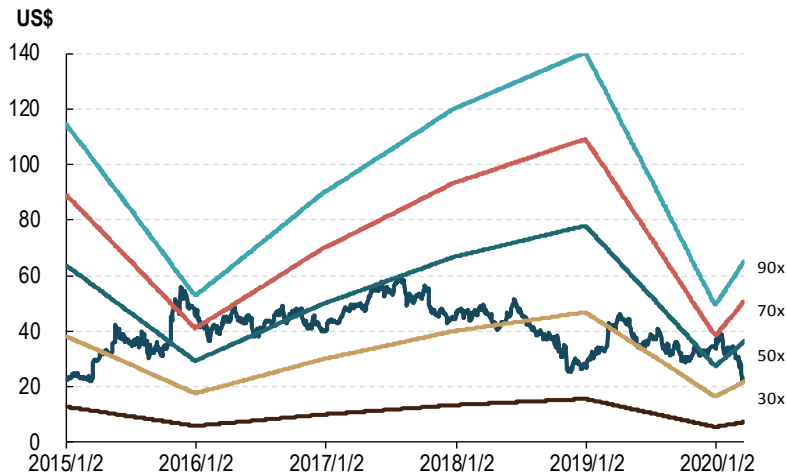
## SWOT analysis for its ambitions

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Strong distribution channels</li> <li>• Large social chains</li> <li>• Strong capability to get overseas gaming IP</li> </ul>	<ul style="list-style-type: none"> <li>• Delay of blockbuster games like DNF and others</li> <li>• Lack of short-video products</li> <li>• Monopoly risk</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Alipay is cutting marketing expenses</li> <li>• Investment in overseas gaming studios</li> <li>• Raising membership price together with IQ.</li> </ul>	<ul style="list-style-type: none"> <li>• Rising of ByteDance traffic</li> <li>• Weak macro</li> <li>• Lack of gaming approval studios</li> </ul>

## Key points

- Pandemic shades the recovery outlook as TCOM's international business (~35% of revenue) would be further under pressure for a while.
- Initial volume recovery domestically may not necessarily bring full financial benefits as the pricing of air tickets and hotels is still low.
- Deep discount offered by TCOM for pre-sales from its "Tourism Revival V Plan" campaign since March 2020 may also not favor its financials.
- Turing into profitable in the C2Q20 is unlikely if there is a stronger-than-expected recovery in domestic market, in our view, as we believe TCOM would spend more on marketing if sharp recovery happens.
- Long-term view remains positive as demand for outbound traveling in China is still strong and international expansion is only at beginning.

## Forward PE chart



Source: Trip.com Group (2020/3)

## Key Financials

Rmb (mn)	2018A	2019A	2020E	2021E	2022E
Revenues	30,965	35,666	30,641	44,221	50,881
Non-GAAP op. profit	4,312	6,754	1,247	10,091	11,611
Non-GAAP EPS	9.22	10.13	0.85	11.24	12.49
PE	17.25	15.70	188.06	14.16	12.73
Cash flow yield	6.88%	9.72%	9.52%	9.88%	13.57%

Source: Trip.com Group , Blue Lotus (2020/3)

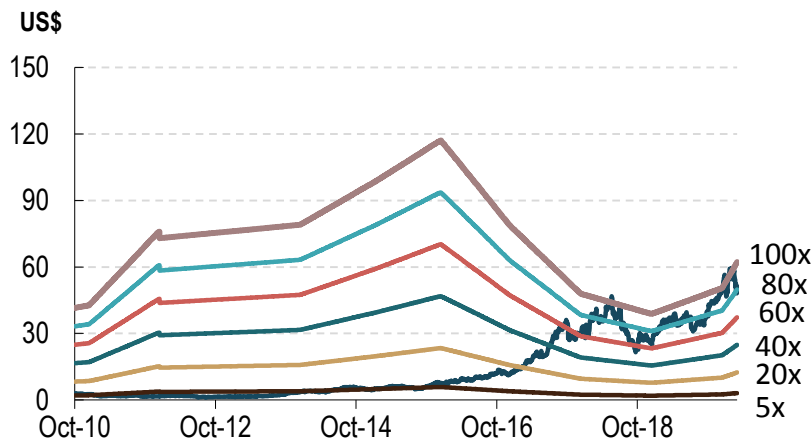
## SWOT analysis for its ambitions

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• The largest OTA worldwide in terms of GMV</li> <li>• Dominating high-end market</li> <li>• Customer-centric principle with 24x7 high quality service.</li> </ul>	<ul style="list-style-type: none"> <li>• Transportation-related business (~40% of revenue) is barely profitable</li> <li>• Constant SBC results in dilution</li> <li>• Current weak presence in overseas market.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Lower tier markets penetration</li> <li>• International business expansion through brands of Skyscanner and Trip.com</li> <li>• M&amp;A opportunities in overseas market to further strength the presence after pandemic.</li> </ul>	<ul style="list-style-type: none"> <li>• Weak China macro condition</li> <li>• COVID-19 headwinds</li> <li>• Political instability in overseas</li> <li>• Intensified competition</li> <li>• Weaker bargaining power due to further upstream consolidation in LT.</li> </ul>

## Key points

- TAL will benefit from industry consolidation with small AST institutions exiting after the epidemic.
- TAL is increasing its speed on offline expansion.
- Epidemic brings cheap traffic for online AST and we expect TAL will benefit from free online course strategy.
- After school tutoring demand remains strong despite weak economic.
- TAL's online business has the highest market share compare to its peers.

## Forward PE chart



Source: TAL (2020/3)

## Key Financials

US\$ (mn)	2018A	2019A	2020E	2021E	2022E
Revenues	1,715	2,563	3,376	4,049	5,389
Non-GAAP op. profit	256	419	334	605	951
Non-GAAP EPS(Usd)	0.43	0.74	0.23	1.05	1.59
PE	112	65	208	46	30
Cash revenue	2,038	2,157	2,855	4,036	5,546

Source: TAL, Blue Lotus (2020/3)

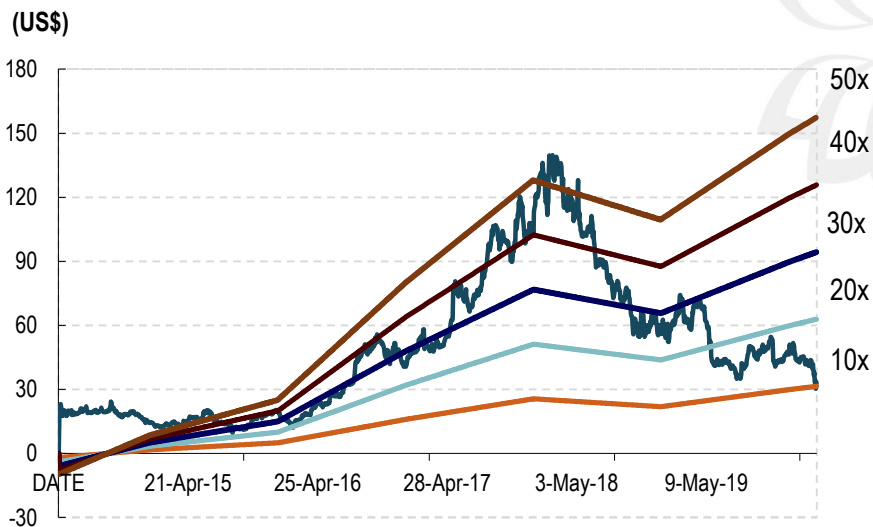
## SWOT analysis for its ambitions

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>Maintain a leading position in online sector.</li> <li>Online big class is easy to achieve economic of scale.</li> <li>Offline demand remains strong.</li> </ul>	<ul style="list-style-type: none"> <li>Offline wait for government permission to restart.</li> <li>Offer more discount during the epidemic than EDU.</li> <li>Expansion is mostly in high tier cities.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>Industry consolidation is accelerating.</li> <li>Strong AST demand.</li> <li>Small players are exiting the market</li> </ul>	<ul style="list-style-type: none"> <li>More intensified competition of online AST sector.</li> <li>Weekend might shorten by the education department.</li> <li>EDU is expanding quickly in offline.</li> </ul>

## Key points

- Ads industry is faced with severe headwind during epidemic period.
- There is possibility that a financial crisis may come out.
- Weibo would continually implement stricter cost control.
- Weibo may suspend further investment on Oasis due to its lower retention to improve profitability and therefore expand margin.
- Weibo's cheap valuation.

## Forward PE chart



Source: Weibo (2020/3)

## Key Financials

US\$ (mn)	2018A	2019A	2020E	2021E	2022E
Revenues	1,719	1,767	1,729	2,036	2,312
Non-GAAP op. profit	662	659	656	870	1,031
Non-GAAP EPS	2.73	3.00	2.97	3.48	4.15
PE	16	14	15	12	10
Cash flow yield	3.8%	7.0%	4.7%	7.4%	8.5%

Source: Weibo, Blue Lotus (2020/3)

## SWOT analysis for its ambitions

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• The only platform focus on social network.</li> <li>• Dominated on instant news</li> <li>• Large scale of KOLs</li> </ul>	<ul style="list-style-type: none"> <li>• Advertiser's demand will drop due to macro headwind.</li> <li>• Unable to develop algorithm content distribution</li> <li>• Difficult to attract lower tier city users.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Stricter cost control</li> <li>• Macro turning over</li> <li>• Mid-form video content</li> </ul>	<ul style="list-style-type: none"> <li>• Competition with short-video platforms like Douyin and Kwai.</li> <li>• Shipinhao(视频号) launched by Wechat</li> <li>• Stricter regulation on content</li> </ul>

Four types of people should have mandatory quarantines:

- confirmed cases,
- suspected cases,
- people who have close contact with the former two, and those who have fever.



Existing hospitals



Temporary hospitals



Mobile hospitals



Community health service centers



Quarantine hotels





Wide social mobilization    Closed residential community    Medical-related products manufacturer



Food delivery/intra-city delivery

Online education

Remote work

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