



Alibaba Holding Group. (BABA)

SELL : USD\$149.87 (+32.97%)

Equity Research Department

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Analysts

Gabriele Presti – Lead

gabriele.presti@studbocconi.it

Matteo Pellandino

matteo.pellandino@studbocconi.it

Emanuele Licari

emanuele.licari@studbocconi.it

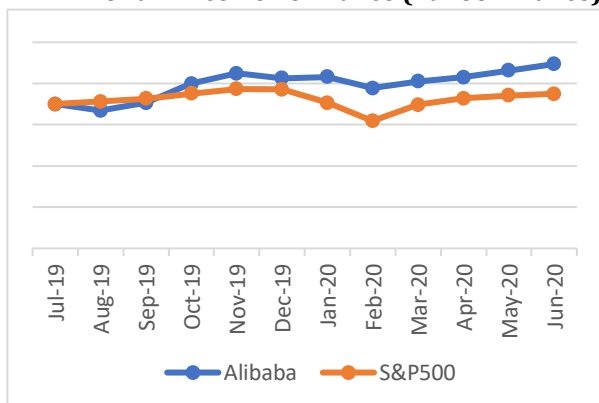
Miquel Lluesma

miqueljld@gmail.com

Basic Information

Last Closed Price	USD\$223.60
12M Target Price	USD\$149.87
+/- Potential	+32.97%
Bloomberg Ticker	BABA:US
GICS Sector	Consumer Discretionary
	Internet and Direct
GICS Sub-Industry	Marketing Retail

12 Month Price Performance (Yahoo Finance)



Key Financials

Market Cap	593.654B
Basic Shares O/S	2.627B
52-Wk High	USD\$231
52-Wk Low	USD\$151.85
Fiscal Year End	30-Mar-2020

(\$USD M)	FY18A	FY19A	FY20E	FY21E
Gross Profit	22,833	25,319	66,814	88,742
Gr Rate (%)	-	36.91	41.31	-22.95
EBITDA	12,264	10,105	15,256	19,878
ROS (%)	27.70	15.15	17.94	18.50
Net Income	8,958	12,264	20,897	16,996
EBIT	11,050	8,506	13,624	18,214
EV/EBITDA	34.95	42.41	28.10	21.56

Key Executives

Daniel Zhang	Chief Executive Officer
Maggie Wu	Chief Financial Officer

Q1 Earnings Highlights

- Alibaba registered a significant growth in total revenue (+22%) also due to the opportunities given by Covid-19
- The company reported an increase on cloud computing revenue with a 58% growth.
- Active consumers on March were 726 millions, with 846 millions unique mobile devices that were used to access or visit the online store.

Summary

Although the current health emergency linked to the spread of the new Coronavirus is bringing many economic sectors to their knees, the same cannot be said for e-commerce. In fact, the forced imposition of quarantine, has pushed many consumers to review their purchasing habits, inevitably veering towards e-commerce companies or independent online stores, leading to an 80% increase in sales for this sector. Alibaba certainly has benefited from this situation and registered a significant growth of 22% in total revenues compared to the same period last year. Indeed, if we look at its last 12 months stock price, it cannot be said that there has been a considerable drop, which has happened to many other companies' stocks as we can notice from the comparison with S&P500 graph on the left.

Therefore Alibaba, together with its competitors, can be considered in all respects a winner of the recent crisis. Its ability to reinvent itself and the close relationship with digitalization that has always characterized its work, has made Alibaba increasing its opportunities worldwide.

During the health emergency the Chinese giant has helped to fill the shortage of staff in the deliveries of Hema supermarkets, known to be among the most technological in the country. The company also introduced a form of warranty for products purchased with Alipay and, instead of suffering a loss due to the emergency situation, its income has increased by 30% only in February. Alibaba also recorded a strong demand for food and grocery business with its subsidiaries Freshippo and Taoxianda, as customers adopting to the habit of buying groceries online.

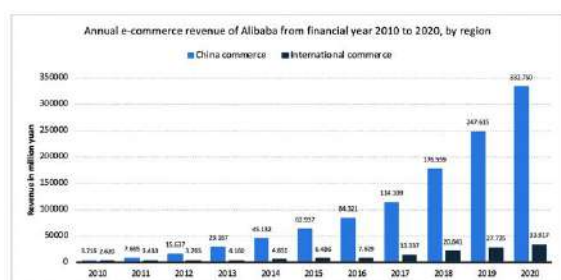
Another business opportunity born from the global lockdown is the cloud computing. Public cloud grew rapidly driven by an increase in consumption of video contents and adoption of remote working and learning. Alibaba Cloud took advantage of this opportunity and saw a stunning growth (+58%) on cloud computing revenues.

Then, according to IDC, Alibaba would control over 47% of the Chinese cloud computing market, not to mention the important role played in the aforementioned e-commerce sector, in which Alibaba would hold at least 55% of the shares of the entire market.

That is why analysts consider Alibaba's stocks a good investment and they did not lose value during the pandemic.

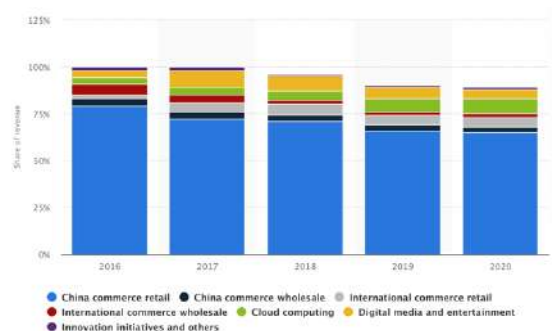
Everything mentioned before could be an explanation why the company's stock price does not respect the fundamentals, which we estimated 149.87\$.

Figure 1. Regional Breakdown



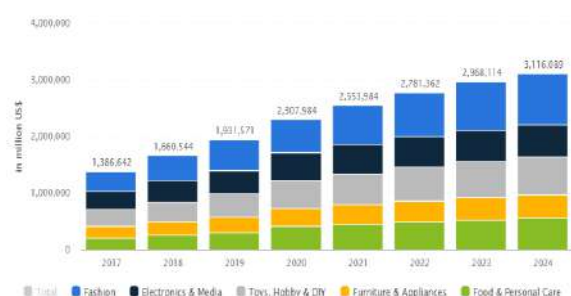
Source: Statista

Figure 2. Distribution of Sales by Category



Source: Euromonitor

Figure 3. Market Outlook



Source: Statista

Company Overview

Alibaba is one of the leading e-commerce companies in the world. In the last few years, the company has evolved from a traditional e-commerce company to a conglomerate compressing different businesses such as food delivery or cloud computing.

Alibaba Group comprises three main businesses: Alibaba.com, Taobao, and Tmall. Each of those marketplaces serve to connect diverse types of buyers and sellers, allowing Alibaba to act as a key player in China's emerging e-commerce industry. Alibaba.com is a business-to-business site, which connects manufacturers and buyers around the world. Taobao.com connects international businesses to consumers. Tmall.com is conceived to satisfy the needs of China's middle class, and focuses on large, multinational brands.

Taobao is one of Alibaba Group's most profitable marketplaces that generates for more than 80% of its sales, thanks to soaring demand for high-quality imported brands in China.

Alibaba Group sales account for more than half of all e-commerce sales in China, which is one of the world's fastest-growing e-commerce markets.

Alibaba Group is well prepared for the New Retail industry. They aim to bring together digital payments, e-commerce, food delivery and other parts of the business into one big ecosystem. The company has also become a renowned name in the growing entertainment and media market, driven by increasing demand for videos across its platform and growing partnerships.

Other of the key segments of the group is the cloud business, which is one of the biggest in China. The cloud computing has gradually become one of the fastest-growing businesses and the second-largest revenue source for Alibaba.

Alibaba went public in 2014, valued at \$231bn, on the world's largest IPO in history at that moment (\$25bn). Currently it is valued at +\$500bn, being the second Asian company in history to break the \$500bn barrier.

Industry Outlook

Alibaba revenue has been increasing constantly over the past years. In the last fiscal year, ended March 31th, 2020, they reported:

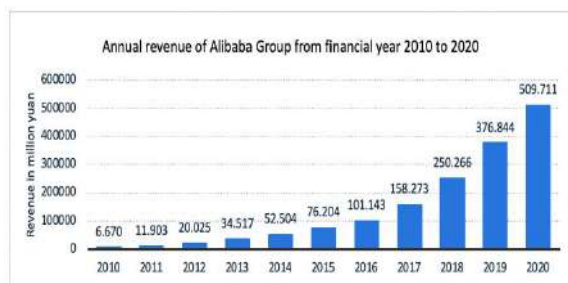
- Revenue of \$71.98 bn, an increase of 35% year-over-year.
- Annual active consumers reached 960 million globally (780 million in China and 180 million outside).
- Mobile MAUs on our China retail marketplaces reached 846 million, increasing in 125 million over the last year.
- Gross merchandise volume was \$1 trillion for FY2020, mainly composed by China retail marketplaces GMV of \$945 billion.
- Income from operations was \$12,912 million, an increase of 60% y-o-y.
- Adjusted EBITDA was \$22,266 million, an increase of 29% y-o-y.
- Adjusted EBITA for core commerce was US\$23,415 million, an increase of 22% y-o-y.
- Net income was 19,821 million, an increase of 42% year-over-year.
- Non-GAAP diluted EPS was US\$0.93, an increase of 38% year-over-year.
- Net cash from operating activities was US\$25,507 million.

Figure 4. Company Share Performance



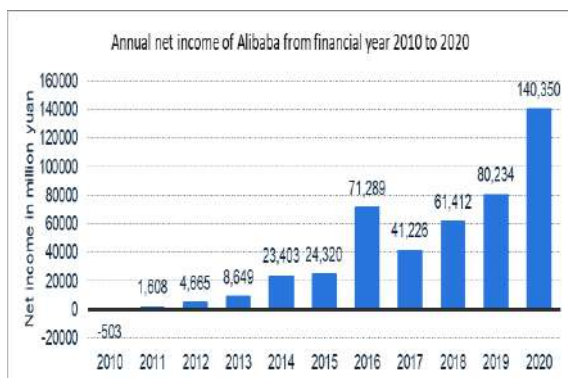
Source: seekingalpha.com

Figure 5. Industry Revenue Growth 2010-2020



Source: Statista

Figure 6. Annual net income of Alibaba from financial year 2010 to 2020



Source: Statista

Industry Analysis

Alibaba operates in a wide range of businesses. However, we will focus our analysis in the e-commerce segment, its main source of revenue.

The e-commerce market is fragmented and is expected to face extreme competition in the coming years. Many players are implementing various strategies to sustain their presence in the market. This extreme competition adds risk to a possible investment.

The global e-commerce estimated market size was \$9.09 trillion in 2019 and is expected to have a CAGR of 14.7% from 2020 to 2027. One of the main factors driving this growth is the increasing penetration of internet and the increasing number of smartphone users across the world. The e-commerce sector comprises a nearly unlimited range of products and services. Among those, there are some, such as financial services, digital content, travel and leisure, e-tailing that are gaining momentum. Technological awareness among the population is expected to impact positively the market growth.

The threat of new entrants

Low/Medium – There is a need for large investment in technology, human resources and marketing, so barriers to entry are moderately high. Another important barrier is building a brand image and trust with the customers.

Bargaining power of supplier

Low/Medium – Despite the growing number of industry players, the suppliers do not have too many options and therefore bargaining power of the suppliers is low. Some of the suppliers may have some bargaining power because of their size and quality.

Bargaining power of clients

Low – The consumer base is very fragmented.

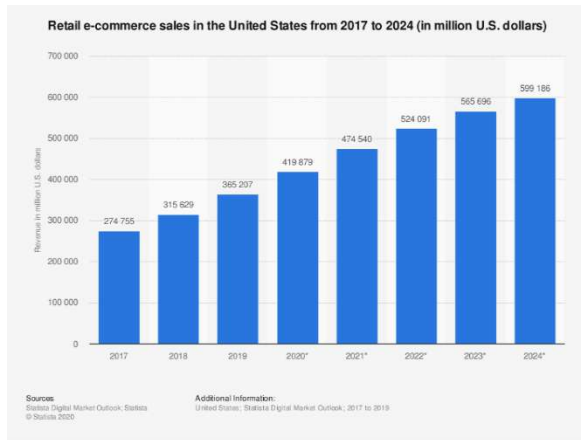
Threat of substitute products or services

Medium/Low – The main threat comes from the physical retailers. Companies try to get a competitive advantage through prices, quality or customer experience. There are no switching costs for the customers and they can easily switch from one e-retailer to another or from ecommerce to physical retail.

Rivalry among existing competitors

High – There is a large number of players. The number of local and global brands in the ecommerce market has grown and this has also led to higher competition. Apart from the traditional e-commerce players, now there is a new competition from traditional retail players, which are increasing their efforts to penetrate the e-commerce market.

Figure 7. E-commerce Sales Performance from 2017 to 2024 (expected) in USA



Source: Statista

SWOT Analysis

Strengths:

Strong position in China: Alibaba is the leading e-commerce and cloud company in China. There is a major gap between its market share and that of its competitors.

Leading e-commerce player: They are investing in other markets to expand its e-commerce business into other countries in Asia, Europe and Middle East. Taobao and Tmall have are growing in popularity and number of consumers.

Fast growing revenue: Alibaba group's financial position has kept growing stronger year over year. Its core commerce revenue as well as total revenue saw major growth during fiscal 2019.

Growing cloud business: The cloud industry is expected to grow in the following years and to be an important source of revenue for technological companies. Alibaba is well positioned for this.

Weaknesses:

Limited International presence: The company is trying to expand its business internationally.

Overdependent on core business and Chinese market: There is an overdependence on its core business (e-commerce) and in its local market (China). This can be a problem in the future if it is not correctly addressed.

Opportunities:

Technological innovation: There is an intense competition between Alibaba and the leading e-commerce player Amazon. Investing in research and innovation helps Alibaba grow its competitive advantage and also lower the barriers to faster growth.

International expansion: As we have mentioned before, Alibaba has a great opportunity in expanding its business internationally.

International partnerships and acquisitions: A way to do its international expansion could be via partnering with other brands in the international market.

Threats:

Competitive pressure: As we have mentioned before, the e-commerce industry has an extreme competition, which is a great threat to any industry player.

Trade barriers: Commercial tensions between US and China are a threat to major Chinese businesses like Alibaba. In the international market, this can translate into significant trade barriers.

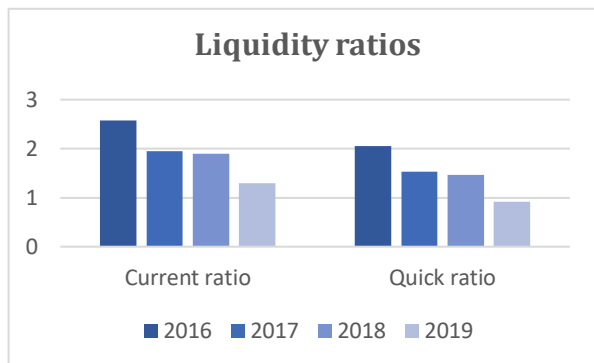
Legal threats: Legal pressures is also a problem for most large and international technology businesses including Alibaba. Apart from increased concerns related to user privacy, compliance related costs has also increased for the technology brands.

Figure 13. Overview

	Competitors *	2016	2017	2018	2019
Liquidity ratios					
Current ratio	1,10	2,58	1,95	1,89	1,30
Quick ratio	0,86	2,05	1,53	1,47	0,91
Profitability ratios					
Gross Profit Ratio	40,99%	66,03%	62,42%	57,23%	45,09%
Operating Cost Ratio	94,82%	71,23%	69,64%	72,30%	84,85%
ROS	5,18%	28,77%	30,36%	27,70%	15,15%
ROA	5,84%	22,35%	11,84%	14,00%	9,97%
RDE	21,07%	28,53%	12,72%	13,98%	13,18%
Overall Profit Ability Ratio (Net income/Total assets)	5,14%	19,56%	8,13%	8,56%	8,31%
Earning Per Equity Share	23,01	4,51	2,55	4,00	5,06
Capital structure ratio					
Debt/Equity Ratio	14%	28,81%	31,90%	38,78%	28,85%
Proprietary Ratio	63,06%	59,54%	55,01%	51,01%	51,01%

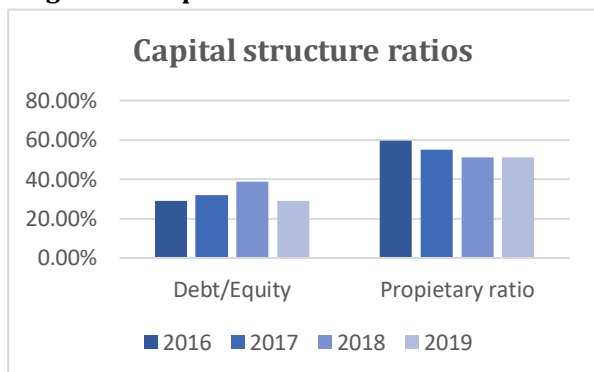
*As competitor we chose Amazon Group, the leading world company in e-commerce. We reported ratios of 2019.

Figure 14. Liquidity



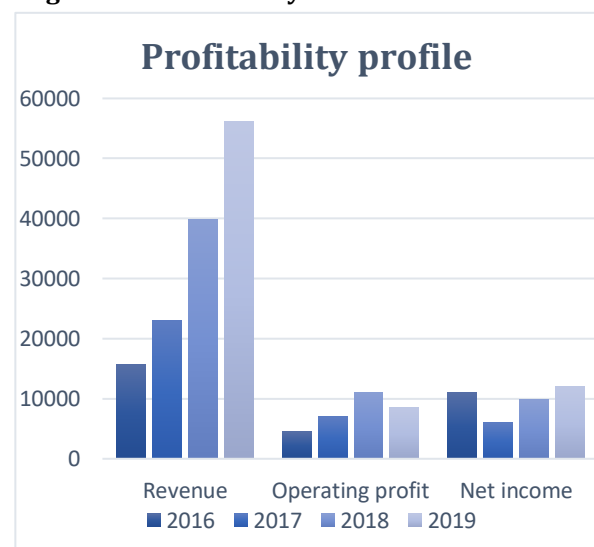
Source: Minerva Investment Society Est.

Figure 15. Capital structure ratios



Source: Minerva Investment Society Est.

Figure 16. Profitability



Source: Minerva Investment Society Est.

Financial Analysis

From Figure 13, we can deduce some information about the company's shape. First of all, we can see how fast revenue increased during last years: it more than tripled from 2016 to 2019 and this underline a huge growth of the company. Also, net income followed a positive trend during the last three years after a drop between 2016 and 2017 mainly due to enlargement expenses.

Regarding operating costs, it is clear to see that the company is reaching its competitor's standards, moving from low costs in 2016, about 70% of its revenue, to almost 85% in 2019. This is explained by the worldwide growth of the company that inevitably lead to higher costs of management (also noticeable looking at the decrease of the Overall Profitability ratio).

Liquidity:

Moving to liquidity ratios, we can notice that Alibaba Group is a solid company that could manage unexpected lack of cash. The current ratio has been computed as current assets on current liabilities. It is strongly above 1 (1,30) and this indicates that the company is liquid as short-term assets exceed short term liabilities. The company then has a good quick ratio (0.91) which is calculated excluding inventory $[(\text{Current assets} - \text{Inventory}) / \text{Current liabilities}]$.

Structure:

Looking instead at capital structure ratios, the company seems to have an acceptable Debt/Equity ratio, even if it's above its competitor's one. This fact is also highlighted by the Proprietary ratio, which is lower of Amazon's and settles at 51.01%. This means that Alibaba's financial structure is quite balanced, not depending too much on bank or bonds debts.

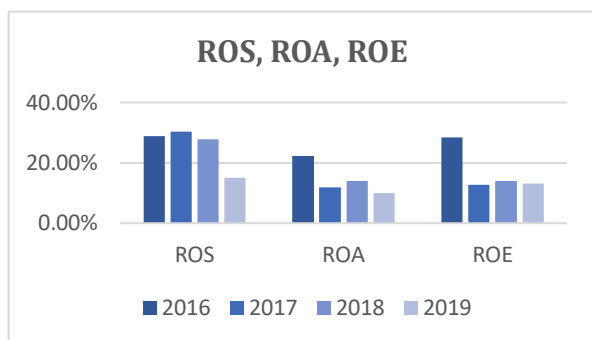
Profitability:

Although revenues have steadily increased over the years, Alibaba's return on equity (ROE) that in 2016 was really high, is not comparable to the competitor's return in 2019. It showed a decreasing trend in that period of time, stabilizing at an average of 13% per year. This drop could be justified, as anticipated above, by the company's willingness to expand globally and therefore to an inevitable increase in enlargement costs. Another explanation could be that Alibaba Group reached the global market way after its competitor and so it needs time to adapt to the market. If the company will manage to stabilize its business in a global position, it could have huge margins of growth in the future.

A similar course can be associated at the firm's return on assets (ROA) that has reached in 2019 the minimum of 9.97%, starting from 22.35% of 2016. Return on sales (ROS) instead has almost maintained the same level from 2016 to 2018 and has dropped only in 2019, probably due to a doubling of costs of revenue happened in last fiscal year.

Lastly, analyzing the earnings per share (EPS), we can say that Alibaba shares (5.06) are not profitable and attractive as the Amazon ones (23.01). The reason behind a relative low EPS, is that Alibaba has an incredibly high number of outstanding shares (2.674B) compared to Amazon's (506M). It is easy to understand that for a given profit the EPS of the chinese company would be inexorable lower.

Figure 17. Company's returns



Source: Minerva Investment Society Est.

In fact, the EPS ratio is quite good when comparing two firms with the same free float, but it becomes of a weaker strength for situations like this. It should be presented jointly with shares prices which in this case are 2,890\$ for an Amazon stock and 223.60\$ for Alibaba. It is noticeable that Amazon shares are much more expensive than Alibaba's ones and its higher EPS could be explained also in a way of higher market premium risk (the more I pay, the more I risk, the more I expect a higher return).

A more reliable indicator could be earnings in absolute terms. Alibaba's earnings in 2019 were 13.053M while Amazon ones were 11.590M.

Now, it is clear to see that if we divide Alibaba's earnings by Amazon outstanding shares, we can find an "adjusted" EPS of 25.79, which is higher than Amazon normal EPS.

Viceversa, if we divide Amazon's earnings by the free float of Alibaba, we find an EPS of 4.33, lower than Alibaba's indicator. This small analysis shows how, in fact, Alibaba's stocks have a potential even higher than those of its competitor.

Valuation

Valuation Price Target: USD\$149.87

Our analysis followed two main methods:

- An intrinsic valuation regarding the DCF model (FCFE);
- A relative valuation with market multiple of comparable companies

Free Cash Flow to Equity Approach

In the set of the different indirect evaluation approaches, we choose the DCF equity side model. Typically, the sector of e-commerce prefers the use of asset side DCF model because allows to estimate the value of the company considering the high capital expenditure in distribution area and production division which leads companies to highly exploit the use of external financing sources. In our case, instead, we decided to use the equity side approach because the Company presents some peculiar characteristics that makes FCFE model better in capturing the intrinsic value of Alibaba.

Proceeding step by step, the first element we computed was the cost of equity, which is based on the following assumptions:

- RISK FREE RATE (0.77%): we used last available 10-year US Treasury Bond yield;
- COST OF DEBT (3,8%) and WACC (10%);
- EQUITY RISK PREMIUM (5.63%): it represents the premium an investor will require to invest in the stock instead of investing in the risk-free security.
- BETA LEVERED (1,2): it represents the risk specifically attached to the company, comparing the performance of the market with the performance of the company.

For what concerns the Country Risk Premium (CRP), this premium has been already incorporated in the high ERP of 6.52%.

Beta Computation: Beta is a coefficient that express how much the return of the security is captured by the return of the market portfolio; in brief, we consider the systematic risk of the security. To compute the Beta equity of the company, we used the market model introduced by W. Sharpe, which describes this coefficient as the ratio between the covariance of market index returns and stock returns, and the variance of the market index in a given period (estimation window).

We put in comparison the security's return with those of S&P 500 and NASDAQ separately, which were considered the Market Index. In doing so, we applied, as required by the model, an OLS regression between the streams of returns of the stock and market index. We Considered 3 different return's frequencies and estimation windows:

- 5 year-monthly
- 2 year-weekly
- 2 year-daily

To assess the most reliable and significant regression we considered the regression line with higher Adjusted R². This factor measures how much of the security returns (dependent variable Y) is explained by movements of the independent variable X (the market index), in terms of variance.

In other words, higher values of Adjusted R², the more the variance of stock returns is captured by the market variability of stocks' returns. As following, we report the plots showing the six regressions we performed, after which we moved to the model with highest Adjusted R², which in our case is represented by the 2-years weekly regression with S&P 500.

Figure 19. Computed Results

Summary Scenario	DCF asset-side
Enterprise value	428.626
(Net debt)	23796
Surplus assets	14.549
(Minorities)	17333
Equity value	402.046
Number of shares (NOSH)	2.682.723.033
Equity value per share (\$)	149,87
Current stock price (EUR)	219

Source: Minerva Investment Society Est.

Figure 20.

	Total Revenue	Ebitda	Ebit	Net income	ROA	ROE	ROI	EPS
Alibaba	56.152	14.030	8.506	13.053	10,08%	14,67%	13,51%	5,06
Amazon	280.522	36.330	14.541	11.588	5,14%	18,67%	13,56%	23,01
eBay	10.800	3.002	2.321	1.786	9,86%	62,44%	17,74%	2,09
Suning	38.071	2.417	2.075	1.392	4,27%	8,88%	16,85%	-0,24
JD.com	81.577	1.336	1.723	1.723	5,07%	17,21%	13,81%	1,16
Naspers	3.291	917	772	6.901	8,58%	12,90%	10,94%	6,84

*Data in millions US\$ (2019)

Peer analysis

We have excluded from our analysis several competitors because their core business is different from our target company's one and their size does not allow to make a reliable peer analysis; such a decision is based on the observation that, in the majority of cases, their offer is limited to a specific segment of products:

Amazon is the second-largest private employer in the USA and during the last years, it has expended its influence in fields like cloud computing, digital streaming and artificial intelligence. In 2019, Amazon.com Inc increased its cash reserves by 13.17%. The company earned 38.51B from its operations for a Cash Flow Margin of 13.7%. Moreover, the company used 24.28B on investing activities and paid 10.07B in financing cash flows. Lastly, year on year, growth in earnings per share excluding extraordinary items increased by 15.9%.

eBay is a platform that facilitates Business to Consumer but above all Consumer to Consumer sales, with operations in more than 33 countries, has become a notable success story of the dot-com bubble. However, year on year eBay Inc's net income fell - 29.41% from 2.53B to 1.79B despite relatively flat revenues. A contributing factor was an increase in the percentage of sales devoted to the cost of goods sold from 22.17% to 23.22%. Furthermore, the company generated 2.79B cash from investing, though they paid out 7.09B more in financing than they received.

JD.com is the major competitor to Alibaba within the Chinese market in terms of transaction volumes and revenue. As a matter of fact, in 2019, the company earned 24.78B from its operations for a Cash Flow Margin of 4.30%. Besides, the company generated 2.57B cash from financing while 25.35B was spent on investing.

Suning operates businesses through three segments. The Retailing segment is engaged in the sales of communication products, small household appliances, digital and information technology service products, refrigerators, washing machines, televisions and air conditioners through both online and offline channels, as well as the provision of installation and maintenance services. The Logistics segment is engaged in the provision of logistics services. The Finance segment is engaged in the payment business and the supply chain finance business.

Naspers is headquartered in South Africa, its principal operations are in internet communication, entertainment, gaming and e-commerce, year-over-year Naspers Ltd had net income fall by - 39.24% from 11.4B to 6.90B despite a 10.25% increase in revenues from 2.98B to 3.3B. However, an increase in the cost of goods sold as a percentage of sales from 63.12% to 63.93% was a component in the falling net income despite rising revenues. Naspers Ltd appears to have a strong balance sheet and has grown its cash reserves consistently over the last four years to total 8.30B.

Figure 21.

Combarables avarage multiples	EV/EBITDA	EV/EBIT	EV/Sales	P/E
Alibaba	22,15	23,88	8,01	38,08
Amazon	39,47	99,78	4,91	74,35
eBay	13,41	16,93	4,08	13,55
Suning	5,55	6,97	0,38	4,24
JD.com	65,30	76,38	1,03	38,86
Naspers	20,26	21,41	20,67	21,14

*Data in millions US\$ (2019)

Figure 22.

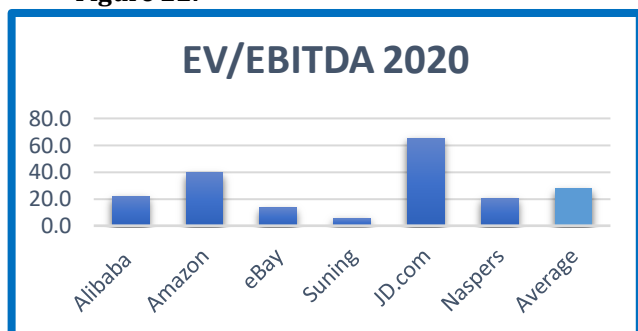
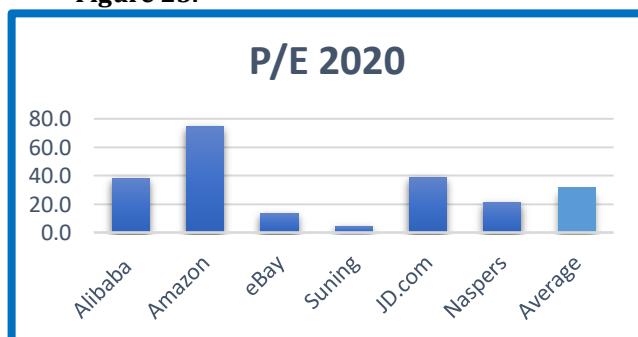


Figure 23.



Market Multiples Approach

We have performed a market multiples approach analysis to check the results obtained through the DCF, to double-check the previous analysis conducted with the FCFE approach.

First of all, we took the market multiples of the set of comparables mentioned before. Besides, we decided to use both equity and asset side multiples.

On the one hand, as for the equity side multiple we chose to consider the P/E since it is one of the most diffused tools in relative valuation.

As for the asset side multiples, we selected EV/Sales, EV/EBITDA and EV/EBIT, to observe simultaneously both the market appreciation of company franchising power and market appreciation of different capital, focusing on the revenues-costs structure.

In figure 21 we report the results of our computations.

Finally, as shown in figure 22, the Alibaba EV/EBITDA is approximately equivalent to the average calculated considering the main competitors selected. Moreover, as regards the Alibaba P/E, it is slightly higher than the average. This could indicate that the stock's price is high relative to earnings and perhaps overvalued.

Due to the current period of crisis, we emphasise the presence of depressed multiples which indicate the current momentum driven by uncertainty on the market which recommends warning. This is the reason why we believe the stock will suffer for a while the declining trend of prices in the stock market while waiting for a stabilization in the fundamental valuation of the group. Nevertheless, the multiples may be biased and therefore do not reveal the real value generated by the companies.

Investment Risks

Stringent Regulations -The company's business operations are subject to the rules and regulations of the Food and Drug Administration (FDA) and other federal, state and local health agencies regarding production and marketing of beverages. The FDA also regulates the labeling of containers under The Nutrition Labeling and Education Act of 1990. Similarly, in California, Proposition 65 regulates the labeling of containers which specifies if the state has determined that a substance causes cancer or harms human reproduction, a warning must be provided for any product sold in the state that exposes consumer to that substance. If the company is required to add Proposition 65 warnings on the labels of its beverage products produced for sale in California, the resulting consumer reaction to the warnings and possible adverse publicity could negatively affect the company's sales both in California and other markets. Significant additional labeling or warning requirements or limitations on the marketing or sale of company's products could inhibit sales of the products.

Foreign Exchange Risks - The company operates in many parts of the world and is exposed to fluctuations in foreign exchange rates. The company reports financials in the US dollar and therefore its revenue is exposed to volatility of the US dollar against other functional currencies such as euro, Brazilian real, Australian dollar, South African rand, and Mexican peso. The major elements exposed to exchange rate risks include the company's investments in overseas subsidiaries and affiliates and monetary assets and liabilities arising from business transactions in foreign currencies. In FY2018, the company reported a loss of US\$17 million from foreign currency translation adjustments as compared to gain of US\$7.2 million in FY2017 and a loss of US\$1.2 million in FY2016. To minimize risks from currency fluctuations, the company could involve in foreign exchange hedging by entering foreign exchange forward contracts. However, there could be no assurance that such hedging would limit the impact of movements in exchange rates on the company's results of operations.

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Appendix:

Income Statement

Forecasts	2018	2019	20220E	2021E	2022E	2023E
Net Revenues	\$39.898	\$56.152	\$75.950	\$98.491	\$123.830	\$161.253
Cost of Goods Sold	17.065	30.833	9.136	9.749	10.405	11.107
Gross Profit	22.833	25.319	66.814	88.742	113.425	150.146
Other Op. Expenses	11.783	16.813	731	751	772	795
EBIT	11.050	8.506	13.624	18.214	25.058	36.036
Net Interest Expense	3.006	4.965	9.706	-22	1.766	-537
EBT	14.056	13.471	23.330	18.193	26.824	35.499
Income Tax Expense	5.099	1.207	2.433	1.197	3.996	4.935
Net Income	8.958	12.264	20.897	16.996	22.828	30.564

Balance Sheet

	2016	2017	2018	2019
Assets				
Cash and cash equivalents	16.566	20.882	31.775	28.308
Short-term investments	729	437	970	486
Restricted cash and escrow receivables	209	386	545	1.269
Investment securities	648	589	768	1.479
Prepayments, receivables and other assets	2.640	4.222	6.891	8.730
Total current assets	20.792	26.516	40.949	40.272
Investment securities	4.558	4.569	6.089	23.407
Prepayments, receivables and other assets	932	1.169	2.694	4.175
Investment in equity investees	14.184	17.487	22.271	12.584
Property and equipment, net	2.560	3.618	12.095	13.713
Intangible assets, net	833	2.050	4.378	10.173
Goodwill	12.662	18.221	25.850	39.477
Total assets	56.521	73.630	114.326	143.801
Liabilities				
Current bank borrowings	667	864	961	1.096
Current unsecured senior notes	433	1.300	-	2.251
Income tax payable	4.240	890	2.181	2.635
Escrow money payable	-	337	487	1.229
Accrued expenses, accounts payable and other liabilities	4.240	6.855	12.940	17.540
Merchant deposits	1.134	1.190	1.527	1.604
Deferred revenue and customer advances	1.597	2.187	3.555	4.589
Total current liabilities	8.071	13.623	21.651	30.944
Deferred revenue	65	93	158	219
Deferred tax liabilities	1.004	1.475	3.079	3.355
Non-current bank borrowings	290	4.498	5.445	5.279
Non-current unsecured senior notes	8.002	6.665	13.610	11.385
Other liabilities	335	188	327	922
Total liabilities	17.767	26.542	44.270	52.104
Total shareholders' equity	33.652	40.504	58.320	73.348
Noncontrolling interests	5.048	6.150	11.258	17.333
Mezzanine equity	54	434	478	1.016
Total equity	38.754	47.088	70.056	90.681
Total liabilities and equity	56.521	73.630	114.326	143.801

Valuation

<i>data in \$ millions</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>TV</i>
<i>Net Income</i>	820,68	993,00	1.107,84	1.293,79	1.483,59	1.696,38	1.936,72	2.215,21	
<i>D&A</i>	48,89	56,98	64,81	90,33	124,98	172,06	236,00	322,87	
<i>Capex</i>	(532)	(273)	327	(150)	(204)	(277)	(376)	(511)	
<i>ΔWC</i>	(21)	(59)	(76)	(32)	(80)	(85)	(92)	(101)	
<i>New debt issued</i>									
<i>Debt paid</i>	(3)	(2)	(14)						
<i>Non cash items</i>	5	(11)	2						
<i>FCFE</i>	319	706	1.411	1.202	1.325	1.506	1.705	1.926	37.190
<i>discount factor</i>				0,93	0,88	0,82	0,77	0,72	
<i>PV FCFE</i>				1.120	1.163	1.238	1.312	1.389	26.818

<i>Cumulative PV FCFE</i>	6222	<i>Ke</i>	7,26%
<i>PV TV</i>	26818	<i>Ke after 2020</i>	6,76%
<i>estimated MV</i>	33040	<i>g long-run</i>	1,50%
<i>N.shares (in millions)</i>	537		
<i>Price target</i>	62		
<i>MV equity</i>	33040		
<i>Cash</i>	(798)		
<i>Investments (SA)</i>	(546)		
<i>EV</i>	31696		