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## Topics in This Report

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## momo.com Consolidated P&L

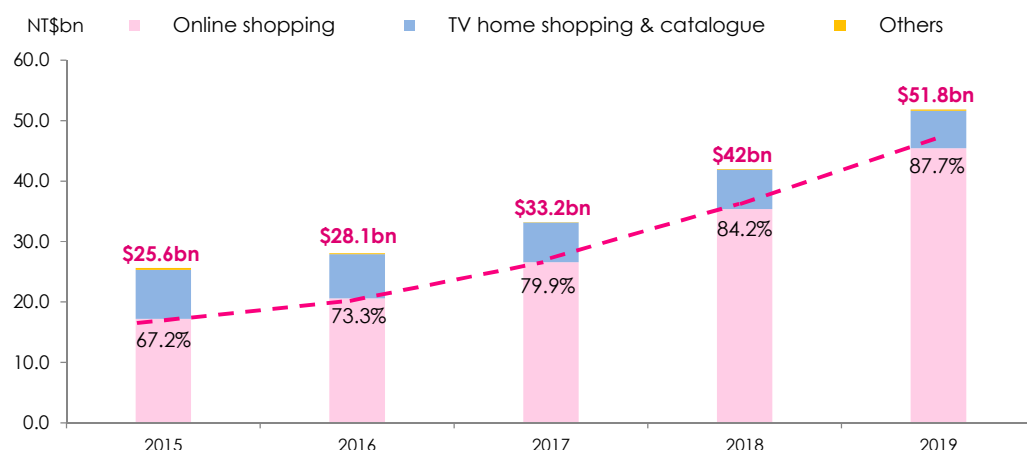
P&L (NT\$ mn)	4Q19A	4Q18A	YoY	2019A	2018A	YoY
<b>Revenue</b>	<b>15,907.8</b>	<b>12,391.7</b>	<b>28.4%</b>	<b>51,830.4</b>	<b>42,017.0</b>	<b>23.4%</b>
Gross product profit	2,404.5	2,007.0	19.8%	8,323.6	7,212.9	15.4%
Operating costs	(878.4)	(759.5)	(15.6%)	(3,238.9)	(2,952.7)	(9.7%)
Gross profit from operations	1,526.2	1,247.5	22.3%	5,084.6	4,260.2	19.4%
<b>EBITDA</b>	<b>705.9</b>	<b>539.0</b>	<b>31.0%</b>	<b>2,328.6</b>	<b>1,743.0</b>	<b>33.6%</b>
OPEX	(1,007.3)	(796.5)	(26.5%)	(3,429.0)	(2,837.8)	(20.8%)
Operating profit	518.9	451.0	15.1%	1,655.6	1,422.4	16.4%
Income from LT investments	17.5	47.0	(62.9%)	49.1	50.5	(2.7%)
Other non-op income	^(11.1)	4.8	(333.5%)	16.2	6.7	141.8%
Pretax profit	525.3	502.7	4.5%	1,720.9	1,479.6	16.3%
Tax	107.1	95.0	12.7%	328.2	34.9	840.4%
Net income	418.2	407.7	2.6%	1,392.7	1,444.7	(3.6%)
Less minorities	(0.9)	(0.8)	12.5%	(1.1)	(5.0)	(78%)
Net income to parent	419.1	408.5	2.6%	1,393.8	1,449.6	(3.9%)
Adjustments	0.0	(10.4)		*(27.9)	*(254.3)	
<b>Recurring net income to parent</b>	<b>419.1</b>	<b>398.1</b>	<b>5.3%</b>	<b>1,365.9</b>	<b>1,195.3</b>	<b>14.3%</b>
Basic EPS <sup>^</sup>	2.99	2.92	2.4%	9.95	10.35	(3.9%)
<b>Recurring basic EPS</b>	<b>2.99</b>	<b>2.84</b>	<b>5.3%</b>	<b>9.75</b>	<b>8.53</b>	<b>14.3%</b>

<sup>\*</sup>Including NT\$17.8mn tax benefit in 1Q19; <sup>^</sup>Impairment of goodwill involving in the acquisition of bebe poshe;

<sup>#</sup>one-time tax benefit in 2018

## 4Q19 Operational highlights

- momo's 4Q19 consolidated revenue hit record high at NT\$15,907mn (+28.4%YoY) on the back of further B2C market share gains and accelerated online retail growth. The growth was driven by B2C's accelerating growth of 32.9%YoY (vs. 30.7% in 4Q18) on Double 11 record sales, and higher growth rate from mobile platforms (+46%YoY), accounting for 67.8% of B2C sales during the quarter. While, TV business maintained as a cash cow and revenue slightly increased 1.4%YoY.



- 4Q19 pre-IFRS 16 EBITDA increased 14.2% YoY to NT\$615.3mn; while, pre-IFRS 16 EBITDA margin was 3.9% vs. 4.3% in 4Q18, largely due to business mix. On pre-IFRS 16 basis, the growth of EBITDA can be attributed to the continued high growth of the B2C business. Pre-IFRS 16 EBITDA margin dropped YoY, largely because of business mix. Notably, operating costs and OPEX of % revenue fell QoQ and YoY thanks to scale benefit and operating leverage.

- 4Q19 recurring revenue based EPS were NT\$2.99 (+5.3%YoY), registering historical high. Net income for 4Q19 totaled NT\$418mn (+2.6%YoY). Comparing to 4Q18 recurring profit (after adjusting NT\$10.4mn of one-time gain), 4Q19 recurring EPS rose 5.3%YoY.

- 2019 revenue totaled NT\$51.83bn (+23.4% YoY). Pre-IFRS 16 EBITDA and operating profit increased 15.5% YoY to NT\$2,013mn and 16.4% YoY to NT\$1,655mn respectively. 2019 operating margin was 3.2% vs. 3.4% in 2018, largely in-line with management guidance. 2019 recurring EPS was NT\$ 9.75 (+14.3% YoY), returning to positive growth vs. 2018 (-5%YoY), 2017 (+6.3%YoY), 2016 (+13.6%YoY), 2015 (-10.9%YoY).



## I. Revenue Analysis

Figure 1 – Consolidated Revenue Breakdown

(NT\$ mn)	4Q19A	4Q18A	YoY	2019A	2018A	YoY
momoshop (B2C)	14,234.5	10,710.3	32.9%	45,419.5	35,329.8	28.6%
momomall (B2B2C)	14.5	15.2	(4.5%)	57.6	59.0	(2.4%)
TV home shopping	1,408.5	1,388.5	1.4%	5,327.3	5,508.0	(3.3%)
Catalogue	204.8	247.2	(17.2%)	871.7	1,020.7	(14.6%)
Others <sup>1</sup>	45.5	30.5	49.4%	154.3	99.5	55.1%
<b>Total Revenue</b>	<b>15,907.8</b>	<b>12,391.7</b>	<b>28.4%</b>	<b>51,830.4</b>	<b>42,017.0</b>	<b>23.4%</b>

Note 1: Other revenue consists of operating revenue from our 70%-held Fubon Gehua (Beijing), 85%-held BÉBÉ POSHÉ, and 100%-held supporting business units (travel agency and insurance distribution agent).

### momoshop (B2C):

Revenue from momoshop increased 32.9% YoY to NT\$14,234mn in 4Q19 and 28.6% YoY to NT\$45,419mn in 2019. 4Q19 YoY sales growth accelerated (vs. +30.7%YoY in 4Q18) and posted the strongest YoY growth in the past 7 quarters on the back of further B2C market share, improved logistics/fulfillment and user experience. momoshop delivered record sales of about NT\$2.1bn on “Double 11” shopping spree, with nearly 80%YoY growth in net revenue and active users on the day, well ahead of its B2C peers.

During the quarter, momo’s strong growth can be attributed to sustained high growth of mobile commerce net revenue at +46% YoY and a stable growth of PC based revenue of 14% YoY. Number of transaction jumped to 6.80mn (+31.8%YoY) vs. 5.16mn (+20.3%YoY) in 4Q18, and active users increased 21.7%YoY vs. 18%YoY in 4Q18.

3C & Home appliance remained the strongest category (+38.6% YoY, accounting for 40% of B2C revenue in both 4Q19 and 2019), followed by Households, Sports & Outdoors, Beauty & Healthcare, Fashion & Luxury with growth of 34.2%YoY, 37%YoY, 27.9%YoY, 25.6%YoY, respectively.

Loyal program was launched in 4Q19. momo co-branded a credit card with Fubon bank with 5% rebate through momo coins, aiming to improve customer retention, increase purchase frequency and attract new customers.

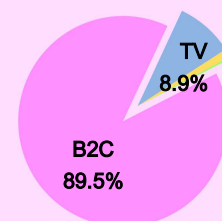
### TV home shopping & Catalogue:

Our TV shopping revenue posted slightly gain of 1.4%YoY to NT\$1,408mn in 4Q19, but declined 3.3%YoY to NT\$5,327mn in 2019 as consumers increasingly spend time online instead of watching TV. The business also fell victim to lower cable TV subscription in Taiwan.

We believe TV shopping remains a complementary business for B2C, offering another channel to engage with consumers, and offering a channel for sourcing product differentiation, such as unique Korean/local products and private/white label. momoshop also leverages TV shopping’s core competence (presentation and production skill) to develop live-streaming (KOL marketing) in B2C platforms.

Catalogue business saw revenue totaling NT\$204mn (-17.2%YoY) in 4Q19, as our circulation declined to 250,000 prints per issue in 4Q19 ( vs. 400,000 prints per issue in 1H19).

### 4Q19 Revenue Breakdown by BUs:



Note: Catalogue 1.3%; Others 0.3%; B2B2C 0.1%

### 4Q19 B2C growth accelerated at 32.9%YoY

**B2C strong sales growth driven by high mobile sales (+46% YoY), record Double 11 sales (+80%YoY) and further market share gains**



## II. EBITDA Analysis

Figure 3 – EBITDA Breakdown

EBITDA (NT\$ mn)	4Q19A	4Q18A	YoY	2019A	2018A	YoY
momoshop (B2C)	462.0	382.8	20.7%	1,553.6	1,091.1	42.4%
momomall (B2B2C)	(3.7)	(8.5)	56.5%	(14.5)	(30.7)	52.8%
TV home shopping	225.0	155.7	44.5%	721.5	645.6	11.8%
Catalogue	25.7	12.0	114.2%	78.8	55.8	41.2%
Others <sup>1</sup>	(3.0)	(3.1)	3.2%	(10.8)	(18.9)	42.9%
<b>Total EBITDA</b>	<b>705.9</b>	<b>539.0</b>	<b>31.0%</b>	<b>2,328.6</b>	<b>1,743.0</b>	<b>33.6%</b>
<b>Pre-IFRS 16 EBITDA</b>	<b>615.3</b>		<b>14.2%</b>	<b>2,013.6</b>		<b>15.5%</b>
EBITDA margin	4Q19A	4Q18A	YoY	2019A	2018A	YoY
momoshop (B2C)	3.2%	3.6%	-0.4%	3.4%	3.1%	+0.3%
momomall (B2B2C)	(25.7%)	(56.1%)	+30.4%	(25.1%)	(52.0%)	+26.9%
TV home shopping	16.0%	11.2%	+4.8%	13.5%	11.7%	+1.8%
Catalogue	12.6%	4.9%	+7.7%	9.0%	5.5%	+3.5%
Others <sup>1</sup>	(6.7%)	(10.1%)	+3.4%	(7.0%)	(19.0%)	+12.0%
<b>EBITDA margin</b>	<b>4.4%</b>	<b>4.3%</b>	<b>+0.1%</b>	<b>4.5%</b>	<b>4.1%</b>	<b>+0.4%</b>
<b>Pre-IFRS 16 EBITDA margin</b>	<b>3.9%</b>		<b>-0.4%</b>	<b>3.9%</b>		<b>-0.2%</b>

Note 1: Other revenue consists of operating revenue from our 70%-held Fubon Gehua (Beijing), 85%-held BÉBÉ POSHÉ, and 100%-held supporting business units (travel agency and insurance distribution agent).

### momoshop (B2C):

B2C's EBITDA increased 20.7% YoY to NT462mn, accounted for 65.4% of consolidated EBITDA vs. 71% in 4Q18. B2C EBITDA margin saw 0.4% decline to 3.2% on aggressive year-end promotions. 3C and Home appliance accounted 40% of B2C sales mix vs. 38.6% in 4Q18; while this category's take rate saw YoY improvement on economics of scale in both 4Q19 and 2019.

### TV home shopping:

TV shopping remains a cash cow to momo.com. During the quarter, its EBITDA increased 44.5% YoY to NT\$225mn and EBITDA margin went up to 16% vs. 11.2% in 4Q18 thanks to favorable product mix.

### Catalogue:

Given a challenging environment for catalogue business, momo reduced its print circulation to 250,000 per issue in 4Q19 (vs. 400,000 in 1H19). EBITDA margin saw a nearly 7.7% rebound to 12.6%.

### Non-operating profit/(loss):

Net non-operating profit totaled NT\$6.4mn in 4Q19 and NT\$65.2mn (+14%YoY) in 2019. During the quarter, Pelican contributed NT\$4.7mn (+70.8%YoY), while TVD and Global mall contributed NT\$12.7mn in total. There was an impairment of goodwill ~NT\$11mn involving in the acquisition of bebe poshe, a cosmetic & beauty brand company, to be recognized in 4Q19.

### Tax rate

momo's tax rate as a percentage of pretax profit was 20.4% in 4Q19.

**Pre-IFRS 16 EBITDA increased 14.2% YoY in 4Q19, driven by strong growth in B2C,**

**...EBITDA margin fell 0.4%YoY due to business mix**



### III. Balance Sheet Analysis

Figure 4 – Balance Sheet

NT\$ mn	4Q19	4Q18	YoY%	3Q19	QoQ%
Cash & cash equivalents	3,819.2	3,016.0	26.6%	5,996.7	-36.3%
Accounts receivables	130.9	64.6	102.6%	93.2	40.5%
Other receivables	864.2	1,068.9	-19.2%	1,189.1	-27.3%
Inventories	2,405.9	1,627.2	47.9%	2,153.2	11.7%
Other current assets	327.2	391.5	-16.4%	334.2	-2.1%
<b>Current assets</b>	<b>7,547.4</b>	<b>6,168.2</b>	<b>22.4%</b>	<b>9,766.4</b>	<b>-22.7%</b>
Long term investments	1,084.0	1,272.1	-14.8%	1,233.1	-12.1%
PP&E	4,364.9	4,477.4	-2.5%	4,349.0	0.4%
Other non-current assets	1,602.9	308.8	419.1%	1,595.1	0.5%
Total non-current assets	7,051.8	6,058.3	16.4%	7,177.2	-1.7%
<b>Total Assets</b>	<b>14,599.2</b>	<b>12,226.5</b>	<b>19.4%</b>	<b>16,943.6</b>	<b>-13.8%</b>
Short term borrowings	0.0	0.0	0.0%	0.0	0.0%
Accounts payable	5,334.3	4,569.5	16.7%	8,085.7	-34.0%
Other payables	729.3	534.2	36.5%	617.8	18.0%
Other current liabilities	1,308.7	669.2	95.6%	1,211.7	8.0%
Non-current liabilities	1,050.7	281.5	273.3%	1,109.9	-5.3%
<b>Total Liabilities</b>	<b>8,423.0</b>	<b>6,054.4</b>	<b>39.1%</b>	<b>11,025.1</b>	<b>-23.6%</b>
Common stock	1,400.6	1,400.6	0.0%	1,400.6	0.0%
Capital surplus	2,647.4	2,977.0	-11.1%	2,685.9	-1.4%
Retained earnings	2,280.7	1,940.8	17.5%	1,975.8	15.4%
Treasury share	0.0	0.0	0.0%	0.0	0.0%
Other equity items	(152.5)	(146.3)	4.2%	(143.8)	6.1%
<b>Shareholders' equity</b>	<b>6,176.2</b>	<b>6,172.1</b>	<b>0.1%</b>	<b>5,918.5</b>	<b>4.4%</b>

**Nearly NT\$3.8bn net cash position in 4Q19**

#### Cash & cash equivalents:

Cash position in 4Q19 was NT\$3,819mn, an increase of 26.6% YoY. At the end of 4Q19, momo has approximately NT\$3,800mn in net cash, or NT\$27.28 per share (140mn shares outstanding).

#### Inventory:

4Q19 inventory level at NT\$2,405mn was 48% higher vs. 4Q18 due to higher inventory level of 15-20% in 2019 vs. 10-15% in 2018. The increase of inventory reflects higher inventory level (vs. consignment) for faster turn items and branded products that momo owns outright. Currently, our warehouses hold ~670,000 SKUs vs. 640,000 SKUs in 4Q18. To further enhance our delivery efficiency, our inventories, both owned and on consignment, were allocated to our 22 warehouses + satellite warehouses (vs. 12 in 2018) located in 6 major cities during the quarter.

**4Q19 inventory rose 48%YoY, reflecting more owned and consigned products in our warehouses**

#### Impact on IFRS 16 Adjustments

Upon initial application of IFRS 16, momo recognized “right-of-use assets” and “lease liabilities” for all leases on the consolidated balance sheets which was reflected in “Other non-current assets” of NT\$1,602mn, “other current liabilities” of NT\$1,308mn, and “Non-current liabilities” of NT\$1,050mn in 4Q19 balance sheet. The adjustment also leads to a higher D&A expense of NT\$187mn in 4Q19.



## IV. Cashflow Analysis

Figure 5 – Cashflow

NT\$ mn	4Q19A	4Q18A	YoY	2019A	2018A	YoY
(+) Operating profit	518.9	451.0	15.1%	1,655.6	1,422.4	16.4%
(+) D&A	187.0	88.1	112.3%	673.0	320.6	109.9%
ΔWC*-1 (during the period)	(2,584.4)	694.2	(472.3%)	324.3	(138.4)	(334.3%)
Others	(13.7)	(38.3)	(64.2%)	183.5	481.0	(61.9%)
<b>Operating cashflow</b>	<b>(1,892.2)</b>	<b>1,194.9</b>	<b>(258.4%)</b>	<b>2,836.4</b>	<b>2,085.6</b>	<b>36.0%</b>
Capex	(158.3)	(67.3)	135.2%	(261.5)	(737.7)	(64.6%)
FCF	(2,050.6)	1,127.6	(281.9%)	2,574.9	1,347.9	91.0%
Other investing cashflow	(45.1)	13.9	(424.5%)	(137.1)	53.9	(354.4%)
<b>Investing cashflow</b>	<b>(203.5)</b>	<b>(53.4)</b>	<b>281.1%</b>	<b>(398.6)</b>	<b>(683.9)</b>	<b>(41.7%)</b>
<b>Financing cashflow</b>	<b>(81.1)</b>	<b>(54.6)</b>	<b>48.5%</b>	<b>(1,549.3)</b>	<b>(1,178.1)</b>	<b>31.5%</b>
Change in cash	(2,176.8)	1,086.9	(300.3%)	888.6	223.7	297.2%

### FCF

In 4Q19, FCF turned negative to -NT\$2,050mn vs. NT\$3,911mn in 3Q19 vs. NT\$1,127mn in 4Q18, as around NT\$3,000mn AP was delayed to the quarter (one less working day/typhoon holiday at the end of September). FCF in 2019 was NT\$2,574mn (+91%YoY).

### Investing cashflow

The decline of NT\$203.5mn in investing cashflow for 4Q19 was for the payment of corporate computer & communication devices.

WC (NT\$mn)	4Q19A	4Q18A	YoY
Working Capital	(2,655.6)	(2,331.4)	13.9%
ΔWC (YoY)	(324.3)	138.4	n.m.

CCC	4Q19A	4Q18A	YoY	2019A	2018A	YoY
AR Days	6.4	7.3	(0.9)	7.5	9.1	(1.6)
Inventory Days	14.3	12.3	2.0	15.7	12.9	2.9
AP Days	46.1	36.5	9.6	43.6	46.2	(2.7)
<b>CCC(days)</b>	<b>(25.4)</b>	<b>(16.8)</b>	<b>(8.5)</b>	<b>(20.3)</b>	<b>(24.2)</b>	<b>4.0</b>

### Working Capital

Total working capital required for momo's operation was -NT\$2,655.6mn in 4Q19 vs. -NT\$2,331mn in 4Q18, despite an increase in inventories of 47.9% YoY to NT\$2,405.9mn. The increase in inventories was offset by account payables of NT\$6,063.6mn, which increased 19.1% YoY.

### Cash Conversion Cycle (days):

Cash Conversion Cycle (CCC) improved to -25.4 days, as a result of higher inventory turnover days. AR and AP turnover days remained stable at 6.4 and 46.1 days respectively.

*FCF of -NT\$2,050mn in 4Q19 due to delayed AP*

*4Q19 D&A expense was nearly double vs. 4Q18 given the application of IFRS 16*

*Working capital remained negative at -NT\$2,655mn (+13.9%YoY) in 4Q19*

*CCC remained at healthy level at -25.4 days vs. -16.8 days in 4Q18*