

Momo.com (8454.TW/8454 TT)

3Q23 earnings in line with forecast

FTSE4Good TIP Taiwan ESG Index stock

Neutral · Maintained

Price as of November 8 (NT\$)	525
12M target price (NT\$)	577
Previous target price (NT\$)	635
Revised down (%)	9.1
Upside (%)	9.9

Key message

3Q23 consolidated sales totaled NT\$25.1bn, up 6.4% YoY, and net profit arrived at NT\$750mn, for EPS of NT\$3.12. Earnings were in line with our forecast. Momo.com's B2C has a competitive edge with a wide variety of goods, fast logistics and competitive pricing. However, we believe the segment returning to 10% growth in 2024F will be challenging, as sales are already at a high base.

Trading data

Mkt cap (NT\$bn/US\$m)	126.2 / 3,919
Outstanding shares (mn)	240.3
Foreign ownership (mn)	52.61
3M avg. daily trading (mn)	0.37
52-week trading range (NT\$)	490.0 - 923

Performance	3M	6M	12M
Absolute (%)	-11.8	-28.9	4.6
Relative (%)	-11	-35.5	-20.8

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	4.53A	3.81A	3.46A	4.67A
2023	4.07A	3.85A	3.12A	4.78F
2024	3.77F	3.64F	3.24F	5.85F

Share price chart



Source: TEJ

Event

3Q23 consolidated sales totaled NT\$25.1bn, up 6.4% YoY. Net profit arrived at NT\$750mn, for EPS of NT\$3.12. Earnings were in line with our forecast.

Impact

3Q23 Taiwan B2C penetration down, to pick up in 4Q23F. Beginning in 2023, B2C sales have been focused in the travel sector and brick-and-mortar retail consumption. Although Taiwan's B2C sales growth rose to 4.4% YoY in 3Q23, from a 0.3% decline in 2Q23, B2C penetration slipped to 6.62% from 6.73% in 2Q23. However, we believe the cannibalization of e-commerce spending will be reversed in 4Q23F, as e-commerce enters operating peak season during the Double-11 and Double-12 shopping festivals. E-commerce companies have expanded promotions to boost on-line spending. We expect B2C penetration will increase to above 6.7% in 4Q23F.

3Q23 earnings in line with forecast. Although the firm's B2C sales grew 7.32% YoY in 3Q23, up from 5.6% YoY in 2Q23, sales growth was capped by post-pandemic e-commerce spending being squeezed by travel and offline retail consumption. In the B2C segment, the categories that grew the most in 3Q23 were beauty/ health, up by 16.5%, and sports/ leisure, up by 11.2%. Although sales trended up, marketing expenses narrowed operating margin, leading to flat net profit growth, in line with our forecast.

2024F B2C sales below 10% target on a high base. Momo.com's B2C has a competitive edge with a wide variety of goods, fast logistics and competitive pricing. We are upbeat on B2C penetration to rebound in 2024F and forecast Momo.com's B2C sales to grow 9.5% next year, below the company's 10% growth target, as sales have already reached NT\$100bn. On marketing expenses remaining high and increasing warehousing expenses, we estimate 2024F operating margin will fall to 4.1% from 4.2% in 2023F. Our 2024F net profit forecast is NT\$3.97bn, up 4.2% YoY, for EPS of NT\$16.5, on post-rights issue capital.

Valuation & Action

3Q23 earnings were in line with forecast. We think the B2C segment is challengeable to achieve 10% growth, as its sales are already at a high base. We maintain Neutral, and cut our 12-month target price to NT\$577, based on 35x 2024F EPS.

Risks

Lower-than-expected B2C sales growth and gross margin.

Key financials and valuations

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Revenue (NT\$m)	67,198	88,397	103,436	109,780	119,603
Gross profit (NT\$m)	6,314	8,945	10,272	11,157	12,354
Operating profit (NT\$m)	2,012	3,795	4,285	4,641	4,862
Net profit (NT\$m)	1,943	3,280	3,435	3,806	3,965
EPS (NT\$)	13.87	18.02	15.72	15.83	16.49
Cash DPS (NT\$)	10.00	13.00	11.32	11.40	11.87
EPS growth (%)	39.4	29.8	(12.7)	0.7	4.2
PE (x)	37.8	29.1	33.4	33.2	31.8
PB (x)	10.6	10.9	11.7	10.3	9.4
EV/EBITDA (x)	19.6	16.8	17.5	18.0	16.8
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	1.9	2.5	2.2	2.2	2.3
Return on average equity (%)	29.7	41.8	37.0	36.4	34.0

Source: Company data, KGI Research estimates

Figure 1: Breakdown of 3Q23 results & 4Q23 forecast revisions

NT\$m	3Q23					4Q23F		
	Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	KGI forecast	QoQ (%)	YoY (%)
Sales	25,075	24,830	1.0	(4.3)	6.4	33,373	33.1	4.9
Gross profits	2,322	2,433	(4.6)	(10.9)	4.1	3,671	58.1	15.2
Operating income	851	869	(2.0)	(8.7)	(3.1)	1,697	99.3	25.8
Net income	750	713	5.2	(11.0)	(0.9)	1,150	53.3	12.6
EPS (NT\$)	3.12	3.26	(4.4)	(19.0)	(9.9)	4.78	53.3	2.4
Gross margin (%)	9.3	9.8	(0.5) ppts	(0.7) ppts	(0.2) ppts	11.0	1.7 ppts	1.0 ppts
OP margin (%)	3.4	3.5	(0.1) ppts	(0.2) ppts	(0.3) ppts	5.1	1.7 ppts	0.8 ppts
Net margin (%)	3.0	2.9	0.1 ppts	(0.2) ppts	(0.2) ppts	3.4	0.5 ppts	0.2 ppts

Source: KGI Research

Figure 2: Breakdown of 2023-24 forecast revisions

NT\$m	2023F				2024F	
	Revision	Previous	Chg. (%)	YoY (%)	KGI forecast	YoY (%)
Sales	109,780	109,535	0.2	6.1	119,603	8.9
Gross profit	11,157	11,268	(1.0)	8.6	12,354	10.7
Operating income	4641	4597	1.0	8.3	4862	4.8
Net income	3806	3769	1.0	10.8	3965	4.2
EPS (NT\$)	15.83	17.25	(8.2)	0.7	16.49	4.2
Gross margin (%)	10.2	10.3	(0.1)ppts	0.2 ppts	10.3	0.2 ppts
OP margin (%)	4.2	4.2	0.0 ppts	0.1 ppts	4.1	(0.2)ppts
Net margin (%)	3.5	3.4	0.0 ppts	0.1 ppts	3.3	(0.2)ppts

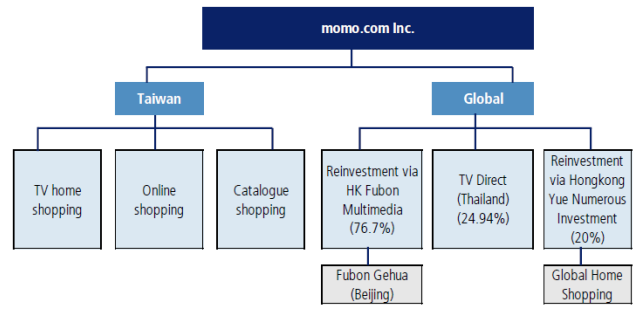
Source: KGI Research

Figure 3: Company profile

Founded in September 2004, major shareholders of Momo.com include Da-fu Media, a subsidiary of Taiwan Mobile (3045 TT, NT\$98.3, N), with a 45% stake, and Tong-An Investment, a subsidiary of TECO (1504 TT, NT\$46.6, N), with 10.8%. The firm started out by offering TV home shopping. Fubon's Momo TV channel 1 was formally launched in January 2005, followed by channel 2 & 3 in July 2008, but all three were later closed. It also launched an online shopping platform in May 2005, surpassing PChome (8044 TT, NT\$70.2, N) as the leader in Taiwan's B2C market in 2017.

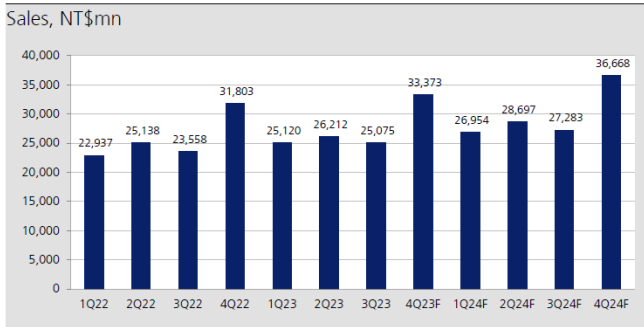
Source: KGI Research

Figure 4: Momo.com organizational chart



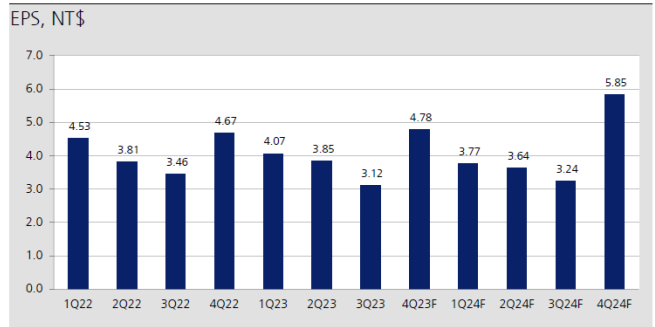
Source: KGI Research

Figure 5: Sales



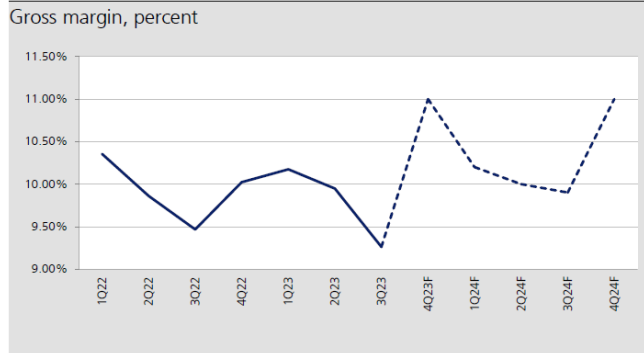
Source: KGI Research

Figure 6: EPS



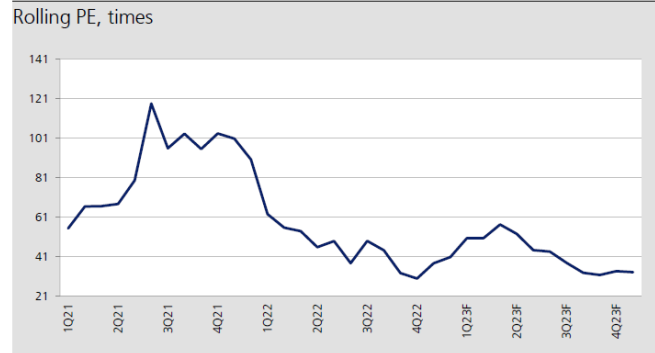
Source: KGI Research

Figure 7: Gross Margin



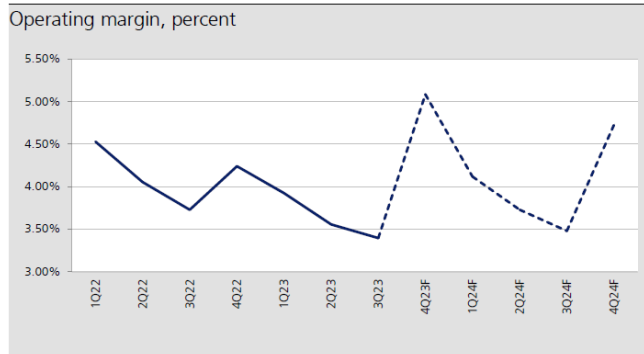
Source: KGI Research

Figure 8: Rolling PE



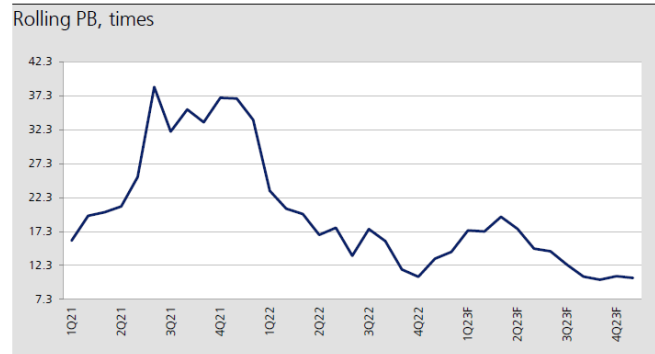
Source: KGI Research

Figure 9: Operating Margin



Source: KGI Research

Figure 10: Rolling PB



Source: KGI Research

Income statement

	Quarterly								Annually		
	Mar-23A	Jun-23A	Sep-23A	Dec-23F	Mar-24F	Jun-24F	Sep-24F	Dec-24F	Dec-22A	Dec-23F	Dec-24F
Income statement (NT\$mn)											
Revenue	25,120	26,212	25,075	33,373	26,954	28,697	27,283	36,668	103,436	109,780	119,603
Cost of goods sold	(22,564)	(23,605)	(22,752)	(29,702)	(24,205)	(25,828)	(24,582)	(32,635)	(93,164)	(98,623)	(107,249)
Gross profit	2,556	2,608	2,322	3,671	2,749	2,870	2,701	4,034	10,272	11,157	12,354
Operating expenses	(1,570)	(1,676)	(1,471)	(1,974)	(1,639)	(1,800)	(1,752)	(2,300)	(5,987)	(6,516)	(7,492)
Operating profit	986	932	851	1,697	1,110	1,070	949	1,733	4,285	4,641	4,862
Depreciation of fixed assets	(273)	(278)	(298)	(149)	(282)	(282)	(282)	(282)	(1,048)	(999)	(1,128)
Amortisation of intangible assets	(11)	(12)	(9)	(14)	(12)	(12)	(12)	(12)	(60)	(46)	(46)
EBITDA	1,270	1,222	1,159	1,860	1,403	1,363	1,243	2,027	5,393	5,686	6,036
Interest income	-	22	-	69	23	23	24	24	-	91	94
Investment income	-	-	1	(1)	-	-	-	-	-	-	-
Other non-op income	24	20	20	(47)	3	3	3	3	64	16	12
Non-operating income	24	42	21	20	26	26	27	27	64	107	106
Interest expense	(3)	(5)	(6)	(2)	(5)	(5)	(5)	(5)	(13)	(15)	(19)
Investment loss	(4)	-	-	-	-	-	-	-	(64)	(4)	-
Other non-op expenses	3	1	7	3	2	2	2	2	40	14	8
Non-operating expenses	(4)	(4)	2	1	(3)	(3)	(3)	(3)	(37)	(5)	(11)
Pre-tax profit	1,005	971	874	1,718	1,133	1,093	973	1,757	4,312	4,744	4,957
Current taxation	(223)	(196)	(186)	(332)	(227)	(219)	(195)	(351)	(878)	(937)	(991)
Minorities	(0)	0	0	(1)	(0)	(0)	(0)	(0)	1	(0)	(1)
Normalised net profit	782	775	688	1,386	906	874	778	1,405	3,435	3,806	3,965
Extraordinary items	107	68	62	(236)	-	-	-	-	-	-	-
Net profit	888	843	750	1,150	906	874	778	1,405	3,435	3,806	3,965
EPS (NT\$)	4.07	3.85	3.12	4.78	3.77	3.64	3.24	5.85	15.72	15.83	16.49
Margins (%)											
Gross profit margin	10.2	9.9	9.3	11.0	10.2	10.0	9.9	11.0	9.9	10.2	10.3
Operating margin	3.9	3.6	3.4	5.1	4.1	3.7	3.5	4.7	4.1	4.2	4.1
EBITDA margin	5.1	4.7	4.6	5.6	5.2	4.8	4.6	5.5	5.2	5.2	5.0
Pretax profit margin	4.0	3.7	3.5	5.1	4.2	3.8	3.6	4.8	4.2	4.3	4.1
Net profit margin	3.5	3.2	3.0	3.4	3.4	3.0	2.9	3.8	3.3	3.5	3.3
Sequential growth (%)											
Revenue growth	(21.0)	4.3	(4.3)	33.1	(19.2)	6.5	(4.9)	34.4			
Gross profit growth	(19.8)	2.0	(10.9)	58.1	(25.1)	4.4	(5.9)	49.3			
Operating profit growth	(26.9)	(5.4)	(8.7)	99.3	(34.6)	(3.6)	(11.3)	82.6			
EBITDA growth	(21.4)	(3.8)	(5.2)	60.5	(24.6)	(2.9)	(8.8)	63.1			
Pretax profit growth	(22.4)	(3.5)	(9.9)	96.5	(34.1)	(3.6)	(10.9)	80.6			
Net profit growth	(12.9)	(5.1)	(11.0)	53.3	(21.2)	(3.6)	(10.9)	80.5			
YoY growth (%)											
Revenue growth	9.5	4.3	6.4	4.9	7.3	9.5	8.8	9.9	17.0	6.1	8.9
Gross profit growth	7.6	5.2	4.1	15.2	7.6	10.0	16.3	9.9	14.8	8.6	10.7
Operating profit growth	(5.1)	(8.5)	(3.1)	25.8	12.6	14.8	11.5	2.1	12.9	8.3	4.8
EBITDA growth	(2.5)	(7.0)	(0.1)	15.1	10.5	11.5	7.2	8.9	13.7	5.4	6.1
Pretax profit growth	(2.4)	(7.1)	(7.1)	32.6	12.7	12.6	11.3	2.3	12.4	10.0	4.5
Net profit growth	7.6	1.3	(0.9)	12.6	2.0	3.7	3.8	22.2	4.7	10.8	4.2

Source: Company data, KGI Research estimates

Balance sheet

NTSmn	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Total assets	17,809	23,015	26,341	31,086	33,374
Current assets	9,933	14,924	15,649	19,919	22,330
Cash & ST securities	5,064	8,819	8,049	11,762	13,437
Inventory	3,390	3,728	4,479	4,742	5,143
Accounts receivable	181	222	465	494	537
Other current assets	1,298	2,154	2,656	2,921	3,214
Non-current assets	7,876	8,091	10,692	11,167	11,044
LT investments	1,255	753	1,127	1,073	1,048
Net fixed assets	4,873	5,080	7,323	7,824	7,696
Other assets	1,748	2,259	2,242	2,270	2,300
Total liabilities	10,859	14,166	16,437	19,898	21,076
Current liabilities	9,651	12,794	15,025	18,465	19,620
Accounts payable	7,057	8,984	11,004	11,649	12,633
Interest bearing ST liabilities	-	-	-	-	0
Other current liabilities	2,594	3,809	4,021	6,816	6,986
Non-current liabilities	1,208	1,372	1,412	1,434	1,456
Long-term debt	-	-	-	1	2
Other L-T liabilities	330	374	415	436	457
Total equity	6,950	8,849	9,904	11,188	12,298
Share capital	1,401	1,821	2,185	2,403	2,403
Retained earnings reserve	1,944	3,427	3,913	4,979	6,089
Minority interests	16	90	88	89	89
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Growth					
Revenue growth	29.6%	31.5%	17.0%	6.1%	8.9%
Operating profit growth	26.0%	88.6%	12.9%	8.3%	4.8%
EBITDA growth	24.5%	67.8%	13.7%	5.4%	6.1%
Net profit growth	39.4%	68.8%	4.7%	10.8%	4.2%
EPS growth	39.4%	29.8%	(12.7%)	0.7%	4.2%
Profitability					
Gross profit margin	9.4%	10.1%	9.9%	10.2%	10.3%
Operating margin	3.0%	4.3%	4.1%	4.2%	4.1%
EBITDA margin	4.2%	5.4%	5.2%	5.2%	5.0%
Net profit margin	2.9%	3.7%	3.3%	3.5%	3.3%
Return on average assets	12.0%	16.1%	13.9%	13.3%	12.3%
Return on average equity	29.7%	41.8%	37.0%	36.4%	34.0%
Stability					
Gross debt to equity	0.0%	0.0%	0.0%	0.0%	0.0%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	224.8	303.9	332.0	310.6	259.2
Interest & ST debt coverage (x)	1.0	1.0	1.0	1.0	1.0
Cash flow interest coverage(x)	382.0	451.6	409.3	326.2	283.5
Cash flow/int. & ST debt (x)	382.0	451.6	409.3	326.2	278.7
Current ratio (x)	1.0	1.2	1.0	1.1	1.1
Quick ratio (x)	0.7	0.9	0.7	0.8	0.9
Net debt (NT\$m)	(5,055)	(8,804)	(8,044)	(11,757)	(13,431)
Per share data					
EPS (NT\$)	13.87	18.02	15.72	15.83	16.49
CFPS (NT\$)	26.60	31.42	24.40	20.79	22.64
BVPS (NT\$)	49.51	48.11	44.92	50.80	55.88
Adj BVPS (NT\$)	49.51	48.11	44.92	46.17	50.79
SPS (NT\$)	479.78	485.49	473.41	456.70	497.56
EBITDA/share (NT\$)	20.18	26.06	24.68	23.66	25.11
Cash DPS (NT\$)	10.00	13.00	11.32	11.40	11.87
Activity					
Sales / avg assets	4.15	4.33	4.19	3.82	3.71
Days receivable	1.0	0.9	1.6	1.6	1.6
Days inventory	20.4	17.1	17.5	17.5	17.5
Days payable	42.4	41.3	43.1	43.1	43.1
Cash cycle	(21.1)	(23.2)	(23.9)	(23.9)	(23.9)

Source: Company data, KGI Research estimates

Profit & loss

NTSmn	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Revenue	67,198	88,397	103,436	109,780	119,603
Cost of goods sold	(60,884)	(79,452)	(93,164)	(98,623)	(107,249)
Gross profit	6,314	8,945	10,272	11,157	12,354
Operating expenses	(4,303)	(5,150)	(5,987)	(6,516)	(7,492)
Operating profit	2,012	3,795	4,285	4,641	4,862
Non-operating income	120	31	64	107	106
Interest income	23	27	-	91	94
Investment income	83	-	-	-	-
Other non-op income	15	4	64	16	12
Non-operating expenses	51	11	(37)	(5)	(11)
Interest expense	(10)	(13)	(13)	(15)	(19)
Investment loss	-	(72)	(64)	(4)	-
Other non-op expenses	61	97	40	14	8
Pre-tax profit	2,183	3,838	4,312	4,744	4,957
Current taxation	(452)	(809)	(878)	(937)	(991)
Minorities	4	5	1	(0)	(1)
Extraordinary items	207	247	0	-	-
Net profit	1,943	3,280	3,435	3,806	3,965
EBITDA	2,827	4,745	5,393	5,686	6,036
EPS (NT\$)	13.87	18.02	15.72	15.83	16.49

Cash flow

NTSmn	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Operations cash flow	3,726	5,721	5,332	4,998	5,443
Net profit	1,943	3,280	3,435	3,806	3,965
Depreciation & amortisation	815	950	1,108	1,045	1,174
Decrease in working capital	696	1,568	1,024	143	305
Other operating cash flow	271	(77)	(235)	4	(0)
Investing cash flow	(912)	(158)	(3,085)	(1,525)	(1,051)
Sale of ST investment	(24)	-	(603)	-	-
New investments	59	467	-	50	25
Capital expenditure	(790)	(599)	(2,657)	(1,500)	(1,000)
Others investing cashflow	(157)	(26)	175	(75)	(76)
Free cash flow	2,250	4,852	2,828	3,366	4,322
Financing cash flow	(1,571)	(1,813)	(3,007)	22	(2,717)
Increase in short term debt	-	-	-	-	-
Increase in long term loans	-	-	-	1	1
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(1,190)	(1,401)	(2,367)	-	(2,740)
Other financing cashflow	(381)	(413)	(640)	21	22
Forex effects	0	(0)	0		
Total cash generated	1,243	3,749	(760)	3,495	1,675

ROIC

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
1 - COGS/revenue					
- Operating exp./revenue	6.4%	5.8%	5.8%	5.9%	6.3%
= Operating margin	3.0%	4.3%	4.1%	4.2%	4.1%
1 / (Working capital/revenue	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
+ Net PPE/revenue	0.1	0.1	0.1	0.1	0.1
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
= Capital turnover	157.7	(89.2)	221.7	(58.2)	(49.8)
Operating margin	3.0%	4.3%	4.1%	4.2%	4.1%
x Capital turnover	157.7	(89.2)	221.7	(58.2)	(49.8)
x (1 - tax rate)	79.3%	78.9%	79.6%	80.2%	80.0%
= After-tax ROIC	374.4%	(302.2%)	731.4%	(197.4%)	(161.8%)

Source: Company data, KGI Research estimates

Fubon Multimedia Technology – Recommendation & target price history


Date	Rating	Target	Price
2023-08-01	Neutral	635	603
2023-05-03	Neutral	704	805
2023-02-20	Neutral	678	805
2022-10-27	Outperform	600	481
2022-07-28	Outperform	1,000	814
2022-06-06	Outperform	1,200	779

Source: TEJ, KGI Research

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