



T. H. Data Flash – Autohome Inc. – 4Q19E & January 2020

February 13, 2020

Challenging Time For Auto Sector In 2020; Impact From Coronavirus Can Be Profound

Just when the market was excited about the potential recovery in China's economy in 2020 at the beginning of the year, the coronavirus outbreak hit China and manufacturers were negatively impacted. Car sales were down in January and are likely to be worse in February, March and into 2Q20. Several OEMs released their depressing January sales data. Even though we expect ATHM's 4Q19 revenue to be in line with consensus and margins are likely to be better as the company's spending may be lower than it indicated on the 3Q19 earnings call, ATHM as a services provider for auto OEM and dealers cannot avoid the impact to its business from the outbreak in 1Q20.

- Weak auto market in January 2020 and impact from Covid-19** – The expected auto industry recovery didn't happen in January; instead car sales were down in January and is likely to be worse in February and March, and 2Q20. Here are several initial data points: 1) Several OEMs released their depressing January sales data - the sales of total Japanese auto brands in China down 11.1% Y/Y, Volvo sales down 16.2% Y/Y in January 2020. Some OEM production lines stopped producing cars to instead produce N95 face masks; 2) A recent survey showed that only 19.8% of deals resumed its business, and about 80% of their businesses are still closed. Since an outbreak of this magnitude is unprecedented, it is hard to model ATHM's 2020.
- Paying dealers down Y/Y in January 2020** – ATHM, as a services provider for auto OEM and dealers, has no way to avoid the impact to its business from the outbreak. Based on our January data, ATHM at best may have 22.0K unique paying dealers in 1Q20E, down 9.5% Y/Y (Figure 1). In January 2020, Autohome had 20.3K paying dealers, decreasing 16.6% Y/Y from 24.4K in January 2019 (Figure 2). In addition to the decline of paying dealers, OEM advertising is also impacted. Normally, advertising activities would start after CNY, but now the holidays have been extended or OEMs have not resumed their productions yet. Covid-19's impact to the economy is profound; therefore, we expect ATHM to make downward adjustment to its 2020 outlook for both revenues and margins.

Autohome Inc.

ATHM: Not Rated

Price: \$83.35

Target Price: N/A

52 Week Range:	\$65.46 - \$117.99
Market Cap:	\$10.1B
Avg. Daily Vol. (100 day):	657,790

FY (Dec)	2018A	2019E	2020E
Q1	1,288A	1,612A	1,829E
Q2	1,869A	2,309A	2,572E
Q3	1,888A	2,170A	2,623E
Q4	<u>2,188A</u>	<u>2,318E</u>	<u>2,811E</u>
Net Revenue	7,233A	8,409E	9,835E
Q1	4.36A	5.87A	6.70E
Q2	6.23A	7.15A	8.00E
Q3	6.18A	5.88A	7.66E
Q4	<u>9.03A</u>	<u>8.83E</u>	<u>8.97E</u>
EPS*	25.81A	27.72E	31.34E
P/E	22.2x	20.2x	17.9x

*Non-GAAP EPS

All figures in RMB millions unless otherwise noted

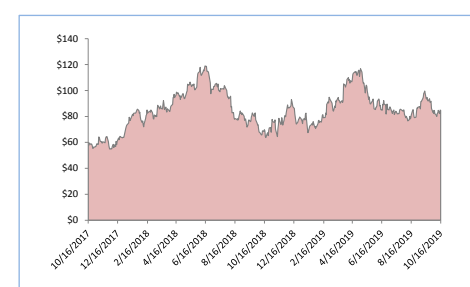
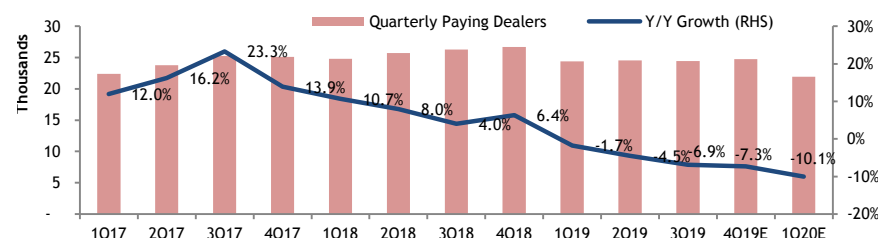


Figure 1: ATHM - Quarterly Paying Dealers, 1Q17 – 1Q20E



Source: T.H. DATA (www.thdata.com)

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Figure 2: ATHM - Monthly Paying Dealers, 1/2017 – 1/2020



Source: T. H. Data (www.thdata.com)

Figure 3: ATHM Income Statement (in RMB, Mins)

	FY17A 31/12/17	FY18A 31/12/18	1Q19A 31/03/19	2Q19A 30/06/19	3Q19A 30/09/19	4Q19E 31/12/19	FY19E 31/12/19	1Q20E 31/03/20	2Q20E 30/06/20	3Q20E 30/09/20	4Q20E 31/12/20	FY20E 31/12/20	FY21E 31/12/21
Income Statement (in Million RMB)	FY17A 31/12/17	FY18A 31/12/18	1Q19A 31/03/19	2Q19A 30/06/19	3Q19A 30/09/19	4Q19E 31/12/19	FY19E 31/12/19	1Q19E 31/03/19	2Q19E 30/06/19	3Q19E 30/09/19	4Q19E 31/12/19	FY19E 31/12/19	FY19E 31/12/19
Media services	2,898.6	3,508.3	643.2	1,028.3	924.5	1,048.9	3,644.9	786.7	1,140.6	1,140.6	1,288.9	4,356.9	5,281.1
Leads generation services	2,291.1	2,871.0	734.1	888.8	828.8	859.0	3,310.7	774.5	933.2	928.3	927.7	3,563.7	3,838.6
Online marketplace	457.6	853.9	234.6	391.9	416.9	410.0	1,453.4	267.5	497.7	554.5	594.5	1,914.1	1,720.0
Total revenues	6,210.2	7,233.2	1,611.9	2,309.0	2,170.2	2,317.9	8,409.0	1,828.6	2,571.5	2,623.4	2,811.2	9,834.7	10,839.7
Cost of revenues	1,358.7	820.3	184.5	263.6	247.1	255.0	950.1	208.5	298.3	301.7	309.2	1,117.7	1,210.7
Gross profit	4,851.5	6,412.9	1,427.5	2,045.3	1,923.1	2,062.9	7,458.8	1,620.1	2,273.2	2,321.7	2,501.9	8,717.0	9,629.0
Sales and marketing expenses	1,647.5	2,435.2	509.7	892.9	955.7	904.0	3,262.3	577.8	990.0	1,049.4	1,104.8	3,722.0	3,394.2
General and administrative expenses	282.0	314.8	67.8	81.8	108.7	92.7	351.0	75.0	92.6	123.3	120.9	411.7	469.0
Product development expenses	878.8	1,135.2	268.6	360.6	361.7	359.3	1,350.1	299.9	396.0	419.7	404.8	1,520.5	1,675.0
Total operating expense	2,808.2	3,885.3	846.1	1,335.3	1,426.1	1,356.0	4,963.4	952.7	1,478.6	1,592.4	1,630.5	5,654.2	5,538.1
Other income, net	8.6	341.4	76.0	125.2	143.6	141.4	486.2	89.6	97.7	110.2	140.6	438.1	448.7
Operating Profit	2,051.8	2,868.9	657.5	835.3	640.5	848.3	2,981.6	757.0	892.3	839.5	1,012.0	3,500.9	4,539.6
Non-GAAP operating profit	2,229.5	3,071.3	710.6	887.7	698.1	906.5	3,202.9	816.1	952.2	900.3	1,073.8	3,742.4	4,795.9
Other income, net	209.7	372.5	108.6	114.1	122.7	118.2	463.7	118.9	167.2	170.5	182.7	639.3	650.4
Pretax income	2,261.5	3,241.4	766.1	949.4	763.3	966.6	3,445.3	875.9	1,059.5	1,010.0	1,194.7	4,410.1	5,189.9
Income tax expense	267.1	377.9	119.5	147.3	119.5	(29.0)	357.3	135.8	164.2	156.6	185.2	641.7	804.4
Net Income from continuing operations	1,994.5	2,863.5	646.5	802.1	643.8	995.6	3,088.0	740.1	895.3	853.5	1,009.6	3,498.4	4,385.5
Net loss attributable to noncontrolling interests	7.2	7.5	(0.2)	(0.2)	(0.1)	0.4	(0.2)	0.9	1.4	1.9	2.4	6.6	14.6
Net income	2,001.6	2,871.0	646.3	801.9	643.7	995.9	3,087.8	741.0	896.6	855.4	1,012.0	3,505.0	4,400.1
SBC													
SBC Total	177.7	202.3	53.2	52.4	57.6	58.2	221.3	59.0	59.9	60.8	61.7	241.5	256.3
Plus: amortization of acquired intangible asset	4.6	4.6	1.1	1.1	1.1	1.1	4.6	1.1	1.1	1.1	1.1	4.5	4.5
Non-GAAP net income	2,183.9	3,077.9	700.6	855.4	702.4	1,055.2	3,313.7	801.1	957.7	917.3	1,074.8	3,751.0	4,660.9
EBITDA	2,357.5	3,350.8	794.1	977.8	793.1	976.8	3,541.8	883.7	1,068.0	1,020.1	1,074.8	4,178.9	5,236.7
Plus: share-based compensation expenses	177.7	202.3	53.2	52.4	57.6	8.5	171.7	59.0	59.9	60.8	8.5	188.3	199.3
Non-GAAP EBITDA	2,535.2	3,553.1	847.3	1,030.2	850.7	985.4	3,713.5	942.8	1,128.0	1,080.9	1,215.5	4,367.2	5,436.0
GAAP EPS	16.95	24.08	5.41	6.70	5.39	8.33	25.83	6.19	7.49	7.14	8.45	29.28	36.70
Non-GAAP EPS	18.50	25.81	5.87	7.15	5.88	8.83	27.72	6.70	8.00	7.66	8.97	31.34	38.87
Diluted shares out	118,059	119,235	119,386	119,632	119,520	119,570	119,527	119,620	119,670	119,720	119,770	119,695	119,895
Margins %													
Cost of revenues	21.9%	11.3%	11.4%	11.4%	11.4%	11.0%	11.3%	11.4%	11.6%	11.5%	11.0%	11.4%	11.2%
Gross profit	78.1%	88.7%	88.6%	88.6%	88.6%	89.0%	88.7%	88.6%	88.4%	88.5%	89.0%	88.6%	88.8%
Sales and marketing expenses	26.5%	33.7%	31.6%	38.7%	44.0%	39.0%	38.8%	31.6%	38.5%	40.0%	39.3%	37.8%	31.3%
General and administrative expenses	4.5%	4.4%	4.2%	3.5%	5.0%	4.0%	4.2%	4.1%	3.6%	4.7%	4.3%	4.2%	4.3%
Product development expenses	14.2%	15.7%	16.7%	15.6%	16.7%	15.5%	16.1%	16.4%	15.4%	16.0%	14.4%	15.5%	15.5%
Other income, net	0.1%	4.0%	4.7%	5.4%	6.6%	6.1%	4.0%	4.9%	3.8%	4.2%	5.0%	4.0%	4.0%
Operating Profit	33.0%	39.7%	40.8%	36.2%	29.5%	36.6%	35.5%	41.4%	34.7%	32.0%	36.0%	35.6%	41.9%
Non-GAAP operating profit	35.9%	42.5%	44.1%	38.4%	32.2%	39.1%	38.1%	44.6%	37.0%	34.3%	38.2%	38.1%	44.2%
Other income, net	3.4%	5.1%	6.7%	4.9%	5.7%	5.1%	5.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.0%
Income from continuing operations before income tax	36.4%	44.8%	47.5%	41.1%	35.2%	41.7%	41.0%	47.9%	41.2%	38.5%	42.5%	42.1%	47.9%
Income tax expense	11.8%	11.7%	15.6%	15.5%	15.6%	-3.0%	10.4%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%
Net income	32.2%	39.7%	40.1%	34.7%	29.7%	43.0%	36.7%	40.5%	34.9%	32.6%	36.0%	35.6%	40.6%
Total	3%	3%	3%	2%	3%	3%	3%	3%	2%	2%	2%	2%	2%
Plus: amortization of acquired intangible asset	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Non-GAAP net income	35%	43%	43.5%	37.0%	32.4%	45.5%	39%	43.8%	37.2%	35.0%	38.2%	38%	43%
Y/Y Growth													
Media services	31%	21%	10%	11%	3%	-4%	4%	22%	11%	23%	23%	20%	21%
Leads generation services	37%	25%	20%	20%	12%	10%	15%	5%	5%	12%	8%	8%	8%
Online marketplace	-69%	87%	152%	97%	68%	30%	70%	14%	27%	33%	45%	32%	-10%
Total revenues	4%	16%	25%	24%	14.9%	5.9%	16%	14%	11%	21%	21%	17%	10%
Cost of revenues:	-43%	-40%	26%	26%	15%	2%	16%	13%	13%	22%	21%	18%	8%
Gross profit	36%	32%	25%	23%	15%	6%	16%	13%	11%	21%	21%	17%	10%
Sales and marketing expenses	7%	48%	28%	52%	41%	17%	34%	13%	11%	10%	22%	14%	-9%
General and administrative expenses	-8%	12%	8%	-5%	8%	42%	11%	11%	13%	13%	30%	17%	14%
Product development expenses	54%	29%	17%	15%	22%	21%	19%	12%	10%	16%	13%	13%	10%
Operating Profit	76%	40%	26%	12%	-8%	-6%	4%	15%	7%	31%	19%	17%	30%
Non-GAAP operating profit	64%	38%	27%	11%	-7%	-5%	4%	15%	7%	29%	18%	17%	28%
Other income, net	157%	78%	75%	33%	-7%	29%	24%	9%	46%	39%	55%	38%	2%
Income from continuing operations before income taxes	81%	43%	31%	14%	-8%	-2%	6%	14%	12%	32%	24%	20%	25%
Income tax expense	719%	41%	15%	2%	-21%	33%	-5%	14%	11%	31%	-739%	80%	25%
Net income	63%	43%	34%	16%	-6%	-2%	8%	15%	12%	33%	2%	14%	26%
Q/Q Growth													
Media services			-41%	60%	-10%	13%		-25%	45%	0%	13%		
Leads generation services			-6%	21%	-7%	4%		-10%	21%	-1%	0%		
Online marketplace			-25%	67%	6%	-2%		-35%	86%	11%	7%		
Total revenues			-26%	43%	-6%	7%		-21%	41%	2%	7%		
Cost of revenues:			-26%	43%	-6%	3%		-18%	43%	1%	2%		
Gross profit			-26%	43%	-6%	7%		-21%	40%	2%	8%		
Sales and marketing expenses			-34%	75%	87%	1%		-36%	71%	82%	12%		
General and administrative expenses			4%	21%	33%	-15%		-19%	23%	33%	-2%		
Product development expenses			-9%	34%	0%	-1%		-17%	32%	6%	-4%		
Operating Profit			-27%	27%	-23%	32%		-11%	18%	-6%	21%		
Non-GAAP operating profit			-26%	25%	-21%	30%		-10%	17%	-5%	19%		
Other income, net			18%	5%	8%	-4%		1%	41%	2%	7%		
Income from continuing operations before income taxes			-23%	24%	-20%	27%		-9%	21%	-5%	18%		

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