



T. H. Data Flash – Momo Inc. (MOMO) – 1Q18

April 13, 2018

Quiz Shows & March Festival are Driving Traffic and Better 1Q18 Revenue; Maintain Buy Rating

Based on our data and model, we believe MOMO's 1Q18 revenue is likely to reach \$406.6M, better than consensus at \$391.4M, and tops the high end of its guidance range of \$387M – \$402M. Of the total, live broadcasting revenue is likely to be around \$347.4M, with the average monthly revenue for MOMO live broadcasting at around \$115.8M, vs. \$109.3M in 4Q17. MOMO continues to grow its live broadcasting business, while the Quiz show is adding user traffic. We maintain our Buy rating.

- 1Q18 revenue likely to exceed consensus** - MOMO's live broadcasting revenue is likely to be around \$347.4M in 1Q18E, implying total revenue to be in the range of \$403M - \$409M, better than consensus at \$391.4M. The live broadcasting revenue in March 2018 is likely to be around \$125.3M. Taking into the consideration of the positive impact from MOMO's new Annual Festival in March 2018, we estimate the monthly average revenue for its live broadcasting to be \$115.8M in 1Q18, vs. 4Q17 at \$109.3M (Figure 1).
- New developments** - MOMO introduced the union system into its live broadcasting, which increased the engagement and activity levels of the platform. While other business initiatives such as radio and one-to-one chat have started to contribute to revenues, the Quiz shows (a new business format) are adding more user traffic (Figure 2). In addition, the Annual Festival in March 2018 is likely to drive user growth; there wasn't a Festival in March 2017.
- Active users, hosts and ACUs per host up significantly on a Y/Y basis** – As the company's live broadcasting business was in the ramping stage, the Q/Q growth is a better way to measure the business progress. Based on our proprietary data, average hourly concurrent users on a quarterly basis were slightly down slightly to 67,849 in 1Q18 from 69,720 in 4Q17 (Figure 3) due to seasonality. Average hourly concurrent recommended hosts decreased slightly to 534 in 1Q18 from 569 in 4Q17 (Figure 4). The average ACU per host was up slightly to 127 from 126 in 4Q17 (Figure 5).
- Please see page 2 for valuation and risks.**

Momo Inc.
MOMO: Buy
Price: \$33.72 (Intraday)
Target Price: \$50.00

52 Week Range:	\$22.49- \$46.69
Market Cap:	\$6.71B
Avg. Daily Vol. (100 day):	5,581,442
3-Yr. Est. Rev. CAGR:	162%
Net cash per share:	\$5.09

FY (Dec)	2017A	2018E	2019E
Q1	\$265.2A	\$391.2E	\$499.2E
Q2	\$312.2A	\$426.0E	\$543.8E
Q3	\$354.5A	\$461.9E	\$583.6E
Q4	<u>\$386.4A</u>	<u>\$508.6E</u>	<u>\$627.5E</u>
Revenue	\$1,318.2A	\$1,787.8E	\$2,254.1E
Q1	\$0.44A	\$0.49E	\$0.61E
Q2	\$0.35A	\$0.53E	\$0.68E
Q3	\$0.45A	\$0.56E	\$0.70E
Q4	<u>\$0.53A</u>	<u>\$0.62E</u>	<u>\$0.78E</u>
EPS*	\$1.77A	\$2.20E	\$2.77E
P/E	19.1x	15.3x	12.2x

*Non-GAAP EPS
 All figures in millions unless otherwise noted

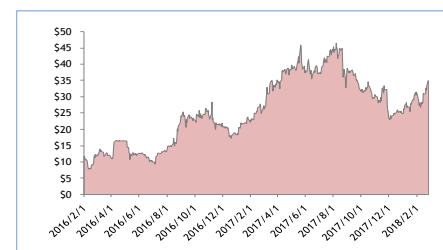
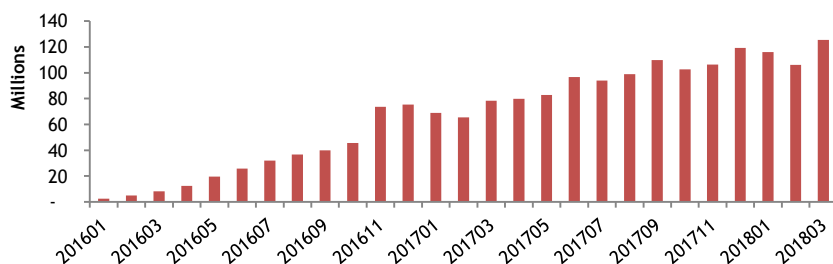


Figure 1: Live Broadcasting Service Revenue, 1/2016 – 3/2018



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

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- **Valuation and price target** - MOMO is on a high growth period of its earnings. Therefore, we maintain our Buy rating and our price target of \$50.00, which is based on an 18.1X PE multiple to our 2019E non-GAAP EPS projection of \$2.77.
- **Investment risks** – 1) The acquisition of Tantan is likely to lower Momo's operating margin as Tantan's monetization just started and more development work has yet to be done; 2) Failure in creating synergies between Momo and Tantan; 3) Failure to expand its users on MOMO platform as well as Tantan; 4) Failure to convert active users to paying users; 5) Government regulations; and 6) Intense competition.

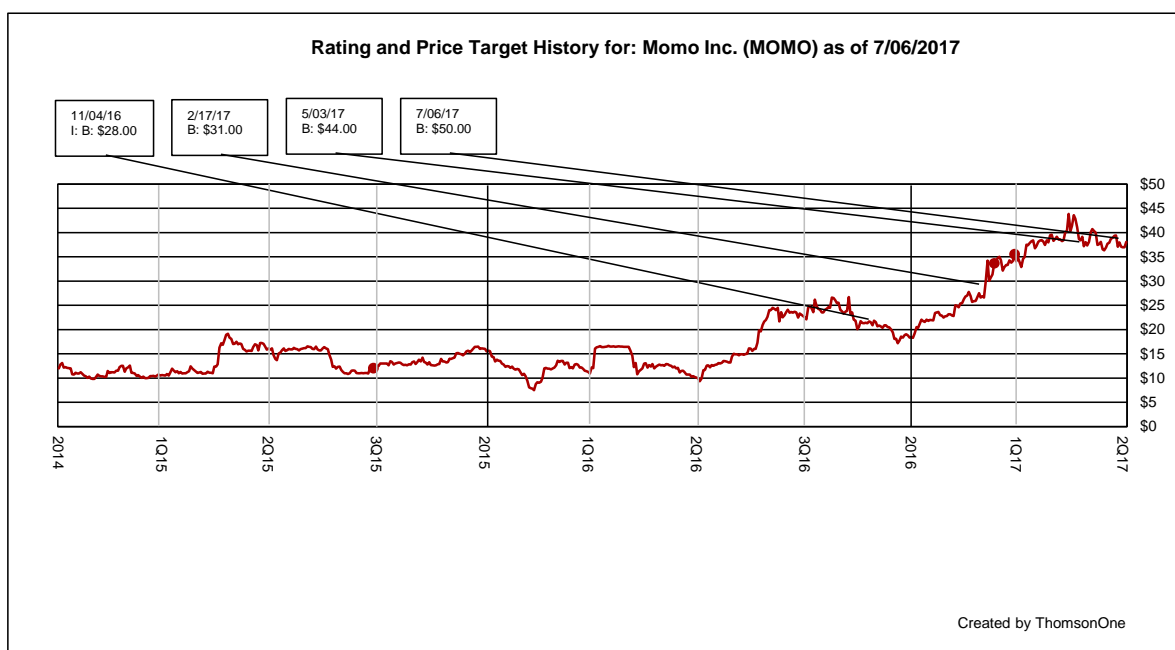
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