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Zacks Small-Cap Research

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Fangdd Network Group (NASDAQ: DUO)

DUO: Chinese Online Real Estate Transaction Platform Enabling Small and Medium Size Agencies

DUO stock can be valued against its peers that trade at an average of 9.7 time EV/estimated 2020 sales. Using that metric, and discounting it DUO stock could be worth US$24.80

Current Price (12/01/20)	US$6.87
Valuation	**$24.80**

OUTLOOK

Fangdd is a nine-year-old online residential real estate transaction platform company operating in China. It was founded by experienced real estate brokers to serve the needs of small and medium agencies with superior tools to run their businesses. It is one of the top SaaS platforms in China and is working to return to growth after this year's pandemic shutdowns. We believe the company's scalable business model provides it the ability to earn positive EBITDA combined with lower risk than competing companies.

SUMMARY DATA

52-Week High	**US$47.06**
52-Week Low	**US$6.56**
One-Year Return (%)	**-46.4**
Beta	**N/A**
Average Daily Volume (sh)	**42,080**
ADS Outstanding (mil)	**83.8**
Market Capitalization ($mil)	**US$575**
Short Interest Ratio (days)	**0.2**
Institutional Ownership (%)	**4.5**
Insider Ownership (%)	**46.6**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**0**
P/E using TTM EPS	**N/M**
P/E using 2020 Estimate	**N/M**
P/E using 2021 Estimate	**N/M**

Risk Level	**High**
Type of Stock	**Small-Blend**
Industry	**Real Estate Ops**

ZACKS ESTIMATES

Revenue
(in millions of ¥)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	NA	NA	551 A	NA	2,282 A
2019	656 A	948 A	948 A	1,047 A	3,599 A
2020	272 A	738 A	819 A	580 E	2,409 E
2021					3,000 E

Non-GAAP Earnings Per ADS (¥) diluted

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	NA	NA	-1.00 A	NA	-3.81 A
2019	0.36 A	2.26 A	1.09 A	0.90 A	5.41 A
2020	-1.39 A	0.15 A	0.57 A	-0.79 E	-1.42 E
2021					-1.08 E

Zacks Projected EPS Growth Rate - Next 5 Years % **15**

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KEY POINTS

- Fangdd is the second largest real estate transaction platform in China. It is similar to a US company like Zillow where homebuyers can view properties, but in contrast, the platform earns a transaction fee like the Multiple Listing Service, which in the US can only be viewed by brokers. It provides discovery and transaction support to the 2019 ¥9.5 trillion market (US$1.4 trillion) of new and existing residential properties that are sold each year (that is expected to grow 9.3% to ¥17.4 trillion by 2024), as Chinese consumers add second homes and continue to invest in real estate as prices continue to appreciate. Fangdd targets small to medium independent agencies in China, of which 1.5million are registered on the platform.

- As opposed to its main competitors, Fangdd is strictly an online platform with significantly lower fixed costs and an operating leverage advantage. Since it employs no brokers and has no agency storefronts, its model is easily scalable and as its volumes grow so should its operating margins.

- The market in China is fragmented and the largest platform there, Beike, has only an estimated 12-13% market share in 2020. This leaves considerable opportunity to compete with differentiated pricing and services.

- The majority of Fangdd's revenue comes from commission sharing with agents from the sale of newly built homes. It gets a small portion of the commission paid by the developer to the agent. The agent gets a 2-3% commission and Fangdd may take 15 to 20% of that. Fangdd is working to diversify this revenue stream by adding value added services such as parking space sales and property management services. The number of the new construction property projects on its platform increased to 3,479, growing 11.3% year-over-year and 19.2% sequentially.

- A big selling point for Chinese real estate agent in choosing a specific platform to use is the speed at which he can get his commission paid out. In contrast to the US market where agents get paid immediately at closing, commission payments from developers who are selling their new construction can take up to six months to collect. As a result, other competing platforms have financed this receivable themselves and pay agents immediately. This is part of "supply chain financing." Fangdd recently added the ability to finance of these receivables via its bank partners thus allowing an immediate payout and making it more competitive without taking on loan risk from developer bankruptcies or non-payment.

- Fangdd continues to grow and penetrate the real estate broker market. In Q3 it had 276,600 active users in the quarter up 22.0% from last year and 26,500 agents transacted on the platform in the quarter an increase of 28.0%. This led to revenues of ¥819 million down from ¥948 million a year ago or 13.6% decline. The value of the transactions completed on the platform was ¥55.9 billion versus ¥51.1 billion a year ago, up 9.4%, but clearly at lower commissions. The company's revenue growth is suffering primarily from the impact of pandemic shut downs combined with an industry price war but should return to year over year revenue growth in Q1 2021. Despite declining sales this year, its registered and active user numbers continue to go up.

- Although competition is stiff for real estate platforms in China, we believe an expanding market should float all boats and Fangdd, as an independent platform, should be an attractive option for micro, small, and medium sized independent agents.

- At $6.87 per share Fangdd trades at an enterprise valuation of US$482 million or 1.3 times estimated 2020 sales and is a value play compared with its peers who trade at 9.7 times.

OVERVIEW

Fangdd was founded in 2011 by three real estate brokers. They decided that small and medium agencies needed a robust platform for their customers to discover properties, transact business, and that provided more support for both the homebuyers and the agencies. The founders sold their agency and moved to Shenzhen to start Fangdd. In English “fang” means “house” or “room” and “dd” is short for “duo” or “a lot.” Nine years later, the Fangdd platform has 440,000 active agents, 1,600 employees and transacts ¥210 billion in real estate sales, generating revenues at a ¥3.8 billion run rate.

Approximately 90% of Fangdd revenues came from commission sharing on transactions and the rest from supply chain financing products. Almost all of the commission sharing is from newly built housing (aka “primary property projects”) bought directly from developers. These commissions, which average approximately 2.6% of the sale value, are from “closed-loop” transactions. Simply put, this just means sales that were completed via the Fangdd’s platform.

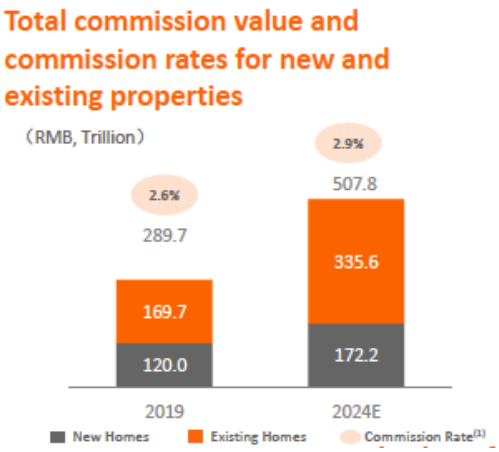
The other 10% of revenues come from financing products and “value added services” (VAS). Financing products are mortgages, bridge loans or even home renovation loans. The broker applies for the loan for the customer via the platform. The platform then connects the customer to interested banks. Fangdd get a cut of the loan referral fee and splits it with the real estate agent. Assuming the client's APR on the loan is 10% and the bank charges the platform for a 5% fee, that leaves a 5% spread to be split between Fangdd and the agent. This incentivizes the agent to encourage more clients to get such loans thru Fangdd, because the agent would then make potentially 50% of the spread.

Fangdd also helps property developers sell parking spaces. In China there is a ¥800 billion market for parking spaces. The number of listed parking spaces on the Fangdd platform increased by 37.8% sequentially to over 13,500 in Q2 and commission fees on them increased by 53% quarter over quarter to ¥ 54.62 million in Q2 (or 7.4% of total revenues.)

Other value added services (VAS) include certified real estate transaction centers and renovated property resale services. In the third quarter, the transaction service center network covered 11 cities with 31 service centers from 14 transaction center brands. While Fangdd has a robust listing of new homes it relies on agents to list houses sold by homeowners. Agents can go to Fangdd centers get help putting their clients (resale) properties online and transact other business while Fangdd employees can use the opportunity to sell post-transactions services to these agents.

The company expects to have these financing and VAS revenues to increase as a percent of total sales. They generate between 20-30% gross margins, which is higher than the current gross margin of about 20%. This product mix shift should thus drive the expansion of operating margins and accelerate earnings.

INDUSTRY OUTLOOK



Graph Source: Fangdd and Frost & Sullivan

China is enjoying a robust market for residential real estate as more and more people buy primary homes, second homes, and investment properties and prices continue to rise. While the pandemic hurt the market short term, it only delayed transactions and resulted in pent up demand, which is now being fulfilled. In China home ownership is a lifestyle as opposed to the US where renting is a socially acceptable alternative. Owning a home represents wealth and stability as well as a security blanket for families. In contrast to the US where 89% of homes are bought using a real estate broker according to the National Association of Realtors, in China less than 40% use an agent. Property related financial services market's total GTV in 2019 was ¥ 2.9 trillion and it is expected to increase to ¥ 6.6 trillion in 2024 according to the marketing research report by CIC.

COMPETITION

Fangdd competes with a number of platforms, the largest of which are shown below. Its largest competitor is KE Holdings Inc. (NYSE: BEKE) known as Beike and is shown below in the blue. Beike owns Lianjia, a national large real estate agency and thus it competes with its platform users who are also real estate agents from other major agencies as well as employs thousands who operate out of hundreds of physical store fronts. Fangdd in contrast is a technology platform created to service independent agencies and has less than 2% of the employees that Beike has. This corporate structure is scalable and ultimately should allow it to operate profitably at lower prices than the competition. As evidence, its operational efficiency has continued to improve. Its gross market value (GMV) per employee grew from ¥34.6 million in 2017 to ¥84.5 million in 2018, and then to ¥RMB133.9 million (US$19.2 million) in 2019. During that time its revenue per employee grew from ¥800,000 in 2017 to ¥1.7 million in 2018, and then to ¥2.3 million (US$0.3 million) in 2019. The average number of agents served per employee went from 322 in 2017 to 677 in 2018, and 798 in 2019.

		房多多 Fangdd.com	贝壳 Lianjia.com		58同城 58.com
Key Operating Metrics	Active Agents[1]	440 thousand	360 thousand	150 thousand	1 million
	Closed-Loop Agents[1]	60 thousand	360 thousand	/	/
	Property Listings[1]	139 million	226 million	/	250 million
	GMV[1]	210.5 billion	2.1 trillion	138.2 billion	/
	Employees[1]	1,572	87.7 thousand	/	/
Key Financial Metrics	Revenue[1]	3.6 billion	46.0 billion	3.5 billion	/
	Net Income (Non GAAP[1])	235 million	1.65 billion	57 million	/
	Revenue per Employee[1]	2 million / per person	520 thousand / per person	/	/

Source: Fangdd, All numbers are as end of 2019.

Beike recently IPOed and trades at a market cap of US$79 billion and analysts expect it to generate US$9.4 billion in sales in 2020. It is currently in a land grab and is spending to grow and is burning through cash to support this growth. In contrast to Fangdd, Beike funds prepayments of commissions to agents with its own balance sheet while it waits to be paid by developers and takes the risk of defaults. Beike was founded in 2001 and is headquartered in Beijing.

The third company on the chart is E-House (2048:HK) a $1.4 billion company based in Shanghai and founded in 2000. In 2016 it developed its own third party real estate platform called Fangyou which now serves 10,000 real estate offices in 56 cities in China and also targets small and medium and micro brokers.

58.com (formerly WUBU) is China's largest online marketplace for classified ads. Privately held Quantum Bloom Company Ltd. purchased it in September for US$6.7 billion or approximately 3 times the US$2.34 billion in revenues that were estimated for 2020 revenues.



Source: Fangdd

MANAGEMENT

Yi Duan

Co-Founder, Chairman of the Board of Directors and Co-Chief Executive Officer

Mr. Yi Duan is co-founder, chairman of board of directors and chief executive officer. Before co-founding FangDD, Mr. Duan was the managing director at Suzhou Best Team Real Estate Cooperation Service Co., Ltd. from 2000 to 2011. Mr. Duan received a bachelor's degree in real estate management from Suzhou Urban Construction and Environmental Protection Institute and an EMBA degree from China Europe International Business School. Mr. Duan also completed the China CEO program at Cheung Kong Graduate School of Business in 2016.

Xi Zeng
Co-Founder, Director and Co-Chief Executive Officer

Mr. Xi Zeng is co-founder, director, and chief operating officer. Before co-founding FangDD, Mr. Zeng was the manager at Suzhou Best Team Real Estate Cooperation Service Co., Ltd. from 2002 to 2010. He received a bachelor's degree from Suzhou University of Science and Technology and an EMBA degree from China Europe International Business School.

Jiaorong Pan
Chief Financial Officer

Ms. Jiaorong Pan has served as company's chief financial officer since March 2020. Ms. Pan served as senior vice president before assuming the position of chief financial officer. Ms. Pan was a general manager at Suzhou Huamei Enterprise Marketing Planning Co., Ltd. Between September 2003 and October 2009, Ms. Pan served as a manager for the consulting department of Best Team Real Estate Comprehension Services Co., Ltd. During her tenure, she chaired all market research and project development efforts. Ms. Pan holds a bachelor's degree in construction engineering from Suzhou University of Science and Technology and an EMBA degree from the Cheung Kong Graduate School of Business.

Jiancheng Li
Founder, Director and Chief Technology Officer

Mr. Jiancheng Li is co-founder, director, and chief technology officer. Before co-founding FangDD, Mr. Li worked for of Tencent Holdings Ltd (HKEx: 0700) from 2005 to 2010 and served as a general manager of its Shenzhen R&D center. He served as senior manager at UTStarcom from 1999 to 2005. From 1996 to 1998, Mr. Li was the engineering manager of R&D Center at Jinpeng Group, a telecom infrastructure provider. Mr. Li received a bachelor's and a master's degree from Huazhong University of Science and Technology and an EMBA degree from China Europe International Business School.

Li Xiao
Director and Vice President

Ms. Li Xiao has served as vice president since November 2014 and as director since July 2015. Ms. Xiao has more than 20 years of experience in China's real estate industry. From 1994 to 2014, Ms. Xiao worked at China Vanke Co., Ltd. (HKEX: 2202), where she held multiple positions consecutively, including director, vice president, the head of general manager office, the head of the board office, and the secretary of the board. From 1990 to 1994, Ms. Xiao worked at Mitsubishi Corporation's Shenzhen office. Ms. Xiao received a bachelor's degree from Wuhan University and an EMBA degree from China Europe International Business School.

BOARD OF DIRECTORS

Yi Duan
Co-Founder, Chairman of the Board of Directors and Chief Executive Officer

Member of the Compensation Committee
Chair of the Nominating and Corporate Governance Committee

Xi Zeng
Co-Founder and Co-Chief Executive Officer

Jiancheng Li
Founder and Chief Technology Officer

Li Xiao
Vice President

Ronald Cao

Mr. Ronald Cao has served as director since June 2014. Mr. Cao is the founder and managing partner of Sky9 Capital, a China-focused early-stage technology venture capital firm established in 2016. Mr. Cao also co-founded Lightspeed China Partners and has been managing the investments and operations of Lightspeed China Partners I, L.P. and Lightspeed China Partners II, L.P. since November 2011. Prior to founding Lightspeed China Partners, Mr. Cao served as managing director of Lightspeed Venture Partners, managing director of KLM Capital, and products and operations manager at Intel Corporation. Mr. Cao currently serves on the board of PPDai (NYSE: PPDF) and boards of privately owned portfolio companies. Mr. Cao was named as a Young Global Leader of the World Economic Forum. Mr. Cao received his Bachelor of Science and master of engineering degrees in electrical engineering and computer science from Massachusetts Institute of Technology. Mr. Cao has been named by Forbes China as one of China's top venture capitalist over multiple years.

Zhe Wei

Mr. Zhe Wei has served as director since June 2014. Mr. Wei has over 20 years of experience in both investment and operational management in China. Prior to launching Vision Knight Capital, a private equity fund, in 2011, Mr. Wei served for five years as an executive director and the chief executive officer of Alibaba.com Limited, a leading worldwide online e-commerce company. From 2000 to 2006, Mr. Wei served as the chief financial officer and then chief executive officer of B&Q China, a subsidiary of Kingfisher plc, a leading home improvement retailer in Europe and Asia. Prior to that, Mr. Wei was the head of investment banking at Orient Securities Company from 1998 to 2000, the corporate finance manager in the M&A department at Coopers & Lybrand from 1995 to 1998, and the vice general manager in the asset management department at Wanguo Securities in 1995. Mr. Wei currently serves as a non-executive director of Informa plc, a leading business intelligence and events organizer listed on the London Stock Exchange, an executive director of Zall Smart Commerce Group Ltd., a company listed on the Hong Kong Stock Exchange, an independent director of Leju Holdings Limited, a company listed on the New York Stock Exchange, and a non-executive director at PCCW Limited. Mr. Wei received a bachelor's degree in international business administration from Shanghai International Studies University and completed an EMBA degree at London Business School in 1998.

Member of the Audit Committee
Member of the Compensation Committee
Member of the Nominating and Corporate Governance Committee

Johnny Kar Ling Ng

Mr. Johnny Kar Ling Ng has served as independent director since October 2018. Mr. Ng has also served as the independent director of Sinopec Limited (NYSE: SNP/HKEX: 0386/SSE: 600028) since May 2018 and China Vanke Co., Ltd. (HKEX: 2202) since June 2017. Mr. Ng held a variety of roles, including partner and

vice chairman, at KPMG LLP from 1984 to 2016. Mr. Ng earned a BBA degree in 1984 and a MBA degree in 1999 from the Chinese University of Hong Kong. Mr. Ng is a certified public accountant.

Chair of the Audit Committee
Chair of the Compensation Committee
Member of the Nominating and Corporate Governance Committee

Weiru Chen

Mr. Weiru Chen has served as independent director since the IPO. Mr. Chen has served as an independent director of TAL Education Group (NYSE: TAL) since June 2015 and Dian Diagnostics Co., Ltd. (SSE: 300244) since July 2017. Mr. Chen has served as an executive director of Industry Internet Center of Alibaba Business School since February 2019 and was a chief strategy officer at Zhejiang Cainiao Supply Chain Management Company Limited from 2017 to 2019. Mr. Chen was an assistant professor of strategy at INSEAD Business School from 2003 to 2011 and an associate professor of strategy at China Europe International Business School from 2011 to 2017. Mr. Chen earned a bachelor's degree from National Taiwan University in Taiwan in 1993, a master's degree from TamKang University in 1996, and a doctoral degree from Purdue University in 2003.

Member of the Audit Committee

FINANCIALS

Fangdd became a public company in November of 2019 and was expected to grow significantly in 2020. However almost immediately it was affected by the pandemic and countrywide shutdowns that curtailed real estate transactions. In addition, the industry is in a vicious price war. Competitors are throwing out huge subsidies to attract transactions and taking huge losses to gain market share. Fangdd has chosen not to compete on price and is instead trying to make its platform more efficient with improved features and functions. So as a result, instead of the expected growth of over 50%, the company will likely report a revenue decline of 30% for the 2020 year.

The first quarter in China generally has been the slowest quarter with the lowest business activity. This is because the Chinese New Year falls in the first quarter every year and most people take two weeks off. This year was the extreme case because during the first quarter, there was essentially no business activity whatsoever and the holiday was also extended. Shut downs stopped buyers from viewing houses and thus buying. The whole real estate industry was devastated, not just Fangdd. Developers were not lost but they were shut from operating in the first quarter. Since then the pandemic has somewhat abated, but the competition has not.

First Nine Months of 2020

For the first nine months of 2020 revenues declined 28.3% from the first nine months of 2019 from ¥2.5 billion to ¥1.8 billion. Revenues improved sequentially from a low in Q1 through to Q3. Gross margin dollars decreased 33.2% and margins declined to 19.8% from 21.3%, but increased to 23.5% in Q3. With declining revenues, the company still had increasing expenses, mostly in G&A expense as it transitioned to a public company. It increased operating costs ¥118 million of which ¥78 million was from stock-based compensation.

The company swung to an operating loss of ¥150 million for the first nine months from a profit of ¥148 million in 2019. Last year operating margins were 5.8%, while this year the margin sunk to -8.2%. On a GAAP basis

the net loss in 2020 was ¥130 million compared to profits of ¥64 million. The non-GAAP net loss was reduced to ¥52 million in 2020 while GAAP and non-GAAP were the same for the company in 2019.

The loss per ADS was ¥1.64 in 2020 versus a profit of 0.77 in 2019 using average ADS outstanding. Non-GAAP loss per ADS was ¥0.65 this year compared to non-GAAP income per ADS of ¥4.73 in 2019.

Balance Sheet

The company ended the September quarter with ¥1.1 billion in cash and short-term investments or ¥0.013 per ADS. This was a increase of ¥124 million in the quarter. Working capital was a positive ¥1.0 billion and the current ratio a healthy 1.4xs. Total debt was ¥447 million or 10.6% of total assets.

Events in Q3 2020

In Q3 the company made progress attracting more agents and usage however it found that due to subsidies offered by competitors, completed transactions were less than expected. Homebuyers and agents were using the platform to find properties, but agents were completing the transactions where they could receive higher commissions. This price war being conducted by Beike is not sustainable in the long run according to Beike's management. They have found that the market share they have gained this way has not been cost effect nor has it provided agent stickiness as transactions leap to the highest paying commission.

To bolster its business, the company formed a joint venture agreement with Shanghai Yuancui Information Technology, a subsidiary of Centaline Group. Fangdd will own 51% of the venture and it will be consolidated with the company financials after the deal is finalized. Shanghai Yuancui is the online technology arm of Centaline's real estate network. Centaline, founded in Hong Kong, has 2,000 branches in China of which 400 are in Hong Kong. It provides what Fangdd does online, in the offline world. The two will work together to provide synergy using each other's strengths. The joint venture will empower the real estate agents in Fangdd's Preferred Agent Alliance Network through franchising, as well as strengthen offline resale property service capabilities, and expand the service offerings of its transaction service centers. During Q3 ten more transaction service centers were added and the company now has a presence in 11 cities in the Shanghai area.

Fangdd also continued to expand its parking space pass business in Q3. It completed new projects in seven new cities including Tangshan, Jinan, and Chongqing, adding 9,358 more parking spaces. The company now has 23,000 spaces on its platform worth over ¥1.8 billion.

Q4 2020 Forecast

In its last earnings call, management gave guidance of Q4 revenues between ¥600 million and ¥700 million. Since Q3 revenues missed the low end of guidance given we are going to very conservative and use slightly lower than the low end of the range in our forecast. It also does not expect gross margins to go up and that its operating expenses will increase. At those revenue levels we expect the company to report a loss and are forecasting a GAAP loss of ¥89 million or ¥01.11 per ADS. The non-GAAP loss could be ¥63 million or ¥1.06 per ADS

2020 Year

Factoring in our estimate for Q4, we expect the company to report 2020 revenues of ¥2.4 billion compared to ¥3.6 billion in 2019, or a decline of 33.1%. With increased expenses we expect a GAAP loss of ¥217 million or ¥2.73 per ADS down from ¥ in 2019.

2021 Year

Management expects the price war to go on for a while. Beike stated on its conference call that the price war is not sustainable while at the same time raising more cash. When it ends at this point is hard to tell. At this point we believe the company could return to revenue growth in Q1 2021 given an easy comp with last year's pandemic ravaged quarter. The remainder of the year depends on the price war's potential end. For a preliminary estimate we are using revenues of ¥3.0 billion and a GAAP loss of ¥195 million or ¥2.45 per ADS. On a non-GAAP basis, taking out stock-based compensation that would be a loss of ¥86 million or ¥1.08 per ADS.

VALUATION

Given the unusual year and recent losses caused by the pandemic we think a more reasonable way to value Fangdd is by enterprise value to sales rather than using PE multiples. Using that metric we find an average multiple of its peers in the real estate platform industry is 9.7 times 2020 estimated revenues, with the China-based companies all trading higher than average. If we take that metric and apply it to our estimate of 2020 sales of US$361 million, we get an enterprise value of US$3.5 billion and a market value of US$3.6 billion. This equates to a price per ADS of US$42.50 using 83.8 million fully diluted ADS. We believe that once the company returns to growth on a sustained basis it should move to that valuation. Given that the company is now showing declining revenues and losses we are discounting that number. Using the lowest valuation on the comp table of 5.5 times sales that would still be a price of $24.80.

Company	Ticker	Cal. Rev. 2021E	Cal. Rev. 2020E	LTM	EBIDTA Margin	EV/Sales 2021E	EV/Sales 2020E	EV/Sales LTM	Included in Average?	Enterprise Value
KE Holdings	BEKE	13,070	10,340	9,073	2%	5.2	6.6	7.5	y	67,970
CoStar Group	CSGP	1,910	1,650	1,590	28%	16.8	19.4	20.1	y	32,000
E-House	2048.HK	2,290	1,954	1,360	19%	6.7	7.9	11.3	y	15,340
Redfin	RDFN	1,200	875	875	-1%	4.0	5.5	5.5	y	4,770
Zillow	Z	4,660	3,290	3,490	-1%	5.1	7.2	6.8	y	23,840
Average					9%	7.8	9.7	10.2		28,784

RISKS

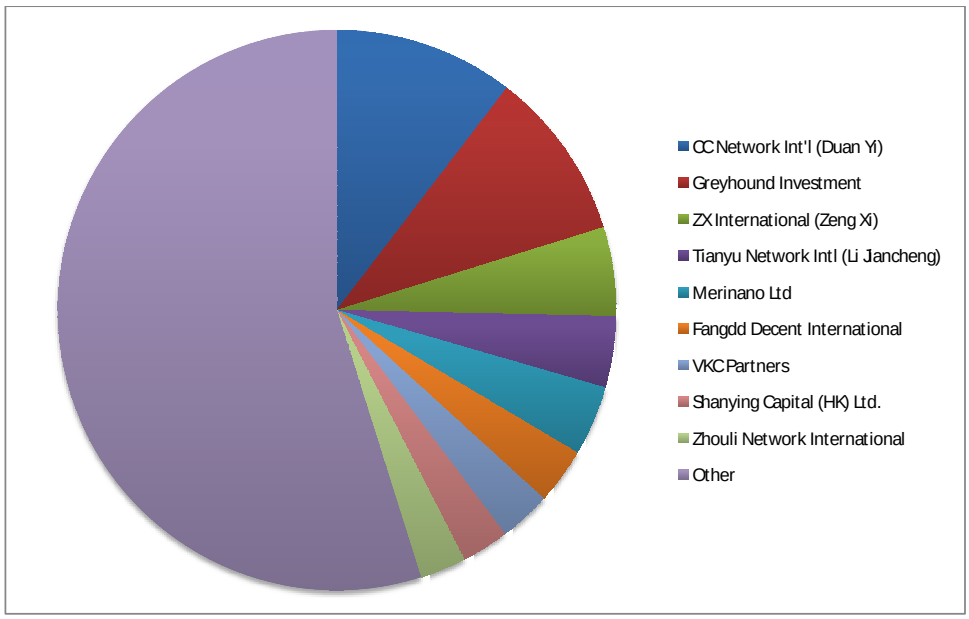
- Fangdd operates in the People's Republic of China and is heavily regulated. It was greatly affected by the government shutdown of business and commerce due to the pandemic and may be affected in the future by government intervention and rule changes.

- The company is heavily dependent on the sale of new homes and its relationship with developers. As such, it is also affected by the real estate development trends in residential housing. While prices in China have increased in the past, they may not do so in the future resulting in a cyclical industry more typical in the rest of the world.

- The company experiences heavy competition from companies larger and better funded than it. Its major competitor is in a land grab and is deficit spending to capture market share. This price war could last longer than currently expected.

OWNERSHIP

This chart data is a combination of company provided information as of November 1, 2019, ownership percentage based on all common shares (assuming full conversion of Class B common shares in to Class A common shares) and updates from public information from reporting entities.



INCOME STATEMENT

In RMB thousands	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020E	2019	2020E	2021E
Revenue	¥ 656,006	¥ 948,232	¥ 947,963	¥ 1,047,235	¥ 272,108	¥ 737,690	¥ 819,091	¥ 580,000	¥ 3,599,436	¥ 2,408,889	¥ 3,000,000
Yr-to-yr growth	NA	NA	71.9%	NA	-58.5%	-22.2%	-13.6%	-44.6%	57.7%	-33.1%	24.5%
Cost of revenue	534,519	726,006	749,114	832,755	222,715	616,737	626,800	487,200	2,842,394	1,953,452	2,400,000
Gross profit	121,487	222,226	198,849	214,480	49,393	120,953	192,291	92,800	757,042	455,437	600,000
Gross margin %	18.5%	23.4%	21.0%	20.5%	18.2%	16.4%	23.5%	16.0%	21.0%	18.9%	20.0%
Operating expenses:											
Sales and marketing expenses	6,118	21,347	3,835	17,095	1,387	2,895	1,533	1,533	48,395	7,348	7,000
Product development expenses	65,736	79,082	73,399	506,766	94,979	70,495	65,031	75,000	724,983	305,505	300,000
General and administrative expenses	44,524	55,250	44,779	375,868	93,063	80,517	102,265	100,000	520,421	375,845	400,000
Total operating expenses	116,378	155,679	122,013	899,729	189,429	153,907	168,829	180,000	1,293,799	688,698	792,000
(Loss) Income from operations	5,109	66,547	76,836	(685,249)	(140,036)	(32,954)	23,462	(87,200)	(536,757)	(233,261)	(192,000)
Operating margin	0.8%	7.0%	8.1%	-65.4%	-51.5%	-4.5%	2.9%	-15.0%	-14.9%	-9.7%	-6.4%
Other income (expenses):											
Interest expense, net	NA	NA	NA	NA	NA	NA	NA	0	(8,719)	NA	NA
Foreign currency exchange (loss) gain, net	NA	NA	NA	NA	NA	NA	NA	0	237	NA	NA
Gain on short-term investments	NA	NA	NA	NA	NA	NA	NA	0	2,771	NA	NA
Impairment loss for long-term equity investment	NA	NA	NA	NA	NA	NA	NA	0	(16,000)	NA	NA
Government grants	NA	NA	NA	NA	NA	NA	NA	0	22,351	NA	0
Other income, net	NA	NA	NA	NA	NA	NA	NA	0	7,724	NA	0
Share of profit from equity method investees, net	NA	NA	NA	NA	NA	NA	NA	0	21,772	NA	0
Total other income	NA	NA	NA	NA	NA	NA	NA	(1,600)	30,136	NA	0
Income (loss) before income tax	NA	NA	NA	NA	NA	NA	NA	(88,800)	(506,621)	NA	(192,000)
Pretax margin %	NA	NA	NA	NA	NA	NA	NA	-15.3%	-14.1%	NA	-6.4%
Income tax expense	NA	NA	NA	NA	NA	NA	NA	0	3,766	NA	4,000
Tax rate	NA	NA	NA	NA	NA	NA	NA	0.0%	-0.7%	NA	-2.1%
Net income	14,797	85,510	80,308	(691,002)	(136,445)	(13,987)	21,905	(88,800)	(510,387)	(217,327)	(196,000)
Stock-based compensation	0	0	0	745,873	26,431	25,887	26,100	26,000	745,873	104,418	110,000
Non-GAAP net income	14,797	85,510	80,308	54,871	(110,014)	11,900	48,005	(62,800)	235,486	(112,909)	(86,000)
Accretion of Redeem. Convert. Preferred Shares	66,236	47,845	1,645	(582)	0	0	0	0	116,308	0	0
Deemed dividend to preferred shareholder	0	0	0	(642,174)	0	0	0	0	642,174	0	0
Net income attributable to ordinary shareholders	(51,439)	37,665	78,663	(1,333,758)	(136,445)	(13,987)	21,905	(88,800)	(1,268,869)	(217,327)	(196,000)
Non-GAAP net income	14,797	85,510	78,663	(587,885)	(110,014)	11,929	48,005	(62,800)	(522,996)	(112,880)	(86,000)
Other comprehensive income (loss)											
Foreign currency translation adjustment, net	(60,419)	63,515	(60,419)	(20,128)	0	(1,107)	(17,499)	0	(94,357)	(18,606)	0
Total comprehensive income (loss), net	¥ 75,216	¥ 21,995	¥ 140,727	¥ (670,874)	¥ (136,445)	¥ (15,094)	¥ 4,406	¥ (88,800)	¥ (604,744)	¥ (235,933)	¥ (196,000)
Non-GAAP total loss	¥ 75,216	¥ 21,995	¥ 140,727	¥ (608,013)	¥ (110,014)	¥ 10,822	¥ 48,005	¥ (62,800)		(113,987)	¥ (86,000)
EPS attributable to ordinary shareholders	¥ (0.05)	¥ 0.04	¥ 0.08	¥ (0.88)	¥ (0.07)	¥ (0.01)	¥ 0.01	¥ (0.04)	¥ (1.17)	¥ (0.11)	¥ (0.10)
Diluted EPS attributable to ordinary shareholders	¥ (0.05)	¥ 0.04	¥ 0.04	¥ (0.88)	¥ (0.07)	¥ (0.01)	¥ 0.01	¥ (0.04)	¥ (1.17)	¥ (0.11)	¥ (0.09)
Weighted average shares outstanding	945,712,030	945,712,030	945,712,030	1,520,897,947	1,984,641,870	1,996,169,104	1,996,169,094	1,996,169,104	1,087,910,999	1,993,287,293	2,000,000,000
Diluted shares	945,712,030	945,712,030	1,833,965,173	1,520,897,947	1,984,641,870	1,996,169,104	2,093,879,582	2,093,879,582	1,087,910,999	2,042,142,535	2,093,879,582
Non-GAAP EPS attributable to ordinary shareholders	¥ 0.02	¥ 0.09	¥ 0.04	¥ 0.04	¥ (0.06)	¥ 0.01	¥ 0.02	¥ (0.03)	¥ 0.22	¥ (0.06)	¥ (0.04)
EPADS attributable to ordinary shareholders	¥ (1.25)	¥ 1.00	¥ 2.08	¥ (21.92)	¥ (1.72)	¥ (0.18)	¥ 0.27	¥ (1.11)	¥ (29.16)	¥ (2.73)	¥ (2.45)
Diluted EPADS attributable to ordinary shareholders	¥ (1.25)	¥ 1.00	¥ 1.07	¥ (21.92)	¥ (1.72)	¥ (0.18)	¥ 0.26	¥ (1.06)	¥ (29.16)	¥ (2.66)	¥ (2.34)
Weighted average ADS outstanding (25:1)	41,117,914	37,828,481	37,828,481	60,835,918	79,385,675	79,846,764	79,846,764	79,846,764	43,516,440	79,731,492	80,000,000
Diluted weighted average ADS outstanding (25:1)	41,117,914	37,828,481	73,358,607	60,835,918	79,385,675	79,846,764	83,755,183	83,755,183	43,516,440	81,685,701	83,755,183
Yr-to-yr growth		-8.0%	93.9%	-17.1%	93.1%	111.1%	14.2%	37.7%	15.0%	87.7%	2.5%
Non-GAAP EPADS	¥ 0.36	¥ 2.26	¥ 2.12	¥ 0.90	**¥ (1.39)**	¥ 0.15	¥ 0.60	**¥ (0.79)**	¥ 5.41	**¥ (1.42)**	**¥ (1.08)**
Non-GAAP Diluted EPADS	**¥ 0.36**	**¥ 2.26**	**¥ 1.09**	**¥ 0.90**	¥ (1.39)	**¥ 0.15**	**¥ 0.57**	¥ (0.75)	**¥ 5.41**	¥ (1.38)	¥ (1.03)

BALANCE SHEET

¥ in thousands	Sept 30, 2020 CNY (¥)	June 30, 2020 CNY (¥)	Qtr-Qtr % Growth	Dec. 31, 2019 CNY (¥)	Sept-to-Dec Growth
Current assets					
Cash and cash equivalents	¥ 953,627	¥ 833,688	14.4%	¥ 1,103,747	-13.6%
Restricted cash	94,117	95,315	-1.3%	230,125	-59.1%
Short-term investments	25,990	21,202	22.6%	11,500	126.0%
Accounts receivable, net	2,204,156	2,082,899	5.8%	2,189,980	0.6%
Prepayments and other current assets	393,238	413,888	-5.0%	194,668	102.0%
Total current assets	3,671,128	3,446,992	6.5%	3,730,020	-1.6%
Non-current assets					
Property, equipment and software, net	NA	NA		8,298	NA
Equity method investments	NA	NA		579,263	NA
Long-term equity investment	NA	NA		40,000	NA
Deferred tax assets	NA	NA		7,289	NA
Other non-current assets	NA	NA		7,255	NA
Total non-current assets	543,688	593,340	-8.4%	642,105	-15.3%
Total assets	4,214,816	4,040,332	4.3%	4,372,125	-3.6%
Current liabilities					
Short-term bank borrowings	447,944	361,944	23.8%	490,000	-8.6%
Accounts payable	1,919,039	1,842,511	4.2%	1,897,611	1.1%
Customers' refundable fees	33,888	37,333	-9.2%	44,916	-24.6%
Accrued expenses and other payables	265,960	284,844	-6.6%	338,626	-21.5%
Income tax payables	3,466	0	NM	7	49414.3%
Total current liabilities	2,670,297	2,526,632	5.7%	2,771,160	-3.6%
Non-current liabilities					
Income tax payables	13,264	12,949	2.4%	11,910	11.4%
Total non-current liabilities	13,264	12,949	2.4%	11,910	11.4%
Total liabilities	2,683,561	2,539,581	5.7%	2,783,070	-3.6%
Deficit:					
Additional paid-in capital	NA	NA		4,880,135	NA
Accumulated other comprehensive loss	NA	NA		(368,897)	NA
Accumulated deficit	NA	NA		(2,922,184)	NA
Total (deficit) equity	1,531,255	1,500,751	2.0%	1,589,055	-3.6%
Total liabilities and equity	4,214,816	4,040,332	4.3%	4,372,125	-3.6%
Cash and short-term investments	¥ 1,073,734	¥ 950,205	13.0%	¥ 1,345,372	-20.2%
Cash per ADS	0.013	0.012	13.0%	0.022	-39.2%
Current ratio	1.4	1.4	0.8%	1.3	2.1%
Working Capital	1,000,831	920,360	8.7%	958,860	4.4%
Debt	447,944	361,944	23.8%	490,000	-8.6%
Debt as a % of Assets	10.6%	9.0%	18.6%	11.2%	-5.2%

CASH FLOWS

	2017 CNY (¥)	2018 CNY (¥)	2019CNY (¥)
Cash flows from operating activities:			
Net income (loss)	¥ 649	¥ 104,026	¥ (510,387)
Adjustments to net cash (used in) provided by operating activities			
Depreciation and amortization	30,440	14,254	4,842
Share-based compensation expenses	0	0	745,873
Gain on short-term investments	(3,255)	(5,512)	(2,771)
Impairment loss for long-term equity investment	0	0	16,000
Share of profit from equity method investments, net	(2,902)	(19,566)	(21,772)
Other income, net	0	(493)	(8,321)
Dividend received from equity method investments	2,779	127	9,602
Allowances for doubtful accounts	10,715	42,337	58,981
Loss on disposal of property and equipment	698	831	439
Foreign currency exchange loss (gain)	787	(684)	(237)
Deferred income tax benefit	(911)	(2,107)	1,178
Changes in operating assets and liabilities:			
Accounts receivable	(641,518)	(564,317)	(893,223)
Deposits with real estate developers	(394,498)	397,868	0
Prepayments and other assets	(14,664)	(19,063)	29,846
Accounts payable	338,364	534,779	769,363
Customers' refundable fees	(17,747)	(17,181)	3,219
Accrued expenses and other payables	13,135	(344,494)	(84,943)
Income tax payables	3,502	8,673	822
Net cash (used in) provided by operating activities	(674,426)	129,478	118,511
Cash flows from investing activities:			
Purchase of property, equipment and software	(4,628)	(8,442)	(1,695)
Proceeds from disposal of property, equipment and software	0	0	3,566
Investment in equity method investments	(63,000)	(404,204)	(579,492)
Investment in long-term equity investment	0	(56,000)	0
Return of capital from equity method investees	17,500	148,858	358,558
Proceeds from disposal of an equity method investment	0	3,400	4,500
Cash paid for short-term investments	(756,000)	(1,267,483)	(456,167)
Proceeds from disposal of short-term investments	1,018,255	1,234,012	518,921
Net cash provided by (used in) investing activities	212,127	(349,859)	(151,809)
Cash flows from financing activities:			
Proceeds from initial public offering, net of offering cost	0	0	498,436
Cash proceeds from short-term bank borrowings	663,100	415,000	540,030
Repayment for short-term bank borrowings	0	(683,100)	(445,030)
Net cash provided by (used in) financing activities	663,100	(268,100)	593,436
Effect of exchange rate changes on cash	(40,020)	19,076	(20,484)
Net increase (decrease) in cash	160,781	(469,405)	539,654
Cash at the beginning of the year	1,102,842	1,263,623	794,218
Cash at the end of the year	1,263,623	794,218	1,333,872
Cash flow	39,000	133,213	293,427
Free cash flow	43,628	141,655	295,122
Supplemental information			
Interest paid	(14,527)	(17,214)	(18,411)
Income tax paid	¥ (298)	¥ (729)	(1,717)
Disposal of a subsidiary with net liability	0	0	¥ (1,900)

HISTORICAL STOCK PRICE



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