

Crazy Sports (82.HK)

Scoring more in the year of Qatar World Cup



- The State is eyeing to grow value of sports industry to CNY5.0 trillion by the end of 2025, presenting tremendous monetization opportunities for Crazy Sports to leverage on.
- One of a few sports entertainment enterprises listed on HKEX sets to capitalize on monetizing opportunities introduced by 2022 Qatar FIFA World Cup.
- Its O2O sports entertainment matrix is underpinned by the three pillars of "Sports Events+Quizzes," "IP+Sports Games", "Crazy Red Insights +Sports lottery retail".
- Sports lottery sales in Mainland tend to be prosperous in the FIFA World Cup year, according to observations for 2014 and 2018. Driven by Qatar World Cup, growth in sports lottery sales is expected to be robust for this year, conducive to revenue growth of Crazy Sports' lottery new-retail network and Crazy Red Insights.
- NFR platform, Qian Kun Digital Collectibles and sports quizzing and entertainment platform, Fantasy Sports Events platform are expected to induce more traffic to Crazy Sports matrix.
- FY21A net profit attributable to owners surged 129.0% YoY to HK\$157.0m, topped our previous projection by 22.7%.
- FY21A-FY24F revenue and net earnings CAGR are projected to be 56.4% and 36.5%, respectively.
- Trading at 13.7x PER, 0.3x PEG, 1.9x PSR and 1.1x PBR for FY22E, shares of Crazy Sports are steeply undervalued.
- We reiterate our DCF-based target price at HK\$2.53 and Buy rating on Crazy Sports.

General Information

Rating	BUY
Target Price (HK\$)	2.53
Current Close (HK\$)	0.315
Total shares (m)	4,526.1
Mkt Cap.(HK\$ m)	1,425.7
Major Shareholders	Zhang Lijun (22.9%)
Industry	Internet
Publish Date	13 June 2022

Financial Information

HK\$	FY21A	FY22E	FY23F	FY24F
Revenue(m)	511.2	765.9	1,398.7	1,955.5
Change(%)	69.9	49.8	82.6	39.8
Pre tax Profit (m)	140.5	125.0	312.1	481.2
Change(%)	111.6	(11.0)	149.6	54.2
Net Profit (m)	143.2	103.8	259.2	399.5
Change(%)	-	(27.5)	149.6	54.2
GPM(%)	44.8	41.4	42.1	53.0
EPS(HK\$)	0.03	0.02	0.06	0.09
P/E(X)	9.1	13.7	5.5	3.6
P/B(X)	1.4	1.1	0.9	0.7
ROA(%)	11.6	6.4	13.6	17.2
ROE (%)	14.9	7.8	16.2	19.7



FY21A results topped our expectation Crazy Sports' core net profit surged 129.0% YoY to HK\$157.0m, surmounting our previous core net earnings forecasts at HK\$128.0m. Highlights of FY21A results included:

- Number of registered users and MAUs of Crazy Sports' matrix increased by 50.0% YoY and 134.0% YoY, respectively, to 48.1m and 2.6m for FY21A.
- FY21A Revenue increased by 70.0% YoY to HK\$511.2m. Among all, revenue from its paid sports information platform, sports social interactive platform, sports and leisure games segment as well as commission income generated upon lottery sales increased by 144.4% YoY, 89.8% YoY, 32.0% YoY and more than twelve-fold, respectively.
- Revenue from its paid sports lottery information platform, sports social interactive platform, sports and leisure games segment and commission income generated upon lottery sales accounted for 25.7%, 16.7%, 51.5% and 6.1%, respectively, of Crazy Sports' total revenue for FY21A.
- Blended margin for FY21A enhanced by 1.3 ppts over that for corresponding period of last year to 44.8%.
- Crazy Sports booked share of associate profit of HK\$18.7m for FY21A, as its 45.5% owned Bank of Asia reported profit of HK\$41.4m for FY21A. Further, since value of its interests in BOA inflated by 546.4% YoY to HK\$72.3m as of the end of FY21A, Crazy Sports reversed HK\$42.2m impairment charges against its interests in BOA.
- For FY21A, its core online sports entertainment operations generated net cash inflow of HK\$88.0m, against cash outflow of HK\$29.2m recorded for corresponding period last year. As of the end of December 2021, it had respective gross and net cash of about HK\$80.9m and HK\$61.9m.

12 months outlook is highly positive We are positive on Crazy Sports' prospect for FY22F-FY23F. In our view, sports lottery sales would be boomed during 4Q22-1Q23 when the FIFA World Cup is taking place. Sports lottery sales in Mainland tend to be thrived during the FIFA World Cup year. For example, 2014 and 2018 were both the years of FIFA World Cup. Sales of sports lottery in Mainland for 2014 and 2018 increased by 36.8% YoY and 32.8% YoY, respectively, higher than that of 20.2% and 11.4%, respectively, for 2013 and 2017; as well as the ten-year sports lottery sales CAGR of 15.0% in 2009-2019. We expect that Crazy Sports' commission income from sales of sports lottery as well as subscription income of Crazy Red Insights to increase robustly alongside the booming sports lottery sales driven by World Cup. Sports themed game, quizzing game as well as other products and services to be rolled out around time of World Cup taking place would be conducive for monetization, user acquisitions and users conversions in Crazy Sports matrix. Fantasy Sports Event platform is expected to draw in traffic and convert more users, as well as facilitate monetization at other revenue generating ends in Crazy Sports' matrix. On its game front, it has rich sports themed and male-oriented games in pipeline which are set to be released in 2022.



Valuation and recommendation

Recalibrate earnings projection After reviewing the group's FY21A results and taking its latest business development into account, we recalibrated our earnings projections on the group. FY22A EBIT is projected to increase by 119.5% YoY to HK\$83.6m. Potential disposal of Bank of Asia would provide additional upside to our FY22F projections. In March 2022, Crazy Sports announced that it might unload its 38.3% interests in Bank of Asia to Ammbr, which is incorporated in UAE. Crazy Sports might realize a disposal gain of as much as HK\$1.1b and receive cash inflow of HK\$900.0m, should the BOA disposal transaction be successfully concluded. Our FY21A-FY24F revenue and net earnings CAGR projection on the group are rectified to 56.4% and 36.5%, respectively.

Deeply undervalued, reiterate Buy on positive outlook We reiterate our DCF-based 12-months target price at HK\$2.53 for Crazy Sports' share, based on the assumptions of 1.) higher discount rate at 17.0%, on global interest rate-hike and higher expected rate of return; and 2.) exit multiple at 10.0x FY27F EV/EBITDA, compared to the weighted average EV/EBITDA of its Mainland-based counterparts at 20.4x, and that of the international peer group at 14.5x. Crazy Sports' PER, PSR and PBR for FY22E are 13.7x, 1.9x and 1.1x, respectively. Meanwhile, its FY21A-FY24F PEG is 0.3x only. Its international peers' respective weighted average PER, PSR and PBR for current FY are 20.8x, 6.1x and 3.9x; while it's A-share exchanges listed peers' respective weighted average PER, PSR and PBR for current FY are 50.8x, 7.7x and 2.4x. Current valuation of Crazy Sports' share is at a steep discount to that of its peer groups. Further, the group might offer pleasant surprise to shareholders in FY22E in investment gain. We reiterate our Buy recommendation and target price of HK\$2.53 on Crazy Sports.

Enterprise value based on long-term growth projection

(HK\$m)	FY22E	FY23F	FY24F	FY25F	FY26F	FY27F	Exit
EBITDA	159.7	356.9	542.2	1,063.6	1,671.0	2,298.7	2,298.7
Change in working capital	(47.7)	(53.1)	(53.8)	(52.2)	(40.5)	(58.6)	
CAPEX	(53.8)	(100.0)	(103.7)	(107.8)	(22.8)	(13.2)	
FCF	58.3	203.8	384.7	903.6	1,607.7	2,226.9	
DCF	49.8	148.8	240.2	482.2	733.3	868.1	8,961.1
Discount rate	(%)	17.0					
Exit Multiple	(x)	10.0					
EV	(HK\$m)	11,483.6					
EV/share (HK\$)	(HK\$)	2.54					

Sources: KKSG's projections


Valuation of international sports and entertainment enterprises

		Mkt cap	EV	Cur.	Fwd.	Cur.	Fwd.	P/S	P/B
	Company	(HK\$m)	(HK\$m)	PE	PE	EV/EBITDA	EV/EBITDA	(X)	(X)
				(X)	(X)	(X)	(X)		
EA US	ELECTRONIC ARTS	292,870.3	286,361.4	18.7	16.6	12.7	11.9	5.3	4.9
EVO SS	EVOLUTION AB	156,989.8	155,738.6	22.5	18.3	18.7	14.7	16.4	5.7
FLTR LN	FLUTTER ENTER-DI	145,063.7	175,032.2	28.7	16.7	16.3	11.1	2.5	1.5
ENT LN	ENTAIN PLC	79,798.8	101,864.0	18.4	13.3	10.2	9.1	2.2	2.6
DKNG US	DRAFTKINGS INC	44,980.4	41,405.4	-	-	-	-	4.1	3.9
PENN US	PENN NATL GAMING	42,135.5	129,915.8	19.6	13.4	8.4	8.1	0.9	1.4
OPAP GA	OPAP SA	40,662.5	41,771.3	12.6	11.9	7.2	7.0	5.5	4.9
IGT US	INTERNATIONAL GA	31,307.2	83,402.5	13.9	11.4	6.5	6.1	1.0	3.1
FUBO US	FUBOTV INC	4,300.5	4,174.5	-	-	-	-	0.7	0.8
GENI US	GENIUS SPORTS LT	4,862.9	3,129.6	-	-	25.4	8.5	2.1	0.9
SBET US	SHARPLINK GAMING	175.5	127.2	-	-	-	-	-	2.3
GSQ CN	GAMESQUARE ESPOR	157.2	104.8	-	-	-	-	-	-

Sources: Bloomberg

Valuation of Mainland-based sports entertainment enterprises

		Mkt cap	EV	Cur.	Fwd.	Cur.	Fwd.	P/S	P/B
	Company	(HK\$m)	(HK\$m)	PE	PE	EV/EBITDA	EV/EBITDA	(X)	(X)
				(X)	(X)	(X)	(X)		
600158 CH	中体产业	8,838.3	8,285.4	93.1	58.6	33.9	25.1	4.9	3.1
600136 CH	当代文体	1,416.0	4,069.9	-	-	-	-	-	2.5
600633 CH	浙数文化	10,214.5	10,565.5	14.2	10.1	7.9	2.4	2.6	1.0
000558 CH	莱茵体育	4,188.6	4,757.2	-	-	-	-	28.0	3.2
300651 CH	金陵体育	4,079.5	4,206.4	-	-	-	-	6.2	4.7
300494 CH	盛天网络	4,460.6	3,331.0	-	-	-	-	3.1	2.9
002229 CH	鸿博股份	3,516.8	2,743.2	-	-	-	-	5.7	1.8
8279 HK	亚博科技控股	3,676.8	2,130.0	-	-	-	-	14.5	1.3

Sources: Bloomberg



The “Trio-Pillar” strategy Management revealed that going forward, Crazy Sports O2O sports entertainment matrix would be underpinned by three pillars of “Sports Events+Quizzes”, “IP+Sports Games”, “Crazy Red Insights +Sports lottery retail”. Under the trio-pillars strategy, Crazy Sports would capitalize on sports events to boost traffic to its Fantasy Sports Event platform and subscriptions of Crazy Red Insights’ contents, while expanding its sports lottery new-retail network and paid sports information contents available on Crazy Red Insights. Further, heeling the success of FIFPro IP game “Ace Soccer”, Crazy Sports will continue to invest in IP for adoption in games developments.

Crazy Red Insights monetizes from thriving paid sports information market To our observation, some sports quizzing lottery purchasers seek information of matches concerned with their sport lottery purchasing. Sales of paid sports information tends to grow alongside sports lottery sales, particularly during time of major tournament. 2018 was the year of Russia 2018 FIFA World Cup was being held. That year, sales of paid sports information surged by more than three-fold to CNY570.0m, on top of 36.8% YoY growth in sales of sports lottery. Since Qatar 2022 FIFA World Cup would be held in 4Q 2022, we expect that consumption of paid sports information in this year is expected to grow robustly.

China Insight Consultancy has projected that sales of sports quizzing lottery in Mainland would reach CNY266.4b for 2024F, about two-fold from that for 2021. Thriving sports lottery sales is expected to boost consumptions of paid sports information. China Insight Consultancy has projected that sales value of paid sports information market in China would increase at five-year CAGR of 43.2%, from CNY440.0m for 2019 to CNY2,650.0m for 2024F. As prominent content provider, Crazy Red Insights has been monetizing from paid sports information boom in Mainland.

Growing subscription base Aggregated number of users on Crazy Red Insights APP, as well as web-based terminal China Soccer Lottery Net and H5 terminal Lottery 365 exceeded 200m as of the end of FY21A, to estimation. In FY21A, Crazy Sports saw robust growth in number of users at Crazy Red Insights APP, China Soccer Lottery Net and Lottery 365, thanks to growth in demand for paid sports information driven by major global sports events and major global tournaments. During the period of UEFA EURO 2020, number of average daily new registered users at Crazy Red Insights platform surged substantially. In June 2021, number of visitors at China Soccer Lottery Net and H5 Crazy Red Insights exceeded 9.0m.

Enriched contents Following the iteration in 2021, Crazy Red Insights’ sports event big data services products, including football parameter index analysis and basketball tournaments related big data services had been strengthened. Sports and A.I. experts at Crazy Red Insights constantly improve algorithm and data analysis of its A.I. engine to elevate precision rate of its sports match outcomes forecasts. Crazy Red Insights engages with more than 300 prominent ball games and tournaments experts, professionals and sports journalists for producing match analysis contents. Contents of Crazy Red Insights are presented in various formats, including text, short video, audio and live-streaming. It brings one-on-one consultation services, audio consultation services as well as one-to-many online lectures to users. Through match preview featured on Crazy Red Insights interface, users would be directed to Crazy Red Insights’ partners’ live match broadcasting platforms for viewing broadcast of live match. Users could interact with anchors and stationed experts at live-streaming session during the match in progress.

Expansion in content dissemination channels In FY21F, Crazy Red Insights initiated working relationships with numerous sports platforms, particularly those owning live-match broadcasting rights, including China Mobile’s MIGU video, CCTV.com, CIBN, Driфтeball, V Station, qtx.com and ZHCW.com. As of the end of FY21A, Crazy Red Insights’ contents were disseminated via more than 40 contents distribution channels which covered above 70.0% of sports user population in Mainland.



Acclaimed by counterparts and users Crazy Red Insights had been conferred the “Gold Gulls Award: Best App of 2021” at the 6th China CEO New Year Summit/the 7th Gold Gulfs Award Ceremony jointly coordinated by Xiou Enterprise Services Group, Beijing Huaxia Quality and Brand Management Centre and ZGZYSHLM. The event was endorsed by 120 media and 40 investment institutions. Besides, Crazy Red Insights was given the award of “Best Paying Sports Information APP” at I-China Forum 2021.

Channels partners of Crazy Red Insights



Sources: Crazy Sports (82. HK)

Crazy Sports APP: Pivot in Crazy Sports' matrix Driven by major sports event including UEFA Euro and Tokyo Olympic, downloads of Crazy Sports APP surged more than 300% YoY for FY21F. Positioned as sports themed social interactive platform of Crazy Sports, Crazy Sports APP brings sports information contents, fantasy sports entertainment as well as live-streaming session hosted by anchors to users. Via live-streaming, interaction with users and sports quizzing game, anchors evoke users' participation and boost user's consumption at different ends in Crazy Sports matrix.

Serving as pivot in Crazy Sports' matrix, Crazy Sports APP facilitates conversions and monetization amid Crazy Sports game segment, paid sports information segment and quizzing game segment. When “Ace Soccer” was rolled out in 2Q-3Q 2021 during UEFA Euro, Crazy Sports APP implemented marketing campaign to promote the game by giving away gift package of “Ace Soccer” to users. The initiatives successfully converted number of Crazy Sports APP users into “Ace Soccer” players.



Fantasy Sports Events platform is onstream Crazy Sports' sports quizzing and entertainment platform based in Hainan province, Fantasy Sports Events platform, and the related points redemption platform Duoduo Reward Points E-store were on stream in September 2021. Fantasy Sports Event platform is positioned as comprehensive global and local sports entertainment platform that brings sports quizzing games, broadcasting of live sports matches, and information of sports event to users. In 2H 2021, Fantasy Sports Event platform introduced UEFA Euro and Tokyo Olympic themed sports quizzing game and entertainment, that helped drawing traffic of more than million users to it.

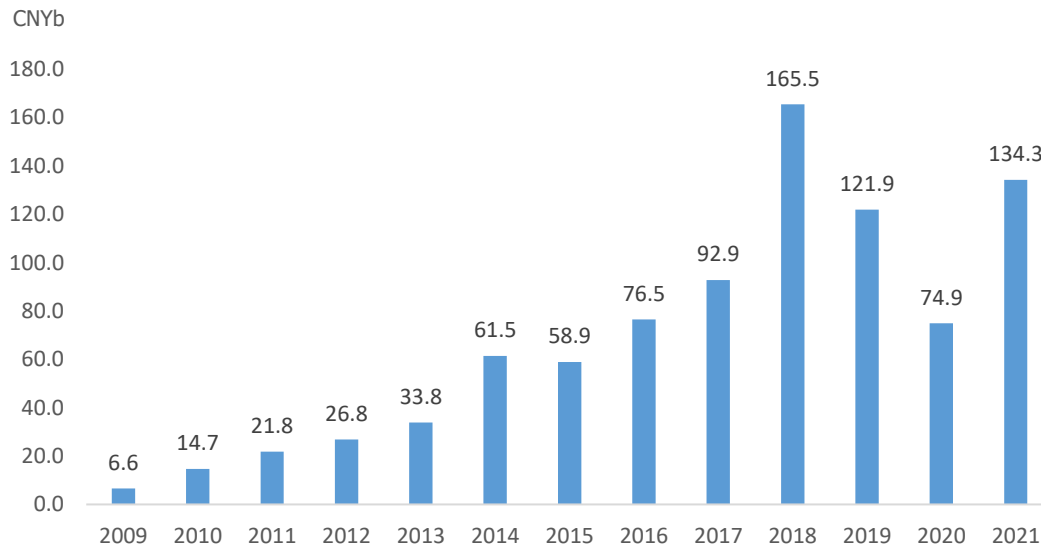
Empowered by blockchain technologies, users' data and assets at the platform are immutable and being safeguarded. The platform facilitates monetization and conversion among different ends in Crazy Sports matrix. Through achieving missions assigned by different platforms of Crazy Sports, purchasing paid sports information contents from Crazy Red Insights and/or virtual items for gift to anchors at Crazy Sports APP, users earn points that could be used for partaking sports quizzing game. They are rewarded with more points when they win quizzing games. Those points could be redeemed for merchandises and services at Duoduo Reward Points E-store.

Live match broadcasting in the platform Fantasy Sports Event platform secured broadcasting IP of thousands matches of International Professional Boxing Unite (IPBU), Chinese Men's Handball Super League as well as the pool tournament. Under live match broadcasting scenario, users watch broadcasting of live match in the platform while partaking concerning quiz game, interacting with celebrated athletes, KOL, experts, anchors and other users, and acquiring paid sports information of concerning matches. Live match broadcasting at Fantasy Sports Event platform is expected to facilitate monetization, as well as acquisition and conversion of users for different ends in Crazy Sports' matrix. Crazy Sports entered into strategic cooperation agreement with Nie Wei Ping Go Dojo (聂卫平围棋道场) in April 2022, which is a remarkable Go institution under Beijing Yiyou Go Culture Ltd. (京弈友围棋文化传播有限责任公司). Going forward, Crazy Sports would broadcast live Go matches and launch concerning quiz games on Fantasy Sports Event platform.

Sports lottery sales in Mainland Aggregated sales of sports lottery increased at ten-year CAGR of 9.4%, from CNY93.8b for 2011 to CNY231.0 for 2021, according to Ministry of Finance of the PRC. Meanwhile, sales of sports quizzing lottery increased at ten-year CAGR of 19.9%, from CNY21.8b for 2011 to CNY134.3b for 2021, surmounting growth in aggregated sales of sports lottery for the same period. Suspensions of major tournaments in 2020 resulted in respective 17.9% YoY and 38.6% YoY plunge in aggregated sports lottery sales and sports quizzing lottery sales to CNY189.5b and CNY74.9b. Thanks to resumption of major tournaments as well as major global sports events taking place in 2021, sales of sports lottery and sports quizzing lottery resumed growth momentum and registered growth of 21.9% YoY and 79.3% YoY, respectively, to CNY231.0b and CNY134.3b for 2021, even exceeding the level of that for 2019.



2009-2021 sales value of sports quizzing lottery in Mainland



Sources: Ministry of Finance of PRC

New-retail mode for sports lottery Since the banning of online lottery sales from 2015 onward, sports lottery sales in Mainland are being conducted through offline scenario. Conventionally, sales of lotteries are confined to take place in lottery specialty stores. China Insight Consultancy has estimated that there were about 150,000 sports lottery specialty stores in Mainland. Now, sales of lottery are expanding into vary new-retail scenarios including convenience stores, gas stations, groceries and cinema. According to China Insight Consultancy's estimation, value of lottery sales generated at new retail scenarios in Mainland would increase from CNY190.0m for 2019 to CNY48.8b for 2024F. Hainan Sports Lottery Administration Center has recently announced that it would introduce video sports lottery tickets at retail scenarios. New form of lottery is conducive to expansion in lottery sales and clientele. Crazy Sports has been laying sports lottery new-retail network with its working partners since FY19A.

Expanding networks Number of working partners of Crazy Sports' sports lottery new-retail network increased by 21 to 39 chain retailers and other channels of various forms as of the end of FY21A, including third party payment services provider Lakala, express courier and delivery station Shanghai J&T Express, franchised 7/24 convenience store chain Milan Express as well as gas station chains Hubei Shell. Among its partners, 15 of them with more than 60,000 outlets each have been ranked in the TOP100 convenience stores in Mainland by the China Chain Store & Franchise Association. Crazy Sports had been invited by Lecoo chain convenience store to set up and conduct lottery sales at its 400 outlets in Inner Mongolia. As of the end of 2021, number of Crazy Sports' sports lottery new retail POS exceeded 7,000, while number of its smart sports lottery stores reached 45. Crazy Sports has also set up a sports lottery experience store at large shopping mall.

Secured operating permits for 17 regions In 2021, Crazy Sports secured approvals for operation of sports lottery retail business from 17 Sports Lottery Administration Centres in Beijing, Tianjin, Chongqing, Hunan, Hubei, Anhui, Hebei, Liaoning, Shanxi, Nanjing in Jiangsu, Guangzhou as well as Shenzhen in Guangdong province. It became an official partner in sports lottery retail channel of the Sports Lottery Management Centre of the General Administration of Sport of China.



Users conversion at offline scenario Crazy Sports has been capitalizing its partners' retail outlets as premises for marketing campaign, users acquisitions and conversions. In 2021, Crazy Sports jointly launched numerous marketing campaign with partners at the latter's outlets, including "Shop and Get Lottery Tickets" with China Resources, "UEFA Euro Quizzing Game" with Tianfu, "Coffee for Loto" with Bianlifeng, as well as "Shop and Get Sports Lottery" with Lawson. During UEFA Euro, Crazy Sports embellished its partner, Tianfu's stores in Dongguan and Changsha with UEFA Euro themed decorations for promotion of its online lucky draw.

Rich IP resources, in-house 3D engine and broad distribution channels Crazy Sports is a competitive game developer and distributor focusing on sports themed and male orientated games with virtues of enriched IP resources, strong game development capabilities, in-house developed 3D engine as well as self-owned and multiple third-party channels for distribution. Currently, it is distributing more than 20 games.

"Ace Soccer": e-sports game with FIFPro IP Its FIFPro IP soccer themed game, "Ace Soccer", which was launched in Mainland and HK during 2Q and 3Q 2021, yielded positive results in terms of player retention rate and in-game spending. The game was well-received by players and recommended by various channels including IOS, Huawei, OPPO, VIVO, Jiyou, Yingyongbao and TapTap.

To promote "Ace Soccer" as e-sports item, Crazy Sports and its working partners conducted 44 e-sports competitions which were incorporated into instant sports lottery in 12 cities of Hebei province in 2021. Further, Crazy Sports engaged former captain of England national soccer team, Michael Owen, as ambassador of "Ace Soccer" in December 2021.

Expand from PVP/PVE to MMO In addition to existing features such as real-time action mode, story plot mode, card mode, proxy-character raising simulations, and club transfer, "Ace Soccer" constantly provides new game features to players. A new gameplay, "Commercial War", which is an alliance battle mode has been incorporated into "Ace Soccer". Under Commercial War mode, players form alliance to compete with other alliances. Scores of each alliance are posted on weekly basis, and the winning alliance would be rewarded. Commercial War mode expands "Ace Soccer" from PVP and PVE game to multi-server MMO game, that will facilitate it fetching traction for players and becoming a popular esports item. Other new features which have been added into "Ace Soccer" included new opening CG, new characters, a more challenging proxy-character raising simulation system, new voice of characters and BGM.

Best Soccer game of 2021 "Ace Soccer" had been conferred "Products Innovation" award at STIF2021 International Science and Technology Festival; as well as 2021 Global Mobile Cicada Award of "Most Innovative". It had been entitled "The Most Popular App" by NiaoGeBiji We media app 2021. Further, Ace Soccer was honoured "the Blackstone Award: Most Popular Card Game of the Year" in 2021. Hosted by MHA and Wanka Online, the Blackstone award is regarded as one of the highest honours in Mainland mobile game industry. MHA is network of seven leading Chinese mobile headset producers including OPPO, vivo, Coolpad (2369 HK), Nubia, Lenovo (992 HK), Meizu and Huawei that was founded in 2014 under the coordination of Wanka Online (1762 HK).



Rich sports-themed and male-oriented games portfolio Other soccer and sports themed games in Crazy Sports's game portfolio include CSL licensed "Realtime CSL" and "CSL Heros", soccer club management simulation game "Soccer Manager", Mainland version of the world renowned soccer game which was co-developed with Tower Studios "Sociable Soccer", soccer card game "The Green Dynasty", NBA-themed basketball strategy game "Fantasy Basketball Manager"...etc. Those games have been contributing stable revenue stream to Crazy Sports. In 2H 2021, Crazy Sports rolled out numerous games of different genres included soccer themed business simulation game "All Star Football", action game "Slipstick Fighter" and casual parkour game "Penguin Parkour". During the Beijing Winter Olympic 2022 in February 2022, Crazy Sports launched "Fantasy Ski 2022", a ski-race mobile game. Powered by in-house developed 3D engines, "Fantasy Ski 2022" features broad selection of characters skins, various hidden tricks for players to unlock, innovative controlling method, knowledge of skiing as well as PVP mode. "Fantasy Ski 2022" had been recommended by IOS.

Stepping into metaverse In November 2021, digital CSL footballer card was rolled out in CSL IP soccer themed game "Realtime CSL". The digital CSL footballer card could be used for in-game proxy characters trading transaction. Since releases of each digital CSL footballer card are limited, those digital cards could be regarded as digital collectable items. In January 2022, Crazy Sports launched a metaverse game, "Crazy Soccer", in Roblox platform globally. "Crazy Soccer" is multilingual, football club facilities management simulation game which is available on PC and Android-based platforms. It is the first game of the kind to have ever been developed in Mainland. In the open world of "Crazy Soccer", players are playing the role of football club managers. They design, build and manage their own club stadium, playing pitch, club office as well as souvenir stores for profit making. Then the profit could be reinvested in facilities of their club. Players in open world of "Crazy Soccer" could interact with other players and visit facilitates owned by other players mutually. Clubs in the open world are being ranked periodically, in terms of amount of profit generated by each player. Players could check their ranking at the Stars of Honour Square in the open world. Perhaps the most profound feature of "Crazy Soccer" is players could create game in the open world, and their creations would stay in the open world. Players own their property in open world of in "Crazy Soccer".

Technology innovation Crazy Sports has recently launched its blockchain-based NFR (non-fungible right) collectibles platform Qian Kun Digital Collectibles (乾坤数藏). Developed of it is based upon the BSN Blockchain Platform which is jointly established by the State Information Center, China UnionPay and China Mobile. Since Qian Kun Digital Collectibles is operated on BSN, which is a public infrastructure platform at national level, credibility of Qian Kun Digital Collectibles is high among users. Qian Kun Digital Collectibles platform secured IP of Old Summer Palace Bronze Zodiac heads from Yuanming CH and Culture Development Ltd(北京圓明暢和文化发展有限公司) in April 2022. By the IP, Qian Kun Digital Collectibles created and launched NFR of Bronze Zodiac Heads.

NFR could draw in traffic, convert user and monetize NFR of Bronze Zodiac Heads was jointly certified and authorized by Art Exhibitions China(中国文物交流中心), Yuanming CH and Culture Development Ltd. and China Painting Academy(中国画院). Users could purchase the Bronze Zodiac Heads NFR, as well as storing and appreciating it, and showing it to acquaintances at Qian Kun Digital Collectibles platform. Tiger head NFR of Bronze Zodiac Head series was sold in Qian Kun Digital Collectibles platform in April 2022. Qian Kun Digital Collectibles was also conferred the IP from China Space Museum. Based on that IP, the platform rolled out NFR of China Space Station series in April 2022. In our view, Qian Kun Digital Collectibles provides new window to Crazy Sports matrix for beckoning new users, user conversions and monetization. For example, sports themed NFR could be prize for quizzing game conducted at Fantasy Sports Event platform for user attraction.



Tremendous opportunities available in sports industries Building Mainland China into global sports super power, raising health and fitness awareness among society and development of domestic sports entertainment industries as a mean to boost consumption are state's goals and policies toward sports and sports industries. In March 2022, State Council of the PRC proclaimed ((Opinion Concerning Development and Upgrading System for Public Fitness and Exercising)). In the document, the State Council revealed its targets of establishment and upgrade public fitness and exercising system, expanding space for exercising facilities per capita to 2.6m²; as well as raising proportion of frequent exercisers in total population to 38.5%, by 2025.

In August 2021, the State Council proclaimed ((Civil Fitness Plan 2021-2025)), major goals stated in the plan included:

- 1.) Value of sports industries shall attend CNY5.0 trillion by 2025.
- 2.) Setup of nationwide public fitness system by 2025.
- 3.) Sports and exercising venues and facilities should be made available within radius of 15 minutes of all town and village across the country.
- 4.) Increase number of fitness coaches per thousand people to 2.2.
- 5.) Expand proportion of exercisers in total population to 38.5%.
- 6.) Ameliorate the accessibility and availability of exercising facilities to public.

In its ((Overall Plan for Development of National Trail System and Guiding Opinion on Set-up of Sports Parks)), government revealed its targets toward development of sports and sports industries:

- 1.) Set-up and refurbishing of about 2,000 sports parks, fitness centres, stadiums and sporting facilities.
- 2.) Digitizing more than 1,000 stadiums
- 3.) Digitization in fitness services industries.
- 4.) Establishment of about 5,000 exercising venues and skating rings in towns and streets across the country.
- 5.) Optimization and modernisation in sports industries through incorporation of high-end manufacturing and modern services segments into tournaments organizing, fitness and leisure industries.
- 6.) Supporting SMEs in sporting facilities operation industries, sports events organization industries as well as R&D of sporting equipment.
- 7.) Pilot cities to be earmarked for demonstration of commercialization in sports.
- 8.) Increase supplies of sporting and exercising products and services.
- 9.) Promotion of upscales sports and exercising products and services.
- 10.) Exaltation safety standards and measures for sports and exercising facilities.

Value of sports industries increased at CAGR of 10.0%, from CNY1.7 trillion for 2015 to CNY2.7 trillion for 2020. The State is eyeing to grow sports industry value to CNY5.0 trillion by the end of 2025, implying there would be tremendous opportunities available in all segments of sports industries in Mainland for Crazy Sports to seize. In our view, government would constantly introduce and implement measures that are conducive for the development of sports entertainment industries, creating favourable operating environment for companies in sports and entertainment segment.


Income Statement FY ended 31 Dec

HK\$ m	FY21A	FY22E	FY23F	FY24F
Revenue	511.2	765.9	1,398.7	1,955.5
COS	(282.1)	(448.9)	(809.3)	(918.3)
Gross Profit	229.2	317.0	589.3	1,037.2
Others	42.5	42.1	38.7	31.9
S&D exp.	(110.5)	(115.0)	(185.0)	(294.0)
Admin exp.	(80.6)	(118.4)	(130.1)	(293.0)
Impairment	42.2	0.0	0.0	0.0
Finance costs	(1.0)	(0.7)	(0.8)	(0.9)
Loss of Asso.	18.7	0.0	0.0	0.0
Pretax Profit	140.5	125.0	312.1	481.2
Taxation	2.7	(21.2)	(53.0)	(81.7)
Net profit	143.2	103.8	259.2	399.5
M.I.	(13.8)	0.0	0.0	0.0
Profit to owner	157.0	103.8	259.2	399.5

Balance Sheet as at 31 Dec

HK\$ m	FY21A	FY22E	FY23F	FY24F
Fixed assets	13.0	16.4	20.1	24.1
Int. assets	126.8	144.6	198.0	253.7
Goodwill	444.1	444.1	444.1	444.1
Others	485.6	657.9	657.9	657.9
Total NCA	1,069.5	1,263.0	1,320.1	1,379.8
Inventory	0.0	2.0	3.0	3.0
Receivables	201.9	228.4	288.4	341.9
Cash	80.9	124.7	283.7	597.9
Others	5.3	4.3	4.3	4.3
Total CA	288.1	359.5	579.4	947.0
Borrowings	15.5	18.1	20.6	23.1
Payables	72.8	71.9	79.7	79.5
Tax payable	112.1	112.1	112.1	112.1
Others	97.3	77.0	76.0	75.0
Total CL	297.7	279.1	288.4	289.6
Borrowings	3.6	4.8	6.3	7.8
Deferred tax	3.8	3.4	3.4	3.4
Total NCL	7.3	8.3	9.7	11.2
Net Asset	1,052.6	1,335.1	1,601.3	2,026.0
M.I.	0.0	0.0	0.0	0.0

Cash Flow Statement FY ended 31 Dec

HK\$ m	FY21A	FY22E	FY23F	FY24F
EBT	140.5	125.0	312.1	481.2
DD&A	32.9	45.5	57.0	76.3
Net interest expense:	0.9	(0.6)	(2.0)	(5.0)
Non-cash items	(100.2)	(10.3)	(10.2)	(10.2)
<i>EBITDA</i>	74.0	159.7	356.9	542.2
Change in WC	7.3	(47.7)	(53.1)	(53.8)
Change in EX	6.7	0.0	0.0	0.0
Tax Paid	0.0	(21.2)	(53.0)	(81.7)
Operating CF	88.0	90.8	250.8	406.7
Capex	(117.6)	(45.3)	(91.5)	(95.2)
Disposals	25.1	0.0	0.0	0.0
Investments	(29.4)	0.0	0.0	0.0
Others	2.4	3.6	5.2	8.4
Investing CF	(119.5)	(41.6)	(86.2)	(86.8)
Dividend paid	0.0	0.0	0.0	0.0
Change in loans	(2.7)	(4.8)	(4.8)	(4.8)
Interests exp.	(0.5)	(0.7)	(0.8)	(0.9)
Issue of shares	8.3	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
Financing CF	5.1	(5.4)	(5.6)	(5.7)
Change in cash	(26.4)	43.8	158.9	314.2
Beginning cash	109.8	80.9	124.7	283.7
Exchange	(2.4)	0.0	0.0	0.0
Ending cash	80.9	124.7	283.7	597.9

Financial Ratio

	FY21A	FY22E	FY23F	FY24F
Int. turnover days	0.2	0.2	0.2	0.2
Trade rec. days	34.4	34.4	34.4	34.4
Trade payables days	29.2	29.2	29.2	29.2
GPM (%)	44.8	41.4	42.1	53.0
EBITM (%)	8.0	14.9	21.4	23.8
EBITDAM (%)	14.5	20.9	25.5	27.7
NPM (%)	28.0	13.6	18.5	20.4
ROE (%)	14.9	7.8	16.2	19.7
ROA (%)	11.6	6.4	13.6	17.2
Int. coverage (x)	163.2	-	-	-
Current ratio (x)	1.0	1.3	2.0	3.3
Quick ratio (x)	0.9	1.3	2.0	3.2
Gearing ratio (%)	-	-	-	-
Payout ratio (%)	-	-	-	-



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