

IPO FACT SHEET

XD Inc. (2400)

ISSUE STATISTICS

Offer Size:	HK\$705.96m – HK\$1,004.88m
Placement Tranche:	63.6m
Price:	HK\$11.10 – HK\$15.80
Board lot:	200
Entry fee:	HK\$3,191.85
Historical PE	11.95x – 17.01x
Net tangible assets per share:	HK\$4.04 – HK\$4.72
Market Cap (post-IPO):	HK\$4,705.9m – HK\$6,698.5m
Open:	29 Nov 2019
Close:	12.00 noon on 5 Dec 2019
Trading:	12 Dec 2019
Listing agent:	CLSA Capital Markets Limited

Year ended 31 Dec	(RMB'000)	yoy % chg
Revenue		
2017	1,344,399	75.6%
2018	1,887,108	40.4%
Profit for the year/period		
2017	120,537	415.8%
2018	352,721	192.6%

BACKGROUND

- They develop and operate quality games in China and overseas. They also operate TapTap, a leading game community and platform in China.
- According to Frost & Sullivan, among PRC game operators who earned a majority of game operating revenue overseas in 2018, they ranked fifth in terms of revenue from mobile games in 2018. According to the same source, TapTap was the largest game community and platform in China by average MAUs in 2018.
- In 2016, 2017, 2018 and the nine months ended September 30, 2019, TapTap mobile app had average MAUs of 0.9 million, 10.2 million, 15.0 million and 17.0 million, respectively. According to Frost & Sullivan, as of May 31, 2019, over 84% of TapTap's users were born after 1990, who grew up with improved living standards and better education and are typically internet savvy and more willing to spend on games.
- As of September 30, 2019, they attracted over 10,000 game developers who registered with TapTap and made available over 6,500 mobile games for gamers to download and news information on over 41,000 games.
- They have a diverse portfolio of games across different genres. As of September 30, 2019, they operated 42 online games, comprising many popular games of major game genres such as RPG (Ragnarok M and Shen Xian Dao (HD) (神仙道高清重製版)), CCG (Girls' Frontline (少女前線)), SLG (Heng Sao Qian Jun (橫掃千軍)) and battle arena game (Sausage Man (香腸派對)).
- In 2016, 2017, 2018 and the nine months ended September 30, 2019, the average MAUs of their online games were 1.9 million, 3.7 million, 8.8 million and 19.2 million, respectively. As of September 30, 2019, they also operated 12 pay-to-play premium games, such as ICEY (艾希) and Muse Dash (喵斯快跑). As of September 30, 2019, their game pipeline included 11 online games and seven premium games which they expect to release by 2020.
- Their games are offered in over 100 countries and regions across the globe. As of September 30, 2019, they operated 30 of their 42 online games and seven of their 12 premium games in overseas markets. In 2016, 2017, 2018 and the five months ended May 31, 2019, their game operating revenue generated from overseas markets accounted for 2.1%, 31.7%, 61.5% and 67.8% of their game operating revenue, respectively.

BUSINESS STRATEGIES

- Further enhance their game portfolio.
- Increase active user base and engagement of TapTap.

- Deepen overseas operations.
- Upgrade information infrastructure and technology.
- Seek strategic investments and acquisitions.
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COMPETITIVE STRENGTHS

- Proven track record of developing and operating popular games.
- Vibrant and engaging game community and platform.
- Established overseas game publishing and operating capabilities.
- Excellent game development and data analytics capabilities.
- Experienced management team dedicated to innovation.

KEY RISKS

- If they fail to maintain and grow their user base or keep their gamers engaged through their games, their growth and business may not be sustainable.
- A substantial amount of their revenue is derived from sales of in-game virtual items, and failure to monetize effectively through this item-based revenue model may adversely affect their business.
- They derived a substantial amount of revenue from a small number of popular games and a small group of high-spending gamers during the Track Record Period.
- The PRC laws regulating the playing time and users' age of online games may adversely affect their business and operations.
- They face challenges in expanding operations overseas that they may not be able to successfully deal with, which may adversely affect their business.
- Any loss or deterioration of their relationship with their game developer partners may materially and adversely affect their business and results of operations.
- Hacking activities may adversely affect their reputation and business.
- Their intangible assets and goodwill may be subject to impairment.
- The determination of the fair value changes of certain of their financial assets requires the use of estimates that are based on unobservable inputs, and therefore inherently involves a certain degree of uncertainty.

DIVIDEND POLICY

- No fixed dividend policy.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
For developing their games and game-related technology.	269.4	35.0%
For developing TapTap.	230.9	30.0%
For expanding their game publishing and operating business.	115.4	15.0%
For selective and strategic investments and acquisition.	77.0	10.0%
For working capital and general corporate uses.	77.0	10.0%
Total:	769.7	100.0%

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