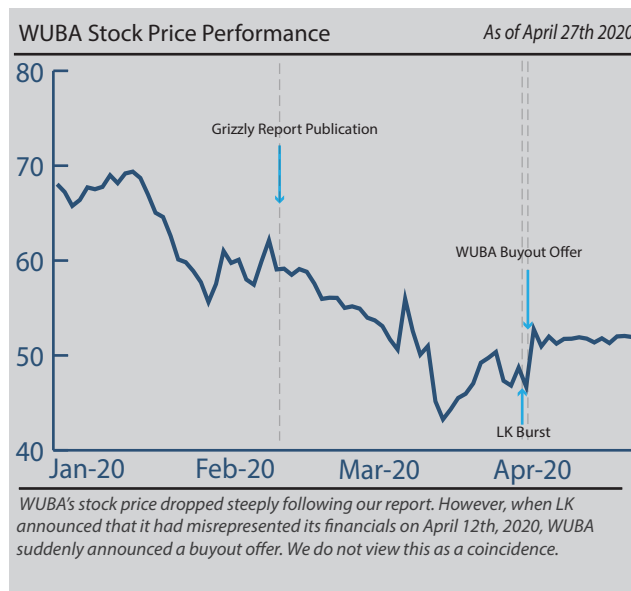


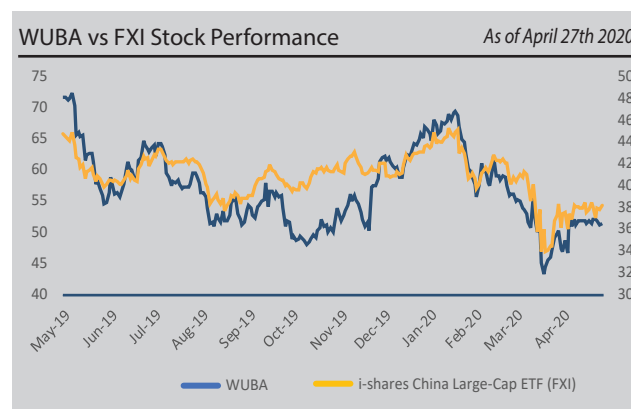
Is 58.com Inc. (NYSE:WUBA) Go-Private Offer Credible?

Grizzly Research LLC published a bearish research report on 58.com Inc. (NYSE:WUBA) on February 13th, 2020. Please find our research report [here](#), read our full disclaimer [here](#).

- We published our report outlining in detail our negative views on February 13, 2020. Prior day's closing price was \$62.14.
- After seeing its stock decline to \$46.70 WUBA announced a non-binding go-private offer of \$55.00 per share. We are highly suspicious of this offer for multiple reasons:
 - *Timing: The proposal comes in a bad economic environment for WUBA. Also, the offer happened to be received one day after Luckin Coffee Inc. (NASDAQ:LK) had to admit accounting fraud publicly, and many Chinese companies saw their stocks drop concurrently.*
 - *There are undisclosed relationships between WUBA's management and the supposed buyer Ocean Link.*
 - *There are multiple indications that the supposed buyer has not and will likely not secure the financing necessary to consume the acquisition of WUBA. The press release and offer seem to be put together on short notice.*
- We dare to ask: Is WUBA manipulating the market price of its stock through a bogus buy-out offer?
- New reports from China suggest that WUBA is going to decrease its headcount by at least 20%; This supports our belief that the company faces strong economic headwinds as it is reliant on an active real estate and job market in China.
- WUBA failed to respond to the allegations we raised in our report, but recent management changes seem to imply that WUBA is trying to cover its tracks.
- We noticed that another long-term director of WUBA recently resigned from his position.
- WUBA is unusually late in the filing of its 20F statement. We believe the impact from the quarantine might be devastating to WUBA's business.



WUBA Trade Data		As of April 27th 2020
Stock Price:		\$51.88
52 Week Low:		\$37.92
52 Week High:		\$72.90
Market Capitalization:		\$7.7B
3 Month Avg. Volume:		882.55K
Weighted Avg. Shares Outstanding:		149.53M



Share price performance (%)	3 month	6 month	12 month
Absolute	-20%	5%	-28%
Relative to S&P500	-1%	-7%	-24%
Relative to FXI	-0%	-7%	-13%

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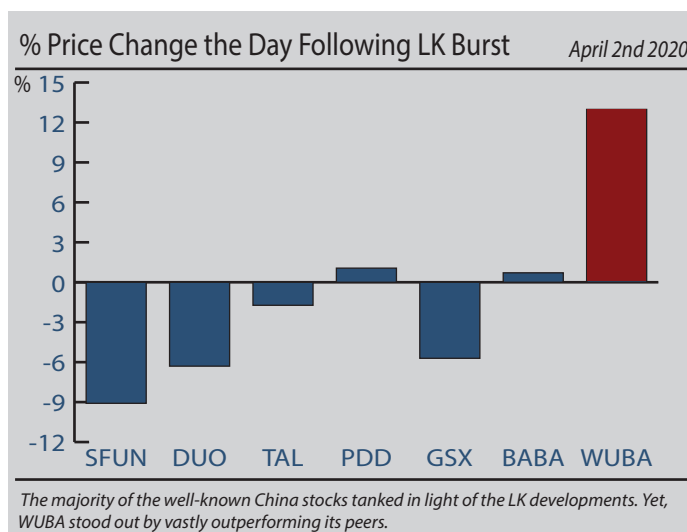
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Why We Are Highly Suspicious Of the Go-Private Offer

The closing price of the company on February 12th, 2020, the day prior to our initial publication, was \$62.14. Currently, the company is trading at \$51.88 as of April 27th, 2020. However, we firmly believe that if it were not for that seemingly odd non-binding go-private offer of \$55.00 per ADS, the company's stock would have dropped a lot more. In other words, we believe this non-binding go-private offer has been used as a "support" for the company's stock.

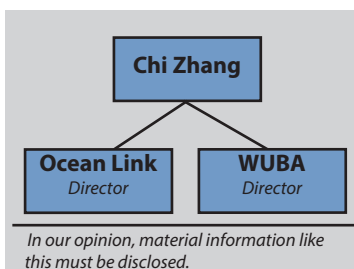


Timing of the Offer

WUBA had seen its stock plummet already after our initial publication, but on the night of April 1st something meaningful happened. Luckin Coffee Inc. admitted several accounting wrongdoings, and saw its stock price plummet by over 70% the next trading day. Several other China-based US-listed companies saw their stocks selling off, but not WUBA which reported that it received a non-binding go-private offer at a premium to its trading price, which sent its stock price up on that day. We doubt that this was a mere coincidence. The sloppiness and lack of detail in the press release also suggest to us that the go-private offer was an overnight PR maneuver.

Undisclosed Management Relationships to Buyer

WUBA claims in its press release that the acquirer, called Ocean Link LLC, is willing to pay \$55 per ADS. Ocean Link is a China-based private equity firm focused on consumer, travel, and TMT; Its strategic partners include Trip.com



(NASDAQ:TCOM) and another global private equity firm General Atlantic. What's worth noting is that, according to Qichacha, one of Ocean Link's directors is Chi Zhang, a managing partner of General Atlantic. Mr. Zhang has also been a director of WUBA since 2015, according to the company's 2018 20F. Also, General Atlantic filed a 13D in June 2017, disclosing a 5.9% stake in WUBA, and there was no follow-on filings since then. Thus, one could assume General Atlantic still holds a meaningful stake in the company. We wonder why WUBA failed to disclose this meaningful direct relationship between the firms in its press release.

Financing NOT Secured



According to the [press release](#) on April 2nd, 2020, Ocean Link Partners Limited was the sole named proposing buyer. Before that date, there was no 13G/D filing from Ocean Link on the company, which means Ocean Link did not hold an over 5% stake when proposing this non-binding offer to WUBA's board. If Ocean Link was to acquire the company at \$55 per ADS, it would need to pay over \$8 billion. Per TianyanCha, their most significant disclosed investment to date trails far behind with only \$1.3 billion. Generally speaking, on a deal of this size, the buyer would usually team up with some other parties. Yet Ocean Link was the only party mentioned as the sole buyer in the press release. The press release also freely admits that this deal is, if anything, at the very initial stages. The wording suggests to us that neither financing for this transaction is secured nor due diligence conducted. This reminds us of Elon Musk's recent "funding secured" debacle.

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What Will Happen to the Offer?

It seems to us that the buy-out offer is overall not credible, so what is going to happen next? Our baseline expectation is that the offer will linger around and eventually be dismissed in the hope that the ADS price has gone above the proposed go-private price. We have seen multiple cases where bogus buy-out offers from Chinese buyers of US-listed Chinese companies lingered for numerous years to ultimately fall apart.

21Vianet Group, Inc. (NASDAQ: VNET) announced on June 10th, 2015 that its board received a non-binding go-private offer of \$23.00 per ADS, and the stock went up 9.7% to \$21.85 on that day. However, after more than one year with no material progress on this non-binding offer, on June 30th, 2016, the company announced that the buyer group

withdrew the proposal. By then the company's stock price had already gone down to \$10.21 on the close, which is 50% less than the proposed go-private price.

AirMedia Group Inc. (NASDAQ: AMCN, the company's ticker was changed to ANTE in June 2019, and the company did a 1-for-5 reverse split in April 2019). Using the post-split price as the reference, the company announced on June 19th, 2015 that its board received a non-binding go-private offer of \$30.00 per ADS. The company's stock went up 7.8% on that day to \$26.85 per ADS. However, after over two years on December 27th, 2017, the company announced the termination of the go-private transaction, and the stock closed at \$6.75 per ADS, which was 75% lower than the price when the initial non-binding proposal was announced.

More Signs of Economic Headwinds

In March, it was reported in China that certain WUBA employee stated that the company was going to decrease its headcount by 20% due to a challenging business environment. The company later responded by saying the information was not true and the personnel change was normal business adjustments. We don't know if the media report is true or not, what we do know is that the company's business, as we stated in our report, should have been severely impacted by the pandemic, including job recruitment and real estate business. This was also reflected in the company's Q1 2020 guidance. The company guided 25% to 29% year-over-year revenue decrease for Q1 2020, and we believe its profitability should not only be dramatically impacted in Q1, but also in the coming quarters of 2020.

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甲方：北京城市网邻信息技术有限公司
乙方： (身份证号码：)

因受新冠病毒肺炎疫情的影响，导致市场状况变化，对甲方生产经营造成重大影响，致使甲方相应岗位停工停产。因乙方的岗位暂无工作安排。综合上述情形，经甲、乙双方平等协商，就乙方待岗事宜达成如下一致意见：

- 一、待岗期限：自 2020 年 3 月 日起，至 2020 年 4 月 30 日止。本协议期间，若甲方安排乙方上岗的，则本协议终止。
- 二、待岗期间，甲方支付乙方待岗工资标准为人民币 1760 元/月。（薪酬标准按照当地最低工资标准的 80% 支付。如当地最低工资标准上涨，按上涨后的标准执行。）
- 三、甲方在安排乙方待岗期间，继续为乙方依法缴纳各项社会保险，缴存住房公积金。除此以外甲方不再支付乙方其他福利待遇。
- 四、乙方在待岗期间应当遵守国家的法律、行政法规、政策及甲方的各项规章制度，若甲方的规章制度规定与本协议的约定不一致时，以本协议的约定为准。
- 五、乙方在待岗期间，未经甲方书面许可，在外从事任何有偿或无偿的工作，引起的争议纠纷或人身、财产损失等情况，产生的一切法律后果由乙方自行承担；甲方有权解除乙方的劳动合同及本协议；若乙方的行为给甲方造成损失的，甲方有权要求乙方依法予以赔偿。
- 六、在乙方待岗期间，甲方由于生产经营需要，要求乙方返岗上班的，乙方应当服从安排，及时返岗报到。乙方逾期不返岗上班的，甲方将按乙方旷工处理，直至解除劳动合同和本协议。若乙方待岗期间，甲方其他岗位有工作任务可以安排乙方的，经与乙方协商一致，乙方可以停止待岗到新岗位报到，并签订劳动合同变更书。
- 七、乙方向甲方提供的联络方式（通信、通话方式），如发生变化的，乙方应及时（3 日内）通知甲方，以确保甲方能够将相关信息告知乙方，否则因此产生的一切法律后果由乙方自行承担。
- 八、本协议的效力等同于劳动合同相关内容的变更书，在履行本协议期间，若订立劳动合同或本协议时所依据的客观情况发生变化，致使劳动合同和本协议无法继续履行时，甲方将按国家或本市相关规定处理。
- 九、本协议一式两份，甲、乙双方各执一份，具有同等法律效力。

甲方（盖章）：

年 月 日

乙方（签字）：

年 月 日

Important information translated below:

An agreement surfaced from anonymous sources indicating that due to COVID-19, WUBA's businesses are strongly affected, which has resulted in the temporary termination of certain positions and significant reduction in salary. The agreement stipulates a job awaiting period (where employees would not be able to work) from March to April. We believe this is clear indication that WUBA has seen a dramatic negative impact due to COVID-19.

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Shareholders Should Demand Answers from Management

The company did not respond to our allegations raised in the initial report. Specifically, we firmly believe that the company should have written down the majority, if not all, of the goodwill related to Ganji's acquisition in 2015. We still firmly stand by our belief that by failing to do so in the past years WUBA has engaged in accounting fraud. The company also did not explain why, from 2016 to 2018, there was a difference of cumulative RMB 4.6 billion between the SAIC consolidated revenues and the revenues reported to the SEC by WUBA. vv

Our initial report alleged that one trick that WUBA played is not consolidating 58 Home into WUBA's reported consolidated financials. We listed evidence that supports our belief that, in reality, WUBA exercises control over 58 Home and thus should consolidate the entity into WUBA's consolidated financials. Interestingly enough, we noticed that, according to the April 14th, 2020 [filing](#), Xiaohua Chen resigned as WUBA's chief strategic officer so that "he can focus on the business operations of 58 Home in his capacity as the chief executive officer of 58

Key Issues Raised in Our Initial Report

- WUBA's biggest acquisition Ganji has fallen completely apart according to our research. Shareholders deserve transparency and updates regarding WUBA's biggest acquisition.
- Multiple entities that we identified seem to be not consolidated into WUBA's financials, but effectively controlled. What is WUBA hiding by trying to avoid consolidation of these entities?
- SAIC filings suggest that revenues and profits were dramatically overstated. How come the filings show differences of billions of RMB?
- Shareholders should demand transparency on the numerous acquisitions and spin-offs where company insiders are counterparties. Who is really getting the benefits here?

Home." To us, it seems like WUBA is trying to further disconnect WUBA and 58 Home. However, this does not change the fact that WUBA had total control over 58 Home in the past yet still chose not to consolidate 58 Home's financials.

Another thing we have noticed is that WUBA issued its 2018 20F on April 19th, 2019, but up until now, the company still hasn't filed its 20F for 2019 yet. In addition to that, one of WUBA's board directors, Frank Lin, tendered his

resignation as a director on the board and a member of all the committees of the board recently. Mr. Lin has served as WUBA's director since March 2010, and he was a member of Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee, according to the company's 2018 20F. We do not know the exact reasons for Mr. Lin's departure, but we usually pay attention when vital and long-serving directors resign from the board.

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