

Douyu, the Twitch of China is going to be acquired by Huya in an all stock transaction.



The current spread on the deal is 24%.

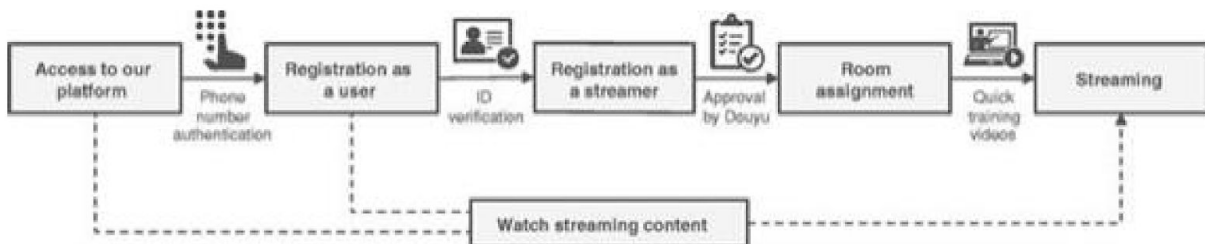
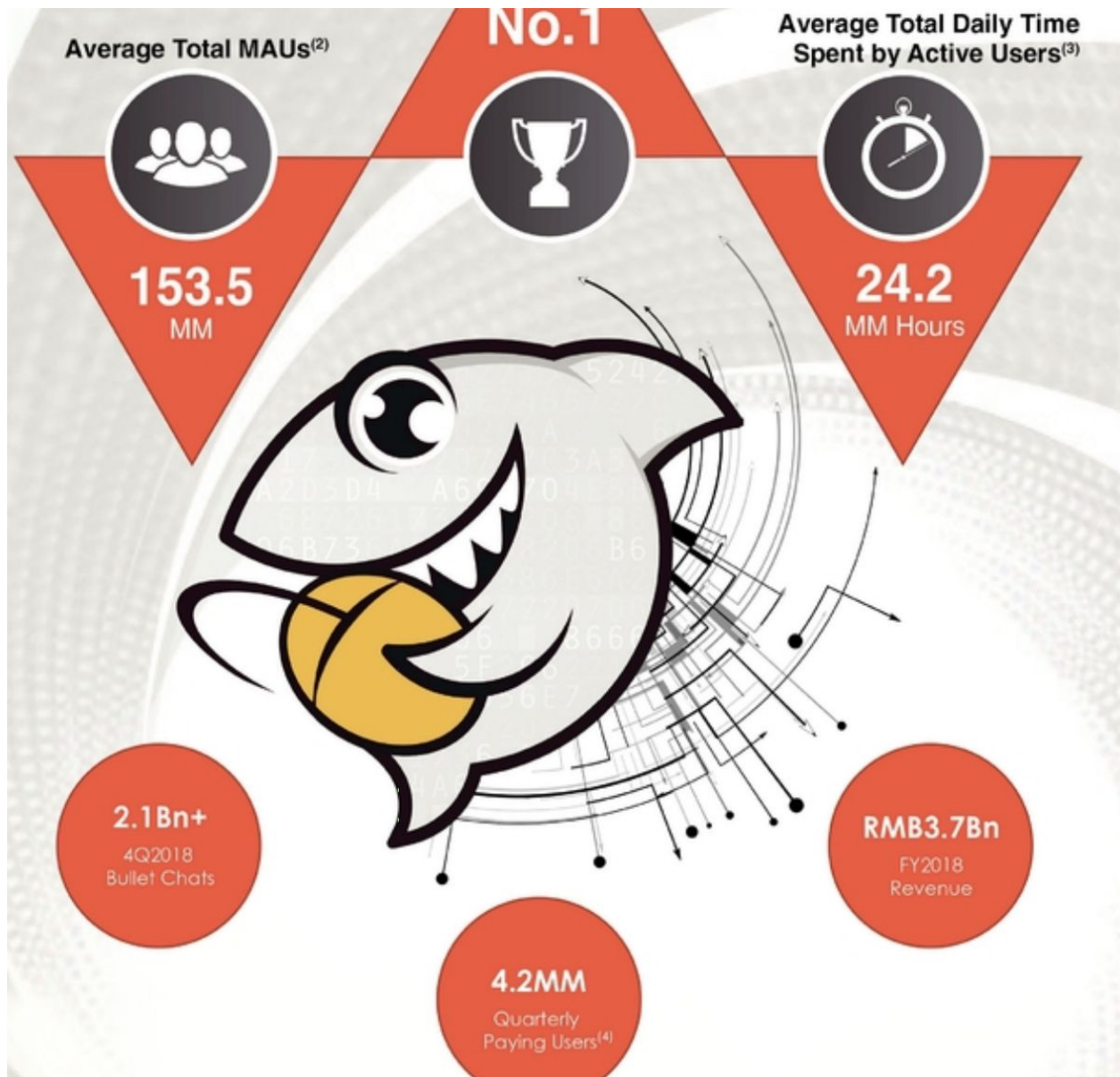
The deal is an all stock one where each ADS of Douyu will be converted into 0.730 ADS of Huya.

It is a merger of equals and the pro-forma company will have two co-CEOs (the current CEOs of each company).

37% of Douyu is currently owned by Tencent and Tencent also owns 51% of Huya. It will, therefore, own 68% of the pro-forma company. Huya is the largest esports live streaming business in China (and the world) and Douyu a close number 2 owning 80% of market share. Tencent owns its own version which eventually merge with these two to form a bigger company. This deal is, therefore, being investigated under anti-monopoly laws of China.

To better know Douyu, let's look at their F-1 filing ahead of their IPO.

The numbers are from 2018 but still we will understand the business better as it is a little different from Twitch.



We are the largest game-centric live streaming platform in China and a pioneer in the eSports value chain. We operate our platform both on PC and mobile apps, through which users can enjoy immersive and interactive games and entertainment live streaming. According to iResearch, among China's game-centric live streaming platforms, we ranked:

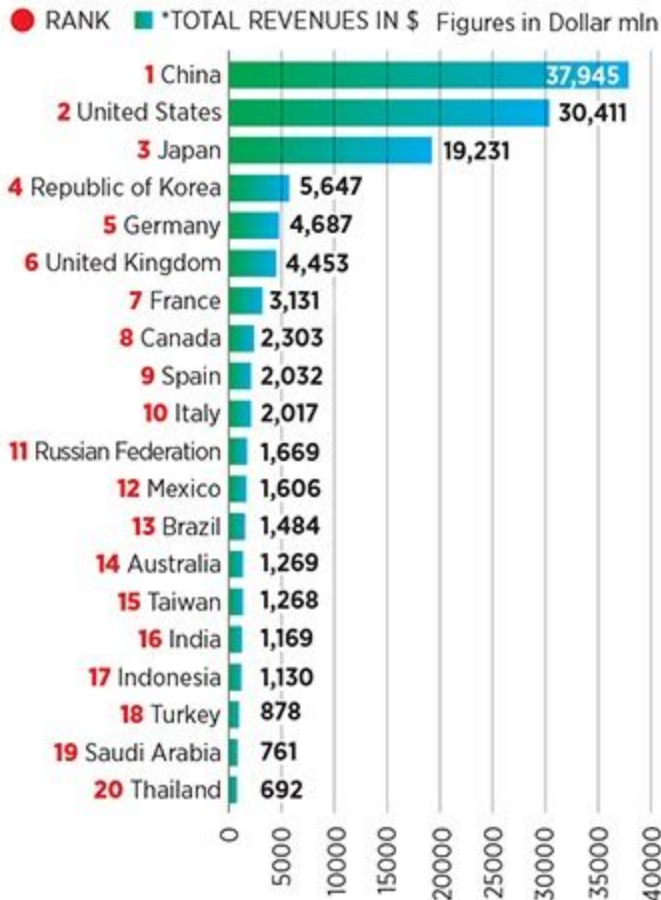
- first by the size of our user base as measured by average total MAUs on both mobile and PC platforms during the fourth quarter of 2017 and 2018;
- first by the level of user engagement as measured by average total daily time spent by active users on our platform during the fourth quarter of 2017 and 2018; and
- first by the number of top 100 game streamers with whom we contracted in December 2017 and December 2018.

The passion for games and interactions among gamers and game enthusiasts extend beyond just playing. Against the backdrop of eSports' booming popularity, China has a massive and growing gamer community that is seeking interactive and engaging entertainment through game live streaming. According to iResearch, China is the world's largest game-centric live streaming market, with approximately 4.9 times the MAUs of the U.S. market in 2018. Revenues from China's game-centric live streaming market is expected to grow at a CAGR of 24.7% from 2018 to 2023, which is nearly twice the expected growth rate of the non-game-centric live streaming market. Game-centric live streaming revenue accounted for 13.8%, 24.1% and 28.0% of total live streaming revenue in 2016, 2017 and 2018 in China. In 2018, live streaming annual ARPPU in China was RMB574, which takes into account both the game-centric and non-game centric live streaming platforms, while game-centric live streaming annual ARPPU in China was RMB365. The difference between live streaming annual ARPPU and game-centric live streaming annual ARPPU indicates significant growth potential for game-centric live streaming ARPPU. The average total MAUs of game-centric live streaming platforms in China are expected to increase from 255 million in 2018 to 400 million by 2023. As the leading

Doyu is the leader in China and the world with over 253 million registered users (as of 2018) and 4.2 million of them are paid subscribers (although Huya claims to be number one, using different metrics, which we will discuss later.)

The market for esport live stream is bigger in China, compared to the US and is growing at about 25% per year.

TOP 20 COUNTRIES/ MARKETS BY GAME REVENUES



Source: Newzoo *As of 31st October 2018

Our platform attracts a large number of highly loyal and engaged users. As of December 31, 2016, 2017 and 2018, we had 98.7 million, 182.1 million and 253.6 million registered users, respectively. With 111.4 million average MAUs on our PC platform and 42.1 million average MAUs on our mobile platform, we had 153.5 million average total MAUs during the fourth quarter of 2018, representing year-over-year growth of 14.3% from 134.3 million average total MAUs during the same period of 2017. We consider our PC platform an important component of our business as it attracts PC users who are more devoted eSports enthusiasts and is a natural gateway to eSports games, which enables users to simultaneously play games and watch game live streaming. According to iResearch, we were the most searched game-centric live streaming platform in China based on average of Baidu's search index and ranked as the top free and top grossing game-centric live streaming app in Apple's App Store in 2018. Our large user base is primarily acquired through organic growth, with over 92% of our new mobile users in the fourth quarter of 2018 installed our apps without third-party marketing. Our diverse product offerings and continuously enriched content allow us to effectively retain users, evidenced by our 75.2% and 74.9% average next-month active user retention rates over the past twelve months as of December 2017 and December 2018, respectively. Our average next-three-month registered user retention rate was 68.9% and 68.6% for the same periods. Our large and loyal user base is also highly engaged, as evidenced by the average total daily time spent by active users of 17.2 million and 24.2 million hours in the fourth quarter of 2017 and 2018, respectively. The average daily time spent by each active user was 40 minutes and 54 minutes for the same periods. Our active users spent over 1.6 billion and 2.2 billion hours on our platforms and generated more than 2.0 billion and 2.1 billion bullet chats in the fourth quarter of 2017 and 2018, respectively.

Doyu will be a certain winner from this trend as the market leader.

	For the Year Ended December 31,		
	2016	2017	2018
	(in millions, except for average next-month active user retention rate, quarterly average paying ratio and quarterly average ARPPU)		
Average Next-Month Active User Retention Rate ⁽¹⁾	73.3%	75.2%	74.9%
Quarterly Average Paying Ratio ⁽²⁾	1.1%	2.2%	2.8%
Average MAUs on PC Platform ⁽³⁾	65.3	85.0	97.8
Average MAUs on Mobile Platform ⁽³⁾	20.3	27.6	38.6
Average Total MAUs ⁽⁴⁾	85.6	112.6	136.4
Quarterly Average Paying Users ⁽⁵⁾	0.9	2.4	3.8
Quarterly Average ARPPU (RMB) ⁽⁶⁾	164	156	208

Now, let's look at the last annual filing

	For the Year Ended December 31,				
	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	US\$
	(in millions)				
Net revenues (1)	786.9	1,885.7	3,654.4	7,283.2	1,041.1
Cost of revenues	(1,155.1)	(1,890.4)	(3,503.4)	(6,087.0)	(870.1)
Gross (loss)/profit	(368.2)	(4.7)	151.0	1,196.2	171.0
Operating expenses:					
Sales and marketing expenses	(223.5)	(310.3)	(538.9)	(598.7)	(85.6)
Research and development expenses	(93.5)	(212.1)	(329.3)	(383.9)	(54.9)
General and administrative expenses (2)	(95.0)	(100.6)	(196.8)	(446.1)	(63.8)
Other operating income, net	3.8	9.3	54.9	100.8	14.5
Total operating expenses	(408.2)	(613.7)	(1,010.1)	(1,327.9)	(189.8)
Loss from operations	(776.4)	(618.4)	(859.1)	(131.7)	(18.8)
Other expense, net	0.0	(0.3)	(20.2)	(22.8)	(3.3)
Foreign exchange gain (loss), net	—	—	(75.6)	32.0	4.6
Interest income	3.9	6.9	85.8	159.1	22.7
Interest expenses	(8.9)	—	—	—	—
Fair value change of warranty liabilities	0.7	—	—	—	—
Income (loss) before income taxes	(780.7)	(611.8)	(869.1)	36.6	5.2
Income tax expenses	—	—	—	—	—
Share of income (loss) in equity method investments	(2.2)	(1.1)	(7.2)	(3.3)	(0.4)
Net income (loss)	(782.9)	(612.9)	(876.3)	33.3	4.8
Net loss attributable to noncontrolling interest	—	—	—	(6.5)	(0.9)
Deemed dividend	(284.9)	—	(6.7)	—	—
Net income (loss) attributable to ordinary shareholders of the Company	(1,067.8)	(612.9)	(883.0)	39.8	5.7
Net income (loss)	(782.9)	(612.9)	(876.3)	33.3	4.8
Other comprehensive loss, net of tax of nil:					
Foreign currency translation adjustments	—	—	325.6	109.5	15.6
Comprehensive income (loss)	(782.9)	(612.9)	(550.7)	142.8	20.4
Comprehensive income attributable to noncontrolling interests	—	—	—	(6.3)	(0.9)
Comprehensive income attributable to the Company	(782.9)	(612.9)	(550.7)	149.1	21.3

In the last 4 years, we can see a very rapid growth in revenues for Doyu. They were able to 10X their revenues in 3 years from 2016 to 2019, and now they are showing positive gross income. In 2019, they were able to generate profits.

	As of December 31,				
	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	US\$
(in millions)					
Summary Combined and Consolidated Balance Sheet Data:					
Cash, cash equivalents and restricted cash	516.8	539.6	5,562.2	8,134.9	1,162.9
Total current assets	675.9	862.9	6,117.0	8,601.7	1,229.6
Total assets	778.9	1,031.6	6,494.9	9,103.7	1,301.4
Deferred revenue	15.0	45.9	112.1	196.0	28.0
Accrued expenses and other current liabilities	120.7	208.2	313.5	392.3	56.1
Total current liabilities	523.9	871.9	2,863.9	1,794.2	256.5
Total liabilities	523.9	871.9	2,863.9	1,840.3	263.1
Total liabilities, convertible redeemable preferred shares and shareholders' deficit	778.9	1,031.6	6,494.9	9,103.7	1,301.4

It is clear that Douyu has a very good balance sheet.

	For the Year Ended December 31,				
	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	US\$
(in millions)					
Net cash provided by (used in) operating activities	(714.1)	(381.0)	(337.6)	813.2	116.2
Net cash used in investing activities	(86.3)	(92.0)	(265.0)	(246.3)	(35.2)
Net cash provided by financing activities	1,298.2	500.0	5,280.1	1,896.3	271.1
Effects of exchange rate changes on cash, cash equivalents and restricted cash	1.4	(4.2)	345.1	109.5	15.7
Net increase in cash, cash equivalents and restricted cash	499.2	22.8	5,022.6	2,572.7	367.8
Cash, cash equivalents and restricted cash at beginning of the period	17.6	516.8	539.6	5,562.2	795.1
Cash, cash equivalents and restricted cash at end of the period	516.8	539.6	5,562.2	8,134.9	1,162.9

And they are free cash flow positive.

As the nexus of the eSports ecosystem, our platform connects game developers and publishers, professional eSports teams or players and eSports tournament organizers, advertisers and viewers. User generated content covering eSports games is the largest contributor to our user base. Our average total eSports MAUs were approximately 95.8 million and 101.8 million in the fourth quarter of 2018 and 2019, respectively. In addition to streaming of eSports games, major eSports events and tournaments, we also sponsor leading eSports teams and organize our own eSports tournaments.

Our business may suffer if we fail to successfully implement our monetization strategies.

Our monetization model is new and evolving. Our streaming platform is free to access, and we generate revenues primarily from live streaming and advertisement. As a result, our revenue is affected by our ability to increase user engagement and convert non-paying users into paying users, which in turn depends on our ability to offer content, virtual gifts, advertisements and other services. In 2017, 2018 and 2019, we generated RMB1,521.8 million, RMB3,147.2 million and RMB6,617.3 million (US\$946.0 million) from live streaming, representing 80.7%, 86.1% and 90.9% of our total revenues for the same period. We also generate a sizeable portion of our revenues from providing advertisement and other services on our platform. In 2017, 2018 and 2019, we generated RMB363.9 million and RMB507.2 million and RMB665.9 million (US\$95.1 million) from advertisements and others, representing 19.3%, 13.9%, and 9.1% of our total revenues for the same period. We also generate a small portion of our revenue from game distribution, which involves revenue-sharing arrangements with game developers and publishers. If we are not successful in enhancing our ability to monetize our existing services or developing new approaches to monetization, we may not be able to maintain or increase our revenues and profits or recover any associated costs. We monitor market developments and may adjust our monetization strategies accordingly from time to time, which may result in decreases of our overall revenue or revenue contributions from some monetization channels. In addition, we may in the future introduce new services to diversify our revenue streams, including services with which we have little or no prior development or operating experience. If these new or enhanced services fail to engage customers or platform partners, we may fail to generate sufficient revenues to justify our investments, and our business and operating results may suffer as a result.

In 2019, 90.9% of revenues came from livestreaming and 9.1% from ads. We can see that the exposure to livestreaming is increasing faster than ads.

Our platform attracts a large number of highly loyal and engaged user base, which is primarily acquired through organic growth. As of December 31, 2018 and 2019, we had 253.6 million and 337.9 million registered users, respectively. Our average MAUs was 165.8 million for the fourth quarter of 2019, consisting of 111.4 million average MAUs on the PC platform and 54.4 million average MAUs on the mobile platform. Our average MAUs increased by 19.4% from 136.4 million in 2018 to 162.9 million in 2019, while our average mobile MAUs increased by 33.4% from 38.6 million to 51.5 million for the same period. We believe our diverse content and product offerings allow us to retain user and promote their engagement level. Our average next-month active user retention rate was 74.9% and 78.8% over the past twelve months as of December 2018 and December 2019, respectively.

As of December 2019, Doyu had 337 million users with monthly MAUs of 165.8 million with 17.5 million paying users.

The company also organizes tournaments and signs contracts with top streamers.

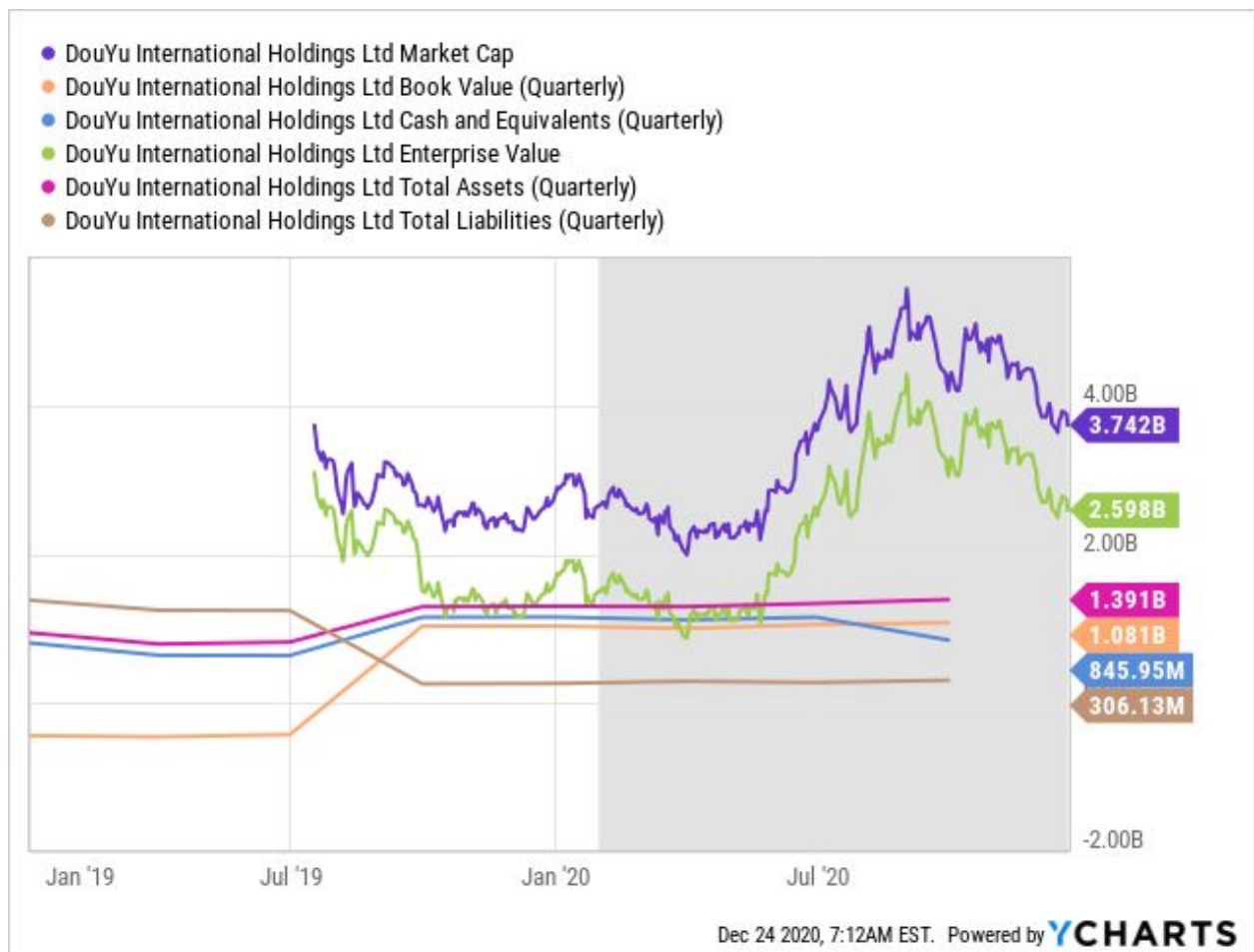
	For the Year Ended December 31,					
	2017		2018		2019	
	RMB	%	RMB	%	RMB	US\$
	(in millions, except for percentages)					
Live Streaming	1,521.8	80.7	3,147.2	86.1	6,617.3	946.0
Advertisement and others	363.9	19.3	507.2	13.9	665.9	95.1
Total	1,885.7	100.0	3,654.4	100.0	7,283.2	1,041.1

	For the Year Ended December 31,					
	2017		2018		2019	
	RMB	%	RMB	%	RMB	US\$
	(in millions, except for percentages)					
Revenue sharing fees and content cost (1)	1,373.1	72.6	2,790.0	79.6	5,176.5	740.0
Bandwidth cost	433.6	22.9	555.9	15.9	617.8	88.3
Other	83.7	4.5	157.5	4.5	292.8	41.8
Total	1,890.4	100.0	3,503.4	100.0	6,087.1	870.1

	As of December 31,		
	2018	2019	
	RMB	RMB	US\$
			(Note 2)
ASSETS			
Current assets:			
Cash and cash equivalents	5,562,204,889	8,091,990,270	1,156,758,766
Restricted cash	—	42,902,719	6,132,990
Accounts receivable, net	129,464,732	188,099,873	26,889,080
Prepayments	135,755,353	50,304,112	7,191,027
Amount due from related parties	64,070,214	24,043,850	3,437,094
Other current assets	225,513,856	204,309,593	29,206,278
Total current assets	6,117,009,044	8,601,650,417	1,229,615,235
Property and equipment, net	50,427,610	38,909,465	5,562,150
Intangible assets, net	131,013,892	198,056,841	28,312,440
Investments	134,252,190	225,533,885	32,240,313
Goodwill	13,567,679	30,972,888	4,427,608
Other non-current assets	48,581,307	8,546,843	1,221,780
TOTAL ASSETS	6,494,851,722	9,103,670,339	1,301,379,526

	As of December 31,		
	2018 RMB	2019 RMB	2019 US\$ (Note 2)
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As we mentioned, they have a really good balance sheet with no debt at all. Most of the cash was obtained from a very successful IPO last year.



- DouYu International Holdings Ltd Cash and Equivalents (Quarterly)
- DouYu International Holdings Ltd Total Long Term Debt (Quarterly)
- DouYu International Holdings Ltd Total Current Assets (Quarterly)
- DouYu International Holdings Ltd Total Current Liabilities (Quarterly)



Dec 24 2020, 7:14AM EST. Powered by **YCHARTS**

	Year ended December 31,			
	2017 RMB	2018 RMB	2019 RMB	2020 US\$ (Note 2)
Cash flows from operating activities:				
Net income (loss)	(612,897,944)	(876,279,828)	33,348,128	4,767,151
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation of property and equipment	23,167,001	26,996,910	32,814,894	4,690,925
Loss (gain) from the disposal of intangible assets	—	(3,525,314)	16,667	2,383
Amortization of intangible assets	2,875,712	18,548,448	57,306,920	8,192,086
Loss on the disposal of property and equipment	49,787	117,573	44,421	6,350
Provision for allowance for doubtful accounts	3,482,332	1,121,009	13,563,744	1,938,952
Share of loss in equity method investments	1,129,007	7,210,685	3,241,580	463,387
Loss on disposal of investment	—	3,504,018	—	—
Impairment loss of investments	—	15,166,140	19,076,725	2,727,038
Share-based compensation	17,574,638	35,404,887	290,781,764	41,567,568
Foreign exchange loss (gain)	—	75,613,235	(32,045,080)	(4,580,879)
Changes in operating assets and liabilities:				
Accounts receivable	(95,289,748)	5,192,716	(69,456,813)	(9,928,926)
Prepayments	(45,743,227)	(50,864,521)	85,451,242	12,215,347
Other current assets	(17,751,035)	(133,691,495)	25,627,488	3,663,477
Other non-current assets	(570,012)	(8,468,841)	(723,216)	(103,385)
Amounts due from related parties	(4,679,139)	(50,533,854)	40,026,364	5,721,812
Accounts payable	127,138,065	348,302,741	86,444,383	12,357,318
Advances from customers	(30,583)	4,219,929	7,426,481	1,061,623
Accrued expenses and other current liabilities	76,070,533	105,273,090	24,734,559	3,535,832
Amounts due to related parties	113,565,182	72,956,231	65,514,731	9,365,402
Deferred revenue	30,873,022	66,149,835	129,981,038	18,580,930
Net cash provided by (used in) operating activities	(381,036,409)	(337,586,406)	813,176,020	116,244,391
Cash flows from investing activities:				
Proceeds on disposal of property and equipment	47,621	26,477	260,408	37,226
Purchases of property and equipment	(23,837,212)	(32,826,275)	(16,045,562)	(2,293,730)
Purchases of intangible assets	(8,205,114)	(83,163,444)	(105,905,115)	(15,139,251)
Purchases of short-term investments	(1,700,000,000)	(2,770,000,000)	(4,309,500,000)	(616,047,688)
Proceeds from disposal of short-term investments	1,700,000,000	2,770,000,000	4,309,500,000	616,047,688
Proceeds from disposal of intangible assets	—	1,484,377	—	—
Proceeds from disposal of investment in associates	—	—	1,000,000	142,951
Payment for business acquisition, net of cash acquired	—	(57,971,520)	(11,012,762)	(1,574,286)
Payment for investments	(60,012,000)	(92,500,000)	(114,600,000)	(16,382,194)
Loan to related parties	—	—	(5,000,000)	(714,755)
Repayment of loan to related parties	—	—	5,000,000	714,755
Cash used in investing activities	(92,006,705)	(264,950,385)	(246,303,031)	(35,209,284)

From the cash flow statement, we can see about \$75 million in owner's earnings in 2019.



In the TTM, the net income is about \$120 million, we cannot have the updated cash flow statements from the 10-Qs but I'll estimate the owner's earnings at about \$150 million (that's conservative with a margin of safety).

Let's give them an owner's earnings margin of 10%.

In the last 4 years, revenues grew by 85% annually, growing by 30% in the last 9 months.

We will assume continuous revenue growth of 40% for the next 5 years, followed by 20% till year 15, then a terminal growth rate of 5%.

We will use a discount rate of 15%.

Year	Revenues	Owner's Earnings	Discounted OE
2019	\$ 1,038	\$ 75	
TTM	\$ 1,347	\$ 150	
2021	\$ 1,886	\$ 189	\$ 164
2022	\$ 2,640	\$ 264	\$ 200
2023	\$ 3,696	\$ 370	\$ 243
2024	\$ 5,175	\$ 517	\$ 296
2025	\$ 7,244	\$ 724	\$ 360
2026	\$ 8,693	\$ 869	\$ 376
2027	\$ 10,432	\$ 1,043	\$ 392
2028	\$ 12,518	\$ 1,252	\$ 409
2029	\$ 15,022	\$ 1,502	\$ 427
2030	\$ 18,027	\$ 1,803	\$ 446
2031	\$ 21,632	\$ 2,163	\$ 465
2032	\$ 25,958	\$ 2,596	\$ 485
2033	\$ 31,150	\$ 3,115	\$ 506
2034	\$ 37,380	\$ 3,738	\$ 528
2035	\$ 44,856	\$ 4,486	\$ 551
Terminal Value			\$ 5,510
Intrinsic Value			\$ 11,359

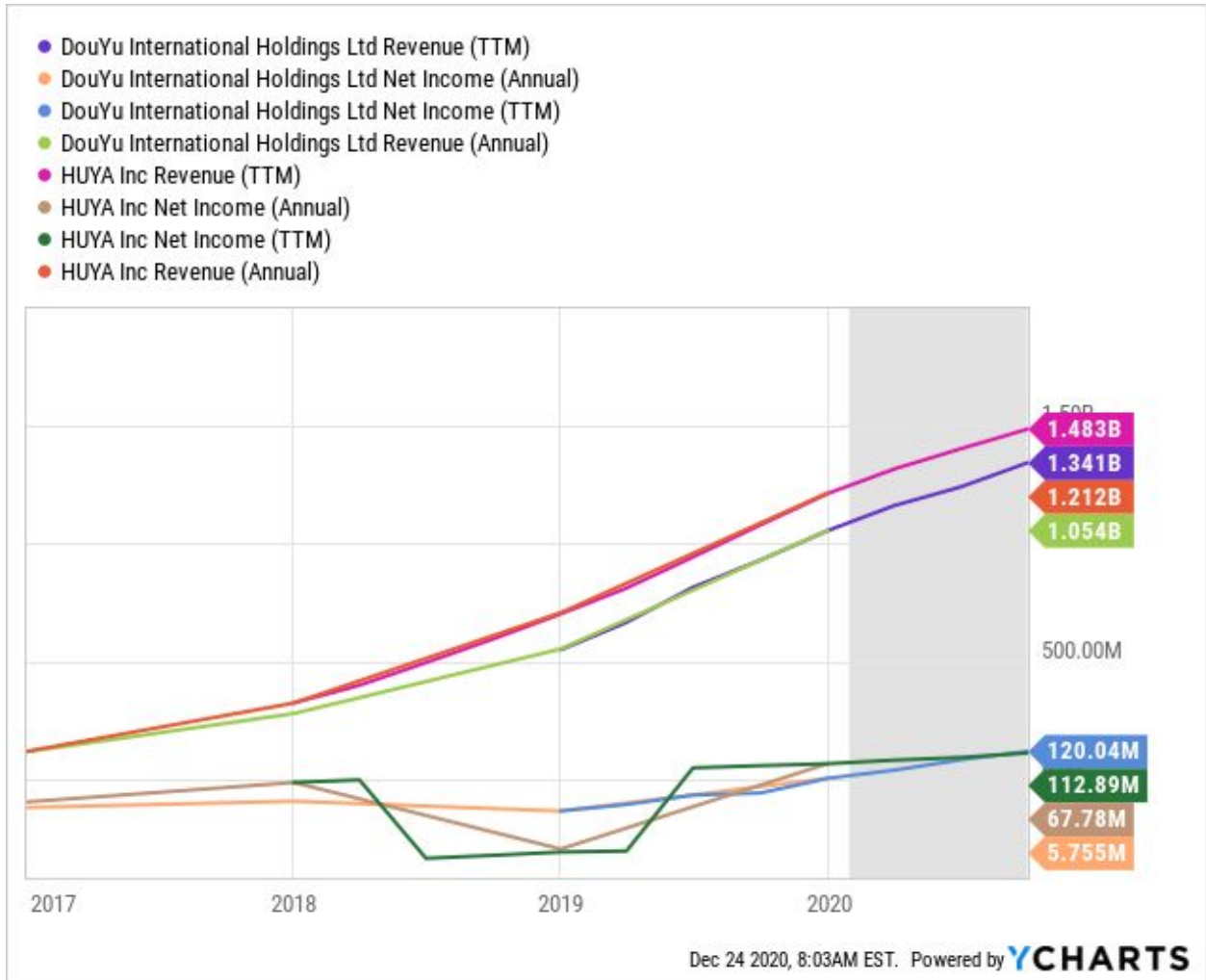
Doyu is cheap even without the arbitrage

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2021	\$ 1,886	\$ 189	\$ 164
2022	\$ 2,640	\$ 264	\$ 200
2023	\$ 3,696	\$ 370	\$ 243
2024	\$ 5,175	\$ 517	\$ 296
2025	\$ 7,244	\$ 724	\$ 360
Terminal Value			\$ 10,096
Intrinsic Value			\$ 11,359



To look at the exit multiples, we will need to look at Huya first.

	For the year ended December 31,				
	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	US\$
(in thousands, except for share, ADS, per share and per ADS data)					
Selected Consolidated Statements of Comprehensive Loss:					
Net revenues:					
Live streaming	791,978	2,069,536	4,442,845	7,976,214	1,145,711
Advertising and others	4,926	115,280	220,595	398,287	57,210
Total net revenues	796,904	2,184,816	4,663,440	8,374,501	1,202,921
Cost of revenues ⁽¹⁾	(1,094,644)	(1,929,864)	(3,933,647)	(6,892,579)	(990,057)
Gross (loss) profit	(297,740)	254,952	729,793	1,481,922	212,864
Operating expenses:					
Research and development expenses ⁽¹⁾	(188,334)	(170,160)	(265,152)	(508,714)	(73,072)
Sales and marketing expenses ⁽¹⁾	(68,746)	(87,292)	(189,207)	(438,396)	(62,972)
General and administrative expenses ⁽¹⁾	(71,325)	(101,995)	(287,710)	(352,824)	(50,680)
Total operating expenses	(328,405)	(359,447)	(742,069)	(1,299,934)	(186,724)
Other income	—	9,629	38,938	79,390	11,404
Operating (loss) income	(626,145)	(94,866)	26,662	261,378	37,544
Interest and short-term investments income	518	14,049	156,549	304,491	43,737
Fair value loss on derivative liabilities	—	—	(2,285,223)	—	—
Foreign currency exchange gains, net	—	—	51	1,157	166
(Loss) income before income tax benefits (expenses)	(625,627)	(80,817)	(2,101,961)	567,026	81,447
Income tax benefits (expenses)	—	—	50,943	(96,078)	(13,801)
(Loss) income before share of (loss) income in equity method investments, net of income taxes	(625,627)	(80,817)	(2,051,018)	470,948	67,646
Share of (loss) income in equity method investments, net of income taxes	—	(151)	113,329	(2,775)	(399)
Net (loss) income attributable to HUYA Inc.	(625,627)	(80,968)	(1,937,689)	468,173	67,247



We can already see that although Huya is bigger, it is more effective.

	As of December 31,				
	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	US\$
Selected Consolidated Balance Sheet Data:					
Cash and cash equivalents	6,187	442,532	709,019	1,113,193	159,900
Restricted cash	—	—	—	1,392	200
Short-term deposits	95,000	593,241	4,983,825	6,743,445	968,635
Short-term investments	—	—	300,162	2,219,531	318,816
Total current assets	156,101	1,250,307	6,595,187	10,591,820	1,521,420
Investments	—	10,299	219,827	379,424	54,501
Total assets	167,234	1,300,541	7,106,187	11,366,550	1,632,703
Total current liabilities	319,928	685,650	1,380,446	2,446,677	351,444
Total liabilities	331,621	730,674	1,461,180	2,681,700	385,203
Total mezzanine equity	—	509,668	—	—	—
Class A ordinary shares (US\$0.0001 par value; nil, 249,957,163, 750,000,000 and 750,000,000 shares authorized, nil, 992,456, 44,639,737 and 67,101,314 shares issued and outstanding as of December 31, 2016, 2017, 2018 and 2019, respectively)	—	1	29	44	6
Class B ordinary shares (US\$0.0001 par value; nil, 99,007,544, 200,000,000, and 200,000,000 shares authorized, nil, 99,007,544, 159,157,321 and 152,357,321 shares issued and outstanding as of December 31, 2016, 2017, 2018 and 2019, respectively)	—	66	104	100	14
Total shareholders' (deficit) equity	(164,387)	60,199	5,645,007	8,684,850	1,247,500

With a better balance sheet.

Our user base consists mainly of the young generation, who are generally more open-minded and tech-savvy, with an interest in games and other forms of entertainment. As we have gradually expanded and enriched our content offerings, we have been able to expand our user base. The average MAUs of Huya Live grew to 150.2 million in the fourth quarter of 2019 from 116.6 million in the fourth quarter of 2018; and the average mobile MAUs of Huya Live in the fourth quarter of 2019 reached 61.6 million, compared to 50.7 million in the fourth quarter of 2018.

Huya is slightly behind DouYu in terms of MAU. Although the company seems to be generating more revenues, it generates less profits as we mentioned. It is hard to say which one is the leader, let's say they are co-leaders.

We will assume that there's an 70% probability of the deal going through in one year.

Both stocks move in sync even before the deal, therefore, if Huya goes up, so will DouYu

And i'll say that both businesses are cheap right now with DouYu looking better.

Even if the deal doesn't go through, it will be a good investment.

I'm not going to make an exit multiple table since it will be hard to predict the price of Huya stock in a year or less. At 24% spread for a stock massively undervalued with even the no-deal scenario a positive one, it is not necessary.