

SMALL/MID CAP HIGHLIGHTS

Y Ventures Group (YVEN SP)

An Exciting Year In Store

2018 looks to be a promising year as initiatives in the past year are expected to bear fruit. We forecast a 3-year EPS CAGR of 35% but see possible upside to our 2019 estimate if AORA is successfully launched in 2H18. BUY with a target price of S\$0.80, based on 2.6x 2019F P/S, at a 20% discount to peers. Potential catalysts include earnings acceleration in 2018, new consumer brands and accretive M&As.

WHAT'S NEW

- **Highlights from recent meeting.** We met the management of Y Ventures recently. This report highlights the key takeaways and our latest views on the company. Given the market volatility, the share price has retraced 29% from its peak, presenting an excellent entry opportunity in our view.

STOCK IMPACT

- **An exciting 2018 to look forward to.** From a low base in 2017, we forecast net profit to surge to US\$2.7m as initiatives in 2017 look to bear fruit this year. These include the recognition of sales from Faire Leather (of over S\$400k) from its launch in Kickstarter in Nov 17. In addition, the group announced in early-Jan 18 that it had successfully secured over 20 new consumer brands. The new brands include personal care brand Footpure, consumer electronics brand Lowepro, health & wellness brand Shanti Switchel, F&B brand Mavella, maternity brand Mater Mothers' Hospital, among many others. Revenue per brand is conservatively estimated to be at least US\$100k/annum. Last and certainly not least, Y Ventures has also grown its online book distributorship from one to five over the past 6 months, with meaningful contributions from 2018 onwards.
- **Data analytics capability could lead to more new proprietary brands.** We believe investors may have under-appreciated Y Ventures' data analytics capability and have wrongly perceived the group to be mainly restricted to book sales or distribution. The good sales of self-developed labels such as JustNile and more recently Faire Leather Co is a good proof of its proprietary data analytics capability. The latter, which was launched in Nov 17 on the Kickstarter platform is very impressive as it holds the record of garnering a record pledge (or sales) of S\$406,000 in less than 50 days, making it the most successfully-funded Kickstarter campaign ever launched in Singapore. Y Ventures has a 51% stake in Faire Leather Co. Given the high visibility of this successful JV, we believe this paves the way for more new collaboration between Y Ventures and other partners.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2016	2017	2018F	2019F	2020F
Net Turnover	12.1	14.2	29.7	46.8	60.7
EBITDA	2.0	(0.9)	2.7	4.2	5.4
EBIT	1.9	(1.0)	2.6	4.1	5.3
Net profit (rep./act.)	1.5	(0.9)	2.7	4.1	5.2
Net profit (adj.)	1.5	0.2	2.7	4.1	5.2
EPS (US\$ cent)	0.8	0.1	1.3	2.0	2.5
PE (x)	52.5	380.6	30.9	20.3	15.9
P/B (x)	34.0	13.2	9.0	6.6	5.0
Dividend Yield (%)	-	-	0.6	1.0	1.3
Net margin (%)	12.6	1.5	9.0	8.7	8.6
Net debt/(cash) to equity (%)	1.0	1.5	(4.5)	(48.9)	(46.6)
Interest cover (x)	81.6	(46.8)	172.5	266.1	289.8
ROE (%)	58.7	3.3	28.5	32.6	31.4

Source: Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.53
Target Price	S\$0.80
Upside	+50.9%

COMPANY DESCRIPTION

Y Ventures Group Pte. Ltd. operates as an e-commerce company. The Company retails and distributes consumer products, as well as provides competitive monitoring, product category pricing, demand forecasting, cost benefit analysis, market research, active channel management, sales, and other services. Y Ventures Group serves customers worldwide.

STOCK DATA

GICS sector	Consumer
Bloomberg ticker:	YVEN SP
Shares issued (m):	205.0
Market cap (S\$m):	108.7
Market cap (US\$m):	82.4
3-mth avg daily t'over (US\$m):	0.7

Price Performance (%)

52-week high/low S\$0.75/S\$0.149

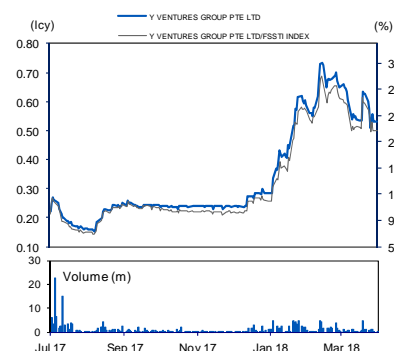
1mth	3mth	6mth	1yr	YTD
(24.3)	86.0	116.3	140.9	86.0

Major Shareholders

	%
Low Yik Sen	34.7
Low Yik Jin	34.7
Prism Investment	11.1

FY18 NAV/Share (US\$)	0.045
FY18 Net Cash/Share (US\$)	0.002

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- A new growth trajectory if AORA is successful.** The potential partnership between Y Ventures and SingPost could spell a new growth trajectory for the former. The MOU with SingPost is to develop AORA, a global buying platform that will focus on cross-border purchases on behalf of consumers across Asia. Although this is not a new concept, with relatively similar platforms such as comGateway and ebay, we think what could differentiate the AORA platform from competitors is the data analytics of Y Ventures, which could curate the product offerings to its target market as well as localisation of the platform. We believe SingPost will handle logistics to provide timely delivery at competitive pricing. This would be key to AORA's success given the importance of reliable last mile deliveries in e-commerce.
- Extremely scalable and provides upside to earnings.** Although AORA will only be beta launched in 3Q18, we are excited on its prospects, given the potential scalability of the platform if it turns out to be successful. The cost to develop AORA is not estimated to be high as this is not an asset-intensive investment but mainly staff costs. According to a report by Google/Temasek, the Southeast Asian e-commerce market is extremely dynamic with strong growth prospects. The global cross-border e-commerce gross merchandise value is estimated at US\$468m in 2017, and projected to grow 25% CAGR.

EARNINGS REVISION/RISK

- Rebound in 2018 with potential upside in 2019 from new platform.** We maintain our earnings estimates, which project a 3-year CAGR of 35%. Our current estimates have not factored in the potential upside from AORA, from 2019 onwards.

VALUATION/RECOMMENDATION

- BUY with a target price of S\$0.80. Potential accretion from new platform not priced in.** Following our earnings and revenue upgrade, we maintain Y Ventures' target price at S\$0.80, based on 2.6x 2019F P/S, which is at a 20% discount to listed peers'. Our valuation could have upside as we have not assumed an uplift from the new platform since this is only an MOU. However, with the support of SingPost and Y Ventures' proven data analytics capability, we are hopeful for the success of this platform.
- Sanity checks based on PEG appear favourable compared with market's.** Our valuation is based on 2.6x 2019F P/S, which is at a 20% discount to listed peers'. We opt to be conservative given Y Ventures' smaller market capitalisation and limited earnings visibility. As a sanity check, our P/S-based target price of S\$0.80 suggests a PEG valuation of 0.86x (based on 3-year EPS CAGR of 35% since 2016), which compares with the broader market's PEG of 3.33x.

DATA ANALYTICS PROCESSES

OUR PROCESSES

Data Mining

Qualitative & Quantitative Analysis

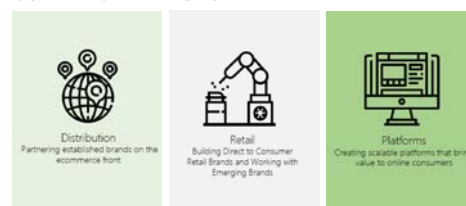
Data Insights & Predictive Modelling

Data-driven E-Commerce Process

Validation and Iteration

Source: Y Ventures

DRIVING REVENUE THROUGH A HOLISTIC E-COMMERCE APPROACH



Source: Y Ventures

PROFIT & LOSS

Year to 31 Dec (US\$m)	2017	2018F	2019F	2020F
Net turnover	14.2	29.7	46.8	60.7
EBITDA	(0.9)	2.7	4.2	5.4
Deprec. & amort.	0.1	0.1	0.1	0.1
EBIT	(1.0)	2.6	4.1	5.3
Net interest income/(expense)	(0.0)	(0.0)	(0.0)	(0.0)
Associates	-	-	-	-
Other non-recurring items	-	(0.1)	(0.2)	(0.3)
Pre-tax profit	(1.0)	2.5	3.9	5.0
Tax	(0.0)	0.1	0.1	0.1
Minorities	(0.1)	(0.1)	(0.1)	(0.1)
Net profit	(0.9)	2.7	4.1	5.2
Net profit (adj.)	0.2	2.7	4.1	5.2

BALANCE SHEET

Year to 31 Dec (US\$m)	2017	2018F	2019F	2020F
Fixed assets	1.3	1.3	1.3	1.3
Other LT assets	-	-	-	-
Cash/ST investment	0.9	1.4	7.1	8.7
Other current assets	7.3	11.4	11.8	15.5
Total assets	9.5	14.1	20.3	25.6
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	2.3	3.8	6.7	8.0
LT debt	0.9	0.9	0.9	0.9
Other LT liabilities	0.0	0.0	0.0	0.0
Shareholders' equity	6.1	9.2	12.5	16.6
Minority interest	0.3	0.2	0.0	(0.1)
Total liabilities & equity	9.7	14.1	20.3	25.6

CASH FLOW

Year to 31 Dec (US\$m)	2017	2018F	2019F	2020F
Operating	(3.2)	(0.0)	6.6	2.7
Pre-tax profit	(1.0)	2.6	4.1	5.3
Tax	(0.0)	0.1	0.1	0.1
Deprec. & amort.	0.1	0.1	0.1	0.1
Working capital changes	(3.5)	(2.7)	2.6	(2.4)
Other operating cashflows	0.1	(0.1)	(0.2)	(0.3)
Investing	(0.3)	(0.1)	(0.1)	(0.1)
Capex	(0.1)	(0.1)	(0.1)	(0.1)
Interest and dividend income	-	-	-	-
Others	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Financing	3.5	0.6	(0.8)	(1.1)
Dividend payments	(0.6)	(0.5)	(0.8)	(1.0)
Issue of shares	5.5	1.2	-	-
Proceeds from borrowings	-	-	-	-
Others/interest paid	(0.2)	(0.0)	(0.0)	(0.0)
Net cash inflow (outflow)	(0.1)	0.5	5.7	1.6
Beginning cash & cash equivalent	0.9	0.9	1.4	7.1
Changes due to forex impact	0.0	-	-	-
Ending cash & cash equivalent	0.9	1.4	7.1	8.7

KEY METRICS

Year to 31 Dec (%)	2017	2018F	2019F	2020F
Profitability				
EBITDA margin	(6.1)	9.1	8.9	8.9
Pre-tax margin	(6.8)	8.4	8.2	8.2
Net margin	1.5	9.0	8.7	8.6
ROA	2.2	18.9	20.1	20.3
ROE	3.3	28.5	32.6	31.4
Growth				
Turnover	17.4	109.0	57.5	29.7
EBITDA	n.a.	n.a.	54.3	29.0
Pre-tax profit	n.a.	n.a.	54.9	28.4
Net profit	n.a.	n.a.	52.5	27.6
Net profit (adj.)	(86.2)	1,162.1	52.5	27.6
Leverage				
Debt to total capital	13.9	9.6	7.3	5.6
Debt to equity	16.1	10.6	7.9	5.9
Net debt/(cash) to equity	1.5	(4.5)	(48.9)	(46.6)
Interest cover (x)	(46.8)	172.5	266.1	289.8

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