

MONEY TALK

Y VENTURES GROUP (YVEN SP)

Fabulous Start To 2018. Target Price Raised To S\$0.65

2018 looks to be exciting for YV as the successful launch of Faire Leather, entry of a strategic shareholder and newly-secured online distribution for over 20 brands augur well for long-term prospects. Maintain BUY with a higher target price of S\$0.65, based on a P/S of 2.3x (30% discount to peers). We see possible upside to our target price as investors appreciate the scalability of its business model and accord higher valuations, both on a P/S and PE basis.

WHAT'S NEW

- **Great start to 2018.** Y Ventures (YV) started 2018 very strongly. Firstly, it very successfully launched its online brand Faire Leather. This was shortly followed by a new share placement to a shareholder whom we deem strategic. Another positive is that it had secured online distribution rights for over 20 brands. We review these developments, amend our earnings forecasts and raise our target price to S\$0.65 (from S\$0.28/share previously). We move YV's valuation benchmark to P/S (previously PE) to reflect its strong growth and scalability of its business model.

STOCK IMPACT

- **Stunning success of Faire Leather...** Since the launch of its online consumer leather goods brand – Faire Leather – on Kickstarter, interest has been very strong. The online functional luxury brand was launched in Nov 17 and Faire Leather has garnered sales of S\$406,000 in less than 50 days, making it the most successfully-funded Kickstarter campaign ever launched in Singapore. Just to recap, Faire Leather is a joint collaboration between YV and Singapore's homegrown leather goods company Tocco Toscano on a 51% (YV): 49% (TT) basis. The JV was only formed in 14 Aug 17 and the fast launch and good sales of Faire Leather in such a short period since the JV commencement is impressive.
- **...paving the way for potentially more new online brands.** In our view, the successful launch of Faire Leather is further proof of the group's data analytics capability. The record-setting Kickstarter campaign of Faire Leather could open up more opportunities for YV to collaborate with other companies to launch new products and create new online brands. This also indicates the scalability of its business model and positions YV well to be a builder of more successful online brands.
- **New consumer distribution deals in the bag.** In its press release dated 23 Jan 18, YV announced that it has secured online distribution rights for over 20 new brands such as personal care brand Footpure, consumer electronics brand Lowepro, health and wellness brand Shanti Switchel, F&B brand Mavella and maternity brand Mater Mothers' Hospital, amongst many others. While these new brands may not immediately contribute significantly to bottom line given the need to build awareness, they provide for a solid start to 2018. On the average, we conservatively estimate that each of these brands could contribute revenue of US\$100,000/p.a..

KEY FINANCIALS

Year to 31 Dec (US\$m)	2015	2016	2017F	2018F	2019F
Net Turnover	8.9	12.1	15.0	29.7	43.9
EBITDA	2.1	2.0	0.9	3.5	5.1
EBIT	2.0	1.9	0.8	3.4	5.0
PATMI	1.7	1.5	0.6	2.6	3.9
Adjusted PATMI	1.7	1.5	1.8	2.6	3.9
Adjusted EPS (cts)	0.8	0.8	0.9	1.3	1.9
Adjusted P/E	45.1	49.2	44.7	31.0	20.9
P/B (x)	32.8	40.9	11.6	8.5	6.8
Dividend Yield (%)	0.1	3.2	0.1	0.6	1.0
PATMI Margin (%)	18.8	12.6	11.8	8.8	8.8
Net Debt(cash) to Equity (%)	8.2	1.0	(49.9)	(32.5)	(27.5)
Interest cover (x)	93.9	81.6	35.8	147.9	218.4

Source: Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	S\$0.52
Target Price	S\$0.65
Upside	25.0%
(Previous TP)	S\$0.28)

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.

GICS sector	Consumer
Bloomberg ticker:	YVEN SP
Shares issued (m):	205.0
Market cap (S\$m):	104.0
Market cap (US\$m):	79.2
3-mth avg t'over (US\$m):	0.2

PRICE CHART



Source: Bloomberg

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- **Entry of new shareholder that is strategic for business.** On 11 Jan 18, YV announced that it will place 5.0m new shares at S\$0.24/share to a strategic investor R3 Asset Management. Together with the placement announcement, YV and R3 have also entered into a non-binding MOU where R3 will endeavour to introduce new retail brands, strategic alliance and possible acquisition targets that synergise with Y Venture's proprietary retail analytics. Interestingly, R3 Asset Management is co-founded by Ron Sim. The endorsement by the management of R3 which comprises seasoned veterans in the consumer retail industry is a strong show of confidence in YV. We are excited about this and believe the partnership could open up a lot of potential collaborations or other opportunities.
- **M&A another potential driver?** With the recent share price strength as well as strong balance sheet (estimated net cash of S\$5.8m or S\$0.03/share), we see accretive M&As as another earnings driver or catalyst with YV potentially considering M&As through share issuance or cash/debt funding. We believe YV's visibility after its IPO could open up more new M&A opportunities.

EARNINGS REVISION/RISK

- **Higher revenue expectations.** We raise our 2018-19 turnover expectations as we factor in more online distribution rights for consumer good and books. However, our net profit estimate for 2018 is relatively unchanged at US\$2.6m and we raise our 2019 net profit estimates by 11% to US\$3.9m. Our 2018 forecasts are relatively unchanged as we build in higher staff and expansion costs as we believe the group could continue to re-invest in building up its technical capabilities. This is in line with its plan to enhance its data analytics capability, which we think will bode well for the group's long-term outlook. We have trimmed our 2017 net profit estimate down to US\$0.6m from US\$0.8m (unadjusted for IPO expenses and one-offs) to reflect higher-than-expected expansion costs (including staff costs). Despite the slight cut, 2017 is history and investors should look ahead to robust earnings from 2018 onwards.
- **Robust earnings growth.** Factoring in the new share issuance of 5m shares (2.5% of existing share capital), we forecast a 3-year EPS CAGR of 40%. This is partially due to a low base effect in 2017. Looking beyond 2018, we see upside potential in earnings as contributions from online distribution of new consumer brands and its own brand Faire Leather pick up momentum. As for the newly-secured consumer online brands distribution, we have only factored in meaningful contributions from 2019 onwards as we think that the online distribution for the 20 new brands may need a gestation period in 2018.

VALUATION/RECOMMENDATION

- **Maintain BUY with a higher target price of S\$0.65/share.** In our view, YV's strong earnings growth outlook over the next few years and scalability of its model justifies a move towards a P/S valuation benchmark compared to our previous benchmark of PE previously.
- **Buffer from large P/S discount and comparable PE.** We have used a target 2019F P/S of 2.3x, which is at a 30% discount to its listed peers. We have opted to be conservative given YV's smaller market capitalisation and limited earnings visibility. Nevertheless, we believe potentially more new consumer brands distribution and JVs with established partners to create new online brands (such as its Faire Leather) would be a potential catalyst for the P/S discount to narrow to below 30%. As a sanity check, our current P/S-based target price suggests a PE valuation of 26.2x, which compares to its peers' PE of 25.7x.

FIGURE 1: SENSITIVITY ANALYSIS OF TARGET PRICE

2019F P/S valuation	Target price (S\$)	Implied FY19F PE (x)
1.70x (50% discount)	0.47	18.7
2.04x (40% discount)	0.56	22.5
2.38x (30% discount)	0.65	26.2
2.72x (20% discount)	0.75	30.0
3.06x (10% discount)	0.84	33.7
4.40x (0% discount)	0.93	37.5

Source: UOB Kay Hian

FIGURE 2: PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price @ 29 Jan 18 (lcy)	Mkt Cap (US\$m)	----- PE -----		----- PB -----		Yield 2018 (%)	ROE 2018 (%)	Price to Sales	
					2018 (x)	2019 (x)	2018 (x)	2019 (x)			2018 (x)	2019 (x)
Amazon.Com	AMZN US	USD	1417.68	683,141	86.8	57.1	18.1	13.4	0.0	16.5	3.0	2.5
Alibaba Group	BABA US	USD	203.01	519,940	29.4	22.9	7.0	5.4	0.0	22.0	9.9	7.6
Ebay Inc	EBAY US	USD	40.8	42,619	18.5	16.8	3.6	3.1	0.0	18.4	4.2	3.9
Amadeus It	AMS SM	EUR	62.04	33,707	25.0	23.3	7.5	6.7	1.8	30.8	5.3	5.0
Rakuten	4755 JP	JPY	1013.5	13,383	17.4	15.1	1.8	1.7	0.5	10.7	1.4	1.3
Shopify	SHOP US	USD	127.3	12,704	n.a.	n.a.	12.9	12.3	0.0	2.7	13.3	9.8
Vipshop	VIPS US	USD	17.28	10,197	21.6	17.9	6.3	4.9	0.0	24.8	0.7	0.6
Start Today	3092 JP	JPY	3310	9,495	37.6	30.5	17.1	12.6	1.1	54.6	7.9	6.5
ASOS	ASC LN	GBp	7426	8,712	76.6	61.2	16.9	13.1	0.0	24.0	2.5	2.0
Wayfair	W US	USD	94.36	8,288	n.a.	n.a.	n.a.	n.a.	0.0	92.7	1.4	1.1
Groupon	GRPN US	USD	5.57	3,110	28.1	22.7	9.1	6.2	0.0	47.7	1.1	1.0
Baozun Inc	BZUN US	USD	39.22	2,144	34.9	22.1	6.0	4.6	0.0	19.0	2.7	2.1
Stitch Fix	SFIX US	USD	21.01	2,036	90.2	202.0	n.a.	n.a.	n.a.	11.0	1.7	1.4
Transcosmos	9715 JP	JPY	2980	1,338	18.1	16.5	1.5	1.4	1.8	7.8	0.5	0.5
Average					40.3	42.3	9.0	7.1	0.4	27.3	4.0	3.2
Average (Excl. AMZN US, SHOP US, VIPS US, W US, SFIX US)					31.7	25.7	7.8	6.1	0.6	26.1	3.9	3.3
Y Ventures	YVEN SP	SGD	0.515	78	30.9	20.9	6.6	5.2	0.9	20.4	2.6	1.8

Source: Bloomberg, UOB Kay Hian

FIGURE 3: FAIRE LEATHER – FUNCTIONAL LUXURY AT A FAIR PRICE

The screenshot shows the FAIRE LEATHER CO. website interface. At the top, there are navigation links for SHOP, PRE-ORDER, BLOG, and SEARCH STORE. A currency selector is set to SGD, and there are links for ACCOUNT, FOLLOW, and CART. The main content area displays six leather goods items, each with a product image, name, and price:

- Super Bundle (Pre-Order)**: ~~S\$907.00~~ S\$699.00
- Bond Travel Briefcase (Pre-Order)**: ~~S\$549.00~~ S\$449.00
- Bond Everyday Padfolio (Pre-Order)**: ~~S\$299.00~~ S\$259.00
- The Card Wallet (Pre-Order)**: ~~S\$59.00~~ S\$49.00
- Specter Passport Sleeve (Paired Bundle)**: S\$109.00
- Specter Bifold Wallet (Paired Bundle)**: S\$159.00

Source: Faire Leather

PROFIT & LOSS

Year to 31 Dec (\$m)	2016	2017F	2018F	2019F
Net turnover	12.1	15.0	29.7	43.9
EBITDA	2.0	0.9	3.5	5.1
Deprec. & amort.	0.1	0.1	0.1	0.1
EBIT	1.9	0.8	3.4	5.0
Net interest income/(expense)	(0.0)	(0.0)	(0.0)	(0.0)
Associates	-	-	-	-
Other non-recurring items	-	-	(0.1)	(0.2)
Pre-tax profit	1.8	0.8	3.2	4.7
Tax	(0.2)	(0.1)	(0.5)	(0.7)
Minorities	0.1	0.1	0.1	0.1
Net profit	1.5	0.6	2.6	3.9
Net profit (adj.)	1.5	1.8	2.6	3.9

CASH FLOW

Year to 31 Dec (\$m)	2016	2017F	2018F	2019F
Operating	2.6	(1.2)	(1.1)	1.1
Pre-tax profit	1.8	0.8	3.4	5.0
Tax	(0.0)	(0.1)	(0.5)	(0.7)
Deprec. & amort.	0.1	0.1	0.1	0.1
Working capital changes	0.6	(2.0)	(3.9)	(3.0)
Other operating cashflows	(0.0)	-	(0.1)	(0.2)
Investing	(0.1)	(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	(2.3)	5.9	0.7	(0.8)
Dividend payments	(2.4)	(0.1)	(0.5)	(0.8)
Issue of shares	0.1	6.0	1.2	-
Proceeds from borrowings	-	-	-	-
Others/interest paid	(0.0)	(0.0)	(0.0)	(0.0)
Net cash inflow (outflow)	0.2	4.6	(0.5)	0.3
Beginning cash & cash equivalent	0.7	0.9	5.5	5.0
Changes due to forex impact	(0.0)	-	-	-
Ending cash & cash equivalent	0.9	5.5	5.0	5.3

BALANCE SHEET

Year to 31 Dec (\$m)	2016	2017F	2018F	2019F
Fixed assets	1.5	1.5	1.4	1.4
Other LT assets	-	-	-	-
Cash/ST investment	0.9	5.5	5.0	5.3
Other current assets	3.5	5.4	11.0	16.1
Total assets	5.9	12.4	17.5	22.8
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	2.3	2.2	3.9	6.0
LT debt	0.9	0.9	0.9	0.9
Other LT liabilities	0.0	0.0	0.0	0.0
Shareholders' equity	2.4	8.8	12.1	15.2
Minority interest	0.2	0.4	0.5	0.6
Total liabilities & equity	5.9	12.4	17.5	22.8

KEY METRICS

Year to 31 Dec (%)	2016	2017F	2018F	2019F
Profitability				
EBITDA margin	16.3	6.1	11.7	11.6
Pre-tax margin	15.2	5.3	10.9	10.8
Net margin	12.6	11.8	8.8	8.8
ROA	25.9	14.2	14.9	17.0
ROE	58.7	19.2	20.7	24.5
Growth				
Turnover	36.5	23.5	98.8	47.6
EBITDA	(4.7)	(53.4)	279.1	46.3
Pre-tax profit	(5.0)	(56.8)	305.3	46.4
Net profit	(8.3)	(63.3)	363.9	48.2
Net profit (adj.)	(8.3)	15.1	48.0	48.2
Leverage				
Debt to total capital	29.0	9.9	7.4	6.0
Debt to equity	40.8	10.9	8.0	6.3
Net debt/(cash) to equity	1.0	(49.9)	(32.5)	(27.5)
Interest cover (x)	81.6	35.8	147.9	218.4

MONEY TALK

Bloomberg Consensus

Recommendation	Buy	Sell	Hold	Valuation Ratios	12/15	12/16	12/17E	12/18E
Target Price				P/E	-	-	-	-
Upside				EV/EBIT	-	-	-	-
				EV/EBITDA	-	-	-	-
				P/S	-	-	-	-
Income Statement	12/15	12/16	12/17E	12/18E	P/B	-	-	-
Revenue	12	17			Div Yield	-	-	-
Gross Income	6	7						
Operating Income	3	3			Profitability Ratios %			
Pretax Income	3	3			Gross Margin	48.6	43.9	-
Net Income Adjusted*					EBITDA Margin	21.9	16.2	-
EPS Adjusted					Operating Margin	20.7	15.4	-
Dividends Per Share					Profit Margin	18.8	12.6	-
Payout Ratio (%)			-	-	Return on Assets	37.3	27.9	-
EBITDA	3	3			Return on Equity	71.7	55.7	-

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