

# Singapore Company Focus

## Y Ventures Group Ltd

Bloomberg: YVEN SP | Reuters: YVEN.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

27 Mar 2018

### BUY

(Initiating Coverage)

Last Traded Price ( 27 Mar 2018): S\$0.54 (STI : 3,439.35)

Price Target 12-mth: S\$0.77 (44% upside)

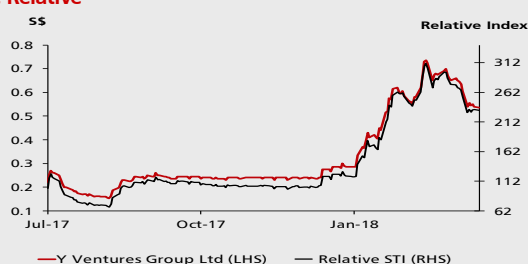
Potential Catalyst: Earnings delivery, M&A, Shift to consignment model

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#### Price Relative



#### Forecasts and Valuation

FY Dec (US\$m)	2017A	2018F	2019F	2020F
Revenue	14.2	25.2	37.6	52.4
EBITDA	0.13	2.75	6.03	10.1
Pre-tax Profit	(1.0)	2.54	5.84	9.91
Net Profit	(0.9)	1.80	4.14	7.03
Net Pft (Pre Ex.)	0.08	1.80	4.14	7.03
EPS (S cts)	(0.6)	1.15	2.64	4.49
EPS Pre Ex. (S cts)	0.05	1.15	2.64	4.49
EPS Gth (%)	nm	nm	130	70
EPS Gth Pre Ex (%)	(95)	2,051	130	70
Diluted EPS (S cts)	(0.6)	1.15	2.64	4.49
Net DPS (S cts)	0.39	0.23	0.53	0.90
BV Per Share (S cts)	3.98	4.80	6.92	10.5
PE (X)	nm	46.5	20.3	11.9
PE Pre Ex. (X)	1000.1	46.5	20.3	11.9
P/Cash Flow (X)	nm	53.9	56.8	21.6
EV/EBITDA (X)	628.6	30.5	13.9	8.2
Net Div Yield (%)	0.7	0.4	1.0	1.7
P/Book Value (X)	13.4	11.1	7.7	5.1
Net Debt/Equity (X)	0.0	CASH	CASH	CASH
ROAE (%)	(20.8)	26.5	45.1	51.5

Consensus EPS (S cts): 2.36 3.40 N/A  
Other Broker Recs: B: 0 S: 0 H: 1

ICB Industry : Technology

ICB Sector: Software & Computer Services

Principal Business: Y Ventures is a Singapore-founded data analytics driven e-commerce retailer and distributor

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

### Data-driven e-commerce player

- Early-stage yet profitable online distributor and retailer with a differentiated business model
- EBITDA projected to grow at 92% CAGR over FY18F-20F
- Initiate coverage with BUY and TP of S\$0.77, offering potential upside of c.44%

Proprietary data analytics capabilities cement its position as a value-adding partner to traditional businesses. Y Ventures Group (YVEN) distributes products from third-party brands over some of the largest e-commerce platforms (including Amazon and Lazada) across ten countries. Unlike traditional distributors & e-commerce platforms, YVEN stands out for its provision of value-added data analytics service to brand partners, allowing them to adapt their products to the market needs. In return, the brands offer significant price discounts to YVEN. The launch of private labels in areas where YVEN is confident of achieving strong sell-through rates based on analytics, as in the case of JustNile and Faire Leather Co, further augments margins.

Multi-pronged approach to e-commerce driving 92% EBITDA CAGR over FY18F-20F. Earnings growth should primarily be driven by the (i) Expansion of YVEN's brand partner network and product range. R3 Asian Gems – a fund linked to the founder of V3/OSIM group, will help to introduce new retail brands, strategic alliances and possible acquisition targets, (ii) Replication of the Elsevier partnership model to other book publishers and new product categories, and (iii) Acceleration of private label projects, which tend to have longer gestation periods but offer higher margins.

Cross-border purchase platform AORA could start contributing from FY19F onwards, providing further upside. Due to limited visibility, we have yet to factor this into our projections.

#### Valuation:

Initiate with BUY and TP of S\$0.77, based on 20x FY19F

EV/EBITDA, at a 15% discount to larger peers' 23x due to YVEN's smaller scale. This translates to 3.2x FY19F EV/Sales vs peers' 3.8x. Our bear case valuation of S\$0.47 suggests an attractive risk-reward ratio at current levels.

#### Key Risks to Our View:

(i) Execution and inventory obsolescence risk, (ii) Platform-specific risks, (iii) Equity fund raising, and (iv) Concentration risk

#### At A Glance

Issued Capital (m shrs)	205
Mkt. Cap (S\$m/US\$m)	110 / 83.8
Major Shareholders (%)	
Yik Sen Low	34.7
Yik Jin Low	34.7
Prism Investment Ventures Ltd	11.1
Free Float (%)	19.6
3m Avq. Daily Val (US\$m)	0.62

**Company Background**

**Young, promising and already profitable.** Leveraging on its proprietary data analytics platform, local e-commerce retailer and distributor YVEN has been profitable from the onset, which is rare among tech start-ups.

Incorporated in January 2013, the group has grown quickly over a relatively short span and currently markets over 5,500 SKUs of private label and third-party branded merchandise through 25 online marketplaces (including Amazon, eBay, Lazada, and Tokopedia) across ten countries.

**YVEN's Online Marketplace Statistics**

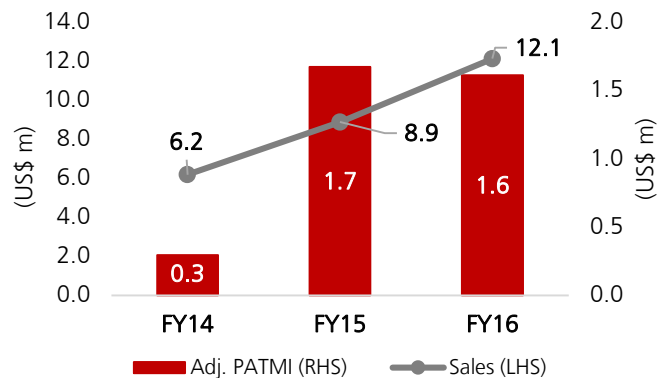


Source: Company, DBS Bank

YVEN's main value proposition lies in its ability to incorporate data analytics into the traditional e-commerce model, which helps optimise product and brand marketing efforts, and enhances sell-through rates. The company's strong sales performance (and profits) over FY14-17 demonstrates this.

Gross merchandising value more than doubled from c.S\$6.2m in FY14 to c.\$14.2m in FY17, with a steady earnings base of roughly US\$1.5-16m p.a (FY15-16). Apart from one-off IPO and marketing expenses, property impairment charges and exchange losses, YVEN should have otherwise been profitable in FY17.

**Pre-IPO Gross Merchandising Value vs PATMI (FY13-16)**



Source: Company, DBS Bank

**Unique proxy to the global e-commerce secular growth story.** YVEN's Catalyst Board listing in July 2017 breathed new life into SGX's technology cluster, largely represented by manufacturing-related companies. Within this space, the group stands out for its proven data-driven approach to online retailing, and as a unique proxy to the fast-growing global e-commerce market.

Still in the early stages of growth, we believe that YVEN's SGX listing adds credibility and serves as a valuable aid to the group's ongoing efforts to further expand its brand partner network and product portfolio. Its exponential growth potential and unique exposure (vs technology cluster peers) should continue to drive investor interest in the stock.

**Over 70% of FY17 sales were from the US**



Source: Company, DBS Bank

Primarily derives revenue from e-commerce retail and distribution business. YVEN derives revenue from three key business segments, primarily: -

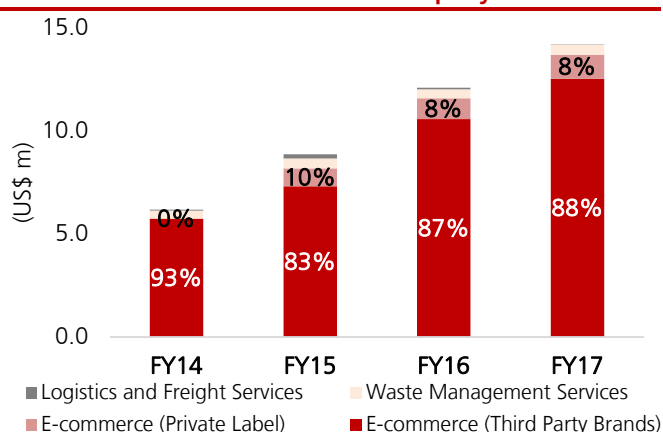
- i. E-commerce retail and distribution (c.96.4% of FY17 sales),
- ii. Logistics and freight forwarding services (c.3.5% of FY17 sales), and
- iii. Waste management services (c.0.1% of FY17 sales)

Comprising third-party brands and private label product sales, contributions from the e-commerce segment have grown quickly alongside YVEN's expanding product portfolio - from approximately 300 SKUs as at end-2014 to c.2,500 by end-2015 and over 5,500 currently, and continues to represent the bulk of the group's consolidated revenues.

YVEN's inventories are mainly held in third-party warehouses managed by various third-party logistics companies and last-mile fulfilment service providers, but also provides logistics and freight forwarding services to third-party customers from time to time.

Through subsidiary Skap Waste Management, the group also provides waste management services (i.e. disposal of residential waste and secured disposal of sensitive documents and media containing confidential info, etc) in Singapore, but contributions remain small for now.

#### Bulk of Sales from Distribution of Third-party Products



Source: Company, DBS Bank

**Stronghold in books a steady revenue source.** The group first began its e-commerce journey by procuring used textbooks from Singapore and selling them on online marketplaces in the US. Leveraging on its proprietary data analytics software, the group identified significant untapped potential in online book retailing, as most publishers had extensive offline distribution channels but often lacked the necessary tools and expertise to develop an online presence. A substantial proportion of YVEN's purchases are from book publishers, particularly medical textbooks and reference materials from Elsevier Group.

#### Major Suppliers – Books Represent c.83% of Purchases

Suppliers of Books	% of Total Purchases			
	FY14	FY15	FY16	FY17*
Elsevier Group	47.6	47.1	66.6	
SR International	17.3	0.6	-	
ChoiceTexts (Asia)	5.5	-	-	
Popular Book Company	5	4.4	0.4	
CV Spectra Group	0.7	10.1	7.4	
PT Buku Trading	0.5	5.1	8.4	
<b>Total:</b>	<b>76.6</b>	<b>67.3</b>	<b>82.8</b>	<b>82.8</b>

\*based on DBS estimates  
 Source: Company, DBS Bank

YVEN's niche in online book retailing serves as a steady source of revenues – we estimate that c.80% of FY17 sales were derived from books - and has allowed the group to command superior gross margins of over 40% from FY14-17.

**Upside from replication of successful partnership with Elsevier to other publishers and product categories.** Following the recent onboarding of a leading academic publisher (similar to Elsevier), YVEN's online book sales are likely to remain on a steady growth trajectory but ongoing efforts to replicate its successful model to other product segments should see proportions shift in favour of the budding Home and Décor and FMCG categories. For FY18F, the company expects contributions from books to be closer to 65-70% vs average of c.77% over FY14-17.

#### Beyond Books; Other Product Categories Growing Quickly

E-commerce Sales for Third-party Brands (US\$ m) *					
Product Categories	FY14	FY15	FY16	FY17	CAGR
Books	5.2	6.2	9.6	10.8	27.3%
Others (Home/Décor, FMCG)	0.5	1.1	1.0	1.8	49.4%

\*based on DBS estimates  
 Source: Company, DBS Bank

**Private label strategy taking shape.** In addition to distributing merchandises under third-party brands, YVEN also sells OEM merchandises of home and décor products on online marketplaces through its private label, JustNile, which was launched in 2015. Examples of OEM merchandise sold through JustNile include wall clocks, mirrors and bathroom accessories.

Owing to longer gestation periods, private label sales growth of 16.1% CAGR over FY15-17 has lagged that of third-party brands (30.9% CAGR), but is set to accelerate going forward post the launch of Faire Leather, driving margin improvement.

A quick scan of JustNile's virtual store on Amazon also shows that the bulk of its data-backed product selections have generated positive ratings and reviews.

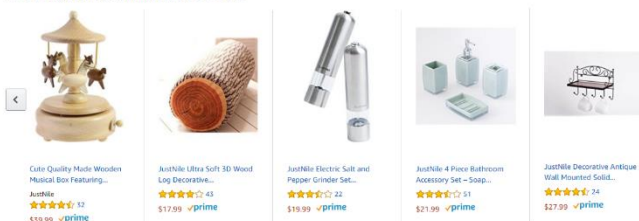
**Favourable Ratings for JustNile Products on Amazon**

Shop JustNile

Recommended JustNile Items For You



Best Selling Products from JustNile See more >



Source: Amazon

**Synergistic collaborations with retail veterans a prelude of opportunities to come.** We see the slew of collaborative opportunities that YVEN has been accorded with by industry veterans over the past year as a strong vote of confidence in YVEN's complementary retail-focused data analytics capabilities.

On 14 August 2017, a joint venture agreement was inked between YVEN and Toscano Pte Ltd to launch an online men's leather goods label, Faire Leather Co. The group also raised S\$1.2m in January 2018 from strategic investor, R3 Asian Gems – a fund linked to the founder of V3/OSIM group, Ron Sim. Both parties have also signed a non-binding memorandum of understanding (MOU) in which R3 will help to introduce new retail brands, strategic alliances and possible acquisition targets that synergise with YVEN's longer-term growth objectives.

Most recently, on 2 March 2018, YVEN also entered into a non-binding MOU with Singapore Post Limited to explore a potential collaboration for the development of an e-commerce buying platform and logistics-related technology, among others.

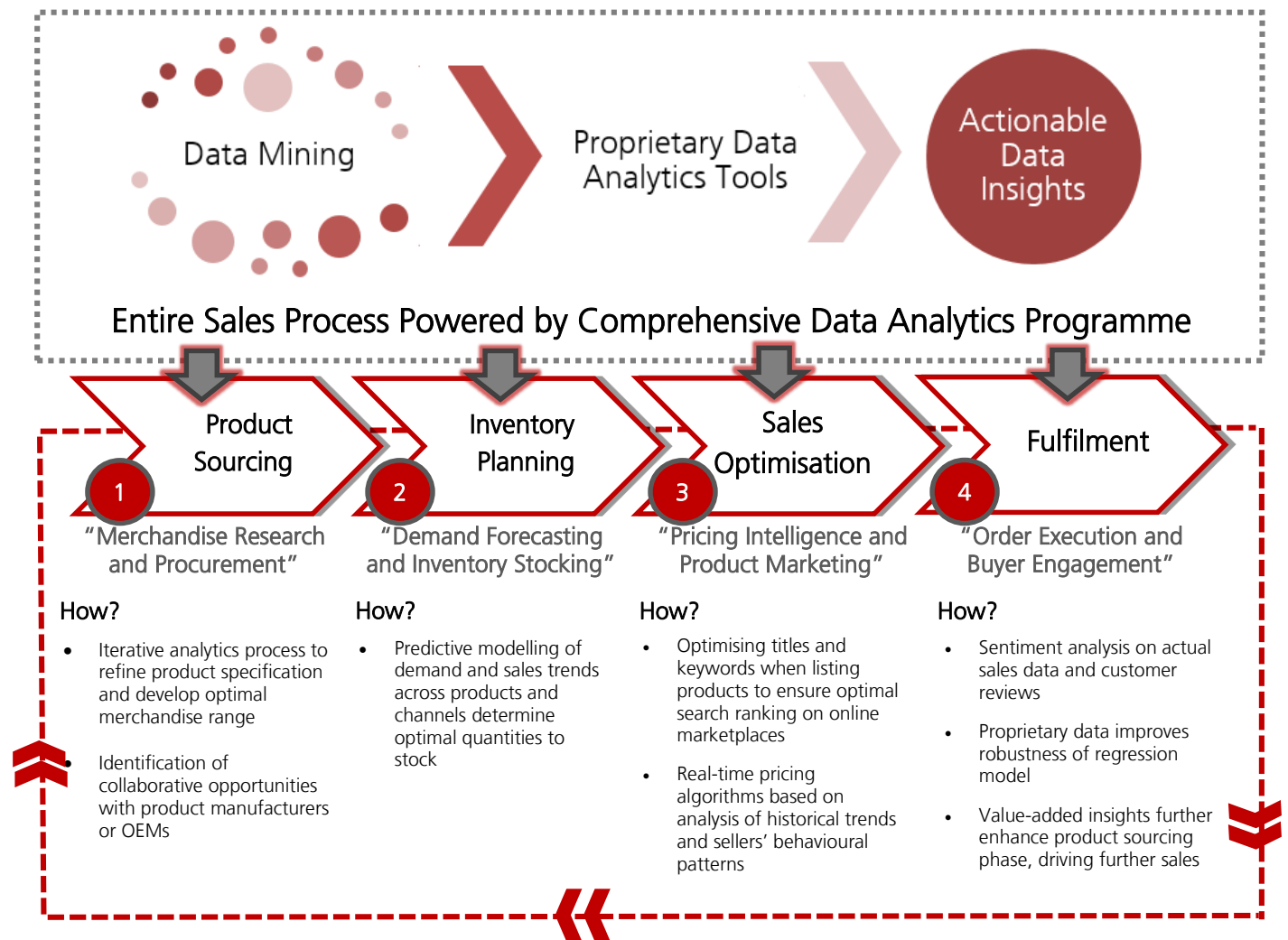
**Summary of Recent Collaborations**

Date	Partner	Nature of Collaboration
Aug-17	Toscano	Joint venture for the business of marketing, distribution and online retail of men's leather accessories and related products through Faire Leather
Jan-18	R3 Asian Gems	i) Subscribed to 2.4% of YVEN's enlarged share capital of 205m shares for S\$1.2m.  ii) R3 to contribute its expertise, strategic advice and business contacts in the consumer retail market – particularly the introduction of new retail brands, strategic alliances and acquisition targets to the group.
Mar-18	SingPost	Non-binding MOU for the development of:  i) An e-commerce buying platform, AORA, which will focus on cross-border purchases and consolidation of deliveries on behalf of consumers, and  (ii) Logistics-related technology to enhance efficiency across the vertical logistics chain.

Source: Company, SGX announcements, DBS Bank

**Business Model – Not Your Typical Distributor**

**Data Analytics is the Backbone of Y Ventures’ Profitable E-Commerce Business**



Source: Company, DBS Bank

**Unlocking the power of data to forge win-win partnerships and sell better.** The traditional business model does not enable brand owners to capitalise on valuable insights which may be obtained through the use of online distribution/retail channels.

YVEN's unique business model fills a vital gap in the retail space, and creates value. Its edge in data analytics allows the group to identify market opportunities and procure third-party branded merchandise (often direct from the source) at discounted prices – essentially volume discounts without substantial upfront volume commitments.

In turn, YVEN provides brand partners with ready access to its platform-agnostic distribution network, dedicated marketing efforts, profit-sharing and valuable data insights. We envision

such win-win partnerships to be popular with traditional retailers who have yet to establish an online presence.

The merits of YVEN's data-backed business model are reflected in its above-average margins vs traditional distributors, and profitability despite still being in the early stages of growth:

Net Margins	FY14	FY15	FY16
Y Ventures (YVEN)	4.8%	18.8%	12.6%

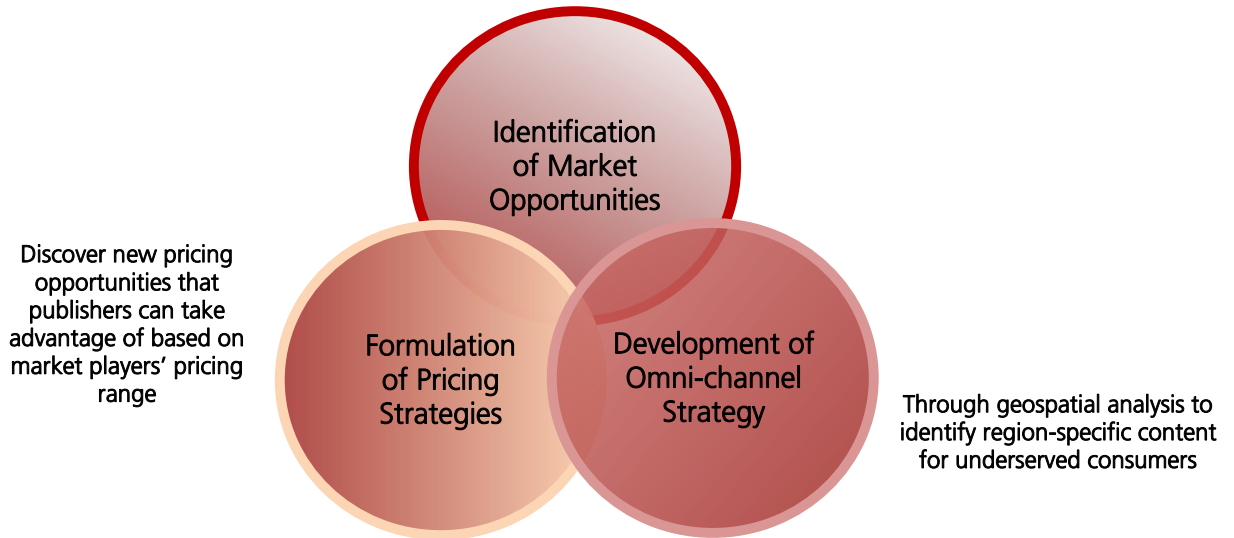
FMCG Industry Average	3-10%
Electronics Industry Average	3-7%

Source: Company, Alliance Experts

## Creating Value for Brand Partners: Case Study on Book Publishers

### Examples of Value Creation Through Data Analytics

Research across different brands to pinpoint market gaps where publishers can potentially grow their presence



Source: Company, DBS Bank

Proven formula for successful long-term partnerships can be applied to other segments. Supported by actionable data insights, YVEN's ever-growing domain knowledge and value-add to brand owners in this underserved category provide a strong foundation for long-standing mutually beneficial partnerships, and is evidenced by the former's robust growth in the high-margin book publishing category since its incorporation in 2013.

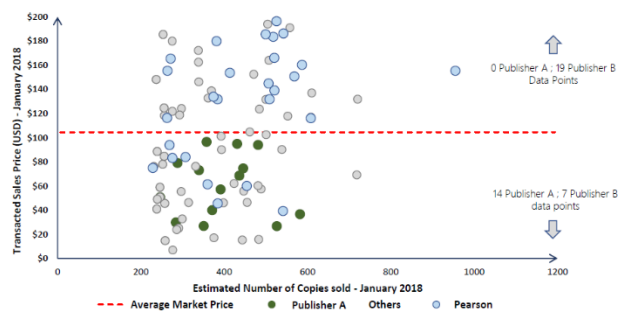
The practical applications for YVEN's proprietary data insights are multifaceted. Examples of value-added data-driven services and strategies that the group has provided to/developed for leading academic publishers in recent years include:

- Helping brand owners to squeeze out parallel importers
- Identifying genres where market gaps exist, i.e. Health Care Delivery, Public Health, etc
- Taking advantage of real-time pricing opportunities to maximise earnings potential
- Development of region-specific, omni-channel sales and marketing strategies

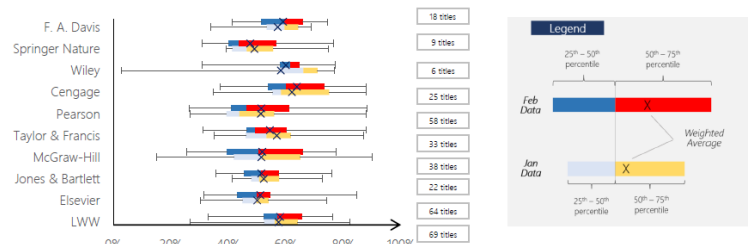
Rather than a one-off success, we see vast potential for YVEN's scalable technology, which can be readily customised and applied to other product categories - driving sustainable, long-term growth.

### Finding Pricing Opportunities to Maximise Earnings

#### Price Scatter Plot:



#### Discount Percentile Mapping:



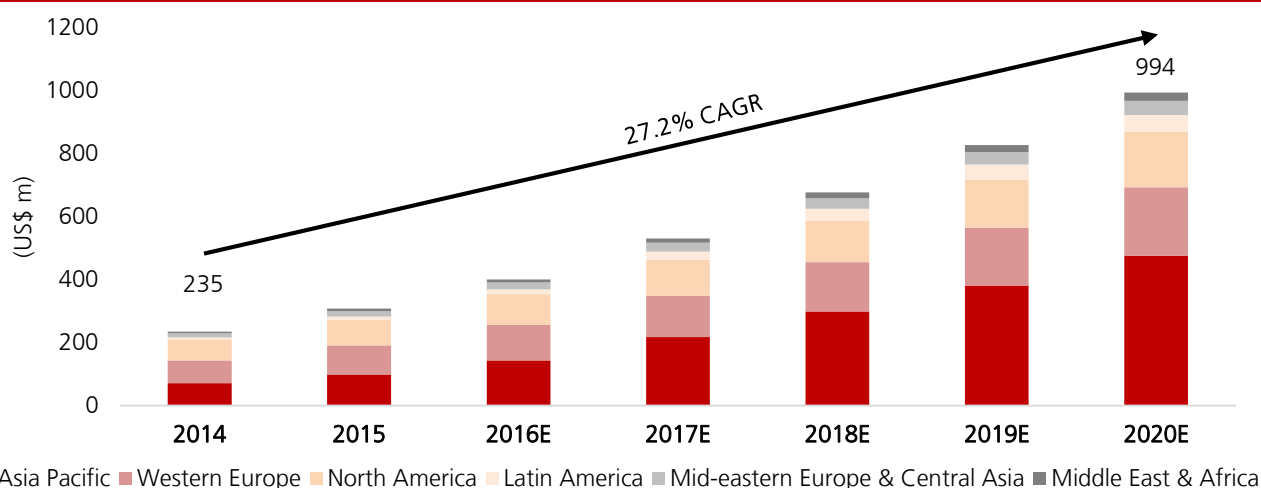
Source: Company, DBS Bank





## Industry Prospects

### Cross-border B2C E-commerce Transaction Value to Near US\$1tr Mark by 2020



Source: Accenture & AliResearch: Global Cross Border B2C e-Commerce Market 2020, DBS Bank

#### Explosive growth in online B2C cross-border transactions.

Consultancy firm Accenture predicts that the total gross merchandising value (GMV) of cross-border and domestic e-commerce will grow at a 13.5% CAGR to reach US\$3.4tr by 2020, as over 2bn individuals (c.60% of the global population) are expected to transact c.13.5% of their overall retail consumption online.

While B2C online transactions have been mainly domestic, the rise of m-commerce (mobile commerce) and advancements to logistics infrastructure and last-mile connectivity are set to grow cross-border transactions twice as fast. Poised to grow at a 27.2% CAGR, annual cross-border B2C transactions could deliver US\$994bn in gross merchandising value by 2020, representing c.29.2% of the overall e-commerce pie.

#### Asia to Account for c.48% of Cross-border B2C Trade by 2020

Region	(US\$ bn)		
	2014	2020E	CAGR%
Asia Pacific	71	476	37.3%
Western Europe	73	217	19.9%
North America	67	177	17.6%
Latin America	6	53	43.8%
Mid-eastern Europe & Central Asia	13	45	23.0%
Middle East & Africa	5	26	31.6%
<b>Total</b>	<b>235</b>	<b>994</b>	<b>27.2%</b>

Source: Accenture & AliResearch, DBS Bank

**Online marketplaces to play a bigger role.** A study conducted by the Ecommerce Foundation estimated that global marketplaces such as Amazon and Alibaba will own c.39% of the global online retail market by 2020 vs 10-30% in 2015, depending on the country.

**Largely untapped potential in Asia.** Approximately 70-80% of YVEN's FY17 revenues were generated from online marketplaces in the US. Marketplaces in Europe and Asia accounted for the remaining 20-30%. While robust demand from US marketplaces have served as a steady source of revenue for the group, the rapidly-growing Asian e-commerce market also holds immense potential.

Accenture also believes that Asia alone could account for c.47.9% of global cross-border B2C trade by 2020, vs c.30.2% in 2014. The growing preference for e-commerce in Asia bodes well for YVEN, as the group has already established networks with leading online marketplaces in the region, which are ready for the ramp-up.

**Upcoming "buy-for-me" platform a multi-million dollar opportunity.** According to a report by Google and Temasek Holdings, Singapore's e-commerce market will grow at least fivefold over a ten-year period to reach US\$5.4bn by 2025. Approximately 55% are estimated to be cross-border transactions.

Assuming YVEN's collaboration with SingPost, AORA, materialises, and that it is able to command 5% of market share by 2025 with a 2% service fee on GMV, translates into potential fee revenue of over S\$3m p.a.



## Management and Strategy

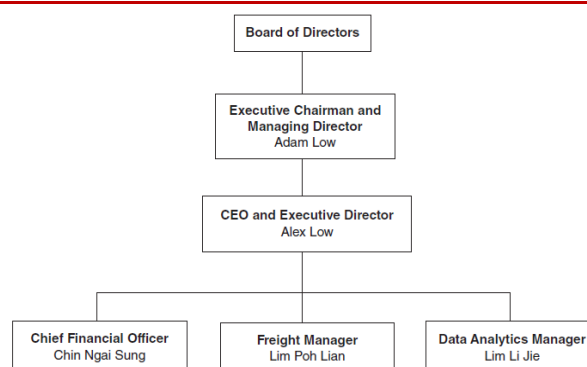
**Led by an experienced management team.** YVEN is co-founded and led by brothers Adam and Alex Low. Combined, they hold a controlling c.71% stake in the company.

They each carry over 14 years of experience in e-commerce distribution and data analytics, and together with the key management team, have taken their expertise in the retail arena to new heights – starting with the onboarding of leading medical publishing house Elsevier Group to YVEN's online distribution network in mid-2014.

The group has since expanded its client and product base to over 5,500 SKUs across >20 brands, with a wider geographical coverage.

**Dividend policy.** YVEN does not have a fixed dividend policy but expects to pay dividends of at least 20% in FY18F.

### Management Reporting Structure



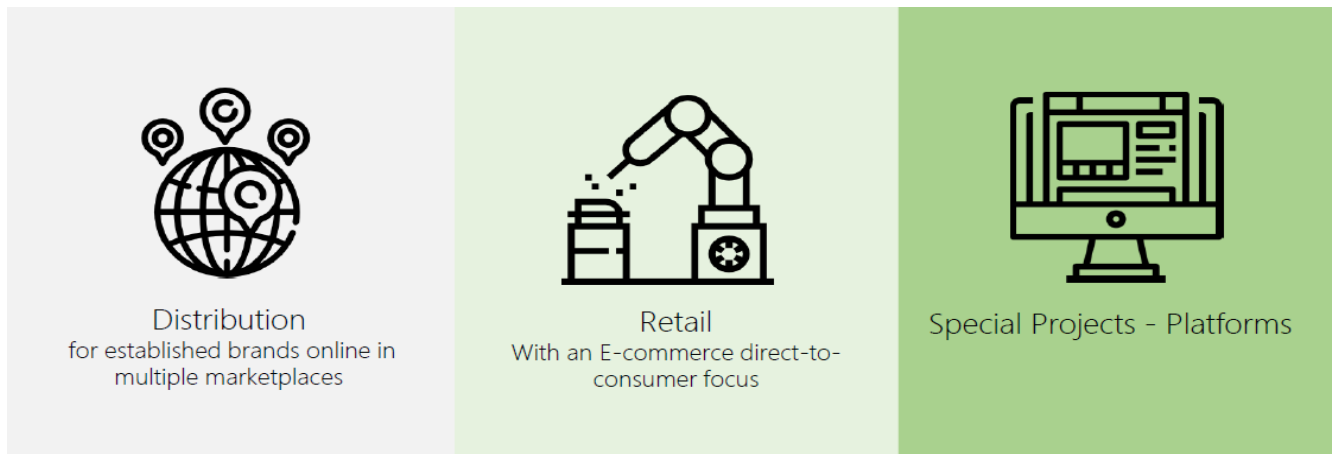
Source: Company

### Key Management Team

<b>Adam Low</b>	Executive Chairman and Managing Director  (Co-founder of YVEN)	<ul style="list-style-type: none"> <li>- Oversees the logistics arm of the group, focusing on sourcing and procurement, freight forwarding as well as waste management services</li> <li>- Prior to founding the group, Adam spent six years with the Singapore Armed Forces, primarily as a liaison officer with the Defence, Science and Technology Agency</li> <li>- Holds a Diploma in Electronics Engineering from Temasek Polytechnic</li> </ul>
<b>Alex Low</b>	Chief Executive Officer and Executive Director  (Co-founder of YVEN)	<ul style="list-style-type: none"> <li>- Primarily responsible for the overall day-to-day management of the group, including business strategy, online marketplace channel expansion, online sales and technology department</li> <li>- Graduated from University of Washington with a Bachelor of Science in Applied and Computational Mathematics, also holds a Master in Business Administration from Peking University</li> </ul>
<b>Chin Ngai Sung</b>	Chief Financial Officer	<ul style="list-style-type: none"> <li>- Responsible for all finance activities and accounting operations, reviewing legal documents, liaising with external lawyers and providing financial strategic planning, budgeting and forecasting</li> <li>- Nearly two decades of experience in audit and finance. Prior to joining YVEN, served as the Finance Director of Aardwolf Pestkare (Singapore) where he led the financial and tax functions</li> </ul>
<b>Lim Poh Lian</b>	Freight Manager	<ul style="list-style-type: none"> <li>- Responsibilities include coordination, cross-border freight arrangements and being a liaison with last-mile fulfilment companies</li> <li>- Over 12 years of experience in the logistics industry and joined YVEN in 2012</li> </ul>
<b>Lim Li Jie</b>	Data Analytics Manager	<ul style="list-style-type: none"> <li>- Responsible for implementing, improving and managing the data analytics capabilities of the group, with a focus on the book publishing product category</li> <li>- Obtained his Bachelor of Computing from the National University of Singapore in 2004</li> </ul>

Source: Company, DBS Bank

**Multi-pronged Approach to E-commerce**



Source: Company

**Ease of scale.** YVEN's platform-agnostic data analytics capabilities can be readily customised and applied across product categories and geographies, which enables the group to identify and capitalise on market gaps and lucrative opportunities as they arise.

Ongoing investments in R&D should further enhance the effectiveness of its data analytics programme. Coupled with greater visibility and working capital post-IPO, YVEN could easily replicate its success in books (Distribution) and launch of Faire Leather (Retail), as it expands its geographical coverage, brand partner network and product range.

**Capitalising on new collaborative opportunities; OSIM could be one.** YVEN's SGX listing has helped open new doors for the group. Per our conversations with management, it now has over 100 brands on its waiting list. The majority are likely to be traditional businesses which are still operating on a smaller scale.

Given finite resources, not all will translate into actual collaborative opportunities – at the onset. We believe that priority will also be given to more established brands - but the strong interest provides a glimpse into YVEN's long-term growth potential.

**V3 Group Brand Portfolio**



Source: V3 Group Limited

Further, following R3's investment in the company earlier this year, we do not rule out a possible injection of selected products under V3's established GNC, TWG and OSIM brands into YVEN's distribution portfolio. This could yield significant benefits for YVEN from both an earnings and brand equity perspective.

**Adopting a consignment model could help unlock higher scalability.** YVEN's inventory-taking model allows the group to maximise earnings potential per unit sale (i.e. higher margins) but on the flip side, ties up capital.

Still in the early stages of growth, we opine that the adoption of a consignment strategy which runs parallel to, and could eventually replace the group's existing inventory-taking model. This would free up working capital toward higher-margin segments and unlock higher scalability for the group, allowing YVEN to expand quickly.

While we are comforted by YVEN's inroads into the consignment market through its partnership with Taiwanese brand, Footpure, we acknowledge that it could take time before this strategy pans out on a larger scale.

**Launch of new e-commerce projects** such as the potential collaboration with SingPost to develop a global cross-border buying platform, AORA. Given the non-binding MoU, we have yet to impute contributions from this project into our forecasts.

**Upside from M&A.** In addition to organic growth, YVEN is also on the lookout for strategic acquisitions or joint ventures with synergistic parties, particularly distributors with strategic alignments and investment in consumer product brands, existing channel stores and overseas joint ventures.

## Key Risks

**Inherent risks in inventory-taking model.** Compared to a consignment-based approach, an inventory-based model carries substantially higher sell-through risks. Weaker-than-expected sales also ties up capital, which could have otherwise been redeployed to higher-margin projects. YVEN also bears the risk of inventory obsolescence.

While there are clear risks to an inventory-based model, we believe that YVEN's data analytics capabilities would help lower its sell-through risks substantially vs traditional distributors.

**Possible equity fund raising to grow business.** YVEN's inventory-taking model entails upfront payments to brand partners, which ties up working capital. Apart from capital required to expand its product range, its AORA project which is still in the early stages of development, also requires further investment.

To grow its business and finance longer-term growth objectives, we believe that YVEN would likely have to re-tap the equity market. Conversely, inability to raise funds could impede growth.

**AORA remains a wildcard.** We estimate that YVEN has invested at least US\$500,000 to develop the AORA platform. While the capabilities and skills that have been developed in the process are transferable, there is no guarantee that the platform will be commercially viable.

**Platform-specific risks.** YVEN is exposed to platform-related risks at both the data and sales level.

YVEN's data analytics capabilities are based off public and proprietary data obtained from online marketplaces. Insights derived from these datasets help formulate the group's product and pricing strategies. If these marketplaces choose to withhold such data from users later on, or if these data sets turn out to be erroneous, it could have an adverse impact on the group.

Additionally, YVEN is also susceptible to changes in commission rates charged by online marketplaces, which may have to be absorbed by the group.

**Concentration risk.** Approximately 80% of FY16 revenues were derived from the books publishing category. The Elsevier Group alone accounted for c.67% of YVEN's purchases.

YVEN has benefited strongly from its entrenched relationship with Elsevier Group, which has translated to higher margins. Disruptions to their partnership could weigh heavily on the group's profitability.

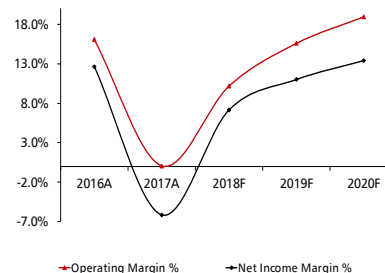
## Key Assumptions

## Segmental Breakdown

FY Dec	2015A	2016A	2017A	2018F	2019F	2020F
<b>Revenues (US\$m)</b>						
E-commerce retail and distribution	8.19	11.6	13.7	24.7	37.0	51.8
Logistics and freight forwarding services	0.21	0.09	0.01	0.02	0.02	0.02
Waste management services	0.48	0.44	0.49	0.52	0.54	0.57
<b>Total</b>	<b>8.87</b>	<b>12.1</b>	<b>14.2</b>	<b>25.2</b>	<b>37.6</b>	<b>52.4</b>

Source: Company, DBS Bank

## Margins Trend



## Income Statement (US\$m)

FY Dec	2015A	2016A	2017A	2018F	2019F	2020F
Revenue	8.87	12.1	14.2	25.2	37.6	52.4
Cost of Goods Sold	(4.6)	(6.8)	(8.3)	(15.1)	(22.5)	(31.4)
<b>Gross Profit</b>	<b>4.31</b>	<b>5.32</b>	<b>5.94</b>	<b>10.1</b>	<b>15.0</b>	<b>21.0</b>
Other Opng (Exp)/Inc	(2.6)	(3.6)	(7.2)	(7.8)	(9.4)	(11.3)
<b>Operating Profit</b>	<b>1.96</b>	<b>1.94</b>	<b>0.01</b>	<b>2.56</b>	<b>5.85</b>	<b>9.93</b>
Other Non Opng (Exp)/Inc	0.0	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional Gain/(Loss)	0.0	(0.1)	(1.0)	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>1.94</b>	<b>1.84</b>	<b>(1.0)</b>	<b>2.54</b>	<b>5.84</b>	<b>9.91</b>
Tax	(0.2)	(0.2)	0.0	(0.4)	(1.0)	(1.7)
Minority Interest	(0.1)	(0.1)	0.12	(0.3)	(0.7)	(1.2)
Preference Dividend	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>1.67</b>	<b>1.53</b>	<b>(0.9)</b>	<b>1.80</b>	<b>4.14</b>	<b>7.03</b>
Net Profit before Except.	1.67	1.61	0.08	1.80	4.14	7.03
EBITDA	2.07	2.05	0.13	2.75	6.03	10.1
<b>Growth</b>						
Revenue Gth (%)	43.6	36.5	17.4	77.3	49.0	39.5
EBITDA Gth (%)	321.3	(0.9)	(93.6)	2,004.4	119.4	67.6
Opg Profit Gth (%)	385.7	(0.8)	(99.7)	40,622.4	128.5	69.7
Net Profit Gth (Pre-ex)	466.2	(3.6)	(94.9)	2,105.2	129.5	69.9
<b>Margins &amp; Ratio</b>						
Gross Margins (%)	48.6	43.9	41.8	40.0	40.0	40.0
Opg Profit Margin (%)	22.1	16.1	0.0	10.2	15.6	19.0
Net Profit Margin (%)	18.8	12.6	(6.2)	7.2	11.0	13.4
ROAE (%)	71.7	55.7	(20.8)	26.5	45.1	51.5
ROA (%)	37.3	27.9	(11.2)	15.7	25.8	30.2
ROCE (%)	51.2	44.2	0.1	25.9	43.9	50.2
Div Payout Ratio (%)	6.5	158.8	N/A	20.0	20.0	20.0
Net Interest Cover (x)	93.9	85.0	0.3	132.2	317.8	568.4

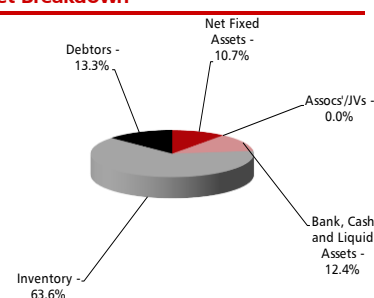
Steady margin expansion as YVEN gains scale

Source: Company, DBS Bank

### Balance Sheet (US\$m)

FY Dec	2015A	2016A	2017A	2018F	2019F	2020F
Net Fixed Assets	1.57	1.52	1.34	1.37	1.46	1.61
Invt in Associates & JVs	0.0	0.0	0.0	0.0	0.0	0.0
Other LT Assets	0.0	0.0	0.21	0.44	0.37	0.30
Cash & ST Invt	0.73	0.94	0.88	1.58	2.00	4.16
Inventory	1.03	2.63	6.06	8.13	12.5	18.1
Debtors	0.85	0.82	1.20	1.71	2.54	3.55
Other Current Assets	0.90	0.0	0.0	0.0	0.0	0.0
<b>Total Assets</b>	<b>5.08</b>	<b>5.91</b>	<b>9.70</b>	<b>13.2</b>	<b>18.9</b>	<b>27.7</b>
ST Debt	0.03	0.03	0.04	0.04	0.04	0.04
Creditor	0.53	1.61	1.93	3.43	5.11	7.13
Other Current Liab	0.29	0.71	0.40	0.73	0.73	0.73
LT Debt	0.97	0.94	0.94	0.90	0.85	0.81
Other LT Liabilities	0.02	0.02	0.03	0.03	0.03	0.03
Shareholder's Equity	3.13	2.36	6.08	7.52	10.8	16.5
Minority Interests	0.11	0.25	0.28	0.59	1.29	2.49
<b>Total Cap. &amp; Liab.</b>	<b>5.08</b>	<b>5.91</b>	<b>9.70</b>	<b>13.2</b>	<b>18.9</b>	<b>27.7</b>
Non-Cash Wkg. Capital	1.96	1.13	4.93	5.67	9.22	13.8
Net Cash/(Debt)	(0.3)	0.0	(0.1)	0.65	1.11	3.32
Debtors Turn (avg days)	28.9	25.1	26.0	21.1	20.6	21.2
Creditors Turn (avg days)	46.9	58.4	79.4	65.5	69.7	71.5
Inventory Turn (avg days)	89.0	100.0	194.8	173.4	168.5	178.6
Asset Turnover (x)	2.0	2.2	1.8	2.2	2.3	2.3
Current Ratio (x)	4.1	1.9	3.4	2.7	2.9	3.3
Quick Ratio (x)	1.9	0.7	0.9	0.8	0.8	1.0
Net Debt/Equity (X)	0.1	0.0	0.0	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	0.1	0.0	0.0	CASH	CASH	CASH
Capex to Debt (%)	2.0	5.7	8.7	13.5	21.1	31.1

### Asset Breakdown



Higher inventory levels as at end-FY17 reflects optimism over growth outlook

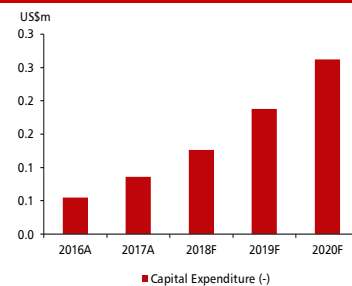
Source: Company, DBS Bank



## Cash Flow Statement (US\$m)

FY Dec	2015A	2016A	2017A	2018F	2019F	2020F
Pre-Tax Profit	1.94	1.84	(1.0)	2.54	5.84	9.91
Dep. & Amort.	0.10	0.10	0.12	0.19	0.18	0.18
Tax Paid	0.0	0.0	0.0	(0.1)	(1.0)	(1.7)
Assoc. & JV Inc/(loss)	0.0	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	(1.3)	0.65	(3.5)	(1.1)	(3.6)	(4.5)
Other Operating CF	0.0	0.02	1.19	0.0	0.0	0.0
<b>Net Operating CF</b>	<b>0.71</b>	<b>2.60</b>	<b>(3.2)</b>	<b>1.55</b>	<b>1.48</b>	<b>3.87</b>
Capital Exp.(net)	0.0	(0.1)	(0.1)	(0.1)	(0.2)	(0.3)
Other Invts.(net)	0.0	0.0	0.0	0.0	0.0	0.0
Invts in Assoc. & JV	0.0	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0	0.0
Other Investing CF	0.0	0.0	(0.3)	(0.3)	0.0	0.0
<b>Net Investing CF</b>	<b>0.0</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>(0.5)</b>	<b>(0.2)</b>	<b>(0.3)</b>
Div Paid	(0.1)	(2.4)	(0.6)	(0.4)	(0.8)	(1.4)
Chg in Gross Debt	0.0	0.0	0.0	(0.1)	(0.1)	(0.1)
Capital Issues	0.10	0.16	5.68	0.0	0.0	0.0
Other Financing CF	(0.4)	0.0	(1.6)	0.0	0.0	0.0
<b>Net Financing CF</b>	<b>(0.5)</b>	<b>(2.3)</b>	<b>3.46</b>	<b>(0.4)</b>	<b>(0.9)</b>	<b>(1.5)</b>
Currency Adjustments	0.0	0.0	0.02	0.0	0.0	0.0
Chg in Cash	0.23	0.20	(0.1)	0.70	0.41	2.16
Opg CFPS (S cts)	1.32	1.28	0.22	1.68	3.21	5.37
Free CFPS (S cts)	0.45	1.67	(2.1)	0.91	0.82	2.31

## Capital Expenditure



Assumes 20% payout from FY18F

Source: Company, DBS Bank

## Valuation

**Base-case valuation is S\$0.77 per share.** In our base case, we assume an acceleration in sales growth across third-party and private label products, but a moderation in margins vs FY16 levels due to the recent expansion of its team.

YVEN typically stocks what it can sell within a three-month period. Given management's conservative nature, the significant c.130% increase in inventory levels at end-FY17 implies that efforts to grow its brand partner network and product range are going according to plan, and signals its rising confidence in sell-through rates for the years ahead. Our revenue growth assumptions of 77% and 49% y-o-y for FY18F and FY19F respectively, thus seem reasonable in our view.

Substantial investments have been poured into the development of the AORA platform alongside SingPost, which could result in recurring fee income for the group. Due to the lack of visibility, we have not factored in contributions from this project which could yield revenues of at least S\$0.5m in its first full-year of launch.

**Valuation based on 20x FY19F EV/EBITDA, at 15% discount to larger peers' average of 23x.** Despite YVEN's high growth profile, we favour an EV/EBITDA to EV/Sales valuation metric for the company. We believe this better reflects the merits of YVEN's data-driven approach, which underscores its steady profit-generation ability, and is rare for an early-stage, high-growth company.

Given its smaller scale, balanced against projected EBITDA growth of c.92% CAGR over FY18F-20F, we see a multiple of 20x as fair. This translates to FY19F EV/Sales of 3.2x, which is also at a 15% discount to larger peers' 3.8x.

Base-case Valuation (EV/EBITDA)	
FY19 EBITDA of YVEN (US\$m)	6.0
EV/EBITDA FY1 Peer Multiple	23.4
EV/EBITDA Valuation (15% Discount to Peers)	120.2
Outstanding Shares (m)	205
Implied share price (SG\$)	<b>0.77</b>

Source: DBS Bank

## Peer Comparables for YVEN (Based on Consensus Estimates)

Company Name	Exchange	GICS Sub-Industry Name	Price Close (LCL)	Market Cap (US\$m)	Revenue (FY0, US\$m)	P/E (FY0)	P/E (FY1)	EV/Sales (FY1)	EV/EBITDA (FY1)
Alibaba	USA	Internet Software & Services	\$ 192.6	482,547	22,994	56.6	36.4	12.6	29.0
Amadeus IT	Spain	Data Processing & Outsourced Services	€ 62.2	33,837	5,821	24.8	24.9	5.6	14.4
Amazon.com	USA	Internet & Direct Marketing Retail	\$ 1,591.0	770,215	177,866	348.9	191.2	3.4	29.3
ASOS	UK	Internet & Direct Marketing Retail	GBP 7,514	8,772	2,487	103.8	76.9	2.5	36.7
Baozun	USA	Internet Software & Services	\$ 46.2	2,525	638	64.0	38.2	3.0	27.8
eBay	USA	Internet Software & Services	\$ 42.8	43,347	9,567	21.4	18.7	4.3	12.7
Groupon	USA	Internet & Direct Marketing Retail	\$ 4.6	2,555	2,844	41.4	23.0		
Jumei International	USA	Internet & Direct Marketing Retail	\$ 3.1	466	904	11.1			
Overstock.com	USA	Internet & Direct Marketing Retail	\$ 48.5	1,214	1,800			0.6	
Rakuten	Japan	Internet & Direct Marketing Retail	¥ 928.6	12,501	8,383	11.8	16.3	1.9	11.0
Shopify	USA	Internet Software & Services	\$ 146.3	14,655	673				
Start Today	Japan	Internet & Direct Marketing Retail	¥ 2,714	7,937	686	52.1	37.7	8.3	24.7
Stitch Fix	USA	Internet & Direct Marketing Retail	\$ 21.8	2,114	977			1.5	35.4
Transcosmos	Japan	Data Processing & Outsourced Services	¥ 2,847	1,304	2,176	17.3	29.9	0.5	13.5
Wayfair	USA	Internet & Direct Marketing Retail	\$ 84.9	7,510	4,721			1.2	
						<b>68.5</b>	<b>49.3</b>	<b>3.8</b>	<b>23.4</b>
Y Ventures	Singapore	Internet & Direct Marketing Retail	SGD 0.54	83	14		49.3	5.4	72.4

Source: ThomsonReuters, Company

**Bull-case valuation of S\$1.23 per share.** Under our bull-case scenario, we assume that sales would be supercharged by the onboarding of reputed brand partners, i.e. the V3/OSIM group and adoption of a consignment strategy for selected categories, which offers higher scalability.

This would result in sales tracking closer to/outpacing inventory growth in FY18F/19F, to grow at 100%/60% y-o-y respectively. As higher scalability kicks in, EBITDA margins could improve to 15.9%/21.8% for FY18F/19F, vs 10.1%/16.9% under our base-case assumption. Similarly, we have not factored in any contributions from AORA.

**Bear-case valuation of S\$0.47 per share.** In our bear-case scenario, we assume lower inventory turnover, presumably on a longer gestation period for new products as YVEN continues to expand into new categories, and impute lower growth given upfront purchase requirements inherent in YVEN's inventory-taking model, which could constrain the group's strong growth potential.

In this case, revenue growth for FY18F/19F would be more modest at 55%/45% respectively. Higher overheads and lower scale result in lower EBITDA of US\$3.7m.

Bull-case Valuation (EV/EBITDA)	
FY19 EBITDA of Y Ventures (US\$m)	9.6
EV/EBITDA FY1 Peer Multiple	23.4
EV/EBITDA Valuation (10% Discount to Peers)	192.1
Outstanding Shares (m)	205
Implied share price (SG\$)	<b>1.23</b>

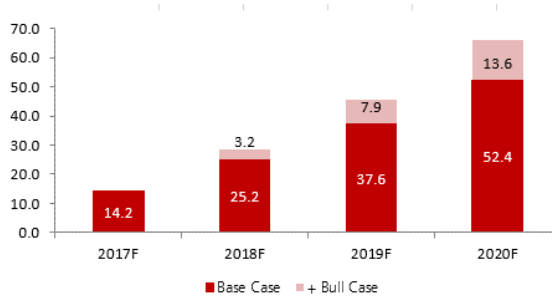
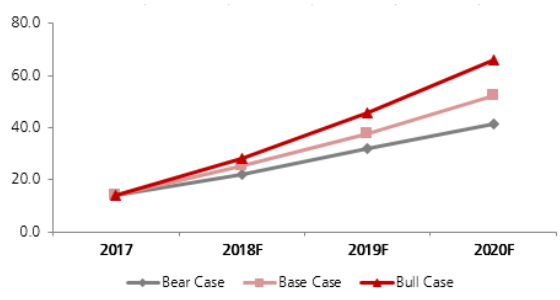
Source: DBS Bank

Bear-case Valuation (EV/EBITDA)	
FY19 EBITDA of Y Ventures (US\$m)	3.7
EV/EBITDA FY1 Peer Multiple	23.4
EV/EBITDA Valuation (10% Discount to Peers)	72.8
Outstanding Shares (m)	205
Implied share price (SG\$)	<b>0.47</b>

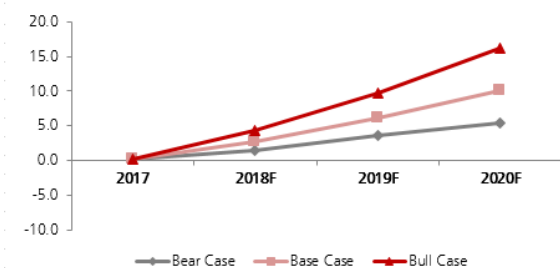
Source: DBS Bank

**Scenario Analysis**

**Sales (US\$ m, FY17-20F)**



**Adj. EBITDA (US\$ m, FY17-20F)**



Source: DBS Bank

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**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return i.e. > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

*Share price appreciation + dividends*

Completed Date: 28 Mar 2018 11:00:27 (SGT)

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