

Y Ventures Group Ltd

Investing for the future

SINGAPORE | E-COMMERCE | FY17 RESULT

- Revenue in FY17 was weaker than anticipated as some revenue transitioned away from wholesale to online more aggressively than expected
- Expenses rose due to several one-offs, including upfront cost for projects in FY18 and increase in marketplace commission and fulfilment costs
- We downgraded our BUY recommendation to NEUTRAL with an unchanged target price of S\$0.70. Our downgrade is due to the recent price appreciation. There is no change to our fundamental view of the company.

Results at a glance

US\$000	2H16	YoY(%)	FY17	FY16	YoY(%)	Comments
Revenue	7,146	-0.03	14,213	12,107	0.17	Transition of sales from wholesale to online
Gross profit	3,395	-0.15	5,942	5,318	0.12	Higher freight and packaging costs
Profit after tax	1,218	-1.41	(994)	1,646	-1.60	Higher expense recognised during FY17

Source: Company, PSR

The Positives

+ **Better margins can be expected.** In FY16, US\$4mn of sales came from the lower margin wholesale channel. We estimate this amount to be significantly less in FY17 as the group moves more aggressively to online marketplaces. This transition will lead to higher margins in future.

+ **Contribution from additional book publishers not yet factored in.** Sales from additional publishers have not materially started. We expect to see contribution from the various publishers in FY18.

The Negatives

- **Increase in commission & fulfilment in online marketplaces.** This affected the whole industry. Marketplaces have raised their fees in exchange for greater direct access to the consumer. Such cost will be mitigated by the rise in overall sales and improving scale for the company.

- **Headline results in FY17 affected by several one-off items.** FY17 net profit was affected by several one-off expenses, notably the following:

Items affecting FY17 Net Profit	US\$000
Forex loss	281
Impairment loss of PPE	180
Upfront expenses for FY18 projects (est)	100
Write-back of allowance for doubtful debts (non trade)	(130)
IPO expense	907
Total	1,339

Source: Company, PSR

Outlook

We remain upbeat on the outlook of Y Ventures. We expect strong sales growth stemming from its current publisher, maiden contribution from new book principals, launch of the recently secured 20 consumer brand names and momentum in its own branded products.

Downgraded from BUY to NEUTRAL with unchanged target price of S\$0.70

We downgraded our recommendation to NEUTRAL due to the share price performance, up 54% since our recent initiation. There has been no change in our fundamental view of the company. Y Ventures is riding on the boom in e-commerce through new product categories, expanding customer base and new project initiatives.



StocksBnB.com

5 Mar 2018

NEUTRAL (Downgraded)

LAST CLOSE PRICE	SGD 0.68
FORECAST DIV	SGD 0.00
TARGET PRICE	SGD 0.70
TOTAL RETURN	3.7%

COMPANY DATA

O/S SHARES (MN) :	205
MARKET CAP (USD mn / SGD mn) :	106 / 139
52 - WK HI/LO (SGD) :	0.75 / 0.15
3M Average Daily T/O (mn) :	134

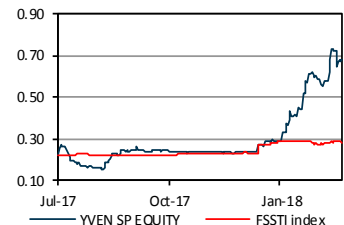
MAJOR SHAREHOLDERS (%)

Low Adam	34.69%
Yik Jin Low	34.69%
Prism Investment Ventures Ltd	11.1%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	18.4	193.5	n.a.
STIRETURN	(0.85)	2.21	16.12

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY 16	FY 17	FY 18 e	FY 19 e
Rev (USD mn)	12.1	14.2	31.0	43.3
EBITDA (USD mn)	1.8	(1.1)	4.2	6.1
NPAT (USD mn)	1.5	(0.9)	3.7	5.2
EPS (USD)	1.08	(0.56)	2.34	3.30
PER, (X)	-	(120.8)	28.8	20.4
P/BV, (X)	-	17.0	10.8	7.2
DPS (USD)	-	-	-	-
ROE, %	55.8%	-20.8%	46.4%	42.4%

Source: Bloomberg

Valuation Method:

P/E Multiple @ 30x

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Income Statement

Y/E Dec, USD '000	FY15	FY16	FY17	FY18e	FY19e
Revenue	8,870	12,107	14,213	30,964	43,349
Gross Profit	4,311	5,318	5,942	13,474	18,864
EBITDA	1,753	1,778	(1,140)	4,210	6,071
Depreciation & Amortisation	105	102	124	123	118
EBIT	1,648	1,676	(1,228)	4,123	5,989
Net Finance Inc/(Exp)	(21)	(23)	(20)	(62)	(87)
Profit before tax	1,940	1,843	(972)	4,334	6,200
Taxation	(193)	(197)	(22)	(650)	(930)
Net profit before NCI	1,747	1,646	(994)	3,684	5,270
Non-controlling interest	76	113	(118)	15	21
Net profit, reported	1,671	1,533	(876)	3,669	5,249

Per share data (USD Cents)

Y/E Dec	FY15	FY16	FY17	FY18e	FY19e
EPS, reported	0.82	0.75	(0.43)	1.79	2.56
DPS	-	-	-	-	-
BVPS	-	1.18	3.04	4.76	7.32

Per share data (SGD Cents)

Y/E Dec	FY15	FY16	FY17	FY18e	FY19e
FX rate (USD/SGD)	-	1.44	1.31	1.31	1.29
EPS, reported	-	1.08	(0.56)	2.34	3.30
DPS	-	-	-	-	-
BVPS	-	1.70	3.98	6.23	9.44

Cash Flow

Y/E Dec, USD '000	FY15	FY16	FY17	FY18e	FY19e
CFO					
Profit before tax	1,940	1,843	(972)	4,334	6,200
Adjustments	54	122	1,274	185	205
WC changes	(1,306)	657	(3,495)	1,132	(5,165)
Cash generated from ops	688	2,622	(3,193)	5,651	1,240
Tax paid	-	(10)	(15)	-	-
Others	-	-	9	(650)	(930)
Cashflow from ops	688	2,612	(3,199)	5,001	310
CFI					
CAPEX, net	(20)	(55)	(86)	(20)	(20)
Others	-	-	(250)	-	-
Cashflow from investments	(20)	(55)	(335)	(20)	(20)
CFE					
Share issuance, net	57	143	5,530	-	-
Loans, net of repayments	-	-	-	-	-
Dividends	(109)	(2,432)	(600)	-	-
Interest paid	(21)	(23)	(20)	(62)	(87)
Others	(373)	(27)	(1,454)	(30)	(30)
Cashflow from financing	(446)	(2,339)	3,456	(92)	(117)
Net change in cash	222	218	(78)	4,889	174
Effects of exchange rates	3	(13)	22	-	-
CCE, end	733	938	883	5,771	5,945

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Balance Sheet

Y/E Dec, USD '000	FY15	FY16	FY17	FY18e	FY19e
ASSETS					
PPE	1,572	1,524	1,342	1,276	1,213
Others	-	-	213	177	141
Total non-current assets	1,572	1,524	1,556	1,453	1,355
Accounts receivables	848	819	1,204	2,071	2,735
Cash	733	938	883	5,771	5,945
Inventories	1,032	2,632	6,060	5,990	10,880
Amt due from a director	898	-	-	-	-
Total current assets	3,511	4,389	8,147	13,832	19,560
Total Assets	5,083	5,913	9,703	15,285	20,914

LIABILITIES

Accounts payables	530	1,609	1,934	3,862	4,252
Short term loans	31	25	37	37	37
Amt Due to Directors	68	308	-	-	-
Tax payable	220	407	400	400	400
Total current liabilities	849	2,349	2,371	4,299	4,689
Long term loans	970	939	943	913	883
Deferred tax liabilities	16	16	31	31	31
Total non-current liabilities	986	955	973	943	913
Total Liabilities	1,835	3,304	3,344	5,243	5,602

EQUITY

Non-controlling interests	114	247	278	292	313
Shareholder Equity	3,134	2,362	6,081	9,750	14,999

Valuation Ratios

Y/E Dec	FY15	FY16	FY17	FY18e	FY19e
P/E (X)	-	-	(120.8)	28.8	20.4
P/B (X)	-	-	17.0	10.8	7.2
EV/EBITDA (X)	-	-	(69.6)	18.1	12.9
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Growth & Margins
Growth

Revenue	36.5%	17.4%	117.9%	40.0%	
EBITDA	1.4%	-164.1%	-469.1%	44.2%	
EBIT	1.7%	-173.3%	-435.6%	45.3%	
Net profit, adj.	-8.3%	-157.2%	-518.6%	43.1%	

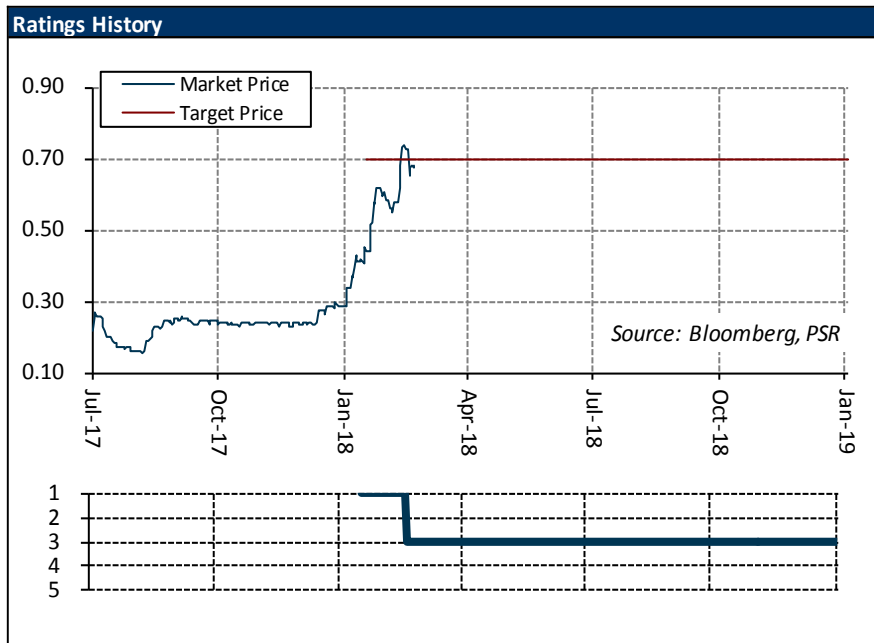
Margins

Gross margin	48.6%	43.9%	41.8%	43.5%	43.5%
EBITDA margin	19.8%	14.7%	-8.0%	13.6%	14.0%
EBIT margin	18.6%	13.8%	-8.6%	13.3%	13.8%
Net profit margin	18.8%	12.7%	-6.2%	11.8%	12.1%

Key Ratios

ROE (%)	53.3%	55.8%	-20.8%	46.4%	42.4%
ROA (%)	32.9%	27.9%	-11.2%	29.4%	29.0%

Net Debt / (Cash)	268	26	97	(4,822)	(5,025)
Net Gearing (X)	0.0%	0.0%	0.0%	Net Cash	Net Cash



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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