

MONEY TALK

Y VENTURES GROUP (YVEN SP)

Venturing To New Heights And Scalability

Y Ventures' MOU with SingPost is very exciting, in our view. Other than possibly working with a strong partner, we think the new e-commerce cross border buying platform is highly scalable. We raise 2018-19 net profit forecasts by up to 5% to reflect recent developments but before factoring in this MOU. Our P/S-based target price has been raised to S\$0.80, based on 2.6x P/S, at a 20% discount to peers. A sensitivity analysis suggests the successful implementation of the MOU could result in a higher target price of S\$0.97-1.14. Maintain BUY.

WHAT'S NEW

- **A possible partnership with excellent potential.** Y Ventures (YV) is signing a Memorandum of Understanding (MOU) with SingPost to potentially collaborate on an e-commerce buying platform for cross border purchases and a logistics-related technology to enhance efficiency across the vertical logistics chain. At this stage, the MOU is not legally binding, except for certain provisions relating to, among others, exclusivity and confidentiality.
- **2017 earnings looks weak but due to one-offs, non-operational and timing issues.** The group's 2017 net loss of US\$0.9m looks weak but it was distorted by one-offs and non-operating items. These included IPO expenses, costs related to its Faire Leather launch in late-17 (but recognition of revenue in 2018), forex losses and a property revaluation loss of US\$0.2m. Adding back these items, we estimate YV would have been profitable with net profit closer to US\$1m. In addition, there were other costs incurred in 2017 for projects and products with revenue recognition in 2018. More importantly, investors should look beyond 2017 and focus on the robust 2018-19 earnings outlook, with net profit projected at US\$2.7m in 2018) and US\$4.1m in 2019 (+53% yoy).

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)	67.0	485.6	39.4	25.9	20.3
P/B (x)	43.4	16.9	11.4	8.4	6.3
Dividend Yield (%)	-	-	0.5	0.8	1.0
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)

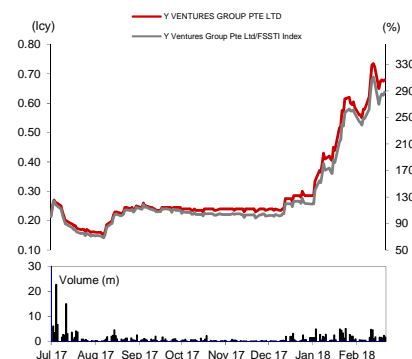
Share Price	S\$0.68
Target Price	S\$0.80
Upside	+17.6%
(Previous TP:	S\$0.65)

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):	139.4
Market cap (US\$m):	105.6
3-mth avg t'over (US\$m):	0.6

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Endorsement by reputable partner.** We view the potential partnership between YV and SingPost very positively. The MOU with SingPost lends a further endorsement of YV's track record and data analytics capability, although the MOU is not legally binding at this stage. As for SingPost, its partnership with YV also positions the group well to further build on its eCommerce and Logistics division with little or no capital outlay, we estimate.
- **What's a cross-border buying platform?** We suspect the cross border buying platform is basically a global shopping concierge which allows shoppers to buy from overseas websites that do not ship to the shoppers' home country. Although this is not a new concept, with relatively similar platforms such as comGateway and ezbuy, we believe what differentiates YV and SingPost's platform from competitors include the data analytics of YV, which could be used to curate the product offerings to its target market. In addition, we expect SingPost will handle the logistics to provide timely delivery at competitive pricing. All these bode well for the success of the new platform. **Extremely scalable and provides upside to earnings.** Although the new platform has not been launched, we are hopeful on prospects, given the scalability of the platform. In addition, the cost to develop is unlikely to be high as this is not an asset-intensive investment but mainly staff costs. SingPost has a service called vPost, which also allows global shopping. However, we think the JV is differentiated through the strong data analytics input from YV. According to a report by Google/Temasek, the Southeast Asian e-commerce market is extremely dynamic. The gross merchandise value is estimated at US\$10.9b in 2017 and projected to grow to US\$88.1b in 2025.
- **New online distribution brands to add to 2019 growth.** YV has secured online distribution rights for over 20 new brands, such as 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. While these new brands may not immediately contribute significantly to bottom line given the need to build awareness, we think this is a reaffirmation of its capabilities. On the average, we conservatively estimate each of these brands could contribute revenue of US\$100,000 per year.

EARNINGS REVISION/RISK

- **Strong earnings outlook, with possible upside in 2019 from new platform.** We raise our 2018-19 net profit forecasts by 4% and 5% to factor in more third-party online sales and the new distribution rights of brands that were announcement previously. At this stage, since the MOU is non-binding, we have not factored this into our forecast. Potentially-accretive M&A is another option after the rise in YV's share price and its strong financials.

VALUATION/RECOMMENDATION

- **BUY with target price of S\$0.80, and before accretion from new platform.** Following our earnings and revenue upgrade, we raise YV's target price to 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 YV's proven data analytics capability, we are hopeful for the success of this platform. In terms of sensitivity analysis, should the platform deliver annual sales of US\$10m-20m in 2019, our target price could rise to S\$0.97-1.14. The potential sales of the platform are roughly based on a 0.05-0.1% market share of the Southeast Asian e-commerce market in 2019 (estimated GMV of US\$18.4b, based on growth rates implied by the report "e-Conomy SEA Spotlight 2017 by Google and Temasek).

FIGURE 1: SENSITIVITY ANALYSIS OF TARGET PRICE TO REVENUE OF NEW PLATFORM

New platform - FY19F sales (US\$m)	Target price (S\$) *
Base case without new platform	0.80
5	0.88
10	0.97
15	1.05
20	1.14
25	1.22
30	1.31

* based on 20% discount to peer FY19F P/S of 3.3x
Source: UOB Kay Hian

- **Sanity checks using PEG looks favourable compared to 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 YV's 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 since 2016), which compares with the broader market's PEG of 3.84x.

FIGURE 2: PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price 1 Mar 18 (lcy)	Market Cap (US\$m)	----- PE -----		----- P/B -----		Yield 2018F (%)	ROE 2018F (%)	Price to Sales	
					2018F (x)	2019F (x)	2018F (x)	2019F (x)			2018F (x)	2019F (x)
Amazon.Com	AMZN US	USD	1493.45	722,990	91.1	59.6	20.3	14.6	0.0	13.2	3.1	2.5
Alibaba Group	BABA US	USD	181.99	466,104	27.4	20.9	6.2	4.8	0.0	22.2	8.7	6.7
Ebay Inc	EBAY US	USD	42.27	42,781	18.5	16.0	5.6	4.9	0.0	26.6	3.9	3.6
Amadeus It	AMS SM	EUR	58.5	31,465	23.5	21.9	7.3	6.5	1.9	33.8	5.0	4.7
Rakuten	4755 JP	JPY	952.4	12,902	16.7	14.5	1.7	1.5	0.5	10.4	1.3	1.1
Shopify	SHOP US	USD	136.85	14,352	n.a.	n.a.	10.2	10.3	0.0	1.6	14.4	10.5
Vipshop	VIPS US	USD	17.68	11,600	20.9	15.8	5.1	3.8	0.0	20.5	0.8	0.7
Start Today	3092 JP	JPY	2820	8,299	32.6	26.7	14.7	10.9	1.3	54.0	6.9	5.7
ASOS	ASC LN	GBp	7170	8,256	73.7	58.9	16.2	12.6	0.0	24.2	2.4	2.0
Wayfair	W US	USD	79.28	7,017	n.a.	n.a.	n.a.	n.a.	0.0	143.5	1.1	0.9
Groupon	GRPN US	USD	4.22	2,370	22.2	17.6	7.0	4.9	0.0	50.0	0.9	0.9
Baozun Inc	BZUN US	USD	33.75	1,845	29.4	18.9	5.5	4.4	0.0	19.6	2.3	1.8
Stitch Fix	SFIX US	USD	20.25	1,963	93.8	194.7	n.a.	n.a.	n.a.	11.0	1.6	1.4
Transcosmos	9715 JP	JPY	2919	1,345	22.0	18.1	1.5	1.4	1.6	7.1	0.5	0.5
Average					39.3	40.3	8.5	6.7	0.4	31.3	3.8	3.1
Average (Excl. AMZN US, SHOP US, VIPS US, W US, SFIX US, 9715 JP)					30.5	24.4	8.0	6.3	0.5	30.1	3.9	3.3
Y Ventures	YVEN SP	SGD	0.68	105	39.4	25.9	11.4	8.4	0.5	28.5	3.5	2.3

Source: Bloomberg, UOB Kay Hian

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

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

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

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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