

# Singapore Company Guide

# Y Ventures Group Ltd

Version 1 | Bloomberg: YVEN SP | Reuters: YVEN.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

2 Aug 2018

## BUY

Last Traded Price ( 1 Aug 2018): S\$0.50 (STI : 3,328.95)

Price Target 12-mth: S\$0.77 (54% upside)

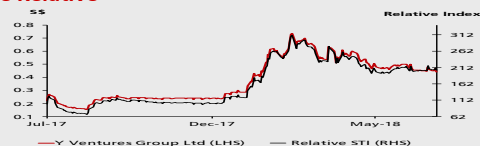
### Analyst

Carmen Tay +65 6682 3719 carmentay@dbs.com  
Sachin MITTAL +65 66823699 sachinmittal@dbs.com

### What's New

- Several SGX-listed companies have been mulling ICOs, but Y Ventures is leading the charge
- While unorthodox, YVEN's plans to raise US\$20-50m via ICO (if successful) could be a re-rating catalyst
- Plans to launch AORA in FY19F could also cement YVEN's position as the first e-commerce platform to service cryptocurrency holders, which offers potential
- Globally, market reaction has been positive at the onset of ICOs; Reiterate BUY call with TP of S\$0.77

### Price Relative



### Forecasts and Valuation

FY Dec (US\$m)	2016A	2017A	2018F	2019F
Revenue	12.1	14.2	25.2	37.6
EBITDA	2.05	0.13	2.75	6.03
Pre-tax Profit	1.84	(1.0)	2.54	5.84
Net Profit	1.53	(0.9)	1.80	4.14
Net Pft (Pre Ex.)	1.61	0.08	1.80	4.14
Net Pft Gth (Pre-ex) (%)	(3.6)	(94.9)	2,105.2	129.5
EPS (S cts)	1.04	(0.6)	1.20	2.75
EPS Pre Ex. (S cts)	1.10	0.06	1.20	2.75
EPS Gth Pre Ex (%)	(4)	(95)	2,051	130
Diluted EPS (S cts)	1.04	(0.6)	1.20	2.75
Net DPS (S cts)	1.66	0.41	0.24	0.55
BV Per Share (S cts)	1.61	4.14	5.00	7.20
PE (X)	48.0	nm	41.8	18.2
PE Pre Ex. (X)	45.6	898.7	41.8	18.2
P/Cash Flow (X)	28.2	nm	48.4	51.0
EV/EBITDA (X)	36.0	565.1	27.4	12.5
Net Div Yield (%)	3.3	0.8	0.5	1.1
P/Book Value (X)	31.1	12.1	10.0	7.0
Net Debt/Equity (X)	0.0	0.0	CASH	CASH
ROAE (%)	55.7	(20.8)	26.5	45.1
Earnings Rev (%):			-	-
Consensus EPS (S cts):			1.3	2.2
Other Broker Recs:		B: 3	S: 0	H: 1

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

## Leading the charge

**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's 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, (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.

### Cryptocurrency and AORA plans a wildcard but hold potential.

Through its proposed Initial Coin Offering (ICO) and launch of its cross-border purchase platform AORA, YVEN could be the first e-commerce platform to service the cryptocurrency community, which offers significant long-term potential (if successful). Due to limited visibility for now, we have yet to factor this into our projections. We discuss this further on page 2.

### Valuation:

**Reiterate BUY call 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 into 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-related risks, (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)	103 / 75.3
Major Shareholders (%)	
Yik Sen Low	34.7
Yik Jin Low	34.7
Prism Investment Ventures Ltd	11.1
Free Float (%)	19.5
3m Avg. Daily Val (US\$m)	0.04
ICB Industry : Technology / Software & Computer Services	

**WHAT'S NEW**

**YVEN – the first e-commerce platform to service the cryptocurrency community?**

**Launch of AORA ICO a first among SGX-listed peers.** On 31 July 2018, YVEN’s 60%-owned subsidiary Luminore 8 (“Luminore”) launched an Initial Coin Offering (ICO) of its own utility token, the AORA Coin, to fund the development and commercial launch of the AORA platform. The ICO aims to raise US\$50m, with a soft target of US\$20m and will close on 30 November 2018.

While several other SGX-listed small- to mid-cap companies have been mulling ICOs for their own utility tokens, we note that they have yet to come to fruition and are likely to be in their planning stages. Potential SGX-listed ICO debutants include:

Company	ICO Objectives	Rights Granted to Token Holders
<b>Spackman Entertainment</b> (5 Feb 2018)	<u>K Coin:</u> To fund artist and content projects	Access to/purchase of premium content, fan meetings, concerts and merchandise, etc
<b>Sakae Group</b> (8 Feb 2018)	<u>Bitecoin:</u> To reduce transaction costs for merchants and optimise food retail processes to achieve greater efficiency and improve overall customer experience	<u>Merchants:</u> Access to data on consumer demographics and feedback, etc  <u>Consumer:</u> F&B purchases, bespoke rewards, personalised promotions, etc
<b>Hatten Land</b> (22 May 2018)	<u>Hotel Tokens:</u> To launch SEA’s first hospitality blockchain platform and rewards programme to hotel guests and shoppers	Tokens can be exchanged for discounted hotel packages, rewards programme can also be used as rebates

Source: Companies, DBS Bank

**About AORA.** The AORA platform is a buying concierge platform that was developed on the back of a MOU with logistics partner, SingPost.

Through programmatic buying capabilities and its own blockchain payment gateway, the AORA platform seeks to enhance the cross-border buying experience for customers through:

- (i) Savings and rebates, (ii) personalised shopping services, and (iii) seamless end-to-end forwarding services.

**AORA Platform – Aimed at Helping Consumers:**



Source: Company

Access to popular webstores and marketplaces through AORA will be added progressively – starting with Walmart, Taobao, Amazon and TMALL in 2Q19. Over time, AORA aims to provide users with seamless access to all webstores globally.

**Satisfying multiple business objectives simultaneously.**

Previously in our initiation report “[Data-driven e-commerce player](#)”, we highlighted a possible equity fund raising by YVEN to grow its business given capital requirements under its inventory-taking model and investments into the AORA project. From a business perspective, the ICO helps YVEN achieve a similar objective (and more), as:

- (1) Capital raised can be used to accelerate product development and sales growth, and
- (2) As a marketing tool for early user engagement ahead of the launch of its AORA platform.

**Gaining access to an under-served market.** Importantly, the ICO will help raise visibility for the AORA platform and provide YVEN with valuable screen-time with its intended audience – cryptocurrency enthusiasts. While volatile prices, hefty fees and lengthy transaction times have hampered the mass adoption and acceptance of cryptocurrencies for purchases among consumers and retailers, demand has been increasing rapidly.

According to NetCents, retail purchases using Bitcoin grew twentyfold from US\$9.2m/month in 2013 to c.US\$190.2m/month in 2017. The firm also predicts that the e-Wallet industry could make up 46% of global e-commerce payments by 2021 vs 18% in 2016. Meanwhile, adoption by retailers remains slow – Cointelegraph estimates that only 11,291 brick-and-mortar retailers accepted Bitcoin payments in 2017.

When launched, the AORA platform will likely be the first blockchain-enabled buying concierge platform accepting both cryptocurrency and fiat currency payments. According to YVEN, popular currencies such as Bitcoin and Ethereum will be accepted on the platform, but the AORA Coin will serve as the primary token for access.

This allows cryptocurrency holders to purchase real world goods and services seamlessly - an underpenetrated segment in our opinion. While the viability of the platform remains to be seen, it could provide the group with significant untapped potential, if successful.

**Risk-reward to equity holders.** Unlike secondary placements or rights issues, an attractive attribute of YVEN's proposed ICO lies in the ability to obtain funding without dilution of benefits to existing holders.

Meanwhile, we believe that risks to YVEN (and its underlying shareholders) are largely confined to: (i) the cost of bringing the ICO to fruition - US\$500,000, which could have otherwise been used to grow its core distribution business, and (ii) possible litigation risk from token holders.

However, compared to smaller, unregulated ICO aspirants, we would argue that the degree of information asymmetry and thus risk of litigation for YVEN is significantly reduced given its public listing.

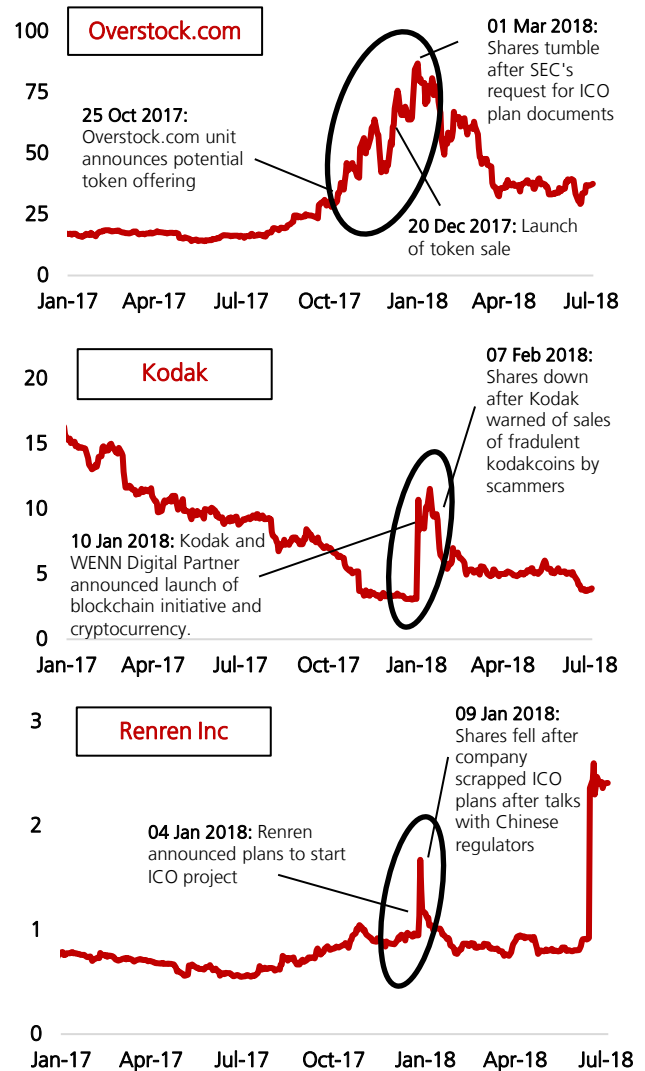
**Accounting treatment still unclear.** Given nuances relating to the ICO process and AORA tokens that may be held in reserve post ICO, uncertainty over the accounting treatment remains.

We believe this will be addressed in the subsequent months as YVEN is in the final stages of appointing a professional advisor.

**Market reaction tends to be positive at the onset.** Few listed companies have explored ICOs thus far but those which have tend to exhibit positive share price impact in the immediate term – Overstock shares gained >70% between date of announcement and commencement of token sale, while Kodak jumped c.240% in two sessions following the announcement. Similarly, Renren also witnessed a c.48% surge in share price upon announcing ICO plans.

While longer-term trends were less clear, we observed that share price premium rarely held over the medium term in the following cases:

**Global Peers' Shares Have Reacted Positively to ICO Plans**



Source: Bloomberg Finance L.P., DBS Research

**Reiterate BUY with TP of S\$0.77.** While unorthodox, we believe that the merits of YVEN's ICO initiative and longer-term prospects for the AORA platform should not be ignored. Pending further clarity on the appropriate accounting treatment and completion of its ICO (if successful), we have not imputed upside from AORA for now.

Supported by the recent onboarding of new publishers and exclusive online distributorship agreement for Disney products in SEA alongside Beast Kingdom, we reiterate our Base Case (page 9) for YVEN. Maintain BUY with TP of S\$0.77.

A larger-than-expected cash drain from the ICO process may result in a more gradual growth profile for YVEN's core distribution business, which could take us closer to our bear-case valuation of S\$0.47.

**CRITICAL DATA POINTS TO WATCH**

**Critical Factors**

**Young, promising and already profitable.** Local e-commerce retailer and distributor YVEN generated c.97% of its FY17 revenue from over 5,500 SKUs of private label and third-party branded merchandise – sold through online marketplaces (i.e. Amazon and Lazada) across ten countries. Already profitable, the group’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.

Supported by IPO proceeds and the reinvestment of profits, our base case assumes an acceleration in sales growth of c.77% and 49% y-o-y for FY18F and FY19F respectively.

**Books to remain a steady revenue source.** A substantial proportion of YVEN's purchases are from book publishers, particularly medical textbooks and reference materials from Elsevier Group. 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.

**Replication of successful partnership with Elsevier to other publishers and product categories.** Following the recent onboarding of another leading academic publisher, 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.

**Private label strategy taking shape.** In addition to distributing merchandise under third-party brands, YVEN also sells OEM merchandise of home and décor products on online marketplaces through its private label, JustNile, which was launched in 2015. 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 (JV with Toscano Pte Ltd), driving margin improvement.

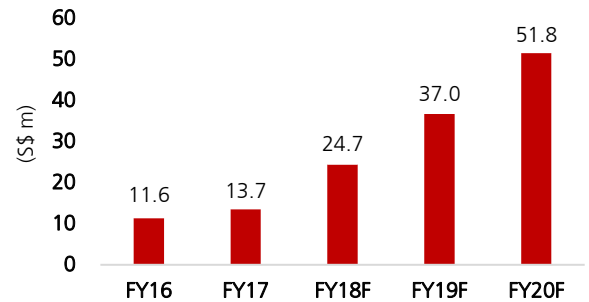
**Synergistic collaborations with retail veterans a prelude of opportunities to come.** We see the slew of collaborative opportunities that YVEN has been accorded with by industry veterans over the past year as a strong vote of confidence in YVEN's complementary retail-focused data analytics capabilities. Apart from Toscano, the strategic investment by R3 Asian Gems coupled with strategic MOU to introduce new brands to YVEN bodes well for future growth.

More recently, the non-binding MOU with Singapore Post to develop an e-commerce buying platform and logistics-related technology could also open new doors for the group.

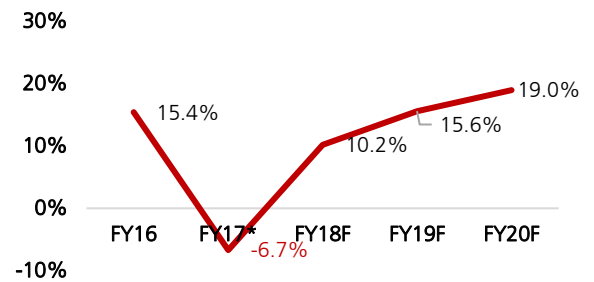
**YVEN's Online Marketplace Statistics**



**E-commerce Sales to Grow at >45% CAGR (FY17-20F)**



**Private Label Products to Drive Margin Expansion**



**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 (fund linked to the founder of V3/OSIM group, Ron Sim)	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.
Jun-18	Beast Kingdom (major Disney licensee in Asia)	Strategic tie-up as the exclusive online distributor of selected Disney, Marvel, Star Wars and Pixar merchandise in SEA alongside Beast Kingdom for an initial term of three years.  Product categories include figurines, toys, novelties and stationery.

Source: Company, DBS Bank

**Balance Sheet:**

Inventory levels rose to c.\$6m as at end-FY17. Inventory levels as at end-FY17 reflect optimism over growth outlook.

**Share Price Drivers:**

Ability to secure new collaborative opportunities and/or lucrative contracts such as that achieved with Toscano, R3 and Beast Kingdom.

Success 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:**

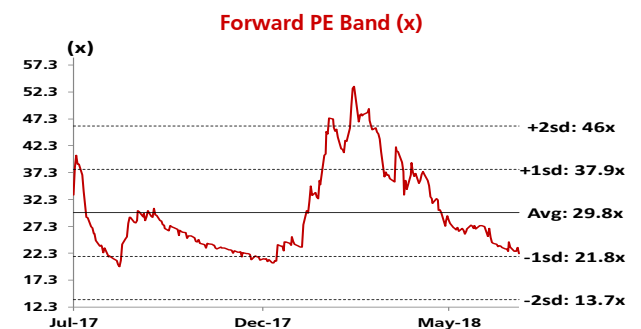
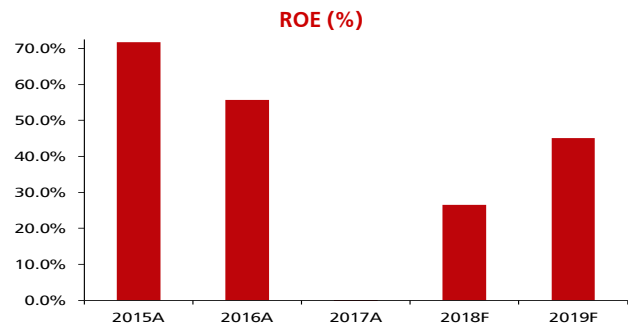
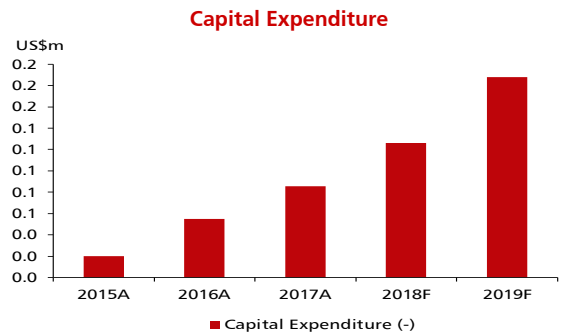
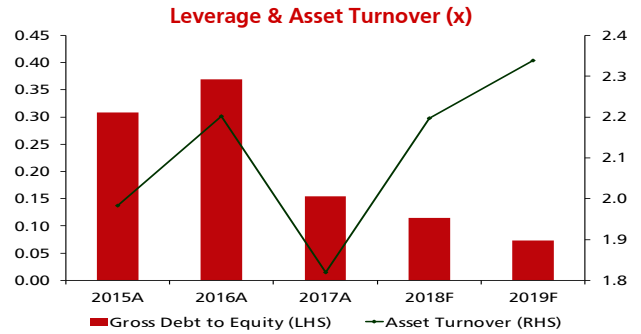
**Platform-specific risks.** YVEN is exposed to platform-related risks at both the data and sales level. YVEN's data analytics capabilities are based off public and proprietary data obtained from online marketplaces and could be adversely impacted if data is withheld or erroneous. YVEN may also have to absorb increases in commission rates charged by these marketplaces.

**Inventory risks.** 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.

**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.

**Company Background**

Y Ventures (YVEN SP) is an early-stage yet profitable online distributor and retailer with a differentiated business model driven by its proprietary data analytics capabilities.



Source: Company, DBS Bank

**Segmental Breakdown**

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

**Income Statement (US\$m)**

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

Source: Company, DBS Bank



**Balance Sheet (US\$m)**

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

Source: Company, DBS Bank

**Cash Flow Statement (US\$m)**

<b>FY Dec</b>	<b>2015A</b>	<b>2016A</b>	<b>2017A</b>	<b>2018F</b>	<b>2019F</b>
Pre-Tax Profit	1.94	1.84	(1.0)	2.54	5.84
Dep. & Amort.	0.10	0.10	0.12	0.19	0.18
Tax Paid	0.0	0.0	0.0	(0.1)	(1.0)
Assoc. & JV Inc/(loss)	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	(1.3)	0.65	(3.5)	(1.1)	(3.6)
Other Operating CF	0.0	0.02	1.19	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>
Capital Exp.(net)	0.0	(0.1)	(0.1)	(0.1)	(0.2)
Other Invts.(net)	0.0	0.0	0.0	0.0	0.0
Invts in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	0.0	0.0	(0.3)	(0.3)	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>
Div Paid	(0.1)	(2.4)	(0.6)	(0.4)	(0.8)
Chg in Gross Debt	0.0	0.0	0.0	(0.1)	(0.1)
Capital Issues	0.10	0.16	5.68	0.0	0.0
Other Financing CF	(0.4)	0.0	(1.6)	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>
Currency Adjustments	0.0	0.0	0.02	0.0	0.0
Chg in Cash	0.23	0.20	(0.1)	0.70	0.41
Opg CFPS (\$ cts)	1.37	1.33	0.23	1.75	3.34
Free CFPS (\$ cts)	0.47	1.73	(2.2)	0.95	0.86

Source: Company, DBS Bank

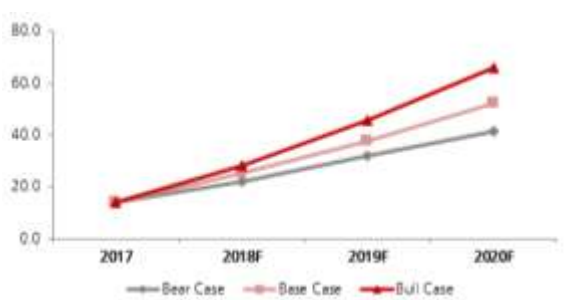


**Valuations: Base / Bull / Bear Case**

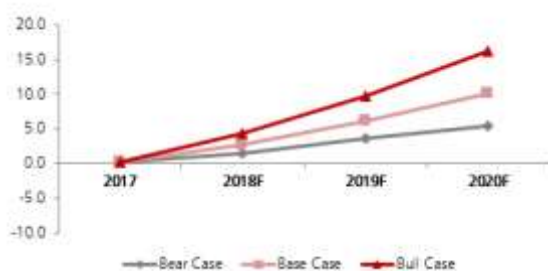
Bear-case Valuation (EV/EBITDA)	Base-case Valuation (EV/EBITDA)	Bull-case Valuation (EV/EBITDA)
<p><b>Bear-case valuation of S\$0.47 per share.</b></p> <p>In our bear-case scenario, we assume lower inventory turnover, presumably on a longer gestation period for new products as YVEN continues to expand 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.</p> <p>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.</p>	<p><b>Valuation based on 20x FY19F EV/EBITDA, at 15% discount to larger peers' average of 23x.</b></p> <p>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.</p> <p>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 into FY19F EV/Sales of 3.2x, which is also at a 15% discount to larger peers' 3.8x.</p>	<p><b>Bull-case valuation of S\$1.23 per share.</b></p> <p>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.</p> <p>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.</p>
<p>FY19 EBITDA of YVEN (US\$m) 3.7</p> <p>EV/EBITDA FY1 Peer Multiple 23.4</p> <p>EV/EBITDA Valuation (15% Discount to Peers) 72.8</p>	<p>FY19 EBITDA of YVEN (US\$m) 6.0</p> <p>EV/EBITDA FY1 Peer Multiple 23.4</p> <p>EV/EBITDA Valuation (15% Discount to Peers) 120.2</p>	<p>FY19 EBITDA of YVEN (US\$m) 9.6</p> <p>EV/EBITDA FY1 Peer Multiple 23.4</p> <p>EV/EBITDA Valuation (10% Discount to Peers) 192.1</p>
<p>Outstanding Shares (m) 205</p> <p>Implied share price (SG\$) <u><b>0.47</b></u></p>	<p>Outstanding Shares (m) 205</p> <p>Implied share price (SG\$) <u><b>0.77</b></u></p>	<p>Outstanding Shares (m) 205</p> <p>Implied share price (SG\$) <u><b>1.23</b></u></p>

**Scenario Analysis**

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

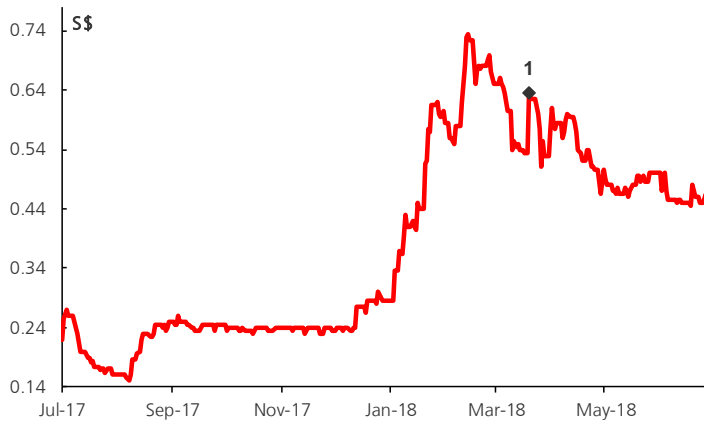


**Adj. EBITDA (US\$ m, FY17-20F)**



Source: DBS Bank

**Target Price & Ratings History**



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	28 Mar 18	0.64	0.77	BUY

**Note:** Share price and Target price are adjusted for corporate actions.

Source: DBS Bank

Analyst: Carmen Tay

Sachin MITTAL

DBS Bank recommendations are based on Absolute Total Return\* Rating system, defined as follows:

**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**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: 2 Aug 2018 09:24:08 (SGT)

Dissemination Date: 2 Aug 2018 09:43:38 (SGT)

Sources for all charts and tables are DBS Bank unless otherwise specified.

#### GENERAL DISCLOSURE/DISCLAIMER

**This report is prepared by DBS Bank Ltd.** This report is solely intended for the clients of DBS Bank Ltd, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS Bank Ltd.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group") have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out in this report. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group, may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to in this report and the DBS Group is under no obligation to update the information in this report.

This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets. Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBSVUSA, a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

#### **ANALYST CERTIFICATION**

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible for the content of this research report, in part or in whole, certifies that he or his associate<sup>1</sup> does not serve as an officer of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant) and the research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests<sup>2</sup> in relation to an issuer or a new listing applicant that the analyst reviews. DBS Group has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the DBS Group and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of DBS Group's compensation to any specific investment banking function of the DBS Group.

#### **COMPANY-SPECIFIC / REGULATORY DISCLOSURES**

1. DBS Bank Ltd, DBS HK, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS") or their subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of 29 Jun 2018.
2. Neither DBS Bank Ltd nor DBS HK market makes in equity securities of the issuer(s) or company(ies) mentioned in this Research Report.

#### **Compensation for investment banking services:**

3. DBSVUSA does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.

#### **Disclosure of previous investment recommendation produced:**


4. DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates in the preceding 12 months.

---

<sup>1</sup> An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

<sup>2</sup> Financial interest is defined as interests that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

**RESTRICTIONS ON DISTRIBUTION**

<b>General</b>	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
<b>Australia</b>	<p>This report is being distributed in Australia by DBS Bank Ltd. ("DBS") or DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"). DBS holds Australian Financial Services Licence no. 475946.</p> <p>DBSVS is exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. DBSVS is regulated by the Monetary Authority of Singapore under the laws of Singapore, which differ from Australian laws.</p> <p>Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.</p>
<b>Hong Kong</b>	<p>This report has been prepared by a person(s) who is not licensed by the Hong Kong Securities and Futures Commission to carry on the regulated activity of advising on securities in Hong Kong pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). This report is being distributed in Hong Kong and is attributable to DBS Bank (Hong Kong) Limited, a registered institution registered with the Hong Kong Securities and Futures Commission to carry on the regulated activity of advising on securities pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).</p> <p>For any query regarding the materials herein, please contact Carol Wu (Reg No. AH8283) at equityresearch@dbs.com</p>
<b>Indonesia</b>	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
<b>Malaysia</b>	<p>This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR"). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.</p> <div style="text-align: right; margin-top: 20px;">   Wong Ming Tek, Executive Director, ADBSR </div>
<b>Singapore</b>	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
<b>Thailand</b>	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.

<b>United Kingdom</b>	<p>This report is produced by DBS Bank Ltd which is regulated by the Monetary Authority of Singapore.</p> <p>This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom.</p> <p>In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.</p>
<b>Dubai International Financial Centre</b>	<p>This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at PO Box 506538, 3rd Floor, Building 3, East Wing, Gate Precinct, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.</p>
<b>United Arab Emirates</b>	<p>This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.</p>
<b>United States</b>	<p>This report was prepared by DBS Bank Ltd. DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.</p>
<b>Other jurisdictions</b>	<p>In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.</p>

**DBS Regional Research Offices**

---

**HONG KONG**

**DBS Bank (Hong Kong) Limited**

Contact: Carol Wu  
18th Floor Man Yee Building  
68 Des Voeux Road Central  
Central, Hong Kong  
Tel: 65 6878 8888  
Fax: 65 65353 418  
e-mail: equityresearch@dbs.com  
Participant of the Stock Exchange of Hong Kong

**MALAYSIA**

**AllianceDBS Research Sdn Bhd**

Contact: Wong Ming Tek (128540 U)  
19th Floor, Menara Multi-Purpose,  
Capital Square,  
8 Jalan Munshi Abdullah 50100  
Kuala Lumpur, Malaysia.  
Tel.: 603 2604 3333  
Fax: 603 2604 3921  
e-mail: general@alliancedbs.com

**SINGAPORE**

**DBS Bank Ltd**

Contact: Janice Chua  
12 Marina Boulevard,  
Marina Bay Financial Centre Tower 3  
Singapore 018982  
Tel: 65 6878 8888  
Fax: 65 65353 418  
e-mail: equityresearch@dbs.com  
Company Regn. No. 196800306E

**INDONESIA**

**PT DBS Vickers Sekuritas (Indonesia)**

Contact: Maynard Priajaya Arif  
DBS Bank Tower  
Ciputra World 1, 32/F  
Jl. Prof. Dr. Satrio Kav. 3-5  
Jakarta 12940, Indonesia  
Tel: 62 21 3003 4900  
Fax: 6221 3003 4943  
e-mail: research@id.dbsvickers.com

**THAILAND**

**DBS Vickers Securities (Thailand) Co Ltd**

Contact: Chanpen Sirithanarattanakul  
989 Siam Piwat Tower Building,  
9th, 14th-15th Floor  
Rama 1 Road, Pathumwan,  
Bangkok Thailand 10330  
Tel. 66 2 857 7831  
Fax: 66 2 658 1269  
e-mail: research@th.dbs.com  
Company Regn. No 0105539127012  
Securities and Exchange Commission, Thailand