

MONEY TALK

Y VENTURES GROUP (YVEN SP)

Coining A New Future To Grow AORA

Y Ventures' development of the AORA platform through a proposed ICO funding is an interesting move, albeit with risks associated with ICO. A successful execution could provide AORA the capital to ride on growing demand for cross-border e-commerce without shareholder dilution. We maintain target price of \$0.80, based on 2.6x P/S, at a 25% discount to peers'. This assumes a potential uplift from AORA should it enjoy a successful launch.

WHAT'S NEW

- Bold move into blockchain and ICO.** Y Ventures (YV) will launch its AORA platform in 1H19 (beta launch in Oct 18). It aims to be the world's first blockchain-enabled global buying platform, supporting e-commerce with cryptocurrencies. AORA's development and roll-out will be funded through an initial coin offering (ICO) of AORA Coins, which will be executed by a 60/40 joint venture between Y Ventures and Arke Blockchain Engineering. YV is the first listed company in Singapore to conduct an ICO.
- Enhancing cross-border e-commerce; AORA a possible game-changer.** AORA aims to address inefficiencies faced by e-commerce consumers when making overseas purchases, usually in the case of geo-specific brand products. These include: a) long payment/settlement process; b) expensive transactional charges; and c) cumbersome logistics process from forwarding services. According to its white paper, cross-border e-commerce is expected to grow from US\$468b gross merchandise value (GMV) in 2017 to US\$900b in 2020, accounting for 22% of all e-commerce transactions. The AORA blockchain platform is also customer-centric with a decentralised brand, product and merchant review system, circumventing fake reviews, as well as AI chatbots for ease of purchase. The platform acts as a central purchasing and delivery node for currently available online marketplaces and would benefit consumers and merchants.
- Innovative funding for AORA.** The ICO commenced on 31 Jul 18 and will close on 30 Nov 18, accepting payments for the tokens (priced at US\$0.20) in USD, SGD, Ethereum and Bitcoin. AORA's ICO soft cap is marked at US\$20m while its hard cap is set at US\$50m, and will only proceed when the minimum soft cap of US\$20m is met.

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)

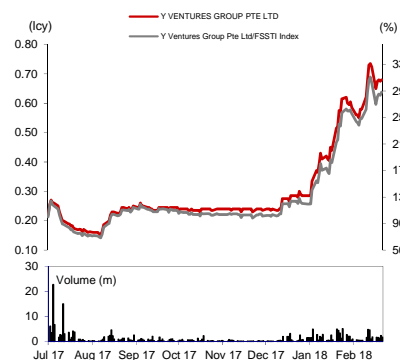
Share Price	\$S0.50
Target Price	\$S0.80
Upside	+60.0%

COMPANY DESCRIPTION

Y Ventures Group 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):	102.5
Market cap (US\$m):	75.0
3-mth avg t'over (US\$m):	0.0

PRICE CHART



Source: Bloomberg

ANALYST(S)

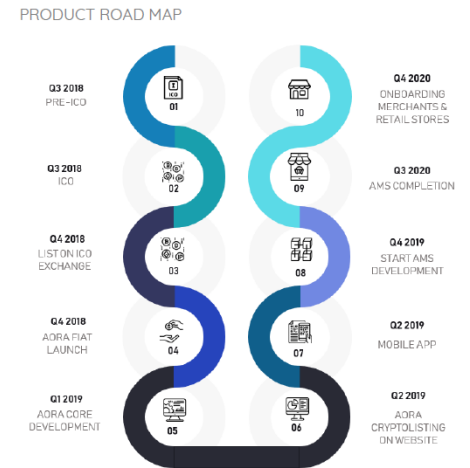
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FIGURE 1: INTEGRATION OF AORA PLATFORM



Source: Y Ventures

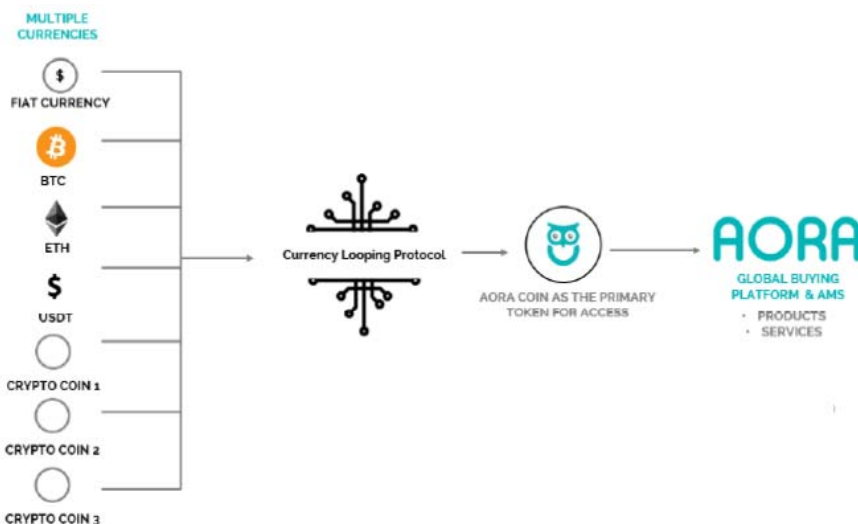
FIGURE 2: PRODUCT ROADMAP SCHEDULE FOR AORA PLATFORM



Source: Y Ventures

- **AORA coin as the token for e-commerce.** The AORA coin is a utility token that will be built on the Ethereum network. The platform will accept fiat currency and at its discretion, the most popular utility tokens including Bitcoin and Ethereum at launch, with a currency looping protocol (CLP) that finds the best rates for conversion. YV aims for AORA Coin to be the definitive token for e-commerce by consumers and merchants worldwide, using the token as an exchange for real world products.

FIGURE 3: CURRENCY EXCHANGE FOR AORA COINS



Source: Y Ventures

STOCK IMPACT

- **A potential war chest to grow AORA.** On the upside, a successful implementation of AORA's ICO would mean sizeable funding to grow its platform. Assuming the minimum soft cap criteria is met, the AORA platform will potentially have US\$5m (or US\$12.5m at hard cap) in proceeds for product R&D and operational expense to build the AORA marketplace and merchant solutions integrating acceptance of crypto currencies. This is based on the group's 25% budget allocation in its AORA Coin white paper. On the downside, expenses (such as legal fees) incurred for the ICO are estimated at S\$0.6m-0.7m, which would still be expended should the ICO not be successful.
- **Strategic plays in motion.** The AORA platform is targeted for launch in 1H19 and will allow merchants to use its suite of solutions powered by smart contract capabilities. Its social marketplace will also enable consumers to discover products curated by fellow shoppers and also ensure integrity of reviews and competitive prices. AORA's MOU

(memorandum of understanding) with Singapore Post (SingPost) should also provide reassurance to shoppers as SingPost will handle logistics to provide timely delivery at competitive pricing.

EARNINGS REVISION/RISK

- **Earnings unchanged with possible upside in 2019 from new platform.** We maintain our 2018-19 net profit forecasts, without factoring in the potential upside from the platform. The platform is still currently in its development stage and there is no visibility to the impact on earnings, from 2019 onwards.

VALUATION/RECOMMENDATION

- **Maintain BUY and target price of S\$0.80, before accretion from AORA.** As the digital tokens do not fall within the definition of securities, shareholders will not see dilution from AORA's ICO. In our view, this is an innovative funding structure to drive the development of AORA should the ICO meet the minimum soft cap requirements. We maintain our target price of S\$0.80, based on 2.6x 2019F P/S, which is at a 25% discount to listed peers'. This does not factor in any upside from the impending launch of AORA next year, which could be a game changer for YV should it be a success.

FIGURE 4: PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price 2 Aug 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	1797.17	876,554	70.9	50.7	20.9	14.8	0.0	21.7	3.7	3.1
Alibaba Group	BABA US	USD	185.27	480,254	30.7	23.7	6.9	5.5	0.0	18.3	8.1	6.0
Ebay Inc	EBAY US	USD	33.09	32,744	14.4	12.9	5.3	5.8	0.0	29.8	3.0	2.8
Amadeus It	AMS SM	EUR	71.92	36,638	28.5	26.3	9.9	9.2	1.7	36.2	6.3	5.9
Rakuten	4755 JP	JPY	765	9,836	14.4	14.6	1.4	1.3	0.6	9.9	1.0	0.9
Shopify	SHOP US	USD	136.36	14,475	n.a.	n.a.	9.9	9.1	0.0	0.3	14.0	10.2
Vipshop	VIPS US	USD	9.54	6,287	14.0	10.7	2.4	2.0	0.0	15.9	0.5	0.4
Start Today	3092 JP	JPY	4055	11,326	45.9	35.4	25.5	17.5	0.9	64.6	9.2	7.0
ASOS	ASC LN	GBp	5996	6,554	62.2	50.9	13.6	10.6	0.0	23.6	2.1	1.7
Wayfair	W US	USD	107.23	9,550	n.a.	n.a.	n.a.	n.a.	0.0	214.6	1.5	1.1
Groupon	GRPN US	USD	4.61	2,603	19.7	16.9	6.2	5.0	0.0	37.7	1.0	1.0
Baozun Inc	BZUN US	USD	57.73	3,269	51.7	33.1	10.0	7.7	0.0	20.1	4.3	3.2
Stitch Fix	SFIX US	USD	28.87	2,825	123.4	139.5	n.a.	n.a.	n.a.	12.1	2.3	1.9
Transcosmos	9715 JP	JPY	2578	1,127	23.0	18.2	1.5	1.4	1.3	6.7	0.4	0.4
Average					41.6	36.1	9.5	7.5	0.3	36.5	4.1	3.3
Average (Excl. AMZN US, SHOP US, VIPS US, W US, SFIX US, 9715 JP)					33.4	26.7	9.8	7.8	0.4	30.0	4.4	3.6
Y Ventures	YVEN SP	SGD	0.5	75	28.1	18.0	8.1	6.0	0.7	28.5	2.5	1.4

Source: Bloomberg, UOB Kay Hian

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