

Y Ventures Group Ltd

Building a platform of platforms



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SINGAPORE | E-COMMERCE | UPDATE

3 August 2018

- Luminore 8 Pte Ltd, a Y Ventures subsidiary, has launched a US\$50m Initial Coin Offering (ICO) to fund the development of a global buying platform called AORA. It will allow users to purchase consumer products online using cryptocurrency.
- We upgrade our NEUTRAL recommendation to BUY with an unchanged target price of S\$0.70. Our upgrade is due to the recent price weakness. AORA is in its early stages, thus we are not changing our fundamental view on the Group. However, if successful, the contribution will be tremendous.

What is the news?

Luminore 8 Pte Ltd, a subsidiary of Y Ventures, announced a joint venture with Arke Blockchain Engineering Pte Ltd and has launched a US\$50m ICO* of its AORA coins to fund the development and roll-out of AORA. AORA will be the world first blockchain-enabled global buying platform that allows users to purchase consumer products from any online store and marketplace with the option to use cryptocurrencies. The AORA Coin is a utility token built on the Ethereum network, to be the definitive token for e-commerce transactions.

*ICO – Initial Coin Offering is a fund raising mechanism, similar to crowdfunding but differs because the backers are motivated by a prospective return in their investments while the funds raised by crowdfunding are basically donations. ICOs are sometimes referred to as crowd sales.

What is AORA?

AORA is developed to address issues faced by consumers in trying to purchase merchandise not shipped directly to their country of residence. These issues may include the hassle of multiple log-ins into various platforms, high foreign exchange and handling fees charged by credit card companies or the platform, and the absence of protection in the form of insurance. In addition, AORA aims to provide a community-centric social market place where top volume products will be displayed on the platform based on comments and reviews. To summarise, AORA is to become a buying concierge platform that provides consumers with a seamless and cost effective buying experience from other key platforms including Amazon, Taobao and Walmart, by mitigating the issues discussed above. The funds raised in the ICO will be allocated to research & development, marketing, legal and operational buffer.

What do we think?

We view this as positive. There are websites offering comparable services such as ezbuy. Ezbuy allows customers to copy URL to its website and purchase items otherwise unavailable in the residing country or language. However ezbuy's 'buy for me' service require customers to complete multiple steps, when ordering the product and again for delivery. Our view is that AORA offers a more comprehensive, seamless and cheaper shopping experience. On ICOs, current market sentiment has been poor because many have either failed to raise the soft cap or failed to hold its value. To name some examples, Strykz, a token for fantasy football fans were unable to hit the soft cap while Traceto, an identity verification app saw its coin depreciate 50% in value. Nevertheless, if AORA is able to meet its soft cap, it signals that the crypto community and its investors are confident that a buying concierge platform is viable. AORA ICO is expected to list on 1st Jan2019.

Upgraded to BUY with unchanged target price of S\$0.70

We Upgraded our recommendation from NEUTRAL to BUY with an unchanged target price of S\$0.70. Our upgrade is due to the recent price movements. Since AORA is in its infancy, we are not changing our fundamental view of the group. However, if successful, the value accretion will be tremendous.

BUY (Upgraded)

LAST CLOSE PRICE	SGD 0.50
FORECAST DIV	SGD 0.00
TARGET PRICE	SGD 0.70
TOTAL RETURN	42.4%

COMPANY DATA

O/S SHARES (MN) :	205
MARKET CAP (USD mn / SGD mn) :	74 / 101
52 - WK HI/LO (SGD) :	0.75 / 0.15
3M Average Daily T/O (mn) :	0.12

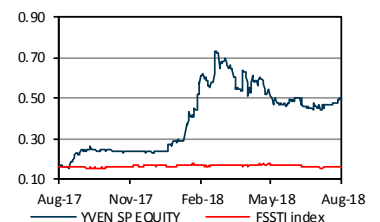
MAJOR SHAREHOLDERS (%)

Low A dam	34.69%
Yik Jin Low	34.69%
Prism Investment Ventures Ltd	11.1%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	111	(2.0)	194.1
STIRETURN	192	(7.88)	152

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)	108	(0.56)	2.45	3.46
PER, (X)	-	(88.6)	20.2	14.3
P/BV, (X)	-	12.5	8.2	5.7
DPS (USD' Cents)	-	-	0.36	0.51
ROE, %	55.8%	-20.8%	48.6%	47.2%

Source: Bloomberg, PSR

Valuation Method:

P/E Multiple @ 30x

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Financials

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	-	-	-	0.36	0.51
BVPS	-	1.18	3.04	4.40	6.45

Per share data (SGD Cents)

Y/E Dec	FY15	FY16	FY17	FY18e	FY19e
FX rate (USD/SGD)	-	1.44	1.31	1.37	1.35
EPS, reported	-	1.08	(0.56)	2.45	3.46
DPS	-	-	-	0.49	0.69
BVPS	-	1.70	3.98	6.03	8.70

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)	378	(1,756)
Cash generated from ops	688	2,622	(3,193)	4,897	4,649
Tax paid	-	(10)	(15)	-	-
Others	-	-	9	(650)	(930)
Cashflow from ops	688	2,612	(3,199)	4,247	3,719
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)	(734)	(1,050)
Interest paid	(21)	(23)	(20)	(62)	(87)
Others	(373)	(27)	(1,454)	(30)	(30)
Cashflow from financing	(446)	(2,339)	3,456	(826)	(1,166)
Net change in cash	222	218	(78)	3,401	2,532
Effects of exchange rates	3	(13)	22	-	-
CCE, end	733	938	883	4,284	6,816

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	2,617	3,580
Cash	733	938	883	4,284	6,816
Inventories	1,032	2,632	6,060	5,348	7,318
Amt due from a director	898	-	-	-	-
Total current assets	3,511	4,389	8,147	12,248	17,714
Total Assets	5,083	5,913	9,703	13,701	19,069

LIABILITIES

Accounts payables	530	1,609	1,934	3,013	4,190
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	3,450	4,627
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	4,393	5,540

EQUITY

Non-controlling interests	114	247	278	292	313
Shareholder Equity	3,134	2,362	6,081	9,016	13,216

Valuation Ratios

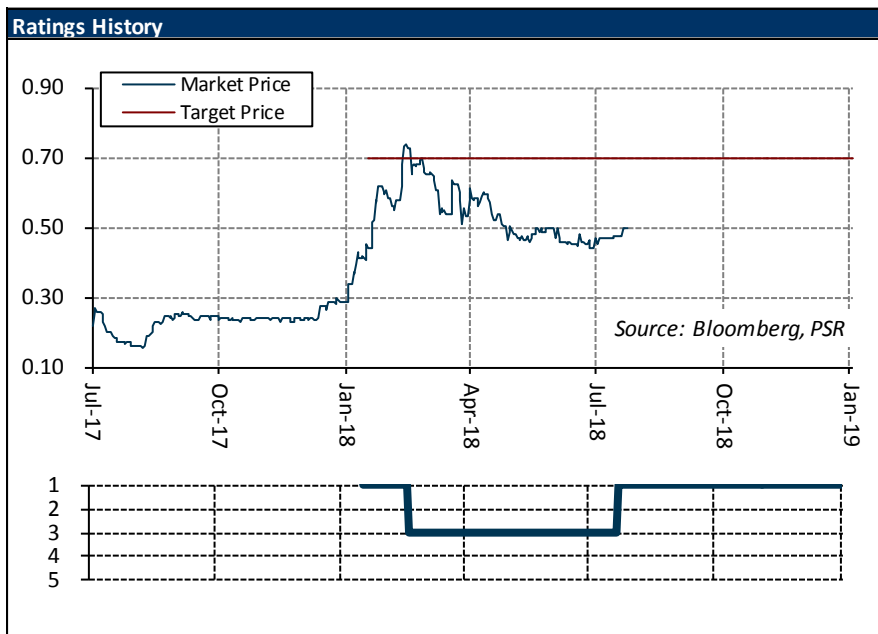
Y/E Dec	FY15	FY16	FY17	FY18e	FY19e
P/E (X)	-	-	(88.6)	20.2	14.3
P/B (X)	-	-	12.5	8.2	5.7
EV/EBITDA (X)	-	-	(51.1)	12.1	8.3
Dividend Yield	0.0%	0.0%	0.0%	1.0%	1.4%

Growth & Margins

Growth					
Revenue		36.5%	17.4%	117.9%	40.0%
EBITDA		1.4%	-164.1%	N.M.	44.2%
EBIT		1.7%	-173.3%	N.M.	45.3%
Net profit, adj.		-8.3%	-157.2%	N.M.	43.1%
Margins					
Gross margin		48.6%	43.9%	41.8%	43.5%
EBITDA margin		19.8%	14.7%	-8.0%	13.6%
EBIT margin		18.6%	13.8%	-8.6%	13.3%
Net profit margin		18.8%	12.7%	-6.2%	11.8%

Key Ratios

ROE (%)	53.3%	55.8%	-20.8%	48.6%	47.2%
ROA (%)	32.9%	27.9%	-11.2%	31.4%	32.0%
Net Debt / (Cash)	268	26	97	(3,334)	(5,896)
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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