

Y Ventures Group Ltd

Expecting a stronger 2H18



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SINGAPORE | E-COMMERCE | 1H18 RESULTS

- Revenue and net profit in 1H18 weaker than expected.
- Gross margin improved from 41% to 45% and expected to remain firm. Maiden revenue contribution from Faire Leather at US\$0.5m.
- Maintain BUY with a lower target price of S\$0.61 from S\$0.70. We lowered of FY18e earnings by 18%.

Results at a glance

US\$000	1H18	1H17	YoY(%)	Comments
Revenue	9,293	7,296	27.4%	Growth is attributed to the onboarding of new book publishers
Selling & distribution expense	-2,438	-1,603	52.1%	The increase is due to the spending in distribution networks & the higher selling expenses through online marketplaces
Profit after tax	143	-129	N.M.	Despite turning profitable, earnings took a hit by the spike in expenses related to expansion initiatives

Source: Company, PSR

The Positives

+ **Gross margins improved and to hold steady.** 1H18 incorporated the sales of new book publishers. The coming is cautiously ramping up the sales from these new publishers. We believe the company has yet to achieve economies of scale from the new publishers. Despite this, the group has managed to achieve a 45% gross margin from 41%, which suggests further upside to margins. Books account for 70% of total revenue.

+ **Strong demand for FaireLeather products.** Faire Leather accounted for half a million in revenue in 1H18. Faire Leather was overwhelmed by the demand for their products. This resulted in some supply chain issues and longer fulfilment times. However, the supply constraint should improve in 2H18 and we expect Faire Leather to contribute even more in the future. There was encouraging sales from another crowdfunding launch in Taiwan.

The Negatives

- **Revenue weaker than expected.** The group was conservative in the inventory levels of their new book publishers. As a result, there was a slowdown in inventory turns. Furthermore, there is also the seasonality of book sales, where 2H is typically stronger.

- **Spike in expenses.** Selling & distribution expenses increased 52% attributed mainly to the distribution costs from onboarding new book publishers. These costs are associated with expansion of logistics and distribution networks in the UK. We were told that the expansion were required for consolidation of the new books. Admin expenses increased US\$0.3m due to the start-up costs relating to the development of the AORA platform and another US\$0.2m for a new subsidiary created for the design of more innovative products (e.g. toys and exercise products).

Outlook

We remain positive for the 2H18, some of the drivers to sales include (i) Book sales are seasonally stronger in August & September; (ii) We expect higher inventory turns from their new publisher customers; (iii) The new collaboration with Beast Kingdom Co Ltd (official licensee for Disney products); (iv) Launch of new innovative products (sold via crowdfunding channels).

Maintained BUY with a lower target price of S\$0.61

We maintained our BUY recommendation with a lower target price of S\$0.61. Our lower target price is due to the 18% downward revision of our FY18e earnings.

17 August 2018

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.44
FORECAST DIV	SGD 0.00
TARGET PRICE	SGD 0.61
TOTAL RETURN	39.6%

COMPANY DATA

O/S SHARES (MN) :	205
MARKET CAP (USD mn / SGD mn) :	65 / 90
52 - WK HI/LO (SGD) :	0.75 / 0.45
3M Average Daily T/O (mn) :	0.09

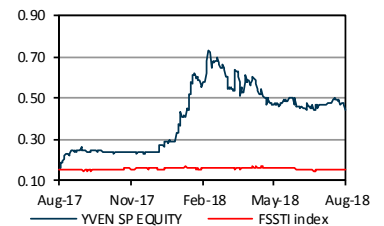
MAJOR SHAREHOLDERS (%)

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

PRICE PERFORMANCE (%)

	1M TH	3 M TH	1Y R
COMPANY	(5.3)	(5.3)	187.1
STIRETURN	0.56	(7.09)	182

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	23.9	33.7
EBITDA (USD mn)	18	(1.1)	3.4	5.1
NPAT (USD mn)	15	(0.9)	3.0	4.4
EPS (USD)	108	(0.56)	2.02	2.89
PER, (X)	-	(78.7)	218	15.2
P/BV, (X)	-	11.1	7.7	5.6
DPS (USD Cents)	-	-	0.29	0.43
ROE, %	55.8%	-20.8%	415%	42.8%

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	23,877	33,667
Gross Profit	4,311	5,318	5,942	11,103	15,487
EBITDA	1,753	1,778	(1,140)	3,389	5,085
Depreciation & Amortisation	105	102	124	157	193
EBIT	1,648	1,676	(1,228)	3,295	4,983
Net Finance Inc/(Exp)	(21)	(23)	(20)	(48)	(67)
Profit before tax	1,940	1,843	(972)	3,570	5,183
Taxation	(193)	(197)	(22)	(536)	(777)
Net profit before NCI	1,747	1,646	(994)	3,035	4,405
Non-controlling interest	76	113	(118)	12	18
Net profit, reported	1,671	1,533	(876)	3,022	4,388

Per share data (USD Cents)

Y/E Dec	FY15	FY16	FY17	FY18e	FY19e
EPS, reported	0.82	0.75	(0.43)	1.47	2.14
DPS	-	-	-	0.29	0.43
BVPS	-	1.18	3.04	4.15	5.86

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)	2.02	2.89
DPS	-	-	-	0.40	0.58
BVPS	-	1.70	3.98	5.68	7.91

Cash Flow

Y/E Dec, USD '000	FY15	FY16	FY17	FY18e	FY19e
CFO					
Profit before tax	1,940	1,843	(972)	3,570	5,183
Adjustments	54	122	1,274	204	260
WC changes	(1,306)	657	(3,495)	1,512	(1,391)
Cash generated from ops	688	2,622	(3,193)	5,286	4,051
Tax paid	-	(10)	(15)	-	-
Others	-	-	9	(536)	(777)
Cashflow from ops	688	2,612	(3,199)	4,751	3,274
CFI					
CAPEX, net	(20)	(55)	(86)	(250)	(200)
Others	-	-	(250)	(200)	(200)
Cashflow from investments	(20)	(55)	(335)	(450)	(400)
CFE					
Share issuance, net	57	143	5,530	-	-
Loans, net of repayments	-	-	-	-	-
Dividends	(109)	(2,432)	(600)	(604)	(878)
Interest paid	(21)	(23)	(20)	(48)	(67)
Others	(373)	(27)	(1,454)	(30)	(30)
Cashflow from financing	(446)	(2,339)	3,456	(682)	(975)
Net change in cash	222	218	(78)	3,619	1,899
Effects of exchange rates	3	(13)	22	-	-
CCE, end	733	938	883	4,501	6,400

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	1,498	1,596
Others	-	-	213	351	461
Total non-current assets	1,572	1,524	1,556	1,849	2,056
Accounts receivables	848	819	1,204	2,018	2,781
Cash	733	938	883	4,501	6,400
Inventories	1,032	2,632	6,060	4,124	5,683
Amt Due from a director	898	-	-	-	-
Total current assets	3,511	4,389	8,147	10,643	14,864
Total Assets	5,083	5,913	9,703	12,492	16,921

LIABILITIES

Accounts payables	530	1,609	1,934	2,323	3,254
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	2,760	3,691
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	3,704	4,604

EQUITY

Non-controlling interests	114	247	278	290	307
Shareholder Equity	3,134	2,362	6,081	8,499	12,009

Valuation Ratios

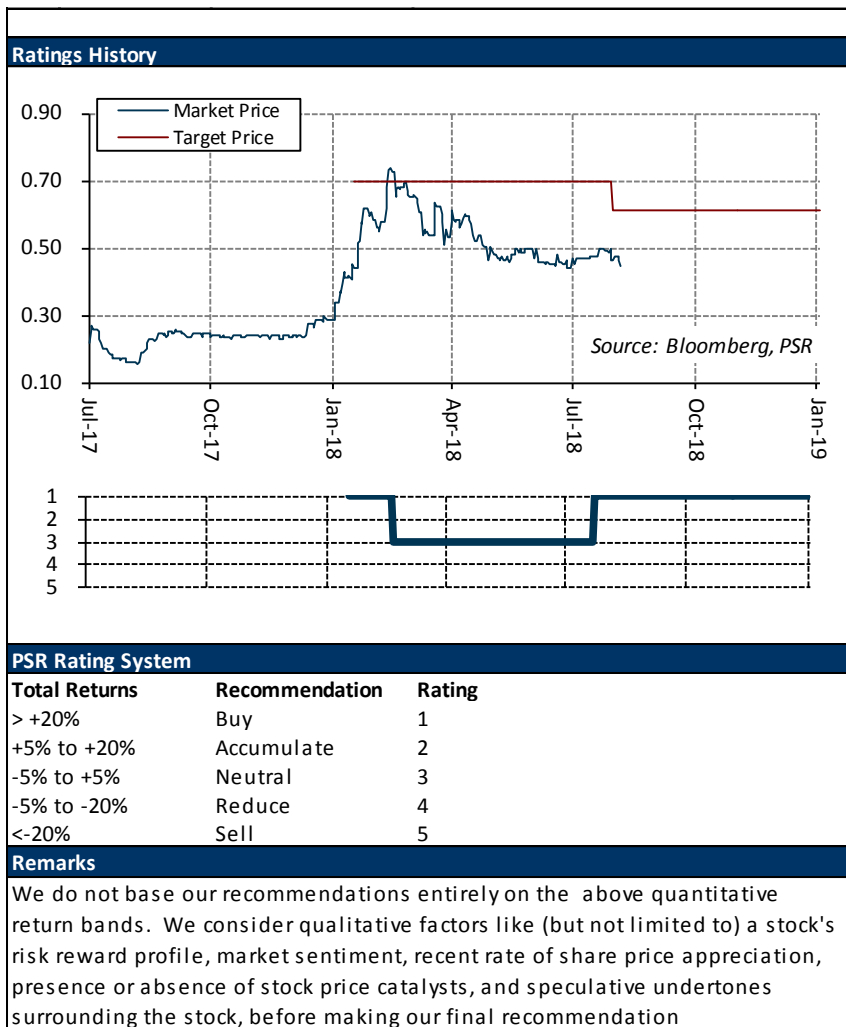
Y/E Dec	FY15	FY16	FY17	FY18e	FY19e
P/E (X)	-	-	(78.7)	21.8	15.2
P/B (X)	-	-	11.1	7.7	5.6
EV/EBITDA (X)	-	-	(45.5)	13.2	8.7
Dividend Yield	0.0%	0.0%	0.0%	0.9%	1.3%

Growth & Margins

Growth					
Revenue		36.5%	17.4%	68.0%	41.0%
EBITDA		1.4%	-164.1%	N.M.	50.0%
EBIT		1.7%	-173.3%	N.M.	51.2%
Net profit, adj.		-8.3%	-157.2%	N.M.	45.2%
Margins					
Gross margin		48.6%	43.9%	41.8%	46.5%
EBITDA margin		19.8%	14.7%	-8.0%	14.2%
EBIT margin		18.6%	13.8%	-8.6%	13.8%
Net profit margin		18.8%	12.7%	-6.2%	12.7%

Key Ratios

ROE (%)	53.3%	55.8%	-20.8%	41.5%	42.8%
ROA (%)	32.9%	27.9%	-11.2%	27.2%	29.8%
Net Debt / (Cash)	268	26	97	(3,552)	(5,481)
Net Gearing (X)	0.0%	0.0%	0.0%	Net Cash	Net Cash



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