

YEAH1 GROUP CORPORATION (YEG: HOSE)



LISTING REPORT

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CONSUMER DISCRETIONARY - VIETNAM

Key figures

Market cap (USD mn)	299.26
Market cap (VND bn)	6,842.5
Outstanding shares (mn)	27.37
Foreign ownership (%)	29.68
Management ownership (%)	40.05

Performance

	16A	17A
Revenue (VND, bn)	563	840
Net profit (VND, bn)	16	82
Total equity (VND, bn)	110	333
Total assets (VND, bn)	355	657
Gross Margin (%)	27.4%	29.4%
Net Margin (%)	2.9%	9.8%
ROA (%)	4.6%	16.3%
ROE (%)	15.3%	37.2%

Executive Summary

Yeah1 Group Corporation (Yeah1)'s business has been focusing on developing a fully-integrated media advertising ecosystem that covers all platforms, spanning from traditional media (Television channels) to digital media (YouTube, Google, Facebook). It will list 27.37 million shares on the HOSE on 26 June 2018 with the ticker YEG. At the selling price of VND 300,000/share to financial investors, and with a new charter capital of VND312.8bn, its market capitalization will be VND 9.4 tn (~\$410 mn USD), landing within the Top 35 largest market capitalization stocks on HOSE upon launch.

Business model: Key sources of Yeah1's revenue comes from selling/trading advertising spots to brands/advertising agencies (i.e. multi-national companies such as Unilever, P&G, etc.) which are embedded within Yeah1's content or its partners' content (i.e. YouTube creators, publishers, other TV channels), and broadcasted on both traditional media (TV channels) and digital media (YouTube, Google AdSense, & AdX).

Historical performance: Starting in traditional media, Yeah1 has continued its diversification to digital media. The share of traditional media to total revenue gradually slid from 100% in 2013 down to only 43% as of 2017.

Yeah1 enjoyed a CAGR of **50%** for sales in the last 5 years (2012-2017). Before 2015, ad revenue from its 3 TV channels was the key sales growth driver at CAGR of 50% for 2012-2015. Since 2015 when Yeah1 acquired its YouTube MCN license, its growth driver was replaced by digital ad revenue (YouTube), which grew at a CAGR of 241% for 2015-2017. Over the same period, traditional ad revenue nearly went flat because of Yeah1's doubling down on its digital strategy, as well as a shift in the advertising industry to a more digital field. Net profit increased at a high CAGR of 37% during the 2012-2017 period

Strategy: In the next 3 years, Yeah1 continues to **shift gear to digital media advertising**, of which CAGR will be 103% and this proportion will consistently increase from 57% in 2017 to 68% in 2018, 75% in 2019, and 80% in 2020. The key driver for high growth of digital media ads is the GCPP business, with a CAGR of 176% over 2017-2020 period, while the current biggest revenue stream (YouTube MCN) is projected to grow at a CAGR of 32% over the next 3 years. The Company also will add a new business named Media Commerce, and targets that it will bring in about ~4% of total Company revenue by 2020.

2018 outlook: Based on 1H 2018 results, it is likely that Yeah1 can achieve its 2018 targets approved by the AGM (sales VND 1.6 tn (+90.4% YoY) and net profit VND 172bn (+109% YoY). The YouTube MCN business is lower than expected due to the change in policy of YouTube as of late 2017. However, the traditional media business result is better than expected. And with the consolidation of TNT media and Netlink, we think 2018 targets are

feasible.

Valuation: Accordingly, we estimate that 2018 EPS will be VND 5,500 on average for outstanding shares. At the listing price of VND250,000/share and the offer price to financial investors of VND 300,000/share, its 2018 PER is estimated to be 45x and 54x. The PER seems to be quite high as compared with Vietnam's stock market 2018 PER of ~15-16x, and regional media companies of 34x. With expectations of high growth by the Company in the next 2 years, its valuation could gradually become more reasonable in scope over time. Based on Yeah1 2018 target sales of VND 1.6tn, at the listing price of VND250,000/share and the offer price to financial investors of VND 300,000/share, its 2018 PS is estimated to be 4.1x and 5.0x which are comparable with regional peers' of 4.02x.

Our initial view

Yeah1 is one of the leading companies in a sector with promising prospects. Global digital advertising spending is expected to increase at a CAGR of 13.5% in 2017-2020. In Vietnam, digital ads account for 18.4% of the total domestic advertising market, below the global average of 30%. Vietnam seems to lag behind other countries in terms of digital ads. Therefore, the Vietnamese digital ad market is projected to grow by 25% over the 2017-2022 period. The competitive advantage of Yeah1 is that it is an integrated media ecosystem which covers all platforms, from traditional media (Television channels) to digital media (YouTube, Google, Facebook).

We believe that Yeah1's management is visionary, which has been proven through the continuous expansion of the Group to digital ads in 2015, and to the non-YouTube segment in 2017. We think it is crucial for a company operating in ever-changing sectors like tech and media.

It is very difficult to forecast Yeah1's businesses beyond 2018, especially when the Group keeps considering domestic and overseas M&A deals. It also will cooperate with new partners such as AKB48 (Japan), and may get a new license from Facebook, while applying new advertising technologies developed by Google (DoubleClick Manager). Therefore, we do not represent our projection in the report. However, we think that the Group can enjoy strong growth.

The business is totally new and quite difficult to understand/forecast for locally-based retail/institutional investors. The valuation looks pricey if we look at 2018 PER, and only becomes gradually more reasonable if the Group can deliver high earnings growth in the next few years.

We think the biggest risk of Yeah1 is the reliance on Google's policy, technology, and platforms, of which any change in partner policies can have significant impact on its businesses. Furthermore, the overseas digital ad market may have higher levels of competition than is the case from within Vietnam, and regarding some M&A cases, results may vary.

Contents

Background Information	4
Shareholders' Structure	5
Management	6
Corporate Structure	6
Business Model	7
Competitive landscape	9
Digital Ad market trend.....	10
Historical performance	12
Business Outlook	15
Valuation	18
Our initial view	19
Appendix: Historical Financial Statements	20

Background Information

Yeah1 Group Corporation (Yeah1)'s business has been focusing on developing a fully-integrated media advertising ecosystem that covers all platforms, spanning from traditional media (Television channels) to digital media (YouTube, Google, Facebook). It will list 27.37 million shares on the HOSE on 26 June 2018 with the ticker YEG. At the selling price of VND 300,000/share to financial investors, and with a new charter capital of VND312.8bn, its market capitalization will be VND 9.4 tn (~\$410 mn USD), landing within the Top 35 largest market capitalization stocks on HOSE upon launch.

Key milestones:

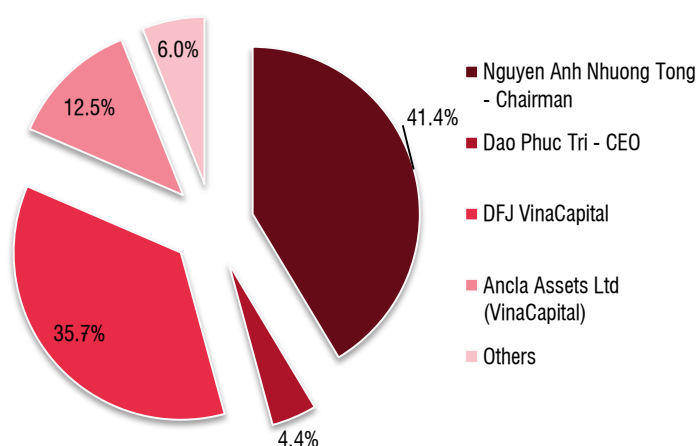
- **2006:** Yeah1 was set up by Mr. Tong Nguyen (Chairman) and Mr. Tri Dao (CEO) with the establishment of a website named www.yeah1.com;
- **2008:** Yeah1 introduced a TV Channel named Yeah1TV, with the youth demographic as its target audience;
- **2010:** It continued to launch two more TV channels (Yeah1 Family, iMovieTV) on the systems of the 3 largest cable TV operators in Vietnam;
- **2015:** Yeah1 expanded to digital media by getting the YouTube Multi-Channel Network (MCN) license;
- **2017:** It diversified its digital media to non-YouTube platforms by acquiring a 51% stake in Netlink, a private company was set up in 2007 by a young entrepreneur and obtained a full-service Google Certified Publishing Partners (GCPP) license in 2015. It also enhanced its presence in TV advertising by acquiring a 51% stake in TNT Media, a TV media buying agency of various TV channels in Vietnam.

Shareholders' Structure

As of 31 Dec 2017, its charter capital was VND 238 bn, with Mr. Tong Nguyen as the largest shareholder with 41% ownership. In early 2018, Yeah1 paid a 15% stock dividend, and then issued new 3.91 million shares to increase its charter capital up to VND 312.8 bn. The estimated room for foreign investors at the listing (after the private placement of 3.91 mn shares) will be 6.8%.

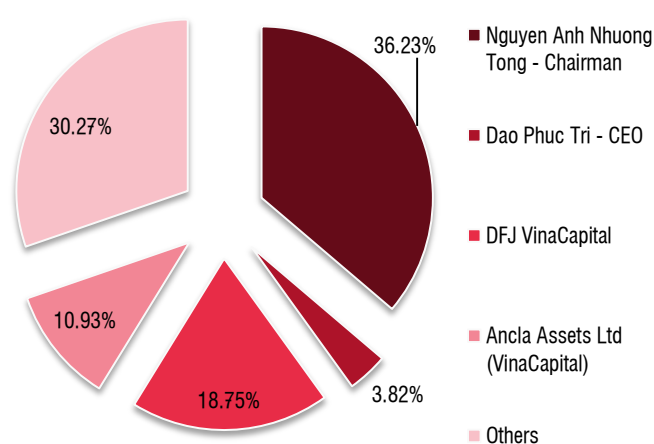
At the time of listing, the FOL of Yeah1 will be 49%. However, the 2018 AGM agreed to extend the FOL of Yeah1 up to 100% after its shares are listed on the HOSE. Therefore, we think that the FOL of Yeah1 will be raised up to 100% soon.

Shareholders' Structure (31 Dec 2017)



Source: Yeah1

Controlling Structure (after listing)



Source: Yeah1

Management

Yeah1 has an experienced, committed, and visionary management team. Mr. Tong Nguyen (Chairman) and Mr. Tri Dao (CEO) are the founding members of Yeah1. Mr. Tong Nguyen established many start-ups within the media and entertainment industry in Vietnam, and he is currently a member of the Executive Committee of the Vietnam Youth Federation. Mr. Tri Dao was previously the co-founder and business development director at Viet's Top, an entertainment and event organization complex, and Senior Sales supervisor at San Miguel, focusing on sales and marketing initiatives.

Corporate Structure

As of 31 March, 2018, Yeah1 has 15 direct and indirect subsidiaries and 1 associate which has discontinued so far according to management, in which notable ones are listed below:

No.	Company	% voting rights of Yeah1	Business	Segment
1	Yeah1 Entertainment	99%	Advertising on cable TV channels	Traditional media
2	TNT Advertising Communication Co., Ltd. (TNT)	90%	TV media buying agency	Traditional media
3	Yeah1 CMG Studio (film production companies)	63-100%	Movie business	Traditional media
4	Yeah1 Network Vietnam Co., Ltd. And Yeah1 Network PTE. Ltd (Yeah1 Network)	100%/90%	YouTube MCN and WebFace management	Digital media
5	Netlink Online Corporation (Netlink)	100%	GCPP	Digital media

Source: Yeah1

In 2017, Yeah1 executed 3 notable acquisitions including:

- 15 Jan 2017:** Purchased a 50.5% stake at TNT
- 1 July 2017:** Purchased a 51% stake at Netlink, increasing ownership up to 76% as of 30 March 2018
- 30 Sep 2017:** Purchased a 90% stake at Yeah1 Network

Business Model

Key sources of Yeah1's revenue comes from selling/trading advertising spots to brands/advertising agencies (i.e. multi-national companies such as Unilever, P&G, etc.) which are embedded within Yeah1's content or its partners' content (i.e. YouTube creators, publishers, other TV channels), and broadcasted on both traditional media (TV channels) and digital media (YouTube, Google AdSense, & AdX).

Starting in traditional media, Yeah1 has continued its diversification to digital media. The share of traditional media to total revenue gradually slid from 100% in 2013 down to only 43% as of 2017.

Segment	Business	% revenue (2013)	% revenue (2017)
Traditional media	Advertising on TV cable channels	100%	24.2%
	TV media buying agency	0%	2.2%
	Movie business	0%	16.7%
Digital media	YouTube MCN	0%	34.4%
	WebFace Management	0%	5.1%
	GCPP	0%	17.3%
Total		100%	100%

Source: Yeah1

How does it work?	Key highlights
<p>Advertising on TV cable channels: Yeah1 sells advertising space to air on its four TV channels to brands, advertisers, and advertising agencies in return of advertising revenue.</p>	<ul style="list-style-type: none"> Yeah1 has four TV channels (Yeah1TV, Yeah1 Family, IMovieTV, UNI) broadcasted on the largest cable TV systems (VTVcab, SCTV, and Binh Duong TV) Targeting young adults, women, and kids Key content: talk shows, reality shows, local and Asian drama series, and music Yeah1 claims that its 4 TV channels are among the Top 30 most highly rated channels nationwide (out of 267 TV channels in Vietnam)
<p>TV media buying agency: Yeah1 acts as a middleman between brands/advertisers and TV channels, in which Yeah1 aggregates ad inventory across a diverse selection of external TV channels and advises/offers a suitable advertising package to brands/advertisers, either in return of commission as a percentage of advertising revenue, or a gap between the buying and selling ad inventory price.</p>	<ul style="list-style-type: none"> As of June 2018, Yeah1 is the ad spots manager for 19 TV channels, most of them being local TV channels Yeah1 claims that it is the first and the largest independent TV advertising agency in Vietnam
<p>Movie business: Yeah1 is respectively involved in film investment, production, marketing, and distribution in return of film profit, a production service fee, or a commission as a percentage of ticket revenue for each tiered movie business activity.</p>	<ul style="list-style-type: none"> Yeah1 claims that it is constantly amongst the top 5 film producers in Vietnam, with 10-12 movies per year. In 2017, Yeah1 produced 12 movies out of 50 movies (24% market share). Among Yeah1 movies are blockbusters such as "Sieu sao Sieu Ngo", "Em chua 18", "Co Gai den tu hom qua"
<p>YouTube MCN: As a YouTube Multi-channel Network (**), Yeah1 provides some supporting services to many YouTube channels under its network in return of a percentage of advertising revenue that YouTube pays to YouTube creators.</p> <p>Revenue of YouTube ads comes from brands/advertisers that pay YouTube to have their advertisements watched by YouTube audiences. YouTube pays 55% of the revenue from brands/advertisers to Yeah1, and then Yeah1 pays 70-95% of the revenue from YouTube to YouTube creators.</p> <p>Yeah1 also received directly advertising revenue from brands for tailor-made online marketing campaigns.</p>	<ul style="list-style-type: none"> 1,000 YouTube creators under Yeah1's network No. 1 YouTube MCN since 2017, accounting for 25% of all YouTube views in Vietnam No. 1 YouTube network in Asia and No. 6 Globally in terms of views (by Oct 2017, Social Blade) out of 200 MCNs 4.4 bn average monthly views in 2017 149 mn subscribers in 2017 13.9% CMGR in views since June 2015 to Dec 2017
<p>GCPP: As a GCPP (***), Yeah1 acts as a digital advertising agency that manages ad inventory on behalf of client publishers in return of commission as a percentage of advertising revenue.</p> <p>Revenue of Google ads comes from brands/advertisers that pay Google to have their advertisements displayed on all Google ad platforms (i.e. publishers' websites, apps). Google pays 60% of the revenue from brands/advertisers to Yeah1, and then Yeah1 pays 70-95% of the revenue from Google to its client publishers.</p>	<ul style="list-style-type: none"> Manage 600 foreign and local websites & apps One of 5 full service GCPP licenses and 38 fragmented GCPPs in the world 1.4 bn average monthly impressions in 2017

How does it work?

WebFace Management: WebFace's major source of revenue is advertising revenue from the ads displayed on Yeah1's websites, in the forms of ad banners, rich media ads, overlays, embedded videos, etc.

Key highlights

- Yeah1 owns and operates over 40 websites
- 450 mn monthly views
- Notable websites include www.yeah1.com; www.zitu.me; www.2diol.tv; www.lady9.tv; www.yeah1plus.com

(*) Multi-Channel Networks ("MCNs" or "networks") are third-party service providers that affiliate with multiple YouTube channels to offer services that may include audience development, content programming, creator collaborations, digital rights management, monetization, and/or sales. MCNs can have two different types of channels under their YouTube network (1) **Affiliate channels** and (2) its **Owned & Operated (O&O)** channels

(**) GCPP: A full-service GCPP is licensed to manage advertising inventory on all Google ads platforms including websites, mobile applications, web-based games and non-YouTube videos. A GCPP has the access to the most advanced analytics tools provided by Google to optimize its client publishers' ad inventory.

Competitive advantages of Yeah1

In our opinion, as a fully-integrated media ecosystem that covers all platforms from traditional media (Television channels) to digital media (YouTube, Google, Facebook), Yeah1 has brought critical benefits to both content partners and brands/advertisers, which enhances its position in terms of competing with other competitors.

From the perspective of content partners: When content of a Yeah1's content partner is broadcasted in all kinds of platforms in both traditional and digital media that Yeah1 manages, its viewership has a chance to increase; the income of this content partner is then likely to rise accordingly.

From the perspective of brands/advertisers: When a brand/advertiser comes to Yeah1, they will have a chance to advertise their products to wider audiences through both traditional and digital media. With the trend of increasing digital ads, Yeah1 with YouTube and Google Ad licenses can offer brands many digital advertising choices. As a result, the marketing campaign may have a higher impact on targeted audience.

Competitive landscape

Because Yeah1 is operating in different segments, we represent here the brief information on competitive landscape of different businesses:

- **TV cable channels:** There are currently 267 TV channels in Vietnam, of which around 50 channels are foreign. Yeah1TV and Yeah1Family channels are broadcasted via the VTVcab broadcasting system, the second largest Pay-TV provider in Vietnam, with a 24% market share and 2 million subscribers in 2016. UNI channel, the youngest TV channel of Yeah1 with the exclusive content from Universal Music Group (UMG), is broadcasted on the system of SCTV, the largest Pay-TV provider in Vietnam, with 29% market share in 2016. The IMovie channel is broadcasted on Binh Duong TV, one of the largest cities in Vietnam. Yeah1 claims that its 4 TV channels are amongst the Top 30 most highly rated channels nationwide.
- **YouTube MCN:** There are approximately 200 MCNs in the world, of which 10 are based in Southeast Asia and only 3 in Vietnam. 3 MCNs in Vietnam include POPS Worldwide, as well as Yeah1 and Metub, the latter of which has been recently bought by Malaysia's WebTVAsia. POPS Worldwide was set up in 2008, and became the first MCN in Vietnam. It had held a No.1 position in Vietnam for several years up to 2016. According to Social Blade, in Oct 2017 Yeah1 ranked No. 1 in Asia and No. 6 globally, with 4.6 bn views compared to the 20.6 bn views of the largest MCN (in Oct 2017) named BroadbandTV.

No.	MCN	Country	Ranking in its country	Monthly views (bn)	No. of subscribers (mn)
1	Yeah1	Vietnam	1	2.645	59.13
2	POPS Worldwide	Vietnam	2	1.5	33.34
3	METUB Network	Vietnam	3	0.786	23.53
4	GMM Digital	Thailand	1	0.78	27.83
5	Online Station	Thailand	2	0.7	49.19
6	Work Point TV	Thailand	3	0.579	10.65
7	RCTI Indonesia	Indonesia	1	0.233	4.15
8	Believe	Indonesia	2	0.218	3.53
9	Netmediatama	Indonesia	3	0.167	3.52
10	ABS-CBN	Phillipines	1	0.709	17.73
11	GMA	Phillipines	2	0.423	5.04
12	Maker Studios	Phillipines	3	0.039	4.27

Source: www.kedoo.com, Oct 2017

- **GCPP:** According to Google, there are 38 GCPPs in the world, 5 of which have a full-service license as of March 2018.

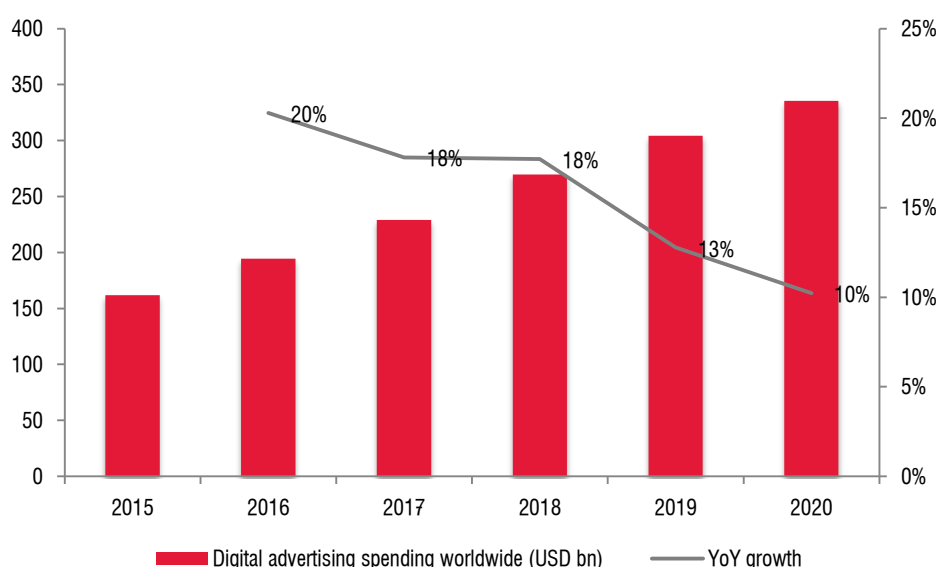
Digital Ad market trend

The global advertising industry had a total revenue of \$102 bn in 2017, representing a CAGR of 3.1% between 2013 and 2017. In comparison, the Asia-Pacific and US industries grew with CAGRs of 5% and 1.9% respectively over the same period, having reached respective values of \$32bn and \$42bn in 2017.

The performance of the industry is forecast to accelerate, with an anticipated CAGR of **3.6%** during 2017 - 2022, a growth period which is expected to drive the industry to a value of \$121 bn by the end of 2022. Comparatively, the Asia-Pacific and US industries will grow with CAGRs of **4.2%** and 3.3% respectively over the same period, projected to reach respective values of \$39bn and \$50bn in 2022.

Globally, the increase in smartphone and internet penetration has caused **a shift in the advertising industry to a more digitalized landscape**. An improvement in the quality and range of broadband access in developing countries has continued to assist the growth of digital advertising. The number of people with access to the internet is growing, which has provided advertising companies with the opportunity to interact and target a wider range of consumers. 60% of global online ad spending goes to Google or Facebook. Traditional forms of advertising are believed to remain significant, but digital will continue to remain the most lucrative channel.

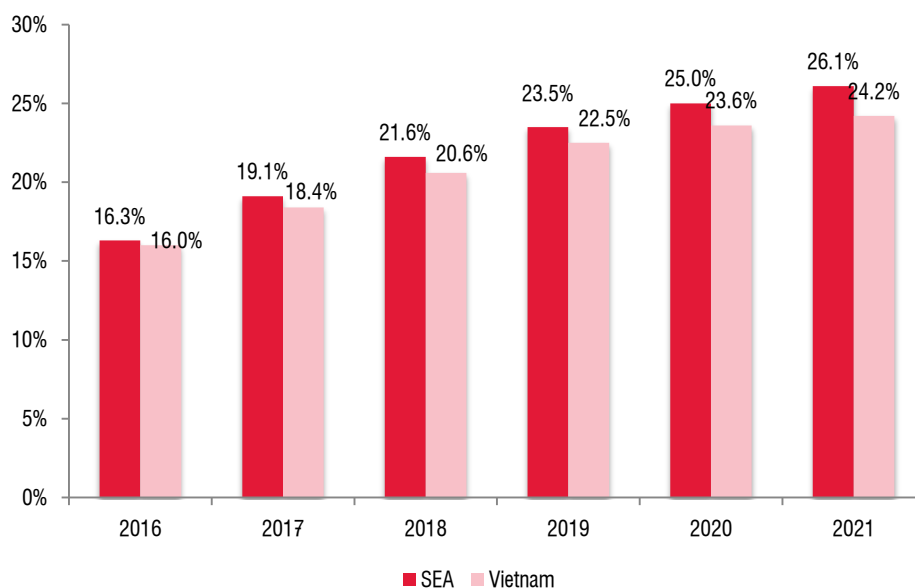
Digital advertising spending worldwide (USD bn)



Source: Statista

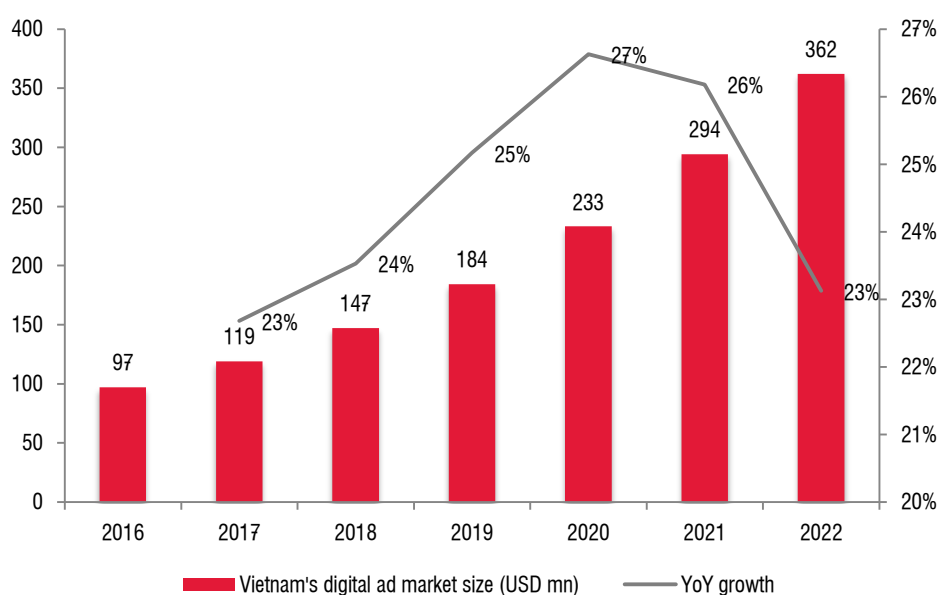
In Southeast Asia market, the share of digital ad spending in total ad spending has also increased across almost all countries (Singapore, Malaysia, Philippines, Thailand, Vietnam, and Indonesia).

Digital Ad Spending Share of Total Media Ad Spending in SEA and Vietnam (2016-2021)



Source: eMarketer

According to Statista, the Vietnamese digital advertising market size reached \$119 mn USD in 2017 and is expected to grow at a CAGR of 25% in the next 5 years.

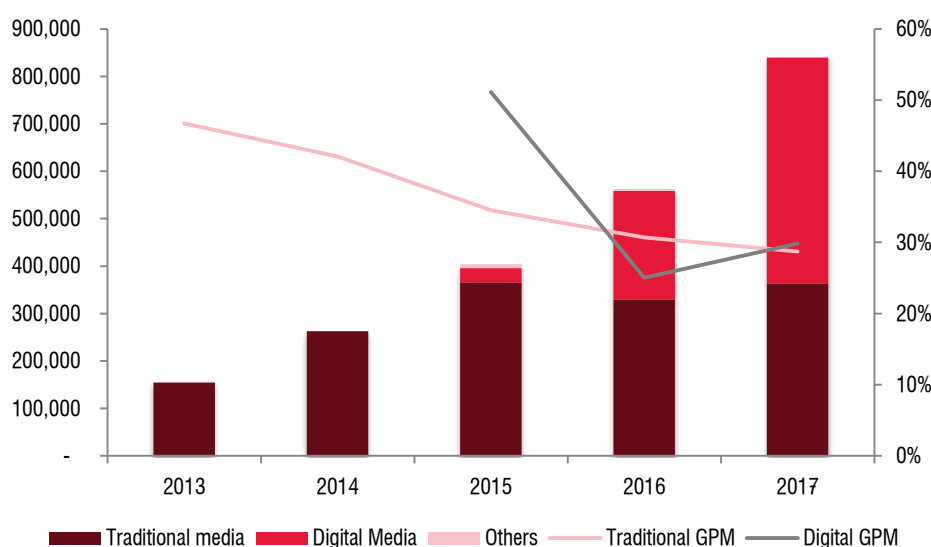


Source: Statista

Historical performance

Yeah1 enjoyed a CAGR of **50%** for sales in the last 5 years (2012-2017). Before 2015, ad revenue from its 3 TV channels was the key sales growth driver at CAGR of 50% for 2012-2015. Since 2015 when Yeah1 acquired its YouTube MCN license, its growth driver was replaced by digital ad revenue (YouTube), which grew at a CAGR of 241% for 2015-2017. Over the same period, traditional ad revenue nearly went flat because of Yeah1's doubling down on its digital strategy, as well as a shift in the advertising industry to a more digital field. As a result, the share of digital media in advertising revenue increased from zero in 2013 to 57% in 2017, a massive change witnessed over the last 4 years.

Net sales and GPM by segment (VND mn, %)



Source: Yeah1, SSI Research

2017 is another key milestone for Yeah1, when it added two more key businesses into its portfolio by acquiring a 50.5% stake in TNT Advertising Communication Company Limited (a TV media buying agency) on 15 Jan 2017, and a 51% stake in Netlink Online Communication JSC and Netlink Online Corporation (Google Certified Publishing Partner) on 1 July 2017. These 2 acquisitions generated VND 286 bn in total to Yeah1's net sales (~34%) in 2017.

Traditional media

- *TV channels ad revenue* increased from VND 154 bn in 2013 to VND 365 bn in 2015, and then plunged to VND 203 bn in 2017. Starting from 2016, both total ratings¹ of Yeah1's TV channels and the average price per rating slid. In 2017, total ratings reached 75,785 (-13.8% YoY), and average price per rating was VND 1.79 mn (-25.6% YoY). Accordingly, gross margin of this segment declined from 46.7% in 2013 to 32.4% in 2017.
- Although TV channel ad revenue declined significantly by -37% YoY in 2017, traditional media revenue was unchanged thanks to the consolidation of *TNT Media* in Jan 2017. The gross margin of TNT media in 2017 was 19.4%.

¹ In TV industry, viewership or the number of people watching TV channels at a certain time period, is measured by "rating". Rating of a TV channel is estimated by an independent research firm or the government body.

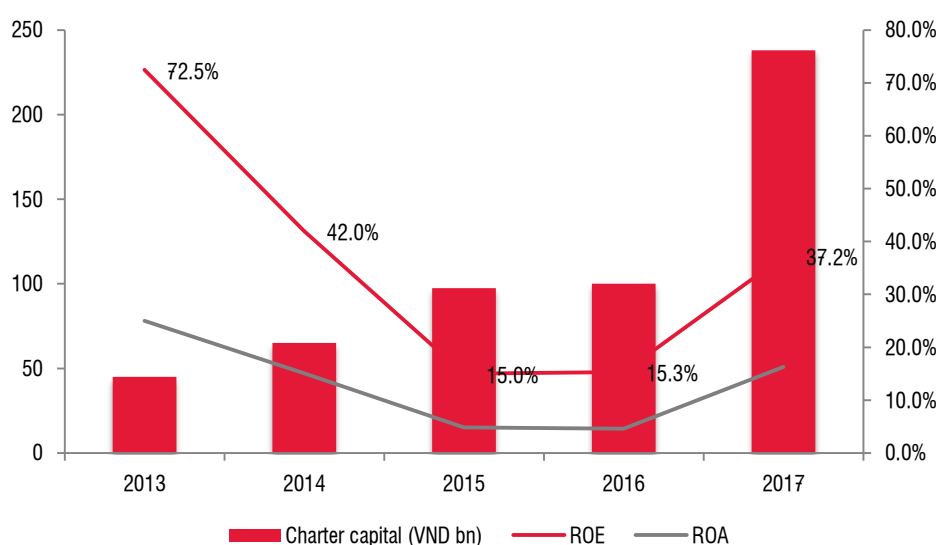
Digital media

- *YouTube ad revenue* was up 12.7x from VND 18.8 bn in 2015 to VND 239 bn from the monumental increase of its monthly average view, from just 200 million in 2015 to 4.44 bn in 2017, while YouTube Cost per thousand impressions (CPM) slid from \$0.36 to \$0.29 over the same period (CAGR: -10%). With expertise in producing content since 2006, Yeah1 has a highly experienced team to find promising content creators, and to work with them closely to build up their YouTube channels. In 2016, Yeah1 developed its in-house Artificial Intelligence (AI) analytics dashboard with 20 engineers, data scientists, and media analysts to understand more about their YouTube audience so that Yeah1 and its content partners can focus on trending topics and increase the number of views. Due to the decline of CPM, GPM slid from 39.4% in 2015 to 27.8% in 2017.
- *Direct sales marketing campaign revenue* increased more than 8x from VND 6 bn up to VND 50 bn. With a high number of content creators and viewers, more and more brands such as Unilever, P&G, Biore, Kotex, etc. have approached Yeah1 regarding an advertising platform for their products and services in the format of in-clip promotions within Yeah1 video content. Gross margin of this segment was 37.1%, higher than that of standard YouTube ad revenue.
- *Non-YouTube ad revenue* reached VND 188 bn thanks to the consolidation of Netlink since 1 July 2017. The ad impressions of Netlink increased by 73% YoY up to 17.2 mn in 2017, and CPM also increased from \$0.05 in 2016 to \$0.34 in 2017. Since Netlink joined Yeah1 Group in July 2017, its Ad Exchange impressions and CPM increased by 17.7% and 13.6% per month in 2H 2017. Gross margin of this segment amounted to 14.1% in 2017.

Overall, its GPM declined from 45.2% in 2012 to 29.4% in 2017, due to: (1) reduction of the TV channels ad segment; (2) decline in YouTube CPM and (2) inclusion of some new businesses that have a lower GPM (i.e. TV media buying agency, GCPP).

As a result, net profit increased at a high CAGR of 37% during the 2012-2017 period, lower than the net sales CAGR of 50% over the same period. Its net margin was 9.8% in 2017.

Charter capital (VND bn), ROE and ROA (2013-2017)



Source: Yeah1, SSI Research

In the last 5 years, Yeah1 continuously raised its charter capital. ROE was high at 37.2% and D/E ratio stayed at a healthy level of 0.29x in 2017.

1H 2018 results

In 1Q 2018, its net sales and net profit totaled VND 330 bn (+88.4% YoY) and VND 39.2 bn (+420% YoY). Such high growth is thanks to the consolidation of Netlink since 1 July 2017, and the organic growth of existing businesses. Gross and net margins increased from 25.4% and 4.3% in 1Q 2017 to 32.1% and 11.9% in 1Q 2018.

On 2 Jan 2018, Yeah1 purchased a 25% increased stake in Netlink, raising its ownership ratios at this company, which will be a growth factor for 2018 sales and earnings.

According to notes to the financial statements, traditional media ads jumped 2.53x while digital media slightly declined by -5% YoY. Since the end of 2017, YouTube has been restructuring, and it seems that YouTube and many MCNs in the world stopped working with many small channels because of copyright issues. According to Yeah1, YouTube issued a list of channels that are allowed to place ads and earn revenue. Yeah1 and YouTube have been working together to place qualified channels under Yeah1's network into the list. However, thanks to being a media ecosystem, when digital media ad revenue slowed down, there has more demand in turn for traditional media demand. Furthermore, Yeah1 TV channel has been placed into the "Group M" Inventory List classification in early 2018 (*Group M is an advertising agency for many MNCs such as Unilever and P&G for ads on TV channels, and currently there are only around 10 TV channels, all possessing stable and high ratings, on the list*).

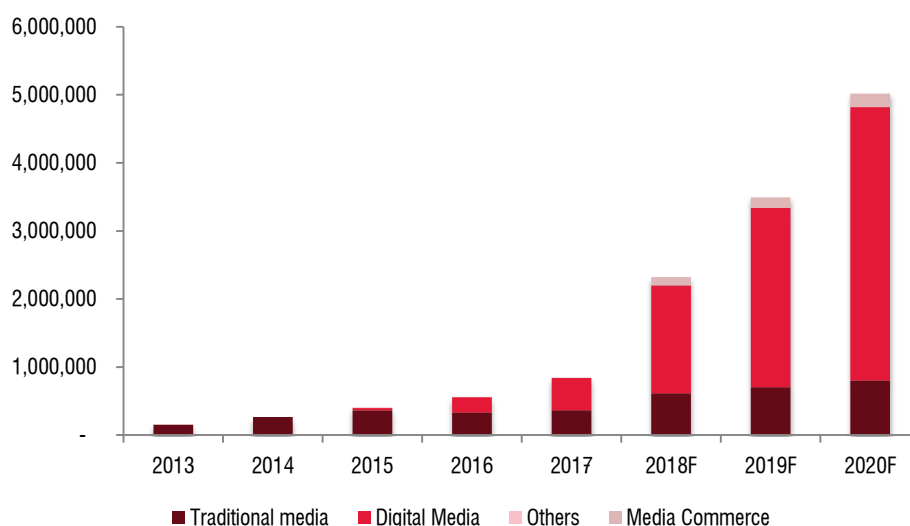
For 2Q 2018, management estimates that Yeah1 may earn VND 389 bn in revenue and VND 41.2 bn in net profit. Accumulatively, 1H 2018 revenue and net profit reached VND 719 bn and VND 80.4 bn respectively, accounting for 45% and 47% of Yeah1 2018 targets approved in the 2018 AGM (sales VND 1.6 tn (+90.4% YoY) and net profit VND 172 bn (+109% YoY).

Business Outlook

Strategy – Shifting gear to digital media advertising and overseas

In the next 3 years, Yeah1 continues to **shift gear to digital media advertising**, of which CAGR will be 103% and this proportion will consistently increase from 57% in 2017 to 68% in 2018, 75% in 2019, and 80% in 2020. The key driver for high growth of digital media ads is the GCPP business, with a CAGR of 176% over 2017-2020 period, while the current biggest revenue stream (YouTube MCN) is projected to grow at a CAGR of 32% over the next 3 years. The Company also will add a new business named Media Commerce, and targets that it will bring in about ~4% of total Company revenue by 2020. We think that the key financial difference between digital and traditional media ads boils down to cost structure. For traditional media ads, most costs (~88%) are fixed cost and up-front, such as content production expenses, and broadcasting costs paid out to cable TV operators (VTVcab, SCTV), as well as some administrative expenses. For digital media ads, content production costs paid to content partners is on a variable cost basis (revenue sharing), and allocated to content partners after Yeah1 received money from YouTube. This involves a higher proportion of digital media ads, and a more flexible cost structure for Yeah1.

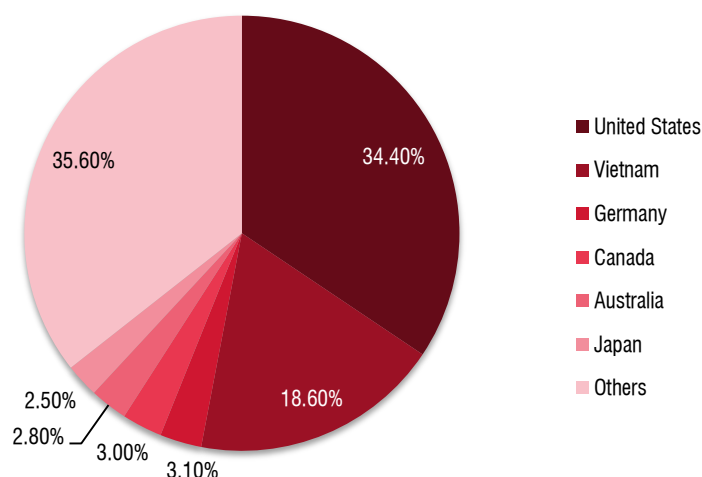
Net sales by segment (VND mn) in 2013-2021F



Source: Yeah1, SSI Research

Within digital media, Yeah1 will expand to global markets. The reason for expanding overseas boils down to the fact that CPM in Vietnam is much lower than regional countries (Vietnam: \$0.60, Philippines: \$1.30, Thailand & Indonesia: \$1.70, USA: \$7.20, Canada: \$6.20, Australia: \$8.00, Japan: \$5.00, source: Yeah1). In 2017, although 64.3% of views were from Vietnam, domestic market created only 18.6% of revenue. If Yeah1 succeeds in this strategy, its profit margin may improve. Overall, Yeah1 targets its net margin to increase from 7.0% in 2017 to 10%, 12.5% and 12.9% in 2018, 2019 and 2020 respectively.

YouTube MCN revenue by market (2017)



Source: Yeah1

Traditional media:

- **TV channels:** In future, Yeah1 does not plan to launch any new TV channels. Instead, it will put more emphasis on improving its content quality in order to raise its TV channels' rating. In Jan 2018, Yeah1 signed an exclusive MOU with UMG. Accordingly, Yeah1 has access to full content of UMG's content library, and is allowed to distribute all UMG content on its platforms and vice versa. The youngest TV channel of Yeah1 (UNI Channel) positions itself as a channel for music content, with the support of exclusive content from UMG.
- **TV media buying agency:** In the next 1-2 years, Yeah1 plans to work directly with channels having achieved the highest ratings in Vietnam such as VTV and THVL. Currently, Yeah1 is working with 19 channels, of which there are some high-rated channels (among top 20 channels in HCM/Can Tho/Danang/Mekong Delta in Q1 2018) such as HTV7 and HTV9.
- **Movie business:** Yeah1 plans to involve in 12-15 film projects each year, and target a 50% market shares of the domestic movie industry over the next 3-5 years. It will focus more on marketing and producing new movies instead of simply investing. It also considers the move to import and distribute foreign movies in Vietnam, the segment that CVG and Lotte are currently the most active players in.

Digital media:

- **YouTube:** Yeah1 plans to increase the number of subscribers by 10% annually over the next 3 years. In order to raise viewership, instead of increasing the number of channels (currently 1,000 channels), Yeah1 will increase the quality of content by (1) finding and recruiting talented YouTube creators, (2) building a large content library to attract high performing channels, and (3) adding more premium content (i.e. content from UMG). Especially, it targets to push viewership overseas by adding more content with no language (children's programming and games) and expanding regionally via M&A (i.e. in early 2018, Yeah1 acquired Springme, a Thailand-based MCN with 100 mn average monthly views, and is currently considering two deals in Indonesia and Philippines, expected to be concluded within 2018).
- **Non-YouTube:** Yeah1 will seek potential technology publishers working with Google in order to utilize the ad spots of these publishers. It will place more emphasis upon regional markets with a higher CPM.

Media Commerce:

Per management, although it has to invest heavily in content production for TV channels, it can only sell around 50% of its ad inventory. Yeah1 then plans to offer the 50% unutilized ad inventory on its 4 TV channels to SME clients. The new business segment is called “media commerce”. On behalf of SME clients, Yeah1 will create ad content in various formats such as videos (TV, YouTube videos), web articles, and social network posts, and distribute these ads across its platforms. In return, Yeah1 can receive a share of clients’ revenue after sales are realized.

Yeah1 targets net sales of VND 120 bn (vs. VND 0 in 2017), VND 158.4 bn (+32% YoY) and VND 198 bn (+25% YoY) in 2018, 2019, and 2020 respectively, accounting for ~4-5% of total net sales in the next 3 years.

Yeah1’s Business Plan

Yeah1 set an aggressive 3 year business plan as follows:

VND mn	2017A	2018P	2019P	2020P
Net revenue	840,350	2,319,699	3,493,714	5,014,943
% YoY growth	49%	176%	51%	44%
Gross profit	246,966	607,558	845,168	1,163,694
% YoY growth	60%	146%	39%	38%
Gross margin	29.4%	26.2%	24.2%	23.2%
Net profit attributable to parents' shareholders	58,872	232,651	435,642	645,881
% YoY growth	265%	295%	87%	48%
Net margin	7.0%	10.0%	12.5%	12.9%

Source: Yeah1’s Information Memorandum. 2018 targets are set higher than targets approved by 2018 AGM

Capital raising plan (2018 & 2019)

Yeah1 has paid out a stock bonus of 15%, and raised their charter capital from VND 238 bn to VND 273.7 bn (the ex-right date was on 10 April 2018). After listing, it will increase its charter capital as follows:

- **Private placement:** 3.91 million shares will be issued to Mr. Nguyen Anh Nhung Tong (Chairman) in order to raise the charter capital from VND 273.7 bn to VND 312.8 bn. Lock up period: 1 year from issuing date. 70-80% of raised funds is to be invested into digital media (domestic M&As, regional expansion and content production), with the remaining in Media commerce. At the same time, existing shareholders sell 7.8 million shares (~25% of the outstanding shares of 31.28 million shares) to financial investors at the offer price of VND300,000/share which are unlocked.
- **ESOP:** 3% of the outstanding shares at the time of issuance if 2018 net profit exceeds the target of VND 172 bn (+109% YoY). The issuing price will be determined later, but at least will be equal to 2018 BVPS. ESOP shares are expected to be issued after Yeah1 2018 audited financial statements are released (i.e. Q2 2019).

Valuation

Based on 1H 2018 results, it is likely that Yeah1 can achieve its 2018 targets approved by the AGM (sales VND 1.6 tn (+90.4% YoY) and net profit VND 172bn (+109% YoY). The YouTube MCN business is lower than expected due to the change in policy of YouTube as of late 2017. However, the traditional media business result is better than expected. And with the consolidation of TNT media and Netlink, we think 2018 targets are feasible.

Accordingly, we estimate that 2018 EPS will be VND 5,500 on average for outstanding shares. At the listing price of VND250,000/share and the offer price to financial investors of VND 300,000/share, its 2018 PER is estimated to be 45x and 54x. The PER seems to be quite high as compared with Vietnam's stock market 2018 PER of ~15-16x, and regional media companies of 34x. With expectations of high growth by the Company in the next 2 years, its valuation could gradually become more reasonable in scope over time. Based on Yeah1 2018 target sales of VND 1.6tn, at the listing price of VND250,000/share and the offer price to financial investors of VND 300,000/share, its 2018 PS is estimated to be 4.1x and 5.0x which are comparable with regional peers' of 4.02x.

No.	Ticker	Company name	Country	Gross margin (%)	Net margin (%)	Operating margin (%)	EBITDA margin (%)	ROE (%)	ROA (%)	D/E	Current PER	Current PBR	EV/EBITDA	Current PSR
1	3990 JP EQUITY	UUUM Inc	JAPAN	27.36	3.69	5.13	5.33	46.39	16.30	62.12	111.06	41.82	N.a	4.10
2	BEC TB EQUITY	BEC World PCL	THAILAND	16.84	0.55	1.74	35.26	(4.69)	(2.09)	56.95	N.a	2.70	7.48	1.61
3	GRAMMY TB EQUITY	GMM Grammy PCL	THAILAND	35.26	(5.06)	6.21	17.81	(38.35)	(7.45)	57.75	N.a	7.90	33.73	1.01
4	MAJOR TB EQUITY	Major Cineplex Group PCL	THAILAND	33.59	13.30	14.15	29.04	17.95	8.59	72.69	19.44	3.56	14.14	2.70
5	PLANB TB EQUITY	Plan B Media Pcl	THAILAND	33.99	15.45	18.64	33.53	14.34	11.74	0.71	44.48	5.99	21.94	7.17
6	RS TB EQUITY	RS PCL	THAILAND	38.79	9.51	13.25	29.19	29.89	9.46	64.79	43.38	13.47	31.74	4.52
7	VGI TB EQUITY	VGI Global Media PCL	THAILAND	61.00	21.50	33.01	44.03	26.94	9.62	29.79	58.45	12.37	33.86	13.47
8	WORK TB EQUITY	Workpoint Entertainment PCL	THAILAND	54.80	23.47	32.98	46.12	22.60	14.56	10.50	20.78	4.14	18.62	4.76
9	MNCN IJ EQUITY	Media Nusantara Citra Tbk PT	INDONESIA	62.14	20.61	37.80	43.92	14.28	8.62	37.59	10.62	1.51	6.63	2.00
10	SCMA IJ EQUITY	Surya Citra Media Tbk PT	INDONESIA	58.81	29.89	39.79	44.26	34.79	25.07	1.52	23.36	7.62	18.58	7.21
11	VIVA IJ EQUITY	Visi Media Asia Tbk PT	INDONESIA	N.a	5.47	25.45	52.65	1.58	0.44	120.22	112.22	1.76	6.30	1.36
12	LINK IJ EQUITY	Link Net Tbk PT	INDONESIA	79.21	29.63	39.92	58.87	23.08	18.31	2.90	12.86	2.78	7.82	3.81
13	BMTR IJ EQUITY	Global Mediacom Tbk PT	INDONESIA	48.78	4.56	26.29	39.64	5.64	1.98	72.62	14.07	0.77	5.26	0.67
14	MSKY IJ EQUITY	MNC Vision Network PT	INDONESIA	8.66	(10.90)	3.74	39.06	(15.87)	(5.17)	112.37	N.a	3.20	9.17	2.41
15	ASTRO MK EQUITY	Astro Malaysia Holdings Bhd	MALAYSIA	40.88	13.93	20.61	39.97	113.14	11.44	606.92	11.25	12.33	7.46	1.52
16	MPR MK EQUITY	Media Prima Bhd	MALAYSIA	N.a	(54.41)	(49.01)	(25.02)	(58.48)	(34.64)	40.68	N.a	0.77	8.53	0.47
17	STAR MK EQUITY	Star Media Group Bhd	MALAYSIA	49.94	17.44	3.98	17.22	9.96	6.85	11.71	11.01	1.00	735.65	1.70
18	MCIL MK EQUITY	Media Chinese International Ltd	MALAYSIA	34.86	(4.03)	(2.30)	0.90	(5.87)	(3.59)	33.92	N.a	N.a	N.a	N.a
19	SUNTV IN EQUITY	Sun TV Network Ltd	INDIA	N.a	38.31	52.44	67.63	26.04	23.51	0.34	29.14	7.06	15.76	11.16
20	Z IN EQUITY	Zee Entertainment Enterprises Ltd	INDIA	N.a	22.12	28.23	30.95	20.81	13.98	15.12	36.42	7.12	25.75	8.06
21	4803 TT EQUITY	VHQ Media Holdings Ltd	TAIWAN	53.31	25.02	35.89	44.67	31.86	13.24	124.06	16.52	6.11	11.36	4.12
22	ABS PM EQUITY	ABS-CBN Corp	PHILIPPINES	39.42	8.19	10.14	23.62	10.65	4.36	61.08	6.38	0.69	3.92	0.53
Average				43.20	10.37	18.10	32.67	14.85	6.60	72.56	34.20	6.89	51.18	4.02

Source: Bloomberg, 21 June 2018

Our initial view

Yeah1 is one of the leading companies in a sector with promising prospects. Global digital advertising spending is expected to increase at a CAGR of 13.5% in 2017-2020. In Vietnam, digital ads account for 18.4% of the total domestic advertising market, below the global average of 30%. Vietnam seems to lag behind other countries in terms of digital ads. Therefore, the Vietnamese digital ad market is projected to grow by 25% over the 2017-2022 period.

The competitive advantage of Yeah1 is that it is an integrated media ecosystem which covers all platforms, from traditional media (Television channels) to digital media (YouTube, Google, Facebook).

We believe that Yeah1's management is visionary, which has been proven through the continuous expansion of the Group to digital ads in 2015, and to the non-YouTube segment in 2017. We think it is crucial for a company operating in ever-changing sectors like tech and media.

It is very difficult to forecast Yeah1's businesses beyond 2018, especially when the Group keeps considering domestic and overseas M&A deals. It also will cooperate with new partners such as AKB48 (Japan), and may get a new license from Facebook, while applying new advertising technologies developed by Google (DoubleClick Manager). Therefore, we do not represent our projection in the report. However, we think that the Group can enjoy strong growth.

The business is totally new and quite difficult to understand/forecast for locally-based retail/institutional investors. The valuation looks pricey if we look at 2018 PER, and only becomes gradually more reasonable if the Group can deliver high earnings growth in the next few years.

We think the biggest risk of Yeah1 is the reliance on Google's policy, technology, and platforms, of which any change in partner policies can have significant impact on its businesses. Furthermore, the overseas digital ad market may have higher levels of competition than is the case from within Vietnam, and regarding some M&A cases, results may vary.

Appendix: Historical Financial Statements

VND Billion	2013	2014	2015	2016	2017
Balance Sheet					
+ Cash	11	12	7	13	42
+ Short-term investments	0	12	66	26	36
+ Account receivables	76	89	134	176	249
+ Inventories	31	24	16	48	74
+ Other current assets	34	9	10	19	35
Total Current Assets	153	146	234	282	436
+ LT Receivables	0	19	39	19	70
+ Net Fixed Assets	19	15	20	14	13
+ Investment properties	5	5	0	0	0
+ LT Assets in progress	0	41	45	2	0
+ LT Investments	0	0	0	0	8
+ Other LT Assets	7	18	12	37	131
Total Long-Term Assets	35	98	116	72	222
Total Assets	188	245	350	355	657
+ Current Liabilities	83	136	202	221	294
<i>In which: ST debt</i>	<i>17</i>	<i>65</i>	<i>118</i>	<i>81</i>	<i>67</i>
+ Non-current Liabilities	30	18	47	24	30
<i>In which: LT debt</i>	<i>30</i>	<i>18</i>	<i>47</i>	<i>24</i>	<i>30</i>
Total Liabilities	113	154	248	245	325
+ Contributed capital	45	65	98	100	238
+ Share premium	0	0	0	0	24
+ Retained earnings	20	20	1	1	42
+ Other capital/fund	10	5	2	8	29
Shareholders' Equity	75	91	101	110	333
Total Liabilities & Equity	188	245	350	355	657

Cash Flow					
CF from operating activities	-42	14	-24	25	26
CF from investing activities	-4	-39	-59	47	-127
CF from financing activities	46	26	78	-66	130
Net increase in cash	0	1	-5	5	29
Beginning cash	11	11	12	7	13
Ending cash	11	12	7	13	42

Liquidity Ratios					
Current ratio	1.84	1.08	1.16	1.28	1.48
Acid-test ratio	1.06	0.83	1.03	0.97	1.11
Cash ratio	0.13	0.18	0.37	0.18	0.26
Net debt / EBITDA	0.51	1.02	2.92	3.36	0.60
Interest coverage	13.72	6.61	2.11	2.73	6.94
Days of receivables	71.0	67.7	47.7	60.0	59.0
Days of payables	33.9	47.7	54.9	55.1	60.4
Days of inventory	68.0	66.2	28.3	28.6	37.7

Capital Structure					
Equity/Total asset	0.34	0.37	0.29	0.31	0.51
Liabilities/Total Assets	0.60	0.63	0.71	0.69	0.49
Liabilities/Equity	1.75	1.70	2.45	2.23	0.98
Debt/Equity	0.73	0.91	1.62	0.96	0.29
ST Debt/Equity	0.26	0.72	1.16	0.74	0.20

VND Billion	2013	2014	2015	2016	2017
Income Statement					
Net Sales	154	263	404	563	840
COGS	-83	-152	-258	-408	-593
Gross Profit	71	111	146	154	247
Financial Income	0	1	4	5	10
Financial Expense	-3	-8	-22	-17	-21
Income from associates	0	0	0	0	0
Selling Expense	-7	-18	-33	-54	-53
Admin Expense	-28	-43	-78	-63	-86
Income from business operation	33	42	16	25	97
Net Other Income	-2	0	3	-3	-1
Profit Before Tax	31	42	19	22	96
Net Income	23	33	14	16	82
NI attributable to shareholders	21	30	14	16	59
Minority interest	3	3	0	0	23
Growth					
Basic EPS (VND)	6,355	3,085	1,465	1,429	5,419
BVPS (VND)	14,388	12,672	9,710	10,158	12,795
Dividend (VND/share)	0	0	0	0	0
EBIT	34	50	36	35	112
EBITDA	36	52	39	37	123

Growth					
Sales	38.7%	70.1%	53.7%	39.3%	49.4%
EBITDA	44.6%	46.0%	-25.3%	-4.8%	231.4%
EBIT	37.1%	47.5%	-27.2%	-3.9%	222.0%
NI	35.6%	39.0%	-55.8%	11.8%	410.2%
Equity	N.a	40.1%	11.6%	8.3%	203.5%
Chartered Capital	N.a	44.4%	50.0%	2.6%	138.0%
Total assets	N.a	30.2%	43.0%	1.4%	85.4%

Profitability Ratios					
Gross Margin	46.3%	42.1%	36.1%	27.4%	29.4%
Operating Margin	23.3%	18.5%	8.1%	6.3%	12.4%
Net Margin	15.2%	12.4%	3.6%	2.9%	9.8%
Selling exp./Net sales	4.7%	7.0%	8.1%	9.6%	6.3%
Admin exp./Net sales	18.0%	16.4%	19.3%	11.2%	10.2%
ROE	72.5%	42.0%	15.0%	15.3%	37.2%
ROA	25.0%	15.1%	4.9%	4.6%	16.3%
ROIC	45.2%	26.9%	12.5%	10.6%	29.8%

Source: Yeah1, SSI Research

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- ❖ Underweight: The analyst expects the performance of the industry over the next 6-12 months with caution vs. the relevant broad market.

**The market required rate of return is calculated based on 5-year Vietnam government bond yield and market risk premium derived from using Relative Equity Market Standard Deviations method. Our rating bands are subject to changes at the time of any significant changes in the above two constituents.*

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