

Yeah1 Group JSC

Mã giao dịch: YEG

Reuters: YEG.HM

Bloomberg: YEG VN

SHARES INFORMATION

Trading exchange	HSX
52-week price range	N/a
Market cap	6,678 Bil VND
Outstanding shares	27.369.968
10-day average volume	260.560
% foreign owned	49%
Foreign room	49%
Dividend per share	N/a
Dividend yield	N/a
Beta	N/a

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A pioneer with unparalleled comprehensive media distribution network to capture the upcoming growth of both international and domestic's advertising market.

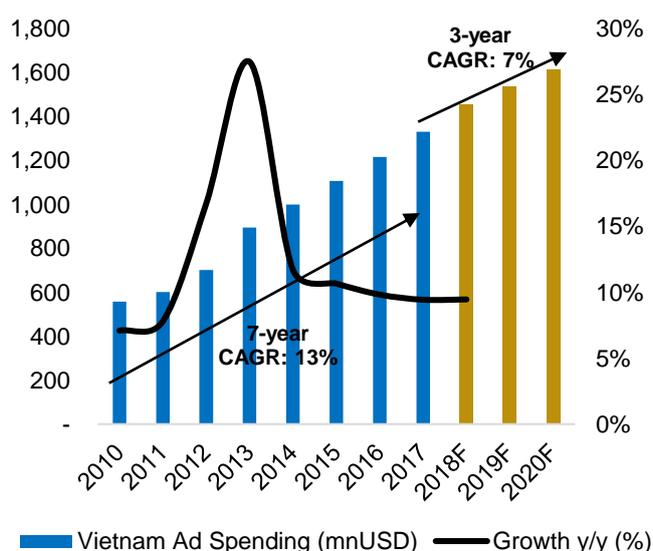
- **Yeah1 Group (HSX: YEG)** is not only a leading media and advertising business in Vietnam but also one of the fastest-growing digital media companies in Asia.
- The company successfully developed and integrated media and advertising platforms in forms of both **traditional** and digital media. In the meantime, YEG have gained and partnered with a large pool of content providers who remarkably target at the youth audience market.
- Substantial content hub and being one of the only 5 companies with Google Certified Publishing Partner license over the world will be the key advantage. YEG also operates a **YouTube** Multi Channel Network (MCN) which is ranked 1st in Asia and 6th in the World.
- The Company's upcoming development will be driven by (1) continuous growth of the overall advertising industry and (2) the outpaced growth of digital advertising, **where** YEG is being one of the leading players, versus traditional channels.
- Company guidance of **5-year CAGR of 55% and 80% for Revenue and NPAT-MI** respectively, resulting in **2022E Implied P/E of 7.2x** at the closing price of 256,700VND/share on 4th July 2018.
- While **YEG looks attractive compared to regional peers** (See Section 4), its 2018 forward P/E of 47.2x indicates most of the company's value lies in the future, which essentially depends on the achievability of its ambitious 5-year plan. Therefore, **we think YEG may only be appropriate for long-term and risk-tolerable investors** who understand not only the enormous upside of the company given the industry's potentials, but also the noticeable downside risks of the company's forecasts due to possible M&A failures, changes in Government policies and superfast technological evolution in Digital Marketing.

1. Investment Thesis

The listing of YEG on HOSE on 26th June 2018 marked the first time a multi-platform marketing company is ever listed on the stock exchange in Vietnam. This not only introduced to the stock market a brand-new investment coverage but also an interesting case of extremely high valuation (i.e 119x P/E 2017 at listing price) with a substantially high growth promise in return. While we think there are certain downside risks (See Section 7), BVSC believes that it is too early to deny the company's potentials. All the key points that constitute our optimistic expectation about the Advertising Industry as a whole and YEG specifically are summarized as follows:

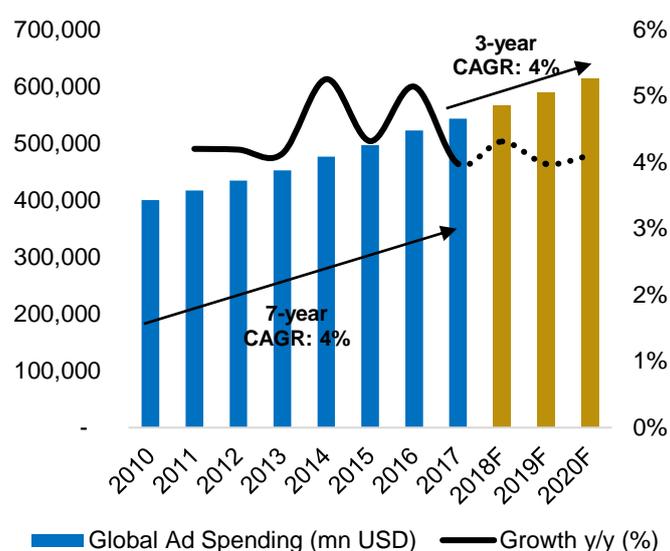
- **Vietnam Ad Spending is expected to maintain its outpacing growth versus Global Ad Spending.**

Figure 1: Vietnam Ad Spending (mnUSD)



Source: Statista, Zenith and BVSC

Figure 2: Global Ad Spending (mnUSD)

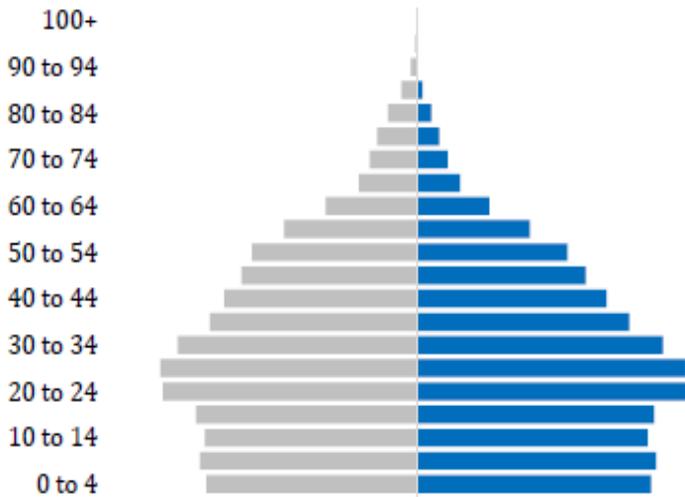


Source: Zenith

As the comparison in **Figure 1 and Figure 2**, Vietnam Advertising market has enjoyed a robust growth during 2010-2017 with 7-year CAGR of 13% meanwhile Worldwide Ad Expenditure only grew by 4% annually in average. Those remarkably strong growth of Vietnam Advertising could be explained by that:

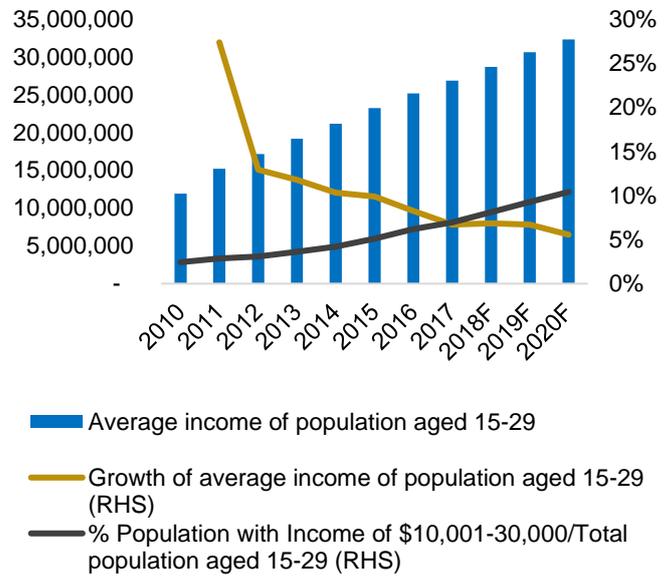
- The market is in the early stage of development which is quite young and small versus developed nations.
- A supporting macro factors which includes rising of middle-income class and young population demographics, which are attractive to consumer brands who are the key growth engine in total ad spendings.
- A rising internet penetration rate which introduces new opportunities in Digital Marketing beside Traditional Marketing.

Figure 3: Vietnam’s Demographics by Age & Gender



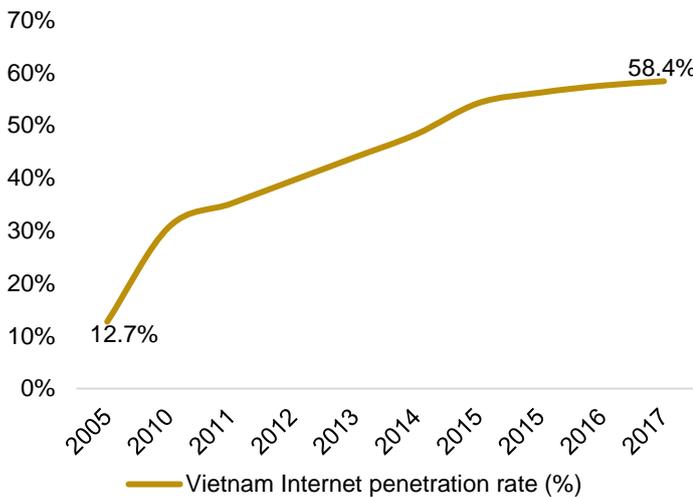
Source: General Statistics Office of Vietnam

Figure 4: Middle-income class in Vietnam



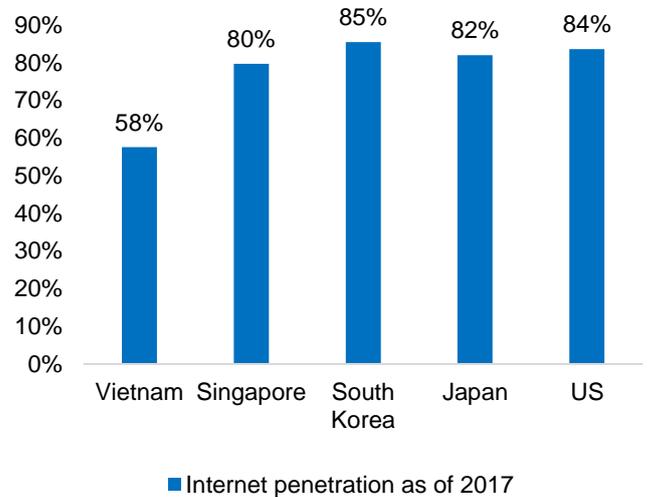
Source: Euromonitor and BVSC

Figure 5: Vietnam Internet penetration development



Source: Statista and BVSC

Figure 6: Vietnam Internet penetration versus others



Source: Statista and BVSC

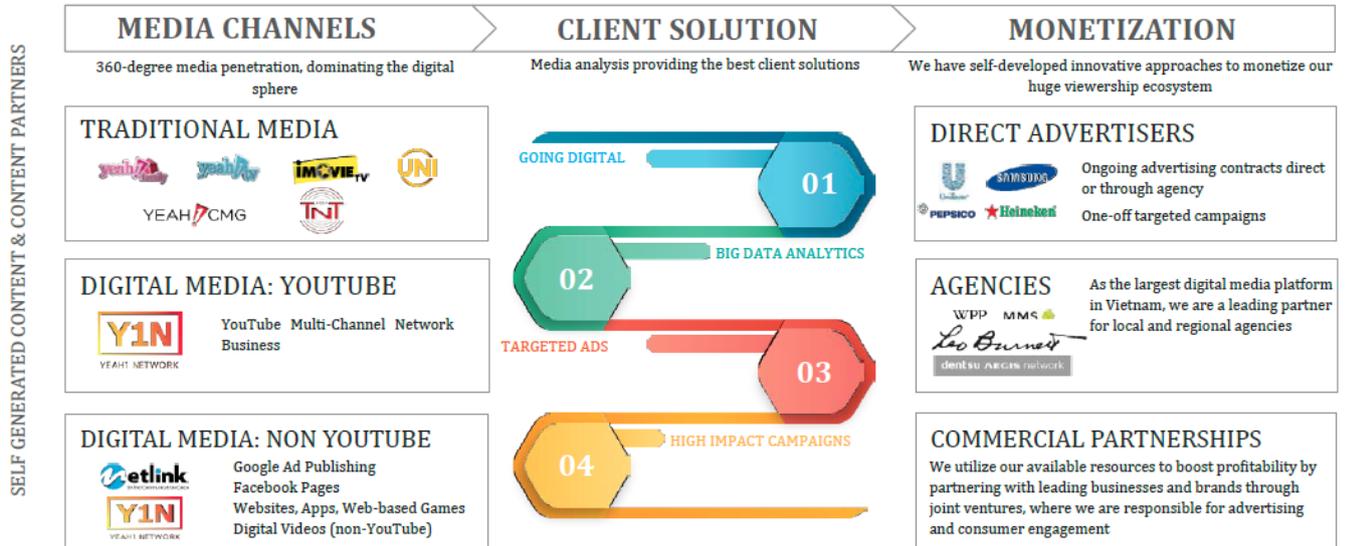
Going forward, thanks to the continuous development of middle-income class, especially among the young population, Advertising in Vietnam is expected to maintain its outpacing growth versus International Ad Spending with 3-year CAGR of 7% vs 4% respectively.

- **Multi-Platform Ads Solutions are key ingredients to success given an increasingly dynamic Marketing Industry, which we think YEG is capable of delivering**

The unique media ecosystem of YEG consists of both Traditional channels (TV channels) and Digital (Google platforms, YEG webpages and fan pages). This extensive coverage enables YEG to provide brands and advertisers with advertising packages on various channels, allowing for flexibility in audience

& marketing medium selection, budget optimization and thus maximizing positive marketing outcome (i.e appropriate audience reach and influence).

Figure 7: Fully-Integrated Business Model of YEG

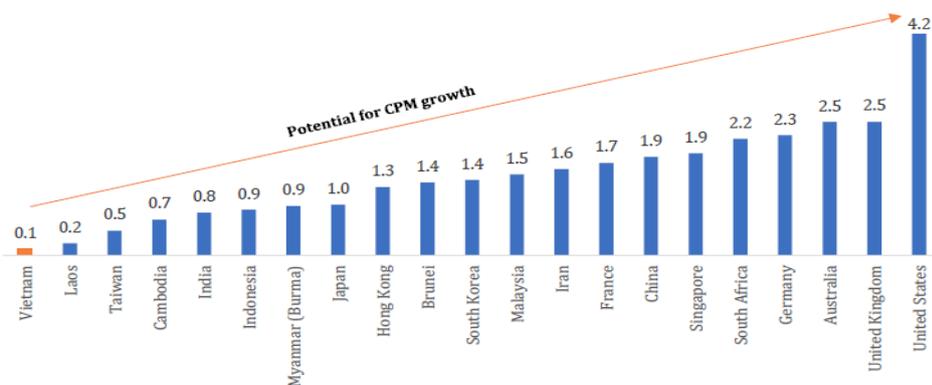


Source: Yeah1 Group

- **YouTube Multi-Channel Network (MCN) and Full-Service Google CPP License allow for revenue diversification beyond geographical borders and monetizing the imparity in global CPM**

YEG is currently operating an Global's 6th ranking MCN and a full-service GCPP license along with the other 4 players in the World. Please refer to **Section 3.1** and **Section 3.2.1** for Details of YouTube MCN and Google's platforms-related operation respectively.

Figure 8: Netlink's CPM by markets



Source: Netlink

Those partnership with Google allows YEG to operate not only domestically but also overseas. However, there is a gap of Cost-per-Impressions (CPM), known as average unit selling price per this business across various markets, in which the local unit selling price currently appear significantly

lower versus overseas markets like US, UK and Canada. This creates a remarkable opportunity for YEG that this gap of CPM will be fulfilled in upcoming years with the Vietnam Advertising market's attractiveness for the consumer brands. Moreover, during awaiting for the tightened gap, thanks to the international operation feature of those digital platforms, YEG is also generating its large part of revenues from those high-CPM like the US. *Please see Section 3.1 and Section 3.2.1 for Details.*

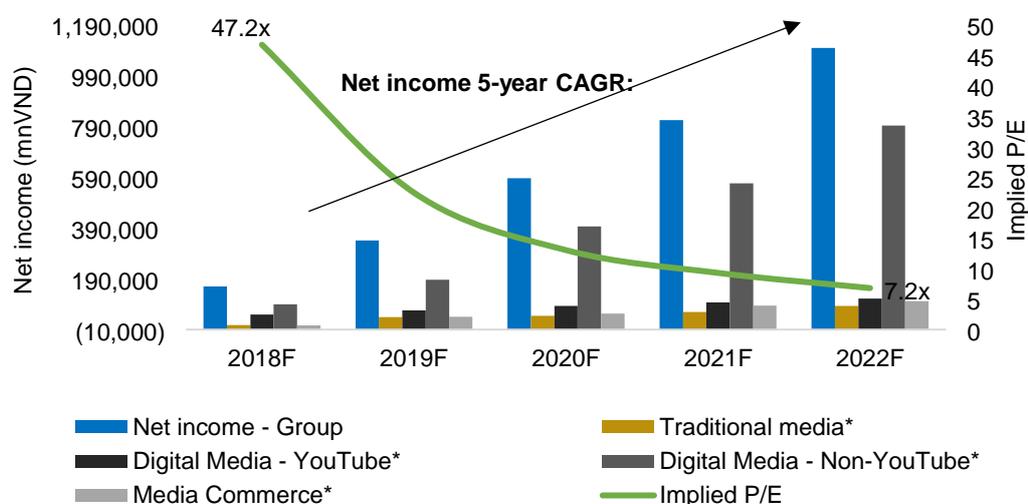
- **Deep bond with and thorough understanding of one of the most important target audience.**

Yeah1 TV channels through their operation have formed a various of audience community with each category-focused content which mainly target at the young population during its first establishment in 2008. The most significant accomplishment happened since the birth of Digital arm with YouTube MCN and Fan pages. To illustrate, YEG's YouTube MCN has accumulated 149 subscribers along with its Facebook Fan page's community of 48 million followers. BVSC believes that this vast young community is an invaluable asset, generating essential inputs about market trends which are highly appealing to brands not only to optimize their ads spending but also to improve the actual products.

- **Attractive and ambitious Company's 5-year plan, translating in Implied 2022E P/E of only 7.2x backed by 5-year CAGR of 80% of Net income.** *Please refer to Section 4 for Details*

While YEG looks attractive compared to regional peers (See Section 4), its 2018 forward P/E of 47.2x indicates that most of the company's value lies in the future, which essentially depends on the achievability of its ambitious 5-year plan with Net income CAGR of 80%. Therefore, we think YEG may only be appropriate for long-term and risk-tolerable investors who understand not only the enormous upside of the company given the industry's potentials, but also the noticeable downside risks of the company's projection due to possible M&A failures, changes in Government polices and superfast technological evolution in Digital Marketing.

Figure 9: Company's 5-year Net income projection.

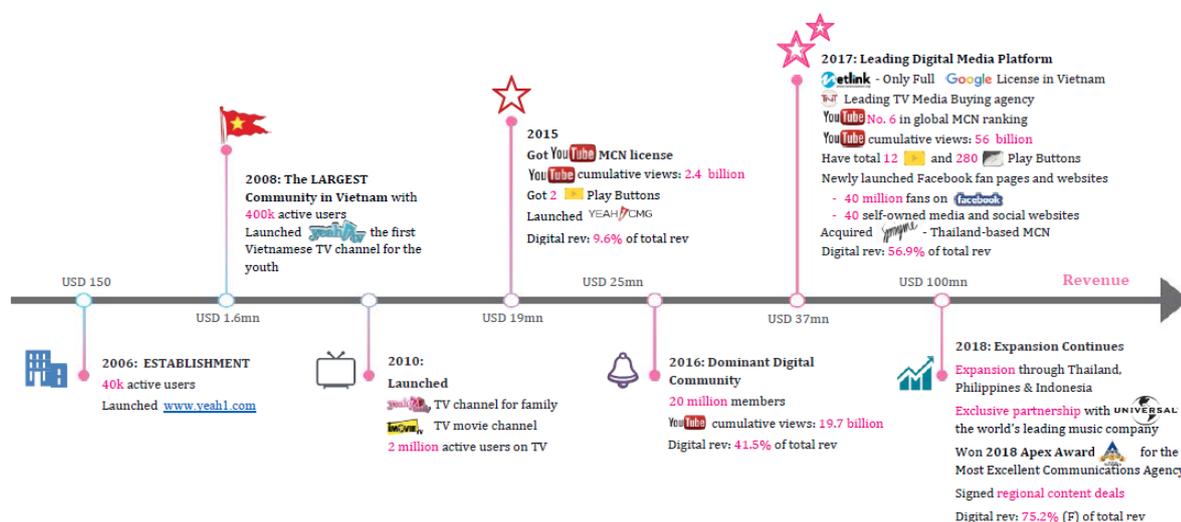


Source: Yeah1 Group

- **Possible additional capital raise to finance future strategic M&A plan can be considered a supporting factor for market price, reducing downside volatility.**

2. Company Overview

Figure 10: YEG’s key milestones



Source: Yeah1 Group

Yeah 1 Group Corporation (YEG) is not only the pioneer media and advertising company in Vietnam but also one of the fastest-growing digital media player around the World.

Figure 11: Ownership structure as of July 4, 2018

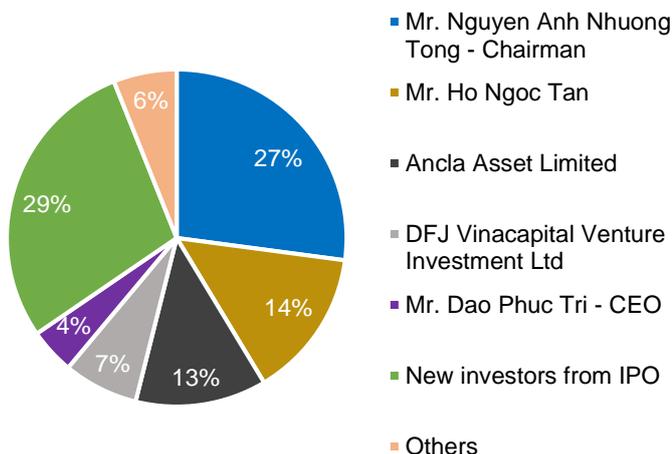
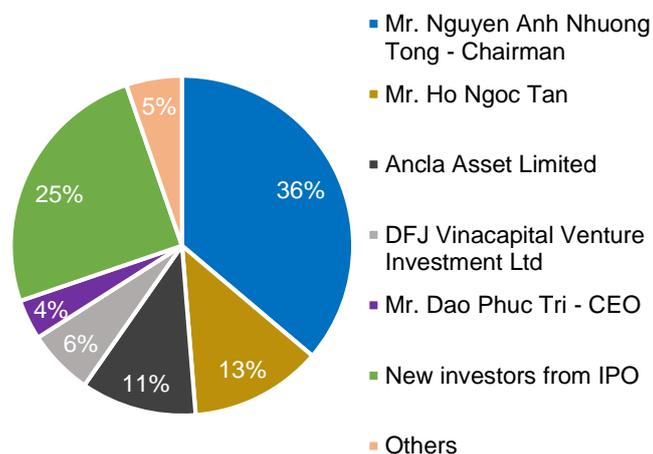


Figure 12: Ownership after the Private Placement



Source: Yeah1 Group

Back to 2006, Mr. Nguyen Anh Nhuong Tong and Mr. Dao Phuc Tri, currently Company Chairman and CEO respectively, found Yeah 1 Corporation with the main business of operating a website for the youth community, www.yeah1.com. Over the time, YEG has successfully evolved into an unparalleled media ecosystem focusing in three majors: Traditional media, Digital media via YouTube and Digital media – Non-YouTube.

Figure 13: YEG’s main business segment

Segment	Traditional Media			Digital Media (YouTube)	Digital Media (Non-YouTube)	
Division	 YEAH1 ENTERTAINMENT			 YEAH1 NETWORK		 YEAH1 NETWORK
Function	Cable TV Channels	TV Advertising & Media Buying Agency	Movie Business	YouTube Multi-Channel Network	Digital Publishing	WebFace Management
Description	Own and operate four (4) nationwide Pay-TV Channels: Yeah1 TV, Yeah1 Family, iMovie TV and UNI Channel.	Exclusive management of ad inventory on 10 leading TV channels and non-exclusive management for other 6 channels in Vietnam.	Specialized in film investment, film production and film marketing.	Manage over 1,000 YouTube channels, produce in-house content as well as partnering with creators and brands.	Manage digital ad inventory for more than 600 global websites and apps.	Operate 40 high-traffic websites of news and entertainment content for young adults. Monetize viewership on our Facebook fan pages.

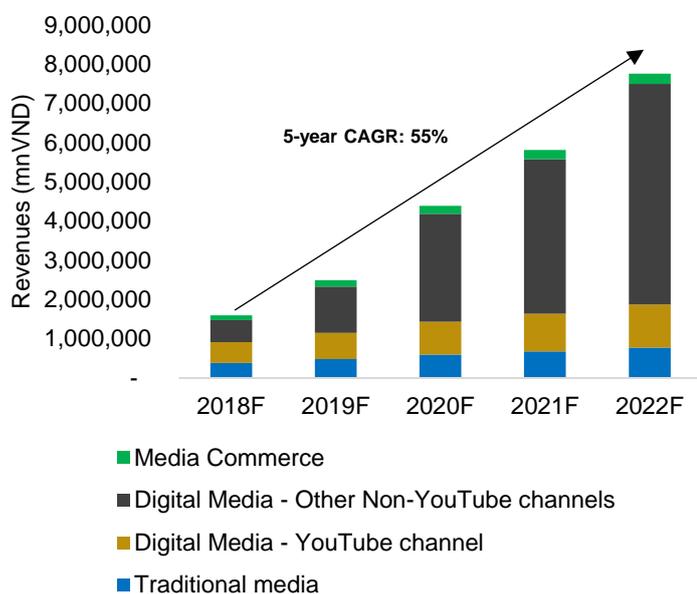
Source: Yeah1 Group

Three main business divisions of Yeah 1 Group:

- **Traditional media:** YEG have operated 4 TV channels for the youth community broadcasted nationwide via the 3 largest Pay-TV systems in Vietnam: VTVcab, SCTV and HTVCab. Moreover, YEG also owns a Media Buying Agency via TNT Media as well as a movie investment and production business, Yeah1 CMG.
- **Digital media – YouTube:** Since acquiring the Multi-Channel Network in 2015, this business arm has developed sturdily to form a network of more than 1,000 channels and achieve 4.4 billion views in average per month and 149 million subscribers to rank at 6th globally.
- **Digital media – Digital Publishing and WebFace:** Netlink, YEG’s subsidiary, is the only company and one of the only 5 globally who owns a full Google Certified Publishing Partner license in Southeast Asia. Furthermore, YEG, itself, also owns a network of website and Facebook fan pages attracting up to 48 million followers.

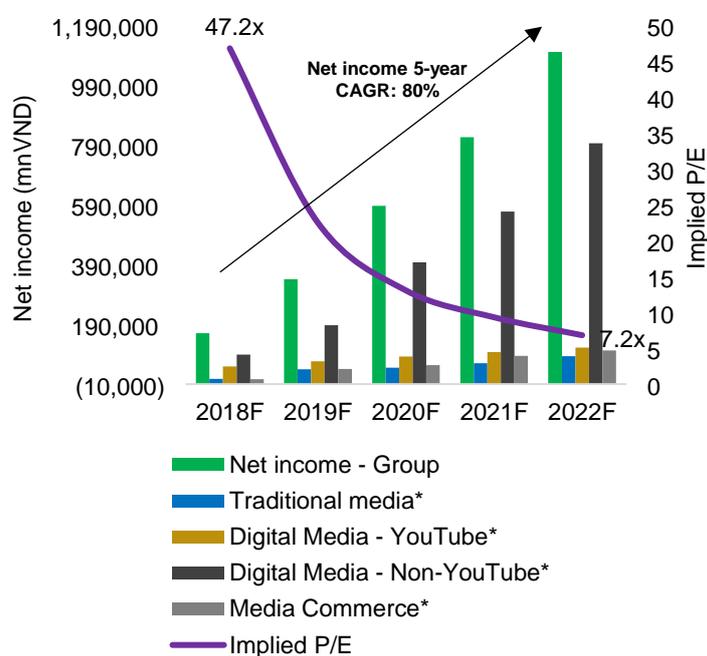
In general, within the media ecosystem business model, the major revenue stream of YEG is from advertising sector in which the three main interdependent indicators including: **Content, Distribution and Monetization**. Therefore, the Company management has expressed their strategies focusing in those key growth drivers to become the leading media ecosystem in Southeast Asia in the next 3 years. Apart from its organic growth, the Company also targets at M&A transactions, which will help YEG not only expand content hub but also develop the communities of followers/subscribers both locally and globally, which will enhance the current media ecosystem competitiveness.

Figure 14: Company's 5-year revenues projection



Source: Yeah1 Group

Figure 15: Company's 5-year Net income projection



*Net income before goodwill amortization
Source: Yeah1 Group

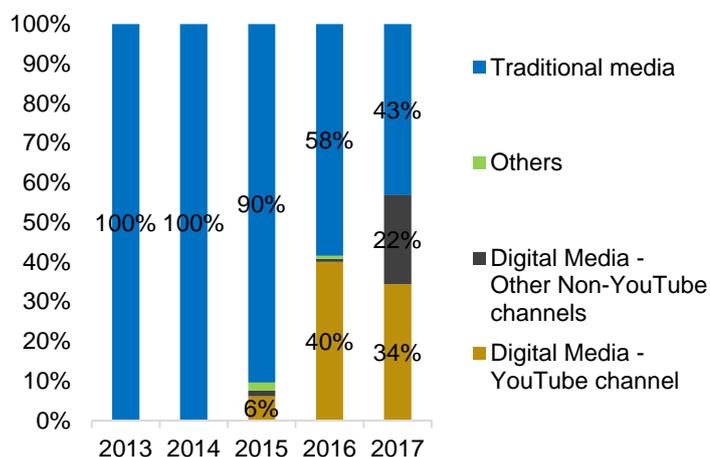
By the Company projection, it expects grow the **revenue** by **5-year CAGR at 55%** following key assumptions:

- **Advertising Market Growth** backed by macro factors including business confidence and consumer sentiment.
- **Shifting from Traditional Media to Digital Media** supported by the increase in the internet penetration, active social users and extensive presence of digital devices.
- **Development of Digital Technology** which can help improve the ads efficiency resulting in more advertisers will switch to the Digital segment versus others.
- **Content Quality and Quantity** are both expected for improvement thanks to YEG's acquisition plans as well as development of its in-house production team.

In term of **Profitability**, aligning to YEG's vision, till 2022, Digital divisions will grow by **66%** of **5-year CARG**, equivalent to 82% of Group's Adjusted Net income. This results in 80% of 5-year CAGR of Net income.

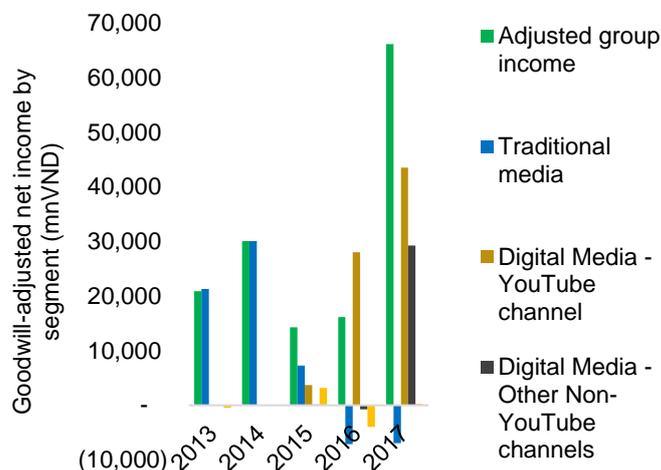
3. Business and Financial Analysis

Figure 16: YEG’s revenues breakdown development



Source: Yeah1 Group

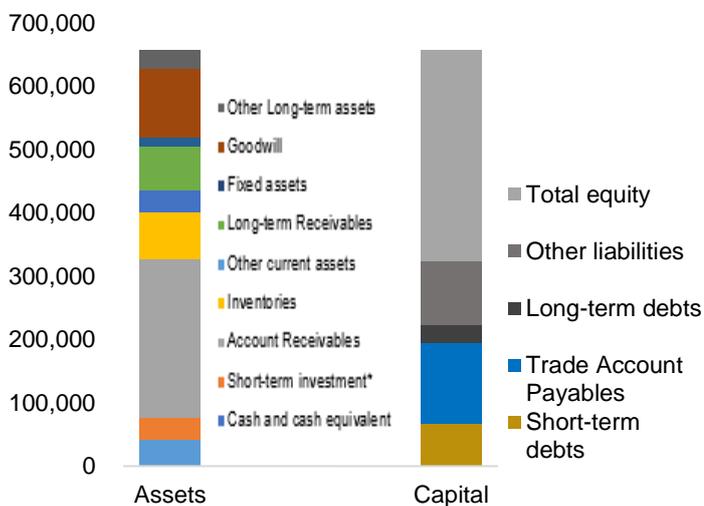
Figure 17: Goodwill-adjusted net income* by segments



* Adding back goodwill amortization
Source: Yeah1 Group

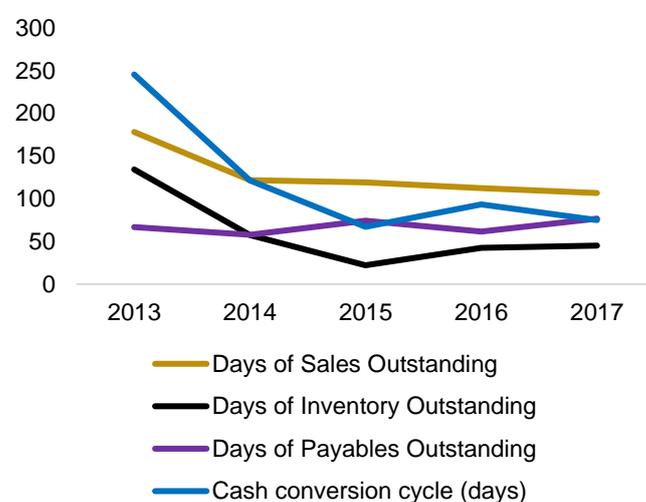
In 2008, YEG launched their first cable TV channel, which helped the Company successfully capture the booming of the Pay-TV industry in Vietnam during 2010-2015 period. Later in 2015, by obtaining the YouTube Multi-Channel Network, the Company have experienced a remarkable change in both Revenue and Net income structure as demonstrated by **Figure 13** and **Figure 14**. Specifically, its Digital Media segment experienced outstanding growth in both revenue and profit contribution while its Traditional Media segment incurred losses in 2016-2017 due to substantial upfront costs after intergrating into VTVCab system.

Figure 18: Assets and Capital structure as of FY2017



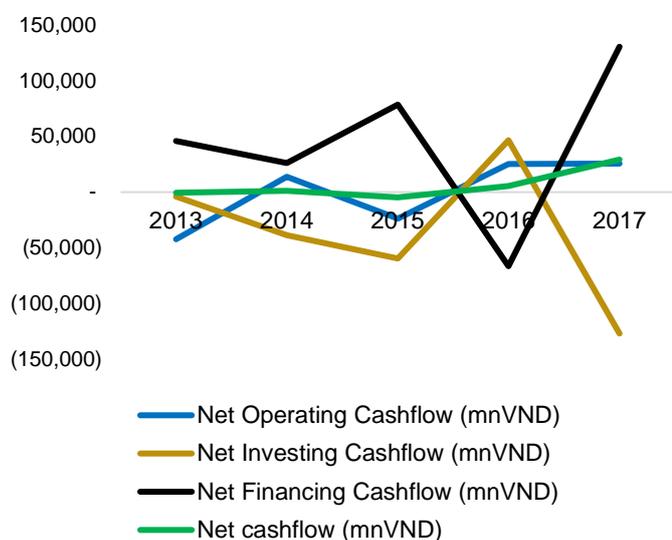
Source: Yeah1 Group

Figure 19: Historical Working Capital Development



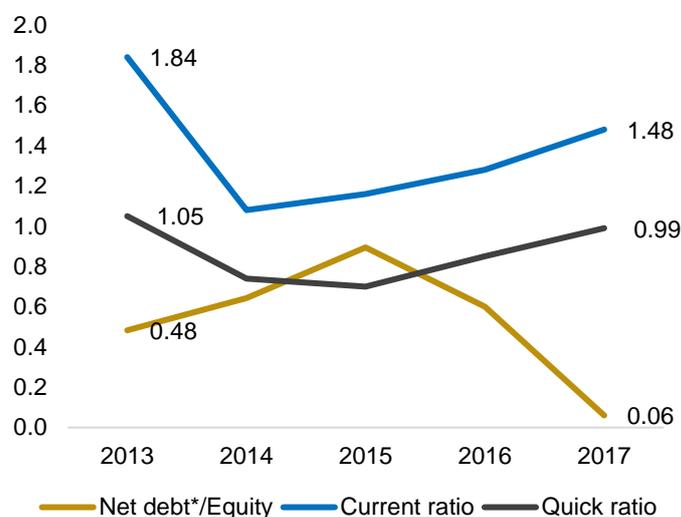
Source: Yeah1 Group

Figure 20: Cashflows development



Source: Yeah1 Group

Figure 21: Key financial metrics



*Adjusted for Short-term investments which is mainly term deposit
Source: Yeah1 Group

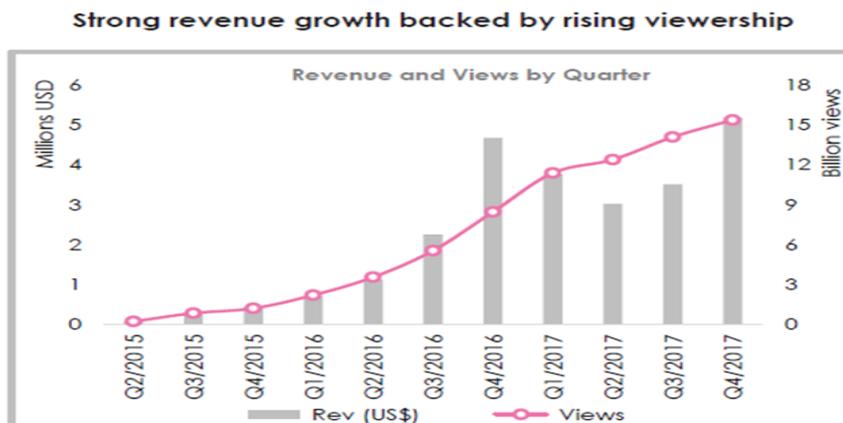
As shown in **Figure 18**, reflecting the business nature, Account Receivables accounts for 30% of the total assets in which it generally takes 3-4 months for credit sales to be paid as demonstrated in **Figure 19**. Furthermore, YEG's business nature is not in need of extremely huge capital expenditure in fixed assets, as a result, its Net debts/Equity ratio has remained significantly low in 2017 at 0.06x as **Figure 21**. In addition, following the Company's growth strategy, there is an amount of 109bnVND goodwill from its acquisition of subsidiaries including YNT Media, Netlink and Yeah1 Network. On the cash basis, YEG experienced net operating cash inflows in the recent 2 years meanwhile the remarkable investing cash outflow in 2017 related to its acquisition of subsidiary mentioned above which was financed by both debts and equity.

1. YouTube digital media - main stream of profit in 2017 with 66% contribution to Group income and expected to grow at 5-year CAGR of 66% of Income.

One of the foremost business arm in the recent 3 years and the upcoming 2018-2020 period with the main revenue from advertising sales shared by YouTube.

Yeah1 Network (Y1N) is a digital arm of YEG with the invaluable asset of the Multi-Channel Network (MCN) license granted by the largest video-sharing network empire, YouTube, in May 2015. Since that, Y1N has enjoyed an explosive growth to become the 6th largest MCN in the World and the No.1 in Asia in term of views with the Compound Monthly Growth Rate (CMGR) of views at 13.9%/month during June 2015-Dec 2017. In addition, Y1N's network consists of more than 1,000 channels, equivalent to 25% of YouTube channels in Vietnam, yielding monthly views of 4.4 billion in average and 149 million subscribers.

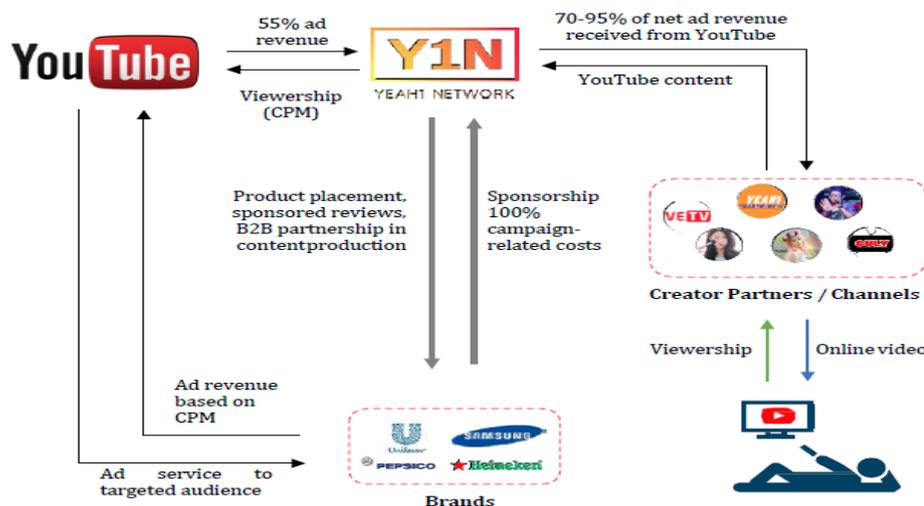
Figure 22: Quarterly revenues and viewership growth in 2Q2015-4Q2017 period



Source: Yeah1 Group

As an MCN operator, YEG seeks to cooperate closely with popular Youtube channels (or content creators) to form a win-win business relationship. Specifically, these creators will provide YEG with frequent and interesting content to attract viewership while YEG in return offer professional services such as content monetization (by ways of blending in ads), digital rights management, cross-promoting, target audience development, brand sponsorship collaborations and influencer marketing campaign. YEG will then recognize their revenue under the following sharing schemes:

Figure 23: Yeah1 Network (Y1N)'s Business Model



Source: Yeah1 Group

- i. shared revenues from YouTube (ca. 83% of this YouTube-related arm's revenues and profit) or;
- ii. direct sales to advertisers and brands who would like to show up in the network's video content.

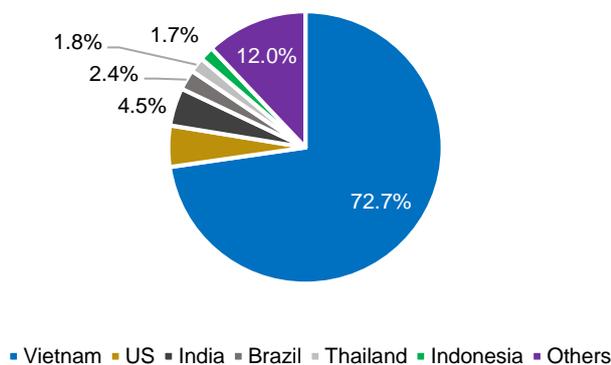
An extensive content library, a built-up massive community of subscribers and viewers and Data Intelligence Analytics tools are the key competitive factors of Y1N.

- **Massive content hub in terms of both Quantity and Quality:** Y1N currently manages a network of more than 1,000 channels which produce 30,000 videos monthly in comparison

with 4,500 videos monthly of “VTV Go” operated by VTV – Vietnam’s largest TV channel operator. In addition, strategic and commercial partnership with Universal Music Group – an internationally copyrighted music empire and Grammy – a leading media company in Thailand will further enhance Y1N’s content.

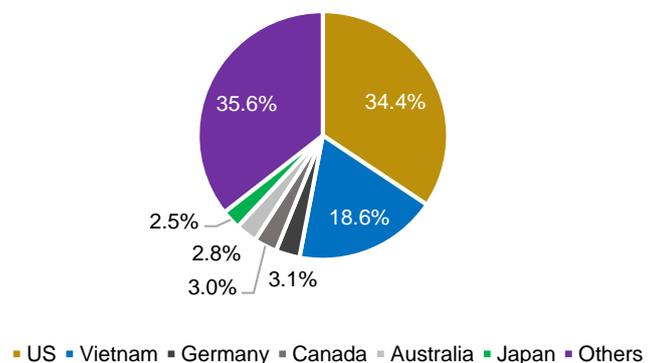
- **Valuable accumulated community of young generations** over 12 years of operation through the Websites, TV channels, YouTube Network and Facebook Fan page.
- **Data Analytics Tools along with a team of dedicated data engineers, scientists and media analysts** allow the business to understand and evaluate audiences’ preferences. As a result, they can optimize viewer-content matching and better utilize resources of both YEG and their partners.
- **Global circulation of locally-produced content is also competitive advantage of YEG** by targeting at high-CPM markets including US, Germany, Canada and Australia via Kids, Women & Beauty and Gaming content which is produced locally but not culture & language-specific. These markets contributed only 5.7% of total views but up to 43.3% of revenues.

Figure 24: Y1N MCN’s viewership breakdown by markets in 2017



Source: Yeah1 Group

Figure 25: Y1N MCN’s revenues breakdown by markets in 2017



Source: Yeah1 Group

- In addition, YEG also poses track records regarding successful sponsored marketing campaigns (such as Unilever’s “Yeah1 Super Star with 130 million views) and discovering and promoting talented content creators (such as Khoi My and Pho Dac Biet in Entertainment, HariWon and JustaTee in Music, Quynh Anh Shyn and Chloe Nguyen in Beauty sector).

2. Digital Media – Netlink and WebFace - The main driver with 5-year CAGR of 94% of Net income and contributing more than 70% of Group Income by 2022

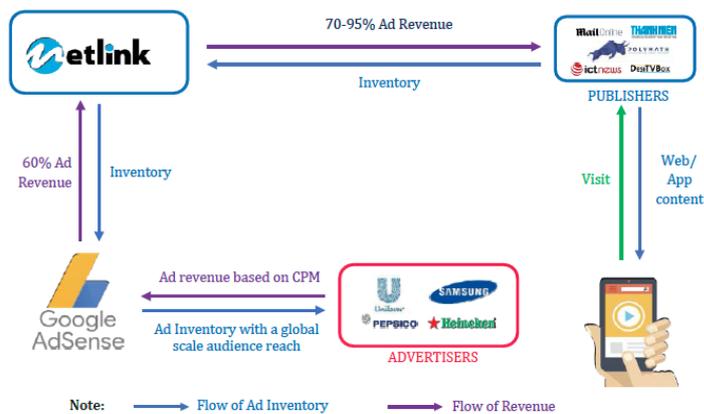
This digital division is divided into two main sub-divisions including: Netlink – a digital advertising solutions- specialized company and WebFace which is under management of Yeah1 Network who owns and operates a network of websites and Facebook fan pages targeting at the youth community.

2.1. Netlink – Digital Advertising Agency

Netlink – one of the foremost digital branches thanks to its ownership of the full-service Google Certified Publishing Partners (GCPP) license since 2015. In general, Netlink acts as the representative of Google’s Digital Advertising platforms (AdSense and AdExchange) to manage and monetize ad spots of a network of global web publishers, application and web-based game developers. YEG is holding 76% stake of Netlink as at January 2018.

AdSense – Google predecessor digital ad platform, is preferred by publishers with small visitor traffic.

Figure 26: AdSense Business Model

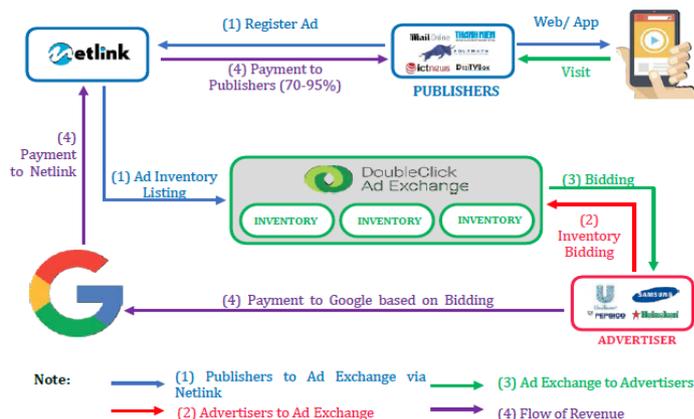


Source: Netlink

As shown in **Figure 26**, with deep understanding and high level of involvement in analyzing the demographics and preferences of a publisher’s targeted audience, Netlink adds value by improving ads placements on that publisher’s platform, whether webs or applications, ensuring optimal ad-viewer matching. In return, Google will distribute to Netlink 60% of the ad revenues, in which 70%-95% will be allocated by Netlink to their publishing partners.

- **Ad Exchange (AdX) – an innovative bidding platform for ad spot of high rating publishers.**

Figure 27: Ad Exchange Business Model



Source: Netlink

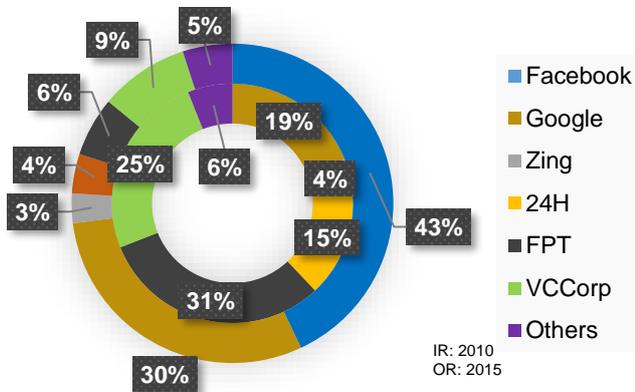
AdX is basically AdSense plus ad spot bidding, in which AdX offers advertisers an option to place ads on a specific publisher’s platform of their choice given that they have provided a competitive bidding price compared to other advertisers. This allows for remarkably better price, possibly up to 100 times higher than AdSense. As a result, AdX is high preferred by high-traffic publishers to take advantage of their massive viewership.

Full-service GCPP license, dedicated and talented technical teams and diversified markets are the key components for Netlink to maintain and development its position within the digital advertising industry.

- **Backed by the most advanced technology of the largest ad network empire – Google**
Being one of 38 GCPP license owners; and especially the only one Full-service license’s owner in Asia and along with the other 4 companies around the World, Netlink poses a prospective future growth along with the continuous dominance of Google within digital advertising platforms sector.

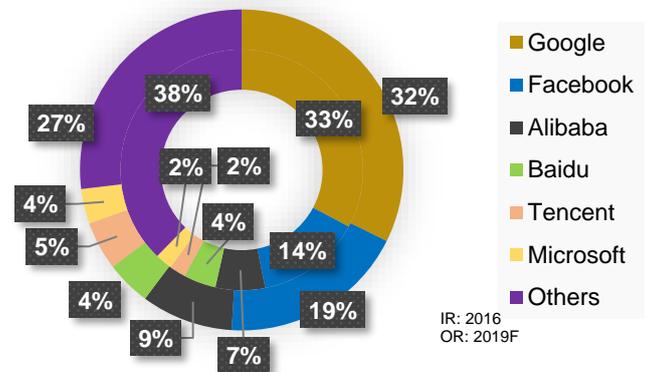
In addition, Full-service GCPP license allows Netlink to provide service to unlimited digital advertising platforms including but not limited to websites, non-YouTube digital videos, web-based games and mobile applications.

Figure 28: Global Digital Advertising Market Share



Source: Statista

Figure 29: Digital Advertising Market Share in Vietnam



Source: Statista

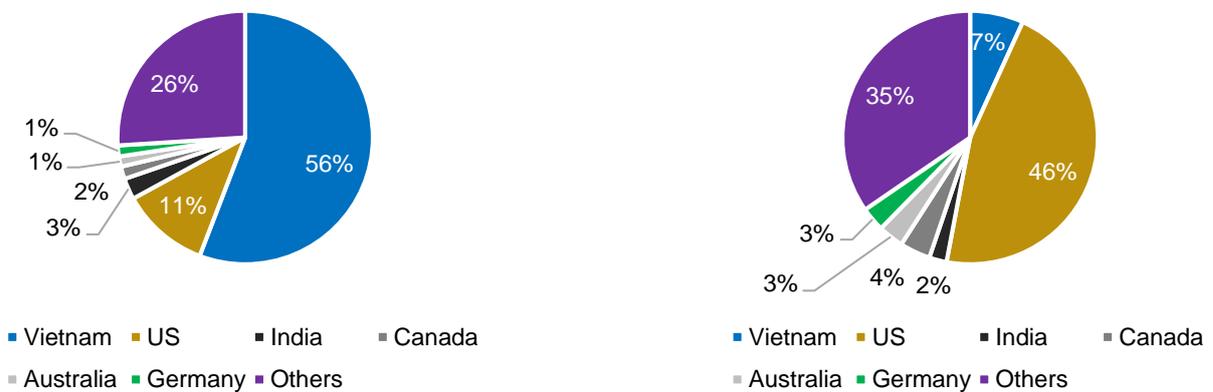
- **Dedicated and talented technical teams to evaluate and optimize Publishers’ profitability.**

Given Netlink’s founders consisting of a team of skilled IT engineers, they are competent of analyzing publishers’ user data, implement solutions to maximize visitor traffic and then optimize advertising revenues. Furthermore, Netlink also offers their own value-added services for their partnered publishers including (1) Search Engine Optimization – to maximize online visibility and (2) Search Engine Marketing Consultation – to maximize online marketing efficiency.

- **Diversified global markets and potential upside in CPM of domestic market**

As shown in **Figure 31**, 93% of Netlink’s revenues is from overseas markets, including US (46% share). Meanwhile, given the current cost-competitive environment, YEG is confident to compete with other industry players. Moreover, according to **Figure 24**, CPM of Vietnamese market, which currently accounts for 56% of total impression, is remarkably lower than its international peers. This indicates an available space for CPM improvement given Vietnamese prospects including rising middle-income class and young generation.

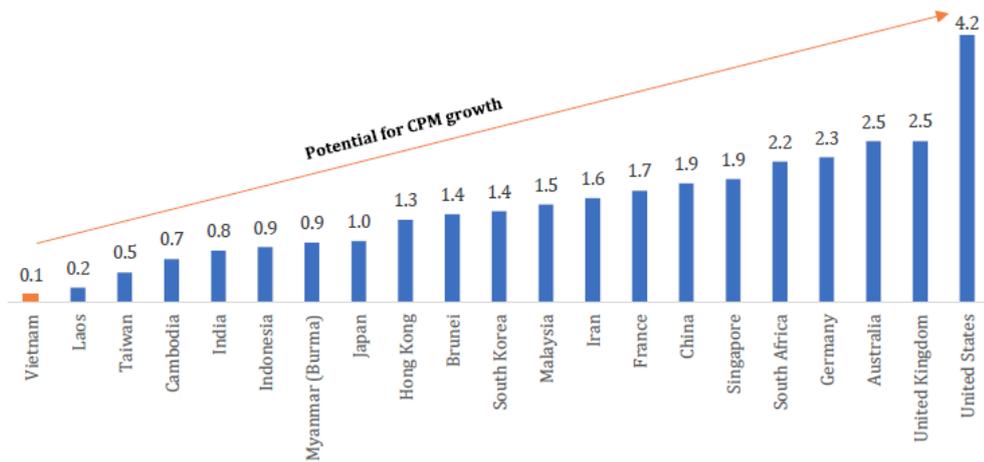
Figure 30: Impressions breakdown by Countries in 2017 **Figure 31: Revenues breakdown by Countries in 2017**



Source: Netlink

Source: Netlink

Figure 32: Netlink’s 2017 CPM by Countries



Source: Netlink

Note: CPM is basis to calculate ad revenue

As shown in **Figure 30 and 31**, overseas markets account for only 44% of total impression but generate up to 93% of total revenue while the other 56% impressions in Vietnam only contribute 7% of total revenue. We see 2 critical points: (i) Netlink has diversified its business to take advantage of high CPM in overseas markets; (ii) The available space for CPM upside in Vietnam is enormous with rising middle-income class and youngsters who are the primary Internet users.

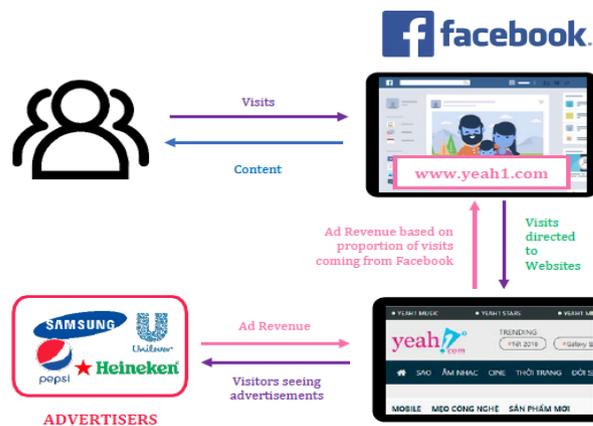
2.2. WebFace

WebFace – first business arm since establishment which manages and monetizes their YEG’s network of its own websites and Facebook fan pages.

From the firstly-launched website backed to 2006, yeah1.com, nowadays, YEG owns and operates 40 websites targeting teenagers and young adults, resulting of 450 million monthly views in average and a portfolio of Facebook public pages bringing up to 48 million followers, a substantial resource for YEG’s monetization strategy.

Given that context, WebFace’s strategy essentially is redirecting traffic from its Facebook public profiles to its existing portfolio of entertainment websites where paid ad content is displayed and thus ad revenue is generated.

Figure 33: Yeah1 Group’s Approach to benefit from their Facebook Fan Pages



Source: Yeah1 Group

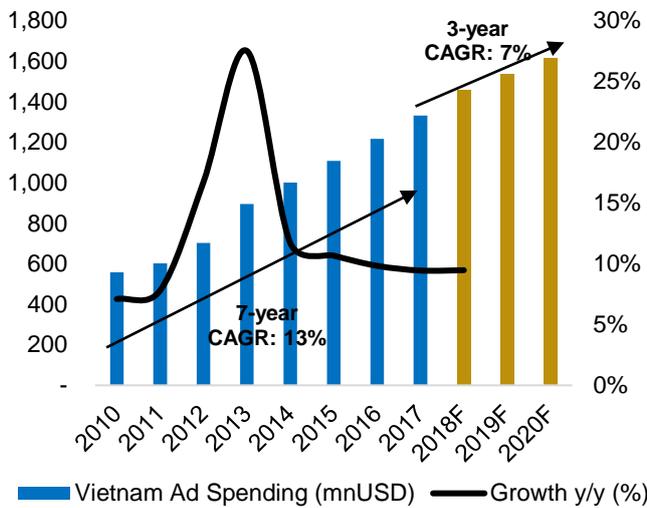
Facebook Instant Article – Facebook’s version of Google AdSense to monetize from distributed content.

Recently, Facebook has developed Facebook Instant Article tool which operates at same model with Google AdSense. Specifically, Instant Article brings monetization opportunities for media publishers within their distributed interactive articles. So far, YEG has studied and explored the opportunities to monetize Fan pages content.

3. Traditional media - expecting to be profitable again since 2018 afterwards; an essential part of the Group’s media ecosystem.

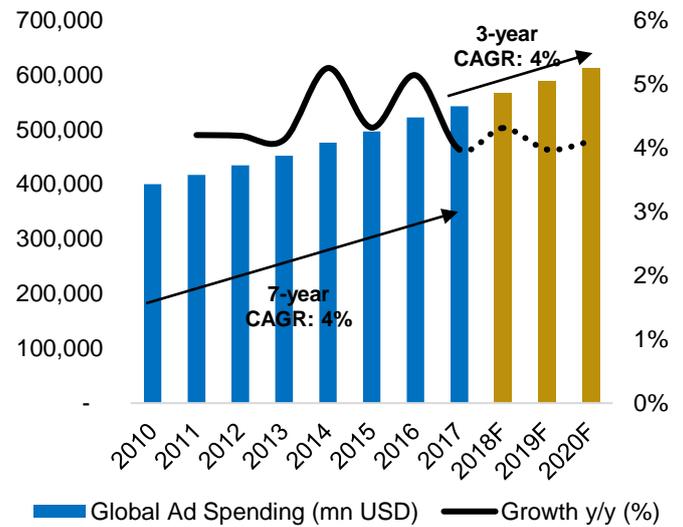
YEG’s traditional media arm consists or three main integrated business segments: TV channel operations (Y1E), TV Advertising agency (TNT Media) and Movie studio management (Yeah1 CMG). Despite of the trend of shifting from traditional media to digital media globally in recent years, Vietnamese market still witnesses a defensive market share of TV Commercials and is expected to contribute up to 89% of total ad spending in 2018. Thus, we still see Traditional media remain one of the main businesses of YEG in future.

Figure 34: Vietnam Ad Spending (mnUSD)



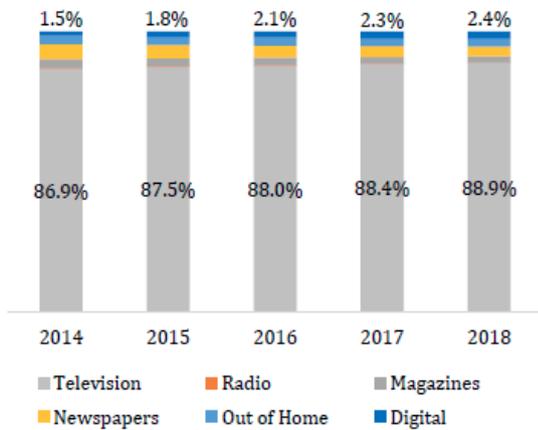
Source: Statista, Zenith and BVSC

Figure 35: Global Ad Spending (mnUSD)



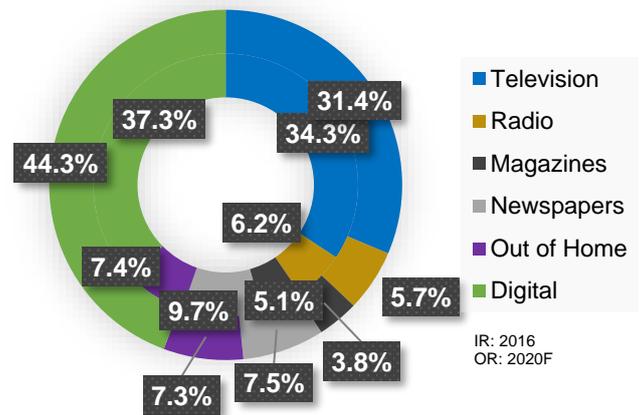
Source: Zenith

Figure 37: Vietnam Ad Spending Structure by Medium



Source: Zenith

Figure 37: Global Ad Spending Structure by Medium



Source: Zenith

3.1. TV channel operation – Yeah1 Entertainment (Y1E)

Y1E, since its first launch of TV channel, Yeah1 TV in 2008, has developed and operated 4 TV channels providing main content categories: Entertainment (Yeah1 TV), Lifestyle (Yeah1 Family), Movies (iMovie TV) and Music (UM Channel, previously was Uni Channel).

Mainstream of income is from two main advertising-related sources:

- Television commercials: Y1E charges brands or TV Ad Spot Buying Agency (TV Buying Agencies) for displaying their commercial videos on its TV channels.
- Sponsorship advertising via shows or programs, in which brands will pay all the related cost plus a profit margin for Y1E. This sub-division contributes 10% of Pay-TV ads segment's total revenue.

A track record of ratings and audience base of Yeah1 TV channels network along with recent strategic cooperation with Universal Music Group (UMG), integrated system of multiple platforms for content distribution are the key factors.

- **Brand awareness of Yeah1 TV channels and the strong connection with the dynamic youth community.** With 12 years of industry experience, YEG is capable of well understanding Vietnamese young generations' behaviors and preferences, which helps them to further improve their content quality and appropriateness to retain and continually expand their viewers pool.
- **Strategic partnership with Universal Music Group (UMG) – a global empire of licensed music.**
On Jun 21th 2018, YEG and UMG officially signed a cooperation agreement to bring online UM Channel – which can broadcast UMG's global licensed programs as well as local contents in Vietnam. This is game-changing factor for increasing ratings/viewership in not only the TV-channel segment but also indirectly benefit its digital media's channels including YouTube.
- **YEG become outstanding among TV channel operators thanks to its multi-channels ecosystem.** This enables YEG to offer a competitive multi-channels advertising packages versus other simple Traditional Media operators.

3.2. TNT Media – A Traditional Media version of Netlink and Licensed Movies Dealer

As mentioned, TNT Media is considered a missing puzzle in the overall media ecosystem YEG was building with their high-profile experience in the industry of trading TV ad spots with an established industry network.

Ad Spot Trading – A Traditional Media version of Netlink

TNT Media is the first and the largest TV buying agency who acts as an intermediary, often offering competitive price to advertisers and providing value-added services to TV operators to maximize ad spots utilization between TV sessions. Currently, TNT is managing and selling 16 TV channels' ad spots.

Licensed Movies Trading – a supportive arm utilizing strong network with broadcasters.

TNT Media also act as a representative of a group TV channel operators to deal with film producers for their licensed movies. In this model, TNT can negotiate for a favorable price of wanted movies by broadcasters and redistributes those to the broadcasters for a gross profit margin of up to 40%. This business contributed 15% of TNT Media revenues.

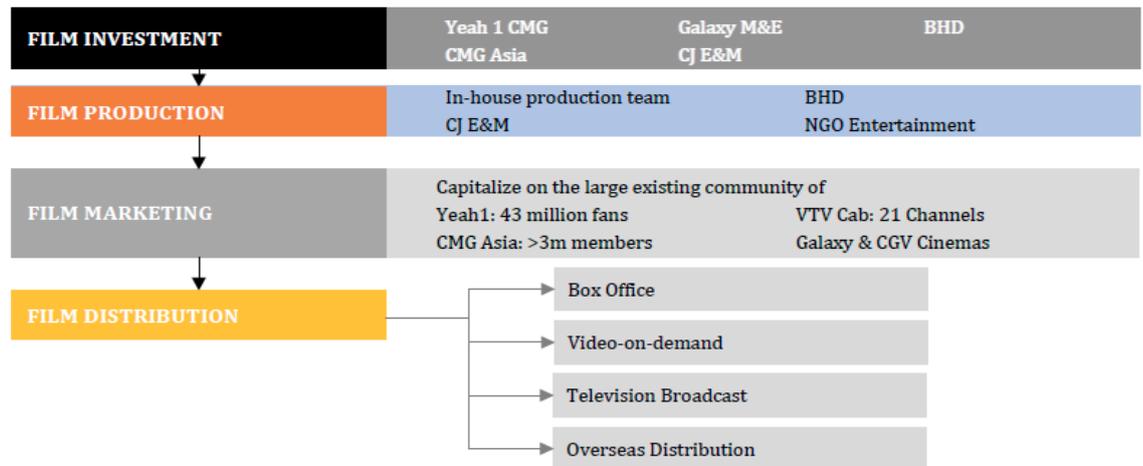
Industry expertise along with solid and extensive network of channels accumulated throughout years are the fuel engines for the sustainable growth.

- **Understanding of Vietnamese TV advertising sector via their long-standing operation** allows TNT to not only commit to maximize TV channel partners' revenues but also optimize advertisers' ad spending efficiency.
- **Capability to target high-rating channels –** Given industry expertise, TNT Media can knowledgably partner with highly rated channels targeting a substantially-focused groups of audience, which is the foremost selling point in this industry. In addition, the business integration between TNT Media and Yeah1 TV channels will further improve the Group operation by utilizing YEG's substantial community and TNT Media wide network with

advertisers and broadcasters. Specifically, wide network of popular broadcasters will be able to attract more advertisers to their customers list, which will possibly lure more TV channel partners into TNT Media’s managed ad spots network.

3.3. Movie Production and Marketing (Yeah1 CMG) – the content producer arm in the ecosystem.

Figure 38: Yeah1 CMG businesses and main competitors



Source: Yeah1 Group

In this operation, Yeah1 CMG has also developed a vertically integrated value chain including Film Investment, Film Production as well as Film marketing:

- **Film Investment:** managing film project investments which are either invested by its complete capital or funds contributed by external investors.
- **Film Production:** generally being involved in production steps including concept creation, script right purchase and screenplay writing.
- **Film Marketing:** promoting films by utilizing its strengths of media multichannel system and extensive community of followers.

Audience and trending-consciousness, built-up community of loyal and responsive followers and the unparalleled multimedia channels operation of YEG and Yeah1 CMG’s own integrated value production chain and track record of management are the main points of this movie division.

- Capability of analyzing of trends and audience preferences with the support YEG’s Data Intelligence tools.
- Leveraging on YEG’s multi channels platform and vast base of followers who are not only loyal but also responsive.
- A complete value chain operation within movie industry enables Yeah1 CMG to ensure their work quality as well as smoothly maintain the workflow of a project.

4. Media Commerce: a key to unlock YEG's potentials since 2018 and expect to account for 10% of Group income by 2022.

Basically, a media advertising company like YEG regularly has vacant ad spots across its multi-channels which have not generated any revenues for the time being. In the meantime, there are plenty of Small and Medium Enterprises (SMEs) with a limited budget for advertising and marketing. In that context, Media Commerce provides SMEs with promotion services across its multi-channel media in exchange of a share of customers' realized revenues instead of regular upfront payment. By this win-win business model, we think YEG will not get any difficulties in attracting medium and small brands who are not budget-abundant.

4. Valuation

Figure 39: Regional Digital and Tradition Media Peers

Sector	Company	Ticker	Country	Market Cap (mnUSD)	2018 Forward P/E	Index P/E
Digital Media						
	Workpoint Entertainment PCL	WORK TB	THAILAND	572	21.3	16.4
	Mono Technology PCL	MONO TB	THAILAND	237	27.9	16.4
	Music Broadcast Ltd	RADIOCIT IN	INDIA	259	25.8	22.5
	Kakao M Corp	016170 KS	SOUTH KOREAN	2,091	24.6	10.8
	Geniee Inc (i)	6562 JP	JAPAN	295	64.6	13.8
	Average				32.8	16.0
	Median				25.8	16.4
YouTube Multi Channel Network Operator						
	UUUM Inc (ii)	3990 JP	JAPAN	266	76.4	13.8
Traditional Media						
	Surya Citra Media Tbk PT	SCMA IJ	INDONESIA	2,098	17.7	19.8
	Chinese Universe Publishing and Media Co Ltd	600373 CH	CHINA	2,645	10.5	13.4
	Cultural Investment Holdings Co Ltd	600715 CH	CHINA	2,128	14.9	13.4
	Huayi Brothers Media Corp	300027 CH	CHINA	2,622	16.8	50.4
	Zhejiang Huace Film & TV Co Ltd	300133 CH	CHINA	2,775	23.6	50.4
	TV Today Network Ltd	TVTN IN	INDIA	399	18.0	22.5
	Average				16.9	28.4
	Median				17.3	21.2
	Yeah1 Group Corp	YEG VN	VIETNAM	305	47.2 (iii)	17.2

(i) Geniee operates a partial Google-Certified Publishing Partner license.

(ii) UUUM Inc is the first YouTube MCN operator listed in 2017.

(iii) Adjusted for 3,910,000 shares in the upcoming Private Placement.

Source: Bloomberg as of July 4th, 2018

As of 4 July 2018, YEG was closed at the price of 256,700VND/share, which dropped by 14.4% from its closing price on the first trading date. At this recent price, YEG was traded at 47.2x in term of Forward P/E basing on Company's projection in 2018. Meanwhile, we have observed a several regional peers with similar business model as following:

- Digital Media: As shown in **Figure 39**, the average Forward P/E is only 32.8. However, among those players, only **Geniee Inc** is the **apple-to-apple** comparison with its ownership of partial Google-Certified Publishing Partner (GCPP) license.
- Traditional Media: As the impact of cannibalization effect between Digital and Traditional Media, most of companies within this sector are current valued at lower average Forward P/E of 16.9.

Figure 40: Blended P/E based on comparative peers

	2018E Net income contribution	2018 Forward P/E - Peer comparables	2022E Net income contribution**	Implied P/E at 2022E**
Digital segment	83%	64.6x	82%	11.1x
Traditional segment	17%	16.9x	18%	2.7x
Weighted		56.3x		9.5x
YEG at price as of July 4, 2018		47.2x		7.2x

* Using Forward P/E of Geniee Inc which is the most apple-to-apple comparison with YEG's digital business.

** Based on YEG's 5-year plan

As observed, Geniee Inc is the most comparable company by owning a GCPP license, we decide to use its Forward P/E as reference for YEG's digital segments (YouTube and non-YouTube). As shown in **Figure 40**, given the Company's projection for 2018, we have come up with a 2018 Blended Forward P/E of **56.3x** (equivalent 2022E Implied P/E of **9.5x**) vs YEG's current Forward P/E of **47.2x** (equivalent 2022 Implied P/E of **7.2x**)

In conclusion, YEG looks appealing to Long-term investors given the current valuation and the Company's ambitious 5-year plan with **Net income CAGR of 80%** backed by (i) presence in the potentially robust industry, (ii) industrially competitive advantages including MCN operation and Google Certified Publishing Partner license as well as an extensive built-up community of young generations and (iii) M&A and regional expansion plans of YEG. Moreover, we foresee that the Company will look for additional capital raise in need of financing its strategic M&A plans, which could be considered as a supporting factor for the share price.

5. Investment Risks

- **Heavy Impact from Advertising Markets.**

Eventually, the main revenue stream of YEG's business models is derived from Advertising which is highly correlated with the cyclical economy by nature. In the meantime, as observed, the shifting trend of media channels from Traditional to Digital will pose a cannibalization risk to YEG's TV channels and TNT Media businesses.

- **Reliance on Google's Technology and Platforms.**

YEG's current and future Digital operation are both significantly driven by Google's Digital Monetization Technology including YouTube as well as Google AdSense and Ad Exchange platforms. To illustrate, those Google-related divisions contribute 79% of Group's Net income before Goodwill amortization in 2017 and 65% by 2020.

- **Relationships with Content Creators, Publishers and Clients.**

As mentioned, one of foremost indicator for YEG business is the capability to retain and develop its pool of Content Creators and Publishers as the key resource to expand its content library. Furthermore, maintain the extensive network of advertising clients helps YEG to bring in more Creators and Publishers, which in return attracts more new clients. Therefore, any interruption in maintaining and expanding either Creators and Publishers or Clients will threat the turning business cycle.

- **Government and Regulatory Factors**

Laws or Regulations are subjective to any changes depending each country's policies. Given that YEG's business is not only conducted in Vietnam but also happen in a various of overseas markets, any sudden changes can negatively impact its international operation.

- **Acquisition risks**

In the Company's vision and strategy, it has incorporated M&A orientation into its projection, so any failure in expected acquisitions can adversely impact its financial performance

FINANCIAL RATIOS

Profit and loss statement				
Unit (VND billion)	2014	2015	2016	2017
Revenues	263	404	563	840
Cost of goods sold	(152)	(258)	(408)	(593)
Gross profit	111	146	154	247
Financial income	1	4	5	10
Financial expenses	(8)	(22)	(17)	(21)
Net income	30	14	16	59

Balance sheet				
Unit (VND billion)	2014	2015	2016	2017
Cash and cash equivalents	12	7	13	42
Accounts receivable – short-term	37	68	117	155
Inventories	24	16	48	74
Tangible fixed assets	13	10	5	4
Long-term investments	0	0	0	8
Total assets	245	350	355	657
Short-term loans	136	202	221	294
Long-term debt	18	47	24	30
Owners' equity	91	101	110	333
Total resources	245	350	355	657

Financial ratios				
Items	2014	2015	2016	2017
Growth				
Revenue growth (%)	70.1%	53.7%	39.3%	49.4%
Net profit growth (%)	44.0%	-52.5%	13.0%	264.6%
Yield				
Gross profit margin (%)	42.1%	36.1%	27.4%	29.4%
Net profit margin (%)	11.4%	3.5%	2.9%	7.0%
ROA (%)	13.9%	4.8%	4.6%	11.6%
ROE (%)	38.7%	14.9%	15.3%	26.6%
Capital structure				
Total liabilities to total asset (%)	0.63	0.71	0.69	0.49
Total liabilities to owners' equity (%)	1.70	2.45	2.23	0.98
Per shares				
EPS (VND/share)	4,626	1,465	1,614	2,474
Book value (VND/share)	13,955	10,386	10,964	13,983

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