

INITIATE COVERAGE

YesAsia Holdings (2209 HK)

Poised To Achieve Profitability In 2022

YesAsia is a Hong Kong-headquartered e-commerce gateway that brings Asian beauty and fashion products to the doorsteps of its customers globally. It employs comprehensive and innovative digital marketing strategies to maximise its exposure to the targeted consumer populations. Leveraging the unique position of Hong Kong, YesAsia is able to source value-for-money products from Mainland China, South Korea and Japan. Initiate coverage with BUY and target price of HK\$1.38.

INITIATE COVERAGE

- Interactive social media strategy.** YesAsia Holdings (YesAsia) established its YesStyle Influencer Program in Feb 19 and key opinion leader (KOL) initiative in Jan 18 to promote its products on various social media marketing channels. Revenue from the influencer marketing initiatives to YesStyle.com increased from 5.5% in 2019 to 18.0% in 2021. Management recognised the success of its marketing initiatives and intends to spend most of its IPO proceeds on its marketing and customer acquisition initiatives after the listing. Leveraging the unique position of Hong Kong, YesAsia is able to source value-for-money fashion & lifestyle products from China, South Korea and Japan. In addition, we believe YesAsia is able to build and maintain good relationships with business partners thanks to its long-established operational experience and in-depth knowhow in cross-border e-commerce businesses.
- 2021 results overview.** Reported total revenue for 2021 came in at US\$162m, down 6.5% yoy due to the normalisation of consumer spending behaviour in Europe and a decrease in bulk-purchases in the B2B segment. Overall gross margin held up quite well, declining only 1.4ppt to 34.3%, mainly driven by an 8% yoy decline in product costs that was offset by a 1% yoy increase in freight charges. We think the company has demonstrated disciplined cost control since mid-20 after: a) increasing the free shipping threshold, and b) implementing initiatives to work with logistics services to negotiate for bulk-delivery services so as to tide the company over this difficult time. YesAsia reported an adjusted net loss of US\$0.3m, which is at the lower range of the company's profit warning after excluding one-off listing expenses of US\$1.7m.
- Solid fundamentals.** As at end-Dec 21, YesAsia had total cash and bank deposits amounting to US\$38.5m (without any bank borrowings) vs US\$30.9m in 2020. The Board has declared a final dividend of HK\$0.05/share with full-year total dividend coming in at HK\$0.10/share, representing an 8.3% yield based on 25 March's closing price of HK\$1.20.

Click [here](#) for Blue Top dated 29 Mar 22

KEY FINANCIALS

Year to 31 Dec (US\$m)	2020	2021	2022F	2023F	2024F
Net turnover	173	162	179	208	234
EBITDA	15	0	2	4	5
Operating profit	14	(1)	0	1	1
Net profit (rep./act.)	11	(2)	0	0	1
Net profit (adj.)	10	0	0	0	1
EPS (US\$ cent)	2.7	(0.1)	0.0	0.1	0.2
PE (x)	5.5	n.m.	601.9	140.0	85.5
P/B (x)	1.1	1.2	1.2	1.1	1.1
EV/EBITDA (x)	1.8	197.1	13.7	7.5	5.6
Dividend yield (%)	0.0	8.5	9.3	10.3	11.3
Net margin (%)	6.5	(1.3)	0.1	0.2	0.3
Net debt/(cash) to equity (%)	(124.7)	(100.5)	(92.8)	(89.6)	(92.5)
Interest cover (x)	43.6	0.3	5.6	10.8	15.0
ROE (%)	63.6	n.a.	0.3	1.1	1.8
Consensus net profit (US\$ m)	-	-	11	17	-
UOBKH/Consensus (x)	-	-	0.01	0.02	-

Source: YesAsia Holdings, Bloomberg, UOB Kay Hian
n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

BUY (Initiation)

Share Price	HK\$1.19
Target Price	HK\$1.38
Upside	+16.3%

COMPANY DESCRIPTION

Yesasia Holdings operates as an online retailer. The company engages in the procurement and sale of third-party branded and unbranded Asian fashion & lifestyle, beauty and entertainment products to customers around the world.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	2209 HK
Shares issued (m):	Equity 395.9
Market cap (HK\$m):	471.2
Market cap (US\$m):	60.2
3-mth avg daily t'over (US\$m):	0.0

Price Performance (%)

52-week high/low	HK\$3.46/HK\$1.10			
1mth	3mth	6mth	1yr	YTD
(3.3)	(19.6)	(13.8)	n.a.	(20.7)

Major Shareholders

	%
Chu Lau Kwok	30.1
PCCW Limited	10.0
Pak Shing Lau	8.9

FY22 NAV/Share (RMB)	0.13
FY22 Net Cash/Share (RMB)	0.12

PRICE CHART



Source: Bloomberg

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ESSENTIALS

- Management guidance.** YesAsia has guided its 2022 revenue to grow 10-15% yoy as it expects the investment in the KOL and influencer programmes to bring meaningful revenue contribution (currently at about 20%). Key apparent risks are mostly from the cost pressure due to the recent spike in fuel cost as well as the lockdown measures in China that could result in the company taking a longer lead time to fulfil customer orders. YesAsia expects COGS to rise 10% yoy in 2022. The company guided it will invest in automated warehouse solutions (ie deploying robots play by 3Q22) which could result in monthly cost savings of US\$20,000. Overall, YesAsia expects 2022 to be a profitable year albeit absolute dollar amount being lower than 2019/20 levels.
- Key strategy moving forward.** YesAsia does not plan to enter any country in 2022 following the successful launch of the Italian version of its website in Jul 21 (which has seen satisfactory customer response). The company will undertake a conservative approach in terms of overseas market expansion and will pay more attention to its existing markets in Eastern Europe. In view of the strong growth of its YesStyle loyalty programme membership numbers (+56% yoy, net add of 2.3m), the company launched its customer relationship management (CRM) system in Oct 21 in the hope of boosting its customer retention rate moving forward. Lastly, YesAsia also guided that it will continue to expand its KOL and influencer programmes in overseas markets (started on TikTok since the beginning of 2021).

VALUATION/RECOMMENDATION

- Initiate coverage with BUY.** We initiate coverage with a BUY rating on the company with a DCF-based target price of HK\$1.38 with WACC of 19% and beta of 1.1. Our target price implies 0.4x 2022 EV/Sales vs the company's historical average of 0.3x. Our target price EV/Sales multiple is in line with JD.com's (majority of business is in the 1P business) 0.4x for 2022, but below the China e-commerce sector's average 2022 EV/Sales of 0.8x.

SHARE PRICE CATALYST/RISK

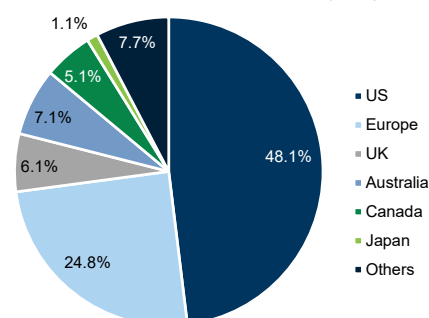
- Catalysts:** a) Enhanced user traffic via its influencer programme, continued improvement in margins for the wholesale segment.
- Risks:** Freight rates and fuel cost continue to stay elevated, fluctuation of foreign exchange rates, return-to-norm consumer spending behaviour.

DCF VALUATION

Year to 31 Dec (HK\$m)	2022F	2023F	2024F	2025F	2026F	2027F
Free Cash Flow	43.4	69.5	98.7	97.4	120.6	132.2
EBIT * (1-t)	1.0	4.7	7.8	8.1	13.8	15.2
+ D&A	11.5	21.1	27.6	32.6	37.2	42.0
+ Capex & Investments	30.7	35.7	40.2	45.6	51.7	58.4
+ Change in NWC	0.2	8.0	23.2	11.1	17.9	16.6
Year	0.8	1.8	2.8	3.8	4.8	5.8
WACC	0.19	0.19	0.19	0.19	0.19	0.19
Discount factor	1.1	1.4	1.6	1.9	2.3	2.7
NPV of FCF	38.1	51.4	61.4	51.1	53.3	49.1
Base case WACC calculation :			DCF Valuation (Rmbm) :			
Risk Free Rate	3%			Total NPV of forecast		255
Equity Risk premium	14.5%			Terminal EBITDA		54
Equity Beta	1.1			Terminal EBITDA Multiple		2 x
Cost of common equity	19.5%			Terminal Value		65
After tax cost of debt	2.5%			NPV of Terminal value		24
Cost of Debt	3.1%					
Tax rate	-20.0%					
Debt/Total Capital (Steady State):				Enterprise Value (HK\$m)		280
% Common Equity	96%			TV : EV		8.7%
% Net debt	4%			Net (cash) debt - (2022 HK\$m)		(237)
WACC calculated	19%			Hypothetical DCF-based Fair Value :		
Terminal FCFF =	132			Equity value (HK\$ mn)	516	
Implied Perpetual Growth Rate	1.0%			Per share (HK\$)		1.38
US\$/HK\$	7.80					

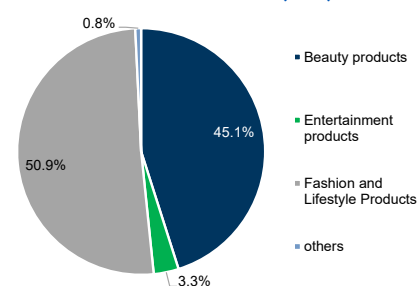
Source: UOB Kay Hian

SALES BY GEOGRAPHICAL REGION (2021)



Source: YesAsia, UOB Kay Hian

SALES BY PRODUCT CATEGORY (2021)



Source: YesAsia, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (US\$m)	2021	2022F	2023F	2024F
Net turnover	162	179	208	234
EBITDA	0	2	4	5
Deprec. & amort.	1	1	3	4
EBIT	(1)	0	1	1
Total other non-operating income	0	0	0	0
Associate contributions	0	0	0	0
Net interest income/(expense)	0	0	0	0
Pre-tax profit	(2)	0	1	1
Tax	0	0	0	0
Minorities	0	0	0	0
Preferred dividends	0	0	0	0
Net profit	(2)	0	0	1
Net profit (adj.)	0	0	0	1

BALANCE SHEET

Year to 31 Dec (US\$m)	2021	2022F	2023F	2024F
Fixed assets	3	5	7	9
Other LT assets	15	15	15	15
Cash/ST investment	36	34	33	35
Other current assets	16	21	22	23
Total assets	70	74	77	82
ST debt	0	0	0	0
Other current liabilities	24	29	31	35
LT debt	0	0	0	0
Other LT liabilities	10	9	9	9
Shareholders' equity	36	36	37	37
Minority interest	0	0	0	0
Total liabilities & equity	70	74	77	82

CASH FLOW

Year to 31 Dec (US\$m)	2021	2022F	2023F	2024F
Operating	(4)	2	4	7
Pre-tax profit	(2)	0	1	1
Tax	0	0	0	0
Deprec. & amort.	1	1	3	4
Associates	0	0	0	0
Working capital changes	(3)	0	1	3
Non-cash items	0	0	0	0
Other operating cashflows	0	0	0	0
Investing	(1)	(4)	(5)	(5)
Capex (growth)	(2)	(4)	(5)	(5)
Capex (maintenance)	0	0	0	0
Investments	(1)	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	2	0	0	0
Financing	13	0	0	0
Dividend payments	0	0	0	0
Issue of shares	18	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	0	0	0	0
Others/interest paid	(5)	0	0	0
Net cash inflow (outflow)	8	(3)	(1)	2
Beginning cash & cash equivalent	28	36	34	33
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	36	34	33	35

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	0.1	1.1	1.7	2.0
Pre-tax margin	(1.1)	0.1	0.2	0.4
Net margin	(1.3)	0.1	0.2	0.3
ROA	n.a.	0.1	0.5	0.8
ROE	n.a.	0.3	1.1	1.8
Growth				
Turnover	(6.5)	10.4	16.4	12.6
EBITDA	(99.1)	1,342.5	82.9	32.3
Pre-tax profit	(112.9)	n.a.	356.7	63.8
Net profit	(118.4)	n.a.	329.8	63.8
Net profit (adj.)	(103.4)	n.a.	329.8	63.8
EPS	(103.3)	n.a.	329.8	63.8
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(100.5)	(92.8)	(89.6)	(92.5)
Interest cover (x)	0.3	5.6	10.8	15.0

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