YuuZoo

Initiation of coverage

Making e-commerce more social

Software & comp services

Singapore-listed YuuZoo develops targeted social e-commerce networks that reside in its 'virtual shopping mall'. It expects its partners to launch networks in most of the 68 countries they cover by year end. The first and potentially most significant of these, with Chinese broadcaster SMG, has just launched. Evidence of the launch schedule progressing to plan, and that networks are gaining traction, should lead to a re-rating of the shares, which currently discount growth in line with its historic B2B focus, rather than as a company exposed to high-growth e-commerce markets in Asia.

Year end	Revenue* (US\$m)	EBITDA (US\$m)	PBT** (US\$m)	EPS** (c)	EV/EBITDA (x)	P/E (x)
12/13	32.8	7.2	5.7	1.5	14.3	9.8
12/14	37.7	4.3	(1.0)	(0.2)	24.1	NA
12/15e	73.4	10.0	3.0	0.5	10.3	37.2
12/16e	170.8	29.5	18.7	2.4	3.5	7.2

Note: *Excludes revaluation of franchisee stakes. **PBT and EPS are normalised, excluding intangible amortisation, exceptional items and revaluation of franchisee stakes.

Focusing on its targeted social e-commerce networks

YuuZoo's networks are targeted around specific interest groups, locations and brands, and combine e-commerce, advertising, social networking and gaming in one integrated 'virtual shopping mall'. Historically, the bulk of revenues were generated from its B2B activities. However, over the last year, co-founder, chairman and CEO Thomas Zilliacus, has reoriented the group towards B2C network activities and, by securing franchisees and key media and telecoms partners around the world, expects to significantly expand its addressable market.

Strategic partners should contribute from 2015

Partnerships have been announced with seven franchisees covering 68 countries, as well as with Chinese TV broadcaster SMG, Nigerian mobile operator Etisalat, Nigerian state broadcaster NTA and South-East Asian online games distributor IAH, which YuuZoo will acquire for 50m new shares, subject to SGX approval. These partners reach approximately one billion customers and with YuuZoo have committed significant marketing budgets, which should accelerate growth in MAUs, currently 1.5 million. The first network linked to a TV show on a channel reaching 300m viewers for SMG launched on 4 May and additional networks are planned for later in the year. The timely and successful launch of these networks underpins our forecast for revenues to broadly double in each of the next two years.

Valuation: Driven by user activity

YuuZoo offers investors early-stage exposure in emerging markets to the fast-growing social networking, m-commerce and online gaming markets. With yuuzoo.cn recently launched, visibility on the potential uptake of key networks should improve as the year progresses. Evidence of a pick-up in MAUs or an announcement of new strategic partners would act as a catalyst for a re-rating of the shares, which currently discount MAUs increasing by only three million each year –management target multiples of this.

19 May 2015

Price	**S\$0.23**
Market cap	**S\$145m**
	US\$1.33/S\$
Net cash (US\$m) at March 2015	7.6
Shares in issue	632m
Free float	76%
Code	AFC
Primary exchange	SGX
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	(22.2)	(37.3)	(67.2)
Rel (local)	(20.7)	(37.7)	(69.1)
52-week high/low		S\$0.91	S\$0.16

Business description

Singapore-listed YuuZoo is a global e-commerce company that develops and runs theme-based social e-commerce networks for brands and for its own customers, which provide a more direct way to monetise social network users. It also provides mobile payment processing solutions.

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Investment summary

Company description: A new model for social e-commerce

YuuZoo develops and runs social e-commerce networks for brands (B2B) or for its own users via its network of partners (B2C). In addition, it owns and runs an online and mobile payment processing gateway. Management is focusing resources on developing the B2C networks, which are individually targeted around a specific theme, but all accessible via its ‘virtual mall’ at yuuzoo.com. The concept is to create an online shopping experience more akin to that of a real shopping mall, where consumers can engage in multiple activities such as shopping, playing games, chat etc. Deals have been announced with seven franchisees covering 68 countries, along with impressive relationships in China with SMG (c 700m viewers each day), and in Nigeria with Etisalat (c 20m mobile subscribers) and NTA (c 178m viewers). It is also expanding its content with the proposed acquisition of IAH, a leading South-East Asian online games distributor with c 35m registered users.

Financials: Activity of its user base drives earnings growth

Our forecasts assume YuuZoo and its partners spend c $40m in marketing over the next two years, with the cost of acquiring each new user (subscriber acquisition cost, SAC) at the higher end of management’s expectations. To meet our forecasts, YuuZoo will have to increase MAUs to 7.7m at the end of FY15 and 21m for FY16 with ARPUs for e-commerce, advertising and gaming at the low end of industry averages. In addition, it will have to deliver strong performances from the B2B divisions, where we forecast revenues to broadly double this year and next. The franchisee approach means that once a network is launched, YuuZoo has little ongoing operating cost, which supports an expanding EBITDA margin profile. In FY14 a significant share of revenues were tied up in receivables or were non-cash. Provided both can fall as a share of revenues as we forecast, the $9m of FY14 net cash should be sufficient to fund the group’s strategy.

To determine whether business is progressing to forecasts, we look for news that the networks are launching on schedule and evidence regarding MAU uptake, which we forecast will pick up from Q215. A football-themed network attached to a TV show attracting c 300m viewers was launched for SMG at the beginning of May, which could give an early insight into the potential success of the new strategy. Management expects the first network for Etisalat to launch in July and most of the 68 countries covered by the franchisees to have live networks by the end FY15 (from three currently).

Valuation: Does not discount new B2C strategy

A reverse DCF suggests the shares discount a five-year CAGR in revenues of 25% with EBIT margins peaking at 15%. This is more consistent with the group's historic B2B focus, reflecting the early stage of its B2C strategy. The network for SMG is the first to launch with a major partner and hence its performance will be a key lead indicator for the potential of the B2C activities. With seemingly little in the share price, evidence of a solid uptake in MAUs would act as a catalyst for share price upside. Given there are many unknown variables (ARPUs, MAUs, SACs), we present scenarios to reflect a valuation range subject to varying growth paths: MAUs of 25 million, 50 million or 100 million after five years drive a DCF valuation range of 35-125c per share.

Sensitivities: B2C strategy at an early stage

While the partner approach offers a low-cost route to rapid expansion, YuuZoo has little direct control over the expansion of networks. Under its accounting policies, not all reported revenues may result in cash receipts (eg revenues include fees settled by provision of advertising services and gains in equity stakes in franchisees taken in lieu). Such equity investments are unlisted shares and there is no guarantee that this non-cash revenue will be realised through equity distributions.

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Company description: Next-generation social networks

YuuZoo develops and runs theme-based social e-commerce networks. The networks integrate social networking, e-commerce, gaming and advertising into one platform, providing turnkey solutions to monetise consumers in the social networking space. Networks are developed for its own customers, in which case they are branded as YuuZoo, or developed on a white-label basis for brands (client-branded). In addition, it has developed and runs an online and mobile payment solution, YuuPay, which enables card payment to be processed using the mobile phone as a payment terminal.

YuuZoo originally focused on the payment and mobile value-added services businesses and only started developing social e-commerce networks for clients in 2011. While these still represent the majority of revenues (52% FY14), management believes the e-commerce opportunity is much greater for the networks, and following a strategic review in 2014, the group is focusing resources on developing its network of YuuZoo-branded networks, which is the emphasis of this report.

YuuZoo has c 50 employees, is headquartered in Singapore and has offices in the Philippines, Thailand, China and Nigeria, with reseller and franchisee representative offices in 68 markets worldwide including Australia, New Zealand, the US, UK, Brazil, Canada and Mexico.

Background and management

YuuZoo listed on the Singapore mainboard exchange (SGX: AFC) in September 2014 by way of a reverse takeover of W Corporation. In parallel, it listed a further 563m shares raising a net S$23.75m (at 0.5c per share). W Corporation, via its subsidiaries Silex Group and Update Electronics Holdings, was previously involved in trading solar-grade silica, silicon metal and light-emitting diode components. These businesses have since been divested or wound down and the principal business of the group is now focused on YuuZoo's activities.

YuuZoo was co-founded by Thomas Zilliacus (chairman and CEO) in 2008. Thomas has broad-based experience in the mobile and internet industries, including several senior roles at Nokia, which he held before founding Mobile FutureWorks, an investment and development company focused on the mobile and internet space, which currently holds approximately 28% of YuuZoo's share capital. He is also on the board of Spice i2i, South-East Asia's largest mobile handset manufacturing company. Other key management positions are held by Rio Inaba, CRO, and Asim Qureshi, CTO. The group finance director role is currently being managed by Olivier Richard on an interim basis until a permanent replacement is found.

Products and services: YuuZoo networks and YuuPay

YuuZoo networks – targeted social e-commerce networks

YuuZoo's networks enable companies to directly monetise their online engagement with customers in the social network space. They are mobile optimised, fully localised, targeted networks that combine social networking, e-commerce, advertising and gaming into one 'virtual shopping mall'.

- **Targeted:** unlike many other social networks (SNs), YuuZoo's networks are open (anyone can join) and targeted around themes such as age, interest or location.
- **Virtual shopping mall:** in addition to supporting features typical of SNs (forum, instant messaging, chat, store front, virtual gifts, emoticons, content sharing), YuuZoo's networks enable users to engage in other elements of e- and m-commerce such as shopping and games related to the network theme. Users can jump between Yuu-branded networks without leaving the platform, creating a 'virtual shopping mall' concept that is more in line with bricks and mortar malls and which gives users multiple reasons to log on.

- **Localised:** networks are customised for different regions and languages. Franchisees ensure local regulations relating to privacy, data sharing and censorship are adhered to and act as local publisher, adding local content and driving local marketing campaigns.
- **Mobile optimised:** networks are developed to be mobile first. They run on all major mobile operating systems and all phone models, as well as smart TVs, PCs and tablets.
- **Analysis and aggregation:** YuuZoo's API links to other major SNs, which means that customers can access all networks with a single login and posts on YuuZoo networks can be added to other networks (Facebook, Twitter, Pinterest) with a single click. Companies have access to a dashboard function that consolidates user data (customer account data, purchases made, advertising converted) across both YuuZoo's and other major social networks.
- **Advertising solutions:** users can opt in to the kind of advertising they wish to receive, or opt out entirely. The targeted nature of the networks plus the opt-in approach means it can deliver highly targeted, contextual, real-time advertising solutions. For instance, users of a client-branded football network leaving a stadium on a rainy day may receive an advert advising where to buy an umbrella. Alongside more typical forms of mobile advertising, YuuZoo has developed its own (patent pending) advertising format where an advert appears onscreen when the phone is ringing (if the user clicks on it, a link will be sent to them). YuuZoo's platform is integrated into the major advertising exchanges and it has a small direct sales team for advertising sales and creative work.

Over the past four years, YuuZoo has developed over 200 client-branded networks mainly for media and entertainment companies and sport teams. Examples include the networks built for Miss Asia Pacific World 2013 Seoul and its contestants, Miss Africa, Sydney's Wests Tigers rugby club and Nigeria's Redeemed Christian Church of God. It has also developed over 260 YuuZoo-branded networks targeted around topics such as wine and dine, fishing, outdoor sport, music, competitions, celebrity and mind and body. All are accessible via a single login at yuuzoo.com. In all cases, networks are developed, run and owned by the YuuZoo group and all customer data generated are owned or co-owned by YuuZoo.

YuuPay – online and mobile payment processing solutions

YuuPay is a payment services provider (PSP), which provides online and mobile payment processing solutions to its own platforms and third-party merchants. It enables credit and debit card, micro payments or e-wallet payments to be processed using the mobile phone as a payment terminal. Its payment gateway is capable of processing transactions across multiple markets and currencies, and is supported by over 200 acquiring banks. Services also include customer service, dispute resolution, fraud and risk management and a web management interface.

YuuPay plans to expand by 1) adding acquiring banks and increasing the number of master merchant agreements[1] it has with other major card issuers – it recently discontinued its agreement with AmEx, which is not a major card issuer in YuuPay's target markets but has signed equivalent deals with PayVision and China UnionPay, which it expects to significantly increase transaction value over the platform in the current year; 2) targeting industries and developing countries where mobile payment is a high share of total spend; and 3) increasing its product range – for instance, it has recently introduced several new products that aim to reduce the cost of international transactions and micro payments, and has added a micro payment solution for charitable donations. YuuPay employs only seven FTEs, and while it has made strides in expanding over the last year (eg it has increased its client base from single-digit figures to approximately 45), it is small compared to global industry peers such as Global Payment.

1 Master Merchant Agreement: where a company assumes the role of the card issuer, taking on the financial risks associated with fraud and debit and credit card chargebacks for a higher commission from merchants.

Attractions of the networks: New model for social e-commerce

Facebook was designed with the consumer in mind and is not particularly business-friendly. Companies and brands effectively hand control over and grant Facebook (FB) the ability to monetise their customers. Companies can gain exposure by creating a following, eg being 'liked' in the case of FB, or 'followed' (Twitter), but they cannot directly monetise this – advertising revenue from their FB page does not pass to them but remains with FB. The new generation of social media platforms is more business-friendly, but few are theme-based or incorporate e-commerce of any scale. Asia-developed SNs such as Tencent offer revenue share deals, but do not integrate shopping and are not targeted. Others such as Douban (games), MOKO (university students) and MeetMe (dating) are targeted in nature, but again do not integrate e-commerce of any scale.

In Exhibit 1 we outline the key benefits to stakeholders of using a YuuZoo network but, in essence, they give control back to companies and brands and provide a spectrum of tools to monetise consumer engagement online. Provided a network can attract sufficient users to recoup the cost of development, there is little downside risk and YuuZoo networks should complement other sales and marketing activities. From a consumer point of view, the targeted nature of the networks enables like-minded users to meet, share and expand their interests. The fact that networks are localised should also make them more culturally relevant to users, further supporting strong engagement (and consequently efficient monetisation). According to a survey conducted by Google Analytics in 2013, the average time spent on some of YuuZoo's networks is five to seven times longer than on more general social networks.

Exhibit 1: Attractions of YuuZoo's networks

Companies and brands	Consumers	Advertisers and merchants
Monetisation: using targeted advertising, VAS, merchandise and targeted consumer data, social media can become a direct profit driver rather than a cost centre.	**Targeted for specific interest groups:** like-minded individuals can make new contacts, expand their interests and source products.	**Effective form of advertising:** the targeted nature of the networks, together with opt in advertising tools, results in highly engaged consumers.
Customer insight: control and access to customer data and analytics functions help drive efficiency.	**Opt-in advertising:** users can tailor the kind of advertising and promotions they receive to ensure it is relevant and non-intrusive.	**Mobile key to company sales strategies:** in many developing markets, mobile is the only way to reach remote consumers.
Integrated platform: managing social media marketing across multiple platforms is resource intensive. The dashboard provides a single interface to consolidate user activity across multiple platforms and the content management system enables upload of content across multiple SN's at the same time.	**Trusted recommendations:** users can write opinions about products they have tried and draw on trusted peer product reviews.	**Social marketing is a highly effective marketing tool:** studies show that more than 80% of online shoppers buy based on recommendations from people in their SN and that they spend more when buying based on recommendations from SN friends.
Brand and editorial control: companies can moderate and manage the discussion on the social network to ensure relevance and brand protection.	**Localised:** content is culturally relevant.	.

Source: Edison Investment Research

Business model: Franchisees provide a low-cost way to scale

YuuZoo relies on a network of franchisees and partners to expand the user base of its networks. It has seven franchisees covering 68 countries whose role is to localise YuuZoo-branded networks in terms of language, merchandise and design, and to complement global content by adding local content and manage local marketing. For the sale of client-branded networks it also relies on a network of 19 resellers. In general, YuuZoo charges an upfront fee (see below) on delivery of the platform followed by a service fee based on a share of revenues generated over the platform, typically 30%. The franchisee model and a revenue share structure for payment creates a relatively low-cost and low-risk entry model into new markets.

- **For client-branded networks** the development fee will vary from $50k to $500k. To encourage a higher network marketing spend upfront by clients, while 100% of this fee is recognised upfront, only 10-40% is payable on delivery of the platform, with the balance paid over 12 months as an incremental 20% share of revenues (ie it receives 50% of revenues rather than 30% with any balance outstanding paid at the end of 12 months). Alternatively, YuuZoo may accept advertising or PR services from clients in lieu of this payment – in 2014, YuuZoo reported $9.2m of advertising rights, which implies that almost all business in 2014 was carried out on this basis.

- **For franchisees** the value of the upfront licence fee is based on the market size and developmental stage. YuuZoo is increasingly accepting an equity stake in the franchisee in lieu of payment of this upfront fee, giving it greater exposure to the success of a network – if the ventures are a success, YuuZoo could eventually receive equity distributions. It has equity of 40-50% in six of its seven franchisees. Alternatively, for other franchisees, as for clients, it may demand only partial payment of the licence fee on delivery of the platform, with the balance recouped over the following 24 months as an incremental 20% share of revenue.

Exhibit 2: Illustrative revenue and cash flow profiles for a 40% equity franchisee ($000s)

Month	1	2	3	4	5	6	7	8	9	10	11	12	Total
Revenues generated on YuuZoo-branded network	0.0	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	66.0
30% payable to YuuZoo (A)	**0.0**	**(0.3)**	**(0.6)**	**(0.9)**	**(1.2)**	**(1.5)**	**(1.8)**	**(2.1)**	**(2.4)**	**(2.7)**	**(3.0)**	**(3.3)**	**(19.8)**
Other operating expenses from client network (B)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(24.0)
Franchisee EBIT profile (C) = (A-B)	(2.0)	(1.3)	(0.6)	0.1	0.8	1.5	2.2	2.9	3.6	4.3	5.0	5.7	22.2
Franchisee net profit (D) = Cx75	0.0	0.0	0.0	0.1	0.6	1.1	1.7	2.2	2.7	3.2	3.8	4.3	19.6
Net profit attributable to YuuZoo (E) = (Dx40%)	**0.0**	**0.0**	**0.0**	**0.0**	**0.2**	**0.5**	**0.7**	**0.9**	**1.1**	**1.3**	**1.5**	**1.7**	**7.8**
Revenue and profit attributable to YuuZoo (E+A)	0.0	0.3	0.6	0.9	1.4	2.0	2.5	3.0	3.5	4.0	4.5	5.0	27.6
YuuZoo's cash revenue profile (A)	0.0	0.3	0.6	0.9	1.2	1.5	1.8	2.1	2.4	2.7	3.0	3.3	19.8

Source: Edison Investment Research

Market opportunity

Social, e-commerce and online gaming: Trillion dollar markets

e-commerce, social media advertising and online gaming are together trillion dollar industries, and the emerging market opportunity is significant in terms of both population sizes (Asia and Africa account for 71% of global population) and a high propensity to use the internet for social media and commerce once online.

e-commerce: more than 50% of global internet users shop online, spending over $1.5tn in 2014. Much of the 20% growth in e-commerce last year came from emerging markets and increases in m-commerce. Asia Pacific is now a larger e-commerce region than North America, with China alone accounting for 60% of global e-commerce last year. In developed markets, m-commerce now accounts for c 20% of online retail purchases and in developing markets, where the majority of internet access is via mobile, it is even higher (73% in China).[2]

Social: in Asia, time spent online each day and the propensity to use social media is among the highest in the world. 96% of South-East Asia's and 86% of East Asia's internet users have a social media account (vs 66% in the US) and social media users in the Philippines, Thailand and Vietnam spend more time using social media than western equivalents;[3] average internet use in the Philippines is 6hrs 15m a day, with 4hrs 15m spent on social media – this compares with 4hrs 55m and 2hrs 43m respectively in the US.

Online games: over 40% of internet users play games online and global spending for online games is forecast to equal that of consoles in two years.[4] Mobile and social games are already a larger market than PC games and are forecast to grow at c 20% pa to US$24bn by 2016[5]. The importance of SNs to the gaming industry is evidenced by the fact that social media group Tencent

2 eMarketer.

3 wearesocial.com.

4 Research and Markets.

5 Reportbuyer.

is now one of the top three gaming companies (with Activision Blizzard, Electronic Arts) in terms of games revenues worldwide.

Exhibit 3: Regional comparison – internet, mobile and social media connections

	Population (bn)	Share of worlds internet users	Share of world's mobile connection	Internet penetration (% pop.)	Internet users (m)	Social media use (% pop.)	Social media accounts (m)	Mobile social (% pop.)	Mobile social accounts (m)	Mobile connections (% pop.)	3G and 4G conn's (% of mobile conn's)
South Asia	1.7	11%	18%	19%	324	9%	157	8%	132	77%	10%
East Asia	1.6	27%	22%	51%	823	43%	690	35%	561	98%	54%
SE Asia	0.6	7%	10%	33%	208	32%	199	27%	170	119%	40%
Central Asia	0.1	1%	1%	38%	26	4%	3	2%	1	112%	19%
Africa	1.2	10%	13%	26%	298	9%	103	7%	85	79%	20%
N America	0.4	10%	5%	88%	313	58%	206	50%	176	101%	84%
C America	0.2	3%	3%	43%	90	37%	79	32%	68	91%	34%
S America	0.4	8%	7%	56%	231	48%	197	38%	156	126%	45%
W Europe	0.4	11%	7%	81%	341	47%	197	39%	161	125%	68%
E Europe	0.4	8%	8%	58%	244	45%	190	30%	126	139%	38%
Middle East	0.2	3%	4%	36%	87	17%	41	15%	35	124%	27%

Source: wearesocial.com

A few companies dominate the landscape

A few companies dominate both the social media and the B2C e-commerce marketplaces, and businesses currently have few options to directly monetise the growing internet user base. Almost 75% of the two billion global social media users have a Facebook account, which we estimate captured over 75% of the $15bn spent on social media advertising in 2014. In e-commerce, Amazon has a 25% share of the online retail market in many western markets and Alibaba is even more dominant in China (Forbes puts its market share at close to 80%).

While the addressable market is potentially very large, YuuZoo's main challenges will be to bring on high-quality franchisee and content partners to convince internet users to engage over their networks. At 31 December, YuuZoo reported 85 million registered users on its networks – 3% of global internet users (three billion). However, its monthly active user (MAU) base stands at only c 1.5m and the vast majority of this is through one relationship with online games distributor IAH (which YuuZoo is in the process of acquiring).

Strategy: Partnerships to increase registered users and activity

Adding strategic partners: YuuZoo expects its franchisees will have live networks in most of the 68 markets they cover by the end of the year (from three at the start of the year). In addition, management has ambitious plans to form JVs and partnerships with major TV networks and telecoms operators (telcos) in the 10 largest markets in the world. It has announced high-profile partners in China and Nigeria, and expects to announce other key partnerships over the next 12 months.

Significant marketing campaign: with the funds raised from its listing, YuuZoo is becoming more actively involved in joint marketing campaigns and franchisee and reseller training as a way to accelerate network take-up; tens of millions of dollars has been jointly earmarked for marketing, of which YuuZoo's share is expected to be$6m in 2015, and the seven equity franchisees have collectively committed to register a minimum of c six million users in 12 months and 40 million in three years.

Widening content available: the recurring nature of games can make them an effective way to improve the stickiness of a network and drive revenues, particularly in the early days of a network launch. With the planned IAH acquisition, and via associations with other gaming developers, management is increasing its involvement in the online games market. Following the appointment of Rio Inaba from Rakuten (Japan's largest e-commerce company), YuuZoo is expanding the merchandise available and now has over 2,000 products on offer.

We explore some of the key partnerships in more detail below.

Media partner in China with a daily TV audience of over 700m – SMG

Shanghai Media Group (SMG) is the second-largest TV network in China. With a local Chinese partner, YuuZoo has entered into an exclusive relationship with Great Sports Media, the sport, lifestyle and casual gaming division of SMG, to develop a virtual shopping mall for China, with social e-commerce networks around themes including football, basketball, outdoor sports, online games and leading brands. With on average 700 million TV viewers daily, this is a significant milestone for YuuZoo.

Non-Chinese media companies are not authorised to own or run media assets in China – Facebook, Twitter, Instagram and Google are blocked. This ban has created opportunities for domestic Chinese internet companies and, despite heavy media censorship, China has perhaps the most vibrant social network market in the world. 98% of China's 650 million internet users also use social media – the highest penetration globally. It is home to three of the top 10 largest global networks: Tencent's QQ instant messaging service (829m MAUs), social network QZone (629m) and chat service WeChat (468m), as well as significant others like chat services Baidu Tieba (300m) and Sina Weibo (167m). Chinese internet users are also among the most prolific shoppers globally, spending on average $1k each online during 2015, and are heavily influenced by social media recommendations.[6]

The first network went live on 4 May. It is football-themed and attached to a sport programme broadcast twice weekly (for at least 24 weeks) on a channel with average daily viewing of 300m. Content includes live and replay sports highlights, sports-related merchandise, fan networks for China's superleague teams, ticketing, competitions and social gaming. Integrated into yuuzoo.cn will be the networks that YuuZoo is developing for JW Lottedi Mega Malls in China, a chain of bricks-and-mortar shopping malls, of which the first of several planned is scheduled to open in August, hosting approximately 600 merchants in each mall. The combination of primetime TV advertising and high-quality content should ensure a high conversion rate of TV viewers to registered users of yuuzoo.cn. SMG will market the networks using advertorials, TV host references, rolling tickers, etc.

Media and telecoms partners in Nigeria – Etisalat and NTA

YuuZoo has announced three relationships that could result in building a meaningful presence in Nigeria. While the social media and e-commerce markets are relatively nascent in Nigeria, as Africa's largest internet market with 70 million internet users (mostly mobile), it is a strategically important market.

Etisalat is Nigeria's second-largest telco with 20 million subscribers (12% penetration). YuuZoo has formed a JV with Etisalat to develop a social network for the SME sector in Nigeria, which forms a core target group for Etisalat. At a later date, this may be followed by a consumer-facing social network based around content owned by Etisalat. This includes the Etisalat Football Community, which offers fans breaking news, tips, stories, match highlights and all the goals as they are scored from major football leagues across the world. Etisalat is also the sponsor for Etisalat Prize for Literature and holds online rights to TV talent show *Nigerian Idol*. The first network is expected to be launched in July.

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6 According to research by wearesocial.com.

NTA is the Nigerian state broadcaster reaching c 25m TV homes in Nigeria with its news and political broadcasts. YuuZoo has formed a 50/50 JV with NTA to launch a fully localised version of its virtual shopping mall, which NTA will market and promote.

Redeemed Christian Church of God, Nigeria (RCCG): YuuZoo has built a network for the RCCG in Nigeria, which has a following estimated to be close to 50 million people worldwide.

Online games – IAH acquisition and home-grown games

In February 2015, YuuZoo announced that, subject to stock exchange approval, it will acquire Infocomm Asia Holdings (IAH). IAH is a leading online games distributor in South-East Asia with annual revenue of c $25m. IAH owns the regional rights to publish many popular games titles in seven markets in South-East Asia, including the world's bestselling game, *Grand Theft Auto Counter Strike Online*, and is the first regional company to secure exclusive rights to distribute massively multiplayer online role-playing games (MMORPGs) including *Granado Espada*. It has a strong presence in Vietnam (where it is publishing partner to government-owned VTC online) and Thailand (where it publishes for Thailand's True Digital, a subsidiary of media and telecoms conglomerate True Corporation). The acquisition gives YuuZoo access to high-quality content for its networks, reach to IAH's 35 million registered users and local expertise in the culturally diverse South-East Asian markets.

In addition, in November 2014 YuuZoo launched its first game for iOS – Honey Snatch – a mobile puzzle jointly developed with Thailand's Sandbox (it subsequently acquired Sandbox's five million user base for $500k cash) and another four games are in development. In an effort to emulate the success of Twitch (acquired by Amazon in 2014 for $1bn), it has launched X-Cast Asia, a multi-cast live game streaming service (in partnership with X-Cast Australia, founded by YuuZoo shareholder Ron Creevey), which has the ambitious target of becoming Asia's number one service.

Forecasts

Historic performance reflects the current transitional phase

YuuZoo reports revenues across three divisions: Merchant (mobile payments), Development (fees for the development of client networks) and e-commerce (from YuuZoo-branded networks).

2014 results reflect YuuZoo's transitional phase. Merchandising and development fees still represent the lion's share of revenues (29% and 23% respectively); however, group revenue growth of 15% to $37.7m was driven predominantly by e-commerce (+52% y-o-y). The legacy operations of W Corporation have not been disclosed separately in the FY14 consolidated accounts. They generated no revenues in the period since the RTO; however, we estimate that the EBITDA of $4.3m included $2m of costs related to W Corporation's businesses, which were wound down by the year end. Reported results include the $45m expense related to the RTO (of which $30.5m relates to the non-cash listing fee and the balance advisory fees). Adjusted for this, YuuZoo generated a net loss of $1m.

Earnings forecasts driven by network activity

Following the change in strategy, future growth should be driven by YuuZoo's share in revenues over its shopping malls: e-commerce, gaming and advertising. These in turn will depend on the number and quality of franchisees and resellers, the number of networks developed, the MAU base and their level of engagement (time and money spent on the networks).

Basis of revenue forecasts – peer reference

With no relevant historic data on which to base forecasts, we are benchmarking KPIs for the network businesses by drawing on the experience of peers, industry data and management's ambitions. As the IAH acquisition is still pending approval, we do not include it in our forecasts.

MAUs – linked to marketing spend: The activation of the franchisee networks, in particular the SMG and Etisalat partnerships, is key to increasing the MAU base over the next two years. We forecast $6m of marketing by YuuZoo in FY15, doubling to $12m in 2016, and $7m and $17m in 2015 and 2016 respectively by its partners. Management believes it can attract new users to the networks for a maximum SAC of c $1.5 per MAU (with a much lower rate to convert existing registered users). In our forecasts, we err on the side of caution and assume an average SAC of $2. On this basis, we forecast year-end MAUs of 7.7m, increasing to 21m by FY16.

ARPU potential – based on peer and market data

- **e-commerce:** FY14 e-commerce revenues were derived mainly from the sale of boxed games. Since the start of the year, YuuZoo has increased its product range to over 2,000 items ranging from low-ticket items (cosmetics) to luxury goods (branded fashion). Once registered, users of e-commerce sites are fairly loyal and management believes it can capture 2-20% (depending on the territory) of a consumer's total annual e-commerce spend once activated. e-commerce ARPU in China last year was reported at c $1k ($1.5k on a global basis). We use the lower end of management's expectations in our forecasts, equating to $20 in 2015 and $28 in 2016 – consistent with research on the average value of a consumer's shopping basket in SE Asia.
- **Games:** along with Honey Snatch, management expects to launch a further four mobile games over the summer. The gaming industry is 'hit or miss' and gaming revenues can consequently be volatile. In FY15 we assume an average ARPU of $0.8 – approximately 10% of average gaming ARPU for mobile social games companies in SE Asia – increasing to $1 in FY16.
- **Advertising:** In Asia, FB's advertising ARPU was c $1.2 in Q414, and we estimate Tencent at $1.5 and Alibaba at $8. In our forecasts we assume the lower end – $1.5.

Development fees: from the current year, YuuZoo's network of franchisees, as well as its resellers, is promoting its development business. Management indicates a very strong pipeline of network development projects with the number of MoUs or contracts in place already greater than the value in 2014. We forecast development fees to broadly double in 2015.

Merchant revenues: for payments made over the YuuZoo networks, the margin will be subsumed into the e-commerce division. Consequently, reported payments revenues will relate only to YuuPay's external business. During 2014 the majority of revenues were generated via its master merchant agreement with AmEx. Despite this partnership recently terminating (which will affect Q1 revenues), management expects strong growth from Q2 from this division: it has recently signed master merchant agreements with PayVision and China Union Pay– these card issuers are more popular in Asia than AmEx and should drive a higher transaction value over platforms. Furthermore, over the past year, the number of clients using the YuuPay platform increased from single-digit figures to c 45 and the number of products has been expanded. We forecast this business to double its revenues annually to 2016.

Revenue recognition and gross margins

Revenue recognition will depend on YuuZoo's role in a transaction. Where it acts as principal (ie where it carries the inventory risk in an e-commerce transaction, sells the advertising itself, or acts as master merchant for the payment service), it will report 100% of transaction value with cost of sales reflecting the cost of the transaction and the share paid to the franchisee. Where YuuZoo's role is as agent, it will report revenues net of these costs. Given the differing basis of reporting revenues, gross margin is probably a better indicator of the underlying performance of the business. Exhibit 4 illustrates our understanding of revenue recognition across YuuZoo's divisions. With the majority of growth forecast to come from the higher-margin network business, we would expect gross margins to increase from 2014's 20.9% towards c 28% in the forecast period.

Exhibit 4: Illustrative revenue recognition scenarios

$	e-commerce (1)	e-commerce (2)	e-commerce (3)	Advertising	Games	Payments	Payments
Where YuuZoo:	carries the inventory risk	carries no inventory risk & paid for over YuuPay	carries no inventory risk, not paid for over YuuPay	has an agent role		Master merchant	Pure PSP function
Assumptions	item costs $80 wholesale	sales commission of 10%	sales commission of 10%	30% paid to ad exchanges			
Transaction value	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Revenues reported	**100**	**10**	**3**	**100**	**100**	**100**	**2**
Cost of sales	(80)			(30)	(50)	(97)	
Franchisee share (70%)	(14)	(7)		(49)	(35)		
Gross profit	6	3	3	21	15	3	2
Gross margin	**6%**	**30%**	**100%**	**21%**	**15%**	**3%**	**100%**

Source: Edison Investment Research

Treatment of equity taken in lieu of upfront fees: Where YuuZoo receives equity in lieu of the upfront fee, the stakes are subject to an annual revaluation. The most recent valuation of the stakes at the end of April was $26m and we understand that this will be reported in revenues on a quarterly basis as the franchisees reach pre-defined targets. Given the non-cash nature of this fee, and the lack of information about the budgets of individual franchisees etc, we have not included this in our core forecasts, but reflect it in reported figures to be consistent with YuuZoo's treatment of the stakes.

Q115 update: Q115 results show revenues of $9.6m up 58% year on year (or $3.5m) and EBITDA of $5.1m (from an EBITDA loss of $0.3m in Q114). $5.6m of revenues reflect the revaluation of equity investments in franchisees in South Korea and Turkey. Excluding this revaluation, Q1 revenues were $4m – down 34% y-o-y. The decline is mainly attributable to the termination of the relationship with Amex and a seasonally slower quarter for boxed games. Our forecasts are predicated on the assumption the new partners start to contribute from Q2 and we would expect to see a significant acceleration in the underlying growth across all divisions from the Q215 as the new partnerships start to contribute. We look for revenues (excluding franchisee revaluations) roughly doubling each quarter from the underlying $4m in Q1 - ie $10m, $20m and $40m in Q215, Q315 and Q415 respectively.

EBITDA margin potential – low-cost model to scale the business

The franchise model should enable the B2C network business to be scaled at relatively little ongoing cost to YuuZoo. Operating expenses comprise mainly the cost of FTEs (mainly developers) and SACs. Our operating cost forecasts reflect the assumption that each developer can manage $250k of new network business a year, which drives our forecast increase in headcount from 43 in FY14 to 60 in FY15 and 80 in FY16. We factor in a step-up in professional fees to $6m in FY15 and $12m in FY16 as YuuZoo launches its marketing initiatives. We forecast other operating costs to grow at half the rate of sales. On this basis, we forecast EBITDA margins to increase to 14% in FY15 (from 10% in FY14) and 17% in FY16. At scale (ie revenues of c $500m), we would expect EBITDA margins of c 25%.

In summary, we forecast revenues to broadly double annually to FY16, with an expanding margin profile. We present summary forecasts in Exhibit 5 and full forecasts at the end of this report.

Exhibit 5: Summary forecasts ($m unless otherwise stated)				
KPI forecasts	**2013**	**2014**	**2015e**	**2016e**
MAUs (m)		**1.5**	**7.7**	**21.3**
e-commerce ARPU (average for year) $			10	24
e-commerce average commission			15%	15%
Advertising ARPU $			1.5	1.5
Gaming ARPU $			0.8	1.0
Revenues				
Total network revenues	11.9	18.1	38.4	110.8
Merchant revenues	12.3	10.9	20.0	40.0
Development fees	8.6	8.7	15.0	20.0
Total revenues	**32.8**	**37.7**	**73.4**	**170.8**
Gross margin				
Total network margins	N/A	N/A	15.6%	25.3%
Merchant	N/A	N/A	3.0%	3.0%
Development	N/A	N/A	95.0%	95.0%
Total gross margin	**28.4%**	**26.2%**	**28.4%**	**28.2%**
Total gross profit	**9.7**	**9.9**	**20.8**	**48.2**
Total operating expenses	(2.5)	(5.6)	(10.8)	(18.7)
EBITDA	**7.2**	**4.3**	**10.0**	**29.5**
EBITDA margin	22%	11%	14%	17%
Depreciation and amortisation	(1.1)	(5.3)	(7.1)	(10.7)
EBIT	**6.1**	**(1.0)**	**3.0**	**18.6**
EBIT margin	18.3%	(2.5)%	4.1%	10.9%
Net profit	7.2	(0.9)	3.1	15.9
Figures adjusted to be consistent with YuuZoo treatment of franchisee revaluation:				
Franchisee revaluation			**26.0**	
Total income	33.6	39.2	99.4	170.8
EBITDA	7.2	4.3	36.0	29.5
EBIT	6.1	(1.0)	29.0	18.6
Net profit - reported	7.2	(45.5)	29.1	15.9

Source: Edison Investment Research (forecasts), YuuZoo (historical)

Balance sheet and cash flow: Non-cash items affect cash conversion

Revenues are recognised on delivery of a network or the execution of an e-commerce or mobile payments transaction. However, as payment for network development is recouped over 12-24 months, we expect a negative cash effect from working capital. If the business lines develop as forecast, we would expect a c 90-day receivable balance – we forecast that the 239 days reported in FY14 comes down towards this level by FY16. For some celebrities, YuuZoo may accept PR and marketing services in lieu of a cash payment for developing their networks. In 2014 this was valued at $9.2m (24% reported revenues) and we assume a similar absolute level going forwards. Other capital expenditure requirements are fairly modest, relating mainly to the cost of running an office and the capitalisation of R&D expenditure – we assume 2% of revenues. YuuZoo reported $9m of net cash at the end of 2014 and $7.6m at the Q115. Provided the working capital profile can be improved as we forecast, and non-cash revenues remain broadly flat, with $4m of options due to convert in H115, YuuZoo should have sufficient liquidity to fund its expansion over our forecast period.

Pending approval by the Singapore exchange, the IAH acquisition will be funded via the issue of 50m new shares (implied price of c $8m at the current share price).

Valuation

Management has shifted the group's focus from a B2B to B2C approach with the network business at the core. The emerging market opportunity is large and YuuZoo has already put in place some impressive partnerships. However, it is very early on in its implementation and forecasts depend on key relationships (where YuuZoo has only limited control) delivering. With the launch of yuuzoo.cn on 4 May and Etisalat's venture due to launch over the summer, evidence of its ability to execute on its ambitious strategy should start to emerge. Other key catalysts could include the approval of the acquisition of IAH and news regarding new key relationships.

The B2C business is effectively a start-up, and with key networks being launched in 2015 much of the value will only become evident from 2016 and beyond. We believe this is better captured by a DCF, but also present a multiples-based SOTP for completeness. Both methods imply that little to no success is being discounted for YuuZoo's new strategy, so even modest success could drive upside.

DCF scenarios – upside potential if B2C strategy a success

There are many unknown variables (MAU progression, transaction values over the networks, commission rates on e-commerce, revenue share percentages, SAC), and as a result we have had to make many more assumptions than typical in our forecasts. We present four DCF scenarios.

All our scenarios assume a 12.5% WACC, tax rate increasing to 25% by year five and that 20% of revenues are tied up in working capital. We assume a 10-year growth phase where margins plateau after year five, and where revenue growth decreases from year five to 2% in perpetuity.

- **Current share price:** a reverse DCF implies that the current share price discounts a five-year CAGR in revenues of 25% with EBIT margins peaking at c 15%. This scenario would be consistent with the group's historic focus (ie of a PSP or a B2B network pure developer). For instance, our DCF model returns a value in line with the current share price if MAUs increase by c 3m pa with revenues reaching $200m on EBIT margins of 11% after five years.
- **Mid-case:** if management can grow MAUs by c 10 million pa to reach c 50 million after five years, this would suggest revenues of approximately $400m and peak EBIT margins of 19%. Under this scenario, our DCF returns a value of S$0.81.
- **Rapid evolution of MAUs:** network effect businesses rarely follow a middle ground. If the network effect truly takes hold, exponential growth could continue for longer. If revenues were approximately 50% above our mid-case scenario by year five (ie $600m), either because of higher ARPUs or higher MAUs (eg 20 million net MAU additions each year to give MAUs of c 100m by year five), EBIT margins could reach c 21%, returning a DCF value of c S$1.25.
- **Slow evolution of networks:** equally, if key relationships underperform, or if management fails to bring on significant new partners, revenues could evolve at a slower pace. If 2017 revenues are $250m by year five, with peak margins of 14%, our DCF returns a value of c S$0.35 per share.

Our scenario analysis assumes a 12.5% WACC – relatively high given the early stage and the emerging market focus of the B2C initiatives. As the business matures, we would expect the WACC to come down. Exhibit 6 summarises the above scenarios flexed for different costs of equity.

Exhibit 6: DCF scenarios flexed for cost of equity (SGD per share)

	Current share price	Slow evolution	Mid-case	Faster evolution
MAUs	15	25	50	75
Indicative revenues year five (US$000s)	200	250	400	600
Peak EBIT margins – year five	12%	14%	19%	21%
WACC:				
10.0%	33	51	118	183
11.0%	28	44	101	156
12.5%	**23**	35	81	125
15.0%	17	26	60	92

Source: Edison Investment Research

Peer-driven valuation – discounts legacy B2B focus

For peer multiple comparison, we refer to 2016 forecasts as YuuZoo's virtual malls will only contribute revenues from May 2015. We look to EBITDA multiples given the differing reporting basis for revenues. YuuZoo trades on a 2016 EV/EBITDA of 3.5x – at the low end of peers – companies with a focus on B2C e-commerce trade between 4x to 8x , social media 5x to 27x and mobile games 5x to 17x, although small-cap companies tend to trade at the lower end of the spectrum.

YuuZoo's current low rating reflects its historic focus and its early stage in developing its B2C network business. However, if management can execute according to the strategy, the B2C social e-commerce networks will drive the group's growth. Although it has little operational track record, it has put in place new relationships that should start to contribute during 2015 and we would expect this discount to start to close as evidence of its progress emerges. Applying a small-cap B2C peer EV/EBITDA multiple implies a SOTP valuation range of 27-59c per share.

Sensitivities

YuuZoo is an early-stage company pioneering a new model for social e-commerce. There is currently very limited earnings visibility and we have had to make more assumptions than typical in our forecasts. In addition to the KPI sensitivities (MAUs, APRUs, SAC, commission share etc) discussed above, the following sensitivities should also be considered:

- **Regulations:** social media is subject to complex and evolving laws on data privacy and protection. While local partners should ensure compliance, it could still fall foul of authorities in markets where media control and censorship is high, such as China and the Middle East.
- **China:** YuuZoo's local partner, with SMG, has secured the necessary authorisations to operate a social network in China. Typically, non-Chinese companies are not permitted to own media assets in China. YuuZoo's relationship with SMG in China has been approved largely because it is a minority partner that does not have any editorial or direct marketing input. While the agreement is for 10 years, the necessary authorisations can be revoked at any time if the authorities deem it no longer appropriate. Similarly, should YuuZoo's Chinese partners not honour their commitments, it is not clear what recourse YuuZoo would have.
- **Frachisee model:** using a franchisee model means YuuZoo has little direct control over a franchisee's strategy or performance. YuuZoo is trying to counter this through franchisee training programmes, joint marketing and by taking equity stakes in franchisees in key markets.
- **Equity stakes in franchisees:** by taking minority stakes in unlisted companies YuuZoo is gearing up its exposure to the success of these franchisees and, in the longer term, YuuZoo may be able to realise additional value from these investments. However, this approach also exposes it to potential losses if a venture is not successful.
- **Reporting basis and non-cash revenues:** as a result of the accounting policies, not all reported revenues may result in cash receipts (eg advertising services or gains on equity stakes in franchisees taken in lieu of fees). The value of these as a share of revenues and the timing of receipt may differ from our assumptions.
- **Network effect business model:** network effect business models rarely progress in a linear fashion. The larger the user base, the more attractive it becomes to merchants, advertisers and other users and if they reach the scale where the network effect kicks in, growth tends to become exponential. If the network reaches this tipping point, growth could be significantly higher than our forecasts. Similarly, networks that do not reach this stage tend to fizzle out.
- **Key content:** the performance of social networks can be significantly affected by the popularity of hit games or content. This is fairly unpredictable and can result in a significant share of revenues being derived from just one game or a surge in uptake.

- **AmEx relationship:** a change in policy at AmEx could affect revenues. For instance, in July 2013 AmEx instructed YuuZoo to stop processing payments for seven British merchants that accounted for 21% of revenues in that year (and 51% in 2012).
- **Litigation:** as part of the RTO process, W Corporation committed to raise $15m, but failed to do so. YuuZoo has appointed lawyers to pursue compensation.
- **Currency:** revenues are received in multiple currencies, yet the majority of costs are in Singapore dollars and the company reports in US dollars. This exposes YuuZoo to exchange rate risks, which are not currently hedged.

Exhibit 7: Financial summary

US $m	2013	2014	2015e	2016e
Dec	SFRS	SFRS	SFRS	SFRS
PROFIT & LOSS				
Revenue	32.8	37.7	73.4	170.8
Cost of Sales	(23.1)	(27.8)	(52.5)	(122.6)
Gross Profit	9.7	9.9	20.8	48.2
EBITDA	7.2	4.3	10.0	29.5
Operating Profit (before amort. and except.)	6.1	(1.0)	3.0	18.6
Intangible Amortisation	0.0	0.0	0.0	0.0
Exceptionals	0.0	(44.6)	26.0	0.0
Other	0.0	0.0	0.0	0.0
Operating Profit	6.1	(45.6)	29.0	18.6
Net Interest	(0.4)	(0.0)	0.0	0.0
Profit Before Tax (norm)	5.7	(1.0)	3.0	18.7
Profit Before Tax (FRS 3)	5.7	(45.6)	29.0	18.7
Tax	0.0	0.0	0.0	(2.8)
Profit After Tax (norm)	7.2	(0.9)	3.0	15.9
Profit After Tax (FRS 3)	5.7	(45.6)	29.0	15.9
Average Number of Shares Outstanding (m)	494.3	494.3	639.5	647.0
EPS - normalised (c)	na	(0.2)	0.5	2.5
EPS - normalised and fully diluted (c)	1.5	(0.2)	0.5	2.4
EPS - (IFRS) (c)	na	(9.2)	4.5	2.5
Dividend per share (c)	0.0	0.0	0.0	0.0
Gross Margin (%)	29.5	26.2	28.4	28.2
EBITDA Margin (%)	22.0	11.4	13.7	17.2
Operating Margin (before GW and except.) (%)	18.7	-2.6	4.1	10.9
BALANCE SHEET				
Fixed Assets	5.8	11.0	15.4	18.2
Intangible Assets	5.7	11.0	14.6	16.6
Tangible Assets	0.1	0.1	0.8	1.6
Investments	0.0	0.0	0.0	0.0
Current Assets	20.3	34.1	39.1	57.9
Stocks	0.0	0.0	0.0	0.0
Debtors	17.8	24.7	33.0	51.3
Cash	2.5	9.4	6.0	6.6
Other	0.0	0.0	0.0	0.0
Current Liabilities	(16.9)	(2.5)	(4.6)	(10.4)
Creditors	(16.9)	(2.5)	(4.6)	(10.4)
Short term borrowings	0.0	0.0	0.0	0.0
Long Term Liabilities	0.0	0.0	0.0	0.0
Long term borrowings	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0
Net Assets	9.2	42.7	49.8	65.7
CASH FLOW				
Operating Cash Flow	(0.3)	(12.0)	(5.2)	8.5
Net Interest	0.0	(0.2)	0.0	0.0
Tax	0.0	0.0	0.0	(2.8)
Capex	(0.8)	(1.5)	(2.2)	(5.1)
Acquisitions/disposals	0.0	0.0	0.0	0.0
Financing	3.1	20.7	4.0	0.0
Dividends	0.0	0.0	0.0	0.0
Net Cash Flow	2.0	7.1	(3.4)	0.6
Opening net debt/(cash)	na	(2.5)	(9.4)	(6.0)
HP finance leases initiated	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Closing net debt/(cash)	(2.5)	(9.4)	(6.0)	(6.6)

Source: Company accounts, Edison Investment Research

EDISON

Contact details	Revenue by geography
87 Beach Road #04/05-01 Chye Sing Building Singapore 189695 +65 6271 3468 www.yuuzoo.com	N/A

CAGR metrics		Profitability metrics		Balance sheet metrics		Sensitivities evaluation	
EPS 2012-16e	N/A	ROCE 2015e	7.8%	Gearing 2015e	N/A	Litigation/regulatory	◖
EPS 2014-16e	N/A	Avg ROCE 2012-16e	31.0%	Interest cover 2015e	N/A	Pensions	○
EBITDA 2012-16e	41.4%	ROE 2015e	6.0%	CA/CL 2015e	8.4	Currency	●
EBITDA 2014-16e	162%	Gross margin 2015e	28.4%	Stock days 2015e	0.0	Stock overhang	◖
Sales 2012-16e	58.8%	Operating margin 2015e	4.1%	Debtor days 2015e	164.3	Interest rates	○
Sales 2014-16e	113%	Gross mgn/Op mgn	7.0x	Creditor days 2015e	23.1	Oil/commodity prices	○

Management team

Chairman and CEO: Thomas Zilliacus

Thomas has extensive experience in the mobile and internet industries. He held several senior roles at Nokia including establishing and running the Asia Pacific division and as senior VP of corporate communications. Subsequently he founded and ran a number of companies including Mobile FutureWorks, an investment and development company focused on the mobile/internet space, which currently holds approximately 28% of YuuZoo's share capital. He is on the board of Spice i2i, South-East Asia's largest mobile handset manufacturing company, and S Mobility, one of India's leading local manufacturers and distributors of mobile handsets. He is also the co-founder and first chairman of the mobile services industry body, the Mobile Entertainment Forum.

Chief technology officer: Asim Qureshi

Asim has held senior positions in technology and telecom organisations such as US-based Bubble Motion, a voice messaging and voice-based social networking platform. Previously he was CTO for Channel 9, a leading TV station in Malaysia. Asim launched the first MVNO in the region as CTO for Wap Portal Sdn Bhd, the largest telecom software and solution development company in Malaysia. His expertise covers a wide range of technologies covering traditional and upcoming trends in web, mobile and core telecom frameworks. He is one of the pioneering members of a regulatory group at GSMA and has served as an adviser to the Malaysian government on ICT policies.

Chief revenue officer: Rio Inaba

Rio Inaba is a former member of the CEO's office at Rakuten's head office in Tokyo and Rakuten's former director of new market development. Previously he built Rakuten's Indonesian business from scratch into Indonesia's leading e-commerce company. He has held a number of finance and sales roles in technology and marketing organisations in the US and Asia Pacific.

Interim CFO : Olivier Richard

Olivier has 10 years' corporate finance and investment banking experience. Before YuuZoo he worked for the big four corporate finance team focusing on merger and acquisitions and capital raising for mid-cap companies, before relocating to Singapore.

Principal shareholders	(%)
Mobile FutureWorks	27.4
Advanced Opportunities Fund	1.4
Thomas Zilliacus	1.2

Companies named in this report

Facebook (FB US), Tencent Holdings (700 HK), Moko Social Media (MKB AU), Renren (RENN US), MeetMe (MEET US), Twitter (TWTR US), Global Payments (GPN US), Rakuten (4755 JT), Alibaba Group Holdings (BABA US), Amazon.com (AMZN US)