

## YEAH1 GROUP (YEG VN): AGM Takeaways

### The show must go on

#### Not Rated

Current price: VND 107,500

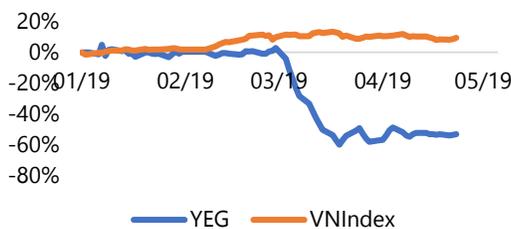
Target price: N/A

Upside: N/A

**We attended YEG's AGM on May 8.** Management engaged in a laudably straightforward discussion of their current difficulties. Although it may take some time for the business to recover, management believes that its continuing businesses have ample room to grow going forward. In the short run, the share prices could be supported by YEG's share buyback program.

52-week Price Range (VND)	Market Capitalization	FY18A Dividend Yield	Remaining Foreign Room	Free-float	ADTV-3month
89,100-343,400	USD 146.5mn	0.0%	59.8%	30%	USD 436K

#### Price performance



#### Key Takeaways

- Termination of YouTube MCN agreement was the key area of discussion.
- Double-digit growth target for FY19E.
- YEG plans to spend VND 320bn to buy back shares.

#### Risks

- Spillover effect of the YouTube contract termination could be more significant and last longer than management says it expects.
- A potential slowdown in advertising expenditures.

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**Company profile:** YEG is an advertising-based media company with core operations in television advertising (44% of sales in 2018), Google AdSense (20%), and YouTube AdSense (18%). In addition, the company operates advertising solution services and film production businesses.

#### YEG's FY18 results and FY19 guidance

VND Bn	FY18A	FY19 guidance	YoY growth
<b>Total revenue</b>	<b>1,676</b>	<b>2,000</b>	<b>+19%</b>
<b>Gross profit</b>	<b>570</b>	<b>700</b>	<b>+23%</b>
<b>PAT</b>	<b>163</b>	<b>180</b>	<b>+10%</b>
ROA	11.9%		
ROE	16.8%		
NPAT growth	+139%		
EPS growth	+26%		
P/E (x)	52.2		
P/BV (x)	4.7		

Source: YEG

**Termination of YouTube's Multi-Channel Network agreement** was the key focus of the meeting. Stating that it is still discussing the issue with YouTube, management noted that the direct contribution of this business to profits was only 13% in FY18. However, YEG acknowledged that the spillover effect is substantial and that the poor 1Q19 performances was partly due to the impact of the termination, which has dampened high-margin bookings across its channels. Management indicated their belief that the spillover effect will end in 6-9 months; and they added that was the main reason for their conservative 2019E guidance.

**Double-digit revenue growth guidance for FY19E.** YEG expects top-line growth of 19% YoY and earnings expansion of 10% YoY in 2019. **In its traditional media channel** segment, YEG plans to raise the exploitation rate of large-scale stations as a means of improving the company's commission/discount rates. It also plans to increased premium content production. **In its digital media channels,** YEG said it will continue to improve current marketing solutions and to develop a broader range of products to meet demand from brand partners/clients; YEG will also focus on higher cost-per-mile markets.

**Changed capital utilization plan from the private placement** includes two notable items. (1) The plan does not include the VND 288bn in repayment from ScaleLab's owners; YEG said that the deal remains in discussion and that they hope to receive the amount soon. (2) YEG will reduce investment in its core business by VND 220bn and use these funds to repurchase shares along with VND 100bn of FY18A retained earnings (total buyback fund: VND 320bn). The timing of share buybacks hasn't yet been decided, according to YEG.

**Our view:** We don't cover YEG and have no investment view on the stock. Given the current headwinds related to the YouTube MCN contract termination, it may take a while for the company to recover. That said, the advertising-based revenue model could still have plenty of growth potential. Also, as a general statement, we like share buybacks.

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<b>HOLD</b>	Between -10% to +10%
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