

Singapore

ADD

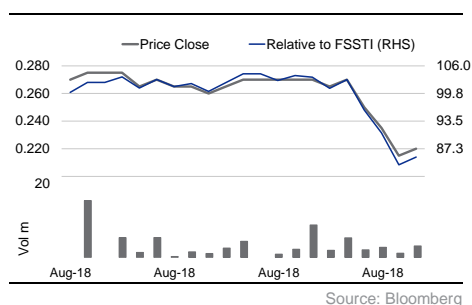
Consensus ratings*: Buy 1 Hold 0 Sell 0

Current price:	S\$0.22
Target price:	S\$0.34
Previous target:	N/A
Up/downside:	54.5%
CIMB / Consensus:	-24.4%
Reuters:	SYNA.SI
Bloomberg:	SCL SP
Market cap:	US\$41.81m
	S\$57.58m
Average daily turnover:	US\$0.60m
	S\$0.82m
Current shares o/s:	261.7m
Free float:	50.3%

*Source: Bloomberg

Key changes in this note

➤ N/A



Source: Bloomberg

Price performance

	1M	3M	12M
Absolute (%)			
Relative (%)			

Major shareholders

	% held
Clement Lee	23.7
Centurion Global Ltd	11.6
Helen Chow	7.3

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Synagie Corp Ltd

Automating e-commerce for global FMCG brands

- Synagie is one of the fastest-growing providers of e-commerce services in Singapore. It offers one-stop services to global FMCG clients such as Kimberly-Clark.
- We expect Synagie to ride on robust e-commerce growth prospects; Frost & Sullivan projects online BBB industry in SEA to expand by 25.2% CAGR in 2017-22F.
- Revenue growth drivers for Synagie could come from its expansion in other product categories, beyond its core BBB segment and outside Singapore.
- Synagie currently trades below its IPO price of S\$0.27 and at CY19F price-to-sales (P/S) ratio of 2.2x, a 60% discount to its global e-commerce peer average of 5.4x.
- We initiate coverage on Synagie with an Add call and target price of S\$0.34.

One-stop shop for e-commerce services for FMCG brands

Established in late 2014, home-grown Synagie now provides e-commerce services to more than 250 fast-moving consumer goods (FMCG) brands – mostly in the body, beauty and baby (BBB) sector. Its suite of services includes setting up a brand's multi-channel online retail presence on popular marketplaces such as Lazada and Qoo10 and helping to manage its customers' e-logistics and fulfillment processes via its Synagie Platform, a cloud-based e-commerce and fulfillment platform.

Creating a scalable ecosystem with Insurtech

Synagie acquired its profitable Insurtech subsidiary, 1Care Global, in Apr 2018 to enter the third-party administrator (TPA) business. This is Synagie's third business segment, which would work synergistically with its other two segments – e-commerce and e-logistics. Its Insurtech business could help Synagie expand into the computer, communication and consumer electronics (3C) segment, moving beyond its core BBB space and fits into its asset-light business model, which allows for rapid scalability.

Fastest-growing e-commerce start-up

Frost & Sullivan rates Synagie as one of the fastest-growing e-commerce start-ups in Southeast Asia, given its historical revenue CAGR of 551.8% over 2015-17. Although the group is currently loss-making, we project Synagie to deliver c.70.7% revenue CAGR over FY17-20F and achieve positive net profit in FY20F, benefiting from economies of scale.

Riding on robust e-commerce growth prospects in the region

According to Frost & Sullivan, the online BBB industry accounted for 13.3% of the e-commerce gross merchandise volume (GMV) in Southeast Asia in 2017 and is expected to grow by 25.2% CAGR over 2017-22F, underpinned by mass-market brands adopting a direct-to-consumer digital strategy comprising online sales channels and high turnover rate for BBB products. We think other revenue growth drivers may come from Synagie's expansion into other product categories beyond BBB and outside of Singapore.

Initiate with Add and target price of S\$0.34

Given that Synagie is still in an early high-growth stage, we project that it would achieve normalised EBITDA of S\$4.8m by end-FY23F. With its global peers trading at CY19F EV/EBITDA multiple of c.24x, we apply that multiple and a 10% WACC to our discounted FY23F EBITDA to derive a target price of S\$0.34. This implies potential upside of 44.7% at FY19F P/S of 3.1x – c.43% discount to its global peers' average of 5.4x.

Key risks and potential re-rating catalysts

Downside risks include prolonged net losses and cessation of relationships with key brand partners. Potential re-rating catalysts could come from faster-than-expected increase in profitability.

Financial Summary

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue (S\$m)	3.68	8.03	18.38	28.52	39.96
Operating EBITDA (S\$m)	(2.10)	(3.04)	(2.92)	(0.96)	0.82
Net Profit (S\$m)	(2.27)	(3.38)	(5.07)	(1.41)	0.32
Core EPS (S\$)	(0.009)	(0.013)	(0.013)	(0.005)	0.001
Core EPS Growth		49.2%	(3.0%)	(57.1%)	
FD Core P/E (x)	NA	NA	NA	NA	180.4
DPS (S\$)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	NA	NA	NA	NA	64.79
P/FCFE (x)	NA	NA	NA	NA	NA
Net Gearing	(33%)	636%	(82%)	(56%)	(41%)
P/BV (x)	424.4	347.4	4.7	5.3	5.2
ROE	(473%)	(2245%)	(53%)	(12%)	3%
% Change In Core EPS Estimates					
CIMB/consensus EPS (x)					

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

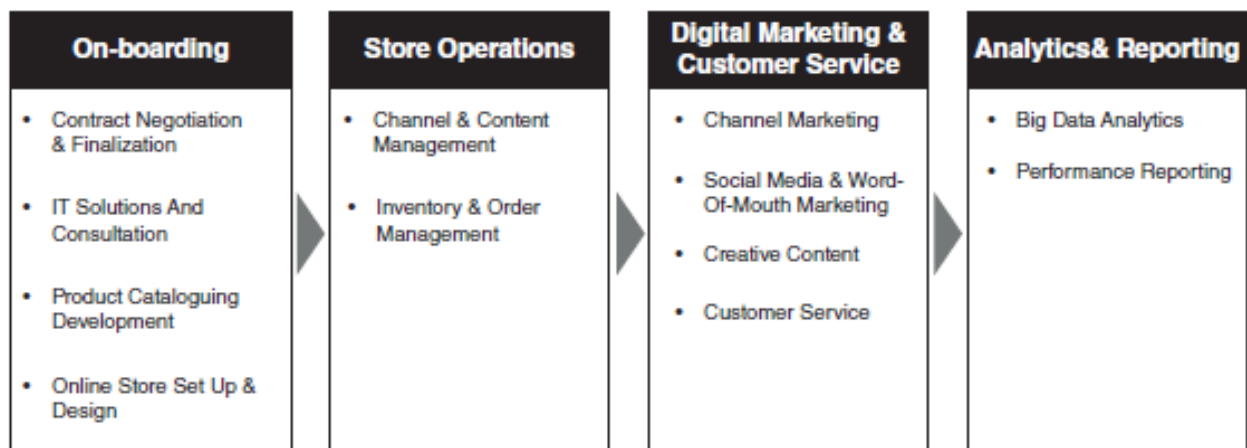
Automating e-commerce for global FMCG brands

One-stop shop for e-commerce services for certain global FMCG brands

A one-stop provider of e-commerce services ➤

Synagie was founded in late 2014 and listed on the SGX-Catalist board on 8 Aug 2018. The home-grown is a one-stop shop, providing e-commerce services for the entire e-commerce value chain, helping businesses ranging from small-medium enterprises (SME) to multi-national companies to establish a multi-channel online retail presence on online marketplaces such as Lazada and Qoo10. The group also helps its customers to manage their e-logistics and fulfilment processes, which are executed seamlessly on its Synagie Platform, a cloud-based e-commerce and fulfilment platform accessible through the group's website. Other end-to-end e-commerce solutions offered include: 1) channel and content management, 2) inventory and order management, 3) digital marketing and customer services, as well as 4) data analytics to boost sales.

Figure 1: Synagie's e-commerce business processes



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Asset-light model allows rapid scalability ➤

Synagie's asset-light business model allows it to scale up rapidly without having to invest significant capital, holding excessive inventory or incurring large marketing costs to generate sales. The group collaborates with third-party logistics partners and manages the entire logistics process via its Synagie Platform using business-to-business (B2B) and business-to-consumer (B2C) fulfilment services, mainly on-demand warehousing and last-mile delivery services.

More than 250 brand partners; mostly in BBB sector ➤

Synagie's customer base comprises more than 250 brand partners, mostly in the body, beauty and baby (BBB) sector, including well-known brands such as Unilever (ULVR LN, Not Rated), Johnson & Johnson (JNJ US, Not Rated), Kimberly-Clark (KMB US, Not Rated) and Shiseido (4911 JP, Not Rated). Synagie is also helping to manage more than 50 official stores for certain brand partners on Lazada, Qoo10, Shopee, Redmart and other online marketplaces. The aggregate number of product listings that Synagie helps to distribute and manage in official brand stores across various online marketplaces is well over 18,000.

Figure 2: Some of Synagie’s key brand partners currently

Brand	Product Type
Blackmores, Nestle, Scott	Health Supplements and/or Infrant Formula
Colgate	Oral Care
Etude House, Dove, Hado Labo, Innisfree, Neutrogena, Shiseido, Palmolive, Schwarzkopf	Body and/or Hair Care
Goo.n, Huggies, Petpet	Diapers
Heinz, Lotte, Ovaltine	Packed Food
Johnson & Johnson, Kleenex	Baby Toiletries, Tissue Paper
Kotex	Feminine Care
Mentholatum	Personal Care
OPPO	Smart Phone
Softian	Household

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Operates its own e-commerce store ➤

Synagie operates its own e-commerce store, which it developed and launched in 2015, under the “beautiful.me” brand that focuses on BBB products and mainly targets Asian female consumers. The group helps its brand partners to market and promote their products on its beautiful.me store, which can also be found on various online marketplaces and functions as a launch platform for small or new products by its brand partners that are not ready for their own official stores.

Figure 3: Screenshot of beautiful.me online store

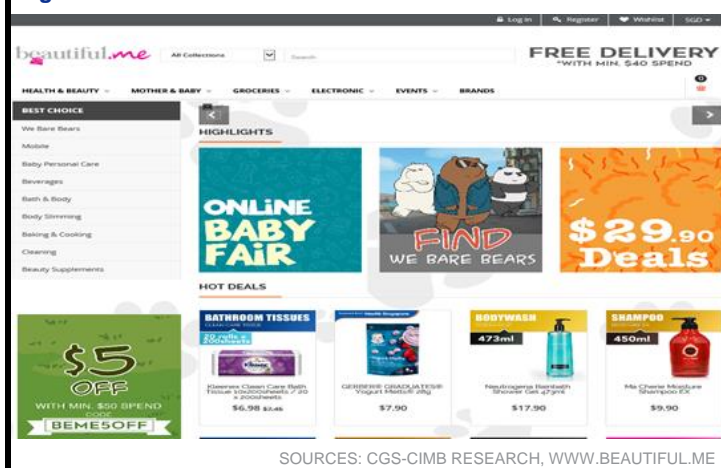
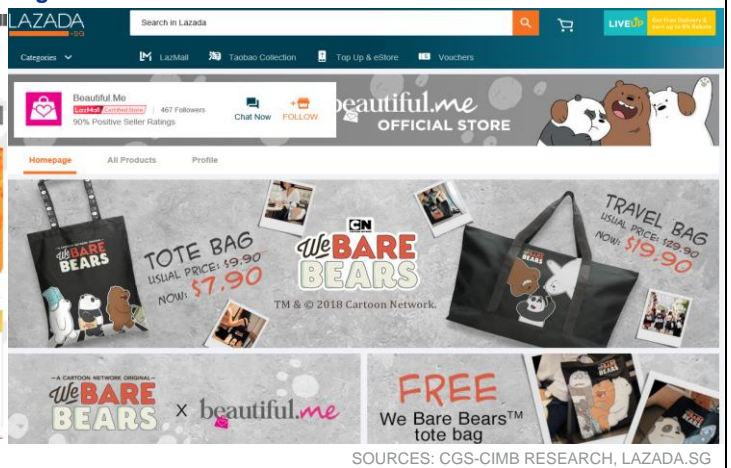


Figure 4: The beautiful.me store can also be found on Lazada



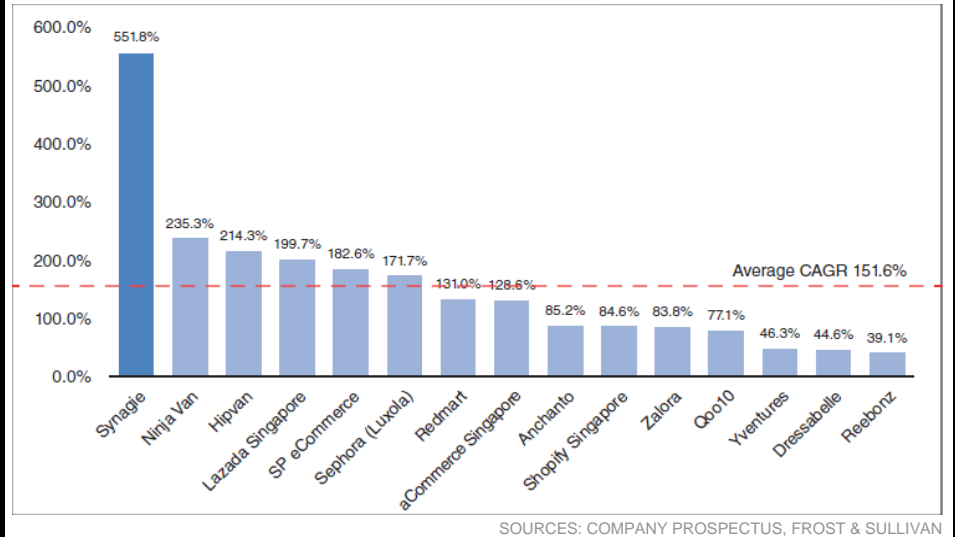
Value-add through data analytics and O2O distribution boost customer stickiness ➤

The Synagie Platform incorporates data analytics that are capable of tracking product sales across different online sales channels, forecasting future demand and generating consumer insights based on purchasing patterns and buying behaviour. In 2017, Synagie introduced online-to-offline (O2O) fulfillment as one of its product offerings, allowing its brand partners to tap on the group’s infrastructure-logistics solutions for B2B fulfillment to retail chain stores such as NTUC (Unlisted) and Watsons (Unlisted).

Fastest growing e-commerce start-up in Southeast Asia with over 500% revenue CAGR in 2015-17 ➤

According to Frost & Sullivan, Synagie is the fastest growing e-commerce start-up in Singapore and one of the fastest growing in Southeast Asia, registering revenue CAGR of 551.8% over 2015-17. The group attributed its success to its in-depth domain expertise, comprehensive e-commerce enablement service capabilities and deep penetration into the BBB industry, particularly the female consumer segment.

Figure 5: Synagie posted the highest revenue CAGR over 2011-17 among e-commerce start-ups in Singapore, according to Frost & Sullivan (Note: Synagie's revenue CAGR shown below is only for 2015-17, as the company was only established in late 2014)



A hybrid e-commerce business model ➤

Synagie's business model is a hybrid of the distribution model, consignment model and subscription model. In its initial years of operation, Synagie used the distribution model (whereby the group purchased the products outright and sold them through the official brand stores or its own beautiful.me store), resulting in annual revenue growth of 65-91% in FY15-16. In FY16, Synagie's inventory levels started to come down as some of its brand partners opted for the consignment model. Under the consignment model, Synagie need not purchase the products ahead of time but leased the warehouse space to brand owners to store their inventory.

Synagie also offers a subscription model for its platform, which offers an easy-to-use interface for brand owners to manage their e-commerce businesses. Charges for platform usage start at S\$39/month.

Expanding beyond Singapore's e-commerce market

Extending cross-border and data analytic capabilities ➤

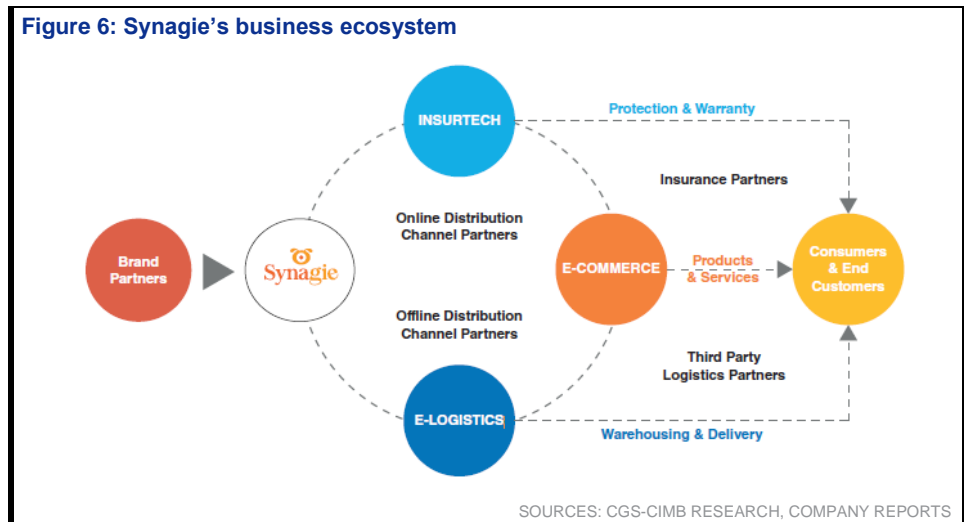
Synagie signed a partnership agreement with China UnionPay (Unlisted) on 2 May 2018, granting China UnionPay access to its Synagie Platform to facilitate cross-border parcel delivery. The group will work on enhancing its platform to provide real-time tracking and Big Data analytic solutions for China UnionPay's outbound parcel delivery services for SME and China courier customers.

Separately, Synagie entered into an agreement with Shanghai UnionPay on 25 Apr 2018. The group intends to leverage on its Synagie Platform to aggregate Shanghai UnionPay's China outbound parcel delivery orders and route them to Synagie's third-party logistics partners for fulfilment worldwide (including Southeast Asia).

Creating an ecosystem with Insurtech ➤

The group acquired 1Care Global, which we believe is its only profitable subsidiary, in Apr 2018. The acquisition, a venture into the Insurtech business, is Synagie’s third business segment and will work synergistically with its other two segments – e-commerce and e-logistics. 1Care Global has been providing regional third-party administration (TPA) and extended warranty and accidental damage protection services for customers that include Fortune 500 companies in the computer, communication and consumer electronics (3C) space for over seven years. 1Care Global would also provide after sales support and call centre services for brand partners. **The acquisition of an Insurtech business will help Synagie expand into the 3C segment beyond its core BBB brand space, in our view.**

Figure 6: Synagie’s business ecosystem



Extending its growth leg into Malaysia ➤

Synagie is currently supporting the e-commerce operations of more than 250 BBB brands in Singapore and offers end-to-end e-commerce enablement solutions and services to over 100 BBB brands. The group counts Unilever, Nestle, Colgate-Palmolive and Henkel as some of its customers in Singapore, and, shortly after expanding operations to Malaysia in 2017, it has also added Amore Pacific, Blackmores and Coty to its customer list.

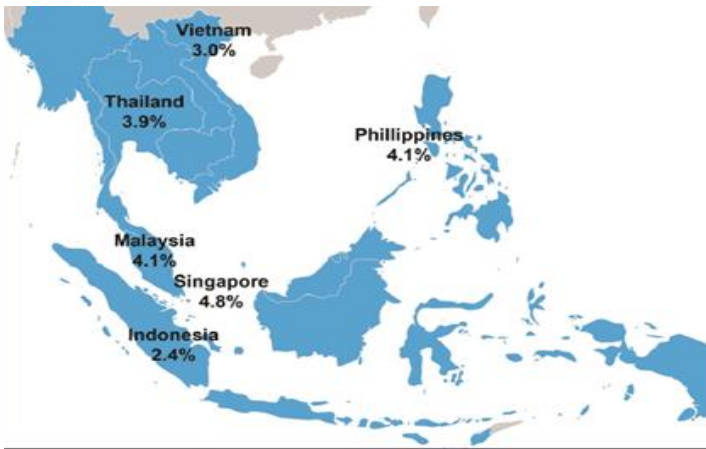
Industry outlook: robust growth prospects

Growing BBB and e-commerce in Southeast Asia ➤

According to Frost & Sullivan, Singapore had the highest e-commerce penetration rate over total retail volume in Southeast Asia at c.4.8% in 2017. The online BBB industry accounted for 16.7% of the e-commerce gross merchandise volume (GMV) in Singapore (13.3% for Southeast Asia), with growth driven by mass-market brands adopting a direct-to-consumer digital strategy of online sales channels and high turnover rate of BBB products.

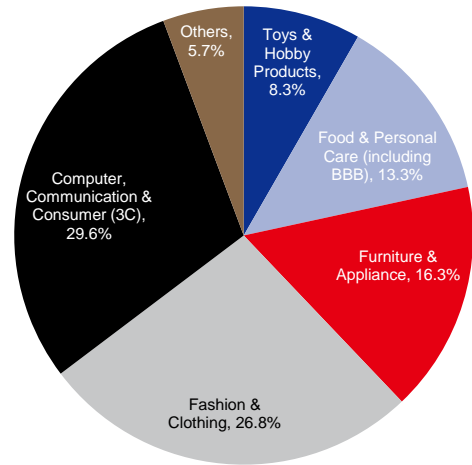
Frost & Sullivan forecasts the online BBB industry in SEA to reach US\$2.57bn by 2022F, registering 25.2% CAGR over 2017-2022F (faster than overall e-commerce CAGR rate of 22.3% forecasted over the same period). For Singapore alone, Frost & Sullivan expects the online BBB industry to reach US\$162.7m by end-2022, implying a 14.7% CAGR over 2017-2022F.

Figure 7: Frost & Sullivan's estimated e-commerce penetration rate of total retail sales for SEA in 2017



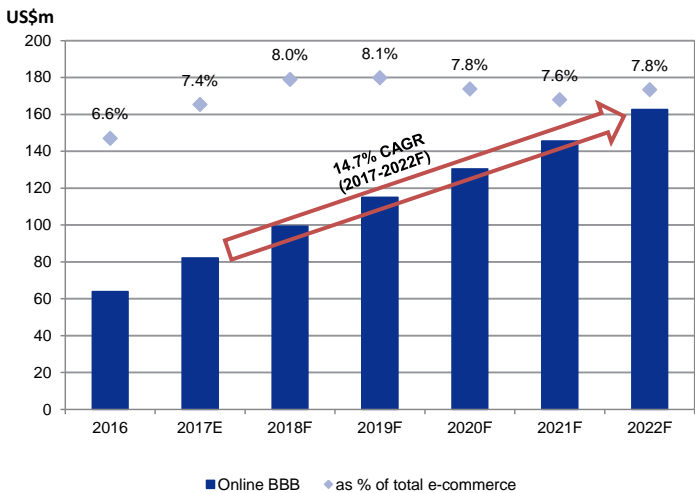
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, FROST & SULLIVAN

Figure 8: Market share by product segment purchased on online retail marketplaces in SEA, 2017



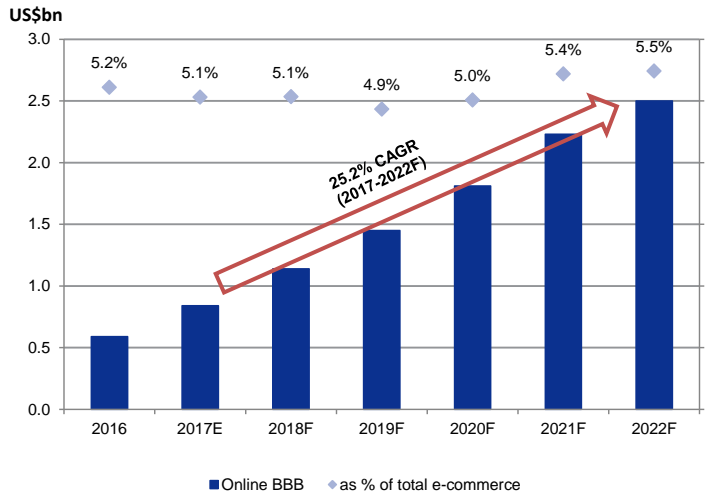
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, FROST & SULLIVAN

Figure 9: Growth of online BBB industry GMV in Singapore, based on Frost & Sullivan's forecasts



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, FROST & SULLIVAN

Figure 10: Growth of online BBB industry GMV in SEA region, based on Frost & Sullivan's forecasts



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, FROST & SULLIVAN

E-commerce enablers will play more of an active role ➤

The future growth prospects for e-commerce enablers such as Synagie will be highly dependent on a brand's e-commerce go-to-market (GTM) strategy and the overall development of e-commerce industry, in our view. E-commerce value chain activities, including online product marketing, content management, order placement and fulfilment, last-mile delivery and after-sale activities, are expected to be increasingly handled by e-commerce enablers rather than the brand owner themselves, based on Frost & Sullivan report on e-commerce industry in SEA.

Expansion beyond BBB sector will support further growth ➤

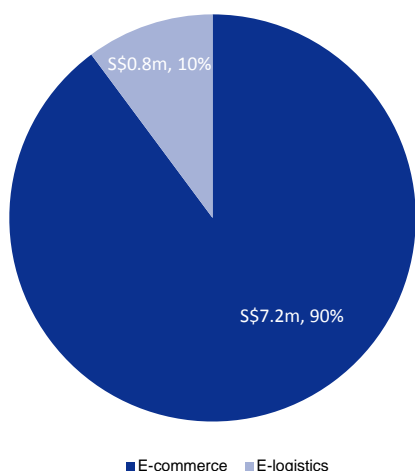
With its growth largely derived from acquisition of BBB brands, Synagie is looking to expand its business into other product categories such as 3C and toys. One example of a notable non-BBB brand that Synagie has on-boarded is established smartphone brand, OPPO (Unlisted). The group intends to acquire more brand partners in product categories such as 3C, luxury beauty, kids and toys, as stated in the company's IPO prospectus.

Financials and forecasts

E-commerce formed bulk of FY17 revenue ➤

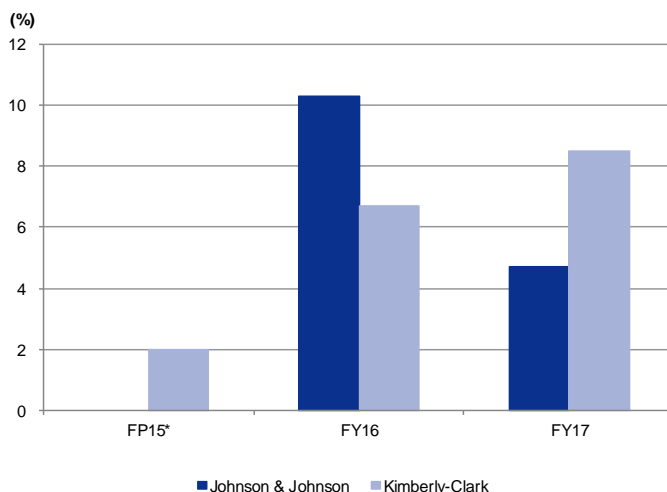
Revenue in FY17 was derived from two segments: 1) e-commerce and 2) e-logistics. E-commerce accounted for the bulk of the total FY17 revenue at 89.8%. In terms of geographical contribution, about 99.9% of FY17 revenue was generated from Singapore while the rest came from Malaysia. Key customers include Johnson & Johnson Pte Ltd and Kimberly-Clark Singapore that have engaged Synagie to establish a multi-channel online retail presence.

Figure 11: Segmental breakdown – FY17 revenue



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 12: Revenue contribution of major customers (%)



*FP15: 28-Nov 14 to 31-Dec 15

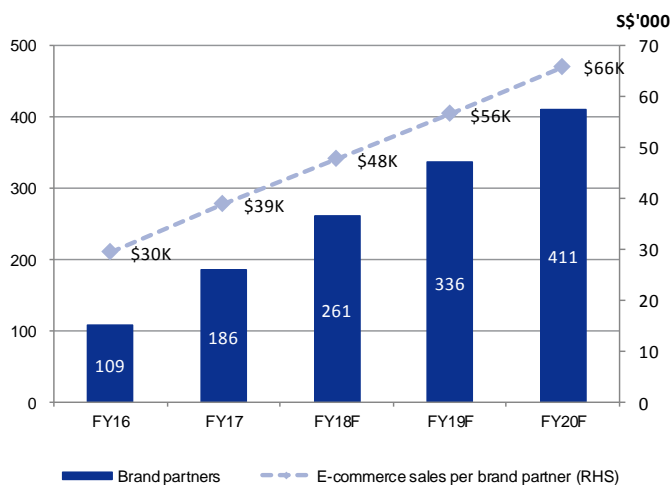
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Forecast c.70% CAGR in total revenue over FY17-20F ➤

Revenue increased by 118.2% or S\$4.3m, from S\$3.7m in FY16 to S\$8.0m in FY17, mainly due to higher revenue from its e-commerce and e-logistics services business segments. The growth was largely driven by the on-boarding of 77 new brand partners for its e-commerce segment in FY17.

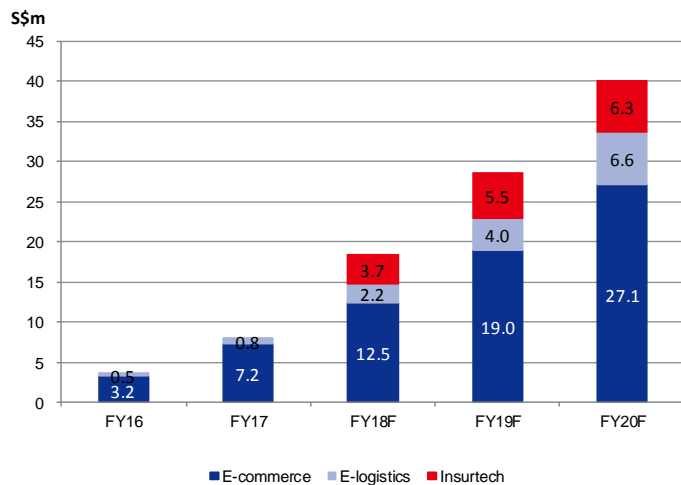
We forecast total revenue to reach S\$40m in FY20F which represents c.70.7% CAGR over FY17-20F, supported by continuous on-boarding of new brand partners amid growing online retail sales transactions in the region as well as new contribution from the recently acquired Insurtech business. We assume Insurtech could generate S\$3.7m (adjusted for partial-year contribution) and S\$5.5m in sales in FY18F and FY19F, respectively, which could trigger a total earn-out incentive of S\$3.3m that would be awarded to Insurtech Vendor, Mr Andrew Chua, in two separate payments in 2019F (S\$2.0m) and 2020F (S\$1.3m) as part of the acquisition deal. This has been factored into our forecasts.

Figure 13: Number of brand partners and e-commerce revenue derived per brand partner (based on our estimates)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 14: Revenue forecasts (\$m) by segment (based on our estimates)



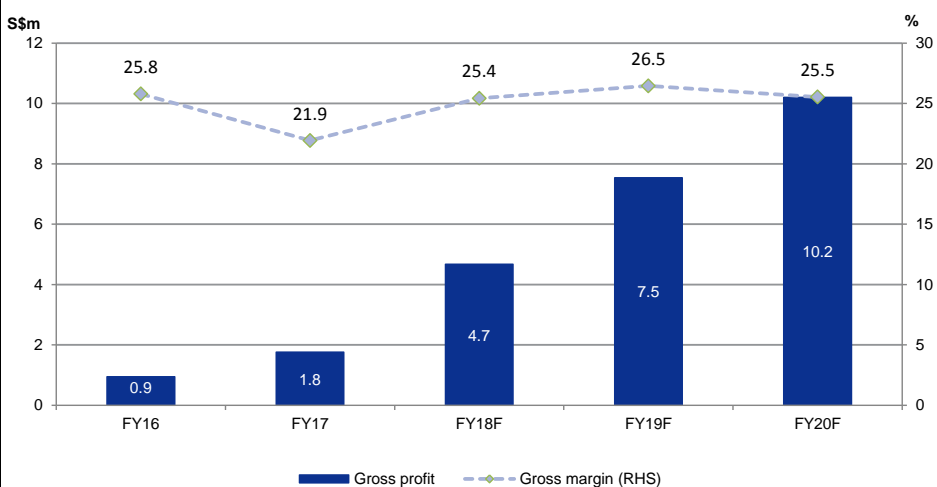
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Expect gross margin to fluctuate ➤

According to the management, sales generated on consignment basis typically fetch c.5% pts lower gross margin compared to sales generated on outright purchase basis. Thus, gross margins could be negatively affected by higher contribution of consignment product sales.

Nonetheless, we project overall gross margin to rise in FY18-19F due to contributions from its new higher-margin Insurtech business, which yielded a gross margin of 47.4% in 2017, based on our estimates. We believe Synagie could also benefit from lower marketplace service fees as Lazada looks to **scrap all commission charges for its marketplace sellers in Singapore**, as announced on 1 Aug 2018. Marketplace service fees accounted for about 2.6% of revenue in FY17 and thus, we think Lazada's move could potentially help to lift Synagie's gross margin by another 1-2% pts in FY19F, based on our estimates.

Figure 15: Gross profit and margin forecasts (based on our estimates)

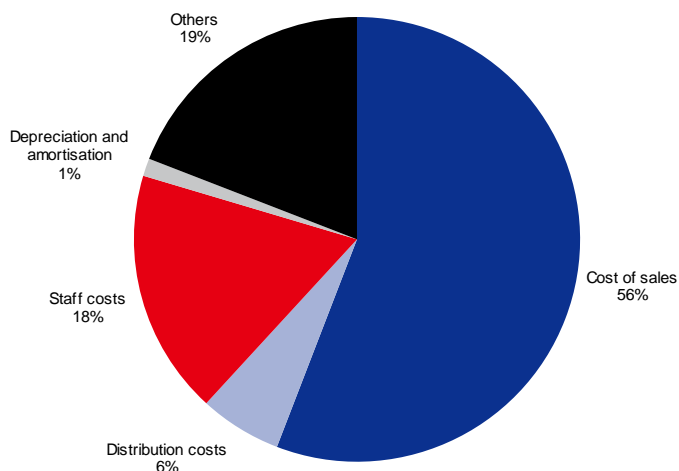


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Cost as % of sales to trend lower as business expands ➤

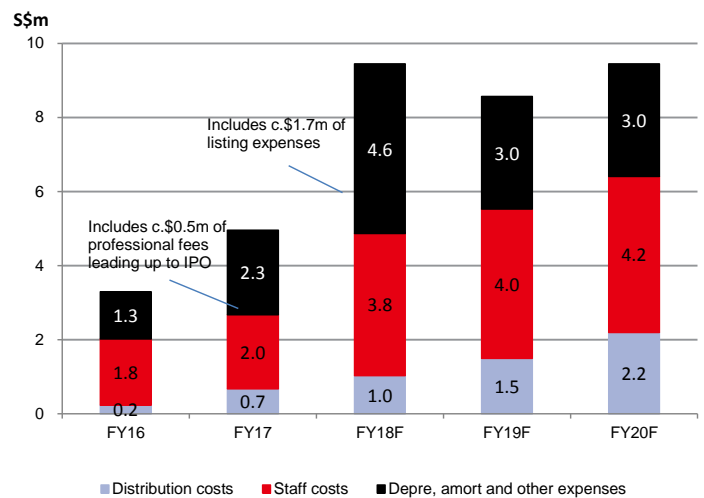
Apart from cost of sales, staff costs formed the second biggest operating expense at c.18% of total operating costs in FY17. We have factored in a significant step-up in staff costs in FY18F, given that Synagie has almost doubled its staff headcount from 35 as at end-FY17 to 67 as at 20 Jun 2018, with new hires mostly in logistics and operations divisions. We expect staff costs as a % of sales to trend lower over in FY19-20F as we project Synagie to grow its revenue base faster than staff costs and rest of the group's administrative expenses.

Figure 16: Breakdown of FY17 operating costs



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 17: Operating expenses (excluding cost of sales) forecasts (based on our estimates)

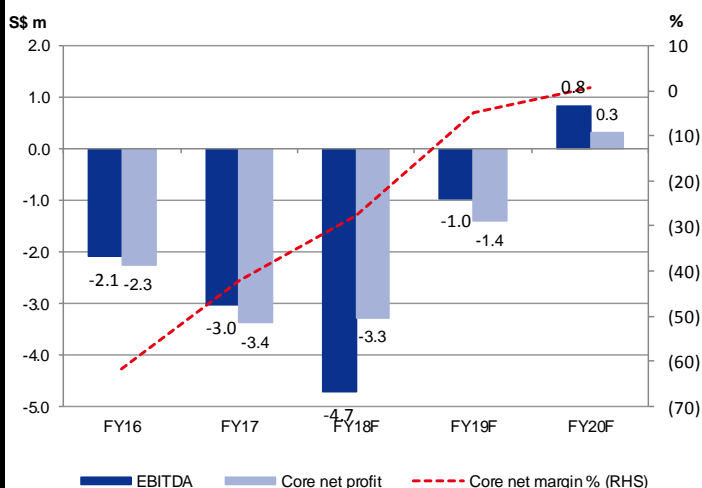


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Expect profitability by end-FY20F ➤

Synagie has been loss-making since inception as the group has yet to ramp up its topline to a level which is high enough to cover its cost base as it is only within its first three years of operations. On a consolidated basis with its profitable Insurtech business, we expect the group to turn profitable on a S\$40m topline by end-FY20F.

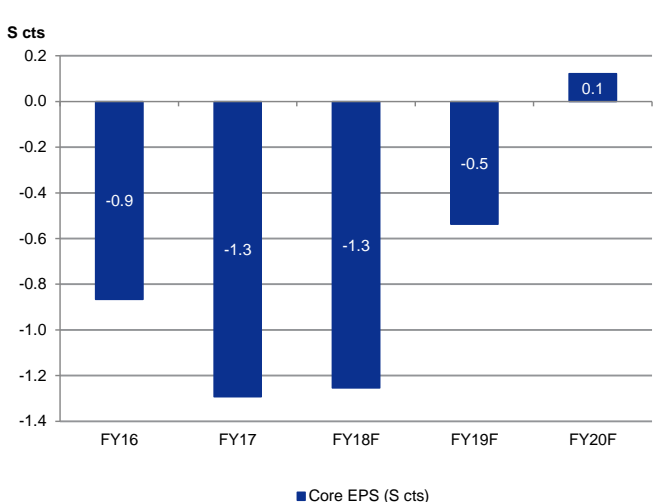
Figure 18: EBITDA and core net profit forecasts (based on our estimates)



* Core net profit - excludes listing expense of c.\$1.8m for FY18F

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 19: Core EPS forecasts (Scts) (based on our estimates)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Valuation and recommendation

Initiate with Add; TP of S\$0.34 ➤

Synagie is currently trading below its IPO price of S\$0.27 and at a CY19F P/S of 2.2x, c.60% discount to its global e-commerce enabler peers' average of 5.4x (excluding outliers Shopify and Vipshop). With Synagie still in an early high-growth stage, we project it to achieve normalised EBITDA profits of S\$4.8m by end-FY23F. With its global peers trading at CY19F EV/EBITDA multiple of c.24x, we also apply an EV/EBITDA multiple of 24x and assume a 10% WACC to our discounted FY23F EBITDA to derive a target price of S\$0.34. This implies a FY19F P/S of 3.1x, representing c.43% discount to its peers' average of 5.4x.

Our target price implies 54.5% upside to the current share price. We initiate coverage with an Add rating.

Figure 20: Peer comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x) CY18F	P/E (x) CY19F	3-year EPS CAGR (%)	P/S (x) CY18F	P/S (x) CY19F	Recurring ROE (%) CY18F	EV/EBITDA (x) CY18F	EV/EBITDA (x) CY19F
Synagie Corp Ltd	SCL SP	ADD	0.22	0.34	42	na	na	na	3.42	2.20	-53.7%	na	na
E-commerce enabler peers													
Alibaba Group Holding Lt	BABA US	Not rated	170.4	na	441,812	45.0	23.2	40.0%	8.38	5.85	17.4%	23.2	16.3
Amazon.com Inc	AMZN US	Not rated	2,040	na	994,753	76.4	55.5	97.0%	4.23	3.48	21.7%	31.8	24.1
Baozun Inc	BZUN US	Not rated	52.31	na	2,979	51.3	32.3	13.6%	3.76	2.77	19.8%	36.4	21.6
Etsy Inc	ETSY US	Not rated	50.66	na	6,067	86.3	60.8	26.2%	10.22	8.00	17.6%	42.7	31.5
Infibeam Avenues Ltd	INFIBEAM IN	Not rated	229.5	na	2,131	172.5	43.1	8.2%	11.59	7.15	6.9%	51.1	27.8
Shopify Inc	SHOP US	Not rated	146.3	na	15,563	774.3	251.9	na	15.09	10.94	0.3%	426.1	156.1
Vipshop Holdings Ltd	VIPS US	Not rated	6.72	na	4,448	11.9	10.2	21.1%	0.35	0.30	13.8%	8.2	6.3
Simple average (excl Shopify, Vipshop)						86.3	43.0	37.0%	7.64	5.45	16.7%	37.0	24.3

Note: Not rated company forecasts based on Bloomberg consensus estimates
 SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG (5 SEP 2018)

Figure 21: Discounted EV/EBITDA valuation basis (based on our estimates)

S\$ m (FYE Dec)	FY18F	FY19F	FY20F	FY21F	FY22F	FY23F
Revenue	18.4	28.5	40.0	53.4	69.8	89.9
Core net profit	-3.3	-1.4	0.3	1.4	2.6	3.9
Core net profit margin %	-17.9	-4.9	0.8	2.7	3.7	4.3
EBITDA	-4.7	-1.0	0.8	1.9	3.2	4.8
EBITDA margin %	-25.6	-3.4	2.0	3.6	4.6	5.3
Multiply by EV/EBITDA of 24.0x						115.0
Add net cash	10.0	6.0	4.5	5.3	7.0	9.9
Derived equity value						124.9
Discounted equity value to end-FY19F (WACC: 10.0%)		89.5				
Shares outstanding (m)		261.7				
Target price/share (S\$)		0.34				
Implied P/S ratio	4.84	3.12				
Current share price		0.22				
Implied upside		54.5%				
Valuation parameters						
WACC (%)		10.0				
Target EV/EBITDA multiple (x)		24.0				

*core net profit: excludes listing expense of c.\$1.8m for FY18F

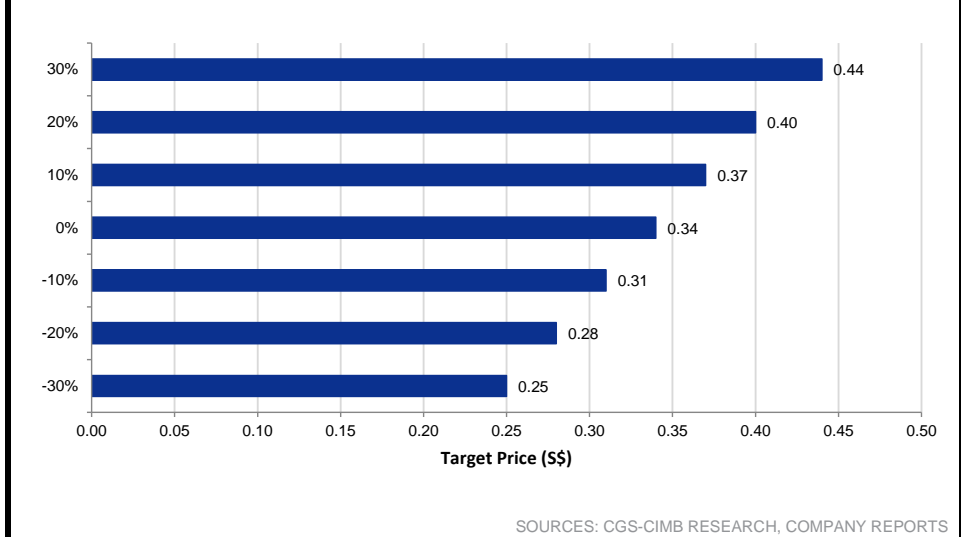
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 22: Target price sensitivity to EV/EBITDA multiple and WACC assumptions

		EV/EBITDA (x)				
		16.0	20.0	24.0	28.0	32.0
WACC (%)	8%	0.25	0.31	0.36	0.42	0.48
	9%	0.24	0.30	0.35	0.41	0.46
	10%	0.24	0.29	0.34	0.39	0.45
	11%	0.23	0.28	0.33	0.38	0.43
	12%	0.22	0.27	0.32	0.37	0.42

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 23: Target price sensitivity to every 10% change in our FY23F EBITDA forecast



Key risks

Losses and negative operating cash flow could drag on longer than expected. Synagie’s losses could continue to drag on longer than expected, which we think would require Synagie to take on additional debt or equity financing to fund its future working capital and expansion plans.

Cessation of relationships with key brand partners. Synagie enters into contractual agreements with its brand partners typically for a minimum of one or two years, and these contracts are automatically renewed upon expiration unless terminated by either party. The termination of agreements for any key brand partner could adversely affect Synagie’s sales.

Figure 24: SWOT analysis

Strengths	Opportunities
Track record in providing end-to-end e-commerce solutions for some of the global BBB brands	Expand into other product categories beyond BBB segments such as 3C and toys
	Regional expansion in Malaysia and other South-east Asian countries
Weaknesses	Threats
Relies on third-party service providers to support its Synagie platform, warehousing, logistics and fulfillment	Losses could drag on for prolonged period
	New entrants adding to competitive landscape

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

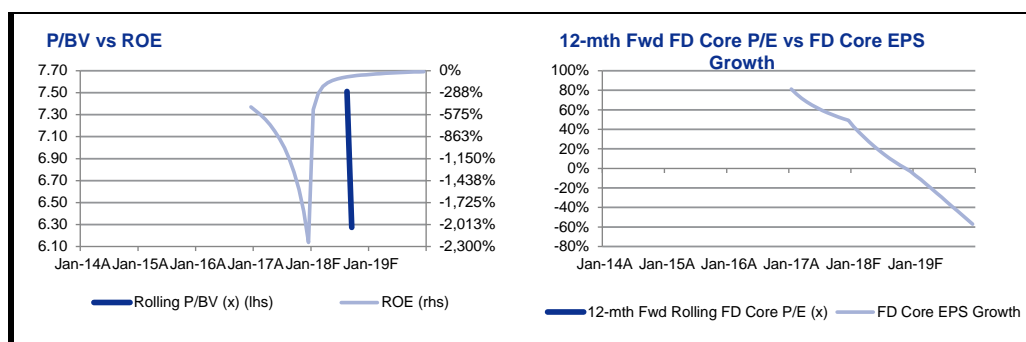
Key management ▶

Key members are its founders, Mr Clement Lee (Executive Director and CEO), Ms Olive Tai (Executive Director) and Ms Zanetta Lee (Executive Director). Mr Lee has over 20 years of experience in brand development and management in the entertainment and lifestyle industry. Ms Tai has over 20 years of experience in the FMCG industry and is responsible for the group's e-commerce and e-logistics segments. Ms Lee served as a Regional Manager responsible for managing general distributors in Southeast Asia for Daimler before joining Synagie.

Major shareholders; 50.3% float ▶

Based on its IPO prospectus as at 20 June 18, the three co-founders would hold a combined stake of 30.2% in the company after the company's listing. Substantial stakeholders apart from Clement Lee include Centurion Global and Mrs Helen Chow who held 11.6% and 7.3%, respectively. Save for Clement who is under a 24-month moratorium period, other major stakeholders are under a 6-month moratorium period from the date of listing whereby they have undertaken not to sell their stakes. We estimate free float to the public is about 50.3%.

BY THE NUMBERS



We expect profitability in FY20F

Profit & Loss

(\$m)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Net Revenues	3.68	8.03	18.38	28.52	39.96
Gross Profit	0.95	1.76	4.67	7.54	10.20
Operating EBITDA	(2.10)	(3.04)	(2.92)	(0.96)	0.82
Depreciation And Amortisation	(0.17)	(0.14)	(0.18)	(0.18)	(0.18)
Operating EBIT	(2.27)	(3.18)	(3.10)	(1.14)	0.64
Financial Income/(Expense)	0.00	(0.20)	0.00	0.00	0.00
Pretax Income/(Loss) from Assoc.	0.00	0.00	0.00	0.00	0.00
Non-Operating Income/(Expense)	0.00	0.00	0.00	0.00	0.00
Profit Before Tax (pre-EI)	(2.27)	(3.38)	(3.10)	(1.14)	0.64
Exceptional Items			(1.79)	0.00	0.00
Pre-tax Profit	(2.27)	(3.38)	(4.89)	(1.14)	0.64
Taxation	0.00	0.00	(0.18)	(0.27)	(0.32)
Exceptional Income - post-tax					
Profit After Tax	(2.27)	(3.38)	(5.07)	(1.41)	0.32
Minority Interests	0.00	0.00	0.00	0.00	0.00
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	(2.27)	(3.38)	(5.07)	(1.41)	0.32
Recurring Net Profit	(2.27)	(3.38)	(3.28)	(1.41)	0.32
Fully Diluted Recurring Net Profit	(2.27)	(3.38)	(3.28)	(1.41)	0.32

Cash Flow

(\$m)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
EBITDA	(2.10)	(3.04)	(2.92)	(0.96)	0.82
Cash Flow from Inv. & Assoc.					
Change In Working Capital	0.11	(0.80)	(0.28)	(0.68)	(0.55)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	0.04	0.30	0.00	0.00	0.00
Net Interest (Paid)/Received	0.00	(0.20)	0.00	0.00	0.00
Tax Paid	0.00	0.00	0.03	(0.27)	(0.32)
Cashflow From Operations	(1.95)	(3.74)	(3.17)	(1.91)	(0.05)
Capex	(0.02)	(0.15)	(0.15)	(0.15)	(0.15)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(0.13)	(0.19)	(4.19)	0.00	0.00
Cash Flow From Investing	(0.16)	(0.34)	(4.34)	(0.15)	(0.15)
Debt Raised/(repaid)	0.00	3.80	0.00	0.00	0.00
Proceeds From Issue Of Shares	1.58	2.31	11.61	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00	0.00
Dividends Paid	0.00	0.00	0.00	0.00	0.00
Preferred Dividends					
Other Financing Cashflow	0.53	(0.40)	5.86	(1.92)	(1.30)
Cash Flow From Financing	2.11	5.71	17.47	(1.92)	(1.30)
Total Cash Generated	0.01	1.63	9.96	(3.98)	(1.50)
Free Cashflow To Equity	(2.11)	(0.28)	(7.51)	(2.06)	(0.20)
Free Cashflow To Firm	(2.11)	(3.87)	(7.51)	(2.06)	(0.20)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Includes contingent consideration that requires Synagie to pay total earn-out incentives in 2019-2020F if its TPA subsidiary achieves certain performance targets.

Balance Sheet

(\$m)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Cash And Equivalents	0.05	1.83	9.99	6.02	4.51
Total Debtors	0.54	2.78	6.30	9.77	13.69
Inventories	0.44	1.46	2.25	3.45	4.89
Total Other Current Assets	0.00	0.00	0.00	0.00	0.00
Total Current Assets	1.03	6.07	18.54	19.23	23.09
Fixed Assets	0.12	0.12	0.19	0.25	0.32
Total Investments	0.00	0.00	0.00	0.00	0.00
Intangible Assets	0.25	0.35	4.44	4.34	4.25
Total Other Non-Current Assets	0.00	0.00	0.00	0.00	0.00
Total Non-current Assets	0.37	0.46	4.62	4.59	4.56
Short-term Debt	0.00	0.00	0.00	0.00	0.00
Current Portion of Long-Term Debt					
Total Creditors	1.27	3.48	7.51	11.49	16.31
Other Current Liabilities	0.00	0.00	0.21	0.21	0.21
Total Current Liabilities	1.27	3.48	7.72	11.70	16.52
Total Long-term Debt	0.00	2.88	0.00	0.00	0.00
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0.00	0.00	3.23	1.31	0.01
Total Non-current Liabilities	0.00	2.88	3.23	1.31	0.01
Total Provisions	0.00	0.00	0.00	0.00	0.00
Total Liabilities	1.27	6.36	10.95	13.01	16.53
Shareholders' Equity	0.14	0.17	12.21	10.81	11.13
Minority Interests	0.00	0.00	0.00	0.00	0.00
Total Equity	0.14	0.17	12.21	10.81	11.13

Key Ratios

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue Growth	N/A	118%	129%	55%	40%
Operating EBITDA Growth	N/A	44.7%	(3.7%)	(67.1%)	N/A
Operating EBITDA Margin	(57.0%)	(37.8%)	(15.9%)	(3.4%)	2.0%
Net Cash Per Share (S\$)	0.000	(0.004)	0.038	0.023	0.017
BVPS (S\$)	0.001	0.001	0.047	0.041	0.043
Gross Interest Cover	N/A	(15.62)	N/A	N/A	N/A
Effective Tax Rate	0.0%	0.0%	0.0%	0.0%	50.0%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	77.5	75.5	90.1	102.8	107.4
Inventory Days	58.44	55.41	49.47	49.61	51.28
Accounts Payables Days	155.5	138.3	146.4	165.4	170.9
ROIC (%)	(289%)	(3517%)	(254%)	(21%)	10%
ROCE (%)	(473%)	(200%)	(41%)	(10%)	6%
Return On Average Assets	(138%)	(80%)	(21%)	(5%)	2%

Key Drivers

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	1781.3%	124.2%	72.7%	52.3%	42.6%
No. of POS (main prod/serv)	N/A	N/A	N/A	N/A	N/A
SSS grth (% , main prod/serv)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod/serv)	2466.7%	76.8%	173.4%	81.2%	63.9%
No. of POS (2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
SSS grth (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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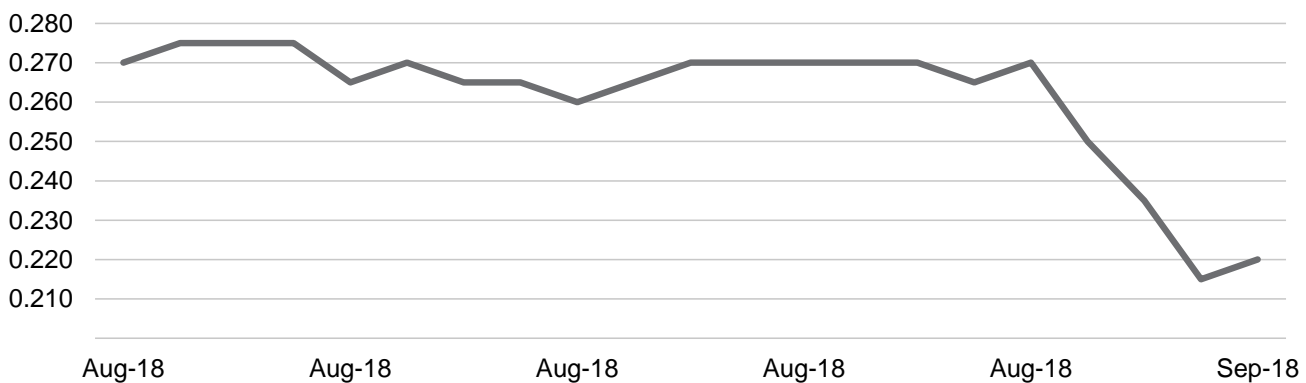
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2018		
1203 companies under coverage for quarter ended on 30 June 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	62.3%	4.5%
Hold	26.2%	2.5%
Reduce	9.3%	0.8%

Spitzer Chart for stock being researched (2 year data)

Synagie Corp Ltd (SCL SP)

— Price Close



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017

AAV – Very Good, n/a, **ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AMATA** – Very Good, n/a, **ANAN** – Excellent, n/a, **AOT** – Excellent, Declared, **AP** – Excellent, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Declared, **BCP** - Excellent, Certified, **BCPG** – Very Good, n/a, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, , **BGRIM** – not available, n/a, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Declared, **BLA** – Very Good, Certified, **BPP** – Good, n/a, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **GFPT** - Excellent, Declared, **GGC** – not available, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Excellent, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **ICHI** – Excellent, n/a, **III** – not available, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent,

Certified, **KGI** – Very Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, n/a, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Very Good, Declared, **MALEE** – Very Good, n/a, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Very Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** – Very Good, Declared, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, n/a, **TCAP** – Excellent, Certified, **THAI** – Very Good, n/a, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Excellent, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Good, n/a, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – not available, n/a, **TRUE** – Excellent, Declared, **TTW** – Very Good, n/a, **TU** – Excellent, Declared, **TVO** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 28, 2016) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.