

MONEY TALK

## Synagie Corporation (SCL SP)

### Propelling E-Commerce In The Fast Lane

Synagie is the fastest growing e-commerce solutions provider in Southeast Asia, focusing on beauty, body and baby care sector. The group's platform entails end-to-end services for more than 250 brand partners. Furthermore, Insurtech is a disruptor that complements its ecosystem. Investors can look forward to growth propulsion as Synagie rides on Southeast Asia's undeveloped e-commerce opportunities. Initiate with BUY and 4.2x P/S-based target price of S\$0.45.

#### INVESTMENT HIGHLIGHTS

- **Initiate coverage with BUY and P/S-based target price of S\$0.45.** Our target price takes into account Synagie's high growth and is based on a 25% discount to that of comparable peers. We think the discount is reasonable vs the higher discount rates (40-50%) utilised in small new-economy businesses. This is because of Synagie's asset-light business model and seamless technology adoption, making it well positioned to scale up operations easily. Valuations are compelling as Synagie is currently trading at a discount to peers.
- **An invaluable resource for brand owners.** Synagie provides an all-encompassing value proposition for brand owners to solve their end-to-end e-commerce needs not just in content development but also in integrating warehousing, distribution and logistics. This automation of sales on multiple online marketplaces in Southeast Asia, including Lazada, Qoo10, Shopee and Redmart, makes Synagie the go-to platform with a comprehensive ecosystem. It is the leading beauty, body and baby care (BBB) e-commerce enabler in Southeast Asia, counting industry leaders such as Johnson & Johnson, Kimberly Clark and Shiseido, and accumulating over 250 brand partners in a short space of time.
- **Quick and scalable technological adoption.** Synagie's plug-and-play model allows for fast and seamless expansion. Its robust cloud platform built on a modular implementation model is highly scalable, especially in the expansion to regional markets, giving the proprietary e-commerce platform a competitive edge.
- **Solid growth drivers.** With the acquisition of experienced and profitable third-party insurance administrator 1Care, Synagie can look to integrate insurtech onto its platform, providing brand owners an avenue to provide extended warranty and protection services for end-customers. On the e-logistics front, the group is asset-light, giving it the edge in driving e-commerce transaction volume without incurring high capex. This is exemplified in its recent partnership with China UnionPay and Shanghai UnionPay, providing solutions for China out-bound parcel delivery services to over 50 countries and/or regions for some 6.8m Chinese SMEs and 2,000 courier customers.
- **On the fast track for sales.** Synagie is one of the fastest growing e-commerce start-ups in Southeast Asia with revenue CAGR of 551.8% in 2015-17 (on low base effect) vs e-commerce players' average of 151.6%. With the insurtech business as well as the addition of new brands from different sectors and regional markets, revenue is expected to grow at a 47.3% 3-year CAGR in 2017-20.

#### KEY FINANCIALS

Year to 31 Dec (S\$m)	2016	2017	2018F	2019F	2020F
Net turnover	3.7	12.3	18.7	28.0	39.3
EBITDA	(2.1)	(1.7)	(3.6)	0.8	2.9
EBIT	(2.3)	(1.8)	(3.8)	0.6	2.5
Net profit	(2.3)	(2.3)	(3.4)	0.5	2.1
Adj. net profit	(2.3)	(2.3)	(1.9)	0.5	2.1
EPS (S cent)	(1.0)	(1.0)	(1.3)	0.2	0.8
PE (x)	n.a.	n.a.	n.a.	148.8	34.4
P/B (x)	434.2	12.4	6.3	6.1	5.1
Dividend yield (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Net margin (%)	n.a.	n.a.	n.a.	1.7	5.2
Net debt/(cash) to equity (%)	(33.1)	(57.4)	(82.9)	(76.3)	(72.8)
Interest cover (x)	n.a.	8.9	n.a.	n.a.	n.a.
ROE (%)	n.a.	n.a.	n.a.	4.1	15.0

Source: Bloomberg, UOB Kay Hian

## BUY

### (Initiate Coverage)

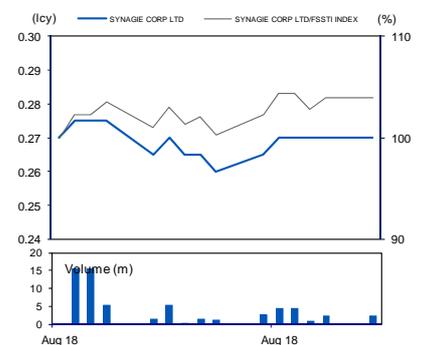
Share Price	S\$0.27
Target Price	S\$0.45
Upside	65.0%

#### COMPANY DESCRIPTION

Synagie Corporation is an e-commerce company, offering solutions to businesses in online and offline sale of consumer goods, as well as real-time big data analytics and artificial intelligence services. Synagie's cloud platform helps to manage clients' orders, inventory, vendors and customers. Synagie serves customers in Southeast Asia.

GICS sector	Information Technology
Bloomberg ticker:	SCL SP
Shares issued (m):	261.7
Market cap (S\$m):	70.7
Market cap (US\$m):	51.5
3-mth avg t'over (US\$m):	0.7

#### PRICE CHART



Source: Bloomberg

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## Valuation

**Initiate coverage with BUY and P/S-based target price of S\$0.45.** Similar to a number of new-economy stocks, particularly companies that are not profitable, we believe P/S would be a more appropriate benchmark. In using P/S, we would also attempt to reflect an appropriate P/S valuation that commensurates with the growth rate of Synagie's top-line.

Riding on a potentially sizeable Southeast Asian e-commerce market of US\$45.6b by 2022 (according to Frost and Sullivan), we like Synagie for its: a) value-add ecosystem, b) seamless technological adoption, c) asset-light business model, and d) fast-track revenue growth

We value Synagie at S\$0.45/share, based on a 25% discount to peers' average. We input a discount due to Synagie's smaller market capitalisation and shorter operating history but the discount could narrow with a steady execution of business plans and positive newsflow.

With an eye on growing the business after its public listing, management is looking to expand by penetrating new geographical locations, developing its investments in information technology capabilities, and potential M&As.

## Peer Comparison

**Fair value at 25% discount at 4.2x 2019F P/S.** Synagie would fall into the category of high revenue growth comparables (Figure 1). Excluding outliers, (JD.com and Shopify), a more reasonable range would be 3.1-8.4x 2019F P/S. Based on a simple average of this range, we arrive at 5.5x 2019F P/S and assuming a discount range of 25%, our target price is \$0.45, or 4.2x P/S. Depending on the execution of its business strategy, accretive M&A and newsflow, there is potential for the discount to narrow going forward.

Given our P/S benchmark and low sales base, our target price is very sensitive to revenue variation. At 4.2x 2019F P/S, every S\$1.5m variation in revenue would change our target price by S\$0.03/share, or 6.7% (Figure 2).

FIGURE 1: PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price @ 24 Aug 18 (lcy)	Market Cap (US\$m)	PE				Yield 2018F (%)	ROE 2018F (%)	Price to Sales		2015-17 Sales CAGR (%)
					2017 (x)	2018F (x)	2019F (x)	2020F (x)			2019F (x)	2018F (x)	
58.Com	WUBA US	USD	72.7	10,722	56.7	29.4	21.9	17.4	0.0	9.8	5.7	4.8	49.7
Alibaba	BABA US	USD	172.23	446,452	47.3	30.0	22.7	17.7	0.0	16.6	7.7	5.6	57.3
Amazon.Com	AMZN US	USD	1902.9	928,123	301.1	71.1	51.5	40.0	0.0	21.7	3.9	3.2	28.9
Baozun	BZUN US	USD	54.04	3,078	32.0	52.4	31.9	22.2	0.0	19.9	3.9	2.9	26.4
Ebay	EBAY US	USD	34.4	34,041	n.a.	15.0	13.4	11.5	0.0	29.8	3.1	2.9	5.5
Hubspot	HUBS US	USD	137.1	5,319	n.a.	209.6	129.3	83.8	n.a.	11.7	10.7	8.6	43.7
SEA	SE US	USD	14.35	4,808	n.a.	n.a.	n.a.	n.a.	0.0	(1,193.6)	5.6	3.7	19.1
Shopify	SHOP US	USD	137.49	14,641	n.a.	n.a.	n.a.	n.a.	0.0	0.3	14.2	10.3	81.1
Sps Commerce	SPSC US	USD	94.72	1,655	n.a.	56.4	51.9	44.0	n.a.	12.6	6.8	6.2	18.0
Etsy	ETSY US	USD	48.81	5,845	70.7	83.2	58.6	35.2	0.0	17.6	9.8	7.7	27.0
Jd.Com	JD US	USD	31.39	45,023	n.a.	72.3	41.9	27.6	0.0	0.7	0.7	0.5	41.4
Zhongan Online	6060 HK	HKD	38	7,115	n.a.	n.a.	124.3	28.4	0.0	(0.6)	4.8	3.1	49.2
Average P/S					101.6	68.8	54.7	32.8	0.0	(87.8)	6.4	5.0	
Adjusted P/S of high sales growth companies (ex outliers)											7.2	5.5	

Source: Bloomberg, UOB Kay Hian

FIGURE 2: TARGET PRICE SENSITIVITY ANALYSIS

Discount to Peers	2019F Sales (S\$m)							
		23.5	25.0	26.5	28.0*	29.5	31.0	32.5
45%		0.27	0.29	0.31	0.33	0.34	0.36	0.38
35%		0.32	0.34	0.37	0.39	0.41	0.43	0.45
25%		0.37	0.40	0.42	0.45	0.47	0.49	0.52
15%		0.42	0.45	0.48	0.50	0.53	0.56	0.59
5%		0.47	0.50	0.53	0.56	0.59	0.62	0.65

\* Base Case Scenario

Source: UOB Kay Hian

## Industry – Dynamic, Scalable, Disruptive

**Dynamic e-commerce outlook.** With a growing middle-class, tech-savvy young urban population and increasing levels of disposable income, Southeast Asia presents a highly attractive market for investment. The dramatic expansion of social networking is challenging the way companies manage brands and engage the consumer base. Consumers are increasingly sharing their opinions and seeking reviews about companies' products, services as well as business practices online. An increasing number of brands are investing significantly in social media to build brand awareness. Total gross merchandise value (GMV) of Southeast Asia's e-commerce industry grew from US\$5.3b in 2014 to US\$16.6b in 2017, and is expected to reach US\$45.6b by 2022, according to Frost and Sullivan.

FIGURE 3: MARKET SIZE FOR E-COMMERCE INDUSTRY

GMV (US\$ billions)	2014	2015	2016	2017E	2018F	2019F	2020F	2021F	2022F	CAGR (2017–2022F)
Singapore	0.7	0.8	1.0	1.1	1.2	1.4	1.7	1.9	2.1	13.6%
SEA	5.3	7.5	11.3	16.6	22.5	29.8	36.1	41.0	45.6	22.3%
China	507.6	646.2	829.1	1,013.7	1,250	1,553	1,945	2,457	3,120	25.2%
US	403.7	423.4	442.5	458.9	477.0	497.0	519.0	543.7	571.0	4.5%

Source: Frost and Sullivan

Singapore's e-commerce market is expected to have the highest penetration of total retail volume as Singapore has one of the highest GDP per capita globally, a highly educated population and ease of conducting business globally which makes it a conducive environment for the development of the e-commerce industry.

FIGURE 4: E-COMMERCE PENETRATION RATES

E-commerce / Retail Volume	2014	2015	2016	2017E	2018F	2019F	2020F	2021F	2022F
Singapore	2.9%	3.4%	4.2%	4.8%	5.3%	6.0%	6.9%	7.8%	8.2%
SEA	1.2%	1.6%	2.4%	3.4%	4.3%	5.4%	6.2%	6.6%	7.0%
China	26.8%	32.5%	38.8%	43.1%	47.9%	53.1%	58.9%	63.8%	68.7%
USA	14.3%	14.6%	14.8%	14.7%	14.6%	14.5%	14.3%	14.2%	14.2%

Source: Frost and Sullivan

**Scaling new heights; Singapore's BBB sector.** While the offline BBB sector in Singapore still dominates the market, incumbents such as personal care stores (Watsons, Guardian) and beauty-concept stores (Sephora and Sasa) still face challenges such as tracking consumer product sales and understanding consumers' buying behaviour. The online BBB industry is expected to scale up as convenience of online purchases and affordability push the rapid proliferation of online consumers. According to Frost and Sullivan, the growth of Singapore's online BBB industry is expected to surpass the growth of the overall e-commerce industry at CAGR of 14.7% and 13.6% respectively.

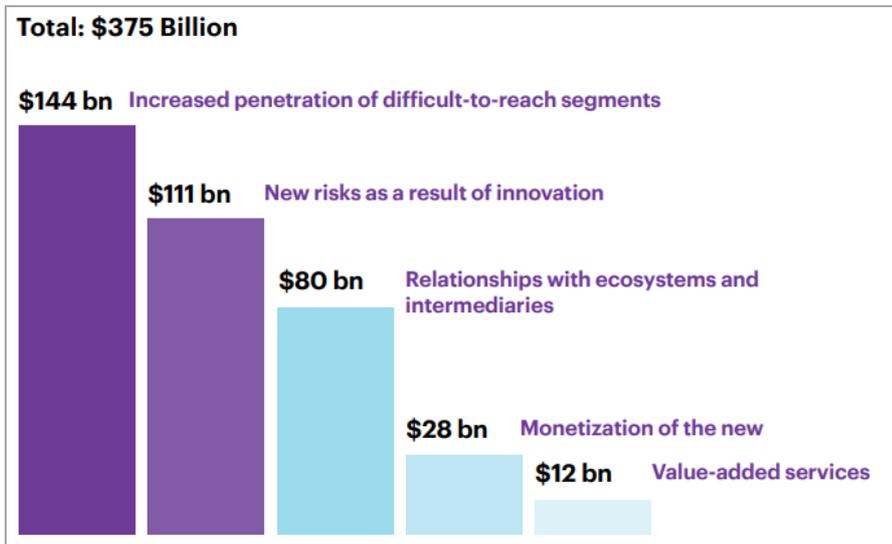
FIGURE 5: GMV MARKET SIZE AND FORECAST

GMV (\$ Million)	2014	2015	2016	2017E	2018F	2019F	2020F	2021F	2022F	CAGR (2017–2022F)
Online BBB	33.1	49.6	63.9	82.1	99.4	115.1	130.5	145.6	162.7	14.7%
Total eCommerce	658.8	795.6	966.0	1,104.0	1,234.9	1,422.0	1,669.8	1,926.6	2,086.2	13.6%
Online BBB/Total eCommerce (%)	5.0%	6.2%	6.6%	7.4%	8.0%	8.1%	7.8%	7.6%	7.8%	

Source: Frost and Sullivan

**InsurTech: A disruptive force.** Another exciting avenue in which Synagie has exposure is in insurtech. Insurtech, broadly defined as the digitisation of the insurance industry, is expected to drive substantial disruptions in the industry. This can take place in cost-saving aspects such as operational efficiency from the automation and streamlining of processes. According to Juniper forecasts, the introduction of automation in the claims process will generate significant cost savings, with annual cost savings exceeding US\$1.2b by 2023, a five-fold increase from 2018. There will also be multi-fold opportunities of revenue growth from various aspects, such as new market segments and new risks areas. According to Accenture, the revenue growth potential of insurtech is worth almost US\$375b, with Asia taking a sizeable US\$143b (38.1%) of the pie.

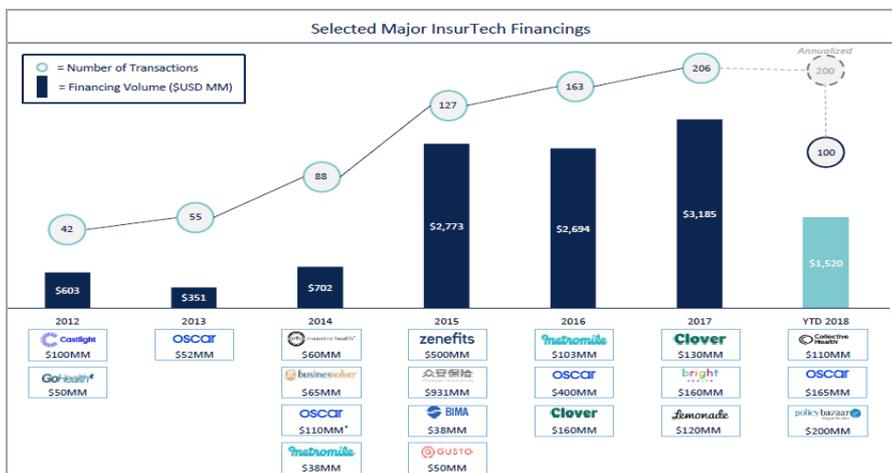
FIGURE 6: ESTIMATED NEW REVENUE POTENTIAL BY GROWTH AREA



Source: Accenture

While still in its infancy, insurtech has garnered strong investment interest, and according to CB Insights, almost increased seven-fold in the past decade. However, market potential and success rates in different insurtech models may differ. A model of high market potential and less competition is the Affiliate Integration model, where Synagie may attempt to operate as a liaison for brand partners looking to offer consumer product insurance. According to an Oliver Wyman-Policen Direkt joint report, the Affiliate Integration model (which provides the embedding of insurance products in partner organisations such as e-commerce shops) has the advantage of customer retention “stickiness” for first-mover players.

FIGURE 7: GLOBAL INSURTECH FINANCING



Source: CB Insights, GCA

## Investment Highlights

### An Invaluable Resource For Brand Owners

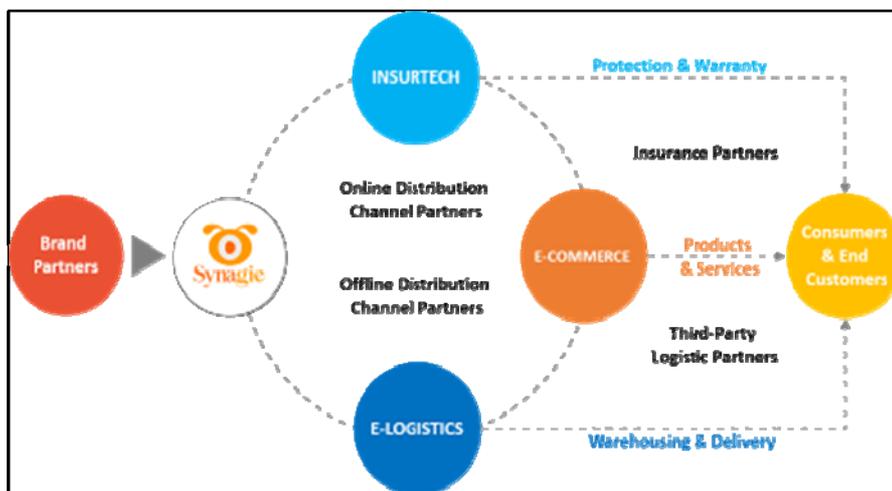
**Overcoming challenges for brand owners.** Synagie provides an all-encompassing value proposition for e-commerce brand owners. According to Frost and Sullivan, most brand owners do not have in-house expertise or technology platforms to connect with marketplaces to automate processes, develop content development strategy, and integrate warehousing, distribution, and logistics. Hence, it is highly necessary for brands, especially large labels, to work closely with third-party partners to help them manage online product sales on multiple channels via a single automated platform.

**Priceless consumer insights.** Brand owners in the offline retail market often have limited visibility on consumer behaviour. Going online, they would be able to analyse and aggregate consumer purchasing behaviour which becomes a valuable digital asset for brands to develop growth strategies. Synagie offers solutions, such as purchasing funnel, cohort analysis and customer churn, supporting brand owners to develop optimised sales strategies.

**One platform for all channels.** Synagie has a fully-functional e-commerce platform that offers brands the ability to manage and automate their e-commerce sales on multiple online marketplaces in Southeast Asia, including Lazada, Qoo10, Shopee and Redmart. Synagie also automates the sales and order fulfilment processes, allowing brand-owner customers to better manage inventory for different marketplaces.

**Comprehensive ecosystem.** Synagie's suite of services, including insurtech, offers a one-stop shop for customers to manage their entire e-commerce value chain. A comprehensive end-to-end solution as an e-commerce enabler gives Synagie the unique advantage of building verticals for future expansion and enhancing retention among its users.

FIGURE 8: THE SYNAGIE ECOSYSTEM

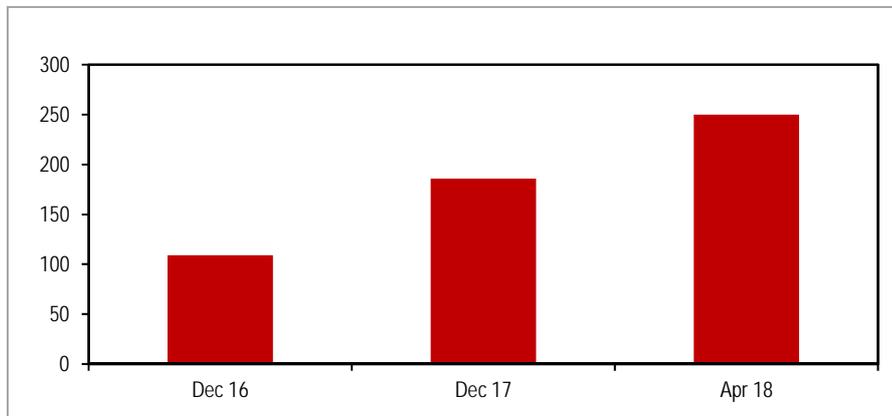


Source: Synagie

### Reputable With Strong Sector Presence

**Leading BBB e-commerce enabler in Southeast Asia.** Traditional brick-and-mortar commerce channels continue to experience disruption due to the increasing internet penetration, adoption of mobile technology and a tech-savvy Southeast Asian middle class. Global brands and enterprises now view digital transformation as a valuable part of the business strategy to avoid being left behind, and are looking for trusted and established partners to help them manage the complexities of going online without the need for excessive investment. Synagie has established itself as a strong contender to help these global brands expand online and increase its outreach. As of Apr 18, Synagie had more than 250 brand partners and customers which own and distribute well-known brands in the BBB sector. This has grown substantially, increasing 1.5 times in less than two years.

FIGURE 9: NUMBER OF BRAND PARTNERS



Source: Synagie, UOB Kay Hian

The company sells a wide range of products from health supplements to toys and everyday household items. As a testament to the Synagie platform, it counts industry leaders such as OPPO, Kimberly Clark and Johnson & Johnson as brand partners. Some of the key brands which Synagie's brand partners own and distribute are set out below:

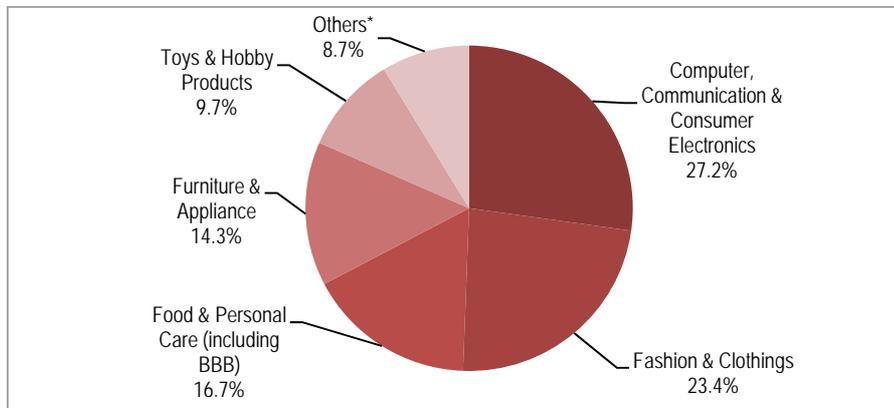
FIGURE 10: KEY BRANDS & PRODUCT TYPES

Key Brands	Product Type
Blackmores	Health Supplements and Infant Formula
Dove	Personal Care
Etude House	Skin Care
Goo.n	Diapers
Hada Labo	Skin Care
Heinz	Packed Food
Huggies	Diapers
Innisfree	Skin Care
Johnson & Johnson	Baby Toiletries
Kleenex	Tissue Paper
Kotex	Feminine Care
Lotte	Packed Food
Mentholatum	Personal Care
Nestle	Infant Formula
Neutrogena	Skin Care
OPPO	Smart Phone
Ovaltine	Packed Food
Palmolive	Hair Care
Petpet	Diapers
Scott	Health Supplements
Shiseido	Skin Care and Hair Care
Softlan	Household
Schwarzkopf	Hair Care

Source: Synagie

**Room for segmental expansion.** As a proven concept among BBB brands, the company's strong presence provides a platform for it to expand into alternative segments such as computer, communication and consumer electronics (CCC), which currently has the largest market share at 27.2% in Singapore, according to Frost and Sullivan. This should give Synagie significant room for further growth into related consumer goods.

FIGURE 11: MARKET SHARE BY PRODUCT SEGMENT PURCHASED ON ONLINE RETAIL MARKETPLACE, SINGAPORE, 2017



\* Others include books, stationeries, sports equipment, utensils and other miscellaneous products  
Source: Frost & Sullivan

### Quick And Scalable Technological Adoption

**Plug-and-play model should allow for fast and seamless expansion into regional markets.** Synagie's value proposition lies in the robust cloud platform built on a modular implementation model with open application programming interfaces (API) which allows easy integration into the brand partner's back-end systems. The cloud-based system allows Synagie to remain industry agnostic, offering customised innovative solutions for new customers and integrating new channels based on the specific requirements of each industry. This should allow for seamless implementation of the cloud-based platform when it expands into regional markets such as Malaysia, Indonesia and Thailand. By offering Software As A Service (SaaS), Synagie can also target SMEs with basic e-commerce solutions at low monthly subscription fees, thereby allowing the volumes to scale up with technological adoption.

**Technological barriers that are scalable and proprietary.** Synagie has made significant investments to develop a proprietary and scalable cloud technology platform. The platform is built on open architecture and powered by advanced artificial intelligence, natural language processing and real-time big data analytics. The system covers the entire e-commerce value chain from conversion, analytics to fulfilment. Some of Synagie's proprietary technological capabilities include:

- ✓ **Content analytic module:** Using computer vision, optical character recognition and natural language processing, the module is able to provide analytical product content and analysis of customer reviews. The group has developed more than 10,000 product content pages for brand partners.
- ✓ **Business intelligence bot (SYNY):** SYNY is powered by artificial intelligence and machine learning. This helps to automate the answering of customer queries on their business performance and allows for instant business information retrieval. All of these are done over an online chat messaging interface.
- ✓ **Real time big data analytics (RTBDA):** This RTBDA engine forms the core of the Synagie platform. It is able to process large quantities of data across different sales channels, fulfilment processes and converts them into easy-to-understand actionable data for customers to make informed business decisions.

### Insurtech: A Vertical To Build On

**Insurtech is complementary to end-customers and immediately boosts profitability.**

With the acquisition of 1Care, Synagie should be able to integrate the insurtech business onto the Synagie platform and offer warranty and protection services to customers who purchase coverage for higher-value items such as mobile phones and laptops. With more than seven years of experience in providing regional third-party administration and accidental damage protection services for customers, including Fortune 500 companies in the 3C sector and with insurance partners such as Great Eastern, 1Care is well poised to grow its current country coverage across Asia, including Singapore, India, Hong Kong and Malaysia.

### Asset-light e-logistics Model

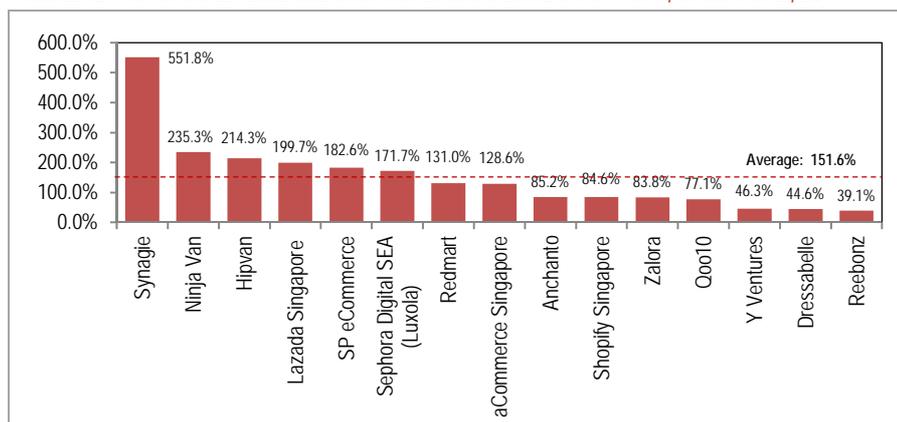
**Demand for warehousing and e-logistic services.** Synagie operates on an asset-light e-logistics model where the company does not own warehouses or delivery vehicles but rather outsources warehousing and fulfilment services to ecosystem partners who have a regional presence. Synagie coordinates warehousing and logistics solutions by synchronising multi-channel sales orders, inventory and customer data in real time through the Synagie platform where order fulfilment is automated. Synagie not only provides speed of access, it also drives volume without incurring high capex by remaining asset-light. Some of its fulfilment partners include Ceva Logistics, one of the world's largest third-party logistics service providers, and last mile delivery providers such as SF Express.

Moving forward, this has enabled the group to forge partnerships to grow its e-logistics segment. In 2018, Synagie signed agreements with China UnionPay and Shanghai UnionPay in which Synagie will provide e-logistics solutions for China out-bound parcel delivery services to over 50 countries and/or regions for their 6.8m China SMEs and 2,000 China courier customers. By utilising the Synagie platform, these customers will be able to rely on real time tracking and big data analytics to facilitate international delivery services in a more efficient manner.

## Earnings And Financials

**Fast track e-commerce player.** According to Frost and Sullivan, Synagie is one of the fastest growing e-commerce start-ups in Southeast Asia with revenue CAGR of 551.8% in 2015-17 (albeit on a low base) vs other e-commerce start-ups' average of 151.6% in 2011-17.

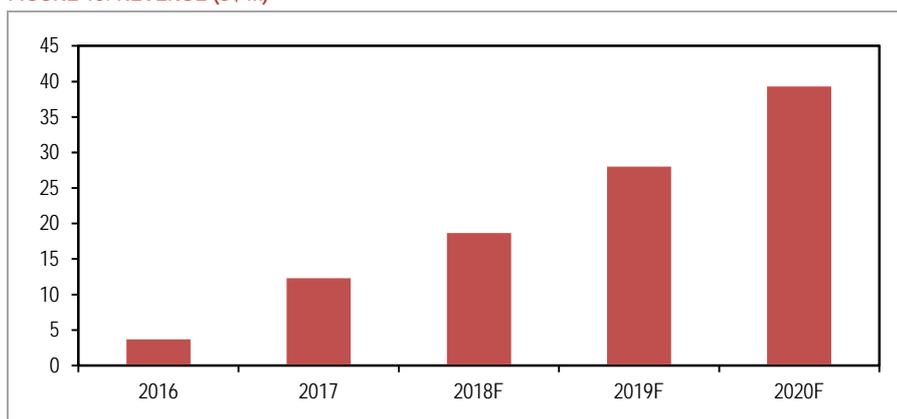
FIGURE 12: HISTORICAL REVENUE CAGR OF E-COMMERCE START-UPS, SINGAPORE, 2011-17



Source: Synagie, UOB Kay Hian

**Partnerships to boost sales further.** Synagie's revenue comes mainly from its ability to attract new brand partners and retain existing ones in utilising its e-commerce and logistical solutions. So far, the group has more than 250 brand partners and is expected to add 30-50 new brands per year. The insurtech subsidiary recorded revenue of \$4.3m and net profit of S\$1.1m in 2017. We expect Synagie to boost sales exponentially to up to S\$39.3m in 2020, growing at a 47.3% 3-year CAGR, due to the high growth nature of the industry. For 2018 revenue contribution, we assume an average of 300 brands with a blended contribution of S\$40,000 per brand. We note that any accretive acquisitions may also pose upside risks to our forecasts.

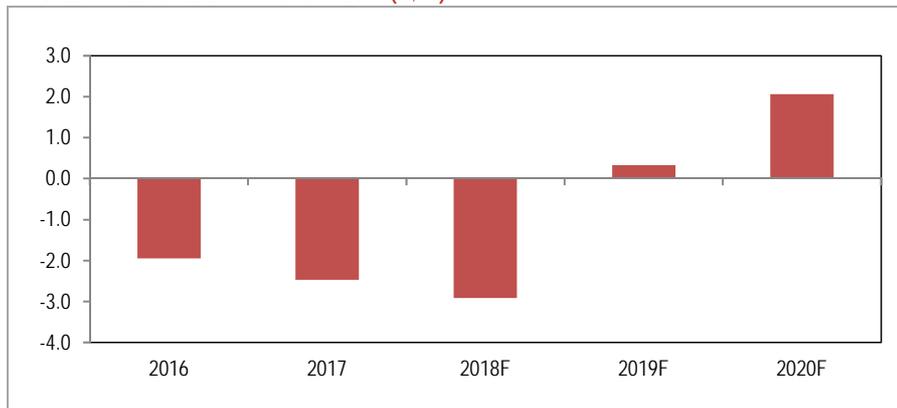
FIGURE 13: REVENUE (\$'M)



Source: Synagie, UOB Kay Hian

**Net operating cash flow.** Synagie's operating cash flow is expected to improve to a net positive from 2019. Due to its initial start-up phase, we expect positive growth in operating cash flow at a 2-year CAGR of 372% (on a low base) in 2019-21 once profits start ramping up. The group's current cash position is healthy, supplemented by net IPO proceeds of S\$9.8m, giving it ample resources to expand the business.

FIGURE 14: NET OPERATING CASHFLOW (S\$'M)



Source: Synagie, UOB Kay Hian

## Company Background

Synagie was incorporated in 2017 as an e-commerce solutions provider, with an operating history since 2014. The company's mission is to simplify commerce by providing end-to-end e-commerce enablement and fulfilment solutions through its cloud-based Synagie platform for traditional businesses to shift their business online. The company became a public limited company with its IPO in Aug 18.

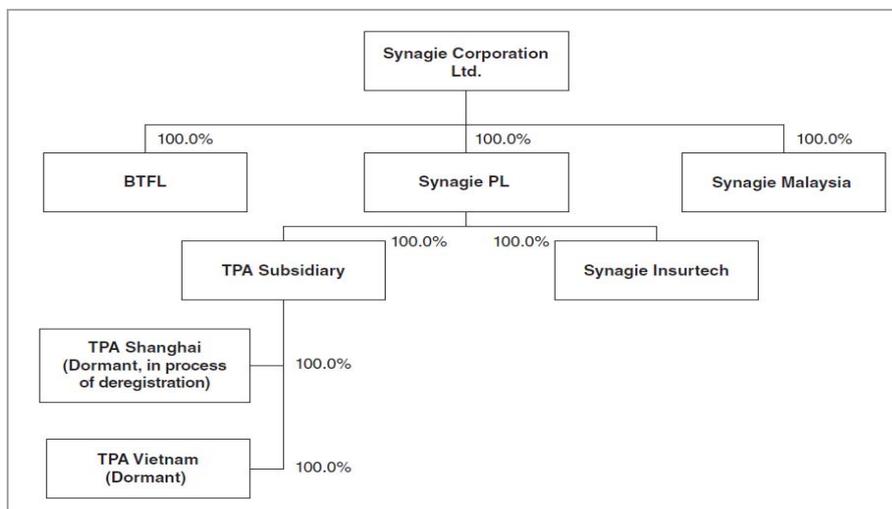
FIGURE 15: MILESTONE

Year	Description
2014	The group's main subsidiary, BTFL Pte Ltd, began operations with an online retail website "beautiful.me", focusing on beauty, body, baby (BBB) products, headed by founders, Clement Lee and Olive Tai.
2015	Zanetta Lee joined the Group in April 2015
	The website "beautiful.me" was launched in November. It acquired a following on Facebook, predominantly among female followers
	Paradigm shift in business model had taken place. Following the traction of online marketplaces such as Lazada and Qoo10, the Group expanded its business model from an online retailer to a multi-channel e-commerce solutions provider.
2016	The Group launched the 1 <sup>st</sup> official "beautiful.me" brand store on Qoo10 in March, resulting in an improvement in sales
	The Group introduced the new business model and started offering E-commerce, E-logistics fulfilment services for its suppliers. End-to-end solutions were added; from content development to channel management, warehousing and last mile fulfilment
	The first version of the Synagie Platform was launched in August, which had real time data connections to major online marketplace
	More than 100 brand partners have signed up for the Group's multi-channel E-commerce enablement and fulfilment solutions. 100,000 online transactions were fulfilled in 2016
2017	Version 2.0 of the Synagie Platform was launched, which included new solutions such as real time Big Data analytics, providing Brand Partners with an integrated "back office" system to manage their E-commerce business.
	O2O (Online to Offline) fulfilment was added as a product feature for the platform, allowing Brand Partners to use its infrastructure-logistics solutions for B2B fulfilment to brick and mortar retail chain stores such as NTUC and Watsons
	Outsourcing warehousing and E-logistics operations to Ceva Logistics (3 <sup>rd</sup> Party Logistics Partner) to minimise capex and increase the efficiency of operations
2018	Acquired subsidiary to venture into the Insurtech business in April 2018
	Successfully listed on the Singapore Stock Exchange in August

Source: Synagie, UOB Kay Hian

Currently, the group is mainly organised by business functions and overseas entities. Synagie recent acquired its insurtech subsidiary 1Care Global in Apr 18. The group's Malaysian subsidiary was incorporated in 2017.

FIGURE 16: GROUP STRUCTURE



Source: Synagie, UOB Kay Hian

## Business Model

Synagie has three synergistic segments, namely e-commerce, e-logistics and Insurtech, that work together to provide innovative and efficiency driven solutions for brand partners in the online commerce space.

FIGURE 17: BUSINESS SEGMENTS



Source: Synagie

In delivering its e-business segments, the group's business model is a hybrid of the distribution model, consignment model and the subscription model, ensuring diversified revenue streams.

- ✓ **Distribution model.** E-commerce enablers serve as e-distributors and usually purchase the products and sell them through official stores across various marketplaces. Primary model for enablers at present, especially when working with mass-market brands in the FMCG sector.
- ✓ **Consignment model.** E-commerce enablers do not purchase the products ahead of time, but may lease the warehouse space to brand owners. Enablers charge brands based on warehousing capacity and commission fees for functions such as fulfilment and delivery.
- ✓ **Subscription model.** E-commerce enablers charge brand owners for usage of online platforms. This is suited for small and medium enterprises or small office/home office products in B2C and customer-to-customer marketplaces.

## Management

**Clement Lee, Executive Director & CEO.** Clement Lee is one of the group's founders and CEO since its inception in 2014. He is responsible for the general management and business development of the group. Clement Lee has more than 20 years of experience in brand development and management in telecommunications, and entertainment and lifestyle industries. Mr Lee was appointed as a director of Lifebrandz in 2005, and subsequently served as CEO from 2007 to 2009, and as Executive Chairman from 2009 to 2013. Mr Lee was the CEO and Executive Director of Avenza from 2013 to 2015 where he was responsible for the company's overall corporate strategies, brand and product development and management.

**Olive Tai, Executive Director.** Olive Tai is one of the group's founders and responsible for the e-commerce and e-logistics segments. She has more than nine years of experience in sales and marketing. Ms Tai began her career at Johnson & Johnson (J&J) in 1998. In 2009, she left J&J as Customer Marketing Manager to join Bausch & Lomb as its Regional Customer Development Director. From 2011 to 2014, she was a Trading Director at Watsons Singapore Pte Ltd and led the merchandising department, pharmacist group and space management team. Prior to joining Synagie in 2014, she was the Managing Director of Avenza where she developed strategies for health and beauty brands and was instrumental in the development of a sales and marketing plan for a new healthcare brand.

**Zanetta Lee, Executive Director.** Zanetta Lee is in charge of the group's growth, business development and corporate affairs as well as the group's acquisitions, which includes the insurtech segment. She started her career at DaimlerChrysler South East Asia Pte Ltd. After leaving Daimler in 2015 as Regional Manager, General Distributor Markets, she joined Synagie as Executive Vice-President, Growth. Ms Lee graduated from the London School of Economics with a Bachelor of Science in Economics & Management in 2002. Ms Lee was a member of the National Badminton ladies' team and represented Singapore at the Southeast Asian Games (SEA Games) in 1993, 1995 and 1997. She is a three-time SEA Games bronze medallist, and was the Singapore National Ladies Badminton champion for both Singles and Doubles in 1995.

## Risks

**History of losses and negative operating cash flow.** Synagie has grown revenue from S\$0.2m in 2015 to S\$8.0m in 2017. However, the group is loss-making and there is no assurance that Synagie will be able to expand and secure sufficient clients to generate sufficient revenue to attain profitability. If operations prove insufficient to generate sufficient cash flow for working capital and expansion plans, the group may need to access the capital markets to finance future plans. Additional equity financing may result in dilution to shareholders.

**Intensely competitive business environment.** The e-commerce, e-logistics and insurtech businesses are rapidly changing and evolving. If the group is unable to keep up with evolving industry trends, this may have an adverse impact on its business. Competitors are constantly innovating and coming up with new solutions. If the group fails to innovate or come up with e-commerce solutions ahead of the competition, this may impact the group's ability to renew existing contracts with brand partners.

**Improper disclosure of business data and breach of security could harm reputation.** As the business generates and processes a significant amount of large personal and behavioural data, Synagie faces the risk of handling and protecting such data. The onus lies with the company to protect the data against attacks from external parties or fraudulent behaviour from employees while complying with applicable laws, rules and regulations relating to the collection, use, disclosure and security of personal information. The Personal Data Protection Act 2012 (PDPA) establishes a data protection law that comprises various rules governing the collection, use, disclosure and care of personal data. Any improper use or disclosure of business data may lead to criminal sanctions or significant reputational damage.

**Reliance on third-party service providers for IT development, data storage, warehousing and e-logistics.** Synagie outsources warehousing and e-logistic capabilities to established third-party providers. Unforeseen interruptions or failure by third-party service providers due to events such as transportation disruptions, insolvency or weather may lead to untimely delivery or unfulfilled orders which may impact future business prospects. Synagie also works with third-party service providers for the development of source codes and storage of information generated from data analytics. As no long-term contracts are established with third-party service providers, there is no guarantee that they will continue servicing the Synagie platform. This impedes the company's ability to maximise profitability. Third-party service providers engaged by Synagie may also have access to proprietary software and other intellectual property and any unauthorised use or disclosure of intellectual property may have an adverse impact on operations.

## PROFIT & LOSS

Year to 31 Dec (\$m)	2017	2018F	2019F	2020F
Net turnover	12.3	18.7	28.0	39.3
EBITDA	(1.7)	(3.6)	0.8	2.9
Deprec. & amort.	0.1	0.2	0.3	0.4
EBIT	(1.8)	(3.8)	0.6	2.5
Other non-recurring items	-	-	-	-
Associate contributions	-	-	-	-
Net interest expense	(0.2)	-	-	-
<b>Pre-tax profit</b>	<b>(2.0)</b>	<b>(3.8)</b>	<b>0.6</b>	<b>2.5</b>
Tax	(0.2)	0.4	(0.1)	(0.4)
Minorities	-	-	-	-
<b>Net profit attributable to owners</b>	<b>(2.3)</b>	<b>(3.4)</b>	<b>0.5</b>	<b>2.1</b>
Net profit (adj.)	(2.3)	(1.9)	0.5	2.1

## CASH FLOW

Year to 31 Dec (\$m)	2017	2018F	2019F	2020F
<b>Operating</b>	<b>(2.5)</b>	<b>(2.9)</b>	<b>0.3</b>	<b>2.1</b>
Pre-tax profit	(2.0)	(3.8)	0.6	2.5
Tax	(0.0)	0.4	(0.1)	(0.4)
Deprec. & amort.	0.2	0.2	0.3	0.4
Associates	-	-	-	-
Working capital changes	(0.9)	0.3	(0.4)	(0.4)
Non-cash items	0.3	-	-	-
Other operating cashflows	-	-	-	-
<b>Investing</b>	<b>(2.3)</b>	<b>(0.4)</b>	<b>(0.7)</b>	<b>(1.0)</b>
Capex (growth)	(0.2)	(0.2)	(0.4)	(0.6)
Investments	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Others	(2.1)	(0.2)	(0.3)	(0.4)
<b>Financing</b>	<b>7.4</b>	<b>9.8</b>	<b>-</b>	<b>-</b>
Issue of shares	2.3	9.8	-	-
Proceeds from borrowings	-	-	-	-
Loan repayment	-	-	-	-
Others/interest paid	5.1	-	-	-
<b>Net cash inflow (outflow)</b>	<b>2.7</b>	<b>6.5</b>	<b>(0.4)</b>	<b>1.1</b>
Beginning cash & cash equivalent	0.0	2.7	9.3	8.9
Ending cash & cash equivalent	2.7	9.3	8.9	10.0

## BALANCE SHEET

Year to 31 Dec (\$m)	2017	2018F	2019F	2020F
Fixed assets	0.1	0.2	0.5	0.9
Other LT assets	4.5	4.6	4.8	5.0
Cash/ST investment	2.7	9.3	8.9	10.0
Other current assets	8.6	5.0	7.1	9.8
<b>Total assets</b>	<b>16.0</b>	<b>19.1</b>	<b>21.3</b>	<b>25.7</b>
ST debt	-	-	-	-
Other current liabilities	8.2	4.9	6.6	8.9
LT debt	-	-	-	-
Other LT liabilities	3.0	3.0	3.0	3.0
Shareholders' equity	4.7	11.2	11.7	13.7
Minorities	-	-	-	-
<b>Total liabilities &amp; equity</b>	<b>16.0</b>	<b>19.1</b>	<b>21.3</b>	<b>25.7</b>

## KEY METRICS

Year to 31 Dec (\$m)	2017	2018F	2019F	2020F
<b>Profitability</b>				
EBITDA margin	n.a.	n.a.	3.0	7.3
Pre-tax margin	n.a.	n.a.	2.0	6.3
Net margin	n.a.	n.a.	1.7	5.2
ROA	n.a.	n.a.	2.2	8.0
ROE	n.a.	n.a.	4.1	15.0
<b>Growth</b>				
Turnover	234.0	51.8	50.2	40.3
EBITDA	n.a.	n.a.	n.a.	243.5
Pre-tax profit	n.a.	n.a.	n.a.	332.2
Net profit	n.a.	n.a.	n.a.	332.2
Net profit (adj.)	n.a.	n.a.	n.a.	332.2
EPS	n.a.	n.a.	n.a.	332.2
<b>Leverage</b>				
Debt to total capital	n.a.	n.a.	n.a.	n.a.
Debt to equity	n.a.	n.a.	n.a.	n.a.
Net debt/(cash) to equity	Net cash	Net cash	Net cash	Net cash
Interest cover (x)	8.9	n.a.	n.a.	n.a.

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