



Targeting trillion dollar markets: Social, online gaming, and e-commerce

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 and a high propensity to use the internet for social media and commerce. We consider YuuZoo (SGX: AFC) as a unique opportunity to benefit from its global platform of franchisees and partners in 2016 and beyond generating strong recurring revenues in e-commerce, advertising, gaming and payments. We are initiating coverage of the Company with a BUY recommendation and a target price of SGD1.4.

Virtual Shopping Mall

YuuZoo is a new social e-commerce concept combining social networking, gaming and e-commerce. Through its virtual shopping mall, users can shop, play games, watch movies, network and “meet” people in preferred social network. With access, through its clients, partners and franchisees, to over 110 million registered users and 800 million TV viewers in 164 countries, YuuZoo has a global reach that very few companies in the social e-commerce space can rival. Historically, the Company has derived bulk of its revenues from B2B activities. However, Chairman Thomas Zilliacus, has reoriented the group towards B2C network activities and, by securing franchisees and key media and telecoms partners globally, expects to significantly expand 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 Shanghai Media Group (SMG), Nigerian mobile operator Etisalat, Nigerian state broadcaster NTA and South-East Asian online games distributor IAH. With the first network linked to a football TV show on a channel reaching 300m viewers for SMG already launched in China and additional networks in Nigeria expected to be launched in Q4 2015, we expect significant revenue growth in 2016.

Scalable and attractive business model

YuuZoo relies on local partners to expand into new markets by appointing its franchisees and resellers. In return, these local partners pay a fixed contractual fee, as well as ~30% of revenue generated by the franchisees or from YuuZoo network. Some franchise agreements also entitle them to 40% equity ownership. The franchisee model enables YuuZoo to grow internationally at a very low cost and at a fast pace.

Basic Financials (USD, 000s')	Dec-12	Dec-13	Dec-14
Revenues	26,895	32,780	37,736
Net Income (Loss)	5,118	7,224	(45,876)
Cash	434	2,319	9,447
Total Assets	16,796	38,292	45,260

YuuZoo Corporation Limited (SGX: AFC)

BUY-SIDE PORTFOLIO SELECTION

Share price	SGD 0.16
BidBookIQ Value© (Target Price)	SGD 1.40
Alpha Deal Sweet Spot© (Valuation Gap)	786%

Market cap (SGDm)	103
Market cap (USDm)	71
Net cash (USDm)	4
Enterprise value (USDm)	67
No. of shares (m)	649.4
Average daily vol ('000, -3m)	20,765
PER at Target price (Y1)	n/a
Price/book	1.39

12 month high/low (SGD)	0.45/0.12		
(%)	1m	3m	12m
AFC	(17.3)	(15.1)	(61.5)
S&P 500 Index	(6.2)	(7.4)	(8.3)

Price chart



Source: Reuters

Share Price as at close: January 19, 2016

Next news

- Operations in Nigeria are expected to be launched in Q4 2015
- Expected to sign additional agreements with the UK franchisee candidates

Business

- Raised US\$21 million (SG\$30m) in gross proceeds
- US\$4.5 million in cash on hand as of 09/30/15
- Sold a sports franchise for the UK for US\$13.3 million

www.yuucorp.com

Malti Sharma

Senior Analyst

+1 (212) 332-3290

Analysts@alphadealgroup.com

Nitish Kapoor

Senior Analyst

+1 (212) 332-3290

Analysts@alphadealgroup.com

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Company Overview

Business Overview

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.

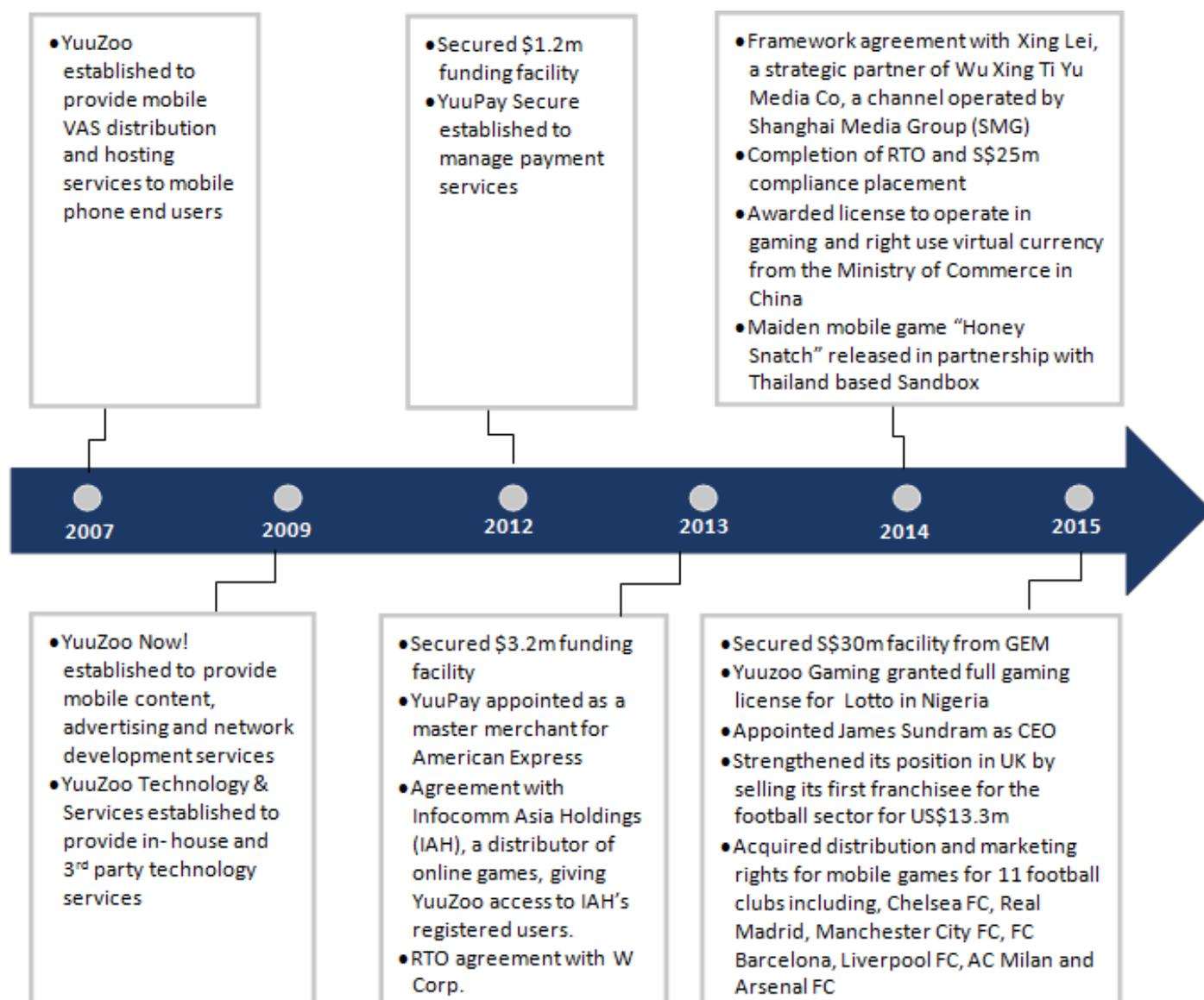
YuuZoo has c 50 employees, is headquartered in Singapore and has offices in the Philippines, Thailand, China and Nigeria, with reseller and franchisee representative offices in 68 markets worldwide including Australia, New Zealand, the US, UK, Brazil, Canada and Mexico.

Company History

YuuZoo got 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 563 million shares, raising a net SGD23.75m (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 lightemitting 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) in 2008. Thomas has broadbased 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 James Sundram, CEO, Michael Parker, CFO and Asim Qureshi, CTO.



Source: YuuZoo, Alpha Deal Group

Segments Overview

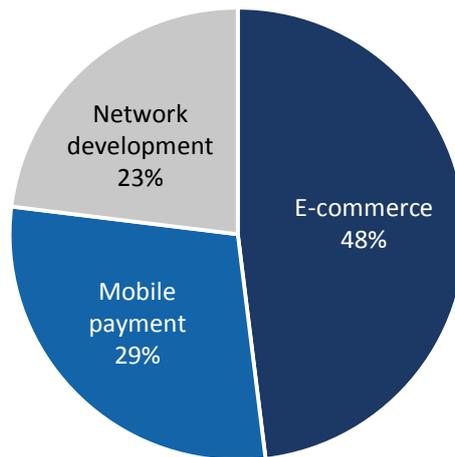
Network Development: YuuZoo provides 3rd generation social networking solutions based on age, interest and geography. They also offer integrated e-commerce shops and advertising platforms.

Licensing: Franchisees generally have right to market YuuZoo networks in a particular country. Resellers offer network development capabilities for sale to corporate clients and brands

E-commerce: Most Yuu- Branded networks and client branded network have e- commerce shops with targeted content tailored to the specific network. These products and services are offered to customers based on subscription basis or on “pay as you go” basis

Digital/ Mobile payment solutions: Offers online and mobile payment solutions via the company’s fully owned subsidiary, YuuPay. This provides credit card payments via mobile phones. It is integrated to Yuu-Branded networks and client branded networks

YuuZoo Revenue Breakdown (%) FY14



Source: YuuZoo, Alpha Deal Group

Franchisee-based Business Model

The Company has highly scalable distribution strategy for its international expansion. YuuZoo grows its international business under a franchisee concept. Similar in model to the retail franchisee concept, YuuZoo is responsible for the setup and hosting of the YuuZoo virtual shopping mall in the agreed market, while the franchisee is responsible for the localization, local marketing and local management. YuuZoo sells the license to the franchisee against an upfront franchise fee, and collects an agreed percentage of the recurring revenue generated from advertising, e-commerce, gaming and payments within the mall. Ideal franchisees or partners are media and entertainment companies and mobile operators, who have large existing user or viewer bases and vast experience of marketing and sales.

Using a model developed by a big four audit firm, the Company in 2014 changed the way it sold the franchise licenses from onetime cash fees followed by a recurring revenue share, to payments by the Franchisees in shares in the companies that operate and own the franchises followed by a recurring revenue share. This enables the Group to correctly reflect the value of the asset over time, and enables the Group to significantly grow its revenue share, from 30% to up to 58%.

Significant transactions

Strategic cooperation with Shanghai Media Group

In **July 2014**, YuuZoo secured an exclusive partnership with Great Sports Media (GSM) to launch a social e-commerce and sports lottery network, marking its foray into China's e-commerce market which is worth more than USD300bn, based on the company's estimates. GSM is a subsidiary of Shanghai Media Group, China's 2nd largest TV network with a national reach of over 700 million viewers. Given a conversion rate (from TV to online network) for well-executed TV campaigns that can go up to 25%, YuuZoo believes this deal will boost its e-commerce, advertising and gaming revenue even on conservative estimates of 1% conversion.

Entry into Africa's biggest market

In **November 2014**, YuuZoo penetrated into Nigeria's telecommunications market via a partnership with Etisalat. Etisalat Nigeria provides voice and data-centric products and services, with an expanding base of 15 million subscribers (including numerous SMEs). Management guides that this presents a potential USD500m in total revenue as the local mobile commerce and mobile advertising market continues to grow.

JV Agreement with Nigerian Television Authority (NTA)

In **April 2015**, the Company signed a 50-50 joint venture with Nigerian Television Authority, Africa's largest TV network with a reach to Nigeria's 178 million population as well as a large international

audience. Under the agreement, YuuZoo will, for Nigeria and the other markets that NTA reaches, launch a fully localized version of its virtual shopping mall. NTA will, in turn, provide extensive marketing of the localised version of www.yuuzoo.com through its TV programs. NTA will also develop new TV shows linked to social networks that will be planned together with YuuZoo, and sell to local advertisers advertising for each network that is chosen to be promoted by the joint venture. YuuZoo. According to eMarketer, ARPU for digital advertising across Africa in 2014 was USD5.77, and the ARPU for e-commerce across Africa in 2014 was USD601. With effective TV campaigns having a conversion rate of up to 25%, this represents a potential of multi-billion USD revenue annually for the joint venture.

JV with XG AMA

In **June 2015**, YuuZoo announced the formation of YuuGames—a joint venture with XG AMA, a leading organizer of e-sport events in China. Under the joint venture (JV) agreement, XG AMA is committed to deliver a minimum of 5 million active paying users and a minimum profit of RMB1.5m during the first 12 months of operations. YuuGames will target the over 146,000 internet gaming bars in China which serve some 120 million game players. XG AMA already has existing agreements with over 3,000 net bars in place. Most of these bars have thousands of individual members. At the end of 2013 the online gaming market was worth \$13.5bn (RMB82.1bn). This is expected to grow to RMB131bn by the end of 2015, with mobile gaming accounting for 33.8 billion of the total revenue.

Acquisition of 11 top-selling Chinese mobile games from Camigo Media

In **August 2015**, YuuZoo acquired the user data of more than 26 million mobile game downloads and 11 leading mobile games from leading Chinese game developer Camigo Media. The acquisition gives YuuZoo access to more than 26 million new registered users, the Camigo brand, and distribution and payment relationships with China Mobile, China Unicom, China Telecom, DoMob, LiMei and AliPay. The acquired user base significantly increases YuuZoo's reach in China, establishes the Company in China's USD30bn mobile games market, and like the e-sport events drives new users to YuuZoo's virtual shopping mall.

SGD30m Capital Commitment from GEM Global

In **September 2015**, the Company secured access to a SGD30m funding facility. Under the agreement, GEM Global Yield Fund (GEM Global), the New York based private alternative investment group, has agreed to provide the Company with up to SGD30m over the next three years. This SGD30m will be in the form of a Capital Commitment which allows YuuZoo to drawdown funds during the three year term of the Agreement by issuing ordinary shares to GEM Global at a price per share which represents a 10% discount on the closing price of YuuZoo shares on the date such drawdown is requested by YuuZoo. This capital commitment places YuuZoo in a strong position to continue its expansion plans.

Rights granted for co-hosting e-sports event, ESCC

In **October 2015**, YuuZoo has been granted the rights for co-hosting the upcoming Electronic Sports China Cup (ESCC) Online Gaming Clubs Invitational in China, granted by the Chinese Ministry of Culture through its Affiliate China Animation Group. The event is the first development under YuuZoo's recently announced JV with Chinese e-sport event organizer XG AMA. YuuGames will be organizing and co-hosting the entire event. The event targets 10 million live audience and China's 446.3 million gamers and average annual spend per paying player is USD141.38.

Co-organizing China Internet Gaming (CIG) 2015 e-sports competition

In **October 2015**, YuuZoo through its China JV YuuGames secured the rights to co-organize the China Internet Gaming (CIG) 2015 e-sports competition with www.9eplay.com and the Ministry of Industry and Internet Technology (MIIT). CIG will pay YuuGames to organize the event in four provinces and market the event across nine of the 15 provinces. In addition to the fee paid by CIG, YuuZoo will gain from the new deal by new users being added to the YuuGames platform, from promotional fees, advertising revenue and e-commerce sales.

Appointed Ventes Avenues as Reseller partner in India

In **October 2015**, YuuZoo expanded its footprint in India by appointing Ventes Avenues as a reseller partner of its products and services in the local market of 1.25 billion people. The move is seen to take advantage of the country's rapid e-commerce growth, and is another addition to YuuZoo's advance in the world's emerging markets. India's growth indicators reflect that of China's during its early stages, and in fact may be growing at a faster rate. Currently one of the fastest growing markets in Asia, India is targeted to hit USD137bn in market value by 2020, a steep rise from 2013's USD11bn.

Entry into Chinese film and entertainment industry

In **October 2015**, YuuZoo acquired 5% stake in Beijing-headquartered RS Media & Entertainment Group (RSMEG). Through this investment, YuuZoo will be strongly linked to all the screens including, the movie screen, the TV screen, the computer screen and the mobile screen in the world's largest market, China. IHS Technology estimates that the Chinese film market in 2014 was worth USD4.6bn and within next 5 years it is expected that the Chinese film market will be the largest in the world.

Sold a sports franchise for the UK for USD13.3m

In **November 2015**, YuuZoo has strengthened its presence in the UK by selling its first franchisee for the football sector to RM Powershot Challenge ("RPC") for USD13.3m who has signed agreements with Chelsea FC, Manchester City, Glasgow Celtic, Liverpool FC, and Arsenal FC. The retail e-commerce sales in the UK is expected to top USD86.5bn in 2015 and franchise agreement targets 5.4 million new users to be part of the YuuZoo platform within 36 months.

Products and Services

YuuZoo builds mobile-optimized but device agnostic targeted social e-commerce networks (TSNs) for both business clients and end consumers. TSNs provide turnkey solutions for YuuZoo, as well as its business clients to monetize users through advertisement and online sale of content, services and merchandise. In addition, for both YuuZoo-built TSNs and on a stand-alone basis, YuuZoo provides payment process solutions, including basic processing as a payment service provider, global e-wallets, mobile payment/transactions and other value-added services.

YuuZoo's networks consist of:

- **Yuu-Branded Networks:** Yuu-Branded Networks are built for consumers and operated by YuuZoo. The networks allow users to interact with other users based on shared interests and allow them to select, buy and use content, services and merchandise associated with each network. YuuZoo has developed over 200 Yuu-Branded Networks as of June 2013.
- **Client Branded Networks:** YuuZoo builds networks for corporate clients, businesses and brands to interact with their customers. The existing client base includes media and entertainment companies and sports teams. For example, YuuZoo built a social e-commerce network for West Tigers, one of the largest Australia-based sports teams, that allows its fans to interact with each other and to purchase content and merchandise

Targeted Social E-commerce Networks: 3rd Generation Social Networks

YuuZoo's TSNs are third generation social e-commerce networks which allow consumers with mobile devices, or any internet connected device, to interact with other consumers who share similar interests, age or location. Compared with second generation social networks, YuuZoo's TSNs features open user groups and focused, interest-based social interaction. 3rd generation social networks also provide solutions for companies to monetize their users through advertisements and sale of merchandise.

2nd generation social networks, represented by Facebook, Twitter, Pinterest, etc., feature primarily closed user groups wherein users may only find friends, share content, and chat with those friends who have invited/accepted each other.

The following highlights the advantages of YuuZoo's TSNs over 2nd generation social networks:

Features	Description
Tailored Client Branded Networks	<ul style="list-style-type: none"> • TSNs are built specifically for individual businesses with tailored design, graphics, languages, etc. • Cultural, regional and regulatory considerations are adopted • TSNs have unique web addresses for the networks of individual businesses, i.e. www.WestsTigers.com.au instead of www.Facebook.com/WestsTigers.com.au
Targeted Yuu-Branded Networks	<ul style="list-style-type: none"> • Interest-based Yuu-Branded Networks drive user discussions in only desired topics • Yuu-Branded Networks help users make new friends with common interests
Consumer data sharing	<ul style="list-style-type: none"> • TSNs provide businesses with control of and access to consumer data • YuuZoo also provides value-added analytics with a goal to more efficiently monetize the user base in the network
Ability to monetize	<ul style="list-style-type: none"> • TSNs enable businesses, as well as YuuZoo, to monetize consumer data through branded advertisement platforms, targeted e-commerce and content subscription services • Brand promotion by business clients is normally free of charge on said client's TSN
Mobile enabled and device agnostic	<ul style="list-style-type: none"> • Users may access networks via mobile phones, tablets, computers and smart TVs • Specifically, YuuZoo optimizes its networks for smart phones and feature phones
Integrated platform	<ul style="list-style-type: none"> • TSNs aggregate all social pages/feeds into one network to provide ease of management for users (e.g., content from Facebook, Twitter, Pinterest, etc is aggregated on one site) • YuuZoo's unique technology also enables a link to any specific social e-commerce network from within the TSNs
Online & Mobile payment	<ul style="list-style-type: none"> • YuuZoo integrates its payment platform into TSNs to enable YuuZoo and business clients to charge the consumer directly without having to rely on 3rd party carrier billing

Source: YuuZoo, Alpha Deal Group

Digital / Mobile Payment Solutions

The YuuZoo Group offers both online and mobile payment processing solutions via its fully owned subsidiary YuuPay. Its mobile payment solution offers credit card payments using mobile phones as a payment terminal. Its payment gateway solution is capable of processing transactions across multiple markets in multiple currencies and is supported by a large international network of approximately 200 acquiring banks.

The YuuZoo Group’s payment processing solutions are also utilised and integrated seamlessly within the Yuu-Branded Networks as well as the Client Branded Networks, offering registered users of the YuuZoo Networks an avenue through which online and mobile purchases can be made.

Payment Process



Source: YuuZoo, Alpha Deal Group

YuuPay plans to expand by 1) adding acquiring banks and increasing the number of master merchant agreements 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.

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 half of global internet users shop online, with total spending at over USD1.5tn in 2014. The 20% growth in e-commerce last year came from EMs and higher m-commerce transactions. Asia Pacific is now a larger e-commerce region than North America, with China making up for 60% of global e-commerce last year. In developed markets, m-commerce makes up for a fifth of online retail purchases. The propensity for online commerce is even greater in EMs (China: 73%).

Social media

The propensity to use the internet for social purposes is particularly strong in Asia. Social media users in the Philippines, Thailand and Vietnam spend more time using social media than western equivalents. The average internet use in the Philippines is 6hrs 15m a day, which includes 4hrs 15m spent on social media. This compares with 4hrs 55m and 2hrs 43m respectively in the US.

Online games

At the end of 2013 the online gaming market was worth \$13.5bn (RMB82.1bn) and is expected to grow to RMB131bn by 2015, with mobile gaming accounting for 33.8 billion of the total revenue. As per the analysts, the rapidly growing number of smartphone users in the country will mean that mobile will continue to increase its share of the Chinese online gaming market. By 2018, it is expected that the gap in revenue share between online gaming and other gaming will close, with online gaming accounting for nearly half of all gaming spend in the country. It is estimated that in 2015 there will be 266 million Chinese online gamers, spending at least 2 hours per month gaming.

Investment Thesis

Virtual Shopping Mall

YuuZoo is a new social e-commerce concept combining social networking, gaming and e-commerce. Through its “virtual shopping mall”, users can shop, play games, watch movies, network and “meet” people in their preferred social network. YuuZoo’s platform hosts brand owners such as companies, celebrities, charity organisations etc. These enlist YuuZoo’s help to create their social network pages. Management believes this works in developing countries, where traditional shopping malls are not easily accessible to the public. YuuZoo has access to over 110 million registered users and 800 million TV viewers in 164 countries.

Expansion through franchisees

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 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 create a relatively low-cost and low-risk entry model into new markets.

In 2014, the Company changed the way it sold the franchise licenses from onetime cash fees followed by a recurring revenue share, to payments by the Franchisees in shares in the companies that operate and own the franchises followed by a recurring revenue share.

Partnerships in China and Nigeria has substantial potential

YuuZoo signed an exclusive deal with a subsidiary of SMG to create a localized China version of its network (yuuzoo.cn). YuuZoo’s job is to set up the platform, with over 200 social shopping networks. SMG’s Sports, Lifestyle and Casual Gaming subsidiary is then responsible for marketing, leveraging content from SMG’s broadcasting assets. YuuZoo has a revenue sharing deal for the platform.

In Nigeria, YuuZoo has a distribution agreement with Etisalat, Nigeria’s fastest growing mobile operator with over 20 million customers including thousands of SME’s, and a 50:50 JV with Africa’s largest TV network, NTA. Nigeria has annual e-commerce revenue of over \$500m with an annual potential of over USD10bn. With YuuZoo planning to launch these operations in Nigeria in Q4 2015, we expect strong revenue growth in Q4/2015 and throughout 2016.

Expanding from B2B model into a combination of B2B and B2C

Prior to 2013, YuuZoo's revenue growth was primarily driven by its business-to-business marketing and operational segments (comprising franchisees, network and payment clients). Moving forward, YuuZoo's management expects to invest and participate more in consumer engagement, which may translate to higher monetisation of its consumer base. We already in 2014 have seen e-commerce becoming the largest revenue contributor for YuuZoo. We expect the growth in e-commerce to continue, but also expect to generate new revenue from higher margin advertising and games.

Significant Market Opportunity

The current annual global market size of e-commerce, social media, games and payments is already well over USD2tn. B2B e-commerce alone is expected to grow to over USD6bn by 2020. YuuZoo is, through its unique partnership and franchise model, strongly positioned to become a leading global contender in the social e-commerce space.

YuuGames Presents Significant Revenue Opportunity

In Q3 2015, YuuGames signed several major deals. The Company secured the co-hosting and naming rights for Electronic Sports China Cup (ESCC), China's major e-sport event run in conjunction with China's Ministry of Culture (MoC). YuuGames gained co-hosting rights for China Internet Gaming (CIG), another major competition in conjunction with the Ministry of Industry and Internet Technology. Having secured two of China's largest e-sports events, YuuGames now is amongst the leading players in China in this fast growing and highly lucrative space. China is estimated to have more than 445 million gamers. In addition to the direct revenues from YuuGames, the competition drive users to YuuZoo's virtual shopping mall, raises YuuZoo's profile and contributes to revenues and profits.

In September 2015, the Company also signed an agreement with Circle of Champions Inc. (CoC) for the distribution and marketing rights of mobile games developed by CoC for 11 of the world's most popular teams. The combined global fan base of the teams CoC has contracts with exceeds 1 billion, while the combined fan base registered on Facebook exceeds 320 million. The ARPU for these games has reached as high as USD295 net (after Apple or Google store share) per year. Getting as users just 0.1% of the global fan base of the clubs CoC has developed games for means more than 1 million users. If all become active paying users at the USD295 ARPPU that CoC has seen already, this could generate close to USD300m in in-game revenue.

Significant Senior Management Experience and Global Advisory Support

YuuZoo has a senior management team with strong credentials and experience in mobile, internet and payment technologies. The YuuZoo Group is also supported by advisors and board members, with credible

global mobile, media, marketing and payments experiences. Effective October 1st, YuuZoo appointed James Sundram as the Company's new CEO. James Sundram brings over 25 years of international expertise in the online, multimedia advertising, and publishing industries, with impressive achievements in turnaround and transformation strategies. Co-founder Thomas Zilliacus has broadbased 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.

YuuZoo is, through its unique partnership and franchise model, able to quickly grow its international business. With new franchise operations now launched in the UK, Korea, Turkey, Poland, Romania, Czech Republic, Hungary and Bulgaria, with e-sport events and games launching with strong partners in China, and with the earlier announced operations in Nigeria, where YuuZoo has a joint venture with Africa's largest TV network NTA and a distribution agreement with Etisalat, all expected to launch in Q4, the Company is expecting strong growth in Q4/2015 and throughout 2016.

Valuation

We valued YuuZoo using revenue and EBITDA multiple analysis. Yuuzoo currently trades at an EV/ Revenue multiple of 1.3x and EV/ EBITDA multiple of 4.2x which shows that the Company trades at huge discount to the average valuation levels. We believe that the stock has the ability to re-rate if the Company demonstrates the commercial viability of its social networks through consistent delivery of revenue and earnings growth. Based on the global peer comparison, we applied 5.5x multiple to our 2016E revenues for EV/ Revenue multiple and 16.5x multiple to our 2016E EBITDA for EV/ EBITDA multiple, we arrived at a fair value of USD 1.0 per share.

Company	Exchange	EV/Revenue	EV/EBITDA
Yahoo Japan	TSE	4.4x	7.7x
Naver	KOSE	6.0x	20.8x
Rakuten	TSE	2.5x	10.9x
Tencent Holdings	SEHK	11.3x	28.4x
Yandex	NasdaqGS	5.2x	16.8x
Alibaba Group	NYSE	13.1x	NM
eBay	NasdaqGS	1.9x	6.8x
Yelp	NYSE	2.4x	NM
LinkedIn	NYSE	8.6x	NM
Zynga	NasdaqGS	1.5x	NM
Yahoo!	NasdaqGS	4.6x	26.3x
Mean		5.6x	16.8x
Median		4.9x	16.8x
YuuZoo Corp.		1.3x	4.2x

Note: All multiples based on LTM Financials

Source: Capital IQ, Alpha Deal Group

We at Alpha Deal Group consider an investment in YuuZoo Corporation (SGX: AFC) as a wealth creation opportunity. The Company's stock is trading at a significant discount to its fair value. We think the fair value of the company is USD 1.0 per share (SGD 1.4); this is an upside of 786% from the current market price of SGD 0.158 per share.

Income Statement - Summary forecast				
USDm	12 months Dec-31-2013A	12 months Dec-31-2014A	12 months Dec-31-2015E	12 months Dec-31-2016E
Total Revenue	33.6	39.2	65.2	123.7
% Growth	23.1%	16.7%	66.3%	89.7%
EBITDA	7.2	4.3	32.0	40.6
% Margin	21.4%	11.0%	49.0%	32.8%
EBIT	6.1	(1.0)	21.2	27.1
% Margin	18.2%	(2.6%)	32.5%	21.9%

Source: Alpha Deal Group

Forecasted Revenue Analysis	
Estimated 2016 Revenues (USD million)	123.7
EV/Revenue Multiple	5.5x
Year	2016
Fair Value (USD)	1.055
Price Target (USD)	1.0

Forecasted EBITDA Analysis	
Estimated 2016 EBITDA (USD million)	40.6
EV/EBITDA Multiple	16.5x
Year	2016
Fair Value (USD)	1.039
Price Target (USD)	1.0

Valuation Gap	
Current market price (SGD)	0.158
Target price (USD)	1.0
Target price (SGD)	1.4
Potential Upside (Downside)	786%

Risks to the Investment

YuuZoo Corporation (SGX: AFC) may face a number of challenges in the market. For potential investors, we believe that the most significant risks to consider with regard to investment in the stock include:

Ability to monetize users: The number of registered subscribers under YuuZoo has grown significantly since 2012 to ~37 million as at 30 Jun 14. Despite the large and growing subscriber base, the number of active users currently stands at ~1m only. Active users are defined to be registered users who have logged into a YuuZoo network at least once in the last 30 days. The conversion ratio and quantum of revenues that can be generated from an active user differ from network to network.

Technology Risk: The mobile social media and e-commerce industry is fragmented, with relatively low barriers of entry to the business as the technical expertise can be easily replicated. Although YuuZoo differentiates itself through a vertically-integrated solutions offering and is focused on developing markets, it faces intensive competition from more established social media and tech companies such as Facebook, Google and Twitter, which have more resources and stronger market positioning.

Dependence on key management: YuuZoo depends on the contributions of certain key employees, including Chairman Thomas Zilliacus (who holds 28% of the pro forma shares outstanding). It also depends on the technical innovations which are developed under Mr. Qureshi's leadership and the payments expertise of Mr. Elgrichi. The loss of key personnel, including members of management as well as key engineering, product development, marketing, and sales personnel, without suitable and/or capable replacements could disrupt its operations and have an adverse effect on its business.

Business Model: YuuZoo's model depends on visitor traffic to the sites it has developed to attract advertising and e-commerce partners. Its business model is in its infancy, with the company largely generating revenue from tie-ups and JVs with international operators. This business model is a typical in an industry where revenue is generated by advertising sales. YuuZoo's franchisees and JV partners may or may not end up being successful in attracting traffic, as they operate in an increasingly crowded online environment.

Increasing Cost Risk: YuuZoo endeavors to keep its costs low, there is no certainty that its costs will remain low in the future as the company expands and grows. It anticipates its expenses to continue to increase in the future as it broadens its end-user base, as end-users increase the number of connections and amount of data they share within the YuuZoo Networks, as it develops and implements new product features

that require more computing infrastructure, and as it hires additional employee. Increases in its costs may adversely affect its business and profitability.

Intellectual Property Risk: The Company has invested significantly in the development of its information technology platform, and uses certain copyright material and trademarks (either registered or unregistered or owned or under licence) in its business. The Company may in future acquire additional patents or patent portfolios, which could require significant cash expenditures. However, third parties may knowingly or unknowingly infringe its proprietary rights, third parties may challenge proprietary rights held by it, and pending and future trademark and patent applications may not be approved. In addition, effective intellectual property protection may not be available in every country in which the YuuZoo Group operates or intends to operate its business.

Management Team

Thomas Zilliacus (Chairman)

Thomas Zilliacus serves as the Chairman of the company. He has had a significant number of years working in senior management positions with global industry leaders in the mobile industry. He is the Chairman and founder of Mobile FutureWorks Inc. Also he is a Board member of S i2i Ltd and senior adviser to several companies in the wireless space. Prior to forming Mobile FutureWorks, he held various senior management positions with Nokia.

James Sundram (Chief Executive Officer)

James Sundram has over 25 years of international expertise in the online, multimedia advertising, and publishing industries. Prior to YuuZoo, James served as the MD (International) for PropertyGuru.com. He also held various senior positions at SPH and had set up the APAC headquarters of Lonely Planet in Singapore. James is an MBA from the University of Dubuque, US, holds a Business Diploma in Marketing from the Chartered Institute of Marketing (CIMUK), UK, and a Graduate Diploma in Sales and Marketing from the Marketing Institute of Singapore.

Michael Parker (Chief Financial Officer)

Michael Parker is the Group Chief Financial Officer of the company. Michael's career in finance started with 10-years' service with the professional accounting firm PKF, after which he moved on to the News Corporation Group. During his tenure at News he held various finance based positions including CFO of South China Morning Post, Star TV and Fox Sports Australia. After News Michael continued his finance and media career with 3-years as COO of UBI World TV and various project based CFO positions before taking the YuuZoo position in June last year.

Asim Qureshi (Chief Technology Officer)

Asim Qureshi is currently the Chief Technical Officer (CTO) of the company. Previously he has held senior positions at Bubble Motion Inc, CTO for Channel 9, CTO for Wap Portal. His expertise covers 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 he has also served as an advisor to the Malaysian Government over ICT policies. Asim completed his Bachelor of Commerce in 1996 from University of Balochistan and then went on

to do his Bachelors in Computer Sciences in 1997 from Petroman University. He also holds a Diploma in Electronics from Polytechnic Institute.

Yoav Elgrichi (Chief Payment Officer & CEO YuuPay Pte Ltd)

Yoav serves as the Chief Payment Officer, responsible for YuuZoo's payment platform and payment services. Yoav has 15 years of experience in the payment, mobile and IT industry, specializing in mobile payments, mobile value added services (VAS) and Internet and mobile content. Prior to joining YuuPay, Yoav was the Director of Business Development for VeriFone and held several management positions in Comverse Technologies. Yoav has an MBA from Heriot Watt University and a BA in IT and Business Administration.

Thai YounFatt (Group Financial Controller)

Thai has over 19 years of wide spectrum of hands-on experience in accounting, audit, business analysis, IT & ERP systems implementation, and project management in various countries. He has liaised with all the big-4 audit firms, tax agents, bankers and statutory officers in these countries, namely Singapore, Malaysia, Indonesia, Thailand, Myanmar, Vietnam, China, Hong Kong, Japan and Australia. He graduated from the Association of Chartered Certified Accountants (ACCA), and is a Chartered Accountant (member) of the Institute of Singapore Chartered Accountants.

Sebastian Zilliacus (SVP – Partnership Management)

Sebastian Zilliacus is currently the SVP for Partnership Management for YuuZoo and also holds the position of President of YuuZoo's subsidiary: Global Software YuuZoo Inc. (Philippines). Prior to YuuZoo, he has held key management positions in mobile focused organizations like OpenMobile. Sebastian completed his Master of Science in 2007, where he majored in Business Administration from University of Borås, Sweden. He also holds a Diploma Supplement from University of Borås and a Diploma of Economics from Tranemo Gymnasieskola, Sweden.

Board of Directors

Thomas Zilliacus (Chairman)

Thomas Zilliacus serves as the Chairman of the company. He has had a significant number of years working in senior management positions with global industry leaders in the mobile industry. He is the Chairman and founder of Mobile FutureWorks Inc. Also he is a Board member of S i2i Ltd and senior adviser to several companies in the wireless space. Prior to forming Mobile FutureWorks, he held various senior management positions with Nokia.

Anthony Williams (Independent Director)

Anthony Williams has international experience in financial management, investments, accounting and business development. Previously he served as Chairman of Coudert Brothers LLP. He is veteran of the United States Army. Mr. Williams has J.D., New York University School of Law, 1973 (Managing Editor, New York University Journal of Internal Law) and A.B., cum laude, Harvard University, 1968. He is called to bar admissions in New York, California and court admissions in Supreme Court of The United States.

Ozi Amanat (Independent Director)

Ozi Amanat is currently the Chief Investment Officer of Indian conglomerate Spice Global whose portfolio covers telecom, finance, entertainment, and technology. He is also the founder and Chairman of K2 Global, a VC firm focused on pre-IPO tech ventures. He serves on the board of various US-based non-profit organizations such as Astia Angels, OneHope Wine, and Seeds of Peace. Ozi has a degree in business from Harvard University and also serves as the Chairman of the Entrepreneur Committee of the Harvard Club of Singapore.

Mikael Stewen (Independent Director)

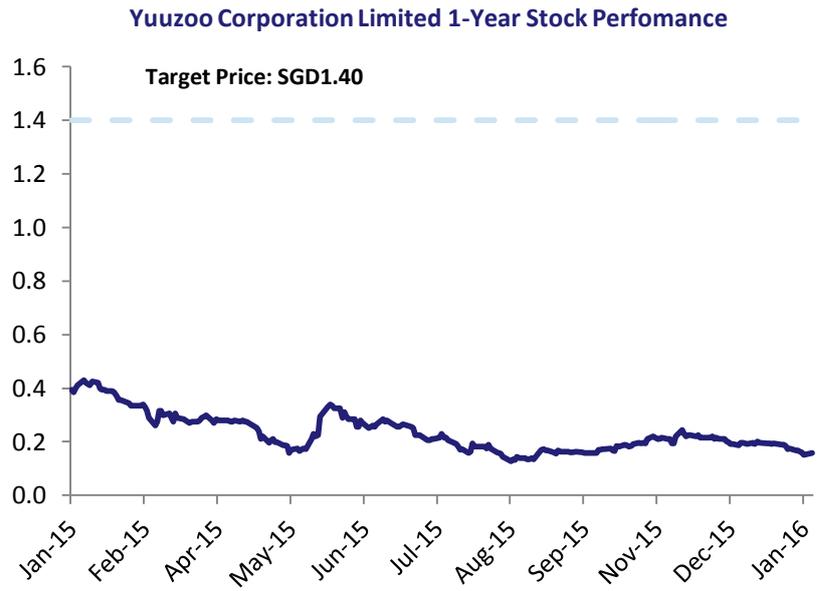
Mikael Stewen currently serves as the General Manager and Sales Director of UPM-Kymmene Asia Pacific Pte Ltd (Singapore). He has over 30 years of expertise in sales, marketing, management, and cross-country operations. Prior to this Mikael was VP for the Korea and Hong Kong headquarters of UPM-Kymmene. Mikael also held various senior positions at Finnpap, the Finnish Paper Mills Association, and managed the organizations cross country operations in Turkey, Korea, Pakistan, Thailand, Indonesia, and Singapore. He has a degree in Forestry from Ekenas Forestry Polytechnic in Finland.

YuuZoo Corporation Limited (SGX: AFC) Financials

All numbers are in (USD 000's)	Annual		
Income Statement	Dec-12	Dec-13	Dec-14
Revenues	26,895	32,780	37,736
Other income	366	804	1,410
Total income	27,261	33,584	39,146
Cost of services	(16,441)	(23,918)	(29,842)
Amortisation of intangibles assets	(128)	(976)	(4,812)
Depreciation	(28)	(25)	(31)
Other expenses	(5,490)	(2,963)	(5,421)
Results from recurring activities	5,174	5,702	(960)
Non recurring expenses	-	-	(44,917)
Results from continuing operations	5,174	5,702	(45,877)
Other comprehensive income	(56)	1,522	1
Net comprehensive income	5,118	7,224	(45,876)
Balance Sheet			
Current assets			
Cash and cash equivalents	434	2,479	9,447
Trade and other receivables	5,750	17,806	24,683
Prepayments	26	19	44
Total Current Assets	6,210	20,304	34,174
Property and Equipment, Net	38	60	74.0
Intangible assets	29	5,749	11,012
Trade and other receivables	10,518	12,179	-
Total Assets	16,796	38,292	45,260
Liabilities			
Trade and other payables	4,066	16,606	2,140
Deferred revenue	250	290	320
Loans and borrowings	-	-	-
Total Liabilities	4,316	16,896	2,460
Equity			
Share capital	117	120	6,260
Share premium	13,695	15,337	75,431
Other reserves	(18)	72	115
Accumulated losses	(650)	6,491	(39,514)
Shareholders equity	13,143	22,020	42,292
Non-controlling interests	(663)	(624)	508
Liabilities and Shareholders equity	16,796	38,292	45,260
Cash flow statement			
Operating activities			
Operating income	5,174	5,702	(45,878)
Adjustments for non-cash items:			
Amortisation of intangible assets	128	976	4,813
Intangible assets acquired	-	(5,925)	(9,217)
Others	2,000	261	40,843
Change in working capital	(8,853)	(1,288)	(3,843)
Cash flow from operating activities	(1,552)	(274)	(13,282)
Investing activities			
Purchase of plant and equipment	(6)	(57)	(48)
Others	-	(765)	796
Cash flow from investing activities	(6)	(822)	748
Financing activities			
Proceeds from issuance of shares	1,163	3,234	20,417
Share issue expenses	(97)	(110)	(960)
Share issue expenses	(160)	-	-
Cash flow from financing activities	906	3,124	19,457
Cash flow for the period	(652)	2,028	6,923
Cash at the beginning of the period	921	274	2,319
Net effect of exchange differences	5	17	205
Cash and cash equivalents at end of period	434	2,319	9,447

All numbers are in (USD 000's)	9 months ended	
	Sep-14	Sep-15
Income Statement		
Revenues	15,538	29,996
Other income	252	169
Total income	15,790	30,165
Cost of services	(10,565)	(9,990)
Amortisation of intangibles assets	(2,583)	(5,904)
Depreciation	(22)	(47)
Other expenses	(3,433)	(5,985)
Results from recurring activities	(813)	8,239
Non recurring expenses	(44,599)	-
Results from continuing operations	(45,412)	8,239
Other comprehensive income	(83)	88
Net comprehensive income	(45,495)	8,327
Balance Sheet		
Current assets		
Cash and cash equivalents	16,967	4,555
Trade and other receivables	12,653	20,285
Prepayments	27	72
Total Current Assets	29,647	24,912
Property and Equipment, Net	78	224
Intangible assets	8,341	9,235
Others	29,337	21,083
Total Assets	67,403	55,454
Liabilities		
Trade and other payables	15,323	3,573
Deferred revenue	320	-
Loans and borrowings	-	-
Total Liabilities	15,643	3,573
Equity		
Share capital	64,455	63,207
Share premium	410,402	18,166
Other reserves	(34)	997
Accumulated losses	(422,439)	(31,067)
Shareholders equity	52,384	51,303
Non-controlling interests	(624)	578
Liabilities and Shareholders equity	67,403	55,454
Cash flow statement		
Operating activities		
Operating income	(45,412)	8,239
Adjustments for non-cash items:		
Amortisation of intangible assets	2,583	5,904
Intangible assets acquired	(4,500)	(3,141)
Others	40,431	(16,331)
Change in working capital	(9,536)	4,800
Cash flow from operating activities	(16,434)	(529)
Investing activities		
Purchase of plant and equipment	(40)	(200)
Others	1,122	(4,255)
Cash flow from investing activities	1,082	(4,455)
Financing activities		
Proceeds from issuance of shares	30,412	-
Share issue expenses	(17)	-
Share issue expenses	(395)	-
Cash flow from financing activities	30,000	-
Cash flow for the period	14,648	(4,984)
Cash at the beginning of the period	2,319	9,447
Net effect of exchange differences	-	92
Cash and cash equivalents at end of period	16,967	4,555

Target Price and Recommendation History



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