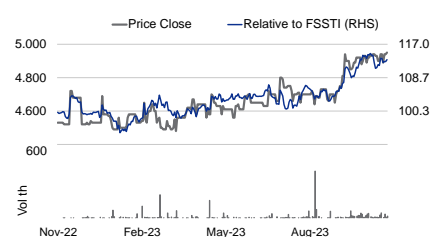


Singapore

NON RATED

Current price:	S\$4.95
Consensus Tgt Price:	N/A
Up/downside:	N/A
Reuters:	VERT.SI
Bloomberg:	VTAC SP
Market cap (as is):	US\$153.2m S\$205.9m
Average daily turnover:	US\$0.06m S\$0.09m
Current shares o/s:	41.62m
Free float:	71.2%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.6	5.3	9.3
Relative (%)	2.1	7.6	14.2

Major shareholders	% held
Vertex Co-Investment Fund	14.4
Venezio Investments Pte. Ltd.	14.4

IMPORTANT DISCLOSURE:

CGS-CIMB Research has been appointed to the SPACs Research Panel by Securities Investors Association (Singapore) (SIAS) and receives fees from SIAS for providing independent research on the Company.

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Vertex Technology Acquisition Corp Ltd

Going LIVE

- VTAC has proposed a business combination with 17LIVE – a pure-play live streaming platform with leading market shares in Japan and Taiwan.
- Although revenue has declined yoy as Covid 19 eased, GPM is improving as management shifts its focus towards higher quality (paying) users.
- Purchase consideration of S\$923m is below F&S's reasonable valuation range of S\$939m-1.01bn but we watch out for potential dilution of up to 21%.

VTAC proposes business combination with 17LIVE

Vertex Technology Acquisition Corporation (VTAC), a special purpose acquisition company (SPAC), announced on 2 Oct 23 that it is proposing a business combination with 17LIVE Holding Limited (17LIVE). VTAC will acquire the entire issued and paid-up capital for a purchase consideration of up to S\$923m, to be satisfied by the allotment and issuance of new shares in the combined business entity and earnout shares that are subject to fulfilling certain financial targets. Shareholders will be required to decide whether to redeem their shares in VTAC by 28 Nov 23. An EGM will thereafter be held on 1 Dec 23 for shareholders to either vote in favour of or against the proposed business combination.

Market leader in live streaming industry in Japan and Taiwan

17LIVE is a pure-play interactive video streaming platform with leading market shares (by revenue) in Japan (market leader) and Taiwan (2nd largest player). Real-time user live streaming accounted for c.97% of 17LIVE's revenues in 1HFY23 and came in the form of virtual gifting, subscriptions and in-app games. In terms of key operating metrics, as of 1HFY23, monthly active users (MAU) and monthly paying users (MPU) declined 64% and 36%, respectively, compared to peak levels in 2HFY21. 17LIVE attributes these trends to easing social distancing measures post Covid 19. Average revenue per spending user (ARPPU) trend was mixed, having declined in Japan since 2HFY21 but rising significantly in Taiwan over the same period. Going forward, management will be focusing on higher-quality (paying) users, which could catalyse its profitability, in our view.

Purchase consideration of S\$923m is below F&S's valuation range

VTAC engaged Frost & Sullivan (F&S) to conduct independent valuations on 17LIVE. Using the multiple (P/S and EV/EBITDA) and discounted cash flow (DCF) approaches, F&S arrived at a reasonable overlapping valuation range of c.US\$697m-751m (c.S\$939m-1.01bn). In this regard, the transaction's purchase consideration of S\$923m is below F&S's valuation range.

Dilutive securities could impact shareholder value by c.21%

We highlight that the SPAC's structure includes dilutive securities such as warrants, earnout shares and promote shares, amongst others, which may negatively impact shareholder value. In our scenario analysis (Figures 20 and 21) where we assume maximum shareholder redemptions upon completion of the business combination and S\$10m private investment in private equity (PIPE) financing as well as the exercise/conversion of all potentially dilutive securities, we estimate a maximum dilution impact of c.21% to shareholder value to as low as c.S\$3.94 per share.

FYE Dec (US\$ m)	FY20	FY21	FY22	1HFY22	2HFY22	1HFY23
Income statement						
Revenue	411.4	497.8	363.7	200.4	163.3	151.0
chg vs. last year/half year period (%)		21.0%	-26.9%		-18.5%	-7.5%
Adjusted EBITDA	33.3	17.4	15.9	4.4	11.5	15.7
Adjusted EBITDA margin (%)	8.1%	3.5%	4.4%	2.2%	7.0%	10.4%
Operating income	24.4	10.4	10.1	1.1	9.0	13.0
(Loss)/profit before income tax	-48.2	119.2	-42.9	-33.8	-9.0	-115.3
(Loss)/profit for the year	-51.9	109.5	-51.0	-42.0	-9.0	-118.2
Adjusted profit/(loss) for the period/year	7.2	-2.9	4.8	-4.0	8.8	9.4
Adjusted profit margin (%)	1.7%	-0.6%	1.3%	-2.0%	5.4%	6.2%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

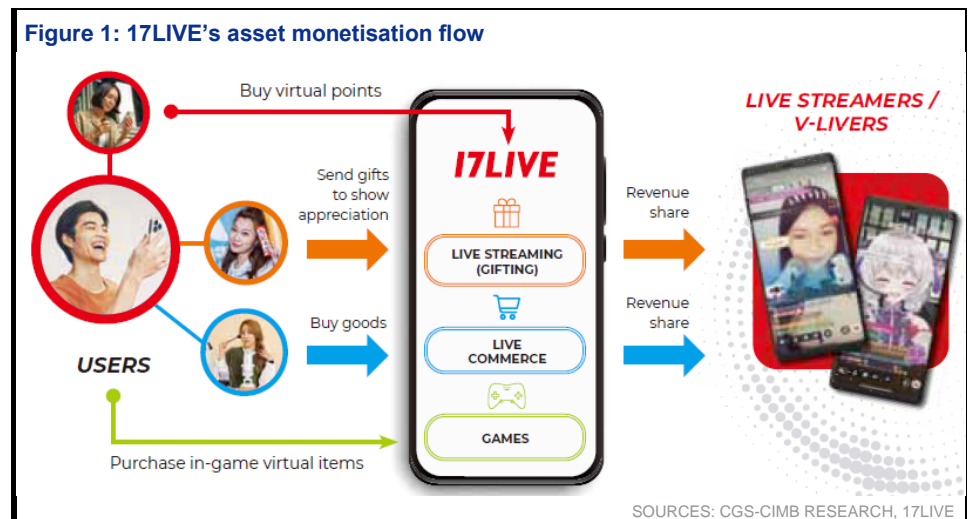
Going LIVE

PROPOSED BUSINESS COMBINATION TARGET – 17LIVE

Founded in 2015 in Taiwan, 17LIVE Holding Limited positions itself as a technology-driven live social entertainment platform. The group operates 17LIVE, a pure-play live streaming platform. Its key markets are Japan and Taiwan, with a presence in Hong Kong, Singapore, the US, the Philippines, India and Malaysia, as at 30 Jun 23. 17LIVE commanded leading market shares (by revenue) of 20.8% (largest) in Japan and 26.9% (2nd largest) in Taiwan amongst pure-play interactive video streaming players as at end-2022.

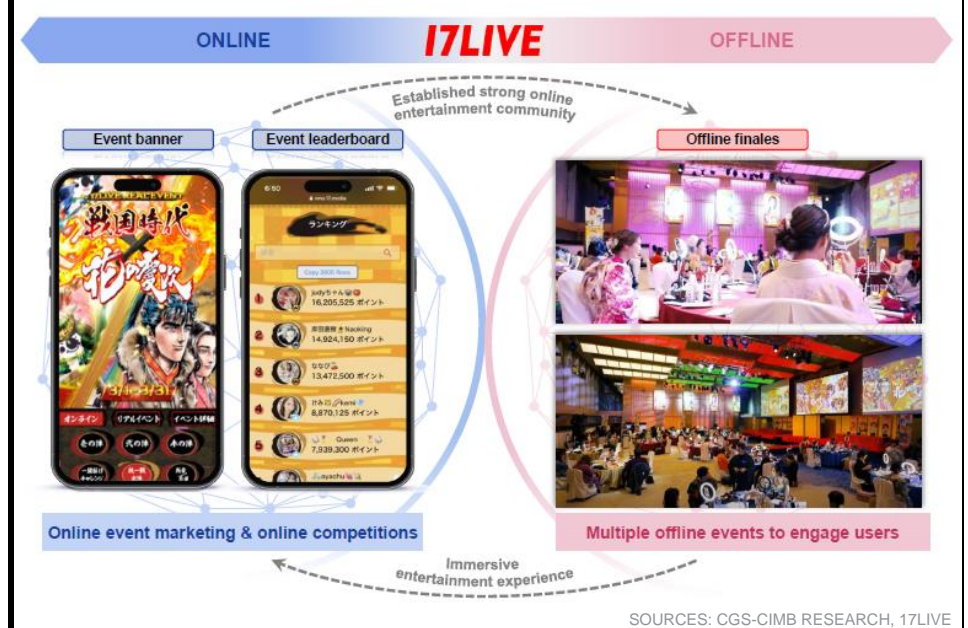
Multi-asset monetisation strategy ▶

17LIVE’s livestreaming content offerings are vast, covering music, fashion, fortune telling and cooking, amongst others. Its monetisation strategies can be segmented into 3 primary business lines: 1) liver (real-time user) live streaming, 2) V-Liver live streaming, and 3) other businesses. Revenue from its live streaming businesses (both livers and V-Livers) come mainly in the form of gifting (via the purchase of virtual points in exchange for gifts), subscription (of exclusive content) and in-app games (via the purchase of in-game virtual items). Its “other business” line includes live commerce, where the group collaborates with brands for sales.



17LIVE’s platform complements its livestreams with performances and competitions at online and offline (physical) events, thereby weaving its online presence with real-life face-to-face encounters to enable a more immersive entertainment experience. The group hosted 15 such offline events in Japan and 4 in Taiwan in FY22.

Figure 2: 17LIVE complements its online live streams with physical offline events

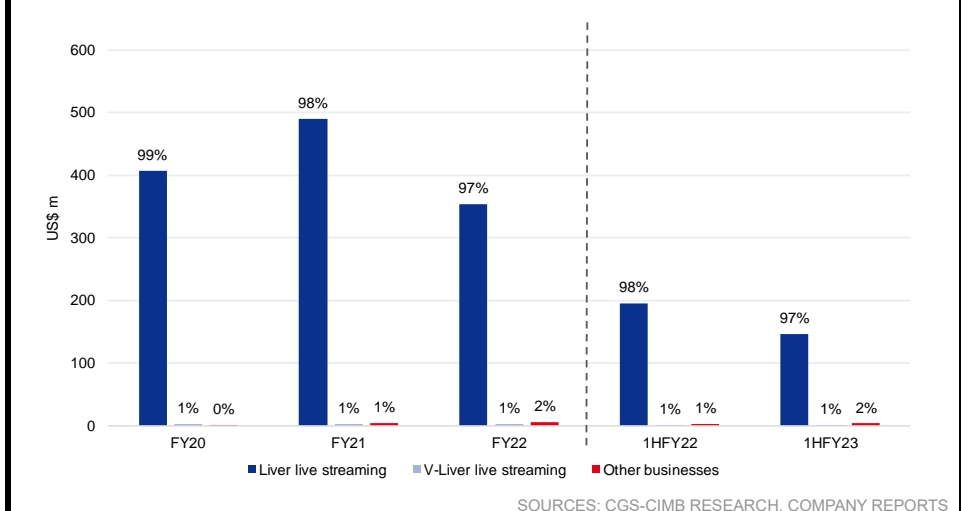


17LIVE adopts localisation strategies to tailor to and satisfy cultural preferences in the various regions it operates in. The group also leverages on strategic partnerships and collaborations with local celebrities, politicians, and athletes to produce exclusive content. Its previous collaborators include the Taiwan President, Tsai Ing-Wen, and entertainment veterans such as CAPCOM and SEGA. The localised content is then recommended to targeted users by leveraging its data insights.

Real-time user live streaming is 17LIVE’s core business ▶

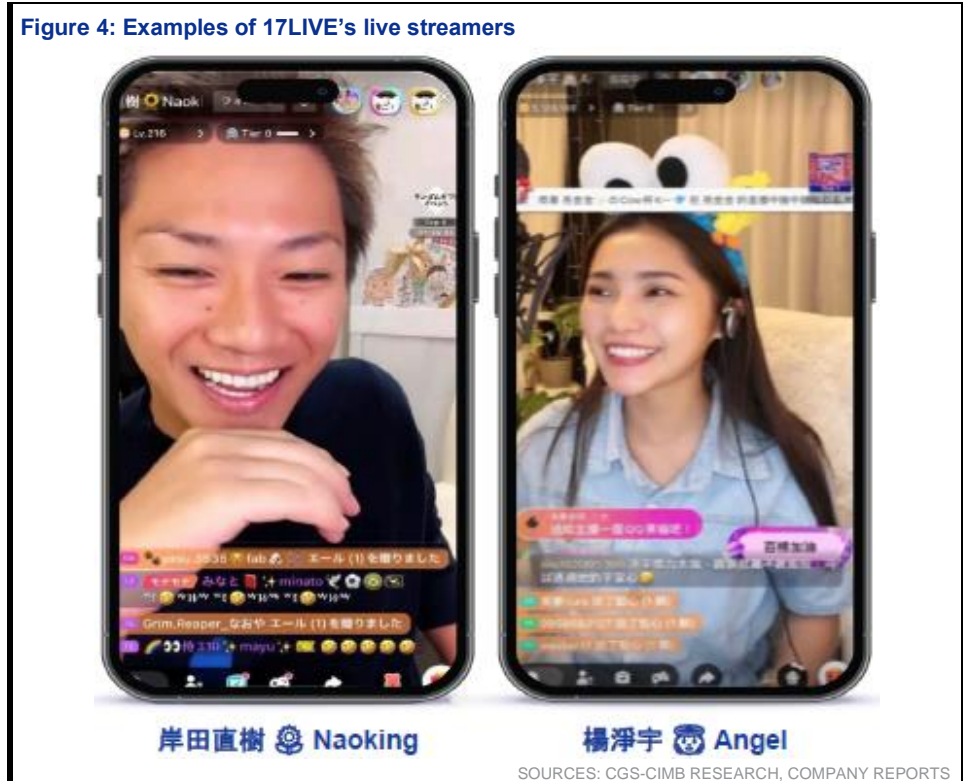
Liver (real-time user) live streaming constitutes the lion’s share of 17LIVE’s business, accounting for c.97% of total revenues in 1HFY23. These revenues comprise revenues from virtual gifting, subscription and in-app games. Its “other business” line includes live commerce, where the group collaborates with brands for sales.

Figure 3: 17LIVE’s revenue breakdown by segment



17LIVE offers contracts to high-potential live streamers. These contracts provide for a pre-agreed percentage of revenue to be shared with the live streamers and may be exclusive or non-exclusive contracts with 17LIVE. Live streamers who are exclusive to 17LIVE generally enjoy better contractual terms as compared to non-exclusive streamers. The group has discretion to grant bonuses to live streamers for reaching pre-determined targets or a certain amount of virtual gifts.

Figure 4: Examples of 17LIVE's live streamers

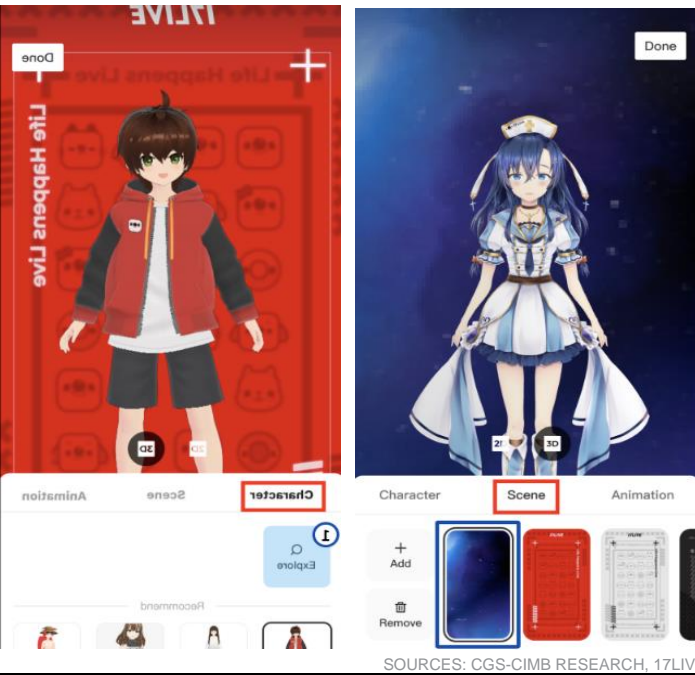


To cultivate its pipeline of high quality content, 17LIVE has a talent management system in place that provides training programmes, opportunities for user exposure via online competitions and offline events and mentorship for the live streamers.

Incubating V-Livers as its next growth engine ▶

Apart from in-app games and live commerce, 17LIVE counts its V-Liver segment as a key growth driver. In Apr 23, the group integrated Live2D functions into its broadcasting functionality, allowing live streamers to upload an avatar, which the company dubs a “V-Liver”, and conduct virtual streaming as computer-generated versions of themselves. The movements, sounds, and expressions of the live streamer are reflected in real time on the V-Livers using motion capture technology.

Figure 5: Using Live2D functions, users may create their own avatars and customise their background scenes to live stream as a V-Liver



SOURCES: CGS-CIMB RESEARCH, 17LIVE

Figure 6: Examples of 17LIVE's V-Livers



SOURCES: CGS-CIMB RESEARCH, 17LIVE

17LIVE supports the expansion of organic V-Livers on its platform with its end-to-end talent management, helping V-Livers build their follower base within the 17LIVE ecosystem. The group also incubates V-Livers with high potential to become V-Liver proprietary intellectual properties (IPs). The group tailors omnichannel marketing strategies for its V-Liver IPs to expand their follower bases, with the aim of unlocking new monetisation channels, such as offline merchandise sales of its V-Liver IPs and music production sales. 17LIVE reported c.2k V-Liver monthly average streamers and c.75k V-Liver MAU in 2Q23.

In its report entitled “Independent Market Research Report on the Media and Entertainment Industry with a Focus on the Interactive Video Streaming Platform, V-Liver and Live Commerce Industries”, Frost & Sullivan (Singapore) estimates the market for V-Livers in Japan to grow from c.US\$973m in FY23F to c.US\$3.9bn in FY27F (41% CAGR). We understand from 17LIVE management that it has only introduced V-Livers to Japan at this stage.

MAUs declining from its peak in 2H21; quality MAUs stagnating >

In 1H23, 17LIVE had c.550k average MAU with an average daily view duration per active user of c.93 minutes and a spend rate (spenders as a percentage of MAU) of 16.1% on a monthly basis. The company also reported that it had contracted c.14k monthly average streamers (MAS, defined as a live streamer who has conducted a stream on 17LIVE at least once during the specified month) in 1HFY23 and the average monthly streaming hours per contracted MAS consistently exceeded 40 hours. As at end-Jun 23, 17LIVE had entered into contracts with c.87k live streamers.

Frost & Sullivan (Singapore) estimates the interactive video streaming market in Japan to expand from US\$1.8bn in FY22 to c.US\$5.1bn in FY27F (22% CAGR) and that in Taiwan to increase from c.US\$323m in FY22 to c.US\$556m in FY27F (11% CAGR).

Figure 7: 17LIVE's base of MAUs declined over 1H20 to 1H23 as Covid-19 social distancing measures eased but quality MAUs have increased as the group shifted its focus towards profitability and return on user acquisition

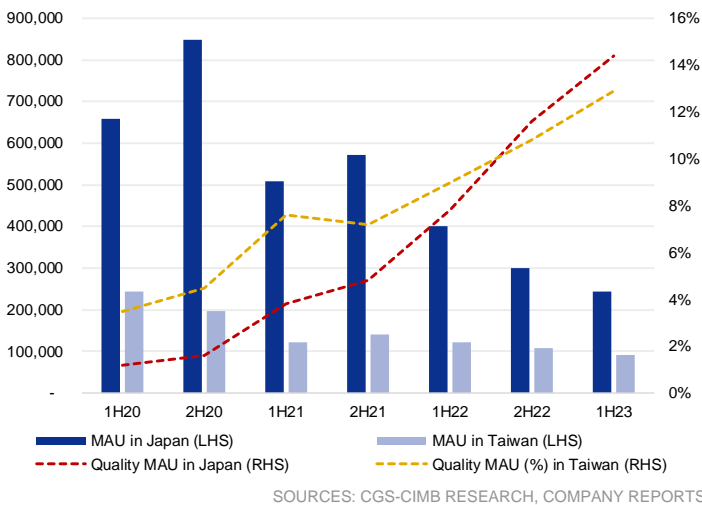
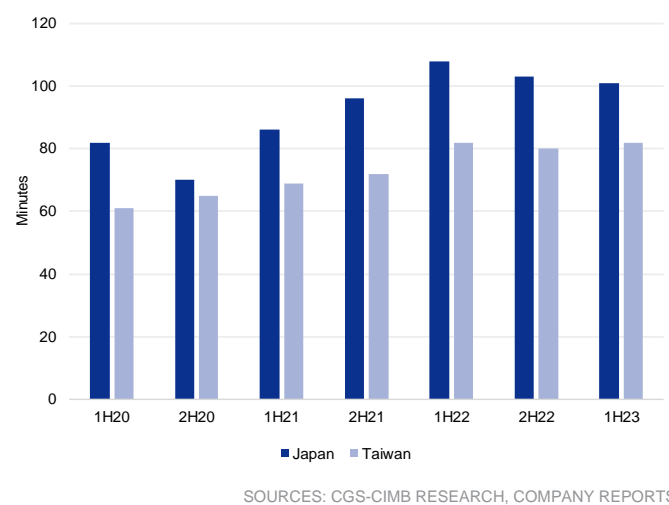


Figure 8: In contrast to its quality MAU figures, 17LIVE's average daily view duration on a monthly average basis started decreasing in Japan and has stayed broadly flattish in Taiwan since 1H22



17LIVE's strong MAU base in FY20 was a result of Covid-19 social distancing measures and lockdowns, which boosted the consumption of digital content. With the pandemic movement restrictions progressively easing in FY21-22, we note that the group's MAUs decreased in step. For context, from its peak of 573k MAUs in Japan and 141k MAUs in Taiwan in 2HFY21, 17LIVE's MAU count dipped to 245k in Japan and 92k in Taiwan in 1HFY23.

Meanwhile, as 17LIVE reached higher market penetration rates in Japan and Taiwan across FY20-22, its cost of acquiring new users increased as well. According to the group, it then shifted its strategy to focus on profitability and return on user acquisition, which translated into improving quality MAUs over this period. The group defines quality MAUs as users who have consecutively viewed a specified live streamer's content over 320 times in total. A user's cumulative view record will be reset if they miss 5 consecutive live streams from the specified live streamer and only a stream that lasts more than 30 minutes is considered valid and count towards the viewing total. 17LIVE reported that 14.4% of its total MAUs met its definition of quality MAUs in Japan and 12.9% in Taiwan in 1HFY23 (1HFY20: 1.2% in Japan, 3.5% in Taiwan).

Whilst the group's quality MAUs have been on an increasing trend, we highlight that its average daily view duration per daily average user (DAU) on a monthly average basis (Figure 8) has eased in Japan and stayed broadly unchanged in Taiwan since 1H22. 17LIVE attributes this to its shift towards a more profitable business model, where the group focuses on monetisation (and quality MAUs), which may not necessarily correlate with average viewing durations as a whole.

SWOT Analysis

Strengths >

1) Market leader with improving quality MAU profile

17LIVE is the top pure-play live streaming platform in Japan with c.20.8% market share (by revenue) in FY22 and 2nd in Taiwan with market share (by revenue) of c.26.9% in FY22, according to Frost & Sullivan (Singapore)'s "Independent Market Research Report on the Media and Entertainment Industry with a Focus on the Interactive Video Streaming Platform, V-Liver Live Commerce Industries". The group attributes its leadership in these markets to its early mover advantage, allowing it to accumulate market knowledge ahead of peers. In 1H23, 17LIVE recorded average MAUs of 245k and 92k for Japan and Taiwan, respectively. Correspondingly, quality MAUs rose to 14.4% in Japan, and 12.9% in Taiwan in 1H23.

2) Operating metrics of average view duration and ARPPU stronger or on par with peers

The group reinforces its market presence by offering offline events to complement its online live streams. This translated to stronger yoy user engagement for 17LIVE, which reported an average 101 minutes in average view duration per DAU in FY22 (FY21: 84 minutes). By regional market, 17LIVE averaged 106 minutes in average view duration per DAU in its key market of Japan, which was higher than industry peers (Pococho: 101 minutes, Showroom: 93 minutes, as reported by Frost & Sullivan (Singapore)) and 81 minutes in Taiwan, which was below industry peers (Lang Live: 130 minutes, UpLive: 120 minutes, as reported by Frost & Sullivan (Singapore)). For both markets, 17LIVE charted stronger ARPPU than peers quoted.

Weaknesses >

1) Declining screen time and online entertainment expenditure post Covid 19

The easing of movement restriction orders and resumption of travel post Covid-19 have resulted in decreasing average screen times and declining online entertainment expenditure. This is apparent in 17LIVE's declining trend of MAUs over 1HFY20 to 1HFY23. We think that this may result in more challenging monetisation efforts in the time to come, which may require the group to actively penetrate new business verticals or regional markets.

2) Limited track record

With livestreaming being a relatively new industry, we deem 17LIVE's operating track record as fairly limited, having rolled out its operations in its key market, Japan, only in FY17. Given 17LIVE's relatively early stage in its business cycle, its earnings have yet to stabilise as the group strives to remain competitive while gaining market share.

Opportunities >

1) Growing proliferation of video streaming platforms with increasing variety of entertainment programmes

The proliferation of interactive video streaming platforms has been driven by the availability of a wide range of entertainment content. These platforms offer diverse programmes, including live chat shows, music performances, gaming streams, and cooking shows, catering to different interests and attracting a more diverse audience. By offering a rich selection of entertainment programmes, interactive video streaming platforms are able to capture the attention of various demographics and

engage viewers for longer period, in our view. Furthermore, these platforms have been investing in developing their own original content, rather than solely relying on user-generated content, in order to attract viewers and enhance user retention. For example, prominent interactive video streaming companies often host and produce live music shows or competitions.

2) Integration of live stream and e-commerce platforms to create interactive and engaging shopping experiences

Advancements in technology have resulted in the integration of live stream features with e-commerce platforms, facilitating convenient checkout options during live streams and fostering real-time interactions between buyers and hosts (such as allowing consumers to participate in real-time product demonstrations and pose enquiries and receive immediate responses, thereby creating a personalised and immersive shopping journey that resonates with consumers). This seamless integration of audience engagement and instant purchase functionality plays a pivotal role in driving social commerce, in our view.

Threats >

1) Cybersecurity risk and data privacy breaches

Potential data and privacy breaches as well as cybersecurity violations are a key risk to 17LIVE's operations given that its products and services are provided through the internet and involves the storage and transmission of content. The group experiences cyber-attacks of varying degrees on a regular basis (e.g. hackings of user, live streamer, and V-Liver accounts) but has generally been able to identify the sources of these cyber-attacks, mitigate its impact and prevent future occurrences without materially affecting its operations.

As 17LIVE collects profiles, locations and other personal data from its users, livers and V-Livers, it is exposed to the risk of breaches in the collection, usage and security of such information. Consequential reputational risk from a data breach is a concern as well. While the group strives to comply with all applicable data protection laws and regulations, any failure or perceived failure to comply with these laws, regulations or policies may result in enquiries or proceedings against the group by regulatory authorities that may adversely affect its business and operations.

2) Evolving regulatory landscape

17LIVE is subject to developing regulatory and compliance requirements relating to the live streaming and internet businesses. In May 22, the National Communications Commission in Taiwan announced the Draft OTT (over-the-top) Law and sought public comments, under which internet audio and video services providers are required to be registered with the relevant authority. In Aug 22, the Taiwan regulatory authorities further announced the Digital Media Communication Regulation Act Draft for public comments, under which digital media communication service providers, such as social media and mobile application operators, will be required to disclose relevant information, including business details, terms and conditions of use, and privacy policies, amongst others. There is no public disclosure on the timeline of implementation of both these acts; 17LIVE is of the view that it will be able to comply with relevant requirements should these regulatory requirements take effect.

The increasing popularity and use of internet services will likely give rise to new regulatory developments in time and is a key risk for companies operating in this sphere.

17LIVE historical financials

Revenue recognition and trend ►

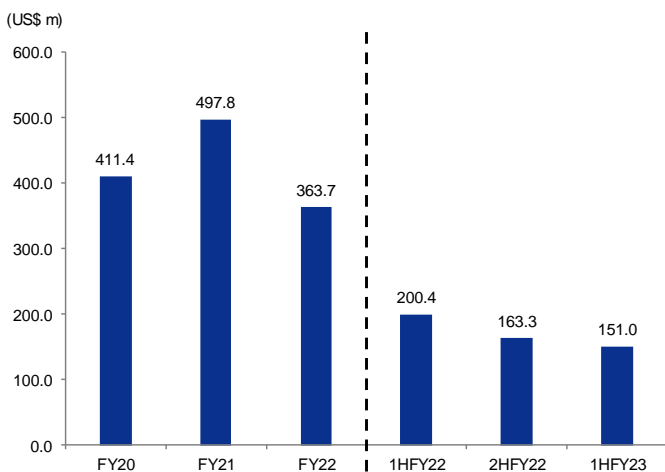
17LIVE derives its revenue primarily from live-streaming services. This comprises revenues from 1) virtual gifting, 2) subscription, and 3) in-app games.

Under virtual gifting, revenues are generated through virtual points that 17LIVE sells to its users, which the users can exchange for consumable virtual gifts. Such gifts can be presented by users to live streamers to express appreciation and support.

Separately, the group generates revenues from subscription fees paid by users monthly for value-added and exclusive services, such as the option to join the fan group of their preferred live streamers, becoming part of the live streamers' core community and having access to exclusive fan group streaming.

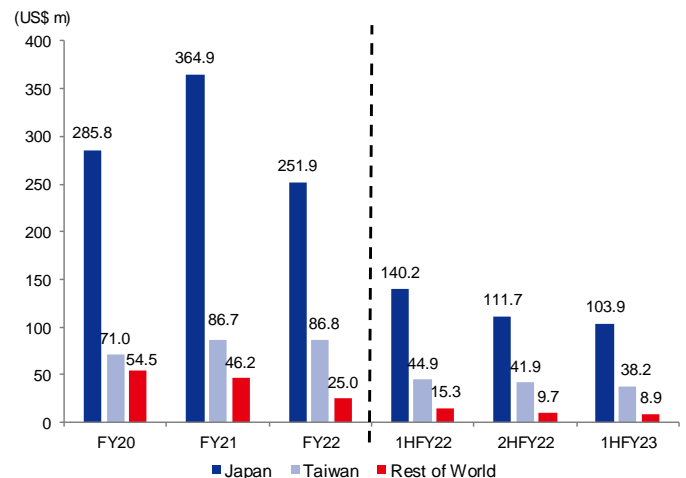
17LIVE also generates a small portion of its revenue from sales of virtual points used to play in-app games available on its platforms complementary to live streaming. These games include half-screen in-app casual games for users to play while simultaneously watching a live stream and half-screen interactive in-app games that users play together with live streamers.

Figure 9: 17LIVE's revenues have been on a declining trend since FY22



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 10: Declining revenue trend visible across both key markets; significant drop recorded in Rest of World



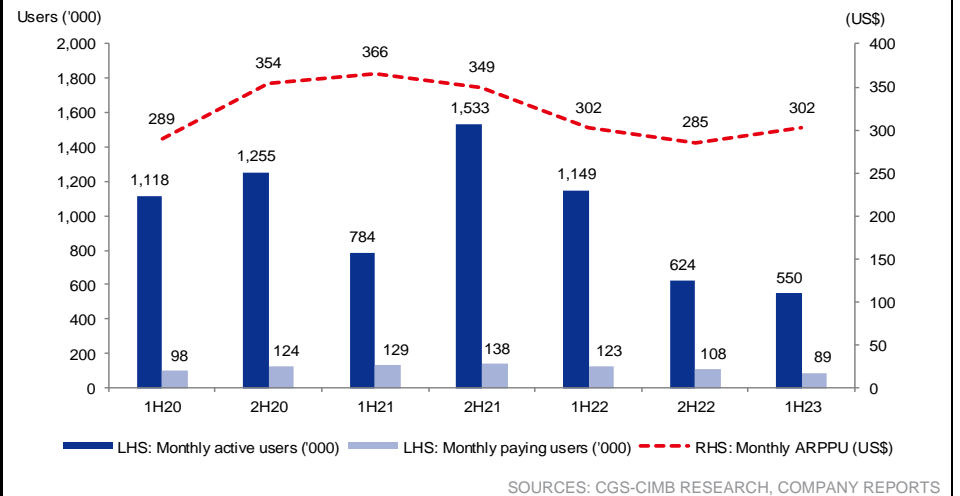
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

While 17LIVE generated revenue growth of 21% yoy in FY21, we note that this has been on a declining trend since. 2-year revenue CAGR between FY20 and FY22 posted a decline of 6% and we observed further revenue decline of 8% yoy to US\$151m in 1HFY23.

The group attributed the decline to 1) a decrease in number of users on the platform resulting mainly from the normalisation and resumption of economic activities after the easing of Covid-19 pandemic restrictions, and 2) a deliberate shift in strategy by 17LIVE to focus on profitability by targeting quality users over scale.

In terms of revenue contribution by region, Japan and Taiwan are key markets, contributing 94% of group revenue combined. Between FY20 and 1HFY23, Taiwan's share of revenue grew from 17% to 25%, Japan's was largely stable at c.69-70% while Rest of World declined from 13% to 6%.

Figure 11: As of 1HFY23, 17LIVE's monthly active users (MAU) and monthly paying users (MPU) declined 64% and 36%, respectively, compared to peak levels in 2HFY21



17LIVE reports the following operating metrics: 1) monthly active users (MAU), 2) quality MAU, which is defined as a user who has consecutively viewed a specific live streamer's content over 320 times in total, 3) spend rate, which is defined as monthly spending/paying user as a percentage of MAU, 4) average revenue per spending user (ARPPU), and 5) average daily view duration per daily active user. We derive 17LIVE's monthly paying user (MPU) by multiplying spend rate with MAU.

Based on our analysis of operating metrics disclosed for both Japan and Taiwan markets, we note that there is a strong positive correlation (>0.8) between 1) quality MAU as a % of MAU and spend rate, and 2) average daily view duration per daily active user and spend rate. This suggests that users are more likely to be a paying user on the platform as their viewing time increases and/or they become more sticky/loyal to streamers on the platform.

However, we note a weak correlation between average daily view duration per daily active user and ARPPU; there is a positive correlation of 0.5 for the Taiwanese market but a negative correlation of -0.6 for the Japanese market. This suggests that users who spend more time on the platform do not necessarily outspend the average paying user.

Figure 12: 17LIVE's operating metrics in Japan

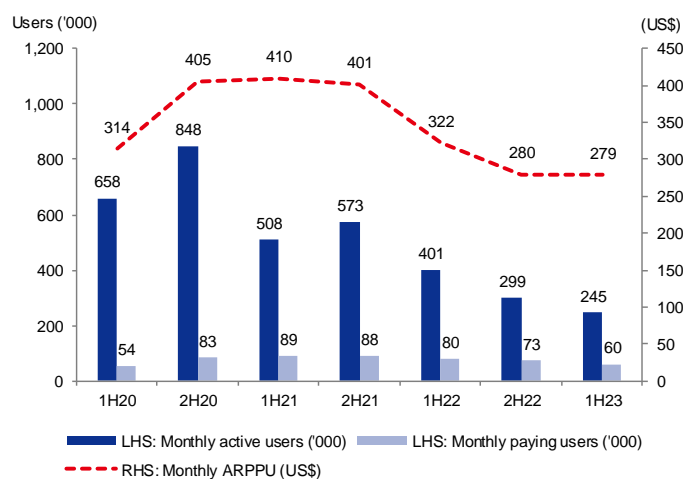
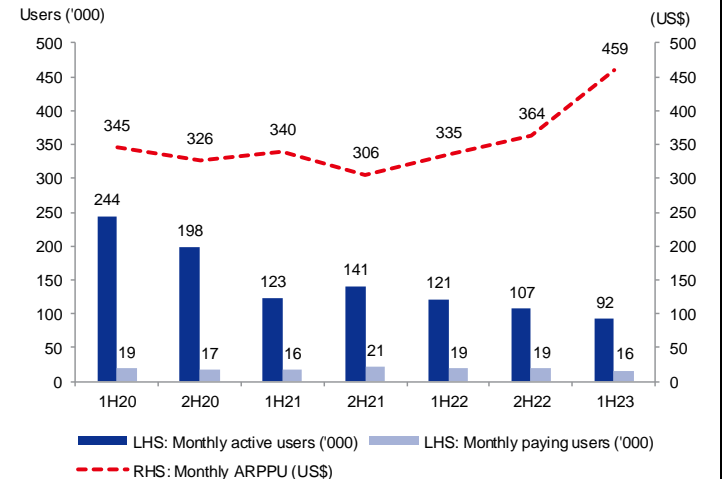


Figure 13: 17LIVE's operating metrics in Taiwan

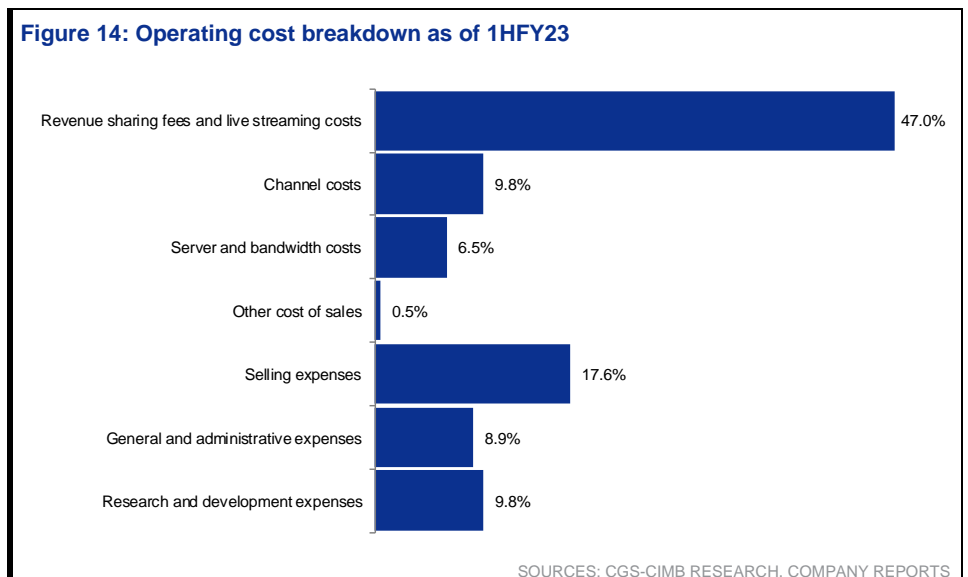


We focus our analysis on 17LIVE's 2 key markets (Japan and Taiwan) as Rest of World contributed only 6% of group revenue even as it accounted for 39% of MAU as of 1HFY23, suggesting a lack of ability/focus by 17LIVE to monetise this group of users.

17LIVE's Japan market has shown steady decline in MAU since FY20. As of 1HFY23, Japan MAU stood at 245k, representing a 39% drop yoy, or 63% decline from its peak in 2HFY20. While 17LIVE was able to grow its quality MAU base, this was insufficient to stem the narrowing in the MPU base. As of 1HFY23, Japan MPU stood at 60k, representing a 25% drop yoy, or 33% below its peak in 1HFY21. Japan's monthly ARPPU has also contracted significantly since 2HFY21 (1HFY23: US\$279, -13% yoy), reflecting weaker monetisation of its user base.

Similarly, 17LIVE's Taiwan market has shown steady decline in MAU since FY20. As of 1HFY23, Taiwan MAU stood at 92k, representing a 24% drop yoy, or 62% below its peak in 1HFY20. 17LIVE was able to maintain its MPU base here at a relatively stable level by growing its quality MAU base. As of 1HFY23, Taiwan MPU stood at 16k, representing a 13% drop yoy, or 22% below its peak in 2HFY21. Taiwan's monthly ARPPU has grown significantly since 2HFY21 (1HFY23: US\$459, +37% yoy), suggesting that 17LIVE was able to keep its larger spenders on the platform even as paying userbase declined.

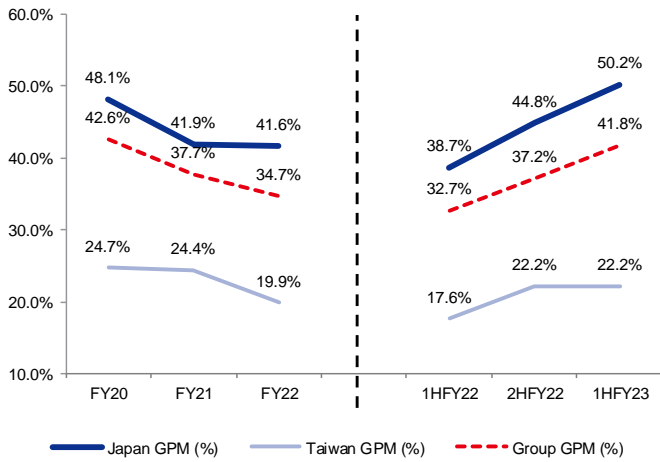
Operating costs and margin trend >



17LIVE's key operating costs are listed as above. Revenue sharing fees and live streaming costs represented the largest cost component at 47% as of 1HFY23. This component includes 17LIVE's payments to its live streamers based on a percentage of revenue from sales of virtual gifts and other subscription-based privileges based on a pre-agreed portion with the live streamer or their affiliated talent agency.

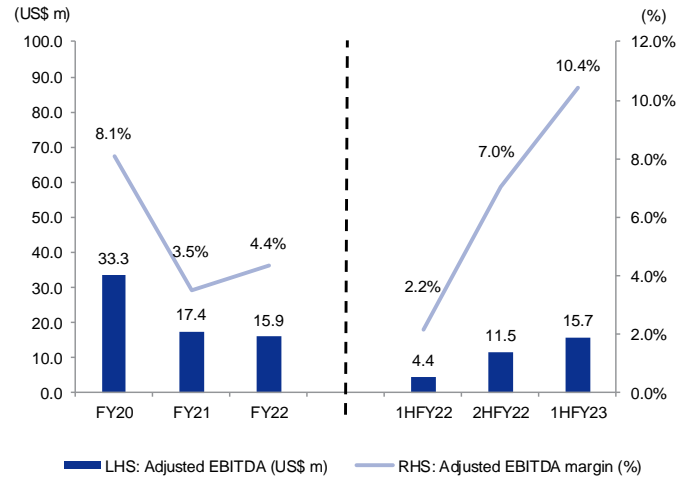
Channel costs represent fees 17LIVE pays to third party payment channels and distribution channels (including iOS App Store and Google Play). These are typically calculated as a percentage of payments arising from the transactions conducted through the respective platforms.

Figure 15: Gross margin has improved sequentially since 1HFY22



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 16: Adj. EBITDA margin has improved sequentially since 1HFY22, leading to stronger adj. EBITDA



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

17LIVE's GPM has been on a downtrend between FY20 and FY22 but showed sequential improvement on a half-yearly basis from 1HFY22 to 1HFY23. 17LIVE attributed this to (i) increasing contribution from high-margin in-app game revenue, which is not subject to revenue sharing arrangements with live streamers; (ii) a decrease in channel costs resulting from optimised payment methods; and (iii) a decrease in server and bandwidth costs resulting from improvement in operating efficiency.

Similarly, its adjusted EBITDA margin showed sequential improvement on a half-yearly basis from 1HFY22 to 1HFY23, helped by, according to the group, 1) reduction in marketing expenses, in line with 17LIVE's strategic shift to return-driven marketing strategy, and 2) lower general and administrative expenses due to a streamlined staffing structure implemented as part of its cost optimisation initiatives.

Stripping off revaluation gain/loss on financial liabilities, 17LIVE reported an adjusted profit of US\$4.8m in FY22, an improvement vs. FY21's US\$2.9m adjusted loss but lower than FY20's US\$7.2m adjusted profit. Looking at half-year performance, we observed two consecutive periods of improvement in adjusted profitability since 2HFY22. In the latest reported financial period of 1HFY23, 17LIVE posted an adjusted profit of US\$9.4m.

Figure 17: Summary of 17Live's financials

FYE Dec (US\$ m)	FY20	FY21	FY22	1HFY22	2HFY22	1HFY23
Income statement						
Revenue	411.4	497.8	363.7	200.4	163.3	151.0
<i>chg vs. last year/period (%)</i>		21.0%	-26.9%		-18.5%	-7.5%
Cost of revenue	-236.0	-310.0	-237.6	-134.9	-102.6	-87.9
Gross profit	175.4	187.7	126.1	65.5	60.7	63.1
GPM (%)	42.6%	37.7%	34.7%	32.7%	37.2%	41.8%
Selling expenses	-97.1	-129.2	-64.3	-37.1	-27.2	-24.3
<i>As % of revenue</i>	-23.6%	-26.0%	-17.7%	-18.5%	-16.6%	-16.1%
General and administrative expenses	-49.8	-31.6	-24.4	-14.1	-10.3	-12.2
<i>As % of revenue</i>	-12.1%	-6.3%	-6.7%	-7.0%	-6.3%	-8.1%
Research and development expenses	-4.1	-16.6	-27.3	-13.1	-14.2	-13.5
<i>As % of revenue</i>	-1.0%	-3.3%	-7.5%	-6.6%	-8.7%	-9.0%
Operating income	24.4	10.4	10.1	1.1	9.0	13.0
OPM (%)	5.9%	2.1%	2.8%	0.6%	5.5%	8.6%
Revaluation (loss)/gain on financial liabilities	-59.1	112.4	-55.9	-38.0	-17.8	-127.6
Others	-12.6	-2.8	3.0	3.2	-0.1	-0.6
Finance costs	-1.0	-0.7	-0.2	-0.1	-0.1	-0.1
(Loss)/profit before income tax	-48.2	119.2	-42.9	-33.8	-9.0	-115.3
PBT margin (%)	-11.7%	24.0%	-11.8%	-16.9%	-5.5%	-76.4%
Income tax expense	-5.3	-9.7	-8.2	-8.1	0.0	-2.9
(Loss)/profit for the year from continuing operations	-53.5	109.5	-51.0	-42.0	-9.0	-118.2
Profit for the year from discontinued operations	1.6	0.0	0.0	0.0	0.0	0.0
(Loss)/profit for the year	-51.9	109.5	-51.0	-42.0	-9.0	-118.2
Net margin (%)	-12.6%	22.0%	-14.0%	-20.9%	-5.5%	-78.3%
Reconciliation:						
Operating income	24.4	10.4	10.1	1.1	9.0	13.0
Add: Depreciation	2.7	2.9	2.6	1.6	0.9	1.1
Add: Amortisation	3.2	2.2	2.3	1.1	1.2	1.3
EBITDA	30.3	15.5	15.0	3.9	11.1	15.4
Add: Share-based payment	3.0	1.9	0.8	0.5	0.4	0.4
Adjusted EBITDA	33.3	17.4	15.9	4.4	11.5	15.7
Adjusted EBITDA margin (%)	8.1%	3.5%	4.4%	2.2%	7.0%	10.4%
(Loss)/profit for the period/year	-51.9	109.5	-51.0	-42.0	-9.0	-118.2
Add/(less): Revaluation (loss)/gain on financial liabilities	59.1	-112.4	55.9	38.0	17.8	127.6
Adjusted profit/(loss) for the period/year	7.2	-2.9	4.8	-4.0	8.8	9.4
Adjusted profit margin	1.7%	-0.6%	1.3%	-2.0%	5.4%	6.2%
Balance sheet						
Cash and cash equivalents	92.5	59.1	39.3			39.9
Total current assets	128.1	100.3	69.0			63.8
Total non-current assets	47.5	44.4	34.4			35.6
Total assets	175.5	144.7	103.4			99.3
Total current liabilities	120.0	110.7	284.6			61.4
Total non-current liabilities	289.4	163.1	2.0			340.2
Total liabilities	409.4	273.8	286.6			401.6
Total equity	-233.8	-129.1	-183.2			-302.3
Total liabilities and equity	175.5	144.7	103.4			99.3
Net current assets/(liabilities)	8.1	-10.4	-215.6			2.3
Cash flow statement						
Cash flows from operations	67.4	7.9	3.5	-4.6	8.1	9.4
Net cash flows from/(used in) operating activities	66.7	-2.9	-10.5	-16.1	5.6	4.0
Net cash flows from/(used in) investing activities	3.4	-1.4	-0.8	-0.6	-0.2	-0.8
Net cash flows used in financing activities	-0.1	-26.6	-4.2	-2.6	-1.6	-0.8

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Peer group price/valuation comparison >

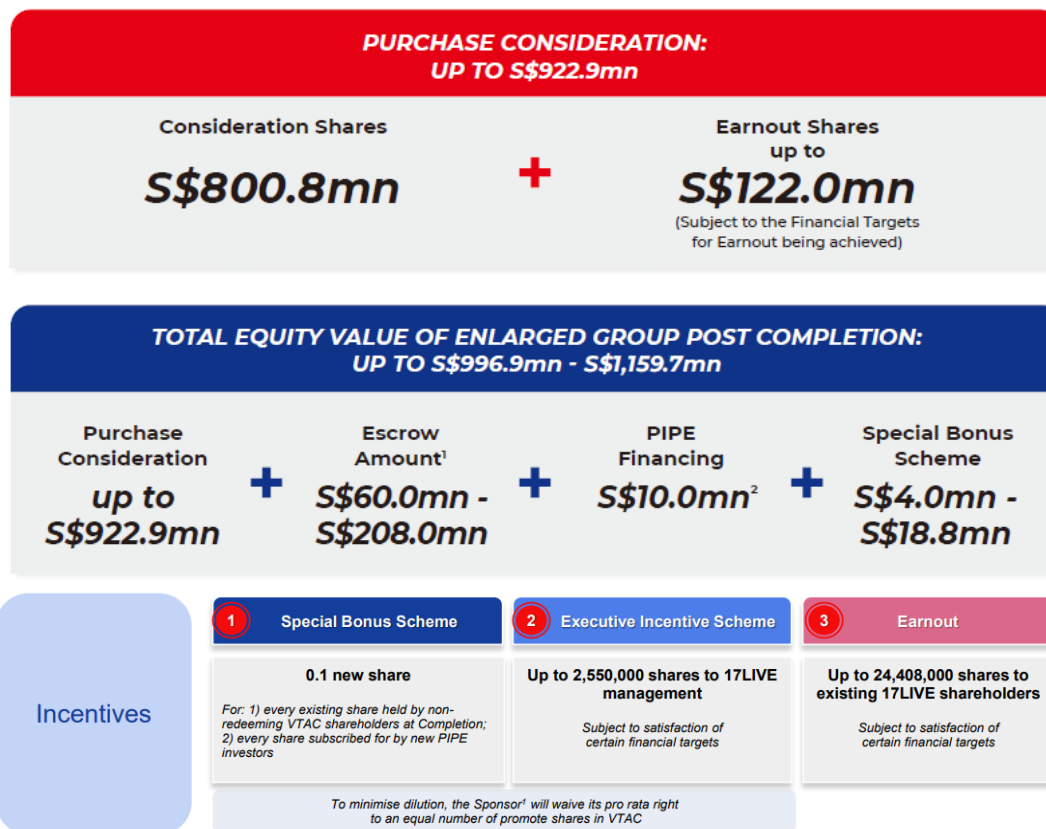
Figure 18: Peer comparison table

Company name	Bloomberg ticker	Price (lcl curr)	Market Cap (US\$ m)	Enterprise value (US\$ m)	EV/Sales Trailing FY	EV/Sales Current FY	EV/EBITDA Trailing FY	EV/EBITDA Current FY	P/E Trailing FY	P/E Current FY	Trailing 2-yr Revenue CAGR	Trailing 2-yr EBITDA CAGR	Trailing 2-yr Net profit CAGR	Trailing ROE (%)
17Live (base purchase consideration)					1.5	na	35.1	na	123.9	na	-6.0%	-31.0%	-17.7%	na
17Live (base+earnout)					1.8	na	40.7	na	142.7	na	-6.0%	-31.0%	-17.7%	na
Live-streaming														
Lang Inc	6165 TT	32.00	63	61	0.7	na	10.0	na	60.5	na	88.7%	291.6%	na	4.8%
DeNA Co Ltd	2432 JP	1,532.00	1,238	1,042	1.2	1.1	15.3	14.8	28.1	18.7	-0.8%	-35.1%	-43.7%	3.8%
JOYY Inc	YY US	41.92	2,620	(83)	0.0	0.0	-0.3	-0.7	20.3	14.9	12.1%	na	na	2.2%
Sub-sector average					0.6	0.5	8.3	7.1	36.3	16.8	33.4%	128.3%	-43.7%	3.6%
Social media														
Tencent Holdings Ltd	700 HK	322.60	392,875	402,859	5.3	4.7	15.8	13.6	15.1	19.3	7.3%	2.9%	-20.8%	24.6%
Kakao Corp	035720 KS	48,300.00	16,473	17,722	3.3	2.8	19.9	20.4	15.9	63.1	30.8%	26.9%	82.2%	13.5%
Meta Platforms Inc	META US	336.31	855,559	831,312	7.1	6.2	18.9	11.5	36.9	22.0	16.5%	3.8%	-3.4%	18.5%
Pinterest Inc	PINS US	32.17	21,296	19,136	6.8	6.3	nm	28.2	na	28.9	28.7%	-44.6%	57.3%	-3.0%
Snap Inc	SNAP US	12.15	20,193	20,736	4.5	4.5	na	206.5	na	180.4	35.5%	13.9%	16.2%	-44.9%
Sub-sector average					5.4	4.9	18.2	56.0	22.6	62.7	23.7%	0.6%	26.3%	1.8%
Virtual live-streaming/content creation														
Anycolor Inc	5032 JP	3,645.00	1,516	1,430	8.6	6.3	22.7	11.4	34.2	22.9	82.2%	149.0%	161.1%	68.4%
Cover Corp	5253 JP	2,834.00	1,146	1,095	8.1	6.0	46.9	na	68.2	45.2	89.0%	42.8%	43.6%	52.2%
Sub-sector average					8.3	6.1	na	11.4	na	34.0	85.6%	95.9%	102.3%	60.3%
Live-commerce / E-commerce players														
Kuaishou Technology	1024 HK	58.25	32,492	30,227	2.3	1.9	na	14.8	na	30.5	26.6%	-6.3%	-69.3%	-32.2%
Bilibili Inc	9626 HK	115.90	6,165	5,270	1.7	1.7	na	na	na	na	35.1%	88.1%	67.4%	-40.6%
Sub-sector average					2.0	1.8	na	14.8	na	30.5	30.8%	40.9%	-0.9%	-36.4%
Total average					4.1	3.8	18.6	35.6	34.9	44.6	37.6%	48.4%	29.1%	5.6%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG
DATA AS AT 15 NOV 23

Structure of the proposed business combination

Figure 19: Transaction overview of 17Live



Note 1: Assuming S\$5 per share, max redemption (other than Vertex Co-Investment Fund Pte. Ltd. ("Vertex SPV") and Venezia Investments Pte. Ltd. ("Venezio")) or no redemption by existing VTAC shareholders, and S\$10mn PIPE for illustrative purposes.

Note 2: Vertex Venture Holdings Ltd is the sponsor of the Company (the "Sponsor")

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Purchase consideration

Pursuant to the sales and purchase agreement, VTAC will acquire all the shares of 17LIVE for a total purchase consideration of S\$922.9m, to be satisfied by: 1) issuance of 160,162,651 new shares in VTAC to the vendor/vendor shareholders (amounting to consideration of S\$800.8m), and 2) depending on the fulfilment of specific financial targets for earnout, issuance of up to 24,408,000 new shares in VTAC to each vendor shareholder who still holds shares in the company on the earnout record dates of 30 Apr 2024 and 30 Aug 2024, respectively (amounting to consideration of S\$122m).

As part of its incentive scheme, VTAC will be issuing special bonus shares, Executive Incentive Scheme (EIS) shares, and Employee Share Option Plan (ESOP) shares to various stakeholders.

As part of its sponsor's commitment to the business combination and to minimise dilution (to other shareholders in the enlarged group arising from the special bonus shares and EIS shares), Vertex SPV will be waiving its pro rata right to the allotment and issuance of promote shares equal to the special bonus shares and EIS shares allotted.

Earnout shares (potentially dilutive securities)

The earnout shares will vest in two tranches subject to the satisfaction of financial targets. The first tranche will vest upon the release of 17LIVE's financial results for FY23, should the group revenue exceed US\$320m during the period. Earnout shareholders will be entitled to 4.1m shares if revenue generated from V-Liver operations exceed US\$5m in FY23 and another 4.1m shares if 17LIVE's EBITDA exceeds US\$25m in FY23. The second tranche will vest upon the release of 17LIVE's financial results for 1HFY24, should the group revenue exceed US\$180m during the period. Earnout shareholders will be entitled to 8.1m shares if revenue generated from V-Liver operations exceeds US\$6m in 1HFY24 and another 8.1m shares if 17LIVE's EBITDA exceeds US\$17m in 1HFY24. Eligible shareholders can still be entitled to earnout shares even if 17LIVE's group revenues do not meet the target in one of the financial periods, as long as it is able to meet the revenue target for the other financial period and the corresponding V-Liver and/or Group EBITDA targets.

Estimated escrow amount

Shareholders of VTAC may redeem all or a portion of their shares upon the company's business combination with 17LIVE. Depending on the outcome of this exercise, the cash amount remaining in the escrow account post exercise could vary between S\$60m (assuming maximum redemption) and S\$208m (assuming no redemption). The S\$60m minimum consideration was due to non-redeeming commitments by 17LIVE's sponsor (Vertex SPV) and Venezia (being a shareholder who is not entitled to exercise its redemption right).

Private investment in public equity (PIPE) financing

VTAC plans to issue up to 2,000,000 new shares to PIPE investors by way of strategic placement for the transaction.

Special bonus shares (potentially dilutive securities)

As incentives for VTAC shareholders to remain as shareholders of the business combination and not opt to redeem their shares prior to the redemption date and for private investors to participate in the PIPE financing scheme, VTAC will allot and issue 0.1 new shares to 1) the non-redeeming shareholders of the company's business combination for every existing share held as at the redemption record date, and 2) the PIPE investors for every base PIPE share subscribed for. Depending on the outcome of the redemption exercise and assuming 2,000,000 new PIPE shares are issued, the number of special bonus shares allotted issued could vary between 800,000 shares (assuming maximum redemption) and 3,560,600 shares (assuming no redemption). The 800,000 minimum issuance of special bonus shares was due to 600,000 shares to be allotted and issued to Venezia due to its non-redeeming commitment and 200,000 shares to be allotted and issued to PIPE investors.

Executive Incentive Scheme Shares (potentially dilutive securities)

VTAC will allot and issue up to 2,550,000 shares to key executives, to be vested over a 3-year period, namely, 30 April 2024, 30 April 2025 and 30 April 2026, upon the satisfaction of select financial targets.

Employee Share Option Plan (ESOP) shares (potentially dilutive securities)

VTAC will allot and issue up to 2,114,891 new shares in accordance with a share incentive scheme.

Warrants (potentially dilutive securities)

Each share subscribed for by the shareholders of VTAC comprises 1 share and 0.3 of one warrant per share. There is an additional right to 0.2 of one warrant per share that will be issued to shareholders who have not opted for redemption prior to the completion of the business combination. Each whole warrant entitles the warrant-holder to subscribe for one share at the warrant exercise price of S\$5.75, which becomes exercisable on the later of 30 days after the initial business combination or 12 months from VTAC's incorporation.

Depending on the outcome of the redemption exercise, the number of additional warrants issued could vary between 2,400,000 (assuming maximum redemption) and 8,321,200 (assuming no redemption).

Course of action available to independent shareholders ➤

Shareholders will be required to decide if they wish to redeem part of or all of their shares in VTAC by 28 Nov 23. In deciding on their course of action, shareholders should consider:

- i) The attractiveness of 17LIVE's business and financial profile, notwithstanding its market positioning, expansion strategy and regulatory developments of the industry it operates in
- ii) The dilutive provisions of the SPAC's business structure
- iii) Likelihood of approval of the proposed business combination

We outline the outcome of 2 cases of redemption below:

- i) In the case the independent shareholder decides to **redeem all** their shares in VTAC, they will not have the additional right to 0.2 of one warrant per share. Note that the independent shareholder will retain their right to the 0.3 warrant per share obtained with each ordinary share of VTAC, and the redemption election does not affect the VTAC warrants that were detached from VTAC SPAC in March 2022 and currently held by the independent shareholders.
- ii) In the case the independent shareholder decides **not to redeem any** of their shares in VTAC, they will be accorded an additional right to 0.2 of one warrant per share. To sum up, each non-redeeming independent shareholder will now have a total of 0.5 of one warrant per share (inclusive of the 0.3 warrant per share obtained with each ordinary share of VTAC, assuming that they have no sold any since the detachment).

Further, under the Special Bonus Shares scheme, each non-redeeming independent shareholder will be allotted 0.1 new shares for every existing share held.

An EGM will then be held on 1 Dec 23, where shareholders will get to vote either in favour of or against the proposed business combination. Shareholders will have the right to vote on the proposed business combination regardless of whether they have chosen to redeem their shares or not.

If shareholders vote in favour (a simple majority is needed) of the proposed business transaction, VTAC will then merge with 17LIVE. After the business combination, the shareholders of VTAC will be converted to become shareholders of 17LIVE.

If shareholders vote against the proposed business transaction, VTAC will be liquidated and the pro rata share of the escrow account will be returned to shareholders and all redemption requests will be cancelled.

Scenario analysis for dilution effect from exercising of potentially dilutive securities ►

To analyse the dilutive impact on shareholder value (per share) from potentially dilutive securities, we prepare the following tables to present the range of possible outcomes. Under the most extreme scenario where all dilutive securities are converted/exercised, we note a maximum dilution impact of c.21%.

Figure 20: Scenario analysis for dilution effect from potentially dilutive securities, assuming no redemption upon completion of business combination and S\$10m PIPE financing round. The theoretical price per share of S\$4.09 after taking into account 100% of potentially dilutive securities represents c.18% dilution impact on shareholder value

x%	0%	25%	50%	75%	100%
Price per share (S\$) before taking into account dilutive features and events	5.00	5.00	5.00	5.00	5.00
Dilution effect from x% of potentially dilutive securities issued:					
1) Employee Share Option Plan (ESOP) shares	0.00	-0.01	-0.03	-0.04	-0.05
2) Earnout shares	0.00	-0.14	-0.27	-0.40	-0.52
3) Executive Incentive Scheme shares	0.00	-0.01	-0.03	-0.04	-0.05
4) Promote shares	0.00	-0.02	-0.04	-0.06	-0.07
5) Shares from cashless conversion of public warrants and private placement warrants	0.00	-0.07	-0.13	-0.18	-0.23
Theoretical price per share (S\$) after taking into account dilutive features and events	5.00	4.74	4.50	4.28	4.09

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 21: Scenario analysis for dilution effect from potentially dilutive securities, assuming maximum redemption upon completion of business combination and S\$10m PIPE financing round. The theoretical price per share of S\$3.94 after taking into account 100% of potentially dilutive securities represents c.21% dilution impact on shareholder value

x%	0%	25%	50%	75%	100%
Price per share (S\$) before taking into account dilutive features and events	5.00	5.00	5.00	5.00	5.00
Dilution effect from x% of potentially dilutive securities issued:					
1) Employee Share Option Plan (ESOP) shares	0.00	-0.02	-0.03	-0.04	-0.06
2) Earnout shares	0.00	-0.17	-0.32	-0.47	-0.60
3) Executive Incentive Scheme shares	0.00	-0.02	-0.03	-0.04	-0.05
4) Promote shares	0.00	-0.05	-0.08	-0.12	-0.14
5) Shares from cashless conversion of public warrants and private placement warrants	0.00	-0.07	-0.13	-0.17	-0.21
Theoretical price per share (S\$) after taking into account dilutive features and events	5.00	4.68	4.40	4.16	3.94

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2023		
634 companies under coverage for quarter ended on 30 September 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	66.7%	0.9%
Hold	23.7%	0.0%
Reduce	9.6%	0.2%

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.

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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:

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