

Clever Group (ADG)

The first digital marketing player listed

Investment thesis

Set a firm footprint in digital marketing industry: Clever Group (ADG) claims the leading digital marketing provider thanks to 1) the Premier Google Partner since 2011; 2) the dominant player in Google AdWords advertisement market with 15% share in FY20 and 3) the first authorized agency of Facebook Vietnam to provide the social marketing services.

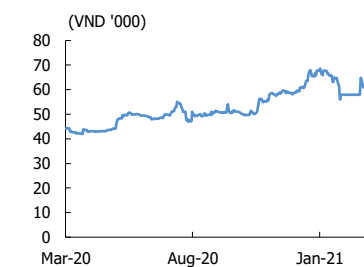
Ride on buoyant digital marketing industry: According to “Vietnam Digital Marketing Trends 2021” report, the Vietnam digital marketing industry could earn a 21.5% CARG revenue in FY20-25F driven by the huge shift from traditional to digital marketing as the internet and smartphone are changing the consumers’ lifestyle and habits. From the report, total industry revenue reached USD820mn in FY20, +14.6% yoy and could post USD966.7mn in FY21F, +17.8% yoy in the context of COVID-19 outbreak. ADG could benefit from the rising demand for digital marketing services in FY21F-25F thanks to its iconic brand name.

Aim for a stellar earning growth of 17.5% yoy in FY21F: The management guilds for a VND418bn revenue, and a VND47bn net profit, (+17.5% yoy) in FY21 on the back of 1) the new contribution from subsidiaries acquired in FY19-20 ;2) rosy growth in productions and services via associate of Yello Digital Marketing Global Pte. Ltd and 3) deploying new services in ADG ecosystem including Social Listening platform (from CMetric), Đì solution (from CleverX).

Stock Data

VNIndex (04 Mar, pt)	1,169
Stock price (04 Mar, VND)	59,900
Market cap (USD mn)	47
Shares outstanding (mn)	18
52-Week high/low (VND)	68,600/41,954
6M avg. daily turnover (USD mn)	0.19
Free float / Foreign ownership (%)	42.5/42.0
Major shareholders (%)	
Chairman	26.6
Yellow Digital Marketing Global Pte. Ltd	40.2

Stock price trend



Source: Bloomberg

	2017A	2018A	2019A	2020A	2021G
Sales (VND bn)	247	335	363	452	418
chg. (% YoY)	-	35.9	8.2	24.6	-7.5
Operating profit (VND bn)	19	21	46	39	-
Net profit (VND bn)	16	20	39	40	47
EPS (VND, adj.)	4,906	4,344	3,684	2,219	-
chg. (% YoY)	-	-11.5	-15.2	-39.8	-
EBITDA (VND bn)	20	23	48	44	-
PE (x)	12.4	14.0	10.9	-	-
EV/EBITDA (x)	51.9	46.6	21.9	24.2	-
PB (x)	3.7	3.7	3.8	4.8	-
ROE (%)	54.9	28.8	39.5	23.0	-
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company

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The management is investing in domestic companies to expand the market share and is going to Indonesia market. The company also targets to open new branches of Clever X, Clever Review (Revu) and ADOP Vietnam in Da Nang city and sets up subsidiaries in Indonesia, the Philippines and Laos.

Valuation looks relative cheap to peer: ADG's current share price corresponds to a forward PE of 27.2x. This seems slightly cheap in comparison with peer which could trade at a forward PE of 50x (based on 2021 guidance). Given ADG's growth strong profile, state-of-art digital marketing, we think ADG's valuation could re-rate.

Risks

Severe competition from the rivals: The fascinating two-digit growth of digital marketing industry is attracting new businesses to enter. ADG is facing the intense competition as these rivals are competitive on service fee, new technology and new trend catch-up.

The slower economic recovery due to complexity of COVID-19 could dent the customers' budget: Since COVID-19 could impact negatively on the businesses' performance, the digital marketing budget could be reduced. According to the survey of Q&Me on 132 businesses, 36% businesses intend to cut down their advertisement budget in FY21F.

Company overview

Established in 2008, Clever Group, is specializing in digital marketing industry, focusing on providing digital marketing solutions, developing marketing big data and AI technology, cross-nation B2B e-commerce solution, Social Listening solutions.

Financial highlights

- ADG recorded a VND452bn revenue, +24.6% yoy in FY20, exceeding 20% company's estimate. Of which, the parent contributed VND425bn revenue in FY20 as the subsidiaries did not fully come into operation. However, net profit edged down -2.8% yoy to VND39.5bn in FY20 mainly owing to a VND38bn S&A expenses (+46.2% yoy) consolidated from the subsidiaries.
- In 2019-2020, ADG accelerated M&A transactions to exploit diversifying areas in digital marketing industry and to build an ecosystem. Up till now, the company owns 9 subsidiaries and 2 joint ventures including CLEVERADS (Indonesia), Clever RV Corp, Orion Media, ADOP Vietnam, NAH Media, CleverX, Adtech, CMetric, Clever Advertising (Myanmar) and OMG Radio.
- In addition, social advertisements through Facebook, Instagram played a key component of revenue, accounting for 48.7%/40.5% total revenue in FY19 and 9M20. Also, even the search-related advertisements (through Google, Coc Coc) face the intensive competition, this segment still maintained the remarkable revenue growth and made up 29.8%/ 38% total revenue in FY19 and 9M20.
- The total receivable increased 3.1x yoy to VND241bn as of end-FY20, dragging down the receivable turnover in FY20 to 3.0x from 7.8x (-61.6% yoy). The receivable risk inherent in this model is not a concern given the buoyant market but this requires significant working capital funding.

Industry overview

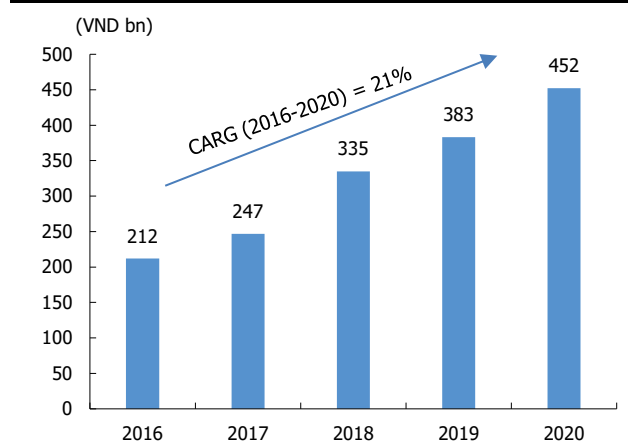
According to the statistic of “We are social” report published in 2020, digital marketing could seize the opportunity to approach 68.2 million internet users in Vietnam, equivalent to 70% of total population, with 10% annual growth rate of internet users in 2020.

In which, the social media is expected to be a mainstream of digital marketing in Vietnam since the number of active social media users reached 65 million people (+9.6% yoy) in 2020 following “We are social” report’s statistic.

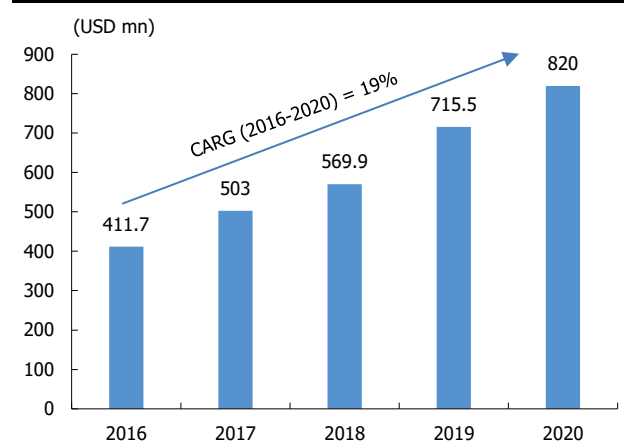
The average budget that each business spends for digital marketing reach 17% out of total revenue in 2020 regarding “Vietnam Digital Marketing Trends 2021”. While there are 30% businesses still hesitate in spending on digital marketing, 21.7% of business spends 21%-50% revenue for digital marketing.

Yet, COVID-19 is changing the behaviors, attitudes and priorities on consumers of customers that mainly pushing the business to invest on new platforms, channels, touch point about sale and marketing such as: Social Commerce and Influencer Marketing, Video online and Livestream, E-Commerce, affiliate marketing, customer data analytics, customer experience platform, Omni-channel CX. Therefore, create a new business and marketing environment.

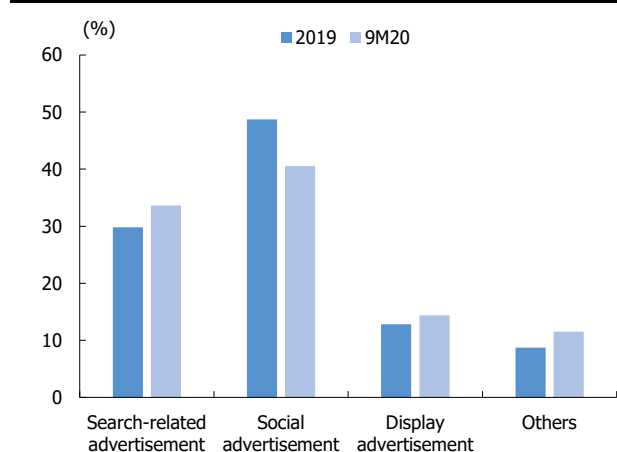
Moreover, there are up to 41% of new digital services appear in the outbreak and 94% of user intending to keep using after the pandemic in 2020.

Figure 1. ADG's rosy revenue growth in FY16-20

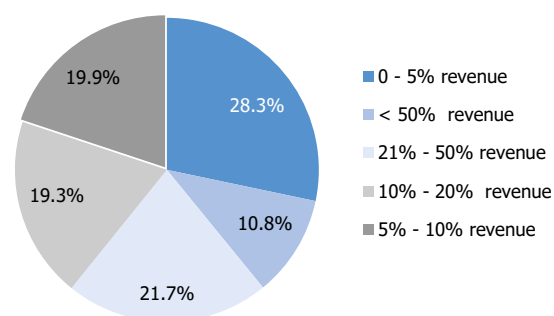
Source: KIS, The company

Figure 2. The fascinating revenue growth of digital marketing industry in FY16-20

Source: Vietnam Digital Marketing

Figure 3. ADG's revenue in 9M20

Source: KIS, The company

Figure 4. Proportion of average budget for digital marketing in 2020

Source: Vietnam Digital Marketing

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