

CLEVER GROUP JSC

Plan to list stock on HOSE in 2020 and new growth factors after the corporate restructuring.

KEY POINTS:

- **Digital Advertising is forecasted to grow at 21.6% p.a. till 2026** (source: Mordor Intelligence) and Vietnam is the most potential market due to a huge number of smartphone and internet users.
- **Clever Group is one of the market leader in Digital Advertising market**, with the market share of 35% among Advertising Agencies of Facebook and Google Ads.
- **After the corporate restructuring, Clever Group projects to grow at 43% p.a. in 2021 – 2023 period** with growth of new businesses as Clever Review (REVU), ADOP, cMetric and CleverX
- **Low liquidity risk due to high cash position.** This point gives the firm a competitive advantage when targeting large corporation due to the fact that most clients requires a significant amount of credit.

INVESTMENT RISKS:

- **Increasing competitive forces in Digital Advertising industry** because of fragmented market, lower service price and higher labor cost.
- **Intrinsic value of a ADG common share may volatile considerably** alongside with growth rate of the firm.

Recommendation: **BUY**

Ticker: **ADG** (UpCOM)

Target price: **VND 76,300**

Upside: **+33.2%**

Current price: **VND 57,300**

(dated as 04 – Nov – 2020)

ADG price & VN-Index:



Trading information:

Volume (MA10):	73,212
Outstanding shares:	18,000,333
Market capitalization value (VND b)	1,040.42

Valuation ratio

P/E	27.0
EV/EBITDA	19.5
EV/Sales	3.2

Profitability ratio

ROE	25.4%
ROTA	24.6%

Profit margin

Gross margin	19.5%
EBITDA margin	16.7%
Net margin	11.7%

Liquidity ratio

Current ratio	3.05
Quick ratio	2.98
D/E	0.36

I. CORPORATE PROFILE

1. General Information

- Company name: Clever Group Joint Stock Company
- Business name: Clever Group Corporation
- Ticker: ADG (UpCOM)
- Logo:



- Business License number: 0102850165 issued by Hanoi Department of Planning and Investment the 1st time at 04 – Aug – 2008 and modified the 18th time at 18 – Aug – 2020.
- Charter capital: VND 180,003,330,000
- Headquarter: 3rd floor, G1 Tower, Five Star Garden – No. 2 Kim Giang Street, Thanh Xuan District, Hanoi, Vietnam
- Tel. number: (84-24) 73046066
- Website: clevergroup.vn

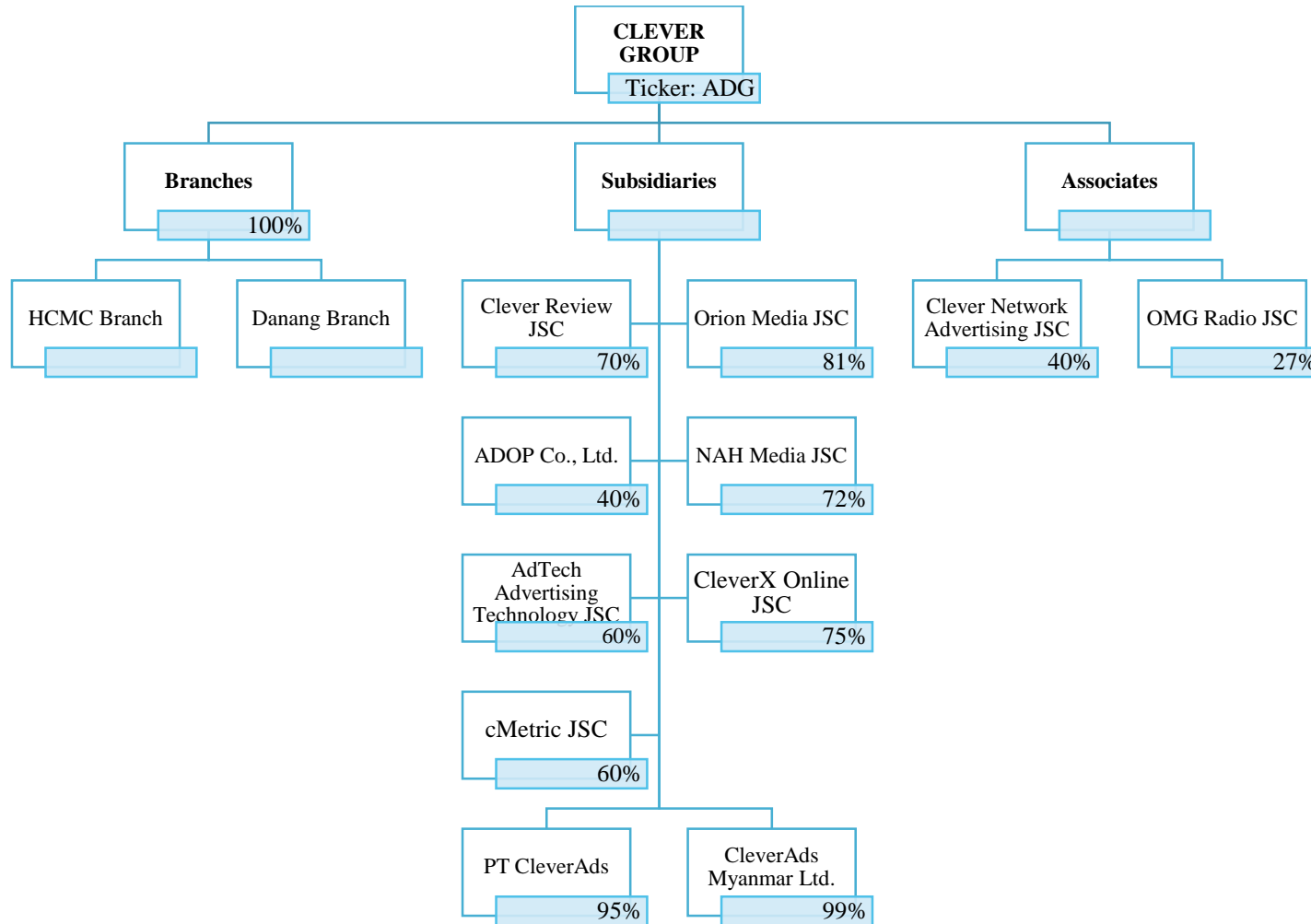
2. History and Milestones

- 2008: CleverAds was established with charter capital of VND 400m
- 2011: The company has been recognized as a Google Premier SMB Partner in Vietnam and received the USD 1m investment from CyberAgent. The company started operations in Indonesia
- 2013: The company has been recognized as the 1st Facebook Authorized Reseller in Vietnam and started operations in Philippines.
- 2017: The company raised the charter capital up to VND 35.3b. In the same year, Yello Digital Marketing – The largest Korean holdings company in Mobile Digital Marketing invested strategically in CleverAds.
- 2018: The company raised the charter capital up to VND 50b and started operations in Myanmar.
- 2019: The company raised the charter capital up to VND 74b, changed its name to Clever Group JSC and went public and tradable on UpCOM with ticker ADG.
- August 2020: The company raised the charter capital up to over VND 180b and has prepared to list the stock on HOSE.

3. Organizational structure

- Organizational chart:

Figure 1. Clever Group



Source: Clever Group

- Board of Directors:

Name	Title(s)	General information
(Mr.) Nguyen Khanh Trinh	Chairman of the BoD Founding shareholder	- Birth year: 1981 - Academic degree: MSc in Computer Science - Work experience: <i>2006 – 2008: Lecturer of Hanoi University of Science & Technology</i> <i>2008 – now: Chairman of the BoD – Clever Group</i>
(Ms.) Don Nu Duc Hien	Member of the BoD	- Birth year: 1987 - Academic degree: MBA - Work experience: work in Clever Group after graduate
(Ms.) Luu Hoang Anh	Member of the BoD	- Birth year: 1986 - Academic degree: BSc in Marketing - Work experience: work in Clever Group after graduate
(Mr.) Du Khac Chau	Member of the BoD Founding shareholder	- Birth year: 1981 - Academic degree: MSc in Information Technology
(Mr.) Lee Sang Seok	Member of the BoD Member of the Supervisory Board.	- Birth year: 1978 - Currently the CEO at Yello Digital Marketing Global Pte. Ltd. (South Korea), representative of YDM in the BoD of Clever Group.
(Mr.) Pham Thanh Hai	Independent Director Head of the Supervisory Board	- Birth year: 1981 - Academic degree: BSc in Information Technology - Currently the CTO at Eye Power Games Pte. Ltd. (Singapore)
(Mr.) Tran Van Quan	Independent Director	- Birth year: 1989 - Currently the CEO at Soi Bien Trung Thuc JSC (Vietnam)

Source: Clever Group

- Board of Management:

Name	Title(s)	General information
(Mr.) Bach Duong	CEO	(As above)
(Ms.) Don Nu Duc Hien	Vice President	(As above)
(Ms.) Luu Hoang Anh	Manager of HCMC Branch	(As above)

(Ms.) Tran Thi Minh Tinh	Manager of Danang Branch	<ul style="list-style-type: none">- Birth year: 1988- Academic degree: BSc in Business Administration & Marketing- Work experience: work in Clever Group after graduate
(Ms.) Nguyen Thi Hoi	Chief Accountant	<ul style="list-style-type: none">- Birth year: 1982- Academic degree: MSc in Accounting- Work experience: work in Clever Group from 2014

Source: Clever Group

4. Shareholder structure

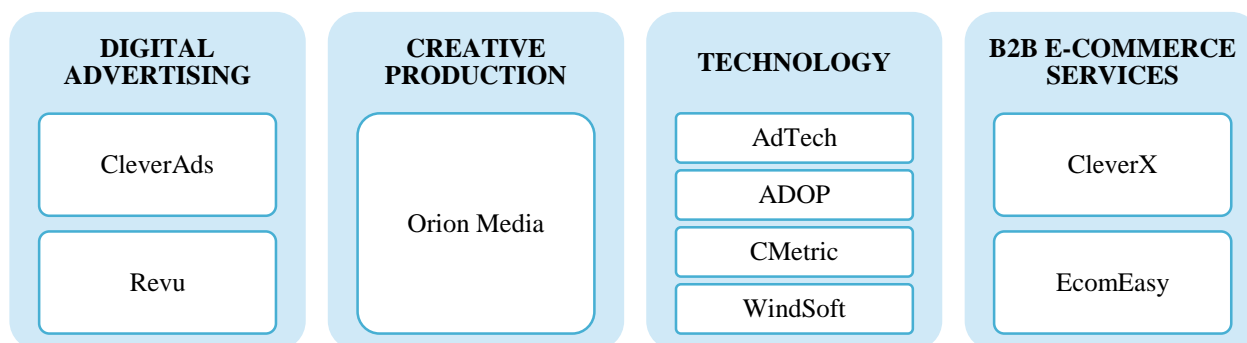
No.	Shareholder	Title(s)	Quantity of shares	Ownership
1	Yello Digital Marketing Global Pte. Ltd. (YDM) <i>Representative: (Mr.) Lee Sang Seok (CEO)</i>	Strategic investor	7,239,952	40.22%
2	(Mr.) Nguyen Khanh Trinh	Chairman of the BoD Founding shareholder	4,788,571	26.60%
3	Internal shareholders	Members of the BoD, BoM and Supervisory Board.	680,047	3.78%
4	Other shareholders		5,291,763	29.40%
TOTAL			18.000.333	100,00%

Source: Clever Group

II. PRODUCTS AND SERVICES

1. General

Figure 2. Clever Group's Ecosystem



2. CleverAds

CleverAds is the core business of the Group, operating as an Authorized Agency of Google and Facebook in Vietnam. Currently, this business segment is operated directly by the parent company Clever Group with Head Office in Hanoi and 2 other offices in HCMC and Danang as well as 2 overseas subsidiaries in Indonesia and Myanmar.

3. Revu

Revu is an Influencer Marketing service provider, serving as a platform to connect between Advertisers who want to advertise and Publishers who are Influencers on social networks. Accordingly, these influencers will post articles, photos or video clips with positive content, talking about personal experiences in using the Customer's products and services on their personal pages / blogs / channels.

4. Orion Media

Orion Media is in charge of Creative Production. Currently, Orion Media directly manages some "Golden-button" Youtube channels such as "Trắng TV", "Loa Phường" and many other Facebook fanpages, Youtube channels (such as FB fanpages and Youtube channel of singer Ngo Lan Huong, ...)

5. AdTech

AdTech is a Supply-side platform (SSP) that assists video game and application publishers in managing their ad inventories, selling ads with real-time bidding (RTB) and optimizing revenues.

6. ADOP

ADOP is a platform for both Supply-side (SSP) & Demand-side (DSP) which allows both Advertisers and Publishers to match each other quickly and conveniently through a technology called Programmatic Advertising.

7. cMetric

cMetric works in the field of Social Listening and Researching social network data. cMetric provide a Social Listening tools which is called SMCC and other services which are related to social network data research (research reports, brand health check, discovery and warning of brand crisis, lead enrichment, ...)

8. CleverX

CleverX provides supporting services for B2B Exporters which export goods and products through the Alibaba.com platform. CleverX is an Alibaba Authorized Reseller who sells memberships and other supporting services for Vietnamese exporters.

9. Other affiliates Clever Group

WindSoft

WindSoft is a strategic partner and also a member in Clever Group's ecosystem, established in 2018, specializing in providing mobile application software solutions to help manage, transform businesses and enhance customer experience. WindSoft's main services are: (I) Mobile application design; (ii) Website design; (iii) CRM, HRM solutions; and (iv) Digital transformation consulting services.

EcomEasy

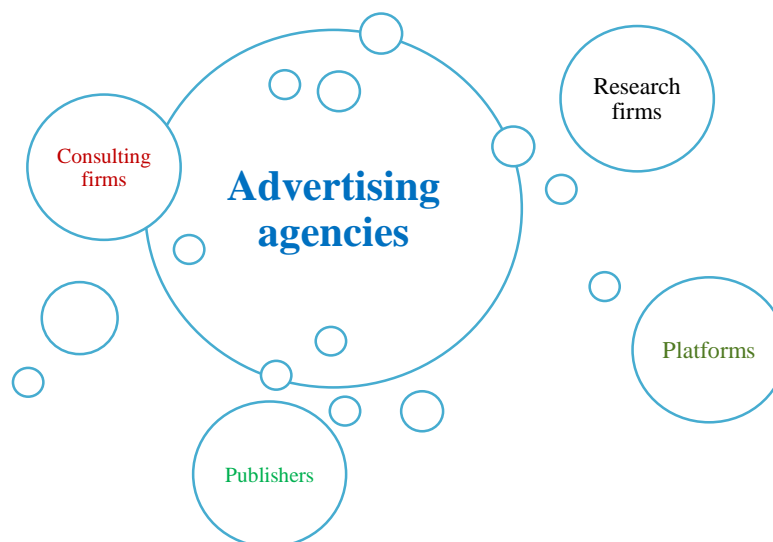
EcomEasy is a strategic partner and also a member in Clever Group's ecosystem, providing services to support E-commerce businesses including Sales and PR strategy consulting, Online store design and a network of sales agents.

III. DIGITAL ADVERTISING INDUSTRY

1. General information

Advertising industry appeared for a long time in business, but only when specialized audio-visual equipment (Radio, TV) had emerged and then the Internet became popular, the industry blossomed. At the beginning of 2000s, the applications and products of Technology continue to change the world economy and digitalized Advertising activities, promoting the overall growth of the Advertising industry.

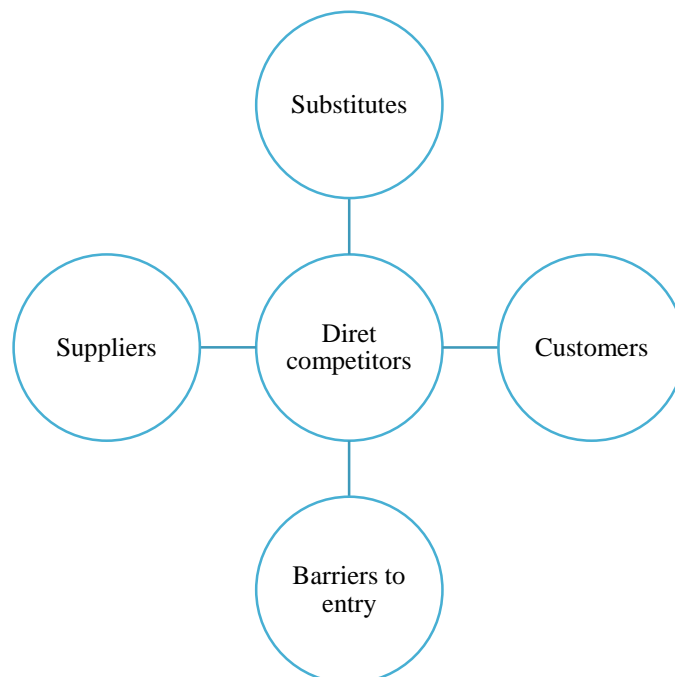
Regarding enterprises in the industry, they can be classified as follows:



- (i) **Advertising agencies:** has the largest number and accounts for the largest proportion of revenue in the Advertising industry; these agencies are in charge of implementing Advertising plans for their customers (Advertisers). The top 5 companies with the world's leading market share in this business segment (also known as the Big Five) are Dentsu, Interpublic, Omnicom, Publicis and WPP. In Vietnam, these firms are also the largest advertising agencies in the domestic region with many years of operation and an extensive customer network.

- (ii) **Publishers:** if conventional digital publishers (newspapers, apps, games or other entertainment products) traditionally choose to earn revenue on user's activities then recently, new digital publishers often offer fee-free content to users and earn revenue through Advertising activities from Advertisers. They also tend to cooperate with an Advertising Agency to have more stability revenue stream and guarantee of legal rights and benefits.
- (iii) **(Publishing) Platforms:** Search tools such as (Google, Bing), social networks (Facebook, Twitter, Instagram) or other entertainment service platforms (YouTube, TikTok have helped the connections between Customers, Publishers and Users) It was this particular business model that completely changed the traditional view of Advertising - Communication was extremely expensive and only big businesses could afford it. Especially thanks to these Advertising platforms, the Individual Publishers were able to operate independently (Freelancers) and generate their own income instead of having to work permanently for the business as before.
- (iv) **Consulting firms:** In fact, the profit margin for the Advertising Agency is not attractive and the work pressure is very high due to the rapid change in decisions from clients, so many businesses have moved towards the expanding services. Consulting services (strategy, branding and crisis handling) seems to create a larger profit margin and give the Agency less pressure due to having influences on Advertiser's strategies instead of solely following the ideas of clients as before.
- (v) **Research firms:** Market research companies play an important role in finding ideas. Some typical businesses in Vietnam market are Nielsen in quantitative research or BuzzMetrics and cMetric in social network data analysis.

2. Industry analysis



Digital Advertising industry has been recognized as one of the fastest growing industries in the world over the years and is expected to continue its impressive growth chain. The trend of using the internet, smartphones and social networking sites continues to be the growth engine for businesses.

However, the Digital Advertising industry is quite competitive when the number of businesses is large and equal in capacity; Price pressure from Suppliers is increasing due to the small number of Suppliers and the focus on large corporations such as Google, Facebook, ByteDance, ... as well as the new price policies of these units; Price pressure

from customers also tended to increase slightly because businesses tended to focus Marketing budgets on the right target audience instead of spreading as before. Although the pressure from these types of replacement is insignificant, it will also have a significant impact as the Marketing budget will have to compete fiercely with the agency discount budget that large production enterprises must balance; and the pressure from new entrants is relatively high because the industry does not require fixed asset investment, has a fast rate of capital turnover and depends much on the capacity of each individual in the businesses.

Direct competitors

The market is fragmented with many small to medium firms. However, there are some big players dominating in different sub-sectors of the Advertising industry:

- (i) *Authorized Reseller of Google & Facebook:* CleverAds, NOVAON, SEONGON, Geniee, Ureka Media, Repu Digital
- (ii) *Content Creator Agencies:* AdMicro, AdTima, eClick
- (iii) *Research & Consulting Agencies:* Time Universal, Le Group

Currently in Vietnam, the Advertising Agency group whose content platform is the leading online newspaper sites with big brands such as AdMicro (a subsidiary of VC Corp – owner of CafeF, Kenh14), AdTima (a subsidiary of VNG Corp – owner of Zing.vn & Zalo) or eClick (a subsidiary of FPT Online – owner of VNExpress & iOne).

In terms of the level of direct competition in the customer segment, services provided and the same revenue structure, we evaluate that NOVAON, SEONGON, Ureka Media and Repu Digital will be the main competitors of Clever Group. Currently, Clever Group and NOVAON are two main players thank to the expansion of their range of services.

Table 1. Authorized Reseller of Google and Facebook in Vietnam.

	Clever Group	NOVAON	SEONGON	Ureka Media	Repu Digital
Year of establishment	2008	2006	2012	2010	2006
Range of services (except Authorized Reseller of Google and Facebook)	<ul style="list-style-type: none"> + Design mobile apps, websites & web application + Influencer Marketing + Programmatic Ads, DSP and SSP + CRM, HRM (SaaS) and digital transformation consulting solutions + B2B E-com solutions (SaaS, PaaS) + Social Listening 	<ul style="list-style-type: none"> + Influencer Marketing + Programmatic Ads, DSP and SSP + CRM, HRM (SaaS) and digital transformation consulting solutions + B2B E-com solutions (SaaS, PaaS) + E-com platform helps to automate the marketing process 	<ul style="list-style-type: none"> + SEO services + Website design + Training courses 	<ul style="list-style-type: none"> + Programmatic Ads, DSP and SSP 	<ul style="list-style-type: none"> + Website design + Training courses

Source: SBSI

Customers (Advertisers)

In general, most of the Customers of Advertising Agencies will be the group of businesses that wish to advertise products and services to individuals who use and contact technology equipment. Featured in this will be:

- (i) *FMCG*: P&G, Unilever, Coca-Cola, Pepsi, Sabeco, THP Group, ...
- (ii) *Financial services (BFSI)*: Vietcombank, BIDV, Momo, AirPay, ...
- (iii) *Real estate*: Vingroup, Novaland, Dat Xanh Group, ...
- (iv) *E-commerce and mobile apps*: Tiki, Shopee, Lazada, Grab, Go-Jek, ...
- (v) *Others*: Honda, Thaco, VietJet, ...

Most of customers have predetermined annual budget for marketing & PR activities and significant influences on Advertising agencies due to the fragmentation of the industry.

Suppliers (Publishers and Publishing platforms)

The Agencies and the Publishers share the same mutual interest. Therefore, reputable Publishers often tend to set up their own Ads agencies to maximize benefits, and vice versa, large Ads agencies also tend to set up their own Publishers to minimize dependence on Publishers. Typical of these are AdMicro (VC Corp), Adtima (VNG Corp) and eClick (FPT Online).

In addition, with the trend of using influencer marketing, publishers who are followers and influencers on social media topics are starting to appear, helping to increase the amount of content. attract, and at the same time reduce the pressure on Advertising Agents to rely too heavily on a handful of major Publishers or major Social Platforms. In addition, the cost of influencer marketing (especially for micro-influencers) is relatively low and is in the Advertising budgets of Small and Medium Enterprises (SMEs), so revenue from influencer marketing is also forecasted. will grow in the near future.

Notable publishers and publishing platforms:

- (i) Websites / Online newspapers: CafeF, Kenh14, VnExpress, Dantri, F319, Zing.vn
- (ii) Publishing platforms: Google, Facebook, Youtube, Instagram, TikTok
- (iii) Applications / Games: Zalo, Messenger

Substitutions

To meet the needs of promoting product consumption / increasing customer attention, businesses now have 2 Substitutions to Digital Advertising.:

- (i) *Traditional Advertising*: advertise products or services through traditional publications or events to introduce products or services. In fact, despite a rapid growth, Digital Advertising still accounts for just about 20% of the overall market share of the Advertising industry and the remaining 80% is still in the hands of traditional agencies. However, the explosion of Technology and E-commerce businesses and Covid-19 pandemic which is still out of control in many countries heavily affect the Advertising industry, result a shift from Tradition Advertising to Digital Advertising. Some of the highlights in Traditional Advertising activities can be mentioned:
 - + Outdoor electronics (Outdoor): Chicilon Media, Goldsun Media
 - + Event media (Event): Galaxy Media
 - + Advertising TV channels: VTV, HTV, VTC
- (ii) *Sales agent network*: Promoting discounts or supporting incentives for Sales Agents is also an alternative to Advertising activities (sometimes referred to Trade Marketing). This type is often applied by both small businesses with poor quality products or large manufacturing firms that depend on output to Retailers. Large FMCG manufacturers also attempts to optimize this distribution channel by regularly maintaining their relationship with sales agents.

Barriers to entry

Considering the business activities of businesses in the industry, there will be 4 main point in the establishment of a Digital Advertising Agency:

- (i) **Partner Certification from major advertising platforms such as Google and Facebook:** with regular partners, the request for Google Partner certification is quite low; with Google Premier Partner it is very high - usually only 3-5% of the leading businesses in the group will be certified; In addition, in order to be certified, the business itself must have individuals certified by Google with sufficient competencies and knowledge.
- (ii) **Experience in relationship management with Customers (Advertisers):** practical experience from many experts in the advertising industry shows that Customer Relationship Management is paramount because it does not only affect business revenue that also determines how to maintain Partner Certification status with Google and Facebook.
- (iii) **Experience in managing the relationship with Publishers:** a good relationship with Publishers and Publishing platforms can eliminate a huge financial risk. For example, you can just delay the payment, make it lump-sum and it leads to a lower working capital requirement.
- (iv) **Investment requirements for fixed assets and working capital:** due to the nature of the advertising industry, most of the assets of the business are intangible and Agencies do not need to invest any fixed assets initially.

Based on the number of businesses operating in the current industry and the above issues, the establishment of a new Advertising Agency is not too difficult and "Low-balling" situation (small businesses will use strategy of low price to compete instead of improving service quality), in the long run it will affect the growth of the whole industry.

In addition, it should be noted that the most valuable asset of a business in the Advertising industry (except for Platform businesses such as Google, Facebook or Twitter) will be the workforce.

3. Digital Advertising Demand and Growth opportunities

According to Research Report from Mordor Intelligence, the Digital Advertising market has reached USD 304b in 2019 and is estimated to reach USD 983b by 2025, corresponding to growth of about 21.6% p.a. Also according to the report the main driver for this impressive growth will be:

- (i) The trend of shifting from traditional advertising products (banner, standee, mascot, TV, ...) to digital products (display advertising, advertising clip, ...).
- (ii) The use of technology gadgets has increased, smartphones now become an essential item in life.
- (iii) Growth in spending budgets for Marketing, Advertising and Communications of companies outside the FMCG industry (FMCG).

In Vietnam, this growth can be clearly felt through the strong activities of businesses on advertising platforms such as Google Search, Youtube, Facebook or TikTok. Domestic brands themselves that have quality products but lack the media power compared to foreign brands are gradually regaining their position in the domestic market.

4. Market position and Competitive advantages of Clever Group

Market position

In 2019 Industry Report, Adsota estimates that the digital advertising industry market in Vietnam is worth approximately USD 284m (equivalent to about VND 6,600b). According to SBSI, CleverAds is currently the leading unit in the Authorized Reseller bracket (of Google & Facebook) in Vietnam with a stable market share of about 35%.

Most of the market share of the Digital Advertising industry is still in the hands of large advertising agencies with reputable content producers and large traffic volume such as eClick / FPT Online (VNExpress, iOne), AdTima (Zing.vn, Zalo) or AdMicro (CaféF, Kenh14).

In other business segments, Clever Group is also faced with competition from a number of experienced business units in the industry. But with strong financial position and deep experiences in the Advertising industry, Clever Group will have many advantages and opportunities when the market size grow.

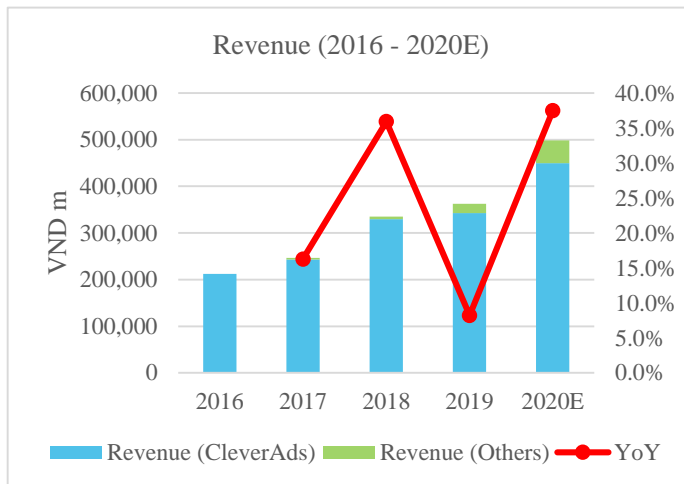
Competitive advantages

Based on our research, Clever Group has accumulated many competitive advantages for continuous development over the past 12 years and maintained its No. 1 position in the Advertising Agency group (Google and Facebook) The current. Among them are:

- (i) **Strong financial position:** Currently, Google and Facebook have tightened policies in managing the payment activities of Advertising Agents and accordingly these businesses need to have a working capital investment in Advertising activities. Thanks to its high cash position (more than 150 billion VND in cash and financial investments), Clever Group has very little liquidity risk as well as financial risk, and at the same time creates an advantage when competing in the Large Client segment. Because this group of customers often requires the Agency to advance the advertising costs incurred in advance and complete the payment at the end of the period (lump-sum payment).
- (ii) **High-quality services:** While many small businesses compete on price (NOVAON in some times has lowered their gross margin to 0%), Clever Group still maintains competition by quality of service. Specifically, the Board of Directors maintains that they will maintain CleverAds gross margin at least 20% and will not reduce service prices to maintain customers. In addition, the enterprise has carried out corporate restructuring, M&A of many small companies with new products and services to complete the Clever Group ecosystem, providing a comprehensive solution for its customers. This strategy was initially successful as businesses outside of CleverAds began to see revenue growth and profitability.
- (iii) **Strong brand value:** As mentioned above, we believe that any Advertising Agency's most valuable asset is always its people. Not only plays a role in getting Partner certification of Google or Facebook, but it also reflects what the business can bring to Customers. With 12 years of operating experience, Clever Group is currently one of the oldest and most experienced Advertising Agents in the market. The current Board of Directors of businesses have also been with businesses since the first days of establishment but are still very young. We suppose that point can be seems as a guarantee of business viability and growth in the coming years, especially in the Advertising industry.
- (iv) **Standardization:** Clever Group in the past few years has implemented a strategy to standardize business processes very well and brought very positive results for businesses. Specifically, many parts of the work from contacting customers to implementing campaigns are relatively fast and generate trust from customers and also helps Clever Group to reduce dependence on a number of key individuals and gradually eliminate operational risks.

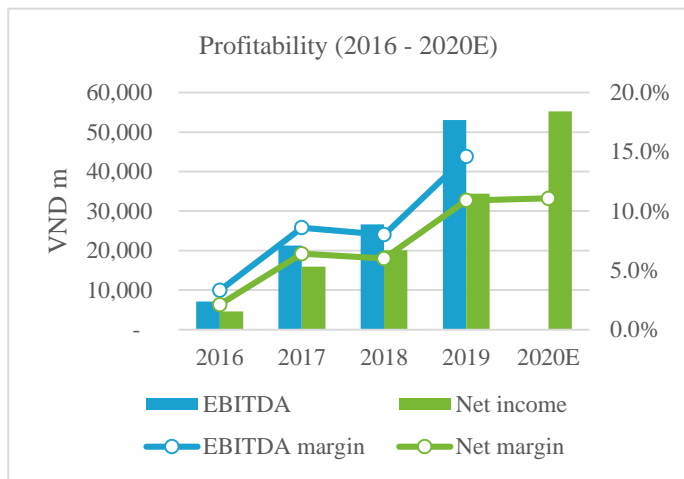
IV. BUSINESS PERFORMANCES

1. Revenue and Expenses



Revenue of Clever Group observed a CAGR of 19.7% p.a. in 2016 – 2019 period. In the Annual General Meeting (AGM) of Shareholders 2020, Clever Group targeted at VND 498.6b in term of revenue, equivalent to an expected growth rate of 37.5% yoy. However, the Covid-19 pandemic has negatively affected Clever Group in the 2nd quarter of 2020 that leads to a lower-than-expected revenue. In the 3rd quarter, revenue recovered to the level before Covid-19 pandemic. In the 4th quarter, revenue is expected to surge sharply and the total annual revenue may reach approx. 80% of the predetermined target.

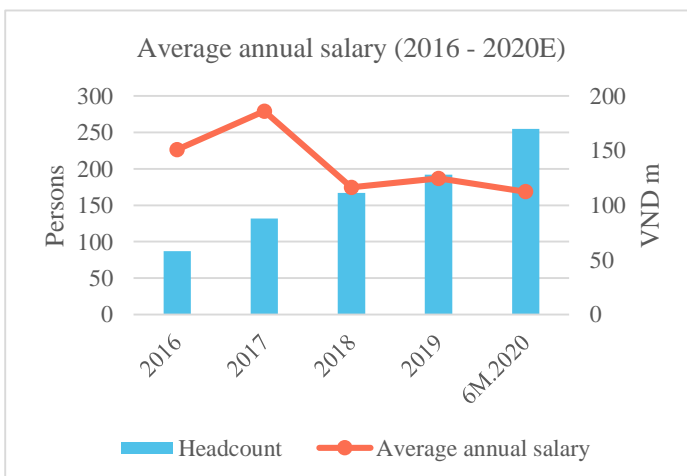
Breakdown revenue, in 2019, CleverAds (digital agency of Google & Facebook) still accounted for about 94.4% of total revenue but updated to June 2020, the proportion decreased to 92.8%. As we expect, CleverAds may account for a half of the total revenue of Clever Group.



In terms of profit, Clever Group also recorded strong growth in profit when EBITDA and Net income increased from VND 7.0b and 4.6b in 2016 to VND 53.1b and 39.4b in 2019, doubling every year. According to the Annual General Meeting of Shareholders in 2020, Clever Group sets a target of VND 55.2b of net profit.

Based on Clever Group's annual financial ratios, we believe that the business is in the process of optimizing costs when the EBITDA margin and net margin both grow significantly. EBITDA profit margin of the business from 3.3% in 2016 reached 14.6% in 2019, the profit after tax also increased

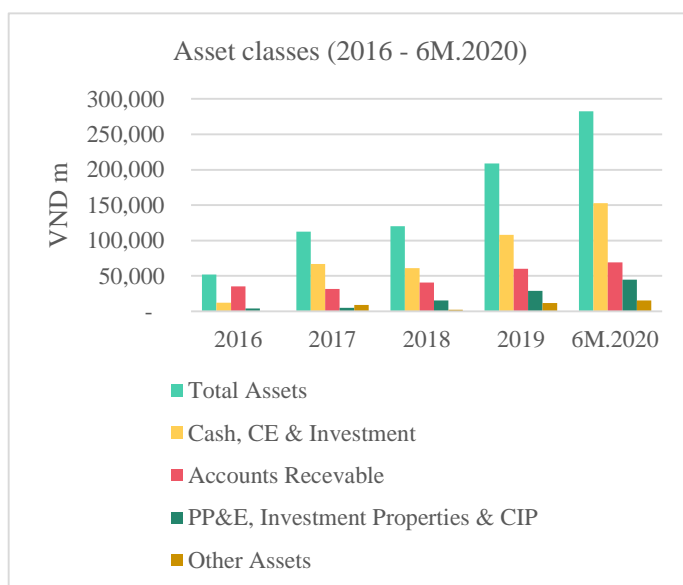
from 2.1% in 2016 to 10.9% in 2019.



In 2018, the number of employees of Clever Group was recorded to have increased by 27%, but the corresponding average salary cost of the business decreased by 37% compared to 2017. According to our assessment, Clever Group is using a salary cost optimization strategy by focusing investment in junior staffs with higher creativity and reasonable cost in order to replace the senior ones and expand the staff size. This can be considered as a reasonable strategy when Clever Group has standardized the workflow, reducing the impact of personal experience and reputation on business operations and corporate culture. This is a great

competitive advantage of Clever Group when the Advertising industry in Vietnam is still operating based on the reputation and personal experience of the top leaders instead of the standardized service quality of the company.

2. Asset quality

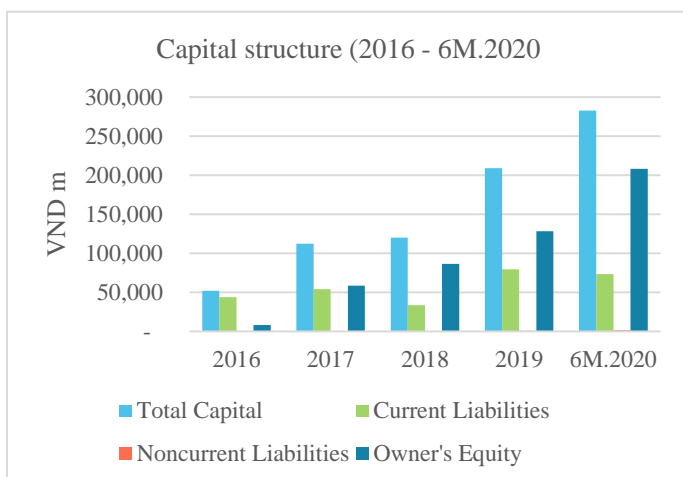


Due to the fact that most of business activities of the business do not require Fixed Asset Investment, the majority of Clever Group's assets are Cash, CE and Financial & Long-term Investment assets (in recent years, they often account for approx. 50% of total assets. assets of the business). These assets have little impact on the core business of the business and the accumulation of these financial assets is in line with our estimates of future plan in expanding the business segments of the business. After the Covid-19 pandemic was under control and the economy began to recover, Clever Group will grab the opportunity to expand the "Digital" business.

Current PP&E, Investment Properties and Construction-in-progress are mainly related to corporate management and do not have much

direct impact on revenue. However, the expansion of Clever Group's ecosystem will mainly focus on Technology platforms (which often requires such a large infrastructure investment), so in the future, PP&E will surge alongside with revenue.

3. Capital structure



The strong financial position mentioned above is the key competitive advantage of the Clever Group over other competitors in the industry. The majority of Clever Group's current liabilities are operating liabilities (with outstanding with Suppliers and Customer prepayments) and are typically interest-free. According to the 6M.2020 Financial Reports, Clever Group recorded about 30.6 billion of short-term loan balance with very low interest rates (mostly below 4% in at least 3 months, even interest-free for 60 days) for the purpose of prepayment to Service Providers (Google, Facebook) and other operating liabilities.

V. FUTURE PLAN AND EXPANSION

1. Growth factors

Clever Group's revenue is expected to grow about **43% p.a.** in the period 2021 - 2023 based on the following:

- (i) Digital Advertising market is increasingly expanding: according to Mordor Intelligence's 2019 Industry report, the market size of Digital Advertising could grow at 21.6% p.a. until 2026. In Vietnam, it is possible for Clever Group to expect an above-average performance in the following years due to outstanding advantages over other competitors.

- (ii) After the restructuring is completed, new business segments will serve as the main growth drivers for Clever Group, specifically:

+ Influencer Marketing trend in the coming years will drive growth for **Clever Review (REVU)** and **Orion Media**.

+ With the influence of social networks on the life, the application of Machine Learning in researching social network activities is being interested by many businesses with the aim of increasing brand value and finding new potential clients or users. **cMetric** has also recorded many achievements in 2020, especially in cooperation with state agencies in finding people in close contact with Covid-19 infection source during the epidemic peak periods in Vietnam.

+ With the urgent need to optimize Advertising operations from both advertisers and publishers, **ADOP** and **AdTech** will have great growth opportunities in a potential market like Vietnam.

+ **CleverX** (an Authorized Reseller of Alibaba.com) has many growth opportunities when benefiting from many FTAs in which Vietnam was a participant and the rapid growth of E-Commerce activities.

- (iii) The Covid-19 pandemic has accelerated the Digital Transformation of businesses, so we expect Clever Group as well as the entire Digital Advertising industry to grow considerably in the period of 2021 - 2023.

2. Listing on HOSE in 2020

According to our update, on 20 Oct 2020, Clever Group submitted an application to be listed on HOSE. It is expected that at the end of 2020, Clever Group shares will be listed on HOSE. As stated, the listing on HOSE will aim to help Clever Group improve the quality of corporate governance, the transparency of business operations, the brand value of Clever Group and also create investment opportunities for investors. From our perspective, listing on HOSE can be considered a good signal for Clever Group's shareholders.

3. Financial projection

Based on above growth bases and interviews with the BoD and BoM about the prospects of the business in the future, we estimate that the business can achieve a strong growth of 43% p.a. in revenue in the next 3 years (2021 – 2023). After that, Clever Group is able to maintain a higher growth rate than Vietnam's GDP growth rate in the following years due to favorable macro factors and its own outstanding advantages.

Unit: VND m	2019A	2020E	2021E	2022E	2023E
Revenue	362,640	380,515	506,672	747,729	1,101,027
%YoY		4.9%	33.2%	47.6%	47.2%
EBITDA	53,085	57,280	71,317	106,203	167,382
%YoY		7.9%	24.5%	48.9%	57.6%
<i>EBITDA margin</i>	14.6%	15.1%	14.1%	14.2%	15.2%
Net income	39,419	42,763	53,758	81,274	129,544
%YoY		8.5%	27.3%	51.2%	59.4%
<i>Net margin</i>	10.9%	11.2%	10.6%	10.9%	11.8%

Source: SBSI

4. Operational risks

With a high-growth business like Clever Group, the biggest risk is that the Revenue and Profit growth rates do not meet shareholders' expectations. Therefore, forecasting the actual business results of Clever Group should take into account the case that the business results are not favorable (the Worst case) beside the Base case.

VI. VALUATION

1. Basis

The fair market value of Clever Group (ADG) common stock can be determined with two different approaches as below:

- (i) Free Cash Flows to the Firm (FCFF)
- (ii) P/E-to-Growth (PEG ratio)

In addition, because the growth rate of the business can fluctuate in a large margin, it is necessary to consider at least 2 cases to be able to give a fair opinion on the value of the stock.:

Base case: Revenue will increase **43% p.a.** in 2021 – 2023 period.

Worst case: Revenue will increase **21% p.a.** in 2021 – 2023 period.

2. Valuation

<i>Unit: VND / share</i>	FCFF	PEG ratio
Base case: Revenue will increase 43% p.a.	87,756	99,163
Worst case: Revenue will increase 21% p.a.	64,532	53,861
Average	76,328	

Based on above results, we suppose that the fair market value of a ADG share should be VND **76,300 per share**.

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