



Vertex Technology Acquisition Corp Ltd

Limited value in watching Live

SINGAPORE | SPAC | UPDATE

19 November 2023

- Vertex Technology Acquisition Corp is acquiring live streaming company 17LIVE Inc for S\$800.8mn through the issuance of 160.162mn new shares. The valuation may rise another S\$122mn from the issuance of new (earnout) shares by Aug24. Financial targets to issue these 24.4mn new (earnout) shares include EBITDA declining by an estimated 14% YoY in 2H23 (from US\$11.14mn to US\$9.6mn) and total revenue declining an estimated 12% YoY in FY23 (from US\$363.7mn to US\$320mn).
- Revenue for 17Live has been declining since 2021. Revenue has been dragged down by falling active users and weaker average spending. Earnings in 1H23 have improved with a net profit of US\$9.4mn. This has been achieved through cost-cutting efforts.
- We recommend shareholders vote **IN FAVOUR** of the proposed acquisition and to **FULLY REDEEM** their shares at the Redemption price range of S\$5.00-S\$5.02 per share. Our Fair Value of VTAC post-acquisition is S\$5.08, assuming no redemption. It declines to S\$4.55 if Earnout shares are fully issued. We also believe the purchase cost of the shares issued to the vendors of 17LIVE Inc, promote shares and earnouts shares are significantly lower than the redemption price range. Based on our current fair value, we view the warrants as out of money and there is a risk it can expire at zero value.

Company Background

Vertex Technology Acquisition Corp (VTAC) is a special purpose acquisition company (SPAC) listed on SGX on 20 January 2022 at the IPO price of the SPAC. On 2 October 2023, VTAC proposed to acquire 17LIVE Inc by issuance of new shares. Established in 2015, 17LIVE Inc (17LIVE) is a pure-play live streaming platform with its main markets in Japan and Taiwan. Revenue is generated from revenue sharing in Liver live streaming and V-Liver live streaming. It commands a market share by revenue of 20.8% in Japan and 26.9% in Taiwan in 2022, according to Frost & Sullivan. The content database encompasses a range of genres including music, games, education, fashion, art, chatting, handcrafting, lifestyle and cooking.

Investment Highlights

- VTAC has proposed to acquire 17LIVE for S\$800.8mn through the issuance of 160.162mn new shares. Assuming no redemption, the existing shareholder's stake in VTAC (excluding Vertex SPC and Venezia) will shrink from 71.1% to 15.4%. Another 24.408mn new shares will be issued upon meeting financial targets (i.e. earnout shares). The financial targets include EBITDA declining by an estimated 13% YoY in 2H23 to US\$9.9mn and revenue declining an estimated 12% YoY in FY23 to US\$320mn.
- 17LIVE's strategy for expanding in the Japanese and Taiwanese markets encompasses three elements, V-Liver, mobile gaming and live commerce or livestream shopping. 17LIVE also hosts a wide range of in-person events to encourage engagement, facilitate the development of streamers, and craft immersive user experiences. V-Liver is live streaming using virtual characters. It is a US\$973mn revenue industry, expected to grow by 41% CAGR from 2023-27 in Japan, according to Frost and Sullivan. 17LIVE V-Livers should grow faster since it is only 1% of 1H23 revenue (or US\$1.5mn).
- Based on price to sales and EV/EBITDA relative multiple of listed peers, we derive a fair value of 17LIVE between US\$581mn to US\$700mn. When we equally weigh the importance of sales and earnings plus balance sheet strength, our 17LIVE fair value is US\$641mn. Assuming no redemption of shares by existing shareholders, the fair value of the combined entity of VTAC and 17LIVE is S\$5.08 per share. When we include the earnout shares, the fair value per share declines to S\$4.55 per share.

Phillip Securities Research was appointed by SIAS and received monetary compensation from SIAS to provide independent research on the de-SPAC of Vertex Technology Acquisition Corporation Ltd.

Submission of the share redemption form is by 28 November 2023, 2 pm. If shareholders do not vote in favour of the proposed business combination or all key resolutions, all redemption requests will be CANCELLED and the company will proceed to liquidation.

LAST CLOSE PRICE SGD 4.92

FORECAST DIV SGD 0.30

COMPANY DATA

BLOOMBERG CODE:	VTAC SP
O/S SHARES (MN) :	42
MARKET CAP (USD mn / SGD mn) :	152 / 205
52 - WK HI/LO (SGD) :	4.98 / 4.47
3M Average Daily T/O (mn) :	0.02

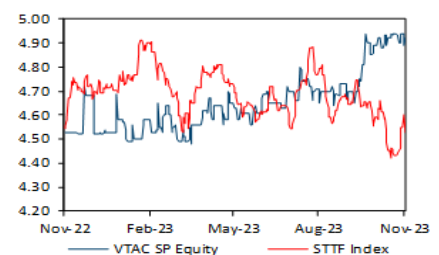
MAJOR SHAREHOLDERS

Venezio Investment Pte Ltd	14.4%
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PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	0.0	3.8	7.9
STTF RETURN	(2.1)	(3.8)	0.2

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec (US\$,mn)	FY20	FY21	FY22	1H23
Operating revenue	411.4	497.8	363.7	151.0
Gross profit	175.4	187.7	126.1	63.1
Operating income	24.4	10.4	10.1	13.0
Adjusted net profit	7.2	-2.9	4.9	9.4
EBITDA	30.3	15.5	15.0	15.4
Adjusted EBITDA	33.3	17.4	15.8	15.7

Source: Company, PSR

VALUATION METHOD

Price to sales + EV/EBITDA

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Revenue

The predominant source of revenue for 17LIVE is derived from the sale of virtual gifts and subscription plans. Revenue will only be recognized upon the streamer receiving the gift and virtual coins and expiry of the coins (1 year after purchase). The monetisation process kicks off with live stream viewers purchasing virtual gifts for their favoured streamers. These virtual gifts can then be sold back to the platforms by the streamers, setting the stage for a revenue-sharing model based on an agreed-upon ratio.

The second segment involves interactive video streaming companies generating revenue through the sale of user subscription plans, offering users exclusive content and privileges in exchange for a recurring fee.

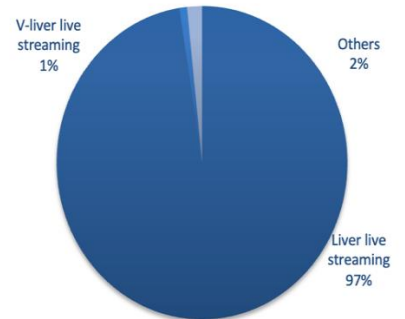
In the third segment, platforms can efficiently capitalise on their reach by providing digital advertising spaces to brands that align with their target audience, creating opportunities for targeted marketing.

FY21 revenue reached US\$497.8mn (+21% YoY) driven by user growth during COVID. However, there was a decline in FY22 (-26.9% YoY) due to a shift towards quality users. Quality users are defined by 17LIVE as those who have consecutively viewed a specified live streamer’s content over 320 times in total. It was unclear why 320 was the number used.

Liver live streaming contributes over 97% to total operating revenue in FY22 (Figure 1). The V-Liver streaming industry is a potential growth catalyst for 17LIVE. It should expand from its modest 1% contribution to 2022 revenue.

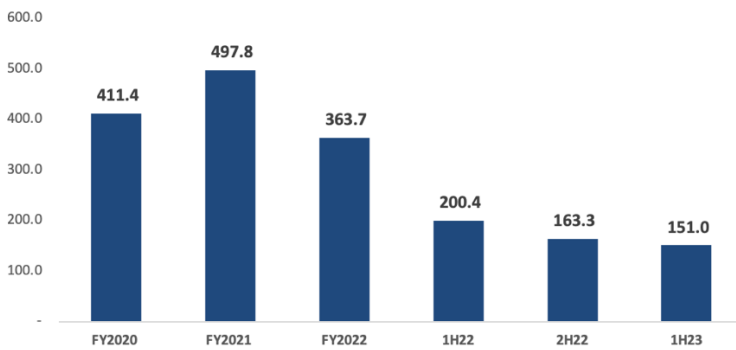
Liver Live Streaming business comprises revenues from virtual gifting, subscriptions and in-app games.

Figure 1: Operating Revenue breakdown in FY22



Source: Company, PSR, Circular (9th Nov 2023)

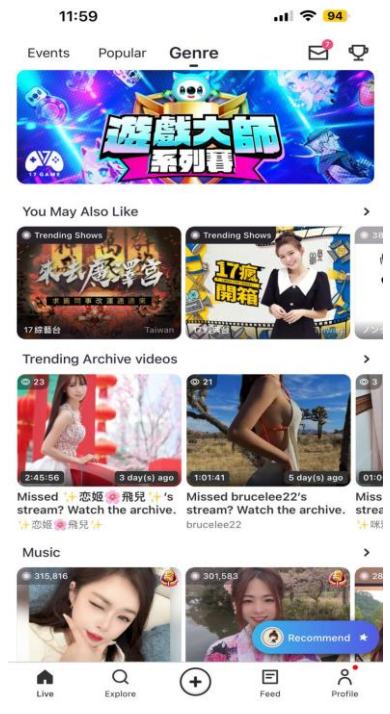
Figure 3: Operating revenue sliding since 2021



Source: Company, PSR, Circular (9th Nov 2023)

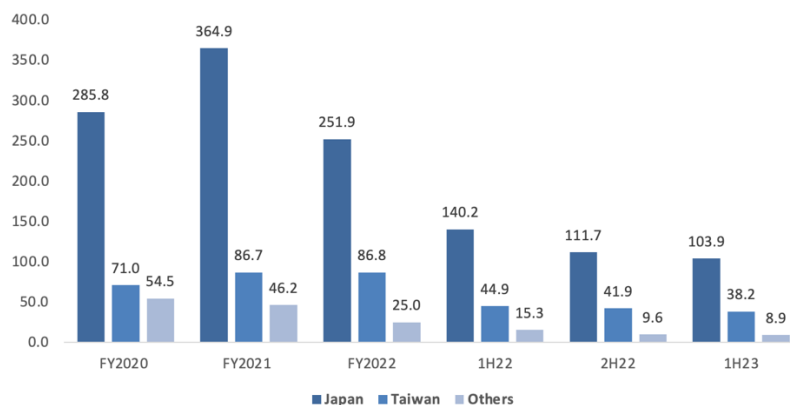
Japan is the largest market that 17LIVE operates in and accounts for 68.8% of the total revenue in 1H23. Taiwan is a more saturated market with intense competition and currently generates 25.3% of the revenue (Figure 4).

Figure 2: Screenshot of 17Live streamer on my phone



Source: PSR

Figure 4: Japan is the largest but revenues are contracting



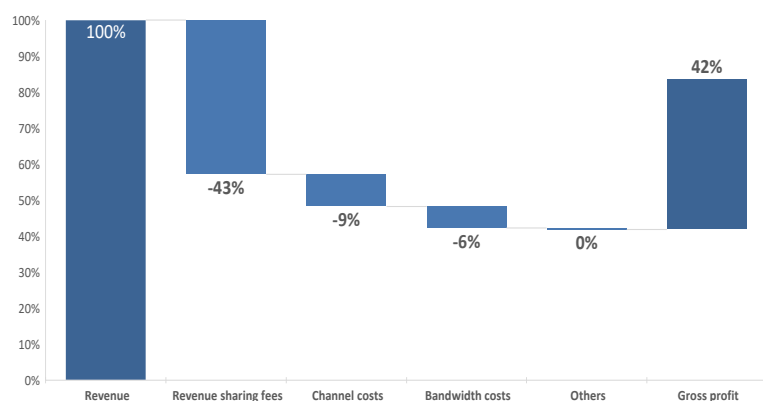
Source: Company, PSR, Circular (9th Nov 2023)

Expense

Cost is largely from revenue sharing with streamers, channel cost, bandwidth cost, staff cost and marketing costs. Revenue sharing accounts for most of the expenses (c.43% of 1H23 revenue) and it's within the industry standard of 40-45% of total revenue for streamers depending on their contract-type and popularity. 17LIVE optimised payment methods to reduce channel costs and improve operational efficiency to lower server and bandwidth costs in FY22. Channel costs charged by Apple accounted for 10.9% of operating revenue before optimisation in FY22. The cost has been significantly reduced as 17LIVE encourages users to use direct channels provided by credit cards (8.9% of revenue in 1H23).

Marketing expenses and employee benefits occupy a significant portion of the total operating expense, c. 30% and 42%, respectively, in 1H23 (Figure 5). 17LIVE is actively cutting down the marketing costs by shifting to a return-driven marketing strategy such as the twice-per-quarter offline events.

Figure 5: Cost and margin breakdown as % of revenue in 1H23



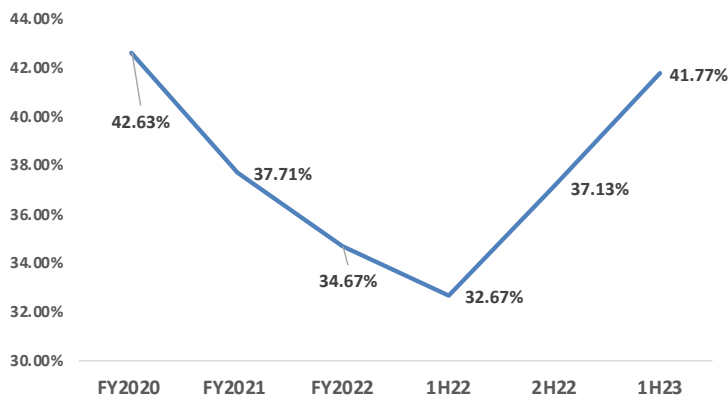
Source: Company, PSR, Circular (9th Nov 2023)

Gross margins

The gross margin has shown a downward trend from FY20 to 1H22, primarily due to increased revenue sharing and channel and bandwidth costs. The cost of revenue sharing as a percentage of operating revenue was 43% in FY20, rising to c.48% for both FY21 and FY22, before reverting to 43% in 1H23. Bandwidth costs accounted for 2.2% of the total operating revenue in FY20, escalating to 4% in FY21 and further to 5.7% in FY22. Following successful cost optimisation initiatives—such as the launch of revenue-generating marketing events and the reduction of

employee benefit expenses resulting from a more streamlined staffing structure—the gross margin has been experiencing healthy improvement since 2H22. As of 1H23, the gross margin stands at 41.8% (Figure 6).

Figure 6: Gross margins declining from FY20 until 1H22



Source: Company, PSR, Circular (9th Nov 2023)

Balance Sheet

Assets: Total assets of 17LIVE in 1H23 is US\$99mn. The largest asset on the balance sheet is cash (40.0%) followed by intangibles (25.4%) and trade and other receivables (20.7%). Fixed assets such as property, plant and equipment are minimal at US\$1.18mn. Trade receivables are largely virtual points purchased by customers but paid via credit or debit cards and electronic payment through third-party payment service providers. 17LIVE does not provide any credit terms to its customers. But gives a credit term of 20 to 60 days to third-party payment service providers.

Liabilities: 17LIVE has total liabilities of US\$401.6mn as of 1H23 (+c.40% comparing with Dec22) and net liabilities of US\$302.3mn. 17LIVE has a debt ratio of 4.04 as of 1H23 (+45.8% YoY). The majority of 17LIVE's liabilities come from 3 items: Financial liabilities at fair value through profit or loss; Trade and other payables, and Contract liabilities. Financial liabilities at fair value through profit or loss account for 84% of the total liabilities, including warrants, preferential shares and conversion rights, voting rights and dividend rights. Net revaluation loss on financial liabilities at fair value through profit or loss are US\$127mn and US\$38mn, and other comprehensive losses are US\$20,700 and US\$1,900 for changes in credit risk on financial liabilities at fair value through profit or loss for 1H23 and 1H22, respectively.

Cash Flow

For the past 2 years, 17LIVE has been generating positive cash flow from operating activities in a total of US\$13.4mn due to a decrease in trade payables in FY22 and a revaluation gain in FY21. There has been no major CAPEX under investing activities. Historically, it has secured financing through the issuance of preference shares. The last round of financing was in FY20 of US\$20.1mn. As of 1H23, 17LIVE has generated positive operating cash flows of US\$4.0mn and positive net cash flows of US\$2.4mn.

Operating metrics

Among pure-play interactive video streaming companies, 17LIVE excelled in revenue and operational performance with a strong paying ratio, Average monthly spend revenue per spender (ARPPU) and Average Daily View Duration Per Daily Active User (ADV). Monthly active users (MAU) still have room to grow compared to peers.

ADV improved during COVID but declined 7.9% YoY in 1H23, following industry trends post-pandemic. ARPPU increased by approximately 6% YoY and the spend rate improved 0.5ppt, driven by successful offline events. MAU decreased 52% YoY as the pandemic restrictions eased. 17LIVE is now focusing on profitability, leading to increased Quality MAU, Spend Rate, and ARPPU. Quality MAU accounts for 14.4% of total MAU in Japan and 12.9% in Taiwan.

Figure 7: MAU continues to decline since FY20

	1H20	2H20	1H21	2H21	1H22	2H22	1H23
MAU ('000)	1118	1255	784	1533	1149	624	550
ADV (min)	71	67	82	87	101	101	93
Spend rate	0.088	0.099	0.165	0.09	0.107	0.173	0.161
ARPPU (US\$)	289	354	366	349	302	285	302

Source: Company, PSR, Circular (9th Nov 2023)

Figure 8: 17LIVE has the lowest paying users

Company	MAU(MN)	Paying User (Mn)	Paying Ratio	ARPPU
17 Live	0.55	0.089	0.161	302.00
YYINC	275.6	1.540	0.006	248.00
HUYA	82.9	4.600	0.055	395.65
DouYu	50.3	4.000	0.080	315.00

Source: Company, PSR, Circular (9th Nov 2023)

Industry

The market for interactive video streaming in Japan has experienced substantial expansion, reaching a market size of around US\$1.8bn in 2022. While the pandemic created favourable conditions for the interactive video streaming market's rapid expansion, Frost & Sullivan (F&S) expects that the YoY growth rate will stabilize at c.23% between 2023 and 2027.

According to F&S, the interactive video streaming segment grew at a 17.7% CAGR from 2018 to 2022, reaching US\$322.7mn in 2022. The market is expected to continue growing at an 11.2% CAGR, reaching US\$556.1mn by 2027. New content and services fueled growth during the pandemic, overcoming challenges like increased competition. Taiwan's market is projected to see slower, normalized growth. Frost & Sullivan predicts that with market expansion and emerging technologies like V-Livers, interactive video streaming platforms' DAU will reach 300,000 by the end of the forecast period.

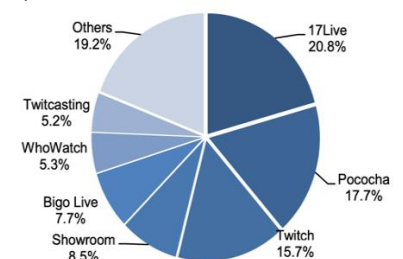
The live streaming market in Southeast Asia is anticipated to grow from US\$1,071.8mn in 2023 to US\$2,160.9mn in 2027, indicating a moderated CAGR of around 19.2% during the forecast period from 2023 to 2027. This region is recognized as a rapidly expanding market for live streaming.

V-Liver

V-Liver content was launch in 2018. We believe V-Liver is most likely to generate high growth potential in the future. V-Livers boost merchandise sales in two key ways. They have dedicated fan bases eager to buy idol-related merchandise, making collaborations with V-Livers a lucrative option for brands. Additionally, V-Livers enables virtual selling, allowing brands to connect with customers remotely, especially in areas with limited physical sales channels, creating interactive shopping experiences. 17LIVE has acquired more than 80 V-Liver IPs, of which over 60 V-Livers have started live streaming.

F&S predicts the Japanese V-Liver market will grow from US\$973.3mn in 2023 to about US\$ 3,864.8mn in 2027, with a robust 41.2% CAGR. While individual Vtubers dominate in numbers, V-Liver companies generate a substantial share of revenue. Future growth is expected, driven by advancements in technology and improved internet connectivity, enhancing the virtual live streaming experience.

Figure 9: Market Share by Revenue, Pure-Play Interactive Video Streaming Market, Japan, 2022



Source: Company, PSR, Circular (9th Nov 2023)

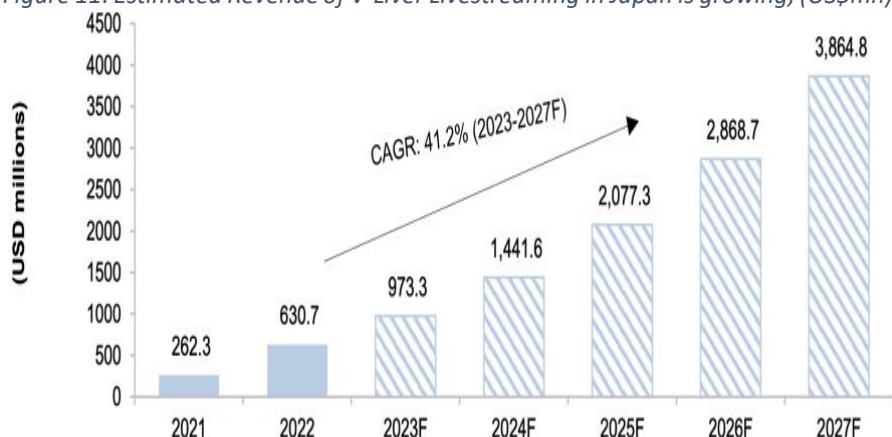
Figure10: Virtual Image of V-Liver



Source: Company, PSR, Circular (9th Nov 2023)

V-Liver - Virtual live streamer, a type of live streamer which comprises computer-generated characters designed to resemble real people.

Figure 11: Estimated Revenue of V-Liver Livestreaming in Japan is growing, (US\$m), 2020-2027F

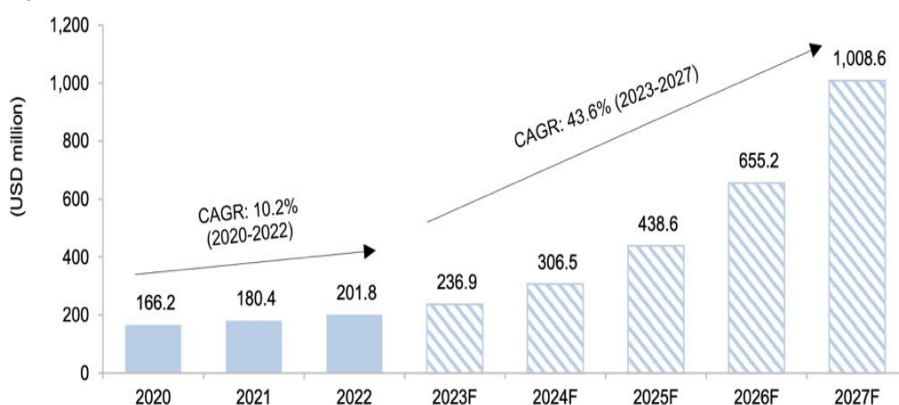


Source: Company, PSR, Circular (9th Nov 2023)

E-commerce

By enhancing live commerce offerings, companies can access new market segments and drive growth. The Japanese live commerce market was US\$201.8mn in 2022, with a historical CAGR of 10.2% from 2020 to 2022. It is expected to grow from US\$236.9mn in 2023 to US\$1.0bn in 2027 at a CAGR of 43.6% according to F&S. The market includes SNS, SaaS, and dedicated mobile apps, with SNS platforms dominating at 60%, SaaS at 10%, and dedicated live commerce apps making up the remaining 30%.

Figure 12: Estimated Revenue Forecast of Live Commerce in Japan is growing, (US\$m), 2020-2027F



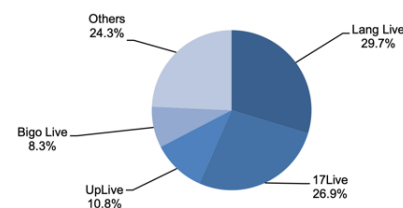
Source: Company, PSR, Circular (9th Nov 2023)

Competitors

According to F&S, in the Japanese market, key revenue leaders in interactive video streaming include YouTube, 17LIVE, Pochocha, Showroom, Twitcasting, WhoWatch and Bigo Live (Figure 13). As of 2022, 17LIVE, which entered the market in August 2017, captured a significant market share of 13.7% by revenue. YouTube Live dominated the market in terms of virtual live streamers' revenue, claiming 33.8% of the market share due to its accessible live streaming video system. DeNA owns Pochocha (11.7%) and Showroom (5.6%). Twitch (10.4%) and Bigo Live (5.1%) are also notable players. WhoWatch held 3.5% of the market share, while smaller players collectively made up 12.7% of the market in 2022, excluding TikTok revenue from the total market size.

As for Taiwan, 7LIVE is a leading interactive video streaming app with a 26.9% market share as of 2022. Together with Lang Live, it dominates over half of the market. Lang Live, acquired by Lang Inc., holds a 29.7% share. UpLive and Bigo Live follow with 10.8% and 8.3% market shares, respectively.

Figure 13: Estimated Market Share by Revenue, Pure-Play Interactive Video Streaming Market, Taiwan, 2022E



Source: Company, PSR, Circular (9th Nov 2023)

Figure 14: Lower MAU compared to peers

Metrics/App Names	17LIVE	Pococha	Showroom	YouTube (overall interactive video streaming)	YouTube (Without VLiver)
MAU	350,000	301,311.8	144,306.4	>1,050,000.0	~215,000
Gross Profit Margin (%)	41.6	28-32	26-30	40.0	28%-32%
Est. ARPPU (USD)	301.0	210-230	190-220	406.4	285-325
Est. ARPU (USD)	59.9	59.4	59.2	49.1	47.9
Average View Duration per DAU (minutes)	106.0	100.9	92.7	150.0	40-50

Source: Company, PSR, Circular (9th Nov 2023)

Expansion strategy

17LIVE plans to build a strong user base in Southeast Asia by utilising available content and promoting organic growth through cross-border initiatives. The strategy involves exporting Japanese and Taiwanese content and merchandise to the region through live streaming, live commerce channels, and 17Shop. Additionally, the company aims to expand its Japan V-Liver content to other countries as it matures. The plan includes acquiring more live streamers and users in Southeast Asia, strengthening the core business, and collaborating with regional media and entertainment companies for broader audience reach.

1H23 result highlights

Operating revenue decreased 24.7% YoY to US\$150.98mn as of 6M23, painted with a broad brushstroke as growth was challenged post-COVID. Despite weakened online activities, gross profit margin improved 9.1% from 32.7% YoY to 41.8% in 1H23. The growth was mainly from high-margin in-app game revenue which isn't confined by sharing agreements. Adjusted EBITDA increased by 267% to US\$15.8mn in 1H23 thanks to the strategic shifts towards launching return-driven marketing activities (offline events are held twice every quarter). Adjusted net profit after adding back the Revaluation loss on financial liabilities has been improved to US\$9.4mn in 1H23 from a loss of US\$4.0mn in 1H22.

Risks

Currency risk: The Group's main foreign exchange risk comes from transactions in foreign currencies. There is no formal policy for hedging against this risk. Transactional currency exposures occur when sales or purchases are made in a currency other than the Group's functional currency, primarily in HKD. 1% appreciation of US\$ will result in loss of US\$28,117 as of 1H23.

Regulatory risk: With 430mn users and RMB 2.4tr GMV in 2021, China's live commerce is a major sector in its internet economy. It's becoming normalised and is subject to standardized reform. Although 17LIVE doesn't operate in mainland China, it may spark a spillover effect as some streamers will be under-regulated.

Concentration risk: About 20% of the top-performing streamers contribute over 80% of the revenue. Despite the exclusive agreement with 17LIVE, streamers may be influenced by their MCN company's arrangement to migrate to other platforms when more appealing revenue-sharing packages are offered.

Income risk: With the pandemic wearing out, people are gradually returning to physical activities and spending less time on digital content, including interactive video streaming. In 2022, major Chinese platforms like Huya and Douyu saw a significant 20-30% drop in annual revenue compared to 2021.

Valuation

We use P/S and EV/EBITDA ratios to value 17LIVE as relative valuations to their listed peers in the streaming industry. 17LIVE has consistently maintained positive EBITDA since 2020 and aims to prioritise profitability in its future strategy. We selected publicly traded entities as the comparable companies which engaged in the streaming industry. The comparable companies are Anycolor Inc, DeNA Co Ltd, Kuaishou Technology, Bilibili Inc and JoYY Inc.

Figure 15: Valuation table for 17LIVE

TTM- Trailing twelve months

Metrics	EV/EBITDA	Price / sales*
Industry	19.9 *	2.23
17LIVE - TTM Adjusted EBITDA (x)	27.2	
TTM - Revenue (x)		314.3
Enterprise Value (US\$m)	541.21	
Cash (US\$m) - 1H23	39.9	
Fair Value (US\$m)	581.08	702.07
Weightage	50%	50%
Weighted Fair Value (US\$m)	290.54	351.03
Total Weighted Fair Value (US\$m)		641.57

Source: Company, PSR, Circular (9th Nov 2023)

*We used EV/EBITDA of 19.9, provided by the independent valuer Frost & Sullivan Limited as per the circular.

When applying P/S valuation, we used 12-month trailing revenue of US\$314.3mn, which consisted of 1H23 and 2H22 revenue. Our adjusted EBITDA (excluding share compensation) of US\$27.2mn is a similar combination of 1H23 and 2H22. Based on the two methods, the multiple approach (P/S and EV/EBITDA ratio), we believe the valuation of 17LIVE ranges from US\$581mn to US\$702mn, considering either 100% of P/S or 100% of EV/EBITDA (Figure 15).

Figure 16: Sensitivity analysis for Price-to-Sales and Enterprise value-to-EBITDA valuation

P/S	EV/EBITDA	Fair value (US\$m)	FV/Share (No Earnout)	FV/Share (Full Earnout)
0%	100%	581.08	4.69	4.20
25%	75%	611.33	4.88	4.38
50%	50%	641.57	5.08	4.55
75%	25%	671.82	5.27	4.72
100%	0%	702.07	5.46	4.90

Source: Company, PSR, Circular (9th Nov 2023)

We applied 50% or equal weight to the P/S multiple and EV/EBITDA multiple. This method evenly considers the importance of revenue, profitability and balance sheet. As a result, the implied equity value of 17LIVE using the market approach is US\$ 641 million based on our valuation method.

On a per-share basis, we value VTAC post-acquisition of 17LIVE at S\$4.84 per share, assuming no redemption. With the earnout, our fair value for 17LIVE declines to S\$844.43mn due to a lower EBITDA of US\$25mn and revenue of US\$320mn as per the earnout minimum financial targets (Appendix 3).

Figure 17: Assuming no redemption of shares

	No Earnout	With Full Earnout
	S\$m	S\$m
17 Live	866.12	866.12
VTAC	208.03	208.03
Combined Valuation	1074.15	1074.15
Number of shares (mn) - Appendix 2	211.62	236.03
Fair value per share (S\$)	5.08	4.55

Source: Company, PSR, Circular (9th Nov 2023) # Exchange rate US\$1 = S\$1.35

Assuming full redemption of shares by all shareholders (Appendix 2), the number of shares and the combined value of VTAC will decline.

Figure 18: Assuming full redemption of shares

	No Earnout	With Full Earnout
	S\$m	S\$m
17 Live	866.12	866.12
VTAC	60.00	60.00
Combined Valuation	926.12	926.12
Number of shares (mn) - Appendix 2	179.05	203.46
Fair value per share (S\$)	5.17	4.55

Source: Company, PSR, Circular (9th Nov 2023) # Exchange rate US\$1 = S\$1.35

Appendix 1 – Indicative Timetable

Last date and time to purchase Shares to be entitled to the Special Bonus NRS Shares and the Additional Warrants.	27 November 2023, before close of trading at 5.00 pm
Last date and time to purchase Shares to be entitled to the Redemption Right	27 November 2023, before close of trading at 5.00 pm
Commencement of the Trading Suspension	28 November 2023, 9.00 a.m.
Last date and time to elect for Redemption and submit the Share Redemption Form	28 November 2023, 2.00 p.m.
Last date and time for lodgement of Proxy Form	29 November 2023, 2.00 p.m.
Redemption Record Date	29 November 2023
Date and time of EGM and announcement of level of Redemption	1 December 2023, 2.00 p.m.
Resumption of trading on the SGX-ST (after lifting of the Trading Suspension)	4 December 2023, 9.00 a.m.
Expected Completion Date	8 December 2023
Expected Redemption Payment Date and Redemption Completion Date	8 December 2023
Expected date and time of the crediting of the Consideration Shares, Base PIPE Shares and the Special Bonus PIPE Shares	8 December 2023, before market opens at 9.00 a.m.
Expected date and time of the crediting of the Special Bonus NRS Shares and the Additional Warrants to Non-Redeeming Shareholders and the crediting of the Additional Warrants to Vertex SPV	8 December 2023, before market opens at 9.00 a.m.
Expected trading date under the new name "17LIVE Group Limited"	8 December 2023

Source: Company, PSR, Circular (9th Nov 2023)

Appendix 2 –Details on the movement of shares
Scenario 1: Assuming no redemption by any VTAC shareholder

mn shares		Purchase Consideration	PIPE	Special Bonus	Promote	Total	% Stake	Earnout Framework	ESOP	EIS	Total
Shareholders	Existing	A	B	C	D			E	F	G	
Vertex SPV	6.00				4.09	10.09	4.8%				10.09
Venezio	6.00			0.60		6.60	3.1%				6.60
Other shareholders	29.61			2.96		32.57	15.4%				32.57
Vendor shareholders		160.16				160.16	75.7%	24.41			184.57
PIPE Shareholders			2.00	0.20		2.20	1.0%				2.20
Key Executives						0.00	0.0%		2.11	2.55	4.66
	41.61	160.16	2.00	3.76	4.09	211.62	100%	24.41	2.11	2.55	240.69

Source: Company, PSR, Circular (9th Nov 2023)

Scenario 2: Assuming full redemption by all VTAC shareholders except Vertex SPV and Venezio

mn shares		Redemption	Purchase Consideration	PIPE	Special Bonus	Promote	Final	% Stake	Earnout Framework	ESOP	EIS	Final
Shareholders	Existing		A	B	C	D			E	F	G	
Vertex SPV	6.000					4.091	10.1	5.6%				10.147
Venezio	6.000				0.6		6.6	3.7%				6.637
Other shareholders	29.606	-29.606					0.0	0.0%				0.000
Vendor shareholders			160.163				160.2	89.4%	24.408			185.465
PIPE Shareholders				2.0	0.2		2.2	1.2%				2.212
Key Executives							0.0	0.0%		2.115	2.550	4.665
	41.606	-29.606	160.163	2.000	0.800	4.091	179.1	100%	24.408	2.115	2.550	209.126

Source: Company, PSR, Circular (9th Nov 2023)

A - VTAC will issue 160.162165 new shares @ S\$5 per share for the purchase of 17LIVE for S\$800mn. Vendor shareholders are the recipients of these shares (Ordinary Resolutions 1 and 2).

B - VTAC will issue 2mn new shares @ S\$5 per share to Private investment in public equity (PIPE) investors. Similar to a private placement to raise cash for the company (Ordinary Resolution 4).

C - VTAC will issue 0.1 new shares for non-redeeming shareholders and PIPE investors except Vertex SPV (Ordinary Resolution 5).

D - VTAC will issue 4.091 new shares as promote shares to the sponsor (Appendix 4). The sponsor is Vertex Venture Holdings Ltd.

E - VTAC will issue 2.114891 new shares according to Employee Share Option Plan (ESOP) (Ordinary Resolutions 8 and 9).

F - VTAC will issue 24.408mn new shares to earnout shareholders to vendor shareholders upon meeting certain financial targets (Appendix 3) (Ordinary Resolution 3).

G - VTAC will issue 2.55mn new shares to Key Executives on vesting dates 30Apr24, 30Apr25 and 30Apr26 (Ordinary Resolutions 6 and 7).

Appendix 3 – Financial Targets and Other Details of the Earnouts

The earnout shares are vested in two tranches – 30 April 2024 and 30 August 2024. The financial targets are effective over the next 12 months only.

To become entitled to the entire or pro-rated 24.408mn new (earnout) shares, VTAC must achieve the following targets:

Figure 19: Financial targets of FY23 and 1HFY24 to issue the earnout shares

	FY23 Financial Targets	Entitled Shares (mn)	1HFY24 Financial Targets	Entitled Shares (mn)
Group Operating Revenue	>= US\$320mn		>= US\$180mn	
V-Liver operating revenue	>= US\$5mn	4.07	>= US\$6mn	8.14
Group EBITDA	>= US\$25mn	4.07	>= US\$17mn	8.14
		8.14		16.27

>= Equal to or more than

Source: Company, PSR, Circular (9th Nov 2023)

Figure 20: Financial targets imply revenue to decline 13% YoY in 2023 and EBITDA to decline 14% in 2H23

US\$ mn	2022 Actual	2023 Earnout Target	Change	2H22 Est.	2H23 Earnout Target	Change
Revenue	368.72	320.00	-13.2%	163.30	169.02	3.5%
EBITDA	15.02	25.00	66.5%	11.14	9.61	-13.7%
V-Liver Revenue	3.1	5.0	61.3%	1.2	3.5	191.7%

Source: Company, PSR, Circular (9th Nov 2023)

Figure 21: EBITDA growth in 1H24 is 10% YoY

US\$ mn	1H23 Actual	1H24 Earnout Target	Change
Revenue	150.99	180.00	19%
EBITDA	15.39	17.00	10%
V-Liver Revenue	1.5	6.0	300%

Source: Company, PSR, Circular (9th Nov 2023)

Appendix 4 – Details of the Promote Shares

Promote shares are issued to Vertex SPV or the sponsor. The nominal proceeds of the promote shares are S\$25,000. It is an incentive for the execution of a successful initial business combination.

Figure 22: Sponsor has waived 6.31mn it was entitled to receive

mn shares	Original Promote	Waived Promote	Existing Promote	Tranche 1	Tranche 2	Tranche 3
Promote shares to Sponsor	10.401	-6.310	4.091	49%	17%	17%
				2.005	0.695	0.695

Source: Company, PSR, Circular (9th Nov 2023)

Tranche 1 - Falling 12 months after the completion.

Tranche 2 - 10 calendar years following the date of completion.

Tranche 3 - 10 calendar years following the date of completion upon Return to Shareholders exceeding 40%.

Tranche 4 - 10 calendar years following the date of completion upon Return to Shareholders exceeding 60%.

Appendix 5 – PSR estimate of Recent Valuation of 17LIVE

There are very little details of the valuation of 17LIVE before the current proposed acquisition by VTAC. Based on the movement of shares and cash flow statements in 2020 and 2021 and assuming each convertible preference share has equal rights and stake with ordinary shareholders, we estimate the market capitalisation of 17LIVE was between US\$230mn to US\$248mn.

Figure 23: An estimate of the earlier rounds of valuation

	No. of Shares mn	Value (US\$m)	Market Cap (US\$m)	of company	
Pref share repurchased	2021	-9.94	14.563	247.7	5.9%
New preference shares	2020	24.21	28.1	230.8	12%

Source: PSR, Circular (9th Nov 2023)

Financials
Income Statement

Y/E Dec, (US\$, mn)	FY20	FY21	FY22	1H22	2H22	1H23
Operating revenue	411.4	497.8	363.7	200.4	163.3	151.0
Gross profit	175.4	187.7	126.1	65.5	60.6	63.1
Operating income	24.4	10.4	10.1	1.1	9.0	13.0
Net profit	(51.9)	109.5	(51.0)	(42.0)	(9.0)	(118.2)
Revaluation (L&G)	(59.1)	112.4	(55.9)	(38.0)	(17.9)	(127.6)
Adjusted net profit	7.2	(2.9)	4.9	(4.0)	8.9	9.4
Operating income	24.4	10.4	10.1	1.1	9.0	13.0
Add: Depreciation	2.7	2.9	2.6	1.6	1.0	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 payments	3.0	1.9	0.8	0.5	0.3	0.4
Adjusted EBITDA	33.3	17.4	15.8	4.3	11.5	15.7

Cash Flow

Y/E Dec, (US\$, mn)	FY20	FY21	FY22	1H22	1H23
Profit before tax	(48.2)	119.2	(42.9)	(33.8)	17.5
Adjustment for:					
Finance income	1.0	0.7	0.2	-	(3.0)
Depreciation expense	2.7	2.9	2.6	1.6	1.0
Operating CF before ΔWC	34.5	18.0	19.0	0.1	16.9
Changes in working capital					
Trade and other payables	50.6	(6.9)	(23.7)	(20.0)	(13.6)
Trade and other receivables	(19.8)	2.0	10.2	7.5	3.5
CF from operations	67.4	7.9	3.5	(4.6)	9.0
Net CF from operating	66.7	(2.9)	(10.5)	(16.0)	3.7
Investing activities					
Interest received	-	-	-	-	3.2
Short-term investments	-	-	-	-	(3.0)
Net CF from investing	3.4	(1.4)	(0.8)	0.6	0.8
Net CF from financing	(0.1)	(26.6)	4.2	(2.6)	0.8
C&CE	92.5	59.1	39.3	36.2	26.8

 Source: Company, PSR, Circular (9th Nov 2023)

Balance Sheet

Y/E Dec, (US\$, mn)	FY2020	FY20	FY21	FY22	1H23
Cash and cash equivalents	92.5	92.5	59.1	39.3	39.9
Trade and other receivables		32.6	34.2	23.0	20.6
Total current assets	128.1	128.0	100.3	69.0	63.8
PP&E		1.7	2.0	0.8	1.2
Intangible assets		30.5	28.4	26.5	25.2
Total non-current assets	47.5	47.5	44.4	34.4	35.6
Total assets	175.6	175.5	144.7	103.4	99.3
Trade and other payables		89.6	82.8	59.0	47.3
Income tax payable		12.6	12.0	5.2	3.4
Loans and borrowings		5.7	1.2	-	-
Total current liabilities	119.3	120.0	110.7	284.6	61.4
Financial liabilities FVPL		278.7	154.9	-	337.7
Loans and borrowings		1.2	-	-	-
Total non-current liabilities	290.1	289.4	163.1	2.0	340.2
Total liabilities	409.4	409.4	273.8	286.6	401.6
Total equity	(233.8)	(233.8)	(129.1)	(183.2)	(302.3)
Total liabilities and equity	175.6	175.5	144.7	103.4	99.3

Growth rate

Y/E Dec	FY20	FY21	FY22	1H23
Revenue growth rate		21.00%	-26.94%	-24.67%
EBITDA growth rate		-48.84%	-3.23%	296.83%

Margins

Y/E Dec	FY20	FY21	FY22	1H22	1H23
Gross margin	42.63%	37.71%	34.67%	32.67%	41.77%
Adjusted net profit margin	1.75%	-0.58%	1.35%	-1.98%	6.23%
Adjusted EBITDA margin	8.09%	3.50%	4.34%	2.17%	10.43%

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