

COMPANY RESULTS

iFAST Corporation (IFAST SP)

4Q21: Continued AUA Growth Led To Operating Scalability

AUA continued to scale up to a record S\$19.0b (31.5% yoy, +3.4% qoq), helping iFAST achieve greater operating scale. Net inflows of client assets remained healthy. The group remains committed to its AUA target of S\$100b by 2028, implying a CAGR of 27% over the next six years. We have incorporated changes to our model following the BFC Bank acquisition and HK eMPF guidance from management. Maintain BUY with higher target price of S\$9.84 (from S\$9.75).

RESULTS

Year to 31 Dec (S\$m)	4Q21	4Q20	yoy % chg	2021	2020	yoy % chg
Revenue	54.6	47.9	13.9	216.2	169.9	27.2
Net revenue	28.2	24.3	16.0	113.2	85.9	31.9
Net revenue margin (%)	51.8	50.8	1.0ppt	52.4	50.5	1.8ppt
PATMI	7.2	6.8	5.5	30.6	21.2	44.8
PATMI margin (%)	13.2	14.3	(1.1ppt)	14.2	12.4	1.7ppt

Source: iFast, UOB Kay Hian

RESULTS

- 4Q21 results underperform; dividend raised.** 4Q21 net revenue and PATMI rose to S\$28.2m (+16% yoy) and S\$7.2m (+5.5% yoy), which brought 2021 net revenue to S\$113.2m (+31.9%) and net profit to S\$30.6m (+44.8%). This was slightly below our expectations as contribution from recurring net revenue of 69.9% was lower than our estimated 73.5% (2020: 70.3%), as negative market sentiment dampened transaction volumes. iFAST Corporation (iFAST) proposed a higher fourth and final DPS of S\$0.014 (+40% yoy), which brought full-year DPS to S\$0.048 (2020: S\$0.033), representing a 43.2% payout ratio.
- Positive operational leverage still at play.** While there has been a steady downward trend in PATMI margins over the four quarters of 2021 from 15.9% in 1Q to 13.2% in 4Q, we note that it is primarily due to market effects (trading frequency higher amid improved market sentiment), rather than any competitive element leading to margin pressure. Nevertheless, we are not concerned at this stage as full-year PATMI margin in 2021 was 1.7ppt higher at 14.2% compared with 2020, and this was led by the continued rise in AUA to record levels, leading to improved operational leverage.
- Singapore remains the core market, unit trusts driving growth.** Assets under administration (AUA) scaled higher to a record S\$19.0b (+31.5% yoy, +3.4% qoq). The apparent sequential growth slowdown in 4Q21 of +3% (3Q21: +4.8%, 2Q21: +8.9%) is largely due to negative market effects. The Singapore market remains as the main AUA growth driver, constituting S\$13.58b in AUA (+35.8% yoy; +4.4% qoq). In terms of products, the AUA of unit trusts grew to a record S\$13.89b (+27.5% yoy; +3.2% qoq), accounting for 73.1% of overall AUA.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2020	2021	2022F	2023F	2024F
Net turnover	170	216	268	295	388
EBITDA	36	54	63	70	112
Operating profit	21	36	48	52	90
Net profit (rep./act.)	21	31	43	47	78
Net profit (adj.)	21	31	43	47	78
EPS (S\$ cents)	7.5	10.7	14.9	16.3	27.3
PE (x)	85.2	59.6	42.6	39.1	23.3
P/B (x)	16.6	13.7	12.7	10.7	8.2
EV/EBITDA (x)	48.9	33.0	28.5	25.4	15.9
Dividend yield (%)	0.5	0.8	1.1	0.7	1.2
Net margin (%)	12.4	14.2	16.0	15.8	20.2
Net debt/(cash) to equity (%)	(35.0)	(34.3)	(47.9)	(54.0)	(47.9)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	21.8	26.3	31.3	29.3	39.1
Consensus net profit	-	-	36	47	68
UOBKH/Consensus (x)	-	-	1.20	0.99	1.15

Source: Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$ 6.36
Target Price	S\$ 9.84
Upside	+54.6%
(Previous TP)	S\$ 9.75

COMPANY DESCRIPTION

iFAST is a wealth management fintech platform headquartered in Singapore. It provides a comprehensive range of investment products and services to financial advisory firms, financial institutions, banks, internet companies, multinational companies, as well as retail and high net worth investors in Asia.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	IFAST SP
Shares issued (m):	291.0
Market cap (S\$ m):	1,850.7
Market cap (US\$m):	1,377.1
3-mth avg daily t'over (US\$m):	4.6

Price Performance (%)

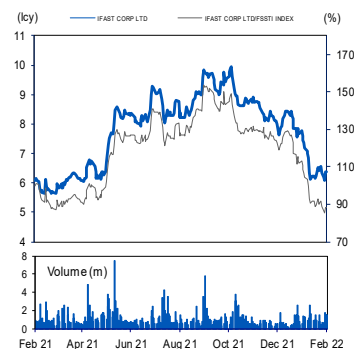
52-week high/low	S\$ 9.94/S\$ 5.65			
1mth	3mth	6mth	1yr	YTD
(17.2)	(27.1)	(27.4)	2.9	(24.3)

Major Shareholders

Lim Chung Chun (CEO)	22.1
Singapore Press Holdings	14.0
Lim Wee Kian	7.1

FY22 NAV/Share (S\$)	0.50
FY22 Net Cash/Share (S\$)	0.24

PRICE CHART



Source: Bloomberg

ANALYST(S)

Clement Ho
+65 6590 6630
clementho@uobkayhian.com

STOCK IMPACT

- **Record net inflows of client assets to provide continued growth in AUA.** AUA growth is expected to remain stable, supported by the continued strength in net inflows of S\$0.76b in 4Q21. This brought 2021 net inflows to S\$3.75b, 19% higher than 2020 (1H21: S\$2.12b).
- **Recent acquisition of UK-based BFC Bank to dampen near-term earnings.** iFAST expects start-up losses at BFC Bank (BFC) to continue in the first couple of years before synergies can be reaped from the acquisition. We have assumed that BFC will continue its burn rate and incur additional overheads of S\$1.5m/year in 2022-23, before achieving breakeven in 2025. This translates to our estimated annual loss of S\$6m (vs S\$4m loss management guidance) for 2022-23 and tapering towards a S\$3m loss in 2024 (vs management guidance for breakeven). Based on the 85% stake, this constitutes 15-16% of our 2022-23 net profit estimates.
- **Hong Kong eMPF project starting to contribute to bottom line.** While iFAST did not provide any breakdown on contract fees derived from the eMPF project, we have penned in a net revenue contribution of S\$4m for 2022, before a larger contribution of S\$6m and S\$27.6m in 2023 and 2024 respectively. Our 2024 net revenue estimate from the eMPF project is deemed conservative, being 20% of management guidance. For the overall Hong Kong market, management is guiding 2024 and 2025 gross revenue of >HK\$1b and HK\$1.5b respectively, vs 2021's HK\$285m; 2024 and 2025 net revenue of >HK\$800m and HK\$1.2b respectively, vs 2021's HK\$142m; and 2024 and 2025 profit before tax (PBT) margin of >15% and >33% respectively, compared with 2021's 34.4%. The guidance from management has conservatively factored a six-month delay on project implementation from May 23 to Nov 23. Investors should note that the eMPF project will not add to overall AUA, but will grow service fee.
- **Further potential catalyst in 1Q22.** Award of the five new digital banking licences in Malaysia is slated to be finalised in 1Q22. iFAST is leading a consortium which has submitted its bid for the licence. iFAST will own a 40% stake in the partnership, with the remaining equity held by Malaysian partners Koperasi Angkatan Tentera Malaysia, THZ Alliance and Mr Lee Thiam Wah, as well as international partner Yillion Fintech. While earnings impact, if awarded, would not be significant in the near term, our view is that the award would spur iFAST towards its 2028 S\$100b AUA target through expanding its breadth of product offerings. Over the longer term, a digital banking license will lift interest income for the iFAST ecosystem.

EARNINGS REVISION/RISK

- Our revenue estimates for 2022-24 have changed -3.6%, +6.1% and +64% to S\$137.2m, S\$150.9m and S\$231.8m respectively, after accounting for the changes as mentioned above.
- Accordingly, net profit estimates for 2022-24 have been lifted 10%, 21% and 125% to S\$36.8m, S\$40.6m and S\$75.3m respectively,

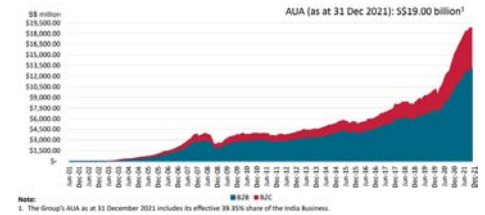
VALUATION/RECOMMENDATION

- **Maintain BUY with a slightly higher DCF-based target price of S\$9.84 (from S\$9.75),** after tweaking our model on changes mentioned above. Assumptions for our DCF model remain unchanged with WACC assumption of 7.0% and terminal growth rate of 2.8%. We believe share price could remain depressed in the near term given the elevated 2022-23 implied PE valuation of 92.3x and 76.8x. However, we remain sanguine post-2024 when valuations narrow to 37.6x, supported by a three-year earnings CAGR of 24.5% for 2024-27.

SHARE PRICE CATALYST

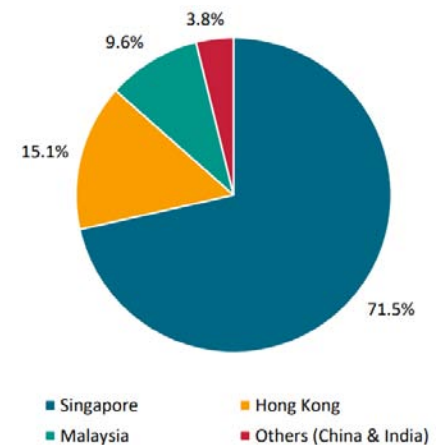
- Stronger-than-expected AUA growth.
- Award of Malaysian digital banking licence.

GROUP AUA AT S\$19.0B AS AT 31 DEC 21



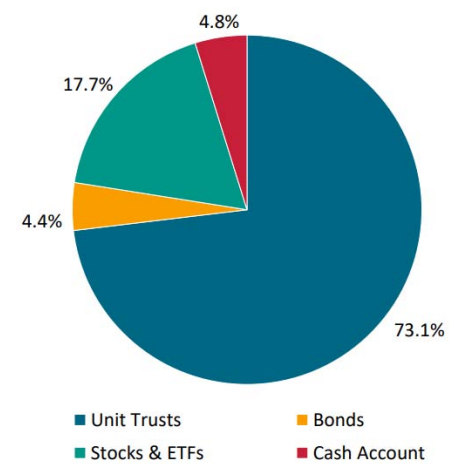
Source: iFAST

AUA BREAKDOWN BY MARKET AS AT 31 DEC 21



Source: iFAST

AUA BREAKDOWN BY PRODUCT AS AT 31 DEC 21



Source: iFAST

PROFIT & LOSS

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Net turnover	216.2	268.0	294.9	388.1
EBITDA	54.0	62.5	70.1	111.7
Deprec. & amort.	18.4	14.5	17.9	22.0
EBIT	35.5	48.0	52.2	89.7
Total other non-operating income	(0.6)	(0.7)	(0.8)	(1.1)
Associate contributions	(0.3)	(0.3)	(0.3)	(0.3)
Net interest income/(expense)	0.1	2.1	2.5	2.8
Pre-tax profit	35.8	49.1	53.6	91.1
Tax	(5.4)	(6.5)	(7.2)	(13.3)
Minorities	0.2	0.3	0.3	0.6
Net profit	30.6	42.9	46.7	78.3
Net profit (adj.)	30.6	42.9	46.7	78.3

BALANCE SHEET

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Fixed assets	21.8	9.0	10.1	11.9
Other LT assets	48.5	47.9	52.3	59.2
Cash/ST investment	44.1	69.5	93.8	108.5
Other current assets	110.5	119.3	124.9	161.0
Total assets	224.9	245.8	281.1	340.7
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	86.6	93.2	101.7	109.6
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	10.6	8.4	6.8	5.7
Shareholders' equity	128.7	145.2	173.7	226.4
Minority interest	(1.0)	(1.0)	(1.0)	(1.0)
Total liabilities & equity	224.9	245.8	281.1	340.7

CASH FLOW

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Operating	46.5	45.3	62.0	69.5
Pre-tax profit	35.8	43.1	47.5	88.1
Tax	(5.2)	(6.5)	(7.2)	(13.3)
Deprec. & amort.	18.4	14.5	17.9	22.0
Associates	0.3	0.3	0.3	0.3
Working capital changes	(9.4)	(12.8)	(3.3)	(34.7)
Non-cash items	6.0	5.9	5.9	5.9
Other operating cashflows	0.6	0.8	0.9	1.2
Investing	(20.2)	(94.5)	(23.3)	(30.6)
Capex (growth)	(19.6)	(21.2)	(23.3)	(30.7)
Investments	(0.7)	(73.4)	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
Financing	(18.9)	74.7	(14.4)	(24.2)
Dividend payments	(12.2)	(20.2)	(12.2)	(22.6)
Issue of shares	0.6	102.6	0.0	0.0
Proceeds from borrowings	5.0	0.0	0.0	0.0
Loan repayment	(5.0)	0.0	0.0	0.0
Others/interest paid	(7.3)	(7.7)	(2.3)	(1.6)
Net cash inflow (outflow)	7.4	25.5	24.3	14.7
Beginning cash & cash equivalent	36.4	44.1	69.5	93.8
Changes due to forex impact	0.2	0.0	0.0	0.0
Ending cash & cash equivalent	44.1	69.6	93.9	108.5

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	25.0	23.3	23.8	28.8
Pre-tax margin	16.6	18.3	18.2	23.5
Net margin	14.2	16.0	15.8	20.2
ROA	12.8	18.2	17.7	25.2
ROE	26.3	31.3	29.3	39.1
Growth				
Turnover	27.2	24.0	10.0	31.6
EBITDA	48.2	15.9	12.2	59.3
Pre-tax profit	41.1	37.1	9.1	70.0
Net profit	44.8	39.9	8.9	67.8
Net profit (adj.)	44.8	39.9	8.9	67.8
EPS	43.0	39.9	8.9	67.8
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(34.3)	(47.9)	(54.0)	(47.9)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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