

### COMPANY RESULTS

## CTOS Digital (CTOS MK)

1Q22: Within Expectations; Demand Recovery Amid Economic Reopening

**CTOS' 1Q22 core net profit of RM16.9m came in within our expectation, mainly reflecting qoq stronger Malaysia and international operations, higher share of associates' profits, lower finance costs and smaller forex losses. With Malaysia shifting towards full economic reopening after the pandemic peak, we expect CTOS to largely benefit from the credit demand recovery and pent-up activations for its digital solutions. Maintain BUY with a target price of RM1.80.**

### 1Q22 RESULTS

Year to 31 Dec (RMm)	1Q22	qoq % chg	yoy % chg
Revenue	42.7	10.0	12.4
Key Accounts	15.4	8.9	23.4
Commercial	23.9	4.2	4.6
Direct-to-business	3.3	101.5	29.5
International B2B	0.0	n.a.	n.a.
Gross Profit	36.4	7.2	8.7
EBITDA	16.8	20.0	15.7
PBT	16.6	20.6	57.6
Tax Expense	(4.1)	107.8	67.4
Net Profit	12.5	5.9	62.2
Core Net Profit	16.9	25.2	3.1
Margins (%)		qoq ppt chg	yoy ppt chg
EBITDA	39.3	3.3	1.1
PBT	38.9	3.4	11.1
Core net profit	39.6	4.8	(3.6)

Source: CTOS Digital, UOB Kay Hian

### RESULTS

- **Within expectations.** CTOS' 1Q22 core net profit came in at RM16.9m (+3.1% yoy, +25.2% qoq), accounting for 21% of our and consensus' full-year estimates. This excludes RM4.4m in exceptional items which comprise provision of tax expenses, interest expense and unrealised forex changes.
- **Declares interim dividend of 0.325 sen.** Meanwhile, the group has announced first interim dividend of 0.325 sen, representing a payout ratio of 60% and in line with the group's minimum dividend policy of 60%.

### KEY FINANCIALS

Year to 31 Dec (RMm)	2020	2021	2022F	2023F	2024F
Net turnover	133	153	176	203	233
EBITDA	38	47	64	74	86
Operating profit	45	51	68	78	90
Net profit (rep./act.)	39	43	82	94	108
Net profit (adj.)	39	60	82	94	108
EPS (sen)	1.8	2.7	3.5	4.0	4.6
PE (x)	85.1	55.6	43.4	37.9	33.0
P/B (x)	30.2	10.9	10.5	9.5	8.7
EV/EBITDA (x)	90.9	73.2	53.9	46.8	40.2
Dividend yield (%)	0.7	0.8	1.4	1.6	1.8
Net margin (%)	29.5	28.1	46.5	46.2	46.2
Net debt/(cash) to equity (%)	(22.5)	(5.6)	(13.4)	(21.0)	(28.4)
Interest cover (x)	9.6	9.1	n.a.	n.a.	n.a.
ROE (%)	41.4	20.6	25.4	26.4	27.5
Consensus net profit	-	-	81	95	110
UOBKH/Consensus (x)	-	-	1.01	0.99	0.98

Source: CTOS Digital, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	RM1.52
Target Price	RM1.80
Upside	+18.4%

### COMPANY DESCRIPTION

CTOS is mainly involved in the business of credit reporting, digital software-related services, software development, outsourcing and training services, and investment holding. It also facilitates credit extension and commercialises credit risk management.

### STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	CTOS MK
Shares issued (m):	2,310.0
Market cap (RMm):	3,511.2
Market cap (US\$m):	811.8
3-mth avg daily t'over (US\$m):	1.9

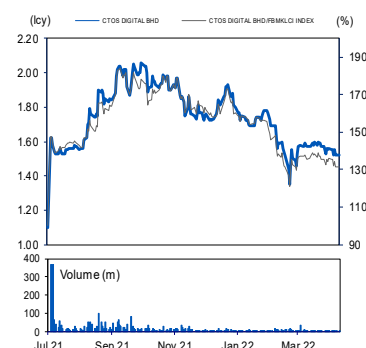
### Price Performance (%)

52-week high/low	RM2.06/RM1.10			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(3.2)	(13.1)	(20.4)	n.a.	(16.0)

### Major Shareholders

Inodes	30.26
Employees Provident Fund Board	6.28
Chung Tze Keong	4.29
Chung Tze Wen	4.29
FY22 NAV/Share (RM)	0.14
FY22 Net Cash/Share (RM)	0.02

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

**Jack Goh**  
+603 2147 1983  
jackgoh@uobkayhian.com

• **Top-line surged 12% yoy, lifted by stronger Malaysia and international operations.** In 1Q22, CTOS recorded impressive revenue of RM42.7m (+12.4% yoy, +10.0% qoq), mainly reflecting strong growth for all three business segments in the Malaysian operations as well as stellar international operations. For the Malaysian operations, EBITDA grew 23.1% qoq as strong demand in CTOS' Data Systems reports and digital solutions lifted Key Accounts and direct-to-consumer segments' revenue growth. Meanwhile, international operations recorded a higher segment profit (+11.7% qoq) due to higher bulk data sales.

### STOCK IMPACT

• **Poised for a stellar growth proposition in 2022-24.** CTOS is poised to record a stellar three-year net profit CAGR of 22% in 2022-24, mainly driven by: a) broadening of data assets which will move up its value chain and deepen its share of wallets in the credit bureau industry, b) further vertical expansion and deployment of new solutions into other economy sectors, c) synergies and incremental revenue from newly-acquired associates – BOL, Juristech and Basis, d) meaningful credit growth which spurs demand for credit and risk information solutions, and e) CTOS' distinctive advantages when combining traditional datasets with advanced analytics.

• **Prospective credit growth post economy reopening to benefit CTOS.** With Malaysia shifting away from pandemic-induced disruptions towards full economy reopening, we anticipate that the progressive economic recovery will accelerate loans growth momentum and stimulate more commercial lending. To note, BNM is forecasting a resilient 5.3-6.3% GDP growth for Malaysia in 2022. Furthermore, we also expect meaningful expansion of marketplace and credit demand recovery following the international borders reopening, which will in turn result in pent-up activations and potential income pulls to CTOS for its various business analytic and credit assessment solutions. Tracing this positive GDP and loans momentum, we expect CTOS to chart strong revenue growth of 15% in 2022-23.

• **Strategic acquisitions to further fuel CTOS' ecosystem and regional growth.** To recall, CTOS completed stake acquisitions in BOL, RAM Holdings, and Juristech within the past three years to further enhance its position as an established multinational platform. BOL (CTOS has 24.825% stake) provides CTOS a foothold in the fast growing Thailand market, given its significant position (59% market share) and extensive database with over 1.6m local business records. Meanwhile, CTOS' acquisition of a 8.13% stake in RAM, which is the market leader in Malaysian bonds credit rating, strategically expanded CTOS' product ranges and allows cross-selling to existing customer bases. As for Juristech (CTOS has 49% stake), we deem that this strategic acquisition will enhance CTOS' ability to address the emerging digital lending space and expect Juristech to immediately contribute to about 18% of CTOS' 2022F net profit post-acquisition.

### EARNINGS REVISION/RISK

• **None.**

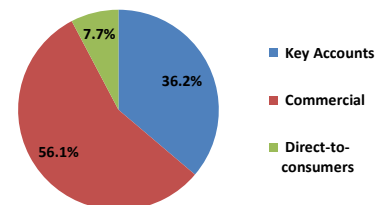
### VALUATION/RECOMMENDATION

• **Maintain BUY with unchanged target price of RM1.80,** as recent share price retracement which created a more favorable investment opportunity from risk-reward perspective. Our target price implies a 45x 2023F PE (+0.5SD above mean). We reckoned that CTOS trading in premium to the industry's three-year PE mean of 37x is justifiable, given its multi-year robust growth story and it being the direct proxy to growing demand for credit reporting in Malaysia.

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

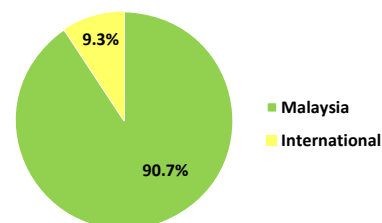
<p>• <b>Environmental</b></p> <ul style="list-style-type: none"> <li>- No environmental issues which may materially impact biodiversity or climate change in any significant way.</li> </ul>
<p>• <b>Social</b></p> <ul style="list-style-type: none"> <li>- Conducted over 200 financial education roadshows for consumers in Malaysia.</li> </ul>
<p>• <b>Governance</b></p> <ul style="list-style-type: none"> <li>- Comprehended and applied Malaysian Code on Corporate Governance (MCCG).</li> </ul>

### REVENUE BY SEGMENT (1Q22)



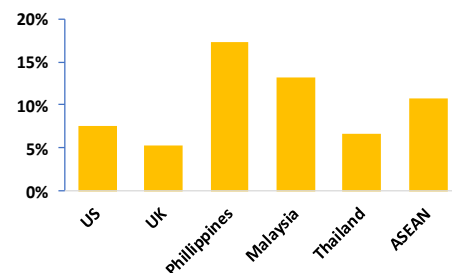
Source: CTOS, UOB Kay Hian

### SEGMENTAL PROFIT BY GEOGRAPHY (1Q22)



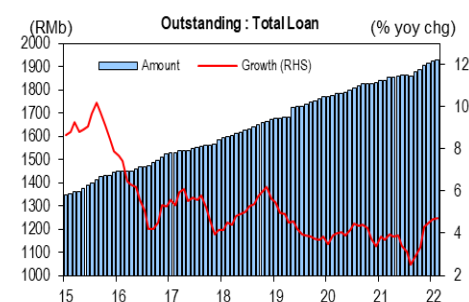
Source: CTOS, UOB Kay Hian

### CREDIT REPORTING INDUSTRY CAGR (2022-2025F)



Source: IDC Malaysia, CTOS, UOB Kay Hian

### MALAYSIA TOTAL LOANS GROWTH (STEAL FROM KEITH BANK REPORT)



Source: BNM, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (RMm)	2021	2022F	2023F	2024F
Net turnover	153	176	203	233
EBITDA	47	64	74	86
Deprec. & amort.	(4)	(4)	(4)	(4)
EBIT	51	68	78	90
Associate contributions	7	19	21	24
Net interest income/(expense)	(5)	0	0	0
Pre-tax profit	53	86	99	114
Tax	(9)	(5)	(5)	(6)
Minorities	(1)	0	0	0
Net profit	43	82	94	108
Net profit (adj.)	60	82	94	108

### BALANCE SHEET

Year to 31 Dec (RMm)	2021	2022F	2023F	2024F
Fixed assets	19	20	20	21
Other LT assets	272	272	273	273
ST debt	n.a.	n.a.	n.a.	n.a.
LT debt	n.a.	n.a.	n.a.	n.a.
Cash/ST investment	17	45	78	117
Other current assets	53	57	61	66
Total assets	361	394	432	477
Other current liabilities	40	43	47	54
Other LT liabilities	13	13	13	13
Shareholders' equity	308	338	372	411
Total liabilities & equity	361	394	432	477

### CASH FLOW

Year to 31 Dec (RMm)	2021	2022F	2023F	2024F
Operating	62	82	94	108
Pre-tax profit	52	86	99	114
Tax	(9)	(5)	(5)	(6)
Deprec. & amort.	8	4	4	4
Associates	(7)	(19)	(21)	(24)
Working capital changes	3	4	0	0
Non-cash items	(9)	11	18	20
Investing	(101)	(5)	(5)	(5)
Capex (growth)	(5)	(5)	(5)	(5)
Investments	(55)	(241)	0	0
Proceeds from sale of assets	0	0	0	0
Others	(41)	241	0	0
Financing	31	(49)	(56)	(65)
Dividend payments	(41)	(49)	(56)	(65)
Proceeds from borrowings	32	0	0	0
Loan repayment	(171)	0	0	0
Others/interest paid	210	0	0	0
Net cash inflow (outflow)	(8)	28	33	38
Beginning cash & cash equivalent	25	17	45	78
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	17	45	78	117

### KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
<b>Profitability</b>				
EBITDA margin	30.9	36.5	36.6	37.0
Pre-tax margin	34.6	49.1	48.8	48.8
Net margin	28.1	46.5	46.2	46.2
ROA	13.6	21.7	22.6	23.7
ROE	20.6	25.4	26.4	27.5
<b>Growth</b>				
Turnover	15.0	15.0	15.0	15.0
EBITDA	24.1	36.0	15.1	16.5
Pre-tax profit	23.8	63.2	14.3	15.0
Net profit	9.6	90.0	14.3	15.0
Net profit (adj.)	53.1	36.1	14.3	15.0
EPS	53.1	28.1	14.3	15.0
<b>Leverage</b>				
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	(5.6)	(13.4)	(21.0)	(28.4)
Interest cover (x)	9.1	n.a.	n.a.	n.a.

## Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

**This report is prepared for general circulation.** It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

**IMPORTANT DISCLOSURES FOR U.S. PERSONS**

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

### Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2022, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W