

COMPANY RESULTS

iFAST Corporation (IFAST SP)

1Q22: Sequential Slowdown In AUA From Key Market Singapore

AUA declined sequentially to S\$18.63b (+15.6% yoy, -1.9% qoq), as key market Singapore (71% of overall AUA) saw redemptions mainly from the B2C segment due to the volatile global equity and bond markets. Management still expects a moderate growth in 2022 net revenue as a whole, but also expects profitability to narrow due to higher opex arising from the new ePension division in Hong Kong. Downgrade to HOLD with lowered target price of S\$5.17 (from S\$9.84). Entry price: S\$4.40.

RESULTS

Year to 31 Dec (S\$m)	1Q22	1Q21	yoy % chg	4Q21	qoq % chg
Revenue	52.5	55.3	(5.1)	54.6	(3.8)
Net revenue	28.2	28.5	(1.2)	28.2	Flat
Net revenue margin (%)	53.6	51.5	2.1ppt	51.8	1.8ppt
PATMI	5.7	8.8	(34.9)	7.2	(20.8)
PATMI margin (%)	10.9	15.9	(5.0ppt)	13.2	(2.3ppt)

Source: iFast, UOB Kay Hian.

RESULTS

- 1Q22 results weaker than expected.** 1Q22 net revenue of S\$28.2m (-1.2% yoy) was mainly dragged by a 18.7% decline in non-recurring net revenue, as a result of less trading volume which translated to lower transaction fees. Operating expenses rose 10.4% to S\$21.1m due to increased investment and preparation for its next growth phase under its Four-Year Plan. Accordingly, PATMI declined 34.9% yoy to S\$5.7m. The first interim DPS was maintained at S\$0.01, representing a 51% payout ratio (1Q21: 31%).
- AUA saw a decline in 1Q22.** Assets Under Administration (AUA) for iFAST Corporation (iFAST) declined sequentially to S\$18.63b (+15.6% yoy, -1.9% qoq), as key market Singapore saw redemptions mainly from the B2C segment due to the volatile global equity and bond markets. The negative impact arising from weak market sentiment began in 4Q21 with AUA growth slowing down to +3% (3Q21: +4.8%, 2Q21: +8.9%). The decline in its main driver, AUA, is a major contributing factor for us to switch our near-term view on iFAST with a negative bias.
- New ePension division to contribute more meaningfully in 2023.** We are expecting more meaningful contributions stemming from the ePension division starting in 2023. Management has now provided guidance for the division to commence in 2023 compared to 2024 previously, and our penned estimates are lower than the guided targets. For 2023 and 2024, we are estimating net revenue contribution of S\$25m and S\$100m from the ePension division, accounting for 15% and 33% of group net revenue. This is expected to drive the group's net revenue and operating scalability going forward.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2020	2021	2022F	2023F	2024F
Net turnover	170	216	268	332	509
EBITDA	36	54	63	79	161
Operating profit	21	36	48	61	138
Net profit (rep./act.)	21	31	43	54	119
Net profit (adj.)	21	31	43	54	119
EPS (S\$ cents)	7.5	10.7	14.9	18.8	41.4
PE (x)	75.9	53.1	37.9	30.2	13.7
P/B (x)	14.8	12.2	11.3	9.2	6.3
EV/EBITDA (x)	43.6	29.4	25.4	20.1	9.9
Dividend yield (%)	0.6	0.8	1.2	0.9	2.1
Net margin (%)	12.4	14.2	16.0	16.2	23.4
Net debt/(cash) to equity (%)	(35.0)	(34.3)	(47.9)	(51.3)	(41.9)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	21.8	26.3	31.3	33.3	54.2
Consensus net profit	-	-	35	47	67
UOBKH/Consensus (x)	-	-	1.21	1.15	1.77

Source: Bloomberg, UOB Kay Hian

HOLD

(Downgraded)

Share Price	S\$5.66
Target Price	S\$5.17
Upside	-8.7%
(Previous TP)	S\$9.84

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):	292.9
Market cap (S\$ m):	1,657.9
Market cap (US\$m):	1,212.3
3-mth avg daily t'over (US\$m):	3.7

Price Performance (%)

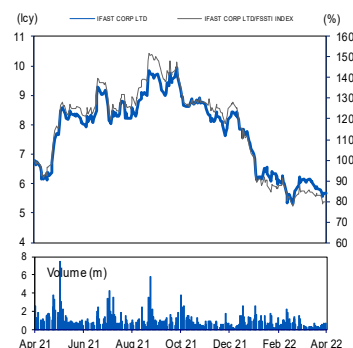
52-week high/low	S\$ 9.94/S\$ 5.29			
1mth	3mth	6mth	1yr	YTD
(3.9)	(21.3)	(41.0)	(8.4)	(32.6)

Major Shareholders

	%
Lim Chung Chun (CEO)	20.9
Singapore Press Holdings	13.3
Lim Wee Kian	6.7

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

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- **Negative near-term as AUA deteriorates.** AUA growth has been the lead driver for iFAST, which translated to greater operating scalability for earnings growth. Due to negative market effects, the deterioration is expected to lead to a valuation de-rating in the near-term before the new ePension division starts to contribute more meaningfully in 2023. Over the longer term, we remain positive on iFAST as we believe the group's strategy to increase its scale through product offerings and geographical reach would provide superior competitive advantage in the Asian region.
- **Higher operating expenses a near-term pain, but long-term gain.** Recent corporate developments include the acquisition of UK-based BFC Bank (now renamed as iFAST Global Bank) and the award of the Hong Kong pension project. As a result, iFAST has been increasing its spending on IT and related technology security services to support future growth, as well as additional operating costs on the Hong Kong pension project.

EARNINGS REVISION/RISK

- We have adjusted our 2023 and 2024 revenue estimates higher based on greater clarity for the ePension division. From S\$150.9m and S\$231.8m, we have raised our estimates higher by 13% and 31% to S\$169.8m and S\$303.8m respectively.
- Accordingly, net profit estimates for 2023-24 have been lifted by 18% and 54% to S\$47.9m and S\$115.9m respectively.

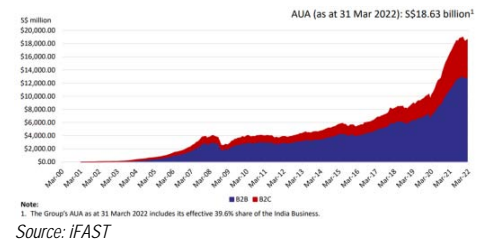
VALUATION/RECOMMENDATION

- **Downgrade to HOLD with lower target price of S\$5.17 (from S\$9.84).** We have changed our valuation methodology from DCF to PE, due to the slowdown in iFAST's main driver, AUA. The valuation peg of 40.3x 2022F PE is +2SD above its historical five-year PE range. However, we remain sanguine post-2023 when valuation is expected to narrow to 30.2x, supported by a three-year earnings CAGR of 48.7% for 2022-25.

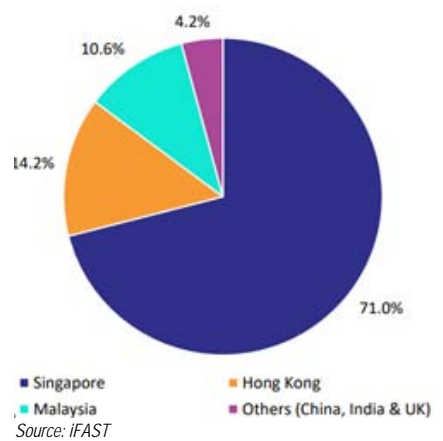
SHARE PRICE CATALYST

- Return to growth in AUA.
- Earlier-than-expected contribution from ePension division.

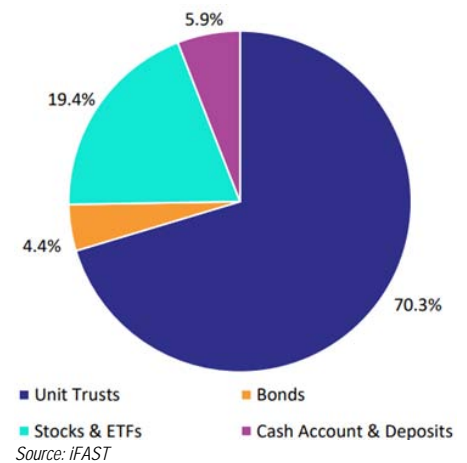
GROUP AUA AT S\$18.63b AS AT 31 MAR 22



AUA BREAKDOWN BY MARKET AS AT 31 MAR 22



AUA BREAKDOWN BY PRODUCT AS AT 31 MAR 22



PROFIT & LOSS

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Net turnover	216.2	268.0	331.8	508.7
EBITDA	54.0	62.5	78.9	160.7
Deprec. & amort.	18.4	14.5	18.1	23.2
EBIT	35.5	48.0	60.8	137.5
Total other non-operating income	(0.6)	(0.7)	(0.9)	(1.4)
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	62.0	138.5
Tax	(5.4)	(6.5)	(8.5)	(20.5)
Minorities	0.2	0.3	0.4	0.9
Net profit	30.6	42.9	53.9	118.9
Net profit (adj.)	30.6	42.9	53.9	118.9

CASH FLOW

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Operating	46.5	45.3	65.0	93.8
Pre-tax profit	35.8	43.1	56.0	135.5
Tax	(5.2)	(6.5)	(8.5)	(20.5)
Deprec. & amort.	18.4	14.5	18.1	23.2
Associates	0.3	0.3	0.3	0.3
Working capital changes	(9.4)	(12.8)	(7.9)	(52.2)
Non-cash items	6.0	5.9	5.9	5.9
Other operating cashflows	0.6	0.8	1.0	1.5
Investing	(20.2)	(94.5)	(26.2)	(40.1)
Capex (growth)	(19.6)	(21.2)	(26.2)	(40.2)
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	(16.6)	(36.3)
Dividend payments	(12.2)	(20.2)	(14.4)	(34.8)
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	22.2	17.3
Beginning cash & cash equivalent	36.4	44.1	69.5	91.7
Changes due to forex impact	0.2	0.0	0.0	0.0
Ending cash & cash equivalent	44.1	69.6	91.7	109.0

BALANCE SHEET

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Fixed assets	21.8	9.0	10.7	14.6
Other LT assets	48.5	47.9	54.4	67.8
Cash/ST investment	44.1	69.5	91.7	108.9
Other current assets	110.5	119.3	141.9	216.5
Total assets	224.9	245.8	298.7	407.9
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	86.6	93.2	114.2	143.4
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	178.8	259.9
Minority interest	(1.0)	(1.0)	(1.0)	(1.0)
Total liabilities & equity	224.9	245.8	298.7	407.9

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	25.0	23.3	23.8	31.6
Pre-tax margin	16.6	18.3	18.7	27.2
Net margin	14.2	16.0	16.2	23.4
ROA	12.8	18.2	19.8	33.7
ROE	26.3	31.3	33.3	54.2
Growth				
Turnover	27.2	24.0	23.8	53.3
EBITDA	48.2	15.9	26.2	103.7
Pre-tax profit	41.1	37.1	26.3	123.4
Net profit	44.8	39.9	25.7	120.6
Net profit (adj.)	44.8	39.9	25.7	120.6
EPS	43.0	39.9	25.7	120.6
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)	(51.3)	(41.9)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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