

COMPANY RESULTS

iFAST Corporation (IFAST SP)

2Q23: AUA Hits Second-Highest Level; Pivoting To Fast Earnings Growth

iFAST achieved its second-highest end-quarter AUA level, which grew to S\$18.8b (+6.3% yoy, +3.7% qoq). This was driven mainly by the Singapore and Malaysia markets hitting record-high AUA. The net inflow of client assets will continue to support AUA growth in 2H23 while the Hong Kong eMPF project is reporting steady progress in development. We remain conservative on iFAST as markets and investor sentiments continue to be volatile. Maintain HOLD. Target price: S\$4.81.

2023 RESULTS

| Year to 31 Dec (\$m) | 2023 | 2022 | yoy % chg | 1H23 | 1H22 | yoy % chg |
|------------------------|------|-------|-----------|-------|-------|-----------|
| Revenue | 54.2 | 53.9 | 0.5 | 108.1 | 106.8 | 1.2 |
| Net revenue | 31.8 | 29.9 | 6.5 | 62.8 | 58.4 | 7.5 |
| Net revenue margin (%) | 58.7 | 55.5 | 3.2ppt | 58.1 | 54.7 | 3.4ppt |
| PATMI | 3.3 | (2.9) | n.a. | 6.0 | 2.8 | 117.6 |
| PATMI margin (%) | 6.1 | n.a. | n.a. | 5.6 | 5.1 | 0.5ppt |

Source: iFAST

RESULTS

- Results in line with expectations, AUA reaches second-highest level in company's history.** iFAST Corporation's (iFAST) 1H23 PATMI is in line with our expectations, making up 43% of our full-year estimates excluding 2H23 Hong Kong eMPF project contributions. Assets under administration (AUA) for iFAST has been growing steadily, reaching the company's second-highest record level. The record dates back to end-21, when AUA hit S\$19.0b. Group AUA reached S\$18.8b as at 30 Jun 23, growing 6.3% yoy and 3.7% qoq (31 Dec 22: S\$17.4b). The Singapore market remains the main growth driver for the group, constituting S\$13.8b in AUA (+9.8% yoy; +4.4% qoq), supported by the higher client base across both the business-to-business (B2B) and business-to-consumer (B2C) divisions. In particular, the AUA for the B2B division achieved a record-high during the quarter. For unit trusts, AUA grew to S\$12.4b (+0.8% yoy), accounting for 65.9% of overall AUA.
- Net inflow of client assets demonstrates sustainability.** Going forward, AUA growth in 2H23 is expected to remain stable, supported by the continued positive net inflow of S\$872m in 1H23 (2H22: S\$863m; 1H22: S\$1.3b).
- Operating leverage improving, dividend maintained.** Profitability for iFAST improved on the back of higher net revenue from non-banking operations. For 2Q23, net revenue rose 6.5% yoy to S\$31.8m, while EBIT and PATMI grew at a faster pace of 45.9% and 32.0% to S\$5.1m and S\$3.3m respectively (excluding the S\$5.2m impairment loss related to its exit from India). Correspondingly, EBIT margin (based on net revenue) and PATMI margin expanded to 16.0% (+4.3ppt yoy) and 6.1% (+1.4ppt yoy). The positive operating leverage is expected to be maintained as AUA continues to grow. Second interim dividend was maintained at 1.1 S cents (2Q22: 1.1 S cents).

KEY FINANCIALS

| Year to 31 Dec (\$m) | 2021 | 2022 | 2023F | 2024F | 2025F |
|-------------------------------|--------|--------|---------|--------|--------|
| Net turnover | 216 | 205 | 270 | 391 | 479 |
| EBITDA | 54 | 32 | 43 | 69 | 108 |
| Operating profit | 36 | 12 | 28 | 50 | 83 |
| Net profit (rep./act.) | 30 | 6 | 29 | 50 | 84 |
| Net profit (adj.) | 30 | 6 | 29 | 50 | 84 |
| EPS (S\$ cents) | 10.5 | 2.1 | 9.7 | 16.6 | 27.9 |
| PE (x) | 46.9 | 231.2 | 50.8 | 29.6 | 17.6 |
| P/B (x) | 10.6 | 6.5 | 5.9 | 5.2 | 4.3 |
| EV/EBITDA (x) | 24.6 | 41.0 | 30.9 | 19.3 | 12.3 |
| Dividend yield (%) | 1.0 | 1.0 | 0.6 | 1.0 | 1.8 |
| Net margin (%) | 13.9 | 3.1 | 10.8 | 12.8 | 17.6 |
| Net debt/(cash) to equity (%) | (34.3) | (62.4) | (55.2) | (36.7) | (33.9) |
| Interest cover (x) | n.a. | n.a. | 1,542.0 | n.a. | n.a. |
| ROE (%) | 25.9 | 3.7 | 12.6 | 19.2 | 27.4 |
| Consensus net profit | - | - | 23 | 50 | 73 |
| UOBKH/Consensus (x) | - | - | 1.30 | 1.01 | 1.15 |

Source: Bloomberg, UOB Kay Hian

HOLD

(Maintained)

| | |
|--------------|---------|
| Share Price | S\$4.92 |
| Target Price | S\$4.81 |
| Upside | -2.1% |

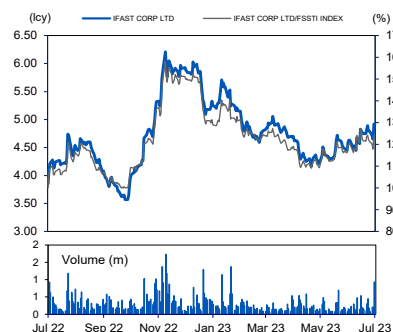
COMPANY DESCRIPTION

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): | 295.6 | | | |
| Market cap (S\$ m): | 1,454.1 | | | |
| Market cap (US\$m): | 1,096.2 | | | |
| 3-mth avg daily t'over (US\$m): | 0.8 | | | |
| Price Performance (%) | | | | |
| 52-week high/low | S\$ 6.21/S\$ 3.57 | | | |
| 1mth | 3mth | 6mth | 1yr | YTD |
| 10.6 | 5.1 | (7.7) | 26.2 | (15.8) |
| Major Shareholders | % | | | |
| Lim Chung Chun (CEO) | 20.1 | | | |
| Singapore Press Holdings | 13.2 | | | |
| Lim Wee Kian | 6.7 | | | |
| FY23 NAV/Share (S\$) | 0.83 | | | |
| FY23 Net Cash/Share (S\$) | 0.46 | | | |

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- UK-based banking operations continue to dampen near-term earnings.** iFAST Global Bank (iGB) has incurred a S\$2.2m loss in 2Q23, bringing 1H23 loss to S\$3.9m (1H22: S\$0.95m loss). Management continues to scale up the banking operation with the recent launch of its Digital Personal Banking platform on 24 Apr 23, an online site and mobile application for customers to open an account for deposit services. Following the launch, management reports that customers from over 30 countries have applied for account openings. As management continues to expand iGB's product offerings, they expect profitability by 2H24.
- Steady progress reported on Hong Kong eMPF project, profitability targets unchanged.** The Mandatory Provident Fund Schemes Authority (MPFA) in Hong Kong recently provided insights into the progress of the eMPF project on 16 Jul 23. The platform's software development has been reported to be largely completed, with testing phase expected to be completed within the year. The platform remains slated to be fully operational per the initial scheduled timeframe of end-25. For the overall Hong Kong market, management is maintaining its Apr 22 guidance - 2024 and 2025 net revenues of >HK\$900m (S\$153m) and HK\$1.3b (S\$222m) respectively, vs 2022's HK\$142m (S\$24m) and 2024 and 2025 profit before tax margins of >22% and >31% respectively, vs 2022's 18.9%. As the ePension division is mostly immune to market volatility, the group's results are forecasted to improve in the long term.
- ORSO ePension Services to contribute to Hong Kong's AUA from 1Q25.** On 28 Jun 23, iFAST's Hong Kong subsidiary launched ORSO ePension services, a one-stop digital pension solution for Hong Kong Occupational Retirement Schemes Ordinance (ORSO) Pension schemes. Following its launch, management has been in talks with potential business partners, and expects the new service to contribute materially to Hong Kong's AUA and therefore to the top-line and bottom line figures from 1Q25.

EARNINGS REVISION/RISK

- We have raised our 2025 earnings forecast,** based on material contributions from the Hong Kong eMPF project and ORSO ePension services. We have adjusted our 2025 PATMI by 37% to account for effective execution of the new business.

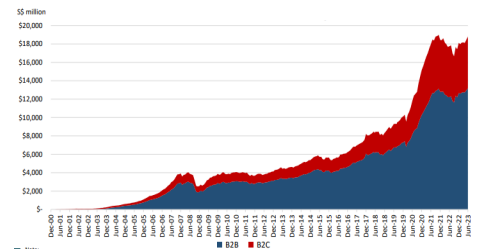
VALUATION/RECOMMENDATION

- Maintain HOLD with a PE-based target price of S\$4.81,** pegged to 28x 2024F EPS, or 0.5SD below its five-year historical mean to account for the more volatile and challenging market environment. Also, the PE multiple should reduce in 2024 as iFAST's earnings reach a more stable high base upon more meaningful contributions from the Hong Kong eMPF business.

SHARE PRICE CATALYST

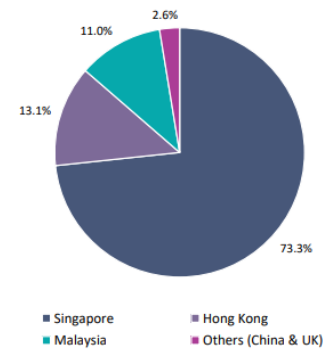
- ePension division contributions from 4Q23.
- Expansion of iGB's product offerings.

GROUP AUA AT S\$18.8B AS AT 30 JUN 23



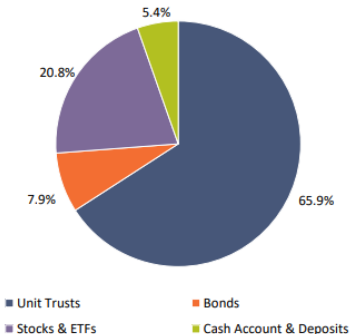
Source: iFAST

AUA BY MARKET AS AT 30 JUN 23



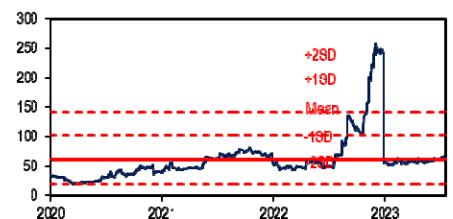
Source: iFAST

AUA BY PRODUCT AS AT 30 JUN 23



Source: iFAST

FORWARD PE BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

| Year to 31 Dec (\$Sm) | 2022 | 2023F | 2024F | 2025F |
|----------------------------------|--------------|--------------|--------------|--------------|
| Net turnover | 205.3 | 270.3 | 391.3 | 478.6 |
| EBITDA | 32.4 | 43.1 | 68.9 | 108.3 |
| Deprec. & amort. | 20.8 | 14.6 | 19.3 | 25.0 |
| EBIT | 11.6 | 28.4 | 49.6 | 83.2 |
| Total other non-operating income | (0.3) | (1.0) | (1.6) | (2.0) |
| Associate contributions | 0.3 | 0.3 | 0.3 | 0.3 |
| Net interest income/(expense) | 3.1 | (0.0) | 0.2 | 0.9 |
| Pre-tax profit | 10.8 | 29.0 | 49.8 | 83.7 |
| Tax | (5.4) | (4.7) | (8.1) | (13.6) |
| Minorities | 1.1 | 4.9 | 8.4 | 14.1 |
| Net profit | 6.4 | 29.2 | 50.1 | 84.2 |
| Net profit (adj.) | 6.4 | 29.2 | 50.1 | 84.2 |

CASH FLOW

| Year to 31 Dec (\$Sm) | 2022 | 2023F | 2024F | 2025F |
|---|---------------|---------------|---------------|---------------|
| Operating | 47.4 | 31.1 | 15.7 | 76.2 |
| Pre-tax profit | 10.8 | 29.0 | 49.8 | 83.7 |
| Tax | (7.0) | (4.7) | (8.1) | (13.6) |
| Deprec. & amort. | 20.8 | 14.6 | 19.3 | 25.0 |
| Associates | (0.3) | (0.3) | (0.3) | (0.3) |
| Working capital changes | 7.0 | (19.5) | (57.7) | (31.7) |
| Non-cash items | 10.6 | 10.6 | 10.6 | 10.6 |
| Other operating cashflows | 5.5 | 1.4 | 2.1 | 2.5 |
| Investing | (16.6) | (21.3) | (30.9) | (37.8) |
| Capex (growth) | (15.0) | (21.4) | (30.9) | (37.8) |
| Investments | (1.6) | 0.0 | 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 | 90.9 | (14.7) | (16.6) | (26.4) |
| Dividend payments | (14.1) | (8.8) | (15.0) | (25.3) |
| Issue of shares | 101.1 | 0.0 | 0.0 | 0.0 |
| Proceeds from borrowings | 12.2 | 0.0 | 0.0 | 0.0 |
| Loan repayment | 0.0 | 0.0 | 0.0 | 0.0 |
| Others/interest paid | (8.3) | (5.9) | (1.6) | (1.1) |
| Net cash inflow (outflow) | 121.7 | (4.9) | (31.8) | 12.1 |
| Beginning cash & cash equivalent | 44.1 | 151.1 | 146.2 | 114.3 |
| Changes due to forex impact | (14.7) | 0.0 | 0.0 | 0.0 |
| Ending cash & cash equivalent | 151.1 | 146.2 | 114.4 | 126.4 |

BALANCE SHEET

| Year to 31 Dec (\$Sm) | 2022 | 2023F | 2024F | 2025F |
|---------------------------------------|--------------|--------------|--------------|--------------|
| Fixed assets | 16.4 | 2.4 | 6.2 | 10.1 |
| Other LT assets | 114.1 | 65.8 | 73.8 | 82.9 |
| Cash/ST investment | 151.1 | 146.2 | 114.3 | 126.4 |
| Other current assets | 177.0 | 152.8 | 214.9 | 263.9 |
| Total assets | 458.5 | 367.2 | 409.3 | 483.2 |
| ST debt | 12.2 | 12.2 | 12.2 | 12.2 |
| Other current liabilities | 207.5 | 97.3 | 105.3 | 121.1 |
| LT debt | 0.0 | 0.0 | 0.0 | 0.0 |
| Other LT liabilities | 8.1 | 6.6 | 5.5 | 4.7 |
| Shareholders' equity | 222.5 | 242.9 | 278.0 | 337.0 |
| Minority interest | 8.2 | 8.2 | 8.2 | 8.2 |
| Total liabilities & equity | 458.5 | 367.2 | 409.3 | 483.2 |

KEY METRICS

| Year to 31 Dec (%) | 2022 | 2023F | 2024F | 2025F |
|---------------------------|--------|---------|--------|--------|
| Profitability | | | | |
| EBITDA margin | 15.8 | 15.9 | 17.6 | 22.6 |
| Pre-tax margin | 5.2 | 10.7 | 12.7 | 17.5 |
| Net margin | 3.1 | 10.8 | 12.8 | 17.6 |
| ROA | 1.9 | 7.1 | 12.9 | 18.9 |
| ROE | 3.7 | 12.6 | 19.2 | 27.4 |
| Growth | | | | |
| Turnover | (5.0) | 31.6 | 44.8 | 22.3 |
| EBITDA | (40.0) | 32.9 | 60.0 | 57.2 |
| Pre-tax profit | (69.5) | 169.8 | 71.6 | 67.9 |
| Net profit | (78.7) | 354.8 | 71.6 | 67.9 |
| Net profit (adj.) | (78.7) | 354.8 | 71.6 | 67.9 |
| EPS | (79.7) | 354.8 | 71.6 | 67.9 |
| Leverage | | | | |
| Debt to total capital | 5.0 | 4.6 | 4.1 | 3.4 |
| Debt to equity | 5.5 | 5.0 | 4.4 | 3.6 |
| Net debt/(cash) to equity | (62.4) | (55.2) | (36.7) | (33.9) |
| Interest cover (x) | n.a. | 1,542.0 | n.a. | n.a. |

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