

COMPANY RESULTS

**iFAST Corporation (IFAST SP)**

4Q23: Second Consecutive Record AUA; HK ePension Division Drives Growth

iFAST's reported a surge in 4Q23 earnings (+917.1% yoy), bringing 2023 PATMI to S\$28.3m (+340% yoy) and beating our expectations by 18%. This is mainly driven by the initial four-month contributions from the HK ePension division and growth in its core wealth management platform. Record-breaking AUA of S\$19.8b (+13.8% yoy) was also achieved for the second consecutive quarter since end-21. Maintain HOLD with a 30% higher target price of S\$8.56 (S\$6.56 previously).

RESULTS

Year to 31 Dec (S\$m)	4Q23	4Q22	yoy % chg	2023	2022	yoy % chg
Revenue	82.2	48.5	69.3	256.5	208.9	22.8
Net revenue	57.1	29.8	92.0	161.7	118.2	36.7
Net revenue margin (%)	69.5	61.4	8.1ppt	63.0	56.6	6.5ppt
PATMI	13.2	1.3	917.1	28.3	6.4	340.0
PATMI margin (%)	16.1	2.7	13.4ppt	11.0	3.1	7.9ppt

Source: iFast

RESULTS

- Results above expectations.** iFAST Corporation (iFAST) reported hypergrowth in earnings, with 4Q23 PATMI of S\$13.2m (+917.1% yoy; +61.0% qoq), bringing 2023 PATMI to S\$28.3m (+340.0% yoy) and beating our full-year forecast by 18%. Excluding the S\$5.2m impairment loss associated with iFAST's exit from the India business, 2023 PATMI still increased significantly by 143.3% yoy, mainly driven by higher net revenue from non-banking operations (+94.3% yoy). In 4Q23, net revenue rose 92% yoy and 36.9% qoq to S\$57.1m, mainly due to the Hong Kong ePension division and the continued growth of iFAST's core wealth management platform business.
- Record-high AUA achieved; net inflows remain positive.** Assets under administration (AUA) for iFAST reached S\$19.8b as at 31 Dec 23 (+13.8% yoy; +3.6% qoq), achieving a record high for the second consecutive quarter since end-21. The Singapore market continues to be the key driver for growth, contributing another record-breaking S\$14.5b in AUA (+14.3% yoy; +3.8% qoq). The AUA for Singapore's B2B division also hit another record high, growing 9.5% yoy. With the current interest rate environment, bonds and cash accounts & deposits were the growth drivers, making up 11% (+1.1ppt qoq) and 6% (+0.8ppt qoq) of group AUA respectively. For unit trusts, AUA remained steady at S\$12.5b, accounting for 63% of group AUA. We note that net inflows of client assets remained positive at S\$334m in 4Q23 and S\$1.96b in 2023.
- Final dividend maintained.** iFAST proposed a similar fourth and final dividend of 1.4 S cents (4Q22: 1.4 S cents), bringing the full-year dividend to 4.8 S cents (FY22: 4.8 S cents). This represents a 50.1% payout ratio (FY22: 120.9%).

KEY FINANCIALS

Year to 31 Dec (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	205	243	332	414	422
EBITDA	32	52	77	114	123
Operating profit	12	28	52	86	90
Net profit (rep./act.)	6	28	49	83	84
Net profit (adj.)	6	28	49	83	84
EPS (S\$ cents)	2.1	9.3	16.2	27.1	27.6
PE (x)	391.9	89.5	51.4	30.8	30.2
P/B (x)	11.0	9.8	8.6	7.2	6.1
EV/EBITDA (x)	65.0	40.7	27.3	18.4	17.2
Dividend yield (%)	0.6	0.6	0.6	1.0	1.0
Net margin (%)	3.1	11.7	14.9	20.0	19.9
Net debt/(cash) to equity (%)	(62.4)	(130.0)	(129.6)	(116.5)	(115.0)
Interest cover (x)	n.a.	65.2	n.a.	n.a.	n.a.
ROE (%)	3.7	12.0	18.5	26.3	22.6
Consensus net profit	-	-	53	93	126
UOBKH/Consensus (x)	-	-	0.92	0.89	0.67

Source: Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$8.34
Target Price	S\$8.56
Upside	+2.6%
(Previous TP)	S\$6.56)

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):	295.7
Market cap (S\$ m):	2,466.4
Market cap (US\$m):	1,840.1
3-mth avg daily t'over (US\$m):	3.7

Price Performance (%)

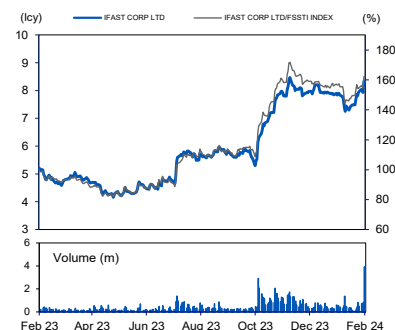
52-week high/low	S\$ 8.47/S\$ 4.16				
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>	
5.6	4.5	45.3	61.6	1.6	

Major Shareholders

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

FY24 NAV/Share (S\$)	0.97
FY24 Net Cash/Share (S\$)	1.25

PRICE CHART



Source: Bloomberg

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### STOCK IMPACT

- UK bank expected to incur smaller loss in 2024; deposit book triples yoy.** iFAST Global Bank (iGB) has incurred a S\$2.6m loss in 4Q23, widening 23.8% qoq and 34.1% yoy (3Q23: S\$2.1m loss). This is attributable to higher operating expenses from new Digital Personal Banking (DPB) services and the development of Digital Transaction Banking (DTB) services. Management continues to effectively market its DPB services to retail customers, evidenced by its customer deposit amounts growing 53.4% qoq and 257.9% yoy to S\$358.6m as at 31 Dec 23. This has contributed to higher net interest income, and management expects this to lead to profitability by 4Q24.
- Hong Kong targets lowered in reaction to turbulent market conditions and ePension division delays.** The ePension platform has contributed since Sep 23, and remains slated to be fully operational per the initial scheduled timeframe of end-25. For the overall Hong Kong business, 2023 revenue targets were achieved (gross and net revenues of HK\$406m (S\$69.7m) and HK\$306m (S\$52.6m) respectively) while profit before tax target was beat at HK\$139m (S\$23.9m), indicating a profit before tax margin of 34.2%. As Hong Kong's economic quagmire continues and the ePension division faces onboarding schedule delays, management has lowered its guidance for 2024 and 2025 net revenues to >HK\$650m (S\$111.7m) and >HK\$1.0b (S\$171.8m) respectively. With a slower headcount ramp-up in line with the onboarding delays, profit before tax targets remain the same, indicating higher profit before tax margins of >31% (>22% previously) and >41% (>31% previously) for 2024 and 2025 respectively. The group's Hong Kong business is expected to be an earnings growth driver in 2024 and 2025.
- ORSO ePension services to contribute to Hong Kong's AUA from 1Q25.** On 28 Jun 23, iFAST's Hong Kong subsidiary launched a one-stop digital pension solution for Hong Kong Occupational Retirement Schemes Ordinance (ORSO) pension schemes. As of 31 Dec 23, we note that the assets under ORSO schemes stood at HK\$290b (S\$49.3b). Besides AUA, revenue will depend on the number of trustees or partners secured. Following its launch, we note that management has secured one partner with HK\$10b (S\$1.7b) in asset size and continues to be in talks with potential partners.
- New Bondsupermart platform to grow bond business.** In Jan 24, iFAST's Malaysian subsidiary Bondsupermart Sdn Bhd (Bondsupermart) secured approval-in-principle from the Securities Commission Malaysia under the Regulated Market Operator Framework. This allows Bondsupermart to be operational as a bond marketplace and will help investors trade bonds more efficiently while enjoying price transparency. The marketplace is expected to be launched in Malaysia in 2H24, and will likely expand the bond business as it leverages on iFAST's strong bond trading volume of approximately S\$227.4m/month (in both Ringgit and foreign currency denominated bonds).

### EARNINGS REVISION/RISK

- We lower our 2024/25 revenue forecasts by 19%,** after factoring in management's lowered revenue guidance for the Hong Kong market and the strong growth in iFAST's core wealth management platform while introducing 2026 estimates.
- Earnings estimates for 2024 and 2025 are trimmed by 2%/1%** to S\$49m/S\$82m respectively, after factoring in higher-than-expected profit before tax margins from the Hong Kong market. To recap, the 2023 profit before tax margin for the Hong Kong market was 34.2% (vs projected margin of 25%).

### VALUATION/RECOMMENDATION

- Maintain HOLD with a higher PE-based target price of S\$8.56 (S\$6.56 previously),** based on 30x 2025F EPS valuation. This is pegged to 0.5SD below its historical mean, up from 1.0SD previously to reflect a steady earnings state of the eMPF project.

### SHARE PRICE CATALYST

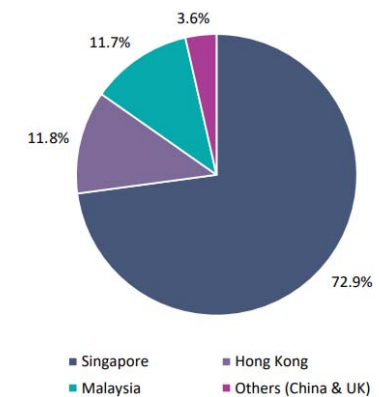
- Higher-than-expected ePension division contributions from 4Q23.
- Earlier-than-expected breakeven for iGB.

### GROUP AUA AT S\$19.8B AS AT 31 DEC 23



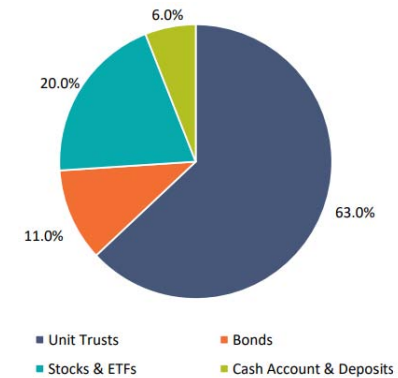
Source: iFAST

### AUA BREAKDOWN BY MARKET AS AT 31 DEC 23



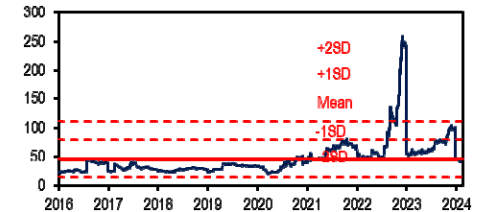
Source: iFAST

### AUA BREAKDOWN BY PRODUCT AS AT 31 DEC 23



Source: iFAST

### FORWARD PE BAND



Source: Bloomberg, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
<b>Net turnover</b>	<b>242.5</b>	<b>332.4</b>	<b>413.7</b>	<b>422.2</b>
EBITDA	51.7	77.2	114.4	122.7
Deprec. & amort.	23.5	24.9	28.2	32.3
EBIT	28.2	52.3	86.3	90.4
Total other non-operating income	8.9	6.4	13.6	11.8
Associate contributions	0.2	0.2	0.2	0.2
Net interest income/(expense)	(0.8)	4.8	6.5	6.1
<b>Pre-tax profit</b>	<b>36.7</b>	<b>63.9</b>	<b>106.8</b>	<b>108.7</b>
Tax	(9.6)	(16.7)	(27.9)	(28.4)
Minorities	1.3	2.2	3.7	3.7
<b>Net profit</b>	<b>28.4</b>	<b>49.4</b>	<b>82.5</b>	<b>84.0</b>
Net profit (adj.)	28.4	49.4	82.5	84.0

### CASH FLOW

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>273.5</b>	<b>94.1</b>	<b>91.8</b>	<b>124.3</b>
Pre-tax profit	36.6	63.7	106.6	108.5
Tax	(5.7)	(16.7)	(27.9)	(28.4)
Deprec. & amort.	23.5	24.9	28.2	32.3
Associates	(0.3)	(0.2)	(0.2)	(0.2)
Working capital changes	208.8	0.9	(29.1)	(2.2)
Non-cash items	12.1	12.1	12.1	12.1
Other operating cashflows	(1.6)	9.4	2.1	2.2
<b>Investing</b>	<b>(66.5)</b>	<b>(26.3)</b>	<b>(32.7)</b>	<b>(33.4)</b>
Capex (growth)	(21.9)	(26.3)	(32.7)	(33.4)
Investments	(44.5)	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(0.2)	0.0	0.0	0.0
<b>Financing</b>	<b>(1.9)</b>	<b>(24.1)</b>	<b>(29.4)</b>	<b>(28.4)</b>
Dividend payments	(14.2)	(14.8)	(24.7)	(25.2)
Issue of shares	(0.7)	0.0	0.0	0.0
Proceeds from borrowings	39.4	0.0	0.0	0.0
Loan repayment	(17.1)	0.0	0.0	0.0
Others/interest paid	(9.2)	(9.3)	(4.7)	(3.3)
<b>Net cash inflow (outflow)</b>	<b>205.1</b>	<b>43.7</b>	<b>29.7</b>	<b>62.5</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>151.1</b>	<b>359.8</b>	<b>403.5</b>	<b>433.3</b>
Changes due to forex impact	3.6	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>359.8</b>	<b>403.5</b>	<b>433.3</b>	<b>495.8</b>

### BALANCE SHEET

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
<b>Fixed assets</b>	<b>32.4</b>	<b>21.2</b>	<b>19.7</b>	<b>18.1</b>
Other LT assets	133.3	94.2	100.4	103.1
Cash/ST investment	359.8	403.5	433.3	495.8
Other current assets	307.4	(39.0)	2.1	(2.8)
<b>Total assets</b>	<b>832.9</b>	<b>480.0</b>	<b>555.5</b>	<b>614.2</b>
ST debt	34.5	34.5	34.5	34.5
Other current liabilities	522.1	139.4	160.5	162.8
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	19.0	14.3	11.0	8.7
Shareholders' equity	250.2	284.7	342.4	401.1
Minority interest	7.2	7.2	7.2	7.2
<b>Total liabilities &amp; equity</b>	<b>832.9</b>	<b>480.0</b>	<b>555.5</b>	<b>614.2</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	21.3	23.2	27.7	29.1
Pre-tax margin	15.1	19.2	25.8	25.7
Net margin	11.7	14.9	20.0	19.9
ROA	4.4	7.5	15.9	14.4
ROE	12.0	18.5	26.3	22.6
<b>Growth</b>				
Turnover	18.1	37.1	24.5	2.1
EBITDA	59.6	49.4	48.2	7.2
Pre-tax profit	241.0	74.0	67.2	1.8
Net profit	342.1	73.9	67.2	1.8
Net profit (adj.)	342.1	73.9	67.2	1.8
EPS	338.0	73.9	67.2	1.8
<b>Leverage</b>				
Debt to total capital	11.8	10.6	9.0	7.8
Debt to equity	13.8	12.1	10.1	8.6
Net debt/(cash) to equity	(130.0)	(129.6)	(116.5)	(115.0)
Interest cover (x)	65.2	n.a.	n.a.	n.a.

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