UBS | Global Research | 10 May 2021

Initiation of Coverage

iFast Corporation

Entering the Hockey Stick growth phase

Equities

Singapore
Diversified Financial

12-month rating	**Buy**
	Prior: Not Rated
12m price target	**S$10.00**
	Prior: -
Price (07 May 2021)	**S$6.17**

RIC: IFAS.SI **BBG:** IFAST SP

Trading data and key metrics

52-wk range	S$6.78-1.01
Market cap.	S$1.68bn/US$1.27bn
Shares o/s	273m (ORD)
Free float	48%
Avg. daily volume ('000)	1,270
Avg. daily value (m)	S$7.8
Common s/h equity (12/21E)	S$0.13bn
P/BV (12/21E)	12.9x
Net debt / EBITDA (12/21E)	NM

EPS (UBS, diluted) (S$)

	From	To	% ch	Cons.
12/21E	-	0.13	-	0.12
12/22E	-	0.16	-	0.15
12/23E	-	0.21	-	0.17

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Leading fintech WM franchise at a deep valuation discount

iFAST, a leading Asian fintech WM platform, has seen a step-shift in growth in recent years. AUA (asset under admin.) growth accelerated as its product suite expanded from predominantly unit trusts to a wide range of products (>12,000) & services. This alongside COVID tailwind drove the share price to double in 2H20. Despite this investors still look wary of extrapolating this growth trend. We project 20% AUA CAGR until 2028 and find the stock deeply undervalued. We initiate with Buy rating, PT S$10.

What will drive hockey stick EPS growth?

Our 20% AUA CAGR forecast is not aggressive given 1) Recent history of rapid 20%+ AUA growth, 2) Early experiences of mature peers, 3) Structural Asian WM growth opportunity, in particular in SG/CN, 4) Greater acceptance of online platforms post-COVID, 5) Ample room to grow market share in the 5 key markets. What translates this asset growth into a hockey stick like EPS growth is scalability of the business. Experience of the more mature peers supports this. iFAST's own experience in HK & MY is strong evidence. Similarly a turnaround in profitability in the China business should help group PBT margin to rise to c46% (from 30%) by 2028.

How concerning are regulatory risks?

Regulators while wary of financial system risks (due to fintechs) welcome innovation. This bodes well for a disruptor like iFAST. Close working relationships with the likes of CPF (SG), EPF (MY) and MPF (HK) suggest a good track record, as does the growing suite of licenses & products that are all subject to regulatory approvals. Stability in the top mgmt. team for several years also helps the case for continuity on this front.

Valuation: Rating Buy (DCF), PT S$10

HK eMPF announcement led to share price re-doubling in 2021 further complicating valuation view. Mgmt. expects "material" EPS impact (which in our view could mean 20-50% of EPS); our est. suggests 35-40% is priced in. At first glance, 48x fP/E might look expensive, but on adj. basis, we believe even near term growth is not priced in, let alone hockey stick growth. We initiate with Buy rating; PT S$10 (DCF), 50%+ upside.

Highlights (S$m)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Revenues	121	125	170	242	310	385	468	556
EBIT (UBS)	11	11	26	44	56	71	93	114
Net earnings (UBS)	11	10	21	37	47	60	78	96
EPS (UBS, diluted) (S$)	0.04	0.03	0.07	0.13	0.16	0.21	0.28	0.34
DPS (S$)	0.03	0.03	0.03	0.05	0.07	0.09	0.11	0.14
Net (debt) / cash	22	4	15	36	65	103	153	215
Profitability/valuation	**12/18**	**12/19**	**12/20**	**12/21E**	**12/22E**	**12/23E**	**12/24E**	**12/25E**
EBIT margin %	9.1	8.9	15.2	18.1	18.0	18.5	20.0	20.5
ROIC (EBIT) %	42.4	25.4	43.2	69.0	85.4	108.7	144.4	182.8
EV/EBITDA (core) x	13.1	10.1	11.1	25.9	20.4	15.9	12.0	9.5
P/E (UBS, diluted) x	25.9	31.0	24.6	47.6	37.5	29.4	22.4	18.3
Equity FCF (UBS) yield %	5.0	7.1	9.1	2.1	2.4	3.1	4.3	5.5
Net dividend yield %	3.0	2.9	1.8	0.9	1.1	1.4	1.9	2.3

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of S$6.17 on 07 May 2021 22:35 HKT

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UBS Research THESIS MAP a guide to our thinking and what's where in this report

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PIVOTAL QUESTIONS

Q: Can AUA continue to grow at a 20% CAGR?

Yes, We think that AUA could continue to grow at 20% CAGR over the next several years and reach S$60.5bn AUA in 2028E (vs. S$14.5bn end-2020). This will be driven by 1) an expansion in product portfolio, & 2) higher demand for inv. services across geographies, in particular Singapore and China.

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Q: Can PBT margins improve in future?

Yes. We expect iFAST's PBT margin to improve to 46% in 2028E from 30% in 2020. This will be driven by a couple of factors 1) a turnaround in the margins of the currently loss-making China business, and 2) scalable business model. Further upside could come from a digibank license. Fees could continue to be under pressure but this risk looks manageable given industry landscape.

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Q: Can iFAST weather the challenges from an evolving regulatory landscape?

Yes, we believe so. While regulators are increasingly wary of the potentially destabilising impact of fintechs, they also welcome innovation. iFAST has been successful in growing rapidly while working closely with regulators. There has been almost no change in the top management team in the last several years, thus supporting the case for further stability and continuity on this front.

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UBS VIEW

iFAST is entering a "hockey stick" EPS growth phase which will be driven by strong AUA growth (20% CAGR until 2028e) and a scalable business model driving further margin improvement. Regulatory risks look manageable given their track record of working closely with regulators in the past.

EVIDENCE

iFAST's market share estimates suggest ample room to grow in key markets. On margins, PBT for Charles Schwab, a US based company with a similar business model, has been on an upward trend for the last two decades. iFAST's experience in HK and Malaysia also shows that once AUA reaches a breakeven level, PBT margins expand quickly due to the scalable nature of the business model.

WHAT'S PRICED IN?

HK eMPF announcement complicates the valuation view. Optically the stock looks expensive at 48x fP/E, but on adjusted basis, it is not even pricing in 2020 EPS, let alone hockey stick growth.

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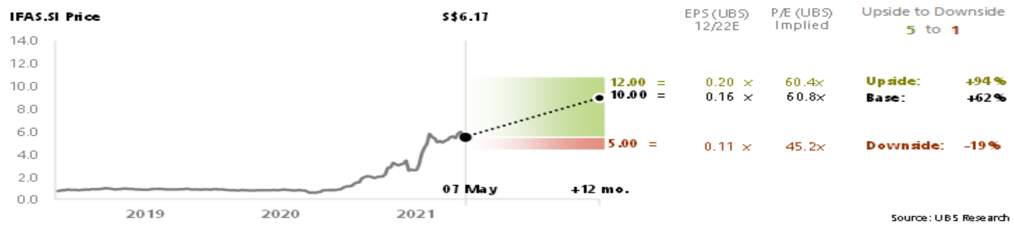
UPSIDE / DOWNSIDE SPECTRUM



Value drivers (2022E)	AUA (S$bn)	AUA growth (y/y)	Net revenue / AUA	PBT margin (net revenue)
$12 upside	25.3	35.0%	0.80%	38.0%
$10 base	23.7	26.6%	0.75%	33.7%
$5 downside	22.1	18.0%	0.65%	28.0%

Source: UBS

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COMPANY DESCRIPTION

iFAST is a wealth management fintech platform, with assets under administration (AUA) of approximately S$14.5bn as at 2020. iFAST has presence in 5 markets - Singapore, Hong Kong,...

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OUR THESIS IN PICTURES

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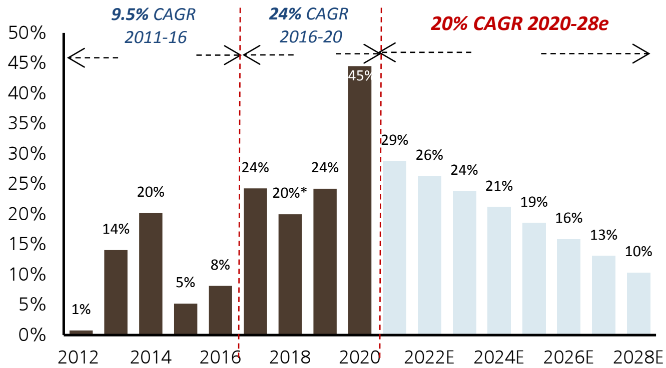
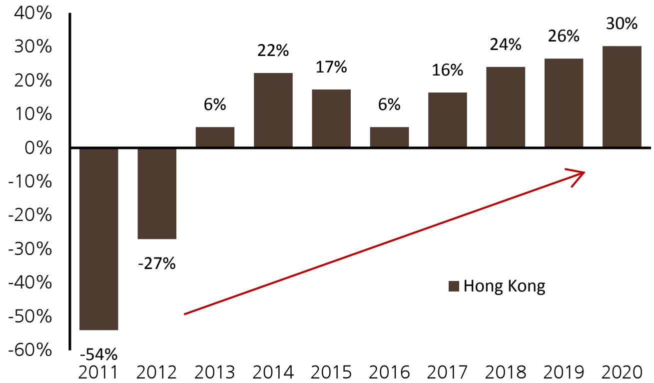
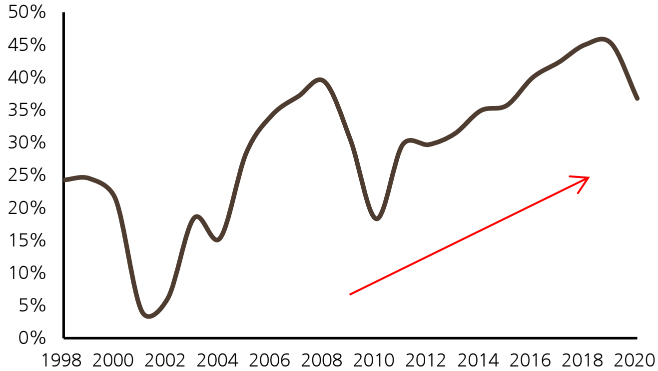


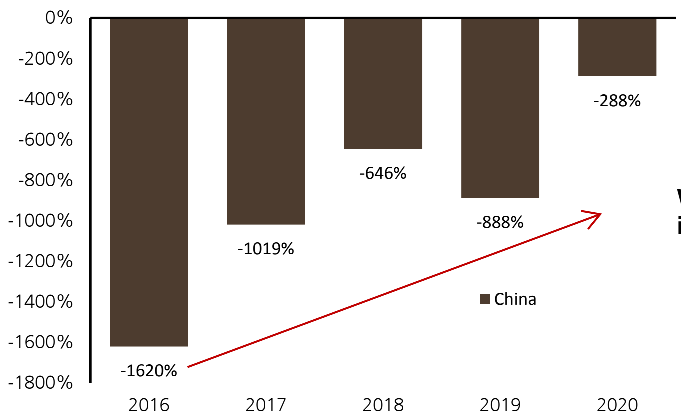
AUA growth accelerated since 2017. We think AUA could continue to grow at a 20% CAGR until 2028.



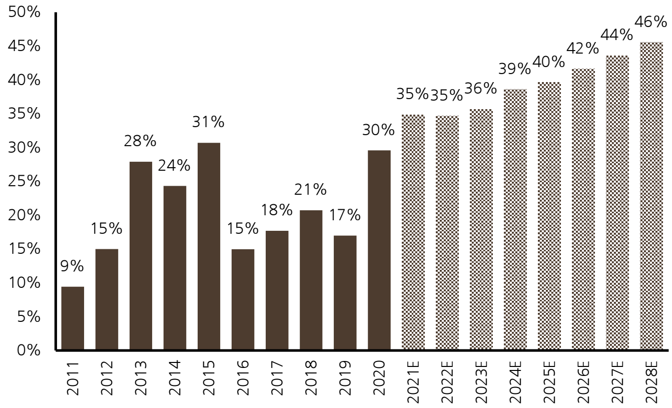
A scalable business model means that profitability improves rapidly as AUA grows. Hong Kong business is a perfect example. Malaysia business shows a similar trend. PBT margin (based on net revenues).



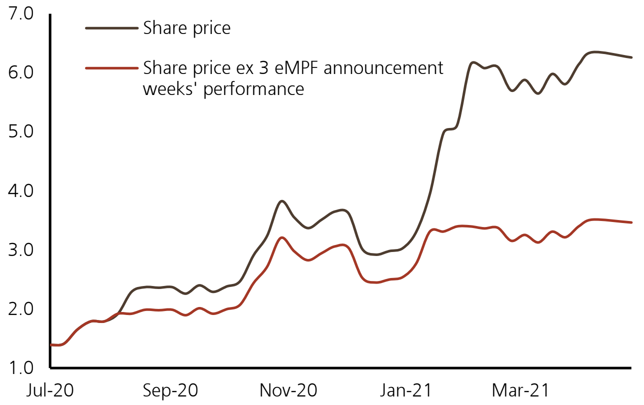
Charles Schwab, which has a similar business model, has shown an increasing PBT margin trend for two decades.



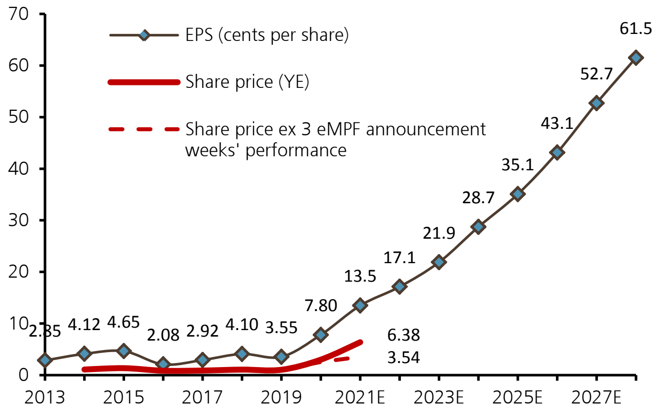
While China business is still loss-making, PBT margin is improving fast.



We believe the group PBT margin could continue to improve and hit 46% in 2028E.

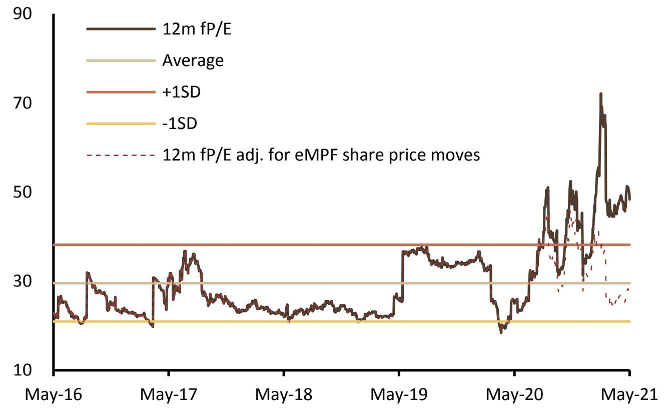


Market is focusing on the HK eMPF development and not the hockey stick EPS growth profile that we forecast.



The group is at a crucial turning point in its earnings trajectory and as that becomes more visible to investors; this will drive a long term structural rerating in the stock.

Two key drivers for EPS are the AUA growth and PBT margin improvement.



12m forward P/E at about 2SD above historical level looks expensive and is driven by the HK eMPF development.

Adjusting for this suggests that investors are not pricing in the growth that we project, both in earnings and AUA.

Sources for exhibits above: Company data, UBS Research

Q: Can AUA continue to grow at a 20% CAGR?

UBS VIEW

Yes, We think that AUA could continue to grow at a 20% CAGR over the next several years (at least until 2028). We forecast S$60.5bn AUA in 2028E (vs. S$14.5bn as of end 2020). In our view, this will be driven by 1) an expansion in product portfolio, and 2) higher demand for investment services across geographies, in particular Singapore and China. Geographically, we forecast AUA growth of 45% CAGR for China from end 2020-2028, 20% CAGR for Singapore and Malaysia, and 15% CAGR for Hong Kong.

EVIDENCE

iFAST's market share in Singapore is about 12%, followed by Malaysia (0.6%), Hong Kong (0.01%), and China (0.002%). This suggests ample room to grow in iFAST's key markets. The launch of a full suite of products in Singapore in the last five years drove a strong and sustained improvement in AUA growth, an experience likely to be repeated in other markets.

WHAT'S PRICED IN?

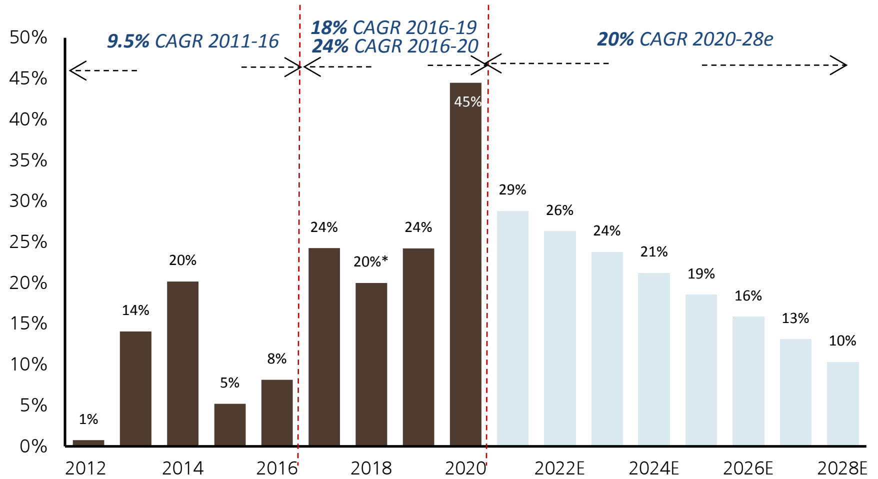
We think that the market's focus this year has been mainly on the HK eMPF development, not the hockey stick EPS growth profile which will be driven by the AUA growth that we project.

A recent step-shift in growth

AUA growth profile for iFAST has seen a step-shift in recent years from being c.9-10% CAGR and "patchy" at best until 2016 to a more sustainable and higher level of c.20% recently – 18% CAGR for 2016-19 and 24% over 2016-2020. 2020 was of course when COVID driven market volatility and mobility restrictions drove a surge in retail interest in investments resulting in record net AUA inflows.

We argue in PQ1 in this note that this will continue and as a result project a similar CAGR over 2020-28, albeit the y/y growth rate slows down sequentially in our forecast (and conservatively so). We forecast an AUA total of $60.5bn by 2028.

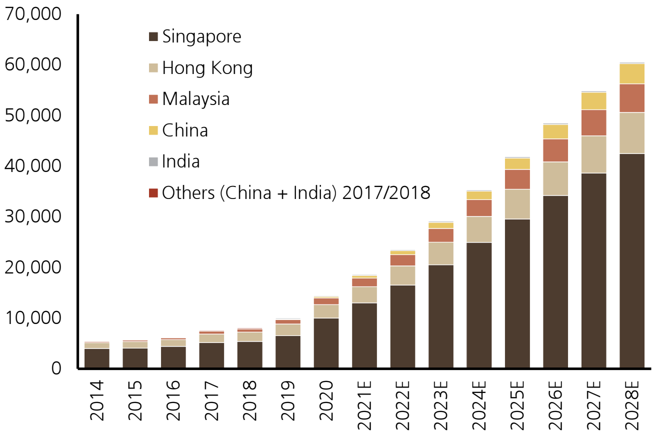
Figure 1: AUA growth profile for iFAST – actual and UBS forecasts



Source: Company data, UBS estimates; * AUA of the group grew 20%y/y in 2018. However, as at 31 Dec-18, the Group's AUA increased only 6.2% y/y due to a sharp sell-down of global financial markets in 4Q2018.

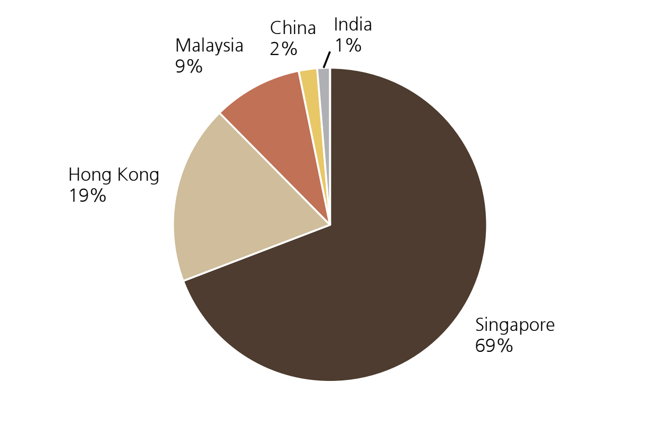
Our forecast is lower compared to iFAST's management target of S$100bn AUA (of which Singapore should contribute 35%) by 2028 announced in 2018. This could present significant upside risk to our forecast should clearer signs of progress towards the $100bn target emerge in due course.

Figure 2: Total AUA split by geography



Source: Company data, UBS estimates

Figure 3: AUA breakdown by geography (2020)



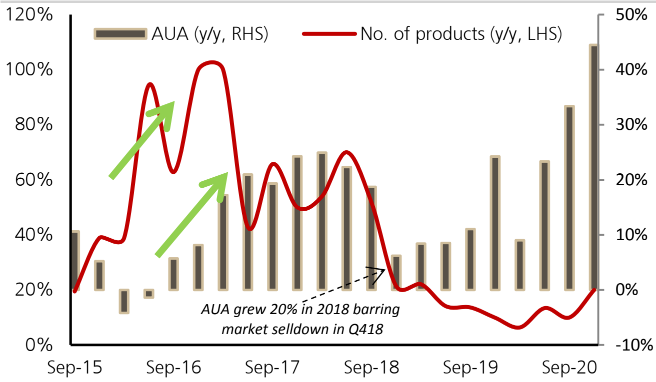
Source: Company data

iFAST had $14.5bn of AUA as at end 2020. Net AUA inflow for 2020 was $3.2bn compared with an average of $0.9bn from 2017-2019. While the exceptional growth in 2020 can be attributed to specific COVID related factors (pandemic driven adoption of digital wealth management solutions and higher retail interest), we believe this growth was also reflective of shifting investor behaviour and underscores a long term structural shift towards online wealth management adoption. As such growth in iFAST's business in the coming years might remain structurally higher than seen in the pre-COVID era.

Growth in iFAST's business in the coming years might be even higher than seen in the pre-COVID era due to a structural shift in consumer behaviour

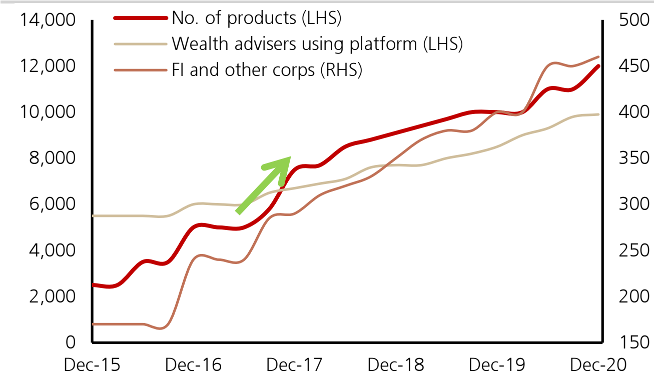
As noted earlier, other than the exceptional growth in 2020, AUA growth profile saw a step change in 2017. We believe this was because until 2016 iFAST was predominantly a unit trust platform with a low number of products. The launch of newer products in 2016-17 also contributed to an increase in AUA and customers.

Figure 4: AUA growth followed expansion of product suite..



Source: Company data

Figure 5: ..and so did growth in # of customers



Source: Company data

With a more extensive product portfolio, it opened up new client bases for iFAST, for both the B2B and B2C segment. Being more entrenched in the markets that they serve in also partly attributed to the pickup in this growth.

While the product portfolio has more or less matured in Singapore and to a large extent in Hong Kong as well, it is still in a growth phase in several other markets, in particular Malaysia and to a greater extent China.

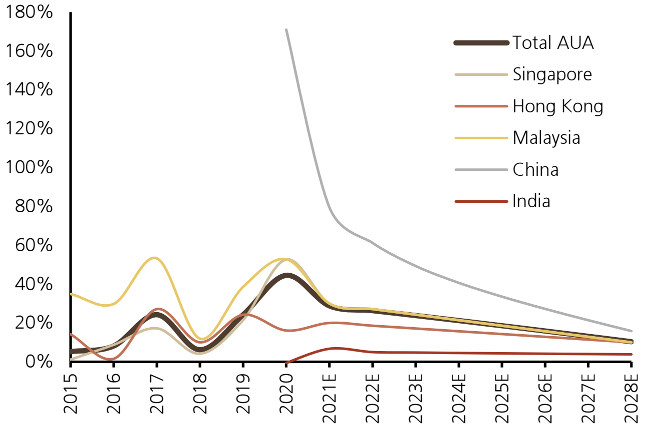
Moreover it takes a few years to gain traction in a new market and it could take 5-7 years to reach a breakeven AUA level after which iFAST's business model benefits hugely from its scalable nature i.e. operating leverage, which also drives margin improvements. The China business was launched in 2014 and is expected to be a key driver of the group business growth in the coming years as it scales and achieves breakeven.

It takes 5-7 years to reach a breakeven AUA level

We forecast total AUA to grow at a 20% CAGR from end 2020-2028 and this will be driven by 2 key markets (Singapore and China) which we discuss in more detail later in this section. Geographically, we forecast AUA growth of 45% CAGR for China from end 2020-2028, 20% CAGR for Singapore and Malaysia, and 15% CAGR for Hong Kong.

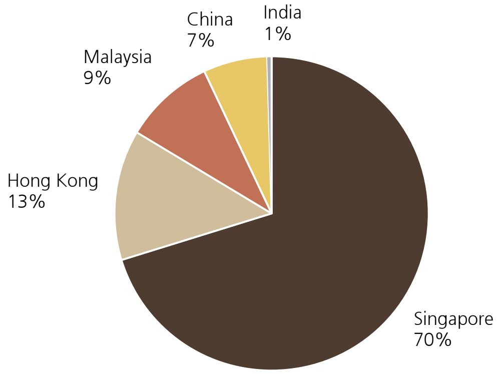
We forecast AUA growth of 40% CAGR for China from end 2020-2028, 20% CAGR for Singapore and Malaysia, and 15% CAGR for Hong Kong.

Figure 6: AUA growth by geography (y/y)



Source: Company data, UBS estimates

Figure 7: AUA breakdown by geography (2028E)



Source: UBS estimates

To summarize, we believe AUA growth could continue at a CAGR of 20% for several years to come (at least until 2028) and we think these forecasts are not aggressive because -

- iFAST saw a step up in AUA growth profile in 2017 after the expansion of product portfolio in 2016-17 and has delivered similar growth levels consistently since then
- iFAST is still in a growth phase in several markets where the product suite is still expanding (e.g. Malaysia and China)
- Change in the structural behaviour of consumers brought about by Covid-19 which has led to higher willingness to adopt online platforms and retail interest in investments
- China's AUA growth is accelerating from a low base. Even with our projection of 45% CAGR growth until 2028, China AUA only reaches to around 8% of group AUA by 2028
- Lastly, rapid economic growth in Asia ex-Japan and greater penetration of wealth products and adoption of investment platforms remains a structural tailwind for the business.

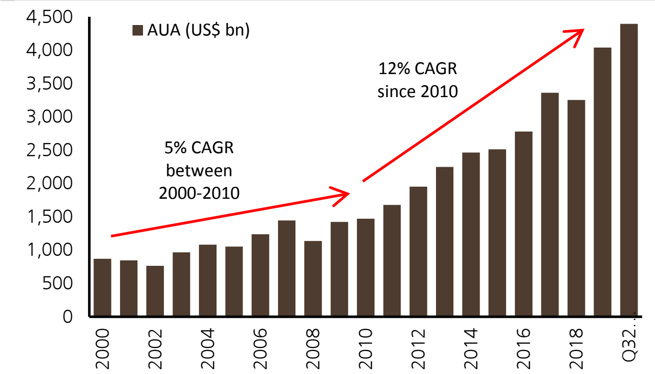
The Charles Schwab experience

Charles Schwab (CS) has a similar business model to iFAST but in the US and at a much bigger scale, both in products and customer accounts. For a brief business description of Charles Schwab, please see the box after Figure 34.

Charles Schwab's AUA grew at a 5% CAGR from 2000-2010 before accelerating and growing at a CAGR of 12% since 2010 (until Q320 as we exclude the effects of the AMTD merger in Q420) (Figure 8). According to the UBS analyst covering Schwab, the acceleration in client asset growth was driven by not only accelerating NNAs in Schwab's RIA custody business, but also a long bull market which was probably a more significant contributor. We think that this acceleration, similar to iFAST, is typical of online platforms and lends further support to our view that the higher growth rate can continue for iFAST in future.

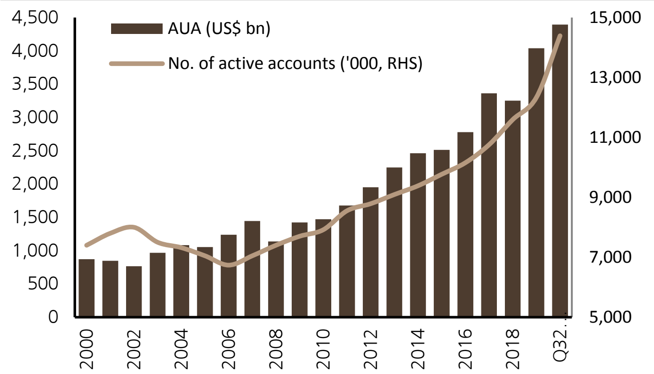
We also believe that the step shift in growth for CS can be attributed to an expansion in product profile though hard to corroborate given lack of disclosures.

Figure 8: Charles Schwab AUA accelerated in 2011



Source: Company data. Note: Q320 AUA data instead of FY2020 as the acquisition of AMTD was completed in Q420 leading to a jump in AUA.

Figure 9: Charles Schwab AUA and active accounts



Source: Company data. Note: Q320 AUA data instead of FY2020 as the acquisition of AMTD was completed in Q420 leading to a jump in AUA.

The increase in active accounts which is highly correlated with the growth in AUA (Figure 9) can also be attributed to greater acceptance of online platforms and widening investor community – which is also in our view a structural underlying trend in Asia and even more so in the post COVID era.

Our estimates suggest ample room for market share growth

iFAST's market share in Singapore is the highest among their key markets. The group doesn't disclose market share for any of the markets officially. We try to estimate that using publicly available data.

Based on our estimates, market share in Singapore is c12%, followed by Malaysia (0.6%), Hong Kong (0.01%), and China (0.002%). All these numbers suggest ample room to grow further in each of the five markets.

Some of the factors that could drive the continued market share growth for online investment platforms like iFAST in addition to the structural tailwinds from rapid economic growth in Asia and the shift in consumer behaviour post COVID are 1) Greater adoption of platforms by customers, banks and other non-bank financial institutions for distribution in line with the experience from other developed markets (e.g. UK & Australia) 2) Liberalisation of fund management regulations in China.

Market share of investment platforms in markets such as the UK is far higher than in Asia ex-Japan which is still largely dominated by banks and insurance companies. Investment platforms like iFAST are still a relatively new business model in Asia unlike US, Europe and Australia where these platforms are more prevalent.

Online investment platforms likely have a c40% market share in the UK based on our estimates

In the UK, investment platforms had AUA of £500bn in 2017 according to the Investment platforms market study by the Financial Conduct Authority. Total investment funds under management for the UK Investment Association (IA) members' in 2017 was £1.2 trillion, implying a 42% market share for investment platforms[1].

However in Hong Kong and Singapore, fund distribution channel is extremely concentrated and dominated by large banks, according to a report from CFA Institute[2].

Banks in HK and Singapore have 70-75% market share in fund distribution. Insurance companies in HK account for another 24% market share.

In Hong Kong, funds are distributed to retail investors predominantly through banks, insurance companies, and financial planners. Banks are estimated to have a market share of 69% in 2019[3]. The market share of insurance companies' is estimated to be around 24%. Market share for investment platforms is thus fairly small and less than 4-5% we believe. Banks in Singapore have about 75% market share in fund distribution according to a report from Deloitte in 2018[4] with the remainder attributable to insurance companies, independent financial advisors and online platforms.

iFAST Singapore (c12% market share)

According to Monetary Authority of Singapore's (MAS) 2019 Singapore Asset Management Survey, total Retail Investment Funds grew 28% y/y to S$128bn (3yr CAGR of 16%).

The total Retail Investment Funds can be broken up into Authorised Collective Investment Schemes (CIS)[5] and Recognised CIS[6]. As at end 2019, Authorised CIS funds, which are schemes constituted in Singapore and offered to retail investors in Singapore, were about 45% of total CIS funds.

iFAST's Singapore AUA was $7bn as at 2019 and this represents c11.5% market share which is still small (Figure 11).

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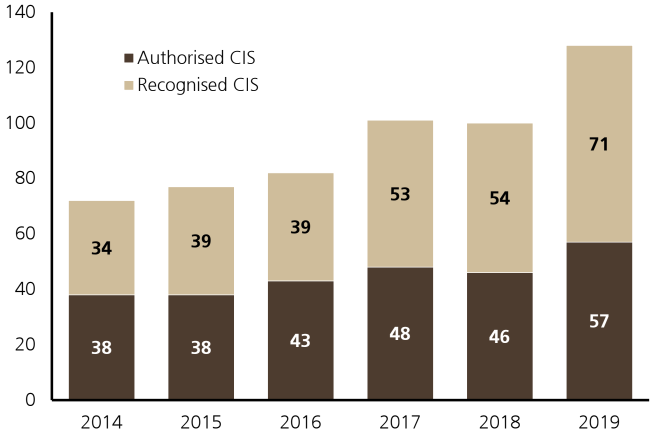
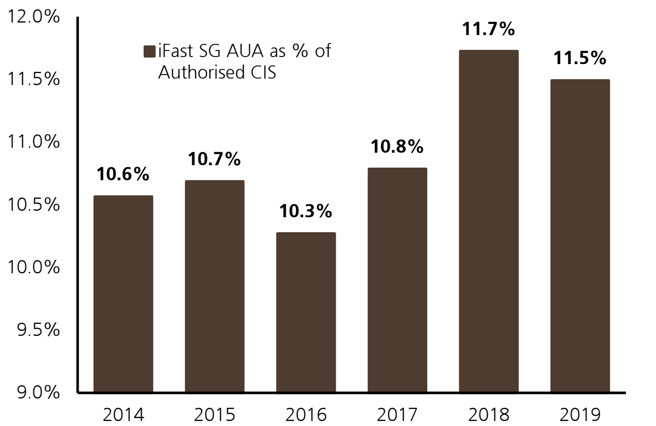
[1] We note that the total UK investment funds under management could be larger as the UK IA members total AUM only represents c84% of total UK AUM. Assuming that the IA members funds under management is also c84% of the total industry investment fund size, investment platforms in the UK have a 35% market share as at 2017.
[2] CFA Institute, "Sales inducements in Asia Pacific"2019
[3] Cerulli Associates, "Asian Distribution Dynamics 2019"
[4] "Navigating Asia: Investment Fund Distribution: Challenges & Opportunities," Deloitte (November 2018), https://www2.deloitte.com/content/dam/Deloitte/lu/Documents/financial-services/IM/lu-asianfund-management-report.pdf
[5] Authorised CIS are schemes constituted in Singapore and offered to retail investors in Singapore
[6] Recognised CIS are schemes constituted outside Singapore and offered to retail investors in Singapore

Figure 10: Collective Investment Schemes funds size (S$bn)



Source: MAS

Figure 11: iFAST Singapore AUA market share



Source: Company data, MAS

iFAST Hong Kong (0.01% market share)

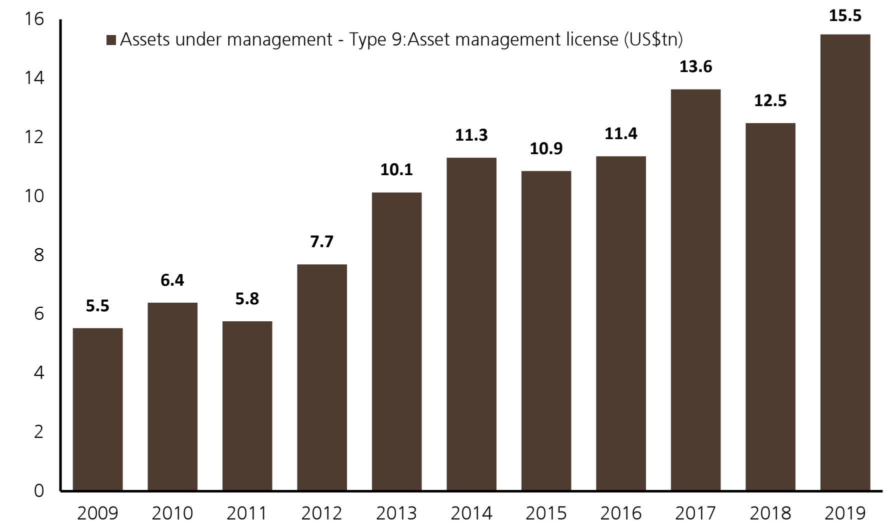
iFAST holds a number of licenses in Hong Kong with the Securities and Futures Commission (SFC) - 1) Type 1: Dealing in Securities, 2) Type 4: Advising on Securities, and 3) Type 9: Asset Management.

According to SFC, total Assets under Management (AUM) for Type 9: Asset Management license holders (licensed corporation to carry out asset management activities), grew at an 11% CAGR from 2009-2019 and reached US$15.5tn in 2019 (Figure 12).

iFAST's 2019 AUA in Hong Kong was S$2.3bn, iFAST's market share would be c0.01%, which is not significant and implies substantial room to grow further.

Management comments confirm that iFAST unit trust penetration in Hong Kong is quite low and is aligned with our finding.

Figure 12: Assets under management – Type 9: Asset management license



Source: Securities and Futures Commission

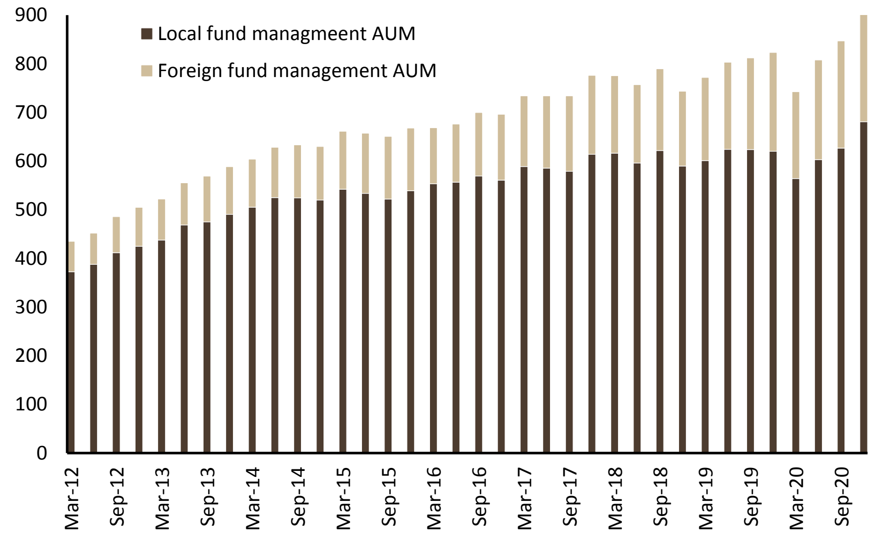
iFAST Malaysia (0.6% market share)

According to industry statistics published by the Securities Commission Malaysia, total industry fund management AUM as at end 2020 was RM 905bn, growing at a 6.3% CAGR since 2015 (Figure 13).

Total fund management AUM is further broken down into 2 sub categories – local and foreign. Local fund management AUM was RM 680bn, growing at a 4.8% CAGR since 2015. This compares with iFAST Malaysia's AUA of SGD 1.3bn in 2020 which has grown at a 36% CAGR since 2015.

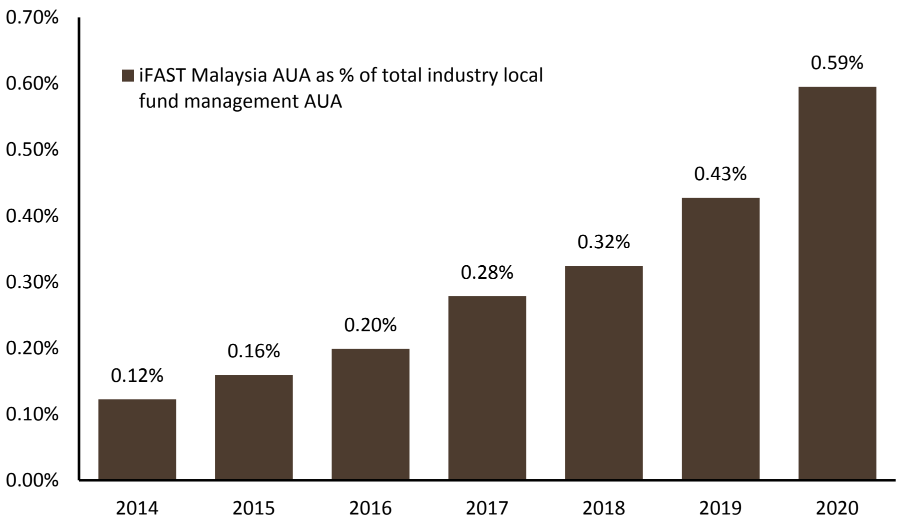
Taking iFAST Malaysia AUA as % of the local industry fund management AUM, iFAST has approximately 0.6% market share in Malaysia (Figure 14), which is still quite small compared to Singapore but has grown considerably from the 0.1% market share in 2014 (Figure 14).

Figure 13: Malaysia fund management AUM (RM bn)



Source: Securities Commission Malaysia

Figure 14: iFAST Malaysia market share



Source: Securities Commission Malaysia, Company data

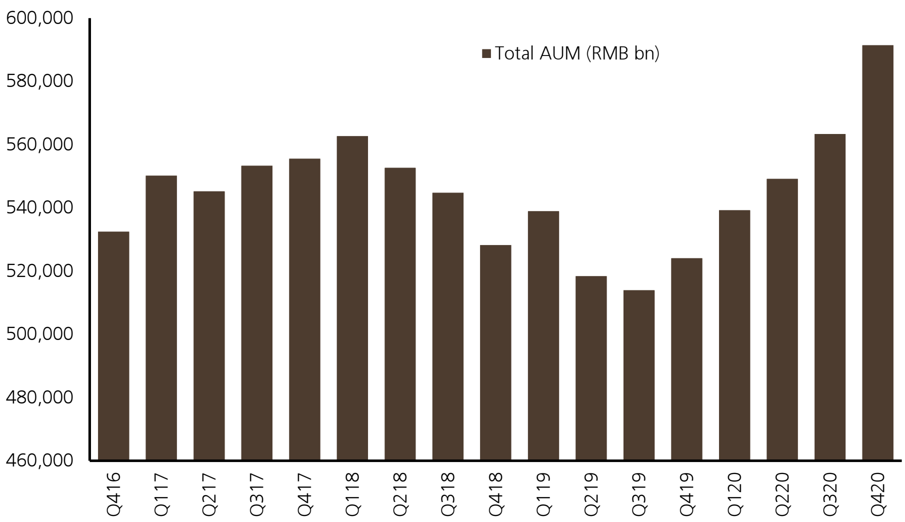
iFAST China (0.002% market share)

iFAST holds the Fund Distributor Qualification with the China Securities Regulatory Commission (CSRC) since 2015 which allows iFAST to run an investment funds platform in China that can offer both onshore and offshore products as well as both public and private funds. The main bulk of funds carried on iFAST's China platform are public mutual fund, while private funds only made up a small percentage.

According to statistics from Asset Management Association of China (AMAC), total industry AUM was RMB 590tn as at Q420 (Figure 15).

With a China AUA of S$275m in 2020, this implies a very small c0.002% market share currently but still a respectable size given the tough market landscape and the time it took iFAST to achieve this market share.

Figure 15: China industry AUM (RMB bn)



We discuss the industry outlook for the business in Singapore and China, two markets that are very key to rapid future growth for iFAST, in more detail in the following paragraphs.

Singapore as a major cross border flow recipient

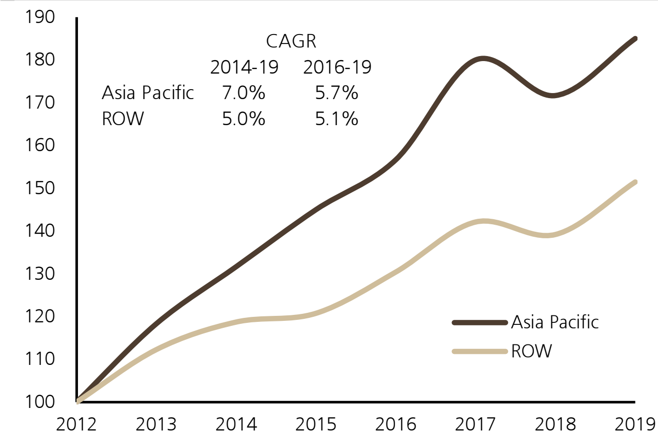
In our in-depth report on the wealth management (WM) business for the local banking sector that we published earlier this year (here), we noted that the WM AUM for the local banks grew twice as fast (12-13% CAGR in the last 3-5 years) as Asian wealth in the last few years, which in turn outpaced other regions. In comparison, iFAST's Singapore AUA grew even faster at a 20% CAGR from 2016-2020) (Figures 16-17).

WM AUM for local banks grew twice as fast as Asian wealth in the last few years

International flows, in particular China, were instrumental in the increase in AUM in Singapore and will likely remain so. Almost 80% of WM assets in Singapore originate internationally. Overall Singapore ranks only behind Switzerland & HK as recipient of cross border flows. For a summary of our views on this topic, please watch this video.

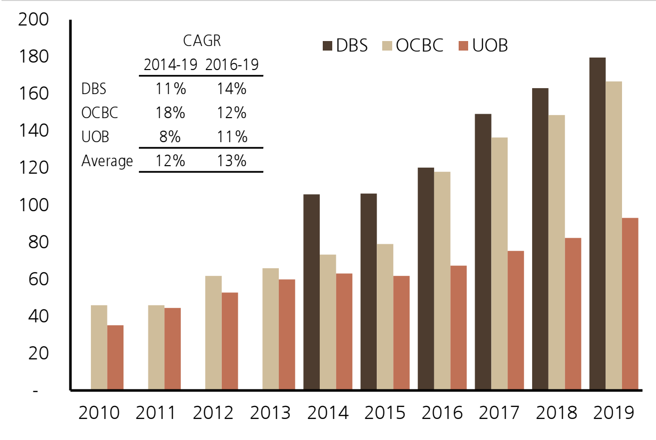
Almost 80% of WM assets in Singapore originate internationally.

Figure 16: Growth in HNWI wealth - Asia vs ROW – rebased to 100 from 2012



Source: Capgemini world wealth report 2020, UBS. (Link to note)

Figure 17: Singapore banks AUM (US$bn)



Source: Company data. No disclosure for DBS prior to 2014. (Link to note)

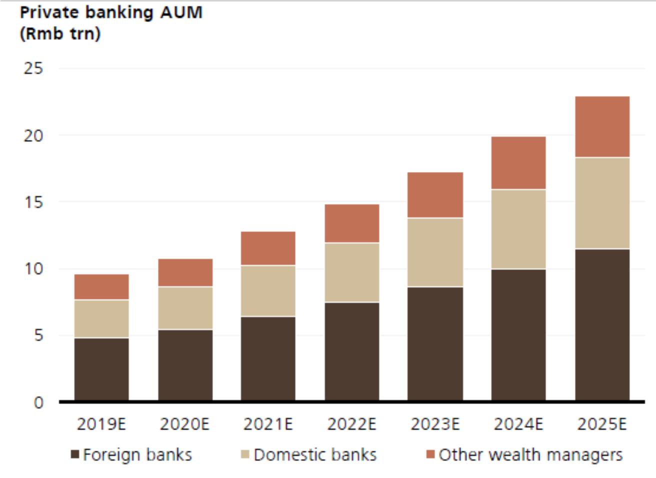
The rise in Asia's wealth is a structural trend and the appeal of Asia, as a growth opportunity in the medium to longer term, should continue to drive wealth flows into Singapore, as investors look for a stable and safe haven to preserve their wealth in this part of the world.

Wealth inflows from China will likely continue and could likely pick up which will be driven by the increase in investable assets of the high-net-worth-individuals (HNWIs) in China and further liberalization of China's capital control[7] which was discussed in detail in the recent Q-series "The pursuit of China's wealthy – how may a Rmb116trn private banking market evolve?"

Assuming China's HNWIs' offshore allocation weight (offshore investable assets/ total investable assets) remains at the current level of 20% in 2025E, this indicates a 6-year CAGR of 16% of Chinese inflows into offshore private banks.

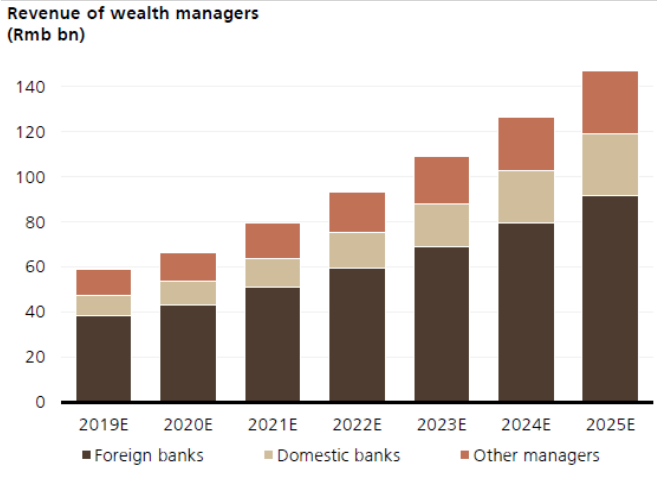
[7] After more than two years of hiatus, China increased its QDII quota in 2020, by USD12.7bn through two expansions. Meanwhile, the PBOC and HKMA are planning to launch Wealth Management Connect scheme, which would allow domestic investors to purchase offshore products in Hong Kong and vice versa.

Figure 18: Private banking AUM from Chinese HNWIs' offshore allocation may reach Rmb23trn by end-2025E



Source: UBS estimates (Link to Q-series)

Figure 19: ...implying about a Rmb147bn revenue pool for wealth managers

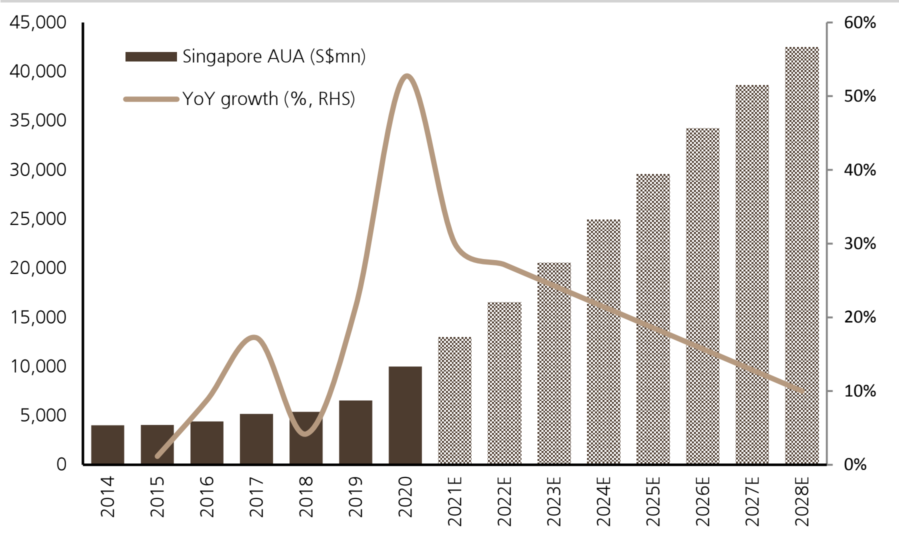


Source: UBS estimates (Link to Q-series)

In our best case scenario, we think that AUM for the Singapore banks could continue to grow at a 10-13% CAGR over the next few years. With a much smaller starting base (S$10bn vs. c.S$200bn on average DBS/OCBC), iFAST's Singapore AUA could grow at a much faster rate – our forecast is 26% CAGR. Under this assumption, iFAST's Singapore AUA could reach S$25bn in 2024 (S$42.5bn in 2028), from S$10bn as at end 2020.

In our view, the demand for wealth management services and higher wealth inflows into Singapore will continue to be key contributors of iFAST's future AUA growth in Singapore.

Figure 20: iFAST Singapore AUA



Source: Company data, UBS estimates

How much does Open banking adoption in Singapore matter?

The Monetary Authority of Singapore (MAS) has been working towards digitalising the financial sector. MAS has launched three initiatives so far 1) Four digital banking licenses were issued in December 2020, 2) eligible non-bank FIs are allowed to access real time retail payments infrastructure from February 2021, and

3) Singapore Financial Data Exchange (SGFinDex) launched in December 2020. Our in-depth analysis on SGFinDex is here.

SGFinDex seems inspired by "Open Banking" principles which have been gradually implemented in Europe, UK, Hong Kong and Australia. In short, Open Banking provides third-party financial service providers (TPPs) access to consumer banking, transaction and other financial data from banks and other financial institutions (FIs) through Application Programming Interfaces (API) subject to customer approval. FIs & TPPs are thus able to offer enhanced financial services and consumers gain more control over their financial information helping them make better decisions. It also leads to more transparency in the product offerings from banks.

As SGFinDex is still relatively new, it's not clear whether MAS will adopt Open Banking concepts more closely in future. In our view that might be more likely than not. Open Banking coupled with the regulatory trend towards greater transparency on fees and commissions is a positive development for investors because they will be able to see for themselves the amount of fees they pay, compare products and distributors on the competitiveness of such fees. We discuss more about fees and the regulatory landscape in pivotal question 2 & 3.

While greater transparency of fees and commission could increase product churn and imply some margin pressure for iFAST, the group could also benefit from higher volumes from clients shifting away from investment-linked insurance plans (ILP) as requirement for fee transparency are likely to impact ILPs, usually with opaque fees structure, the most.

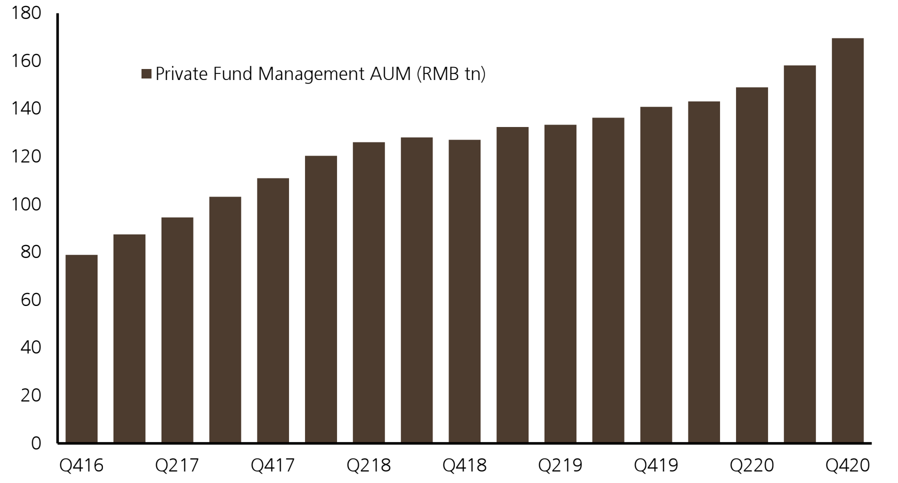
PFM license in China a significant milestone

iFAST holds the Funds Distributor Qualification from the China Securities Regulatory Commission (CSRC) which allows them to run an investment funds platform in China. It is also an Associate Member of Asset Management Association of China (AMAC) and a Member of the Shenzhen Asset Management Association (SAMC).

The successful registration of iFAST's Wholly Foreign-Owned Enterprise (WFOE) - iFAST Investment Management China Ltd (iFAST PFM) – as a Private Fund Manager (PFM) from Asset Management Association of China (AMAC) in September 2020 could be a game changer.

According to data from AMAC, total Private Fund Management AUM as at Q420 was RMB 170tn (21% CAGR over the last 4 years) (Figure 21).

Figure 21: China Private Fund Management AUM trend (RMB trillion)

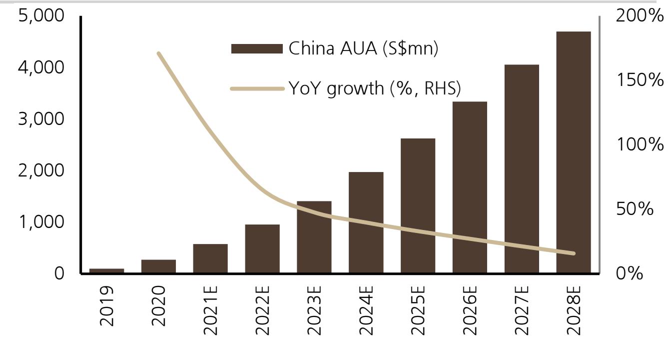


Source: Asset Management Association of China

The PFM license enables foreign entities to issue private funds investing in onshore assets to domestic qualified investors

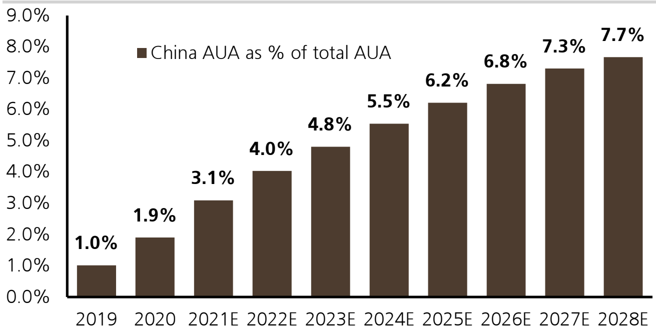
iFAST China AUA of S$275mn (RMB 1.39bn, 171% y/y) was c2% of total AUA as at end-2020. In the context of the asset management industry in China iFAST's market share is small at 0.002%. AUA of the B2B business grew 246% YoY, while for iGM business (B2B wealth advisory arm) grew 114% YoY in 2020. Both have an even contribution to overall AUA. Money market funds account for only 13% of overall AUA in China - significantly lower compared to other internet based fund distributors in China.

Figure 22: iFAST China AUA



Source: Company data, UBS estimates

Figure 23: China AUA as % of total AUA



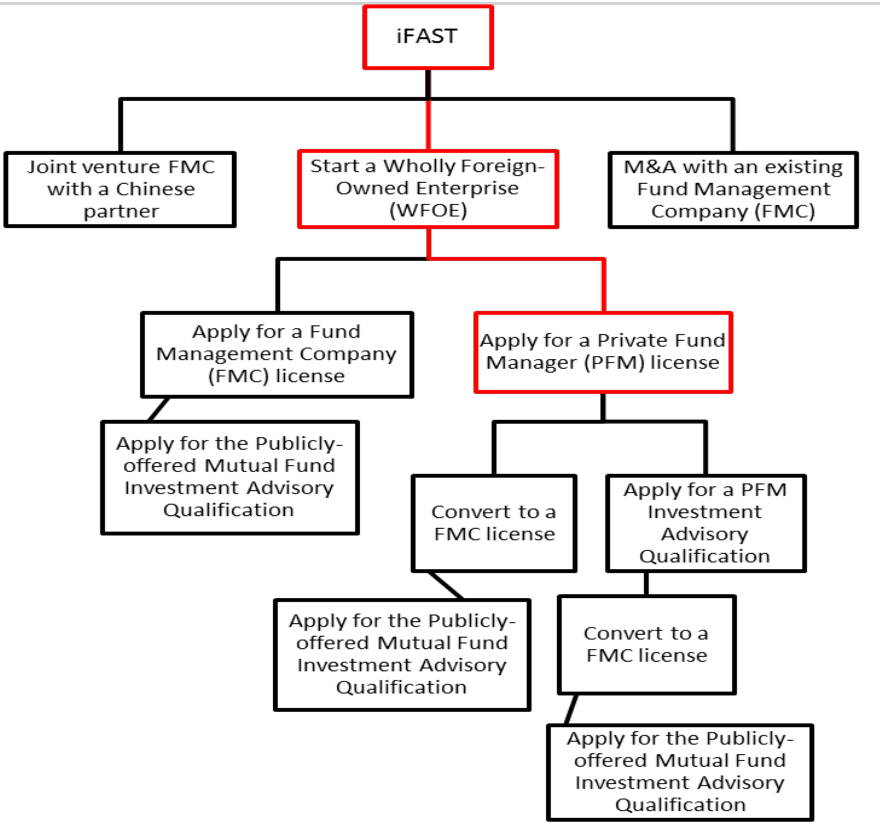
Source: Company data, UBS estimates

What does iFAST achieve with a PFM license?

The PFM license enables foreign entities to issue private funds investing in onshore assets to domestic qualified investors, which include institutional and high net worth investors. While iFAST is already allowed to distribute both public and private funds, PFM now allows iFAST to launch their **own private funds and private fund of funds (FOF)** and issue them to domestic qualified investors.

iFAST has received AMAC approval in Jan-21 to launch its first PFM product - **iFAST Huishi FOF Private Securities Fund** – which is a fund-of-funds (FOF) that invests in a portfolio of Chinese public and private fund products. Through this FOF, iFAST would be able to provide active management through discretionary service (DPM), something which they are offering in other key markets – Singapore, Hong Kong and Malaysia.

Figure 24: China's financial market regulatory landscape



Source: Company data, UBS

In our analysis of the regulations surrounding China's financial market, we note two potential future paths for the group to further expand its presence in China.

1) As a PFM WFOE, iFAST can apply for the Investment Advisory Qualification to provide advisory services to the private asset management scheme in Mainland China.

2) iFAST can also choose to convert the WFOE PFM license to a WFOE FMC (fund management company) license which will allow them to launch and distribute their own private funds but also public funds (i.e. mutual funds). Once iFAST obtains a FMC license, iFAST can apply for the Publicly-offered Mutual Fund Investment Advisory qualification.

What are the ways to enter China's financial market?

There are several routes a foreign institution can take to enter China financial markets:

1) Foreign institutions can enter into a joint venture (JV) with a Chinese partner to start a Fund Management Company (FMC). The foreign ownership limit cap has been removed (49% previously) foreign institutions can now increase their shareholding to 100%.

2) Start a Wholly Foreign-Owned Enterprise (WFOE) and obtain a Private Fund Manager (PFM) qualification. From June 2019, WFOE PFM can convert to a WFOE FMC.

3) As foreign ownership limits in the FMC have been removed, foreign institutions can consider directly setting up a WFOE FMC.

4) M&A with an existing FMC. However there are not many targets on the market.

What are the similarities and differences of FMC and PFM license?

Both FMC and PFM license only allows asset managers to raise funds domestically which is to be used to invest onshore. To raise funds domestically and invest offshore, the Qualified Domestic Limited Partner (QDLP) qualification in Shanghai or Qualified Domestic Investment Enterprise (QDIE) in Shenzhen will be required.

FMC license allows the company to access both public (mutual funds) and private funds. The regulatory requirements for a FMC are more complicated than those for a PFM. PFM only allows the company to access private funds and there are several limitations – 1) Business opportunity is limited by the small size of the funds (fewer than 200 investors), and 2) Restricted target customer segments (only corporations, institutions and HNWIs)

What are the challenges to expand and raise funds in China?

1) Securing the remaining 51% ownership of the JV with the Chinese partner might be difficult. Many of the Chinese partners in such setups are state-owned enterprises (SOEs). For SOEs, releasing 51% ownership could be seen as divesting "state assets", which will make negotiations challenging.

2) Foreign asset managers also lack distribution capacity compared to local players, which may further hinder their development. Over the past decade, China's major retail banks have been the main distribution channels for retail funds' products. While new channels have emerged online (for example, Ant Financial, part of Alibaba Group), the new opportunities offered by these channels also make China's distribution dynamics more complex.

3) Intense competition in China's retail fund market, with only a handful of firms that are able to raise huge assets for newly launched products. The firms that are able to do so usually have solid distribution partnerships, are backed by a bank or have a good brand reputation.

4) Due to internal compliance requirements, institutional investors select funds with a strong onshore track record. But foreign managers can only demonstrate the performance of an offshore equivalent, which limits institutional interest.

5) As a result, PFM's client base for foreign firms is dominated by China's HNWI who are more accustomed to domestic asset managers.

iFAST experience in China so far

While a PFM license raises the addressable market for iFAST significantly, it might not necessarily translate into a rapid acceleration in AUM in the near term, mainly due to the challenging landscape especially for foreign players. According to a Cerulli Associates report in 2020, out of the 20+ foreign PFM players, eleven firms have assets in the RMB 100mn-1bn range, while nine have assets below RMB 100mn[8].

Furthermore, one of the main challenges to raising investment capital is distribution with some channels requiring managers to have a track record of at least 3-5 years. Furthermore, while products managed by local star managers can easily raise a huge amount of assets, products launched by managers that are not widely recognized among onshore investors require much more effort from distributors.

Out of the 20+ foreign PFM players, eleven firms have assets in the RMB 100mn-1bn range, while nine have assets below RMB 100mn

Having been in China since 2014, the expansion in China for iFAST has not been similar to their experience in other regions – Singapore, Hong Kong and Malaysia. What are the challenges? 1) Tight regulations which are easing gradually, and 2) China market is predominantly dominated by the domestic players and as such market share for the foreign players is usually small.

Management intends to focus on the B2B segment in China, planning to launch new products subsequently, as the competition is less fierce compared to the B2C segment.

iFAST's China business has been loss-making since 2014 when they incorporated the iFAST Platform Services (Shenzhen) Qianhai in China. However, we think that the opportunity for growth in China is big and this opportunity is also recognised by the management team at iFAST. The management has been stepping up its efforts in building its brand and businesses in the China market in order to offer a broader range of services on their investment platform in China. Management shared that it takes a few years to gain traction in a new market, based on their experience in Hong Kong and Malaysia, and it could take 5-7 years to reach a breakeven AUA level after which iFAST's business model becomes very scalable and tend to lead to margin improvements.

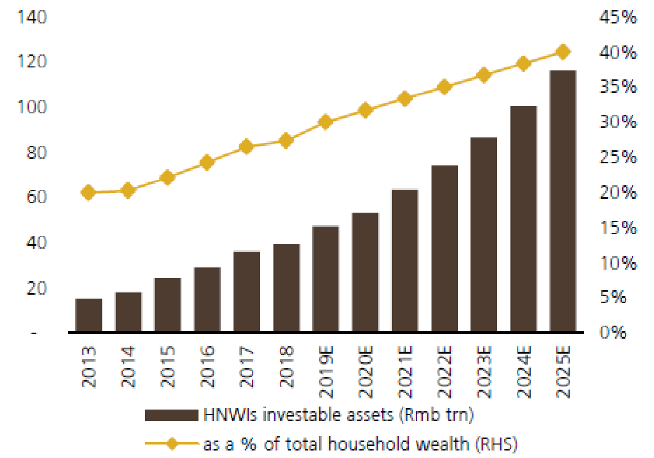
We think that China could be a significant AUA growth driver for iFAST for 3 reasons: 1) wealth growth in China, 2) shifting regulatory landscape, and 3) good track record in other markets.

Evolving landscape

Referencing UBS' recent Q-series "The pursuit of China's wealthy – how may a Rmb116trn private banking market evolve?", we think that the investable assets of the high-net-worth-individuals (HNWIs) in China could reach RMB 116tn in 2025E (more than double from 2019). China’s nascent private banking (PB) market provides a clear opportunity amid this attractive structural growth: shift in wealth allocation, deepening service penetration and potential new businesses, such as discretionary portfolio mandate and margin lending, should all contribute to revenue growth. Our Oasis (most optimistic) scenario estimates a PB industry revenue pool of RMB 480bn in 2025E, a 38% CAGR from RMB 69bn in 2019E.

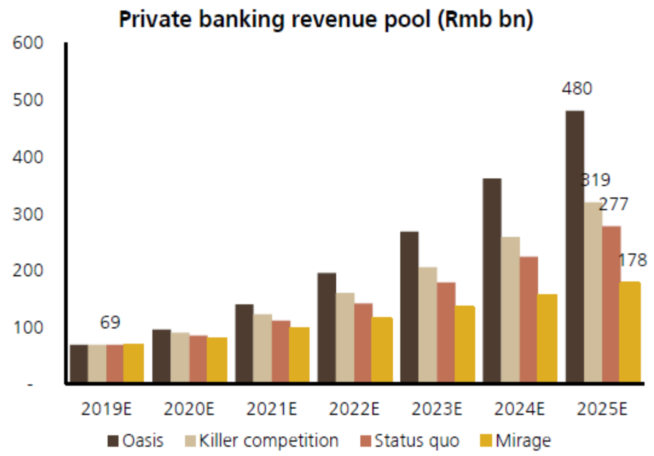
[8] Cerulli Associates, "Asset Management in China 2020”

Figure 25: China HNWIs investable assets



Source: CEIC, Wind, BCG, UBS estimates (Link to Q-series)

Figure 26: China private banking revenue pool



Source: UBS estimates (Link to Q-series)

Besides HNWI asset growth, regulatory changes should facilitate potential structural changes in asset allocation trends and increase the appetite for more advanced financial products and services of the PB industry. In our Oasis scenario, we think industry penetration (i.e. AUM of PB as a portion of HNWI investable assets) could rise from 31% to 50%.

The recent change in asset management product (AMP) rules (removing implicit guarantee)[9] has been a key positive catalyst for the WM industry; the trial of the investment advisory model could be another[10].

With the PFM registration, investors will be able to tap on iFAST's DPM service where their portfolios will be automatically rebalanced on a regular basis. Qualified investors on the platform will also be able to invest in PFM funds that can give them exposure to a wider variety of underlying assets. The PFM capability will allow iFAST's business in China to have a broader range of services as an investment platform which was initially limited to the basic distribution of fund products.

iFAST has a good track record in setting up their business in Singapore, Malaysia and Hong Kong where this experience could be instrumental to their China business. The product offering in the China business is also currently limited to unit trust and management is looking to expand its product offerings in time to come.

[9] The new asset management product (AMP) rules would largely eliminate implicit guarantee, which has been ubiquitous in China's financial products in the past decade.
[10] Financial regulators are trialling the mutual fund investment advisory business, which allows financial institutions to not only provide investment recommendation but also trade on the clients' behalf based on pre-agreed strategies.

Figure 27: Licences and products available in the various markets

	Licenses held	Products available
Singapore	Capital Markets Services License [MAS] Financial Adviser License [MAS] Exempt Insurance Broker [MAS] SGX Trading Member [SGX] CDP Depository and Clearing Agent [CDP]	UT / Bonds / Stocks / ETFs / DPMS / Insurance
Hong Kong	Type 1: Dealing in Securities [SFC] Type 4: Advising on Securities [SFC] Type 9: Asset Management [SFC] Mandatory Provident Fund Schemes Authority (MPFA) Stock Exchange of Hong Kong (SEHK) Participant Hong Kong Securities Clearing Company (HKSCC) Participant Licensed Insurance Broker with Insurance Authority	UT / Bonds / Stocks / ETFs / DPMS
Malaysia	Capital Market Services License [SC] Registered Institutional Unit Trust Advisers (IUTA) and Institutional Private Retirement Schemes Adviser (IPRA) [FIMM] Financial Advisers License [BNM]	UT / Bonds / Stocks / ETFs / DPMS / Insurance
China	Fund Distributor Qualification [CSRC] Associate Member of Asset Management Association of China (AMAC) Member of Shenzhen Asset Management Association (SAMC) Registered Private Fund Manager [AMAC]	UT
India	Registered Investment Adviser with Securities and Exchange Board of India (SEBI) Registered Mutual Fund Distributor with Association of Mutual Funds in India Bombay Stock Exchange (BSE) Central Depository Services (India) Ltd Approved person of Central Insurance Repository Ltd.	UT / Stocks

Source: Company data

PIVOTAL QUESTIONS

return ↑

Q: Can PBT margins improve in future?

UBS VIEW

Yes. We expect iFAST's PBT margin to improve to 46% in 2028E from 30% in 2020. This will be driven by a couple of factors – 1) a turnaround in the margins of the currently loss-making China business, and 2) scalable business model. Potential further upside could come from a digital banking license which could improve iFAST’s net interest income contribution and lead to a further increase in PBT margin. Fees could be and continue to be under pressure but we argue this risk should be manageable for iFAST given the industry landscape. Fee reduction while a negative for margins could drive higher volumes. The wide suite of products and services offered by iFAST should also help to mitigate this risk.

EVIDENCE

PBT margin for Charles Schwab, a US based company with a similar business model, has been on an upward trend for the last two decades and PBT margin hit a high of 45% in 2019. Mirroring this iFAST's experience so far in Hong Kong and Malaysia also shows that once AUA reaches a breakeven level, PBT margins expand quickly due to the scalable nature of the business model. We believe this is critical in the context of the China business which is currently loss-making.

WHAT'S PRICED IN?

We think that the sell-side consensus and the market generally agree on the scalable business model which drives positive operating leverage. But the extent of the improvement in the coming years varies.

Yes, we think that PBT margins based on net revenues (gross revenue less commission & fees paid to third party financial advisers and security brokerage expenses) could improve to 46% in 2028E from 30% in 2020. This could be driven by a couple of factors – 1) improving margins from the currently loss-making China business, and 2) scalable business model.

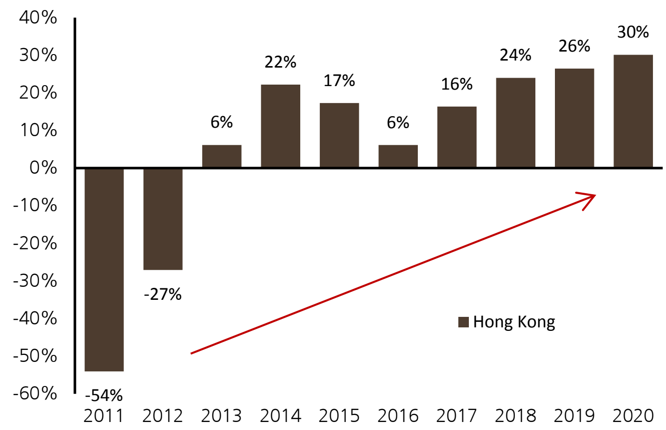
Margin expands rapidly post AUA breakeven

Size of the AUA is critical for iFAST’s business model and total revenues. This is because recurring revenues, which are a direct function of AUA, contributed c80% of net revenue on average in the last 5 years.

As AUA reaches a breakeven level, margins can expand quickly given the scalable business model. Figure 28 shows this in the context of Hong Kong – the PBT margin has been on an upward trend since 2011. The Hong Kong business was launched in 2007 (B2C) / 2008 (B2B) and it took around 5-6 years for the business to turn profitable. Once the AUA reached a breakeven level, the PBT margin has been improving rapidly from a level of 6% in 2013 to around 30% in 2020.

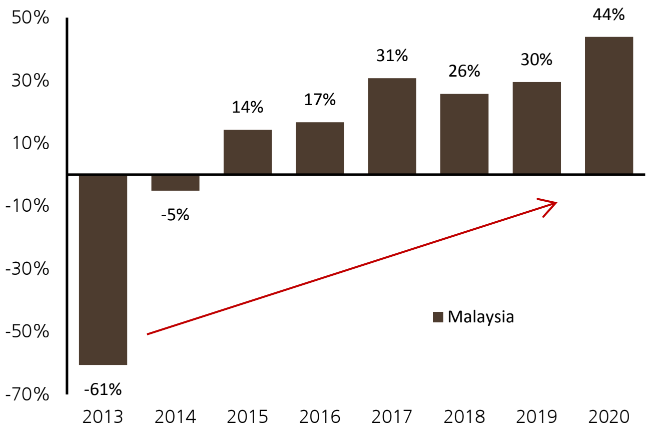
A similar trend is also evident in Malaysia as shown in Figure 29. The Malaysia business was launched in 2008 (both B2C and B2B) and remained in the red until 2014. Since 2015 however the PBT margin has improved from mid-teens to 30% in 2019 and further to 44% in 2020.

Figure 28: Hong Kong PBT margin (% net revenue)



Source: Company data

Figure 29: Malaysia PBT margin (% net revenue)



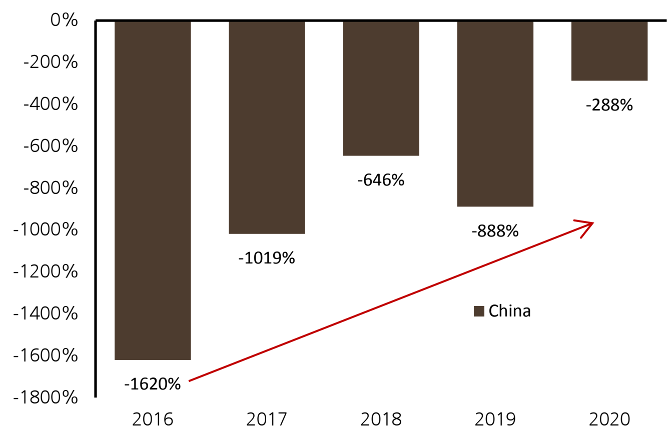
Source: Company data

China's PBT margin, while still negative, is also rapidly improving and turning less negative over the years (Figure 30).

Singapore's PBT margin has also been gradually improving over the years (Figure 31), improving from sub-30% level in the early part of the decade to above 30% more recently. However given several headquarter related costs get allocated to the Singapore business, the improving PBT margin trend is not as visible in Singapore.

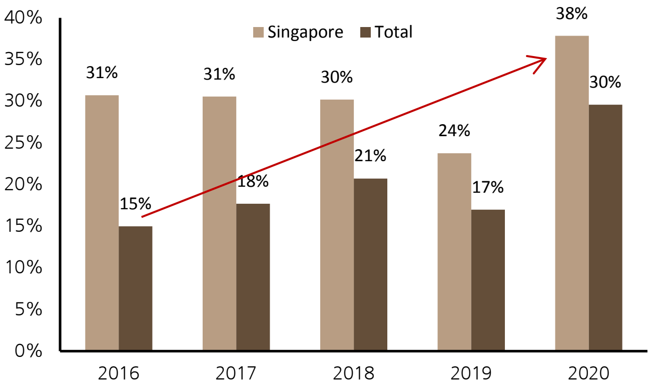
As China's PBT margin improves gradually, we could see higher PBT margins on the overall level, which have already been improving in the last few years. Overall PBT margins have risen from a level of 15% or so in 2016 to close to 30% recently.

Figure 30: China PBT margin (% net revenue)



Source: Company data

Figure 31: Overall and Singapore PBT margin (% net revenue)



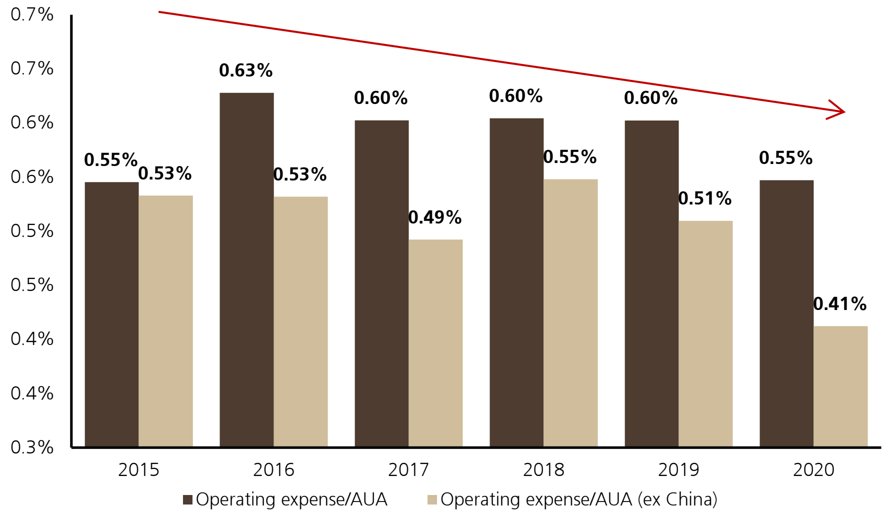
Source: Company data

A scalable business model

Given the nature of the business, iFAST is a very scalable business. This means that as volumes grow, margins grows in tandem. This is evident in Figure 32 where operating expense/AUA is on a downward trend. Even more visible if we exclude China from both the expense and AUA given the heavy investments in China in recent years.

iFAST has a scalable business model. Operating expense/AUA is on a downward trend

Figure 32: Operating expense / average AUA – including and ex-China



Source: Company data

This is driven by 2 key factors – 1) internet business model, and 2) proprietary IT platform.

1) Internet business model. iFAST employs an internet-based business model which means that the platform can be customised and upgraded quickly, compared to a brick-and-mortar business, by in-house technology staff more efficiently and at lower cost. This enables iFAST to handle higher transaction volumes arising from a larger customer base as well as a higher AUA, without similar increases in the operating costs. Net revenue grows faster than operating costs as % of AUA leading to PBT margin improvement.

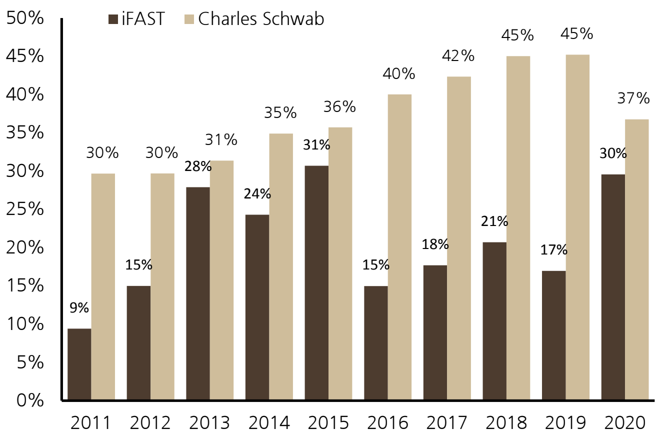
2) Proprietary IT platform. iFAST uses a proprietary IT platform. This enables them to scale the platform alongside AUA growth without corresponding increase in operating costs. The proprietary platform minimises reliance on third party developers thus reducing operating overheads.

The Charles Schwab experience

Charles Schwab in our view is a US based company with a similar business model to iFAST. The former of course has a much bigger scale (both in products and customers). Please see the box after figure 34 for more details on the business of Charles Schwab.

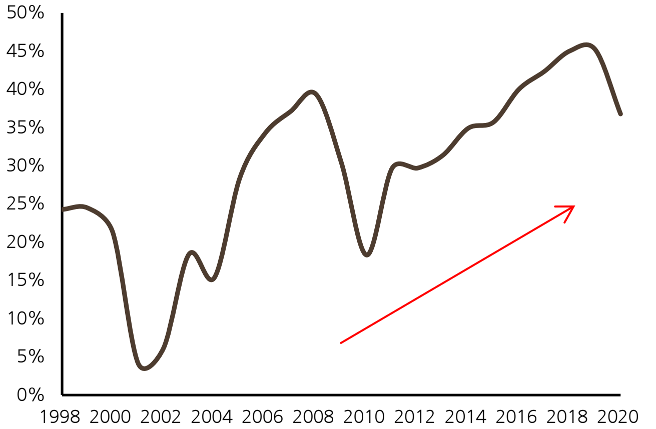
Similar to our expectation and the discussion so far, Charles Schwab's PBT margin (based on net revenue) has been on an upward trajectory since 2011 (Figure 33) and touched 45% in 2019. According to UBS analyst covering Schwab, PT margins at Schwab would be down in 2020 (42.2%, down from 45.7% in 2019) ex-merger expenses, because of high rate sensitivity. This fell in 2020 to 37% mainly due to the TD Ameritrade (AMTD) acquisition related costs. The deal was closed in October 2020. But on the longer term (Figure 34), margins have maintained a visible upward trajectory given the scalable nature of the business, very similar to iFAST.

Figure 33: PBT margins for iFAST and Charles Schwab (% net revenue)



Source: Company data

Figure 34: Longer term PBT margins for Charles Schwab (% net revenue)



Source: Company data

iFAST's PBT margin hovered around the 30% level in 2013-2015 and fell to ~15% in 2016 due to tough market conditions which led to a one-off impairment loss of S$0.68mn on investment in financial assets (due to mark-to-market loss following a decline in market value of certain equity and fixed income unit trusts acquired in 2015) and the S$3.61mn start-up losses in the China operation (which was soft-launched in March 2016). iFAST's PBT margin has since been on an upward trend and reached 30% in 2020.

About Charles Schwab

Charles Schwab Corporation (NYSE: SCHW) is a provider of financial services, with 31.5mn active brokerage accounts, 2.1mn corporate retirement plan participants, 1.5mn banking accounts, and US$6.9tn in client assets as of February 28, 2021. Through its operating subsidiaries, the company provides a full range of wealth management, securities brokerage, banking, asset management, custody, and financial advisory services to individual investors and independent investment advisors. Its broker-dealer subsidiaries, Charles Schwab & Co., Inc., TD Ameritrade, Inc., and TD Ameritrade Clearing, Inc., and their affiliates offer a complete range of investment services and products including an extensive selection of mutual funds; financial planning and investment advice; retirement plan and equity compensation plan services; referrals to independent, fee-based investment advisors; and custodial, operational and trading support for independent, fee-based investment advisors through Schwab Advisor Services. Its primary banking subsidiary, Charles Schwab Bank, SSB, provides banking and lending services and products.

Charles Schwab's PBT margins has been on an upward trend and achieved a high of 45% in 2019.

In comparison, iFAST PBT margin, while improving, is at 30%

We believe that iFAST could narrow the PBT margin gap against Charles Schwab and we forecast iFAST PBT margin could reach 46% in 2028E (Figure 35). One key difference between the two firms is that Charles Schwab has a larger Net Interest Income (NII) component which contributes to higher margins.

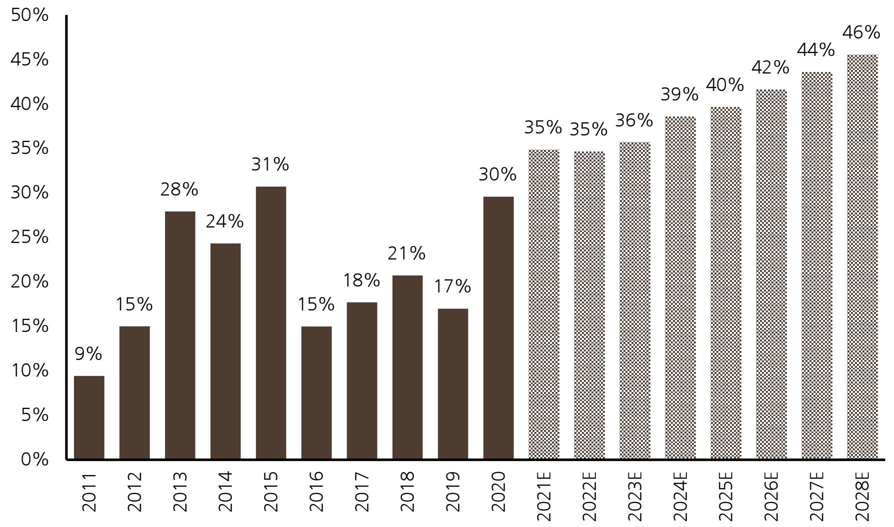
NII contributed 52% to Charles Schwab's net revenue in 2020 (from 21% in 2000) owing to the banking services offered through the banking subsidiary, Charles Schwab Bank. According to the UBS analyst covering Schwab, NII is mainly driven by deposit spreads with very little lending. Margin loans and bank loans represent less than one-fifth of Schwab's interest earning assets. Shifting cash balances from money market fund sweeps to bank sweep, where Schwab can more effectively monetize the deposit balances, has been a big part of the profitability expansion at

Schwab beyond scale, which was also a big contributor, over the past decade. In comparison, NII contributed only 6% to iFAST's net revenue.

iFAST's NII currently comes from the margin that iFAST earns on clients' assets float - interest income from banks on the deposits from customers less interest expense iFAST gives to customers which is about 25bps on SGD deposits. They have no deposit taking and lending capabilities at the moment unlike Charles Schwab. However this could change if iFAST is able to acquire a digital banking license. While the bids for this have been unsuccessful so far both in Hong Kong and Singapore, there is still scope for this to come through in future. We believe iFAST will apply for a digital bank license in Malaysia.

In addition to an increase in NII and higher margins as a result, a banking license can also prove very useful in cross-selling of products and services to banking customers and can help drive further improvement in margins.

Figure 35: iFAST's PBT margin - historical and forecast



Source: Company data, UBS estimates

How long will it take for breakeven in China?

iFAST's China business has been loss making since 2014 when it first started. The Hong Kong and Malaysia business took 5-7 years to turn profitable. While it is reasonable to expect a similar time frame for the China business to turn profitable, there are some key differences worth noting between the business models which we discuss below.

1) Business plan. Management intends to keep China a B2B business due to the intense competition in the B2C segment. This can lead to a slower pickup in AUA compared to Hong Kong and Malaysia, where iFAST has presence in both the B2B and B2C segments. However the total market size for the B2B business is also significantly larger in China and that presents an opportunity for rapid growth for iFAST.

2) Product portfolio. Since 2014, the only product available in China was unit trusts. Hong Kong and Malaysia also started with unit trusts but management followed it up with other products such as stocks, bonds, DPM, ETFs, and insurance. This has helped to grow the AUA in Hong Kong and Malaysia business and achieve the breakeven AUA in 6-7 years. In line with this, management intends to add more products to the China portfolio in future, especially now that they have secured a PFM (private fund manager) license, which could help to drive higher AUA. Rolling out of new products will be key to delivering growth in China.

3) Regulations. Regulations regarding financial services in China have been known to be tight, just like they have been in Hong Kong and Malaysia. However regulations around fund management are easing in China now and that presents a good opportunity for iFAST to accelerate the growth in AUA in China in the coming years. We discuss these regulatory changes in the section on China business in PQ1 in this note (pages 20-21).

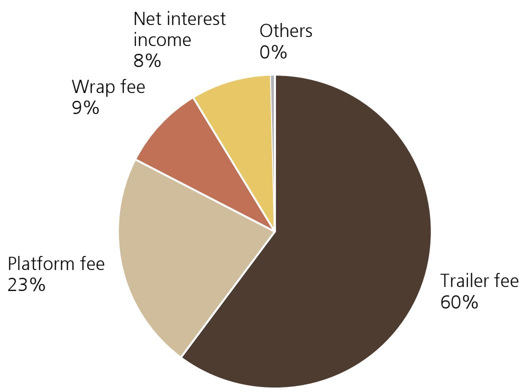
4) Market landscape. Local Chinese fund managers tend to have higher market share in China compared to the foreign players, and the landscape looks a lot more competitive compared to other foreign markets for iFAST like Hong Kong and Malaysia. According to a Cerulli Associates report in 2020, out of the 20+ foreign PFM players, eleven firms have assets in the RMB 100mn-1bn range, while nine have assets below RMB 100mn[11].

One of the main challenges to raising investment capital is distribution with some channels requires managers to have a track record of at least 3-5 years, while others might not find it worthwhile to onboard private funds considering the limited commission revenue.

Fee pressure – how concerned should we be?

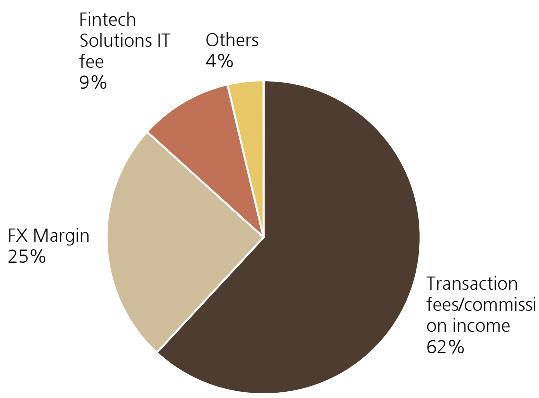
iFAST's recurring net revenue (c80% net revenue contribution on average over the last 5 years) comprises of a number of fees, namely trailer fees, platform fees and wrap fees (Figure 36). Non-recurring fee includes transaction fees of unit trusts, bonds, stocks, ETFs (Figure 37). There are concerns among investors that fees could be under pressure from both competition and regulation.

Figure 36: Recurring fee breakdown (2020)



Source: Company data

Figure 37: Non-recurring fee breakdown (2020)



Source: Company data

On the competition front, transaction fee pressure has been intensifying globally over the last couple of years. For example, Charles Schwab in the US announced it will eliminate trading commissions on all US stocks and exchange traded funds in 2019 which was quickly followed by rivals.

[11] Cerulli Associates, "Asset Management in China 2020"

iFAST's also faces similar fee pressure but the current pricing is quite attractive compared to the other Singapore retail brokers who still charge much higher transaction fees. Furthermore, iFAST's platform offers other services such as research and financial advisory and access to many other investment products which helps mitigate some of this pressure. This is in line with a report from Cerulli Associates in 2020 which found that 82% of adviser-reliant clients believe the advice they are receiving is worth the price[12], which suggests that advisers are an anomaly in the financial services industry food chain where fees have been under pressure.

On the regulatory front, there are concerns that trailer fees might be banned in a bid to eliminate conflict of interest and product bias. In Europe, under Markets in Financial Instruments Directive II (MiFID II) which went into effect in 2018, a partial ban on commissions was implemented with the UK and the Netherlands being the only EU countries banning outright embedded commissions for all advisors. In Australia, financial reforms introduced in the "Future of Financial Advice" Act of 2012 banned all conflicted remuneration, including trailer fees, and also required mandatory fee disclosures.

For iFAST, in Hong Kong and Singapore, two of the key markets, while regulations have tightened, they have so far not included an outright ban on commissions as Australia and the UK have implemented.

In Hong Kong, the Securities and Futures Commission (SFC) launched a consultation to enhance asset management regulation and point-of-sale transparency in 2016. Market surveys cited by the SFC suggested that a majority of Hong Kong investors were willing to pay only a token sum for advice[13], and that Independent Financial Advisors had only a 2.1% market share in retail fund distribution as at 2019.

Survey findings prompted the SFC to rule out a ban on commissions at least for the time being

The survey findings prompted the SFC to rule out a ban on commissions at least for the time being. Instead, it focused on reducing and managing conflict of interest and enhancing point-of-sale disclosures, with the stated objectives of enhancing transparency, driving down investors costs, and promoting competition.

For Singapore, in 2013, the Monetary Authority of Singapore (MAS) conducted an online survey of consumers in Singapore about their receptiveness of a fee-based model and the results revealed that 80% of consumers were not prepared for a pay-for-advice regime. Concerns arose that a switch may result in segments of consumers being underserved[14].

In Singapore, the Financial Advisory Industry Review (FAIR) panel considered, but ultimately rejected, a ban on commissions

The Financial Advisory Industry Review (FAIR) panel considered, but ultimately rejected, a ban on commissions. Financial advisers are however required to disclose, in writing, all remuneration, including any commission, fee, and other benefits, that it has received or will receive for making any recommendation in respect of an investment product.

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[12] Cerulli Associates, "U.S. Retail Investor Advice Relationships 2020: Accentuating the Value of Advice"

[13] Securities and Futures Commission, "Consultation Paper on Proposals to Enhance Asset Management Regulation and Point-of-sale Transparency" (23 November 2016), https://www.sfc.hk/edistributionWeb/gateway/EN/consultation/openFile?refNo=16CP5

[14] Lee Chuan Teck, "Presentation of Financial Advisory Industry Review Panel Report,", Monetary Authority of Singapore (16 January 2013), https://www.mas.gov.sg/news/speeches/2013/presentation-of-financial-advisory-industry-review-panel-report

Further as part of the Private Banking Code of Conduct since 2017, private banks regulated by MAS should not receive or retain any retrocessions (i.e. trailer fees) from product providers if they charge a management or advisory fee. If the bank receives a retrocession it should adjust the advisory fee or rebate the retrocession to clients.

What is a trailer fee?

In addition to upfront commissions, fund management companies pay a trailer fee (also called retrocession) to the distributing entity on at least an annual basis. Such trailer fees usually are calculated based on a percentage of the time-weighted AUM at an aggregate level. Trailer fee sharing arrangements are typically not transparent to investors.

Why are trailer fees and commissions banned in Australia, UK and Europe?

Sales commissions paid by manufacturers of investment products to financial advisers, intermediaries or product distributors create a conflict of interest i.e. commissions and other inducements can generate incentives for financial advisers to promote products that bring them the highest reward rather than encourage them to recommend products that best meet customers' needs.

What was the outcome in UK?

The ban on commissions in the UK is thought to have contributed to an increase in professionalism of advisers, a reduction in recommendation biases[15], and downward pressure on retail product charges[16]. In contrast, evidence also suggests that the cost of advice has increased and that firms have moved away from catering to the mass-market segment of investors, creating an "advice gap" — that is, a reduced availability of financial advice — which many have raised as a concern when considering a ban[17]. Some UK platforms introduced platform fees and administrative fees after the banning of commissions.

iFAST's management sees a low probability of the scrapping of trailer fees in their key markets in the near future. Furthermore, during the Q420 earnings call in February 2021 iFAST CEO commented that iFAST might not necessarily be at a disadvantage if regulators moved to ban trailer fees and that the experience from Australia and UK "led to a faster adoption of investment platforms as the way of doing their business in the advisory channel".

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[15] Europe Economics, "Retail Distribution Review Post Implementation Review" (16 December 2016), https://www.fca.org.uk/publication/research/rdr-post-implementation-review-europe-economics.pdf

[16] J. Beard and J. Garcia-Zarate, "The Effects of the Retail Distribution Review on Fund Fees in the UK," Morningstar Manager Research Services, EMEA (2018).

[17] Europe Economics, "Retail Distribution Review"

PIVOTAL QUESTIONS

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Q: Can iFAST weather the challenges from an evolving regulatory landscape?

UBS VIEW

Yes, we believe so. The securities and financial services industry is a highly regulated industry. iFAST's purely internet business model also subjects it to other applicable regulations and guidelines. We believe that while regulators are increasingly wary of the impact fintechs could have on destabilising the financial system and new rules to regulate fintechs are unavoidable, regulators on the other hand also welcome innovation to improve competition, increase financial inclusion, and digitalising the financial sector. The latter objectives bode well for iFAST. As a result, the company has been successful in growing rapidly while working closely with regulators and adapting to the different regulatory frameworks in all their five key markets. This track record speaks for itself and reflects their ability to keep doing so in the long run. It also helps that there has been almost no changes in the top management team in the last several years, thus supporting the case for further stability and continuity on this front.

EVIDENCE

iFAST has a strong track record of working closely with regulators as is evident in their partnerships with various government institutions across markets - CPF in Singapore, EPF in Malaysia and MPF in Hong Kong. This strong track record is also reflected in the growing suite of licenses and the continuous stream of product launches in the last several years – both of which are subject to regulatory approvals.

WHAT'S PRICED IN?

We think that market is likely concerned about regulations to a certain extent but these concerns will likely never disappear due to the ever-changing regulatory landscape.

Regulatory risks are inherent in the business

The securities and financial services industry is a highly regulated one. iFAST's purely internet business model also subjects it to additional applicable regulations and guidelines. Regulations are constantly evolving and it is impossible to predict how they might change in the near future with certainty.

We believe that while regulators are increasingly wary of the impact fintechs could have on destabilising the financial system and new rules to regulate fintechs are unavoidable, regulators are also very welcoming of innovation to improve competition, increase financial inclusion to the underserved segments of the market, and digitalising the financial sector. This bodes well for a business like iFAST which thrives by disrupting the traditional distribution channels for investment products.

Trailer fees – will it be banned?

Trailer fees are banned in Australia and the UK as regulators try to eliminate the conflict of interests between fund distributors and investors, a point which we have discussed in pivotal question 2 earlier in the note.

Trailer fees are not banned in iFAST's key markets currently but there are concerns that this might happen eventually. While this is certainly possible, it is worth noting the following points to assess the probability and impact:

1. Regulators in Hong Kong and Singapore have considered banning commissions such as trailer fees in the past but eventually decided against it. The overarching concern regulators decided not to ban commissions was the fear of an "advice gap" that is, a reduced availability of financial advice.

When sales commissions were banned in Australia and the UK, advisers adopted a pay-for-advice model for revenues. What this means is that advisers will only give financial advice to the clients that pay for it, creating an "advice gap" for those investors who cannot afford to pay out of pocket for a financial adviser.

Regulators in Hong Kong and Singapore have so far focused on improving disclosure requirements with the stated objectives of enhancing transparency, driving down investors costs, and promoting competition.

2. Fees transparency instead of a complete ban on commissions might be more beneficial, in our opinion. More transparency surrounding the fee structure, cost to investors, and the potential conflicts of interest is desirable. Investors need to be informed about all fees that they are paying as well as the recipients of such fees.

A number of markets in the Asia-Pacific region (e.g. Hong Kong and Singapore) and globally have increased the point-of-sale disclosure requirements to enable investors to make better and more informed decisions.

3. As part of the code of conduct for the private banks in Singapore since 2017, private banks should not receive or retain any retrocessions (i.e. trailer fees) from product providers if they charge a management or advisory fee. If the bank receives a retrocession it should adjust the advisory fee or rebate the retrocession to clients. There are no requirements like this for other investment platforms and advisors at the moment.

4. Banning of trailer fees while negative for margins could help to drive higher volumes as the experience in other markets also suggests. Lower charges and higher transparency have led to a pickup in the number of users on investment platforms in Australia and the UK.

5. In the unlikely scenario that trailer fees were to be banned in the key markets for iFAST, we think the group might be able to raise other fees such as platform fees to offset the loss in revenues, again similar to the experience in other markets.

What is trailer fees?

In addition to upfront commissions, fund management companies pay a trailer fee (also called retrocession) to the distributing entity on at least an annual basis.

Such trailer fees usually are calculated based on a percentage of the time-weighted AUM at an aggregate level. Trailer fee sharing arrangements are typically not transparent to investors.

Digital bank license remains work in progress

iFAST has so far been unsuccessful in a bid for the first phase of digital banking licenses in Hong Kong and Singapore. As we have discussed in pivotal question 2 earlier in the note, a digital banking license could help to drive margins through higher net interest income contribution and cross selling opportunities thus enhancing iFAST's capability as a wealth management platform substantially. iFAST is currently assessing applying for a digital banking licence in Malaysia.

Relationships with regulators – a solid track record

iFAST has good relationships with the regulators in their key markets which we believe is a long term positive for the business. This is evident in their ability to work with government institutions, some details below, and also the growing suite of licenses that they have been awarded in the last several years (Figure 38). In addition to the licenses, their ability to launch new products continually, all of which require regulatory approvals, lends further support to this view.

Singapore (CPF)

iFAST is a Central Provident Fund Investment Scheme (CPFIS) registered Investment Administrator since 2005. As a CPFIS registered Investment Administrator, iFAST's FSMOne will be able to draw a consolidated amount directly from the CPF agent bank for the CPF investments. As of

Malaysia (EPF)

The Employees Provident Fund (EPF) has 10 fund management institutions (FMIs) connected to the EPF's self-service online investment facility, i-Invest. FMIs without their own platforms offer investment products on i-Invest through two appointed Institutional Unit Trust Advisers (IUTAs), one of which is iFAST Capital Sdn Bhd.

Hong Kong (MPF)

iFAST was successful in the tender for the eMPF Platform project from Mandatory Provident Fund Schemes Authority (MPFA) of Hong Kong with PCCW Solutions as their Prime Subcontractor for a category that includes MPF scheme operation services, transformation services and user delivery services. PCCW Solutions was awarded the contract for the design, build and operation of the eMPF Platform with the aim to standardise, streamline and automate the MPF scheme administration processes to create room for fee reduction and a predominantly paperless experience in the MPF System.

China

iFAST is now a Registered Private Fund Manager with the Asset Management Association of China.

Figure 38: iFAST's licenses and products

	Licenses held	Products available
Singapore	Capital Markets Services Licence [MAS] Financial Adviser Licence [MAS] Exempt Insurance Broker [MAS] SGX Trading Member [SGX] CDP Depository and Clearing Agent [CDP]	UT / Bonds / Stocks / ETFs / DPMS / Insurance
Hong Kong	Type 1: Dealing in Securities [SFC] Type 4: Advising on Securities [SFC] Type 9: Asset Management [SFC] Mandatory Provident Fund Schemes Authority (MPFA) Stock Exchange of Hong Kong (SEHK) Participant Hong Kong Securities Clearing Company (HKSCC) Participant Licensed Insurance Broker with Insurance Authority	UT / Bonds / Stocks / ETFs / DPMS
Malaysia	Capital Market Services Licence [SC] Registered Institutional Unit Trust Advisers (IUTA) and Institutional Private Retirement Schemes Adviser (IPRA) [FIMM] Financial Advisers Licence [BNM]	UT / Bonds / Stocks / ETFs / DPMS / Insurance
China	Fund Distributor Qualification [CSRC] Associate Member of Asset Management Association of China (AMAC) Member of Shenzhen Asset Management Association (SAMC) Registered Private Fund Manager [AMAC]	UT
India	Registered Investment Adviser with Securities and Exchange Board of India (SEBI) Registered Mutual Fund Distributor with Association of Mutual Funds in India Bombay Stock Exchange (BSE) Central Depository Services (India) Ltd Approved person of Central Insurance Repository Ltd.	UT / Stocks

Source: Company data

In total iFAST offers more than 7800 funds (unit trusts) from over 270 fund houses and over 1400 direct bonds alongside ETFs and stocks and discretionary portfolio management services.

Stability of top management tenures

IFAST's key management have long serving tenures and have been with the firm for an average of 18 years (Figure 39), considering that iFAST was started in 2000. This is important from the standpoint of relationship with regulators and we believe helps maintain stability and continuity on that front.

Figure 39: Key management and tenures – an average of 18 years

Position	Name	Joined iFAST in	Background
Chairman and CEO	Mr Lim Chung Chun	2000	Mr Lim co-founded the Company with the launch of its B2C division Fundsupermart.com in Singapore in 2000, following which the B2B division iFAST Financial was launched in 2001. He subsequently led the Company's regional expansion efforts, extending iFAST's presence beyond Singapore to Hong Kong, Malaysia, China and India, building a well-established Fintech ecosystem across the five markets. Mr Lim also led the Company to its successful listing on the SGX-ST Mainboard in December 2014. Before setting up iFAST Corp, Mr Lim was the Head of Research at ING Barings Securities Pte. Ltd.
Group Chief Operating Officer	Mr Wong Soon Shyan	2000	Prior to joining the Group, Mr Wong was with a well-known fund management company as a manager responsible for the marketing, product development, sales administration and sales in respect of funds from 1994 to 2000. From 1989 to 1991, he worked briefly as an external auditor before joining a foreign bank as a credit analyst, and from 1992 to 1994, he worked as an accountant.
Group Chief Financial Officer	Mr Leung Fung Yat David	2006	Prior to joining the Group, Mr Leung worked as an auditor in the Hong Kong and Singapore offices of an international accounting firm from 1991 to 1998 and was promoted to assistant manager in 1996. From 1999 to 2006, he held various financial and accounting positions in companies in different industries including companies in the business of machinery and equipment manufacturing, the provision of e-commerce services, investment holdings, electronics and semiconductors, retail and the manufacture and trading of health food products.
Managing Director, iFAST Singapore	Mr Lim Wee Kiong	2001	After joining our Group in April 2001, he took on the role of General Manager in 2006 and was responsible for the overall management of our B2B Business. Mr Lim was promoted to Managing Director, Platform Services Singapore, and was appointed as a Director of iFAST Financial Pte Ltd, in 2016. Prior to joining the Group, Mr Lim worked as a credit and marketing officer in a local bank and a product and marketing executive at a company dealing in automation products. From 1995 to 1997, Mr Lim worked as an insurance agent with two life insurance companies.
General Manager, FSMOne.com Singapore	Mr Wong Tin Niam Jean Paul	2004	Mr Wong is the General Manger of iFAST Singapore's B2C division, FSMOne.com. He is also the Director of the Corporate Communications department, which looks after the Investor Relations function for iFAST Corp. Mr Wong was part of the team working on the company's IPO on the SGX-ST Mainboard in 2014. In his earlier years with the company, he was part of the Content team producing financial education and other investment-related content. Mr Wong has been with the company since 2004.
Managing Director, iFAST Hong Kong	Mr Kelvin Yip Hok Yin	2006	Mr Yip joined the Group in 2006 and was promoted to General Manager of Platform Services HK in April 2009, before assuming the role of iFAST HK COO in April 2014. Prior to joining our Group, Mr Yip was an environmental engineer in a major construction group from 2001 to 2003. From 1999 to 2001, he conducted environmental audits in factories across Asia in a global apparel group.
Managing Director, iFAST Malaysia	Mr Dennis Tan Yik Kuan	2002	With over 10 years of experience in the funds industry, Mr Tan oversees both the B2B and B2C divisions of our business in Malaysia. Mr Tan joined our Group in 2002 as an IT Manager and was involved in the development of end-user portfolio and investment software tools and applications for B2B customers. In 2004, he took on the position of Business Development Manager responsible for the growth of the software division business. In 2006, Mr Tan was promoted to Managing Director of iFAST Service Centre Sdn Bhd and in 2008, he took on the role of Managing Director of iFAST Malaysia. Prior to joining our Group, he was a software engineer with a software house.
Legal Representative, iFAST China	Mr Bernard Teo Wee Howe	2009	Mr Teo currently leads the Group's business development in the China market and oversees the running of the business operations of iFAST Financial China Limited. Mr Teo was the General Manager of iFAST China from 2014 to 2016. He is currently the Legal Representative of iFAST China, a role he took on from 2016. He was also a member of the Fund Distribution Specialised Committee of Shenzhen Asset Management Association from 2017 to 2020. Mr Teo has more than 10 years of operational experience in the funds distribution space, and he was previously the Regional Head of Operations & Settlements at iFAST Financial Pte Ltd, overseeing the Group's operations and settlements teams across Singapore, Hong Kong, Malaysia and India.

Source: Company data

WHAT'S PRICED IN?

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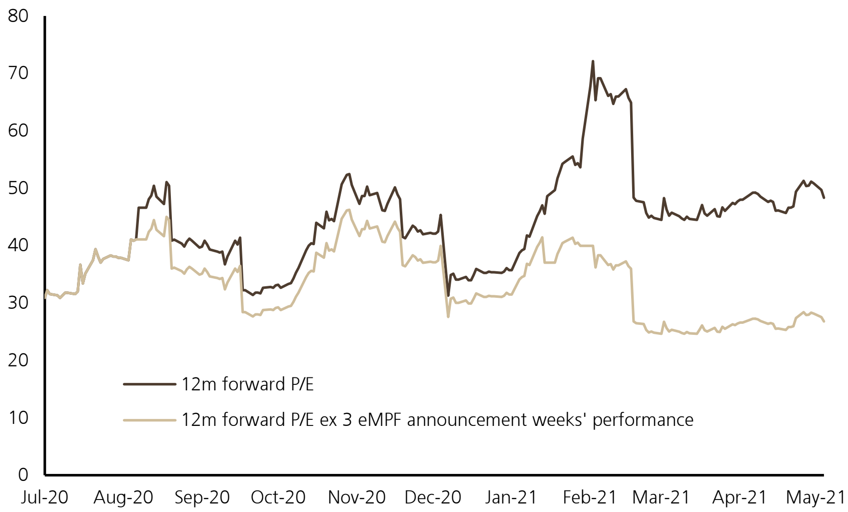


In our view, investors are yet to price in the step shift in the AUA growth profile.

The focus this year has been mainly on the HK development, not the hockey stick EPS growth profile that we project

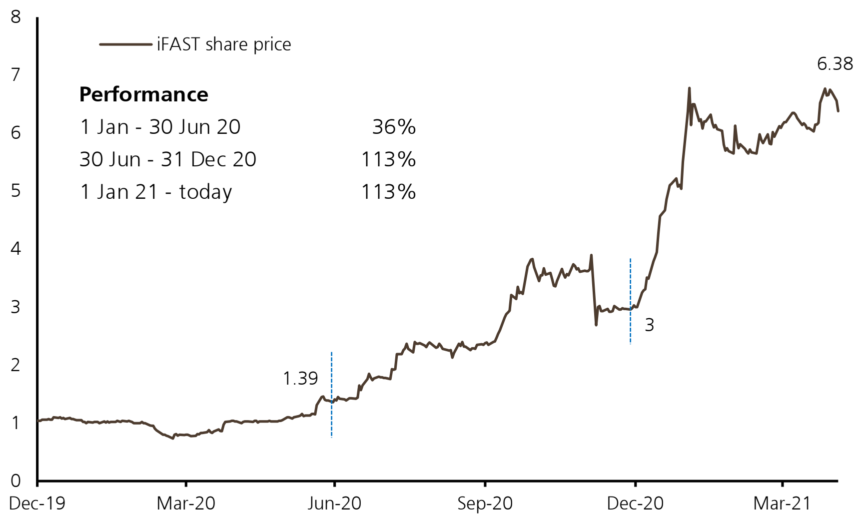
Why did the stock double twice since mid-2020?

iFAST has historically traded at a forward P/E of less than 30x on average since its listing in 2014 until recently.

Since second half of last year the stock has undergone a material rerating and share price performance has been strong. Figure 40 shows the share price was hovering at levels below S$2 until mid of last year. Through the first half of last year, the stock rose 36%. In the second half, the share price more than doubled to end the year at above S$3. So far in 2021, the share price has once again doubled and trades above S$6.

Adjusting for the eMPF impact on the share price, the stock is trading at 27x fP/E, not 48x, which is roughly half the level of many regional peers. On this basis, the stock looks attractive.

Figure 40: iFAST share price performance since last year



Source: Datastream

In the second half of 2020, the share price more than doubled to end the year at above S$3.

So far in 2021, the share price has once again doubled and trades above S$6.

In order to understand what events might have caused this sudden investor interest and rerating, we look at the weekly share price performance since mid of last year alongside a timeline of the key events, as shown in Figures 41-42.

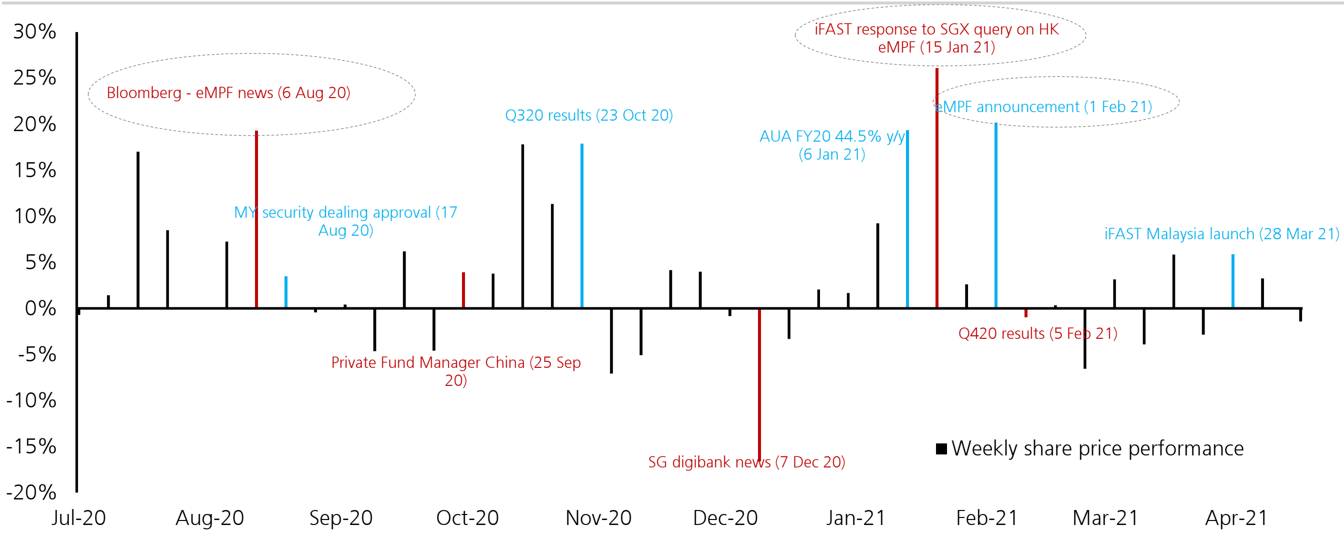
Figure 41: Share price performance and events / announcements

		1 day share price performance				
Date	Event/announcement	T-2	T-1	0	T+1	T+2
6-Aug-20	Bloomberg reported that eMPF is close to announcing the winner of the project bid and iFAST is part of the shortlisted consortium	10%	-1%	1%	13%	0%
17-Aug-20	iFAST obtained approval-in-principle to carry out the regulated activity of dealing in securities from the Securities Commission Malaysia	3%	-4%	-3%	8%	-1%
25-Sep-20	Successful registration as a Private Fund Manager with the Asset Management Association of China	0%	0%	3%	0%	0%
12-Oct-20	NA	3%	2%	8%	2%	1%
23-Oct-20	Q320 results release	-3%	1%	-1%	15%	2%
5-Dec-20	Unsuccessful in Singapore digital banking license bid					
7-Dec-20	First trading day after digital banking announcement	1%	7%	-31%	12%	1%
6-Jan-21	AUA grew 44.5% YoY to another record high of S$14.45b as at 31 December 2020	8%	1%	1%	6%	-1%
15-Jan-21	iFAST responds to SGX query and said that it participated in the bidding of projects, including "certain ones in Hong Kong" which may have a material positive impact on its business	2%	8%	7%	2%	4%
30-Jan-21	iFAST participated in successful tender for eMPF Platform project					
1-Feb-21	First trading day after eMPF announcement	-1%	9%	16%	6%	-9%
5-Feb-21	Q420 results release	-9%	6%	0%	-4%	0%
28-Mar-21	iFAST Malaysia launch of stockbroking service	-3%	0%	4%	-1%	3%

Source: Company data, Datastream

The chart suggests that there have been two major drivers of the share price performance. Strong AUA growth until end of last year and the eMPF related announcement as the key driver for the performance in 2021.

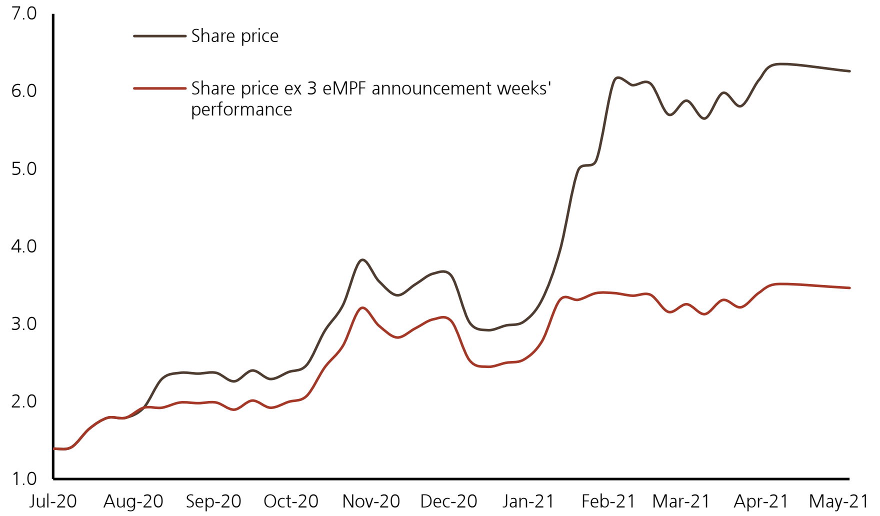
Figure 42: iFAST share price weekly performance alongside material event history



Source: Company data, Datastream, UBS

The news about iFAST's involvement in a successful tender for the eMPF Platform project in Hong Kong first surfaced in Aug-20; the share price rose c20% that week. The successful bid was only confirmed in Jan 2021. The share price rose 26% in the week ending 20th Jan when iFAST responded to SGX queries regarding this news. This was followed by a 20% performance in the week ending 1st Feb when this news was officially confirmed. Figure 43 shows the price performance if we exclude these three weeks where the eMPF news seems to be the key driver of the share price. Excluding the eMPF news driven performance the stock would have risen only 35% or so this year.

Figure 43: Share price ex the performance in 3 wks when eMPF related announcements was the key share price driver



Source: Datastream, UBS estimates

The second driver has been the strong AUA growth momentum. As Figure 42 also shows this was likely the major driver of the rerating of the stock until late 2020 year / early 2021, not in the rest of 2021.

The stock rose 18% in the week after Q3 results last year. Later in early Jan when the group reported 44.5% growth in the AUA for FY20 ahead of official FY results, the stock rose 20% that week.

Many other events like the launch of stockbroking or license for security dealing in Malaysia, PFM license in China while material, did not result in share price moves of a similar magnitude.

While the details on eMPF impact remain unclear at the moment. At the earliest it can only be accretive in 2023 as the project is expected to finish in end 2022. As a result it is unlikely to have any immediate impact on the near term EPS expectations (2021/22). We discuss later what the share price might be implying in terms of EPS and revenue accretion for iFAST.

Are investors underappreciating growth?

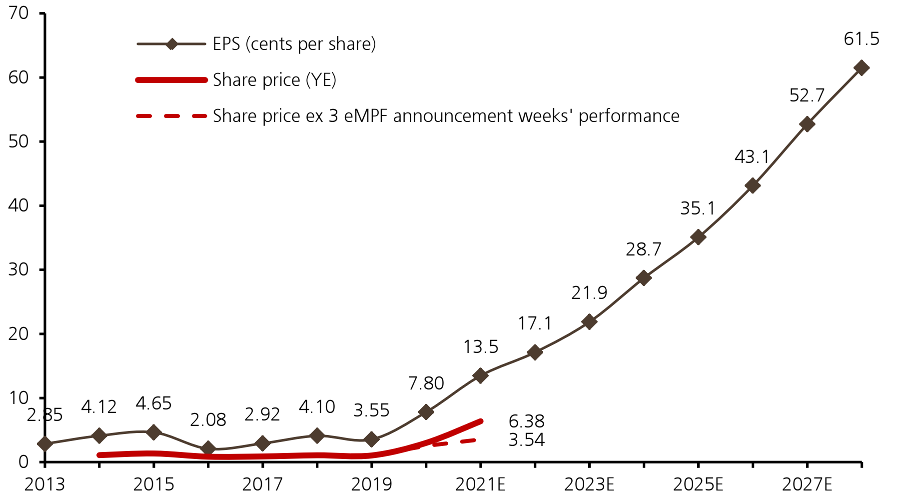
The step shift in the AUA growth profile matters more than the HK development, in our view

The second driver (i.e. AUA growth) is more important to focus on in our view for now from an EPS perspective and structural rerating of the stock. We have argued in the note that the group is entering a phase where AUA growth can sustain at a high level (20% CAGR in our view). AUA growth has seen a step shift in recent years and this strong momentum will continue in the post COVID era. However, given this is a recent phenomenon, we believe many investors will closely watch the upcoming AUA growth releases closely to get more conviction around this view.

The group is at a crucial turning point in its earnings trajectory and as that becomes more visible to investors, this will drive a long term structural rerating in the stock.

Figure 44 puts the share price in the context of our EPS forecasts over the coming years. Two key drivers for EPS are the AUA growth (which we discussed in the note) and PBT margin improvement from a level of c30% today to 46% in 2028 (similar to global peers). Our EPS projection does not include any contribution from eMPF HK given lack of disclosures.

Figure 44: EPS (actual & forecasts) vs share price (YE)



Source: Datastream, Company data, UBS estimates

Figure 45 shows the peer group multiples and suggests 20-25x for more mature businesses like CS/IB, while 40-50x for the less mature ones in emerging markets.

Figure 45: Peer comparison

		Mkt cap		PT	Price	%	EPS CAGR	EPS growth y/y		Consensus ROE		Consensus P/E		Consensus P/B	
Company	Region	(US$mn)	Rating	(LC)	(LC)	upside	2021-23E	2021	2022	2021	2022	2021	2022	2021	2022
Disruptive fintech															
iFAST Corporation	SG	1,773	Buy	10.00	6.38	57%	17%	55%	27%	29.0%	30.7%	52.7	41.4	14.5	12.3
XP Inc.	BR	21,485	Neutral	47.50	38.43	24%	29%	575%	27%	22.7%	25.0%	43.1	33.8	9.0	7.6
Futu Holdings	HK	20,877	Neutral	138.00	142.34	-3%	43%	1688%	65%	29.0%	32.4%	46.8	28.3	11.9	8.9
							30%	**773%**	**40%**	**26.9%**	**29.4%**	**47.5**	**34.5**	**11.8**	**9.6**
Multinational online brokers															
Charles Schwab	US	132,133	Neutral	68.00	70.09	-3%	12%	50%	7%	13.7%	18.3%	22.0	20.5	2.7	2.5
Interactive Broker	US	29,342			70.40		5%	32%	-4%	14.7%	13.5%	22.0	22.9	2.9	2.7
							9%	**41%**	**2%**	**14.2%**	**15.9%**	**22.0**	**21.7**	**2.8**	**2.6**

Source: Datastream, UBS estimates. Updated on 4 May 2021. Note: All estimates are consensus estimates except for ratings and PT which are UBS where available.

Using 50x as a proxy for the right multiple for iFAST, one might conclude that the share price at c.S$6.4 is likely pricing in a 2021e EPS of c13c (thus implying a P/E of 50x). But if we exclude the performance related to the eMPF announcement, a share price of c.S$3.5 does not even look to be pricing in the 2020 EPS of S$0.078 (using a 50x multiple for the sake of simplicity).

If we are right in our earnings projections, as soon as investors get a higher level of conviction in the sustained AUA growth story for the group, the stock could rerate meaningfully. Our DCF model suggests a PT of S$10.

Figure 46: DDM based PT of S$10

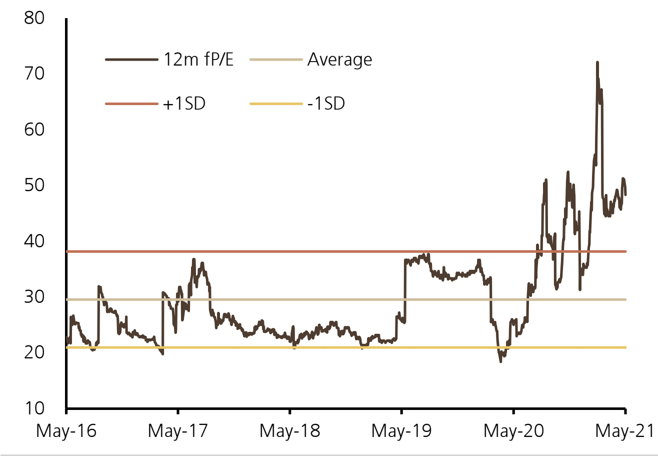
(S$ cents)			Forecast					Fade			Terminal
	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	
EPS	13.48	17.13	21.88	28.72	35.08	41.20	47.67	54.28	60.83	67.06	
DPS	**5.39**	**6.85**	**8.75**	**11.49**	**14.03**	**16.89**	**20.02**	**23.34**	**26.76**	**30.18**	
DPS growth		27.0%	27.7%	31.3%	22.1%	20.4%	18.5%	16.6%	14.7%	12.8%	**4.0%**
Payout ratio	40.0%	40.0%	40.0%	40.0%	40.0%	41.0%	42.0%	43.0%	44.0%	45.0%	
BVPS	**47.89**	**58.23**	**71.38**	**88.60**	**109.61**	**133.92**	**161.57**	**192.51**	**226.57**	**263.46**	
BVPS growth		21.6%	22.6%	24.1%	23.7%	22.2%	20.6%	19.1%	17.7%	16.3%	
RoE (fade to sustainable)	35.1%	35.8%	37.6%	40.2%	39.6%	37.6%	35.6%	33.6%	31.6%	29.6%	**30%**
Cost of capital	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	
Cash flow stream	5.39	6.85	8.75	11.49	14.03	16.89	20.02	23.34	26.76	30.18	**1774.9**
Discounted cash flow	5.39	6.36	7.53	9.17	10.39	11.60	12.76	13.80	14.68	15.35	
Total discount DPS value											101.6
P/TBV at terminal value											6.74
Discount terminal book value											902.8
Total implied value											**1004**
Target price (S$ cents)											**1,004**
Target price (S$)											**10.0**
Current price											6.4
2021E P/E (current)											47.3
2021E P/BV (current)											13.3
2021E yield (current)											0.8%
Implied upside											57.4%
2021E P/E (implied)											74.5
2021E P/BV (implied)											21.0
2021E yield (implied)											0.5%

Source: UBS estimates

Do the valuation multiples make sense?

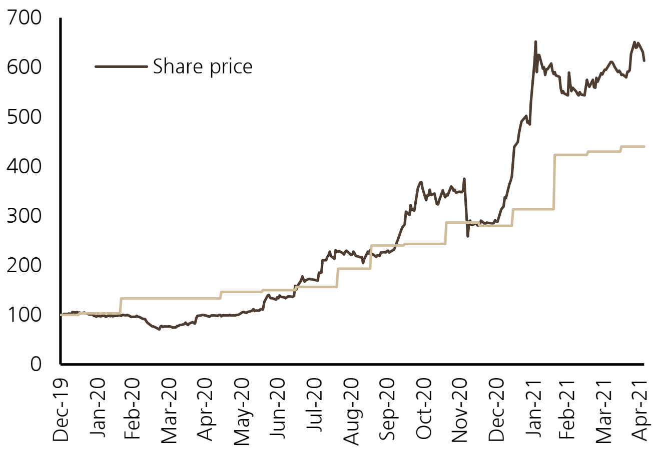
iFAST is trading at 48x 12m forward P/E, about 2SD above its 5 year historical average of 29.6x (Figure 47). In the context of comparable peers (Figure 45), iFAST's consensus P/E for 2021E and 2022E of 53x and 41x respectively also looks expensive (albeit slightly) for a 2021-23E EPS CAGR of 17% compared to 30% on average among peers.

Figure 47: iFAST 1yr forward P/E



Source: Datastream

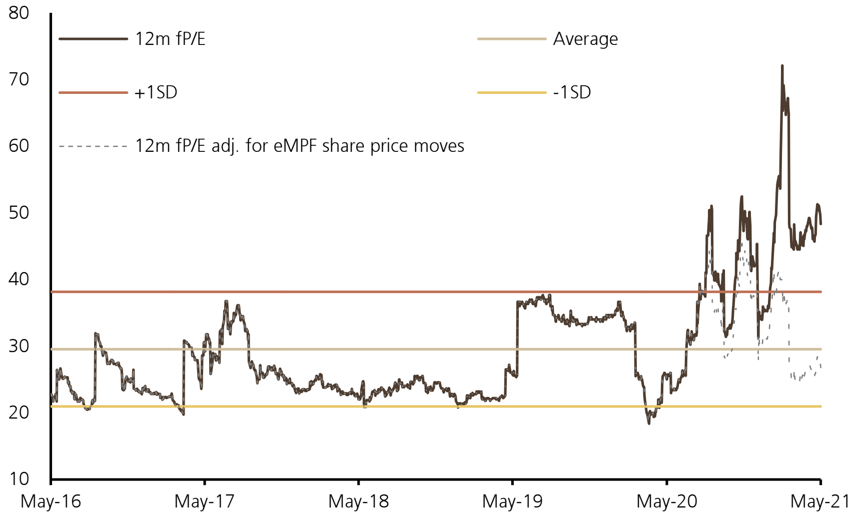
Figure 48: Share price performance and 1yr fP/E trend (rebased to 100 from 1 Jan 2020)



Source: Datastream

While the stock looks to be trading at expensive valuation multiples across various metrics (1yr forward P/E vs history and peers), as we have argued this is due to the exuberance of the market in pricing in the eMPF project while sell-side consensus has yet to factor it into their estimates. If we adjust for that, the stock seems to be trading at a much lower forward earnings multiple of 27x, not 48x (Figure 49).

Figure 49: 12m forward P/E excluding eMPF impact



Source: Datastream, UBS estimates

Excluding the eMPF impact on the share price, iFAST is trading slightly below its historical average forward P/E

The more important development in our view, the step shift in the AUA growth profile, is still very much underappreciated. This is mainly because its early days and investors might need more data points to have greater conviction in this view. Next few quarters could be very significant to form this view, as investors watch for signs of a sustainable increase in AUA in the post-Covid era. Positive operating leverage will drive further margin improvements in future.

When more details of the eMPF project are available and consensus starts factoring the earnings impact, P/E multiple could de-rate. We dive deeper into the eMPF net profit impact priced into the share price in paragraphs below. This will be important for investors to gauge whether there could be any upside left in the share price from the eMPF project once more details on the project is announced.

What is priced in for the eMPF earnings impact?

On 30 January 2021, iFAST announced that they had participated in the successful tender for the eMPF Platform project with PCCW Solutions as their Prime Subcontractor for a category that includes MPF scheme operation services, transformation services and user delivery services. More details on the eMPF project after Figure 50 below. On the next trading day after the announcement, iFAST's share price jumped 16% but this was not followed by any material change in sell-side consensus 1yr EPS forecast (Figure 48). Only 4 sell-side research firms were covering iFAST at that time and most of them have not factored in the earnings impact from the eMPF project which we think could be largely due to the limited disclosure from iFAST so far. No numbers were shared by iFAST except that it could "have a material positive impact on its business".

Even prior to the official announcement, Bloomberg had reported that iFAST was part of the consortium that was being shortlisted for the eMPF project back in August 2020 which led to an 8% increase in share price. iFAST was also queried by SGX in mid-January 2021 and iFAST shared that they were participating in the bidding of projects, including "certain ones in Hong Kong". Share price was up 7% that day.

So what is the share price pricing in for the eMPF project? In our analysis (Figure 50), since the start of 2021, iFAST's share price has increased 113% while the 1yr forward EPS has increased 57%. Assuming the entire share price outperformance was attributable to the earnings expectation of the eMPF project, this implies an S$0.047 EPS impact (c39% of consensus 2021E EPS) or S$12.8mn net profit impact. Backing this number using 2020 tax rate and CIR, the net revenue impact from the eMPF project is S$20mn. Using the 20-35bps of MPF asset pool as reported by Bloomberg for the entire consortium, we think that the market is pricing in a 0.03-5bps range for iFAST out of the entire revenue pool.

Figure 50: What is the market pricing in for the eMPF project?

	Share price	1yr forward EPS
1-Jan-21	3.00	0.08
4-May-21	6.38	0.13
% change	113%	57%
Share price implied 1yr forward EPS	0.18	
Difference vs consensus	0.047	
as % of 1yr forward EPS	35%	
as % of 2021E EPS	39%	
Implied eMPF net profit (S$mn)	12.8	
2020 tax rate	17%	
PBT (S$mn)	15.0	
2020 CIR	35%	
Net revenue - eMPF (S$mn)	20.3	
HK$mn	116.4	
MPF asset pool - Dec 2020 (HK$mn)	1,139,000	
Low end - 20bps	2,278	
High end - 35bps	3,987	
iFAST share		
as % of low end (bps)	5.11	
as % of high end (bps)	0.03	

Source: Company data, Datastream, Bloomberg, UBS estimates

What is the eMPF project about?

The Mandatory Provident Fund Schemes Authority (MPFA) in Hong Kong aims to update its eMPF platform by standardising, streamlining and automating the MPF scheme administration processes to create room for fee reduction and a predominantly paperless experience in the MPF System. The project has a 2yr implementation period to be completed by 2022 and a 7yr operation and maintenance period which may be extended for 1-3yrs.

iFAST is PCCW Solution's prime subcontractor for a category that includes Mandatory Provident Fund (MPF) scheme operation services, transformation services and user delivery services.

iFast said its participation in the eMPF Platform project is subjected to the finalisation of contractual details. It added it will share more details on the project with its shareholders in due course. With this new contract, iFAST will have more avenues to grow its range of products and services.

What is the earnings impact?

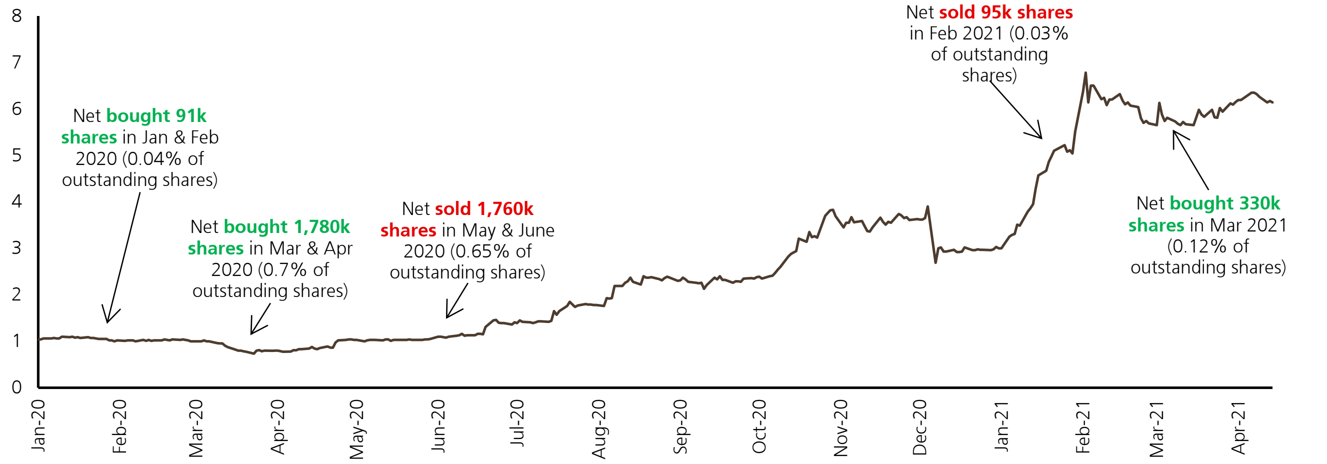
No details were shared by iFAST so far except that it "may have a material positive impact on its business" in their response to a SGX query in mid-January.

Bloomberg reported back in August 2020 that the winning consortium stands to reap about HK$37 billion (S$6.54 billion) in revenue over the next decade based on the current pool under management. The platform operator will take a fee based on the system's total assets. The bids were in the range of 20-35bps and based on MPF's asset pool of HK$968 billion as at June 2020, that works out to about HK$2 bn to HK$3.4 bn a year.

Insider transactions

Figure 51 below shows the insider transactions since the start of 2020. Interestingly, we find that insiders (both management and board of directors) have been accumulating shares in March 2021 even with the share prices at an average of S$6.

Figure 51: Insider transactions since 2020



Source: Datastream, Reuters

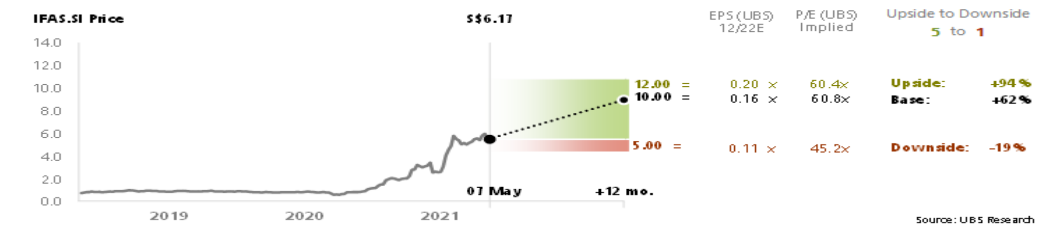
Figure 52: Change in number of shares – Management and board of directors

			Mar-21	Feb-21	Jun-20	May-20	Apr-20	Mar-20	Feb-20	Jan-20
	Management									
CEO	Lim Chung Chun	No. of shares bought/(sold)	90,500	100,000	123,900	-1,470,564		1,904,964	51,000	
		as % of shareholding	0.2%	0.2%	0.2%	-2.7%		3.4%	0.1%	
		as % of outstanding shares	0.03%	0.04%	0.05%	-0.54%		0.71%	0.02%	
COO	Wong Soon Shyan	No. of shares bought/(sold)						-200,000		
		as % of shareholding						-11.0%		
		as % of outstanding shares						-0.07%		
	Board of Directors									
Non-independent, non-executive	Lim Wee Kian	No. of shares bought/(sold)	120,000	-194,800	-416,200			10,500		
		as % of shareholding	0.6%	-1.0%	-2.1%			0.1%		
		as % of outstanding shares	0.04%	-0.07%	-0.15%			0.00%		
Independent	Kok Chee Wai	No. of shares bought/(sold)								19,200
		as % of shareholding								1.3%
		as % of outstanding shares								0.01%
Independent	Ng Loh Ken Peter	No. of shares bought/(sold)								21,400
		as % of shareholding								7.4%
		as % of outstanding shares								0.01%
Executive	Goh Bing Yuan	No. of shares bought/(sold)	121,200				32,100	35,500		
		as % of shareholding	12.4%				3.8%	4.3%		
		as % of outstanding shares	0.04%				0.01%	0.01%		

Source: Reuters, Company data

UPSIDE / DOWNSIDE SPECTRUM

return ↑



iFAST is trading at S$6.17 (as of 7 May).

Value drivers (2022E)	AUA (S$bn)	AUA growth (y/y)	Net revenue / AUA	PBT margin (net revenue)
$12 upside	25.3	35.0%	0.80%	38.0%
$10 base	23.7	26.6%	0.75%	33.7%
$5 downside	22.1	18.0%	0.65%	28.0%

Source: UBS

Risk to the current share price is skewed (5:1) to the upside

iFAST is trading at **S$6.17** (as of 7 May).

Upside (S$12): In the upside scenario, AUA could grow 35% y/y in 2022E, higher than our base case of 27% but slower than the increase recorded in 2020, assuming the structural shift towards online investing and demand for wealth management services is faster than our expectations. With a scalable business model, net revenue/AUA and PBT margin could be higher than our base case at 0.80% and 38% respectively. A faster than expected improvement in profitability in the China business could be another driver of margin improvements. We use our PT implied 2022E P/E of 60x and arrive at an upside target of S$12.

Base (S$10): We think that AUA could continue the strong growth momentum from 2020 and we forecast a 27% y/y increase in AUA in 2022E. This increase will likely be driven by all the key markets with the largest y/y increase coming from the China business due to the lower base. We think that increasing wealth in Asia, an increasing demand for wealth management services, and a Covid-19 driven structural shift to online investing will drive the increase in AUA. We forecast a gradual improvement in net revenue/AUA and PBT margin from 2020 levels due to the scalable business model which drives positive operating leverage. Our PT of S$10 implies an 60x 2022E P/E.

Downside (S$5): In the downside scenario, we assume a slower than expected increase in AUA (+18% y/y) in 2022E which could be driven by tightening regulations, slower than expected increase in wealth in Asia as well as demand for wealth management services, or a pause in the structural shift towards online investing. Further need for investments in the China business and a slower improvement in profitability could keep margins low. We use a 45x P/E multiple and arrive at a downside target of S$5.

COMPANY DESCRIPTION

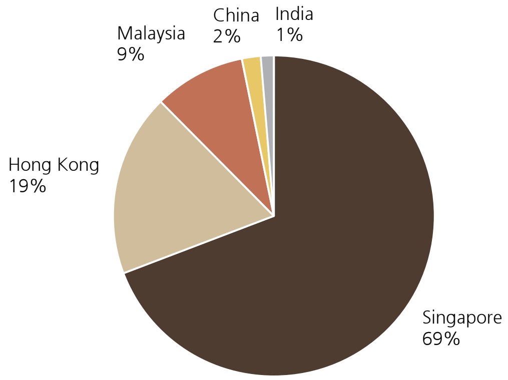
return ↑

iFAST is a wealth management fintech platform, with assets under administration (AUA) of approximately S$14.5bn as at 2020. iFAST has presence in 5 markets - Singapore, Hong Kong, Malaysia, China, and India (via a 39.25% share in iFAST Financial India). The Group offers access to over 12, 000 investment products including unit trusts, bonds and Singapore government securities (SGS), stocks, exchange traded funds (ETFs), insurance products, and services including discretionary portfolios, research and investment seminars, fintech solutions, and investment administration and transaction services.

Industry outlook

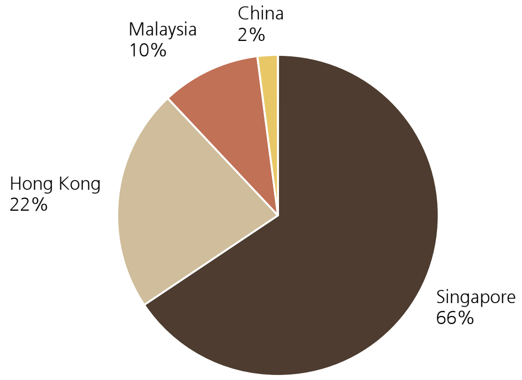
We expect the demand for wealth management services in Asia to accelerate driven by a rapid economic growth, intergenerational transfer of wealth and also a structural shift towards online investing and wealth management brought about by Covid-19. Regulations could continue to pose a headwind but the ever-shifting nature makes it difficult to predict regulators' next move. New rules to regulate fintechs are unavoidable. However, we think that regulators in general are open to innovation and aims to increase financial inclusion, and digitalising the financial sector.

AUA breakdown by geography (FY2020)



Source: Company data

Net revenue by geography (FY2020)



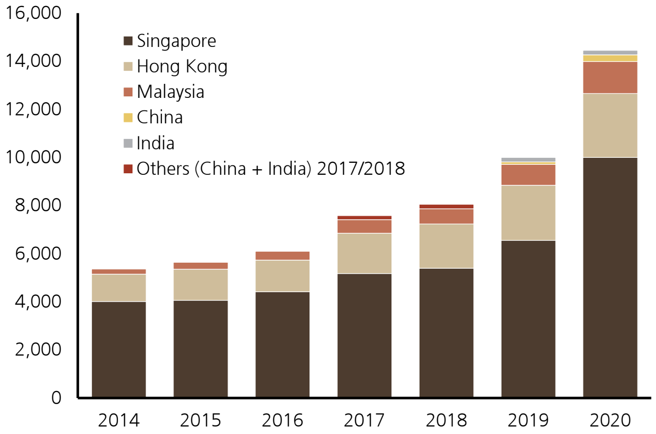
Source: Company data

Appendix

Company background

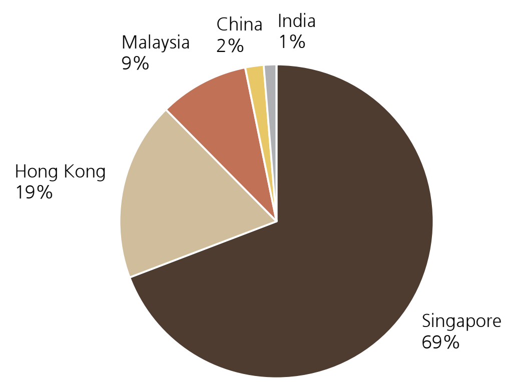
iFAST is a wealth management Fintech platform, with assets under administration (AUA) of approximately $14.5bn as at 31 December 2020 (+44.5% y/y). iFAST has presence in 5 markets – Singapore, Hong Kong, Malaysia, China, and India (via a 39% share in iFAST Financial India Pvt Ltd). The Group offers access to over 12, 000 investment products including unit trusts, bonds and Singapore Government Securities (SGS), stocks, Exchange Traded Funds (ETFs), insurance products, and services including discretionary portfolios, research and investment seminars, fintech solutions, and investment administration and transaction services.

Figure 53: AUA trend (S$mn)



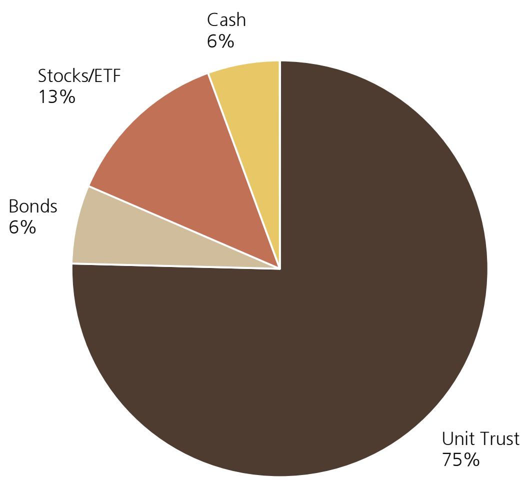
Source: Company data

Figure 54: AUA breakdown by geography (2020)



Source: Company data

Figure 55: AUA breakdown by product (2020)

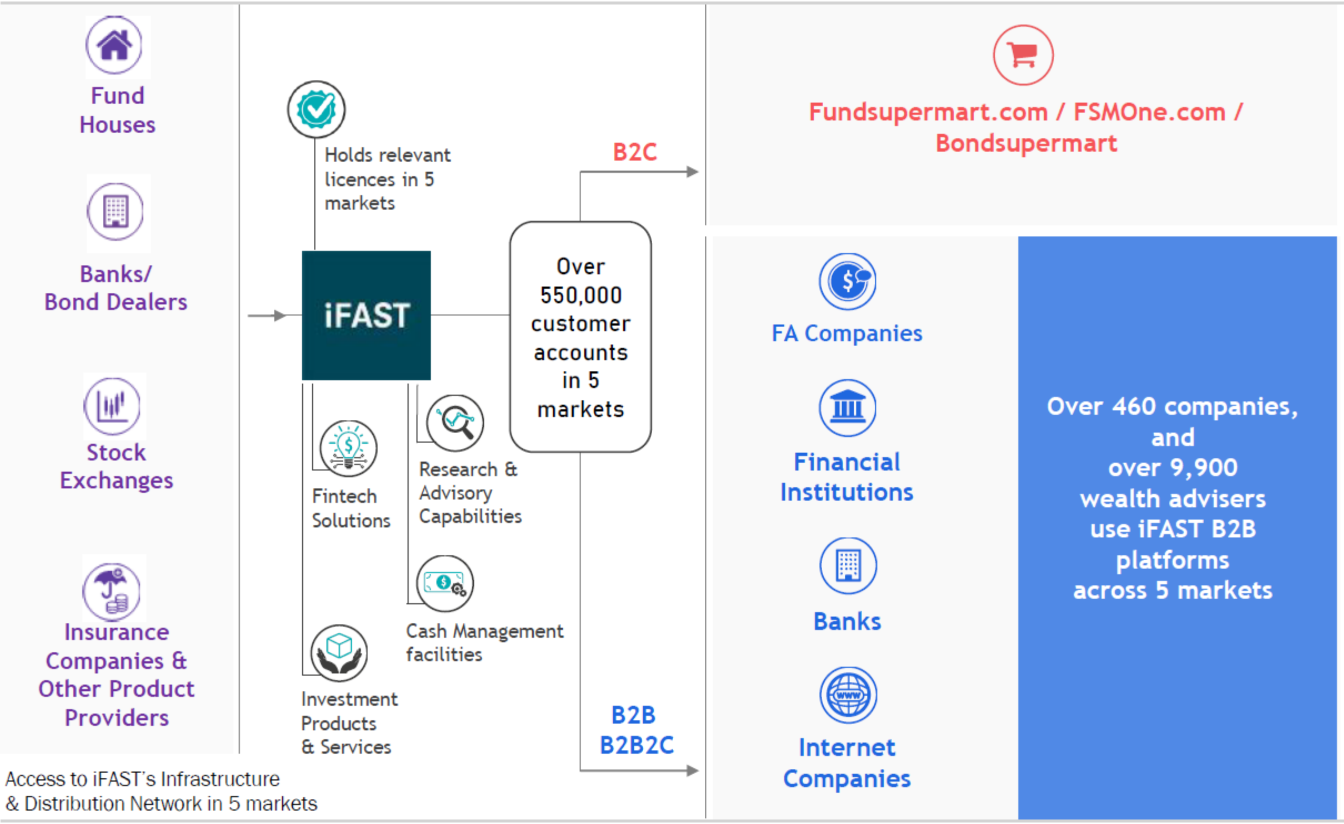


Source: Company data

iFAST business model is as such – iFAST's suppliers provide them with Investment Products which they distribute via iFAST's Platform to customers. B2B Customers (banks, FAs, financial institutions and companies) select Investment Products distributed on the Platform on behalf of adviser-assisted investors and (in the case of the Pensions Business) on behalf of employees. B2C DIY Investors select

Investment Products distributed on iFAST's Platform via the Fundsupermart.com Website.

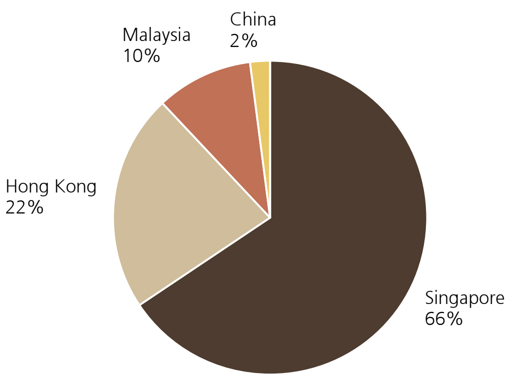
Figure 56: iFAST's business model



Source: Company data. As at 31 December 2020

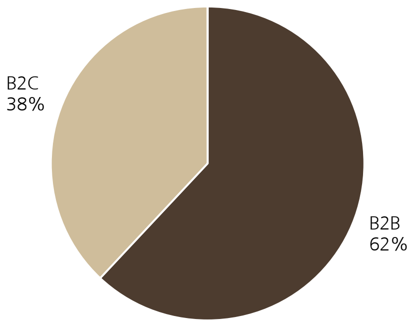
iFAST has 4 main business divisions – 1) Business-to-Business (B2B), 2) Business-to-Consumer (B2C), 3) Fintech Solutions (B2B2C), and 4) Bondsupermart. More than 550,000 client accounts have been opened with iFAST across its B2B and B2C businesses across the region (as at end 2020).

Figure 57: Net revenue breakdown by geography (2020)



Source: Company data

Figure 58: Net revenue breakdown by business (2020)



Source: Company data

1) B2B

The B2B division provides a distribution platform which offers investment products, mainly funds, bonds and stocks/ETFs, and offers administration, transactional and other services to the banks and FA companies. iFAST will take care of the backroom functions while financial institutions focus on their core business. Over 9,900 wealth advisers from more than 460 FA companies, financial institutions, banks and internet companies use the iFAST platform.

2) B2C

The B2C division provides a distribution and transactional platform to investors via the Fundsupermart.com (FSM) / FSMOne website. FSM provides a wide range of investment products, transparent fees structure, tools to compare investments easily, customer service support, and research advice. FSM is the online investment products distribution platform for Do-It-Yourself (DIY) investors. This service is available to investors in Singapore, Hong Kong and Malaysia, offering a wide array of investment products, including unit trusts (funds) and bonds (corporate, government, quasi-sovereign and high yield), while stocks and ETFs are available on the FSMOne.com platform in Singapore and Hong Kong. iFAST also offers discretionary portfolio management (DPM) service on the Hong Kong FSM platform (launched in 2015), Singapore (2016) and Malaysia (2017).

3) B2B2C

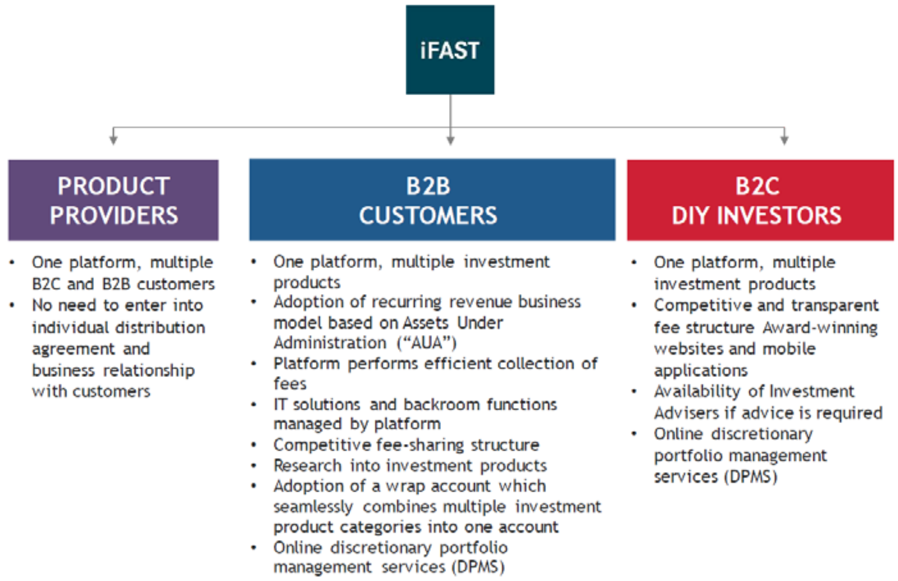
The iFAST Fintech Solutions business division aims to provide innovative fintech solutions to clients – 1) iFAST API, 2) Customised B2B2C solution, 3) White-label robo-advisory solution, and 4) Bespoke fintech solutions.

4) Bondsupermart

Bondsupermart is a regional bond information portal providing comprehensive bond information and research to help investors around the world find crucial bond information. Bondsupermart provides research, tools and information, such as the prices and yields-to-maturity of over 2,000 bonds, for investors and wealth advisers.

iFAST's value proposition

Figure 59: Value proposition

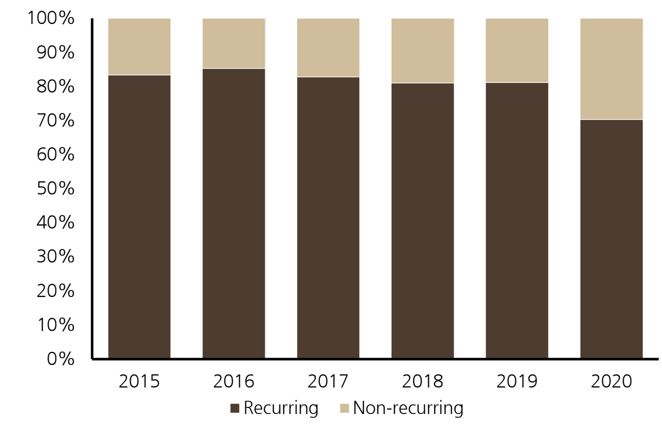


Source: Company data

Revenue drivers

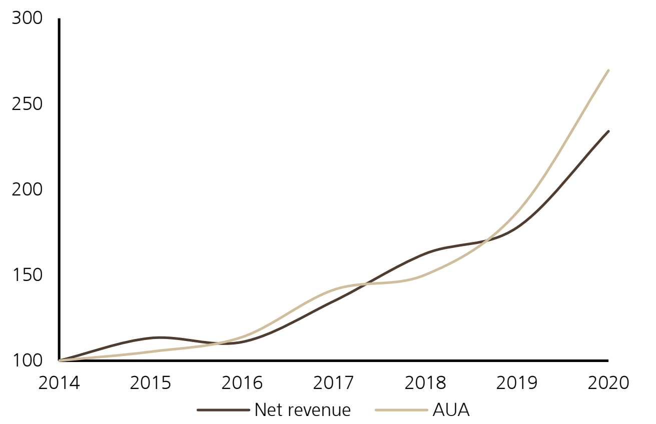
Revenue can be broken down into two main categories – recurring and on-recurring revenue. Recurring income currently accounts for more than 2/3 of the net revenue (Figure 60). iFAST business model predominantly involves growing the size of AUA. Higher AUA will generally lead to higher revenues (Figure 61).

Figure 60: Recurring vs non-recurring net revenue breakdown



Source: Company data

Figure 61: Net revenue vs AUA trend (rebased to 100 from 2014)



Source: Company data

Recurring revenue drivers

1) Trailer fees (from Suppliers)

- Share of a fund's annual management fee which is typically in the range of 1-1.5% per annum of the fund's AUM. It is paid by fund houses to iFAST. The share is about 50% of management fee (i.e. 50-75bps of average AUA).

- Trailer fees are negotiated separately with each of iFAST's suppliers. Factors that affect the determination of trailer fees include business volume, AUA, relationship with the relevant supplier and the support and services iFAST can provide to the supplier. For example, a larger business volume and AUA value tends to lead to higher trailer fees.

2) Platform fees (from B2B and B2C customers)

- iFAST earns platform fees from B2C customers and adviser-assisted investors. It can be up to 0.5% per annum of average AUA.

3) Wrap fees (from B2B customers)

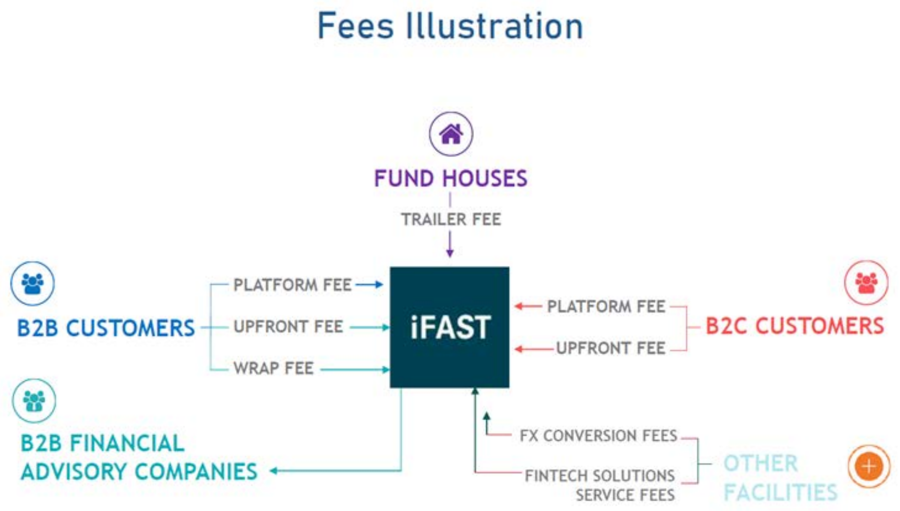
- Wrap fees are the advisory fees that FAs charge to client. iFAST collect wrap fees on behalf of FAs and most of it are then payable to the FAs.. iFAST's share of the wrap fees is up to 0.2% per annum of average AUA.

4) Net interest income

- Margin that iFAST earns on clients' float.

5) Fintech solutions IT maintenance fees

Figure 62: Fees illustration



Source: Company data

Non-recurring revenue drivers

1) Transaction fees unit trusts, bonds, stocks, ETFs (from B2B and B2C customers)

- Earn upfront commissions based on investment amount (not AUA) from B2C customers and adviser-assisted investors

- Most of the commissions are payable to B2B Financial Advisers

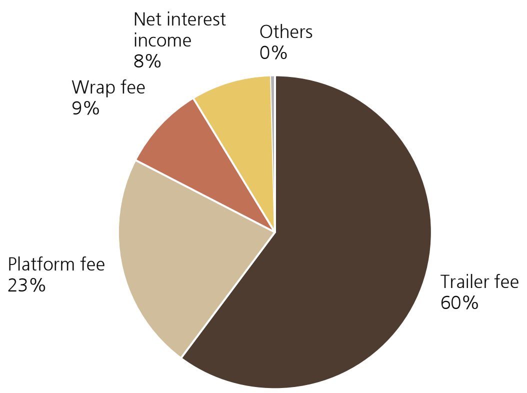
2) Forex conversions

- Arising from the provision of currency conversion administration services

3) Fintech solutions IT development fees

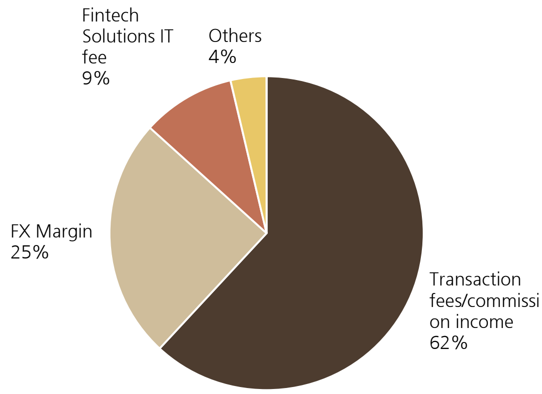
4) Insurance commissions

Figure 63: Recurring fee breakdown (2020)



Source: Company data

Figure 64: Non-recurring fee breakdown (2020)



Source: Company data

Key corporate milestones

Figure 65: Key corporate milestones

2000	Launch of Fundsupermart.com (B2C) in Singapore
2002	Launch of iFAST Platform Services (B2B) in Singapore
2007	Launch of Fundsupermart.com (B2C) in Hong Kong
2008	Launch of iFAST Platform Services (B2B) in Hong Kong Launch of Fundsupermart.com (B2C) and iFAST Platform Services (B2B) in Malaysia
2014	Incorporation of iFAST Platform Services (Shenzhen) Qianhai in China Listing on SGX ST Mainboard
2015	Distribution of bonds and ETFs in Singapore Launch of online discretionary portfolio management service (DPMS) in Hong Kong
2016	Acquisition of a stockbroking company and an insurance brokerage firm in Hong Kong Acquisition of a stake in the holding company of iFAST India Business Launch of HKEX stockbroking services on the B2B platform in Hong Kong Launch of Insurance on FSM Malaysia Launch of FSMOne in Singapore
2017	Launch of HKEX stockbroking services on FSM Hong Kong Launch of bonds on FSM Malaysia and online DPMS in Malaysia iFAST Singapore admitted as Trading Member of SGX ST and Clearing Member of CDP Launch of SGX stockbroking services in Singapore Launch of FSMOne in Hong Kong Launch of iFAST Fintech Solutions Launch of US stockbroking services on FSM Singapore
2018	Launch of US stockbroking services in Hong Kong Launch of FSMOne in Malaysia
2019	iFAST Malaysia launched retail bonds under the Securities Commission Malaysia's new Seasoning Framework
2020	iFAST Malaysia obtains approval in principle for securities dealing from the Securities Commission Malaysia iFAST Investment Management China Ltd registered as Private Fund Manager in China
2021	iFAST participated in successful tender for eMPF Platform project Launch of stocks and exchange traded funds brokerage services on FSMOne.com in Malaysia

Source: Company data

Key debates

1) China business – Can it turn profitable? How long will it take? How big of a contributor can it be?

2) Regulations – Could a shifting regulatory landscape prove a stumbling block to iFAST's growth? What could the regulators do?

3) AUA growth - Is the S$100bn AUA by 2028 target achievable? What has to be done?

4) Competition – What are the barriers to entry?

5) Fees compression – Will fees be under pressure? What will be the impact on iFAST?

6) Digital banking license –What could a digital banking license mean for iFAST?

Management team

Figure 66: Management team

Position	Name	Joined iFAST in	Background
Chairman and CEO	Mr Lim Chung Chun	2000	Mr Lim co-founded the Company with the launch of its B2C division Fundsupermart.com in Singapore in 2000, following which the B2B division iFAST Financial was launched in 2001. He subsequently led the Company's regional expansion efforts, extending iFAST's presence beyond Singapore to Hong Kong, Malaysia, China and India, building a well-established Fintech ecosystem across the five markets. Mr Lim also led the Company to its successful listing on the SGX-ST Mainboard in December 2014. Before setting up iFAST Corp, Mr Lim was the Head of Research at ING Barings Securities Pte. Ltd.
Group Chief Operating Officer	Mr Wong Soon Shyan	2000	Prior to joining the Group, Mr Wong was with a well-known fund management company as a manager responsible for the marketing, product development, sales administration and sales in respect of funds from 1994 to 2000. From 1989 to 1991, he worked briefly as an external auditor before joining a foreign bank as a credit analyst, and from 1992 to 1994, he worked as an accountant.
Group Chief Financial Officer	Mr Leung Fung Yat David	2006	Prior to joining the Group, Mr Leung worked as an auditor in the Hong Kong and Singapore offices of an international accounting firm from 1991 to 1998 and was promoted to assistant manager in 1996. From 1999 to 2006, he held various financial and accounting positions in companies in different industries including companies in the business of machinery and equipment manufacturing, the provision of e-commerce services, investment holdings, electronics and semiconductors, retail and the manufacture and trading of health food products.
Managing Director, iFAST Singapore	Mr Lim Wee Kiong	2001	After joining our Group in April 2001, he took on the role of General Manager in 2006 and was responsible for the overall management of our B2B Business. Mr Lim was promoted to Managing Director, Platform Services Singapore, and was appointed as a Director of iFAST Financial Pte Ltd, in 2016. Prior to joining the Group, Mr Lim worked as a credit and marketing officer in a local bank and a product and marketing executive at a company dealing in automation products. From 1995 to 1997, Mr Lim worked as an insurance agent with two life insurance companies.
General Manager, FSMOne.com Singapore	Mr Wong Tin Niam Jean Paul	2004	Mr Wong is the General Manger of iFAST Singapore's B2C division, FSMOne.com. He is also the Director of the Corporate Communications department, which looks after the Investor Relations function for iFAST Corp. Mr Wong was part of the team working on the company's IPO on the SGX-ST Mainboard in 2014. In his earlier years with the company, he was part of the Content team producing financial education and other investment-related content. Mr Wong has been with the company since 2004.
Managing Director, iFAST Hong Kong	Mr Kelvin Yip Hok Yin	2006	Mr Yip joined the Group in 2006 and was promoted to General Manager of Platform Services HK in April 2009, before assuming the role of iFAST HK COO in April 2014. Prior to joining our Group, Mr Yip was an environmental engineer in a major construction group from 2001 to 2003. From 1999 to 2001, he conducted environmental audits in factories across Asia in a global apparel group.
Managing Director, iFAST Malaysia	Mr Dennis Tan Yik Kuan	2002	With over 10 years of experience in the funds industry, Mr Tan oversees both the B2B and B2C divisions of our business in Malaysia. Mr Tan joined our Group in 2002 as an IT Manager and was involved in the development of end-user portfolio and investment software tools and applications for B2B customers. In 2004, he took on the position of Business Development Manager responsible for the growth of the software division business. In 2006, Mr Tan was promoted to Managing Director of iFAST Service Centre Sdn Bhd and in 2008, he took on the role of Managing Director of iFAST Malaysia. Prior to joining our Group, he was a software engineer with a software house.
Legal Representative, iFAST China	Mr Bernard Teo Wee Howe	2009	Mr Teo currently leads the Group's business development in the China market and oversees the running of the business operations of iFAST Financial China Limited. Mr Teo was the General Manager of iFAST China from 2014 to 2016. He is currently the Legal Representative of iFAST China, a role he took on from 2016. He was also a member of the Fund Distribution Specialised Committee of Shenzhen Asset Management Association from 2017 to 2020. Mr Teo has more than 10 years of operational experience in the funds distribution space, and he was previously the Regional Head of Operations & Settlements at iFAST Financial Pte Ltd, overseeing the Group's operations and settlements teams across Singapore, Hong Kong, Malaysia and India.

Source: Company data

Shareholding structure

Figure 67: List of 20 largest shareholders (as shown in the Register of Members)

No.	Name of Shareholder	No. of Shares	% of Shareholdings
1	LIM CHUNG CHUN	42,200,000	15.29
2	DBS NOMINEES PTE LTD	40,590,885	14.71
3	SPH INVEST LTD	40,378,042	14.63
4	CITIBANK NOMINEES SINGAPORE PTE LTD	25,641,193	9.29
5	IFAST FINANCIAL PTE LTD (DEPOSITORY AGENT)	24,335,346	8.82
6	LIM WEE KIAN	8,629,520	3.13
7	NEO LAY KIEN	6,545,000	2.37
8	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	5,676,962	2.06
9	HSBC (SINGAPORE) NOMINEES PTE LTD	5,019,100	1.82
10	RAFFLES NOMINEES (PTE) LIMITED	4,984,630	1.81
11	OCBC SECURITIES PRIVATE LTD	4,984,486	1.81
12	PHILLIP SECURITIES PTE LTD	4,640,899	1.68
13	ACCRETION INVESTMENTS PTE LTD	4,201,458	1.52
14	WONG SHAW SENG REGI	2,991,700	1.08
15	FOO SIANG GUAN	2,770,000	1.00
16	BPSS NOMINEES SINGAPORE (PTE.) LTD.	2,720,600	0.99
17	CHANG FOONG MAY	2,700,000	0.98
18	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	2,218,300	0.87
19	WONG SOO HOW	2,048,712	0.74
20	VIVIAN CHEONG MEI LIN	1,818,662	0.66
		235,095,495	**85.19**

Source: Company data. Percentages are calculated based on the total number of issued shares, excluding treasury shares and subsidiary holdings of the Company as at 5 March 2021.

iFast Corporation (IFAS.SI)

Income statement (S$m)	12/18	12/19	12/20	12/21E	% ch	12/22E	% ch	12/23E	12/24E	12/25E
Revenues	**121**	**125**	**170**	**242**	*42.1*	**310**	*28.3*	**385**	**468**	**556**
Gross profit	60	65	86	124	*44.9*	160	*28.3*	198	241	286
EBITDA (UBS)	**17**	**24**	**42**	**63**	*51.0*	**79**	*25.5*	**99**	**127**	**155**
Depreciation & amortisation	(6)	(13)	(16)	(19)	*19.9*	(23)	*21.6*	(28)	(34)	(41)
EBIT (UBS)	**11**	**11**	**26**	**44**	*70.1*	**56**	*27.3*	**71**	**93**	**114**
Associates & investment income	1	0	0	0	*6.8*	0	*0.0*	0	0	0
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	1	0	0	0	-	0	*0.0*	0	0	0
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Profit before tax	**12**	**11**	**25**	**43**	*70.7*	**55**	*27.6*	**71**	**93**	**113**
Tax	(2)	(2)	(4)	(7)	*-54.3*	(9)	*-29.6*	(11)	(15)	(18)
Profit after tax	**11**	**9**	**21**	**37**	*74.1*	**46**	*27.2*	**59**	**78**	**95**
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	0	0	0	0	*16.4*	0	*0.0*	0	0	0
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	**11**	**10**	**21**	**37**	*73.6*	**47**	*27.0*	**60**	**78**	**96**
Net earnings (UBS)	**11**	**10**	**21**	**37**	*73.6*	**47**	*27.0*	**60**	**78**	**96**
Tax rate (%)	13.4	15.9	17.4	15.8	*-9.6*	16.0	*1.6*	16.0	16.0	16.0

Per share (S$)	12/18	12/19	12/20	12/21E	% ch	12/22E	% ch	12/23E	12/24E	12/25E
EPS (UBS, diluted)	0.04	0.03	0.07	0.13	*73.6*	0.16	*27.0*	0.21	0.28	0.34
EPS (local GAAP, diluted)	0.04	0.03	0.07	0.13	*73.6*	0.16	*27.0*	0.21	0.28	0.34
EPS (UBS, basic)	0.04	0.04	0.08	0.13	*72.8*	0.17	*27.0*	0.22	0.29	0.35
Net DPS (S$)	0.03	0.03	0.03	0.05	*63.4*	0.07	*27.0*	0.09	0.11	0.14
Cash EPS (UBS, diluted)[1]	0.06	0.08	0.13	0.20	*50.6*	0.25	*25.2*	0.31	0.40	0.48
Book value per share	0.32	0.33	0.38	0.48	*25.5*	0.58	*21.6*	0.71	0.89	1.10
Average shares (diluted)	272.10	274.88	283.53	283.53	*0.0*	283.53	*0.0*	283.53	283.53	283.53

Balance sheet (S$m)	12/18	12/19	12/20	12/21E	% ch	12/22E	% ch	12/23E	12/24E	12/25E
Cash and equivalents	61	25	36	56	*54.0*	85	*52.3*	123	173	235
Other current assets	42	61	141	145	*2.8*	160	*10.1*	177	195	215
Total current assets	**104**	**86**	**178**	**201**	*13.3*	**245**	*21.9*	**300**	**368**	**450**
Net tangible fixed assets	3	18	23	21	*-7.2*	21	*0.0*	21	21	21
Net intangible fixed assets	18	22	26	25	*-1.7*	25	*0.0*	25	25	25
Investments / other assets	33	31	28	30	*6.6*	28	*-6.5*	26	24	22
Total assets	**158**	**157**	**254**	**278**	*9.2*	**320**	*15.2*	**372**	**439**	**519**
Trade payables & other ST liabilities	34	47	129	128	*-1.0*	142	*11.1*	159	179	202
Short term debt	37	8	7	7	*-0.60*	7	*0.00*	7	7	7
Total current liabilities	**71**	**55**	**136**	**135**	*-0.9*	**149**	*10.5*	**166**	**186**	**209**
Long term debt	2	13	15	13	*-10.4*	13	*0.0*	13	13	13
Other long term liabilities	0	0	0	0	-	0	-	0	0	0
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	**73**	**68**	**151**	**148**	*-1.8*	**162**	*9.6*	**179**	**199**	**222**
Common s/h equity	86	90	104	130	*25.3*	159	*21.6*	194	241	299
Minority interests	0	0	(1)	(1)	*-30.5*	(1)	*-23.8*	(1)	(2)	(2)
Total liabilities & equity	**158**	**157**	**254**	**278**	*9.2*	**320**	*15.2*	**372**	**439**	**519**

Cash flow (S$m)	12/18	12/19	12/20	12/21E	% ch	12/22E	% ch	12/23E	12/24E	12/25E
Net income (before pref divs)	11	10	21	37	*73.6*	47	*27.0*	60	78	96
Depreciation & amortisation	6	13	16	19	*19.9*	23	*21.6*	28	34	41
Net change in working capital	7	10	18	0	-	(6)	*NM*	(7)	(7)	(8)
Other operating	0	0	2	4	*83.8*	5	*28.5*	7	9	11
Operating cash flow	**23**	**33**	**57**	**60**	*4.2*	**69**	*16.0*	**88**	**114**	**140**
Tangible capital expenditure	(9)	(12)	(12)	(24)	*-93.1*	(30)	*-25.4*	(36)	(42)	(48)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	(9)	6	3	(1)	-	3	-	3	3	3
Other investing	(1)	(2)	(1)	(1)	-	(1)	-	(1)	(1)	(1)
Investing cash flow	**(19)**	**(8)**	**(10)**	**(26)**	*-150.6*	**(28)**	*-6.5*	**(34)**	**(40)**	**(46)**
Equity dividends paid	(8)	(8)	(9)	(12)	*-39.6*	(19)	*-56.0*	(24)	(32)	(39)
Share issues / (buybacks)	0	0	0	1	*80.7*	0	*-31.0*	0	0	0
Other financing	0	0	0	(2)	-	0	-	0	0	0
Change in debt & pref shares	37	(39)	(11)	0	-	0	-	0	0	0
Financing cash flow	**29**	**(47)**	**(19)**	**(13)**	*31.0*	**(19)**	*-40.0*	**(24)**	**(31)**	**(38)**
Cash flow inc/(dec) in cash	**33**	**(23)**	**28**	**20**	*-27.0*	**23**	*12.6*	**30**	**43**	**56**
FX / non cash items	(6)	(13)	(16)	(1)	*96.5*	7	-	8	7	6
Balance sheet inc/(dec) in cash	**28**	**(36)**	**12**	**20**	*69.3*	**29**	*49.0*	**38**	**50**	**62**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1]Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

iFast Corporation (IFAS.SI)

Valuation (x)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
P/E (local GAAP, diluted)	25.9	31.0	24.6	47.6	37.5	29.4	22.4	18.3
P/E (UBS, diluted)	25.9	31.0	24.6	47.6	37.5	29.4	22.4	18.3
P/CEPS	16.7	12.7	13.5	30.2	24.1	19.2	15.0	12.3
Equity FCF (UBS) yield %	5.0	7.1	9.1	2.1	2.4	3.1	4.3	5.5
Net dividend yield (%)	3.0	2.9	1.8	0.9	1.1	1.4	1.9	2.3
P/BV x	3.2	3.2	4.8	12.9	10.6	8.6	7.0	5.6
EV/revenues (core)	1.8	2.0	2.7	6.7	5.2	4.1	3.3	2.7
EV/EBITDA (core)	13.1	10.1	11.1	25.9	20.4	15.9	12.0	9.5
EV/EBIT (core)	19.8	21.9	17.9	NM	28.8	22.1	16.4	13.0
EV/OpFCF (core)	19.8	21.9	17.9	NM	28.8	22.1	16.4	13.0
EV/op. invested capital	8.4	5.6	7.7	NM	NM	NM	NM	NM

Enterprise value (S$m)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Market cap.	277	287	498	1,683	1,683	1,683	1,683	1,683
Net debt (cash)	(27)	(13)	(9)	(25)	(51)	(84)	(128)	(184)
Buy out of minorities	0	0	(1)	(1)	(1)	(1)	(1)	(2)
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	**250**	**274**	**488**	**1,657**	**1,632**	**1,598**	**1,554**	**1,498**
Non core assets	(32)	(28)	(27)	(29)	(27)	(25)	(23)	(21)
Core enterprise value	**218**	**245**	**462**	**1,629**	**1,605**	**1,573**	**1,531**	**1,477**

Growth (%)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Revenue	19.8	3.4	35.5	42.1	28.3	24.1	21.5	18.9
EBITDA (UBS)	31.9	46.9	70.7	51.0	25.5	25.8	28.5	21.9
EBIT (UBS)	32.0	1.6	130.6	70.1	27.3	27.6	31.2	22.1
EPS (UBS, diluted)	39.8	-13.7	115.5	73.6	27.0	27.7	31.3	22.1
Net DPS	4.7	0.0	4.8	63.4	27.0	27.7	31.3	22.1

Margins & Profitability (%)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Gross profit margin	49.2	52.0	50.5	51.5	51.5	51.5	51.5	51.5
EBITDA margin	13.7	19.4	24.5	26.0	25.4	25.8	27.3	28.0
EBIT margin	9.1	8.9	15.2	18.1	18.0	18.5	20.0	20.5
Net earnings (UBS) margin	9.0	7.6	12.4	15.2	15.1	15.5	16.7	17.2
ROIC (EBIT)	42.4	25.4	43.2	69.0	85.4	108.7	144.4	182.8
ROIC post tax	36.4	21.4	35.8	58.2	71.9	NM	NM	NM
ROE (UBS)	13.1	10.8	21.8	31.3	32.3	33.8	35.9	35.4

Capital structure & Coverage (x)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Net debt / EBITDA	(1.3)	(0.2)	(0.4)	(0.6)	(0.8)	(1.0)	(1.2)	(1.4)
Net debt / total equity %	(26.2)	(4.4)	(14.1)	(27.7)	(41.4)	(53.3)	(63.8)	(72.5)
Net debt / (net debt + total equity) %	(35.5)	(4.6)	(16.5)	(38.3)	(70.6)	NM	NM	NM
Net debt/EV %	(10.3)	(1.6)	(3.2)	(2.2)	(4.1)	(6.5)	(10.0)	(14.6)
Capex / depreciation %	168.9	91.8	77.2	124.3	128.2	126.9	122.0	114.8
Capex / revenue %	7.8	9.7	7.2	9.8	9.6	9.3	8.9	8.6
EBIT / net interest	NM	NM	NM	NM	NM	NM	NM	NM
Dividend cover (UBS)	1.3	1.1	2.4	2.5	2.5	2.5	2.5	2.5
Div. payout ratio (UBS) %	76.8	88.8	42.3	40.0	40.0	40.0	40.0	40.0

Revenues by division (S$m)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Others	121	125	170	242	310	385	468	556
Total	**121**	**125**	**170**	**242**	**310**	**385**	**468**	**556**

EBIT (UBS) by division (S$m)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Others	11	11	26	44	56	71	93	114
Total	**11**	**11**	**26**	**44**	**56**	**71**	**93**	**114**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+62.1%
Forecast dividend yield	0.9%
Forecast stock return	+63.0%
Market return assumption	6.5%
Forecast excess return	+56.5%

Valuation Method and Risk Statement

We use a DDM-based methodology to arrive at our PT. Risks include: 1) an economic slowdown; 2) a more severe than expected revenue headwinds from regulatory reform; 3) pricing pressure; and 4) the risk of cyber breach, among others.

Required Disclosures

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12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	52%	31%
Neutral	FSR is between -6% and 6% of the MRA.	36%	28%
Sell	FSR is > 6% below the MRA.	12%	22%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 31 March 2021.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
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Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
iFast Corporation	IFAS.SI	Not Rated	N/A	S$6.17	07 May 2021

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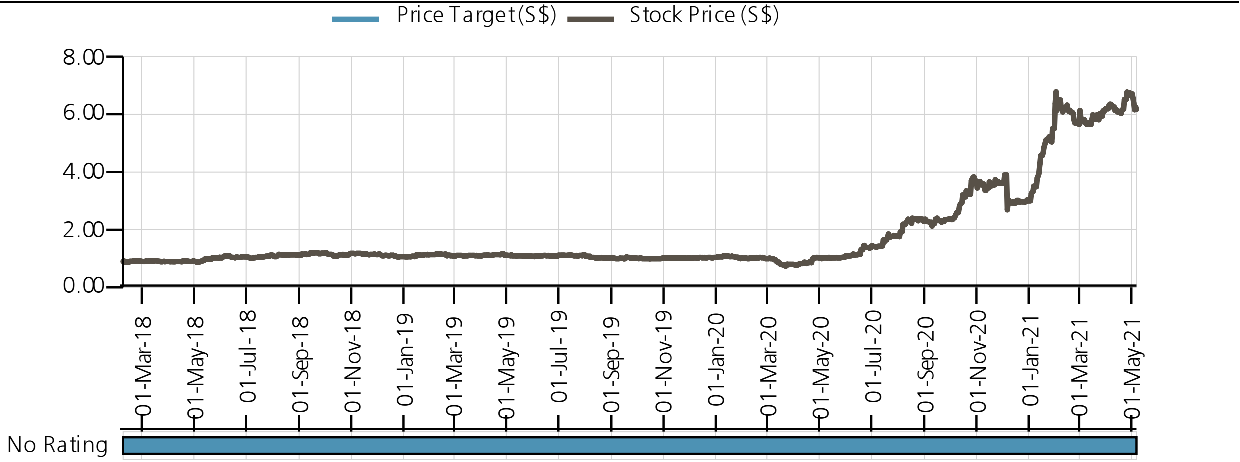
iFast Corporation (S$)



Date	Stock Price (S$)	Price Target (S$)	Rating
2018-02-07	0.9	-	No Rating

Source: UBS; as of 07 May 2021

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