

COMPANY UPDATE

iFAST Corporation (IFAST SP)

Strong Growth In Core Business Remains Intact

AUA for fintech firm iFAST reached another record-high level of S\$14.45b (+44.5% yoy) as at end-20, as funds administered grew across all core markets. This is expected to lift overall recurring revenue going forward. Earnings are anticipated to benefit from improved operating leverage as expenses grow at a slower pace. We have a 3-year AUA CAGR estimate of 21.7% over 2019-22F. Maintain HOLD with higher target price of S\$5.12. Entry price: S\$4.65.

WHAT'S NEW

- Robust growth in AUA to record levels.** Amid the COVID-19 pandemic, the continued strength in assets under administration (AUA) growth for iFAST Corporation (iFAST) has remained resilient. AUA continued to grow to hit another quarterly peak of S\$14.45b (+44.5% yoy, +14.8% qoq), bolstered by growth across all core markets in Singapore (69% of AUA), Hong Kong (18%), Malaysia (9%), and others (3%) which consists China and India. In terms of product type, unit trusts continue to be the cornerstone of the business at 75% of overall AUA, followed by stocks & ETFs (12.9%), bonds (6.1%) and cash (5.6%). We believe that the pandemic has hastened the trend towards digital adoption in the wealth management industry, and is set to continue unabated.
- Rising operating leverage.** In 9M20, iFAST's growing AUA (end-Sep 20: S\$12.59b, end-Dec 19: S\$10.0b) was the main driver for the group's expansion in profit margins. The 33.2% yoy rise in 9M20 revenue resulted in an EBIT and net profit growth of 120.3% and 119.9%. From 4Q19 to 3Q20 alongside the steady rise in AUA, EBIT and net profit margins expanded from 9.6% to 16.5% and 8.9% to 13.7%, respectively. The positive operating leverage was from a slower growth pace in operating expenses.
- Unsuccessful bid for digital wholesale bank licence.** On the flip side, iFAST was unsuccessful in its bid for a digital wholesale bank licence in Singapore. While this means that iFAST will not be allowed to take deposits from and provide banking services to SMEs and other non-retail customer segments, we believe that its core business proposition remains well intact. Separately, iFAST is awaiting further updates in Hong Kong in relation to its tender to digitise the country's retirement fund system. iFAST is among minorities in a consortium led by Hong Kong-listed PCCW Ltd, which is up against another group led by Ping An Insurance's OneConnect Financial Technology. The deal is expected to generate an approximate US\$4.8b in revenue for the winning consortium across a decade.

KEY FINANCIALS

Year to 31 Dec (\$m)	2018	2019	2020F	2021F	2022F
Net turnover	121.2	125.4	210.4	248.1	261.0
EBITDA	15.4	22.3	45.1	50.3	53.4
Operating profit	9.8	9.1	31.6	35.3	36.1
Net profit (rep./act.)	10.9	9.5	32.1	34.9	36.2
Net profit (adj.)	10.9	9.5	32.1	34.9	36.2
EPS (S cent)	4.0	3.5	11.7	12.7	13.2
PE (x)	123.7	143.3	42.5	39.0	37.6
P/B (x)	15.4	14.8	12.5	10.7	9.4
EV/EBITDA (x)	86.4	59.7	29.5	26.5	25.0
Dividend yield (%)	0.6	0.6	1.2	1.3	1.4
Net margin (%)	9.0	7.6	15.3	14.1	13.9
Net debt/(cash) to equity (%)	(28.0)	(23.3)	(13.7)	(14.4)	(20.0)
Interest cover (x)	n.a.	349.1	588.7	n.a.	n.a.
ROE (%)	13.1	10.8	32.7	30.3	27.2
Consensus net profit	-	-	20.9	25.5	30.0
UOBKH/Consensus (x)	-	-	1.54	1.37	1.21

Source: iFAST, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$4.86
Target Price	S\$5.12
Upside	+5.3%
(Previous TP)	S\$ 3.34)

COMPANY DESCRIPTION

iFAST is a wealth management fintech platform headquartered in Singapore. It provides a comprehensive range of investment products and services to financial advisory firms, financial institutions, banks, Internet companies, multinational companies, as well as retail and high net worth investors in Asia.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	IFAST SP
Shares issued (m):	272.4
Market cap (S\$m):	1,351.2
Market cap (US\$m):	1,016.7
3-mth avg daily t'over (US\$m):	5.6

Price Performance (%)

52-week high/low S\$5.03 / S\$0.735

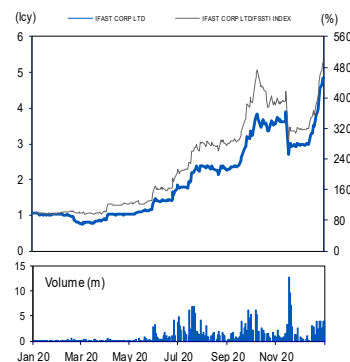
1mth	3mth	6mth	1yr	YTD
64.2	58.0	200.6	363.6	65.3

Major Shareholders

	%
Lim Chung Chun (CEO)	20.2
Singapore Press Holdings	14.9
Lim Wee Kian	7.3

FY21 NAV/Share (S\$)	0.46
FY21 Net Cash/Share (S\$)	0.07

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- **Continued top-line expansion from growing AUA.** iFAST has consistently captured the demand for wealth management as the percentage of managed wealth in Asia grows. The COVID-19 pandemic may have played a role in hastening the shift towards digitalisation in the wealth management industry. The trend has been set in motion and we believe it will continue as Asian economies recover towards growth territory.
- **Gross and operating margins to improve.** As iFAST continues to achieve higher AUA, we believe it will be able to gain further operating scalability, inching gross and EBIT margin upwards. Furthermore, initial ramp-up and development costs have been incurred in its key markets and management has guided that growth in operating expense would be lowered to high single-digits from the double-digit range in the last few years.

EARNINGS REVISION/RISK

- **Upward revision on earnings for 2020-22F.** We raise our net profit estimates for 2020-22 by 47-54%. This is due to the higher-than-expected growth in AUA, which would lift iFAST's revenue above our prior estimates by 20-27% over the forecast period.

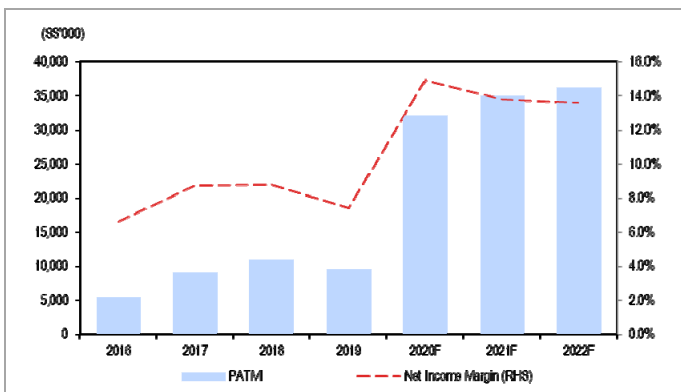
VALUATION/RECOMMENDATION

- **Maintain HOLD with a higher target price of S\$5.12.** The higher earnings are pegged to 40.3x 2021F PE, or 2SD above its 5-year mean. This implies a PEG of 0.7 based on a 3-year CAGR of 56.1%. We believe iFAST has proven to be able to capture a portion of the growing wealth management industry in Asia, which would allow earnings to meaningfully scale up from operating leverage on higher revenues relative to the slower pace of growth in expenses.

SHARE PRICE CATALYST

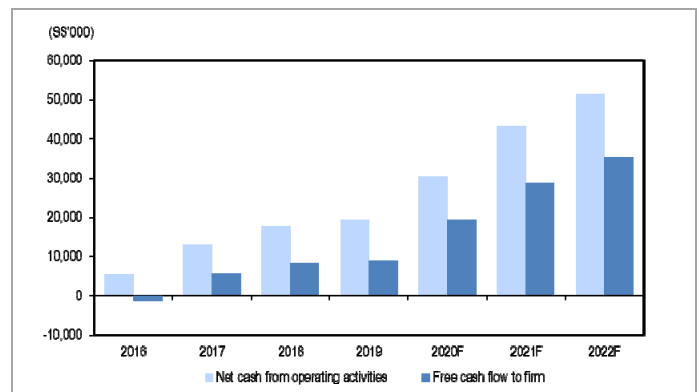
- Winning the bid for Hong Kong retirement fund system or award of digital banking licence by Monetary Authority of Singapore.
- Stronger-than-expected AUA growth.

NET INCOME AND MARGIN



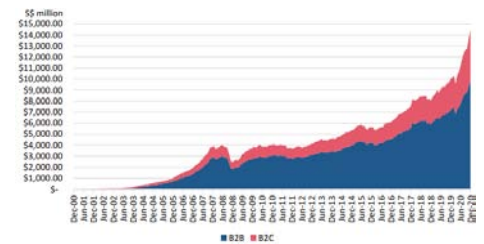
Source: iFAST, UOB Kay Hian

OPERATING CASH FLOW, FREE CASH FLOW TO FIRM



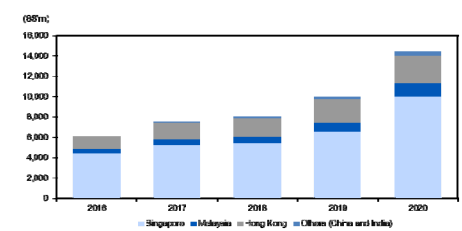
Source: iFAST, UOB Kay Hian

GROUP AUA AT S\$14.45b AS AT 31 DEC 20



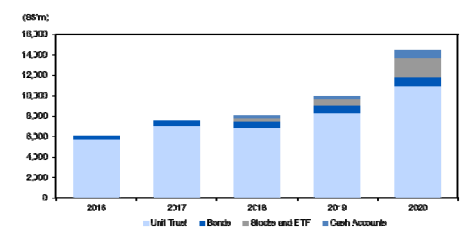
Source: iFAST

AUA BREAKDOWN BY MARKET AS AT 31 DEC 20



Source: iFAST, UOB Kay Hian

AUA BY PRODUCT TYPE AS AT 31 DEC 20



Source: iFAST, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$Sm)	2019	2020F	2021F	2022F
Net turnover	125.4	210.4	248.1	261.0
EBITDA	22.3	45.1	50.3	53.4
Deprec. & amort.	13.2	13.5	15.0	17.2
EBIT	9.1	31.6	35.3	36.1
Total other non-operating income	1.9	3.2	3.7	3.9
Associate contributions	(0.0)	(0.0)	(0.0)	(0.0)
Net interest income/(expense)	(0.1)	(0.1)	1.1	1.5
Pre-tax profit	11.1	36.9	40.2	41.7
Tax	(1.8)	(5.5)	(6.0)	(6.2)
Minorities	0.2	0.7	0.8	0.8
Net profit	9.5	32.1	34.9	36.2
Net profit (adj.)	9.5	32.1	34.9	36.2

BALANCE SHEET

Year to 31 Dec (\$Sm)	2019	2020F	2021F	2022F
Fixed assets	18.1	15.4	14.1	13.2
Other LT assets	34.4	40.2	46.2	50.5
Cash/ST investment	24.8	14.8	18.1	28.6
Other current assets	79.9	123.4	143.1	149.4
Total assets	157.2	193.8	221.5	241.7
ST debt	3.8	0.2	0.2	0.2
Other current liabilities	51.0	78.2	90.4	94.0
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	12.7	9.5	7.2	5.6
Shareholders' equity	90.1	106.3	124.1	142.3
Minority interest	(0.4)	(0.4)	(0.4)	(0.4)
Total liabilities & equity	157.2	193.8	221.5	241.7

CASH FLOW

Year to 31 Dec (\$Sm)	2019	2020F	2021F	2022F
Operating	19.4	30.4	43.3	51.4
Pre-tax profit	11.1	36.9	40.2	41.7
Tax	(1.7)	(5.5)	(6.0)	(6.2)
Deprec. & amort.	13.2	13.5	15.0	17.2
Associates	0.0	0.0	0.0	0.0
Working capital changes	(4.8)	(12.4)	(5.3)	(0.5)
Non-cash items	3.1	3.1	3.1	3.1
Other operating cashflows	(1.4)	(5.3)	(3.7)	(3.8)
Investing	(8.3)	(16.6)	(19.6)	(20.6)
Capex (growth)	(12.1)	(16.6)	(19.6)	(20.6)
Investments	3.8	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
Financing	(47.4)	(23.8)	(20.4)	(20.3)
Dividend payments	(8.5)	(15.8)	(17.2)	(18.0)
Issue of shares	0.2	0.0	0.0	0.0
Proceeds from borrowings	3.8	0.0	0.0	0.0
Loan repayment	(37.1)	(3.6)	0.0	0.0
Others/interest paid	(5.9)	(4.4)	(3.2)	(2.3)
Net cash inflow (outflow)	(36.4)	(10.0)	3.3	10.5
Beginning cash & cash equivalent	61.3	24.8	14.8	18.1
Changes due to forex impact	(0.1)	0.0	0.0	0.0
Ending cash & cash equivalent	24.8	14.8	18.1	28.6

KEY METRICS

Year to 31 Dec (%)	2019	2020F	2021F	2022F
Profitability				
EBITDA margin	17.8	21.4	20.3	20.5
Pre-tax margin	8.8	17.6	16.2	16.0
Net margin	7.6	15.3	14.1	13.9
ROA	6.0	18.3	16.8	15.6
ROE	10.8	32.7	30.3	27.2
Growth				
Turnover	3.4	67.8	17.9	5.2
EBITDA	44.8	102.0	11.6	6.0
Pre-tax profit	(10.4)	233.9	8.8	3.7
Net profit	(12.8)	237.5	8.8	3.7
Net profit (adj.)	(12.8)	237.5	8.8	3.7
EPS	(13.7)	237.5	8.8	3.7
Leverage				
Debt to total capital	4.1	0.2	0.2	0.1
Debt to equity	4.2	0.2	0.2	0.1
Net debt/(cash) to equity	(23.3)	(13.7)	(14.4)	(20.0)
Interest cover (x)	349.1	588.7	n.a.	n.a.

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