

iFAST

Positioning for Accelerated Growth, Buy

16 February 2021

Key Takeaway

4Q results confirmed IFAST's ability to deliver on asset growth and benefit from operating leverage, which in turn, stems from past investments. Assets grew 45% yoy and PBT margins expanded 13ppt close to historical highs. Tailwinds remain for continued asset growth and margin expansion as the group benefits from recent inflows. HK's e-MPF project and scaling up in China will entail new investments but may also position the group for next phase of growth. Buy.

4Q confirms growth capabilities, positive spillover from scale - Assets under administration (AUA) grew 14.8% qoq with PBT margin (% of net revenue) expanding by 1 ppt to 33%. This was driven by growing wealth in the region, inflows into Singapore and continued digital adoption for financial investments. Number of accounts grew 10% qoq. For the full year, net revenue grew 32% while PATMI grew 122% demonstrating operating leverage and results of investments incurred over last 4-5 years. While contribution to the group net revenue is small at c.2%, net revenue for China operation more than tripled yoy driven by AUA growth of 170% in China. Bottom line is still negative but the losses are slowing down (1.2% vs. 5% in FY19).

Positive outlook, China and HK eMPF next growth drivers - The 44.5% growth in the Group's AUA in FY2020 as well as the continuing positive momentum in net inflows of client assets should serve as tailwind for the Group's business performance as it enters 2021. Barring unforeseen circumstances, the Group expects further growth in its business performance and targets to improve its operating margin in 2021. The preceding year has been a year of strong business momentum for the China operation. The Group expects the momentum to carry forth into the future years. Breakeven is a story for 2022 and beyond as group is currently focussed in scaling up its assets in China. Assuming China revenue and op-ex grows at same pace as FY20, 2022 break-even is achievable by our estimates. Economics or bottom line contribution has not been shared for the HK e-MPF project but the group expects material impact from 2023. IFAST also expects to participate in bidding for digital bank license in Malaysia.

Reiterate Buy - Mgmt. stopped short of providing opex, capex and payout guidance as new investments are planned. However, given the tailwinds from AUA growth in 2020, operating margins are expected to grow. Correspondingly, we maintain AUA growth rates of 35% for FY21 but raise operating margin by 1 bp to 21bps. This tweaks up PATMI by c. 2.3%. We keep our PT of S\$7.8 and ascribed multiple of 60x unchanged. We raise dividend to 3.75c, +12% but it may have more upside provided payout reaches 60% of ex-China PAT. Key things to focus upon is quarterly AUA growth and forthcoming opex and capex guide in subsequent quarters. Given the ungeared balance sheet, it should have room to pace the investments using internal funds and bank loans.

Estimate Change

Singapore | Brokers, Asset Mgrs & Exchanges

RATING	BUY
PRICE	SGD6.18^
MARKET CAP	SGD1.7B / \$1.3B
PRICE TARGET (PT)	SGD7.80
UPSIDE SCENARIO PT	SGD9.00
DOWNSIDE SCENARIO PT	SGD3.00

^Prior trading day's closing price unless otherwise noted.

FY Dec

SGD	2019A	2020A	2021E	2022E
EPS	3.55	↓7.80	↑12.79	↓15.83
Prev.		7.83	12.60	16.70

EPS is in Scents

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## IFAST (IFAST SP)

Estimates				
SGD	2019A	2020A	2021E	2022E
Rev. (MM)	125.4	↓ 169.9	↑ 236.4	↑ 287.5
<i>Previous</i>		174.4	226.0	274.7
Net Op Revenue	65.2	↑ 85.9	↑ 118.2	↑ 143.7
<i>Previous</i>		85.5	113.0	137.3
Operating Profit (MM)	11.2	25.8	↑ 41.9	↓ 51.7
<i>Previous</i>			41.2	54.4
Net Profit	9.5	↓ 21.2	↑ 34.8	↓ 43.1
<i>Previous</i>		21.3	34.2	45.4
DPS	3.15	↑ 3.35	↑ 3.75	↑ 3.75
<i>Previous</i>		3.25	3.35	3.35
EPS	3.55	↓ 7.80	↑ 12.79	↓ 15.83
<i>Previous</i>		7.83	12.60	16.70

DPS is in Scents  
EPS is in Scents

Market Data		Financial Summary	
52-Week Range:	SGD7.06 - SGD0.72	Book Value (MM)	SGD100.4
Total Entprs. Value	SGD1.7B	Book Value/Share	SGD36.94
Avg. Daily Value MM (USD)	15.32	Return on Avg. Equity	19.0%
Float (%)	37.1%	Dividend Yield	1.0%
		Cash & ST Invest. (MM)	SGD30.0

## The Long View

### Scenarios

#### Base Case

Growing wealth, under-penetrated managed personal financial assets, tech-savvy clients positive for AUA growth.

Wealth management industry seeking a superior platform to lower onboarding and maintenance costs.

Growing ecosystem of FAs, investment products, customer accounts, operating licenses and partnerships.

Demanding valuation but steady operating track record; continued AUA growth would lead to sustained rating.

FY21E EPS - 12.8c, PT multiple 60x, PT - S\$7.8

#### Upside Scenario

Revenue stream from new initiatives in China (private fund manager registration), in Malaysia (securing dealing license) and winning the rights to develop and maintain e-MPF platform in HK.

Faster growth of AUA.

China and India operations turning profitable.

Securing banking license in the region.

FY21 EPS - 15c, PT multiple 60x, PT S\$9.0.

#### Downside Scenario

Volatile investment environment slowing down AUA growth and client transactions.

Faster growth in operating expense due to regional expansion.

Regulatory hurdles related to fee caps and offshore wealth management.

FY21 EPS - 10c, PT multiple 30x, PT S\$3.0.

### Investment Thesis / Where We Differ

Unique digital-first wealth management fintech platform.

Higher-than-street estimates for AUA growth based on strength of platform and regional wealth flows.

Demanding valuation but growth and platform attributes warrant the same.

### Catalysts

Winning the bid for developing and maintaining e-MPF platform.

Securing banking licenses in the region.

China and India operations growing profitably.

## Exhibit 1 - 4Q and full year Result highlights

S\$m	4Q20A	4Q20e	Diff	YoY	QoQ	FY20A	FY19	YoY
Gross revenue	47.90	52.38		42%	6%	169.93	125.40	36%
Comms	(23.57)	(28.45)				(84.07)	(60.20)	
Net revenue	24.33	23.94	1.7%	43%	6%	85.86	65.20	32%
Op. Exp. + D&A	(17.61)	(16.52)		24%	5%	(65.29)	(56.06)	16%
PBT	7.96	8.13	-2.1%	134%	9%	25.39	11.06	130%
PATMI	6.83	6.94	-1.7%	127%	11%	21.15	9.51	122%
AUA, S\$b	14.45	14.45		45%	15%	14.45	10.00	45%
Net revenue % AUA, bps ann.	67	66	1	(0)	(5)	59	65	(6)
Op Ex % AUA, bps ann.	49	46	3	(8)	(4)	45	56	(11)

Source: Company Data, Jefferies estimates

## Exhibit 2 - Estimate Changes

S\$m	2021e	2021e	2022e	2022e	2023e
	New	Old	New	Old	New
Gross revenue	236	226	287	275	321
Comms	(118)	(113)	(144)	(137)	(161)
Net revenue	118	113	144	137	161
Op. Exp. + D&A	(78)	(74)	(94)	(85)	(108)
PBT	42	41	52	54	55
PATMI	35	34	43	45	47
AUA, S\$b	19.5	19.5	24.4	24.4	29.3
Net revenue % AUA, bps ann.	61	58	59	56	55
Op Ex % AUA, bps ann.	40	38	39	35	37

Source: Jefferies estimates

## Exhibit 3 - Peer Comp

Name	TICKER	Trading ccy	Price	Mcap, (US\$m)	12m fwd. PE, x	12m fwd EPS growth, %	EV/EBITDA, FY1, x	EV/Sales, FY1, x
iFAST	AIY-SES	SGD	6.32	1,302	49.6	63.3	32.9	7.4
Futu Holdings ADR	FUTU-USA	USD	147.57	9,925	76.6	280.2	NA	24.4
OneConnect Financial Tech ADR	OCFT-USA	USD	19.96	7,784	NA	(42.7)	NA	8.7
TIGR	TIGR-USA	USD	29.97	3,551	101.8	466.4	NA	NA
Interactive brokers	IBKR-USA	USD	72.67	6,596	28.5	2.8	(20.7)	(13.2)
Charles Schwab	SCHW-USA	USD	58.19	104,580	20.4	25.1	1.2	0.6
Hargreaves Lansdown	HL-GB	GBP	16.695	11,006	29.6	(2.6)	20.7	12.8
Netwealth	NWL-AU	AUD	18.09	3,432	69.5	22.2	53.1	28.0
Hub24	HUB-AU	AUD	26.86	1,399	68.1	81.2	47.7	13.1
SBI Sec	8473-TKS	JPY	3215	7,428	13.0	81.2	NA	2.6
<b>Average</b>					<b>50.8</b>	<b>97.7</b>	<b>22.5</b>	<b>9.4</b>

Source: FactSet, Jefferies



## Exhibit 4 - Financial Statement

PnL, S\$m	2019	2020	2021e	2022e	2023e
Revenue	125.4	169.9	236.4	287.5	321.2
Net revenue	65.2	85.9	118.2	143.7	160.6
Operating expense	(56.1)	(65.3)	(78.4)	(94.0)	(108.1)
Operating income	11.2	25.8	41.9	51.7	55.5
PATMI	9.5	21.2	34.8	43.1	47.2
EPS, Scents	3.55	7.80	12.79	15.83	17.35
DPS, Scents	3.15	3.25	3.75	3.75	4.35
<b>Balance Sheet, S\$m</b>					
Intangible assets & goodwill	22.2	25.5	30.0	35.0	36.0
Associates	5.4	6.0	7.0	7.5	8.5
Investments	5.3	3.9	10.0	15.0	16.0
Non current assets	52.5	59.7	75.8	91.5	96.5
Cash	24.2	31.6	42.5	49.9	82.3
Current assets	104.7	194.6	201.8	214.2	247.6
Total assets	157.2	254.3	277.6	305.7	344.1
Equity	90.057	104.1	125.3	137.0	160.6
Non-current liabilities	12.7	14.6	25.0	33.0	39.5
Bank loans	3.8	-	-	-	-
Current liabilities	54.8	136.3	102.8	103.8	104.8
Total liabilities	157.1	268.9	277.5	306.2	344.9
<b>Cash flow, S\$m</b>					
Net cash from operations	19.4	41.6	54.3	65.6	72.2
Capex	(11.9)	(12.2)	(30.0)	(40.0)	(20.0)
Dividend	(8.5)	(12.2)	(30.0)	(40.0)	(20.0)
lease payments	(5.9)	(7.0)	(8.0)	(8.0)	(8.0)
Net cash from financing activities	(47.4)	(19.2)	(18.2)	(18.2)	(19.8)
Net increase/(decrease) in cash	(36.3)	11.9	6.1	7.4	32.4
Cash at the end of the period	25.0	36.4	42.5	49.9	82.3
<b>Growth, YoY</b>					
AUA	24%	45%	35%	25%	20%
Net revenue	9%	32%	38%	22%	12%
Operating expense	13%	16%	20%	20%	15%
Net revenue 2021	-13%	123%	64%	24%	10%

12 February 2021

Please see important disclosure information on pages 6 - 11 of this report.  
Source: Company Data, Jefferies estimates

## Company Description

### iFAST

iFAST Corp. Ltd. is an investment holding company. It engages in the development of software, marketing of unit trusts, exchange traded funds, listed stocks, debt securities and Singapore government securities through websites, and acting as an investment advisor, dealer, and custodian in respect to the above securities. The company was founded by Chung Chun Lim on September 11, 2000 is headquartered in Singapore.

## Company Valuation/Risks

### iFAST

Our PT of S\$7.8 is set by applying 60x PE multiple to FY21E EPS. Key downside risk is slowdown in AUA growth, regulatory pressure and associated increase in costs, shift in mix away from unit trusts.

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(Article 3(1)e and Article 7 of MAR)

Recommendation Published	February 16, 2021 , 19:07 ET.
Recommendation Distributed	February 16, 2021 , 19:07 ET.

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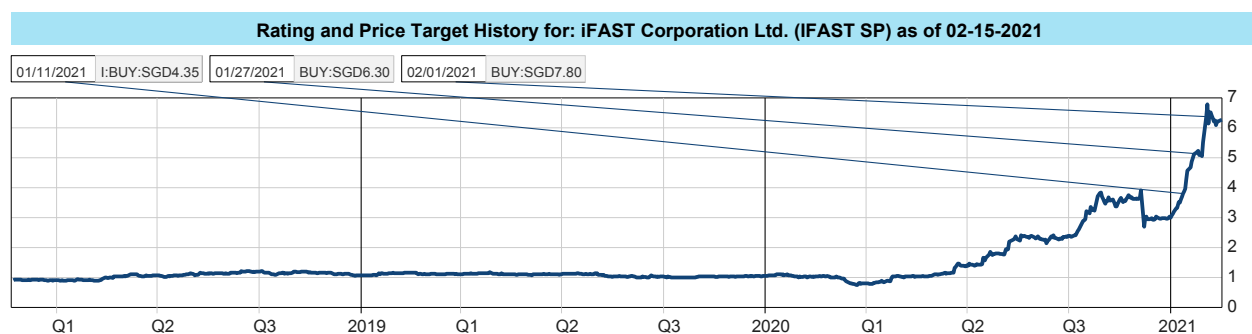
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- iFAST Corporation Ltd. (IFAST SP: SGD6.18, BUY)



**Notes:** Each box in the Rating and Price Target History chart above represents actions over the past three years in which an analyst initiated on a company, made a change to a rating or price target of a company or discontinued coverage of a company.

### Legend:

I: Initiating Coverage

D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

### Distribution of Ratings

Distribution of Ratings						
			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	1605	60.20%	151	9.41%	19	1.18%
HOLD	926	34.73%	24	2.59%	6	0.65%
UNDERPERFORM	135	5.06%	2	1.48%	1	0.74%

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