

iFAST Corporation Ltd.

Expansion plans gaining traction

SINGAPORE | FINANCE | RESULTS

- 3Q16 Net revenue increased 5.3% y-o-y to S\$10.68mn owing to increase in AUA following the recovery after Brexit
- New businesses to support AUA growth
- Singapore stockbroking business to launch by 4Q16/1Q17
- 3Q16 Revenue/PATMI met 103.3%/96.5% of our 3Q16 estimations
- **Maintain “BUY” with unchanged target price of S\$1.275**

Results at a glance

(SGD mn)	3Q16	3Q15	y-o-y (%)	2Q16	q-o-q (%)	Comments
Recurring net revenue	9.13	8.45	8%	8.42	8%	Higher AUA and recovery of global fin. mkt. after Brexit
Non-recurring net revenue	1.55	1.69	-8%	1.26	23%	Decrease in comm. income as a result of weak investment appetite
Total Net Revenue	10.7	10.1	5%	9.7	10%	
Other operating income	0.31	0.29	7%	0.30	5%	Higher investment income
Staff costs	4.75	4.52	5%	4.76	0%	Annual salary increment in Jan. More staff for China ops
Other operating expenses	3.58	2.67	34%	3.37	6%	IT maintenance & services. Advertising and promotion costs
Operating profit	1.86	2.85	-35%	1.11	67%	
Net Finance Income	0.18	0.25	-26%	0.20	-10%	Lower interest rates. Redemption of bond investments
PATMI	1.91	2.95	-35%	1.14	67%	

Source: Company, Phillip Securities Research (Singapore)

Contributions from new business will boost Singapore AUA. The Singapore business is targeting to launch the stockbroking business at the end of 2016/early 2017. With the inclusion of stockbroking, iFAST’s Singapore business will have a “full suite” of products on its wealth management platform comprising funds, bonds, ETFs and stocks. The long term focus will be to grow the AUA from this platform.

B2B platform strategy in Hong Kong. The Hong Kong business has launched its stock broking capabilities for the B2B platform. By broadening the range of services with the inclusion of stockbroking on the platform, iFAST seeks to enhance the ability of FIs (“Financial Institutions”) to service Hong Kong and offshore China investors and develop stickiness with the FIs.

Malaysia AUA grew 9.3% q-o-q and 53.5% y-o-y. Strong growth in customer accounts and AUA continued to contribute to the increase in net revenue. We believe that the launch of insurance products distribution on its B2C platform in 3Q16 could be well received.

China Business gaining traction. iFAST is continuing its ‘platform-cum-IFA incubator’ strategy and is ramping up efforts to increase sign ups with Chinese internet companies with well-established online client base, as well as financial services companies. In 3Q16, the Chinese business has signed up 35 Fund Houses with over 1,400 funds on the platform, a strong improvement from 20 Fund Houses with over 1,000 funds in 2Q16. With the recent RMB initiatives announced by MAS in November 2015, we believe that iFAST could potentially benefit from cross border activities such as RMB bond issues in Singapore by corporates in Tianjin, Chongqing and Suzhou and direct investments in Singapore and ASEAN region by equity investment funds in these 3 cities.

Maintain “Buy” with unchanged target price of S\$1.275, based on 25x PER on an estimated 5.1 cents FY17F EPS. We used FY17F EPS because FY16F earnings do not reflect the potential growth from China and India operations. This implies an upside of 53.2% (including dividends) from its last traded price.

31 October 2016

Buy (Maintain)

LAST TRADED PRICE	SGD 0.850
FORECAST DIV	SGD 0.0272
TARGET PRICE	SGD 1.275
TOTAL RETURN	53.20%

COMPANY DATA

O/S SHARES (MN):	263
MARKET CAP (USD mn / SGD mn):	160 / 223
52 - WK HWLO (SGD):	149 / 0.79
3M Average Daily T/O (mn):	0.17

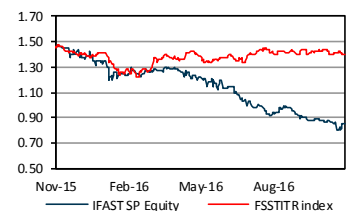
MAJOR SHAREHOLDERS (%)

Lim Chung Chun	20.59%
SPH Asiaone Ltd	15.61%
Wee Kian Lim	7.44%
Schroders PLC	5.49%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	(4.5)	(7.9)	(40.4)
STIRETURN	(139)	(196)	(3.62)

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY 15	FY 16 F	FY 17 F	FY 18 F
Net Revenue (SGD mn)	42	41	48	77
NPAT (SGD mn)	12	6	13	18
EPS (Cents)	4.65	2.41	5.10	7.32
P/E (X)	218	38.6	18.2	12.7
BVPS (Cents)	29.34	30.25	33.76	39.58
P/B (X)	3.40	3.10	2.80	2.30
DPS (Cents)	2.72	2.72	2.72	2.72
Div. Yield (%)	2.8%	2.9%	2.9%	2.9%

Source: Bloomberg

Valuation: P/E Multiple @ 25x

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Fig 1. Net Revenue (\$mn)

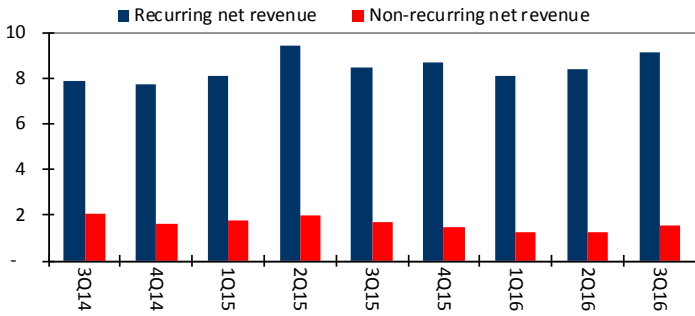


Fig 2. Other Operating Income (\$'000)

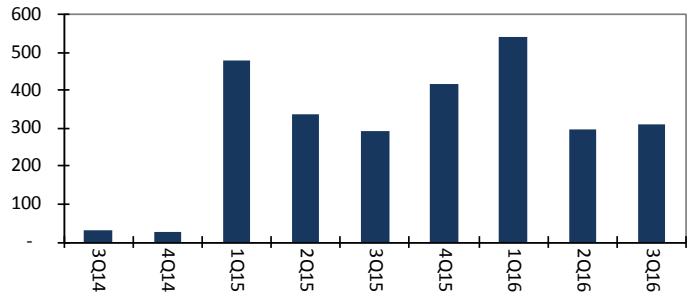


Fig 3. Operating Expense to Net Revenue (%)

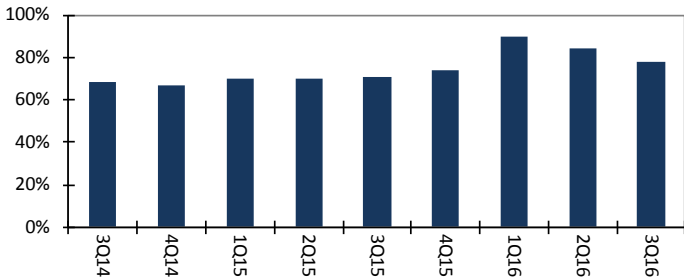


Fig 4. Net Profit Margin based on Net Revenue (%)

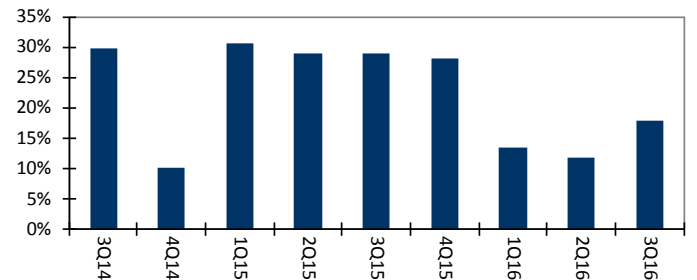


Fig 5. Net Revenue and Operating profit growth (%)

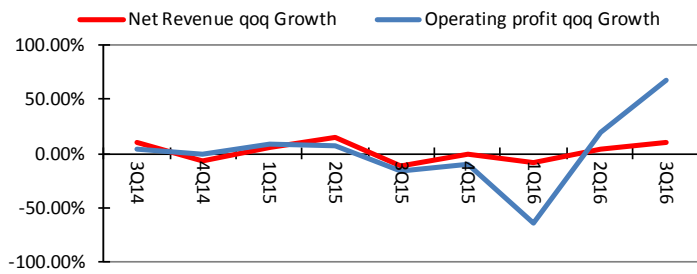


Fig 6. AUA of Investment products (\$bn)

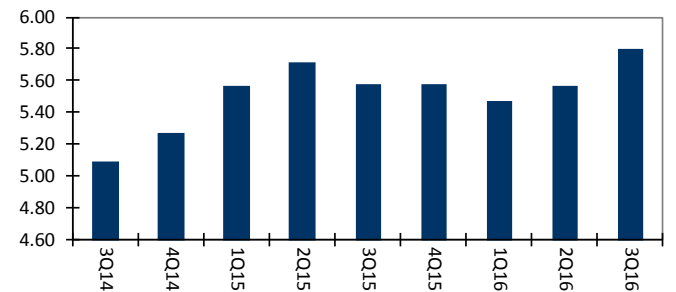


Fig 7. Quarterly Net Revenue to AUA ratio (Bps)

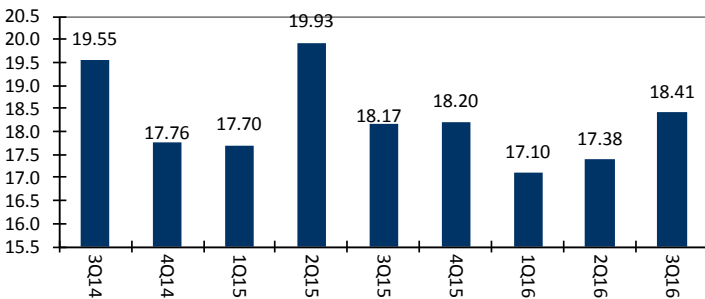


Fig 8. Net Profit (\$'000)

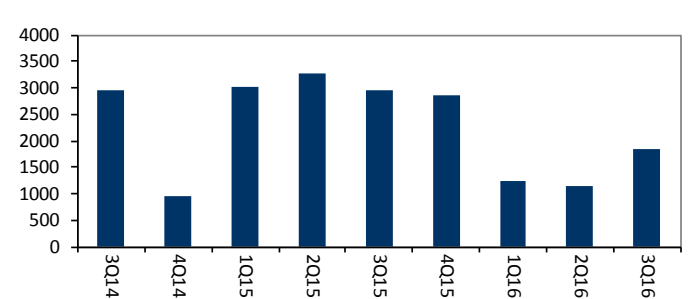


Fig 9. Annualised Net Revenue to average AUA ratio (Bps)

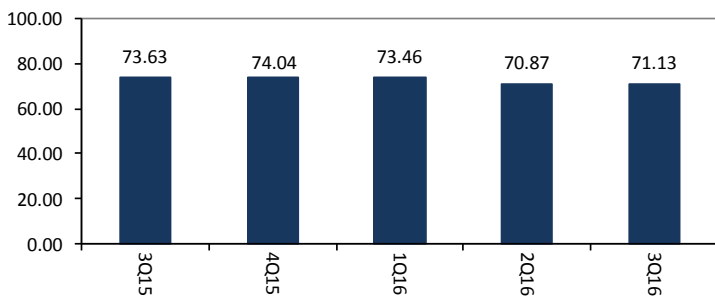
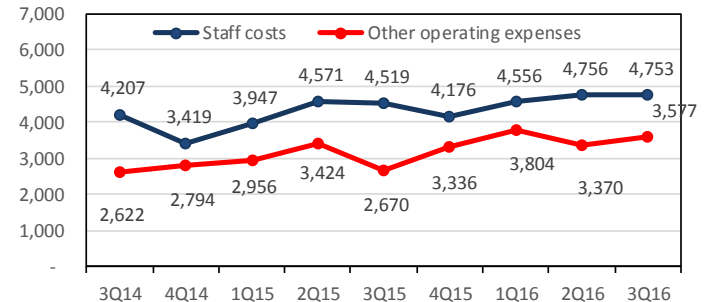


Fig 10. Staff costs and other operating costs (\$'000)



Source (Fig 1 - Fig 10): Company, Phillip Securities Research

Financials

Income Statement

Y/E Dec, SGD'000	FY14	FY15	FY16F	FY17F	FY18F
Recurring net revenue	29,483	34,647	35,113	48,400	67,057
Non-recurring net revenue	7,204	6,887	5,619	7,232	10,120
Net Revenue	36,687	41,534	40,732	55,632	77,176
Other Operating Income	236	1,525	1,361	1,605	1,822
Operating expenses	-26,137	-31,083	-36,282	-44,148	-60,504
Operating profit	10,786	11,976	5,811	13,090	18,494
Net finance income	96	799	855	919	1,008
Associates & JVs	-14	-24	-88	0	0
Profit Before Tax	10,868	12,751	6,578	14,008	19,502
Taxation	-393	-651	-601	-986	-1,372
Net income, reported	10,475	12,100	5,977	13,023	18,130
Net income, adj.	8,564	12,100	6,301	13,023	18,130

Per share data (SG Cents)

Y/E Dec, SG Cents	FY14	FY15	FY16F	FY17F	FY18F
EPS, reported	4.18	4.65	2.41	5.10	7.32
EPS, diluted	4.10	4.50	2.36	4.96	7.11
DPS	0.00	2.72	2.72	2.72	2.72
BVPS	26.11	29.34	30.25	33.76	39.58

Cashflow Statements (SGD mn)

Y/E Dec, SGD'000	FY14	FY15	FY16F	FY17F	FY18F
CFO					
Net Profit	8,564	12,100	6,301	13,023	18,130
Depreciation & Amortisation	995	1,484	2,779	3,247	4,294
WC changes	-1,454	327	-2,875	-3,142	-4,605
Others	2,550	-140	730	-326	-555
Cash generated from ops	10,655	13,771	6,935	12,802	17,265
Taxes paid, net	-535	-301	-808	-986	-1,372
Interest received	96	717	961	919	1,008
Cashflow from operations	10,216	14,187	7,087	12,735	16,901
CFI					
CAPEX, net	-2,575	-5,688	-5,876	-8,189	-11,038
Net change in available-for-sale financial assets	-19,887	-10,429	-2,047	-4,517	-5,191
Others	-400	20	-2,668	0	0
Cashflow from investments	-22,862	-16,097	-10,591	-12,707	-16,229
CFF					
Loans, net of repayments	0	0	0	0	0
Dividends	-10,918	-7,085	-7,295	-6,954	-6,745
Share buyback	0	0	-1,795	0	0
Others	42,184	3,204	4,008	0	0
Cashflow from financing	31,266	-3,881	-5,082	-6,954	-6,745
Effect of FX fluctuations on cash held	87	-77	-444	0	0
Net change in cash	18,707	-5,868	-9,031	-6,926	-6,073
CCE, end	35,388	29,520	20,427	13,501	7,428

Source: Company Data, PSR est

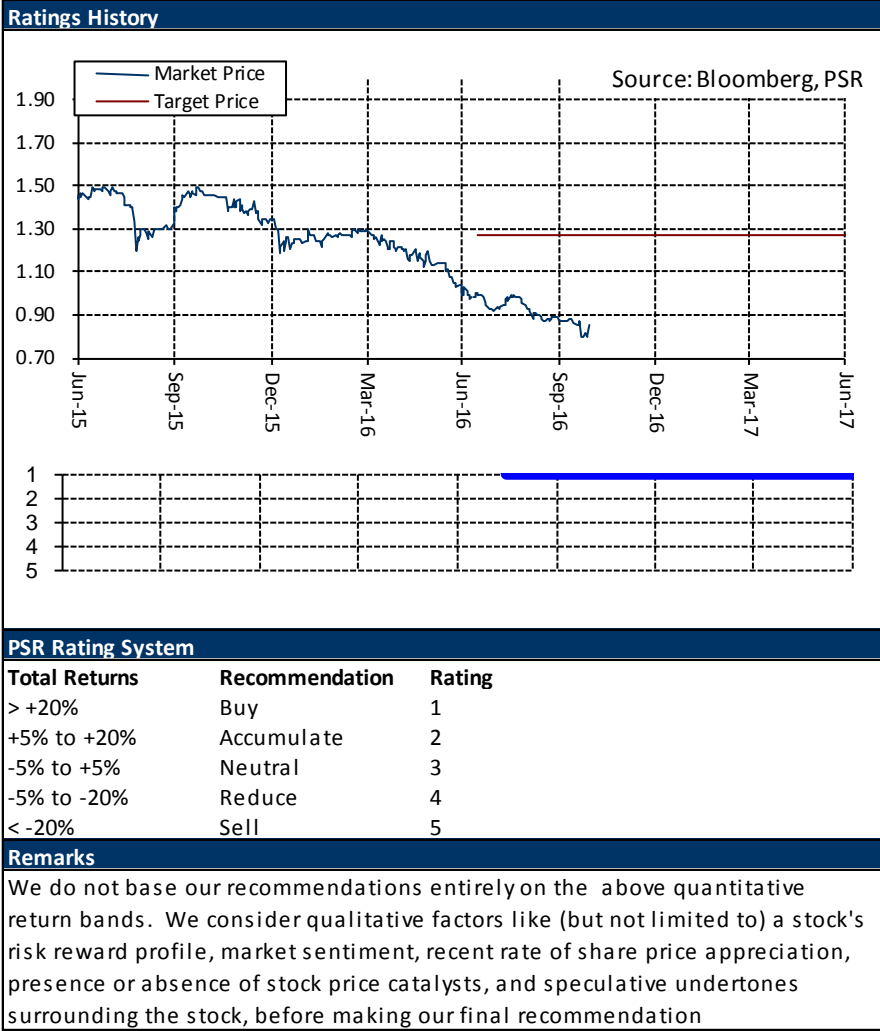
Balance Sheet

Y/E Dec, SGD'000	FY14	FY15	FY16F	FY17F	FY18F
Financial assets, available-for-sale	0	0	0	0	0
Property, plant and equipment	1,857	2,438	2,409	3,834	6,164
Intangibles	1,792	5,163	9,597	13,308	17,927
Investments in associated company	386	362	1,892	1,892	1,892
Deferred tax assets	22	4	0	0	0
Others	11	510	355	477	676
Total non-current assets	4,068	8,477	14,254	19,512	26,660
Cash and cash equivalents	35,388	29,520	20,427	13,501	7,428
Trade and other receivables	18,856	19,877	21,590	30,385	43,276
Financial assets, available-for-sale	22,024	31,964	35,888	40,406	45,597
Others	757	1,442	1,348	1,896	2,667
Total current assets	77,025	82,803	79,254	86,187	98,969
Total Assets	81,093	91,280	93,508	105,699	125,628
Trade and other payables	13,555	13,836	13,878	19,531	27,817
Current tax payable	308	646	611	584	576
Total current liabilities	13,863	14,482	14,489	20,115	28,393
Deferred tax liabilities	207	239	228	235	233
Other payables	118	0	0	0	0
Total non-current liabilities	325	239	228	235	233
Total Liabilities	14,188	14,721	14,717	20,350	28,627
Shareholder Equity	66,904	76,559	78,591	85,150	96,801
Non-controlling interests	0	0	200	200	200
Total equity	66,904	76,559	78,791	85,350	97,001

Valuation Ratios

Y/E Dec, SGD'000	FY14	FY15	FY16F	FY17F	FY18F
P/E (X)	22.2	20.0	38.6	18.2	12.7
P/B (X)	3.6	3.2	3.1	2.8	2.3
Dividend Yield (%)		2.9%	2.9%	2.9%	2.9%
Growth & Margins (%)					
Growth					
Net Revenue		13.2%	-1.9%	36.6%	38.7%
Net Income, adj.		41.3%	-47.9%	106.7%	39.2%
Margins					
Net profit margin	23.3%	29.1%	15.5%	23.4%	23.5%
Operating profit margin	29.4%	28.8%	14.3%	23.5%	24.0%
Key Ratios					
ROE (%)	25.0%	16.2%	8.1%	15.9%	20.0%
ROA (%)	42.2%	14.0%	6.8%	13.1%	15.7%
Dividend Payout ratio		58.5%	113.0%	53.3%	37.2%
Cost to net revenue	68.6%	71.3%	82.5%	73.5%	72.8%
Other Key Figures					
Average AUA (SGD)	5,015,000,000	5,610,000,000	5,719,874,327	7,683,527,043	10,704,172,004
Net Revenue / Average AUA	0.73%	0.74%	0.71%	0.72%	0.72%
Operating expenses / Average AUA	0.52%	0.55%	0.63%	0.57%	0.57%

Source: Company Data, PSR est



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