

# iFAST Corporation (IFAST SP)

Financial Services - Non-Bank Financials

Market Cap: USD271m

**Neutral** (Maintained)

 Target Price: **SGD1.42**

 Price: **SGD1.46**

## Impacted By Global Sell-Off

 Macro   
 Risks   
 Growth   
 Value 


Source: Bloomberg

Avg Turnover (SGD/USD)	0.19m/0.13m
Cons. Upside (%)	6.2
Upside (%)	-2.7
52-wk Price low/high (SGD)	0.95 - 1.58
Free float (%)	44
Share outstanding (m)	261
<b>Shareholders (%)</b>	
Lim Chung Chun	22.8
SPH AsiaOne	19.9
Lee Wee Kian	7.3

### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	33.9	4.3	0.3	7.4	
Relative	44.7	(3.4)	8.9	21.3	

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The global market's sell-off in the past few months has lowered iFAST's 3Q15 earnings. Maintain NEUTRAL and a DCF-based SGD1.42 TP (from SGD1.49, 3% downside). Its NPAT declined 0.5% YoY to SGD2.9m and revenue decreased 6.9% YoY while AUA declined 5% to SGD5.42bn from Jun 15. Despite decreasing our FY15 NPAT estimates by 6% and valuations being on the high side, we believe there are potential catalysts ahead.

- ◆ **Impacted by sell-off in global markets.** With the sell-off in global markets in the past few months, iFast Corp's (iFast) assets under administration (AUA) were also not spared, declining 5% to SGD5.42bn as compared to Jun 15, despite a SGD46m in net sales in 3Q15. Its net profit after tax (NPAT) also declined 0.5% YoY to SGD2.9m, while its revenue decreased 6.9% YoY to SGD20.5m, below our estimates. Across the four countries it operates in, Hong Kong performed the worst, with 3Q15 NPAT dropping 58.8% to SGD0.31m due to the global sell-off in equity markets and the negative impact from the suspension of the Capital Investment Entrant Scheme. Singapore continued its strong and steady growth of 22.5% YoY while Malaysia saw a positive turnaround from loss-making previously.
- ◆ **Awarded fund distributor qualification in China.** iFast has been awarded a funds distributor qualification from the China Securities Regulatory Commission. The qualification allows iFast to run an investment funds platform in China which they target to officially launch in late 1Q16. They also intend to work with different industry players in China to build an investment funds platform that can meet the wealth management needs of Chinese investors, both onshore and offshore investment products.
- ◆ **Maintain NEUTRAL, with a lower DCF-backed SGD1.42 TP.** We lower our FY15 NPAT estimates by 6%, resulting in our DCF-based TP to drop to SGD1.42 (growth=2.5%, WACC=8.2%) from SGD1.49 previously. Despite valuations being on the high side, we maintain NEUTRAL due to several potential catalysts ahead, ie a potential upside surprise from the speed of the uptake of the bonds and ETFs segment as well as its growth in China.

Forecasts and Valuations	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total turnover (SGDm)	69	78	95	110	121
Reported net profit (SGDm)	5.1	8.5	12.7	15.1	17.8
Recurring net profit (SGDm)	5.1	10.4	12.7	15.1	17.8
Recurring net profit growth (%)	182.6	104.4	22.4	18.9	17.2
Recurring EPS (SGD)	0.02	0.05	0.05	0.06	0.07
DPS (SGD)	0.02	0.04	0.03	0.04	0.04
Recurring P/E (x)	58.6	32.3	29.4	24.7	21.1
P/B (x)	12.5	5.6	5.2	4.8	4.4
P/CF (x)	47.3	28.5	20.9	24.2	20.7
Dividend Yield (%)	1.1	2.9	2.0	2.4	2.8
EV/EBITDA (x)	28.6	26.4	24.3	19.6	16.5
Return on average equity (%)	21.5	18.8	18.3	20.2	21.8
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash
Our vs consensus EPS (adjusted) (%)			0.0	0.0	0.0

Source: Company data, RHB

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Figure 1: 3Q15 results summary

FYE Dec (SGDm)	2Q15	3Q14	3Q15	QoQ (%)	YoY (%)	Comments
<b>Revenue</b>	<b>23.2</b>	<b>22.1</b>	<b>20.5</b>	<b>(11.4)</b>	<b>(6.9)</b>	
<b>EBITDA</b>	<b>3.1</b>	<b>2.6</b>	<b>2.5</b>	<b>(20.6)</b>	<b>(7.3)</b>	
<i>EBITDA margin</i>	13%	12%	12%			
Depreciation and amortisation	(0.3)	(0.3)	(0.4)	24.6	54.9	
<b>EBIT</b>	<b>3.4</b>	<b>2.9</b>	<b>2.8</b>	<b>(16.4)</b>	<b>(1.9)</b>	
<i>EBIT margin</i>	14.7%	13.1%	13.9%			
Net finance cost	0.2	0.0	0.3	18.5	N/A	
<b>Pretax profit</b>	<b>3.6</b>	<b>2.9</b>	<b>3.1</b>	<b>(13.9)</b>	<b>6.2</b>	
<i>Pretax margin</i>	16%	13%	15%			
Tax	(0.2)	0.0	(0.2)	(19.3)	N/A	
<i>Effective tax rate (%)</i>	-6%	1%	-5%			
<b>Net profit</b>	<b>3.3</b>	<b>3.0</b>	<b>2.9</b>	<b>(10.3)</b>	<b>(0.5)</b>	Mainly caused by the 58% YoY drop in NPAT from Hong Kong due to the global sell-off in the equity market and the negative impact from the suspension of the Capital Investment Entrant Scheme.
<i>Net margin</i>	14%	13%	14%			

Source: RHB

## Financial Exhibits

<b>Profit &amp; Loss (SGDm)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
Total turnover	69	78	95	110	121
Cost of sales	(38)	(42)	(50)	(57)	(62)
<b>Gross profit</b>	<b>32</b>	<b>37</b>	<b>45</b>	<b>53</b>	<b>59</b>
Gen & admin expenses	(13)	(15)	(18)	(20)	(22)
Other operating costs	(10)	(11)	(15)	(18)	(19)
<b>Operating profit</b>	<b>8</b>	<b>11</b>	<b>12</b>	<b>15</b>	<b>18</b>
Operating EBITDA	9	12	14	17	20
Depreciation of fixed assets	(1)	(1)	(1)	(2)	(2)
Amortisation of intangible assets	(0)	(0)	(1)	(1)	(0)
<b>Operating EBIT</b>	<b>8</b>	<b>11</b>	<b>12</b>	<b>15</b>	<b>18</b>
Other recurring income	1	0	1	1	1
Interest income	0	0	0	0	0
Interest expense	(0)	-	-	-	-
Other non-recurring income	-	(2)	-	-	-
<b>Pre-tax profit</b>	<b>9</b>	<b>9</b>	<b>14</b>	<b>16</b>	<b>19</b>
Taxation	(1)	(0)	(1)	(1)	(1)
Minority interests	(3)	-	-	-	-
<b>Profit after tax &amp; minorities</b>	<b>5</b>	<b>9</b>	<b>13</b>	<b>15</b>	<b>18</b>
<b>Reported net profit</b>	<b>5</b>	<b>9</b>	<b>13</b>	<b>15</b>	<b>18</b>
<b>Recurring net profit</b>	<b>5</b>	<b>10</b>	<b>13</b>	<b>15</b>	<b>18</b>

Source: Company data, RHB

<b>Cash flow (SGDm)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
<b>Operating profit</b>	<b>8</b>	<b>11</b>	<b>12</b>	<b>15</b>	<b>18</b>
Depreciation & amortisation	1	1	1	2	2
Change in working capital	(0)	(1)	5	(1)	(1)
Other operating cash flow	(2)	2	(0)	(0)	(0)
<b>Operating cash flow</b>	<b>7</b>	<b>12</b>	<b>19</b>	<b>16</b>	<b>19</b>
Interest received	0	0	0	0	0
Interest paid	(0)	-	-	-	-
Tax paid	(1)	(1)	(1)	(1)	(1)
<b>Cash flow from operations</b>	<b>6</b>	<b>12</b>	<b>18</b>	<b>15</b>	<b>18</b>
Capex	(1)	(3)	(7)	(7)	(4)
Other investing cash flow	1	(20)	-	-	-
<b>Cash flow from investing activities</b>	<b>(0)</b>	<b>(23)</b>	<b>(7)</b>	<b>(7)</b>	<b>(4)</b>
Dividends paid	(3)	(11)	(8)	(9)	(11)
Proceeds from issue of shares	0	46	-	-	-
Increase in debt	(1)	-	-	-	-
Other financing cash flow	2	(6)	1	1	2
<b>Cash flow from financing activities</b>	<b>(2)</b>	<b>29</b>	<b>(7)</b>	<b>(8)</b>	<b>(9)</b>
Cash at beginning of period	12	16	34	38	38
<b>Total cash generated</b>	<b>4</b>	<b>18</b>	<b>4</b>	<b>0</b>	<b>5</b>
Forex effects	(0)	-	-	-	-
<b>Implied cash at end of period</b>	<b>17</b>	<b>34</b>	<b>38</b>	<b>38</b>	<b>44</b>

Source: Company data, RHB

## Financial Exhibits

<b>Balance Sheet (SGDm)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
Total cash and equivalents	17	35	40	40	45
Accounts receivable	17	19	23	27	29
Other current assets	1	23	23	23	23
<b>Total current assets</b>	<b>34</b>	<b>77</b>	<b>85</b>	<b>89</b>	<b>97</b>
Total investments	2	-	-	-	-
Tangible fixed assets	2	2	8	14	16
Intangible assets	1	2	1	1	1
Total other assets	0	0	0	0	0
Total non-current assets	4	4	10	15	17
<b>Total assets</b>	<b>38</b>	<b>81</b>	<b>95</b>	<b>104</b>	<b>114</b>
Accounts payable	13	14	23	26	28
Other current liabilities	1	0	0	0	0
<b>Total current liabilities</b>	<b>13</b>	<b>14</b>	<b>23</b>	<b>26</b>	<b>28</b>
Other liabilities	0	0	0	0	0
<b>Total non-current liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total liabilities</b>	<b>14</b>	<b>14</b>	<b>23</b>	<b>26</b>	<b>28</b>
Share capital	11	58	58	58	58
Retained earnings reserve	13	9	14	20	27
<b>Shareholders' equity</b>	<b>24</b>	<b>67</b>	<b>72</b>	<b>78</b>	<b>85</b>
Minority interests	1	-	-	-	-
Other equity	(0)	-	(0)	(0)	(0)
<b>Total equity</b>	<b>25</b>	<b>67</b>	<b>72</b>	<b>78</b>	<b>85</b>
<b>Total liabilities &amp; equity</b>	<b>38</b>	<b>81</b>	<b>95</b>	<b>104</b>	<b>114</b>

Source: Company data, RHB

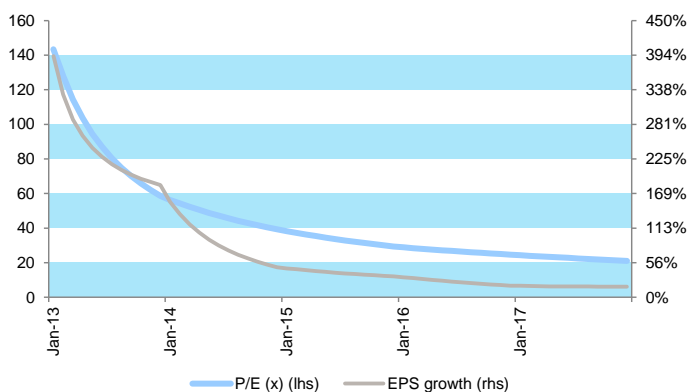
<b>Key Ratios (SGD)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
Revenue growth (%)	23.1	12.8	21.2	15.8	10.0
Operating profit growth (%)	106.2	31.8	18.1	19.4	17.9
Net profit growth (%)	182.6	67.8	49.1	18.9	17.2
EPS growth (%)	182.6	48.9	34.1	18.9	17.2
BVPS growth (%)	2.4	122.7	7.6	8.4	9.1
Operating margin (%)	11.5	13.5	13.1	13.5	14.5
Net profit margin (%)	7.3	10.9	13.4	13.8	14.7
Return on average assets (%)	13.3	14.3	14.4	15.2	16.3
Return on average equity (%)	21.5	18.8	18.3	20.2	21.8
Net debt to equity (%)	(67.9)	(52.9)	(55.1)	(51.4)	(52.7)
DPS	0.02	0.04	0.03	0.04	0.04
Recurrent cash flow per share	0.03	0.05	0.07	0.06	0.07

Source: Company data, RHB

## SWOT Analysis

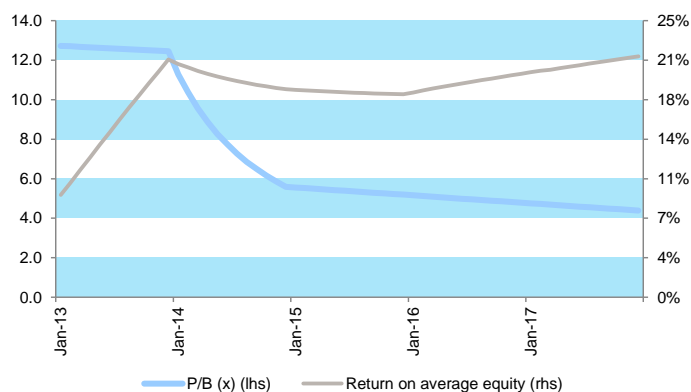


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE

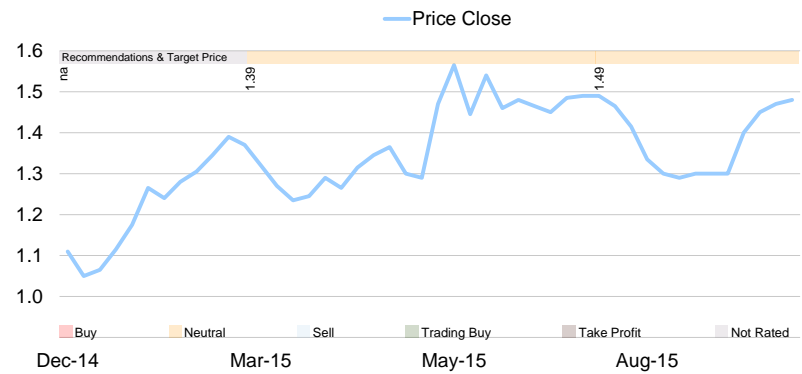


Source: Company data, RHB

## Company Profile

iFAST Corporation Ltd ("iFAST Corp") provides a comprehensive range of services, including investment administration, research and investment trainings, IT services and backroom functions to over 150 financial advisory firms and financial institutions regionally.

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2015-07-29	Neutral	1.49	1.46
2015-03-02	Neutral	1.39	1.37

Source : RHB, Bloomberg

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**Buy:** Share price may exceed 10% over the next 12 months

**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

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**Take Profit:** Target price has been attained. Look to accumulate at lower levels

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