

Company Note

Malaysia

HOLD (no change)

Consensus ratings*: Buy 0 Hold 1 Sell 0

Current price:	RM0.42
Target price:	RM0.42
Previous target:	RM0.51
Up/downside:	1.2%
CIMB / Consensus:	na
Reuters:	IFCA.KL
Bloomberg:	IFCA MK
Market cap:	US\$58.94m
	RM252.4m
Average daily turnover:	US\$1.43m
	RM6.29m
Current shares o/s:	558.0m
Free float:	46.0%

*Source: Bloomberg

Key changes in this note

- FY17-19F EPS raised by 51-119%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-5.7	-10.8	-23.9
Relative (%)	-5.5	-15	-32.2

Major shareholders	% held
IFCA Software (Asia) S/B	46.5
DP Capital	5.6
Kevin Lim	2.0

Analyst(s)



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IFCA MSC

1QFY17: Another positive quarter

- At 48% of our full-year forecast, IFCA's 1Q17 net profit is above expectations as its cost-cutting measures are showing better results than we had expected.
- Overseas market revenue showed growth but domestic sales fell in 1Q17.
- It had RM69.6m in net cash or 11.5sen net cash per share as at end-Mar.
- We change our target valuation from sector P/BV to SOP as quarterly earnings are showing continued recovery.
- Remains a Hold. Our TP falls from RM0.51 to RM0.42.

1Q17 net profit compared to 1Q16 net loss

1QFY17 revenue was up 9.1% yoy at RM19.3m mainly due to the growth from export markets. Domestic sales fell 5.2% yoy in 1Q. IFCA recorded a RM1.7m net profit in 1Q17 compared to a RM4.5m net loss in 1Q16 due to the cost-cutting measures implemented in the previous year. These measures appear to be showing better-than-expected results. No interim DPS was declared, in line with our expectations.

Exports lead the way

The export market was the growth driver in 1Q17 with a 26.3% yoy revenue increase to RM10.1m, making exports the main revenue contributor to IFCA. In contrast, domestic sales fell 5.2% yoy. There was no export revenue breakdown by country, but we believe its two main export markets are China and Indonesia. The weak domestic property market conditions have not been conducive for developers to upgrade their software and this has therefore hurt domestic sales.

P365 getting more traction

After working with the Maju Group to handle the marketing and online promotion and booking of the Sungei Besi Maju Kuala Lumpur (MKL) project since the start of the year, a few more property companies have now started working with Property 365 (P365) to promote and market online their respective launches. This is a positive sign for P365 as it looks like it is gaining traction with property developers and the 3,000 negotiators who have registered with them. Still, P365 earnings contributions have been minimal so far.

Net cash balance sheet

IFCA's balance sheet remains strong, with a RM69.6m net cash or 11.5sen net cash per share as at end-Mar 2017. As we believe the company currently does not have any major capex plans, net cash should gradually rise over the next few quarters. The company could use the cash to market and further raise P365's profile in the market, in our view.

In the black over the past three quarters

The worst appears to be over for IFCA. Cost cutting over the past 1-2 years has helped the company stay in the black for the last three quarters. However, we do not see any signs of a sharp earnings recovery as the domestic property market remains weak, with affordable apartments (selling below RM700,000 per unit) being the only property segment doing well currently. We believe there is no urgency for property developers to upgrade their software with the company.

Remains a Hold

We raise our FY17-19F EPS by 51-119% to reflect stronger earnings recovery for the company. As such, we also change our target valuation from 2.5x sector P/BV to a 30% discount to SOP; the discount is to reflect its small market cap. However, TP falls based on the 30% discount to SOP. The stock remains a Hold. An upside risk is if P365 takes off in a big way. Downside risks are weaknesses in Indonesia and China sales.

Financial Summary

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	101.6	75.2	85.6	91.2	94.6
Net Profit (RMm)	21.80	0.60	12.92	14.15	15.05
Core EPS (RM)	0.039	(0.000)	0.029	0.031	0.033
Core EPS Growth	7%	(101%)		8%	5%
FD Core P/E (x)	10.3	718.1	14.1	13.1	12.5
Price To Sales (x)	2.44	3.29	2.89	2.71	2.62
DPS (RM)	0.010	0.005	0.005	0.005	0.005
Dividend Yield	2.41%	1.20%	1.20%	1.20%	1.20%
EV/EBITDA (x)	7.08	19.72	7.58	6.40	4.90
P/FCFE (x)	11.47	31.03	17.40	15.01	7.77
Net Gearing	(75%)	(83%)	(86%)	(90%)	(105%)
P/BV (x)	2.79	2.77	2.50	2.24	2.02
ROE	29.3%	(0.2%)	18.4%	17.9%	16.9%
% Change In Core EPS Estimates			119%	61%	51%
CIMB/consensus EPS (x)			1.67	1.25	1.15

SOURCE: COMPANY DATA, CIMB FORECASTS

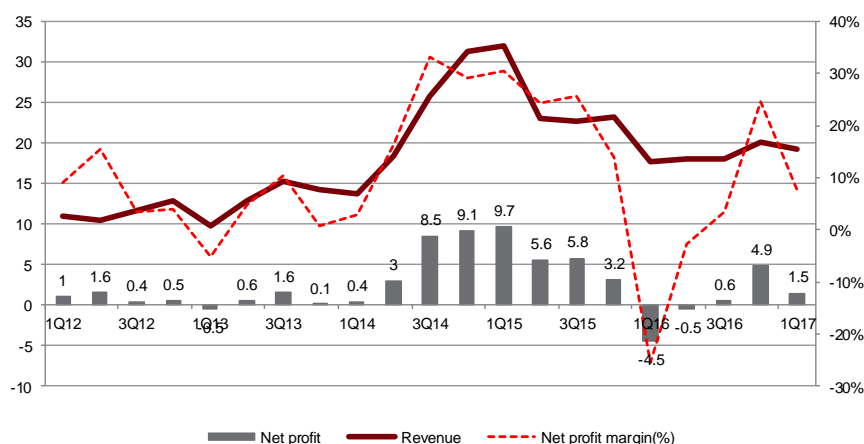
1QFY17: Another positive quarter

Figure 1: Results Comparison

FYE Dec (RM m)	1QFY17	1QFY16	yoy % chg	4QFY16	qoq % chg	Prev. FY17F	Comments
Revenue	19.3	17.7	9.1	21.5	(10.2)	81.0	In line, growth from China market
Operating costs	(16.0)	(21.2)	(24.4)	(17.7)	(9.5)	(74.6)	
EBITDA	3.3	(3.5)	nm	3.8	(13.8)	6.4	
<i>EBITDA margin (%)</i>	<i>17.0</i>	<i>(19.8)</i>	<i>nm</i>	<i>17.7</i>	<i>(4.0)</i>	<i>7.9</i>	Above, cost-cutting measures showing results
Depn & amort.	(1.5)	(1.3)	15.1	(2.4)	(38.0)	(6.4)	
EBIT	1.8	(4.8)	nm	1.4	29.0	0.0	
Interest expense	-	-	-	-	-	-	In line, RM69.8m net cash or 11.5 sen net cash/share
Interest & invt inc	1.1	0.8	26.5	3.0	(65.4)	1.0	
Pretax profit	2.8	(4.0)	nm	4.4	(36.1)	4.5	Above, strong China sales and cost cutting measures
Tax	(1.3)	(0.9)	nm	0.7	(276.6)	(0.8)	
Tax rate (%)	45.1	(22.0)	nm	(16.3)	nm	17.8	
Minority interests	0.1	0.4	nm	(0.2)	nm	(0.2)	
Net profit	1.67	(4.5)	nm	4.9	(66.2)	3.5	Above, three quarters in the black
EPS (sen)	0.3	(0.8)	nm	0.8	(66.2)	0.6	

SOURCES: CIMB, COMPANY REPORTS

Figure 2: IFCA's quarterly revenue and net profit breakdown (RM m)



SOURCES: CIMB, COMPANY REPORTS

Figure 3: IFCA's 1Q revenue breakdown (RM m)

Region	1Q16	1Q17	% chg
Malaysia	9.7	9.2	-5.2%
Overseas	8	10.1	26.3%
Total	17.7	19.3	9.0%

SOURCES: CIMB, COMPANY REPORTS

Figure 4: Earnings revision (RM m)

YE Jun (RMm)	Old			New		
	FY17	FY18	FY19	FY17	FY18	FY19
Revenue	81.0	85.5	92.5	85.6	91.2	94.6
EBITDA	9.9	14.4	16.1	21.4	23.1	24.2
PBT	4.5	8.8	10.5	16.0	17.5	18.6
Net profit	3.5	7.0	8.4	13.1	14.4	15.3

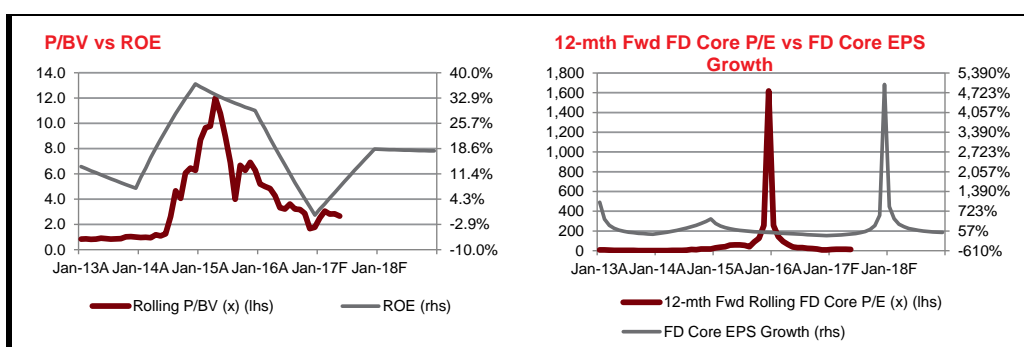
SOURCES: CIMB, COMPANY REPORTS

Figure 5: IFCA's SOP/share forecast (RM)

		Value (RMm)
2018 RM14.1m net profit	Sector 21x P/E	296.1
Net cash as at end-Mar		69.6
SOP		365.7
Issued shares (m)		608
SOP/share (RM)		0.60
30% discount		0.42

SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(RMm)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	101.6	75.2	85.6	91.2	94.6
Gross Profit	86.4	63.9	72.8	77.5	80.4
Operating EBITDA	25.6	8.8	21.4	23.1	24.2
Depreciation And Amortisation	(3.0)	(7.9)	(6.4)	(6.6)	(6.6)
Operating EBIT	22.6	0.9	15.0	16.5	17.6
Financial Income/(Expense)	3.3	0.0	1.0	1.0	1.0
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	27.9	7.8	21.4	23.1	24.2
Exceptional Items	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	25.9	0.9	16.0	17.5	18.6
Taxation	(4.2)	(1.0)	(2.9)	(3.2)	(3.3)
Exceptional Income - post-tax	0.0	0.0	0.0	0.0	0.0
Profit After Tax	21.7	(0.1)	13.1	14.4	15.3
Minority Interests	0.1	0.7	(0.2)	(0.2)	(0.2)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	21.8	0.6	12.9	14.2	15.1
Recurring Net Profit	23.5	(0.2)	17.3	18.7	19.6
Fully Diluted Recurring Net Profit	24.0	0.3	17.8	19.2	20.1

Cash Flow

(RMm)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	25.60	8.80	21.40	23.10	24.20
Cash Flow from Inv. & Assoc.	0.00	0.00	0.00	0.00	0.00
Change In Working Capital	3.67	5.28	(0.11)	0.76	15.44
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00	0.00
Other Operating Cashflow	0.00	0.00	0.00	0.00	0.00
Net Interest (Paid)/Received	3.30	0.00	1.00	1.00	1.00
Tax Paid	(4.20)	(1.00)	(2.88)	(3.15)	(3.35)
Cashflow From Operations	28.37	13.08	19.41	21.71	37.29
Capex	(7.00)	(5.00)	(5.00)	(5.00)	(5.00)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Investing	(7.00)	(5.00)	(5.00)	(5.00)	(5.00)
Debt Raised/(repaid)	0.20	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00	0.00
Dividends Paid	(4.36)	(3.00)	(3.00)	(3.00)	(3.00)
Preferred Dividends	0.00	0.00	0.00	0.00	0.00
Other Financing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Financing	(4.16)	(3.00)	(3.00)	(3.00)	(3.00)
Total Cash Generated	17.21	5.08	11.41	13.71	29.29
Free Cashflow To Equity	21.57	8.08	14.41	16.71	32.29
Free Cashflow To Firm	21.37	8.08	14.41	16.71	32.29

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	67.10	74.90	86.40	100.10	129.40
Total Debtors	15.24	11.28	12.84	13.68	0.00
Inventories	0.00	0.00	0.00	0.00	0.00
Total Other Current Assets	3.60	4.50	4.00	6.80	6.80
Total Current Assets	85.94	90.68	103.24	120.58	136.20
Fixed Assets	13.30	10.40	9.00	7.40	5.80
Total Investments	0.00	0.00	0.00	0.00	0.00
Intangible Assets	0.00	0.00	0.00	0.00	0.00
Total Other Non-Current Assets	11.10	11.00	11.30	7.60	7.50
Total Non-current Assets	24.40	21.40	20.30	15.00	13.30
Short-term Debt	0.30	0.30	0.30	0.30	0.30
Current Portion of Long-Term Debt	0.00	0.00	0.00	0.00	0.00
Total Creditors	13.21	14.53	15.98	17.58	19.34
Other Current Liabilities	7.30	7.30	7.30	7.30	7.30
Total Current Liabilities	20.81	22.13	23.58	25.18	26.94
Total Long-term Debt	0.20	0.20	0.20	0.20	0.20
Hybrid Debt - Debt Component	0.00	0.00	0.00	0.00	0.00
Total Other Non-Current Liabilities	0.25	0.00	0.00	0.00	0.00
Total Non-current Liabilities	0.45	0.20	0.20	0.20	0.20
Total Provisions	0.00	0.00	0.00	0.00	0.00
Total Liabilities	21.26	22.33	23.78	25.38	27.14
Shareholders' Equity	88.74	89.22	99.14	110.29	122.34
Minority Interests	0.30	0.50	0.70	0.00	0.00
Total Equity	89.04	89.72	99.84	110.29	122.34

Key Ratios

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	13.9%	(26.0%)	13.8%	6.5%	3.7%
Operating EBITDA Growth	(5%)	(66%)	143%	8%	5%
Operating EBITDA Margin	25.2%	11.7%	25.0%	25.3%	25.6%
Net Cash Per Share (RM)	0.11	0.12	0.14	0.17	0.22
BVPS (RM)	0.15	0.15	0.17	0.18	0.21
Gross Interest Cover	N/A	N/A	N/A	N/A	N/A
Effective Tax Rate	16%	111%	18%	18%	18%
Net Dividend Payout Ratio	15.6%	35.3%	14.2%	13.1%	12.5%
Accounts Receivables Days	57.73	64.54	51.42	53.07	26.39
Inventory Days	-	-	-	-	-
Accounts Payables Days	292.3	450.0	433.7	447.7	474.8
ROIC (%)	110%	34%	133%	159%	219%
ROCE (%)	34.5%	8.7%	22.5%	21.9%	20.7%
Return On Average Assets	24.2%	7.0%	17.3%	17.1%	16.3%

Key Drivers

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP Change (% , Main Product)	3.0%	3.0%	3.0%	3.0%	3.0%
Unit sales growth (% , main prod)	15.0%	15.0%	15.0%	15.0%	15.0%
No. Of Lines (main Product)	N/A	N/A	N/A	N/A	N/A
Rev per line (US\$, main prod)	300,000.0	300,000.0	300,000.0	300,000.0	300,000.0
ASP chg (% , 2ndary prod)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , 2ndary prod)	60.0%	60.0%	50.0%	50.0%	50.0%
No. Of Lines (secondary Product)	N/A	N/A	N/A	N/A	N/A
Rev per line (US\$, 2ndary prod)	N/A	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

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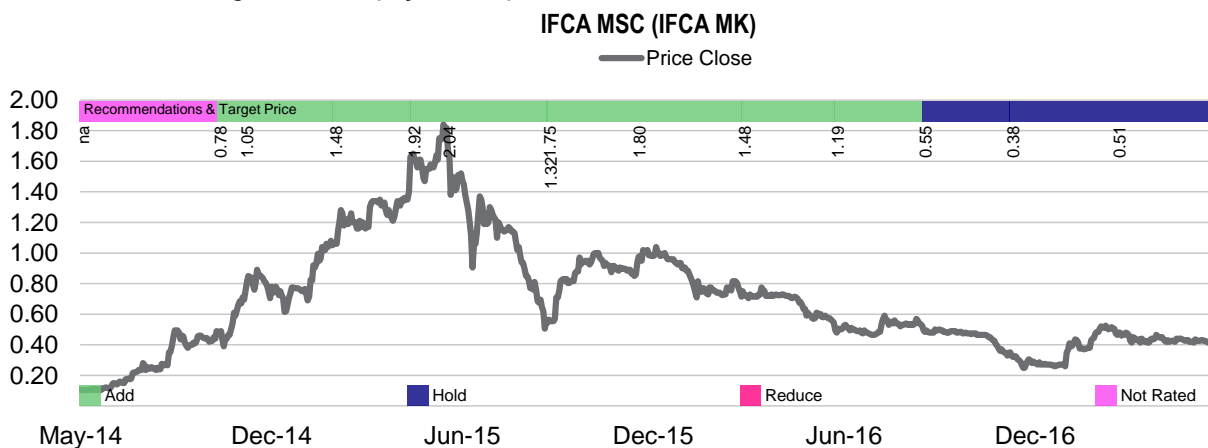
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1244 companies under coverage for quarter ended on 31 March 2017		
	Rating Distribution (%)	Investment Banking clients (%)
Add	55.9%	5.2%
Hold	30.0%	1.6%
Reduce	10.4%	0.3%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2016, Anti-Corruption 2016.

AAV – Very Good, n/a, **ADVANC** – Very Good, Certified, **AEONTS** – Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Very Good, Declared, **AOT** – Excellent, Declared, **AP** – Very Good, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – not available, Declared, **BGP** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, Declared, **BEC** – Good, n/a, **BH** – Good, Declared, **BIGC** – Excellent, Declared, **BJC** – Good, n/a, **BLA** – Very Good, Certified, **BPP** – not available, n/a, **BTS** – Excellent, Certified, **CBG** – Good, n/a, **CCET** – not available, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** – Excellent, Certified, **DELTA** – Excellent, Declared, **DEMCO** – Excellent, Certified, **DTAC** – Excellent, Certified, **EA** – Very Good, Declared, **ECL** – Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Good, n/a, **GFPT** – Excellent, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** – Excellent, n/a, **GUNKUL** – Very Good, Declared,

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- Companies certified by CAC

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- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
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The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

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- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.