

IFCA MSC

IFCA MK / IFCA.KL

➤ **Market Cap**
US\$95.51m
 RM318.0m

➤ **Avg Daily Turnover**
US\$3.63m
 RM11.84m

➤ **Free Float**
46.0%
 453.0 m shares

Current **RM0.70**
 Target **RM1.05** 
 Prev. Target **RM0.78**
 Up/Downside **51.1%**

3QFY14 RESULTS NOTE

STOCK RATING

ADD

HOLD

REDUCE

CIMB Analyst(s)



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Share price info

Share price perf. (%)	1M	3M	12M
Relative	63.6	185.7	670.4
Absolute	63.5	183.7	672.2

Major shareholders

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

Best quarter ever

3Q14 net profit was a record high for IFCA. At 178% annualized 9M14 net profit, IFCA's 3Q results was above our (no consensus) expectations due to higher-than-expected top-line growth. We raise our FY14-16 EPS by 36%-100% to reflect stronger top-line growth and target price also rises based on unchanged 21x 2016 P/E (in line with domestic peers). The stock remains an Add with potential catalysts such as record 3Q14 net profit and move to Main Board in 2015.

9M14 net profit up close to 700% yoy ➤

9M14 revenue was up 53% yoy but net profit was up close to 700%. No interim dividend was declared, in line with our expectations. Higher-than-expected 3Q14 profit was mainly due to its strong top line growth, coming from domestic and the China business. YTD, only RM8.4m GST jobs were completed while we are targeting 80%-90% revenue growth from the China market this year. The company only has 100 customers in China and we understand there are 40,000 property companies in that country.

High operating leverage business ➤

IFCA's software business has a high operating leverage. Most of its operating costs is fixed (labour is 65% of its operating costs) and its top line has reached the sweet spot this year. Revenue is now more than sufficient to cover its operating costs and as such, most of the revenue incremental growth should follow directly to the bottom line. This is shown by 3Q14's EBITDA margin which was at 37.4% compared to 18.0% in 2Q14. 3Q revenue was up 40% qoq at RM25.7m.

Cash rich balance sheet ➤

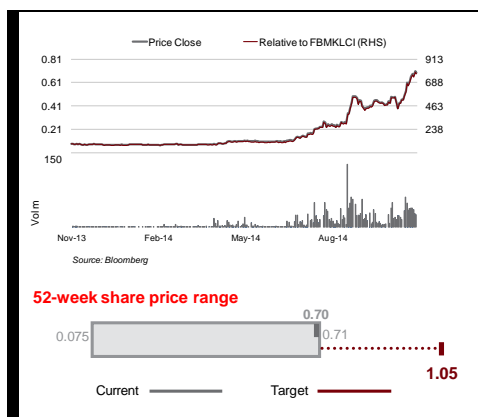
IFCA is a net cash company, RM34.9m or 7.7sen net cash/share as at end-Sep. With limited capex spending and R&D at only RM4-6m annually, the company's cash pile will continue to grow in time. In addition, by next year, we more of the warrants would be converted (143.3m outstanding warrants, exercise price RM0.10 and expires in Feb-2016) and this could raise additional RM14.3m for the company. We were looking for the company to move to the Main Board in 2016 but based on the expected strong 2014 net profit, IFCA could be looking to move to the Main Board next year instead of 2016. The company will hold its results briefing tomorrow afternoon.

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Results Comparison

FYE Dec (RM m)	3QFY14	3QFY13	yoy % chg	qoq % chg	3QFY14 cum	3QFY13 cum	yoy % chg	Prev. FY14F	Comments
Revenue	25.7	15.3	68.0	40.4	58.0	37.9	53.0	72.8	In line, strong growth from China and GST upgrades
Operating costs	(16.1)	(13.0)	23.8	7.3	(31.1)	(34.7)	(10.4)	(60.0)	Below, greater economies of scale
EBITDA	9.6	2.3	317.4	190.9	14.1	3.2	340.6	12.8	Above, operating costs is stable
EBITDA margin (%)	37.4	15.0	148.5	107.1	24.3	8.4	187.9	17.6	Above, also helped by higher operating leverage
Depn & amort.	(0.5)	(0.7)	(28.6)	25.0	(1.5)	(2.2)	(31.8)	(2.0)	In line, include amortisation deferred expenditure
EBIT	9.1	1.6	468.8	213.8	12.6	1.0	1160.0	10.8	Above, top-line growth momentum continues from 2Q14
Interest expense	-	-	nm	nm	-	-	nm	-	In line, RM34.9m net cash or 7.7sen net cash/share
Interest & inv t inc	0.3	0.3	0.0	(57.1)	1.1	0.9	22.2	0.2	In line, minimal interest income
Pretax profit	9.4	1.9	394.7	161.1	13.7	1.9	621.1	11.0	Above, strong profit margin
Tax	(0.8)	(0.2)	300.0	100.0	(1.3)	(0.3)	333.3	(1.1)	In line, MSC status
Tax rate (%)	8.5	10.5	(19.1)	(23.4)	9.5	15.8	(39.9)	10.0	In line, MSC tax free
Minority interests	(0.1)	(0.10)	0.0	nm	(0.5)	(0.1)	400.0	(1.0)	No major minorities
Net profit	8.5	1.6	431.3	183.3	11.9	1.5	693.3	8.9	Above, strong top-line growth over the next few quarters
EPS (sen)	1.9	0.4	375.0	(33.4)	11.3	1.4	693.3	8.5	Above, 2014 will be a record year for IFCA

SOURCE: CIMB, COMPANY REPORTS



Financial Summary

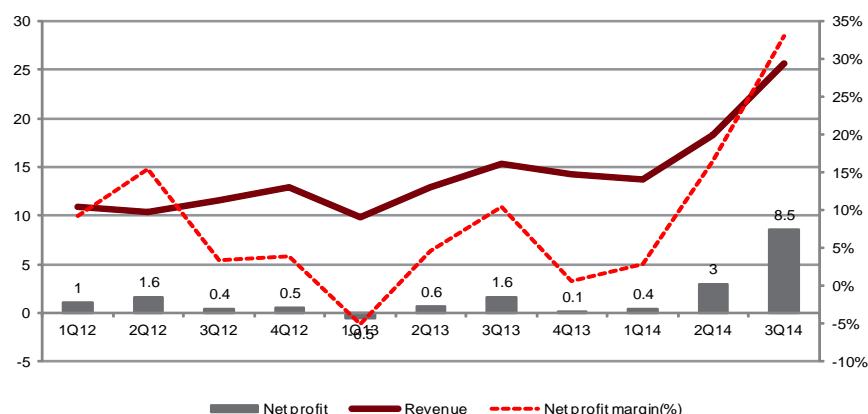
	Dec-12A	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Revenue (RMm)	45.9	52.0	88.0	107.0	114.6
Net Profit (RMm)	3.50	1.70	18.80	24.90	28.57
Core EPS (RM)	0.014	0.008	0.043	0.057	0.065
Core EPS Growth	NA	(45%)	466%	31%	14%
FD Core P/E (x)	49.77	90.47	18.04	15.75	13.82
Price To Sales (x)	6.66	6.03	3.58	2.94	2.75
DPS (RM)	-	-	0.005	0.008	0.010
Dividend Yield	0.00%	0.00%	0.72%	1.15%	1.44%
EV/EBITDA (x)	39.70	62.29	11.35	8.11	6.51
P/FCFE (x)	69.5	165.2	26.2	14.0	15.2
Net Gearing	(68.1%)	(70.7%)	(69.8%)	(81.6%)	(83.4%)
P/BV (x)	6.70	6.63	4.88	3.65	2.84
ROE	14.1%	7.4%	35.2%	34.2%	29.9%
% Change In Core EPS Estimates			101%	60%	36%
CIMB/consensus EPS (x)					

SOURCE: CIMB, COMPANY REPORTS

GST jobs only 14% completed ➤

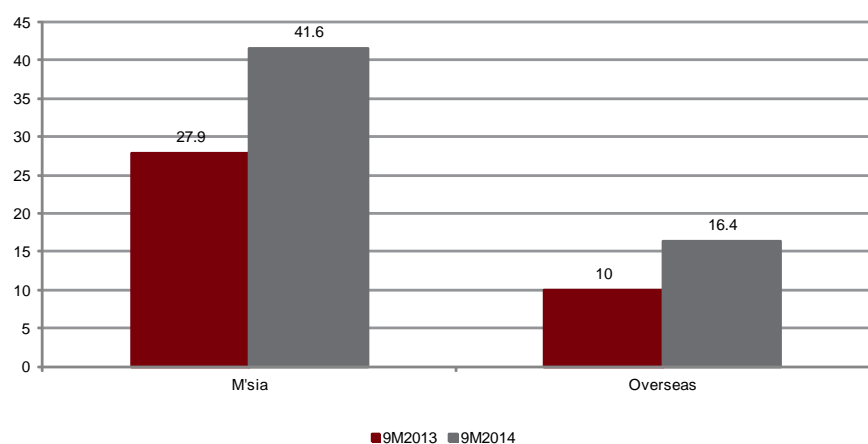
YTD, IFCA has only done RM8.4m revenue or 14% of the outstanding GST nationwide upgrades. This indicates that the GST job upgrades has only just started, with the remaining RM50.1m GST jobs to be undertaken over the next few quarters.

Figure 1: IFCA quarterly revenue and net profit (RMm)



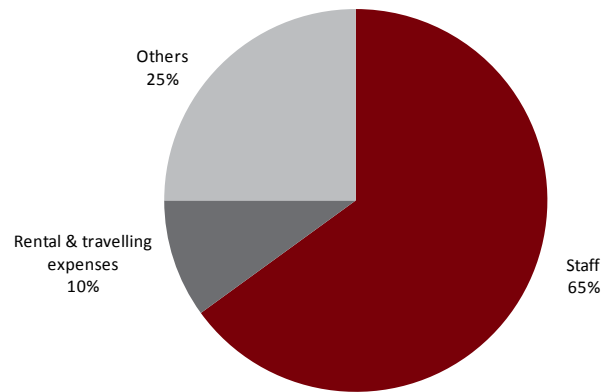
SOURCES: CIMB, COMPANY REPORTS

Figure 2: IFCA 9M14 revenue breakdown (RMm)



SOURCES: CIMB, COMPANY REPORTS

Figure 3: IFCA average operating cost breakdown



SOURCES: CIMB

Figure 4: Sector Comparisons

Company	Bloomberg Ticker	Recom.	Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						CY2014	CY2015		CY2014	CY2015	CY2014	CY2015	CY2014	CY2015	CY2014	CY2015
Cuscapi	CUSC MK	Add	0.25	0.45	33	32.7	9.6	na	1.6	1.4	4.8%	15.6%	10.4	4.6	2.3%	2.0%
MY E.G. Services	MYEG MK	Add	4.02	5.28	712	38.5	25.1	50.7%	11.9	8.9	34.7%	40.9%	30.7	21.1	0.8%	1.2%
GHL Systems Bhd	GHLS MK	Add	0.88	1.06	168	49.6	31.6	72.9%	4.7	4.1	12.8%	13.8%	22.3	16.5	0.0%	0.0%
IFCA MSC	IFCA MK	Add	0.70	1.05	96	16.0	14.5	100.3%	4.9	3.6	35.5%	34.2%	11.3	8.1	0.7%	1.2%
Sector average					252	34.2	19.6	74.6%	5.8	4.5	22.0%	26.1%	18.7	12.6	1.0%	1.1%

SOURCES: CIMB, COMPANY REPORTS

Profit & Loss

(RMm)	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Total Net Revenues	52.0	88.0	107.0	114.6
Gross Profit	44.2	74.8	91.0	97.4
Operating EBITDA	4.5	23.8	30.2	34.3
Depreciation And Amortisation	(3.1)	(2.0)	(2.0)	(2.0)
Operating EBIT	1.4	21.8	28.2	32.3
Financial Income/(Expense)	0.5	0.2	0.8	1.0
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	4.0	23.0	30.0	34.3
Exceptional Items	0.0	0.0	0.0	0.0
Pre-tax Profit	1.9	22.0	29.0	33.3
Taxation	(0.3)	(2.2)	(2.9)	(3.3)
Exceptional Income - post-tax	0.0	0.0	0.0	0.0
Profit After Tax	1.6	19.8	26.1	30.0
Minority Interests	0.1	(1.0)	(1.2)	(1.4)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	1.7	18.8	24.9	28.6
Recurring Net Profit	3.5	19.7	25.8	29.5
Fully Diluted Recurring Net Profit	3.5	20.2	26.3	30.0

Balance Sheet

(RMm)	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Total Cash And Equivalents	34.3	46.4	73.0	96.0
Total Debtors	9.6	19.1	16.1	17.2
Inventories	0.0	0.0	0.0	0.0
Total Other Current Assets	3.6	3.6	3.6	3.6
Total Current Assets	47.5	69.1	92.6	116.8
Fixed Assets	9.3	10.3	12.3	15.3
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	5.8	5.8	5.8	5.8
Total Non-current Assets	15.1	16.1	18.1	21.1
Short-term Debt	0.3	0.3	0.3	0.3
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0
Total Creditors	6.8	11.4	13.9	15.3
Other Current Liabilities	7.3	7.3	7.3	7.3
Total Current Liabilities	14.4	19.0	21.5	22.9
Total Long-term Debt	0.2	0.2	0.2	0.2
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	0.2	0.2	0.2	0.2
Total Non-current Liabilities	0.4	0.4	0.4	0.4
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	14.8	19.4	21.9	23.3
Shareholders' Equity	47.5	64.5	86.3	110.7
Minority Interests	0.3	1.3	2.5	3.9
Total Equity	47.8	65.8	88.8	114.6

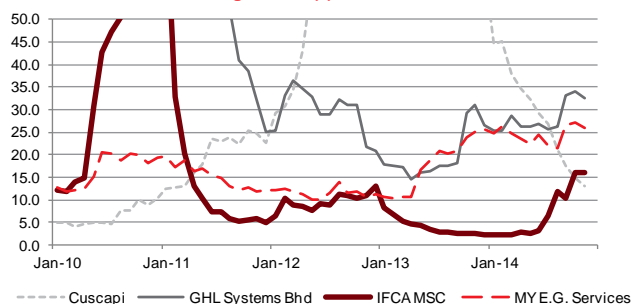
Cash Flow

(RMm)	Dec-13A	Dec-14F	Dec-15F	Dec-16F
EBITDA	4.50	23.80	30.20	34.30
Cash Flow from Inv. & Assoc.	0.00	0.00	0.00	0.00
Change in Working Capital	(0.10)	(4.86)	5.52	0.25
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00
Other Operating Cashflow	(0.50)	0.00	0.00	0.00
Net Interest (Paid)/Received	0.50	0.20	0.80	1.00
Tax Paid	2.40	(2.20)	(2.90)	(3.33)
Cashflow From Operations	6.80	16.94	33.62	32.22
Capex	(4.70)	(3.00)	(4.00)	(5.00)
Disposals Of FAs/subsidiaries	0.10	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Investing	(4.60)	(3.00)	(4.00)	(5.00)
Debt Raised/(repaid)	(0.30)	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00
Dividends Paid	0.00	(1.80)	(3.10)	(4.20)
Preferred Dividends	0.00	0.00	0.00	0.00
Other Financing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Financing	(0.30)	(1.80)	(3.10)	(4.20)
Total Cash Generated	1.90	12.14	26.52	23.02
Free Cashflow To Equity	1.90	13.94	29.62	27.22
Free Cashflow To Firm	2.20	13.94	29.62	27.22

Key Ratios

	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Revenue Growth	13.3%	69.2%	21.6%	7.1%
Operating EBITDA Growth	(35%)	429%	27%	14%
Operating EBITDA Margin	8.7%	27.0%	28.2%	29.9%
Net Cash Per Share (RM)	0.07	0.10	0.16	0.21
BVPS (RM)	0.10	0.14	0.19	0.24
Gross Interest Cover	N/A	N/A	N/A	N/A
Effective Tax Rate	15.8%	10.0%	10.0%	10.0%
Net Dividend Payout Ratio	NA	8.2%	10.8%	12.8%
Accounts Receivables Days	65.28	59.52	59.95	53.08
Inventory Days	-	-	-	-
Accounts Payables Days	299.5	252.2	288.2	311.0
ROIC (%)	23%	161%	146%	201%
ROCE (%)	8.4%	40.1%	38.6%	33.6%

12-month Forward Rolling FD P/E (x)



Key Drivers

	Dec-13A	Dec-14F	Dec-15F	Dec-16F
ASP Change (% Main Product)	N/A	N/A	N/A	N/A
Unit sales growth (% main prod)	6.7%	22.4%	11.6%	20.0%
No. Of Lines (main Product)	N/A	N/A	N/A	N/A
Rev per line (US\$, main prod)	N/A	N/A	N/A	N/A
ASP chg (% 2ndary prod)	N/A	N/A	N/A	N/A
Unit sales grth (% 2ndary prod)	32.8%	81.8%	50.0%	30.0%
No. Of Lines (secondary Product)	N/A	N/A	N/A	N/A
Rev per line (US\$, 2ndary prod)	N/A	N/A	N/A	N/A

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Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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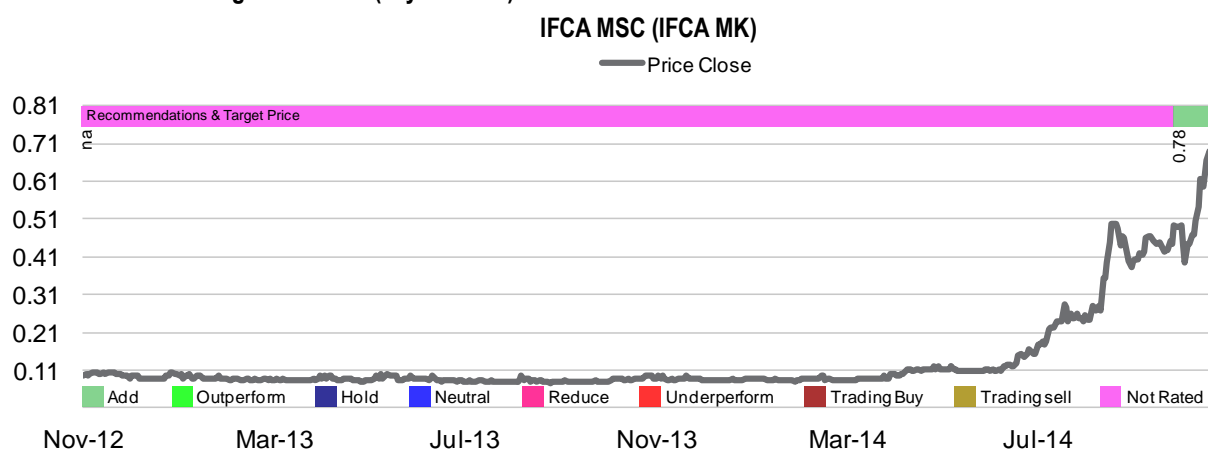
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2014		
1552 companies under coverage for quarter ended on 30 September 2014		
	Rating Distribution (%)	Investment Banking clients (%)
Add	54.9%	5.0%
Hold	29.5%	2.3%
Reduce	15.6%	1.0%

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 (IOD) in 2013.

AAV - Good, **ADVANC** - Excellent, **AMATA** - Very Good, **ANAN** - Good, **AOT** - Excellent, **AP** - Very Good, **BANPU** - Excellent, **BAY** - Excellent, **BBL** - Excellent, **BCH** - Good, **BCP** - Excellent, **BEAUTY** - Good, **BEC** - Very Good, **BECL** - Excellent, **BGH** - not available, **BH** - Very Good, **BIGC** - Very Good, **BJC** - Very Good, **BMCL** - Very Good, **BTS** - Excellent, **CCET** - Very Good, **CENDEL** - Very Good, **CHG** - not available, **CK** - Excellent, **CPALL** - Very Good, **CPF** - Excellent, **CPN** - Excellent, **DELTA** - Very Good, **DTAC** - Excellent, **EA** - Good, **EGCO** - Excellent, **GFPT** - Very Good, **GLOBAL** - Good, **GLOW** - Very Good, **GRAMMY** - Excellent, **HANA** - Excellent, **HEMRAJ** - Excellent, **HMPRO** - Very Good, **ICHI** - not available, **INTUCH** - Excellent, **ITD** - Very Good, **IVL** - Excellent, **JAS** - Very Good, **KAMART** - not available, **KBANK** - Excellent, **KCE** - Very Good, **KKP** - Excellent, **KTB** - Excellent, **LH** - Very Good, **LPN** - Excellent, **M** - not available, **MAJOR** - Very Good, **MAKRO** - Very Good, **MC** - not available, **MCOT** - Excellent, **MEGA** - not available, **MINT** - Excellent, **OFM** - Very Good, **PS** - Excellent, **PSL** - Excellent, **PTT** - Excellent, **PTTGC** - Excellent, **PTTEP** - Excellent, **QH** - Excellent, **RATCH** - Excellent, **ROBINS** - Excellent, **RS** - Excellent, **SAMART** - Excellent, **SAPPE** - not available, **SC** - Excellent, **SCB** - Excellent, **SCC** - Excellent, **SCCC** - Very Good, **SIM** - Excellent, **SIRI** - Very Good, **SPALI** - Excellent, **STA** - Good, **STEC** - Very Good, **SVI** - Excellent, **TASCO** - Very Good, **TCAP** - Excellent, **THAI** - Excellent, **THCOM** - Excellent, **TICON** - Very Good, **TISCO** - Excellent, **TMB** - Excellent, **TOP** - Excellent, **TRUE** - Excellent, **TTW** - Excellent, **TUF** - Very Good, **VGI** - Excellent, **WORK** - Good.

CIMB Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

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.

Sector Ratings

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.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- 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.

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