

IFCA MSC

IFCA MK / IFCA.KL

▶ **Market Cap**
US\$169.6m
 RM618.6m

▶ **Avg Daily Turnover**
US\$4.08m
 RM14.53m

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

Current **RM1.19**
 Target ▶ **RM1.48**
 Prev. Target **RM1.48**
 Up/Downside **24.4%**

FLASH NOTE

STOCK RATING

ADD

HOLD

REDUCE

CIMB Analyst(s)



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Share price info

Share price perf. (%)	1M	3M	12M
Relative	2.3	53.0	1,388
Absolute	3.5	57.6	1,388
Major shareholders		% held	
IFCA Software (Asia) S/B			46.5
DP Capital			5.6
Kevin Lim			2.0

Another record year ahead

At the 4Q14 briefing, the company said it remained bullish about its prospects in 2015 and was looking to launch its software as a service (SaaS) in the next 1-2 months. SaaS allows smaller property companies to 'rent' IFCA's software and this will help grow the company's recurring income. We maintain our EPS forecasts and target price, based on an unchanged 21x 2016 P/E (in line with domestic peers). The stock remains an Add. Potential catalysts include transfer to the Main Board in 2015 and strong take-up rates for SaaS.

What Happened ▶

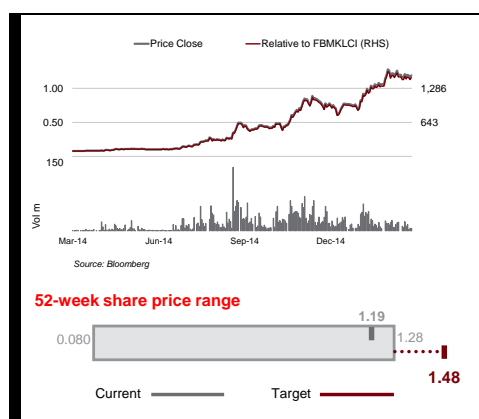
There were two positive surprises from the 4Q14 briefing today: i) IFCA is looking to launch its software as a service (SaaS) business in the next 1-2 months, starting with the domestic market. Smaller property companies can now 'rent', instead of buy, IFCA's software. These companies will pay a monthly subscription fee to IFCA and this will contribute to the company's recurring income. We believe it will take some time for customers to become familiar with SaaS but this should be a long-term positive towards building its recurring income. We do not assume any potential earnings from SaaS. ii) The company is offering customers an 'insurance' programme. For a small monthly fee, IFCA will update the software for any changes in GST regulations and the company believes it can collect in total around RM20m revenue from the 'insurance' premium this year. We already assume in total RM35m revenue from GST-related work for 2015 but this could surprise on the upside.

What We Think ▶

2015 should be another record year for IFCA, with growth coming from the China market and GST software upgrade jobs. We are particularly excited about SaaS. In the next few years, SaaS could boost the company's recurring income so that the company will be less dependent on revenue from just selling software. Interestingly, the impending implementation of GST in Apr 2015 is forcing smaller companies to computerise and this should be positive for IFCA's SaaS. However, while SaaS is popular in the USA, we believe it might take some time for domestic and regional customers to get used to it.

What You Should Do ▶

Remain invested in the stock. The stock is gaining interest among institutional investors, which we believe currently hold a combined 15% stake. This percentage should rise this year as both retail and institutional shareholders better understand IFCA's long-term potential and growth prospects.



Financial Summary

	Dec-13A	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue (RMm)	52.0	89.2	132.0	151.2	178.0
Net Profit (RMm)	1.70	21.10	35.90	42.10	52.00
Core EPS (RM)	0.01	0.05	0.08	0.09	0.12
Core EPS Growth	(45%)	528%	68%	17%	23%
FD Core P/E (x)	179.5	31.7	19.0	16.3	13.3
Price To Sales (x)	10.33	6.04	4.08	3.57	3.03
DPS (RM)	-	0.010	0.013	0.019	0.023
Dividend Yield	0.00%	0.84%	1.09%	1.60%	1.93%
EV/EBITDA (x)	112.0	18.1	11.2	9.0	6.7
P/FCFE (x)	327.7	44.3	20.7	18.6	15.1
Net Gearing	(70.7%)	(69.0%)	(75.9%)	(79.6%)	(81.6%)
P/BV (x)	11.35	7.56	5.39	4.03	3.08
ROE	7.4%	36.8%	43.0%	36.8%	34.2%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.07	1.03	0.96

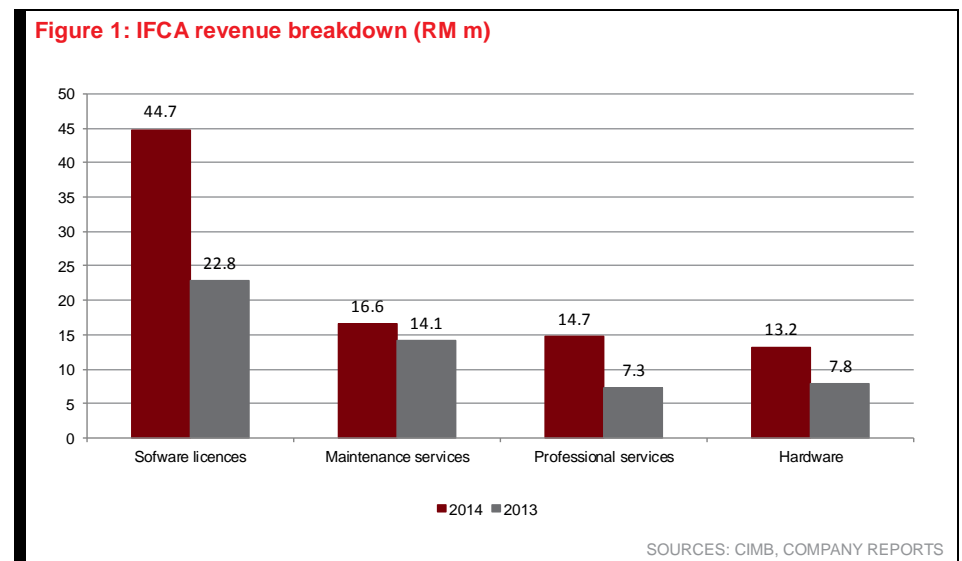
SOURCE: CIMB, COMPANY REPORTS

4Q14 briefing highlights ▶

IFCA's 4Q14 briefing was chaired by its CEO, Ken Yong. The company remains bullish about its prospects in 2015 and is looking particularly at software as a service (SaaS) to bring its business to the next level and boost its recurring income.

2014 topline growth from software division ▶

Most of the company's revenue growth in 2014 was driven by its software division. 2014 software revenue surged 96% yoy to RM44.7m but maintenance revenue only rose 18% yoy in 2014. However, maintenance revenue growth will be much higher from this division in 2015 as the company's guidance for annual maintenance revenue has recently been raised to 18% of sales compared to the earlier 11-12% annually.



RM500m market migration to mobile-based platform? ▶

There are 2,600 property companies in Malaysia and IFCA believes around 20% of the players will move to the mobile-based platform (average software revenue of more than RM1m per customer). If right, the potential size of this domestic market is around RM520m and we estimate it could take 5-7 years for these customers to move from the Windows platform to the mobile-based platform.

Growing its recurring income through SaaS ▶

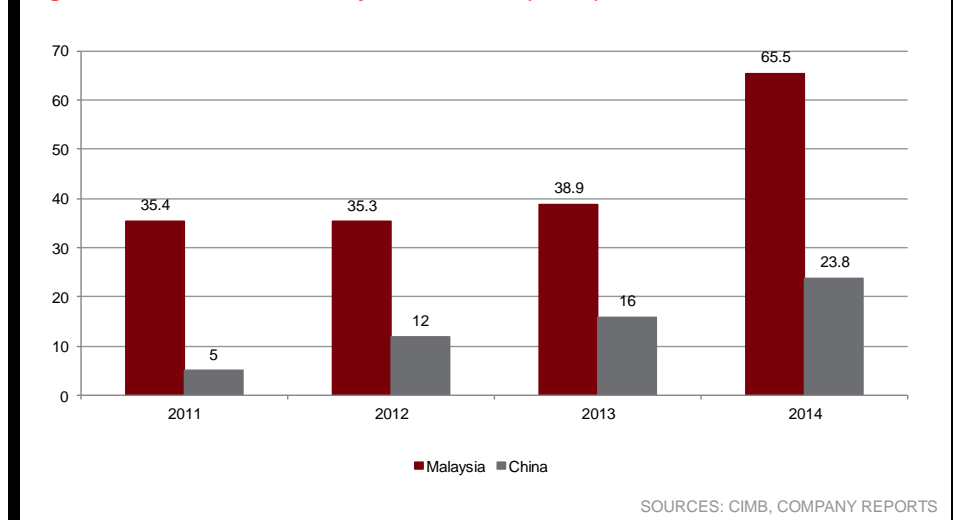
Management is looking to grow its recurring income and is banking on SaaS to be the driver. Using cloud services, through SaaS, smaller property developers can rent software from IFCA. Software solutions expected to be offered by IFCA through SaaS include project marketing, contract and cost management, property sales management and rental management. Assuming IFCA charges RM10,000 monthly per project and signs up 80% of the property companies in Malaysia, the potential domestic market size for SaaS is around RM250m annually. The company is looking to launch SaaS in both the domestic and regional markets, starting with Malaysia in the next 1-2 months.

Based on our sensitivity analysis for SaaS, assuming RM10,000 monthly subscription and at 10% market share (or 260 customers), SaaS revenue is RM31.2m annually and assuming 75% net profit margin, potential profit contribution from SaaS is RM23.4m or 3.9sen enhancement, which would boost our 2015 and 2016 fully-diluted EPS by 65% and 55% respectively. We have not assumed any potential earnings from SaaS.

China is a huge market ▶

China is a huge market with 45,000 property companies and IFCA only has over 100 customers in China. The company has 8 offices there and is planning to add 10 new offices by end-2015. In 2014, IFCA sales soared 80% to around RM30m while revenue recognised was only RM23.8m. In 2015, management expects China sales to grow 80-100%, if not higher.

Figure 2: IFCA revenue in Malaysia and China (RM m)



GST work to continue after Apr 2015 ▶

IFCA shared with us that 30% of its property customers are still not GST-compliant as orders have come in late. As such, the company is not likely to be able to complete all the GST work before the Apr 2015 deadline. For further updates and changes in GST regulation after the Apr 2015 deadline, IFCA is offering customers an 'insurance' programme. For a small monthly fee, IFCA will update its software for any changes in GST regulations and the company believes it can collect in total around RM20m revenue from the 'insurance' premium this year. IFCA's insurance services include software changes, a GST helpdesk and GST compliance verification services (to double check that property companies are GST-compliant).

Based on our sensitivity analysis assuming RM5,000 insurance fee, every 20% market share would boost its "insurance" fee by RM1.2m monthly. Assuming 80% net profit margin, net profit contribution is RM1m monthly or 0.2sen EPS enhancement, boosting FY2015 and FY2016 fully-diluted EPS by 2.3% and 2.8% respectively.

Profit & Loss

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Net Revenues	89.2	132.0	151.2	178.0
Gross Profit	75.8	112.2	128.5	151.3
Operating EBITDA	27.0	41.2	48.0	59.0
Depreciation And Amortisation	(1.9)	(2.0)	(2.0)	(2.0)
Operating EBIT	25.1	39.2	46.0	57.0
Financial Income/(Expense)	0.5	0.8	1.0	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)	26.5	41.0	48.0	59.0
Exceptional Items	0.0	0.0	0.0	0.0
Pre-tax Profit	25.6	40.0	47.0	58.0
Taxation	(3.8)	(4.0)	(4.7)	(5.8)
Exceptional Income - post-tax	0.0	0.0	0.0	0.0
Profit After Tax	21.8	36.0	42.3	52.2
Minority Interests	(0.7)	(0.1)	(0.2)	(0.2)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	21.1	35.9	42.1	52.0
Recurring Net Profit	21.9	36.8	43.0	52.9
Fully Diluted Recurring Net Profit	22.4	37.3	43.5	53.4

Balance Sheet

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Cash And Equivalents	49.8	76.8	107.5	144.2
Total Debtors	16.9	19.8	22.7	26.7
Inventories	0.0	0.0	0.0	0.0
Total Other Current Assets	2.9	3.6	3.6	3.6
Total Current Assets	69.6	100.2	133.8	174.5
Fixed Assets	9.3	14.3	17.3	20.3
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	13.8	11.1	11.0	11.0
Total Non-current Assets	23.1	25.4	28.3	31.3
Short-term Debt	0.2	0.3	0.3	0.3
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0
Total Creditors	11.2	17.2	18.9	20.8
Other Current Liabilities	9.3	7.3	7.3	7.3
Total Current Liabilities	20.7	24.8	26.5	28.4
Total Long-term Debt	0.1	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	0.3	0.4	0.4	0.4
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	21.0	25.2	26.9	28.8
Shareholders' Equity	71.3	100.0	133.7	175.3
Minority Interests	0.4	0.5	0.7	0.9
Total Equity	71.7	100.5	134.4	176.2

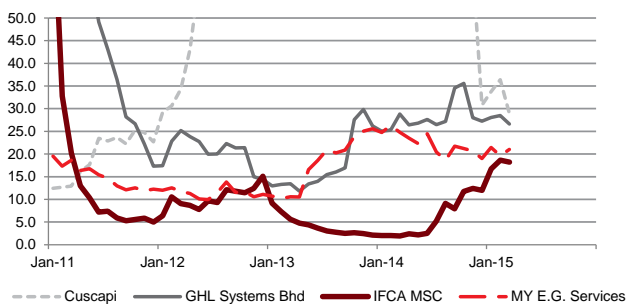
Cash Flow

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
EBITDA	27.00	41.20	48.00	59.00
Cash Flow from Inv. & Assoc.	0.00	0.00	0.00	0.00
Change in Working Capital	(4.70)	3.06	(1.16)	(2.13)
(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	4.30	0.00	0.00	0.00
Net Interest (Paid)/Received	0.50	0.80	1.00	1.00
Tax Paid	(1.40)	(4.00)	(4.70)	(5.80)
Cash Flow From Operations	25.70	41.06	43.14	52.07
Capex	(9.80)	(7.00)	(5.00)	(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	(9.70)	(7.00)	(5.00)	(5.00)
Debt Raised/(repaid)	0.00	0.20	0.00	0.00
Proceeds From Issue Of Shares	3.30	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00
Dividends Paid	(4.50)	(7.18)	(8.42)	(10.40)
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	(1.20)	(6.98)	(8.42)	(10.40)
Total Cash Generated	14.80	27.08	29.72	36.67
Free Cashflow To Equity	16.00	34.26	38.14	47.07
Free Cashflow To Firm	16.00	34.06	38.14	47.07

Key Ratios

	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue Growth	71.5%	48.0%	14.5%	17.7%
Operating EBITDA Growth	500%	53%	17%	23%
Operating EBITDA Margin	30.3%	31.2%	31.7%	33.1%
Net Cash Per Share (RM)	0.11	0.17	0.24	0.32
BVPS (RM)	0.16	0.22	0.30	0.39
Gross Interest Cover	N/A	N/A	N/A	N/A
Effective Tax Rate	14.8%	10.0%	10.0%	10.0%
Net Dividend Payout Ratio	17.4%	17.6%	17.6%	17.7%
Accounts Receivables Days	54.22	50.74	51.41	50.63
Inventory Days	-	-	-	-
Accounts Payables Days	245.5	261.4	290.8	270.9
ROIC (%)	183%	179%	193%	204%
ROCE (%)	44.1%	47.4%	40.7%	37.9%

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



Key Drivers

	Dec-14A	Dec-15F	Dec-16F	Dec-17F
ASP Change (% Main Product)	3.0%	3.0%	3.0%	3.0%
Unit sales growth (% main prod)	30.0%	15.0%	15.0%	15.0%
No. Of Lines (main Product)	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
ASP chg (% 2ndary prod)	N/A	N/A	N/A	N/A
Unit sales grth (% 2ndary prod)	80.0%	60.0%	60.0%	50.0%
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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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

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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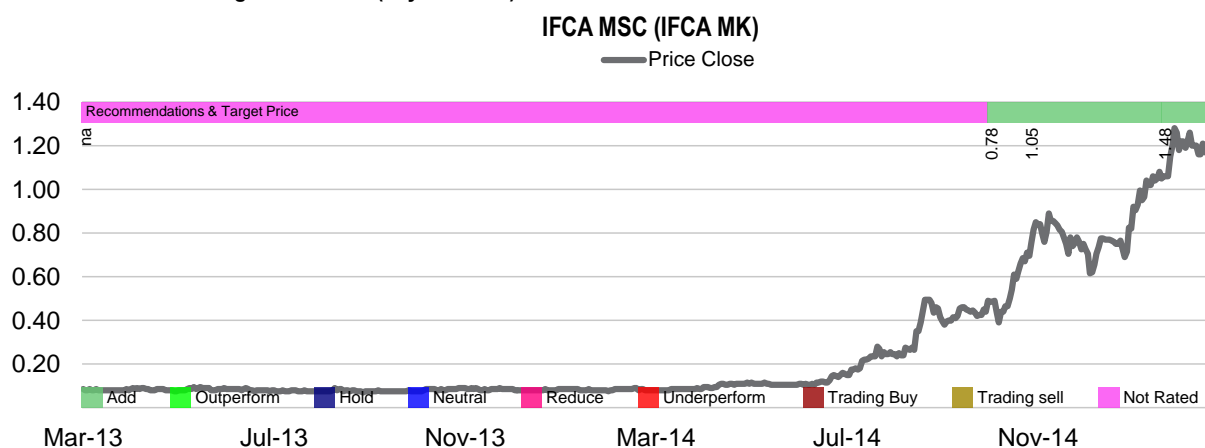
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2014		
1586 companies under coverage for quarter ended on 31 December 2014		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.4%	6.0%
Hold	29.4%	4.3%
Reduce	12.2%	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 (Thai IOD) in 2014.

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

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.

**Prior to December 2013 CIMB recommendation framework for stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand, Jakarta Stock Exchange, Australian Securities Exchange, Taiwan Stock Exchange and National Stock Exchange of India/Bombay Stock Exchange were based on a stock's total return relative to the relevant benchmarks total return. Outperform: expected to exceed by 5% or more over the next 12 months. Neutral: expected to be within +/-5% over the next 12 months. Underperform: expected to be below by 5% or more over the next 12 months. Trading Buy: expected to exceed by 3% or more over the next 3 months. Trading Sell: expected to be below by 3% or more over the next 3 months. For stocks listed on Korea Exchange, Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Outperform: Expected positive total returns of 10% or more over the next 12 months. Neutral: Expected total returns of between -10% and +10% over the next 12 months. Underperform: Expected negative total returns of 10% or more over the next 12 months. Trading Buy: Expected positive total returns of 10% or more over the next 3 months. Trading Sell: Expected negative total returns of 10% or more over the next 3 months.*