

TOTM Technologies Ltd

19 January 2022

Non-rated

BBG	TOTM SP								
Market cap	S\$158.2m								
Price (10 January 2023)	S\$0.118								
52-week range	S\$0.080-0.200								
Target Price	Non-rated								
Shares Outstanding	1341.0m								
Free Float	59.9%								
Major Shareholder	<table border="0"> <tr> <td>Pierre Prunier</td> <td>13.28%</td> </tr> <tr> <td>Steven Japutra</td> <td>8.32%</td> </tr> <tr> <td>Hing Chow Yuen</td> <td>5.97%</td> </tr> <tr> <td>Rahul Ganpat Parthe</td> <td>4.49%</td> </tr> </table>	Pierre Prunier	13.28%	Steven Japutra	8.32%	Hing Chow Yuen	5.97%	Rahul Ganpat Parthe	4.49%
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P/BV (11/22)	1.7x								
Net Debt to EBITDA (11/22)	net cash								

Source: Company data, Bloomberg, SAC Capital

Analyst

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Strengthening Through Partnership

1H23 revenue surged by 112% to S\$16.9m. The provision of technical support to Indonesia's MOHA and maintenance of Indonesia's biometric accounts amounted to S\$2.4m (-22.6% yoy, 15% of revenue) and other government agency projects amounted to S\$14.3m (~3x yoy, 85% of revenue). Gross margins dipped 10.5pp as costs due to lower margins projects from Indonesia's government agency. However, this is not all bad as the absolute amount for each project is large and it allows the Group to build rapport and establish a strong track record with other government agencies. No major change in staff strength during this half year shows its high operating leverage business model. Net loss improved from -S\$4.6m to -S\$4.3m. The recent placement increased the Group's net cash balance from S\$4.9 to S\$15.1m. Interbio is now a wholly subsidiary of the Group.

Industry tailwind. The global trend towards digital transformation provides a strong tailwind to TOTM's suite of solutions. Market Report by MarketsandMarkets showed that the Global Digital Identity Solutions markets are expected to grow at a CAGR of 20.4% during 2022-2027. The push behind this trend is due to higher security awareness, increased utilization of biometrics solutions and more attention towards customer fulfilment.

Future developments include (i) Collaboration with Presight. Upon integrating its digital ID stack into Presight's cloud and big data analytics platform, TOTM developed a government-in-the-box solution which can be deployed to markets in MENA and APAC. (ii) Authorised exclusive reseller of Incode's digital identity platform. Incode is the industry leader in privacy-centric identity verification for global renowned enterprises. This world-class and stringent compliance and security standards makes it easier for the Group to penetrate the digital identity space.

Valuation. TOTM is trading at 5.7x P/S and P/B of 1.7x.

FYE May (\$m)	FY21A	FY22A
Revenue	1.0	11.1
EBIT	(5.4)	(13.3)
Net profit (loss)	(8.3)	(10.5)
EPS (S cents)	(0.026)	(0.013)
DPS (S cents)	-	-
Net cash (Net debt)	8.9	4.9
Valuation		
EBIT margin (%)	(5.3)	(1.2)
ROIC (%)	(0.1)	(0.2)
EV/EBITDA (x)	-	-
P/E (x)	-	-
Dividend yield (%)	-	-

Income Statement

FYE May (\$\$m)	FY21A	FY22A
Revenue	1.0	11.1
Cost of sales	(0.1)	(7.3)
Gross profit (loss)	0.9	3.9
Employee costs	(1.5)	(4.6)
Net operating items	0.2	(1.7)
EBITDA	(0.5)	(2.4)
D&A	(0.9)	(5.5)
Associates & JV	0.0	(0.9)
Exceptional Items	(4.0)	(4.5)
EBIT	(5.4)	(13.3)
Finance costs	(0.1)	(0.2)
Pretax profit (loss)	(5.5)	(13.5)
Tax credit (expense)	0.0	0.7
NI (Discontinued operations)	(2.9)	0.5
Non-controlling interest	0.1	1.8
Net profit (loss)	(8.3)	(10.5)

Balance Sheet

FYE May (\$\$m)	FY21A	FY22A
Assets		
Property, plant and equipment	2.1	2.7
Intangible assets	43.2	42.4
Investment in associate	0.0	13.8
Financial asset at fair value	4.2	5.5
Deferred tax assets	0.0	0.1
Trade and other receivables	0.5	0.0
Total non-current assets	50.1	64.4
Inventories	0.6	0.0
Contract assets	9.6	2.5
Trade and other receivables	1.7	3.9
Cash and cash equivalents	12.7	4.9
Total current assets	24.6	11.4
Total Assets	74.7	75.7
Liabilities		
Lease liabilities	1.4	1.2
Employee benefit liabilities	0.4	0.3
Deferred tax liabilities	4.6	3.9
Total non-current liabilities	6.4	5.3
Contract liabilities	0.2	0.0
Trade and other payables	11.3	1.3
Income tax payable	0.0	0.0
Bank borrowings	3.7	0.0
Lease Liabilities	0.6	0.7
Total current liabilities	15.9	2.1
Total Liabilities	22.2	7.4
Net Assets	52.5	68.4
Equity		
Share capital	63.0	90.2
Other reserves	(8.4)	0.0
Accumulated losses	(14.0)	(33.0)
Owner's Equity	40.6	57.3
Non controlling interests	11.9	11.1
Total Equity	52.5	68.4

Cash Flow Statement

FYE May (\$\$m)	FY21A	FY22A
Pretax profit (loss)	(5.5)	(13.5)
Depreciation and amortisation	1.6	5.7
Interest expenses	0.2	0.3
Interest income	(0.0)	0.0
Transaction costs on acquisition of a subsidiary	2.5	0.0
Loss of equity accounted investees	0.0	0.9
Others	(2.7)	(1.4)
Changes in working capital	2.1	0.6
Income tax paid	(0.2)	(0.2)
Operating cash flow	(2.0)	(7.7)
Purchase of PPE	(0.1)	(0.8)
Purchase of Intangibles	0.0	(0.0)
Others	(12.5)	(23.9)
Investing cash flow	(12.5)	(24.7)
Free cash flow	(14.5)	(32.4)
Proceeds from issuance of shares	29.4	26.3
Net borrowings	(0.3)	0.6
Others	(2.4)	(2.1)
Financing cash flow	26.7	24.8
Net change in cash & equivalents	12.2	(7.6)

Ratios

FYE May (\$\$m)	FY21A	FY22A
Profitability (%)		
Gross margin	85.4	34.6
EBIT margin	(528.0)	(119.9)
Liquidity (x)		
Current ratio	1.6	5.5
Interest coverage ratio	-	-
Net Debt to Equity (%)	Net cash	Net cash
Valuation (x)		
P/E	NA	NA
P/B	1.7	1.7
EV/EBITDA	NA	NA
Cash Conversion Cycle (CCC)		
Trade receivable days	-	129.3
Inventory days	-	0.0
Trade payable days	-	70.7
CCC days	-	58.5

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