

TOTM Technologies Ltd

19 January 2023

Non-rated

BBG	TOTM SP
Market cap	S\$158.2m
Price (19 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	<div>Pierre Prunier 13.28%</div> <div>Steven Japutra 8.32%</div> <div>Hing Chow Yuen 5.97%</div> <div>Rahul Ganpat Parthe 4.49%</div>
P/BV (11/22)	1.7x
Net Debt to EBITDA (11/22)	net cash

Source: Company data, Bloomberg, SAC Capital

Analyst

Yeo Peng Joon
yeopj@saccapital.com.sg

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

DISCLAIMERS AND DISCLOSURES

This report has been prepared and distributed by SAC Capital Private Limited (“**SAC Capital**”) which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report has been prepared for the purpose of general circulation, we have not had regard to the specific investment objectives, financial situation, tax position or unique needs and constraints of any individual person or any specific group of persons and does not purport to be comprehensive or contain all necessary information which a prospective investor may require in arriving at an investment decision. Any prospective purchaser should make his own investigation of the securities and all information provided. Advice should be sought from a financial adviser regarding suitability, taking into account the specific investment objectives, financial situation or particular needs of the person in receipt of the recommendation, before a commitment to purchase is entered into.

This report does not constitute or form part of any offer or solicitation of any offer to buy or sell any securities. This report is confidential and the information in this report shall not be copied or reproduced in part or in whole, and save for the recipient of this report, shall not be disclosed to any other person without the prior written consent of SAC Capital. The distribution of this report outside the jurisdiction of Singapore is also strictly prohibited.

Whereas SAC Capital has not independently verified all the information set out in this report, all reasonable care and effort has been taken to ensure that the facts stated herein are accurate, this report might contain certain forward looking statements and forward looking financial information which are based on certain assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the subject company to be materially different from those expressed herein. Predictions, projections or forecasts of the economy or market trends are not indicative of the future performance of the subject company. The inclusion of such statements and information should not be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions of the subject company or that the forecast results will or are likely to be achieved.

Our opinion and facts set out in this report are based on the market, economic, industry and other applicable conditions prevailing as at the date of the preparation of this report. Such conditions may change significantly over a relatively short period of time and we assume no responsibility to update, revise or reaffirm our opinion in light of any development subsequent to the publication of this report, that may or may not have affected our opinion contained herein.

This report contains forward-looking statement which are based on assumptions or forecasts and are subject to uncertainties which may result in the actual result or performance to be materially different from the opinion or facts set out herein. Caution should be exercised in placing undue reliance on such statements. such assumptions or forecasts may change over a relatively short period of time and we assume no responsibility to update, revise or reaffirm our opinion in light of any development subsequent to the publication of this report.

No representation or warranty, expressed or implied, is made and no responsibility is accepted by the company, SAC Capital, or any of their affiliates, advisers or representatives as to the fairness, accuracy, completeness or adequacy of such information or facts, in this report or any other written or oral information made available to any interested party or its advisers and any liability therefore is hereby expressly disclaimed.

SAC Capital and its associates, directors, and/or employees may have positions in the securities covered in the report and may also perform or seek to perform other corporate finance and/or capital markets related services for the company whose securities are covered in the report. SAC Capital and its related companies may from time to time perform advisory services or solicit such advisory services from the entity mentioned in this report (“**Other Services**”). This report is therefore classified as a non-independent report. However, the research professionals involved in the preparation of this report are independent of those possible or actual business relationships as they have not and will not participate in the solicitation or provision of such business.

As at the date of this report, SAC Capital does not have proprietary positions or interests in the subject company, except for:

Party	Quantum of position
Nil	Nil

As at the date of this report, SAC Capital, has had business relations with the subject company within the past 12 months, as disclosed hereunder:

Nature of Business Relation	Date of Business Relation
Catalist Sponsorship	Continuing
Placement Agent	17 November 2022

As at the date of this report, none of the analysts who covered the securities in this report have any proprietary position or material interest in the subject companies covered here in, except for:

Analyst name	Quantum of position
Nil	Nil

ANALYST CERTIFICATION/REGULATION AC

As noted above, research analyst(s) of SAC Capital who produced this report hereby certify that

- (i) The views expressed in this report accurately reflect his/her personal views about the subject corporation(s);
- (ii) The report was produced independently by him/her;
- (iii) He/she does not on behalf of SAC Capital or any other person carry out Other Services involving any of the subject corporation(s) or securities referred to in this report; and
- (iv) He/she has not received and will not receive any compensation directly or indirectly related to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. He/she has not and will not receive any compensation directly or indirectly linked to the performance of the securities of the subject corporation(s) from the time of the publication of this report either.