

TOTM Technologies Ltd

10 January 2023

Non-rated

BBG	TOTM SP
Market cap	S\$101.1m
Price (10 January 2023)	S\$0.106
52-week range	S\$0.080-0.220
Target Price	Non-rated
Shares Outstanding	953.7m
Free Float	68.7%
Major Shareholder	<div> <div>Hing Chow Yuen</div> <div>Rahul Ganpat Parthe</div> <div>Pierre Prunier</div> <div>ESW Manage Pte Ltd</div> </div> <div> <div>8.40%</div> <div>6.31%</div> <div>5.26%</div> <div>4.07%</div> </div>

P/BV (5/22)	1.7x
Net Debt to EBITDA (5/22)	net cash

Source: Company data, Bloomberg, SAC Capital

Huge potential of contracts

Indonesia will be obtaining US\$250m from the World Bank to enhance its civil registration and encourage the use of biometric identification in both government and commercial sectors. [TOTM Technologies](#) will be a great beneficiary of this funding. In 2Q23, the Group secured and successfully completed US\$10.3m worth of such projects. With this track record, TOTM stands a good chance of making inroads into this funding.

To put things into perspective, based on our sensitivity analysis, every 10m worth of projects secured, assuming gross margins of 12%, translates to a US\$1.2m increment in gross profit which represents a third of FY22 gross profit. Typically, after the completion of each project, there would be maintenance support over the next few years.

One of the goals of this financing is to expand the issuing of legal identification papers which include electronic national ID cards (e-KTP) and national ID numbers (NIK) in underdeveloped regions. TOTM Technologies, equipped with NIST-rated software, is currently involved in both.

Another goal would be the development of the identification and e-KYC platform for government agencies, and 5400 public and private institutions. At present, organizations have tapped into Indonesia's Ministry of Home Affairs (MOHA) data and executed more than 7b real-time verification requests. TOTM has engaged with medium to large customers such as Gojek (c.50% of the ride-hailing market share in Indonesia) and DBS where they utilize TOTM's e-KYC solution for the onboarding of customers.

The World Bank Group consisting of 189 member countries, is the greatest provider of finance and expertise for developing nations. The Group dedicate itself to fostering shared prosperity, alleviating poverty, and advancing sustainable growth. The reason for the funding includes

(i) Indonesia's active involvement in digital transformation. 97% of the citizens have registered for national ID and e-KTP (residential identity card in English), and 88.4% of citizens below 18 have a birth certificate.

(ii) It ranks fifth among countries in the world for internet usage. From 2015 to 2021, the proportion of homes with internet access doubled to 82%. The disparity between access in rural and urban areas has decreased from 30% to 15%. This high penetration breeds a highly supportive environment for digital ID for online transactions, decreasing access to services and economic opportunity disparities among different sectors.

(iii) Although Personal Data Protection (PDP) bill has been passed on Sep22, the country has yet to formalize its digital ID framework, casting doubts on its security and privacy.

However, having this massive achievement at scale does not translate to easier access to services and positive change would be needed to smoothen the client onboarding process with e-KYCs and, lower-cost access to services.

A recap on what TOTM can provide together with its subsidiaries, associates, and partners.

Company	Stake	Synergy
Interbio	51% (acq of remaining 49% is in the midst)	System integrator with national identity system experience
Tech 5	16%	Provides biometric matching and ABIS
PAI	8%	Holds a joint project with Bank DKI which aims to develop digital payment solutions between the markets' tenants and landlords and between buyers and sellers.
GenesisPro	70%	E-KYC, liveness and age estimation provider
CDI	Partnership	Granted Platform Bersama status which allow access to SME market
Presight	Partnership	Supply hardware, funding and expertise in the expansion to MENA, APAC
Incode	Partnership	Provides comprehensive e-KYCs solution

Valuation. TOTM is trading at 7.8x P/S and P/B of 1.6x.

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 (%)	-	-

Analyst

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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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