

# IFCA MSC Bhd

## Fortune Tied to Property Sector

By the Kenanga Research Team | [research@kenanga.com.my](mailto:research@kenanga.com.my)

### INVESTMENT MERIT

- Leading software solution provider for the property industry.** IFCA MSC Bhd (IFCA) is a leading business software solutions provider with 28 years of experience catering to the property industry. Being a pioneer in the field, it provides consultation/support, cloud services and training/education to a variety of property-related players ranging from property development, management, construction, to hotels and clubs management. The company currently has c.1,700 customers spread over seven countries, with c.600 manpower located in 27 offices. In terms of revenue segmentation, the lion's share revenue contributor is the Software licenses (c.46% to date), followed by Professional services (c.26%) with the remaining 28% split almost equally between Hardware and Maintenance services.
- Impressive YoY but weaker QoQ results reported.** Recall that the group has recently reported its 2Q15 NP of RM5.7m (-41% QoQ; +90% YoY), bringing its 1H15 NP to RM15.4m which saw a robust growth of 349% YoY (driven by GST software upgrades). While the YoY performances for the 2Q15 and 1H15 were impressive, 2Q15 results on QoQ basis was weaker with revenue and NP declining by 25% and 41%, respectively. We gather that this was due to slowing sales in both China and Malaysia markets as well as the normalisation from the high base in 1Q15 (which was previously boosted by high demand of software upgrades for GST implementation).
- Mixed bags of marbles.** In the recent result's briefing, management noted that the Malaysian and Chinese property markets are currently seeing headwinds amidst the economic slowdown. In mitigating the potential slowdown in the software sales in Malaysia market, the group is targeting to launch a new property e-commerce platform, called Property365 with soft launching in Sept 2015. Note that this being the first transactional developer portal in Malaysia will engage both property developers/agents as well as house buyers. For the property developers/agents, this platform will help to sell, serve and collect e-payment from its respective customers. Meanwhile for the house buyers, this platform allows them to do real-time booking, payment and tracking of their respective purchased units. In return, IFCA will receive transaction fees on any property unit sold through its platform. Note that we have yet to factor in any earnings from this platform, which is still at the infancy stage.
- Acquisition of PICI to expand its foothold in Indonesia.** The group had recently signed a business sale agreement with PT IFCA Consulting Indonesia (PICI) to acquire the latter's business for RM32m. To note, PICI is principally engaged in the distribution of IFCA's computer software to the property sector in Indonesia. The acquisition will be equally financed with new IFCA shares (of which will be satisfied through the issuance of 16m new ordinary shares at an issue price of RM1.00/IFCA share) and cash of RM16m; and expected to be completed by 4Q15. On the purchase consideration of RM32m, this represents a forward PER of 8x based on the three years' (FY16-FY18) profit guarantee of RM4m per annum, which we deemed is fair. We laud the move as this allows IFCA to tap on PICI's clientele and distribution network in Indonesia and serve as a platform for IFCA to introduce other business software solutions. In terms of impact to the group's balance sheet, after accounting for the RM32m acquisition which will be equally financed with new IFCA shares and cash, the group's net cash position is still healthy at RM44m (or net gearing of -0.4x).
- Not rated with a Fair Value of RM0.82.** All in, we are projecting the group to register NP of RM26.8m in FY15E, followed by a robust NP of RM35.6m in FY16E, with key earnings assumptions being: (i) a conservative 2-year revenue CAGR of 16% across all segments (note that the group recorded 3-year CAGR of 33%), (ii) EBIT margins of 31-33% in FY15/16E (which is the mid-range EBIT margins of the past four quarters' EBIT margin of 27% to 42%), and (iii) additional earnings contribution from PICI with FY16-18E NP assumptions of RM4m. We value IFCA at RM0.82/share based on 14.0x FY16E PER, which is the group's 3-year average forward PER.

	Rating	Fair Value
Last Price	-	RM0.755
Kenanga	Not Rated	RM0.82
Consensus	Buy	RM1.32

### Stock Information

Stock Name	IFCA MSC BHD
CAT Code	0023
Industry	Software
Industry Sub-sector	Enterprise Software/Serv
YTD stock price chg	0.67%
Market Cap (RM m)	422.01
Issued shares (m)	558.95
52-week range (Hi)	1.87
52-week range (Low)	0.365
3-mth avg daily vol:	25869590
Free Float	52%
Beta	1.40
Altman's Z-score	12.94

### Major Shareholders

IFCA SOFTWARE ASIA S	37.32%
BARING ASSET MANAGEM	2.82%
LEGG MASON INTERNATI	2.66%

### Financials

FYE Dec (RM'm)	2014A	2015E	2016E
Revenue	89.2	103.5	131.4
EBITDA	27.5	34.7	45.5
PBT	25.4	32.8	43.5
Net Profit (NP)	20.8	26.8	35.6
Core NP	20.8	26.8	35.6
EPS (sen)	3.77	4.52	5.84
BV/Share (RM)	0.13	0.18	0.22
PER	20.0	16.7	12.9
Price/BV (x)	5.8	4.2	3.4
Net Gearing (x)	(0.7)	(0.4)	(0.5)
NDPS (sen)	1.0	1.2	1.6
Dividend Yield (%)	1.3%	1.6%	2.1%

### Quarterly Financial Data

	4Q14	1Q15	2Q15
Revenue	31.19	31.98	23.88
Revenue Growth (QoQ)	21.1%	2.6%	-25.3%
EBIT	11.87	13.60	6.51
OP Margin	38.1%	42.5%	27.3%
Net Profit (NP)	9.12	9.69	5.70
EPS (sen)	1.54	1.63	0.96
EPS Growth (QoQ)	6.9%	5.8%	-41.1%

Peers Comparisons	PER (fwd)	Div. Yld (%)	Mkt Cap (RM'm)
-	-	-	-
FBM Small Cap Index	9.1	4.8	90.7b



**Comment:** IFCA’s recent turnaround is beginning to pick up steam as buyers are beginning to dominate sellers since last week, on the back of above average trading volume. Share price rose by 4.5 sen (6.34%) yesterday to RM0.76, settling above the resistance line and above its 20-day SMA. Key indicators are also up with the MACD making a steep crossover of the Signal Line while RSI is on the uptrend, approaching oversold levels. Nevertheless, Stochastic is already in oversold territory, suggesting that this turnaround may be short-lived. For a convincing and sustained rebound play, we reckon that the share price must swiftly recapture the RM0.79 regression line to neutralize its downtrend. Resistance is capped at RM0.79 (R1) and RM0.92 (R2), while strong support is located at RM0.44 (S2)..

**About the stock:**

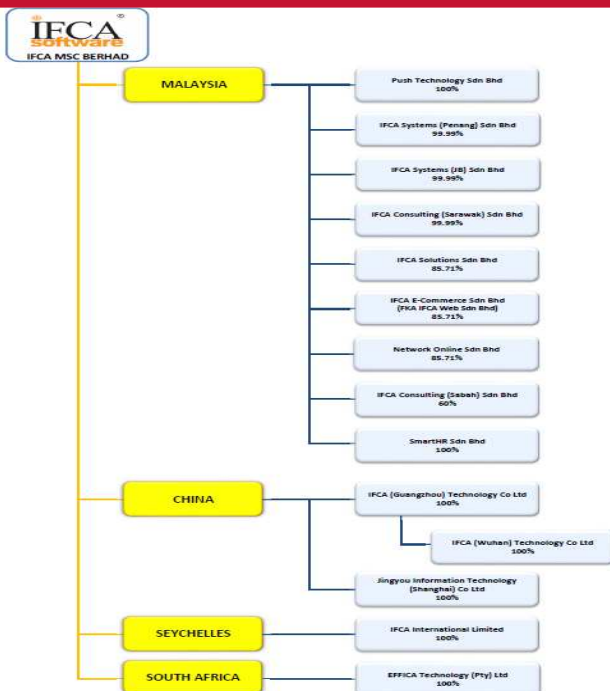
**Name** : IFCA MSC  
**Bursa Code** : IFCA  
**CAT Code** : 0023

**Key Support & Resistance level**

**Resistance** : RM0.79 (R1) RM0.92(R2) RM1.04 (R3)  
**Support** : RM0.66 (S1) RM0.44 (S2) RM0.41 (S3)  
**Outlook** : Bullish

Source: Kenanga Research

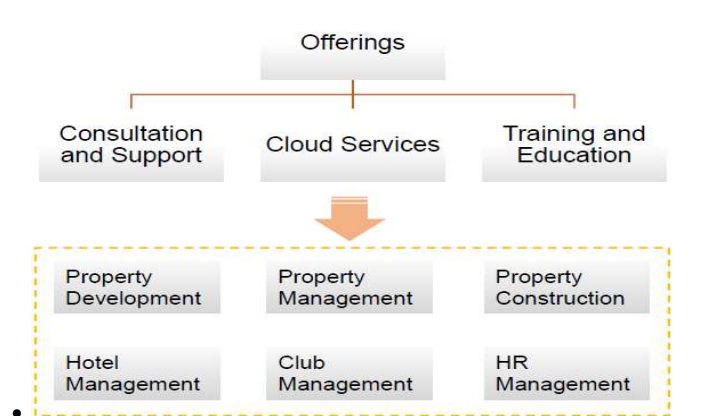
**CORPORATE STRUCTURE**



**BUSINESS OVERVIEW**

- IFCA MSC Bhd is a Malaysia’s foremost property software maven serving the property industry since 1987. Today, IFCA leads in the development of the most comprehensive and future driven property business solutions to meet the needs of property developers and property managers. With more than 600 employees, located in 27 offices within Asia Pacific and South Africa, IFCA uses its technology expertise, industry knowledge and extensive support network to serve over 1,500 customers from boutique to iconic commercial property brands.

**BUSINESS SEGMENTS**



*This page is intentionally left blank.*

---

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

---

Published and printed by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

8th Floor, Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia  
Telephone: (603) 2166 6822 Facsimile: (603) 2166 6823 Website: [www.kenanga.com.my](http://www.kenanga.com.my)



Chan Ken Yew  
Head of Research