TOTM Technologies Ltd

8 Aug 2023

Non-rated

BBG	TOTM SP
Market cap	S$60.3m
Current Price	S$0.045
52-week range	S$0.043 – S$0.138
Target Price	Non-rated
Shares Outstanding	1341.0m
Free Float	61.0%
Major Shareholder	Pierre Prunier 12.15% Steven Japutra 8.32% Hing Chow Yuen 5.97% Rahul Ganpat Parthe 4.49%

P/S (FY23)	2.1x
P/B (FY23)	0.9x
Net Debt to EBITDA (FY23)	net cash

Source: Company data, Bloomberg, SAC Capital

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Awaiting contract wins

TOTM reported 2H23 revenue of S$2.4m (-22.7% yoy, -86.0% hoh) contributed solely from technical support and maintenance of the national identity system. Gross profit margin grew 22.7pp yoy and 44.2pp qoq to 65.2% underpinned by the absence of lower-margin government-related projects which usually incurs large amount of subcontractor and direct cost. 2H23 EBITDA was -S$2.7m (-8.7% yoy, -3681% qoq) and core earnings came in at a loss of S$5.6m (-27.4% yoy, -151.4% qoq) due to high operating leverage business. The Group is debt-free and has S$9.6 million in cash. However, TOTM experienced a cash outflow of S$5.2 million in the second half of 2023 (S$1.7 in 1H23) due to the lack of significant contracts during that period.

Indonesia is set to receive a substantial amount of funding from the World Bank, with the primary objective of improving its civil registration system and encouraging the extensive adoption of biometric identification across government and commercial domains. This development aligns perfectly with TOTM Technologies' expertise and presents them with a favorable opportunity to capitalize on their competencies.

Bryan Glancey assumed the position of CTO in March 2023. Prior to this role, he held prominent positions at JPM, Indonesia Digital Identity, Samsung and various other organizations, all centered around technology and security responsibilities. In TOTM, he will be driving innovation and advance R&D efforts, focusing on revolutionizing their proprietary IP implementation by creating a cutting-edge architecture that includes the MOSIP-compliant core ABIS and an ID platform. This system will eventually be deployed to the public and private sectors.

Potential catalysts include (i) acquiring additional contracts from various ministries and government entities, including law enforcement and the police, to facilitate their digital modernization efforts; (ii) winning national ID and digital projects in MENA and Asia (Japan, Vietnam, Thailand and the Philippines) through the collaborative efforts with Presight and other partnerships; (iii) expanding the eKYC customer base and increasing the volume of verification requests.

Risks include (i) potential delays or failure to secure deals with government agencies; (ii) possibility of partnership termination, which could impact product and go-to-market strategy; and (iii) entry of new competitors with more advanced technologies, resulting in loss of competitiveness.

Valuation. TOTM is trading at a P/S of 2.1x and 0.9x P/B.

FYE May (S$m)	FY21A	FY22A	FY23A
Revenue	1.0	11.1	19.4
EBITDA	(1.0)	(2.4)	(2.6)
Net profit (loss)	(8.3)	(10.5)	(11.3)
Core profit (loss)	(1.4)	(6.5)	(7.9)
EPS (S cents)	(2.6)	(1.3)	(1.1)
Core EPS (S cents)	(0.4)	(0.8)	(0.7)
DPS (S cents)	-	-	-
Net cash (Net debt)	8.9	4.9	9.6
ROE (%)	(0.2)	(0.2)	(0.2)
ROIC (%)	(0.0)	(0.1)	(0.1)
P/E (x)	-	-	-
P/B (x)	1.7	1.8	1.3
EV/EBITDA (x)	-	-	-
Dividend yield (%)	-	-	-

Income Statement

FYE May (S$m)	FY21A	FY22A	FY23A
Revenue	**1.0**	**11.1**	**19.4**
Cost of sales	(0.1)	(7.3)	(14.2)
Gross profit (loss)	**0.9**	**3.9**	**5.1**
Employee benefits expenses	(1.5)	(4.6)	(4.0)
Share-based payment expense	-	-	(0.7)
Other operating expense	(0.3)	(1.7)	(3.0)
EBITDA	**(1.0)**	**(2.4)**	**(2.6)**
Other Income	0.5	0.0	0.3
D&A	(0.9)	(5.5)	(6.0)
Share of losses of equity	0.0	(0.9)	(0.5)
Government grant	0.0	0.2	0.0
Legal & Professional expenses	(4.1)	(4.7)	(3.5)
EBIT	**(5.4)**	**(13.3)**	**(12.3)**
Finance costs	(0.1)	(0.2)	(0.1)
Pretax profit (loss)	(5.5)	(13.5)	(12.4)
Tax credit (expense)	0.0	0.7	0.5
NI (Discontinued operations)	(2.9)	0.5	-
Non-controlling interest	0.1	1.8	0.6
Net profit (loss)	**(8.3)**	**(10.5)**	**(11.3)**

Balance Sheet

FYE May (S$m)	FY21A	FY22A	FY23A
Assets			
Inventories	0.6	0.0	0.0
Contract assets	9.6	2.5	3.8
Trade and other receivables	1.7	3.9	2.6
Cash and cash equivalents	12.7	4.9	9.6
Total non-current assets	**24.6**	**11.4**	**16.0**
Property, plant and equipment	2.1	2.7	3.0
Intangible assets	43.2	42.4	37.7
Investment in associate	0.0	13.8	13.2
Financial asset at fair value through profit and loss	4.2	5.5	5.4
Deferred tax assets	0.0	0.1	0.0
Trade and other receivables	0.5	0.0	0.0
Total current assets	**50.1**	**64.4**	**59.4**
Total Assets	**74.7**	**75.7**	**75.4**
Liabilities			
Lease liabilities	1.4	1.2	1.2
Employee benefit liabilities	0.4	0.3	0.3
Deferred tax liabilities	4.6	3.9	3.0
Provision for reinstatement costs	0.0	0.0	0.1
Total non-current liabilities	**6.4**	**5.3**	**4.6**
Contract liabilities	0.2	0.0	0.0
Trade and other payables	11.3	1.3	1.3
Bank borrowings	3.7	0.0	0.0
Lease Liabilities	0.6	0.7	0.7
Income tax payable	0.0	0.0	0.2
Total current liabilities	**15.9**	**2.1**	**2.2**
Total Liabilities	**22.2**	**7.4**	**6.7**
Net Assets	**52.5**	**68.4**	**68.7**
Equity			
Share capital	63.0	90.2	156.2
Other reserves	(8.4)	0.0	(43.7)
Accumulated losses	(14.0)	(33.0)	(44.3)
Owner's Equity	40.6	57.3	68.2
Non controlling interests	11.9	11.1	0.4
Total Equity	**52.5**	**68.4**	**68.7**

Cash Flow Statement

FYE May (S$m)	FY21A	FY22A	FY23A
Pretax profit (loss)	**(5.5)**	**(13.5)**	**(12.4)**
Depreciation and amortisation expenses	1.6	5.7	6.0
Interest expenses	0.2	0.3	0.1
Interest income	(0.0)	0.0	(0.0)
Share of loss of equity accounted investees	0.0	0.9	0.5
Others	(0.2)	(1.4)	0.5
Changes in working capital	2.1	0.6	(0.1)
Interest received	0.0	0.0	0.0
Income tax paid	(0.2)	(0.2)	(0.2)
Operating cash flow	**(2.0)**	**(7.7)**	**(5.6)**
Capex	(0.1)	(0.8)	(0.7)
Others	(12.5)	(23.9)	0.0
Investing cash flow	**(12.5)**	**(24.7)**	**(0.7)**
Free cash flow	**(14.5)**	**(32.4)**	**(6.3)**
Dividends paid	0.0	0.0	0.0
Net borrowings	(0.3)	0.6	0.0
Others	27.0	24.2	10.9
Financing cash flow	**26.7**	**24.8**	**10.9**
Net change in cash & equivalents	**12.2**	**(7.6)**	**4.6**

Ratios

FYE May (S$m)	FY21A	FY22A	FY23A
Profitability (%)			
Gross margin	85.4	34.6	26.5
EBITDA margin	(95.4)	(21.9)	(13.5)
Liquidity (x)			
Current ratio	1.6	5.5	7.3
Interest coverage ratio	7.2	13.5	33.5
Net Debt to Equity (%)	Net cash	Net cash	Net cash
Valuation (x)			
P/E	-	-	-
P/B	1.7	1.8	1.3
EV/EBITDA	-	-	-
Cash Conversion Cycle (CCC)			
Trade receivable days	-	129.3	48.5
Inventory days	-	0.0	0.0
Trade payable days	-	(66.2)	(0.4)
CCC days	-	195.5	48.8

Correction (28 Sep 2023): Mr Bryan Glancey assumed the position of CTO in March 2023 and not March 2022.

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