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## Investment Idea

### AppAsia Bhd

#### Game Changer e-Confirmation

By Rakuten Trade Research

We are positive on AppAsia Bhd's ("APPASIA") foray into being the sole service provider for electronic bank confirmation platform in collaboration with Malaysian Institute of Accountants ("MIA"). This is set to be game changer for them and expect to see significant contributions from FY21 onwards when it becomes the new normal for audit confirmation. **BUY** with a target price of RM0.68 premised on 25x PER FY21 as per Bursa Technology Index.

APPASIA has recently launched its eConfirm.my in May 2020, the first and only industry-wide electronic bank confirmation platform providing electronic bank confirmation to all the auditors and banks operating in Malaysia. The agreement with MIA will last for 12 years until 2030, with a pay-per-transaction revenue model. The usage fee is RM15 per successful confirmation, thus generating income on a recurring basis.

The usage of the platform will provide mutual benefits to both the auditors and banks. Comparing with the traditional method, this platform enhances efficiency and security of the bank confirmation process. Presently, there are 8 banks and 330 audit firms in participation, with major names such as Maybank, RHB Bank, OCBC Bank, Deutsche Bank, Deloitte, Ernst & Young, KPMG and PwC. APPASIA anticipates all auditors and banks operating in Malaysia to adopt this fintech e-confirmation platform developed in-house and targets to process annual bank audit confirmations for 1.3m companies that are registered with the Companies Commission of Malaysia. This is in line with the digitalisation within the banking industry eg, BNM initiative such as DuitNow.

APPASIA's core strength lies in their ICT security business under the brand name of "Extol", which is one of the long-established players since 1984. Furthermore, it has another two divisions, digital content primarily in advanced digital publishing and e-commerce business in B2C and B2B via its e-Marketplace. The group has also recently ventured into the lucrative money lending business supporting their online e-Marketplace customers.

Balance sheet is healthy with net cash position of RM3.2m and zero borrowings. We expect the group to see significant jump in earnings as the e-confirmation adoption by auditors takes off in 2021 and is akin to a concession with sustained recurring income for many years to come.

#### Technically Speaking

Resistance level	RM0.465
Support level	RM0.370



## BUY

Price: RM0.43

Target price: RM0.68



Source: Thomson Reuters

KLCI	1,589.6
YTD KLCI change	+0.05%
YTD stock price change	+207.1%

#### Stock Information

Market Cap (RM'm)	151.1
Issued Shares (m)	351.3
52-week range (H)	0.465
52-week range (L)	0.075

#### Major Shareholders

Toh Hong Chye	13.4%
Richmond Virginia Tobacco Sdn Bhd	12.0%

#### Summary Earnings Table

FYE Dec (RM'm)	2018A	2019A	2020F	2021F
Turnover	178.5	91.4	91.0	120.0
EBIT	0.6	0.5	2.7	11.3
PBT	0.6	0.4	2.7	11.2
<b>Net Profit</b>	<b>0.46</b>	<b>-0.26</b>	<b>2.0</b>	<b>9.6</b>
Consensus	-	-	-	-
EPS (sen)	0.13	-0.07	0.57	2.7
EPS growth (%)	-	-	-	380.0
DPS (sen)	-	-	-	-
PER (x)	325.9	-	75.5	15.7
BV/Share (RM)	0.08	0.08	0.08	0.11
ROE (%)	1.7	-1.0	7.1	25.1
Div. Yield (%)	-	-	-	-

Sources: Company, Rakuten Trade Research



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COMPANY	Definition
<b>Buy</b>	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
<b>Trading Buy</b>	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
<b>Take profit</b>	The stock return previously recommended has gained by >10%
<b>Hold</b>	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
<b>Sell</b>	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
<b>Overweight</b>	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
<b>Neutral</b>	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
<b>Underweight</b>	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

### Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

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