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Recommendation: **HOLD**

Current Price: **RM 0.880**

Previous Target Price: **RM 0.905**

Target Price: ↔ **RM 0.905**

Upside/Downside: **2.8%**

Stock information

Board	ACE
Sector	Digital Services
Bursa / Bloomberg Code	0253 / INFOTEC MK
Syariah Compliant	Yes
FTSE4Good Index	N/A
FTSE ESG Rating	N/A
Bloomberg ESG Rating	N/A
Shares issued (m)	363.2
Market Cap (RM' m)	319.6
52-Week Price Range (RM)	0.945-0.66
Beta (x)	1.0
Free float (%)	28.2
3M Average Volume (m)	2.6
3M Average Value (RM' m)	2.2

Top 3 Shareholders (%)

Choo Chuen Wei	47.1
Loo Hong Wai	15.0
Too Meng Yit	4.0

Share Price Performance



	1M	3M	12M
Absolute (%)	2.9	9.3	10.0
Relative (%)	4.8	5.8	-3.8

Infoline Tec Group Berhad

Security Operating Center Upgrade

Summary

- **Infoline has upgraded and enhanced its current Security Operations Center (SOC) with more comprehensive range of services, and now named as Infoline Cyberwatch Center.**
- **No changes to our earnings forecast, while we evaluate the impact and contribution from the enhanced SOC.**
- **We downgrade to a HOLD recommendation with an unchanged target price of RM0.905, pegging a PE multiple of 17.0x to the FY25F EPS of 5.3 sen, following the recent share price appreciation.**

Company Update

- **Upgrading Security Operation Center (SOC) into Infoline Cyberwatch Center.** Infoline has upgraded and enhanced its current Security Operations Center (SOC), now named as Infoline Cyberwatch Center. To recap, the Group established SOC in 3Q23 to facilitate the monitoring and management of cyber threats and attacks.
- **Comprehensive suite of services in the center.** With the new enhancements, Infoline Cyberwatch Center now offers a comprehensive range of services including Threat Intelligence, Digital Forensics and Incident Response, Fraud Prevention, Penetration Testing and Security Assessment, Intellectual Property Protection, Consulting and Advisory, Cyber Crime Investigations, and Managed Security Services.
- **Key technology partners.** Infoline Cyberwatch Center partners with international cybersecurity specialists Group-IB, LogRhythm, and Recorded Future, leveraging their technology to provide enhanced cybersecurity services and solutions to customers by improving monitoring capabilities, automated response mechanisms, security measures, and operational efficiency.
- **Riding onto rising demand of cybersecurity.** The Cybersecurity Bill 2024, passed by the Malaysian government in March 2024, marks a pivotal milestone in promoting cybersecurity within the country. The bill introduced requirements for designated entities within 11 sectors to comply with, fostering a heightened focus on cybersecurity. We anticipate Infoline will benefit from the increased demand for cybersecurity solutions as entities work to better protect their digital assets.
- **Growing managed IT segment.** With the enhanced SOC and the Group's efforts to grow this segment through aggressive pricing strategies, we expect to see increased contributions from this segment, going forward. We view this positively as the segment provides steady recurring revenue and sustainable growth.
- **Valuation.** We have not made any changes to our earnings forecast for FY24F and FY25F while we evaluate the impact and contribution from the enhanced SOC. We downgrade our recommendation on Infoline to **HOLD** with an unchanged target price of RM0.905 following the recent share price appreciation.
- **Risk.** Revenue growth lags behind escalating costs due to expansion.

Financial Highlights
Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	44.6	72.8	71.9	120.5	138.2
Gross Profit	17.0	26.3	37.8	42.2	48.4
EBITDA	10.6	17.1	26.7	23.3	27.6
Depreciation & Amortisation	0.0	-0.4	-0.9	-0.9	-1.2
EBIT	10.6	16.7	25.8	22.4	26.4
Net Finance Income/(Cost)	0.0	0.0	0.0	-0.1	-0.1
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	10.5	16.7	25.8	22.3	26.3
Tax	-2.7	-4.6	-6.5	-5.9	-7.0
Profit After Tax	7.8	12.1	19.3	16.4	19.3
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	7.8	12.1	19.3	16.4	19.3
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	7.8	12.1	19.3	16.4	19.3

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	23.8%	23.5%	37.1%	19.4%	20.0%
EBIT margin	23.7%	22.9%	35.9%	18.6%	19.1%
PBT margin	23.6%	22.9%	35.9%	18.5%	19.0%
PAT margin	17.5%	16.6%	26.8%	13.6%	14.0%
NP margin	17.5%	16.6%	26.8%	13.6%	14.0%
Core NP margin	17.5%	16.6%	26.8%	13.6%	14.0%
ROE	43.5%	24.1%	33.0%	25.9%	26.5%
ROA	26.1%	17.2%	24.2%	17.5%	18.2%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Key Assumptions

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
IT Infrastructure growth (yoy%)	77%	39%	-6%	-2%	7%
Cybersecurity growth (yoy%)	-87%	997%	-82%	200%	15%
Managed IT growth (yoy%)	-25%	14%	126%	43%	5%
Trading growth (yoy%)	6%	3%	12%	7%	7%

Valuations

	FY25F
Core EPS (RM)	0.053
P/E multiple (x)	17.0
Fair Value (RM)	0.905

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	11.4	37.9	19.2	33.2	37.9
Receivables	9.5	16.6	29.1	27.0	30.8
Inventories	2.0	0.4	0.8	1.0	1.0
Other current assets	5.4	5.4	9.3	9.3	10.0
Total Current Assets	28.4	60.2	58.4	70.5	80.6
Fixed Assets	0.6	9.4	16.3	17.6	19.7
Intangibles	0.8	0.8	3.4	3.4	3.4
Other non-current assets	0.0	0.0	1.5	2.0	2.5
Total Non-current assets	1.4	10.2	21.3	23.1	25.6
Short-term Debt	0.0	0.0	0.0	0.0	0.0
Payables	6.6	10.7	6.3	18.1	20.6
Other Current Liabilities	4.6	7.9	10.2	10.1	10.3
Total Current Liabilities	11.2	18.6	16.5	28.3	30.9
Long-term Debt	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	0.7	1.6	4.9	2.0	2.5
Total Non-current Liabilities	0.7	1.6	4.9	2.0	2.5
Shareholder's equity	17.9	50.3	58.3	63.3	72.8
Minority interest	0.0	0.0	0.0	0.0	0.0
Equity	17.9	50.3	58.3	63.3	72.8

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Profit	7.8	12.1	19.3	16.4	19.3
Depreciation & amortisation	0.2	0.4	2.0	0.9	1.2
Changes in working capital	-3.6	2.2	-13.9	13.7	-1.8
Others	0.1	0.1	-1.0	1.4	0.0
Operating cash flow	4.5	14.8	6.3	32.4	18.7
Net capex	-0.4	-8.0	-9.5	-3.6	-3.2
Others	0.0	0.0	-3.7	0.0	0.0
Investing cash flow	-0.4	-8.0	-13.2	-3.6	-3.2
Dividends paid	0.0	-2.0	-11.4	-11.2	-9.8
Others	-0.1	22.3	-0.4	-3.0	0.0
Financing cash flow	-0.1	20.3	-11.8	-14.1	-9.8
Net cash flow	4.3	26.5	-18.7	14.1	4.8
Forex	0.3	-0.7	0.0	-0.6	-0.9
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	7.0	11.3	37.8	19.1	33.2
Ending cash	11.3	37.8	19.1	33.2	37.9

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

DEALING TEAM

RESEARCH TEAM

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RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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