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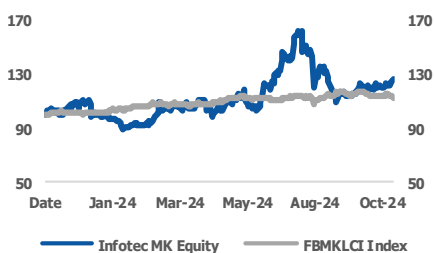
Recommendation:	BUY
Current Price:	RM 0.950
Previous Target Price:	RM 0.905
Target Price:	RM 1.19
Upside/Downside:	25.3%

Stock information

Board	ACE
Sector	Digital Services
Bursa / Bloomberg Code	0253 / INFOTEC MK
Syariah Compliant	Yes
FTSE4Good Index	No
FTSE ESG Rating	N/A
Bloomberg ESG Rating	N/A
Shares issued (m)	363.2
Market Cap (RM' m)	345.1
52-Week Price Range (RM)	0.66-1.21
Beta (x)	N/A
Free float (%)	32.9
3M Average Volume (m)	0.7
3M Average Value (RM' m)	0.7

Top 3 Shareholders	(%)
Choo Chuen Wei	42.4
Loo Hong Wai	15.0
KAF Investment Funds Bhd	4.2

Share Price Performance



	1M	3M	12M
Absolute (%)	5.6	-11.2	24.2
Relative (%)	7.8	-11.4	10.7

Infoline Tec Group Berhad

Boosted by sizeable and high margin one off projects

Summary










- **3QFY24 core net profit at RM8.0m (+54.6% yoy and +469.7% qoq), bringing 9MFY24 core net profit at RM11.4m came above expectation due to higher profit from IT infrastructure and Managed & Other IT services segment.**
- **Looking ahead, we will closely monitor the Group's ability to secure customers that provide a stable recurring revenue stream in the Cybersecurity and Managed IT segments.**
- **Upgrade to BUY recommendation with higher target price of RM1.19 by pegging PE multiple of 17.0x to FY26f EPS of 7 sen.**

Results Review

- **Results review.** In 3QFY24, core net profit surged by 54.6% yoy and 496.7% qoq to a record high of RM8.0m, primarily driven by robust performance in the IT infrastructure and Managed & Other IT services segments. However, PBT margin declined by 9.8 percentage points yoy due to increased expenses related to transfer listing costs and staff expansion. Quarterly revenue grew by 86.8% yoy and 55.2% qoq. Additionally, the Group announced a dividend of 0.79 sen per share, payable on 28 Nov 2024.
- **Beat expectation.** 9MFY24 net profit at RM11.4m exceeded our expectations at 99% of our full-year forecast. This variance was primarily driven by stronger-than-anticipated sales in the IT infrastructure and Managed & Other IT services segments.
- **Operation Highlights.** The Group's IT infrastructure segment posted impressive results, with PBT jumping 403% qoq, but declining by 26% yoy to RM12.0m. Similarly, the Managed IT segment saw a PBT increase of 453% qoq and 98% yoy to RM3.4m. However, we believe growth may not be unsustainable, premised to the recognition of one-off high-margin projects secured and delivered during the quarter. Conversely, we are encouraged by the steady growth in the cybersecurity segment, which has emerged as a more sustainable earnings stream, evidenced by a PBT increase of 60% qoq and 254% yoy to RM0.4m.
- **Industry Highlights.** Rising adoption of cloud computing and advancements in AI globally are expected to drive demand for IT infrastructure, particularly in connectivity and cybersecurity. This trend contributes to a positive outlook for Infoline.
- **Outlook.** While the surprise bottomline reported in 3QFY24 is noteworthy, we remain cautious, as it was largely driven recognition from one-off projects with unsustainable revenue streams. However, we note that there is possibility to convert these customers into recurring clients by offering subscription-based Managed IT services. Over the longer-term prospects, we will closely monitor the Group's ability to secure customers that provide a stable recurring revenue stream in the Cybersecurity and Managed IT segments.

- **Valuation.** Revised our earnings forecast for FY24F upward by 38% to RM13.4m following stronger-than-expected revenue and margins in the Managed IT segment reported in 3QFY24. However, we maintain our FY25F/FY26F core net profit forecast at RM19.3m/RM25.4m respectively. Consequently, we upgrade our recommendation to **BUY** with a higher target price of RM1.19, as we rollover our valuation metrics to FY26F, in reflection towards the longer-term prospects driven by developments in cloud computing and AI. Additionally, the recent proposed transfer to the Main Market of bursa Malaysia may attract institutional investors' interest.
- **Risk.** Near-term margin uncertainties with aggressive pricing strategies. Revenue growth lags behind escalating costs due to expansion.

Figure 1: Results Comparison

FYE Dec (RM m)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY23	9MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	30.5	16.3	86.8	19.6	55.2	45.0	72.5	61.1		Higher sales from IT infrastructure and Managed & Other IT services segment
Gross Profit	17.0	9.0	89.3	7.2	136.5	22.1	30.4	37.2		
Pre-tax profit	10.4	7.2	45.2	1.9	442.0	14.2	13.0	(8.3)		
Net profit	8.0	5.2	54.6	1.3	496.7	11.4	9.6	(15.3)		
Core net profit	8.0	5.2	54.6	1.3	496.7	11.4	9.6	(15.3)		
Core EPS (sen)	2.2	1.4	54.6	0.4	496.7	3.1	2.6	(15.3)		
GP margin (%)	55.9	55.2		36.7		49.1	41.9			Lower YoY margin impacted by higher expenses on transfer listing costs and staff costs from expanded headcounts
PBT margin (%)	34.1	43.9		9.8		31.6	18.0			
Core PATMI margin (%)	26.4	31.9		6.9		25.2	13.3			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	72.8	71.9	98.0	124.7	158.3
Gross Profit	26.3	37.8	34.3	46.1	60.2
EBITDA	17.1	26.7	19.5	27.7	36.1
Depreciation & Amortisation	-0.4	-0.9	-1.2	-1.3	-1.5
EBIT	16.7	25.8	18.3	26.4	34.6
Net Finance Income/ (Cost)	0.0	0.0	-0.1	-0.1	-0.2
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	16.7	25.8	18.2	26.2	34.4
Tax	-4.6	-6.5	-4.8	-7.0	-9.0
Profit After Tax	12.1	19.3	13.4	19.3	25.4
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	12.1	19.3	13.4	19.3	25.4
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	12.1	19.3	13.4	19.3	25.4

Key Ratios

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
P/E (x)	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
EBITDA margin	23.5%	37.1%	19.9%	22.2%	22.8%
EBIT margin	22.9%	35.9%	18.7%	21.1%	21.8%
PBT margin	22.9%	35.9%	18.6%	21.0%	21.7%
PAT margin	16.6%	26.8%	13.7%	15.5%	16.0%
NP margin	16.6%	26.8%	13.7%	15.5%	16.0%
Core NP margin	16.6%	26.8%	13.7%	15.5%	16.0%
ROE	24.1%	33.0%	22.2%	27.0%	29.7%
ROA	17.2%	24.2%	15.8%	19.1%	20.7%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations

	FY26F
Core EPS (RM)	0.070
P/E multiple (x)	17.0
Fair Value (RM)	1.19

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash	37.9	19.2	31.4	37.2	46.7
Receivables	16.6	29.1	22.0	27.8	35.4
Inventories	0.4	0.8	1.0	1.0	1.1
Other current assets	5.4	9.3	7.8	9.2	11.5
Total Current Assets	60.2	58.4	62.2	76.0	95.5
Fixed Assets	9.4	16.3	17.4	19.3	20.9
Intangibles	0.8	3.4	3.4	3.4	3.4
Other non-current assets	0.0	1.5	2.0	2.5	2.5
Total Non-current assets	10.2	21.3	22.8	25.2	26.9
Short-term Debt	0.0	0.0	0.0	0.0	0.0
Payables	10.7	6.3	14.7	18.0	22.5
Other Current Liabilities	7.9	10.2	8.3	9.4	11.7
Total Current Liabilities	18.6	16.5	23.1	27.4	34.2
Long-term Debt	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	1.6	4.9	1.6	2.2	2.9
Total Non-current Liabilities	1.6	4.9	1.6	2.2	2.9
Shareholder's equity	50.3	58.3	60.3	71.6	85.4
Minority interest	0.0	0.0	0.0	0.0	0.0
Equity	50.3	58.3	60.3	71.6	85.4

Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Profit	12.1	19.3	13.4	19.3	25.4
Depreciation & amortisation	0.4	2.0	1.2	1.3	1.5
Changes in working capital	2.2	-13.9	14.9	-2.8	-3.2
Others	0.1	-1.0	1.4	0.0	0.0
Operating cash flow	14.8	6.3	30.9	17.8	23.7
Net capex	-8.0	-9.5	-3.6	-3.2	-3.2
Others	0.0	-3.7	0.0	0.0	0.0
Investing cash flow	-8.0	-13.2	-3.6	-3.2	-3.2
Dividends paid	-2.0	-11.4	-11.2	-8.0	-11.6
Others	22.3	-0.4	-3.3	0.1	1.5
Financing cash flow	20.3	-11.8	-14.5	-7.9	-10.1
Net cash flow	26.5	-18.7	12.3	5.8	9.5
Forex	-0.7	0.0	-0.6	-0.9	-0.9
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	11.3	37.8	19.1	31.4	37.2
Ending cash	37.8	19.1	31.4	37.2	46.7

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

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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