



RichTech Digital Bhd

Reloading Capital for Expansion

ACE Market
Technology Sector
Subscribe
IPO Price: RM0.25
Fair Value: RM0.35

Valuation / Recommendation

We have a **SUBSCRIBE** recommendation on RichTech Digital Berhad (RichTech), with an **FV of RM0.35 based on 10.8x FY25F EPS**, translating to a 40% potential upside to the IPO price. Our target PE valuation represents a 70% discount to domestic comparable peers' average, given RichTech's much smaller market cap and its niche business in distributing electronic reload and bill payment services. Key re-rating catalysts for the stock include higher user growth (both corporate & end-users) and stronger commission revenue margin.

Investment Highlights

Steady prepaid mobile user base to support growth. RichTech is a distributor of electronic reloads and bill payment services via its SRS platform. The company recorded a commendable 2-year revenue CAGR of 27.7%, rising strongly from RM4.8m in FY21 to RM7.8m in FY23. This impressive revenue growth was driven by the steady and large user base of prepaid mobile subscribers in Malaysia, which directly drives the demand for electronic reloads. Besides that, RichTech's revenue growth was further supported by its increasing commission revenue margin, thanks to: 1) The easing of margin pressures with the consolidation of market players post COVID-19; and 2) Effective inventory cost management strategies.

Expanding its B2C segment. RichTech offers its reload and bill payment services to corporate users through its B2B segment, as well as directly to end-users through its B2C segment. Notwithstanding the B2B segment being the key revenue contributor, RichTech intends to grow its B2C segment's user base via promotional activities funded using RM2.3m from IPO proceeds. This move is driven by the higher commission margins achievable in the B2C model, as it avoids the need to share margins with corporate users under the B2B model. Additionally, the company is also pursuing strategic collaborations with payment solution providers with broad customer bases to further grow transaction volumes on its SRS platform.

Still healthy margin in FY24-26F. RichTech's business model typically enjoys high PBT margins, ranging from 84.8% to 90.6% from FY21-23. The better margins seen in the last two years were primarily driven by the significant increase in commission revenue and higher interest income. However, we expect RichTech's margins to moderate slightly in FY24-26F due to the anticipated higher staff costs as the company expands its workforce to support the planned expansion of its B2C segment.

Risk factors for RichTech include (1) Technology obsolesces; (2) Dependence on a key supplier; and (3) Dependence on key customers.

FY Dec	FY22	FY23	FY24F	FY25F	FY26F
Revenue (RM m)	6.2	7.8	8.7	9.8	10.9
EBITDA (RM m)	5.6	7.1	7.7	8.9	10.1
PAT (RM m)	4.2	5.4	5.8	6.5	7.2
PAT Margin (%)	68.3%	68.9%	66.4%	66.4%	66.7%
EPS (sen)	2.9	3.6	2.9	3.2	3.6
EPS Growth (%)	38.4	27.1	(21.5)	12.5	11.5
BV Per Share (sen)	9.2	13.1	32.3	32.3	37.2
PE (x)	8.7	6.9	8.8	7.8	7.0
Net Gearing (x)	Cash	Cash	Cash	Cash	Cash
ROE (%)	44.0	39.6	29.8	13.6	13.2

Business Overview

RichTech is principally involved in distribution of electronic reloads as well as the provision of bill payment services via their SRS platform.

Listing Details

Listing date	17 Feb 2025
New shares (m)	54.7
Offer for sale (m)	25.3
Funds raised (RM m)	13.7

Post Listing

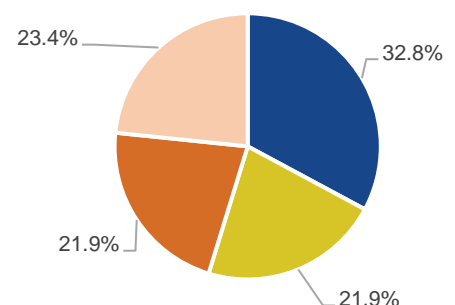
Ordinary shares (m)	202.5
Market cap (RM m)	50.6
Free float	46.5
P/E (FY25F)	7.8

Top 3 Shareholders

Lee Teik Keong	50.3%
Yau Ming Teck	4.6%
Agnes Wong Eei Nien	3.3%

Utilisation of Proceeds

	RM m
Marketing and promotional activities	4.5
Acquisitions of new office	3.0
General working capital	3.0
Estimated listing expenses	3.2

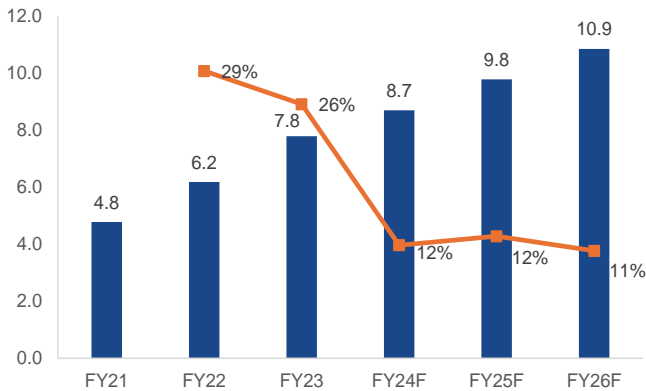


Source: Company, Mercury Securities



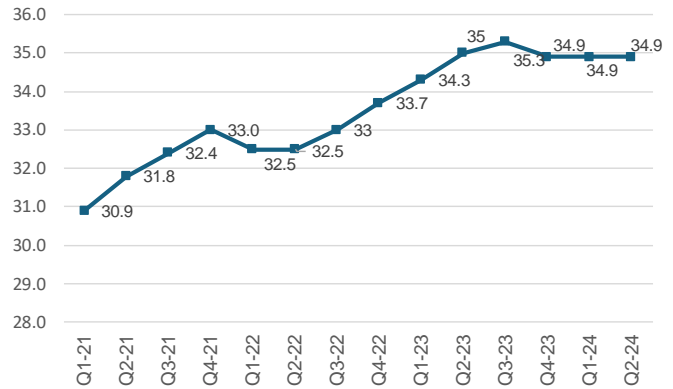
Financial Highlights and Valuation

Figure 1: RichTech's revenue trend (in RM m)



Source: Company, Mercury Securities

Figure 2: Prepaid mobile plan subscribers' trend (in m)

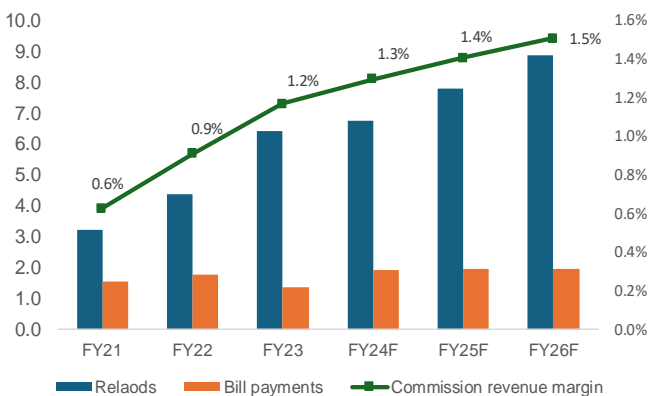


Source: Malaysian Communications and Multimedia Malaysia (MCMC)

Healthy revenue growth. RichTech recorded a commendable 2-year revenue CAGR of 27.7%, rising from RM4.8m in FY21 to RM7.8m in FY23. The company's core business in electronic reload and bill payment services has benefitted from the steady and large user base of prepaid mobile subscribers, which rose from 30.9m in 1Q21 to 34.9m in 2Q24 (see Figure 2). As Malaysia's mobile market is still largely dominated by prepaid users (approximately 70%), their reliance on airtime and data reloads will continue to support demand. As such, we expect revenue growth for RichTech to remain robust, rising by 11-12% p.a. over FY24-26F.

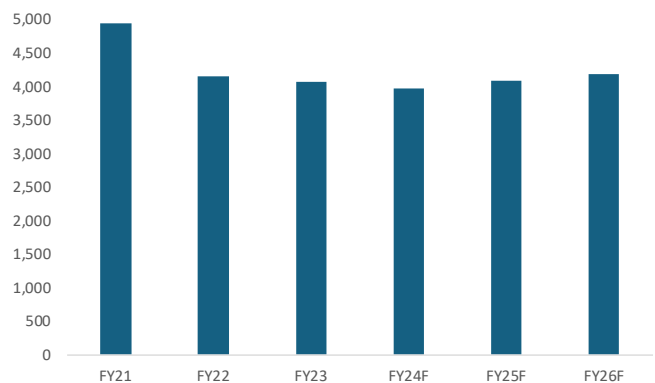
Higher commission cut. RichTech's commission revenue (as a percentage cut of gross sales) has shown a notable upward trend, doubling from 0.6% in FY21 to 1.2% in FY23. This improvement is attributed to the easing of margin pressures following the consolidation of market players after the COVID-19 pandemic, as well as the company's effective inventory cost management strategies. These strategies include: 1) bulk purchasing of reloads from suppliers at favourable rates, and 2) timing inventory procurement towards the end of the year to take advantage of seasonal discounts. Going forward, we anticipate the commission revenue cut could still grow slightly to 1.3%-1.5% in FY24-26F, as RichTech plans to acquire more end-users directly.

Figure 3: Revenue breakdown (in RM m)



Source: Company, Mercury Securities

Figure 4: Number of SRS platform users' trend (in '000)



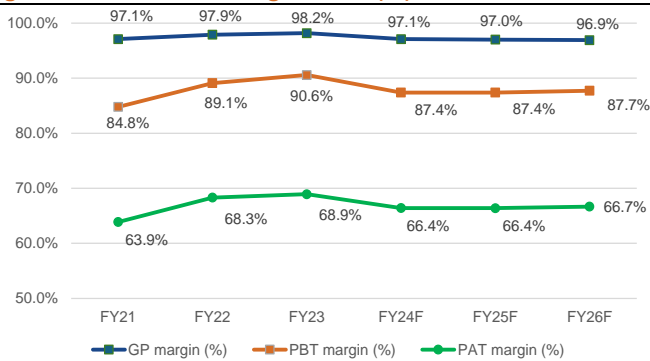
Source: Company, Mercury Securities



Expanding B2C segment. RichTech offers its reload and bill payment services to corporate users with established customer bases through its B2B segment, as well as directly to end-users through its B2C segment. While the B2B segment remains the dominant revenue contributor, accounting for over 99% of total commission revenue from FY21 to FY23, the company intends to grow the user base of its B2C segment. This is driven by the higher commission margins achievable in the B2C model, as it avoids the need to share margins with corporate users under the B2B model. To support the expansion of the B2C segment, RichTech has allocated RM2.3m from its IPO proceeds toward promotional initiatives, including discounts and reward vouchers for both new and existing SRS end-users. These efforts aim to attract new end-users, retain the current existing ones, and strengthen the company's presence in the B2C space.

Collaborating to drive transaction growth. RichTech is leveraging strategic partnerships to drive transaction growth on its SRS platform. The company collaborates with established payment solution providers, such as FASS Payment Solution Sdn Bhd (FPS), which has an extensive customer network. Through this partnership, FPS acts as a corporate user of the SRS platform and is currently working on deploying RichTech's electronic reload and bill payment services at over 200 retail outlets within a retail chain. This collaboration will enhance RichTech's market reach and support future growth in transaction volume.

Figure 5: RichTech's margin trend (%)



Source: Company, Mercury Securities

Margins to remain healthy in FY24-26F. RichTech's business model typically enjoys high PBT margins, ranging from 84.8% to 90.6% from FY21-23. The better margins seen in the last two years were primarily driven by the significant increase in commission revenue and higher interest income from fixed-income investments and bank balances. These gains more than offset the rise in administrative expenses, which included higher staff costs and professional fees. Similarly, with a stable effective tax rate, PAT margins also expanded from 63.9% in FY21 to 68.9% in FY23.

Going forward, we expect RichTech's margins to moderate slightly in FY24-27F. This moderation in margin is attributable to higher anticipated staff costs, particularly as the company expands its workforce to support the growing end-user customer base following its planned B2C segment expansion.

Healthy balance sheet. RichTech has a strong balance sheet with net cash position before listing. Despite the stronger net cash position after listing (raising an additional RM13.7m), we do not expect the company to issue any dividends given the need to preserve cash flow for reinvestment into future growth.



RM0.35 FV based on 10.8x FY25 EPS. Given RichTech's much smaller market capitalisation, we peg a target PE valuation of 10.8x, which is at approximately 70% discount to its comparable peers' average. We have selected local peers who are principally involved in the provision of digital services, as RichTech's niche in the distribution of electronic reload and bill payment services lacks comparable listed peers in Malaysia. Applying it to our FY25F EPS of 2.5sen, we arrive at an FV of RM0.35.

Peer Comparison – Trailing 12-months basis (as at 20 Jan 2025)

Company	Bloomberg Ticker	Share price (LC)	Mkt Cap (in RM)	Earnings Growth (%)	P/E (x)	P/B (x)	ROE (%)	Net yield (%)
Infoline Tec Group Bhd	INFOTEC MK	0.87	316.0	17.5	18.0	5.2	30.6	2.5
Heitech Padu Bhd	HEIT MK	2.70	300.6	-	11.9	1.8	18.8	-
Kronologi Asia Bhd	KAB MK	0.27	240.4	(61.4)	28.0	0.5	1.6	-
Radiant GlobalTech Bhd	RGTB MK	0.35	181.2	0.1	27.0	2.4	9.0	1.4
Simple Average				(11.0)	21.2	2.5	15.0	1.0
Richtech Digital Bhd		0.25	50.6	27.1	8.7	2.7	39.6	-

Source: Bloomberg, Mercury Securities



Company Background

Distributor of electronic reload and bill payment services. RichTech is primarily involved in the distribution of electronic reloads and the provision of bill payment services through its SRS platform. The platform caters to two key user segments: corporate users (e.g., reload retailers and third-party mobile app operators) who utilise the SRS platform to offer services to their customers and end-users who access reloads and bill payment services for personal use.

Revenue is mainly generated from commission margins on electronic reloads, with additional income from bill payment facilitation. This is structured either as post-cycle incentives from payment solution providers or net commissions deducted directly during transactions via RichTech's pre-funded deposits or credit pools.

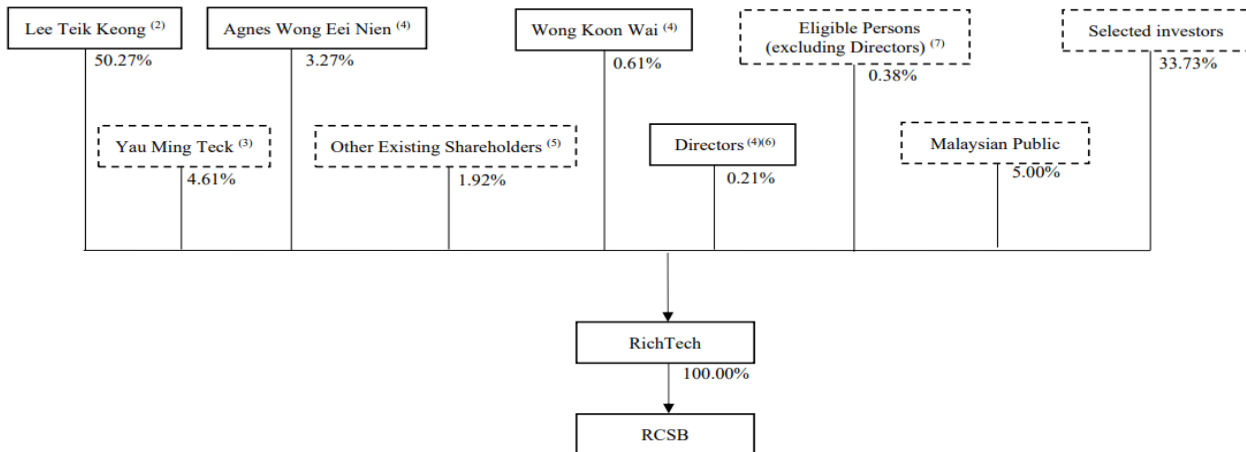
Figure 6: Services offering and revenue model

Service type	Description	Revenue model		
Electronic reload services	<p>Users can perform electronic reload services for:-</p> <ul style="list-style-type: none"> ➤ mobile airtime and data services provided by following mobile network brands:- <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> <ul style="list-style-type: none"> ▪ Celcom / Digi ▪ Hotlink ▪ U Mobile ▪ Yes ▪ Unifi Mobile </td> <td style="width: 50%; vertical-align: top;"> <ul style="list-style-type: none"> ▪ XOX ▪ Tune Talk ▪ RedONE ▪ BeONE </td> </tr> </table> <p>This also includes:-</p> <ul style="list-style-type: none"> - travel e-sims for selected countries such as Japan, Korea, and Taiwan; and - mobile airtime and data services for international mobile network brands in Indonesia, Nepal, Bangladesh and India; <ul style="list-style-type: none"> ➤ prepaid digital TV services, i.e. NJOI; ➤ games credits for following:- <ul style="list-style-type: none"> - video games (e.g. Call of Duty); - mobile games (e.g. Mobile Legend); and - games platforms (e.g. PlayStation and Steam); ➤ application credits, i.e. CEPat token and Grab Driver applications; ➤ eWallet credits, i.e. Touch 'n Go; and ➤ other credits such as electricity utility in Indonesia and digital vouchers for GrabFood. 	<ul style="list-style-type: none"> ▪ Celcom / Digi ▪ Hotlink ▪ U Mobile ▪ Yes ▪ Unifi Mobile 	<ul style="list-style-type: none"> ▪ XOX ▪ Tune Talk ▪ RedONE ▪ BeONE 	<p>Our Group earns a commission revenue from distributors/ telecommunication operator as more particularly illustrated in Section 7.2.4(i) of this Prospectus.</p>
<ul style="list-style-type: none"> ▪ Celcom / Digi ▪ Hotlink ▪ U Mobile ▪ Yes ▪ Unifi Mobile 	<ul style="list-style-type: none"> ▪ XOX ▪ Tune Talk ▪ RedONE ▪ BeONE 			
Bill payment services	<p>Users can make bill payment for:-</p> <ul style="list-style-type: none"> ➤ postpaid mobile network services bills for following mobile network brands:- <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> <ul style="list-style-type: none"> ▪ Maxis ▪ Celcom / Digi ▪ U Mobile ▪ Yes </td> <td style="width: 50%; vertical-align: top;"> <ul style="list-style-type: none"> ▪ RedONE ▪ Unifi Mobile ▪ XOX </td> </tr> </table> ➤ utility bills for water and electricity utilities, and maintenance services of national sewerage systems, such as Air Selangor and Indah Water; ➤ postpaid digital TV services, i.e. Astro; ➤ internet services, such as Unifi; and ➤ other bill payment services including quit rent and assessment as well as education loan and instalment plan such as PTPTN and SINGER. 	<ul style="list-style-type: none"> ▪ Maxis ▪ Celcom / Digi ▪ U Mobile ▪ Yes 	<ul style="list-style-type: none"> ▪ RedONE ▪ Unifi Mobile ▪ XOX 	<p>Our Group earns commission revenue from the payment solution providers as more particularly illustrated in Section 7.2.4(ii) of this Prospectus.</p>
<ul style="list-style-type: none"> ▪ Maxis ▪ Celcom / Digi ▪ U Mobile ▪ Yes 	<ul style="list-style-type: none"> ▪ RedONE ▪ Unifi Mobile ▪ XOX 			

Source: Company



Figure 7: Corporate structure post listing



Notes:-

Represents public shareholdings.

Represents non-public shareholdings

(1) Based on our issued share capital of 202,453,000 Shares after our IPO.

(2) After the Offer for Sale of 20,307,000 Offer Shares.

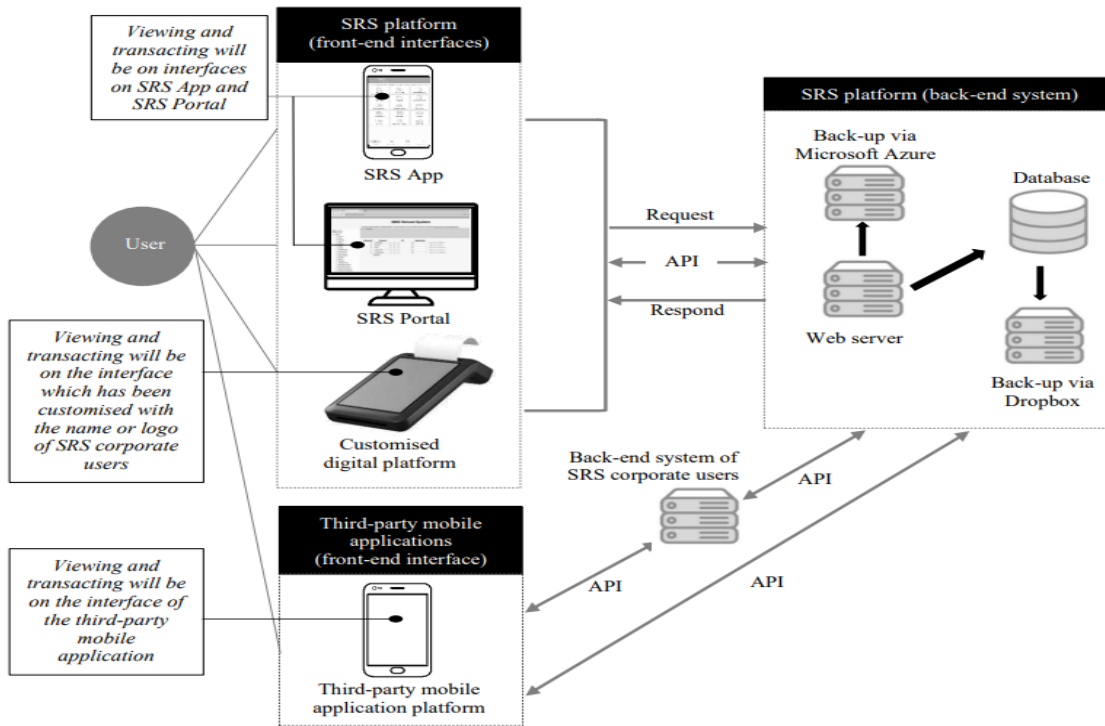
Source: Company

Figure 8: Business Milestone

Year	Key Events and Milestone
2011	<ul style="list-style-type: none"> Commenced business in distribution of electronic reloads for mobile airtime and data via an SMS reload system and a web portal, namely “onlinereoad.net” (which is presently known as the SRS Portal) and offering customised digital platforms to users. Accept top-ups of credits from users through bank transfers
2013	<ul style="list-style-type: none"> Launched SRS App (which was then known as “SRS Mobile”)
2015	<ul style="list-style-type: none"> Extended service offering to allow for payment of postpaid mobile network services Extended service offering to allow for purchase of prepaid and postpaid digital TV services
2016	<ul style="list-style-type: none"> Extended service offering to allow for payment of utilities and internet services Extended service offering to allow for purchase of application and eWallet credits
2017	<ul style="list-style-type: none"> Accept top-ups of credits from users through JomPAY
2018	<ul style="list-style-type: none"> Accept top-ups of credits from users through Billplz
2019	<ul style="list-style-type: none"> Extended service offering to allow for purchases of mobile airtime and data services for international mobile network brands Extended service offering to allow for payment for quit rent and assessment
2020	<ul style="list-style-type: none"> Extended service offering to allow for payment for education loan and instalment plan Accept top-ups of credits from users through Touch ‘n Go’s eWallet
2021	<ul style="list-style-type: none"> Extended service offering to allow for purchases of games credits Set up “SRS.my” and renamed “SRS Mobile” to “SRS” Accept top-ups of credits from users through over-counter transactions at 7-Eleven convenience stores
2022	<ul style="list-style-type: none"> Began to work with Fass Payment Solution Sdn Bhd to allow our users, typically SRS corporate users, to receive payments from their customers (who are typically end-users) via debit cards
2023	<ul style="list-style-type: none"> Began to allow payments from our users using DuitNow through SRS App Extended service offering to allow for purchases of travel e-sims

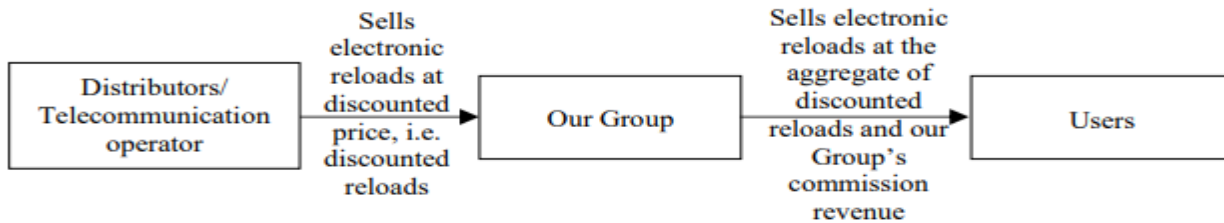
Source: Company

Figure 9: SRS platform illustration



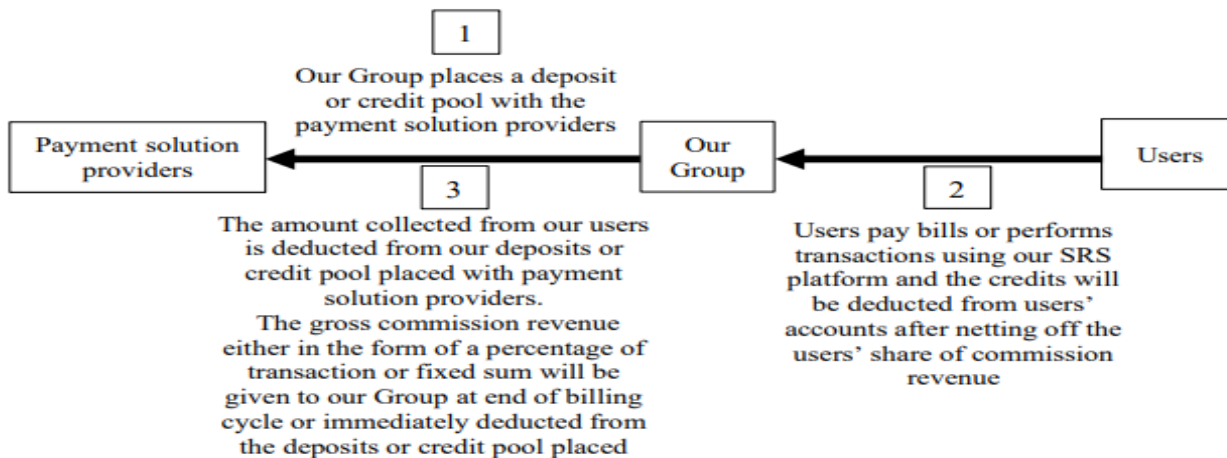
Source: Company

Figure 10: Transaction flow of electronic reload services



Source: Company

Figure 11: Transaction flow of bill payment services



Source: Company



Figure 12: Key Management Team

Name and Designation	Age	Profile
Lee Teik Keong Managing Director	44	<ul style="list-style-type: none"> Became the managing director of RCSB in December 2010 after acquiring 50% and 45% equity stake in RCSB in July 2007 and in October 2010 respectively. Under RTDB, he is responsible for managing and overseeing the entire business operation, including formulating business strategies and plans to facilitate the growth of the Group to become a specialist in providing electronic reload and bill payment services via SRS platform. Has 21 years of experience in the telecommunication industry, specialising in information technology, computer and software programming.
Agnes Wong Eei Nien Executive Director	41	<ul style="list-style-type: none"> Responsible for overseeing the advertising, promotion and marketing functions of RTDB. Advanced Diploma in Computer Studies (Major in Computer Science) in April 2005, from Informatics College, Malaysia.
Chew Kim Wei Chief Technical Officer	43	<ul style="list-style-type: none"> Has prior experiences in software developer and software solution evaluation. Responsible for RTDB's web applications development for deployment on platforms and sites, RTDB's software design, development and testing as well as RTDB's websites and mobile applications defects resolutions. Diploma and a Higher Diploma in Computer Science, both from Institut Latihan FTMS-ICL, Malaysia in May 2005
Hong Chuan Keong Chief Financial Officer	55	<ul style="list-style-type: none"> Responsible for the preparation of RTDB's financial and accounting reporting, tax preparations and tax filling as well as managing the account department's day-to-day activities. Completed Chartered Institute of Management Accountants (CIMA) in 1994. He is a member of the Malaysian Institute of Accountants and CIMA since 2000.
Lai Yun Teng Operations Manager	30	<ul style="list-style-type: none"> Responsible for managing electronics reloads inventories, stock purchases and overseeing the customer service team in handling users' enquiries of RTDB.

Source: Company

Future Plans & Business Strategies

Expansion of SRS end-users. With SRS end-users merely contributing 0.3% to 0.5% of RichTech's total gross sales from FY21 to FY23, the group intends to grow their user base of SRS end-users via intensification of marketing and promotional activities to capture more revenue contribution from this segment.

Growing sales via collaboration. RichTech aims to increase its sales by collaborating with business partners who provide complementary services and have an established customer network. This collaboration presents an opportunity for RichTech to access these customer bases and boost transactions through the SRS platform.

Extension of service offerings on SRS platform. The SRS platform currently offers a variety of services, including electronic reload services for mobile airtime and bill payments. To stay current with new trends, RichTech plans to introduce a marketplace for SRS corporate users, allowing them to sell their products. SRS end-users will be able to purchase these products through the SRS App.



Key Risks

Exposure to risk of technology obsolescence and changes in market preference. Any significant shifts in market preferences or advancements in technology could pose a considerable earning risk to RichTech. This is because their services, such as electronic reloading and bill payment, rely heavily on the current technical capabilities and consumers' preferences. To address these challenges, the company is actively working to mitigate this risk by continuously ensuring that their SRS platform remains relevant in the face of potential technological advancements and changes in consumer preferences.

Dependence on a major supplier. RichTech relies significantly on a primary distribution and service provider, Enzon Network Sdn Bhd (Enzon), for more than 40% of its electronic reload purchases. However, since RichTech does not have a formal agreement with Enzon, this situation presents a risk to the company. If Enzon were to terminate the supply, RichTech could face a disruption in its operations. Finding a suitable replacement supplier that offers competitive pricing and adequate volume in a timely manner could be challenging.

Dependence on key customers. RichTech's corporate clients, Iqka Collection Services and Real One Group, accounted for 25.7% and 15.7% of total gross sales in FY23, respectively. As the company does not maintain long-term contracts with these key customers, there is an inherent risk that a discontinuation or reduction in their usage of RichTech's services could materially impact financial performance.

IPO Details

	Offer for Sale (m)	Public Issue (m)	Total (m)	(%)
<u>Retail Offering</u>				
Eligible Persons	-	1.5	1.5	0.8
Malaysian Public (Non-Bumiputera)	-	5.1	5.1	2.5
Malaysian Public (Bumiputera)	-	5.1	5.1	2.5
<u>Private Placement</u>				
Selected investors (Non-Bumiputera)	25.3	43.0	68.3	33.7
<u>Total</u>	25.3	54.7	80.0	39.5

Source: Company



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