

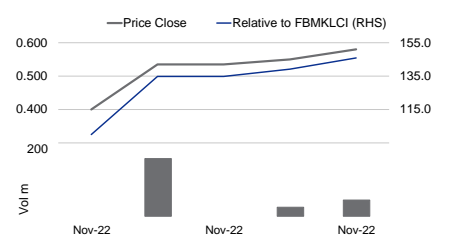
Malaysia

ADD (initiation)

Consensus ratings*:	Buy	Hold	Sell
Current price:			RM0.58
Target price:			RM1.15
Previous target:			NA
Up/downside:			98.0%
CGS-CIMB / Consensus:			na
Reuters:		INFOM.KL	
Bloomberg:		INFOM MK	
Market cap:		US\$78.44m	
		RM348.7m	
Average daily turnover:		US\$6.04m	
		RM27.07m	
Current shares o/s:		601.3m	
Free float:		26.0%	
*Source: Bloomberg			

Key changes in this note

➤ N/A



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)			
Relative (%)			

Major shareholders	% held
Infomina Holdings	55.4
Yee Chee Meng	6.3
Raymond Lim	5.9

Analyst(s)



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Infomina Berhad

Tier 1 VAD - Broadcom mainframe software

- We initiate coverage on Infomina, an IT solutions provider specialising in mainframe technology, with an Add call and TP of RM1.15 (20x CY24F P/E).
- We project a 3-year EPS CAGR of 29.6% (FY22-25F), driven by a robust order book (cover ratio: 2.2x), new clients and geographical expansion.
- As the sole Tier 1 VAD for Broadcom Mainframe Software in 8 countries currently, Infomina should benefit from rising demand for mainframe services.

IT solutions provider, specialises in mainframe software technology

Infomina is a Malaysia-listed information technology (IT) solutions provider, specialising in mainframe-related technology. It has two key business segments: i) Turnkey - design and delivery of technology infrastructure solutions (50.3% of FY5/22 revenue), and ii) Renewal - technology infrastructure operations, maintenance and support services (49.7%). Infomina has a strong regional clientele base that includes government bodies, financial institutions, and other industries (automotive, telecommunications, etc.).

Sole Premier Tier I VAD for CA (Broadcom) in eight countries

In our view, Infomina's key strength is its status as sole appointed Premier Tier 1 Value-Added Distributor (VAD) of Broadcom Mainframe Software in eight countries since 2019 (Computer Associates Partner Regions). We think it can benefit from: i) growing adoption of Broadcom mainframe technology, and ii) repeat business from users of Broadcom mainframe software whose contracts are up for renewal (signed with Broadcom prior to VAD appointment). Based on Gartner's research (2020), Broadcom had the largest global market share (37%) in mainframe software market - potential value of >US\$7bn.

Robust orderbook (2.2x FY22 revenue) and rising tender book

Across FY23-27F, Infomina has an orderbook of RM443.6m (2.2x of FY22 revenue); 34.7% from turnkey and 65.3% from renewal segments. It has tendered for projects with total value of RM376m (55%: turnkey segment). We expect robust orderbook replenishment from: i) client acquisitions (new users of mainframe and onboarding Broadcom clients), ii) upgrading works for mainframe users (capabilities enhancement), and iii) higher demand for renewal segment (clients tend to sign service level agreement post turnkey projects).

Projecting 3-year net profit CAGR of 29.6% (FY22-25F)

We project Infomina to post a 3-year core net profit CAGR of 29.6% (FY22-25F). This is driven by i) higher sales from both turnkey and renewal segments, ii) regional expansion into new markets, and iii) higher economies of scale. We initiate coverage on Infomina with Add and TP of RM1.15, pegged to our 20x CY24F P/E; in-line with local peers' average CY23F P/E in the IT industry (19.9x, Figure 55). Our Add call is backed by: i) robust NP growth profile, ii) regional presence as Broadcom's Tier I VAD, and iii) robust balance sheet (RM73.3m net cash at end-1QFY5/23). Re-rating catalysts: robust EPS growth and rise in institutional holdings (currently:c.1%). Downside risks: non-renewal of Tier 1 VAD status with Broadcom, sharp dip in orderbook value and lower-than-expected margins.

Financial Summary	May-21A	May-22A	May-23F	May-24F	May-25F
Revenue (RMm)	105.2	201.1	246.2	286.2	321.5
Net Profit (RMm)	8.26	17.10	24.64	31.81	37.25
Core EPS (RM)	0.014	0.028	0.041	0.053	0.062
Core EPS Growth	152%	107%	44%	29%	17%
FD Core P/E (x)	42.21	20.39	14.15	10.96	9.36
Price To Sales (x)	3.31	1.73	1.42	1.22	1.08
DPS (RM)	-	0.000	0.008	0.011	0.012
Dividend Yield	0.00%	0.00%	1.41%	1.82%	2.14%
EV/EBITDA (x)	25.71	12.05	7.33	5.39	4.22
P/FCFE (x)	NA	8.18	26.45	16.35	12.42
Net Gearing	(99%)	(168%)	(118%)	(106%)	(100%)
P/BV (x)	15.05	8.62	3.76	2.95	2.36
ROE	43.5%	53.8%	37.1%	30.2%	28.0%
% Change In Core EPS Estimates					
CGS-CIMB/Consensus EPS (x)					

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Infomina Berhad

Investment thesis

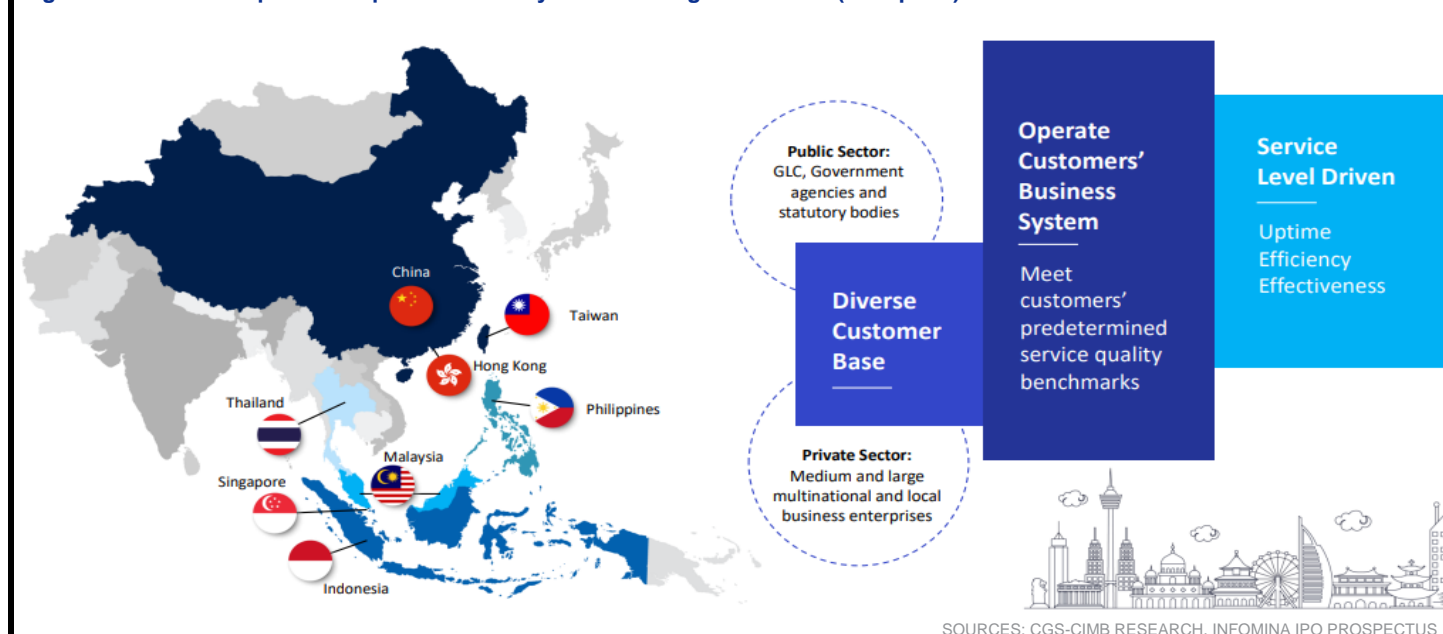
Specialises as a regional information technology solutions (mainframe) provider ➤

Founded in Malaysia in 2007, Infomina Berhad (Infomina) is a regional information technology (IT) solutions provider that specialises in mainframe technology solutions. Note that mainframes are primarily used by large organisations for critical large scale and real-time applications, such as bulk data and transaction processing. In addition to mainframe technology, the company also has an extensive track record and capabilities in developing solutions based on other technologies, such as virtualisation, API, and distributed computing environment. While the company's principal operations are in Malaysia, it also operates in other countries and territories including Singapore, Thailand, the Philippines, Indonesia and Hong Kong. As of end-1QFY5/22, the company had completed projects with a total value of RM370.3m.

Infomina's revenue stream can be segregated into two segments:

- i) Turnkey (50.3% of FY22 revenue) - Design and delivery of technology infrastructure solutions; and
- ii) Renewal (49.7% of FY22 revenue) - Technology infrastructure operations, maintenance and support services

Figure 1: Infomina's operational presence mainly located in eight countries (at Sept-22)



Proxy to rising demand for mainframe technology in Asia Pacific ➤

We view Infomina as a strong proxy to rising usage of mainframe technology in Asia Pacific. This is on the back of the digitisation era, with growing requirements by customers to cater to their businesses' needs in terms of bulk data processing and large-scale transactions. According to Broadcom (a global technology company that designs, develops and supplies semiconductor and infrastructure software solutions), 67 of the Fortune 100 companies leverage on mainframe as their core platform. These includes 45 of the top 50 banks globally, 4 out of top 5 airlines globally, all top-10 insurers globally and seven out the top 10 global retailers. As a result, we believe that more companies are set to adopt mainframe as their core platform in the Asia Pacific region. In addition to installation of

mainframe (one-off), mainframe-related providers stand to benefit from maintenance and upgrading works on mainframe technology that are done periodically. This is in order to cater to the rising need of each customer, in tandem with business growth, especially as transactions and data processing power requirements increase.

Figure 2: Usage of mainframe technology by various industries



Establishing long-lasting relationships with hardware and software providers ➤

As part of its technology solutions projects, Infomina builds its solutions based on its in-house capabilities, utilising software technologies from renowned global technology partners as well as third-party hardware. In our view, in the IT industry, usage of software/hardware solutions that are highly regarded provides Infomina with credibility with its customers. We gather from its IPO prospectus that the company has managed to secure distribution/reseller agreements with 7 leading IT hardware and software providers relating to the marketing and sales of hardware and software products. While all agreements are non-exclusive in nature, Infomina has firmly established itself in this region as a preferred distributor/partner for various suppliers.

Figure 3: Well-established relationships with various technology partners, including hardware and software vendors since incorporation in 2007



Figure 4: Summary of relationships with suppliers

Infomina has entered into distribution / reseller agreements with 7 main IT hardware and software providers	
IT hardware and software providers	Descriptions
CA Singapore	<p>i) CA Singapore is a subsidiary to Broadcom Inc., which designs, develops and supplies a broad range of semiconductor and infrastructure software solutions.</p> <p>ii) In 2019, Infomina has entered into a Regional Partner Agreement with CA Singapore, whereby Infomina was appointed to resell and distribute Broadcom software technologies (comprising Broadcom Enterprise Software and Broadcom Mainframe Software). On 24 Jun 2019, Infomina was appointed by CA Singapore as a Premier Tier 1 "Value Added Distributor" (VAD). This recognition enables Infomina to market Broadcom software technologies easily in in "CA Partner Regions" which includes Malaysia, Singapore, Thailand, Indonesia, the Philippines, Hong Kong and Taiwan.</p> <p>iii) In 2021 / 2022, Infomina was being further appointed by CA Singapore to resell and distribute Broadcom Enterprise Software / Broadcom Mainframe Software in China respectively.</p>
Supplier I	<p>i) In 2020, Infomina was appointed by Supplier I as business partner to market its mainframe hardware, mainframe maintenance licence, infrastructure software such as database, systems, applications, API and security software.</p>
VMWare, Inc.	<p>i) In 2020, Infomina had further entered into a VMware Partner Connect Agreement with VMware, Inc. for the marketing and sales of VMware software solutions in Malaysia.</p>
Software AG Operations Malaysia Sdn Bhd	<p>i) In 2019, Infomina had entered into partnership with Software AG Operations Malaysia Sdn Bhd Software AG Operations Malaysia Sdn Bhd that supplies API software to Infomina.</p> <p>ii) In 2020, Infomina had been awarded "Best New Partner" by Software AG.</p> <p>iii) In 2021, Infomina was registered for the PartnerConnect programme with Software AG relating to the marketing and sales of software solutions in Malaysia. The PartnerConnect programme is Software AG's global partner programme which supports partners (i.e. distributors and vendors) in delivering Software AG's products, platforms and services to their enterprise customers.</p>
A Japan-based digital solutions MNC	<p>i) In 2017, Infomina has entered into an agreement with a Japan-based digital solutions MNC to obtain distributorship for the marketing and sales of the MNC's hardware and software in Malaysia.</p>
A China-based ICT infrastructure and smart devices provider	<p>i) In 2020, Infomina was registered as an indirect channel partner of China-based ICT infrastructure and smart devices provider, for the marketing and sales of video conferencing technologies.</p>
An American IT and networking MNC	<p>i) In 2021, Infomina entered into an agreement with an American IT and networking MNC, for the distribution of its hardware and software in Malaysia.</p>

Note: Supplier I is a company based in Malaysia held under a USA-based IT MNC listed on the New York Stock Exchange. It is principally involved in the delivery of integrated and secure cloud, data and artificial intelligence solutions to its clients; consulting, business process and application management services; remanufacturing and remarketing; provision of infrastructure platforms as well as telecommunications consulting services and solutions. Supplier I has operations in more than 175 countries.

SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

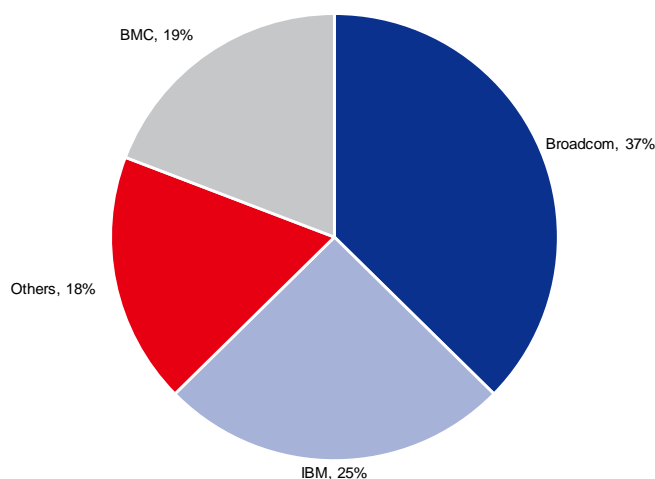
Stands to benefit from Broadcom's VAD in terms of mainframe software technology ➤

Among its partnerships, the most prominent one is to distribute Broadcom software technology. Note that Broadcom holds the lion's share of the global mainframe software market based on research by Gartner (2020). With a partnership established dating back to 2015 (begin distributing Broadcom software technologies in Malaysia then), Infomina entered into a regional partnership agreement on 24 Jun 2019 (recognised as Premier Tier I value-added distributor – VAD, known as preferred partner) with CA Singapore (regional office for CA), which is a subsidiary of Broadcom Inc. This allow Infomina to procure directly from CA Singapore and to resell and distribute Broadcom software technologies in "CA Partner Regions" (Malaysia, Singapore, Thailand, Indonesia, the Philippines, Hong Kong, Taiwan and China). Note that the Broadcom website indicates that Infomina is the sole appointed distributor and Premier Tier 1 VAD of Broadcom Mainframe Software in CA partner regions.

In our view, Infomina's status as the sole appointed distributor and Premier Tier 1 VAD is a key growth factor for the company. This indicates that Infomina is the main distributor of Broadcom mainframe technology in CA Partner regions, allowing it to: i) benefit from every new project involving Broadcom mainframe technology (turnkey and renewal) as they will have to go through Infomina, ii) leverage on existing users of Broadcom mainframe software (based on Broadcom existing clientele) to promote renewal and upgrading works on mainframe technology, as well as iii) resell to other second-tier distributors and resellers.

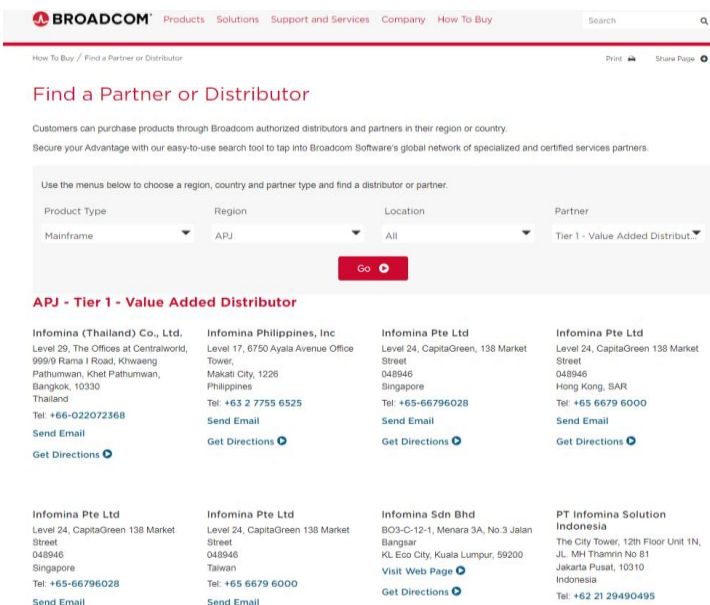
We also note that Infomina's details are listed on Broadcom's website as its sole Premier Tier I VAD in CA partner region which serves as an additional marketing channel for the company. We view this as a testament and formalisation of the acknowledgment and recognition of Infomina's relationship with Broadcom, as well as further enhancing Infomina's visibility and credibility with potential customers.

Figure 5: Global market share of mainframe software providers (2020)



SOURCES: CGS-CIMB RESEARCH, GARTNER, MARKET SHARE ALL SOFTWARE MARKETS

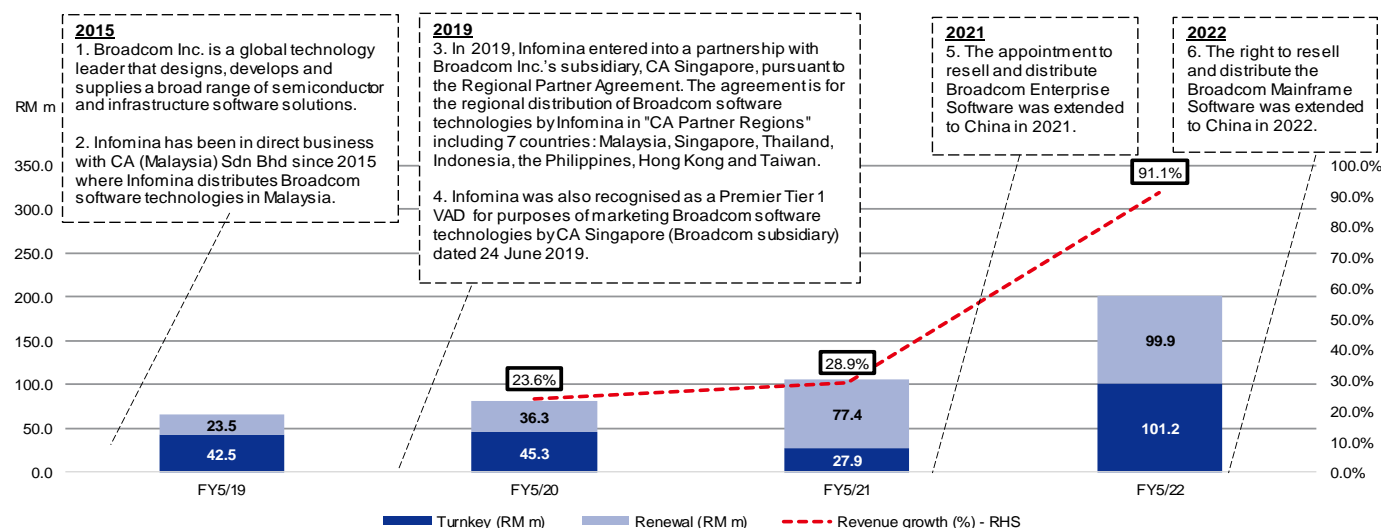
Figure 6: Infomina's subsidiaries are listed as the sole TIER 1 VAD on Broadcom's mainframe software website



SOURCES: CGS-CIMB RESEARCH, BROADCOM MAINFRAME WEBSITE

Since Infomina was appointed by CA Singapore (a Broadcom subsidiary) as the sole Premier Tier 1 value added distributor (VAD) in June-2019 (1QFY5/20), this has coincided with Infomina witnessing a 3-year revenue CAGR growth of 45.0% FY19-22). We note that overseas contribution in this period grew substantially from minimal in FY19 (0% of revenue) to RM85.6m in FY22 (42.6% of revenue). This is despite Infomina highlighting in its IPO prospectus that it's business development and marketing activities were affected during the COVID-19 period (Mar 2020 to Sept-21 - 3QFY20 to 1QFY22). The company also added in its IPO prospectus it has traditionally undertaken minimal scale of marketing and branding activities despite its appointment as Premier Tier 1 VAD in June-19.

Figure 7: Growing revenue with business expansion into CA Partner Regions in distributing Broadcom software technologies



SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Wide range of clientele ►

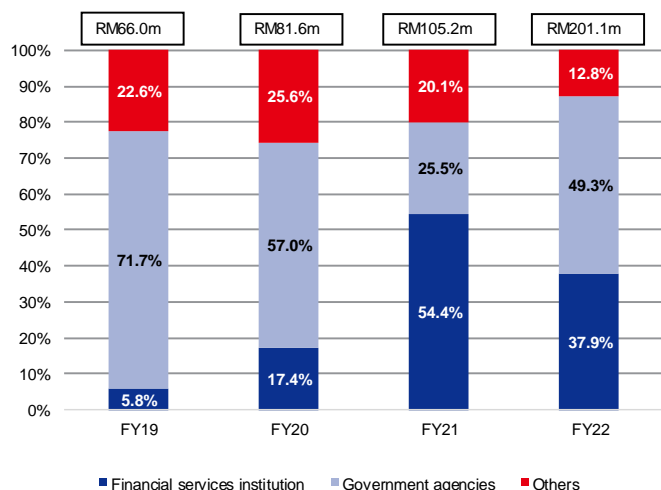
Infomina's wide array of customers, spanning across both the public and private sectors in multiple countries is testament to its established and proven track record, in our view. It is also testament to its capabilities and extensive knowledge in IT solutions, especially mainframe. In the public sector, its key customers are mainly Malaysia-based government agencies and statutory bodies, such as the National Registration Department and Road Transport Department Malaysia. In terms of customers in the private sector, Infomina has exposure across the region including in Malaysia, Thailand, Singapore, the Philippines. Its customers in this segment are mainly medium-sized to large-sized MNCs and local business enterprises as well as government linked companies in the banking, telecommunications and automotive sectors. We believe that the high-profile nature and large scale of operations of its customers mean that, generally, payment collections from its customers are not an issue.

Figure 8: Well diversified customer base across regions



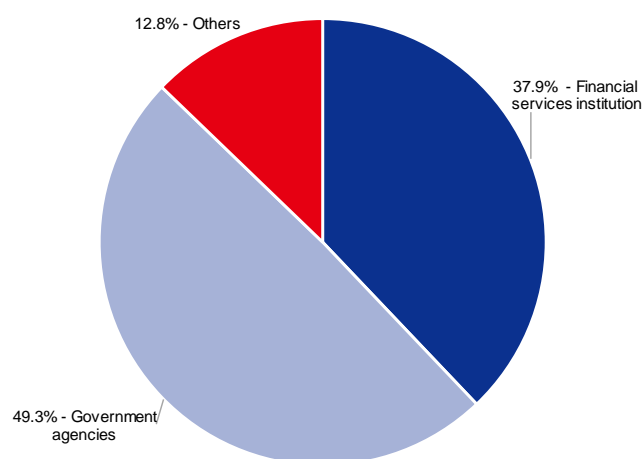
SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Figure 9: Revenue breakdown by industries



SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

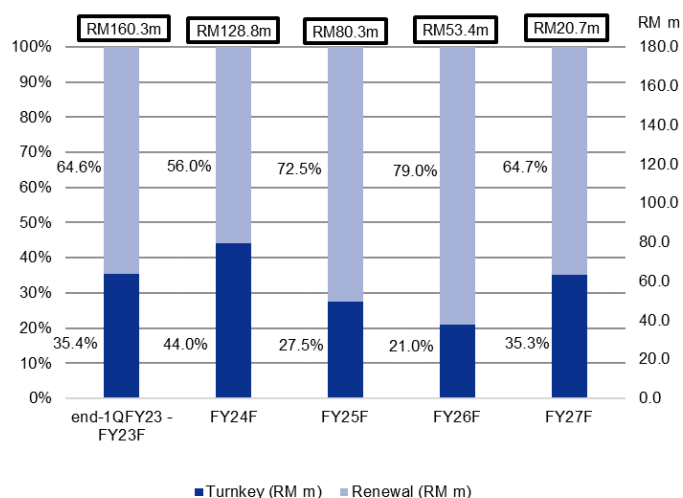
Figure 10: FY22 - % revenue breakdown by industries



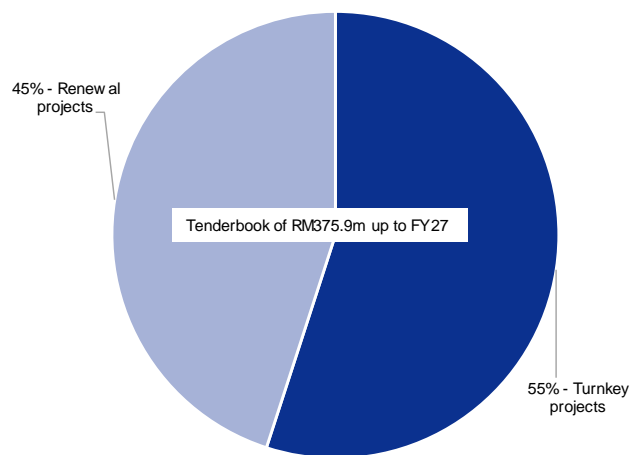
SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Backed by robust orderbook and rising tender book ►

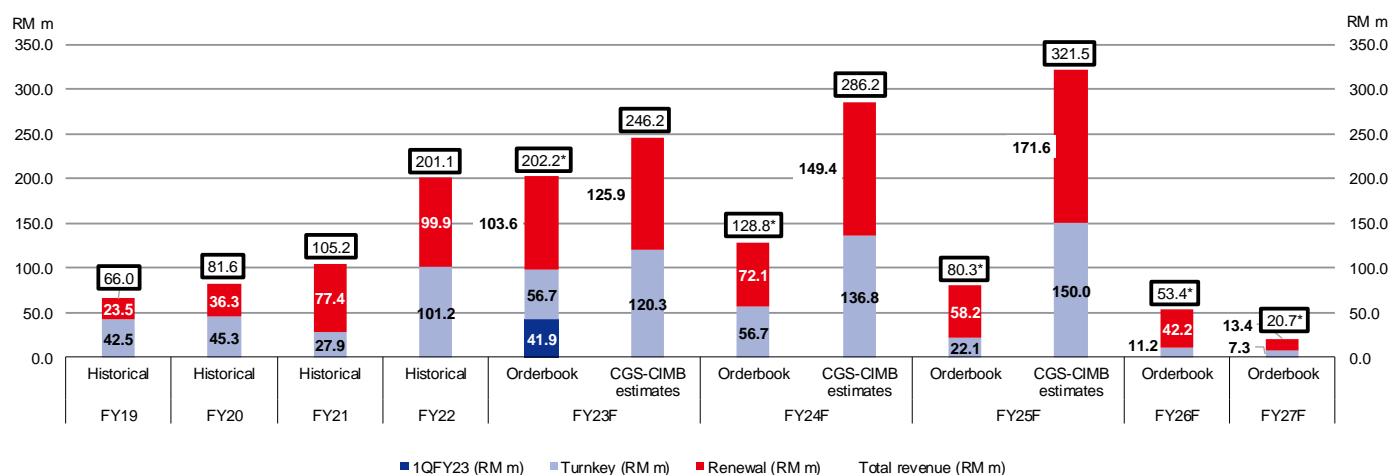
We gather from its IPO prospectus that Infomina's current orderbook stands at RM443.6m. Note that this exceeds 2.2x of its FY22 revenue of RM201.1m. Of this total, 65.3% of its orderbook is derived from contracts in the renewal segment with the remainder from the turnkey segment. In addition, the company also has tenders for projects amounting to RM375.9m, which comprise both turnkey (55%) and renewal (45%) projects. We gather from its IPO prospectus that most turnkey customers tend to renew their contracts with Infomina (subscription model) for the provision of services such as operations, maintenance, and support (captured under renewal division). This is given the stickiness of the business, with Infomina as the vendor most familiar with mainframe technology solutions that it has designed and delivered to the customer. Due to the learning curve required and potential cost implications, mainframe customers typically do not change mainframe technology brands on a frequent basis.

Figure 11: Orderbook position up to FY27F (Infomina's estimates)


SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Figure 12: Tender book of RM375.9m as at end-FY22 (Infomina's estimates)


SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Figure 13: Current orderbook trend in FY23-27F


Note: * is based on IPO prospectus data as at end-Sept 2022.

SOURCES: CGS-CIMB RESEARCH ESTIMATES, INFOMINA IPO PROSPECTUS

Geographically, the order book from Malaysia makes up RM180.0m (40.6% of total order book until FY27F), while the remaining balance is made up of overseas orders at RM263.6m (59.4% of total order book until FY27F).

Figure 14: Infomina's total outstanding orders have exceeded 2.2x of its total FY22 revenue

Business segment (RM m)	1QFY23	end-1QFY23 - FY23F	FY24F	FY25F	FY26F	FY27F	Total outstanding orders (excl. 1QFY23)
Turnkey	12.4	56.7	56.7	22.1	11.2	7.3	154.0
(%)	29.7%	35.4%	44.0%	27.5%	21.0%	35.3%	34.7%
Renewal	29.5	103.6	72.1	58.2	42.2	13.4	289.6
(%)	70.3%	64.6%	56.0%	72.5%	79.0%	64.7%	65.3%
Total	41.9	160.3	128.8	80.3	53.4	20.7	443.6
(%)	100.00%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Growth strategy 1: Further expansion into more regional markets ➤

As part of its growth strategy, Infomina aims to continue expanding its footprint into more markets, especially China, Hong Kong and Taiwan (part of CA partner regions that it currently does not have a strong presence). In addition, it intends to set up regional sales offices in existing overseas markets, such as Singapore, Thailand, the Philippines, Hong Kong and Indonesia. Note that all regional customers are supported by its Malaysia office at this juncture. As a Premier Tier 1 VAD and sole appointed distributor of Broadcom Mainframe Software in CA partner regions, we understand that Infomina is the sole appointed distributor of Broadcom mainframe software in these countries. Local presence in these markets will allow Infomina to be nearer to its customers in overseas markets, allowing it to capture more new clients as well as have increased interactions with customers in the region.

In addition, Infomina intends to recruit additional staff (both sales and technical staff) for its Malaysia and upcoming regional offices. This will allow the company to increase its competitiveness and enhance the comprehensiveness and quality of its technology application and infrastructure solutions.

Figure 15: Countries that Infomina have presence as at end-FY22



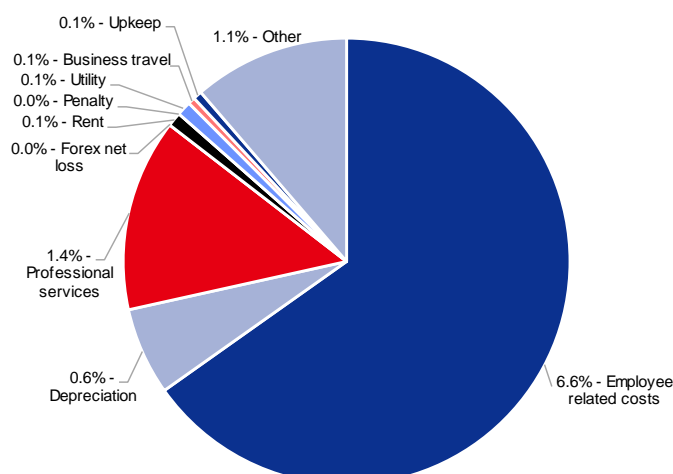
Growth strategy 2: Increase in marketing activities ➤

Infomina highlighted from its IPO prospectus that it had historically only identified new business opportunities mainly through request for quotations in competitive bidding open tenders or direct negotiations. In FY23F, Infomina intends to allocate more resources in branding and marketing. With enhanced market visibility and more brand recognition activities, Infomina is confident in attracting new clients as well as build better relationships with existing customers. In our view, among planned activities could include: i) organising seminars and customer relationship events, ii) participating in more industry exhibitions, and iii) placing more advertisements through various platforms such as digital publications, websites, in-application advertisements and social media platforms. According to Infomina, its spending on advertising and marketing had been minimal up until now. We note that marketing expenses are captured in other expenses, which only makes up 2.3-11.1% of total administrative expenses (FY19-22) and 0.2-1.3% of Infomina's FY19-22 revenue, respectively.

Figure 16: Breakdown of administrative expenses (% of total revenue)

% of total revenue	FY19	FY20	FY21	FY22
Employee-related costs	8.3%	8.1%	7.9%	6.6%
Depreciation	0.8%	0.7%	0.7%	0.6%
Professional services	0.1%	0.3%	0.6%	1.4%
Net loss on foreign exchange	0.0%	1.4%	0.2%	0.0%
Rent expenses	0.3%	0.3%	0.3%	0.1%
Penalty	0.0%	1.1%	0.2%	0.0%
Utilities expenses	0.3%	0.3%	0.2%	0.1%
Business travels expenses	0.2%	0.4%	0.1%	0.1%
Upkeep	0.1%	0.1%	0.1%	0.1%
Other	0.2%	0.5%	1.3%	1.1%
Total (%)	10.3%	13.1%	11.6%	10.2%
Total admin expenses (RM m)	6.8	10.7	12.2	20.4
Total revenue (RM m)	66.0	81.6	105.2	201.1

SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

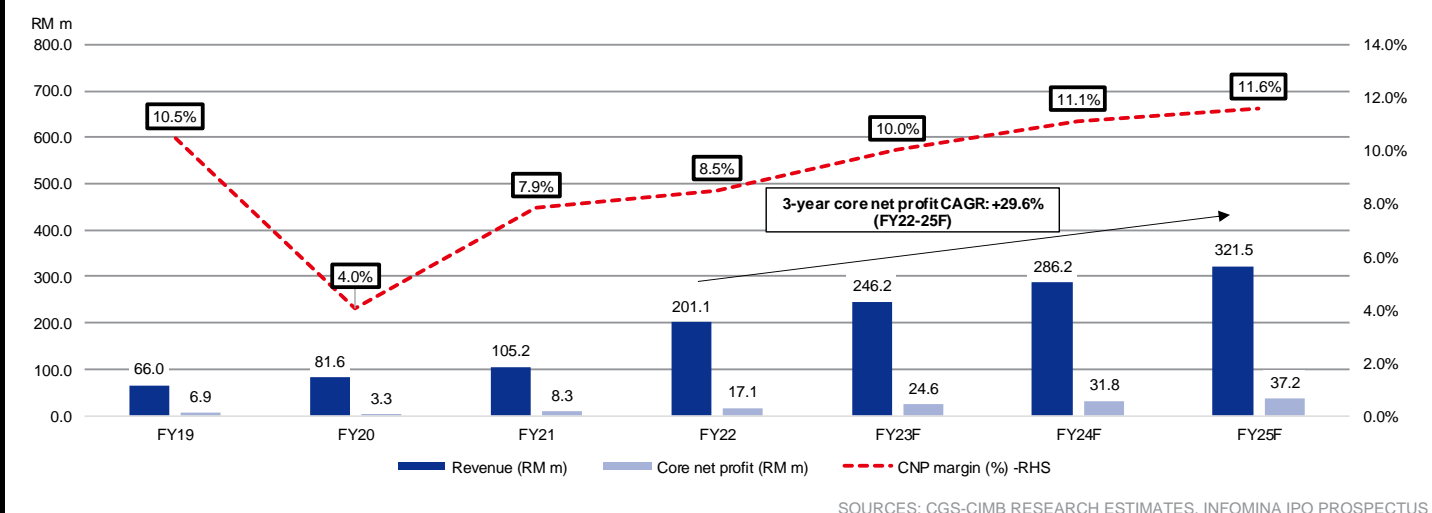
Figure 17: FY22 - breakdown of admin expenses (% of revenue)


SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Projecting a 3-year core EPS CAGR of 29.6% ➤

We project Infomina to register a strong 3-year core EPS CAGR of 29.6% over FY22-25F, underpinned by strong growth from both turnkey and renewal segments, leading to a 3-year revenue CAGR of 16.9%. This is thanks to: i) new client acquisitions (new users of mainframe), ii) upgrading works for existing mainframe users (capabilities enhancements, capacity improvements and etc), and iii) higher demand in the renewal segment. Note that turnkey contracts with customers tend to lead to continuous business opportunities via its technology infrastructure operations, maintenance and support services segment (renewal). We also expect Infomina to benefit from onboarding of Broadcom customers whose contracts are running down and were renewed prior to the signing of the CA partner agreement.

We also expect Infomina to post better gross profit margins across FY23-25F of 22.5-23.7% (vs. FY22: 20.8%) thanks to i) more profitable sales mix (higher proportion from the renewal segment which has better margins), and ii) higher economies of scale. We also expect Infomina to benefit from plans to further expand into more regional markets to cater to rising demand for mainframe-related services.

Figure 18: Revenue and core net profit trend


SOURCES: CGS-CIMB RESEARCH ESTIMATES, INFOMINA IPO PROSPECTUS

Figure 19: Key assumption table

	FY19	FY20	FY21	FY22	FY23F	FY24F	FY25F
Revenue (RM m)	66.0	81.6	105.2	201.1	246.2	286.2	321.5
Growth (%)	N/A	23.6%	28.9%	91.1%	22.4%	16.2%	12.3%
- <i>Turnkey segment (RM m)</i>	42.5	45.3	27.9	101.2	120.3	136.8	150.0
Growth (%)	N/A	6.6%	(38.6%)	263.2%	18.9%	13.7%	9.6%
- <i>Renewal segment (RM m)</i>	23.5	36.3	77.4	99.9	125.9	149.4	171.6
Growth (%)	N/A	54.6%	113.3%	29.1%	26.0%	18.7%	14.8%
Gross profit (RM m)	15.6	13.4	23.9	41.9	55.5	67.1	76.3
Growth (%)	N/A	(13.9%)	78.0%	75.0%	32.5%	20.8%	13.7%
GP margin (%)	23.7%	16.5%	22.8%	20.8%	22.5%	23.4%	23.7%
EBITDA (RM m)	9.4	4.8	12.7	23.3	32.7	41.4	47.5
Growth (%)	N/A	(49.0%)	165.5%	83.9%	40.1%	26.7%	14.9%
EBITDA margin (%)	14.2%	5.8%	12.0%	11.6%	13.3%	14.5%	14.8%
Profit before tax (RM m)	9.1	4.5	12.0	22.1	32.0	40.8	47.3
Growth (%)	N/A	(50.3%)	167.3%	83.1%	45.2%	27.4%	16.0%
PBT margin (%)	13.7%	5.5%	11.4%	11.0%	13.0%	14.2%	14.7%
Tax rate (%)	23.9%	25.2%	31.2%	22.5%	23.0%	22.0%	21.3%
Net profit (RM m)	6.9	3.3	8.3	17.1	24.6	31.8	37.2
Growth (%)	N/A	(52.4%)	151.7%	107.0%	44.1%	29.1%	17.1%
Net profit margin (%)	10.5%	4.0%	7.9%	8.5%	10.0%	11.1%	11.6%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, INFOMINA IPO PROSPECTUS

Company background

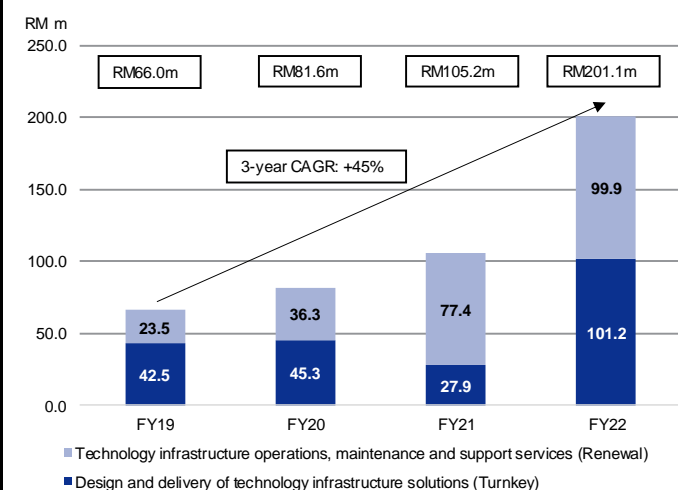
Business operations with two main revenue streams: Turnkey segment and Renewal segment ➤

Infomina's revenue stream can be divided into two segments:

- i) Turnkey - design and implementation of technology application and infrastructure solutions based on each customer's business needs and requirements; and
- ii) Renewal - provides customised operations, maintenance and support services for technology solutions.

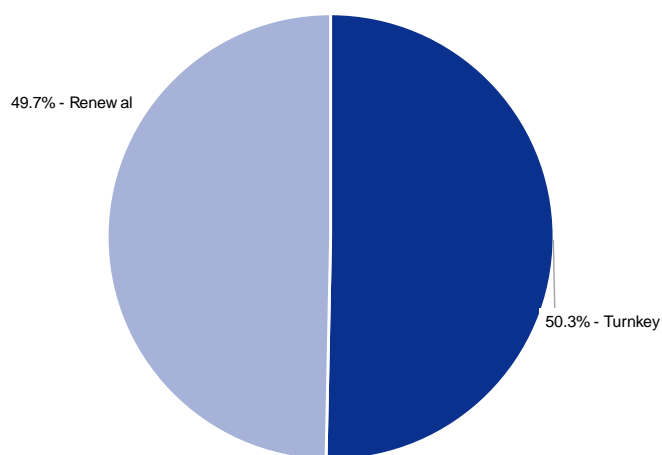
In terms of revenue contribution in FY5/22, the turnkey segment is only slightly higher at 50.3% vs. the renewal segment's 49.7%. Across FY19-22F, revenue contributions from the renewal segment had grown steadily with a 3-year CAGR of 62.1% (FY19-22). On the other hand, the turnkey segment contributed up to 26.5-64.5% of Infomina's total revenue across FY19-22. The tenure for its contracts typically range from 1 year to 6 years, depending on the scope in which the company has been engaged to perform. In terms of revenue recognition, this is typically based on the achievement of milestones set in each project.

Figure 20: Revenue breakdown by business segment



SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

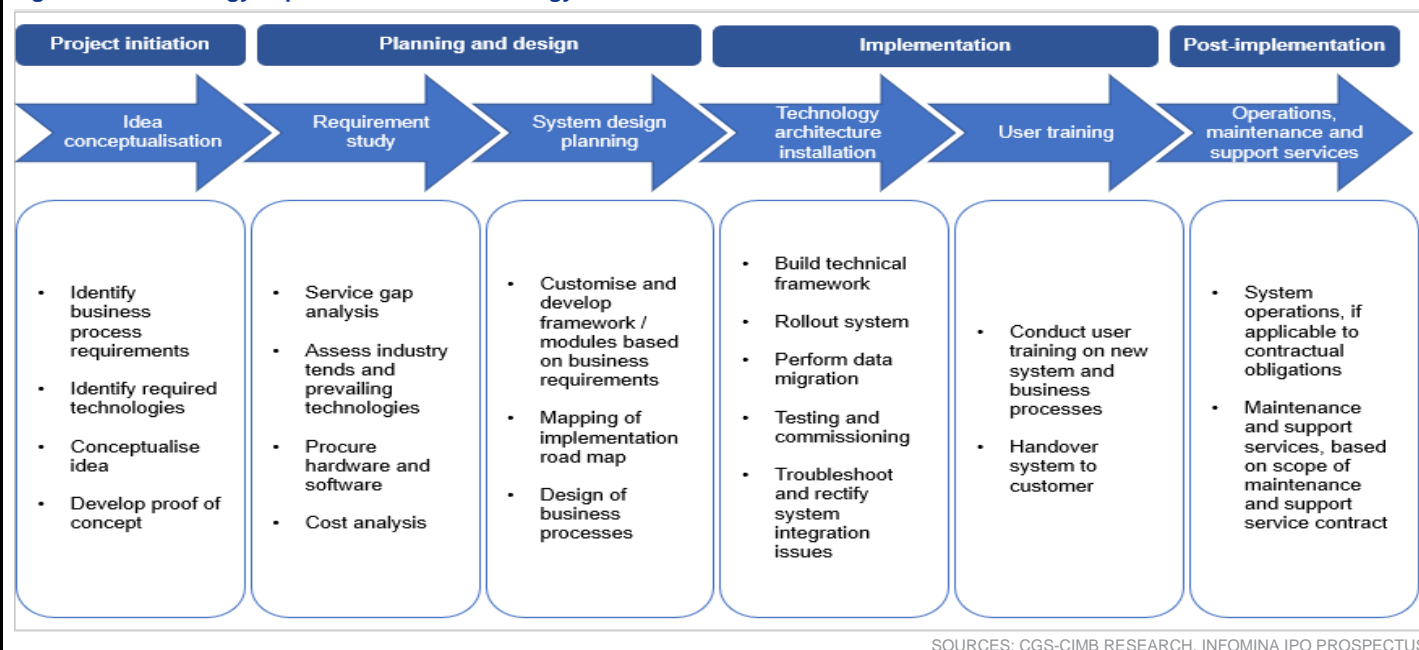
Figure 21: FY22 - % revenue breakdown by business segment



SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Solution customising as one of its competitive strengths ➤

With its in-house capabilities and extensive knowledge in mainframe software technology, Infomina is able to provide comprehensive end-to-end solutions (both hardware and software) based on each customers' business requirements as well as technological advancements. It is able to design and build customised mainframe technology application and infrastructure solutions with different platforms, storage systems, security systems, hardware, software and network equipment to support critical applications (may involve bulk data processing for tasks such as large-scale data entry, transaction processing and enterprise resource). Its technology implementation methodology is as below:

Figure 22: Technology implementation methodology


Government agencies contract - 49.3% of FY22 revenue ➤

In terms of revenue breakdown by industry, contracts from government agencies made up 49.3% of its FY22 revenue. This is followed by customers in financial services, contributing up to 37.9%, followed by others, at 12.8%. Note that “others” comprise businesses that operate in a number of industries, other than financial services and government agencies. Note that its customers from the government agencies segment are mainly Malaysia-based, while clients from other segments are from both the domestic and international markets.

Figure 23: Major customer breakdown by revenue contribution

No	Customers	Country	Business activities	Type of Service	Revenue contribution (%)				Years of relationship
					FY19	FY20	FY21	FY22	
1	Customer K	Malaysia	Government agency	Renewal				24.5%	3
2	The Siam Commercial Bank Public Company Limited	Thailand	Provision of financial services	Renewal		10.8%	20.1%	10.0%	3
3	Customer J	Malaysia	Government ministry	Turnkey	70.3%	54.5%	19.0%	23.3%	6
4	Customer P	The Philippines	Provision of financial services	Renewal		2.6%	15.3%	9.7%	3
5	Customer H	Malaysia	Provision of IT systems services	Turnkey	21.6%	21.8%	11.1%	7.5%	14
6	Bangkok Bank Public Limited Company	Thailand	Provision of financial services	Renewal			7.3%		2
7	Customer C	Malaysia	Statutory body	Turnkey	1.4%	1.6%			7
8	BSN	Malaysia	Provision of financial services	Renewal	3.5%				6
9	Customer M	Malaysia	Provision of financial services	Renewal	2.2%				5
Total (%)					99.0%	91.4%	72.8%	75.0%	
Revenue contributed (RM m)					65.3	74.6	76.6	150.6	

Note:

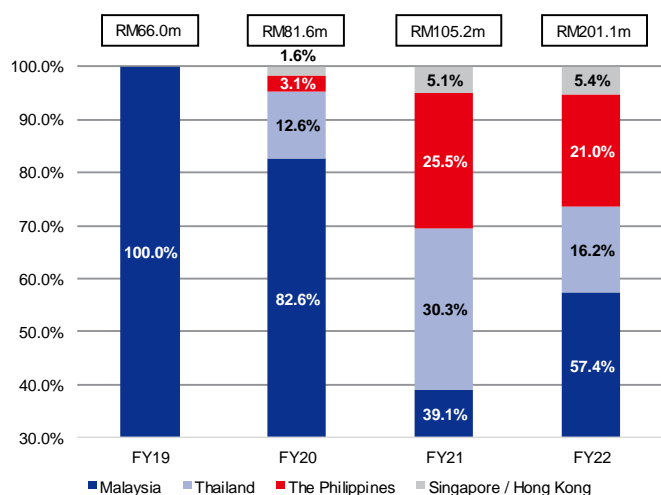
- Customer K is a government agency responsible for administrating Malaysia's indirect tax policy in relation to import and export duty, excise duty, sales tax and service tax and prevention of smuggling activities.
- Customer J is a ministry of the Government which is responsible for safety and public order, immigration, border control and population registry. Contracts with Customer J are for the benefit of a national registry body under the purview of the Ministry of Home Affairs Malaysia. It provides registration service to the public (i.e. birth, death, adoption, marriage and divorce), determining citizenship status and the issuance of identity card to eligible individuals. It has service branches that are located in 13 states and 2 federal territories in Malaysia. In FY22, contracts with Customer J are also for the benefit of the immigration department.

SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Malaysia is the main contributor to revenue ➤

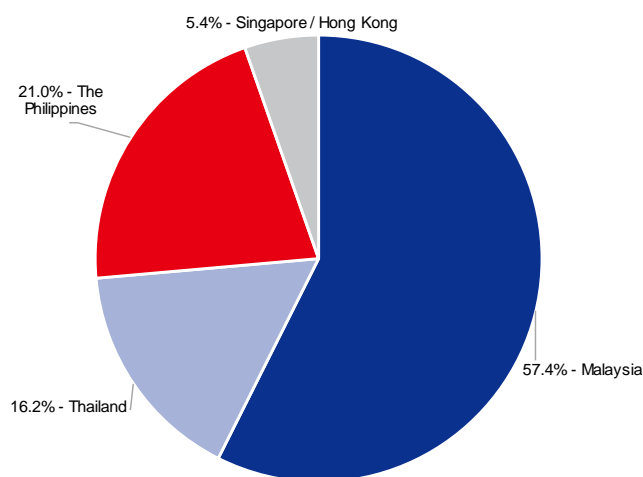
In FY19, Malaysia was its primary geographical segment revenue contributor. This changed from FY20 onwards when the company began to expand its operations overseas to Thailand, the Philippines, Singapore and Hongkong. This coincided with the signing of a regional partner agreement with CA Singapore in 1QFY5/20. As of FY22, overseas markets contributed up to 42.6% of the group's total revenue, with revenue contributions from overseas operations growing at a 2-year CAGR of 145.5% (FY20-22F). Going forward, we expect contributions from overseas market to Infomina to continue to rise in tandem with its growth plans.

Figure 24: Revenue breakdown by geographical segment



SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Figure 25: FY22 - % revenue breakdown by geographical segment

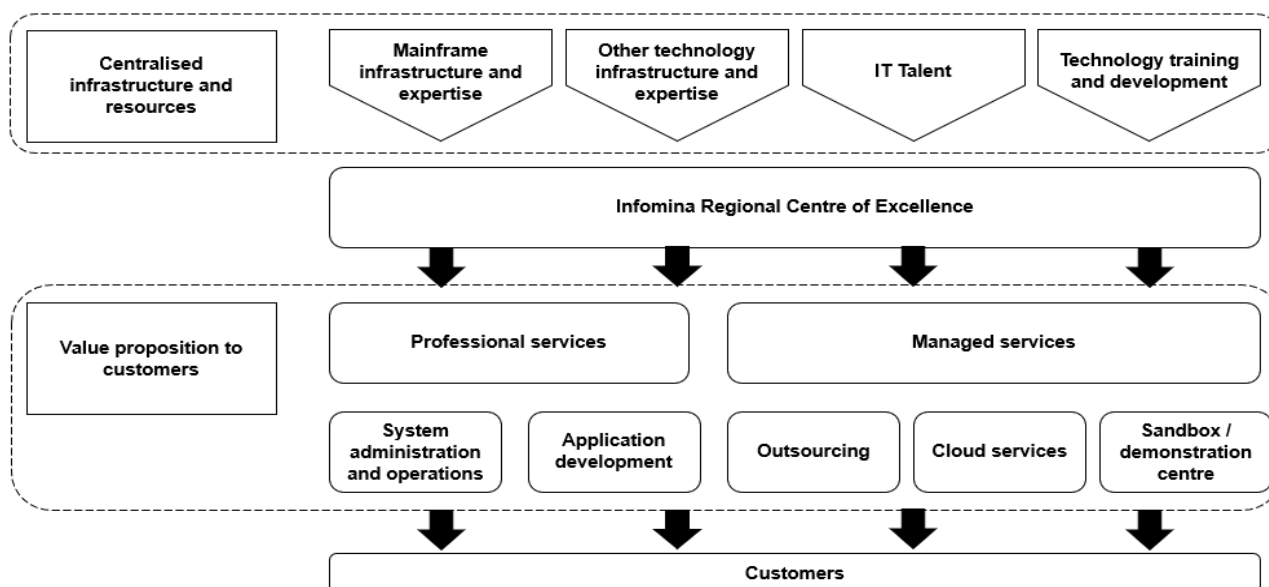


SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Strengthening its R&D capabilities ➤

Using its IPO proceeds, Infomina intends to strengthen its R&D capabilities, which will allow it to expand its technology application and infrastructure solutions in line with latest technological developments in the market. This is in order to maintain Infomina's competitiveness and increase its market presence. It also intends to replicate its technological solutions to be implemented across other industry verticals and allow the company to cater to new clients beyond its current primary customer base of the government and financial sectors. As part of its R&D activities, Infomina intends to focus on two key developments, namely VIDESPAC and Regional Centre of Excellence.

- **VIDESPAC** is a business collaboration and communication platform application that was developed in-house in 2020. Presently, the application is free while it has the features and modules under VIDESPAC include chat communication, collaborative user tagging, digital file sharing, instant notifications and application marketplace. Infomina intends to further expand the functionalities of VIDESPAC, which it intends to monetise by offering a premium version that allows customisation with advanced platform features, including local hosting and individualised user interface for paying users.
- Infomina aims to enhance its **Regional Centre of Excellence** to provide best practices and drive innovation within organisations for successful digital transformation. This centre will be capable of providing a supercomputing mainframe environment and real world systems to support customers via collaborations with world renowned international technology principals that it currently has relationships with. In addition, the centre will function as an offsite disaster recovery centre for subscribing organisations while offering mainframe as a service via its COE at which customers can tap into the external mainframe management services.

Figure 26: Value proposition for the regional Centre of Excellence


SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Major suppliers made up 80.8% of total purchases in FY22 ➤

Infomina's top four suppliers mainly comprise suppliers of its software and hardware products. In FY22, its largest supplier was CA group (owned by Broadcom) which supplies it with all the necessary software, including mainframe ones. This is followed by Supplier N, which is a China-based supplier (operates in more than 170 countries and regions) and involved in the manufacturing of security inspection products. This is mainly for the supply of cargo supply machines which is part of its job scope for Customer K, a government agency that was part of an ongoing contract in FY21-22. The remaining two suppliers are mainly for IT peripherals used in its operations (both turnkey and renewal). Also, the company depends on outsourced manpower when it requires additional technical staff for certain projects, as provided by Supplier Z in FY21 and Wesure Sdn Bhd in FY20, as well as in FY22.

Figure 27: Major supplier breakdown by purchase contribution

No	Suppliers	Country	Inputs procured	Purchase contribution (%)				Years of relationship
				FY19	FY20	FY21	FY22	
1	CA Group	Singapore and Malaysia	Software	14.6%	27.3%	66.4%	45.0%	8
2	Supplier N	China	Hardware, software and services			4.2%	21.1%	3
3	VSTEC S Pericomp Sdn Bhd	Malaysia	Enterprise servers, storage, network products and software				7.6%	8
4	Ingram Micro Malaysia Sdn Bhd	Malaysia	Enterprise servers, storage, network products and software				3.6%	6
5	Wesure Sdn Bhd	Malaysia	Manpower for technical support and maintenance services		6.5%		3.5%	2
6	Supplier Z	Malaysia	Manpower for technical support and maintenance services			4.2%		2
7	Supplier C	Malaysia	Manpower for technical support and maintenance services			3.4%		2
8	Rightsledger Philippines, Inc.	Philippines	Manpower for technical support and maintenance services			3.2%		2
9	DMX Packet (Malaysia) Sdn Bhd	Malaysia	Hardware		8.5%			3
10	Supplier H	Malaysia	Hosting services	21.8%	7.1%			6
11	Supplier I	Malaysia	Software		8.8%	6.2%		6
12	Tech Data Advanced Solutions (M)	Malaysia	Hardware and software	5.3%				5
13	Supplier E	Malaysia	Hardware and software	5.3%				4
Total (%)				55.8%	55.6%	81.5%	80.8%	
Purchase contributed (RM m)				28.0	37.9	66.3	128.6	

Note:

- i) Supplier N is a security inspection products company which held under a China-based corporation listed on the Shanghai Stock Exchange. Supplier N is principally involved in the manufacturing of security inspection products, which include scanners for baggage and parcel inspection, cargo and vehicle inspection, personnel inspection, and fever screening technology. The company operates in more than 170 countries and regions.

SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Technical staff made up 69% of its total employees in FY22 ➤

As an IT technology company, Infomina leverages on its technical staff for its day-to-day operations (both turnkey and renewal segments). According to its prospectus, it had up to 78 technical staff, which made up 69% of its total workforce (113) as at end-Sep 22. Its technical staff, as well as its sales consultants (96), would have generally undergone training and been certified by its technology partners and suppliers. As of Nov-22, 111 staff are full-time employees while only 11 are on a contract basis as support engineers for projects involving government agencies (contract duration of 6-12 months).

Figure 28: Breakdown of employees by category

Category of employees	No. of employees		
	FY21 (31 May 2021)	FY22 (31 May 2022)	As at LPD (30 Sept 2022)
Management / Managerial	4	4	4
Technical	88	78	85
Sales & Marketing			
- Sale consultant / Sale Manager	8	9	10
- Pre-sale consultant	10	9	7
Finance	4	5	5
Human resources / Administrative	9	8	11
Total	123	113	122

SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Led by an experienced management team ➤

Infomina is currently led by its managing director, Yee Chee Meng, who has more than 25 years of experience in the IT and technology industry. His first job was with Computer Associates (Malaysia) Sdn Bhd (or known as CA Malaysia), holding the position of Country Sales Director before he left CA Malaysia in 2010. From 2010 to 2017, he was a freelance IT consultant at Infomina before officially joining the company in 2017 as its managing director. Note that he acquired equity interest in Infomina and became a shareholder in the same year.

Yee Chee Meng is supported by an experienced seven-member management team that includes three executive directors. On average, each member of its senior management team has had more than 8 years of relevant working experience in Infomina.

Figure 29: Summary on board of directors

No	Name	Designation	Current role and responsibilities	Years of service of management in Infomina	Age
Board of directors					
1	YEE CHEE MENG	Managing Director	Responsible for leading the business direction, management strategic development and regional expansion of Infomina in the Asia Pacific region.	12 years (since 2010)	47
2	LIM LEONG PING	Executive Director	Responsible for executing the business development activities, focusing on the public relation with private sector companies as well as supporting the project team for large and complex	5 years (since 2017)	59
3	MOHD HOSHAIRY BIN ALIAS	Executive Director	Responsible for executing the business development activities, focusing on the public relation with private sector companies	15 years (since 2007)	57
4	NASIMAH BINTI MOHD ZAIN	Executive Director	Responsible for managing contracts (including the coordination of proposals or tender preparation from reviewing terms to coordinating deadlines).	8 years (since 2014)	38

SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Figure 30: Supported by strong key management team

No	Name	Designation	Current role and responsibilities	Years of service of management in Infomina	Age
Key senior management					
1	TAN SIANG PIN	Regional Sales Director	Responsible for managing the overall business development, sales marketing, and establishing relationships with international technology vendors.	3 years (since 2019)	52
2	MOK PEK YOKE	Operations Director	Responsible for managing Infomina's operations, including applications development, project planning, resource allocation, and delivery of projects.	12 years (since 2010)	52
3	WEE CHIOU MAN	Finance Director	Responsible for the financial matters management (financial reporting functions).	6 years (since 2016)	51
4	AZHAM BIN MAT YASIR	Head of Human Resources	Responsible for overseeing the overall HR function	3 years (since 2019)	36

SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Raised IPO proceeds of RM32.5m ➤

Infomina was listed on the Ace Market of Bursa Malaysia on 25 Nov 2022, raising IPO proceeds of RM32.5m. At IPO price of RM0.40sen/share, the utilisation of IPO proceeds is summarised in the table below.

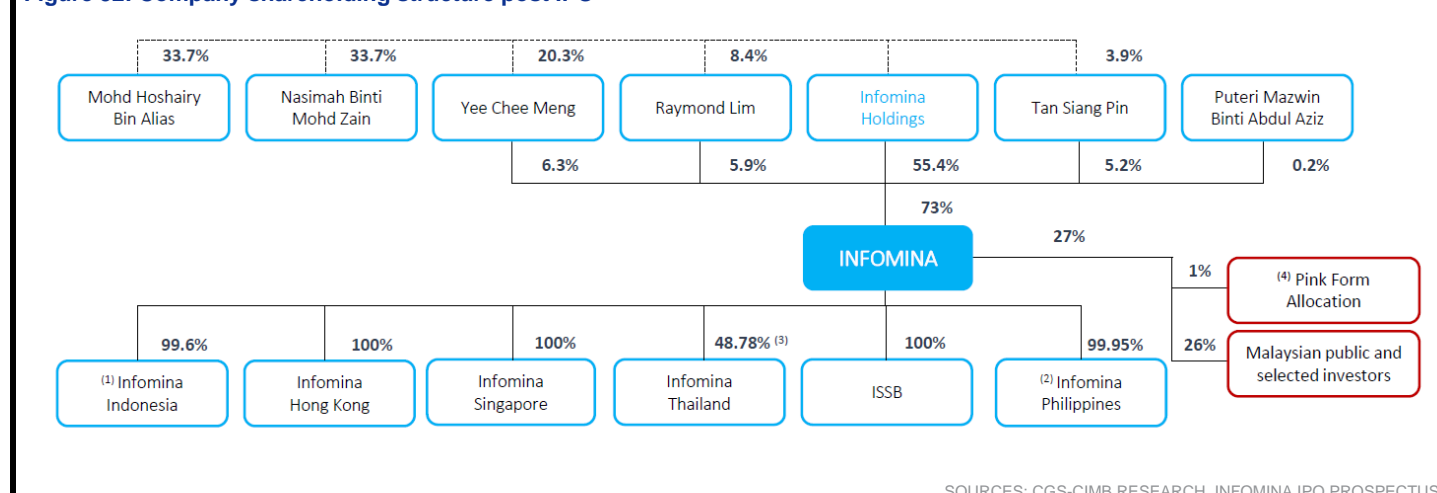
Figure 31: Utilisation of proceeds

Utilisation of proceeds	RM (m)	%	Estimated timeframe for utilisation
Strengthen R&D to expand technological application and infrastructure solutions	7.6	23.4%	Within 24 months
Regional expansion to capture growth opportunities	5.5	17.0%	Within 18 months
Branding, marketing and promotional activities	0.9	2.7%	Within 18 months
Working capital	14.0	43.0%	Within 12 months
Estimated listing expenses	4.5	13.9%	Within 1 month
Total	32.5	100.0%	

SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Current shareholding structure ➤

Currently, Infomina's largest shareholders are Mohd Hoshairy bin Alias and Nasimah Binti Zain, who each have effective stakes of 18.8% in the company (via their 33.7% stakes each in Infomina Holdings, which in turn holds a 55.4% stake in Infomina Berhad). Note that both shareholders are executive directors of the listed company. The third largest shareholder is Yee Chee Meng, group managing director and executive director, who holds an effective 20.3% stake in Infomina Holdings (note that he is also directly holding a 6.3% stake in Infomina Berhad). Excluding stakes owned by other directors and employees of the company, we estimate the free float of the company to be 26%.

Figure 32: Company shareholding structure post IPO


SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Industry outlook

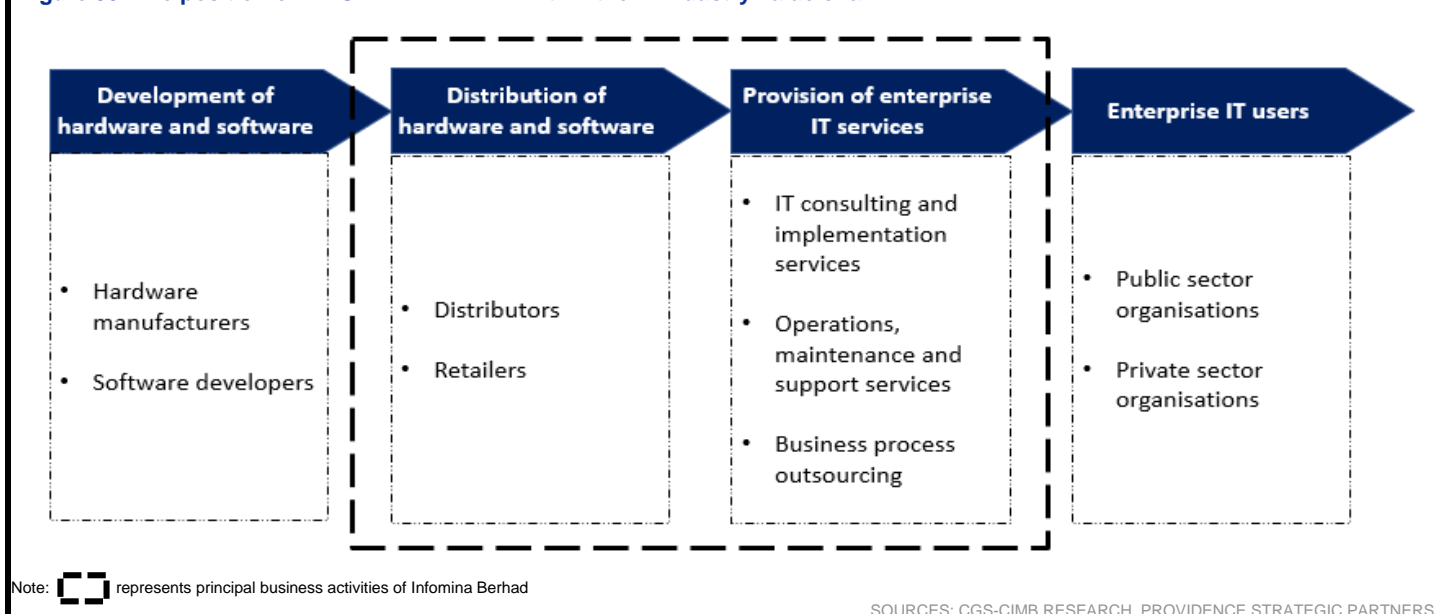
Key growth drivers ➤

Companies involved in the information technology (IT) sector can be segregated into three sub-groups:

- 1) Hardware – companies that manufacture and/or distribute IT-related hardware such as computer equipment, servers, mainframes and electronics.
- 2) Software – companies that develop software for the Internet, for computer applications, for database management or home entertainment. It also includes data processing, technology consulting, outsourced services, operations, maintenance and support services.
- 3) IT services – companies that offer IT consulting and implementation services; operations, maintenance and support services as well as business process outsourcing.

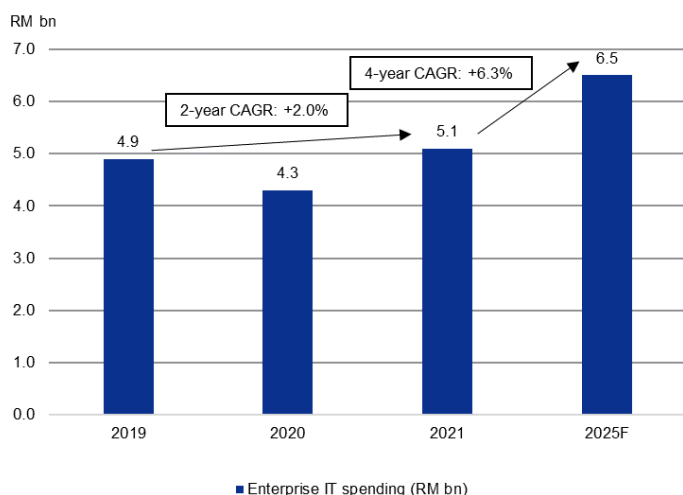
Based on Infomina's operations and business model, its position in the IT industry value chain mainly revolves around the provision of enterprise IT as well as limited exposure to the distribution of hardware and software for certain suppliers/principals.

Figure 33: The position of INFOMINA BERHAD within the IT industry value chain

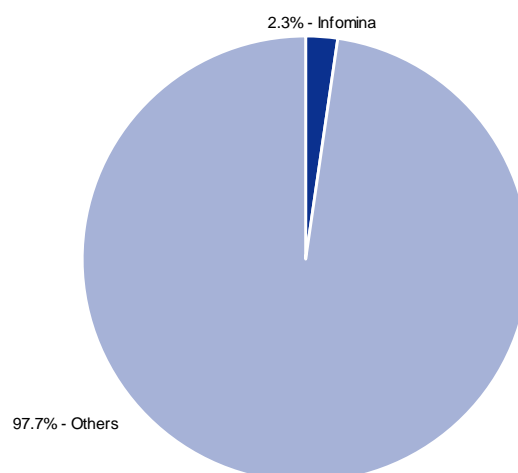


Enterprise IT services industry in Malaysia expected to grow at a CAGR of 6.3% (2021-2025) ➤

According to Industry Market Report by Providence (a Malaysian independent market research firm), the enterprise IT services industry in Malaysia was valued at RM5.1bn in 2021, having grown at a CAGR of 2.0% from RM4.9bn in 2019. Going forward, Providence estimates the enterprise IT services industry in Malaysia to grow to RM6.5bn by 2025F at a CAGR of 6.3% (2021-2025F). We believe, this will mainly be driven by i) increasing demand for IT system integration services in tandem with the higher penetration rate of IT systems used in enterprises, ii) favourable government initiatives aimed at boosting the country's digital economy, and iii) more emphasis on usage of IT to sustain business operations (remote access, automated reporting, electronic data exchange and real time factory controls). Based on Infomina's FY22 revenue of RM115.4m derived from Malaysia operations, it currently only has a c.2.3% share of the country's IT enterprise spending, using 2021's number of RM5.1bn.

Figure 34: Enterprise IT services industry in Malaysia


SOURCES: CGS-CIMB RESEARCH, PROVIDENCE STRATEGIC PARTNERS

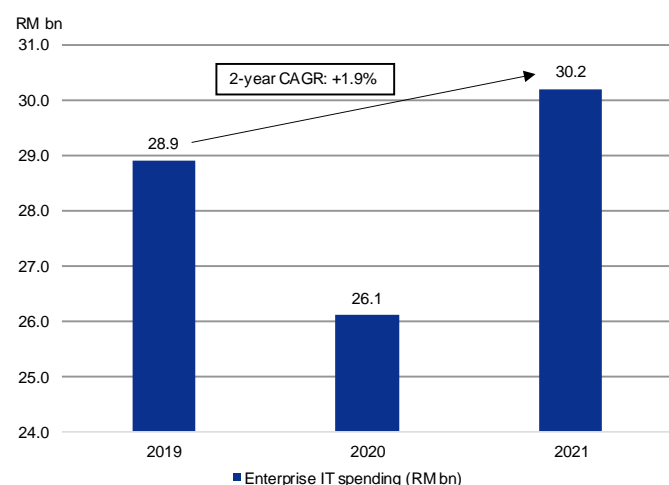
Figure 35: Infomina has a 2.3% market share of Malaysia's IT enterprise spending as at end-FY22


SOURCES: CGS-CIMB RESEARCH, PROVIDENCE STRATEGIC PARTNERS

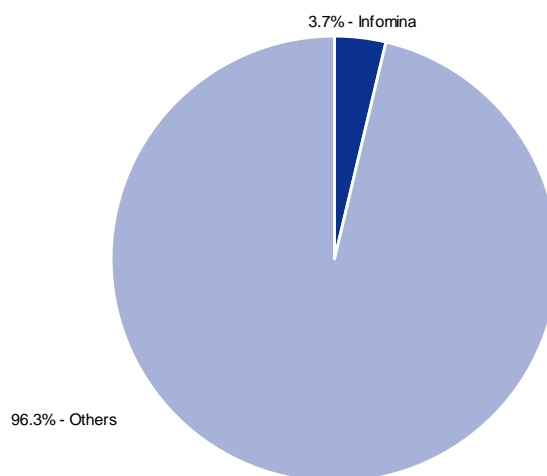
Infomina is estimated to have a 3.7% market share in the enterprise IT services market in Southeast Asia ➤

Based on data from Industry Market Report by Providence, the enterprise IT services market in Southeast Asia (ASEAN) grew at a 2-year CAGR of 1.9% from RM28.9bn in 2019 to RM30.2bn in 2021. In 2021, Providence estimates that enterprise IT spending in Malaysia, Thailand and the Philippines was a total of RM11.7bn. Based on Infomina's FY22 revenue derived from these three countries of RM190.3m, Infomina is estimated to have a market share of 3.7%.

Future growth in the region will be driven by increasing demand for IT system integration services given higher penetration rates for IT systems used in enterprises, favourable government initiatives aimed at boosting the digital economy, better demand for IT consultancy services and system operations, maintenance and support services due to the rising number of end-users and growing complexity of enterprise IT systems (according to Providence).

Figure 36: Enterprise IT services industry in Southeast Asia


SOURCES: CGS-CIMB RESEARCH, PROVIDENCE STRATEGIC PARTNERS

Figure 37: Infomina has a 3.7% market share of Southeast Asia's IT enterprise spending as at end-FY22


Note: Including revenue from Malaysia, Thailand and the Philippines.

SOURCES: CGS-CIMB RESEARCH, PROVIDENCE STRATEGIC PARTNERS

Key growth drivers ➤

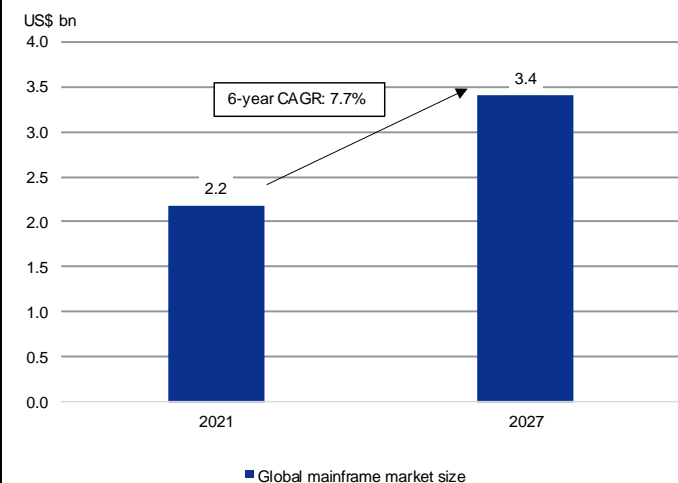
Going forward, demand for enterprise IT services industry in the ASEAN region is expected by Providence to be driven by:

- Higher investments to support organisations adopting technological change. This is further exacerbated by the Covid-19 pandemic leading to necessary adaptations to remote working and/or hybrid work arrangements.
- Increasing amounts of data used and consumed due to global digitalisation.
- Rise of cloud computing creating demand for enterprise IT services.
- Government initiatives to support IT industry/adoption of digital technology.

Global mainframe market valued at US\$2.2bn in 2021 ➤

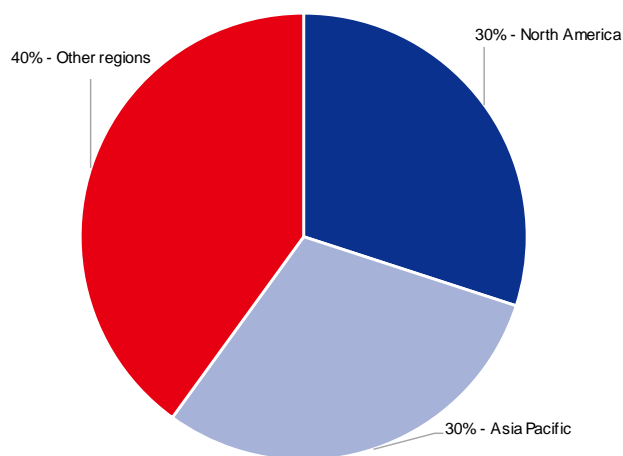
According to IMARC (International Market Analysis Research and Consulting Group), global mainframe market was valued at US\$2.2bn in 2021. This is slated to grow by a CAGR of 7.7% (2021-2027F) up to 2027F, driven by the rise in demand of high-performance computing, development of IoT landscape (digitalisation), increase in large data sets and growth in adoption of mainframe as a service. It is estimated that North America is the largest market for mainframes (>30%), followed by Asia Pacific (c.30%) as at 2021.

Figure 38: Global mainframe market size growth (2021-2027F)



SOURCES: CGS-CIMB RESEARCH, IMARC DATA

Figure 39: Mainframe market share breakdown by regions (2021)

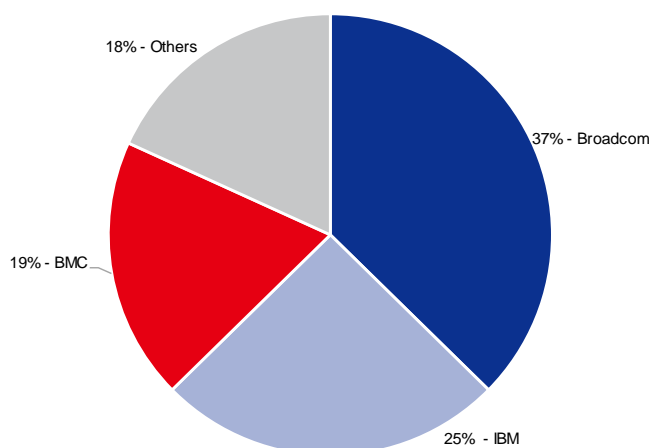


SOURCES: CGS-CIMB RESEARCH, PROFICIENT MARKET INSIGHTS

Broadcom is the global market leader in mainframe software ➤

In terms of global market share of the mainframe software market, Broadcom is estimated to have a 37% market share, the largest among its peers. This is based on market research analysis in 2020 by Gartner, a leading global market research firm. According to Broadcom, the mainframe software market is a US\$7bn opportunity for the company.

Figure 40: Broadcom leading in a US\$7bn+ market (CY20 market share analysis)



SOURCES: CGS-CIMB RESEARCH, BROADCOM INVESTOR PRESENTATION

Key risks

Delays in technology applications and infrastructure solution project deliverables ➤

The deliverables of technology applications and infrastructure solution projects are subject to unexpected delays or interruptions caused by factors beyond its control. If there are any delays caused by customers which result in delays in the progress of its projects, the timing of delivery will be affected and this will subsequently affect the timing for revenue recognition and collection of payment from customers, thus affecting Infomina's financial performance. Any other unexpected events, such as pandemics, accidents and natural disasters, can also lead to delays in the delivery of progress of projects.

Also, its technology applications and infrastructure solutions may be subject to specific completion schedules. For certain turnkey projects, its customers are entitled to claim liquidated ascertained damages (LAD) from Infomina in the event that it does not meet delivery schedules. At this juncture, Infomina is appealing to Customer K to waive an LAD of RM3m (17.5% of FY22 net profit) that it was served in Aug 22 as a result of progress delays in the project. According to Infomina, the delays were mainly owing to Covid-19-related impacts and MCO restrictions.

Customer concentration risks ➤

In our view, Infomina faces customer concentration risks as its top five customers for FY19-22 contributed up to 75-99% of its total revenue. Given the large scale size of turnkey projects and long delivery time frame (six months to two years), any loss of major customers will pose a risk to its business as it has limited scale to cater to large numbers of clients at any one time. In the event of any loss of its major customers, this would lead to lower revenue as securing and/or commencement of new projects take time.

Lower-than-expected margins for its technology applications and infrastructure solution projects ➤

For its turnkey projects, most technology applications and infrastructure solution projects are awarded through a competitive tendering process (most contracts are fixed price). Its fees in the submission of quotation are based on estimated time and costs needed to complete the project. However, the actual time and costs for the project may vary subject to market conditions (higher supply costs, increase in labour charges, etc.) as well as unforeseen circumstances (technical difficulties, problems faced in integration with third party vendors' products, delays in procurement of additional hardware). This could lead to cost overruns or schedule variations leading to a negative impact on the profitability of these projects and consequently, weaker financial performance.

Dependent on CA Singapore (Broadcom) as major supplier and/or termination of Tier 1 VAD status by CA Singapore ➤

Infomina is reliant on CA Singapore as its key vendor for Broadcom mainframe technology. As at end-FY22, CA Singapore made up 45% of Infomina total purchases. In addition, Infomina is currently the sole Tier 1 VAD for CA Singapore in its Partner Regions.

Should its agreement with CA Singapore be terminated (currently renewed on a year-to-year basis), its competitiveness will be affected as it will need time to familiarise itself with the hardware and software specifications as well as system processes of other product principals, including the implications of its integration in its technology solutions. It also may also not be able to procure mainframe technologies from other suppliers at competitive rates, or may need to incur

additional costs to incorporate mainframe technologies from other suppliers in its technology solutions.

We note that CA Singapore has had a working relationship with Infomina since 2015, while Infomina's CEO, Yee Chee Meng, was previously an employee of CA in Malaysia.

Shortage of key IT staff ➤

We believe the delivery of Infomina's projects and reputation hinge on its ability to hire and retain competent as well as skilled IT staff. Its ability to execute its projects and provide technology application and infrastructure solutions requires the expertise of IT staff who have necessary knowledge as well as experience in technology and industry trends in the IT field. Any loss of its IT staff and its inability to find suitable replacements in a timely manner may cause disruptions to its project deliverables. For FY19-22, Infomina had an IT staff turnover of 7.3-30.1%. However, the company was able to recruit replacements in a timely manner, which did not lead to any material delays in its business operations. In addition, it has also been able to engage third-party IT consultants to support its in-house manpower, but this could lead to margin erosion from higher cost of goods.

Not keeping abreast of technological advancements ➤

As Infomina specialises in mainframe technology, any technological advancements globally leading to the replacement of mainframe as the preferred core platform will render Infomina's services/products in terms of mainframe technology obsolete. As a technology solutions company, its future success depends on its ability to adapt to rapidly changing technologies while adapting its services to evolving industry standards. In addition, in the event that Infomina is unable to keep abreast with technological changes globally, it will be less competitive against its peers in the industry and would lead to business risks.

Exposure to forex losses ➤

The company is exposed to foreign currency with its purchases mainly paid in US\$ (45.3% of total COGS in FY22). A weakening ringgit could lead to lower profitability for the company.

While its revenues are denominated in RM, THB, PHP and US\$ depending on the location of the project, Infomina typically quotes its foreign customers in US\$ to act as a natural hedge. Apart from natural hedging (between purchases and revenue in foreign currency), Infomina currently does not hedge its exposure to foreign currencies, leading to risk of forex fluctuations in the currencies that it transacts.

SWOT ANALYSIS

Figure 41: SWOT analysis

Strengths	Opportunities
1. Established provider of IT solutions especially in regards to mainframe technology	1. Beneficiary of growing demand for mainframe usage
2. Status as sole Tier 1 VAD for CA Singapore (Broadcom) in CA Partner Regions	2. Benefitting from rising digitalisation globally, especially in large data and transaction processing
3. Proven track record with successful project deliveries	3. Ability to provide IT solutions beyond current product/service offerings
4. Diversified customer base including government agencies, financial industries and various sectors	4. Further expansion of CA partner regions allowing Infomina to enter new markets
5. Strong exposure to various overseas market besides Malaysia	5. Stickiness of customers due to nature of projects surrounding mainframe technology
6. Fairly high barriers to entry especially for new and/or smaller players	6. Higher usage of mainframe in more industries
Weaknesses	Threats
1. Heavy reliance on CA singapore (Broadcom) as a supplier	1. Competition from other companies involved in mainframe technology service provider
2. Exposure to market sentiments which may lead to lower spending on digital infrastructure by companies	2. Legal claims due to poor deliverables of project
3. Heavy reliance on IT staff	3. Delays in project deliveries
4. Dependence on key management personnel	4. New technology replacing mainframe technology

SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Strengths: Infomina has been established as a provider of IT solutions that has been mainly involved in the provision of mainframe technology since 2007. As of 2019, it has successfully been granted the status as sole Tier 1 “Value added distributor (VAD)” for CA Singapore (subsidiary of Broadcom Inc) in CA Partner regions. This is mainly thanks to its competitive advantage of: i) proven track record with successful project deliveries, ii) well diversified customer base including government agencies, financial industries and various sectors, and iii) strong exposure to various overseas market besides Malaysia. We think the mainframe industry has fairly high barriers to entry, especially for new and smaller players.

Opportunities: We like Infomina for its strong growth potential in the mainframe industry given the higher demand for mainframe technology on the back of rising digitalisation globally, especially in large data and transaction processing. In our view, Infomina is a beneficiary of growing demand for mainframe usage in more industries. On the other hand, Infomina plans to further expand its CA partner regions that would allow it to enter new markets. While Infomina intends to expand aggressively, it is confident of the stickiness of its customers due to the nature of the mainframe technology projects.

Weaknesses: We think Infomina’s business is highly dependent on external third parties (hardware and software vendors) for the execution of mainframe provisioning solutions. For instance, Infomina is heavily reliant on CA Singapore (Broadcom’s subsidiary) as its supplier. In addition, Infomina is also dependent on its IT staff and key management personnel in its day-to-day operations. Other than that, we think Infomina would be affected by its customers’ business performance in a weak global economy as weak market sentiment may lead to lower spending on digital infrastructure by its customers.

Threats: We think Infomina could be facing competition from other companies that are involved in the provision of mainframe technology services. Apart from that, Infomina may be facing several risks in operations such as: i) legal claims due to poor deliverables of projects, ii) delays in project delivery, and iii) replacement of mainframe technology with new technologies.

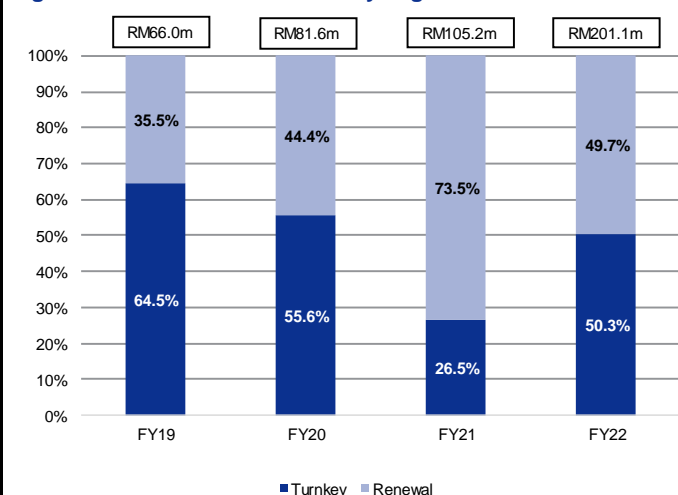
FINANCIALS

Historical results review ➤

Over FY19-22F, Infomina posted a 3-year topline CAGR growth of 45%. This was mainly driven by higher contributions from both turnkey (3-year topline CAGR of 33.5%) and renewal (3-year topline CAGR of 62.1%) segments. Historically, the turnkey segment had contributed up to 26.5-64.5% of Infomina's total revenue in FY19-22. Over FY19-22, in addition to higher contributions from local customers (3-year CAGR of 20.5%), we note that revenue contributions from the overseas markets had grown at a 2-year CAGR of 145.5%.

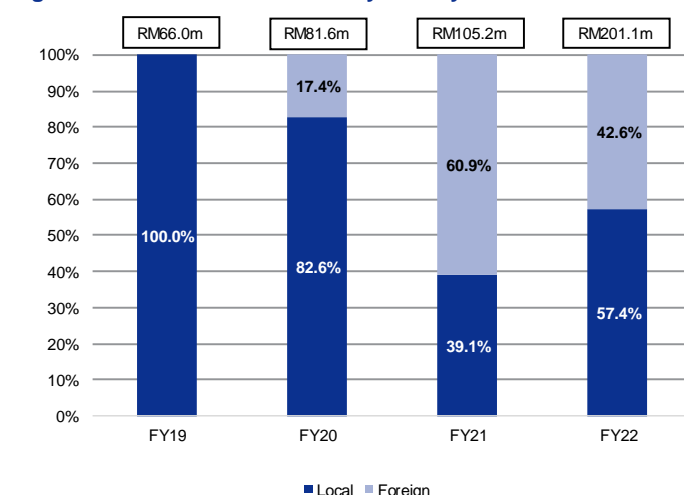
In FY22, Infomina posted a 107% yoy rise in revenue mainly driven by a sharp rise in the turnkey segment (+263.2% yoy). This was thanks to project recognition from a contract with Customer K (RM49.2m in FY22) and one new contract secured with Customer J (RM40.1m in FY22). Also, the renewal segment posted a 29.1% yoy rise in revenue, driven mainly by contracts with overseas clients. In FY22, revenue contributions from the turnkey and renewal segments were fairly balanced at 50.3% and 49.7% respectively of the group's total revenue.

Figure 42: Revenue breakdown by segment



SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

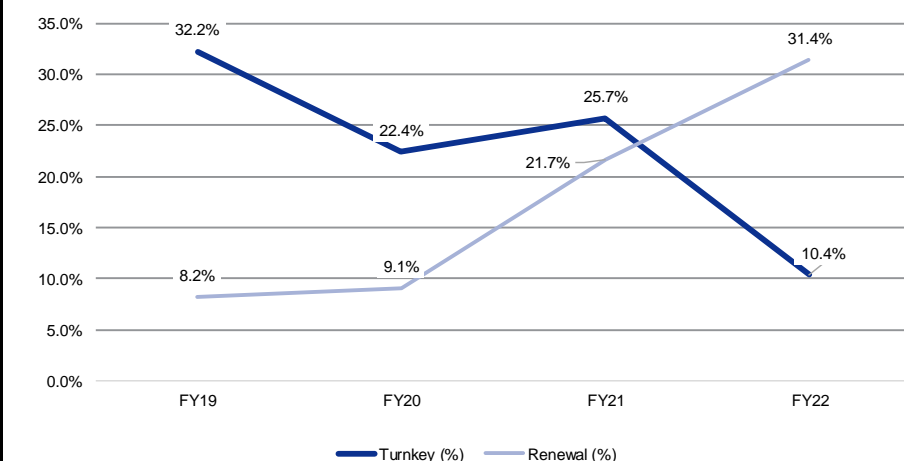
Figure 43: Revenue breakdown by locality



SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Gross profit margin by segment ➤

Over FY19-22, we note that GP margins for the turnkey segment have tended to be higher than for the renewal segment. However, GP margins for the turnkey segment dipped significantly in FY22 (-15.3% pts yoy) owing to increases in project-related hardware costs (procurement of radiography machines and related expenses for these products) owing to the nature of its contacts with Customer K. Also, Infomina had commenced new projects with several customers. Note that Infomina tends to record smaller margins at the initial stages of turnkey contracts, as it is required to incur a certain portion of the hardware cost in the early stages. On the other hand, we note that GP margins from the renewal segment have improved to 31.4% in FY22 (+9.7% pts yoy). According to Infomina, this was mainly thanks to the higher proportion of licensing and maintenance contracts from Thailand and the Philippines.

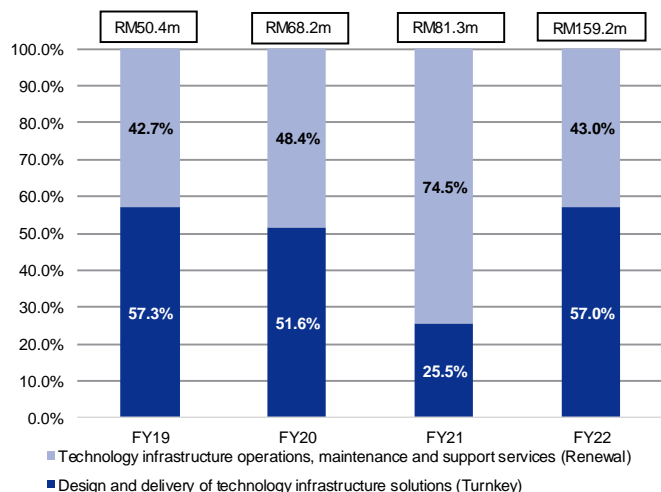
Figure 44: Gross profit margin by segment


SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

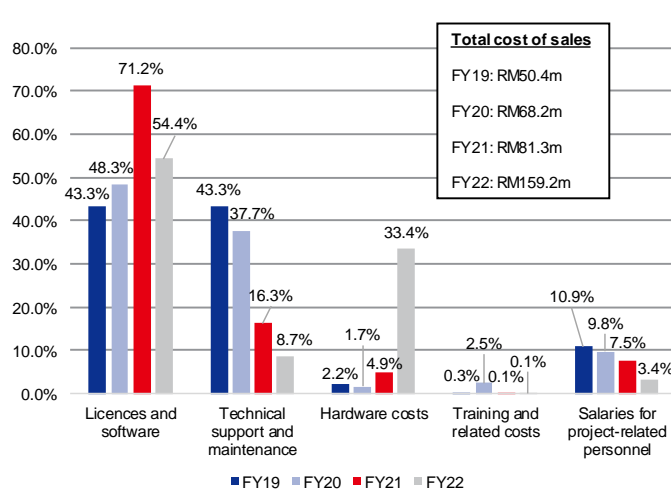
Cost of goods sold breakdown by component ➤

Licences and software make up the largest components of Infomina's COGS, accounting for up to 43.3-71.2% of total input costs across FY19-22. Its second largest cost component is technical support and maintenance costs (8.7-43.3% of FY19-22's COGS), which are mainly provided by its product principals/suppliers. These also include fees by third-party suppliers that Infomina do engage with at times to provide maintenance services as well as specialised tasks that do not fall under the scope of IT (such as building construction, mechanical and electrical works as well as structured cabling works). Its third largest cost component is hardware components which are mainly used in its turnkey projects.

Since FY20, certain portions of Infomina's licences and software have been quoted in US\$. According to Infomina, this is mainly to act as a natural hedge given that its contracts from its overseas customers are usually denominated in US\$.

Figure 45: Cost of sales breakdown by business segment


SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Figure 46: Cost of sales breakdown by component


SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Posted a 3-year net profit CAGR of 35.3% ➤

Over FY19-22, Infomina posted a 3-year core net profit (excluding PPE written off and gain on PPE disposal) CAGR of 35.3% in tandem with the higher revenue recorded across the period (3-year CAGR of 45%). This was given that it saw a decline in GP margins given the higher quantum of growth from the renewal segment which, prior to FY22, had lower margins compared to the turnkey segment.

At end-FY22, Infomina reported a net profit of RM17.1m (+107% yoy) with net profit margin at 8.5% (FY21: RM8.3m with net profit margins at 7.9%). This was in line with revenue growth, while the company continued to see margin expansion from higher economies of scale as well as more profitable sales mix (higher contributions from software sales and maintenance services).

Forecasting strong 16.9% revenue CAGR over FY23-25F... ➤

We expect Infomina to deliver a solid 16.9% revenue CAGR over FY22-25F, backed by a robust orderbook and tender book of RM443.6m (up to end-FY27F) and RM375.6m respectively. This will be driven by: i) new client acquisitions (new users of mainframe), ii) upgrading works for existing mainframe users (capabilities enhancements, capacity improvements and etc), and iii) higher demand for services offered under the renewal segment. Note that most of its turnkey customers tend to renew the service and maintenance (leading to higher contributions for the renewal segment). We also expect Infomina to benefit from onboarding of Broadcom customers whose contracts are running down and were renewed prior to the signing of the CA partner agreement. In addition, we expect Infomina to benefit from plans to further expand into more new markets (China, Hong Kong and Taiwan - part of CA partner regions that it currently does not have a strong presence) to cater to rising demand for mainframe-related services.

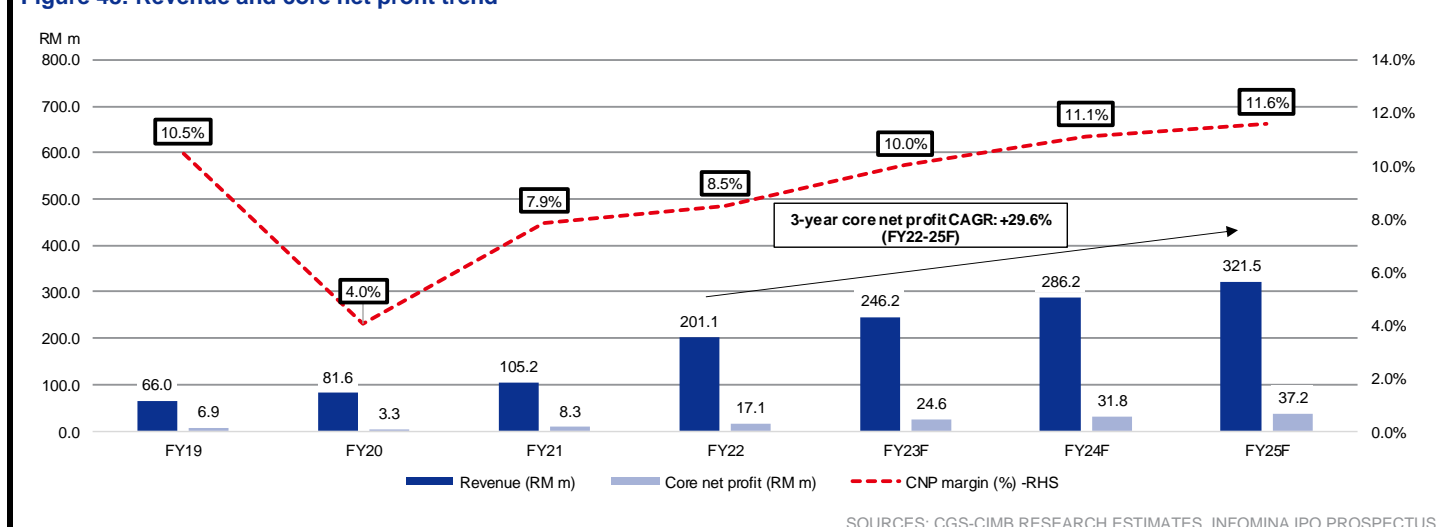
Figure 47: Key assumption table

	FY19	FY20	FY21	FY22	FY23F	FY24F	FY25F
Revenue (RM m)	66.0	81.6	105.2	201.1	246.2	286.2	321.5
Growth (%)	N/A	23.6%	28.9%	91.1%	22.4%	16.2%	12.3%
- Turnkey segment (RM m)	42.5	45.3	27.9	101.2	120.3	136.8	150.0
Growth (%)	N/A	6.6%	(38.6%)	263.2%	18.9%	13.7%	9.6%
- Renewal segment (RM m)	23.5	36.3	77.4	99.9	125.9	149.4	171.6
Growth (%)	N/A	54.6%	113.3%	29.1%	26.0%	18.7%	14.8%
Gross profit (RM m)	15.6	13.4	23.9	41.9	55.5	67.1	76.3
Growth (%)	N/A	(13.9%)	78.0%	75.0%	32.5%	20.8%	13.7%
GP margin (%)	23.7%	16.5%	22.8%	20.8%	22.5%	23.4%	23.7%
- Turnkey segment (RM m)	13.7	10.1	7.2	10.5	24.7	30.1	33.4
Margin (%)	32.2%	22.4%	25.7%	10.4%	20.5%	22.0%	22.3%
- Renewal segment (RM m)	1.9	3.3	16.8	31.4	30.8	37.0	42.9
Margin (%)	8.2%	9.1%	21.7%	31.4%	24.5%	24.8%	25.0%
EBITDA (RM m)	9.4	4.8	12.7	23.3	32.7	41.4	47.5
Growth (%)	N/A	(49.0%)	165.5%	83.9%	40.1%	26.7%	14.9%
EBITDA margin (%)	14.2%	5.8%	12.0%	11.6%	13.3%	14.5%	14.8%
Profit before tax (RM m)	9.1	4.5	12.0	22.1	32.0	40.8	47.3
Growth (%)	N/A	(50.3%)	167.3%	83.1%	45.2%	27.4%	16.0%
PBT margin (%)	13.7%	5.5%	11.4%	11.0%	13.0%	14.2%	14.7%
Tax rate (%)	23.9%	25.2%	31.2%	22.5%	23.0%	22.0%	21.3%
Net profit (RM m)	6.9	3.3	8.3	17.1	24.6	31.8	37.2
Growth (%)	N/A	(52.4%)	151.7%	107.0%	44.1%	29.1%	17.1%
Net profit margin (%)	10.5%	4.0%	7.9%	8.5%	10.0%	11.1%	11.6%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, INFOMINA IPO PROSPECTUS

... leading to strong 29.6% net profit CAGR over FY22-25F ➤

In line with our revenue growth forecasts, we project a robust 29.6% core net profit CAGR for Infomina over FY22-25F. Note that our core net profit excludes one-off income/expenses, such as IPO fees. The net profit growth is aided by lower tax rates from higher contributions from overseas markets with lower tax rates, as well as higher economies of scale. We are also expecting gross margins to improve, thanks to i) more profitable sales mix (higher proportion from the renewal segment which has better margins), and ii) completion of several turnkey projects which have lower GP margins due to high project-related hardware costs.

Figure 48: Revenue and core net profit trend


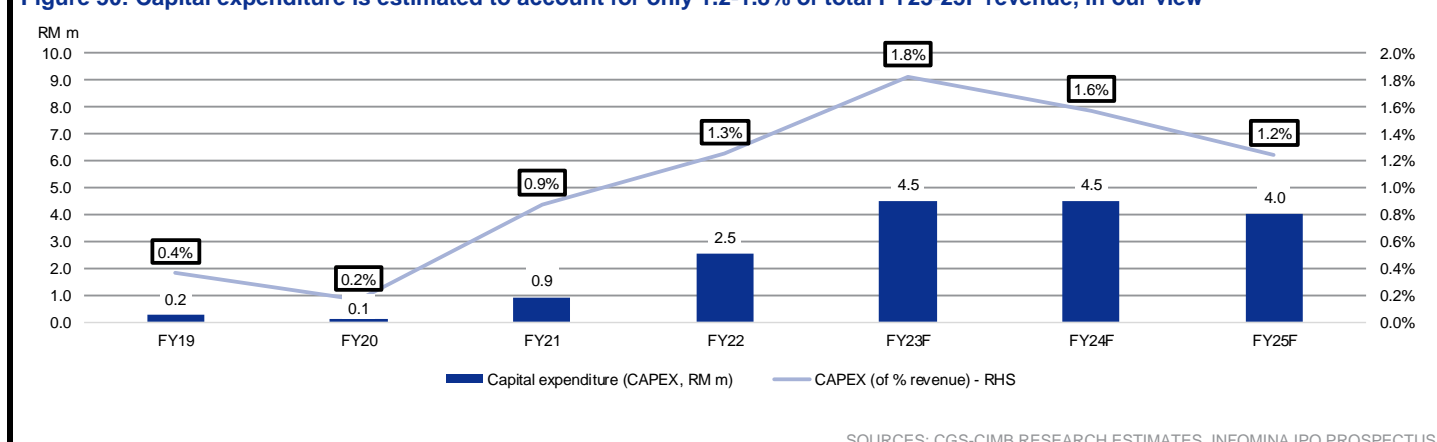
Forecasting capex outlay of RM4.0m-4.5m for FY23-25F ➤

We are forecasting an annual capital expenditure spend of c.RM4.0m-4.5m for FY23-25F. In our view, this will mainly be funded by its IPO proceeds (raised RM32.5m from issuance of new share), which is to build its Centre of Excellence (RM7.6m) and expand regionally by establishing offices in countries and territories that fall under the CA Region (RM5.5m, Thailand, the Philippines, Indonesia, China, Hong Kong and Taiwan).

Figure 49: Utilisation of proceeds

Utilisation of proceeds	RM (m)	%	Estimated timeframe for utilisation
Strengthen R&D to expand technological application and infrastructure solutions	7.6	23.4%	Within 24 months
Regional expansion to capture growth opportunities	5.5	17.0%	Within 18 months
Branding, marketing and promotional activities	0.9	2.7%	Within 18 months
Working capital	14.0	43.0%	Within 12 months
Estimated listing expenses	4.5	13.9%	Within 1 month
Total	32.5	100.0%	

SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Figure 50: Capital expenditure is estimated to account for only 1.2-1.8% of total FY23-25F revenue, in our view


Healthy and stable cash conversion cycle ➤

As at end-FY22, Infomina had a negative cash conversion cycle of 22 days. Its trade receivables average turnover days stood at 48 days, while payables average turnover days stood at 70 days. Note that the company does not hold any

inventory. While receivable days in FY22 rose 12 days (FY21 36 days), payables average turnover days rose by a larger quantum of 14 days (FY21: 56 days).

Figure 51: Steady working capital ratios

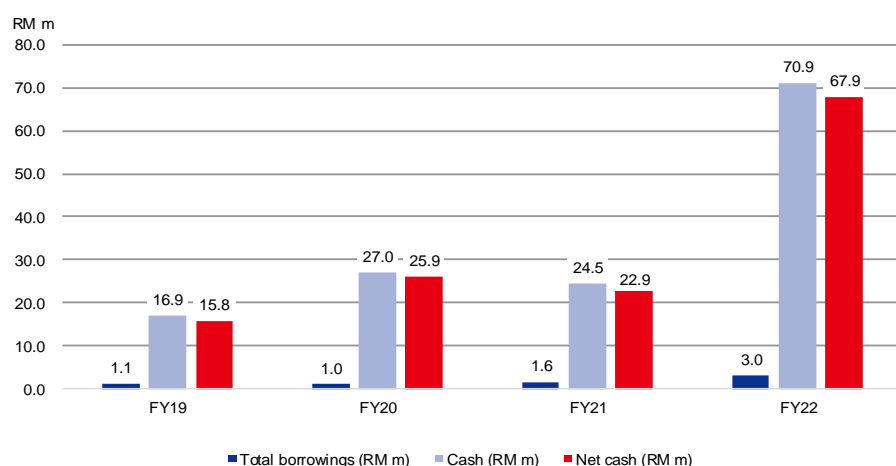
FYE 31 May (RM m)	FY19	FY20	FY21	FY22
Gearing (x)	0.1	0.1	0.1	0.1
Current ratio (x)	1.5	1.3	1.4	1.3
Trade receivables average turnover period (days)	27	23	36	48
Trade payables average turnover period (days)	57	62	56	70
Cash conversion cycle (days)	(30)	(39)	(20)	(22)

SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Net cash position of RM67.9m at end-FY5/22 ➤

As at end-FY22, Infomina had a net cash position of RM67.9m. In addition, the company had a net tangible asset (NTA) value of RM5.73/share.

Figure 52: Cash, debt and net cash position

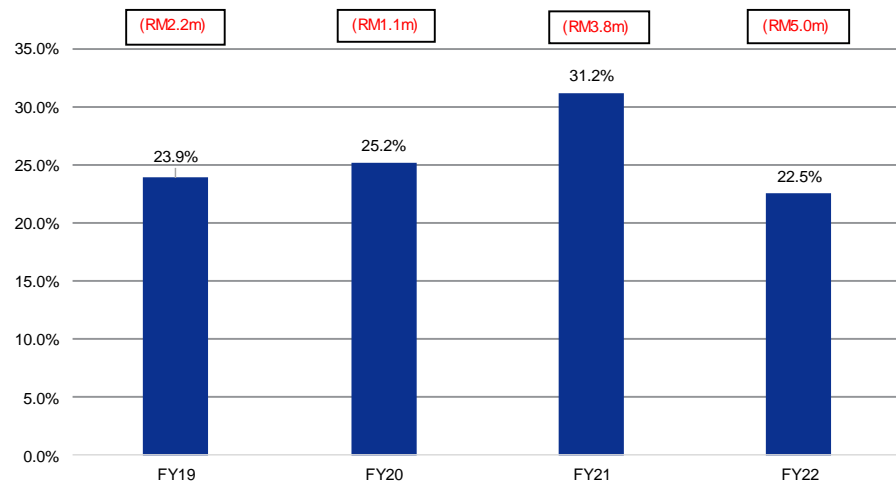


SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Tax rate is generally higher than statutory tax rate ➤

Over FY19-22, Infomina's tax rates were in the range of 22.5-31.2%, which was in line and/or higher than the statutory tax rate in Malaysia. In FY21, its tax rate was significantly higher at 31.2%, owing to an increase in deferred tax liability recognised of RM1.5 million for its Philippines subsidiary.

Figure 53: Effective tax rate (%)

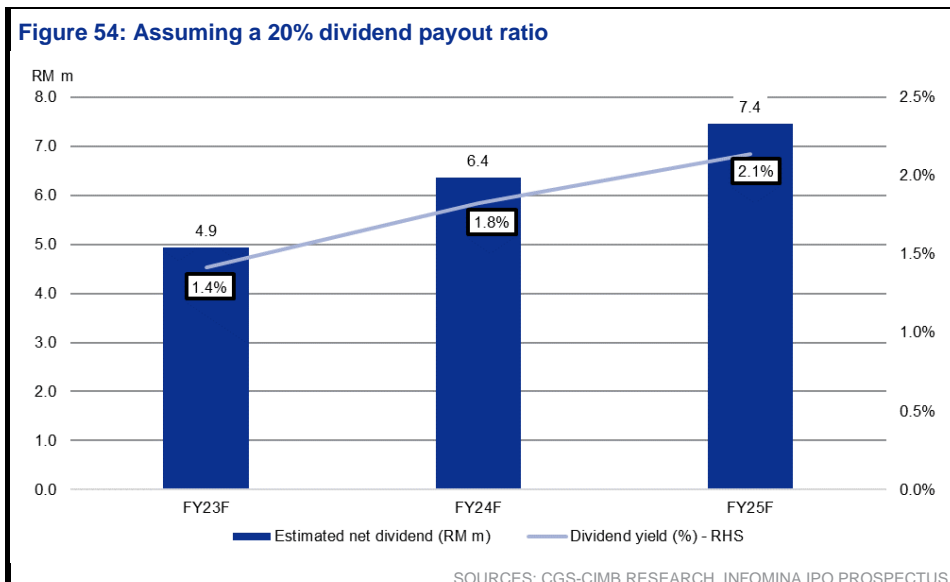


SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

No official dividend policy ➤

Based on its IPO prospectus, Infomina currently does not have a formal dividend policy. However, the company intends (source: Infomina IPO prospectus) to pay dividends to shareholders in the future, subject to various factors, such as capex expenditure, general financial conditions, and other factors. Note that the company did not declare any dividends from FY19-22. Over FY23-25F, we assume the company will pay dividends of up to 20% of its net profit (given its strong cashflow projections), leading to dividend yields of 1.4-2.1%.

Figure 54: Assuming a 20% dividend payout ratio



1QFY5/23 results review ➤

In 1QFY5/23, Infomina recorded a revenue of RM41.9m, consisting of 29.7% from turnkey and 70.3% from renewal segments. On a segmental basis, turnkey and renewal segment posted GP margins of 15.3% and 28.9% respectively. Overall, Infomina reported an EBITDA margin of 14.9% in 1QFY23, while posting a core net profit of RM4.9m. The latter is after accounting for one-off unrealized forex losses of RM0.2m. In our view, Infomina should report stronger qoq results in upcoming quarters in FY23F, backed by higher orderbook recognition in the financial year (remaining outstanding orderbook in FY23F: RM160.3m based on Infomina's IPO prospectus) and more profitable sales mix (higher proportion of contribution from renewal segment).

Valuations

No direct comparable peers in the local market ➤

In our view, Infomina does not appear to have any direct listed peers locally, given its unique exposure to mainframe technology. Locally, we see companies that are involved in other aspects in the provision of IT-related services as its comparable peers trading at 11.4-65.1x CY23F P/E, based on Bloomberg consensus estimates.

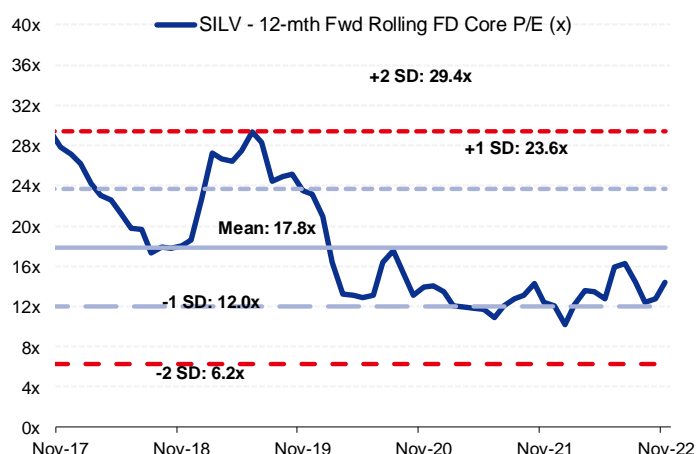
Figure 55: Sector Comparisons

Company	Bloomberg ticker	Recom.	Price (local)	Target Price (local)	Market Cap (US\$ m)	Core P/E (x) CY22F	Core P/E (x) CY23F	3-year EPS CAGR (%)	P/BV (x) CY22F	P/BV (x) CY23F	Recur. ROE (%) CY22F	Recur. ROE (%) CY23F	EV/EBITDA (x) CY22F	EV/EBITDA (x) CY23F	Dividend Yield (%) CY22F	Dividend Yield (%) CY23F
Local peers																
GHL Systems Bhd*	GHLS MK	Hold	0.80	0.80	201	34.9	27.0	4.1%	1.8	1.8	5.3%	6.6%	11.1	9.9	3.3%	3.1%
Revenue Group Bhd	REVENUE MK	NR	0.66	NA	70	28.5	28.2	4.5%	1.9	1.8	6.9%	6.9%	8.9	8.7	NA	NA
Awanbiru Technology Bhd*	AWTC MK	Hold	0.39	0.44	68	51.9	65.1	93.8%	1.7	1.6	3.3%	2.5%	31.6	35.6	0.0%	0.0%
N2N Connect Bhd	N2N MK	NR	0.48	NA	60	22.1	17.1	-17.0%	NA	NA	4.4%	5.7%	4.7	4.4	NA	3.2%
Datasonic Group Bhd	DSON MK	NR	0.49	NA	312	23.5	16.2	61.1%	4.1	3.8	16.3%	23.7%	15.2	11.2	1.0%	1.9%
MY E.G. Services*	MYEG MK	Add	0.89	1.10	1,460	19.2	18.3	2.2%	3.7	3.3	21.6%	19.0%	14.7	13.9	1.6%	1.6%
Scicom MSC Bhd	SCIC MK	NR	1.08	NA	86	12.0	11.4	10.8%	NA	NA	28.1%	29.7%	6.0	5.8	5.6%	6.3%
Kronologi Asia Bhd	KAB MK	NR	0.41	NA	66	17.8	13.1	NA	NA	NA	4.1%	5.6%	NA	NA	NA	NA
Ramssol Berhad*	RAMSSOL MK	Add	0.39	0.45	20	16.9	12.3	-4.4%	1.7	1.5	11.1%	12.8%	11.7	7.8	0.0%	0.0%
Weighted average						22.1	19.9	12.6%	3.1	2.8	17.7%	17.4%	13.8	12.7	1.6%	1.9%
Overseas peers																
Silverlake Axis Ltd*	SILV SP	Add	0.38	0.44	686	16.5	15.0	8.8%	2.8	2.4	17.9%	17.2%	8.4	7.6	1.9%	2.0%
Total weighted average						20.8	18.8	11.8%	3.1	2.7	17.8%	17.3%	12.6	11.6	1.7%	1.9%
Infomina Berhad*	INFOM MK	Add	0.58	1.15	78	16.2	12.1	34.8%	4.9	3.2	42.2%	32.4%	8.7	6.1	0.8%	1.7%

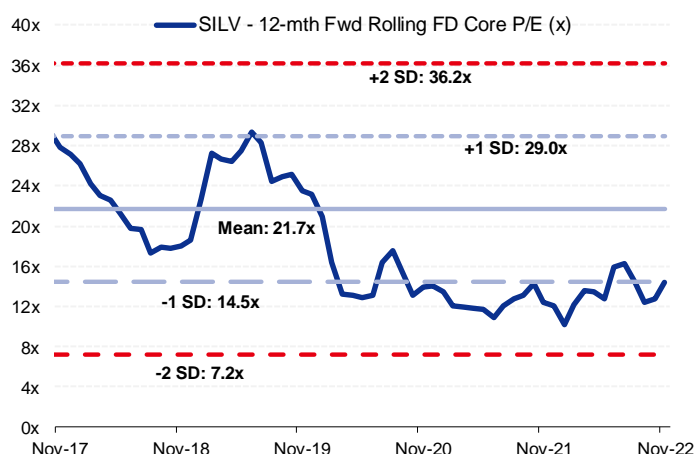
Tickers with * are based on CGS-CIMB estimates data
SOURCES: CGS-CIMB RESEARCH ESTIMATES, INFOMINA IPO PROSPECTUS, BLOOMBERG (AS OF 30 NOV 2022)
Note: Forecasts for Not rated companies are based on Bloomberg consensus estimates

Silverlake Axis Ltd – A comparable peer despite Infomina's smaller market cap ➤

Given Silverlake Axis's (SILV SP, Add, TP: S\$0.44, CP: S\$0.38) exposure to enterprise technology, we believe that Silverlake is the nearest overseas comparable peer for Infomina. We note that Silverlake is currently trading at 15.0x CY23F (CGS-CIMB Research in-house estimates) P/E while its 5/10 year historical mean stands at 17.8x/21.7x.

Figure 56: SILV - 12-mth Fwd Rolling FD Core P/E (x) (5-year mean)


SOURCE: CGS-CIMB RESEARCH, COMPANY

Figure 57: SILV - 12-mth Fwd Rolling FD Core P/E (x) (10-year mean)


SOURCE: CGS-CIMB RESEARCH, COMPANY

Initiating coverage with an Add rating, TP at RM1.15 ➤

We initiate coverage on Infomina with an Add rating and TP of RM1.15. Our Add rating is backed by: i) strong proxy as growing demand for mainframe services in Asia Pacific, especially with its position as sole appointed Tier 1 VAD for Broadcom mainframe software, ii) undemanding valuations (12.1x CY23F P/E, 39.2%/35.6% discount to the average CY23F P/E of local/overall peers in IT-related industry of 19.9x/18.8x – Figure 55) and iii) strong earnings growth profile (3-year core net profit CAGR of 29.6% across FY22-25F).

We employ P/E as our primary valuation methodology as we believe this methodology will be able to capture its strong earnings growth profile. We peg our TP to a CY24F P/E of 20x, which is in-line with its local peers' weighted average CY23F P/E in the IT-related industry (19.9x, Bloomberg estimates for NR stocks and our estimates for covered stocks). In our view, Infomina deserves to trade on par, if not at a higher P/E multiple compared its peers given: i) its more robust earnings growth profile (3-year core net profit CAGR of 29.6% [FY22-25F] vs its peers of 11.8%), ii) higher ROE of 32.5% in CY23F vs. local peers' 17.3% (Figure 55), and iii) its unique exposure to mainframe related services given the strong global market potential.

Appendix

What is mainframe? ➤

Mainframes are high-performance computers with large amounts of memory and processors that process millions of transactions in real time. Mainframes are primarily used by large organisations for critical large scale and real-time applications such as bulk data and transaction processing. In the era of digital business transformation, mainframes are entering a new phase. A wide range of applications running on a variety of distributed computing platforms now need to access data that resides on a mainframe.

Figure 58: Details of mainframe technology



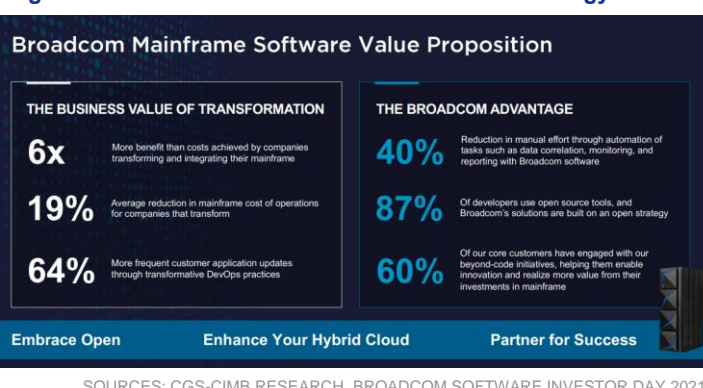
SOURCES: CGS-CIMB RESEARCH, BROADCOM SOFTWARE INVESTOR DAY 2021

Figure 59: Details of mainframe technology



SOURCES: CGS-CIMB RESEARCH, BROADCOM SOFTWARE INVESTOR DAY 2021

Figure 60: Details of Broadcom's mainframe technology



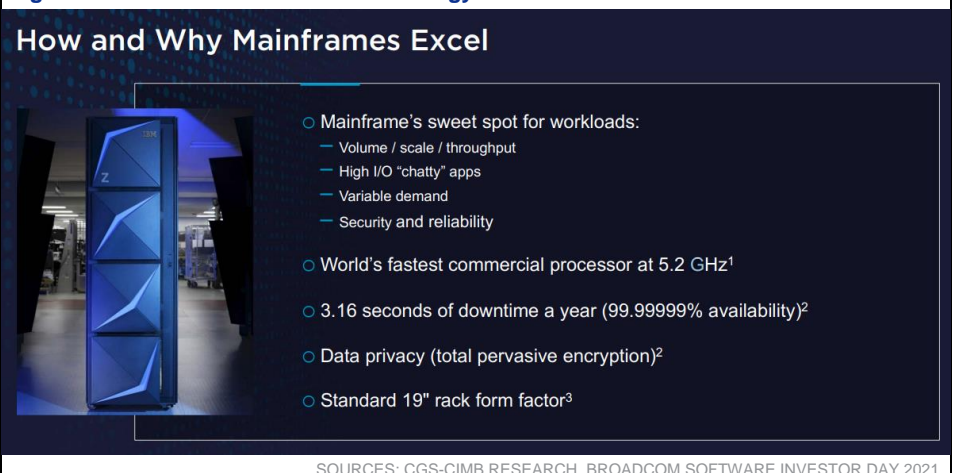
SOURCES: CGS-CIMB RESEARCH, BROADCOM SOFTWARE INVESTOR DAY 2021

Figure 61: Details of Broadcom's mainframe technology



SOURCES: CGS-CIMB RESEARCH, BROADCOM SOFTWARE INVESTOR DAY 2021

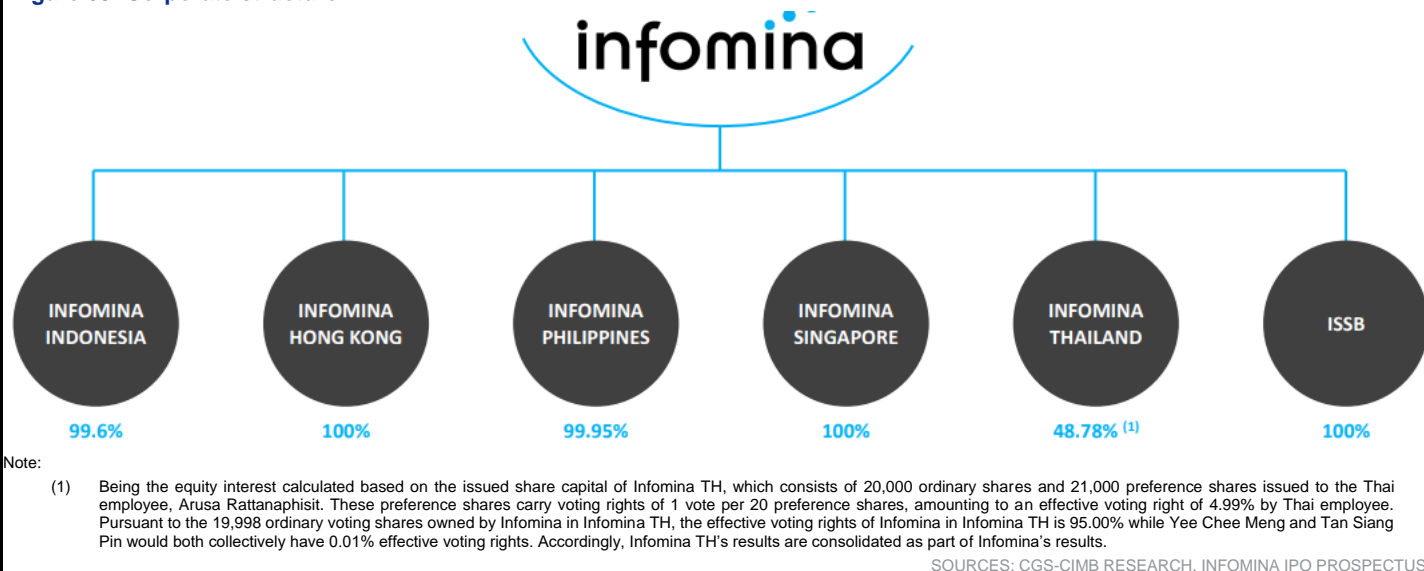
Figure 62: Details of mainframe technology



SOURCES: CGS-CIMB RESEARCH, BROADCOM SOFTWARE INVESTOR DAY 2021

Infomina's corporate structure ➤

Figure 63: Corporate structure



Company milestones ➤

Figure 64: Corporate milestones

Year	Corporate milestones
2007	i) Incorporation of Infomina Sdn Bhd
2009 - 2010	i) Commenced provision of IT implementation services to SME ii) Secured contract from Customer H for provision of system integration service
2014 - 2015	i) Awarded 2 contracts to deliver IT services in relation to implementation of a unified communication system for Customer C's offices nationwide and a Tier-4 ready data centre
2016 - 2018	i) Recognised by APAC CIO Outlook as one of the Top 25 Unified Communications Solutions in APAC ii) Awarded contracts by Bank Simpanan Nasional, Customer M and Customer J for the provision of technology application, infrastructure and maintenance services. iii) Became a certified partner of Hitachi Data Systems Sdn Bhd
2019	i) Appointed as CA (Singapore) Pte Ltd's Authorised Tier 1 Partner and Value Added Distributor (VAD) for Malaysia, Singapore, Thailand, Indonesia, Philippines, Hong Kong and Taiwan ii) Secured first foreign customer in Hong Kong, relating to subscription of Broadcom Mainframe Software iii) Entered into partnership with Software AG Operations Malaysia Sdn Bhd
2020	i) Registered as channel partner of China-based provider of ICT infrastructure and smart devices for its video conferencing technologies ii) Appointed as Supplier I's Business Partner to market mainframe hardware, mainframe maintenance licence & infrastructure software iii) Entered into contracts with financial institutions in Philippines and Thailand iv) Awarded "Best New Partner" by Software AG Operations Malaysia Sdn Bhd v) Developed 'Project wSpace', now known as VIDESPAC a business collaboration and communication platform application
2021	i) Appointed as CA (Singapore) Pte Ltd's Premier Tier 1 Partner VAD for China ii) Ventured into Taiwan and secured contract from Taiwan Business Bank iii) Established Centre of Excellence (COE) to leverage on for future growth iv) Assessed and certified with MS ISO 9001:2015 Quality Management System v) Registered for the PartnerConnect programme with Software AG vi) Received certificate of Achievement from CA Singapore was acknowledged as Mainframe Partner of the Year for 2021 vii) Secured contract with financial institution in the Philippines for the provision of technology infrastructure operations, maintenance and support services

SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

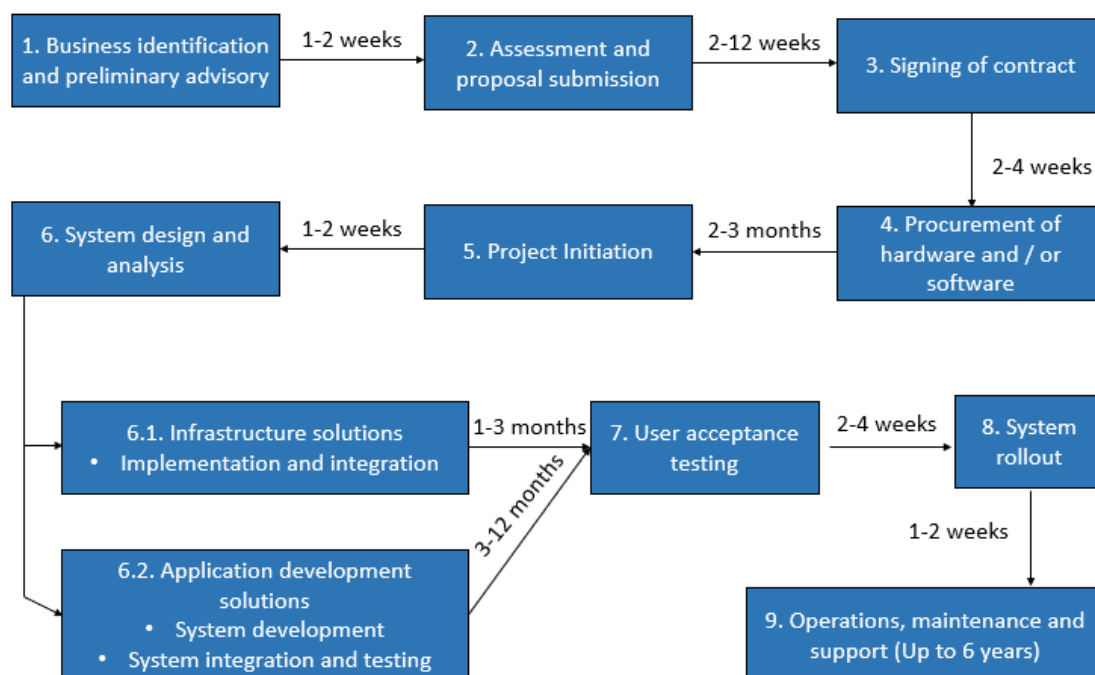
Infomina's business process flow ➤

Infomina offers a wide range of technology application and infrastructure solutions which mainly require mainframe technology, depending on its customer's requirements.

- Business identification and preliminary advisory:** The contracts are identified mainly through tendering (including open tenders and invited tenders); and direct engagement. A general description on the project's requirements and specifications and the estimated contract period will be included in the tender notices (from government agencies or statutory bodies).

- 2) **Assessment and proposal submission:** Depending on a customer's requirements on the project and other relevant listed materials obtained from the customer, Infomina will perform a technical and financial assessment and a preliminary analysis of the specifications and requirements of the project. After that, the Infomina team will carry out preliminary work such as: i) considering the relevant hardware and / or software to be procured, ii) IT product vendors to be lined up, and iii) workforce availability. In the event where the proposal is accepted by its customer, a letter of award or purchase order will be issued.
- 3) **Signing of contract:** Contracts can be categorised into two types: i) public sector projects, and ii) private sector projects. For public sector projects, the contract will contain details such as scope of service, the payment schedule and other terms and conditions. For private sector projects, customers will either sign on the quotation or proposal for confirmation (detailed contracts will be prepared if the projects are more complex).
- 4) **Procurement of hardware and / or software:** If hardware and / or software procurement is needed, Infomina will advise customers the hardware and / or software that best suit their purposes. Services that do not require hardware or software procurement relate to testing, training, installation and configuration services.
- 5) **Project initiation:** Typically, the project team comprises a project manager, analyst programmers, system programmers, business analyst, system engineers, system testers, engineers from hardware and software principals, consultants and user representatives.
- 6) **System analysis and design:** A detailed system analysis should identify frameworks, modules and technologies that could solve a customer's needs. Thus, the system analysis and design comprise: i) infrastructure solutions (including implementation and integration), and ii) application development solutions (including system development, integration and testing).
- 7) **User acceptance testing:** The system will later undergo a series of user acceptance testing to determine whether it can handle the required tasks in customer's real world business scenarios according to the specifications.
- 8) **System rollout:** The accepted system is then rolled-out organisation wide and goes live. Infomina does provides training to customers in respect of operating the system and a pre-determined contractual nursing period for 30 days after the rollout.
- 9) **Technology infrastructure operations, maintenance and support:** Infomina provides a wide range of maintenance and support services to customers, including i) engagement with Infomina, and ii) engagement with third party hardware and / or software for the on-going maintenance and support services under a separate maintenance and support agreement. Note that warranties are provided directly by product principals or suppliers.

Figure 65: Business operation flow




SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

Project references ►

Figure 66: Summary of relationships with customers 2007-2021

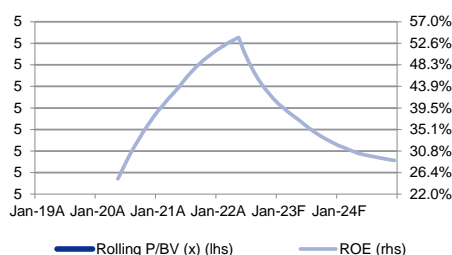
Infomina provides technology application and infrastructure solutions to customers in Malaysia and expanding regionally	
Customers served throughout the period	Descriptions
2007-2010	<p>i) Commencement of operations by providing IT implementation services to small and medium enterprises.</p> <p>ii) Secured contract from Customer H for the provision of system integration services which eventually became Infomina major customer for FY19-21.</p>
2014	<p>i) Registered with Minister of Finance (MOF).</p> <p>ii) Secured 2 contracts to deliver IT services, specifically in relation to the implementation of a unified communication system for Customer C's offices nationwide and a Tier-4 ready data centre. The contract sum is approximately RM5.7m.</p>
2016	<p>i) Expanded customer base to financial services institutions and secured contracts for the provision of technology application and infrastructure services to Bank Simpanan Nasional ("BSN") for a contract value of approximately RM1.4m.</p>
2017	<p>i) Secured a turnkey and maintenance contract from Customer J, where Infomina was engaged to support its core activities in relation to its digital transformation, operational support, system maintenance, security access and control, source code management, application design and analysis, inclusive of system continuous improvement, and integrated card services centre support. This contract extended across all Customer J offices nationwide.</p>
2018	<p>i) Secured a contracts with Customer M for a contract value of approximately RM1.5m.</p>
2019	<p>i) Secured first foreign customer in Hong Kong for a contract value of approximately US\$0.9m relating to the subscription of Broadcom Mainframe Software.</p>
2020	<p>i) Ventured into Thailand and secured a contract from The Siam Commercial Bank Public Company Limited, a financial services institution in Thailand, for the provision of technology application and infrastructure operations, maintenance and support services</p> <p>ii) Entered into contracts with financial institutions in the Philippines (namely Customer P) and Thailand (namely Bangkok Bank Public Company Limited) for contract sums of approximately PHP1.4bn and US\$5.6m respectively for the provision of technology application and infrastructure operations, maintenance and support services.</p> <p>iii) Ventured into national security and technology solutions and secured a contract from a statutory body in relation to the support, maintenance and infrastructure works for 7 cargo scanning machines and related systems to be implemented in the seaports of Sabah and Sarawak.</p>
2021	<p>i) Ventured into Taiwan and secured contract to supply software to Taiwan Business Bank with an approximate contract value of US\$0.1m.</p> <p>ii) Secured a contract with a financial services institution in the Philippines for the provision of technology infrastructure operations, maintenance and support services for a contract sum of approximately US\$32.8m.</p>

SOURCES: CGS-CIMB RESEARCH, INFOMINA IPO PROSPECTUS

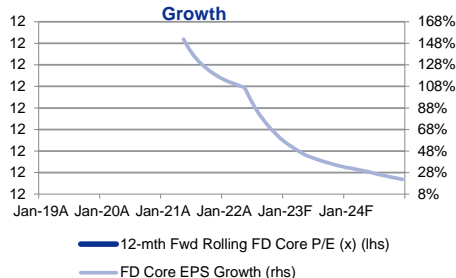
ESG in a nutshell	
	
Refinitiv ESG Scores	
<div> <div>B- ESG Score</div> <div>A+ ESG Controversies Score</div> <div>B- ESG Combined Score</div> <div>C+ ESG Environment Pillar Score</div> <div>B- ESG Social Pillar Score</div> <div>B ESG Government Pillar Score</div> </div>	
<p>Infomina is a technology solutions provider, providing the design and implementation of technology applications and infrastructure solutions that specialise in mainframe technology solutions. One of Infomina's key achievements was its appointment by CA (Singapore) Pte Ltd's as Authorised Tier 1 Partner and Value Added Distributor (VAD) for Malaysia, Singapore, Thailand, Indonesia, Philippines, Hong Kong and Taiwan. Note that CA (Singapore) is subsidiary of Broadcom, the world's largest supplier of mainframe software (37% share) of a global market valued at more than US\$7bn (source: Gartner 2020).</p>	
Keep your eye on	Implications
<p>Infomina primarily undertakes its business operations (design and implementation of technology applications) internally. However, Infomina does receive technical support and maintenance from its product principals / suppliers for hardware and / or software purchases. As at end-FY22, its inputs comprise: i) licenses and software (9.4%), ii) technical support and maintenance (9.0%), iii) hardware (34.6%), and iv) training related costs (0.1%).</p>	<p>We view this positively as Infomina's business operations do not generally lead to environmental concerns via the sourcing of third-party inputs without any production facilities required.</p>
ESG highlights	Implications
<p>Infomina's employee count totalled 113 and 122 as at end-FY22 and end-Sept 2022, respectively, of which technical staff made up 69% and 70% respectively. These staff have mostly undergone training by Infomina's technology partners and suppliers, with certification issued. As at end-Sept 2022, 111 of them are full time employees and the balance 11 employees are on a contract basis (1-2 years) as support engineers for projects involving government agencies.</p>	<p>We are positive on Infomina's efforts in upskilling its technical workforce with proper certified training sessions with its business partners. This will increase its competitiveness in the IT industry.</p>
Trends	Implications
<p>As at end-FY22, Infomina had four independent directors and only two female members on its board of directors, out of a total of eight members.</p>	<p>We are positive that half of its board comprise independent directors, as advocated by the Malaysia Code of Corporate Governance (MCCG). However, we are negative that Infomina has not achieved the recommended 30% female board members.</p>
<small>SOURCES: CGS-CIMB RESEARCH, REFINITIV</small>	

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(RMm)	May-21A	May-22A	May-23F	May-24F	May-25F
Total Net Revenues	105.2	201.1	246.2	286.2	321.5
Gross Profit	23.9	41.9	55.5	67.1	76.3
Operating EBITDA	12.7	23.3	32.7	41.4	47.5
Depreciation And Amortisation	(0.8)	(1.3)	(1.6)	(1.9)	(2.1)
Operating EBIT	11.9	22.0	31.1	39.5	45.4
Financial Income/(Expense)	0.1	0.0	0.9	1.3	1.9
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	12.0	22.1	32.0	40.8	47.3
Exceptional Items	(0.0)	0.0	0.0	0.0	0.0
Pre-tax Profit	12.0	22.1	32.0	40.8	47.3
Taxation	(3.8)	(5.0)	(7.4)	(9.0)	(10.1)
Exceptional Income - post-tax					
Profit After Tax	8.3	17.1	24.6	31.8	37.3
Minority Interests	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	8.3	17.1	24.6	31.8	37.2
Recurring Net Profit	8.3	17.1	24.6	31.8	37.2
Fully Diluted Recurring Net Profit	8.3	17.1	24.6	31.8	37.2

Cash Flow

(RMm)	May-21A	May-22A	May-23F	May-24F	May-25F
EBITDA	12.67	23.31	32.66	41.37	47.55
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(9.24)	30.72	(7.61)	(6.57)	(5.42)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	0.85	0.99	0.65	0.59	0.25
Other Operating Cashflow	(0.63)	(1.26)	(0.65)	(0.59)	(0.25)
Net Interest (Paid)/Received	0.02	0.01	0.00	0.00	0.00
Tax Paid	(3.98)	(4.55)	(7.36)	(8.97)	(10.05)
Cashflow From Operations	(0.31)	49.22	17.68	25.83	32.08
Capex	(0.92)	(2.51)	(4.50)	(4.50)	(4.00)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(0.65)	(3.56)	0.00	0.00	0.00
Cash Flow From Investing	(1.56)	(6.07)	(4.50)	(4.50)	(4.00)
Debt Raised/(repaid)	(0.45)	(0.52)	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.06	0.20	32.47	0.00	0.00
Shares Repurchased					
Dividends Paid	0.00	0.00	(4.93)	(6.36)	(7.45)
Preferred Dividends					
Other Financing Cashflow	(1.28)	(0.04)	0.90	1.26	1.86
Cash Flow From Financing	(1.67)	(0.36)	28.44	(5.10)	(5.59)
Total Cash Generated	(3.54)	42.79	41.62	16.24	22.48
Free Cashflow To Equity	(2.33)	42.63	13.18	21.33	28.08
Free Cashflow To Firm	(1.77)	43.34	13.43	21.58	28.32

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	May-21A	May-22A	May-23F	May-24F	May-25F
Total Cash And Equivalents	24.50	70.93	112.56	128.80	151.28
Total Debtors	48.79	86.05	105.36	122.48	137.60
Inventories	0.00	0.00	0.00	0.00	0.00
Total Other Current Assets	0.06	0.15	0.15	0.15	0.15
Total Current Assets	73.35	157.13	218.07	251.42	289.03
Fixed Assets	2.23	5.40	8.34	10.99	12.89
Total Investments	0.00	0.00	0.00	0.00	0.00
Intangible Assets	0.00	0.00	0.00	0.00	0.00
Total Other Non-Current Assets	1.60	6.11	6.11	6.11	6.11
Total Non-current Assets	3.82	11.50	14.45	17.09	18.99
Short-term Debt	0.58	0.83	0.83	0.83	0.83
Current Portion of Long-Term Debt					
Total Creditors	9.78	59.07	70.76	81.32	91.02
Other Current Liabilities	42.32	63.00	63.00	63.00	63.00
Total Current Liabilities	52.68	122.89	134.59	145.14	154.85
Total Long-term Debt	1.00	2.21	2.21	2.21	2.21
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0.00	0.00	0.00	0.00	0.00
Total Non-current Liabilities	1.00	2.21	2.21	2.21	2.21
Total Provisions	0.33	3.07	3.07	3.07	3.07
Total Liabilities	54.01	128.17	139.87	150.42	160.13
Shareholders' Equity	23.17	40.45	92.63	118.08	147.88
Minority Interests					
Total Equity	23.17	40.45	92.63	118.08	147.88

Key Ratios

	May-21A	May-22A	May-23F	May-24F	May-25F
Revenue Growth	28.9%	91.1%	22.4%	16.2%	12.3%
Operating EBITDA Growth	166%	84%	40%	27%	15%
Operating EBITDA Margin	12.0%	11.6%	13.3%	14.5%	14.8%
Net Cash Per Share (RM)	0.04	0.11	0.18	0.21	0.25
BVPS (RM)	0.04	0.07	0.15	0.20	0.25
Gross Interest Cover	116.7	118.3	127.0	161.4	185.6
Effective Tax Rate	31.3%	22.5%	23.0%	22.0%	21.3%
Net Dividend Payout Ratio	NA	0.0%	20.0%	20.0%	20.0%
Accounts Receivables Days	140.7	122.4	141.9	145.7	147.6
Inventory Days	-	-	-	-	-
Accounts Payables Days	70.8	78.9	124.3	127.0	128.2
ROIC (%)	(73%)	2950%	(98%)	(223%)	(779%)
ROCE (%)	59.4%	62.1%	44.4%	36.8%	34.2%
Return On Average Assets	11.6%	13.9%	11.9%	12.3%	12.4%

Key Drivers

	May-21A	May-22A	May-23F	May-24F	May-25F
Turnkey orderbook	-	-	75.0	56.7	22.1
Turnkey tenderbook	-	-	45.3	80.1	127.9
Renewal orderbook	-	-	103.6	72.1	58.2
Renewal tenderbook	-	-	22.3	77.3	113.4

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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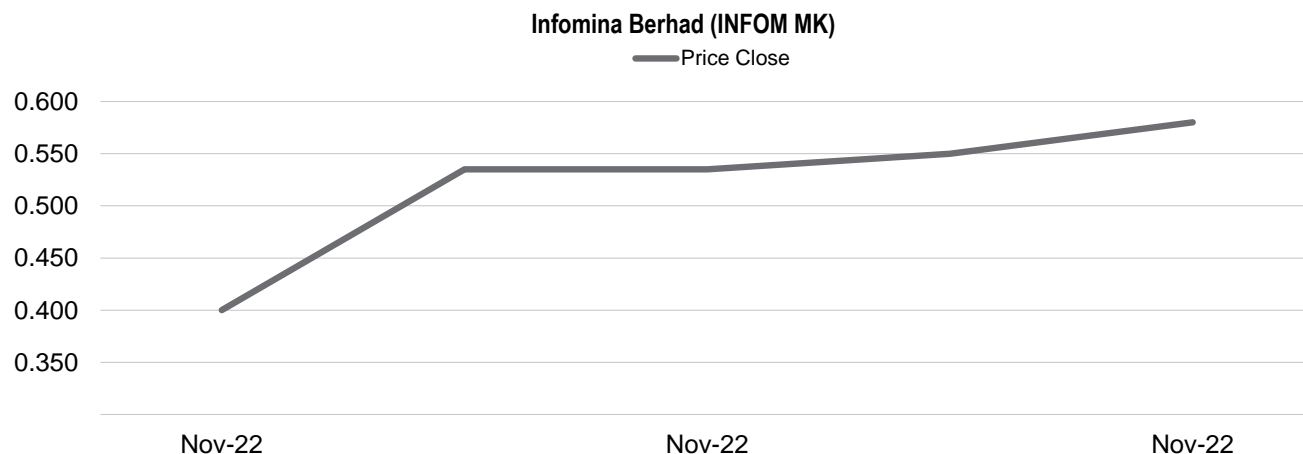
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2022		
646 companies under coverage for quarter ended on 30 September 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	66.7%	0.6%
Hold	25.2%	0.2%
Reduce	8.0%	0.2%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

Stock Ratings

Definition:

Add

The stock's total return is expected to exceed 10% over the next 12 months.

Hold

The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce

The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight

An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

Neutral

A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight

An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight

An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

Neutral

A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight

An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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