

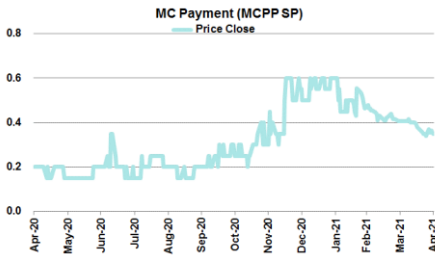


MC Payment

Fair Value: Not Rated

Price: SGD0.35

Riding The E-Payment Bandwagon



Source: Bloomberg

Stock Profile

Bloomberg Ticker	MCPP SP
Avg Turnover (SGD/USD)	0.3m/0.2m
Net Gearing (%)	NA
Market Cap (SGDm)	95.3m
Beta (x)	0.55
BVPS (SGD)	(0.28)
52-wk Price low/high (SGD)	0.15 - 0.75
Free float (%)	60.5

Major Shareholders (%)

Ching Chiat Kwong	27.1
Koh Anthony	5.9
Goh Way Siong	4.4

Share Performance (%)

	1m	3m	6m	12m
Absolute	(13.6)	(41.7)	40.0	75.0
Relative	(14.4)	(52.5)	7.2	52.4

Shekhar Jaiswal +65 6320 0806

shekhar.jaiswal@rhbgroup.com

Investment Merits

- First SGX-listed proxy to growth in the ASEAN digital payments industry given its presence in four countries;
- Gross transaction value of digital payments in ASEAN is expected to double to USD1,200bn by 2025 from USD600bn in 2019;
- Provides an integrated digital payment infrastructure for merchants by offering a one-stop solution to accept all forms of digital payment and enabling them to run their businesses both online and offline;
- Experienced management team with extensive industry experience and proven business planning and execution capabilities;
- Similar company in the region has delivered c.30% profit CAGR in the last five years and is trading at over 100x P/E

Company Profile

Established in 2005 and regulated by the Monetary Authority of Singapore (MAS), MC Payment (MCPP) holds a major payment institution licence and is a Singapore-based, online-to-offline financial services technology company with a focus on servicing merchants in the retail, transportation and F&B industries. It became the first fintech company listed on the Singapore Exchange (SGX), through a reverse takeover (RTO) of special purpose acquisition company, Artivision Technologies. MCPP has a presence in four countries, namely Singapore, Malaysia, Indonesia, and Thailand. It operates in two business segments: merchant payment services (MPS) and digital commerce enabling solutions (DCES).

Highlights

Strong growth drivers for payments industry in ASEAN. South-East Asia's demographics and rising affluence has created a ripe ground for rapid growth in the digitalisation trend. As per research, c.60% of the ASEAN population is below 35 years of age and more than 90% of South-East Asians are connected to the internet primarily through smartphones. Once economic growth returns, higher disposal income will drive consumer spending in ASEAN. The COVID-19 pandemic has given a shot in the arm to digitalisation trends as consumers and SMEs have adopted digital financial services like never before. Barriers to adoption of digital payment were lowered by the pandemic as the move towards online transactions and increased trust of online transactions have accelerated the shift away from cash. There is also increased encouragement and support from regulators for consumers to adopt digital financial services. We believe there will be a rise of omni-channels with increasing merchants having an online-to-offline presence. As per the e-Conomy SEA 2020 report by Google, Temasek and Bain, the gross transaction value of digital payments in ASEAN is expected to double to USD1,200bn by 2025 from USD600bn in 2019.

First SGX-listed proxy to growth in ASEAN digital payments with high barriers to entry. MCPP is the first digital payments company to be listed in Singapore, making it a proxy for local investors looking to ride on the rise of digital payments. With its business presence in Singapore, Malaysia, Indonesia and Thailand, MCPP is also well placed to benefit from the rapid adoption of digital payments across ASEAN. Moreover, the payment sector is highly regulated, and licences take a long time to be awarded, serving as high barriers to entry to the sector. In Singapore, MCPP is one of only four companies to have the merchant acquisition licence.

Omni-channel capabilities in MPS. As a payment gateway and processor, MCPP provides a unified platform and smart software, which can either be installed onto or integrated with smart devices for merchants with physical stores. Alternatively, it could also be integrated into merchants' websites and applications. This enables merchants to run their businesses online and offline. As a payment aggregator, the group also enables merchants to adopt digital payments, by giving them a one-stop solution to accept all forms of digital payments under a unified platform. MCPP collects a fee for each payment transaction it processes. MPS accounts for 85% of its revenue and generates c.50% GPM.

Company Report Card

Latest results. For 1H20, MCPP reported revenue of SGD6m (+127% YoY) mainly due to growth in the number of transactions and value of transactions it processed. This was attributable mainly to an increase in the number of merchants and number of payment methods offered by the group. 85% of 1H20 revenue was accrued from MCPP's core business of MPS. Gross profit doubled to SGD2.5m in 1H20 from SGD1.2m in 1H19. MCPP reported a net profit for SGD0.7m for 1H20 vs a net loss of SGD1.3m in 1H219.

Management. The co-founders and Executive Directors of MCPP, Anthony Koh and Kim Moon Soo are also the CEO and COO. Each has over 16 years of experience in the internet or fintech industries, in particular, relating to digital payment processing. They have both overseen the growth of MCPP in Singapore, and regionally since its inception in 2005. Ching Chiat Kwong, CEO of property developer Oxley (OHL SP, BUY, TP: SGD0.27), is the controlling shareholder of MCPP.

Investment Case

A good proxy to rising adoption of digital payments in ASEAN. We believe MCPP is a good proxy to e-payment growth in ASEAN and is well-positioned to tap into the rising demand for digital payments in these markets, as rising household income and increasing online access through smartphone penetration feed the burgeoning appetite for consumer goods, underlying the need for these economies to go cashless. Its closest ASEAN listed peer, GHL Systems (GHLS MK, BUY, TP: MYR1.93), has seen earnings growth at 33% CAGR, and share price delivering 300% returns in the last five years.

Key risks. Loss of key merchants and partners, increased competitive intensity in the e-payments landscape, regulatory risks, and a sharp economic downturn.

Profit & Loss	Dec-18	Dec-19	Jun-20*
Total turnover (SGDm)	2.5	8.7	6.0
Reported net profit (SGDm)	(8.4)	(1.5)	0.7
Recurring net profit (SGDm)	(8.4)	(1.5)	0.7
Recurring net profit growth (%)	101.7	(81.5)	NA
Recurring EPS (SGD)	(4.54)	(0.76)	0.33
DPS (SGD)	0.00	0.00	0.00
Dividend Yield (%)	0.0	0.0	0.0
Recurring P/E (x)	NA	NA	1.1
Return on average equity (%)	NA	NA	NA
P/B (x)	NA	NA	NA
P/CF (x)	NA	0.1	NA

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-18	Dec-19	Jun-20*
Total current assets	2.7	1.6	1.3
Total assets	6.8	24.7	22.8
Total current liabilities	9.8	22.9	24.6
Total non-current liabilities	1.7	4.3	0.0
Total liabilities	11.5	27.1	24.6
Shareholder's equity	(3.3)	(2.4)	(1.7)
Minority interest	(1.4)	(0.0)	(0.1)
Other equity	0.0	0.0	0.0
Total liabilities & equity	6.8	24.7	22.8
Total debt	0.7	0.4	0.0
Net debt	(0.7)	(11.0)	(12.1)

Source: Company data, RHB

Cash Flow (SGDm)	Dec-18	Dec-19	Jun-20*
Cash flow from operations	(7.1)	10.4	NA
Cash flow from investing	(0.1)	0.3	NA
Cash flow from financing	0.2	(0.6)	NA
Cash at beginning of period	8.4	1.4	11.4
Net change in cash	(7.0)	10.0	NA
Ending balance cash	1.4	11.4	12.1

Note: * refers to 6 months ended June 2020

Source: Company data, RHB