

## INFO-TECH SYSTEMS LTD (SGX: ITS)

Initiation of Coverage | 27 November 2025

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**Rating: BUY**

**Last Close: S\$0.830**

**Target Price: S\$1.000**

**Upside: 20.5%**

### "Cloud HR Champion" – Riding the SME Digitalisation Wave

#### Investment Thesis

Info-Tech Systems Ltd ("Info-Tech") is a leading cloud-based HRMS and accounting software provider for SMEs in Singapore and Malaysia, with growing presence in Hong Kong and India. The company has established market leadership in Singapore with over 23,000 client organisations and 900,000+ active users. A best-in-class business model — characterized by 91–94% customer retention, 85%+ gross margins, and strong cash generation — positions Info-Tech to capitalize on the structural growth in SME digital transformation across the region.

#### Key Investment Drivers:

1. **Market Leadership & Recurring Revenue** – 91% customer retention (FY2024) rising to 94% (1H2025) underpins a predictable, high-margin SaaS model
2. **Regional Expansion Momentum** – Malaysia revenue +28% YoY (1H2025); India and Hong Kong markets maturing
3. **Product Ecosystem Expansion** – Academy (e-learning) and Jobs Lah (AI-driven job portal) unlock cross-selling and new revenue streams
4. **Fortress Balance Sheet** – S\$33.7m net cash (June 2025), zero debt, 50% dividend payout policy signals confidence
5. **Attractive Valuation** – Trading at 16.6× FY2025E P/E with 31% historical PAT CAGR and 45%+ ROE; discount to global SaaS peers (22–30× forward P/E)

We initiate coverage with a **BUY** rating and S\$1.00 target price, implying 20% upside from current levels and supported by peer benchmarking and DCF analysis.

## Executive Summary

Info-Tech Systems Ltd was founded in 2007 as an on-premise HR software provider, transitioning to cloud delivery in 2016. The company expanded regionally to Malaysia (2018), Hong Kong (2021), and India (2019), establishing itself as the first pure-play SaaS HR software provider to list on the SGX Mainboard (4 July 2025).

**Recent Milestone (Nov 2025):** Info-Tech incorporated a new wholly-owned subsidiary in Dubai, signalling strategic expansion into the Middle East—a significant catalyst not yet reflected in existing valuations.

Info-Tech has delivered exceptional growth and profitability:

- **Revenue CAGR (FY22–24):** 19% (S\$30.8m → S\$43.7m)
- **Net Profit CAGR (FY22–24):** 31% (S\$7.2m → S\$12.3m)
- **Net Margin Expansion:** 23.3% (FY2022) → 28.2% (FY2024) → projected 30.6% (FY2026E)
- **FY2024 Metrics:** Gross margin 85.6%, EBITDA margin 38.9%, Operating margin 34.1%, ROA 31%
- **1H2025 Performance:** Revenue S\$22.4m (+5% YoY), Adjusted PAT S\$7.2m (+9% YoY), Underlying net margin 32.4%

## Key Risks & Mitigants

Risk	Mitigation
Competitive pressure in SME software	High customer retention (94%), sticky ecosystem, first-mover advantage in ASEAN
Customer churn if service quality slips	Continuous product investment, dedicated support per client, 900k+ active users
Cybersecurity / data breach exposure	Cloud infrastructure best practices, no major incidents to date, data privacy compliance focus
Regulatory/compliance complexity across jurisdictions	Established track record across SG, MY, HK, IN; compliance infrastructure in place
Macro downturn impacting SME IT spending	Mission-critical payroll/HR software is often protected; subscription model provides resilience
FX headwinds from regional operations	Malaysia (19% revenue), Others (6%) exposure manageable; localised cost base

**Overall Risk Assessment:** Manageable. The subscription-based model, diversified SME customer base, net cash buffer, and high retention rates significantly mitigate downside.

## Valuation & Target Price

### Valuation Methodology

Our 12-month target price of **S\$1.00** is derived from a blended approach:

1. **P/E Multiple Method (50% weight):**
  - Apply 16.0× P/E (discount to peers' ~20× forward P/E)
  - FY2026E EPS: 6.4 cents
  - Implied price: 6.4c × 16 = S\$1.02
2. **EV/EBITDA Multiple Method (50% weight):**
  - Apply 10.0× EV/EBITDA (discount to peers' 14–18×)
  - FY2026E EBITDA: S\$20.7 million
  - Enterprise Value: S\$207m
  - Add Net Cash (FY2026E est.): S\$57m
  - Implied Equity Value: S\$264m ÷ 258m shares = S\$1.02
3. **DCF Cross-Check:**
  - 5-year revenue CAGR: ~10%, Terminal growth: 2%, WACC: 10%
  - Result: S\$1.00–1.10 range (supporting base case)

**Sensitivity:** Even if growth assumptions reduce by 1–2%, DCF yields S\$0.90–1.00, providing margin of safety.

### Peer Valuation Comparison

Peer	Market Cap	FY25E P/E	FY25E EV/EBITDA	Div Yield	Revenue Growth	ROE
<b>Humanica (Thailand)</b>	US\$300m	15.9×	9.1×	4.7%	<10%	~10%
<b>Workday (US)</b>	US\$52B	25.9×	18.3×	0%	17%	~17%
<b>Paylocity (US)</b>	US\$12B	24.8×	15.8×	0%	20%	~25%
<b>Info-Tech (Current)</b>	S\$210m	14.6×	8.0×	3.7%	11.5%	45%
<b>Info-Tech (Target)</b>	S\$260m	20.8×*	10.0×	3.0%	+12%	46%

\*On FY2025 adjusted earnings (ex-listing costs), normalized to FY2026 forward implied.

**Assessment:** Info-Tech trades at a discount to peers despite superior growth (31% PAT CAGR), profitability (28%+ net margin), and returns (45%+ ROE). Our 16× target multiple remains conservative, with significant upside if market re-rates toward peer averages (18–22×).

## Valuation Scenarios

### Bull Case (S\$1.20–1.30 / +45–55% upside):

- Sustains >15% growth through 2027
- Achieves 20× P/E (peer average)
- FY2026 earnings beat consensus by 10%

### Base Case (S\$1.00 / +20% upside):

- Revenue CAGR 10–12%, FY2026E earnings S\$6.4c
- 16× P/E reflects disciplined scaling
- Supported by peer multiples and DCF

### Bear Case (S\$0.60–0.70 / –20–30% downside):

- Growth stalls; competitive pressures intensify
- 12× P/E valuation (deep discount scenario)
- Unlikely absent severe recession; net cash and sticky revenue provide floor

## Key Stock Metrics

### Trading & Capitalisation (as of 26 November 2025)

Metric	Value	Source/Comments
<b>Share Price</b>	S\$0.83	Last close, 26 Nov 2025
<b>Market Capitalisation</b>	~S\$210 million	258m shares (Bloomberg)
<b>52-Week Range</b>	S\$0.80–0.98	Since listing 4 Jul 2025
<b>Shares Outstanding</b>	258 million	Bloomberg
<b>Free Float (est.)</b>	26%	67.6m shares (Bloomberg)
<b>Avg Daily Volume (3M)</b>	200,000–250,000 shares	Moderate liquidity
<b>Net Cash (30 June 2025)</b>	S\$33.7 million	Excludes post-IPO proceeds
<b>Pro-forma Net Cash (est.)</b>	S\$50–60 million	Incl. IPO proceeds minus deployment

**Valuation Multiples**

Metric	Value	Calculation/Source
<b>P/E (FY2024A)</b>	~17.4x	Reported FY24 net profit S\$12.3m
<b>P/E (FY2025E)</b>	~16.6x	(adj.) ~14.5x ex-listing costs
<b>EV/EBITDA (FY2025E)</b>	~8.0x	(adj.) ~7.0x ex-listing costs
<b>Price-to-Book (FY2025E)</b>	~8.0x	Normalized post-IPO equity base
<b>Dividend Yield (FY2025E)</b>	~3.7%	Interim 1.55c + est. final ~1.55c
<b>Target Price (12M)</b>	<b>S\$1.00</b>	Blended P/E & EV/EBITDA methodology
<b>Upside to Target</b>	<b>+20.5%</b>	From S\$0.83 current

**Profitability Metrics (FY2024 Actuals)**

Metric	FY2024	Notes
<b>Revenue</b>	S\$43.7m	+14.8% YoY
<b>Gross Profit</b>	S\$37.4m	85.6% margin
<b>Gross Margin %</b>	85.6%	Typical for pure SaaS model
<b>EBITDA (Reported)</b>	S\$16.7m	38.1% margin
<b>Net Profit (PATMI)</b>	S\$12.3m	28.2% margin
<b>Operating Margin %</b>	34.1%	Operating income / revenue
<b>ROE</b>	~45%	Normalized post-IPO equity base
<b>ROA</b>	31%	Efficient asset utilization
<b>EPS (post-IPO basis)</b>	4.78 cents	Based on 258m shares

**Balance Sheet Strength (30 June 2025)**

Metric	Value	Calculation/Source
<b>Current Ratio</b>	~1.7x	Post-IPO liquidity
<b>Net Cash</b>	S\$33.7m	Cash less borrowings (zero debt)
<b>Shareholders' Equity</b>	~S\$28–30m	Normalized post-IPO (was S\$4m pre-IPO)
<b>NAV per Share</b>	~S\$0.11–0.13	Normalized equity base

## Company Background & Business Model

### History & Strategic Milestones

- **2007:** Founded as on-premise HR software provider
- **2016:** Transitioned to cloud platform (early mover advantage)
- **2018:** Expanded to Malaysia; established regional footprint
- **2019:** Entered India market; set up development office in Chennai
- **2021:** Launched operations in Hong Kong
- **July 2025: IPO on SGX Mainboard** (first pure-play SaaS HR provider to list on SGX)
  - Raised ~S\$23.4m net (gross proceeds S\$28.7m)
  - Cornerstone investors: Maybank AM, Lion Global, Nikko AM (and others)
  - IPO demand: ~7.3× oversubscribed
- **November 2025: Incorporated subsidiary in Dubai** – strategic Middle East expansion

### Products & Services Breakdown

#### 1. Flagship HRMS (~79% of FY2024 revenue)

- Modular cloud platform covering 9 core HR functions
- Scalable: micro-SMEs to enterprises with 1,000+ employees
- 906,000+ active users (1H2025, +15% YoY)
- 23,000+ organizations onboarded
- Customer retention: 94% (1H2025, up from 87% in 2022)
- Revenue model: Subscription (monthly/annual per employee or module)

#### 2. Info-Tech Accounting Software (~4% of FY2024 revenue)

- Cloud-based accounting module (launched 2022)
- Real-time invoicing, GST, payables/receivables, bank reconciliation
- Seamlessly integrated with HRMS (auto-posting of payroll entries)
- 1,400+ customers across SG, MY, HK (growing +26% in FY2024)
- Strong cross-sell opportunity to existing HRMS base

### 3. Academy (e-learning platform, ~7.4% of FY2024 revenue)

- Workforce Skills Qualifications (WSQ) certified courses
- Employee upskilling and professional development
- 4,000+ registrations (1H2025, vs ~3,000 end-2024)
- Course offerings doubled to 12 by 1H2025
- Deepens client engagement; supports SME workforce development

### 4. Jobs Lah (AI-driven job portal, non-monetized currently)

- Hosts 100,000+ job seekers and 7,000+ hiring employers (mostly SMEs in SG/MY)
- AI-powered job matching functionality
- Currently free value-add; monetization potential via premium listings, referral fees
- Part of "one-stop workforce platform" vision

### 5. Hardware & Others (~3–5% of FY2024 revenue)

- RFID attendance readers, biometric scanners
- Access control devices integrating with HRMS
- Maintenance fees and support services
- Enhances platform stickiness through bundling

### Revenue by Geography (FY2024)

Region	Revenue	% of Total	1H2025 Growth
<b>Singapore</b>	S\$32.8m	75%	-2.5% YoY
<b>Malaysia</b>	S\$8.3m	19%	+28% YoY
<b>Others (HK/India)</b>	S\$2.6m	6%	+29% YoY
<b>Total</b>	S\$43.7m	100%	+14.8% YoY

**Strategic Insight:** Domestic market (Singapore) approaching saturation; international expansion (Malaysia +28%, Others +29% in 1H25) becoming primary growth engine.

### Revenue Model & Cash Flow Characteristics

- **Recurring Revenue:** ~90% of topline (subscription SaaS fees, training, support)
- **Visibility:** Deferred revenue and multi-year contracts provide near-term guidance

- **Gross Margins:** 85%+ due to low incremental delivery costs
- **Operating Leverage:** Minimal variable costs per new customer; platform scales efficiently
- **Cash Conversion:** Operating cash flow S\$18.0m in FY2024 (146% of PAT); strong FCF generation (~S\$17.7m)
- **Working Capital:** Favorable—many clients pay annual fees in advance, creating favorable cash float

## Financial Analysis & Forecasts

### Historical Performance (FY2022–FY2024 Audited)

Metric	FY2022	FY2023	FY2024	CAGR 22–24
<b>Revenue (\$m)</b>	30.8	38.1	43.7	19%
<b>Gross Profit (\$m)</b>	26.5	33.1	37.4	19%
<b>Gross Margin %</b>	85.9%	87.0%	85.6%	—
<b>EBITDA (\$m)</b>	10.5*	14.9	16.7	26%
<b>EBITDA Margin %</b>	34.0%	39.0%	38.1%	—
<b>Net Profit (\$m)</b>	7.2	10.5	12.3	31%
<b>Net Margin %</b>	23.3%	27.5%	28.2%	—
<b>Operating CF (\$m)</b>	10.2	13.5	18.0	33%
<b>Free CF (\$m)</b>	10.2	13.5	17.7	31%
<b>EPS (post-IPO basis, cents)</b>	2.78	4.06	4.78	31%
<b>ROE (normalized)</b>	~40%	~42%	~45%	—
<b>ROA %</b>	21.8%	28.2%	31.1%	—

\*FY2022 EBITDA adjusted for non-recurring listing prep expenses.

### 1H2025 Interim Results (Actual)

Metric	1H2025	1H2024	YoY Change
<b>Revenue (\$m)</b>	22.4	21.4	+5%
<b>Gross Profit (\$m)</b>	19.0	18.7	+1.6%
<b>Gross Margin %</b>	85%	87%	–200bps

<b>Adjusted EBITDA (S\$m)</b>	9.5	8.9	+7%
<b>Adjusted EBITDA Margin %</b>	42.3%	43.3%	-100bps
<b>Adjusted PAT (S\$m)</b>	7.2	6.6	+9%
<b>Reported PAT (S\$m)</b>	5.2	6.6	-21%*
<b>Underlying Net Margin %</b>	32.4%	31.0%	+140bps
<b>Interim Dividend</b>	1.55c	—	55% of adj. earnings

\*Reported PAT includes S\$2.1m one-off IPO listing costs.

#### Forward Estimates (FY2025E – FY2026E)

Metric	FY2025E	FY2026E	Growth
<b>Revenue (S\$m)</b>	48.8	53.6	+9.8%
<b>Revenue Growth YoY %</b>	+11.5%	+9.8%	—
<b>Gross Profit (S\$m)</b>	41.5	45.6	+9.8%
<b>Gross Margin %</b>	85.0%	85.1%	Flat
<b>EBITDA Adjusted (S\$m)</b>	20.6	24.1	+17%
<b>EBITDA Margin % (adj)</b>	42.3%	45.0%	6.3%
<b>Net Profit Adjusted (S\$m)</b>	14.7	16.4	+11.6%
<b>Net Profit Reported (S\$m)</b>	12.9	16.4	+26.7%*
<b>Net Margin % (adj)</b>	30.1%	30.6%	+50bps
<b>EPS (cents, post-IPO basis)</b>	5.0	6.4	+28%
<b>DPS (cents)</b>	~3.0	~3.2	+7%
<b>Payout Ratio %</b>	~50%	~50%	Policy
<b>Operating CF (S\$m est.)</b>	16.5	18.0	+9%
<b>Free CF (S\$m est.)</b>	15.0	16.5	+10%

\*FY2025 reported includes one-off IPO costs; FY2026 clean-run rate.

#### Forecast Assumptions:

- Revenue growth moderates post-pandemic normalization in Singapore (domestic segment low-single digit)

- Malaysia & India acceleration (+18–29% respectively, per management guidance)
- Margin pressure from R&D investment (8–9% of revenue) and increased staff hiring to support expansion
- No major M&A assumed; organic growth focus
- Dividend payout holds at 50% of adjusted earnings through FY2026

## Key Catalysts for Growth

### 1. Market Leadership in SME HRTech with High Recurring Revenue

Info-Tech is the dominant player in cloud HRMS for SMEs in Singapore and Malaysia, with 900,000+ active users and 23,000+ organizations. The first-mover advantage and comprehensive all-in-one suite create significant barriers to entry:

- **Sticky Revenue Model:** 91–94% customer retention (highest in industry)
- **Expanding Usage:** Net Revenue Retention >100%, as clients expand headcount and adopt more modules
- **Switching Costs:** Once integrated into client's HR/payroll/accounting, migration to competitor is operationally painful
- **Market Validation:** Notable clients include StarHub, Certis, Koufu, Don Don Donki, Gong Cha, Bossini, Cycle & Carriage, Singapore National Eye Centre

**Impact:** Predictable cash flows and high customer lifetime value support sustained profitability and growth.

### 2. Riding Structural SME Digitalisation Tailwinds

Governments across Asia are actively promoting SME digital transformation through grants, subsidies, and mandates:

- **Singapore:** Productivity Solutions Grant (PSG), SkillsFuture initiatives pre-approve Info-Tech's HRMS/Academy for subsidies
- **Malaysia:** Rising awareness and government push for SME formalization; strong TAM for cloud HR/accounting
- **India:** Massive SME population; growing labor cost pressures driving digitalization demand
- **Regional Growth Drivers:** Rising labor costs, compliance complexity, need for real-time financial/HR data

**Impact:** Low-cost customer acquisition (government co-funding); high TAM expansion opportunities; Info-Tech positioned as region's trusted local provider.

### 3. Expansion of Product Suite Unlocking Cross-Selling

Academy and Jobs Lah transform Info-Tech from pure HRMS to comprehensive HR ecosystem:

- **Academy:** Monetizes training on top of HRMS; deepens client engagement; supports SME workforce development agenda
- **Jobs Lah:** Builds recruitment capability; creates new user base (jobseekers) for future monetization; differentiates offering
- **Future Roadmap:** CRM and POS system integration potential (management has signaled interest)
- **Cross-Sell Evidence:** Accounting module adoption from HRMS base grew from near-zero to 1,400+ customers in 2 years

**Impact:** Higher wallet share per customer; increased customer lifetime value; defense against churn.

### 4. High Margins, Cash Generation & Shareholder-Friendly Capital Allocation

Info-Tech's financial fortress enables simultaneous growth investment and shareholder returns:

- **EBITDA Margins:** 38–40% (operating leverage as revenue scales)
- **FCF Conversion:** Operating cash flow 146% of PAT (FY2024); minimal capex requirements
- **Dividend Policy:** 50% payout on net profit (FY2025–26 minimum); translates to ~3.6–4% yield at current price
- **Net Cash:** S\$50–60m post-IPO (10–12% of market cap); provides war chest for M&A or opportunistic buybacks
- **ROE/ROIC:** 45%+ ROE, >50% ROIC (rare for growth companies)

**Impact:** Investors benefit from both growth and income; capital discipline signals management quality; downside protection via cash.

### 5. Undemanding Valuation vs. Peers; Room for Multiple Expansion

Despite superior fundamentals, Info-Tech trades at significant discount to peers:

Metric	Info-Tech	Peer Avg (Humanica/US SaaS)	Discount/(Premium)
<b>FY25E P/E</b>	16.6x	20–26x	–20–35% discount
<b>EV/EBITDA</b>	8.0x	14–18x	–40–55% discount
<b>Net Margin %</b>	28%	15–20% (varies)	+40–87% superior
<b>Revenue Growth</b>	11–12%	8–20% (varies)	Competitive
<b>ROE</b>	45%	10–25%	+80–350% superior

### Catalysts for Re-rating:

1. Consistent earnings delivery post-listing (visibility to FY2025 results Feb 2026)
2. Demonstrated dividend sustainability (builds confidence in cash flow durability)
3. Analyst coverage expansion under SGX Research scheme (increased visibility)
4. Achievement of strategic initiatives (e.g., Dubai expansion, new product launches)
5. Market recognition of Info-Tech's unique combination of growth + profitability + income

**Upside Scenario:** If Info-Tech re-rates to 18–20× (still below peers), stock could reach S\$1.15–1.28 per share (+38–54% upside).

### Key Risks & Risk Mitigants

Risk Factor	Description	Probability	Severity	Mitigation
<b>Competitive Pressure</b>	Intensifying competition from local/global players; price competition	Medium	High	High retention (94%), switching costs, product innovation, first-mover moat
<b>Customer Churn / Saturation</b>	Singapore market approaching saturation; rising churn if service quality slips	Medium	High	Continuous product investment, 900k+ user base provides buffer, regional expansion focus
<b>Cybersecurity / Data Breach</b>	Exposure as handler of sensitive employee data; reputational/legal risk	Low	Very High	Cloud infrastructure best practices, no incidents to date, compliance focus, cyber insurance (assumed)
<b>Regulatory / Compliance</b>	Complex multi-jurisdiction compliance (labor laws, tax, data protection)	Medium	Medium	Established track record in SG/MY/HK/IN; compliance infrastructure, R&D investment in local features
<b>Macro / Economic Downturn</b>	SME IT spending cuts in severe recession; customer closures	Low	High	Mission-critical payroll/HR software relatively protected; subscription model provides resilience; net cash buffer

<b>FX Headwinds</b>	Weakening MYR/HKD/INR vs SGD reduces translated revenue	Medium	Low	Localised expense base offsets; SGD still 75% of revenue
<b>Execution Risk / Key Person</b>	Reliance on founders; integration of new hires/markets	Medium	Medium	500+ person team; professional mgmt structure; independent board post-listing
<b>Product Disruption</b>	Failure to innovate; AI/new tech renders offering obsolete	Low	High	Continuous R&D (8–9% of revenue), recent product launches (Academy, Jobs Lah), Dubai expansion signal forward-thinking

**Overall Risk Assessment:** Manageable. Multiple mitigants in place; recurring revenue model and net cash provide cushion.

## Balance Sheet & Dividend Analysis

### Balance Sheet Strength (30 June 2025)

Item	Amount	Notes
<b>Cash &amp; Equivalents</b>	S\$33.7m	As of 30 Jun 2025
<b>Pro-forma Cash (incl. IPO proceeds)</b>	S\$50–60m	Est. including post-IPO funding
<b>Total Debt</b>	S\$0m	Completely unlevered
<b>Net Cash</b>	S\$33.7m (30 Jun)	~S\$50–60m post-IPO
<b>Current Assets</b>	Strong	Primarily cash, AR, receivables
<b>Current Liabilities</b>	Moderate	Deferred revenue is favorable liability (cash collected in advance)
<b>Current Ratio</b>	~1.7×	Post-IPO, comfortable liquidity
<b>Shareholders' Equity</b>	~S\$28–30m	Normalized post-IPO (vs. S\$4m pre-IPO due to large dividends paid)
<b>Asset-Light Model</b>	✓	Minimal fixed assets, high-margin software IP

## Dividend Policy & Shareholder Returns

**Policy:** Minimum 50% payout of net profit (FY2025–2026 stated period)

Year	EPS (adj)	Dividend per Share	Payout %	Dividend Yield (at S\$0.83)
<b>FY2024A</b>	~5.5c	~2.75c	50%	3.3%
<b>1H2025 (interim)</b>	1.55c*	1.55c**	55%	—
<b>FY2025E</b>	5.0c	~3.0c	50%	3.6%
<b>FY2026E</b>	6.4c	~3.2c	50%	3.9%

\*Per share for half-year; \*\*Interim dividend paid Aug 2025.

### Assessment:

- Generous payout signals management confidence in sustained cash flow generation
- Yield of 3.6–3.9% is attractive for a growth tech stock
- Well-covered by FCF (OCF S\$16–18m annually > dividends ~S\$8m at payout levels)
- Retaining 50% of earnings provides ample cash for growth initiatives and balance sheet strengthening

## ESG Considerations & Strategic Outlook

### ESG Profile

#### Social Impact:

- Empowers SMEs with affordable enterprise-grade HR tech, democratizing technology access
- Academy upskills workforce; supports national human capital development agendas
- Over 900,000 users benefit from accurate, timely payroll and compliance

#### Environmental:

- Cloud-based HR reduces paper usage (e-payslips, digital forms)
- Cloud computing is energy-efficient vs. on-premise servers per SME
- Potential future ESG commitments: carbon offset for corporate travel, renewable energy partnerships with cloud providers

#### Governance:

- Independent board structure post-listing (audit, remuneration committees)

- Institutional cornerstone investors provide scrutiny
- Transparent financial reporting as SGX-listed entity
- Founder-led (Mr. Dilip Babu, CEO; Mr. Peter Lee, Chairman) with significant continuing ownership—aligns interests
- **To Watch:** Related-party transactions, executive compensation, minority shareholder protections

### Strategic Roadmap

1. **Geographic Expansion:** Strong Malaysia growth; India scaling up; **Dubai subsidiary (Nov 2025) signals Middle East entry**
2. **Product Roadmap:** CRM and POS system potential; continued AI integration (Jobs Lah model); possible ecosystem marketplace
3. **M&A Optionality:** S\$50–60m cash provides capacity for accretive acquisitions (e.g., regional competitor in new market, adjacent software capability)
4. **Partnership Opportunities:** Banking/telco tie-ups for SME distribution; potential white-label arrangements
5. **Market Position:** Positioning as "one-stop digital solutions provider for SMEs"

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## Catalysts & Timeline

### Near-Term Catalysts (0–6 months)

1. **FY2025 Full-Year Results (Feb 2026)** – Earnings track record as listed entity; margin trajectory confirmation
2. **Dividend Sustainability** – Delivery of promised 50% payout reinforces cash flow story
3. **Dubai Operations Ramp-up** – Early metrics on Middle East market potential
4. **Analyst Coverage** – Additional brokerage initiation notes under SGX Research scheme

### Medium-Term Catalysts (6–18 months)

1. **Regional Growth Acceleration** – Malaysia/India revenues demonstrate execution on expansion strategy
2. **Product Launch Milestones** – CRM or POS module announcements / early adoption metrics
3. **Government Initiative Tie-ups** – Expanded pre-approval for grants in new markets
4. **Dividend Increase** – Higher absolute dividends as earnings grow (50% payout policy)
5. **IPO Proceeds Deployment Visibility** – Clear capex/marketing spend plans showing result

## Longer-Term Catalysts (18+ months)

1. **Sustained Margin Expansion** – Operating leverage kicks in as revenue scales
2. **M&A Announcement** – Strategic acquisition to enter new market or gain capability
3. **Governance Upgrade** – ESG formalization, diversity targets, enhanced reporting
4. **New Market Entry** – Indonesia, Vietnam, or larger ASEAN rollout

## Conclusion & Investment Summary

### Investment Case Summary

Info-Tech Systems Ltd is a rare combination of **profitable growth + capital discipline + shareholder returns**, offering exposure to the structural theme of SME digital transformation in Southeast Asia.

### Investment Highlights:

- ✓ Market leader in cloud HRMS for SMEs (first-mover, 94% retention)
- ✓ 31% net profit CAGR (FY22–24), expanding margins to 30%+ by FY2026
- ✓ Fortress balance sheet: S\$50–60m net cash, zero debt, 50% dividend policy
- ✓ Regional expansion momentum: Malaysia +28%, Others +29% (1H25)
- ✓ Product ecosystem maturing: Academy, Jobs Lah, CRM/POS pipeline
- ✓ Recent strategic move: Dubai expansion (Nov 2025) signals CEO confidence
- ✓ Valuation attractive: 16.6× FY25E P/E with 31% historical EPS CAGR (vs. peer avg ~22×)
- ✓ Multiple expansion potential: Re-rating to 18–20× on proven execution could yield +38–54% upside

### Rating & Price Target

Rating	Price Target (12M)	Upside from S\$0.83	Risk-Reward
<b>BUY</b>	<b>S\$1.00</b>	<b>+20.5%</b>	Favorable

### Price Justification:

- Base case: 16× P/E on FY2026E EPS (6.4c) with net cash cushion
- Upside optionality: Dubai expansion, product launches, dividend increases
- Downside protection: Net cash (S\$0.20/share), mission-critical software, 94% retention

### Final Verdict

We recommend **INFO-TECH SYSTEMS (SGX: ITS)** as a **BUY** for investors seeking:

1. **Growth:** 10–12% revenue CAGR, 12–15% EPS CAGR through 2026–27

2. **Profitability:** 28–31% net margins; 45%+ ROE
3. **Income:** 3.6–4% dividend yield on growing earnings
4. **Regional Exposure:** Direct play on Southeast Asian SME digitalization mega-trend
5. **Risk-Adjusted Returns:** Balanced portfolio—growth + income + multiple expansion + net cash downside support

At S\$0.83, the stock offers compelling value relative to fundamentals and peer comparisons. We see S\$1.00 as a near-term objective (12-month), with bull-case targets of S\$1.20–1.30 achievable if execution exceeds expectations and multiples normalize toward peer levels.

**Initiate Coverage: BUY | Target Price S\$1.00 | 12-Month Objective**

## Appendix: Summary Financials

### Consolidated Income Statement (S\$ thousands)

Fiscal Year	FY2022A	FY2023A	FY2024A	FY2025E	FY2026E
Revenue	30,845	38,064	43,713	48,800	53,600
Growth %	–	23.4%	14.8%	11.6%	9.8%
Cost of Revenue	4,323	4,939	6,297	7,300	8,000
Gross Profit	26,522	33,125	37,416	41,500	45,600
Gross Margin %	85.9%	87.0%	85.6%	85.0%	85.1%
Operating Expenses	17,010	19,889	22,510	22,000	23,900
EBITDA (adj)	9,512	15,100	17,000	20,600	24,100
EBITDA Margin %	30.9%	39.7%	38.9%	42.3%	45.0%
EBIT / Operating Income	9,515	13,236	14,906	15,000	17,100
Net Profit (Reported)	7,185	10,487	12,339	12,950	16,400
Net Profit (Adj)*	7,185	10,487	12,339	14,750	16,400
Net Margin % (Adj)	23.3%	27.5%	28.2%	30.2%	30.6%
EPS (post-IPO, cents)	2.78	4.06	4.78	5.0	6.4
Dividend per Share (cents)	0	0	2.75	3.0	3.2
Payout Ratio %	0%	0%	50%	50%	50%

\*Adjusted excludes one-off IPO listing costs (S\$2.1m in FY2025E).

### Key Ratios & Returns

Metric	FY2022	FY2023	FY2024	FY2025E	FY2026E
<b>Profitability</b>					
Gross Margin %	85.9%	87.0%	85.6%	85.0%	85.1%
EBITDA Margin %	30.9%	39.7%	38.9%	42.3%	45.0%
Operating Margin %	30.9%	34.8%	34.1%	30.7%	31.9%
Net Margin %	23.3%	27.5%	28.2%	30.2%	30.6%
<b>Returns</b>					
ROE (norm.)**	~40%	~42%	~45%	~45%	~46%
ROA %	21.8%	28.2%	31.1%	26.0%	30.0%
ROIC %	>50%	>50%	>50%	>50%	>50%
<b>Growth</b>					
Revenue CAGR 22–24	–	–	19%	–	–
Profit CAGR 22–24	–	–	31%	–	–
EPS CAGR 22–24	–	–	31%	–	–

**Note:** FY2025E–26E ROE on normalized post-IPO equity base; historical pre-IPO ROE was inflated due to large dividend payments reducing equity.

### Cash Flow Summary

Item	FY2024A	FY2025E	FY2026E
<b>Operating Cash Flow</b>	S\$18.0m	S\$16.5m	S\$18.0m
<b>Capital Expenditure</b>	<S\$1m	~S\$1.5m	~S\$1.5m
<b>Free Cash Flow</b>	~S\$17.7m	~S\$15.0m	~S\$16.5m
<b>FCF Margin %</b>	40.4%	30.7%	30.8%
<b>FCF Conversion (FCF/PAT)</b>	143%	102%	101%

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