

CTOS Digital CTOS.KL CTOS MK

EQUITY: SOFTWARE & SERVICES

Growth on track; raising TP to MYR1.80

More visibility on segmental performance; reiterate Buy

Reaffirm segmental growth outlook

We are more confident of CTOS Digital's segmental growth outlook following its recently reported 2Q21 results, and an investor group meeting we hosted on 30 July with management. For the **Key Account** segment, growth run-rate is tracking at 24% y-y in 1H21 (adjusted for CCRIS fee waiver), and Comprehensive Portfolio Review product demand is seeing good takeup, and growth in revenue is contributed by other products such as eKYC, IDGuard Fraud Bureau, and CAD. For the **Commercial** segment, 1H21 revenue is up 10% (adj for CCRIS fee), and management expects the slowdown in activations to reverse once the lockdowns end and activations/ transactions pick-up. For the **Direct-to-Consumer** segment, 1H21 revenue is up 104% y-y (adj for CCRIS fee), as downloads of myCTOS Score reports increase sharply from a very low base.

FY22F-23F earnings tweaked higher, TP up to MYR 1.80; reiterate Buy

We adjust our revenue estimates for FY22F/23F up by 4% each, mainly coming from positive revisions in the Key Accounts segment and normalization of the CCRIS fee waiver. Our earnings estimates are up marginally by 2% each for FY22F/23F as we conservatively build in some cost increases from headcount and new products development. We now raise our target P/E multiple to 55x (from 45x), and based on our revised FY22F EPS of 3.28sen, our revised TP of MYR 1.80 implies 18% upside. The 55x target multiple is higher than consensus' median forward P/E of 36x each for CTOS' credit bureau peer group, 36.4x for the rating agencies and financial data provider peer group, and 46x for value-added services peer group, in view of the superior earnings growth (CTOS' 32% FY21F-23F EPS CAGR vs growth in teens for peers). The stock currently trades at 47x FY22F P/E. Main downside risks to our view are: below-expected revenue growth, non-renewal of tax incentives and FX risks.

Updates on RAM stake purchase, tax renewal, new verticals

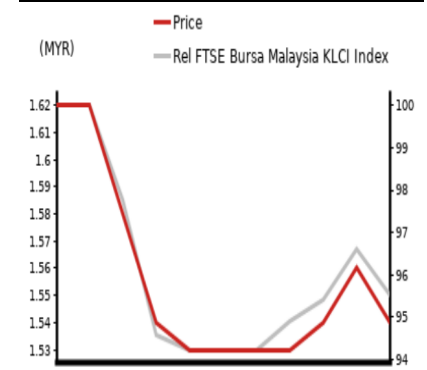
Management believes there is room to realize incremental revenue/customer synergies from RAM Holdings especially for CTOS' Key Accounts segment, who are looking for additional data and products (such as ESG ratings). Management expects the results of the tax incentive review sometime in September-November 2021. The borrowings in relation to the acquisitions have been repaid last week with IPO proceeds. On new products such as tenants screening and used vehicle reports, management mentioned that new products typically take >1-2 years for reaching mainstream usage.

Year-end 31 Dec	FY20		FY21F		FY22F		FY23F	
Currency (MYR)	Actual	Old	New	Old	New	Old	New	
Revenue (mn)	140	162	162	191	198	226	235	
Reported net profit (mn)	39	48	48	71	72	87	88	
Normalised net profit (mn)	39	48	48	71	72	87	88	
FD normalised EPS	1.96c	2.30c	2.30c	3.22c	3.28c	3.95c	4.02c	
FD norm. EPS growth (%)	0.5	17.2	17.4	40.3	42.4	22.5	22.8	
FD normalised P/E (x)	78.1	-	66.5	-	46.7	-	38.0	
EV/EBITDA (x)	66.8	-	49.3	-	38.9	-	31.5	
Price/book (x)	27.6	-	10.3	-	9.2	-	8.3	
Dividend yield (%)	0.8	-	0.9	-	1.3	-	1.6	
ROE (%)	41.3	22.0	22.1	20.5	20.8	22.5	22.9	
Net debt/equity (%)	95.7	net cash	net cash	net cash	net cash	net cash	net cash	

Source: Company data, Nomura estimates

Rating Remains	Buy
Target price Increased from MYR 1.45	MYR 1.80
Closing price 30 July 2021	MYR 1.53
Implied upside	+17.6%
Market Cap (USD mn)	798.0
ADT (USD mn)	28.6

Relative performance chart



Source: Thomson Reuters, Nomura

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Key Data on CTOS Digital

Performance

(%)	1M	3M	12M		
Absolute (MYR)				M cap (USDmn)	798.0
Absolute (USD)				Free float (%)	50.0
Rel to FTSE Bursa Malaysia KLCI Index				3-mth ADT (USDmn)	28.6

Income statement (MYRmn)

Year-end 31 Dec	FY19	FY20	FY21F	FY22F	FY23F
Revenue	129	140	162	198	235
Cost of goods sold	-22	-19	-22	-32	-38
Gross profit	108	121	140	166	197
SG&A	-66	-79	-89	-98	-113
Employee share expense					
Operating profit	42	43	51	68	84
EBITDA	48	50	60	76	94
Depreciation	-6	-7	-8	-7	-9
Amortisation	0	0	0	-1	-1
EBIT	42	43	51	68	84
Net interest expense	-1	-4	-6	0	0
Associates & JCEs	1	2	7	8	9
Other income					
Earnings before tax	41	40	52	76	94
Income tax	-2	-2	-4	-4	-5
Net profit after tax	39	38	48	72	88
Minority interests	0	1	1	0	0
Other items					
Preferred dividends					
Normalised NPAT	39	39	48	72	88
Extraordinary items	0	0	0	0	0
Reported NPAT	39	39	48	72	88
Dividends	-22	-25	-29	-43	-53
Transfer to reserves	17	14	19	29	35

Valuations and ratios

Reported P/E (x)	78.4	78.1	66.5	46.7	38.0
Normalised P/E (x)	78.4	78.1	66.5	46.7	38.0
FD normalised P/E (x)	78.4	78.1	66.5	46.7	38.0
Dividend yield (%)	0.7	0.8	0.9	1.3	1.6
Price/cashflow (x)	62.7	61.7	51.4	49.6	44.6
Price/book (x)	38.8	27.6	10.3	9.2	8.3
EV/EBITDA (x)	69.4	66.8	49.3	38.9	31.5
EV/EBIT (x)	79.8	78.0	56.5	42.9	34.7
Gross margin (%)	83.3	86.4	86.3	84.0	84.0
EBITDA margin (%)	37.2	35.8	36.8	38.3	40.0
EBIT margin (%)	32.3	30.4	31.5	34.3	35.8
Net margin (%)	30.2	27.9	29.8	36.4	37.7
Effective tax rate (%)	5.4	5.8	8.6	5.4	5.4
Dividend payout (%)	57.4	63.2	60.0	60.0	60.0
ROE (%)	56.1	41.3	22.1	20.8	22.9
ROA (pretax %)	39.6	23.1	21.5	25.5	29.6

Growth (%)

Revenue	16.9	8.8	15.2	22.3	18.5
EBITDA	36.1	4.7	18.5	27.2	23.7
Normalised EPS	31.5	0.5	17.4	42.4	22.8
Normalised FDEPS	31.5	0.5	17.4	42.4	22.8

Source: Company data, Nomura estimates

Cashflow statement (MYRmn)

Year-end 31 Dec	FY19	FY20	FY21F	FY22F	FY23F
EBITDA	48	50	60	76	94
Change in working capital	19	-13	-2	-4	-4
Other operating cashflow	-18	13	5	-4	-14
Cashflow from operations	49	50	63	68	75
Capital expenditure	-3	-7	-8	-9	-11
Free cashflow	46	43	55	59	64
Reduction in investments	0	0	0	0	0
Net acquisitions	-56	-97	-30	0	0
Dec in other LT assets					
Inc in other LT liabilities					
Adjustments	1	1	-1	0	0
CF after investing acts	-10	-54	23	59	64
Cash dividends	-22	-11	-49	-34	-47
Equity issue	0	0	214	0	0
Debt issue	16	107	-132	0	0
Convertible debt issue					
Others	11	-23	-6	0	0
CF from financial acts	5	74	27	-34	-47
Net cashflow	-4	20	50	25	18
Beginning cash	10	6	26	76	101
Ending cash	6	26	76	101	119
Ending net debt	22	106	-76	-101	-119

Balance sheet (MYRmn)

As at 31 Dec	FY19	FY20	FY21F	FY22F	FY23F
Cash & equivalents	6	26	76	101	119
Marketable securities					
Accounts receivable	21	28	33	40	47
Inventories					
Other current assets	0	0	0	0	0
Total current assets	28	55	109	141	166
LT investments	57	151	158	166	176
Fixed assets	20	19	19	21	23
Goodwill					
Other intangible assets	38	50	79	79	78
Other LT assets	0	2	2	2	2
Total assets	142	276	367	409	445
Short-term debt	18	132	0	0	0
Accounts payable	14	17	19	23	26
Other current liabilities	20	10	10	10	10
Total current liabilities	52	159	29	33	36
Long-term debt	9	0	0	0	0
Convertible debt					
Other LT liabilities	2	1	10	10	1
Total liabilities	63	160	40	43	37
Minority interest	0	5	0	0	0
Preferred stock					
Common stock	198	198	412	412	412
Retained earnings	72	106	109	147	189
Proposed dividends					
Other equity and reserves	-191	-193	-193	-193	-193
Total shareholders' equity	79	111	327	366	408
Total equity & liabilities	142	276	367	409	445

Liquidity (x)

Current ratio	0.53	0.34	3.70	4.30	4.57
Interest cover	34.4	10.1	8.5	-	-

Leverage

Net debt/EBITDA (x)	0.45	2.11	net cash	net cash	net cash
Net debt/equity (%)	27.3	95.7	net cash	net cash	net cash

Per share

Reported EPS (MYR)	1.95c	1.96c	2.30c	3.28c	4.02c
Norm EPS (MYR)	1.95c	1.96c	2.30c	3.28c	4.02c
FD norm EPS (MYR)	1.95c	1.96c	2.30c	3.28c	4.02c
BVPS (MYR)	0.04	0.06	0.15	0.17	0.19
DPS (MYR)	0.01	0.01	0.01	0.02	0.02

Activity (days)

Days receivable	55.6	64.7	68.5	66.6	67.6
Days inventory	0.0	0.0	0.0	0.0	0.0
Days payable	230.8	295.3	301.6	243.2	238.8
Cash cycle	-175.1	-230.6	-233.1	-176.5	-171.2

Source: Company data, Nomura estimates

Company profile

CTOS Digital is a Malaysian private credit reporting agency (CRA), with a dominant domestic market share of 71% (2020). It also has exposure to Thailand's credit reporting industry through a 20% stake in BOL (BOL TB, not rated), a leading Thai CRA. CTOS Digital and its subsidiaries are mainly involved in the business of credit reporting, digital software related services, software development, outsourcing and training services and investment holding. CTOS provides credit information and analytics digital solutions on companies, businesses and consumers for use by banks and businesses at various stages of the customer lifecycle and provide credit information and analysis to consumers. CTOS's databases contain profiles of approximately 15 million consumers and approximately 8 million companies and businesses. CTOS Digital caters to three segments of customers: Key Accounts, Commercial and Direct-to-Consumer.

Valuation Methodology

We value CTOS Digital at 55x FY22F EPS of 3.28sen to arrive at our TP of MYR1.80. Our 55x target multiple is at a premium to CTOS' peers in the global credit bureau, ratings agencies, financial data providers and value-added services peer groups, in view of CTOS' superior earnings growth expected compared to peers. The benchmark index for this stock is the FBMKLCI Index.

Risks that may impede the achievement of the target price

Downside risks to our view are: 1) Slower than expected revenue or earnings growth from key segments; 2) Non-renewal of tax incentives; 3) FX risks due to exposure to Thailand; 4) Regulatory and data security risks; 5) Acquisitions not delivering expected returns.

ESG

We ascribe a score of 4.5 (out of 5.0) for CTOS Digital's Environment-related (E) achievements and risks. As a digital business providing credit reporting data to customers, CTOS does not have any major adverse environment impacts. We ascribe a score of 4.0 (out of 5.0) for CTOS Digital's Social-related (E) achievements and risks. Due to the highly sensitive nature of data which CTOS collects, data protection and privacy are of prime importance to CTOS, and sufficient safeguards are needed to protect such data from any outside attempted intrusions, or data leaks. CTOS frequently promotes financial literacy to consumers and businesses. We ascribe a score of 3.5 (out of 5.0) for CTOS Digital's Governance-related (E) achievements and risks. The company's board composition, committee structure follows best practices. However, a history of acquisitions and an intent to use inorganic opportunities for future growth is a factor to monitor, due to the inherent risk of overpaying and lack of control over associate entities. The company qualifies for low tax rates due to pioneer incentives.

Investor presentation highlights

We hosted the management team of CTOS Digital (CTOS) for an investor presentation on 30 July. Key takeaways from the presentation as well as last week's investor briefing are summarized below:

Rationale on acquisition of stake in RAM Holdings

On 29 July, CTOS made its first acquisition post-listing, by acquiring a stake of 4.6% in RAM Holdings, which is the market leader in providing Malaysian credit ratings, research, training, risk analysis, ESG analytics and bond pricing and valuation data. The purchase consideration was MYR 10.1mn, and the implied transaction multiples are a FY20 P/E of 25.9x, and P/B of 1.3x, based on RAM Holdings' FY20 PAT of MYR 8.4mn and book value of MYR 167.2mn.

According to CTOS, there is room to realize incremental revenue synergies from RAM Holdings especially for CTOS' Key Accounts customers, who are looking for additional data and products (such as ESG ratings). RAM's scoring and reports can augment CTOS' data and can be offered to Key Accounts as a value-added solution. CTOS will be collaborating with RAM to explore these avenues.

At the moment, given that CTOS' stake in RAM is ~4.6%, it will not be equity-accounting RAM earnings in our view, but this might change in the future should CTOS increase its shareholding. Note that under RAM's charter, no single shareholder can own >20% stake in the company.

CTOS: 2Q21 results highlights

- Reported 2Q21 PATAMI of MYR11.8mn was up 58% y-y. Adjusted 2Q21 PATMI of MYR15mn (which excludes non-recurring items such as CIBI / higher tax rate / FX / interest) was up 67% y-y.
- Reported 1H21 PATMI of MYR19.5mn was up 25% y-y. Adjusted 1H21 PATMI of MYR31.4mn (which excludes non-recurring items such as CIBI / higher tax rate / FX / interest) was up 70% y-y.
- **Key accounts:** 1H21 revenue is up 8% y-y, but on a like-for-like basis, excluding the impact of CCRIS fee waiver, revenue was up 24% y-y. March saw a 118% jump in Key Account transactions volume due to demand for the Comprehensive Portfolio Review product. Other digital solutions in demand by Key Accounts are the eKYC (CTOS has a pipeline for upcoming new activations), Fraud Bureau, and CAD. For 2Q21, CAD revenue jumped 63% y-y, and IDGuard Fraud Bureau jumped 61% y-y. For 1H21, IDGuard Fraud Bureau was up 50%, CAD +54% y-y, and eKYC up 55% y-y.
- **Commercial:** 1H21 revenue is up 9% y-y, but on a like-for-like basis, excluding the impact of CCRIS fee waiver, revenue was up 10% y-y. Note that the commercial segment has seen a slowdown in new activations and sales due to the Movement Control Order which began in May, but based on experience in the previous 2020 and 2021 lockdowns, management expects a sharp-recovery in activations, due to pent-up demand, once the lockdown ends. Mar 2021 saw a 106% m-m increase in activations once the MCO 2.0 was lifted. On customer churn rate, while management does not disclose exact numbers, it believes that overall churn seems to be better (lower) than expectations.
- **Direct-to-consumer:** 1H21 revenue is up 90% y-y, but on a like-for-like basis, excluding the impact of CCRIS fee waiver, revenue was up 104% y-y. This is mainly driven by increasing downloads of the MyCTOS Score reports.

Fig. 1: CTOS: 2Q21 results review

MYR mn, except per share items	1Q20	2Q20	1Q21	2Q21	% y-y	% q-q
Revenue	34.1	30.7	42.3	37.8	23.5%	(10.5%)
Key Accounts	12.8	10.8	12.5	12.8	18.7%	2.0%
Commercial - Malaysia + International (Basis)	19.8	18.7	22.9	22.5	19.8%	(2.0%)
Direct-to-Consumer	1.6	1.2	2.5	2.6	127.5%	3.6%
International B2B	0.0		4.3		NM	NM
Cost of sales	(5.5)	(4.3)	(5.4)	(4.8)	13.2%	(11.1%)
Gross Profit	28.6	26.4	36.9	33.0	25.1%	(10.4%)
Selling and marketing expenses	(9.1)	(7.0)	(8.9)	(7.9)	13.1%	(10.9%)
Admin expenses	(10.3)	(10.8)	(16.1)	(10.7)	(1.1%)	(33.7%)
Finance costs	(0.7)	(0.9)	(3.6)	(1.6)	83.5%	(54.9%)
Share of profits of associates	0.1	0.3	1.7	1.8	413.0%	7.3%
PBT	8.7	8.1	9.9	14.5	78.1%	45.9%
Tax	(0.6)	(0.6)	(2.6)	(2.5)	293.6%	(6.0%)
Effective tax rate	7%	8%	32%	19%		
Minority interest	0.0	0.0	0.4	0.2	NM	(55.0%)
Reported NPATAMI - equityholders	8.1	7.5	7.7	11.8	57.8%	54.1%
Normalised NPATAMI - equityholders	9.5	9.0	16.4	15.0	66.7%	(8.7%)
One-offs included in reported NPATAMI						
Discontinued operations / losses from CIBI and CIBI Holdings	0.0	(0.0)	(0.4)	(0.2)		
Costs related to acquisition of CIBO and Basis	(0.1)	0.0	(0.1)	0.0		
Share-based payment expense	(0.6)	(0.6)	0.0	0.0		
Interest expense on borrowings	(0.6)	(0.8)	(3.6)	(1.6)		
Unrealised foreign exchange gain / (loss)	0.0	0.0	(3.1)	0.2		
Impact of higher tax rate	0.0	0.0	(1.5)	(1.5)		
Total one-offs included in reported NPATAMI	(1.4)	(1.5)	(8.7)	(3.1)		
Gross profit margins	84.0%	86.1%	87.2%	87.3%	1.2 ppt	0.1 ppt
PBT margins	25.6%	26.5%	23.5%	38.3%	11.7 ppt	14.8 ppt
Net margins	23.8%	24.5%	18.2%	31.3%	6.8 ppt	13.1 ppt

Source: Company data, Nomura research

FY21F and FY22F guidance

Note that management has provided the following guidance for FY21F-22F.

Fig. 2: CTOS: Management's guidance

	FY21E	FY22E
Revenue	MYR 155-165 mn	MYR 195-205 mn
% y-y	10-17%	22-28%
EBITDA*	MYR 65-70 mn	MYR 80-85 mn
% y-y	25-35%	20-26%
EBITDA margins	41-42%	41-42%
PATAMI	MYR 45-50 mn	MYR 67-72 mn
% y-y	15-28%	40-50%
PATAMI margins	28-30%	34-35%
Normalised PATAMI	MYR 55-60 mn	MYR 67-72 mn
% y-y	20-30%	17-25%
Normalised PATAMI margins	35-36%	34-35%
Potential PAT from identified new acquisitions (not incorporated in PATAMI guidance above)	MYR 0.4 mn	MYR 3-4 mn

* Management's guidance of EBITDA includes associate income

Source: Company data, Nomura research

Performance of BOL and other overseas market opportunity

CTOS is satisfied with BOL's performance so far, and we expect BOL to contribute MYR5.8-7.6mn to CTOS' PBT from FY21F-23F. BOL is the leading commercial credit bureau in Thailand, mainly catering to corporates, and also has a ~12% stake in the only Thai consumer credit bureau. As a result, BOL has exposure to the major Thai credit reporting segments. CTOS will look to bring some of BOL's products catering to corporates to its own Key Accounts in Malaysia. Note that BOL's strong performance has continued in 1Q21, with PAT up 32% y-y to THB 52.6mn.

Regarding opportunities in other overseas markets, management believes that there are some opportunities in Indonesia (there is a good market size and scope, and the regulatory environment is manageable). There might be some revenue opportunity in Singapore adjacent to the current two credit bureau's dominating the market. However, markets such as Vietnam (difficult regulatory environment) and the Philippines (very nascent stage of credit bureau landscape) are more difficult to penetrate as of now.

Other updates

- Most fintech players in Malaysia are already working with CTOS, and prospective digital bank license applications are either existing customers or in discussions with CTOS.
- The application for renewal of CTOS' pioneer tax status has been submitted, and while management appears confident of getting a five-year extension, the results of the tax review should come during September-November 2021.
- On CTOS' margins going forward, while the transaction business (repeat uploads to CTOS, score downloads) and ability to resell and repackage existing data in new verticals such as tenant screening are reasons for margins to go up, but at the same time, incremental headcount expense to develop and launch new products can put a cap on margin expansion. Management is guiding to flat margins (norm. NPAT margins of 34-36% in FY21F/22F, vs Nomura's 30%/36%; note that we are not adjusting for one-offs in our margin calculation for FY21F).
- The borrowings in relation to the acquisitions have been repaid last week with IPO proceeds, as guided during the IPO.
- On new products such as tenant screening and used vehicle reports, management mentioned that it takes a while for the product to be rolled out and be in widespread use. For example, the eKYC product took two years to roll out, and the Fraud Bureau took four years to roll out.

Fig. 3: CTOS: Changes in our estimates

MYR mn	Old estimates			New estimates		
	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F
Revenue breakdown						
Key Accounts	51	64	77	51	71	85
Commercial - Malaysia + International (Basis)	94	110	128	93	110	128
Direct-to-Consumer	11	17	21	11	17	21
International B2B	6	0	0	6	0	0
Total Revenue	162	191	226	162	198	235
% y-y	15.4%	17.7%	18.5%	15.2%	22.3%	18.5%
Costs as % of revenue						
Cost of sales	13.7%	15.0%	15.0%	13.7%	16.0%	16.0%
Selling and marketing expenses	22.0%	22.0%	22.0%	22.0%	22.5%	22.5%
Admin expenses	33.1%	28.2%	26.6%	33.0%	27.3%	25.7%
PBT	52	75	92	52	76	94
% y-y	29.2%	43.6%	22.6%	29.4%	45.9%	22.8%
PBT margins	32.1%	39.2%	40.6%	32.2%	38.5%	39.9%
NPATAMI - equityholders	48	71	87	48	72	88
% y-y	23.1%	46.9%	22.5%	23.2%	49.2%	22.8%
Net profit margins	29.7%	37.1%	38.4%	29.8%	36.4%	37.7%

Source: Nomura estimates

Fig. 4: CTOS: P/E based valuation

Fully diluted EPS (sen)	FY22F 3.28
TARGET P/E	55 x
Target Price (MYR / share)	1.80
Last price / reference price (MYR / share)	1.53
Upside / (downside)	17.6%

Source: Nomura estimates, Price as of 29 July 2021

Fig. 5: Peer valuation table

Name	Ticker	Country	Mcap (USD mn)	3MADTV (USD mn)	NMR Rating	P/E (CY20A)	P/E (CY21F)	P/E (CY22F)	P/E (CY23F)	P/B (CY21F)	P/B (CY22F)	Div Yield (CY21F)	Div Yield (CY22F)	EV/EBITDA (CY21F)	EV/EBITDA (CY22F)	EPS CAGR (%) 2021F-23F
Credit Bureau																
Experian Plc	EXPN LN	Ireland	40,674	48.3	NR	44.5	36.7	32.3	29.3	11.7	10.1	1.0	1.3	21.3	19.8	11.9%
Equifax Inc	EFX US	United States	31,752	157.0	NR	37.4	35.3	29.4	25.1	8.0	7.0	0.6	0.6	21.4	18.5	18.6%
Transunion	TRU US	United States	22,953	112.5	NR	40.0	33.1	29.7	26.8	7.3	6.2	0.3	0.3	21.3	19.5	11.1%
Fair Isaac Corp	FICO US	United States	15,188	86.1	NR	49.3	43.7	36.9	31.2	45.9	28.1			30.4	26.7	18.4%
Dun & Bradstreet Holdings Inc	DNB US	United States	8,952	39.2	NR	21.8	19.9	17.9	15.7	2.5	2.4	0.0	12.0	14.8	13.7	12.6%
Nice Information Service Co	030190 KS	South Korea	1,269	2.6	NR	30.4	24.9	21.6	18.2	4.9	4.3	1.4	1.6	14.3	13.3	17.1%
Boa Vista Servicos Sa	BOAS3 BZ	Brazil	1,224	2.0	NR	134.2	47.7	25.4	18.1	3.6	3.2	0.3	0.7	13.6	9.6	62.2%
Ctos Digital Bhd	CTOS MK	Malaysia	798	27.9	Buy	78.1	66.5	46.7	38.0	10.3	9.2	0.9	1.3	49.3	38.9	32.2%
Business Online Pcl	BOL TB	Thailand	242	0.5	NR	44.6										
Credit Bureau Asia Ltd	CBA SP	Singapore	220	0.2	NR	36.9										
Median						42.2	36.0	29.5	25.9	7.7	6.6	0.6	1.3	21.3	19.0	17.8%
Ratings agencies and other financial data providers																
S&P Global Inc	SPGI US	United States	102,080	502.8	NR	36.2	32.5	29.9	26.9	38.1	33.6	0.7	0.8	23.3	21.8	10.0%
Moody's Corp	MCO US	United States	70,255	224.9	NR	37.2	31.9	30.4	27.1	34.4	26.2	0.7	0.7	24.1	23.0	8.6%
Thomson Reuters Corp	TRI CN	Canada	52,366	48.2	NR	57.1	55.6	44.1	32.7	3.5	3.5	1.5	1.6	28.2	24.4	30.4%
Msci Inc	MSCI US	United States	49,033	163.0	NR	76.0	60.9	53.9	47.1			0.6	0.7	43.7	38.8	13.7%
Ihs Markit Ltd	INFO US	Britain	45,972	251.1	NR	40.4	36.0	32.9	29.5	5.0	4.7	0.7	0.5	25.0	22.9	10.4%
Verisk Analytics Inc	VRSK US	United States	30,442	150.0	NR	37.3	36.8	32.0	28.8	10.1	9.8	0.6	0.7	23.2	21.5	13.0%
Wolters Kluwer	WKL NA	Netherlands	30,532	45.5	NR	30.7	29.9	28.3	25.8	11.0	10.1	1.5	1.6	19.3	18.3	7.7%
Factset Research Systems Inc	FDS US	United States	13,193	68.3	NR	31.1	31.3	28.7	26.6	12.2	11.2	0.9	1.0	23.9	22.3	8.4%
Allfunds Group Plc	ALLFG NA	Britain	10,951	8.2	NR		40.4	34.5	29.7	4.1	4.0	0.4	0.9	22.2	19.6	16.7%
Crisil Ltd	CRISIL IN	India	2,722	3.2	NR	56.9	50.9	42.8	34.9	14.2	12.8	1.2	1.3	33.9	29.2	20.8%
Icra Ltd	ICRA IN	India	487	1.4	NR	58.9	44.6	40.8	35.8	4.6	4.3			38.8	35.0	11.5%
Care Ratings Ltd	CARE IN	India	288	4.0	NR	24.0	24.9	23.0	19.7	3.6	3.5	2.1	2.8	17.8	16.1	12.3%
Median						37.3	36.4	32.5	29.2	10.1	9.8	0.7	0.9	24.0	22.6	11.9%
Related Value Added Services																
Open Lending Corp - CI A	LPRO US	United States	4,803	43.1	NR		52.2	33.7	26.2	39.9	18.0			33.5	23.9	41.0%
Gb Group Plc	GBG LN	Britain	2,369	2.6	NR	34.9	45.7	47.3	43.6			0.5	0.5	31.2	30.6	2.3%
Cerved Group Spa	CERV IM	Italy	2,306	5.4	NR	20.9	18.2	16.2	15.6	3.5	3.3	2.7	3.0	11.4	10.7	8.0%
Median						27.9	45.7	33.7	26.2	21.7	10.6	1.6	1.7	31.2	23.9	8.0%

Source: Bloomberg, Nomura estimates for rated stocks, Prices as of 30 July 2021 for Asia stocks, 29 Jul for others

Appendix A-1

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Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
CTOS Digital	CTOS MK	MYR 1.53	30-Jul-2021	Buy	N/A	

CTOS Digital (CTOS MK)

Chart Not Available

MYR 1.53 (30-Jul-2021) Buy (Sector rating: N/A)

Valuation Methodology We value CTOS Digital at 55x FY22F EPS of 3.28sen to arrive at our TP of MYR1.80. Our 55x target multiple is at a premium to CTOS' peers in the global credit bureau, ratings agencies, financial data providers and value-added services peer groups, in view of CTOS' superior earnings growth expected compared to peers. The benchmark index for this stock is the FBMKLCI Index.

Risks that may impede the achievement of the target price Downside risks to our view are: 1) Slower than expected revenue or earnings growth from key segments; 2) Non-renewal of tax incentives; 3) FX risks due to exposure to Thailand; 4) Regulatory and data security risks; 5) Acquisitions not delivering expected returns.

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As at 30 June 2021.

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