INFO-TECH SYSTEMS | SGX:ITS

Good 1H Results, but Expect a Stronger 2H

BUY

Current Price: $0.965
Target Price: $2.000
Upside: +107%

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Although 1H26 revenue of $27.3mil is only 33% of RHTC's $82mil for FY26F (1H25 was 40% of FY25), net profit at $9.7mil is 36% of RHTC's $27mil for FY26F. **We expect a stronger 2H26 based on a re-acceleration of order book growth** in 1H26, **retention metrics of over 90%** for ITS's core annual revenue upfront subscription HCM software (SaaS) and expected Academy corporate training momentum in 2H26.

Services revenue more than doubled to $4.9mil establishing **Academy/AI corporate training as the second growth engine**. This leverages a pool of government funding (SkillsFuture EC, 50-90% subsidy). Early-stage penetration implies long runway for margin-accretive growth.

Cash on the balance sheet improved from $67mil to $76.6mil (vs RHTC's $93mil estimate for FY26F). Strong cash flow monetization remains on track. With zero borrowings and zero debt, **this fully funds a projected 6.6% dividend** in FY26F. **Rule of 40** is projected to hit 90% (from 67%), signaling an increasingly efficient growth profile for a pure Asian **SaaS** play.

Strong GDP growth in ITS's core market Singapore of 6.1% yoy in 1H and across the Causeway in ITS's second main market Malaysia of an estimated 5%-6% **support robust organic growth**. We estimate organic expansion alone can increase revenue to $0.1bn over the medium term. Rule of 40 is projected to improve from 67% to 90%, signaling an increasingly efficient growth profile.

Significant valuation discount to SaaS peers, which have rallied 50%+ since our ITS initiation report on 4 May, **and the broader market.** ITS trades at 9.3x FY26F PE (5.9x ex-cash), 0.12x PEG and 4.4x EV/EBITDA vs global SaaS peers - Paycom, Paylocity and Workday – with an average of 12.5x EV/EBITDA and STI PEG of 1.55x. Longer-term re-rating potential exists as ITS scales into the enterprise segment. Based on our estimate FY26F Total Shareholder Return (TSR), ITS implied **Intrinsic Value/Target Price comes to $2.00**. **We reiterate our BUY** recommendation with potential 107% upside.

Mkt cap: S$250 mil

[$0.965 12Aug26]

Intrinsic Value: $2.00

52-week range: $0.76 – $1.16

Singapore

Software & Services [4510]

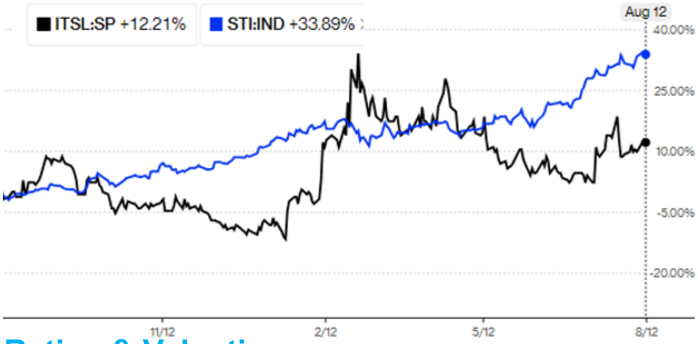
RHTC Forecast	2024	2025	2026F	2027F
Revenue $mil	44	56	82	102
Consensus Rev			63	67
EBIT $mil	15	19	33	42
Net Income $mil	12	15	27	34
EPS (cts)	4.8	5.8	10.5	13.1
Consensus EPS			8.1	8.5
Ex-cash P/E (x)	19.3	13.4	5.9	4.1
P/E (x)	21.7	17.9	9.3	7.5
PEG (x)			0.12	0.30
Rule 40 (%)	38.9	66.7	90.2	66.3
ROAE (%)		68.5	60.2	59.5
Div Yield (%)		3.4%	6.6%	8.2%
Intrinsic Value (S$)			2.00	
% upside			107%	

Industry Valuation	PE 2026F	PEG 2026F	BETA	EV/EBITDA
ITS	9.3	0.1	0.69	4.4
STI @ 5754	18.2	1.8	1.00	6.5-18.2[1]
Global Peers				
Paylocity	29.6	1.9	0.57	16.1
Paycom	18.0	2.7	0.80	11.2
WorkDay	15.6	1.1	1.14	27.4
Salesforce	21.4	1.0	1.21	13.6
Avg ex-ITS	**21.2**	**1.7**		17.0
ITS disc/t	*-56%*	*-93%*		*-74%*

FI. Source: RHTC est, Mgt, RHTC est, BBG, Yahoo Finance

INFO-TECH BUY

Price $0.965 12-Aug-26



Ratios & Valuation

(x)	2024	2025	2026F	2027F
ex-cash PE	18.1	12.4	5.9	4.1
PE	20.5	16.8	9.3	7.5
consensus PE			12.0	11.5
PEG			0.12	0.30
Intrinsic Value $			**2.00**	
(potential upside)			*107%*	
Div Yield		3.6%	6.6%	8.2%
PFCF	14.3	16.0	5.8	5.7
PB	63.5	6.3	5.0	4.0
ex-cash PB	56.0	4.7	3.2	2.2
EV/Sales	5.1	3.3	1.9	1.3
EV/EBITDA	13.1	8.8	4.4	3.1

Growth & Margins (%)

YoY (%)		*25/24*	*26F/25*	*27F/26F*
Revenue growth		29.2	46.8	22.5
EPS growth		21.7	80.6	24.6
DPS growth		nm	85.7	23.1
(%)	**2024**	**2025**	**2026F**	**2027F**
Gross margins	85.6	85.2	85.4	85.6
EBITDA margin	38.9	37.5	43.4	43.8
EBIT margins	34.1	33.5	40.3	41.0
PBT margins	34.1	33.7	40.5	41.1
Net margins	28.2	26.6	32.7	33.3
FCF margin	40.3	28.0	52.8	43.8
Rule of 40	38.9	66.7	90.2	66.3

Income Statement ($Mil)

$mil	2024	2025	2026F	2027F
Revenue	44	56	83	102
Subscription	36	39	61	74
Services	5	15	19	25
Hardware	2	2	2	2
COGS	(6)	(8)	(12)	(15)
Gross Profit	37	48	71	87
Total Opex	(23)	(29)	(38)	(46)
EBITDA	**17**	**21**	**36**	**44**
Depreciation	(2)	(2)	(2)	(2)
Amortization	(0)	(0)	(0)	(0)
EBIT	**15**	**19**	**33**	**42**
Net Finance costs	(0)	0	0	0
PBT	**15**	**19**	**34**	**42**
Tax	(3)	(4)	(6)	(8)
tax rate (%)	*17*	*21*	*19*	*19*
PAT	**12**	**15**	**27**	**34**
S$				
EPS	0.048	0.058	0.105	0.131
EPS consensus			0.081	0.085
% RHTC/consensus			29.2%	53.7%
DPS		0.035	0.065	0.080
Consensus Rev			62.45	67.14
% RHTC/cons			32.8%	51.3%

Source: Company data, RHTC estimates

Top shareholders

#	Beneficial Owner	Total Shares mil	Est o/s
1	Setin Subramanian Dilip Babu	106.875	41.42%
2	Peter Lee Kim Heng	49.6047	19.23%
3	Yeoh Sin Yee	9.6	3.72%
	Free Float	(as 28 Apr 2026)	35.63%

Balance Sheet ($Mil)

$mil	2024	2025	2026F	2027F
Cash & CE	30	67	93	116
Trade receivables	4	9	12	13
Inventories	0	0		
Current Assets	**34**	**77**	**105**	**129**
PPE	4	5	6	6
Intangible assets	0	0	0	0
Deferred Tax Asset	2	2	2	3
Non-current asset:	**6**	**7**	**8**	**10**
Total Assets	**40**	**84**	**113**	**139**
Trade payables	4	7	10	12
Contract liabilities	23	27	41	51
Lease liabilities	1	1	1	1
Current tax liabilitie	2	3	5	6
Current liabilities	**31**	**38**	**58**	**70**
Contract liabilities	2	2	4	5
Lease liabilities	2	3	0	0
Provision for reinst:	0	0	0	0
Deferred tax liabilit	0	0	0	1
LT liabilities	**5**	**6**	**5**	**6**
Share capital	0	27	27	27
Retained earnings	4	13	23	36
Reserve	0	0	0	0
Total Equity	**4**	**40**	**50**	**63**

Cash Flow ($Mil)

$ mil	2024	2025	2026F	2027F
PBT	14.9	19.1	33.5	41.7
WC changes	4.3	-0.9	15.6	9.2
Cash from ops	21.4	20.2	51.7	53.8
Tax paid	-3.3	-3.4	-4.8	-6.0
Operating CF	**18.0**	**16.8**	**46.9**	**47.9**
Purchase PPE	-0.4	-1.0	-2.8	-3.1
Others	-2.7	1.1	0.0	0.0
Investing CF	**-3.1**	**0.1**	**-2.8**	**-3.1**
Payment of lease	-1.1	-1.3	-1.2	-1.2
Dividends paid	-2.0	-5.3	-16.8	-20.6
Interest paid	-0.2	-0.2	-0.2	-0.2
Share issuance		28.7		
Insurance costs		-1.5		
Financing CF	**-3.3**	**20.5**	**-18.2**	**-22.1**
Net chg in cash	11.6	37.4	25.9	22.7
FX	0.3	0.2		
Cash beg period	17.8	29.7	67.3	93.2
Cash end period	29.7	67.3	93.2	115.9

EXECUTIVE SUMMARY

Revenue growth stayed strong

The main takeaway from the 1H FY2026 results was that revenue growth stayed strong at 22% yoy to $27.3mil and was broad-based. However, there was a revenue mix shift with a significant contribution from Services, which more than doubled (+116% yoy) to $4.9mil (17.9% of revenue) on the back of AI-related training through Info-Tech Academy — over 85% of Academy revenue in 1H FY2026 came from AI programmes. This mirrors the 183% full-year surge already seen in FY2025. ITS had already flagged that Academy/Services revenue is seasonally backloaded into 2H (as it was in 2HFY2025), so 1H is structurally the weaker half for Services. Cumulative Academy registrations exceed 23,000 at end 1H, up 5,000 or 28% from approximately 18,000 at end of FY2025.

Subscription order book up 14% to $30.4mil

Subscription, still the core (78% of revenue), grew a healthier 12% yoy to $21.2mil — an acceleration from FY2025's full-year 8% pace, indicating the core SaaS book also stayed healthy with customer retention metrics holding at over 90%. Active users expanded to 1.1mil users across 28,000 organisations, mainly SMEs in Singapore and Malaysia. The order book increased 14% yoy to $30.4mil in June 2026 keeping pace with the 14% growth in FY2025. The $30.4mil order book will be realised over the next 12 months indicating Subscription revenue should grow more robustly in 2H. This is excellent news given the earlier scare that AI could heavily disrupt the information technology and software sectors.

Margins Stable

Margins expanded, but reported figures for net profit and EPS of 89% yoy are inflated by opposite one-offs in 1H FY2026 and 1H FY2025. 1H FY2025 net profit of $5.1mil was depressed by $2.1mil of one-off IPO-listing and Malaysia office relocation expenses. 1H FY2026 net profit of $9.7mil was boosted by a $1.0mil one-off Enterprise Singapore GEMS grant. That combination is why reported net profit and EPS both jumped 89% yoy to $9.7mil and 3.75 cents respectively, but not an exact read on underlying performance. Stripping both distortions out, adjusted net profit grew 20% yoy to $8.7mil, and adjusted EBITDA grew 22% to $11.5mil — both roughly tracking revenue growth of 22%, implying margins were essentially stable on a like-for-like basis. We predict higher margins in 2H on the back of strong underlying momentum in Services.

Cash flow monetisation remains on track

Cash on the balance sheet improved from $67mil to $76.6mil (vs RHTC's $93mil estimate for FY26F). Strong cash flow monetisation remains on track. With zero borrowings and zero debt, this fully funds a projected 6.6% dividend in FY26F while retaining capacity for continued Academy capacity investment and regional expansion (Malaysia, Hong Kong, India) without needing external funding, and share buybacks.

Rule of 40

At current growth trajectories in Singapore and Malaysia, we estimate organic expansion alone can support $0.1bn of revenue over the medium term. Rule of 40 is projected to improve from 67% to 90%, signalling an increasingly efficient growth profile for one of the few pure SaaS plays in Asia.

Dividend keeping pace

The interim dividend rose 8% from 1.55 cents to 1.68 cents tracking closely to the 20% growth in adjusted net profit. The payout ratio was set at 50% of adjusted net profit, roughly consistent with 1H FY2025's ~55% adjusted payout. Management appears to be sizing the dividend off the adjusted net profits base rather than the grant-boosted headline figure — a reasonable, conservative approach while signalling confidence for the rest of FY2026. RHTC is projecting a 6.6% dividend yield for FY2026.

Macro backdrop in Singapore favourable

The macro backdrop for ITS in its core Singapore market ($19.3mil or 71% of revenue and growth of 21% yoy) remains very supportive. On 11 August the Singapore Government sharply upgraded its 2026 full-year GDP growth forecast to 4.5%-5.5% (up from the previous range of 2%-4% and vs 5% in 2025). This major upward revision comes on the back of a strong 6.1% yoy growth in 1H 26 (6.3% in Q1 and 5.9% in 2Q) with growth being driven by the global AI capex boom. The robust GDP growth in 1H was reflected in strong employment growth of 9,400 in 1Q 26 (almost 4 times the 2,300 in 1Q 25) accelerating to 10,700 in 2Q 26 (also higher than the 10,400 in 2Q 25). This will also underpin revenue for ITS's HRM SaaS business model in 2H which is based on employee numbers.

And in Malaysia

A similar story is happening across the Causeway in ITS's second main market Malaysia ($6.2 mil or 22% of revenues and growth of 26% yoy in 1H). The official forecast for Malaysia's 2026 GDP currently stands at 4%-5% but it appears on track to hit an improved growth of 5%-6% in 2026 (vs 5.2% in 2025) after 1Q growth of 5.4% yoy with Bank Negara governor Abdul Rasheed in July predicting growth will be at the top of the range. The upside for Subscription revenue in Malaysia remains substantial due to ITS's low penetration rate vs Singapore. The market for AI training in Malaysia is also untapped.

Order book and retention metrics point to a stronger H2

On a clean, adjusted basis, this was a solid 1H FY2026 — ~20-22% growth across revenue, adjusted EBITDA, and adjusted net profit, with the core subscription business accelerating, a strong order book, and Academy/AI training now firmly established as the second growth engine. The 89% net profit/EPS headline is real cash to shareholders, but it's flattered by one-off items moving in the company's favour this time, after working against it a year ago.

Significant valuation discount to SaaS peers

Significant valuation discount to SaaS peers, which have rallied 50%+ since our ITS initiation report on 4 May, and the broader market. ITS trades at 9.3x FY26F PE (5.9x ex-cash), 0.12x PEG and 4.4x EV/EBITDA vs global SaaS peers - Paycom, Paylocity and Workday – with an average of 12.5x EV/EBITDA and STI PEG of 1.55x.

We reiterate our BUY recommendation

Longer-term re-rating potential exists as ITS scales into the enterprise segment. We estimate FY26F Total Shareholder Return (TSR) of approximately +105%, implying an Intrinsic Value/Target Price of $2.00. We reiterate our BUY recommendation with potential 107% upside.

Valuation Risks

Risks to RHT Capital views and intrinsic value/Target Price

1. Better/worse execution in pursuing new market shares that would pose an upside/downside risk to our estimates and valuation.
2. Faster/slower-than-expected organic growth would pose an upside/downside risk to our estimates and valuation.
3. A better/worse-than-expected macro/trade environment that may provide upside/downside risk to growth across business lines.

Valuation Method and Risk Statement

Investing in the technology sector entails above-average risk given low sales visibility, rapid pace of innovation and technological change, intense competition, frequent M&A, and low barriers to entry in many markets.

ITS Target Price based on 2026E PEG and EV/EBITDA. Risks include macroeconomic environment, competition [incumbent SaaS], growth initiative traction, and potential float income contraction.

Growth would be curtailed by a slowdown in employment on the SaaS portfolio given ITS' employee-based PEPM pricing model and the general HCM market's exposure to macroeconomic conditions. Additionally, larger HCM providers could become more competitive down market and constrain ITS' growth.

Intrinsic Value is based on 2026E forecasts. We view the derived intrinsic value/target price as fair given macroeconomic and geopolitical uncertainty, which could potentially fuel further downward estimate revisions.

Our Intrinsic Value/Target Price is based on Total Shareholder Return framework with 1-year holding period premised on our FY26 estimates.

Risks

- Greater than expected public sector tailwind
- Macroeconomic environment
- Reliance on government grants
- SME cyclicality
- Data security exposure

Appendix

A-1 SWOT Analysis

SWOTs	Description
Strengths	• 90% customer retention rate (well above 70-85% industry avg). • Fully integrated ecosystem spanning HR, Accounting, and CRM. • Dual-agent dedicated customer support with 4-hour SLA. • Debt-free balance sheet with robust 42.3% adjusted EBITDA margins. • Highly localised compliance engines
Weaknesses	• Heavy concentration of revenue generated from a single geography (Singapore). • Asset-light model and SME focus may lead to heightened vulnerability during severe economic downturns that disproportionately impact small businesses.
Opportunities	• Cross-selling potential from the newly launched 2026 CRM product • Conversion of micro-SMEs from the simplified DigiSME tier to full enterprise suites. • M&A expansion targeting localised software providers or adjacent technologies. • Large runway in geographically expanding markets (India, Hong Kong, Middle East).
Threats	• Wage inflation impacting the cost of skilled IT/development staff in its India/Malaysia hubs. • Persistent risk of cyberattacks and data breaches handling sensitive financial/HR data. • Emergence of disruptors or aggressive pricing from global enterprise players pivoting down-market.

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