



iWOW Technology

(IWOW SP)

Riding on IoT and sustainability megatrends

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- iWOW is a technology provider specialising in vertically integrated Internet of things (IoT) solutions. Through wireless communication technology, devices and sensors are connected to cloud-application servers for a variety of applications.
- **Key Drivers.** Smart test kit; Evolution of the current Alarm Alert System for the elderly to a one-stop lifestyle solution device; Strong order book with blue-chip clientele including government agencies; Expanding market reach through the offering of IoT solutions in overseas markets such as Japan, Thailand, Malaysia, Indonesia and the United Arab Emirates.
- **Valuation.** iWOW will trade at 16.9x FY2021 P/E based on the post-Placement FY2021 EPS of 1.48 Sing cents.

IPO Details	
IPO price	S\$0.25
Shares for placement	26,000,000
Post-placement share capital	250,430,260
Initial market cap	S\$62.6mn
Listing date	14 April 2022

Company background. iWOW is a one-stop end-to-end wireless IoT technology provider. Services include designing and developing the hardware and software underlying the IoT solution, overseeing the manufacturing of the product, installation, maintenance and operation of the IoT solution.

Electronic Monitoring System (EMS). iWOW is the sole provider of EMS solutions as-a-service to various government agencies since 2014. The EMS solution is an ankle tag which monitors ex-offenders and accused persons while they are out on bail or have been released under a remission order.

Alarm Alert System (AAS). Developed for statutory boards, the AAS is a wireless emergency distress system which caters to the elderly. Residents in distress can press the red emergency button and alerts are sent to a 24/7 hotline service that provides health and social support to elderly individuals.

Smart Metering. Smart Metering provides organisations/individuals with insights on energy and water consumption data through remote monitoring of utilities. Through the data, users can manage their electricity consumption and reduce cost and resources.

Trace Tokens. iWOW was awarded a non-exclusive contract by a statutory board to develop contact tracing solutions. As at the last practicable date, there were no new tenders for the tokens and iWOW is one of the two companies which

was awarded the contract. The company has also expanded its offerings to develop similar contact tracing solutions for the global market, termed trace tokens.

Key financial highlights. FY2021 revenue surged 504% YoY to S\$26.4mn while bottom-line grew 185x of FY2020. This was mainly due to the sale of TraceTogether tokens under the Smart City Solutions (SCS) segment. Meanwhile, higher recurring revenue from EMS solutions as well as new contributions from AAS projects contributed to the growth of the IoT as-a-service (IaS) segment.

Deployment of Smart Metering and AAS solutions, as well as the design and supply of contact tracing solutions and Trace Tokens fall under the Smart City Solutions (SCS) revenue segment which are collected on a project/product sales basis. On the other hand, IoT as-a-service (IaS) segment is based on a subscription model where recurring fees are collected from Smart Metering, AAS, and EMS solutions.

Figure 1: Summary of financials

S\$'000 (YE 31 Mar)	FY2019	FY2020	FY2021	6M22
Revenue	2,070	4,376	26,422	17,516
Profit/(Loss) before income tax	(590)	22	4,071	1,923
Profit/(Loss) for the financial year/period	(595)	22	3,715	1,558

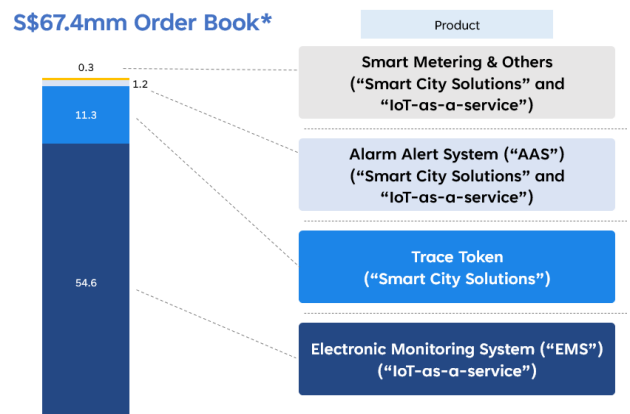
Source: Company reports, KGI Research

Figure 2: Revenue breakdown per segment (S\$'000)

S\$'000	FY2019	FY2020	FY2021	6M22
Smart City Solutions (SCS)	309	2,222	23,442	15,091
IoT-as-a-service (IaS)	1,619	1,997	2,814	1,820
Others	142	157	166	605
Total	2,070	4,376	26,422	17,516

Source: Company reports, KGI Research

Figure 3: Order book as of 8 March 2022



Source: Company reports, KGI Research

Looking beyond Covid-19 and TraceTogether tokens: What now? The average remaining tenor of the TraceTogether tokens is 1 year, suggesting that the outstanding S\$11.3mn order book value will be recognised mostly within FY2023. Meanwhile, the average remaining tenor of EMS is 7 years, which will approximately translate to S\$7.8mn revenue yearly. Moving forward and into an endemic era, iWOW is cutting down its reliance on TraceTogether tokens, and is capitalising on its capabilities as an IoT business, to be constantly innovating and diversifying to build sustainable pillars of growth.

Additionally, it is also important to note that the TraceTogether tokens commanded a lower profit margin compared to the other segments, hence overall bottom-line did not grow in tandem with the surge in revenue. A lower sales mix from the tokens will likely improve overall net margin moving forward.

Growth in sustainability. In line with Singapore’s Green Plan 2030, a nationwide movement to advance Singapore’s agenda on sustainable development, government agencies and businesses are likely to maintain or even enhance the usage of Smart Metering solutions. iWOW’s devices are differentiated from those on the market as the company’s focus is not on providing smart meters, but rather making ordinary meters smart. Communication devices are connected to ordinary meters, converting them to smart devices without the need for huge capital expenditure.

Enhancement of technology solutions for the elderly. In addition to the current basic service of medical emergency calls via an emergency button installed in homes of elderly individuals, iWOW is upgrading the system to include other lifestyle services such as house-keeping, laundry, food delivery and home maintenance.

According to the Singapore Department of Statistics, the elderly population (65 years and above) is on a gradual uptrend with 16% of the elderly making up the resident population in Singapore as of 2021. iWOW’s creation of a seamless, user-friendly technological device with day-to-day essentials is expected to fill the void in this under-tapped space.

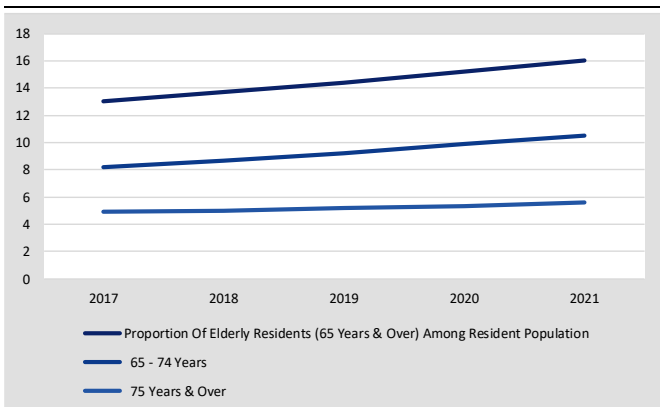
Overseas expansion to harvest more contract wins. iWOW is expanding its market reach through offering IoT solutions in overseas markets, such as Japan, Thailand, Malaysia, Indonesia and the United Arab Emirates. The company’s aim is to target countries with high penetration rate of IoT and digital infrastructure or with a focus on technology-driven solutions similar to Singapore’s Smart Nation Initiatives. As of the Latest Practicable Date, iWOW has entered into a distributorship agreement for the distribution of Trace Tokens in Malaysia and received purchase orders for Trace Tokens from customers within Indonesia and the United Arab Emirates.

The next big hit: Next Gen ART test kits. iWOW has created a smart ART test kit which enables user identification, verified test processes and automated test readings/data in cloud operations, thereby enabling operation optimisation by organisations. iWOW has partnered with one of the world’s largest manufacturers of rapid antigen tests and leader in Covid-19 testing solutions globally.

Summary. iWOW is essentially an IoT company. iWOW’s revenue is primarily supported by EMS solutions in the form of prisoner tags and other growth drivers, including the upgraded AAS solutions for the elderly and the upcoming next-gen ART test kits, which will stay relevant given that Singapore is moving towards an endemic phase. As evident from iWOW’s order book, the company’s top-line is not solely supported by TraceTogether tokens, but rather by a wide array of specialised services.

Risks: Project-based model exposes the company to competition in securing tenders; Exposure to information technology and cyber security risks; Concentration risk given that 81% of FY2021 revenue was generated from TraceTogether tokens.

Figure 4: Elderly population in Singapore (%)



Source: Singapore Department of Statistics

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