



# ayondo Limited

## (AYONDO SP)

### Not Rated

Price as of 10 May 2018	0.14
12M target price (S\$)	na
Previous target price (S\$)	na
Upside (%)	na

### Trading data

Mkt Cap (S\$m) / (US\$m)	70 / 52
Issued Shares (m)	503
Ave Daily Traded (3-Month) Vol / Val	na
52 week lo / hi	\$0.13 / \$0.28
Free Float	81.7%

### Major Shareholders

Luminor	20.1%
Pheim Asset Mgt	5.0%

## Improving operational performance

### Event

ayondo reported its first quarterly results since its March IPO. Still in losses of CHF6.3mn in 1Q18, impacted by one-off items including financing charges associated with convertible bonds and loans (CHF 3.0mn) and IPO costs (CHF 1.9mn). Adding back one-off costs would see 1Q18 PBT losses of CHF 1.2mn compared to the CHF 2.3mn loss in 1Q17.

**Positive operational performance.** Trading revenue increased 68% YoY to CHF7.3mn as active clients grew to 31k in 1Q18 from 22k in 1Q17. Increase in active clients to 31k due mainly due to B2B clients. Majority of the growth with BUX BV marketing in the Netherlands and Germany. Going by trends, ayondo may potentially turn profitable at year-end, but investors should look at cash flows instead.

**Cash flows.** Cash balance strengthened to CHF 9.7mn end Mar-18 with the IPO proceeds. It had negative operating cash flow (CFO) of CHF 2mn in 1Q18. Adjusting for one-off payments, it should be able to bring that down to around CHF 1.5mn i.e. annualised negative CFO of CHF 6mn (S\$8mn), around its 3-year average negative FCF. The group may be able to sustain for 1.5 years based on this trend before meeting any funding shortfall.

### Valuation & Action

Valuation based on earnings is not possible given that the group continues to be loss-making. We have no visibility on its growth and therefore unable to comment on how fast or how well it is able to effectively monetise the growth of its active clients. However, we think that if it does turn cash flow neutral by year-end, then we could possibly see a re-rating of its stock price which has fallen 45% from its 26 cents IPO Price. We note that peers in the CFD space has had upward re-ratings the past year, with CMC Markets' share price rising 45% YoY and Plus 500 by >200% YoY.

### Risks

It had negative operating cash flows averaging CHF4.9mn (S\$6.7mn) over the last three years and the group expects expenses to increase in the future to develop and expand its business operations. ayondo may have to tap equity markets again if it is unable to generate sufficient cash flows from operations.

Another key risk which we are watching closely is the temporary measures that will restrict the sale of Contract for Differences (CFD) to retail investors in Europe - to be imposed by the European Securities and Markets Authority (ESMA) – and likely to take effect in either June or July 2018.

Figure 1: Key operational statistics (1Q18 vs 1Q17)

	Qtr to Mar'18	Qtr to Mar '17	+ / - %
Trading revenue (CHF '000s)	7,293	4,343	+ 68%
Number of active clients	30,539	22,419	+ 36%
Average revenue per active client (CHF)	239	194	+ 23%

Source: Company presentation, KGI Research

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See the last page for important disclosures.

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<b>BUY</b>	>10% total return over the next 12 months
<b>HOLD</b>	-10% to +10% total return over the next 12 months
<b>SELL</b>	<-10% total return over the next 12 months

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