

June 20, 2017

NOT RATED

# Netbay

(NETBAY TB)

Share Price: Bt20.0

Target Price: N/A



## A cash cow in the e-transaction industry

- Develops and offers cloud-based electronic transaction products; market leader in e-Logistics
- Will benefit from Digital Economy (Thailand 4.0); targets revenue to grow by 15-20% per year with improving margins
- Earnings momentum to remain strong; trading at 32x FY17F P/E which is cheaper than closest peer MYEG (39x) in Malaysia

### Offers electronic transaction services to improve clients' efficiency and profitability

Netbay was established in November 2004 and completed an IPO in June 2016. It provides Software as a Service (SaaS) under a cloud computing business model, and develops electronic transaction products to connect the Business, Government and Consumer units. The bulk of their revenue is derived from e-Logistics services (61% of revenue), which allows importers and exporters to conduct paperless transactions through Netbay's gateway. The system is connected to several related parties (i.e. Thai Customs, manufacturers, insurers, logistics providers, banks). This can reduce processing time and staff costs for their customers. The rest of Netbay's revenue come from e-Business (32% of revenue) which helps financial institutions to verify the identity of customers, to comply with anti-money laundering regulations.

### Revenue to continue to grow along with transaction volume

Netbay is the market leader in Thailand's electronic import-export transaction market because of their expertise in the logistics industry. Revenues should grow along with the country's trade volume. The recently launched *Thailand 4.0* initiative encourages the optimal use of digital technology. Apart from organic growth, there is also room to grow through new e-business opportunities. Netbay recently launched e-DLT (Department of Land Transport) which allows auto leasing companies to submit multiple tax transactions to the DLT. Netbay collects fees based on the number of transactions (Bt10-50 per transaction), and targets revenue to grow by 15-20% per year. We expect net profit margin (32% in FY16) to continue to improve as the bulk of their operating expenses is fixed, mostly salaries. Capex is also low following the initial investment in cloud computing hardware, and that has been fully depreciated.

### Impressive 1Q17 earnings growth

The share price has surged 49% since the release of 1Q17 results - revenue grew 15% yoy while earnings jumped 38% yoy. We expect the growth momentum to be sustainable, and Netbay to deliver Bt125m earnings in FY17F, implying 32x FY17F P/E. Current valuation is justified compared to 39x for MY E.G Service Berhad (MYEG MK), a listed company in Malaysia with a similar business model that is expected to register 35% earnings growth (CAGR) over FY16-18F according to Bloomberg consensus data.

### Financial Summary (Btm)

Year to Dec	2012	2013	2014	2015	2016
Sales	N/A	N/A	185	224	273
Growth (%)	N/A	N/A	N/A	21	22
EBITDA (Btm)	N/A	N/A	38	70	98
Growth (%)	N/A	N/A	N/A	83	41
Net income	N/A	N/A	16.44	65.05	89.32
Growth (%)	N/A	N/A	N/A	295.7	37.3
EPS (Bt)	N/A	N/A	0.1	0.4	0.5
Growth (%)	N/A	N/A	N/A	272.7	19.5
P/E (x)	N/A	N/A	N/A	N/A	35.7
DPS (Bt)	0.0	N/A	0.0	0.0	0.2
Yield (%)	N/A	N/A	N/A	N/A	1.3
BVPS (Bt)	N/A	N/A	0.7	1.0	1.7
P/BV (x)	N/A	N/A	N/A	N/A	10.2



Teerapol UDOMVEJ

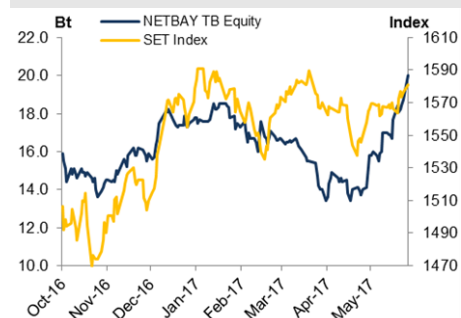
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### Key Data

12-mth High/Low (Bt)	20.3 / 9.65
Market capital (Btm/US\$m)	4000 / 117.8
3m avg Turnover (Btm/US\$m)	29.1 / 0.9
Free Float (%)	31.2
Issue Shares (m shares)	200
Major shareholders:	
- PICHIT RUJIRAPONG PICH	60.0
- INTERNET THAILAND PC	13.0
- UOB ASSET MANAGEMENT	2.5

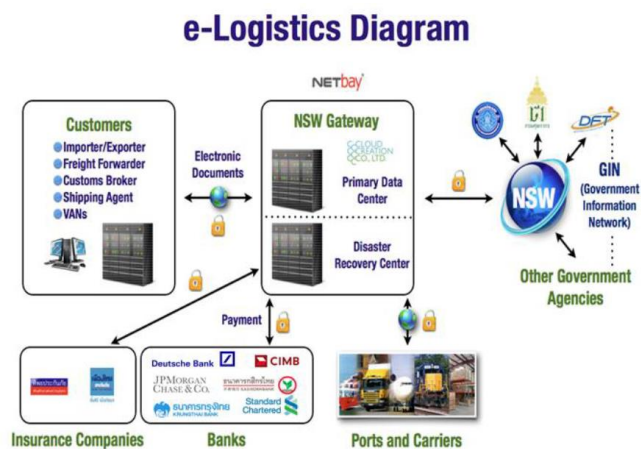
### Share Price Performance



	YTD	1Mth	3Mth	12Mth
Absolute (%)	14.3	42.9	17.0	106.2
Relative to index (%)	11.8	40.8	15.7	94.9

Source: Bloomberg, Krungsri Securities

## Netbay: e-Logistics diagram

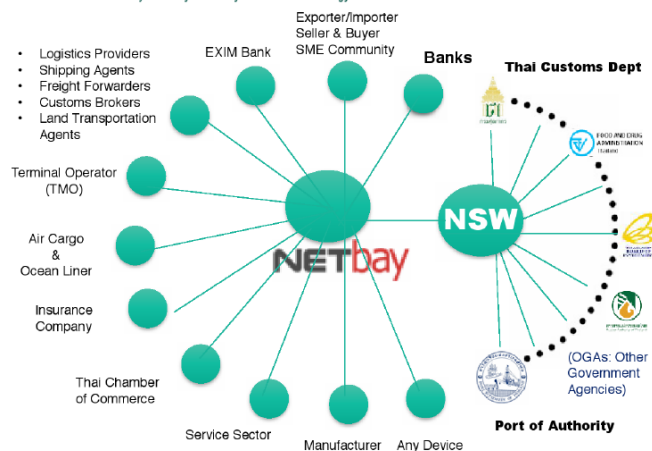


Source: Company data

## Netbay: e-Logistics connectivity gateway

## THAILAND E-TRADING ACROSS BORDERS HUB

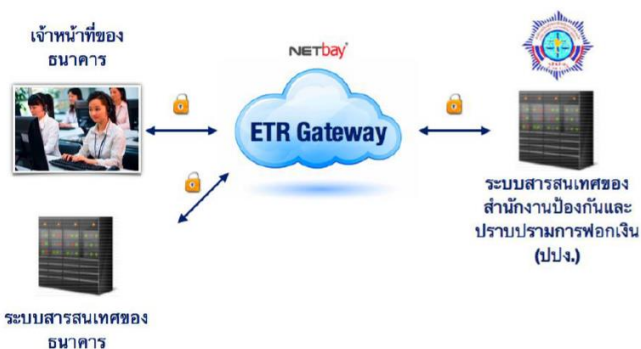
Omni Channel Connectivity Gateway Driven By Innovative Technology Platform



Source: Company data

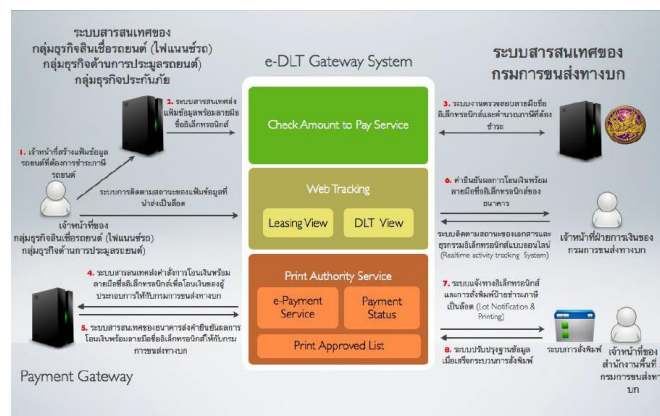
## Netbay: e-Business services

## ETR Gateway System Diagram



Source: Company data

## Netbay: e-Business services (e-DLT)



Source: Company data

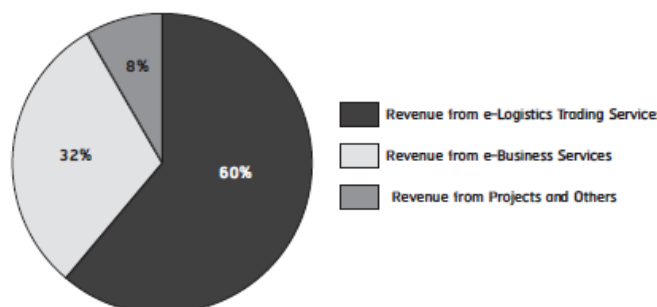
## Netbay: e-Business



Source: Company data

## Netbay: Breakdown of service income (2016)

## Service Income Breakdown in 2016



Source: Company data

## CG Rating 2015 Companies with CG Rating



ADVANC	BAFS	BCP	BIGC	BTS	CK	CPN	DRT	DTAC	DTC	EASTW	EGCO	GRAMMY	HANA
HMPRO	INTUCH	IRPC	IVL	KBANK	KCE	KKP	KTB	LHBANK	LPN	MCOT	MINT	MONO	NKI
PHOL	PPS	PS	PSL	PTT	PTTEP	PTTGC	QTC	RATCH	ROBINS	SAMART	SAMTEL	SAT	SC
SCB	SCC	SE-ED	SIM	SNC	SPALI	THCOM	TISCO	TKT	TMB	TOP	VGI	WACOAL	



AAV	ACAP	AGE	AHC	AKP	AMATA	ANAN	AOT	APCS	ARIP	ASIMAR	ASK	ASP	BANPU
BAY	BBL	BDMS	BKI	BLA	BOL	BROOK	BWG	CENTEL	CFRESH	CHO	CIMBT	CM	CNT
COL	CPF	CPI	CSL	DCC	DELTA	DEMCO	ECF	EE	ERW	GBX	GC	GFPT	GLOBAL
GUNKUL	HOTPOT	HYDRO	ICC	ICHI	INET	IRC	KSL	KTC	LANNA	LH	LOXLEY	LRH	MACO
MBK	MC	MEGA	MFEC	NBC	NCH	NINE	NSI	NTV	OCC	OGC	OISHI	OTO	PAP
PDI	PE	PG	PJW	PM	PPP	PR	PRANDA	PREB	PT	PTG	Q-CON	QH	RS
S & J	SABINA	SAMCO	SCG	SEAFCO	SFP	SIAM	SINGER	SIS	SITHAI	SMK	SMPC	SMT	SNP
SPI	SSF	SSI	SSSC	SST	STA	STEC	SVI	SWC	SYMC	SYNTEC	TASCO	TBSP	TCAP
TF	TGCI	THAI	THANA	THANI	THIP	THRE	THREL	TICON	TIP	TIPCO	TK	TKS	TMI
TMILL	TMT	TNDT	TNITY	TNL	TOG	TPC	TPCORP	TRC	TRU	TRUE	TSC	TSTE	TSTH
TTA	TTCL	TTW	TU	TVD	TVO	UAC	UT	UV	VNT	WAVE	WINNER	YUASA	ZMICO



2S	AEC	AEONTS	AF	AH	AIRA	AIT	AJ	AKR	AMANAH	AMARIN	AP	APCO	AQUA
AS	ASIA	AUCT	AYUD	BA	BEAUTY	BEC	BFIT	BH	BIG	BJC	BJCHI	BKD	BTNC
CBG	CGD	CHG	CHOW	CI	CITY	CKP	CNS	CPALL	CPL	CSC	CSP	CSS	CTW
DNA	EARTH	EASON	ECL	EFORL	ESSO	FE	FIRE	FOCUS	FORTH	FPI	FSMART	FSS	FVC
GCAP	GENCO	GL	GLAND	GLOW	GOLD	GYT	HTC	HTECH	IEC	IFEC	IFS	IHL	IRCP
ITD	JSP	JTS	JUBILE	KASET	KBS	KCAR	KGI	KKC	KTIS	KWC	KYE	L&E	LALIN
LHK	LIT	LST	M	MAJOR	MAKRO	MATCH	MATI	MBKET	M-CHAI	MFC	MILL	MJD	MK
MODERN	MOONG	MPG	MSC	MTI	MTLS	NC	NOK	NUSA	NWR	NYT	OCEAN	PACE	PATO
PB	PCA	PCSGH	PDG	PF	PICO	PL	PLANB	PLAT	PPM	PRG	PRIN	PSTC	PTL
PYLON	QLT	RCI	RCL	RICHY	RML	RPC	S	SALEE	SAPPE	SAWAD	SCCC	SCN	SCP
SEAOL	SIRI	SKR	SMG	SOLAR	SORKON	SPA	SPC	SPCG	SPPT	SPVI	SRICHA	SSC	STANLY
STPI	SUC	SUSCO	SUTHA	SYNEX	TAE	TAKUNI	TCC	TCCC	TCJ	TEAM	TFD	TFI	TIC
TIW	TLUXE	TMC	TMD	TOPP	TPCH	TPIPL	TRT	TSE	TSR	TT	UMI	UP	UPF
UPOIC	UREKA	UWC	VIBHA	VIH	VPO	WHA	WIN	XO					

## Disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an assessment of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date or when there is any change to the relevant information. Nevertheless, Krungsri Securities Public Company Limited does not confirm, verify, or certify the accuracy and completeness of such survey result.

## Anti-corruption Progress Indicator 2015

### Level 5: Extended

BCP	CPN	GYT	PE	PM	PPP	PT	PTT	PTTGC	SAT	SCC	THANI	TOP
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### Level 4: Certified

ADVANC	AMANAH	ASP	AYUD	BAFS	BANPU	BAY	BBL	BKI	BLA	BTS	CFRESH	CIMBT	CNS
CSL	DCC	DRT	DTC	EASTW	ECL	EGCO	ERW	FSS	GCAP	HANA	HTC	IFEC	INTUCH
IRPC	IVL	KBANK	KCE	KGI	KKP	KTG	LANNA	LHBANK	MBKET	MFC	MINT	MTI	NKI
PPS	PSL	PTG	PTTEP	SABINA	SCB	SINGER	SIS	SNC	SNP	SSF	SSI	SSSC	SVI
TCAP	THCOM	THRE	THREL	TISCO	TMB	TMD	TNITY	TOG	TSTH				

### Level 3B: Established by Commitment and Policy

AAV	AHC	AIT	AKR	ARROW	ASK	BA	BDMS	BEC	BJCHI	CGH	CHG	CHOW	CIG
CITY	CK	CKP	COLOR	CWT	EARTH	EASON	EPG	F&D	FANCY	FIRE	FMT	FORTH	GENCO
GL	GOLD	GPSC	GRAMMY	HYDRO	IRCP	IT	JCT	KCM	KWC	LH	LIT	LOXLEY	MACO
MANRIN	MATI	MODERN	MSC	NOBLE	NOK	NPK	NUSA	OISHI	OTO	PAF	PAP	PATO	PF
PJW	PLANB	PLE	POLAR	PRG	PTL	Q-CON	QTC	RCI	S11	SALEE	SAM	SAMART	SAMTEL
SAPPE	SC	SCP	SFP	SIM	SLP	SMT	SPA	SPORT	SSC	SST	STEC	STPI	SUC
SUTHA	T	TAE	TBSP	TCC	TFD	TGCI	TGPRO	THANA	THIP	TIW	TK	TMW	TNDT
TOPP	TPC	TPCH	TPIPL	TSR	TT	TYCN	UAC	UBIS	UEC	UMI	UP	UPF	UT
UV	VPO	WAVE	WINNER	YUASA									

### Level 3A: Established by declaration of intent

ABC	ACAP	AGE	AH	ANAN	AP	APCS	APURE	AS	ASIA	ASIAN	ASIMAR	BIGC	BROOK
BWG	CEN	CENTEL	CHARAN	CHO	CHOTI	CM	CNT	COL	CPF	CPI	CPL	DELTA	DEMCO
DIMET	DNA	DTAC	EA	ECF	EE	EVER	FPI	GBX	GC	GFPT	GLOW	HMPRO	HOTPOT
ICC	ICHI	INOX	INSURE	IRC	JAS	JTS	JUBILE	KC	KTC	KYE	LHK	LPN	LRH
MAKRO	MC	MCOT	MFEC	MJD	MONO	MOONG	NBC	NDR	NINE	NMG	NSI	NTV	OGC
PACE	PCSGH	PDI	PG	PHOL	PLAT	PR	PRANDA	PREB	PS	QLT	RATCH	RML	ROBINS
ROJNA	RWI	SAMCO	SCCC	SCG	SEAOL	SE-ED	SENA	SITHAI	SMK	SMPC	SPALI	SPC	SPCG
SPI	SRICHA	STANLY	SUPER	SYMC	SYNEX	SYNTEC	TASCO	TCMC	TFI	THAI	TICON	TKT	TLUXE
TMILL	TMT	TNL	TPCORP	TSTE	TTCL	TU	TVI	UOBKH	UREKA	VGI	VNT	WACOAL	WHA
ZMICO													

### Level 2: Declared

2S	ABICO	AF	AIRA	AKP	ALUCON	AMARIN	AMATA	AOT	APCO	BEAUTY	BFIT	BH	BKD
BLAND	BROCK	BRR	BSBM	BTNC	CCP	CI	CSC	CSR	CSS	EFORL	EPCO	ESTAR	FE
FER	FNS	FVC	GEL	GLOBAL	GUNKUL	IEC	IFS	ILINK	INET	J	JMT	JUTHA	K
KASET	KBS	KCAR	KKC	KSL	KTECH	L&E	LALIN	LTX	M	MALEE	MBX	MBK	MEGA
MILL	MK	MPG	MTLS	NCH	NCL	NNCL	NPP	OCC	OCEAN	PB	PCA	PDG	PRINC
PSTC	PYLON	QH	ROCK	ROH	RP	RPC	S & J	SGP	SIAM	SKR	SMG	SMIT	SORKON
SPACK	SPPT	SR	SUSCO	TAKUNI	TEAM	TF	TIC	TIP	TIPCO	TMC	TMI	TPA	TPP
TRT	TRU	TRUE	TSC	TSI	TTW	TVD	TVO	TVT	U	UKEM	UNIQ	UWC	VIBHA
VNG	WIK	WIN	XO										

### Level 1: Committed

AEONTS	AFC	AJ	AMC	AQUA	ARIP	AUCT	BAT-3K	BIG	BJC	BOL	CBG	CCET	CCN
CGD	CMR	CPH	CSP	CTW	DCON	DRACO	DSGT	DTCI	E	EMC	ESSO	FOCUS	FSMART
GIFT	GLAND	GRAND	GREEN	HFT	HITECH	IHL	ITD	JSP	KDH	KTIS	KTP	LEE	LST
MAJOR	MATCH	MAX	M-CHAI	MDX	MIDA	ML	MPIC	NC	NEP	NWR	OHTL	PICO	PK
PL	PPM	PRAKIT	PRECHA	PRIN	RAM	RICH	RS	SANKO	SAUCE	SAWAD	SAWANG	SCN	SEAFCO
SF	SHANG	SIRI	SMART	SMM	SOLAR	SPG	SPVI	STA	STAR	SVH	SVOA	SWC	TAPAC
TC	TCCC	TCJ	TCOAT	TH	TKS	TNH	TNPC	TPAC	TPOLY	TRC	TRUBB	TSE	TTA
TTI	TTL	TTM	TWP	TWZ	UMS	UPA	UPOIC	UTP	UVAN	VARO	VI	VIH	VTE
WG													

## Disclaimer

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, Krungsri Securities Public Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment result."

## Reference

**Level 5: Extended** – Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases

**Level 4: Certified** – Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)

**Level 3: Established** – Carrying out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes

**Level 3A: Established by declaration of intent, Level 3B: Established by Commitment and Policy**

**Level 2: Declared** – Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives

**Level 1: Committed** – Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws

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## Definition of Ratings

- OUTPERFORM** - Stocks with an expected capital gain above 10% in the next 12 months for small-caps, above 5% for big-caps
- NEUTRAL** - Stocks with an expected capital gain between -10% and +10% in the next 12 months for small-caps, -5% to +5% for big-caps
- UNDERPERFORM** - Stocks with an expected capital gain below 10% in the next 12 months for small-caps, below 5% for big-caps