

**Date**  
5 April 2016

**Company**  
Xurpas

**First Look Corporate**  
Acquisition - Growth Drivers;  
FY15 Net Income +20% to  
P229.62 million

**Stock X**

**Price** 18.20

**52wk Range** 8.14 - 18.90

**Rating** HOLD / Long-Term Buy

**Issued Shares** 1,720mn

**Market Cap** P31.30bn

**Free Float** 19.80%

**PSEi** N/A  
**MSCI** N/A

We maintain a Hold / **Long-Term Buy** rating for X for the enterprising investor interested to position in the high growth dynamic IT industry. Since its IPO, X has continued to grow and diversify product and service offerings and territories through acquisitions supported by IPO funds raised.

Since its IPO in December 2014, X has so far invested around \$14 million (P658 million) in 6 offshore technology companies to provide product and territory expansion in its bid to become an international tech firm. More recently, it acquired HR-solutions provider HK-based Micro Benefits

**FY15 Net Income +20% to P229.62 million dragged by one-time acquisition-related expenses; Core Net Income +32% to P250.80 million**

- Net Income +20% to P229.62 million including tax holiday expiry in 2014, increase in expenses due to new business investments, market expansion to Indonesia, and other non-recurring expansion related costs.
- Excluding non-recurring expenses related to acquisitions, Core Net Income +32% to P250.80 million
- Revenues +135% to P91.22 million driven by Core Mobile Consumer Services grew 86%, while Mobile Enterprise Service grew 33%. These segments now account for 73% of revenues from 97% in 2014. Consumer accounted for P266.69 or 50% of the total P529 million net increase in revenues.
- Revenues from the knowledge process outsourcing / KPO (Yondu) and other services (Storm Flex Systems) accounted for 27% of the total.
- Cost and goods and services +238% due to consolidation of new businesses. General and administrative expenses +400% primarily from the operating expenses of acquired subsidiaries and increase in number of salaries and wages from organizational build-up.
- Gross Profit +93% to P536.71 despite Gross margins declining to 58% from 71% from lower profit margins from new businesses.

**Acquired 23.53% stake in HK-based Micro Benefits for \$10 million (March 9, 2016)**

- MicroBenefits provides innovative human resources (HR) solutions Fortune 500 companies in China.
- Wholly owned subsidiary Micro Benefits Financial Consulting (Su Zhou) Co. Ltd (MB China) Proprietary "Company Link" platform is used by close to 700,000 of its clients' employees, and improves worker engagement, effecting 15% reduction in employment turnover.
- Establishes China as a new frontier and enables the company to offer new solutions

**Acquisitions - Growth Drivers**

**51% Yondu Acquisition (September 2015) to be fully attributable this 2016**

- In September 2015, X invested P900 million for a 51% stake in Yondu Inc. with GLO keeping 49% of its subsidiary. Yondu develops mobile content and provides mobile and information technology services. In 2014, it reported standalone revenues of P854 million and net income of P251 million.

**Ninelives Interactive acquisition enables entry into Indonesia**

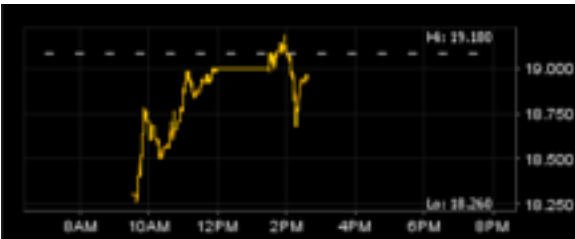
- Ninelives, an Indonesian mobile content developer and distributor, has existing contracts with major Indonesian telecom companies (i.e. Telkomsel, XL Axiata, and Indosat.) make up about 80% of the Indonesian mobile market.

**Micro Benefits Acquisition to unlock synergies with majority-controlled local Storm Flex Systems Inc.**

- Storm Flex Systems, Inc. is an online platform which allows employees of client companies to transform employee benefits into a range of product or service of their choice. Storm was aiming to double its 15,000 client employees by end-2015. In 2014, Storm Flex generated revenues of P45 million, seeing more growth potential in the P71 billion employee benefits market.

X is a technology company specializing in the creation and development of digital products and services for mobile users. Its portfolio includes online casual games, messaging and social discovery applications, as well as call/SMS (short messaging system)/data bundles, peer to peer mobile airtime credit transfers and mobile commerce.

**Underwriter/Broker coverage rating as of November 2015 with a rating of Add, TP 32.72.**



Intraday Chart (as of 12NN, April 5)



**Technicals**

- Current** 18.20
- Support** 16.80, 16.50-16.36 (gap)
- Resistance** 18.90 (all-time high), 20 (trend channel high)

- From an 11.40 low (January 21, 2016), the stock continues to chart new highs. The stock has increased 65% to hit an all-time high of 18.90 (break-out of 17.46 last seen November 2015).
- Monitor initial trend channel resistance at 20 (also psychological). Critical support is at 16.80, having held above gap at 16.50-16.36. This would also provide a good buy-on-dip entry level.
- Short-term indicators are in overbought territory but so far indicates sustainability due to consolidation. Meanwhile, over the long-term indicators still show room for upside.

**REFERENCES** X, PSE, Bloomberg, Reuters, DA Market Securities, Inc. **DISCLAIMER** This report is provided for informational purposes only and is not intended to solicit buying and selling of securities or to participate in any particular trading strategy. DA Market Securities, Inc. (DMSI) makes reasonable effort to use reliable, comprehensive information, but makes no representation or warranties as to the accuracy, completeness, or timeliness of the data provided. DMSI shall not have liability for any damages of any kind relating to such data. This report may not be reproduced or published for any purpose. DA market officers, directors and employees, including persons involved in the preparation or issuance of this report, may have investments in securities or derivatives of securities of the companies mentioned in this report.