

Business Online

BOL TB / BOLm.BK

November 5, 2020

Thailand's data refinery (*Data is the new oil*—Clive Humby)

We have initiated coverage on BOL—the best big data play in Thailand—with a BUY call and a YE21 target price of Bt7.70, pegged to a 2021 PER of 29. Data is a precious resource, but it requires analytics to be of any use. BOL turns data into information and information into insights. We forecast BOL's 2020 net profit at Bt172m, up 19% YoY. For 2021, we expect net earnings of Bt217m, up 26% YoY.

Data is the new oil (but processing has barely started in Thailand)

In 2006, the British mathematician and data science entrepreneur, Clive Humby, identified data as the new oil. It is now the world's most valuable resource (seven of the 10 biggest companies today are in tech; only one is in oil & gas). A *Research and Markets* report estimated that the global big data market was worth US\$31.93bn in 2017 and forecasts that it will hit \$156.72bn by 2026, a 2018-26 CAGR of 19.3%. Business intelligence (BI) tops the list of SaaS investment areas in 2020. Among IT spending categories, BI/data analytics rank 6th (net basis) in terms of defensiveness (unlikely to be cut). Digital services and big data are expected to lead growth in 2020, according to a survey carried out by Thailand's Digital Economy Promotion Agency (Depa) and the IMC Institute. But big data is still the smallest market value.

But raw crude isn't much use—BOL refines it into product

Data is the crude and analytics is the refinery (you won't get anywhere fast if you fill the tank of your car with raw crude). BOL has Thailand's biggest business information and analytics tools suite. Its services include providing actionable insights through software and apps, designing and developing solutions for companies and financial institutions, and business advisory. BOL's information is compiled from many sources, such as the Department of Business Development. It offers three main suites—Corpus, ENLITE, and Matchlink. More than 75% of the firm's revenue is recurring.

COVID-19—the catalyst for business expansion acceleration

BOL currently has about 1,500 customers. However, the penetration rate is still low. The current pool of client accounts represents only 5% of companies with annual revenues exceeding Bt200m in Thailand. In the past, BOL obtained about 100 firms/year as clients. In the wake of the COVID-induced disruptions, business leaders came to realize that their existing data models and processes needed revamping to cater to dynamically shifting markets in the new-normal. The firm targets accelerating client recruitment to 400-500/year, doubling its customer base from 1,500 to 3,000 within three years.

In 2021, BOL will add premium features to its core product and launch new products priced 20-40% higher. We expect its GM to expand further, due to operating leverage, rising subscription revenue, and adjustments to the cost structure.

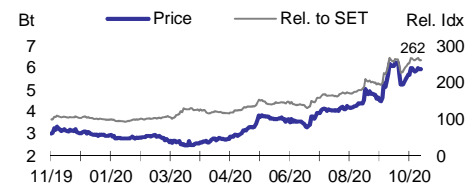
Sector: Technology
OVERWEIGHT

Rating: BUY

Target Price: Bt7.70

Price (November 4, 2020): Bt5.90

Price chart



| Share price perf. (%) | 1M | 3M | 12M |
|-----------------------|-------|------|-------|
| Relative to SET | (3.1) | 54.4 | 107.4 |
| Absolute | (4.8) | 45.8 | 82.5 |

Key statistics

| | | |
|-------------------------|-------------|----------|
| Market cap | Bt4.9bn | USD0.2bn |
| 12-mth price range | Bt2.3/Bt6.6 | |
| 12-mth avg daily volume | Bt4m | USD0.1m |
| # of shares (m) | 821 | |
| Est. free float (%) | 27.6 | |
| Foreign limit (%) | 49.0 | |

Financial summary

| FY Ended 31 Dec | 2019 | 2020E | 2021E | 2022E |
|---------------------|------|--------|--------|--------|
| Revenues (Btm) | 508 | 591 | 707 | 875 |
| Net profit (Btm) | 144 | 172 | 217 | 281 |
| EPS (Bt) | 0.18 | 0.21 | 0.26 | 0.34 |
| EPS growth (%) | +38% | +19.2% | +26.4% | +29.5% |
| Core profit (Btm) | 144 | 172 | 217 | 281 |
| Core EPS (Bt) | 0.18 | 0.21 | 0.26 | 0.34 |
| Core EPS growth (%) | +38% | +19% | +26.4% | +29.5% |
| PER (x) | 15.4 | 27.3 | 21.6 | 16.7 |
| PBV (x) | 4.4 | 8.9 | 8.4 | 7.8 |
| Dividend (Bt) | 0.2 | 0.2 | 0.2 | 0.3 |
| Dividend yield (%) | 5.5 | 3.1 | 4.0 | 5.1 |
| ROE (%) | 28.6 | 33.4 | 40.0 | 48.6 |



CG/Anti-corruption

Napon Jaisan

Capital Market Fundamental Investment Analyst

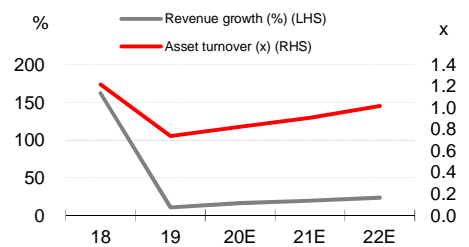
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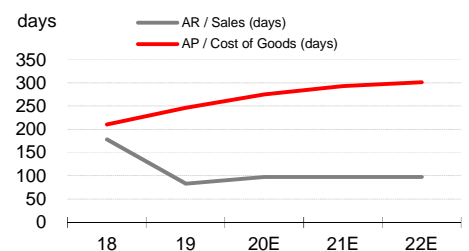
BOL: Financial Tables – Year

| PROFIT & LOSS (Btm) | 2018 | 2019 | 2020E | 2021E | 2022E |
|---|-------------|--------------|--------------|--------------|--------------|
| Revenue | 459 | 508 | 591 | 707 | 875 |
| Cost of sales and services | (215) | (213) | (239) | (269) | (324) |
| Gross profit | 244 | 295 | 351 | 438 | 551 |
| SG&A | (155) | (173) | (195) | (240) | (293) |
| EBIT | 89 | 122 | 157 | 198 | 258 |
| Interest expense | 0 | 0 | (1) | 0 | 0 |
| Other income/exp. | 29 | 30 | 35 | 42 | 52 |
| EBT | 117 | 152 | 191 | 240 | 310 |
| Corporate tax | (13) | (8) | (19) | (24) | (31) |
| After-tax net profit (loss) | 104 | 144 | 171 | 216 | 279 |
| Minority interest | 0 | 0 | 0 | 0 | 0 |
| Equity earnings from affiliates | 0 | 0 | 0 | 1 | 2 |
| Extra items | 0 | 0 | 0 | 0 | 0 |
| Net profit (loss) | 104 | 144 | 172 | 217 | 281 |
| Reported EPS | 0.13 | 0.18 | 0.21 | 0.26 | 0.34 |
| Fully diluted EPS | 0.13 | 0.18 | 0.21 | 0.26 | 0.34 |
| Core net profit | 104 | 144 | 172 | 217 | 281 |
| Core EPS | 0.13 | 0.18 | 0.21 | 0.26 | 0.34 |
| EBITDA | 143 | 179 | 198 | 245 | 315 |
| KEY RATIOS | | | | | |
| Revenue growth (%) | 162.6 | 10.7 | 16.3 | 19.7 | 23.7 |
| Gross margin (%) | 53.2 | 58.1 | 59.5 | 62.0 | 63.0 |
| EBITDA margin (%) | 31.2 | 35.2 | 33.5 | 34.7 | 36.0 |
| Operating margin (%) | 25.6 | 29.9 | 32.4 | 33.9 | 35.4 |
| Net margin (%) | 22.7 | 28.3 | 29.1 | 30.7 | 32.1 |
| Core profit margin (%) | 22.7 | 28.3 | 29.1 | 30.7 | 32.1 |
| ROA (%) | 27.6 | 20.9 | 24.0 | 27.8 | 32.7 |
| ROCE (%) | 37.5 | 28.6 | 33.4 | 40.0 | 48.6 |
| Asset turnover (x) | 1.2 | 0.7 | 0.8 | 0.9 | 1.0 |
| Current ratio (x) | 1.6 | 1.5 | 2.4 | 2.3 | 2.2 |
| Gearing ratio (x) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest coverage (x) | n.m. | n.m. | n.m. | n.m. | n.m. |
| BALANCE SHEET (Btm) | | | | | |
| Cash & Equivalent | 224 | 238 | 246 | 267 | 293 |
| Accounts receivable | 224 | 116 | 158 | 190 | 234 |
| Inventory | 0 | 0 | 0 | 0 | 0 |
| PP&E-net | 20 | 52 | 45 | 40 | 35 |
| Other assets | 225 | 279 | 297 | 317 | 343 |
| Total assets | 693 | 684 | 746 | 813 | 905 |
| Accounts payable | 124 | 144 | 180 | 216 | 267 |
| ST debts & current portion | 0 | 0 | 0 | 0 | 0 |
| Long-term debt | 0 | 0 | 0 | 0 | 0 |
| Other liabilities | 64 | 40 | 40 | 40 | 40 |
| Total liabilities | 188 | 183 | 220 | 256 | 307 |
| Paid-up capital | 82 | 82 | 82 | 82 | 82 |
| Share premium | 139 | 139 | 139 | 139 | 139 |
| Retained earnings | 284 | 280 | 305 | 336 | 377 |
| Shareholders equity | 505 | 501 | 526 | 558 | 598 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Total Liab.&Shareholders' equity | 693 | 684 | 746 | 813 | 905 |
| CASH FLOW (Btm) | | | | | |
| Net income | 104 | 144 | 172 | 217 | 281 |
| Depreciation and amortization | 26 | 27 | 6 | 6 | 5 |
| Change in working capital | (37) | 105 | (13) | (6) | (9) |
| FX, non-cash adjustment & others | (6) | (50) | 0 | 0 | (0) |
| Cash flows from operating activities | 86 | 226 | 165 | 216 | 277 |
| Capex (Invest)/Divest | (49) | (92) | (10) | (10) | (10) |
| Others | 141 | 28 | 0 | 0 | 0 |
| Cash flows from investing activities | 92 | (64) | (10) | (10) | (10) |
| Debt financing (repayment) | 0 | 0 | 0 | 0 | 0 |
| Equity financing | 0 | 0 | 0 | 0 | 0 |
| Dividend payment | (66) | (148) | (147) | (186) | (240) |
| Others | 141 | 28 | 0 | 0 | 0 |
| Cash flows from financing activities | (66) | (148) | (147) | (186) | (240) |
| Net change in cash | 113 | 14 | 8 | 21 | 27 |
| Free cash flow (Btm) | 37 | 134 | 155 | 206 | 267 |
| FCF per share (Bt) | 0.0 | 0.2 | 0.2 | 0.3 | 0.3 |
| KEY ASSUMPTIONS | | | | | |
| Data | 369 | 383 | 410 | 509 | 656 |
| Risk management | 42 | 61 | 94 | 103 | 114 |
| Other | 49 | 64 | 86 | 95 | 105 |

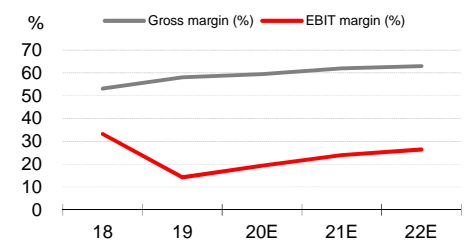
Revenue growth and asset turnover



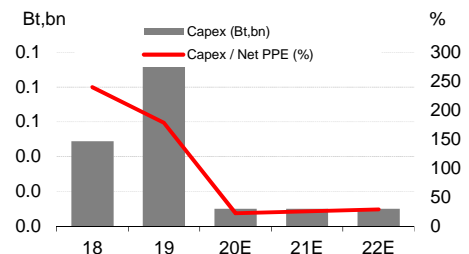
A/C receivable & A/C payable days



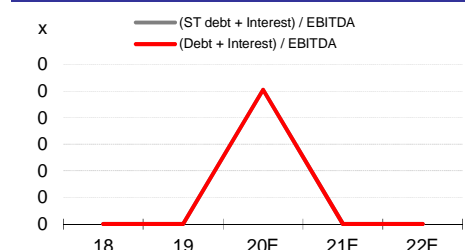
Profit margins



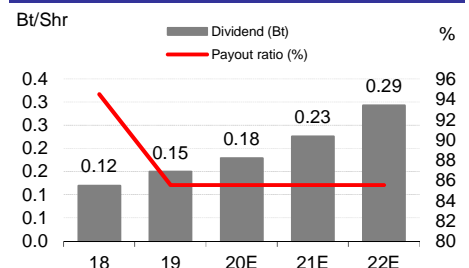
Capital expenditure



Debt serviceability



Dividend payout



BOL: Financial Tables – Quarter

| QUARTERLY PROFIT & LOSS (Btm) | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| Revenue | 120 | 150 | 117 | 146 | 150 |
| Cost of sales and services | (49) | (72) | (35) | (58) | (65) |
| Gross profit | 70 | 78 | 82 | 88 | 85 |
| SG&A | (39) | (40) | (60) | (42) | (43) |
| EBIT | 31 | 38 | 22 | 46 | 42 |
| Interest expense | 0 | 0 | 0 | (1) | (0) |
| Other income/exp. | 14 | 10 | 2 | 4 | 16 |
| EBT | 45 | 49 | 24 | 49 | 57 |
| Corporate tax | (6) | 3 | (1) | (9) | (6) |
| After-tax net profit (loss) | 39 | 51 | 22 | 40 | 51 |
| Minority interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Equity earnings from affiliates | 0.1 | 0.9 | (1.0) | (0.4) | (0.4) |
| Extra items | 0 | 0 | (0) | 0 | 0 |
| Net profit (loss) | 39 | 52 | 21 | 40 | 51 |
| Reported EPS | 0.05 | 0.06 | 0.03 | 0.05 | 0.06 |
| Fully diluted EPS | 0.05 | 0.06 | 0.03 | 0.05 | 0.06 |
| Core net profit | 39 | 52 | 21 | 40 | 51 |
| Core EPS | 0.05 | 0.06 | 0.03 | 0.05 | 0.06 |
| EBITDA | 52 | 56 | 31 | 58 | 66 |

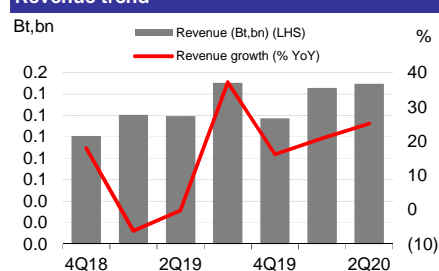
KEY RATIOS

| | | | | | |
|------------------------|------|------|------|------|------|
| Gross margin (%) | 58.9 | 51.8 | 70.0 | 60.3 | 56.8 |
| EBITDA margin (%) | 43.4 | 36.9 | 26.6 | 39.9 | 44.1 |
| Operating margin (%) | 37.9 | 32.3 | 20.4 | 34.2 | 38.4 |
| Net margin (%) | 32.9 | 34.8 | 18.2 | 27.6 | 34.1 |
| Core profit margin (%) | 32.9 | 34.8 | 18.3 | 27.4 | 34.1 |
| BV (Bt) | 0.6 | 0.6 | 0.6 | 0.8 | 0.8 |
| ROE (%) | 31.1 | 43.8 | 17.4 | 28.5 | 31.2 |
| ROA (%) | 22.5 | 29.5 | 11.9 | 19.5 | 21.2 |
| Current ratio (x) | 2.5 | 2.0 | 2.5 | 1.8 | 2.2 |
| Gearing ratio (x) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest coverage (x) | n.m. | n.m. | n.m. | n.m. | n.m. |

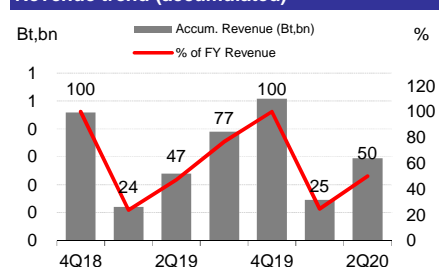
QUARTERLY BALANCE SHEET (Btm)

| | | | | | |
|---|------------|------------|------------|------------|------------|
| Cash & Equivalent | 211 | 251 | 238 | 278 | 285 |
| Accounts receivable | 188 | 222 | 116 | 137 | 142 |
| Inventory | 0 | 0 | 0 | 0 | 0 |
| PP&E-net | 51 | 53 | 52 | 50 | 50 |
| Other assets | 225 | 217 | 279 | 500 | 481 |
| Total assets | 675 | 744 | 684 | 965 | 959 |
| Accounts payable | 145 | 180 | 144 | 145 | 173 |
| ST debts & current portion | 0 | 0 | 0 | 2 | 3 |
| Long-term debt | 0 | 0 | 0 | 27 | 27 |
| Other liabilities | 53 | 84 | 40 | 160 | 77 |
| Total liabilities | 198 | 265 | 183 | 335 | 279 |
| Paid-up capital | 82 | 82 | 82 | 82 | 82 |
| Share premium | 139 | 139 | 139 | 139 | 139 |
| Retained earnings | 256 | 258 | 280 | 246 | 297 |
| Shareholders equity | 477 | 479 | 501 | 629 | 680 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Total Liab.&Shareholders' equity | 675 | 744 | 684 | 965 | 959 |

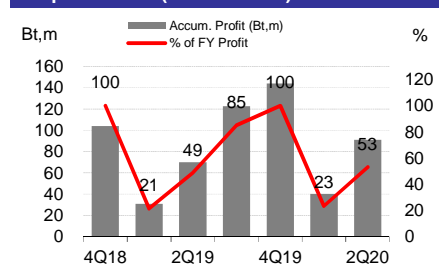
Revenue trend



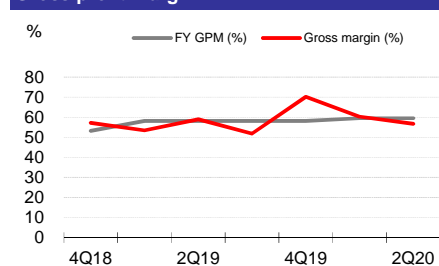
Revenue trend (accumulated)



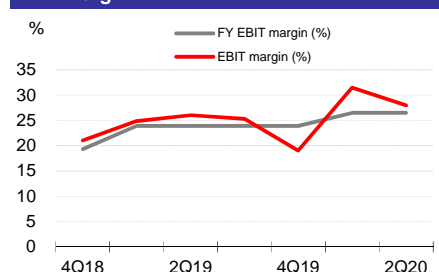
Net profit trend (accumulated)



Gross profit margin



EBIT margin



Company profile

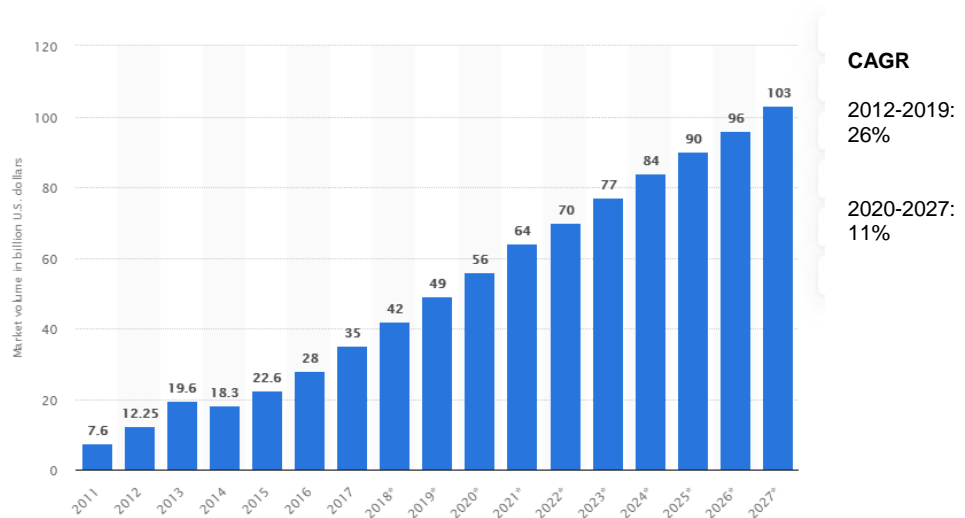
BOL is a leader in business information and analytics tools. Its services include providing actionable insights through software and applications, designing and developing solutions for companies and financial institutions, and business advisory.

Outlook

Data is the new oil: In 2006, the British mathematician and data science entrepreneur, Clive Humby, identified data as the new oil. It is now the world’s most valuable resource. Seven of the 10 biggest companies in the world in terms of market capitalization are in tech and two others, Walmart and Johnson & Johnson are heavy consumers of data analytics, according to data compiled by *Statista*, a German company specializing in market and consumer data. Only one oil & gas player is still in the top-10, Saudi Aramco (Exxon-Mobil and Chevron no longer figure in the top-10). *Statistica* forecasts that global big data market revenue will expand from \$42bn in 2018 to \$103bn by 2027. *Research and Markets*, a research house, estimated that the global big data market was worth US\$31.93bn in 2017 and forecasts that it will hit \$156.72bn by 2026, a 2018-26 CAGR of 19.3%. Business intelligence (BI) tops the list of SaaS investment areas in 2020. And among IT spending categories, BI/data analytics rank 6th (net basis) in terms of defensiveness (unlikely to be cut). Digital services and big data are expected to lead growth in 2020, according to a survey carried out by Thailand’s Digital Economy Promotion Agency (Depa) and the IMC Institute. But big data is still the smallest market value.

The amount of data generated is staggering. *International Data Corporation (IDC)* estimates that about 59 zettabytes of data will be created in 2020 (a zettabyte is 1,000,000,000,000,000,000 bytes). Nowadays, just about any company of scale (or that wants to build scale) needs a big data focus if it is to compete and thrive. Big data coupled with data analytics helps organizations streamline their operations and gain actionable insights, making it easier for them to take decisions on clear evidence. These actions comprise product development, cost management, in-depth customer research and competitive analysis.

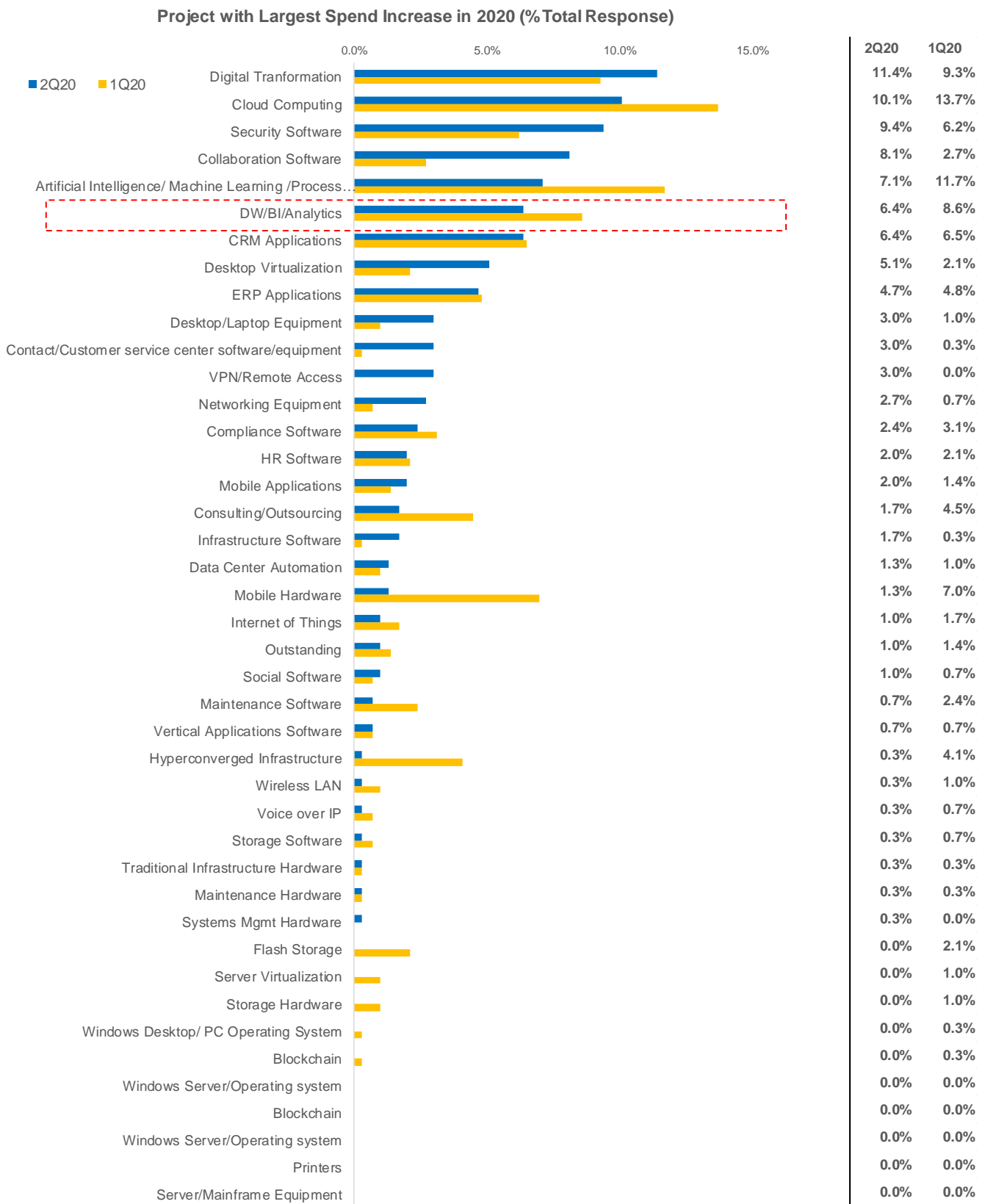
Figure 1 : Big data market size revenue forecast worldwide, 2011-27E (US\$bn)



Source: Statista

Business intelligence ranks 6th-highest spending priority: According to *Morgan Stanley’s* survey of CIOs in 2Q20, Business Intelligence (BI) and data analytics are in the top-10 of projects that remain priorities, behind digital transformation, cloud computing, security software, collaboration software and Artificial Intelligence/Machine Learning/Process Automation.

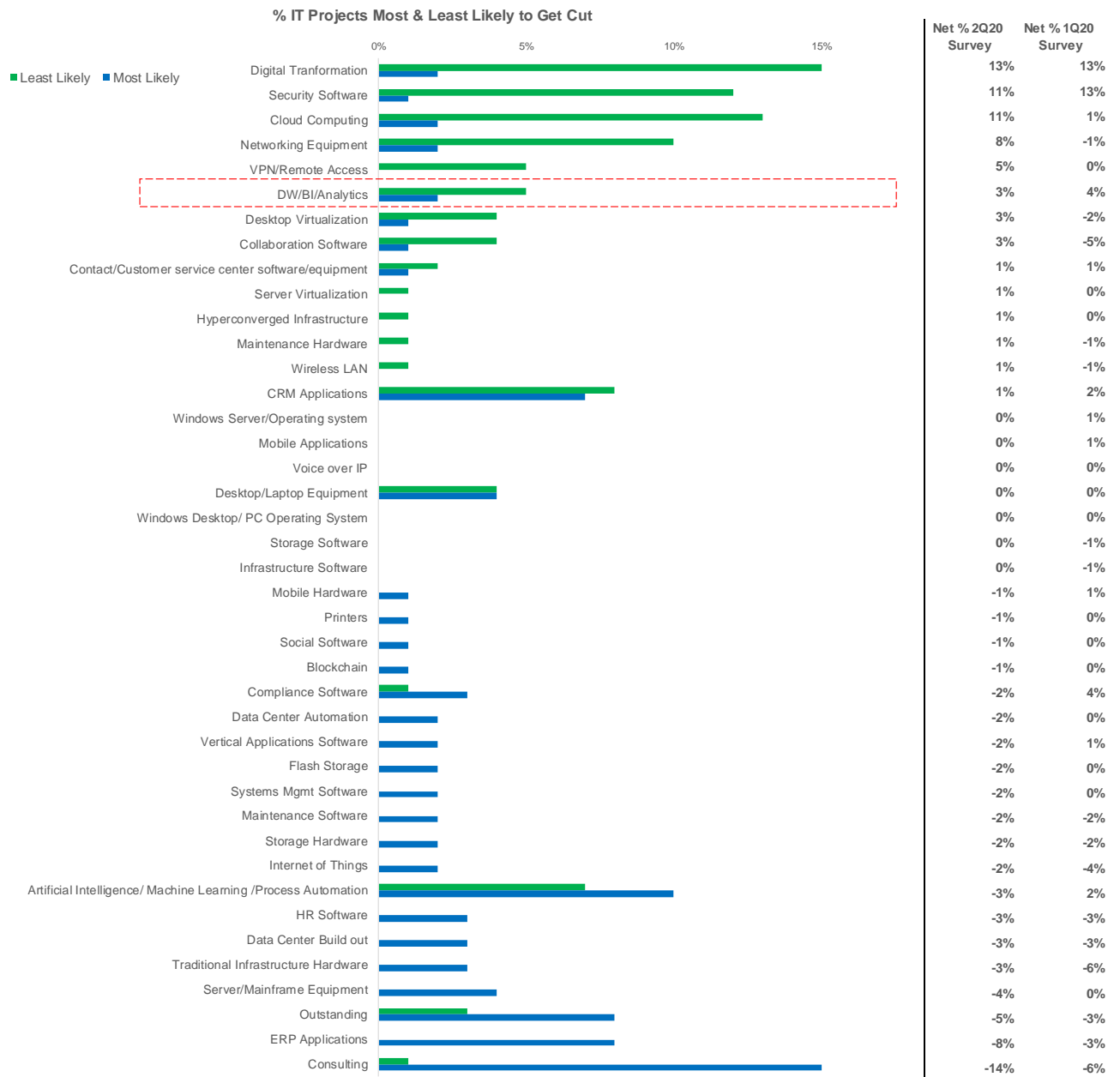
Figure 2 : CIO top spending priorities in 2020



Sources: AlphaWise, Morgan Stanley Research

BI is highly defensive: *Morgan Stanley* conducted a survey to answer two questions: 1) if the economy worsens significantly in 2020, what project is most likely to get its budget cut? and 2) what project is least likely to get its budget cut? According to the CIOs surveyed, BI/data analytics projects are one of the most defensive areas of IT spending on a net basis (6th rank)—unlikely to have budgets cut in the event of an economic downturn.

Figure 3 : IT projects least- and most-likely to have their budgets cut in the event of an economic downturn



Sources: AlphaWise, Morgan Stanley Research

Analytics/BI a top priority among SaaS: CIOs expect spending on SaaS projects to still grow this year, at 2.8%. Sixty percent of the CIOs surveyed expect to increase SaaS spending in YoY terms. BI tops the list of SaaS investment areas in 2020. During the COVID-19 panic, many firms started to realize the importance of digital transformation and data analytics. A broader set of software and BI proved critical in enabling enterprises to respond to the challenges of a new COVID-19 operating environment. The crisis substantially accelerated the core growth trends in software and BI adoption.

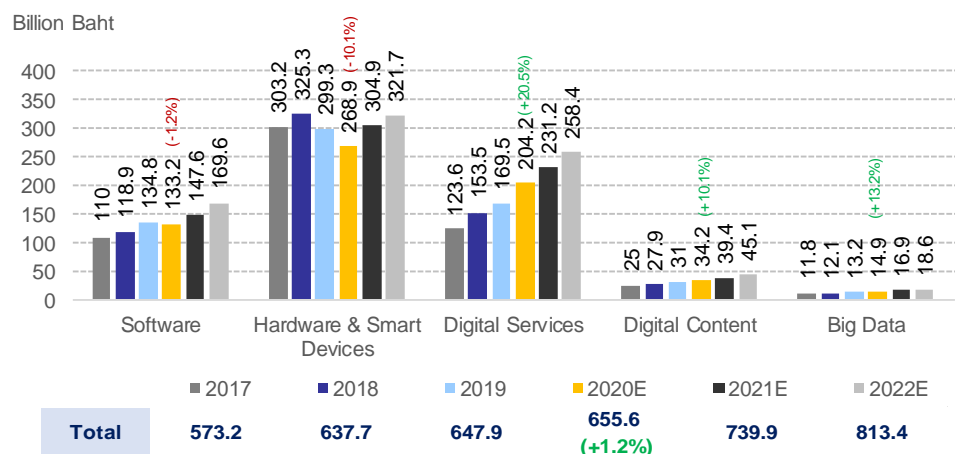
Figure 4 : BI is top of the 2020 SaaS investment list



Sources: AlphaWise, Morgan Stanley Research

Big data biz is expanding in Thailand from a low base: The Digital Economy Promotion Agency (Depa) and the IMC Institute conducted a 2017-19 survey of Thailand’s digital industry and made forecasts for three years, starting 2020. The survey looked into five core areas—software, hardware/smart devices, digital services, digital content, and big data. The survey indicates that big data still has the smallest market value among the five areas surveyed at Bt14.9bn this year—hardware/smart devices (Bt268.9bn), digital services (Bt204.2bn), software (Bt133.2bn), digital content (Bt34.2bn). The study points to the digital services and big data categories leading growth. Big data is forecast to grow 13.2% from 2019 to 2020, with a similar growth rate between 2020 and 2021. From 2021 to 2022, big data will grow 10% to reach Bt18.6bn, as businesses come to rely more and more on data analytics in order to glean insights into dynamically shifting customer behavior trends.

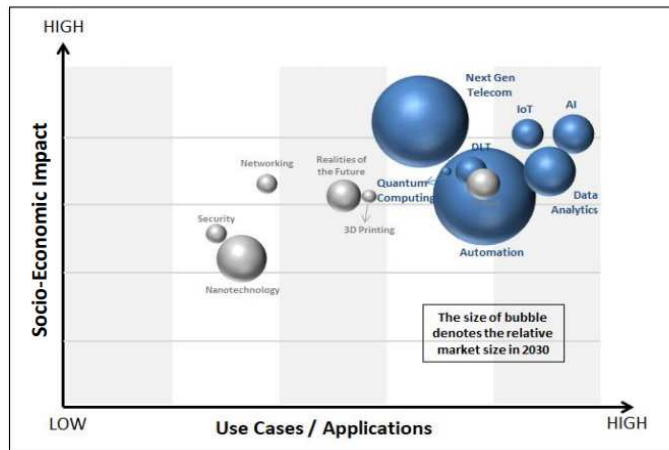
Figure 5 : Thailand’s digital market value



Sources: Depa, IMC Institute

The third-largest market size by 2030: According to research by the Digital Economy Promotion Agency (Depa) in partnership with *Frost & Sullivan*, data analytics in Thailand will be the third-largest market among 13 tech categories by 2030. Moreover, data analytics is expected to be the fourth most socio-economically impactful category in Thailand in 2030.

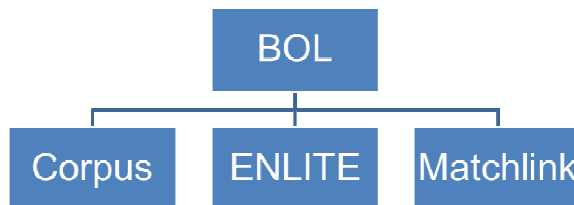
Figure 6 : Socio-economic impact of each technology trend



Source: Frost & Sullivan

BOL is facilitating big data growth: BOL is a leader in business information and analytics tools. Its services include providing actionable insights through software and applications, designing and developing solutions for companies and financial institutions, and business advisory. The majority of its clients integrate its services into various areas of their operations, from searching new target customers, supporting corporate decisions tied to evaluating and managing risks associated with business transactions, and minimizing the risk of payment delinquency. Furthermore, BOL has data visualization technology that analyzes and compiles big data, transforming complex information into easily understandable charts and graphs, enabling company executives to make more effective decisions. BOL offers three main applications and software—*Corpus*, *ENLITE*, and *Matchlink*.

Figure 7 : BOL's services

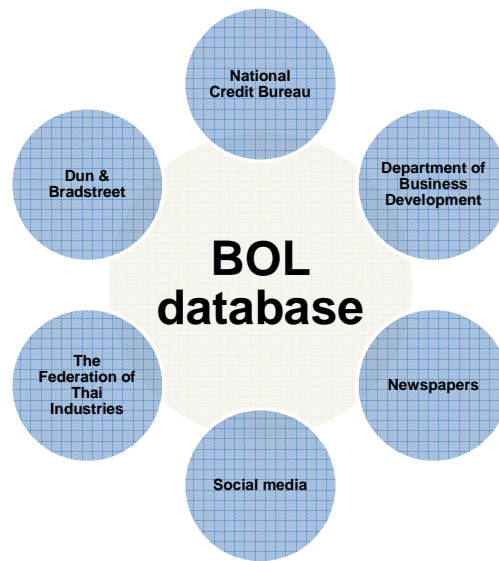


Source: Company data

Where does BOL source its data? The data come from a range of sources, such as the Department of Business Development, Ministry of Commerce, under a contract that allows BOL access to basic information, including company status, boards of directors, shareholder registers, and the financial statements of more than 1,500,000 registered companies in Thailand. BOL also gathers other information, such as related news from newspapers and other business news sources. And the company stores and analyzes trade payment information from existing customers. The information is compiled and stored in easy-to-access and –use formats on its online system—<https://www.BOL.co.th>

Database expansion: The company does the data processing for the National Credit Bureau (NCB)—it analyzes and compiles credit information submitted by the financial institutions that are members of the bureau. BOL also searches for other respectable sources (i.e. by gathering data from interviews and questionnaires, etc). It has started collecting data from non-registered factories (about 80k factories are non-registered of 140k total factories in Thailand). Moreover, it's in talks with other state and private sector organizations to expand its database, such as The Federation of Thai Industries.

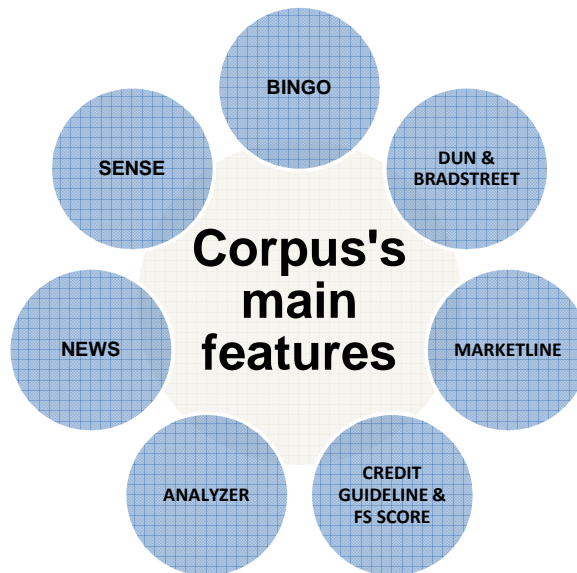
Figure 8 : Sources of data in BOL's database



Source: Company data

Corpus refines the data into usable information: Information is the oil of the 21st century, and analytics is the refinery. *Corpus* is an online subscription service that integrates information on company profiles, shareholder registers, director details, and financial statements. Users can easily access information on over one million companies in order to analyze the threats and opportunities of any given company. Apart from the basic information service, *Corpus* also offers data analytic features. One of its analytical functions is its Financial Analysis System, which helps users understand complex numbers.

Figure 9 : *Corpus's* services



Source: Company data

SENSE adds value to *Corpus's* core refined products: The company launched *SENSE*, a new social listening function of *Corpus* that consolidates and analyses data from social media, web boards and websites. *SENSE* provides comprehensive data coverage, widens the scope for clients to analyze a business, enables an in-depth understanding of the different stakeholders, and ultimately increases confidence in decision-making.

From 100 new clients/year to 400-500/year: BOL now has about 1,500 customers. However, the penetration rate is still low. In Thailand, there are 500-600k companies, of which about 30k companies have annual revenues exceeding Bt500m (all are potential clients). The implication is that BOL's current customer base comprises only 5% of the companies in Thailand that would potentially yield value from its services. In the past, the firm recruited about 100 clients/year (both corporates and SMEs). Management plans to break through the new era by acquiring 400-500 new clients/year, starting 2021. It aims to double its customer base from 1,500 clients to 3,000 clients in three years.

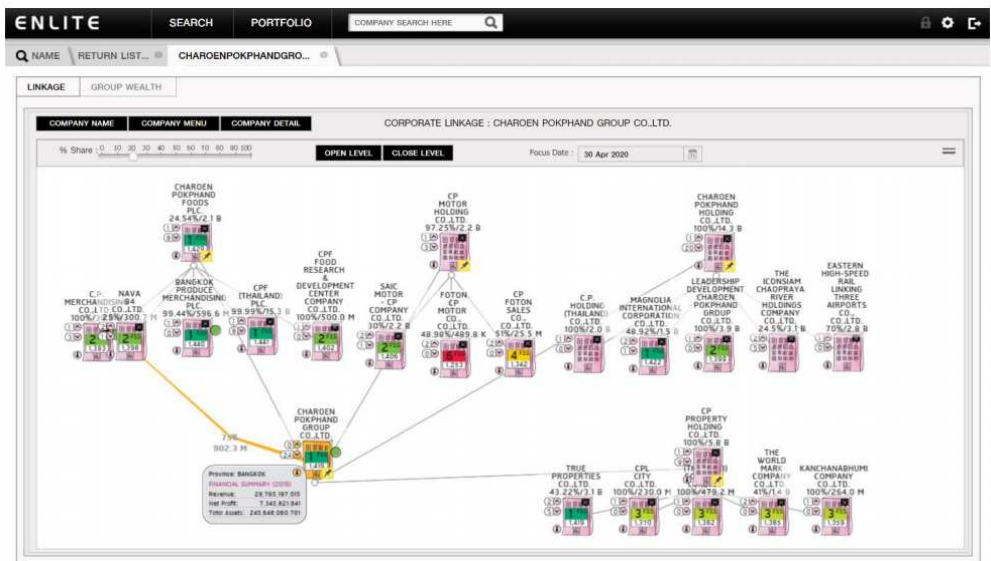
Why now? The world turned upside down with the advent of COVID-19, which changed the what/how/why (WHW) we did things. In the wake of the coronavirus-induced disruptions and eruptions, business leaders have come to realize that their existing data models and processes must be revamped to cater to dynamic market needs in the new-normal. After analyzing the now, many companies need outside insights/analytics to help them answer the WHW questions for the following three, six, and 12 months if they are to have an edge over the competition.

New version launch—another growth driver: Apart from the core features of *Corpus*, BOL also offers premium add-ons, such as business scoring, in-depth data analytics for strategic decision-making (profitability and affordability), and alert & monitoring. It now has about 1,500 customers with churn rate of zero. Its renewal rate is more than 100%, due to subscription sales of packages with premium features. Next year, it will combine some premium features with core features and launch a new platform with versions priced 20-40% higher than the existing version. New customers will be charged at new prices, but existing clients will be charged the current price through 2021 (as a trial).

ENLITE for financial institutions: In 2014, BOL launched a new product called *ENLITE*, a system specifically aiding decision-support processes for banks and other financial institutions. The highlights include data integration with Thailand's business registration database, which can be analyzed and evaluated with reports generated in the form of data visualization. Premium features include Risk Score/Risk Class (predicting the future probability of a borrower becoming financially distressed), News, (information from leading domestic and international sources), Auditor Flags (financial commentaries from auditors), Location Based Intelligence (displaying information in map form), and Account Relationship Management (how each company and its shareholders and directors are related). Next year, BOL plans to repackage, add new functions (such as data analysis for digital lending), and expand its range of data sources in order to better serve clients.

The two features of *ENLITE* are Portfolio Analysis and Financial Stress Score (FS Score). *ENLITE* enables the integration of BOL's and customers' databases to help clients better organize their databases and provide an analytical overall picture of a customer's data from assorted viewpoints. FS Score is a risk-forecasting tool that indicates an organization's probability of becoming financially distressed and displays the result as a score. The tool is a result of collaboration between BOL and the analyst team of *Dun & Bradstreet (D&B)* in the United States.

Figure 10 : ENLITE services

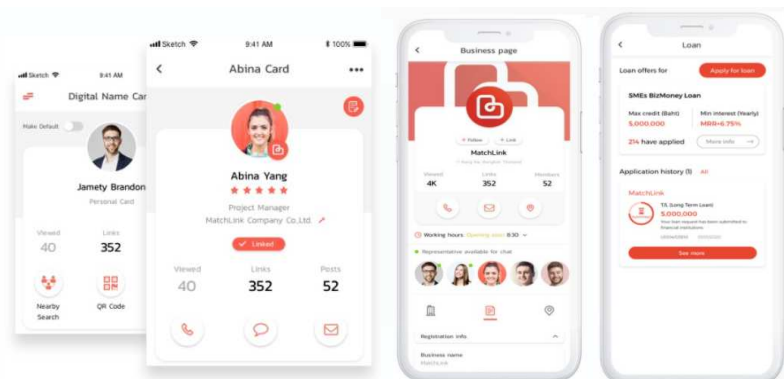


Source: Company data

MatchLink—creating a new ecosystem: MatchLink is an electronic business-matching platform that facilitates contact between buyers, suppliers, and sources of funding. The data from MatchLink can be used to support decision-making, reduce operational processes, and expand opportunities. In addition, the firm invested in Peer Power, a fintech startup that serves as an intermediary for online personal loans connecting borrowers with lenders.

Disruption today could yield great things in the future: MatchLink is a freemium model that offers free services (chiefly free data) in order to build its user base. Its current visitor tally ranges 400-500k visitors/month and it has 100k registered members. MatchLink is a disruptor of BOL’s own subscription-platformed business. Why would the firm offer it? We believe that it aims to create a new ecosystem with integrated solutions for B2B business. For example, if you are a SME and you want to buy raw materials, you can find potential suppliers on MatchLink with in-depth details (just fill in the name of the product that you want on the platform). Moreover, MatchLink expedites your business loan application processes—your business loan request can be sent to multiple financial institutions (you don’t need to make individual applications at multiple banks). The platform offers many services aimed at enhancing the convenience of your deal, such as e-tax and a digital name card. MatchLink collects data on every transaction, so the platform and its data trove will expand, ultimately unlocking new opportunities.

Figure 11 : MatchLink’s services



Source: Company data

Other services supporting growth: Apart from information services, BOL offers risk management consulting, special projects, and DebtLine services. Under special projects, the company uses its expertise in data management and IT infrastructure development to cater to specific customer requirements. Under its DebtLine services, the company provides debt tracking & collection services (particularly to SMEs), helping its clients minimize bad debts while maintaining good relationships with trading partners. In 2020, BOL started an operation in Vietnam.

Subdued competitive environment: We don't see any substantial potential local competitors—certainly no apple-to-apple comparison. The Department of Business Development (the BOL's major source of data) offers information services (for free), but only standard information. Based on information received from the organization, BOL develops, analyses, and adds value so as to provide relevant information services to customers. We, thus, don't see the DBD as a real competitor, but we do see it as a barrier to entry for aspiring competitors. Furthermore, BOL has jointly developed a system with the DBD and other partners that electronically receives financial statements under the name "DBD e-Filing" with the aim of supporting the DBD in efforts to improve its service while also opening a new channel for receiving financial statements from registered companies.

Global competitor became partner: One of the biggest global players in this field is *Dun & Bradstreet International (D&B)*. But in Thailand, *D&B* is BOL's business partner. The company's cooperation with *D&B* has expanded its capacity to offer data management and analysis. Working together, the two companies both offer BOL's service to international markets through *D&B's* network and information on overseas companies for Thai customers.

Recommendation

We have initiated coverage on BOL—the best big data play in Thailand—with a BUY call and a YE21 target price of Bt7.70, pegged to a 2021 PER of 29x. We looked at the 2021 PERs of nine global big data companies, but found that their PERs didn't offer a coherent benchmark for comparison (four of the firms generate losses, not profits; others had crazy-high PERs). Only the PERs of *Dun & Bradstreet* and *Cloudera* looked reasonable at 29x. Data analytics is diving deeper into every aspect of commerce. We forecast BOL's 2020 net profit at Bt172m, up 19% YoY. For 2021, we expect net earnings of Bt217m, up 26% YoY. The drivers are revenue expansion and a fatter margin. There would be scope for upside to our earnings forecast from faster client expansion than modeled and from establishing new businesses (such as the Vietnam operation, where the potential for expansion is huge).

The current share price implies a 2021 PER of 22x, a 24% discount to the global big data company mean of 29x. While BOL's metrics have risen somewhat, its durable top-line growth trend and expanding margins should keep those metrics from increasing further. The 1H20 performance was strong (despite COVID-19) and we believe that neither that strength nor the durability of the earnings growth inherent in the recurring income-from-software business model has been fully valued in by the market.

Recurring income is the driver: More than 75% of BOL's revenue is recurring. This recurring income secures the business, which is essentially free from the cost of carrying inventory. Next year, management plans to aggressively recruit new clients. Moreover, it will launch a new platform with packages priced 20-40% higher than its existing versions. Therefore, recurring revenue should increase further in 2021-22. We expect its client base to increase from 1,500 at YE20 to 1,800 at YE21 and 2,000 at YE22.

Net margin expansion will support earnings growth: NM is conservatively projected to fatten from 28% in 2019 to 29% in 2020, and to 30.7% in 2021 on operating leverage (cost growth will lag revenue expansion). BOL's staff head count declined by 10 during 2018-19 (from 138 to 128 persons at YE19), while its revenue rose from Bt459m in 2018 to Bt508m in 2019. The extension and expansion of current systems will limit additional costs. The rising proportion of services revenue (recurring) will support GM (services GM of more than 80%, against project-based GM of 25-30%). Another GM driver is a changed cost structure. In the past, BOL's contract with the DBD was a revenue-sharing model with a minimum guarantee. But starting 2021, its cost structure will change to a fixed payout. Taken together, durable growth with latent leverage in the model will make these assets even more attractive than investors currently appreciate.

What to do with all that cash? For 2020, we anticipate a DPS of Bt0.18. Our payout rate assumption is 86%, based on the dividend payout ratio for 2019. However, BOL has no other substantial CAPEX plans. Its balance sheet is very strong with a substantial net-cash position. Excess cash suggests scope for upside to the payout.

Figure 12 : Top-line

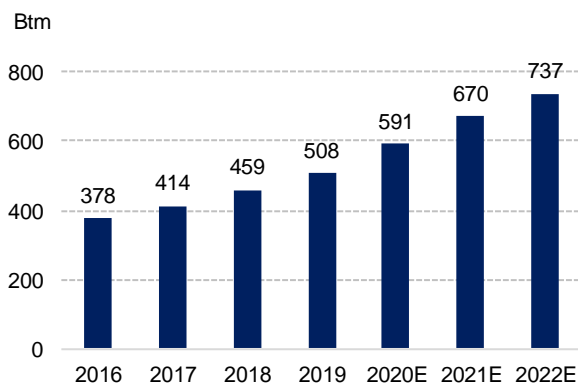


Figure 13 : Revenue breakdown, recurring and non-recurring

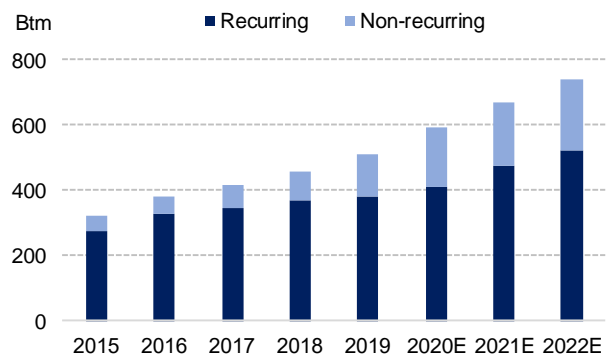


Figure 14 : Sales and gross margin

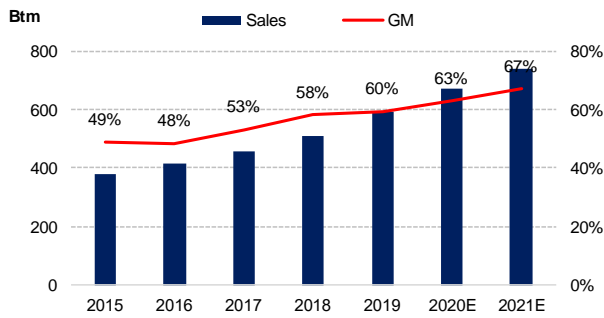
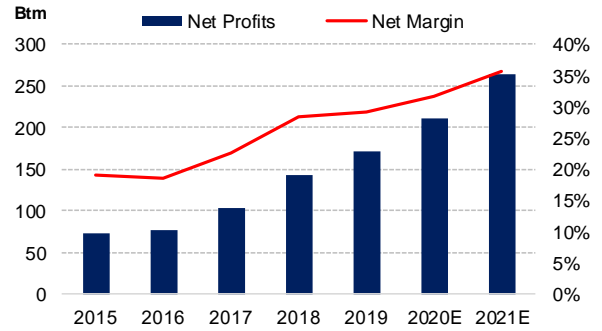


Figure 15 : Net profit and net margin



Source: Company data

Figure 16 : Valuation metric comparisons with selected global enterprise software firms

| Global software | PER | | Thai software | PER | |
|-----------------|--------------|--------------|------------------|-------------|-------------|
| | 2020 | 2021 | | 2020 | 2021 |
| SPLK US Equity | nm | nm | NETBAY TB Equity | 31.8 | 28.0 |
| MDB US Equity | nm | nm | IIG TB Equity | 34.1 | 26.5 |
| ESTC US Equity | nm | nm | HUMAN TB Equity | 32.6 | 28.2 |
| WK US Equity | nm | nm | Average | 32.8 | 27.6 |
| DNB US Equity | 29.7 | 28.6 | | | |
| CLDR US Equity | 24.8 | 28.7 | | | |
| AYX US Equity | 205.1 | 257.9 | | | |
| TLND US Equity | nm | nm | | | |
| DDOG US Equity | 1118.1 | 774.8 | | | |
| Average | 344.4 | 272.5 | | | |

Source: Bloomberg

Risks

The security of BOL's database: Because the company is in the business of providing information, databases are its most crucial assets. Any loss of information or illegal break-in (hacking) to steal or destroy the database, or any network problem, would have an impact on the company's operations and services.

Information sources: The major source of data for the company's services is the Department of Business Development, Ministry of Commerce. Based on information received from the organization, BOL develops, analyses, and adds value so as to provide relevant information services to customers. However, there are some risks associated to these information sources, such as quality of information and the continuity of the support from the DBD.

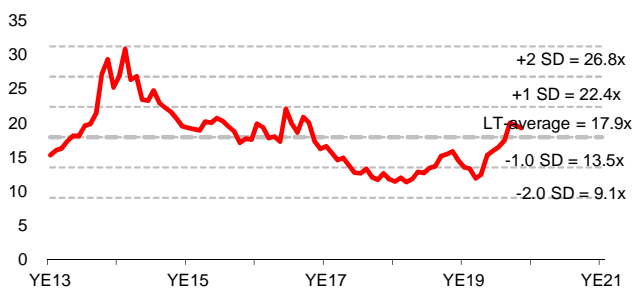
Competition: There is always the possibility of new entrants entering the market. BOL continuously researches and develops its database. Moreover, it has alliances with global leaders in the business information industry in order to improve its business in the future.

Dependency on long-serving management and senior employees: Most of the management and senior employees have been with the company for a long time. Their skills and experience are specialized and critical to the company's success. If BOL were unable to retain them and had no proper succession plan, its business and financial performance could be impacted. But the company has a low staff churn rate. Furthermore, BOL consistently trains its employees to assure that they can effectively develop products and execute sales. An ESOP program for senior employees encourages them to work with the company for the long-term and binds their interests to its performance.

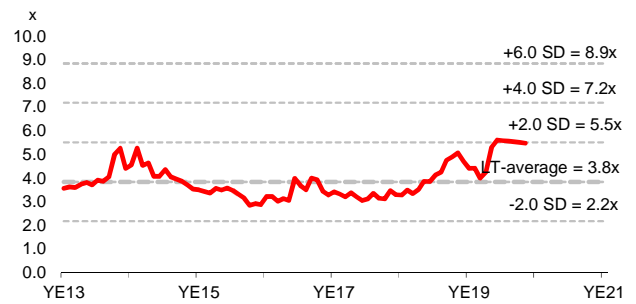
Regional Comparisons

| Thai Software/Innovation | Bloomberg | Price | Market Cap | PER (x) | EPS Growth (%) | PBV (x) | ROE (%) | Div Yield (%) | | | | | |
|--------------------------|-----------|---------------|-------------------|-------------|----------------|-------------|------------|---------------|------------|-------------|-------------|------------|------------|
| | Code | (local curr.) | (US\$ equivalent) | 2020E | 2021E | 2020E | 2021E | 2020E | 2021E | 2020E | 2021E | 2020E | 2021E |
| Business Online | BOL TB | THB5.95 | 158 | 28.5 | 22.5 | 38.2 | 19.2 | 9.3 | 8.8 | 33.4 | 40.0 | 3.0 | 3.8 |
| Humanica | NETBAY TB | THB25.50 | 165 | 29.1 | 25.1 | 20.4 | -2.3 | 10.1 | 10.1 | 34.9 | 40.4 | 3.4 | 4.0 |
| I&I Group | IIG TB | THB21.20 | 68 | 33.4 | 26.0 | 161.6 | -0.3 | 4.2 | 3.8 | 15.8 | 15.5 | 1.2 | 1.5 |
| Netbay | HUMAN TB | THB8.35 | 183 | 30.3 | 24.4 | 20.6 | 27.6 | 4.4 | 4.1 | 15.2 | 17.5 | 1.4 | 1.7 |
| Yggdrasil Group | YGG TB | THB12.50 | 73 | 46.7 | 27.6 | 127.6 | -24.5 | 4.1 | 3.8 | 10.6 | 14.2 | 1.1 | 1.4 |
| Simple average | | | | 33.6 | 25.1 | 73.7 | 3.9 | 6.4 | 6.1 | 22.0 | 25.5 | 2.0 | 2.5 |

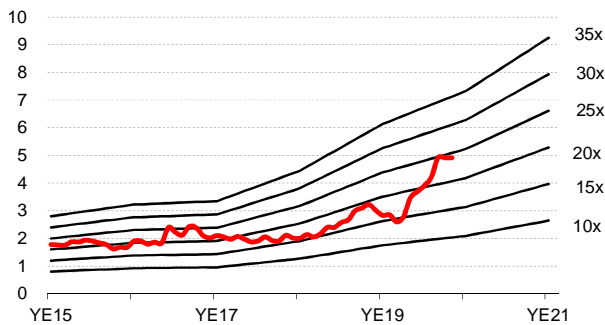
PER band versus SD (next 12 months)



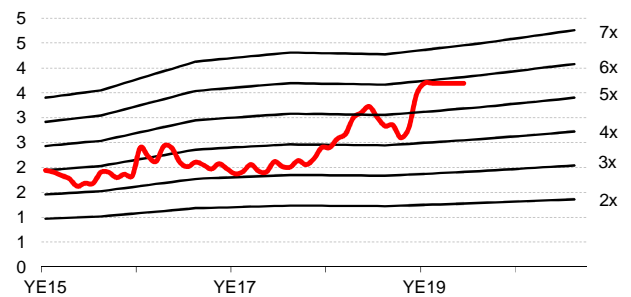
PBV band versus SD (next 12 months)



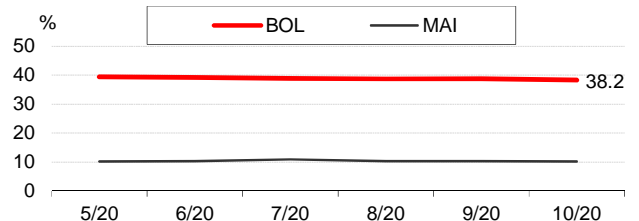
PER band and share price



PBV band and share price



Foreign holdings



Bualuang Securities Public Company Limited

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| ADVANC | AEONTS | AMATA | AOT | BDMS | BH | BJC | CBG | CENTEL | CPALL | DTAC | EGCO | GLOBAL | GPSC | IRPC |
| KBANK | KCE | KTC | MINT | PTG | PTT | PTTEP | PTTGC | SCB | SPRC | TASCO | TKN | TOP | WHA | ESSO |
| CKP | STA | BGRIM | GULF | MTC | AWC | TCAP | CRC | AP | CPF | CPN | GUNKUL | HANA | HMFRO | I/L |
| OSP | SAWAD | THANI | BANPU | BCH | BEM | BTS | CK | SCC | STEC | TISCO | TRUE | TU | INTUCH | LH |
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| Score Range | Score Range | Description |
|-------------|---|--------------|
| 90 – 100 |  | Excellent |
| 80 – 89 |  | Very Good |
| 70 – 79 |  | Good |
| 60 – 69 |  | Satisfactory |
| 50 – 00359 |  | Pass |
| Below 50 | No logo given | N/A |

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BUY: Expected positive total returns of 15% or more over the next 12 months.

HOLD: Expected total returns of between -15% and +15% over the next 12 months.

SELL: Expected negative total returns of 15% or more over the next 12 months.

TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.