

20th December 2017

Circle International Holdings Limited

Creating Chinese language business news apps

Cayman Islands-based Circle International Holdings owns the Business Circle mobile app which has been downloaded by more than 100,000 users across Malaysia, Singapore, China and Hong Kong. Launched in 2015, the app targets CEOs, top and middle level executives and independent business owners across the ASEAN region. The app, together with an awards platform Worldwide Excellence Award are the two assets owned by Circle. The company compliance listed on the NSX on 7 December 2017 after issuing a prospectus and raising \$3,150 at \$0.315/share.

Background

Circle International Holdings was incorporated on 12 December 2016 to acquire three companies, Hong Kong-based Circle Corporation International Ltd (CCIL) and Malaysian based companies Circle Corporation Mediatech Sdn Bhd (CCMT) and Inno Mind Works Sdn Bhd (IMW), in exchange for 180m shares, 166.1m of these distributed in specie to the shareholders of the three companies and 13.9m distributed to directors and related parties.

Business Model

The company aims to generate income from the sale of digital mobile advertising space on the Business Circle App in mainland China, Taiwan and Malaysia, from advertising fees and promotion and sponsorship fees on the WEA platform and from the provision of digital advertising and marketing solutions, creative solutions and media buying. The app, which is predominantly news focussed, currently targets Chinese language audiences, however, there are also plans to introduce an English language version so as to expand into other markets. The company, through its acquisition of IMW, services more than 100 corporate clients with digital marketing, branding and advertising solutions. This provides the group with a source of recurring income while it develops the Business Circle mobile app and Worldwide Excellence Award platform. Circle estimates that WEA contributes around 20% of group revenue through sponsorship and advertising. Having established in Malaysia that the model is profitable, Circle intends to expand the platform to China, Taiwan, Indonesia and Australia and anticipates that it will serve as a catalyst to encourage downloads of the mobile app and vice versa. This expansion is likely to be achieved through licensing arrangements, organic, company-led rollout or a combination of both.

Earnings Outlook

The company has not provided any forecasts for the business and has noted in its prospectus that for the two years following listing that it does not expect to pay dividends, instead deploying expenditure to growth expansion.

Shares Summary

Share Code	CCH
Share Price	\$0.32
Market Capitalisation	\$56.7M
Number of Shares	180.0M
Net Debt (proforma) at 31 Dec 16	\$0.24M
Share Registry	Computershare

5-Point Score =3

Revenue increasing (1); EPS increasing (1), Return on Capital Employed [ROCE] (0); EBIT interest cover >3x (1) Gross Operating cash flow/EBITDA >90%(0)

Upside Case

- Targeting a high-growth, highly-tech literate audience
- Acquired companies have several years' operating history and are profitable
- Existing large client base

Downside Case

- Small player in a market dominated by Alibaba, Baidu and Tencent which combined take in 72% of China's mobile ad expenditures (e-Marketer)
- Free float is 37% with directors controlling ~63%
- Potential requirement for additional capital

Board of Directors

Chairman/MD/CEO	Dato Brian Tan
Director	Yap Chi Lin
Director	Dato Michael Yip Chin Hwee
Director	Dato Cheah Choong Kit
Director	Helen Hsu

Catalysts

- CY17 result and evidence of ongoing profitability

Comparative Companies

ASP.AX, IS3.AX, NCL.AX

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Earnings history (A\$m)

Year ended	Revenue A\$*	Gross Profit A\$*	EBIT A\$*	NPAT A\$*	EPS (c)*
Dec-14	1,183,325	317,653	21,629	3,398	0.0
Dec-15	2,195,095	937,681	542,825	416,605	0.2
Dec-16	3,686,978	1,414,856	1,120,486	913,892	0.5

Source: Company data *Proforma derived from the audited accounts of the three acquired companies were released in the Prospectus

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FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 11th May 2017

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- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

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 - Securities
- deal on behalf of retail and wholesale clients in relation to
 - Securities

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Financial Ombudsman Service GPO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08 Email: nfo@fos.org.au

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