

**HOLD**

TP: Rs 890 | ▲ 13%

**360 ONE**

| Diversified Financials

| 13 June 2024

## ET Money acquisition – beneficial in long term

- 360 One acquired ET Money for a total payment of Rs 3.7bn, partially paid in cash and partly through shares
- ET Money revenue growth strong but breakeven in profitability could be another 2-3 years; growth and new segment entry are major synergies
- We maintain HOLD with a TP of Rs 890, valuing it at 30x FY26E EPS, awaiting further information from management

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**Venturing into retail/wealth tech:** 360 One has signed a definitive agreement to purchase ET Money for a total payment of Rs 3.7bn, which will be paid in cash (Rs 858mn) and 3.6mn equity shares (Rs 779.93 each). ET Money is a major registered investment advisor (RIA) player, with an invested AUM of Rs 280bn, of which Rs 250bn is in mutual funds (MF). It has net monthly sales of Rs 7.5bn. It has SIP flows of Rs 4.5bn every month compared to the monthly industry average of Rs 166bn in FY24 and Rs 206bn in 2MFY25. ET Money Genius, an investment consulting service, has over 76,000 active paying advisory clients with an AUM of Rs 12bn. We feel the acquisition will enable 360 One to foray into a newer segment given there is limited overlap with current business segments. We believe it will lead to higher chances of cross selling existing products like 360 One Plus (portfolio management services) or AMC (alternate investment funds, MF, etc).

**Breakeven key aspect to watch for:** ET Money generated strong revenue growth of 112% CAGR over FY22-FY24 (Rs 287mn in FY24 vs Rs 64mn in FY22). Thus, the deal is pegged at 12.7x on a trailing basis. Future growth will depend on 0.1mn revenue-generating users of a total of 1mn transacting clients. This is because MF products are distributed via direct code. Although the revenue increase has been strong, we believe it will take another two to three years to break even and contribute to the bottom line. ET Money should be a beneficiary of the rise in retail participation and our interaction with AMC players suggests the growing importance of fintech players.

**Maintain HOLD:** We remain optimistic on 360 One, and the new acquisition, while potentially dilutive in the short term, appears to be a smart long-term investment. We are waiting for more information from management before baking them into our existing numbers. We continue to value the company at 30x FY26E EPS – a 30% premium to the long-term average leading to a similar TP of Rs 890. Maintain HOLD. We remain constructive on 360 One given sustained traction in the ARR model, where recurring AUM was ~Rs 2.3tn (FY24), and a well-defined expansion strategy.

### Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	360ONE IN/Rs 790
Market cap	US\$ 3.5bn
Free float	78%
3M ADV	US\$ 6.2mn
52wk high/low	Rs 901/Rs 420
Promoter/FPI/DII	22%/23%/2%

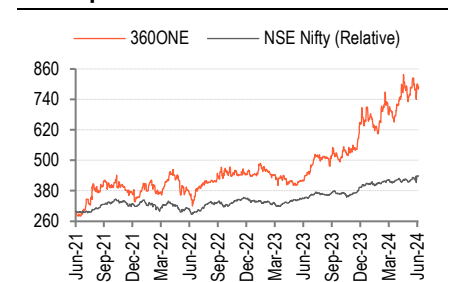
Source: NSE | Price as of 12 Jun 2024

### Key financials

Y/E 31 Mar (Rs mn)	FY24P	FY25E	FY26E
PBT (Rs mn)	10,085	11,783	14,182
PBT growth (%)	18.6	16.8	20.4
Adj. net profit (Rs mn)	8,018	9,190	11,062
EPS (Rs)	21.9	24.7	29.7
Consensus EPS (Rs)	20.0	24.9	30.0
P/E (x)	36.2	32.0	26.6
MCap/AUM (%)	0.0	0.0	0.0
ROE (%)	24.4	25.8	29.0

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

### Stock performance



Source: NSE



## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24P	FY25E	FY26E
Recurring revenue	9,120	11,709	13,306	16,981	20,885
Non-recurring revenue	4,862	3,941	5,150	4,250	4,000
Other income	1,372	37	1,195	1,000	900
Total income	15,354	15,687	19,650	22,231	25,785
Operating expenses	7,841	7,184	9,565	10,449	11,603
PBT	7,513	8,503	10,085	11,783	14,182
PBT growth (%)	54.9	13.2	18.6	16.8	20.4
Tax	1,696	1,824	2,068	2,592	3,120
Tax rate (%)	22.6	21.5	20.5	22.0	22.0
Reported PAT	5,818	6,679	8,018	9,190	11,062

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24P	FY25E	FY26E
Equity capital	177	356	359	359	359
Reserves & surplus	29,798	30,908	34,138	36,436	39,201
Net worth	29,976	31,264	34,497	36,795	39,560
Total debt	58,250	67,837	94,719	1,08,385	1,34,691
Other liab. & provisions	49,145	44,084	56,469	59,931	63,240
Total liabilities & equities	1,07,395	1,11,921	1,51,189	1,68,316	1,97,932
Cash & bank balance	10,222	7,256	6,382	9,464	15,360
Fixed & Other assets	97,173	1,04,665	1,44,806	1,58,852	1,82,571
Total assets	1,07,395	1,11,921	1,51,189	1,68,316	1,97,932

### Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24P	FY25E	FY26E
EPS	64.1	18.1	21.9	24.7	29.7
Dividend per share	55.0	17.3	16.5	18.5	22.3
Book value per share	332.6	85.7	92.7	98.9	106.3

### Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24P	FY25E	FY26E
P/E	12.3	43.6	36.2	32.0	26.6
P/BV	2.4	9.2	8.5	8.0	7.4
Dividend yield (%)	7.0	2.2	2.1	2.3	2.8

### DuPont Analysis

Y/E 31 Mar (bps of AAAUM)	FY22A	FY23A	FY24P	FY25E	FY26E
Operating income	113.5	100.4	93.4	82.8	77.8
Operating expenses	63.6	46.1	48.4	40.7	36.3
Other income	11.1	0.2	6.0	3.9	2.8
PBT	61.0	54.6	51.1	45.9	44.3
Tax	13.8	11.7	10.5	10.1	9.8

### Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24P	FY25E	FY26E
<b>YoY growth (%)</b>					
PBT	54.9	13.2	18.6	16.8	20.4
EPS	53.5	(71.7)	NA	13.0	20.4
<b>Profitability &amp; Return ratios (%)</b>					
Operating to Total income	91.1	99.8	93.9	95.5	96.5
Cost to Income ratio	51.1	45.8	48.7	47.0	45.0
PBT margin	48.9	54.2	51.3	53.0	55.0
ROE	20.0	21.8	24.4	25.8	29.0
Dividend payout ratio	85.8	95.5	75.5	75.0	75.0

Source: Company, BOBCAPS Research

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**BUY** – Expected return >+15%

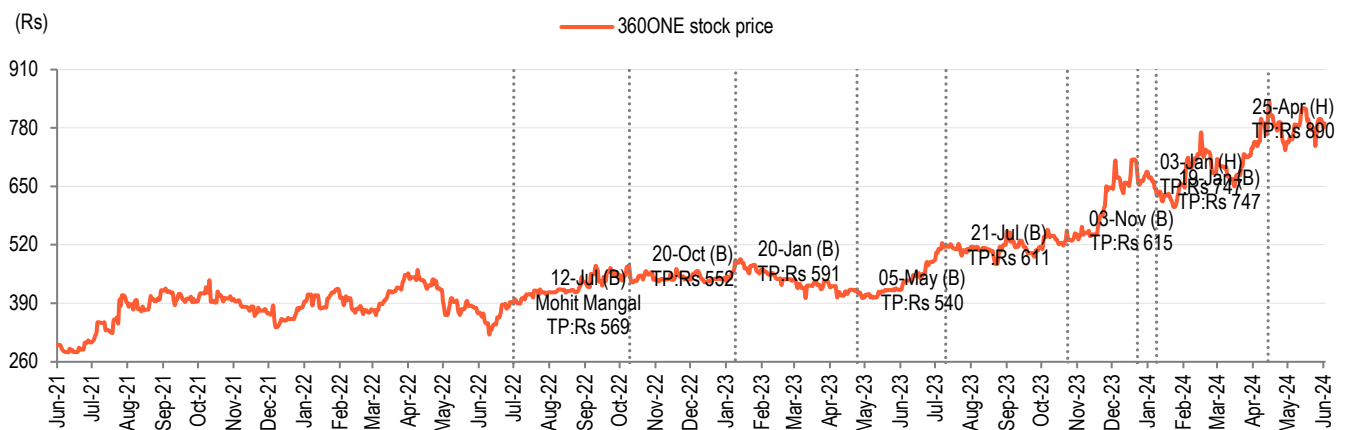
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): 360 ONE (360ONE IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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