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Ohmyhome Ltd (OMH-NASDAQ)

OMH: Believe Recent Capital Raise Enhances Financial Flexibility to Advance Growth Strategy

Research Note

Recent offering earmarked for acquisitions to further growth strategy, integration, working capital

Singapore-based Ohmyhome Ltd (OMH-NASDAQ) technology company operates an online real estate platform in Singapore and Malaysia. Consistent with its strategy to expand its service offerings, boost market share, enter additional markets and accelerate growth organically and through strategic M&A or investments, the company conducted an offering of 3.6 million shares at $1.35 per share. The size represented an upsizing and generated gross proceeds to Ohmyhome of about $4.8 million and estimated net proceeds of about $4.1 million.

The company intends to use a combined roughly 60% of the funds as acquisition reserves (25%) and post-acquisition integration and funding (35%). The other roughly 40% is earmarked for working capital and general operations. Strategic M&A and investments are an integral part of the company's growth strategy. In fact, OMH recently closed on the acquisition of Simply Sakal, which according to OMH is a leading tech-enabled property management company operating in Singapore.

For example, recent Simply Sakal acquisition expected to accelerate growth, revenue increases

For example, OMH recently acquired Simply Sakal for about S$4.7 million (roughly US$3.5 million), through a combination of S$1.7 million in cash and also OMH shares. The company believes this transaction strengthens its position within the Singapore real estate market and expands its service offerings, advancing its goal to create a leading one-stop-shop property "Super App."

The addition of Simply technology to Ohmyhome's expands the services the company provides. Ohmyhome operates an online real estate platform that it believes provides a one-stop solution for a broad range of services for property buyers, sellers, renters and renovators and now, with Simply Sakal, offers home management services for residents. The company seeks to offer solutions and services to help customers in most aspects of their property transactions. The Ohmyhome platform leverages its matching algorithm, MATCH, to enable property buyers and sellers or renters to connect. About 50% of property transactions are completed within seven days on average and some even within one day, according to the company.

Simply Sakal tech-enabled property management company, which manages some 6,000 units in Singapore whose residents now have access to Ohmyhome. The company believes the transaction strengthens its goal to create a leading one-stop online property destination. Prior to the Simply transaction, the company had facilitated 14,500+ property transactions representing an aggregate GTV (gross transaction value) of US$2.9+ billion.

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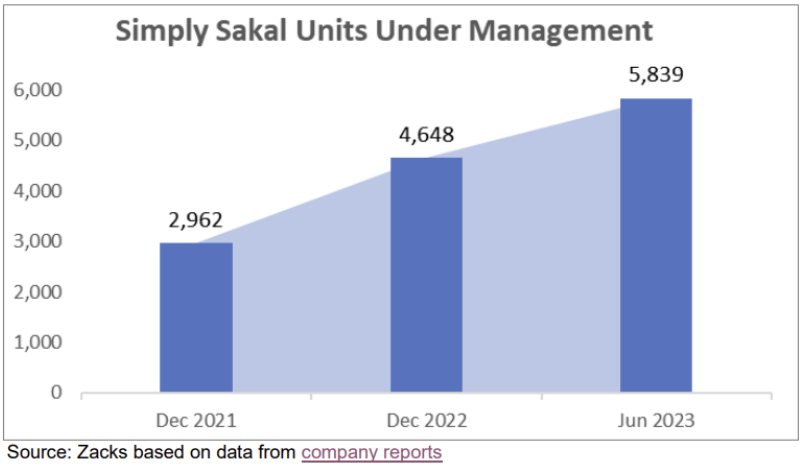
Moreover, given the demand for private housing in Singapore, Simply has been increasing the number of housing units under management and expects to continue to grow units it manages. In turn, given the expected economics of a fee per unit under management, this is expected to contribute to revenue growth.

According to OMH filings, Simply reported operating revenues of S$2.6 million (US$2.0 million) in 2022, up 58% from S$1.7 million in 2021. Much of this growth reflects the increase in number of residential units Simply managed over this period. Simply managed some 4,648 units at the end of 2022, according to the company's filings, up from 2,962 at the end of 2021. Simply managed 5,839 residential units as of June 30, 2023, up about 26% compared to year-end 2022. In the first six months of 2023, Simply registered operating revenue growth of about 23% year-over-year. The goal is to continue to increase the number of units under management, which Ohmyhome believes will contribute to growing Simply revenue.



Source: Zacks based on data from company reports

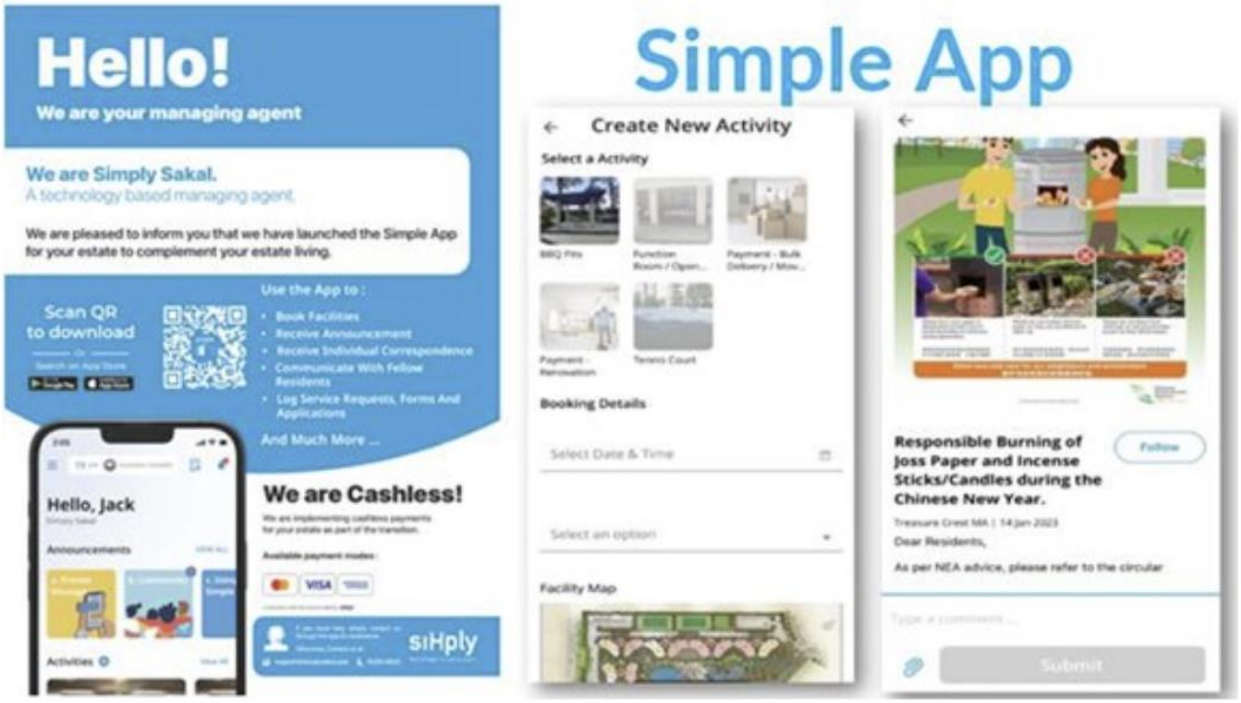
Simply has an expected positive regulatory tailwind supporting its goal to increase units under management. According to Singapore's Urban Redevelopment Authority (URA), the government has taken measures to increase the country's housing stock. As the volume of units Simply manages expands, it is expected to drive revenue growth. Ohmyhome believes that the Singapore real estate and housing management sector is likely to transition to digital from a current paper heavy reliance. This plays into one of OHM's key strengths; the company views its use of technology and data as key competitive advantages.

Importantly, the company believes its business model and online platform have positive tailwinds from economies and logistics in Singapore and other nearby markets targeted for near-term expansion initiatives. Singapore is characterized by high and rising use of digital technology. Singapore's economy has expanded significantly over the past two decades. GDP was above US$466 billion in 2022, according to the World Bank, which notes that the "country provides one of the world's most business-friendly regulatory environments for local entrepreneurs and is ranked among the world's most competitive economies." Mobile penetration and internet usage are high, as noted. For example, some 92% to 95+% of the population has internet access, according to the World Bank. This also portends well for increasing use of online tools and services within the real estate sector, in our view.

… Singapore real estate / housing management sector likely ready for digitalization

Despite the high internet penetration and mobile usage, the real estate sector generally is paper intensive, as noted. Currently, more than 400,000 families in Singapore live in condominiums and executive condominiums (ECs), according to the company, and approximately 40,000 additional units are expected to be completed over the next few years. The company notes that residents often engage with

the condominium property management company for services and Ohmyhome believes this interaction is largely paper-based and would be substantially more efficient if digitalized and accessible in an app, making this space ripe for digitalization. The company believes this expected trend is a positive for its growth prospects, given the ease of use and enhanced user convenience the company's website and apps enable.



Snapshots of Simple App, a mobile application by Simply

Source: Company filings

Management believes that its website and apps are easy to use and enhance user convenience. As a result, the number of visitors to its website and downloads of its mobile application have grown. For example, Ohmyhome had an average about 200,000 monthly active users on its website and mobile app as of March 31, 2023. Moreover, the company's technology platforms are AI-enabled and offer a growing suite of property-related services. Simply Sakal residents and other Ohmyhome users can access the overall Ohmyhome technology, including recently introduced Homer AI.

The company's platform had more than 20,000 active listings for residential properties for sale and rent, as of March 31, 2023, according to the company. This represents a 5.8% market share of the public residential property resale market based on the number of transactions completed, according to HDB (Housing & Development Board) transaction data, ranking Ohmyhome among Singapore's leading integrated property transactions and services platforms, according to Frost & Sullivan.

Believe recent issuance enhances financial flexibility to further growth initiatives

As the company continues to pursue its growth initiatives, it would not surprise us to see Ohmyhome make additional strategic acquisitions and investments. We believe the recent issuance enhances the company's financial flexibility and ability to further its strategy via potential new business additions.

Moreover, importantly, the Simply transaction is expected to be accretive to revenue growth and lead to positive EBITDA in 2025 pro forma for synergies. Given Ohmyhome's approach to strategic acquisitions and investments, we would anticipate that future transactions would also be accretive pro forma for synergies.

Reflecting the market dynamics in Singapore, including the country's large multinational corporate community, demand for housing from both Singapore residents and international employees relocating to the country on a temporary or longer-term basis has grown and property values have increased substantially over the past several years. Ohmyhome believes it is well-positioned to appeal to both domestic and international residents who are interested in properties in Singapore.

We view it positively that the Simply acquisition diversifies Ohmyhome's revenue base, adding a less seasonal, recurring revenue stream, particularly as Simply expands OMH's access to Singapore's private residential segment where revenue per transaction is higher. We like the diversification, as noted, as we believe it will help offset lumpiness from the company's initial core business facilitating the buying, selling and renting of properties.

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