

TOTM TECHNOLOGIES LIMITED
(Company Registration Number: 201506891C)
(Incorporated in the Republic of Singapore)
(the “Company”)

CORPORATE AND BUSINESS UPDATE

1) INTRODUCTION AND SUMMARY OF STRATEGIC OBJECTIVES

1.1 Significance of Success and First-Mover Advantage of Identity Management Project in Indonesia

TOTM Technologies Limited (“**TOTM**” or the “**Company**” and together with its subsidiaries, the “**Group**”) is a leader in identity management and biometrics solutions. The Group has established a first-mover advantage in the provision of digital identity and digital onboarding solutions in Indonesia and has successfully secured and executed 2 prestigious projects in the country.

The first is for the management of the Indonesia National Identity (“**KTP-el**”), one of the largest identity management projects globally, and the provision of an Automated Biometrics Identification System (“**ABIS**”) for the Directorate of Population and Civil Registration (“**Dukcapil**”) of the Ministry of Home Affairs (“**MOHA**”). The second is for an identity management project for a law enforcement agency.

The **KTP-el** provides biometric and demographic data of Indonesian citizens for the Digital Population Identity (“**IKD**”). Of special significance, it has allowed citizens to access government and private services digitally without the need for physical verification of documents at branch offices. As of July 2024, more than 200 million eligible Indonesian citizens¹ have enrolled on the **KTP-el** platform implemented by TOTM. The Group believes the scale, sophistication and first-mover advantage in Indonesia – along with its status as a company listed on the Singapore Exchange (“**SGX**”) – combine to lay a foundation that will support future growth.

1.2 Strategic Objectives Arising from Recent Review

The Board of Directors (“the **Board**”) has assessed the progress and future potential of these projects against the backdrop of new trends in the identity management space. The priorities for the Board are cost rationalisation and the early rollout of an asset-light approach to seize adjacent opportunities that can lead to corporate recovery.

Accordingly, the Board wishes to announce that the management team led by Mr Pierre Prunier, TOTM’s Executive Director and Chief Executive Officer, has recently completed a strategic review.

Following the review, the Board has outlined 5 major strategies:

- i) Building on the foundation established in Indonesia, TOTM will refocus on its core strengths as a Digital Identity and Biometrics Integrator (“**DIBI**”) which emphasises biometrics solutions and related solutions and services instead of rolling out IT products as it had done in the recent past;
- ii) Establish partnerships for new solutions and adjacent business opportunities in artificial intelligence (“**AI**”), cybersecurity, and e-certification or classification. These solutions can be ‘bolted on’ to the identity management platform that TOTM has already developed or is managing, or which it will develop and manage in Indonesia or elsewhere;
- iii) Reduce consultancy support in 6 global locations, re-direct resources from Europe to Indonesia and Singapore and consolidate headcount within India to lower labour and consultancy costs progressively from 1 September 2024. The Company expects significant savings on these costs from 1 January 2025;
- iv) Undertaking a review of its organisational structure and workflow, to achieve better cohesion, time to market, internal efficiency and service levels; and

¹ <https://disdukcapil.bangkabaratkab.go.id/detail/ditjen-dukcacpil-kemendagri-rilis-data-kependudukan-bersih-semester-i-tahun-2024>

v) Corporate actions – accelerate joint ventures, partnerships and collaboration to develop new capabilities and seize opportunities within Indonesia and in international markets by leveraging on its domain expertise and track record, and to raise its profile and investor awareness.

2) ASSESSMENT OF OPERATING ENVIRONMENT

2.1 Overview

The biometrics sector has expanded rapidly in the last two decades with advances in technology that enable organisations to build up identity management solutions that utilise fingerprint, facial and iris recognition. A robust identity management can reduce or eliminate fraud, leakages or duplication.

These features can facilitate contactless and frictionless authentication, thereby improving interoperability among government agencies and departments, and within corporations. The Group sees a significant opportunity to combine its core strengths with other technology solutions, to create a platform of personalised services that require high levels of security and authentication.

However, in recent years, new challenges have emerged. These include:

i) the need to accelerate upgrading of legacy IT infrastructure, with many projects having been disrupted during the pandemic and delayed by subsequent cost escalation²;

ii) increasing cyber-security threats which have compromised identity data or even led to demands for ransom³; and

iii) the need to expedite the rollout of government-related services in countries such as Indonesia, which has vast remote areas where mobility may be limited. However, many governments in developing countries lack such digital infrastructure. Digitally-enabled services can be facilitated by a trusted and efficient national identity management network with regulatory oversight. Developing nations, including Indonesia, also seek to avail themselves to grants or soft loans from international lender organisations. These projects also encourage secure e-commerce and other online transactions and remittances, thereby contributing to economic growth.

In 2023, the World Bank approved loans of up to US\$250 million⁴ to support key projects in Indonesia such as digital and data public infrastructure, identity management and cybersecurity defence. TOTM believes it has the capabilities to support the World Bank's objectives to upgrade Indonesia's ICT infrastructure, create and promote e-KYC services, establish a digital identity framework, increase population data utilisation and support institutional users.

2.2 Key Subsidiaries Involved in Identity Management

TOTM offers multi-modal biometric technologies that have become integral to some of the largest national identity programmes globally.

TOTM has 2 main wholly-owned subsidiaries involved in biometrics and identity management solutions and services:

i) Indonesia-based PT International Biometric Indonesia ("**InterBIO**") is one of the leading identity management biometric software solutions companies in the country. In January 2023, TOTM acquired the remaining 49% share capital in InterBIO that it did not already own.

ii) Singapore-based GenesisPro Pte. Ltd. ("**GenesisPro**") has partners in the U.S., Europe and ASEAN and has expertise in advanced biometric technologies such as facial 'liveness' detection, age detection,

² <https://www.thejakartapost.com/academia/2020/05/02/how-covid-19-will-dampen-indonesias-infrastructure-developments.html>

³ <https://www.imf.org/en/Blogs/Articles/2024/04/09/rising-cyber-threats-pose-serious-concerns-for-financial-stability>

⁴ <https://www.worldbank.org/en/news/press-release/2023/05/15/improved-population-and-civil-registration-and-digital-identification-for-better-and-more-inclusive-service-delivery-in-#:~>

and e-KYC (Know Your Customer). In May 2024, TOTM acquired the remaining 30.0% share capital of GenesisPro that it did not already own.

The Group also holds a 16%-stake in Switzerland-based **Tech5 SA**, which develops disruptive biometric and digital ID solutions through AI and machine learning (“**AI/ML**”) technologies.

2.3 Snapshot of FY2024 Financial Performance

For the financial year ended 31 May 2024 (“**FY2024**”), the Group recorded revenue of S\$6.5 million (FY2023: S\$19.4 million). The decrease was mainly due to the absence of 2 projects to supply biometric systems integrated with KTP-el biometric identification and surveillance systems to a law enforcement agency in Indonesia recognised in FY2023 totalling approximately S\$14.3 million.

In February 2024, InterBIO secured fresh contracts worth S\$7.5 million from the Indonesian government. While the bulk of the orders were from MOHA, InterBIO also received S\$470,000 to issue an additional 2 million ABIS licenses. This has increased the total ABIS licences issued by InterBIO in Indonesia to 47.9 million as at July 2024, on top of 172 million previous ABIS licenses issued by InterBio.

TOTM recorded a loss before tax of S\$12.1 million in FY2024 (FY2023: S\$12.4 million). The loss included non-cash depreciation and amortisation expenses of S\$6.0 million in FY2024 (FY2023: S\$6.0million).

3) REVIEW OF RECENT CHALLENGES FACED BY TOTM

The Group’s acquisition in January 2023 of the remaining 49%-stake in InterBIO coincided with the COVID-19 pandemic. Over the last 18 months, the combined team scaled up operations in Indonesia and abroad, and developed various IT products, such as TOTM ABIS, GENi and IDora at a rapid pace.

During this intense period, the focus was on prospects, development of proofs-of-concepts (“**PoCs**”) and tackling various technical issues. As part of this strategic review, the Group has identified the main operational challenges to be resolved.

3.1 High Complexity of National-Level Projects

The Group has assessed the marketing and execution of TOTM’s services in the recent past. Despite the successes in Indonesia thus far and the potential of ‘long-tail’ and ‘bolt-on’ future revenue streams, the gestation from conceptualisation to final collection has been relatively long.

The pre-project engagement and implementation of national-level identity management systems is complex. They involve disparate and at times incomplete data, regulatory and bureaucratic processes and issues of implementation at the working level. Gathering data at a national scale, such as registering biometric and demographic data of citizens, can be a long process. Project completion may also be subject to delays amid elections and political transition in some countries, including Indonesia.

These factors have delayed revenue recognition and strained cash flows, affecting profitability. The Board has tasked the management team to address this issue with a view to improve actual collection, stabilise the timing of revenue collection, and broaden its customer base to offer solutions to non-government customers such as enterprises.

3.2 Costs Associated with Development of PoCs

To successfully engage with prospects at the national level TOTM has had to conduct pre-contract product development which may or may not lead to confirmed projects. Many technical aspects of such bespoke identity management and biometric systems require time to assemble the technology, equipment and development teams. Prospects also often ask for comprehensive studies, pilot projects as well as prototypes to be designed and tested before confirming an order.

4) CORPORATE STRATEGIES

4.1 Strategy #1 Rediscovering TOTM's True Value Proposition

4.1.1 Enhancing Capabilities of Core Identify Management Platform

With over 200 million eligible Indonesian citizens onboarded, TOTM manages one of the world's largest 3-modal identity management platforms. Approximately 6.6 million identities are added each year to the KTP-el platform of Indonesia, which currently has a population of approximately 280 million⁵.

In June 2024, TOTM upgraded the ABIS platform architecture to scale microservices over the cloud, while allowing backward compatibility when migrating from a legacy system. Its capacity and speed of identification have at least doubled while accuracy has improved even with larger databases. Security measures have been enhanced while AI/ML training and matching capabilities are now also integrated.

4.1.2 Back-to-Basics Refocus on Digital Identity and Biometrics Integration ("DIBI")

TOTM's strategic transformation will revolve around a back-to-basics refocus on its core strengths as a DIBI specialist.

The capabilities of the Group's wholly-owned subsidiaries have reduced the need to constantly develop new products, and have provided a platform for the Group to implement new features or third-party applications faster.

Building on the foundation established in Indonesia, TOTM will refocus on its core strengths as a DIBI which emphasises biometrics solutions and related solutions and services instead of rolling out IT products as it had done in the recent past;

By reorganising the team around such opportunities and improving its work culture, TOTM believes it can continue to offer customers and vendors a superior value proposition given its track record and network within Indonesia. These efforts will also enable it to address new challenges and adjacent business opportunities with less working capital and significantly lower financial risks than before.

Now able to bolt on vendor solutions relatively seamlessly, TOTM seeks to attract leading technology partners to address current and future problems and thereby create new business opportunities through revenue sharing, Private-Public Partnerships ("PPP") or other business models.

4.2 Strategy #2 Realignment of Revenue Streams and Strategy

TOTM is targeting the following opportunities within Indonesia:

4.2.1 Consultant to MoH to Design and Create Architecture

InterBIO is a consultant to PT Pathgen Diagnostic Teknologi in relation to a project to design and create health data architecture for Indonesia's Ministry of Health ("MoH"). This project aims to scope and map patient journeys within Indonesia's primary healthcare system, evaluate interoperability across MoH, and develop the architecture and a prototype for user interface and experience.

This partnership is in line with TOTM's refocus on asset-light DIBI involving partnerships with governments to drive digital transformation and revenue-generating government-related digital services.

4.2.2 Expanding Adjacent IT-Related Opportunities with Indonesia Government Agencies

The rise of security threats worldwide has underscored the urgency to develop robust backup systems. In December 2022, TOTM successfully implemented a facial recognition and surveillance system to support facility access management and control for the first of 34 branch offices of a law enforcement agency.

⁵ <https://www.macrotrends.net/global-metrics/countries/IDN/indonesia/population>

4.2.3 Update on Existing Partnerships

In September 2023, InterBIO signed a Memorandum of Understanding (“**MoU**”) with Cosmic Technologies Inc. (“**Cosmic**”) to distribute its biometric, identity management and encryption services within the Republic of Philippines. While the MoU had expired on 5 December 2023, the Group is in active discussions with Cosmic to review its agreement, and will make a separate announcement to update shareholders at the appropriate time.

The Group also entered into a reseller agreement with identity verification platform Incode Technologies Inc. (“**Incode**”) in August 2022 which expired in August 2023. Management is in the midst of reviewing its agreement with Incode and will update shareholders if and when there are material developments.

4.3 Strategy #3 Addressing Cultural Issues, Improving Internal Efficiency

TOTM is undertaking a major review of its organisational structure, workflow and work culture alongside its decision to relocate most of its operations from Europe to Southeast Asia while reducing development teams within India.

To break down ‘silos’ the Group has created cross-regional task teams to enhance collaboration so as to reduce overlaps and measure the contributions of each project.

In May 2024, TOTM commenced the audit process for ISO 20000-1, ISO 27001 and ISO 9001 certification. To be completed by October 2024, the audit of these 3 certifications will enact strict compliance with excellent standards and enhance its ability to propose government-related projects. Staff will also have better clarity on the standards required when deploying solutions.

These combined efforts will foster a more collaborative and efficient work environment as TOTM moves up the value chain of IT projects to prepare for new opportunities in Indonesia and beyond.

4.4 Strategy #4 Cost Cutting, Renegotiating of Legacy Contracts and Rationalisation of Portfolio

TOTM has implemented several cost-cutting initiatives with a priority being the overhaul of its global development team structure by streamlining headcount/consulting resources and recruiting new talents from lower-cost countries with the same level of expertise.

The Group is in the process of lowering its global headcount from 97 as of 31 May 2024 to 92 by 2025. TOTM has also reduced engagements with consultants from 16 consultants as of 31 May 2024 to 7 as of 6 September 2024 across London, Budapest, Vienna, Lisbon, Athens, and Bangalore, reallocating resources to Southeast Asia. It is also consolidating headcount within various Indian cities to Hyderabad.

Additionally, TOTM has successfully renegotiated business agreements with some existing partners. This has lowered annual recurring payments since January 2024 and will also contribute to the financial performance from FY2025 and beyond.

TOTM is also reviewing its portfolio of subsidiaries and reseller agreements as part of cost-cutting measures to lower costs and improve TOTM’s financial health from FY2025.

4.5 Strategy #5 Increasing Collaboration, Raising Investor Profile and Branding

On 13 August 2024, TOTM, together with Emirates-based Presight AI Holding Ltd (“**Presight**”), formed Presight TOTM AI Ltd. This Abu Dhabi-based joint venture will leverage Presight’s AI and data analytics capabilities and enable TOTM to offer its Digital Identity products and solutions in countries where Presight has business networks.

TOTM and Presight will jointly develop a cloud-native platform that is quick and cost-effective to implement, with a modular architecture to improve scalability, functionality and connectivity. This digital identity platform lays the foundation for an ecosystem of e-citizen services and digital enterprise solutions to be offered to governments and enterprise customers. In particular, the ecosystem will target customers in the Middle East and Africa under PPP or business models for such government entities to share revenue.

To support its growth plans including expansion to new regions and adjacent IT opportunities the Group also intends to engage investors and media as part of efforts to raise its profile and branding.

5) CONCLUSION & OUTLOOK

TOTM believes that the combined strategic transformation will address legacy issues, enhance operational efficiency and create new revenue streams so as to facilitate corporate recovery. Combined with the growth in business momentum in Indonesia, the Group expects, barring unforeseen circumstances, that:

- 1) Financial performance for 1H2025 will improve compared to 1H2024 due to:
 - a. Improvement in Earnings Before Interest, Taxation, Depreciation and Amortisation (“**EBITDA**”);
 - b. Stronger pipeline driven by new government-related projects secured or recently proposed in Indonesia;
 - c. Significant reductions in staff, consultancy and administration costs, with savings kicking in progressively from FY2025;
- 2) Higher operational efficiency due to revamped organisational structure and enhanced teamwork; and
- 3) Better cash collection process which will allow better predictability of cash flow, in turn allowing the Group to properly allocate working capital to secure other projects.
- 4) Consequently, overall FY2025 performance will also improve compared to FY2024.

The Group will hold its Annual General Meeting for FY2024 on 26 September 2024.

BY ORDER OF THE BOARD

Mr. Pierre Prunier
Chief Executive Officer and Executive Director
10 September 2024

This announcement has been reviewed by the Company’s sponsor, SAC Capital Private Limited (the “Sponsor”).

This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the “Exchange”) and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

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