

24 June 2021

GHL Systems

Riding the Digital Payment Boom

By Samuel Tan | samueltan@kenanga.com.my

GHL Systems (GHL) as a payment processor is poised for exciting growth due the urgent need for digital payment adoption among merchants which are still highly reliant on cash-based transactions. GHL has taken the initiative to act as a third-party acquirer to cater to the underserved small to micro companies which in turn accelerates rollout and expands its addressable market beyond top-tier companies. With the ASEAN Payment Connectivity initiative in place, GHL stands to benefit greatly when borders reopen as it has more than 383,600 touchpoints across ASEAN in place to facilitate cross-border transactions. Initiate with OUTPERFORM and TP of RM2.30.

Urgent need for digital payment. The importance of digital payment has never been more emphasised in the past 18 months as the pandemic plagued the lives of many people around the world. While consumers had time to familiarise with digital payment platforms, cash-based merchants saw sales plunging overnight as lockdown protocols kicked in. Therefore, many merchants are seeing an urgent need to digitalise their business and embrace digital payments as consumers are expected to continue using these platforms even as the pandemic eases.

Two-pronged approach towards growth. In addition to having the bank as an acquirer to expand its presence and increase touchpoints across ASEAN, GHL has also taken on the role as a third-party acquirer to cater for the underserved small to micro companies that are often rejected due to overly stringent bank requirements. By focusing on this two-pronged approach, GHL is able to expand its addressable market and hence expand its revenue base. More importantly, playing the role of a third-party acquirer will allow GHL to: (i) have quicker roll-out of its EDC terminal/gateway, and (ii) earn recurring income from the MDR fee received.

Cross-border transaction. As part of the ASEAN Payment Connectivity initiative, Bank Negara Malaysia has started to implement cross-border digital payment with Thailand which allow (i) Malaysian e-wallet user to scan Thai QR code and vice versa (going live by 4Q 2021) and (ii) cross-border digital transaction by referencing recipient's mobile number (going live by 4Q 2022). This initiative will lead to a surge in digital payment volume when borders reopen and GHL is well positioned to benefit with more than 383,600 touchpoints across ASEAN.

Recovery in FY21; strong growth in FY22. We anticipate 4.3% growth in FY21 revenue to RM348.8m with a 8.4% rise in net profit to RM33.5m. We believe FY22 will be more reflective of GHL's growth potential with the expectation of the pandemic coming to an end and the gradual resumption of cross-border travel. We estimate the group's total processed value (TPV) to grow 50% in FY22 which translates into revenue of RM475.3m (+36%) and net profit of RM47.5m (+42%).

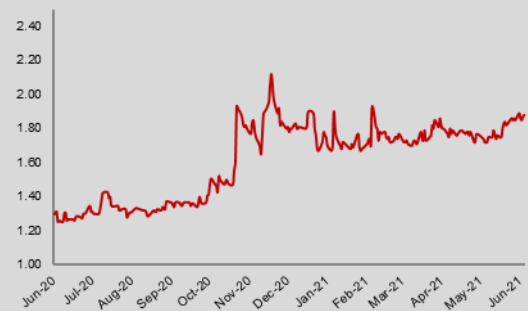
Initiate with OUTPERFORM and Target Price of RM2.30, based on FY22E PER of 55x (+1.5SD from 3-year mean), given its solid track record in the industry and being the only player with a strong ASEAN presence to ride the digital payment boom.

Risks to our call include: (i) Slower TPV growth, (ii) reluctance of merchants in adopting cashless transactions, (iii) downward pressure on MDR, and (iv) competition from non-listed peers and overseas peers.

OUTPERFORM

Price : RM1.85
Target Price : RM2.30

Share Price Performance



KLCI	1,564.7
YTD KLCI chg	-3.8%
YTD stock price chg	-2.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	GHLS MK Equity
Market Cap (RM m)	2,111.8
Shares Outstanding	1,141.5
52-week range (H)	2.17
52-week range (L)	1.24
3-mth avg daily vol:	437,167
Free Float	25.1%
Beta	0.6

Major Shareholders

Actis Stark Mauritius Ltd	38.6%
Apis Partners LLP	10.0%
Tobikiri Capital Ltd	5.3%

Summary Earnings Table

FYE Dec (RM m)	2020A	2021E	2022E
Turnover	334.5	348.8	475.3
EBITDA	72.2	75.5	94.4
PBT	43.1	47.2	67.0
Net Profit (NP)	30.9	33.5	47.5
Consensus (NP)	n.a	37.2	51.3
Earnings Revision	n.a	0%	0%
EPS (sen)	2.7	2.9	4.2
EPS growth (%)	7.5	8.4	41.8
NDPS (sen)	0.0	0.0	0.0
BVPS (RM)	0.42	0.45	0.50
Price/BV (x)	4.4	4.1	3.7
PER (x)	68.4	63.1	44.5
Gearing (x)	0.0	0.0	0.0
ROA (%)	4.5	4.4	5.6
ROE (%)	6.4	6.5	8.4
Dividend Yield (%)	0.0	0.0	0.0

Digitalising the ASEAN market

While the adoption of digital payment has already been taking place for the past few years, its importance has never been more emphasised in the last 18 months as the Covid-19 pandemic plagued the lives of people around the world. Since the beginning of 2020, governments in various countries have implemented multiple lockdowns to restrict people’s movement in an attempt to reduce the spread of the virus. This has severely impacted the daily operations of merchants which were not digitally enabled and relied heavily on cash-based transactions, causing closures of many brick-and-mortar stores.

On the consumer end, the transition from cash-based payment to digital payment was much smoother. The extra hours at home during lockdowns allowed even the Gen X demographic to familiarise with various digital payment platforms, resulting in many consumers increasingly relying on digital channels to fulfil their daily needs and wants. With the convenience that digital payments brings, many consumers in the ASEAN regions have shown interest to continue using digital payment services even after the pandemic subsides.

This has created an urgency for existing merchants to pick up pace in digitalising their business as cash-based transaction volume will very likely be on a declining trend going forward. This will also set the tone for new merchants, as being equipped with the infrastructure to accept digital payments will be one of the pre-requisites in ensuring business continuity amidst situations such as the Covid-19 outbreak where the world is constantly pushing back the forecast of the pandemic coming to an end.

Exhibit 1: Strong ASEAN presence



Source: Company

To ride the inevitable transition towards a cashless society, GHL has established a strong foothold in Malaysia with more than 383,600 acceptance points. Having a forward thinking management running its operation, GHL also seized the early mover advantage to establish its presence in the ASEAN region and is the only payment processor listed on Bursa Malaysia to have overseas exposure. The group currently has 82,400 touchpoints in the Philippine, 63,300 touchpoints in Thailand and has begun penetrating into Indonesia in recent years to tap into the huge population there and expand its addressable market.

This puts GHL in a strategic position to benefit from the emerging ASEAN consumer market which is expected to reach USD\$4 trillion by 2030. Currently, the majority of the consumers in the region are still highly reliant and cash-based transactions, which implies a massive room for growth as the pace of adoption picks up. According to the World Economic Forum (WEF), 70% of the ASEAN population lives in the Philippines, Indonesia and Vietnam. These three countries alone contribute c.50% of ASEAN’s GDP.

More importantly, WEF forecasted that c.98% of the increase in working population and c.75% of new consumer population growth in the ASEAN region will be driven by these emerging countries which may potentially surpass China. With the Gen Z demographic expected to make up the majority of consumers and workforce by 2030, this indicates very exciting prospects for GHL’s digital payment services as this generation of people will be young and tech-savvy.

Exhibit 2: GHL supported payments

TPA Map		Malaysia	Thailand	Philippines	Indonesia, and others
Scheme	CREDIT				
	DEBIT				
e-Wallets	Cross border				
	Domestic				
Internet					
TPA partners					

(1) Malaysia only (2) Thailand only

Source: Company

TPA segment to grow along with e-wallet boom

GHL’s transaction payment acquisition (TPA) division is the group’s bread and butter business, contributing around 59% of the group’s total revenue. The TPA division is mainly driven by: (i) e-pay, which includes telco prepaid and other credit top-up facilities as well as bill collection services for consumers, and (ii) GHL electronic payment, which includes payments via cards, e-wallets and its proprietary online payment gateway e-GHL.

As a payment processor, GHL serves as a medium for merchants to accept payments via hardware (EDC terminals) or software (e-GHL payment gateway) to facilitate payment via established card schemes in the market (e.g. VISA, Master, UnionPay, American Express and JCB) which were the main avenue for digital payment before the e-wallet era.

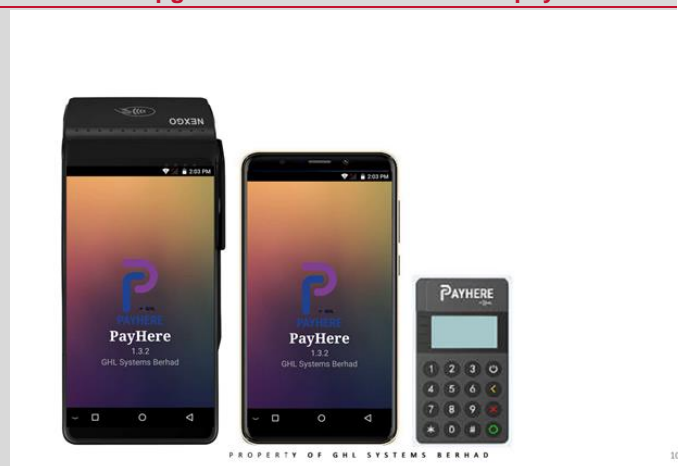
The introduction of e-wallets in the past 3-4 years has been a revitalising catalyst for payment processors like GHL as it broadens the definition of digital payment and also widens the addressable market to include the non-working population that the traditional card scheme fails to capture. Note that GHL does not compete with any e-wallet players in the market. In fact, increasing entrants into the e-wallet space will in turn lead to higher transaction volume for the group as GHL earns a fee known as the merchant discount rate (MDR) for every transaction processed.

Exhibit 3a: EDC Terminal



Source: Company

Exhibit 3b: Upgraded terminal for QR based payment



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Two-pronged approach

GHL has been constantly working alongside various banks in the ASEAN region to equip merchants with the infrastructure to accept digital payments. Typically in this approach, the banks will play the role of an acquirer while GHL will provide the EDC terminals and back-end processing. While tapping into the bank’s vast network has been an efficient method to grow the brand and have as many GHL labelled terminals in stores, it has at the same time alienated many other smaller merchants that have been rejected due to the bank’s rigid requirements. This does not come as a surprise as we often witness bank campaigns pushing for support in the small medium enterprise (SME) sector but actual approval rate remains low.

Recognising the opportunity in the SME market, GHL has taken initiative to fill the void by acting as a third-party acquirer for SME merchants, particularly the underserved small and micro companies. This way, the small and micro companies can avoid the hassle of going through the dreadful waiting times and lengthy bank documentations just to be declined. GHL will be able to avoid these unnecessary processes and get these merchants digitalised in a shorter period of time.

By focusing on the two-pronged approach, GHL will be able to expand its addressable market and hence expand its revenue base. More importantly, playing the role of a third-party acquirer will allow GHL to: (i) have quicker roll-out of its EDC terminals and (ii) earn recurring income from the MDR fee received.

Exhibit 4a: Underserved SME merchants

Manufacturing	Services and Other Sectors
Sales turnover: RM15 mil ≤ RM50 mil OR Employees: From 75 to ≤ 200	Sales turnover: RM3 mil ≤ RM20 mil OR Employees: From 30 to ≤ 75
Sales turnover: RM300,000 < RM15 mil OR Employees: From 5 to < 75	Sales turnover: RM300,000 < RM3 mil OR Employees: From 5 to < 30
Sales turnover: < RM300,000 OR Employees: < 5	Sales turnover : < RM300,000 OR Employees: < 5

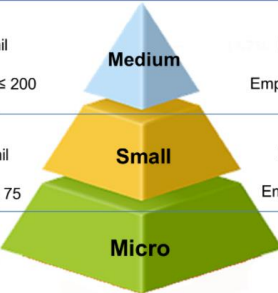

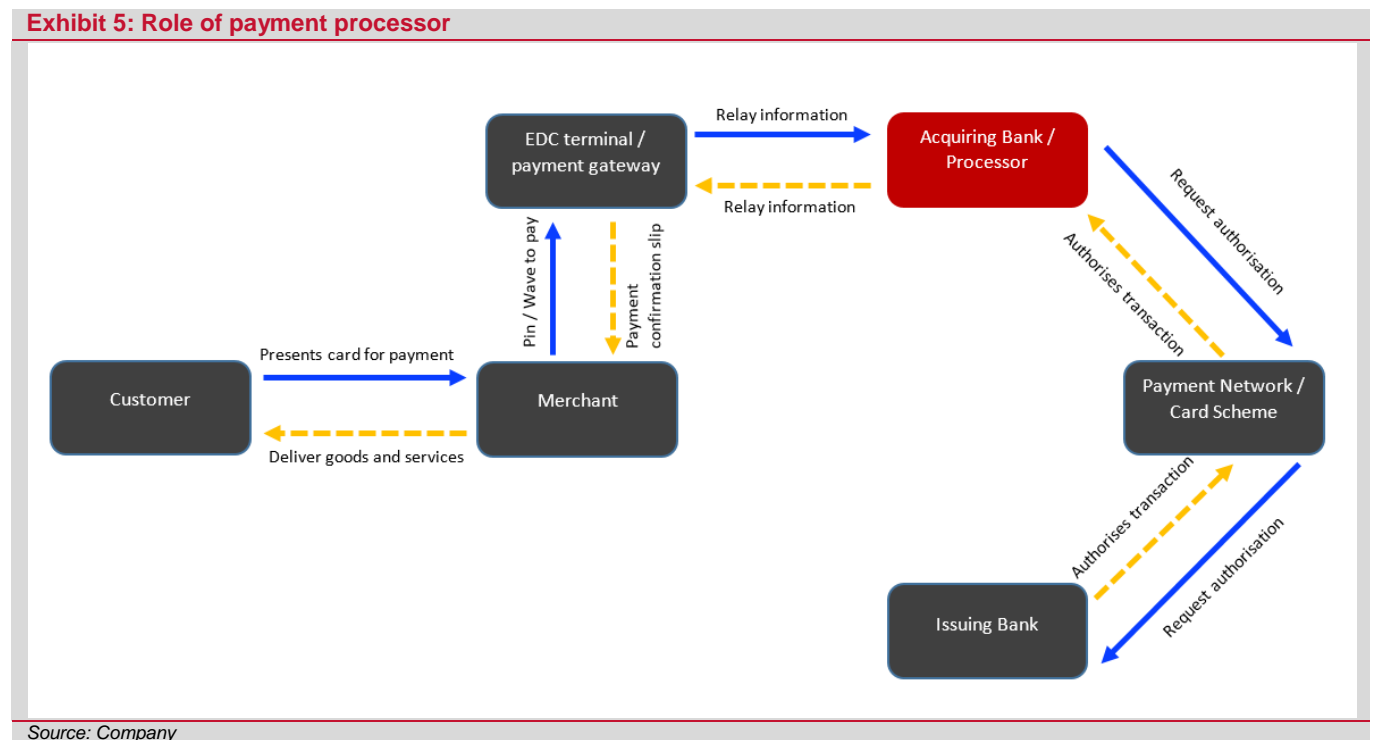


Exhibit 4b: e-GHL payment gateway



Source: Company



Micro-lending

While GHL’s labelled terminal is the only thing visible to the consumer as the card is waved at the checkout counter, GHL role as a payment processor runs much deeper behind the scenes as it is required to identify the card, request authorisation from the respective card scheme (e.g. VISA or Master), cross check with the issuing bank if there is sufficient balance, and finally relay the information back to the EDC terminal where a confirmation slip is printed out. All this is done in a matter of 5 seconds or less.

Having processed all the back-end data on a real-time basis, GHL is able to gain insightful information into the merchant’s creditworthiness. This opens up an opportunity for GHL to tap into the micro-lending market which targets smaller merchants that are often neglected by banks due to overly stringent policies.

The group has obtained money lending license from Malaysian and Thailand regulators in 2019 and received approvals from the Philippines regulators in mid-2020. Having the regulatory approvals and infrastructure in place allows GHL to satisfy the growing demand for financing by small and micro start-ups as well as individuals given the cash flow crunch arising from the Covid-19 pandemic. GHL will be able to provide these underserved merchants with quick access to working capital needs with minimum collateral. The group will also be able to monitor and reduce risk at a more efficient rate compared to banks given the access to real-time sale data as a payment processor.

To alleviate privacy and data security concerns, GHL is audited by a qualified security assessor from the Payment Card Industry Security Standards Council (PCISSC) on an annual basis to ensure the safe handling of cardholder information and is fully certified as Payment Card Industry Data Security Standard (PCIDSS) compliant.

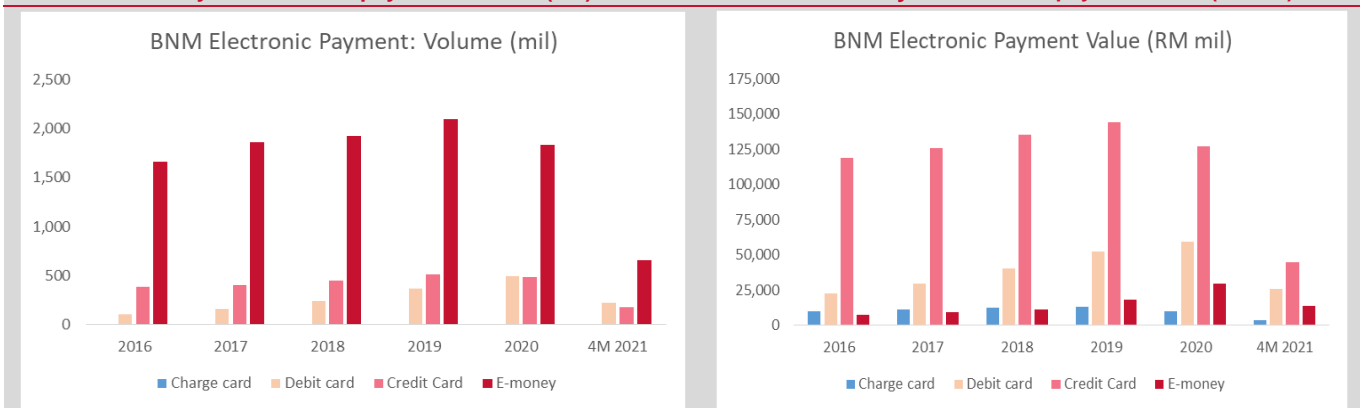
Strong regulatory push for a cashless society

Regulators play an important role to achieving a cashless society and we have seen local governments taking on multiple initiatives to push towards higher adoption of digital payments. Throughout the pandemic in 2020, Malaysian government has dished out multiple stimulus programs (e.g. eTunisia, eBelia, ePenjana) via e-wallet players as well as added incentives and cashbacks programs to encourage users to download these applications. Given Malaysia’s high mobile phone penetration rate at c.135% coupled with the simple on-boarding process of these e-wallet platforms, players like Touch ‘n Go saw over 10x surge in its user base throughout the entire 2020 and is still climbing.

To further incentivise the adoption of digital solution, Malaysian government had also in the 2020 Budget provide a 50% matching grant of up to RM5,000 per company for the subscription of digital services relating to marketing, e-commerce, CRM, ERP, remote working, electronic point of sales (e-POS) and procurement to actively encourage more local businesses to move rapidly into the technology sphere. This is expected to benefit GHL in terms of higher adoption of e-POS and e-commerce platforms among local businesses. With many brick-and-mortar stores recognising the importance of having an online presence, e-commerce platforms are experiencing a surge in subscriptions. This will in turn lead to higher online based transaction which GHL will stand to benefit as the group has in place its proprietary payment gateway, e-GHL, which supports a large number of e-commerce platform integration such as Woocommerce, Shopify, Magento, PrestaShop and many more. Its existing customers include the likes of Lalamove, Rakuten, J&T Express, SF International, Watsons and Air Asia.

Exhibit 6a: Malaysia electronic payment volume (mil)

Exhibit 6b: Malaysia electronic payment value (RM mil)



Source: Bank Negara Malaysia



The finance minister, Tengku Datuk Seri Zafrul Tengku Abdul Aziz, has also recently reiterated the importance of a cashless society and has set a goal under the nation’s digital economy blueprint (MyDIGITAL) to ensure that all payments for government services will be made cashless by 2022. As at end-2020, it was estimated that 60% of the payments for government services are made via digital payment platforms.

In addition to the benefits of just carrying a mobile phone instead of a pile of cash, the push towards a cashless society will be able to cut down on bribery issues that have been an ongoing problem in our society. According to the latest report from the Corruption Perceptions Index, Malaysia’s rank has worsened from 51 in 2019 to 57 in 2020. In contrast, our neighbour Singapore has advanced from rank 4 in 2019 to rank 3 in 2020. Digital payment ensures that every transaction is recorded and accounted for, which will be crucial in lowering the possibility of corruption. Such initiative will enable the nation as a whole to move one step closer towards the goal of being a developed country.

Beneficiary of borders reopening

Bank Negara Malaysia (BNM) has recently announced a cross-border QR payment linkage between Malaysia and Thailand, allowing citizens in both countries to make and receive cross-border QR-based payments. The initiative will take place in three phases with the first phase allowing Thailand citizens to scan Malaysian DuitNow QR codes via their respective mobile payment applications to make payments to merchants in Malaysia for both in-store and online purchase. Phase two will allow Malaysians to scan Thai QR codes to make purchases in Thailand, which will go live in 4Q 2021. The final phase, to be launched in 4Q 2022, will enable real time fund transfer between both countries by referencing the recipient’s mobile number.

This initiative clearly indicates that governments on both sides are expecting high travel volume when borders reopen and are taking early steps to ensure that the necessary infrastructure is well in place to facilitate digital transactions and convenience of cross-border payments.

We believe that the collaboration between Malaysia and Thailand serves as an important milestone in the ASEAN Payment Connectivity initiative. A continuous push for cross-border digital payment will be a boon for GHL which has already established a strong presence in the ASEAN region. Hence, we expect the group to enjoy accelerated growth upon the reopening of borders.

Valuation

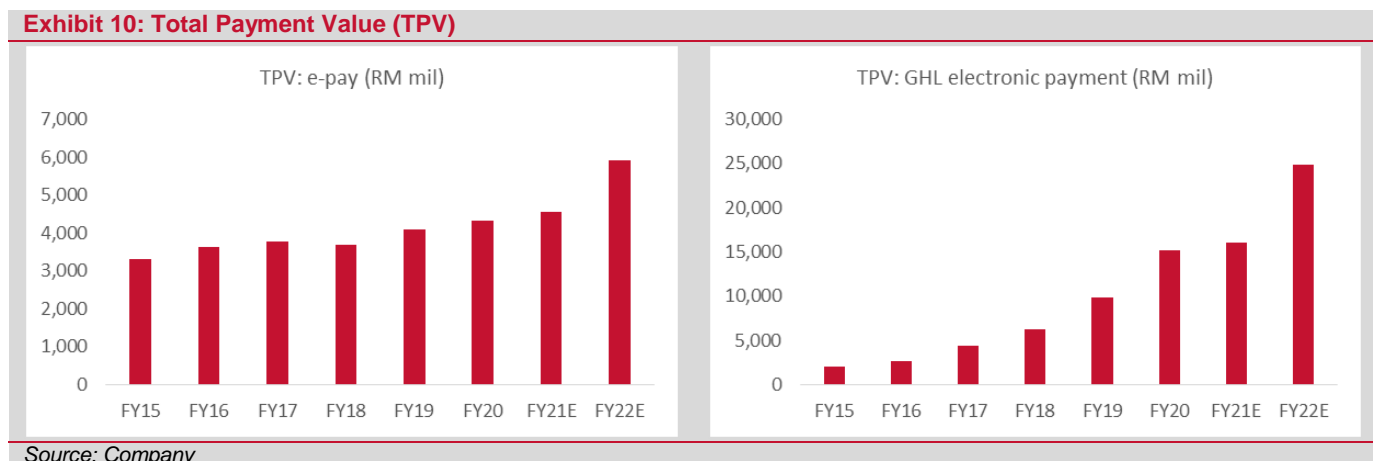
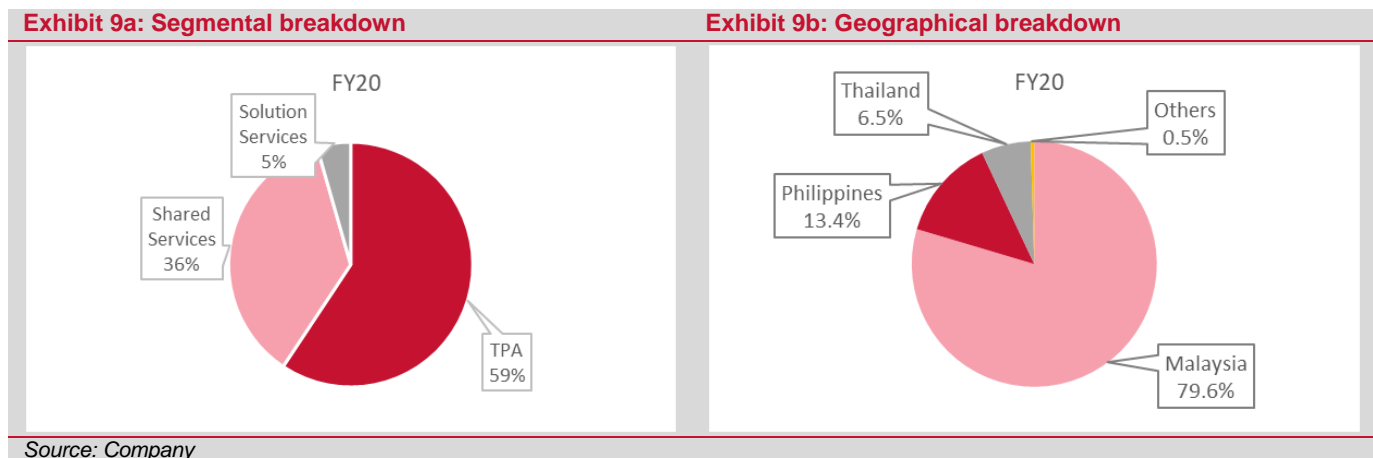
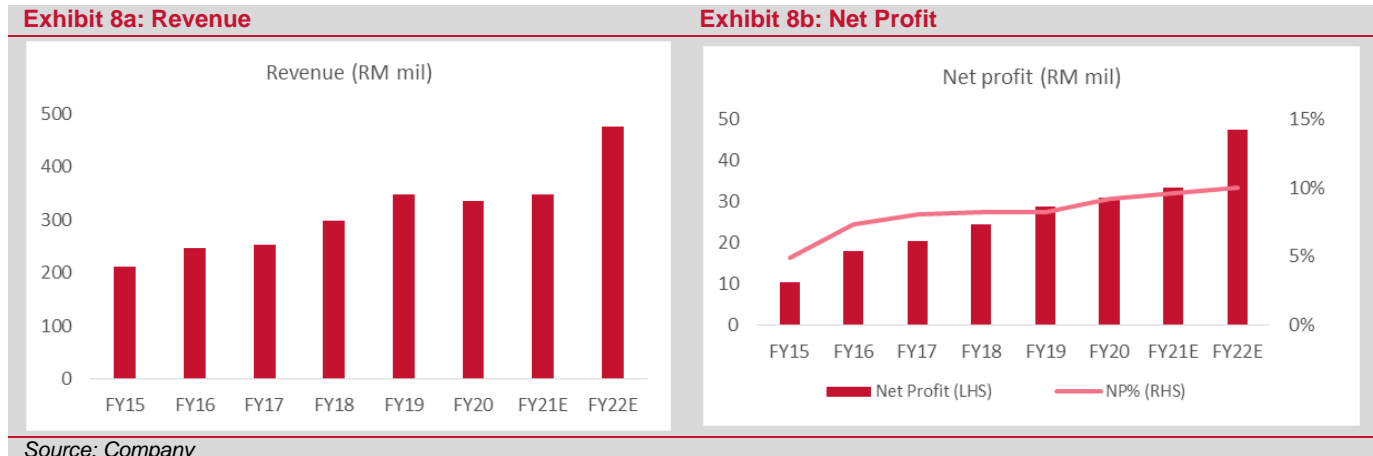
We initiate coverage on GHL Systems Berhad (GHL) with an **OUTPERFORM** recommendation and a **target price of RM2.30**, representing an upside of 24%. Our valuation is based on FY22E PER of 55x (+1.5SD above its 3-year mean), which is fair given its long-term track record in the industry and being the only player with a strong ASEAN presence. We expect FY21E CNP growth of 8.4% to RM33.5 and FY22E CNP growth of 42% to RM47.5m. We like the company for its: (i) two pronged approach to ensure quicker rollout and expanding its addressable market by being a third-party acquirer, (ii) strong ASEAN presence to capture the resumption of the travel industry, and (iii) robust product offering to grow along the transition towards a cashless society.

Financial performance

GHL managed to record a respectable revenue growth of 10% CAGR for the past five years from FY15 to FY20, thanks to its growing presence in the ASEAN as a payment processor. Net profit grew at 24% CAGR during the same period.

With 2021 being a year of gradual recovery from the pandemic, we expect FY21 revenue to see marginal growth of 4.3% to RM348.8m while net profit is expected to inch 8.4% higher to RM33.5m. We believe FY22 will be more reflective of GHL's growth potential with the expectation of the pandemic coming to an end with the gradual resumption of cross-border travel. We anticipate the group's total processed value (TPV) to grow 50% in FY22 which will translate into revenue of RM475.3m (+36%) and net profit of RM47.5m (+42%).

GHL does not have a dividend policy. The management believes that surplus funds would be better used for expanding the business given that the digital payment space is just at the beginning of a major transition that has very promising growth potential.



Risks

Key risk includes:

- (i) Slower-than-expected growth in TPV if the Covid-19 pandemic worsens.
- (ii) Reluctance of merchants in adopting cashless transactions.
- (iii) Increased downward pressure on MDR.
- (iv) Competition from non-listed peers like iPay88 and overseas peers such as Stripe who recently expanded their coverage to Malaysia.
- (v) Pull back from regulators in its initiative for a cashless society.

Company background

Listed on Bursa Malaysia since 2003, GHL Systems is primarily involved in the processing of digital payments with operations in Malaysia, Philippines, Thailand, Indonesia and Australia. The group’s payment service includes physical, e-commerce and QR payments. GHL manages and oversees more than 383,600 foot print of payment touchpoints across the ASEAN markets that enable credit/debit card, e-wallets, contactless payment, loyalty, prepaid credit top up, and bill collection payment services.

The group’s operation is mainly categorised into three main segments:

- **Transaction Payment Acquisition (TPA):** TPA is made up of two sub-segments, namely e-pay service and GHL electronic payment service. The e-pay service includes telco prepaid and other credit top-up facilities as well as bill collection service for consumers. GHL electronic payment service involves merchant acquiring where the group will earn a transaction fee for payment that is processed in physical stores (debit/credit card or e-wallet) or e-commerce purchase via its payment gateway known as e-GHL.
- **Shared Service:** In addition to its TPA business, the group derives revenue from the sale, rental and maintenance of EDC (electronic data capture) terminals and other payment acceptance devices.
- **Solution Service:** To cater for clients who require tailored solutions, GHL provides proprietary payment solutions which include customised online platform, loan collections, loyalty system and other bank or merchant specific applications.

Exhibit 11: Business segment

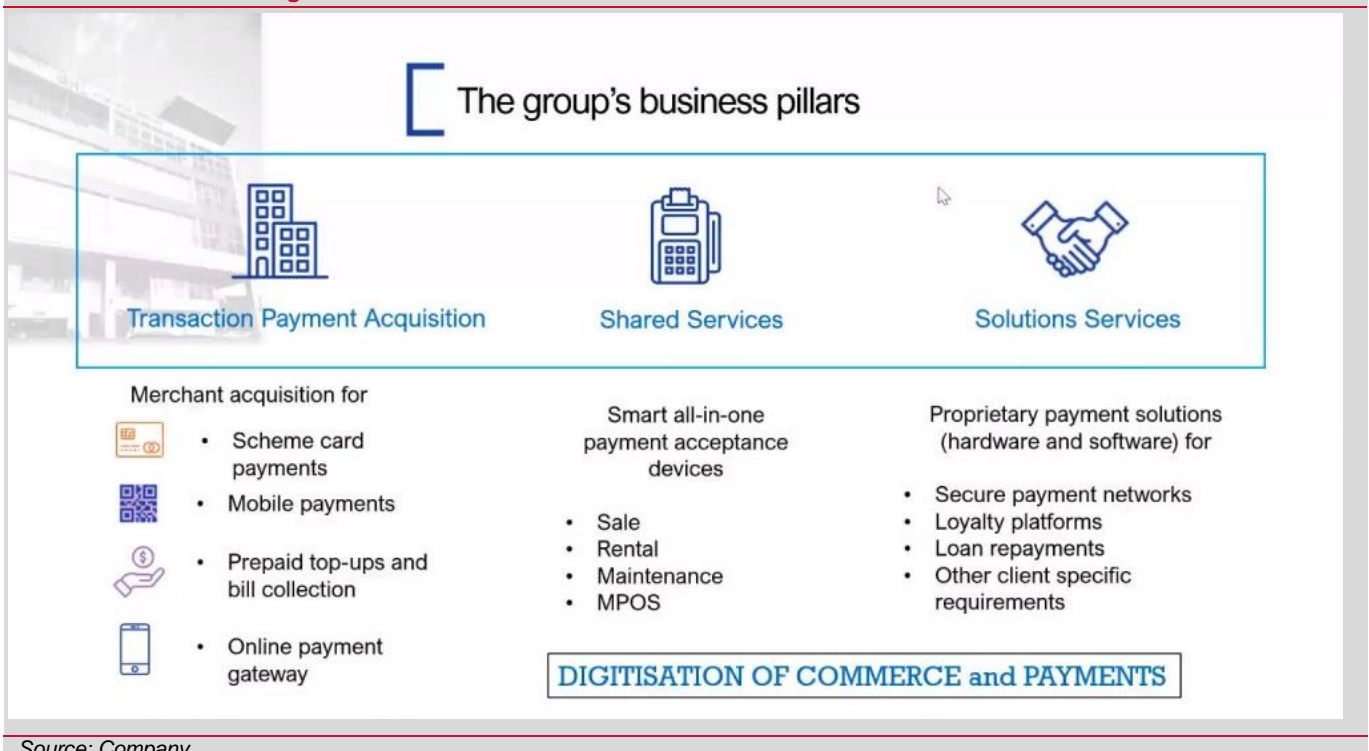
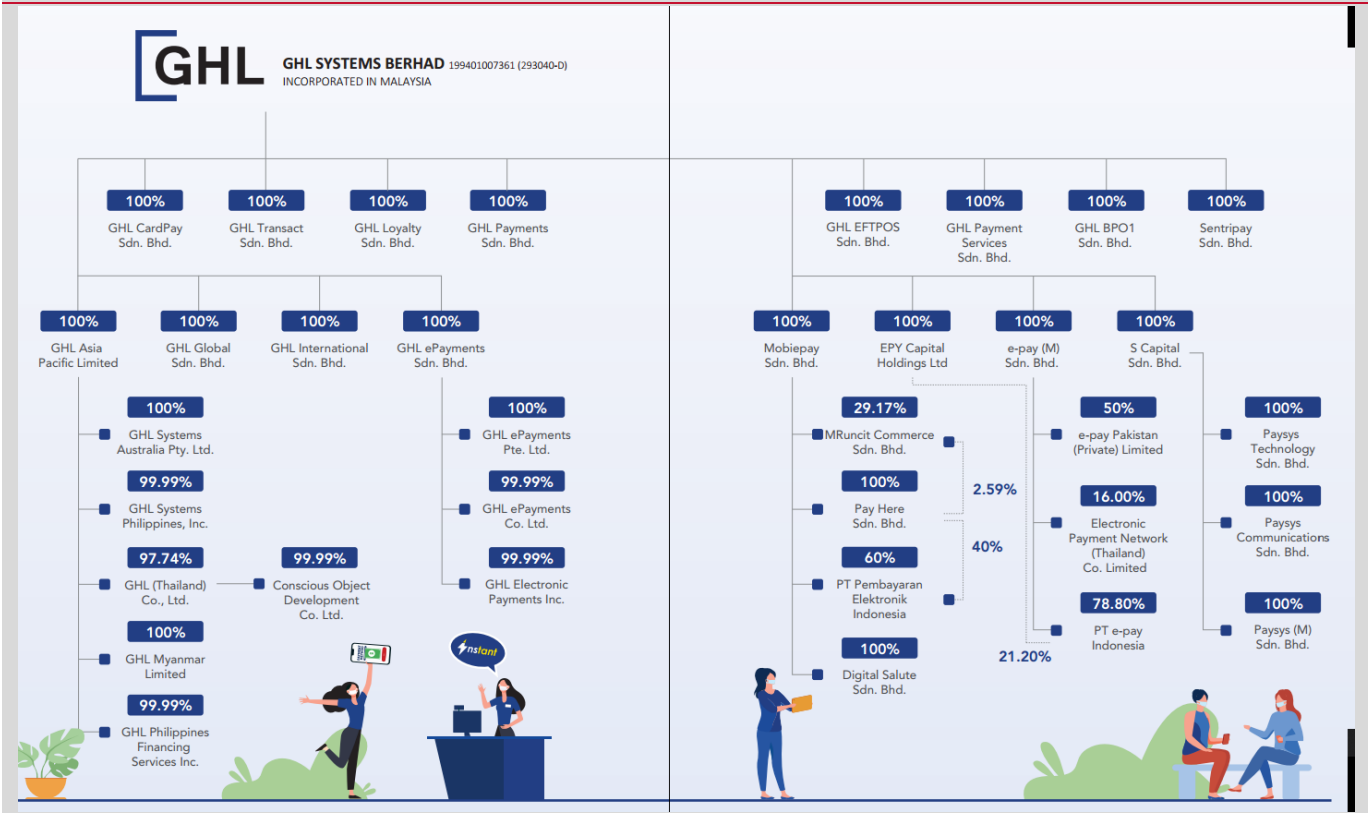


Exhibit 12: Corporate structure



Source: Company

Management profile

1. **Sean S. Hesh** was recently appointed the Group CEO on 27 November 2020 to replace Danny Leong Kah Chern who left to focus on strategic advisory work in the fintech industry after serving in the company for seven years. Sean was deemed suitable for the position thanks to his in-depth experience in Payments, Merchant Acquiring, E-commerce, Operations and Technology in the Asia Pacific ("APAC") Region and the United States. He has demonstrated a solid ability to build and grow businesses as well as improving efficiency, productivity, profitability and delivery of strategic initiatives. Sean started out in the payments industry with Wells Fargo Bank in 1989. He worked at First Data Corporation from 1993 to 2010 and held a variety of senior management positions with First Data, including Vice President & General Manager of Financial Institution Alliances; Senior Vice President of Business Development at TASQ Technology; Chief Operating Officer of Card Service International and CEO of Wells Fargo Merchant Services LLC. Most recently, from 2006 to 2010, Sean served as the CEO of Merchant Solution Pte. Ltd., a joint venture between First Data and Standard Chartered Bank in APAC. Sean is a graduate of University of California, Berkeley with a Bachelor in Political Science (1983) and a Masters of Arts degree in International Relations from San Francisco State University (1985).
2. **Yap Chih Ming** joined GHL Systems on 2 July 2012 as Group CFO. Chih Ming is a member of Malaysian Institute of Accountants and an Associate member of the Chartered Institute of Management Accountants, United Kingdom. He has considerable experience in mergers and acquisitions, and joint venture transactions both in Malaysia and offshore. Prior to joining GHL, he had already garnered over ten years of experience in the e-payment business. In 1999, he joined e-pay (M) Sdn. Bhd. one of the most comprehensive electronic payment service networks across Malaysia – as Head of the Finance Department. Later in 2006, Chih Ming was promoted to Director of Finance. In July 2007, he took on an expanded regional role with his appointment to the Board of e-pay Asia Limited as CFO.
3. **Jeremy Low Peng Hui** is the Group Head of the Operations. He joined the group in August 2005 as an Assistant Accountant. By January 2011, he was granted a promotion and became Senior Manager for the Internal Control department. Through his tenure, Jeremy has gained valuable experience within the company, namely credit control, finance operations (procurement, payment processing, and merchant registration), Internal Control, Technical Support as well as Customer Service. When GHL Systems Berhad's acquisition of e-pay took place in 2014, Jeremy commenced the role of Vice President of Operations, where his efforts for leading his team towards offering a seamless operational process that is best suited for all entities were recognised. On 1 January 2019, he was subsequently promoted to Group Head of Operations for GHL Systems Berhad. Jeremy graduated with a Bachelor of Business (Accounting) degree from the Royal Melbourne Institute of Technology (RMIT). Prior to joining e-pay (M) Sdn. Bhd., he served as a Senior Officer for the Credit Department in Star Cruises.

Exhibit 13: Board of directors

BOARD OF DIRECTORS

DATUK KAMARUDDIN BIN TAIB
(Independent Non-Executive Chairman)

DATO' CHAN CHOY LIN
(Independent Non-Executive Director)

LOH WEE HIAN
(Executive Vice Chairman)

MATTEO STEFANEL
(Non-Independent Non-Executive Director)

**HOSSAMELDIN ABDELHAMID
MOHAMED ABOUMOUSSA**
(Non-Independent Non-Executive Director)
(Resigned on 11 March 2021)

RICHARD HENRY PHILLIPS
(Non-Independent Non-Executive Director)
(Appointed on 16 April 2021)

Source: Company

24 June 2021

Income Statement

FY Dec (RM m)	2018A	2019A	2020A	2021E	2022E
Revenue	299.1	347.6	334.5	348.8	475.3
EBITDA	55.3	75.0	72.2	75.5	94.4
Depre & Amor	-19.1	-30.2	-26.7	-25.8	-24.9
Operating Profit	36.2	44.9	45.6	49.7	69.5
Other Income	11.0	13.7	11.8	13.0	17.8
Interest Exp	-1.9	-2.9	-2.3	-2.3	-2.3
Associate	-0.8	-0.6	-0.1	-0.2	-0.2
PBT	33.5	43.6	21.3	47.2	67.0
Taxation	-8.9	-12.7	-12.2	-13.7	-19.5
Minority Interest	0.0	0.0	0.0	0.0	0.0
PATAMI	24.5	28.7	13.5	33.5	47.5
Core PATAMI	24.5	28.7	30.9	33.5	47.5

Balance Sheet

FY Dec (RM m)	2018A	2019A	2020A	2021E	2022E
Fixed Assets	93.1	106.3	99.6	96.1	93.3
Intangible Assets	168.6	180.0	168.6	168.6	168.6
Other FA	4.0	5.5	4.5	4.5	4.5
Inventories	79.1	63.9	59.9	58.5	81.6
Receivables	138.5	111.2	137.9	143.8	196.0
Other CA	8.7	57.7	67.0	67.0	67.0
Cash	145.1	138.6	148.9	215.8	238.8
Total Assets	637.1	663.2	686.5	754.4	849.9
Payables	170.9	163.9	164.1	160.4	223.5
ST Borrowings	17.8	6.6	8.3	8.3	8.3
Other ST Liability	6.0	9.6	8.4	38.4	23.3
LT Borrowings	16.8	19.6	13.9	13.9	13.9
Other LT Liability	19.1	14.7	9.9	14.7	14.7
Net Assets	406.4	448.9	481.9	518.8	566.2
Shr. Equity	406.2	442.4	481.8	518.8	566.2
Mnrt. Interest	0.2	6.4	0.2	0.0	0.0
Total Equity	406.4	448.9	481.9	518.8	566.2

Cashflow Statement

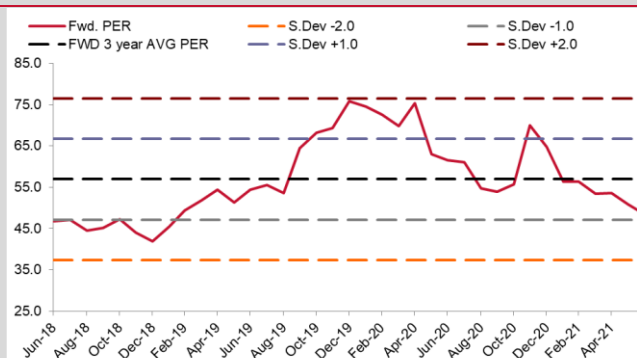
FY Dec (RM m)	2018A	2019A	2020A	2021E	2022E
Operating CF	2.5	91.5	44.3	51.1	58.6
Investing CF	-52.7	-29.0	-16.5	-22.9	-22.7
Financing CF	82.7	-17.0	-4.5	-12.8	-12.8

Financial Data & Ratios

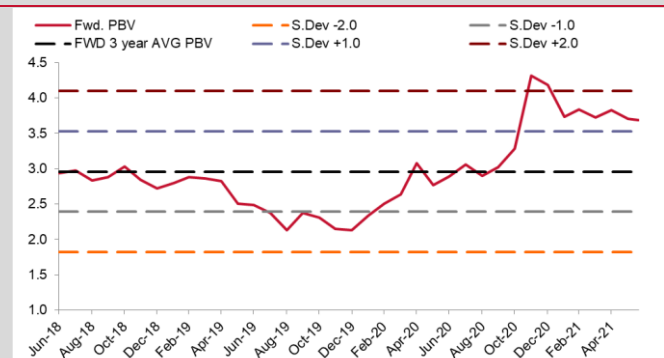
FY Dec	2018A	2019A	2020A	2021E	2022E
Growth (%)					
Turnover	17.9	16.2	-3.8	4.3	36.3
EBITDA	19.7	35.8	-3.8	4.5	25.0
Operating Profit	32.6	24.0	1.5	9.1	39.9
PBT	31.8	23.7	4.0	9.6	41.8
Adj Net Profit	20.0	17.0	7.5	8.4	41.8
Profitability (%)					
EBITDA Margin	18.5	21.6	21.6	21.6	19.9
Operating Margin	12.1	12.9	13.6	14.2	14.6
PBT Margin	11.2	11.9	12.9	13.5	14.1
Core Net Margin	8.2	8.3	9.2	9.6	10.0
Effective Tax Rate	26.6	30.6	28.3	29.1	29.1
ROA	3.9	4.3	2.0	4.5	5.6
ROE	6.0	6.5	6.4	6.5	8.4
DuPont Analysis					
Net Margin (%)	8.2	8.3	9.2	9.6	10.0
Assets Turnover (x)	0.5	0.5	0.5	0.5	0.6
Leverage Factor (x)	1.6	1.5	1.4	1.5	1.5
ROE (%)	6.0	6.5	6.4	6.5	8.4
Leverage					
Debt/Asset (x)	0.1	0.0	0.0	0.0	0.0
Debt/Equity (x)	0.1	0.1	0.0	0.0	0.0
Net (Cash)/Debt	-110	-112	-126	-193	-216
Net Debt/Equity (x)	-0.3	-0.3	-0.3	-0.4	-0.4
Valuations					
Core EPS (sen)	2.2	2.5	2.7	2.9	4.2
DPS (sen)	0.0	0.0	0.0	0.0	0.0
BVPS (RM)	0.4	0.4	0.4	0.5	0.5
PER (x)	86.0	73.5	68.4	63.1	44.5
Div. Yield (%)	0.0	0.0	0.0	0.0	0.0
P/BV (x)	5.2	4.8	4.4	4.1	3.7
EV/EBITDA (x)	36.2	26.6	27.5	25.4	20.1

Source: Kenanga Research

Fwd PER Band



Fwd PBV Band



Source: Bloomberg, Kenanga Research

24 June 2021

Malaysian Technology Peers Comparison

Name	Last Price (RM)	Mkt Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.			
D&O GREEN TECHNOLOGIES BHD	4.93	5,815.7	Y	12/2021	76.6%	10.8%	165%	11.0%	101.6	38.4	34.6	12.2	10.6	26.3%	0.9%	5.50	OP
GHL SYSTEMS BHD	1.85	2,111.8	Y	12/2021	4.3%	36.3%	8.4%	41.8%	68.4	63.1	44.5	4.4	4.1	6.5%	0.0%	2.30	OP
INARI AMERTRON BHD	3.17	10,605.9	Y	06/2021	37.4%	24.9%	80.1%	15.8%	62.7	34.8	30.1	8.1	7.8	23.3	3.2%	4.00	OP
JHM CONSOLIDATION BHD	1.81	1,009.3	Y	12/2021	44.8%	13.3%	102.4%	13.9%	60.4	25.9	22.8	5.9	4.7	18.1%	0.6%	2.35	MP
KELINGTON GROUP BHD	2.18	700.7	Y	12/2021	9.5%	13.3%	42.7%	14.1%	29.5	20.7	18.1	3.2	2.9	16.2%	1.2%	2.60	OP
KESM INDUSTRIES BHD	10.90	468.9	Y	07/2021	-3.0%	18.7%	10633%	113%	5959	55.5	26.1	1.6	1.6	2.8%	0.7%	12.00	MP
MALAYSIAN PACIFIC INDUSTRIES BHD	39.00	7,757.0	Y	06/2021	20.0%	12.0%	65.4%	13.1%	46.2	29.2	25.8	6.2	5.8	16.1%	0.8%	47.50	OP
P.I.E. INDUSTRIAL BHD	2.94	1,129.1	Y	12/2021	59.9%	7.5%	60.0%	15.8%	21.2	13.3	11.4	1.8	1.6	13.1%	3.6%	4.00	OP
SKP RESOURCES BHD	1.68	2,624.8	Y	03/2022	20.0%	3.9%	25.9%	7.3%	20.0	15.9	14.8	3.6	3.3	19.9%	3.1%	2.40	OP
UNISEM (M) BHD	7.45	6,008.7	Y	12/2021	18.5%	7.0%	64.3%	8.5%	45.7	27.8	25.6	3.7	3.4	7.8%	0.7%	10.00	OP

Source: Kenanga Research

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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