

26 November 2021

GHL Systems

Light at the End of the Tunnel

By Samuel Tan | samueltan@kenanga.com.my

3QFY21 CNP of RM5.5m (-31% QoQ; -54% YoY) brings 9MFY21 CNP to RM19.5m (-10% YoY), which came in below expectations, representing 58% and 55% of our and consensus full-year estimates, respectively. Revenue fell at a slower quantum of 8% QoQ as consumer spending continued online, even from home. With the festive season drawing near, the reopening of the economy and resumption of local travel will lead to higher offline transactions with better margins. Maintain **OUTPERFORM** and TP of RM2.30.

Below expectation. GHL Systems (GHL)'s 3QFY21 CNP of RM5.5m (-31% QoQ; -54% YoY) brings 9MFY21 CNP to RM19.5m (-10% YoY), which came in below expectations, representing 58% and 55% of our and consensus full-year estimates, respectively.

Results' highlight. QoQ, 3QFY21 CNP sank 31% to RM5.5m on an 8% decline in revenue to RM85.6m largely due to FMCO enforcement during the period as positive Covid-19 cases in Malaysia peaked then, reaching more than 20k new cases each day. Despite the FMCO, revenue did not fall off significantly as consumers were still spending while staying at home. However, CNP fell at a larger quantum as online shopping typically yields lower margin compared to offline payment over the counter. YoY, the comparison further illustrates the impact as 3QFY21 revenue edged 7% lower while CNP fell 54% as 2QFY20 experienced a surge in offline shopping after MCO1.0 ended. On a cumulative basis, 9MFY21 revenue was 7% higher at RM264.9m while CNP was 10% lower at RM19.5m owing to different merchant mix.

Reopening of the economy. With Malaysia's vaccination rate achieving c.77% of total population, daily Covid-19 cases have also fallen to a manageable level of c.5k (vs. >20k in 3QCY21). In addition, the government recently started to administer booster shots on a voluntary basis. This has facilitated the reopening of the economy where local travelling is back and crossing of states allowed. We learnt that GHL has also seen improving transaction volume for both its e-Pay and TPA segment in the recent months. As the festive season draws nearer, we are positive that this trend will likely continue, thanks to year-end sales as well as strong demand for local travel.

Reduce forecast for FY21E CNP by 17% but maintain FY22E CNP to reflect the slower-than-expected recovery in FY21 due to the FMCO. However, we believe that the reopening of the economy will accelerate consumer spending in FY22, coupled with the possibility of international cross-border travelling.

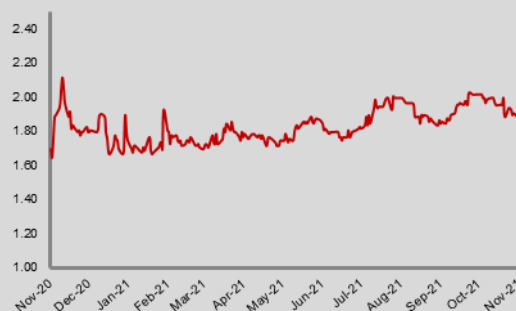
Maintain OUTPERFORM rating and Target Price of RM2.30, based on FY22E PER of 55x (+1.5SD from 3-year mean).

Risks to our call include: (i) slower TPV growth, (ii) reluctance of merchants to adopt cashless transactions, (iii) competition from non-listed peers and overseas peers.

OUTPERFORM ↔

Price: **RM1.88**
Target Price: **RM2.30** ↔

Share Price Performance



KLCI	1,517.6
YTD KLCI chg	-6.7%
YTD stock price chg	4.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	GHLS MK Equity
Market Cap (RM m)	2,146.0
Shares Outstanding	1,141.5
52-week range (H)	2.17
52-week range (L)	1.59
3-mth avg daily vol:	276,950
Free Float	25.8%
Beta	0.7

Major Shareholders

Actis Stark Mauritius Ltd	38.6%
Apis Partners LLP	10.0%
HSBC Nominees Asing Sdn Bhd	5.3%

Summary Earnings Table

FYE Dec (RM m)	2020A	2021E	2022E
Turnover	334.5	348.8	475.3
EBITDA	72.2	67.3	94.4
PBT	43.1	39.0	66.9
Core NP (CNP)	30.9	27.7	47.5
Consensus (NP)	n.a	33.6	48.3
Earnings Revision	n.a	-17%	0%
EPS (sen)	2.7	2.4	4.2
EPS growth (%)	7.5	-10.5	71.6
NDPS (sen)	0.0	0.0	0.0
BVPS (RM)	0.42	0.45	0.49
Price/BV (x)	4.5	4.2	3.8
PER (x)	69.5	77.6	45.2
Gearing (x)	0.0	0.0	0.0
ROA (%)	4.5	3.6	5.5
ROE (%)	6.4	5.4	8.5
Dividend Yield (%)	0.0	0.0	0.0



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Result Highlight								
	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
FYE: Dec (RM m)	FY21	FY21	Chg	FY20	Chg	FY21	FY20	Chg
Revenue	85.6	92.7	-7.7%	91.8	-6.8%	264.9	247.0	7.2%
GP	31.8	36.3	-12.3%	38.8	-18.0%	103.3	107.1	-3.6%
EBIT	8.8	12.3	-28.6%	17.9	-50.9%	30.6	12.4	145.8%
PBT	8.2	11.7	-30.1%	17.1	-52.1%	28.9	10.7	169.8%
Taxation	-2.6	-3.7	28.0%	-5.1	48.4%	-9.4	-9.6	1.8%
Net Profit (NP)	5.5	8.0	-31.1%	12.1	-54.4%	19.5	7.5	158.2%
Core NP	5.5	8.0	-31.1%	12.1	-54.4%	19.5	21.7	-10.4%
EPS (sen)	0.5	0.7	-31.1%	1.1	-54.4%	1.7	1.9	-10.4%
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
GP margin	37.2%	39.2%		42.3%		39.0%	43.4%	
EBIT margin	10.3%	13.3%		19.5%		11.5%	5.0%	
Pretax margin	9.6%	12.6%		18.6%		10.9%	4.3%	
CNP margin	6.5%	8.7%		13.2%		7.4%	8.8%	
Effective tax rate	32.3%	31.4%		30.0%		32.6%	89.5%	

Source: Kenanga Research

Revenue breakdown								
	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
FYE: Dec (RM m)	FY21	FY21	Chg	FY20	Chg	FY21	FY20	Chg
Revenue	85.6	92.7	-7.7%	91.8	-6.8%	264.9	247.0	7.2%
TPA & E-pay	54.6	54.2	0.7%	52.9	3.2%	163.6	143.9	13.7%
Shared Services	27.8	33.1	-16.0%	32.5	-14.5%	90.1	91.8	-1.9%
Solution Services	3.2	5.4	-40.7%	6.4	-50.0%	11.2	11.3	-0.9%
TPA	59%	63%		75%		91%	93%	
Shared Services	30%	38%		46%		50%	59%	
Solution Services	3%	6%		9%		6%	7%	

Source: Kenanga Research

E-pay (RM'm)								
	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
	FY21	FY21	Chg	FY20	Chg	FY21	FY20	Chg
Transaction Value Processed	1,216.9	1,165.1	4.4%	1,123.1	8.4%	3,531.1	3,173.0	11.3%
Revenue	34.0	32.3	5.3%	32.1	5.9%	98.5	91.5	7.7%
Margin	11.3	11.1	1.8%	11.7	-3.4%	33.3	31.9	4.4%
Revenue per transaction	2.9%	2.8%		3.3%		4.3%	4.5%	
Margin per transaction	0.9%	1.0%		1.2%		1.4%	1.6%	
Merchant footprint (thousands)	46.7	45.2	3.3%	43.6	7.1%	135.6	132.1	2.6%

Source: Kenanga Research, Company

TPA (RM'm)								
	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
	FY21	FY21	Chg	FY20	Chg	FY21	FY20	Chg
Transaction Value Processed	4,003.2	4,368.1	-8.4%	4,703.1	-14.9%	13,335.6	10,756.5	24.0%
Revenue	20.6	21.9	-5.8%	20.8	-1.0%	65.2	52.5	24.1%
Margin	5.9	8.1	-27.2%	8.8	-33.0%	22.4	19.9	12.6%
Revenue per transaction	0.5%	0.4%		0.7%		0.7%	0.9%	
Margin per transaction	0.1%	0.2%		0.3%		0.2%	0.3%	
Merchant footprint (thousands)	117.1	114.0	2.7%	104.5	12.1%	341.6	307.5	11.1%

Source: Kenanga Research, Company

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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	6.02	7,215.8	Y	12/2021	48.9%	26.4%	123%	34.0%	141.7	63.5	47.4	17.0	13.9	21.9%	0.2%	6.60	OP
GHL SYSTEMS BHD	1.88	2,146.0	Y	12/2021	4.3%	36.3%	-10.5%	71.6%	69.5	77.6	45.2	4.5	4.2	5.4%	0.0%	2.30	OP
INARI AMERTRON BHD	4.16	15,370.5	Y	06/2022	22.5%	14.6%	11.3%	14.7%	43.4	35.9	1.3	10.4	10.2	26.4%	2.5%	4.80	OP
JHM CONSOLIDATION BHD	1.71	953.5	Y	12/2021	10.4%	15.8%	0.5%	65.2%	46.0	45.8	27.7	5.2	4.5	9.9%	0.7%	1.90	MP
KELINGTON GROUP BHD	1.69	1,086.7	Y	12/2021	25.5%	40.1%	84.7%	45.7%	61.9	33.5	23.0	6.4	5.6	16.7%	0.7%	2.50	OP
KESM INDUSTRIES BHD	13	559.2	Y	07/2022	4.9%	6.4%	4072%	250%	131.0	37.4	25.0	1.5	1.4	3.8%	0.7%	11.40	MP
MALAYSIAN PACIFIC INDUSTRIES BHD	48.7	9,686.3	Y	06/2022	10.0%	10.0%	11.3%	10.0%	32.2	28.8	26.2	7.1	8.0	15.6%	0.6%	56.20	OP
P.I.E. INDUSTRIAL BHD	3.83	1,470.9	Y	12/2021	59.9%	10.6%	31.0%	29.9%	32.3	24.7	19.0	1.3	1.5	11.5%	1.8%	4.30	OP
SKP RESOURCES BHD	1.99	3,109.1	Y	03/2022	12.3%	12.4%	21.7%	12.4%	21.6	17.7	15.8	4.1	3.7	21.0%	2.8%	2.60	OP
UNISEM (M) BHD	4.35	7,016.9	Y	12/2021	20.0%	15.0%	47.5%	21.0%	46.8	31.7	26.2	3.8	3.5	11.2%	1.4%	4.90	OP

Source: Kenanga Research

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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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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

