

23 February 2022

# GHL Systems

## Recovery on Track

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4QFY21 CNP of RM8.7m (+57% QoQ; +45% YoY) brings FY21 CNP to RM28.2m (-11% YoY), which came in within expectations, representing 102% and 97% of our and consensus full-year estimates, respectively. QoQ, 4QFY21 revenue grew 11% on higher activity in retail stores and holiday destinations amid the festive season, thanks to the easing of lockdown measures. With Malaysia looking to reopen its borders in 2QCY22 without quarantine imposed, we look forward to a better year for GHL in light of the return of tourist spending. Maintain **OUTPERFORM** with a lower Target Price of RM1.90.

**Within expectation.** GHL Systems (GHL)'s 4QFY21 CNP of RM8.7m (+57% QoQ; +45% YoY) brings FY21 CNP to RM28.2m (-11% YoY), which came in within expectations, representing 102% and 97% of our and consensus full-year estimates, respectively.

**Results' highlight.** QoQ, 4QFY21 CNP rose 57% to RM8.7m on an 11% increase in revenue to RM95.3m. The improvement can be attributable to the higher vaccination rates across the country and the easing of lockdown measures which gave breath to retail outlets, restaurants and tourism, leading to increased spending (both online and offline) during the festive season. YoY, 4QFY21 CNP rose 45% while revenue edged 9% higher as a result of higher transaction value processed in both the TPA segment (+12%) and the e-pay segment (+17%). On a cumulative basis, FY21 revenue grew 8% to RM360.2m while CNP was 11% lower at RM28.2m owing to different revenue mix. While the TPA segment grew 15%, it was impacted by lower contribution from the shared services (-3.7%) as a result of terminal retrievals during the year. Solution services which provide customised projects saw a 2.7% drag but still commendable in our view despite the on-off lockdowns throughout 2021.

**Returning to normalcy.** Malaysia's vaccination rate continues to improve with 79% of the population having received two doses while 45% has been administered booster shots which have been helpful in facilitating the rejuvenation of economic activity. We have observed that shopping malls continued to see strong levels of footfall and travel destinations experiencing high bookings in 2022. Furthermore, Health Minister Khairy Jamaluddin has indicated that Malaysia may fully reopen its borders in the second quarter without the need of mandatory quarantine.

**Maintain FY22E CNP of RM47.1m and introduce FY23E CNP of RM52.9m**, representing 67.5% and 12.3% growth, respectively.

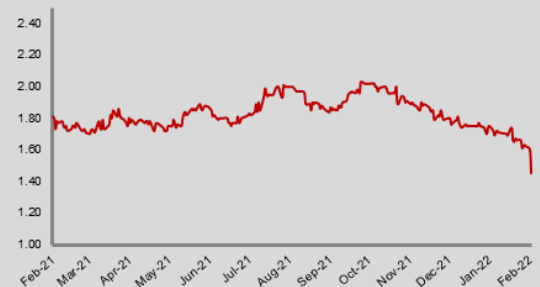
**Maintain OUTPERFORM rating with a lower Target Price of RM1.90** (previously RM2.30), based on a lower FY22E PER of 45x (previously 55x), representing +0.5 SD from 5-year mean to reflect the weaker investment appetite for technology counters.

**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:** RM1.45  
**Target Price:** RM1.90 ↓

### Share Price Performance



KLCI	1,576.9
YTD KLCI chg	0.6%
YTD stock price chg	-16.7%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	GHLS MK Equity
Market Cap (RM m)	1,655.2
Shares Outstanding	1,141.5
52-week range (H)	2.05
52-week range (L)	1.45
3-mth avg daily vol:	314,675
Free Float	25.8%
Beta	0.6

### 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)	2021A	2022E	2023E
Turnover	360.2	475.0	507.5
EBITDA	60.0	87.4	98.0
PBT	40.7	68.1	76.5
<b>Core NP (CNP)</b>	<b>28.1</b>	<b>47.1</b>	<b>52.9</b>
Consensus (NP)	n.a	43.9	56.6
Earnings Revision	n.a	0%	0%
EPS (sen)	2.5	4.1	4.6
EPS growth (%)	-8.9	67.5	12.3
NDPS (sen)	0.0	0.0	0.0
BVPS (RM)	0.45	0.49	0.54
Price/BV (x)	3.3	3.0	2.7
PER (x)	58.8	35.1	31.3
Gearing (x)	0.1	0.1	0.1
ROA (%)	3.7	4.8	4.9
ROE (%)	5.5	8.4	8.6
Dividend Yield (%)	0.0	0.0	0.0

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<b>Result Highlight</b>								
	<b>4Q</b>	<b>3Q</b>	<b>QoQ</b>	<b>4Q</b>	<b>YoY</b>	<b>12M</b>	<b>12M</b>	<b>YoY</b>
<b>FYE: Dec (RM m)</b>	<b>FY21</b>	<b>FY21</b>	<b>Chg</b>	<b>FY20</b>	<b>Chg</b>	<b>FY21</b>	<b>FY20</b>	<b>Chg</b>
<b>Revenue</b>	<b>95.3</b>	<b>85.6</b>	<b>11.3%</b>	<b>87.5</b>	<b>8.9%</b>	<b>360.2</b>	<b>334.5</b>	<b>7.7%</b>
GP	36.8	31.8	15.6%	37.2	-1.0%	140.1	144.3	-2.9%
EBIT	12.3	8.8	40.3%	11.2	10.1%	42.9	23.6	81.5%
PBT	11.8	8.2	44.1%	10.6	11.2%	40.7	21.3	90.8%
Taxation	-3.1	-2.6	-18.0%	-2.6	-19.6%	-12.5	-12.2	-2.8%
Net Profit (NP)	8.7	5.5	56.5%	6.0	44.5%	28.2	13.5	107.9%
<b>Core NP</b>	<b>8.7</b>	<b>5.5</b>	<b>56.5%</b>	<b>6.0</b>	<b>44.5%</b>	<b>28.2</b>	<b>31.5</b>	<b>-10.7%</b>
EPS (sen)	0.8	0.5	56.5%	0.5	44.5%	2.5	2.8	-10.7%
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
GP margin	38.6%	37.2%		42.5%		38.9%	43.1%	
EBIT margin	13.0%	10.3%		12.8%		11.9%	7.1%	
Pretax margin	12.4%	9.6%		12.1%		11.3%	6.4%	
CNP margin	9.1%	6.5%		6.9%		7.8%	9.4%	
Effective tax rate	26.5%	32.3%		24.6%		30.8%	57.2%	

Source: Kenanga Research

<b>Revenue breakdown</b>								
	<b>4Q</b>	<b>3Q</b>	<b>QoQ</b>	<b>4Q</b>	<b>YoY</b>	<b>12M</b>	<b>12M</b>	<b>YoY</b>
<b>FYE: Dec (RM m)</b>	<b>FY21</b>	<b>FY21</b>	<b>Chg</b>	<b>FY20</b>	<b>Chg</b>	<b>FY21</b>	<b>FY20</b>	<b>Chg</b>
<b>Revenue</b>	<b>95.3</b>	<b>85.6</b>	<b>11.3%</b>	<b>87.5</b>	<b>8.9%</b>	<b>360.2</b>	<b>334.5</b>	<b>7.7%</b>
TPA & E-pay	65.4	54.6	19.8%	54.7	19.6%	229.0	198.6	15.3%
Shared Services	26.5	27.8	-4.7%	29.1	-8.9%	116.6	120.9	-3.6%
Solution Services	3.4	3.2	6.2%	3.7	-8.1%	14.6	15.0	-2.7%
TPA	69%	64%		63%		64%	59%	
Shared Services	28%	32%		33%		32%	36%	
Solution Services	4%	4%		4%		4%	4%	

Source: Kenanga Research

<b>E-pay (RM'm)</b>								
	<b>4Q</b>	<b>3Q</b>	<b>QoQ</b>	<b>4Q</b>	<b>YoY</b>	<b>12M</b>	<b>12M</b>	<b>YoY</b>
	<b>FY21</b>	<b>FY21</b>	<b>Chg</b>	<b>FY20</b>	<b>Chg</b>	<b>FY21</b>	<b>FY20</b>	<b>Chg</b>
Transaction Value Processed	1,345.2	1,216.9	10.5%	1,151.6	16.8%	4,876.3	4,324.6	12.8%
Revenue	35.4	34.0	4.1%	32.4	9.3%	133.9	123.9	8.1%
Margin	11.7	11.3	3.5%	11.5	1.7%	45.0	43.4	3.7%
Revenue per transaction	2.6%	2.8%		2.8%		2.7%	2.9%	
Margin per transaction	0.9%	0.9%		1.0%		0.9%	1.0%	
Merchant footprint (thousands)	49.0	46.7	4.9%	42.3	15.8%	49.0	42.3	15.8%

Source: Kenanga Research, Company

<b>TPA (RM'm)</b>								
	<b>4Q</b>	<b>3Q</b>	<b>QoQ</b>	<b>4Q</b>	<b>YoY</b>	<b>12M</b>	<b>12M</b>	<b>YoY</b>
	<b>FY21</b>	<b>FY21</b>	<b>Chg</b>	<b>FY20</b>	<b>Chg</b>	<b>FY21</b>	<b>FY20</b>	<b>Chg</b>
Transaction Value Processed	5,001.8	4,003.2	24.9%	4,470.4	11.9%	18,337.4	15,226.9	20.4%
Revenue	30.0	20.6	45.6%	22.3	34.5%	95.2	74.8	27.2%
Margin	11.5	5.9	94.9%	8.0	43.8%	33.9	27.9	21.5%
Revenue per transaction	0.6%	0.5%		0.5%		0.5%	0.5%	
Margin per transaction	0.2%	0.1%		0.2%		0.2%	0.2%	
Merchant footprint (thousands)	121.9	117.1	4.1%	103.9	17.3%	121.9	103.9	17.3%

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.	1-Yr. Fwd.		
D&O GREEN TECHNOLOGIES BHD	4.51	5,579.5	Y	12/2021	48.9%	26.4%	123%	34.0%	104.3	46.7	34.9	0.3	0.4	21.9%	0.5%	6.60	OP
GHL SYSTEMS BHD	1.45	1,655.2	Y	12/2022	31.9%	6.8%	67.5%	12.3%	58.8	35.1	31.3	3.3	3.0	8.4%	0.0%	1.90	OP
INARI AMERTRON BHD	3.07	11,373.1	Y	06/2022	22.5%	14.6%	11.3%	14.7%	32.2	29.7	25.9	7.7	8.1	28.2%	3.6%	4.60	OP
JHM CONSOLIDATION BHD	1.41	786.2	Y	12/2021	11.7%	17.7%	-5.3%	63.3%	37.8	40.0	24.5	4.3	3.7	13.6%	0.9%	1.80	MP
KELINGTON GROUP BHD	1.4	900.2	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	10.22	439.6	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	34.9	6,941.5	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	2.66	1,021.6	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	1.49	2,327.9	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	2.8	4,516.6	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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