

GHL Systems

In for the Long Haul

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GHLSYS anticipates growing transaction payment value (TPV) on increasing adoption of digital payments, driven by the recovery in offline transactions as the year-end festive season draws near. However, its merchant discount rate (MDR) is expected to stabilise around current levels of c.1% after declining for the past few quarters. The group will continue to work on new product offerings with higher margins (e.g. direct acquisition, buy now pay later (BNPL) and micro lending) that are expected to be launched gradually in 2023. We maintain our forecasts, TP of RM0.80 and MARKET PERFORM call.

The key takeaways from our recent meeting with the group are as follows:

- Despite the softer outlook for the general economy, GHLSYS expects consumer spending to remain sustainable moving into the year-end festive period. This is supported by increasing adoption of digital payment as evidenced by the 14% YoY increase in the group's transaction payment value (TPV) for 9MFY22. Interestingly, the group's online TPV trended lower 11% YoY in favour of a 46% YoY jump in offline TPV, indicating the return of consumer's preference for physical spending.
- GHLSYS's initiative on direct acquisition of merchants is still on track as it has attained the necessary approvals and will be able to begin acquiring merchants in the Philippines starting 1QFY23. Subsequently, the group will expand into Thailand upon setting up its platform (integration of Mastercard's payment gateway with GHLSYS's proprietary payment interface) by end-2QFY23. To date, the group has dispersed c.RM10m via micro lending with an average lending size of RM50,000 per merchant and the traction so far has been very encouraging. The group hopes to replicate this offering in Indonesia and Philippines next year.
- The group indicated that the 2.5 sen dividend declared — first payout in five years — does not set a precedent for future payout as the group has no intentions to set up a dividend policy. GHLSYS is still very much focused on growing its business by offering new products with better margins such as the BNPL scheme where it has recently partnered with Ablr, a start-up in Singapore, to offer flexible payment terms in the market to deliver more financing options for consumers and merchants.

Forecasts. Maintained.

Investment thesis. We like GHLSYS for: (i) being the largest player in Malaysia's terminal payment business, (ii) its venture into the BNPL scheme, and (iii) having a growing presence in neighbouring countries. However, the subdued consumer spending in the current economic climate does not bode well for the group in the medium term.

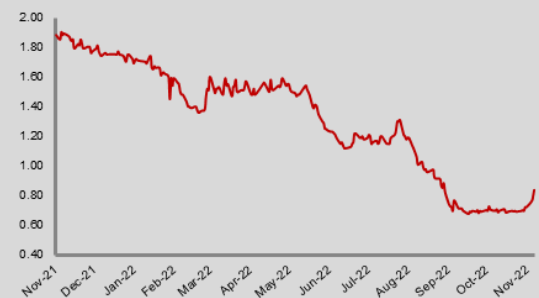
We maintain our MARKET PERFORM call and TP of RM0.80 on FY23F PER of 30x (in line with peers' forward mean such as Revenue Group, PayPal and Square). There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

Risks to our call include: (i) slower total processed value (TPV) growth, (ii) the reluctance of merchants to adopt cashless transactions, and (iii) competition from existing and new local and international players.

MARKET PERFORM ↔

Price: RM0.84
Target Price: RM0.80 ↔

Share Price Performance



KLCI 1,491.5
YTD KLCI chg -4.8%
YTD stock price chg -51.7%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker GHLS MK Equity
Market Cap (RM m) 958.8
Shares Outstanding 1,141.5
52-week range (H) 1.90
52-week range (L) 0.66
3-mth avg daily vol: 899,134
Free Float 20.1%
Beta 0.5

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) | 2021A | 2022F | 2023F |
|--------------------|-------------|-------------|-------------|
| Turnover | 360.2 | 384.0 | 436.9 |
| EBITDA | 60.0 | 54.8 | 65.7 |
| PBT | 40.7 | 35.5 | 44.3 |
| Net Profit (NP) | 28.1 | 23.5 | 30.6 |
| Consensus (NP) | n.a. | 28.1 | 35.2 |
| Earning. Revision | n.a. | 0% | 0% |
| EPS (sen) | 2.5 | 2.1 | 2.7 |
| EPS growth (%) | -8.9 | -16.5 | 30.4 |
| NDPS (sen) | 0.0 | 2.5 | 0.0 |
| BVPS (RM) | 0.45 | 0.44 | 0.47 |
| Price/BV (x) | 1.9 | 1.9 | 1.8 |
| PER (x) | 33.7 | 40.3 | 30.9 |
| Gearing (x) | 0.1 | 0.1 | 0.1 |
| ROA (%) | 3.7 | 2.6 | 3.1 |
| ROE (%) | 5.5 | 4.6 | 5.7 |
| Dividend Yield (%) | 0.0 | 3.0 | 0.0 |

02 December 2022

Malaysian Technology Peers Comparison

| Name | Rating | Last Price (RM) | Target Price (RM) | Upside (%) | Mkt Cap (RM'm) | Shariah Compliant | Current FYE | Core EPS (sen) | | Core EPS Growth | | PER (x) – Core Earnings | | PBV (x) | ROE (%) | Net Div. (sen) | Net Div. Yld (%) |
|----------------------------------|--------|-----------------|-------------------|------------|----------------|-------------------|-------------|----------------|------------|-----------------|------------|-------------------------|------------|------------|------------|----------------|------------------|
| | | | | | | | | 1-Yr. Fwd. | 2-Yr. Fwd. | 1-Yr. Fwd. | 2-Yr. Fwd. | 1-Yr. Fwd. | 2-Yr. Fwd. | 1-Yr. Fwd. | 1-Yr. Fwd. | 1-Yr. Fwd. | 1-Yr. Fwd. |
| | | | | | | | | | | | | | | | | | |
| D&O GREEN TECHNOLOGIES BHD | MP | 4.39 | 3.51 | -20.0% | 5,431.5 | Y | 12/2022 | 8.8 | 11.3 | -1.9% | 28.5% | 50.1 | 39.0 | 6.2 | 12.8% | 1.5 | 0.3% |
| GHL SYSTEMS BHD | MP | 0.84 | 0.80 | -4.8% | 958.9 | Y | 12/2022 | 2.1 | 2.7 | -16.4% | 30.2% | 40.8 | 31.3 | 1.8 | 4.5% | 0.0 | 0.0% |
| INARI AMERTRON BHD | MP | 2.82 | 2.85 | 1.1% | 10,526.5 | Y | 06/2024 | 10.2 | 11.5 | -3.2% | 12.7% | 27.6 | 24.5 | 4.1 | 15.0% | 9.7 | 3.4% |
| JHM CONSOLIDATION BHD | MP | 0.72 | 0.90 | 25.0% | 401.5 | Y | 12/2022 | 3.1 | 6.7 | -37.7% | 118.8% | 23.6 | 10.8 | 1.4 | 9.8% | 0.5 | 0.7% |
| KELINGTON GROUP BHD | OP | 1.49 | 1.80 | 20.8% | 958.1 | Y | 12/2022 | 7.8 | 8.1 | 57.9% | 4.0% | 19.1 | 18.4 | 4.1 | 23.4% | 2.0 | 1.2% |
| KESM INDUSTRIES BHD | MP | 7.30 | 6.60 | -9.6% | 314.0 | Y | 07/2023 | 2.8 | 8.6 | 500.0% | 208.3% | 261.9 | 85.8 | 0.9 | 0.3% | 7.5 | 1.0% |
| LGMS BHD | OP | 1.37 | 1.50 | 9.5% | 624.7 | Y | 12/2022 | 2.7 | 3.5 | 20.4% | 29.0% | 50.4 | 38.9 | 7.4 | 22.0% | 0.0 | 0.0% |
| MALAYSIAN PACIFIC INDUSTRIES BHD | MP | 31.70 | 25.00 | -21.1% | 6,305.0 | Y | 06/2022 | 118.5 | 146.4 | -28.7% | 23.5% | 26.8 | 21.7 | 2.9 | 11.3% | 35.0 | 1.1% |
| P.I.E. INDUSTRIAL BHD | OP | 2.73 | 3.15 | 15.4% | 1,048.4 | Y | 12/2022 | 16.6 | 19.7 | 6.0% | 18.5% | 16.4 | 13.9 | 1.8 | 11.6% | 7.0 | 2.6% |
| SKP RESOURCES BHD | OP | 1.73 | 2.10 | 21.4% | 2,702.9 | Y | 03/2023 | 11.6 | 12.4 | 6.3% | 7.7% | 14.9 | 14.0 | 3.0 | 21.1% | 5.8 | 3.4% |
| UNISEM (M) BHD | MP | 2.93 | 2.75 | -6.1% | 4,726.3 | Y | 12/2022 | 14.4 | 15.3 | 17.7% | 6.2% | 20.3 | 19.1 | 2.1 | 10.4% | 6.0 | 2.0% |
| Simple Average | | | | | | | | 18.0 | 22.4 | 47.3% | 44.3% | 50.2 | 28.8 | 3.2 | 12.9% | | 1.4% |

Source: Kenanga Research

Stock ESG Ratings:

| | Criterion | Rating | | | | |
|-----------------|-----------------------------------|--------|---|---|---|--|
| GENERAL | Earnings Sustainability & Quality | ★ | ★ | ☆ | | |
| | Corporate Social Responsibility | ★ | ★ | ★ | | |
| | Management/Workforce Diversity | ★ | ★ | ☆ | | |
| | Accessibility & Transparency | ★ | ★ | ★ | | |
| | Corruption-Free Pledge | ★ | ★ | ★ | | |
| | Carbon-Neutral Initiatives | ★ | ★ | ☆ | | |
| SPECIFIC | Occupational Health & Safety | ★ | ★ | ★ | | |
| | Protection of Customer Data | ★ | ★ | ★ | ★ | |
| | Cybersecurity | ★ | ★ | ★ | ★ | |
| | Energy Efficiency | ★ | ★ | ★ | | |
| | Digital Transformation | ★ | ★ | ★ | | |
| OVERALL | | ★ | ★ | ★ | | |

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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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