

# GHL Systems

## Cross-Border Transactions Rise

By Samuel Tan | [samueltan@kenanga.com.my](mailto:samueltan@kenanga.com.my)

**GHLSYS remains upbeat on its outlook for the year, underpinned by the rebound in offline retail transactions as well as the resurgence of cross-border e-wallet transactions via Alipay. The group aims to fuel growth by introducing lucrative product offerings such as the direct acquisition of merchants and extending its micro-lending services in Thailand and Philippines. We maintain our forecasts, TP of RM1.05 and OUTPERFORM call.**

We came away from GHLSYS's post-1QFY23 briefing reassured of its growth prospects. The key takeaways from the meeting are as follows:

1. GHLSYS maintains a positive outlook on its growth trajectory for the upcoming quarters, driven by strong transaction payment value (TPV). In 1QFY23, the group achieved a new TPV milestone, with a notable increase of 14% YoY and 3% QoQ. This growth was fuelled by robust transaction volumes in Malaysia, Thailand, and Philippines, as offline retail transactions continued to gain traction.
2. Interestingly, there has been a significant recovery in cross-border e-wallet transactions, albeit from a low base, attributable to the resumption of international travel and the increased usage of Alipay. This positive trend has significantly boosted cross-border transaction volumes, which now represents 13% of e-wallet transaction payments, a substantial increase from the 2% recorded just a year ago. This resurgence highlights the growing popularity in cashless cross-border transactions, signalling promising opportunities for continued growth.
3. In line with its growth trajectory, GHLSYS is committed to introducing higher-margin product offerings that will fuel its expansion. The group has successfully obtained the required approvals to initiate direct acquisition of merchants in Thailand and Philippines, with the roll-out scheduled for August and 4QFY23, respectively. Furthermore, the micro-lending initiative has gained good traction, with RM24m deployed YTD, an increase from RM7.8m in February 2023. With an average lending size of c.RM50,000 per merchant, GHLSYS is poised to extend this valuable service to neighbouring countries such as Thailand and Philippines within the current year.

**Forecasts.** Maintained.

**We also maintain our TP of RM1.05 based** on 35x FY23F PER, in line with peer's forward average such as Shift4 Payments, 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).

**Investment thesis.** We like GHL for: (i) being the largest player in Malaysia's terminal payment business, (ii) its venture into the buy now pay later (BNPL) scheme, and (iii) having a growing presence in neighbouring countries. Maintain **OUTPERFORM**.

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

# OUTPERFORM ↔

**Price:** **RM0.79**  
**Target Price:** **RM1.05** ↔

### Share Price Performance



KLCI	1,383.0
YTD KLCI chg	-7.5%
YTD stock price chg	-8.1%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	GHLK MK Equity
Market Cap (RM m)	901.8
Shares Outstanding	1,141.5
52-week range (H)	1.63
52-week range (L)	0.66
3-mth avg daily vol:	619,548
Free Float	21.7%
Beta	0.7

### Major Shareholders

Actis Stark Mauritius Ltd	38.6%
Apis Partners LLP	10.0%
Oversea-Chinese Bank	5.9%

### Summary Earnings Table

FYE Dec (RM m)	2022A	2023F	2024F
Turnover	410.6	452.3	484.1
EBITDA	52.8	65.6	75.1
PBT	41.4	49.5	55.8
<b>Net Profit (NP)</b>	<b>28.2</b>	<b>34.2</b>	<b>38.6</b>
Consensus (NP)	-	32.0	38.8
Earning. Revision	-	-	-
EPS (sen)	2.5	3.0	3.4
EPS growth (%)	-	21.5	12.8
NDPS (sen)	2.5	0.0	0.0
BVPS (RM)	0.45	0.48	0.51
Price/BV (x)	1.8	1.6	1.5
PER (x)	31.8	26.2	23.2
Gearing (x)	0.0	0.0	0.0
ROA (%)	3.7	4.4	4.9
ROE (%)	5.5	6.3	6.6
Dividend Yield (%)	3.2	0.0	0.0



02 June 2023

### 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	UP	3.62	2.68	-26.0%	4,480.8	Y	12/2023	7.8	10.7	-1.0%	37.9%	46.5	33.7	4.9	10.7%	1.3	0.4%
GHL SYSTEMS BHD	OP	0.790	1.05	32.9%	901.8	Y	12/2023	3.0	3.4	21.3%	12.9%	26.3	23.4	1.7	6.5%	0.0	0.0%
INARI AMERTRON BHD	MP	2.48	2.46	-0.8%	9,257.7	Y	06/2023	9.0	10.2	-14.1%	13.1%	27.6	24.4	3.7	13.3%	8.6	3.5%
JHM CONSOLIDATION BHD	MP	0.750	0.750	0.0%	454.5	Y	12/2023	3.5	5.0	-8.3%	43.6%	21.6	15.0	1.3	6.5%	0.5	0.7%
KELINGTON GROUP BHD	OP	1.39	1.92	38.1%	893.8	Y	12/2023	8.7	9.0	1.1%	3.2%	16.0	15.5	3.2	21.3%	2.4	1.7%
KESM INDUSTRIES BHD	MP	7.01	6.91	-1.4%	301.5	Y	07/2023	(15.8)	1.2	-3500.0%	-92.6%	N.A.	565.8	0.9	-1.9%	7.5	1.1%
LGMS BHD	OP	0.960	1.32	37.5%	435.5	Y	12/2022	3.1	5.3	12.7%	70.4%	30.9	18.1	4.5	15.7%	0.0	0.0%
M'SIAN PACIFIC INDUSTRIES BHD	UP	26.90	15.26	-43.3%	5,350.3	Y	06/2023	41.8	105.8	-74.7%	153.3%	64.0	25.4	2.7	4.1%	35.0	1.3%
NATIONGATE HOLDINGS BHD	OP	1.25	1.40	12.0%	2,592.4	Y	12/2023	5.0	6.1	20.4%	22.8%	25.2	20.5	7.9	37.1%	0.3	0.2%
OPPSTAR BHD	MP	2.00	1.82	-9.0%	1,272.4	N	03/2024	4.5	6.1	34.0%	36.3%	44.8	32.9	8.1	19.3%	1.1	0.6%
P.I.E. INDUSTRIAL BHD	OP	3.15	4.05	28.6%	1,209.7	Y	12/2023	22.5	25.3	22.0%	12.5%	14.0	12.5	1.9	14.6%	7.0	2.2%
SKP RESOURCES BHD	UP	1.03	0.950	-7.8%	1,609.2	Y	03/2024	6.3	7.1	-31.6%	12.5%	16.3	14.5	1.9	11.4%	3.2	3.1%
UNISEM (M) BHD	MP	3.06	2.75	-10.1%	4,936.0	Y	12/2023	8.9	13.8	-41.2%	55.7%	19.9	17.8	2.0	5.9%	6.0	2.0%
Simple Average										-27.2%	34.5%	30.8	22.9	3.4	12.7%		1.3%

Source: Kenanga Research

**Stock ESG Ratings:**

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

☆ 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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**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](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

