

29 May 2024

# GHL Systems

## Seasonally Weak 1Q

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

**GHLSYS's 1QFY24 met expectations. Its net profit fell 29% due to lumpy IT infrastructure costs for future expansion. This was despite an 18% growth in top line with better performance from both transaction payment acquisition (TPA) and shared services segments. We keep our forecasts and TP of RM1.08 (offer price) and maintain our ACCEPT OFFER recommendation.**

**Within expectations.** GHLSYS's 1QFY24 net profit of RM4.7m (-29% YoY) only accounted for 15% of both our full-year forecast and the full-year consensus estimate. However, we deem the results within expectations given that 1Q is seasonally weak.

**YoY,** its 1QFY24 revenue climbed 17.9% on higher contributions across all segments. Its TPA segment which accounted for 70% of the group's revenue rose 17% as a result of higher transaction volume and value. The shared service segment rose 23% due to higher electronic draft capture (EDC) sales in Malaysia which offset the lower rental revenue. However, its net profit fell 29% due to higher operating expenditure to grow its merchant base, as well as IT infrastructure and staff costs.

**QoQ,** its 1QFY24 revenue dipped 4.4% while net profit fell at a larger quantum of 48% from a high base in 4Q (due to the year-end shopping season). Additionally, the group incurred direct acquiring business, IT security and cloud infrastructure costs.

**Outlook.** It is optimistic about sustained growth in the three main markets it operates in, i.e. Malaysia, Thailand and Philippines and its three main business pillars, i.e. TPA, shared services and solution services, underpinned by the continued adoption of cashless payment. In addition, the group will continue to scale up its high-margin micro lending business.

**Forecasts.** Maintained

**Valuations.** We keep our TP at the offer price of **RM1.08** and maintain our **ACCEPT OFFER** recommendation.

**Risks to our call include** NTT Data's failure to secure a 90% stake to make the privatisation mandatory.

# ACCEPT OFFER

**Price: RM1.05**  
**Target Price: RM1.08** ↔

### Share Price Performance



KLCI	1,615.8
YTD KLCI chg	11.1%
YTD stock price chg	45.3%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	GHLS MK Equity
Market Cap (RM m)	1,199.0
Shares Outstanding	1,141.5
52-week range (H)	1.02
52-week range (L)	0.60
3-mth avg daily vol:	6,216,012
Free Float	19.9%
Beta	0.8

### Major Shareholders

Actis Stark Mauritius Ltd	38.6%
Apis Partners LLP	10.0%
Albizia ASEAN Tenggara	6.1%

### Summary Earnings Table

FYE Dec (RM m)	2023A	2024F	2025F
Turnover	460.4	497.1	530.6
EBITDA	54.4	58.6	69.0
PBT	40.2	44.0	50.0
<b>Core Net Profit</b>	<b>28.8</b>	<b>31.5</b>	<b>35.9</b>
Consensus	-	32.3	36.3
Earnings Revision	-	-	-
EPS (sen)	2.5	2.8	3.1
EPS Growth (%)	2.3	9.6	13.7
NDPS (sen)	0.0	0.0	0.0
BVPS (RM)	0.48	0.50	0.53
Price/BV (x)	2.2	2.1	2.0
PER (x)	41.6	38.0	33.4
Gearing (x)	0.1	0.1	0.1
ROA (%)	3.4	3.4	3.6
ROE (%)	5.3	5.5	5.9
Dividend Yield (%)	-	-	-



29 May 2024

<b>Result Highlight</b>								
	<b>1Q</b>	<b>4Q</b>	<b>QoQ</b>	<b>1Q</b>	<b>YoY</b>	<b>3M</b>	<b>3M</b>	<b>YoY</b>
<b>FYE Dec (RM m)</b>	<b>FY24</b>	<b>FY23</b>	<b>Chg</b>	<b>FY23</b>	<b>Chg</b>	<b>FY24</b>	<b>FY23</b>	<b>Chg</b>
<b>Revenue</b>	<b>122.6</b>	<b>128.2</b>	<b>-4.4%</b>	<b>104.0</b>	<b>17.9%</b>	<b>122.6</b>	<b>104.0</b>	<b>17.9%</b>
GP	38.9	40.4	-3.7%	35.1	10.9%	38.9	35.1	10.9%
EBIT	7.5	10.6	-29.4%	9.7	-22.7%	7.5	9.7	-22.7%
PBT	7.1	10.0	-29.0%	9.5	-24.9%	7.1	9.5	-24.9%
Taxation	-2.4	-0.9	-173.6%	-2.8	14.0%	-2.4	-2.8	14.0%
Net Profit (NP)	4.7	9.1	-48.2%	6.7	-29.3%	4.7	6.7	-29.3%
<b>Core NP</b>	<b>4.7</b>	<b>9.1</b>	<b>-48.2%</b>	<b>6.7</b>	<b>-29.3%</b>	<b>4.7</b>	<b>6.7</b>	<b>-29.3%</b>
EPS (sen)	0.4	0.8	-48.2%	0.6	-29.3%	0.4	0.6	-29.3%
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
GP margin	31.8%	31.5%		33.8%		31.8%	33.8%	
EBIT margin	6.1%	8.3%		9.3%		6.1%	9.3%	
Pretax margin	5.8%	7.8%		9.1%		5.8%	9.1%	
CNP margin	3.8%	7.1%		6.4%		3.8%	6.4%	
Effective tax rate	33.9%	8.8%		29.6%		33.9%	29.6%	

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.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

**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)

