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GHL Systems

Privatisation Offer at RM1.08/share

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NTTD Japan is offering to buy out minority shareholders of GHLSYS (41.27% of total shares) at RM1.08/share cash, having emerged as the controlling shareholder after acquiring a 58.73% stake from various parties. The offer price translates to FY24F and FY25F PERs of 39x and 34x, respectively, based on our forecasts. We rationalise our TP to the offer price of RM1.08 (from RM0.88) and our call to ACCEPT OFFER from OUTPERFORM.

NTTD Japan (a wholly-owned subsidiary of Japan-listed NTT DATA Group Corporation) has entered into an unconditional share purchase agreement to buy c.58.73% of total issued ordinary shares from four parties namely: (i) Actis Stark (Mauritius) Limited, (ii) APIS Growth 14 Ltd, (iii) Loh Wee Hian, and (iv) Tobikiri Capital Ltd for a cash consideration of c.RM724.1m or RM1.08 per share. NTTD Japan is also offering to buy out the GHLSYS shares not already owned (c.41.27%) at RM1.08 per share and does not intend to maintain the listing status of GHLSYS. The proposed offer is expected to be completed by 3QCY24.

The offer price of RM1.08 per share translates to 39x our FY24F EPS and 34x our FY25F EPS. This implies a premium of c.90%-102% compared to global peers (e.g. Paypal, Square, Shift4 Payments, Payoneer Global Inc and Aci Worldwide), which are trading at an average PER of 20.5x FY24F EPS and 17x FY25F EPS, despite having significantly larger revenue sizes and market capitalisations than GHLSYS. We deem this as an opportunity for existing shareholders to realise the extensive value of GHLSYS.

NTTD Japan was incorporated in Japan on 1 November 2022 and is primarily engaged in consulting, provision of integrated solutions and system and software development, maintenance and support

Valuations. We rationalise our TP to the offer price of **RM1.08** (from RM0.88) and our call to **ACCEPT OFFER** from **OUTPERFORM**.

Risks to our call include: NTT fails to secure a 90% stake to make the privatisation mandatory.

ACCEPT OFFER

Price: RM1.01
Target Price: RM1.08 ↑

Share Price Performance



KLCI	1,618.3
YTD KLCI chg	11.2%
YTD stock price chg	45.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	GHLS MK Equity
Market Cap (RM m)	1,152.9
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
Net Profit (NP)	28.8	31.5	35.9
Consensus (NP)	-	32.3	36.3
Earning. Revision	-	-	-
EPS (sen)	2.5	2.8	3.1
EPS Growth (%)	2.3	9.6	13.7
NDPS (sen)	-	-	-
BVPS (RM)	0.48	0.50	0.53
Price/BV (x)	2.1	2.0	1.9
PER (x)	40.0	36.6	32.2
Gearing (x)	0.1	0.1	0.1
ROA (%)	3.4	3.4	3.6
ROE (%)	5.3	5.5	5.9
Dividend Yield (%)	-	-	-

Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F	FY Dec	2021A	2022A	2023A	2024F	2025F
Revenue	360.2	410.6	460.4	497.1	530.6	Growth (%)					
EBITDA	60.0	52.8	54.4	58.6	69.0	Turnover	7.7	14.0	12.1	8.0	6.7
Depre & Amor	-16.8	-9.9	-12.2	-12.6	-17.0	EBITDA	-16.9	-12.0	2.9	7.8	17.8
Operating Profit	43.2	42.9	42.1	46.0	52.0	Operating Profit	-5.1	-0.7	-1.8	9.1	13.1
Other Income	8.2	5.5	7.7	8.3	8.9	PBT	-5.6	1.8	-3.1	9.6	13.7
Interest Exp	-2.2	-1.5	-2.0	-2.0	-2.0	Core Net Profit	-8.8	0.0	2.3	9.6	13.7
Associate	-0.3	0.0	0.0	0.0	0.0	Profitability (%)					
PBT	40.7	41.4	40.2	44.0	50.0	EBITDA Margin	16.7	12.9	11.8	11.8	13.0
Taxation	-12.5	-13.3	-11.3	-12.4	-14.1	Operating Margin	12.0	10.5	9.2	9.3	9.8
Minority Interest	0.0	0.0	0.0	0.0	0.0	PBT Margin	11.3	10.1	8.7	8.8	9.4
Net Profit	28.2	28.2	28.8	31.5	35.9	Core Net Margin	7.8	6.9	6.3	6.3	6.8
Core Net Profit	28.2	28.2	28.8	31.5	35.9	Effective Tax Rate	30.8	32.0	28.2	28.2	28.2
Balance Sheet						ROA	6.1	3.7	3.7	3.4	3.4
FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F	ROE	5.5	5.5	5.3	5.5	5.9
Fixed Assets	98.1	90.8	97.1	130.9	161.4	DuPont Analysis					
Intangible Assets	168.6	168.6	168.6	168.6	168.6	Net Margin (%)	7.8	6.9	6.3	6.3	6.8
Other FA	5.7	13.1	20.5	20.5	20.5	Assets Turnover (x)	0.5	0.5	0.5	0.5	0.5
Inventories	64.0	86.1	71.2	76.8	80.9	Leverage Factor (x)	1.5	1.5	1.6	1.6	1.6
Receivables	56.1	242.4	315.2	340.3	363.3	ROE (%)	5.5	5.5	5.3	5.5	5.9
Other CA	197.4	17.3	3.0	3.0	3.0	Leverage					
Cash	180.1	143.0	180.3	177.3	190.3	Debt/Asset (x)	0.1	0.0	0.0	0.0	0.0
Total Assets	770.0	761.2	855.9	917.5	988.1	Debt/Equity (x)	0.1	0.0	0.1	0.1	0.1
Payables	187.6	217.1	258.1	278.8	293.5	Net (Cash)/Debt	-127	-126	-141	-138	-151
ST Borrowings	37.3	7.4	29.4	29.4	29.4	Net Debt/Equity (x)	-0.3	-0.2	-0.3	-0.2	-0.2
Other ST Liability	8.0	3.6	2.3	15.7	35.6	Valuations					
LT Borrowings	15.4	9.4	9.5	9.5	9.5	Core EPS (sen)	2.5	2.5	2.5	2.8	3.1
Other LT Liability	12.6	12.7	11.6	11.6	11.6	DPS (sen)	0.0	2.5	0.0	0.0	0.0
Net Assets	509.1	511.0	545.0	572.6	608.4	BVPS (RM)	0.4	0.4	0.5	0.5	0.5
Shr. Equity	508.9	510.8	544.8	572.5	608.4	PER (x)	40.9	41.0	40.0	36.6	32.2
Mnrt. Interest	0.2	0.2	0.2	0.0	0.0	Div. Yield (%)	0.0	2.5	0.0	0.0	0.0
Total Equity	509.1	511.0	545.0	572.6	608.4	P/BV (x)	2.3	2.3	2.1	2.0	1.9
Cashflow Statement						EV/EBITDA (x)	17.1	19.4	18.6	17.3	14.5
FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F						
Operating CF	87.1	-17.8	48.6	33.5	40.2						
Investing CF	-45.0	-38.5	-45.1	-46.4	-47.5						
Financing CF	25.1	-67.6	20.3	20.3	20.3						

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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