



1QFY14 GHL Systems

Neutral ◀ ▶

Below Investing for Future Returns

Price: RM0.845
Target Price: (+4.1%) RM0.88

Stock Data

Bloomberg Ticker	GHLS MK	Altman Z-score	3.7
Market Cap	354.8	YTD price chg	19.0%
Issued shares	419.8	YTD KLCI chg	0.3%
52-week range (H)	1.08	Beta	1.2
52-week range (L)	0.27	Major Shareholders	
3-mth avg daily volume	4,213,408	Simon Loh Wee Hian	35.3%
Free Float	35.0%	CYCAS	26.6%
Shariah Compliant	Y	Goh Kuan Ho	3.2%
Financial Derivatives	n.a.		

Share Performance (%)

	1mth	3mth	12mth
Absolute	3.0	15.0	188.6
vs. KLCI	2.4	12.8	175.0

Consensus

	2014	2015
Net Profit	19.7	22.6
EPS (sen)	4.6	5.3

Historical Price Ratio (x)

	FY 2011	FY 2012	FY 2013
Price Earnings	n.a.	9.1	20.4
Price to Book	0.9	1.3	2.0

Financial Highlights

FYE 31 Dec	2011	2012	2013	2014E	2015E
Turnover	62.7	53.1	64.0	120.2	143.5
EBIT	0.6	4.0	5.7	17.7	23.8
Pretax profit	(25.1)	3.2	3.2	17.9	24.0
Net Profit	(26.0)	4.4	5.2	16.0	21.8
Core Net Profit	(0.5)	4.9	7.6	16.0	21.8
Core EPS (sen)	(0.1)	1.2	1.8	3.8	5.2
* FD Core EPS	(18.0)	3.0	2.8	3.8	5.1
PER (x)	(4.7)	28.1	30.0	22.5	16.5
DPS (sen)	0.0	0.0	0.0	0.0	0.0
Div. Yield (%)	n.a.	n.a.	n.a.	n.a.	n.a.
NTA/share (RM)	0.09	0.10	0.12	0.21	0.26
EBIT margin	1.0%	7.5%	9.0%	14.7%	16.6%
Pretax margin	-40.0%	6.0%	5.0%	14.9%	16.7%
Effective tax rate	-3.9%	-36.9%	-59.3%	13.6%	11.9%
ROE	-1.1%	12.8%	15.6%	18.1%	16.6%
ROA	-35.4%	6.5%	7.1%	14.9%	14.3%
Net Gearing (x)	net cash	net cash	net cash	net cash	net cash

Growth ratios

	2011	2012	2013	2014E	2015E
Turnover	-2.0%	-15.4%	20.7%	87.8%	19.3%
EBIT	-91.4%	518.5%	44.8%	208.3%	34.6%
Pretax profit	71.0%	-112.6%	0.5%	462.5%	33.9%
Core Net profit	-92.1%	-997.6%	53.3%	111.7%	36.4%
Core EPS growth	81.1%	-116.7%	-6.3%	33.0%	36.2%

* Dilutive effect of enlarged share capital following M&A and private placement

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GHl's 1QFY14 net earnings of RM1.5m is below our expectation, making up 8% of our full year forecast. This is mainly due to higher expenses and investment in expanding the Group's regional network in preparation of the launch of Transaction Payment Acquisition (TPA) and the internet payment gateway services. Moreover, the acquisition of e-pay has just been completed end of February and will only contribute in the next quarter. Operating margins have declined due to the same reason. We reduced our FY14 and FY15 net earnings forecast. We are rolling over our valuation to FY15 to better reflect its prospects and potential with our new target price increased to RM0.88 based on sector PER of 17x. **Maintain Neutral.**

Operation overview. TPA revenues grew strongly to RM14.2m (+306% YoY) with the inclusion of one month's contribution from e-pay. GHl group is in the early stages of implementing the TPA business across the region and growth from this implementation will only start to become significant towards the end of this year.

Going forward. The investment in expanding the GHl's regional network in preparation of the launch of TPA will strengthen its position and contribute strongly to the group's revenue in the future; and the inclusion of e-pay's revenue will strongly improve GHl revenue in the coming quarter.

Financials. We are reducing our FY14 and FY15 net earnings forecast to RM16.0m (-18.6%) and RM21.8m (-3.2%) respectively by factoring higher operating costs due to the regional expansion. We also reduce our estimate in e-pay's contribution for FY14 as the impact of the consolidation comes in slightly later than we expected.

View and recommendation. If based on our FY14 figures, GHl is only worth RM0.65 thus we are rolling over our valuation to FY15 to better reflect its prospects and potential. As such, our target price is increased to RM0.88 based on its sector PER of 17x. We maintain our **NEUTRAL** recommendation.

Share Price Chart



Quarterly figures

FY 31 Dec (RMm)	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	QoQ Chg	YoYChg	1QFY13	1QFY14	YTD Chg
Revenue	16.7	15.4	16.4	15.5	24.8	60.0%	48.2%	16.7	24.8	48.2%
Core EBITDA	2.7	2.2	2.8	3.2	2.5	-23.6%	-8.8%	2.7	2.5	-8.8%
Pretax profit	2.0	1.5	2.1	(2.3)	1.5	-165.9%	-22.8%	2.0	1.5	-22.8%
Core Pretax profit	2.0	1.5	2.1	0.1	1.5	2818.9%	-22.8%	2.0	1.5	-22.8%
Taxation	0.0	0.1	(0.1)	1.8	(0.0)	-100.4%	n.a.	0.0	(0.0)	n.a.
Minority Interest	0.0	0.0	0.0	0.1	0.0	-94.8%	-57.1%	0.0	0.0	-57.1%
Net Profit	2.0	1.6	2.0	(0.4)	1.5	-449.9%	-23.2%	2.0	1.5	-23.2%
Core Net Profit	2.0	1.6	2.0	2.0	1.5	-21.2%	-23.2%	2.0	1.5	-23.2%
Core EPS (sen)	0.5	0.4	0.5	0.5	0.4	-21.2%	-23.2%	0.5	0.4	-23.2%
Net gearing (x)	net cash	net cash	net cash	n.a.	n.a.	n.a.	n.a.	net cash	net cash	n.a.
EBITDA margin (%)	16.1%	14.4%	17.0%	20.8%	9.9%	-52.3%	-38.5%	16.1%	9.9%	-38.5%
PBT margin (%)	12.0%	9.4%	12.6%	-15.2%	6.2%	-141.2%	-47.9%	12.0%	6.2%	-47.9%
Net profit margin (%)	12.0%	10.2%	12.3%	-2.8%	6.2%	-318.7%	-48.2%	12.0%	6.2%	-48.2%
Core Net profit	12.0%	10.2%	12.3%	12.7%	6.2%	-50.8%	-48.2%	12.0%	6.2%	-48.2%
Effective tax rate (%)	0.0%	-7.2%	3.3%	78.7%	0.5%	-99.4%	n.a.	0.0%	0.5%	n.a.

Source: BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
NEUTRAL	Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months.
SELL	Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

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