



**2QFY14** **GHL Systems**

**Neutral** ◀ ▶

**Below** **No Upside**

**Price:** **RM0.935**  
**Target Price:** **(-8.0%) RM0.86**

**Stock Data**

Bloomberg Ticker	GHLS MK	Altman Z-score	3.7
Market Cap	393.3	YTD price chg	31.7%
Issued shares	420.7	YTD KLCI chg	0.6%
52-week range (H)	1.08	Beta	1.2
52-week range (L)	0.32	<b>Major Shareholders</b>	
3-mth avg daily volume	2,003,769	Simon Loh Wee Hian	36.0%
Free Float	34.3%	CYCAS	26.5%
Shariah Compliant	Y	Goh Kuan Ho	3.2%
Financial Derivatives	n.a.		

**Share Performance (%)**

	1mth	3mth	12mth
Absolute	1.1	7.5	92.8
vs. KLCI	0.5	7.4	79.0

**Consensus**

	2014	2015
Net Profit	16.0	21.8
EPS (sen)	3.8	5.2

**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	149.4	176.9
EBIT	0.6	4.0	5.7	13.0	18.5
Pretax profit	(25.1)	3.2	3.2	13.1	18.6
Net Profit	(26.0)	4.4	5.2	12.2	17.3
<b>Core Net Profit</b>	<b>(0.5)</b>	<b>4.9</b>	<b>7.6</b>	<b>12.2</b>	<b>17.3</b>
Core EPS (sen)	(0.1)	1.2	1.8	2.9	4.1
FD Core EPS (sen)	(18.0)	3.0	2.8	2.9	4.0
PER (x)	(5.2)	31.1	33.2	32.6	23.1
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	0.19	0.23
EBIT margin	1.0%	7.5%	9.0%	8.7%	10.5%
Pretax margin	-40.0%	6.0%	5.0%	8.8%	10.5%
Effective tax rate	-3.9%	-36.9%	-59.3%	10.0%	10.0%
ROE	-1.1%	12.8%	15.6%	14.1%	13.7%
ROA	-35.4%	6.5%	7.1%	9.9%	9.2%
Net Gearing (x)	net cash	net cash	net cash	net cash	net cash
<b>Growth ratios</b>					
Turnover	-2.0%	-15.4%	20.7%	133.3%	18.4%
EBIT	-91.4%	518.5%	44.8%	126.8%	42.2%
Pretax profit	71.0%	-112.6%	0.5%	313.2%	41.2%
Core Net profit	-92.1%	-997.6%	53.3%	61.8%	41.2%
Core EPS growth	81.1%	-116.7%	-6.3%	1.7%	41.0%

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**GHL's 1HFY14 net earnings of RM4.6m is below our expectation, making up 28% of our full year forecast. This is mainly due to lower gross margin in Transaction Payment Acquisition (TPA) segment and higher expenses in human resources for the expansion of the Group's regional businesses. Nonetheless, QoQ earnings were 97.3% higher following the acquisition of e-pay which has just been completed end of February. With the lower than expected 1H earnings, we reduced our FY14 and FY15 net earnings forecast respectively. We are rolling over our valuation to FY15 and arrived at a target price RM0.86 based on the revised sector PER of 21x. Maintain Neutral.**

**Operation overview.** 1H revenue grew strongly by 118% to RM70.1m due to the significant increase in TPA revenue derived from e-pay's operations. Nonetheless, the lower gross margin of TPA services and higher staff expenses dragged EBITDA margin down from 15.3% to 10.9%. As a result, 1H net earnings grew by 28% to RM4.6m.

**Going forward.** The investment in expanding GHL's regional network in preparation for 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 quarters.

**Financials.** We are reducing our FY14 and FY15 net earnings forecast to RM12.2m (-23.6%) and RM17.3m (-20.9%) respectively by factoring in higher operating costs due to the regional expansion and the slower growth in Thailand due to political turmoil.

**View and recommendation.** Following the earnings reduction, we revised our target price downwards to RM0.86 based premised on our valuation for FY15 and revised sector PER to 21x. We maintain our **NEUTRAL** recommendation on GHL.

**Share Price Chart**



## Quarterly figures

FY 31 Dec (RMm)	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	QoQ Chg	YoYChg	1HFY13	1HFY14	YTD Chg
Revenue	15.4	16.4	15.5	24.8	45.3	83.0%	193.5%	32.1	70.1	118.0%
Core EBITDA	2.2	2.8	3.2	2.5	5.2	110.3%	133.3%	4.9	7.6	55.3%
<b>Pretax profit</b>	<b>1.5</b>	<b>2.1</b>	<b>(2.3)</b>	<b>1.5</b>	<b>3.6</b>	<b>129.9%</b>	<b>145.3%</b>	<b>3.5</b>	<b>5.1</b>	<b>47.8%</b>
Core Pretax profit	1.5	2.1	0.1	1.5	3.6	129.9%	145.3%	3.5	5.1	47.8%
Taxation	0.1	(0.1)	1.8	(0.0)	(0.5)	7242.9%	(5.9)	0.1	(0.5)	-596.2%
Minority Interest	0.0	0.0	0.1	0.0	0.0	-66.7%	-94.4%	0.0	0.0	-84.0%
<b>Net Profit</b>	<b>1.6</b>	<b>2.0</b>	<b>(0.4)</b>	<b>1.5</b>	<b>3.0</b>	<b>97.3%</b>	<b>93.5%</b>	<b>3.6</b>	<b>4.6</b>	<b>28.0%</b>
<b>Core Net Profit</b>	<b>1.6</b>	<b>2.0</b>	<b>2.0</b>	<b>1.5</b>	<b>3.0</b>	<b>97.3%</b>	<b>93.5%</b>	<b>3.6</b>	<b>4.6</b>	<b>28.0%</b>
Core EPS (sen)	0.4	0.5	0.5	0.4	0.7	97.3%	93.5%	0.9	1.1	28.0%
Net gearing (x)	net cash	net cash	net cash	net cash	net cash	n.a.	n.a.	net cash	net cash	n.a.
EBITDA margin (%)	14.4%	17.0%	20.8%	9.9%	11.4%	15.0%	-20.5%	15.3%	10.9%	-28.7%
PBT margin (%)	9.4%	12.6%	-15.2%	6.2%	7.9%	25.7%	-16.4%	10.7%	7.3%	-32.2%
Net profit margin (%)	10.2%	12.3%	-2.8%	6.2%	6.7%	7.8%	-34.1%	11.1%	6.5%	-41.3%
Core Net profit	10.2%	12.3%	12.7%	6.2%	6.7%	7.8%	-34.1%	11.1%	6.5%	-41.3%
Effective tax rate (%)	-7.2%	3.3%	78.7%	0.5%	14.5%	3093.5%	(3.0)	-3.0%	10.2%	-435.7%

Source: BIMB Securities

**DEFINITION OF RATINGS**

BIMB Securities uses the following rating system:

**STOCK RECOMMENDATION**

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

**SECTOR RECOMMENDATION**

<b>OVERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
<b>NEUTRAL</b>	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
<b>UNDERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

**Applicability of ratings**

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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