

GHL Systems Bhd

GHLS MK / GHLS.KL

FLASH NOTE

Market Cap
US\$160.5m
RM526.0m

Avg Daily Turnover
US\$0.95m
RM3.05m

Free Float
36.5%
632.9 m shares

Current **RM0.83**
Target **RM1.06**
Prev. Target **RM1.06**
Up/Downside **27.7%**

STOCK RATING

ADD

HOLD

REDUCE

CIMB Analyst(s)



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Share price info

Share price perf. (%)	1M	3M	12M
Relative	2.9	36.7	84
Absolute	2.1	33.9	84.4

Major shareholders	% held
Simon Loh Wee Hian	36.2
Cycas	27.3

One-for-two bonus issue goes ex

GHL's one-for-two bonus issue has gone ex today. Ex-bonus, our target price adjusts to RM1.06, still based on 23.8x CY16 P/E (at 40% premium over the global payment sector average of 17x, in view of its strong EPS CAGR of 75% in FY13-16 and attractive PEG of 0.6x). Stronger earnings from the TPA segment, M&A activities in new markets and the possibility that the company could be a takeover target are potential re-rating catalysts. Maintain Add.

What Happened

GHL's bonus issue has gone ex today. 213m new bonus shares were issued on the basis of one bonus share for every two existing shares. Ex-bonus, our target price adjusts to RM1.06.

What We Think

We are positive on the bonus issue. Although it does not alter the company's fundamentals, we expect this corporate exercise to boost the stock's liquidity and improve near-term trading sentiment. GHL's growth strategy remains intact, driven by the acceleration in merchant acquisitions under its transaction payment acquisition (TPA) business. The TPA division contributed around 70% of group revenue in 1H14. Furthermore, GHL is on track to secure banking partnerships in Malaysia and the Philippines in 4Q14 in order to kick-start its TPA business. In addition, a recent news report highlighted the company plans to expand its e-payment business in Indochina. This is in line with our expectations that the company will capitalise on ASEAN's rising population income and improving broadband infrastructure, which would facilitate the implementation of e-payment ecosystem. We expect GHL to post a stronger 2H14, with the full integration of e-Pay services into GHL's operations and higher contribution from the Philippines operations due to its dominant market position and better traction for the TPA business. Overall, we think that the company is heading in the right direction and we are confident on management's strategy of steering the company towards becoming a leading payment service provider in ASEAN.

What You Should Do

We recommend investors to accumulate the stock. Despite the strong share price rally of 65% YTD, we still think that GHL is an attractive stock in view of its strong TPA-driven earnings growth outlook. We see M&A activities in new markets such as Indonesia and the possibility that the company could be a takeover target as potential re-rating catalysts.

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Financial Summary

	Dec-12A	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Revenue (RMm)	53.5	64.0	160.5	214.4	257.8
Net Profit (RMm)	4.37	5.26	11.23	17.63	28.32
Core EPS (RM)	0.007	0.008	0.018	0.028	0.045
Core EPS Growth	NA	12%	113%	57%	61%
FD Core P/E (x)	111.9	99.7	46.8	29.8	18.6
Price To Sales (x)	9.14	8.19	3.27	2.45	2.04
DPS (RM)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	52.68	46.97	21.43	15.80	10.45
P/FCFE (x)	NA	NA	30.81	92.81	37.08
Net Gearing	(30.6%)	(23.4%)	8.5%	3.3%	(5.9%)
P/BV (x)	12.68	9.34	4.41	3.85	3.19
ROE	11.3%	10.8%	12.8%	13.8%	18.8%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			0.89	0.96	0.99

SOURCE: CIMB, COMPANY REPORTS

Profit & Loss

(RMm)	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Total Net Revenues	64.0	160.5	214.4	257.8
Gross Profit	40.4	56.2	77.2	103.1
Operating EBITDA	10.9	25.0	33.5	49.3
Depreciation And Amortisation	(7.7)	(10.5)	(10.3)	(11.7)
Operating EBIT	3.2	14.5	23.2	37.6
Financial Income/(Expense)	0.1	(2.0)	(2.0)	(2.2)
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	3.3	12.5	21.2	35.4
Exceptional Items	0.0	0.0	0.0	0.0
Pre-tax Profit	3.3	12.5	21.2	35.4
Taxation	1.9	(1.2)	(3.6)	(7.1)
Exceptional Income - post-tax				
Profit After Tax	5.2	11.2	17.6	28.3
Minority Interests	0.1	0.0	0.0	0.0
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	5.3	11.2	17.6	28.3
Recurring Net Profit	5.3	11.2	17.6	28.3
Fully Diluted Recurring Net Profit	5.3	11.2	17.6	28.3

Balance Sheet

(RMm)	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Total Cash And Equivalents	14.1	31.1	36.8	51.0
Total Debtors	14.2	35.5	47.4	57.0
Inventories	6.6	16.5	22.1	26.6
Total Other Current Assets	0.6	0.6	0.6	0.6
Total Current Assets	35.5	83.8	106.9	135.2
Fixed Assets	32.8	34.3	39.0	47.3
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	4.2	55.7	55.7	55.7
Total Other Non-Current Assets	2.4	22.4	22.4	22.4
Total Non-current Assets	39.5	112.5	117.2	125.5
Short-term Debt	0.6	23.5	23.5	23.5
Current Portion of Long-Term Debt				
Total Creditors	12.1	30.4	40.6	48.8
Other Current Liabilities	2.3	2.3	2.3	2.3
Total Current Liabilities	15.0	56.1	66.3	74.6
Total Long-term Debt	0.4	17.8	17.8	17.8
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	3.5	3.5	3.5	3.5
Total Non-current Liabilities	3.8	21.3	21.3	21.3
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	18.9	77.4	87.6	95.9
Shareholders' Equity	56.2	119.0	136.6	164.9
Minority Interests	(0.1)	(0.1)	(0.1)	(0.1)
Total Equity	56.1	118.9	136.5	164.8

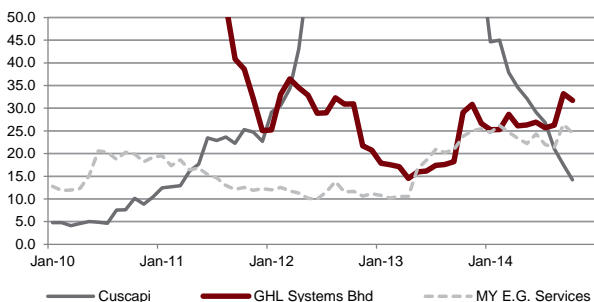
Cash Flow

(RMm)	Dec-13A	Dec-14F	Dec-15F	Dec-16F
EBITDA	10.89	24.98	33.52	49.35
Cash Flow from Inv. & Assoc.				
Change In Working Capital	(16.08)	(12.99)	(7.26)	(5.85)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	0.71	0.00	0.00	0.00
Net Interest (Paid)/Received	0.06	(2.01)	(1.99)	(2.25)
Tax Paid	(0.47)	(1.25)	(3.61)	(7.08)
Cash Flow From Operations	(4.89)	8.74	20.66	34.17
Capex	(1.90)	(12.00)	(15.00)	(20.00)
Disposals Of FAs/subsidiaries	0.07	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	(2.02)	(20.00)	0.00	0.00
Other Investing Cashflow	1.43	0.00	0.00	0.00
Cash Flow From Investing	(2.42)	(32.00)	(15.00)	(20.00)
Debt Raised/(repaid)	0.00	40.31	0.00	0.00
Proceeds From Issue Of Shares	9.48	0.00	0.00	0.00
Shares Repurchased				
Dividends Paid	0.00	0.00	0.00	0.00
Preferred Dividends				
Other Financing Cashflow	(3.61)	0.00	0.00	0.00
Cash Flow From Financing	5.88	40.31	0.00	0.00
Total Cash Generated	(1.43)	17.05	5.66	14.17
Free Cashflow To Equity	(7.31)	17.05	5.66	14.17
Free Cashflow To Firm	(7.15)	(20.80)	8.33	17.29

Key Ratios

	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Revenue Growth	20%	151%	34%	20%
Operating EBITDA Growth	20%	129%	34%	47%
Operating EBITDA Margin	17.0%	15.6%	15.6%	19.1%
Net Cash Per Share (RM)	0.021	(0.016)	(0.007)	0.015
BVPS (RM)	0.09	0.19	0.22	0.26
Gross Interest Cover	20.69	5.89	8.71	12.04
Effective Tax Rate	0.0%	10.0%	17.0%	20.0%
Net Dividend Payout Ratio	NA	NA	NA	NA
Accounts Receivables Days	81.97	56.45	70.55	74.10
Inventory Days	114.8	40.5	51.4	57.5
Accounts Payables Days	238.4	74.4	94.5	105.8
ROIC (%)	7.2%	23.4%	13.1%	19.5%
ROCE (%)	6.7%	13.7%	14.1%	20.1%

12-month Forward Rolling FD P/E (x)



Key Drivers

	Dec-13A	Dec-14F	Dec-15F	Dec-16F
ASP Change (% Main Product)	N/A	N/A	N/A	N/A
Unit sales growth (% main prod)	N/A	N/A	N/A	N/A
No. Of Lines (main Product)	3	3	3	3
Rev per line (US\$, main prod)	N/A	N/A	N/A	N/A
ASP chg (% 2ndary prod)	N/A	N/A	N/A	N/A
Unit sales grth (% 2ndary prod)	N/A	N/A	N/A	N/A
No. Of Lines (secondary Product)	5	5	5	5
Rev per line (US\$, 2ndary prod)	N/A	N/A	N/A	N/A

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Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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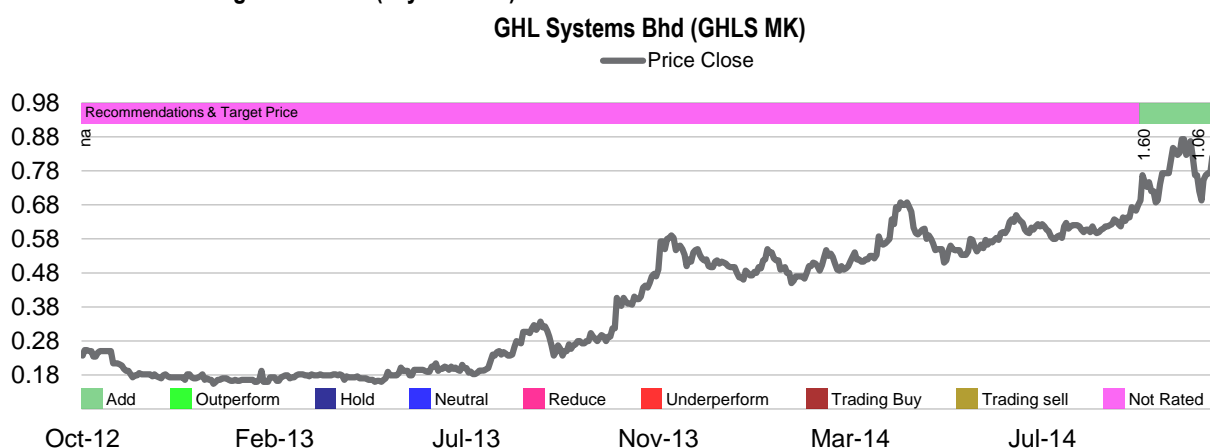
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2014		
1552 companies under coverage for quarter ended on 30 September 2014		
	Rating Distribution (%)	Investment Banking clients (%)
Add	54.9%	5.0%
Hold	29.5%	2.3%
Reduce	15.6%	1.0%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (IOD) in 2013.

AAV - Good, **ADVANC** - Excellent, **AMATA** - Very Good, **ANAN** - Good, **AOT** - Excellent, **AP** - Very Good, **BANPU** - Excellent, **BAY** - Excellent, **BBL** - Excellent, **BCH** - Good, **BCP** - Excellent, **BEAUTY** - Good, **BEC** - Very Good, **BECL** - Excellent, **BGH** - not available, **BH** - Very Good, **BIGC** - Very Good, **BJC** - Very Good, **BMCL** - Very Good, **BTS** - Excellent, **CCET** - Very Good, **CENDEL** - Very Good, **CHG** - not available, **CK** - Excellent, **CPALL** - Very Good, **CPF** - Excellent, **CPN** - Excellent, **DELTA** - Very Good, **DTAC** - Excellent, **EA** - Good, **EGCO** - Excellent, **GFPT** - Very Good, **GLOBAL** - Good, **GLOW** - Very Good, **GRAMMY** - Excellent, **HANA** - Excellent, **HEMRAJ** - Excellent, **HMPRO** - Very Good, **ICHI** - not available, **INTUCH** - Excellent, **ITD** - Very Good, **IVL** - Excellent, **JAS** - Very Good, **KAMART** - not available, **KBANK** - Excellent, **KCE** - Very Good, **KKP** - Excellent, **KTB** - Excellent, **LH** - Very Good, **LPN** - Excellent, **M** - not available, **MAJOR** - Very Good, **MAKRO** - Very Good, **MC** - not available, **MCOT** - Excellent, **MEGA** - not available, **MINT** - Excellent, **OFM** - Very Good, **PS** - Excellent, **PSL** - Excellent, **PTT** - Excellent, **PTTGC** - Excellent, **PTTEP** - Excellent, **QH** - Excellent, **RATCH** - Excellent, **ROBINS** - Excellent, **RS** - Excellent, **SAMART** - Excellent, **SAPPE** - not available, **SC** - Excellent, **SCB** - Excellent, **SCC** - Excellent, **SCCC** - Very Good, **SIM** - Excellent, **SIRI** - Very Good, **SPALI** - Excellent, **STA** - Good, **STEC** - Very Good, **SVI** - Excellent, **TASCO** - Very Good, **TCAP** - Excellent, **THAI** - Excellent, **THCOM** - Excellent, **TICON** - Very Good, **TISCO** - Excellent, **TMB** - Excellent, **TOP** - Excellent, **TRUE** - Excellent, **TTW** - Excellent, **TUF** - Very Good, **VGI** - Excellent, **WORK** - Good.

CIMB Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

**Prior to December 2013 CIMB recommendation framework for stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand, Jakarta Stock Exchange, Australian Securities Exchange, Taiwan Stock Exchange and National Stock Exchange of India/Bombay Stock Exchange were based on a stock's total return relative to the relevant benchmarks total return. Outperform: expected to exceed by 5% or more over the next 12 months. Neutral: expected to be within +/-5% over the next 12 months. Underperform: expected to be below by 5% or more over the next 12 months. Trading Buy: expected to exceed by 3% or more over the next 3 months. Trading Sell: expected to be below by 3% or more over the next 3 months. For stocks listed on Korea Exchange, Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Outperform: Expected positive total returns of 10% or more over the next 12 months. Neutral: Expected total returns of between -10% and +10% over the next 12 months. Underperform: Expected negative total returns of 10% or more over the next 12 months. Trading Buy: Expected positive total returns of 10% or more over the next 3 months. Trading Sell: Expected negative total returns of 10% or more over the next 3 months.*