



1QFY15 GHL Systems

Above Lower Margins, High Valuations

Take Profit ◀ ▶

Price: RM1.12
Target Price: (-57.1%) RM0.48 ▲

Stock Data			
Bloomberg Ticker	GHLS MK	Altman Z-score	6.1
Market Cap	720.0	YTD price chg	55.6%
Issued shares	642.8	YTD KLCI chg	-0.3%
52-week range (H)	1.28	Beta	1.4
52-week range (L)	0.55	Major Shareholders	
3-mth avg daily volume	4,883,626	Simon Loh Wee Hian	35.8%
Free Float	34.0%	CYCAS	27.1%
Shariah Compliant	Y	Goh Kuan Ho	3.1%
Financial Derivatives	n.a.		

Share Performance (%)	1mth	3mth	12mth
Absolute	0.0	31.8	94.2
vs. KLCI	5.9	36.7	116.4

Consensus	2015	2016
Net Profit	15.0	26.4
EPS (sen)	3.8	5.7

Historical Price Ratio (x)	FY 2012	FY 2013	FY 2014
Price Earnings	9.1	20.4	37.0
Price to Book	1.3	2.1	2.8

Financial Highlights					
FYE 31 Dec	2012	2013	2014E	2015E	2016E
Turnover	53.1	64.0	165.4	201.8	229.3
EBIT	4.0	5.7	14.2	20.3	23.8
Pretax profit	3.2	3.2	11.7	18.9	22.1
Net Profit	4.4	5.2	6.8	13.9	16.3
Core Net Profit	4.9	7.6	7.7	13.9	16.3
Core EPS (sen)	0.8	1.2	1.2	2.2	2.5
FD Core EPS (sen)	0.7	0.8	1.1	2.2	2.5
PER (x)	165.5	139.4	105.8	51.7	44.2
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)	0.06	0.08	0.18	0.25	0.34

EBIT margin	7.5%	9.0%	8.6%	10.1%	10.4%
Pretax margin	6.0%	5.0%	7.1%	9.4%	9.6%
Effective tax rate	-36.9%	-59.3%	40.8%	25.0%	25.0%
ROE	12.8%	15.6%	5.5%	7.6%	10.6%
ROA	6.5%	7.1%	3.5%	4.9%	6.2%
Net Gearing (x)	net cash	net cash	net cash	0.36	0.24

Growth ratios	2012	2013	2014E	2015E	2016E
Turnover	-15.4%	20.7%	158.3%	22.0%	13.6%
EBIT	518.5%	44.8%	148.2%	42.6%	17.0%
Pretax profit	-112.6%	0.5%	269.1%	60.9%	16.9%
Core Net profit	-997.6%	53.3%	2.2%	80.2%	16.9%
Core EPS growth	-116.7%	18.7%	31.8%	104.7%	16.9%

GHl's 1QFY15 net earnings of RM3.3m is above our expectation, making up 31% of our forecast. Nonetheless, it only made up of 20% of consensus figure. This is mainly due to overall improvement in the gross margin. As a result, EBITDA margin has improved from 9.9% to 12.3% YoY. We revised our FY15 and FY16 net earnings forecast respectively; and our target price is increased to RM0.48 (RM0.36 previously) based on the revised sector PER of 22x. Due to the prevailing high valuation, we maintain our "Take Profit" recommendation.

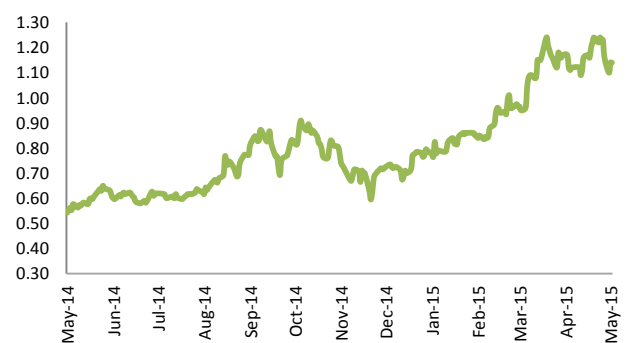
Stronger TPA growth. Transaction Payment Acquisition (TPA) revenues grew strongly, by more than 150% YoY to RM39.1m (1QFY14 – RM14.2m) with the inclusion of a full quarter's contribution from e-pay which showed strong growth in its mobile prepaid reload business.

Improved QoQ. QoQ Core earnings were 251% higher mainly due to higher income tax in the previous quarter.

Financials. We are revising our FY15 and FY16 net earnings forecast to RM13.9m (+32%) and RM16.3m (+31%) respectively by factoring in higher gross margins following better economies of scale and improvement in the TPA division.

View and recommendation. Following the earnings revision, we revised our target price upwards to RM0.48 (from RM0.36) based on sector PER to 22x. Nonetheless, GHl's share price has gone beyond its fundamentals; therefore maintain our "Take Profit" recommendation.

Share Price Chart



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Quarterly figures

FY 31 Dec (RMm)	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	QoQ Chg	YoYChg	1QFY14	1QFY15	YTD Chg
Revenue	24.8	45.3	45.7	49.6	52.6	105.9%	112.3%	24.8	52.6	112.3%
Core EBITDA	2.5	5.2	4.6	7.4	6.4	87.6%	162.1%	2.5	6.4	162.1%
Pretax profit	1.5	3.6	3.0	3.7	4.4	121.2%	186.9%	1.5	4.4	186.9%
Core Pretax profit	1.5	3.6	3.0	4.6	4.4	96.7%	186.9%	1.5	4.4	186.9%
Taxation	(0.0)	(0.5)	(1.2)	(3.1)	(1.1)	35.7%	15471.4%	(0.0)	(1.1)	15471.4%
Minority Interest	0.0	0.0	0.1	(0.2)	(0.0)	5.9%	-500.0%	0.0	(0.0)	-500.0%
Net Profit	1.5	3.0	1.8	0.4	3.3	832.2%	116.3%	1.5	3.3	116.3%
Core Net Profit	1.5	3.0	1.8	1.3	3.3	251.3%	116.3%	1.5	3.3	116.3%
Core EPS (sen)	0.2	0.5	0.3	0.2	0.5	251.3%	116.3%	0.2	0.5	116.3%
Net gearing (x)	net cash	net cash	net cash	net cash	0.1	n.a.	n.a.	net cash	0.1	n.a.
EBITDA margin (%)	9.9%	11.4%	10.1%	14.8%	12.3%	82.7%	23.5%	9.9%	12.3%	23.5%
PBT margin (%)	6.2%	7.9%	6.5%	7.4%	8.4%	114.4%	35.2%	6.2%	8.4%	35.2%
Net profit margin (%)	6.2%	6.7%	4.0%	0.8%	6.3%	785.7%	1.9%	6.2%	6.3%	1.9%
Core Net profit	6.2%	6.7%	4.0%	2.7%	6.3%	237.3%	1.9%	6.2%	6.3%	1.9%
Effective tax rate (%)	0.5%	14.5%	40.7%	83.5%	24.6%	29.4%	53.3	0.5%	24.6%	5326.7%

Source: BIMB Securities

