



3QFY16 **GHL SYSTEMS**

HOLD ▲

Above Solid Growth

Price: **RM0.795**
 Target: **(+3.14%) RM0.820**

Stock Data

Bloomberg Ticker	GHLS MK	Altman Z-score	6.0
Market Cap	518.8	YTD price chg	-17.6%
Issued shares	652.6	YTD KLCI chg	-3.8%
52-week range (H)	1.06	Beta	1.1
52-week range (L)	0.71	Major Shareholders	
3-mth avg daily	596,517	WEE HIAN LOH	35.3%
Free Float	32.3%	CYCAS	28.4%
Shariah Compliant	Y	AMANAHRAYA	4.1%

Share Performance (%)	1mth	3mth	12mth
Absolute	(7.0)	(7.6)	(25.0)
vs. KLCI	(4.6)	(4.5)	(22.5)

Consensus	2016	2017	2018
Net Profit	17.3	23.85	42.9
EPS (sen)	0.026	0.036	0.064

Historical Price Ratio (x)	FY 2013	FY 2014	FY 2015
Price Earnings	20.4	47.0	74.6
Price to Book	2.1	2.8	2.7

Financial Highlights (RMm)

FY 31 Dec (RMm)	2014	2016E	2017E	2018E
Turnover	165.4	211.4	229.3	268.2
EBITDA	14.2	19.0	26.1	30.9
Pretax profit	11.7	16.1	24.4	28.8
Net Profit	6.8	10.3	18.0	21.3
EPS (sen)	1.2	1.6	2.8	3.3
PER (x)	75.8	49.9	28.6	24.2
DPS (sen)	0.0	0.0	0.0	0.0
Div. Yield (%)	n.a.	n.a.	n.a.	n.a.
NTA/share (RM)	0.17	0.23	0.33	0.45

Margins

	2014	2016E	2017E	2018E
EBIT margin	8.6%	9.0%	11.4%	11.5%
Pretax margin	7.1%	7.6%	10.6%	10.7%
Effective tax rate	40.8%	25.0%	25.0%	25.0%
ROE	5.5%	4.5%	7.4%	8.1%
ROA	3.5%	3.0%	4.7%	5.0%
Net Gearing (x)	net cash	net cash	net cash	net cash

Growth ratios

	2014	2016E	2017E	2018E
Turnover	158.3%	27.8%	8.5%	17.0%
EBIT	148.2%	33.7%	37.0%	18.3%
Pretax profit	269.1%	37.4%	51.3%	18.1%
Net Profit	2.2%	33.7%	74.4%	18.1%

Research Team

bimbresearch@bimbsec.com.my

03-26131740

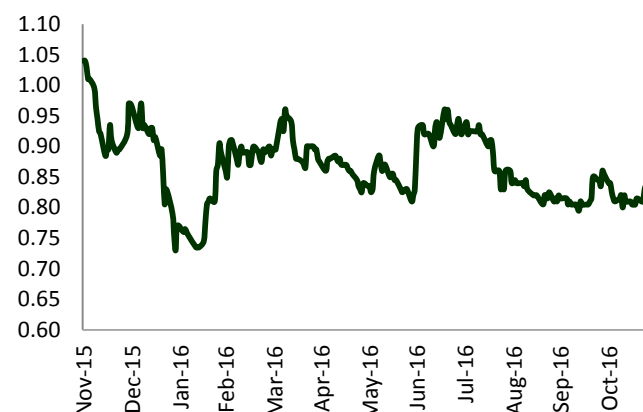
- **GHL's 9MFY16 net earnings of RM13.7m are above with our expectation, making up 84% of our forecast.**
- **Revenue 9MFY16 grew +15.9% yoy to RM60.4m (9MFY15 – RM52.1m) with growth registered in all three operating segments.**
- **Additionally, net profit 9MFY16 grew +73.6% yoy attributed by better net profit margins of 7.9%.**
- **We revised up our FY16 and FY17 net earnings forecast to RM18m and RM21.3m respectively and upgrade to HOLD recommendation.**

Shared services. Shared services revenue is mainly derived from the sales, rental and maintenance of EDC terminals and other card acceptance and the supply of cards to banks and other payment operators. Shared services revenue in 9MFY16 grew +16% yoy to RM37.7m (9MFY15: RM32.4m) attributed by better EDC hardware sales, rental and maintenance fees collected.

Solution services. Solution services revenue is mainly derived from the sales and services of payment solutions which include payment networks and processing of payment. Solution services revenue is up by 74% in 9MFY16 to RM10.3m (9MFY15 – RM5.9m) due to better hardware and software sales.

Transaction Payment Acquisition (TPA). TPA business comprises of reload and collection services through e-pay and card payment services. TPA revenue grew strongly by 13% in 9MFY16 to RM130.8m (9MFY15: RM116.1m) due increased in transaction value processed.

Share Price Chart



Quarterly figures

FY 31 Dec (RMm)	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	QoQ Chg	YoYChg	9MFY15	9MFY16	YTD Chg
Revenue	52.1	56.9	55.9	62.4	60.4	96.8%	15.9%	154.4	178.8	15.8%
EBIT	4.5	7.4	7.6	8.3	8.0	96.2%	75.7%	16.8	23.9	41.7%
Pretax profit	2.4	5.4	5.7	6.5	6.3	96.6%	158.4%	10.7	18.6	73.3%
Taxation	(1.4)	(2.2)	(1.4)	(1.8)	(1.6)	88.1%	15.1%	(3.7)	(4.8)	31.6%
Minority Interest	0.0	0.1	(0.0)	(0.0)	(0.0)	440.0%	-375.0%	0.0	(0.1)	-231.8%
Net Profit	1.1	3.2	4.3	4.7	4.7	99.2%	338.1%	7.1	13.7	92.8%
EPS (sen)	0.2	0.5	0.7	0.7	0.7	99.2%	338.1%	1.1	2.1	92.8%
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 (%)	8.7%	13.1%	13.7%	13.2%	13.2%	99.4%	51.6%	10.9%	13.3%	22.4%
PBT margin (%)	4.7%	9.5%	10.2%	10.5%	10.5%	99.8%	122.9%	6.9%	10.4%	49.7%
Net profit margin (%)	2.0%	5.7%	7.7%	7.5%	7.7%	102.5%	277.9%	4.6%	7.7%	66.6%

Source: BIMB Securities

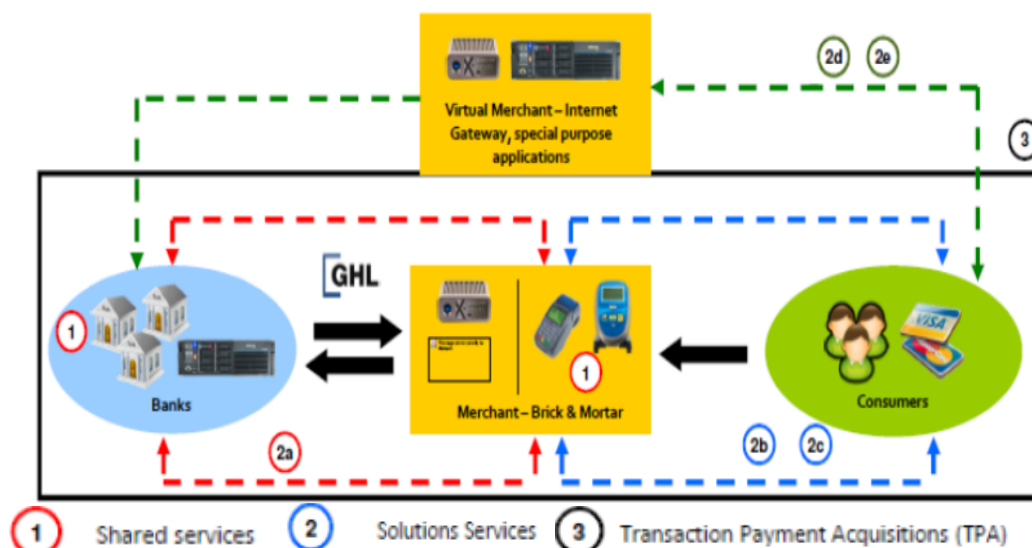
Upgrade to HOLD recommendation. We revised our FY16 and FY17 net earnings forecast due to its improved margin and lower than expected payroll expenses. Our new forecast is RM18m for FY16 and RM21.3m for FY17 (previously RM16.3m and RM17.3m respectively). We upgrade our recommendation to HOLD with a new target price of RM0.82 (previously RM0.67) based on sector average PER of 25x.

Table 1: TPA revenue breakdown

	9MFY15	9MFY16	% change
e-pay (reload and collection services)			
Transaction value processed	RM2,426.7m	RM2,677.4m	10.3%
Gross revenue	RM99.8m	RM107.5m	7.8%
Gross profit	RM32.4m	RM33.8m	4.5%
Gross profit / transaction value	1.3%	1.3%	
Card payment services			
Transaction value processed	RM1,374.0m	RM1,672.8m	21.7%
Gross revenue	RM16.2m	RM23.3m	43.4%
Gross profit	RM7.5m	RM10.2m	35.5%
Gross profit / transaction value	0.53%	0.60%	0.1%

Source: GHL System, BIMB Research

Chart 1: Payment Ecosystem



Source: GHL System, BIMB Research

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BIMB Securities uses the following rating system:

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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.
HOLD	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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BIMB SECURITIES SB(290163-X)

A Participating Organisation of Bursa Malaysia Securities Berhad
Level 32, Menara Multi Purpose, Capital Square,
No. 8 Jalan Munshi Abdullah,
50100 Kuala Lumpur

Tel: 03-2613 1600 Fax: 03-2613 1799

<http://www.bimbsec.com.my>

Azharuddin Nordin
Head of Research