

Payments (Not Rated)

October 21, 2013

INDUSTRY INSIGHT

GST Fuelled Long run super normal growth

Highlights

- We believe companies in the nascent Payments Sector will produce a long period of abnormal organic growth on the back of an increased adoption of electronic payments which is driven by the fact that electronic payments are cheaper than cash or cheques and BNM initiatives to drive adoption.
- We believe this growth has not been fully reflected in forecasts, valuations and hence price of selected stocks as the sector is relatively under-covered and for now, off the institutional investors radar.
- We see the imminent implementation and announcement of GST in the upcoming budget as a major catalyst for the realisation of value in the sector. GST will require a major reworking of the payments infrastructure, benefiting certain companies and increasing the awareness of all, as the market fishes through the sector in search of alpha.
- M&A is an additional catalyst for stock price as domestic firms go on the acquisition path to increase economies of scale and international firms with low borrowing costs hunt for emerging market growth.
- Our Top pick is Censof because of organic growth related to Government departments shifting towards electronic payments, potential work related to the implementation of GST and value accretion from the acquisition of Time Engineering.
- Our favourite company in the B2C segment of the Payments Sector is GHLS Systems for its dominate market share, regional foot print and strong management team. We caution a potential share overhang from the conversion of E Pay shares. Note, assuming the E Pay acquisition goes through, at current prices, E Pay is a cheaper proxy.

Catalysts

- **Upgrades:** GST and M&A.
- **Downgrades:** Global recession and a decrease in consumer confidence, execution failure.

Risks

Rating

- **Global recession.**

OVERWEIGHT

- Positives: We believe that organic growth as payments move to electronic will drive earnings in the sector.
- Negatives: execution risk, delay in GST.

Valuation

- Top picks in order of preference;
- **Censof** (Not Rated - TP: 0.65 or 15x FY14 EPS of 4.3 sen/share)
- **GHLS** (Not Rated - TP: RM1.00 or 15x FY14 EPS of 6.7 sen/share).

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Censof TP: RM0.65



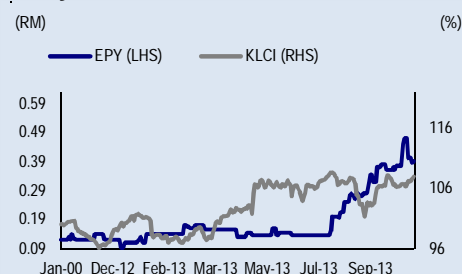
GHLS TP: RM1.00



TIME Engineering



E Pay Asia Ltd



Payments potential is being Ignored

We believe Malaysia and ASEAN are on an unstoppable trend towards a higher adoption of electronic payments which is driving growth in the sector. Although transportation and Telco infrastructure has been widely covered, Asian based payment infrastructure remains in the shadows. Company level growth is likely to be augmented by a transition to reoccurring income. We believe this growth has not been fully reflected in forecasts or valuations of selected stocks. Looking forward, as the growth cycle accelerates, M&As are likely to drive sentiment and price as domestic players search for increased economies of scale and international firms with low borrowing costs bid to enjoy emerging market growth. We define companies in the payments sector as those which derive a substantial portion of their revenues from facilitating electronic payments see Figure 1.

Figure 1: Payment Related Stocks Key Ratios

Company	Price	Market	P/E (x)		P/E /G (x)	
Domestic		Cap (m)	2013	2014	2013	2014
GHL Systems Bhd	0.60	108.1	17.0	11.2	0.3	0.2
My EG Services Bhd	1.94	1,145.1	23.1	14.9	0.6	0.4
Censof Holdings Bhd	0.53	200.2	15.1	10.6	NA	0.4
Cuscap Bhd	0.45	194.9	23.7	15.0	0.7	0.4
Time Engineering BHD	0.28	213.2	NA	NA	NA	NA
Manageway Systems Bhd	0.10	36.6	NA	NA	NA	NA
Microlink Solutions Bhd	0.59	81.4	NA	NA	NA	NA
Datasonic Group Bhd	4.82	650.7	NA	NA	NA	NA
CBSA BHD	0.38	90.5	NA	NA	NA	NA
Excel Force MSC Bhd	0.37	76.5	NA	NA	NA	NA
N2N Connect Bhd	0.44	132.1	NA	NA	NA	NA
Rexit Bhd	0.40	71.9	NA	NA	NA	NA
Average		250.1	19.7	12.9	0.5	0.3
International						
E-Pay Asia Ltd	0.40	22.8	NA	NA	NA	NA
VeriFone Systems Inc	21.99	2,402.1	15.3	14.2	0.3	0.3
First Data Corp*	NA	NA	NA	NA	NA	NA
Euronet Worldwide Inc	40.26	2,015.1	20.6	17.9	0.1	0.1
Check Point Software Technologies Ltd	59.04	11,750.7	17.3	15.9	3.4	3.1
Nera Telecommunications Ltd	0.74	266.0	10.7	9.9	0.9	0.8
Average			16.0	14.5	1.2	1.1

Source: Bloomberg, HLIB

Note: First Data Corp was taken private by KKR in 2007

Growth

Growth is being driven by the fact that electronic payments are cheaper and more convenient than other payment methods. According to BNM the total production cost of cheques is RM3.00 per transaction compared to RM0.50sen for electronic payments. When handling cash and cheques, there is a cost for both business and consumers which include labour, fraud, handling and security. To promote more electronic payments, on 2 May 2013 BNM reduced the price of GIRO and IBG transactions to RM0.10sen. Going forward an additional catalyst for electronic payments is the introduction of a RM0.50sen processing fee which is in addition to the

Although transportation and Telco infrastructure has been widely covered, Asian based payment infrastructure remains in the shadows

Growth is being driven by the fact that electronic payments are cheaper and more convenient than other payment methods

existing stamp duty of RM0.15sen per cheque leaf, effective 1 Apr 2014. Fee increases will not stop there. BNM plan to continue to increase the chargers for cheques towards the RM3.00 production costs. The increase in cheque processing revenue will be used to invest in e-payment. According to a BNM press statement migration towards electronic payments will reap annual savings of up to 1% of GDP. Additional growth drivers are urbanisation and an increase in online travel and shopping payments.

And BNM initiatives

Figure 2: Key Performance Indicators E – payments



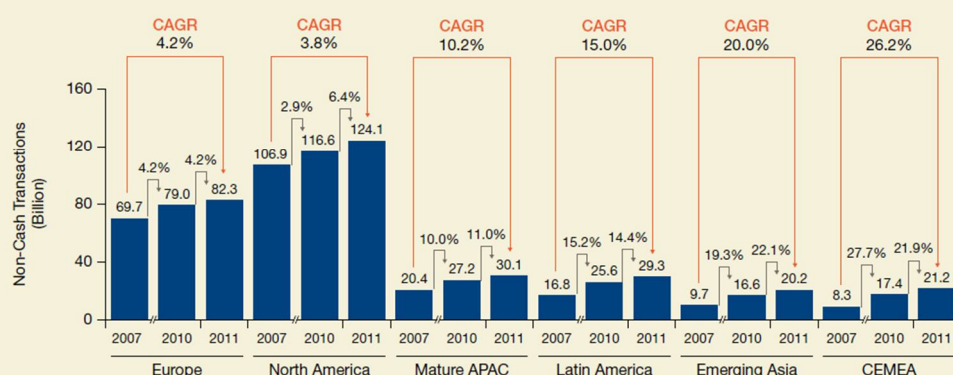
Source: *Financial Stability and payments systems report 2012 BNM*

According to BNM's 'Financial Payments Systems Report 2012', BNM intends to increase the number of Electronic Funds Transfer at Point of Sale (EFTPOS) terminals to 25 per 1000 inhabitants by 2020. Conservatively assuming no population growth this works out to 725,000 terminals (29.24m population / 1000 * 25) by 2020 or an increase of 163% from the current 276,304 (end-2012) terminals. BNM hope that the increase in terminals will bring cash transactions down from 91% to 63% and at the same time causing a 10 fold increase from 1.2bn to 12bn electronic transactions per year.

Figure 3 from the 'World Payments Report' below shows that the CAGR for Emerging Asia has been 20%. In short, both historical and projected growth rates for the Payments Sector are greater than GDP.

Figure 3: Change in Payments Mix by Region

Figure 1.4 Comparison of Non-Cash Transactions (Billion) and Change in Payments' Mix (%), by Region, 2007, 2010-2011



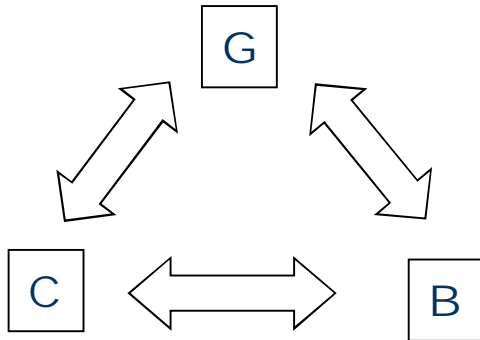
Source: *World Payments Report*

CAGR for Emerging markets is 20%

Competitive dynamics B2C2G

The revenue models of companies in the Payments Sector can be broadly categorised into three segments, business to consumer (B2C), consumer to government (C2G) and government to business (G2B). Each segment have their own value proposition and competitive dynamics.

Figure 4: Payments Competitive Segments



Source: HLIB

Revenue models can be categorised to (B2C), (C2G) and (G2B)

Business to Consumer (B2C)

Companies operating in the B2C segment are a proxy to the rising value of emerging market consumer spending. Our favourite company in the B2C segment is **GHLS Systems** (GHLS) for its dominate market share, regional foot print and strong management team.

GHLS is an end to end payment solutions provider. The company facilitates the payment process between consumers and stores when a credit card, debit card or online transactions occurs. Solutions also include capturing consumer spending data and managing loyalty schemes.

With the proposed acquisition on 4 Oct 2013, of E Pay Asia Limited, GHLS also becomes the dominate Top-up provider in Malaysia with a 60% market share. E Pay provides mobile prepaid, online games and eWallet top ups as well as bill and content payment services.

Historically, the bulk of GHLS revenue is from contract based payment solutions with a maintenance fee. The company is transitioning to a transaction based system which is expected to be more lucrative as the number of electronic transactions increase resulting in increased economies of scale while infra costs would be relatively stable.

The management team includes Simon Loh, founder of E Pay Asia Ltd, Raj Lorenz, former head of eNets Singapore and KK Ng who built MBFs card business. The management is augmented with the entry of Brahma Vasudevan (at the shareholding level via a proposed 20% stake by Cycas, a subsidiary of Creador II) who may add expertise and a available war chest in future M&A activities.

Potential catalyst going forward are;

- 1) Finalisation of the E pay Asia Ltd. Acquisition
- 2) E Pay cross selling on the 40,000 GHLS terminals
- 3) Growth in transaction payment acquisition (TPA) which includes loyalty programs.

Our favourite company in the B2C segment is GHLS

Other players in this space include, Paysys Sdn Bhd, Mange Pay Systems Bhd (Ace Market), Revenue Harvest Sdn Bhd. We do not consider these players to be a threat because they lack economies of scale which makes it difficult to both compete domestically and grow regionally.

Caution Overhang. We caution that there maybe potential overhang arising from E-Pay Asia shareholders who opt for GHLS shares instead of cash. Although it is likely that the majority of the 31% of minority shareholders will take cash, there is a possibility that shareholders take GHLS shares which could potentially create up to a 59.4m new share overhang (38% of 56.93m E Pay shares at a conversion ratio of 1 E Pay share for 2.75 GHLS shares) for GHLS shares in 1Q2014 when the deal is expected to be completed.

E-Pay was trading at AUD13.5 cents in Jul 2013. Conservatively, assuming that GHLS shares are still trading at RM0.59 sen and an AUD/RM exchange rate of 3, upon listing, each E-pay share will be worth AUD0.54 cents. A 300% premium over the trading price in Jul 2013 which may induce some profit taking. Even at the latest price of E Pay of AUD0.465 cents, E Pay shareholders who opt for GHLS shares would be sitting on costs of RM0.51sen (assuming and exchange rate of AUD/RM 3 and conversion ratio of 1 E Pay share for 2.75 GHLS shares).

there maybe potential overhang of 59.4m shares

Consumer to Government (C2G)

My E.G. Services Berhad (MyEg) is the only exposure to the Consumer to Government (C2G) segment.

MyEg is principally engaged in the business of development and implementation of E-Government services and the E-Government Initiative which is a Government programme which focuses on delivering improvements in terms of how the Government operates internally, and how it delivers services to the people. The main Service Suppliers that currently employ MyEg's E-Government services and solutions are DBKL, Jabatan Insolvency Malaysia ("JIM"), Jabatan Pengangkutan Jalan ("JPJ"), Polis Diraja Malaysia ("PDRM"), Tenaga Nasional Berhad ("TNB") and Telekom Malaysia Berhad ("TMB").

Potential catalysts going forward are;

- 1) Point of Sales Monitoring system which will monitor transactions in real time for nocturnal F&B and entertainment outlets.
- 2) Road safety diagnostic which is planned to decreased road accidents by monitoring the condition of drivers.
- 3) Regional expansion. Helping other countries in the region role out similar services to the Malaysian government.

Business to Government (B2G)

In the Business to Government (B2G) segment, we like **Censof Bhd** because of organic growth related to Government departments shifting towards electronic payments, potential work related to the implementation of GST and value accretion from the acquisition of Time Engineering.

Censof facilitates electronic payments by designing, developing, and implementing financial management software and services in the B2G segment. Financial Management System Solutions in CSM and e-Payment Gateway Solution under TMX. CSM is principally involved in the design, development, implementation and marketing of financial and related software where else TMX is principally involved in providing services for financial applications, electronic payments and collections solutions, essentially offering Software as a Service (Saas).

With the acquisition of a 45% stake in Time Engineering (first payment done 11 Oct 2013) Censof now controls Dagang Net Technologies Sdn Bhd which facilitates the

In the Business to Government (B2G) segment we like Censof Bhd

import and export of goods and related payments in Malaysia.

Other players in the B2G segment are SAP, Oracle and Microsoft which can provide similar solutions. However, these companies generally charge in USD as opposed to Censof which charges in Ringgit. A domestic player is Brilliance Information Sdn Bhd.

Potential catalysts going forwards are;

- 1) Goods and Service Tax (GST). Described below.
- 2) Synergise with Time and rationalisation of Time's Data Center Services and Systems Integration services which are not profitable but could potential be worth 3 sen per share. We understand that Dagang Net made circa RM16m in FY2012. If RM5m – RM8m of synergise can be realised and the loss making subsidiaries breakeven, back of the envelope calculations indicate Time can earn up to RM24m or 3 sen per share. However, we do not expect synergies and rationalisation to be fully realised until 2015.
- 3) Growth through M&A.

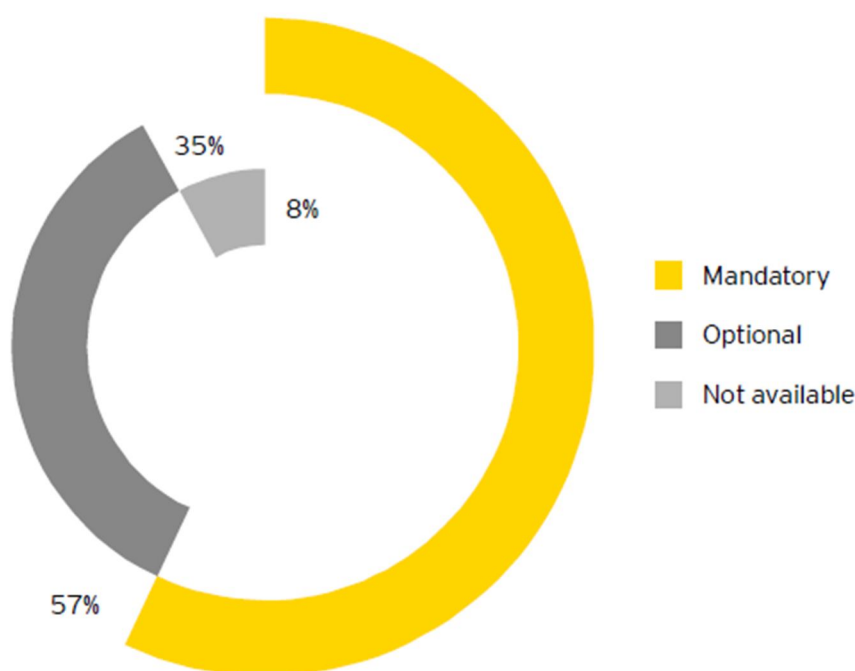
Goods and Services Tax (GST)

We see two catalysts driving sentiment in the sector, namely GST and M&A. The imminent announcement of Good and Services Tax (GST) in the upcoming budget on 25 Oct 2013. The implementation of GST will require a massive reworking of the backend of the payments system at both the business and Government levels. Figure 5 shows that 57% of GST around the world has mandatory electronic filing, and a total of 92% is either mandatory or optional electronic filing because governments have discovered that it is far more efficient to administer GST with electronic data transmission and filing. In addition, according to the Indirect Tax 2013 report by Ernest & Yong electronic data allows tax administrators to use IT-based audit tools which help to combat fraud and tax evasion. Tax payers also find it more efficient to do their filing online. Hence, Government initiatives (described above) to move towards electronic payments facilitated the implementation of GST and indirectly benefiting GHLS.

The possible announcement of Good and Services Tax (GST) is a catalyst

Figure 5: Electronic filing of VAT/GST

Figure 3. Electronic filing of VAT/GST returns



Source: Indirect tax 2013 By Ernest & Young

Channel checks indicate that GST implementation will be somewhere in the 1H of 2015. However, the implementation of systems and training in order to facilitate GST

may start at any time due to the complexity and scale involved. We expect Censof Bhd to benefit from backend systems work and training government departments who are existing clients. GST related work could be worth up to RM40m (RM500,000 per site with Censof maintaining around 80 sites) and would have to be completed by end 2014 in time for GST implementation.

We understand that Brilliance Information Sdn Bhd, has won the backend job for the Royal Customs System. C2G MyEg may also benefit from point of sale monitoring.

M&A

We expect M&A to accelerate the realisation of value in the sector. The acquisition of E Pay by GHLS has coincided with a 300% jump in the share price of E Pay and circa 50% jump in GHLS stock. In Nov 2012 Veriphone brought Point, North Europe's largest provider of payment and gateway services for USD850m. Closer to home, in Aug 2012, Wirecard AG acquired Trans Infotech Pte Ltd which has 60,000 terminals in Vietnam, Cambodia and Myanmar for EU21m cash. In Jan 2013, North Star Group brought a 53% stake in Nera Ltd for S\$95m. Private Equity firm Actis is also actively buying Payment related companies in Africa through EMPH. We believe GHLS is a potential acquisition target for international firms wanting to buy into emerging market growth (see Figure 3).

We expect M&A to accelerate the realisation of value in the sector

Recommendations & Valuations

Top picks in order of preference;

We believe that because the payment sector will grow at a significantly higher rate than GDP coupled with the potential catalysts of GST implementation and possible M&A, valuation multiples should be at least the market. Hence we use a base case valuation multiple for the Payments Sector of 15x.

Censof (Not Rated - TP: 0.65 or 15x FY14 EPS of 4.3 sen/share)

We arrive at a TP of RM0.65 based on 15 x FY14 EPS of 4.3 sen/share.

We have conservatively not included 5 sen/share or an additional 75 sen upside to our valuation (based on 15x) of potential value accruing from GST implementation and the Time acquisition.

- 1) Work related to GST implementation could be worth up to **2 sen/per share or an additional 30 sen** to our valuation (based on a multiple of 15x) assuming RM500,000 contract value per site and 80 sites (RM40m) and a margin of 20%.
- 2) Value accretion from the acquisition of Time which could be worth up to **3 sen/share or an additional 45 sen to our valuation** based on a multiple of 15x. Synergise with Time and rationalisation of Time's Data Center Services and Systems Integration services which are not profitable could potential be worth 3 sen per share. We understand that Dagang Net made circa RM16m in FY2012. If RM5m – RM8m of synergise can be realised and the loss making subsidiaries breakeven, back of the back envelope calculations indicate Time can earn up to RM24m or 3 sen per share. We don't expect synergies and rationalisation to be fully realised until 2015.

GHLS (Not Rated - TP: RM1.00 or 15x FY14 EPS of 6.7 sen/share).

We arrive at a TP of RM1.00 based on 15 x FY14 EPS of 6.7 sen/share. We have conservatively not included value accretion from the acquisition of E Pay.

The E Pay acquisition is expected to be positive due to 1) rerating from a larger market

cap and increased liquidity from new shares 2) Synergies from cross selling and 3) entry of strategic partner Creador Capital.

GHLS Shareholders should be weary of a potential overhang of 59m new shares (described above) which may list in 1Q14. Assuming the E Pay deal goes through, cheaper entry is through E Pay Asia Ltd listed on the Australian stock exchange. Given the current market price of E Pay shares is at AUD0.465 cents and assuming an exchange rate of AUD/RM 3 and a conversion ratio of 1 : 2.75 GHLS, the cost of GHLS shares via E Pay is only RM51sen.

SECTOR RISKS

Global recession dents consumer spending

A hard landing in China which is expected to be the lynch pin of global growth, will have dire effects on the emerging and developing markets.

Execution failure

This may be caused by loss in key management.

Figure 10: PER and PEG Comparison for Malaysia Oil and Gas Companies

Company	Price (RM)	Mrk Cap (m)	P/E (x)		P/B (x)		ROE (%)		P/E /G (x)		Relative Performance %		Gearing
			2013	2014	2013	2014	2013	2014	2013	2014	Year to Date	1 Year	
Domestic													
GHL Systems Bhd	0.60	108	17.0	11.2	NA	NA	16.2	18.0	0.3	0.2	117.1	45.3	Net Cash
My EG Services Bhd	1.94	1,145	23.1	14.9	6.6	5.2	31.5	38.0	0.6	0.4	132.3	137.9	Net Cash
Censof Holdings Bhd	0.53	200	15.1	10.6	2.7	1.8	16.6	14.0	0.5	0.4	43.2	36.3	0.0
Cuscapi Bhd	0.45	195	23.7	15.0	2.0	1.8	10.2	12.7	0.7	0.4	38.2	33.4	Net Cash
Time Engineering BHD	0.28	213	NA	NA	NA	NA	NA	NA	NA	NA	-13.3	-17.9	Net Cash
Managepay Systems Bhd	0.10	37	NA	NA	NA	NA	NA	NA	NA	NA	5.1	-7.4	Net Cash
Microlink Solutions Bhd	0.59	81	NA	NA	NA	NA	NA	NA	NA	NA	9.4	38.3	Net Cash
Datasonic Group Bhd	4.82	651	NA	NA	NA	NA	NA	NA	NA	NA	238.5	234.7	0.84
CBSA BHD	0.38	91	NA	NA	NA	NA	NA	NA	NA	NA	-15.6	-4.9	Net Cash
Excel Force MSC Bhd	0.37	77	NA	NA	NA	NA	NA	NA	NA	NA	27.3	14.2	Net Cash
N2N Connect Bhd	0.44	132	NA	NA	NA	NA	NA	NA	NA	NA	-9.5	-20.1	0.50
Rexit Bhd	0.40	72	NA	NA	NA	NA	NA	NA	NA	NA	43.7	46.3	Net Cash
Average		250.1	19.7	12.9	3.8	2.9	18.6	20.7	0.5	0.3	51.4	44.7	
International													
E-Pay Asia Ltd	0.40	23	NA	NA	NA	NA	NA	NA	NA	NA	223.2	185.9	Net Cash
VeriFone Systems Inc	21.99	2,402	15.3	14.2	1.8	1.6	12.1	12.5	0.3	0.3	-38.0	-40.6	0.63
First Data Corp	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	8.23
Euronet Worldwide Inc	40.26	2,015	20.6	17.9	3.5	3.0	12.9	13.7	0.1	0.1	42.8	77.6	0.21
Check Point Software Technologies Ltd	59.04	11,751	17.3	15.9	3.3	3.0	18.2	17.5	3.4	3.1	3.8	7.5	Net Cash
Nera Telecommunications Ltd	0.74	266	10.7	9.9	NA	NA	38.0	33.9	0.9	0.8	47.9	48.0	Net Cash
Average		3,291.3	16.0	14.5	2.9	2.5	20.3	19.4	1.2	1.1	55.9	55.7	3.0

Financial Projections Censof Bhd

Income statement

FYE 31 Dec (RMm)	2011A	2012A	2013E	2014E	2015E
Revenue	43.3	44.8	53.4	64.1	69.2
Operating cost	-31.1	-30.8	-36.8	-44.1	-47.7
EBITDA	12.2	14.0	16.7	20.0	21.6
Depreciation	-2.8	-4.2	-4.2	-4.3	-4.3
EBIT	9.4	9.8	12.4	15.7	17.3
Interest income	0.2	0.1	0.2	0.3	0.6
Finance costs	-0.4	-0.1	-0.1	-0.1	-0.1
PBT	9.2	9.8	12.5	15.9	17.7
Tax	-0.2	-0.4	0.5	0.6	0.7
PAT	9.0	9.4	13.0	16.5	18.4
Minority Interest	-0.2	-0.1	-0.2	-0.2	-0.2
Core Earnings	8.8	9.3	12.8	16.3	18.2
Extraordinary items	0.0	0.0	0.0	0.0	0.0
PATMI	8.8	9.3	12.8	16.3	18.2
Basic shares (m)	276	344	378	378	378
Core EPS (sen)	3.2	2.71	3.40	4.31	4.81
Basic EPS (sen)	3.2	2.71	3.40	4.31	4.81

Balance sheet

FYE 31 Dec (RMm)	2011A	2012A	2013E	2014E	2015E
Fixed assets	14.6	19.8	20.0	20.3	20.5
Other long-term assets	3.4	6.6	6.6	6.6	6.6
Other short-term assets	11.8	2.1	2.1	2.1	2.1
Working capital	29.5	48.8	57.9	69.4	74.9
Receivables	26.8	31.7	37.9	45.4	49.1
Payables	2.7	2.1	2.2	2.6	2.8
Inventory	0.0	14.9	17.8	21.4	23.1
Net cash (debt)	5.2	-0.6	3.2	8.8	21.8
Cash	6.3	7.1	10.9	16.4	29.5
ST debt	0.6	7.0	7.0	7.0	7.0
LT debt	0.5	0.7	0.7	0.7	0.7
Shareholders' funds	55	65	78	94	112
Share capital	36	36	36	36	36
Reserves	20	29	42	58	77
Minorities	1	1	1	1	1
Other liabilities	21	38	47	57	62

Cashflow

FYE 31 Dec (RMm)	2011A	2012A	2013E	2014E	2015E
Pre-tax profit	9.22	9.81	12.52	15.90	17.73
Net interest received	0.25	0.15	0.23	0.34	0.61
Working capital changes	-5.35	-19.28	-9.10	-11.53	-5.54
Taxation	-0.24	-0.36	0.48	0.61	0.68
Others	-2.03	13.72	4.15	4.73	4.08
Operating cashflow	1.85	4.04	8.27	10.05	17.56
Capex & acquisitions	-2.37	-1.36	-4.50	-4.50	-4.50
Free cashflow	-0.52	2.68	3.77	5.55	13.06
Other inv cashflow	-6.69	-10.40	0.00	0.00	0.00
Net borrowings	-4.03	6.51	0.00	0.00	0.00
Share issuance	20.96	0.00	0.00	0.00	0.00
Dividends paid	-3.44	0.00	0.00	0.00	0.00
Other fin cashflow	0.00	0.57	0.00	0.00	0.00
Net cashflow	6.28	-1.78	3.77	5.55	13.06

Quarterly financial statement

FYE 31 Dec (RMm)	2Q12	3Q12	4Q12	1Q13	2Q13
Revenue	13.3	5.3	17.9	11.3	14.2
Operating cost	-11.2	-2.5	-11.4	-7.4	-11.9
EBITDA	2.1	2.8	6.4	3.9	2.3
Depreciation	-1.0	-1.0	-1.3	-1.3	-1.3
EBIT	1.1	1.9	5.1	2.5	1.0
Interest income	0.0	0.0	0.0	0.0	0.0
Finance costs	0.0	-0.2	-0.1	-0.2	-0.2
PBT	1.1	1.7	5.1	2.4	0.8
Tax	0.0	0.0	-0.2	-0.1	0.0
PAT	1.1	1.7	4.9	2.3	0.7
Minority Interest	0.0	0.1	-0.3	-0.1	-0.2
Core Earnings	1.1	1.8	4.6	2.2	0.5
Extraordinary items	0.0	0.0	0.0	0.0	0.0
PATMI	1.1	1.8	4.6	2.2	0.5
Basic shares (m)	344	344	344	344	344
Core EPS (sen)	0.3	0.5	1.3	0.6	0.2
Basic EPS (sen)	0.3	0.5	1.3	0.6	0.2

Valuation ratios

Net DPS (sen)	1.2	0.0	0.0	0.0	0.0
Dividend yield	2.3	0.0	0.0	0.0	0.0
FCF / share (sen)	-0.2	0.8	1.0	1.5	3.5
FCF yield (%)	-0.4	1.4	1.8	2.7	6.4
Market capitalization	204	204	204	204	204
Net debt (cash)	-5	1	-3	-9	-22
Enterprise value	199	205	201	195	182
EV / EBITDA (x)	16.3	14.6	12.1	9.8	8.4
P/E (x)	NA	19.9	15.9	12.5	11.2
P/E/G (x)	NA	0.6	0.8	1.1	1.0
BV / share	0.20	0.19	0.21	0.25	0.30
P/BV (x)	2.7	2.8	2.6	2.1	1.8

Leverage ratios

Net gearing (cash) x	-0.1	0.0	0.0	-0.1	-0.2
Interest coverage x	22.7	71.2	90.3	114.1	125.4
Net debt (cash) / assets	-0.1	0.0	0.0	-0.1	-0.2
Net cash (debt) / share	0.02	0.00	0.01	0.02	0.06

Growth margins ratios

Growth (%)					
Sales Growth	36.6	3.3	19.4	20.0	8.0
Expenses	79.9	-1.0	19.4	20.0	8.0
EBITDA Growth	-15.3	14.2	19.3	19.9	8.0
EBIT Growth	-28.1	4.3	26.9	26.3	9.9
PBT Growth	-27.5	6.3	27.6	27.1	11.5
Core Profit Growth	-31.2	6.0	37.5	27.1	11.5
Core EPS Growth					
Margins (%)					
EBITDA Margin	28.2	31.2	31.2	31.1	31.1
EBIT Margin	21.7	21.9	23.3	24.5	24.9
PBT Margin	21.3	21.9	23.4	24.8	25.6
Core Earnings	20.3	20.8	24.0	25.4	26.2
ROA	14.0	11.3	13.5	14.5	13.9
ROE	15.7	14.2	16.3	17.1	16.0

Financial Projections GHL Systems Bhd

Income statement

FYE 31 Dec (RMm)	2011A	2012A	2013E	2014E	2015E
Revenue	62.7	53.5	70.5	93.6	107.6
Operating cost	-56.4	-44.1	-54.5	-72.3	-83.2
EBITDA	6.4	9.4	15.9	21.3	24.4
Depreciation	-6.1	-5.9	-5.7	-5.5	-5.3
EBIT	0.3	3.5	10.2	15.8	19.1
Interest income	0.2	0.3	0.3	0.4	0.6
Finance costs	-0.2	-0.2	-0.2	-0.2	-0.2
PBT	0.2	3.5	10.4	16.0	19.5
Tax	-1.0	1.2	-2.6	-4.0	-4.8
PAT	-0.7	4.7	7.8	12.1	14.7
Minority Interest	0.0	0.0	0.0	0.0	0.1
Core Earnings	-0.7	4.7	7.8	12.1	14.7
Extraordinary items	-25.3	-0.4	0.0	0.0	0.0
PATMI	-26.0	4.4	7.8	12.1	14.7
Basic shares (m)	150	151	182	182	182
Core EPS (sen)	-0.5	3.13	4.31	6.68	8.10
Basic EPS (sen)	-17.3	2.89	4.31	6.68	8.10

Balance sheet

FYE 31 Dec (RMm)	2011A	2012A	2013E	2014E	2015E
Fixed assets	22.7	30.4	29.2	28.2	27.4
Other long-term assets	0.0	1.4	1.4	1.4	1.4
Other short-term assets	3.3	3.9	3.9	3.9	3.9
Working capital	19.0	24.4	31.1	41.1	47.2
Receivables	11.3	11.8	15.5	20.6	23.7
Payables	2.0	4.4	4.7	6.0	6.9
Inventory	5.7	8.3	10.9	14.5	16.7
Net cash (debt)	15.0	11.1	14.0	19.8	30.8
Cash	19.5	15.5	18.4	24.1	35.2
ST debt	1.0	1.7	1.7	1.7	1.7
LT debt	3.5	2.7	2.7	2.7	2.7
Shareholders' funds	36	41	49	61	76
Share capital	73	73	73	73	73
Reserves	-37	-32	-24	-12	2
Minorities	0	0	0	0	0
Other liabilities	-5	-5	1	8	12

Cashflow

FYE 31 Dec (RMm)	2011A	2012A	2013E	2014E	2015E
Pre-tax profit	0.24	3.55	10.35	16.05	19.47
Net interest received	0.20	0.28	0.33	0.43	0.63
Working capital changes	5.93	-5.42	-6.68	-10.02	-6.10
Taxation	-0.97	1.17	-2.55	-3.96	-4.80
Others	8.08	11.13	5.97	7.76	6.37
Operating cashflow	13.48	10.71	7.43	10.26	15.57
Capex & acquisitions	-5.69	-14.05	-4.50	-4.50	-4.50
Free cashflow	7.79	-3.34	2.93	5.76	11.07
Other inv cashflow	2.14	-0.20	0.00	0.00	0.00
Net borrowings	1.10	-0.10	0.00	0.00	0.00
Share issuance	0.00	0.50	0.00	0.00	0.00
Dividends paid	0.00	0.00	0.00	0.00	0.00
Other fin cashflow	2.29	0.87	0.00	0.00	0.00
Net cashflow	8.74	-4.01	2.93	5.76	11.07

Quarterly financial statement

FYE 31 Dec (RMm)	2Q12	3Q12	4Q12	1Q13	2Q13
Revenue	12.7	14.6	14.1	16.7	15.4
Operating cost	-10.8	-12.0	-12.5	-12.8	-10.0
EBITDA	1.9	2.6	1.5	3.9	5.4
Depreciation	-1.3	-1.4	-1.6	-1.9	-4.0
EBIT	0.5	1.2	-0.1	2.0	1.5
Interest income	0.1	0.1	0.1	0.0	0.0
Finance costs	-0.1	0.0	-0.1	-0.1	0.0
PBT	0.6	1.2	-0.1	2.0	1.5
Tax	0.0	-0.1	1.3	0.0	0.1
PAT	0.6	1.1	1.2	2.0	1.6
Minority Interest	0.0	0.0	0.0	0.0	0.0
Core Earnings	0.6	1.1	1.2	2.0	1.6
Extraordinary items	1.1	-0.2	-0.5	0.0	0.0
PATMI	1.6	0.9	0.8	2.0	1.6
Basic shares (m)	150	150	151	151	145
Core EPS (sen)	0.4	0.7	0.8	1.3	1.1
Basic EPS (sen)	1.1	0.6	0.5	1.3	1.1

Valuation ratios

Net DPS (sen)	0.0	0.0	0.0	0.0	0.0
Dividend yield	0.0	0.0	0.0	0.0	0.0
FCF / share (sen)	5.2	-2.2	1.6	3.2	6.1
FCF yield (%)	8.9	-3.8	2.8	5.4	10.4
Market capitalization	106	106	106	106	106
Net debt (cash)	-15	-11	-14	-20	-31
Enterprise value	91	95	92	87	75
EV / EBITDA (x)	14.3	10.1	5.8	4.1	3.1
P/E (x)	NA	20.3	13.6	8.8	7.2
P/E/G (x)	NA	0.3	0.4	0.4	0.4
BV / share	0.24	0.27	0.27	0.34	0.42
P/BV (x)	2.5	2.1	2.2	1.7	1.4

Leverage ratios

Net gearing (cash) x	-0.4	-0.3	-0.3	-0.3	-0.4
Interest coverage x	1.2	16.5	48.5	74.9	90.2
Net debt (cash) / assets	-0.2	-0.2	-0.2	-0.2	-0.3
Net cash (debt) / share	0.10	0.07	0.08	0.11	0.17

Growth margins ratios

Growth (%)					
Sales Growth	-2.0	-14.7	31.8	32.8	15.0
Expenses	-19.8	-21.8	23.8	32.5	15.2
EBITDA Growth	-201.0	47.6	69.3	33.9	14.4
EBIT Growth	-101.8	1,244.5	193.8	54.6	20.4
PBT Growth	-101.7	1,383.4	191.7	55.0	21.3
Core Profit Growth	-94.8	-751.4	65.3	55.0	21.3
Core EPS Growth					
Margins (%)					
EBITDA Margin	10.2	17.6	22.6	22.8	22.7
EBIT Margin	0.4	6.5	14.5	16.9	17.7
PBT Margin	0.4	6.6	14.7	17.1	18.1
Core Earnings	-1.2	8.9	11.1	13.0	13.7
ROA	-1.2	6.7	9.9	13.1	13.6
ROE	-2.0	11.5	16.0	19.8	19.4

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