



4QFY14 GHL Systems

Below

Lower Margins, High Valuations

Take Profit ◀▶

Price: RM0.85
Target Price: (-57.6%) RM0.36 ▼

Stock Data

Bloomberg Ticker	GHLS MK	Altman Z-score	6.1
Market Cap	544.4	YTD price chg	18.1%
Issued shares	640.5	YTD KLCI chg	3.1%
52-week range (H)	0.92	Beta	1.3
52-week range (L)	0.48	Major Shareholders	
3-mth avg daily volume	4,082,472	Simon Loh Wee Hian	35.8%
Free Float	32.3%	CYCAS	28.9%
Shariah Compliant	Y	Goh Kuan Ho	3.0%
Financial Derivatives	n.a.		

Share Performance (%)

	1mth	3mth	12mth
Absolute	9.7	14.9	74.7
vs. KLCI	8.5	16.5	75.3

Consensus

	2014	2015
Net Profit	11.3	16.4
EPS (sen)	1.8	2.6

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	2012	2013	2014E	2015E	2013E
Turnover	53.1	64.0	165.4	201.8	229.3
EBIT	4.0	5.7	14.2	15.7	18.5
Pretax profit	3.2	3.2	11.7	14.2	16.8
Net Profit	4.4	5.2	6.8	10.5	12.4
Core Net Profit	4.9	7.6	7.7	10.5	12.4
Core EPS (sen)	0.8	1.2	1.2	1.6	1.9
FD Core EPS (sen)	3.0	2.8	3.7	5.7	6.8
PER (x)	28.2	30.1	22.9	14.8	12.6
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	0.23	0.30
EBIT margin	7.5%	9.0%	8.6%	7.8%	8.1%
Pretax margin	6.0%	5.0%	7.1%	7.1%	7.3%
Effective tax rate	-36.9%	-59.3%	40.8%	25.0%	25.0%
ROE	12.8%	15.6%	5.5%	5.7%	8.3%
ROA	6.5%	7.1%	3.5%	3.7%	4.8%
Net Gearing (x)	net cash	net cash	net cash	0.39	0.30

Growth ratios

Turnover	-15.4%	20.7%	158.3%	22.0%	13.6%
EBIT	518.5%	44.8%	148.2%	10.0%	18.0%
Pretax profit	-112.6%	0.5%	269.1%	21.3%	18.0%
Core Net profit	-997.6%	53.3%	2.2%	35.9%	18.0%
Core EPS growth	-116.7%	-6.3%	31.8%	54.4%	18.0%

THONG PakLeng

pakleng.thong@bimbsec.com.my

03-26918887 ext 186

GHl's FY14 net earnings of RM6.8m is below our expectation, making up 65% of our forecast and 54% of consensus. 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; and impairment loss on receivables amounted to RM0.9m as well as additional amortisation charges of intangible assets following the M&A exercises of RM1.1m. Excluded the impairments, core net profit stood at RM7.7m. We reduced our FY15 and FY16 net earnings forecast respectively; and our target price is reduced to RM0.36 (RM0.45 previously) based on the revised sector PER of 22x. Due to the prevailing high valuation, we maintain our "Take Profit" recommendation.

Lower QoQ. QoQ earnings were 78% lower mainly due to higher income tax. Nonetheless, EBITDA margin was higher at 14.8% vs. previous quarter's 10.1% due to lower cost of sales.

Financials. We are reducing our FY15 and FY16 net earnings forecast to RM10.5m (-22.9%) and RM12.4m (-20.0%) respectively by factoring in higher operating costs due to the regional expansion and the slower growth in the TPA services.

View and recommendation. Following the earnings reduction, we revised our target price downwards to RM0.36 (from RM0.45) 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



Quarterly figures

FY 31 Dec (RMm)	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14	QoQ Chg	YoYChg	FY13	FY14	YTD Chg
Revenue	15.5	24.8	45.3	45.7	49.6	8.5%	220.6%	64.0	165.4	158.3%
Core EBITDA	3.2	2.5	5.2	4.6	7.4	59.2%	128.5%	10.9	19.6	79.6%
Pretax profit	(2.3)	1.5	3.6	3.0	3.7	23.2%	-256.1%	3.2	11.7	269.1%
Core Pretax profit	0.1	1.5	3.6	3.0	4.6	54.4%	8560.4%	5.6	12.7	127.0%
Taxation	1.8	(0.0)	(0.5)	(1.2)	(3.1)	152.4%	-265.4%	1.9	(4.8)	-354.1%
Minority Interest	0.1	0.0	0.0	0.1	(0.2)	-459.6%	-453.4%	0.1	(0.1)	-245.5%
Net Profit	(0.4)	1.5	3.0	1.8	0.4	-78.0%	-190.9%	5.2	6.8	31.8%
Core Net Profit	2.0	1.5	3.0	1.8	1.3	-27.0%	-32.2%	7.6	7.7	2.2%
Core EPS (sen)	0.3	0.2	0.5	0.3	0.2	-27.0%	-32.2%	1.2	1.2	2.2%
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 (%)	20.8%	9.9%	11.4%	10.1%	14.8%	46.8%	-28.7%	17.1%	11.9%	-30.5%
PBT margin (%)	-15.2%	6.2%	7.9%	6.5%	7.4%	13.6%	-148.7%	5.0%	7.1%	42.9%
Net profit margin (%)	-2.8%	6.2%	6.7%	4.0%	0.8%	-79.7%	-128.4%	8.1%	4.1%	-49.0%
Core Net profit	12.7%	6.2%	6.7%	4.0%	2.7%	-32.7%	-78.9%	11.8%	4.7%	-60.4%
Effective tax rate (%)	78.7%	0.5%	14.5%	40.7%	83.5%	104.9%	0.1	-59.3%	40.8%	-168.8%

Source: BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

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

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.

Disclaimer

The investments discussed or recommended in this report may not be suitable for all investors. This report has been prepared for information purposes only and is not an offer to sell or a solicitation to buy any securities. The directors and employees of BIMB Securities Sdn Bhd may from time to time have a position in or either the securities mentioned herein. Members of the BIMB Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. The information herein was obtained or derived from sources that we believe are reliable, but while all reasonable care has been taken to ensure that stated facts are accurate and opinions fair and reasonable, we do not represent that it is accurate or complete and it should not be relied upon as such. No liability can be accepted for any loss that may arise from the use of this report. All opinions and estimates included in this report constitute our judgements as of this date and are subject to change without notice. BIMB Securities Sdn Bhd accepts no liability for any direct, indirect or consequential loss arising from use of this report.

Published by

بي اى سي بيرد سى كوريتيس سنديرين برود

BIMB SECURITIES SDN BHD (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: 03-2691 8887, Fax: 03-2691 1262

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

Kenny Yee

Head of Research

