

Go Hub Capital Bhd

Making Public Transportation Smarter

- **Growing adoption of IT components in the transportation sector**
- **Strong track record to bolster chances in securing new projects**
- **Utilising proceeds to expand capabilities**
- **We expect core net profit to grow at 24.5%-28.8% to RM8.8m-11.4m for FY24-25f, respectively, in line with the higher sales from the potential jobs wins in the transportation industry, coupled with tapping into the large addressable market as many terminals have yet to integrate IT components with the terminal systems.**
- **We derived a fair value of RM0.68 for GHCB. Our fair value of RM0.68 (upside of 94.3% against IPO price of RM0.35) is derived by pegging a P/E of 24x to the FY25f EPS of 2.84 sen. We believe a forward P/E of 24x is justified as the selected peer's average forward P/E stood at 23.7x.**

Investment Highlights

Growing adoption of IT components in the transportation sector. In recent years, the transportation sector has seen increased IT adoption in the form of centralised ticketing systems, self-service ticket vending machines, digital information kiosks etc. Currently, there are only a handful of transportation terminals which have adopted IT components. Therefore, the majority of terminals which have yet to adopt IT components and the increasing trend of IT component adoption presents a large addressable market for Go Hub Capital Bhd (GHCB).

Strong track record to bolster chances in securing new projects. GHCB is spearheaded by an experienced management team, notably Mr Tan Cherng Thong with over 20 years of experience in the industry. The competent management team, coupled with its historical project wins especially from KTMB provides a strong support for GHCB to win more projects in the future.

Current orderbook at RM35m... Based on the prospectus, the unbilled orderbook stood at RM35m, we expect GHCB will be able to get decent contract awards within the transportation sector, eventually boosting the top and bottomline. Several key projects that we believe GHCB will participate include (i) GHCB continue to provide maintenance support for the TOS at the terminal in Sabah for a period up to 12 months (from Nov-23) with the option to renew the maintenance contract on a yearly basis, (ii) Electrified Double Track route from Gemas to Johor Bahru to install related hardware such as Access Control Gate (ACG) and Ticket Vending Machine (TVM), as well as software at the 9 rail stations.

...and future projects. Certainly, the most anticipated project within the transportation scene will be the open payment system involving the Rapid Rail network in the Klang Valley, that is expected to be ready by Aug-25, according to our transport minister. According to Anthony Loke, Prasarana is finalising the implementation plan encompassing Kelana Jaya Light Rail Transit (LRT), Ampang LRT route, Kajang Mass Rapid Transit (MRT) route, Putrajaya MRT route and Monorail. Also, during Oct-23, Transport Minister Anthony Lok has commented that the 'Design and Development' work is expected to start in Mar-24 and it will take 11 months to February 2025 to complete 50% of the gantries in each station for open payment.

IPO Note

Chiang Fong Kai
fkchiang@msec.com.my
(603) 2201 2100

Non-Rated

Share price	RM0.35
Fair value	RM0.68
Previous TP	-
Capital upside	94.3%
Dividend return	-
Total return	94.3%

Company profile

Go Hub Capital Bhd provides transportation IT solutions through offering development and integration of bus and rail segments, maintenance, support, terminal management, centralized ticketing, automated fare collection, and bus operating system.

Stock information

Bursa Code	0311
Bloomberg ticker	-
Listing market	ACE
Share issued (m)	400.0
Market Cap (m)	140.0
Shariah compliant	Yes

Major shareholders

	%
Go Hub Sdn Bhd	55.0

Earnings snapshot

FYE (Sep)	FY23	FY24f	FY25f
PATMI (m)	7.1	8.8	11.4
EPS (sen)	1.8	2.2	2.8
P/E (x)	19.8	15.9	12.3



Utilising proceeds to expand capabilities. GHCB’s plans to utilise the IPO proceeds to improve key areas such as workforce, marketing, setting up of a new integrated centre and design & development. These initiatives will not only enable GHCB to expand its market presence through the improved market reach from increased marketing activities but also expand its capabilities to add value to its future product and services offerings.

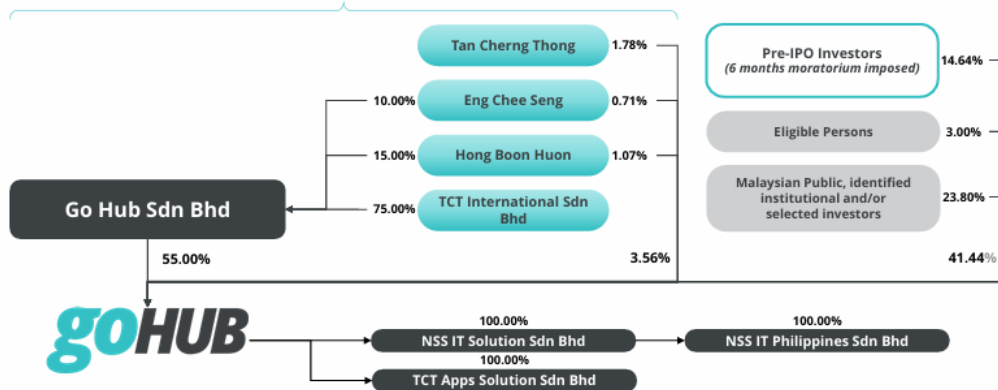
Improving margins from higher public transport ridership. We observe that the recurring revenue has increased from RM5.7m in FY20 to RM21.7m in FY23 on the back of the covid recovery and ridership levels increasing towards pre-covid levels. We also understand that the recurring revenue segment commands a higher margin. Therefore, when GHCB secures more projects in the future in different terminals and states, the exposure to more public transport ridership will increase recurring revenue contribution which will improve the profit margins.

Company Background

GHCB’s history traces back to 2011 and are principally involved in the provision of enterprise IT services in the bus and rail segments, through providing IT solutions such as customised software and integration of hardware and software systems. Other offerings include support and maintenance services as well as terminal management services for the IT solutions provided to customers.

Fig #1 Post-IPO company structure

Promoters, substantial shareholders and key senior management



Source: GHCB

Fig #2 Utilisation of Proceeds

Utilisation of Proceeds	RM'm	%	Estimated time frame for utilisation
Business Expansion	24.72	65.88	Within 36 months
Repayment of Bank Borrowings	4.00	10.66	Within 6 months
Working capital	4.80	12.80	Within 12 months
Estimated listing expenses	4.00	10.66	Within 1 month
Total	37.51	100.00	

Source: GHCB



Fig #3 Business Overview

Principal activities	<ul style="list-style-type: none"> Provision of enterprise IT services, focusing on providing transportation IT solutions (including customised software development systems and integration of hardware and software systems) Our offerings also extend to include maintenance and support services as well as terminal management services 				
Primary solutions	Transportation IT solutions	Other IT solutions			
	<ul style="list-style-type: none"> TOS (comprising TMS and CTS) BOS AFC Maintenance and support services as well as terminal management services 	B2B GoPartner (an integrated cloud-based inventory and reservation management system)	B2C GoHub.com.my (an online marketplace catering for ticketing needs)	Customised IT solutions	
Principal segments that our Group serves	Rail segment	Enterprises that require inventory and reservation management system such as-		<ul style="list-style-type: none"> Online marketplace customers of GoHub.com.my Merchants such as customers of GoPartner 	Various industries that primarily require reservations, booking and management solutions
	<ul style="list-style-type: none"> Rail operator 				
	Bus segment	<ul style="list-style-type: none"> Bus operators Campsite operators Homestay operators Sports centres operators 			
	<ul style="list-style-type: none"> Bus terminal operators Stage and express bus operators 				
Business engagements	<ul style="list-style-type: none"> Zero Capex Outright Purchase 	Transaction fees	Outright Purchase		
Geographical markets	<ul style="list-style-type: none"> Primarily in Malaysia Overseas sales – the Philippines (less than 2% of our total revenue for the financial years under review) 				

Source: GHCB

Financials

In FY23, GHCB core PATMI increased +17.0% YoY to RM7.1m despite a significant topline improvement to RM43.9m (+65.7% YoY). The revenue increase is mainly due to the increase in revenue from the CTS rail segment and a new contract secured in the AFC segment.

For FY24f, we project the topline to see further improvement to RM48.3m (+10.0% YoY), supported by the potential project wins from the transportation industry. Meanwhile, we expect core net profit to grow to RM8.8m (+24.5%) & RM11.4m (+28.8%) for FY24-25f, coupled with tapping into the large addressable market as many terminals have yet to integrate IT components with the terminal systems. Furthermore, we should see potentially stronger ridership in public transport in line with the increasing car ownership costs and worsening traffic conditions.

Fig #4 Financial Highlights

FYE Dec (RM m)	FY21	FY22	FY23	FY24f	FY25f
Revenue	20.3	26.5	43.9	48.3	58.0
EBITDA	5.7	12.0	14.4	15.8	18.9
EBIT	3.2	9.1	11.2	12.3	15.1
PBT	2.0	8.0	10.0	11.6	15.0
PATMI – Core	2.4	6.1	7.1	8.8	11.4
% change YoY – Core PATM	-9%	153%	17%	25%	29%
Core EPS (sen)	0.6	1.5	1.8	2.2	2.8
P/E (x)	58.4	23.1	19.8	15.9	12.3
EV/EBITDA (x)	23.3	11.2	9.3	8.5	7.1
BVPS (RM/share)	0.0	0.0	0.0	0.2	0.2
P/B (x)	19.6	13.1	7.9	1.9	1.7
ROE (%)	40%	68%	50%	19%	14%
Net Gearing (%)	2.0	0.7	0.6	CASH	CASH

Source: Prospectus, M+ Research

Valuations

We derived a fair value of RM0.68 for GHCB. Our fair value of RM0.68 (upside of 94.3% against IPO price of RM0.35) is derived by pegging a P/E of 24x to the FY25f EPS of 2.84 sen. We believe a forward P/E of 24x is justified as the selected peer's average forward P/E of 23.7x.



Peer comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM'm)	P/E (x)	Forward P/E (x)
Go Hub Capital Berhad	ACE	Dec	0.350	140.0	15.9*	12.3**
ITMAX SYSTEM Bhd	MAIN	Dec	2.550	2,624.9	41.5	31.9
Datasonic Group Bhd	MAIN	Mar	0.510	1,421.5	15.6	15.0
LGMS Bhd	ACE	Dec	1.430	652.1	54.4	31.1
Cloudpoint Technology Bhd	ACE	Dec	0.905	481.1	29.7	22.6
Infoline Tec Group Bhd	ACE	Dec	1.040	377.8	22.2	17.9
Panda Eco System Bhd	ACE	Dec	0.480	322.2	64.0	-
Autocount Dotcom Bhd	ACE	Dec	1.300	715.7	57.0	-
Cuscapi Bhd	MAIN	Dec	0.260	245.7	24.4	-
AGMO HOLDINGS BHD	ACE	Mar	0.735	238.9	30.6	-
Avg ex-GHCB				786.6	37.7	23.7

*FY24f, **FY25f

Investment risks

Dependent on major customer KTMB. In FY23, KTMB contributed to 69.28% of GHCB's revenue. Going forward, if GHCB is unable to maintain the ongoing projects and/or is unable to secure more projects from KTMB in the future, it will adversely affect the profitability of GHCB.

Dependent on the customers and performance of the public land transportation sector. The sector represents 98.43% of GHCB's revenue for FY23. Any unforeseen change in policies or poor performance of players in the sector may decline the demand for GHCB's products and services.

May not be able adapt to material changes in the industry in a timely manner. If GHCB is unable to respond to changes in areas such as technology, industry standards, regulatory compliance etc quickly, GHCB may lose its competitiveness.

Dependent on key senior management. Discontinuation of service of the key senior management may disrupt key decision making and operations within GHCB's business operations.

Disclaimer

Research analyst(s) of MSSB whom produced this report hereby certifies that the views expressed in this report accurately reflect his/her personal opinions about all of the subject corporation(s) and securities in this report. He/She does not carry out, whether for himself/herself or on behalf of MSSB or any other persons did not receive and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. As of the report date, the analyst whom prepared this report does not have any interest in the following securities covered in this report, unless otherwise stated.

As of **Tuesday, 02 Jul, 2024**, the analyst(s), **Chiang Fong Kai**, whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.

Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned

