

One-For-All Transportation IT Solutions

GO HUB CAPITAL BERHAD

Fair Value: RM0.54 (+54.29%)

Company Description

Go Hub Capital Berhad ("GOHUB") is principally involved in the provision of enterprise Information Technology ("IT") services, focusing on providing transportation IT solutions (including customised software development systems and integration of hardware and software systems) in the bus and rail segments.

Investment Highlight

- Solid local government support:** Under the national policy framework for Fourth Industrial Revolution ("4IR") and Digital Economy Blueprint, the local government supports the adoption of digital technology focusing on 10 key sectors along with 6 supporting sectors to create new socioeconomic growth opportunities for the economy. Transportation and logistics as well as technical services are part of the key sectors. In addition, tax incentives for activities under the Digital Ecosystem Acceleration Scheme ("DESAC") are provided for companies under Multimedia Super Corridor ("MSC"). This incentive is also proposed to be extended to digital technology provider and digital infrastructure companies.
- Diverse IT services solution:** GOHUB has a strong presence as an expert in the industry on providing transportation IT solutions, which are customised software development systems and integration of hardware and software systems. The Group is also capable in providing maintenance, support services and terminal management services.
- Unique business engagement for long-term business partnership:** GOHUB unique business segments of zero capex and an outright purchase to its customer position the Group in a solid niche competitive advantage within the industry. In addition, the transaction-fee based and an outright purchase for other IT solutions are an added value that distinguish GOHUB from its peers. These advantages are key points in attracting new business deal and to sustain a long-term partnership.
- Huge potential growth from untapped market:** The enterprise IT services industry in Malaysia is projected to grow from RM23.48 billion ("bn") in 2024 and reach RM29.51bn in 2028 (i.e. a CAGR of 5.7%). As the main business activities are concentrated only in peninsula Malaysia, there are still more room for business expansion in Sabah and Sarawak territories. In addition, potential business deal with Singapore government and more business extension with Philippine government add more future potential for the Group's growth.

Valuation / Recommendation

We derive a fair value of RM0.54 based on 15x multiple to its FYE2025F EPS of 3.14sen. The IPO aims to raise approximately RM37.51 million ("mn") from the issuance of 107.18mn new shares. A total of 65.89% of proceeds will be utilised for capital expenditure, 23.45% is allocated for repayment of bank borrowings and working capital, while the remaining 10.66% of it will be utilised for listing expenses.

As of FYE2023, GOHUB current ratio is above 1x at 1.98x reflecting a strong capacity to repay its current liabilities. It also shows healthy funding ability, given the low gearing ratio below 1x at 0.48x. In line with the industry upside view, we believe that the Group will flourish and prosper in the long run.

IPO TIMELINE

Opening Date	12 Jun 2024
Closing Date	20 Jun 2024
Listing Date	3 Jul 2024

IPO Price (RM)	0.35
Expected Return	54.29%
Market/ Sector	Technology
Bursa Code	0311

IPO Details

	Shares(mn)	RM(mn)
Public Issue	107.18	
Enlarged share	400.00	
Market Cap		140.00
Shariah compliant		Yes

Substantial Shareholders

	Shares(mn)	(%)
Tan Cheng Thong	7.12	1.78
GHSB	220.00	55.00

Utilisation of IPO Proceeds

	RM(mn)	(%)
Business expansion	24.72	65.89
Repayment of bank borrowings	4.00	10.66
Working capital	4.80	12.79
Estimated listing expenses	4.00	10.66
Total	37.52	100.00

Allocation

	Shares(mn)	(%)
Public Issue		
Malaysian Public via balloting process:		
• Public investors	10.00	2.50
• Bumiputera public investors	10.00	2.50
Eligible Parties	12.00	3.00
Placement to selected investors	75.18	18.80
Total	107.18	26.80
Total enlarged share capital upon listing	400.00	

Source: Company Prospectus

Key Financial Summary

FYE Dec (RMmn)	2022A	2023A	2024F	2025F	2026F
Revenue	26.55	43.95	58.33	77.82	104.30
Gross Profit	17.23	22.46	29.82	39.78	53.31
Pre-tax Profit	8.00	10.03	13.31	17.76	23.80
Core Net Profit	6.06	7.09	9.41	12.55	16.82
Core EPS (Sen)	1.51	1.77	2.35	3.14	4.20
P/E (x)	23.11	19.76	14.88	11.16	8.32
DPS (Sen)	0.63	0.00	0.00	0.00	0.00
Dividend Yield (%)	1.79	0.00	0.00	0.00	0.00

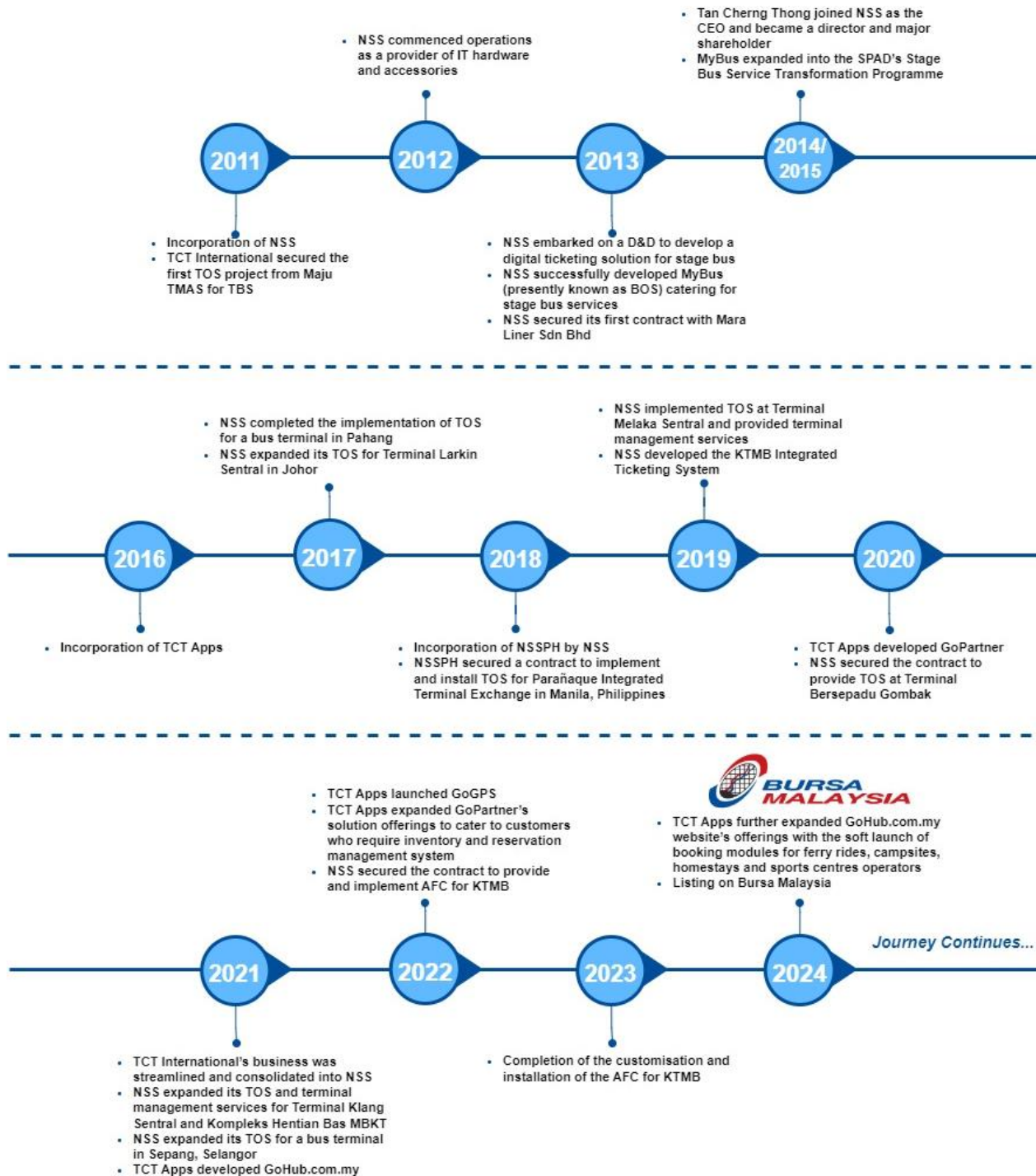
Source: Company Prospectus, Eco Asia Research Estimates
EPS, P/E and DPS from 2022A to 2023A (pre-IPO) are on pro-forma basis for comparative purposes only.



Company Background

GOHUB history began when its promoter, substantial shareholder and Executive Director (“ED”) / Chief Executive Officer (“CEO”), Tan Cherng Thong conceptualised a blueprint for Terminal Operating System (“TOS”) catering for the bus segment in 2009. It comprises Traffic Management System (“TMS”) and Centralised Ticketing System (“CTS”). NSS IT Solution Sdn Bhd (“NSS”) was incorporated in 2011 and commenced operations as an IT hardware and accessories provider in 2012. The following illustration shows milestones of the Group’s history and development.

Key Milestones



Source: Company Prospectus

Product Portfolio

Primary solutions: Under the transportation IT solutions, there are TOS (comprising TMS and CTS), Bus Operating System ("BOS"), Automated Fare Collection system ("AFC"), maintenance and support services, and terminal management services. Other IT solution comprises GoPartner business-to-business ("B2B") on integrated cloud-based inventory and reservation management system, GoHub.com.my business-to-consumer ("B2C") on online marketplace catering for ticketing needs, and customised IT solutions.

Principal segments: GOHUB main segments cover rail operator, bus terminal operator, as well as stage and express bus operator. B2B segments aims on enterprises that require inventory and reservation management system (i.e. bus, campsite, homestay and sport centre operators). In addition, B2C segments serve online marketplace and merchants. This includes various industries that primarily require reservation, booking and management solutions.

Business engagements: The Group offers Zero Capex (charging customers and end-users on a pay-per-use basis) and Outright Purchase (payments based on project milestones) options for transportation IT solutions. For the other IT solutions, options available are based on transaction fee and outright purchase.

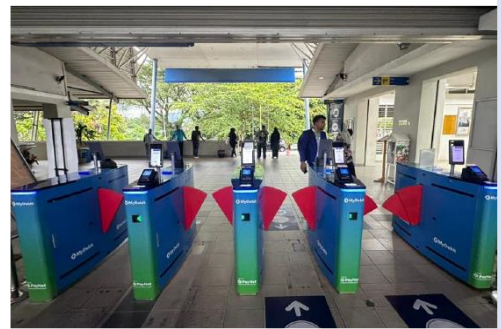
Geographical markets: GOHUB is mainly operating in Malaysia while minor operation based in Philippine, which contributed less than 2% of total revenue.

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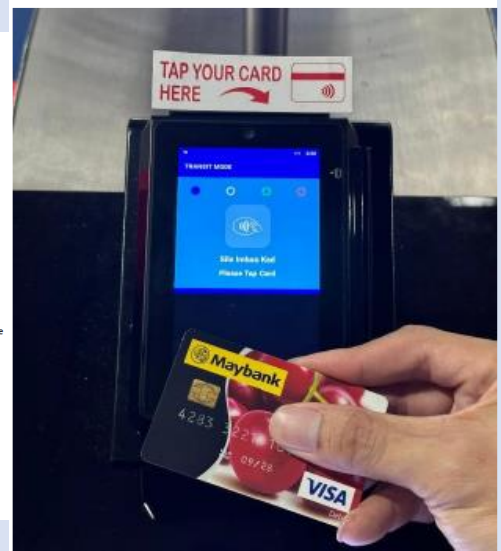
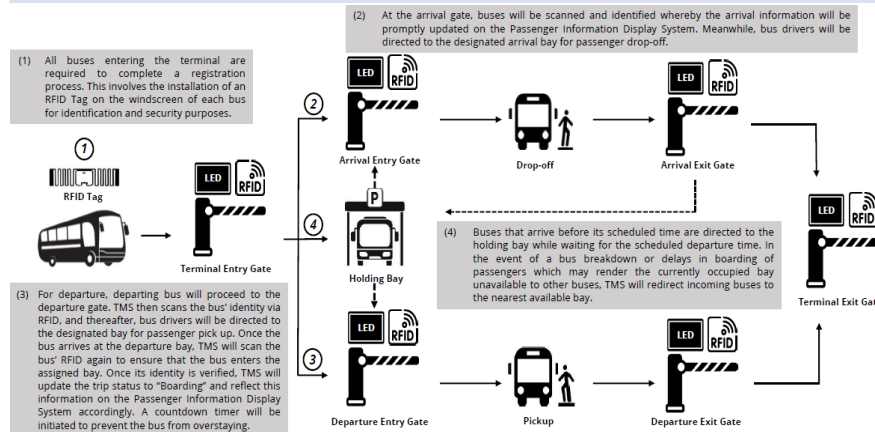
First TOS project from Maju TMS for Terminal Bersepadu Selatan ("TBS") in 2011



AFC for Keretapi Tanah Melayu Berhad ("KTMB") in 2023

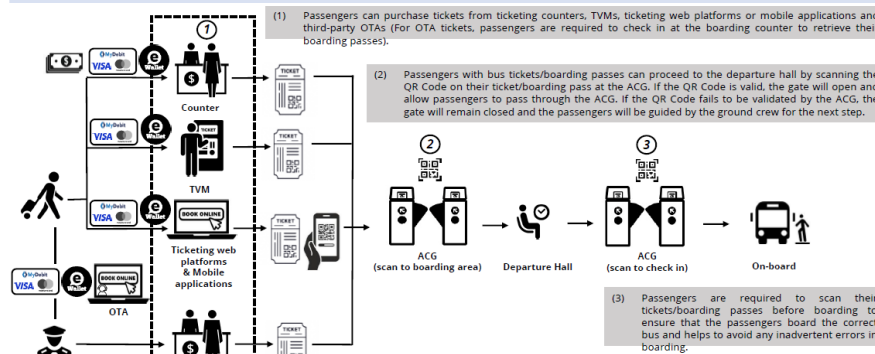


TOS – Traffic Management System



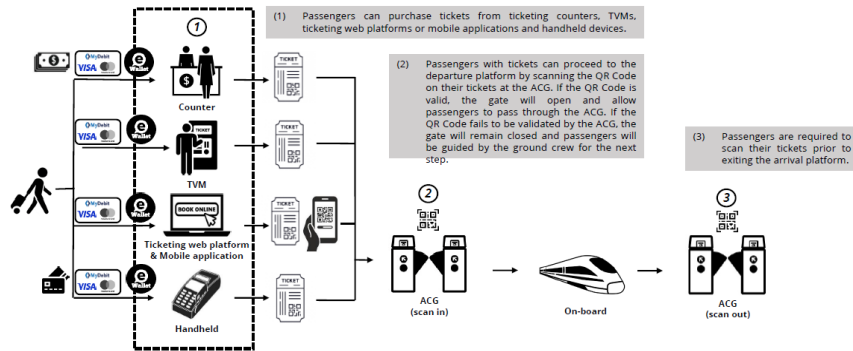
Source: Company

TOS – Centralised Ticketing System (Express Bus)

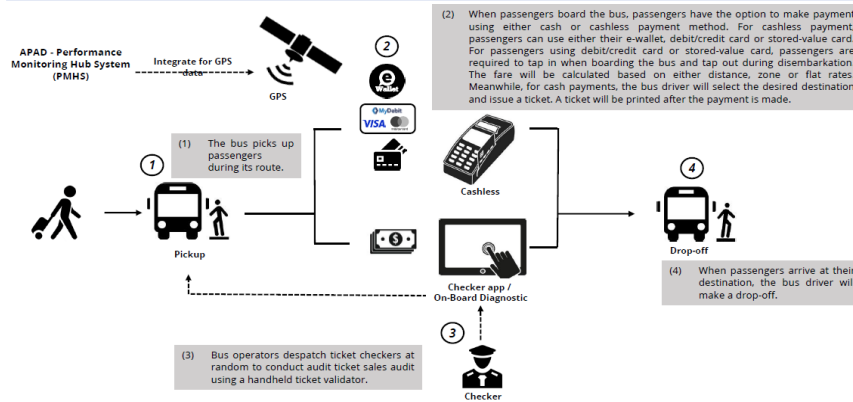


Source: Company Prospectus

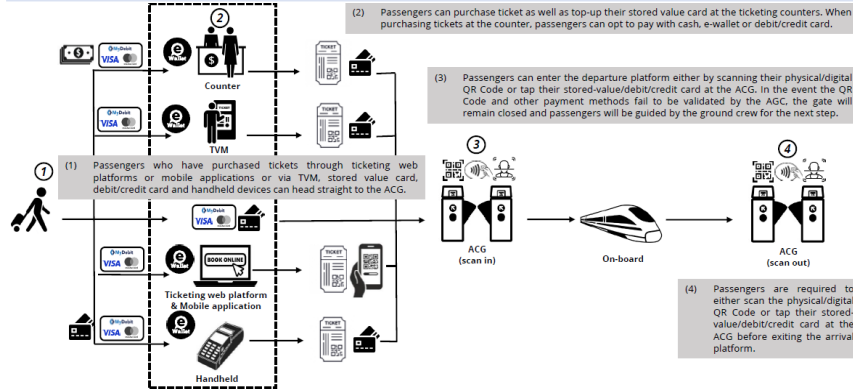
TOS – Centralised Ticketing System (Rail)



BOS



AFC

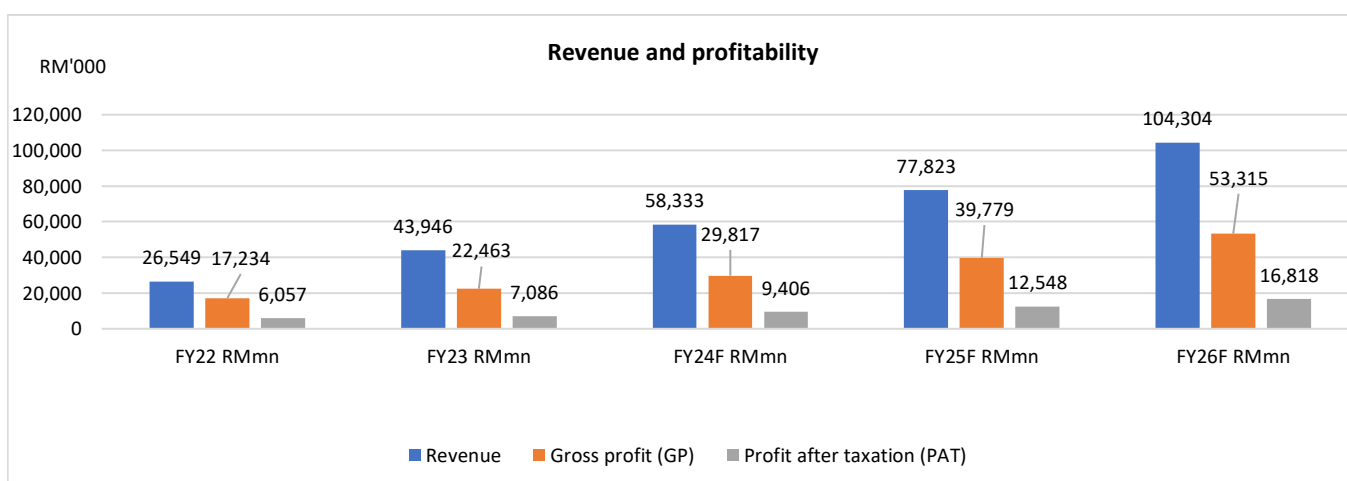
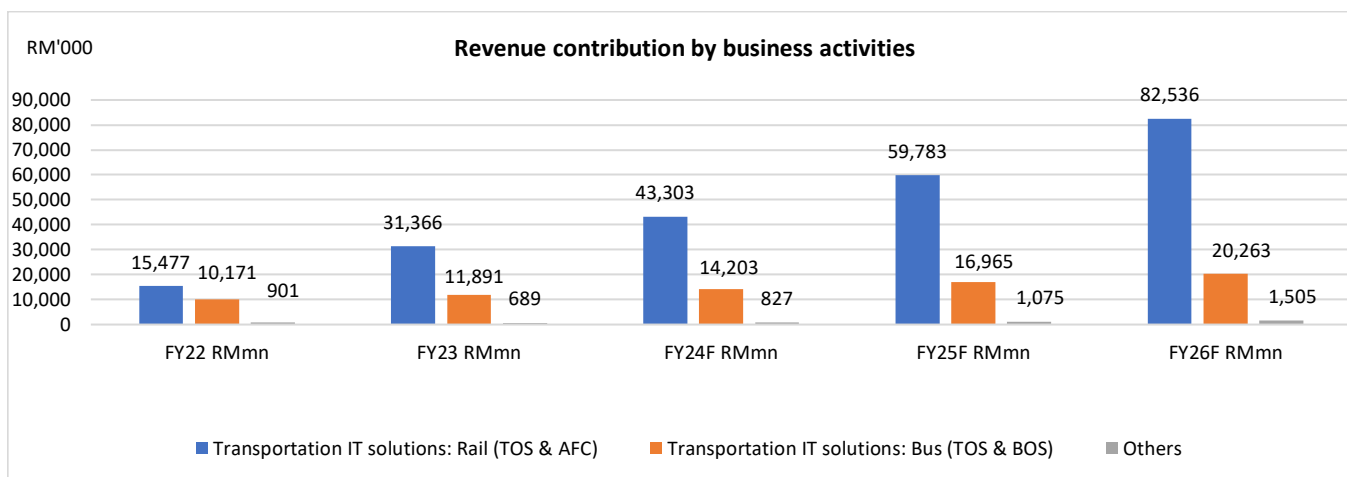


Source: Company Prospectus



Revenue and Profitability

The Group's revenue from FYE2022 to FYE2023 was mainly derived from its transportation IT solutions segment, which accounted more than 95% of the total revenue – as of FYE2023. Revenue contributions by business activities as well as the revenue and profitability from FYE2022 to FYE2023, FYE2024F, FYE2025F and FYE2026F are as below:



Source: Company Prospectus / Eco Asia Research Estimates

Future Plans

GOHUB to expend in the coming 3 years on the following areas:

- **Expanding Group's geographical footprint in the domestic markets:**
 - Following the recent completion of TOS project for the bus terminal in Sabah – the Group's soon-to-be-completed electrified double track route from Gemas, Negeri Sembilan to Johor Bahru is expected to begin its operation in July 2024 – which will include additional 9 stations. This expands its presence in the rail segment.
 - GOHUB is working with Sabah Port Authority to implement transportation IT solutions at 8 identified ferry terminals, which is expected to fully implement by March 2025. The Group also intends to expand its online marketplace offering to include reservations for campsites, homestays and sports centres. This will establish GOHUB market presence in tourism and hospitality sectors.
- **Expanding workforce:**
 - For the next 2 years – the Group aims to increase its workforce focusing skilled-professional recruitments – that focuses technical skillset and expertise.



- **Marketing campaign for new opportunity:**
 - To participate in global exhibitions on transportation, traffic management as well as smart city infrastructure niches. GOHUB also plan to implement a series of business development activities to increase its brand awareness.
- **Acquisition of new office lots:**
 - The Group is acquiring Star Central Office Tower and set-up of new integrated centre to accommodate the expansion of its growing business. The new space will also house the test laboratory, demonstration and training centre.
- **Design and development (“D&D”):**
 - Under the D&D landscape – GOHUB will incorporate Artificial Intelligence (“AI”) in its solution – for making decisions, providing responses and generating outputs based on input data and predefined rules or models.
- **New IT equipment, tools and software:**
 - Part of the 17.33% of Group’s Public Issue proceeds will be used for purchase of IT equipment, tools and software tools required to support the strategies, and future potential projects, for its venture into the ferry segment and the upgrading of GOHUB BOS.

Key Risks

New policies may adversely affect business performance: As GOHUB is highly dependent on customers that operate in a regulated industry (within the bus and rail segments) – any material change in the policies or directions in the public land transportation sector could adversely affect its business, financial condition and financial performance.

Risk to secure new projects: Any potential loss of customers, especially the major ones, and risk of facing difficulties in securing new clients could adversely impact the Group’s business and financial performance.

Natural disasters and pandemics affect business activities: Any natural disaster and pandemics could be a major risk to GOHUB revenue. The recent movement restriction orders to mitigate the spread of the Coronavirus disease (“COVID-19”) virus had effectively limited public travels. This led to a sharp decline in ridership and demand for both bus and rail services.

Exposed to credit risk of customers: The Group grants credit period to customers ranges from 30 to 90 days. Any difficulty in collecting a substantial portion of trade receivables from customers may negatively affect its cash flow and working capital.

Stiff competition within industry: GOHUB is facing intense competition with other local and international players, which may have longer operating history with comparable software and technical expertise.

Industry Outlook

From estimated RM22.36 billion in 2023, the local enterprise IT services industry is expected to reach RM23.48 billion in 2024 and expand at a CAGR of 5.7% to reach RM29.51 billion in 2028. The COVID-19 pandemic has accelerated the adoption of digital medium, which in a positive way set a clear path for further potential demand for digital offerings. As a result, this opens huge opportunities for IT enterprise services players. Looking forward, we deem that this services industry in Malaysia to be positive.



DEFINITION OF RATINGS

Eco Asia Investment Advice 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.

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