

HLIB Research

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BUY (Maintain)

Target Price: RM1.67

Previously: RM1.67

Current Price: RM1.25

Capital upside	33.6%
Dividend yield	0.0%
Expected total return	33.6%

Sector coverage: Technology

Company description: Revenue is a technology-led payment solution provider who covers both online and offline channels.

Share price



Historical return (%)	1M	3M	12M
Absolute	-7.4	5.9	N/A
Relative	-5.3	13.0	N/A

Stock information

Bloomberg ticker	REVENUE MK
Bursa code	0200
Issued shares (m)	232
Market capitalisation (RM m)	290
3-mth average volume ('000)	937
SC Shariah compliant	Yes

Major shareholders

Ng Chee Siong	20.7%
Ng Shih Chiow	20.7%
Ng Shih Fang	20.7%

Earnings summary

FYE (Jun)	FY18	FY19f	FY20f
PATMI – core (RM m)	6.8	9.1	11.9
EPS – core (sen)	2.9	3.9	5.0
P/E (x)	43.4	32.4	24.8

Revenue Group

A commendable quarter

RGB's 9MFY19 core net profit of RM7.1m (+31%) was in line with expectation, accounted for 77% of HLIB full year forecast. This quarter's performance was the best ever recorded. On the cumulative basis, the exceptional performance was mainly driven by EDC and ETP which gained 184% and 36%, respectively. RGB believes its outlook remains favourable and confident that newly acquired companies will complement existing core business. Reiterate BUY with TP of RM1.67. RGB is a rare proxy to robust domestic e-payment industry and near-term catalyst is the potential transfer of listing status to main board.

Within expectation. 9MFY19 turnover of RM43.9m (+88%) translated in to a core net profit of RM7.1m (+31%) matching expectation, accounted for 77% of HLIB full year forecast. 3QFY19's performance was the best quarter ever recorded.

Dividend. None (3QFY18: none).

QoQ. Top line's sequential gain of 14% was mainly driven by EDC terminals and solution & services (S&S) which expanded 34% and 55%, respectively more than sufficient to offset the 13% decline in electronic transaction processing (ETP). The ETP contraction is not a surprise as this is due to the seasonal effect whereby 2Q is usually boosted by online mega sales (such as double 11 and double 12) coupled with Christmas festivity. Despite higher D&A, bottom line grew 22% to RM2.7m partly aided by the lower effective corporate tax rate of 20% (2QFY19: 25%).

YoY. Sales almost doubled (+95%) to RM15.5m thanks to the expansions in all three business segments led by EDC with 182% gain, followed by ETP and S&S with 38% and 20% improvements, respectively. Subsequently, core net profit expanded by 44% to RM2.7m although D&A's 74% increase and higher effective corporate tax of 20% (3QFY18: 18%).

YTD. Cumulatively, revenue strengthened 88% to top RM43.9m on the back of superior EDC and ETP growths of 184% and 36%, respectively, more than sufficient to offset S&S' -7% decline. Despite higher D&A and effective corporate tax rate of 25% (9MFY18: 22%), adjusted core earnings expanded by 31% to RM7.1m.

Outlook. RGB believes that its prospects and outlook remain favourable in 2019. This is premised on its future plans and the implementation of the Payment and Card Reform Framework (PCRF) by BNM to promote wider acceptance and the usage of electronics payments. The acquisitions (Buymall and Anypay) undertaken will allow RGB to provide additional value-added services on top of its all-in-one-digital payment terminals which were successfully developed and deployed.

Forecast. Unchanged as results are in line.

Reiterate **BUY** on the back of unchanged fair value of **RM1.67** based on SOP valuation (see Figure #2), implying an upside potential of 34%. We like the company as it is a rare proxy to the robust domestic e-payment industry which undergoing multi-year of secular growth on the back of (i) robust growth in EDC terminals; (ii) regulatory push to drive e-payment adoption; (iii) riding on e-wallet trend; and (iv) beneficiary of China cross-border e-commerce trend. Near-term catalyst for the company is its potential of transfer to main market listing next year.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Jun (RM m)	FY17	FY18	FY19f	FY20f	FY21f
Cash	10	15	15	18	26
Receivables	8	11	14	19	21
PPE	22	24	33	41	47
Others	3	3	3	3	3
Assets	43	54	66	81	97
Debt	8	8	8	8	8
Payables	15	21	24	27	28
Others	3	0	0	0	0
Liabilities	26	30	33	35	36
Shareholder's equity	17	24	33	44	60
Minority interest	(0)	0	0	1	2
Equity	17	24	33	45	61

Cash Flow Statement

FYE Jun (RM m)	FY17	FY18	FY19f	FY20f	FY21f
Profit before taxation	9	9	12	16	21
Depreciation & amortisation	3	5	5	6	8
Changes in working capital	2	1	(0)	(2)	(1)
Taxation	(2)	(2)	(3)	(4)	(5)
Others	(3)	1	-	-	-
Operating cash flow	9	13	14	16	22
Net capex	(11)	(7)	(14)	(14)	(14)
Others	5	2	-	-	-
Investing cash flow	(6)	(5)	(14)	(14)	(14)
Changes in borrowings	(4)	(0)	-	-	-
Issuance of shares	-	0	-	-	-
Dividends paid	(0)	(2)	-	-	-
Others	(0)	(0)	-	-	-
Financing cash flow	(4)	(3)	-	-	-
Net cash flow	(1)	6	0	2	8
Forex	0	(0)	-	-	-
Others	-	-	-	-	-
Beginning cash	9	8	15	15	18
Ending cash	8	14	15	18	26

Income Statement

FYE Jun (RM m)	FY17	FY18	FY19f	FY20f	FY21f
Revenue	27	35	62	88	101
EBITDA	9	14	17	23	29
EBIT	6	9	12	17	21
Net finance income/ (cost)	3	0	(0)	(0)	(0)
Associates & JV	-	-	-	-	-
Profit before tax	9	9	12	16	21
Tax	(2)	(2)	(3)	(4)	(5)
Net profit	7	7	9	12	16
Minority interest	0	(0)	(0)	(0)	(1)
Core earnings	7	7	9	12	15
Exceptional items	-	-	-	-	-
Reported earnings	7	7	9	12	15

Valuation & Ratios

FYE Jun (RM m)	FY17	FY18	FY19f	FY20f	FY21f
Core EPS (sen)	3.0	2.9	3.9	5.0	6.4
P/E (x)	42.2	43.4	32.4	24.8	19.5
EV/EBITDA (x)	32.7	20.7	16.5	12.5	10.0
DPS (sen)	-	-	-	-	-
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
BVPS (RM)	0.07	0.10	0.14	0.19	0.25
P/B (x)	17.60	12.51	9.03	6.62	4.94
EBITDA margin	33.1%	39.3%	27.9%	26.0%	28.5%
EBIT margin	21.4%	26.4%	20.0%	18.8%	20.8%
PBT margin	32.3%	26.4%	19.5%	18.5%	20.5%
Net margin	26.3%	19.2%	14.5%	13.5%	15.0%
ROE	41.7%	28.8%	27.9%	26.7%	25.3%
ROA	16.2%	12.6%	13.8%	14.7%	15.5%
Net gearing	CASH	CASH	CASH	CASH	CASH

Assumptions

FYE Jun (RM m)	FY17	FY18	FY19f	FY20f	FY21f
EDC terminals revenue	13	16	35	49	54
Transaction value	665	1,120	1,884	2,842	3,750

Figure #1 Quarterly results comparison

FYE Jun (RM m)	3Q18	2Q19	3Q19	QoQ (%)	YoY (%)	9MFY18	9MFY19	YoY (%)
Revenue	7.9	13.6	15.5	14.2	95.4	23.3	43.9	88.3
EBITDA	3.5	4.7	5.4	15.4	54.9	10.0	14.6	45.4
EBITDA Margin (%)	43.8	34.3	34.7			43.0	33.2	
EBIT	2.3	3.4	3.4	(0.9)	45.0	6.8	10.0	48.5
PBT	2.3	3.3	3.3	0.0	48.1	6.7	9.9	48.3
PAT	1.8	2.5	2.7	5.0	44.0	5.2	7.5	43.4
Reported PATMI	1.8	2.4	2.5	6.4	40.4	5.1	6.8	33.8
Core PATMI	1.9	2.2	2.7	21.7	43.5	5.4	7.1	31.4
Basic EPS (sen)	0.8	1.0	1.1	6.4	40.4	2.2	2.9	33.8
Adj basic EPS (sen)	0.8	0.9	1.2	21.7	43.5	2.3	3.0	31.4

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Figure #2 SOP value

Sum of Parts	RM m	PE (x) / WACC	Value to RGB	FD Per Share
FY20 earnings	14	32	432	1.25
Firm value			432	1.25
Cash proceeds from Warrants			139	0.40
Net cash			7	0.02
Target price			579	1.67

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BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result to a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

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OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
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