

HLIB Research

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BUY (Maintain)

Target Price: RM2.00
Previously: RM1.98
Current Price: RM1.51

Capital upside	32.5%
Dividend yield	0.0%
Expected total return	32.5%

Sector coverage: Technology

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

Share price


	1M	3M	12M
Historical return (%)			
Absolute	-6.2	21.8	32.5
Relative	-3.4	24.9	51.1

Stock information

Bloomberg ticker	REVENUE MK
Bursa code	0200
Issued shares (m)	232
Market capitalisation (RM m)	350
3-mth average volume ('000)	1,710
SC Shariah compliant	Yes

Major shareholders

Ng Chee Fang	20.7%
Ng Shih Chiow	16.4%
Ng Shih Siong	15.1%

Earnings summary

	FY19	FY20f	FY21f
FYE (Jun)			
PATMI – core (RM m)	10.5	14.2	18.0
EPS – core (sen)	4.5	6.0	7.7
P/E (x)	33.6	25.1	19.7

Revenue Group

A remarkable year

RGB's FY19 core net profit of RM10.5m (+33%) beat expectation, accounted for 109% of HLIB full year forecast. On the cumulative basis, the exceptional performance was driven by all 3 business segments, where EDC, ETP and S&S gained 123%, 20% and 52%, respectively. RGB believes its outlook remains favourable and confident that newly acquired companies will complement existing core business. Reiterate BUY with TP of RM2.00. 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.

Exceeds expectation. 4QFY19 core net profit of RM2.8m (+3% QoQ, +11% YoY) brings FY19's total to RM10.5m (+33% YoY) which beat expectation, accounting for 109% of our full year forecasts. One-off adjustments in 4QFY19 amounted to RM1m which include provisions for acquisitions, bad debts, impairments, forex loss and disposal gain.

Dividend. None (4QFY18: none).

QoQ. Top line was rather flat at RM15.4m whereby solution & services' (S&S) gain of 98% was fully offset by the contractions in EDC terminals and electronic transactions processing (ETP) with -3% and -16%, respectively. In 4QFY19, EDC terminals were offered to bank customers at a lower ASP while the lower ETP was due to seasonal factor. However, core net profit was stronger by 3% to RM2.8m aided by higher GP margin (4QFY19: 55% vs 3QFY19: 51%) and positive tax impact.

YoY. Sales surged by 28% to RM15.4m thanks to the expansions in all three business segments led by S&S with 627% gain, followed by EDC with 37% while ETP fell by 16%. Despite D&A's 55% increase and lower GP margin (4QFY19: 55% vs 4QFY18: 62%), core net profit expanded by 11% to RM2.8m aided by lower tax rate.

YTD. Cumulatively, revenue strengthened 68% to top RM59.4m on the back of superior growths from all 3 segments where EDC, ETP and S&S expanded 123%, 20% and 52%, respectively. Despite higher D&A and lower GP margin (FY19: 54% vs FY18: 65%), adjusted core earnings expanded by 33% to RM10.5m.

Outlook. RGB believes that its prospects and outlook remain favourable in FY20. 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. Minor tweaks of assumptions (S&S GP margin and effective tax rate) led to higher FY20-21 core net profit by 1.4% and 1.1%, respectively.

Reiterate **BUY** on the back of higher fair value of **RM2.00** based on SOP valuation (see Figure #2), implying an upside potential of 33%. 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	FY19	FY20f	FY21f
Cash	10	15	24	22	35
Receivables	8	11	23	20	22
PPE	22	24	28	39	43
Others	3	3	13	3	3
Assets	43	54	88	83	103
Debt	8	8	5	8	8
Payables	15	21	25	27	28
Others	3	0	1	0	0
Liabilities	26	30	31	35	36
Shareholder's equity	17	24	56	47	65
Minority interest	(0)	0	0	1	2
Equity	17	24	56	48	67

Cash Flow Statement

FYE Jun (RM m)	FY17	FY18	FY19	FY20f	FY21f
Profit before taxation	9	9	11	19	25
Depreciation & amortisation	3	5	7	8	10
Changes in working capital	2	1	(14)	(3)	(2)
Taxation	(2)	(2)	(3)	(5)	(6)
Others	(3)	1	0	-	-
Operating cash flow	9	13	1	20	27
Net capex	(11)	(7)	9	(14)	(14)
Others	5	2	-	-	-
Investing cash flow	(6)	(5)	9	(14)	(14)
Changes in borrowings	(4)	(0)	(2)	-	-
Issuance of shares	-	0	20	-	-
Dividends paid	(0)	(2)	-	-	-
Others	(0)	(0)	-	-	-
Financing cash flow	(4)	(3)	18	-	-
Net cash flow	(1)	6	11	6	13
Forex	0	(0)	-	-	-
Others	-	-	-	-	-
Beginning cash	9	8	14	16	22
Ending cash	8	14	24	22	35

Income Statement

FYE Jun (RM m)	FY17	FY18	FY19	FY20f	FY21f
Revenue	26.5	35.4	59.4	91.6	105.6
EBITDA	8.8	13.9	18.0	28.0	35.1
EBIT	5.7	9.3	11.5	19.7	25.0
Net finance income/ (cost)	2.9	0.0	(0.2)	(0.3)	(0.3)
Associates & JV	-	-	-	-	-
Profit before tax	8.6	9.3	11.3	19.4	24.7
Tax	(1.6)	(2.3)	(2.0)	(4.7)	(5.9)
Net profit	6.9	7.0	9.3	14.7	18.8
Minority interest	0.0	(0.2)	(0.6)	(0.6)	(0.8)
Reported earnings	7.0	6.8	8.7	14.2	18.0
Exceptional items	-	1.0	1.8	-	-
Core earnings	7.0	7.9	10.5	14.2	18.0

Valuation & Ratios

FYE Jun (RM m)	FY17	FY18	FY19	FY20f	FY21f
Core EPS (sen)	3.0	2.9	4.5	6.0	7.7
P/E (x)	50.9	52.4	33.6	25.1	19.7
EV/EBITDA (x)	39.6	25.0	19.3	12.4	9.9
DPS (sen)	-	-	-	-	-
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
BVPS (RM)	0.07	0.10	0.24	0.20	0.28
P/B (x)	21.26	15.11	6.29	7.52	5.44
EBITDA margin	33.1%	39.3%	30.3%	30.5%	33.2%
EBIT margin	21.4%	26.4%	19.4%	21.5%	23.7%
PBT margin	32.3%	26.4%	19.0%	21.2%	23.4%
Net margin	26.3%	19.2%	15.7%	15.4%	17.1%
ROE	41.7%	28.8%	15.5%	30.0%	27.6%
ROA	16.2%	12.6%	9.9%	17.0%	17.4%
Net gearing	CASH	CASH	CASH	CASH	CASH

Assumptions

FYE Jun (RM m)	FY17	FY18	FY19	FY20f	FY21f
EDC terminals revenue	13	16	35	49	54
Transaction value	665	1,120	1,200	6,065	7,477

Figure #1 Quarterly results comparison

FYE Jun (RM m)	4Q18	3Q19	4Q19	QoQ (%)	YoY (%)	FY18	FY19	YoY (%)
Revenue	12.0	15.5	15.4	(0.6)	28.2	35.4	59.4	67.9
EBITDA	4.1	5.4	3.4	(36.6)	(16.6)	14.1	18.0	27.5
EBITDA Margin (%)	34.0	34.7	22.1			40.0	30.3	
EBIT	2.8	3.4	1.4	(57.8)	(49.4)	9.6	11.5	19.8
PBT	2.7	3.3	1.4	(58.6)	(49.4)	9.4	11.3	19.9
PAT	1.9	2.7	1.8	(32.5)	(4.9)	7.1	9.3	30.6
Reported PATMI	1.7	2.5	1.8	(27.2)	7.8	6.8	8.7	27.2
Core PATMI	2.5	2.7	2.8	3.3	11.0	7.9	10.5	33.0
Basic EPS (sen)	0.7	1.1	0.8	(27.2)	7.8	2.9	3.7	27.2
Adj basic EPS (sen)	1.1	1.2	1.2	3.3	11.0	3.4	4.5	33.0

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Figure #2 SOP value

Sum of Parts	RM m	PE (x) / WACC	Value to RGB	FD Per Share
CY20 earnings	16	34	547	1.58
Firm value			547	1.58
Cash proceeds from Warrants			139	0.40
Net cash			8	0.02
Target price			694	2.00

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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.
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