

Kenneth Leong

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Recommendation:	BUY
Current Price:	RM 0.46
Previous Target Price:	RM 0.56
Target Price:	↑ RM 0.70
Upside/Downside:	52.2%

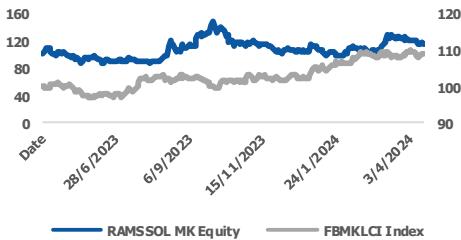
Stock information

Board	ACE
Sector	Technology
Bursa / Bloomberg Code	0236 / RAMSSOL MK
Syariah Compliant	Yes
FTSE4Good Index	No
FTSE ESG Rating	N/A
Bloomberg ESG Rating	N/A
Shares issued (m)	319.0
Market Cap (RM' m)	146.7
52-Week Price Range (RM)	0.54-0.315
Beta (x)	1.1
Free float (%)	52.1
3M Average Volume (m)	2.9
3M Average Value (RM' m)	1.2

Top 3 Shareholders

	(%)
Tan Chee Seng	23.9
Lee Miew Lan	8.1
Lim Wee Chai	5.7

Share Price Performance



	1M	3M	12M
Absolute (%)	0.0	22.7	26.0
Relative (%)	-1.2	18.1	14.8

Ramssol Group Berhad

Kicking off the year with a blast

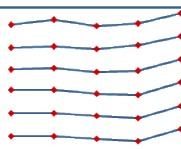
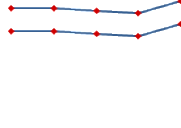
Summary

- **3MFY24 core net profit at RM4.2m surpassed our expectations, making up to 40.9% of our core net profit forecast at RM10.2m.**
- **HCM industry outlook remain promising as businesses gradually transforms into efficient workforce management.**
- **Re-iterate BUY recommendation with a higher target price of RM0.70, by pegging 18.0x P/E multiple to fully diluted FY25F EPS of 3.9 sen.**

Results Review

- **Results review.** 1QFY24 core net profit jumped 98.9% yoy to RM4.2m, driven by the higher human capital management (HCM) solutions segment particularly from Malaysia and Thailand markets. Revenue for the quarter expanded 123.5% yoy to RM14.4m.
- **Results above expectations.** Reported 3MFY24 core net profit at RM4.2m surpassed our expectations, making up to 40.9% of our core net profit forecast at RM10.2m and was at 46.9% of consensus forecasted net profit of RM8.9m. The variance is mainly attributed to the stronger-than-expected HCM solutions segment contribution. Revenue for the quarter accounts to 26.9% of our expectations.
- **Operations Highlights.** In 1QFY24, Ramssol has entered into a memorandum of understanding (MoU) with Institut Koperasi Malaysia (IKMa) as well as TÜV SÜD Academy in Singapore focusing on compliance best practices and anti-corruption regulatory awareness (EnGo) which deemed earnings accretive towards the Education Technology business segment. Meanwhile, the official launch of Rider Gate platform on 14 February 2024 will serve as another key revenue driver in quarters ahead. The move will mitigate the risk of reliance towards HCM solutions business segment.
- **Industry Highlights.** Outlook for human capital management (HCM) industry to remain fairly promising as businesses gradually transforms traditional human resource functions into efficient workforce management. Along with the centralised global cloud-based solutions, businesses will be able to streamline processes and optimise operations in bid to focus onto core business.
- **Outlook.** Apart from the bread-and-butter business under the HCM segment, key focus lies onto (i) EduTech – collaboration with education service providers, (ii) MarTech – to replicate the success of concert live stream in Malaysia cinema, partnering TGV cinemas and (iii) AutoTech – onboarding more bike dealers to capture additional market share.
- **Valuation.** Raised our forecast to RM15.9m and RM17.0m for FY24F and FY25F respectively after taking into account over the stronger-than-expected HCM solutions business contributions. Re-iterate our **BUY** recommendation on RAMSSOL with a higher target price of RM0.70, by pegging 18.0x P/E multiple to fully diluted FY25F EPS of 3.9 sen.
- **Risk.** Potential vulnerability of security breaches, intrusion, or compromise of sensitive data, systems, or networks. New ventures may kick off slower-than-expected could delay cash flow generation.

Figure 1: Results Comparison

FYE Dec (RM m)	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)	3MFY23	3MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	14.4	6.5	123.5	7.9	83.7	6.5	14.4	123.5		Record high from strong contribution from HCM segment
EBITDA	5.9	2.4	149.0	3.1	91.9	2.4	5.9	149.0		
Pre-tax profit	4.5	2.0	125.6	1.6	182.0	2.0	4.5	125.6		
Net profit	4.1	2.0	104.7	0.9	371.2	2.0	4.1	104.7		
Core net profit	4.2	2.1	98.8	0.8	415.9	2.1	4.2	98.8		
Core EPS (sen)	1.3	0.7	98.8	0.3	415.9	0.7	1.3	98.8		Higher margins from certain projects and distributorship of HCM licenses
EBITDA margin (%)	41.2	37.0		39.5		37.0	41.2			
PBT margin (%)	31.4	31.1		20.5		31.1	31.4			
Core PATMI margin (%)	28.9	32.5		10.3		32.5	28.9			

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	52.5	27.9	30.6	61.3	73.7
Gross Profit	27.4	15.4	22.4	42.9	51.6
EBITDA	6.6	4.4	9.3	23.0	25.8
Depreciation & Amortisation	-0.6	-0.7	-1.0	-4.0	-5.5
EBIT	6.0	3.7	8.3	19.0	20.3
Net Finance Income/ (Cost)	-0.3	-0.4	-1.3	-1.3	-1.4
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	5.7	3.4	7.1	17.7	19.0
Tax	-0.1	-0.3	-0.8	-2.1	-2.3
Profit After Tax	5.7	3.1	6.3	15.6	16.7
Minority Interest	-1.1	-0.7	-0.2	-0.3	-0.3
Net Profit	6.8	3.8	6.6	15.9	17.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	6.8	3.8	6.6	15.9	17.0
Diluted Core Net Profit	-	-	-	15.9	17.1

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	12.5%	15.8%	30.4%	37.5%	35.0%
EBIT margin	11.5%	13.4%	27.2%	31.0%	27.6%
PBT margin	10.9%	12.0%	23.1%	28.9%	25.7%
PAT margin	10.8%	11.1%	20.7%	25.4%	22.6%
NP margin	12.9%	13.6%	21.5%	25.9%	23.1%
Core NP margin	12.9%	13.6%	21.5%	25.9%	23.1%
ROE	16.6%	7.4%	8.1%	14.0%	13.0%
ROA	13.7%	5.9%	6.5%	11.4%	11.1%
Net gearing	Net Cash	Net Cash	7.0%	Net Cash	Net Cash

Key Assumptions

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
HCM solutions market share	3.7%	1.3%	1.4%	1.6%	1.6%
Bikes transaction market share	0.0%	0.0%	0.0%	5.0%	6.0%

Valuations

	FY25F
Diluted Core EPS (RM)	0.039
P/E multiple (x)	16.0
Fair Value (RM)	0.62

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	8.2	8.4	8.3	22.4	22.7
Receivables	33.0	22.7	15.6	25.2	30.3
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.8	8.9	24.1	36.8	44.2
Total Current Assets	42.0	40.0	48.0	84.4	97.2
Fixed Assets	1.9	3.5	3.3	5.5	7.4
Intangibles	3.9	15.1	43.0	43.0	43.0
Other non-current assets	1.6	5.6	6.4	6.4	6.4
Total Non-current assets	7.4	24.2	52.8	54.9	56.8
Short-term Debt	1.4	1.5	9.2	11.0	9.9
Payables	4.7	4.0	4.8	6.4	5.5
Other Current Liabilities	0.0	1.2	0.2	0.5	0.6
Total Current Liabilities	6.1	6.7	14.3	17.9	16.0
Long-term Debt	2.2	6.1	4.8	7.3	6.6
Other non-current liabilities	0.1	0.2	0.2	0.2	0.2
Total Non-current Liabilities	2.3	6.3	5.1	7.5	6.8
Shareholder's equity	44.1	55.1	85.4	99.7	114.3
Minority interest	-3.2	-3.9	-3.9	14.2	16.9
Total Equity	40.9	51.3	81.4	113.9	131.2

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	5.7	3.4	7.1	17.7	19.0
Depreciation & amortisation	0.6	0.7	1.0	4.0	5.5
Changes in working capital	-20.7	2.5	-8.1	20.4	13.3
Others	-1.2	-0.6	-1.1	0.3	0.4
Operating cash flow	-13.2	7.1	1.1	41.9	37.3
Net capex	-4.0	-1.9	-0.2	-0.2	2.1
Others	0.0	-15.4	-30.2	-20.0	-35.0
Investing cash flow	-3.9	-17.4	-30.3	-20.2	-32.9
Dividends paid	0.0	0.0	0.0	-1.6	-2.4
Others	22.7	10.4	19.5	4.2	-1.8
Financing cash flow	22.7	10.4	19.5	2.6	-4.2
Net cash flow	5.6	0.2	-9.7	24.3	0.2
Forex	-0.2	0.0	0.0	0.0	0.0
Others	0.6	0.0	9.7	-10.3	0.0
Beginning cash	2.2	8.2	8.4	8.3	22.4
Ending cash	8.2	8.4	8.3	22.4	22.7

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

DEALING TEAM

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Steven Chong (ext 2068)
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RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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