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Recommendation:	Subscribe
IPO Price:	RM 0.35
Target Price:	RM 0.49
Upside/Downside:	40.0%

Company Brief

Provider of enterprise IT services, specializing in transportation IT solutions

Stock Information

Board	ACE Market
Sector	Technology
Bursa / Bloomberg Code	0331 / GOHUB MK
Syariah Compliant	Yes
Shares issued (m)	400.0
Market Cap (RM' m)	140.0
Estimated Free float (%)	27.8

Top 3 Shareholders	(%)
Go Hub Sdn Bhd	55.0
Dato' Sri Robin Tan	3.7
Alief Iskandar Bin Mohd Zuhri	3.7

IPO Timetable	Date
Opening of IPO application	12/6/2024
Closing of IPO application	20/6/2024
Balloting of IPO application	24/6/2024
Allotment of IPO shares	1/7/2024
Listing of IPO on Bursa Malaysia	3/7/2024

Go Hub Capital Berhad

Public transport IT solutions specialist

Summary

- **Provider of enterprise IT services, specialising in transportation IT solutions**
- **Earnings are anticipated to strengthen, driven by resilient growth in recurring income and a robust order book**
- **Gohub is valued by pegging FY25F core EPS of 2.72 sen to PE of 18.0x, leading to a FV of RM0.49 (40.0% potential upside from IPO price).**

Company Background

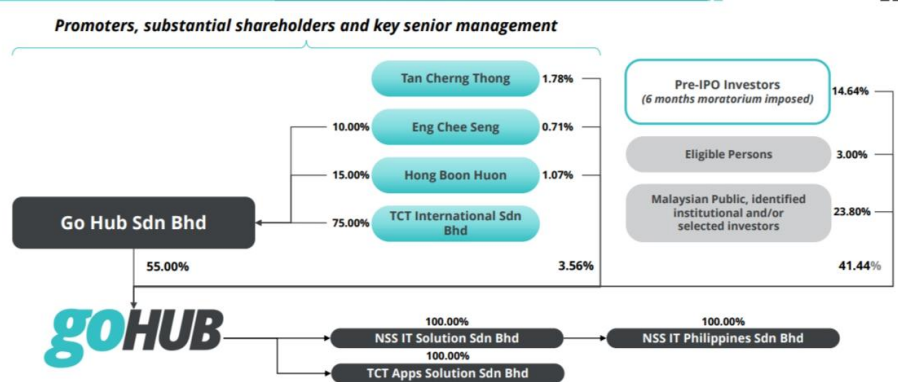
- Go Hub Capital Bhd (Gohub) traces its history back to 2009, when the management conceptualised a blueprint for a Terminal Operating System (TOS) to cater for terminal and stage bus operations after observing inherent operational flaws and inefficiencies in bus terminal operations.
- Subsequently, Gohub expanded the services to include Bus Operating System (BOS), maintenance and management systems for terminals, and the Automated Fare Collection (AFC) system.
- Over the years, the Group successfully secured customers for TOS solution in seven bus terminals, including KTMB, and their BOS solution for 26 stage bus operators. Geographically, the Group's market and business are primarily derived from Malaysia, accounting for more than 98% of total revenue in FY23.
- Gohub is now touted as a provider of enterprise IT services, specialising in transportation IT solutions. The Group offers customised solutions aimed at optimising and efficiently managing operational process flows, which are crucial for real-time monitoring, resource allocation and utilisation, automated scheduling, and data analytics reporting.
- Presently, Go Hub operates from their head office in Cyberjaya, with a workforce of approximately 190 employees, most of whom are engineers and technicians.

IPO Utilisation

Details of utilisation	Estimated time frame for utilisation	RM 'm (%)
Business expansion		
• Expansion of workforce	Within 24 months	RM10.1m (26.9%)
• Capital expenditure on equipment and tools	Within 36 months	RM6.5m (17.3%)
• Acquisition of Star Central Office Tower	Within 6 months	RM3.7m (9.9%)
• D&D	Within 36 months	RM1.9m (5.1%)
• Set-up of new integrated centre	Within 36 months	RM1.5m (4.0%)
• Business development and marketing	Within 24 months	RM1.0m (2.7%)
		RM24.7m (65.9%)
Repay bank borrowings	Within 6 months	RM4.0m (10.7%)
Working capital	Within 12 months	RM4.8m (12.8%)
Estimated listing expenses	Within 1 month	RM4.0m (10.7%)

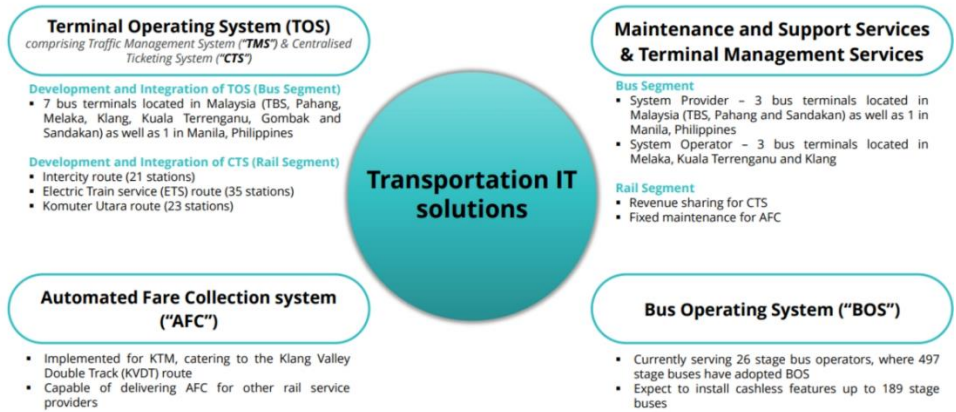
Source: Gohub, prospectus

Corporate structure



Source: Gohub

Business Overview



Source: Gohub

- Gohub is principally involved in providing enterprise IT services, with a focus on transportation IT solutions, including customised software development systems and the integration of hardware and software systems.
- The Group provides customised solutions, primarily aimed at optimising and efficiently managing operational process flows. These solutions are critical to operations, requiring real-time monitoring, resource allocation and utilisation, automated scheduling, and data analytics reporting.
- The Group's solutions include point of sale (POS) functions for ticket issuance and fare collection; resource management and allocation for platform; bay assignments to maximise terminal capacity and minimise traffic congestion; scheduling functions for arrivals, departures, and turnaround times of public transportation vehicles; real-time tracking and monitoring functions for vehicles and ticket sales; management of data including passenger information and data analytics and reporting on key metrics such as ridership; on-time performance of public transportation operators, and terminal utilisation rates.

Solutions

- **Terminal Operating system (TOS).** TOS solution revolves around Terminal Management System (TMS) designed to optimise and streamline traffic processes at bus terminals, enhancing operational efficiency. Additionally, this service incorporates a central ticketing system developed to complement TMS, serving as a real-time centralised ticketing system that connects passengers and operators through various channels such as ticketing counters, bTicket Vending Machines, ticketing web platforms, and mobile applications.
- **Bus operating system (BOS).** BOS solution primarily provides stage bus operators with a GPS monitoring system-enabled ticketing solution tailored for stage bus operations. Key features include real-time bus tracking; cashless payment options for passengers; data analysis and reporting capabilities; and fare integration functionalities.
- **Automated Fare Collection system (AFC).** The Group provide AFC system to customers for their fare collection needs, supporting both cash and cashless payment methods. Currently, the Group's AFC solution is implemented within the rail sector in Peninsular Malaysia under a contract with KTMB, specifically serving the KVDT route. However, the AFC system is designed to be adaptable and can seamlessly extend to additional routes within the KTMB rail network, as well as across other transportation segments such as buses and ferries.



- **Maintenance and support service.** Supplementary services after contracts with customers. The maintenance of the systems will be conducted according to a pre-scheduled timeline. This maintenance encompasses tasks such as regular software and hardware updates, routine replacement of components or parts, and general testing to ensure optimal system performance.

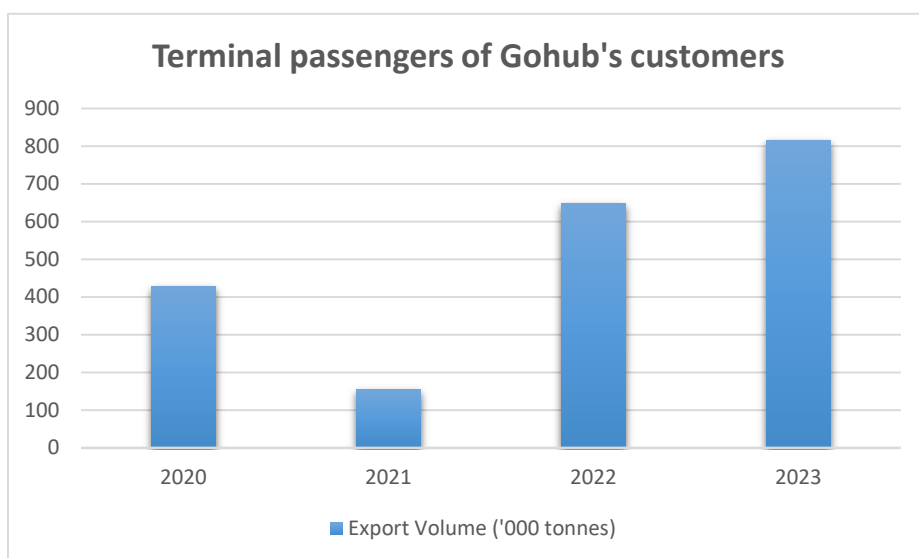
Revenue model

- **Outright Purchase.** Payments from Gohub's customers are structured based on project milestones specified in the purchase orders or contracts. Billing for the final project milestone occurs upon completion of the project. Upon payment completion, customers obtain full ownership of the solutions. Typically, Gohub subsequently enters into maintenance and support contracts with customers following the outright purchase of the solutions.

- **Subscription.** Gohub will charge subscription fees to customers based on a pay-per-use payment model. Gohub will retain ownership of the solutions and bear the costs of maintaining the hardware and/or software systems.
- **Revenue sharing.** Percentage fee-based model involves charging a percentage of each transaction value or each ticket value sold/booked to end users. Some contracts use a fixed fee model where Gohub charges a predetermined amount for each transaction, regardless of the transaction value.

Industry Overview

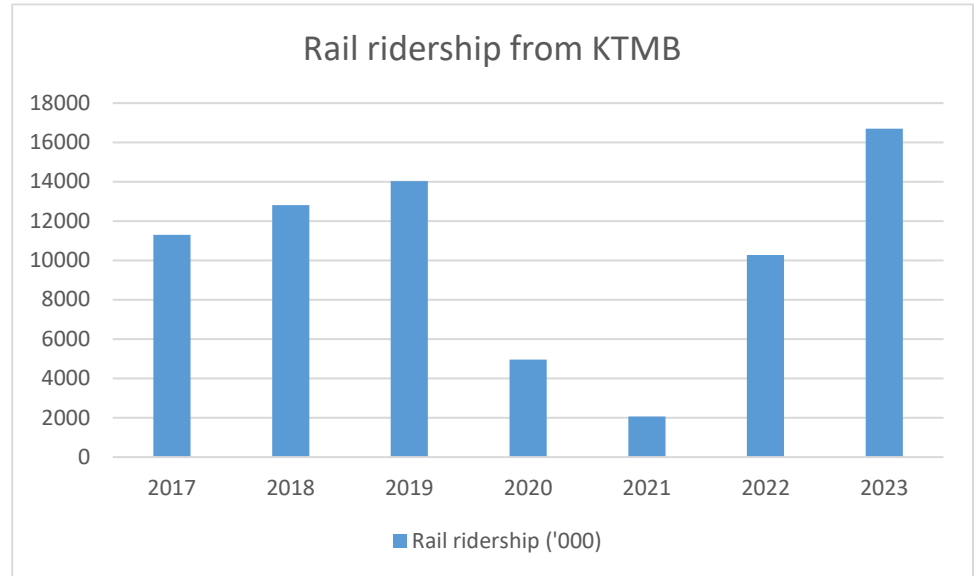
- Gohub primarily operates as an enterprise IT solution provider, specialising in ticketing solutions for the public land transportation sector. Therefore, the company's success is closely tied to the development of the public transportation sector and the ongoing digitalisation of the economy.
- Despite operating in challenging conditions over recent years, including higher operating costs and stagnant fares, the local bus industry remains pivotal in Malaysia's public transportation network and continues to serve significant roles for both public transport and private usage, such as domestic and outbound tours.
- Over the long term, demand for stage buses and express buses is expected to be influenced by factors such as population growth and increasing urbanisation. Continued government support for public transportation will be crucial in driving usage. A larger population provides a larger pool of potential users, while urbanisation increases the demand for stage buses due to the necessity for efficient public transportation systems in urban areas.



Source: Gohub

- The government is expected to maintain support for the stage bus and express bus industry under the National Transport Plan 2019-2030, which emphasises the enhancement of public transport infrastructure. A key initiative is the Interim Stage Bus Support Fund (ISBSF), through which subsidy payments are disbursed to assist stage bus operators in covering their operational expenses. This support allows

operators to continue serving essential but economically unprofitable routes, ensuring public transport accessibility.



Source: KTMB

- Similarly, rail services are extensively utilized in Malaysia, particularly in the Klang Valley. The ridership of rail passengers in Peninsular Malaysia has shown a steady increase over recent years, rising from 228.0m passengers in 2017 to 276.0m passengers in 2019.
- In the medium to long term, local rail transportation services industry is expected to be driven by factors such as economic recovery boosting demand for goods, climate change considerations, urbanization trends, and a growing population. These factors are anticipated to stimulate both rail passenger and freight traffic, necessitating expansions of existing rail infrastructure and networks.
- Some of the mega rail infrastructure projects scheduled for completion in the coming years, such as the LRT 3, ECRL, RTS, and others, will provide significant addressable market opportunities for the Group.
- Prasarana also plans to implement an open payment system for Rapid bus and rail services within the Klang Valley. Currently, bus services accept only Touch 'n Go cards, while rail stations offer tokens as alternatives. The shift to an open payment system will enable the use of credit cards, debit cards, and other payment methods, benefiting both locals and tourists using these services and potentially increasing ridership.
- Meanwhile, the rise of the digital economy is driving the digitalisation of public transportation, increasing demand for Gohub's solutions.

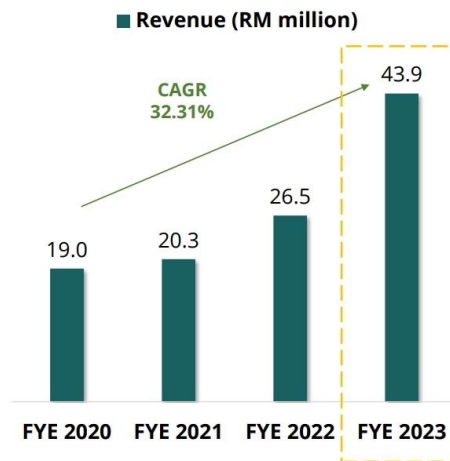
Investment Highlights

- **Recurring income from the revenue sharing model serves as a stable source of revenue, providing sustainability and growth.** Approximately 50.0% of total revenue contributed from the recurring income model, primarily

derived from passengers of Gohub’s customers, notably KTMB. This income stream is resilient, even during economic downturns, due to the strong stickiness of public transportation users. As the number of public transport passengers grows and Gohub secures more customers under the revenue sharing model, we anticipate that recurring income will continue to expand over time.

- Anticipating increase adoption of public transportation.** We expect steady growth in public transport usage driven by government initiatives aimed at developing the sector and addressing rising traffic congestion. Moreover, a growing population is expected to contribute to higher usage rates, thereby boosting income for the Group.
- Opportunities in the addressable market from public transport development.** Gohub currently serve seven bus terminals in Malaysia with their TOS solutions. A significant development in Malaysia's public transport sector has been announced by the Ministry of Transport, requiring evaluation of all 169 bus terminals in Peninsular Malaysia by APAD. This initiative could potentially expand the addressable market for Gohub's TOS systems to include in the underserved terminals. Additionally, Gohub has a track record of providing AFC solutions to KTMB, well positioned to on board Prasarana as a potential customer. Prasarana, a key player in public transportation, is set to implement an open payment system for its rail and bus services in the Klang Valley. Furthermore, upcoming mega rail projects such as LRT 3, ECRL, and RTS present substantial market opportunities for Gohub. Gohub has also entered the sea transportation segment, collaborating with the Sabah Port Authority to implement transportation IT solutions at eight ferry terminals. This expansion demonstrates the adaptability of Gohub's transportation IT solutions beyond land-based transport.

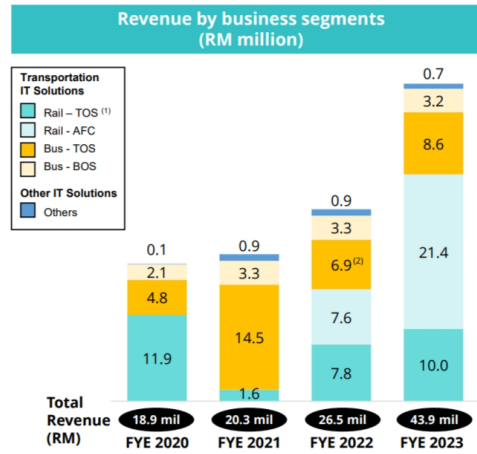
Financial Highlights



Source: Gohub

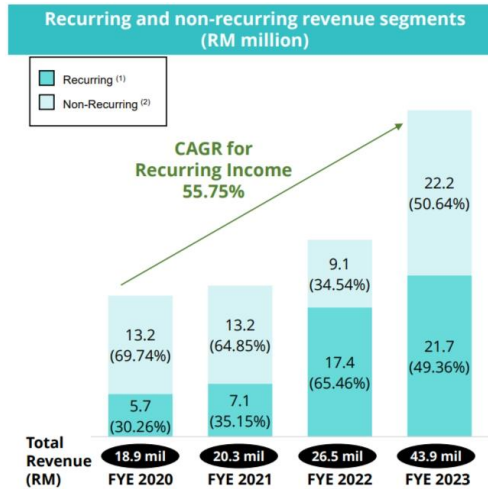
- Gohub has delivered robust financial performance growth from FY20 to FY23, achieving a 3-year CAGR of 32.3%. The improvement was largely driven by the recovery in public transport ridership, increased job secured from overall economic recovery during that period. The significant revenue jump in FY23 can be attributed to the contribution from the AFC segment, following the contract commencement

with KTMB in 3Q22. This initiative highlights Gohub's strategic move in expansion of service offerings have started to yield positive results, particularly in enhancing revenue streams through new contracts and segments like AFC.



Source: Gohub

- TOS segment was the largest revenue contributor to the Group for the FY20-FY22, and second largest revenue contributor for fy23, decrease in percentage mainly due to kicked in contribution of AFC segment.



Source: Gohub

- Moving forward, we anticipate stronger financial growth, with expected core net profits increasing by 21.0% and 27.8% to RM8.6m and RM11.0m in FY24F and FY25F respectively. Projected growth will be underpinned by resilient increase in public transport passengers and a robust order book amounting to approximately RM35.5m, which includes contracts from new customers. We also foresee the Group securing additional contracts and customers through ongoing tenders, which will bolster non-recurring income and expand the portfolio of recurring income. These factors collectively contribute to our optimistic outlook for Gohub's financial performance in the coming years.

Financial Highlights

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
TOTAL REVENUE	20.3	26.5	43.9	52.8	60.2
Gross Profit	8.5	17.2	22.5	27.2	31.9
Operating Profit	3.2	9.1	11.2	12.4	15.6
Pre-tax Profit	2.0	8.0	10.0	11.3	14.4
Net Profit	2.4	6.1	7.1	8.6	11.0
EPS (sen)	0.6	1.5	1.8	2.1	2.7
P/E (x)	58.3	23.1	19.8	16.3	12.8
Dividend Yield (%)	0.0%	1.8%	0.0%	0.0%	0.0%
ROE (%)	33.6	56.5	39.8	13.4	16.9
Gearing (%)	238.4	155.3	92.5	41.3	34.1

Source: Gohub, Apex Securities

Valuation & Recommendation

- At an IPO offer price of RM0.35, Gohub's forward PE valuation for FY24F and FY25F is projected at 16.3x and 12.8x, based on our estimated FY24F and FY25F EPS of 2.1 sen and 2.7 sen respectively. We arrived at our **fair value of RM0.49** (40.0% potential upside from its IPO price) by assigning a target PE of 18.0x to its FY25F EPS.
- The assigned target PE is close to the average of Enterprise IT solutions provider listed companies in Bursa.
- We are optimistic about Gohub due to its robust recurring income, which ensures steady growth and mitigates risks during economic downturns. Moreover, the extensive addressable market opportunities allow the Group to leverage its current technology and expertise to secure more customers and expand its recurring income base. This strategic positioning positions Gohub favourably for sustained growth and market expansion in the transportation IT solutions sector.

Peers Comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM 'm)	P/E (x)		Gross DY (%)	Revenue RM 'm	Net Income RM 'm
					FY23	FY24F			
Go Hub Capital Bhd	ACE	Dec	0.35	140.0	19.8	16.3	0.0	43.9	7.1
Ramssol Group Bhd	ACE	Dec	0.535	170.6	19.8	14.9	0.0	30.6	6.6
AutoCount Development Bhd	ACE	Dec	1.21	666.1	51.4	N/A	1.7	41.0	12.6
Agmo Holdings Bhd	ACE	Mar	0.705	229.1	29.4	N/A	0.0	35.2	7.8
Avg ex-Gohub Capital Bhd					33.5	14.9	0.6	35.6	9.0

Source: Gohub, Bloomberg, Apex Securities

- As we gather that there are no direct comparable peers listed on the local bourse, we have imputed selected companies engaged in enterprise IT solutions providers as comparable. These companies that engages in IT management solutions services provide valuable insights that can inform our analysis and outlook for Gohub.

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
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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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