

Kenneth Leong

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Recommendation: BUY

Current Price: RM 0.60

Previous Target Price: RM 0.68

Target Price: ↑ RM 0.76

Upside/Downside: 27.7%

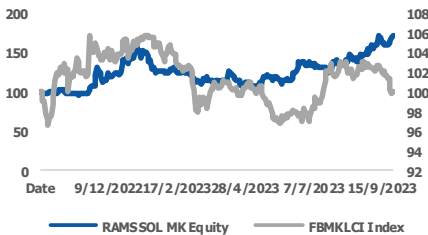
Stock information

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)	189.8
52-Week Price Range (RM)	0.6-0.32
Beta (x)	0.9
Free float (%)	49.1
3M Average Volume (m)	7.5
3M Average Value (RM' m)	3.7

Top 3 Shareholders (%)

Tan Chee Seng	23.9
Lim Wee Chai	5.7
Lee Miew Lan	3.7

Share Price Performance



	1M	3M	12M
Absolute (%)	20.2	33.7	77.6
Relative (%)	22.8	29.7	55.7

Ramssol Group Berhad

Synergistic Acquisition

Summary

- **Acquiring 51.0% stake in GeekStart Company Limited as part of the Group's strategy to expand their presence in the Southeast Asia market.**
- **Price tag translates to a historical P/E multiple of 10.0x, which we deem is a decent bargain that comes with a profit guarantee of RM2.4m and RM3.6m for FY24F and FY25F respectively.**
- **Re-iterate BUY recommendation with a higher target price of RM0.76, by pegging 18.0x P/E multiple to revised fully diluted FY25F EPS of 4.2 sen.**

Company Update

- **M&A details.** Ramssol's 99.9% owned-subsiary is acquiring 51.0% stake in GeekStart Company Limited (GeekStart) for a purchase consideration of RM6.9m as part of the Group's strategy to expand their presence in the Southeast Asia market. The proposed acquisition is expected to be completed in July 2024.
- **GeekStart Company Limited.** Thailand based digital technology company, principally involved in software development for web, mobile and internet of things (IoT) applications serving various industries (financial, property development, manufacturing and etc). Over the past three financial years, GeekStart recorded consistent improved fundamentals with net profit rising from RM0.4m in FY21 to RM1.4m in FY23. GeekStart have zero debt and net assets stood at RM3.4m in FY23.
- **Price tag is deemed attractive.** The acquisition will be satisfied via an issuance of 13.1m new Ramssol shares at an issue price of RM0.53. This translates to a historical P/E multiple of 10.0x, which we deem is a decent bargain compared to Stock Exchange of Thailand Technology Index's P/E multiple of 33.3x as well as Bursa Malaysia Technology's Index that is trading at P/E multiple of 30.0x. Moreover, the acquisition comes with a profit guarantee of RM2.4m and RM3.6m for FY24F and FY25F respectively.
- **Our take.** We are sanguine over the acquisition that is expected to be earnings accretive over the foreseeable future. The move will also bring synergistic effect, allowing Ramssol to boast their presence in the regional market as well as leverage onto GeekStart's artificial intelligence (AI) solution which is largely prevalent in present time to existing and prospective clientele.
- **Outlook.** Going forward, the Group will continue to focus onto their key business pillars in EduTech, MarTech and AutoTech. We expect the latter to make larger contribution in 2HFY24 from higher number of transactions, while EduTech and MarTech will focus onto consistent launching of new initiatives in line with revolving market demand.
- **Valuation.** Raised our fully diluted earnings forecast to RM17.0m and RM19.1m for FY24F and FY25F after incorporating profit guarantee contribution from GeekStart. Re-iterate our **BUY** recommendation on RAMSSOL with a higher target price of RM0.76, by pegging 18.0x P/E multiple to fully diluted FY25F EPS of 4.2 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.

Financial Highlights

Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	52.5	27.9	30.6	63.7	80.9
Gross Profit	27.4	15.4	22.4	44.6	56.7
EBITDA	6.6	4.4	9.3	24.2	28.3
Depreciation & Amortisation	-0.6	-0.7	-1.0	-4.0	-5.7
EBIT	6.0	3.7	8.3	20.2	22.6
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	18.9	21.3
Tax	-0.1	-0.3	-0.8	-2.3	-2.6
Profit After Tax	5.7	3.1	6.3	16.7	18.7
Minority Interest	-1.1	-0.7	-0.2	-0.3	-0.4
Net Profit	6.8	3.8	6.6	17.0	19.1
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	6.8	3.8	6.6	17.0	19.1
Diluted Core Net Profit	-	-	-	17.0	19.1

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	12.5%	15.8%	30.4%	38.0%	35.0%
EBIT margin	11.5%	13.4%	27.2%	31.7%	28.0%
PBT margin	10.9%	12.0%	23.1%	29.7%	26.3%
PAT margin	10.8%	11.1%	20.7%	26.1%	23.1%
NP margin	12.9%	13.6%	21.5%	26.7%	23.6%
Core NP margin	12.9%	13.6%	21.5%	26.7%	23.6%
ROE	16.6%	7.4%	8.1%	15.9%	14.4%
ROA	13.7%	5.9%	6.5%	12.8%	12.2%
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%	14%	16%	16%
Bikes transaction market share	0.0%	0.0%	0.0%	5.0%	6.0%

Valuations

	FY25F
Diluted Core EPS (RM)	0.042
P/E multiple (x)	18.0
Fair Value (RM)	0.76

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	8.2	8.4	8.3	19.3	24.9
Receivables	33.0	22.7	15.6	26.2	33.3
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.8	8.9	24.1	31.9	40.5
Total Current Assets	42.0	40.0	48.0	77.3	98.6
Fixed Assets	1.9	3.5	3.3	5.7	8.1
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	55.1	57.5
Short-term Debt	1.4	1.5	9.2	11.0	9.9
Payables	4.7	4.0	4.8	6.7	6.1
Other Current Liabilities	0.0	1.2	0.2	0.5	0.7
Total Current Liabilities	6.1	6.7	14.3	18.2	16.6
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	107.6	124.2
Minority interest	-3.2	-3.9	-3.9	-0.9	8.4
Total Equity	40.9	51.3	81.4	106.7	132.6

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	5.7	3.4	7.1	18.9	21.3
Depreciation & amortisation	0.6	0.7	1.0	4.0	5.7
Changes in working capital	-20.7	2.5	-8.1	16.2	16.1
Others	-1.2	-0.6	-1.1	0.4	0.7
Operating cash flow	-13.2	7.1	1.1	38.7	42.4
Net capex	-4.0	-1.9	-0.2	-0.2	2.4
Others	0.0	-15.4	-30.2	-20.0	-35.0
Investing cash flow	-3.9	-17.4	-30.3	-20.2	-32.6
Dividends paid	0.0	0.0	0.0	-1.7	-2.5
Others	22.7	10.4	19.5	4.2	-1.8
Financing cash flow	22.7	10.4	19.5	2.6	-4.3
Net cash flow	5.6	0.2	-9.7	21.1	5.5
Forex	-0.2	0.0	0.0	0.0	0.0
Others	0.6	0.0	9.7	-10.2	0.1
Beginning cash	2.2	8.2	8.4	8.3	19.3
Ending cash	8.2	8.4	8.3	19.3	24.9

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
<p>Head Office: 5th Floor Menara UAC, 12, Jalan PJU 7/5, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7890 8899</p> <p>Petaling Jaya Office: 16th Floor, Menara Choy Fook Onn, No.1B Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7620 1118</p>	<p>Head Office: Kong Ming Ming (ext 2002) Lee Chen Ming (ext 2029) Shirley Chang (ext 2026) Ahmad Mujib (ext 2028) Azfar Bin Abdul Aziz (ext 2031) Aizzat Bin Mohd Daud (ext 2030)</p> <p>Institutional Dealing Team:</p> <p>PJ Office: General Line: (603) 7620 1118</p>	<p>Head Office: Kenneth Leong (ext 2093) Steven Chong (ext 2068) Jayden Tan (ext 2069) Chelsea Chew (ext 2070) Tan Sue Wen (ext 2095)</p>

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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