



Go Hub Capital Bhd

New Kid On The Block

ACE Market
Technology Sector
Subscribe
IPO Price: RM0.35
Fair Value: RM0.62

Valuation / Recommendation

We recommend **SUBSCRIBING** to Go Hub Capital (Go Hub), with a **FV of RM0.62 based on 16x FY25F EPS**, indicating a potential upside of 77% to the IPO price. Our target PE of 16x is at a 30% discount to comparable peers' average valuation, given Go Hub's smaller market capitalisation. We like the stock for its proven track record in implementing transportation IT solutions for KTMB, which makes it a frontrunner for several upcoming railway and bus transportation projects in Malaysia.

Investment Highlights

Proven track record. Go Hub has achieved an impressive 3-year revenue CAGR of 32%, rising from RM19m in FY20 to RM44m in FY23. This growth is attributable to the company's success in securing new transportation projects throughout the years, especially from KTMB. Banking on its expertise and proven track record with KTMB, management has guided that they are currently tendering for RM200m-300m worth of projects, which we believe could include 1) ECRL, 2) JB-Singapore RTS Link, 3) AFC upgrade (for LRT, MRT & Monorail lines), and 4) Cashless payment upgrade for Rapid KL buses.

Clinching sizeable contract will be major catalyst. Out of the four projects, the AFC upgrade for LRT, MRT, and Monorail lines is more immediate and likely to be much bigger in contract size (potentially RM156m based on our estimates). We believe Go Hub is a frontrunner to clinch this contract, as the company has first-mover advantage and has already delivered AFC with an open payment system for KTMB in 2023 (ahead of schedule). Also, based on our channel checks, we understand Go Hub is probably the only local player in this space, whereas past AFC contracts were mainly won by foreign vendors such as Spain-based Indra Sistemas (both LRT Line and MRT SSP Line) and France-based Affiliated Computer Services Solutions (MRT SBK Line). In this regard, we believe Go Hub has certain cost advantages.

Strong orderbook win to drive earnings and recurring income. We are rather bullish about Go Hub's chances of clinching sizeable transportation projects, which leads us to assume strong order book replenishment of RM80m/80m/100m over FY24F-26F, respectively. As a result, we expect a substantial rise in its revenue to RM97m/118m, with earnings reaching new highs of RM15.5m and RM18.2m for FY25-26F. Go Hub's recurring revenue base will also continue to grow, as completed projects often come with maintenance contracts (either fixed or on a revenue-sharing basis).

Risk factors for Go Hub include (1) Contracts termination and (2) Lost of key customer.

FY Dec	FY22	FY23	FY24F	FY25F	FY26F
Revenue (RM m)	26.5	43.9	56.9	96.7	118.4
EBITDA (RM m)	10.1	12.2	15.4	24.0	27.8
PAT (RM m)	6.1	7.1	9.7	15.5	18.2
PAT Margin (%)	22.8	16.1	17.1	16.0	15.4
EPS (sen)	2.1	2.4	2.4	3.9	4.6
EPS Growth (%)	152.3	17.0	0.3	59.6	17.6
BV Per Share (sen)	3.7	6.1	16.3	20.1	24.7
PE (x)	16.9	14.5	14.4	9.0	7.7
Net Gearing (x)	0.7	0.6	Cash	Cash	Cash
ROE (%)	56.5	39.8	14.9	19.2	18.4

Business Overview

Go Hub principally involved in providing transportation IT solutions (including customised software development systems and integration of hardware and software systems) in the bus and rail segment.

Listing Details

Listing date	3 July 2024
New shares (m)	107.2
Offer for sale (m)	0.0
Funds raised (RM m)	37.5

Post Listing

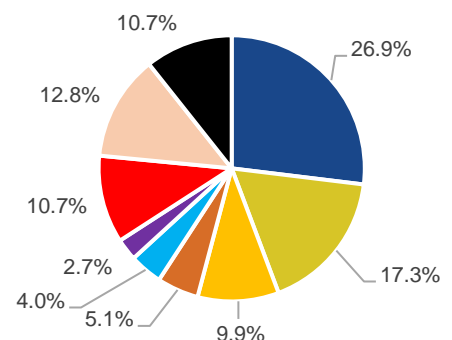
Ordinary shares (m)	400.0
Market cap (RM m)	140.0
Free float	26.8
P/E (FY24F)	14.4

Top 3 Shareholders

Go Hub Sdn Bhd	55.0%
Tan Cherng Thong	1.8%
Hong Boon Hoon	1.1%

Utilisation of Proceeds

	RM m
Expansion of workforce	10.1
Capital expenditure on equipment and tools	6.5
Acquisition of Star Central Office Tower	3.7
Design and development	1.9
Set-up new integrated centre	1.5
Business development and marketing	1.0
Repayment of bank borrowings	4.0
Working capital	4.8
Estimated listing expenses	4.0



Source: Company, Mercury Securities



Financial Highlights and Valuation

Growing capabilities. Go Hub has achieved an impressive 3-year revenue CAGR of 32%, rising from RM19m in FY20 to RM44m in FY23. This growth is attributable to the company's success in securing projects from public transportation players throughout the years, especially from KTMB. See Figure 1 below for the notable projects completed by the company in the past.

Figure 1: Past projects won and completed

Project awarded by	Year	Project Description
Mara Liner Sdn Bhd	2013	MyBus or Bus Operating System (BOS) for stage bus services
Maju TMAS	2014	Terminal Operating System (TOS) for Terminal Bersepadu Selatan (TBS)
Maju TMAS	2015	Provided terminal management services at the TBS
Undisclosed	2017	TOS (comprising the Traffic Management System (TMS) and Centralised Ticketing System (CTS) for bus terminal in Pahang
Undisclosed	2017	TOS for Terminal Larkin Sentral in Johor
Undisclosed	2018	TOS (comprising the TMS and CTS) for Parañaque Integrated Terminal Exchange, located in Manila, the Philippines.
Undisclosed	2019	TOS (comprising the TMS and CTS) at Terminal Melaka Sentral and provided terminal management services
KTMB	2019	KTMB Integrated Ticketing System (KITS), a ticketing solutions platform for KTMB serving Shuttle Tebrau, Komuter Utara, ETS and Intercity passenger routes
Undisclosed	2020	TOS (comprising the TMS and CTS) at Terminal Bersepadu Gombak
Undisclosed	2021	TOS (comprising TMS and CTS) and terminal management services for Terminal Klang Sentral and Kompleks Hentian Bas MBKT
Undisclosed	2021	TOS (comprising TMS and CTS) for bus terminal in Sepang, Selangor
KTMB	2023	Automated Fare Collection System (AFC) at KTM Komuter stations in Klang Valley
Undisclosed	2023	TOS (comprising TMS and CTS) at the bus terminal station located in Sabah

Source: Mercury Securities, Company

Go Hub's projects typically include maintenance contracts, which form part of its current unbilled orders of RM35m as of May 2024 (excluding those on a revenue-sharing basis). With the near completion of the Gemas-JB electrified double-track project, Go Hub is likely to get an extension contract from KTMB to include the additional 9 stations along the new route. This contract will be a combination of outright purchase basis (for related hardware) and zero capex model (revenue sharing based on ridership in exchange for software support and maintenance).

Transferable expertise to other projects. We believe Go Hub's expertise and proven track record with KTMB make the company a good contender to secure IT-related projects for other major railways or bus transportation in Malaysia. Management has guided that they are currently tendering for RM200m-300m worth of projects, which we believe could include

- CTS solution for ECRL (operational starting 2027)
- CTS solution (integrated with passport control) for JB-Singapore RTS Link (operational starting 2027)
- AFC upgrade for LRT, MRT & Monorail to accept open payment system (full implementation targeted by 2025)
- Cashless payment upgrade for Rapid KL buses to accept open payment system (target by end-2024)

Clinching sizeable contract will be major catalyst. Out of the four projects, the AFC upgrade for LRT, MRT, and Monorail lines is more immediate and likely to be much bigger in contract size as well. Using the AFC project recently completed by Go Hub for KTMB as a yardstick (RM29m for 57 stations), we estimate that the potential AFC contract value to upgrade all 151 stations (LRT, MRT, and Monorail) could sum up to approximately RM154m (see Figure 2 below).



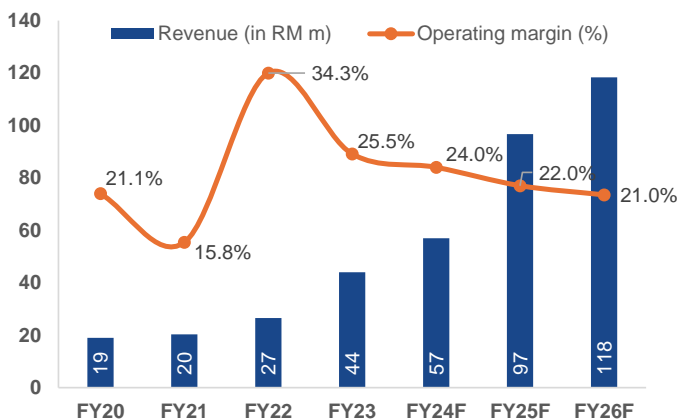
Figure 2: Potential AFC upgrade contract value

KTMB's AFC project cost (RM m)	29
No. of KTM Komuter stations	57
Average cost per KTM station (RM m)	0.51
x Multiplier (to account for more gentries/terminals to support relatively higher ridership)	2.0
Implied cost per LRT/MRT/Monorail station (RM m)	1.02
No. of LRT, MRT & Monorail stations	151
Estimated total project cost (RM m)	154

We believe Go Hub is a frontrunner to clinch this AFC project, given that the company has first-mover advantage and has already delivered AFC with open payment system for KTMB in 2023 (ahead of schedule). Also, based on our channel checks, we understand Go Hub is probably the only local player in this space, whereas past AFC contracts were mainly won by foreign vendors such as Spain-based Indra Sistemas (both LRT Line and MRT SSP Line) and France-based Affiliated Computer Services Solutions (MRT SBK Line). In this regard, we believe Go Hub has certain cost advantages.

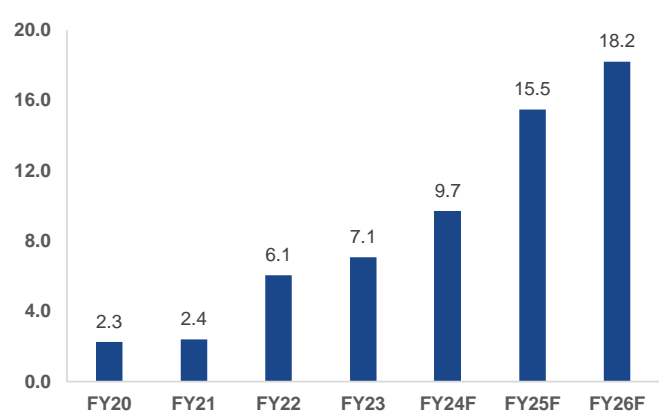
IPO plans indicate management is scaling up its operation. A significant portion of the IPO proceeds (RM10m) have been earmarked to hire up to 49 new staff, which will expand Go Hub's workforce by 27% within two years. Management will also purchase a new office building for RM12.9m, funded by RM3.7m from IPO proceeds, with the rest from internal funds and bank borrowings. We understand Go Hub will relocate all its operations to this new 8-storey office building, which has double the floor space compared to its existing premise.

Figure 3: Go Hub's revenue and operating margins



Source: Mercury Securities, Company

Figure 4: Go Hub's earning trend (RM m)



Source: Mercury Securities, Company

Strong orderbook win to drive earnings and recurring income. We are rather bullish about Go Hub's chances of clinching sizeable transportation projects, which leads us to assume strong order book replenishment of RM80m/80m/100m over FY24F-26F, respectively. As a result, we expect a substantial rise in its revenue to RM97m/118m, with earnings reaching new highs of RM15.5m and RM18.2m for FY25-26F. Go Hub's recurring revenue base will also continue to grow, as completed projects often come with maintenance contracts (either fixed or on a revenue-sharing basis).

Strengthened balance sheet. Pre-listing, Go Hub has a net gearing level of 0.6x. With RM37.5m cash raised from the IPO, its balance sheet will strengthen to a net cash position after listing. Go Hub has not yet established a dividend policy, as the company needs to preserve its cash flow for reinvestment in its business to drive future growth.



RM0.62 FV based on 16x FY25F EPS. Given Go Hub's smaller market capitalisation, we peg a target PE valuation of 16x, which is at a 30% discount to comparable peers' average. We have selected peers who are mainly general IT solution providers, as Go Hub's specialisation in transportation IT solutions is rather niche. Securing major transportation projects will be the key re-rating catalyst to drive share price performance for Go Hub.

Peer Comparison – Trailing 12-month basis (as of 19 June 2024)

Company	Bloomberg Ticker	Share price (RM)	Mkt Cap (RM m)	Earnings Growth (%)	P/E (x)	P/B (x)	ROE (%)	Net yield (%)
Cloudpoint Technology	CLOUDPT MK	0.81	430.6	23.4	26.6	6.1	35.4	2.5
Iris Corp	ICB MK	0.43	346.7	47.2	10.7	0.9	8.9	-
Infoline Tec	INFOTEC MK	0.89	323.3	28.5	19.0	5.6	31.7	3.1
Heitech Padu	HEIT MK	2.10	212.6	-	20.1	1.5	9.2	-
Censof Holdings	CSHB MK	0.36	196.1	(21.7)	37.0	1.9	4.5	2.1
OpenSys (M) Bhd	OPEN MK	0.42	187.7	6.4	14.7	2.1	14.8	4.3
Theta Edge	THETA MK	1.55	182.8	22.7	29.4	2.4	8.2	1.1
Willowglen MSC	WLW MK	0.38	181.8	(31.4)	19.0	0.9	4.7	4.0
Simple Average				10.8	22.1	2.7	14.7	2.8
Go Hub		0.35	140.0	37.0	14.4	2.2	14.9	-

Source: Bloomberg, Mercury Securities



Company Background

Transportation IT solutions provider. Go Hub specialises in providing transportation IT solutions, including terminal operating systems (traffic management and ticketing), bus operating systems (BOS), automated fare collection systems (AFC), and others. The group primarily operates in the public transportation segment, where its clients consist of rail operators, bus terminal operators, and stage/express bus operators.

Other IT solutions. Go Hub also specialises in developing and customising software systems for various other end-user applications. Some notable examples of the end-user applications developed by the group include GoHub.com.my (a B2C online marketplace that helps users purchase tickets and/or make reservations for campsites, homestays, and sports centres) and Go Partner (an integrated B2B system that integrates cloud-based inventory and reservation management systems).

Figure 5: Business overview

Principal activities	<ul style="list-style-type: none"> Provision of enterprise IT services, focusing on transportation IT solutions (including customised software development systems and integration of hardware and software systems). Our offerings also extend to include maintenance and support services as well as terminal management services. 				
Primary solutions	Transportation IT solutions	Other IT solutions			
	<ul style="list-style-type: none"> TOS (comprising TMS and CTS) BOS AFC Maintenance and support services as well as terminal management services 	GoPartner (an integrated cloud-based inventory and reservation management system)	GoHub.com.my (an online marketplace catering for ticketing needs)	Customised IT solutions	
Principal segments that our Group serves	<u>Rail segment</u>	Enterprises that require inventory and reservation management systems such as:-	<ul style="list-style-type: none"> Online marketplace customers of GoHub.com.my Merchants such as customers of GoPartner 	Various industries that primarily require reservations, booking and management solutions	
	<ul style="list-style-type: none"> Rail operator 				<ul style="list-style-type: none"> Bus operators Campsite operators Homestay operators Sports centre operators
	<u>Bus segment</u>				
	<ul style="list-style-type: none"> Bus terminal operators Stage and express bus operators 				
	Others*				
Business engagements	<ul style="list-style-type: none"> Zero Capex Outright Purchase 	Transaction fees		Outright Purchase	
Geographical markets	<ul style="list-style-type: none"> Principally in Malaysia Overseas sales – the Philippines (less than 2% of our total revenue for the financial years under review) 				

Source: Company

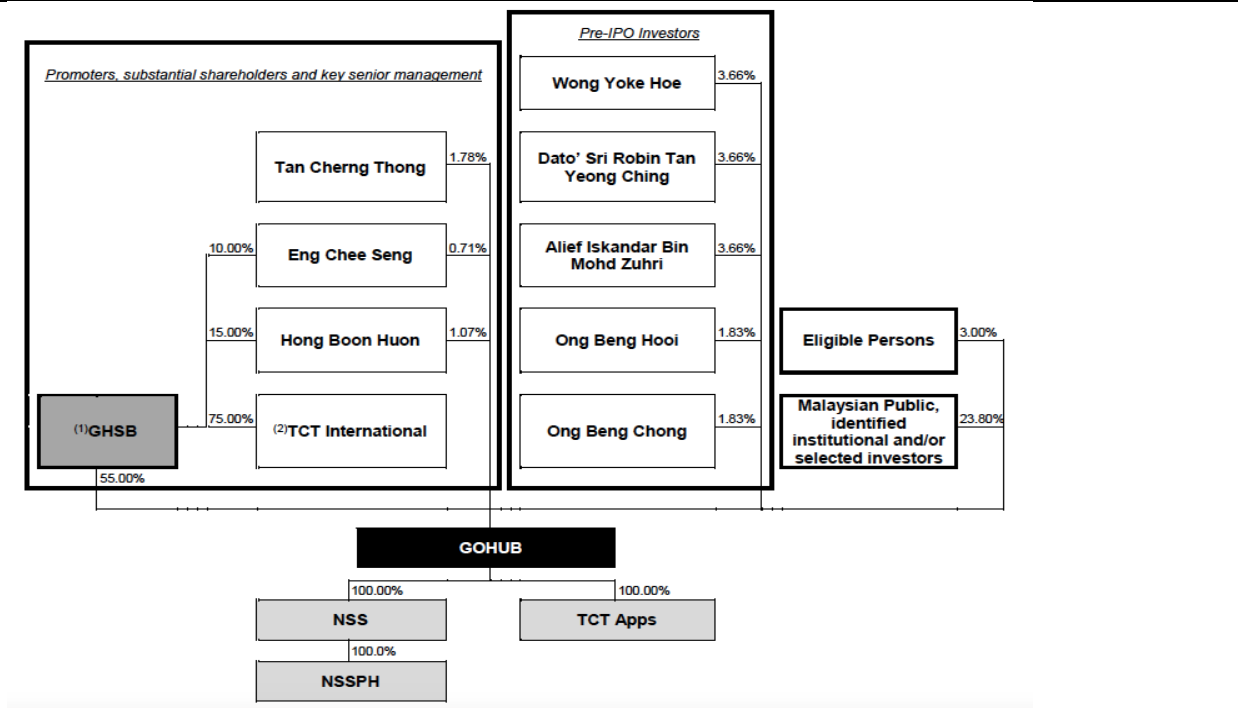


Figure 6: Key Management Team

Name and Designation	Age	Profile
Tan Cherng Thong Executive Director Chief Executive Officer	43	<ul style="list-style-type: none"> Assume as the director of TCT International and embark business expansion of TCT footprint into the public transportation industry. Co-founded TCT International with Lee Li Yee, his business partner to undertake the development of CTS. Co-founded E-Transacts with several partners that specialize in online ticketing system and subsequently dispose his entire interest in E-Transacts. Oversees the group's business growth, strategic planning and overall business operations.
Lee Li Yee Executive Director Finance Director	44	<ul style="list-style-type: none"> Oversees the group's human resources activities, accounting and financial management related functions including financial reporting, financial planning, treasury, tax related matters and maintenance of internal controls. Member of Malaysian Institute of Accountants since July 2018.
Hong Boon Hoon Chief Technology Officer	44	<ul style="list-style-type: none"> Oversees software development, D&D, project management, project coordination, IT consultation and system support and maintenance. Bachelor of Science majoring in computer degree from Oxford Brookes University.
Eng Chee Seng Chief Business Development Officer	43	<ul style="list-style-type: none"> Strategizes the group's business development and marketing plans as well as customer relationship management. Bachelor's Degree in Business Administration from University of Hertfordshire, United Kingdom.
Mohd Aidy Hisyam Bin Abdullah Head of Operation (Terminal)	40	<ul style="list-style-type: none"> Oversees the day-to-day operations of the Specified Bus Terminals (bus terminals that the group acts as the system operator) and the maintenance of the IT infrastructure systems for the group's business operations.
Noor Rashid Bin Omar Head of Operation (BOS)	46	<ul style="list-style-type: none"> Oversees the maintenance and technical supports for the IT systems for stage bus operations of the group.

Source: Company

Figure 7: Group Structure Post Listing



Source: Company



Future Plans & Business Strategies

Expanding market presence in the domestic land transportation sector. Go Hub has secured a further contract from KTMB to install the hardware (ACG and TVMs) and software at the 9 stations along the soon-to-be-completed electrified double-track railway from Gemas, Negeri Sembilan, to Johor Bharu. Overall, we believe Go Hub's expertise and proven track record with KTMB make the company a good contender to secure IT-related projects for other major railways or bus transportation in Malaysia.

Exploration of other potential market to seize wider customer base. Go Hub is collaborating with the Sabah Port Authority to introduce transportation IT solutions at eight ferry terminals as part of the state's digitalisation initiative. This will enhance the efficiency, security, and safety of operations at the ferry terminals. The Sabah Port Authority aims to fully implement the Go Hub solution by March 2025. In addition, Go Hub also plans to expand its existing online marketplace, GoHub.com.my, to include reservations for campsites, homestays, and sports centres. This expansion will establish the company's presence in the hospitality and tourism sectors.

Setting up a new integrated centre. Go Hub plans to establish a new integrated centre in Kuala Lumpur, which will serve as the group's testing laboratory, demonstration, and training facility. It will have a larger area of approximately 2,000 sqft, allowing it to accommodate up to 35 individuals. The current testing laboratory, which Go Hub rents in Kuala Lumpur, is only around 421 sqft and can only accommodate up to 10 individuals at a time, limiting the group's ability to demonstrate and test their products to clients due to space constraints.

Execution of design & development (D&D) activities. Go Hub intends to adopt AI into their transportation IT solution via the acquisition of an AI chatbox engine and subscription of a new additional database and application server. The AI chatbox engine would enable Go Hub to provide its customers with a simple helpdesk and troubleshooting functions using the storage of analytics and complex data. Besides that, Go Hub will also embark on in-house development of an AI transportation booking system, in which the AI chatbox engine is the core component of the system.

Expansion of Go Hub's workforce. Go Hub plans to hire up to 49 experienced employees for its various departments to align with its expansion strategy over the next 2 years.

Key Risks

Dependent on customers who are heavily regulated. Go Hub relies heavily on customers from the public land transportation sector (rail and bus segment), which contributes more than 90% of its revenue. Since the public land transportation sector is heavily regulated, any material changes in the policies or directions in the public land transportation sector could adversely affect the group's financial performance as the group's solutions offerings need to be amended in order to meet these changes in a timely manner.

Dependent on one single major customer. Contract with KTMB represents 58-69% of Go Hub's revenue. The company may face a significant decrease in its revenue if it encounter any materials disputes with KTMB in the future, as this may affect Go Hub's ability to secure new projects upon completion of the existing projects. This might also include maintenance and support services contract renewal from KTMB in the future.

Exposure to risk caused by the outbreak of any contagious or virulent virus. Go Hub's business partly depends on the level of ridership in public transportation (rail and bus). The prolonged outbreak of any contagious or virulent virus can badly affect the level of ridership. The company's revenue from CTS maintenance solutions (rail segment) and terminal management services (bus segment) depend on the ridership level in each segment.



IPO Details

	Offer for Sale (m)	Public Issue (m)	Total (m)	(%)
<u>Retail Offering</u>				
Eligible Persons	-	12.0	12.0	3.0
Malaysian Public (Non-Bumiputera)	-	20.0	10.0	5.0
<u>Institutional Offering</u>				
Institutional and /or selected investors	-	75.2	75.2	18.8
<u>Total</u>	-	107.2	107.2	26.8

Source: Company



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