

Investment Idea



20 July 2022

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Ramssol Group Bhd

Enriching People Through Technology

By Lee Chin Hui, Assistant Vice President

BUY
Price: RM0.34
Target price: RM0.61

Ramssol Group Bhd ("Ramssol") in FY21, recorded revenue of RM52.5m, a 100% increase y-o-y attributed by higher adoption of its HCM solutions especially for virtual communication as companies are working towards digitalisation during the lockdown. Whilst Ramssol is focusing on reselling the HR solutions, it is also branching into Edu Tech which predominantly focus on human capital training as it will provide additional revenue stream and enhance its earnings base. With that, we forecast Ramssol to register earnings of RM9.5m and RM11.4m in FY2022 and FY2023 respectively. **BUY** with target price of RM0.61 based on 12x PER (slight discount to peers' average) over FY23 EPS with a potential upside of more than 70%.

The pandemic lockdown in 2021 has caused delay venturing into the Philippines. Nonetheless, it has been aggressively expanding its products and services range into Thailand and Indonesia. In February 2022, Ramssol was appointed by DarwinBox, a multi-billion dollar HMC company in India as an exclusive reseller in Malaysia. Similar to its software reseller product's Oracle, DarwinBox aims at the small medium enterprises' HCM solution.

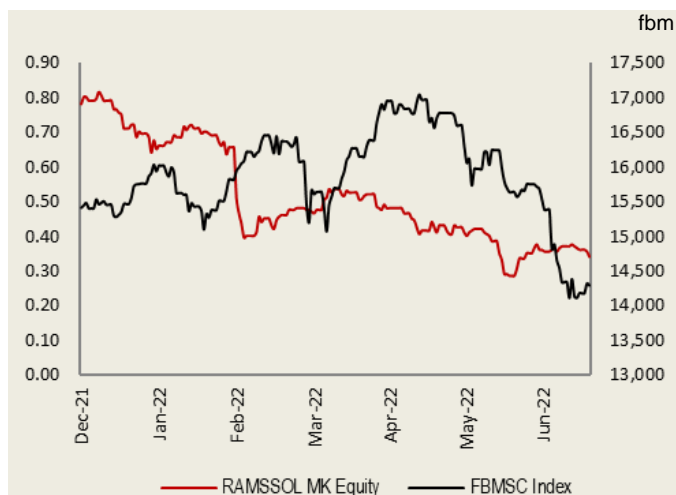
Ramssol's Edu Tech venture started in December 2021 via a partnership with ELMU V Sdn Bhd to promote co-operation in the conduct of legal framework, corporate liability, corruption risk management and organizational anti-corruption plan course. Under the agreement, Ramssol has the exclusive rights to market and sell the training courses. Ramssol is awaiting approval from MOE to onboard all local universities to compulsory enrol on the course.

While Edu Tech could potentially contribute equally to its revenue, contributions from HCM is still on the rise attributed by new clients and cross selling of its expanded products and services. According to management, Darwinbox - HCM application for the SME have been gaining traction. Moreover, Ramssol could also cross sell other HCM Technology Applications such as Feet's and Lark to its clientele.

Ramssol has a healthy balance sheet with net cash position of RM4.9m.

Technically Speaking

Resistance level	RM0.37
Support level	RM0.32



KLCI	1,428.8
YTD FBM KLCI change	-8.9%
YTD FBM SC Index change	-13.5%
YTD stock price change	-57.0%

Stock Information

Market Cap (RM'm)	75.8
Issued Shares (m)	223.1
52-week range (H)	0.965
52-week range (L)	0.275

Major Shareholders

Tan Chee Seng	33.26%
Lee Miew Lan	17.84%
Wong Kum Loong	3.97%
Lim Wee Chai	3.86%

Summary Earnings Table

FY Dec (RM'm)	2021A	2022F	2023F	2024F
Revenue	52.5	57.8	69.3	67.3
EBITDA	7.0	8.8	10.4	10.9
Pretax profit	5.7	8.1	9.7	10.2
Net profit	6.8	9.5	11.4	12.0
Core net profit	6.9	9.6	11.4	12.1
Consensus net profit	n.a.	8.3	11.7	n.a.
Core EPS (sen)	3.0	4.3	5.1	5.4
EPS growth (%)	50.7	40.7	19.9	5.1
DPS (sen)	0.0	0.0	0.0	0.0
PER (x)	11.0	8.4	7.0	6.7
BV/Share (RM)	0.2	0.2	0.3	0.4
ROE (%)	25.7	17.7	18.0	16.2
Div. Yield (%)	-	-	-	-

Sources: Company, Rakuten Trade Research



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COMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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Published:

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