

# Ramssol Group Bhd (RAMSSOL MK)

# BUY

Share Price MYR 0.37  
12m Price Target MYR 0.66 (+81%)

## Riding on the digitalisation trend

### Initiate with BUY and MYR0.66 TP

We initiate coverage on Ramssol Group with a BUY rating and TP of MYR0.66, pegged to 12.7x FY23E EPS (-1SD vs. 1YR mean). Through its expanded breadth of offerings, Ramssol is poised to benefit from the structural shift towards digitalisation of human capital management (HCM). Its recent IPO exercise also provides a war chest to undertake business expansion into new markets and broaden its product proposition for a wider range of clients. With projected 3-year earnings CAGR of 15%, the stock is trading on a PEG of 0.7x, a discount vs. peer average of 1.5x.

### Extensive experience in providing HCM solutions

Ramssol's competitive advantage lies in its wide suite of HCM solutions, being a certified reseller for various software vendors, including Oracle, Sage, and DarwinBox. Combined with experienced management, the group has managed to more than double its market share between FY17 to FY21 within its operating markets. We understand Ramssol's exclusive partnership to resell DarwinBox's HCM solutions in Malaysia, a strong alternative to existing vendors, should also put it in a solid position to tap into the digitisation of SMEs.

### Pandemic-led growth in collaboration solutions

The recent pandemic has also boosted demand for employee collaboration and remote working solutions, an industry Ramssol has diversified into, through its Feet's and Lark offerings. We expect revenue mix from this segment to sustain at ~30% in the coming years as the adoption of hybrid working arrangements would still necessitate demand for an end-to-end employee collaboration platform.

### Projecting 3-year earnings CAGR of 15%

We project a 3-year FY21-24E earnings CAGR of 15%, following an earnings dip of 9% in FY21. This is on the back of growing market share through penetration into the SME segment and new markets within SEA, as well as expansion into the training segment to leverage on its expertise to upskill the general workforce. We expect EBITDA margin to gradually recover to 19-24% in FY22-24E, from 17% in FY21, underpinned by economies of scale and improvement in its cost structure. Key risks are rising competition, volatile cost elements, and strong/complete re-shift back to pre-pandemic practice of physical interactions.

FYE Dec (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	25	53	46	57	68
EBITDA	8	9	9	12	16
Core net profit	8	9	8	12	14
Core EPS (sen)	3.4	4.1	3.7	5.2	6.2
Core EPS growth (%)	67.6	20.2	(8.2)	40.2	17.8
Net DPS (sen)	0.0	0.0	0.0	0.0	1.8
Core P/E (x)	na	19.5	9.8	7.0	5.9
P/BV (x)	na	4.0	1.6	1.3	1.1
Net dividend yield (%)	na	0.0	0.0	0.0	4.9
ROAA (%)	50.7	26.2	15.6	18.6	18.9
EV/EBITDA (x)	9.6	18.6	7.1	4.7	3.4
Net gearing (%) (incl perps)	7.2	net cash	net cash	net cash	net cash
Consensus net profit	-	-	na	na	na
MKE vs. Consensus (%)	-	-	na	na	na

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### Company Description

Ramssol is a technology solutions provider of human capital management and student management for enterprises and educational institutions.

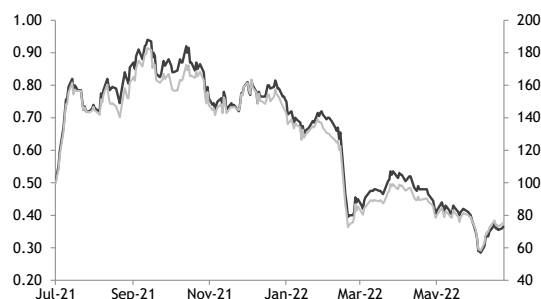
### Statistics

High/low (MYR)	0.95/0.285
3m avg turnover (USDm)	0.1
Free float (%)	40.4
Issued shares (m)	223
Market capitalisation	MYR81.4M USD18M

### Major shareholders:

TAN CHEE SENG	33.3%
LEE MIEW LAN	17.8%
WONG KUM LOONG	4.0%

### Price Performance



	-1M	-3M	-12M
Absolute (%)	(13)	(28)	na
Relative to index (%)	(7)	(21)	na

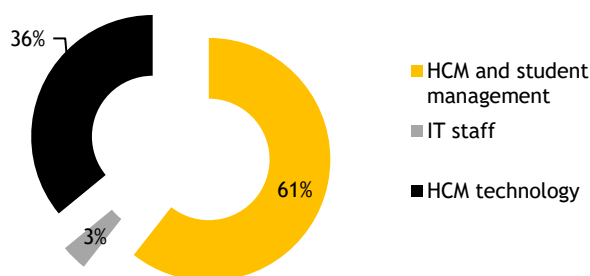
Source: FactSet

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Tear Sheet Insert

## Value Proposition

- Ramssol repackages and resells HCM and student management software from its vendors, while incorporating value-added services.
- The industries of HCM and employee collaboration are still growing in SEA amid the shift to digitalisation of business operations.
- The group offers multiple levels of HCM solutions that can be tailored/customised for the client's needs.
- There are opportunities for Ramssol to grow its market share within the region through expanded offerings in the employee collaboration segment, penetration into new markets, and the training industry.

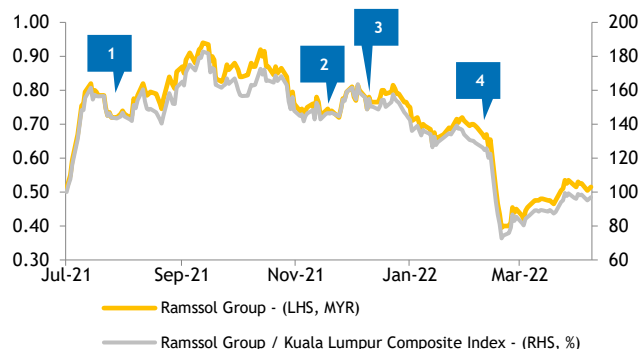
### Ramssol's revenue composition in FY20 (MYRm)



Source: Company

## Price Drivers

### Historical share price trend



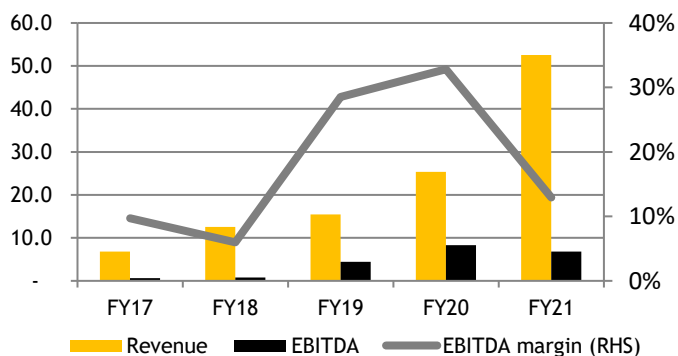
Source: Company, Maybank IBG Research

1. Launched new upgrades on its Feet's platform.
2. Formed a 2-year partnership with Impiana Hotels to provide up-skill training.
3. Entered into a 2-year agreement with ELMU V to exclusively market training courses conducted by ELMU and Malaysia Anti-Corruption Academy.
4. Reported headline quarterly loss in 4Q21.

## Financial Metrics

- Through client acquisitions, introduction of new products and penetration into new markets, Ramssol managed to record a 4-year revenue CAGR of 166% in FY17-21.
- Due to operating leverage, EBITDA margin had also expanded significantly from 9.7% in FY17 to 29-33% in FY19-20, before falling off to 17% in FY21 due to higher manpower and expansion-related expenses.
- Free cash flow yield remains healthy at 5-9% on the back of minimal capex commitment and solid operations.
- Together with its tax incentives, net margin has been relatively decent at 12-30% in FY19-21.

### Revenue, EBITDA and EBITDA margin trend



Source: Company

## Swing Factors

### Upside

- Increase in market share in the HCM industry through the penetration into new markets.
- Normalisation in the cost structure following the initial establishment of operations in the new markets.
- Sustained demand for digital communication tools due to the shift towards virtual collaboration between employees and external parties.

### Downside

- Rising competition from other vendor partners that may result in loss of market share.
- Reduction in the adoption of virtual office settings and digital communication tools.
- Ongoing cost escalations as a result of its expansionary exercises that may have a negative impact on its operating margins.

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Risk Rating & Score <sup>1</sup>	na
Score Momentum <sup>2</sup>	na
Last Updated	na
Controversy Score <sup>3</sup>	na

## Business Model & Industry Issues

- The group is mainly involved in the provision of HCM and student-related enterprise solutions. As a certified reseller of various software from its vendors, it is bound by the terms and conditions of the partner network agreements between Ramssol and the vendors.
- The largest risk to its business model lies in the potential non-continuation of the partner network agreements, as Ramssol relies solely on the vendor’s software licenses to provide the enterprise solutions to its customers.
- The group is guided by Bursa Malaysia’s Second Edition of its Sustainability Reporting Guide (2018), as well as Global Reporting Initiative (GRI) and Task Force on Climate-related Financial Disclosures (TCFD). It also refers to the United Nation’s Sustainable Development Goals (UNSGD) as a basis for discussing and outlining its sustainability practices.
- Ramssol is still at the inception of its sustainability roadmap, and the group targets to have group-wide reporting on the ESG matters that align with UNSGD, GRI and TCFD-relevant disclosures.

### Material E issues

- The group outlines generic approaches on its environmental-related practices rather than a more descriptive disclosure, hence there are no metrics around its emission, waste production and energy usage.
- Its asset-light structure ensures minimal direct carbon or greenhouse gas emissions.
- It plays a part in the circular economy by way of hardware leasing/renting, and through responsible suppliers that promote responsible hardware disposal.
- In order to minimise emissions and waste generation, the group practices a higher degree of digital documentation and collaboration instead of hard copy printing, as well as being selective on vendors that practice responsible disposal of their equipment.

### Material S issues

- The group averages about 40 hours of training per employee per annum.
- The group’s workforce comprised of 38% male and 62% female, as at FY21. At the leadership level, the male:female split was 83:17.

### Key G metrics and issues

- There are currently 6 board members, 3 of which are Independent Non-Executive Directors (INED), including the Chairman (50% representation).
- There is only one female director on the board out of the 6, which is below the recommended 30% threshold by Malaysia Code on Corporate Governance (MCCG) 2021.
- There are 3 representatives for each of the Remuneration, Audit and Nomination Committees, and 4 representatives for the Risk Management Committee.
- Messrs Crowe Malaysia has been the auditor for Ramssol for 2 years, since 2020.
- In FY21, the CEO’s total remuneration of RM852k was equivalent to 12.5% of the group’s headline net profit.
- On 21 November 2021, the group entered into a recurrent related party transaction (RRPT) related to the tenancy agreements of its business premises. The involved parties were the GCEO and the COO, while the value of the RRPT was RM336k.
- The Group has an ISO certification for Quality Management System (QMS) ISO 9001:2015. It has consistently upheld high standard of services with the external stakeholders.

<sup>1</sup>**Risk Rating & Score** - derived by Sustainalytics and assesses the company’s exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company’s enterprise value, respectively, from ESG-driven financial impacts. <sup>2</sup>**Score Momentum** - indicates changes to the company’s score since the last update - a **negative** integer indicates a company’s improving risk score; a **positive** integer indicates a deterioration. <sup>3</sup>**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

# 1. Investment merits

## 1.1 A niche exposure to digitalisation of operations

Ramssol Group provides a niche exposure into the digitalisation of human capital and student management processes, as well as employee collaboration and engagement. It operates in a highly competitive industry, but has been able to grow its market share over the years through differentiated value-added services and a strong management team. Its competitive advantage is also via its wide suite of HCM solutions, being a certified reseller of Oracle, Sage, Lark and Darwinbox's HR solutions.

## 1.2 Tapping into the SME space through DarwinBox and Lark

Ramssol is moving to tap on the SME segment through the offerings of DarwinBox and Lark's HCM software. DarwinBox is an award-winning HR management software solution that is rapidly gaining market share within the HCM industry. In addition, Lark is an open-source application, which enables a greater customisation to suit clients' needs. We understand that Ramssol is the exclusive certified reseller of DarwinBox in Malaysia, and this could enable them to rapidly gain market share within the SME space.

## 1.3 Branching out into training services

Ramssol is also branching out into the training space for enterprises and corporate. It has recently entered into a 2-year agreement with ELMU V Sdn Bhd to exclusively provide the sales & marketing services for courses to be conducted by ELMU Education Group Sdn Bhd and Malaysia Anti-Corruption Academy. Beyond this, it plans to leverage on HRDC to provide its own courses related to its core services to expand its revenue base.

## 1.4 Key earnings growth drivers

We project a 3-year earnings CAGR of 15% in FY21-24E, following an earnings dip of 9% in FY21. This is on the back of growing market share in HCM and student management, as well as employee collaboration industries across the ASEAN-6 countries. We also expect EBITDA margin to recover to 19-24% in FY22-24E, from 17% in FY21, to be driven by economies of scale and the normalisation in its cost structure following the initial expansion phase into new markets.

## 1.5 Initiate with Buy; near-term headwinds discounted

We initiate coverage of Ramssol Group with a Buy recommendation and a TP of RM0.66, pegged to 12.7x FY23E EPS. This valuation is pegged to -1SD its 12-month mean PE. This is also at a 33% discount to its comparable peers average of 19x PE. Given Ramssol's business as a software reseller for its vendors, we view the discount to be warranted, though the current sell down has brought valuations to well below both its historical and peer averages at 9.7x FY22E PE and 1.5x FY22E PBV, respectively. As such, current pricing provides an attractive value proposition in our view, given visible growth pillars that could drive Ramssol's earnings expansion ahead.

## 1.6 Risk factors

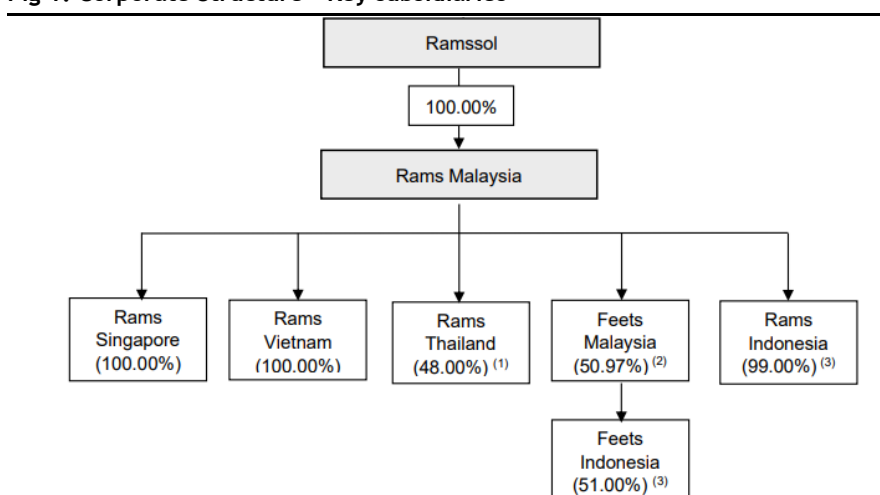
Key risks to our investment merits are i) heavy reliance on HCM software vendors to provide its key services to the clients, ii) mass scale of return to pre-pandemic full-weekday WIO arrangement, which may reduce demand for digital communications tools, iii) risk of security breaches on its applications, and iv) elevated operating expense due to R&D not being able to meet the capitalisation requirement, resulting in subdued margins.

## 2. Corporate information

### 2.1 Brief history

The inception of the company can be traced back in 2010 through the incorporation of Rams Malaysia and Rams Singapore by three founders, namely Tan Chee Seng (current CEO), Lee Miew Lan (current COO) and another business partner. The founders have extensive experiences in the HCM industry and have built and maintained strong business relationships with the industry software vendors and solution providers. The group began as a registered OPN member under Oracle PartnerNetwork (OPN) Agreement, in which the company purchases and resells Oracle Corp’s HCM software licenses to its clients. Throughout the years, the company managed to also extend its offerings to provide IT staff augmentation services to the market, as well as being a reseller of Sage’s HCM software licenses and Lark’s digital collaboration platforms. Ramssol Group Bhd was later established in 2019 to be the investment holding company for its subsidiaries. The 3<sup>rd</sup> business partner subsequently disposed its entire equity stake in 2019 and is no longer associated with the group.

**Fig 1: Corporate Structure - Key subsidiaries**



Source: Company

The group gradually expanded its market reach to other countries, namely Vietnam (2015), Thailand (2017), and Indonesia (2019). It also established its in-house employee engagement mobile application Feet’s as part of its strategy to expand its HCM offerings to capture the digitisation trend of operations. The group was subsequently listed on the ACE market of Bursa Malaysia on 12 July 2021.

**Fig 2: Timeline of key milestones and awards**

Year	Key milestones and awards
2010	Rams Malaysia and Rams Singapore were incorporated.
2011	Rams Singapore implemented the first project to provide consulting and implementation of HCM solutions for CapitalLand Ltd.
2013	Rams Malaysia and Rams Singapore were registered as OPN member under Oracle PartnerNetwork Agreement. Rams Malaysia secured its first project in Malaysia to provide consulting and implementation of HCM solutions for RHB Bank Bhd.
2014	Rams Malaysia was appointed by Oracle Malaysia to provide consulting of student management solutions for Multimedia University. Awarded the MSC Malaysia Status by MDEC.
2015	Rams Vietnam secured its first consulting project directly from a BPO company in Vietnam.
2017	Rams Thailand secured its first HCM solution project directly from a local recruitment and BPO company. Formed a collaboration with a professor from UMCH Technology Sdn Bhd to develop its in-house employee engagement mobile application Feet's.
2018	Through Rams Malaysia, secured its first project to provide consulting and implementation of HCM solutions, and sale of software licence.
2019	Rams Indonesia and Feets Indonesia were incorporated. Ramssol Group Sdn Bhd was incorporated as an investment holding company.
2020	Rams Malaysia entered into a Lark Partner Network Agreement with Lark Technologies Pte Ltd and became a reseller of Lark, a third party collaboration platform, in Asia Pacific region. Expanded offerings to include reselling and subscriptions of enterprise communications platform Zoom, by Zoom Video Communications Inc. Awarded the Best SME - HR Solution Provider by SME and Entrepreneurs Business Awards (SEBA).

Source: Company IPO Prospectus

## 2.2 Key management and shareholders

Dato Clement Tan Chee Seng is the current Group Managing Director and Chief Executive Officer (CEO) of Ramssol Group Bhd. He has more than 15 years of experience in the design and implementation of HCM solutions, as well as providing technical support for HR business process outsourcing (BPO) projects. Through his in-depth experience and strong stakeholder relationships, he went on to establish Rams Malaysia and Rams Singapore in 2010, and has been responsible for the overall strategic direction of the group. He is a Non-Independent Executive Director on the board and is also a member of the Risk Management Committee. His equity stake in Ramssol Group stands at 33.3% as of May 2022.

Lee Miew Lan is the current Chief Operating Officer (COO) of Ramssol Group Bhd and is one of the three founders of the group. She has more than 20 years of experience in the design and implementation of HR management solutions through the involvement of numerous projects extending from South East Asia to the European countries. Her extensive exposure in multiple regions have equipped her with in-depth knowledge in the local employment laws and operational dynamics of different countries. Her equity stake in Ramssol Group stands at 17.8% as of May 2022.

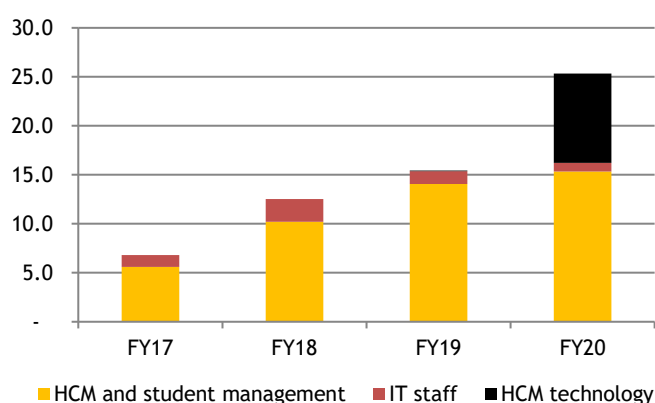
Together they are supported by experienced personnel, namely Liew Yu Hoe (currently Chief Information Officer) and Soh Meng Siit (Chief Financial Officer).



## 2.3 Key business segments

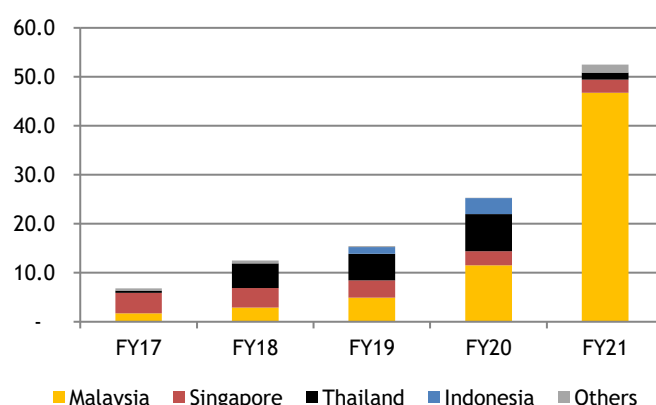
Ramssol Group discloses both its revenue breakdown by geographical area and by key business segments, though the latter has ceased to be disclosed due to the evolving nature of business. In terms of business segments, the revenue composition is broken down into: 1) provision of human capital management (HCM) and student management solutions; 2) provision of IT staff augmentation services; and 3) provision of HCM technology applications. In terms of geographical classification, Ramssol breaks down its revenue composition into Malaysia, Singapore, Thailand, Indonesia, and others (comprised of Vietnam, Taiwan and Netherlands).

**Fig 3: Revenue breakdown by business segment (MYRm)**



Source: Company

**Fig 4: Revenue breakdown by geographical area (MYRm)**



Source: Company

### Provision of HCM and student management solutions

The solutions aim to increase the efficiency of workforce and student management functions for large organisations and educational institutions. Clients will gain benefit through reduction of manual task volumes and turnaround time of administrative processes, thus increasing overall productivity. The particular solutions provided by Ramssol can be divided into three components 1) consultation, design and implementation of the organisation’s HR workflow processes and configuration, 2) the sale of third party software licenses, as well as 3) technical support, maintenance and after-sale services. Its HCM and student solutions cover the end-to-end aspect of HR and student management, per Fig 5:

**Fig 5: HR and student management**

Hiring			Resignation/ retirement	
<b>Recruitment and onboarding</b> <ul style="list-style-type: none"> <li>Candidate management</li> <li>Screening and background checking</li> <li>On-boarding and induction programme</li> </ul>	<b>Daily HR management</b> <ul style="list-style-type: none"> <li>Payroll and claims processing</li> <li>Attendance tracking</li> <li>Leave management</li> <li>Workforce planning</li> </ul>	<b>Remuneration and statutory contribution</b> <ul style="list-style-type: none"> <li>Retirement fund management</li> <li>Employee tax management</li> <li>Benefits management</li> </ul>	<b>Performance management</b> <ul style="list-style-type: none"> <li>Appraisal and performance review</li> <li>Career development planning</li> <li>Training and succession planning</li> </ul>	<b>Exit and retirement</b> <ul style="list-style-type: none"> <li>Resignation and retirement management</li> <li>Feedbacks management</li> </ul>
Enrolment			Graduation	
<b>Admission and registration</b> <ul style="list-style-type: none"> <li>Entry requirements screening</li> <li>Orientation programme</li> </ul>	<b>Academic management</b> <ul style="list-style-type: none"> <li>Registration of study programme</li> <li>Distribution of learning materials</li> <li>Examination and grades management</li> <li>Attendance tracking</li> <li>Timetable management</li> </ul>	<b>Non-academic management</b> <ul style="list-style-type: none"> <li>Hostel management</li> <li>Library management</li> <li>Welfare management</li> <li>Sports and recreational facilities management</li> <li>Events and news announcement</li> <li>Co-curriculum activities management</li> </ul>	<b>Financial-related management</b> <ul style="list-style-type: none"> <li>Fees payment</li> <li>Scholarship management</li> </ul>	<b>Expulsion and graduation</b> <ul style="list-style-type: none"> <li>Expulsion management</li> <li>Graduation and alumni management</li> </ul>

Source: Company IPO Prospectus

Ramssol's enterprise solutions are powered by external vendors, namely Oracle, Sage and DarwinBox. Between FY17 and FY20, Ramssol has provided its consulting and implementation of HCM solutions to 33 end-users, mostly on Oracle, of which 76% were secured directly from the clients, while the rest were secured through either the software vendors or third party solution providers. The revenues are recognised on a project progression basis, hence the sales recognition tends to be lumpy, depending on the number and size of projects implemented.

On the sale of software licenses, Ramssol recognises a percentage mark-up on the software licenses. The percentage mark-up differs for each client, and it typically depends on the size of the user base, as well as add-on functionalities. The Oracle software is typically priced at a premium as they have more extensive features; therefore, clients also have the option to opt for the more value-driven Sage and DarwinBox's software. Clients are required to renew the software licenses on an annual basis, hence this provides some degree of recurring revenues for Ramssol. Some clients also purchase multiple software licenses to fit their requirements and needs.

**Fig 6: List of software licenses which Ramssol has the rights to resell**

Software	Description
Oracle PeopleSoft HCM	On-premise software that supports all HR management aspects
Oracle Cloud HCM	Cloud-based software that supports all HR management aspects
Oracle Taleo Talent Acquisition	Cloud-based recruitment application
Oracle PeopleSoft Campus Solutions	Student management software
Sage EasyPay	On-premise software that supports all HR management aspects
DarwinBox HCM	Cloud-based software that supports all HR management aspects
Access	HR, finance & payroll system

Source: Company

### Provision of IT staff augmentation services

This business segment pertains to the recruitment and supply of IT professionals to Ramssol's clients. The demand for IT professionals is typically to cater for either the client's daily IT operational needs, or to help on short-term internal IT projects i.e. data analytics programme, and the development of website, e-platform and mobile applications. While clients may choose to opt for a business process outsourcing (BPO) arrangement to fulfil their IT needs, IT staff augmentation provides the flexibility of outsourcing the hiring and payroll process of the IT professionals whilst having total control of the resources to ensure maximised commitment. Ramssol charges a monthly fee to its clients, comprising of the staff salaries plus a percentage mark-up.

This segment contributed 18%/19%/8%/3% to Ramssol's FY17/18/19/20 revenue. The decline in percentage contribution throughout the years can be attributed to the negative impact of the Covid-19 pandemic that affected the demand for IT staff augmentation, as well as higher revenue contribution from the HCM technology segment in FY20.



### Provision of HCM technology applications

This is Ramssol’s fastest growing business segment as it captures the opportunity within the employee engagement and collaboration platforms industry, which has gained strong traction as communications between employees, vendors and organisation have become more virtual since the onset of the Covid-19 pandemic. Ramssol provides its services through several distinctive applications: 1) Feet’s, 2) Lark, 3) Zoom, and 4) IT-related training.

**Feet’s** is Ramssol’s in-house employee engagement mobile application that fosters a more engaging and interactive communication between employees. The app adopts a gamification approach and incorporates many features i.e. ideas platform, quizzes, and sharing platform to spur more active engagements, and rewards high-engaging employees with meal and shopping vouchers at selected establishments. Additionally, the application also gathers data in relation to stress, engagement and happiness levels to actively track the workforce sentiment and behaviour, which could be helpful for the management to perform data-driven decisions to develop and improve its human capital.

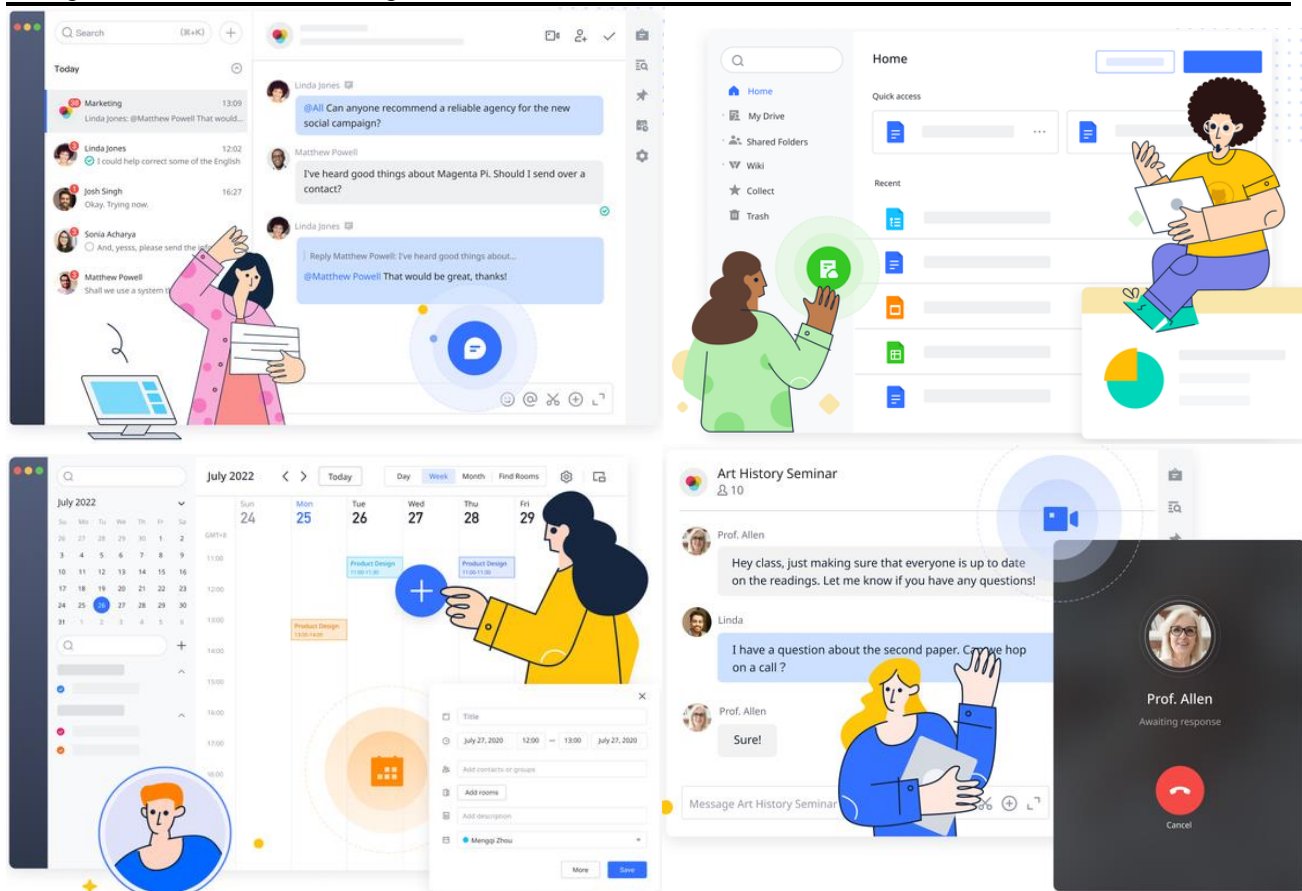
**Fig 7: Feet’s features**



Source: Company website

**Lark** is a third party collaboration platform developed by Singapore-based Lark Technologies Pte Ltd. Through Lark Partner Network Agreement, Ramssol resells Lark’s platform to its clients. Lark houses multiple communication tools for businesses such as emails, instant messaging, teleconference and video conference, as well as work-related tools such as document and calendar management. It is a very useful one-stop platform that can provide a seamless and productive virtual office setting for businesses that are adopting work-from-home (WFH) arrangements for their staffs. Ramssol charges its users a monthly subscription fee, which may vary depending on size of user base and number of features. There are currently two editions of Lark - Standard edition and Enterprise edition, the latter with more value-added services.

**Fig 8: Lark’s features that include email and messaging, work collaboration, video conferencing, calendar management and document management**



Source: Company website

Ramssol is also a reseller of Zoom, an enterprise communications platform that also offers virtual meeting functions. It purchases the subscription packages from Zoom Video Communications Inc, and resells them to the clients, typically on an annual renewal basis. Ramssol generates revenue through the reselling of the subscription, or through referral fees for each client referred to Zoom.

Lastly, Ramssol provides **IT-related training** to government agencies through the Penjana Kerjaya Program, which is part of the government’s initiative to improve the competencies in the digitisation and automation of business operations as well as re-skilling and up-skilling of unemployed Malaysians.

The revenue contribution from this segment jumped significantly from 1% in FY19 to 36% in FY20 as the pandemic has resulted in the increase of the home-bound population, hence demand for virtual communications have also increased tremendously.

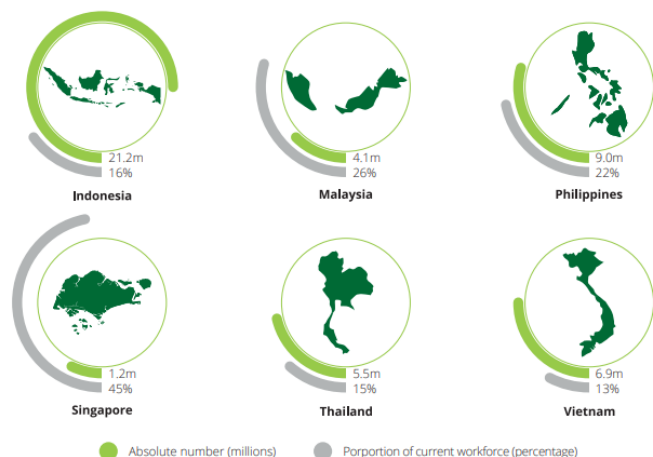
### 3. Investment focus

#### 3.1 A proxy to digitisation of operations

Ramssol provides a niche exposure to the digital transformation of business entities and higher-level education institutions. Through its software vendors, the group has been offering digital solutions pertaining to human capital management (HCM) and student management functions for over 10 years. The number of entities adopting digital transformation in their core operations has increased through the years, and has accelerated during the Covid-19 pandemic due to limitations on physical interactions. Through the digital transformation, its clients have benefited from improved productivity and efficiency of their operations.

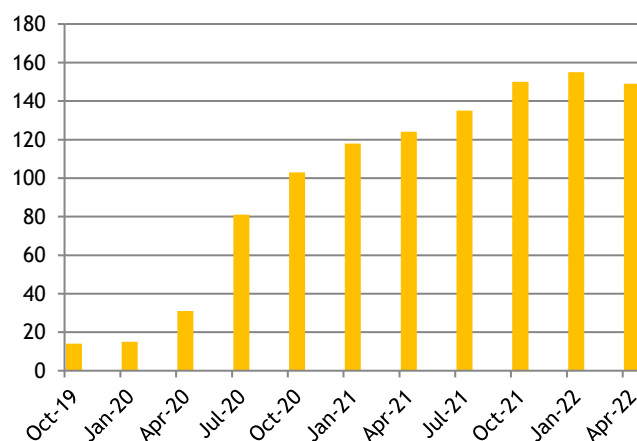
Ramssol also provides employee engagement and collaboration solutions through repackaging digital communication tools for its clients into an integrated platform, where most of the value-added services come into place. According to Deloitte, the ASEAN-6 countries could see between 13% and 45% of their workforce transit into remote working arrangements as a result of the pandemic. Meanwhile, the revenues from the APAC region for Zoom Communications Inc (ZOOM US, Not-rated) has been steadily increasing since the onset of the pandemic, reflecting the upward demand in digital communication within enterprises as more engagements between stakeholders are done virtually.

**Fig 9: Potential workforce transition to remote working arrangements across ASEAN-6 countries**



Source: Deloitte - Remote Work, 2020

**Fig 10: Zoom Communication’s quarterly revenue trend from the APAC region (USDm)**



Source: Company

#### 3.2 Tapping into the SME space

While Oracle is more suited for large enterprises, Ramssol is moving to tap on the SME segment through reselling the HCM offerings of DarwinBox and Lark. DarwinBox is a rapidly-emerging HR management software solution that was recently awarded the #1 Customer Choice award for HR Management Software by Gartner. While details on DarwinBox’s financials are scant, its revenue doubled in 2021, and tripled in the SEA region, which accounts for ~20% of its total revenue. DarwinBox provides a strong value proposition for the SMEs, given its feature-rich platform on enterprise cloud HCM at a fraction of the price of its competitors. As the exclusive certified reseller of DarwinBox in Malaysia and among the pioneers in the South East Asia region, Ramssol appears well-positioned to ride on the digitalisation trend among the SMEs.

**Fig 11: Pricing comparison between HR software providers**

HCM software providers	Pricing (per employee)
BambooHR	USD4.95/month for Essential package or USD8.25/month for Advantage package
ZingHR	Starts at USD2.00/month
Rippling	Starts at USD8.00/month
DarwinBox	Starts at USD8.00/month
SAP SuccessFactors	USD85/year, up to 100 employees (USD7.08/month)
Workday HCM	USD100/year (USD8.33/month)
Oracle HCM Workforce Management	USD13.00/month

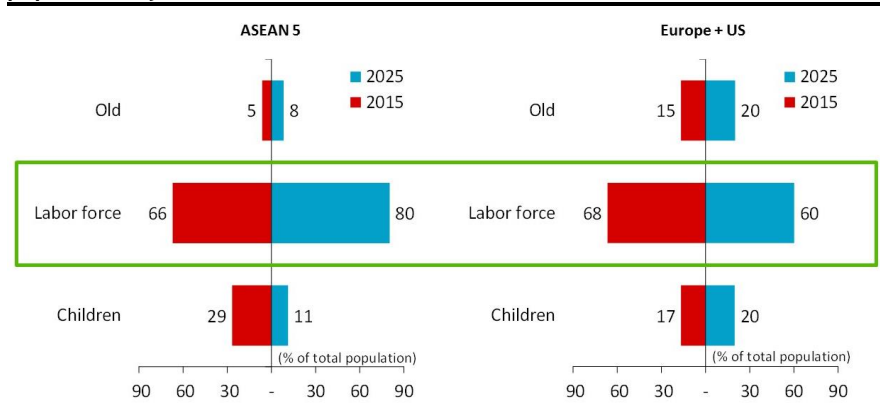
Source: Various

In essence, its wide portfolio of HCM software solutions should enable Ramssol to expand its market reach within the region. The group has also earmarked the relatively under-penetrated Philippines market to expand its HCM services, which could materialise by FY23. Additionally, it is also rolling out its HCM Technology applications to other countries in the region, specifically Singapore, Thailand, Indonesia and Vietnam. The group is also broadening its product line-up pertaining to HCM and student management solutions through adding more software solutions from its vendors in order to increase the average revenue per client.

### 3.3 Demographic shift would see higher labour force pool

According to the United Nations, the labour force demographic share of total population in ASEAN, which is defined as the population aged between 15 and 64 years, is expected to grow from 62% in 2015 to 80% by 2025. Through the growing size of the workforce, we believe this could be a supportive driver for more enterprises to grow in the region, and ultimately also drive the demand for digital transformation of human resource functions, as well as employee collaboration platforms.

**Fig 12: Demographic drive in ASEAN 5 could see much larger labor force population by 2025**



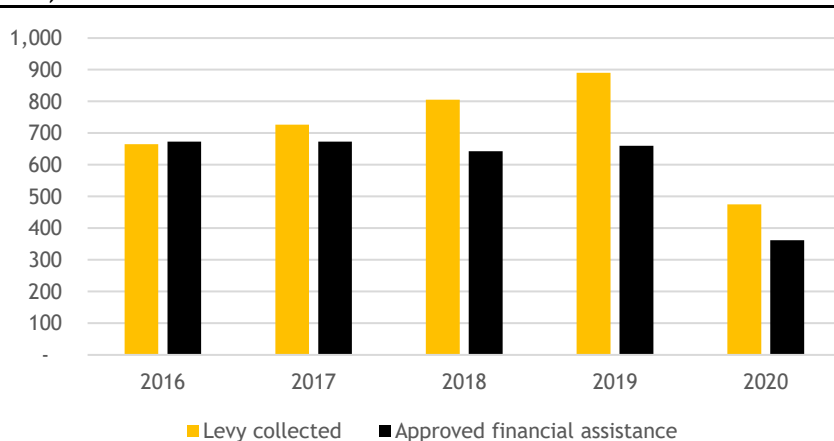
Source: A Stots Investment Research and United Nations

### 3.4 Expanding its new EduTech pillar

Ramssol is also branching out into the training courses space, with the aim of leveraging on its expertise in the digitisation of operations. The group also plans to tap on the Human Resource Development Corp’s (HRDC) allocation for training courses which are aimed at upskilling the general workforce. Management sees a sizeable potential in this area, given that the HRDC fund is sitting at a sizeable RM2bn whilst being underutilised over the last few years. To remind, registered employers in Malaysia are required to pay a levy fee equivalent to 1% of its total monthly salary expense to the HRDC. This fund is then claimable through the sending of their employees to training courses registered under HRDC.

As a start, Ramssol on 13 December 2021 entered into a 2-year agreement with ELMU V Sdn Bhd, a training and advisory service provider, to exclusively provide the sales & marketing services for courses to be conducted by ELMU Education Group Sdn Bhd (ELMU) and Malaysia Anti-Corruption Academy (MACA). This agreement allows Ramssol to exclusively market the training courses in the areas of corporate liability and corruption awareness. In June 2022, both Ramssol and ELMU, on behalf of MACA, can now further endorse the programme for the higher education institutions in Malaysia. Ramssol will be able to tap on its existing clientele pool, as well as into the other corporate and government-linked institutions, to market the training courses. Ramssol will benefit through the growing number of attendance for these courses, and even more so should the courses become mandatory. Beyond this, Ramssol may also roll out its own training courses that align with its expertise in the enterprise solutions space.

**Fig 13: HDRC’s levy collection and approved financial assistance in 2016-20 (MYRm)**



Source: HRDC Annual Report 2020

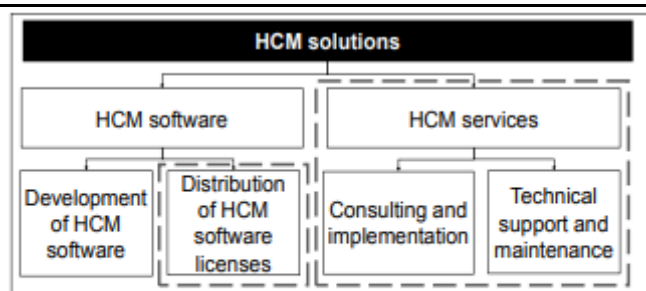
## 4. Industry overview

### 4.1 The HCM industry - benefitting from gradual digitisation of business operations

Human capital management (HCM) is a core function of any organisation. Given the extensive processes, policies and practices that are involved in managing the human resource function, it is imperative for the organisations to ensure the entire workflow is streamlined and automated as much as possible. The provision of HCM solutions aims to enhance the productivity of these processes as much as possible through the use of the right technology that fits the needs of the organisation.

The segmentation of HCM solutions can be classified into two main categories - the provision of HCM software and HCM services. Ramssol Group is fully involved in providing HCM services but only acts as a distributor of HCM software licenses to the clients. The development of HCM software is performed by the HCM software vendors, which typically are large enterprise software providers that are involved in many aspects of business functions, with HCM being one of their many offerings. The examples of HCM software vendors are Oracle Corp (ORCL US, NR), SAP (SAP SE, NR), and Workday Inc (WDAY US, NR).

**Fig 14: Segmentation of the HCM solutions industry**



Note:

- [ ] denotes the segments in which Ramssol Group is involved.

Source: Company IPO Prospectus, Smith Zander

While there are limited numbers of HCM software vendors, there are relatively a lot more certified partners/distributors of HCM solutions that are competing in the market. For instance, as at mid-2021, there are 186 Oracle PartnerNetwork (OPN) members in Malaysia, 162 OPN members in Singapore, 120 OPN members in Thailand, 110 OPN members in Indonesia and 97 OPN members in Vietnam, highlighting the competitive landscape in the HCM industry. That said, these figures may also include OPN members that carry other types of Oracle Corp’s software and solutions such as enterprise resource planning software and supply chain management software, thus suggesting that the degree of competition could be milder than what the numbers may prima facie imply.



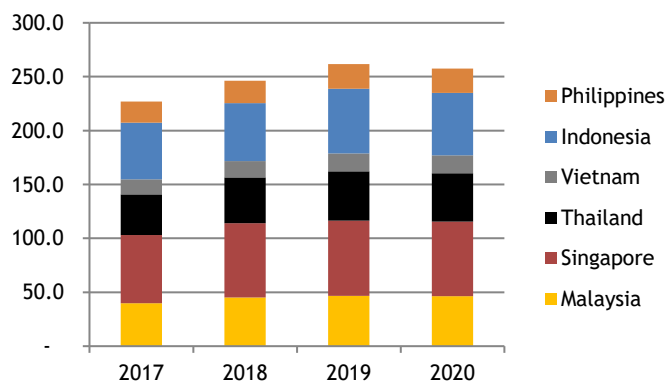
**Fig 15: Key industry players that also offer comparable HCM solutions**

Company name	Partnering HCM software vendors			Principal markets
	Oracle	SAP	Workday	
Accenture Plc	Y	Y	Y	Global
Capgemini SE	Y	Y	-	Global
Deloitte Touche Tohmatsu Ltd	Y	Y	Y	Global
EPI-USE Systems Ltd	-	Y	-	Global
Ernst & Young Global Ltd	-	Y	-	Global
Evolutionary Systems Pvt Ltd	Y	-	-	Global
HCL Technologies Ltd	Y	Y	-	Global
Infosys Ltd	Y	Y	-	Global
International Business Machines Corp	Y	Y	Y	Global
KPMG International Ltd	Y	Y	Y	Global
NTT DATA Corp	-	Y	-	ASEAN
PWC Ltd	Y	Y	Y	Global
Rolling Arrays Consulting Pte Ltd	Y	-	-	AsiaPac, ME
Rizing LLC	-	Y	-	Global
Tech Mahindra Ltd	-	Y	-	Global
Wipro Ltd	Y	Y	-	Global
Ai Apps Solutions Pvt Ltd	Y	Y	-	Global
Ramssol Group Bhd	Y	-	-	ASEAN

Source: Company IPO Prospectus, Smith Zander

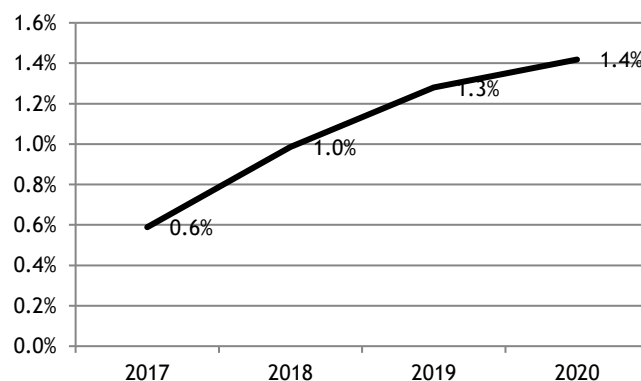
The HCM solutions industry recorded 3-year sales CAGR of 4.3% between 2017 and 2020 to reach a sales revenue size of USD258m as at 2020. The industry faced a decline of 1.6% in 2020 after registering a growth of 6-8% in 2017-2019 on the back of pandemic challenges, where the implementation of HCM solutions were largely deferred due to the lockdown measures. Ramssol Group’s implied market share in the HCM solutions industry within these 6 ASEAN countries have grown steadily from 0.6% in 2017 to 1.4% in 2020. This is a reflection of their marketing prowess and quality customer service.

**Fig 16: Market size of HCM industry in 6 ASEAN countries (USDm)**



Source: Company IPO Prospectus, Smith Zander

**Fig 17: Ramssol Group’s implied market share in the HCM solutions industry**



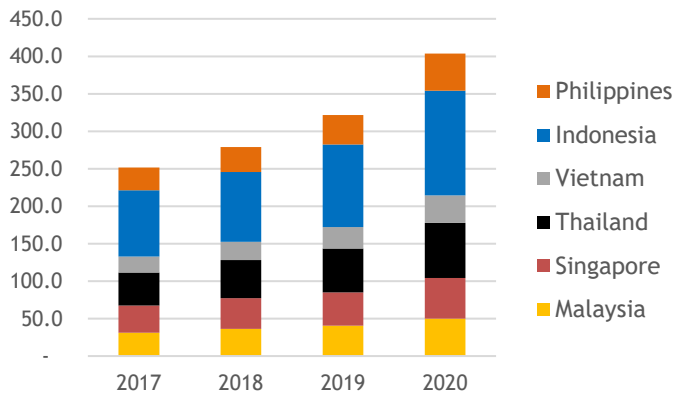
Source: Company IPO Prospectus, Smith Zander

## 4.2 Employee engagement and collaboration platform industry fast-growing due to shift to virtual workspace

The employee engagement and collaboration platform industry has seen rapid growth over the past few years, and has accelerated even further since the onset of the Covid-19 pandemic as the larger part of the population became homebound as a result of movement restriction measures. As businesses adapted to work remotely, there has been a pent-up demand for employee engagement and collaboration platform products and applications in order to ease the transition to a virtual setting. Digital communication tools, workflow/document management and engagement platforms are the typical applications commonly used in this industry.

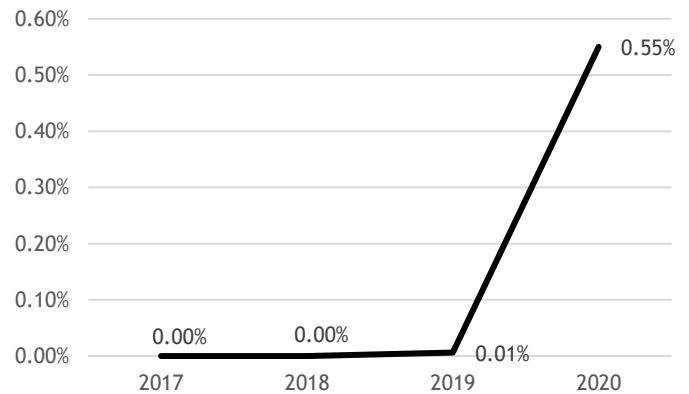
The employee engagement and collaboration platform industry total sales recorded a 3-year CAGR of 17.0% between 2017 and 2020, with the growth rate ticking-up noticeably in 2020 by 25% to USD404m, driven largely by the pandemic-adjusted social behaviours. In tandem with the opportunity in this industry, Ramssol has developed its in-house employee engagement application Feet’s in 2019 and formed an agreement with Lark and Zoom in 2020 to resell their collaboration and communication products. Its implied market share in this industry among the 6 ASEAN countries stood at 0.55% in 2020.

**Fig 18: Market size of the employee engagement and collaboration platform industry in 6 ASEAN countries (USDm)**



Source: Company IPO Prospectus, Smith Zander

**Fig 19: Ramssol Group’s implied market share in the employee engagement and collaboration platform industry**



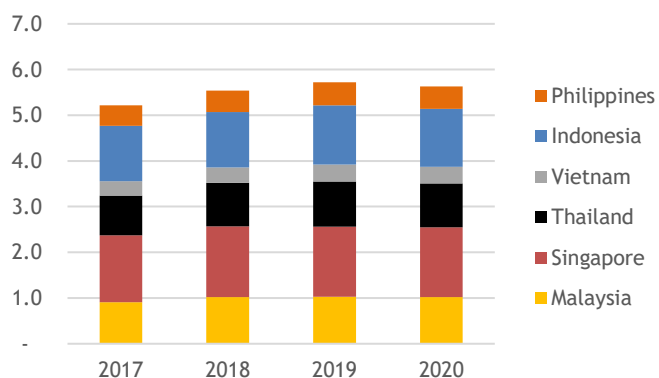
Source: Company IPO Prospectus, Smith Zander

The industry however is highly competitive with similar offerings from various large and small technology and internet companies. Some similar features are also offered on a zero-cost basis, which may be sufficient for smaller organisations to operate virtually without the need to subscribe for higher-tiered packages, thus making it possible to adopt a higher degree of digitalisation with minimal capital. Other barriers that may prevent a higher degree of adoption for these applications are 1) integration of existing email platform could be a hassle for larger organisations, and 2) availability of other free instant messaging and work management applications that offer comparable conveniences i.e. Meta’s WhatsApp, Google Drive/Meet, and Microsoft Teams.

### 4.3 IT staff augmentation - a niche and slow-growing market

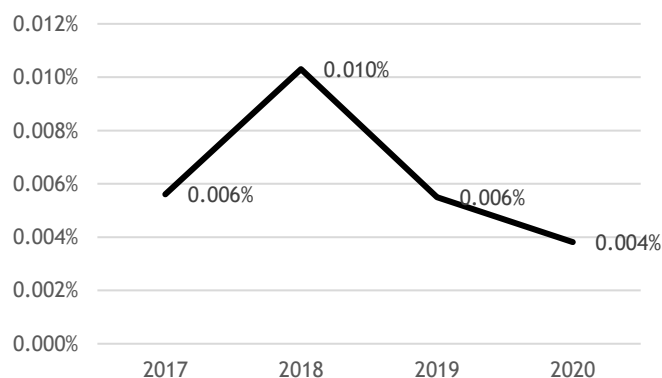
The IT staff augmentation industry is a very large but slow-growing market. The total industry sales among the 6 ASEAN countries grew by 3-year CAGR of only 2.6% between 2017 and 2020 to USD5.6bn, partially owing to the negative impact of the pandemic, which saw the industry shrink by 1.6% in 2020, following an average 4.7% growth in 2017-19. We believe the demand for outsourced engagement of IT solutions should still grow on the back on ongoing enhancement of business and operations that require matching IT skillsets.

**Fig 20: Market size of IT staff augmentation in 6 ASEAN countries (USDbn)**



Source: Company IPO Prospectus, Smith Zander

**Fig 21: Ramssol Group’s implied market share in the IT staff augmentation industry**



Source: Company IPO Prospectus, Smith Zander

Given the large size of the market, Ramssol’s implied market share has been very marginal at between 0.004% and 0.010% in 2017-20. There are numerous established regional players within the market which hold a relatively higher market share given their scale and presence in multiple countries. Currently, Ramssol is only present in Malaysia and Singapore for its IT staff augmentation services.

## 5. Financial analysis

### 5.1 Earnings model analysis

#### Revenue and EBITDA growth have been commendable

Ramssol’s financial performance has been rather commendable, registering a 4-year revenue CAGR of 67% in FY17-21 on the back of continuous market expansion in Malaysia on its HCM business, as well as introduction of new digital solutions in the employee engagement and collaboration segment since 2019. In terms of geographical contribution, the highest revenue growth was seen in Malaysia, primarily due to the large bulk coming from the collaboration platform businesses, as well as completion of several HCM-related projects. Meanwhile, other markets such as Singapore, Thailand and Indonesia have seen moderating revenue contribution in FY20/21, mainly due to the pandemic that had impacted demand for HCM services and IT staff augmentation.

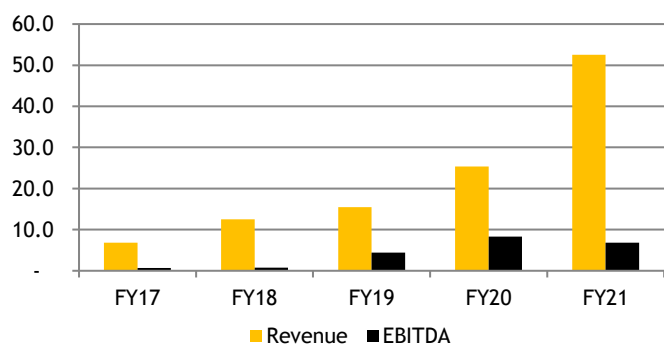
**Fig 22: Revenue by markets**

FYE Dec (MYRm)	FY17	FY18	FY19	FY20	FY21
Revenue					
Malaysia	1.7	2.9	4.9	11.5	46.7
Singapore	4.2	4.0	3.6	2.9	2.7
Thailand	0.5	5.1	5.4	7.6	1.5
Others	0.5	0.6	1.5	3.4	1.6
<b>Total revenue</b>	<b>6.8</b>	<b>12.5</b>	<b>15.4</b>	<b>25.3</b>	<b>52.5</b>
% growth		84%	23%	64%	107%
Operating expense	(6.1)	(11.8)	(11.0)	(17.0)	(43.5)
<b>EBITDA</b>	<b>0.7</b>	<b>0.7</b>	<b>4.4</b>	<b>8.3</b>	<b>9.0</b>
EBITDA margin(%)	9.7%	6.0%	28.5%	32.8%	17.2%
<b>Core net profit</b>	<b>0.1</b>	<b>0.2</b>	<b>4.5</b>	<b>7.5</b>	<b>9.1</b>
Core net margin (%)	1.3%	1.4%	29.1%	29.7%	17.2%

Source: Company

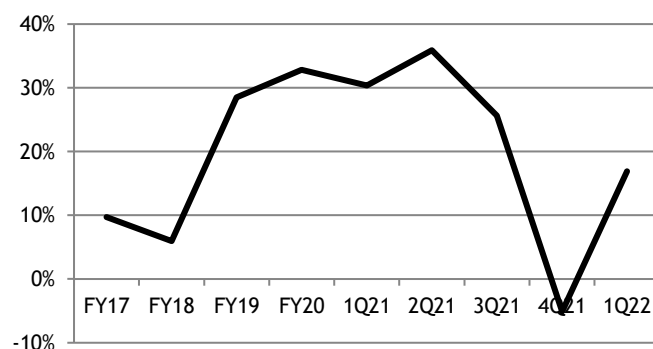
In terms of EBITDA, Ramssol managed to register a 3-year CAGR of 233% in FY17-20, though EBITDA grew by just 8% in FY21 despite revenues doubling. This was due to higher expenses related to elevated staff cost and sales & marketing, largely following the completion of several projects and related milestones in 4Q21. Sales & marketing expenses spiked up in 2H21 due to the expansion of its Feet and Lark products outside of Malaysia, as well as expanding its partnerships and collaborations for its products and services.

**Fig 23: Revenue and EBITDA trend (MYRm)**



Source: Company

**Fig 24: EBITDA margin trend (%)**



Source: Company

### Modelling revenue growth using industry growth and implied market share

We model our revenue projection using assumptions on industry growth and market share target for all three segments. For the HCM industry, we project an industry growth of 4.3% in FY22-24E, with Ramssol’s market share to accelerate, from 1.4% in FY20, to eventually reach 3.4% by FY24E. The incremental increase in market share can be explained by the rollout of DarwinBox into the SME segment, as well as the penetration into new markets i.e. in Philippines.

For the employee engagement and collaboration industry, we expect the growth to decelerate from 20% per annum in FY20-21 to -17% by FY22-24E as the workforce may gradually return to physical settings as part of normalisation. We however believe Ramssol could continue to garner marginal increase in the overall market share, from 0.5% in FY20 to 0.7% by FY24E through continuous expansion of its products in the SEA region.

As for the IT staff augmentation business, we expect industry growth rate to sustain at current levels, with the assumption of similar market share, given the ongoing competitiveness. The ongoing IT transformation amongst the corporate segment may still necessitate the demand for professional IT staff.

Overall, we forecast Ramssol’s revenue to dip by 13% in FY22E, which can be explained by the normalisation in the number of big ticket projects it had undertaken in 2020-21. We nonetheless project a revenue growth of 25% in FY23E and 19% in FY24E.

**Fig 25: Key revenue and margin assumptions**

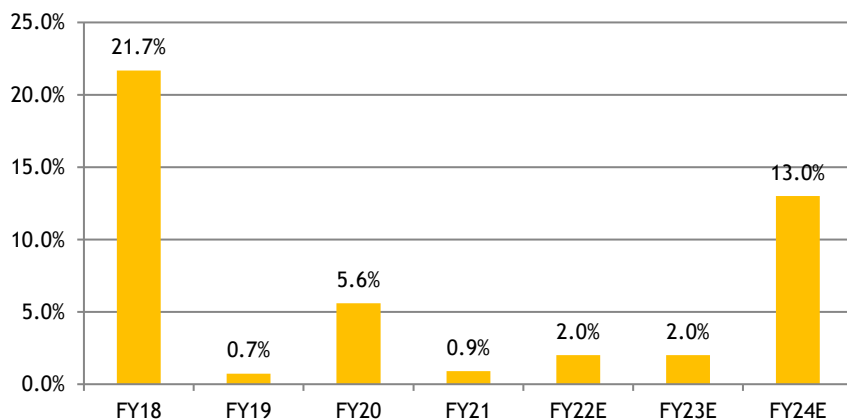
FYE Dec	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>HCM solutions industry</b>								
Market size (RMm)	952.8	1,034.6	1,099.6	1,082.3	1,129.3	1,178.3	1,229.4	1,282.7
% growth		8.6%	6.3%	-1.6%	4.3%	4.3%	4.3%	4.3%
Ramssol's revenue (RMm)	5.6	10.2	14.1	15.4	41.7	29.9	36.9	43.1
% growth		81.6%	38.1%	9.1%	171.7%	-28.3%	23.4%	16.8%
Market share (%)	0.6%	1.0%	1.3%	1.4%	3.7%	2.5%	3.0%	3.4%
<b>IT staff augmentation</b>								
Market size (RMm)	21,402.0	22,714.0	23,452.0	23,083.0	23,672.2	24,276.4	24,896.0	25,531.5
% growth		6.1%	3.2%	-1.6%	2.6%	2.6%	2.6%	2.6%
Ramssol's revenue (RMm)	1.2	2.3	1.3	0.9	0.8	1.5	1.7	2.0
% growth		95.0%	-44.9%	-31.8%	-9.1%	81.3%	19.3%	15.6%
Market share (%)	0.006%	0.010%	0.006%	0.004%	0.003%	0.006%	0.007%	0.008%
<b>Engagement and collaboration</b>								
Market size (RMm)	1,032.1	1,143.4	1,319.3	1,654.6	1,936.6	2,266.6	2,652.9	3,104.9
% growth		10.8%	15.4%	25.4%	17.0%	17.0%	17.0%	17.0%
Ramssol's revenue (RMm)	-	-	0.1	9.1	10.0	14.3	18.4	22.5
% growth		na	na	11275.0%	10.2%	42.7%	28.7%	22.3%
Market share (%)	0.0%	0.0%	0.0%	0.5%	0.5%	0.6%	0.7%	0.7%
<b>Total revenue (RMm)</b>								
	6.8	12.5	15.4	25.3	52.5	45.7	57.0	67.6
% growth		84.0%	23.2%	64.1%	107.4%	-13.1%	24.9%	18.5%
<b>EBITDA (RMm)</b>								
	0.7	0.7	4.4	8.3	9.0	8.6	12.2	16.1
<b>EBITDA margin (%)</b>								
	9.7%	6.0%	28.5%	32.8%	17.2%	18.9%	21.4%	23.9%

Source: Company, Maybank IBG Research

### MSC status set to expire in 2024

Ramssol has been enjoying a generous amount of tax incentives due to the granting of MSC Malaysia status by MDEC. Between FY17-21, its effective tax rate has been in the range of between 0.7% and 5.6% vs the statutory corporate tax rate of 24%. Its MSC status however is set to expire in November 2024, and there might be a possibility of a non-extension. We project an effective tax rate of 2% in FY22E and FY23E, respectively, but assume a more conservative tax rate assumption of 13% in FY24E under a non-extension scenario.

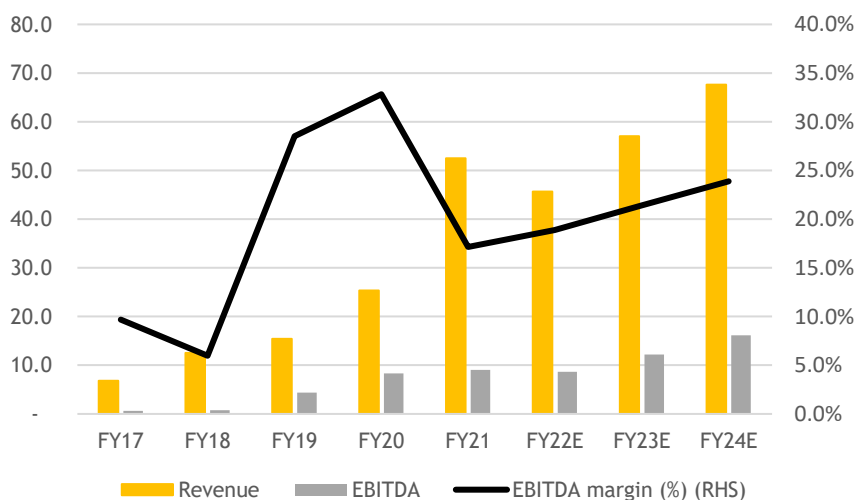
**Fig 26: Tax rate trend**



Source: Company, Maybank IBG Research

We project a 3-year earnings CAGR of 15% in FY21-24E. This is on the back of growing market share in HCM and student management, as well as employee collaboration industries across the ASEAN-6 countries. We also expect EBITDA margin to recover to 19-24% in FY22-24E, from 17% in FY21, to be driven by economies of scale and the normalisation in its cost structure following the initial expansion phase into new markets.

**Fig 27: Revenue and EBITDA projection (MYRm)**



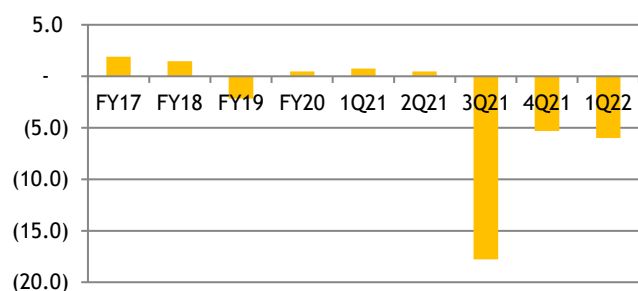
Source: Company, Maybank IBG Research



## 5.2 IPO proceeds have resulted in a net cash position

Ramssol's balance sheet turned into net cash of RM18m following the IPO in 3Q21 which raised RM25m. The larger part of the proceeds is earmarked for the expansion beyond Malaysia i.e. broadening its HCM technology services relating to Feet's and Lark to other countries in SEA, as well as penetrating into the Philippines market for the HCM solutions.

**Fig 28: Ramssol's net debt/(net cash) position (MYRm)**



Source: Company

**Fig 29: Utilisation of IPO proceeds**

Utilisation	Amount of proceeds	
	(MYR '000)	%
Business expansion into the Philippines	2,503	10%
Expansion of Feet's and Lark in SEA	6,348	25%
R&D expenditure	4,101	16%
Working capital	7,560	30%
Listing expenses	4,580	18%
<b>Total IPO proceeds</b>	<b>25,092</b>	<b>100%</b>

Source: Company

## 5.3 Cash flow, free cash flow analysis

### No set dividend policy

Despite having modest capex pattern, Ramssol does not have a fixed dividend policy following its listing exercise, and no dividends were declared in FY21. We believe the management will remain prudent with its cash and focus on growing its market reach throughout the region. We assume no dividend payout in FY22/23E, and only assume a DPS of 1.8 sen, equivalent to a payout of 30%, in FY24E.

**Fig 30: Balance sheet summary**

FYE Dec (MYRm)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Inventories	-	0.2	-	0.5	0.6	0.7
Receivables	2.4	13.2	33.5	29.2	36.3	43.0
Cash/ST investments	3.7	2.8	8.2	19.3	22.5	24.5
Other current assets	0.9	0.0	0.2	0.2	0.2	0.2
<b>Total current assets</b>	<b>7.0</b>	<b>16.3</b>	<b>41.9</b>	<b>49.1</b>	<b>59.7</b>	<b>68.4</b>
PPE	2.0	1.3	1.9	2.6	3.1	3.3
Right-of-use assets	0.9	0.6	0.8	0.8	0.8	0.8
Other non-current assets	-	1.5	4.7	4.7	4.7	4.7
<b>Total non-current assets</b>	<b>2.9</b>	<b>3.4</b>	<b>7.4</b>	<b>8.1</b>	<b>8.6</b>	<b>8.9</b>
<b>Total assets</b>	<b>10.0</b>	<b>19.8</b>	<b>49.3</b>	<b>57.3</b>	<b>68.2</b>	<b>77.3</b>
ST borrowings	1.0	1.2	1.2	1.2	1.2	1.2
Payables	5.4	4.0	4.4	4.9	5.0	5.1
Lease liabilities	0.4	0.3	0.5	0.5	0.5	0.5
Other current liabilities	2.7	0.7	0.5	0.5	0.5	0.5
<b>Total current liabilities</b>	<b>9.5</b>	<b>6.3</b>	<b>6.5</b>	<b>7.0</b>	<b>7.1</b>	<b>7.2</b>
LT borrowings	0.2	1.8	1.4	1.4	1.4	1.4
Lease liabilities	0.4	0.2	0.2	0.2	0.2	0.2
Other non-current liabilities	0.1	4.8	0.1	0.1	0.1	0.1
<b>Total non-current liabilities</b>	<b>0.6</b>	<b>6.7</b>	<b>1.8</b>	<b>1.8</b>	<b>1.8</b>	<b>1.8</b>
Share capital	0.5	0.5	29.9	29.9	29.9	29.9
Reserves	0.8	8.3	14.2	22.5	34.2	43.9
<b>Shareholder's equity</b>	<b>1.3</b>	<b>8.8</b>	<b>44.1</b>	<b>52.4</b>	<b>64.1</b>	<b>73.8</b>
Minority interest	(1.5)	(2.1)	(3.1)	(3.9)	(4.7)	(5.5)

Source: Company, Maybank IBG Research

Fig 31: Cashflow statement summary

FYE Dec (MYRm)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Operating profit/(loss) before WC changes	4.4	9.9	9.6	8.6	12.2	16.1
Change in working capital	2.8	(7.8)	(20.4)	4.3	(7.2)	(6.6)
Others	(0.0)	(0.4)	(0.1)	(0.4)	(0.3)	(2.0)
<b>Net cash from operating activities</b>	<b>7.1</b>	<b>1.7</b>	<b>(10.9)</b>	<b>12.6</b>	<b>4.8</b>	<b>7.5</b>
Net capex	(0.7)	(0.3)	(1.3)	(1.5)	(1.5)	(1.5)
Others	(1.1)	(0.6)	(3.3)	-	-	-
<b>Net cash from investing activities</b>	<b>(1.8)</b>	<b>(0.9)</b>	<b>(4.6)</b>	<b>(1.5)</b>	<b>(1.5)</b>	<b>(1.5)</b>
Dividends	(2.9)	-	-	-	-	(4.0)
Proceeds/(repayments) from debt	(0.4)	1.6	(0.4)	-	-	-
Proceeds from issuance of shares	0.0	-	25.1	-	-	-
Others	1.3	(3.3)	(3.6)	-	-	-
<b>Net cash from financing activities</b>	<b>(2.0)</b>	<b>(1.8)</b>	<b>21.1</b>	<b>-</b>	<b>-</b>	<b>(4.0)</b>
<b>Net increase/(decrease) in cash</b>	<b>3.4</b>	<b>(1.0)</b>	<b>5.5</b>	<b>11.1</b>	<b>3.3</b>	<b>2.0</b>

Source: Company, Maybank IBG Research

## 5.4 FY21 and 1Q22 performance review

FY21 revenue more than doubled to RM52.5m in FY21, from RM25.3m in FY20, attributed to higher revenue contribution from its HCM solutions and employee collaboration businesses, both of which saw stronger traction among the clients in Malaysia. The latter especially saw a strong growth in FY21 due to stronger adoption of virtual communication channels among the enterprises as a result of the lockdown measures.

Despite the stronger revenues, core net profit for the full-year (ex-listing expenses) grew by just 20% to RM9.1m, largely due to higher operating expenses incurred in 4Q21. Administrative expense ballooned to RM10m in 4Q21 vs the quarterly run-rate of RM1.8-3.4m in 1Q21-3Q21. This can be explained by 1) higher staff cost related to outsourcing in order to complete a few projects during the quarter, 2) part of the research & development (R&D) cost did not meet the capitalisation criteria, and 3) elevated sales & marketing expense related to the launch of new projects and penetration into new markets. EBITDA margin fell from 30.6% in 9M21 to -5.1% in 4Q21 as a result of the elevated expense, despite posting strong revenues of RM17.8m during the quarter.

Elsewhere, depreciation and amortisation expense increased by 42% in FY21 due to investments into its HCM technology products, but this was more than offset by lower effective tax rate of 0.9% in FY21 (FY20: 5.6%).

For 1Q22, core earnings were flattish, up just 1% YoY despite the strong revenue growth of 65% as the group faced higher operating expenses related to listing expenses and sales & marketing costs related to its expansion initiatives. EBITDA margin nonetheless recovered sequentially to 17% vs 4Q21's -5% due to absence of elevated staff and R&D costs that were present in the previous quarter.

**Fig 32: Quarterly earnings trend**

FY Dec (MYRm)	Quarterly					Cumulative		
	1Q22	1Q21	% YoY	4Q21	% QoQ	FY21	FY20	% YoY
Revenue	8.4	5.1	64.9	17.8	(53.0)	52.5	25.3	107.4
EBITDA	1.4	1.5	(8.2)	(0.9)	nm	9.0	8.3	8.4
Depreciation & amortisation	(0.2)	(0.1)	40.5	(0.2)	(18.6)	(0.7)	(0.5)	42.1
EBIT	1.2	1.4	(12.7)	(1.1)	nm	8.4	7.9	6.4
Interest income	0.0	0.0	>100	0.0	(59.1)	(0.4)	(0.4)	(18.5)
Interest expense	(0.1)	(0.2)	(70.0)	(0.0)	12.5	0.1	0.0	>100
Associates & JV	-	-	nm	-	nm	-	-	nm
Exceptional items	(0.4)	(0.4)	(9.3)	(0.2)	57.6	(2.2)	-	nm
Pre-tax profit	0.8	0.8	(1.2)	(1.4)	nm	5.8	7.4	(21.2)
Tax	(0.0)	(0.0)	(40.0)	(0.0)	(91.2)	(0.1)	(0.4)	(87.2)
Minority interest	0.2	0.2	37.5	0.7	(71.8)	1.0	0.5	96.4
Net profit	1.0	1.0	4.9	(0.7)	nm	6.8	7.5	(9.2)
Core net profit	1.4	1.4	0.9	(0.5)	nm	9.1	7.5	20.2
<b>Margins</b>			<b>+/- ppt</b>		<b>+/- ppt</b>			<b>+/- ppt</b>
EBITDA margin (%)	16.9	30.4	(13.5)	(5.1)	22.0	17.2	32.8	(15.7)
Core PATMI margin (%)	16.6	27.2	(10.5)	(2.6)	19.2	17.2	29.7	(12.5)
Tax rate (%)	0.4	0.6	(0.2)	(2.5)	2.8	0.9	5.6	(4.7)
<b>Revenue by geography</b>			<b>% YoY</b>		<b>% QoQ</b>			<b>% YoY</b>
Malaysia	7.6	4.4	73.3	15.5	(50.8)	46.7	11.5	>100
Singapore	0.5	0.6	(23.9)	0.8	(35.1)	2.7	2.9	(6.9)
Thailand	0.1	0.0	137.0	0.8	(91.6)	1.5	7.6	(80.3)
Others	0.2	-	nm	0.8	(76.0)	1.6	3.4	(52.9)

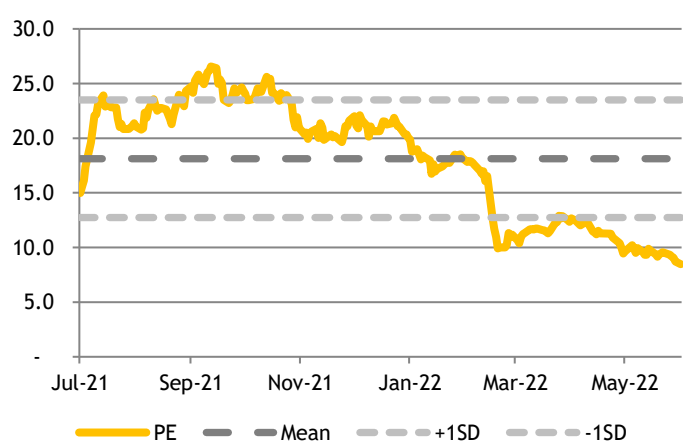
Source: Company

## 6. Valuation and recommendation

### 6.1 Initiate with BUY and MYR0.66 TP

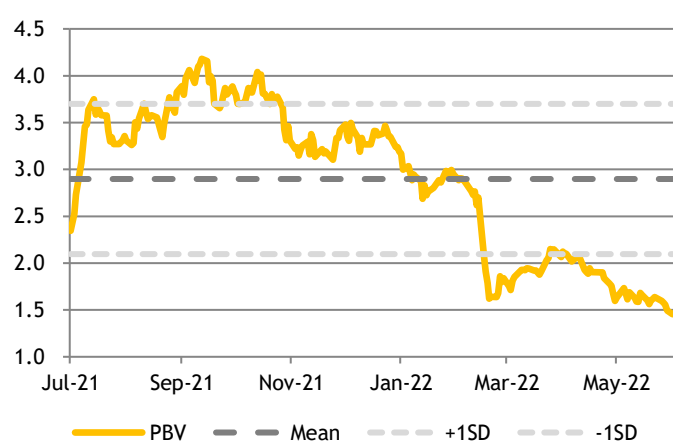
We initiate coverage of Ramssol Group with a Buy recommendation and a TP of RM0.66, pegged to 12.7x FY23E EPS. This valuation is pegged to -1SD its 12-month mean PE. This is also at ~33% discount to its comparable regional peers average of 19x PE. Given Ramssol’s business nature as a software reseller for its vendor partners, we view the discount to be warranted, though the current sell down has brought valuations to well below both its historical and peer averages at 9.7x FY22E PE and 1.5x FY22E PBV, respectively. As such, current multiples provide an attractive value proposition in our view, given the visible growth pillars that could drive Ramssol’s earnings growth going forward.

Fig 33: PER chart



Source: Bloomberg, Maybank IBG Research

Fig 34: PBV chart



Source: Bloomberg, Maybank IBG Research

### 6.2 Peer comparison

The scope for direct comparison to Ramssol’s peers remains very limited, as there are no other listed local companies that offer similar exposure into the HCM industry. We however compare the group with other companies that provide enterprise solutions in other business areas i.e. N2N Connect (securities trading), MyEG Services (e-government services), and Datasonic (security-based ICT solution). At 9.7x FY22E PE, Ramssol is trading at a discount of more than 50% to its domestic peers (19.4x average). This is also the case when comparing to its regional / global peers i.e. Oracle, SAP, Workday, Sage and Humanica (26x average).

Fig 35: Peer comparison

Company	Ticker	Market Cap (MYRm)	PE (x)		EV/EBITDA (x)		EPS growth (%)		ROE (%)	
			FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Ramssol	RAMSSOL MK	80	9.7	6.9	7.0	4.6	(8.1)	40.9	15.9	18.3
N2N	N2N MK	308	22.4	15.6	5.7	5.4	(38.5)	47.4	4.9	6.8
Datasonic	DSON MK	1,518	23.0	21.2	13.7	13.6	659.8	2.7	20.7	20.1
MyEG	MYEG MK	6,642	23.2	19.1	18.2	14.9	(9.3)	21.1	16.4	17.5
<b>Average</b>			<b>19.4</b>	<b>15.6</b>	<b>11.1</b>	<b>9.6</b>			<b>14.5</b>	<b>15.7</b>
<b>Regional peers:</b>		<b>(USDm)</b>								
SAP SE	SAP GR	108,971	17.0	15.3	12.9	11.5	(30.5)	13.1	13.3	14.8
Oracle	ORCL US	188,863	13.5	12.1	10.0	9.2	110.7	9.5	nm	nm
Workday	WDAY US	36,111	41.0	31.3	22.3	17.2	(12.9)	30.9	19.9	20.5
Sage	SGE LN	7,834	24.6	21.8	16.1	14.5	(5.0)	7.7	24.7	27.0
Humanica	HUMAN TB	271	35.0	25.7	27.8	20.7	29.2	36.2	16.6	21.2
<b>Average</b>			<b>26.2</b>	<b>21.2</b>	<b>17.8</b>	<b>14.6</b>			<b>18.3</b>	<b>20.3</b>

Source: Bloomberg, Maybank IBG Research

## 7. Risks to our call

### **Reliance on HCM software vendors to provide services**

Ramssol Group's HCM solutions are mostly supported and powered by the products of software vendors such as Oracle Corp, Sage and Lark, through certified partnership agreements with these vendors. Therefore, the continuity of Ramssol's services to its clients depends on the availability, access and vendor support of these products. If the partnership agreements with its vendors are either terminated or expired without extension, this may disrupt Ramssol's service deliverance to its clients.

### **Mass scale of return to previous full-weekday WIO arrangement**

The rapid revenue growth in FY20-21 was largely driven by the HCM technology applications segment, which is a key beneficiary of mass WFH or hybrid working arrangements. A shift back to work-in-office (WIO) arrangement could impede the demand for virtual office communication tools, therefore impacting the segment's growth trajectory.

### **Risk of security breaches on its applications**

As Ramssol expands its HCM technology application services to new markets, the amount of confidential and sensitive data it gathers will grow over time, therefore may be more susceptible to potential cyberattacks and security breaches. Any events of data breach would have a serious repercussion on the group reputation and continuity of its business, and subsequently its financial performances.

### **Elevated costs to meet project milestones**

There could also be risks of elevated costs that may stem from staff expenses should Ramssol needs to engage with external resources to meet certain project milestones/deadlines. Additionally, some of its R&D cost may need to be expensed instead of capitalised, depending on reaching certain milestones related to the development of its in-house products i.e. Feet's.

## 8. Appendix

### 8.1 Board of Directors

Name	Date of Appointment	Designation	Experience
Dato' CM Vignaesvaran A/L Jeyandran (Malaysian, Male)	15 September 2020	Independent Non-Executive Chairman	<ul style="list-style-type: none"> <li>Dato' CM holds a Bachelor of Business Administration from Universiti Kebangsaan Malaysia and a Master of Science in Business Strategy, Leadership and Change from Heriot-Watt University.</li> <li>He has wide experience in project management within utilities, downstream petroleum and refineries.</li> <li>He was also the CEO of Human Resource Development Fund (HDRF), overseeing the overall strategic directions and plans.</li> </ul>
Datuk Seri Cllement Tan Chee Seng (Malaysian, Male)	10 January 2019	Non-Independent Executive Director / Group Managing Director / Chief Executive Officer	<ul style="list-style-type: none"> <li>Datuk Seri Cllement Tan holds a Bachelor in Information Technology from Queensland University.</li> <li>He has more than 10 years of experience in HR consulting and the design and implementation of HCM solutions.</li> <li>He is also one of the founders of Ramssol Group Bhd and has been instrumental in expanding the group's range of products and offerings within the region.</li> </ul>
Lee Miew Lan (Malaysian, Female)	10 January 2019	Non-Independent Executive Director / Chief Operating Officer	<ul style="list-style-type: none"> <li>Miew Lan has a Bachelor's of Science (Honours) in Computing Studies from London South Bank University. She was also certified specialist for Oracle Corp's software solutions.</li> <li>She co-founded Ramssol Group, following more than 10 years of experience in consulting and implementation HR management systems, processes and policies for various multinational corporations in various countries.</li> </ul>
Brian Liew Yu Hoe (Malaysian, Male)	17 September 2019	Non-Independent Executive Director / Chief Information Officer	<ul style="list-style-type: none"> <li>Brian has a Bachelor of Laws from University of London.</li> <li>He brought in an extensive experience in project operational planning, design and implementation of solutions and QC for large organisations across EU, ME, Africa and AsiaPac.</li> <li>His core expertise includes project management, resource management and QC deliverance.</li> </ul>
Goh Keng Tat (Malaysian, Male)	15 September 2020	Independent Non-Executive Director	<ul style="list-style-type: none"> <li>Goh obtained his LLB from University of London in 1998, Certificate in Legal Practice in 1999 and admitted to the West Malaysian bar in 2000.</li> <li>His focus is in corporate litigation, industrial relations, defamation and matrimonial disputes.</li> <li>Has an extensive portfolio of appearances, trial leads and interlocutory applications at all levels in the West Malaysian Courts.</li> </ul>
Sim Seng Loong @ Tai Seng (Malaysian, Male)	15 September 2020	Independent Non-Executive Director	<ul style="list-style-type: none"> <li>Sim is a chartered accountant and is a member of the Malaysian Institute of Certified Public Accountants.</li> <li>He has an extensive experience in financial audit, account reporting and overseeing various corporate exercises of multiple large organisations.</li> <li>He also holds directorship in several public listed companies in both Main Market and ACE Market of Bursa Securities, the Hong Kong Stock Exchange and Australian Stock Exchange.</li> </ul>

Source: Company IPO Prospectus



## 8.2 Senior Management

Name	Age	Designation	Experience
Datuk Seri Cllement Tan Chee Seng	39	Group Managing Director/ Chief Executive Officer	<ul style="list-style-type: none"> <li>Datuk Seri Cllement Tan holds a Bachelor in Information Technology from Queensland University.</li> <li>He has more than 10 years of experience in HR consulting and the design and implementation of HCM solutions.</li> <li>He is also one of the founders of Ramssol Group Bhd and has been instrumental in expanding the group's range of products and offerings within the region.</li> </ul>
Lee Miew Lan	48	Chief Operating Officer	<ul style="list-style-type: none"> <li>Miew Lan has a Bachelor's of Science (Honours) in Computing Studies from London South Bank University. She was also certified specialist for Oracle Corp's software solutions.</li> <li>She co-founded Ramssol Group, following more than 10 years of experience in consulting and implementation HR management systems, processes and policies for various multinational corporations in various countries.</li> </ul>
Brian Liew Yu Hoe	39	Chief Information Officer	<ul style="list-style-type: none"> <li>Brian has a Bachelor of Laws from University of London.</li> <li>He brought in an extensive experience in project operational planning, design and implementation of solutions and QC for large organisations across EU, ME, Africa and AsiaPac.</li> <li>His core expertise includes project management, resource management and QC deliverance.</li> </ul>
Soh Meng Siit	46	Chief Financial Officer	<ul style="list-style-type: none"> <li>Soh is an accredited and a member of the Association of Chartered Certified Accountants (ACCA). She is also a member of the Malaysian Institute of Accountants.</li> <li>She has more than 20 years of experience in the field of financial audit, account and tax reporting, having involved in various companies and corporations.</li> <li>She established Humacc Management Consultancy in 2008 to provide outsourced accounting and payroll services and HR consulting. She subsequently disposed her interest and responsibility in the firm prior to joining Ramssol in 2020.</li> </ul>

Source: Company IPO Prospectus

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Key Metrics</b>					
P/E (reported) (x)	na	26.0	9.8	7.0	5.9
Core P/E (x)	na	19.5	9.8	7.0	5.9
P/BV (x)	na	4.0	1.6	1.3	1.1
P/NTA (x)	na	4.0	1.6	1.3	1.1
Net dividend yield (%)	na	0.0	0.0	0.0	4.9
FCF yield (%)	na	nm	13.6	4.0	7.4
EV/EBITDA (x)	9.6	18.6	7.1	4.7	3.4
EV/EBIT (x)	10.2	20.1	7.8	5.1	3.6
<b>INCOME STATEMENT (MYR m)</b>					
Revenue	25.3	52.5	45.7	57.0	67.6
EBITDA	8.3	9.0	8.6	12.2	16.1
Depreciation	(0.5)	(0.7)	(0.7)	(1.0)	(1.2)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	7.9	8.4	7.9	11.2	14.9
Net interest income / (exp)	(0.4)	(0.3)	(0.2)	(0.1)	(0.1)
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	(2.2)	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	7.4	5.8	7.7	11.1	14.9
Income tax	(0.4)	(0.1)	(0.2)	(0.2)	(1.9)
Minorities	0.5	1.0	0.8	0.8	0.8
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	7.5	6.8	8.3	11.7	13.7
Core net profit	7.5	9.1	8.3	11.7	13.7
<b>BALANCE SHEET (MYR m)</b>					
Cash & Short Term Investments	2.8	8.2	19.3	22.5	24.5
Accounts receivable	13.2	33.5	29.2	36.3	43.0
Inventory	0.2	0.0	0.5	0.6	0.7
Property, Plant & Equip (net)	1.3	1.9	2.6	3.1	3.3
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	2.1	5.7	5.7	5.7	5.7
<b>Total assets</b>	<b>19.8</b>	<b>49.3</b>	<b>57.3</b>	<b>68.2</b>	<b>77.3</b>
ST interest bearing debt	1.6	1.5	1.5	1.5	1.5
Accounts payable	4.0	4.4	4.9	5.0	5.1
LT interest bearing debt	1.8	1.4	1.4	1.4	1.4
Other liabilities	6.0	1.0	1.0	1.0	1.0
<b>Total Liabilities</b>	<b>13.0</b>	<b>8.3</b>	<b>8.7</b>	<b>8.8</b>	<b>8.9</b>
Shareholders Equity	8.8	44.1	52.4	64.1	73.8
Minority Interest	(2.1)	(3.1)	(3.9)	(4.7)	(5.5)
<b>Total shareholder equity</b>	<b>6.8</b>	<b>41.0</b>	<b>48.5</b>	<b>59.4</b>	<b>68.3</b>
<b>Total liabilities and equity</b>	<b>19.8</b>	<b>49.3</b>	<b>57.3</b>	<b>68.2</b>	<b>77.3</b>
<b>CASH FLOW (MYR m)</b>					
Pretax profit	7.4	5.8	7.7	11.1	14.9
Depreciation & amortisation	0.5	0.7	0.7	1.0	1.2
Adj net interest (income)/exp	0.4	0.3	0.2	0.1	0.1
Change in working capital	(7.8)	(20.4)	4.3	(7.2)	(6.6)
Cash taxes paid	(0.3)	(0.1)	(0.2)	(0.2)	(1.9)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	1.7	(10.9)	12.6	4.8	7.5
Capex	(0.3)	(1.3)	(1.5)	(1.5)	(1.5)
Free cash flow	1.4	(12.2)	11.1	3.3	6.0
Dividends paid	0.0	0.0	0.0	0.0	(4.0)
Equity raised / (purchased)	0.0	25.1	0.0	0.0	0.0
Change in Debt	1.6	(0.4)	0.0	0.0	0.0
Other invest/financing cash flow	(3.9)	(6.9)	0.0	0.0	0.0
Effect of exch rate changes	(0.1)	(0.2)	0.0	0.0	0.0
Net cash flow	(1.0)	5.4	11.1	3.3	2.0

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Key Ratios</b>					
<b>Growth ratios (%)</b>					
Revenue growth	64.1	107.4	(13.1)	24.9	18.5
EBITDA growth	88.8	8.4	(4.4)	41.6	32.2
EBIT growth	98.3	6.4	(5.7)	41.7	33.6
Pretax growth	93.7	(21.2)	31.2	44.5	34.1
Reported net profit growth	67.6	(9.2)	21.6	40.2	17.8
Core net profit growth	67.6	20.2	(8.1)	40.2	17.8
<b>Profitability ratios (%)</b>					
EBITDA margin	32.8	17.2	18.9	21.4	23.9
EBIT margin	31.0	15.9	17.3	19.6	22.1
Pretax profit margin	29.3	11.1	16.8	19.4	22.0
Payout ratio	0.0	0.0	0.0	0.0	29.2
<b>DuPont analysis</b>					
Net profit margin (%)	29.7	13.0	18.2	20.4	20.3
Revenue/Assets (x)	1.3	1.1	0.8	0.8	0.9
Assets/Equity (x)	2.2	1.1	1.1	1.1	1.0
ROAE (%)	na	na	na	na	na
ROAA (%)	50.7	26.2	15.6	18.6	18.9
<b>Liquidity &amp; Efficiency</b>					
Cash conversion cycle	(54.5)	101.6	178.2	150.6	162.8
Days receivable outstanding	111.4	160.2	247.2	206.8	211.2
Days inventory outstanding	4.3	1.7	4.0	7.2	7.3
Days payables outstanding	170.2	60.3	72.9	63.4	55.7
Dividend cover (x)	nm	nm	nm	nm	3.4
Current ratio (x)	2.6	6.5	7.0	8.4	9.5
<b>Leverage &amp; Expense Analysis</b>					
Asset/Liability (x)	1.5	6.0	6.6	7.7	8.6
Net gearing (%) (incl perps)	7.2	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	7.2	net cash	net cash	net cash	net cash
Net interest cover (x)	18.0	28.2	37.4	137.8	nm
Debt/EBITDA (x)	0.4	0.3	0.3	0.2	0.2
Capex/revenue (%)	1.2	2.5	3.3	2.6	2.2
Net debt/ (net cash)	0.5	(5.3)	(16.4)	(19.6)	(21.6)

Source: Company; Maybank IBG Research

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