

# MY E.G. Services Bhd

(0138 | MYEG MK) Technology | Digital services

**Maintain BUY**

## Resilient business performance

**Revised Target Price: RM1.58**  
(previously RM1.49)

### KEY INVESTMENT HIGHLIGHTS

- **Marginal improvement in 1QFY20 normalised earnings of RM59.0m, mainly led by lower effective tax rate**
- **1QFY20 financial performance came in within ours and consensus expectations at 22.9% and 22.2% respectively**
- **Business resiliency despite the Covid-19 crisis as 1QFY20 revenue remained steady at RM121.7m**
- **Regional expansion will gradually reduce reliance on locally generated income**
- **Maintain BUY with a revised TP of RM1.58**


**In-line with expectation.** MY E.G Services Bhd (MYEG) posted resilient 1QFY20 normalised earnings of RM59.0m, a marginal increase of +1.6%yoy. This was mainly led by lower effective tax rate of 0.6% (vs FPE 31<sup>st</sup> March 2019: 6.2%). Nonetheless, the resilient earnings was primarily attributable to:

- concession related services such as Immigration and JPJ related ancillary services;
- commercial services such as motor vehicle trading related services, financing services, sale of tax monitoring system, foreign worker recruitment and placement related services ; and
- contribution from Cardbiz Group.

All in, the group's 1QFY20 financial performance came in within ours and consensus expectations, accounting for 22.9% and 22.2% of full year FY20 earnings estimates.

**Impact to earnings.** We are maintaining our earnings estimates at this juncture.

**Target price.** We are rolling forward our valuation base year to FY21 and derive a new target price of **RM1.58** (previously RM1.49). This is premised on FY21 EPS of 7.5sen, pegged to unchanged forward PER of 21x. Our target PER is the group's three year historical average.

**Maintain BUY.** We expect the local business to remain resilient, in view of the good track record of providing the online services. Moving forward, we expect the group's earnings growth will stem from the group's effort to replicate its offerings in the region. The effort has started to bear fruit as seen in its latest progress in Indonesia and the Philippines. We believe the move would also help to reduce the group's reliance on the local market. On another note, MYEG business model remains attractive which garner healthy profit margin of about 50%. All factors considered, we are maintaining our **BUY** recommendation on the stock. 

### RETURN STATISTICS

Price @ 29 <sup>th</sup> June 2020 (RM)	1.40
Expected share price return (%)	+12.9
Expected dividend yield (%)	+1.6
<b>Expected total return (%)</b>	<b>+14.5</b>

### SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	+3.7	+2.2
3 months	+45.8	-33.1
12 months	-5.4	+5.84

### KEY STATISTICS

FBM KLCI	1,494.43
Syariah compliant	Yes
Issue shares (m)	3,484.33
Estimated free float (%)	50
Market Capitalisation (RM'm)	4,835.88
52-wk price range (RM)	0.76– 1.70
Beta vs FBM KLCI (x)	1.23
Monthly velocity (%)	11.02
Monthly volatility (%)	42.15
3-mth average daily volume (m)	47.06
3-mth average daily value (RM'm)	58.71
Top Shareholders (%)	
Asia Internet Holdings Sdn	20.68
Wong Thean Soon	10.51
Employees Provident Fund	6.73

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## INVESTMENT STATISTICS

Financial year ending 31 <sup>st</sup> December (in RM'm, unless otherwise stated)	2018*	2019 <sup>^</sup>	2020F	2021F	2022F
Revenue	564.6	595.9	516.1	550.9	590.0
Profit before tax	128.5	308.1	264.9	279.4	297.8
Income tax expense	-2.4	-4.8	-1.9	-2.0	-2.1
Profit after tax after non-controlling interest	129.0	304.6	257.6	271.7	289.7
Normalised profit after tax after on-controlling interest	300.8	304.5	257.6	271.7	289.7
EPS (sen)	8.4	8.7	7.1	7.5	8.0
PBT margin (%)	22.8	51.7	51.3	50.7	50.5
Normalised PATANCI margin (%)	53.3	51.1	49.9	49.3	49.1
Effective income tax rate (%)	1.9	1.6	0.7	0.7	0.7
DPS (sen)	1.9	2.5	2.1	2.3	2.4
Dividend yield (%)	1.4	1.8	1.5	1.6	1.7

\* Change in financial year end to September from June (15mths)

<sup>^</sup> Change in financial year end to December from September (15mths)

Source: Company, MIDFR

## MY E.G. SERVICES BHD: 1QFY20 RESULTS SUMMARY

Financial year ending 31 <sup>st</sup> December (in RM'm, unless otherwise stated)	Quarterly				
	1QFY20	FPE 31 <sup>st</sup> March 2019	% YoY	FPE 31 <sup>st</sup> Dec 2019	% QoQ
Revenue	121.7	121.7	0.0	119.7	1.7
EBITDA	69.5	70.2	-1.0	78.3	-11.2
Depreciation and amortisation	-8.2	-6.8	21.2	-7.0	17.4
EBIT	61.3	63.4	-3.4	71.3	-14.0
Interest expense	-2.0	-1.6	29.0	-2.0	-1.4
Interest income	0.1	0.4	-76.9	0.6	-85.2
Share of results of JV and associates	-0.6	-0.2	155.8	-0.3	78.6
PBT	58.8	62.0	-5.2	69.5	-15.4
Taxation	-0.4	-3.8	-90.1	-0.9	-56.4
MI	0.4	-0.2	-331.2	0.7	-39.4
PATANCI	58.8	58.0	1.4	69.3	-15.1
Normalised PATANCI	59.0	58.0	1.6	69.2	-14.9
Normalised EPS (sen)	0.18	1.65	-89.3	1.98	-91.1
			+/- ppts		+/- ppts
EBITDA margin (%)	57.1	57.7	-0.6	65.4	-8.3
EBIT margin (%)	50.4	52.1	-1.7	59.6	-9.2
Normalised PATANCI margin (%)	48.4	47.7	0.8	57.9	-9.4
Effective tax rate (%)	0.6	6.2	-5.5	1.3	-0.6

Source: Company, MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

<b>BUY</b>	Total return is expected to be >10% over the next 12 months.
<b>TRADING BUY</b>	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
<b>NEUTRAL</b>	Total return is expected to be between -10% and +10% over the next 12 months.
<b>SELL</b>	Total return is expected to be <10% over the next 12 months.
<b>TRADING SELL</b>	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

<b>POSITIVE</b>	The sector is expected to outperform the overall market over the next 12 months.
<b>NEUTRAL</b>	The sector is to perform in line with the overall market over the next 12 months.
<b>NEGATIVE</b>	The sector is expected to underperform the overall market over the next 12 months.