

MY E.G. Services Berhad

(0138 | MYEG MK) Technology | Digital services

Maintain BUY

Consistent transaction volume

Unchanged Target Price: RM1.49

KEY INVESTMENT HIGHLIGHTS

- **Double digit growth in 5QFY19 normalised earnings to RM69.2m, an increase of +21.8%qoq**
- **Full year FY19 normalised earnings amounted to RM304.5m, which is slightly above ours and consensus expectations**
- **Higher revenue contribution across all businesses**
- **Regional expansion will gradually reduce reliance on locally generated income**
- **Maintain BUY with an unchanged TP of RM1.49**


Slightly above expectation. MY E.G Services Bhd (MYEG) posted resilient 5QFY19 normalised earnings of RM69.2m, an increase of +21.8%qoq. This was mainly due to lower staff cost as well as lower advertising and marketing cost. Meanwhile, 5QFY19 revenue remained resilient at RM119.7m (+0.5%qoq). Cumulatively full year 15MFY19 normalised earnings amounted to RM304.5m. This 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 15MFY19 financial performance came in slightly above ours and consensus expectations, accounting for 107.7% and 106.0% of FY19 earnings estimates.

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

Target price. We are maintaining our target price to **RM1.49**. This is premised on FY20 EPS of 7.1sen, pegged to unchanged forward PER of 21x. Our target PER is the group's three year historical average.

Maintain BUY. We expect its 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. Thus, we view that the recent fall in the group's share price over the political turmoil is unjustified. 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 @ 27 th February 2020 (RM)	1.12
Expected share price return (%)	+33.0
Expected dividend yield (%)	+1.9
Expected total return (%)	+34.9

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	1.8	14.9
3 months	1.8	-0.2
12 months	10.9	25.8

KEY STATISTICS

FBM KLCI	1,505.59
Syariah compliant	Yes
Issue shares (m)	3,484.33
Estimated free float (%)	57.56
Market Capitalisation (RM'm)	3,879.84
52-wk price range (RM)	0.99– 1.75
Beta vs FBM KLCI (x)	0.96
Monthly velocity (%)	131.58
Monthly volatility (%)	32.97
3-mth average daily volume (m)	35.63
3-mth average daily value (RM'm)	43.38
Top Shareholders (%)	
Asia Internet Holdings Sdn	21.83
Wong Thean Soon	9.03
Employees Provident Fund	3.19

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INVESTMENT STATISTICS

Financial year ending 31 st December (in RM'm, unless otherwise stated)	2018*	2019 [^]	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 (%)	1.7	2.2	1.9	2.0	2.2

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

[^] Change in financial year end to December from September (15mths)

Source: Company, MIDFR

MY E.G. SERVICES BHD: 5QFY19 RESULTS SUMMARY

Financial year ending 31 st December (in RM'm, unless otherwise stated)	Quarterly			Cumulative
	5QFY19	4QFY19	% QoQ	2019
Revenue	119.7	119.1	0.5	595.9
EBITDA	78.3	69.2	13.1	351.2
Depreciation and amortisation	-7.0	-6.7	4.8	-34.2
EBIT	71.3	62.5	14.0	317.1
Interest expense	-2.0	-1.9	9.0	-8.7
Interest income	0.6	0.1	656.8	1.1
Share of results of JV and associates	-0.3	-0.3	9.6	-1.4
PBT	69.5	60.4	15.0	308.1
Taxation	-0.9	-0.3	166.4	-4.8
MI	0.7	0.3	112.2	1.3
PATANCI	69.3	60.4	14.7	304.6
Normalised PATANCI	69.2	56.9	21.8	304.5
Normalised EPS (sen)	1.98	1.63	21.4	8.7
			+/- ppts	
EBITDA margin (%)	65.4	58.1	7.3	58.9
EBIT margin (%)	59.6	52.5	7.1	53.2
Normalised PATANCI margin (%)	57.9	47.7	10.1	51.1
Effective tax rate (%)	1.3	0.5	0.7	1.6

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	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.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <10% over the next 12 months.
TRADING SELL	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

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