MY E.G. Services Berhad

(0138 | MYEG MK) Technology | Digital services

***Maintain* BUY**

Prospects Stay Intact

***Unchanged* Target Price: RM1.00**

KEY INVESTMENT HIGHLIGHTS

- **4QFY22 normalised earnings decreased by -12.0%yoy to RM74.8m**
- **FY22 earnings met our expectation**
- **Stay optimistic with the Group innovative services**
- **Earnings forecast maintained**
- **Maintain BUY with unchanged target price of RM1.00**

Met our expectation. MY E.G Services Bhd's (MYEG) reported core earnings of RM341.3m in FY22, which in line with our but missed consensus expectations. The core earnings accounted for 96.3% and 93.0% of our and consensus full-year estimates respectively. A final dividend of 1.17sen per share was declared against dividend of 1.3sen per share in FY21.

Quarterly. Revenue in 4QFY22 declined by -29.6%yoy to RM165.0m, in line with a lower core earnings of RM74.8m (-12.0%yoy). The main reason for the revenue decline was the absence of revenue generated from COVID-19 health screening and quarantine services. To note, the Government had removed the requirements for these measures in the review quarter.

Cumulatively. Revenue declined by -10.1%yoy from RM724.4m in FY21 to RM651.2m in the same period this year. The drop in revenue was due to decreased demand for quarantine services. However, this was offset by an increase in revenue from other sources, including increased revenue from existing concession services following the resumption of full operations of the E-Service Center, revenue from the foreign worker job matching service, and revenue generated from the sale of Zetrix tokens. On a side note, core earnings rose by +3.2%yoy to RM341.2m supported by overall rise in revenue from the existing concession and commercial services, which helped to offset the decrease in revenue resulting from lower demand for quarantine services.

Impact. We do not change our earnings estimates since the FY22 result came in line with our expectation. We also introduce our FY24 estimates. Our target price remains unchanged at RM1.00. We still like MYEG as we expect the Group to renew its e-govt concession for road transport and immigration divisions, on the back of strong track record. Additionally, we also opine that the increase in revenue from foreign worker job matching service, renewal of work permits, and Zetrix would be earnings booster for the Group. All in all, we maintain our **BUY** call on MYEG with an unchanged target price of **RM1.00**.

RETURN STATISTICS	
Price @ 27th February 2023 (RM)	0.72
Expected share price return (%)	+41.6
Expected dividend yield (%)	+2.2
Expected total return (%)	**+43.8**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	0.6	-1.4
3 months	4.7	26.6
12 months	-16.8	-14.8

KEY STATISTICS	
FBM KLCI	1,455.50
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	7,396.62
Estimated free float (%)	46.89
Market Capitalisation (RM'm)	6,619.80
52-wk price range (RM)	0.71 - 1.12
Beta vs FBM KLCI (x)	0.94
3-mth average daily volume (m)	38.68
3-mth average daily value (RM'm)	32.34
Top Shareholders (%)	
Asia Internet Holdings Sdn	17.98
Wong Thean Soon	13.28
Employees Provident Fund	7.02

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INVESTMENT STATISTICS

Financial year ending 31st December (in RM'm, unless otherwise stated)	2020	2021	2022	2023F	2024F
Revenue	516.1	724.41	651.2	816.4	873.0
Profit before tax	264.9	327.5	404.4	412.1	430.3
Income tax expense	-1.9	-2.2	-3.9	-4.1	-8.6
Profit after tax after non-controlling interest	257.6	330.7	403.8	399.6	413.0
Normalised PATANCI	257.6	330.8	341.3	399.6	413.0
EPS (sen)	7.1	5.1	4.4	5.4	5.5
PBT margin (%)	51.3	45.2	62.1	50.5	49.3
Normalised PATANCI margin (%)	49.9	45.7	52.4	49.0	47.3
Effective income tax rate (%)	0.7	1.0	1.0	1.0	2.0
DPS (sen)	1.7	1.5	1.2	1.6	1.7
Dividend yield (%)	2.4	2.1	1.7	2.2	2.3

Source: Company, MIDFR

MY E.G. SERVICES BHD: 4QFY22 RESULTS SUMMARY

Financial year ending 31st December (in RM'm, unless otherwise stated)	Quarterly Results			Cumulative		
	4Q22	YoY (%)	QoQ (%)	FY22	FY21	YoY (%)
Revenue	165.0	-29.6	1.5	651.2	724.4	-10.1
EBITDA	92.9	-5.6	-44.8	468.1	380.4	23.1
Depreciation and amortisation	-15.1	21.0	-7.5	-60.3	-47.7	26.4
EBIT	77.8	-9.5	-48.8	407.8	332.7	22.6
Interest expense	-2.7	52.8	-209.6	-3.9	-6.7	-42.2
Interest income	0.1	-58.8	30.2	0.3	2.9	-88.9
Share of results of JV and associates	0.1	-184.1	-546.2	0.1	-1.5	-108.5
PBT	75.2	-10.7	-51.3	404.4	327.5	23.5
Taxation	-0.4	-84.2	-85.9	-3.9	-4.0	-1.0
MI	0.1	-90.8	-89.7	1.7	0.8	127.5
PATANCI	75.0	-11.8	-51.1	403.8	330.7	22.1
Normalised PATANCI	74.8	-12.0	-18.0	341.3	330.8	3.2
Normalised EPS (sen)	0.97	-15.3	-18.0	4.41	4.4	-0.7
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	56.3	14.3	-47.2	71.9	52.5	36.9
EBIT margin (%)	47.1	10.5	-46.3	62.6	45.9	36.4
Normalised PATANCI margin (%)	45.3	9.1	-10.8	52.4	45.7	14.8
Effective tax rate (%)	0.5	-2.2	-1.1	1.0	1.2	-19.8

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 *rise* 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 *fall* 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.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology