Company Update| Friday, 10 February 2023

MY E.G. Services Berhad

(0138 | MYEG MK) Technology | Digital services

***Maintain* BUY**

Growing Philippine Market

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

KEY INVESTMENT HIGHLIGHTS

- **MYEG Philippines performed well in 2022**
- **Value of transactions surged to USD91m**
- **Stay optimistic on MYEG Philippines**
- **Earnings forecast remains unchanged**
- **Maintain BUY with unchanged target price of RM1.00**

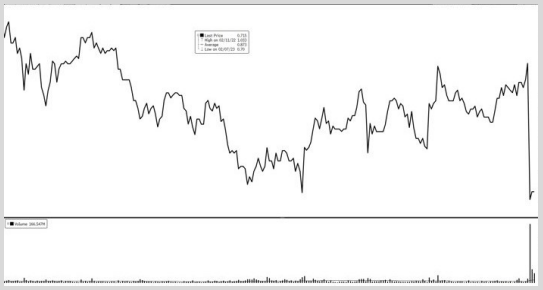
Growth in the Philippine Market. MY E.G Services Bhd's (MYEG) yesterday announced that its 40%-owned JV company, I-Pay MYEG Philippines Inc (MYEG Philippines), saw the value of transactions it handled surging to USD91m in 2022 from USD65m in 2021 year. To recall, MYEG began its overseas expansion in 2017, starting with the establishment of its joint venture in the Philippines. Within five years, MYEG has firmly established itself as the market leader in the Philippines, providing the public with a convenient and efficient way to conduct online transactions with various government agencies and entities as such it manages over 50,000 daily transactions all across the country. It also has more than 80,000 OTC payment channels and points of sale location across the Philippines and have access to 150,000 outlets across the world thru its relationship with Western Union. This is reflected in the steady increase in annual transaction counts, which grew 40%yoy in 2022 and more than doubled 2020 levels. This led to a total transaction value of USD91m in 2022, three times higher than the previous year's total. MYEG Philippines has recently been awarded a three-year agreement to provide services to the National Bureau of Investigation, further cementing its strong position in the market.

Promising outlook in Philippines. We are positive on MYEG Philippines' long-term outlook supported by the country's large population (3x larger than Malaysia), growing needs for internet and digital services as well as the management's initiatives to bring new products and services to the market. In 2021, it rolled out two major e-government services, namely the online payment of income taxes to the Bureau of Internal Revenue (BIR) and online payment of fees to the Philippine Economic Zone Authority (PEZA).

Maintain BUY. Our earnings projections and target price of RM1.00 remain unchanged. We reiterate our BUY recommendation. We believe MYEG has steady earnings outlook for FY23F due to consistent sales from its road transport businesses and initiatives such as the JPJ e-testing system and blockchain projects. We also like its initiatives pioneering into blockchain solutions which is expected to pave the way for mid-to-long-term growth. We reckon the risk of removal of immigration and transport related concession services by 2025 is duly reflected in the recent weakness in its share price.

RETURN STATISTICS	
Price @ 9th February 2023 (RM)	0.715
Expected share price return (%)	+40.0
Expected dividend yield (%)	+1.4
Expected total return (%)	**+41.4**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-17.3	-16.2
3 months	-17.8	-15.2
12 months	-31.3	-26.3

KEY STATISTICS	
FBM KLCI	1,464.64
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	7396.62
Estimated free float (%)	48.07
Market Capitalisation (RM'm)	5,316.72
52-wk price range (RM)	0.65 - 1.07
Beta vs FBM KLCI (x)	1.04
3-mth average daily volume (m)	53.56
3-mth average daily value (RM'm)	43.13
Top Shareholders (%)	
Asia Internet Holdings Sdn	17.27
Wong Thean Soon	12.40
Employees Provident Fund	7.29

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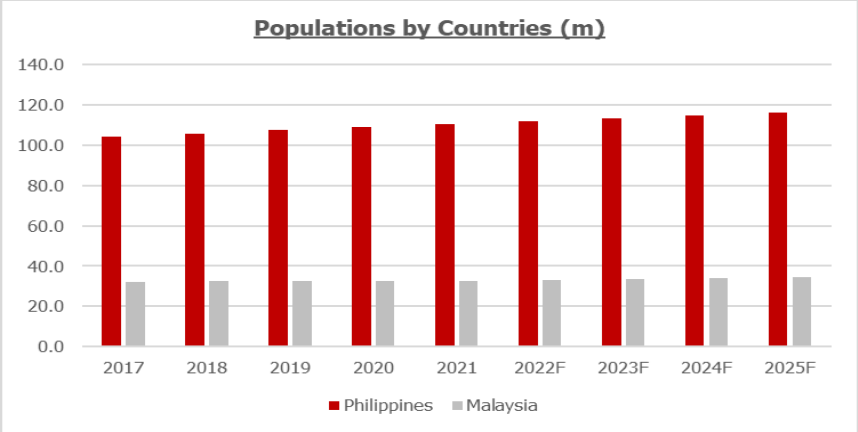

Source: MIDFR

INVESTMENT STATISTICS

Financial year ending 31st December (in RM'm, unless otherwise stated)	2019A^	2020A	2021A	2022F	2023F
Revenue	595.9	516.1	724.4	765.2	816.4
Profit before tax	308.1	264.9	327.5	365.6	412.1
Income tax expense	-4.8	-1.9	-2.2	-3.7	-4.1
Profit after tax after non-controlling interest	304.6	257.6	330.7	354.5	399.6
Normalised PATANCI	**304.5**	**257.6**	**330.8**	**354.5**	**399.6**
EPS (sen)	8.7	7.1	5.1	4.8	5.4
PBT margin (%)	51.7	51.3	45.2	47.8	50.5
Normalised PATANCI margin (%)	51.1	49.9	45.7	46.3	49.0
Effective income tax rate (%)	1.6	0.7	1.0	1.0	1.0
DPS (sen)	2.3	1.7	1.5	1.4	1.6
Dividend yield (%)	2.6	1.9	1.7	1.6	1.8

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