Company Update| Friday, 17 February 2023

MY E.G. Services Berhad

(0138 | MYEG MK) Technology | Digital services

***Maintain* BUY**

Risk of Immigration Removal has been Factored In

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

KEY INVESTMENT HIGHLIGHTS

- **Confident in getting another three-year extension for e-govt concession**
- **Blockchain initiatives pave the way for mid-to-long-term growth**
- **No revision on earnings forecast**
- **Maintain BUY with unchanged target price of RM1.00**

We had a virtual meeting with MY E.G Services Bhd's (MYEG) recently and came away feeling reaffirmed on the near to medium prospect for MYEG. Key takeaways from the meeting as below:

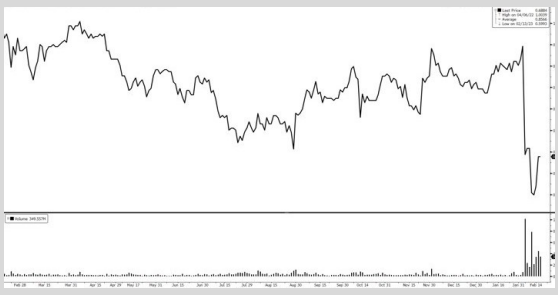
Stable outlook on the road transport and immigration divisions. MYEG restated that their primary revenue-generating businesses, the road transport and immigration divisions are currently undergoing the renewal process and is confident in getting another three-year extension for e-govt concession this May 2023 on the back of their strong track records. To recall, the Group obtained a 15-year concession agreement for e-government services in 2000 and extension for another 6 years in 2014. We expect this is possible given its track record in the industry as well as ongoing digitalization services such as the latest introduction of JPJ e-testing system, which currently run in a small scale under this pilot.

Booster from the foreign worker job matching service and renewal of work permit. MYEG is expecting higher contribution from the foreign worker job matching service and renewal of work permit in the next quarter or two given the reopening of border and less restricted recruitment of foreign workers. We opine that this will cushion up slower demand from its healthcare segment that is currently immaterial to the Group. On a side note, we think MYEG is ready to undertake the government provision of quarantine and quarantine-related services if similar magnitude like the Covid 19 pandemic taking place again in future.

Zetrix is the next future for the Group. MYEG is very proactive in its blockchain initiatives. To recall, Zetrix is the layer-1 public blockchain platform and act as the international extension of Xinghuo BIF, China's largest national-level blockchain network that run both governmental and commercial applications. The Group anticipates significant income generation from its Web3 development in 2HFY23F. Apart from the natural expansion of existing business segments, MYEG's foray into blockchain technologies will create a strong foundation for steady growth in the medium to long term. Few ways MYEG could monetize Zetrix will be imposing gas fees on transactions, tracking fees for supply chain traceability and transaction fees for cross-border trades. However, we do not incorporate any income contribution from Zetrix into our forecast we believe the contribution would be minimal at this junction.

RETURN STATISTICS	
Price @ 16th February 2023 (RM)	0.695
Expected share price return (%)	+44.0
Expected dividend yield (%)	+1.6
Expected total return (%)	**+45.6**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-24.0	-22.5
3 months	-20.1	-14.9
12 months	-29.8	-23.4

KEY STATISTICS	
FBM KLCI	1,484.26
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	7396.62
Estimated free float (%)	50.08
Market Capitalisation (RM'm)	5,112.36
52-wk price range	RM0.56 - RM1.06
Beta vs FBM KLCI (x)	1.15
3-mth average daily volume (m)	87.82
3-mth average daily value (RM'm)	64.76
Top Shareholders (%)	
Asia Internet Holdings Sdn	17.59
Wong Thean Soon	12.14
Employees Provident Fund	7.28

MIDF Research
research@midf.com.my

Growing in the Philippine's market. MYEG's overseas operation in Indonesia is currently halted. The Group only operates their global operation in the Philippines which has turned profitable last year. To recall, their Philippine's unit records three-fold increase in annual transaction value in 2022. Earnings wise, the overseas operation is not generating as much and as high as in Malaysia simply because in the Philippines, the element of commercial service is not yet evident. Moving forward, we are optimistic 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.

Maintain BUY. Post meeting, we make no changes on our FY22/23F earnings estimates and **target price** of **RM1.00**. We reiterate our **BUY** recommendation on MYEG as we believe the Group still has stable outlook on the JPJ and Immigration business segments up to 2026. We opine that the risk of immigration related concession services removal by 2025 has reflected in the recent weakness in its share price and thereby, any further price decline provides opportunities for investors to collect the stock at a discount.

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

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077(23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related companies and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loess, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such companies mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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