# MY E.G. Services Berhad

*Maintain* BUY

(0138 | MYEG MK) Technology | Digital services)

## On Track for Continued Success

*Unchanged* Target Price: RM1.00

**DEVELOPMENT**

- Positive development on the Group if the NIISe project is indeed terminated
- Conversely, the uncertainty of NIISe project is unlikely to impede MYEG's ability to secure another three-year extension for their e-government concession in May 2023

**OUR VIEW**

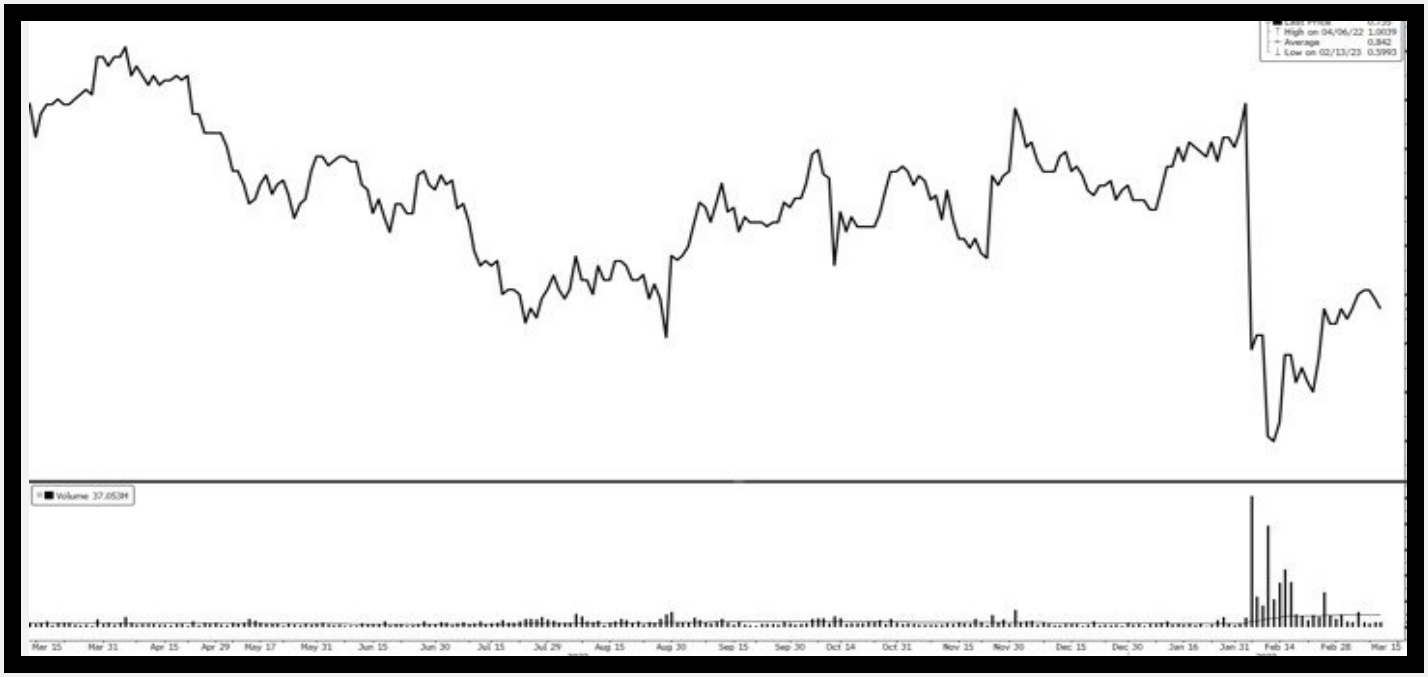
- Rumors on NIISe's termination. According to media reports, the government has reportedly cancelled a RM1.0b contract for the National Integrated Immigration System (NIISe) project. Only 10% of the project has been completed, and if the cancellation is confirmed, we believe it to be a positive development as the NIISe project is set to replace myIMMs system used by the Immigration Department, which has been in operation for over 20 years. The current myIMMs system is outsouced to vendors, one of it MYEG. Therefore, a termination of NIISe may benefit MYEG as it could increase its chance securing extension. We expect that this leaves greater clarity and a more solid outlook to MYEG's core divisions, the road transport and immigration divisions, which are undergoing renewal processes. However, if the immigration services are transferred back to the Immigration department, we expect that it could result in a long-term 20% decrease in MYEG's earnings.
- On other report, the NIISe project is due for finalization this April. Nonetheless, media reports also came out with another report saying that the Malaysian government is deliberating on whether to continue or cancel the NIISe project, which has fallen behind schedule. To recall, Iris Corp Bhd was awarded the project in March 2021, but as of March 2023, progress has not been satisfactory. As for now, the Cabinet has given the Home Ministry until next month (April 2023) to submit a memo on the project. In our view, the current lack of a decision on the NIISe project is unlikely to impede MYEG's ability to secure another three-year extension for their e-government concession in May 2023, given its impressive track record.
- Maintain BUY. Overall, we believe the risk of immigration removal has been factored in. MYEG's robust performance and strong track record suggest that the unresolved status of the NIISe project will have little impact on the company's future prospects. We maintain our FY23/24F earnings projections as well as BUY recommendation on the Group with unchanged target price of RM1.00. The price target is derived based on a FY23 EPS of 5.4sen against PER of 19x. We also like its proactive initiatives pioneering into blockchain solution which is expected to pave the way for mid-to-long-term growth, in addition to its organic expansion from existing business segments.

## 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*

**SHARE PRICE CHART**



**Analyst(s)**
**MIDF Research**

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 BNM 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 BNM 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