MY E.G. Services Berhad

***Maintain* BUY**

(0138 | MYEG MK) Technology | Digital services)

Awarded PDC contract for Penang Village

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

DEVELOPMENT

- MY EG Lodging, a sub-subsidiary of MyEG Services Bhd, has been granted a letter of acceptance by the Penang Development Corporation (PDC) for the tender to establish a workers' village and its associated amenities at the Batu Kawan Industrial Park 3 (BKIP 3) in Pulau Pinang.
- Under the terms of the project, MY EG Lodging will be granted a lease for an expansive 8.39-acre plot of land with a value of RM20.4m, for a period of 30 years. As per the agreement, MY EG Lodging will be responsible for the construction, completion, management, and operation of the workers village and related facilities, entirely at its own cost.

OUR VIEW

- Despite the impending deadline for the finalization of the National Integrated Immigration System (NIISe) this April, the successful completion of this project is expected to yield favourable outcomes for the Group's immigration segment, which constitutes a significant portion of its total revenue, amounting to 35%. This can be attributed to the workers village component of the project, which is poised to provide accommodation for a sizable workforce of 7,500 foreign workers, in strict compliance with the guidelines stipulated by Jabatan Tenaga Kerja Semenanjung Malaysia. Furthermore, the project is anticipated to be certified with GreenRE certification, serving as a testament to its environmentally-conscious design and construction practices.

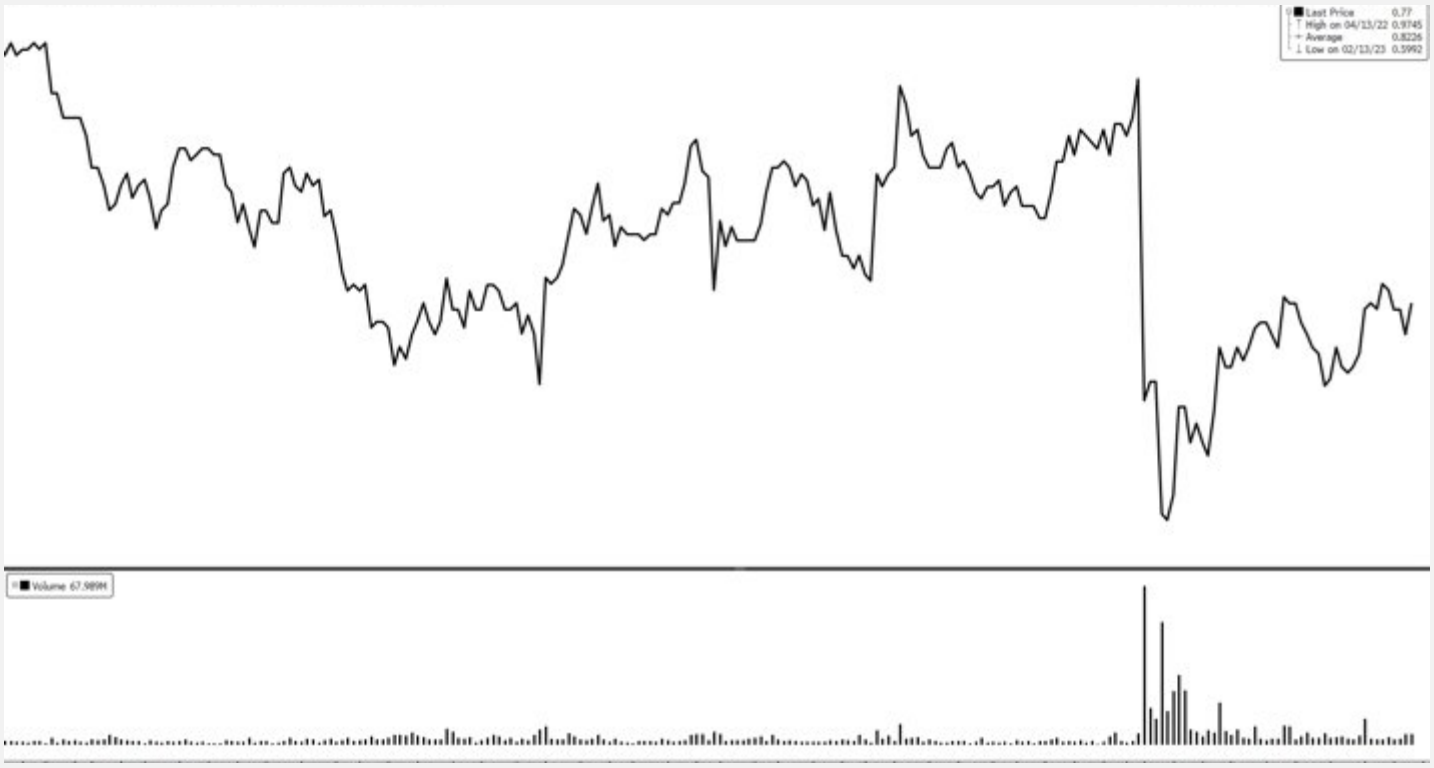
- **Maintain BUY with unchanged TP of RM1.00**. We are maintaining our earnings projections for FY23/24F pending further information from management. We also maintain our **BUY** recommendation on MYEG, with an unchanged target price of **RM1.00**. Our price target is based on a FY23 EPS of 5.4sen and a PER of 19x, reflecting our positive outlook. Despite the current lack of decision on the NIISe project, we believe MYEG's impressive track record makes it unlikely to hinder their ability to secure another three-year extension for their e-government concession in May 2023. Furthermore, we are optimistic about the Group's innovative initiatives in spearheading blockchain solutions, which are expected to drive sustainable growth in the mid-to-long-term, along with strategic expansion in existing business segments.

INVESTMENT STATISTICS

Annual Standardized Year end 31 March	2020A	2021A	2022A	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



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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