

30 November 2018 | 15MFY18 Results Review

My E.G Services Berhad

Monetising its expertise abroad

INVESTMENT HIGHLIGHTS

- 5QFY18 normalised earnings increased by +32.4%qoq to RM171.7m, supported by +28.8%qoq growth in revenue
- Cumulative 15MFY18 normalised earnings came in better than ours and consensus expectations
- Actively seeking opportunities to replicate its business model abroad
- Upgrade to BUY with an unchanged target price of RM1.55

Double digit growth in earnings. MY E.G. Services Berhad (MYEG) reported 5QFY18 loss of -RM97.5m. After excluding exceptional items amounting to RM171.7m in relation to the abolishment of the GST regime, 5QFY18 normalised earnings amounted to RM74.3m. This translates into a sequential increase of +32.4%qoq. The improvement in 5QFY18 normalised earnings was mainly premised on: i) the recognition of deferred revenue of RM19.9m (arising from the sale of solution in the previous years to an associate company; and ii) increase in transaction volume from commercial services.

Outperform expectations. Cumulatively, the group's full year 15MFY18 normalised earnings amounted to RM300.8m. This is achieved primarily attributable to:

- concession related services such as Immigration and JP related and ancillary series;
- commercial series such as motor vehicle trading related services, financing services as well as contribution from Cardbiz group; and
- recognition of deferred revenue of RM19.9m.

All in, the group's full year 15MFY18 financial performance came in above ours and consensus estimates, accounting for 117.5% and 107.6% respectively of full year earnings estimates.

Impact on earnings. While 5MFY18 financial performance came in better than expected, we are maintaining our FY19 and FY20 earnings estimates at this juncture to be on the conservative end. Nonetheless, we have yet exclude the contribution from the tax monitoring project as we believe the group has fair chance of securing the project, albeit lower project value.

Upgrade to BUY
(previously NEUTRAL)
Unchanged Target Price (TP) RM1.55

RETURN STATS	
Price (29 th November 2018)	RM1.05
Target Price	RM1.55
Expected Share Price Return	+47.6%
Expected Dividend Yield	+2.2%
Expected Total Return	+49.8%

STOCK INFO	
KLCI	1,696.34
Bursa / Bloomberg	0138 / MYEG MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	3,525.3
Market cap. (RM'm)	3,701.6
Price over NA (x)	12.3
52-wk price Range	RM0.655-RM3.03
Beta (against KLCI)	1.32
3-mth Avg Daily Vol	72.6m
3-mth Avg Daily Value	RM50.8m
Major Shareholders (%)	
Asia Internet Holdings	28.06
Wong Thean Soon	8.87
Norges Bank	2.41
Edisi Firma	2.31

Target Price. We are maintaining our target price of **RM1.55**. This is premised on FY19 EPS of 7.3sen per share pegged to unchanged FY19 forward PER of 21.3x. Our target price is one standard deviation below its three year historical average.

Upgrade to BUY. MYEG has an attractive business model which reaps healthy profit margins of more than 50%. This will also be further supported by the foreign worker job matching and placement programme and hostel accomodation business. Meanwhile, MYEG's experience in building tax monitoring system, would place the group in a better position to clinche the SST monitoring project. We also favour the group's strategy of monitising its existing expertise abroad. To recall, recently MYEG signed a Memorandum of Understandign with PT Cartenz Technology Indonesia (Cartenz) to invest in the Indonesian leading e-Government provider. The strategic partnership will also see MyEG and Cartenz jointly implementing a system which conducts real-time monitoring of business transactions for tax computation purposes across Indonesia. Moreover, expected dividend yield of approximately two percent further add as a sweetener to the stock. Taking into consideration all the above-mentioned factors, we are upgrading our stock recommendation to **BUY** from Neutral previously.

INVESTMENT STATISTICS

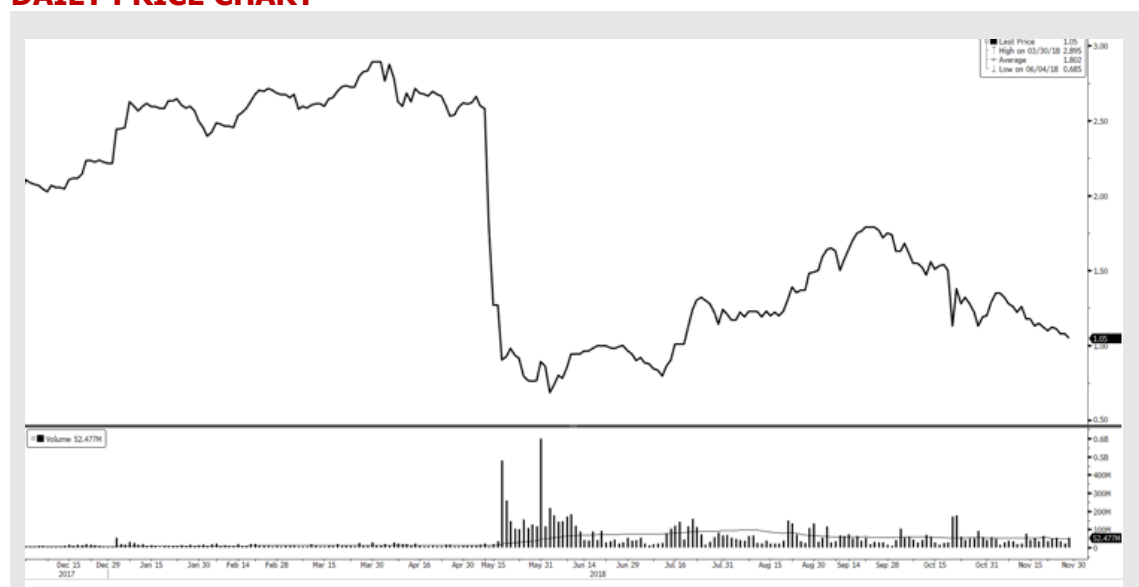
FYE 30 th Sept (RM'm)	2017#	2018*	2019F	2020F
Revenue	371.6	564.6	508.5	536.8
Profit before tax	201.5	128.5	269.1	280.4
Income tax expense	-1.4	-2.4	-1.9	-2.0
Profit after tax after non-controlling interest	201.5	129.0	264.0	272.8
Normalised profit after tax after on-controlling interest	201.5	300.8	264.0	272.8
EPS (sen)	5.6	8.4	7.3	7.6
PBT margin (%)	54.2	22.8	52.9	52.2
PATANCI margin (%)	54.2	22.9	51.9	50.8
Effective income tax rate (%)	0.7	1.9	0.7	0.7
DPS (sen)	1.7	1.9	2.1	2.3
Dividend yield (%)	1.6	1.8	2.0	2.2

June financial year end

* Change in financial year end to September from June (15 mths)

Source: Company, MIDFR

DAILY PRICE CHART



MY E.G SERVICES BHD: 15MFY18 RESULTS SUMMARY

<i>(All in RM'm unless stated otherwise)</i>	Quarterly			Cumulative
FYE 30 th June	5QFY18	4QFY18	QoQ (%)	FY18
Revenue	138.3	107.4	28.8	564.6
EBITDA	-88.2	63.6	-238.6	166.1
Depreciation and amortisation	-7.1	-6.4	9.8	-32.1
EBIT	-95.3	57.2	-266.7	134.0
Interest expense	-1.7	-1.5	12.1	-7.9
Interest income	0.5	0.5	13.7	3.1
Other income	-0.2	-0.1	81.4	-0.7
PBT	-96.7	56.0	-272.6	128.5
Taxation	-1.1	-0.5	132.6	-2.4
MI	0.3	0.6	-53.1	2.9
PATAMI	-97.5	56.1	-273.7	129.0
Normalised PATAMI	74.3	56.1	32.4	300.8
EPS (sen)	2.09	1.56	33.7	8.4
			+/- pts	
EBITDA margin (%)	-63.7	59.2	-123.0	29.4
EBIT margin (%)	-68.9	53.2	-122.1	23.7
PATAMI margin (%)	53.7	52.2	1.5	53.3
Effective tax rate (%)	-1.1	0.9	-2.0	1.9

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 <i>rise</i> 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 <i>fall</i> 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.