

28 February 2017 | 2QFY17 Results Review

My E.G. Services Berhad

Strong earnings growth momentum

INVESTMENT HIGHLIGHTS

- **1HFY17 earnings surged by +49.9%yoy to RM88.1m, supported by +39.6%yoy growth in revenue**
- **As expected, transaction volume across its various business segments continued to grow**
- **Anticipating additional earnings stream from the custom tax projects in 2HFY17**
- **Maintain BUY with an unchanged target price of RM1.89 per share**

Strong 1HFY17 performance. MY E.G. Services Berhad (MYEG) 2QFY17 earnings came in at RM47.6m, which translates into an impressive earnings growth of +57.1%yoy. This lifted the group's 1HFY17 earnings by +49.9%yoy to RM88.1m. The increase in earnings was mainly attributable to:

- Higher transaction volumes from the online renewal of foreign workers' permits and insurance (FWP) and foreign worker rehiring programme services,
- Increase in revenue contribution from JPJ relate services, and
- Increase in revenue contribution from motor vehicle trading related services.

Within expectations. All in, MYEG's 1HFY17 earnings came in at 44.4% of ours and 45.1% of consensus' full year FY17 earnings estimates respectively. Apart from the continued growth in volume of MYEG's existing services, we are expecting stronger 2HFY17 financial performance due to additional income stream from the Customs tax projects.

Target Price. We maintain our target price of **RM1.89** per share. This is premised on FY18 EPS of 7.2sen per share pegged to FY18 forward PER of 26.3x. Our target price is based on its 3-year historical low PER.

Maintain BUY. MYEG has an attractive business model and strong cash-rich balance sheet. As at 2QFY17, it has a net cash position of RM94.4m. It is also enjoying an appealing profit margin of more than 50%. The upcoming implementation of the Customs tax projects would also reaffirm the group's revenue and earnings growth trajectory. All factors considered, we maintain our **BUY** recommendation on MYEG.



Maintain BUY

Unchanged Target Price (TP): RM1.89

RETURN STATS	
Price (27 th February 2017)	RM1.62
Target Price	RM1.89
Expected Share Price Return	+16.7%
Expected Dividend Yield	+1.5%
Expected Total Return	+18.2%

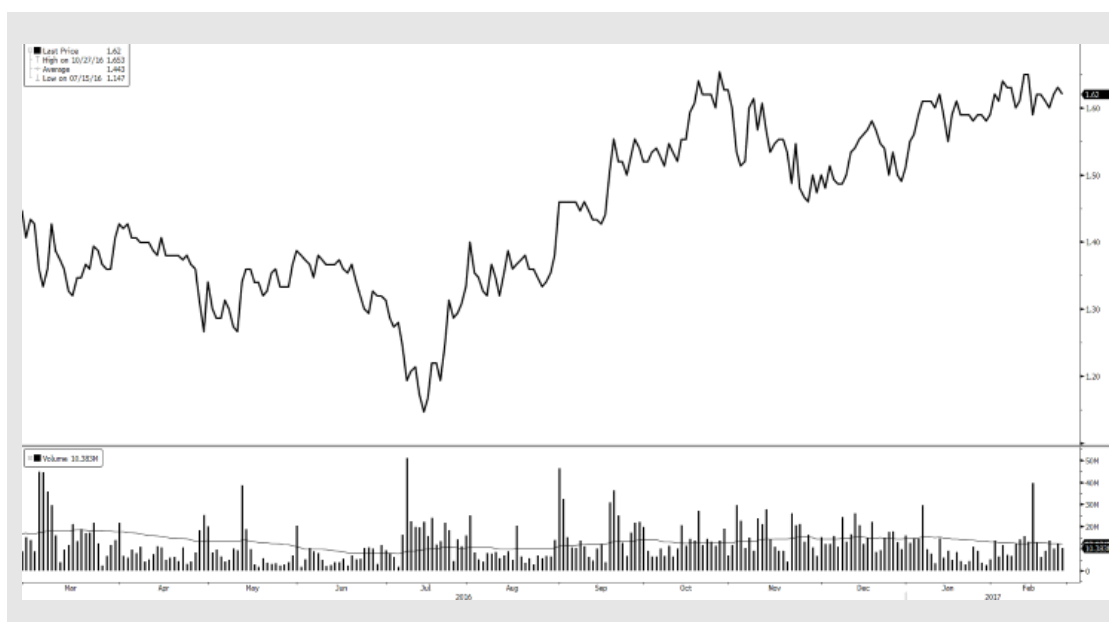
STOCK INFO	
KLCI	1,693.84
Bursa / Bloomberg	0138 / MYEG MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	3,606.3
Par Value (RM)	0.10
Market cap. (RM'm)	5,842.2
Price over NA (x)	12.3
52-wk price Range	RM1.147-RM1.68
Beta (against KLCI)	0.66
3-mth Avg Daily Vol	12.2m
3-mth Avg Daily Value	RM19.2m
Major Shareholders (%)	
Asia Internet Holdings	29.69
Thean Soon Wong	7.21
JP Morgan Chase & Co	6.46
Ingot Capital Mgmt Pty Ltd	5.06

INVESTMENT STATISTICS

FYE 30 th June (RM'm)	2015	2016	2017F	2018F
Revenue	141.5	281.6	390.7	485.8
Profit before tax	68.2	143.3	200.7	263.1
Income tax expense	-0.2	-0.9	-1.6	-2.3
Profit after tax after non-controlling interest	68.1	143.0	198.3	259.0
EPS (sen)	2.8	6.0	5.5	7.2
PBT margin (%)	48.2	50.9	51.4	54.2
PATAMI margin (%)	48.2	50.8	50.8	53.3
Effective income tax rate (%)	0.2	0.6	0.8	0.9
DPS (sen)	1.9	1.8	1.8	2.4
Dividend yield (%)	1.2	1.1	1.1	1.5

Source: Company, MIDFR

DAILY PRICE CHART



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MY E.G SERVICES: 2QFY17 Results Summary

<i>(All in RM'm unless stated otherwise)</i>	Quarterly Results						
	FYE 30 th June	2QFY17	YoY (%)	QoQ (%)	1HFY17	1HFY16	YoY (%)
Revenue		88.7	39.6	12.8	167.3	124.2	34.6
EBITDA		52.3	47.5	15.5	97.5	67.5	44.5
Depreciation and amortisation		-4.8	10.0	-1.1	-9.6	-8.5	12.3
EBIT		47.5	52.7	17.4	88.0	59.0	49.2
Interest expense		-1.3	36.8	-15.1	-2.8	-1.1	146.9
Interest income		0.9	109.5	-32.1	2.3	1.0	129.1
Other income		0.0	-100.0	-100.0	0.1	0.1	17.3
PBT		47.2	53.9	16.7	87.6	58.9	48.6
Taxation		-0.2	-57.9	20.9	-0.3	-0.5	-42.6
MI		0.6	1,046.3	168.0	0.9	0.4	110.4
PATAMI		47.6	57.1	17.6	88.1	58.8	49.9
EPS (sen)		1.98	57.1	17.6	3.7	2.4	49.9
			+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)		58.9	3.1	1.4	58.3	54.3	4.0
EBIT margin (%)		53.6	4.6	2.1	52.6	47.5	5.1
PATAMI margin (%)		53.7	6.0	2.2	52.7	47.3	5.4
Effective tax rate (%)		0.3	-0.9	0.0	0.3	0.9	-0.5

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.