

28 February 2018 | 2QFY18 Results Review

## My E.G Services Berhad

*Profit margin improves further*

### INVESTMENT HIGHLIGHTS

- 1HFY18 earnings improved by +26.9%yoy to RM111.8m
- Higher contribution across all business segments
- First interim dividend capped at 0.5sen despite better 1HFY18 earnings performance
- Expecting higher take up rate for the foreign worker job matching and placement programme in FY19
- Maintain NEUTRAL with a revised target price of RM2.47

**Double digit growth in revenue.** MY E.G. Services Berhad (MYEG) reported 2QFY18 earnings of RM59.0m. This translates into an increase of +24.0%yoy. The improvement in earnings was mainly attributable to:

- higher transaction volumes from the online renewal of foreign workers' permits (FWP), foreign workers rehiring programme services (FWR services) and foreign workers insurance from both FWP as well as FWR services;
- introduction of the foreign worker job matching and placement programme and;
- increase in revenue contribution from motor vehicle trading related services.

**Within expectation.** Cumulatively, the group's 1HFY18 earnings improved by +26.9%yoy to RM111.8m, in-tandem with the +23.9%yoy rise in 1HFY18 revenue. This accounts for 43% and 42% of ours and consensus full year FY18 earnings estimates respectively. Nonetheless, the 1HFY18 results came in within ours and consensus expectations. We expect a stronger 2HFY18 earnings performance, premised on higher contribution from the foreign worker job matching and placement programme. To recall the, the job matching and placement programme commenced in 2QFY18.

**Dividend.** MYEG announced first interim dividend of 0.5sen per share in 2QFY18. This is in-tandem with the previous year corresponding quarter. Note that the payout ratio has reduced to 31.3% in 2QFY18 as compared to 38.5% recorded in 2QFY17.

**Impact.** We made no changes to our FY18 earnings estimates. However, we revise upwards FY19 earnings to RM338.8m as we are assuming higher number of foreign workers from the job matching and placement programme.


**Maintain NEUTRAL**

**Revised Target Price (TP): RM2.47**  
(Previously RM2.10)

RETURN STATS	
Price (27 <sup>th</sup> February 2018)	RM2.71
Target Price	RM2.47
Expected Share Price Return	-8.8%
Expected Dividend Yield	+1.3%
<b>Expected Total Return</b>	<b>-7.5%</b>

STOCK INFO	
KLCI	1,871.46
Bursa / Bloomberg	0138 / MYEG MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	3,606.3
Market cap. (RM'm)	9,773.1
Price over NA (x)	12.3
52-wk price Range	RM1.61-RM2.78
Beta (against KLCI)	1.04
3-mth Avg Daily Vol	6.9m
3-mth Avg Daily Value	RM11.7m
Major Shareholders (%)	
Asia Internet Holdings	30.18
Thean Soon Wong	7.74
Kumpulan Wang Persaraan	6.85
Employees Provident Fund	5.59

**Target Price.** Subsequent to our earnings adjustment, we revise our target price to **RM2.47** (previously RM2.10). This is premised on FY19 EPS of 9.4sen per share pegged to FY19 forward PER of 26.3x. Our target price is based on its 3-year historical low PER.

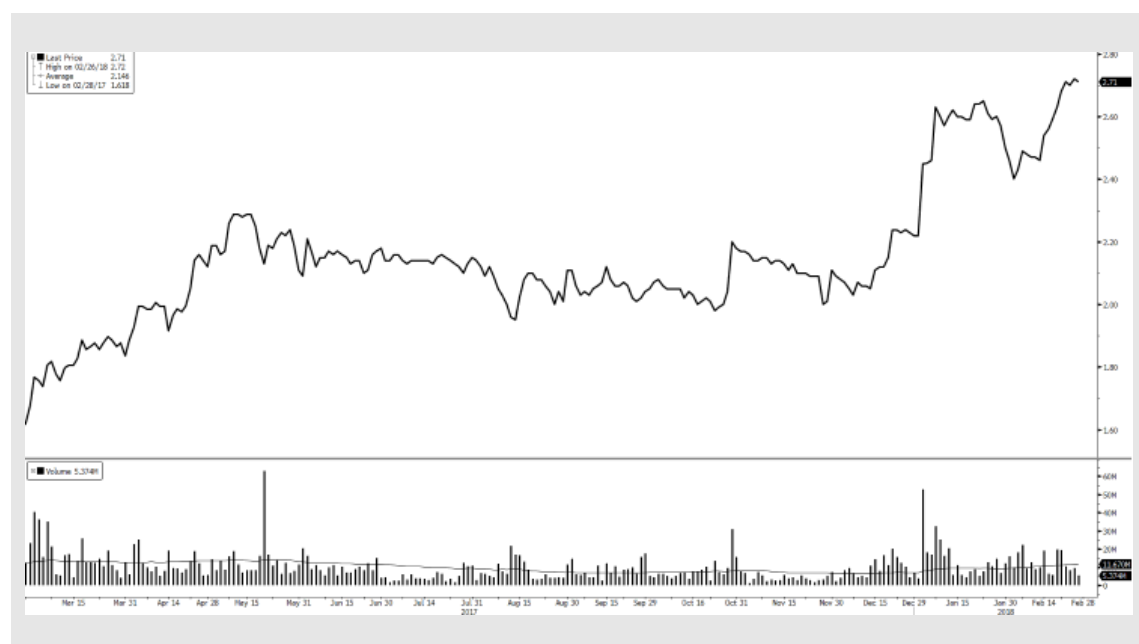
**Maintain NEUTRAL.** MYEG has an attractive business model which reaps healthy profit margins of more than 50%. This will also be further supported by the foreign worker job matching and placement programme and hostel accomodation business. However, we expect its dividend yield to remain unattractive at approximately 1.0%. In addition, at current share price we view that positive outlook of the group has been largely priced in. All factors considered, we are maintaining our **NEUTRAL** recommendation on the stock. 

## INVESTMENT STATISTICS

FYE 30 <sup>th</sup> June (RM'm)	2016	2017	2018F	2019F
Revenue	281.7	371.6	485.8	611.9
Profit before tax	143.2	201.5	263.1	346.2
Income tax expense	-0.7	-1.4	-2.3	-3.3
Profit after tax after non-controlling interest	142.9	201.5	259.0	338.8
EPS (sen)	4.0	5.6	7.2	9.4
PBT margin (%)	50.8	54.2	54.2	56.6
PATAMI margin (%)	50.7	54.2	53.3	55.4
Effective income tax rate (%)	0.5	0.7	0.9	0.9
DPS (sen)	1.8	1.7	2.2	2.8
Dividend yield (%)	0.8	0.8	1.0	1.3

Source: Company, MIDFR

## DAILY PRICE CHART



Martin Foo Chuan Loong  
 martin.foo@midf.com.my  
 03-2173 8354

## MY E.G SERVICES: 2QFY18 Results Summary

<i>(All in RM'm unless stated otherwise)</i>	Quarterly			Cumulative		
FYE 30 <sup>th</sup> June	2QFY18	YoY (%)	QoQ (%)	1HFY18	1HFY17	YoY (%)
Revenue	109.2	23.2	11.4	207.3	167.3	23.9
EBITDA	65.3	24.9	10.4	124.4	97.5	27.6
Depreciation and amortisation	-6.3	31.7	3.9	-12.3	-9.6	28.5
EBIT	59.0	24.2	11.1	112.1	88.0	27.5
Interest expense	-1.6	25.4	6.3	-3.1	-2.8	11.8
Interest income	0.9	-3.5	23.0	1.6	2.3	-29.2
Other income	0.0	n.m.	n.m.	0.0	0.1	n.m.
PBT	58.3	23.6	11.4	110.7	87.6	26.4
Taxation	-0.2	37.0	-5.1	-0.5	-0.3	54.2
MI	1.0	55.1	46.3	1.6	0.9	90.1
PATAMI	59.0	24.0	11.9	111.8	88.1	26.9
EPS (sen)	1.64	23.9	11.9	3.1	2.4	26.8
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	59.8	0.8	-0.6	60.0	58.3	1.7
EBIT margin (%)	54.0	0.4	-0.1	54.1	52.6	1.5
PATAMI margin (%)	54.1	0.3	0.2	54.0	52.7	1.3
Effective tax rate (%)	0.4	0.0	-0.1	0.4	0.3	0.1

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.