

21 December 2017 | Corporate Update

## My E.G Services Berhad

*Diversifying into provision of debt collection system*

### INVESTMENT HIGHLIGHTS

- **Acquiring an associate stake in Stampede which own a debt collection system call 'Volare' for RM10.4m**
- **Sufficient cash to fund the acquisition internally**
- **Expecting minimal earnings contribution from Stampede**
- **Maintain NEUTRAL with an unchanged target price of RM2.10**

**Buying into debt collection system.** My E.G. Services Berhad (Myeg) has acquired a 23.5% stake in Stampede Holdings Sdn Bhd (Stampede) for a total consideration of RM10.4m. Stampede is a provider of a debt collection system called 'Volare', that automates and standardises key collection process. It also owned Telefonix Sdn Bhd, a Voice over Internet Protocol (VoIP) telecommunication service provider.

**Widespread application.** Volare is designed to automate and assist in bulk processing of debtor cases and to monitor each case transaction in a collection process. At present, it is deployed in over 90% of leading professional debt collection agencies and corporations such as Bank Islam Malaysia Bhd, Perbadanan Usahawan Nasional Berhad (PUNB), Toyota Capital Malaysia, University Putra Malaysia and RCE Capital Bhd.

**Targeting the regional accounts receivables industry.** The investment will allow Stampede to strengthen its presence in maturing markets such as Philippines, Thailand and Vietnam whilst exploring a potential venture into Indonesia, an emerging enterprise software market. According to the management of Stampede, *"the global debt collection software market is expected to grow at CAGR of 5.85% during 2017 to 2021. The Asia Pacific market continues to be promising as organizations seek alternative solutions in the accounts receivables market."*

**Funding the acquisition.** The group's cash reserve stands RM180.5m as at 30<sup>th</sup> September 2017. After taking into consideration short term borrowings of RM21.9m, the group still has cash balance amounting to RM158.6m. Thus, Myeg would not have any issue funding the acquisition via internally generated fund.

**Impact.** Myeg is only acquiring an associate stake in Stampede. Thus, we do not expect the earnings contribution from Stampede to significantly impact the earnings of Myeg in the near term. We are of the view that the bulk of Myeg's earnings would still come from its traditional core businesses. As such, we are maintaining our earnings estimates at this juncture.

**Maintain NEUTRAL**

**Unchanged Target Price (TP): RM2.10**

RETURN STATS	
Price (20th December 2017)	RM2.16
Target Price	RM2.10
Expected Share Price Return	-2.8%
Expected Dividend Yield	+1.1%
<b>Expected Total Return</b>	<b>-1.7%</b>

STOCK INFO	
KLCI	1,746.63
Bursa / Bloomberg	0138 / MYEG MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	3,606.3.
Market cap. (RM'm)	7,789.6
Price over NA (x)	12.3
52-wk price Range	RM1.47-RM2.37
Beta (against KLCI)	1.02
3-mth Avg Daily Vol	7.0m
3-mth Avg Daily Value	RM14.6m
Major Shareholders (%)	
Asia Internet Holdings	28.89
Wong Thean Soon	7.74
KWAP	5.94
Ingot Capital Management	5.06

**Target Price.** We are maintaining our target price of **RM2.10** per share. This is premised on FY19 EPS of 8.0sen 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 reap a healthy profit margin of more than 50%. This will also be further supported by foreign worker hostel accomodation business. While Myeg has been actively investing in various technology businesses such as Agmo Studios, FashionValet and Hurr.tv, we do not expect the earnings contribution from such investments to be meaningful in the near term. On another note, we expect dividend yield to remains unattractive at approximately 1.0%. In the absence of key rerating catalyts, we are maintaining our **NEUTRAL** recommendation on the stock.

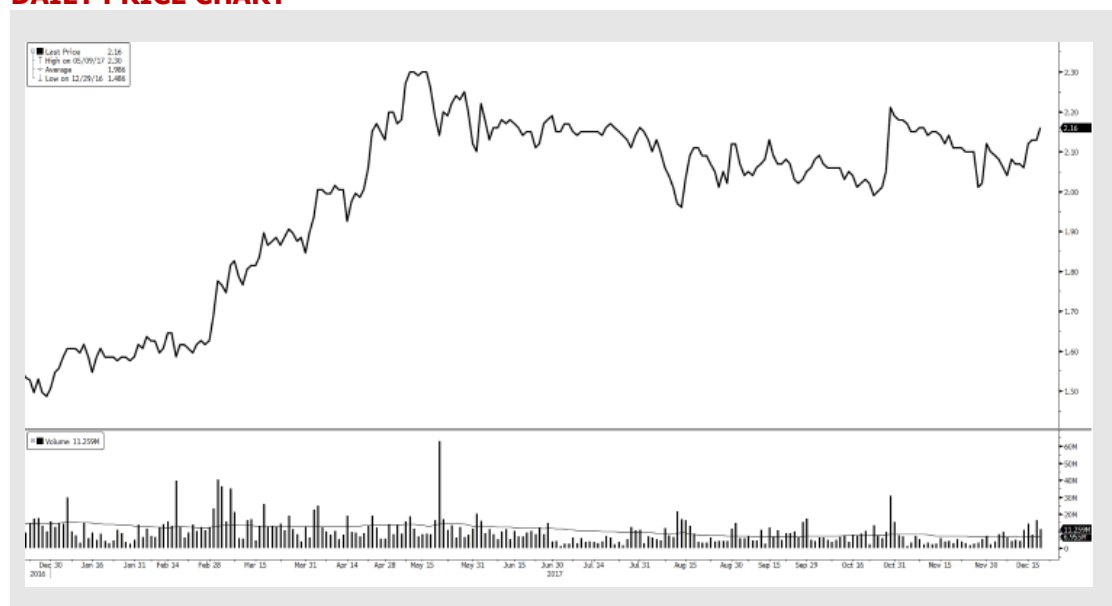


## INVESTMENT STATISTICS

FYE 30 <sup>th</sup> June (RM'm)	2016	2017	2018F	2019F
Revenue	281.7	371.6	485.8	551.1
Profit before tax	143.2	201.5	263.1	293.2
Income tax expense	-0.7	-1.4	-2.3	-2.8
Profit after tax after non-controlling interest	142.9	201.5	259.0	286.9
EPS (sen)	4.0	5.6	7.2	8.0
PBT margin (%)	50.8	54.2	54.2	53.2
PATAMI margin (%)	50.7	54.2	53.3	52.1
Effective income tax rate (%)	0.5	0.7	0.9	0.9
DPS (sen)	1.8	1.7	2.2	2.4
Dividend yield (%)	0.8	0.8	1.0	1.1

Source: Company, MIDFR

## DAILY 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 <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.