



MY E.G. Services Berhad

(0138 | MYEG MK) Technology | Digital services

Healthier Profit Margin

KEY INVESTMENT HIGHLIGHTS

- **Maintain Buy with a revised target price of RM0.97 post the announcement of its 2QFY23 financial results**
- **MYEG recorded higher 2QFY23 earnings of RM111.6m, supported by higher revenue performance and healthier profit margin**
- **1HFY23 financial performance came in better-than-expected at 54% of FY23 full year earnings estimates**
- **There could be further upside to earnings in view of the upcoming launch of the cross-border trade facilitation services**

Steady quarterly performance. We are keeping our **BUY** recommendation on Myeg with a **revised target price of RM0.97**. This is in-line with the consistent 2QFY23 financial performance which was supported by topline growth and profit margin expansion.

In addition to its existing e-government services, Myeg is actively expanding its earnings based locally and regionally with the upcoming launch of the cross-border trade facilitation services with China and the Philippines.

Profit margin hit 60%. Myeg's 2QFY23 earnings improved by +25.9%yoy to RM111.6m. This was mainly attributable to: i) an overall increase in revenue from its existing services, ii) contribution from the newly launched services from Zetrix blockchain platform and iii) contribution from the sale of Zetrix tokens.

In addition, the group's profit margin also expanded to 60.3% (2FY22: 54.8%) due to lower operating expenses (-11.8%yoy).

Slightly above expectation. The above also led to higher 1HFY23 earnings of RM217.5m (+25.5%yoy). This came in slightly above our expectations, making up 54.4% of our FY23 full year earnings estimates. The overperformance mainly came from the better-than-expected profit margin.

Consistent dividend. Myeg declared the first interim of 0.25sen in 2QFY23 which is equivalent that of 2QFY22.

Upward revision in earnings. In view of the healthier profit margin, we are revising upwards FY23 to FY25 earnings estimates to between RM419.8m to RM483.3m.

Note that we have yet inputted the potential contribution from cross-border trade facilitation services.

A more palatable valuation. Despite anticipating better earnings performance, we are lowering our **target price to RM0.97** from RM1.00 previously. This is achieved by pegging FY24 EPS of 6.0sen to a more palatable PER valuation of 16.1x from 19x previously to account for the risk of dependency on government-related e-services. The target PER is the group's +1 standard deviation above the two years historical average PER.

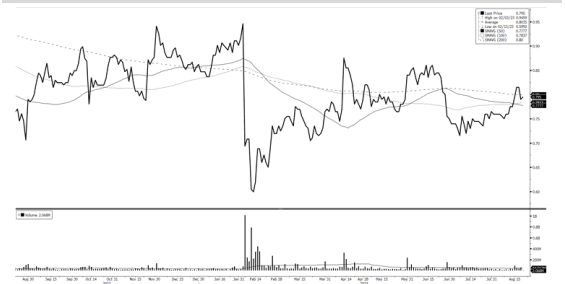
Maintain BUY

Revised Target Price: RM0.97
(Previously RM1.00)

RETURN STATISTICS

Price @ 21 st August 2023 (RM)	0.79
Expected share price return (%)	+22.8
Expected dividend yield (%)	+2.3
Expected total return (%)	+25.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.7	4.3
3 months	6.0	0.1
12 months	2.2	6.4

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	762.5	830.1	905.8
Operating Profit	447.2	483.5	523.0
Profit Before Tax	432.9	466.3	508.6
Core PATAMI	419.8	447.7	483.3
Core EPS	5.6	6.0	6.5
DPS	1.7	1.8	2.0
Dividend Yield	2.1	2.3	2.5

KEY STATISTICS

FBM KLCI	1,450.57
Issue shares (m)	7,437.98
Estimated free float (%)	55.19
Market Capitalisation (RM'm)	5,887.34
52-wk price range	RM0.56-RM0.95
3-mth average daily volume (m)	43.65
3-mth average daily value (RM'm)	34.50
Top Shareholders (%)	
Asia Internet Holdings Sdn Bhd	16.38
Wong Thean Soon	11.71
KWAP	7.49

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MY E.G. SERVICES BHD: 2QFY23 RESULTS SUMMARY

FYE 31st December (in RM'm, unless otherwise stated)	Quarterly Results			Cumulative		
	2Q23	YoY (%)	QoQ (%)	FY23	FY22	YoY (%)
Revenue	184.9	14.3	6.7	358.1	323.6	10.7
EBITDA	117.2	9.3	-5.1	259.1	206.9	25.2
Depreciation and amortisation	-14.9	-7.0	1.1	-29.5	-28.9	2.1
EBIT	102.3	12.2	-5.9	229.6	178.0	29.0
Interest expense	9.2	-518.8	-349.3	-12.9	-3.6	255.0
Interest income	0.1	186.4	-63.6	0.2	0.2	4.9
Share of results of JV and associates	0.1	-261.3	10.3	0.2	0.1	211.4
PBT	111.8	25.6	6.0	217.1	174.7	24.3
Taxation	-0.4	-31.3	925.6	-0.4	-1.1	-60.5
MI	0.2	-26.3	-65.7	0.8	-0.3	-378.5
PATANCI	111.6	25.9	5.3	217.5	173.3	25.5
EPS (sen)	1.50	25.3	5.4	2.93	2.34	24.9
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	63.4	-2.9	-7.9	72.4	64.0	13.1
EBIT margin (%)	55.4	-1.0	-7.5	64.1	55.0	16.5
Normalised PATANCI margin (%)	60.3	5.6	-0.8	60.7	53.5	13.4
Effective tax rate (%)	0.4	-0.3	0.3	0.2	0.6	-68.2

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	721.9	651.1	762.5	830.1	905.8
EBITDA	345.0	447.9	510.3	559.5	615.1
EBIT	325.9	413.0	447.2	483.5	523.0
PBT	320.8	404.4	432.9	466.3	508.6
Normalised PATANCI	315.9	398.7	419.8	447.7	483.3
Normalised EPS (sen)	4.3	5.4	5.6	6.0	6.5
Normalised EPS Growth (%)	2.1	25.6	4.8	6.6	8.0
PER (x)	18.4	14.7	14.0	13.1	12.2
Dividend Per Share (sen)	1.0	1.2	1.7	1.8	2.0
Dividend yield (%)	1.3	1.5	2.1	2.3	2.5

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.

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