MY E.G. Services Berhad

***Maintain* BUY**

(0138 | MYEG MK) Technology | Digital services

Sustaining its Healthy Profit Margin

***Unchanged Target Price:* RM0.97**

KEY INVESTMENT HIGHLIGHTS

- **Maintain BUY with an unchanged target price of RM0.97 post the announcement of the 3QFY23 financial results**
- **Myeg recorded higher 3QFY23 earnings of RM120.0m, supported by higher revenue performance and healthier profit margin**
- **9MFY23 financial performance came in at the higher end of our expectation at 80.4% 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 an unchanged **target price of RM0.97**. The cumulative 9MFY23 results performance came in at higher end of our expectation. 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 margins remain above 60%. Despite a +19.4%yoy increase in 3QFY23 revenue, Myeg's 3QFY23 earnings contracted by -20.4%yoy to RM120.0m.

However, after excluding the one-off gain of RM61.9m which resulted from the listing of its investment in Agmo Holdings Bhd in 3QFY22, the normalized earnings increased by +33.2%yoy. This was mainly attributable to the contribution from its Zetrix platform.

In addition, the group's profit margin also expanded to 61.8% (3FY22: 54.6%) due to lower operating expenses (-11.8%yoy).

Within expectation. The above also contributed to higher 9MFY23 earnings of RM337.5m. This came in at the higher end of our expectations, making up 80.4% of our FY23 full year earnings estimates.

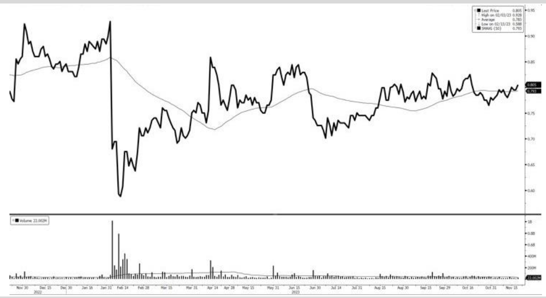
Keeping our earnings estimate and target price. We are making no changes to our earnings estimates at this juncture. Our target price is also maintained at RM0.97. This is achieved by pegging FY24 EPS of 6.0sen to PER valuation of 16.1x which is the group's +1 standard deviation above the two years historical average PER.

Continuity in providing the existing services. We see little interruption to Myeg's revenue generation capability at this juncture. This is because the group has received the extension from Road Transport Deparmetn of Malaysia for a period of three years as well as the Immigration Department for a period of two years.

Zetrix to provide the next s-curves. While there has been organic growth from the existing services, Zetrix will drive the group's next phase of earnings growth. This is especially so with the upcoming trade facilitation service with China.

RETURN STATISTICS	
Price @ 20th November 2023 (RM)	0.81
Expected share price return (%)	+19.8
Expected dividend yield (%)	+2.3
Expected total return (%)	**+22.1**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.2	2.1
3 months	1.9	2.0
12 months	1.7	1.3

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	2.4

KEY STATISTICS	
FBM KLCI	1,456.92
Issue shares (m)	7,459.54
Estimated free float (%)	54.53
Market Capitalisation (RM'm)	6,043.23
52-wk price range (RM)	0.56-0.95
3-mth average daily volume (m)	36.90
3-mth average daily value (RM'm)	29.41
Top Shareholders (%)	
Asia Internet Holdings Sdn Bhd	16.23
Wong Thean Soon	12.64
KWAP	7.43

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MY E.G. SERVICES BHD: 3QFY23 RESULTS SUMMARY

FYE 31st December (in RM'm, unless otherwise stated)	Quarterly Results			Cumulative		
	3Q23	YoY (%)	QoQ (%)	FY23	FY22	YoY (%)
Revenue	194.1	19.4	5.0	552.2	486.2	13.6
EBITDA	149.9	-13.7	27.9	409.0	380.6	7.5
Depreciation and amortisation	-14.5	-10.8	-2.1	-44.1	-45.2	-2.5
EBIT	135.4	-14.0	32.3	364.9	335.4	8.8
Interest expense	-15.4	428.7	-266.4	-28.3	-6.5	332.0
Interest income	0.4	720.9	460.3	0.6	0.3	119.8
Share of results of JV and associates	0.2	-1,453.8	36.4	0.4	0.1	539.4
PBT	120.5	-22.0	7.9	337.7	329.2	2.6
Taxation	-0.4	-82.2	10.8	-0.9	-3.6	-75.5
MI	-0.1	-92.0	-151.2	0.7	-1.6	-143.4
PATANCI	120.0	-20.4	7.6	337.5	324.0	4.2
EPS (sen)	1.62	-20.7	7.7	4.55	4.38	3.8
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	77.2	-29.6	13.8	74.1	78.3	-5.4
EBIT margin (%)	69.7	-27.1	14.4	66.1	69.0	-4.2
Normalised PATANCI margin (%)	61.8	-30.9	1.5	61.1	66.6	-8.3
Effective tax rate (%)	0.4	-1.2	0.0	0.3	1.1	-76.1

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)	18.6	14.8	14.2	13.3	12.3
Dividend Per Share (sen)	1.0	1.2	1.7	1.8	2.0
Dividend yield (%)	1.3	1.5	2.1	2.3	2.4

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 *rise* 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 *fall* 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