



MY E.G. Services Berhad

(0138 | MYEG MK) Technology | Digital services

FY23 Earnings Grew at A Faster Pace

KEY INVESTMENT HIGHLIGHTS

- **Maintain Buy with a higher target price of RM1.07 post the announcement of the 4QFY23 financial results**
- **4QFY23 normalised earnings jumped +65.7%yoy to RM150.9m, supported by the contribution from Zetrix**
- **FY23 financial performance came in above ours and consensus expectation**
- **The e-government services to continue to provide a stable earnings base for the group while growth will be contributed by Zetrix**

Strong earnings growth. We are keeping our Buy recommendation on MYEG with a higher target price of **RM1.07** (previously RM0.97) post the 4QFY23 results announcement. Full year FY23 results performance came in better than expected mainly due to higher contribution from Zetrix. Meanwhile, the existing e-government services serves a good earnings base for the group. The progressive effort to introduce new service using the blockchain technology would further translates into better yield for the group.

Profit margin expanded further. Myeg's 4QFY23 normalised earnings grew strongly by +65.7%yoy to RM150.9m. This was mainly attributable to the stronger growth in revenue as well as the decline in operating expenses (-10.8%yoy).


The improvement in revenue to RM222.1m (+42.4%yoy) was mainly supported by: i) contribution from newly launch services from Zetrix blockchain platform; ii) contgribution from the sale of Zetrix tokens; and iii) initial exchange offering (IEO) of zetrix tokens on three major global digital asset exchanges.

Above expectation. The strong momentum in 4QFY23 lifted FY23 normalised earnings by +66.7%yoy to RM485.5m. This came in better than ours and consensus expectation, making up 115.7% and 120.3% of full year FY23 earnings estimates respectively.

Upgrade in earnings estimates and target price. Taking cue from 4QFY23 results announcement, we are inputting higher FY24 and FY25 earnings estimates of RM512.8 and RM580.0m respectively.

This led to higher target price of **RM1.07** from RM0.97 previously. Note that we are finetuning our target PER to 15.5x from 16.1x which represent the group's two years historical average PER.

Zetrix to provide the next s-curves. Since the introduction of Zetrix, we observe that the revenue has been growing a healthy rate. Couple with progressive introduction of innovative services by leveraging on blockchain technologies.

Higher dividend declared. The group announced 4QFY23 dividend of 1.68sen against 4QFY22 dividend of 1.17sen. This led to higher FY23 dividend of 1.93 (FY22: 1.42sen) which is in-tandem with stronger earnings performance. 

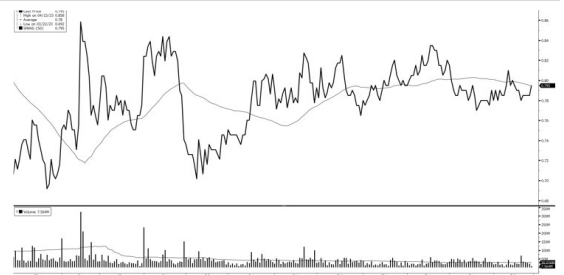
Maintain BUY

Revised Target Price: RM1.07
(Previously RM0.97)

RETURN STATISTICS

Price @ 28 th February 2024 (RM)	0.79
Expected share price return (%)	+35.4
Expected dividend yield (%)	+2.3
Expected total return (%)	+37.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.9	-1.0
3 months	-2.5	-7.2
12 months	10.6	3.7

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	872.7	959.0	1,055.9
Operating Profit	546.0	612.4	686.6
Profit Before Tax	528.8	598.0	672.3
Core PATAMI	512.8	580.0	652.0
Core EPS	6.9	7.8	8.8
DPS	2.1	2.3	2.6
Dividend Yield	2.6	3.0	3.3

KEY STATISTICS

FBM KLCI	1,545.59
Issue shares (m)	7,438.0
Estimated free float (%)	51.57
Market Capitalisation (RM'm)	5,930.3
52-wk price range (RM)	0.68-0.91
3-mth average daily volume (m)	30.16
3-mth average daily value (RM'm)	24.03
Top Shareholders (%)	
Asia Internet Holdings Sdn Bhd	16.20
Wong Thean Soon	12.67
KWAP	7.23

Foo Chuan Loong, Martin
martin.foo@midf.com.my

MY E.G. SERVICES BHD: 4QFY23 RESULTS SUMMARY

FYE 31st December (in RM'm, unless otherwise stated)	Quarterly Results			Cumulative		
	4Q23	YoY (%)	QoQ (%)	FY23	FY22	YoY (%)
Revenue	222.1	42.4	14.4	774.3	642.2	20.6
EBITDA	179.1	93.0	19.5	588.2	473.4	24.2
Depreciation and amortisation	-17.3	14.7	18.9	-61.4	-60.3	1.8
EBIT	161.9	108.1	19.6	526.8	413.2	27.5
Interest expense	-11.7	333.6	-23.9	-40.0	-9.2	332.5
Interest income	0.4	662.5	21.0	1.0	0.3	213.6
Share of results of JV and associates	0.0	-79.3	-93.2	0.4	0.1	250.0
PBT	150.6	100.3	24.9	488.3	404.4	20.8
Taxation	-0.6	50.5	24.4	-1.4	-4.0	-63.9
NCI	0.1	-182.2	-205.7	0.8	-1.7	-146.4
PATANCI	150.2	101.0	25.1	487.7	336.8	44.8
Normalised PATANCI	150.9	65.7	25.8	485.5	291.3	66.7
Normalised EPS (sen)	2.03	64.8	25.7	6.70	3.95	69.8
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	80.7	21.2	3.4	76.0	73.7	3.0
EBIT margin (%)	72.9	23.0	3.2	68.0	64.3	5.7
Normalised PATANCI margin (%)	67.6	19.7	5.8	63.0	52.4	20.1
Effective tax rate (%)	0.4	-0.1	0.0	0.3	1.0	-70.1

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	642.2	774.3	872.7	959.0	1,055.9
EBITDA	473.4	588.2	610.8	687.0	773.3
EBIT	413.2	526.8	546.0	612.4	686.6
PBT	404.4	488.3	528.8	598.0	672.3
Normalised PATANCI	336.8	487.7	507.6	568.2	632.2
Normalised EPS (sen)	291.3	485.5	507.6	568.2	632.2
Normalised EPS Growth (%)	3.9	6.7	6.8	7.6	8.5
PER (x)	25.6	0.7	0.0	0.1	0.1
Dividend Per Share (sen)	20.0	11.8	11.6	10.3	9.3
Dividend yield (%)	1.4	1.9	2.0	2.3	2.6

Source: Company, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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