

Malaysia

March 5, 2019 - 4:52 PM

ADD (no change)

Consensus ratings*: Buy 6 Hold 0 Sell 0

Current price:	RM1.00
Target price:	RM1.96
Previous target:	RM1.96
Up/downside:	96.0%
CGS-CIMB / Consensus:	16.3%
Reuters:	MYEG.KL
Bloomberg:	MYEG MK
Market cap:	US\$854.8m
	RM3,484m
Average daily turnover:	US\$9.25m
	RM38.21m
Current shares o/s	3,600m
Free float:	59.4%

*Source: Bloomberg
Key financial forecasts

	Sep-19F	Sep-20F	Sep-21F
Net Profit (RMm)	307.3	330.3	347.0
Core EPS (RM)	0.085	0.092	0.096
Core EPS Growth	10.5%	7.5%	5.1%
FD Core P/E (x)	11.72	10.90	10.37
Recurring ROE	45.5%	36.7%	30.5%
P/BV (x)	4.60	3.55	2.86
DPS (RM)	0.023	0.024	0.027
Dividend Yield	2.30%	2.40%	2.70%


Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0	-17.4	-62.7
Relative (%)	-0.6	-17.3	-54

Major shareholders	% held
Wong Thean Soon	40.6

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MY E.G. Services

MyCC finally accepts MyEG's changes

- MyEG announced that the MyCC has accepted the changes made by MyEG to the group's online foreign worker renewal services.
- This is positive news for MyEG as it should bring to a close MyCC's 4-year challenge against the group for alleged monopoly abuse.
- Remains an Add; registration of new foreign workers is expected to be the domestic operations' new revenue growth driver over the next few years.

MyCC has accepted MyEG's changes

- MyEG announced that the Malaysia Competition Commission (MyCC) has accepted the changes made by MyEG and its subsidiaries to the online foreign worker renewal system. As such, with the acceptance of the changes made, the daily penalty of RM7,500 by MyCC will cease with immediate effect. Penalty up to the date of the acceptance amounted to RM9.64m, of which MYEG has paid a total of RM6.4m so far.
- With the acceptance by MyCC, MYEG is of the view that the group has fully complied with the decisions made earlier by MyCC and its Competition Appeals Tribunal (CAT).

But appeal to the Court of Appeal remains

- However, MyEG said the appeal, which it had earlier filed to the Court of Appeal, will continue. MyEG had filed an appeal to the Court of Appeal against the decisions made earlier by MyCC and CAT and the penalty imposed by MyCC.

This is positive news

- This is positive news for MyEG. MyCC's acceptance of the changes made by MyEG for the foreign workers renewal services effectively ends MyCC's four-year challenge against MyEG. The company has so far paid RM6.4m penalty to the MyCC with RM3.2m yet to be paid. Assuming MyEG wins the appeal case against MyCC, the company can write-back the RM6.4m which it has already paid, boosting FY19F EPS by 2.1%. If MyEG loses the appeal case, it could hurt its FY19F EPS by 1%.

Focus on new services, registration of new foreign workers

- In 2019F, MyEG will focus on its new services, the online registration of new foreign workers (NFW), which is expected to be its new revenue growth driver for domestic operations over the next 1-2 years. In view of MyEG's experience in handling foreign workers' work permit renewals and its close relationship with the government, we believe the company would be one of the major independent agents for NFW registrations this year.
- MyEG expects to generate an average revenue of RM2,000 per NFW. It is currently waiting for the government to set the quota for NFW for 2019F. Once the quota has been set, the company could start registering the NFWs. In our earnings forecast, we have assumed that MyEG will register only 5,000 NFWs p.a. in FY19-20F. Based on our sensitivity analysis, every additional 10,000 NFW registrations would boost our FY19-20F EPS by 3.2-3.3%.

Remains an Add

- We maintain our EPS forecasts and target price, based on an unchanged 21x 2020F P/E, a 40% premium over the technology sector's 2020F 15x target P/E; the premium is to reflect the strong earnings growth potential from overseas operations over the next few years. The stock remains an Add. Re-rating catalysts are stronger-than-expected overseas profits while a downside risk is failure to register NFWs in Malaysia this year.

Figure 1: Sector / Peers Comparison

Company	Recom	Price	Target Price	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
		(local curr)	(local curr)		CY18F	CY19F		CY18F	CY19F	CY18F	CY19F	CY18F	CY19F	CY18F	CY19F
MY E.G. Services	Add	1.00	1.96	855	11.5	10.8	36.8%	4.3	3.3	42.5%	34.9%	9.8	8.9	2.3%	2.5%
GHL Systems Bhd	Reduce	1.66	1.45	301	32.0	26.3	19.9%	2.6	2.3	8.3%	9.3%	15.8	13.1	0.0%	0.0%
Uchi Technologies	Add	2.78	3.06	306	15.5	14.5	7.4%	7.1	6.9	46.7%	48.3%	14.6	13.5	5.8%	6.5%
Sector average				487	19.7	17.2	21.4%	4.7	4.2	32.5%	30.8%	13.4	11.8	2.7%	3.0%

SOURCES: CIMB RESEARCH, COMPANY REPORTS

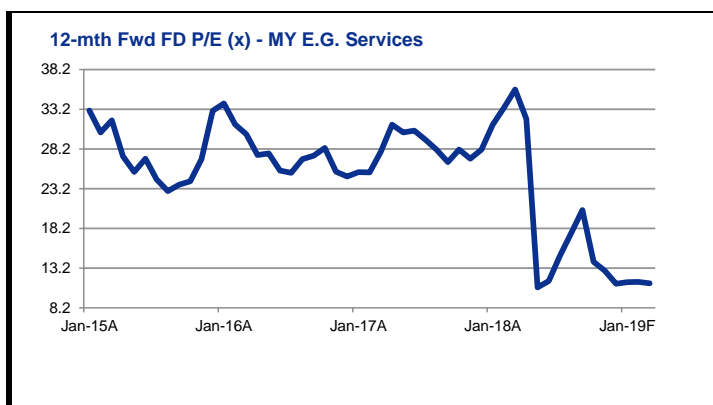
BY THE NUMBERS

Profit & Loss				
(RMm)	Sep-18A	Sep-19F	Sep-20F	Sep-21F
Total Net Revenues	564.6	550.1	566.2	580.5
Gross Profit	311.2	339.5	351.5	359.5
Operating EBITDA	311.2	339.5	351.5	359.5
Depreciation And Amortisation	(25.4)	(31.0)	(34.0)	(34.0)
Operating EBIT	285.8	308.5	317.5	325.5
Financial Income/(Expense)	(4.8)	(0.5)	(0.5)	(0.5)
Pretax Income/(Loss) from Assoc.	(0.7)	0.1	14.1	22.8
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	280.3	308.1	331.1	347.8
Exceptional Items	(151.8)			
Pre-tax Profit	128.5	308.1	331.1	347.8
Taxation	(2.4)	(0.4)	(0.4)	(0.4)
Exceptional Income - post-tax	0.0	0.0	0.0	0.0
Profit After Tax	126.1	307.7	330.7	347.4
Minority Interests	2.9	(0.4)	(0.4)	(0.4)
Preferred Dividends	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax	0.0	0.0	0.0	0.0
Net Profit	129.0	307.3	330.3	347.0
Recurring Net Profit	278.0	307.3	330.3	347.0
Fully Diluted Recurring Net Profit	278.0	307.3	330.3	347.0

Balance Sheet				
(RMm)	Sep-18A	Sep-19F	Sep-20F	Sep-21F
Total Cash And Equivalents	110.2	322.2	535.9	747.2
Total Debtors	151.2	101.0	98.0	98.0
Inventories	3.4	1.8	1.8	1.8
Total Other Current Assets	92.0	92.0	92.0	92.0
Total Current Assets	356.8	517.0	727.7	939.0
Fixed Assets	283.8	302.8	318.8	334.8
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	18.4	18.5	18.5	18.5
Total Other Non-Current Assets	225.1	225.1	234.8	250.6
Total Non-current Assets	527.3	546.4	572.1	603.9
Short-term Debt	32.6	32.6	32.6	32.6
Current Portion of Long-Term Debt				
Total Creditors	165.0	121.0	126.0	126.0
Other Current Liabilities	25.9	34.0	34.0	34.0
Total Current Liabilities	223.5	187.6	192.6	192.6
Total Long-term Debt	94.5	94.5	94.5	94.5
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	2.2	2.1	2.1	2.1
Total Non-current Liabilities	96.7	96.6	96.6	96.6
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	320.2	284.2	289.2	289.2
Shareholders' Equity	568.0	783.4	1,014.8	1,258.0
Minority Interests	(4.2)	(4.2)	(4.2)	(4.2)
Total Equity	563.8	779.2	1,010.6	1,253.8

Cash Flow				
(RMm)	Sep-18A	Sep-19F	Sep-20F	Sep-21F
EBITDA	311.2	339.5	351.5	359.5
Cash Flow from Inv. & Assoc.				
Change In Working Capital	(2.3)	(2.3)	(2.3)	(2.3)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	0.0	0.0	0.0	0.0
Net Interest (Paid)/Received	(4.8)	(0.5)	(0.5)	(0.5)
Tax Paid	0.0	0.0	0.0	0.0
Cashflow From Operations	304.1	336.6	348.7	356.7
Capex	(50.0)	(50.0)	(50.0)	(50.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.1	0.1	0.1	0.1
Cash Flow From Investing	(49.9)	(49.9)	(49.9)	(49.9)
Debt Raised/(repaid)	0.0	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(61.3)	(92.3)	(99.2)	(104.2)
Preferred Dividends				
Other Financing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Financing	(61.3)	(92.3)	(99.2)	(104.2)
Total Cash Generated	192.9	194.4	199.6	202.6
Free Cashflow To Equity	254.2	286.7	298.8	306.8
Free Cashflow To Firm	259.0	287.2	299.3	307.3

Key Ratios				
	Sep-18A	Sep-19F	Sep-20F	Sep-21F
Revenue Growth	51.9%	(2.6%)	2.9%	2.5%
Operating EBITDA Growth	33.1%	9.1%	3.5%	2.3%
Operating EBITDA Margin	55.1%	61.7%	62.1%	61.9%
Net Cash Per Share (RM)	(0.00)	0.05	0.11	0.17
BVPS (RM)	0.16	0.22	0.28	0.35
Gross Interest Cover	59.5	616.9	635.0	651.0
Effective Tax Rate	1.87%	0.13%	0.12%	0.12%
Net Dividend Payout Ratio	21.6%	30.0%	30.0%	30.0%
Accounts Receivables Days	81.42	83.67	64.32	61.62
Inventory Days	3.75	4.51	3.07	2.97
Accounts Payables Days	212.9	247.8	210.5	208.1
ROIC (%)	51.6%	52.9%	54.2%	53.9%
ROCE (%)	41.4%	38.6%	31.1%	25.8%
Return On Average Assets	32.6%	31.7%	28.1%	24.5%



Key Drivers				
	Sep-18A	Sep-19F	Sep-20F	Sep-21F
ASP (% chg, main prod./serv.)	0.0%	0.0%	0.0%	0.0%
Unit sales grth (% , main prod./serv.)	25.0%	25.0%	25.0%	25.0%
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A
Total Export Sales Growth (%)	N/A	N/A	N/A	N/A
Export Sales/total Sales (%)	N/A	N/A	N/A	N/A

SOURCES: CIMB RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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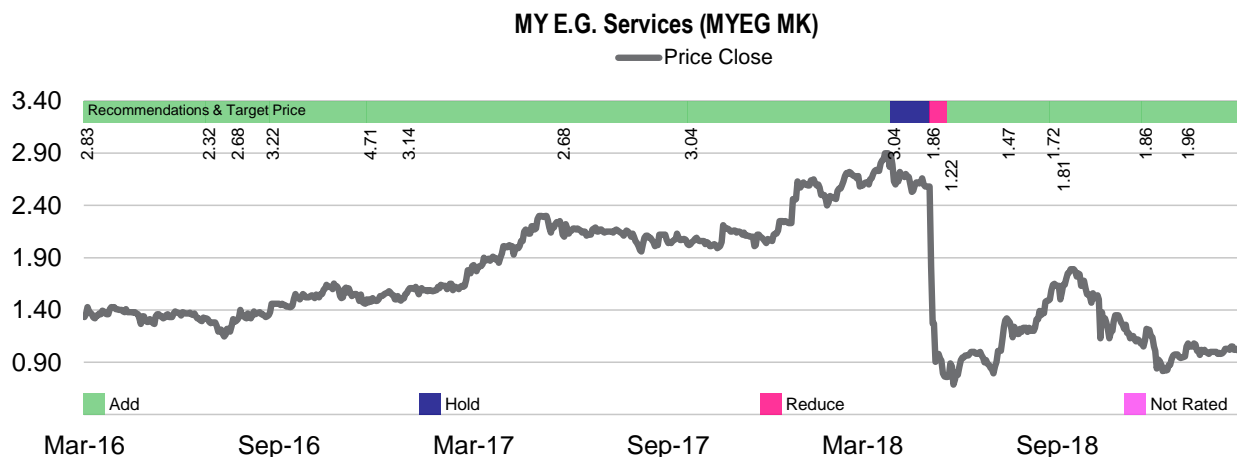
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2018		
758 companies under coverage for quarter ended on 31 December 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	61.2%	4.2%
Hold	25.1%	2.1%
Reduce	13.7%	0.4%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HREIT** - Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WORK** – Good, n/a.

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- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

* The company, its director or management had been reportedly accused for breaching proper corporate governance such as violation of the SEC's regulations or charged with corruption.

Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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