

## Malaysia

**ADD** (no change)

Consensus ratings\*: Buy 4 Hold 2 Sell 1

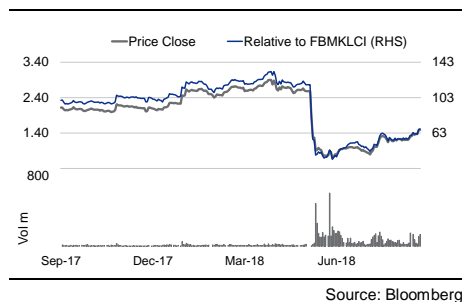
Current price:	RM1.49
Target price:	RM1.72 ▲
Previous target:	RM1.47
Up/downside:	15.4%
CGS-CIMB / Consensus:	12.2%

Reuters:	MYEG.KL
Bloomberg:	MYEG MK
Market cap:	US\$1,288m
	RM5,293m
Average daily turnover:	US\$19.92m
	RM80.47m
Current shares o/s:	3,600m
Free float:	59.4%

\*Source: Bloomberg

**Key changes in this note**

- FY18F EPS increased 7.2%.



Price performance	1M	3M	12M
Absolute (%)	30.7	94.8	-29.7
Relative (%)	27.9	89	-32.3

**Major shareholders**

Wong Thean Soon	% held	40.6
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**Analyst(s)**

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# MY E.G. Services

## 4QFY18: A better year ahead

- At 97% of our full-year forecast, MyEG's 12MFY6/18 net profit was in line with our and market expectations.
- The company has submitted a proposal for a new module related to foreign workers to the government, which could be a major revenue generator if successful.
- We raise FY18F EPS by 7.2% to reflect the 15-month FY18F financial year.
- Maintain Add and raise target price from RM1.47 to RM1.72.

### 12MFY6/18 net profit up 12.4% yoy

12MFY6/18 revenue rose 14.7% yoy to RM426.2m, with the growth coming from the registration of illegal foreign workers (IFW) during the rehiring programme, which was completed in end-2017. 12MFY6/18 net profit grew 12.4%, mainly due to higher revenue. As expected, a final DPS of 1.4 sen was declared, bringing FY18 dividend to 1.9 sen.

### Np provision yet for GSTM project

We had earlier expected the company to make provisions for the GST Monitoring (GSTM) project this quarter. However, it looks like it will provide for the project in the 5<sup>th</sup> quarter of FY18F. We understand MyEG has so far spent RM150m on the GSTM project.

### Worse is over?

The past few months have been a challenging period for the company. The stock experienced a major tumble in May after the general election due to the cancellation of the GSTM project (GSTM). However, since then, the company has secured the new car number plate e-bidding service job and is bidding for new modules related to foreign workers. In addition, the company's previous GSTM system could still be used to track the collection of sales and service tax (SST) in real time. A decision will be made by the new government whether to use MyEG's system over the next few months.

### Philippines JV broke even this year

In addition, the outlook for the Philippines JV is exciting. In less than two years since it commenced operations, the JV is already handling 20,000 daily transactions. Operations broke even this year and could be a major revenue generator over the next few years. The JV is also expected to launch e-government services in Bangladesh by year-end.

### Submits proposal for a new module for foreign workers

MyEG recently submitted a proposal to the government for a new module related to foreign workers. If successful, the company becomes a 'one-stop centre' and it could be a major revenue generator for the group. We have not assumed any potential earnings from this proposed new module.

### Remains an Add; target price raised

We raise our FY2018F EPS by 7.2% to reflect the 15-month financial year and increase our target price from RM1.47 to RM1.72 as we lift our valuation premium over the technology sector's 2019 target P/E of 15x from 20% to 40%, pegging the stock at 21x 2019F P/E. The higher premium is to reflect the potential new services the company could secure over the next few months. Re-rating catalysts include securing the SST contract and the new module for foreign workers. De-rating catalysts include the failure to win any of these projects and weaker-than-expected earnings.

### Change FY from Jun to Sep

MyEG changed its financial year-end from June to Sep beginning this financial year. This means FY2018 will have 15 months, from Jun 17 to Sep 18.

**Financial Summary**

	Sep-16A	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Revenue (RMm)	281.6	371.6	575.2	499.5	515.3
Operating EBITDA (RMm)	162.7	233.8	317.4	311.1	323.0
Net Profit (RMm)	142.4	200.1	281.6	279.3	288.2
Core EPS (RM)	0.040	0.056	0.078	0.078	0.080
Core EPS Growth	109%	41%	41%	(1%)	3%
FD Core P/E (x)	37.67	26.81	19.05	19.20	18.61
DPS (RM)	0.013	0.020	0.019	0.023	0.024
Dividend Yield	0.87%	1.34%	1.28%	1.54%	1.61%
EV/EBITDA (x)	32.34	22.93	16.19	15.95	14.76
P/FCFE (x)	68.08	42.24	20.27	20.76	19.85
Net Gearing	(25.6%)	(0.1%)	(29.9%)	(42.5%)	(51.9%)
P/BV (x)	13.40	9.69	7.15	5.67	4.67
ROE	45.6%	42.0%	43.2%	32.9%	27.5%
% Change In Core EPS Estimates					
CIMB/consensus EPS (x)			1.15	1.03	0.87

SOURCES: CIMB RESEARCH, COMPANY REPORTS

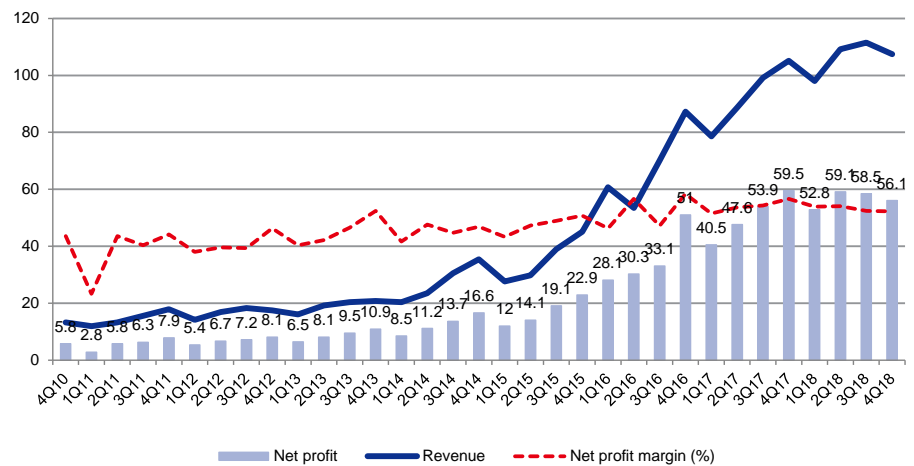
# 4QFY18: A better year ahead

Figure 1: Results comparison

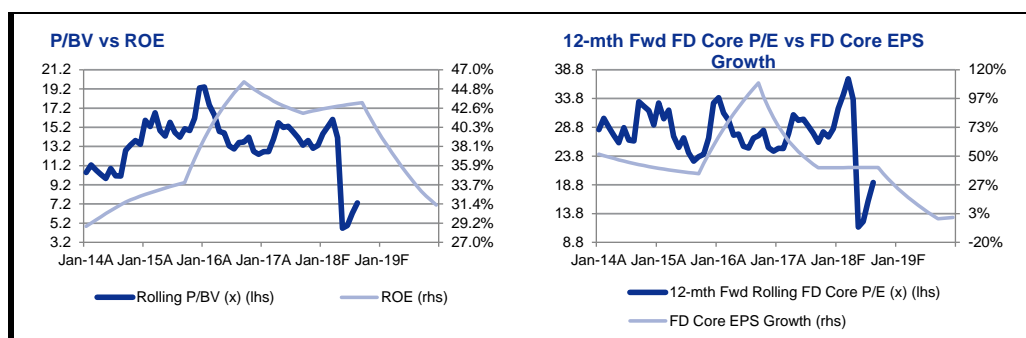
FYE Jun (RM m)	4QFY18	4QFY17	yoy % chg	qoq % chg	4QFY18 cum	4QFY17 cum	yoy % chg	Prev. FY18F	Comments
<b>Revenue</b>	<b>107.4</b>	<b>105.1</b>	<b>2.2</b>	<b>(3.7)</b>	<b>426.2</b>	<b>371.6</b>	<b>14.7</b>	<b>464.2</b>	<b>Below, GSTM project cancelled</b>
Operating costs	(44.0)	(40.2)	9.5	(3.9)	(172.5)	(148.9)	15.8	(201.7)	
EBITDA	63.4	64.9	(2.3)	(3.5)	253.7	222.7	13.9	262.5	
EBITDA margin (%)	59.0	61.8	(4.4)	0.2	59.5	59.9	(0.7)	56.5	In line, greater economies of scale
Depn & amort.	(6.4)	(4.9)	30.6	-	(25.0)	(19.4)	28.9	(28.0)	
EBIT	57.0	60.0	(5.0)	(4.4)	228.7	203.3	12.5	234.5	
Interest expense	(1.5)	(1.3)	15.4	(6.3)	(6.2)	(5.3)	17.0	(0.5)	
Interest & invt inc	0.5	0.7	-	-	2.6	3.5	(25.7)	1.0	
<b>Pretax profit</b>	<b>56.0</b>	<b>59.40</b>	<b>(5.7)</b>	<b>(4.3)</b>	<b>225.1</b>	<b>201.5</b>	<b>11.7</b>	<b>235.0</b>	<b>In line, growth from registration of illegals</b>
Tax	(0.5)	(0.7)	(28.6)	25.0	(1.3)	(1.4)	(7.1)	(0.4)	
Tax rate (%)	0.9	1.2	(24.2)	30.6	0.6	0.7	(16.9)	0.2	MSC status
Minority interests	0.6	0.8	(25.0)	50.0	2.7	1.5	80.0	-	
<b>Net profit</b>	<b>56.1</b>	<b>59.5</b>	<b>(5.7)</b>	<b>(4.1)</b>	<b>226.5</b>	<b>201.6</b>	<b>12.4</b>	<b>234.6</b>	<b>In line, growth from rehiring programme</b>
EPS (sen)	1.6	1.7	(5.7)	(4.1)	6.3	5.6	12.4	6.5	

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Figure 2: MyEG revenue and net profit (RMm)



SOURCES: CIMB RESEARCH, COMPANY REPORTS

**BY THE NUMBERS**

**Profit & Loss**

(RMm)	Sep-16A	Sep-17A	Sep-18F	Sep-19F	Sep-20F
<b>Total Net Revenues</b>	<b>281.6</b>	<b>371.6</b>	<b>575.2</b>	<b>499.5</b>	<b>515.3</b>
<b>Gross Profit</b>	<b>162.7</b>	<b>233.8</b>	<b>317.4</b>	<b>311.1</b>	<b>323.0</b>
<b>Operating EBITDA</b>	<b>162.7</b>	<b>233.8</b>	<b>317.4</b>	<b>311.1</b>	<b>323.0</b>
Depreciation And Amortisation	(17.7)	(27.7)	(35.0)	(31.0)	(34.0)
<b>Operating EBIT</b>	<b>145.0</b>	<b>206.1</b>	<b>282.4</b>	<b>280.1</b>	<b>289.0</b>
Financial Income/(Expense)	(1.7)	(4.6)	(0.5)	(0.5)	(0.5)
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.1	0.1	0.1
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
<b>Profit Before Tax (pre-EI)</b>	<b>143.3</b>	<b>201.5</b>	<b>282.0</b>	<b>279.7</b>	<b>288.6</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>143.3</b>	<b>201.5</b>	<b>282.0</b>	<b>279.7</b>	<b>288.6</b>
Taxation	(0.9)	(1.4)	(0.4)	(0.4)	(0.4)
Exceptional Income - post-tax	0.0	0.0	0.0	0.0	0.0
<b>Profit After Tax</b>	<b>142.4</b>	<b>200.1</b>	<b>281.6</b>	<b>279.3</b>	<b>288.2</b>
Minority Interests	0.0	0.0	0.0	0.0	0.0
Preferred Dividends	0.0	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	0.0
<b>Net Profit</b>	<b>142.4</b>	<b>200.1</b>	<b>281.6</b>	<b>279.3</b>	<b>288.2</b>
Recurring Net Profit	142.4	200.1	281.6	279.3	288.2
<b>Fully Diluted Recurring Net Profit</b>	<b>142.4</b>	<b>200.1</b>	<b>281.6</b>	<b>279.3</b>	<b>288.2</b>

**Cash Flow**

(RMm)	Sep-16A	Sep-17A	Sep-18F	Sep-19F	Sep-20F
<b>EBITDA</b>	<b>162.7</b>	<b>233.8</b>	<b>317.4</b>	<b>311.1</b>	<b>323.0</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(2.3)	(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	0.0
Net Interest (Paid)/Received	(1.7)	(4.6)	(0.5)	(0.5)	(0.5)
Tax Paid	0.0	0.0	0.0	0.0	0.0
<b>Cashflow From Operations</b>	<b>158.7</b>	<b>226.9</b>	<b>314.6</b>	<b>308.3</b>	<b>320.2</b>
Capex	(80.0)	(100.0)	(50.0)	(50.0)	(50.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.1	0.1	0.1	0.1	0.1
<b>Cash Flow From Investing</b>	<b>(79.9)</b>	<b>(99.9)</b>	<b>(49.9)</b>	<b>(49.9)</b>	<b>(49.9)</b>
Debt Raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(28.9)	(59.6)	(84.5)	(83.8)	(86.5)
Preferred Dividends					
Other Financing Cashflow	0.0	0.0	0.0	0.0	0.0
<b>Cash Flow From Financing</b>	<b>(28.9)</b>	<b>(59.6)</b>	<b>(84.5)</b>	<b>(83.8)</b>	<b>(86.5)</b>
Total Cash Generated	49.9	67.4	180.2	174.6	183.8
<b>Free Cashflow To Equity</b>	<b>78.8</b>	<b>127.0</b>	<b>264.7</b>	<b>258.4</b>	<b>270.3</b>
<b>Free Cashflow To Firm</b>	<b>80.5</b>	<b>131.6</b>	<b>265.2</b>	<b>258.9</b>	<b>270.8</b>

SOURCES: CIMB RESEARCH, COMPANY REPORTS

**BY THE NUMBERS... cont'd**
**Balance Sheet**

(RMm)	Sep-16A	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Total Cash And Equivalents	209.7	137.6	378.5	555.4	749.4
Total Debtors	101.4	100.7	102.0	101.0	98.0
Inventories	3.0	1.8	1.8	1.8	1.8
Total Other Current Assets	123.4	233.7	193.3	198.0	195.6
<b>Total Current Assets</b>	<b>437.5</b>	<b>473.8</b>	<b>675.6</b>	<b>856.2</b>	<b>1,044.8</b>
Fixed Assets	250.8	342.4	349.2	360.1	376.1
Total Investments	0.0	0.0	0.0	0.0	0.0
Intangible Assets	17.8	18.5	18.5	18.5	18.5
Total Other Non-Current Assets	17.9	28.9	28.9	28.9	28.9
<b>Total Non-current Assets</b>	<b>286.5</b>	<b>389.8</b>	<b>396.6</b>	<b>407.5</b>	<b>423.5</b>
Short-term Debt	15.1	20.3	4.4	4.4	4.4
Current Portion of Long-Term Debt					
Total Creditors	173.9	130.6	125.0	121.0	126.0
Other Current Liabilities	41.7	41.7	41.7	41.7	41.7
<b>Total Current Liabilities</b>	<b>230.7</b>	<b>192.6</b>	<b>171.1</b>	<b>167.1</b>	<b>172.1</b>
Total Long-term Debt	92.1	117.0	150.0	150.0	150.0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1.1	2.1	2.1	2.1	2.1
<b>Total Non-current Liabilities</b>	<b>93.2</b>	<b>119.1</b>	<b>152.1</b>	<b>152.1</b>	<b>152.1</b>
Total Provisions	0.0	0.0	0.0	0.0	0.0
<b>Total Liabilities</b>	<b>323.9</b>	<b>311.7</b>	<b>323.2</b>	<b>319.2</b>	<b>324.2</b>
Shareholders' Equity	400.3	553.4	750.5	946.0	1,147.8
Minority Interests	0.0	(1.5)	(1.6)	(1.5)	(1.5)
<b>Total Equity</b>	<b>400.3</b>	<b>551.9</b>	<b>749.0</b>	<b>944.5</b>	<b>1,146.3</b>

**Key Ratios**

	Sep-16A	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Revenue Growth	99.0%	32.0%	54.8%	(13.2%)	3.2%
Operating EBITDA Growth	93.7%	43.7%	35.8%	(2.0%)	3.8%
Operating EBITDA Margin	57.8%	62.9%	55.2%	62.3%	62.7%
Net Cash Per Share (RM)	0.03	0.00	0.06	0.11	0.17
BVPS (RM)	0.11	0.15	0.21	0.26	0.32
Gross Interest Cover	85.3	44.8	564.8	560.2	577.9
Effective Tax Rate	0.63%	0.69%	0.14%	0.14%	0.14%
Net Dividend Payout Ratio	20.2%	29.6%	30.0%	30.0%	30.0%
Accounts Receivables Days	77.85	99.26	64.31	74.17	70.67
Inventory Days	4.62	6.36	2.55	3.49	3.43
Accounts Payables Days	278.5	403.3	180.9	238.3	235.0
ROIC (%)	82.1%	69.0%	51.0%	53.1%	53.0%
ROCE (%)	39.0%	34.4%	35.5%	28.0%	24.1%
Return On Average Assets	29.2%	26.0%	29.2%	24.0%	21.2%

**Key Drivers**

	Sep-16A	Sep-17A	Sep-18F	Sep-19F	Sep-20F
ASP (% chg, main prod./serv.)	0.0%	0.0%	0.0%	0.0%	0.0%
Unit sales grth (% , main prod./serv.)	25.0%	25.0%	25.0%	25.0%	25.0%
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A	N/A
Total Export Sales Growth (%)	N/A	N/A	N/A	N/A	N/A
Export Sales/total Sales (%)	N/A	N/A	N/A	N/A	N/A

SOURCES: CIMB RESEARCH, COMPANY REPORTS

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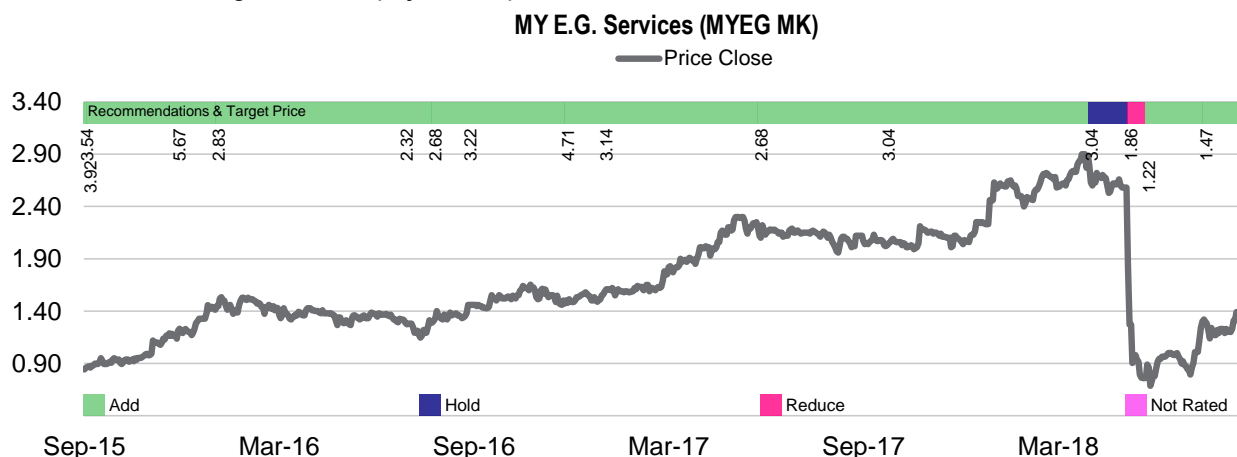
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1203 companies under coverage for quarter ended on 30 June 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	62.3%	4.5%
Hold	26.2%	2.5%
Reduce	9.3%	0.8%

**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 2017, Anti-Corruption 2017**

**AAV** – Very Good, n/a, **ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AMATA** – Very Good, n/a, **ANAN** – Excellent, n/a, **AOT** – Excellent, Declared, **AP** – Excellent, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Declared, **BCP** - Excellent, Certified, **BCPG** – Very Good, n/a, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – not available, n/a, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Declared, **BLA** – Very Good, Certified, **BPP** – Good, n/a, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **GFPT** - Excellent, Declared, **GGC** – not available, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Excellent, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **ICHI** – Excellent, n/a, **III** – not available, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent,

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- 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.

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Definition:

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