

Malaysia

October 19, 2018 - 7:05 PM

ADD (no change)

Consensus ratings*: Buy 4 Hold 2 Sell 1

Current price:	RM1.13
Target price:	RM1.81
Previous target:	RM1.81
Up/downside:	60.2%
CGS-CIMB / Consensus:	-3.5%
Reuters:	MYEG.KL
Bloomberg:	MYEG MK
Market cap:	US\$965.6m
	RM4,014m
Average daily turnover:	US\$17.61m
	RM74.19m
Current shares o/s	3,600m
Free float:	59.4%

*Source: Bloomberg

Key financial forecasts

	Sep-18F	Sep-19F	Sep-20F
Net Profit (RMm)	281.6	307.7	316.7
Core EPS (RM)	0.078	0.085	0.088
Core EPS Growth	40.7%	9.3%	2.9%
FD Core P/E (x)	14.45	13.22	12.85
Recurring ROE	43.2%	35.8%	29.4%
P/BV (x)	5.42	4.21	3.43
DPS (RM)	0.019	0.023	0.024
Dividend Yield	1.68%	2.04%	2.12%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-35.4	0.9	-44.1
Relative (%)	-31.9	2.1	-43.7

Major shareholders	% held
Wong Thean Soon	40.6

Analyst(s)

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MY E.G. Services

Reasons why its share price plunged today

- MyEG's share price took a nosedive this morning due to concerns that the company would be implicated in the charges against former Deputy PM.
- However, Malaysian Anti-Corruption Commission (MACC) clarified that MYEG and its board are not under the investigation.
- Opportunity to accumulate; the stock remains an Add.

Share price down on Friday morning

- MyEG's share price declined to as low as RM1.05 or 30% this morning after news that the company was implicated in the charges against former Deputy Prime Minister Datuk Seri Ahmad Zahid Hamidi. Stock was suspended Friday afternoon. Ahmad Zahid was arrested on Thursday. This morning, he was slapped with 45 charges of corruption and criminal breach of trust (CBT).

The charges involving MyEG

- Ahmad Zahid has been charged with receiving RM13.25m from Mastoro Kenny IT Consultation & Services between Jul 2016 and Feb 2017 to secure a MyEG project.

MACC says MyEG and board not under investigation

- We contacted MyEG Managing Director TS Wong about this issue this morning and he indicated that he has never met anyone from Mastoro Kenny IT before. In addition, MyEG announced this evening that Malaysian Anti-Corruption Commission (MACC) clarified that MYEG and its board are not under investigation and are not a party to the investigations leading to the charges against Ahmad Zahid.

Opportunity to accumulate

- MyEG's share price plunged as much as 30% in Friday's morning session. With MACC's clarification, we believe the recent price weakness could be an opportunity to accumulate the stock. The key earnings driver for the stock in FY19-20F is the online registration of new foreign workers (NFWs) which MyEG has recently received the approval for from the government.

Conservative assumption for NFWs

- We have assumed in our conservative earnings forecasts that MyEG recruits and registers 50,000 NFWs annually in 2019/20F. We understand that the company could generate around RM2,000 revenue per NFW. Based on these assumptions, MyEG could generate around RM100m revenue annually, and assuming 50% net profit margin, MyEG's annual net profit could rise RM50m.

Remains an Add

- We maintain our EPS forecasts and target price, based on 21x 2019F P/E (40% premium to our technology sector 2019F P/E target of 15x). The stock is only trading at 13.0x 2019F P/E after this morning's decline. Potential re-rating catalysts are stronger-than-expected registration of NFWs and securing the Sales and Services Tax (SST) monitoring contract. Downside risks to our call include the failure to win any new projects and weaker-than-expected earnings.

Figure 1: MyEG's daily chart (RM1.13)



SOURCES: CIMB RESEARCH, ITRADE CIMB

Figure 2: Sector/peer comparison

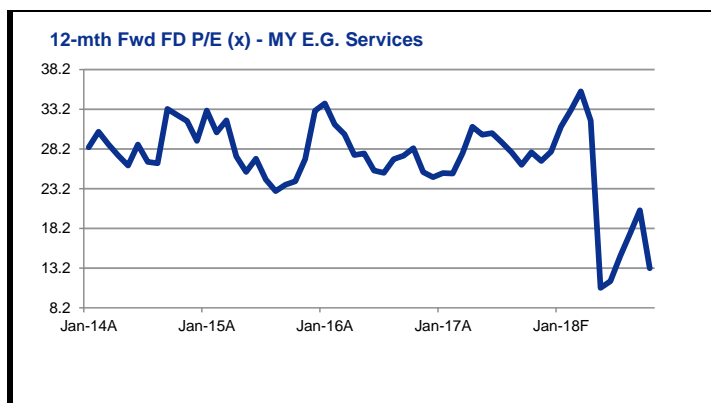
Company	Bloomberg Ticker	Recom	Price	Target Price	Market Cap (US\$ m)	Core P/E (x)		3-year EPS	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
			(local curr)	(local curr)		CY18F	CY19F	CAGR (%)	CY18F	CY19F	CY18F	CY19F	CY18F	CY19F	CY18F	CY19F
MY E.G. Services	MYEG MK	Add	1.13	1.81	966	31.5	23.1	36.8%	5.1	4.0	40.7%	33.9%	11.8	10.5	1.8%	2.1%
GHL Systems Bhd	GHLS MK	Reduce	1.62	1.31	288	37.6	28.3	32.3%	3.62	3.21	10.2%	12.0%	19.3	14.2	0.0%	0.0%
IFCA MSC	IFCA MK	Reduce	0.23	0.19	34	13.2	11.4	32.6%	1.4	1.3	10.7%	11.8%	4.5	4.2	2.2%	2.2%
Sector average					428.9	27.4	20.9	33.9%	3.4	2.8	20.5%	19.3%	11.9	9.6	1.3%	1.4%

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss				
(RMm)	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Total Net Revenues	371.6	575.2	550.1	566.2
Gross Profit	233.8	317.4	339.5	351.5
Operating EBITDA	233.8	317.4	339.5	351.5
Depreciation And Amortisation	(27.7)	(35.0)	(31.0)	(34.0)
Operating EBIT	206.1	282.4	308.5	317.5
Financial Income/(Expense)	(4.6)	(0.5)	(0.5)	(0.5)
Pretax Income/(Loss) from Assoc.	0.0	0.1	0.1	0.1
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	201.5	282.0	308.1	317.1
Exceptional Items				
Pre-tax Profit	201.5	282.0	308.1	317.1
Taxation	(1.4)	(0.4)	(0.4)	(0.4)
Exceptional Income - post-tax	0.0	0.0	0.0	0.0
Profit After Tax	200.1	281.6	307.7	316.7
Minority Interests	0.0	0.0	0.0	0.0
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	200.1	281.6	307.7	316.7
Recurring Net Profit	200.1	281.6	307.7	316.7
Fully Diluted Recurring Net Profit	200.1	281.6	307.7	316.7

Cash Flow				
(RMm)	Sep-17A	Sep-18F	Sep-19F	Sep-20F
EBITDA	233.8	317.4	339.5	351.5
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	(4.6)	(0.5)	(0.5)	(0.5)
Tax Paid	0.0	0.0	0.0	0.0
Cashflow From Operations	226.9	314.6	336.6	348.7
Capex	(100.0)	(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	(99.9)	(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	(59.6)	(84.5)	(92.3)	(95.0)
Preferred Dividends				
Other Financing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Financing	(59.6)	(84.5)	(92.3)	(95.0)
Total Cash Generated	67.4	180.2	194.4	203.8
Free Cashflow To Equity	127.0	264.7	286.7	298.8
Free Cashflow To Firm	131.6	265.2	287.2	299.3



Balance Sheet				
(RMm)	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Total Cash And Equivalents	137.6	378.5	575.2	789.2
Total Debtors	100.7	102.0	101.0	98.0
Inventories	1.8	1.8	1.8	1.8
Total Other Current Assets	233.7	193.3	198.0	195.6
Total Current Assets	473.8	675.6	876.0	1,084.6
Fixed Assets	342.4	349.2	360.1	376.1
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	18.5	18.5	18.5	18.5
Total Other Non-Current Assets	28.9	28.9	28.9	28.9
Total Non-current Assets	389.8	396.6	407.5	423.5
Short-term Debt	20.3	4.4	4.4	4.4
Current Portion of Long-Term Debt				
Total Creditors	130.6	125.0	121.0	126.0
Other Current Liabilities	41.7	41.7	41.7	41.7
Total Current Liabilities	192.6	171.1	167.1	172.1
Total Long-term Debt	117.0	150.0	150.0	150.0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	2.1	2.1	2.1	0.5
Total Non-current Liabilities	119.1	152.1	152.1	150.5
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	311.7	323.2	319.2	322.6
Shareholders' Equity	553.4	750.5	965.9	1,187.5
Minority Interests	(1.5)	(1.6)	(1.5)	(1.5)
Total Equity	551.9	749.0	964.4	1,186.0

Key Ratios				
	Sep-17A	Sep-18F	Sep-19F	Sep-20F
Revenue Growth	32.0%	54.8%	(4.4%)	2.9%
Operating EBITDA Growth	43.7%	35.8%	6.9%	3.5%
Operating EBITDA Margin	62.9%	55.2%	61.7%	62.1%
Net Cash Per Share (RM)	0.00	0.06	0.12	0.18
BVPS (RM)	0.15	0.21	0.27	0.33
Gross Interest Cover	44.8	564.8	616.9	634.9
Effective Tax Rate	0.69%	0.14%	0.13%	0.13%
Net Dividend Payout Ratio	29.6%	30.0%	30.0%	30.0%
Accounts Receivables Days	99.26	64.31	67.35	64.32
Inventory Days	6.36	2.55	3.12	3.07
Accounts Payables Days	403.3	180.9	213.1	210.5
ROIC (%)	69.0%	51.0%	58.5%	58.2%
ROCE (%)	34.4%	35.5%	30.5%	25.8%
Return On Average Assets	26.0%	29.2%	26.2%	22.8%

Key Drivers				
	Sep-17A	Sep-18F	Sep-19F	Sep-20F
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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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

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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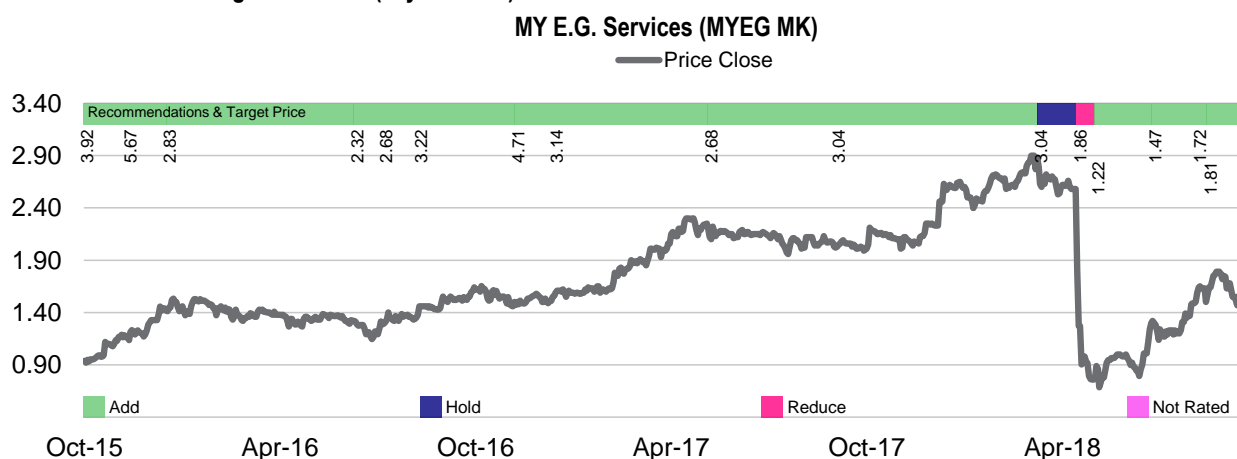
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2018		
759 companies under coverage for quarter ended on 30 September 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	60.5%	4.2%
Hold	25.8%	2.4%
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 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, **CENTEL** – 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, Certified, **KGI** – Very Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, n/a, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Very Good, Declared, **MALEE** – Very Good, n/a, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Very Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** – Very Good, Declared, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, n/a, **TCAP** – Excellent, Certified, **THAI** – Very Good, n/a, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Excellent, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Good, n/a, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – not available, n/a, **TRUE** – Excellent, Declared, **TTW** – Very Good, n/a, **TU** – Excellent, Declared, **TVO** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

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

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.