

**Malaysia**

October 29, 2018 - 7:25 PM

**ADD** (no change)

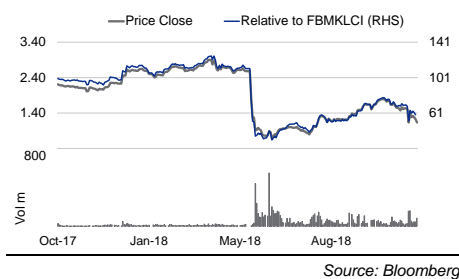
Consensus ratings\*: Buy 5 Hold 1 Sell 1

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\$959.7m
	RM4,008m
Average daily turnover:	US\$17.76m
	RM73.76m
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	-7.4	-44.9
Relative (%)	-29.3	-2.5	-41.3

Major shareholders	% held
Wong Thean Soon	40.6

**Analyst(s)**

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# MY E.G. Services

## Overreaction to issues over pledged shares?

- MyEG's largest shareholder pledged 50m MyEG shares to a bank to raise funds to subscribe to an initial coin offering (ICO) issued by a developer.
- The coins can be used to rent space in the developer's shopping mall when completed.
- We believe recent price weakness offers an opportunity to accumulate; we retain our Add rating.

### Major shareholder pledges MyEG shares for financing

- Last Friday, Asia Internet Holdings S/B (AIH) announced that it has pledged 50m or 1.4% equity stake in MyEG for margin financing. AIH, the largest shareholder in MyEG, is owned by MyEG's Managing Director TS Wong and Group Chairman Dato' Dr. Norraesah. AIH now owns a 27.9% stake in MyEG after the shares were pledged. MyEG shares were not sold in the open market.

### Funds to subscribe to an ICO

- We understand that AIH pledged the 50m MyEG shares to a commercial bank to get funding to subscribe to an initial coin offering (ICO) issued by a property developer to finish the construction of a shopping mall in Klang Valley.

### Shopping mall needs more funds to complete the construction

- We believe the developer needs funds to complete the construction of the shopping mall, and is looking at ICOs to raise funds as it may have difficulty in obtaining funding from the banks.

### Coins can be used to rent space in the shopping mall

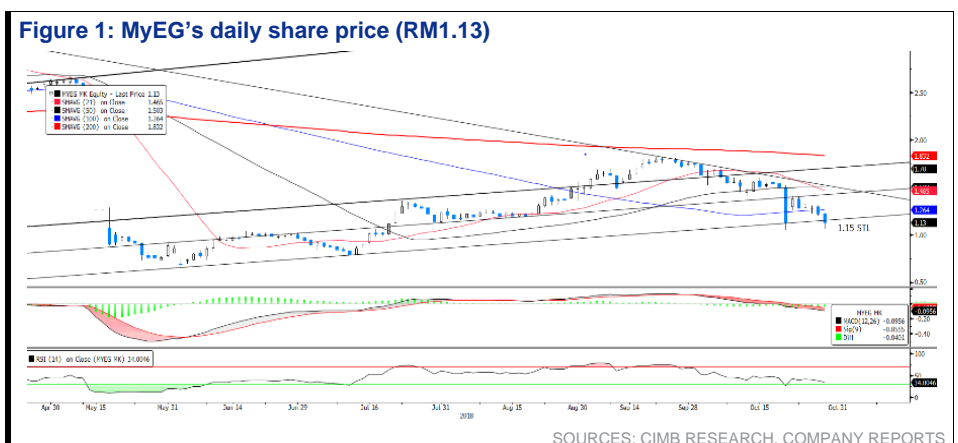
- We believe this is one of the first ICOs proposed to be issued in Malaysia. In this case, the coins can be used to rent space in the shopping mall when completed. We believe AIH will ask the Securities Commission's (SC) approval for the ICO.

### MyEG shares were pledged to a commercial bank to get funding

- MyEG's share price fell 7% on Monday and we believe investors overreacted to this announcement. AIH did not sell the 50m MyEG shares in the open market but merely pledged the shares to a commercial bank to obtain funding.

### Maintain 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 trading at 13x 2019F P/E after today's share price decline. Potential re-rating catalysts are stronger-than-expected registration of new foreign workers and securing the Sales and Services Tax (SST) monitoring contract. Downside risks to our call include lack of new projects and weaker-than-expected earnings.



SOURCES: CIMB RESEARCH, COMPANY REPORTS

**Figure 2: Sector/Peer Comparison**

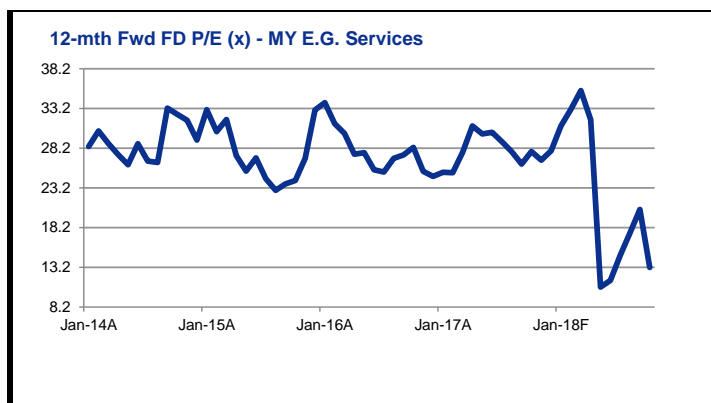
Company	Bloomberg Ticker	Recom	Price	Target Price	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
			(local curr)	(local curr)		CY18F	CY19F		CY18F	CY19F	CY18F	CY19F	CY18F	CY19F	CY18F	CY19F
MY E.G. Services	MYEG MK	Add	1.13	1.81	960	14.1	13.1	36.8%	5.1	4.0	41.8%	34.0%	11.4	10.4	1.8%	2.1%
GHL Systems Bhd	GHLS MK	Reduce	1.68	1.31	297	39.0	29.3	32.3%	3.75	3.33	10.2%	12.0%	19.9	14.7	0.0%	0.0%
IFCA MSC	IFCA MK	Reduce	0.20	0.19	28	11.2	9.7	32.6%	1.2	1.1	10.7%	11.8%	3.0	2.7	2.6%	2.6%
<b>Sector average</b>					<b>428.3</b>	<b>21.4</b>	<b>17.4</b>	<b>33.9%</b>	<b>3.3</b>	<b>2.8</b>	<b>20.9%</b>	<b>19.3%</b>	<b>11.4</b>	<b>9.3</b>	<b>1.4%</b>	<b>1.5%</b>

SOURCES: CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS

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

Cash Flow				
(RMm)	Sep-17A	Sep-18F	Sep-19F	Sep-20F
<b>EBITDA</b>	<b>233.8</b>	<b>317.4</b>	<b>339.5</b>	<b>351.5</b>
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
<b>Cashflow From Operations</b>	<b>226.9</b>	<b>314.6</b>	<b>336.6</b>	<b>348.7</b>
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
<b>Cash Flow From Investing</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
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
<b>Cash Flow From Financing</b>	<b>(59.6)</b>	<b>(84.5)</b>	<b>(92.3)</b>	<b>(95.0)</b>
Total Cash Generated	67.4	180.2	194.4	203.8
<b>Free Cashflow To Equity</b>	<b>127.0</b>	<b>264.7</b>	<b>286.7</b>	<b>298.8</b>
<b>Free Cashflow To Firm</b>	<b>131.6</b>	<b>265.2</b>	<b>287.2</b>	<b>299.3</b>



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
<b>Total Current Assets</b>	<b>473.8</b>	<b>675.6</b>	<b>876.0</b>	<b>1,084.6</b>
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
<b>Total Non-current Assets</b>	<b>389.8</b>	<b>396.6</b>	<b>407.5</b>	<b>423.5</b>
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
<b>Total Current Liabilities</b>	<b>192.6</b>	<b>171.1</b>	<b>167.1</b>	<b>172.1</b>
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
<b>Total Non-current Liabilities</b>	<b>119.1</b>	<b>152.1</b>	<b>152.1</b>	<b>150.5</b>
Total Provisions	0.0	0.0	0.0	0.0
<b>Total Liabilities</b>	<b>311.7</b>	<b>323.2</b>	<b>319.2</b>	<b>322.6</b>
Shareholders' Equity	553.4	750.5	965.9	1,187.5
Minority Interests	(1.5)	(1.6)	(1.5)	(1.5)
<b>Total Equity</b>	<b>551.9</b>	<b>749.0</b>	<b>964.4</b>	<b>1,186.0</b>

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

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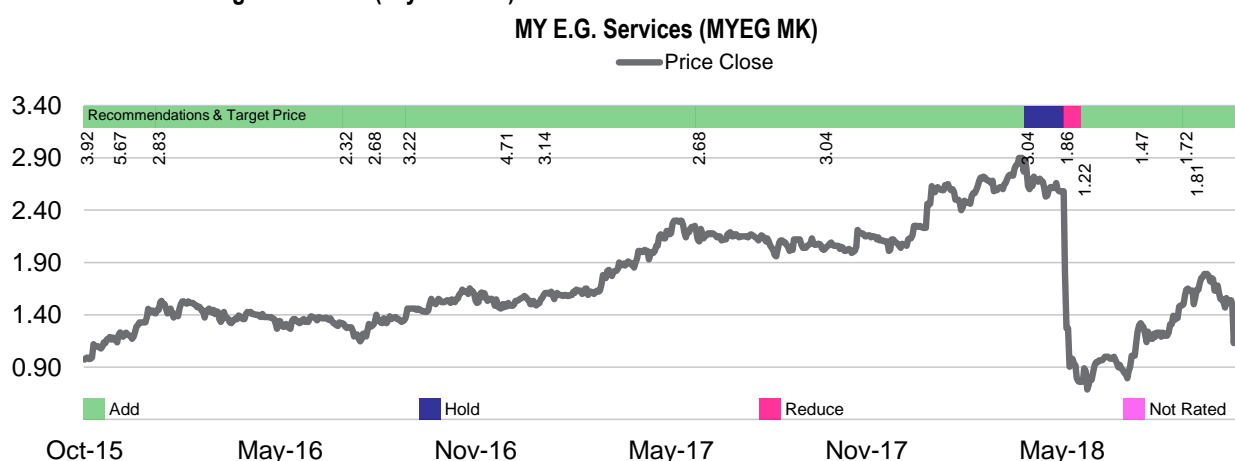
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2018		
759 companies under coverage for quarter ended on 30 September 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	60.5%	4.2%
Hold	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, **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, 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.