

Malaysia

ADD (no change)

Consensus ratings*: Buy 5 Hold 1 Sell 0

Current price:	RM1.18
Target price:	RM1.96
Previous target:	RM1.96
Up/downside:	66.1%
CGS-CIMB / Consensus:	20.4%
Reuters:	MYEG.KL
Bloomberg:	MYEG MK
Market cap:	US\$983.5m
	RM4,104m
Average daily turnover:	US\$5.41m
	RM22.57m
Current shares o/s:	3,600m
Free float:	59.4%

*Source: Bloomberg

Key changes in this note

➤ Change in FYE from Sep to Dec.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-0.9	-14.5	9.3
Relative (%)	-1.8	-14.1	15.4

Major shareholders

 % held
 Wong Thean Soon 40.6

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MY E.G. Services

4QFY19: Low earnings from NFW business

- 12MFY19 net profit was RM235.3m, below our expectation at 85% of our full-year 15M forecast due to low NFW earnings.
- MyEG is still awaiting approval from the Bangladeshi government for the recruitment of new Bangladeshi workers into Malaysia.
- Remains an Add; change of FYE from Sep to Dec. MyEG could bid for the country's 'e-visa' project, which could be a major earnings contributor.

12MFY19 core net profit up 10% yoy

12MFY19 revenue rose 21.8% yoy to RM476.2m but 12MFY19 core net profit rose only 10% yoy to RM235.3m. The 12MFY19 profit growth was due to a low base in 12MFY18 when MyEG focused more on registration of illegal foreign workers during the government's amnesty programme in 2017 and handled a lower volume of foreign workers' working permit renewals. No interim DPS was declared, as we had expected.

4QFY19 net profit could have been higher

4QFY19 net profit was up 7.7% yoy at RM60.4m mainly due to higher volume of foreign worker permit renewals. However, 4QFY19 net profit could have been much higher if the recruitment of new foreign workers (NFW) had taken off quickly. Overseas operations in the Philippines remained in the red as the company continued to invest in e-government services in the country.

Slow recruitment of new foreign workers

Recruitment of NFWs started on 1 Jul 2019. MyEG has so far secured orders to recruit more than 50,000 NFWs. However, processing these orders has been slow due to tight supply of NFWs, especially new Bangladeshi workers. Bilateral discussions between the two governments on new terms for recruitment of Bangladeshi migrant workers into the country are ongoing. Once resolved, we believe MyEG should be able to handle the recruitment of 100,000 NFWs annually. We project MyEG to recruit 20,000 NFW in FY19.

Bidding for 'e-visa' project?

We believe the government will soon open the tender for an 'e-visa' project, which will handle visa processing for foreign tourists visiting Malaysia, and that MyEG could bid for it. We believe the company could be one of the frontrunners for this project due to its partnership with a China state-owned travel agency, which could be roped in to attract more Chinese tourists to Malaysia. We have not assumed any earnings from this project.

Remains an Add; FY19-21F EPS amended to reflect FYE change

We amend our FY19-21F EPS forecasts due to the change in MyEG's FYE from Sep to Dec. Our TP is unchanged, based on 21x 2020F P/E, a 40% premium over the technology sector's 2020F target P/E of 15x; the premium is to reflect strong earnings from the recruitment of NFWs. Higher recruitment of NFWs is a potential re-rating catalyst while failure to recruit many NFWs in Malaysia is a key downside risk.

Financial Summary

	Jun-17A	Jun-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (RMm)	371.6	564.6	615.0	566.2	580.5
Operating EBITDA (RMm)	233.8	311.2	372.4	351.5	359.5
Net Profit (RMm)	200.1	129.0	333.2	330.3	347.0
Core EPS (RM)	0.056	0.077	0.093	0.092	0.096
Core EPS Growth	40.5%	38.9%	19.9%	(0.9%)	5.1%
FD Core P/E (x)	21.23	15.28	12.75	12.86	12.24
DPS (RM)	0.020	0.019	0.023	0.024	0.027
Dividend Yield	1.69%	1.61%	1.95%	2.03%	2.29%
EV/EBITDA (x)	18.16	13.69	10.80	10.84	10.01
P/FCFE (x)	33.45	16.71	13.29	14.22	13.85
Net Gearing	(0.1%)	3.0%	(27.6%)	(42.2%)	(50.7%)
P/BV (x)	7.68	7.48	5.30	4.11	3.33
ROE	42.0%	49.6%	48.7%	36.0%	30.1%
% Change In Core EPS Estimates					
CGS-CIMB/Consensus EPS (x)			1.29	1.13	1.05

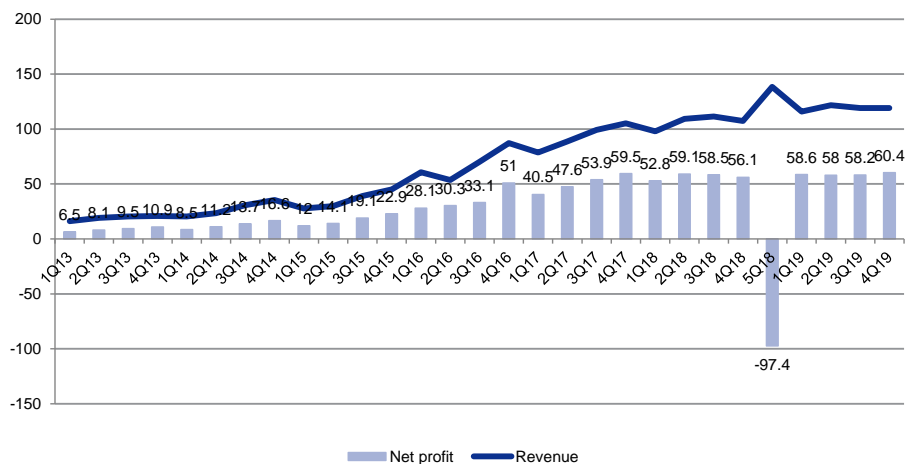
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

4QFY19: Low earnings from NFW business

Figure 1: Results comparison

FYE Sep (RM m)	4QFY19	4QFY18	yoy % chg	qoq % chg	4QFY19 cum	4QFY18 cum	yoy % chg	Prev. FY19F	Comments
Revenue	119.1	107.4	10.9	0.0	476.2	391.0	21.8	505.0	Below, slow foreign worker permit renewals
Operating costs	(49.9)	(44.0)	13.4	(7.1)	(203.3)	(156.2)	30.2	(197.5)	
EBITDA	69.2	63.4	9.1	5.8	272.9	234.8	16.2	307.5	
EBITDA margin (%)	58.1	59.0	(1.6)	5.8	57.3	60.1	(4.6)	60.9	In line, slight increase in its operating costs
Depn & amort.	(6.7)	(6.4)	4.7	(1.5)	(27.2)	(18.8)	44.7	(31.0)	
EBIT	62.5	57.0	9.6	6.7	245.7	216.0	13.8	276.5	
Interest expense	(1.9)	(1.5)	26.7	11.8	(6.7)	(5.3)	26.4	(0.5)	
Interest & invt inc	0.1	0.5	(80.0)	0.0	0.6	2.8	(78.6)	1.0	In line, RM81.9m net cash as at end-Sep
Pretax profit	60.4	56.0	7.9	6.0	238.6	213.5	11.8	277.0	Below, very little earnings from new foreign workers business
Tax	(0.3)	(0.5)	(40.0)	(123.1)	(3.9)	(1.5)	160.0	(0.4)	
Tax rate (%)	0.5	0.9	(44.4)	121.8	1.6	0.7	132.6	0.1	MSC status, tax free earnings
Minority interests	0.3	0.6	(50.0)	400.0	0.6	1.9	(68.4)	(0.4)	
Net profit	60.4	56.1	7.7	3.8	235.3	213.9	10.0	276.2	Below, expect stronger 5Q profit
Core net profit	60.4	56.1	7.7	3.8	235.3	213.9	10.0	7.7	
EPS(sen)	1.7	1.6	7.7	3.8	4.8	4.8	10.0	8.5	
Core EPS (sen)	1.7	1.6	7.7	3.8	4.8	4.8	~	8.5	

SOURCES: CIMB RESEARCH, COMPANY REPORTS

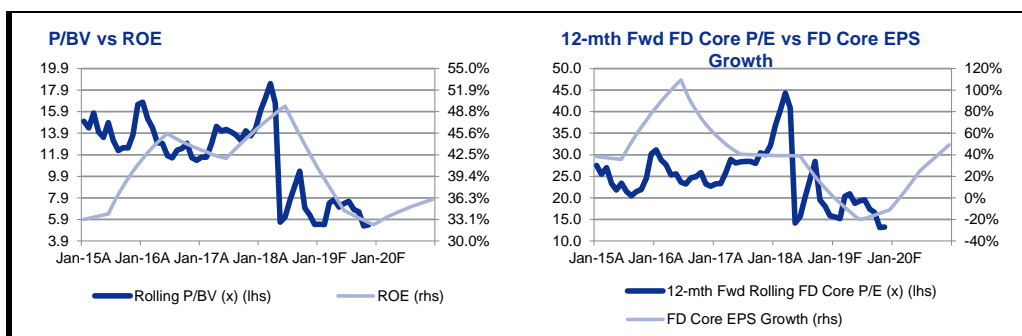
Figure 2: MyEG's quarterly revenue and net profit (RM m)


SOURCES: CIMB RESEARCH, COMPANY REPORTS

Figure 3: Earnings revision

Y/E Dec (RMm)	New			Previous			Change %		
	Dec 19I	Dec 20	2021F	Sep 19F	Sep 20F	sep 21F	2019F	2020F	2021F
Revenue	615.0	566.2	580.5	505.0	566.2	580.5	21.8%	0.0%	0.0%
EBITDA	372.4	351.5	359.5	308.4	351.5	359.5	20.8%	0.0%	0.0%
Pretax Profit	334.0	331.1	347.8	277.0	331.1	347.8	20.6%	0.0%	0.0%
Net Profit	333.2	330.3	347.0	276.2	330.3	330.3	20.6%	0.0%	0.0%

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Jun-17A	Jun-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	371.6	564.6	615.0	566.2	580.5
Gross Profit	233.8	311.2	372.4	351.5	359.5
Operating EBITDA	233.8	311.2	372.4	351.5	359.5
Depreciation And Amortisation	(27.7)	(25.4)	(38.0)	(34.0)	(34.0)
Operating EBIT	206.1	285.8	334.4	317.5	325.5
Financial Income/(Expense)	(4.6)	(4.8)	(0.5)	(0.5)	(0.5)
Pretax Income/(Loss) from Assoc.	0.0	(0.7)	0.1	14.1	22.8
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	201.5	280.3	334.0	331.1	347.8
Exceptional Items		(151.8)			
Pre-tax Profit	201.5	128.5	334.0	331.1	347.8
Taxation	(1.4)	(2.4)	(0.4)	(0.4)	(0.4)
Exceptional Income - post-tax	0.0	0.0	0.0	0.0	0.0
Profit After Tax	200.1	126.1	333.6	330.7	347.4
Minority Interests	0.0	2.9	(0.4)	(0.4)	(0.4)
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
Net Profit	200.1	129.0	333.2	330.3	347.0
Recurring Net Profit	200.1	278.0	333.2	330.3	347.0
Fully Diluted Recurring Net Profit	200.1	278.0	333.2	330.3	347.0

Cash Flow

(RMm)	Jun-17A	Jun-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	233.8	311.2	372.4	351.5	359.5
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	(4.6)	(4.8)	(0.5)	(0.5)	(0.5)
Tax Paid	0.0	0.0	0.0	0.0	0.0
Cashflow From Operations	226.9	304.1	369.6	348.7	356.7
Capex	(100.0)	(50.0)	(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
Cash Flow From Investing	(99.9)	(49.9)	(49.9)	(49.9)	(49.9)
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	(59.6)	(61.3)	(100.1)	(99.2)	(104.2)
Preferred Dividends					
Other Financing Cashflow	0.0	0.0	0.0	0.0	0.0
Cash Flow From Financing	(59.6)	(61.3)	(100.1)	(99.2)	(104.2)
Total Cash Generated	67.4	192.9	219.6	199.6	202.6
Free Cashflow To Equity	127.0	254.2	319.7	298.8	306.8
Free Cashflow To Firm	131.6	259.0	320.2	299.3	307.3

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(RMm)	Jun-17A	Jun-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	137.6	110.2	347.3	561.1	772.5
Total Debtors	100.7	151.2	101.0	98.0	98.0
Inventories	1.8	3.4	1.8	1.8	1.8
Total Other Current Assets	233.7	92.0	92.0	92.0	92.0
Total Current Assets	473.8	356.8	542.1	752.9	964.3
Fixed Assets	342.4	283.8	295.8	311.8	327.8
Total Investments	0.0	0.0	0.0	0.0	0.0
Intangible Assets	18.5	18.4	18.5	18.5	18.5
Total Other Non-Current Assets	28.9	225.1	225.1	234.8	250.6
Total Non-current Assets	389.8	527.3	539.4	565.1	596.9
Short-term Debt	20.3	32.6	32.6	32.6	32.6
Current Portion of Long-Term Debt					
Total Creditors	130.6	165.0	121.0	126.0	126.0
Other Current Liabilities	41.7	25.9	34.0	34.0	34.0
Total Current Liabilities	192.6	223.5	187.6	192.6	192.6
Total Long-term Debt	117.0	94.5	94.5	94.5	94.5
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	2.1	2.2	2.1	2.1	2.1
Total Non-current Liabilities	119.1	96.7	96.6	96.6	96.6
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	311.7	320.2	284.2	289.2	289.2
Shareholders' Equity	553.4	568.0	801.5	1,033.0	1,276.2
Minority Interests	(1.5)	(4.2)	(4.2)	(4.2)	(4.2)
Total Equity	551.9	563.8	797.3	1,028.8	1,272.0

Key Ratios

	Jun-17A	Jun-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	32.0%	51.9%	8.9%	(7.9%)	2.5%
Operating EBITDA Growth	43.7%	33.1%	19.7%	(5.6%)	2.3%
Operating EBITDA Margin	62.9%	55.1%	60.6%	62.1%	61.9%
Net Cash Per Share (RM)	0.00	(0.00)	0.06	0.12	0.18
BVPS (RM)	0.15	0.16	0.22	0.29	0.35
Gross Interest Cover	44.8	59.5	668.8	635.0	651.0
Effective Tax Rate	0.69%	1.87%	0.12%	0.12%	0.12%
Net Dividend Payout Ratio	29.6%	21.6%	30.0%	30.0%	30.0%
Accounts Receivables Days	99.3	81.4	112.6	64.3	61.6
Inventory Days	6.36	3.75	5.88	3.07	2.97
Accounts Payables Days	403.3	212.9	323.6	210.5	208.1
ROIC (%)	69.0%	51.6%	57.4%	54.8%	54.5%
ROCE (%)	34.4%	41.4%	41.4%	30.5%	25.5%
Return On Average Assets	26.0%	32.6%	34.0%	27.6%	24.2%

Key Drivers

	Jun-17A	Jun-18A	Dec-19F	Dec-20F	Dec-21F
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: CGS-CIMB RESEARCH, COMPANY REPORTS

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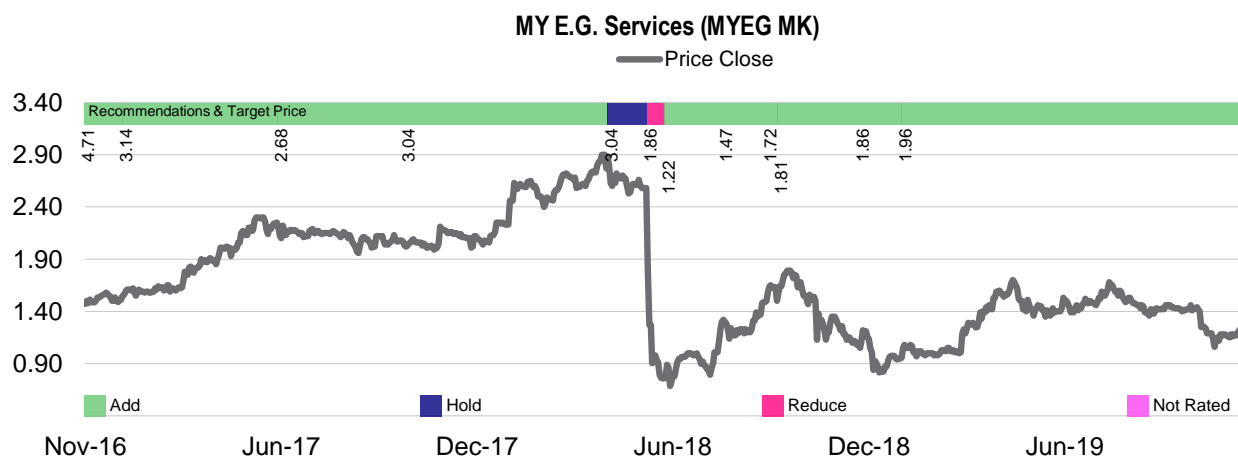
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	Rating Distribution (%)	Investment Banking clients (%)
Add	58.8%	0.9%
Hold	26.3%	0.0%
Reduce	14.9%	0.1%

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

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