



<b>My E.G. Services</b>		<b>Market Price:</b>	<b>RM0.75</b>
		<b>Market Cap:</b>	<b>RM450.8mil</b>
		<b>Board:</b>	<b>Main</b>
<b>Stock Code/Name:</b>	<b>0138 / MYEG</b>	<b>Sector:</b>	<b>Trading/Services</b>
<b>Steady Growth on E-Government Services</b>			

*Analyst: Edmund Tham*



*Source: My E.G.*

## **BACKGROUND**

My E.G. Services Bhd (MYEG) was incorporated in Malaysia as a private limited company in February 2000 as I.T. Marvel Sdn Bhd. Subsequently, the company changed its name to My E.G. Dot Com Sdn Bhd before assuming the present name in October 2001.

In April 2005, the company changed its status to a public company and assumed its present name, My E.G. Services Bhd, in conjunction with its listing on the MESDAQ Market. MyEG was listed in January 2007 and subsequently in January 2009 upgraded its transfer listing from the Mesdaq Market to the Main Board on Bursa.

### **“Runs portal for E-Government”**

MyEG Services Bhd is a concessionaire for the Malaysian E-Government MSC Flagship Application. Its role as a service provider for the E-Services component essentially provides the electronic link between the Malaysian government and citizens/businesses. Via its online portal, MyEG offers the Malaysian public a single point of contact with the government.

This portal enables the public to dynamically interact with numerous agencies within the federal, state and the local government machinery providing services ranging from information searches to licence applications.

MyEG began by developing online government transactional services for the Malaysian community through its Electronic Government (E-Government) Initiatives. MyEG focuses on delivering improvements in the government internal operations and in the delivery of services to the consumers. The success of its online transactional services has spurred MyEG to expand its operations and undertake more government projects.

In June 2004, MyEG acquired Gale Vector Sdn Bhd (GVSB), which provides software solutions and maintenance services to clients. The acquisition of GVSB enabled the company to strengthen its core technical expertise and contribute to the ongoing development of MyEG Enterprise Service Platform.

The group has also expanded its operations into E-Insurance solutions and other insurance-related services through its other subsidiary, PDX.net Sdn Bhd (PNSB). PNSB commenced operations in January 2005 but MyEG’s stake in PNSB had been disposed-off in February 2010.

All in all, MyEG together with its group of companies serves as community-based information and services centre for the public to access information, execute transactions and interact with the government and government-related institutions.



## **3Q/FY10 RESULTS**

The group posted revenue and net profit after tax (NPAT) of RM16.6 million and RM5.8 million respectively for 3Q/FY10 ending 31<sup>st</sup> March 2010, as compared to RM13.2 million and RM4.2 million respectively in the corresponding 3Q/FY09. This represents a y-o-y increase of approximately RM3.3 million (25.3%) and RM1.6 million (38.6%) in revenue and NPAT respectively.

### **“Group records steady growth”**

For 9M/FY10 ended 31<sup>st</sup> March 2010, the group recorded revenue and NPAT of RM45.0 million and RM15.0 million respectively as compared to RM38.7 million and RM13.1 million respectively in the corresponding 9M/FY09. This represents an increase of approximately RM6.3 million (16.2%) and RM2.0 million (15.2%) in revenue and NPAT respectively.

The group’s increase in revenue and NPAT were primarily attributed to an overall increase in volume from all segment of services due to its ongoing advertising and promotion (A&P) campaign which has enhanced MyEG’s brand name significantly. However, this was offset by the increase in marketing expenses as well as an increase in personnel related costs.

For 3Q/FY10, the group recorded revenue of RM16.6 million, an increase of RM1.7 million as compared to the revenue recorded in 2Q/FY10. Its group NPAT had increased by 22.8% to RM5.8 million, as compared to the 2Q/FY10 NPAT of RM4.7 million. The increase in revenue and NPAT was primarily attributed to an overall increase in volume for all its segment of services due to the effective and high profile ongoing marketing campaign.

## **CORP. UPDATES/OUTLOOK**

With MyEG’s strong advertising and promotion (A&P) campaign, the awareness of the group’s existing services and brand name continues to increase among the Malaysian public. The group is also growing its number of e-service centres (now more than 70) and e-kiosks (now more than 300) to enable better market penetration. Meanwhile, the group

would also continue to roll-out new services during the year.

### **“Effective promotional campaign”**

MyEG had implemented its A&P campaign over a number of media, including print media, radio, television, billboards and the internet. Its campaign included the sponsorship of sports entertainment on television and radio, with collaboration with Star Sports for the “**MyEGExtra Time**” magazine program and sponsorship of sports news segments on radio. MyEG also used a local celebrity, **Maya Karin** as its ambassador in its advertising campaign.

MyEG also leverage its presence on the internet and via billboard advertisements. Online, it had utilized mass community portal sites by having a Friends of MYEG community portal account on Facebook and MYEG Club on Twitter. **Facebook and Twitter** are now the hottest global social networking and micro-blogging websites, respectively. The group has a total A&P budget of RM8 million for FY09 and FY10.

### **“Continually adds new Online Services”**

In 2010, MyEG has recently implemented the online service for the renewal of foreign maid work permits (for Immigration). Additionally, MyEG is looking at implemented other new services, such as tax monitoring system for Customs, e-application of vehicle registration numbers, vehicle ownership transfer for JPJ and a MITI project.

Meanwhile for 2011, MyEG is planning to implement services such as the online transactional service for Department of Statistics, extension of services for National Registration Department and also new vehicle registration (for JPJ).

### **“Key project – Customs’ Tax Monitoring”**

MyEG will rollout a Tax Monitoring system for the Malaysian Customs during its FY11. The Malaysian government collected RM3.3 billion in Service Tax and RM8.3 billion in Sales Tax in 2008. The Customs’ current manual system results in under-declaration because businesses can easily declare less than the actual amount.



MyEG's online tax monitoring system will capture sales transactions as it happens at point of sales, and transmit information online to a central database. Besides reducing under-declaration, it will also reduce the amount of paperwork and human errors for both businesses and the Customs. Electronic payment of taxes will also increase convenience. A Special Purpose Vehicle (SPV) where MyEG will hold 40% will be set up to undertake this project. This SPV will be paid according to how efficient this system is in increasing tax collection. A pilot project is expected to commence in the Klang Valley in 4Q/2010 for Service Tax.

## **FINANCIALS**

In February 2010, MyEG had declared a first tax-exempt dividend of 0.5 sen per share of RM0.10 amounting to approximately RM3 million with respect to FY10 ending 30 June 2010 and it was duly paid in May 2010. Assume a full year tax-exempt dividend of 1.865 sen that would amount to a total FY10 gross dividend per share (DPS) of 2.49 sen, MyEG's FY10 gross dividend yield would be 3.3%, based on its current market price of RM0.75. MyEG's management has a dividend policy of paying out not less than 30% of its net profits as dividends.

### **“Reasonable dividend payout”**

With share capital worth RM60.1 million consisting of 601.1 million shares of RM0.10 each, its market capitalization amounts to a reasonable size of RM450.8 million. The group is currently in a net cash position. It has an adjusted beta (correlation factor) to the KLCI of 0.63 and the stock is now up by a substantial 68.5% YTD, strongly outperforming the KLCI (KLCI: +2.5% YTD). Its 52-week trading range is between RM0.405–0.875.

Based on its current market price of RM0.75, annualized 9M/FY10 basic EPS of 3.3 sen and latest available BV/share of RM0.14, we derive a P/E of 22.7 times and P/BV of 5.4 times. Glancing at its domestic sector (IT business support services) peers' P/E and P/BV, MyEG does not seem particularly cheap in terms of valuation now.

### **“Possible Play on Steady Growth & new Key Project”**

MyEG was granted a 15-year concession to provide E-Services under the E-Government Initiative since 2000. Nevertheless, this does not appear to be an exclusive or blanket contract for all of the federal government's online services. For instance, we noted that some payments to government agencies can be made via other governmental websites such as <http://www.malaysia.gov.my>.

Nevertheless, given the existing range of MyEG's online services, there would appear to be steady revenue growth for years to come, assuming that the concession is extended indefinitely. We note that MyEG is banking on the Customs' Tax Monitoring project as a key earnings driver in the next few years.

MyEG's growth strategy is based on its fundamentals of being an established e-government services provider with ready infrastructure for rolling out more services. The group also plans to benefit from its proven track record, economies of scale from its existing infrastructure, linkages to various government agencies and its close relationship with the public that reduces the cost of marketing future online services. Nevertheless, there remain risks to MyEG's business such as possibly low future online transaction volumes, delays in government services going online and more companies bidding for online services contracts.

### **“Focus on Government-linked projects”**

MyEG appears to concentrate exclusively on government-linked projects and does not seem to be actively seeking private sector non-GLC (government-linked companies) projects. Nevertheless, this is not too surprising given that some of MyEG's directors do have past or current close links to the federal government and various government ministries/agencies (please refer to the Appendix in this report). While MyEG is indeed a qualified online service provider, it certainly does no harm to have friends or contacts in the right places.

**MYEG [0138]**

RM0.75



Source: NextView

**APPENDIX****MYEG'S ONLINE SERVICES**

<b>Organisation</b>	<b>Services</b>
Jabatan Pengangkutan Jalan (JPJ)(Road Transport Dept)	Driving license, road tax & auto insurance renewal; Check & pay RTD summons; LDL (L-license) application
PDRM (Polis)	Check traffic summons
TNB (Tenaga Nasional)	Bill enquiry
TM (Telekom Malaysia)	Utility bill
DBKL (KL City Hall)	Check & pay assessment bill; check & pay (business) composite license
Jabatan Insolvency (Insolvency Dept)	Bankruptcy/liquidation status enquiry
Jabatan Pendaftaran (JPN/NRD)	Replacement/collection of MyKad
Jabatan Imigresen (Immigration Dept)	Maid working permit renewal

Source: MyEG website

**MYEG'S SUBSTANTIAL SHAREHOLDERS**

<b>Substantial Shareholder</b>	<b>Direct Stake (%)</b>	<b>Indirect Stake (%)</b>
Wong Thean Soon#	4.7	34.8*
Raja Munir Shah Bin Raja Mustapha#	0.07	34.8*
Utilico Emerging Markets Limited	9.7	
Ban Swan Gek	0.04	6.1^
Goldman Sachs	5.7	
Ng Hong Sing	5.7	
Lembaga Tabung Haji	5.5	

Source: Compiled from Bursa/Bloomberg

\*via stake in Asia Internet Holdings Sdn Bhd and Asia Internet E-Services Holdings Sdn Bhd

^via Edisi Firma Sdn Bhd

#Wong Thean Soon is the MD of MyEG

#Raja Munir Shah Bin Raja Mustapha is an Executive Director of MyEG

**MYEG DIRECTORS' PAST / CURRENT LINKS TO GOVERNMENT**

<b>Director</b>	<b>Past/Current Links</b>
Dato' Dr Norraesah Binti Haji Mohamad (Exec.Chairman)	MITI; MOF; UMNO Supreme Council
Raja Munir Shah Bin Raja Mustapha (Exec.Dir)	UMNO Penang; MPPP
Tan Sri Dato' Dr Muhammad Rais Bin Abdul Karim (Ind.Non-Exec.Dir)	MAMPU; PSD; INTAN; Ministry of Higher Education
Datuk Mohd Jimmy Wong Bin Abdullah (Ind.Non-Exec.Dir)	Royal Malaysian Police; Foreign Ministry

Source: MyEG Annual Report