

29/08/2007 : Online services set to boost MYEG earnings

By SURAJ RAJ (Source - thestar.com.my)

PETALING JAYA: The introduction of new services such as online road tax renewal, coupled with increased acceptance of online driver's licence renewal, is expected to boost My E.G. Services Bhd's (MYEG) earnings, going forward.

"We expect strong earnings growth of 156% and 40% for financial years 2008 and 2009 respectively, driven by the introduction of new services and wider usage of its online services," Kenanga Investment Research said in a note.

For the year ended June 30 (FY07), MYEG's revenue and net profit surged 32.1% and 75.7% to RM25.5mil and RM7.1mil respectively.

Kenanga attributed the company's FY07 performance to strong take-up of its online services for learner's licence application, highway code test and payment of traffic offences.

The brokerage said the company's online road tax renewal service, to be launched by year-end, should achieve greater acceptance due to the yearly renewal requirement for road tax compared with driver's licences, which could be renewed for one to five years.



"Given that there are about 15 million cars registered and six million drivers, the strong recurring income stream from these two segments should drive earnings significantly," it said.

The report also said MYEG's earnings before interest, tax, depreciation and amortisation margin improved by 8.9% during the year due to higher fees and improved earnings from the Road Transport Department services offered.

It added that the acquisition of MySPEED.com Sdn Bhd, which was completed last month, would improve MYEG's market reach to the northern and eastern states of Peninsular Malaysia.

Kenanga, which maintains a "buy" call with a target price of RM2.20 on MYEG, said the stock remained attractive as it was trading at 12.2 times and 8.7 times FY08 and FY09 price-earning ratios respectively.