

08/10/2008 : MyEG proposes placement, Main Board transfer

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LAST Sept 30, MyEG Services (RM0.92) proposed a private placement exercise, bonus issue and a transfer from the Mesdaq to the Main Board of Bursa Malaysia.

The proposals involve the following:

- private placement of 25.25 million new ordinary shares of RM0.10 each in MyEG representing 10% of the issued shares
- proposed six-for-five bonus issue of up to 333.3 million new shares
- transfer of its listing status from Mesdaq to the Main Board

The proposals will increase MyEG's stock liquidity and capital base. The transfer to the Main Board should widen the stock's appeal among investors. At present, MyEG's shares are thinly traded, and many institutional funds may be disinclined to invest due to its Mesdaq-listed status.

Following the private placement, the company's paid-up capital will rise from RM25.25 million, comprising 252.5 million shares of 10 sen par value each, to RM27.775 million, comprising 277.75 million shares of 10 sen each.

MyEG's earnings forecast

| YE June (RM m) | 2007 | 2008 | 2009E* | 2010E* |
|----------------|------|------|--------|--------|
| Turnover | 25.5 | 49.3 | 61.6 | 74.4 |
| Pre-tax profit | 7.1 | 14.8 | 28.1 | 36.3 |
| Net profit | 7.1 | 14.8 | 27.9 | 35.9 |
| EPS (sen) | 2.8 | 5.9 | 10.0 | 12.9 |
| P/E (x) | 32.9 | 15.6 | 9.2 | 7.1 |
| Dividend (sen) | 0.69 | 2.0 | 3.0 | 4.0 |
| Net yield (%) | 0.69 | 2.0 | 3.0 | 4.0 |

* includes private placement exercise

The subsequent six-for-five bonus issue will involve the issuance of a total of 333.3 million shares. This will raise its paid-up capital to RM61.105 million, comprising 611.05 million shares of 10 sen each, and meeting Bursa Malaysia's minimum RM60 million Main Board requirement.

At an indicative price of 77 sen per share, the private placement exercise will raise RM19.4 million. This will boost MyEG's coffers - but more importantly, increase its capital base for the Main Board transfer.

MyEG's balance sheet is in very good shape, although net cash fell from RM15.5 million in June 2007 to RM5.5 million in June 2008. This was due to the acquisition of MySpeed for RM10 million and capex for the kiosks it has

placed in banks and insurance companies for the road tax renewal service.

MyEG is investing heavily in the road tax renewal service - particularly for the physical kiosks. Thus, proceeds from the placement will come in handy for this, as well for future dividends. The company had raised its dividends to two sen net for financial year (FY) June 2008 from 0.69 sen in FY07.

The new road tax renewal service launched last April 17 offers exciting prospects and will anchor growth for FY09 and beyond. MyEG has two main business models for the new service - an online and a kiosk-based one. It has since been very well received with about 1,000 transactions per day.

The kiosk-based service for road tax renewal will serve financial institutions and their clients. MyEG has piloted this scheme successfully with Malayan Banking Bhd (Maybank) and a number of insurance companies. In total, we understand it has now placed some 90 kiosks, ahead of the 55 we earlier anticipated.

These kiosks are specially designed to facilitate road tax renewal transactions, as road tax discs are of a specialised plastic material. MyEG will place one kiosk in each branch for the bank or insurance company's staff to handle renewal and printing of the discs for their clients.

The kiosks cost about RM80,000 each and are wholly borne by MyEG. The private placement proceeds will be used primarily to increase the number of such kiosks.

The kiosks provide MyEG with an additional physical network and customer base - via banks and insurance companies, and enable the financial institutions to also offer a value-added service to their customers.

Earnings outlook & recommendation

We have adjusted our forecasts to include the impact of the private placement exercise, but not the bonus issue.



Our estimates suggest an EPS dilution of 8%-9% for FY09-10. Nonetheless, MyEG's shares were already attractively priced to start with and we maintain our buy recommendation.

After more than doubling in FY08, we expect net profit to rise by 70% to RM27.9 million in FY09 and 28.8% to RM35.9 million in FY10, with EPS of 10 sen and 12.9 sen, respectively.

The strong growth will be driven largely by the road tax renewal service and insurance premiums. The JPJ driving tests and e-insolvency services are likely to provide more steady growth after the large jump in FY08.

At RM0.92, MyEG's shares are trading at P/Es of just 9.2 and 7.1 times FY09-10 earnings, which are very attractive relative to its growth.

MyEG's business enjoys strong growth prospects, high margins and is almost recession-proof. Its underlying market - the number of vehicles and drivers, insurance premiums needed, etc - is large, resilient and mostly recurrent. Demand is also being supported by the growing popularity of online services and transactions for convenience and cost reasons.