

Company Name : My E.G. Services Berhad
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MyEG Assures Investors About Indonesian Ops

KUALA LUMPUR: My EG Services has assured fund managers about the expected losses at the proposed Indonesia operations as it would over time, trim down its stake to below 20% in the special purpose vehicle (SPV) and treat it as an investment in its balance sheet.

“We believe MyEG’s stake in the SPV should be diluted as most of the new funding from the SPV is expected to come from two venture capitalists (VC) in Indonesia,” it said on Thursday.

CIMB Research had arranged for 16 fund managers to meet MyEG managing director TS Wong on Wednesday and most of the questions were focused on the Indonesia and the Philippines operations.

To recap, MyEG will invest US\$10m in a 40% stake in PT Cartenz Technology Indonesia (CTI). CTI will set up a SPV to install the dongles for free to monitor sales on a live basis for tax purposes in Indonesia's provinces. The business model is focused on growing market share (similar to Asean's GRAB).

"However, we think the Indonesia operations could be loss-making," it said.

CIMB Research said the SPV is expected to monetise the dongles by providing services such as over-the-counter (OTC) where customers collect goods ordered online and pay at the outlets, mobile payment services and food delivery.

"We understand two VCs in Indonesia have shown interest in investing in the SPV. We understand the potential market is about one million dongles," it said.

CIMB Research believes MyEG's stake in the SPV should be diluted as most of the new funding from the SPV is expected to come from the VCs.

The MyEG Philippines JV has just started marketing microloans (US\$1,000 loan value) in collaboration with a local bank there.

The JV gets US\$25 (RM104) for every microloan approved by the bank. MyEG believes the Philippines's microloan market could be huge.

"Our forecasts exclude potential earnings from marketing the microloans. We maintain our EPS forecasts and target price, based on an unchanged 40% premium over the technology sector's 2020 15 times target P/E, pegging the stock at 21 times 2020F P/E.

"The stock remains an Add. Re-rating catalysts are strong Philippines JV revenue while downside risks include failure to win the local SST monitoring project," it said.