

## COMPANY UPDATE

### My EG Services (MYEG MK)

Zetrix Partners MIMOS As The National Public Blockchain For MBI

In a ceremony yesterday, MYEG entered into a MOU with MIMOS Technology Solutions (MIMOS) to jointly develop and operate the national layer 1 public blockchain as components of the Malaysia Blockchain Infrastructure (MBI). Meanwhile, Zetrix also officially launched its blockchain-based supply chain financing solution, Zetrix TradeFi, and announced the participation of AmBank as a pioneer in the pilot for cross-border trades. Maintain BUY and target price of RM1.30.

#### WHAT'S NEW

- Zetrix endorsed by Malaysian government to develop national blockchain platform.** The Ministry of Science, Technology and Innovation (MOSTI) recently launched the National Blockchain Roadmap, and has acknowledged My EG Services' (MYEG) role in spearheading Malaysia's digital asset space with Zetrix's to collaborate with MIMOS to develop and operate the MBI. We retain our view that Zetrix, being the sole international supernode that is compatible with China's national blockchain Xinghuo, offers plenty of disruptive use-case and tremendous earnings potential via several revenue streams.
- MBI is a key element of the National Blockchain Roadmap.** Note that the MOU signed between MYEG's Zetrix and MOSTI signifies a landmark partnership which will fulfill the objectives set out in Malaysia's National Blockchain Roadmap. The MBI will also bring next-generation Web 3 applications to both government and commercial sectors in the country that will propel Malaysia as a leading technology innovator nation.
- Officially launched Zetrix TradeFi, with Ambank as a pioneer in the pilot version.** In the ceremony, Zetrix also officially launched its blockchain-based supply chain financing solution, Zetrix TradeFi, which leverages the immutability of the blockchain and document digitisation to enhance the credit management and disbursements involved in cross-border trade, saving time and minimising human error. Zetrix TradeFi also announced the participation of AmBank as the pioneer bank in the pilot for cross-border trades, in line with the Regional Comprehensive Economic Partnership (RCEP).
- Multi-pronged revenue streams from Zetrix to fuel MYEG's earnings growth.** Zetrix can potentially generate earnings for MYEG via: a) Initial Coin Offering (ICO), b) charging gas fees, c) service fees per credentials/contract for its Verifiable Credentials (VC) and e-signing services, and d) annual fees for its Blockchain-based Identifiers (BID). We had previously assessed that Zetrix's services can produce annual revenues of >RM650m from these revenue streams, excluding ICO proceeds of RM210m-420m.

#### KEY FINANCIALS

Year to 31 Dec (RMm)	2020	2021	2022F	2023F	2024F
Net turnover	532	724	731	873	919
EBITDA	312	374	472	550	592
Operating profit	280	326	391	449	472
Net profit (rep./act.)	272	315	451	511	535
Net profit (adj.)	272	315	381	441	465
EPS (sen)	7.5	4.2	5.1	6.0	6.3
PE (x)	11.1	19.7	16.2	14.0	13.3
P/B (x)	2.6	4.0	3.3	2.7	2.3
EV/EBITDA (x)	18.9	15.7	12.5	10.7	9.9
Dividend yield (%)	2.7	1.5	1.8	2.1	2.3
Net margin (%)	51.1	43.4	52.2	50.6	50.5
Net debt/(cash) to equity (%)	(5.1)	4.6	(17.4)	(19.5)	(21.7)
Interest cover (x)	38.7	55.6	74.8	190.3	279.4
ROE (%)	29.2	23.3	22.2	21.3	18.9
Consensus net profit (RM m)	-	-	353	385	410
UOBKH/Consensus (x)	-	-	1.08	1.15	1.13

Source: My EG Services, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	RM0.905
Target Price	RM1.30
Upside	+55.7%

#### COMPANY DESCRIPTION

MY EG Services provides e-services between the Malaysian government and its citizens and businesses. Services include road transport segment, immigration segment, and healthcare segment.

#### STOCK DATA

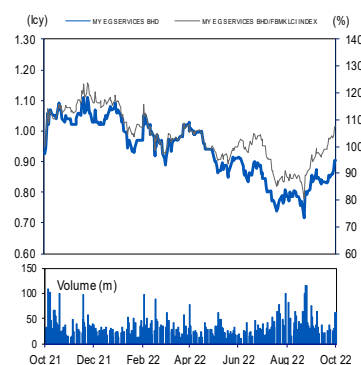
GICS sector	Information Technology
Bloomberg ticker:	MYEG MK
Shares issued (m):	7,446.5
Market cap (RMm):	6,217.8
Market cap (US\$m):	1,358.0
3-mth avg daily t'over (US\$m):	7.3
<b>Price Performance (%)</b>	

52-week high/low RM1.11/RM0.715

1mth	3mth	6mth	1yr	YTD
7.1	(2.3)	(13.9)	(13.0)	(22.0)

<b>Major Shareholders</b>	<b>%</b>
Asia Internet Holdings	18.11
Wong Thean Soon	13.12
Kumpulan Wang Persaraan Diperbadankan	7.01
FY23 NAV/Share (RM)	0.31
FY23 Net Cash/Share (RM)	0.06

#### PRICE CHART



Source: Bloomberg

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### STOCK IMPACT

• **Zetrix to achieve several key milestones in 2H22.** Zetrix has completed the foundational development for its Layer-1 blockchain functionalities and launched its mainnet in April, introduced its NFT-based insurance Covinsure in May, and launched several new applications such as: a) BID, b) VC, c) blockchain-based e-signing services in July, and d) pilot implementation of supply chain financing applications yesterday (refer to RHS table). Zetrix is also now integrating with China Customs' existing system to enable express clearance programme in 2H22 (which shortens the process by 1-3 days).

• **Excitement from the commercial roll-out of supply chain financing and custom integration applications in 2H22-1Q23.** The main application of both services is for free trade and payment flows under the Regional Comprehensive Economic Partnership (RCEP), a free-trade agreement comprising 15 member countries including China that collectively account for 30% of global output.

a) **Supply Chain Financing.** Zetrix is currently engaging with several banks and the pilot version of this service has been launched in 2H22. There is a trade finance system on Zetrix's platform that connects banks with buyers and suppliers to verify trade relationship and facilitates provision of financial services. With this service, banks are able to view trades executed between sellers and buyers, digitally sign agreements and approve financing applications on Zetrix's blockchain platform. MYEG plans to charge 10bp on the total amount of finance.

b) **Customs Integration through Digital Service Platform (DSP).** Zetrix will partner WG Tech (the current operator of China custom's blockchain services), freight forwarders and the Malaysia Customs to roll out a cross-border blockchain-based digital service platform. Under the platform, several decentralised applications (DAPP) such as issuance of product origin certificate & authentication, smart contract info verifications and on-chain signing will be completed digitally and certified by the China authorities. Exporters that are on board for this custom integration service will also be granted express clearance which provides them savings on warehousing costs. MYEG plans to charge US\$10/identifier for every stock-keeping unit (SKU).

• **We conservatively incorporate Zetrix's PBT contributions at RM50m-103m for 2022-23.** We have incorporated Zetrix's earnings contribution based on the token sales (via ICO) which will be accounted as revenue as it is a prepayment (assumptions: 5m and 10m Zetrix coins issued in 2022 and 2023 respectively at US\$5/coin). These Zetrix tokens issued will then be used as gas fees for various applications on the Zetrix platform. Hypothetically in a blue sky scenario, if we assume that Zetrix's trades can achieve 2% of China's annualised domestic trades of 1.8t transactions at 0.4 US cents per transaction, Zetrix could generate >RM650m revenue annually.

### EARNINGS REVISION/RISK

• None.

### VALUATION/RECOMMENDATION

• **Maintain BUY with target price of RM1.30,** which implies 20x 2023F PE (-0.5SD below five-year mean) and incorporates MYEG's various investment (eg Agmo Studios and S5 Systems). In a blue-sky scenario that sees Zetrix gaining traction, MYEG's fair value could be as high as RM1.52.

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

<b>• Environmental</b>	
• MYEG's carbon footprint is limited to energy consumed in an office environment and does not impact biodiversity or climate change in any significant way.	
<b>• Social</b>	
• Spent RM2.5m in community investment to support >50 charity groups in 2020.	
<b>• Governance</b>	
• Comprehended and applied Malaysian Code on Corporate Governance (MCCG).	

### XINGHUO BLOCKCHAIN NET'S PROFILE

- A national-level blockchain in China owned by CAICT, a central government agency under China's MIIT
- Has 7 supernodes in China's major cities, and >100 sub-nodes in other Tier-2 cities.
- Covers 29 provinces and 34 industries, connecting 122k local enterprises
- Within eight months of its launch, Xinghuo registered about 1.2t transactions
- Xinghuo's top-Level nodes resolve up to 94m identifiers a day on chain

Source: MYEG, UOB Kay Hian

### BUBI TECHNOLOGY'S PROFILE

- Incorporated in 2015, and is one of the first officially registered blockchain company in China
- Current main business is blockchain and supply chain financing.
- Serving mainly giant-sized State Owned Enterprises (SOE) in supply chain financing by leveraging blockchain technology to solve trust issues between banks and suppliers.
- Over the past year, Bubi built its own blockchain and has experiences dealing with government and SOEs
- Has >4,000 suppliers, 17 major banks, 30 SOEs and 30,000 developers on network.

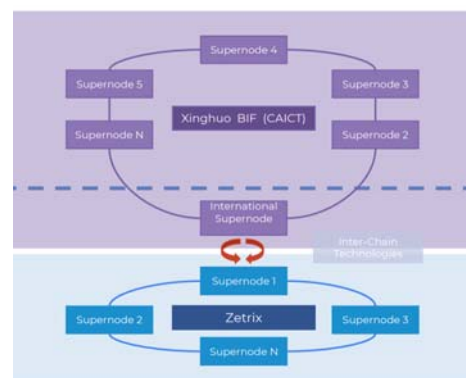
Source: MYEG, BuBi, UOB Kay Hian

### ZETRIX'S PROFILE

- A JV between MYEG and Bubi, MYEG owns 51%
- Worldwide exclusive rights for all market outside of China.
- Zetrix will host the first supernode outside of China which is directly compatible to Xinghuo's Blockchain Net
- Allows and provide blockchain infrastructure to connect foreign businesses with China's new digitalised economy.
- Provides dynamic trade traceability for RCEP
- Officially launched in Oct 2021 at Dubai World Expo with durian tracking POC

Source: MYEG, Zetrix, UOB Kay Hian

### ZETRIX'S STRUCTURE



Source: MYEG

### ZETRIX'S PRODUCT ROADMAP

2Q22	- Launch of ZTX mainnet - Build and test the proof of concept iteratively with NFT marketplace and Covinsure DAPPs. - Developer SDK published - Develop operating models and governance
3Q22	- Achieve interoperability with other chains, i.e. Xinghuo, Ethereum, Polygon. - Launch of crosschain BID/VC with Xinghuo - Launch of ZTX token sale - Marketing of BID registration in all markets ex China
4Q22	- Launch of crosschain NFT transfers with Xinghuo - Launch of Web 3 Domain Name Registry - Launch of Self Sovereign Identity use-case for both product and individual - Launch of custom integration applications
1Q23	- Commercial launch of Cross border deep tier supply chain financing and traceability

Source: MYEG, Zetrix, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (RMm)	2021	2022F	2023F	2024F
Net turnover	724	731	873	919
EBITDA	374	472	550	592
Deprec. & amort.	48	82	102	119
EBIT	326	391	449	472
Associate contributions	n.a.	n.a.	n.a.	n.a.
Net interest income/(expense)	(7)	(6)	(3)	(2)
Pre-tax profit	319	384	446	470
Tax	(4)	(3)	(3)	(3)
Minorities	(1)	0	(1)	(2)
Net profit	315	381	441	465
Net profit (adj.)	315	381	441	465

### BALANCE SHEET

Year to 31 Dec (RMm)	2021	2022F	2023F	2024F
Fixed assets	543	735	914	1,074
Other LT assets	690	587	587	588
Cash/ST investment	89	386	483	607
Other current assets	564	390	454	474
<b>Total assets</b>	<b>1,886</b>	<b>2,165</b>	<b>2,575</b>	<b>2,950</b>
ST debt	65	8	3	0
Other current liabilities	178	226	270	260
LT debt	96	50	40	31
Other LT liabilities	6	3	3	3
Shareholders' equity	1,547	1,884	2,263	2,658
Minority interest	(6)	(5)	(4)	(2)
<b>Total liabilities &amp; equity</b>	<b>1,886</b>	<b>2,165</b>	<b>2,575</b>	<b>2,950</b>

### CASH FLOW

Year to 31 Dec (RMm)	2021	2022F	2023F	2024F
Operating	113	666	525	554
Pre-tax profit	321	384	446	470
Tax	(2)	(3)	(3)	(3)
Deprec. & amort.	65	82	102	119
Associates	0	0	0	0
Working capital changes	(256)	202	(19)	(32)
Other operating cashflows	(15)	0	0	0
Investing	(328)	(230)	(280)	(279)
Capex (growth)	(215)	(230)	(280)	(280)
Investments	(8)	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(106)	0	0	1
Financing	70	(129)	(147)	(151)
Dividend payments	(79)	(114)	(132)	(139)
Issue of shares	240	0	0	0
Proceeds from borrowings	21	0	0	0
Loan repayment	(30)	(15)	(15)	(12)
Others/interest paid	(81)	0	0	0
Net cash inflow (outflow)	(145)	306	98	124
Beginning cash & cash equivalent	225	79	386	483
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	89	386	483	607

### KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
<b>Profitability</b>				
EBITDA margin	51.6	64.6	63.0	64.4
Pre-tax margin	44.1	52.6	51.1	51.1
Net margin	43.4	52.2	50.6	50.5
ROA	19.0	18.8	18.6	16.8
ROE	23.3	22.2	21.3	18.9
<b>Growth</b>				
Turnover	36.2	0.9	19.4	5.3
EBITDA	19.8	26.4	16.5	7.5
Pre-tax profit	17.3	20.4	16.0	5.5
Net profit	15.7	21.3	15.7	5.2
Net profit (adj.)	15.7	21.3	15.7	5.2
EPS	(43.7)	21.3	15.7	5.2
<b>Leverage</b>				
Debt to total capital	9.4	3.0	1.8	1.1
Debt to equity	10.4	3.0	1.9	1.2
Net debt/(cash) to equity	4.6	(17.4)	(19.5)	(21.7)
Interest cover (x)	55.6	74.8	190.3	279.4

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