

## COMPANY RESULTS

### My EG Services (MYEG MK)

1Q23: Above Expectation; The Start Of Exciting Times

**MYEG's 1Q23 core net profit rose 25% yoy, well above our expectation. Growth drivers: government e-services, foreign worker matching services and blockchain, with the latter providing upside surprise. Following the renewal of its e-government services, attention will focus on the Zetrix blockchain platform's potential – the just-launched China customs linked services and ICO of Zetrix coins (in Jul 23). Maintain BUY. Target price: RM1.18.**

#### 1Q23 RESULTS

Year to 31 Dec (RMm)	1Q23	qoq % chg	yoy % chg	Comments
Revenue	173.2	5.0	7.1	
EBITDA	119.2	9.1	22.9	
EBIT	104.5	11.0	24.4	
Interest Expense	(3.7)	37.4	157.2	
Pre-tax profit	105.4	40.1	22.9	Strong contributing momentum from immigration services, Zetrix
Tax	(0.0)	(88.9)	(92.6)	
Core net profit	105.9	16.3	25.2	Well above our 10% growth forecast
		+/- ppt	+/- ppt	
EBIT Margin (%)	60.3	3.3	8.4	
PBT Margin (%)	60.8	15.2	7.8	
Net Profit Margin (%)	61.2	5.9	8.8	

Source: MyEG, UOB Kay Hian

#### RESULTS

- **Above expectation – A strong start to the year.** MY E.G. Services' (MYEG) 1Q23 core net profit came in at RM105.9m (+16.3% qoq, +25.2% yoy), well above our forecast. 1Q23's annualised earnings accounted for 10% of our forecast.
- **Strong momentum for immigration and blockchain businesses.** The immigration, JPJ (road transport department) and blockchain businesses accounted for the bulk of 1Q23 revenue, with respective contributions of 45%, 25% and 10%.
- **The earnings and margins upside was driven by contributions from the blockchain division,** which in turn significantly benefitted from the sales of Zetrix tokens. We surmised that MYEG could have sold <RM15m worth of Zetrix tokens in 1Q23, with the bulk of token sale revenues being recognised as profits.

#### KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	724	651	777	810	899
EBITDA	374	425	529	549	582
Operating profit	326	365	404	411	433
Net profit (rep./act.)	315	350	385	404	449
Net profit (adj.)	315	350	385	404	449
EPS (sen)	4.2	4.7	5.2	5.4	6.1
PE (x)	18.6	16.7	15.2	14.5	13.0
P/B (x)	3.8	3.1	2.6	2.3	2.0
EV/EBITDA (x)	14.4	12.7	10.2	9.8	9.3
Dividend yield (%)	1.6	1.8	2.0	2.1	2.3
Net margin (%)	43.4	53.7	49.5	49.8	49.9
Net debt/(cash) to equity (%)	4.6	19.5	(20.9)	(24.7)	(24.8)
Interest cover (x)	55.6	46.0	37.6	262.8	n.a.
ROE (%)	23.3	20.4	18.8	16.9	16.3
Consensus net profit (RM m)	-	-	394	428	453
UOBKH/Consensus (x)	-	-	0.98	0.94	0.99

Source: My EG Services, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	RM0.79
Target Price	RM1.18
Upside	+49.4%

#### COMPANY DESCRIPTION

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

#### STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	MYEG MK
Shares issued (m):	7,405.5
Market cap (RMm):	5,850.3
Market cap (US\$m):	1,271.1
3-mth avg daily t'over (US\$m):	9.9

#### Price Performance (%)

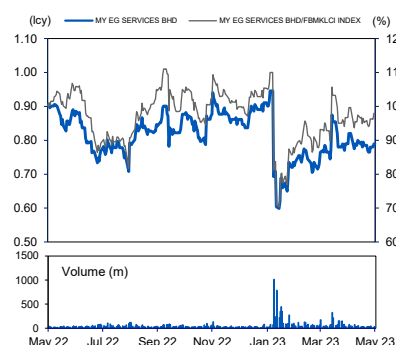
52-week high/low RM0.946/RM0.599

1mth	3mth	6mth	1yr	YTD
0.0	9.7	(9.9)	(11.4)	(8.3)

#### Major Shareholders

	%
Asia Internet	18.4
Wong Thean Soon	12.1
Kumpulan Wang Persaraan Diperbadankan	7.5
FY23 NAV/Share (RM)	0.30
FY23 Net Cash/Share (RM)	0.06

#### PRICE CHART



Source: Bloomberg

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- **Foreign worker matching services remains robust.** MYEG facilitated 3,000-4,000 foreign worker matching cases per month in 1Q23. The company expects to maintain 1Q23's momentum throughout the year.

### STOCK IMPACT

- **1Q23 net earnings should be sustained through subsequent quarters.** MYEG should be able to sustain a quarterly net profit of >RM100m, although we continue to conservatively lowball our 2023 earnings forecasts by assuming relatively modest contributions from the Zetrix blockchain platform.
- **Renewal of e-government services concession has diffused earlier investor concerns on MYEG's relevance to the government.** Recall that both the immigration department and JPJ recently renewed MYEG's e-services concession by three years. While the concession remains non-exclusive in nature, MYEG should continue to command the lion's share of such services given its entrenched infrastructure and efficiency. Meanwhile, the digitalisation option given by JPJ for road tax renewal did not materially affect MYEG's JPJ-related business volumes.
- **Zetrix still on track to unveil its tremendous earnings potential...** We conservatively incorporate Zetrix's profit before tax (PBT) contributions to MYEG at only RM54m for 2023, which is mainly derived from the token sales (assumptions: 5m Zetrix coins issued in 2023 at US\$5/coin), with modest contributions from gas fees for the various applications on the Zetrix platform, such as the Blockchain-based Identifiers (BID)/Verifiable Credentials (VC) and Blockchain-based e-signing services, Zetrix TradeFi and China's custom express clearance programme (targeting commencement in Mar 23).
- **...as the Xinghuo International Supernode goes live.** Yesterday, MYEG's announced the successful live deployment of the Xinghuo Supernode with the launching of Xinghuo Beta Name System and Xinghuo Digital Identity Service (MYEG owns and operates the Xinghuo International Supernode via its Zetrix platform). The rollout of the identity service runs parallel with Chat GPT founder Sam Altman's Worldcoin's project that incorporates such an identifier World ID protocol to authenticate humans online.
- **Tremendous potential with the planned ICO of Zetrix tokens in Hong Kong.** MYEG continues to target to launch an initial coin offering (ICO) of Zetrix in a Hong Kong endorsed crypto-exchange sometime in Jun-Jul 23. Recall that MYEG plans to issue up to 200m Zetrix tokens annually for five years, provided that Zetrix trades at a minimum of US\$5/unit. If successful, the ICO plans could create a whopping annual ICO proceed of US\$1b for the next five years. Such a potential is hardly reflected in MYEG's stock valuation.

### EARNINGS REVISION/RISK

- **None**, although we acknowledge that MYEG could trounce our forecast given the potential of its blockchain businesses.

### VALUATION/RECOMMENDATION

- **Maintain BUY with an SOTP-based target price of RM1.18**, which implies 22x 2023F PE (-0.5SD below five-year mean). Near-term event catalysts include launching of Zetrix's cross-border project with China's custom, Zetrix's ICO, potentially deepening its role in immigration services, and listings of mature start-up investments.

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

<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>	
-	Subscribed to the United Nations International Bill of Human Rights.
-	Spent RM2.5m in community investment to support >50 charity groups in 2021.
<b>Governance</b>	
-	Comprehended and applied Malaysian Code on Corporate Governance (MCCG).

### VARIOUS IMPACT ANALYSIS TO GROUP REVENUE

	Impact to 2023F
Immigration Segment	45%
Foreign worker renewal (RM 35 per pax)	8%
Other ancillary services	37%
Road Transport Segment	35%
Road tax renewal (RM2.75 per pax)	7%
Road tax delivery (RM6 per pax)	
Other ancillary services	28%

Source: MYEG; UOB Kay Hian

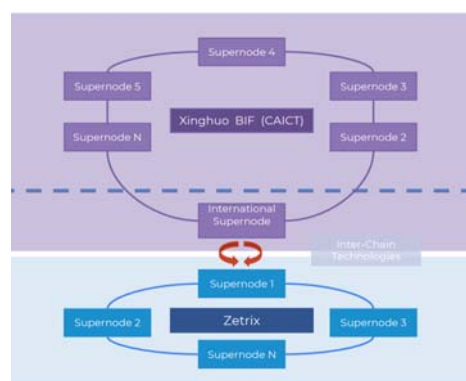
### PBT BY SEGMENT

	FY23F	FY24F	FY25F
Core PBT Breakdown	369.83	408.94	454.58
Foreign Worker	178.49	158.96	169.29
Accommodation	2.77	2.83	2.89
Road Transportation	118.86	136.69	139.42
Others	14.78	14.93	15.08
COVID-19 related services	0.98	0.00	0.00
Zetrix	53.95	95.53	127.90

Source: UOB Kay Hian

\*Does not include potential monetisation from various start-ups

### 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
1Q23	- Pilot of Cross border deep tier supply chain financing and traceability

Source: MYEG, various sources, UOB Kay Hian

### SOTP VALUATION

Valuation	Equity value (RMm)
E-government concession related businesses 2023F PBT at 20x PE	6100
Zetrix Transaction Fee (RM50m) at 20x PE	1000
Zetrix Coins Issuance (US\$5/coin) - 50m coins sold	1100
Target value of investee start-ups	1000
Minus 2022 Debt	-366
RNAV	8834
Number of shares (m)	7477.6
RNAV/share (RM)	1.18

Source: UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	651	777	810	899
EBITDA	425	529	549	582
Deprec. & amort.	60	125	138	149
EBIT	365	404	411	433
Associate contributions	n.a.	n.a.	n.a.	n.a.
Net interest income/(expense)	(9)	(14)	(2)	22
Pre-tax profit	356	390	409	455
Tax	(4)	(4)	(4)	(4)
Minorities	(2)	(1)	(1)	(1)
Net profit	350	385	404	449
Net profit (adj.)	350	385	404	449

### BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	494	1,127	1,239	1,340
Other LT assets	1,253	652	653	656
Cash/ST investment	76	506	663	750
Other current assets	717	376	391	431
<b>Total assets</b>	<b>2,540</b>	<b>2,423</b>	<b>2,777</b>	<b>3,075</b>
ST debt	149	3	0	(3)
Other current liabilities	187	165	178	103
LT debt	294	40	30	20
Other LT liabilities	37	3	3	3
Shareholders' equity	1,876	2,215	2,568	2,952
Minority interest	(4)	(3)	(1)	0
<b>Total liabilities &amp; equity</b>	<b>2,540</b>	<b>2,423</b>	<b>2,777</b>	<b>3,075</b>

### CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	303	810	540	484
Pre-tax profit	404	390	409	455
Tax	(4)	(4)	(4)	(4)
Deprec. & amort.	111	125	138	149
Associates	0	0	0	0
Working capital changes	(112)	299	(3)	(116)
Other operating cashflows	(97)	0	0	0
Investing	(522)	(250)	(249)	(249)
Capex (growth)	(527)	(250)	(250)	(250)
Investments	0	0	0	0
Proceeds from sale of assets	1	0	0	0
Others	4	0	1	1
Financing	206	(130)	(134)	(147)
Dividend payments	(95)	(115)	(121)	(135)
Issue of shares	49	0	0	0
Proceeds from borrowings	336	0	0	0
Loan repayment	(59)	(15)	(13)	(13)
Others/interest paid	(26)	0	0	0
Net cash inflow (outflow)	(13)	430	157	87
Beginning cash & cash equivalent	89	76	506	663
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	76	506	663	750

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	65.3	68.1	67.8	64.7
Pre-tax margin	54.6	50.2	50.5	50.6
Net margin	53.7	49.5	49.8	49.9
ROA	15.8	15.5	15.5	15.3
ROE	20.4	18.8	16.9	16.3
<b>Growth</b>				
Turnover	(10.1)	19.3	4.2	11.0
EBITDA	13.8	24.5	3.7	6.0
Pre-tax profit	11.4	9.6	4.9	11.2
Net profit	11.2	9.9	4.9	11.2
Net profit (adj.)	11.2	9.9	4.9	11.2
EPS	11.2	9.9	4.9	11.2
<b>Leverage</b>				
Debt to total capital	19.1	1.9	1.1	0.6
Debt to equity	23.6	1.9	1.2	0.6
Net debt/(cash) to equity	19.5	(20.9)	(24.7)	(24.8)
Interest cover (x)	46.0	37.6	262.8	n.a.

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