

### NEW ECONOMY CONFERENCE HIGHLIGHTS

#### My EG Services (MYEG MK)

Concreting E-government Presence; Unravelling Zetrix's Potential

MYEG's prospects remain rejuvenated with plenty of emerging catalysts such as earnings growth from Zetrix-related services and involvement in multiple Malaysian e-government projects. The recent commercial launch of Zetrix cross-border services also provides assurance on stable recurring revenue and healthy cash flows moving forward. We retain our view that risk-reward is appealing on depressed valuations. Maintain BUY with a target price of RM1.42.

#### WHAT'S NEW

- Zetrix remains as main growth focus.** After investing over RM1b to develop its Zetrix blockchain, My EG Services (MYEG) launched multiple applications on the platform. This includes: a) Ztrade blockchain platform in the China customs; b) certificate of origin (COO) authentication services; c) smart contract verifiable credentials (VC); and d) blockchain-based digital signing and others. More importantly, some of these government-to-government blockchain applications under the Zetrix platform solidifies MYEG's presence within the domestic e-government space, with more adoption across various ministries.
- Commenced collaborations with Heitech Padu for e-government projects.** Earlier in October, MYEG commenced its partnership with Heitech Padu (HTPADU) for Malaysian e-government projects. To note, HTPADU recently secured a National Integrated Immigration System (NIIS) project worth RM892m, and another two contracts worth around RM324m from the Road Transport Department (JPJ) this year. Leveraging on HTPADU's backend system expertise (with >20-years experiences), MYEG is able to develop a holistic platform incorporating its front-end solutions for various e-government projects in the future.
- Depressed valuation highly appeals.** MYEG now trades at just 9.6x 2025F PE, which is close to GE14's historical trough of around 12x. Such valuations are highly attractive and should regain investors' focus especially after factoring in the dissipating concerns of its e-government concessions' relevance and impressive earnings track record (consecutive quarters of record-high core earnings, alongside tremendous earnings potential from the Zetrix blockchain if executions are on point).

#### KEY FINANCIALS

Year to 31 Dec (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	651	774	980	1,035	1,087
EBITDA	425	586	752	812	888
Operating profit	365	524	681	708	755
Net profit (rep./act.)	350	484	631	658	704
Net profit (adj.)	350	484	631	658	704
EPS (sen)	4.7	6.5	8.5	8.9	9.5
PE (x)	19.2	13.9	10.0	9.6	8.9
P/B (x)	3.6	3.0	2.3	2.1	1.9
EV/EBITDA (x)	17.2	12.5	9.5	8.8	8.0
Dividend yield (%)	1.6	2.2	2.9	3.0	3.3
Net margin (%)	53.7	62.5	64.4	63.6	64.8
Net debt/(cash) to equity (%)	19.5	34.4	21.5	17.3	10.3
Interest cover (x)	46.0	14.7	15.3	16.5	18.1
ROE (%)	20.4	23.7	25.9	22.8	20.9
Consensus net profit (RM m)	-	-	591	634	693
UOBKH/Consensus (x)	-	-	1.07	1.04	1.02

Source: My EG Services, Bloomberg, UOB Kay Hian

### BUY

(Maintained)

Share Price	RM0.85
Target Price	RM1.42
Upside	+67.1%

#### 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):	7,459.1
Market cap (RMm):	6,486.0
Market cap (US\$m):	1,483.2
3-mth avg daily t'over (US\$m):	15.5

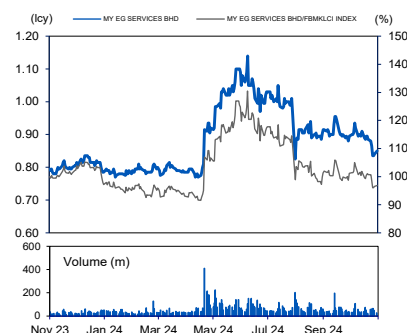
#### Price Performance (%)

52-week high/low	RM1.14/RM0.765			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(5.6)	(11.3)	(7.6)	6.3	6.3

#### Major Shareholders

Asian Internet Holdings	14.5
Wong Thean Soon	13.4
Kumpulan Wang Persaraan Diperbadankan	4.95
FY25 NAV/Share (RM)	0.42
FY25 Net Debt/Share (RM)	0.07

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

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### STOCK IMPACT

- E-government's foundation remains firm.** Following the renewal of MYEG's road transport and immigration concessions last year, earnings visibility from the e-government related businesses has remained largely unaffected. While the earlier NISe contract extension (which has since been terminated) and digital road-tax renewals did cast some doubts on the status of MYEG's relationship with the government, the impact on transaction volume seems to have been minimal as noticed in the past three to four quarterly results where the group continued to deliver record-high earnings.
- Zetrix's earnings contribution to chart meaningful growth throughout 2024-25.** With the recent commercial launch of Ztrade's two-way cross-border services with China customs, we anticipate more Zetrix token sales moving forward alongside higher transaction fees and gas fees. We had previously assessed that Zetrix's services can produce an annual revenue of >RM650m via charging gas fees, service fees per credential/contract and annual fees upon optimal utilisation of Ztrade services. For 2024-25, we have also forecasted 4.5m-5.0m Zetrix coin sales at an average price of US\$12, which translates to profit before tax (PBT) of RM200m-220m.
- Ztrade services commercially launched in China customs.** To recall, MYEG officially received a notification letter from General Administration of Customs of the People's Republic of China's (GACC) fully-owned subsidiary East Logistic-Link Co (EL) to launch its cross-border trade facilitation services (Ztrade) earlier in June. Ztrade services will also be granted exclusively by GACC on a renewable four-year basis.
- Two of the Ztrade services that will be deployed are:** a) Recognition of COO issued by the Ministry of Investment, Trade and Industry of Malaysia and GACC, and b) recognition of Phytosanitary Certificate and other product certificates issued by the Ministry of Agriculture and Food Security of Malaysia as well as GACC. Ztrade will offer two-way cross-border verification and exchange of digitised trade documents with China, and charge around Rmb200/document. We understand that Ztrade processed about 10,000 transactions as of end-Aug 24 from various freight forwarders.
- Locally, Zetrix is working on MY Digital ID.** MYEG has also been developing the MY Digital ID, a platform which integrates database from multiple government agencies and provides single login for identity and credential verifications. MYEG will monetise this project through one-off registration fee and recurring income via subscription modules for commercial entities that wish to use MY Digital ID as single-login user IDs in the future.
- Besides Zetrix, Worldcoin project is gaining momentum.** To recall, MYEG was appointed by Worldcoin to provide infrastructure services and operate the blockchain-enabled iris scanning (RM50 revenue/scan). We understand that >100,000 sign-ups have been onboarded thus far, which roughly added RM5m revenue to MYEG. With the recent deployment of more iris scanning orbs, we anticipate a rise in registrations, particularly from rural areas and foreign workers. MYEG targets around 2m World ID registrations for 2025.

### VALUATION/RECOMMENDATION

- Maintain BUY with an unchanged target price of RM1.42**, which implies 16x 2025F PE (-0.5SD below five-year mean).

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

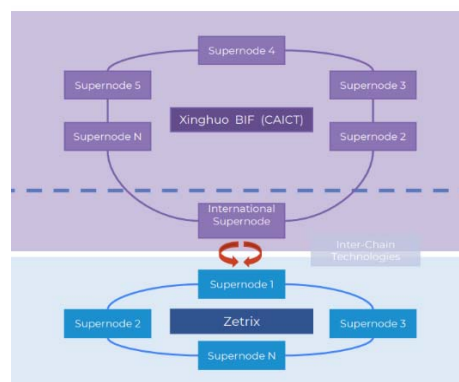
<ul style="list-style-type: none"> <li> <b>Environmental</b> <ul style="list-style-type: none"> <li>MYEG's carbon footprint is limited to energy consumed in office environment.</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li> <b>Social</b> <ul style="list-style-type: none"> <li>Spent RM2.5m in community investment to support &gt;50 charity groups in 2020.</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li> <b>Governance</b> <ul style="list-style-type: none"> <li>Comprehended and applied Malaysian Code on Corporate Governance (MCCG).</li> </ul> </li> </ul>

### PBT BY SEGMENT

	FY24F	FY25F	FY26F
Core PBT Breakdown	632.25	659.06	705.72
Foreign Worker	179.11	184.94	189.06
Accommodation	2.83	2.89	2.95
Road Transportation	148.20	151.16	154.19
Others	14.93	15.08	15.23
Zetrix	287.18	304.99	344.29

Source: UOB Kay Hian

### ZETRIX'S STRUCTURE



Source: MYEG

### ZETRIX'S PRODUCT ROADMAP

2Q22	<ul style="list-style-type: none"> <li>Launch of ZTX mainnet</li> <li>Build and test the proof of concept iteratively with NFT marketplace and Covinsure DApps.</li> <li>Developer SDK published</li> <li>Develop operating models and governance</li> </ul>
3Q22	<ul style="list-style-type: none"> <li>Achieve interoperability with other chains, i.e. Xinghuo, Ethereum, Polygon.</li> <li>Launch of crosschain BID/VC with Xinghuo</li> <li>Launch of ZTX token sale</li> <li>Marketing of BID registration in all markets except China</li> </ul>
4Q22	<ul style="list-style-type: none"> <li>Launch of crosschain NFT transfers with Xinghuo</li> <li>Launch of Web 3 Domain Name Registry</li> <li>Launch of Self Sovereign Identity usecase for both product and individual</li> </ul>
1Q23	<ul style="list-style-type: none"> <li>Pilot of cross-border deep tier supply chain financing and traceability</li> </ul>
2Q23	<ul style="list-style-type: none"> <li>Announced co-research of AI development with CAICT as part of initial inter-government blockchain research</li> </ul>
4Q23	<ul style="list-style-type: none"> <li>IEO of Zetrix coins</li> </ul>
3Q24	<ul style="list-style-type: none"> <li>Official rollout of cross-border blockchain trade facilitation services with China</li> </ul>

### PROFIT & LOSS

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Net turnover	774	980	1,035	1,087
EBITDA	586	752	812	888
Deprec. & amort.	61	71	103	133
EBIT	524	681	708	755
Associate contributions	n.a.	n.a.	n.a.	n.a.
Net interest income/(expense)	(40)	(49)	(49)	(49)
Pre-tax profit	484	632	659	706
Tax	(1)	(2)	(2)	(2)
Minorities	1	1	1	1
Net profit	484	631	658	704
Net profit (adj.)	484	631	658	704

### CASH FLOW

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Operating	503	993	642	786
Pre-tax profit	488	632	659	706
Tax	(4)	(2)	(2)	(2)
Deprec. & amort.	148	71	103	133
Associates	0	0	0	0
Working capital changes	(43)	291	(118)	(52)
Other operating cashflows	(86)	0	0	1
Investing	(791)	(600)	(400)	(400)
Capex (growth)	(474)	(400)	(400)	(400)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(318)	(200)	0	0
Financing	297	(202)	(210)	(219)
Dividend payments	(105)	(189)	(197)	(211)
Issue of shares	58	0	0	0
Proceeds from borrowings	454	0	0	0
Loan repayment	(51)	(13)	(13)	(11)
Others/interest paid	(59)	0	0	0
Net cash inflow (outflow)	8	190	32	167
Beginning cash & cash equivalent	76	84	275	307
Changes due to forex impact	(1)	0	0	1
Ending cash & cash equivalent	84	275	307	475

### BALANCE SHEET

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Fixed assets	305	635	931	1,198
Other LT assets	1,765	1,757	1,759	1,762
Cash/ST investment	84	275	307	475
Other current assets	1,073	781	806	830
<b>Total assets</b>	<b>3,227</b>	<b>3,657</b>	<b>4,024</b>	<b>4,490</b>
ST debt	142	142	142	142
Other current liabilities	137	157	64	37
LT debt	704	704	704	704
Other LT liabilities	35	3	3	4
Shareholders' equity	2,214	2,655	3,116	3,609
Minority interest	(5)	(6)	(6)	(7)
<b>Total liabilities &amp; equity</b>	<b>3,227</b>	<b>3,657</b>	<b>4,024</b>	<b>4,490</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	75.6	76.7	78.4	81.7
Pre-tax margin	62.6	64.5	63.7	64.9
Net margin	62.5	64.4	63.6	64.8
ROA	16.8	18.3	17.1	16.5
ROE	23.7	25.9	22.8	20.9
<b>Growth</b>				
Turnover	18.9	26.5	5.6	5.1
EBITDA	37.8	28.4	7.9	9.4
Pre-tax profit	36.2	30.5	4.2	7.1
Net profit	38.3	30.5	4.2	7.1
Net profit (adj.)	38.3	30.5	4.2	7.1
EPS	38.3	30.5	4.2	7.1
<b>Leverage</b>				
Debt to total capital	27.7	24.2	21.4	19.0
Debt to equity	38.2	31.9	27.2	23.5
Net debt/(cash) to equity	34.4	21.5	17.3	10.3
Interest cover (x)	14.7	15.3	16.5	18.1

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