Corporate Update| Monday, 04 July 2022

MY E.G. Services Berhad

(0138 | MYEG MK) Technology | Digital services

***Maintain* BUY**

Xinghuo-Zetrix Collaboration

***Unchanged* Target Price: RM1.25**

KEY INVESTMENT HIGHLIGHTS

- **Zetrix blockchain and Xinghuo BIF mutually introduced BIDs/VCs and Blockchain-based E-signing services to international markets.**
- **Zetrix DID solution will power an on-chain signing service to enable users to transact with certainty and verified identities.**
- **Maintain BUY with unchanged target price of RM1.25**

Xinghuo-Zetrix Collaboration. MY E.G Services Bhd's (MYEG), via its Zetrix blockchain, and Xinghuo Blockchain Infrastructure and Facility (Xinghuo BIF) have mutually introduced Blockchain-based Identifiers (BIDs) / Verifiable Credentials (VCs) and Blockchain-based E-signing services to international markets. To recall, Xinghuo BIF is a China initiated international blockchain infrastructure supported by all levels of the Chinese government while Zetrix blockchain runs the International Supernode of Xinghuo BIF to connect entities outside China to the Xinghuo BIF. Technically, BIDs and VCs are crucial building blocks of more interconnected Web3. The combination of the BIDs and VCs services will help a host of varied use cases, from simple issuance of certificates to smart product authenticity documents with ownership history and programmable government issued credentials. On the other hands, Zetrix DID solution, which conforms to the Xinghuo Blockchain-based Identifier (BID), will power an on-chain signing service to enable users to transact with certainty and verified identities. The resultant Zetrix Blockchain-based E-signing Service offers: a) support for multiple signing templates and user-defined transactions, b) verification of an individual's or product's documents/credentials, and c) inquiry of documents or credentials.

Rationale. As digital ID is gaining popularity in the heart of the digital identity system, we opine that Zetrix is taking the right move to integrate digital IDs into its platform. Zetrix, which is a layer-1 public blockchain, will enable businesses to manage smart contracts securely and efficiently. The platform uses a variety of cryptographic techniques to ensure the security of data, and it is designed to be scalable so that it can support a big number of users. The integration of digital IDs within the Zetrix platform will provide businesses, both small and large, to restructure their identity management processes and lessen the risk of fraud. Companies can also verify the identities of their employees, customers, and partners easily and help businesses keep track of their identity data and prevent unauthorized access to their systems. The interoperability of digital IDs across borders can compel economic integration of new markets too.

RETURN STATISTICS	
Price @ 1st July 2022 (RM)	0.895
Expected share price return (%)	+39.7
Expected dividend yield (%)	+1.8
Expected total return (%)	**+41.5**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-1.6	4.3
3 months	1.7	-2.3
12 months	5.9	12.0

KEY STATISTICS	
FBM KLCI	1,449.74
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	7396.62
Estimated free float (%)	47.99
Market Capitalisation (RM'm)	6,610.04
52-wk price range (RM)	0.77 - 1.15
Beta vs FBM KLCI (x)	0.90
Monthly velocity (%)	2.81
Monthly volatility (%)	18.76
3-mth average daily volume (m)	25.60
3-mth average daily value (RM'm)	23.66
Top Shareholders (%)	
Asia Internet Holdings Sdn	18.98
Wong Thean Soon	12.08
Employees Provident Fund	7.13

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Impact to earnings and recommendation. Beyond organic growth from existing business segments, MYEG's ventures into the blockchain technologies paving way for robust mid- to long- term growth. We opine MYEG will monetize Zetrix via charging gas fees on transactions, tracking fees on the supply chain traceability, as well as transaction fees on cross-border trades. Nonetheless, we have not factored in any earnings contribution from Zetrix into our estimates as we are waiting for more details on the cost from the management. Therefore, we are maintaining our **BUY** call on MYEG with an **unchanged target price of RM1.25**.

INVESTMENT STATISTICS

Financial year ending 31st December (in RM'm, unless otherwise stated)	2019A^	2020A	2021A	2022F	2023F
Revenue	595.9	532.1	724.4	876.6	881.8
Profit before tax	308.1	268.3	327.5	445.9	463.1
Income tax expense	-4.8	-1.6	-2.2	-4.5	-4.6
Profit after tax after non-controlling interest	304.6	265.2	330.7	432.4	449.1
Normalised PATANCI	304.5	265.2	330.8	432.4	449.1
EPS (sen)	8.7	7.6	5.1	5.8	6.0
PBT margin (%)	51.7	50.4	45.2	50.9	52.5
Normalised PATANCI margin (%)	51.1	49.8	45.7	49.3	50.9
Effective income tax rate (%)	1.6	0.6	1.0	1.0	1.0
DPS (sen)	2.3	1.7	1.5	1.7	1.8
Dividend yield (%)	2.4	1.7	1.6	1.8	1.8

^ Change in financial year end to December from September (15mths)
Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology