

COMPANY UPDATE

My EG Services (MYEG MK)

Positive Developments Outweigh Earnings Forecast Rationalisation

We remain upbeat on MYEG's prospects, which are anchored on the recovery of the foreign worker segment, the road transport segment's e-Testing's launch, Zetrix's launching, and the potential to clinch new government contracts. However, we cut our 2022F PBT forecast by 16% to reflect lower volume assumptions for COVID-19 tests and e-Testing due to respectively potential travel policy changes and commercialization delays. Maintain BUY with a lower target price of RM1.30.

WHAT'S NEW

- **MYEG still poised to deliver 16% earnings growth in 2022.** As a key border reopening beneficiary, My EG Services (MYEG) is expected to deliver 16% growth in 2022, driven mainly by the immigration and road-transport segments. While we expect revenue from the healthcare segment to significantly taper off by 2H22, the shortfall will be cushioned by the earnings growth/recovery in MYEG's e-government/immigration-related services.
- **Easing of COVID-19 SOPs significantly reduced our healthcare segment's earnings forecast.** As Malaysia is likely to soon follow suit the regional neighbors' easing of border crossing requirements (namely waiving the COVID-19-test mandate) for inoculated travelers, MYEG's COVID-19 testing and quarantine services revenues will eventually significantly shrink. While MYEG should deliver strong interim earnings based on >5000/day COVID-19 tests, we reduced our 2022 COVID-19 tests volume assumption from 3m to 800,000 to conservatively factor in the abolishment of COVID-19 testing requirements for the fully-vaccinated inbound travellers.
- **Delay in JPJ's e-Testing commercial roll-out.** To recall, MYEG commenced the Proof of Concept (POC) for the Automated Driving Test and Training System (e-Testing) in Nov 2021, which could deliver RM50-60m/year profits on commercial rollout. However, we understand that there were some technical delays to the rollout, and now assume that the commercialisation will only materialise by July at the earliest, thus only contributing about RM21m to our 2022 profit before tax (PBT) forecasts.
- **Despite the delayed timing of emerging revenue streams, the stock should resonate with the upcoming stream of positive newsflow.** Positive newsflow includes the country's initiation of foreign workers recruitment (boosting MYEG's immigration segment's matching and permit renewal services), Zetrix's further launches of blockchain-related new applications, and possibly clinching new government contracts.

KEY FINANCIALS

Year to 31 Dec (RMm)	2020	2021	2022F	2023F	2024F
Net turnover	532	724	814	701	760
EBITDA	312	374	452	445	477
Operating profit	280	326	376	368	399
Net profit (rep./act.)	272	315	367	362	392
Net profit (adj.)	272	315	367	362	392
EPS (sen)	7.5	4.2	4.9	4.9	5.3
PE (x)	12.7	22.6	19.4	19.7	18.1
P/B (x)	3.0	4.6	3.9	3.5	3.1
EV/EBITDA (x)	21.7	18.1	14.9	15.2	14.2
Dividend yield (%)	2.3	1.3	1.5	1.5	1.7
Net margin (%)	51.1	43.4	45.0	51.6	51.6
Net debt/(cash) to equity (%)	(5.1)	4.6	(18.1)	(30.0)	(38.3)
Interest cover (x)	38.7	55.6	71.6	154.0	225.2
ROE (%)	29.2	23.3	21.9	18.7	17.9
Consensus net profit (RM m)	-	-	376	397	393
UOBKH/Consensus (x)	-	-	0.97	0.91	1.00

Source: My EG Services Bhd, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM0.960
Target Price	RM1.30
Upside	+35.4%
(Previous TP	RM1.58)

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):	7,385.5
Market cap (RMm):	7,090.1
Market cap (US\$m):	1,627.3
3-mth avg daily t'over (US\$m):	7.4

Price Performance (%)

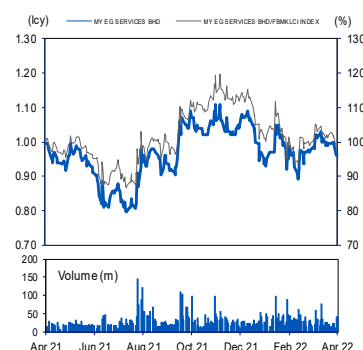
52-week high/low	RM1.11/RM0.795			
1mth	3mth	6mth	1yr	YTD
(2.0)	2.7	(11.9)	(3.5)	(10.3)

Major Shareholders

Asia Internet Holdings	19.37
Wong Thean Soon	12.08
Kumpulan Wang Persaraan Diperbadankan	6.88

FY22 NAV/Share (RM)	0.24
FY22 Net Cash/Share (RM)	0.04

PRICE CHART



Source: Bloomberg

ANALYST(S)

Vincent Khoo, CFA
+603 2147 1998
vincentkhoo@uobkayhian.com

Jack Goh
+603 2147 1983
jackgoh@uobkayhian.com

STOCK IMPACT

- Multi-pronged catalysts amid economic reopening to ignite earnings recoveries within the immigration and road transport segments.** These include: a) strong recovery in foreign worker matching services and eventually the foreign worker permit renewal services, b) robust growth from motorcycle road tax renewal and car e-Testing (automated driver license) services, and c) the listing of its various upstart investments locally and in China. Longer term, we remain optimistic that MYEG will clinch more government contracts, including the lucrative e-visa concession.
- Immigration segment's recovery led by foreign workers' entry approval.** To recall, the government has reopened the country's border for foreign workers after a prolonged hiatus due to COVID-19, and has forged bilateral agreements with some countries (Nepal and Bangladesh) over worker recruitment levy. The Malaysian Employers Federation (MEF) stated that about 475,678 employers had submitted applications to recruit foreign workers but only about 2,600 applications were approved as of 1 April. Such unfulfilled demand will be uplifting to MYEG's matching services which contributed about 20-25% of pre-pandemic revenue from 2Q22 onwards.
- Zetrix's platform to gradually gain momentum from its April launch.** Recall that MYEG launched Zetrix blockchain via an exclusive three-year JV with Xinghuo's core protocol developer Bubi Technology (Bubi). We understand that Zetrix blockchain has completed the foundational development for its Layer-1 blockchain functionalities and launched its mainnet in mid-April, featuring MYEG's non-fungible token (NFT) marketplace - NFT Pangolin as one of the first applications. With supply chain management applications to be launched soon, we expect MYEG to monetize Zetrix via charging gas fees on transactions, tracking fees on the supply chain traceability, as well as transaction fees on cross-border trades.
- Reducing MYEG's 2022 PBT projection due to COVID-19 breath tests.** To recall, MYEG had been impressively processing >5,000 COVID-19 tests/daily since the border reopened, primarily on inbound travellers who have registered via the MySafeTravel portal, and had targeted to implement its breath tests in airports. However, as Malaysia would likely follow suit its neighboring countries' initiatives to remove test requirements, we lower our 2022 test volume to 600,000 from 3m. Our new earnings assumptions in RHS table.
- Reducing MYEG's 2022 PBT projection from e-Testing.** Recall that MYEG had commenced the POC for e-Testing in two test circuits for car driver licence in Peninsular Malaysia, for commercialisation in Apr 22. However, we understand that the commercialisation timeline was again delayed to July at the earliest. Our new earnings assumptions are provided in RHS table.

EARNINGS REVISION/RISK

- We reduced our 2022 net profit forecasts by 16% to factor in lower volume forecasts for COVID-19 breath test and delay of e-Testing's commercialisation.

VALUATION/RECOMMENDATION

- Maintain BUY with target price of RM1.30**, which implies 25x 2022F PE and incorporates MYEG's various investment (Agmo Studios and S5 Systems).

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

Environmental <ul style="list-style-type: none"> 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.
Social <ul style="list-style-type: none"> Spent RM2.5m in community investment to support >50 charity groups in 2020.
Governance <ul style="list-style-type: none"> Comprehended and applied Malaysian Code on Corporate Governance (MCCG)

PBT BY SEGMENT

	FY21F	FY22F	FY23F
PBT Breakdown	326.68	386.68	375.32
Foreign Worker	127.83	135.19	189.14
Accommodation	1.04	2.07	2.77
Road Transportation	116.13	139.35	156.07
Others	12.19	12.32	12.44
COVID-19 related services	69.50	97.75	14.90

Source: UOB Kay Hian

COVID-19 TEST'S FORECASTED INCREMENTAL PBT (2022F)

Test Volume	600k*	3m	4m	5m
Price (RM/test)	100	100	100	100
Margins (%)	25	25	25	25
Total PBT annually (RMm)	20	75	100	125

*800k of test volume is our base case for FY22 forecast

Source: MYEG, UOB Kay Hian

E-TESTING'S FORECASTED INCREMENTAL PBT (2022)

----- Base Case Scenario -----			
Number of driving test conducted	ASP/pax (RM)	PBT Margin (%)	PBT (RMm)
400000	150	35	21.0
----- Blue-sky Scenario -----			
Number of driving test conducted	ASP/pax (RM)	PBT Margin (%)	PBT (RMm)
1000000	150	35	52.5

* Assuming 400k driving test conducted in 2022F (2019:1m tests),

MYEG's revenue per test of RM150, PBT margin of 30%

Source: MYEG, 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 21 at Dubai World Expo with durian tracking POC

Source: MYEG, various sources, UOB Kay Hian

MYEG'S BLOCKCHAIN INITIATIVES' MILESTONES

Services	Indicative Timeline
MYEG Lock-Earn Wallet	Launched trial version in Aug 21, commercial launch pending.
Zetrix	Officially introduced on 12 October during Dubai World Expo
Roll out of supply chain traceability and financing solutions in line with RCEP	Launching in 1H22, ratified by Dec 21)
Non Fungible Tokens (NFTs)	Launched NFT Pangolin Marketplace in
Stablecoins, Carbon credits	Working in progress

Source: MYEG, UOB Kay Hian

PROFIT & LOSS

Year to 30 Jun (RM)	2021	2022F	2023F	2024F
Net turnover	724	814	701	760
EBITDA	374	452	445	477
Deprec. & amort.	48	77	77	77
EBIT	326	376	368	399
Associate contributions	n.a.	n.a.	n.a.	n.a.
Net interest income/(expense)	(7)	(6)	(3)	(2)
Pre-tax profit	319	369	365	397
Tax	(4)	(2)	(2)	(3)
Minorities	(1)	0	(1)	(2)
Net profit	315	367	362	392
Net profit (adj.)	315	367	362	392

CASH FLOW

Year to 30 Jun (RM)	2021	2022F	2023F	2024F
Operating	113	609	479	474
Pre-tax profit	321	369	365	397
Tax	(2)	(2)	(2)	(3)
Deprec. & amort.	65	77	77	77
Associates	0	0	0	0
Working capital changes	(256)	165	39	2
Other operating cashflows	(15)	0	0	0
Investing	(328)	(180)	(80)	(79)
Capex (growth)	(215)	(180)	(80)	(80)
Investments	(8)	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(106)	0	0	0
Financing	70	(125)	(123)	(129)
Dividend payments	(79)	(110)	(108)	(118)
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)	304	276	265
Beginning cash & cash equivalent	225	79	383	659
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	89	383	659	924

BALANCE SHEET

Year to 30 Jun (RM)	2021	2022F	2023F	2024F
Fixed assets	543	690	693	696
Other LT assets	690	587	587	588
Cash/ST investment	89	383	659	924
Other current assets	564	427	377	403
Total assets	1,886	2,085	2,313	2,607
ST debt	65	8	3	0
Other current liabilities	178	226	215	244
LT debt	96	50	40	31
Other LT liabilities	6	3	3	3
Shareholders' equity	1,547	1,804	2,057	2,332
Minority interest	(6)	(5)	(4)	(2)
Total liabilities & equity	1,886	2,085	2,313	2,607

KEY METRICS

Year to 30 Jun (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	51.6	55.6	63.5	62.7
Pre-tax margin	44.1	45.4	52.1	52.3
Net margin	43.4	45.0	51.6	51.6
ROA	19.0	18.5	16.4	15.9
ROE	23.3	21.9	18.7	17.9
Growth				
Turnover	36.2	12.4	(13.9)	8.5
EBITDA	19.8	21.1	(1.6)	7.1
Pre-tax profit	17.3	15.7	(1.1)	8.8
Net profit	15.7	16.5	(1.4)	8.5
Net profit (adj.)	15.7	16.5	(1.4)	8.5
EPS	(43.7)	16.5	(1.4)	8.5
Leverage				
Debt to total capital	9.4	3.1	2.0	1.3
Debt to equity	10.4	3.2	2.1	1.3
Net debt/(cash) to equity	4.6	(18.1)	(30.0)	(38.3)
Interest cover (x)	55.6	71.6	154.0	225.2

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2022, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W