



## MY E.G. Services Berhad

(0138 | MYEG MK) Technology | Digital services

### Zetrix Continues to Chart the Earnings Growth

#### KEY INVESTMENT HIGHLIGHTS

- **Maintain BUY with a higher target price of RM1.38 post the announcement of the 1QFY24 financial results**
- **1QFY24 normalised earnings jumped +47.2%yoy to RM156.0m, mainly supported by the contribution from Zetrix**
- **This came in above our expectation, making up approximately 30% of our earnings forecast**
- **The e-government services to continue to provide a stable earnings base for the group while earnings growth will stem from Zetrix**


**Strong earnings growth.** We are keeping our **BUY** recommendation on MYEG with a higher target price of **RM1.38** (previously RM1.07) post the 1QFY24 results announcement. The group continues to record commendable earnings growth premised on the Zetrix platform. The progressive effort to introduce new services using blockchain technology would further translate into better yield for the group. Note that this is on top of the existing e-government services which serve a good earnings base for the group. At the current rate, we view that there is a high chance that earnings from Zetrix would take over the overall income from e-government services.

**Profit margin sustained above 60%.** Myeg's 1QFY24 earnings grew strongly by +47.2%yoy to RM156.0m. This was mainly attributable to the stronger growth in revenue as well as the decline in operating expenses (-10.7%yoy).

The improvement in revenue to RM232.9m (+34.5%yoy) was mainly supported by: i) contribution from Zetrix blockchain platform; and ii) contribution from the sale of Zetrix tokens.

**Above expectation.** The strong momentum in 1QFY24 financial performance came in better than our expectation, making up 30.4% of full year FY24 earnings estimates respectively.

**Upgrade in earnings estimates.** Taking cue from the 1QFY24 results announcement, we are inputting higher revenue contribution from Zetrix as well as better profit margin. As a result, FY24 and FY25 earnings estimates have been revised higher to RM586.9m and RM661.3m respectively.

**Higher target price.** We take this opportunity to roll forward our valuation-based year to FY25. Coupled with the upward revision in earnings estimates, our target price has been raised to **RM1.38** (previously RM1.07). This is based on pegging revised FY25 eps of 8.9sen to unchanged target PER of 15.5x which represent the group's two years historical average PER. 

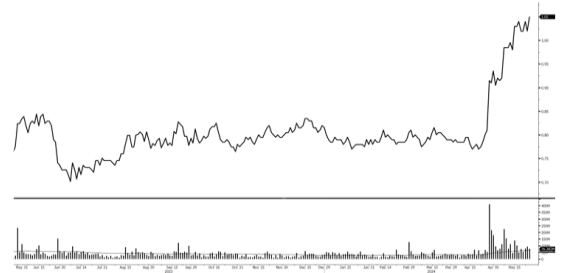
**Maintain BUY**

**Revised Target Price: RM1.38**  
(Previously RM1.07)

#### RETURN STATISTICS

Price @ 29 <sup>th</sup> May 2024 (RM)	1.04
Expected share price return (%)	+35.4
Expected dividend yield (%)	+2.6
Expected total return (%)	+38.0

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	14.8	11.7
3 months	32.9	26.9
12 months	34.8	16.9

#### INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	945.6	1,039.2	1,144.1
Operating Profit	622.4	696.3	778.7
Profit Before Tax	605.2	681.9	764.4
Core PATAMI	586.9	661.3	741.3
Core EPS	7.9	8.9	10.0
DPS	2.4	2.7	3.0
Dividend Yield	2.3	2.6	2.9

#### KEY STATISTICS

FBM KLCI	1,605.35
Issue shares (m)	7,459.54
Estimated free float (%)	51.52
Market Capitalisation (RM'm)	7,832.01
52-wk price range (RM)	0.70-1.08
3-mth average daily volume (m)	65.66
3-mth average daily value (RM'm)	58.88
Top Shareholders (%)	
Asia Internet Holdings Sdn Bhd	16.37
Wong Thean Soon	12.50
KWAP	6.95

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**MY E.G. SERVICES BHD: 1QFY24 RESULTS SUMMARY**

FYE 31st December (in RM'm, unless otherwise stated)	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)
Revenue	233.0	173.2	34.5	222.1	4.9
EBITDA	184.8	123.5	49.7	179.1	3.2
Depreciation and amortisation	-14.1	-14.7	-3.9	-17.3	-18.3
EBIT	170.7	108.8	56.9	161.9	5.5
Interest expense	-14.4	-3.7	289.0	-11.7	23.2
Interest income	0.4	0.2	111.0	0.4	-14.5
Share of results of JV and associates	0.1	0.1	2.6	0.0	900.0
PBT	156.8	105.4	48.8	150.6	4.1
Taxation	-0.6	0.0	1,351.3	-0.6	2.7
NCI	-0.3	0.6	-142.7	0.1	-329.7
PATANCI	156.0	105.9	47.2	150.2	3.9
Normalised PATANCI	156.0	105.9	47.2	150.9	3.3
Normalised EPS (sen)	2.09	1.42	46.7	2.03	2.9
			+/- ppts		+/- ppts
EBITDA margin (%)	79.3	71.3	8.0	80.7	-1.3
EBIT margin (%)	73.3	62.8	10.5	72.9	0.4
Normalised PATANCI margin (%)	66.9	61.2	5.8	67.6	-0.7
Effective tax rate (%)	0.4	0.0	0.3	0.4	0.0

Source: Company, MIDFR

**FINANCIAL SUMMARY**

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	642.2	774.3	945.6	1,039.2	1,144.1
EBITDA	473.4	588.2	687.2	770.9	865.4
EBIT	413.2	526.8	622.4	696.3	778.7
PBT	404.4	488.3	605.2	681.9	764.4
PATANCI	336.8	487.7	586.9	661.3	741.3
Normalised PATANCI	291.3	485.5	586.9	661.3	741.3
Normalised EPS (sen)	3.9	6.7	7.9	8.9	10.0
Normalised EPS Growth (%)	25.6	0.7	0.2	0.1	0.1
PER (x)	26.4	15.5	13.2	11.7	10.4
Dividend Per Share (sen)	1.4	1.9	2.4	2.7	3.0
Dividend yield (%)	1.4	1.9	2.3	2.6	2.9

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 <i>rise</i> 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 <i>fall</i> 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