

Zetrix AI (ZETRIX MK)

Blockchain Accelerations Well Undervalued

Highlights

- 4Q25-1Q26 results will reflect the RM500m Zetrix token sales to Bullish Aim, lifting earnings meaningfully.
- Ramp-up of various blockchain-related services and potential spin-off of the web3 business remain key catalysts for the group. Maintain BUY with a higher target price of RM1.62.

Analysis

- Sizeable Zetrix token sales to be recorded in 4Q25-1Q26.** In Dec 25, it was announced that Johor Regent Tunku Ismail Sultan Ibrahim's wholly-owned company, Bullish Aim, is establishing a digital asset treasury company (Datco) with an initial allocation of RM500m in Zetrix tokens, which may later be raised to RM1b. This is to manage the operational cost and gas fees following the launch of RMJDT, a ringgit-backed stablecoin issued on Zetrix's layer-1 blockchain. We anticipate that Zetrix will record the revenue from these Zetrix token sales in 4Q25-1Q26, lifting earnings and cashflow meaningfully.
- Zetrix's pioneer blockchain venture continues to strengthen its presence in the domestic e-government space.** Zetrix has invested over RM1b to develop its Zetrix blockchain and has launched multiple applications since its inception three years ago. This includes: a) Ztrade blockchain platform, b) certificate of origin (COO) authentication services, c) smart contract verifiable credentials (VC), d) My Digital ID, and e) Nur AI and others. More importantly, some of these G2G blockchain applications under the Zetrix platform solidify the group's presence within the domestic e-government space, with increasing adoption rates across various ministries.
- Potential spin-off of web3 business as SPV for listing may unlock value for shareholders.** We understand that Zetrix intends to create a special purpose vehicle (SPV) which contains all Zetrix cross border businesses on layer-1 blockchain such as Ztrade, Robotics, Nur AI and others to be listed in Nasdaq via a Special Purpose Acquisition Company (SPAC). Following this exercise, the group may pare down its debt and unlock value for existing shareholders, besides allowing better cashflow as capex will be largely reduced from the current RM500-600m/year run-rate.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	774.3	1,016.9	1,287.3	1,527.4	1,465.3
EBITDA	585.7	806.1	1,067.3	1,345.8	1,301.3
Operating profit	524.3	751.3	970.5	1,198.6	1,108.9
Net profit (rep./act.)	483.8	679.8	892.4	1,118.0	1,030.0
Net profit (adj.)	483.8	679.8	892.4	1,118.0	1,030.0
EPS	6.5	9.2	11.4	14.2	13.1
PE	15.9	11.3	7.1	5.7	6.2
P/B	3.5	2.7	1.8	1.4	1.2
EV/EBITDA	14.4	10.6	6.5	5.2	5.3
Dividend yield	1.9	2.6	3.5	3.9	4.0
Net margin	62.5	66.8	69.3	73.2	70.3
Net debt/(cash) to equity	34.4	31.2	17.6	13.6	8.8
Interest cover	14.6	12.1	14.5	18.3	17.7
ROE	25.7	30.9	28.0	28.3	21.6
Consensus net profit	n.a	n.a	806.0	884.0	941.0
UOBKH/Consensus (x)	n.a	n.a	1.11	1.26	1.09

Source: Zetrix AI Berhad, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM0.805
Target Price	RM1.620
Upside	101.2%
Previous TP	RM1.520

Analyst(s)

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Stock Data

GICS Sector	Industrials
Bloomberg ticker	ZETRIX MK
Shares issued (m)	7,801.0
Market cap (RMm)	6,318.8
Market cap (US\$m)	1,557.5
3-mth avg daily t'over (US\$m)	12.0

Price Performance (%)

52-week high/low				RM1.0/RM0.70
1mth	3mth	6mth	1yr	YTD
0.6	(4.7)	(13.4)	(15.2)	0.0

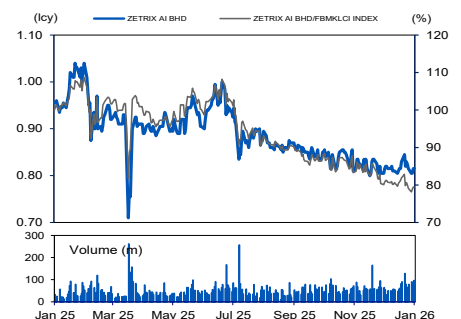
Major Shareholders

	%
Wong Thean Soon	14.25
Asian Internet Holdings	13.98
Kumpulan Wang Persaraan Diperbadankan	4.99

Balance Sheet Metrics

	%
FY26 NAV/Share (RM)	0.46
FY26 Net Debt/Share (RM)	0.09

Price Chart



Source: Bloomberg

Company Description

Zetrix AI provides e-government services between the Malaysian government and its citizens and businesses. Services include road transport segment, immigration segment, and blockchain segment.

- **My Digital ID entering use-case stages, awaiting official launch.** Locally, Zetrix has been developing the MY Digital ID Superapp with MIMOS. MY Digital ID Superapp integrates databases from multiple government agencies and provides Single Sign On (SSO) login for identity and credentials verifications. Some of these government-related applications include NIIS SuperAPP, MySejahtera, MyJPJ, MyHRMIS. We anticipate that NIIS SuperAPP and social media age verifications will boost My Digital ID signups meaningfully in 2026. Overall, Zetrix will monetise these projects through one-off registration fees and recurring income via subscription modules for any commercial entity using MY digital ID as single-login user ID solutions.
- **Ztrade adoption progressing well.** Zetrix's cross-border trade facilitation services (ZTrade) have been integrated into Malaysia's National Single Window and supports two-way cross-border verification and exchange of digitised trade documents between Malaysia and China. In Nov 25, Zetrix and the Federation of Malaysian Freight Forwarders (FMFF) also reaffirmed their commitment to jointly drive the full adoption of Ztrade – beginning with the implementation of digital Certificates of Origin (COOs) which is charging around Rmb200/document. We understand that ZTrade processes around 15,000 transactions per month from various freight forwarders.
- **Putting numbers into the picture.** With the recent commercial launching 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 blockchain services can produce an annual revenue of over RM650m via charging gas fees, service fees per credential/contract and annual fees upon optimal utilisation of Ztrade services. For 2026, we are forecasting 9m-10m Zetrix token sales at an average price of US\$12, including the Zetrix token sales to Bullish Aim.
- **Depressed valuation highly appeals.** Zetrix's shares now trade at 5.3x 2026F PE, well below GE14's historical trough of around 12x. Such valuations are highly attractive and shall 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). The dividend yield of 3.5-4% for 2025-27 (assuming usual 22-30% dividend payout) is also commendable.

Valuation/Recommendation

- **We raise our 2025-27 earnings forecasts by 11-26%**, factoring in the RM500m proceeds from Zetrix token sales to Bullish Aim and higher services-related earnings for Ztrade and My Digital ID.
- **Maintain BUY with a higher target price of RM1.62 (from RM1.52)**, pegged to 11.4x 2026F PE (-1SD below mean). We lowered our PE peg from 14x (-0.5SD below mean) to 11.4x (-1SD below mean) to reflect overall weaker investor sentiment. If we were to peg our target price to 14x (-0.5SD below mean), the implied blue-sky target price would be around RM1.99.
- Overall, we retain our view that Zetrix is undervalued, and will be re-rated following better cashflow conversion, lower gearing following spin-off of its web3 business as SPV and growing dividend yields following record-earnings.

Environmental, social, governance (ESG) updates

Environmental

- 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

- Subscribed to the United Nations International Bill of Human Rights.
- Spent RM2.5m in community investment to support over 50 charity groups in 2021.

Governance

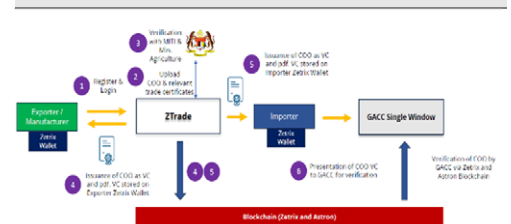
- Comprehended and applied Malaysian Code on Corporate Governance (MCCG).

PBT By Segment

	FY24	FY25F	FY26F
Core PBT Breakdown	674.62	897.13	1,125.28
Foreign Worker	179.11	184.94	185.18
Accommodation	2.83	2.89	2.95
Road Transportation	148.20	151.16	158.72
Others	14.93	15.08	15.23
Zetrix and World ID	329.56	543.06	763.20

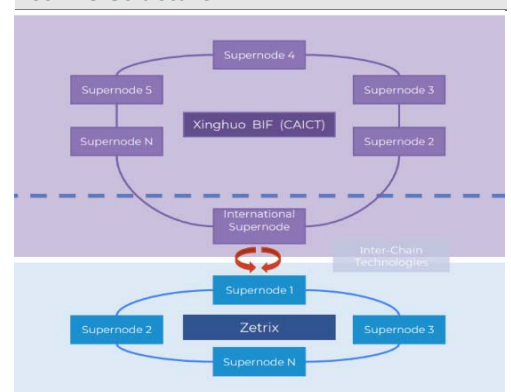
Source: UOB Kay Hian

Ztrade's Process Flow



Source: Zetrix AI Berhad, UOB Kay Hian

Zetrix's Structure



Source: Zetrix AI Berhad

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 market ex China
4Q22	- Launch of crosschain NFT transfers with Xinghuo - Launch of Web 3 Domain Name Registry - Launch of Self Sovereign Identity usecase for both product and individual
1Q23	- Pilot of Cross border deep tier supply chain financing and traceability
2Q23	- Announced co-research of AI development with CAICT as part of initial inter-government blockchain research
4Q23	- IEO of Zetrix coins
3Q24	- Official rollout of cross-border blockchain trade facilitation services with China
2025	- Rollout of NurAI - Rollout of Miss Universe Voting App - Rollout of My Digital ID Super App (JV with MIMOS)

Source: Zetrix AI Berhad, various sources, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	1,017	1,287	1,527	1,465
EBITDA	806	1,067	1,346	1,301
Deprec. & amort.	55	97	147	192
EBIT	751	970	1,199	1,109
Net interest income/(expense)	(67)	(73)	(73)	(73)
Pre-tax profit	684	897	1,125	1,036
Tax	(4)	(6)	(7)	(6)
Minorities	0	1	(0)	1
Net profit	680	892	1,118	1,030
Net profit (adj.)	680	892	1,118	1,030

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	368	871	1,324	1,732
Other LT assets	2,444	2,438	2,440	2,442
Cash/ST investment	374	645	670	811
Other current assets	1,005	844	952	925
Total assets	4,248	4,871	5,707	6,478
ST debt	82	82	82	82
Other current liabilities	108	86	50	49
LT debt	1,183	1,183	1,183	1,183
Other LT liabilities	27	3	3	3
Shareholders' equity	2,851	3,521	4,393	5,165
Minority interest	(3)	(3)	(3)	(4)
Total liabilities & equity	4,248	4,871	5,707	6,478

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	783	1,107	1,122	1,249
Pre-tax profit	684	897	1,125	1,036
Tax	(4)	(6)	(7)	(6)
Deprec. & amort.	55	97	147	192
Associates	0	0	0	0
Working capital changes	29	118	(144)	26
Other operating cashflows	(141)	0	1	2
Investing	(833)	(600)	(600)	(600)
Capex (growth)	(662)	(600)	(600)	(600)
Investments	39	33	34	35
Proceeds from sale of assets	(209)	(33)	(34)	(35)
Others	324	(236)	(498)	(508)
Financing	(144)	(223)	(246)	(257)
Dividend payments	(833)	(600)	(600)	(600)
Issue of shares	63	0	0	0
Proceeds from borrowings	538	0	0	0
Loan repayment	(120)	(13)	(252)	(251)
Others/interest paid	50	0	0	0
Net cash inflow (outflow)	275	271	25	141
Beginning cash & cash equivalent	84	374	645	670
Changes due to forex impact	15	0	0	0
Ending cash & cash equivalent	374	645	670	811

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	79.3	82.9	88.1	88.8
Pre-tax margin	67.3	69.7	73.7	70.7
Net margin	66.9	69.3	73.2	70.3
ROA	18.2	19.6	21.1	16.9
ROE	26.8	28.0	28.3	21.6
Growth				
Turnover	31.3	26.6	18.6	(4.1)
EBITDA	37.6	32.4	26.1	(3.3)
Pre-tax profit	41.3	31.1	25.4	(8.0)
Net profit	40.5	31.3	25.3	(7.9)
Net profit (adj.)	40.5	31.3	25.3	(7.9)
EPS	40.5	23.7	25.3	(7.9)
Leverage				
Debt to total capital	30.7	26.4	22.4	19.7
Debt to equity	44.4	35.9	28.8	24.5
Net debt/(cash) to equity	31.2	17.6	13.6	8.8
Interest cover	12.1	14.5	18.3	17.7

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