

AI park and Perak e-wallet boost for Green Packet


TECHNOLOGY

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Fully digital: Green Packet's wholly owned subsidiary kiplePay is collaborating with Digital Perak Corp Holdings to provide a unified payment platform for cashless transactions in government services and businesses in Perak.

AFTER a recent lull in headline-grabbing news, [Green Packet Bhd](#)  seems to be making its way into the news again.

Yesterday, its associate company [G3 Global Bhd](#)  said in a Bursa Malaysia filing that it had received a letter of intent (LoI) from Technology Park Malaysia Corp Sdn Bhd (TPM) regarding the building of the



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On the same day, Green Packet also announced that it has made some inroads into powering the use of digital payments in the state of Perak as part of a deal with the state government.

This comes after CGS-CIMB had on Tuesday issued a non-rated research report on Green Packet, highlighting in particular, the earnings potential that the technology company could gain from its venture with Tencent Cloud to build the cloud business for the Malaysian market.

G3 has already teamed up with China's top AI firm, SenseTime, along with China Harbour Engineering Company Ltd to jointly develop the AI park.

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In addition, G3 continues to be in talks with big-name technology providers to be anchor investors in the AI park.

Further details on the development have yet to be ironed out, but it was previously reported that the AI park is expected to have a gross development value of "above tens of billions."

The AI park is envisioned to be Malaysia's very first AI-powered technopolis, with schools, residences, factories, and transportation and infrastructure facilities equipped with the latest AI solutions.

It also has been reported that the AI park is vital as it would house the necessary AI research-related public service infrastructure as a base to promote AI technology in Malaysia.

The AI park would also be a place for talent to be trained on AI and machine learning and will serve as a platform for the development of AI solutions such as speech recognition, robotics and smart city technology. It is also planned to be a regional epicentre for data management and commercial ecosystem.

In the Lol, TPM expressed its intent to further discuss G3's request for proposal submissions and the proposed development project of the AI park.



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Meanwhile, Green Packet's wholly owned subsidiary kiplePay is collaborating with Digital Perak Corp Holdings to provide a unified payment platform for cashless transactions in government services and businesses in Perak.

With this cashless payment platform, citizens can pay for services through the Digital Perak web portal, which include training courses, co-working space, computer labs and office through Hub Inovasi and Multimedia (HiM), as well as asset booking, quit rent and summon payment with municipal councils in Perak.

Apart from that, merchants under Digital Perak's S.M.A.R.T Niaga @ Perak programme will be able to use kiplePay's merchant app that supports cashless payments for in-store transactions, while the kipleBiz Unified Payment platform will support merchants who sell their services or goods online with payment gateway services that facilitates multiple payment modes such as online banking, debit or credit card and multiple ewallets.

According to CGS-CIMB, kiplePay is pursuing further opportunities in the education sector, on the back of its position as the leading e-wallet in the local public higher education sector.

As of August 2020, kiplePay commanded a 60% share of an estimated market size of RM5.8bil in potential spending per annum.

The research house notes that kiplePay is exploring opportunities with Bank Islam Malaysia Bhd and the National Higher Education Fund Corp (PTPTN).

Despite Green Packet's digital services segment posting a net loss of RM13mil for the first half of the financial year ending Dec 31,2020 (FY20) due to business development costs, kiplePay's gross transaction during the period grew 113% year-on-year.

With kiplePay's prospects in the pipeline, coupled with Green Packet's 10-year exclusive agreement signed with Tencent Cloud and the winding up of loss-making Singapore mobile virtual network operator (MVNO) Vivohub, CGS-CIMB notes that these are signs of green shoots for Green Packet.

The Tencent Cloud agreement will see Green Packet initially invest RM100mil for 600 servers that will go live by the first quarter of 2021.

"Green Packet believes this will grow to 3,000 to 4,000 servers over the next four to five years with a total investment of RM300mil to RM500mil.

"Green Packet projects the business to contribute 30% to 40% of earnings before interest, tax, depreciation and amortisation (Ebitda) in FY22, with a net present value (NPV) of US\$82mil (RM339mil) over 10 years.

"Green Packet posted a gross net loss of RM4.5mil and RM27mil in FY19 and the first half of FY20 due to



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Packet is optimistic of an earnings turnaround by FY21.

The earnings turnaround is also partly due to the winding up of Vivohub and full settlement of exchangeable medium-term notes (EMTNs) issued to TM previously.

Excluding Vivohub's earnings, CGS-CIMB says Green Packet's communications business segment would have turned in a net profit of RM2mil in FY19 and RM3mil in the first half of FY20.

As for the full settlement of EMTNs, it is estimated that Green Packet will save some RM20mil in interest cost per annum, turning its net debt of RM252mil during the second quarter of FY20 into proforma net cash of RM31mil.

Just last month, Green Packet divested its 10.3% fully-diluted stake in webe to TM for full settlement of RM283mil in EMTNs.

Despite all the positive news flows surrounding Green Packet, its share price has been flat of late.

Following the spike it enjoyed in May 2020 at a high of RM1.44, Green Packet's share price has since declined, ending Friday at 50 sen, with a market capitalisation of RM549mil.

However, it should be noted that Green Packet owns just under 30% of G3 and more than 50% of the latter's outstanding warrants, the total value of which comes up to some RM730mil.

It should be noted that Green Packet is in the midst of a placement exercise. The group plans to raise another RM63mil to RM99mil via a second tranche of private placement of 120 million to 190 million shares at a 52 sen apiece to fund working capital and cloud infrastructure investment.

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