



## Company report

## MYNEWS HOLDINGS

(MNHB MK EQUITY, MYNE.KL)

23 Dec 2021

Back on growth trajectory

BUY

(Maintained)

## AmInvestment Bank

www.amequities.com.my

032036 2293

Rationale for report: Company results

Price	RM0.86
Fair Value	RM1.18
52-week High/Low	RM1.12/RM0.57

## Key Changes

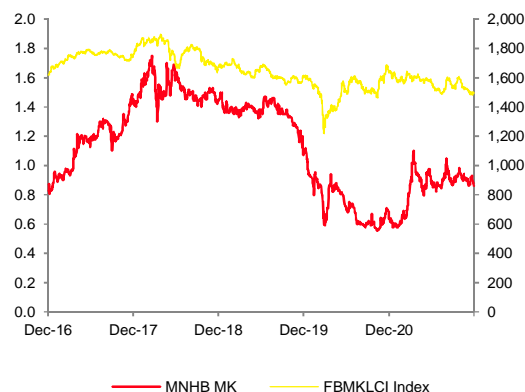
Fair value	↔
EPS	↔

YE to Oct	FY21	FY22F	FY23F	FY24F
Revenue (RM mil)	400.6	522.2	688.0	819.4
Core net profit (RM mil)	(43.1)	9.3	27.7	32.9
FD Core EPS (sen)	(6.3)	1.4	4.1	4.8
FD Core EPS growth (%)	337.6	(121.5)	199.3	18.6
Consensus Net Profit (RM mil)	-	20.2	31.9	n.a.
DPS (sen)	-	1.0	1.0	1.0
PE (x)	nm	63.4	21.2	17.8
EV/EBITDA (x)	79.4	9.2	6.6	5.7
Div yield (%)	-	1.2	1.2	1.2
ROE (%)	(16.8)	3.8	11.0	11.9
Net Gearing (%)	49.5	49.4	32.8	19.8

## Stock and Financial Data

Shares Outstanding (million)	682.2
Market Cap (RMmil)	586.7
Book Value (RM/share)	0.35
P/BV (x)	2.5
ROE (%)	(16.8)
Net Gearing (%)	49.5
Major Shareholders	D&D Consolidated (57.4%) EPF (6.7%) Standard Life Aberdeen PLC (5.1%)
Free Float	205.6
Avg Daily Value (RMmil)	0.9

Price performance	3mth	6mth	12mth
Absolute (%)	(1.7)	(4.4)	34.4
Relative (%)	0.2	0.3	46.2



## Investment Highlights

- We maintain our BUY call on Mynews Holdings (Mynews) and its fair value (FV) of RM1.18, based on an unchanged PER of 29x (historical average) FY23F EPS. There is no adjustment for ESG based on our 3-star rating.
- Mynews' FY21 net loss of RM43.1mil is wider than our and consensus' expectations. Besides slower-than-expected pick-up in footfall during the quarter, the negative variance was also attributed to the QoQ higher operating expenses as the company beefed up its CU brand's workforce.
- On a YoY basis, Mynews' FY21 revenue fell by 18% to RM400.6mil. This, coupled with higher administrative expenses from the launch of the CU outlets, contributed to the wider losses.
- On a positive note, the company's narrower 4QFY21 net loss of RM8.9mil (vs. RM14.9mil in 3QFY21) pointed to demand recovery. The smaller loss was due to a higher revenue of RM104.1mil (+11% QoQ) as footfall gradually returned given the relaxation of movement restrictions starting mid-August. We believe the pick-up in the country's vaccination rate and declining trend of Covid-19 cases contributed to the improved consumer confidence.
- Meanwhile, Mynews' food processing centre (FPC) reported a loss RM3.5mil, a small improvement from last quarter's RM3.6mil. We expect the FPC to break even in 2HFY22 as its CU stores are expected to improve the off-take of the fresh food offerings. The group requires a 70% utilisation rate to break even. Separately, its jointly controlled entity, WH Smith, reported a small profit of RM50K mainly bolstered by rental rebates.
- We anticipate the company to return to profitability in FY22F, benefiting from the reopening of the economy. Our base case assumption is that there will be no movement control orders moving forward. Mynews is also expected to resume its outlets' network expansion plan. The company has been aggressively spending on outlet openings, A&P, and increasing workforce in the last two quarters, preparing for the market recovery.
- Our BUY call is premised on the strong positive sentiment and growth potential stemming from Mynews' SUPERVALUE and CU outlets as well as the scarcity premium as of one of the few growth stocks in the convenience store retail segment in Malaysia.

## EXHIBIT 1: QUARTERLY RESULTS

FYE Oct (RM mil)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	QoQ	YoY	FY20	FY21	YoY
<b>Revenue</b>	<b>115.8</b>	<b>98.7</b>	<b>103.9</b>	<b>93.9</b>	<b>104.1</b>	<b>11%</b>	<b>-10%</b>	<b>490.0</b>	<b>400.6</b>	<b>-18%</b>
<b>EBITDA</b>	<b>9.6</b>	<b>7.2</b>	<b>6.3</b>	<b>1.8</b>	<b>0.9</b>	<b>-49%</b>	<b>-90%</b>	<b>50.4</b>	<b>16.0</b>	<b>-68%</b>
<b>EBIT</b>	<b>-2.5</b>	<b>-7.2</b>	<b>-7.8</b>	<b>-12.5</b>	<b>-12.9</b>	<b>3%</b>	<b>&gt;100%</b>	<b>-1.7</b>	<b>-40.4</b>	<b>&gt;100%</b>
Interest expense	-1.7	-1.6	-1.5	-1.6	-1.5	-5%	-7%	-5.2	-6.4	23%
Associates	-1.1	0.4	-0.6	-0.5	0.1	n.m.	n.m.	-1.4	-0.7	-46%
<b>Pretax profit</b>	<b>-6.9</b>	<b>-10.1</b>	<b>-11.5</b>	<b>-16.3</b>	<b>-15.8</b>	<b>-3%</b>	<b>&gt;100%</b>	<b>-13.1</b>	<b>-53.7</b>	<b>&gt;100%</b>
Tax	-0.3	-0.5	-0.4	-0.4	5.3	n.m.	n.m.	-2.1	4.0	n.m.
MI	2.1	1.6	1.6	1.8	1.7	-5%	-20%	6.1	6.7	10%
<b>Core net profit</b>	<b>-5.1</b>	<b>-8.9</b>	<b>-10.3</b>	<b>-14.9</b>	<b>-8.9</b>	<b>-40%</b>	<b>73%</b>	<b>-9.2</b>	<b>-43.1</b>	<b>367%</b>
FD Core EPS (sen)	-0.8	-1.3	-1.5	-2.2	-1.3	-40%	73%	-1.4	-6.3	367%
Gross margin (%)	32.7%	31.9%	31.8%	29.9%	28.3%	-1.7ppt	-4.5ppt	32.9%	30.5%	-2.5ppt
EBIT margin (%)	-2.2%	-7.3%	-7.5%	-13.4%	-12.4%	1.0ppt	-10.2ppt	-0.3%	-10.1%	-9.7ppt
Pretax margin (%)	-6.0%	-10.3%	-11.0%	-17.4%	-15.2%	2.1ppt	-9.2ppt	-2.7%	-13.4%	-10.7ppt
Effective tax rate (%)	-4.9%	-4.5%	-3.6%	-2.5%	33.2%	n.m.	n.m.	-16.2%	7.4%	n.m.
Core net profit margin (%)	-6.3%	-10.7%	-11.4%	-17.8%	-10.2%	7.6ppt	-3.9ppt	-3.1%	-12.4%	-9.3ppt

Source: Company

## EXHIBIT 2: ESG RATING

Overall	★	★	★		
Zero-carbon initiatives	★	★	★	★	
Work site safety	★	★	★	★	
Shareholder accountability	★	★			
Social responsibility	★	★	★		
Pollution control	★	★	★		
Supply chain auditing	★	★	★	★	
Corruption-free pledge	★	★	★		
Accessibility & transparency	★	★	★		

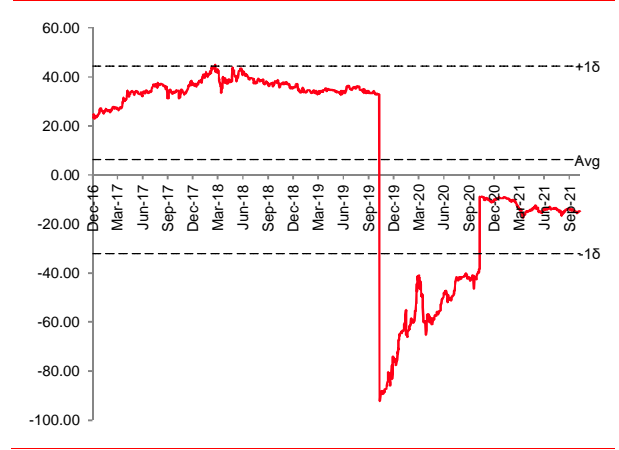
We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

Source: AmInvestment Bank Bhd

EXHIBIT 3: PB BAND CHART



EXHIBIT 4: PE BAND CHART



## EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Oct)	FY20	FY21	FY22F	FY23F	FY24F
Revenue	489.4	400.6	522.2	688.0	819.4
EBITDA	42.7	8.9	77.2	102.2	113.5
Depreciation/Amortisation	(51.9)	(56.4)	(59.2)	(60.4)	(65.1)
Operating income (EBIT)	(9.2)	(47.5)	18.0	41.8	48.4
Other income & associates	(1.4)	(0.7)	(0.7)	(0.7)	(0.7)
Net interest	(4.9)	(6.2)	(6.7)	(6.2)	(6.2)
<b>Exceptional items</b>	-	-	-	-	-
Pretax profit	(14.1)	(53.7)	11.3	35.5	42.2
Taxation	(1.8)	4.0	(2.0)	(7.8)	(9.3)
<b>Minorities/pref dividends</b>	<b>6.1</b>	<b>6.7</b>	-	-	-
Net profit	(9.8)	(43.1)	9.3	27.7	32.9
Core net profit	(9.8)	(43.1)	9.3	27.7	32.9
<b>Balance Sheet (RMmil, YE 31 Oct)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22F</b>	<b>FY23F</b>	<b>FY24F</b>
Fixed assets	338.5	352.8	408.0	461.9	511.2
Intangible assets	-	3.9	3.9	3.9	3.9
<b>Other long-term assets</b>	<b>19.9</b>	<b>19.2</b>	<b>19.2</b>	<b>19.2</b>	<b>19.2</b>
Total non-current assets	358.4	375.8	431.0	485.0	534.3
Cash & equivalent	40.4	16.1	39.0	62.3	91.3
Stock	66.9	58.8	75.4	78.6	95.1
Trade debtors	38.9	37.2	49.6	65.3	77.8
<b>Other current assets</b>	<b>24.0</b>	<b>18.9</b>	<b>25.6</b>	<b>30.6</b>	<b>35.6</b>
Total current assets	170.2	130.9	189.7	236.9	299.9
Trade creditors	75.2	31.7	64.1	80.1	81.9
Short-term borrowings	18.4	25.4	30.0	30.0	30.0
<b>Other current liabilities</b>	<b>33.8</b>	<b>81.7</b>	<b>109.0</b>	<b>140.2</b>	<b>189.5</b>
Total current liabilities	127.4	138.8	203.1	250.3	301.5
Long-term borrowings	108.3	109.1	128.5	118.5	118.5
<b>Other long-term liabilities</b>	<b>6.8</b>	<b>12.7</b>	<b>40.5</b>	<b>83.6</b>	<b>118.6</b>
<b>Total long-term liabilities</b>	<b>115.1</b>	<b>121.8</b>	<b>169.0</b>	<b>202.1</b>	<b>237.1</b>
Shareholders' funds	273.9	239.3	241.8	262.7	288.7
Minority interests	12.3	6.8	6.8	6.8	6.8
BV/share (RM)	0.40	0.35	0.35	0.39	0.42
<b>Cash Flow (RMmil, YE 31 Oct)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22F</b>	<b>FY23F</b>	<b>FY24F</b>
Pretax profit	(14.1)	(53.7)	11.3	35.5	42.2
Depreciation/Amortisation	51.9	56.4	59.2	60.4	65.1
Net change in working capital	(9.4)	23.8	22.8	16.3	(7.7)
<b>Others</b>	<b>10.8</b>	<b>13.9</b>	<b>1.9</b>	<b>(4.3)</b>	<b>(5.8)</b>
Cash flow from operations	39.2	40.4	95.2	108.0	93.7
Capital expenditure	(36.8)	(18.3)	(80.0)	(80.0)	(80.0)
Net investments & sale of fixed assets	-	-	-	-	-
<b>Others</b>	<b>17.4</b>	<b>2.6</b>	<b>5.5</b>	<b>5.6</b>	<b>5.6</b>
Cash flow from investing	(19.3)	(15.8)	(74.5)	(74.4)	(74.4)
Debt raised/(repaid)	(15.2)	(26.7)	24.0	(10.0)	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	-	-	(6.8)	(6.8)	(6.8)
<b>Others</b>	<b>(5.2)</b>	<b>(6.4)</b>	<b>(6.9)</b>	<b>(6.5)</b>	<b>(6.5)</b>
<b>Cash flow from financing</b>	<b>(20.4)</b>	<b>(33.1)</b>	<b>10.3</b>	<b>(23.4)</b>	<b>(13.4)</b>
<b>Net cash flow</b>	<b>(0.5)</b>	<b>(8.4)</b>	<b>30.9</b>	<b>10.2</b>	<b>5.9</b>
<b>Net cash/(debt) b/f</b>	<b>14.2</b>	<b>39.6</b>	<b>15.3</b>	<b>38.3</b>	<b>61.5</b>
Net cash/(debt) c/f	13.7	31.2	46.3	48.5	67.5
<b>Key Ratios (YE 31 Oct)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22F</b>	<b>FY23F</b>	<b>FY24F</b>
Revenue growth (%)	(5.5)	(18.1)	30.4	31.8	19.1
EBITDA growth (%)	(44.8)	(79.2)	768.8	32.4	11.0
Pretax margin (%)	(2.9)	(13.4)	2.2	5.2	5.1
Net profit margin (%)	(2.0)	(10.8)	1.8	4.0	4.0
Interest cover (x)	(185.0%)	(767.0%)	2.7	6.7	7.8
Effective tax rate (%)	12.8	7.4	18.0	22.0	22.0
Dividend payout (%)	nm	nm	73.7	24.6	20.7
Debtors turnover (days)	32	35	30	30	32
Stock turnover (days)	52	57	47	41	39
Creditors turnover (days)	56	49	33	38	36

Source: Company, AmInvestment Bank Bhd estimates

**DISCLOSURE AND DISCLAIMER**

This report is prepared for information purposes only and it is issued by AmInvestment Bank Berhad (“AmInvestment”) without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures or investment products. AmInvestment recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmInvestment believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmInvestment has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constitute AmInvestment’s views as of this date and are subject to change without notice. Notwithstanding that, AmInvestment has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmInvestment’s affiliates and/or related corporations (collectively, “AmBank Group”).

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmInvestment’s prior written consent. AmInvestment, AmBank Group and its respective directors, officers, employees and agents (“Relevant Person”) accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmInvestment is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.