



AmInvestment Bank

Company report

MYNEWS HOLDINGS

(MNHB MK EQUITY, MYNE.KL)

23 Dec 2022

Wrapping up FY22 with a smaller net loss

HOLD

(Maintained)

AmInvestment Bank

Team Coverage

03-2036 2333

Rationale for report: Company result

Price RM0.635
Fair Value RM0.56
52-week High/Low RM0.88/RM0.36

Key Changes

Fair value ⓘ
EPS ⓘ

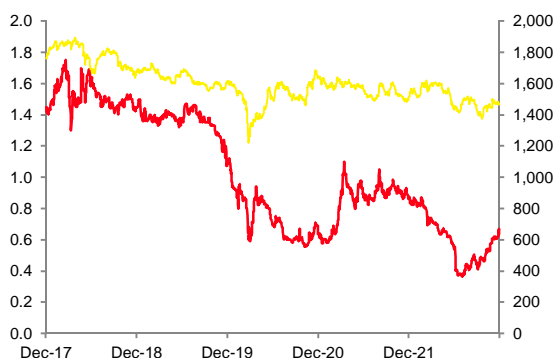
YE to Oct	FY21	FY22	FY23F	FY24F
Revenue (RM mil)	394.4	631.3	759.1	880.7
Core net profit (RM mil)	(42.8)	(18.2)	14.2	21.9
FD Core EPS (sen)	(6.3)	(2.7)	2.1	3.2
FD Core EPS growth (%)	334.6	(57.5)	(178.4)	53.9
Consensus Net Profit (RM mil)	-	-	11.6	19.6
DPS (sen)	-	-	1.0	1.0
PE (x)	nm	nm	30.4	19.8
EV/EBITDA (x)	58.6	11.0	6.3	5.0
Div yield (%)	-	-	1.6	1.6
ROE (%)	(16.7)	(7.9)	6.3	9.3
Net Gearing (%)	47.5	86.0	45.0	17.9

Stock and Financial Data

Shares Outstanding (million) 682.2
Market Cap (RMmil) 433.2
Book Value (RM/share) 0.35
P/BV (x) 1.8
ROE (%) (16.7)
Net Gearing (%) 47.5

Major Shareholders D&D Consolidated (57.4%)
EPF (4.9%)
Dang Tai Kien (3.1%)
Free Float 205.6
Avg Daily Value (RMmil) 0.4

Price performance	3mth	6mth	12mth
Absolute (%)	41.1	14.4	(26.2)
Relative (%)	38.3	11.5	(24.6)



— MNHB MK — FBMKLCI Index

Investment Highlights

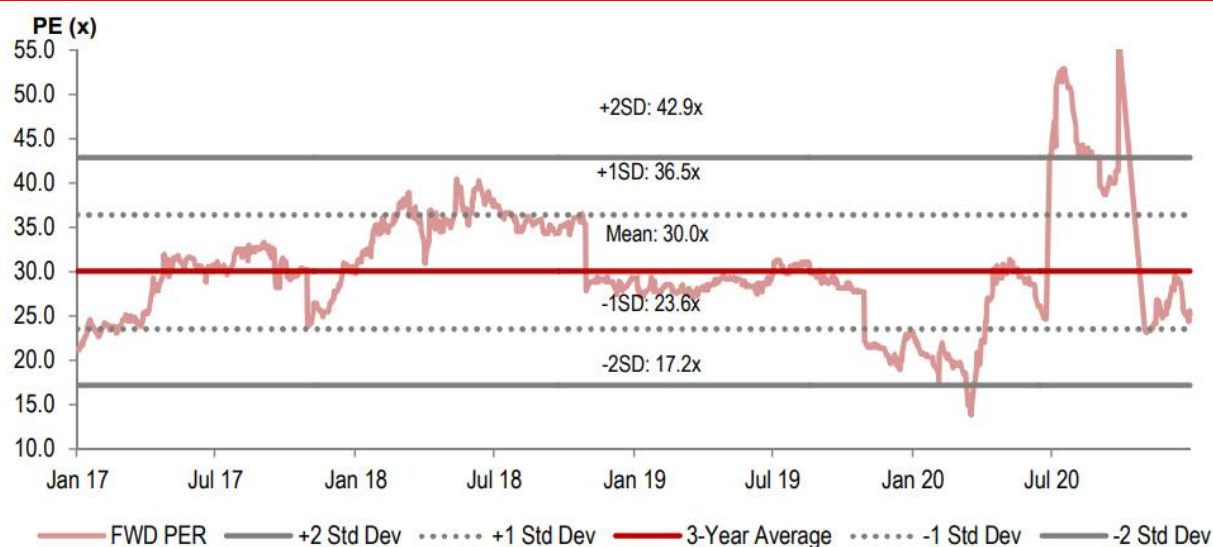
- We maintain our HOLD call on Mynews Holdings (Mynews) with a higher fair value of RM0.56/share (vs. RM0.41/share previously), based on a FY23F PE of 27x vs. 24x originally. We raise our fair value for Mynews due to its improving outlook and revised FY23F EPS. The new target PE is near its -0.5SD 3-year pre-pandemic FY17-FY20 average of 30x. The FV also reflects an unchanged neutral ESG rating of 3 stars.
- We raise our earnings forecast for Mynews by 21% for FY23F and 19% for FY24F. Our new earnings forecasts account for higher ISS (in-store sales) growth and addition of 72 outlets in FY23F.
- Mynews' FY22 core net loss (CNL) of RM18mil was in line with our forecast but above consensus. Consensus had forecast a net loss of RM26mil for Mynews in FY22. Mynews did not declare any interim dividend for 4QFY22.
- YoY, the group's FY22 revenue rose by 58% buoyed by 67 outlet additions, longer business hours and improved ISS. Coupled with a gross margin improvement of 4 pp YoY resulting from a better sales mix, Mynews' CNL declined by 58% to RM18mil in FY22.
- 4QFY22 revenue surged by 85% YoY to RM181mil due to similar reasons. As a result, Mynews swung into the black with a core net profit (CNP) of RM1.4mil in 4QFY22 compared to a net loss of RM9mil in 4QFY21. The group's EBITDA also jumped 19x YoY in 4QFY22.
- Separately, WH Smith, a 50/50 joint venture with UK-based WHSmith Plc, contributed RM503,000 (+19% QoQ, +5x YoY) in 4QFY22. On a full year basis, it recorded a net profit of RM668,000 vs. a net loss of RM744,000 a year ago.
- Mynews' administration expenses went up by 14% YoY in FY22 as workforce expanded after the pickup in business activities. Selling and distribution spending also jumped by 48% YoY in FY22. The group added 14 new CU outlets bringing its total CU stores to 125 at the end of 4QFY22. Currently, the group has 464 myNEWS outlets, 128 CU and 17 WHSmith, bringing its total outlets to 609.
- In spite of Mynews' aggressive expansion of its outlets, we are cautious as the gestation period for CU may take longer-than-expected.
- Mynews currently trades at a FY23F PE of 30x, on par with its 3-year pre-pandemic FY17-19 average.

EXHIBIT 1: RESULTS SUMMARY

FYE Oct (RM mil)	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	QoQ	YoY	FY21	FY22	YoY
Revenue	97.9	139.4	141.1	170.2	180.6	6.1	84.5	400.6	631.3	57.6
EBITDA	1.2	9.6	10.6	21.4	23.0	7.7	>100	16.0	64.6	>100
EBIT	-12.6	-5.6	-6.5	1.8	6.1	>100	NM	-40.4	-4.2	89.5
Interest expense	-1.5	-1.6	-2.3	-2.3	-2.6	(12.9)	(67.0)	-6.4	-8.8	(38.2)
Associates	0.1	0.1	-0.3	0.4	0.5	19.2	>100	-0.7	0.7	NM
Pretax profit	-15.6	-8.8	-11.4	-2.3	1.5	NM	NM	-53.7	-21.0	60.9
Tax	4.7	-0.1	-0.1	-0.1	-1.0	(>100)	NM	4.0	-1.2	NM
MI	1.8	1.0	1.2	0.9	0.8	(10.9)	(52.5)	6.7	4.0	(40.5)
Core net profit	-9.0	-7.9	-10.2	-1.5	1.4	NM	NM	-43.1	-18.2	57.8
FD Core EPS (sen)	-1.3	-1.2	-1.5	-0.2	0.2	194.1	115.1	-6.3	-2.7	57.9
Gross margin (%)	28.5%	31.0%	33.9%	35.6%	33.8%	-1.8ppt	5.3ppt	30.5%	33.7%	3.2ppt
EBIT margin (%)	-12.9%	-4.0%	-4.6%	1.0%	3.4%	2.3ppt	16.2ppt	-10.1%	-0.7%	9.4ppt
Pretax margin (%)	-15.9%	-6.3%	-8.1%	-1.4%	0.8%	2.2ppt	16.7ppt	-13.4%	-3.3%	10.1ppt
Effective tax rate (%)	30.5%	-0.8%	-0.6%	-2.6%	64.8%	67.3ppt	34.2ppt	7.4%	-5.5%	-12.9ppt
Core net profit margin (%)	-11.0%	-6.3%	-8.1%	-1.4%	0.3%	1.7ppt	11.3ppt	-12.4%	-3.5%	8.9ppt

Source: AmlInvestment Bank Bhd

EXHIBIT 2: PRE-PANDEMIC (2017-2020) PE BAND CHART



Source: Bloomberg, AmlInvestment Bank Bhd

EXHIBIT 3: ESG MATRIX

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-stars

Source: AmlInvestment Bank Bhd

EXHIBIT 4: FINANCIAL DATA

Income Statement (RMmil, YE 31 Oct)	FY20	FY21	FY22	FY23F	FY24F
Revenue	489.4	394.4	631.3	759.1	880.7
EBITDA	42.7	9.3	56.5	85.5	94.8
Depreciation/Amortisation	(51.9)	(56.6)	(68.9)	(56.7)	(59.1)
Operating income (EBIT)	(9.2)	(47.2)	(12.4)	28.8	35.8
Other income & associates	(1.4)	(0.7)	0.7	0.7	0.7
Net interest	(4.9)	(6.2)	(8.6)	(10.5)	(7.7)
Exceptional items	-	-	-	-	-
Pretax profit	(14.1)	(53.4)	(21.0)	18.3	28.1
Taxation	(1.8)	4.0	(1.2)	(4.0)	(6.2)
Minorities/pref dividends	6.1	6.7	4.0	-	-
Net profit	(9.8)	(42.8)	(18.2)	14.2	21.9
Core net profit	(9.8)	(42.8)	(18.2)	14.2	21.9
Balance Sheet (RMmil, YE 31 Oct)	FY20	FY21	FY22	FY23F	FY24F
Fixed assets	338.5	352.8	379.5	407.2	432.5
Intangible assets	-	3.9	3.9	3.9	3.9
Other long-term assets	19.9	13.7	13.7	13.7	13.7
Total non-current assets	358.4	370.4	397.1	424.8	450.1
Cash & equivalent	40.4	16.1	12.5	94.9	154.1
Stock	66.9	58.8	58.8	100.2	104.6
Trade debtors	38.9	37.2	37.2	44.8	51.9
Other current assets	24.0	18.9	25.6	30.6	35.6
Total current assets	170.2	131.0	134.1	270.5	346.2
Trade creditors	75.2	31.7	31.7	91.1	90.1
Short-term borrowings	18.4	25.4	53.0	30.0	30.0
Other current liabilities	33.8	30.5	122.4	153.7	203.0
Total current liabilities	127.4	87.6	207.1	274.7	323.1
Long-term borrowings	108.3	104.2	149.6	167.7	167.7
Other long-term liabilities	6.8	5.0	40.5	83.6	118.6
Total long-term liabilities	115.1	109.3	190.1	251.3	286.3
Shareholders' funds	273.9	239.2	221.0	228.5	243.6
Minority interests	12.3	6.7	2.7	2.7	2.7
BV/share (RM)	0.40	0.35	0.32	0.33	0.36
Cash Flow (RMmil, YE 31 Oct)	FY20	FY21	FY22	FY23F	FY24F
Pretax profit	(14.1)	(53.4)	(21.0)	18.3	28.1
Depreciation/Amortisation	51.9	56.6	68.9	56.7	59.1
Net change in working capital	(9.4)	28.8	24.4	34.9	11.9
Others	10.8	13.9	2.9	1.6	(3.4)
Cash flow from operations	39.2	45.9	75.2	111.4	95.6
Capital expenditure	(36.8)	(23.5)	(72.0)	(50.0)	(50.0)
Net investments & sale of fixed assets	-	-	-	-	-
Others	17.4	2.6	5.2	5.2	5.2
Cash flow from investing	(19.3)	(20.9)	(66.9)	(44.8)	(44.8)
Debt raised/(repaid)	(15.2)	(26.7)	(33.1)	(4.9)	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	-	-	(6.8)	(6.8)	(6.8)
Others	(5.2)	(6.3)	(45.6)	(10.8)	(8.0)
Cash flow from financing	(20.4)	(33.0)	(85.4)	(22.5)	(14.8)
Net cash flow	25.4	(25.1)	(3.6)	82.4	59.2
Net cash/(debt) b/f	15.0	40.4	15.3	11.7	94.2
Net cash/(debt) c/f	40.4	15.3	11.7	94.2	153.4
Key Ratios (YE 31 Oct)	FY20	FY21	FY22	FY23F	FY24F
Revenue growth (%)	(5.5)	(19.4)	60.1	20.2	16.0
EBITDA growth (%)	(44.7)	(78.2)	505.8	51.3	11.0
Pretax margin (%)	(2.9)	(13.5)	(3.3)	2.4	3.2
Net profit margin (%)	(2.0)	(10.8)	(2.9)	1.9	2.5
Interest cover (x)	(185.0%)	(762.3%)	(143.9%)	2.7	4.7
Effective tax rate (%)	12.8	7.4	5.5	22.0	22.0
Dividend payout (%)	nm	nm	nm	47.9	31.1
Debtors turnover (days)	32	35	22	20	20
Stock turnover (days)	52	58	34	38	42
Creditors turnover (days)	56	49	18	30	38

Source: Company, AmlInvestment Bank Bhd estimates

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