

28 June 2022

MyNews Holdings Berhad

Growing Pains Prolonged

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2QFY22 net loss came below our and consensus's estimates due to higher opex, cushioned by higher GP on better product mix and cost control. No dividend as expected. We believe new stores launches will improve its topline while remaining cautious on margins due to operational inefficiency and higher depreciation costs. Revised FY22E earnings downwards to LATAMI of RM33.3m due to higher-than-expected opex on the aggressive expansion of outlets. Downgrade to UNDERPERFORM with a lower TP of RM0.50 (from RM0.85) based on FY23E EPS of 2.3 sen at 22x PER.

Below expectation. 1HFY22 core net loss of RM18.1m came in below our/consensus earnings forecasts of RM19.9m/-RM6.7m, respectively, as an aggressive expansion of outlets continues to weaken its bottom line. No dividend, as expected.

YoY, 1HFY22 revenue improved by 38.5%, given an increase in new outlets and store traffic on international borders reopening and lifting of travel restrictions. GP margin rose 0.7ppt to 32.5%, attributed to a better product mix favoring higher margin products. However, the group suffered a consequent net loss of RM18.1m (vs. 1HFY21 net loss of RM19.3m) due to higher depreciation cost on the outlets opening.

QoQ, despite flattish revenue growth of 1.2% in 2QFY22, GP margin improved by 10.7% to 33.9%, thanks to better product mix from CU outlets and better inventory wastages control. However, the group continued to suffer a net loss of RM10.2m on a lower EBIT margin of -6.2% (vs. 1QFY22 -5.2%) due to: (i) higher administrative costs on recruiting new workforce, (ii) higher A&P expenses for branding CU outlets, and (iii) increase in depreciation of PPE.

Outlook. On the endemic situation, the group continues to improve its topline by: (i) expanding its CU business by opening new outlets and longer operating hours, and (ii) increasing its utilization rate of the FPC (guestimate of the current utilization rate of 50-55%). We understand that CU stores have a higher ticket size than the conventional MyNews store; thus, the group focuses new launches in the CU business. However, we are cautious on the margins due to additional costs incurred in opening and promoting CU business, such as (i) higher administrative costs on recruiting and salary adjustment, and (ii) higher depreciation and marketing expenses while the business is undergoing the gestation period.

Post results, we slashed our FY22E earnings to LATAMI of RM33.3m and FY23E earnings by 11% to RM15.7m, both on account of the inability to finance its high opex due to outlet expansion.

Downgrade to UNDERPERFORM with a lower TP of RM0.50 (from RM0.85) as we roll forward valuation to revised FY23E earnings with an ascribed PER of 22x, which is at about 30% discount to the industry's historical average 1-year forward PER of 30x to reflect its longer and more winding growth path.

UNDERPERFORM ↓

Price: **RM0.55**
Target Price: **RM0.50** ↓

Share Price Performance



KLCI 1,438.12
YTD KLCI chg -8.3%
YTD stock price chg -34.1%

Stock Information

Shariah Compliant No
Bloomberg Ticker MNHB MK Equity
Market Cap (RM m) 375.2
Shares Outstanding 682.2
52-week range (H) 1.06
52-week range (L) 0.53
3-mth avg daily vol: 449,633
Free Float 24%
Beta 1.0

Major Shareholders

D & D Consolidated 57.4%
Employees Provident Fund 6.0%
Standard Life Aberdeen 5.1%

Summary Earnings Table

FYE Oct (RM m)	2021A	2022E	2023E
Turnover	400.6	547.5	613.5
EBITDA	38.5	30.0	83.0
PBT	-53.7	-29.5	13.9
Net Profit/(NL)	-43.1	-33.3	15.7
PATAMI/(LATAMI)	-43.1	-33.3	15.7
Consensus (NP)	-31.5	-6.7	18.1
Earnings Revision		>-100%	-11%
EPS (sen)	-6.3	-4.9	2.3
EPS growth (%)	337.5	-0.7	-1.5
NDPS (sen)	0.0	1.0	1.0
BV/Share (RM)	0.3	0.2	0.3
PER (x)	-13.6	-11.3	24.0
P/BV (x)	2.5	3.6	1.8
Gearing (x)	0.32	1.02	0.67
Net Dvd Yield	0%	0%	2%

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Results Highlights								
Y/E : Oct (RM m)	2Q22	1Q22	QoQ Chg	2Q21	YoY Chg	6M22	6M21	YoY Chg
Turnover	141.1	139.4	1.2%	103.9	35.7%	280.5	202.6	38.5%
Gross Profit	47.9	43.2	10.7%	33.0	45.0%	91.1	64.5	41.3%
Operating Expenses	(39.8)	(35.5)	11.9%	(28.5)	39.6%	(75.3)	(54.7)	37.7%
EBITDA	8.3	8.0	3.7%	4.7	-99.2%	16.4	10.3	59.2%
EBIT	(8.7)	(7.2)	21.3%	(9.3)	-102.3%	(15.9)	(18.1)	-12.0%
PBT/(LBT)	(11.4)	(8.8)	29.7%	(11.5)	-0.7%	(20.1)	(21.6)	-6.6%
Taxation	(0.1)	(0.1)	-1.5%	(0.4)	-84.3%	(0.1)	(0.9)	-85.0%
Net Profit/(Net Loss)	(11.4)	(8.8)	29.4%	(11.9)	-3.6%	(20.3)	(22.5)	-9.7%
PATAMI/(LATAMI)	(10.2)	(7.9)	30.1%	(10.3)	-0.9%	(18.1)	(19.3)	-6.1%
Core EPS (sen)	(1.5)	(1.2)	30.1%	(1.5)	-0.9%	(2.7)	(2.8)	-6.1%
DPS (sen)	0.0	0.0	-	0.0	-	0.0	0.0	-
Gross Margin	33.9%	31.0%		31.8%		32.5%	31.8%	
Opex Margin	28.2%	25.5%		27.4%		26.9%	27.0%	
EBITDA margin	5.9%	5.8%		4.5%		5.8%	5.1%	
EBIT margin	-6.2%	-5.2%		-28.2%		-17.5%	-28.1%	
PBT Margin	-8.1%	-6.3%		-11.0%		-7.2%	-10.7%	
Core Net Profit Margin	-7.2%	-5.6%		-9.9%		-6.4%	-9.5%	
ETR	-0.6%	-0.8%		-3.6%		-0.7%	-4.0%	

Source: Bursa Announcement, Kenanga Research

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Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.		
CONSUMER																	
7-ELEVEN MALAYSIA HOLDINGS BHD	1.39	1,565.6	N	12/2022	10.2%	-2.6%	79.2%	-5.8%	35.4	19.7	21.0	12.6	11.4	60.6%	3.6%	1.70	OP
AEON CO. (M) BHD	1.37	1,923.5	Y	12/2022	20.2%	4.4%	32.5%	8.8%	22.5	17.0	15.7	1.1	1.1	6.5%	3.0%	1.85	OP
AMWAY (MALAYSIA) HOLDINGS BHD	5.02	825.2	Y	12/2022	-10.0%	-5.0%	62.6%	-4.8%	22.4	13.8	14.5	3.7	3.5	26.1%	5.4%	5.30	MP
DUTCH LADY MILK INDUSTRIES BHD	33.28	2,129.9	Y	12/2022	1.0%	1.0%	-67.3%	5.2%	8.6	26.2	24.9	5.6	4.9	19.9%	1.5%	35.60	MP
FRASER & NEAVE HOLDINGS BHD	20.58	7,548.3	Y	09/2022	4.8%	6.4%	-16.5%	3.5%	19.1	22.9	22.1	2.7	2.5	11.4%	2.4%	26.30	OP
MR D.I.Y.	2.00	18,853.0	Y	12/2022	27.6%	16.1%	39.3%	23.5%	29.1	20.9	17.0	10.9	8.5	45.8%	2.3%	4.00	OP
MYNEWS HOLDINGS BHD	0.550	375.2	N	10/2022	36.7%	12.1%	-22.7%	-147.1%	N.A.	N.A.	23.9	2.6	2.4	-22.1%	0.0%	0.500	UP
NESTLE (MALAYSIA) BHD	133.50	31,305.8	Y	12/2022	7.4%	4.6%	23.3%	-9.2%	54.9	44.6	49.1	53.7	51.7	118.3%	2.2%	136.50	MP
PADINI HOLDINGS BHD	3.18	2,092.2	Y	06/2022	23.3%	32.2%	123.6%	-4.1%	38.7	17.3	18.1	2.6	2.5	14.8%	3.8%	3.80	OP
POWER ROOT BHD	1.68	663.0	Y	03/2023	8.2%	7.9%	7.3%	-6.8%	26.8	25.0	26.8	2.4	2.3	13.4%	5.4%	1.70	OP
QL RESOURCES BHD	5.21	12,679.4	Y	03/2023	17.5%	9.3%	23.9%	26.7%	58.4	47.1	37.2	4.3	4.1	9.5%	1.2%	5.45	MP
Simple Average					13.4%	7.9%	25.9%	-10.0%	31.6	25.5	24.6	9.3	8.6	27.6%	2.8%		
SIN																	
BRITISH AMERICAN TOBACCO (M) BHD	10.80	3,083.7	N	12/2022	-2.4%	-1.0%	-10.2%	5.5%	10.8	12.0	11.4	8.1	7.8	65.8%	7.9%	13.40	OP
CARLSBERG BREWERY MALAYSIA BHD	22.44	6,861.0	N	12/2022	31.3%	6.0%	38.0%	15.1%	33.3	24.1	21.0	32.1	32.1	130.8%	4.2%	28.05	OP
HEINEKEN MALAYSIA BHD	23.92	7,226.2	N	12/2022	30.8%	11.1%	32.8%	16.9%	29.4	22.2	19.0	18.3	18.3	82.5%	4.5%	27.40	OP
Simple Average					19.9%	5.4%	20.2%	12.5%	24.5	19.4	17.1	19.5	19.4	93.0%	5.5%		

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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