

MyNews Holdings Berhad

The Worst May be Over

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MYNEWS's 9MFY22 results beat expectation due to stronger-than-expected rebound in sales on the economy reopening. 3QFY22 net loss narrowed to RM1.5m from the RM10.2m posted in the preceding quarter. We reduce FY22F net loss by 35% and raise FY23F net profit by 3%. We raise our TP by 4% to RM0.52 (from RM0.50). Upgrade to **OUTPERFORM** from **UNDERPERFORM**.

Its 9MFY22 core net loss of RM19.5m came in narrower than expectations, versus our full-year net forecast of RM33m and the full-year consensus net loss estimate of RM25.5m. The variance against our forecast came largely from a stronger-than-expected rebound in sales on the economy reopening.

YoY, its 9MFY22 revenue grew by 52%, driven by: (i) strong rebound in sales as the economy reopened, (ii) an addition of 90 new CU outlets to 111. Meanwhile, its 9MFY22 core net loss narrowed by a significant 42% to RM19.5m (from RM34.2m a year ago) thanks also to a better product mix with high-margin CU fresh food and improved inventory wastage control.

QoQ, 3QFY22 revenue grew by a strong 21%, helping to significantly reduce its core net loss to RM1.5m, from RM10.2m in the preceding quarter.

Outlook. MYNEWS continues to improve its topline by: (i) expanding its CU business by opening new outlets and longer operating hours, (ii) ramping up its utilization rate of the food processing center (FPC) which we estimate currently stands at 60-65%, on track to meet the 70% breakeven by end-2022. We expect better earnings contribution from WH Smith stores (13 stores as current) due to reopening of international borders (WH Smith stores are located in the airports).

Going forward, a strong topline growth fuelled by higher consumer traffic and better product mix should mitigate additional costs incurred in the opening of new stores and promoting CU stores.

Forecasts. We now project a lower FY22F net loss of RM21.3m and raise our FY23F net profit by 3%. We raise our TP by 4% to RM0.52 based on 22x FY23F PER (from RM0.50), which is in line with the sector's average forward PER. There is no adjustment to our TP based on its 3-star ESG rating as appraised by us (see Page 4). We upgrade MYNEWS to **OUTPERFORM** from **UNDERPERFORM**.

Risks to our call include: (i) return of movement restrictions, hurting traffic to the stores, (ii) playing field gets more crowded with new entrants or aggressive expansion by existing competitors, (iii) longer gestation period, and (iv) uncontrolled inventory wastage.

OUTPERFORM ↑

Price: **RM0.41**
Target Price: **RM0.52** ↑

Share Price Performance



KLCI 1,410.87
YTD KLCI chg -10.0%
YTD stock price chg -50.9%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	MNHB MK Equity
Market Cap (RM m)	279.7
Shares Outstanding	682.2
52-week range (H)	1.03
52-week range (L)	0.36
3-mth avg daily vol:	1,968,065
Free Float	25%
Beta	1.0

Major Shareholders

D & D Consolidated	57.4%
Standard Life Aberdeen	5.0%
Employees Provident Funds	4.9%

Summary Earnings Table

FYE Oct (RM m)	2021A	2022F	2023F
Turnover	400.6	583.6	616.3
EBITDA	-46.6	40.6	84.3
PBT	-138.8	-18.9	15.2
Net Profit/(NL)	-43.1	-21.3	16.2
PATAMI/(LATAMI)	-43.1	-21.3	16.2
Consensus (NP)	-31.5	-25.5	12.5
Earnings Revision		-35%	+3%
EPS (sen)	-6.3	-3.1	2.4
EPS growth (%)	3.4	-0.5	-1.8
NDPS (sen)	0.0	0.0	1.0
BV/Share (RM)	0.3	0.3	0.3
PER (x)	-6.5	-13.1	17.3
P/BV (x)	1.2	1.3	1.3
Gearing (x)	0.3	0.5	0.5
Net Dvd Yield	0%	0%	2%



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Results Highlights

FYE Oct (RM m)	3Q22	2Q22	QoQ Chg	3Q21	YoY Chg	9M22	9M21	YoY Chg
Turnover	170.2	141.1	20.6%	93.9	81.3%	450.7	296.5	52.0%
Gross Profit	60.6	47.9	26.5%	28.1	115.4%	151.6	92.6	63.8%
Operating Expenses	(41.8)	(39.8)	5.0%	(1.5)	2761.4%	0.0	(56.2)	-100.0%
EBITDA	19.0	8.3	127.9%	28.6	-95.5%	35.4	38.9	-9.0%
EBIT	(0.5)	(8.7)	-94.6%	(14.1)	-93.3%	(16.4)	(32.3)	-49.1%
PBT/(LBT)	(2.3)	(11.4)	-79.4%	(16.3)	-85.7%	(22.5)	(37.9)	-40.6%
Taxation	(0.1)	(0.1)	-7.7%	(0.4)	-85.5%	(0.2)	(1.3)	-85.1%
Net Profit/(Loss)	(2.4)	(11.4)	-79.0%	(16.7)	-85.7%	(22.7)	(39.2)	-42.1%
Core net Profit/(Loss)	(1.5)	(10.2)	-85.8%	(14.9)	-90.3%	(19.5)	(34.2)	-42.8%
Core EPS (sen)	(0.2)	(1.5)	-85.8%	(2.2)	-90.3%	(2.9)	(5.0)	-42.8%
DPS (sen)	-	-		0.0		0.0	0.0	
Gross Margin	35.6%	33.9%		29.9%		33.6%	31.2%	
Opex Margin	24.5%	28.2%		1.6%		0.0%	18.9%	
EBITDA margin	11.2%	5.9%		30.5%		7.9%	13.1%	
EBIT margin	-0.3%	-6.2%		-50.2%		-10.8%	-34.8%	
PBT Margin	-1.4%	-8.1%		-17.4%		-5.0%	-12.8%	
Core Net Profit Margin	-0.9%	-7.2%		-15.9%		-4.3%	-11.5%	
ETR	-2.6%	-0.6%		-2.5%		-0.8%	-3.4%	

Source: Bursa Announcement, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
F&B AND RETAIL																	
AEON CO. (M) BHD	OP	1.42	1.95	37.32%	1,993.7	Y	12/2022	10.0	10.2	64.4%	2.5%	14.2	13.9	1.1	8.1%	4.1	2.9%
AMWAY (MALAYSIA) HOLDINGS BHD	MP	4.99	5.20	4.21%	820.3	Y	12/2022	36.5	34.7	62.6%	-4.8%	13.7	14.4	3.4	26.1%	27.0	5.4%
DUTCH LADY MILK INDUSTRIES BHD	MP	30.52	28.20	-7.60%	1,953.3	Y	12/2022	103.3	128.1	-73.3%	24.1%	29.6	23.8	4.7	16.5%	50.0	1.6%
FRASER & NEAVE HOLDINGS BHD	UP	21.56	23.15	7.37%	7,907.7	Y	09/2022	95.3	105.1	-11.6%	10.3%	22.6	20.5	2.6	12.0%	50.0	2.3%
MR D.I.Y.	MP	1.99	2.40	20.60%	18,759.7	Y	12/2022	5.4	7.1	17.1%	31.8%	37.1	28.2	13.1	39.2%	2.6	1.3%
MYNEWS HOLDINGS BHD	OP	0.410	0.520	26.83%	279.7	N	10/2022	(3.1)	2.4	-50.6%	-176.1%	N.A.	17.3	1.8	-14.1%	0.0	0.0%
NESTLE (MALAYSIA) BHD	UP	130.00	119.75	-7.88%	30,485.0	Y	12/2022	299.6	272.2	23.3%	-9.2%	43.4	47.8	50.4	118.3%	290.0	2.2%
PADINI HOLDINGS BHD	OP	3.13	4.10	30.99%	2,059.3	Y	06/2023	22.6	28.6	-3.4%	26.4%	13.8	10.9	2.1	16.0%	10.0	3.2%
POWER ROOT BHD	MP	1.98	1.85	-6.57%	824.4	Y	03/2023	6.7	6.3	7.3%	-6.8%	29.5	31.6	2.7	13.4%	9.0	4.5%
QL RESOURCES BHD	OP	5.05	6.00	18.81%	12,290.0	Y	03/2023	12.6	16.1	41.6%	27.1%	39.9	31.4	4.0	10.8%	6.0	1.2%
Simple Average								58.9	61.1	7.7%	-7.5%	27.1	24.0	8.6	24.6%		2.5%
BREWERY & TOBACCO																	
BRITISH AMERICAN TOBACCO (M) BHD	MP	10.14	11.20	10.45%	2,895.3	N	12/2022	89.6	94.6	-10.2%	5.6%	11.3	10.7	7.3	65.7%	85.0	8.4%
CARLSBERG BREWERY MALAYSIA BHD	MP	22.24	23.05	3.64%	6,799.8	N	12/2022	102.9	114.6	52.6%	11.4%	21.6	19.4	31.8	144.7%	103.7	4.7%
HEINEKEN MALAYSIA BHD	MP	23.78	25.60	7.65%	7,183.9	N	12/2022	119.5	128.4	46.9%	7.5%	19.9	18.5	18.2	91.3%	119.5	5.0%
Simple Average								104.0	112.5	29.8%	8.1%	17.6	16.2	19.1	100.6%		6.0%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★			
	Corporate Social Responsibility	★	★	★		
	Management/Workforce Diversity	★	★			
	Accessibility & Transparency	★	★	★		
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★		
SPECIFIC	Migrant Worker Welfare	★	★			
	Waste Disposal/Pollution Control	★	★			
	Work Site Safety	★	★	★		
	Usage of Biodegradable Materials	★	★			
	Supply Chain Auditing	★	★	★		
	Energy Efficiency	★	★			
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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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