# **MyNews Holdings Berhad**

# Profitability in Sight

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MYNEWS is confident that its strong performance in 3QFY22 could be sustained underpinned by signs of consumers reverting to spending pattern prior to the pandemic. It is also possible that its food processing centre (FPC) will turn profitable by 1QFY23, returning the group to the black. We maintain our forecasts, TP of RM0.52 and OUTPERFORM call.

We came away from MYNEWS's analyst briefing yesterday feeling positive on its outlook. The key takeaways are as follows:

- MYNEWS is confident that the strong performance in 3QFY22 (May-Jul 22) could be sustained going forward as it is already seeing strong signs of consumers reverting to their spending pattern prior to the pandemic, particularly, demand for readyto-eat (RTE) meals.
- 2. It is likely that its FPC will turn profitable by 1QFY23 (which means the group will also return to the black as the FPC has been a drag on its bottom line) as its utilisation is expected to rise to 80-90% from 60% currently. This is because MYNEWS has managed to bring in 150 new foreign workers in mid-September 2022 who will start work after completion of training for 2-3 weeks. Our forecasts are targeting for MYNEWS to turn around in FY23.
- 3. MYNEWS closed down >100 non-performing stores during the pandemic. For this FY22, it closed down 48 stores during the first nine months and will shut another four over the remaining three months. It also guided for a store count of 461 MYNEWS stores and 126 CU stores for end-2022. While MYNEWS has yet to provide specific guidance for net store additions in FY23, we assume new 50 stores in our forecast.

We maintain our forecasts, TP of RM0.52 based on 22x FY23F EPS which is in line with the sector's average forward PER. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4). Maintain **OUTPERFORM**.

**Risks to our call include:** (i) return of movement restrictions, hurting traffic to the stores, (ii) the playing field gets more crowded with new entrants or aggressive expansion by existing competitors, (iii) long gestation periods for new stores, and (iv) reduced overall sales from the generational tobacco ban.

## OUTPERFORM ↔

Price: Target Price:

RM0.455 RM0.52 ↔

# Share Price Performance 1.10 1.00 0.90 0.80 0.70 0.60 0.50 0.40 0.30 gggr<sup>21</sup> cggr<sup>21</sup> yggr<sup>21</sup> gggr<sup>21</sup> yggr<sup>21</sup> yggr<sup></sup>

KLCI	1,401.89
YTD KLCI chg	-10.6%
YTD stock price chg	-45.5%

### **Stock Information**

Shariah Compliant	No
Bloomberg Ticker	MNHB MK Equity
Market Cap (RM m)	310.4
Shares Outstanding	682.2
52-week range (H)	1.03
52-week range (L)	0.36
3-mth avg daily vol:	1,947,224
Free Float	25%
Beta	1.0

### **Major Shareholders**

D & D Consolidated	57.4%
Employees Provident Funds	4.9%
Dang Tai Kien	3.1%

### **Summary Earnings Table**

FY Dec (RM m)	2021A	2022F	2023F
Turnover	400.6	583.6	615.6
EBIT	-46.6	40.6	82.9
PBT	-138.8	-18.9	15.2
Net Profit (NP)	-43.1	-21.3	16.2
Core NP*	-43.1	-21.3	16.2
Consensus (NP)	-31.5	-21.2	11.1
Earnings Revision	-	-	-
Core EPS (sen)	-6.3	-3.1	2.4
EPS growth (%)	3.4	-0.5	-1.8
NDPS (sen)	0.0	0.0	1.0
Core PER (x)	0.3	0.3	0.3
BVPS (RM)	-6.5	-13.1	17.2
PBV (x)	1.2	1.3	1.3
Net Gearing (x)	0.3	0.52	0.56
Net Div. Yield (%)	0	0	2

Income Statement	Financial Data & Rat	Data & Ratios									
FY Dec (RM m)	2019A	2020A	2021A	2022F	2023F	FY Dec	2019	2020A	2021A	2022F	2023F
Revenue	517.7	489.4	400.6	583.6	650.7	Growth (%)	-				
EBITDA	76.5	47.1	(46.6)	40.6	88.9	Revenue	34.2	(5.5)	(18.2)	45.7	11.5
Depreciation	(43.8)	(54.9)	(85.1)	(51.3)	(56.8)	EBITDA	10.7	(38.4)	(199.0	(187.0	115.4
EBIT	32.8	(7.8)	(131.9)	(10.7)	32.0	EBIT	(46.3	(123.8	1,594.	(91.9)	(385.3)
IntExp/(Income)	(3.0)	(4.9)	(6.2)	(10.1)	(14.3)	Pre-tax Income	2.3	(142.8	884.7	(86.4)	(204.6)
Associates P/L	33.0	(14.1)	(138.8)	(18.9)	19.7	Net Income	4.0	(135.7	337.9	(50.5)	(199.0
PBT	(8.6)	(1.8)	4.0	(0.6)	(0.6)	Core Net Income	34.2	(5.5)	(18.2)	45.7	11.5
Taxation	27.6	(9.8)	(128.2)	(21.3)	21.1			` '	, ,		
Minority Interest	517.7	489.4	400.6	583.6	650.7	Profitability (%)					
PATAMI	76.5	47.1	(46.6)	40.6	88.9	Operating Margin	6.3	(1.6)	(32.9)	(1.8)	4.7
Core PATAMI	(43.8)	(54.9)	(85.1)	(51.3)	(56.8)	PBT Margin	6.4	(2.9)	(34.7)	(3.2)	3.0
	` '	, ,	` ,	` ′	` '	Net Income Margin	5.3	(2.0)	(10.8)	(3.7)	3.2
Balance Sheet						Effective Tax Rate	26.2	(12.8)	2.9	(3.0)	3.0
FY Dec (RM m)	2019A	2020A	2021A	2022F	2023F	ROA	6.7	(1.9)	(25.2)	(4.3)	4.0
Fixed Assets	197.5	210.2	180.1	183.8	182.0	ROE	9.1	(3.4)	(51.5)	(9.4)	8.7
Other Fixed	23.4	19.9	19.9	19.9	19.9			, ,	, ,	, ,	
Inventories	62.1	66.9	58.9	80.1	86.8	DuPont Analysis					
Receivables	13.2	5.9	3.1	7.6	10.9	Net margin (%)	4.7	(3.2)	(33.7)	(3.3)	2.9
Other Current	0.1	0.1	0.1	0.1	0.1	Assets Turnover (x)	1.1	0.9	0.8	1.1	1.2
Cash	14.2	9.7	12.3	8.1	8.1	Leverage Factor (x)	1.5	1.8	2.0	2.3	2.4
Total Assets	310.4	312.7	274.4	299.5	307.8	ROE (%)	10.1	(3.5)	(17.1)	(9.7)	9.8
Payables	33.4	37.5	31.9	44.1	49.1	Leverage					
ST Borrowings	11.0	41.0	71.0	101.0	116.0	Debt/Asset (x)	0.0	0.1	0.2	0.2	0.2
Other ST Liability	70.6	70.6	70.6	70.6	70.6	Debt/Equity (x)	0.0	0.2	0.3	0.5	0.6
LT Borrowings	15.1	15.1	15.1	15.1	15.1	N.Debt/(Cash)	0.0	0.0	0.1	0.1	0.1
Other LT Liability	49.0	49.0	49.0	49.0	49.0	N.Debt/Equity (x)	0.0	0.2	0.3	0.5	0.5
Net Assets	131.4	99.6	36.9	19.8	8.0						
						Valuations					
Ret. Earnings	118.7	108.8	65.7	44.4	58.7	Core EPS (sen)	4.0	(1.4)	(6.3)	(3.1)	3.1
Share Capital	201.6	201.6	201.6	201.6	201.6	NDPS (sen)	1.0	-	-	-	1.0
Others	(18.2)	(18.2)	(18.2)	(18.2)	(18.2)	BV/share (RM)	0.42	0.40	0.34	0.31	0.33
Total Equity	302.0	292.2	249.1	227.7	242.0	Core PER (x)	10.1	(28.4)	(6.5)	(13.1)	13.2
						Net Div. Yield	2.4	-	-	-	2.4
						PBV (x)	1.0	1.0	1.2	1.3	1.3
Cashflow Statemen	nt					EV/EBITDA (x)	3.5	5.1	(1.7)	0.6	(0.1)
FY Dec (RM m)	2019A	2020A	2021A	2022F	2023F	L V/LDITD/Y (A)	5.5	5.1	(1.7)	0.0	(3.1)
Operating CF	83.1	68.4	59.2	1.4	69.5						
Investing CF	(73.5)	(72.1)	(55.0)	(54.0)	(54.0)						
Financing CF	(19.0)	(38.6)	(35.2)	(15.6)	(31.6)						
Source: Kenanga R		(30.0)	(33.2)	(13.0)	(31.0)						

Name	Rating	Last Price	Target Price	Upside	Market Cap		Curren	Core EF	PS (sen)	Core EP	S Growth		) - Core nings	PBV (x)	ROE (%)	Net. Div. (sen)	Net E Ylc (%)
Name	Raung	(RM)	(RM)	(%)	(RM'm)	(RM'm) Compliant	FYE	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-Y
F&B AND RETAIL																	
AEON CO. (M) BHD	OP	1.38	1.95	41.30%	1,937.5	Υ	12/2022	10.0	10.2	64.4%	2.5%	13.8	13.5	1.1	8.1%	4.1	3.0
MWAY (MALAYSIA) HOLDINGS BHD	MP	4.99	5.20	4.21%	820.3	Υ	12/2022	36.5	34.7	62.6%	-4.8%	13.7	14.4	3.4	26.1%	27.0	5.4
OUTCH LADY MILK INDUSTRIES BHD	MP	30.60	28.20	-7.84%	1,958.4	Υ	12/2022	103.3	128.1	-73.3%	24.1%	29.6	23.9	4.7	16.5%	50.0	1.6
RASER & NEAVE HOLDINGS BHD	UP	21.08	23.15	9.82%	7,731.7	Υ	09/2022	95.3	105.1	-11.6%	10.3%	22.1	20.1	2.6	12.0%	50.0	2.4
IR D.I.Y.	MP	1.99	2.40	20.60%	18,759.7	Υ	12/2022	5.4	7.1	17.1%	31.8%	37.1	28.2	13.1	39.2%	2.6	1.3
IYNEWS HOLDINGS BHD	OP	0.460	0.520	13.04%	310.4	N	10/2022	(3.1)	2.4	-50.6%	-176.1%	N.A.	19.4	2.0	-14.1%	0.0	0.
IESTLE (MALAYSIA) BHD	UP	130.70	119.75	-8.38%	30,649.1	Υ	12/2022	299.6	272.2	23.3%	-9.2%	43.6	48.0	50.6	118.3%	290.0	2.:
PADINI HOLDINGS BHD	OP	3.15	4.10	30.16%	2,072.4	Υ	06/2023	22.6	28.6	-3.4%	26.4%	13.9	11.0	2.1	16.0%	10.0	3.2
POWER ROOT BHD	MP	1.95	1.85	-5.13%	812.1	Υ	03/2023	6.7	6.3	7.3%	-6.8%	29.1	31.2	2.6	13.4%	9.0	4.0
QL RESOURCES BHD	OP	5.03	6.00	19.28%	12,241.3	Υ	03/2023	12.6	16.1	41.6%	27.1%	39.8	31.3	3.9	10.8%	6.0	1.3
Simple Average								58.9	61.1	7.7%	-7.5%	27.0	24.1	8.6	24.6%		2.5
BREWERY & TOBACCO																	
BRITISH AMERICAN TOBACCO (M) BHD	MP	10.12	11.20	10.67%	2,889.6	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	22.26	23.05	3.55%	6.806.0	N	12/2022	102.9	114.6	52.6%	11.4%	21.6	19.4	31.8	144.7%	103.7	4.
IEINEKEN MALAYSIA BHD	MP	23.80	25.60	7.56%	7,189.9	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

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### **Stock ESG Ratings:**

	Criterion		ı	Rating	ı	
	Earnings Sustainability & Quality	*	*			
AL	Corporate Social Responsibility	*	*	*		
GENERAL	Management/Workforce Diversity	*	*			
뜅	Accessibility & Transparency	*	*	*		
	Corruption-Free Pledge	*	*	*		
	Carbon-Neutral Initiatives	*	*	*		
	Migrant Worker Welfare	*	*			
ပ္	Waste Disposal/Pollution Control	*	*			
上兴	Work Site Safety	*	*	*		
SPECIFIC	Usage of Biodegradable Materials	*	*			
o o	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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