

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:

1. 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 ready-to-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: RM0.455
Target Price: RM0.52 ↔

Share Price Performance



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

29 September 2022

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.				
F&B AND RETAIL																	
AEON CO. (M) BHD	OP	1.38	1.95	41.30%	1,937.5	Y	12/2022	10.0	10.2	64.4%	2.5%	13.8	13.5	1.1	8.1%	4.1	3.0%
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	30.60	28.20	-7.84%	1,958.4	Y	12/2022	103.3	128.1	-73.3%	24.1%	29.6	23.9	4.7	16.5%	50.0	1.6%
FRASER & NEAVE HOLDINGS BHD	UP	21.08	23.15	9.82%	7,731.7	Y	09/2022	95.3	105.1	-11.6%	10.3%	22.1	20.1	2.6	12.0%	50.0	2.4%
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	0.460	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	0.0%
NESTLE (MALAYSIA) BHD	UP	130.70	119.75	-8.38%	30,649.1	Y	12/2022	299.6	272.2	23.3%	-9.2%	43.6	48.0	50.6	118.3%	290.0	2.2%
PADINI HOLDINGS BHD	OP	3.15	4.10	30.16%	2,072.4	Y	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	Y	03/2023	6.7	6.3	7.3%	-6.8%	29.1	31.2	2.6	13.4%	9.0	4.6%
QL RESOURCES BHD	OP	5.03	6.00	19.28%	12,241.3	Y	03/2023	12.6	16.1	41.6%	27.1%	39.8	31.3	3.9	10.8%	6.0	1.2%
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	4.7%
HEINEKEN 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%

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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