

## COMPANY RESULTS

### MyNews Holdings (MNHB MK)

3QFY22: Almost Breaks Even

**MyNews' in-store sales displayed encouraging recovery on the back of the economy reopening further, which could see further uplift. Gross margins have recovered to pre-pandemic levels thanks to CU. While MyNews registered minimal losses, key operations saw encouraging signs of bottoming out. We are encouraged over the sequential improvement and excited over further progress going forward. Alongside improved earnings visibility, valuations appear attractive as well. Maintain BUY. Target: RM0.66.**

#### 3QFY22 RESULTS

Year to 31 Oct (RMm)	3QFY22	qoq % chg	yoy % chg	9MFY22	yoy % chg	Comment
Revenue	170.2	20.6	81.3	450.7	52.0	Sequential growth primarily lifted by in-store sales recovery.
Gross profit	60.6	26.5	115.4	151.6	63.8	
EBITDA	19.0	132.8	18194.2	35.1	238.8	
Pretax profit	-2.3	-79.6	-85.7	-22.6	-40.5	
Core earnings	-1.5	-85.8	-90.3	-19.5	-42.8	Above expectations.
Store count	573	3.1	7.9			
Revenue per store	297	17.0	68.0			
		qoq ppt chg	yoy ppt chg		yoy ppt chg	
Gross margin (%)	35.6	1.7	5.6	33.6	2.4	
EBITDA margin (%)	11.2	5.4	11.1	7.8	4.3	
Effective tax rate (%)	2.6	2.0	0.0	0.8	-2.5	
Core margin (%)	-0.9	6.4	15.0	-4.3	7.2	

Source: MyNews, UOB Kay Hian

## RESULTS

- **Losses sharply narrow as MyNews almost breaks even.** MyNews Holdings (MyNews) reported significantly lower losses of -RM1.5m net loss in 3QFY22. This brought 9MFY22 losses to -RM19.5m. This is beyond our and consensus expectations, with cumulative losses accounting for 78% of both our and consensus full-year earnings estimates. The positive deviation is attributed to the resurgent recovery with its in-store sales.

## KEY FINANCIALS

Year to 31 Oct (RMm)	2020	2021	2022F	2023F	2024F
Net turnover	489	401	535	703	859
EBITDA	45	6	38	86	106
Operating profit	(10)	(51)	(21)	30	49
Net profit (rep./act.)	(10)	(43)	(22)	16	30
Net profit (adj.)	(10)	(43)	(22)	16	30
EPS (sen)	(1.5)	(6.3)	(3.2)	2.4	4.4
PE (x)	n.m.	n.m.	n.m.	17.4	9.4
P/B (x)	1.0	1.1	1.2	1.2	1.1
EV/EBITDA (x)	7.7	61.6	9.1	4.0	3.2
Dividend yield (%)	0.0	0.0	(1.8)	1.4	2.7
Net margin (%)	(2.1)	(10.8)	(4.1)	2.3	3.5
Net debt/(cash) to equity (%)	10.0	22.6	27.6	23.6	13.9
Interest cover (x)	8.6	0.9	4.2	8.4	10.3
ROE (%)	n.a.	n.a.	n.a.	6.9	11.8
Consensus net profit	-	-	(25)	13	25
UOBKH/Consensus (x)	-	-	0.87	1.29	1.19

Source: MyNews Holdings, Bloomberg, UOB Kay Hian  
n.m. : not meaningful; negative P/E reflected as "n.m."

## BUY

(Maintained)

Share Price	RM0.41
Target Price	RM0.66
Upside	+60.5%

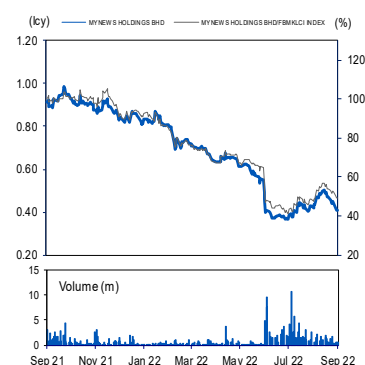
## COMPANY DESCRIPTION

MyNews operates the largest homegrown convenience store chain in Malaysia.

## STOCK DATA

GICS sector	Consumer Discretionary				
Bloomberg ticker:	MNHB MK				
Shares issued (m):	682.2				
Market cap (RMm):	330.8				
Market cap (US\$m):	73.4				
3-mth avg daily t'over (US\$m):	0.2				
Price Performance (%)					
52-week high/low					RM0.985/RM0.365
1mth	3mth	6mth	1yr	YTD	
9.0	(15.7)	(34.9)	(46.1)	(41.9)	
Major Shareholders					%
D&D Consolidated					57.4
Aberdeen					5.1
EPF					4.9
FY22 NAV/Share (RM)					0.33
FY22 Net Debt/Share (RM)					0.10

## PRICE CHART



Source: Bloomberg

## ANALYST(S)

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• **Encouraging revenue generation trend.** Top-line grew 81.3% yoy and 20.6% qoq. Store revenue generation saw an additional lift-up, growing 17.0% qoq. This was in part due to: a) the Omicron wave and the fasting month in the previous quarter, b) greater resumption of work on site, and c) better store mix. MyNews' store count enlarged by 3.1% qoq or net 17 new stores to 573 stores, bringing ytd store expansion to 55 stores. We believe as further commercial and tourist activity continue to recover alongside pre-pandemic behaviour (driving sales for the graveyard shift), there is further revenue per store generation upside for MyNews going forward.

• **Improvement across key operations as operational earnings double up.** Better product mix improved gross margins to 35.6% or 170bp qoq. This is attributed to CU's margin-accretive sales and lower wastage. This is close to MyNews' pre-pandemic gross margin of around 36%. Higher contributions from CU format stores should see improved margins going forward. Opex grew by 7.7%; this was in part due to higher store count, operating hours and minimum wage. However, this was more than offset by better revenue generation and product mix as EBITDA earnings more doubled to RM19.0m (2QFY22: RM8.2m). Its associate, WH Smith, which primarily operates in airports turned profitable as well to RM0.4m (2QFY22: -RM0.3m). Apart from that, its food processing centre (FPC) narrowed its losses to -RM1.9m from -RM2.6m.

### STOCK IMPACT

• **The FPC is on the verge of breakeven.** We believe FPC should be on track to be profitable on an annual basis in FY23, driven by its food-centric CU expansion. The FPC's quoted utilisation rate is based on a single shift, which can be doubled up once it reaches a saturation point.

• **Does not require equity financing at this juncture.** MyNews' 3QFY22 net gearing stands at 0.32x, unchanged from 2QFY22. Management has reiterated that only should net gearing reach 0.5x, would it then consider equity financing. Based on our projections with narrowing losses, MyNews' net gearing should remain close to 0.3x and not require additional equity financing.

### EARNINGS REVISION/RISK

• **We lift our FY22 earnings to -RM20m from -RM25m.** Key risks include CU store execution and additional movement lockdown associated with the COVID-19 pandemic.

### VALUATION/RECOMMENDATION

• **Maintain BUY and target price of RM0.66.** While we lift our FY22 earnings, our target price is unchanged as it is based on MyNews' 2023's earnings, based on a PE peg of 17x or its -1SD of its mean PE. We believe MyNews' earnings may have bottomed out but has at least navigated deep losses, which is now far behind it. MyNews should recover from strength to strength. We believe value has emerged given its recent sell-down, which appears to have been compounded by its illiquidity.

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

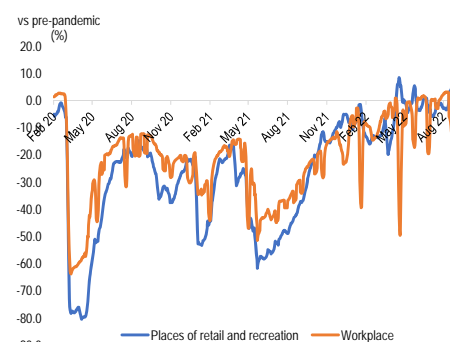
• <b>Environmental</b>	
- <b>Renewable energy.</b>	MyNews is embarking into solar renewable energy for its HQ and food processing centres. This project will reduce 546 tonnes of CO2 emission.
• <b>Social</b>	
- <b>Diversity &amp; inclusion.</b>	48% of its 2,000 over strong workforce is female.
• <b>Governance</b>	
- <b>Board composition.</b>	Independent Non-Executive Directors make up 50% of the board.

### REVENUE DRIVERS ASSUMPTIONS

	2022F	2023F	2024F
Revenue (RMm)	535	703	859
Growth yoy (%)	33.6%	31.5%	22.1%
Avg store count for the year	558	638	728
Net store addition	80	80	100
Growth yoy (%)	6.9%	14.3%	14.1%
Revenue per store (in '000)	958.5	1102.3	1179.5
Growth yoy (%)	25.0%	15.0%	7.0%

Source: MyNews, UOB Kay Hian

### FOOT TRAFFIC TO PLACES OF RETAIL AND WORKPLACES



Source: Google

### FOOT TRAFFIC (VS PRE-COVID-19) TO PLACES OF INTEREST BY QUARTER

	Places of retail and recreation (%)	Workplace (%)
1QFY21	-32.7	-25.4
2QFY21	-29.2	-22.0
3QFY21	-49.4	-38.0
4QFY21	-36.0	-30.2
FY21	-36.8	-28.9
1QFY22	-10.0	-15.0
2QFY22	-11.4	-9.9
3QFY22	-0.8	-7.7
QTD	0.1	-1.6
Latest	2.4	-1.7

Source: Google

### FORWARD PE BAND (PRE-COVID-19)



Source: Bloomberg, UOB Kay Hian

**PROFIT & LOSS**

Year to 31 Oct (RMm)	2021	2022F	2023F	2024F
Net turnover	401	535	703	859
EBITDA	6	38	86	106
Deprec. & amort.	56	58	57	56
EBIT	(51)	(21)	30	49
Total other non-operating income	4	2	2	3
Associate contributions	(1)	(1)	(1)	(1)
Net interest income/(expense)	(6)	(9)	(10)	(10)
<b>Pre-tax profit</b>	<b>(54)</b>	<b>(28)</b>	<b>21</b>	<b>41</b>
Tax	4	8	(6)	(11)
Minorities	7	(2)	1	0
<b>Net profit</b>	<b>(43)</b>	<b>(22)</b>	<b>16</b>	<b>30</b>
Net profit (adj.)	(43)	(22)	16	30

**BALANCE SHEET**

Year to 31 Oct (RMm)	2021	2022F	2023F	2024F
Fixed assets	207	208	209	208
Other LT assets	169	169	169	169
Cash/ST investment	15	29	36	56
Other current assets	116	127	150	171
<b>Total assets</b>	<b>507</b>	<b>534</b>	<b>563</b>	<b>603</b>
ST debt	25	43	43	43
Other current liabilities	113	136	154	171
LT debt	46	49	49	49
Other LT liabilities	76	76	76	76
Shareholders' equity	246	229	241	263
<b>Total liabilities &amp; equity</b>	<b>507</b>	<b>534</b>	<b>563</b>	<b>603</b>

**CASH FLOW**

Year to 31 Oct (RMm)	2021	2022F	2023F	2024F
<b>Operating</b>	<b>21</b>	<b>48</b>	<b>77</b>	<b>93</b>
Pre-tax profit	(54)	(28)	21	41
Tax	(3)	8	(6)	(11)
Deprec. & amort.	56	58	57	56
Associates	(3)	(3)	(3)	(3)
Working capital changes	7	(6)	(12)	(11)
Other operating cashflows	17	20	21	21
<b>Investing</b>	<b>(16)</b>	<b>(52)</b>	<b>(57)</b>	<b>(55)</b>
Capex (growth)	(18)	(52)	(57)	(55)
Proceeds from sale of assets	0	0	0	0
Others	3	0	0	0
<b>Financing</b>	<b>(29)</b>	<b>18</b>	<b>(14)</b>	<b>(18)</b>
Dividend payments	0	5	(4)	(7)
Issue of shares	0	0	0	0
Proceeds from borrowings	30	0	0	0
Loan repayment	(27)	4	0	0
Others/interest paid	(33)	9	(10)	(10)
<b>Net cash inflow (outflow)</b>	<b>(24)</b>	<b>14</b>	<b>6</b>	<b>20</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>39</b>	<b>15</b>	<b>29</b>	<b>36</b>
Changes due to forex impact	1	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>15</b>	<b>29</b>	<b>36</b>	<b>56</b>

**KEY METRICS**

Year to 31 Oct (%)	2021	2022F	2023F	2024F
<b>Profitability</b>				
EBITDA margin	1.4	7.0	12.3	12.3
Pre-tax margin	(13.4)	(5.2)	2.9	4.8
Net margin	(10.8)	(4.1)	2.3	3.5
ROA	n.a.	n.a.	2.9	5.1
ROE	n.a.	n.a.	6.9	11.8
<b>Growth</b>				
Turnover	(18.1)	33.5	31.5	22.1
EBITDA	(87.6)	574.7	129.7	22.5
Pre-tax profit	n.a.	n.a.	n.a.	97.3
Net profit	n.a.	n.a.	n.a.	85.1
Net profit (adj.)	n.a.	n.a.	n.a.	85.1
EPS	n.a.	n.a.	n.a.	85.1
<b>Leverage</b>				
Debt to total capital	22.4	28.8	27.8	26.0
Debt to equity	28.8	40.5	38.4	35.1
Net debt/(cash) to equity	22.6	27.6	23.6	13.9
Interest cover (x)	0.9	4.2	8.4	10.3

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