

COMPANY UPDATE

MyNews Holdings (MNHB MK)

Brighter Days Ahead

MyNews' store revenue generation has surpassed pre-pandemic levels. This is however distorted by inflation, closure of underperforming stores and the emergence of CU stores. Most importantly, we believe further organic recovery will be underpinned by an easing of the labour shortage, improvement in tourism and breakeven of its FPC and CU stores over FY23. These catalysts should drive MyNews' earnings and gradually improve sentiment. Maintain BUY. Target price: RM0.71.

WHAT'S NEW

- FPC: On the brink of breakeven.** MyNews' food processing centre (FPC) registered its lowest losses in the recent 4QFY22 since its launch in mid-19. Utilisation rate for the quarter was >60% based on a single working shift, and was in spite of a labour shortage. Management has indicated that a new batch of 150 workers have arrived in late-22. The influx of permanent labour could increase output and offer improved consistency of food products. On the back of increased worker supply and continuous store expansion, we expect the FPC's utilisation rate to further improve going forward. The FPC could breakeven by 2HFY23.
- Easing of worker shortage represents further upside potential.** Despite MyNews' success in securing 150 new foreign workers, it is still short of around 800 workers across its operations which include its stores and its FPC. With optimal headcount, MyNews will be able to: a) increase operating hours (including more high-street stores operating at the 12am to 8am shift), b) facilitate better fulfilment of in-store product offerings, and c) increase FPC output. According of Employment Agencies, there is a 1m shortage of foreign workers. However, Human Resources Minister V. Sivakumar is looking to expedite the process along the Home Ministry, and could be a catalyst for MyNews when it comes to fruition.
- Further uplift with increased tourism.** Through its 50% stake with WH Smith, MyNews will be a beneficiary of the reopening of China and its tourists to Malaysia. There are currently 17 WH Smith stores across Malaysia's international airports. This accounts for close to 3% of MyNews store base. Going forward, MyNews is expected to add three new WH Smith stores under a different format, selling accessories and electronics. Tourists from China accounted for close to 13% of Malaysia's annual inbound tourists in 2019.

KEY FINANCIALS

Year to 31 Oct (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	401	631	748	860	977
EBITDA	6	53	97	120	135
Operating profit	(51)	(16)	28	48	63
Net profit (rep./act.)	(43)	(18)	18	35	49
Net profit (adj.)	(43)	(18)	18	35	49
EPS (sen)	(6.3)	(2.7)	2.6	5.1	7.2
PE (x)	n.m.	n.m.	24.0	12.4	8.8
P/B (x)	1.7	1.9	1.8	1.6	1.5
EV/EBITDA (x)	85.3	9.0	4.9	4.0	3.5
Dividend yield (%)	0.0	0.0	0.9	1.9	2.7
Net margin (%)	(10.8)	(2.9)	2.4	4.0	5.0
Net debt/(cash) to equity (%)	22.6	34.9	19.0	(8.5)	(33.5)
Interest cover (x)	0.9	6.0	12.3	25.8	154.6
ROE (%)	n.a.	n.a.	7.8	13.9	17.6
Consensus net profit	-	-	13	23	31
UOBKH/Consensus (x)	-	-	1.36	1.52	1.60

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

BUY

(Maintained)

Share Price	RM0.63
Target Price	RM0.71
Upside	+13.4%
(Previous TP)	RM0.66

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):	429.8
Market cap (US\$m):	97.6
3-mth avg daily t'over (US\$m):	0.1

Price Performance (%)

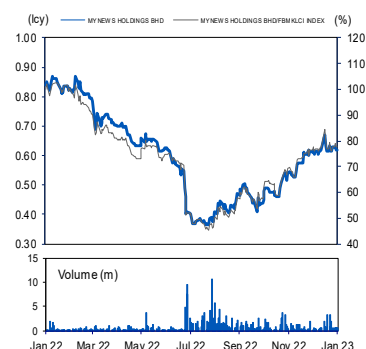
52-week high/low	RM0.870/RM0.365			
1mth	3mth	6mth	1yr	YTD
1.6	46.5	57.5	(25.0)	(24.6)

Major Shareholders

D&D Consolidated	57.4
Aberdeen	5.1
EPF	4.9

FY23 NAV/Share (RM)	0.35
FY23 Net Debt/Share (RM)	0.07

PRICE CHART



Source: Bloomberg

ANALYST(S)

Philip Wong
+603 2147 1996
philipwong@uobkayhian.com

- Store expansion outlook.** MyNews aims to add 80 new stores over FY23, which represents an enlarged store base of +13% for FY23. This will consist of 40 stores of MyNews and CU store formats each. This is a deviation from its previous plans to skew store expansion towards CU format stores. As CU is currently gestating, we believe it may require further fine-tuning and the FPC being optimally utilised to fully realise CU's full potential. Given this period of adjustment for CU, it appears reasonable for store expansion mix to be adjusted. Apart from that, with improved fine-tuning and easing of the labour shortage, we expect CU to breakeven in FY23.

- Reasonable revenue generation growth amid upcoming catalysts.** MyNews' 4QFY22 revenue per store of RM309,000 has exceeded its pre-pandemic 4QFY19 store revenue (RM273,000) by 13.3%. The positive revenue generation can be attributed to inflation, closure of underperforming stores and introduction of CU format stores that is significantly revenue accretive. Given these factors, we believe there is further organic recovery for MyNews' store revenue generation. Easing of the labour shortage (longer operating hours, FPC output and inventory fulfilment) and recovery in tourism will boost MyNews' in-store revenue generation growth. At this juncture, we have conservatively pencilled in a 4.5% growth for FY23.

STOCK IMPACT

- Minimal requirement for equity financing with MyNews turning for the better.** MyNews' 4QFY22 net gearing stood at 0.35x (3QFY22: 0.32x). Management has reiterated that it would consider equity financing only if net gearing reaches 0.5x. However, based on our projections of MyNews turning firmly profitable heading into FY23, it would not require additional equity financing.

EARNINGS REVISION/RISK

- No changes to earnings.** Key risks include CU store execution and additional movement lockdowns associated with the COVID-19 pandemic.

VALUATION/RECOMMENDATION

- Maintain BUY and target price of RM0.71.** Our target price is based on a PE peg of 17x or its -1.5SD of its mean PE to 2023's earnings. The deep discount to its historical valuations is premised on the emergence of Family Mart and increased competitiveness in the landscape vis-à-vis MyNews' historical operating environment. That said, we believe the worst of its headwinds are behind it and earnings should improve from strength to strength. MyNews' earnings recovery is also underpinned by a multitude of catalysts and high positive operating leverage.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

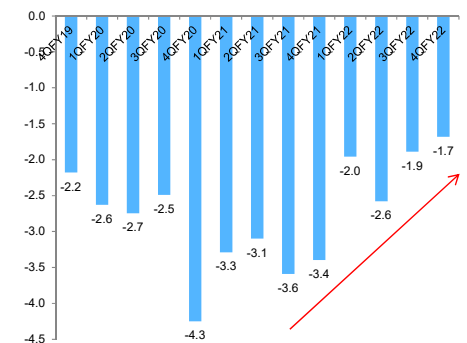
<ul style="list-style-type: none"> Environmental <ul style="list-style-type: none"> Renewable energy. MyNews is embarking into solar renewable energy for its HQ and food processing centres. This project will reduce 546 tonnes of CO₂ emission. Social <ul style="list-style-type: none"> Diversity & inclusion. 48% of its 2,000 over strong workforce is female. Governance <ul style="list-style-type: none"> Board composition. Independent Non-Executive Directors make up 50% of the board.

REVENUE DRIVERS ASSUMPTIONS

	2023F	2024F	2025F
Revenue (RMm)	748	860	977
Growth yoy (%)	18.4%	15.1%	13.6%
Avg store count for the year	625	705	785
Net store addition	80	80	80
Growth yoy (%)	13.3%	12.8%	11.3%
Revenue per store (in '000)	1196.3	1220.2	1244.6
Growth yoy (%)	4.5%	2.0%	2.0%

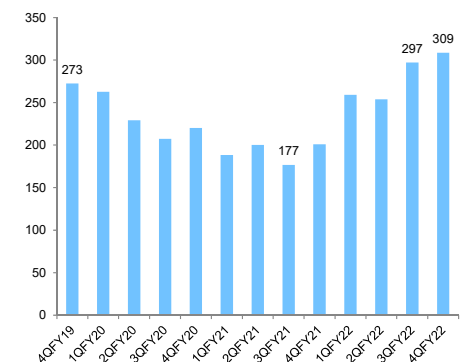
Source: MyNews, UOB Kay Hian

MYNEWS' FPC NARROWING SHARE OF LOSSES



Source: MyNews

QUARTERLY STORE REVENUE GENERATION HAS SURPASSED PREPANDEMIC LEVELS



Source: MyNews

FORWARD PE BAND (PRE-COVID-19)



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Oct (RMm)	2022	2023F	2024F	2025F
Net turnover	631	748	860	977
EBITDA	53	97	120	135
Deprec. & amort.	68	69	72	72
EBIT	(16)	28	48	63
Total other non-operating income	3	2	3	3
Associate contributions	1	1	1	1
Net interest income/(expense)	(9)	(8)	(5)	(1)
Pre-tax profit	(21)	23	47	66
Tax	(1)	(6)	(12)	(17)
Minorities	4	1	0	0
Net profit	(18)	18	35	49
Net profit (adj.)	(18)	18	35	49

BALANCE SHEET

Year to 31 Oct (RMm)	2022	2023F	2024F	2025F
Fixed assets	248	236	210	184
Other LT assets	226	226	226	226
Cash/ST investment	12	25	72	119
Other current assets	142	143	156	169
Total assets	628	630	664	698
ST debt	53	33	23	13
Other current liabilities	183	191	221	250
LT debt	37	37	27	7
Other LT liabilities	132	132	132	132
Shareholders' equity	224	237	261	296
Total liabilities & equity	628	630	664	698

CASH FLOW

Year to 31 Oct (RMm)	2022	2023F	2024F	2025F
Operating	92	103	128	139
Pre-tax profit	(21)	22	45	63
Tax	(1)	(6)	(12)	(17)
Deprec. & amort.	68	69	72	72
Associates	(3)	(3)	(3)	(3)
Working capital changes	16	(11)	(4)	(4)
Other operating cashflows	32	32	30	27
Investing	(71)	(57)	(46)	(46)
Capex (growth)	(72)	(57)	(46)	(46)
Proceeds from sale of assets	0	0	0	0
Others	1	0	0	0
Financing	(24)	(33)	(35)	(45)
Dividend payments	0	(4)	(8)	(11)
Issue of shares	0	0	0	0
Proceeds from borrowings	52	0	0	0
Loan repayment	(33)	0	(10)	(20)
Others/interest paid	(43)	(29)	(17)	(14)
Net cash inflow (outflow)	(4)	13	47	47
Beginning cash & cash equivalent	15	12	25	72
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	12	25	72	119

KEY METRICS

Year to 31 Oct (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	8.3	13.0	13.9	13.9
Pre-tax margin	(3.3)	3.0	5.4	6.7
Net margin	(2.9)	2.4	4.0	5.0
ROA	n.a.	2.8	5.3	7.2
ROE	n.a.	7.8	13.9	17.6
Growth				
Turnover	57.6	18.4	15.1	13.6
EBITDA	846.4	84.1	23.6	12.9
Pre-tax profit	n.a.	n.a.	104.6	41.3
Net profit	n.a.	n.a.	93.1	41.4
Net profit (adj.)	n.a.	n.a.	93.1	41.4
EPS	n.a.	n.a.	93.1	41.4
Leverage				
Debt to total capital	28.7	22.8	16.0	6.3
Debt to equity	40.2	29.5	19.1	6.7
Net debt/(cash) to equity	34.9	19.0	(8.5)	(33.5)
Interest cover (x)	6.0	12.3	25.8	154.6

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2023, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W