

# Mynews Holdings (MNHB MK)

## 4QFY22 earnings are back to black

### Maintain BUY with higher TP of MYR0.80

MNHB's 4QFY22 results outperformed predominantly on its strong sales. We expect FY23 net profit to return to the black led by recovery in in-store sales for both *Mynews* and *CU* stores and narrowing losses at its food processing centre (FPC). Hence, we lift our FY23E-24E earnings estimates by 29%-72% and introduce our FY25E estimates. Maintain BUY with a higher TP of MYR0.80 based on 2.5x CY23 PBV (mean, vs. 2.0x PBV previously).

### Above expectations

4QFY22 net profit of MYR1m (4QFY21 net loss: MYR9m, 3QFY22 net loss: MYR2m) brought FY22 net loss to MYR18m (-58% YoY) against our/consensus full-year loss estimates of -MYR22m/-MYR20m. The earnings improvement was mainly from robust sales volume where FY22 revenue of MYR631m made up 110% of our FY22 estimate.

### Sales increased YoY and QoQ

4QFY22 revenue grew 6% QoQ on the back of higher contribution from new stores, store footfall and better average sales per store. Total store count has grown to 585 as at end-Oct 22 (+12 stores QoQ) which includes 460 *Mynews* stores (-2 QoQ) and 125 *CU* stores (+14 QoQ). 4QFY22 gross profit margin softened by 1.8 ppts QoQ due to higher advertising and marketing costs attributed to *CU* products but EBIT turned profitable given aid received from the government's Hiring Incentive Programme and ongoing internal cost management. On a YoY basis, stronger topline and bottomline were mainly attributed to relaxed movement restrictions, reopening of international borders and longer store operating hours.

### Raise FY23E-24E earnings estimates by 72%/29%

Factoring in MNHB's good results, our FY23/FY24 earnings estimates have been lifted by 72%/29%. We are encouraged by the group's earnings turnaround in 4QFY22 and its positive earnings trajectory is expected to continue into FY23 with ongoing recovery in *Mynews* store sales alongside stronger contribution from its *CU* stores. Narrowed losses at its food processing centre (FPC) will also buffer further downside to earnings going forward. An ongoing challenge however lies in labour shortages experienced throughout the consumer retail industry. Although MNHB has recruited enough staff for its FPC, its retail outlets remain understaffed.

FYE Oct (MYR m)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	394	631	960	1,089	1,225
EBITDA	10	56	92	123	141
Core net profit	(43)	(18)	6	22	26
Core EPS (sen)	(6.3)	(2.6)	0.9	3.2	3.8
Core EPS growth (%)	nm	nm	nm	273.5	18.3
Net DPS (sen)	0.0	0.0	0.2	0.9	1.1
Core P/E (x)	nm	nm	74.7	20.0	16.9
P/BV (x)	2.7	1.7	1.9	1.8	1.7
Net dividend yield (%)	0.0	0.0	0.4	1.4	1.7
ROAE (%)	(16.8)	(7.8)	2.6	9.3	10.2
ROAA (%)	(8.4)	(3.2)	0.9	2.9	3.2
EV/EBITDA (x)	67.8	7.9	5.8	4.5	4.1
Net gearing (%) (incl perps)	23.0	35.0	43.9	50.5	55.9
Consensus net profit	-	-	13	18	na
MKE vs. Consensus (%)	-	-	(55.4)	17.7	na

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## BUY

Share Price	MYR 0.64
12m Price Target	MYR 0.80 (+26%)
Previous Price Target	MYR 0.60

### Company Description

*Mynews's principal business activity is press and convenience retailing.*

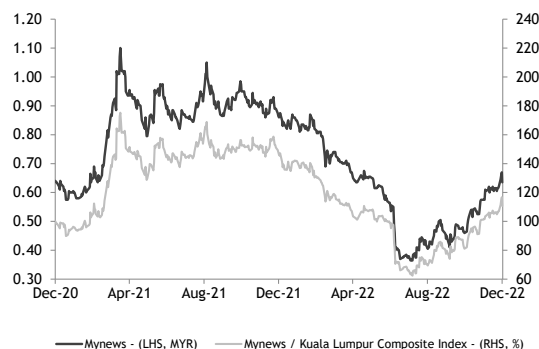
### Statistics

52w high/low (MYR)	0.88/0.37
3m avg turnover (USDm)	0.1
Free float (%)	28.4
Issued shares (m)	682
Market capitalisation	MYR433.2M USD98M

### Major shareholders:

D&D Consolidated Sdn. Bhd.	57.4%
Employees Provident Fund	4.9%
DANG TAI KIEN	3.4%

### Price Performance



	-1M	-3M	-12M
Absolute (%)	10	41	(26)
Relative to index (%)	9	39	(24)

Source: FactSet

Fig 1: Mynews: Results summary table

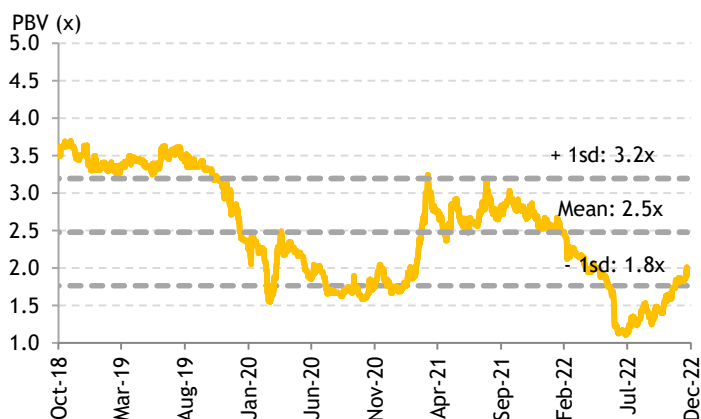
FYE Oct (MYR'm)	Quarterly					Cumulative		
	4QFY22	4QFY21	% YoY	3QFY22	% QoQ	12MFY22	12MFY21	%YoY
Revenue	180.6	97.9	84.5	170.2	6.1	631.3	394.4	60.1
Cost of sales	(119.6)	(70.0)	70.8	(109.6)	9.1	(418.7)	(273.9)	52.8
<b>Gross Profit</b>	<b>61.0</b>	<b>27.9</b>	<b>&gt;100.0</b>	<b>60.6</b>	<b>0.8</b>	<b>212.7</b>	<b>120.5</b>	<b>76.5</b>
Other operating income	2.0	1.9	6.1	0.2	>100.0	2.9	4.5	(34.1)
Selling, distribution & admin	(43.3)	(29.1)	48.9	(41.5)	4.2	(159.5)	(114.5)	39.4
Other expenses	(16.2)	(14.8)	9.7	(19.8)	(17.9)	(68.9)	(56.8)	21.4
<b>Operating profit</b>	<b>3.6</b>	<b>(14.1)</b>	<b>n.m.</b>	<b>(0.5)</b>	<b>n.m.</b>	<b>(12.8)</b>	<b>(46.3)</b>	<b>(72.3)</b>
Finance costs	(2.6)	(1.5)	67.0	(2.3)	12.9	(8.8)	(6.4)	38.2
Associates	0.5	0.1	>100.0	0.4	19.2	0.7	(0.7)	n.m.
<b>Pretax profit</b>	<b>1.5</b>	<b>(15.6)</b>	<b>n.m.</b>	<b>(2.3)</b>	<b>n.m.</b>	<b>(21.0)</b>	<b>(53.4)</b>	<b>(60.7)</b>
Income tax	(1.0)	4.7	n.m.	(0.1)	>100.0	(1.2)	3.5	n.m.
Minority Interest	0.8	1.8	(52.5)	0.9	(10.9)	4.0	6.8	(41.1)
<b>Net profit</b>	<b>1.4</b>	<b>(9.0)</b>	<b>n.m.</b>	<b>(1.5)</b>	<b>n.m.</b>	<b>(18.2)</b>	<b>(43.2)</b>	<b>(58.0)</b>
<b>Core net profit</b>	<b>1.4</b>	<b>(9.0)</b>	<b>n.m.</b>	<b>(1.5)</b>	<b>n.m.</b>	<b>(18.2)</b>	<b>(43.2)</b>	<b>(58.0)</b>

Margins	YoY ppt			QoQ ppt			YoY ppt		
			Chg			Chg			Chg
Gross profit (%)	33.8	28.5	5.3	35.6	(1.8)	33.7	30.5	3.1	
Operating profit (%)	2.0	(14.4)	16.3	(0.3)	2.3	(2.0)	(11.7)	9.7	
Pretax profit (%)	0.8	(15.9)	16.7	(1.4)	2.2	(3.3)	(13.5)	10.2	
Net profit (%)	0.8	(9.2)	10.0	(0.9)	1.6	(2.9)	(11.0)	8.1	
Tax rate (%)	64.8	30.5	34.2	(2.6)	67.3	(5.5)	6.5	(12.0)	

Source: Company, Maybank IBG Research

Fig 2: One-year forward PBV



Source: Company, Maybank IBG Research

## Risk statement

There are several risk factors for our earnings estimates, price target, and rating for MNHB. Poor execution or inability to find suitable store locations could hinder new store openings and revenue growth. Additionally, slower consumption demand growth could result in falling same store sales growth. Higher operating expenses from higher minimum wage and higher rental could also adversely impact earnings.

FYE 31 Oct	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Key Metrics</b>					
P/E (reported) (x)	nm	nm	74.7	20.0	16.9
Core P/E (x)	nm	nm	74.7	20.0	16.9
P/BV (x)	2.7	1.7	1.9	1.8	1.7
P/NTA (x)	2.7	1.7	2.0	1.8	1.7
Net dividend yield (%)	0.0	0.0	0.4	1.4	1.7
FCF yield (%)	0.5	5.4	nm	nm	nm
EV/EBITDA (x)	67.8	7.9	5.8	4.5	4.1
EV/EBIT (x)	nm	nm	58.3	17.6	14.9
<b>INCOME STATEMENT (MYR m)</b>					
Revenue	394.4	631.3	959.6	1,088.5	1,224.9
EBITDA	10.2	56.0	92.0	123.2	141.2
Depreciation	(56.7)	(68.9)	(82.9)	(91.7)	(102.4)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	(46.5)	(12.8)	9.1	31.5	38.8
Net interest income / (exp)	(6.2)	(8.6)	(11.0)	(12.9)	(15.5)
Associates & JV	(0.7)	0.7	3.2	3.6	3.9
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	(53.4)	(20.8)	1.4	22.1	27.2
Income tax	3.5	(1.2)	0.4	(4.5)	(5.6)
Minorities	6.8	4.0	4.0	4.0	4.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	(43.2)	(18.0)	5.8	21.7	25.6
Core net profit	(43.2)	(18.0)	5.8	21.7	25.6
<b>BALANCE SHEET (MYR m)</b>					
Cash & Short Term Investments	16.1	12.5	6.1	3.3	0.1
Accounts receivable	37.3	35.5	54.0	61.2	68.9
Inventory	58.8	81.0	120.2	132.7	148.7
Property, Plant & Equip (net)	206.8	248.3	274.7	307.0	344.1
Intangible assets	3.9	3.5	3.3	3.1	2.9
Investment in Associates & JVs	6.0	6.7	9.9	13.5	17.4
Other assets	172.4	240.8	240.8	240.8	240.8
<b>Total assets</b>	<b>501.4</b>	<b>628.4</b>	<b>709.1</b>	<b>761.7</b>	<b>822.8</b>
ST interest bearing debt	25.4	53.0	53.0	53.0	53.0
Accounts payable	82.6	135.7	201.3	222.3	249.0
LT interest bearing debt	45.6	36.9	51.9	71.9	91.9
Other liabilities	109.0	182.0	178.0	174.0	170.0
<b>Total Liabilities</b>	<b>262.2</b>	<b>407.3</b>	<b>483.9</b>	<b>520.9</b>	<b>563.6</b>
Shareholders Equity	239.2	221.0	225.2	240.8	259.2
Minority Interest	0.0	0.0	0.0	0.0	0.0
<b>Total shareholder equity</b>	<b>239.2</b>	<b>221.0</b>	<b>225.2</b>	<b>240.8</b>	<b>259.2</b>
<b>Total liabilities and equity</b>	<b>501.4</b>	<b>628.4</b>	<b>709.1</b>	<b>761.7</b>	<b>822.9</b>
<b>CASH FLOW (MYR m)</b>					
Pretax profit	(53.4)	(20.8)	1.4	22.1	27.2
Depreciation & amortisation	56.7	68.9	82.9	91.7	102.4
Adj net interest (income)/exp	0.0	0.0	(11.0)	(12.9)	(15.5)
Change in working capital	12.5	16.1	7.9	1.2	3.1
Cash taxes paid	(3.0)	(1.1)	0.4	(4.5)	(5.6)
Other operating cash flow	13.2	28.4	7.8	9.4	11.5
Cash flow from operations	25.8	91.5	89.4	107.0	123.2
Capex	(22.9)	(71.8)	(109.1)	(123.8)	(139.3)
Free cash flow	2.9	19.7	(19.7)	(16.7)	(16.1)
Dividends paid	0.0	0.0	(1.6)	(6.1)	(7.2)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	3.4	18.9	15.0	20.0	20.0
Other invest/financing cash flow	(26.4)	(42.3)	0.0	0.0	0.0
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(20.1)	(3.6)	(6.3)	(2.8)	(3.3)

FYE 31 Oct	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Key Ratios</b>					
<b>Growth ratios (%)</b>					
Revenue growth	(19.4)	60.1	52.0	13.4	12.5
EBITDA growth	(77.0)	451.4	64.3	33.9	14.6
EBIT growth	nm	nm	nm	245.2	23.0
Pretax growth	nm	nm	nm	1,516.5	23.0
Reported net profit growth	nm	nm	nm	273.5	18.3
Core net profit growth	nm	nm	nm	273.5	18.3
<b>Profitability ratios (%)</b>					
EBITDA margin	2.6	8.9	9.6	11.3	11.5
EBIT margin	nm	nm	1.0	2.9	3.2
Pretax profit margin	nm	nm	0.1	2.0	2.2
Payout ratio	0.0	0.0	28.0	28.0	28.0
<b>DuPont analysis</b>					
Net profit margin (%)	nm	nm	0.6	2.0	2.1
Revenue/Assets (x)	0.8	1.0	1.4	1.4	1.5
Assets/Equity (x)	2.1	2.8	3.1	3.2	3.2
ROAE (%)	(16.8)	(7.8)	2.6	9.3	10.2
ROAA (%)	(8.4)	(3.2)	0.9	2.9	3.2
<b>Liquidity &amp; Efficiency</b>					
Cash conversion cycle	13.7	(13.0)	(22.6)	(25.7)	(25.4)
Days receivable outstanding	34.8	20.8	16.8	19.1	19.1
Days inventory outstanding	82.6	60.1	58.3	66.4	66.0
Days payables outstanding	103.7	93.9	97.7	111.2	110.5
Dividend cover (x)	nm	nm	3.6	3.6	3.6
Current ratio (x)	0.9	0.7	0.7	0.7	0.7
<b>Leverage &amp; Expense Analysis</b>					
Asset/Liability (x)	1.9	1.5	1.5	1.5	1.5
Net gearing (%) (incl perps)	23.0	35.0	43.9	50.5	55.9
Net gearing (%) (excl. perps)	23.0	35.0	43.9	50.5	55.9
Net interest cover (x)	na	na	0.8	2.4	2.5
Debt/EBITDA (x)	7.0	1.6	1.1	1.0	1.0
Capex/revenue (%)	5.8	11.4	11.4	11.4	11.4
Net debt/ (net cash)	54.9	77.4	98.8	121.6	144.8

Source: Company; Maybank IBG Research

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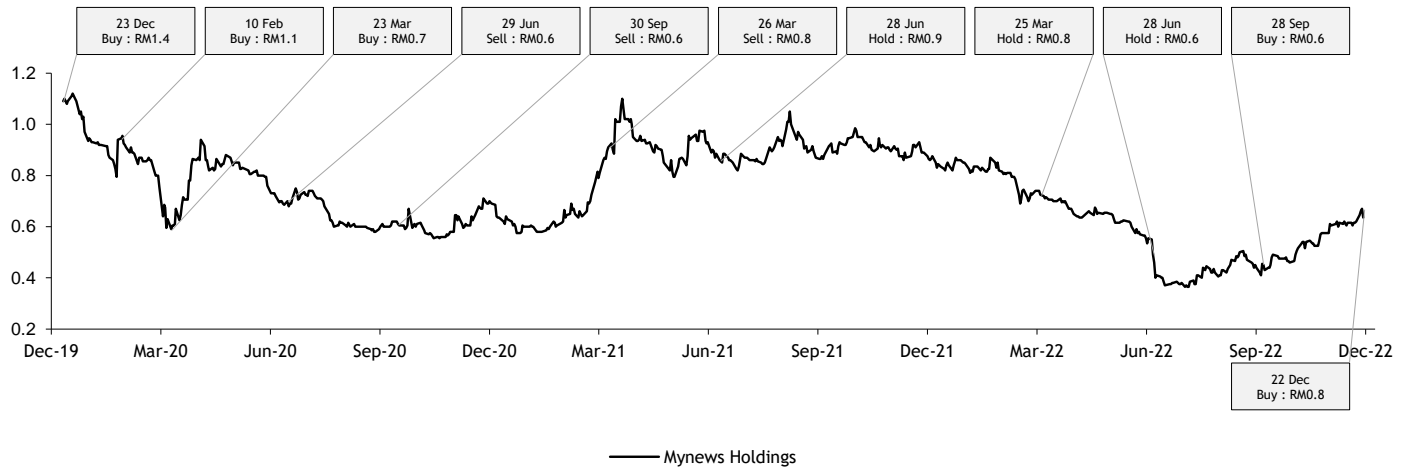
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