

Malaysia

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REDUCE (no change)

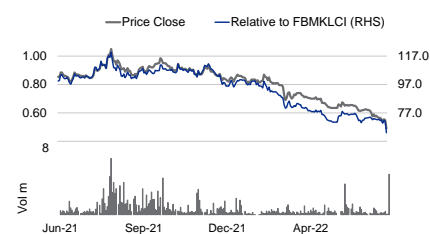
Consensus ratings*: Buy 3 Hold 4 Sell 2

Current price:	RM0.49
Target price:	RM0.33
Previous target:	RM0.33
Up/downside:	-32.7%
CGS-CIMB / Consensus:	-48.4%
Reuters:	MYNE.KL
Bloomberg:	MNHB MK
Market cap:	US\$76.02m
	RM334.3m
Average daily turnover:	US\$0.07m
	RM0.29m
Current shares o/s	682.1m
Free float:	26.0%

*Source: Bloomberg

Key financial forecasts

	Oct-22F	Oct-23F	Oct-24F
Net Profit (RMm)	-29.85	-11.87	1.91
Core EPS (RM)	(0.044)	(0.017)	0.003
Core EPS Growth	(25.2%)	(60.2%)	
FD Core P/E (x)	NA	NA	174.6
Recurring ROE	(13.4%)	(5.9%)	1.0%
P/BV (x)	1.62	1.70	1.67
DPS (RM)	-	-	-
Dividend Yield	0%	0%	0%


Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-20.3	-32	-43
Relative (%)	-14.3	-23	-37.2

Major shareholders	% held
D&D Consolidated	57.4
EPF	6.7
Aberdeen Standard Investments (M)	5.7

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Mynews Holdings Berhad

Earnings outlook remains subdued

- We reiterate Reduce on Mynews post 2QFY22 results briefing, as we expect it to remain in losses in FY22-23F due to a prolonged CU gestation period.
- We believe shortage of manpower at Mynews is a near-to-medium term impediment to turn around FPC, and a headwind for its store expansion plan.
- To fund its CU expansion, we also expect Mynews to laden its balance sheet with higher net gearing (higher interest costs); equity cash call on the cards.

Persistent shortage of manpower to further delay profitability

- Mynews shared that the lack of sufficient manpower is hampering its food processing centre's (FPC) utilisation rate (c.60% currently, maintains breakeven target of c.70% by end-FY22F) given the lack of workers to ramp up production to support its expanding store network. To circumvent this issue, Mynews said it has outsourced certain food product categories to third-party suppliers as a short-term measure, which could affect food quality, in our view. Nonetheless, it disclosed that FPC's 1HFY22 revenue has reached c.120% of FY21's total revenue due to higher fresh food contributions from its CU operations, though it remained in losses at RM4.5m. Mynews is expecting c.200 additional foreign workers in Aug 22 to partially ease the labour shortage issue and support its store expansion.
- While Mynews aims to gradually increase the number of stores (especially CU) operating with longer hours (e.g. 24-hours, in line with its competitors), the current labour shortage remains a major impediment to executing its plans. As a result, we believe this could be a drag on sales growth moving forward.

Gestation period for CU operations could drag out until FY24F

- While Mynews remains steadfast in its goal to open 100 CU stores p.a. (96 CU outlets currently, and on track to meet its targeted 130 CU outlets at end-FY22F) and shared that some of its earlier CU stores have achieved profitability (which we believe to be at the EBITDA level), we still expect its CU operations to remain loss-making at least until end-FY23F due to elevated operating costs, depreciation and finance costs to persist in upcoming quarters due to its aggressive CU expansion plan.

A weaker operating environment ahead

- Given the minimum wage hike and rising input costs, Mynews shared that it may hike prices across certain product categories to pass on the costs. While we take comfort in its ability to raise prices, it could come at the expense of sales volume going forward in view of intensifying competition and rising inflationary pressures.
- Mynews currently has 463 myNEWS stores (including 15 myNEWS SUPERVALUE) and 14 WHSmith (expects to open another 5 in coming quarters). It also shared that revenue from myNEWS outlets has achieved c.80-90% of pre-pandemic levels and WHSmith operation likely broke even in May 22. That said, the labour shortage, rising building material prices and fierce competition could weigh on Mynews, in our view.

Foresee a weaker balance sheet, with higher interest costs

- Mynews shared that it will continue to opt for gearing up its balance sheet (from c.0.33x net gearing as of 2QFY22 to 0.5-0.7x) to fund its aggressive CU expansion, which we expect to result in higher interest expenses amidst a rising interest rate hike cycle. Mynews does not discount the possibility of an equity cash call as well.

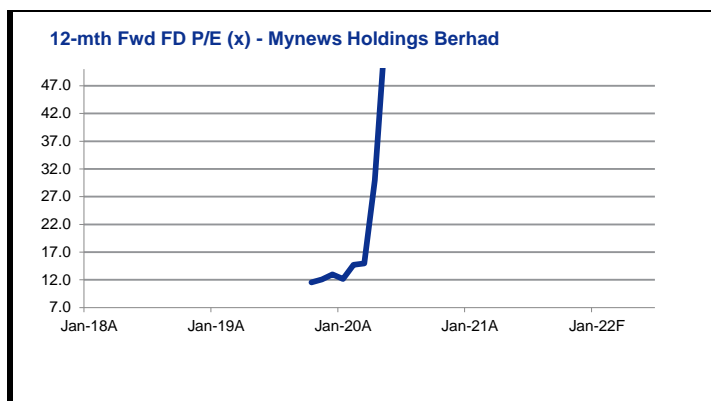
We reiterate a Reduce call with an unchanged TP of RM0.33

- With no surprises from the briefing, we keep our FY22-24F estimates intact. We reiterate Reduce with TP of RM0.33 (1.0x P/NTA, 2 s.d. below 5-year mean P/NTA of 2.9x). The discount is to account for intensifying competition in the CVS space, weaker business fundamentals, and higher net gearing profile (a risk to rising interest rates).
- Key derating catalysts: higher-than-expected operating costs, persistent shortage of labour delaying FPC's turnaround plan. Key upside risks: shorter-than-expected gestation period of its CU operations, lower-than-expected operating costs.

BY THE NUMBERS

Profit & Loss				
(RMm)	Oct-21A	Oct-22F	Oct-23F	Oct-24F
Total Net Revenues	400.6	550.2	678.1	728.1
Gross Profit	122.0	179.4	237.3	254.8
Operating EBITDA	13.0	31.4	64.4	83.7
Depreciation And Amortisation	(56.7)	(66.4)	(70.1)	(71.4)
Operating EBIT	(43.6)	(35.1)	(5.7)	12.3
Financial Income/(Expense)	(6.2)	(6.2)	(9.3)	(9.2)
Pretax Income/(Loss) from Assoc.	(0.7)	2.0	2.0	2.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	(50.5)	(39.3)	(13.0)	5.2
Exceptional Items	0.0	0.0	0.0	0.0
Pre-tax Profit	(50.5)	(39.3)	(13.0)	5.2
Taxation	4.0	9.4	3.1	(1.2)
Exceptional Income - post-tax				
Profit After Tax	(46.6)	(29.9)	(9.9)	3.9
Minority Interests	6.7	0.0	(2.0)	(2.0)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	(39.9)	(29.9)	(11.9)	1.9
Recurring Net Profit	(39.9)	(29.9)	(11.9)	1.9
Fully Diluted Recurring Net Profit	(39.9)	(29.9)	(11.9)	1.9

Cash Flow				
(RMm)	Oct-21A	Oct-22F	Oct-23F	Oct-24F
EBITDA	13.0	31.4	64.4	83.7
Cash Flow from Invt. & Assoc.	0.7	(2.0)	(2.0)	(2.0)
Change In Working Capital	7.3	(7.8)	(12.1)	(5.2)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	0.0	2.0	2.0	2.0
Other Operating Cashflow	4.0	0.0	0.0	0.0
Net Interest (Paid)/Received	(6.2)	(6.2)	(9.3)	(9.2)
Tax Paid	(3.0)	9.4	3.1	(1.2)
Cashflow From Operations	15.9	26.8	46.1	68.1
Capex	(18.3)	(33.2)	(36.0)	(37.2)
Disposals Of FAs/subsidiaries	0.5	0.0	0.0	0.0
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	2.0	0.0	0.0	0.0
Cash Flow From Investing	(15.8)	(33.2)	(36.0)	(37.2)
Debt Raised/(repaid)	3.4	22.4	30.0	7.4
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid	0.0	0.0	0.0	0.0
Preferred Dividends				
Other Financing Cashflow	(26.7)	(27.9)	(31.2)	(30.2)
Cash Flow From Financing	(23.2)	(5.5)	(1.2)	(22.8)
Total Cash Generated	(23.1)	(11.8)	8.9	8.1
Free Cashflow To Equity	3.5	16.1	40.1	38.3
Free Cashflow To Firm	6.5	(0.1)	19.4	40.1



Balance Sheet				
(RMm)	Oct-21A	Oct-22F	Oct-23F	Oct-24F
Total Cash And Equivalents	16.1	4.0	12.9	21.0
Total Debtors	37.2	46.4	48.8	49.8
Inventories	58.8	76.2	90.6	97.2
Total Other Current Assets	19.1	23.0	26.9	28.4
Total Current Assets	131.2	149.6	179.2	196.5
Fixed Assets	207.3	225.9	234.7	241.7
Total Investments	18.3	48.4	32.4	23.8
Intangible Assets	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	146.3	154.4	156.6	160.4
Total Non-current Assets	371.9	428.8	423.7	425.9
Short-term Debt	25.4	85.0	105.0	112.4
Current Portion of Long-Term Debt				
Total Creditors	81.2	104.3	112.7	116.6
Other Current Liabilities	30.7	40.1	38.9	37.8
Total Current Liabilities	137.3	229.5	256.6	266.8
Total Long-term Debt	45.6	55.0	65.0	65.0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	76.2	81.1	78.4	83.8
Total Non-current Liabilities	121.8	136.1	143.4	148.8
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	259.1	365.5	400.0	415.6
Shareholders' Equity	239.3	206.0	196.1	200.0
Minority Interests	4.7	6.8	6.8	6.8
Total Equity	244.0	212.8	202.9	206.8

Key Ratios				
	Oct-21A	Oct-22F	Oct-23F	Oct-24F
Revenue Growth	(18.1%)	37.3%	23.2%	7.4%
Operating EBITDA Growth	(88%)	140%	105%	30%
Operating EBITDA Margin	3.3%	5.7%	9.5%	11.5%
Net Cash Per Share (RM)	-0.08	-0.20	-0.23	-0.23
BVPS (RM)	0.35	0.30	0.29	0.29
Gross Interest Cover	-6.84	-5.58	-0.61	1.34
Effective Tax Rate	0.0%	0.0%	0.0%	24.0%
Net Dividend Payout Ratio	NA	NA	NA	NA
Accounts Receivables Days	3.34	3.96	6.34	6.78
Inventory Days	82.36	66.43	69.05	72.62
Accounts Payables Days	43.64	37.41	40.17	42.25
ROIC (%)	(9.1%)	(7.4%)	(1.1%)	2.3%
ROCE (%)	(13.0%)	(10.5%)	(1.6%)	3.3%
Return On Average Assets	(8.1%)	(4.7%)	(0.5%)	1.8%

Key Drivers				
	Oct-21A	Oct-22F	Oct-23F	Oct-24F
Avg revenue per store (Mynews)	0.7	0.9	1.0	1.0
Avg revenue per store (CU)	1.2	1.3	1.1	1.1

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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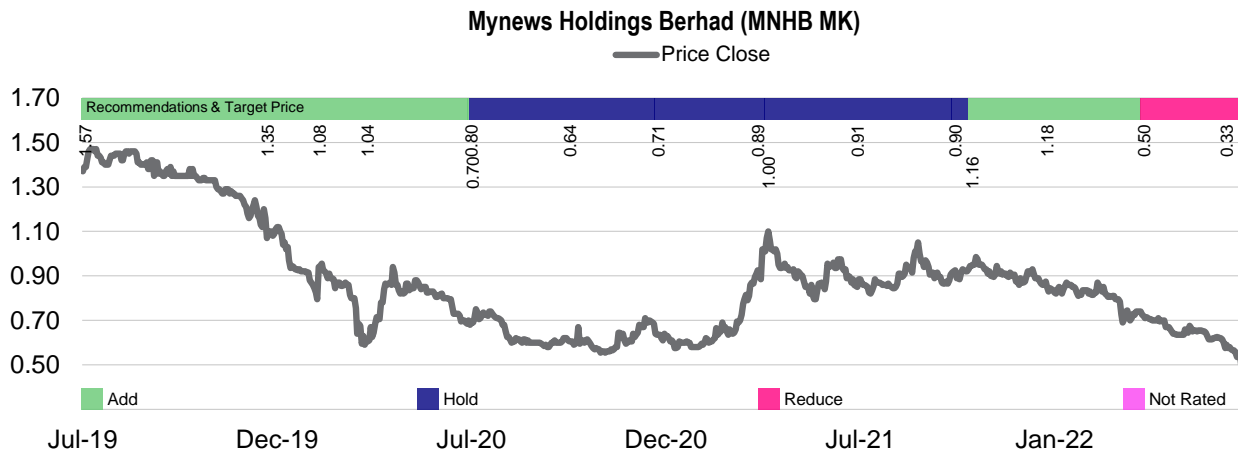
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2022		
632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%
Reduce	7.8%	0.2%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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Recommendation Framework	
Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
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Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.