

## Malaysia

**REDUCE** (no change)

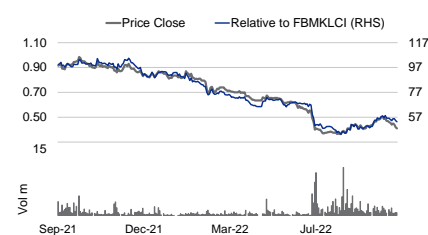
Consensus ratings\*: Buy 3 Hold 4 Sell 2

Current price:	RM0.41
Target price:	RM0.33
Previous target:	RM0.33
Up/downside:	-19.5%
CGS-CIMB / Consensus:	-41.8%
Reuters:	MYNE.KL
Bloomberg:	MNHB MK
Market cap:	US\$60.66m
	RM279.7m
Average daily turnover:	US\$0.17m
	RM0.78m
Current shares o/s:	682.1m
Free float:	26.0%

\*Source: Bloomberg

**Key changes in this note**

➤ No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4.7	-25.5	-54.7
Relative (%)	1.3	-23.6	-46.7

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

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# Mynews Holdings Berhad

## Remains in the red due to rising costs

- We deem the 9MFY10/22 core net loss of RM16.5m as better than our expectations and Bloomberg consensus FY10/22 estimate.
- The earnings outperformance was mainly due to higher-than-expected revenue and larger-than-expected GP margin on a better product mix.
- Maintain Reduce with an unchanged TP of RM0.33 (1.0x P/NTA). However, we retain our EPS forecasts pending the results briefing on 28 Sep 2022.

### 3QFY10/22: Tenth consecutive loss-making quarter with RM0.6m

Mynews Holdings Berhad's (Mynews) 3QFY10/22 revenue increased by 81.3% yoy to RM170.2m, mainly driven by a higher total store count of 573 (+11.3% yoy or +58 yoy and +15 qoq, including 16 new CU outlets during the quarter), higher footfall and longer operating hours as well as the Hari Raya festive season during the quarter. GP margin improved to 35.6% (+5.6% pts yoy) on wider margins from CU operations and better control over inventory wastages. Nonetheless, the higher revenue growth was more than offset by the increase in operating costs (+48.6% yoy), finance costs (+39.9% yoy) and depreciation (+38.3% yoy) due to its ongoing aggressive CU expansion plan. Also, its food processing centre (FPC) remained in losses at RM1.9m in 3Q22 vs. 2Q22 loss of RM2.5m. As a result, Mynews posted a core net loss (CNL) of RM0.6m, marking its tenth consecutive loss-making quarter.

### 9MFY10/22 core net loss of RM16.5m was better than expected

9MFY22 CNL of RM16.5m was narrower than our and Bloomberg consensus expectations, accounting for 55% and 66% of FY22 full-year loss forecasts, respectively. The outperformance was mainly due to a higher-than-expected expansion in EBITDA margin to 8.5% (+4.5% pts yoy), owing to revenue (+52.0% yoy) increasing at a faster pace than operating costs (+40.2% yoy). Nonetheless, the higher EBITDA of RM38.4m (+224.6% yoy) was offset by depreciation expenses, which rose by 21.5% to RM52.0m and higher finance costs (+28.9% yoy) to expand its CU operations. YTD, the group currently has 462 myNEWS outlets, 124 CU stores and 13 WHSmith stores.

### Labour shortage and gestation of CU remain key risks

While we believe the near breakeven 3Q22 results of -RM0.6m was mainly attributable to higher-than-expected GP margin on a more favourable product mix and recovery in sales from its existing 462 myNEWS stores, near-term risks remain that could hamper Mynews's turnaround plan. These include prolonged gestation of its CU operations, lower consumer spending power from 4QCY22 onwards, and persistent labour shortages that could lead to lower utilisation rate at its FPC, resulting in delayed profitability in FY24F.

### Maintain Reduce with an unchanged TP of RM0.33

We retain our RM0.33 TP (1.0x P/NTA, 2 s.d. below its 5-year mean of 2.9x), and core EPS forecasts pending Mynews's results briefing on 28 Sep 2022. The P/NTA discount is to reflect the intensifying competition in the CVS space, potentially weaker consumer discretionary spending from 4QCY22 onwards and weakening business fundamentals.

**Financial Summary**

	Oct-20A	Oct-21A	Oct-22F	Oct-23F	Oct-24F
Revenue (RMm)	489.4	400.6	550.2	678.1	728.1
Operating EBITDA (RMm)	107.9	13.0	31.4	64.4	83.7
Net Profit (RMm)	78.52	-39.89	-29.85	-11.87	1.91
Core EPS (RM)	0.12	-0.06	-0.04	-0.02	0.00
Core EPS Growth	176%	(151%)	(25%)	(60%)	
FD Core P/E (x)	3.6	NA	NA	NA	146.1
DPS (RM)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	2.96	26.00	13.47	6.89	5.29
P/FCFE (x)	9.38	79.25	17.42	6.97	7.30
Net Gearing	9.5%	22.5%	63.9%	77.4%	75.6%
P/BV (x)	1.02	1.17	1.36	1.43	1.40
ROE	28.2%	(15.5%)	(13.4%)	(5.9%)	1.0%
CGS-CIMB/Consensus EPS (x)			1.15	-0.97	0.08

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

# Remains in loss-making position in 3QFY22

## Key de-rating catalysts and upside risks:

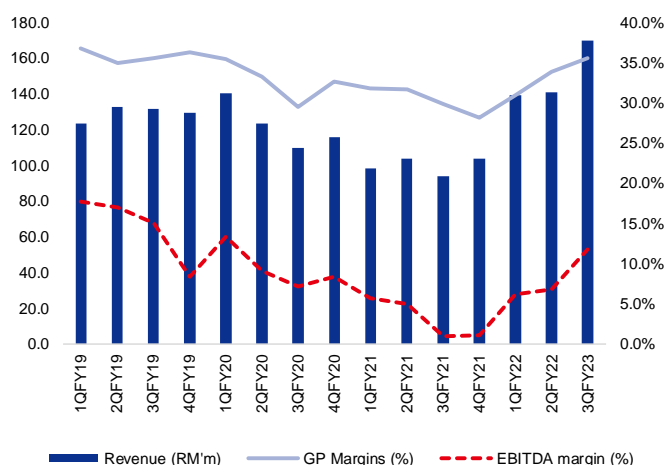
- Key de-rating catalysts: lower-than-expected CU store count and weaker-than-expected footfall recovery, higher-than-expected marketing, selling & distribution expenses, and labour costs.
- Key upside risks: faster-than-expected turnaround of its food processing centre (FPC) on strong CU store outperformance and expansion plans, lower-than-expected operating costs, and better-than-expected earnings recovery from existing stores.

Figure 1: Results Comparison

FYE Oct (RM m)	3QFY22	3QFY21	yoy % chg	qoq % chg	9MFY22 cum	9MFY21 cum	yoy % chg	Prev. FY22F	Comments
Revenue	170.2	93.9	81.3%	20.6%	450.7	296.5	52.0%	550.2	Revenue increased yoy in 9MFY22 mainly driven by higher footfall on lifting of lockdown measures and higher store count
Cost of sales	(109.6)	(65.8)	66.7%	17.6%	(299.1)	(203.9)	46.7%	(370.8)	
<b>Gross Profit</b>	<b>60.6</b>	<b>28.1</b>	<b>115.4%</b>	<b>26.5%</b>	<b>151.6</b>	<b>92.6</b>	<b>63.8%</b>	<b>179.4</b>	
GP Margins %	35.6%	29.9%	5.6%-pts	1.7%-pts	33.6%	31.2%	2.4%-pts	32.6%	Increase in gross margins possibly due to lesser food discount and higher sales contributions from higher-margin fresh food items from higher CU store count
Operating costs	(40.4)	(27.2)	48.6%	5.5%	(113.3)	(80.8)	40.2%	(148.0)	Due to increase in admin expenses (+10.8% yoy) on additional manpower and marketing materials and in selling and distribution expenses (+45.4% yoy) due to aggressive expansion of CU outlets and longer operating hours.
<b>EBITDA</b>	<b>20.1</b>	<b>0.9</b>	<b>2101.7%</b>	<b>110.9%</b>	<b>38.4</b>	<b>11.8</b>	<b>224.6%</b>	<b>31.4</b>	
EBITDA margin	11.8%	1.0%	10.9%-pts	-5.8%-pts	8.5%	4.0%	4.5%-pts	5.7%	
Depn & amort.	(19.8)	(14.3)	38.3%	16.6%	(52.0)	(42.8)	21.5%	(66.4)	Due to expansion of CU outlets
EBIT	0.3	(13.4)	-102.5%	-104.5%	(13.6)	(30.9)	-56.1%	(35.1)	
Interest expense	(2.3)	(1.6)	39.9%	-0.7%	(6.2)	(4.8)	28.9%	(6.3)	
Interest & invt inc	0.0	0.1	-21.1%	-4.3%	0.1	0.1	18.1%	0.1	
JV contribution	0.4	(0.5)	-177.4%	-228.3%	0.2	(0.8)	-120.7%	2.0	
Exceptionals & revaln	(0.9)	(0.8)	11.5%	-37.1%	(3.0)	(1.4)	109.1%	-	Exceptionals include PPE written off and loss on disposal of PPE.
<b>Pretax profit/(loss)</b>	<b>(2.3)</b>	<b>(16.3)</b>	<b>-85.7%</b>	<b>-79.4%</b>	<b>(22.5)</b>	<b>(37.9)</b>	<b>-40.6%</b>	<b>(39.2)</b>	
Tax	(0.1)	(0.4)	-85.5%	-7.7%	(0.2)	(1.3)	-85.1%	9.4	
Tax rate (%)	-2.6%	-2.5%	0%-pts	-2%-pts	-0.8%	-3.4%	2.5%-pts	24.0%	
Minority interests	(0.9)	(1.8)	-47.4%	-22.4%	(3.1)	(5.0)	-37.1%	-	
Net profit	(1.5)	(14.9)	-90.3%	-85.8%	(19.5)	(34.2)	-42.8%	(29.8)	
<b>Core net profit/ (loss)</b>	<b>(0.6)</b>	<b>(14.2)</b>	<b>-95.7%</b>	<b>-93.2%</b>	<b>(16.5)</b>	<b>(32.7)</b>	<b>-49.5%</b>	<b>(29.8)</b>	<b>Above expectations.</b>
EPS (sen)	(0.2)	(2.2)	-90.3%	-85.8%	(2.9)	(5.0)	-42.8%	(4.4)	
Core EPS (sen)	(0.1)	(2.1)	-95.7%	-93.2%	(2.4)	(4.8)	-49.5%	(4.4)	

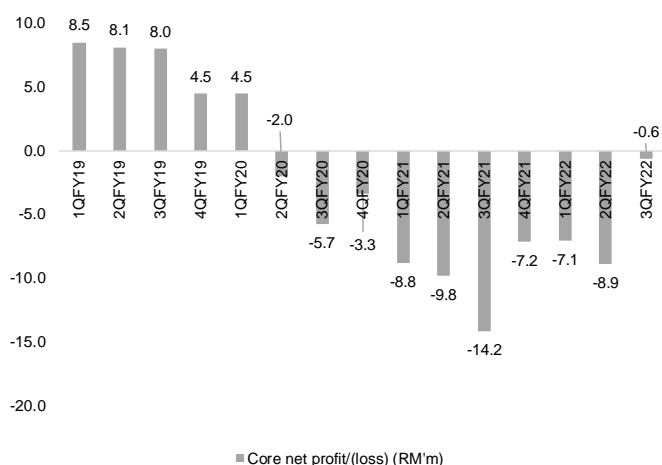
SOURCES: CIMB, COMPANY REPORTS

Figure 2: Quarterly revenue and margin trend



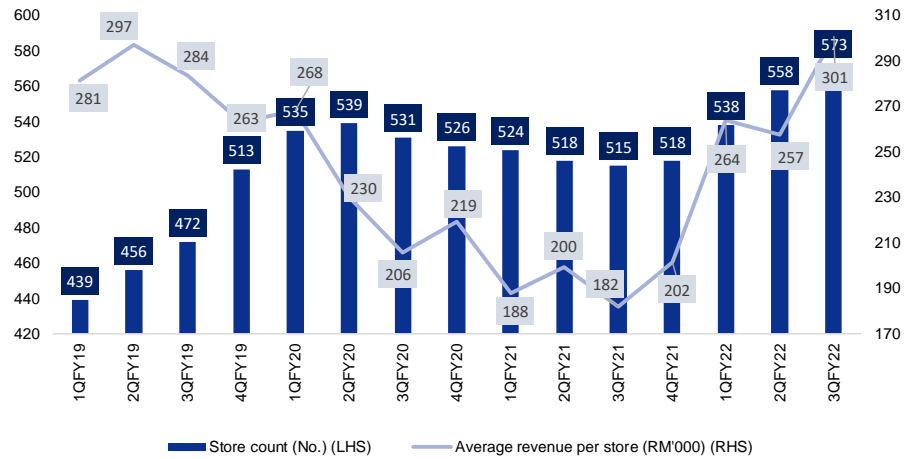
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Quarterly trend of core net profit/(loss)



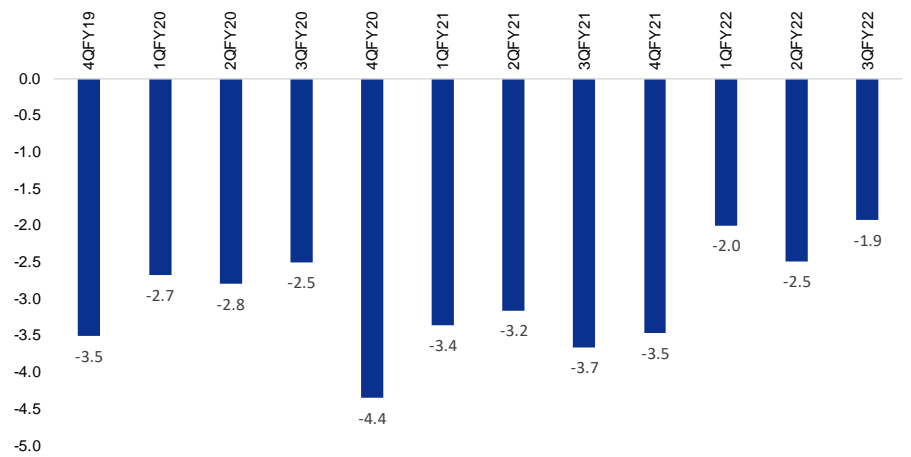
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 4: Quarterly trend of store count and average revenue per store**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 5: Food Processing Centre's (FPC) quarterly losses (RM'm)**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



## ESG in a nutshell

Mynews Holdings (MNHB) is one of the largest homegrown convenience store operators in the country. As a major retailer with more than 500 point-of-sale locations, its key sustainability aspects include food safety compliance, energy and non-renewable plastic consumption, waste management, and employee wellbeing. Food safety and waste are key things to pay attention to moving forward as ready-to-eat food increases in prominence at its outlets.

### Keep your eye on

As ready-to-eat (RTE) food will be taking a larger share of MNHB's product mix going forward, food safety, quality, nutrition profile and food waste management will be key aspects to look out for. Most of its RTE products are prepared in-house at its own food processing centre (FPC).

### Implications

We believe that food safety has been a major focus for MNHB; it adheres to strict standards of hygiene at its FPC. It also adheres to a conservative expiry period to ensure its RTE foods are safe for consumption; any expired food is promptly removed from store shelves. Ingredients and packaging are also sourced ethically and of high quality, in line with the preparation requirements. We gather that its food waste is converted into animal feed where possible. At the outlets, MNHB tries to minimise food wastage by implementing time-sales discounts to entice customers to purchase food items.

### ESG highlights

Convenience, product availability and affordability are key value propositions for MNHB as a convenience store operator. MNHB also adopts responsible waste management programmes to reduce and recycle waste where possible.

### Implications

In addition to optimising its FPC operations to ensure product availability and to eliminate food waste, MNHB optimises its own logistics fleet to ensure product availability at all its stores nationwide. In terms of waste management, MNHB: i) implements efficient route planning for its logistics vehicles to minimise emissions, ii) reduces non-reusable plastic bag reliance by using recyclable bags (all its plastic bags are biodegradable), and iii) ensures all wastewater from its FPC is treated prior to discharging into a public drain.

### Trends

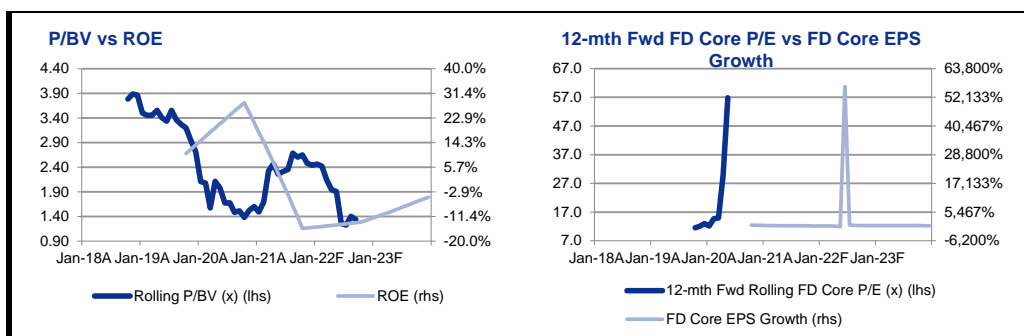
The expansion and improvement of its store base will lead to the hiring of more workers and the upskilling of its workforce to meet more complex operations. Responsible hiring and treatment of its workforce as well as staff development are key initiatives to pay attention to.

### Implications

While its employee base rose by c.11% in FY20, the proportion of foreign workers dropped to 23% from 28% in FY19, indicating MNHB's efforts to prioritise hiring and developing local talent. MNHB also implements internal training programmes for both outlet and administrative/management staff. With its accelerated CU and Mynews Supervalu store expansion plan in FY22, we believe its good hiring practices and favourable employee welfare will bode well for its ESG score moving forward.

SOURCES: CGS-CIMB RESEARCH, REFINITIV

## BY THE NUMBERS



### Profit & Loss

(RMm)	Oct-20A	Oct-21A	Oct-22F	Oct-23F	Oct-24F
<b>Total Net Revenues</b>	<b>489.4</b>	<b>400.6</b>	<b>550.2</b>	<b>678.1</b>	<b>728.1</b>
<b>Gross Profit</b>	<b>159.8</b>	<b>122.0</b>	<b>179.4</b>	<b>237.3</b>	<b>254.8</b>
<b>Operating EBITDA</b>	<b>107.9</b>	<b>13.0</b>	<b>31.4</b>	<b>64.4</b>	<b>83.7</b>
Depreciation And Amortisation	(28.3)	(56.7)	(66.4)	(70.1)	(71.4)
<b>Operating EBIT</b>	<b>79.6</b>	<b>(43.6)</b>	<b>(35.1)</b>	<b>(5.7)</b>	<b>12.3</b>
Financial Income/(Expense)	(3.1)	(6.2)	(6.2)	(9.3)	(9.2)
Pretax Income/(Loss) from Assoc.	(0.3)	(0.7)	2.0	2.0	2.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
<b>Profit Before Tax (pre-EI)</b>	<b>76.2</b>	<b>(50.5)</b>	<b>(39.3)</b>	<b>(13.0)</b>	<b>5.2</b>
Exceptional Items	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>76.2</b>	<b>(50.5)</b>	<b>(39.3)</b>	<b>(13.0)</b>	<b>5.2</b>
Taxation	(0.9)	4.0	9.4	3.1	(1.2)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>75.3</b>	<b>(46.6)</b>	<b>(29.9)</b>	<b>(9.9)</b>	<b>3.9</b>
Minority Interests	3.2	6.7	0.0	(2.0)	(2.0)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>78.5</b>	<b>(39.9)</b>	<b>(29.9)</b>	<b>(11.9)</b>	<b>1.9</b>
Recurring Net Profit	78.5	(39.9)	(29.9)	(11.9)	1.9
<b>Fully Diluted Recurring Net Profit</b>	<b>78.5</b>	<b>(39.9)</b>	<b>(29.9)</b>	<b>(11.9)</b>	<b>1.9</b>

### Cash Flow

(RMm)	Oct-20A	Oct-21A	Oct-22F	Oct-23F	Oct-24F
<b>EBITDA</b>	<b>107.9</b>	<b>13.0</b>	<b>31.4</b>	<b>64.4</b>	<b>83.7</b>
Cash Flow from Inv. & Assoc.	1.4	0.7	(2.0)	(2.0)	(2.0)
Change In Working Capital	(9.4)	7.3	(7.8)	(12.1)	(5.2)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(1.6)	0.0	2.0	2.0	2.0
Other Operating Cashflow	(81.5)	4.0	0.0	0.0	0.0
Net Interest (Paid)/Received	(2.9)	(6.2)	(6.2)	(9.3)	(9.2)
Tax Paid	(5.9)	(3.0)	9.4	3.1	(1.2)
<b>Cashflow From Operations</b>	<b>7.9</b>	<b>15.9</b>	<b>26.8</b>	<b>46.1</b>	<b>68.1</b>
Capex	(36.8)	(18.3)	(33.2)	(36.0)	(37.2)
Disposals Of FAs/subsidiaries	2.2	0.5	0.0	0.0	0.0
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	15.0	2.0	0.0	0.0	0.0
<b>Cash Flow From Investing</b>	<b>(19.6)</b>	<b>(15.8)</b>	<b>(33.2)</b>	<b>(36.0)</b>	<b>(37.2)</b>
Debt Raised/(repaid)	41.5	3.4	22.4	30.0	7.4
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0	0.0
Shares Repurchased					
Dividends Paid	0.0	0.0	0.0	0.0	0.0
Preferred Dividends					
Other Financing Cashflow	(32.1)	(26.7)	(27.9)	(31.2)	(30.2)
<b>Cash Flow From Financing</b>	<b>9.4</b>	<b>(23.2)</b>	<b>(5.5)</b>	<b>(1.2)</b>	<b>(22.8)</b>
Total Cash Generated	(2.3)	(23.1)	(11.8)	8.9	8.1
<b>Free Cashflow To Equity</b>	<b>29.8</b>	<b>3.5</b>	<b>16.1</b>	<b>40.1</b>	<b>38.3</b>
<b>Free Cashflow To Firm</b>	<b>(8.5)</b>	<b>6.5</b>	<b>(0.1)</b>	<b>19.4</b>	<b>40.1</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(RMm)	Oct-20A	Oct-21A	Oct-22F	Oct-23F	Oct-24F
Total Cash And Equivalents	40.4	16.1	4.0	12.9	21.0
Total Debtors	38.9	37.2	46.4	48.8	49.8
Inventories	66.9	58.8	76.2	90.6	97.2
Total Other Current Assets	24.0	19.1	23.0	26.9	28.4
<b>Total Current Assets</b>	<b>170.2</b>	<b>131.2</b>	<b>149.6</b>	<b>179.2</b>	<b>196.5</b>
Fixed Assets	210.2	207.3	225.9	234.7	241.7
Total Investments	19.1	18.3	48.4	32.4	23.8
Intangible Assets	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	129.1	146.3	154.4	156.6	160.4
<b>Total Non-current Assets</b>	<b>358.4</b>	<b>371.9</b>	<b>428.8</b>	<b>423.7</b>	<b>425.9</b>
Short-term Debt	18.4	25.4	85.0	105.0	112.4
Current Portion of Long-Term Debt					
Total Creditors	75.2	81.2	104.3	112.7	116.6
Other Current Liabilities	33.8	30.7	40.1	38.9	37.8
<b>Total Current Liabilities</b>	<b>127.4</b>	<b>137.3</b>	<b>229.5</b>	<b>256.6</b>	<b>266.8</b>
Total Long-term Debt	49.2	45.6	55.0	65.0	65.0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	65.9	76.2	81.1	78.4	83.8
<b>Total Non-current Liabilities</b>	<b>115.1</b>	<b>121.8</b>	<b>136.1</b>	<b>143.4</b>	<b>148.8</b>
Total Provisions	0.0	0.0	0.0	0.0	0.0
<b>Total Liabilities</b>	<b>242.5</b>	<b>259.1</b>	<b>365.5</b>	<b>400.0</b>	<b>415.6</b>
Shareholders' Equity	273.9	239.3	206.0	196.1	200.0
Minority Interests	12.3	4.7	6.8	6.8	6.8
<b>Total Equity</b>	<b>286.1</b>	<b>244.0</b>	<b>212.8</b>	<b>202.9</b>	<b>206.8</b>

### Key Ratios

	Oct-20A	Oct-21A	Oct-22F	Oct-23F	Oct-24F
Revenue Growth	(5.5%)	(18.1%)	37.3%	23.2%	7.4%
Operating EBITDA Growth	42%	(88%)	140%	105%	30%
Operating EBITDA Margin	22.0%	3.3%	5.7%	9.5%	11.5%
Net Cash Per Share (RM)	-0.04	-0.08	-0.20	-0.23	-0.23
BVPS (RM)	0.40	0.35	0.30	0.29	0.29
Gross Interest Cover	24.90	-6.84	-5.58	-0.61	1.34
Effective Tax Rate	1.1%	0.0%	0.0%	0.0%	24.0%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	7.15	3.34	3.96	6.34	6.78
Inventory Days	71.64	82.36	66.43	69.05	72.62
Accounts Payables Days	37.92	43.64	37.41	40.17	42.25
ROIC (%)	17.5%	(9.1%)	(7.4%)	(1.1%)	2.3%
ROCE (%)	23.4%	(13.0%)	(10.5%)	(1.6%)	3.3%
Return On Average Assets	15.4%	(8.1%)	(4.7%)	(0.5%)	1.8%

### Key Drivers

	Oct-20A	Oct-21A	Oct-22F	Oct-23F	Oct-24F
Avg revenue per store (Mynews)	0.9	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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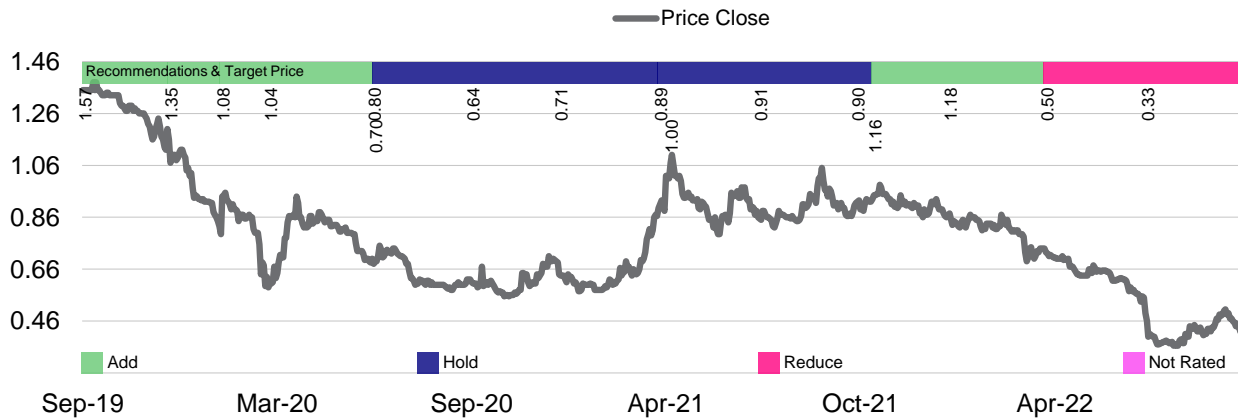
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	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%
Reduce	7.0%	0.2%

Spitzer Chart for stock being researched ( 2 year data )

Mynews Holdings Berhad (MNHB MK)



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**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.

**Country Ratings**

Definition:

**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.