

MYNEWS HOLDINGS BERHAD

RESULTS UPDATE

NEUTRAL

Target Price **RM 1.30**
Current Price **RM 1.60**
Consensus Target Price **RM 1.64**

Key Statistics

Bloomberg Ticker	MYNEWS MK
Bursa Ticker/Stock Code	MYNEWS/5275
Shares Issued (m)	684
Market Capitalisation (RM'm)	1,094
52 Week Hi/Lo Price (RM)	1.80/0.805
Avg Trading Volume (3-mth)	531,532
Est Free Float (m)	223.8
YTD Returns (%)	5.56
Beta (x)	0.54

Major Shareholders (%)

D&D Consolidated	57.43
KWAP	6.75

1-Year Share Price Performance



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New food manufacturing division expenses weigh on profits

1QFY17 results came in flat on a YoY comparison due to the start-up cost of its RM35m food processing center for Ready-to-Eat offerings, despite revenue growth of 18.2% YoY. We maintain our NEUTRAL call due to steep valuations. Our fair value is RM1.30 at 30x PER to FY18 EPS, a discount to 7-Eleven Malaysia's 38.5x. We still see potential in Mynews longer term due to: 1) the resilient nature of consumer spending which translates into steady revenues/earnings 2) growth led by new outlets and its fresh food business. Risks to our call 1) a delay in opening the food manufacturing center 2) slower rollout of new outlets 3) supply chain hiccups.

◆ Uninterrupted Topline Growth

Mynews' 1QFY18 revenue expanded 18.2% YoY to RM90.1m from RM76.2m, coming from higher number of outlets opened and better product mix. Store counts increase to 366 from 307 versus the corresponding financial period last year. However, Mynews' 1QFY18 earnings were flat YoY, coming in at RM6.3m vs RM6.4m in 1QFY17, -0.3% YoY, despite revenue growing a strong 18.2% to RM90.1m. This was due to the higher staff costs for its ready-to-eat food and bakery projects, and the higher rental costs for the outlets. To recall, Mynews entered into a joint venture with Ryoyupan and Kineya to enhance its ready-to-eat segment. On a QoQ basis earnings, were up 19.6% due to a lower effective tax rate, while revenue was only marginally up 1%QoQ. Mynews added 10 new stores compared to the close of the previous financial quarter.

◆ Earnings to catch up only late in the year

Overall, Mynews' 1QFY18 results represent 21% of our earnings forecast results as well as consensus forecasts. We expect suppressed or muted 2QFY18 earnings growth due to the commencement of Muslim fasting in May. The company targets adding 90 new stores in FYEOct18.

Table 1 :Investment Highlights & Earnings Forecasts

FYE 31 Oct (RM m)	2015	2016	2017	2018 (f)	2019 (f)
Revenue	217.5	263.6	326.5	392.4	445.3
GP	74.4	94.0	119.8	142.0	161.2
EBITDA	21.7	28.2	36.2	44.1	49.4
PAT	12.7	18.1	24.0	29.6	33.7
EPS	1.9	2.7	3.5	4.3	4.9
Earnings Growth (%)	5.0	42.4	32.5	23.3	13.7
GP Margin	34.2%	35.7%	36.7%	36.2%	36.2%
EBITDA Margin	10.0%	10.7%	11.1%	11.2%	11.1%
PER (x)	85.9	60.4	45.5	36.9	32.5
ROE (%)	NA	12%	10%	11%	11%
ROA (%)	NA	9%	8%	9%	9%
Net Gearing Ratio	0.18	NET CASH	NET CASH	NET CASH	NET CASH
BV/Share	0.18	0.22	0.35	0.39	0.43
P/B Ratio	6.15	7.18	4.53	4.08	3.72
Dividend (sen)	N/A	0.75	1.0	1.2	1.2
Dividend Yield	N/A	0.47%	0.63%	0.75%	0.75%

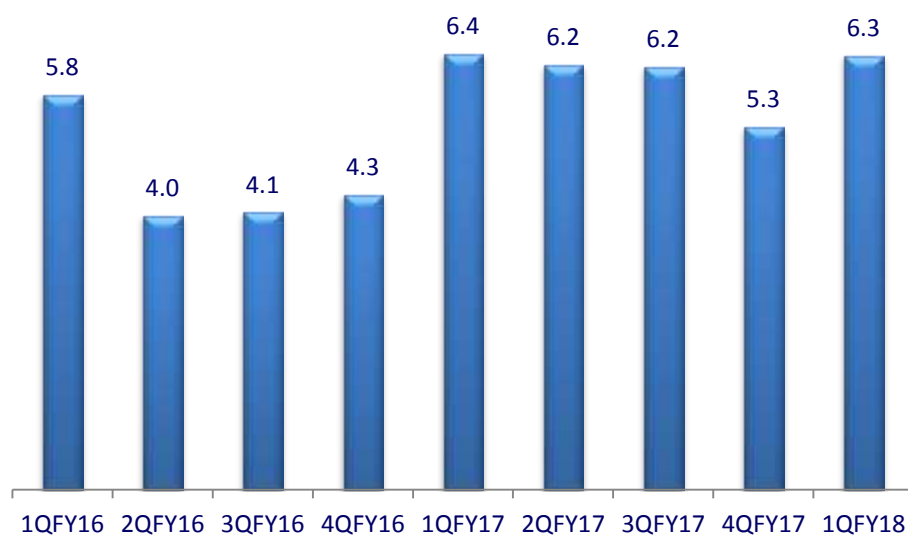
Sources: Inter-Pacific, Company

Quarterly Income Statement and Comparison

FYE 31st Oct (RM m)	1QFY18	1QFY17	YoY chg (%)	4QFY17	QoQ chg (%)
Revenue	90.1	76.2	18.2	89.3	1.0
Gross Profit	33.9	27.4	23.4	31.8	6.5
Profit before tax	8.0	8.1	(1.2)	6.9	15.7
Tax Expenses	(1.6)	(1.7)	(4.5)	(1.6)	2.4
PAT	6.3	6.4	(0.3)	5.3	19.6
EBITDA	9.2	8.8	4.6	7.5	23.7
GP Margin	37.6%	35.6%	5.5	35.6%	5.5
PAT Margin	7.0%	8.0%	(11.9)	7.7%	(8.7)
EBITDA Margin	10.2%	5.9%	72.2	5.9%	72.3
EPS (sen)	0.9	0.9	(0.3)	0.8	19.6

Inter-Pacific, Company

Quarterly Earnings (RM m)



Inter-Pacific, Company

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Signed



Pong Teng Siew
Director
Inter-Pacific Research Sdn Bhd

Ratings System

Ratings:	Description:
BUY	Total return is expected to exceed 15% in the next 12 months
NEUTRAL	Total return is expected to be between above -15% to 15% in the next 12 months
SELL	Total return is expected to be below -15% in the next 12 months

Abbreviation

Abbreviation	Definition	Abbreviation	Definition
PER	Price Earnings Ratio	CAGR	Compounded Annual Growth Rate
PEG	PER to Growth	CAPEX	Capital Expenditure
EPS	Earnings per Share	DPS	Dividend per Share
FYE	Financial Year End	ROA	Return on Asset
FY	Financial Year	ROE	Return on Equity
CY	Calendar Year	PBT	Profit Before Tax
MoM	Month-on-Month	PAT	Profit After Tax
QoQ	Quarter-on-Quarter	EV	Enterprise Value
YoY	Year-on-Year	EBIT	Earnings Before Interest And Tax
YTD	Year-to-Date	EBITDA	EBIT Depreciation & Amortisation
p.a.	Per Annum	WACC	Weighted Average Cost of Capital
DCF	Discounted Cash Flow	NTA	Net Tangible Asset
FCF	Free Cash Flow	BV	Book Value
NAV	Net Asset Value	PATAMI	Profit After Tax and Minority Interest

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