

Mynews Holdings (MNHB MK)

2QFY18: In line

Maintain HOLD

MNHB's 2QFY10/18 results were within expectations. We expect 2H to be better largely on sustained sales growth momentum and more controlled expansion costs. We maintain our earnings forecasts, HOLD call and TP of MYR 1.44 (27.6x CY19 PER; about peer average).

2Q net profit up +10% YoY, +8% QoQ

MNHB's 2QFY18 core net profit of MYR7m (+10% YoY, +8% QoQ) took 1HFY18 core net profit to MYR13m (+5% YoY). The latter accounted for 45% of our and consensus full-year estimates. MNHB announced an interim DPS of 1sen, within expectations.

Higher expenses

2QFY18 gross profit rose 21% YoY largely on the back of higher revenue (+19% YoY; driven by new stores growth), higher other income (eg. A&P income) and better product mix. However, on higher 2QFY18 operating expenses (+23% YoY) due to higher staff, marketing (eg. lovalty program) F&B project start-up and expansion costs, EBIT grew a relatively slower 13% YoY. Coupled with a higher effective tax rate, 2QFY18 core net profit expanded 10% YoY (2QFY18/17 tax rates: 21%/18%).

Sales momentum to continue

We expect sales growth momentum to continue into 2HFY18 on new store openings and overall better consumer demand. With the zerorating of the Goods and Services Tax (GST) starting 1 Jun 2018, we believe that this will help drive MNHB's sales in the near term as well. Elsewhere, YTD 1HFY18, MNHB has opened 29 stores (net) and this brings total store count to 385. Store openings would have to be ramped up to meet its internal target of 90 in FY18 (FY17: +62). We have penciled in 75 store openings for FY18. In the near term, we understand that MNHB looks to maintain its targeted geographical mix of 80:20 between central and other regions in Peninsular Malaysia.

FYE Oct (MYR m)	FY16A	FY17A	FY18E	FY19E	FY20E
Revenue	264	328	395	461	528
EBITDA	27	35	38	56	64
Core net profit	19	24	29	34	41
Core EPS (sen)	2.8	3.5	4.2	5.0	6.0
Core EPS growth (%)	42.6	24.6	19.7	19.7	19.5
Net DPS (sen)	0.7	0.9	1.1	1.3	1.6
Core P/E (x)	26.6	30.3	38.4	32.1	26.9
P/BV (x)	3.4	3.0	4.2	3.8	3.5
Net dividend yield (%)	0.9	0.9	0.7	0.8	1.0
ROAE (%)	17.4	12.2	11.4	12.5	13.5
ROAA (%)	12.7	9.7	9.4	10.3	11.1
EV/EBITDA (x)	19.2	20.1	28.1	19.0	16.3
Net gearing (%) (incl perps)	net cash				
Consensus net profit	-	-	29	36	47
MKE vs. Consensus (%)	-	-	0.6	(5.5)	(13.3)

Liew Wei Han weihan.l@maybank-ib.com (603) 2297 8676

HOLD

MYR 1.62 Share Price MYR 1.44 (-11%) 12m Price Target MYR 1.44 Previous Price Target

Company Description

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

Statistics

52w high/low (MYR)	1.75/1.10
3m avg turnover (USDm)	0.1
Free float (%)	25.8
Issued shares (m)	682
Market capitalisation	MYR1.1B
	USD276M

Major shareholders: D&D Consolidated Sdn. Bhd. 57.4% Kumpulan Wang Persaraan 6.8% **Employees Provident Fund**

6.0%

Price Performance



-12M -1M -3M Absolute (%) (2)(1) 41 Relative to index (%) 46

-Mynews Holdings / Kuala Lumpur Composite Index - (RHS, %)

Source: FactSet

Mynews: Results Summary Table

	Quarterly				Cummulative			
FYE Oct (MYR'm)	2QFY18	2QFY17	% YoY	1QFY18	% QoQ	6M18	6M17	%YoY
Revenue	94.2	79.3	18.8	90.1	4.5	184.3	155.5	18.5
Cost of sales	(57.8)	(49.1)	17.5	(56.3)	2.7	(114.0)	(97.9)	16.4
Gross Profit	36.4	30.1	20.9	33.9	7.6	70.3	57.6	22.1
Other operating income	0.8	0.7	4.1	1.0	(21.8)	1.7	1.6	6.9
Admin	(27.1)	(22.0)	23.3	(25.3)	7.0	(52.4)	(41.1)	27.5
Other expenses	(1.9)	(1.7)	15.6	(1.9)	4.5	(3.8)	(3.1)	20.6
Operating profit / EBIT	8.7	7.7	13.4	8.1	8.4	16.8	15.9	5.8
Finance costs	(0.1)	(0.1)	(5.5)	(0.1)	0.0	(0.2)	(0.2)	(8.0)
Associates	0.6	0.5	14.2	0.4	51.2	0.9	0.9	2.8
Pretax profit	8.6	7.6	13.6	8.0	8.5	16.6	15.6	6.0
Income tax	(1.8)	(1.4)	29.2	(1.6)	11.5	(3.4)	(3.1)	10.7
Minority Interest	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Net profit	6.8	6.2	10.1	6.3	7.7	13.2	12.6	4.8
E.I.	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Core net profit	6.8	6.2	10.1	6.3	7.7	13.2	12.6	4.8
Margins								
Gross profit (%)	38.7	38.0	0.7	37.6	1.1	38.1	37.0	1.1
Operating profit (%)	9.3	9.7	(0.4)	8.9	0.3	9.1	10.2	(1.1)
Pretax profit (%)	9.2	9.6	(0.4)	8.8	0.3	9.0	10.1	(1.1)
Net profit (%)	7.3	7.8	(0.6)	7.0	0.2	7.1	8.1	(0.9)
Tax rate (%)	20.9	18.3	2.5	20.3	0.6	20.6	19.7	0.9

Source: Company, Maybank KE

	FY16A	FY17A	FY18E	FY19E	FY20E
Key Metrics					
P/E (reported) (x)	28.3	30.3	38.4	32.1	26.9
Core P/E (x)	26.6	30.3	38.4	32.1	26.9
P/BV (x)	3.4	3.0	4.2	3.8	3.5
P/NTA (x)	3.4	3.0	4.2	3.8	3.5
Net dividend yield (%)	0.9	0.9	0.7	0.8	1.0
FCF yield (%)	nm	nm	nm	1.4	2.9
EV/EBITDA (x)	19.2	20.1	28.1	19.0	16.3
EV/EBIT (x)	23.0	24.3	34.9	26.7	22.2
INCOME STATEMENT (MYR m)					
Revenue	264.0	327.6	394.9	460.5	527.8
Gross profit	94.5	120.7	145.3	171.3	196.3
EBITDA	27.1	35.0	38.0	56.0	64.4
Depreciation	(4.5)	(6.0)	(7.4)	(16.2)	(17.3)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	22.6	29.0	30.6	39.8	47.1
Net interest income /(exp)	(0.1)	(0.2)	3.5	1.0	1.1
Associates & JV	1.1	1.9	2.1	2.6	3.1
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	23.6	30.7	36.3	43.4	51.2
Income tax	(5.5)	(6.7)	(7.5)	(9.0)	(10.1)
Minorities	0.0	0.0	0.0	0.0	0.0
Perpetual securities	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	18.1	24.0	28.8	34.4	41.1
Core net profit	19.3	24.0	28.8	34.4	41.1
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	71.4	128.8	45.0	48.0	65.5
Accounts receivable	25.4	42.1	50.8	59.2	67.8
Inventory	29.8	31.7	38.3	44.3	50.8
Property, Plant & Equip (net)	65.3	80.6	175.9	188.3	190.6
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	2.7	4.6	6.8	9.3	12.4
Other assets	9.9	2.0	2.0	2.0	2.0
Total assets	204.4	289.8	318.7	351,2	389.1
ST interest bearing debt	1.3	1.4	1.4	1.4	1.4
Accounts payable	40.4	36.4	44.0	50.9	58.4
LT interest bearing debt	7.0	5.5	5.5	5.5	5.5
Other liabilities	3.0	5.0	5.0	5.0	5.0
Total Liabilities	52.0	48.2	55.7	62.7	70.1
Shareholders Equity	152.4	241.6	263.0	288.5	319.0
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total shareholder equity	152.4	241.6	263.0	288.5	319.0
Perpetual securities	0.0	0.0	0.0	0.0	0.0
Total liabilities and equity	204.4	289.8	318.7	351.2	389.1
CASH FLOW (MYR m)				42.4	
	23.6	30.7	36.3	4 ₹ 4	51 7
Pretax profit	23.6 4.5	30.7 6.0	36.3 7.4	43.4 16.2	
Pretax profit Depreciation & amortisation	4.5	6.0	7.4	16.2	17.3
Pretax profit Depreciation & amortisation Adj net interest (income)/exp	4.5 0.0	6.0 0.0	7.4 3.5	16.2 1.0	17.3 1.1
Pretax profit Depreciation & amortisation Adj net interest (income)/exp Change in working capital	4.5 0.0 3.8	6.0 0.0 (22.6)	7.4 3.5 (7.7)	16.2 1.0 (7.5)	17.3 1.1 (7.7)
Pretax profit Depreciation & amortisation Adj net interest (income)/exp Change in working capital Cash taxes paid	4.5 0.0 3.8 (5.4)	6.0 0.0 (22.6) (5.6)	7.4 3.5 (7.7) (7.5)	16.2 1.0 (7.5) (9.0)	17.3 1.1 (7.7) (10.1)
Pretax profit Depreciation & amortisation Adj net interest (income)/exp Change in working capital Cash taxes paid Other operating cash flow	4.5 0.0 3.8 (5.4) (5.8)	6.0 0.0 (22.6) (5.6) (0.9)	7.4 3.5 (7.7) (7.5) 0.0	16.2 1.0 (7.5) (9.0) 0.0	17.3 1.1 (7.7) (10.1) 0.0
Pretax profit Depreciation & amortisation Adj net interest (income)/exp Change in working capital Cash taxes paid Other operating cash flow Cash flow from operations	4.5 0.0 3.8 (5.4) (5.8) 20.4	6.0 0.0 (22.6) (5.6) (0.9) 5.9	7.4 3.5 (7.7) (7.5) 0.0 26.3	16.2 1.0 (7.5) (9.0) 0.0 44.0	17.3 1.1 (7.7) (10.1) 0.0 51.8
Pretax profit Depreciation & amortisation Adj net interest (income)/exp Change in working capital Cash taxes paid Other operating cash flow Cash flow from operations Capex	4.5 0.0 3.8 (5.4) (5.8) 20.4 (23.6)	6.0 0.0 (22.6) (5.6) (0.9) 5.9 (21.6)	7.4 3.5 (7.7) (7.5) 0.0 26.3 (102.7)	16.2 1.0 (7.5) (9.0) 0.0 44.0 (28.6)	17.3 1.1 (7.7) (10.1) 0.0 51.8 (19.5)
Pretax profit Depreciation & amortisation Adj net interest (income)/exp Change in working capital Cash taxes paid Other operating cash flow Cash flow from operations Capex Free cash flow	4.5 0.0 3.8 (5.4) (5.8) 20.4 (23.6) (3.2)	6.0 0.0 (22.6) (5.6) (0.9) 5.9 (21.6) (15.7)	7.4 3.5 (7.7) (7.5) 0.0 26.3 (102.7) (76.4)	16.2 1.0 (7.5) (9.0) 0.0 44.0 (28.6) 15.4	17.3 1.1 (7.7) (10.1) 0.0 51.8 (19.5) 32.3
Pretax profit Depreciation & amortisation Adj net interest (income)/exp Change in working capital Cash taxes paid Other operating cash flow Cash flow from operations Capex Free cash flow Dividends paid	4.5 0.0 3.8 (5.4) (5.8) 20.4 (23.6) (3.2) (4.7)	6.0 0.0 (22.6) (5.6) (0.9) 5.9 (21.6) (15.7) (6.2)	7.4 3.5 (7.7) (7.5) 0.0 26.3 (102.7) (76.4) (7.4)	16.2 1.0 (7.5) (9.0) 0.0 44.0 (28.6) 15.4 (8.9)	17.3 1.1 (7.7) (10.1) 0.0 51.8 (19.5) 32.3 (10.6)
Pretax profit Depreciation & amortisation Adj net interest (income)/exp Change in working capital Cash taxes paid Other operating cash flow Cash flow from operations Capex Free cash flow Dividends paid Equity raised / (purchased)	4.5 0.0 3.8 (5.4) (5.8) 20.4 (23.6) (3.2) (4.7) 88.7	6.0 0.0 (22.6) (5.6) (0.9) 5.9 (21.6) (15.7) (6.2) 72.2	7.4 3.5 (7.7) (7.5) 0.0 26.3 (102.7) (76.4) (7.4) 0.0	16.2 1.0 (7.5) (9.0) 0.0 44.0 (28.6) 15.4 (8.9)	17.3 1.1 (7.7) (10.1) 0.0 51.8 (19.5) 32.3 (10.6)
Pretax profit Depreciation & amortisation Adj net interest (income)/exp Change in working capital Cash taxes paid Other operating cash flow Cash flow from operations Capex Free cash flow Dividends paid Equity raised / (purchased) Perpetual securities	4.5 0.0 3.8 (5.4) (5.8) 20.4 (23.6) (3.2) (4.7) 88.7 0.0	6.0 0.0 (22.6) (5.6) (0.9) 5.9 (21.6) (15.7) (6.2) 72.2 0.0	7.4 3.5 (7.7) (7.5) 0.0 26.3 (102.7) (76.4) (7.4) 0.0 0.0	16.2 1.0 (7.5) (9.0) 0.0 44.0 (28.6) 15.4 (8.9) 0.0	17.3 1.1 (7.7) (10.1) 0.0 51.8 (19.5) 32.3 (10.6) 0.0
Pretax profit Depreciation & amortisation Adj net interest (income)/exp Change in working capital Cash taxes paid Other operating cash flow Cash flow from operations Capex Free cash flow Dividends paid Equity raised / (purchased) Perpetual securities Change in Debt	4.5 0.0 3.8 (5.4) (5.8) 20.4 (23.6) (3.2) (4.7) 88.7 0.0 (1.3)	6.0 0.0 (22.6) (5.6) (0.9) 5.9 (21.6) (15.7) (6.2) 72.2 0.0 (1.4)	7.4 3.5 (7.7) (7.5) 0.0 26.3 (102.7) (76.4) (7.4) 0.0 0.0	16.2 1.0 (7.5) (9.0) 0.0 44.0 (28.6) 15.4 (8.9) 0.0 0.0	17.3 1.1 (7.7) (10.1) 0.0 51.8 (19.5) 32.3 (10.6) 0.0
Pretax profit Depreciation & amortisation Adj net interest (income)/exp Change in working capital Cash taxes paid Other operating cash flow Cash flow from operations Capex Free cash flow Dividends paid Equity raised / (purchased) Perpetual securities Change in Debt Perpetual securities distribution	4.5 0.0 3.8 (5.4) (5.8) 20.4 (23.6) (3.2) (4.7) 88.7 0.0 (1.3)	6.0 0.0 (22.6) (5.6) (0.9) 5.9 (21.6) (15.7) (6.2) 72.2 0.0 (1.4) 0.0	7.4 3.5 (7.7) (7.5) 0.0 26.3 (102.7) (76.4) (7.4) 0.0 0.0 0.0	16.2 1.0 (7.5) (9.0) 0.0 44.0 (28.6) 15.4 (8.9) 0.0 0.0	17.3 1.1 (7.7) (10.1) 0.0 51.8 (19.5) 32.3 (10.6) 0.0 0.0
CASH FLOW (MYR m) Pretax profit Depreciation & amortisation Adj net interest (income)/exp Change in working capital Cash taxes paid Other operating cash flow Cash flow from operations Capex Free cash flow Dividends paid Equity raised / (purchased) Perpetual securities Change in Debt Perpetual securities distribution Other invest/financing cash flow Effect of exch rate changes	4.5 0.0 3.8 (5.4) (5.8) 20.4 (23.6) (3.2) (4.7) 88.7 0.0 (1.3)	6.0 0.0 (22.6) (5.6) (0.9) 5.9 (21.6) (15.7) (6.2) 72.2 0.0 (1.4)	7.4 3.5 (7.7) (7.5) 0.0 26.3 (102.7) (76.4) (7.4) 0.0 0.0	16.2 1.0 (7.5) (9.0) 0.0 44.0 (28.6) 15.4 (8.9) 0.0 0.0	51.2 17.3 1.1 (7.7) (10.1) 0.0 51.8 (19.5) 32.3 (10.6) 0.0 0.0 0.0

FYE 31 Oct	FY16A	FY17A	FY18E	FY19E	FY20E
Key Ratios					
Growth ratios (%)					
Revenue growth	21.4	24.1	20.5	16.6	14.6
EBITDA growth	28.9	29.0	8.8	47.3	15.0
EBIT growth	29.8	28.0	5.7	30.1	18.2
Pretax growth	33.4	30.0	18.1	19.7	18.1
Reported net profit growth	34.2	32.5	19.7	19.7	19.5
Core net profit growth	42.6	24.6	19.7	19.7	19.5
Profitability ratios (%)					
EBITDA margin	10.3	10.7	9.6	12.2	12.2
EBIT margin	8.6	8.8	7.8	8.6	8.9
Pretax profit margin	8.9	9.4	9.2	9.4	9.7
Payout ratio	25.7	25.8	25.8	25.8	25.8
DuPont analysis					
Net profit margin (%)	6.9	7.3	7.3	7.5	7.8
Revenue/Assets (x)	1.3	1.1	1.2	1.3	1.4
Assets/Equity (x)	1.3	1.2	1.2	1.2	1.2
ROAE (%)	17.4	12.2	11.4	12.5	13.5
ROAA (%)	12.7	9.7	9.4	10.3	11.1
Liquidity & Efficiency					
Cash conversion cycle	10.6	23.7	34.8	35.3	35.6
Days receivable outstanding	31.8	37.1	42.3	43.0	43.3
Days inventory outstanding	54.7	53.5	50.5	51.4	51.7
Days payables outstanding	75.9	66.9	58.0	59.1	59.4
Dividend cover (x)	3.9	3.9	3.9	3.9	3.9
Current ratio (x)	3.0	5.2	2.9	2.8	3.0
Leverage & Expense Analysis					
Asset/Liability (x)	3.9	6.0	5.7	5.6	5.5
Net gearing (%) (incl perps)	net cash				
Net gearing (%) (excl. perps)	net cash				
Net interest cover (x)	nm	141.3	na	na	na
Debt/EBITDA (x)	0.3	0.2	0.2	0.1	0.1
Capex/revenue (%)	8.9	6.6	26.0	6.2	3.7
Net debt/ (net cash)	(63.2)	(121.9)	(38.1)	(41.1)	(58.6)

Source: Company; Maybank

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Research Offices

REGIONAL

Sadiq CURRIMBHOY

Regional Head, Research & Economics (65) 6231 5836 sadiq@maybank-ke.com.sg

WONG Chew Hann, CA

Regional Head of Institutional Research (603) 2297 8686 wchewh@mavbank-ib.com

ONG Seng Yeow

Regional Head of Retail Research (65) 6231 5839 ongsengyeow@maybank-ke.com.sg

TAN Sin Mui

Director of Research (65) 6231 5849 sinmui@kimeng.com.hk

ECONOMICS

Suhaimi ILIAS

Chief Economist Malaysia | Philippines | China (603) 2297 8682 suhaimi_ilias@maybank-ib.com

CHIIA Hak Rin

Regional Thematic Macroeconomist (65) 6231 5830 chuahb@maybank-ke.com.sg

LEE Ju Ye Singapore

(65) 6231 5844

leejuye@maybank-ke.com.sg

Dr Zamros DZULKAFLI

(603) 2082 6818 zamros.d@mavbank-ib.com

Ramesh LANKANATHAN (603) 2297 8685

ramesh@maybank-ib.com

FΧ

Saktiandi SUPAAT

Head, FX Research (65) 6320 1379 saktiandi@maybank.com.sg

Christopher WONG (65) 6320 1347

wongkl@maybank.com.sg

Leslie TANG

(65) 6320 1378 leslietang@maybank.com.sg

Fiona I IM

(65) 6320 1374 fionalim@maybank.com.sg

STRATEGY

Sadiq CURRIMBHOY

Global Strategist (65) 6231 5836 sadiq@maybank-ke.com.sg

Willie CHAN

Hong Kong / Regional (852) 2268 0631 williechan@kimeng.com.hk

FIXED INCOME

Winson Phoon, ACA (65) 6231 5831

winsonphoon@maybank-ke.com.sg

Se Tho Mun Yi

(603) 2074 7606 munyi.st@maybank-ib.com

MALAYSIA

WONG Chew Hann, CA Head of Research (603) 2297 8686 wchewh@maybank-ib.com Strategy

Desmond CH'NG, ACA

(603) 2297 8680 desmond.chng@maybank-ib.com

Banking & Finance

LIAW Thong Jung (603) 2297 8688 tjliaw@maybank-ib.com · Oil & Gas Services- Regional

ONG Chee Ting, CA (603) 2297 8678 ct.ong@maybank-ib.com

Plantations - Regional

Mohshin AZIZ (603) 2297 8692 mohshin.aziz@maybank-ib.com · Aviation - Regional • Petrochem

YIN Shao Yang, CPA (603) 2297 8916 samuel.y@maybank-ib.com • Gaming - Regional • Media

TAN Chi Wei, CFA (603) 2297 8690 chiwei.t@maybank-ib.com · Power · Telcos

WONG Wei Sum, CFA (603) 2297 8679 weisum@maybank-ib.com Property

LEE Yen Ling (603) 2297 8691 lee.yl@maybank-ib.com • Building Materials • Glove • Ports • Shipping

(603) 2297 8612 ivan.yap@maybank-ib.com
• Automotive • Semiconductor • Technology

Kevin WONG (603) 2082 6824 kevin.wong@maybank-ib.com
• REITs • Consumer Discretionary

LIFW Wei Han

(603) 2297 8676 weihan.l@maybank-ib.com · Consumer Staples

(603) 2297 8675 adrian.wkj@maybank-ib.com
• Constructions • Healthcare

Jade TAM (603) 2297 8687 jade.tam@maybank-ib.com

· Media · Building Materials

Mohd Hafiz Hassan

(603) 2082 6819 mohdhafiz.ha@maybank-ib.com • Small & Mid Caps

TEE Sze Chiah Head of Retail Research (603) 2082 6858 szechiah.t@maybank-ib.com

Nik Ihsan Raja Abdullah, MSTA, CFTe (603) 2297 8694

nikmohdihsan.ra@maybank-ib.com

SINGAPORE

Neel SINHA Head of Research (65) 6231 5838 neelsinha@maybank-ke.com.sg • Strategy • Industrials

- SMID Caps Regional

CHUA Su Tye (65) 6231 5842 chuasutye@maybank-ke.com.sg • REITs

Derrick HENG, CFA (65) 6231 5843 derrickheng@maybank-ke.com.sg • Property • REITs (Office)

Luis HILADO

(65) 6231 5848 luishilado@maybank-ke.com.sg Telcos

John CHEONG, CFA

(65) 6231 5845 johncheong@maybank-ke.com.sg • Small & Mid Caps • Healthcare • Transport

NG Li Hiang (65) 6231 5840 nglihiang@maybank-ke.com.sg • Banks

LAI Gene Lih

(65) 6231 5832 laigenelih@maybank-ke.com.sg
• Technology

HONG KONG / CHINA

Mitchell KIM Head of Research (852) 2268 0634 mitchellkim@kimeng.com.hk Internet & Telcos

Christopher WONG

(852) 2268 0652

christopherwong@kimeng.com.hk

· HK & China Properties

Jacqueline KO, CFA (852) 2268 0633 jacquelineko@kimeng.com.hk • Consumer Staples & Durables

Ricky NG, CFA (852) 2268 0689 rickyng@kimeng.com.hk

Regional Rene HK & China Properties

Sonija LI, CFA, FRM (852) 2268 0641 sonijali@kimeng.com.hk

Stefan CHANG, CFA (852) 2268 0675 stefanchang@kimeng.com.hk • Technology - Regional

Tony REN, CFA

(852) 2268 0640 tonyren@kimeng.com.hk

• Healthcare & Pharmaceutical

INDIA

Jigar SHAH Head of Research

(91) 22 6623 2632 jigar@maybank-ke.co.in • Strategy • Oil & Gas • Automobile • Cement

(91) 22 6623 2607 vishal@maybank-ke.co.in

Banking & Financials

Neeray DAI AI

(91) 22 6623 2606 neerav@maybank-ke.co.in • Software Technology • Telcos

Vishal PERIWAL

(91) 22 6623 2605 vishalperiwa@maybankke.co.in

Infrastructure

INDONESIA

Isnaputra ISKANDAR Head of Research

(62) 21 8066 8680 isnaputra.iskandar@maybank-ke.co.id

· Strategy · Metals & Mining · Cement

Rahmi MARINA (62) 21 8066 8689

rahmi.marina@maybank-ke.co.id Banking & Finance

Aurellia SETIABUDI (62) 21 8066 8691 aurellia.setiabudi@maybank-ke.co.id

Janni ASMAN

(62) 21 8066 8687

janni.asman@maybank-ke.co.id • Cigarette • Healthcare • Retai

PHILIPPINES

Minda OLONAN Head of Research

(63) 2 849 8840 minda_olonan@maybank-atrke.com Strategy

Katherine TAN (63) 2 849 8843

kat_tan@maybank-atrke.com
Banks • Construction

Luis HILADO

(65) 6231 5848 luishilado@maybank-ke.com.sg Telcos

Romel LIBO-ON

(63) 2 849 8844 romel_libo-on@maybank-atrke.com • Property

THAILAND

Maria LAPIZ Head of Institutional Research Dir (66) 2257 0250 | (66) 2658 6300 ext 1399 Maria.L@maybank-ke.co.th • Strategy • Consumer • Materials • Services

Tanawat RUENBANTERNG (66) 2658 6300 ext 1394

Tanawat.R@maybank-ke.co.th
- Banks & Diversified Financials

Ornmongkol TANTITANATORN (66) 2658 6300 ext 1395 ornmongkol.t@maybank-ke.co.th

Power & Utilities • Infrastructure Surachai PRAMUAI CHAROFNKIT

Head of Retail Research (66) 2658 5000 ext 1470

Surachai.p@maybank-ke.co.th • Auto • Conmat • Contractor • Steel

Ekachai TARAPORNTIP Deputy Head 66) 2658 5000 ext 1530 Ekachai.t@maybank-ke.co.th

Sutthichai KUMWORACHAI Deputy Head (66) 2658 5000 ext 1400 sutthichai.k@maybank-ke.co.th • Energy • Petrochem

Suttatip PEERASUB (66) 2658 5000 ext 1430 suttatip.p@maybank-ke.co.th • Media • Commerce

Termporn TANTIVIVAT (66) 2658 5000 ext 1520 termporn.t@maybank-ke.co.th

Property

Jaroonpan WATTANAWONG (66) 2658 5000 ext 1404 jaroonpan.w@maybank-ke.co.th • Transportation • Small cap

Sorrabhol VIRAMETEEKUL

Head of Digital Research (66) 2658 5000 ext 1550 sorrabhol.V@maybank-ke.co.th
Food, Transportation

Wijit ARAYAPISIT (66) 2658 5000 ext 1450

wijit a@maybank-ke co th Strategist

VIETNAM

LE Hong Lien, ACCA Head of Institutional Research (84 28) 44 555 888 x 8181 lien.le@maybank-kimeng.com.vn
• Strategy • Consumer • Diversified

THAI Quang Trung, CFA,
Deputy Head, Institutional Research (84 28) 44 555 888 x 8180 trung. thai@maybank-kimeng.com.vn • Real Estate • Construction • Materials

LE Nguyen Nhat Chuyen (84 28) 44 555 888 x 8082 chuyen.le@maybank-kimeng.com.vn • Oil & Gas

NGUYEN Thi Ngan Tuyen,

Head of Retail Research (84 28) 44 555 888 x 8081 tuyen.nguyen@maybank-kimeng.com.vn • Food & Beverage • Oil&Gas • Banking

TRUONG Ouang Binh.

Deputy Head, Retail Research (84 28) 44 555 888 x 8087 binh.truong@maybank-kimeng.com.vn • Rubber Plantation • Tyres & Tubes • Oil & Gas

TRINH Thi Ngoc Diep (84 28) 44 555 888 x 8208 diep.trinh@maybank-kimeng.com.vn • Technology • Utilities • Construction

NGUYEN Thi Sony Tra Mi (84 28) 44 555 888 x 8084

mi.nguyen@maybank-kimeng.com.vn
• Port Operation • Pharmaceutical

Food & Beverage

NGLIYEN Thanh Lan

(84 28) 44 555 888 x 8086 thanhlam.nguyen@maybank-kimeng.com.vn

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Technical Analysis

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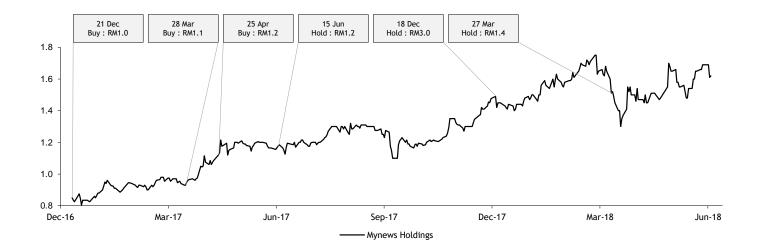
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Historical recommendations and target price: Mynews Holdings (MNHB MK)



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Malaysia

Maybank Investment Bank Berhad (A Participating Organisation of Bursa Malaysia Securities Berhad) 33rd Floor, Menara Maybank, 100 Jalan Tun Perak, 50050 Kuala Lumpur Tel: (603) 2059 1888;

Fax: (603) 2078 4194

Stockbroking Business: Level 8, Tower C, Dataran Maybank, No.1, Jalan Maarof 59000 Kuala Lumpur Tel: (603) 2297 8888 Fax: (603) 2282 5136

Philippines

Maybank ATR Kim Eng Securities Inc. 17/F, Tower One & Exchange Plaza Ayala Triangle, Ayala Avenue Makati City, Philippines 1200

Tel: (63) 2 849 8888 Fax: (63) 2 848 5738

South Asia Sales Trading

Kevin Foy Regional Head Sales Trading kevinfoy@maybank-ke.com.sg Tel: (65) 6636-3620 US Toll Free: 1-866-406-7447

Malavsia Joann Lim joann.lim@maybank-ib.com Tel: (603) 2717 5166

Indonesia Harianto Liong

harianto.liong@maybank-ke.co.id Tel: (62) 21 2557 1177 **New York**

James Lynch jlynch@maybank-keusa.com Tel: (212) 688 8886

Vietnam

Patrick Mitchell patrick.mitchell@maybank-kimeng.com.vn Tel: (84)-8-44-555-888 x8080

Singapore

Maybank Kim Eng Securities Pte Ltd Maybank Kim Eng Research Pte Ltd 50 North Canal Road Singapore 059304

Tel: (65) 6336 9090

Hong Kong

Kim Eng Securities (HK) Ltd 28/F, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong

Tel: (852) 2268 0800 Fax: (852) 2877 0104

Thailand

Maybank Kim Eng Securities (Thailand) Public Company Limited 999/9 The Offices at Central World, 20th - 21st Floor, Rama 1 Road Pathumwan, Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales) Tel: (66) 2 658 6801 (research)

North Asia Sales Trading

Andrew Lee andrewlee@kimeng.com.hk Tel: (852) 2268 0283 US Toll Free: 1 877 837 7635

Thailand Tanasak Krishnasreni

Tanasak.K@maybank-ke.co.th Tel: (66)2 658 6820

London Mark Howe

mhowe@maybank-ke.co.uk Tel: (44) 207-332-0221

Sanjay Makhija

sanjaymakhija@maybank-ke.co.in Tel: (91)-22-6623-2629

Philippines

Keith Roy keith_roy@maybank-atrke.com Tel: (63) 2 848-5288

London

Maybank Kim Eng Securities (London) Ltd 77 Queen Victoria Street London EC4V 4AY, UK

Tel: (44) 20 7332 0221 Fax: (44) 20 7332 0302

Indonesia

PT Maybank Kim Eng Securities Sentral Senayan III, 22nd Floor Jl. Asia Afrika No. 8 Gelora Bung Karno, Senayan Jakarta 10270, Indonesia

Tel: (62) 21 2557 1188 Fax: (62) 21 2557 1189

Vietnam

Maybank Kim Eng Securities Limited 4A-15+16 Floor Vincom Center Dong Khoi, 72 Le Thanh Ton St. District 1 Ho Chi Minh City, Vietnam

Tel: (84) 844 555 888 Fax: (84) 8 38 271 030

New York

Maybank Kim Eng Securities USA 400 Park Avenue, 11th Floor New York, New York 10022, U.S.A.

Tel: (212) 688 8886 Fax: (212) 688 3500

India

Kim Eng Securities India Pvt Ltd 2nd Floor, The International, 16, Maharishi Karve Road, Churchgate Station, Mumbai City - 400 020, India

Tel: (91) 22 6623 2600 Fax: (91) 22 6623 2604

Saudi Arabia

In association with Anfaal Capital Villa 47, Tujjar Jeddah Prince Mohammed bin Abdulaziz Street P.O. Box 126575 Jeddah 21352

Tel: (966) 2 6068686 Fax: (966) 26068787

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