

Malaysia

HOLD (no change)

Consensus ratings*: Buy 3 Hold 3 Sell 2

Current price: RM1.62
Target price: RM1.50
Previous target: RM1.50
Up/downside: -7.4%
CGS-CIMB / Consensus: -6.6%

Reuters: MYNE.KL
Bloomberg: MNHB MK
Market cap: US\$276.1m

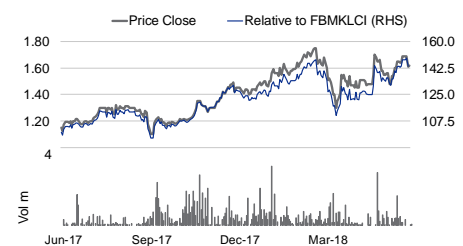
RM1,105m
Average daily turnover: US\$0.13m

RM0.52m
Current shares o/s: 682.2m
Free float: 26.0%

*Source: Bloomberg

Key changes in this note

No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.8	-0.6	40.9
Relative (%)	5.7	7	44.6

Major shareholders	% held
D&D Consolidated	68.8
Dang Tai Kien	3.7
Dang Tai Gean	1.5

Analyst(s)


Kristine WONG

T (60) 3 2261 9085

E kristine.wong@cimb.com

Mynews Holdings Berhad

1HFY18: No surprises

- 1HFY10/18 core net profit of RM13.2m was within our and Bloomberg consensus expectations, at 45% of both full-year forecasts.
- 2QFY18 earnings growth was propelled by higher store count and improved margins from the sale of fresh food products.
- Food processing facility slated to be completed by early-2019 and should further improve the group's economies of scale.
- We keep our earnings forecasts and Hold call, with an unchanged end-2019F target price of RM1.50.
- We prefer Mynews over 7-Eleven in the convenience store space.

Within expectations

Mynews reported 2QFY18 revenue of RM94.2m, up 18.8% yoy, while core net profit rose 10.1% yoy to RM6.8m. 1HFY18 core net profit was RM13.2m, 4.8% higher yoy and made up 45% of both our and Bloomberg consensus' full-year forecasts. We deem the results in line as we expect a stronger 2H, mainly driven by better consumer spending and sentiment in the domestic market which should help boost demand for its products, especially fresh food and small ticket items, which are generally rather sticky.

Higher profits despite higher operating costs

2QFY18 yoy sales growth was mainly boosted by higher store count and higher other income, which mainly consists of A&P income, distribution centre charges and rebates. 2QFY18 gross profit margin advanced 0.7% pts yoy to 38.7%, underpinned by improved product mix – higher sales of fresh food and ready-to-eat (RTE) products. Despite a 23.3% yoy increase in operating costs on the back of higher utilities, rental and staff costs, Mynews managed to eke out higher net profit growth of 10.1% yoy.

Increased revenue due to growth in store count

Sequentially, revenue and core net profit grew 4.5% and 7.7% yoy, respectively, driven by growth in store count to 385 stores (+19 net new stores) and improved gross profit margin (+1.1% pts yoy) to 38.7% which more than offset the higher operating costs – higher rental and staff costs.

Two-pronged strategy intact

We believe Mynews' earnings growth will continued to be driven by new store openings (+90 stores p.a.) and increased profitability from the sale of higher-margin products (i.e. RTE and bakery products). We understand that the group's upcoming food processing facility is slated to be completed by early-2019, following which its economies of scale would improve. Recall that the group had earlier tied up with Japanese partners to develop its fresh food product segment, particularly baked goods and RTE food products.

Maintain Hold; fairly valued for now

We retain our earnings forecasts, Hold call and end-2019F target price of RM1.50, still based on blended P/E and PEG valuation (equal weightage from CY19F P/E of 24x and mean PEG of 1.0x). Even though we are positive on the group's long-term earnings accretion from higher sales of RTE and bakery products (which typically carry higher margin), we believe its current valuation already prices in its earnings growth prospects.

Key upside/downside risks to our call

Key upside risks to our call include greater-than-expected sales of higher-margin products (i.e. RTE food and bakery products) and faster store expansion. Key downside risks include intensifying competition in the convenience store space.

Financial Summary	Oct-16A	Oct-17A	Oct-18F	Oct-19F	Oct-20F
Revenue (RMm)	264.0	326.5	425.8	547.2	663.5
Operating EBITDA (RMm)	26.34	32.06	44.77	58.05	71.31
Net Profit (RMm)	18.60	24.98	30.20	38.38	47.41
Core EPS (RM)	0.029	0.037	0.044	0.056	0.069
Core EPS Growth	44.1%	28.2%	20.9%	27.1%	23.5%
FD Core P/E (x)	56.72	44.23	36.60	28.79	23.31
DPS (RM)	0.013	0.020	0.010	0.010	0.020
Dividend Yield	0.77%	1.23%	0.62%	0.62%	1.23%
EV/EBITDA (x)	41.54	33.92	24.79	18.93	15.21
P/FCFE (x)	NA	NA	NA	44.15	29.91
Net Gearing	(5.55%)	(5.42%)	3.45%	(0.49%)	(4.77%)
P/BV (x)	7.25	4.57	4.17	3.72	3.34
ROE	18.7%	12.7%	11.9%	13.7%	15.1%
CIMB/consensus EPS (x)			1.05	1.04	1.04

SOURCES: CIMB RESEARCH, COMPANY REPORTS

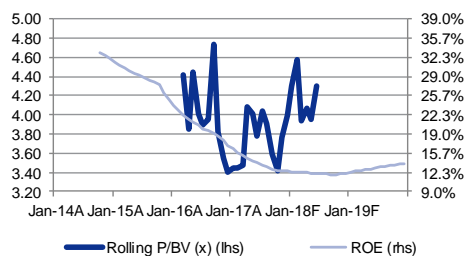
Figure 1: Results Comparison

FYE Oct (RM m)	2Q FY18	2Q FY17	yoy % chg	qoq % chg	2QFY18 cum	2QFY17 cum	yoy % chg	Prev. FY18F	Comments
Revenue	94.2	79.3	18.8	4.5	184.3	155.5	18.5	425.8	Revenue grew yoy due to higher number of new stores,
Operating costs	(86.0)	(72.0)	19.4	6.6	(166.7)	(139.2)	19.8	(380.1)	better merchandise mix and higher A&P income
EBITDA	8.2	7.2	13.3	-13.4	17.6	16.3	8.0	45.7	
EBITDA margin (%)	8.7	9.1	0.4	-0.3	9.6	10.5	0.0	10.7	
Depn & amort.	0.0	0.0	nm	nm	(1.7)	(1.3)	nm	(8.7)	PPE of RM140.8m as at end-Apr 2018
EBIT	8.2	7.2	13.3	6.3	15.9	15.0	6.0	37.0	Total borrowings of RM5.7m as at end-Apr 2018
Interest expense	(0.1)	(0.1)	-5.5	0.0	(0.2)	(0.2)	(8.0)	(0.5)	Total cash of RM15m as at end-Apr 2018
Interest & invt inc	0.0	0.0	nm	nm	0.0	0.0	nm	0.1	
Associates' contrib	0.6	0.5	nm	nm	0.9	0.9	nm	2.7	
Exceptionals & revaln	0.0	0.0	nm	nm	0.0	0.0	nm	0.0	
Pretax profit	8.6	7.6	13.6	8.5	16.6	15.6	6.0	39.2	
Tax	(1.8)	(1.4)	nm	nm	(3.4)	(3.1)	nm	(9.0)	
Tax rate (%)	20.9	18.3	nm	nm	20.6	19.7	nm	23.0	
Minority interests	0.0	0.0	nm	nm	0.0	0.0	nm	0.0	None as expected
Net profit	6.8	6.2	10.1	7.7	13.2	12.6	4.8	30.2	
Core net profit	6.8	6.2	10.1	7.7	13.2	12.6	4.8	30.2	Within expectations, making up 45% of our full-year estimate
EPS (sen)	1.0	0.9	10.1	7.7	0.0	0.0	4.8	4.4	
Core EPS (sen)	1.0	0.9	10.1	7.7	1.9	1.8	4.8	4.4	

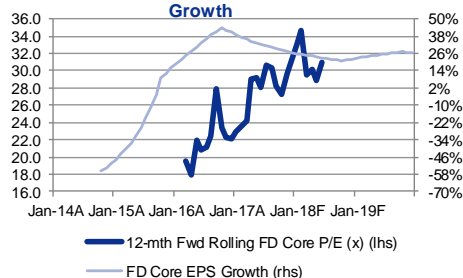
SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(RMm)	Oct-16A	Oct-17A	Oct-18F	Oct-19F	Oct-20F
Total Net Revenues	264.0	326.5	425.8	547.2	663.5
Gross Profit	94.5	119.8	159.4	201.2	244.8
Operating EBITDA	26.3	32.1	44.8	58.1	71.3
Depreciation And Amortisation	(4.5)	(6.0)	(8.7)	(11.5)	(13.2)
Operating EBIT	21.9	26.1	36.0	46.5	58.1
Financial Income/(Expense)	(0.3)	(0.2)	(0.4)	(0.4)	(0.4)
Pretax Income/(Loss) from Assoc.	1.1	2.7	2.7	2.7	2.7
Non-Operating Income/(Expense)	2.6	3.0	0.9	1.1	1.3
Profit Before Tax (pre-EI)	25.2	31.5	39.2	49.9	61.6
Exceptional Items	(1.1)	0.0	0.0	0.0	0.0
Pre-tax Profit	24.1	31.5	39.2	49.9	61.6
Taxation	(5.5)	(6.5)	(9.0)	(11.5)	(14.2)
Exceptional Income - post-tax					
Profit After Tax	18.6	25.0	30.2	38.4	47.4
Minority Interests	0.0	0.0	0.0	0.0	0.0
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax	0.0	0.0	0.0	0.0	0.0
Other Adjustments - post-tax	0.0	0.0	0.0	0.0	0.0
Net Profit	18.6	25.0	30.2	38.4	47.4
Recurring Net Profit	19.5	25.0	30.2	38.4	47.4
Fully Diluted Recurring Net Profit	19.5	25.0	30.2	38.4	47.4

Cash Flow

(RMm)	Oct-16A	Oct-17A	Oct-18F	Oct-19F	Oct-20F
EBITDA	26.34	32.06	44.77	58.05	71.31
Cash Flow from Inv. & Assoc.	0.00	0.00	0.00	0.00	0.00
Change In Working Capital	(2.61)	(18.32)	24.01	(3.32)	(3.63)
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00	0.00
Other Operating Cashflow	4.07	6.00	8.73	11.55	13.25
Net Interest (Paid)/Received	(0.51)	(0.42)	(0.51)	(0.51)	(0.51)
Tax Paid	(5.39)	(5.59)	(9.03)	(11.50)	(14.23)
Cashflow From Operations	21.90	13.73	67.98	54.27	66.19
Capex	(23.72)	(21.75)	(79.03)	(29.30)	(29.30)
Disposals Of FAs/subsidiaries	0.11	0.16	0.00	0.00	0.00
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(61.87)	(47.58)	0.06	0.06	0.06
Cash Flow From Investing	(85.48)	(69.16)	(78.97)	(29.24)	(29.24)
Debt Raised/(repaid)	(1.57)	(0.85)	2.63	0.00	0.00
Proceeds From Issue Of Shares	(6.39)	(0.86)	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00	0.00
Dividends Paid	(4.65)	(6.20)	(6.82)	(6.82)	(13.64)
Preferred Dividends	0.00	0.00	0.00	0.00	0.00
Other Financing Cashflow	(0.50)	0.00	(0.51)	(0.51)	(0.51)
Cash Flow From Financing	(13.11)	(7.91)	(4.70)	(7.33)	(14.15)
Total Cash Generated	(76.70)	(63.34)	(15.69)	17.70	22.80
Free Cashflow To Equity	(65.15)	(56.28)	(8.36)	25.03	36.95
Free Cashflow To Firm	(63.08)	(55.02)	(10.48)	25.53	37.46

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Oct-16A	Oct-17A	Oct-18F	Oct-19F	Oct-20F
Total Cash And Equivalents	16.7	20.0	0.4	11.0	25.3
Total Debtors	25.4	36.8	46.9	60.2	73.0
Inventories	29.8	31.6	34.3	44.6	53.9
Total Other Current Assets	57.0	110.8	110.8	110.8	110.8
Total Current Assets	128.9	199.3	192.4	226.6	263.1
Fixed Assets	65.3	81.0	150.2	168.0	184.0
Total Investments	11.3	4.4	4.4	4.4	4.4
Intangible Assets	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	0.0	0.0	0.0	0.0	0.0
Total Non-current Assets	76.6	85.4	154.7	172.4	188.5
Short-term Debt	1.3	1.3	1.3	1.3	1.3
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0	0.0
Total Creditors	40.4	31.2	67.9	88.2	106.7
Other Current Liabilities	1.4	0.8	0.8	0.8	0.8
Total Current Liabilities	43.1	33.3	69.9	90.2	108.7
Total Long-term Debt	6.9	5.6	8.3	8.3	8.3
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	0.4	0.7	0.7	0.7	0.7
Total Non-current Liabilities	7.3	6.3	9.0	9.0	9.0
Total Provisions	2.6	3.1	3.1	3.1	3.1
Total Liabilities	53.0	42.7	82.1	102.3	120.9
Shareholders' Equity	152.4	241.6	265.0	296.7	330.7
Minority Interests	0.0	0.0	0.0	0.0	0.0
Total Equity	152.4	241.6	265.0	296.7	330.7

Key Ratios

	Oct-16A	Oct-17A	Oct-18F	Oct-19F	Oct-20F
Revenue Growth	21.4%	23.6%	30.4%	28.5%	21.3%
Operating EBITDA Growth	27.5%	21.7%	39.7%	29.7%	22.8%
Operating EBITDA Margin	10.0%	9.8%	10.5%	10.6%	10.7%
Net Cash Per Share (RM)	0.012	0.019	(0.013)	0.002	0.023
BVPS (RM)	0.22	0.35	0.39	0.43	0.48
Gross Interest Cover	43.2	61.9	71.3	92.0	114.8
Effective Tax Rate	22.8%	20.6%	23.0%	23.1%	23.1%
Net Dividend Payout Ratio	43.2%	54.6%	22.6%	17.8%	28.8%
Accounts Receivables Days	7.71	8.40	7.46	7.11	7.32
Inventory Days	55.62	54.24	45.18	41.59	43.03
Accounts Payables Days	51.29	41.66	43.45	51.33	53.11
ROIC (%)	36.5%	19.2%	15.8%	17.0%	19.7%
ROCE (%)	19.1%	12.7%	13.6%	15.9%	17.8%
Return On Average Assets	13.2%	10.3%	9.7%	10.4%	11.3%

Key Drivers

	Oct-16A	Oct-17A	Oct-18F	Oct-19F	Oct-20F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	0.0%	0.3%	0.3%	1.5%	1.5%
No. of POS (main prod/serv)	297	365	455	545	635
SSS grth (% , main prod/serv)	1.4%	1.4%	1.4%	1.4%	1.4%
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
No. of POS (2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
SSS grth (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A

SOURCES: CIMB RESEARCH, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	

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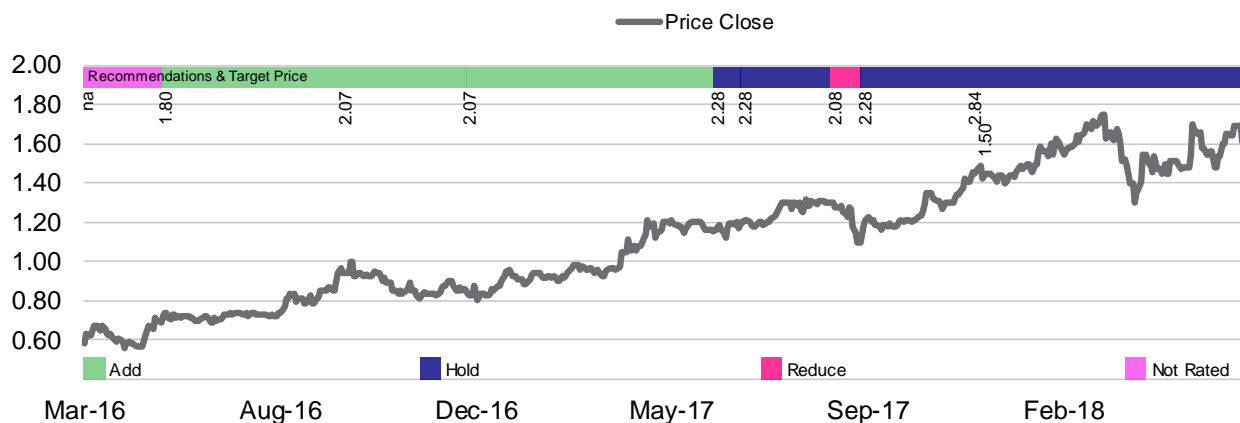
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1275 companies under coverage for quarter ended on 31 March 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	61.1%	5.5%
Hold	29.7%	2.0%
Reduce	8.9%	0.4%

Spitzer Chart for stock being researched (2 year data)

Mynews Holdings Berhad (MNHB MK)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017

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- Companies certified by CAC

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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.

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.

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.

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.