

MYNEWS HOLDINGS BERHAD

RESULTS UPDATE

NEUTRAL

Target Price **RM 1.30**
Current Price **RM 1.58**
Consensus Target Price **RM 1.61**

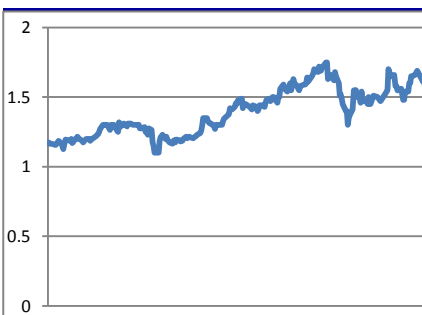
Key Statistics

Bloomberg Ticker	BISON MK
Masa Ticker / Stock Code	BISON/
Shares Issued (m)	684
Market Capitalisation (RM'm)	1077
52 Week Hi/Lo Price (RM)	1.80/1.09
Avg Trading Volume (3-mth)	398,366
Est Free Float (m)	171
YTD Returns (%)	41.5
Beta (x)	0.94

Major Shareholders (%)

D&D Consolidated	57.43
EPF	6.94
KWSP	5.45

1-Year Share Price Performance



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Consumer segment to shine

Earnings were slightly lower than expected because of the start up costs for its RM35m food processing center and the slower pace of opening of new outlets. 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 35x. Despite lofty valuations, consumer stocks including Mynews are likely to edge higher due amidst bearish sentiments overall in markets, owing to their tag as a defensive stock. We still favour Mynews for 1) resilient nature of the consumer sector which translates into steady revenues/earnings 2) growth led by new outlets and its ready to eat business. Risks to our call 1) delay in food manufacturing center commencement 2) lower footfall 3) supply chain hiccups.

◆ Record earnings during the quarter

Mynews' 2QFY18 revenue rose 18.8% YoY to RM94.1m, up from RM79.23m, coming from higher outlets opening and a better product mix. Store count increased to 385 from 325 versus the previous corresponding financial period last year. Mynews recorded its highest quarterly PAT record in 2QFY18 of RM6.8m, up 10.1% YoY and 7.7% QoQ, attributable to the increase in total outlets and a better product mix. Of note, 2QFY18 also saw Mynews notch up its highest ever quarterly GP margin of 38.7%. Operating costs were buoyed higher as EBITDA margin was not in tandem with record GP margin. This may be due to the higher staff costs for its ready-to-eat food (food processing centre) and bakery projects, and the higher rental costs for the outlets. Mynews also declared a single-tier interim dividend of 1.0 sen/share

◆ Earnings to catch up

Overall, Bison's 1QFY18 results represent 44% and 46% of ours and consensus forecasts respectively. Results were below expectations due to a slower increase in new outlets, with 29 outlets in 6 months versus company's target of 90 by FY18.

Table 1 :Investment Highlights & Earnings Forecasts

FYE 31 Oct (RM' mil)	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	1.2	1.2
Dividend Yield	N/A	0.47%	0.63%	0.75%	0.75%

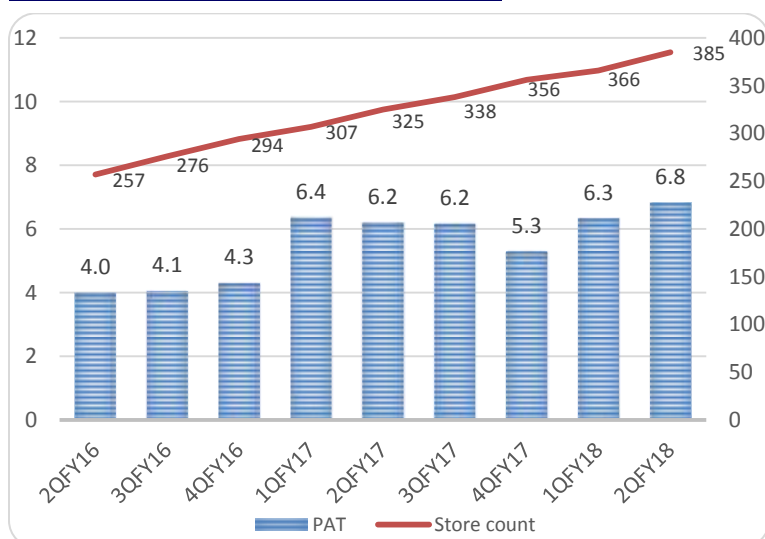
Sources: Inter-Pacific, Company

Quarterly Income Statement and Comparison

FYE 31st Oct (RM m)	2QFY18	2QFY17	YoY chg (%)	1QFY18	QoQ chg (%)	6MFY18	6MFY17	YTD chg (%)
Revenue	94.2	79.3	18.8	90.1	4.5	184.31	155.49	18.53
Gross Profit	36.4	30.1	20.9	33.9	7.6	70.27	57.55	22.11
Profit before tax	8.6	7.6	13.6	8.0	8.5	16.58	15.64	6.00
Tax Expenses	(1.8)	(1.4)	29.2	(1.6)	11.5	(3.41)	(3.08)	10.74
PAT	6.8	6.2	10.1	6.3	7.7	13.17	12.56	4.83
EBITDA	9.7	8.4	15.5	9.2	6.0	18.87	17.23	9.56
GP Margin	38.7%	38.0%	1.8	37.6%	2.9	38.1%	37.0%	3.02
PAT Margin	7.3%	7.8%	(7.3)	8.8%	(17.8)	7.1%	8.1%	(11.56)
EBITDA Margin	10.3%	7.8%	31.8	7.0%	46.5	10.2%	11.1%	(7.57)
EPS (sen)	1.0	0.9	7.3	0.9	7.7	1.93	1.84	4.83

Inter-Pacific, Company

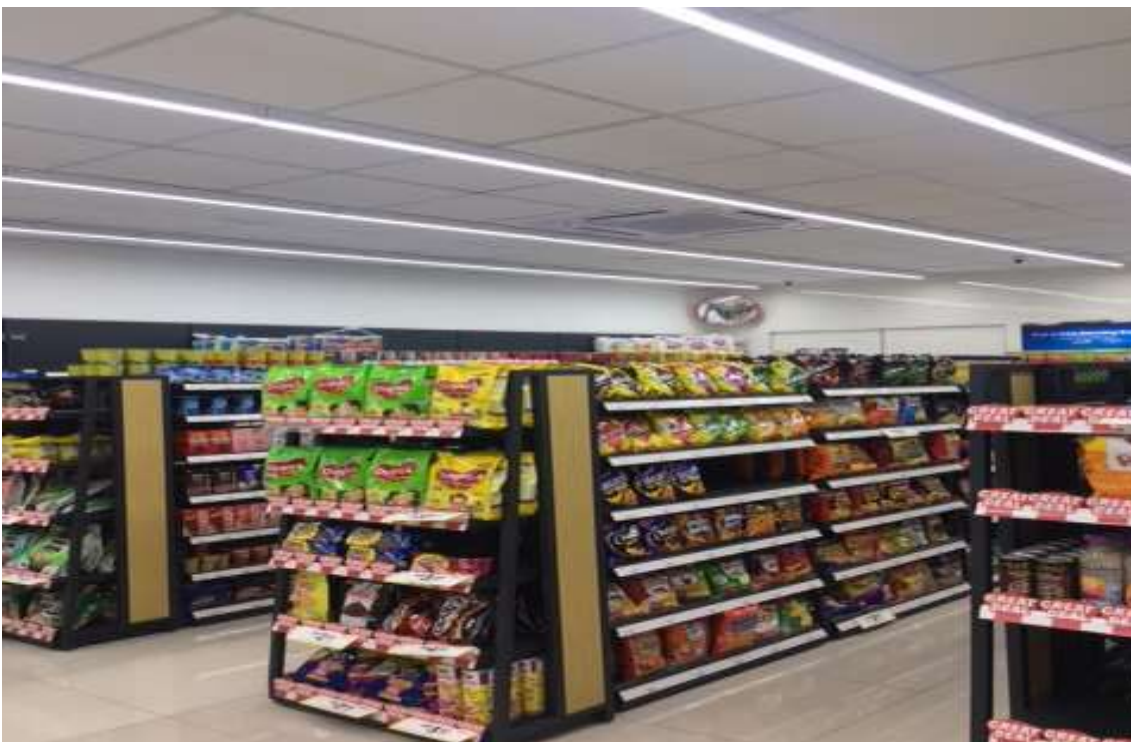
Quarterly Earnings (RM m) vs No. of Outlets



Inter-Pacific, Company

Mynews launched its loyalty app and card in FY18, an app that provides an alternative cashless payment system, members only promotions and many other members reward. The app allows customers enjoy faster payment convenience and discount perks while myNews observes customer purchase behavior data and profile.

Mynews recently launched 2 stores which are twice the size of its current convenient outlets. The outlets are flagged Mynews Xtra, a mini supermarket or grocery concept store carrying larger variety of consumables such as rice, cooking oil, milk powder and other fast-moving consumer goods (FMCG). Our visit to OUG branch were positive with well arrange shelves, absence of bad odours, bright lightings and spacious alleys as compared to KK Super Mart and 99 Speedmart. However, certain FMCG prices at the Mynews Xtra outlets were higher than at its competitors. This could be due to a lack of scale as compare to KK Super Mart's and 99 Speedmart's, 300+ and 1000+ outlets respectively.



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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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