

## Malaysia

**HOLD** (no change)

Consensus ratings\*: Buy 3 Hold 3 Sell 1

Current price:	RM1.41
Target price:	RM1.46
Previous target:	RM1.50
Up/downside:	3.7%
CGS-CIMB / Consensus:	-9.4%

Reuters:	MYNE.KL
Bloomberg:	MNHB MK
Market cap:	US\$232.9m
	RM961.8m
Average daily turnover:	US\$0.12m
	RM0.47m
Current shares o/s:	682.2m
Free float:	26.0%

\*Source: Bloomberg

### Key changes in this note

➤ FY18-20F EPS lowered by 5.3-7.8%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-5.4	-11.9	28.2
Relative (%)	-4.9	-18.2	26.6

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

### Analyst(s)



Walter AW

T (60) 3 2261 9093

E walter.aw@cimb.com

# Mynews Holdings Berhad

## Fairly priced convenience

- Mynews reported 9MFY10/18 core net profit of RM21.1m, missing expectations, at 70%/72% of our/Bloomberg consensus full-year forecasts.
- 9MFY18 core net profit still grew 12.5% yoy, thanks to: i) higher revenue from new and existing outlets, ii) lower tax rates and higher associate profits.
- We cut our FY18-20F EPS by 7.8-5.3% to reflect higher operating costs. Maintain Hold, with a lower end-2019F target price of RM1.46.

### Missed expectations

Mynews registered a 19.8% yoy growth in 3QFY10/18 revenue while core net earnings increased 28.2% yoy. This includes one-off losses of RM0.7m (relocation of headquarters and start-up costs of its new distribution Centre in Johor Bharu) during the quarter. This brought its 9MFY18 core net profit to RM21.1m, which missed expectations at 70% of our and 72% of Bloomberg consensus full-year forecasts. We attribute the earnings shortfall to higher-than-expected overall operating costs.

### 3QFY18 profits propped up by lower tax rates

3QFY18 revenue growth was driven by higher number of stores (+19 net new stores). 3QFY18 gross profit margin ticked up 0.9% pts yoy to 38.1%, thanks to better merchandise mix (i.e. increased sales of fresh food products). In spite of higher operating costs in 3Q (+32.3% yoy), Mynews managed to etch out core net profit growth of 15.9% yoy as a result of lower effective tax rates (-10.1% pts yoy), due to overprovision in FY17.

### Higher 9M sales due to increased store count, better product mix

Overall, 9MFY18 turnover growth of 19% yoy was boosted by increased store count (+48 net new stores) to 404 stores as at Jul 2018. However, 9MFY18 EBITDA margin declined 0.8% pts yoy due to higher operating costs, especially start-up costs for its new food processing facility. However, it still recorded core net profit growth of 12.5% yoy for 9MFY18, thanks to lower effective tax rates and higher reported profits from its associate.

### Food processing facility on track for completion by end-1QCY19F

Mynews stated that it is on track to meet its target of 90 new store openings by end-FY18. We understand that the group would have no difficulty securing locations for its stores and that the domestic convenience store space remains underpenetrated. The group says its new food processing facility is on track to be operational by end-1QCY19, following which we think its economies of scale would gradually improve.

### Maintain Hold, with lower TP of RM1.46

We cut our FY18-20F EPS by 7.8-5.3% to factor in higher operating costs. This lowers our target price to RM1.46, still based on an unchanged blended P/E and PEG valuation (equal weightage from CY19F P/E of 24x and mean PEG of 1.0x). Whilst we are positive on the group's long-term plans of its ready-to-eat (RTE) and bakery products facility, we think its near-term earnings prospects have been fairly priced in. We maintain our Hold call and believe investors should adopt a wait-and-see attitude for now.

Financial Summary	Oct-16A	Oct-17A	Oct-18F	Oct-19F	Oct-20F
Revenue (RMm)	264.0	326.5	420.0	536.7	659.2
Operating EBITDA (RMm)	26.34	32.06	41.92	55.50	68.49
Net Profit (RMm)	18.60	24.98	27.85	36.09	44.89
Core EPS (RM)	0.029	0.037	0.041	0.053	0.066
Core EPS Growth	44.1%	28.2%	11.5%	29.6%	24.4%
FD Core P/E (x)	49.37	38.50	34.54	26.65	21.43
DPS (RM)	0.013	0.020	0.010	0.010	0.020
Dividend Yield	0.89%	1.42%	0.71%	0.71%	1.42%
EV/EBITDA (x)	36.10	29.45	22.98	17.21	13.78
P/FCFE (x)	NA	NA	NA	41.38	27.34
Net Gearing	(5.55%)	(5.42%)	2.33%	(0.72%)	(4.30%)
P/BV (x)	6.31	3.98	3.66	3.29	2.98
ROE	18.7%	12.7%	11.0%	13.0%	14.6%
% Change In Core EPS Estimates			(7.79%)	(5.97%)	(5.31%)
CIMB/consensus EPS (x)			0.97	0.98	0.97

SOURCES: CIMB RESEARCH, COMPANY REPORTS

**Figure 1: Results comparison**

FYE Oct (RM m)	3Q FY18	3Q FY17	yoy % chg	qoq % chg	3QFY18 cum	3QFY17 cum	yoy % chg	Prev. FY18F	Comments
Revenue	97.9	81.7	19.8	3.9	282.2	237.2	19.0	425.8	Revenue grew yoy due to higher number of stores,
Operating costs	(87.3)	(72.5)	20.4	3.6	(252.2)	(210.2)	20.0	(380.1)	better merchandise mix and higher A&P income
EBITDA	10.6	9.2	14.9	6.4	30.0	27.0	11.3	45.7	
EBITDA margin (%)	10.8	11.3	0.5	1.3	10.6	11.4	(0.7)	10.7	Due to higher overall operating expenses
Depn & amort.	(2.2)	(1.5)	41.5	19.5	(5.7)	(4.3)	32.6	(8.7)	
EBIT	8.5	7.7	9.7	3.4	24.3	22.7	7.2	37.0	
Interest expense	(0.1)	(0.1)	-8.3	-4.8	(0.3)	(0.3)	(8.1)	(0.5)	
Interest & invt inc	0.0	0.0	nm	nm	0.0	0.0	nm	0.1	
Associates' contrib	0.6	0.4	54.7	10.09	1.5	1.3	18.7	2.7	
Exceptionals & revaln	(0.7)	0.0	nm	nm	(0.7)	0.0	nm	0.0	One-off losses from relocation of headquarters and start-up costs
Pretax profit	8.3	8.0	4.0	-3.6	24.9	23.6	5.3	39.2	of new distribution centre in Johor Bharu
Tax	(1.1)	(1.8)	-42.1	-41.30	(4.5)	(4.9)	(8.9)	(9.0)	
Tax rate (%)	12.7	22.8	-10.1	-8.16	17.9	20.7	(2.8)	23.0	
Minority interests	0.0	0.0	nm	nm	0.0	0.0	nm	0.0	None as expected
Net profit	7.3	6.2	17.7	6.4	20.4	18.7	9.1	30.2	
<b>Core net profit</b>	<b>7.9</b>	<b>6.2</b>	<b>28.2</b>	<b>15.9</b>	<b>21.1</b>	<b>18.7</b>	<b>12.5</b>	<b>30.2</b>	Below expectations, making up 70% of our full-year estimate
EPS (sen)	1.1	0.9	17.7	6.4	0.0	0.0	9.1	4.4	
Core EPS (sen)	1.2	0.9	28.2	15.9	3.1	2.7	12.5	4.4	

SOURCES: CIMB, COMPANY REPORTS

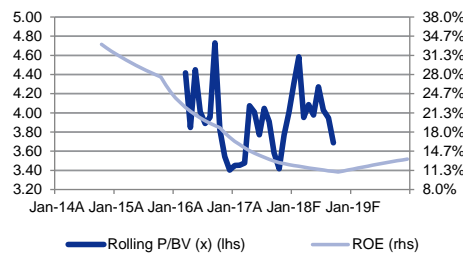
**Figure 2: Earnings revision**

RM m	2017A	2018F			2019F			2020F		
		Old	New	chg	Old	New	chg	Old	New	chg
Revenue	326	426	420	-1%	547	537	-2%	664	659	-1%
EBITDA	32	45	42	-6%	58	55	-4%	71	68	-4%
Core pretax profit	31	39	36	-8%	50	47	-6%	62	58	-5%
Core net profit	25	30	28	-8%	38	36	-6%	47	45	-5%
Core EPS	0	4	4	-8%	6	5	-6%	7	7	-5%

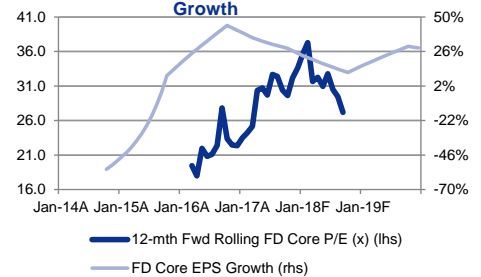
SOURCES: CIMB, COMPANY REPORTS

## 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
<b>Total Net Revenues</b>	<b>264.0</b>	<b>326.5</b>	<b>420.0</b>	<b>536.7</b>	<b>659.2</b>
<b>Gross Profit</b>	<b>94.5</b>	<b>119.8</b>	<b>154.4</b>	<b>196.0</b>	<b>239.7</b>
<b>Operating EBITDA</b>	<b>26.3</b>	<b>32.1</b>	<b>41.9</b>	<b>55.5</b>	<b>68.5</b>
Depreciation And Amortisation	(4.5)	(6.0)	(8.6)	(11.6)	(13.4)
<b>Operating EBIT</b>	<b>21.9</b>	<b>26.1</b>	<b>33.3</b>	<b>43.9</b>	<b>55.1</b>
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	0.6	0.8	0.9
<b>Profit Before Tax (pre-EI)</b>	<b>25.2</b>	<b>31.5</b>	<b>36.2</b>	<b>46.9</b>	<b>58.3</b>
Exceptional Items	(1.1)	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>24.1</b>	<b>31.5</b>	<b>36.2</b>	<b>46.9</b>	<b>58.3</b>
Taxation	(5.5)	(6.5)	(8.3)	(10.8)	(13.4)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>18.6</b>	<b>25.0</b>	<b>27.8</b>	<b>36.1</b>	<b>44.9</b>
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
<b>Net Profit</b>	<b>18.6</b>	<b>25.0</b>	<b>27.8</b>	<b>36.1</b>	<b>44.9</b>
Recurring Net Profit	19.5	25.0	27.8	36.1	44.9
<b>Fully Diluted Recurring Net Profit</b>	<b>19.5</b>	<b>25.0</b>	<b>27.8</b>	<b>36.1</b>	<b>44.9</b>

### Cash Flow

(RMm)	Oct-16A	Oct-17A	Oct-18F	Oct-19F	Oct-20F
<b>EBITDA</b>	<b>26.34</b>	<b>32.06</b>	<b>41.92</b>	<b>55.50</b>	<b>68.49</b>
Cash Flow from Inv. & Assoc.	0.00	0.00	0.00	0.00	0.00
Change In Working Capital	(2.61)	(18.32)	24.55	(3.38)	(3.56)
(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	8.58	11.65	13.40
Net Interest (Paid)/Received	(0.51)	(0.42)	(0.51)	(0.51)	(0.51)
Tax Paid	(5.39)	(5.59)	(8.32)	(10.78)	(13.41)
<b>Cashflow From Operations</b>	<b>21.90</b>	<b>13.73</b>	<b>66.23</b>	<b>52.48</b>	<b>64.41</b>
Capex	(23.72)	(21.75)	(74.03)	(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
<b>Cash Flow From Investing</b>	<b>(85.48)</b>	<b>(69.16)</b>	<b>(73.97)</b>	<b>(29.24)</b>	<b>(29.24)</b>
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)
<b>Cash Flow From Financing</b>	<b>(13.11)</b>	<b>(7.91)</b>	<b>(4.70)</b>	<b>(7.33)</b>	<b>(14.15)</b>
Total Cash Generated	(76.70)	(63.34)	(12.44)	15.91	21.03
<b>Free Cashflow To Equity</b>	<b>(65.15)</b>	<b>(56.28)</b>	<b>(5.11)</b>	<b>23.24</b>	<b>35.18</b>
<b>Free Cashflow To Firm</b>	<b>(63.08)</b>	<b>(55.02)</b>	<b>(7.23)</b>	<b>23.75</b>	<b>35.68</b>

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	3.4	11.6	23.4
Total Debtors	25.4	36.8	46.2	59.1	72.5
Inventories	29.8	31.6	34.2	43.9	54.0
Total Other Current Assets	57.0	110.8	110.8	110.8	110.8
<b>Total Current Assets</b>	<b>128.9</b>	<b>199.3</b>	<b>194.7</b>	<b>225.4</b>	<b>260.8</b>
Fixed Assets	65.3	81.0	145.4	163.0	178.9
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
<b>Total Non-current Assets</b>	<b>76.6</b>	<b>85.4</b>	<b>149.8</b>	<b>167.5</b>	<b>183.4</b>
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	67.7	86.8	106.9
Other Current Liabilities	1.4	0.8	0.8	0.8	0.8
<b>Total Current Liabilities</b>	<b>43.1</b>	<b>33.3</b>	<b>69.7</b>	<b>88.8</b>	<b>108.9</b>
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
<b>Total Non-current Liabilities</b>	<b>7.3</b>	<b>6.3</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>
Total Provisions	2.6	3.1	3.1	3.1	3.1
<b>Total Liabilities</b>	<b>53.0</b>	<b>42.7</b>	<b>81.9</b>	<b>101.0</b>	<b>121.0</b>
Shareholders' Equity	152.4	241.6	262.7	291.9	323.2
Minority Interests	0.0	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>152.4</b>	<b>241.6</b>	<b>262.7</b>	<b>291.9</b>	<b>323.2</b>

### Key Ratios

	Oct-16A	Oct-17A	Oct-18F	Oct-19F	Oct-20F
Revenue Growth	21.4%	23.6%	28.7%	27.8%	22.8%
Operating EBITDA Growth	27.5%	21.7%	30.8%	32.4%	23.4%
Operating EBITDA Margin	10.0%	9.8%	10.0%	10.3%	10.4%
Net Cash Per Share (RM)	0.012	0.019	(0.009)	0.003	0.020
BVPS (RM)	0.22	0.35	0.39	0.43	0.47
Gross Interest Cover	43.2	61.9	65.9	86.7	108.9
Effective Tax Rate	22.8%	20.6%	23.0%	23.0%	23.0%
Net Dividend Payout Ratio	43.2%	54.6%	24.5%	18.9%	30.4%
Accounts Receivables Days	7.71	8.40	7.50	7.13	7.28
Inventory Days	55.62	54.24	45.24	41.82	42.71
Accounts Payables Days	51.29	41.66	43.49	51.61	52.71
ROIC (%)	36.5%	19.2%	14.6%	16.4%	19.0%
ROCE (%)	19.1%	12.7%	12.7%	15.1%	17.2%
Return On Average Assets	13.2%	10.3%	9.0%	9.9%	10.8%

### 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	445	535	625
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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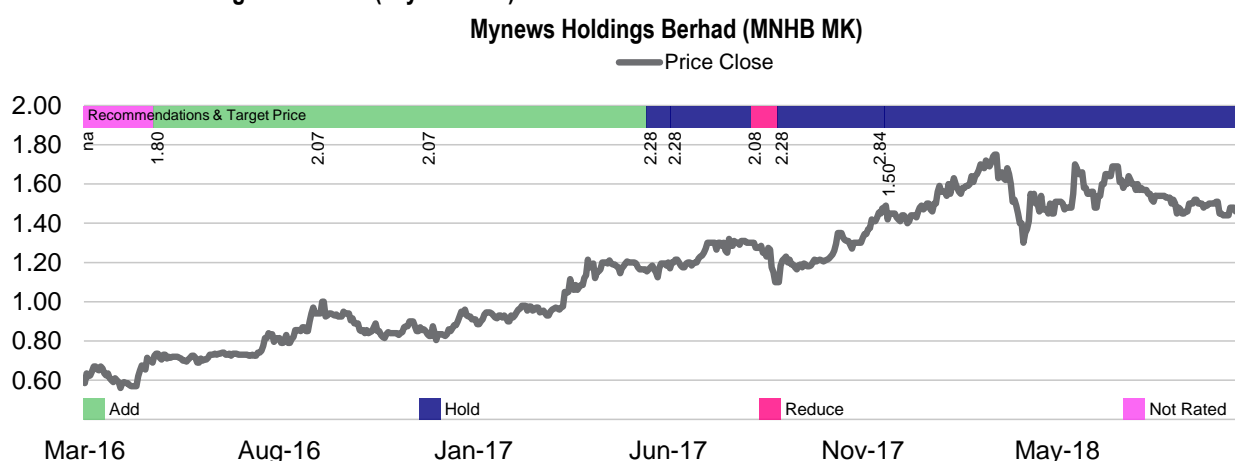
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Reduce	9.3%	0.8%

#### Spitzer Chart for stock being researched ( 2 year data )



#### 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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Definition:

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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.