

MYNEWS HOLDINGS BERHAD

RESULTS UPDATE

NEUTRAL

Target Price RM 1.30
Current Price RM 1.41
Consensus Target Price RM 1.55

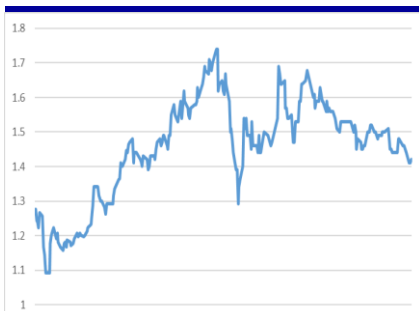
Key Statistics

Bloomberg Ticker	MNHB MK
Masa Ticker / Stock Code	MYNEWS/5275
Shares Issued (m)	684
Market Capitalisation (RM'm)	968.7
52 Week Hi/Lo Price (RM)	1.80/1.14
Avg Trading Volume (3-mth)	374,023
Est Free Float (m)	207.4
YTD Returns (%)	-1.39
Beta (x)	0.77

Major Shareholders (%)

D&D Consolidated	57.43
KWAP	7.13

1-Year Share Price Performance



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Record Quarter

We are maintaining our NEUTRAL call due to rich valuations currently. Our fair value is RM1.30 at 30x PER to FY18 EPS. We continue to view Mynews with favour for 1) the resilient nature of the consumer sector which translates into steady revenues/earnings 2) growth led by new outlets and its new fresh food business. Risks to our call 1) delay in food manufacturing center becoming fully functioning 2) lower footfall 3) supply chain hiccups.

◆ New milestone

Mynews' 3QFY18 revenue rose 18.8% YoY to RM97.9m from RM81.7m, coming from higher pace of outlets opening and a better product mix. Store count rose to 404 from 338 the previous corresponding financial period last year. Mynews notched up a record high quarterly PAT in 2QFY18 of RM7.3m, up 17.5% YoY and 6.2% QoQ, attributed from an increase in total outlets, a lower effective tax rate due to clawback of tax overprovisions in previous financial year, and a better product mix. Operating cost remained buoyant as EBITDA margin was pressured by a remuneration hike and the establishment of its ready-to-eat food (food processing centre) and bakery projects, and the higher rental costs for premium locations.

◆ Earnings to catch up

Overall, Mynews' 9MFY18 results represent 68% and 71% of our earnings forecast results and consensus forecasts. Results were below expectations was due higher operating costs. The company has increased the total number of outlets by 48 out of a target 90 in FY18. We reckon the number of new outlets opened will improve once its Johor distribution center turns matured.

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	1.2	1.2
Dividend Yield	N/A	0.47%	0.63%	0.75%	0.75%

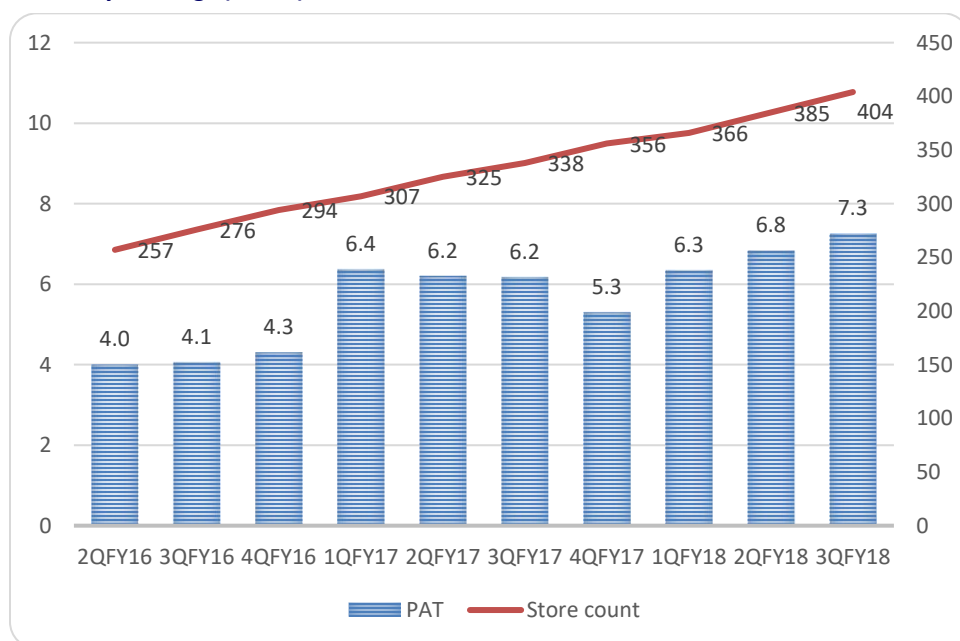
Sources: Inter-Pacific, Company

Quarterly Income Statement and Comparison

FYE 31st Oct (RM m)	3QFY18	3QFY17	YoY chg (%)	2QFY18	QoQ chg (%)	9MFY18	9MFY17	YTD chg (%)
Revenue	97.9	81.7	19.8	94.2	3.9	282.19	237.20	18.97
Gross Profit	37.3	30.4	22.6	36.4	2.5	107.60	87.99	22.29
Profit before tax	8.3	8.0	3.9	8.6	(3.7)	24.89	15.64	59.12
Tax Expenses	(1.1)	(1.8)	(42.1)	(1.8)	(41.3)	(4.47)	(4.91)	(8.91)
PAT	7.3	6.2	17.5	6.8	6.2	20.43	18.74	9.00
EBITDA	9.7	8.9	8.7	9.7	(0.0)	28.58	26.16	9.28
GP Margin	38.1%	37.2%	2.4	38.7%	(1.4)	38.1%	37.1%	2.80
PAT Margin	8.5%	9.8%	(13.3)	9.2%	(7.3)	7.2%	7.9%	(8.37)
EBITDA Margin	7.4%	7.6%	(1.9)	7.3%	2.2	10.1%	11.0%	(8.14)
EPS (sen)	1.1	0.9	17.5	1.0	6.2	2.99	2.74	9.00

Inter-Pacific, Company

Quarterly Earnings (RM m) vs. No. Outlets



Inter-Pacific, Company

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(i) As of Sept 26, 2018 Inter-Pacific Research Sdn Bhd has a proprietary position in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies mentioned or recommended in this report: (a) Mynews Holdings Bhd,

(ii) As of Sept 26, 2018, the analyst(s) who prepared this report, and the associate(s), has / have an interest in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report: (a) Lai Yoon Hui: nil.

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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