



**AmInvestment Bank**

## Company report

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# MYNEWS HOLDINGS

(MNHB MK EQUITY, MYNE.KL)

CONSUMER

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## Robust FY18 results

**BUY**

(Upgraded)

### Rationale for report: Company results

Price RM1.45  
Fair Value RM1.66  
52-week High/Low RM1.80/RM1.26

#### Key Changes

Fair value  
EPS



YE to Oct	FY18	FY19F	FY20F	FY21F
Revenue (RM mil)	391.5	431.6	482.3	534.5
Core net profit (RM mil)	25.9	34.9	42.2	45.1
FD Core EPS (sen)	3.9	5.1	6.1	6.6
FD Core EPS growth (%)	10.3	30.4	21.2	6.8
Consensus Net Profit (RM mil)	-	34.9	44.5	45.6
DPS (sen)	1.0	1.0	1.0	1.0
PE (x)	37.3	28.6	23.6	22.1
EV/EBITDA (x)	43.7	17.9	12.8	10.4
Div yield (%)	0.7	0.7	0.7	0.7
ROE (%)	10.3	12.7	13.8	13.1
Net Gearing (%)	nm	nm	nm	nm

#### Stock and Financial Data

Shares Outstanding (million)	682.2
Market Cap (RMmil)	989.1
Book Value (RM/share)	0.38
P/BV (x)	3.8
ROE (%)	10.3
Net Gearing (%)	-
Major Shareholders	D&D Consolidated (57.4%) KWAP (7.4%) Dang Tai Ken (3.4%)
Free Float	205.6
Avg Daily Value (RMmil)	0.4

Price performance	3mth	6mth	12mth
Absolute (%)	(2.0)	(14.2)	(2.0)
Relative (%)	6.3	(9.0)	3.3



#### Investment Highlights

- We upgrade our call from HOLD to BUY on Mynews Holdings (Mynews) with a higher FV of RM1.66/share (vs. RM1.34/share previously), pegged to a P/E of 27x after rolling over our valuation from FY19F to FY20F. Our PE is in line with 7-Eleven Malaysia's historical PE ratios.
- We like Mynews for its: 1) aggressive store expansion plans; and 2) franchise opportunities arising from the full autonomy of its myNews.com brand name. Key risks to Mynews are: 1) restrictions on supply of foreign labour (which makes up circa 32% of Mynews' workers); and 2) delay in the completion of its food processing centre (FPC).
- FY18 net profit came in within our expectations, accounting for 98% of our full-year forecast but below street's estimate at only 93%. It rose 10.3% to RM26.5mil in FY18 from RM24.0mil in FY17.
- Key highlights of Mynews' 4QFY18 results include:
  - FY18 topline grew 19.5% on the back of a higher number of outlets of 436 (vs 356 outlets in FY17) and introduction of Maru Kafe in 4QFY18.
  - GP Margin improved 1.4ppts from 36.3% in FY17 to 37.7% in FY18. We believe this was on the back of an increase in SSSG by 0.8% YoY (+2.3% excluding print media). We believe this was attributed to an improved basket size in tandem with the installation of Maru Kafe.
  - EBITDA improved 15.4% to RM38.5mil in FY18 (RM35.4mil in FY17) in tandem with better sales performance. However, EBITDA margin contracted slightly by 0.5ppt to 9.8% in FY18. This was due to higher head office operating costs as more expenses were incurred in preparation for new range of product offerings, launching of its new brand Maru Kafe, and expenses stemming from its temporary ready-to-eat (RTE) food processing centre.
- The FPC, which has the capacity for distribution of RTE and bakery products to 600 stores, is expected to be completed by 1HCY19. We are excited over the upcoming completion of the FPC, however we believe the initial gestation period would take at least one year. We opine that in the long run, MyNews' gross profit margin would improve underpinned by a higher margin contribution by the oncoming fresh food segment. We maintain our gross profit margin estimates of 37% and 38% for FY19F and FY20F respectively.

## EXHIBIT 1: RESULTS SUMMARY

YE Oct	17Q4	18Q3	18Q4	QoQ (%)	YoY (%)	FY17	FY18	YoY (%)
<b>Revenue</b>	<b>90.4</b>	<b>97.9</b>	<b>109.3</b>	<b>11.7</b>	<b>21.0</b>	<b>327.6</b>	<b>391.5</b>	<b>19.5</b>
<b>EBITDA</b>	<b>8.2</b>	<b>10.0</b>	<b>9.0</b>	<b>-10.2</b>	<b>10.0</b>	<b>35.4</b>	<b>38.5</b>	<b>8.8</b>
Depreciation	-1.7	-2.2	-2.5	13.6	44.5	-6.0	-8.2	36.0
<b>EBIT</b>	<b>6.5</b>	<b>7.9</b>	<b>6.5</b>	<b>-16.8</b>	<b>1.0</b>	<b>29.4</b>	<b>30.3</b>	<b>3.3</b>
Interest expense	-0.1	-0.1	-0.1	-48.5	-40.7	-0.4	-0.4	
Interest income	0.1	0.0	0.2	270.2	77.6	0.2	0.4	
Associates	0.7	0.6	0.7			1.9	2.2	
<b>Pretax profit</b>	<b>7.1</b>	<b>8.3</b>	<b>7.3</b>	<b>-12.0</b>	<b>3.8</b>	<b>30.7</b>	<b>32.2</b>	<b>5.0</b>
Taxation	-1.8	-1.1	-1.7	64.5	-1.9	-6.7	-6.2	
Minority interest	0.0	0.0	0.5			0.0	0.5	
<b>Net profit</b>	<b>5.3</b>	<b>7.3</b>	<b>6.1</b>	<b>-16.5</b>	<b>14.8</b>	<b>24.0</b>	<b>26.5</b>	<b>10.3</b>
Core EPS (sen)	1.7	1.1	0.9	-16.5	-47.7	7.7	3.9	
EBIT margin (%)	7.2	8.0	6.0	-2.0	-1.2	9.0	7.8	-1.2
Pretax margin (%)	7.8	8.5	6.7	-1.8	-1.1	9.4	8.2	-1.1
Effective tax rate (%)	25.1	12.7	23.7	11.0	-1.4	21.7	19.3	-2.5

Source: Company, AmInvestment Bank Bhd

## EXHIBIT 2: FINANCIAL DATA

Income Statement (RMmil, YE 31 Oct)	FY17	FY18	FY19F	FY20F	FY21F
Revenue	327.6	391.5	431.6	482.3	534.5
EBITDA	35.4	22.2	48.7	60.5	64.7
Depreciation/Amortisation	(6.0)	8.2	(7.9)	(11.0)	(12.0)
Operating income (EBIT)	29.4	30.3	40.8	49.6	52.7
Other income & associates	1.9	2.2	2.2	2.2	2.2
Net interest	(0.2)	-	0.1	0.4	0.8
<b>Exceptional items</b>	-	-	-	-	-
Pretax profit	31.1	32.6	43.1	52.2	55.7
Taxation	(6.7)	(6.2)	(8.2)	(10.0)	(10.7)
<b>Minorities/pref dividends</b>	-	<b>(0.5)</b>	-	-	-
Net profit	24.4	25.9	34.9	42.2	45.1
Core net profit	24.4	25.9	34.9	42.2	45.1
Balance Sheet (RMmil, YE 31 Oct)	FY17	FY18	FY19F	FY20F	FY21F
Fixed assets	80.6	154.4	172.3	186.3	199.3
Intangible assets	-	-	-	-	-
<b>Other long-term assets</b>	<b>5.4</b>	<b>7.5</b>	<b>7.5</b>	<b>7.5</b>	<b>7.5</b>
Total non-current assets	86.0	161.9	179.8	193.8	206.8
Cash & equivalent	23.0	24.2	121.5	218.4	319.1
Stock	31.7	44.2	42.6	46.9	52.3
Trade debtors	42.1	59.8	56.2	62.8	69.6
<b>Other current assets</b>	<b>106.9</b>	<b>43.4</b>	<b>53.0</b>	<b>71.1</b>	<b>88.6</b>
Total current assets	203.8	171.6	273.3	399.2	529.5
Trade creditors	36.4	48.0	47.4	52.2	58.2
Short-term borrowings	1.4	2.4	2.4	2.4	2.4
<b>Other current liabilities</b>	<b>1.3</b>	<b>0.7</b>	<b>20.7</b>	<b>40.7</b>	<b>60.7</b>
Total current liabilities	39.2	51.1	70.4	95.3	121.3
Long-term borrowings	5.5	1.9	1.9	1.9	1.9
<b>Other long-term liabilities</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>
<b>Total long-term liabilities</b>	<b>9.0</b>	<b>5.4</b>	<b>5.4</b>	<b>5.4</b>	<b>5.4</b>
Shareholders' funds	241.6	261.3	289.0	324.1	362.0
Minority interests	-	-	-	-	-
BV/share (RM)	0.71	0.38	0.42	0.48	0.53
Cash Flow (RMmil, YE 31 Oct)	FY17	FY18	FY19F	FY20F	FY21F
Pretax profit	31.1	32.6	43.1	52.2	55.7
Depreciation/Amortisation	6.0	(8.2)	7.9	11.0	12.0
Net change in working capital	(22.6)	(17.4)	5.8	(4.9)	(5.0)
<b>Others</b>	<b>(8.6)</b>	<b>(10.7)</b>	<b>(12.4)</b>	<b>(14.8)</b>	<b>(16.1)</b>
Cash flow from operations	5.9	(3.8)	44.4	43.5	46.6
Capital expenditure	(21.7)	(86.3)	(25.0)	(25.0)	(25.0)
Net investments & sale of fixed assets	-	-	-	-	-
<b>Others</b>	<b>(40.3)</b>	<b>68.5</b>	<b>68.6</b>	<b>68.9</b>	<b>69.2</b>
Cash flow from investing	(62.0)	(17.8)	43.6	43.9	44.2
Debt raised/(repaid)	(1.4)	(2.6)	-	-	-
Equity raised/(repaid)	72.2	-	-	-	-
Dividends paid	(6.2)	(6.8)	(6.8)	(6.8)	(6.8)
<b>Others</b>	<b>(0.7)</b>	<b>15.9</b>	<b>15.9</b>	<b>15.9</b>	<b>15.9</b>
<b>Cash flow from financing</b>	<b>64.0</b>	<b>6.5</b>	<b>9.1</b>	<b>9.1</b>	<b>9.1</b>
<b>Net cash flow</b>	<b>7.9</b>	<b>(15.1)</b>	<b>97.1</b>	<b>96.5</b>	<b>99.9</b>
<b>Net cash/(debt) b/f</b>	<b>16.0</b>	<b>23.0</b>	<b>25.0</b>	<b>122.3</b>	<b>219.2</b>
Net cash/(debt) c/f	23.9	7.9	122.1	218.8	319.1
Key Ratios (YE 31 Oct)	FY17	FY18	FY19F	FY20F	FY21F
Revenue growth (%)	24.1	19.5	10.2	11.7	10.8
EBITDA growth (%)	28.2	(37.3)	119.5	24.4	7.0
Pretax margin (%)	9.5	8.3	10.0	10.8	10.4
Net profit margin (%)	7.5	6.6	8.1	8.8	8.4
Interest cover (x)	143.3	4,332.6	nm	nm	nm
Effective tax rate (%)	21.5	19.0	19.1	19.1	19.1
Dividend payout (%)	27.9	26.4	19.5	16.2	15.1
Debtors turnover (days)	38	48	49	45	45
Stock turnover (days)	34	35	37	34	34
Creditors turnover (days)	43	39	40	38	38

Source: Company, AmlInvestment Bank Bhd estimates

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