

## MYNEWS

### Results Update

## TRADING BUY

Current Price	RM 0.615
Target Price	RM 0.70
Consensus Price	RM 0.63

#### Stock Return Information

KLCI	1,474.68
Expected share price return (%)	13.8
Expected dividend return (%)	0.0
Expected total return (%)	13.8

#### Key Statistics

Shariah Compliant	NO
Bloomberg Ticker	MNHB MK
Masa Ticker / Stock Code	MNHB/7160
Shares Issued (m)	682.2
Market Capitalisation (RM'm)	419.5
52 Week Hi/Lo Price (RM)	0.88/0.36
Avg Trading Volume (3-mth)	808,881
Est Free Float (%)	24.6
YTD Returns (%)	-26.3
Beta (x)	0.76

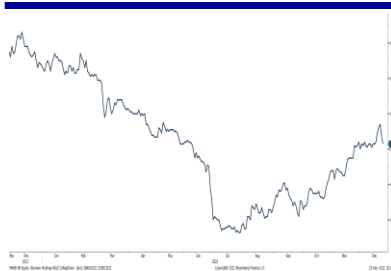
#### Share Price Performance (%)

Price change	Absolute	Relative
1 mth	6.96	4.80
3 mth	39.77	36.28
12 mth	-28.90	-26.15

#### Major Shareholders (%)

D&D Consolidated	57.4
EPF	4.9

#### 1-Year Share Price Performance



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We maintain Mynews' (MN) **TRADING BUY** recommendation with a higher TP of (RM0.70, +RM0.18), based on FY24's EPS pegged to a higher target PER of 24x (-0.5x STDEV of its 5-years forward PE average) from 20x. The upgrade is warranted as its valuation has turned attractive and a firmer financial performance is in the offing due to the normalisation of its operations with the end of the pandemic. Potential catalysts are: 1) a stronger-than-expected recovery in topline sales, 2) faster-than-expected turnaround of its food processing center (FPC) operations and 3) higher-than-expected boost in basket price on the Ready-To-Eat segment. Potential downside risk to our call includes: 1) slower pick-up in consumer confidence, 2) pent-up consumer demand faltering swiftly, and 3) unfavorable product mix.

**Smaller losses.** MN recorded a net loss of RM18.2m in FY22, a much smaller loss as compared to our estimated loss of RM24m, thanks to improvements in overall in-store sales despite the absence of festive season in 4QFY22 and increase in new outlets. FY22 net loss decreased by 56% Y-o-Y from RM49.8m a year ago, underpinned by the economic recovery that contributed to the improved sales revenue.

**Topline.** MN's 4QFY22 revenue rose 73.5% Y-o-Y and 6.1% Q-o-Q, coming in at RM180.2m, largely due to higher in-store sales, longer business hours and reopening of the international borders. The food manufacturing segment's turnover rose 32% Y-o-Y and 14% Q-o-Q respectively, underpinned by the increase in CU outlets.

**Bottomline.** MN's net earnings expanded 115% Y-o-Y and 194% Q-o-Q to RM1.4m, as the company managed to turn around its operation after 10 consecutive quarters of losses, helped by overall sales improvement and recognition of fair value gain on investment properties of RM0.67m and the government's Hiring Incentive Programme.

**GP margin.** GP margin clocked higher Y-o-Y on better product mix but slipped lower Q-o-Q due to increases in product sales bundle receipts.

### Table 1: Investment Highlights & Earnings Forecasts

FYE Oct (RM' m)	FY20	FY21	FY22	FY23(F)	FY24(F)
Revenue	489.4	400.6	631.3	816.7	997.6
EBITDA	10.8	(25.3)	15.8	72.3	83.4
EBITDA Margin (%)	2.2	(6.3)	2.5	8.9	8.4
PATAMI	(9.8)	(43.1)	(18.2)	15.1	20.2
PATAMI Margin (%)	N.M	N.M	N.M	1.8	2.0
EPS (sen)	(1.4)	(6.3)	(2.7)	2.2	3.0
Earnings Growth (%)	(135.8)	N.M	N.M	183.1	33.8
PER (x)	N.M	N.M	N.M	28.7	21.5
Dividend (sen)	NA	NA	NA	NA	NA
Dividend Yield (%)	NA	NA	NA	NA	NA
ROE (%)	(3.4)	(17.5)	(8.1)	6.3	7.7
Net Gearing Ratio (%)	7.8	22.2	34.6	28.7	17.3
BV/Share (RM)	0.4	0.4	0.32	0.3	0.4
Price/Book Ratio (x)	1.6	1.8	2.0	1.8	1.7

Source: Inter-Pacific, Company ; NM:- Not Meaningful

**Earnings revision.** Although we expect MNs earnings to continue recovering in FY23, we shave FY23 earnings estimate by 12% to RM15.1m, from RM17.4m, owing to the higher interest rate environment that would result in higher interest cost.

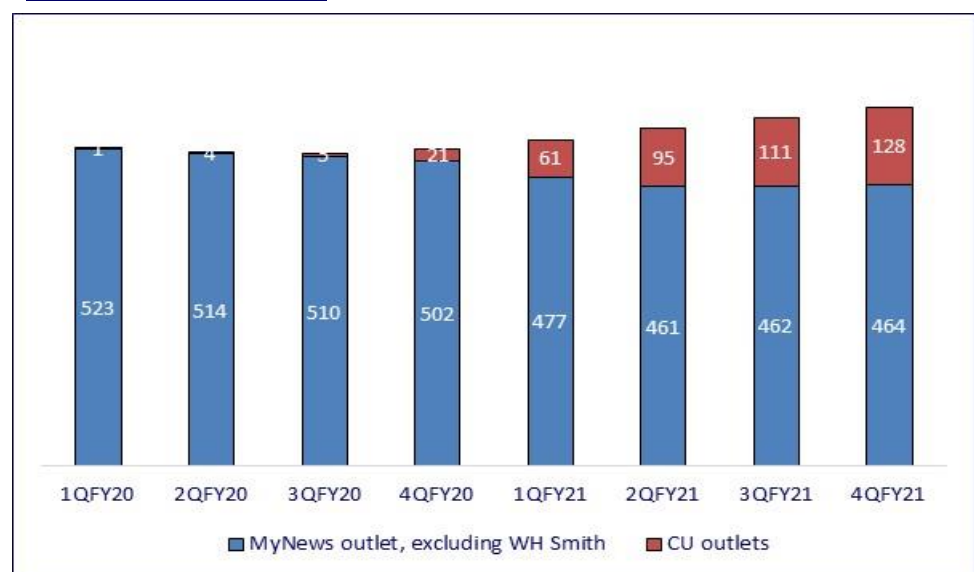
**Outlook** As the string of festive seasons kicks-in along with the absence of significant flash floods in the Klang Valley and Selangor, we expect outlet sales to be boosted in 4Q2022 and 1Q2023. The group aims to be profitable in FY23, underpinned by cost savings through intake of new foreign workers replacing outsourced FPC workers and cutting fresh food wastages by introducing more baked and frozen products with longer shelf life without compromising quality. The group also targets to open 80 new outlets (1/3 Mynews outlets, 2/3 CU outlets) in FY23 and the new influx of foreign workers replacing the outsourced workers will boost profitability. Going forward, the group will also rollout bundled value meals and breakfast membership to drive sales.

**Table 2: Quarterly Income Statement and Comparison**

FYE Oct (RM m)	4QFY22	4QFY21	YoY chg (%)	3QFY22	QoQ chg (%)	FY22	FY21	YTD chg (%)
Revenue	180.6	104.1	73.5	170.2	6.1	631.3	400.6	57.6
Gross Profit	61.0	29.4	107.5	60.6	0.8	212.7	122.0	74.3
GP Margin (%)	33.8	28.3	19.6	35.6	(5.0)	33.7	30.5	10.6
EBITDA	8.3	(8.8)	194.2	8.6	(2.5)	17.7	(25.1)	(170.4)
EBITDA Margin (%)	4.6	(8.5)	154.3	5.0	(8.2)	2.8	(6.3)	(144.7)
Profit before tax	1.5	(15.8)	109.4	(2.3)	164.0	(21.0)	(53.7)	(61.0)
Tax Expenses	(1.0)	5.3	(118.4)	(0.1)	>100	(1.2)	4.0	>100
PATAMI	1.4	(8.9)	115.4	(1.5)	194.1	(18.2)	(43.1)	(57.8)
PATAMI Margin (%)	0.8	N.M	N.M	N.M	N.M	N.M	N.M	N.M
EPS (sen)	0.2	(1.3)	115.4	(0.2)	194.1	(2.7)	(6.3)	(57.8)

Source: Inter-Pacific, Company

**Illustration 1: Outlet count**



Source: Inter-Pacific, Company

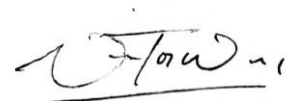
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Signed



Wan Kum Seng  
Director  
Inter-Pacific Research Sdn Bhd

## Ratings System

### Ratings:

### Description:

BUY	Total return is expected to exceed 15% in the next 12 months
TRADING BUY	Total return is expected to exceed 10% in the next 3 months
NEUTRAL	Total return is expected to be between -15% to 15% in the next 12 months
SELL	Total return is expected to be below 15% in the next 12 months
TRADING SELL	Total return is expected to be below 10% in the next 3 months
NOT RATED	The stock is not within regular research coverage

## 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		

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