16 June 2025

Consumer Cyclical | Retailing

Mynews (MNHB MK)

Buy (Maintained)

Earnings Recovery Remains Intact; Still BUY

Target Price (Return):	MYR0.86 (+54%)
Price (Market Cap):	MYR0.56 (USD99.0m)
ESG score:	3.1 (out of 4)
Avg Daily Turnover (MYR/USD)	0.13m/0.03m

- **Still BUY, new MYR0.86 TP from MYR0.77, 54% upside with c.2% FY26F (Oct) yield.** We project a robust FY24-27F earnings CAGR of 46% for Mynews, underpinned by: i) CU's ongoing turnaround, ii) steady contributions from Mynews outlets, and iii) the sustained recovery of its food processing centre (FPC). At 13x FY26F P/E (below its pre-pandemic average), the stock offers a compelling entry point, supported by improving fundamentals and clearer earnings visibility.
- **On track for a stronger FY25F.** Mynews is tentatively scheduled to report its 2QFY25 results on 24 Jun. Despite the seasonally softer quarter, we anticipate a YoY improvement during the *Ramadan* period. Further ahead, we expect 2HFY25 earnings to reflect more significant growth, driven by narrowing losses from CU and improvements across other business unit.
- **Encouraging progress at CU.** We expect CU to break even by 2025, from an estimated quarterly PBT loss of MYR4-5m currently. This is underpinned by enhanced product assortments and improved fresh food quality, driven by ongoing R&D efforts. CU has also rationalised its offerings to focus on high-performing SKUs, while exercising greater discipline in equipment-related capex—avoiding investments in niche or low-demand items that entail limited utilisation and higher maintenance costs. Concurrently, it continues to intensify marketing efforts and seasonal promotions to sustain foot traffic.
- **Expansion to drive scale.** The group plans to open 100 new stores in FY25 (net addition of 70 after closures), with the majority being Mynews outlets – given their stronger profitability and lower capex requirement (MYR350k vs MYR600k for CU). Higher volumes from network expansion, along with solid SSSG (we project low-to-mid single digits), should improve bargaining power with suppliers, support GPM expansion across both brands and enhance FPC utilisation to sustain the turnaround.
- **Widening of SST scope.** The introduction of an 8% service tax on rental and leasing services (previously 0%) is expected to increase rental costs for the group, since c.70% of its outlets are located in shopping malls. We estimate that the potential incremental cost could be c.RM3m annually in a worst-case scenario, where landlords fully pass on the tax. Management is still assessing the impact and intends to negotiate with landlords, with the outcome likely depending on lease terms and relative bargaining power. We make no changes to our earnings forecasts at this stage, pending further clarity on the number of affected outlets and the degree of cost pass-through.
- **Still BUY.** We raise our DCF-derived TP to MYR0.86 (inclusive of a 2% ESG premium) as we roll forward our DCF valuation base year to FY26. Our TP implies 19.3x FY26F P/E, which is at -1SD from the pre-pandemic P/E mean (Figure 2). Key risks: Delays in CU's turnaround, and higher-than-expected operating costs.

Forecasts and Valuation	Oct-23	Oct-24	Oct-25F	Oct-26F	Oct-27F
Total turnover (MYRm)	730	804	961	1,112	1,259
Recurring net profit (MYRm)	(7)	13	25	33	39
Recurring net profit growth (%)	(60.4)	-	101.0	32.1	17.3
Recurring P/E (x)	na	32.44	16.66	12.62	10.76
P/B (x)	1.6	1.7	1.6	1.5	1.3
P/CF (x)	6.13	4.32	3.20	2.87	2.56
Dividend Yield (%)	1.0	0.9	1.8	2.4	2.8
EV/EBITDA (x)	4.89	4.02	3.14	2.37	1.75
Return on average equity (%)	(3.7)	3.9	10.0	12.2	13.1
Net debt to equity (%)	17.3	18.6	2.9	net cash	net cash

Source: Company data, RHB

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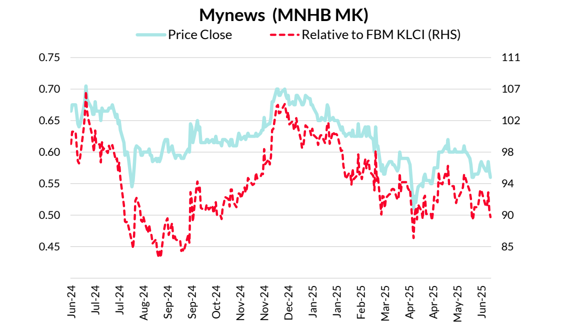
Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(17.0)	(7.4)	(0.9)	(19.4)	(15.8)
Relative	(9.4)	(3.3)	(1.4)	(13.8)	(10.1)
52-wk Price low/high (MYR)					0.51 –0.71



Source: Bloomberg

Overall ESG Score: 3.1 (out of 4)

E Score: 3.0 (GOOD)
S Score: 3.3 (EXCELLENT)
G Score: 3.0 (GOOD)
Please refer to the ESG analysis on the next page

Note:
Small cap stocks are defined as companies with a market capitalization of less than USD0.5bn.

Emissions And ESG

Trend analysis
na

Emissions (tCO2e)	Oct-22	Oct-23	Oct-24	Oct-25
Scope 1	-	1,053,147	1,498,000	-
Scope 2	-	2,155,937	2,671,000	-
Scope 3	-	2,188,466	-	-
Total emissions	na	5,397,550	4,169,000	na

Source: Company data, RHB

Latest ESG-Related Developments

Mynews emphasises sustainability and environmental responsibility by implementing measures like recycling, reducing plastic usage, and energy-efficient practices. These efforts include LED lighting, biodegradable plastic bags, and renewable energy projects.

The company actively manages its environmental impact by minimising food wastage in retail stores, treating water effluents, and constructing on-site detention tanks to prevent overloading public drainage.

Mynews is also committed to ethical procurement practices, evaluating suppliers based on credibility, compliance with anti-bribery and labor laws, and meeting halal requirements.

ESG Unbundled

Overall ESG Score: 3.1 (out of 4)

Last Updated: Feb 2025

E Score: 3.0 (GOOD)

All new Mynews outlets utilise LED lights, which consume minimal energy. The group has also successfully reduced the usage of plastic bags by constantly promoting the use of recycled bags at all outlets since FY19. It has also converted 4,782kg of food waste into animal feed since Sep 2020.

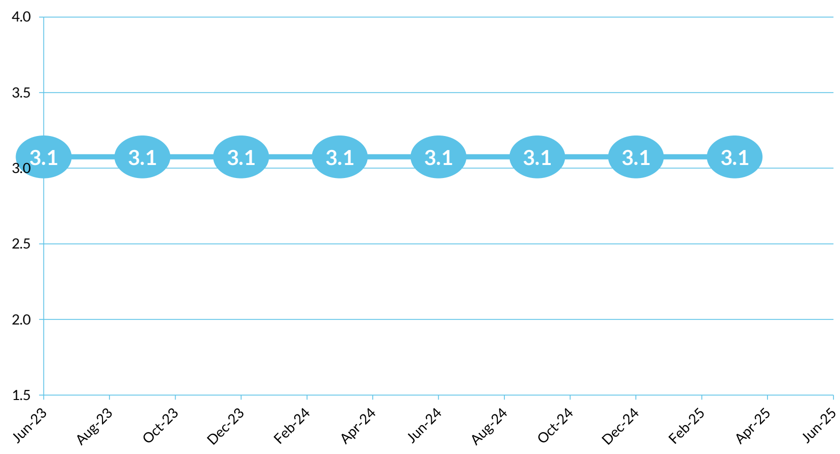
S Score: 3.3 (EXCELLENT)

To ensure safety, outlet staff are trained to handle incidents such as fire and robberies. The Occupational Safety & Health Committee also carries out regular safety assessments. Additionally, Mynews Cares donated MYR188,400 to 43 secondary schools and 157 deserving students, and sponsored 31 community events totalling to MYR257,000.

G Score: 3.0 (GOOD)

The in-house risk management ddepartment oversees the effectiveness of the risk management framework. The tenure of an independent director on the Board also does not exceed a cumulative term of nine years. Nevertheless, only one out of six boardmembers is a woman.

ESG Rating History



Source: RHB

Financial Exhibits

Asia
Malaysia
Consumer Cyclical
Mynews
MNHB MK
Buy

Valuation basis

DCF

Key drivers

i. Faster-than-expected expansion;
ii. Better-than-expected outlet sales growth;
iii. Lower-than-expected operating costs.

Key risks

i. Delay in CU's turnaround;
ii. Weaker-than-expected consumer sentiment.

Company Profile

Mynews' principal business activity is press-and - convenience retailing. This involves the conceptualisation, development, expansion, management, and operation of a press-and-convenience retail chain throughout Malaysia under its home-grown trade names - myNEWS.com, newsplus, MAGBIT, and THE FRONT PAGE – as well as the trade name of WHSmith (under its equal JV with WH Smith Travel) which sells news, books, and convenience products within international airports in Malaysia.

Financial summary (MYR)	Oct-23	Oct-24	Oct-25F	Oct-26F	Oct-27F
Recurring EPS	(0.01)	0.02	0.03	0.04	0.05
DPS	0.01	0.01	0.01	0.01	0.02
BVPS	0.34	0.33	0.35	0.38	0.42
Return on average equity (%)	(3.7)	3.9	10.0	12.2	13.1

Valuation metrics	Oct-23	Oct-24	Oct-25F	Oct-26F	Oct-27F
Recurring P/E (x)	na	32.44	16.66	12.62	10.76
P/B (x)	1.6	1.7	1.6	1.5	1.3
FCF Yield (%)	13.2	14.0	21.7	25.3	29.5
Dividend Yield (%)	1.0	0.9	1.8	2.4	2.8
EV/EBITDA (x)	4.89	4.02	3.14	2.37	1.75
EV/EBIT (x)	84.36	17.30	9.59	6.44	4.52

Income statement (MYRm)	Oct-23	Oct-24	Oct-25F	Oct-26F	Oct-27F
Total turnover	730	804	961	1,112	1,259
Gross profit	256	302	365	428	490
EBITDA	86	110	132	154	173
Depreciation and amortisation	(81)	(84)	(89)	(97)	(106)
Operating profit	5	25	43	57	67
Net interest	(11)	(10)	(12)	(15)	(18)
Pre-tax profit	(5)	16	35	46	54
Taxation	(8)	(7)	(8)	(11)	(13)
Reported net profit	(8)	9	25	33	39
Recurring net profit	(7)	13	25	33	39

Cash flow (MYRm)	Oct-23	Oct-24	Oct-25F	Oct-26F	Oct-27F
Change in working capital	(40.9)	(127.8)	3.6	(0.7)	(0.3)
Cash flow from operations	63.3	94.1	131.1	146.5	164.0
Capex	(11.9)	(37.1)	(40.0)	(40.0)	(40.0)
Cash flow from investing activities	3.5	(34.6)	(43.9)	(44.3)	(44.7)
Dividends paid	0.0	(3.8)	(7.6)	(10.0)	(11.7)
Cash flow from financing activities	(32.6)	(70.1)	(29.8)	(34.9)	(39.2)
Cash at beginning of period	12.5	47.9	37.2	94.7	162.1
Net change in cash	34.2	(10.6)	57.5	67.4	80.0
Ending balance cash	46.7	37.2	94.7	162.1	242.1

Balance sheet (MYRm)	Oct-23	Oct-24	Oct-25F	Oct-26F	Oct-27F
Total cash and equivalents	48	37	95	162	242
Tangible fixed assets	434	426	407	380	344
Total investments	7	8	12	16	21
Total assets	634	642	699	769	844
Short-term debt	39	39	49	59	69
Total long-term debt	50	43	53	63	73
Total liabilities	397	400	438	484	529
Total equity	237	242	261	286	315
Total liabilities & equity	634	642	699	769	844

Key metrics	Oct-23	Oct-24	Oct-25F	Oct-26F	Oct-27F
Revenue growth (%)	15.7	10.1	19.4	15.7	13.2
Recurrent EPS growth (%)	(61.0)	0.0	94.6	32.1	17.3
Gross margin (%)	35.0	37.6	38.0	38.5	38.9
Operating EBITDA margin (%)	11.7	13.6	13.7	13.8	13.7
Net profit margin (%)	(1.2)	1.2	2.6	3.0	3.1
Dividend payout ratio (%)	(44.2)	40.0	30.0	30.0	30.0
Capex/sales (%)	1.6	4.6	4.2	3.6	3.2
Interest cover (x)	0.44	2.25	3.54	3.81	3.82

Source: Company data, RHB

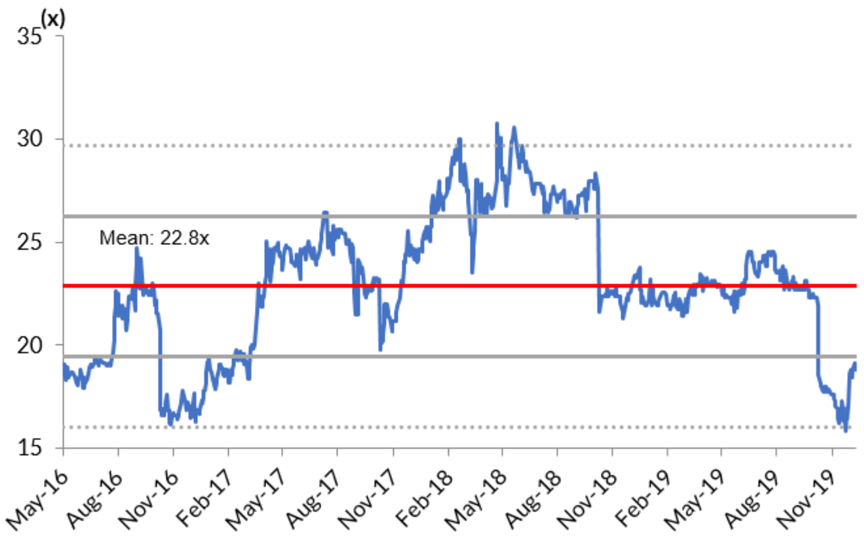
Figure 1: DCF valuation

FYE Oct	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F	FY33F	FY34F	FY35F
EBIT	57	67	74	81	88	96	103	111	118	126
EBIT*(1-tax rate)	46	54	60	66	72	78	84	90	96	103
Add: D&A	30	33	35	38	41	44	47	49	56	-14
Less: WC investments (WC Inv)	-1	0	0	0	1	1	1	1	3	4
Less: Fixed investments (FC Inv)	-40	-40	-40	-40	-40	-40	-40	-40	-40	-40
FCFF	35	46	55	64	73	82	92	101	115	52
Disc. FCFF	32	38	42	44	46	47	47	48	50	20

Terminal value at T=10	598
PV of terminal value	234
NPV	413
Less Debt	-78
Less Minority Interest	4
Equity Value of Firm	573
ESG premium/discount	2%
Fair Value per share	**0.86**
Implied FY26F P/E	19.3
Rf	4.0%
Beta	1.0
Risk premium	7.7%
Rm	11.7%
TG (%)	1.0%
CoE	11.3%
CoD	4.0%
WACC	9.8%

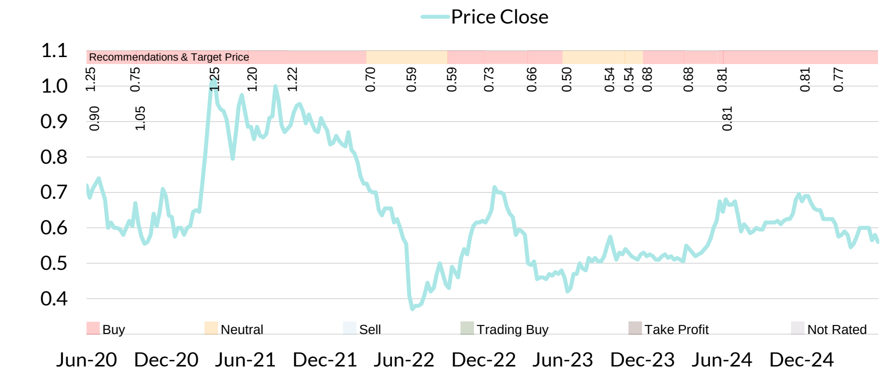
Source: RHB

Figure 2: Mynews' historical P/E band (pre-pandemic)



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-03-26	Buy	0.77	0.60
2024-12-19	Buy	0.81	0.69
2024-06-24	Buy	0.81	0.67
2024-06-11	Buy	0.81	0.64
2024-03-28	Buy	0.68	0.55
2024-03-26	Buy	0.68	0.54
2023-12-22	Buy	0.68	0.53
2023-11-10	Neutral	0.54	0.54
2023-09-26	Neutral	0.54	0.55
2023-06-20	Neutral	0.50	0.46
2023-03-31	Buy	0.66	0.50
2022-12-23	Buy	0.73	0.62
2022-11-04	Buy	0.59	0.54
2022-09-28	Buy	0.59	0.46
2022-06-28	Neutral	0.59	0.49

Source: RHB, Bloomberg

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Buy:	Share price may exceed 10% over the next 12 months
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Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
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