

Media Prima

Festive Season Lifts 2Q19

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Media Prima (MEDIA) continued to bleed red ink, but 2Q19 losses narrowed thanks to the festive season. Moving forward, we expect softer adex outlook in 2H19, while cost savings initiative would be redirected to fund digital initiatives. With no immediate catalyst, we made no changes to our UNDERPERFORM call on MEDIA with an unchanged target price of RM0.260 premised on a P/NTA of 1.0x (in-line with its historical-low P/NTA, and implied c.-1.5xSD below its 3-year mean)

Expected losses. 1H19 core LATAMI of RM46.9m is deemed to be within our expectation but below consensus with respective FY19E losses of RM81.7m and RM56.3m. Going forward, we continue to anticipate losses from the group, as it struggles on declining revenue streams outpacing any cost saving initiatives implemented. As expected, no dividends were announced during the quarter.

YoY, 1H19 revenue came in lower at RM535.9m (-14.0%), no thanks to an overall decline in its traditional media segment, mainly TV and print. However, the decline was partially mitigated by its home shopping segment, which continued to see growing traction given interactive content that connects with the audience. Lower operating expenses of RM588.5m (-11%) were realized from a decrease in direct costs and overheads. However, owing to that cost overrun, 1H19 core LATAMI registered at RM46.9m (-17%). Recall that 1H18 core LATAMI was adjusted to strip off a gain on disposal of associate of RM45.3m.

QoQ, 2Q19 top-line expanded to RM296.8m (+24%), on higher adex spending in tandem with the Hari Raya festivities. Sequentially, the better sales uplifted the group's earnings and narrowed the losses to a core LATAMI of RM6.5m (+83.9%).

Seeing no light in tunnel yet. 2H19 outlook appears limp, being dry of nationwide events and festivities while soft economic conditions may lead to lower adex appetite. Meanwhile, we believe OPEX will hold at its current level as savings from its traditional business are reinvested to fund its digital and commerce initiative (i.e. CJ Wow Shop, Big+, and on-going digital acquisitions). Any light from the end of the tunnel would only be seen earliest in FY20, should digital revenue expand at a quicker pace than the decline in its traditional media revenue.

Gross adex from the traditional medium is showing no signs of improving, as evidenced by Nielsen's 1H19 updates. We reckon this could be due to the evolving landscape where younger consumers favor digital content and channels over traditional ones. Moreover, we gathered that c.>40% of Malaysia's population are currently aged below 24 years old. However, we believe our assumptions remain intact for now as we had sufficiently forecasted for negative earnings growth previously (1Q19), accounting for higher OPEX assumptions. As such, we made no changes to our assumptions and maintain our numbers.

Maintain UNDERPERFORM rating with an unchanged TP of RM0.260 based on FY19 targeted P/NTA of 1.0x (in-line with its historical-low P/NTA, and implied c.-1.5SD below its 3-year mean) to reflect the on-going structural challenges that the industry faces.

Risks to our call include: (i) better-than-expected advertising revenue, (ii) margin fluctuations, (iii) changes in the regulatory environment, and (iv) better-than-expected Odyssey strategy's outcome.

UNDERPERFORM ↔

Price : **RM0.480**
Target Price : **RM0.260** ↔

Share Price Performance



KLCI	1,602.47
YTD KLCI chg	-5.2%
YTD stock price chg	39.1%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	MPR MK Equity
Market Cap (RM m)	532.4
Share Outstanding	1,109.2
52-week range (H)	0.60
52-week range (L)	0.33
3-mth avg daily vol:	2,662,561
Free Float	55%
Beta	1.1

Major Shareholders

Aurora Mulia Sdn Bhd	20.6%
Morgan Stanley	12.8%
Employees Provident Fund	11.6%

Summary Earnings Table

FYE Dec (RM'm)	2018A	2019E	2020E
Turnover	1,185	1,113	1,125
EBIT	80	-97	-76
PBT	61	-105	-74
Net Profit (NP)	59	-82	-46
Core NP	-106	-82	-46
Consensus (NP)		-56	-35
Earnings Revision			
Core EPS (sen)	-9.6	-7.4	-4.2
Core EPS growth (%)	N.M	N.M	N.M
DPS (sen)	0.0	0.0	0.0
BVPS (RM)	0.35	0.31	0.26
PER (x)	N.M	N.M	N.M
PBV (x)	1.4	1.6	1.8
Net Gearing (x)	-0.3	-0.3	-0.3
Dividend Yield (%)	0.0%	0.0%	0.0%

23 August 2019

Result Highlight								
FY Dec (RMm)	2Q19	1Q19	QoQ	2Q18	YoY	1H19	1H18	YoY
Revenue	296.8	239.1	24%	342.4	-13%	535.9	623.0	-14%
EBIT	(5.8)	(38.9)	85%	38.0	-116%	(44.6)	21.3	-342%
PBT	(7.2)	(40.9)	82%	32.2	-122%	(48.1)	9.7	-597%
Taxation	(3.5)	(2.0)	-81%	(0.5)	-575%	(5.5)	(1.0)	-462%
Minority Interest	(2.0)	(2.4)	19%	(0.3)	-680%	(4.4)	(1.4)	-207%
PATAMI	(8.8)	(40.4)	78%	32.0	-128%	(49.2)	10.1	-586%
Core PATAMI	(6.5)	(40.4)	84%	(18.2)	64%	(46.9)	(40.0)	-17%
EPS (sen)	(0.8)	(3.6)	78%	2.9	-128%	(4.4)	0.9	-586%
DPS (sen)	-	-	-	-	-	-	-	-
EBIT margin	-1.9%	-16.3%		10.3%		-8.3%	3.0%	
PBT margin	-2.4%	-17.1%		9.4%		-9.0%	1.6%	
NP margin	-3.0%	-13.6%		-0.2%		-1.0%	-0.2%	
Effective Tax Rate	49.0%	4.8%		-1.6%		11.5%	-10.1%	

Source: Kenanga Research

Result Highlight								
FYE Dec (RM'm)	2Q19	1Q19	Chg	2Q18	Chg	6M19	6M18	Chg
Revenue								
- TV	117	83	41%	137	-12%	199	230	-13%
- Radio	10	9	11%	15	-40%	19	30	-37%
- Outdoor	41	38	11%	48	-40%	79	87	-9%
- Print	56	49	15%	78	-4%	105	159	-34%
- Digital Media	20	16	28%	25	-20%	36	45	-20%
- Content Creation	21	19	12%	26	-23%	41	51	-20%
- Home Shopping	60	54	10%	52	24%	114	96	19%
- Corporate & Others	(29)	(28)	3%	(38)	-24%	-57	-75	-24%
Group revenue (before royalties)	297	239	24%	342	-15%	536	623	-14%

Source: Kenanga Research

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Peer Comparison - Media

Name	Last Price @ 30-May-19 (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.		
Stocks Under Coverage																	
ASTRO MALAYSIA HOLDINGS BHD	1.46	7,612.9	N	01/2020	-2.0%	0.1%	26.3%	2.0%	13.5	10.7	10.5	13.0	10.6	108.6%	7.5%	2.00	OP
MEDIA CHINESE INTERNATIONAL	0.165	278.4	Y	12/2019	-2.5%	-0.7%	6.6%	0.3%	10.2	9.5	9.5	0.4	0.4	4.2%	6.1%	0.165	UP
MEDIA PRIMA BHD	0.480	532.4	N	03/2019	-6.1%	1.1%	-130.2%	-176.5%	N.A.	N.A.	N.A.	0.7	0.7	-10.6%	0.0%	0.260	UP
STAR MEDIA GROUP BHD	0.580	428.0	Y	12/2019	-10.8%	8.6%	1.8%	12.6%	25.0	24.7	21.8	0.5	0.5	2.1%	3.4%	0.600	UP
Simple Average					-5.4%	2.3%	-23.9%	-40.4%	16.2	15.0	14.0	3.6	3.0	26.1%	4.3%		

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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