

Media Chinese Int'l

1Q20 Broadly Within Expectation

By Clement Chua | clement.chua@kenanga.com.my

Media Chinese Int'l (MEDIAC) posted a report card that is broadly within expectation. Moving forward, we believe the blurry outlook would persist as results from the digital scene can only be seen in the longer term. On the flipside, we are more optimistic on the travel segment to trail positively in the medium-term. While we maintain our TP of RM0.165, we upgrade our call to Market Perform as negatives could be well accounted for at this price level.

Broadly within. 3M20 core PATAMI of RM9.4m (-25% YoY) came at 32%/36% of our/market's FY20 estimates. We deem the results to be broadly within our estimate as the group faces a seasonally stronger 1H due to the spring season, mainly from its travel segment. As expected, no dividends were announced during the quarter.

YoY, 1Q20 top-line came in at RM296.1m (-12.7%), which is mainly attributed to the decline in overall publishing and printing business, as seen gross all regions. We attribute the poorer industry performance on softer demand for traditional adex spaces in favour of digital platforms. Group PBT fell by 39% to RM13.4m, in line with the lower revenue. However, cushioned by lower ETR of 34.2% (-7.3ppt), 1Q20 core PATAMI declined by 25% at RM9.4m.

QoQ, the group turnover jumped to RM296.1m (+32%), mainly fuelled by the growth in its travel segment (+242%) thanks to peak travelling during the spring season. This led to growth in core PATAMI as well, which came in at RM9.4m as compared to 4Q19 core LATAMI of RM4.4m, adjusting for its impairments on goodwill, plants and machinery.

Picking the right battles. Amidst top-line struggles, the group aims to contain its operating expenses and direct cost to stay profitable. However, it is likely that any savings could be directed towards expanding other channels (i.e. digital capabilities) to reduce its dependency on traditional platforms. We see this similarly occurring with MEDIA, which are in part focused in realising its business transformation journey (Odyssey) to expand its digital and commerce presence but are at the same time held back by drastic shortcomings of its traditional businesses. Over on the travel segment, while near-term uptake could be hampered by on-going global trade spat and volatile foreign currencies, we believe pressures could ease given time, hence reinvigorating the segment.

Having said that, we made no changes to our FY20E/FY21E numbers as we believe the cut in earnings in the previous results note for 4Q19 is adequate. However, should the subdued adex outlook persist as seen in Nielsen's CY1H19 numbers, we do not discount the possibility of re-looking into our estimates in the coming quarter.

We upgrade our call to a MARKET PERFORM with an unchanged TP of RM0.165 based on an unchanged 0.4x FY21E P/NTA (-1.5SD over its 3-year Fwd. Avg.). While investors could be overall passive on the stock's high exposure to traditional media segments as well as having an exposure in Hong Kong (amidst the political tensions there), we believe the stock could have achieved a sustainable equilibrium in its cost management, further helped by its diversified businesses.

Key risks to our call include: (i) higher/lower-than-expected adex revenue, and (ii) better/lower-than-expected margins following various cost initiative plans.

MARKET PERFORM ↑

Price : **RM0.170**
Target Price : **RM0.165** ↔

Share Price Performance



KLCI	1,589.82
YTD KLCI chg	-6.0%
YTD stock price chg	-12.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MCIL MK Equity
Market Cap (RM m)	286.8
Shares Outstanding	1,687.2
52-week range (H)	0.30
52-week range (L)	0.17
3-mth avg daily vol:	461,529
Free Float	50%
Beta	1.1

Major Shareholders

Progresif Growth Sdn Bhd	17.6%
Conch Co Ltd	17.4%
Tiong Hiew King	15.1%

Summary Earnings Table

FYE Mar (RM'm)	2019A	2020E	2021E
Turnover	1,167	1,138	1,130
EBIT	-16	45	45
PBT	-27	41	41
PATAMI	-46	29	29
Core PATAMI	27	29	29
Consensus (NP)		27	25
Earnings Revision (%)		-	-
EPS (sen)	1.6	1.7	1.7
EPS growth (%)	-51.0%	6.6%	0.4%
DPS (sen)	1.1	1.0	1.2
NTA/Share (RM)	0.39	0.40	0.40
PER	10.5	9.9	9.8
Price/NTA(x)	0.4	0.4	0.4
Net Gearing (x)	0.1	0.0	0.0
Dividend Yield (%)	6.7%	6.0%	6.8%
Exchange Rate	4.09	4.10	4.10

29 August 2019

Result Highlight								
FY Dec (RMm)	1Q20	4Q19	QoQ	1Q19	YoY	3M20	3M19	YoY
Revenue	296.1	224.4	31.9%	339.1	-12.7%	296.1	339.1	-12.7%
EBIT	14.1	-75.6	118.7%	23.3	-39.5%	14.1	23.3	-39.5%
PBT	13.4	-77.6	117.3%	20.2	-33.6%	13.4	20.2	-33.6%
Taxation	-4.6	-1.5	-197.3%	-8.4	45.4%	-4.6	-8.4	45.4%
Net Profit	9.4	-78.7	111.9%	12.6	-25.6%	9.4	12.6	-25.6%
Core Net Profit (CNP)	9.4	-4.4	313.8%	12.6	-25.6%	9.4	12.6	-25.6%
NDPS (sen)	0.0	0.4		0.0		0.0	0.0	
EBIT Margin	4.8%	-0.6%		6.9%		4.8%	6.9%	
PBT Margin	4.5%	-34.6%		6.0%		4.5%	6.0%	
CNP Margin	3.2%	-2.0%		3.7%		3.2%	3.7%	
Effective Tax Rate	-34.2%	2.0%		-41.5%		-34.2%	-41.5%	
Exchange Rate	4.13	4.13		4.13		4.13	4.13	

Source: Company, Kenanga Research

Segmental Breakdown						
FYE Mar (USDm)	1Q19	2Q19	3Q19	4Q19	1Q20	
Turnover						
Malaysia & other S.E. Asian	35.0	33.4	31.0	30.5	27.2	
HK & Mainland China	12.7	13.0	13.2	11.8	11.7	
North America	3.6	3.2	3.3	3.3	2.9	
Travel & Travel Related Services	30.8	36.0	16.1	8.7	29.7	
Group Turnover	82.0	85.7	63.6	54.3	71.6	
PBT						
Malaysia & other S.E. Asian	5.2	4.4	4.4	-16.3	2.5	
HK & Mainland China	-1.0	-1.2	-0.4	-0.8	-1.1	
North America	-0.9	-0.9	-0.5	0.0	-0.0	
Travel & Travel Related Services	2.4	2.9	0.4	-1.1	2.1	
Group PBT	5.8	5.2	3.9	-18.3	3.4	
PBT Margin						
Malaysia & other S.E. Asian	14.9%	13.1%	14.3%	-53.3%	9.1%	
HK & Mainland China	-7.7%	-8.9%	-3.3%	-6.9%	-9.8%	
North America	-23.7%	-27.0%	-16.1%	-0.4%	-0.3%	
Travel & Travel Related Services	7.9%	8.0%	2.4%	-13.1%	7.1%	
Group PBT Margin	7.1%	6.1%	6.1%	-33.6%	4.8%	

Source: Company, Kenanga Research

29 August 2019

Peer Comparison - Media

Name	Last Price (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	1.34	6,987.2	N	01/2020	-2.0%	0.1%	26.3%	2.0%	12.4	9.8	9.7	11.9	9.7	108.6%	8.2%	2.00	OP
MEDIA CHINESE INTERNATIONAL	0.170	286.8	Y	03/2020	-2.5%	-0.7%	6.6%	0.3%	10.5	9.8	9.8	0.4	0.4	4.2%	5.9%	0.165	MP
MEDIA PRIMA BHD	0.480	532.4	N	12/2019	-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	0.575	424.3	Y	12/2019	-13.1%	-0.3%	-38.3%	-2.6%	24.8	24.5	21.6	0.5	0.5	1.3%	2.0%	0.570	MP
Simple Average					-5.9%	0.0%	-33.9%	-44.2%	15.9	14.7	13.7	3.4	2.8	25.9%	4.0%		

Source: Bloomberg, Kenanga Research

29 August 2019

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.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

