

31 May 2019

Media Prima

Blurry Pages

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Media Prima (MEDIA) posted yet another disappointing report card for 1Q19, owing to the lower-than-expected turnover and lack of economies of scale followed with persistently higher OPEX. Moving forward, we are maintaining our view that the on-going evolution of the traditional media is set to persist, thus any meaningful earnings contribution, if any, can only be seen post FY19 in view of the long gestation. With no immediate catalyst, we made no changes to our UP call on MEDIA with a lower target price of RM0.260 after trimming 56%/19% of our FY19/20E earnings post the result review.

Below expectations. 1Q19 core LATAMI of RM40m (-85% YoY) came in below expectations of house/the street's full-year estimates (at -RM53m/-RM34m, respectively). On our end, the key negative deviations were mainly due to our lower-than-expected turnover (as a result of weaker ads revenue), and lack of economies of scale followed with persistently higher OPEX. As expected, no dividend was announced during the quarter.

YoY, 1Q19 revenue was lower by 15% to RM239m due to weaker contribution from all segments as a result of softer advertising revenue coupled with lower circulation revenue. EBIT, meanwhile, dipped by 133% to -RM39m, no thanks to weaker revenue coupled with persistently higher OPEX. Together with higher D&As, the group continued to record wider LATAMI at -RM40.4m (-85% YoY), of which -RM32m (vs. -RM15m in 1Q18) came from BAU businesses (i.e. the traditional businesses that mainly comprised of the FTA TV, Print and etc.) with the balance from Odyssey (or digital initiatives, i.e. e-commerce and etc.) segments (-RM8.1m vs. -RM6.1m a year ago). **QoQ,** revenue weakened by 18% due to lower performance from all segments. Group's core LATAMI, meanwhile, stayed at RM40m as a result of persistently higher OPEX.

Cloudy outlook remains. The relatively high direct and overhead costs are expected to continue to dampen the group's overall performance amid persistently weak ads revenue. Outlook-wise, the on-going evolution of the traditional media is expected to play on into the foreseeable future. Any light from the end of the tunnel is only likely in 4Q19/FY20 should MEDIA is able to accelerate revenue generating initiatives by maximising available assets and leveraging on extensive reach via digital and non-digital platforms. Growing digital and commerce revenue and continuous cost management will still be the priority in FY19.

Not out of the wood yet. While management expects its numbers to improve in the coming quarters (underpinned by its continued Odyssey transformation plan and various cost optimisation initiatives), we believe, any meaningful earnings contribution may only be seen post FY19 in view of the long transformation journey. As a result, we have widened our core LATAMI for FY19E/FY20E to -RM82m/-RM4m (vs. -RM53m/-RM39m previously) after raising our OPEX assumptions post the disappointing 1Q19 results.

Maintain UNDERPERFORM rating with lower TP of RM0.260 (vs. RM0.300 previously), based on FY19 targeted P/NTA of 1.0x (in-line with its historical-low P/NTA, and implied c.-1.5x S.D. below its 3-year mean) to reflect the negative drift of its valuation. 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 : RM0.380
Target Price : RM0.260 ↓

Share Price Performance



Stock Information

Shariah Compliant	No
Bloomberg Ticker	MPR MK Equity
Market Cap (RM m)	421.5
Share Outstanding	1,109.2
52-week range (H)	0.60
52-week range (L)	0.33
3-mth avg daily vol:	1,376,610
Free Float	64%
Beta	0.9

Major Shareholders

Morgan Stanley	12.8%
Employees Provident Fund	11.9%
Gabungan Kesturi Sdn Bhd	11.1%

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)		-34	-15
Earnings Revision		-56%	-19%
Core EPS (sen)	-9.6	-7.4	-4.2
Core EPS growth (%)	30.6%	23.2%	43.3%
DPS (sen)	0.0	0.0	0.0
BVPS (RM)	0.35	0.26	0.21
PER (x)	-4.2	-5.4	-9.6
PBV (x)	1.2	1.5	1.9
Net Gearing (x)	-0.3	-0.2	-0.3
Dividend Yield (%)	0.0%	0.0%	0.0%

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Result Highlight

FYE Dec (RM'm)	1Q19	4Q18	Chg	1Q18	Chg	3M19	3M18	Chg
Turnover	238.6	290.4	-18%	280.5	-15%	238.6	280.5	-15%
EBIT	(38.9)	84.4	-146%	(16.7)	-133%	(38.9)	(16.7)	-133%
PBT	(40.9)	82.4	-150%	(22.5)	-81%	(40.9)	(22.5)	-81%
Taxation	2.0	1.3	57%	0.5	332%	2.0	0.5	332%
Minority Interest	2.4	(1.9)	225%	1.2	106%	2.4	1.2	106%
PATAMI	(40.4)	79.2	-151%	(21.8)	-85%	(40.4)	(21.8)	-85%
Core PATAMI	(40.4)	(40.4)	0%	(21.8)	-85%	(40.4)	(21.8)	-85%
EPS (sen)	(3.6)	7.1	-151%	(2.0)	-85%	(3.6)	(2.0)	-85%
DPS (sen)	-	-	NM	-	NM	-	-	NM
EBIT margin	-16.3%	29.1%		-5.9%		-16.3%	-5.9%	
PBT margin	-17.1%	28.4%		-8.0%		-17.1%	-8.0%	
NP margin	-16.9%	27.3%		-7.8%		-16.9%	-7.8%	
Effective tax rate	-4.8%	1.5%		-2.0%		-4.8%	-2.0%	

Source: Kenanga Research

Result Highlight

FYE Dec (RM'm)	1Q19	4Q18	Chg	1Q18	Chg	3M19	3M18	Chg
Revenue								
- TV	82	110	-25%	93	-12%	82	93	-12%
- Radio	9	13	-33%	15	-40%	9	15	-40%
- Print	49	51	-4%	82	-40%	49	82	-40%
- Outdoor	38	44	-15%	39	-4%	38	39	-4%
- Digital Media	16	23	-33%	20	-20%	16	20	-20%
- PWS	19	25	-23%	25	-23%	19	25	-23%
- Home	54	61	-11%	44	24%	54	44	24%
- Corporate & Others	(28)	(37)	-24%	(37)	-24%	(28)	(37)	-24%
Group revenue (after royalties)	239	290	-18%	281	-15%	239	281	-15%

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.			
Stocks Under Coverage																	
ASTRO MALAYSIA HOLDINGS BHD	1.35	7,038.8	N	01/2020	-2.2%	0.1%	22.3%	4.3%	12.5	10.2	9.8	12.0	10.0	107.1%	8.1%	2.00	OP
MEDIA PRIMA BHD	0.380	421.5	N	12/2019	-6.1%	1.1%	23.2%	43.3%	N.A.	N.A.	N.A.	0.5	0.6	-10.6%	0.0%	0.260	UP
MEDIA CHINESE INTERNATIONAL	0.185	312.1	Y	03/2019	-2.5%	-0.7%	6.6%	0.4%	11.4	10.7	10.7	0.5	0.4	4.2%	5.5%	0.200	MP
STAR MEDIA GROUP BHD	0.645	475.9	Y	12/2019	-10.8%	8.6%	1.5%	12.9%	27.8	27.4	24.3	0.6	0.6	2.1%	1.8%	0.600	UP
Simple Average					-5.4%	2.3%	13.4%	15.2%	17.2	16.1	14.9	3.4	2.9	25.7%	3.8%		

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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Published and printed by:

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