

22 November 2019

## Media Prima Bhd

### 9MFY19 Performed Poorly

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**9MFY19 LATAMI of RM75.6m (-7% YoY) is below expectations as income streams disappointed, while being overwhelmed by heavy operating costs. Traditional media platforms are losing consumer engagement, while the group needs to expand its digital offerings. On-going cost cutting may cause near-term hurt. We widen our FY19E/FY20E losses by 18.9%/14.2%. Maintain UP with a lower TP of RM0.225 (from RM0.260).**

**9MFY19 in deep losses.** 9MFY19 core LATAMI of RM75.6m is deemed to be below our and consensus full-year expectations of RM81.7m and RM85.9m, respectively. The deviation from the disconcerting results is mainly due to heavier-than-expected expenses from the publishing segments. This is likely due to lower physical distribution and circulation rates from shifting market favour towards digital platforms, which exacerbated operating cost overrun. No dividend was announced as expected.

**YoY**, 9MFY19 revenue recorded weaker at RM801.4m (-10%) on the back of an overall decline across most platforms from the waning relevance of traditional media. The largest drags came from television (-10%) and publishing (-27%) segments. Only the home shopping segment registered growth (+12%), capitalising on the increasing acceptance of interactive commerce. 9MFY19 core LATAMI came in at RM75.6m (-7%) as the decline in revenue in most segments was overran by direct costs and overheads, in spite of progressive cost optimization efforts put in place.

**QoQ**, 3QFY19 top-line was weaker by 11%, likely owing to the seasonally fuelled 2QFY19 from Hari Raya festivities. Due to the similar abovementioned factors, core LATAMI for the period was even lower at RM24.2m (-120%).

**In need of tighter bandages.** The industry looks to continue to be in a lull as consumer transition towards a more digital-savvy landscape. Traditional media platforms such as television are becoming less engaging in the face of online content and international streaming platforms grabbing consumers. Newspaper circulation is also hammered by digital or on-device reading consumption. MEDIA has embarked on cost optimization strategies, which looks to include the streamlining of staff count. While this may further pressure near-term earnings, it could be a necessary evil to keep the group afloat in the longer term. At the meantime, the group seeks digital acquisition opportunities to broaden its presence in digital media as the conventional platforms gradually become obsolete.

**Post-results**, we further expand our FY19E/FY20E losses by 18.9%/14.2% as the bleak media outlook prolongs with further problems arising from juggling costs across the traditional media segments.

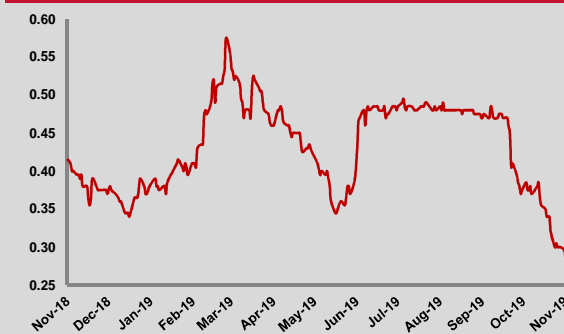
**Maintain UNDERPERFORM with a lower TP of RM0.225 (from RM0.260, previously).** Our call is based on a 1.0x FY20E P/NTA (in-line with its historical-low P/NTA, 1.5SD below its 3-year mean) to reflect the on-going structural challenges that the industry faces.

**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 : **RM0.275**  
Target Price : **RM0.225** ↓

### Share Price Performance



KLCI 1,592.19  
YTD KLCI chg -5.8%  
YTD stock price chg -20.3%

### Stock Information

Shariah Compliant	No
Bloomberg Ticker	MPR MK Equity
Market Cap (RM m)	305.0
Share Outstanding	1,109.2
52-week range (H)	0.58
52-week range (L)	0.28
3-mth avg daily vol:	1,082,552
Free Float	45%
Beta	1.0

### Major Shareholders

Aurora Mulia Sdn Bhd	31.9%
Morgan Stanley	12.8%
Employees Provident Fund	11.6%

### Summary Earnings Table

FYE Dec (RM'm)	2018A	2019E	2020E
Turnover	1,186	1,061	1,050
EBIT	74	(138)	(74)
PBT	61	(134)	(73)
<b>PATAMI/(LATAMI)</b>	<b>59</b>	<b>(97)</b>	<b>(53)</b>
<b>Core PATAMI/(LATAMI)</b>	<b>(106)</b>	<b>(97)</b>	<b>(53)</b>
Consensus (NP)	-	(86)	(53)
Earnings Revision	-	-18.9%	-14.2%
Core EPS (sen)	(9.6)	(8.8)	(4.8)
Core EPS growth (%)	-40.2%	-8.6%	-45.5%
DPS (sen)	-	-	-
NTA/Share (RM)	0.34	0.26	0.22
PER (x)	(2.9)	(3.1)	(5.8)
P/NTA (x)	0.4	0.4	0.5
Net Gearing (x)	(0.3)	(0.1)	(0.0)
Dividend Yield (%)	0.0%	0.0%	0.0%



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Result Highlight								
	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
FYE Dec (RM'm)	FY19	FY19	Chg	FY18	Chg	FY19	FY18	Chg
<b>Revenue</b>	<b>265.5</b>	<b>296.8</b>	<b>-10.5%</b>	<b>271.8</b>	<b>-2.3%</b>	<b>801.4</b>	<b>894.8</b>	<b>-10.4%</b>
EBIT/(LBIT)	28.8	20.2	42.3%	-8.4	442.4%	35.8	47.6	-24.7%
PBT/(LBT)	-25.2	-7.2	-248.9%	-31.4	19.7%	-73.3	-21.7	-237.3%
Taxation	-0.3	-3.5	91.1%	0.6	-154.0%	-5.8	-0.4	N.M.
Minority Interest	1.4	2.0	-28.7%	0.1	897.1%	5.8	1.6	268.7%
<b>PATAMI/(LATAMI)</b>	<b>-24.2</b>	<b>-8.8</b>	<b>-173.8%</b>	<b>-30.7</b>	<b>21.3%</b>	<b>-73.4</b>	<b>-20.6</b>	<b>-256.6%</b>
<b>Core PATAMI/(LATAMI)*</b>	<b>-24.2</b>	<b>-11.0</b>	<b>-119.5%</b>	<b>-30.7</b>	<b>21.4%</b>	<b>-75.6</b>	<b>-70.6</b>	<b>-7.1%</b>
EPS (sen)	-2.2	-1.0	-119.5%	-2.8	21.4%	-6.8	-6.4	-7.1%
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
EBIT/(LBIT) margin	10.8%	6.8%		-3.1%		4.5%	5.3%	
PBT/(LBT) margin	-9.5%	-2.4%		-11.6%		-9.2%	-2.4%	
Core PATAMI/(LATAMI) margin	-9.1%	-3.7%		-11.3%		-9.4%	-7.9%	
Effective Tax Rate	1.2%	49.0%		-1.9%		7.9%	1.8%	

\* Core adjustments include reversals of one-off gains from disposal of share of associate and non-current asset held for sale

Source: Kenanga Research

Result Highlight								
	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
Revenue (RM'm)	FY19	FY19	Chg	FY18	Chg	FY19	FY18	Chg
- Television Networks	95.8	116.8	-17.9%	97.0	-1.2%	295.2	327.4	-9.8%
- Radio Networks	9.3	9.8	-4.8%	11.7	-20.5%	27.9	41.3	-32.5%
- Out-of-Home	36.1	41.5	-13.1%	38.5	-6.2%	115.1	125.3	-8.2%
- Publishing	54.5	56.3	-3.3%	59.6	-8.6%	159.9	219.1	-27.0%
- Digital Media	17.5	20.1	-13.0%	19.2	-8.9%	53.2	64.1	-17.0%
- Content Creation	23.1	21.4	7.7%	23.8	-3.2%	63.6	74.5	-14.7%
- Home Shopping	55.7	59.8	-6.9%	55.9	-0.3%	169.9	151.9	11.9%
- Corporate & Interco Elimination	-26.3	-28.9	8.8%	-33.8	22.0%	-83.3	-108.7	23.4%
<b>Total Revenue</b>	<b>265.5</b>	<b>296.8</b>	<b>-10.5%</b>	<b>271.8</b>	<b>-2.3%</b>	<b>801.4</b>	<b>894.8</b>	<b>-10.4%</b>
<b>Profit After Tax (RM'm)</b>								
- Television Networks	-7.7	8.4	-191.3%	-30.9	75.1%	-20.5	-62.0	66.9%
- Radio Networks	-0.9	-1.6	46.4%	1.8	-146.3%	-3.1	10.6	-129.4%
- Out-of-Home	1.8	-0.3	641.3%	0.3	425.2%	3.4	10.6	-68.3%
- Publishing	-22.5	-14.2	-58.3%	-9.6	-134.6%	-58.7	17.6	-433.9%
- Digital Media	2.3	1.5	55.2%	1.3	71.4%	3.9	8.0	-51.5%
- Content Creation	1.4	3.2	-56.7%	5.4	-74.0%	6.1	11.9	-48.5%
- Home Shopping	-1.3	-3.6	63.9%	-0.2	-536.4%	-8.9	-2.8	-223.8%
- Corporate & Interco Elimination	1.4	-4.1	133.5%	0.9	49.8%	-1.2	-16.1	92.3%
<b>Total Profit After Tax</b>	<b>-25.6</b>	<b>-10.8</b>	<b>-137.0%</b>	<b>-30.8</b>	<b>17.1%</b>	<b>-79.2</b>	<b>-22.1</b>	<b>-257.5%</b>
<b>PAT Margin</b>								
- Television Networks	-8.0%	7.2%		-31.8%		-7.0%	-18.9%	
- Radio Networks	-9.2%	-16.3%		15.7%		-11.2%	25.8%	
- Out-of-Home	4.9%	-0.8%		0.9%		2.9%	8.5%	
- Publishing	-41.4%	-25.3%		-16.1%		-36.7%	8.0%	
- Digital Media	13.1%	7.3%		6.9%		7.3%	12.4%	
- Content Creation	6.1%	15.1%		22.7%		9.6%	16.0%	
- Home Shopping	-2.4%	-6.1%		-0.4%		-5.3%	-1.8%	
- Corporate & Interco Elimination	-5.3%	14.3%		-2.7%		1.5%	14.8%	
<b>Total PAT Margin</b>	<b>-9.6%</b>	<b>-3.6%</b>		<b>-11.3%</b>		<b>-9.9%</b>	<b>-2.5%</b>	

Source: Kenanga Research

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## Peer Table Comparison

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.		
<b>Stocks Under Coverage</b>																	
ASTRO MALAYSIA HOLDINGS BHD	1.43	7,456.7	N	01/2020	-2.0%	0.1%	26.3%	2.0%	1.1	1.3	1.1	12.7	10.3	108.6%	7.7%	2.00	OP
MEDIA CHINESE INTERNATIONAL	0.160	270.0	Y	03/2020	-2.5%	-0.7%	6.6%	0.3%	0.6	0.7	0.7	0.4	0.4	4.2%	6.3%	0.165	MP
MEDIA PRIMA BHD	0.275	305.0	N	12/2019	-10.5%	-1.0%	-109.5%	-184.6%	N.A.	N.A.	N.A.	0.4	0.4	-12.7%	0.0%	0.225	UP
STAR MEDIA GROUP BHD	0.435	321.0	Y	12/2019	-13.1%	-0.3%	-38.0%	-2.8%	1.3	1.0	0.9	0.4	0.4	1.3%	2.6%	0.570	MP
<b>Simple Average</b>					<b>-7.0%</b>	<b>-0.5%</b>	<b>-28.7%</b>	<b>-46.3%</b>	<b>1.0</b>	<b>1.0</b>	<b>0.9</b>	<b>3.5</b>	<b>2.9</b>	<b>25.4%</b>	<b>4.1%</b>		

Source: 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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