

# Media Chinese International

## 1HFY20 Beat Expectations

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**1HFY19 CNP of RM22.8m (-10%) beat expectations on better margins and a more relaxed tax environment. While revenue suffered from decline in adex share for traditional media platforms, ongoing digitisation of offerings could help the group staying relevant. Tax benefits could also keep earnings afloat. Upgrade to OP (from MP) with a higher TP of RM0.200 (from RM0.165) on higher P/NTA valuations. High dividend yield of c.8% is also a plus.**

**1HFY20 better than expected.** 1HFY20 PATAMI of RM22.8m made up 85%/86% of our/consensus full-year estimates. 1HFY is typically the stronger half due to seasonality, and it usually accounts for c.65% (save for FY19) of full-year earnings. The positive deviation appears to be due to: (i) overly conservative margin assumptions, particularly for the publication and printing business in Malaysia and other South East Asian countries, and (ii) lower-than-expected effective taxes. An interim dividend of 0.67 sen (or 0.16 USD cents) was declared, which we deem to be within our estimate.

**YoY,** 1HFY20 turnover of RM605.5m (-14%) was dragged by softer publishing and printing revenue across all regions, primarily in the Malaysia and other South East Asian countries (-20%). Recall that 1HFY19 was boosted by the General Election as well as World Cup, which spurred this traditional segment. The travel services division also saw a decline (-11%) from a less eventful year, while also hampered by ongoing unrest in Hong Kong. Although group PBT declined by 35%, coinciding with the lower top-line and poor adex landscape leading to cost inefficiencies, 1HFY20 PATAMI closed at RM22.8m (-10%) on the back of lower effective taxes of 14.3% (-25.3ppt). This was attributed to a tax refund and tax incentives award.

**QoQ,** 2QFY20 revenue tipped up slightly (+2%) from better publication and printings activities in Hong Kong and mainland China, which could be recovering from the prolonged political protests. Similar to the above, PBT registered a decline (-15%) likely due to cost inefficiencies but earnings surged to RM13.3m (+41%) as 2QFY20 saw tax gains of RM1.1m (from tax charges of RM4.6m in 1QFY20).

**Cheery curve ball?** Traditional media businesses continued to see diminishing relevance as adex is progressively shifting towards digital channels. The group, in particular, also appears to be at the receiving end from the unrest in Hong Kong. With this, the group looks to salvage profits via ongoing cost optimization efforts. In the meantime, the group is embarking to building its digital presence by offering one-stop solutions on its existing news platforms. Also, recent tax incentives look to alleviate bottom-line pressures for the medium term.

**Post-results,** we raise our FY19E/FY20E earnings by 19%/23% on less conservative margin assumptions and lower effective taxes.

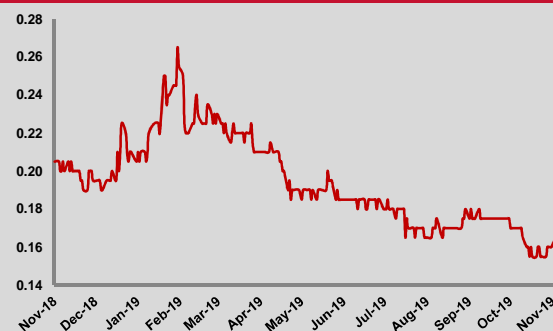
**We upgrade our call to OUTPERFORM (from MARKET PERFORM) with a higher TP of RM0.200 (from RM0.165, previously).** We raise our valuations to 0.5x FY21E P/NTA (from 0.4x), moving to 1SD below the stock's 3-year Fwd. Average, from 1.5SD below previously. We reckon that investors could see the stock more positively in light of potential earnings recovery in the near-term. Further, strong dividend expectation yielding up to c.8% could attract yield seekers. The group also possess solid net cash per share of c.16.7 sen, though we believe the reserve is needed to fund the group's digital efforts.

**Key risks to our call include:** (i) lower-than-expected adex revenue, (ii) lower-than-expected travel services business, and (iii) higher-than-expected operating expenses.

**OUTPERFORM** ↑

Price : **RM0.165**  
Target Price : **RM0.200** ↑

### Share Price Performance



KLCI 1,591.35  
YTD KLCI chg -5.9%  
YTD stock price chg -15.4%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MCIL MK Equity
Market Cap (RM m)	278.4
Shares Outstanding	1,687.2
52-week range (H)	0.265
52-week range (L)	0.155
3-mth avg daily vol:	939,992
Free Float	77%
Beta	1.0

### Major Shareholders

Progresif Growth Sdn Bhd	17.6%
Conch Co Ltd	15.1%
Tiong Hiew King	5.1%

### Summary Earnings Table

FY Mar (RM m)	2019A	2020E	2021E
Turnover	1,166.5	1,060.7	1,042.1
EBIT	-28.1	37.4	41.6
PBT	-26.7	40.9	44.8
<b>Net Profit</b>	<b>-46.1</b>	<b>32.6</b>	<b>35.7</b>
<b>Core Net Profit</b>	<b>27.5</b>	<b>32.6</b>	<b>35.7</b>
Consensus (NP)	-	26.4	24.8
Earnings Revision	-	19%	23%
Core EPS (sen)	1.6	1.9	2.1
Core EPS growth (%)	-50.4	18.6	9.6
NDPS (sen)	1.1	1.2	1.5
BV/Share (sen)	40.6	42.0	42.6
NTA/Share (sen)	38.4	39.7	40.4
PER (x)	10.1	8.5	7.8
PBV (x)	0.41	0.39	0.39
P/NTA (x)	0.43	0.42	0.41
Net Gearing (x)	(0.3)	(0.2)	(0.3)
Net Div. Yield (%)	6.9	7.5	8.8



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## Results Highlight

	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
FYE Mar (RM m)	FY20	FY20	Chg	FY19	Chg	FY20	FY19	Chg
Revenue	305.4	300.1	1.8%	359.0	-14.9%	605.5	702.6	-13.8%
EBIT	12.3	14.3	-14.1%	21.2	-42.1%	26.6	44.8	-40.7%
PBT	11.6	13.6	-15.0%	18.2	-36.6%	25.1	38.7	-35.0%
Taxation	1.1	-4.6	-122.7%	-6.8	-115.5%	-3.6	-15.3	-76.5%
Minority Interest	0.7	0.5	36.4%	1.1	-35.4%	1.3	1.9	-33.1%
<b>PATAMI</b>	<b>13.3</b>	<b>9.5</b>	<b>40.7%</b>	<b>12.6</b>	<b>6.3%</b>	<b>22.8</b>	<b>25.3</b>	<b>-9.8%</b>
<b>Core PATAMI</b>	<b>13.3</b>	<b>9.5</b>	<b>40.7%</b>	<b>12.6</b>	<b>6.3%</b>	<b>22.8</b>	<b>25.3</b>	<b>-9.8%</b>
Core EPS (sen)	0.79	0.56	40.7%	0.74	6.3%	1.35	1.50	-9.8%
NDPS (sen)	0.67	0.00		0.75		0.67	0.75	
EBIT Margin	4.0%	4.8%		5.9%		4.4%	6.4%	
PBT Margin	3.8%	4.5%		5.1%		4.2%	5.5%	
Core PATAMI Margin	4.4%	3.2%		3.5%		3.8%	3.6%	
Effective Tax Rate	-9.1%	34.2%		37.4%		14.3%	39.6%	
Exchange Rate (RM/USD)	4.19							

Note:

\* Results from subsequent periods are converted against the most recent period's forex rate

Source: Company, Kenanga Research

## Segmental Breakdown

	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
Revenue (USD m)	FY20	FY20	Chg	FY19	Chg	FY20	FY19	Chg
Malaysia & Other S.E. Asian	27.4	27.2	0.7%	33.4	-17.9%	54.7	68.4	-20.1%
HK & Mainland China	13.4	11.7	13.9%	13.0	2.9%	25.1	25.7	-2.1%
North America	2.6	2.9	-12.8%	3.2	-20.2%	5.5	6.8	-19.4%
Travel & Travel Related Services	29.5	29.7	-0.6%	36.0	-18.1%	59.2	66.8	-11.3%
<b>Group Turnover</b>	<b>72.9</b>	<b>71.6</b>	<b>1.8%</b>	<b>85.7</b>	<b>-14.9%</b>	<b>144.5</b>	<b>167.7</b>	<b>-13.8%</b>
<b>PBT</b>								
Malaysia & Other S.E. Asian	2.0	2.5	-18.5%	4.4	-53.7%	4.5	9.6	-52.9%
HK & Mainland China	-0.5	-1.1	-60.7%	-1.2	-61.2%	-1.6	-2.1	-25.4%
North America	-0.8	0.0	N.M.	-0.9	-4.5%	-0.8	-1.7	-51.5%
Travel & Travel Related Services	2.2	2.1	5.3%	2.9	-23.6%	4.3	5.3	-19.1%
<b>Group PBT (before unallocated expenses)</b>	<b>3.0</b>	<b>3.4</b>	<b>-13.8%</b>	<b>5.2</b>	<b>-43.5%</b>	<b>6.4</b>	<b>11.1</b>	<b>-42.2%</b>
<b>PBT Margin</b>								
Malaysia & Other S.E. Asian	7.4%	9.1%		13.1%		8.3%	14.0%	
HK & Mainland China	-3.4%	-9.8%		-8.9%		-6.4%	-8.4%	
North America	-32.2%	-0.3%		-27.0%		-15.2%	-25.2%	
Travel & Travel Related Services	7.5%	7.1%		8.0%		7.3%	8.0%	
<b>Group PBT Margin</b>	<b>4.1%</b>	<b>4.8%</b>		<b>6.1%</b>		<b>4.4%</b>	<b>6.6%</b>	

Source: Company, 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.			
Stocks Under Coverage																	
ASTRO MALAYSIA HOLDINGS BHD	1.46	7,613.2	N	01/2020	-2.0%	0.1%	26.3%	2.0%	1.1	1.3	1.1	13.0	10.6	108.6%	7.5%	2.00	OP
MEDIA CHINESE INTERNATIONAL	0.165	278.4	Y	03/2020	-9.1%	-1.8%	18.6%	9.6%	10.1	8.5	7.8	0.4	0.4	4.6%	7.5%	0.200	OP
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
Simple Average					-8.7%	-0.7%	-25.7%	-44.0%	4.2	3.6	3.3	3.5	2.9	25.5%	4.4%		

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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