

28 February 2020

# Media Chinese International

## 9MFY20 Surpassed Expectations

By Clement Chua | [clement.chua@kenanga.com.my](mailto:clement.chua@kenanga.com.my)

**9MFY20 PATAMI of RM36.2m (+14%) was higher-than-expected due to better margins and more favourable taxes. The print and publishing business should continue to see top-line challenges, but supported by a better cost environment. While the travel segment will likely be dampened by Covid-19, tax relieves should aid the group meaningfully. Upgrade to OP (from MP) with a higher TP of RM0.245 (from RM0.240) post-earnings upgrade.**

**9MFY20 greatly outperformed.** 9MFY20 PATAMI of RM36.2m surpassed expectations, making up 111%/115% of our/consensus respective full-year estimates. The positive deviation appears to be due to: (i) our overly conservative margin assumptions across all segments and (ii) better-than-expected effective tax exposure during the period. No dividend was announced, as expected.

**YoY**, 9MFY20 revenue dipped to RM822.1m (-13%) as a result of lower overall sales across all of its print and publication regions (Malaysia & Other S.E. Asian countries, HK & Mainland China, North America) as advertising demand skew towards non-traditional platforms. That being said, 9MFY19 was aided by the 2018 General Elections and World Cup. Meanwhile, the travel services segment was adversely affected by the political unrest in Hong Kong. Although PBT declined by 12% from the lower topline, thanks to successful tax refunds and incentives, 9MFY20 PATAMI registered a 14% growth to RM36.2m.

**QoQ**, 3QFY20 revenue declined by 23% mainly due to much weaker contributions from the travel segment (-53%) while the print business remained relatively flat. However, thanks to better cost environment in local operations arising from cheaper new prints and manpower costs, 3QFY20 PATAMI came in at RM13.7m (+7%).

**Rooted against headwinds.** Traditional media businesses continued to see diminishing relevance with adex trend progressively shifting towards digital channels. The group, in particular, also appears to be at the receiving end from the unrest in Hong Kong with the recent Covid-19 outbreak looking to cause even more damage to its travel segment. 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 FY20E/FY21E earnings by 30%/6% on less conservative margin assumptions and lower effective taxes. For now, we project FY21 to see a 10% decline in earnings stemming from the recent Covid-19 exerting a detrimental impact to the travel segment.

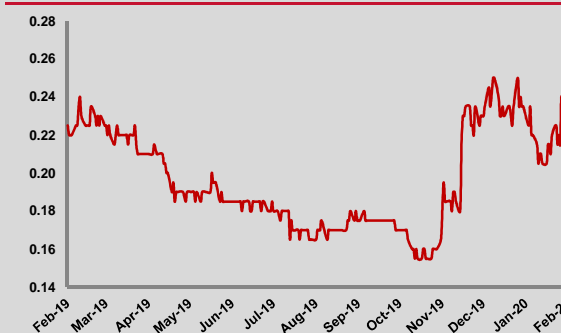
**We upgrade our call to OUTPERFORM (from MARKET PERFORM) with a slightly higher TP of RM0.245 (from RM0.240, previously).** Our TP is pegged on an unchanged 0.6x FY21E NTA (0.5SD below its 3-year mean). At present, it appears the stock's profitability could be less doubtful given its recent performance amidst the challenging market environment, possibly leading to a return of investors' interest. High dividend yield prospects at c.7% could also attract yield-hungry investors. The group also possess solid net cash per share of c.16.0 sen, though we believe the reserve is needed to fund the group's digital thrust.

**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 : **RM0.200**  
Target Price : **RM0.245** ↑

### Share Price Performance



KLCI 1,505.59  
YTD KLCI chg -5.2%  
YTD stock price chg -14.9%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MCIL MK Equity
Market Cap (RM m)	337.4
Shares Outstanding	1,687.2
52-week range (H)	0.25
52-week range (L)	0.16
3-mth avg daily vol:	1,950,816
Free Float	77%
Beta	0.9

### 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	1,024.1
EBIT	-28.1	49.7	44.7
PBT	-26.7	53.1	47.6
<b>Net Profit</b>	<b>-46.1</b>	<b>42.4</b>	<b>38.0</b>
<b>Core Net Profit</b>	<b>27.5</b>	<b>42.4</b>	<b>38.0</b>
Consensus (NP)	-	31.4	26.1
Earnings Revision	-	30%	6%
Core EPS (sen)	1.6	2.5	2.3
Core EPS growth (%)	-50.4	54.1	-10.3
NDPS (sen)	1.1	1.5	1.5
BV/Share (sen)	40.6	42.3	43.1
NTA/Share (sen)	38.4	40.1	40.9
PER (x)	12.3	8.0	8.9
PBV (x)	0.49	0.47	0.46
P/NTA (x)	0.52	0.50	0.49
Net Gearing (x)	-0.3	-0.2	-0.3
Net Div. Yield (%)	5.7	7.3	7.3

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## Results Highlight

	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
FYE Mar (RM m)	FY20	FY20	Chg	FY19	Chg	FY20	FY19	Chg
Revenue	230.1	298.5	-22.9%	260.2	-11.5%	822.1	947.0	-13.2%
EBIT	20.5	12.0	70.5%	15.1	35.3%	46.4	58.9	-21.2%
PBT	19.7	11.3	74.7%	12.3	60.4%	44.3	50.1	-11.6%
Taxation	-5.9	1.0	-673.9%	-4.7	25.6%	-9.4	-19.7	-52.1%
Minority Interest	0.1	0.7	-84.0%	-0.6	-119.1%	1.4	1.3	7.8%
<b>PATAMI</b>	<b>13.9</b>	<b>13.0</b>	<b>6.7%</b>	<b>7.0</b>	<b>99.4%</b>	<b>36.2</b>	<b>31.7</b>	<b>14.3%</b>
<b>Core PATAMI</b>	<b>13.9</b>	<b>13.0</b>	<b>6.7%</b>	<b>7.0</b>	<b>99.4%</b>	<b>36.2</b>	<b>31.7</b>	<b>14.3%</b>
Core EPS (sen)	0.82	0.77	6.7%	0.41	99.4%	2.15	1.88	14.3%
NDPS (sen)	0.00	0.66		0.00		0.66	0.74	
EBIT Margin	8.9%	4.0%		5.8%		5.7%	6.2%	
PBT Margin	8.6%	3.8%		4.7%		5.4%	5.3%	
Core PATAMI Margin	6.0%	4.4%		2.7%		4.4%	3.3%	
Effective Tax Rate	30.0%	-9.1%		38.3%		21.3%	39.3%	
Exchange Rate (RM/USD)	4.10							

Note:

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

Source: Company, Kenanga Research

## Segmental Breakdown

	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
Revenue (USD m)	FY20	FY20	Chg	FY19	Chg	FY20	FY19	Chg
Malaysia & Other S.E. Asian	28.1	27.4	2.4%	31.0	-9.4%	82.8	99.4	-16.7%
HK & Mainland China	11.4	13.4	-14.5%	13.2	-13.4%	36.5	38.8	-6.0%
North America	2.7	2.6	4.2%	3.3	-18.5%	8.2	10.1	-19.1%
Travel & Travel Related Services	14.0	29.5	-52.5%	16.1	-12.8%	73.3	82.9	-11.6%
<b>Group Turnover</b>	<b>56.2</b>	<b>72.9</b>	<b>-22.9%</b>	<b>63.6</b>	<b>-11.5%</b>	<b>200.8</b>	<b>231.3</b>	<b>-13.2%</b>
<b>PBT</b>								
Malaysia & Other S.E. Asian	5.1	2.0	153.5%	4.4	16.0%	9.7	14.0	-31.2%
HK & Mainland China	-0.5	-0.5	2.4%	-0.4	6.5%	-2.1	-2.6	-20.0%
North America	0.1	-0.8	-114.6%	-0.5	-122.9%	-0.7	-2.3	-68.3%
Travel & Travel Related Services	0.2	2.2	-92.2%	0.4	-56.0%	4.5	5.7	-21.6%
<b>Group PBT (before unallocated expenses)</b>	<b>5.0</b>	<b>3.0</b>	<b>68.1%</b>	<b>3.9</b>	<b>28.8%</b>	<b>11.4</b>	<b>14.9</b>	<b>-23.8%</b>
<b>PBT Margin</b>								
Malaysia & Other S.E. Asian	18.3%	7.4%		14.3%		11.7%	14.1%	
HK & Mainland China	-4.0%	-3.4%		-3.3%		-5.6%	-6.6%	
North America	4.5%	-32.2%		-16.1%		-8.7%	-22.3%	
Travel & Travel Related Services	1.2%	7.5%		2.4%		6.1%	6.9%	
<b>Group PBT Margin</b>	<b>8.8%</b>	<b>4.1%</b>		<b>6.1%</b>		<b>5.7%</b>	<b>6.5%</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.	1-Yr. Fwd.		
<b>Stocks Under Coverage</b>																	
ASTRO MALAYSIA HOLDINGS BHD	1.19	6,205.3	N	01/2020	-2.1%	-0.1%	53.2%	1.2%	13.3	8.7	8.6	9.1	7.6	95.2%	9.2%	2.00	OP
MEDIA CHINESE INTERNATIONAL	0.200	337.4	Y	03/2020	-9.1%	-3.5%	54.1%	-10.3%	12.3	8.0	8.9	0.5	0.5	6.0%	7.3%	0.245	OP
MEDIA PRIMA BHD	0.180	199.7	N	12/2020	-4.0%	-0.6%	272.2%	51.3%	N.A.	7.8	5.1	0.3	0.3	4.2%	0.0%	0.225	OP
STAR MEDIA GROUP BHD	0.375	276.7	Y	12/2020	-14.9%	-4.9%	15.6%	-3.4%	37.8	32.7	33.8	0.3	0.3	1.0%	2.7%	0.420	OP
<b>Simple Average</b>					<b>-7.5%</b>	<b>-2.3%</b>	<b>98.7%</b>	<b>9.7%</b>	<b>21.1</b>	<b>14.3</b>	<b>14.1</b>	<b>2.6</b>	<b>2.2</b>	<b>26.6%</b>	<b>4.8%</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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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](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

