Media Chinese International

4QFY20 Bummed by Covid-19

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UNDERPERFORM ↓

Price :	**RM0.195**
Target Price :	**RM0.155 ↓**

FY20 PATAMI of RM30.4m (+79%) and total dividends of 1.1 sen missed expectations, owing to 4QFY20 losses caused by Covid-19 impeding revenue. The group will likely continue to experience headwinds in the near-term, especially from its travel segment while print and publication segment will continue to fall behind digital platforms. We anticipate FY22 to be better, hoping Covid-19 induced restrictions will be progressively eased. Downgrade to UP (from OP) with a lower TP of RM0.155 from lower P/NTA valuation.

FY20 missed expectations. FY20 PATAMI of RM30.4m missed expectations, making up only 72%/77% of our/consensus respective full-year estimates. The negative deviation was due to the socioeconomic impact of the Covid-19 pandemic being much greater than anticipated, impeding performance across all revenue streams in 4QCY20. A final dividend of 0.4 sen (or 0.1 USD cents) was declared, amounting to a full-year payment of 1.1 sen (or 0.26 USD cents). This is way below our early expectation of 1.5 sen (60% payout), undermined by 4QFY20's poor results amidst the ongoing pandemic.

YoY, FY20 revenue declined to RM1.03b (-16%) due to weaker sales in all fronts; (i) print and publication segment in all regions as traditional media platforms continued losing advertising share to digital media; and (ii) travel services being hindered by travel restrictions arising from the Covid-19 pandemic. In spite of the lower topline, FY20 registered a stronger core PATAMI of RM30.4m (+79%) with FY19 having undergone various cost savings initiatives in production and manpower.

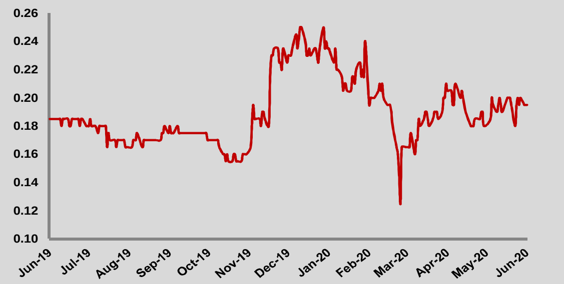
QoQ, 4QFY20 saw revenue diminished by 28%, mainly due to the travel segment (-67%) being worsened by the abovementioned travel restrictions. The print segment also saw a decline likely from physical print purchases also suffering a set back during the period. Owing to the lower revenue, 4QFY20 registered a LATAMI of RM7.7m from 3QFY20 PATAMI of RM13.9m.

This storm too shall pass. The group looks to have a difficult year ahead as the Covid-19 pandemic brought many global socioeconomic implications, with lockdowns and movement control measures being implemented to curb its spread. This has translated to declining consumption and demand for physical print media and caused international travel halting to an almost complete standstill. As regulations are progressively relaxed globally, there is hope that the later quarters of the year could be revived alongside economic activity.

Post results, we slash our FY21E earnings by 74%. The group may continue to bear the brunt of movement and travel controls, particularly affecting the travel segment. Print publications could also be undermined by the increased consumption of digitalized media in recent months. With earnings under pressure, we cut back on our dividend expectations to 0.2 sen (from 1.5 sen) in line with the softer earnings and anticipation that management will conserve cash during this period. At the meantime, we introduce our FY22 estimates which we expect to demonstrate earnings recovery as movement restriction eases.

We downgrade MEDIAC to UNDERPERFORM (from OUTPERFORM) with a lower TP of RM0.155 (from RM0.245). In addition to the lower earnings, we also trim our applied FY21E P/NTA valuation to 0.4x (from 0.6x), which is 1SD below the stock's 3-year mean. Our lower valuation is reflective of the poorer appetite for stocks which are more vulnerable to a potentially prolonged Covid-19 pandemic. We believe our new target price is cushioned by the stock's net cash per share of 14.0 sen to weather through the abovementioned outlook.

Share Price Performance



KLCI	1,502.63
YTD KLCI chg	-5.4%
YTD stock price chg	-17.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MCIL MK Equity
Market Cap (RM m)	329.0
Shares Outstanding	1,687.2
52-week range (H)	0.25
52-week range (L)	0.13
3-mth avg daily vol:	4,982,338
Free Float	40%
Beta	0.8

Major Shareholders

Tiong Toh Siong Holdings Sdn Bhd	22.5%
Conch Co Ltd	15.1%
Kinta Hijau Sdn Bhd	7.7%

Summary Earnings Table

FY Mar (RM m)	2020A	2021E	2022E
Turnover	1,031.7	718.2	731.9
EBIT	43.1	8.7	16.4
PBT	40.0	12.5	20.4
Net Profit	**30.4**	**8.9**	**14.6**
Core Net Profit	**30.4**	**8.9**	**14.6**
Consensus (NP)	39.7	18.3	11.2
Earnings Revision		-74%	-
Core EPS (sen)	1.8	0.5	0.9
Core EPS growth (%)	10.6	-70.7	64.0
NDPS (sen)	1.1	0.2	0.4
BV/Share (sen)	41.5	40.7	41.1
NTA/Share (sen)	39.1	38.4	38.9
PER (x)	10.8	36.9	22.5
PBV (x)	0.47	0.48	0.47
P/NTA (x)	0.50	0.51	0.50
Net Gearing (x)	-0.3	-0.3	-0.4
Net Div. Yield (%)	5.8	1.1	2.2

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

Results Highlight

FYE Mar (RM m)	4Q FY20	3Q FY20	QoQ Chg	4Q FY19	YoY Chg	12M FY20	12M FY19	YoY Chg
Revenue	**165.9**	**230.3**	**-28.0%**	**234.2**	**-29.2%**	**1031.7**	**1231.6**	**-16.2%**
EBIT	-5.9	20.5	-128.6%	-13.2	-55.5%	43.1	-16.8	-357.1%
PBT	-6.6	19.7	-133.6%	-81.0	-91.8%	40.0	-28.2	-242.0%
Taxation	-3.7	-5.9	-37.4%	-1.6	130.5%	-13.6	-22.3	-38.9%
Minority Interest	2.6	0.1	2168.4%	0.5	428.7%	4.0	1.8	121.3%
PATAMI	**-7.7**	**13.9**	**-155.6%**	**-82.1**	**-90.6%**	**30.4**	**-48.7**	**-162.5%**
Core PATAMI	**-7.7**	**13.9**	**-155.6%**	**-16.4**	**-52.9%**	**30.4**	**17.0**	**79.3%**
Core EPS (sen)	-0.46	0.83	-155.6%	-0.97	-52.9%	1.80	1.01	79.3%
NDPS (sen)	0.43	0.00		0.43		1.06	1.15	
EBIT Margin	-3.5%	8.9%		-5.6%		4.2%	-1.4%	
PBT Margin	-4.0%	8.6%		-34.6%		3.9%	-2.3%	
Core PATAMI Margin	-4.7%	6.0%		-7.0%		2.9%	1.4%	
Effective Tax Rate	-56.0%	30.0%		-2.0%		34.1%	-79.2%	
Exchange Rate (RM/USD)	4.31							

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

Source: Company, Kenanga Research

Segmental Breakdown

Revenue (USD m)	4Q FY20	3Q FY20	QoQ Chg	4Q FY19	YoY Chg	12M FY20	12M FY19	YoY Chg
Malaysia & Other S.E. Asian	23.5	28.1	-16.3%	30.5	-22.9%	106.3	129.9	-18.2%
HK & Mainland China	7.7	11.4	-33.0%	11.8	-35.1%	44.2	50.7	-12.7%
North America	2.6	2.7	-3.4%	3.3	-21.4%	10.8	13.4	-19.7%
Travel & Travel Related Services	4.7	14.0	-66.6%	8.7	-46.0%	78.0	91.6	-14.9%
Group Turnover	**38.5**	**56.2**	**-31.6%**	**54.3**	**-29.2%**	**239.2**	**285.6**	**-16.2%**
PBT								
Malaysia & Other S.E. Asian	2.8	5.1	-45.9%	-16.3	117.1%	12.4	-2.2	661.9%
HK & Mainland China	-3.2	-0.5	-595.7%	-0.8	-292.9%	-5.3	-3.4	55.4%
North America	0.2	0.1	62.8%	0.0	N.M.	-0.5	-2.3	-77.2%
Travel & Travel Related Services	-1.1	0.2	-729.1%	-1.1	-4.8%	3.4	4.6	-25.8%
Group PBT *(before unallocated expenses)*	**-1.3**	**5.0**	**-126.5%**	**-18.2**	**-92.8%**	**10.1**	**-3.3**	**404.9%**
PBT Margin								
Malaysia & Other S.E. Asian	11.8%	18.3%		-53.3%		11.7%	-1.7%	
HK & Mainland China	-41.9%	-4.0%		-6.9%		-11.9%	-6.7%	
North America	7.6%	4.5%		-0.4%		-4.8%	-16.9%	
Travel & Travel Related Services	-23.1%	1.2%		-13.1%		4.4%	5.0%	
Group PBT Margin	**-3.4%**	**8.8%**		**-33.6%**		**4.2%**	**-1.2%**	

Source: Company, Kenanga Research

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.		
Stocks Under Coverage																	
ASTRO MALAYSIA HOLDINGS BHD	0.850	4,432.3	N	01/2021	-3.9%	-0.3%	-16.5%	-12.4%	6.7	8.1	9.2	4.7	3.8	51.9%	7.1%	0.830	UP
MEDIA CHINESE INTERNATIONAL	0.195	329.0	Y	03/2021	-30.4%	1.9%	-70.7%	64.0%	10.8	36.8	22.4	0.5	0.5	1.3%	1.0%	0.155	UP
MEDIA PRIMA BHD	0.150	166.4	N	12/2020	-10.7%	0.8%	18.6%	41.6%	N.A.	N.A.	N.A.	0.3	0.3	-8.8%	0.0%	0.105	UP
STAR MEDIA GROUP BHD	0.360	260.9	Y	12/2020	-31.6%	-4.1%	-168.5%	80.0%	36.4	N.A.	N.A.	0.3	0.3	-0.6%	0.0%	0.300	UP
Simple Average					**-19.1%**	**-0.4%**	**-59.3%**	**43.3%**	**18.0**	**22.4**	**15.8**	**1.4**	**1.2**	**10.9%**	**2.0%**		

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.***

Published and printed by:

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