

19 November 2020

Media Prima Bhd

3QFY20 Beat Expectations

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9MFY20 core LATAMI of RM25.9m (+66%) beat estimates as the group sealed a profitable quarter thanks to earlier right-sizing efforts. While we raise our FY20E/FY21E earnings by 77%/148% to account for a possibly sustainable turn-around, the overall industry outlook remains soft as digitalisation continues to threaten the dependency on traditional media outlets. On another note, Home Shopping (CJ Wowshop) is expected to continue gaining ground. Maintain UP but with a higher TP of RM0.155 (from RM0.105)

9MFY20 outpaced expectations. 9MFY20 core LATAMI of RM25.9m is deemed to be above our/consensus FY20E LATAMI of RM51.5m/RM60.0m, respectively. The positive deviation is due to effective cost streamlining (mainly in the key broadcasting and publishing segments) which drove 3QFY20 to report PATAMI of RM12.4m. No dividends were declared, as expected.

YoY, 9MFY20 revenue declined by 7% to RM743.5m, mainly from the impact of the MCO spiking down overall advertising spend via traditional platforms. Notably, gains are seen from the Digital Media (+46%) and Home Shopping segment (36%) as these channels benefitted from the increase in digital dependency and the acceleration in acceptance of e-commerce during this period of restricted movements. On the flipside, thanks to past streamlining efforts coming to fruition in the broadcasting and publishing segments, the group was able to register a higher core EBITDA of RM81.6m (+113%). Though the group is still pained by heavy depreciations, its 9MFY20 LATAMI of RM25.9m is an improvement from 9MFY19 LATAMI of RM75.6m.

QoQ, 3QFY20 revenue rose by 14% as advertising activities in traditional media outlets regained strength from the loosening of movement controls and re-opening of economic activities. That said, Home Shopping saw lower sales which we believe is likely due to consumers returning to brick-and-mortar shopping. Thanks to the abovementioned better cost environment, losses of RM8.8m in 2QFY20 turned around to a PATAMI of RM12.4m in 3QFY20.

Grass will grow. The difficult decision made in the past has started to pay off as its operations have become leaner. While the resurgence in traditional adspend is welcomed, it could be a case of advertisers catching up on opportunities lost in the previous period. That said, we continue to be optimistic on the outlook of the group's Home Shopping segment, where it recently acquired the remaining 49% stake in CJ Wowshop. Digitalisation remains to be a growing trend and a threat to the group, especially as movement controls and homebound arrangements become a norm, inhibiting the effectiveness of outdoor advertising.

Post-results, we raise our FY20E/FY21E earnings by 77%/148% on the back of more relaxed cost assumptions for the broadcasting and publishing segments.

Maintain UNDERPERFORM but with a higher TP of RM0.155 (from RM0.105, previously). Our TP is based on an unchanged 0.7x FY21E P/NTA (-1.5SD below the group's 3-year mean) on the higher NTA following our earnings revision. Though we believe that it is possible for the group to report positive numbers in the coming quarters, we are still cautious of the erosion on traditional media outlets in the advertising industry. Additionally, we believe the group might continue to withhold its dividend payouts until it becomes more cash-stable. Consolidation with smaller media players could be a plus.

Risks to our call include: (i) higher-than-expected advertising revenue, (ii) lower-than-expected operating expenses, (iii) changes in the regulatory environment.

UNDERPERFORM ↔

Price: RM0.180
Target Price: RM0.155 ↑

Share Price Performance



KLCI	1,604.75
YTD KLCI chg	1.0%
YTD stock price chg	-35.7%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	MPR MK Equity
Market Cap (RM m)	188.6
Share Outstanding	1,109.2
52-week range (H)	0.30
52-week range (L)	0.12
3-mth avg daily vol:	3,593,827
Free Float	47%
Beta	1.2

Major Shareholders

Aurora Mulia Sdn Bhd	31.9%
Morgan Stanley	12.8%
Amanah Saham Nasional	6.1%

Summary Earnings Table

FYE Dec (RM m)	2019A	2020E	2021E
Turnover	1,106	988	996
EBIT	-164	-28	14
PBT	-173	-27	16
PATAMI/(LATAMI)	-178	-23	14
Core PATAMI/(LATAMI)	-62	-12	14
Consensus (NP)		-60	-27
Earnings Revision		+77%	+148%
Core EPS (sen)	-5.6	-1.1	1.2
Core EPS growth (%)	-41.9	-81.1	-216.3
DPS (sen)	0.0	0.0	0.0
NTA/Share (RM)	18.3	19.0	22.0
PER (x)	-3.2	-17.1	14.7
P/NTA (x)	0.3	0.3	0.3
Net Gearing (x)	-0.4	-0.4	-0.6
Dividend Yield (%)	0.0	0.0	0.0

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Result Highlight								
	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
	FY20	FY20	Chg	FY19	Chg	FY20	FY19	Chg
FYE Dec (RM m)								
Revenue	268.8	236.3	13.7%	265.5	1.2%	743.5	801.4	-7.2%
EBITDA/(LBITDA)	51.8	14.9	247.0%	28.8	79.9%	70.3	40.5	73.3%
Core EBITDA/(LBITDA)	51.8	26.2	97.5%	28.8	79.9%	81.6	38.4	112.6%
PBT/(LBT)	18.9	-17.1	210.2%	-25.2	174.7%	-26.9	-73.4	63.3%
Taxation	-7.1	-0.9	-670.8%	-0.3	N.M.	-9.3	-5.8	-59.7%
Minority Interest	0.6	-2.1	131.1%	1.4	-53.9%	-1.0	5.8	-117.3%
PATAMI/(LATAMI)	12.4	-20.1	161.8%	-24.2	151.4%	-37.2	-73.4	49.3%
Core PATAMI/(LATAMI)	12.4	-8.8	241.2%	-24.2	151.4%	-25.9	-75.6	65.7%
EPS (sen)	1.1	-0.8	241.2%	-2.2	151.4%	-2.3	-6.8	65.7%
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
EBITDA/(LBITDA) margin	19.3%	6.3%		10.8%		9.5%	5.1%	
PBT/(LBT) margin	7.0%	-7.2%		-9.5%		-3.6%	-9.2%	
Core PATAMI/(LATAMI) margin	4.6%	-3.7%		-9.1%		-3.5%	-9.4%	
Effective Tax Rate	-37.5%	5.4%		1.2%		34.5%	7.9%	

* Core adjustments account for exceptional items such as impairments, gains from disposal and termination benefits

Source: Kenanga Research

Result Highlight								
	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
	FY20	FY20	Chg	FY19	Chg	FY20	FY19	Chg
Revenue (RM'm)								
- Omnia*	91.2	124.7	-26.8%	0.0	N.M.	215.9	0.0	N.M.
- Broadcasting (TV and radio)	97.5	68.8	41.7%	105.1	-7.2%	246.4	323.1	-23.7%
- Out-of-Home	25.6	26.2	-2.4%	36.1	-29.0%	88.1	115.1	-23.5%
- Publishing	38.1	23.4	63.0%	54.5	-30.1%	106.9	159.9	-33.1%
- Digital Media	22.9	20.3	12.8%	17.5	31.3%	60.6	53.2	14.0%
- Content Creation	10.6	19.8	-46.3%	23.1	-53.9%	52.0	63.6	-18.2%
- Home Shopping	78.2	88.3	-11.5%	55.7	40.4%	230.9	169.9	35.9%
- Corporate & Interco Elimination	-95.4	-135.3	29.5%	-26.3	-262.3%	-257.4	-83.3	-209.0%
Total Revenue	268.8	236.3	13.7%	265.5	48.2%	743.5	801.4	-7.2%
Profit After Tax (RM'm)								
- Omnia*	-2.5	10.2	-124.3%	0.0	N.M.	-6.1	0.0	N.M.
- Broadcasting (TV and radio)	26.1	-4.1	736.9%	-8.5	405.8%	17.1	-23.7	172.4%
- Out-of-Home	-0.4	-1.0	59.9%	1.8	-122.9%	0.4	3.4	-87.0%
- Publishing	-0.7	-14.4	95.0%	-22.5	96.8%	-26.9	-58.7	54.2%
- Digital Media	3.3	5.8	-43.9%	2.3	42.6%	9.0	3.9	132.8%
- Content Creation	-0.6	-6.5	91.1%	1.4	-141.1%	-5.5	6.1	-190.6%
- Home Shopping	3.2	6.2	-47.6%	-1.3	346.4%	9.5	-8.9	206.6%
- Corporate & Interco Elimination	-16.6	-14.2	-16.9%	1.4	N.M.	-33.8	-1.2	N.M.
Total Profit After Tax	11.8	-18.0	165.4%	-25.6	146.1%	-36.2	-79.2	54.2%
PAT Margin								
- Omnia*	-2.7%	8.2%		N.M.		-2.8%	N.M.	
- Broadcasting (TV and radio)	26.8%	-6.0%		-8.1%		7.0%	-7.3%	
- Out-of-Home	-1.6%	-3.8%		4.9%		0.5%	2.9%	
- Publishing	-1.9%	-61.5%		-41.4%		-25.2%	-36.7%	
- Digital Media	14.2%	28.6%		13.1%		14.8%	7.3%	
- Content Creation	-5.4%	-32.8%		6.1%		-10.7%	9.6%	
- Home Shopping	4.1%	7.0%		-2.4%		4.1%	-5.3%	
Total PAT Margin	4.4%	-7.6%		-9.6%		-4.9%	-9.9%	

* Omnia relates to the reclassified advertising-related solutions, marketing and sale of advertisements across the Group's main media platforms effective 1 April 2020 covering Broadcasting, Publishing and Branded Content under Content Creation

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.			
Stocks Under Coverage																		
ASTRO MALAYSIA HOLDINGS BHD	0.800	4,171.6	N	01/2021	-3.9%	-0.3%	-16.5%	-12.4%	6.3	7.6	8.7	4.4	3.6	51.9%	7.5%	0.830	OP	
MEDIA CHINESE INTERNATIONAL	0.150	253.1	Y	03/2021	-38.9%	15.9%	-148.0%	141.1%	8.3	N.A.	41.7	0.4	0.4	-2.1%	0.0%	0.150	MP	
MEDIA PRIMA BHD	0.180	199.7	N	12/2020	-10.7%	0.8%	81.1%	216.2%	N.A.	N.A.	14.8	0.3	0.3	-2.0%	0.0%	0.155	UP	
STAR MEDIA GROUP BHD	0.325	235.5	Y	12/2020	-39.7%	11.1%	-956.2%	85.4%	32.8	N.A.	N.A.	0.3	0.3	-8.0%	0.0%	0.280	UP	
Simple Average					-23.3%	6.9%	-259.9%	107.6%	15.8	7.6	21.7	1.4	1.1	10.0%	1.9%			

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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