

26 February 2021

Media Prima Bhd

FY20 Surpasses Expectations

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FY20 registered a core LATAMI of RM4.7m which came in above expectations thanks to cost optimization exercises that lowered operating expenses which resulted in a smaller LATAMI by 93% YoY. Interestingly, WOWSHOP recorded its very first net profit of RM10.2m since its inception in 2016. As expected, no dividends were declared. Maintain UNDERPERFORM albeit with a higher TP of RM0.365.

FY20 beat expectations. FY20 recorded a core LATAMI of RM4.7m which came above expectations of house/street's full-year estimates of LATAMI of RM11.7m/RM26.7m. We believe the positive deviation came from lower operating expenses due to the group's success in cost rationalization exercises that took place in 2QFY20 and 4QFY20. As a result of the exercises, core EBITDA rose by 141% YoY. As expected, no dividends were declared.

YoY, revenue fell by 6% from RM1.1b in FY19 to RM1.0b which was mainly due weaker traditional media channels as the implementation of movement restrictions affected adex revenue. Unsurprisingly, the major decline came from its publishing segment (-31%) as movement restrictions resulted in lower newspaper adex and circulation sales followed by its out-of-home segment (-27%) as fewer vehicles and pedestrians on the road warranted advertisers to hold back adex spending. Interestingly, MEDIA's home-shopping segment recorded its very first PAT of RM10.2m since its inception in 2016. It has grown significantly from FY19 by 196% thanks to the convenience WOWSHOP offers to consumers in times of movement restrictions. Thanks to surge in the digital segments together with effective cost cutting measures taken, the group registered a core LATAMI of RM4.7m compared to RM64.0m in FY19 (+93%), after adjusting for one-off termination benefits and impairment.

QoQ, revenue rose by 11% to RM298.1m due to higher advertising revenue; broadcasting segment increased by 4%; publishing rose by 12% whereas content creation by 29%. However, home-shopping fell by 78%, most likely due to tight digital competition. Post adjustments, 4QFY20 recorded a core PATAMI of RM21.2m.

Outlook. The group is continuously collaborating with various parties to grow their revenue in both traditional platforms (e.g. rebranding of NTV7 to DidikTV which airs educational materials) and non-traditional platforms (e.g. recent content partnership with iQiyi and WeTV). Moreover, with the recent appointment of a new group ED, we believe MEDIA's digital business will grow steadily. However, we remain cautious of the erosion of traditional media outlets in the advertising industry.

Post-results, we raise our FY21E earnings by 292% on the back of more relaxed cost assumptions for the broadcasting and publishing segments and better performance from its digital and home-shopping segments and introduce our FY22E numbers which we expect to be profitable at this juncture.

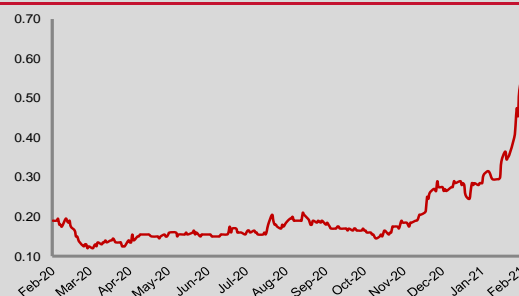
Maintain UNDERPERFORM but with a higher TP of RM0.365 (previously RM0.155) as we roll over our valuation base to FY22E NTA/share based on P/NTA of 1.2 (-0.5 SD below its 3-year mean). Although we believe that the group will perform better now on, we still remain cautious of the erosion on traditional media outlets in the advertising industry.

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

UNDERPERFORM ↔

Price: RM0.550
Target Price: RM0.365 ↑

Share Price Performance



KLCI	1,581.54
YTD KLCI chg	-2.8%
YTD stock price chg	93.0%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	MPR MK Equity
Market Cap (RM m)	610.1
Share Outstanding	1,109.2
52-week range (H)	0.62
52-week range (L)	0.11
3-mth avg daily vol:	11,452,210
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)	2020A	2021E	2022E
Turnover	1,042	1,242	1,278
EBIT	2	75	83
PBT	-6	60	70
PATAMI/(LATAMI)	-18	53	62
Core PATAMI/(LATAMI)	-5	53	62
Consensus (NP)		-4	11
Earnings Revision		+292%	NEW
Core EPS (sen)	-0.4	4.8	5.6
Core EPS growth (%)	+92.4	+1,232	+16.6
DPS (sen)	0.0	0.0	0.0
NTA/Share (sen)	17.3	24.8	30.4
PER (x)	-129.8	11.5	9.8
P/NTA (x)	1.1	1.0	0.9
Net Gearing (x)	-0.3	-0.5	-0.8
Dividend Yield (%)	0.0	0.0	0.0

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Result Highlight

	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Dec (RM m)	FY20	FY20	Chg	FY19	Chg	FY20	FY19	Chg
Revenue	298.1	268.8	10.9%	304.6	-2.1%	1,041.6	1,106.0	-5.8%
EBITDA/(LBITDA)	47.1	51.8	-9.0%	-100.1	147.1%	117.4	-59.6	297.1%
Core EBITDA/(LBITDA)	49.5	51.8	-4.4%	16.0	209.8%	131.1	54.3	141.2%
PBT/(LBT)	21.1	18.9	12.1%	-99.7	121.2%	-5.8	-173.0	96.7%
Taxation	-3.0	-7.1	57.6%	-6.7	55.0%	-12.3	-12.5	1.5%
Minority Interest	0.7	0.6	9.3%	1.9	-62.4%	-0.3	7.6	-103.8%
PATAMI/(LATAMI)	18.8	12.4	51.5%	-104.5	118.0%	-18.4	-177.9	89.7%
Core PATAMI/(LATAMI)	21.2	12.4	70.7%	11.6	82.6%	-4.7	-64.0	92.7%
EPS (sen)	1.9	1.1	70.7%	1.0	82.6%	-0.4	-5.8	92.7%
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
EBITDA/(LBITDA) margin	15.8%	19.3%		-32.9%		11.3%	-5.4%	
PBT/(LBT) margin	7.1%	7.0%		-32.7%		-0.6%	-15.6%	
Core PATAMI/(LATAMI) margin	7.1%	4.6%		3.8%		-0.5%	-5.8%	
Effective Tax Rate	-14.2%	-37.5%		6.7%		212.5%	7.2%	

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

Source: Kenanga Research

Result Highlight

	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
Revenue (RM'm)	FY20	FY20	Chg	FY19	Chg	FY20	FY19	Chg
- Omnia*	172.1	91.2	88.7%	0.0	#DIV/0!	388.0	0.0	#DIV/0!
- Broadcasting (TV and radio)	101.8	97.5	4.4%	115.5	-11.8%	348.2	438.5	-20.6%
- Out-of-Home	25.1	25.6	-1.9%	39.9	-37.0%	113.2	154.9	-26.9%
- Publishing	42.7	38.1	12.1%	57.7	-26.1%	149.6	217.6	-31.2%
- Digital Media	29.5	22.9	28.8%	21.2	39.1%	90.1	74.4	21.1%
- Content Creation	13.3	10.6	25.1%	26.8	-50.3%	65.3	90.4	-27.7%
- Home Shopping	77.9	78.2	-0.3%	62.3	25.0%	308.9	232.3	33.0%
- Corporate & Interco Elimination	-164.4	-95.4	-72.4%	-18.8	-775.8%	-421.8	-102.1	-313.2%
Total Revenue	298.1	268.8	10.9%	304.6	-2.1%	1,041.6	1,106.0	-5.8%
Profit After Tax (RM'm)								
- Omnia*	-6.0	-2.5	-141.9%	0.0	#DIV/0!	-12.1	0.0	#DIV/0!
- Broadcasting (TV and radio)	18.9	26.1	-27.8%	-4.4	530.4%	36.0	-28.1	228.4%
- Out-of-Home	-5.6	-0.4	-1285.2%	3.8	-249.4%	-5.2	7.1	-172.6%
- Publishing	0.2	-0.7	130.8%	-54.3	100.4%	-26.7	-113.0	76.4%
- Digital Media	1.9	3.3	-42.7%	-2.2	185.7%	10.8	1.7	543.3%
- Content Creation	-0.6	-0.6	-4.9%	0.8	-179.2%	-6.2	6.9	-189.3%
- Home Shopping	0.7	3.2	-78.2%	-1.7	140.9%	10.2	-10.6	196.0%
- Corporate & Interco Elimination	8.7	-16.6	152.3%	-48.3	118.0%	-25.1	-49.5	49.4%
Total Profit After Tax	18.1	11.8	53.9%	-106.3	117.1%	-18.1	-185.5	90.2%
PAT Margin								
- Omnia*	-3.5%	-2.7%		#DIV/0!		-3.1%	#DIV/0!	
- Broadcasting (TV and radio)	18.5%	26.8%		-3.8%		10.3%	-6.4%	
- Out-of-Home	-22.3%	-1.6%		9.4%		-4.6%	4.6%	
- Publishing	0.5%	-1.9%		-94.1%		-17.8%	-51.9%	
- Digital Media	6.3%	14.2%		-10.2%		12.0%	2.3%	
- Content Creation	-4.5%	-5.4%		2.9%		-9.4%	7.6%	
- Home Shopping	0.9%	4.1%		-2.8%		3.3%	-4.6%	
Total PAT Margin	6.1%	4.4%		-34.9%		-1.7%	-16.8%	

* 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.			
Stocks Under Coverage																	
ASTRO MALAYSIA HOLDINGS BHD	0.935	4,875.6	N	01/2021	-3.9%	-0.3%	-16.5%	-12.4%	7.4	8.9	10.1	5.2	4.2	51.9%	6.4%	0.830	MP
MEDIA CHINESE INTERNATIONAL	0.170	286.8	Y	03/2021	-37.1%	16.4%	-124.7%	240.0%	9.4	N.A.	27.3	0.4	0.4	-1.1%	0.0%	0.155	UP
MEDIA PRIMA BHD	0.550	610.1	N	12/2021	19.2%	2.9%	1231.9%	16.7%	N.A.	11.5	9.8	1.1	1.0	8.9%	0.0%	0.365	UP
STAR MEDIA GROUP BHD	0.355	257.3	Y	12/2021	10.7%	10.4%	-116.8%	150.0%	N.A.	N.A.	52.8	0.3	0.3	-1.3%	0.0%	0.295	UP
Simple Average					-2.7%	7.4%	243.5%	98.6%	8.4	10.2	25.0	1.7	1.5	14.6%	1.6%		

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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