Media Chinese International

FY21 Profit Warning

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MARKET PERFORM ↔

Price : **RM0.180**

Target Price : **RM0.190** ↔

MEDIAC issued a profit warning for FY21 to register a LATAMI of not more than USD2.0m (est. RM8.4m). With 9MFY21 posting a LATAMI of USD3.5m, this suggests that 4QFY21 would be profitable, posting a profit of not less than approximately USD1.7m. The rise in earnings is mainly due to the gradual economic recovery in Hong Kong and cost savings measures taken across all its business fronts. We believe the economic recovery in Malaysia gave a boost to earnings as well. We maintain MARKET PERFORM with a TP of RM0.190.

4QFY21 guidance in line. Yesterday, MEDIAC announced their upcoming 4QFY21 earnings guidance. In the announcement, the group is guiding a profit of not less than approximately USD1.7m (est. RM7.1m) for their 4QFY21. With 9MFY21 posting a LATAMI of USD3.5m **this implies that MEDIAC would register a LATAMI of not more than USD2.0m in FY21**. The estimate is in line with our expected full- year LATAMI of USD1.8m (est. RM7.5m).

YoY, the group's earnings had risen by approximately more than 195% (4QFY20: LATAMI of RM1.8m) and this was predominately attributable to the gradual economic recovery in Hong Kong (1QCY21 GDP rose by 7.8% after registering a decline in GDP for six straight quarters) and cost savings practised across all the group's business operations. Despite the re-implementation of MCO in 1QCY21 in Malaysia, the economy contracted by 0.5% compared to -3.4% in 4QCY20 (QoQ growth: +2.7%), signalling improvement in all economic sectors. With business conditions improving in both Hong Kong and Malaysia, we believe this resulted in more newspapers and magazines being published along with a potential recovery in consumers' purchasing power that prompted advertisers regaining their appetite. As for the travel segment, we believe it remained muted QoQ as international travel was restricted in many countries in 1QCY21.

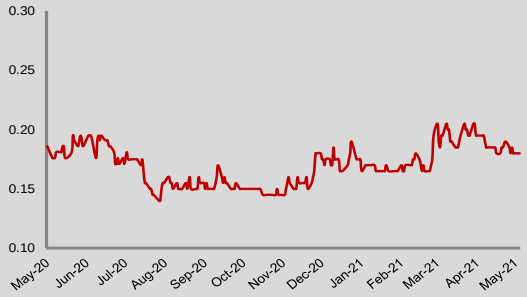
Strategies in place. While the group is heavily involved in implementing cost management initiatives such as reducing staff force, the group continue to seek ways to grow its digital audience and revenue to adjust to the new norm. Notably, the group organised a virtual expo and webinar last year while its Hong Kong segment launched an e-commerce platform, Power Up Store, in 2020.

Post guidance, we made no changes to our earnings estimates.

Maintain MARKET PERFORM with a TP of RM0.190 based on FY22E P/NTA of 0.5x (in-line with its 3-year mean). Recall that we upgraded MEDIAC from UNDERPERFORM to MARKET PERFORM in our latest Sector Report (6 April 2021) as we believe its travel segment is set to recover from 2HCY21 onwards as countries worldwide are gradually relaxing their international border restrictions (e.g. European Union is looking to welcome visitors from countries with low COVID-19 cases and those whom have been fully vaccinated as early as May 2021, USA and Canada are in talks to reopen the land border for non-essential travel by June 2021 whereas New Zealand had opened their borders with Australia beginning 19 April 2021). In addition, should the need to capitalize on attractive investment opportunities arise, the group is backed by a solid cash pile which stands at 14.0 sen per share.

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

Share Price Performance



KLCI	1,577.64
YTD KLCI chg	-3.0%
YTD stock price chg	-5.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MCIL MK Equity
Market Cap (RM m)	303.7
Shares Outstanding	1,687.2
52-week range (H)	0.22
52-week range (L)	0.14
3-mth avg daily vol	7,431,521
Free Float	40%
Beta	0.6

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	649.4	789.0
EBIT	36.5	-14.3	15.0
PBT	40.0	-10.5	18.8
PATAMI	**30.4**	**-7.5**	**13.5**
Core PATAMI	**30.4**	**-7.5**	**13.5**
Consensus (NP)		-7.7	-1.1
Earnings Revision	-	0%	0%
Core EPS (sen)	1.8	-0.4	0.8
Core EPS growth (%)	10.6	-124.7	-278.9
NDPS (sen)	1.1	-	-
BV/Share (sen)	41.5	39.9	40.7
NTA/Share (sen)	39.1	37.6	38.4
PER (x)	10.0	-40.3	22.5
PBV (x)	0.43	0.45	0.44
P/NTA (x)	0.46	0.48	0.47
Net Gearing (x)	-0.34	-0.32	-0.34
Net Div. Yield (%)	6.2	0.0	0.0

Income Statement

FY Mar (RM m)	2018A	2019A	2020A	2021E	2022E
Revenue	**1,100.8**	**1,166.5**	**1,031.7**	**649.4**	**789.0**
Operating Profit	-25.5	-28.1	36.5	-14.3	15.0
Depreciation	-35.2	-33.6	-34.7	-32.5	-32.6
Interest Inc/(Exp)	-1.4	1.4	3.5	3.7	3.8
Associate Earnings	0.3	0.0	0.0	0.0	0.0
Profit Before Tax	**-26.6**	**-26.7**	**40.0**	**-10.5**	**18.8**
Taxation	-20.6	-21.2	-13.6	3.7	-6.6
Minority Interest	2.8	1.7	4.0	-0.7	1.2
Core PATAMI	**55.5**	**27.5**	**30.4**	**-7.5**	**13.5**

Balance Sheet

FY Mar (RM m)	2018A	2019A	2020A	2021E	2022E
Fixed Assets	364.1	323.6	304.8	267.6	238.3
Intangible Assets	103.8	37.3	39.4	38.4	38.4
Other Fixed Assets	100.2	98.8	100.3	97.7	97.7
Inventories	68.2	101.6	86.4	55.5	66.7
Receivables	173.1	146.8	108.9	75.2	87.3
Other Current Assets	78.5	4.4	3.8	3.7	3.7
Cash	393.7	307.0	318.7	297.8	317.2
Total Assets	**1,281.6**	**1,019.5**	**962.3**	**835.8**	**849.2**
Payables	199.9	134.0	96.3	0.0	0.0
ST Borrowings	264.4	81.3	83.5	81.3	81.3
Other ST Liability	3.3	80.7	44.6	43.5	43.5
LT Borrowings	0.0	0.0	0.0	0.0	0.0
Other LT Liability	34.5	29.8	35.7	34.7	34.7
Net Assets	**779.4**	**693.7**	**702.1**	**676.2**	**689.7**
Shareholders' Equity	763.6	685.3	699.4	673.5	687.0
Minority Interests	15.8	8.4	2.8	2.7	2.7
Total Equity	**779.4**	**693.7**	**702.1**	**676.2**	**689.7**

Cashflow Statement

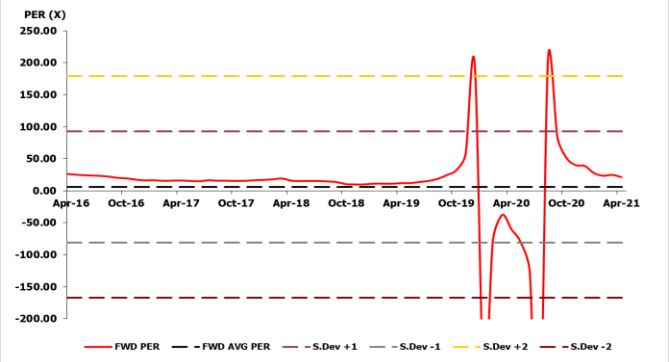
FY Mar (RM m)	2018A	2019A	2020A	2021E	2022E
Operating CF	85.0	62.9	26.5	-13.0	18.9
Investing CF	-24.9	37.7	-29.6	-3.3	-3.3
Financing CF	-13.0	-209.1	-24.9	3.7	3.8
Change In Cash	47.0	-108.5	-28.0	-12.5	19.4
Free CF	82.1	57.2	23.2	-16.3	15.6

Financial Data & Ratios

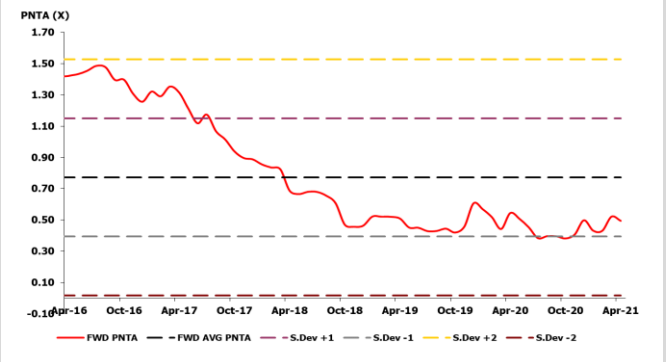
FY Mar	2018A	2019A	2020A	2021E	2022E
Growth					
Turnover	-5.8%	0.2%	-16.2%	-35.4%	21.5%
Operating Profit	-130.1%	4.0%	-223.3%	-140.1%	+205.2%
PBT	-133.1%	-4.9%	-242.0%	-127.0%	+278.9%
Core PATAMI	83.0%	-53.1%	4.8%	-125.4%	+278.9%
Profitability					
Operating Margin	-2.3%	-2.4%	3.5%	-2.2%	1.9%
PBT Margin	-2.4%	-2.3%	3.9%	-1.6%	2.4%
Core PATAMI Margin	5.0%	2.4%	2.9%	-1.2%	1.7%
Effective Tax	-77.6%	-79.2%	34.1%	35.0%	35.0%
ROA	-3.6%	-3.9%	3.0%	-0.8%	1.6%
ROE	-5.9%	-6.2%	4.3%	-1.1%	2.0%
DuPont Analysis					
Net Margin	5.0%	2.4%	2.9%	-1.2%	1.7%
Assets Turnover (x)	0.9	1.1	1.1	0.8	0.9
Leverage Factor (x)	1.7	1.5	1.4	1.2	1.2
ROE	-5.9%	-6.2%	4.3%	-1.1%	2.0%
Leverage					
Debt/Asset (x)	0.2	0.1	0.1	0.1	0.1
Debt/Equity (x)	0.3	0.1	0.1	0.1	0.1
Net (Cash)/Debt	-129.3	-225.7	-235.1	-216.5	-235.9
Net Debt/Equity (x)	-0.2	-0.3	-0.3	-0.3	-0.3
Valuations					
Core EPS (sen)	3.3	1.6	1.8	-0.4	0.8
NDPS (sen)	1.7	1.1	1.1	0.0	0.0
BV/sh (RM)	0.45	0.41	0.41	0.40	0.41
PER (x)	5.5	11.0	10.0	-40.3	22.5
Div. Yield (%)	9.2%	6.4%	6.2%	0.0%	0.0%
PBV (x)	0.4	0.4	0.4	0.5	0.4
EV/EBITDA (x)	1,004.4	1,278.6	89.4	152.6	98.7

Source: Kenanga Research

Fwd PER Band



Fwd P/NTA Band



Source: Bloomberg, 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	1.05	5,475.2	N	01/2022	17.0%	-1.4%	18.4%	2.7%	10.3	8.7	8.4	4.8	4.2	51.4%	8.6%	1.12	OP
MEDIA CHINESE INTERNATIONAL	0.180	303.7	Y	03/2021	-37.1%	21.5%	-124.7%	278.9%	10.0	N.A.	22.5	0.4	0.4	-1.1%	0.0%	0.190	MP
MEDIA PRIMA BHD	0.600	665.5	N	12/2021	35.8%	18.6%	1333.6%	17.8%	N.A.	11.5	9.7	1.2	1.1	9.6%	0.0%	0.755	OP
STAR MEDIA GROUP BHD	0.390	282.7	Y	12/2021	-39.7%	11.1%	-956.2%	85.4%	39.4	N.A.	N.A.	0.4	0.4	-8.0%	0.0%	0.280	UP
Simple Average					**-6.0%**	**12.5%**	**67.8%**	**96.2%**	**19.9**	**10.1**	**13.6**	**1.7**	**1.5**	**13.0%**	**2.1%**		

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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