

26 July 2021

Media

NEUTRAL

2QCY21 Adex Review: TV Adex On The Rise



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2QCY21 total gross adex gathered by Nielsen depicted a growth of 6% QoQ and 20% YTD. With the continuous closure of the entertainment sector, the cinema segment's adex was severely hit, plunging by 83% YTD. On the other hand, FTA television rose by 55% YTD to RM1.6b and gained a higher market share in the adex industry; up by 13.3ppt to 60% YTD of gross total adex and +8.2ppt YoY (Figure 5 - Appendix). Interestingly, we note that the digital segment dropped by 8% YTD which was mainly dragged by 2QCY21 as the segment fell 12% QoQ. With that said, this illustrates that traditional platforms like television are still a relevant platform for advertisers to market to consumers. As the television adex continues rising, we see MEDIA to benefit the most as the group controls the lion's share of about 75% in this segment. We maintain NEUTRAL on the sector with ASTRO (TP: RM1.20) and MEDIA (TP: RM0.690) as our top picks due to Astro's attractive dividend yield of 7.2% and its recent successful partnerships with top OTTs, and MEDIA's recent earnings turnaround.



1HCY21 better than 1HCY20. According to Nielsen's 6MCY21 statistics, the total gross adex rose by 20% from RM2.3b in 6MCY20 to RM2.8b in 6MCY21 thanks to 2QCY21 adex (+52% up from 2QCY20) boosting first half adex. The continuous movement control and lockdowns in Malaysia have accelerated the growth in FTA adex (+75% YoY or +55% YTD) and radex (+148% YoY and +33% YTD). Interestingly, after stripping off digital adex, the media industry would have seen a rise of 28% (+7.8ppt than with digital adex) in 1HCY21, propelled by the abovementioned FTA segment. Unfortunately, the cinema and magazines segments were severely affected due to the pandemic due to a highly restrictive operating environment for the cinemas which fell by 83% and magazines by 44%.

QoQ, 2QCY21 total gross adex was affected by 12% and 76% drop in digital and in-store platforms, respectively, only grew by 6%. As digital holds the third largest weightage in the industry, a slight drop in digital adex can significantly affect the gross adex (ex-digital: + 9%). The drop in the in-store segment could be due to fewer patrons at stores on account of stricter SOPs in force, resulting in advertisers limiting their marketing spend on this segment. On the other hand, the remaining segments saw positive growth, namely, FTA TV (+14%), magazines (+24%) and radio (+22%) of which FTA TV holds the largest share of 62% in the adex industry which rose by 5.7% from 1QCY21 indicating that traditional platforms are still relevant for advertisers to market to consumers.

Outlook. As the movement control sweeps into 3QCY21 with cases still sky-high, this may continue the upward trajectory of television adex. Not forgetting the long-awaited broadcasting of the delayed Tokyo Olympics 2020 which could be a much-needed booster in this quarter. As a result, this will benefit MEDIA the most as the group commands the lion's share of FTA television adex at approximately 75%. Following the rebranding of NTV7 to Didik TV following a collaboration with the Ministry of Education, the adex for this channel jumped by 56% to RM73.0m resulting in 2QCY21 registering the highest adspend since 1QCY19. This indicates that this new collaboration has borne fruit for the group and most likely spurred higher viewership for this channel.

Maintain NEUTRAL on the Media Sector. As the government plans to continue with the Phase 1 of FMCO indefinitely until cases fall below 4,000, we believe this may drag down adex and thus, negatively impact the media sector. However, with the government working on ramping up efforts to achieve herd immunity by December 2021 by setting up more vaccination centres, involving private hospitals and clinics in the vaccination programme, we believe that 4QCY21 onwards will offer a better outlook for the media players. **ASTRO (MP, TP: RM1.20)** offers attractive dividend yield of 7.2% and its successful partnerships with top OTT platforms such as Disney+ Hotstar and Netflix will help to bump up the group's subscriber base. That said, we remain cautious of the content cost owing to global sporting events like Tokyo Olympics 2020 and Euro 2020. **MEDIA (MP, TP: RM0.690)** could be a decent pick for those who need to stay invested in media for (i) recent turnaround in its earnings and (ii) being able to maintain profitability for three quarters consecutively thanks to operating expenses control measures.

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Appendix

Statistics in this report are correct at time of print. Nielsen measures advertising spending based on published rate cards for traditional media. Digital ad spend is attributed based on industry agreed "cost-per-mille" (CPM) rates.

Figure 1: Quarterly gross adex by medium

Media Type	2Q21 (RM'm)	2Q20 (RM'm)	YoY Chg	1Q21 (RM'm)	QoQ Chg
FTA Television	877.1	500.2	75.3%	772.3	13.6%
Newspapers	217.7	169.8	28.2%	215.5	1.1%
Magazines	5.5	7.5	-26.5%	4.4	23.9%
Radio	93.7	37.8	147.9%	77.1	21.6%
Cinema	3.9	-	N.A.	1.7	134.7%
In-Store Media	7.4	11.9	-37.9%	31.0	-76.1%
Digital*	211.9	204.4	3.7%	239.3	-11.5%
Total	1,417.3	931.6	52.1%	1,341.3	5.7%
Total (ex-Digital)	1,205.4	727.2	65.8%	1,102.0	9.4%

Figure 2: YTD adex change

Media Type	6M21 (RM'm)	6M20 (RM'm)	YoY Chg
FTA Television	1,649.4	1,065.8	54.8%
Newspapers	433.2	530.9	-18.4%
Magazines	9.9	17.7	-44.1%
Radio	170.8	128.2	33.2%
Cinema	5.6	33.0	-83.0%
In-Store Media	38.4	24.5	56.8%
Digital*	451.2	490.5	-8.0%
Total	2,758.6	2,290.7	20.4%
Total (ex-Digital)	2,307.3	1,800.1	28.2%

Notes:

* Digital media does not account for adex from mobile in-app spend, social media, and search engines

Source: Nielsen, Kenanga Research

Figure 3: Quarterly key newspaper languages gross adex

Language	2Q21 (RM'm)	2Q20 (RM'm)	YoY Chg	1Q21 (RM'm)	QoQ Chg
West Msia					
-BM	55.8	41.0	36.0%	41.2	35.3%
-Chinese	48.6	39.9	21.8%	65.2	-25.4%
-English	90.0	66.4	35.6%	75.0	19.9%
Others*	23.4	22.5	3.9%	34.0	-31.3%
Total	217.7	169.8	28.2%	215.5	1.1%

Figure 4: YTD Key newspaper languages gross adex

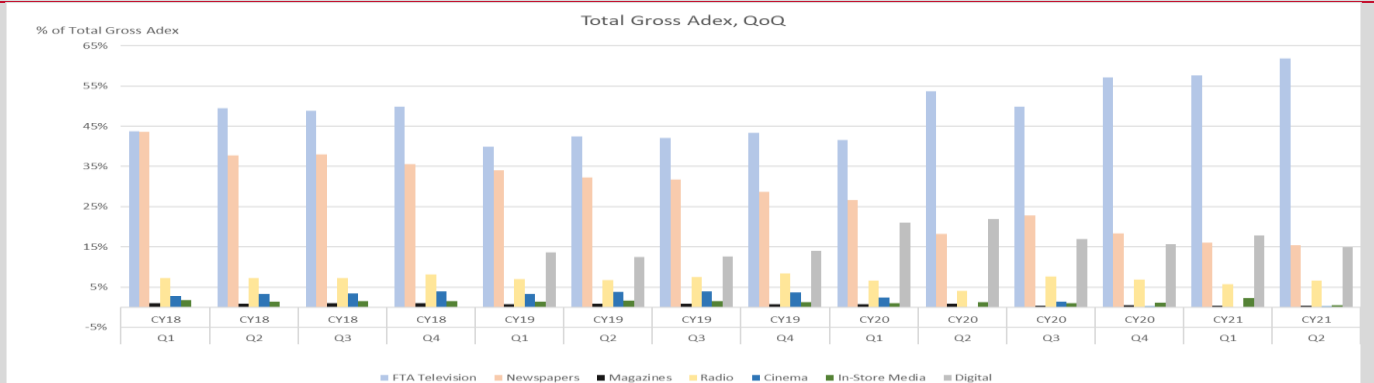
Language	6M21 (RM'm)	6M20 (RM'm)	YoY Chg
West Msia			
-BM	97.0	119.6	-18.9%
-Chinese	113.9	132.9	-14.4%
-English	165.0	192.2	-14.1%
Others*	57.3	86.2	-33.5%
Total	433.2	530.9	-18.4%

Notes:

* Others includes East Malaysian and tamil language papers

Source: Nielsen, Kenanga Research

Figure 5: Quarterly gross adex (%)



Source: Nielsen, Kenanga Research

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Peer Comparison - Media

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	1.13	5,892.4	N	01/2022	17.0%	-1.4%	18.4%	2.7%	11.0	9.3	9.1	5.1	4.5	51.4%	8.0%	1.20	MP
MEDIA CHINESE INTERNATIONAL	0.185	312.1	Y	03/2022	15.8%	30.4%	126.7%	119.5%	N.A.	82.0	37.4	0.5	0.4	0.5%	2.3%	0.185	MP
MEDIA PRIMA BHD	0.505	560.1	N	12/2021	28.3%	15.9%	963.5%	38.9%	N.A.	13.8	9.9	1.0	0.9	6.8%	0.0%	0.690	MP
STAR MEDIA GROUP BHD	0.380	275.4	Y	12/2021	3.2%	5.2%	30.8%	88.5%	N.A.	N.A.	N.A.	0.4	0.4	-5.3%	0.0%	0.280	UP
Simple Average					16.1%	12.5%	284.8%	62.4%	11.0	35.0	18.8	1.7	1.6	13.4%	2.6%		

Source: Bloomberg, 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:

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