# Media

## 4QCY22 Results Review: Cost the Deciding Factor

**NEUTRAL**

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**We maintain NEUTRAL on the sector. Against our forecasts, the 4QCY22 results of players under our coverage were evenly split between above and below expectations. Generally, revenues held up thanks to the seasonal uptick in adex. The key variable that made or broke their bottom lines was cost, of which MEDIA (OP; TP: RM0.57) fared better thanks to some rental relief, while ASTRO (MP; TP: RM0.75) and STAR (OP; TP: RM0.335) were weighed down by higher content and printing costs. Looking forward, we continue to expect adex growth in CY23 to be more muted amidst the global economic uncertainty and the absence of major global sporting events. Our sector top pick is MEDIA for its integrated approach to advertising via Omnia, and improved cost rationalisation.**

**4QCY22 a mixed bag.** Media companies under our coverage reported 4QCY22 results that were evenly split between outperformers and underperformers - a slight deterioration versus the 50%/25%/25% above/within/below expectations in the preceding quarter (see table on page 2). Of the stocks under our coverage, **MEDIA** and **MEDIAC (MP; TP: RM0.16)** beat expectations while **ASTRO** and **STAR** fell short. Broadly speaking, top line for the media players held as the seasonal uptick in adex saw a majority of them reporting QoQ revenue growth across their core media segments with **MEDIAC** being the sole exception. However, a majority of the surprises was due to cost. **MEDIA** earnings benefitted from Covid-19 related rental relief during 4QCY22 as the group reported net profit that more than tripled QoQ. On the other hand, **ASTRO** and **STAR** both suffered from rising costs (namely content licensing and printing costs, respectively), reporting a decrease in earnings of 30% and 88%, respectively. **MEDIAC** was the only player that reported weaker revenue due to a contraction in its Hong Kong and Taiwan segment. However, the group still beat our expectation as its Malaysian operation continued to perform despite the inflationary pressure on printing costs.

**Key takeaways and outlook.** 4QCY22 capped off a generally good year for the media sector's top line. Barring the unexpected downtick in digital adex, most media channels benefitted from seasonal advertising campaigns leading up to the holiday season. The majority of players benefitted from the re-ignited advertising interest, especially in the radio and cinema segments which were the most heavily affected during the lockdown. The only exception was **ASTRO** which continued to face falling subscriber counts and lower ARPU. Looking forward, we continue to expect more muted growth for adex going into CY23. Given the combination of macroeconomic headwinds dampening consumer sentiment as well as the lack of major events to draw in advertiser interest, CY23 looks to be a quiet year for the sector. We continue to project adex growth of 2.8% YoY, led mainly by the digital segment.

Looking beyond adex, the outlook appears more mixed. On the bright side, cost pressures are expected to ease across the board for the sector. The cost of raw materials is expected to come off in CY23 with the recovery of the global supply chain which should benefit the newspaper printing segment. However, this may only come during 2HCY23 given the limited recovery so far and the current geopolitical situation. **ASTRO's** content costs are also expected to come off significantly with the lack of major sporting events (e.g. Olympics, World Cup). On the other hand, the economy reopening has been detrimental to the home-shopping segment which enjoyed a brief boom during the lockdowns. Both **ASTRO** and **MEDIA** reported significant declines in home-shopping revenue of 55% and 58%, respectively, and even falling into losses. They have both acknowledged that the segment is struggling with the return of the brick and mortar shopping experience and are attempting to transition to a more desirable business model. However, the process seems long and winding given that the medium itself is somewhat antiquated, facing significant competition from both traditional stores as well as much larger digital marketplaces. Furthermore, touching on **ASTRO** specifically, we may see the lagged impact of the MYR weakness during 2HCY22 on the group's content costs in CY23. While net costs are still expected to come down, the group may see elevated costs during 2HCY23 given the group secures its content a year ahead. Overall, players are still facing some headwinds and we remain cautious on the sector outlook, especially amid the inflationary pressure and recessionary fears dampening consumer sentiment.

**NEUTRAL maintained for the sector**. The outlook for CY23 seems soft, moving away from the rebound seen in CY22 and could be heading towards a down-cycle. Nevertheless, we continue to like **MEDIA** for its: (i) integrated approach to advertising which we believe offers better demographic targeting and scalability, (ii) strong cost optimisation following the consolidation of its advertising divisions into Omnia, and (iii) leading position in the FTA TV space in which it commands the largest market share. However, we remain wary of its struggling loss-making segments.

### Quarterly Results Performance

| | 4QCY22 | | | | | | 3QCY22 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | KENANGA | | | CONSENSUS | | | KENANGA | | | CONSENSUS | | |
| | Above | Within | Below | Above | Within | Below | Above | Within | Below | Above | Within | Below |
| ASTRO | | | 1 | | | 1 | | 1 | | | 1 | |
| MEDIA | 1 | | | 1 | | | | | 1 | | | 1 |
| MEDIAC | 1 | | | | 1 | | 1 | | | 1 | | |
| STAR | | | 1 | | | 1 | 1 | | | | 1 | |
| **Total** | **2** | **0** | **2** | **1** | **1** | **2** | **2** | **1** | **1** | **1** | **2** | **1** |
| **Total (%)** | **50** | **0** | **50** | **25** | **25** | **50** | **50** | **25** | **25** | **25** | **50** | **25** |

*Source: Kenanga Research, Bloomberg*

### Appendix: Nielsen Adex Data for 4QCY22

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

**Fig. 1: Quarterly Gross Adex by Medium**

| Media Type | 4Q22 (RM m) | 4Q21 (RM m) | YoY Chg | 3Q22 (RM m) | QoQ Chg |
|---|---|---|---|---|---|
| Free-to-air television | 970.7 | 978.9 | -0.8% | 854.4 | 13.6% |
| Newspapers | 279.2 | 280.7 | -0.5% | 277.4 | 0.6% |
| Magazines | 7.6 | 8.3 | -8.0% | 5.9 | 28.4% |
| Radio | 132.2 | 120.8 | 9.4% | 100.7 | 31.2% |
| Cinema | 48.0 | 23.6 | 103.6% | 24.7 | 94.5% |
| In-Store Media | 6.9 | 16.9 | -59.0% | 4.9 | 42.1% |
| Digital* | 306.5 | 332.1 | -7.7% | 344.6 | -11.1% |
| **Total** | **1,751.2** | **1,761.2** | **-0.6%** | **1,612.7** | **8.6%** |
| **Total (ex-Digital)** | **1,444.7** | **1,429.2** | **1.1%** | **1,268.1** | **13.9%** |

*Notes:*
** Digital media does not account for adex from mobile in-app spend, social media, and search engines*
*Source: Nielsen, Kenanga Research*

**Fig. 2: YTD Adex Change**

| Media Type (YTD) | 12M22 (RM m) | 12M21 (RM m) | YoY Chg |
|---|---|---|---|
| Free-to-air television | 3,490.1 | 3,503.2 | -0.4% |
| Newspapers | 1,053.0 | 919.2 | 14.6% |
| Magazines | 26.5 | 25.4 | 4.5% |
| Radio | 440.7 | 358.4 | 23.0% |
| Cinema | 131.9 | 29.2 | 351.8% |
| In-Store Media | 24.5 | 69.0 | -64.5% |
| Digital* | 1,287.6 | 1,026.4 | 25.5% |
| **Total** | **6,454.4** | **5,930.8** | **8.8%** |
| **Total (ex-Digital)** | **5,166.7** | **4,904.4** | **5.3%** |

**Fig. 3: Quarterly Newspaper Gross Adex by Language**

| Language (Newspapers) (YoY) | 4Q22 (RM m) | 4Q21 (RM m) | YoY Chg | 3Q22 (RM m) | QoQ Chg |
|---|---|---|---|---|---|
| West Msia | | | | | |
| BM | 52.7 | 75.6 | -30.3% | 55.7 | -5.3% |
| Chinese | 54.0 | 77.9 | -30.7% | 55.5 | -2.7% |
| English | 93.4 | 111.4 | -16.2% | 90.7 | 2.9% |
| Others | 79.2 | 15.7 | 402.7% | 75.6 | 4.8% |
| **Total** | **279.2** | **280.7** | **-0.5%** | **277.4** | **0.6%** |

**Fig. 4: YTD Newspaper Gross Adex by Language**

| Language (Newspapers) (YTD) | 12M22 (RM m) | 12M21 (RM m) | YoY Chg |
|---|---|---|---|
| West Msia | | | |
| BM | 217.1 | 216.5 | 0.3% |
| Chinese | 267.9 | 237.3 | 12.9% |
| English | 348.1 | 350.6 | -0.7% |
| Others | 219.8 | 114.8 | 91.5% |
| **Total** | **1,053.0** | **919.2** | **14.6%** |

*Notes:*
** Others includes East Malaysian and tamil language papers*
*Source: Nielsen, Kenanga Research*

**Peer Comparison – Media**

| Name | Rating | Last Price (RM) | Target Price (RM) | Upside (%) | Market Cap (RM'm) | Shariah Compliant | Current FYE | Core EPS (sen) | | Core EPS Growth | | PER (x) - Core Earnings | | PBV (x) | ROE (%) | Net. Div. (sen) | Net Div Yld (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | 1-Yr. Fwd. | 2-Yr. Fwd. | 1-Yr. Fwd. | 2-Yr. Fwd. | 1-Yr. Fwd. | 2-Yr. Fwd. | 1-Yr. Fwd. | 1-Yr. Fwd. | 1-Yr. Fwd. | 1-Yr. Fwd. |
| **MEDIA** | | | | | | | | | | | | | | | | | |
| ASTRO MALAYSIA HOLDINGS BHD | MP | 0.670 | 0.750 | 11.94% | 3,493.7 | N | 01/2023 | 6.8 | 8.3 | -24.9% | 21.9% | 9.8 | 8.0 | 2.7 | 28.6% | 5.2 | 7.8% |
| MEDIA CHINESE INTERNATIONAL | MP | 0.160 | 0.160 | 0.00% | 270.0 | Y | 03/2023 | 0.6 | 0.6 | 2325.0% | -2.1% | 27.8 | 28.4 | 0.4 | 1.4% | 0.6 | 3.8% |
| MEDIA PRIMA BHD | OP | 0.425 | 0.570 | 34.12% | 471.4 | N | 06/2023 | 7.1 | 5.7 | 41.7% | -19.6% | 6.0 | 7.5 | 0.7 | 12.0% | 2.0 | 4.7% |
| STAR MEDIA GROUP BHD | OP | 0.320 | 0.335 | 4.69% | 231.9 | Y | 12/2023 | 1.1 | 1.3 | 12.5% | 18.5% | 28.6 | 24.2 | 0.3 | 1.2% | 0.0 | 0.0% |
| **Sector Aggregate** | | | | | **4,467.0** | | | | | **-15.8%** | **14.1%** | **9.9** | **8.6** | **1.3** | **13.7%** | | **4.1%** |

*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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