Media

Slowing Down After the Holidays

NEUTRAL
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We reiterate our NEUTRAL view on the sector as we continue to see relatively muted adex growth of 2.8% for CY23 (vs. actual growth of 8.6% in 2022). We believe the sector could experience a soft patch in 2QCY23 as the early Chinese New Year and *Hari Raya season* could have resulted in advertising spend being front loaded into 1QCY23. Overall, we continue to expect digital adex to be the main driver for growth in CY23 while traditional media channels remain flattish. Our top pick for the sector is MEDIA (OP; TP: RM0.51) for its integrated approach to advertising via Omnia, and its cost rationalisation efforts.

A soft patch expected for 2QCY23. We continue to forecast a more conservative full-year adex growth of 2.8% in CY23 (vs. the actual growth of 8.6% in CY22) due to a combination of the lack of major events and global macroeconomic headwinds signalling a softer outlook for adex. 2QCY23 specifically could also see weaker adex as the early Chinese New Year and *Hari Raya* festivities could result in advertisers front loading their advertising spending into 1QCY23. Additionally, while consumer sentiment is improving, inflationary pressure and looming recessionary fears continue to cloud the global economic outlook, putting a dampener on overall sentiment in spite of the full reopening of the economy. Overall, the topline for media players is expected to be slightly softer across the board in 2QCY23 given the lack of catalysts to draw advertisers.

Traditional media - We continue to forecast flattish full-year adex growth across the traditional media channels, growing 1%-2% as the segment has already broadly recovered to pre-pandemic levels. 2QCY23 adex is also expected to come off QoQ given the majority of festive advertising campaigns occurring within 1QCY23 and 4QCY22 due to the early holidays this year.

On a per segment basis, FTA TV and radio adex may come off slightly during 2QCY23 as advertisers prioritise 1QCY23 in their full-year budgets. However, both segments have been able to sustain their adex growth coming out of lockdown, as FTA TV maintained the elevated adex levels it saw during the pandemic and radio already broadly returning to pre-pandemic adex levels in CY22. We also believe that newspaper adex has stabilised after the drastic fall it saw during the lockdown. While longer-term growth prospects for the medium are limited, adex numbers have been hovering only slightly above pandemic levels even after the reopening, leading us to believe that it has bottomed out for now.

Looking beyond adex, 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 current geopolitical situation. **ASTRO's (MP; TP: RM0.73)** 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 platforms. 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 that 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.

Digital media - We also continue to maintain our more conservative CY23F growth rate of 10% for digital media (vs. actual growth of 25.5% in CY22). Barring the unexpected dip in digital adex during 4QCY22, the platform has continued to grow resiliently since Nielsen first began recording its adex. However, given the persistent macroeconomic headwinds and limited catalysts for the sector as a whole, we expect growth to normalise in CY23, especially after the significantly stronger base in CY22. We also believe that the drop in digital adex during 4QCY22 was a blip that stemmed from MYR/USD exchange rate weakness and the returning demand for in-person advertising channels. Thus, we continue to expect the medium to grow as advertisers gravitate towards the platform enabling it to capture a growing portion of overall adex.

NEUTRAL view maintained for the sector. 2QCY23 looks poised to be a softer period in what is already expected to be a minor downcycle for the sector. Nevertheless, for sector pick, 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.

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%**

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%**

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

Fig. 3: Quarterly Newspaper Gross Adex by Language

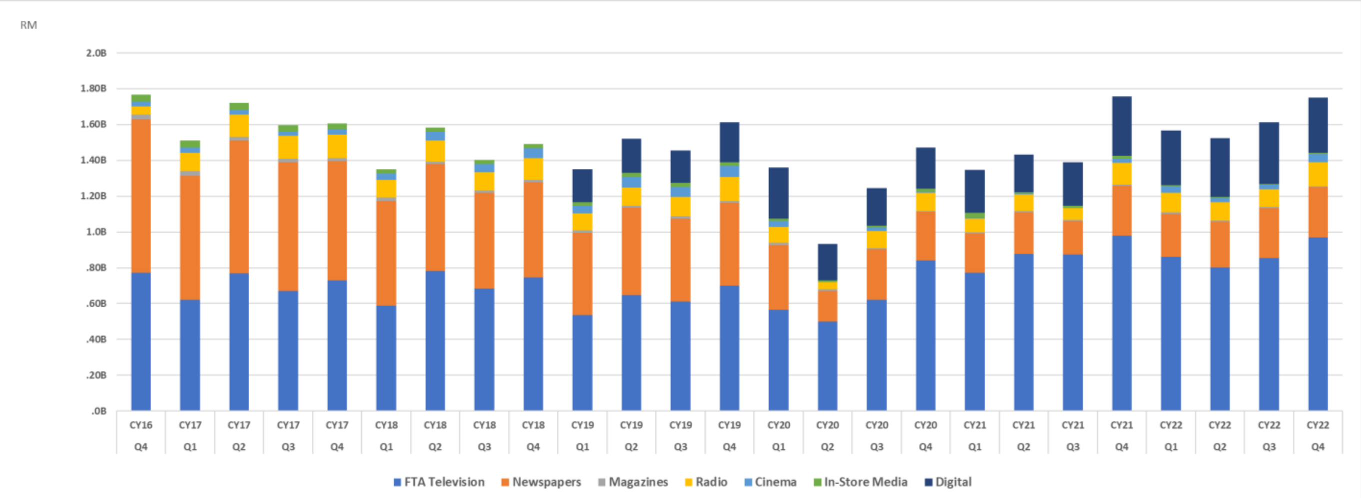
Language (Newspapers) (YoY)	4Q22 (RM'm)	4Q21 (RM'm)	YoY Chg	3Q22 (RM'm)	QoQ Chg
West Msia					
BM	52.7	75.6	-30.3%	55.7	-5.3%
Chinese	54.0	77.9	-30.7%	55.5	-2.7%
English	93.4	111.4	-16.2%	90.7	2.9%
Others	79.2	15.7	402.7%	75.6	4.8%
Total	**279.2**	**280.7**	**-0.5%**	**277.4**	**0.6%**

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

Fig. 5: Quarterly Gross Adex



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	0.690	0.730	5.80%	3,598.0	N	01/2024	8.3	7.5	28.9%	-10.6%	8.3	9.3	2.6	34.9%	6.3	9.1%
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	0.405	0.570	40.74%	449.2	N	06/2023	7.1	5.7	41.7%	-19.6%	5.7	7.1	0.7	12.0%	2.0	4.9%
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					**4,549.1**					**32.6%**	**-11.3%**	**8.6**	**9.7**	**1.3**	**15.5%**		**4.5%**

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.***

Published by:

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