

30 May 2023

Media Chinese International

In the Red without Pandemic Subsidies

By Jack Lai Yuan Khai | jacklai@kenanga.com.my

MEDIAC's FY23 results disappointed as the group fell into losses during 4QFY23. Despite the growth in revenue, the group struggled to perform as the dial-back of pandemic subsidies resulted in its foreign operations falling into the red. We now project a loss in FY24F, lower our TP by 6% to RM0.15 (from RM0.16) but maintain our MARKET PERFORM call.

Below expectations. MEDIAC's FY23 results was a wash out, accounting for only 16% of our forecast. The variance against our forecast came largely from the significant losses during 4QFY23 following the dial-back of pandemic subsidies.

YoY. FY23 revenue grew 16%, driven mainly by domestic revenue and the minor recovery of the travel segment. Its earnings in Malaysia grew by 17% as the nation fully transitioned to the endemic phase. The group's Hong Kong and Taiwan operations remained marginally profitable. However, the segment fell into losses during 4QFY23, resulting in full-year earnings dropping significantly. The group's American operations also saw losses widening to USD3.4m. The widening of losses is largely attributable to the dial-back of pandemic subsidies which had previously cushioned the drop in revenue across multiple regions. Otherwise, revenue from its travel segment grew >8x following the resumption of international travel. However, the segment remained in the red, with losses narrowing to USD0.7m. Net profit inched up to RM1.6m from RM0.4m a year ago.

QoQ. 4QFY23 revenue dropped 9% following contractions across Malaysia, Hong Kong and Taiwan. Its earnings in Malaysia fell 58% following a 13% contraction in revenue while the Hong Kong and Taiwan segment fell into losses during 4QFY23. This is largely attributable to the dial-back of pandemic subsidies in the region as well as increased provisions for retirement of long-standing employees. Otherwise, the group's travel segment and American operations remained loss making, reporting losses of USD0.3m and USD0.5m, respectively. Overall, the group fell into the red during 4QFY23, reporting a core net loss of RM7.2m vs. a core net profit of RM3.8m the previous sequential quarter.

Outlook. We remain cautious on the group's prospects, especially given the overhanging issue of costs for its foreign operations. While the group had previously been able to roughly break even, the absence of subsidies has resulted in its overseas operations falling into losses during 4QFY23. Barring an unexpected uptick in activity in said regions, the group's foreign segments could prove to be a drag on earnings as it has seen limited growth in sales volume so far.

The outlook for its Malaysia segment is slightly brighter, though still overall mixed. While the group has reported stronger earnings out of the region; adex is expected to taper off in FY24. The softer macroeconomic outlook and limited catalysts given the lack of sporting events will dampen growth prospects. Furthermore, if the group's foreign operations continue to lag behind, it could see any improvements from its Malaysian operation offset by the widening losses

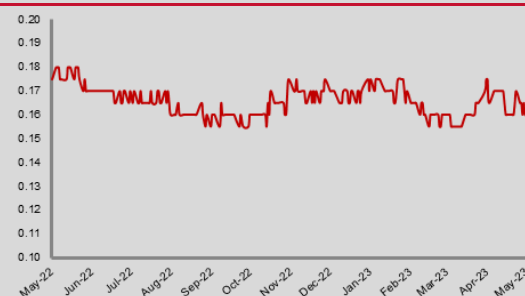
Forecasts. We now project a loss in FY24F and introduce our FY25F forecasts.

Consequently, we lower our TP by 6% to RM0.15 (from RM0.16) based on 0.4x FY25F P/NTA, in line with the sector's historical average. There is no adjustment to our TP based ESG given a 3-star rating as appraised by us (see page 4).

MARKET PERFORM ↔

Price : **RM0.16**
Target Price : **RM0.15** ↓

Share Price Performance



KLCI 1,404.93
YTD KLCI chg -6.1%
YTD stock price chg -5.9%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker MCIL MK Equity
Market Cap (RM m) 270.0
Shares Outstanding 1,687.2
52-week range (H) 0.19
52-week range (L) 0.15
3-mth avg daily vol 885,260
Free Float 48%
Beta 0.5

Major Shareholders

Tiong TohSiong Holdings 22.5%
Conch Co Ltd 15.1%
Kinta HijauSdnBhd 7.7%

Summary Earnings Table

FY Mar (RM m)	2023A	2024F	2025F
Turnover	592.6	469.8	445.1
EBIT	11.6	-5.4	-6.4
PBT	7.9	-3.2	-4.0
Net Profit	-0.8	-3.2	-4.1
Core Net Profit	1.6	-3.2	-4.1
Consensus (NP)	-	-	-
Earnings Revision	-	-134%	NEW
Core EPS (sen)	9.3	-0.2	-0.2
Core EPS growth (%)	>100%	-102.1	26.7
NDPS (sen)	67.0	0.6	0.6
BV/Share (sen)	39.6	38.8	37.9
NTA/Share (sen)	38.3	38.1	37.8
PER (x)	1.7	-83.8	-66.1
PBV (x)	0.40	0.41	0.42
P/NTA (x)	0.42	0.42	0.42
Net Gearing (x)	-0.32	-0.36	-0.39
Net Div. Yield (%)	418.8	3.9	3.9

30 May 2023

We continue to like MEDIAC for its: (i) position as a proxy to rebounding adex, and (ii) leading position in the Chinese newspaper market. However, given some expected challenges in the near term and the cloudier long-term outlook for traditional media, we remain cautious on the group's prospects. **Maintain MARKET PERFORM**

Key risks to our call include: (i) the accelerated demise of the traditional media, (ii) high newsprint cost, (iii) unfavourable forex movements, (iv) non-renewal of operating licenses, and (v) limited recovery in international tourism.

Results Highlights

	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Mar (RM m)	FY23	FY23	Chg	FY22	Chg	FY23	FY22	Chg
Revenue	138.6	152.0	-8.8%	131.8	5.1%	592.6	511.3	15.9%
EBIT	-6.9	7.3	-5.7%	-0.5	1310.5%	11.6	10.1	14.7%
PBT	-8.1	6.1	233.2%	-0.9	819.6%	7.9	8.4	-5.2%
Taxation	-2.3	-3.1	25.4%	-3.9	40.8%	-11.6	-9.0	28.3%
Minority Interest	1.0	0.7	42.9%	1.4	26.5%	2.8	2.4	21.1%
Net Profit	-9.4	3.7	-355.9%	-3.4	175.1%	-0.8	1.7	-147.9%
Core Net Profit	-7.2	3.8	-288.4%	-3.8	86.6%	1.6	0.4	292.2%
Core EPS (sen)	-0.42	0.23	288.4%	-0.23	86.6%	0.1	0.0	292.2%
NDPS (sen)	0.67	0.0		0.00		0.7	0.6	
EBIT Margin	-4.9%	4.8%		-0.4%		2.0%	2.0%	
PBT Margin	-5.8%	4.0%	-9.8%	-0.7%		1.3%	1.6%	
Core Net Profit Margin	-5.2%	2.5%		-2.9%		0.3%	0.1%	
Effective Tax Rate	-28.8%	51.4%		-447.2%		146.1%	107.9%	

Exchange Rate (RM/USD)

4.42

Note:

* Results from subsequent periods are converted against the most recent period's forex rate

Source: Company, Kenanga Research

Segmental Breakdown

	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
Revenue (USD m)	FY23	FY23	Chg	FY22	Chg	FY23	FY22	Chg
Malaysia & Other S.E. Asian	17.4	20.0	-12.7%	19.0	-8.2%	74.1	73.2	1.1%
HK & Taiwan	9.0	10.1	-10.6%	8.7	4.2%	40.7	40.5	0.3%
North America	2.0	1.9	4.5%	1.9	4.9%	7.4	7.5	-0.8%
Travel & Travel Related Services	2.9	2.6	10.3%	0.2	1131.3%	10.5	1.1	843.3%
Group Turnover	31.4	34.6	-9.4%	29.8	5.1%	132.7	122.4	8.4%
PBT								
Malaysia & Other S.E. Asian	1.0	2.3	-58.1%	1.8	-44.5%	6.1	5.2	16.6%
HK & Taiwan	-1.9	0.0	N.M.	-1.5	-27.2%	0.3	-0.5	-152.1%
North America	-0.5	-0.8	-42.4%	0.1	-560.0%	-3.4	-0.5	-534.2%
Travel & Travel Related Services	-0.336	0.0	N.M.	-0.4	-14.1%	-0.7	-1.5	-55.8%
Group PBT (before unallocated expenses)	-1.7	1.5	-212.5%	0.0	6053.6%	2.3	2.6	-13.6%
PBT Margin								
Malaysia & Other S.E. Asian	5.6%	11.6%		9.3%		8.3%	7.2%	
HK & Taiwan	-21.1%	0.0%		-17.2%		0.7%	-1.3%	
North America	-22.7%	-41.2%		5.2%		-46.1%	-7.2%	
Travel & Travel Related Services	-11.7%	0.1%		-167.8%		-6.5%	-138.1%	
Group PBT Margin	-5.5%	4.4%		-0.1%		1.7%	2.2%	

Source: Company, Kenanga Research

30 May 2023

Peer Comparison

Peer Comparison																	
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	0.640	0.730	14.06%	3,337.3	N	01/2024	8.3	7.5	28.9%	-10.6%	7.7	8.6	2.4	34.9%	6.3	9.8%
MEDIA CHINESE INTERNATIONAL	MP	0.160	0.150	-6.25%	270.0	Y	03/2024	(0.2)	(0.2)	-300.0%	-28.1%	N.A.	N.A.	0.4	-0.5%	0.6	3.8%
MEDIA PRIMA BHD	MP	0.400	0.420	5.00%	443.7	N	06/2023	5.4	4.2	7.8%	-21.7%	7.5	9.5	0.7	9.2%	2.0	5.0%
STAR MEDIA GROUP BHD	UP	0.405	0.315	-22.22%	293.5	Y	12/2023	0.8	1.1	-20.5%	39.7%	50.6	36.2	0.4	2.5%	0.0	0.0%
Sector Aggregate					4,344.5					23.8%	-11.6%	8.7	9.9	1.3	14.7%		4.6%

Source: Bloomberg, Kenanga Research

30 May 2023

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	☆		
	Community & Investment	★	★	☆		
	Workforce Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Content Management	★	★	★		
	Digitalisation & Innovation	★	★	☆		
	Cybersecurity/Data Privacy	★	★	☆		
	Diversity & Inclusion	★	★	★		
	Energy Efficiency	★	★	★		
	Supply Chain Management	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my