Media

1QCY24 Adex: Recovery in TV Adex

UNDERWEIGHT

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1QCY24 adex (+14% YoY) exceeded our expectation due to stronger-than-expected recovery in the Free-to-Air television (FTA TV) segment, we believe, mainly catalyzed by the nascent recovery in both business and consumer sentiment. Except for cinema adspend, there was broad-based YoY expansion across the board, which was primarily led by the FTA TV and digital media segments. We upgrade our FY24 adex growth estimate to 10.8% YoY (from 0.2% YoY contraction). On the flipside, we believe traditional media is likely to miss out on the improved adex given its declining popularity among advertisers due its high cost per impression (vs. digital media), non-interactive nature (vs. a two-way format of digital media) and inability to personalise content (vs. digital media that could do so by resorting to AI). Maintain UNDERWEIGHT on the sector. We do not have any stock picks.

Higher-than-expected recovery from digital media and FTA TV. 1QCY24 adex of RM1.67b (+14% YoY) came in above our assumption of full-year adex contraction of 0.2% YoY (excluding in-store media). The deviation was mainly driven by stronger-than-expected recovery in the FTA TV segment, which surged by 17% YoY (1QCY23: -5% YoY) versus our estimate of flattish full-year adex. To a smaller extent, this was compounded by higher-than-expected growth of 15% YoY (1QCY23: +1% YoY) for digital media adex in 1QCY24 vis-à-vis our estimate of a 5% YoY expansion in FY24. Note that effective Jan 2024, in-store media adspend is no longer monitored. Hence, we omit this segmental data from both our forecast and historical analysis.

Nascent signs of improving sentiment. We believe 1QCY24 adex growth is mainly catalyzed by the nascent recovery in both business and consumer sentiment, which had staged a sequential rebound in 4QCY23. According to the Malaysian Institute of Economic Research (MIER), the Consumer Sentiment Index (CSI) inched up to 89.4 in 4QCY23, from its multi-year trough of 78.9 in 3QCY23. Meanwhile, the Business Conditions Index (BCI) jumped by 9.3 points sequentially to 89 points in 4QCY23. This was following its descent to 79.7 points in 3QCY23, which implies its lowest level since 2QCY20, during the onset of the Covid pandemic. While both indices have not surpassed the 100-point optimism threshold, indications suggest that they may have reached their inflexion points in 4QCY23. This is reinforced by confident outlook expressed by companies in sectors such as beverages and textiles in 4QCY23. Moreover, according to the Department of Statistics Malaysia (DoSM), Malaysia's inflation rate remained stable at 1.5% in December 2023 (CY23: 2.5%). A stable inflationary environment suggests room to manoeuvre the impact of higher Sales and Services Tax (SST) and looming luxury taxes.

Digital media's market share momentum derailed. Except for cinema adspend, there was broad-based YoY expansion across the board in 1QCY24. As mentioned above, the growth was primarily led by the FTA TV and digital media segments. Recovery in the latter was mainly propelled by (in order of magnitude): (i) Awesome TV (ASTRO), (ii) 8TV (MEDIA) and (iii) NTV7 (MEDIA). Meanwhile, digital adex's growth was principally driven by sustained strong expansion at Youtube.com (+26% YoY). Additionally, adspend at paultan.org's website surged by close to 20-fold, which we believe was due to advertising campaigns by auto marques to capture sales before the implementation of luxury taxes. In the case of newspaper and radio, YoY adex expanded by 6% and 18%, respectively, in 1QCY24. In particular, newspaper adex growth was driven in major part by the Malay language segment (+28% YoY) which more than offset contraction for the Chinese segment (-11% YoY). Key publications anchoring the growth were Utusan Malaysia, Sinar Harian, and New Straits Times (owned by MEDIA). Given the comeback of traditional media, digital media's market share was chipped by 2.3ppts sequentially to 21.2% (1QCY23: 21%). As a result, this derailed its consecutive QoQ market share expansion since 4QCY22.

Nascent signs of adex uptick. We upgrade our FY24 adex growth estimate to 10.8% YoY (from 0.2% YoY contraction) given leading signs that prelude the recovery of consumer sentiment in the medium term. On the flipside, we believe that traditional media is unable to fully leverage from improved adex given stiff competition from new media that includes: (i) streaming apps or websites (e.g. Youtube, Spotify, Apple Music), (ii) mobile apps (e.g. Waze, Grab, CamScanner), and (iii) social media platforms (e.g. celebrity influencers, Instagram, TikTok, Facebook, X). Their popularity has resulted in consumers being fixated on digital devices, where they dedicate a significant portion of their time. As such, brands and retailers will continue to spend on digital advertising to direct traffic to their respective online shopping sites.

Earnings outlook still fragile. Moving forward, we believe that adex growth will be moderate in 2QCY24 as advertisers hold back in anticipation of the upcoming Paris Summer Olympics that will be held from 26 July to 11 August. We maintain our **UNDERWEIGHT** sector recommendation as we are concerned that traditional media companies remain in the woods given its declining popularity of traditional media among advertisers due to its high cost per impression (vs. digital media), non-interactive nature (vs. a two-way format of digital media) and inability to personalise content (vs. digital media that could do so by resorting to AI). We do not have any stock picks for the sector.

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.

Figure 1: Gross Adex by Medium

Media Type	1Q24 (RM m)	1Q23 (RM m)	YoY Chg	4Q23 (RM m)	QoQ Chg
FTA TV	960	823	17%	1,035	-7%
Newspapers	213	201	6%	232	-8%
Magazines	6	6	3%	9	-39%
Radio	110	94	18%	118	-6%
Cinema	34	41	-16%	48	-29%
In-Store Media	355	310	15%	443	-20%
Digital*	**1,678**	**1,473**	**14%**	**1,886**	**-11%**
Total	**1,323**	**1,164**	**14%**	**1,443**	**-8%**
Total (ex-Digital)	960	823	17%	1,035	-7%

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

Source: Nielson, Kenanga Research

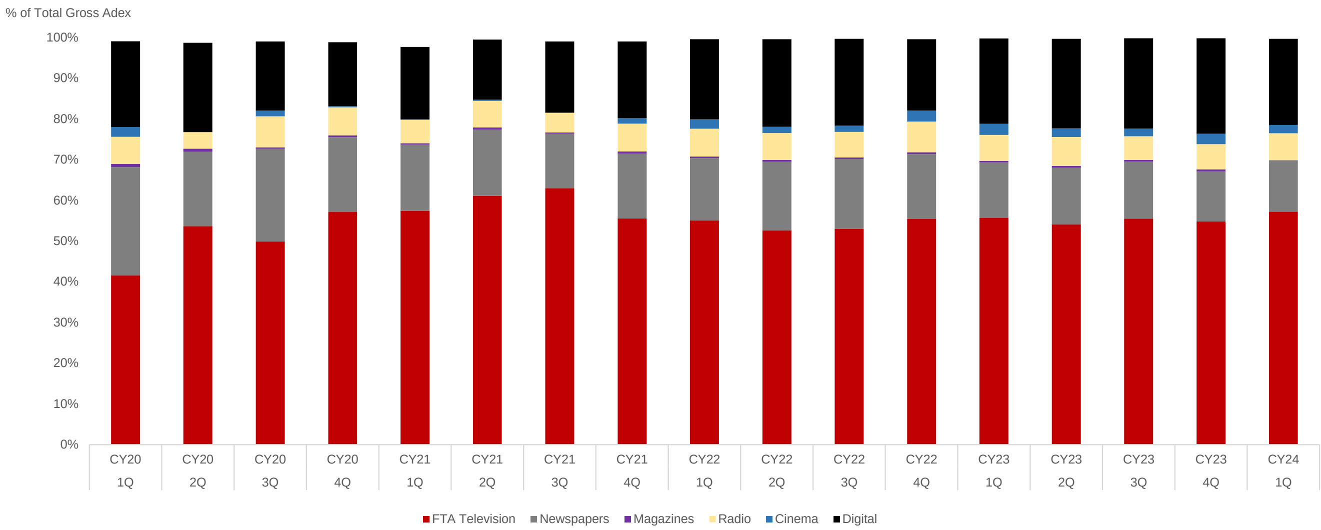
Figure 2: Gross Adex by Newspaper Language

Newspaper Language	1Q24 (RM m)	1Q23 (RM m)	YoY Chg	4Q23 (RM m)	QoQ Chg
West Msia					
BM	47	37	28%	180	-74%
Chinese	38	43	-11%	187	-80%
English	73	68	8%	309	-76%
Others	54	52	3%	-444	-112%
Total	**213**	**201**	**6%**	**232**	**-8%**

**Others includes East Malaysian and tamil language papers*

Source: Nielson, Kenanga Research

Figure 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	UP	0.300	0.270	-10.0%	1,565.7	N	01/2025	3.7	4.1	-9.9%	11.2%	8.1	7.3	1.3	16.5%	1.0	3.3%
MEDIA CHINESE INTERNATIONAL	UP	0.125	0.100	-20.0%	210.9	Y	03/2024	(2.0)	(2.3)	1625.0%	-11.6%	N.A.	N.A.	0.3	-5.1%	0.0	0.0%
MEDIA PRIMA BHD	UP	0.455	0.340	-25.3%	504.7	N	06/2024	2.7	3.4	-51.4%	27.0%	16.8	13.2	0.7	6.3%	1.5	3.3%
STAR MEDIA GROUP BHD	UP	0.425	0.314	-26.1%	308.0	Y	12/2024	(0.0)	0.5	94.4%	1750.0%	N.A.	93.3	0.5	0.0%	0.0	0.0%
SECTOR AGGREGATE					**2,589.3**					**-30.3%**	**15.5%**	**13.7**	**11.8**	**0.8**	**5.8%**		**1.7%**

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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