

29 May 2024

# Media Chinese International

## Expanded Annual Losses

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MEDIAC's 1FY24 results exceeded expectations on the back of traction in cost savings measures. However, FY24 core losses expanded YoY on the back of weaker adex and demand for published materials. We kept our FY25F earnings unchanged, while introducing new FY26F numbers, and maintain our TP of RM0.11 and UNDERPERFORM call.

**Cost savings save the day.** FY24 results exceeded expectations, with a core net loss of RM30.5m (FY23: RM2m loss), against our full-year net loss forecast of RM34.5m. The variance versus our forecast was mainly attributed to lower-than-expected opex at the publishing segment.

Chunky exceptional items included in headline net loss of RM61.1m comprise write-off and provisions for impairment losses on fixed (RM2.8m) and intangible assets (RM5.26m).

**Bigger losses from weak adex and demand.** FY24 topline growth (+19% YoY) was mainly propelled by the travel segment that more than offset weakness at the publishing and printing division. Continued traction in post-pandemic recovery of global travel led to segmental revenue expansion of close to 10-fold YoY (in USD terms).

However, topline strength did not cascade to bottomline as the publishing segment slipped into core pretax loss on the back of: (i) reduced adex, and (ii) weaker demand for published materials (i.e. newspapers, magazines, books and digital content). Moreover, this was exacerbated by a decrease in government grant and subsidies of approximately USD2.0m (RM9.4m).

**Traction in cost cutting measures.** While the travel segment anchored revenue growth in FY24, it slipped into pretax losses in 4QFY24 and sustained its sequential topline rout (-16% QoQ) since 3QFY24.

On a brighter note, the group's QoQ core loss narrowed to RM4m (3QFY23: RM6.6m) on the back of continued momentum in cost savings measures initiated in 3QFY24. This mainly emanated from a reduction in labour costs, paper costs and selling expenses.

**Seems to be left behind by competition.** According to Nielson, total adex for major newspapers published by MEDIAC in Malaysia contracted by 3% YoY in 1QCY24 (4QCY23: -31% YoY). Disappointingly, MEDIAC's newspapers did not fare well despite the recovery in total industry newspaper adex (+6% YoY) in 1QCY24. This was because the latter was driven in major part by Malay language newspapers (+28% YoY), whereas the Chinese segment experienced a decline (-11% YoY). Hence, this alludes that Chinese readers are shifting into new media such as: (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, RED/Xiaou Hong Shu). Evidently, MEDIAC's market share of total adex (excluding pay TV) in 1QFY24 dipped by 7 ppts sequentially to 2% (1QCY23: 3%).

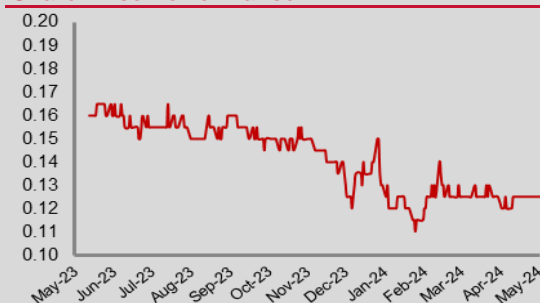
**Forecasts.** We maintain our FY25F earnings, while introducing FY26F numbers.

**Valuations.** We also keep our TP of RM0.11 based on 0.3x FY25F P/NTA, which implies a discount of 40% versus the sector's (excluding ASTRO) historical average of 0.5x forward P/NTA. This is to reflect expectations of sustained losses in the near-to-medium term, as well as its smaller market cap relative to peers.

**UNDERPERFORM** ↔

Price : RM0.12  
Target Price : RM0.11 ↔

### Share Price Performance



KLCI	1,615.82
YTD KLCI chg	11.1%
YTD stock price chg	-11.1%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MCIL MK Equity
Market Cap (RM m)	202.5
Shares Outstanding	1,687.2
52-week range (H)	0.17
52-week range (L)	0.11
3-mth avg. daily vol.	377,076
Free Float	48%
Beta	0.7

### Major Shareholders

Tiong Toh Siong Holdings	22.5%
Conch Co Ltd	15.1%
Kinta Hijau Sdn Bhd	7.7%

### Summary Earnings Table

FY Mar (RM m)	2024	2025F	2026F
Revenue	695.4	899.8	978.4
EBITDA	-11.2	-22.0	-16.9
EBIT	-38.1	-45.8	-38.5
PBT	-64.3	-41.8	-39.3
<b>Net Profit</b>	<b>-61.1</b>	<b>-38.5</b>	<b>-35.9</b>
<b>Core Net Profit</b>	<b>-30.5</b>	<b>-38.5</b>	<b>-35.9</b>
Consensus (NP)	-	-34.5	-38.5
Earnings Revision (%)	-	-	-
Core EPS (sen)	-1.79	-2.28	-2.13
Core EPS Growth (%)	1412.5	27.3	-6.8
DPS (sen)	0.7	0.7	0.7
BV/Share (sen)	36.0	33.5	31.3
NTA/Share (sen)	35.8	33.3	31.2
PER (x)	-6.7	-5.3	-5.6
PBV (x)	0.33	0.36	0.38
P/NTA (x)	0.34	0.36	0.39
Net Gearing (x)	-0.53	-0.28	-0.24
Div. Yield (%)	5.9	5.9	5.9

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**Investment case.** We remain cautious on MEDIAC due to: (i) sustained adex market share erosion, (ii) margin pressure from heightened fixed costs amidst topline weakness, and (iii) fierce competition from digital media given their competitive advantages (eg. application of artificial intelligence, low barriers of entry, lean cost base).

**Key risks to our call include:** (i) recovery in adex for traditional Chinese newspapers, (ii) sustained traction in cost cutting initiatives drive fixed costs lower, and (iii) successful inroads into new digital media or synergistic businesses to diversify from legacy earnings.

Results Highlights								
	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Mar (RM m)	FY24	FY24	Chg	FY23	Chg	FY24	FY23	Chg
Revenue	156.9	166.9	-6.0%	138.6	13.3%	695.4	585.9	18.7%
<b>EBITDA</b>	<b>(4.0)</b>	<b>(0.1)</b>	>-100%	<b>(3.6)</b>	9.3%	<b>(11.2)</b>	<b>27.3</b>	-141.1%
Depreciation	0.0	(5.6)	-100.0%	(6.8)	-100.0%	(26.9)	(24.4)	10.2%
Net Finance Costs	(1.6)	(1.6)	-3.9%	1.3	-222.7%	4.5	3.8	18.1%
JV and Associates	(0.0)	(0.0)	-48.5%	(0.2)	-93.6%	(0.1)	(0.1)	78.5%
EI	(28.5)	1.5	>100%	1.3	>100%	(30.6)	0.9	>100%
<b>PBT</b>	<b>(34.1)</b>	<b>(5.8)</b>	488.8%	<b>(8.1)</b>	321.6%	<b>(64.3)</b>	<b>7.5</b>	>-100%
Taxation	0.7	0.1	391.3%	(2.3)	-129.1%	(0.2)	(11.4)	-98.6%
Minority Interest	0.8	0.6	51.6%	1.0	-18.2%	3.4	2.8	21.5%
<b>Reported Net Profit</b>	<b>(32.6)</b>	<b>(5.1)</b>	539.1%	<b>(9.4)</b>	247.1%	<b>(61.1)</b>	<b>(1.1)</b>	>-100%
<b>Core Net Profit</b>	<b>(4.0)</b>	<b>(6.6)</b>	-39.4%	<b>(10.7)</b>	-62.4%	<b>(30.5)</b>	<b>(2.0)</b>	>-100%
Core EPS (sen)	(0.24)	(0.42)	-42.7%	(0.7)	-63.4%	(0.04)	(0.00)	>-100%
DPS (sen)	0.01	0.0	nm	0.01	7.1%	0.007	0.007	7.1%
EBITDA margin	-2.5%	-0.1%		-2.6%		-1.6%	4.7%	
PBT Margin	-21.7%	-3.5%		-5.8%		-9.2%	1.3%	
Core Net margin	-2.6%	-4.0%		-7.7%		-4.4%	-0.3%	
Effective Tax Rate	2.0%	2.4%		-28.8%		-0.3%	>100%	
Exchange Rate (RM/USD)	4.69	4.67		4.63				

Source: Company, Kenanga Research

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## 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.
<b>MEDIA</b>																	
ASTRO MALAYSIA HOLDINGS BHD	UP	0.320	0.270	-15.6%	1,670.1	N	01/2025	3.7	4.1	-9.9%	11.2%	8.6	7.7	1.3	16.5%	1.0	3.1%
MEDIA CHINESE INTERNATIONAL	UP	0.120	0.100	-16.7%	202.5	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	0.450	0.340	-24.4%	499.1	N	06/2024	2.7	3.4	-51.4%	27.0%	16.6	13.1	0.7	6.3%	1.5	3.3%
STAR MEDIA GROUP BHD	UP	0.395	0.314	-20.5%	286.3	Y	12/2024	(0.3)	(0.3)	33.3%	16.7%	N.A.	N.A.	0.4	-0.4%	0.0	0.0%
<b>SECTOR AGGREGATE</b>					<b>2,658.0</b>					<b>-31.1%</b>	<b>14.1%</b>	<b>14.2</b>	<b>12.5</b>	<b>0.8</b>	<b>5.7%</b>		<b>1.6%</b>

Source: Bloomberg, Kenanga Research

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**Stock ESG Ratings:**

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

☆ 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.**

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