

19 July 2024

Media

1HCY24 Adex: FTA TV is the Comeback Kid

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UNDERWEIGHT



1HCY24 adex expansion of 6.1% YoY was within our expectation (+10.8% YoY), as FTA TV adex anchored growth and offset weakness at the digital segment. The latter was primarily dragged by a drop at Malaysiakini.com, which may be due to heightened political adex in 1HCY23 for the state elections. Meanwhile, YTD newspaper adex remains weak as its market share reached a new low of 12.2%. Moving forward, we believe that adex in 3QCY24 will receive a boost from the upcoming Olympics at Paris. We maintain our UNDERWEIGHT recommendation on the sector due to: (i) sustained decline in PayTV subscriptions, (ii) generative AI which will likely widen digital media's competitive moat, and (iii) bloated legacy costs weighing on traditional media's earnings. Additionally, we believe that Malaysian adex is not out of the woods yet, as both consumer and business sentiment indices remain below the 100-point optimism threshold. We do not have any stock picks for the sector.

Adex expansion moderates as Olympics loom. 1HCY24 adex of RM3.2b (+6.1% YoY) came in within our assumption of full-year FY24 adex growth of 10.8% YoY. YTD growth moderated (vis-à-vis 1QCY24 growth of 14% YoY) as we believe advertisers are holding back in anticipation of the Paris Summer Olympics that will be held from 26 July to 11 August. Therefore, we expect an uptick in 3QCY24 adex to catch up with our full-year estimates.

FTA TV's comeback remains intact. 1HCY24 adex uptick was largely propelled by free-to-air television (FTA TV), which expanded by 15% YoY. This was mainly driven by growth at Awesome TV, NTV 7 and Sukan RTM which more than offset contraction at TV3. In particular, total adex for major TV channels owned by **MEDIA (UP; TP: RM0.32)** expanded by 5% YTD, as growth at NTV7 and 8TV more than offset contraction at TV3 and TV9.

Sequential digital adex (digidex) weakness widens. On the other hand, 1HCY24 adex for digital media contracted by 7% YoY as it continued its sequential drop (-29% QoQ) since 1QCY24. Correspondingly, this led to sustained QoQ drop in total market share (excluding pay TV) to 16.6% (1QCY24: 21%) in 2QCY24. This translates to its lowest share since 2QCY21, back when the Movement Control Order was reinstated due to increasing Covid-19 cases. In addition, the market share erosion was exacerbated by the expansion of FTA TV adex in 1HCY24 (as mentioned above).

The precipitous decline in 1HCY24 digidex was mainly attributed to Malaysiakini.com (-57% YTD) as its 1HCY23 adex was likely boosted by heightened political advertising before state elections were held in August 2023. In addition, weaker digidex in 1HCY24 was also partly driven by declines at mudah.my (-87% YoY) and thestar.com.my (-63% YoY).

Newspaper slump prevails. Despite digital media loosening its market grip in 1HCY24, adex share for newspaper publications in West Malaysia slipped to 12.2% in 2QCY24 (1QCY24: 12.7%, 1QCY23: 13.6%). This represents its lowest level based on our data dating back to 1QCY16 when newspapers had 52.5% market share. The lowered share was underpinned by the 13% decline for newspapers on both QoQ and YoY basis in 2QCY24. As a result, 1HCY24 newspaper adex shrank by 4% YoY, as spending on Chinese newspapers dropped by 16% YoY. This more than offset adex growth for Malay (+5% YTD) and English (+2% YTD) language newspapers. This trend was also reflected in the 1HCY24 adex decline for major publications by **MEDIAC (UP; TP: RM0.11)** (-6% YoY) whilst **MEDIA's** newspapers experienced adex growth of 4% YTD. Nevertheless, the decline in 1HCY24 adex for Chinese newspapers and **MEDIAC** also reflects the absence of contribution from Kwong Wah Yit Poh newspaper, as there were no deliveries. On the other hand, adex declined 5% YTD for **STAR (UP; TP: RM0.314)**, despite its English language peers experiencing growth.

Adex not out of the woods. The Malaysian Institute of Economic Research (MIER) Consumer Sentiment Index (CSI) slipped by 2.3 points sequentially to 87.1 in 1QCY24. The decline was attributed to persistent concerns on inflation, employment prospects and personal finances, amongst others. Moreover, we believe that consumers' propensity to spend had also diminished following the recent increase in Sales and Services Tax (SST) to 8% for several sectors, including finance and leisure. On the other hand, MIER's Business Conditions Index (BCI) continued its upwards momentum by jumping 5.3 points sequentially to reach 94.3 points in 1QCY24. This was driven by higher sales, particularly domestic orders, which more than compensated for the drop in capital investments. Given the mixed indicators above, and as both indices remain below the 100-point optimism threshold, we believe that Malaysian adex is not out of the woods yet. Furthermore, we believe that in the medium term, sentiment will be weighed by concerns of fuel subsidy rationalization following the recent removal of diesel subsidies.

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Profitability remains a concern. Despite our expectations of a recovery in FY24 adex, we believe that traditional media is unable to fully benefit due to stiff competition with digital media. We believe that digital media still holds key competitive advantages such as: (i) a structural shift in audience interest toward short video formats and live-stream sales, (ii) the application of artificial intelligence (AI) to curate personalized content and commercials, (iii) relatively lower cost per impression, (iv) interactive digital platforms that enable two-way communication and user engagement. Furthermore, earnings for traditional players are under pressure due to softer topline amidst a legacy high fixed cost base. Evidently, the smaller media companies are grappling with profitability, whilst certain business segments within larger media companies slip in and out of quarterly losses.

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: Quarterly Gross Adex By Medium

Media Type	2Q24 (RM m)	2Q23 (RM m)	YoY Chg	2Q23 (RM m)	QoQ Chg
FTA TV	943	834	13%	960	-2%
Newspapers	184	213	-13%	213	-13%
Magazines	7	8	-6%	6	30%
Radio	100	110	-9%	110	-10%
Cinema	30	32	-8%	34	-13%
Digital*	251	339	-26%	355	-29%
Total	1,515	1,535	-1%	1,678	-10%
Total (ex-Digital)	1,264	1,197	6%	1,323	-4%

Notes:

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

Source: Nielsen, Kenanga Research

Figure 2: YoY Adex Change

Media Type	6MFY24 (RM m)	6MFY23 (RM m)	YoY Chg
Free-to-air television	1,903	1,657	14.8%
Newspapers	397	414	-4.0%
Magazines	13	13	-2.2%
Radio	210	204	3.2%
Cinema	64	73	-12.4%
Digital*	606	648	-6.6%
Total	3,192	3,009	6.1%
Total (ex-Digital)	2,587	2,360	9.6%

Notes:

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

Source: Nielsen, Kenanga Research

Figure 3: Quarterly Key Newspaper Languages Gross Adex

Newspaper Language	2Q24 (RM m)	2Q23 (RM m)	YoY Chg	2Q23 (RM m)	QoQ Chg
West Msia					
BM	89	84	5%	47	87%
Chinese	92	109	-16%	38	140%
English	149	146	2%	73	103%
Others	-145	-126	15%	54	-370%
Total	184	213	-13%	213	-13%

Notes:

* Others includes East Malaysian and tamil language papers

Source: Nielsen, Kenanga Research

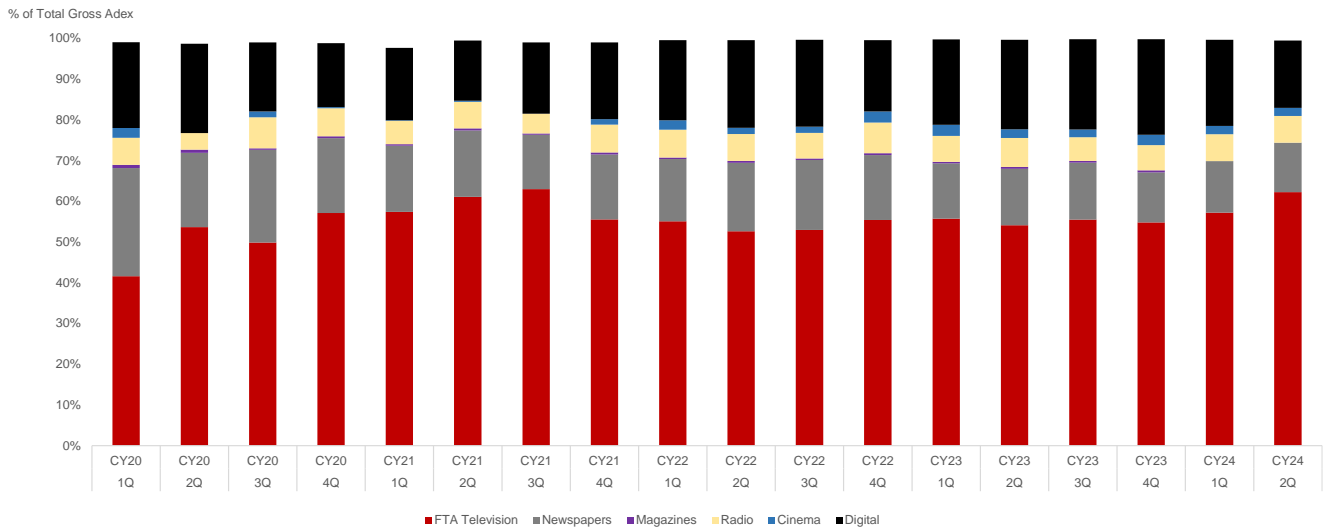
Figure 4: YTD Key Newspaper Languages Gross Adex

Newspaper Language	6MFY24 (RM m)	6MFY23 (RM m)	YoY Chg
West Msia			
BM	88.6	84.0	5%
Chinese	91.9	108.9	-16%
English	148.6	146.3	2%
Others	67.8	74.4	-9%
Total	396.9	413.6	-4%

Source: Nielsen, Kenanga Research

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Figure 3: Quarterly Gross Adex



Source: Nielsen, Kenanga Research

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Peer Comparison – Media

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RMm)	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.				
MEDIA																	
ASTRO MALAYSIA HOLDINGS BHD	UP	0.280	0.250	-10.7%	1,461.3	N	01/2025	2.3	2.9	-43.4%	25.4%	12.0	9.5	1.2	9.9%	1.0	3.6%
MEDIA CHINESE INTERNATIONAL	UP	0.140	0.110	-21.4%	236.2	Y	03/2025	(2.3)	(2.1)	-26.2%	6.8%	N.A.	N.A.	0.4	-6.7%	0.7	5.0%
MEDIA PRIMA BHD	UP	0.460	0.320	-30.4%	510.2	N	06/2024	2.0	3.2	-63.5%	56.0%	22.7	14.5	0.7	5.4%	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%
SECTOR AGGREGATE					2,494.1					-57.4%	45.0%	24.1	16.6	0.8	3.4%		3.0%

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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