

03 October 2024

Media

FTA TV and Digital Media Leave Others Behind

By *Kylie Chan Sze Zan* | kyliechan@kenanga.com.my

UNDERWEIGHT



We maintain our **UNDERWEIGHT** recommendation on the sector, as traditional newspaper publishers face earnings headwinds due to shrinking adex share and high legacy costs. Our CY24F adex growth estimate of 10.8% YoY is mainly driven by free-to-air TV (FTA TV) and digital media. Therefore, traditional media is unlikely to benefit from the adex rebound, given intense competition from new media, and the ongoing evolution of AI technology. Our only sector stock pick is **MEDIA** (OP; TP: RM0.51).

Expect recovery in adex driven by FTA TV. We maintain our CY24F adex growth estimate of 10.8% YoY, which is mainly driven by free-to-air TV (FTA TV) (+10% YoY) and digital media (+20% YoY). The post-pandemic recovery in adex is limited to certain segments, particularly FTA TV, which is expected to surpass CY19 levels by 59%. On the other hand, newspaper adex in CY24 is anticipated to reach only 49% of pre-Covid levels, and radex (radio adex) to exceed by 5%.

With the exception of FTA TV, we believe traditional media is unable to capitalize on the adex rebound given intense competition from new media. Digital platforms are increasingly attracting both audiences and advertisers, driven by: (i) a structural shift towards short video formats and live-stream merchandise sales, (ii) the application of artificial intelligence (AI) to curate personalized content and ads, (iii) relatively lower cost per impression, and (iv) interactive digital platforms that enable two-way communication and user engagement. As such, we expect brands and retailers continuing to spend on digital advertising to direct traffic to their respective online shopping sites.

Mass boycotts of major brands may drag adex. Moreover, we are concerned that adex may be impacted by recent consumer boycotts of major international brands. The ongoing Gaza conflict has weakened the perception of several international brands in Malaysia, ranging from food and beverage to fashion retail. Consequently, these companies have cut their marketing budgets to partially mitigate revenue erosion. Looking ahead, if the conflict persists, there is a possibility of a sustained shift in consumer preference toward local brands, as highlighted by the Domestic Trade and Cost of Living Ministry. Hence, this may dampen adex spend and delay its recovery. On a positive note, these boycotts have been gradually easing since the start of the conflict in Oct 2023.

Expect Pay TV subscriber rout to sustain. In the Pay-TV space, we believe subscriber churn will likely sustain in the near-to-medium term as the following trends prevail; (i) proliferation of unauthorized TV boxes, and (ii) shift of viewership to over-the-top (OTT) platforms (e.g. Netflix, Disney+ Hotstar). Furthermore, Netflix is ramping up its vernacular programming in major Asian languages (including Malay, Tamil, Mandarin), while unauthorized downloads of content over the internet remain rampant. Additionally, younger audiences are leaning towards digital platforms (i.e. social media, mobile apps, websites, and video streaming) for news and entertainment content. Evidently, **ASTRO's (UP; TP: RM0.23)** subscriber base has been on consecutive QoQ decline since its recent peak in 2QFY21.

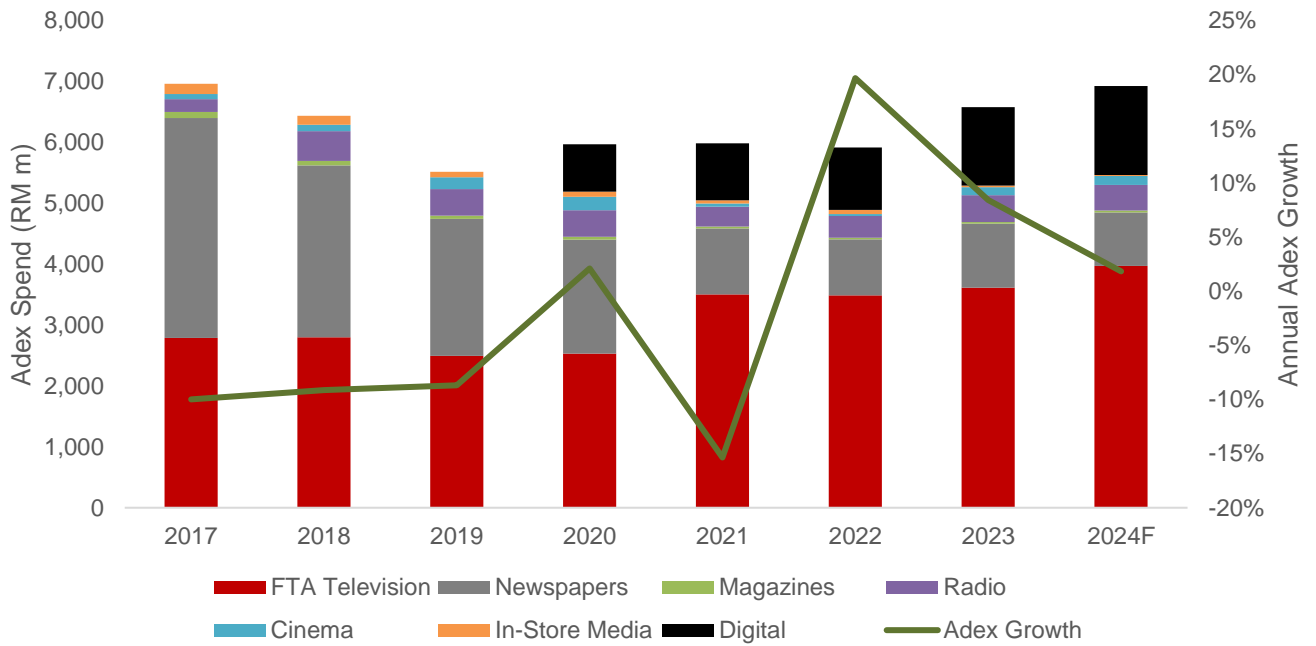
Some bright spots to cushion bottomline. On a more optimistic note, we expect pay-TV ARPU to remain resilient, although there may be slight pressure from the introduction of **ASTRO's** affordable entry-level plans starting at RM42 per month. However, the strong demand for **ASTRO's** convergence offerings will likely offset ARPU drag from these lower-priced plans. Additionally, we believe that print publishers and ASTRO will benefit to a certain degree from a stronger MYR versus USD on the back of lower costs for newsprint and licensed content respectively.

We maintain our **UNDERWEIGHT** recommendation on the sector as newspaper publishers continue to lose adex market share, which declined to just 12.2% in 2QCY24. This represents its lowest level based on our data which dates back to 1QCY16 when newspapers held 52.5% market share. Hence, traditional publishers will likely struggle to break even, as revenue pressures coupled with high legacy costs weigh on their bottomline. Unlike new digital startups with lean cost structures, traditional players are burdened by legacy assets such as large corporate headquarters, costly printing plants, and an overstaffed workforce. Our sole stock pick in the sector is **MEDIA**.

We like **MEDIA** on account of: (i) its entrenched market leadership in the TV, OOH and radio segments, (ii) its position as the leading digital publisher in Malaysia with 9.1m monthly total unique visitors on multi-platforms, and (iii) its dominant market share of 54% in the Malaysian TV space with leading overall audience share of 60% (Chinese) and 47% (Malay).

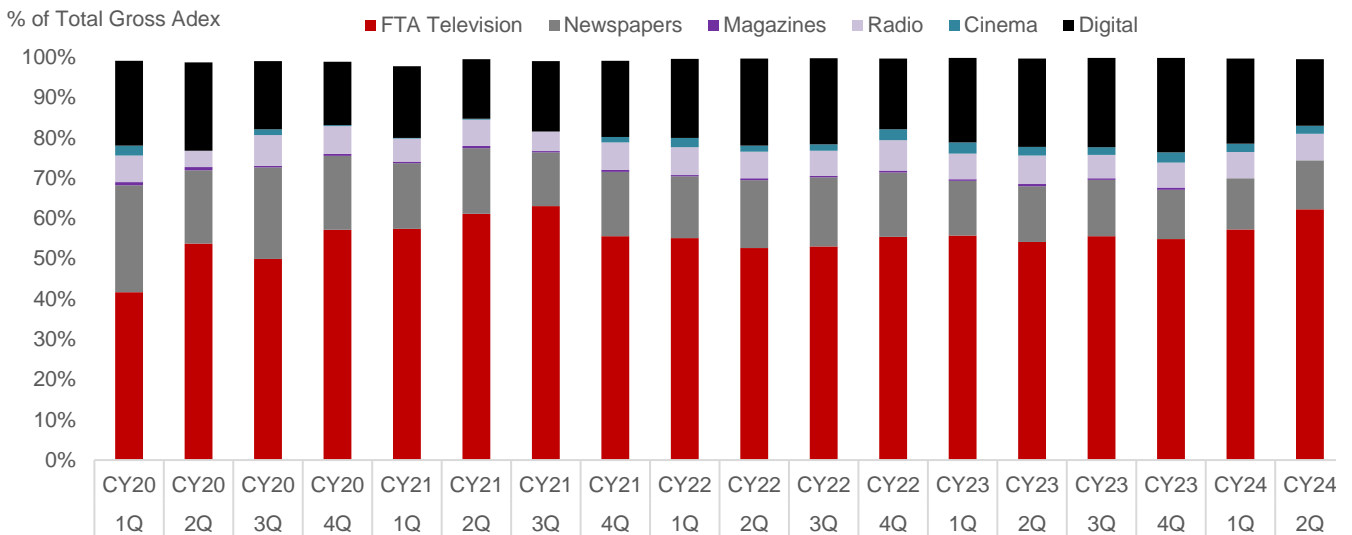
03 October 2024

Annual Adex



Source: Nielsen, Kenanga Research

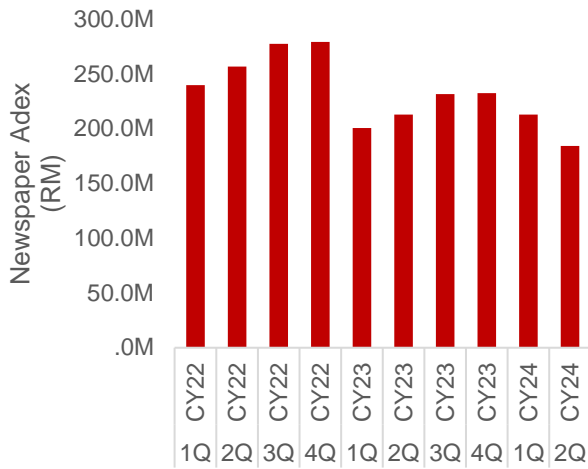
Quarterly Adex Market Share



Source: Nielsen, Kenanga Research

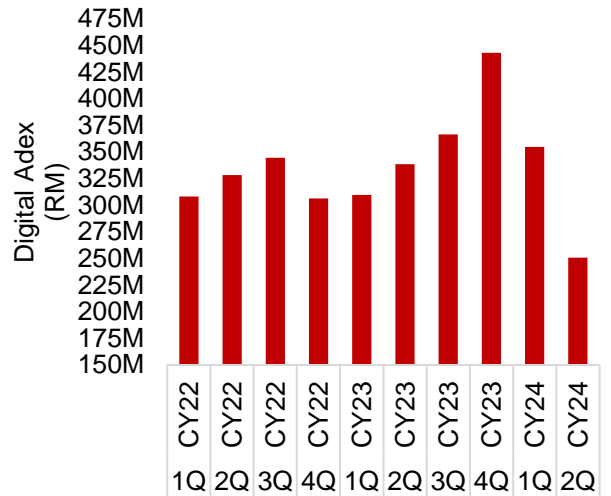
03 October 2024

Newspaper Adex



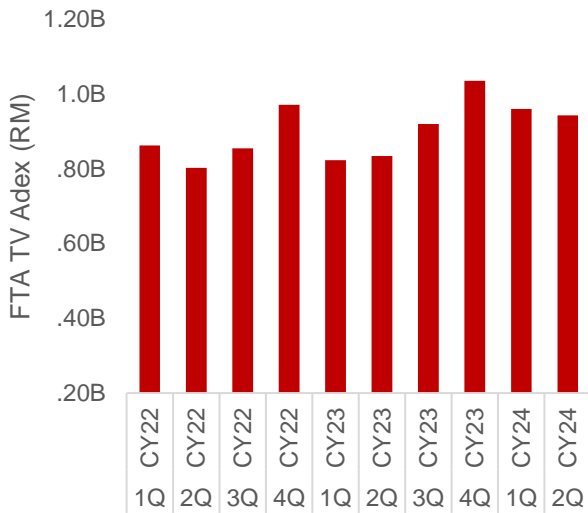
Source: Nielsen, Kenanga Research

Digital Adex



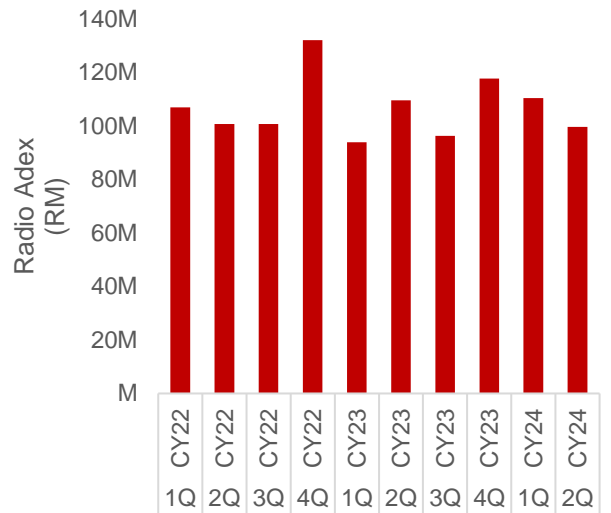
Source: Nielsen, Kenanga Research

FTA TV Adex



Source: Nielsen, Kenanga Research

Radio Adex



Source: Nielsen, Kenanga Research

03 October 2024

Peer Comparison – Media

Name	Rating	Last Price(14/06/24) (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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
MEDIA																	
ASTRO MALAYSIA HOLDINGS																	
BHD	UP	0.270	0.230	-14.8%	1,409.1	N	01/2025	1.9	2.6	-53.4%	36.4%	14.0	10.3	1.2	10.6%	1.0	3.7%
MEDIA CHINESE INTERNATIONAL	UP	0.125	0.110	-12.0%	206.8	Y	03/2025	(1.5)	(1.3)	19.0%	9.7%	N.A.	N.A.	0.4	-4.2%	0.7	5.6%
MEDIA PRIMA BHD	OP	0.485	0.510	5.2%	538.0	N	06/2025	3.3	3.5	0.6%	7.5%	14.9	13.9	0.7	4.9%	1.5	3.1%
STAR MEDIA GROUP BHD	MP	0.460	0.450	-2.2%	333.4	Y	12/2024	1.5	1.2	970.0%	-20.6%	31.2	39.2	0.5	1.6%	0.0	0.0%
SECTOR AGGREGATE					2,487.3					-44.8%	32.2%	20.3	15.4	0.8	3.9%		3.1%

Source: Bloomberg, Kenanga Research* (as of 14/06/2024)

This section is intentionally left blank

03 October 2024

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. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

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