

21 January 2025

Media

CY24 Adex: Dull Year-End Holidays

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UNDERWEIGHT



CY24 adex contraction of 7.1% YoY significantly underperformed our full-year growth assumption of 1.6% YoY. The shortfall stemmed from the absence of an anticipated seasonal boost from year-end festivities- as companies likely deferred their advertising spend to early CY25 to align with Chinese New Year campaigns. The fall in CY24 industry adex (CY23: +1.8% YoY) was primarily attributed to a 33% YTD dip in digital adex (digidex) – possibly due to fierce competition with key opinion leaders (KOLs), social media platforms, and web messaging apps. Although free-to-air (FTA) TV achieved decent growth of 2.3% YoY in CY24, it was insufficient to counter steeper declines in the digital media and newspaper segments. We introduce our CY25 adex contraction assumption of 2.8% YoY, reflecting a milder decline compared to CY24 - as we anticipate adex spillover from 4QCY24 to 1QCY25. We maintain UNDERWEIGHT and do not have any stock picks for the sector. We believe traditional media players will continue to languish due to sustained top-line pressure (from intense competition) and substantial legacy costs (e.g. newsprint, ink, maintenance of towers and satellite uplinks etc.).

CY24 adex disappointed as year-end festivities failed to provide boost. CY24 adex of RM6.1b (-7.1% YoY) grossly underperformed compared to our full-year growth assumption of 1.6% YoY. The disappointment was mainly attributed to weaker-than-expected adex for FTA TV and digital media - as the anticipated seasonal boost from year-end festivities (eg. school term break, Christmas, and New Year's Eve) failed to materialize. This quarterly weakness was despite robust YoY growth in Malaysian international tourist arrivals, retail trade, and automotive total industry volume (TIV) in 4QCY24. We believe the lacklustre performance probably stemmed from companies deferring their advertising spend to early CY25, to align with Chinese New Year (CNY) campaigns. Recall that CNY in CY25 falls earlier on 29 Jan, vis-à-vis 10 Feb in CY24. Evidently, 4QCY24 adex (YoY: -15%, QoQ: 4%) merely accounted for 23% of full-year adex, a sharp decline from its larger 29% contribution in FY23.

Digidex' sequential free fall eases. The fall in CY24 industry adex (CY23: +1.8% YoY) was primarily attributed to a 33% YTD dip in digidex. This largely emanated from a sharp downturn in YouTube adex (-32% YTD), possibly due to fierce competition from key opinion leaders (KOLs), social media platforms, and web messaging apps. The weakness was further compounded by steep adex declines on online websites hosted by Malaysia Kini (-69% YTD) and **STAR (MP; TP: RM0.45)** (-57% YTD). The sole bright spot was paultan.org, which saw a 28% YTD surge in adex, likely driven by solid TIV, alongside increased car launches and autoshow. On a more optimistic note, the sequential decline in digidex moderated to 5% in 4QCY24, following steep falls of over 20% for three consecutive quarters since 1QCY24.

Newspapers continue to falter. To a lesser extent, the plunge in CY24 industry adex (CY23: +1.8% YoY) was exacerbated by a drop in newspaper adex (-7% YoY), particularly for Chinese language publications. This trend aligns with declines in YTD adex for newspapers published by (i) **MEDIAC (UP; TP: RM0.11)**: -1%, (ii) **STAR**: -11%, and (iii) **MEDIA (MP; TP: RM0.46)**: -7%. On a positive note, CY24 radio adex expanded by 2% YoY, likely driven by renewed interest in certain stations (e.g. FlyFM and HotFM) following a refreshed lineup of radio presenters.

FTA TV remains resilient. Despite a weak 4QCY24, FTA TV ended the year with CY24 adex growth of 2.3% YoY. On the flipside, YTD adex for **MEDIA**'s key TV channels (i.e. TV3, NTV7, 8TV and TV9) was flattish, as higher adex at NTV7 (+35% YTD) was offset by declines across the other channels. We believe FTA TV's sustained popularity is supported by its strong local vernacular content (particularly on TV3), and its large addressable market within the lower-income population segment. Notably, as reported by Berita Harian, Khazanah Research Institute (KRI) is challenging Malaysia's household classification, asserting that only the top 30% of households are genuinely middle-income or aspirational. This contrasts with the government's view that the top 60%, comprising the M40 and T20 groups, represent the middle class.

Expect milder adex contraction in CY25. We introduce our CY25 adex contraction assumption of 2.8% YoY, reflecting a milder decline compared to CY24's contraction of 7.1% YoY. This expectation is underpinned by an anticipated spillover in advertising spend from 4QCY24 into 1QCY25, as highlighted earlier. In line with this, we anticipate that declines in CY25 adex for digital media (-25% YoY), newspapers (-5% YoY), magazines (-8% YoY) and cinema (-3% YoY) will more than offset growth in FTA TV (+3% YoY) and radio (+2% YoY).

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KOLs and messaging platforms wresting adex share. We believe digidex's downturn will mainly be driven by ongoing shifts in advertising budgets away from digital media websites toward: (i) KOLs: via direct brand collaborations and sponsorships, and (ii) web messaging platforms: via business subscriptions (e.g. *WhatsApp Business Platform*), and sponsored messages (e.g. on *Telegram*). This shift reflects the growing popularity of these platforms, underscored by Malaysians exceeding the global average for social media video watch time by 55%, as reported by INSG. Supporting this trend, Shopee reported that 75% of Malaysian online consumers rely on influencers for solutions and product insights, with 34% considering influencer recommendations before making a purchase. Additionally, the increasing adoption of ad blockers continue to erode the reach of banner ads, further diminishing the appeal of website as advertising medium.

We maintain our **UNDERWEIGHT** stance on the sector due to persistent top-line pressure from intense competition. Meanwhile, on the cost side, traditional media companies are burdened with substantial legacy expenditures. This includes: (i) newspapers: high costs for newsprint, ink, and distribution logistics, (ii) FTA and Pay TV: expenses related to maintaining broadcasting infrastructure (eg. *towers and satellite uplinks*), and (iii) inefficiencies of a large, aging workforce with skillsets that are increasingly obsolete in the digital age. These challenges render it difficult for small legacy media players to remain profitable and compete with new media and KOLs with much leaner and flexible operations. Meanwhile, larger traditional media companies face earnings volatility, with certain business segments occasionally slipping into quarterly losses.

Looking ahead, a potential catalyst for re-rating that could prompt us to upgrade the sector to NEUTRAL is the successful expansion of traditional media players into new media or synergistic businesses. This would allow them to diversify away from legacy earnings and realize immediate earnings growth. We do not have any stock recommendations within 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: Quarterly Gross Adex by Medium

Media Type	4Q24 (RM m)	4Q23 (RM m)	YoY Chg	3Q24 (RM m)	QoQ Chg
FTA TV	854	1,035	-17.5%	940	-9.2%
Newspapers	200	232	-14.1%	204	-2.2%
Magazines	8	9	-16.0%	6	32.8%
Radio	117	118	-0.4%	97	20.7%
Cinema	50	48	5.1%	33	53.0%
Digital*	184	443	-58.6%	192	-4.6%
Total	1,413	1,886	-25.1%	1,473	-4.1%
Total (ex-Digital)	1,229	1,443	-14.8%	1,280	-4.0%

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	12MCY24 (RM m)	12MCY23 (RM m)	YoY Chg
FTA TV	3,697	3,612	2.3%
Newspapers	814	878	-7.2%
Magazines	27	30	-10%
Radio	425	418	1.7%
Cinema	147	152	-3.3%
Digital*	977	1,458	-33%
Total	6,086	6,548	-7.1%
Total (ex-Digital)	5,110	5,089	0.4%

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	4Q24 (RM m)	4Q23 (RM m)	YoY Chg	3Q24 (RM m)	QoQ Chg
West Msia					
BM	173	180	-4%	133	31%
Chinese	163	187	13%	127	28%
English	304	309	-2%	229	33%
Others	-441	-444	-1%	-284	55%
Total	200	232	14%	204	-2%

Notes:

* Others includes East Malaysian and tamil language papers

Source: Nielsen, Kenanga Research

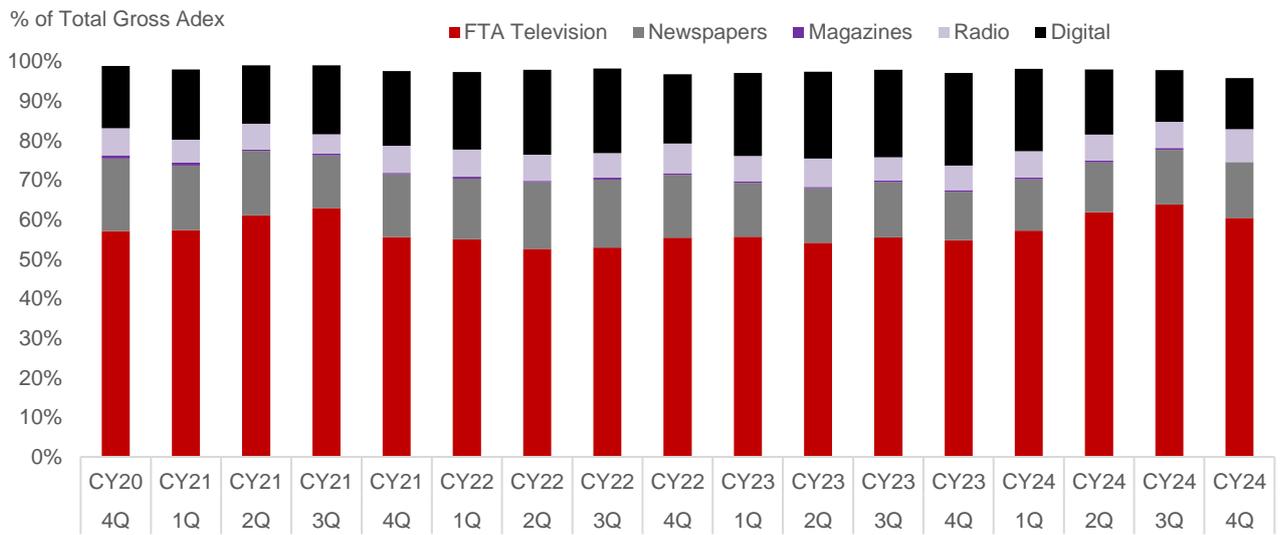
Figure 4: YTD Key Newspaper Languages Gross Adex

Newspaper Language	12MCY24 (RM m)	12MCY23 (RM m)	YoY Chg
West Msia			
BM	173.4	180.1	-4%
Chinese	162.7	187.1	-13%
English	304.2	308.8	-2%
Others	173.8	201.6	-14%
Total	814.1	877.6	-7%

Source: Nielsen, Kenanga Research

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Figure 5: 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 (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	0.230	0.200	-13.0%	1,200.4	N	01/2025	1.5	2.0	-64.2%	34.8%	15.6	11.6	1.1	12.7%	1.0	4.3%
MEDIA CHINESE INTERNATIONAL	UP	0.120	0.110	-8.3%	196.6	Y	03/2025	(0.7)	(0.4)	59.0%	48.8%	N.A.	N.A.	0.4	-2.2%	0.7	5.8%
MEDIA PRIMA BHD	MP	0.470	0.460	-2.1%	521.3	N	06/2025	1.1	1.4	-65.7%	23.6%	42.4	34.3	0.7	1.7%	1.5	3.2%
STAR MEDIA GROUP BHD	MP	0.400	0.450	12.5%	289.9	Y	12/2024	1.6	1.2	1040.0%	-25.4%	25.4	34.1	0.4	1.7%	0.0	0.0%
SECTOR AGGREGATE					2,208.2					-60.2%	37.3%	25.0	18.2	0.7	2.9%		3.3%

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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