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Media

Meaningful IP Earnings still a Distant Catalyst

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UNDERWEIGHT



Traditional adex in Malaysia is expected to continue its multi-year decline, as digital channels capture an increasing share of the market. Legacy media players have limited digital advertising presence, being largely confined to website ads. However, this segment has also recently begun to decline, registering a steep 33%–38% drop since 2024, eliminating what was previously a growth area for Malaysian media companies.

Looking ahead, we believe media companies should strategically shift their focus towards scaling and monetizing their intellectual property (IP) portfolios. This could serve as a long-term growth driver, helping to offset the decline in traditional adex. However, at this nascent stage, such efforts remain work in progress.

We reiterate our FY26F adex of RM4.24b (–10% YoY), reflecting a downturn across the board for both traditional media and web-based digital inventory. We maintain our UNDERWEIGHT call on the sector, given ongoing earnings pressures from fierce competition and heavy legacy overheads. We do not have any stock picks within the sector.

Traditional media adex continues to shrink. Based on Nielsen data, traditional adex in Malaysia contracted at a 6-year CAGR of 3% in 2019-25, largely due to sustained market share losses to digital channels. Advertisers are increasingly gravitating toward: (i) social media: which offers interactive and personalized content, and (ii) search advertising: which captures high-intent consumers at the point of purchase. These digital channels are further strengthened by programmatic buying, data-driven strategies, and AI-powered analytics. These features enable precise targeting, real-time optimization, and measurable results. In contrast, traditional TV, radio, and print rely on broad, passive reach, offering limited engagement resulting in low conversion rates.

Website adex also declining. Traditional media players in Malaysia maintain only a limited digital advertising presence, with exposures largely confined to basic formats such as banner ads and basic video placements on their own websites. In contrast, digital-native players like **FOODIE (NOT RATED)**, offer more sophisticated digital advertising on their social media platforms. Moreover, Nielsen data revealed a sharp decline in adex on Malaysian websites—falling 33% YoY in 2024 and a further 38% in 2025. With this former growth area now hamstrung, Malaysian media companies face an urgent need to adapt more quickly to shifting digital trends.

While **ASTRO (MP; TP: RM0.08)** recently invested in KULT, a digital marketing venture, it remains in its early startup phase and has yet to gain meaningful revenue traction. KULT allows advertisers and brands to tailor campaigns across ASTRO's content ecosystem, including both proprietary and external digital platforms such as YouTube, TikTok, and Meta. However, at this stage, digital adex remains immaterial, accounting for just 2% of ASTRO's total adex in FY26.

Need to diversify earnings via IP expansion. Looking ahead, Malaysian media companies would benefit from prioritizing the development of intellectual property (IP) as a core strategic pillar. A strong IP portfolio can provide more stable and diversified revenue streams, helping to offset the decline in traditional adex. Additionally, it will also strengthen brand equity and audience loyalty, while enabling ancillary monetization opportunities (eg. via merchandising, format licensing, and cross-platform adaptations). In an evolving and challenging media landscape, we believe players that successfully scale their IP will be better positioned to remain relevant and achieve long-term growth.

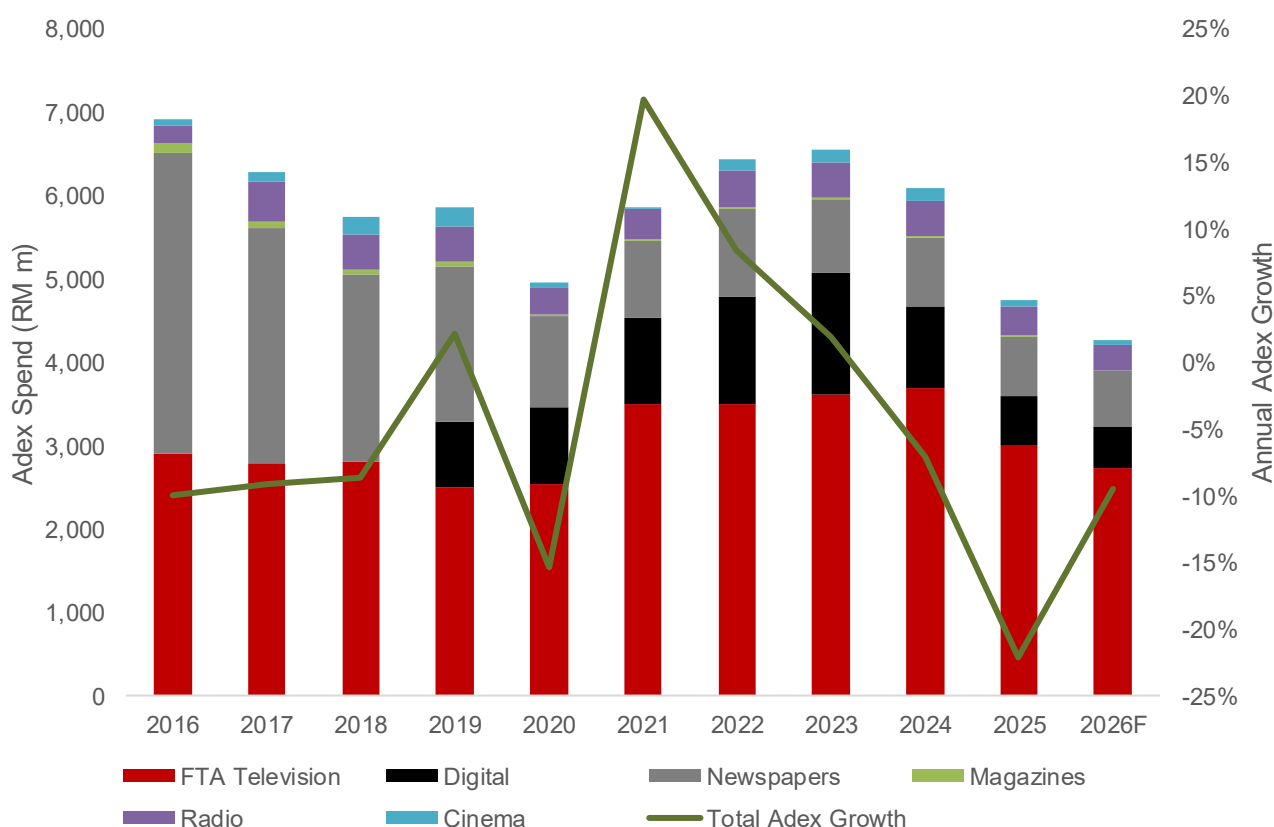
Nascent progress in scaling IP. In response to these trends, ASTRO has ramped up its investments in local content through its in-house production and distribution arm, Astro Shaw. It recently delivered Malaysia's highest-grossing local animated film to-date, *Papa Zola*, which garnered over RM69m in gross box office (GBO) receipts. For this title, ASTRO retained an estimated 15% of GBO, reflecting its position as the primary marketing and distribution partner. In contrast, for franchises where ASTRO holds leading ownership stakes (eg. *Polis Evo*), the group may secure significantly larger share of up to 90% of GBO.

In FY26, Astro Shaw and its partners produced six of the top 10 highest-grossing Malaysian films, generating a combined RM111m in box office revenue. Beyond theatrical performance, sponsorship income from its films rose 3-fold YoY, supported by multi-year agreements under the Astro Shaw Cinematic Universe as well as strategic brand collaborations. However, while these achievements signal encouraging early momentum, the scaling of IP into recurring revenue streams remains work in progress.

Stay underweight amidst sustained adex decline. We retain our FY26F adex of RM4.24b (-9.5% YoY), driven by broad-based weakness across FTA TV (-8.6% YoY), newspapers (-5.6% YoY), magazines (-6.6% YoY), radio (-8.7% YoY), cinema (-23% YoY), and digidex (-17.3% YoY). Despite the anticipated decline, we expect a milder YoY contraction, supported by a lower base effect and potential uplift in advertising spend tied to major sporting events in 2026, including: (i) SUKMA Selangor, (ii) 2026 FIFA World Cup, and (iii) the 2026 Winter Olympics.

Earnings headwinds from competition and legacy costs. We maintain **UNDERWEIGHT** on the sector, underpinned by sustained earnings headwinds as a result of: (i) loss of adex share to digital-native players, and (ii) escalated costs from legacy infrastructure (eg. broadcast towers, satellite transponder leases, printing facilities, and physical distribution networks). Meanwhile, diversification into IP monetisation remains limited at this early juncture, as media companies require time to build, scale and strengthen their IP portfolios. We do not have any stock picks for the sector.

Annual 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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
MEDIA																	
ASTRO MALAYSIA HOLDINGS BHD	MP	0.070	0.080	14.3%	365.8	N	01/2027	0.5	0.5	24.0%	5.9%	15.4	14.5	0.3	1.8%	0.0	0.0%
MEDIA CHINESE INTERNATIONAL	UP	0.075	0.085	13.3%	121.6	Y	03/2026	(2.7)	(2.3)	-63.6%	12.2%	N.A.	N.A.	0.3	-8.8%	0.0	0.0%
MEDIA PRIMA BHD	MP	0.345	0.370	7.2%	382.7	N	06/2026	1.2	1.8	-39.4%	53.0%	28.6	18.7	0.5	2.0%	1.5	4.3%
STAR MEDIA GROUP BHD	UP	0.310	0.330	6.5%	224.7	N	12/2026	(0.8)	0.8	-153.5%	198.4%	N.A.	37.4	0.3	-0.9%	0.0	0.0%
SECTOR AGGREGATE					1,094.8					-155.2%	-187.8%	-78.8	89.7	0.3	-0.4%		1.1%

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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