



MEDIA PRIMA

(MPR MK EQUITY, MPRM.KL)

22 May 2020

Narrower core loss YoY despite Covid-19

HOLD

(Maintained)

AmInvestment Bank

www.amequities.com.my

03-2036 2333

Rationale for report: Company results/update

Price	RM0.16
Fair Value	RM0.22
52-week High/Low	RM0.52/RM0.11

Key Changes

Fair value	↔
EPS	↓

YE to Dec	FY19	FY20F	FY21F	FY22F
Revenue (RM mil)	1,106.0	1,165.4	1,228.9	1,339.7
Core net profit (RM mil)	(63.0)	(79.9)	(58.5)	(28.9)
FD Core EPS (sen)	(5.7)	(7.2)	(5.3)	(2.6)
FD Core EPS growth (%)	(37.7)	26.7	(26.8)	(50.5)
Consensus Net Profit (RM mil)	-	(37.6)	(18.0)	(3.0)
DPS (sen)	-	-	-	-
PE (x)	nm	nm	nm	nm
EV/EBITDA (x)	nm	6.2	3.8	2.5
Div yield (%)	-	-	-	-
ROE (%)	(25.3)	(14.3)	(12.0)	(6.5)
Net Gearing (%)	nm	nm	nm	0.0

Stock and Financial Data

Shares Outstanding (million)	1,109.2
Market Cap (RMmil)	171.9
Book Value (RM/share)	0.54
P/BV (x)	0.3
ROE (%)	(25.3)
Net Gearing (%)	-

Major Shareholders	Aurora Mulia (31.9%) Morgan Stanley (12.8%) ASNB (7.2%)
--------------------	---

Free Float	52.7
Avg Daily Value (RMmil)	1.5

Price performance	3mth	6mth	12mth
Absolute (%)	(18.4)	(43.6)	(62.2)
Relative (%)	(14.0)	(38.2)	(58.2)



Investment Highlights

- We maintain our **HOLD** recommendation on **Media Prima (MPR)** with an unchanged fair value of **RM0.22/share** pegged to a **PB ratio of 0.4x**. We lower our FY20F–FY22F forecasts to account for deferments in ad bookings due to Covid-19 uncertainties.
- **MPR registered a core loss of RM29mil in 1QFY20**, after stripping out an exceptional net loss of RM0.6mil from forex loss and loss on impairment of financial instruments. We consider the results to be below expectations against our previous full-year FY20F estimate of a RM71mil core loss and consensus estimates of a RM38mil loss.
- **YoY: 1QFY20 core loss narrowed** vs. 1QFY19's core loss of RM37mil due to cost-saving initiatives by MPR where group overheads were reduced by 11%. 1QFY20 revenue declined marginally as higher digital and home shopping revenues were offset by declines in TV, radio, out-of-home (OOH) and publishing due to weaker adex and the Covid-19 impact on the economy. Advertising revenue fell 10%, while non-advertising revenue (i.e commerce and circulation) grew 22% in 1QFY20.
- **Segmental analysis:**
 - **TV:** Cost-minimizing efforts such as a reduction in TV overheads by 17% helped narrow LBT to RM14mil in 1QFY20 from RM21mil in 1QFY19, despite TV revenue falling 9% due to softer adex. According to Nielsen, MPR TV networks commanded 36% of total audience share and 49% of prime time audience share in 1QFY20.
 - **Radio:** Losses widened to RM5mil from a RM0.7mil LBT in 1QFY19 due to revenue plunging 56% amid lower adex take-up and as digital marketing options for advertisers grew.
 - **OOH:** PBT fell 4% due to revenue sliding 3% amid cautious adex spend and lower occupancy on static panels.
 - **Publishing:** Revenue dropped 10% due to lower traditional advertising revenue despite circulation revenue rising 12%. Meanwhile, LBT narrowed due to the group's cost optimization efforts i.e. 20% lower overhead costs YoY.
 - **Digital:** Revenue rose 50% mainly from higher digital advertising and media ventures revenue. However, the segment slipped into an LBT of RM0.1mil (vs. PBT of RM0.1mil in 1QFY19) on low internal shared service revenue and higher operating costs.

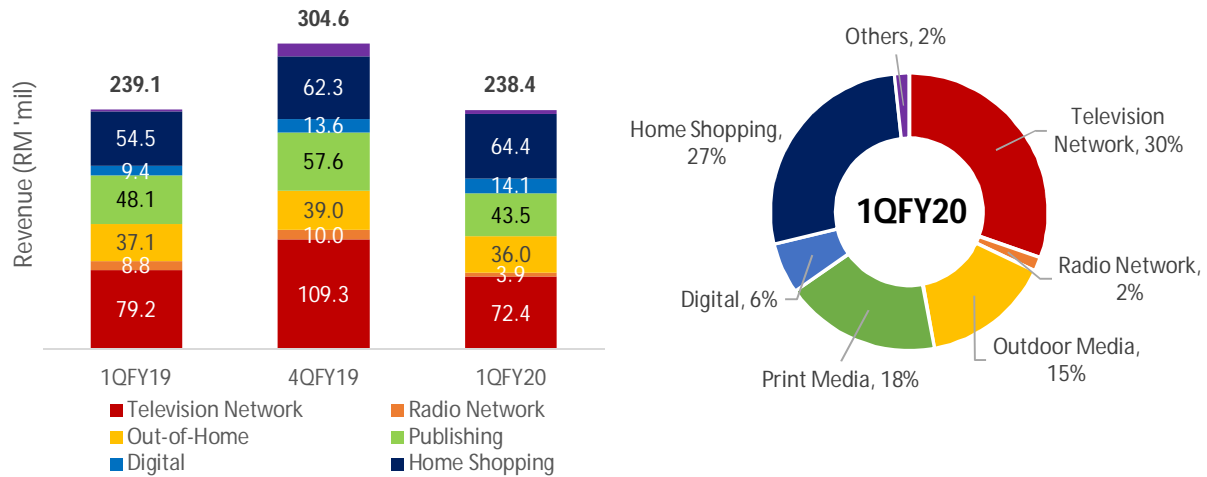
- **Home Shopping:** Revenue climbed 18% leading to a PBT of RM0.1mil (vs. RM4mil LBT in 1QFY19) due to successful promotional activities and better slots planning. New registered customers grew 13% to 151K while 44% of home shopping sales in 1QFY20 were contributed by web and mobile platforms with the remaining 56% by TV sales. On another positive note, 1QFY20 marks the first quarter CJ Wow Shop reached breakeven.
- **Movement control order (MCO) trends:** Since the MCO was announced in Malaysia to contain the spread of Covid-19 on 18 March 2020, MPR has seen higher engagement across its TV, digital and home shopping segments. TV viewership surged 31% since pre-MCO, its news sites i.e. *New Straits Times*, *Berita Harian*, *Harian Metro*, *OhBulan*, *Says* had maintained the highest combined traffic during the MCO vs. other local media groups, and there had been increased buying from home and a spike in orders during TV3 and 8TV's CJ Wow Shop slots.
- **Outlook:** We expect a lack of adex catalysts for the year coupled with the Covid-19 impact on business to trickle down and affect media companies negatively. However, savings from cost optimisation efforts such as the case of MPR will cushion the impact of Covid-19 on earnings. Historically, 1Q earnings are seasonally weaker for media companies, with 2Q being the strongest likely due to promotional activities relating to festivities. We also gather that ad bookings have been deferred for media companies due to the Covid-19 pandemic.
- **Maintain HOLD on MPR** as we remain cautious due to its lacklustre outlook amid a challenging operating environment of soft adex coupled with Covid-19 uncertainties. Nevertheless, we are positive of its progress in its digital and commerce segments as well as its cost rationalisation initiatives which will help to cushion decline in earnings.

EXHIBIT 1: FINANCIAL RESULTS SUMMARY

YE 31 Dec (RM mil)	1QFY19	4QFY19	1QFY20	% QoQ	% YoY
Turnover	239.1	304.6	238.4	(21.7)	(0.3)
EBITDA	(9.9)	36.7	(26.6)	nm	(168.9)
Depreciation & amortisation	(25.7)	(20.7)	0.0	nm	nm
EBIT	(35.6)	16.0	(26.6)	nm	25.2
Interest expense	(3.8)	(1.5)	(3.6)	(132.0)	4.7
Interest income	1.7	1.9	2.2	16.1	26.4
Pre-Associates profit	(37.6)	16.4	(28.0)	nm	25.6
Associates	0.0	0.1	(0.0)	nm	nm
Pre-Exceptionals profit	(37.6)	16.5	(28.0)	nm	25.5
Exceptionals	(3.3)	(116.1)	(0.6)	nm	80.8
Pre-tax profit	(40.9)	(99.7)	(28.7)	71.2	29.9
Taxation	(2.0)	(6.7)	(1.3)	80.3	32.9
Minority interest	2.4	1.9	0.4	(76.9)	(82.1)
Net Profit	(40.4)	(104.5)	(29.5)	71.7	26.9
Core Net Profit	(37.2)	11.7	(28.9)	nm	22.2
EPS (sen)	(3.6)	(9.5)	(2.7)		
Gross DPS (sen)	0.0	0.0	0.0		
EBIT margin (%)	(14.9)	5.3	(11.2)		
Pretax margin (%)	(17.1)	(32.7)	(12.0)		
Effective tax (%)	(4.8)	(6.7)	(4.6)		
Segmental Breakdown (RM mil)					
Revenue					
Television Network	79.2	109.3	72.4	(33.7)	(8.6)
Radio Network	8.8	10.0	3.9	(61.3)	(56.0)
Out-of-Home	37.1	39.0	36.0	(7.7)	(3.0)
Publishing	48.1	57.6	43.5	(24.5)	(9.7)
Digital	9.4	13.6	14.1	3.9	50.3
Home Shopping	54.5	62.3	64.4	3.3	18.3
Others	1.9	12.8	4.1	(68.0)	>100
Total	239.1	304.6	238.4	(21.7)	(0.3)
PATBMI					
Television Network	(21.3)	(3.5)	(13.8)	(290.4)	35.0
Radio Network	(0.7)	(0.8)	(4.9)	(479.1)	(608.1)
Out-of-Home	1.9	3.8	1.9	(50.6)	(3.8)
Publishing	(21.9)	(54.3)	(11.8)	78.3	46.1
Digital	0.1	(2.2)	(0.1)	96.7	nm
Home Shopping	(4.0)	(1.7)	0.1	nm	nm
Others	3.0	0.8	(1.4)	nm	nm
Total	(42.8)	(58.1)	(30.0)	48.4	30.0
PATBMI margin (%)					
Television Network	(26.9)	(3.2)	(19.1)		
Radio Network	(7.8)	(8.5)	(126.3)		
Outdoor Media	5.2	9.6	5.1		
Print Media	(45.5)	(94.3)	(27.2)		
Digital	1.1	(16.0)	(0.5)		
Home Shopping	(7.3)	(2.8)	0.2		
Others	154.2	6.0	(33.0)		
Total	(17.9)	(19.1)	(12.6)		

Source: Company, AmlInvestment Bank Bhd

EXHIBIT 2: REVENUE BREAKDOWN BY SEGMENT



Source: Company, AmlInvestment Bank Bhd

EXHIBIT 3: REVENUE SPLIT

Net Revenue (before Royalties)	Traditional			Digital			Home Shopping			Total		
	Q1 2020	Q1 2019	Change	Q1 2020	Q1 2019	Change	Q1 2020	Q1 2019	Change	Q1 2020	Q1 2019	Change
	RM'000		%	RM'000		%	RM'000		%	RM'000		%
Advertising	129,979	149,026	(13)	18,721	16,767	12	-	-	-	148,700	165,793	(10)
Circulation	16,869	15,097	12	-	-	-	-	-	-	16,869	15,097	12
Commerce	6,290	2,212	>100	185	647	(71)	64,432	54,466	18	70,907	57,325	24
Content	1,136	13	>100	-	-	-	-	-	-	1,136	13	>100
Property and others	824	874	(6)	-	-	-	-	-	-	824	874	(6)
Total	155,098	167,222	(7)	18,906	17,414	9	64,432	54,466	18	238,436	239,102	(0)

Source: Company.

EXHIBIT 4: PB BAND CHART



EXHIBIT 5: PE BAND CHART

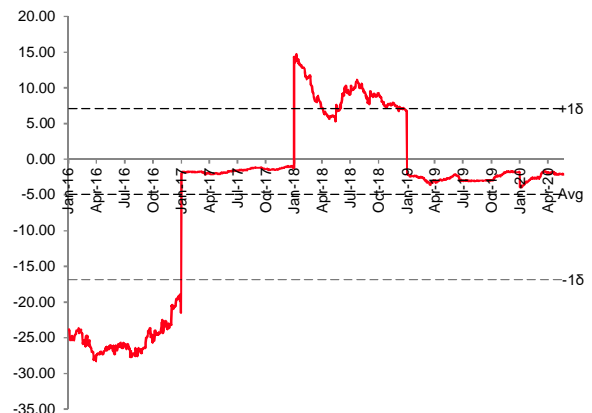


EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Revenue	1,185.7	1,106.0	1,165.4	1,228.9	1,339.7
EBITDA	(12.6)	74.3	9.0	36.1	70.0
Depreciation/Amortisation	(73.0)	(123.8)	(99.9)	(100.4)	(100.9)
Operating income (EBIT)	(85.6)	(49.4)	(90.9)	(64.2)	(30.9)
Other income & associates	-	-	-	-	-
Net interest	(13.6)	(8.7)	8.3	3.7	1.0
Exceptional items	159.8	(114.8)	-	-	-
Pretax profit	60.6	(173.0)	(82.6)	(60.5)	(29.9)
Taxation	(1.6)	(12.5)	2.2	1.6	0.8
Minorities/pref dividends	(0.4)	7.6	0.5	0.4	0.2
Net profit	58.6	(177.9)	(79.9)	(58.5)	(28.9)
Core net profit	(101.1)	(63.0)	(79.9)	(58.5)	(28.9)
Balance Sheet (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Fixed assets	305.0	246.8	233.6	198.5	164.3
Intangible assets	430.1	394.8	412.9	404.7	396.5
Other long-term assets	48.9	261.3	261.3	261.3	261.3
Total non-current assets	783.9	902.9	907.8	864.4	822.1
Cash & equivalent	210.1	257.1	119.1	35.7	-
Stock	36.9	6.4	35.6	36.7	39.1
Trade debtors	195.2	182.1	191.9	202.3	220.6
Other current assets	91.5	59.0	59.0	59.0	59.0
Total current assets	533.7	504.7	405.6	333.8	-
Trade creditors	67.9	58.5	65.6	67.6	72.0
Short-term borrowings	4.2	4.7	3.1	2.7	2.4
Other current liabilities	389.9	389.3	389.3	389.3	389.3
Total current liabilities	462.0	452.5	458.0	459.6	463.7
Long-term borrowings	-	-	-	-	-
Other long-term liabilities	41.2	225.4	225.4	225.4	225.4
Total long-term liabilities	41.2	225.4	225.4	225.4	225.4
Shareholders' funds	808.6	598.1	518.2	459.7	430.8
Minority interests	(0.4)	7.6	0.5	0.4	0.2
BV/share (RM)	0.73	0.54	0.47	0.41	0.39
Cash Flow (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Pretax profit	60.6	(173.0)	(82.6)	(60.5)	(29.9)
Depreciation/Amortisation	73.0	123.8	99.9	100.4	100.9
Net change in working capital	(140.5)	(58.2)	(137.9)	(105.0)	-
Others	28.4	14.4	(6.0)	(2.1)	(71.0)
Cash flow from operations	21.6	(93.0)	(126.7)	(67.2)	-
Capital expenditure	(25.1)	(17.6)	(18.5)	(19.5)	(21.3)
Net investments & sale of fixed assets	298.9	1.5	-	-	-
Others	44.8	3.6	8.5	3.9	1.2
Cash flow from investing	318.6	(12.5)	(10.1)	(15.6)	(20.1)
Debt raised/(repaid)	(316.7)	(60.7)	(1.1)	(0.4)	(0.3)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	-	-	-	-	-
Others	(10.8)	(16.4)	(0.2)	(0.2)	(0.2)
Cash flow from financing	(327.5)	(77.1)	(1.3)	(0.6)	(0.5)
Net cash flow	12.7	(182.6)	(138.1)	(83.4)	-
Net cash/(debt) b/f	197.2	209.9	256.9	118.9	35.5
Net cash/(debt) c/f	209.9	27.3	118.9	35.5	-
Key Ratios (YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Revenue growth (%)	(1.1)	(6.7)	5.4	5.5	9.0
EBITDA growth (%)	(15.4)	(689.5)	(87.9)	301.8	93.7
Pretax margin (%)	5.1	(15.6)	(7.1)	(4.9)	(2.2)
Net profit margin (%)	4.9	(16.1)	(6.9)	(4.8)	(2.2)
Interest cover (x)	(631.1%)	(566.3%)	nm	nm	nm
Effective tax rate (%)	2.7	7.2	2.7	2.7	2.7
Dividend payout (%)	-	nm	nm	nm	nm
Debtors turnover (days)	60	60	60	60	60
Stock turnover (days)	11	2	11	11	11
Creditors turnover (days)	21	21	21	21	21

Source: Company, AmInvestment Bank Bhd estimates

DISCLOSURE AND DISCLAIMER

This report is prepared for information purposes only and it is issued by AmInvestment Bank Berhad (“AmInvestment”) without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures or investment products. AmInvestment recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmInvestment believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmInvestment has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constitute AmInvestment’s views as of this date and are subject to change without notice. Notwithstanding that, AmInvestment has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmInvestment’s affiliates and/or related corporations (collectively, “AmBank Group”).

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmInvestment’s prior written consent. AmInvestment, AmBank Group and its respective directors, officers, employees and agents (“Relevant Person”) accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmInvestment is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.