



MEDIA PRIMA

(MPR MK EQUITY, MPRM.KL)

19 Nov 2020

Home shopping, digital transformation charting new path
BUY

(Upgraded)

AmInvestment Bank

www.amequities.com.my

03-2306 2333

Rationale for report: Company results/update

Price RM0.18
Fair Value RM0.25
52-week High/Low RM0.34/RM0.11

Key Changes

Fair value
EPS

YE to Dec	FY19	FY20F	FY21F	FY22F
Revenue (RM mil)	1,106.0	1,190.0	1,279.3	1,338.8
Core net profit (RM mil)	(61.8)	(9.4)	(5.8)	7.4
FD Core EPS (sen)	(5.6)	(0.9)	(0.5)	0.7
FD Core EPS growth (%)	(38.9)	(84.7)	(38.8)	(228.3)
Consensus Net Profit (RM mil)	-	(67.6)	(29.6)	(0.0)
DPS (sen)	-	-	-	-
PE (x)	nm	nm	nm	27.0
EV/EBITDA (x)	nm	nm	-	-
Div yield (%)	-	-	-	-
ROE (%)	(25.3)	(1.6)	(1.0)	1.3
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million) 1,109.2
Market Cap (RM mil) 199.7
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 (6.1%)

Free Float 47.4
Avg Daily Value (RM mil) 0.7

Price performance	3mth	6mth	12mth
Absolute (%)	-	16.1	(39.0)
Relative (%)	(1.7)	2.0	(39.0)



Investment Highlights

- We upgrade Media Prima (MPR) to BUY from HOLD with a higher fair value of RM0.25/share, pegged to a higher PB ratio of 0.5x (previously RM0.22/share, PB 0.4x) after reflecting the group's latest 3QFY20 book value per share (BVPS) of RM0.50. The higher PB ratio which is at a +1.5SD premium to its 1-year historical PB of 0.35x, premised upon our belief that the group is seeing benefits from its previous Odyssey transformation plan to grow commerce and digital revenues.
- We narrow our FY20F–FY22F loss projections amid better margin assumptions across the board following realization of cost savings and better-than-expected recovery post-MCO.
- MPR's results exceeded expectations, recording a core profit of RM16mil in 3QFY20 which brings 9MFY20 core loss to RM18mil. This is after excluding a RM19mil net exceptional loss from termination benefits and impairment charge on financial instruments. The 9M results accounted for 29% and 27% of our and consensus FY20F projected loss of RM62mil and RM68mil respectively.
- YoY: 9MFY20 revenue declined 7% due to lower advertising and circulation revenue impacted by Covid-19 which was offset by higher commerce revenue (Exhibit 2). However, core loss narrowed by 74% as lower operating expenses were able to offset revenue declines and after the exclusion of a larger one-off loss which includes RM11.3mil termination benefits. MPR's overheads were reduced by 18% due to its cost-optimization initiatives.
- Segmental analysis (YoY):

Segment	Description
Omnia*	Commenced operations in 2QFY20, no comparison unavailable. *Note: Omnia comprised of advertising-related solutions covering broadcasting, publishing and branded content (under Content creation).
Broadcasting**	Revenue dived 75% due to lower TV and radio adex. **Note: Broadcasting includes commercial TV and radio broadcasting (previously two separate segments).
Out-of-home (OOH)	Lower display occupancy led to sales decrease of 23%.
Publishing	Revenue plunged 56% due to lower newspaper adex and circulation.
Digital	Stronger synergies from consolidation of digital properties under REV Media Group boosted revenue by 46%.

Segment (continued)	Description
Content creation	31% lower revenue due to reorganization of TV production business to the broadcasting segment, but cushioned by higher demand for advertiser content production.
Home shopping	Higher viewership and shift in consumer spending habits since the movement control order (MCO) caused sales to rise 36%.

- QoQ:** MPR returned to the black, recording a core profit of RM16mil (vs. RM6mil core loss in previous quarter) even after the exclusion of a larger exceptional loss in 2QFY20 (due to the termination benefits charge incurred during the quarter) on higher revenue and disciplined cost optimization. 3QFY20 revenue rebounded by 14% following the easing of MCO restrictions with the enforcement of the recovery MCO since 10 June 2020, mainly driven by a recovery in broadcasting adex.
- Home shopping updates:** Following MPR's full acquisition of the home shopping business, the group has rebranded the business to WOWSHOP. To date, WOWSHOP contributes 31% of 9MFY20 revenue supported by its digital transformation to e-commerce mobile commerce (ECMC) which currently represents 53% of home shopping sales. With 2.3mil registered customers, WOWSHOP also leverages Media Prima TV Network's success with a total audience share of 36% and 49% prime time audience share on TV3 from January to September 2020.
- Outlook:** MPR remains cautious on its 4Q performance given uncertainties relating to the pandemic. The group has seen increased demand for digital advertising and advertiser content under Omnia, and with the strong performance of WOWSHOP, MPR will continue to enhance users' home shopping experience. The group will also continue to improve its operational efficiencies ahead in order to optimize its costs.
- Despite the challenging operating environment, we believe that MPR's commerce and digital propositions continue to gain traction and are able to cushion declines in traditional adex and circulation. Coupled with its new Omnia proposition for bundling advertising-related solutions as well as benefits seen from its cost optimization initiatives, we believe that the stock is undervalued at the current price, hence we upgrade our call to BUY.**

EXHIBIT 1: FINANCIAL RESULTS SUMMARY

YE 31 Dec (RM mil)	9MFY19	9MFY20	% YoY	3QFY19	2QFY20	3QFY20	% QoQ	% YoY
Turnover	801.4	743.5	(7.2)	265.5	236.3	268.8	13.7	1.2
EBITDA/(LBITDA)	41.8	87.1	>100	29.3	29.5	55.6	88.5	90.0
Depreciation & amortisation	(103.1)	(86.7)	15.9	(48.5)	(28.1)	(29.9)	(6.4)	38.3
EBIT/(LBIT)	(61.3)	0.5	nm	(19.2)	1.4	25.7	>100	nm
Interest expense	(14.9)	(13.5)	9.4	(7.1)	(5.5)	(4.4)	20.7	38.5
Interest income	5.8	5.3	(8.8)	1.6	1.7	1.4	(15.6)	(10.9)
Pre-associates profit/(loss)	(70.4)	(7.7)	89.0	(24.7)	(2.5)	22.7	nm	nm
Associates	0.0	(0.1)	nm	(0.0)	(0.1)	(0.0)	35.5	(122.2)
Pre-exceptionals profit/(loss)	(70.3)	(7.9)	88.8	(24.8)	(2.5)	22.7	nm	nm
Exceptionals	(3.0)	(19.0)	(536.0)	(0.5)	(14.6)	(3.8)	nm	(678.3)
Pre-tax profit/(loss)	(73.3)	(26.9)	63.3	(25.2)	(17.1)	18.9	nm	nm
Taxation	(5.8)	(9.3)	(59.7)	(0.3)	(0.9)	(7.1)	(670.8)	(2,151.0)
Minority interest	5.8	(1.0)	nm	1.4	(2.1)	0.6	nm	(53.9)
Net Profit /(Loss)	(73.4)	(37.2)	49.3	(24.2)	(20.1)	12.4	nm	nm
Core Net Profit/(Loss)	(70.4)	(18.2)	74.2	(23.7)	(5.5)	16.3	nm	nm
EPS (sen)	(6.6)	(3.4)		(2.2)	(1.8)	1.1		
Gross DPS (sen)	0.0	0.0		0.0	0.0	0.0		
EBIT margin (%)	(7.6)	0.1		(7.2)	0.6	9.6		
Pretax margin (%)	(9.2)	(3.6)		(9.5)	(7.2)	7.0		
SEGMENTAL BREAKDOWN								
Revenue								
Omnia	-	215.9	nm	-	118.7	97.2	(18.2)	nm
Broadcasting	312.5	80.6	(74.2)	101.2	(21.1)	25.4	nm	(74.9)
Out-of-home	114.3	87.7	(23.3)	35.9	26.1	25.6	(1.9)	(28.8)
Publishing	159.0	70.5	(55.7)	55.6	9.5	17.5	83.5	(68.5)
Digital Media	34.5	50.1	45.5	11.0	16.9	19.1	13.2	73.6
Content Creation	11.2	7.8	(31.0)	6.2	(2.2)	5.8	nm	(5.9)
Home Shopping	169.9	230.9	35.9	55.7	88.3	78.2	(11.5)	40.4
Total	801.4	743.5	(7.2)	265.5	236.3	268.8	13.7	1.2
PATBMI/(LATBMI)								
Omnia	-	(6.1)	nm	-	(3.6)	(2.5)	30.7	nm
Broadcasting	(23.7)	17.1	nm	(8.5)	9.7	26.1	>100	nm
Out-of-home	3.4	0.4	(87.0)	1.8	(1.0)	(0.4)	59.9	nm
Publishing	(58.7)	(26.9)	54.2	(22.5)	(14.4)	(0.7)	95.0	96.8
Digital Media	3.9	9.0	>100	2.3	5.8	3.3	(43.9)	42.6
Content Creation	6.1	(5.5)	nm	4.0	(3.6)	(0.6)	84.0	nm
Home Shopping	(8.9)	9.5	nm	(1.3)	6.2	3.2	(47.6)	nm
Total	(77.9)	(2.4)	96.9	(24.3)	(0.9)	28.4	nm	nm
PATBM/(LATBMI) margin (%)								
Omnia	nm	(2.8)		nm	(3.0)	(2.6)		
Broadcasting	(7.6)	21.3		(8.5)	(46.1)	102.8		
Out-of-home	2.9	0.5		4.9	(3.9)	(1.6)		
Publishing	(36.9)	(38.2)		(40.6)	(150.8)	(4.1)		
Digital Media	11.2	17.9		20.7	34.4	17.0		
Content Creation	54.4	(71.5)		64.9	165.5	(9.9)		
Home Shopping	(5.3)	4.1		(2.4)	7.0	4.1		
Total	(9.7)	(0.3)		(9.2)	(0.4)	10.6		

Source: Company, AmInvestment Bank Bhd

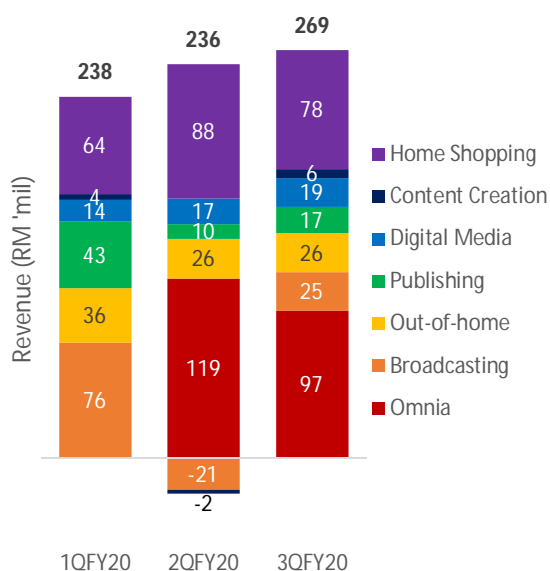
EXHIBIT 2: REVENUE BREAKDOWN

9MFY20 Revenue (RM 'mil)	Traditional	Digital	Home Shopping	TOTAL	9MFY19 Revenue (RM 'mil)	Traditional	Digital	Home Shopping	TOTAL
Advertising	395.9	52.0	-	448.0	Advertising	497.4	61.5	-	559.0
Circulation	36.1	-	-	36.1	Circulation	46.7	-	-	46.7
Commerce	14.6	1.7	230.9	247.3	Commerce	17.8	3.2	169.9	190.9
Content	9.8	-	-	9.8	Content	2.3	-	-	2.3
Property and others	2.4	-	-	2.4	Property and others	2.8	-	-	2.8
	458.8	53.7	230.9	743.5		567.0	64.7	169.9	801.7

YoY Variance (RM 'mil)	Traditional	Digital	Home Shopping	TOTAL	YoY Variance (%)	Traditional	Digital	Home Shopping	TOTAL
Advertising	-101.5	-9.5	-	-111.0	Advertising	-20%	-15%	-	-20%
Circulation	-10.6	-	-	-10.6	Circulation	-23%	-	-	-23%
Commerce	-3.2	-1.5	61.0	56.3	Commerce	-18%	-46%	36%	30%
Content	7.5	-	-	7.5	Content	330%	-	-	330%
Property and others	-0.4	-	-	-0.4	Property and others	-14%	-	-	-14%
	-108.2	-11.0	61.0	-58.2		-19%	-17%	36%	-7%

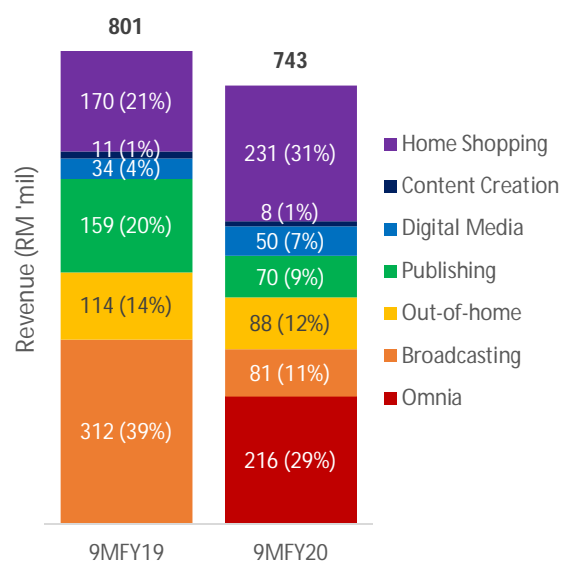
Source: Company, AmlInvestment Bank Bhd

EXHIBIT 3: REVENUE BY QUARTER



Source: Company, AmlInvestment Bank Bhd

EXHIBIT 4: YTD REVENUE COMPARISON



Source: Company, AmlInvestment Bank Bhd

EXHIBIT 5: PB BAND CHART

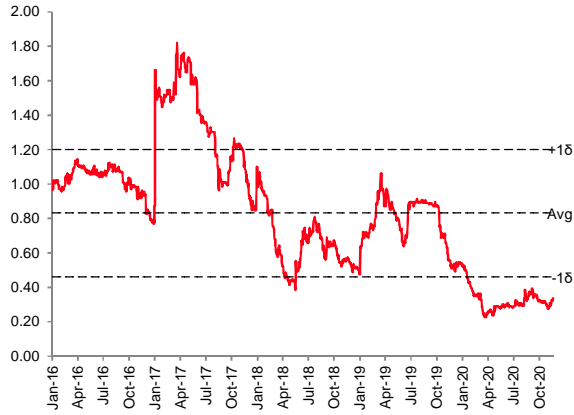


EXHIBIT 6: PE BAND CHART

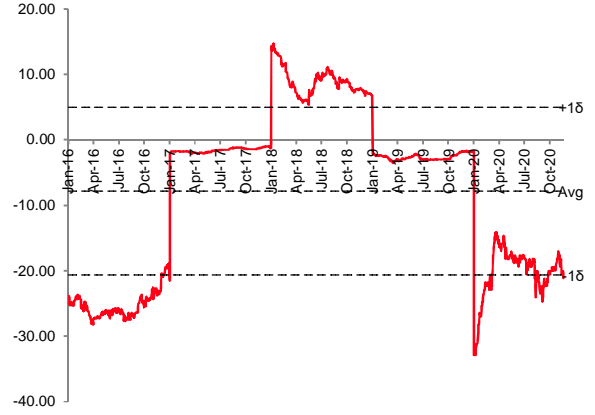


EXHIBIT 7: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Revenue	1,185.7	1,106.0	1,190.0	1,279.3	1,338.8
EBITDA	(11.3)	75.5	73.6	78.2	91.7
Depreciation/Amortisation	(74.3)	(123.8)	(90.8)	(91.4)	(92.2)
Operating income (EBIT)	(85.6)	(48.3)	(17.2)	(13.3)	(0.4)
Other income & associates	-	0.1	0.1	0.1	0.1
Net interest	(13.6)	(8.7)	8.2	7.7	7.3
Exceptional items	159.8	(116.1)	-	-	-
Pretax profit	60.6	(173.0)	(8.9)	(5.5)	7.0
Taxation	(1.6)	(12.5)	(0.6)	(0.4)	0.5
Minorities/pref dividends	(0.4)	7.6	0.1	0.1	(0.1)
Net profit	58.6	(177.9)	(9.4)	(5.8)	7.4
Core net profit	(101.1)	(61.8)	(9.4)	(5.8)	7.4
Balance Sheet (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Fixed assets	305.0	246.8	215.2	184.4	153.8
Intangible assets	430.1	395.9	379.7	363.9	349.7
Other long-term assets	48.9	45.1	45.1	45.1	45.1
Total non-current assets	783.9	687.8	640.0	593.4	548.6
Cash & equivalent	210.1	257.1	241.8	230.5	241.2
Stock	36.9	6.4	7.0	7.5	7.8
Trade debtors	188.4	156.3	168.1	180.8	189.2
Other current assets	98.3	110.4	110.4	110.4	110.4
Total current assets	533.7	530.3	527.3	529.2	548.5
Trade creditors	67.9	62.4	67.6	72.7	75.5
Short-term borrowings	4.2	4.7	4.7	4.6	4.6
Other current liabilities	389.9	548.2	548.2	548.2	548.2
Total current liabilities	462.0	615.3	620.5	625.6	628.3
Long-term borrowings	-	-	-	-	-
Other long-term liabilities	41.2	37.4	37.4	37.4	37.4
Total long-term liabilities	41.2	37.4	37.4	37.4	37.4
Shareholders' funds	808.6	598.7	589.3	583.5	590.9
Minority interests	(0.4)	7.6	0.1	0.1	(0.1)
BV/share (RM)	0.73	0.54	0.53	0.53	0.53
Cash Flow (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Pretax profit	60.6	(173.0)	(8.9)	(5.5)	7.0
Depreciation/Amortisation	74.3	123.8	90.8	91.4	92.2
Net change in working capital	(140.5)	(75.8)	(76.4)	(75.1)	(66.3)
Others	27.1	261.4	(9.0)	(8.2)	(6.9)
Cash flow from operations	21.6	136.4	(3.5)	2.7	25.9
Capital expenditure	(25.1)	(18.6)	(20.0)	(21.5)	(22.5)
Net investments & sale of fixed assets	298.9	2.3	-	-	-
Others	44.8	3.6	8.5	8.0	7.6
Cash flow from investing	318.6	(12.7)	(11.6)	(13.6)	(15.0)
Debt raised/(repaid)	(316.7)	(60.7)	-	(0.1)	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	-	-	-	-	-
Others	(10.8)	(15.9)	(0.3)	(0.3)	(0.3)
Cash flow from financing	(327.5)	(76.7)	(0.3)	(0.4)	(0.3)
Net cash flow	12.7	47.0	(15.4)	(11.3)	10.6
Net cash/(debt) b/f	197.2	209.9	256.9	241.6	230.3
Net cash/(debt) c/f	209.9	256.9	241.6	230.3	241.0
Key Ratios (YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Revenue growth (%)	(1.1)	(6.7)	7.6	7.5	4.7
EBITDA growth (%)	(16.9)	(769.0)	(2.5)	6.3	17.3
Pretax margin (%)	5.1	(15.6)	(0.7)	(0.4)	0.5
Net profit margin (%)	4.9	(16.1)	(0.8)	(0.5)	0.6
Interest cover (x)	(631.1%)	(553.5%)	nm	nm	nm
Effective tax rate (%)	2.7	7.2	7.2	7.2	7.2
Dividend payout (%)	-	nm	nm	nm	-
Debtors turnover (days)	58	52	52	52	52
Stock turnover (days)	11	2	2	2	2
Creditors turnover (days)	21	22	22	22	22

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.