

# MEDIA PRIMA

(MPR MK EQUITY, MPRM.KL)

6 Apr 2021

*Adex recovery and lower opex to propel growth*

**BUY**

(Upgraded)



**AmInvestment Bank**

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**Rationale for report: Company update**

**Price** RM0.66  
**Fair Value** RM0.80  
 52-week High/Low RM0.75/RM0.12

**Key Changes**

Fair value   
 EPS

YE to Dec	FY20	FY21F	FY22F	FY23F
Revenue (RM mil)	1,041.6	1,190.1	1,302.7	1,426.2
Core net profit (RM mil)	6.9	31.0	61.6	73.5
FD Core EPS (sen)	0.6	2.8	5.6	6.6
FD Core EPS growth (%)	(111.2)	347.4	98.7	19.2
Consensus Net Profit (RM mil)	-	23.5	34.7	44.5
DPS (sen)	-	-	-	-
PE (x)	105.6	23.6	11.9	10.0
EV/EBITDA (x)	3.9	2.9	1.5	0.7
Div yield (%)	-	-	-	-
ROE (%)	(3.1)	5.2	9.6	10.4
Net Gearing (%)	nm	nm	nm	nm

**Stock and Financial Data**

Shares Outstanding (million) 1,109.2  
 Market Cap (RM mil) 732.1  
 Book Value (RM/share) 0.52  
 P/BV (x) 1.3  
 ROE (%) (3.1)  
 Net Gearing (%) -

Major Shareholders  
 Aurora Mulia (31.9%)  
 JAG Capital Holdings Sdn Bhd (15.2%)  
 Morgan Stanley (12.8%)

Free Float 37.2  
 Avg Daily Value (RM mil) 4.2

Price performance	3mth	6mth	12mth
Absolute (%)	135.7	288.2	388.9
Relative (%)	139.3	270.6	310.6



**Investment Highlights**

- We upgrade our HOLD recommendation on Media Prima (MPR) to BUY, with a higher fair value of RM0.80/share, pegged to an FY22F PE of 14x (previously RM0.52/share pegged to a PB of 1.0x).
- Our target PE is in line with that of its regional peers, which have a weighted-average forward PE of 14x. We have also reflected a 3% premium to its share price to reflect a 4-star ESG rating as appraised by us (Exhibit 3).
- We raise our FY21F–FY23F forecasts by 93–207% (coming from a lower base of net profit forecasts) to account for better margins across the board due to its lower operating expenditure moving ahead.
- Key takeaways from a recent engagement with the group are as follows:

➤ **Continuing digital and commerce strategies:**

- **Home shopping momentum to continue post-pandemic:** In FY20, MPR’s fully-acquired home shopping business WOWSHOP contributed 30% of the group’s revenue as sales grew by 33% YoY due to a shift in consumer spending habits towards e-commerce mobile commerce (ECMC) platforms and due to higher viewership, particularly during the movement control order (MCO). Net profit of RM10mil was recorded vs. RM11mil loss in the previous year. We believe that the momentum of WOWSHOP is likely to be sustained post-pandemic due to its digital transformation towards ECMC, driven by a multi-platform strategy. WOWSHOP has 2.3mil registered customers where 33% of them are new customers secured in 2020.
- **Synergies to continue from Rev Media:** In July 2020, MPR rebranded Media Prima digital and REV Asia as Rev Media Group to further streamline business processes and realize further synergies. In FY20, digital contributed 5% of group revenue after growing 10% YoY.

- **Optimistic of Omnia proposition:** Effective 1 April 2020, the group redefined its operating segments where advertising-related solutions from broadcasting, publishing, branded content and digital media (October 2020 onwards) are consolidated under Omnia, which improves operational efficiency and acts a one-stop-center for clients. In FY20, Omnia was the largest contributor to group revenue at 37%.

We are optimistic of Omnia's potential due to positive feedback received from MPR clients thus far and as it is poised to benefit from further adex recovery due to expectations of better consumer sentiment following the gradual rollout of Covid-19 vaccinations and resumption of offline events. Since the easing of MCO restrictions, industry adex has been recovering continuously, as seen in Exhibit 4.

- **MPR's free-to-air (FTA) TV exposure to benefit from adex recovery:** Over the years, as newspaper adex contribution in the market continued its steep decline due to the structural change towards digital alternatives. FTA TV contribution has increased to 62% in 2020, overtaking newspapers as the main contributor to the adex market in recent years (Exhibit 5). We believe that MPR's 35.7% command of audience share in the FTA TV market bodes well for the group as it is primed to benefit from a recovery in adex due to its bigger share of the market particularly for TV3 and 8TV (Exhibit 6).

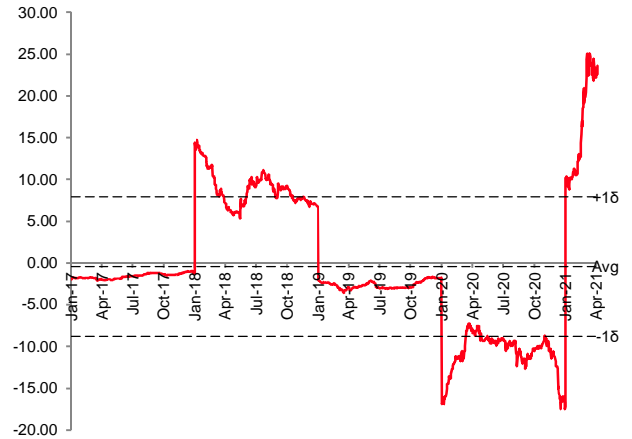
Note that Drama Sangat is also under MPR but airs reruns of Malay drama series from TV3, NTV7, and 8TV and local Chinese drama series from NTV7 and 8TV. Drama Sangat was MYTV's most watched channel in 2020. Additionally, MPR's recently announced strategic commercial collaboration with the Ministry of Education to run a dedicated educational channel, DidikTV KPM, is also expected to have a positive impact on the group's bottom line, due to the potential positioning of advertising slots between the education programmes throughout the day.

- **Improve defence strategies for traditional media platforms:** The group will continue to maintain and improve the performance of its traditional media platforms i.e. publishing and broadcasting segments. For the print segment, MPR's Print Towers is able to generate revenue and optimize printing plant capacity as it does external commercial printing for *The Malaysian Reserve*, *Utusan Malaysia*, *Kosmo!*, *SelangorKini*, *Selangor Journal* and *Buletin Mutiara* in addition to its in-house titles *New Straits Times*, *Berita Harian* and *Harian Metro*.
- **Improve efficiencies and continue to optimize costs:** The group conducted two phases of group-wide manpower rationalization in 2020, reducing its workforce by 37% to 2,332 employees as at 31 December 2020. Its cost optimization initiatives and strict cost controls during the Covid-19 pandemic has led to the group achieving two profitable quarters despite the weaker adex impacted by Covid-19 and various MCO measures enforced which dragged revenues lower. FY20 overheads were reduced by 24% YoY compared to 2019. We believe that its cost-saving initiatives will continue to boost MPR's operational efficiency moving forward.
- **Overall, we are optimistic on MPR being a stronger recovery play in the media sector, given its: (i) strategies in home shopping and digital initiatives; and (ii) potential for Omnia to benefit strongly from adex recovery, as well as potential benefits from better monetization of its extensive reach across different segments.**

**EXHIBIT 1: PB BAND CHART**



**EXHIBIT 2: PE BAND CHART**



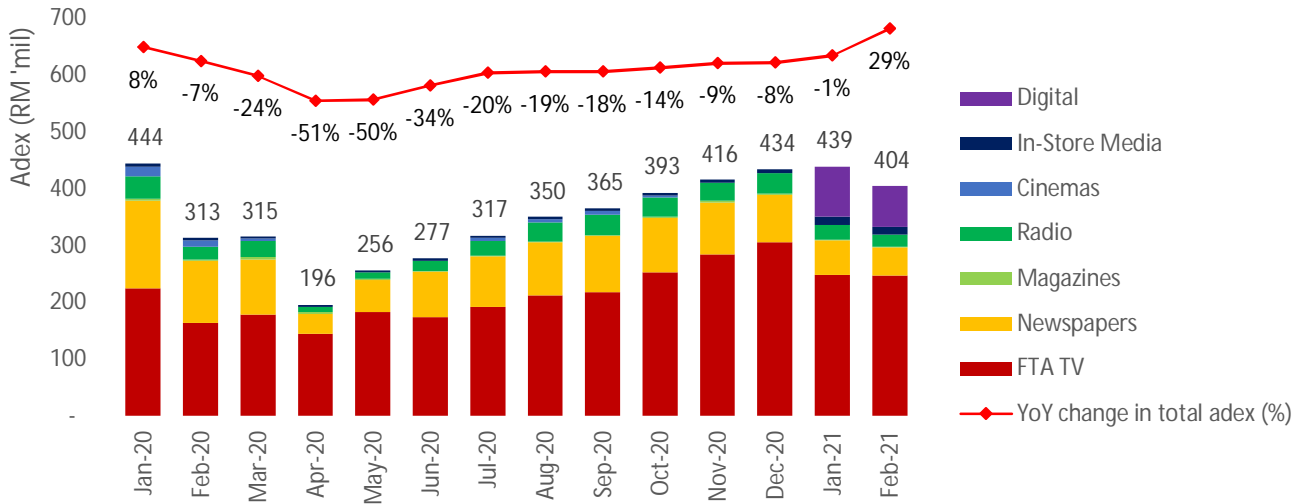
**EXHIBIT 3: ESG RATING**

<b>Overall</b>	★	★	★	★	
Energy efficiency	★	★	★	★	
Recycling & waste management	★	★	★	★	
Content management	★	★	★		
Digital transformation	★	★	★	★	
Customer reach and experience	★	★	★	★	★
Corporate social responsibility	★	★	★	★	★
Human capital development	★	★	★		
Board diversity	★	★			
Accessibility & transparency	★	★	★	★	

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star.

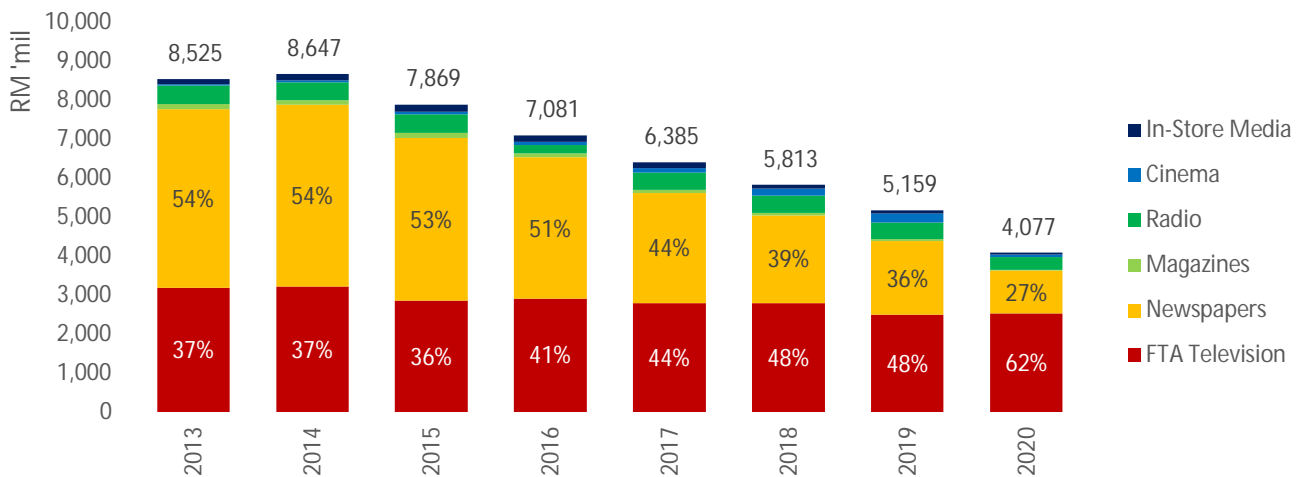
Source: AmInvestment Bank Bhd

**EXHIBIT 4: CONTINUOUS RECOVERY IN ADEX SINCE COVID-19**



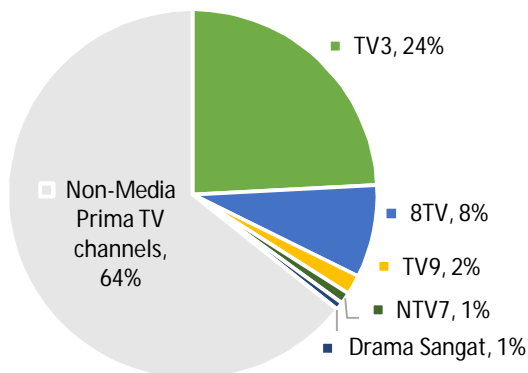
Source: Nielsen Ad Intel, AmlInvestment Bank Bhd

**EXHIBIT 5: DECLINING SHARE OF NEWSPAPER ADEX WHILE FTA TV SHARE RISES OVER THE YEARS**



Source: Nielsen Ad Intel, AmlInvestment Bank Bhd

**EXHIBIT 6: MEDIA PRIMA AUDIENCE SHARE IN 2020**



Source: Company, AmlInvestment Bank Bhd

## EXHIBIT 7: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue	1,106.0	1,041.6	1,190.1	1,302.7	1,426.2
EBITDA	75.5	140.5	136.4	172.7	186.0
Depreciation/Amortisation	(123.8)	(112.9)	(91.2)	(91.6)	(92.1)
Operating income (EBIT)	(48.3)	27.6	45.3	81.1	93.9
Other income & associates	0.1	(0.2)	(0.2)	(0.2)	(0.2)
Net interest	(8.7)	(7.9)	(3.8)	1.2	4.2
<b>Exceptional items</b>	<b>(116.1)</b>	<b>(25.3)</b>	-	-	-
Pretax profit	(173.0)	(5.8)	41.3	82.1	97.9
Taxation	(12.5)	(12.3)	(9.9)	(19.7)	(23.5)
<b>Minorities/pref dividends</b>	<b>7.6</b>	<b>(0.3)</b>	<b>(0.4)</b>	<b>(0.8)</b>	<b>(1.0)</b>
Net profit	(177.9)	(18.4)	31.0	61.6	73.5
Core net profit	(61.8)	6.9	31.0	61.6	73.5
Balance Sheet (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Fixed assets	246.8	210.4	166.7	128.2	90.5
Intangible assets	395.9	385.3	386.1	383.5	381.0
<b>Other long-term assets</b>	<b>45.1</b>	<b>43.7</b>	<b>43.5</b>	<b>43.5</b>	<b>43.5</b>
Total non-current assets	687.8	639.4	596.3	555.2	515.0
Cash & equivalent	257.1	303.8	468.0	597.7	745.7
Stock	6.4	24.1	6.6	7.1	7.7
Trade debtors	156.3	147.2	168.2	184.1	201.5
<b>Other current assets</b>	<b>110.4</b>	<b>66.1</b>	-	-	-
Total current assets	530.3	541.1	642.7	788.8	955.0
Trade creditors	62.4	54.6	63.8	68.4	75.1
Short-term borrowings	4.7	45.9	45.9	47.9	52.3
<b>Other current liabilities</b>	<b>548.2</b>	<b>395.1</b>	<b>395.1</b>	<b>395.1</b>	<b>395.1</b>
Total current liabilities	615.3	495.6	504.8	511.5	522.5
Long-term borrowings	-	79.6	79.6	83.1	90.7
<b>Other long-term liabilities</b>	<b>37.4</b>	<b>37.6</b>	<b>37.6</b>	<b>37.6</b>	<b>37.6</b>
<b>Total long-term liabilities</b>	<b>37.4</b>	<b>117.1</b>	<b>117.1</b>	<b>120.7</b>	<b>128.3</b>
Shareholders' funds	598.7	576.9	607.9	669.5	743.0
Minority interests	7.6	(0.3)	(0.4)	(0.8)	(1.0)
BV/share (RM)	0.54	0.52	0.55	0.60	0.67
Cash Flow (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Pretax profit	(173.0)	(5.8)	41.3	82.1	97.9
Depreciation/Amortisation	123.8	112.9	91.2	91.6	92.1
Net change in working capital	(75.8)	(150.1)	66.5	(16.0)	(15.3)
<b>Others</b>	<b>261.4</b>	<b>42.9</b>	<b>(6.0)</b>	<b>(20.8)</b>	<b>(27.6)</b>
Cash flow from operations	136.4	-	193.0	137.0	147.2
Capital expenditure	(18.6)	(11.2)	(12.8)	(14.0)	(15.3)
Net investments & sale of fixed assets	2.3	-	-	-	-
<b>Others</b>	<b>3.6</b>	<b>5.7</b>	<b>8.7</b>	<b>14.0</b>	<b>17.9</b>
Cash flow from investing	(12.7)	(5.5)	(4.0)	0.1	2.6
Debt raised/(repaid)	(60.7)	73.5	-	5.5	12.0
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	-	-	-	-	-
<b>Others</b>	<b>(15.9)</b>	<b>(33.6)</b>	<b>(12.5)</b>	<b>(12.8)</b>	<b>(13.7)</b>
<b>Cash flow from financing</b>	<b>(76.7)</b>	<b>39.9</b>	<b>(12.5)</b>	<b>(7.3)</b>	<b>(1.7)</b>
<b>Net cash flow</b>	<b>47.0</b>	<b>34.4</b>	<b>176.5</b>	<b>129.7</b>	<b>148.1</b>
<b>Net cash/(debt) b/f</b>	<b>209.9</b>	<b>256.9</b>	<b>291.3</b>	<b>467.8</b>	<b>597.5</b>
Net cash/(debt) c/f	256.9	291.3	467.8	597.5	745.5
Key Ratios (YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue growth (%)	(6.7)	(5.8)	14.3	9.5	9.5
EBITDA growth (%)	(769.0)	86.2	(2.9)	26.6	7.7
Pretax margin (%)	(15.6)	(0.6)	3.5	6.3	6.9
Net profit margin (%)	(16.1)	(1.8)	2.6	4.7	5.2
Interest cover (x)	(553.5%)	3.5	11.9	nm	nm
Effective tax rate (%)	7.2	212.5	24.0	24.0	24.0
Dividend payout (%)	nm	nm	-	-	-
Debtors turnover (days)	52	52	52	52	52
Stock turnover (days)	2	10	2	2	2
Creditors turnover (days)	22	22	22	22	22

Source: Company, AmInvestment Bank Bhd estimates

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