

# Media Prima Berhad

(4502 | MPR MK) Telecommunications and Media | Media

## COVID-19 to derail the turnaround plan

### KEY INVESTMENT HIGHLIGHTS

- **1QFY20 normalised earnings of -RM28.9m came in below both our and consensus expectations**
- **Covid-19 pandemic is expected to curtail advertising spending which would lead to further contraction in revenue**
- **Thus, we view that group to remain in a loss-making position in the foreseeable term**
- **This would potentially placed the group in greater likelihood of being classified as PN17**
- **Downgrade to SELL with a revised target price of RM0.12**

**Below expectation.** Media Prima Berhad (MPB) 1QFY20 results remained in losses of -RM28.9m which was below our and consensus expectation. While the losses were narrower on a year-over-year basis (i.e. as compared to -RM40.4m in 1QFY19), we have anticipated that the manpower rationalisation exercise would enable the group to almost achieved breakeven level. Moving forward, we expect further reduction in revenue to put immense downward pressure on the group's earnings given that it has a high degree of operating leverage.

**Advertising revenue to face larger decline.** The group's 1QFY20 revenue fell marginally by -0.3%yoy to RM238.4m. This was mainly attributable to the decline of -10.0%yoy in net advertising revenue, indicating the weak adex environment persists. Coupled with the movement control order (MCO) and dismal economic conditions brought by the Covid-19 pandemic, we are of the view that businesses across most sectors would be reducing or deferring their marketing budgets. This would be putting immense downward pressure on the advertising revenue. We also opine that group's non-advertising revenue (i.e. circulation and home-shopping) would not be spared from the weakening consumer spending. As a result, we are now expecting the group to plunge into deeper losses in view of its still relatively high operating cost amidst a potentially drastic fall in revenue.

**Earnings estimates.** In view of the challenging economic outlook and potential plunge in advertising revenue amidst the Covid-19 pandemic, we are now expecting the group to plunge back into deep losses into FY20, FY21 and FY22 to -RM176.1, -RM145.7m and -RM106.2m respectively.

**Becoming a PN17 company?** Based on our revised estimates, we are now wary of the group to be potentially classified as a PN17 company within the next 3-4 years. This is taking into account the lingering effect of Covid-19 outbreak as well as potential intermittent and extended lockdown.

**Target price.** We are rolling forward our valuation base year to FY21 and derive a new target price of **RM0.12** (previously RM0.32) based on price-to-book valuation methodology. Note that we are attaching a target price-to-book ratio of 0.6x which is the group's two-year historical average to its FY21 book value per share of 20sen.

## Downgrade to SELL

(previously BUY)

**Revised Target Price: RM0.12**

(previously RM0.32)

### RETURN STATISTICS

Price @22 <sup>nd</sup> May 2020 (RM)	0.155
Expected share price return (%)	-22.6
Expected dividend yield (%)	+0.0
<b>Expected total return (%)</b>	<b>-22.6</b>

### SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	+14.8	+9.3
3 months	+14.8	-14.0
12 months	-62.2	-58.2

### KEY STATISTICS


FBM KLCI	1,452.10
Syariah compliant	No
Issue shares (m)	1109.2
Estimated free float (%)	52.7
Market Capitalisation (RM'm)	171.93
52-wk price range	RM0.11-RM0.52
Beta vs FBM KLCI (x)	1.1
Monthly velocity (%)	11.02
Monthly volatility (%)	39.11
3-mth average daily volume (m)	9.93
3-mth average daily value (RM'm)	1.47
Top Shareholders (%)	
Aurora Mulia Sdn Bhd	31.9
Morgan Stanley	12.83
Employee Provident Fund	7.17

### Analyst(s)

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**Downgrade to SELL.** We are now expecting the outlook to remain bleak, primarily driven by the advent of Covid-19 which we believe has derail any recovery efforts made by the group. We opine that the anticipated weaker consumer spending and subdued economic condition will lead to businesses across all major sectors to curtail their advertising budget to conserve cash flow in order to stay afloat. This would lead to an immense downward pressure on the group's main source of income which is advertising revenue from across the major business segments such as TV networks, Radio, Out-of-Home and Publishing. While the digital segment and new initiatives under its transformation plans are displaying resiliency as evidenced by its increasing contribution of new revenue sources (i.e. home-shopping and circulation), we are of the view that the growth emanating from these segments will stagnate as well. If the financial performance of the group continues to be beleaguered by the poor economic condition and in absence of any potential corporate exercises to improve the situation, we view that the possibility of the group in attaining the PN17 status would be higher in the coming years. All in, we are downgrading our recommendation on MPB to **SELL** (previously BUY). 

### INVESTMENT STATISTICS

Financial year ending 31 <sup>st</sup> December (in RM'm, unless otherwise stated)	FY18A	FY19A	FY20E	FY21F	FY22F
Revenue (RM'm)	1,185.7	1,106.0	836.9	890.2	955.9
EBIT (RM'm)	74.2	-164.4	-167.7	-137.9	-98.5
Pretax Profit (RM'm)	60.6	-173.0	-174.6	-143.9	-104.0
Net Profit after MI (RM'm)	59.0	-185.5	-176.1	-145.7	-106.2
<b>Normalised Net Profit after MI (RM'm)</b>	<b>-120.1</b>	<b>-62.8</b>	<b>-176.1</b>	<b>-145.7</b>	<b>-106.2</b>
Normalised EPS (sen)	n.a.	n.a.	n.a.	n.a.	n.a.
PER(x)	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Company, MIDFR

**Table 1: PBT breakdown by media platform**

Platform	1Q20 (RM'm)	1Q19 (RM'm)	Remarks
Television networks	-13.8	-21.3	Lower adex take up in the FTA Television segment
Publishing	-11.8	-21.9	Lower advertising and newspaper sales
Out-of-home	1.8	1.9	Lower occupancy on static roll-outs
Radio	-4.9	-0.7	Lower advertising take up by advertisers
Digital media	-0.1	0.1	Excluding the shared service revenue, revenue increased by 7%
Content creation	1.5	1.4	Lower sales of TV program production and sales of program broadcast rights
Home shopping	0.1	-4.0	Greater exposure achieved through more hours dedicated for Home Shopping slots on NTV7 and Ch-9, resulting to higher sales by 9.0%

Source: Company, MIDFR

**MEDIA PRIMA BHD: 1QFY20 RESULTS SUMMARY**

Financial year ending 31 <sup>st</sup> December (in RM'm, unless otherwise stated)	Quarterly				
	1Q20	1Q19	4Q19	% YoY	% QoQ
<b>Revenue</b>	<b>238.4</b>	<b>239.1</b>	<b>304.6</b>	<b>-0.3</b>	<b>-21.7</b>
<b>EBITDA</b>	<b>1.4</b>	<b>-13.2</b>	<b>-120.8</b>	<b>-110.4</b>	<b>-101.1</b>
Depreciation and amortisation	-28.6	-25.7	20.7	11.4	-238.4
<b>(LBIT)/EBIT</b>	<b>-27.3</b>	<b>-38.9</b>	<b>-100.1</b>	<b>-29.9</b>	<b>-72.8</b>
Finance costs	-3.6	-3.8	-1.5	-4.7	132.0
Finance income	2.2	1.7	1.9	26.4	16.1
<b>(LBT)/PBT</b>	<b>-28.7</b>	<b>-40.9</b>	<b>-99.7</b>	<b>-29.9</b>	<b>-71.2</b>
Taxation	-1.3	-2.0	-6.7	-32.9	-80.3
<b>(LAT)/PAT</b>	<b>-30.0</b>	<b>-42.8</b>	<b>-106.3</b>	<b>-30.0</b>	<b>-71.8</b>
MI	0.4	2.4	1.9	-82.1	-76.9
<b>(LATAMI)/PATAMI</b>	<b>-29.5</b>	<b>-40.4</b>	<b>-104.5</b>	<b>-26.9</b>	<b>-71.7</b>
<b>Normalised (LATAMI) /PATAMI</b>	<b>-28.9</b>	<b>-40.4</b>	<b>7.4</b>	<b>-22.2</b>	<b>-493.2</b>
Normalised (LPS)/EPS (sen)	-2.6	-3.6	0.7	-22.2	-493.2
				+/- ppts	+/- ppts
EBITDA margin (%)	0.6	-5.5	-39.6	6.1	40.2
EBIT margin (%)	-11.4	-16.3	-32.9	4.8	21.4
Normalised PATAMI margin (%)	-12.1	-16.9	2.4	3.4	-14.5
Effective tax rate (%)	-4.6	-4.8	-6.7	0.2	2.1

Source: Company, MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

<b>BUY</b>	Total return is expected to be >10% over the next 12 months.
<b>TRADING BUY</b>	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
<b>NEUTRAL</b>	Total return is expected to be between -10% and +10% over the next 12 months.
<b>SELL</b>	Total return is expected to be <10% over the next 12 months.
<b>TRADING SELL</b>	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

<b>POSITIVE</b>	The sector is expected to outperform the overall market over the next 12 months.
<b>NEUTRAL</b>	The sector is to perform in line with the overall market over the next 12 months.
<b>NEGATIVE</b>	The sector is expected to underperform the overall market over the next 12 months.