Media Prima Berhad

(4502 | MPR MK) Telecommunications and Media | Media

Slower Advertising Sales

Downgrade to SELL

(previously BUY)

***Revised* Target Price: RM0.30**

(previously RM0.60)

KEY INVESTMENT HIGHLIGHTS

- **The group experienced slowed growth in 15MFY23 normalised LATAMI at -RM18.7m**
- **Lower-than-expected profit contribution from Omnia**
- **Earnings forecast revised downwards in view of the challenging adex outlook**
- **Downgrade to SELL with a revised TP of RM0.30**

Failed to keep pace with expectation. The group 5Q23 financial performance led to a loss after stripping off gains on disposal of assets. Note that following the financial year end change, the full financial year will consist of a period of 18 months ending in June.

Media Prima Bhd (MPB) recorded a normalized LATAMI of -RM18.7m due to lower contribution from its Broadcasting segment, as well as Omnia, its largest revenue contributor. The group also continued to suffer losses from its Home Shopping segment.

With that said, the losses were partially offset by cost optimization initiatives, and higher contributions from their "Out of Home" and "Publishing" segments on a year-on-year basis.

Nevertheless, MPB's 15MFY23 core PATAMI of RM13.9m came in below our expectations, meeting only 26% of our forecast.

Weaker sequential performance. On a quarterly basis, MPB's 5QFY23 LATAMI of RM -18.7m fell -272%qoq, mainly led by the -20%qoq drop in advertising revenue. The slowdown in advertising revenue this quarter relative to the last quarter was expected due to the decrease in festive seasons. Content sales, however, increased +29.1%qoq, in line with MPB's plan to invest more into their content sales segment.

Buttress on Omnia. Omnia represents their largest revenue contributor, at 75% total revenue for the recent quarter. However, the business segment registered -20%qoq revenue generation, bringing the total revenue generated down to -16.6%qoq.

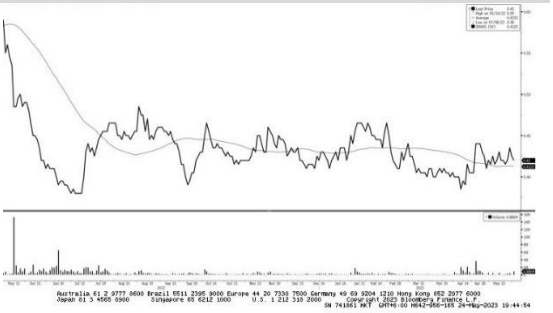
Challenging adex outlook to partially stem earnings growth. The Group indicated its plans to invest more into their digital media, as well as out of home segment, but we do not expect any significant adex revenue growth in the near term due to the challenging economic environment affecting the market.

The Group also continues to suffer losses on a quarterly basis from the home shopping segment, mostly due to the change in consumer landscape post pandemic, as well as fierce competition within the e-commerce market.

Downward revision on earnings estimates. We are revising our core earnings forecast for FY23E by -65%, and FY24F and FY25F by -11% each to account for the challenging outlook of the media market.

RETURN STATISTICS	
Price @ 24th May 2023 (RM)	0.42
Expected share price return (%)	-28.48
Expected dividend yield (%)	0.00
Expected total return (%)	**-28.48**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.7	4.8
3 months	3.7	3.3
12 months	-28.8	-22.5

INVESTMENT STATISTICS

FYE June	2023E*	2024F	2025F
Revenue	1,454	986	995
Operating Profit	88.9	57.8	59.2
Profit Before Tax	86.1	53.4	55.8
Core PATAMI	18.5	30.6	32.4
Core EPS	1.67	2.76	2.92
DPS	0	0	0
Dividend Yield	0%	0%	0%

KEY STATISTICS	
FBM KLCI	1,409.62
Issue shares (m)	1109.2
Estimated free float (%)	35.74
Market Capitalisation (RM'm)	465.86
52-wk price range	RM0.37-RM0.59
3-mth average daily volume (m)	0.34
3-mth average daily value (RM'm)	0.14
Top Shareholders (%)	
AURORA MULIA SDN BHD	31.9
JAG Capital Holdings Sdn Bhd	20.08
Morgan Stanley	10.18

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Downgrade to SELL. We are revising our recommendation for MPB to **SELL** as we expect recovery in adex to remain lacklustre. This would have a significant impact on the profit margin as seen in the latest quarterly result. We view that the group's reliance on the "Digital" and "Out of door" segments in view of ongoing digitalization effort would be insufficient meaningfully contribute to the group's bottomline. Taking this into account, we are setting a lower **TP of RM0.30** which is derived by pegging FY24F EPS of 2.76 to the 2-year historical average PER of 10.9x

MEDIA PRIMA BERHAD: 5QFY23 RESULTS SUMMARY

RM'm unless otherwise stated	5QFY23	4QFY23	1QFY23	QoQ	YoY
Revenue	210.8	252.7	247.5	-16.6%	-14.8%
EBITDA	33.9	60.1	35.6	-43.7%	-4.9%
Depreciation and amortisation	-17.9	-21.7	-18.5	17.6%	3.0%
EBIT/(LBIT)	16.0	38.4	17.1	-58.4%	-6.8%
Finance costs	-4.1	-4.1	-4.2	1.9%	3.0%
Finance income	2.1	2.2	1.5	-1.5%	46.1%
Associates income	0.0	0.0	0.0	262.5%	3000.0%
PBT/(LBT)	14.1	36.4	14.4	-61.4%	-2.4%
Taxation	-8.6	-9.5	-9.2	9.7%	6.4%
PAT/LAT	5.5	26.9	5.2	-79.7%	4.6%
MI	1.5	4.0	-0.8	-63.6%	283.1%
PATAMI/(LATAMI)	4.0	22.8	6.0	-82.5%	-33.7%
Normalised PATAMI/(LATAMI)	-18.7	10.9	7.7	-271.9%	-343.0%
				+/- ppts	+/- ppts
Normalised EPS/(LPS) (sen)	-1.7	1.0	0.7	-271.9%	-343.0%
				+/- ppts	+/- ppts
EBITDA margin (%)	16.1%	23.8%	14.4%	-32.5%	11.7%
EBIT margin (%)	7.6%	15.2%	6.9%	-50.1%	9.3%
Normalised PATAMI margin (%)	-8.8%	4.3%	3.1%	-306.0%	-385.2%
Effective tax rate (%)	-61.1%	-26.2%	-63.7%	-133.7%	4.1%

SEGMENTAL BREAKDOWN

Platforms (Revenue in RM'm)	5QFY23	4QFY23	1QFY23	QoQ	YoY
Omnia	162.71	202.73	172.93	-19.74%	-5.91%
Broadcasting	8.79	7.10	18.19	23.83%	-51.68%
Out-of-home	0.65	0.57	0.80	13.13%	-19.55%
Publishing	10.44	11.06	11.17	-5.61%	-6.56%
Digital media	0.98	0.83	1.46	17.87%	-33.24%
Home shopping	26.07	28.49	42.59	-8.48%	-38.79%
Corporate and others	1.21	1.90	0.00	-36.37%	-
Content creation	0.00	0.00	0.33	-	-100.00%
Total	210.8	252.7	247.5	-16.56%	-14.80%

Platforms (PAT in RM'm)	5QFY23	4QFY23	1QFY23	QoQ	YoY
Omnia	0.0	2.3	0.0	-98.6%	-22.7%
Broadcasting	0.3	4.4	24.4	-93.4%	-98.8%
Out-of-home	1.6	13.3	-4.2	-88.0%	137.8%
Publishing	12.9	1.4	-1.9	828.2%	783.3%
Digital media	1.7	8.9	1.3	-81.0%	28.7%
Content creation	-	0.0	0.6	-	-
Home shopping	-5.4	-4.9	-4.6	-8.6%	-15.9%
Corporate and others	38.0	0.3	-8.5	13935.8%	546.3%
Elimination	-43.8	1.2	-1.9	-3752.3%	-2163.6%
Total	5.4	26.9	5.2	20.1%	3.4%

Source: Company, MIDF

FINANCIAL SUMMARY

Income Statement (RM'm)	2020A	2021A	2023E*	2024F	2025F
Revenue	1041.6	1120.2	1454.0	986.0	995.0
EBIT	2.3	99.3	88.9	57.8	59.2
Profit before tax	-5.8	90.2	86.1	53.4	55.8
PATAMI	-18.4	55.2	65.4	40.6	42.4
Core PATAMI	-6.9	57.6	18.5	30.6	32.4
EPS (sen)	n.a	5.0	5.9	3.7	3.8
Core EPS (sen)	n.a	5.2	1.7	2.8	2.9

*FYE June,18-month period

Profitability Margins	5QFY23	4QFY23	1QFY23	QoQ	YoY
EBITDA margin (%)	16.1%	23.8%	14.4%	-32.5%	11.7%
EBIT margin (%)	7.6%	15.2%	6.9%	-50.1%	9.3%
Normalised PATAMI margin (%)	-8.8%	4.3%	3.1%	-306.0%	-385.2%
Effective tax rate (%)	-61.1%	-26.2%	-63.7%	-133.7%	4.1%
EBITDA margin (%)	16.1%	23.8%	14.4%	-32.5%	11.7%

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology