



Media Chinese (MCIL MK) : HOLD

Mkt. Cap: US\$123m | 3m Avg. Daily Val: US\$0.92m

Last Traded Price (30 May 2018): RM0.29

Price Target 12-mth: RM0.29 (0% downside) (Prev RM0.39)

Shariah Compliant: Yes

Analyst

TOH Woo Kim +60 32604 3917; wookim@alliancedbs.com

Poor sentiment despite decent results

- 4QFY18 core earnings of RM16m within expectations
- Weak adex revenue on poor consumer sentiment and shift to digital media
- Balance sheet is solid with RM200m net cash
- Due to uncertainties and poor sentiment for media sector, we maintain HOLD with lower RM0.29 TP based on 0.6x P/BV

Forecasts and Valuation

FY Mar (RMm)	2017A	2018A	2019F	2020F
Revenue	1,338	1,101	1,224	1,194
EBITDA	173	113	110	108
Pre-tax Profit	91.9	(26.6)	60.1	57.8
Net Profit	67.0	(44.4)	44.5	42.7
Net Pft (Pre Ex.)	83.0	48.7	44.5	42.7
Net Pft Gth (Pre-ex) (%)	(25.7)	(41.3)	(8.7)	(3.9)
EPS (sen)	3.97	(2.6)	2.64	2.53
EPS Pre Ex. (sen)	4.92	2.89	2.64	2.53
EPS Gth Pre Ex (%)	(26)	(41)	(9)	(4)
Diluted EPS (sen)	4.92	2.89	2.64	2.53
Net DPS (sen)	2.78	1.66	1.58	1.52
BV Per Share (sen)	50.8	45.3	49.1	50.1
PE (X)	7.3	nm	11.0	11.4
PE Pre Ex. (X)	5.9	10.0	11.0	11.4
P/Cash Flow (X)	4.5	5.8	5.9	6.0
EV/EBITDA (X)	2.0	2.7	2.4	2.3
Net Div Yield (%)	9.6	5.7	5.5	5.2
P/Book Value (X)	0.6	0.6	0.6	0.6
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	7.9	(5.5)	5.6	5.1

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P.

What's New

Within expectations. MCIL reported core earnings of RM16.0m (-19% y-o-y) in 4QFY18, taking full-year FY18 core earnings to RM48.7m accounting for c.103% of our and consensus full-year forecasts. The exceptional items booked by the company in 4QFY18 were; 1) A total of RM103.5m for impairment of property, plant and equipment (PPE), goodwill and intangible assets; and 2) A gain of RM10.5m from the listing of its 10%-associate Most Kwai Chung Ltd.

Second interim DPS. MCIL declared a second interim DPS of 0.74sen. Full-year DPS of approximately 1.66sen represents a payout ratio of about 60%.

Malaysia print revenue dropped 6.3% y-o-y in 4QFY18. Excluding currency impact, sales of MCIL's publishing business in Malaysia declined 6.3% y-o-y due to persistently weak advertising expenditure (adex). This was partly cushioned by increased revenue from its digital business as well as savings from cost efficiency initiatives. All in, the core earnings of this segment fell by 9.6% y-o-y.

HK print – marginal improvement. MCIL print revenue in Hong Kong and Mainland China managed to stay flat y-o-y in 4QFY18, sustained by growth in its digital business. This helped the segment to achieve some improvement with smaller losses of USD1.8m vs. USD3.0m a year ago.

Travel business – challenging outlook. Sales of MCIL's travel business fell by 4.5% y-o-y with a larger loss of about RM2.4m in 4QFY18 (vs. RM0.6m loss in 4QFY17).



Flash Note

The weaker performance was attributable to increased competition from airlines and other industry players, affecting both revenue and margins of the travel segment.

Positive cashflow, solid balance sheet. Owing to its lean cost structure, MCIL has managed to stay in the black despite the sharp fall in adex over the last few years. Operating cashflow has also remained positive and

bolstered its balance sheet to RM200m net cash as at March 2018.

Maintain HOLD with RM0.29 TP based on 0.6x P/B.

Given the current uncertainties and poor sentiment on the media sector, we lower our target P/B for MCIL to 0.6x CY18 P/BV (previously 0.8x) and derive a revised TP of RM0.29. Maintain HOLD call.

Quarterly / Interim Income Statement (RMm)

FY Mar	4Q2017	3Q2018	4Q2018	% chg yoy	% chg qoq
Revenue	276	274	245	(11.1)	(10.5)
Cost of Goods Sold	(168)	(174)	(152)	(9.7)	(12.5)
Gross Profit	108	101	93.4	(13.2)	(7.2)
Other Oper. (Exp)/Inc	(87.7)	(80.6)	(75.1)	(14.3)	(6.8)
Operating Profit	20.0	20.1	18.3	(8.3)	(8.8)
Other Non Opg (Exp)/Inc	(3.4)	(3.3)	(2.8)	17.8	(16.2)
Associates & JV Inc	0.01	0.17	(0.2)	nm	(206.6)
Net Interest (Exp)/Inc	(0.9)	0.39	(0.2)	76.7	nm
Exceptional Gain/(Loss)	(15.9)	0.0	(93.1)	(483.9)	nm
Pre-tax Profit	(0.2)	17.4	(77.9)	nm	nm
Tax	(3.7)	(6.2)	0.20	(105.4)	(103.2)
Minority Interest	7.54	0.0	0.56	(92.5)	nm
Net Profit	3.66	11.1	(77.1)	nm	(792.7)
Net profit bef Except.	19.6	11.1	16.0	(18.6)	43.3
EBITDA	26.7	26.1	24.5	(8.5)	(6.3)
Margins (%)					
Gross Margins	39.0	36.7	38.1		
Opg Profit Margins	7.2	7.3	7.5		
Net Profit Margins	1.3	4.1	(31.4)		

Source of all data: Company, AllianceDBS

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS

Analyst: TOH Woo Kim

DISCLOSURE

Stock rating definitions

STRONG BUY	-	> 20% total return over the next 3 months, with identifiable share price catalysts within this time frame
BUY	-	> 15% total return over the next 12 months for small caps, >10% for large caps
HOLD	-	-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps
FULLY VALUED	-	negative total return > -10% over the next 12 months
SELL	-	negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame

Commonly used abbreviations

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date

DISCLAIMER

This report has been prepared for information purposes only by AllianceDBS Research Sdn Bhd ("ADBSR"), a subsidiary of Alliance Investment Bank Berhad ("AIBB") and an associate of DBS Vickers Securities Holdings Pte Ltd ("DBSVH"). DBSVH is a wholly-owned subsidiary of DBS Bank Ltd. This report is strictly confidential and is meant for circulation to clients of ADBSR, AIBB and DBSVH only or such persons as may be deemed eligible to receive such research report, information or opinion contained herein. Receipt and review of this report indicate your agreement not to distribute, reproduce or disclose in any other form or medium (whether electronic or otherwise) the contents, views, information or opinions contained herein without the prior written consent of ADBSR.

This report is based on data and information obtained from various sources believed to be reliable at the time of issuance of this report and any opinion expressed herein is subject to change without prior notice and may differ or be contrary to opinions expressed by ADBSR's affiliates and/or related parties. ADBSR does not make any guarantee, representation or warranty (whether express or implied) as to the accuracy, completeness, reliability or fairness of the data and information obtained from such sources as may be contained in this report. As such, neither ADBSR nor its affiliates and/or related parties shall be held liable or responsible in any manner whatsoever arising out of or in connection with the reliance and usage of such data and information or third party references as may be made in this report (including, but not limited to any direct, indirect or consequential losses, loss of profits and damages).

The views expressed in this report reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendation(s) or view(s) in this report. ADBSR prohibits the analyst(s) who prepared this report from receiving any compensation, incentive or bonus based on specific investment banking transactions or providing a specific recommendation for, or view of, a particular company.

This research report provides general information only and is not to be construed as an offer to sell or a solicitation to buy or sell any securities or other investments or any options, futures, derivatives or other instruments related to such securities or investments. In particular, it is highlighted that this report is not intended for nor does it have regard to the specific investment objectives, financial situation and particular needs of any specific person who may receive this report. Investors are therefore advised to make their own independent evaluation of the information contained in this report, consider their own individual investment objectives, financial situations and particular needs and consult their own professional advisers (including but not limited to financial, legal and tax advisers) regarding the appropriateness of investing in any securities or investments that may be featured in this report.

ADBSR, AIBB, DBSVH and DBS Bank Ltd, their directors, representatives and employees or any of their affiliates or their related parties may, from time to time, have an interest in the securities mentioned in this report. AIBB, DBSVH and DBS Bank Ltd, their affiliates and/or their related persons may do and/or seek to do business with the company(ies) covered in this report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell or buy such securities from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory or underwriting services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

AIBB, DBSVH, DBS Bank Ltd (which carries on, inter alia, corporate finance activities) and their activities are separate from ADBSR. AIBB, DBSVH and DBS Bank Ltd may have no input into company-specific coverage decisions (i.e. whether or not to initiate or terminate coverage of a particular company or securities in reports produced by ADBSR) and ADBSR does not take into account investment banking revenues or potential revenues when making company-specific coverage decisions.

ADBSR, AIBB, DBSVH, DBS Bank Ltd and/or other affiliates of DBS Vickers Securities (USA) Inc ("DBSVUSA"), a U.S.-registered broker-dealer, may beneficially own a total of 1% or more of any class of common equity securities of the subject company mentioned in this report. ADBSR, AIBB, DBSVH, DBS Bank Ltd and/or other affiliates of DBSVUSA may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company. DBSVUSA does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this report should contact DBSVUSA exclusively. DBS Vickers Securities (UK) Ltd is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Services Authority. Research distributed in the UK is intended only for institutional clients.

In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the overriding issue of confidentiality, available upon request to enable an investor to make their own independent evaluation of the information contained herein.



Wong Ming Tek, Executive Director

Published by
AllianceDBS Research Sdn Bhd (128540 U)
19th Floor, Menara Multi-Purpose, Capital Square, 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.
Tel.: +603 2604 3333 Fax: +603 2604 3921 email: general@alliancedbs.co