

# Flash Note



Refer to important disclosures at the end of this report

AllianceDBS Research, Malaysia Equity

29 Aug 2018

## Media Chinese (MCIL MK) : HOLD

Mkt. Cap: US\$115m | 3m Avg. Daily Val: US\$0.04m

Last Traded Price ( 28 Aug 2018): RM0.28

Price Target 12-mth: RM0.29 (3% upside) (Prev RM0.29)

Shariah Compliant: Yes

### Analyst

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## Holding up well

- 1QFY19 earnings of RM12.3m within expectations
- Print segment is still weak, but travel segment picked up strongly
- Balance sheet is solid with RM265m net cash (RM0.16/share)
- Maintain HOLD with TP of RM0.29, 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)	7.0	nm	10.6	11.1
PE Pre Ex. (X)	5.7	9.7	10.6	11.1
P/Cash Flow (X)	4.4	5.6	5.6	5.8
EV/EBITDA (X)	1.9	2.5	2.3	2.2
Net Div Yield (%)	9.9	5.9	5.6	5.4
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

**Met expectations.** MCIL booked core earnings of RM12.3m (+22% y-o-y) in 1QFY19, accounting for 28% and 31% of our and consensus full-year forecasts respectively. Given the volatility and persistent weakness in adex, we deem this result broadly in line with expectations.

### Malaysia – print revenue decreased 5.8% y-o-y.

Excluding currency impact, sales of MCIL's publishing business in Malaysia decreased by 5.8% y-o-y in 1QFY19, mainly due to the softness in adex but this was cushioned by the uptrend in digital business revenue and higher circulation revenue (cover price hike since March 2018). Amid stringent cost controls and optimisation of staff resources, PBT for this segment was able to improve by 15.5% y-o-y in 1QFY19.

### HK and China print – still seeing marginal losses.

MCIL's print revenue in Hong Kong and Mainland China fell marginally by 1.1% y-o-y, with main drivers coming from adex for the property sectors as well as revenue from its digital business. Consequently, this segment also made losses before tax of about USD1.0m, similar to last year.

**Travel business – strong pick-up.** Sales for its travel segment surged by 33% y-o-y in 1QFY19, mainly due to increased demand for tours to European and China. As a result, segment PBT improved to USD2.4m in 1QFY19, from USD1.6m a year ago.

**Positive cashflow and 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 has



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helped to bolster its balance sheet to a net cash position of RM265m as at end-June 2018.

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

To reflect the poor sentiment in the media sector, we used a target P/B of 0.6x to derive our TP of RM0.29 for MCIL.

Maintain HOLD recommendation.

### Quarterly / Interim Income Statement (RMm)

FY Mar	1Q2018	4Q2018	1Q2019	% chg yoy	% chg qoq
Revenue	317	245	331	4.6	34.9
Cost of Goods Sold	(213)	(152)	(227)	6.6	49.6
<b>Gross Profit</b>	<b>103</b>	<b>93.4</b>	<b>104</b>	<b>0.4</b>	<b>11.1</b>
Other Oper. (Exp)/Inc	(84.2)	(75.1)	(81.0)	(3.8)	7.9
<b>Operating Profit</b>	<b>19.2</b>	<b>18.3</b>	<b>22.8</b>	<b>18.4</b>	<b>24.2</b>
Other Non Opg (Exp)/Inc	(2.3)	(2.8)	(3.3)	(44.9)	18.9
Associates & JV Inc	0.20	(0.2)	0.0	nm	(100.0)
Net Interest (Exp)/Inc	(0.5)	(0.2)	0.25	nm	nm
Exceptional Gain/(Loss)	0.0	(93.1)	0.0	nm	(100.0)
<b>Pre-tax Profit</b>	<b>16.7</b>	<b>(77.9)</b>	<b>19.7</b>	<b>nm</b>	<b>nm</b>
Tax	(7.8)	0.20	(8.2)	5.7	(4,177.6)
Minority Interest	1.15	0.56	0.74	(35.4)	nm
<b>Net Profit</b>	<b>10.1</b>	<b>(77.1)</b>	<b>12.3</b>	<b>21.8</b>	<b>(115.9)</b>
Net profit bef Except.	10.1	16.0	12.3	21.8	(23.0)
EBITDA	26.9	24.5	28.1	4.5	14.9
<b>Margins (%)</b>					
Gross Margins	32.7	38.1	31.3		
Opg Profit Margins	6.1	7.5	6.9		
Net Profit Margins	3.2	(31.4)	3.7		

Source of all data: Company, AllianceDBS

## Target Price &amp; Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	30 Aug 17	0.49	0.49	HOLD
2:	29 Nov 17	0.42	0.39	HOLD
3:	27 Feb 18	0.38	0.39	HOLD
4:	31 May 18	0.30	0.29	HOLD

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

Source: AllianceDBS

Analyst: TOH Woo Kim

### DISCLOSURE

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#### 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

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Wong Ming Tek, Executive Director

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