Malaysia

Overweight *(no change)*

Highlighted Companies

Astro Malaysia
ADD, TP RM1.45, RM1.04 close

Astro is our top pick for ESG and fundamentals investing. As a media powerhouse that generates strong FCF from pay-TV subscription, Astro has been able to reinvest its earnings to embolden Malaysia's entertainment industry, creating jobs and entertaining millions. Its Awani news arm is also fairly neutral, in our view.

Media Prima Bhd
ADD, TP RM0.96, RM0.63 close

Media Prima is no longer beholden to a political party shareholder, since the United Malays National Organisation (UMNO) hived off its stake in the group in 2019. Independent website Media Fact/Bias Check rated the group's news arm's reporting to be "least biased" and "mostly factual".

Star Media Group Bhd
ADD, TP RM0.42, RM0.32 close

As long as Star is controlled by the Malaysian Chinese Association (MCA), there is a risk the group's editorial will have to toe the party line. Our Add call on Star is premised on its distressed 0.4x CY22F P/BV and its end-Dec 2021 net cash of 47.3 sen surpassing its share price by 47.8%.

Summary Valuation Metrics

P/E (x)	Dec-22F	Dec-23F	Dec-24F
Astro Malaysia	10.98	8.19	
Media Prima Bhd	9.13	8.76	7.57
Star Media Group Bhd	NA	NA	NA

P/BV (x)	Dec-22F	Dec-23F	Dec-24F
Astro Malaysia	4.43	4.00	
Media Prima Bhd	1.06	0.99	0.91
Star Media Group Bhd	0.38	0.38	0.38

Dividend Yield	Dec-22F	Dec-23F	Dec-24F
Astro Malaysia	7.29%	10.30%	
Media Prima Bhd	4.38%	4.57%	5.28%
Star Media Group Bhd	6.24%	0.00%	0.00%

Analyst(s)

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Media - Overall

The money isn't in politics

- We find entertainment and visual media players have a stronger ESG proposition than news producers because they have lower political risks.
- We conclude Astro and Media Prima are the two companies with minimal exposure to political risks, with CY22-23F yoy EPS growth of 4-44%.
- We are concerned with some of Malaysia's archaic free-speech laws clouding news producers' objectivity – thus, squeezing their drawing power.

Accumulate entertainment and visual media stocks instead

From both fundamentals and environment, social, and governance (ESG) investing standpoints, we prefer stocks that are oriented towards entertainment and visual media. Specifically, our top picks in the media sector are Astro Malaysia and Media Prima. The FTSE Russell ESG Ratings Methodology ignores third-party information and sector-specific issues, which we believe can distort its assessment of a company's true impact on either one of the three ESG pillars. For Malaysia's media sector, we identify political risks as a social issue that carries a major bearing on news producers' earnings sustainability. The strong ties between politics and Malaysia's media industry appear to have pressured some of these companies to weaken their journalistic integrity. This is evidenced by Malaysia's low ranking in the World Press Freedom Index. The withered objectivity runs counter to commercial sensibility and fiduciary duties, in our view. The political influence on the industry, we infer, may have led to the emergence of competing outlets in the digital media that has fragmented the media market.

Forecasting 5.8-17.7% CY21-23F EPS CAGR for Astro & Media Prima

Since the lifting of Malaysia's movement control order (MCO) in Oct 2021, advertisers' appetite for television advertising is picking up, judging by the 14.2% yoy jump in free-to-air (FTA) advertising sales prior to discounting factor (source: Nielsen Malaysia). We project the two broadcasters under our coverage, Astro and Media Prima, to deliver CY21-23F EPS CAGRs of 5.8-17.7%. Astro's and Media Prima's news arms contributed only 0.9-14.4% revenue to their parents' consolidated revenue in CY19-21, which should reduce their earnings risks from political-related ESG issues.

News producers could remain exposed to political risks

We are worried that Star Media Group's and Media Chinese Int'l's (MCIL) longer-term earnings paths may still be vulnerable to the strict free-speech laws in Malaysia. Since Pakatan Harapan's ejection from the government in Mar 2020, activists and whistleblowers have been served with lawsuits and interrogated by the authorities. A catalyst for these stocks should come when they diversify their businesses. Star is vying for a digital banking licence, while MCIL has a holiday tour agency that can be back in business once Covid-19 travel restrictions are lifted globally.

Reiterate Overweight; visual media players unfairly penalised

We do not apply "ESG premia" or "discounts" to the media stocks under our coverage, as we contend in this report that the social issues surrounding the sector are not something that can delineate into numerical scoring. However, fundamentally, we have ascribed a 1.5x CY23F P/BV target valuation for Media Prima's 96 sen TP. This is larger than the 0.5x CY23F P/BV that we have set for MCIL and Star, which are heavily reliant on the politically charged news production business. Media Prima's 18 Mar 2022 closing of 63 sen valued it at 1x CY23F P/BV – an undemanding valuation for a company with an 8.8% FY21-24F EPS CAGR. We have a DCF-based TP of RM1.45 for Astro (WACC: 9.3%). In CY23F EV/EBITDA terms, the stock's multiple was only 4.7x as at 18 Mar 2022. This is 57.4% lower than the pay-TV and streaming providers' CY23F EV/EBITDA weighted average. With little ESG risks and a recovery in Malaysia's advertising market, we see opportunity for investors to capitalise on Astro and Media Prima. News producers Star and MCIL meanwhile were trading 5.2-47.8% below their last reported net cash/share (as at 18 Mar 2022). Downside risk: ad sales petering out in this high-inflation era.

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The money isn’t in politics

Introduction: stop us if you’ve heard this one before

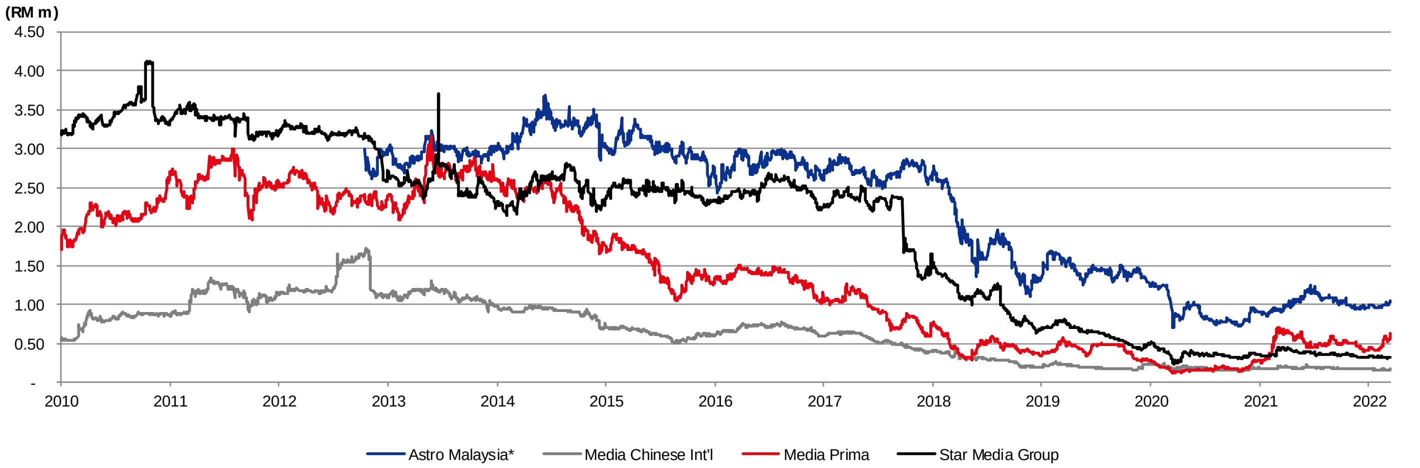
Someone has to address the political elephant in the room

If adhering to environmental, social, and governance (ESG) principles brings holistic benefit to all stakeholders and ensures long-term shareholder value sustainability, shareholders of Malaysia’s media stocks would sleep soundly every night without having to worry about their investments.

All four media companies under our coverage are constituents of FTSE4Good Bursa Malaysia Index. In fact, they are all placed in the top 25-percentile of the FTSE Russell ESG Ratings Methodology.

Yet, the four media stocks under our coverage have fallen by 71.7-92.3% from their respective 2010s peaks. Some are floundering near their all-time lows. The investment community’s typical explanation for these media stocks’ underperformance is they have fallen prey to the digital insurrection. The Internet has opened the floodgates for international media and technological giants to bulldoze their way into every geographical territory and claim global dominance in terms of viewership and advertising dollars.

Figure 1: The media sector's share prices from 1 Jan 2010 to 18 Mar 2022. The stocks peaked in 2010-14 before entering a downward spiral.



*NOTE: ASTRO MALAYSIA REFERS TO THE CURRENT LISTED ENTITY, WHICH WENT PUBLIC ON 19 OCT 2012. THE PREVIOUS LISTED ENTITY, ASTRO ALL ASIA NETWORKS PLC, WAS PRIVATISED ON 10 JUN 2010

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

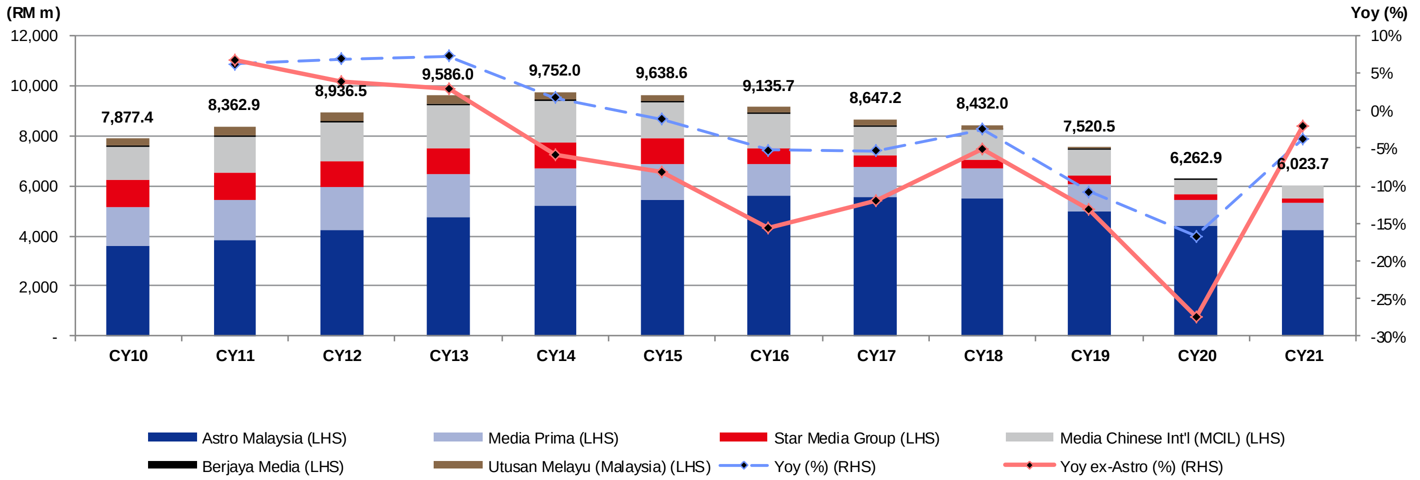
In our view, this explanation is only partially true. We surmise there is more to why Malaysian advertisers and consumers were quick to embrace the digital players once Internet coverage became faster and more widespread in Malaysia.

This report highlights the political risks that have long been a boon and a bane to Malaysia’s media sector. Public records and verbal anecdotes point to Malaysian news publishers having inextricable ties to the country’s lawmakers and political parties. We contend that Malaysia’s news and media corporations’ positive assessments by FTSE Russell belie the political risks that they carry.

Benefitting from political patronage and thick regulatory walls blockading them from competition, these public-listed news organisations were among the investor favourites in the pre-Internet epoch. These companies’ yoy income growth was almost a certainty, their fiscal positions were sound, and annual dividends generated yields that were big enough to attract institutional investors from across the globe.

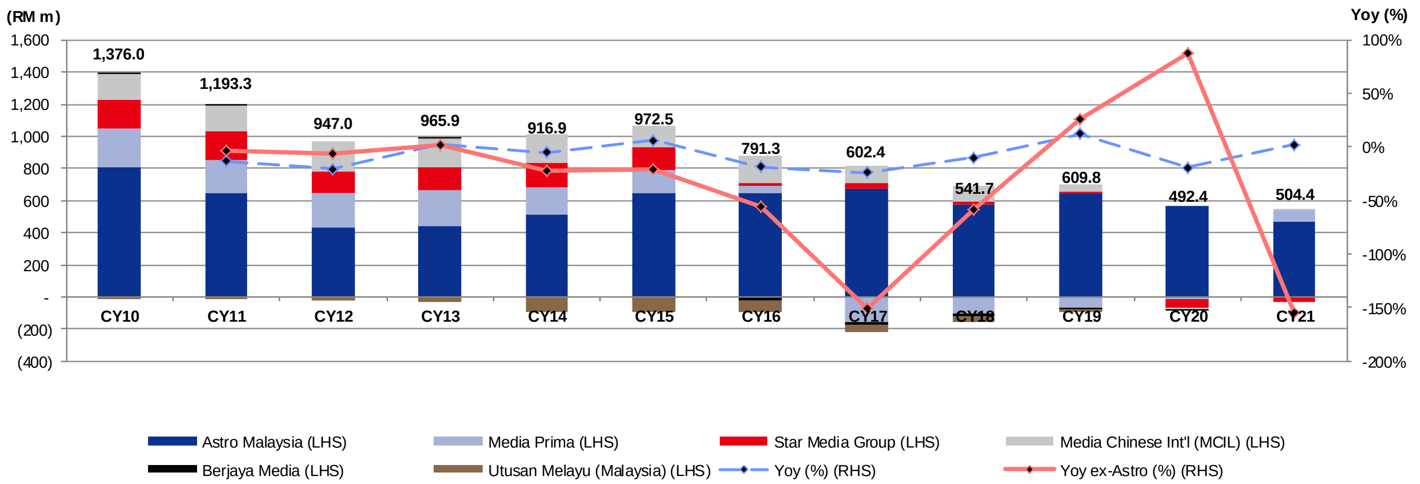
The Malaysian media sector's outlook crumbled as the digital incursion tore down the old media order from the mid-2010s onwards. The political connections, interference, regulations and censorship laws proved to be more of an impediment rather than a crutch in the digital era.

Figure 2: Malaysian listed media companies' historical revenue, 2010-21



NOTES: I) UTUSAN'S CY19 REVENUE WAS UP TO 1H19 ONLY. IT WAS DE-LISTED FROM BURSA MALAYSIA IN AUG 2019
II) BERJAYA MEDIA'S CY20 REVENUE WAS UP TO JAN 2020 ONLY (CALENDARISED). THE FINAL QUARTERLY INCOME STATEMENT IT RELEASED WAS FOR 3QFY4/20, BEFORE IT WAS DE-LISTED FROM BURSA MALAYSIA IN JUL 2020.
III) ASTRO'S CY21 REVENUE IS CALENDARISED. ITS FINANCIAL YEAR END IS IN JAN
IV) MCIL'S CY21 REVENUE IS CALENDARISED. ITS FINANCIAL YEAR END IS IN MAR
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Malaysian listed media companies' historical core net profit/(loss), 2010-21



NOTES: I) UTUSAN'S CY19 CORE NET LOSS WAS UP TO 1H19 ONLY. IT WAS DE-LISTED FROM BURSA MALAYSIA IN AUG 2019
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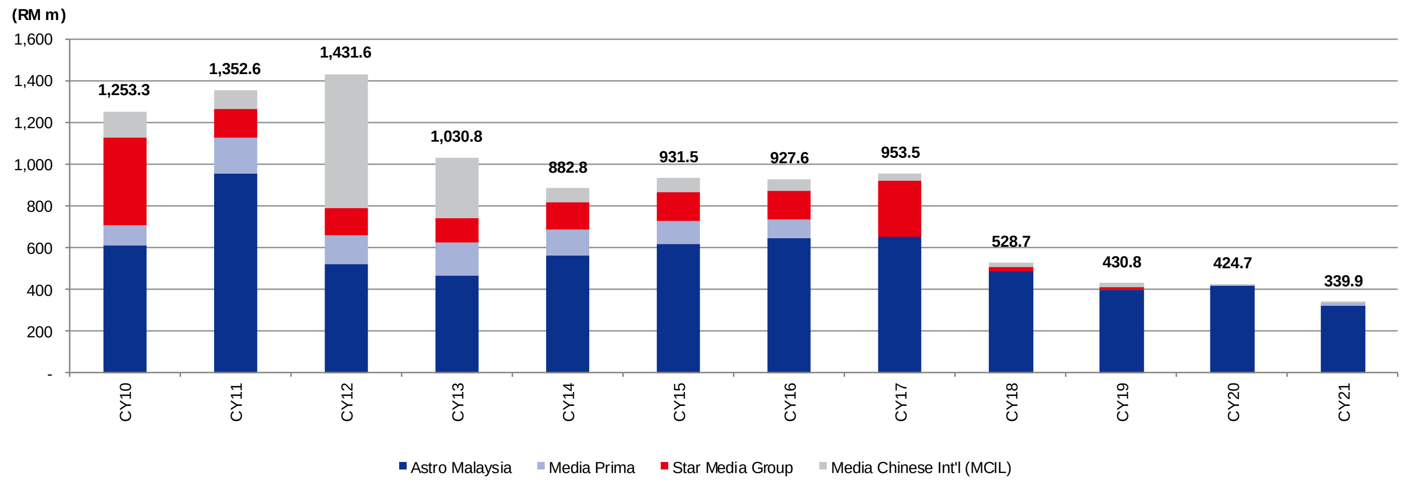
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

That said, our belief is that political risks have subsided since the historic 14th General Election (GE14) in May 2018, which resulted in Barisan Nasional (BN; 'the National Front') coalition being unseated from the federal government for the first time since Malaysia's independence.

Since the watershed 2018 elections, the political landscape in Malaysia has become more fragmented and volatile as alliances are forged and broken. Pakatan Harapan's ('the Alliance of Hope') tenure at the federal government ended before its term expired. Malaysia has had two Prime Ministers since then, with both of them part of an umbrella of two political coalitions – Perikatan Nasional ('the National Alliance') and BN.

While episodes of interrogations and civil and criminal prosecutions have surfaced during the last two governments, none of the administrations appear to have exerted control over the mainstream media like before May 2018. Perhaps the wind-up of Utusan Melayu (Malaysia) in late-2019 (before it was revived by tycoon Tan Sri Syed Mokhtar Albukhary) served the lawmakers a lesson: attempting to control the narrative is not only a futile effort but financially exhausting, especially since the analogue era has long passed us by.

Figure 4: Malaysian listed media companies' historical dividends, 2010-21



NOTE: ASTRO'S RE-LISTING TOOK PLACE ON 19 OCT 2012. PUBLIC SHAREHOLDERS RECEIVED ONLY A PART OF THE DIVIDENDS FRANKED FOR FY1/13
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

FTSE4Good inclusion is based on publicly available data, but the devil is in the third-party details ›

According to the FTSE Russell Index Inclusion Rules in the FTSE4Good Index Series Ground Rules handbook, its ESG evaluation is based on a public-listed company's publicly available data. Boutique ESG and sustainability consulting firm Rawstone Consulting said that publicly available data "will largely come from (the company's) latest annual report and corporate website", which thus ignore information from third-party sources.

In our view, this method of assessment could lead to self-aggrandising of one's strengths and underreporting one's own shortcomings. While these media companies could be strong agents of social change and advocates for civic responsibility, the political influence behind the scenes could have a huge bearing on the company's social and corporate governance merits. Thus, in our view, this should not be omitted from a media company's disclosures.

Yet, none of the listed media companies gave much space to political risks in their annual reports. Star Media Group, the only Bursa Malaysia-listed media entity that is still controlled by a political party today, dedicated 41 pages of its 188-page FY20 annual report to its sustainability statement but there was nary a discussion on political risks. The closest thing to it was Star's acknowledgement that "government regulation" carried high "significance of (the) group's economic, environmental and social impact" and brought heavy "influence on stakeholder assets and decisions" in Star's overall materiality matrix for its sustainability topics. It, however, did not flesh out the matter.

In its FY20 annual report, Star said there were no conflicts of interest noted under its disclosures based on the Global Reporting Initiative's Standards Content Index (as at FY20), despite its business model being that of composing and distributing Malaysia's political news while under the control of the Malaysian Chinese Association (MCA) party (with a 43.1% stake).

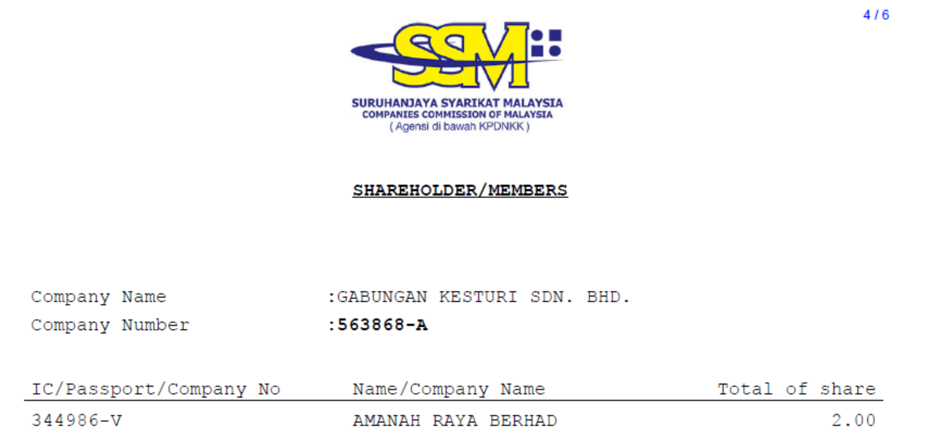
When the United Malays National Organisation (UMNO) owned a 19.1% stake in Media Prima up to Jul 2019, the latter did not even acknowledge in its public disclosures that the political party was one of its shareholders; the ownerships were held in proxy by nominee and trust companies (sources: Companies Commission of Malaysia filings, British Virgin Islands Registry Of Corporate Affairs, FMT).

Academicians, journalists and Opposition political parties, however, had long outed UMNO's ownership in Media Prima (source: Minister of Finance Incorporated: Ownership and Control of Corporate Malaysia [author: Edmund Terence Gomez]).

The party's top echelons had also openly talked about the party's ownership of Media Prima, most recently by UMNO Deputy President Dato' Seri Mohamad Hasan during a Mar 2019 interview with Free Malaysia Today (FMT). Our checks with official company records (sources: the Companies Commission of Malaysia [CCM], British Virgin Islands Registry Of Corporate Affairs) found UMNO's name absent from the lists of shareholders of Altima Inc (Unlisted) and Gabungan Kesturi (Unlisted), two of the investment-holding companies that held substantial stakes in Media Prima prior to Syed Mokhtar's entry. Media and academic publications, however, had written widely (source: The Edge Weekly) about the two holding companies being ultimately owned by the political party.

As at 18 Mar 2019, the listed owner of Gabungan Kesturi was Amanah Raya Bhd (Unlisted), a company wholly owned by the Ministry of Finance Inc (MOF Inc), as per CCM's filing. Amanah Raya is a trustee company responsible for providing trust, will and estate services (source: Amanah Raya). Altima, meanwhile, is a company incorporated in the British Virgin Islands and technically owned by Trident Trust Co (BVI) Ltd, which also specialises in trust and fund services.

Figure 5: Official records show Gabungan Kesturi is technically held by Amanah Raya Bhd, a government-linked trust company



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SURUHANJAYA SYARIKAT MALAYSIA
COMPANIES COMMISSION OF MALAYSIA
(Agensi di bawah KPDNKK)

SHAREHOLDER/MEMBERS

Company Name :GABUNGAN KESTURI SDN. BHD.
Company Number :563868-A

IC/Passport/Company No	Name/Company Name	Total of share
344986-V	AMANAH RAYA BERHAD	2.00

SOURCE: COMPANIES COMMISSION OF MALAYSIA

Figure 6: UMNO also does not surface as Altima Inc's shareholder in official company records

BVI Financial Services Commission, Registry of Corporate Affairs
Register of Companies Search Report

Date of Search : 01/02/2019
This search is accurate as at the Search Date above.

Company Name :	ALTIMA, INC.		
Company Number :	152841		
Company Type :	BC Re-registration	**Date of Incorporation / Registration :**	16/06/1995

Current Status :

Status Description:	Active
Status Date:	16/06/1995
Re-registration Type:	Automatic
Re-registration date:	01/01/2007
Current Registered Agent:	TRIDENT TRUST COMPANY (B.V.I.) LIMITED
Current Registered Agent Address:	Trident Chambers P.O. Box 146 Road Town Tortola VG1110 VIRGIN ISLANDS, BRITISH
Current Registered Agent Phone Number:	284-494-2434
Current Registered Agent Fax Number:	284-494-3754
Current Registered Office :	Trident Trust Co. (B.V.I.) Ltd. P.O. Box 146, Trident Chambers, Road Town, Tortola, B.V.I. Road Town, Tortola, B.V.I. VIRGIN ISLANDS, BRITISH

SOURCE: BRITISH VIRGIN ISLANDS REGISTRY OF CORPORATE AFFAIRS

Political influence on the industry

BN was the major player in the listed space prior to GE14

Prior to the historic GE14, UMNO was the de facto hegemonic power that had ruled Malaysia throughout her existence. The party leads the BN coalition, which was formed in the aftermath of the 1969 Emergency triggered by the gruesome racial riots in the Klang Valley, known colloquially as the "May 13 incident".

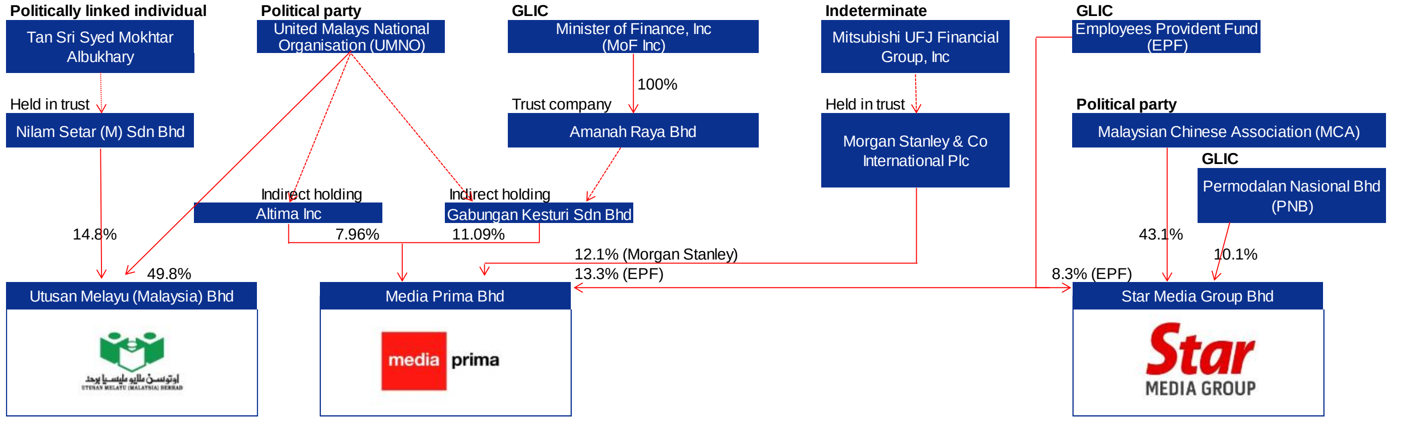
Given its decades-long rule, UMNO and BN had become so entrenched in Malaysia's government machinery that the party and the government were virtually one and the same. Apart from the direct or indirect shareholdings in the legacy media companies that they owned, the BN parties reinforced their hold via the stakes held by government-linked investment companies (GLIC).

In the intervening years after BN's loss, the financials of legacy media companies were further hit by the digital influx. Save for Astro, the GLICs gradually pared down their interests in the media companies until they no longer held substantial stakes. UMNO, too, exited from the industry.

UMNO's fellow BN constituent, the MCA, is the only political party left with a stake in Bursa Malaysia-listed media companies. It holds a controlling 43.1% interest in the English-language news producer Star (sources: Bursa Malaysia filings, Star's FY20 annual report).

(See our 28 Sep 2018 Alpha Series Sector Note, "Classifieds: Media stocks for sale" for these legacy media companies' brief history.)

Figure 7: The web of BN's media shareholding as at 31 Dec 2017, the last full year the coalition ruled Malaysia. Its control over these legacy media companies was bolstered by politically-linked individuals and government-linked investment companies (GLICs) (all share ownership data are compiled from Bursa Malaysia filings)



AS AT 31 DEC 2017
SOURCES: CGS-CIMB RESEARCH, BURSA MALAYSIA FILINGS

Syed Mokhtar and Johari Abdul Ghani consolidated UMNO's prior media holdings, and more

UMNO previously had a 19.1% stake in Media Prima and a 49.8% interest in Utusan. After BN fell at GE14, UMNO ran into financial difficulties. UMNO's Deputy President Mohamad Hasan said in a Mar 2019 interview with news portal FMT that the party was considering disposing of its shares in Media Prima to raise funds.

UMNO subsequently sold its shares to billionaire Syed Mokhtar. He eventually acquired 31.9% of Media Prima shares through a series of off-market transactions between Jul and Oct 2019 (sources: Bloomberg data, The Edge Markets, Bursa Malaysia filings). Syed Mokhtar is the richest Malay community member in Forbes Malaysia's Richest 2021, ranked 18 on the list. The tycoon and former Prime Minister Tun Dr Mahathir Mohamad have openly expressed their admiration for one another; in his 2012 memoirs "Syed Mokhtar Albukhary: a Biography", he called Dr. Mahathir his "mentor".

In Mar 2021, Datuk Seri Johari Abdul Ghani quickly accumulated Media Prima shares through the open market. In just a month, he became the integrated media group's second-largest shareholder with a 20.1% stake. While Johari is an entrepreneur, he is also a member of UMNO's Supreme Council and once served on Dato' Sri Najib Razak's Cabinet with the high-profile position of Finance Minister II (source: Bernama). His shareholding in Media Prima is parked under his investment holding company, JAG Capital (Unlisted) (sources: Bursa Malaysia filing, CCM).

Since Syed Mokhtar and Johari became Media Prima's substantial shareholders, the integrated media group started marketing a few media brands it did not own as members of its news network. These news organisations are under the personal holdings of either Syed Mokhtar, Johari, or both, as illustrated in the following page.

Figure 8: A screengrab from Media Prima's 1Q21 presentation deck. The group now lists The Malaysian Reserve, Utusan Malaysia, Kosmo!, and FMT as part of its news network. These brands are not directly owned by Media Prima; rather, they are part of the personal holdings of Tan Sri Syed Mokhtar Albukhary and Datuk Seri Johari Abdul Ghani

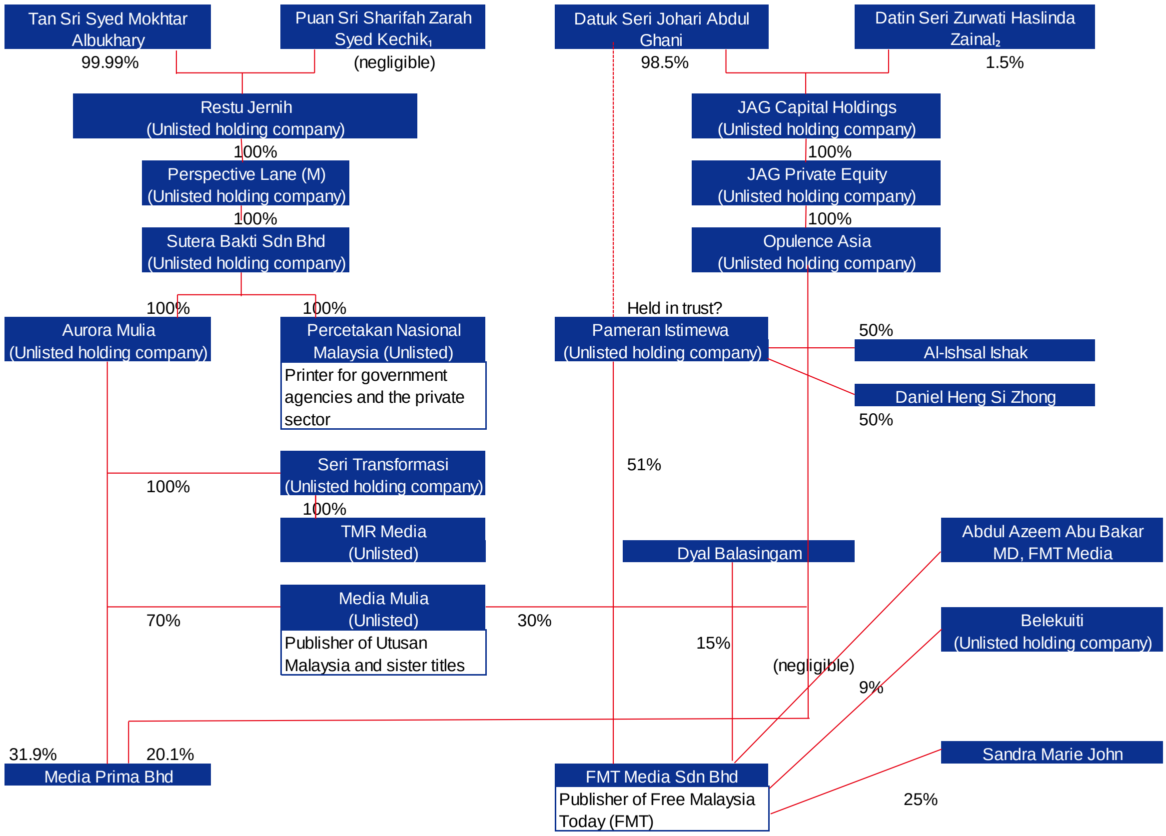
SOURCE: MEDIA PRIMA

Through his investment holding company Seri Transformasi Sdn Bhd (Unlisted), Syed Mokhtar wholly owns TMR Media Sdn Bhd (Unlisted) (source: CCM). It is the publisher of The Malaysian Reserve business daily.

Before Utusan was voluntarily wound up at end-2019, one of Syed Mokhtar's private investment vehicles bought the publication's licences and trademarks to make way for Utusan's eventual revival in Jul 2020 (sources: Malaysiakini, The Straits Times). The news brand is now operated by Media Mulia Sdn Bhd (Unlisted), which is 70%-owned by Syed Mokhtar's Aurora Mulia Sdn Bhd (Unlisted) and the remainder by Opulence Asia Sdn Bhd (Unlisted) (source: CCM filing). CCM filings show Opulence Asia as owned by JAG Private Equity Sdn Bhd (Unlisted). Open-source portal Sinar Project revealed that JAG Private Equity was a subsidiary of Johari's JAG Capital, if the fact that the two companies shared similar names was not obvious enough.

FMT, another news outlet branded as a Media Prima news network affiliate, is 51%-owned by investment holding company Pameran Istimewa Sdn Bhd (Unlisted). Our checks with the CCM found the latter equally owned by former Malaysian Communications and Multimedia Commission (MCMC) Chairman Al-Ishsal Ishak, and former Special Officer in the Prime Minister's Department Daniel Heng Si Zhong. However, an Apr 2021 report from The Malaysianist said Johari was believed to be behind Pameran Istimewa.

Figure 9: Media shareholdings of Tan Sri Syed Mokhtar Albukhary and Datuk Seri Johari Abdul Ghani. The two have shared interests in Media Prima and Utusan Malaysia's publisher Media Mulia. All the media companies they own together and separately are now branded as affiliates of Media Prima's news network, as per the group's 1Q21 investor deck shown in Figure 9



NOTES:
₁PUAN SRI SHARIFAH ZARAH SYED KECHIK IS TAN SRI SYED MOKHTAR ALBUKHARY'S WIFE
₂DATIN SERI ZURWATI HASLINDA ZAINAL IS DATUK SERI JOHARI ABDUL GHANI'S WIFE
AS AT 10 FEB 2022
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, COMPANIES COMMISSION OF MALAYSIA, EMMANUEL SAMARATHISA

Other listed media organisations controlled by individuals with varying degrees of political links

Astro Malaysia and Media Chinese Int'l (MCIL) are respectively controlled by two billionaires. However, given the blurred line between business and politics in Malaysia, the two shareholders are believed to be politically linked, as noted by academicians like Edmund Terence Gomez and both local and international media (sources: Political Business in East Asia [author: Edmund Terence Gomez], CNN, the Wall Street Journal, Kyoto University's Graduate School of Asian and African Area Studies' "Politico-Business Relationships in Sarawak's Timber Industry" [author: Akiko Morishita]).

Tatparanandam Ananda Krishnan, who owns 43.9% shares of Astro Malaysia through various investment holding companies (source: Bursa Malaysia filings, FY1/21 annual report), is often branded as Dr Mahathir's associate by news organisations – including CNN and the Wall Street Journal. It is worth noting that Astro said 23.95% of its shares held by Ananda via PanOcean Management Ltd carries no economic or beneficial interest. This is because the interest is held subject to the terms of the discretionary trust, as disclosed by Astro in its FY1/21 annual report.

MCIL's controlling shareholder, Tan Sri Tiong Hiew King (64.8% stake as of 2 Jul 2021; source: MCIL's FY3/21 annual report), has significant presence in Sarawak's logging industry through his unlisted conglomerate Rimbunan Hijau Group, a highly political business. His brother, Datuk Tiong Thai King is a politician, and resigned from Parti Sarawak Bersatu (PSB; 'United Sarawak Party') at end-2021, a party that had once been aligned with BN.

Unlisted newspaper publisher Berjaya Media is ultimately controlled by billionaire Tan Sri Vincent Tan Chee Yioun (sources: Bursa Malaysia filings, Berjaya Media FY4/19 annual report). For decades, he has been open about his friendship with Dr. Mahathir; at one point, media reports indicated that Tan was seen at a fundraising dinner hosted by Parti Pribumi Bersatu Malaysia's Armada youth wing in 2019, when Dr Mahathir was still helming the party (source: Malaysiakini). Berjaya Media is the publisher of The Sun, Malaysia's only free nationally-circulated newspaper.

Berjaya Media was de-listed on 17 Jul 2020. After being relegated to Bursa Malaysia's Practice Note 17 (PN17) financially distressed status in Jun 2017, the company was unable to submit its business regularisation plan within the timeframe set by the bourse (source: Focus Malaysia).

The two unlisted independent media organisations

In the unlisted space, it would be easier to name news portals that are not owned by politically-connected individuals and entities than those that are. Chief among the former is Malaysiakini, the first news outlet that completely eschewed the print route (source: Malaysiakini).

Launched on the day of the 11th General Election's (GE11) nomination day on 20 Nov 1999, the news portal is operated by Mkini Dotcom Sdn Bhd (Unlisted). Its co-founders, Editor-in-Chief Steven Gan and Chief Executive Officer Premesh Chandran, are former journalists. They control Mkini Dotcom Sdn Bhd (Unlisted) with an effective 60% stake (source: Malaysiakini) via their ownership in the company's parent Mkini Group Sdn Bhd (Unlisted) (source: Companies Commission of Malaysia). The Media Development Investment Fund bought a 29% effective stake in 2002, as per Malaysiakini's website, while the remainder is held by current and former staff members who were provided share options.

Another unlisted media organisation deemed to be independent from political influence (source: University of Nottingham's 'Watching the Watchdog 2.0' Report on the Malaysian Media Coverage of GE14) is Kumpulan Media Karangkraf (Unlisted), the publisher of Malay-language newspaper and portal Sinar Harian. Although it is common for journalists to be in constant contact with the country's 'power brokers', we are not aware of Karangkraf's founder Dato' Husammuddin Yaacub having close relationships with any major political figure, or that he financially benefited from such ties. CCM fillings show Husammuddin now holds 50% interest in Karangkraf, with the other half owned by the group's Chief Executive Officer Syamil Fahim Mohamed Fahim.

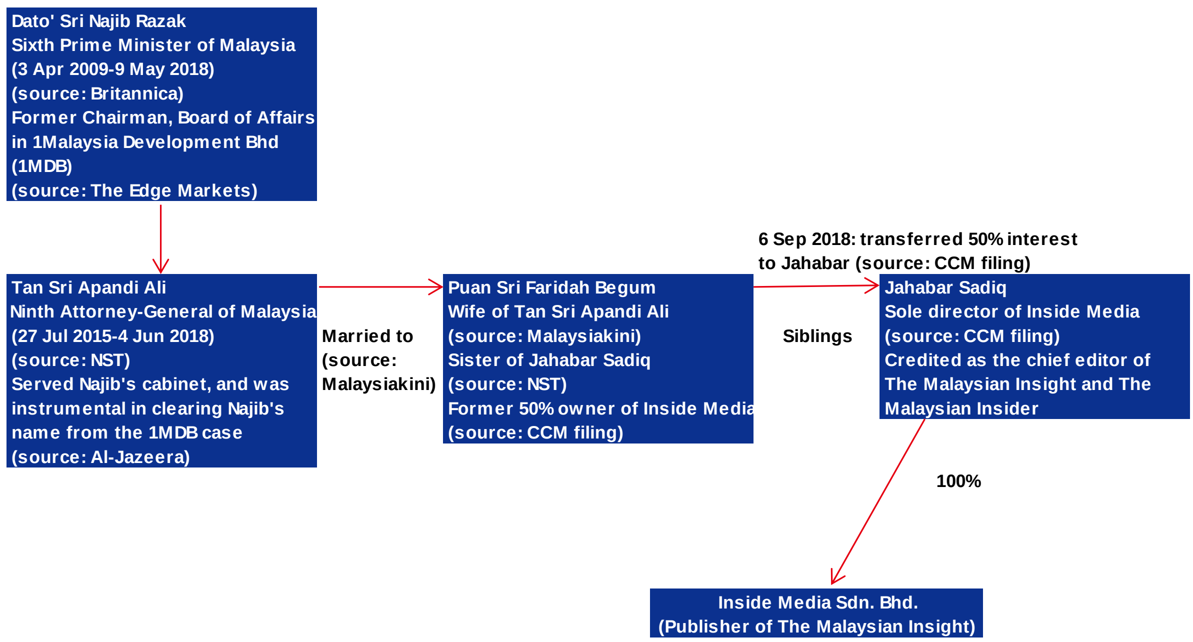
According to the group's website, the genesis of Karangkraf took place in a small shop unit in 1978, where Husammuddin published his first magazine, Mingguan Kanak-Kanak ('Children's Weekly'). Over the decades, Karangkraf expanded the number of magazine titles under its portfolio and ventured into novel publishing and printing services.

Sinar Harian was launched in 2012. Although the industry was on the verge of decline, Utusan's degenerating popularity had opened up a void in the Malay-language daily space that Sinar Harian capitalised on. Karangkraf claims that Sinar Harian was "the fastest-growing newspaper in the country" following its launch. The rate at which it expanded, however, cannot be ascertained because Sinar Harian's circulation was not audited by the now-defunct Audit Bureau of Circulations Malaysia (ABC).

Other unlisted media organisations have political connection

Other than Malaysiakini and Karangkraf, some other unlisted general news producers' owners and benefactors have some degree of political links. Based on information obtained from news sources, books, and CCM filings, we have tabulated a list of prominent unlisted Malaysian news outlets' owners in Figures 10-13:

Figure 10: The shareholding structure of Inside Media Sdn. Bhd., the publisher of The Malaysian Insight, and political figures linked to the online news portal



SOURCES: CGS-CIMB RESEARCH, AL-JAZEERA, BRITANNICA, CCM FILINGS, THE EDGE MARKETS, NST

Figure 11: The chain of shareholding changes in The Malaysian Insider, the now-defunct news portal linked to Jahabar Sadiq and The Malaysian Insight's predecessor

Dec 2007: The Malaysian Insider is born

- Despite its popularity with the left-wing audience, The Malaysian Insider came to form "as a counter balance against MalaysiaKini which was deemed to be unfriendly to the Barisan Nasional (BN)".
- Businessmen Vincent Cheah Chee Keong and Dato' Shaik Aqmal founded The Malaysian Insider "with the intention of supporting the administration of the then Prime Minister Tun Abdullah Ahmad Badawi ahead of the March 2008 general election."
- (sources: Financial Daily, The Edge Weekly)

3 Apr 2009: Abdullah resigns as PM

- Cheah and Shaik Aqmal ceased funding The Malaysian Insider after Abdullah's tenure as Prime Minister ended.
- Bloggers financed by the United Malays National Organisation (UMNO) began to accuse The Malaysian Insider of "undermining new Prime Minister Dato' Sri Najib Razak"
- It eventually received funding "with help from a 30-something Penang-born businessman with close ties to the current BN leadership."
- (sources: Financial Daily, The Edge Weekly)

2010-2014: Jho Low enters the picture

- The Edge Weekly's 17-23 Jun 2019 issue revealed the "30-something businessman with close ties to BN" was Low Taek Jho (Jho Low). He is a friend of Najib's stepson Riza Aziz and the central figure in embezzlement schemes emanated from 1Malaysia Development Bhd (1MDB) (source: Tom Wright and Bradley Hope, Billion Dollar Whale)
- Jho Low injected US$9m into The Malaysian Insider "without his name surfacing" to diffuse the tension between Najib's camp and the online portal
- (source: The Edge Weekly)

9 Jun 2014-14 Mar 2016: Edge buys Malaysian Insider, closes latter down

- The Edge Media Group purchased The Malaysian Insider (source: Marketing Interactive) for RM4m (source: The Edge Weekly). The group said it was unaware Jho Low was one of the two The Malaysian Insider's shareholders, having dealt with only one of them during the transaction.
- Now owned by a media organisation that has been uncovering transgressions within 1MDB, access to The Malaysian Insider was blocked in Malaysia on 25 Feb 2016 (source: Astro Awani).
- The Edge shut down The Malaysian Insider in Mar 2016.

SOURCES: CGS-CIMB RESEARCH, ASTRO AWANI, BILLION DOLLAR WHALE (AUTHORS: TOM WRIGHT AND BRADLEY HOPE), THE EDGE WEEKLY, FINANCIAL DAILY, MARKETING INTERACTIVE

Figure 12: A flow chart on the political relationships forged by Tan Sri Tong Kooi Ong, The Edge Media Group's Executive Chairman (source: The Edge)

1990s: part of Anwar Ibrahim's "inner circle"

- In Tan Sri Nazir Razak's 2021 autobiography, "What's in a Name: Family, Career, and the Heart of Malaysia", the former banker called Tan Sri Tong Kooi Ong as a "businessman in (former Finance Minister and Deputy Prime Minister Dato' Sri Anwar Ibrahim's) inner circle.
- A former research analyst, Tong founded Phileo Peregrine Securities Sdn Bhd -- which subsequently morphed into the Phileo Allied Banking Group in 1994 (source: The Edge Weekly). The banking licence was issued when Anwar was the Finance Minister (1991-1998)

Apr 2015: relationship with Dr. Mahathir Mohamad renewed

- Nazir, in his autobiography, said Tong "hadn't seen (former Prime Minister Tun Dr. Mahathir Mohamad) since just Anwar was sacked in 1999." However, as the 1MDB scandal unraveled, Tong and Nazir sought for a meeting with Dr. Mahathir to get the nonagerian's help in battling the scandal (source: Nazir Razak).
- In the 26 Nov-2 Dec 2018 issue of The Edge Weekly, Tong admitted that he briefed Dr. Mahathir on 1MDB. "Nazir and I also met a few other government leaders. I met Tan Sri Muhyiddin Yassin, who was Deputy Prime Minister. All of them wanted to know more about what had happened in 1MDB."

19 Nov 2018: Tong's FundMyHome endorsed by Minister in Dr. Mahathir's cabinet

- After Pakatan Harapan's victory in May 2018, Dr. Mahathir returned as Malaysia's Prime Minister.
- Shortly after, Tong launched the FundMyHome housing fund scheme.
- Speaking at the Parliament, then Housing Miniser Datuk Zuraida Kamaruddin said FundMyHome was "an interesting option for first-time homebuyers" (source: The Edge Markets).

16 Mar 2020: Tong appointed member of Muhyiddin's Economic Action Council

- Muhyiddin succeeded Dr. Mahathir as the Prime Minister in Mar 2020.
- "In the wake of the Covid-19 outbreak and falling oil prices", Muhyiddin formed the Economic Action Council on 16 Mar 2020 (source: Malay Mail).
- Tong was named one of the Council's members.

SOURCES: CGS-CIMB RESEARCH, THE EDGE MARKETS, THE EDGE WEEKLY, FINANCIAL DAILY, MALAY MAIL, WHAT'S IN A NAME: FAMILY, CAREER, AND THE HEART OF MALAYSIA (AUTHOR: TAN SRI NAZIR RAZAK)

Figure 13: The Vibes, set up in Sep 2020, is owned by businessman Tan Sri Vinod Sekhar

News brand	Holding company	Ultimate beneficiary	Notes
The Vibes	The Vibes Dotcom Sdn. Bhd.	Tan Sri Vinod Sekhar	Vinod admitted in an 18 Jun 2021 interview with Focus Malaysia that "(Dato' Sri Anwar Ibrahim is
	(source: The Vibes)	(Chairman of Petra Group)	one of my closest friends".
		(source: Vinod Sekhar,	A 21 Sep 2020 report by MalaysiaNow disclosed Anwar boarded Vinod's private jet on 5-6 Sep 2020,
		Focus Malaysia)	during the campaigning for Sabah territory's election

SOURCES: CGS-CIMB RESEARCH, FOCUS MAALYSIA, MALAYSIANOW, VINOD SEKHAR

Journalism quality influences business performance

Media business's fiscal sustainability and social responsibility heavily intertwined, in our view ➤

Author Craig Silverman opened his 2014 essay for the American Press Institute by reminding readers that transparency was the building block for journalists to earn the public's trust. Intuitively, there is no point for a reader to spend his or her hard-earned money on a newspaper or a news portal subscription that lacks credibility or is widely known for its slanted reporting.

Should a media organisation shirk its public duty, it is possible that the public will desert the organisation's products and services because they no longer serve its interests. For a commercially-driven media entity, its top- and bottomlines will be in grave danger.

Malaysia's media sector is made up primarily of news organisations and politically-linked individuals and entities. Hence, the investing fraternity needs to be mindful of conflicts of interest between a public-listed media company's majority shareholder as well as its minority shareholders.

A politician's existence is predicated on votes; thus, a politician or a political party that owns a media corporation could make decisions that run counter to a commercial establishment's raison d'être, which is to seek profitability and generate economic returns. News editorials that blatantly intend to enhance any politician's public image can be seen as 'propaganda' by the wider readership and thus could dilute the publisher's credibility.

If a news desk's editorial voice is controlled by the major shareholder or exhibits bias towards the latter, this could be a form of bad corporate governance as it violates the board's fiduciary duty, in our view. Biased news coverage could turn off viewers and readers, leading to waning advertising sales.

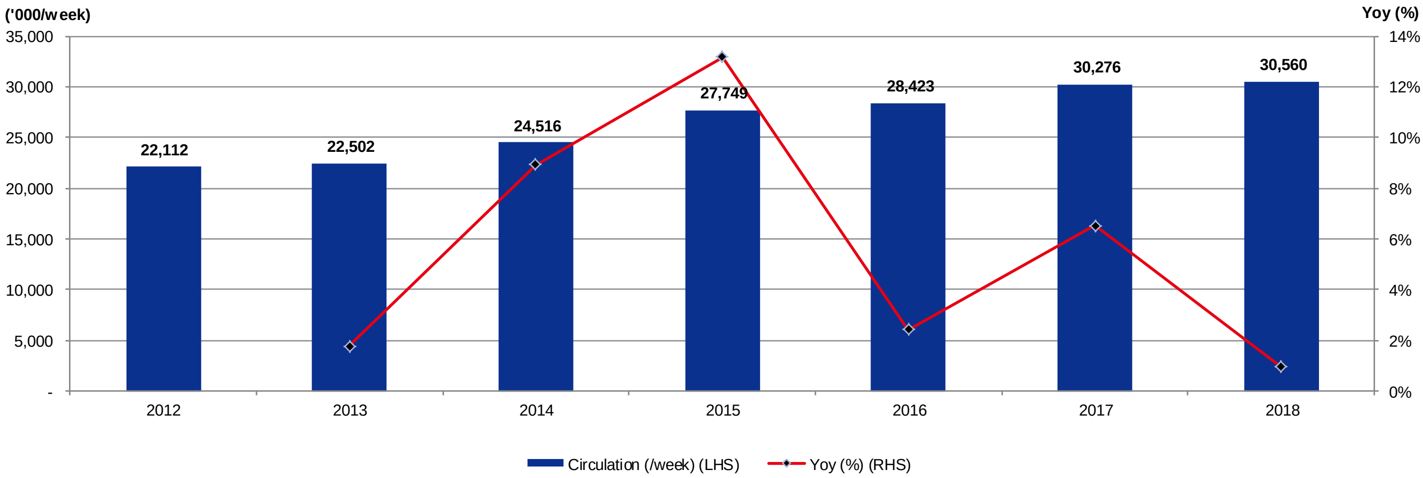
Even if politics are not in the way, the controlling shareholder of a media corporation may have objectives independent of financial returns, such as vanity or to further personal and business agendas. Myriad journals and newspapers, such as Columbia Journalism Review and The New York Times, have discussed the issue of western business tycoons venturing into media as an "expensive hobby" or to exert editorial control. The examples cited Columbia Journalism Review include Ukraine's piping-production tycoon Victor Pinchuk owning almost all of the country's TV stations, while The New York Times had written on hedge fund manager Donald Sussman, whose then-wife was in the US Congress, buying the publisher of regional newspaper Portland Press Herald in 2013.

A case of 'what could have been' for Malaysian media

Even though the decline in the consumption of traditional media was inevitable for media industries all over the world, the question remains whether the decline in the Malaysian incumbents' profits and audiences could have been slowed if they had been accorded reporting freedom.

Lending some credence to this theory is The Edge Weekly, which grew its total circulation amidst the digital onslaught. Between 2012 and 2018, the financial newspaper's average circulation posted a CAGR of 5.5% to 30,560 copies/week.

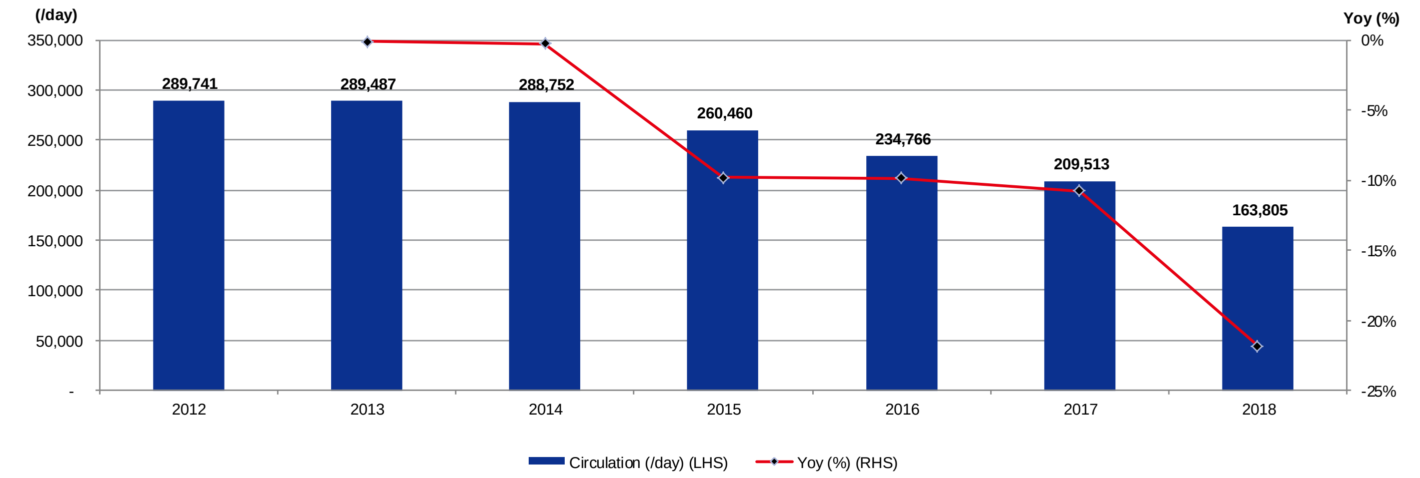
Figure 14: The Edge Weekly's historical circulation, 2012-18. When almost all newspapers' circulations began their downwards spiral in early-mid-2010s, The Edge Weekly's picked up at a CAGR of 5.5% between 2012 and 2018. The financial publication went against the grain by speaking up against and reporting on the misconducts that had transpired in the 1Malaysia Development Bhd (1MDB) sovereign fund



SOURCE: AUDIT BUREAU OF CIRCULATIONS MALAYSIA

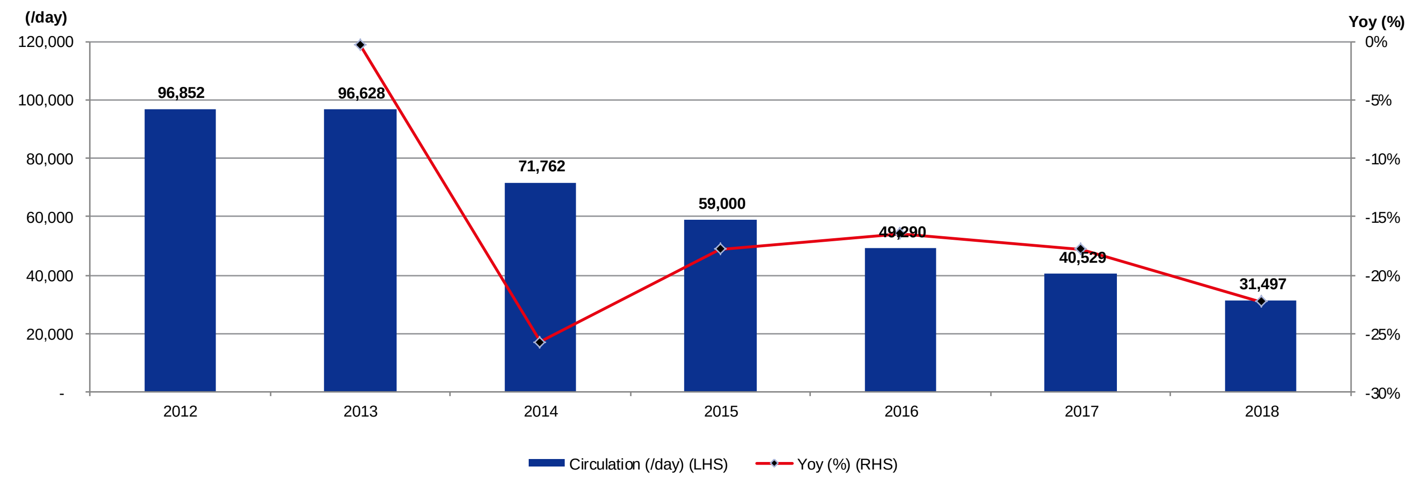
Coincidentally or not, the circulation recorded its biggest yoy growth rate of 13.2%, in 2015, the year it was suspended temporarily after ramping up its series of exposés on 1MDB. Meanwhile, The Star and the New Straits Times (NST) saw their circulation slump by a CAGR of 9.1% and 17.1% respectively over the same period.

Figure 15: The Star's historical circulation, 2012-18



SOURCE: AUDIT BUREAU OF CIRCULATIONS MALAYSIA

Figure 16: NST's historical circulation, 2012-18



SOURCE: AUDIT BUREAU OF CIRCULATIONS MALAYSIA

Malaysia an underperformer in the World Press Freedom Index

Prior to Pakatan's unprecedented victory at GE14, Malaysia had languished on the lower ranks of the World Press Freedom Index. According to its creator, Reporters without Borders (shortened to RSF from its French name Reporters Sans Frontières), the index is used to gauge a country's media freedom "based on an evaluation of pluralism, independence of the media, quality of legislative framework and safety of journalists". RSF wrote that the World Press Freedom Index does not rank public policies even if governments obviously have a major impact on their country's ranking, and that is it not an indicator of the quality of journalism in each country or region.

Malaysia's media freedom was ostensibly curtailed between 2012 and 2018, evidenced by the country's low ranking in the World Press Freedom Index in those years. Even when stacked against other Southeast Asian countries, Malaysia was ranked in the bottom half of the group.

Pakatan, fashioning itself as a reformist, marched into GE14 with an election manifesto that comprised sweeping reforms to the country's institutions. The manifesto's "Promise 27: Abolish oppressive laws" stated that Pakatan "will ensure that media has the freedom to check and balance our administration". To fulfil this promise, Pakatan aimed to revoke these laws: i) Sedition Act 1948, ii) Printing Presses and Publications Act 1984 (PPPA), and iii) National Security Council Act 2016.

(See the section, "Understanding the media industry, and how politics can compromise its social and governance principles" to see the list of acts and regulations imposed on the media industry.)

Figure 17: Pakatan Harapan's 27th promise in its manifesto for GE14 in its unabridged form, which concerned its intention to abolish laws it found "oppressive". Some of these laws directly and indirectly affect the media industry's objectivity. We notice that the media is given a heavy emphasis in this promise, which we take to mean that the industry plays a major catalytic role in society and governance. Pakatan ended up not amending or abolishing any of the Acts stated in this promise, although to be fair, its administration ended before the term expired.

Pakatan Harapan's Manifesto Promise 27: Abolish oppressive laws
Malaysia's legal system is frequently abused by the leaders of UMNO and Barisan Nasional to achieve their political interests. Some of these laws were inherited from the British colonial era without amendment to improve weaknesses. There are also tyrannical laws that were enacted by UMNO and Barisan Nasional.
The Pakatan Harapan government will revoke the following laws:
◦ Sedition Act 1948
◦ Prevention of Crime Act 1959
◦ Universities and University Colleges Act 1971
◦ Printing Presses and Publications Act 1984
◦ National Security Act Council 2016
◦ Mandatory death by hanging in all Acts
To ensure an effective check and balance, the Pakatan Harapan government will revoke all clauses that prevent the Court from reviewing decisions of the government or the laws introduced by the Government.
The Pakatan Harapan Government will ensure that media has the freedom to check and balance our administration. We will review all laws and regulations related to the media so that media freedom is guaranteed. We will also take steps to improve the independence and professionalism of entities such as Radio Televisyen Malaysia (RTM) and Bernama.
The Pakatan Harapan government will also set up a Media Council, comprising its media figures, which will be responsible to develop and implement a code of ethics on reporting and function as a hisbah body for public complaints.

SOURCE: PAKATAN HARAPAN'S MANIFESTO, "BUKU HARAPAN: REBUILDING OUR NATION, FULFILLING OUR HOPES"

A brief dalliance of improvement in journalistic freedom

After unseating BN in GE14, Pakatan kept its promise to liberate the media from censorship and imposing slanted coverage although it did not abolish the aforesaid laws. Based on our conversations with media executives and our observations, we gather that journalists were allowed to provide coverage on both sides of the political divide during Pakatan's administration. Opinion articles that were critical of the Pakatan administration and Ministers were not uncommon in both mainstream and fringe news titles.

Malaysia made significant leaps in the 2019 and 2020 editions of the World Press Freedom Index, with the country's ranking vaulting from 145 in 2018 to 123 in 2019 and 101 in 2020.

Pakatan's reign in the federal government ended prematurely in Mar 2020, after one of its component parties (together with a contingent from another party) jumped ship to form a new Federal Government with the Opposition at the time, under the Perikatan Nasional (PN, "the National Alliance") banner.

On World Press Freedom Day in May 2020, then Communications and Multimedia Minister Dato' Saifuddin Abdullah said the PN administration was committed to upholding journalistic freedom (source: Bernama). Yet, in the 2021 edition, Malaysia's ranking in the World Press Freedom Index tumbled 18 spots to 119. Malaysia's ranking decline was the biggest drop among all countries in the year (source: The Edge Markets).

Figure 18: Select countries' ranks in the 180-country World Press Freedom Index 2017-21 (Top 10, the US, the UK, ASEAN members, bottom 5). Malaysia made a dramatic leap in 2019-20 in the otherwise little-changed index. However, Malaysia plummeted the most yoy in the 2021 edition.

2017		2018		2019		2020		2021	
Rank	**Country**	**Rank**	**Country**	**Rank**	**Country**	**Rank**	**Country**	**Rank**	**Country**
1	Norway	1	Norway	1	Norway	1	Norway	1	Norway
2	Sweden	2	Sweden	2	Finland	2	Finland	2	Finland
3	Finland	3	Netherlands	3	Sweden	3	Denmark	3	Sweden
4	Denmark	4	Finland	4	Netherlands	4	Sweden	4	Denmark
5	Netherlands	5	Switzerland	5	Denmark	5	Netherlands	5	Costa Rica
6	Costa Rica	6	Jamaica	6	Switzerland	6	Jamaica	6	Netherlands
7	Switzerland	7	Belgium	7	New Zealand	7	Costa Rica	7	Jamaica
8	Jamaica	8	New Zealand	8	Jamaica	8	Switzerland	8	New Zealand
9	Belgium	9	Denmark	9	Belgium	9	New Zealand	9	Portugal
10	Iceland	10	Costa Rica	10	Costa Rica	10	Portugal	10	Switzerland
	…		…		…		…		…
40	UK, the	40	UK, the	33	UK, the	35	UK, the	33	UK, the
43	US, the	45	US, the	48	US, the	45	US, the	44	US, the
	…		…		…		…		
124	Indonesia	124	Indonesia	**123**	**Malaysia**	**101**	**Malaysia**	113	Indonesia
127	Philippines	133	Philippines	124	Indonesia	119	Indonesia	**119**	**Malaysia**
131	Myanmar	137	Myanmar	134	Philippines	136	Philippines	138	Philippines
132	Cambodia	140	Thailand	136	Thailand	139	Myanmar	137	Thailand
142	Thailand	142	Cambodia	138	Myanmar	140	Thailand	140	Myanmar
144	**Malaysia**	**145**	**Malaysia**	143	Cambodia	144	Cambodia	144	Cambodia
151	Singapore	151	Singapore	151	Singapore	152	Brunei	154	Brunei
156	Brunei	153	Brunei	152	Brunei	158	Singapore	160	Singapore
170	Laos	170	Laos	171	Laos	172	Laos	172	Laos
175	Vietnam	175	Vietnam	176	Vietnam	175	Vietnam	175	Vietnam
176	China	176	China	177	China	176	Djibouti	176	Djibouti
177	Syria	177	Syria	178	Eritrea	177	China	177	China
178	Turkmenistan	178	Turkmenistan	179	North Korea	178	Eritrea	178	Turkmenistan
179	Eritrea	179	Eritrea	180	Turkmenistan	179	Turkmenistan	179	North Korea
180	North Korea	180	North Korea			180	North Korea	180	Eritrea

SOURCE: REPORTERS WITHOUT BORDERS (RSF)

RSF blamed Malaysia's dramatic yoy descent in World Press Freedom rankings on "prosecutions, police searches, expulsions of journalists and a whistleblower, and flagrant violations of the confidentiality of journalists' sources". This happened after Al-Jazeera reported on maltreatment of workers at a rubber glove factory (in Apr 2020). This episode was followed by the government denying two of the international news agency's journalists visa renewals (source: NST). RSF also took issue with the Emergency (Essential Powers) (No.2) Ordinance 2021, as it accused the government of equipping itself with an instrument that can be used to impose its own version of the truth (source: The Edge Markets).

As this report's thesis argues, we believe suppressing facts can be detrimental to Malaysian news producers' financials and readerships. The readers will likely prefer other news sources that provide an unvarnished view on the ground, and advertisers will only follow where the eyeballs land on.

Lingering political risks with continuing persecutions

As corroborated by media executives, mainstream news organisations today are given the latitude by the existing administration to provide coverage on opposition politicians – unlike in the late-1990s to the May 2018 elections, where the legacy news outlets shunned the opposition.

However, we argue that the media's freedom in Malaysia still has its limits. Based on various media reports from FMT and The Star, whistleblowers and activists who unearthed political scandals and transgressions behind the scenes are still being threatened by legal action.

Such were the case recently with Lalitha Kunaratnam, an anti-graft activist who revealed that the Malaysian Anti-Corruption Commission's (MACC) Chief Commissioner Tan Sri Azam Baki had purchased quoted shares (source: FMT); and Pertubuhan Pelindung Khazanah Alam Malaysia (PEKA Malaysia; "the

Association of Malaysia's Natural Resources Protectors") President Puan Prof Dr Shariffa Sabrina Syed Akil, after continually holding various state governments accountable for the recent series of environmental disasters (source: The Star)

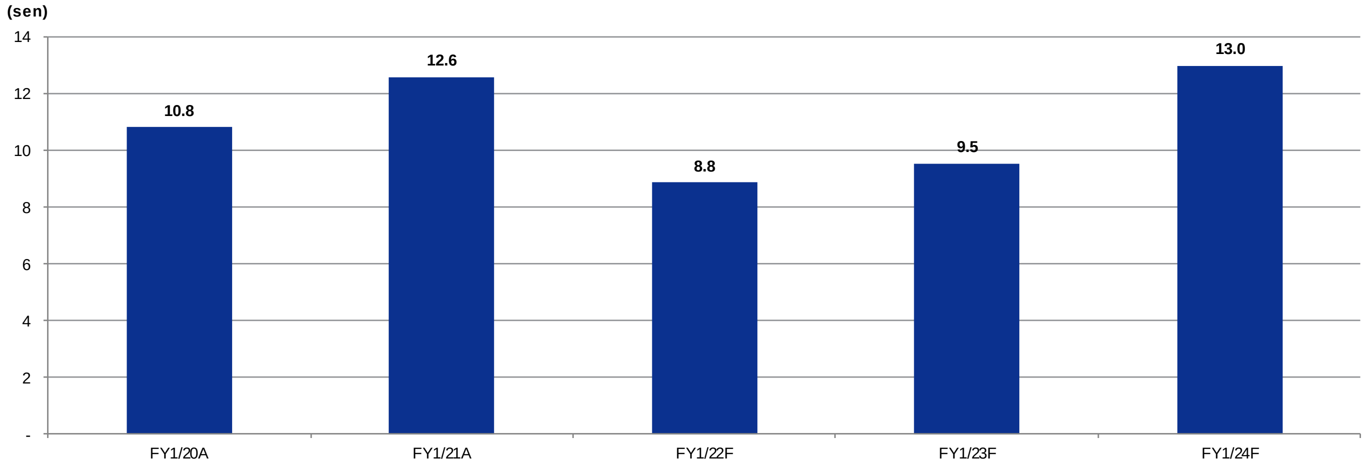
Our view on Malaysian media sector's ESG proposition

Entertainment- and visual-based media are our preferred options

If repressive free speech and media laws are still around, lawmakers will continue to have these blunt instruments at their disposal, leaving them with the temptation of wielding the laws at news organisations' expense. This leads to our fear that companies controlled by political parties or those linked to the corridors of power would practice self-censorship, which then could water down their credibility – and thus enervate consumer and advertiser demand. Therefore, the political risks persist for news producers, even though political interference has subsided since GE14.

With this in mind, we lean towards entertainment- and visual-based media organisations for ESG propositions, i.e. Astro and Media Prima. These are also our preferred stocks when it comes to fundamentals. We forecast Astro to surpass its pre-pandemic EPS levels in FY1/24F and post a FY1/20-24F EPS CAGR of 4.7%. Media Prima emerged from a core net loss in FY21, and we expect will subsequently register a yoy FY21-24F EPS CAGR of 9%.

Figure 19: Astro's FY1/20-24F EPS forecast

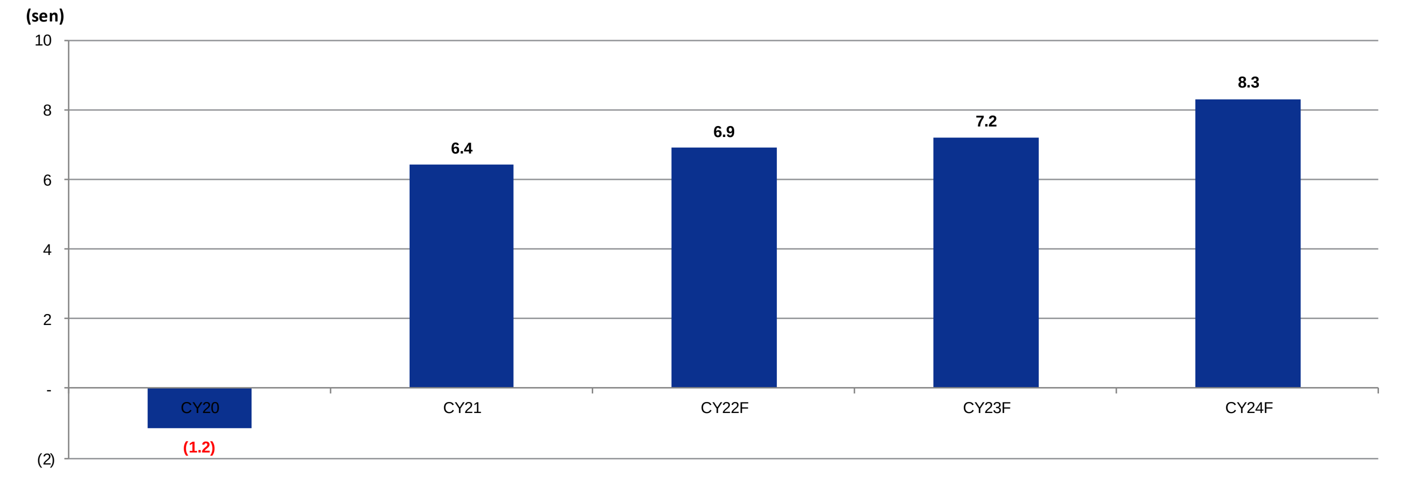


SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

In our view, entertainment is taking a bigger role in people's daily lives. And in a way, we believe that Malaysia's stern free-speech laws somehow work in favour of the country's show business.

Malaysian entertainers have long practiced self-censorship when it comes to political topics, lest they infringe any of Malaysia's free-speech laws. And given how Islam is deeply embedded into the majority of Malaysians' lives, domestic TV programmes tend to be family-friendly. This allows people from across the political spectrum and age groups to enjoy entertainment programmes in Malaysia.

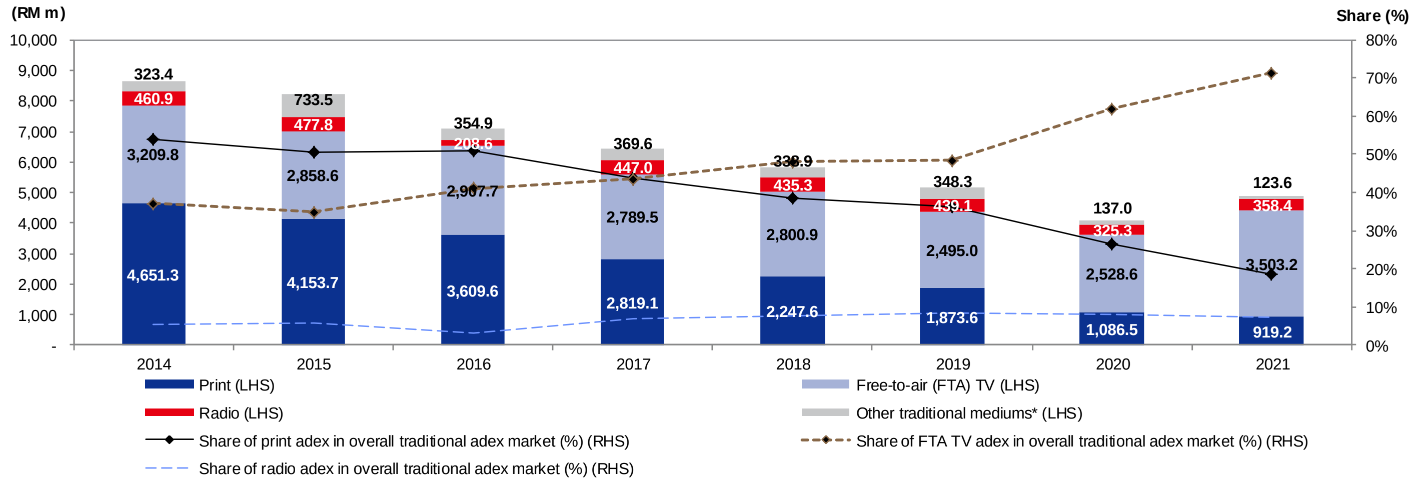
Figure 20: Media Prima's FY20-24F EPS/(LPS)



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Entertainment and visual media's ability to avoid sensitive political issues is perhaps one reason why advertisers fled from the print medium. Instead, they channelled their budgets to linear television and digital media – apart from the point that digital has superseded print. Print's share in Nielsen Malaysia's advertising expenditure (adex) market value (ex-discounting factor) shrivelled from 54.8% in 2014 to 18.7% in 2021.

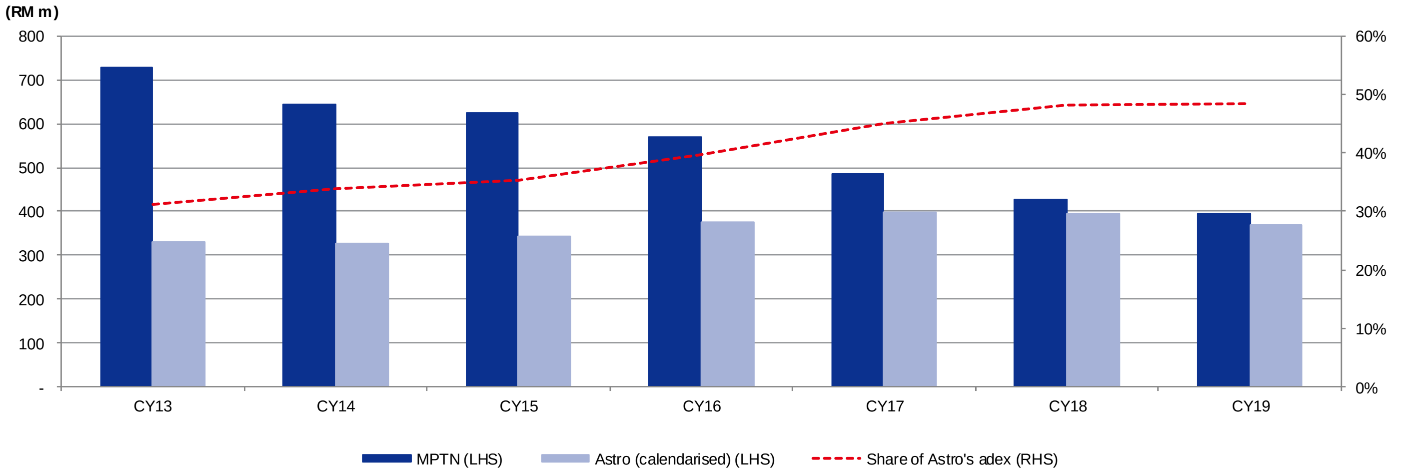
Figure 21: Malaysia's traditional adex market, prior to discounting factor. The free-to-air (FTA) television segment has single-handedly brought the advertising market value to recovery, while the adex of the other segments continued to contract.



SOURCE: NIELSEN MALAYSIA

Free-to-air (FTA) broadcasting's adex declined from its 2014 peak, decelerating to a 2014-19 CAGR of 4.9%. Yet, contrary to popular belief, much of the advertising budget was channelled to Astro's TV division instead of digital media. From FY1/14 to FY1/19, Astro's TV net advertising revenue rose at a CAGR of 2.4%.

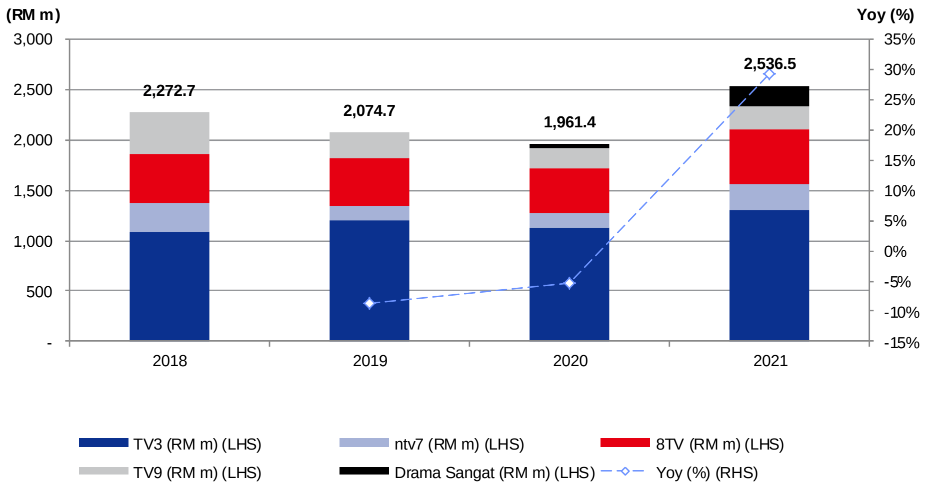
Figure 22: Malaysia's commercial TV ad revenue, net of discounting factor. In the mid-to-late 2010s, Astro began to take a chunk out of Media Prima Television Networks' (MPTN) ad sales. Nielsen does not track Astro's ad statistics; we surmise this is why the market tends to think MPTN is losing out to digital media.



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Since 4Q20, Media Prima Television Networks (MPTN) has staged a comeback. In 2021, its adex prior to discounting factor soared 29.3% yoy.

Figure 23: MPTN's historical annual FTA advertising expenditure (adex) prior to discounting factor in 2018-21



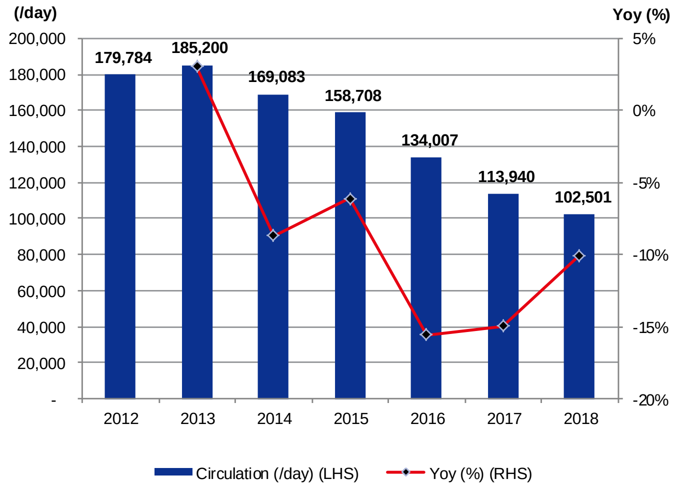
SOURCE: NIELSEN MALAYSIA

Closure of the original Utusan may serve a lesson…

We believe that Utusan is a primary case study on why media companies should not be used as a propaganda tool. It had to resort to government and shareholder aids to stay afloat, which was an unsustainable recourse for a going concern. In turn, it lacked the investment proposition that public shareholders would ideally seek from their investments. This is why we see the need for public-listed news organisations to uphold their journalistic integrity and resist political bias.

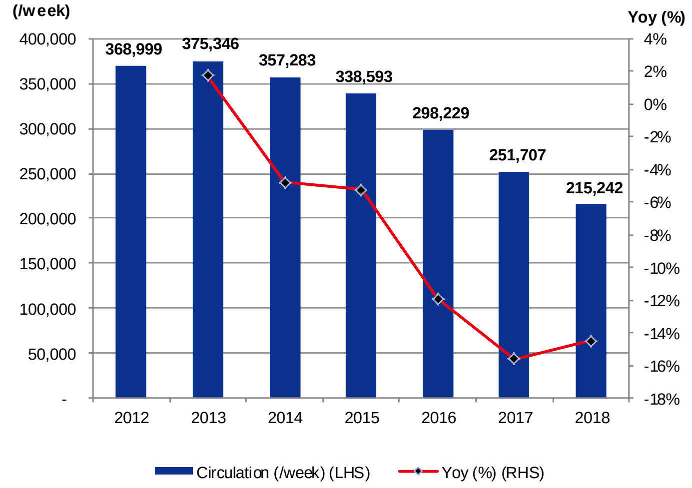
The contractions in circulation were more benign for Utusan than the overall newspaper industry, based on data tabulated by ABC. Utusan Malaysia, its sister publication Kosmo!, and their respective Sunday editions saw negative circulation CAGRs of 6.8-8.9% in 2012-18. In the same period, Malaysia's overall circulation saw a negative 12.4% CAGR.

Figure 24: Utusan Malaysia's historical circulation in 2012-18



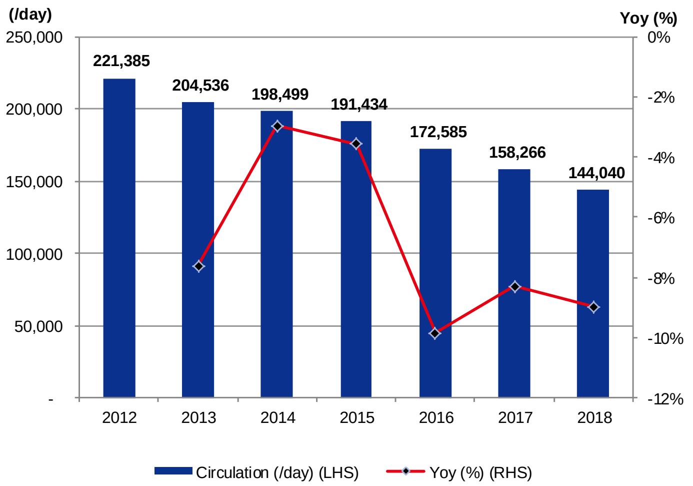
SOURCE: AUDIT BUREAU OF CIRCULATIONS MALAYSIA

Figure 25: Mingguan Malaysia's historical circulation in 2012-18. This is the Sunday edition of Utusan Malaysia.



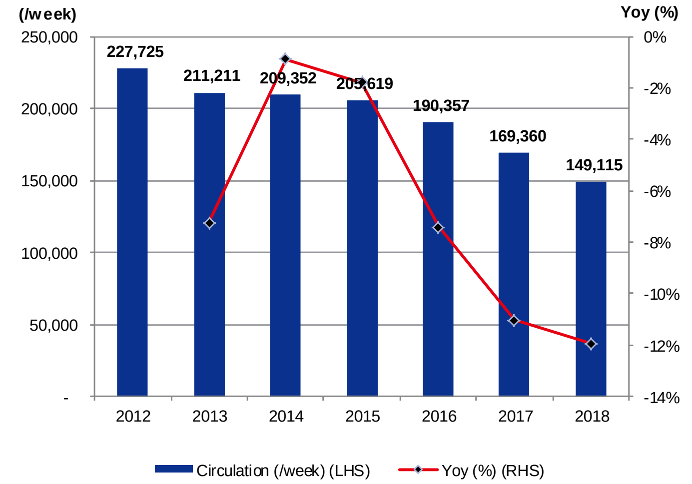
SOURCE: AUDIT BUREAU OF CIRCULATIONS MALAYSIA

Figure 26: Kosmo!'s historical circulation in 2012-18



SOURCE: AUDIT BUREAU OF CIRCULATIONS MALAYSIA

Figure 27: Kosmo! Ahad's historical circulation in 2012-18. This refers to Kosmo!'s Sunday edition.



SOURCE: AUDIT BUREAU OF CIRCULATIONS MALAYSIA

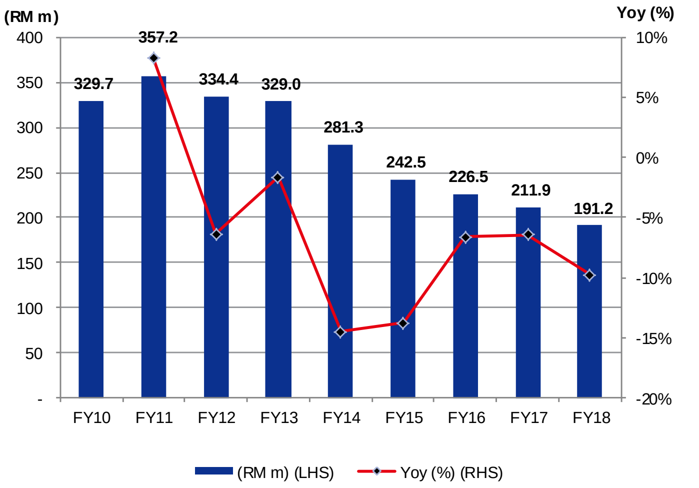
In our view, what cost Utusan was the political burden it shouldered. It was common for Utusan to be branded as an "UMNO mouthpiece" by other news organisations, politicians, and academicians (sources: The Edge Markets, Malay Mail, South China Morning Post). The Democratic Action Party's (DAP) Lim Kit Siang and Murdoch University's Dr Greg Lopez had called out Utusan for its incendiary articles (sources: Lim Kit Siang, New Mandala). During Najib's administration, Utusan lost a string of defamation lawsuits against politicians such as Anwar Ibrahim (source: The Star) and the DAP's Secretary-General Lim Guan Eng (source: Malaysiakini), or asked to settle them out of court (source: NST).

On the heels of Malaysia's 13th General Election (GE13) in May 2013, the police opened an investigation paper on Utusan over its publication of a potentially seditious headline, "Apa lagi Cina mahu?" ("What else do the Chinese want?") (source: Astro Awani). This came after then Prime Minister Najib Razak openly expressed his frustration with Malaysia's Chinese diaspora for not voting BN.

During its heydays in the 1990s, Utusan was a media giant that even had a stake in terrestrial TV station Metrovision (source: Ohio University). Yet, as per The Edge's former Editor-in-Chief Azam Aris's Nov 2018 column "UMNO can die but Utusan must live on", Utusan editorial's heightening propaganda turned the newspaper publisher into a money pit ("Even when UMNO was in power, many advertisers had been shying away from the newspaper's right wing and ultra-Malay position and its one-sided UMNO view about everything in Malaysia."). The Star and Marketing Interactive reported that in 2013, Najib openly exhorted government agencies, government-linked companies, and bumiputera-owned companies to buy more ads in Utusan so that it could stay afloat.

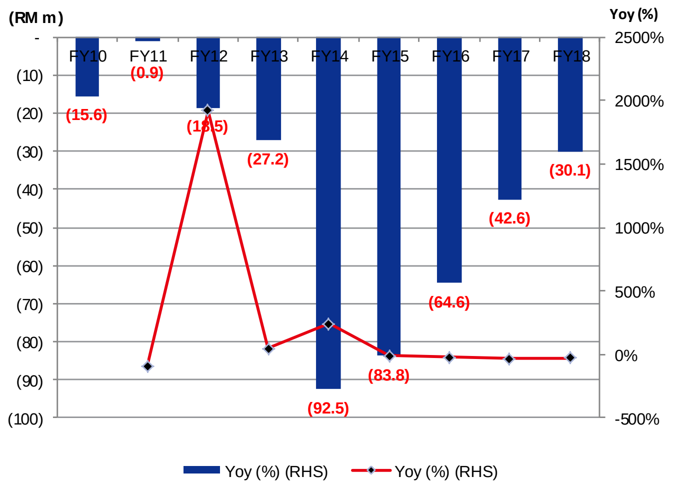
Utusan was already deep in the red in the early 2010s. The group even proposed a two-call rights issue in Nov 2013, although the plan was eventually aborted (source: Bursa Malaysia filings).

Figure 28: Utusan's historical revenue from its core business of publishing, distribution, and ads in FY10-18



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 29: Utusan's historical core net loss in FY10-18



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

With politics clouding commercial considerations, we infer Utusan was unable to address its increasingly taxing cost structure and headcount. Only in 2018 Utusan instituted a voluntary separation scheme (VSS), but by then, its cash flow was too smothered. It was unable to reimburse the VSS payout and pay existing workers' salaries (source: NST).

UMNO's loss at GE14 meant it no longer had the authority or the financial ability to support Utusan, as Najib Razak admitted so in an Aug 2018 writing (source: Malaysiakini). The party was financially strapped in the aftermath of the polls, as the Malaysian Anti-Corruption Commission (MACC) froze its bank accounts to facilitate investigations into the alleged misappropriation of funds from 1MDB, as per reports by Reuters and FMT.

In Aug 2018, Bursa Malaysia relegated Utusan to PN17 category after the latter defaulted on its loans from Bank Mualamat Malaysia Bhd and Maybank Islamic Bhd (source: Bursa Malaysia filing).

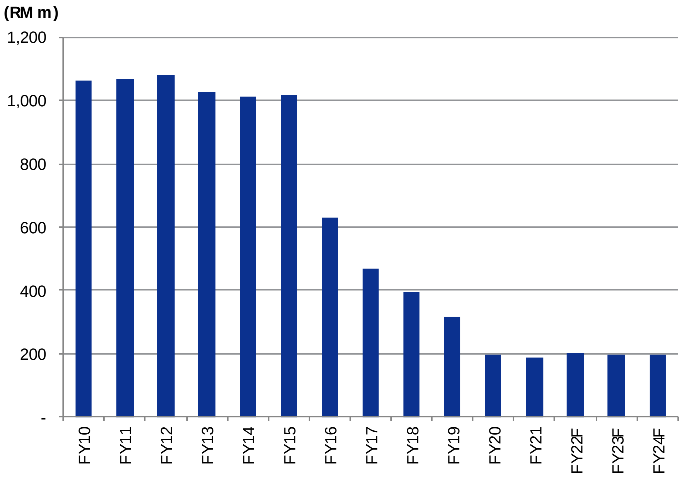
UMNO sold most of its shares in Utusan to its party member, Dato' Abd Aziz Sheikh Fadzir, in Feb 2019 (source: The Star). It held on to an 18.2% stake until Utusan was voluntarily wound up in end-2019.

What the Utusan experience taught the media industry, in our view, was that a major shareholder should not interfere in editorial matters. In our opinion, it is best for the media companies under our coverage to pursue a neutral line of reporting to preserve their brand integrity and public trust – which we see as crucial ingredients for a news organisation's earnings sustainability. While risks persist when politics are heavily mixed with business, we are of the view that the news-oriented media companies under our coverage, Star and MCIL, have not gone to the financially destructive route that Utusan had.

…yet news organisations may still have a lot to do to revive their earnings

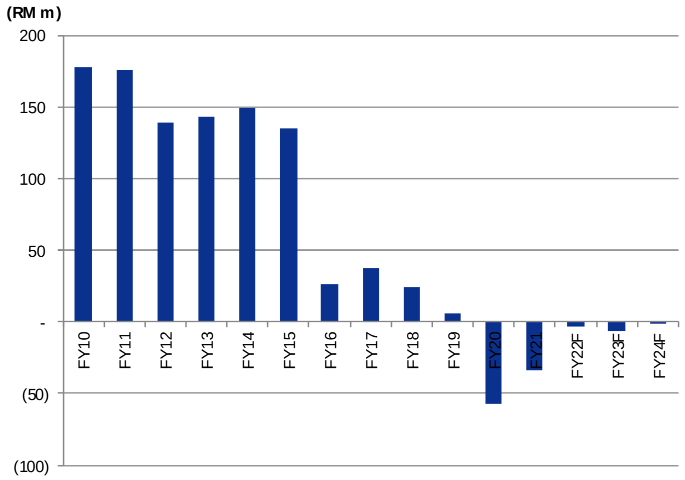
Still, we believe Star and MCIL will have to make a lot of effort to revive their earnings. The reality is, even though the Malaysian journalism landscape is no longer under the heavy scrutiny of the powers-that-be, the draconian laws are still in place. Media organisations with owners that have a relationship with leading political parties give the public little confidence that editorial freedom can be attained, we believe.

Figure 30: Star's revenue in FY10-24F (RM m)



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

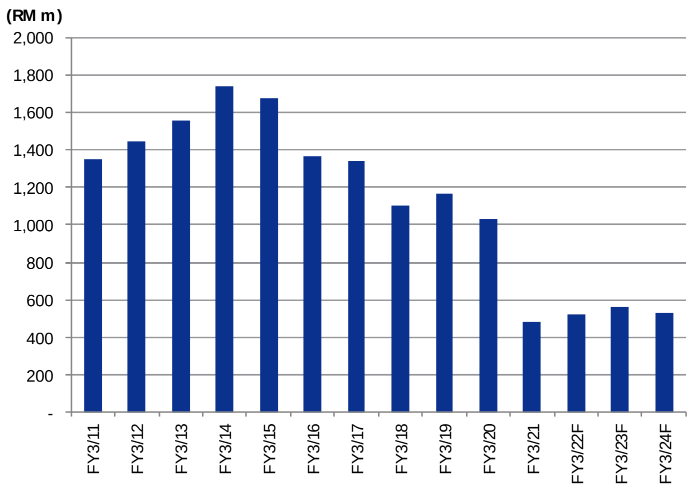
Figure 31: Star's core net profit/(loss) in FY10-24F (RM m)



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

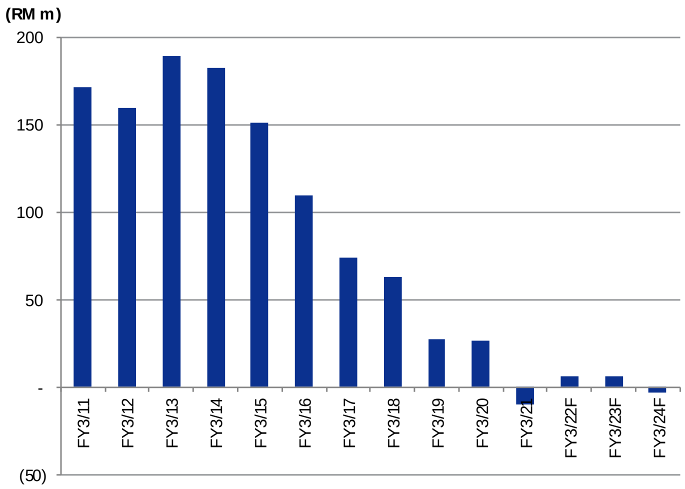
In our view, ameliorating the structural issues surrounding the news sub-industry takes more than just making the necessary regulatory reforms – as if that alone was easy in the first place. The socio-economic corollaries from the decades-long compromise in journalistic integrity have manifested, and we believe they are not issues that a single company can address on its own.

Figure 32: MCIL's revenue in FY3/11-24F (RM m)



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 33: MCIL's core net profit/(loss) in FY3/11-24F (RM m)



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

We identified a couple of inter-related problems for the news media sub-industry today: i) the mushrooming of news titles, as many journalists had long been disillusioned by the self-censorship practiced by mainstream news organisations, and ii) the fragmentation in this small market has turned news production into a less economically-attractive business.

Unfavourable market conditions have put the news organisations in a tight spot, we fear. Even with some arguable journalistic independence it has now, would it be worth it for a media company to spend its way to win over the public – especially since their financial muscles have atrophied considerably from their heydays? Hiring quality journalists and conducting marketing campaigns require major financial undertakings, and there is a risk they may not pay off in the digital age.

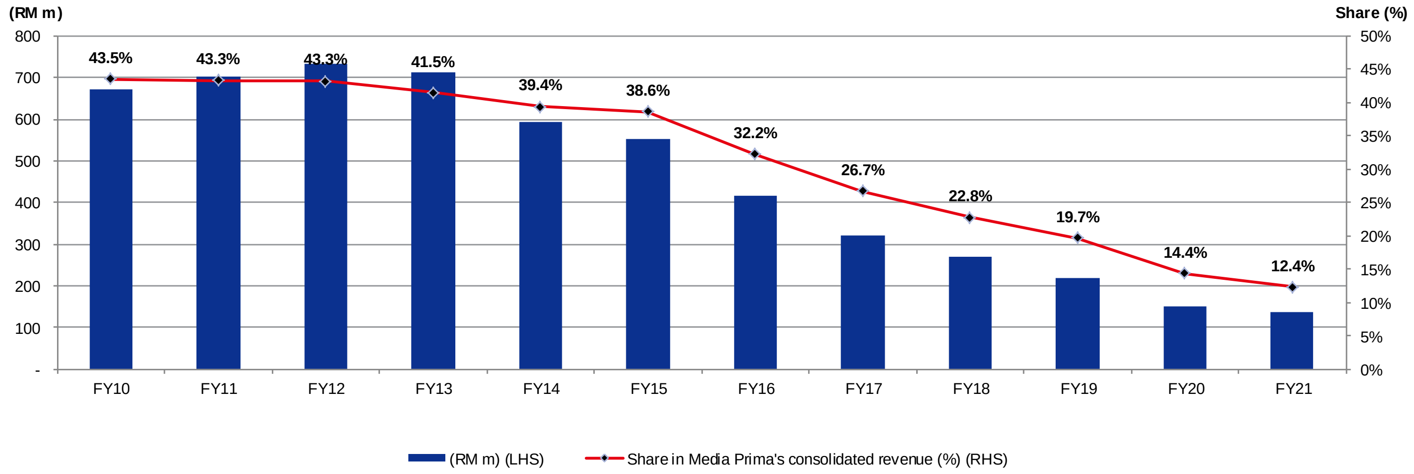
Potential diversification could allay political risks

The only solution to the political risk we can think of is that news-centric media companies find a new income source that is distinct from the media business that is prone to 'interference'.

Case in point is Media Prima, one of our top picks for the media sector. Its 98.2%-owned publishing arm The New Straits Times Press (M) (NSTP; Unlisted) (source: Media Prima's FY20 annual report) previously was a major revenue contributor to the group. At its height, NSTP made up 43.5% of Media Prima's consolidated revenue in FY10. It was no coincidence that the group was subsequently mired in core net losses in FY17-1H20, in our view.

NSTP's share of revenue eroded over the years as Media Prima crawled its way back to core net profitability in 2H20. As at FY21, NSTP's percentage of revenue contribution to the group shrank to 12.4%. With that, Media Prima minimised its exposure to the news business which faces a higher risk from politics.

Figure 34: NSTP's total revenue and share in Media Prima's consolidated revenue in FY10-21. In our view, the news publisher's diminishing share in Media Prima's revenue bodes well for the latter, because it potentially reduces the group's exposure to political risks.



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

In FY21, Media Prima's biggest revenue contributor (61.9%) was its wholly owned marketing division, branded Media Prima Omnia (Unlisted), which is responsible for selling ad slots in the mediums under the group's stable. Its broadcasting division – which is anchored by its TV stations – singlehandedly brought the group back to black in FY21, with an after-tax profit including minority interests of RM80.4m, against the group's headline after-tax profit of RM51.6m plus minority interests.

In our 27 Apr 2020 company note, "You want the real scoop?", we outlined Star's past attempts to bolster its media empire with lifestyle, entertainment, and audio-visual media businesses. Yet, most of these ventures were dissolved or divested over time.

In 2018, Star made public its desire to capitalise on its c.48-acre real estate by developing or selling them (see our 26 Oct 2018 Alpha Series Company Note, "Turning into a supernova?"). To this day, however, there has been no progress on that front.

Star's diversification and M&A dreams have yet to be laid to rest. In Jun 2021, the group announced that it had joined a consortium headed by Paramount Corp (PAR MK; Not Rated) to bid for a digital banking licence. Bank Negara Malaysia said it would issue up to five licences and announce the tender results in 1Q22. What we like about this initiative is Star has latched on to Paramount for the bid; the company is headed by Group Chief Executive Officer & Executive Director Jeffrey Chew Sun Teong, a lifetime banker. He also founded Fundaztic, a peer-to-peer (P2P) lending platform that he has injected into Paramount.

MCIL already has a non-media business under its corporate umbrella – a travel agency business listed as "travel and travel services" in its financial statements.

The group had become increasingly dependent on its Charming Holidays travel agency to rake in profit, to as much as 33.8% of the group's pre-tax earnings in FY3/20.

The Covid-19 pandemic has halted most air travel. MCIL's travel agency has practically had zero business since end-FY3/20.

Legislation that requires Internet giants to pay for local news content can provide lifelines to legacy news players

In our view, there is a potential lifeline for news producers if Malaysia's lawmakers could compel global Internet giants to reimburse the local news outlets, as what has transpired in Australia.

The Australian government and news producers – chiefly News Corp (NWS US: Not Rated) – had pressured Google (GOOG US: Not Rated) and Meta Platforms (FB US: Not Rated) for years to start compensating local publishers for the news links and snippets that surfaced on their search engines. The argument being that these technology giants had benefitted immensely from the advertising that appears when people search for these news items, yet the news producers do not get reimbursed for their hard work.

In Jul 2020, the Australian government presented the draft for News Media Bargaining Code. According to Digiday (online trade magazine for online media), the code "would allow news publishers to negotiate either individually or collectively for compensation from Google or Facebook when they feature their news articles on their services." The government effectively wanted to legally compel tech giants to pay local publishers.

Google threatened to pull out of Australia in early-2021. However, it eventually relented in Sep 2021 to pay News Corp and other publishers in a multi-year deal to compensate these news players an undisclosed sum, according to US news portal Axios. This change of heart prevented the government from passing the law. Facebook, however, chose to block users from posting links to content produced by Australian news producers.

Whether Malaysia would take inspiration from the Australian episode remains to be seen. During a public forum in Nov 2021, Media Prima's Group Managing Director Mohd Rafiq Mat Razali said he is hopeful that Google's recent agreement to pay for news content published by Australian news producers could set a precedent for other countries.

Also in Apr 2020, the Malaysian Newspaper Publishers Association urged the government to table a law similar to what the Australians had proposed.

In our view, news producers have a cogent argument against the tech giants. Since they have the global scale, Google and Facebook could easily push down ad rates so that advertisers would go to them instead of local publishers. Yet, they are merely news aggregators, while those who produce the news receive a measly sum.

Understanding the media industry, and how politics can compromise its social and governance principles

First, understand the media's purpose

Media, the plural of medium, refers to "the means of communication that reach large numbers of people", as defined by Collins English Dictionary. These include:

- Print media: newspapers, magazines, books and periodicals, and pamphlets and flyers
- Electronic media: television, radio, cinema, and home video (VHS, VCD, DVD, and Blu-Ray)
- Out-of-home media: static and digital billboards
- Digital media: arguably the most dynamic form of mass medium. Its multimedia nature melds all forms of communications – aural, textual, and visual. Unlike the analogue media's one-way communication model, digital is

highly interactive. The audience, the content provider, and the medium operator can engage in real-time, omni-channel communication.

According to Understandmedia.com, the media's purpose can be distilled into one: to sell you something, be it products and services, or ideologies. The pen is mightier than the sword cliché hints at the power of communication to amass influence. The media's ability to disperse communication content to mass humanity makes it a dangerously potent tool. It can be an agent of social development, yet conversely, the media can be a means for subjugation or used to sow anarchy.

The media's ideal purpose is to inform and educate the public, acting as the vessel of information between the power brokers and society. The media can also be used as a platform for entertainment. These days, news and entertainment are often wedded together to generate the most effective form of communication. Some entertainment programmes can be derived from factual matters, while informational content and news can be presented in an entertaining manner without distorting factual accuracy.

When the situation calls for it, the media should work with whistleblowers and become the public's conscience, in our view.

Journalism is often called the fourth estate of a democracy. In Malaysia, the three government branches are the executive (the Cabinet), the legislative (Parliament), and the judiciary. These three branches are meant to provide each other the checks and balances when managing a democracy. The media, ideally, fortifies the dynamics.

In an Apr 2011 speech at the Academy of Journalism and Communication in Hanoi, the UK's then Foreign Office and Home Office Minister Jeremy Browne said that the media provide facts and space for criticism and debate, while investigation and examination generate facts and form opinions to "ensure that power is checked and decision-makers are held accountable."

A heavily regulated industry

In Malaysia, media companies are regulated by acts that are governed by various ministries and government agencies:

- Television and radio broadcasters require the Individual Licence for Content Application Service Provider (CASP) from the Malaysian Communications and Multimedia Commission (MCMC), as stipulated under Communications and Multimedia (Licencing) Regulations 2000.
- Under the Printing Presses and Publication Act 1984 (PPPA), print publications are subjected to Publishing Permits issued by the Home Ministry. In 2011, then Prime Minister Najib Razak abolished the annual renewal requirement. However, the government has the discretion to revoke the permit if it sees fit.
- The construction of billboards for advertising, or now better known as out-of-home (OOH) advertising, requires the approval of the respective city hall, local municipal council, or the Malaysia Highway Authority. Billboard advertising owners will have to pay annual fees to the respective authority.
- All films – domestic and international – along with their promotional materials will have to go through the Film Censorship Board, an agency under the purview of the Ministry of Home Affairs.
- Local filmmakers will also have to abide by the Film Censorship Guideline, a 152-page book on the dos and don'ts for a film's contextual and visual portrayals.
- There is also Bernama Act 1967 (Revised 1990), which paved the way for the establishment of the government-owned newswire Pertubuhan Berita Nasional Malaysia (Bernama; the Malaysian National News Agency). The Act gives Bernama the rights to be the sole news agency in Malaysia. It has the exclusive rights to distribute international, regional and national news, photographs, information, features, and economic, commodity and financial data to Malaysian news publishers. In his 2008 paper "Media Freedom and Legislation in Malaysia", Univesiti Utara Malaysia's Associate Professor of Politics and International Relations Mohd Azizuddin Mohd Sani cited the

Commission on Human Rights' finding that the amendment in Bernama Act "allowed Bernama to ignore the international conventions protecting freedom of information".

Other laws "to protect public order" apply to media organisations and the public

Besides the laws and guidelines governing the legacy media companies, Malaysia has several Acts that gives the government the discretion to limit freedom of speech as it sees fit.

Article 10 Clause (1) of Malaysia's Federal Constitution accorded every citizen the right to freedom of speech and expression, the right to assemble peaceably and without arms, and the right to form associations.

However, the following clauses tempered the freedom. According to Clause (2), the government reserves the right to contain such freedom "in the interest of the security of the Federation (of Malaysia) or any part thereof, friendly relations with other countries, public order or morality and restrictions designed to protect the privileges of Parliament or of any Legislative Assembly or to provide against contempt of court, defamation, or incitement to any offence." To reinforce the government's power, Clause (4) of Article 10 gives the right to the Executive to "pass laws prohibiting the questioning of any matter, right, status, position, privilege, sovereignty or prerogative established or protected" pertaining to the special position accorded to the national language and Malaysia's indigenous peoples, dubbed the Bumiputeras ("sons of the soil").

The Sedition Act 1948 was inherited from the colonial government. The law prohibits speech and conduct deemed as seditious and criminalises speech which "excites disaffection against" the government or engenders "feelings of ill-will and hostility between different races", according to the International Federation of Journalists.

Malaysia also took a leaf out of the UK's legislation by adopting its own Official Secrets Act, enacted in 1972. A Nov 2016 article by international broadcaster Deutsche Welle (DW) explained that the Act's provisions give absolute power to the authorities to declare any information an "official secret." Among the things the Malaysian government classified as official secrets include Air Pollution Index readings, highway and water concession agreements, and sex crime statistics, according to the German-based news producer.

In Sep 2011, Najib's administration repealed the Internal Security Act 1960 (ISA), which gave the government the right to detain individuals without trial. However, the administration enacted Security Offences (Special Measures) Act 2012 (SOSMA). As per human rights activist Suara Rakyat Malaysia (SUARAM), SOSMA is basically ISA under a different name.

On 12 Mar 2021, the government enacted Emergency (Essential Powers) (No. 2) Ordinance 2021 using powers conferred by a Jan 2021 Emergency Proclamation. In a 12 Mar 2021 statement issued to the media, the International Federation of Journalists noted that the Ordinance is the spiritual successor to the now-repealed Anti-Fake News Act 2018, a law that allowed the government to imprison and fine any individual or entity that distributes any content that the government deemed to be fabricated information, or in popular parlance, "fake news".

Censorship and bias crux to media's ESG violations

The 1MDB political and financial scandal demonstrated how a government could use legal instruments to compel the mainstream media to practice censorship and bias.

In Jul 2015, the government then led by BN suspended The Edge Weekly's and Financial Daily's PPPA licences, on grounds that their reporting of the 1MDB scandal was "prejudicial or likely to be prejudicial to public order, security or likely to alarm public opinion or is likely to be prejudicial to public and national interest" (source: Malay Mail). The BN government had also blocked access to Sarawak Report's website, and Medium, which republished Sarawak Report's articles (sources: The Guardian, Reuters).

Had The Edge Malaysia kept its silence for conforming to censorship, the public would not have been informed of the transgressions emanating from the state-owned fund. In our view, media organisations that deliberately attempt to conceal information from the public could create a trust deficit that would then impact its readership and earnings. Somehow or some way, the truth may prevail. And intuitively, the public would then question why did the media never report any such indiscretions and start looking for alternatives which give them a truer picture.

What constitute censorship and bias

Education portal ThoughtCo defines censorship as, “the alteration or suppression of speech, writing, photographs, or other forms of information based on the opinion that such material is subversive, obscene, pornographic, politically unacceptable, or otherwise harmful to the public welfare. Both governments and private institutions may carry out censorship for claimed reasons such as national security, to prevent hate speech, to protect children and other protected groups, to restrict political or religious opinion, or to prevent libel or slander.”

Media practitioners will have to decide whether censoring a particular piece of information or content is for the common good, or to the public’s detriment. They will also have to weigh whether their decisions could result in reproofs from the outlet’s other stakeholders like their controlling shareholders and paymasters.

The author for the ThoughtCo entry on censorship, Glenn Halbrooks, listed five types of media censorship. The first two are objectively relevant reasons for censorship:

- Protecting a person’s privacy: what the ThoughtCo entry describes as “the least controversial form of censorship”, as it is used to prevent undue publicity to individuals undeserving of public scrutiny, such as minors and crime victims.
- Avoiding graphic details and images: media practitioners need to exercise discretion on how much of these details can be divulged lest they offend public sensitivity.

The following three types of censorship listed by ThoughtCo are those that can be exploited to protect personal interests:

- Concealing national security information: while there are information and intelligence that can be deemed publicly sensitive, errant lawmakers could abuse their positions of power to obscure their transgressions in the name of “national security”. The onus is on media practitioners to decide whether it is for the public’s benefit to expose these clandestine information.
- Advancing corporate interest: the private sector can wield influence on media practitioners, as it is one of the major sources for a media concern’s funding. Corporations can use the media to sway the public’s opinion to advance their interests or conceal information that can be detrimental to them if spread to the wider society.
- Hiding political bias: when pertinent information is deliberately omitted in a narrative, which could be injurious to a person or an entity’s character. It is not uncommon for news organisations to express their political affiliations and publish opinion articles that can be biased. However, a bias becomes a problem when the tampered content is presented as factual, like in documentaries or news.

Bias refers to “inclination or prejudice for or against one person or group, especially in a way considered to be unfair”, according to Oxford Dictionary. While censorship suppresses the dissemination of information to the public, biasness is a practice of rearranging the narrative to skew public opinion. An undated article in Civil Service India’s Current Affairs Magazine archives delineates the types of media bias to five:

- Sensationalism: the act of over-publicising inconsequential subjects. The Current Affairs Magazine also views sensationalism to be “prejudiced presentations of interesting topics in a sensationalist, trivial, or tabloid manner.”

- Story selection and placement: the choice of subjects for quotes. While time is of the essence in journalism, reporters ideally should seek comments that cover all ground, rather than presenting a story from one side only.
- Labelling: using adjectives – whether positive or negative – without factual backing to paint subjects in a certain hue.
- Spin: the attempt to justify events or actions with one-sided opinions that may or may not be filled with fallacies.
- Omission and selection: this occurs when news organisations deliberately take whichever information that suits a narrative they intend to present, while doing so could harm a subject's reputation.

The media may unwittingly commit bias. Journalists are not experts in the fields they cover, while deadlines are tight. Hence, there are risks that mistakes can be made, and they may not realise the information extracted from a source is riddled with bias.

For example, relying heavily on a media statement or a press release as an information source. In our view, a media statement prepared by companies can be a form of propaganda, as it can be showered with superlatives and it may contain information that have been carefully curated to be biased to the entity issuing the statement.

This does not mean that all company-commissioned statements have no news value. Journalists extract what is newsworthy from a statement and leave out any propaganda. If possible, a journalist could pad up his or her news report with information from third-party sources, or perhaps re-work the report to present a more neutral angle.

A critical analysis of the media sector's prevailing ESG assessment

ESG phenomenon still in its early days, and could be improved

In this section, we put forth our criticism against the existing ESG assessments, as we believe many are irrelevant to the media sector's social-centric business. We do not claim to be experts in ESG investing or socio-economic issues, but we have long studied Malaysia's media industry and companies. We are aware of how inextricably tied the industry and its products and services are to social issues.

In our view, the investing world today is more preoccupied with the environmental hazards from the global economic output. The social dimension, however, runs the risk of being a box-ticking exercise, in our opinion. If the social dimension's grading is standardised for all sectors, the media companies would not have to worry their ESG scores would be affected by the social issues that come from their products and services.

Besides, the ESG investing phenomenon is still in its infancy – with the first earnest attempt to incorporate all these non-financial parameters dating back only to 2005. This was when the United Nations and the Swiss Federal Department of Foreign Affairs published "Who Cares Wins: Connecting Financial Markets to a Changing World", a report that provides "recommendations by the financial industry to better integrate environmental, social and governance issues in analysis, asset management, and securities brokerage" (sources: Forbes contributor network article, the United Nations).

Although investment assets had been established since the 1300s, fundamental analysis only came into form about a century ago, around the time economist Benjamin Graham first published Value Investing in 1935. Therefore, for hundreds of years prior to the book's publication, "investing" had been nothing but a blind race to sell higher to the next buyer before the bubble burst.

Thus, in this precocious period of ESG investing, we believe the investing world could use more suggestions to refine the prevailing ESG rating methodologies.

The media sector needs its unique set of ESG assessments

The previous section illustrated the media sector's strong ties to the society, and depending on how it is used, could embellish or destroy the social fabric. Since media is an intangible product that is used as a social currency, we argue that the ESG assessments for the media industry need to be tailored to include scrutiny of the companies' output.

One of the worse faux pas when advising investors on ESG investing, in our view, is the "box-ticking" exercise. Our worry is this could engender a false sense of security the more a stock fulfils the components of ESG checklists that had been arbitrarily set by rating agencies and analysts.

In our view, these checklists can be irrelevant to local context or bear no weight on a company's business sustainability. The pre-existing ESG rating systems' checklists do not seem to consider the social and governance issues that could emanate from media companies, or their products and services.

Refinitiv's ESG rating checklists, for example, are standardised for all companies and sectors across the world. For the social category, the issues that are looked into pertain to generic matters, such as gender and ethnic diversity. The Bursa Malaysia FTSE4Good assessment, too, applies a standard set of criteria for all companies and sectors.

In our view, bias and censorship are the two basic considerations that we advocate to be included in a media sector's ESG rating assessment. If ESG investing is ultimately intended to evaluate a company's financial sustainability, then a media company ideally should be fair and impartial, with the general public as its priority stakeholder at all times.

We believe the Sustainability Accounting Standards Board (SASB) has set a right path to better understand the media sector's ESG issues. The non-profit organisation has set "Sustainability Accounting Standards" for a whole spectrum of industries, each with its own unique parameters for consideration.

Figure 35: Sustainability Accounting Standards Board's (SASB) sustainability disclosure topics and accounting metrics for the media and entertainment industry. In our opinion, the discussions and analyses prescribed by the non-profit organisation are paramount to ensure a media company's sustainability. It is difficult, if not downright impossible, to put a number to measure these pertinent issues

Topic	Accounting metric	Category	Unit of measure	Code
Media pluralism	Percentage of gender and racial/ethnic group representation for (1) management, (2) professionals, and (3) all other employees	Quantitative	Percentage (%)	SV-ME-260a.1
	Description of policies and procedures to ensuring pluralism in news media content	Discussion and analysis	N/A	SV-ME-260a.2
Journalistic integrity and sponsorship identification	Total amount of monetary losses as a result of legal proceedings associated with libel or slander	Quantitative	Reporting currency	SV-ME-270a.1
	Revenue from embedded advertising	Quantitative	Reporting currency	SV-ME-270a.2
	Description of approach ensuring journalistic integrity of news programming related to: (1) truthfulness, accuracy, objectivity, fairness, and accountability, (2) independence of content and/or transparency of potential bias, and (3) protection of privacy and limitation of harm	Discussion and analysis	N/A	SV-ME-270a.3
Intellectual property protection and media piracy	Description of approach to ensuring intellectual property (IP) protection	Discussion and analysis	N/A	SV-ME-520a.1

SOURCE: SUSTAINABILITY ACCOUNTING STANDARDS BOARD

The SASB Sustainability Accounting Standard for the media and entertainment industry includes code SV-ME-270a.3, which concerns, "Description of approach for ensuring journalistic integrity of news programming related to: (1) truthfulness, accuracy, objectivity, fairness, and accountability, (2) independence of content and/or transparency of potential bias, and (3) protection of privacy and limitation of harm." The scope of disclosure includes concentration of ownership, political advertising, and the names of corporations that gave sponsorships or took on product placements. The media companies were also compelled to engage in a transparent discussion of potential bias where such potential bias may exist.

As at 13 Feb 2022, the SASB's database showed none of the Malaysian media companies has subscribed to the Sustainability Accounting Standard.

The sector's ESG topics cannot be quantified

Before the ESG wave swept the investment world, financial ratios and forecasts were the few guiding light that investors depended on when searching for sound investments. Crunching numbers became the raison d'être for sell-side analysts and other investment advisers.

Financial ratios have existed since the 1890s (source: International Journal of Research in Commerce and Management). Thus, the investment world has long been conditioned to seek numbers and percentages as determinants of quality. Even though social and governance values are intangible and wildly subjective, it is not uncommon for investors and corporates today to value a stock's ESG merits in digits, putting an overall score for a stock's ESG compliance. And on the valuation side, analysts would prescribe an "ESG discount" or "premium" to a stock's fair value. Yet, some do not even have an established methodology to derive the percentages.

In our view, it is almost impossible to put a figure on the media sector's ESG values. We believe social and governance issues are more pertinent to the media sector's ESG concerns. Environmental hazards, we contend, are immaterial to the media sector because its output is intangible services rather than physical raw materials.

We understand if the assessments on environmental issues are distilled into numerical form; greenhouse emissions can be quantified, and so can the number of trees a company aims to plant in order to achieve net zero emissions. Yet, we argue that the gravity of social and governance matters cannot be measured or scored.

The SASB Sustainability Accounting Standard for the media and entertainment industry also acknowledges that journalistic integrity is not one that can be graded by a numerical score. What it asks for companies to do instead is to provide a written disclosure on measures they take to preclude conflicts of interest in their newsrooms.

ESG issues vary from one society to another

Another problem we have identified with the prevailing ESG rating assessments is the lack of consideration for local societies' norms and values, as they are very much centred on the western world's ideals. Social norms can vary from one society to the other, and thus what seems to be a deviant practice in one society may be tolerable or even venerated in another.

The issue of political shareholding in Malaysia's media companies is one example. This country is one of the few in the world which has had political parties controlling mainstream media organisations. A 2003 paper by Harvard University listed Malaysia, Cote d'Ivoire, and Kenya as notable countries with political parties as shareholders in major media corporations.

In our view, having political parties or politically linked individuals is not the deal-breaker for a media company's ESG investing merit. If it is, all media stocks in the sector would not be worth investing from an ESG standpoint. Even those that are controlled by individuals, the individuals have had links with politicians.

What is important, we believe, is for the companies to restrain themselves from biased reporting. The heavy regulation in Malaysia's media industry may seem a surefire way for a ruling government to leash the media companies, but as mentioned above, Malaysia's media industry has been given more leeway since the watershed 2018 elections.

Another example is media companies generating sales from paid content. The SASB Sustainability Accounting Standard for the media and entertainment industries has a requirement of disclosing the amount of revenue gleaned from embedded advertising. While some countries may frown upon this form of income, we argue that it has become a necessary evil for Malaysian media companies. In Malaysia, most of the media companies' primary income source is from advertising sales. Subscription revenue is limited since the market is relatively small and many citizens have modest discretionary income.

Thus, out of survival, media companies in Malaysia look to sell whatever the advertisers want. If a Malaysian-based media company has a higher proportion of embedded advertising or paid content in its revenue compared with other countries' average, we argue that this should not be a red flag on the company's ESG viability. The company can always uphold its journalistic standards by other means. These could include a clear-cut policy of forbidding advertisers from interfering with editorial or having separate writers for editorial and embedded advertising content. Besides, given the unlimited space in digital media, putting out paid content does not necessarily mean it has to come at the expense of churning out fewer news articles.

Lack of data on LGBTQ+ inclusion may be negative from an ESG point of view

We are of the view that some ESG funds that take great emphasis on lesbian, gay, bisexual, transgender, queer, and others (LGBTQ+) inclusion may indiscriminately underrate Malaysian companies for the lack of data in this dimension. However, we argue that Malaysia's media industry in general may be one of the most progressive ones, based on our channel checks.

For context, Corporate Malaysia does not disclose its LGBTQ+ workforce because homosexuality and sodomy are punishable offences in this Muslim-majority country. Although Malaysia is a secular country and ensures freedom of religion, the Federal Constitution of Malaysia states that "Islam is the religion of the Federation".

While we are unable to provide statistics, based on our checks, many openly LGBTQ+ people may be working in Malaysia's media companies. In our view, this should make the media industry one of the more progressive ones in Corporate Malaysia.

Final tally distorted by unnecessary environmental grading

Many ESG rating systems average out the points in each of the three ESG pillars to produce a final score. In our view, this could either underrate or overrate a Malaysian media company's ESG overall merit as we do not see environmental hazards as a major bone of contention for media companies.

In fact, if investors were to use ESG principles as a compass to seek out companies with sustainable earnings, we argue that the existing rating systems would erroneously reward news publishers that are losing print circulation – which would be unfavourable for their profit and loss statements.

Even after more than a decade of becoming prevalent, digital media have yet to become a perfect replacement to plug the hole left by slacking print advertising income. A single advertising panel on the digital portal is valued at a fraction of what print advertising can command.

There are also other ESG rating systems, e.g. Refinitiv, that keep tabs on companies that declare efforts to reduce raw material and energy consumption. Yet, in our view, these are trifles for the media sector because the amount of resources it uses is negligible compared with heavy industries.

Valuation and recommendation

ESG picks in this order: Astro, Media Prima, MCIL, and Star

Figure 36: Our ESG picks and recommendations for Malaysia's media sector stocks. Astro is our favourite from an ESG perspective, followed by Media Prima, MCIL and Star. The revenue share from each company's news production arm was taken from its last full financial year (Media Prima and Star: FY20; MCIL: FY3/21) except for Astro (FY1/20)

Stock	Recomm.	Share price (RM) (as at 18 Mar 2022)	TP (RM)	Upside to TP (%)	TP basis	Revenue share from news arm (%)
Astro Malaysia	Add	1.04	1.45	39.4%	DCF (WACC: 9.3%)	0.9% (Awani)
Media Prima	Add	0.63	0.96	52.4%	1.5x CY23F P/BV	12.4% (NSTP)
Media Chinese Int'l (MCIL)	Add	0.17	0.21	27.3%	0.5x CY23F P/BV	99.9%
Star Media Group	Add	0.32	0.42	31.3%	0.5x CY23F P/BV	87.8%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, COMPANIES COMMISSION OF MALAYSIA

We have laboriously explained how social and governance issues cannot be quantified, and thus we will renounce any use of ratings or scores to compare the media stocks' ESG merits. What we will do instead is to provide factual arguments to support our picks.

Generally, what we would advise is to look for media companies that have little exposure to news production.

Fundamentally, Malaysia's news industry still heavily revolves around the declining print medium. Revenue from digital media – be it from advertising or subscription – is still a drop in the bucket compared with what these news producers used to generate during their glory years. Malaysia is too small a market for these companies to achieve scale, at least while the subscription revenue and advertising rates are at the current levels.

On the social and governance side, we believe that some of these legacy news producers still must contend with a trust deficit, even though editors and media executives assert there is some measure of editorial independence today. There is always a risk that journalists will self-censor to avoid incurring the wrath of lawmakers as the archaic free-speech and media laws remain at the government's disposal. And this could turn off readers, who are already spoiled for choice by digital news outlets.

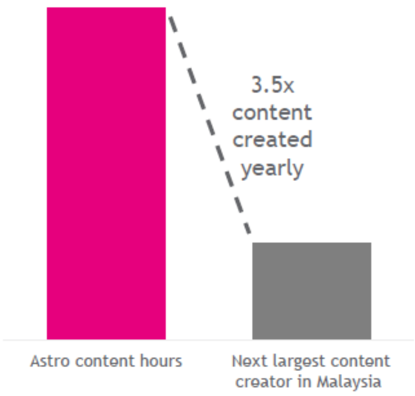
Hence, our media sector ESG favourites are those that have heavy exposure to entertainment and visual media. Our picks in sequential order: Astro, Media Prima, MCIL, and Star.

Championing the local entertainment industry should bring Astro good economic value, in our view (Add; TP RM1.45)

Astro began its operations in Oct 1996 with a TV channel count of 30 – a far cry from the near-150 it possesses now (source: Astro Malaysia). Of those 30, there were only a handful of in-house channels that revolved around local ethnic content. Direct-to-home (DTH) broadcasting at the time was the means for urban dwellers to obtain their international content fix.

It took Astro c.7 years to break even (source: Astro Malaysia). After reaching profitability, the group looked to expand its reach. It heavily reinvested its profit into local content to appeal to Malaysia's mass market. It eventually became Malaysia's largest content producer, so much so that at one point in FY1/19, its annual content duration output was 3.5x that of the next biggest producer (source: Astro Malaysia).

Figure 37: A chart graphic extracted from Astro's 3QFY1/19 investor deck. The number of hours of content Astro produced was 3.5x that of the next largest content creator in Malaysia as at 3QFY1/19. With many in-house channels running round the clock, Astro had a lot of time to fill. And with that, plenty of jobs were created to bring all this content to life. The group inevitably became the biggest investor in Malaysia's media and entertainment industry.



SOURCE: ASTRO MALAYSIA

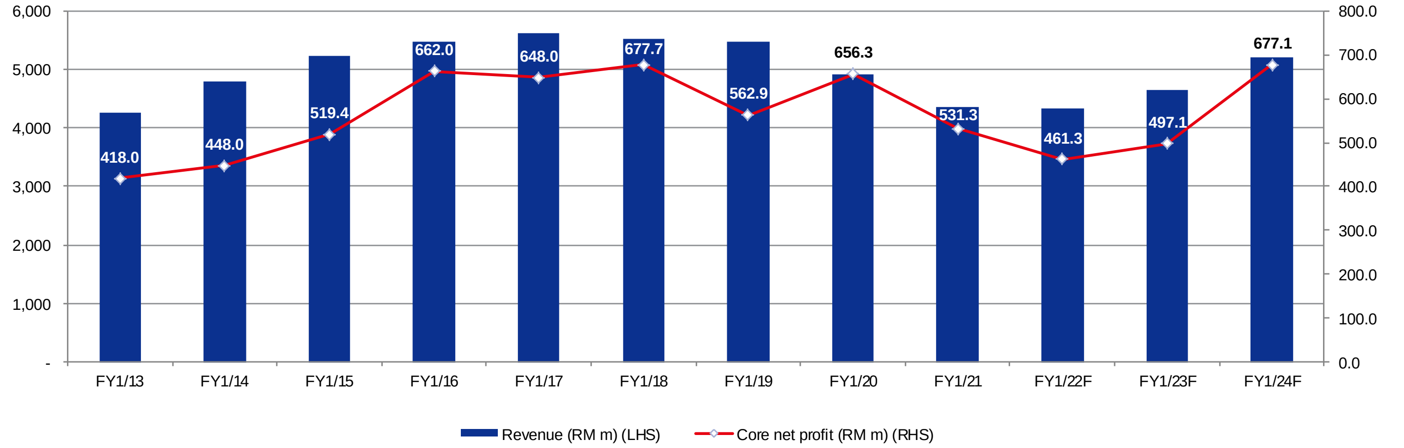
The platform that Astro provides has become the launchpad for many local celebrities, such as comedians Mohd Razizan "Zizan" Abdul Razak and Ahmad Nabil Ahmad, artiste Asmawi "Mawi" Ani, and host Datuk Aznil Nawawi.

Through Astro's Awani news arm, the group has nurtured the careers of journalists Cynthia Ng and its Editor-in-Chief Ashwad Ismail, among others. It has also become the home for industry veterans like Sharaad Kuttan, Melisa Melina Idris, and Ibrahim Sani. In recent years, Astro began investing in local sports leagues to give them the funding and coverage needed to flourish.

Had Astro not been a major proponent of Malaysia's entertainment and broadcasting industry, we contend its subscription revenue and earnings could have regressed considerably after the subscriber flight to licensed and illegal streaming. Cosmopolitan viewers could find their favourite international programmes outside of Astro, but those who are inclined to Astro's local vernacular programmes have little choice but to stick to the pay-TV service.

In fact, Astro delivered a 6.7% CAGR in its core net profit in FY1/13-20 – something that many pay-TV operators in the world could only wish for in this digital era. We would consider FY1/21-22F to be anomalies, as the group was also vulnerable to the economic ravages from the Covid-19 pandemic. And Astro is still working on revamping its content and distribution proposition to incorporate streaming, so that it can appeal to lapsed subscribers again (see our 4 Nov 2021 Alpha Series Sector Note, "Turn of the tide", for more information on Astro's digital convergence strategy).

Figure 38: Astro's revenue and core net profit trends. Its earnings remain resilient despite the digital onslaught. In our view, things could have taken a far worse turn had Astro not invested in the local entertainment industry to keep the mass market glued to its pay-TV service. We suspect that most of those who cut the cord are high-income cosmopolitans, who can get their international content fix elsewhere -- be it from legal streaming services or otherwise.



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Astro has taken an apolitical stance, refusing to endorse political parties or air campaign ads. The editorial voice of its news arm Awani, based on our observation, provides coverage to politicians from the whole spectrum, having featured figures from both the government and the Opposition in exclusive interviews. During its coverage of the recent floods in the Klang Valley, we observe that Awani was not shy to level some criticism against the powers-that-be for the way they handled the catastrophe and for ignoring the environmental damage that may have caused the floods.

Awani's holding company, Astro Awani Network Sdn Bhd (Unlisted), generated revenue of RM45.8m in FY1/20 (source: Companies Commission of Malaysia). This was only 0.9% of Astro's FY1/20 revenue. Hence, we believe that the group's news arm is hardly making a dent on its earnings, and thus its financials are hardly exposed to political risks. Furthermore, Awani has no involvement in the declining print business; it provides news on the Awani linear channel and live stream, and in text form online.

We are positive on Astro's plan to bring in up to 15 third-party subscription-based video-on-demand (SVOD) services in its effort to refresh its distribution and content proposition. We think Malaysians would see the value in the bundled proposition once Astro signs with the SVOD services, which it aims to complete by end-FY1/23F. We recommend investors to accumulate the stock if there is further weakness, as we believe the "new Astro" transformation strategy will take time to bear fruit. In the meantime, the stock offers CY22-23F dividends yields of 7.3-9.8%. We reckon the yields should be more than sufficient to appease investors in the prevailing landscape of elevated inflationary pressures and rising interest rates.

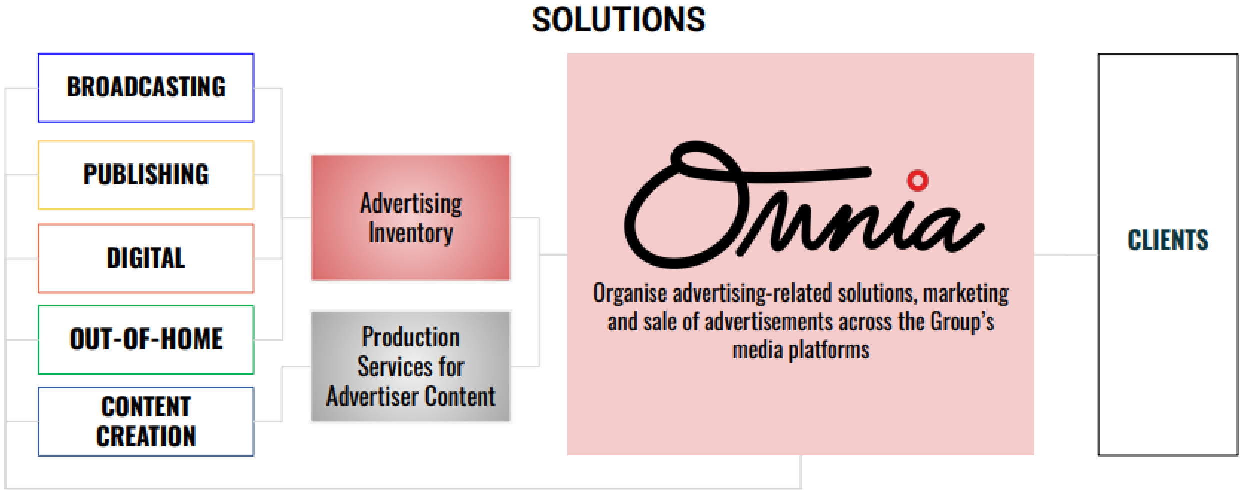
However, we are cognisant that the unfavourable economic conditions could slow down growth. Thus, a downside risk for Astro is if its pay-TV subscriber base shrinks further with more aggressive cord-cutting.

Media Prima has made some commendable changes vs. its UMNO years (Add, TP: 96 sen)

We see GE14's outcome as a blessing for Media Prima. When its financials were on a decline after FY13, it came up with the "Odyssey" blueprint. However, this was only an outline to diversify its revenue sources, and failed to explicitly address its root issue – decaying top- and bottomline.

A new management was immediately installed after Syed Mokhtar became Media Prima's largest shareholder. To address the group's lofty cost structure, its management retrenched c.38% of its c.3,700 employees at end-FY19. Admittedly, we used to be negative about the previous piecemeal retrenchment exercises that occurred almost every year between FY14 and FY18. To us, the previous exercises did little to reduce the group's high fixed costs and only risked demoralising its remaining employees.

Figure 39: An excerpt from Media Prima's 2Q21 investor deck showing the business model structure of Media Prima Omnia, the group's integrated marketing arm. We see this unit as a critical component of Media Prima's turnaround, as the bundling strategy helped to make advertising on Media Prima's platforms more attractive to advertisers. At the end of the day, what they want is more visibility, in our view.



SOURCE: MEDIA PRIMA

Cutting costs would be of little help if the turnover keeps declining, in our view. Critical to Media Prima's topline growth is the consolidation of its marketing departments under one Media Prima Omnia, to offer packaged advertising solutions across all the group's platforms. This should appeal to advertisers, in our view, as they gain visibility on every platform.

UMNO's exit from Media Prima also possibly freed NSTP from political bias in editorial. Based on our observation, NSTP now provides coverage to politicians across the political divide and does not appear to be acting as a propaganda machine for any political party. As at 23 May 2020, independent website Media Bias/Fact Check rated NST's editorial voice as "least biased" because its writing was sparse on "emotionally loaded" language. Its positive-sounding headlines were not partial to either the government or the Opposition, as both have received favourable coverage when the situation warranted one. Media Bias/Fact Check concluded NST's factual reporting was "mostly factual". The only reason that the media watchdog website did not give a higher rating for NST's reporting quality was because the news outlet lacks hyperlinked sourcing (source: Media Bias/Fact Check).

Fundamentally, Media Prima is no longer at the mercy of NSTP to generate sales. As illustrated in Figure 34, NSTP's share in Media Prima's consolidated revenue regressed from its all-time high of 43.5% in FY10 to only 12.4% in FY21 – and we expect the share would taper down by the year as other segments' topline rises while the print business's shrinks further. This would consequently reduce Media Prima's political risks, in our view.

We see Media Prima's growth engine today to be its TV advertising sales, which had renewed vigour since it introduced a medium-bundling strategy in FY20. We also believe content sales could be another growth drive going forward. We feel that Media Prima's nature of minimal variable costs could make it an attractive investment in this high-inflation era. Media Prima's CY22-23F 4.4-4.6% dividend yields act as another layer of safety net. Our 96 sen TP values the stock at 1.5x CY23F P/BV (2 s.d. above the mean when it was in core net losses between CY17 and 1H20). Downside risk: the ad market losing steam, as its revenue base is heavily made up of advertising income (FY21: 66.7%).

MCIL not as easily swayed by political forces, we contend (Add; TP 21 sen)

We are of the view that the volatility in Malaysia's political landscape does not bring much impact on the popularity of MCIL's news titles or on its financials. In 2QFY3/22, the group sprang a surprise core net profit of RM5.8m after two consecutive quarters of losses. This was solely due to its print and publishing (P&P) segment, as its travel agency business was still incapacitated by Covid-19 restrictions.

Part of the reason for MCIL's minimal political risks, in our view, could be because of the Chinese diaspora's reverence towards Tiong Hiew King. In the 24-30 Apr 2017 cover story of The Edge Weekly, the publication quoted Taiwan's Shih Hsin University doctoral candidate in Communication Studies Chang Teck Peng describing Tiong as "a very well-respected corporate figure in the Malaysian Chinese community. He cares a lot about the culture."

In 2006, Tiong took over Nanyang Siang Pau (now known as Nanyang Daily) from MCA's investment holding company Huaren Holdings Sdn Bhd (Unlisted). As per the Edge Weekly, in the years that Huaren owned the 99-year-old publisher, the Chinese Malaysian community boycotted Nanyang; we surmise this was because of MCA's association with BN.

Another reason why we rank MCIL above Star is because it already has a non-media business to mitigate its political risks. Unfortunately, for now, MCIL's travel agency business is being held back by travel restrictions in Hong Kong. According to the company, c.50% of its travel agency's clients historically came from the special administrative region.

We keep our Add call on grounds of its suppressed valuation and its net cash/share of 17.4 sen (as at end-Dec 2021) already surpassing its share price of 16.5 sen as at 18 Mar 2022. Our 21 sen TP for MCIL values the stock at an undemanding 0.5x CY23F P/BV, which is 1 s.d. below the media sector's 3-year mean. This valuation basis is lower than the 1.5x CY23F P/BV ascribed for Media Prima because of the inherent earnings risks that come with news-centric companies. Thus, in our view, this target valuation has taken into account the ESG risks emanating from MCIL. Downside risks: print division unable to garner more ad sales and rein in costs.

Plenty of other Stars in the sky, might as well diversify into another business (Add; TP: 42 sen)

In our opinion, Star faces many stumbling blocks on its road back to recovery. We fear there could be a branding perception issue as long as MCA remains its controlling shareholder. The non-profit website Media Bias/Fact Check categorised Star as being politically biased (as at 13 Jul 2020). In its analysis, Media Bias/Fact Check concluded that Star has "a pro-MCA tone" with complimentary headlines such as "MCA on 'high ground' amid national political chaos" (source: Media Bias/Fact Check).

Our fundamental call on Star is Add on grounds of its distressed valuation of 0.4x CY23F P/BV. In our view, this multiple looks compelling for a company that had a net cash of RM343.1m (47.3 sen/share) as at 31 Dec 2021, or 47.8% higher than its market cap at 18 Mar 2022's close. It also owns choice real estate assets with a NBV of RM158.8m (21.5 sen/share), which it seeks to monetise if opportunity strikes.

Since 2018, the group has communicated its intention to monetise these properties and land tracts. We believe the delay could have been due to the lethargic property market precluding the group from fetching the market value it wishes for. However, since the properties have not been revalued since they were purchased, we believe that the group could stand to generate considerable gains even though it conducts a fire-sale exercise. In 2018, our proprietary analysis found Star's real estate came with a combined market value of RM518.7m, 118.5% higher than Star's market cap (see our 26 Oct 2018 Alpha Series Company Note, "Turning into a supernova?" for more information on Star's real estate.)

However, Star's diversification and M&A dreams have yet to be laid to rest. In Jun 2021, the group announced that it had joined a consortium headed by Paramount Corp (PAR MK; Not Rated) bidding for a digital banking licence. Bank Negara Malaysia said it would issue up to five licences and announce the tender results in 1Q22. Although the digital banking gambit may take years to become profitable, we believe the tender announcement could help stoke the share prices of whoever wins the bid. We also like that Star has partnered with Paramount for the bid; the company is headed by Group Chief Executive Officer & Executive Director Jeffrey Chew Sun Teong, a lifetime banker. He also founded Fundaztic, a peer-to-peer (P2P) lending platform that he has injected into Paramount.

Our 42 sen TP values Star at 0.5x CY23F P/BV, 1 s.d. below the media sector's three-year mean. This is the same P/BV multiple that we have derived for MCIL, as the two companies are part of the financially volatile news sub-industry.

Catalysts for Star include securing a digital banking licence, and a potential election in 2022. Downside risks: ad sales dwindling further than expected, while costs buoy above our expectation.

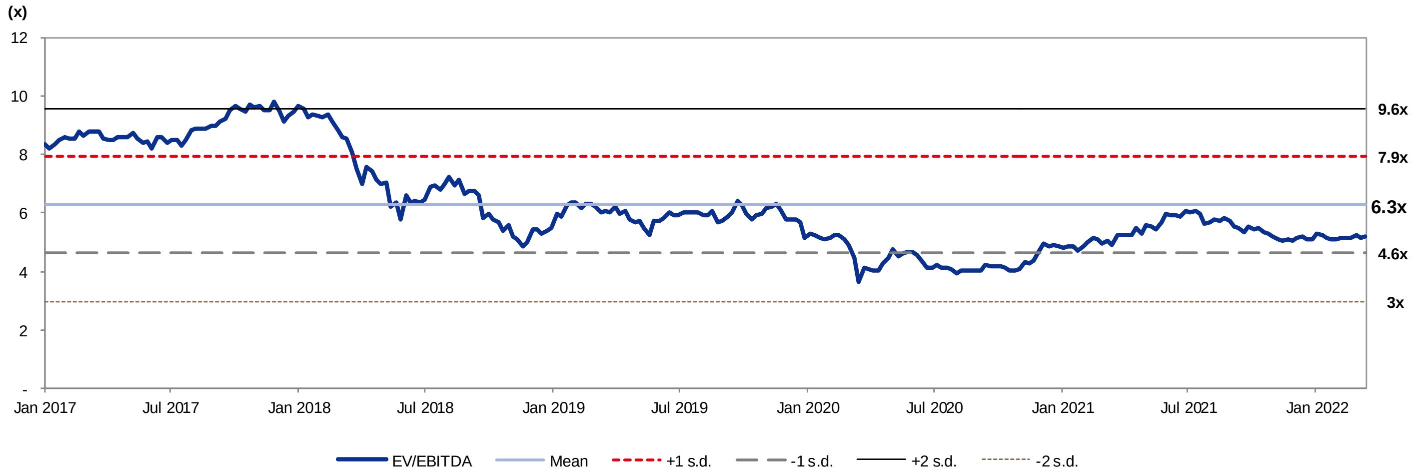
Reiterate Overweight; political risk already priced in given the sector's battered valuations

While we acknowledge that news producers are still prone to political risks, we believe the risks have diminished as lawmakers realise that the digital era has made it impossible to control the narrative on mainstream media. The one-sided reporting is gone, based on our observation, with legacy news producers now providing coverage to Opposition politicians too.

Save for Media Prima, the media stocks under our coverage were traded at 33.4-46.1% below their five-year P/BV mean (as at 18 Mar 2022). Astro was traded 16.9% below its five-year EV/EBITDA average (as at 18 Mar 2022). And as mentioned earlier, the news-centric media organisations were traded below their respective net cash/share as at the last day of their latest reported financial quarters.

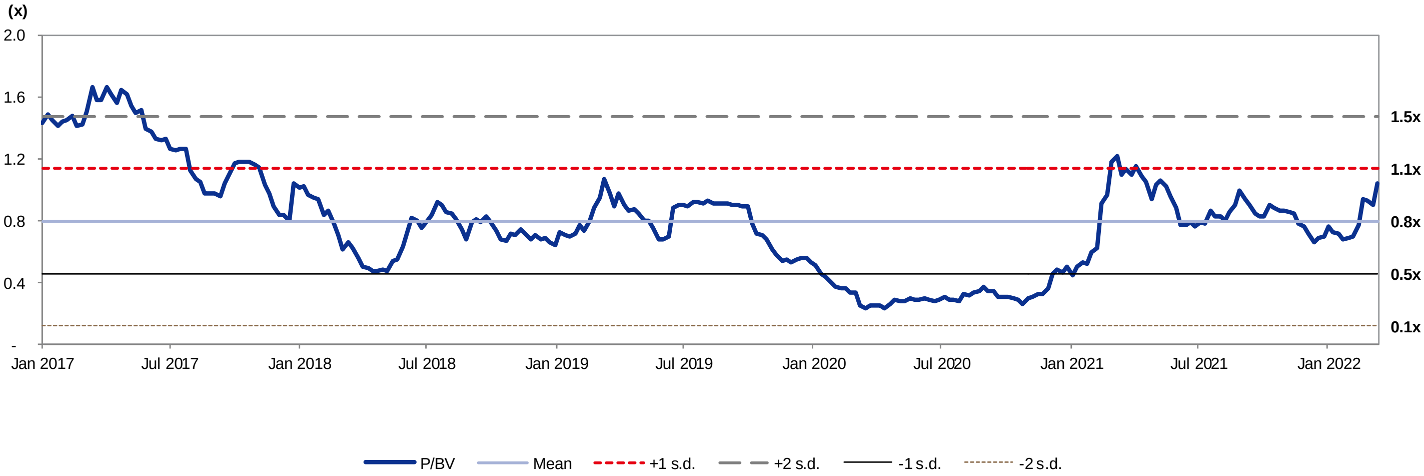
From both the fundamentals and ESG standpoint, we argue that the sector is severely undervalued.

Figure 40: Astro's historical EV/EBITDA valuation



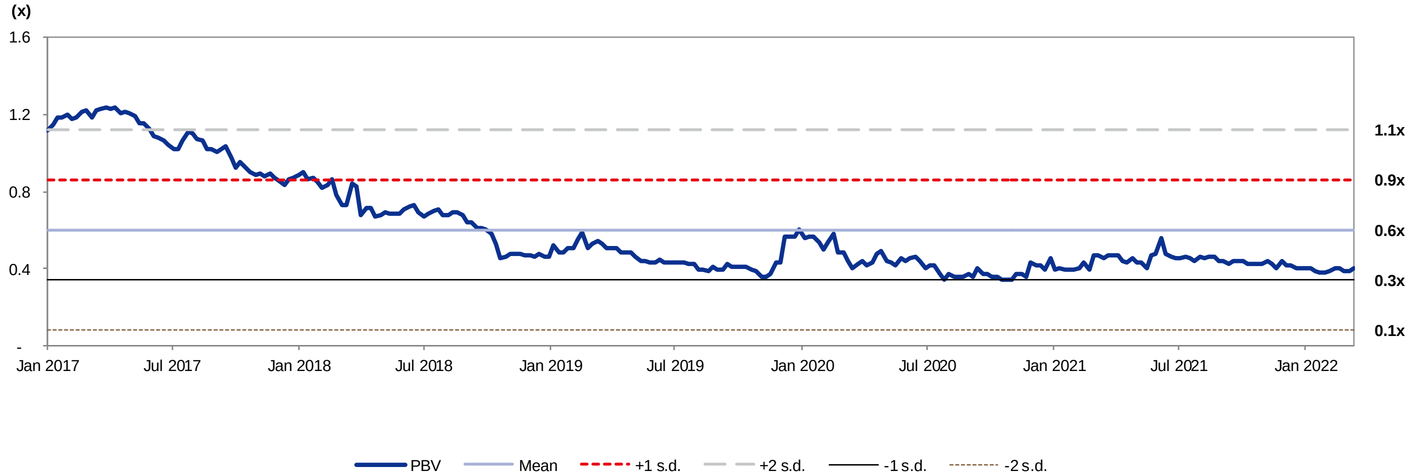
AS AT 18 MAR 2022
SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

Figure 41: Media Prima's 5-year historical P/BV. The stock was traded at 1x forward P/BV. We contend the stock is undervalued for a company that is poised for more earnings growth



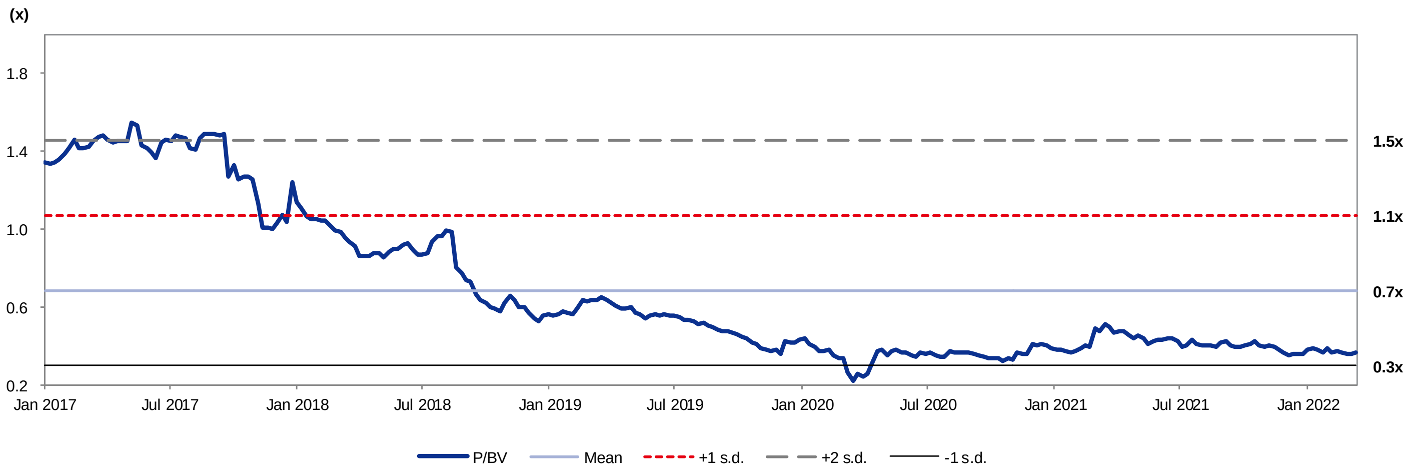
AS AT 18 MAR 2022
SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

Figure 42: MCIL's five-year historical P/BV. It was traded 33.4% below its five-year average of 0.6x



AS AT 18 MAR 2022
SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

Figure 43: Star's five-year historical P/BV. The stock was traded 46.1% below its five-year average P/BV. At the latest valuation, we are of the view that the stock's ESG risks have been priced in



AS AT 18 MAR 2022
SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

Figure 44: Sector comparisons

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
CGS-CIMB Research's Malaysia media sector coverage						CY22F	CY23F		CY22F	CY23F	CY22F	CY23F	CY22F	CY23F	CY22F	CY23F
Media Chinese Int'l	MCIL MK	Add	0.165	0.21	66	373.8	158.8	47.3%	0.40	0.40	0.4%	0.9%	1.1	2.1	1.4%	1.1%
Media Prima Bhd	MPR MK	Add	0.63	0.96	167	9.8	9.1	na	1.11	1.06	11.8%	11.9%	2.4	2.2	2.4%	4.4%
Star Media Group Bhd	STAR MK	Add	0.32	0.42	55	na	na	na	0.37	0.38	-4.7%	-0.6%	na	-17.6	0.0%	6.3%
Weighted Average						**91.7**	**41.9**	**10.9%**	**0.8**	**0.8**	**6.0%**	**6.9%**	**1.6**	**-1.6**	**1.7%**	**4.0%**
Simple Average						**na**	**na**	**na**	**0.6**	**0.6**	**2.5%**	**4.0%**	**1.8**	**-4.5**	**1.3%**	**3.9%**
Global pay-TV and streaming industry																
Company	**Bloomberg Ticker**	**Recom.**	**Share price (local curr)**	**Target Price (local curr)**	**Market Cap (US$ m)**	**Core P/E (x) CY22F**	**CY23F**	**3-year EPS CAGR (%)**	**P/BV (x) CY22F**	**CY23F**	**Recurring ROE (%) CY22F**	**CY23F**	**EV/EBITDA (x) CY22F**	**CY23F**	**Dividend Yield (%) CY22F**	**CY23F**
Astro Malaysia	ASTRO MK	Add	1.040	1.45	1,293	11.6	11.0	-3.1%	4.81	4.43	43.4%	42.1%	5.6	5.5	7.0%	7.3%
Charter	CHTR US	NR	577.32	NA	124,767	22.4	20.1	22.0%	8.42	9.29	30.6%	34.2%	10.1	9.6	NA	NA
CJ ENM	035760 KS	Add	130,300	180,000	2,366	13.0	12.2	60.1%	0.78	0.76	6.2%	6.3%	4.1	3.8	6.4%	4.1%
Comcast	CMCSA US	NR	46.91	NA	212,654	13.3	12.3	19.3%	2.09	1.99	16.3%	17.7%	8.4	8.0	2.1%	2.3%
DISH Network	DISH US	NR	31.65	NA	16,743	9.8	12.9	-14.3%	1.75	1.68	10.7%	8.2%	10.8	11.6	NA	NA
KT Skylife	053210 KS	NR	8,610	NA	340	6.2	5.8	5.5%	0.50	0.47	8.3%	8.7%	2.0	2.1	4.1%	4.5%
Shaw Communication	SJR US	NR	30.69	NA	15,274	24.7	23.9	0.8%	1.90	1.89	12.8%	13.2%	9.8	9.7	NA	NA
SKY Network Television	SKT NZ	NR	2.71	NA	327	10.4	9.0	7.4%	0.99	0.96	NA	NA	3.1	3.0	NA	4.9%
SKY Perfect	9412 JT	NR	427.00	NA	1,066	9.1	8.8	2.6%	0.50	0.48	5.8%	6.0%	3.3	3.2	4.2%	4.2%
Starhub	STH SP	Hold	1.27	1.40	1,618	14.9	27.6	-8.7%	3.75	3.79	26.4%	13.6%	5.9	7.9	5.1%	3.9%
Discovery Inc	DISCA US	NR	26.26	NA	17,479	8.9	8.4	17.8%	4.64	5.23	14.6%	15.6%	7.6	7.2	NA	NA
Fox Corp	FOXA US	NR	40.87	NA	22,218	12.2	11.8	0.4%	3.28	3.08	15.9%	16.4%	8.2	8.0	0.7%	0.7%
Netflix Inc	NFLX US	NR	380.60	NA	168,972	30.8	24.4	24.3%	8.46	6.73	34.7%	43.8%	24.8	19.8	NA	NA
Paramount Global	PARA US	NR	37.09	NA	24,144	13.0	15.7	-16.0%	1.14	1.04	8.1%	6.7%	9.8	10.8	4.8%	2.5%
Walt Disney Co	DIS US	NR	140.30	NA	255,435	31.5	25.1	21.9%	2.58	2.39	7.8%	9.8%	18.7	16.0	NA	0.7%
Weighted average						**23.4**	**19.8**	**19.0%**	**4.4**	**4.1**	**19.0%**	**22.2%**	**14.9**	**13.0**	**0.7%**	**0.9%**
Simple average						**15.5**	**15.3**	**9.3%**	**3.0**	**2.9**	**17.2%**	**17.3%**	**8.8**	**8.4**	**4.3%**	**3.5%**

NOTE: FORECASTS FOR NON-RATED (NR) COMPANIES ARE BASED ON BLOOMBERG CONSENSUS ESTIMATES
AS AT 18 MAR 2022
SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

Downside risks

TV ad sales contracting again

We expect the lifting of the lockdown and border reopening to galvanise ad sales in CY22F, but we caution that the media sector's top- and bottomline can be indirectly affected by the high inflation if consumer demand wanes and subsequently cause advertisers to trim their budgets.

Fortunately, we foresee the free-to-air (FTA) TV segment to continue its growth momentum. Media Prima Television Networks (MPTN), the FTA arm of Media Prima, saw its Jan 2022 ad sales rise 13.2% yoy (source: Nielsen Malaysia). In our view, the economic reopening and the fourth round of Employee Provident Fund (EPF) savings' withdrawal could spur advertisers to spend more yoy in FY22F.

The streaming phenomenon could alter local viewers' predilection to international content

There is a fear in the back of our minds that the Malaysian audience could one day grow apathetic with the sanitised and self-censored local entertainment content. Global media giants that have entered Malaysia to provide streaming services are opening their content to the Malaysian mass audience. There is a risk that viewers who have developed a taste for international content would cut down or forego altogether the time they spend on local programming.

ESG in a nutshell

Media organisations can effect social good. Yet, if its corporate governance is poorly handled, it could become a social liability. In Malaysia, media shareholders tend to have strong relationships with political figures, which could spawn conflicts of interests in editorial matters. Archaic media and free-speech laws meanwhile can be used to muzzle journalists. However, since the historic 2018 General Election, the restrictions placed upon the Malaysian media landscape have loosened despite the revolving door of governments in the intervening years. The 15th General Election (GE15), which must be called by Jul 2023, could catalyse the sector. Hopes are high that the election's outcome could bring about the overdue reforms in free speech and media restrictions.

Keep your eye on	Implications
GE15, which must be called on or before Jul 2023.	Depending on the election's outcome, an upset victory may or may not result in the necessary reforms in media and free-speech laws that have compromised the mainstream media's journalistic integrity.

ESG highlights	Implications
Malaysia was placed at number 119 out of 179 countries in the World Press Freedom Index 2021.	For a country that has many publicly-listed news producers, we believe the ranking does not bode well for these companies' commercial viability and public popularity.

Trends	Implications
However, according to media executives we spoke to, the press has been given more latitude in its reporting compared with the period prior to GE14 in 2018. At least now, the previously pro-government news outlets do provide extensive coverage of opposition politicians, which was not the case back then.	We feel some journalistic independence is better than none. Therefore, whatever ESG risks are there have been priced in to the sector's battered valuations. The legacy news producers are trading at distressed 0.4x CY23F P/BV. Media Prima's 1.0x CY23F P/BV is undervaluing its growth trajectory, in our view. Astro is trading at c.20% less than its five-year EV/EBITDA average.

SOURCES: CGS-CIMB RESEARCH, MEDIA REPORTS

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Hold	21.8%	0.0%
Reduce	7.1%	0.0%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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