



STERLING CAPITAL LIMITED

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NMG bets on digital plan for growth

- Nation Media Group (NMG) is banking on its large online presence and a revamped digital plan to grow sales and recover from effects of the coronavirus pandemic.
- The media company is rolling out a two-pronged approach that includes enhanced presence in the digital space and a revamp of its print business with the recent facelift of the Daily Nation.
- With seven out of every 10 Kenyans having access to the Internet, online marketing and Web listing sites are fast-gaining currency in the country with big media houses like NMG leading the charge.
- NMG now plans to leverage this Internet traffic and its websites to monetise the online audiences into sustainable revenue streams.
- The media house redesigned the Daily Nation edition and revamped content including introduction of new magazines focusing on human interest stories to retain and attract more readers.
- NMG's turnover in the six months to June 2020 dropped 28.8% to KES.3.3Bn, reflecting significant disruptions in the wake of the pandemic.
- The company reported half-year loss of KES.352.7Mn in the period when a string of firms listed on the Nairobi Securities Exchange (NSE) have issued profit warnings.
- NMG has issued a profit warning for the 2020 financial year, citing tough economic environment due to the coronavirus pandemic.

Our View

- **In a rapidly changing media landscape including a drop in print media revenues due to a decline in newspaper circulation, we believe this is a good move by NMG.**
- With suppressed economic environment due to COVID-19 pandemic companies have cut back on advertising and marketing cost, leading to reduced advertising revenues for media houses including NMG.
- The move will enable NMG grow new revenue streams and gradually transition to digital media as traditional media business declines globally.
- Traditional media has been struggling to attract advertisers as it once did due to the emergence of digital media thus the need for shift to digital platforms.
- However, steep competition from other digital channels including social media platforms is likely to put pressure on the group's revenues.
- The declining profits trend is expected to continue due to the negative impact of COVID-19 pandemic and for this reason we do not expect NMG to return to profitability in the near term.