PACIFIC CENTURY CYBERWORK (PCCW) MEDIA GROUP REVENUE COMPARISON BEFORE AND AFTER VIU (STREAMING MEDIA), 2012-2018 PERIOD

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ABSTRACT

In 2019, PCCW Media Group, a subsidiary of PCCW, announced that Viu revenues for the six months ending June 2019 grew 12% to HK$441 million (US$56.2 million) and monthly active users increased from 20 million at end June 2018 to 36 million by end June 2019. This platform offers low prices to reach the entire market. Throughout this research, the significance level will be examined prior and after Viu is present as a product of the PCCW Company. The study was conducted by testing 6 variables, such as current ratio, return on equity, net profit margin, return on assets, debt to equity ratio and asset turnover. By using data obtained from the PCCW financial annual report, the variables were tested for the significance level using the t-test method. The results discovered that the difference is very significant for variable current assets and asset turnover. While other variables show no significance.

Keywords: PCCW, Viu, Revenue, Financial Performance.

INTRODUCTION

A few months ago, the Indonesian government went against Netflix media streaming unceasingly. Telkom as a telecommunication public company also blocks the access of Netflix for Telkomsel and Indihome customers. Some so many people contravene government action by making some petitions. Some of them moreover change their phone’s provider to use Netflix. The others use VPN or proxy apps on their phone to connect with Netflix. Support by the people identifies the euphoria for the presence of streaming media.

In a more worldwide scale, digital industries nowadays compete to work on for Video on Demand (VoD)/streaming media service. For example HOOQ, HOOQ is a Singaporean video-on-demand streaming service which is a joint venture of Sony Picture, Warner Bros., and Singtel. In Malaysia, Iflix was launched by Catcha Group, an international internet group, focused on emerging markets. This site acts as a distribution platform for Western, Asian and Middle Eastern TV shows and they have various movies that have been acquired through multiple partnerships with over 100 studios and content distributors. Some of them include Disney, Paramount Pictures, CBS, Sony Pictures, BBC, Metro-Goldwyn-Mayer, Discovery and Warner Bros. While in Hong Kong, Viu is a video streaming media that delivers content in different genres from Asia’s top content providers with local language subtitle. Viu is provided by PCCW, the majority owner of telecommunications company HKT Limited.

PCCW Limited (Pacific Century CyberWorks) is a Hongkong based Information and Communications Technology (ICT) company, known for having majority shares of HKT Limited. On 26 October 2015, PCCW Media, a subsidiary of PCCW, launched the Viu streaming media in Hongkong. Viu has over 40 million users in 16 markets including countries in Southeast Asia and the Middle East, as well as South Africa. The Viu service is available to consumers through a dual model with an ad-supported free tier and a premium subscription tier. Viu revenues for the six months ending June 2019 grew 12% to HK$441 million (US$56.2 million), up from HK$394 million (US$50.2 million) for the corresponding period a year earlier. Monthly active users increased from 20 million at the end of June 2018 to 36 million by the end of June 2019. (Scott, 2019).

The ownership of the streaming media by various telecommunication companies has become intriguing enough, so much so that it became the background for this journal. This journal will specifically study Viu's ownership of streaming media by PCCW to the Company's revenue before and after Viu's existence for 2012 - 2018. PCCW become the object of research study because this company is developing very rapidly in Indonesia. PCCW through Viu, can be a platform that presents dramas and films that are currently loved by today's society. Also, Viu was able to create dramas and stories that were produced by themselves. Viu is also in second place based on App Annie in December 2019 for the categories of Monthly Active Users, In-App Purchase Revenue, Total Times, and Average Time per Users in the Greater South East Asia. (HELLOKPOP, 2020). The study uses a profitable ratio method based on net profit margin; return on assets; and return on equity; solvency ratio method based on debt/equity ratio, liquidity ratio method based on current ratio, and activity ratio based on assets turnover. These methods will be tested with Theories to figure out the significance level of Viu on PCCW revenue in the 2012-2018 period.

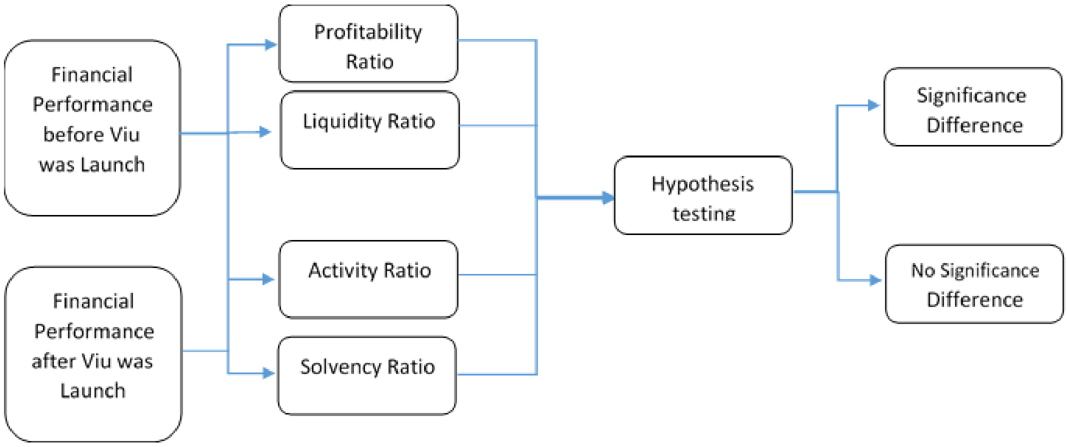
METHODOLOGY

This journal research uses descriptive financial ratio analysis to evaluate and analyze the financial performance of Pacific Century Cyberworks (PCCW) Media Group starting from throughout 2018. Comparative analysis will be used as the second method. This method will be used to compare the financial performance the company did in 2012-2014, before the launch of the Viu media streaming and in 2016-2018, after the launch of Viu. T-Test will also be applied in this study to test the hypothesis based on the variables that will be referred on the section for variables.

Research Model

To simplify the research for this study, a research model is used as elucidated in the following picture.

Figure 1. Research Model of the Study



Variable of Experiment

a. Profitability ratio

Profitability Ratio is a ratio or comparison to find out a company's capability to get profit from earnings related to sales, assets and equity-based on a certain measurement basis. In this study, the comparisons that will be made are:

- Return on Equity
  Return on Equity is a calculation of ratio that that determines a company's potential to generate net income with its own funds and generate net income available to owners or investors. Return on equity functions as a way to calculate the rate on investment from the shareholders (Brigham & Houston, 2010). ROE is expressed as this formula:

$$ROE\ (\%) = \frac{Net\ income}{Shareholder's\ Equity} \times 100\%$$

- Return on Assets (ROA)
  Return on Assets (ROA) is a profitability ratio to assess the percentage of profits gained by companies related to resources or total assets so the company's efficiency in managing its assets could be observed through the percentage of this ratio. ROA indicates the amount of earning a company has through its investment based on how much financial resources the company use. (Anthony, Hawkins, & Merchant, 2012). ROA is measured by dividing a company's net income by total assets. The formula is written as:

$$ROA\ (\%) = \frac{Net\ Income}{Total\ Assets} \times 100\%$$

- Net Profit Margin
  The net profit margin is a measure of overall profitability. Net profit margin is an amount of profit that compares profits after interest and taxes compared to sales, in other words this ratio shows that the company's net income is from sales (Kasmir, 2008). The formula that used to find the net profit margin written as:

$$Net\ Profit\ Margin\ (\%) = \frac{Net\ Income}{Net\ Sales\ Revenue} \times 100\%$$

b. Liquidity ratio

Liquidity ratios are an important factor in the financial metrics and is used to figure out the capacity of the debtor to pay off its obligated debt without exerting any external capital. One of the liquidity ratios used in this study is current ratio.
Current ratio is the result of current assets divided by current liabilities. It is one of the most important keys for a company to determine its ability to pay its current bills. If their current asset has a lower value than their comfortable margin, they may not be able to pay their bills (Anthony, Hawkins, & Merchant, 2012). The result of current ratio is stated as ratio and the formula of current ratio is:

$$Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities}$$

c. Activity ratio

The efficiency of a company in leveraging its asset to produce revenues and income are shown in the activity ratio, which is a kind of financial matric. Asset turnover is one parameter of activity ratio.

A company's sales or revenue that is comparative with its assets can be measured through asset turnover ratio. This ratio can be utilized as a pointer of the company's competency to generate revenue by using its assets. Below is the formula of asset turnover, the result is stated as times:

$$Asset\ turnover\ (times) = \frac{Sales\ Revenue}{Total\ Asset}$$

d. Solvency ratio

A company's potential to meet its debt obligation can be measure by using the solvency ratio, which is often used by business investors. This ratio could provide an indication on whether or not the cash flow of a company could meet up to the same value of its short and long-term liabilities. As the value of the solvency ratio gets smaller, the higher the chances for the company to pay its obligated debt. Solvency ratio can be measured by using the debt/equity ratio.
Debt/equity ratio (DER) is the financial used to evaluate debt with company equity. The amount of assets that have been provided by the creditor with the company's owner can be determined by using this ratio. In other words, how much is the value of every dollar of company capital is used as debt collateral (Kasmir, 2008).

$$DER\ (\%) = \frac{Long - term\ Liability}{Shareholders'\ Equity} \times 100\%$$

Result and Analysis

Here is the table of summary of the financial ratios that will be observed in this journal according to the outcome of the paired sample t-test.

Table 1. Result of T-Test

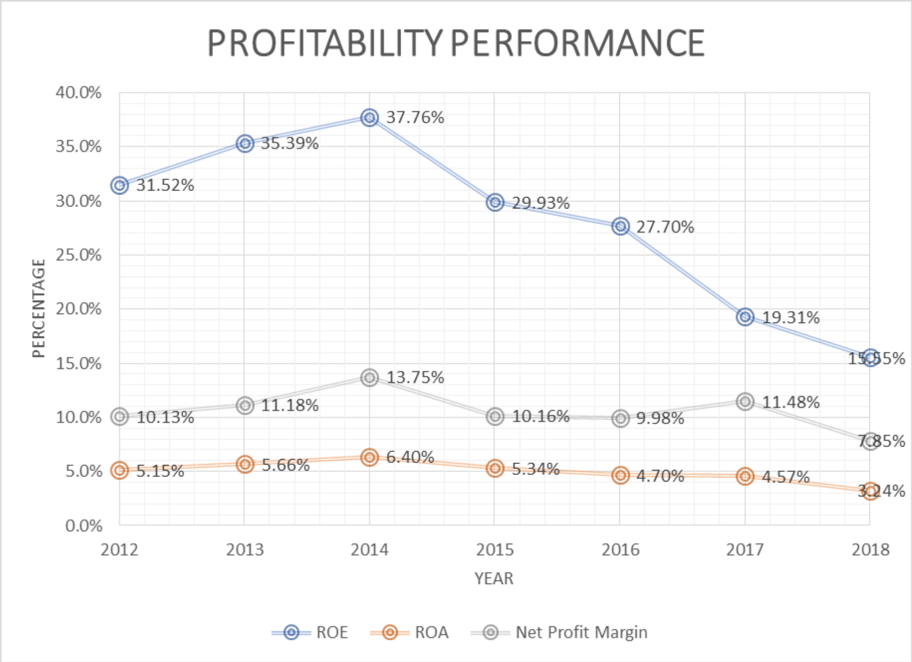
Variables	Period	Means	sigma	Paired sample t-test	Result
ROE	2012-2014	34.89%	< 0.05	0.061	Not Significant
	2016-2018	20.85%			
ROA	2012-2014	5.74%	< 0.05	0.098	Not Significant
	2016-2018	4.17%			
Net Profit Margin	2012-2014	11.69%	< 0.05	2.92	Not Significant
	2016-2018	9.77%			
Current Ratio	2012-2014	1.20	< 0.05	0.038	Significant
	2016-2018	1.49			
Assets Turnover	2012-2014	0.49	< 0.05	0.046	Significant
	2016-2018	0.43			
Debt/Equity Ratio	2012-2014	284.03%	< 0.05	0.395	Not Significant
	2016-2018	263.53%			

Profitability Performance

It is shown in the summary table that the value of return on equity and the return on assets we both declining by 14.04% and 1.57% throughout the years of 2012-2018. Before Viu exist in 2012 – 2014, the growth of return on equity between 37.76% until 15.55%. This reflected in the hypotheses for return on equity where the t-test showed p-valued > 0.05, this indicates the insignificant difference in return of equity both prior and after Viu was launched. Beside ROE, both ROA and net profit margin show insignificant results. The result of the paired sample t-test for ROA is higher than 0.05 which is 0.098. While the paired sample t-test for net profit margin is higher than 0.05 (2.92 < 0.05). Figure xx below show the profitability trend for PCCW in 2012 – 2018.

The margin ratios give intuition, from several different sides, on a company's ability to change sales into a profit. Return ratios propose several different conditions to test how well a company generates a return for its shareholders. Both profitability ratio variable in PCCW case shows the instability value. The ROE is higher than ROA, it could be assumed that the company takes on a budgetary influence so it would boost the ROE over the ROA. When the debt increases, the equity decreases, and since the ROE's denominator is the equity, in turn, ROE improves. At the same time, when a company takes on debt — the denominator of ROA — rises. So, debt strengthens ROE in relation to ROA.

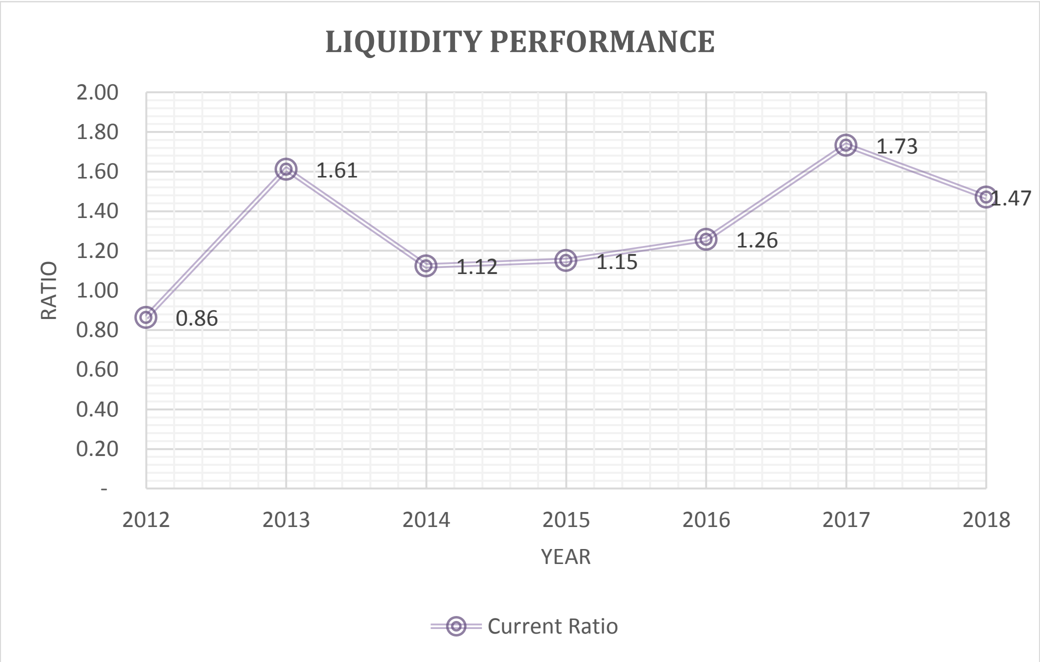
Figure 2. Profitability Performance Chart



Liquidity Performance

In the variable part, the explanation about liquidity performance has already been talked about. Current ratio used to see the liquidity performance. Error! Reference source not found. shows the graph of current ratio for the 2012-2018 period.

Figure 3. Liquidity Performance Chart



From the graph above, it shows that the range of the ratio is at 0.83 – 1.73. This trend fluctuates. A ratio under 1 (Current ratio < 1) shows that the PCCW's debts due in a year are greater than its assets. Need further investigation on a declining trend. Perhaps they are taking on too much debt, or their cash balance is being drained.

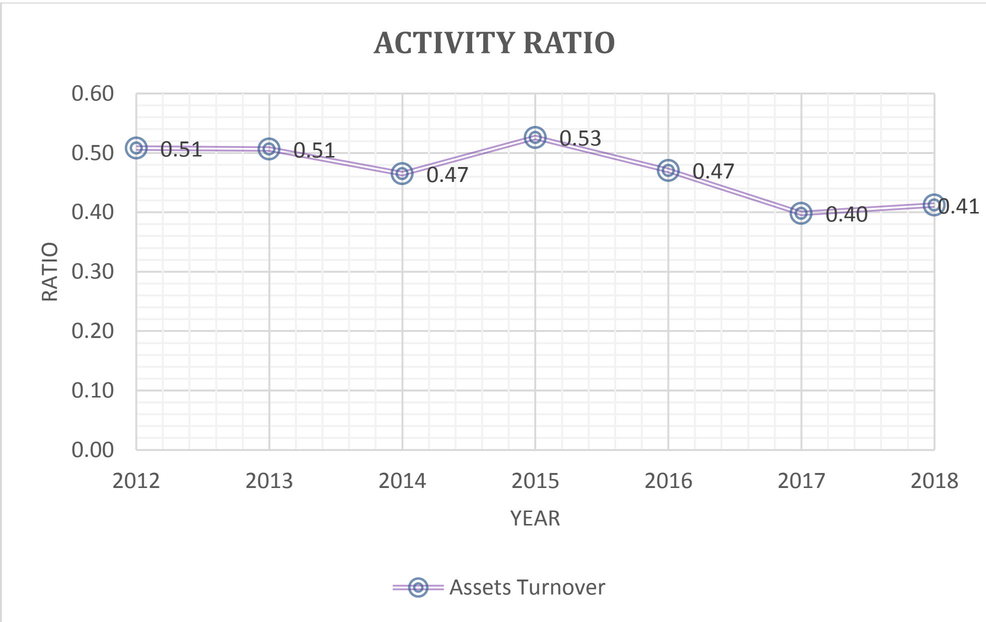
The graph provides a way to analyze the level of significance before and after PCCW launches Viu media streaming. The results of testing using the t-test method showed that this variable had significant differences before and after PCCW launched Viu. This can be known by the paired t-test value of 0.038 <0.05, based on **Table 1.**

Activity Performance

The total asset turnover ratio throughout the years has been pretty much stable in the year 2012 towards 2015, with the first two years having the same value. Although the value dropped from 2013 to 2014 by 0.04 points, an increase in value 0.06 points in the year 2015. From 2015 onward, the value has been dropping gradually, decreasing from 0.53 to 0.47 in the year 2015-2016 and yet another drop in value from the year 2016 to 2017, the value went from 0.47 to 0.40, which is the biggest drop in value throughout the years.

The speculation testing likewise proposes that there is a critical contrast on the total asset turnover proportion after the launch of Viu with a p-value of < 0.05 (0.046 < 0.05). This shows that the organization is still able to generate revenue through its total assets, although their capacity on doing so continues to diminish throughout the year and yet still able to improve their performance every now and then.

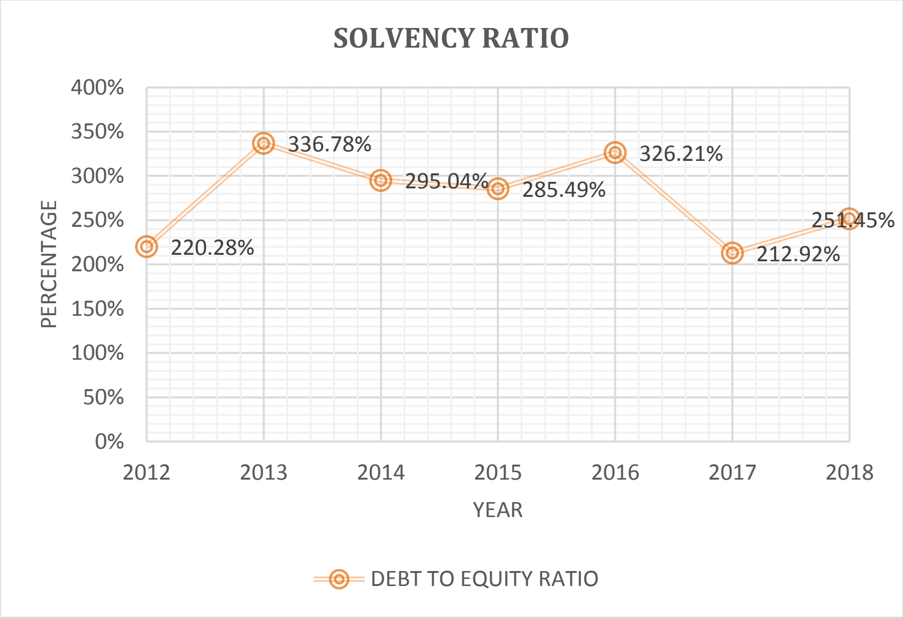
Figure 4. Activity Ratio Chart



Solvency Performance

To find out the solvency performance of PCCW, Debt to Equity Ratio will be used to figure it out. This ratio measures company's debts are comparative to the value of its net assets. **Error! Reference source not found.** shows the debt to equity ratio chart from 2012 – 2018 from the PCCW Company. To read this chart, take data for 2012 as an example. In 2012, the DER of PCCW Company is 220.28% or 2.2028. It means that PCCW had HK$ 2.20 of debts for every dollar of equity.

Figure 5. Solvency Ratio Chart



Data obtained from the DER calculation as the figure above will be used in the t-test method. Analysis of the t-test method resulted in paired sample t-test values below 0.05 i.e., 0.395 (0.395 > 0.05). This shows that the solvency performance variable using DER expresses an insignificant difference between before and after PCCW launches Viu.

CONCLUSION AND SUGGESTION

This research has an end goal of figuring the significant differences on the telecommunication company especially on PCCW's financial performance prior to and after the company launched Viu as its product of media streaming in 2015, By utilizing both financial ratio analysis and paired t-test which has been making use of to test the hypothesis based on 6 variables. The result shows that only current ratio and assets turnover are significantly influenced by the financial performance of PCCW. While the other four variables show insignificant influence of the existence of Viu as a company product in the form of video streaming from the PCCW Company. So, the Video on Demand (VoD) platform does not necessarily provide good revenue for PCCW companies or even other telecommunications companies.

The author suggests that PCCW to make improvements in ROA and ROE. From the t-test analysis conducted, the value of ROA and ROE is almost close to the level of significance. So, if ROA and ROE have reached the limit value that is less than 0.05, then the conclusion that we are expected that the existence of Viu has an effect on PCCW revenue.

In the making of this study, it was realized that there were many mistakes in this writing as there were no other objects for comparison. To improve this study, it is suggested that there is an addition of comparative objects in the form of other streaming video products issued by telecommunications companies such as Iflix, HOOQ, etc.

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