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Friday, August 14, 2015

Media Prima Berhad

“Recovering but Still Down”

Results Review

- Actual vs. expectations.** Media Prima Berhad (MPR) 6M15 net profit of RM62 million (-4% y-o-y) came in below ours and consensus estimates, respectively, accounting 35% of ours and 41% consensus full year net profit forecast. The disappointing earnings performance in 6M15 was caused by lower contributions from the TV and Radio segment as its net profits slipped by 14% y-o-y to RM40 million and 26% y-o-y to RM12 million as advertising expenditure remained sluggish due to the implementation of GST. However, the group’s EBIT increased to RM62 million (19% y-o-y) from RM51 million in the corresponding year thanks to lower operating expenses of RM312 million (2Q14: RM343 million) and hence, widening its margin to 17% (2Q14: 13%; 2Q13: 18%).
- Dividend.** Media Prima declared a first interim dividend of 3.0sen/share for the current quarter, translating into a dividend payout of 53%, similar to 2Q14 payout ratio%.
- Top line vs. Bottom line.** 6M15 revenue dropped to RM695 million (-6% y-o-y) mainly due to lower contribution from the TV segment (-5% y-o-y) and Radio segment (-15% y-o-y) as advertising revenue contracted by 5% y-o-y against 6M14 due to uncertainties post implementation of GST and the sluggish advertising Adspend. MPR’s 6M15 PBT contracted to RM83 million (3% y-o-y) mainly hammered, among others, by losses on associates amounting to RM2.8 million.
- Weak Adex remains.** In view of the absence of key events and seasonality factor as apparent in lethargic 1H15 Adex (-10% y-o-y), most of the media channel’s revenue drop at the back of advertisers conserving their advertising and promotion budget due to the implementation of GST, the depreciation of ringgit

BUY (TP: RM1.80)

Current Price (RM)	RM1.14
New Fair Value (RM)	RM1.80
Previous Fair Value (RM)	RM1.80
Previous Recom	HOLD
Upside to the Fair Value	58%
Dividend Yield (FY15)	8.3%

Stock Code	
Bloomberg	MPR MK

Stock & Market Data

Listing	MAIN MARKET
Sector	Media
Shariah Compliance	No
Issued Shares	1,109.2mn
Market Cap	1,419.8mn
YTD Chg In Share Price	-27.3%
Beta (x)	1.06
52-week Hi/Lo (RM)	2.55 2.55
6M Average Volume (shares)	0.565mn
Estimated Free Float	62%

Major Shareholders

EPF	15.67%
Amanah Raya Bhd	11.09%
Altima Inc	7.96%

against the greenback and maybe the changes in advertisement rates. Nonetheless, we reiterate our view that the consumer sentiment may get lifted by the Year of Festival Malaysia 2015, however, our concern could be weighed by i) the rising of cost living, ii) backlash on spending due to GST, iii) the subsidy rationalization and iv) uncertainties that would affect the impact and direction of the media sector.

- **Leadership transfer.** In an unexpected move, MPR longest chairman's Tan Sri Johan Jaaffar announced his resignation effective at the end of this month. The news came as a surprise given that he managed to steward MPR in competitive fought media industry. His position will be succeeded by the current deputy chairman Datuk Seri Fateh Iskandar Mohamed Mansor. Of note, Datuk Seri Fateh has served MPR since 2009 and we expect he will continue the legacy of Tan Sri Johan Jaaffar as a leading media company in Malaysia.
- **Change to forecast.** Following the declining revenue for most segments, such as print due to shifting trends towards digital media and radio due to the competitive conditions in the radio industry, coupled with the weak Adex and the post implementation of GST as advertiser are still ambiguous on how it implies, we have cut our earnings by 10% for FY15 and FY16. With this, however, we expect FY16 and FY17 earnings to grow by 2% and 13% respectively as there will be no further retrenchment while earnings will be saved by the Year of Festival in Malaysia coupled with the upcoming of the Olympic Games in Brazil and UEFA Euro 2016 in France for FY16, in addition to better-than-expected earnings contribution from the digital and outdoor media segment.
- **Valuation and recommendation.** Hence, we reiterate our target price for Media Prima RM1.80 based on average 5-years P/E multiple of 12x against EPS FY16 of 15sen and the stock is a **BUY** supported by i) the upcoming Olympic Games in Brazil ii) the UEFA Euro in France and the iii) higher revision of dividend policy range, of 25-75% to a smaller range of 60-80% and dividend yield of 8% in FY16.

Table 1: Peers Comparison

Company	Year Ended	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	Div Yield (%)	Target Price	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
Media Prima	Dec	1.14	14	15	8	8	1.0	1.0	4.12	9.7	1.80	Buy
Astro	Jan	2.99	13	15	24	20	22.5	25.3	85.8	3.1	3.24	Hold
MCIL	Mar	0.51	7	7	6	6	2.2	2.0	14.7	6.8	0.63	Hold
Star	Dec	2.40	20	21	12	12	1.6	1.4	11.0	3.8	2.47	Hold
Average			12	13	13	11	6.8	7.4				

Source: Bloomberg, M&A Securities

Table 2: Earnings Forecast

YE: Dec (RM million)	FY12	FY13	FY14	FY15F	FY16F
Revenue	1,698	1,723	1,507	1,653	1,865
EBIT	279	307	131	227	257
PBT	283	290	101	209	237
Net profit	211	216	76	155	176
EPS (sen)	19	20	7	14	15
Pre-tax margin	17%	17%	7%	18%	18%
Net profit margin	12%	13%	5%	13%	13%
PER (x)	12	14	13	12	10
P/BV (x)	1.6	1.8	1.7	1.3	1.3
DPS (sen)	11	14	11	14	14
Div Yield	6.5%	3.9%	6.1%	7.7%	7.7%

Source: Company, M&A Securities

Table 3: Results Highlight

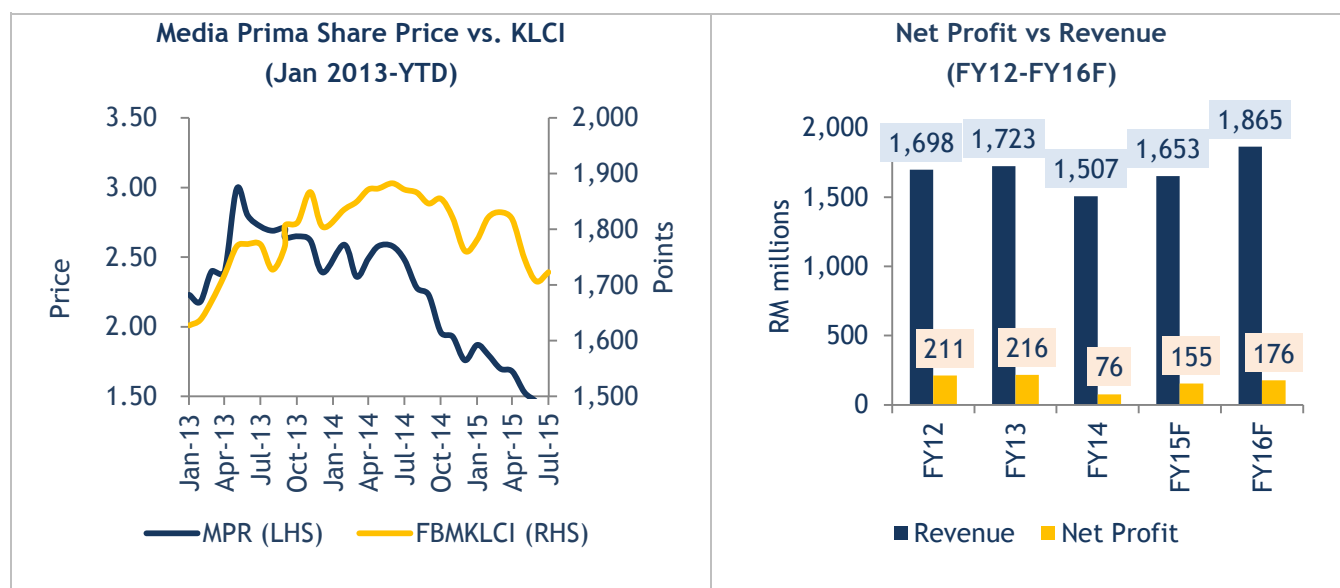
YE: Dec (RM million)	2Q15	2Q14	1Q15	QoQ	YoY	6M15	6M14	YoY
Revenue	366	389	329	11%	-6%	695	743	-6%
EBIT	62	51	33	85%	19%	95	91	4%
PBT	57	49	26	122%	17%	83	85	-3%
Taxation	-15	-12	-6	133%	21%	-21	-21	1%
Net Profit	44	36	19	127%	23%	62	64	-4%
EPS (sen)	4	3	2	133%	22%	6	6	-1%
EBIT margin	17%	13%	10%			14%	12%	
PBT margin	16%	13%	8%			12%	11%	
Net profit margin	12%	9%	6%			9%	9%	
Effective tax rate	-26%	-25%	-25%			-26%	-25%	

Source: Company, M&A Securities

Table 4: Segmental Analysis

	Television (RM'mil)			Radio (RM'mil)			Outdoor Media (RM'mil)			Print Media (RM'mil)		
	6M15	6M14	y-o-y	6M15	6M14	y-o-y	6M15	6M14	y-o-y	6M15	6M14	y-o-y
Revenue	294	309	-5%	30	35	-15%	72	70	2%	278	302	-8%
PAT	40	46	-14%	12	16	-26%	13	14	-1%	15	17	-8%

Source: Company, M&A Securities



Source: Company, M&A Securities

M&A Securities

STOCK RECOMMENDATIONS

BUY	Share price is expected to be $\geq +10\%$ over the next 12 months.
TRADING BUY	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
HOLD	Share price is expected to be between -10% and $+10\%$ over the next 12 months.
SELL	Share price is expected to be $\geq -10\%$ over the next 12 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT	The sector is expected to outperform the FBM KLCI over the next 12 months.
NEUTRAL	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform the FBM KLCI over the next 12 months.

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