

Friday, May 15, 2015

Media Prima Berhad

“Uncertainty of GST Implementation”

Results Review

- Actual vs. expectations.** Media Prima Berhad (MPR) 1Q15 net profit of RM19 million (-30% y-o-y) came in below ours and consensus estimates respectively, accounting 11% of ours and consensus full year net profit forecast. The very disappointing earnings performance in 1Q15 was pulled down by lower contribution from the TV segment as its net profit slipped by 56% y-o-y to RM10 million. The group's EBIT dropped to RM33 million (-16% y-o-y) from RM40 million in the corresponding year hence narrowing its margin to 10% (1Q14: 11%; 1Q13: 12%).
- Dividend.** No dividend was declared during the period.
- Top line vs. Bottom line.** 1Q15 revenue dropped to RM329 million (-6% y-o-y, -14% q-o-q) mainly due to lower contribution from the TV segment (-8% y-o-y) and Print segment (-6% y-o-y) as advertising revenue contracted by 7% y-o-y against 1Q14 due to uncertainties ahead of GST implementation. Newspaper sales revenue plunged to RM132 million as the Group has raised their cover price for NSTP starting 1st January. Moving forward, we expect print adex to be slow as readers are shifting towards digital content but the trend has nonetheless started as evident in circulation revenue that slid by 11% y-o-y from 1Q14. MPR's 1Q15 PBT contracted to RM26 million (-29% y-o-y) mainly hammered, among others, by the loss on associates amounting to RM2.1 million.
- Weak Adex remains.** As we estimate muted adex growth in 2015 in view of the lack of key events and seasonality factor as apparent in lethargic 1Q15 Adex where most media channel's revenue drop at the back of advertisers conserving

HOLD (TP: RM1.80)

Current Price (RM)	RM1.67
New Fair Value (RM)	RM1.80
Previous Fair Value (RM)	RM1.83
Previous Recom	HOLD
Upside to the Fair Value	8%
Dividend Yield (FY15)	7.7%

Stock Code

Bloomberg	MPR MK
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Stock & Market Data

Listing	MAIN MARKET
Sector	Media
Shariah Compliance	No
Issued Shares	1,109.2mn
Market Cap	1,852.4mn
YTD Chg In Share Price	-5.11%
Beta (x)	1.11
52-week Hi/Lo (RM)	2.64 1.161
6M Average Volume (shares)	0.871mn
Estimated Free Float	53%

Major Shareholders

EPF	15.67%
Amanah Raya Bhd	11.09%
GabunganKesturi	11.09%

their advertising and promotion budget due to GST uncertainties and maybe the changes in advertisement rates. Nonetheless, we estimate that the consumer sentiment may positively lift 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.

- **Change to forecast.** We have done some housekeeping exercise and came out with new FY15 and FY16 earnings forecast of RM174 million and RM197 million respectively. Given this, FY16 and FY17 earnings are expected to grow by 18% and 13% respectively as there will be no further retrenchment while earnings will be saved by the Year of Festival in Malaysia and better-than-expected earnings contribution from the digital segment.
- **Valuation and recommendation.** We derive a new target price on Media Prima at RM1.80 based on PER FY15 pegged at 12x and the stock is a **HOLD** supported by i) Year of Festival Malaysia in FY15 and ii) higher revision of dividend policy range, of 25-75% to a smaller range of 60-80% and dividend yield of 7.7% in FY15.

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	1.67	20	22	12	11	1.6	1.6	13.2	8.3	1.80	Hold
Astro	Jan	3.14	11	14	31	24	28.2	25.3	81.2	2.2	3.39	Hold
MCIL	Mar	0.83	9	9	10	9	2.2	2.0	22.7	5.0	0.72	Hold
Star	Dec	2.45	19	21	14	13	1.8	1.4	12.0	4.5	2.53	Hold
Average			13	15	17	15	8.4	7.6				

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	1,681	1,897
EBIT	279	307	131	252	285
PBT	283	290	101	234	264
Net profit	211	216	76	174	197
EPS (sen)	19	20	7	15	16
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

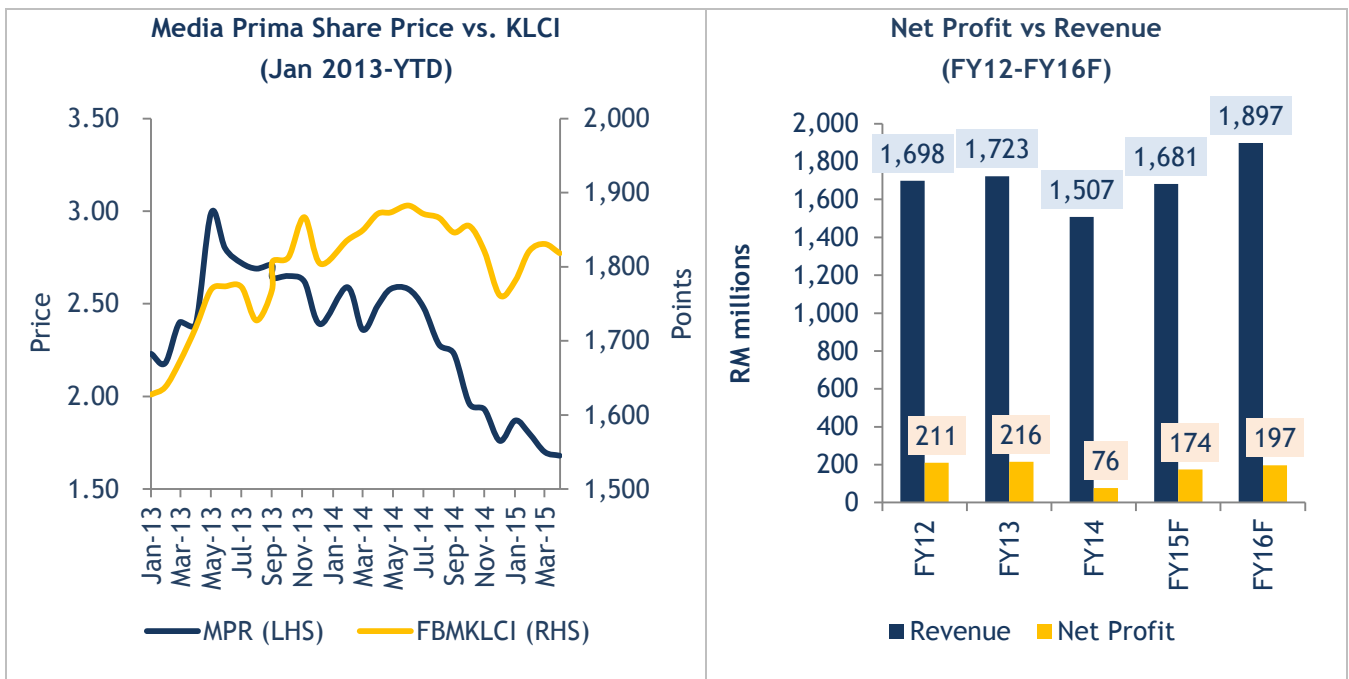
YE: Dec (RM million)	1Q15	1Q14	4Q14	QoQ	YoY	3M15	3M14	YoY
Revenue	329	351	385	-14%	-6%	329	351	-6%
EBIT	33	40	-23	-246%	-16%	33	40	-16%
PBT	26	36	-41	-163%	-29%	26	36	-29%
Taxation	-6	-9	11	-160%	-27%	-6	-9	-27%
Net Profit	19	28	-29	-166%	-30%	19	28	-30%
EPS (sen)	2	2	-3	-164%	-31%	2	2	-31%
EBIT margin	10%	11%	-6%			10%	11%	
PBT margin	8%	10%	-11%			8%	10%	
Net profit margin	6%	8%	-8%			6%	8%	
Effective tax rate	-25%	-24%	-26%			-25%	-24%	

Source: Company, M&A Securities

Table 4: Segmental Analysis

	Television (RM'mil)			Radio (RM'mil)			Outdoor Media (RM'mil)			Print Media (RM'mil)		
	1Q15	1Q14	y-o-y	1Q15	1Q14	y-o-y	1Q15	1Q14	y-o-y	1Q15	1Q14	y-o-y
Revenue	136	149	-8%	13	16	-18%	36	35	4%	132	140	-6%
PAT	10	23	-56%	5	7	-37%	6	6	-2%	2	4	-41%

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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