

03 September 2018 | 2QFY18 Results Review

## Media Prima Berhad

*Preparing its war chest*

### INVESTMENT HIGHLIGHTS

- **2QFY18 normalised loss improved sequentially to -RM18.2m, leading to 1HFY18 normalised loss of -RM39.8m**
- **Expecting quarterly loss to narrow down further in the successive quarters**
- **Building up cash pile via assets monetisation to support the implementation of its 'odyssey' strategy**
- **Revert to NEUTRAL with a revised target price of RM0.42**

**Still in loss-making position.** Media Prima Bhd (MPB) 2QFY18 normalised losses narrowed down to -RM18.2m. This was an improvement from a loss of -RM21.1m in 1QFY18. The improvement in the financial performance was mainly attributable to higher contribution from NSTP, digital media and content creation. In addition, its aggressive cost rationalisation exercise help to keep operating costs at bay.

**Within expectation.** Cumulatively, 1HFY18 normalised loss amounted to -RM39.8m, which came in within our expectation. Note that we are expecting MPB's quarterly loss to narrow down further in the successive quarters.

**Advocating an asset-light strategy.** MPB announced that it is disposing the Bangsar property, Shah Alam property and Shah Alam vacant land to PNB Development Sdn Bhd for a total cash consideration of RM280.0m. This will increase MPB's cash and bank balance to RM513.2m. As part of the condition of the disposal, MPB will lease back both the Bangsar and Shah Alam property from PNB Development for a combined annual rental fee of RM16.6m. MPB will record a one-off gain on disposal of RM127.7m. In addition, the exercise will also lead to annual saving in operating costs amounting to RM10.0m. The sale proceed will be used mainly to pare down its borrowings. Note that as at 2QFY18, MPB's total borrowings stands at RM301.9m.

**Impact to earnings.** We are maintaining our FY18 loss estimate at this juncture. However, we are reducing FY19 loss estimate lower to -RM 17.2m from RM-27.2m previously to take into account the operating costs savings from the group's sales and leaseback activities.

**Revert to NEUTRAL**  
(previously TRADING BUY)  
**Revised Target Price (TP): RM0.42**  
(previously RM0.41)

RETURN STATS	
Price (30 August 2018)	RM0.41
Target Price	RM0.42
Expected Share Price Return	+2.4%
Expected Dividend Yield	0.0%
<b>Expected Total Return</b>	<b>+2.4%</b>


STOCK INFO	
KLCI	1,819.66
Bursa / Bloomberg	4502 / MPR MK
Board / Sector	Main/ Media
Syariah Compliant	No
Issued shares (mil)	1,109.2
Market cap. (RM'm)	454.8
Price over NA	0.9x
52-wk price Range	RM0.25 – RM0.90
Beta (against KLCI)	0.82
3-mth Avg Daily Vol	3.6m
3-mth Avg Daily Value	RM1.7m
Major Shareholders (%)	
Morgan Stanley	12.71
EPF	11.85
Amanah Raya Bhd	11.09
PNB and associated funds	9.45
Altima Inc	7.96

**Table 1: Revenue breakdown by media platform**

Platform	1HFY18 (RM'm)	1HFY17 (RM'm)	Remarks
Television networks	225.3	241.1	Lower adex take up in the Free-to-Air (FTA) television segment
NSTP	157.7	177.7	Lower advertising (-15%yoy) and newspaper (-30%yoy) sales
Out-of-home	85.5	81.6	Higher yield from digital sites
Radio	28.3	30.4	Lower radio adex
Digital media	23.8	0.1	Contribution from digital advertising revenue of Rev Asia
Content creation	6.4	10.3	Weaker content production revenue
Home shopping	96.0	59.7	Greater exposure due to transmission on MyTV as well as higher number of live shows

Source: Company, MIDFR

**Target price.** Subsequent to our earnings adjustments, we derive a revised target price of **RM0.42** (previously RM0.41) based on price-to-book valuation methodology. We are attaching target price-to-book ratio of 0.75x which is the three-year historical rolling average to FY19 net asset of RM0.56 per share.

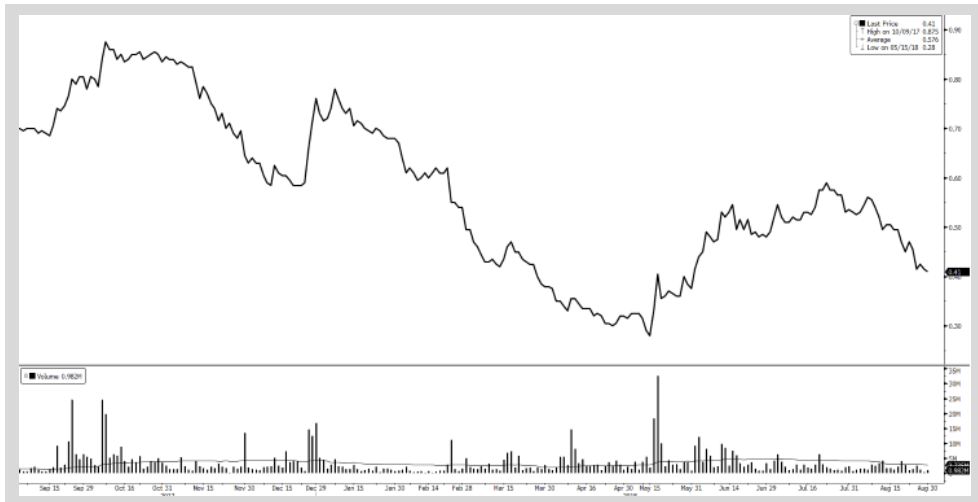
**Downgrade to Neutral.** MPB's traditional core businesses continue to impact the group's overall financial performance which has severely impact its retained earnings position. This has led the company to rethink about its business models in entirety via the execution of its "odyssey strategy". The group is now aiming to grow its revenue in non-advertising, non-TV/print, international and digital segments. Coupled with continuous cost management, notable improvement has been seen in the latest quarterly earnings. The group is also monetising its existing asset in effort to build up sizeable cash pile to support its odyssey strategy. That being said, we do not expect the strategy to reverse its financial loss position in the immediate term. In addition, we also reiterate our stand that there will be no dividend to be announced, at least, until it has returned to profitability. All factors considered, we are reverting our recommendation for MPB to **Neutral** from trading buy previously. 

## INVESTMENT STATISTICS

FYE 31 <sup>st</sup> Dec	FY16	FY17	FY18F	FY19F
Revenue (RM'm)	1,289.0	1,195.7	1,175.6	1,200.2
Reported operating loss (RM'm)	-56.9	-595.1	-63.9	-26.6
Reported Pretax loss (RM'm)	-65.9	-605.5	-69.7	-23.2
Reported Net loss after MI (RM'm)	-59.2	-650.6	-63.6	-17.2
Normalised Net profit / loss after MI (RM'm)	82.2	-157.4	-63.6	-17.2
Normalised EPS / LPS (sen)	7.4	-58.7	-5.7	-1.6
PER(x)	5.5	n.m.	n.m.	n.m.
Net Dividend (sen)	8	0	0	0
Net Dividend Yield (%)	19.5	0.0	0.0	0.0

Source: Company, MIDFR

## DAILY PRICE CHART



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## MEDIA PRIMA BHD: 2QFY18 Results Summary

<i>(All in RM'm unless stated otherwise)</i>	Quarterly			Cumulative		
FYE 31 <sup>st</sup> Dec	2Q18	% YoY	% QoQ	2018	2017	%
Revenue	342.4	4.1	22.0	623.0	601.0	3.7
EBITDA / LBITDA	55.7	-152.3	n.m.	56.0	-117.2	-147.8
Depreciation and amortisation	-18.7	-28.6	-1.1	-37.6	-52.3	-28.1
EBIT / LBIT	37.0	-127.9	-299.3	18.4	-169.5	-110.9
Finance costs	-6.1	90.8	4.0	-12.0	-6.5	83.6
Finance income	1.3	-49.6	-30.1	3.2	5.3	-39.6
Associates income	0.0	n.m.	n.m.	0.0	-4.3	n.m.
PBT LBT	32.2	-123.8	-242.9	9.7	-175.0	-105.5
Taxation	-0.5	-81.1	15.9	-1.0	-4.8	-79.5
PAT / LAT	31.7	-122.9	-237.8	8.7	-179.7	-104.8
MI	0.3	-95.4	-78.6	1.4	8.4	-83.0
PATAMI LATAMI	32.0	-124.0	-246.4	10.1	-171.4	-105.9
Normalised PATAMI / LATAMI	-18.2	-304.1	-13.6	-39.8	-29.8	33.8
Normalised LPS (sen)	-1.6	-304.1	-13.6	-3.6	-2.7	33.8
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	16.3	48.6	16.1	9.0	n.m.	n.m.
Effective tax rate (%)	1.6	3.7	3.6	10.1	-2.7	12.9

Source: Company, MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.