

22 November 2018 | 3QFY18 Results Review

## Media Prima Berhad

### *Earnings recovery slower than anticipated*

#### INVESTMENT HIGHLIGHTS

- **3QFY18 normalised loss narrowed to –RM32.5m (3QFY17: –RM50.3m) resulting mainly from cost improvement initiatives**
- **Nonetheless, recovery in 9MFY18 earnings is much slower than expected, dragged by the traditional media**
- **This could prompt the group to be more aggressive in driving down operating costs**
- **Downgrade to SELL with a revised target price of RM0.35 based on price-to-book valuation methodology**

**Remains in the red.** Media Prima Bhd (MPB) 3QFY18 normalised losses narrowed down to –RM32.5m. This was an improvement from a loss of –RM50.3m attained in 3QFY17. The improvement in the financial performance was mainly attributable to lower depreciation and amortisation charges (+28.7%yoy) and the group’s operating cost improvement initiatives.

**Disappointing 9MFY18 financial performance.** Cumulatively, 9MFY18 normalised loss amounted to –RM72.7m which is a slight improvement to 9MFY17 normalised loss of –RM76.7m. The underperformance still stem from the group’s traditional media platform (*refer to Table 1*). All in, we opine that the improvement in the 9MFY18 financial performance is much slower than anticipated, in comparison with our previous FY18 loss estimates of –RM63.6m.

**Resilient cash and bank balance.** The group’s cash and bank balance stands at RM257.8m, a marginal decrease of –1.7%yoy. Note that the group is also monetising its existing asset in effort to build up sizeable cash pile to support its odyssey strategy. In view of this, we reiterate our view that the group will not distribute any dividend in the foreseeable term.

**Impact to earnings.** We are maintaining FY18 and FY19 revenue at this juncture. However, we are reducing FY18 and FY19 loss further to –RM104.0m and –RM57.7m respectively as we input higher operating costs in-line with the group’s financial performance thus far.

**Target price.** Subsequent to our earnings adjustment, we derive a revised target price of **RM0.35** (previously RM0.42) 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 revised FY19 net asset of 47sen.

**Downgrade to SELL**  
(previously NEUTRAL)  
**Revised Target Price (TP): RM0.35**  
(previously RM0.42)

RETURN STATS	
Price (21 <sup>st</sup> November 2018)	RM0.41
Target Price	RM0.35
Expected Share Price Return	-14.6%
Expected Dividend Yield	0.0%
<b>Expected Total Return</b>	<b>-14.6%</b>

STOCK INFO	
KLCI	1,695.37
Bursa / Bloomberg	4502 / MPR MK
Board / Sector	Main/ Media
Syariah Compliant	No
Issued shares (mil)	1,109.2
Market cap. (RM'm)	460.3
Price over NA	0.9x
52-wk price Range	RM0.25 – RM0.81
Beta (against KLCI)	0.83
3-mth Avg Daily Vol	1.1m
3-mth Avg Daily Value	RM0.5m
Major Shareholders (%)	
Morgan Stanley	12.73
EPF	11.94
Amanah Raya Bhd	11.09
PNB and associated funds	10.06
Altima Inc	7.96

MIDF RESEARCH is a unit of MIDF AMANAH INVESTMENT BANK


Kindly refer to the last page of this publication for important disclosures

**Table 1: Reported earnings breakdown by media platform**

Platform	9MFY18 (RM'm)	9MFY17 (RM'm)	Remarks
Television networks	-62.0	-55.2	Lower adex take up in the Free-to-Air (FTA) television segment
Publishing	17.6	-209.1	Lower advertising (-21%yoy) and newspaper (-27%yoy) sales but partially offset by higher digital sales. Note that 9MFY17 loss includes impact on impairment of associate and early retirement scheme.
Out-of-home	10.6	6.4	Higher yield from digital sites
Radio	10.6	14.3	Lower advertising take up by advertisers
Digital media	8.0	1.5	Contribution from digital advertising revenue of Rev Asia
Content creation	11.9	3.4	Lower content production cost
Home shopping	-2.8	-12.0	Greater exposure due to transmission on MyTV and UnifiTV as well as more production of live shows resulting to higher sales

Source: Company, MIDFR

**Target price.** Subsequent to our earnings adjustment, we derive a revised target price of **RM0.35** (previously RM0.42) 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 47sen.

**Downgrade to SELL.** 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. That being said, we view that the earnings advancement in the digital and home shopping segments are still insufficient to accommodate for the fall in earnings contribution from the traditional media segments. In addition, the group's latest quarterly earnings suggest that the cost optimisation initiatives are still insufficient to accommodate for the continuous decline in traditional media. We opine that this could prompt the group to be more aggressive in executing its cost optimisation initiatives. Meanwhile, as the group is focusing its effort in building up sizeable cash pile to support its odyssey strategy, we do not think that there will be any dividend declared in the foreseeable term. All factors considered, we are downgrading our recommendation for MPB to **SELL** from Neutral previously. 

## INVESTMENT STATISTICS

FYE 31 <sup>st</sup> Dec	FY16	FY17	FY18F	FY19F
Revenue (RM'm)	1289.0	1195.7	1175.6	1200.2
Reported operating loss (RM'm)	-56.9	-595.1	-104.3	-67.1
Reported Pretax loss (RM'm)	-65.9	-605.5	-110.1	-63.7
Reported Net loss after MI (RM'm)	-59.2	-650.6	-104.0	-57.7
Normalised Net profit / loss after MI (RM'm)	82.2	-157.4	-104.0	-57.7
Normalised EPS / LPS (sen)	7.4	-58.7	-9.4	-5.2
PER(x)	-41.4	-891.2	-84.0	-44.5
Net Dividend (sen)	5.5	n.m.	-4.4	-7.9
Net Dividend Yield (%)	8	0	0	0

Source: Company, MIDFR

## DAILY PRICE CHART



Martin Foo Chuan Loong  
 martin.foo@midf.com.my  
 +603 2173 8354

## MEDIA PRIMA BHD: 3QFY18 Results Summary

<i>(All in RM'm unless stated otherwise)</i>	Quarterly			Cumulative		
FYE 31 <sup>st</sup> Dec	3QFY18	% YoY	% QoQ	2018	2017	%
Revenue	271.8	-5.8	-20.6	894.8	899.5	-0.5
EBITDA / LBITDA	-8.4	88.5	115.1	47.6	-189.5	125.1
Depreciation and amortisation	-18.9	27.8	1.1	-56.5	-79.2	28.7
EBIT / LBIT	-27.3	72.5	173.8	-8.9	-268.7	96.7
Finance costs	-5.8	56.5	-5.0	-17.8	-10.2	73.8
Finance income	1.7	-7.2	26.8	4.9	7.1	-31.4
Associates income	0.0	-100.0	n.m.	0.0	-4.9	n.m.
PBT / LBT	-31.4	69.1	197.5	-21.7	-276.8	92.1
Taxation	0.6	-117.2	-210.6	-0.4	-8.2	-95.1
PAT / LAT	-30.8	70.7	197.3	-22.1	-284.9	92.2
MI	0.1	-96.6	-44.2	1.6	12.5	-87.5
PATAMI / LATAMI	-30.7	69.6	196.1	-20.6	-272.5	92.4
Normalised PATAMI / LATAMI	-32.5	35.3	78.8	-72.2	-76.7	5.8
Normalised LPS (sen)	-2.9	35.3	78.8	-6.5	-6.9	5.8
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	-3.1	22.2	-19.4	5.3	-21.1	26.4
Effective tax rate (%)	-12.0	5.5	-6.7	-8.1	-8.5	0.5

Source: Company, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

### 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.