

23 February 2018 | 4QFY17 Results Review

Media Prima Berhad

Anticipating prolong period of revenue loss

Maintain SELL

Unchanged Target Price (TP): RM0.52

INVESTMENT HIGHLIGHTS

- **4Q17 normalised loss further impact full year FY17 financial performance**
- **Television network and print media segments normalised loss worsened in FY17**
- **As expected no dividend is declared for FY17**
- **No reprieve foreseen for FY18 as the group is still in gestation period**
- **Maintain SELL with unchanged target price of RM0.52**

Loss widened in 4Q17. Media Prima Bhd (MPB) reported 4Q17 loss of –RM378.2m. After adjusting for exceptional items amounting to RM301.8m, 4QFY17 normalised loss amounted to –RM76.4m (4Q16: –RM1.8m). The bulk of the exceptional items pertained to impairment of property, plant and equipment (RM119.9m) and impairment of intangible assets in relations to publishing rights (RM100.5m). Note that the quarterly performance was negatively impacted by the declining trend of traditional advertising revenue and write down of deferred tax assets.

Traditional businesses remain under threat. Cumulatively, full year FY17 normalised loss amounted to –RM157.4m as compared to FY16 normalised earnings of RM37.2m. The shift to digital media continues to significantly affect the group's traditional media business. In addition, we view that the existing cost structure could no longer match the revenue generated from the various business segments. Due to the loss making position, the group did not declare any dividend for FY17. All in, MPB's FY17 financial results came in severely below ours and consensus earnings estimates.

Impact. No change to our FY18 earnings estimates at this juncture. We view that MPB will continue to record losses in FY18.

Target price. We are maintaining our target price of **RM0.52**. This is based on pegging revised FY18 forecasted book value of RM0.69 against forward PBR of 0.75x which is the three year historical rolling average. To recall, due to the volatility and unpredictability of the group earnings in the near term, we have shifted our valuation methodology to price-to-book ratio (PBR) from price-to-earnings (PER) ratio previously.

RETURN STATS

Price (22 nd February 2018)	RM0.62
Target Price	RM0.52
Expected Share Price Return	-16.1%
Expected Dividend Yield	0.0%
Expected Total Return	-16.1%

STOCK INFO

KLCI	1,855.07
Bursa / Bloomberg	4502 / MPR MK
Board / Sector	Main/ Media
Syariah Compliant	No
Issued shares (mil)	1,109.2
Market cap. (RM'm)	770.9
Price over NA	0.9x
52-wk price Range	RM0.67 – RM1.21
Beta (against KLCI)	0.59
3-mth Avg Daily Vol	4.0m
3-mth Avg Daily Value	RM3.14m
Major Shareholders (%)	
EPF	13.25
Amanah Raya Bhd	11.09
Morgan Stanley	10.24
PNB and associated funds	9.47
Altima Inc	7.96


Maintain 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. While we applause the group's effort to reform, we do not expect any significant turnaround in the near-term. We anticipate Media Prima to be loss-making in near term. In addition, due to the adverse business conditions and depleting cash reserve, we do not think that the group will pay any dividend in the near term. All factors considered, we are maintaining our **SELL** recommendation on the stock. We would advice investors to look away from MPB and shift focus to media companies which has a more sustainable business model and healthier balance sheet. 

Table 1: Profit or loss after tax by media platform

Segment	FY17 (RM'm)	FY16 (RM'm)	Remarks
Television networks	-76.6	22.2	Weak advertising expenditure (adex) continues to affect free-to-air television segment
Print media	-118.7	-26.3	Lower newspaper advertising and circulation revenue
Outdoor media	20.7	37.1	Start-up cost incurred for its MRT segment
Radio	23.6	25.7	Lower radio adex
Digital media	4.0	0.3	Higher shared service revenue, higher advertising revenue from RevAsia and higher digital marketing income
Content creation	10.2	10.4	Lower production revenue from television networks and box office collections
Home shopping	-15.5	-17.1	Still in gestation period

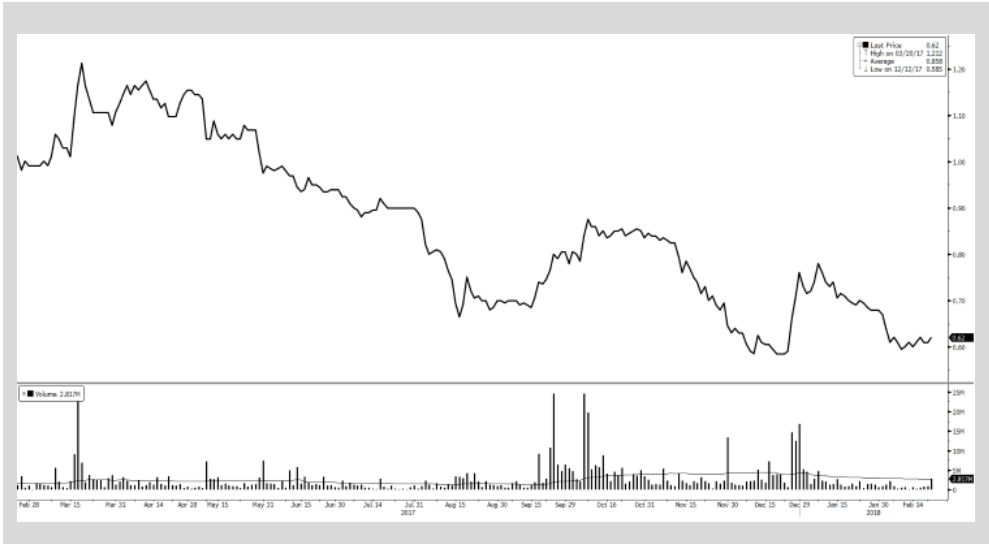
Source: Company MIDFR

INVESTMENT STATISTICS

FYE 31 st Dec	FY16	FY17	FY18F	FY19F
Revenue (RM'm)	1,289.0	1,195.7	1,175.6	1,200.2
Reported EBIT (RM'm)	-56.9	-595.1	-63.9	-26.6
Reported Pretax Profit (RM'm)	-65.9	-605.5	-69.7	-33.2
Reported Net Profit after MI (RM'm)	-59.2	-650.6	-63.6	-27.2
Normalised Net Profit after MI (RM'm)	82.2	-157.4	-63.6	-27.2
Normalised EPS (sen)	7.4	-58.7	-5.7	-2.5
Normalised EPS growth (%)	-41.4	n.m.	n.m.	n.m.
PER(x)	8.4	n.m.	-10.8	-25.3
Net Dividend (sen)	8	0	0	0
Net Dividend Yield (%)	12.9	0.0	0.0	0.0

Source: Company, MIDFR

DAILY PRICE CHART



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MEDIA PRIMA: 4QFY17 Results Summary

<i>(All in RM'm unless stated otherwise)</i>	Quarterly Results					
FYE 31 st Dec	4Q17	% YoY	% QoQ	2017	2016	%
Revenue	306.2	-3.9	6.1	1,195.7	1,289.0	-7.2
EBITDA	-297.6	n.m.	n.m.	-487.1	51.3	n.m.
Depreciation and amortisation	-28.8	10.7	10.1	-108.0	-108.2	-0.2
EBIT	-326.4	n.m.	n.m.	-595.1	-56.9	n.m.
Finance costs	-4.4	30.2	20.0	-14.7	-13.3	10.0
Finance income	2.1	-44.1	14.7	9.2	14.4	-36.3
Associates income	0.0	n.m.	n.m.	-4.9	-10.1	-51.5
PBT	-328.8	n.m.	n.m.	-605.5	-65.9	n.m.
Taxation	-56.0	n.m.	n.m.	-64.1	-3.9	n.m.
PAT	-384.7	n.m.	n.m.	-669.7	-69.8	n.m.
MI	6.6	110.5	61.0	19.1	10.6	80.0
PATAMI	-378.2	n.m.	n.m.	-650.6	-59.2	n.m.
Normalised PATAMI	-76.4	n.m.	52.0	-157.4	37.2	n.m.
Normalised EPS (sen)	-6.9	4154.0	52.0	-14.2	3.4	-522.8
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	-97.2	-106.7	-71.8	-40.7	4.0	-44.7
Normalised PATAMI margin (%)	-25.0	-24.4	-7.5	-13.2	2.9	-16.1
Effective tax rate (%)	-17.0	-155.6	-13.7	-10.6	-5.9	-4.7

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.