

# Equity Beat

25 February 2010

## 4Q09 Results Review

## Media Prima

*A good FY09; expect a great FY10*

**Reiterate BUY**

**Unchanged Target Price (TP): RM2.50**

- **Media Prima's FY09 headline net profit was above expectation due to the gain on disposal of its venture in the Philippines. Excluding one-off items, net profit dipped 14.2%yoy to RM73.8m, while full-year revenue contracted by a mild 4.8%yoy due to the recession in 2009.**
- **Going forward, we believe that the long-term growth story for broadcast media remained intact. With the inclusion of NSTP's earnings, we estimate EPS10 of 12.4sen and FY10 revenue of RM1103.6m on the back of strong revenue growth as advertising expenditure regained ground on economic recovery.**
- **Shares of MPR trade at 15.4x EPS10 and is deemed attractive relative to future earnings growth. We maintain our BUY recommendation with a 12-month target price of RM2.50 based on PE/G ratio of 0.6x.**

### STOCK INFO

Price (24 Feb.10)	RM1.91	FBM KLCI	1270.78
Issued shares (mil)	977.2	Bursa / Bloomberg	4502 / MPR MK
Par Value (RM)	1.00	Board / Sector	Main/ Media
Market cap. (RM'm)	1866.5	Syariah Compliant	No
Price over NA	1.9x		
52-wk price Range (RM)	0.91 – 2.00	Major Shareholders (%)	
Beta (against KLCI)	1.2	EPF	24.2
3-mth Avg Daily Vol	1.3m	Gabungan Kesturi	12.6
3-mth Avg Daily Value	RM2.5m	Altima Inc.	8.9

**A contraction in FY09 due to the recession:** MPR completed FY09 with revenue contracting by only 4.8%yoy. This was significantly lower compared with the bleak prospect after revenue in 1Q09 declined -12%yoy. The recovery in top-line figures can be attributable to the continued improvement in the domestic economy and commendable efforts made by the group's management to capitalise on the recovery of the economy. The major business segments, namely TV Networks, Radio Networks and Outdoor Advertising, recorded encouraging growth especially in 4Q09. MPR has recognised negative goodwill amounting to RM216.1m from the acquisition of NSTP and this resulted in MPR recording FY09 net profit of RM194.8m. excluding the negative goodwill, write-down, impairment and allowances to certain properties and assets and net losses from MPI, net profit was RM73.8m.

**4Q – a better quarter:** Sequentially, 4Q09 revenue grew by 6% attributable to the increase in advertising sending given the continued improvement in the economic environment coupled with the media group's efforts to boost revenue via cross marketing endeavors. In 4Q09, as a result of the acquisition of 42.77% of NSTP shares, MPR




FYE 31 Dec	FY08	FY09	FY10F	FY11F
Revenue (RM'm)	781.3	744.1	1103.6	1213.9
EBIT (RM'm)	184.7	67.7	192.3	209.6
Pretax Profit (RM'm)	114.1	275.8	156.2	168.7
Net Profit (RM'm)	86.0	192.3	121.2	129.8
EPS (sen)	10.1	19.9	12.4	13.3
EPS growth (%)	-26.7	-63.3	-37.6	7.3
PER(x)	18.9	9.6	15.4	14.4
Net Dividend (sen)	0.0	5.0	5.0	5.0
Net Dividend Yield (%)	n.a	2.6	2.6	2.6

Source: Company, Forecasts by MIDFR

recognised a negative goodwill amounting to RM216.1m. Additionally, MPR recorded write-down to certain properties and assets within the group, together with additional allowances and impairment to some of the group's assets relating to the Ghana operations. This resulted in the increase in operating expenses by 39%qoq. The group has also fully accounted for the operational losses and disposal of MPI, its subsidiary in the Philippines. The net charge booked in 4Q09 amounted to RM20.5m being the final charge for MPR's investment in MPI. With the increase in revenue, and coupled with the recognition of the goodwill, MPR's pre-tax profit of RM211.6m was significantly higher than that in 3Q09. After taking into account the full share of losses from MPI and gain on disposal of MPI, MPR recorded a net profit of RM192.3m in 4Q09.

**Economic recovery expected to continue and will drive the media sector's top-line:** The domestic economy registered a positive GDP growth of 4.5% in 4Q09, amid strengthened domestic and external demand, but 2009's growth contracted 1.7%. The government had earlier projected a contraction of 3% in GDP for 2009. In 2008, Malaysia's GDP growth was 4.6%. Going forward, the improvement experienced in the second-half of 2009 is expected to strengthen in 2010. This is expected to benefit the outlook for the media sector, which will be buoyed by stronger consumer confidence and the return of business spending.

**Earnings growth prospects enhanced with the consolidation of NSTP:** Media Prima would no longer be exposed to any future operational losses from its Philippines venture in FY10. Going forward, we believe that strong contribution from TV3 and NSTP, thanks to higher ad spend will boost FY10 earnings. With the inclusion of NSTP, we estimate FY10 revenue to be boosted and net profit to recover to RM121.2m.

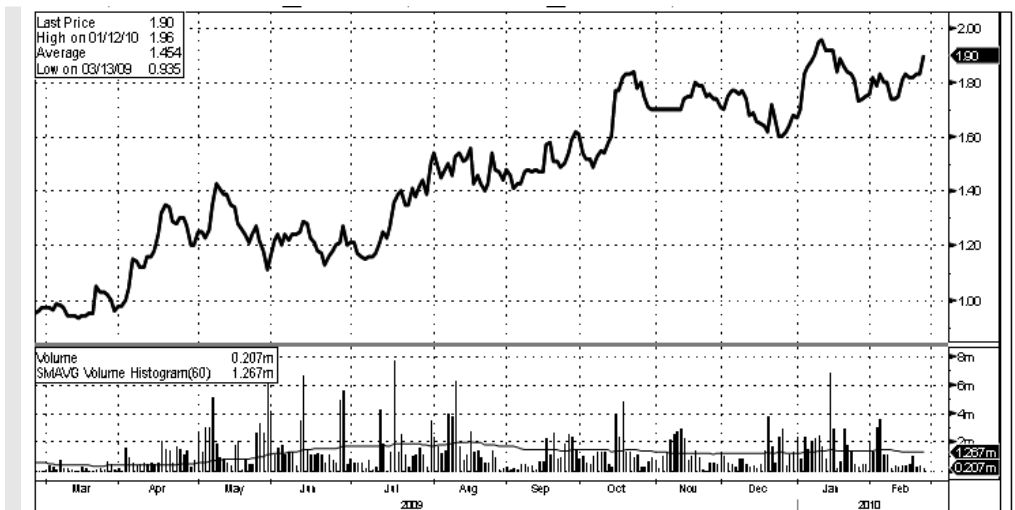
**Maintain BUY recommendation; 12-month target price of RM2.50:** The share price has gained by 13.8% year-to-date and given a one-year total return of 116%. Despite the outperformance, we continue to recommend a BUY on Media Prima shares with a 12-month target price of RM2.50 based on PE/Growth ratio of 0.6x as earnings are poised to return to pre-recessionary level in FY10. We believe that the share price is undervalued as the market is underestimating Media Prima's explosive growth potential in FY10. 

## Media Prima: FY09 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly Results			Cumulative		Comments
	4Q09	%YoY	%QoQ	FY09	%YoY	
Revenue	218.5	+4.6	+5.9	744.1	-4.7	Revenue growth thanks to increased advertising spending given the improving business environment
Operating expenses	-224.6	+31.1	+38.9	-686.4	+4.7	
Other op. income	2.9	-82.9	-12.1	10.0	-70.0	
EBIT	-3.2	>100.0	>100.0	67.7	-57.5	
Net Int. income	-6.6	+16.1	+3.1	-24.5	+20.3	
Pre-tax profit	211.6	>100.0	>100.0	275.8	+73.2	Strong growth as a result of revenue growth, coupled with stringent cost control measures and improved operational results at NSTP
Tax	1.2	>100.0	>100.0	-23.9	-42.3	
Net profit	192.3	>100.0	>100.0	194.8	>100.0	Boosted by gain on disposal of Primedia
EPS (sen)	19.6			23.0		
		+/- ppts	+/- ppts			
EBIT margin (%)	n.m.	n.m	n.m.			
Tax rate (%)	0.6	-29.8	-36.9			

Source: Company, MIDFR

## DAILY PRICE CHART



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#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

OVERWEIGHT	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.
UNDERWEIGHT	The sector is expected to underperform the overall market over the next 12 months.