

**BUY**  
**RM1.91**

Target Price: RM2.15

# Media Prima

**FY09 results within expectations**
**Stock data**

Market cap (RMm) :	1,866.52
Issued shares (m) :	977.2
52-week range:	RM0.91-RM2.00
3-mth avg daily volume:	1,270,488 shrs
Bloomberg code:	MPR MK
YTD price chg:	+14.4%
YTD KLCI chg:	-0.2%
Est. free float:	32.6%
Major shareholders:	
EPF:	21.9%
Gabungan Kesturi:	12.6%
Altima Inc:	9.0%
Harris Associates L.P	6.4%
Oakmark Int'l Smallcap	4.5%

KLCI	FBM70	FBM100	Syariah	Hijrah
No	Yes	Yes	No	No

**Consensus**

FYE 31 Dec	2010E	2011E
Net profit (RMm):	126.7	151.6
EPS (sen):	13.6	16.1

**Forecast revision**

FYE 31 Dec	2010E	2011E
Revision (%)	-	-
Net profit (RMm):	114.1	-

**Share price chart**

 The Research Team Tel: 603-2713 2292  
[research@kenanga.com.my](http://research@kenanga.com.my)

- **Media Prima's (MP) FY09 core net profit of RM73.8m was very much in-line** with our forecast FY09 net profit excl. EI of RM 72.0m and consensus estimate of RM76.4m. Exceptional items came from NSTP acquisition- negative goodwill of RM216m partly offset by impairment of properties, provision for doubtful debt and write-down of programme stock worth RM38.1m and MPI Philippines' operating loss of RM95.3m which partly mitigated by gain on disposal of RM38.2m of the company.
- **TV adex slowdown caused FY09 revenue to slide** by 5% YoY in response to difficult economic conditions. Encouragingly, the radio segment registered 20% sales growth driven by strong performance of Hotfm and new contribution from Onefm. Outdoor division also saw a 4% sales growth, boosted by the Kurnia Outdoor acquisition. FY09 pretax profit excl. EI declined by 40% YoY however due to higher overheads, lower operating efficiency from sales dip, higher interest expense (from debt raised with higher interest rate on short term papers) and higher depreciation (from planned upgrading of broadcasting, studio and engineering equipment).
- **Uptick in adex spending in tandem with improved economic environment drove 4QFY09 revenue up** by 6% QoQ. Core pretax profit declined by 32% however due to 39% increase in operating expenses from property write-downs for the group and impairment related to Ghana operations.
- **Total FY09 DPS of 10 sen with final DPS of 5.6 sen** tax-exempt announced. This translates into dividend yield of 5.2%. MP expects to maintain its 25-50% dividend payout ratio moving forward.
- **NSTP acquisition expected to be completed by July 2010.** The conditional take-over offer was closed on 4 January 2010. An EGM will be held to obtain shareholder approval for delisting and subsequently, MP will extend its take-over offer for 1-2 months (likely in May-June 2010).
- **Upgrade to BUY** recommendation with **target price of RM2.15** based on 16x PER applied to FY10 EPS of 13.4 sen. More positive outlook for the stock with completion of NSTP acquisition expected by July 2010 and stronger adex growth in FY10 with economic uptick and occurrence of major sporting events (World Cup and Commonwealth Games). Our previous Hold recommendation and target price of RM1.60 was based on 12x PER applied to FY10 EPS of 13.4 sen.

**Results Highlights**

FYE: 31 Dec (RMm)	4QFY08	1QFY09	2QFY09	3QFY09	4QFY09	QoQ Chg	YoY Chg	FY08	FY09	YTDYoY Chg
Revenue	208.9	141.2	178.0	206.4	218.5	5.9%	4.6%	781.3	744.0	-4.8%
EBIT	54.7	(2.5)	25.2	48.1	(3.1)	-106.5%	-105.7%	159.0	67.7	-57.5%
Associate	3.1	(1.3)	4.6	8.0	5.2	-35.2%	66.9%	20.5	16.5	-19.6%
<b>Pretax profit excl. EI</b>	<b>57.8</b>	<b>(3.7)</b>	<b>29.8</b>	<b>49.6</b>	<b>33.6</b>	<b>-32.3%</b>	<b>-41.9%</b>	<b>162.1</b>	<b>97.8</b>	<b>-39.7%</b>
Tax	(15.9)	(0.6)	(6.0)	(18.7)	1.2	-106.5%	-107.6%	(41.6)	(24.0)	-42.3%
<b>Recurring profit</b>	<b>36.3</b>	<b>(9.9)</b>	<b>18.0</b>	<b>31.0</b>	<b>212.8</b>	<b>586.8%</b>	<b>485.9%</b>	<b>117.7</b>	<b>251.9</b>	<b>114.0%</b>
Sub. held for sale	(45.3)	(19.0)	(13.6)	(19.6)	(4.9)	-75.2%	-89.2%	(45.3)	(57.1)	100.0%
MI	13.6	5.7	4.1	5.9	(15.7)	-366.1%	-215.3%	13.6	-	100.0%
<b>Net profit excl. EI</b>	<b>4.6</b>	<b>(23.2)</b>	<b>8.5</b>	<b>17.3</b>	<b>34.8</b>	<b>101.7%</b>	<b>649.0%</b>	<b>117.7</b>	<b>251.9</b>	<b>114.0%</b>
FD EPS excl. EI (sen)	0.5	(2.7)	1.0	2.0	4.1	101.7%	649.0%	14.1	8.6	-38.8%
NTA/ share (RM)	0.42	0.36	0.38	0.34	0.82	141.5%	93.5%	0.42	0.82	93.5%
EBIT margin (%)	26.2%	-1.8%	14.2%	23.3%	-1.4%	-24.7%	-27.6%	20.4%	9.1%	-11.3%
Pretax margin (%)	27.7%	-2.7%	16.7%	24.1%	15.4%	-8.7%	-12.3%	20.8%	13.1%	-7.6%
Net margin (%)	2.2%	-16.5%	4.8%	8.4%	15.9%	7.6%	13.7%	15.1%	33.9%	18.8%

## Results Review

YoY (RMm)	FY09	FY08	Chg	Comments
Revenue	744.0	781.3	-4.8%	Mainly due to lower TV adex in response to economic recession, partly offset by higher sales in the radio and outdoor divisions.
Pretax profit excl. EI	97.8	162.1	-39.7%	Due to lower operating efficiency in-line with sales decline, higher interest expense (for short term papers issued) and higher depreciation (for equipment capex).
QoQ (RMm)	4QFY09	3QFY09	Chg	Comments
Revenue	218.5	206.4	5.9%	Due to higher adex in-line with improvement in the economy.
Pretax profit excl. EI	33.6	49.6	-32.3%	Because of operating expenses having risen by 39% from Group property write-downs and impairment expenses for Ghana operations.

## Earnings Estimates

FYE: 31 Dec (RMm)	2007	2008	2009	2010E	2011E
Revenue	691.3	781.3	744.0	810.7	876.5
Pretax profit excl. EI	149.1	159.3	97.8	150.2	201.6
<b>Net profit excl. EI</b>	<b>117.4</b>	<b>117.7</b>	<b>73.8</b>	<b>114.1</b>	<b>131.5</b>
EPS excl. EI (sen)	13.8	13.8	8.6	13.4	15.4
EPS growth (%)	47.2%	0.2%	-37.3%	54.5%	15.2%
DPS (sen)	18.3	7.0	10.0	10.0	11.0
NTA/share (RM)	0.41	0.44	0.82	0.90	1.05
Net gearing (x)	0.3	0.6	0.7	0.6	0.6
PER (x)	13.9	13.9	22.1	14.3	12.4
P/NTA (x)	4.6	4.4	2.3	2.1	1.8
Div. Yield (%)	9.6%	3.7%	5.2%	5.2%	5.8%

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

8th Floor, Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia

Telephone: (603) 2166 6822 Facsimile: (603) 2166 6823 Website: [www.kenangaresearch.com](http://www.kenangaresearch.com)

  
Yeonzon Yeow  
Head of Research