

June 8-14, 2013

Listed media companies in Malaysia

COMPANY	MARKET CAPITALISATION	MAJOR SHAREHOLDERS (ABOVE 5% STAKE) (JUNE 5)	REVENUE FY12	REVENUE FY11	NET PROFIT/ (LOSS) FY12	NET PROFIT/ (LOSS) FY11
Media Prima Bhd	RM3.1 bil	Employees Provident Fund (18.06%) Amanah Raya Bhd (11.28%) Kumpulan Wang Persaraan (5.10%)	RM1.70 bil	RM1.62 bil	RM211 mil	RM208 mil
Media Chinese International Ltd	RM2.0 bil	Progresif Growth Sdn Bhd (19.35%) Conch Co Ltd (14.96%) Zaman Pemimpin Sdn Bhd (9.14%) Tan Sri Tiong Hew King (5.16%)	RM1.45 bil	RM 1.37 bil	RM194 mil	RM168 mil
Star Publications (M) Bhd	RM1.9 bil	Malaysian Chinese Association (42.45%) Skim Amanah Saham Bumiputera (9.89%) Employees Provident Fund (6.31%) Great Eastern Holdings Ltd (5.71%)	RM1.08 bil	RM1.07 bil	RM200 mil	RM185 mil
Utusan Melayu	RM110.7 mil	United Malays National Organisation (49.77%) Nilam Setar (M) Sdn Bhd (14.76%)	RM345 mil	RM367 mil	(RM15.8 mil)	RM 17.5 mil

Source: Annual Reports, Bloomberg, Alliance Research

Post-election relief for print media

Share prices rise despite speculation that public sentiments will dampen growth



DESPITE calls by certain quarters to boycott mainstream newspapers after the recent contentious general election, share prices of local print media companies have climbed steadily since then.

Analysts are optimistic that advertising budgets held back due to election uncertainties will gradually start flowing back to these companies.

They are expecting this trend to continue for the second half of the year, and research houses are cautiously optimistic on media stocks such as Media Prima Bhd, Media Chinese International Ltd (MCIL) and Star Publications (M) Bhd.

RHB Research Institute's latest call on Media Prima was a buy with a fair value of RM3.60 after it closed at RM2.90 on May 17. About a week before that, its target price for the counter was RM3 when it was trading



by LIM WEY WEN

at RM2.62 on May 7.

Media Prima is a fully-integrated media group that is known for newspapers such as the *New Straits Times*, *Berita Harian*, *Harian Metro*, television stations TV3, 8TV, ntv7 and TV9, as well as radio stations Fly FM, Hot FM and One FM. The group also has Emas, an Internet Protocol TV (IPTV) channel that is showcased on Telekom Malaysia Bhd's HyppTV.

Recently, AmResearch issued a buy call on MCIL with a fair value of RM1.45 when it was trading at RM1.28 on May 30.

MCIL, a merger of Ming Pao Enterprise Corp Ltd, Sin Chew Media Corp Bhd and Nanyang Press Holdings Bhd, owns titles such as *Sin Chew Daily*, *Nanyang Siang Pau*, *China Press* and *Guang Ming Daily* in Malaysia as well as *Ming Pao Daily News* in Hong Kong and *Harian Indonesia*.

"Before the election, advertisers

did not really want to spend because there was uncertainty and they did not know what would be the scenario after the election," says Jerry Lee, a research analyst at RHB Research Institute.

"However, brand loyalty is important to these advertisers so they would have to come back to establish their presence again," Lee says, adding that he expects a strong pickup in advertising expenditure (adex) in the second half of 2013.

Despite market talk that some mainstream media houses may be hit by falling circulation and ratings due to their election coverage, market observers say there is no data to substantiate them yet. "So far, it is business as usual," says Darren Wong, an executive director at Adqrate, a web-based media platform that links advertisers with potential publications.

"There is still a trend among advertisers to look for traditional media.

While online media is getting more attention, people still believe in print media," he says.

PricewaterhouseCoopers Technology Information Communication Entertainment division partner Irvin Menezes agrees. "While the trend towards digital [media] is expected, we see this as complementary in the medium term by providing an opportunity for traditional print media companies to embrace new growth opportunities via differentiated content online and premium value services to consumers and advertisers," he tells **FocusM** via email.

"This enables advertisers to distribute content in ways that promote customer and brand loyalty."

Not entirely rosy

When markets opened on May 6 after the general election, a rally ensued and media stocks – along with stocks of other sectors – have gradually gained traction since then (see charts).

Media Prima's share price has climbed from RM2.56 on May 6 to RM2.93 on June 4 while Astro Malaysia's share price rose from RM3.03 to RM3.15. Star Publications also saw its share price rise from RM2.43 to RM2.70 while the change in MCIL's share price is marginal – from RM1.18 to RM1.19.

While there have not been any research reports issued on Utusan Melayu Malaysia Bhd, its share price has recovered after the election following its steady drop to a 52-week low of 58 sen on March 13 from a high of 88 sen on June 7 last year.

This is despite declining circulation revenue that the group says has contributed to its loss after tax of RM15.8 mil in 2012 compared with a profit after tax of RM17.5 mil in 2011. According to Audit Bureau of Circulations figures, the Utusan group's flagship paper *Utusan Malaysia's* circulation has fallen from 213,000 in 2006 to about 180,000 last year.

There has also been a gradual decline in circulation numbers for English and Malay papers (with the exception of

Media firms diversify revenue streams

WITH adex statistics showing growth in the pay-TV sector and a decline in the English and Malay language papers sector, diversification is key to the growth of Malaysian media companies.

While Media Prima is a fully-integrated media company which has benefited from the increase in adex spending in all sectors, other companies are following suit.

Last week, Star announced that its units, Star MediaWorks Sdn Bhd and Star Commercial Publications Sdn Bhd, will acquire a 90% equity stake in Ocision Sdn Bhd – which owns online portals iBilik.com, Propwall.com and Carsifu.com – for RM13.5 mil cash. This is seen

to add value to the company's existing online portals such as Star Online, myStarjob.com, StarProperty.my, eFlavours and Star Buys.

Last year, ACE-market listed Catcha Media Bhd, which was described as "severely undervalued" by CIMB Investment Bank recently, acquired a 75% stake in iCar Asia, one of Asean's top networks of online automotive portals that is listed on the Australian stock exchange. Recently, the company also announced that it would merge its advertising segment with Says.com, a social news network company.

Will this trend signify more acquisitions and mergers

in the media industry in the next few years? Analysts say it is a mix of consolidation and reducing reliance on advertising spending.

An analyst says it depends on the company and the sectors it intends to be in, and companies that are more aggressive will tend to acquire.

PricewaterhouseCoopers Technology Information Communication Entertainment division partner Irvin Menezes says diversification into online portals and news sites is an industry challenge for established media brands as they grapple for increased market share in the digital domain.

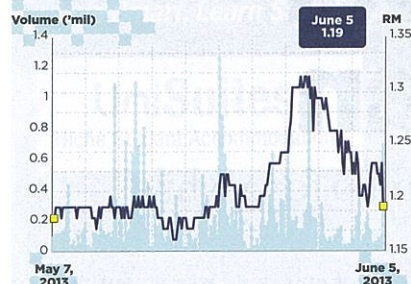
"The landscape remains positive for media 'winners' as we expect the overall media sector to exceed GDP growth in the coming years," he says.

"Our view is underpinned by the expected business model evolution, increased consumer demand from new initiatives, increased Internet access through mobile or high-speed broadband and other government-led initiatives which are driving pockets of increased growth at sub-sector levels [such as the film industry]."

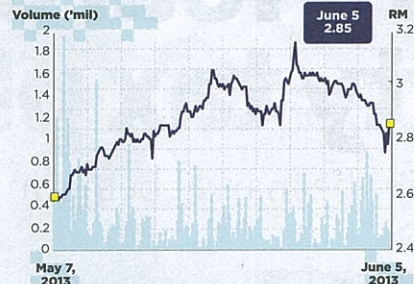
"Traditional media companies which don't evolve fast enough to embrace these new platforms will find themselves losing relevance in the marketplace."

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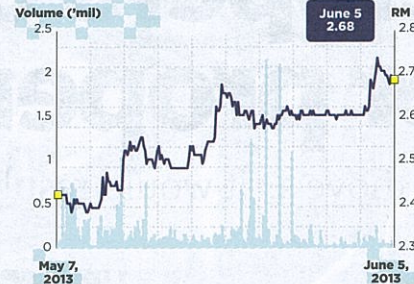
Media Chinese International



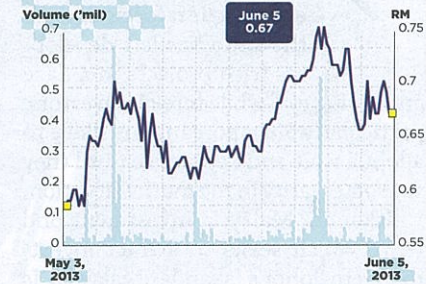
Media Prima



Star Publications



Utusan Melayu



titles such as *Kosmo!* and *Kosmo! Ahad*. In contrast, circulation has increased for most Chinese dailies.

The Star, the leading English daily owned by Star Publications, has seen its circulation drop from an average 310,008 copies per day in 2006 to 290,566 copies in 2012. *New Straits Times*, owned by Media Prima, has also seen its circulation drop from 145,030 copies per day in 2006 to 100,382 copies a day last year.

Utusan Malaysia, once the top Malay daily, suffered a drop in circulation from 213,445 copies a day in 2006 to 181,356 copies a day last year. *Berita Harian*, owned by Media Prima, also saw a similar trend when its circulation dropped from 214,335 in 2006 to 144,955 last year.

However, Chinese newspapers such as *Sin Chew Jit Poh* and *China Press* bucked the trend by increasing their circulation from 367,399 copies daily

and 138,218 copies daily in 2006 to 389,840 copies daily and 170,414 copies daily last year.

The sustainability of this uptrend will depend on this year's adex numbers and cost factors such as newsprint prices and start-up costs for broadcast players, analysts say.

According to Alliance Research analyst Toh Woo Kim, who made a trading-buy call on Star Publications recently, the company's revenue growth looks challenging in FY13 amid a softer adex environment.

However, he says that adex generally starts slow in the early part of the year before getting stronger towards the end of the year.

He adds that Star's earnings should still be decent this year given lower newsprint price, which is now US\$600-620/tonne compared with US\$675-720/tonne in 2011.

"Star also offers an attractive net div-

idend yield of 7%, which is sustainable and backed by its strong operating cash flow and net cash position of RM174 mil, or 23.7 sen per share," he says.

Too also maintains his buy call on MCIL after the media group's analyst briefing, with an increased target price of RM1.43 (from RM1.33 previously) as he remained slightly optimistic on the group's Malaysia operations but cautious on its Hong Kong operations.

"On the Malaysia operations, management sounded slightly optimistic on adex outlook with the conclusion of the 13th general election and expects adex to pick up in the second half, largely driven by traditional advertisers as they have held back their advertising spend since early this year.

"Hong Kong remains a challenging market due to competition from free papers amid a sharp slowdown in sales for property-related

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Adex generally starts slow in the early part of the year before getting stronger towards the end of the year.”

advertising,” he says.

Last year, Astro's bottom line was hurt due to high expenses incurred by the rollout of its Astro B.yond set-top boxes (STBs), but analysts view it as necessary for the group to introduce more value-added services in its efforts to increase average revenue per user (ARPU).

"Investors may be concerned about the company incurring high expenses in amortising the STBs it provides to clients," says RHB's Lee in an earlier report which downgraded the research house's buy call on Astro to neutral as its share price was trading close to RHB's target price of RM3.36.

"While we do not deny that the high expenses may hurt margin, we think this is necessary as the company would be able to introduce more value-add services to its customers through upgraded STBs, which will in turn boost future ARPU." FocusM