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Proposed acquisition of Rev Asia Holdings

Media Prima Digital Sdn Bhd, a wholly-owned subsidiary of Media Prima Bhd (MPR) announced that it had entered into a conditional sale and purchase agreement (SPA) with Rev Asia Berhad and Youth Asia Sdn Bhd to acquire the entire equity interest in Rev Asia Holdings Sdn Bhd, for a total consideration of RM105m. Rev Asia Holdings is the owner of Rev Digital Sdn Bhd, Rev Lifestyle Sdn Bhd, Rev Social Malaysia Sdn Bhd, Rev Social International Sdn Bhd and Rev Entertainment Sdn Bhd. The principal activities of these companies are providing advertising, publication and internet social media services.

Expanding in digital platform

The proposed acquisition is in line with MPR's strategy to acquire more digital media assets to expand its existing portfolio. The company said the acquisition can provide MPR with an opportunity to solidify its presence in the digital publishing business. According to management, the acquisition could also lead MPR in obtaining new skill sets and expertise in digital environment as well as new markets of consumer/audience.

Internal funds for proposed acquisition

MPR is financing the consideration for the proposed acquisition through internally generated funds; it has RM374.9m cash pile as at end-2016. The proposed acquisition is to be satisfied in cash, as follows: 1) the sum of RM2.27m as an earnest fee prior to the execution of the SPA; 2) the sum of RM8.23m upon execution of the SPA; 3) the sum of RM89.5m on the date of completion of the SPA; and 4) the sum of RM5m to be retained by MPR for 6 months from the completion date, as a retention against certain liabilities of the sellers, in accordance with the terms of the SPA.

Affin Hwang as principal adviser for Rev Asia

Affin Hwang Investment Bank has been appointed by Rev Asia as the principal adviser for the proposed disposal.

Earnings & Valuation Summary

FYE 31 Dec	2015	2016	2017E	2018E	2019E
Revenue (RMm)	1427.7	1289.0	1372.6	1384.1	1409.3
EBITDA (RMm)	301.3	141.3	192.6	194.3	203.4
Pretax profit (RMm)	200.1	(65.9)	106.1	113.2	125.3
Net profit (RMm)	138.7	(59.2)	80.1	85.5	94.6
EPS (sen)	12.5	(5.3)	7.2	7.7	8.5
PER (x)	9.4	(22.1)	16.3	15.3	13.8
Core net profit (RMm)	144.1	49.2	80.1	85.5	94.6
Core EPS (sen)	13.0	4.4	7.2	7.7	8.5
Core EPS growth (%)	1.5	(65.8)	62.6	6.8	10.6
Core PER (x)	9.1	26.6	16.3	15.3	13.8
Net DPS (sen)	10.0	8.0	4.8	5.1	5.7
Dividend Yield (%)	8.5	6.8	4.1	4.3	4.8
EV/EBITDA (x)	3.9	8.7	5.8	5.7	5.4
Chg in core EPS (%)			-	-	-
Affin/Consensus (x)			1.0	0.9	1.0

Source: Company, Affin Hwang forecasts, Bloomberg

Company Update

Media Prima

MPR MK
Sector: Media

RM1.18 @ 8 May 2017

SELL (maintain)

Downside 32%

Price Target: RM0.80

Previous Target: RM0.80



Price Performance

	1M	3M	12M
Absolute	-2.5%	13.5%	-16.9%
Rel to KLCI	-3.9%	8.4%	-22.5%

Stock Data

Issued shares (m)	1,109.2
Mkt cap (RMm)/(US\$m)	1,308.9/301.8
Avg daily vol - 6mth (m)	1.9
52-wk range (RM)	1.00-1.52
Est free float	65.6%
BV per share (RM)	1.3
P/BV (x)	0.9
Net cash/ (debt) (RMm) (4Q16)	74.8
ROE (2016E)	8.4%
Derivatives	Yes
Shariah Compliant	No

Key Shareholders

EPF	12.4%
Amanah Raya	11.1%
Altima	8.0%

Source: Affin Hwang, Bloomberg

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Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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