# ACQUISITION OF KURNIA OUTDOOR

13 NOVEMBER 2009

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# SECTION 1:

# THE MALAYSIAN OUTDOOR INDUSTRY

# THE INDUSTRY

- Nielsen Media Research (a media index survey company) estimates that the outdoor ADEX represents 2% of the total ADEX, or RM100 million.
- Media Prima's own estimate is that the total outdoor ADEX for Malaysia is in the region of RM300 million, or between 5% to 6% of total ADEX of RM5 billion.
- The key industry players and their estimated market share are:

| Market Player | Estimated Market Size<br>% share |
|---|---|
| Big Tree, UPD, TRC | 33 |
| Kurnia | 10 |
| Meru Utama | 9 |
| Seni Jaya | 9 |
| Others (small & fragmented) | 39 |
| | 100 |

# SECTION 2:

# ABOUT KURNIA OUTDOOR

# BACKGROUND

- **Kurnia Outdoor (Kurnia) is currently the 2nd largest outdoor advertising outfit in Malaysia after Big Tree Outdoor (Big Tree), with market share of approximately 10% of Outdoor ADEX**

- **Kurnia focuses its business covering key metropolitan and market centres of Kuala Lumpur, Petaling Jaya, Penang and Johor Bahru. Recently, it made a foray into Kota Kinabalu.**

- **Kurnia focuses on high end markets as follows:**

  i. **Concession over the Sprint Highway with "high end" traffic and outdoor advertising rights for Pusat Bandar Damansara.**

  ii. **The outfit mainly develops big spectacular structures with high value per asset.**

  iii. **Its advertising base comprise those that targets urban and high-end consumers, with the bulk of its advertisers being telcos, financial institutions, lifestyles and fashion brands, electrical products, consumer goods and automotive brands.**

# PREVIOUS SHAREHOLDERS

**APN Outdoor** — 50%

**Paul Sapwell and Partners** — 50%

- APN Outdoor is part of APN News & Media, one of the largest multimedia companies in Australasia
- The Group owns media interests in newspaper publishing, radio, outdoor and online in Australia, New Zealand and Indonesia.
- The day-to-day running, however, is left to Paul Sapwell and his partners.

**KURNIA OUTDOOR**

Concessions / site licenses operated by

Kurnia Outdoor SB
Jupiter Outdoor Network SB

- Paul Sapwell and his partners, Koh Swee Han and Yew Wai Sun, manage and operate Kurnia.
- Paul Sapwell is a renowed industry figure in Malaysia; he was one of the pioneers in Utusan Pearl & Dean.
- Kurnia has a small set-up; its current staff strength is only 25 with its office in Damansara Perdana.
- Kurnia was set-up in November 1997 with annual turnover of RM28m, making it the second largest outdoor company in Malaysia.

# STRONG FINANCIAL TRACK RECORD

- Kurnia is a profitable entity with stable increase in revenue and profitability.
- Revenue and net profits are on the upward trend since 2006.
- Even though revenue and profits are expected to remain on similar level as to 2008, the prime locations of its inventory together with its client base, are expected to drive future growth.
- The 2 year revenue and net profit trend is as follows:

| | 2007 | 2008 |
|---|---|---|
| Revenue (RM'000) | 22,638 | 26,411 |
| Growth (%) | | 16.67 |
| Net Profit (RM'000) | 4,266 | 6,548 |
| Growth (%) | | 53.49 |

# MIXTURE OF CONCESSION-BASED AND PRIVATE SITES

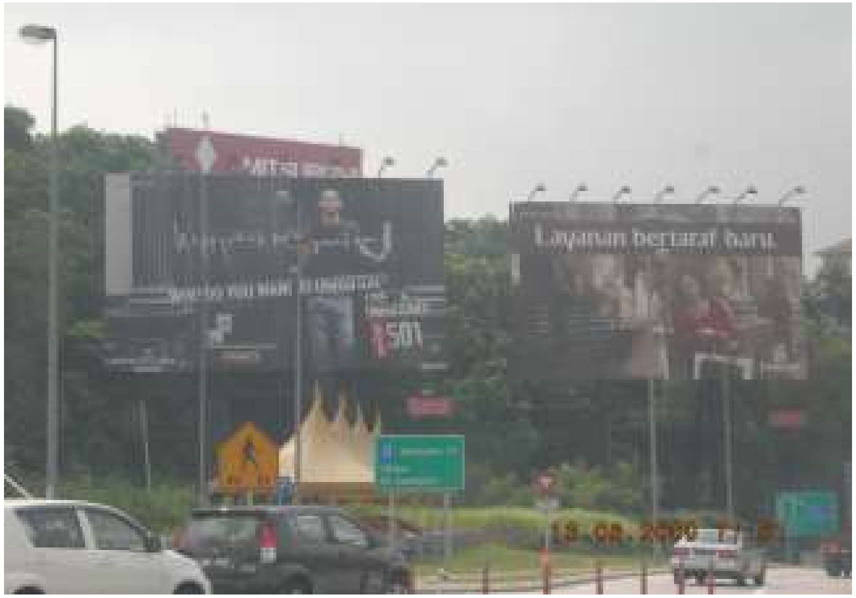
- **Kurnia maintains a good mixture of concession-based business together with inner city free market sites and key private and state owned sites.**

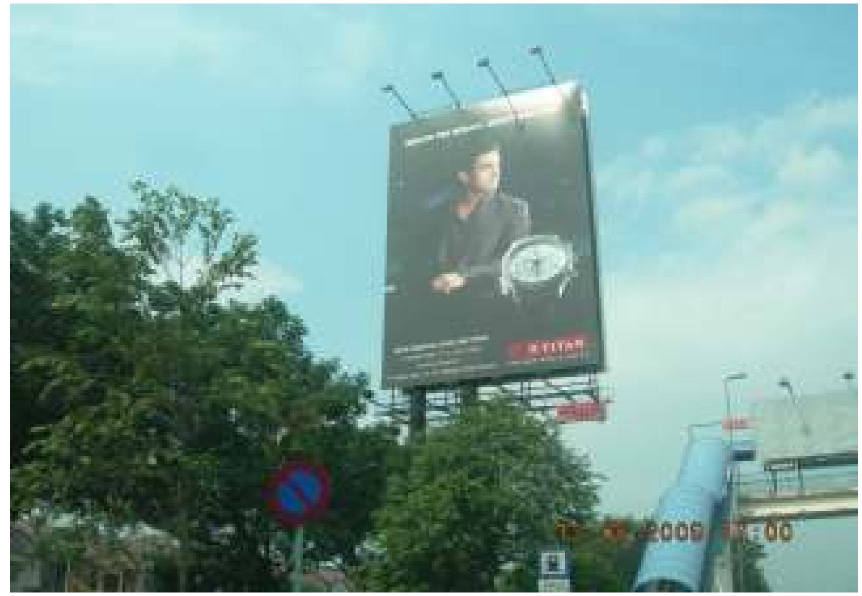
- **This mixture provides a certain degree of certainty on medium to long term security of good sites together with the more short term renewal of free market sites.**

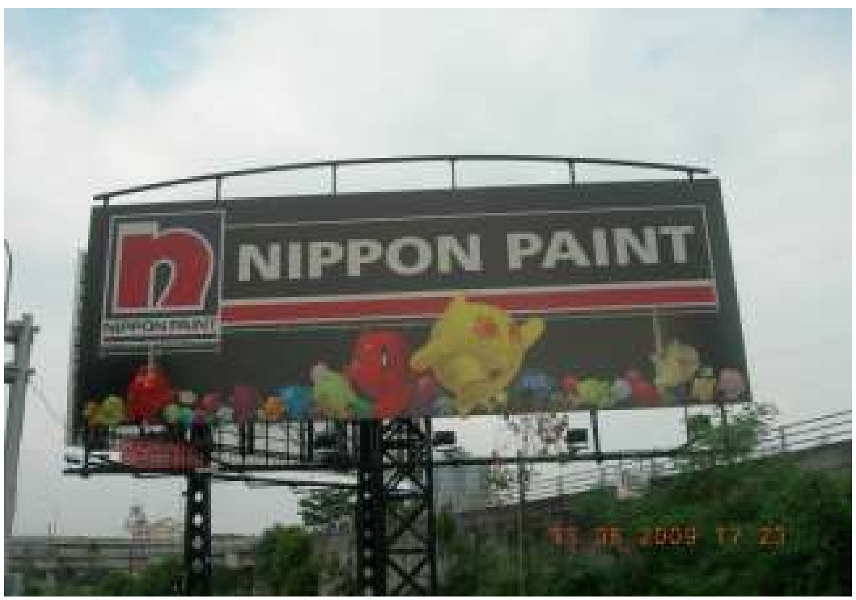
- **The major concession areas are:**
  - **Sprint Highway**
  - **New Pantai Expressway**
  - **Besraya Highway**
  - **Jelutong Highway**
  - **Pusat Bandar Damansara building**

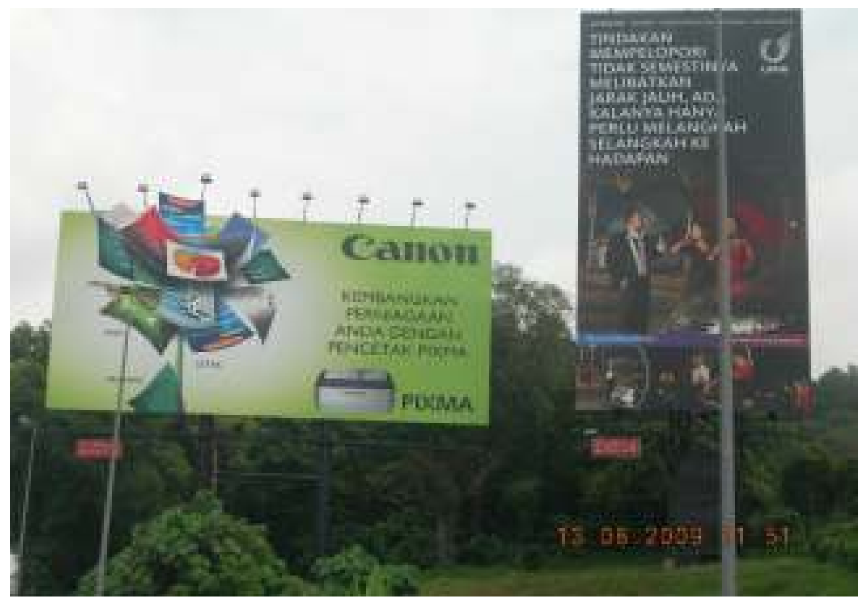
- **Key private and state owned sites, located along:**
  - **KLIA expressway**
  - **Federal Highway (especially on the Petaling Jaya stretch)**
  - **Kuala Lumpur city centre**

# MAJOR KURNIA SITES





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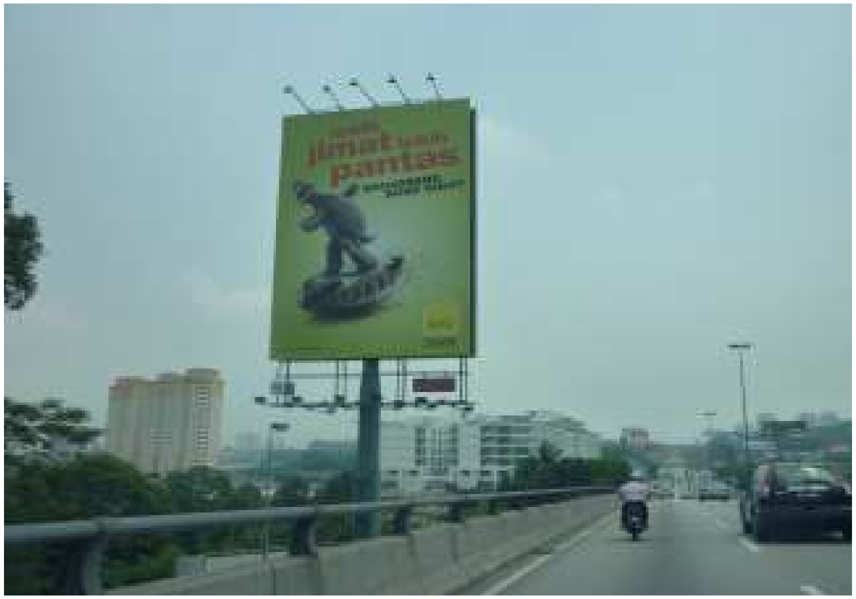


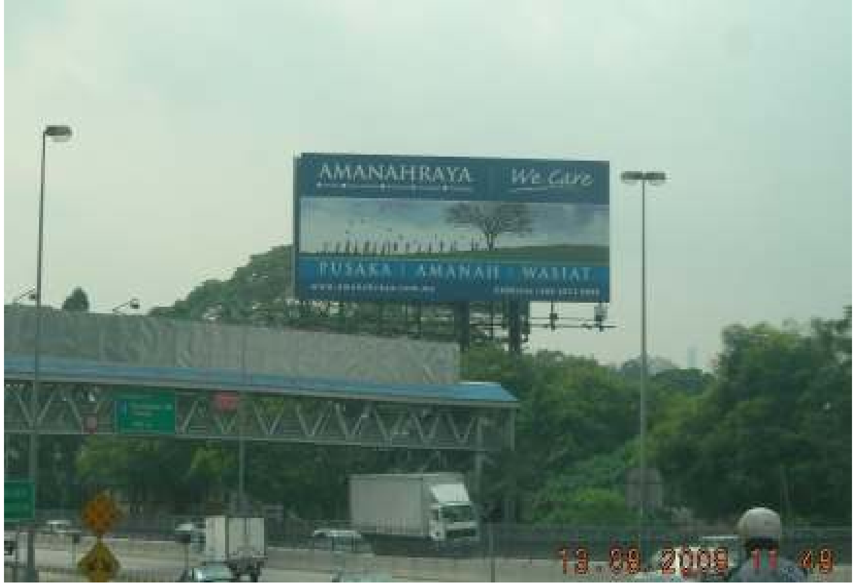

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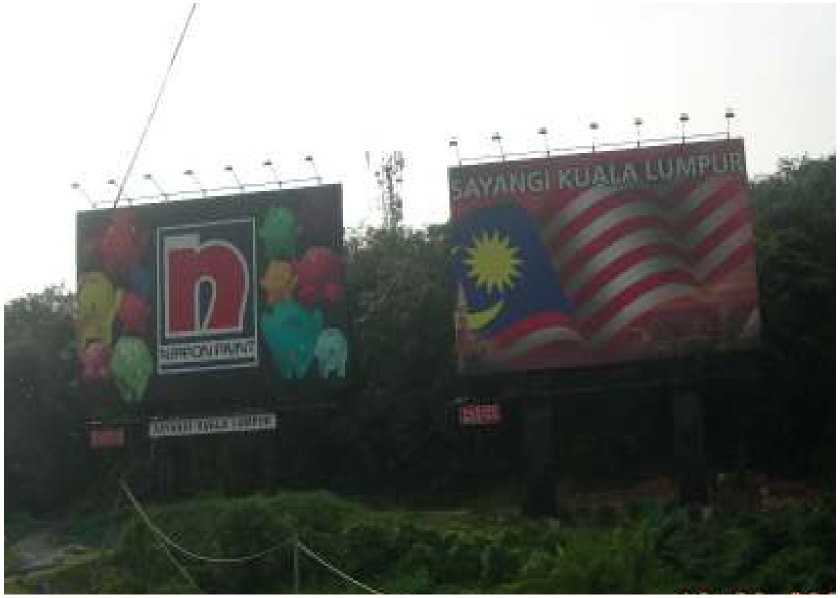


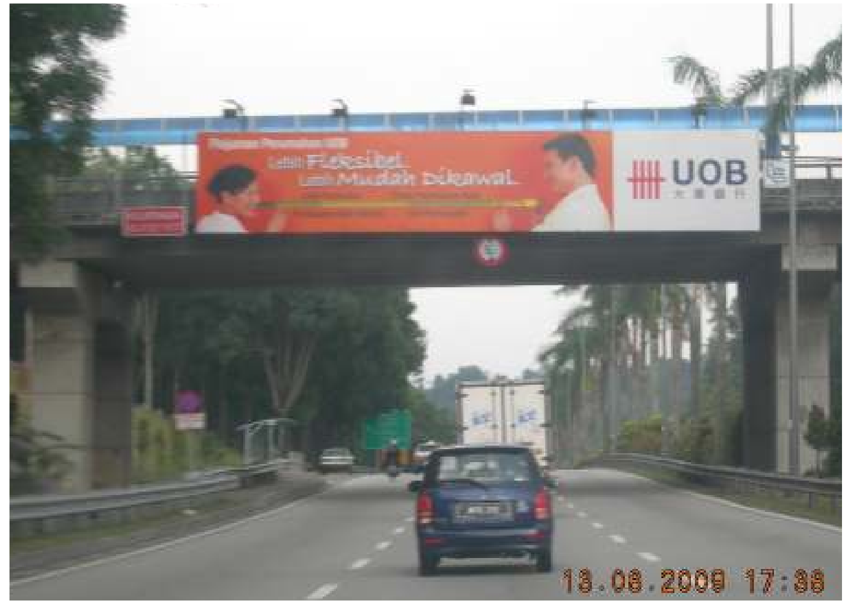


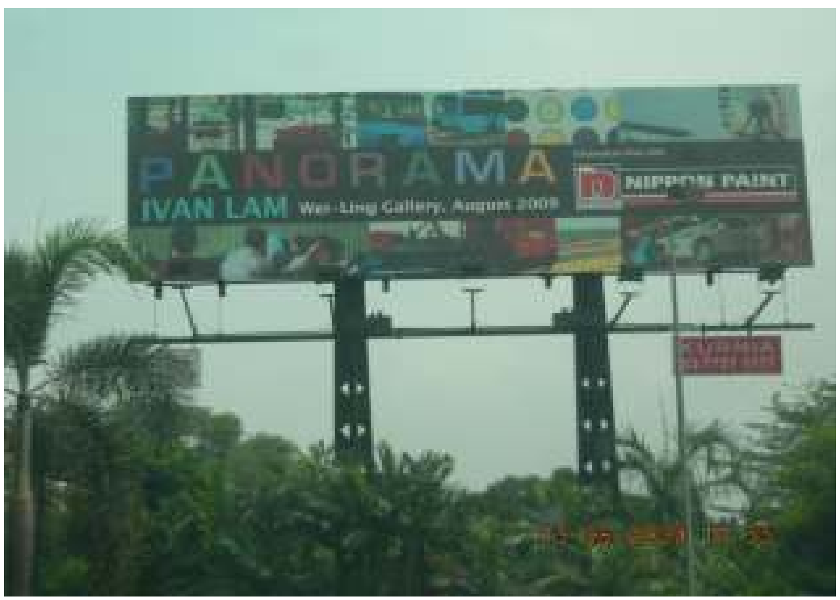


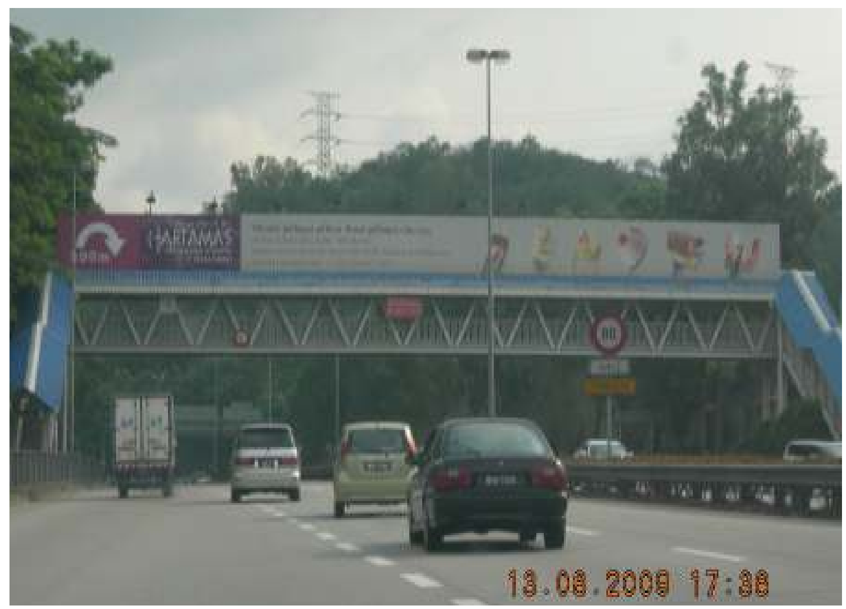

# SECTION 3:

# PROPOSED TRANSACTION STRUCTURE AND VALUE

# PROPOSED TRANSACTION STRUCTURE

- To initially acquire 80% of Kurnia from APN and Paul Sapwell/ Partners for total purchase price of RM33 million based on a multiple of 6.25 times and earnings of RM6.6 million.
- Thereafter, to acquire the balance 20% in Kurnia from Paul Sapwell & Partners over the next 3 years under the following terms:
  - Fixed: RM9.076 million
  - Variable: depending on meeting certain performance targets for FYE2009 to 2011, payment of up to RM4.291 million
- The total purchase price for Kurnia is as follows:

| | | Purchase consideration | | |
|---|---|---|---|---|
| Vendor | % of Sale Shares | Purchase Price (RM '000) * | Variable (RM'000) | Total (RM'000) |
| **Initital on 13 November 2009:** | | | | |
| APN | 50% | 20,625 | - | 20,625 |
| Paul Sapwell & Partners | 30% | 12,375 | - | 12,375 |
| | 80% | 33,000 | - | 33,000 |
| **Subsequent:** | | | | |
| Paul Sapwell & Partners | 20% | 9,076 | 4,291 | 13,367 |
| **Grand total** | **100%** | **42,076** | **4,291** | **46,367** |

Blended multiple of up to 7.03 times

# VALUATION ANALYSIS

| | RM million |
|---|---|
| | Purchase price |
| **Purchase consideration** | **46.367** |
| Equity stake on offer | 100% |
| **Enterprise value** | **46.367** |
| | |
| **EBITDA (RM'm)** | |
| **2008** | 9.56 |
| **2009 (E)** | 9.00 |
| **2010 (E)** | 10.06 |
| **PAT (RM'm)** | |
| **2008** | 6.60 |
| **2009 (E)** | 6.00 |
| **2010 (E)** | 7.00 |
| **EV / EBITDA (times)** | |
| **2008** | **4.85** |
| **2009 (E)** | **5.15** |
| **2010 (E)** | **4.61** |
| **PER (times)** | |
| **2008** | **7.03** |
| **2009 (E)** | **7.73** |
| **2010 (E)** | **6.62** |

- **At Enterprise Value (EV) of RM46.37 million, Kurnia yields EV/EBITDA and PER multiple of 4.85 times and 7.03 times respectively.**
- **The EV/EBITDA and PER multiples are significantly lower than those of Big Tree in 2007 of 6.5 and 10.7.**
- **Globally, and prior to the depressed economic climate, outdoor companies trade between 9.0 to 12.0 times PER multiple.**
- **Based on an estimated net profit of RM7.0m in 2010, the PER multiple would fall to 6.62 times.**
- **Media Prima, currently, is trading at PER of 10.91 times.**
- **Given the Number 2 position occupied by Kurnia, and the potential upside from the acquisition, Media Prima believes that the valuation accorded to Kurnia is fair.**

# IMPACT OF EARNINGS

- The pro-forma financial impact of the acquisition of Kurnia to Media Prima, based on the audited accounts of Media Prima for FYE2008:

| RM 'm | MPB | Kurnia | MPB Post Acquisitions |
|---|---|---|---|
| PATAMI ** | 117.00 | 7.00 | 124.00 |
| No of shares (m) | 853.81 | - | 853.81 |
| EPS (Sen) | 13.70 | | 14.52 |

** FYE2008 earnings exclude losses from TV5, which was divested on 3 November 2009

- The acquisition is expected to be earnings accretive to Media Prima, with the acquisition forecasted to increase net profit by RM7.0 million in 2010
- EPS is expected to grow by 6% based on Media Prima FYE2008 net profit.
- The impact on earnings, however, does not take into account the goodwill and intangible assets that Media Prima potentially have to recognised from the acquisition. The effect of the amortisation of the intangible assets on the earnings will be determined upon receipt of information on Kurnia’s future revenue stream arising from, among others, mid to long term contracts and concessions.

# BENEFITS TO MEDIA PRIMA AND ITS OUTDOOR GROUP

- With the acquisition of Kurnia, the Group will strengthen its holdings and control in excess of 40% of Malaysia's Outdoor ADEX.

- Kurnia complements Media Prima/Big Tree:-
  a. Kurnia focus on high-end clients whereas Big Tree's existing targets are mainly the mass advertisers.
  b. Kurnia's sites are in premium areas and market centres whereas Big Tree's sites are predominantly concession based and outside market centres. Kurnia has strong presence in Kota Kinabalu/Sabah, a market in which Big Tree does not have a presence yet.

- The revenue from Kurnia will make the Group's combined revenue from its Outdoor Division to exceed RM120 million with annual earnings exceeding RM25 million. This further consolidates the Group's position as Malaysia's leading outdoor advertising outfit.

- The stable earnings of Kurnia comes from a good mixture of concession-based and free market sites, with a clientele that targets high-end and urban brands across market centres.

- Kurnia comes with a competent Management team which has committed to continue to manage Kurnia's business. This re-enforces the Group's talent pool.

THANK YOU