

# **MEDIA PRIMA BERHAD**

**CONSOLIDATION OF MEDIA PRIMA OUTDOOR STRATEGY:  
PROPOSED ACQUISITION OF UPD AND THE RIGHT CHANNEL**

**ANALYSTS BRIEFING**

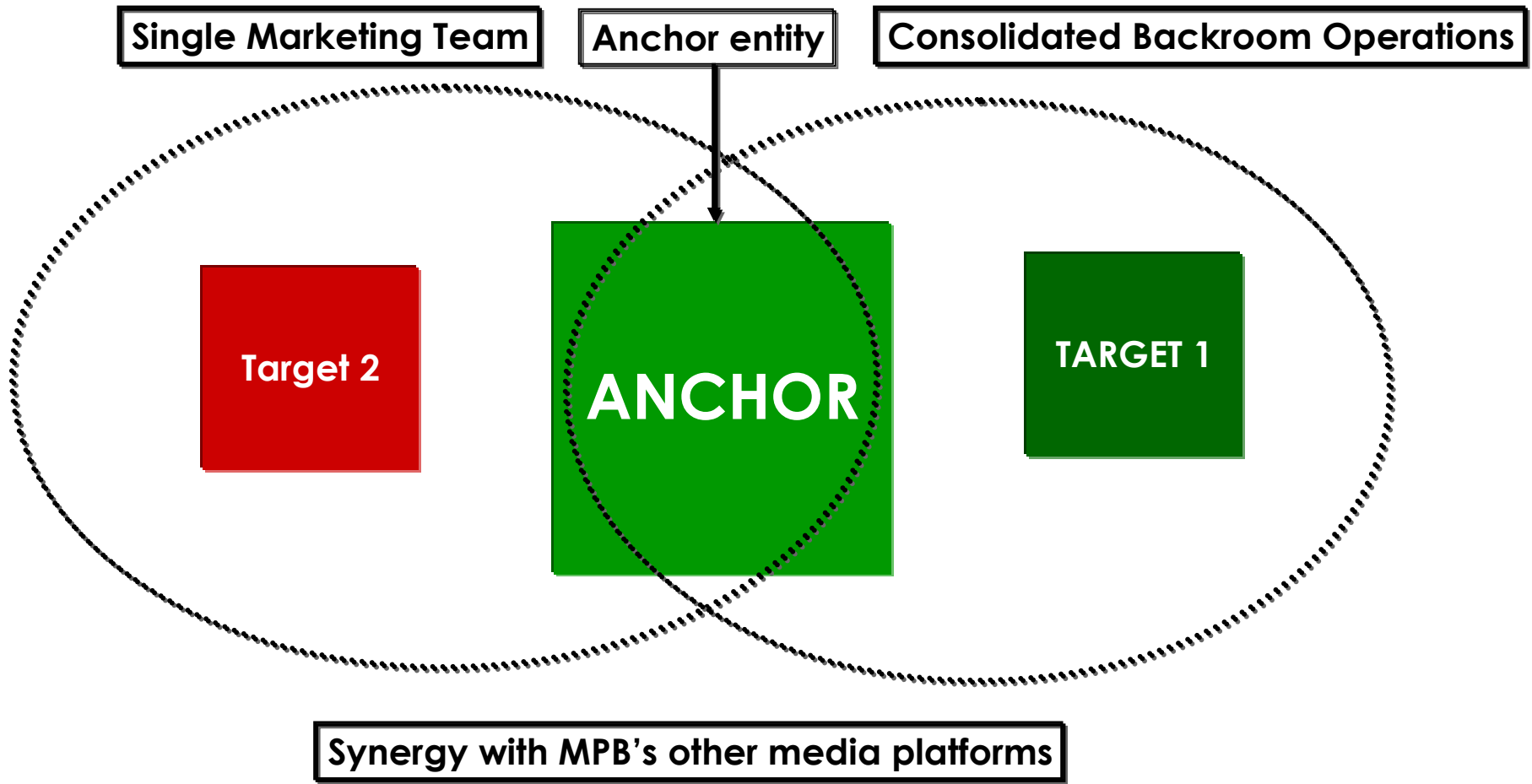
**NOVEMBER 2006**

- Section 1**      **Group strategy and strategic direction of Media Prima outdoor business**
- Section 2**      **Proposed acquisition of Big Tree Outdoor as “Anchor” entity**
- Section 3**      **Proposed acquisition of UPD and The Right Channel**
- Section 4**      **Proposed transaction structure and value**
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**SECTION 1**  
**GROUP STRATEGY AND**  
**STRATEGIC DIRECTION OF MEDIA PRIMA OUTDOOR BUSINESS**



Identify an outdoor company that fits the role of the “anchor” and build the outdoor business by acquiring under performing assets to enhance value



SECTION 2

**PROPOSED ACQUISITION OF BIG TREE OUTDOOR AS  
THE “ANCHOR” ENTITY**

On 20 November 2006, Media Prima announced the proposed acquisition of 70% equity stake in Big Tree Outdoor (BTOC) for consideration of RM97.2 million:

### Leading Outdoor Company

- Big Tree Outdoor (BTO) is the leading outdoor advertising outfit in Malaysia.
- BTO has prominent presence along the expressway, transportation hubs and retail and shopping malls.

### Strong Track Record

- BTO is expected to grow its annual revenue in 2006 in excess of RM50.0 million and double its net profit to RM13.0 million against RM6.1 million in 2002.
- BTO currently has over 15 exclusive mid to long term concessions nation-wide.

### Proven Management Team

- It is a well-managed company led by CEO, Suridah Jalaluddin and Director of Operations, Mohammad Azlan Abdullah.
- The Management team is responsible for the strong track record and growth of the Company.

### Strong Brand Equity

- The outdoor and non-outdoor advertising products of BTO are sold under the following brands:
  - Big Drive Expressway and Freemarket
  - Big Ride Transit
  - Big Buy Retail

- BTO is a profitable entity with stable increase in revenue and profitability
- EBITDA margin is in excess of 40% higher than current margin for MPB of 27% for FYE 2005

- Protected by long term revenue based from mid to long term concessions

RM'000	2004	2005	2006 (Est)
Revenue	43,725	49,639	57,000
Gross profit	19,886	22,307	24,000
EBITDA	17,679	19,399	21,500
Profit before tax	13,812	15,035	17,000
Profit after tax	9,712	11,177	13,000
EBITDA margin (%)	40.4	39.1	37.7
Gross profit margin (%)	45.5	44.9	42.1
Net profit margin (%)	22.2	22.5	22.8

RM '000	2004 %	2005 %
Display rental		
- Expressway	51.5	53.8
- Transit & retail	18.8	20.7
	70.3	74.5
Lightings		
- Expressway	5.4	5.7
- Transit & retail	0.3	0.3
	5.7	6
Production		
- Expressway	15.5	10.8
- Transit & retail	8.5	8.7
	24	19.5
Total	100.0	100.0
Summary		
- Expressway	72.4	70.30
- Transit & retail	27.6	29.70
Total	100.0	100.00

A sample of the concessions and concession period:

<b>Concessionaire</b>	<b>Expressway</b>
<b>PLUS Expressway Berhad</b>	<b>NSE, NKVE and Federal Highway Route 2</b>
<b>ELITE Sdn Bhd</b>	<b>ELITE</b>
<b>Penang Bridge Sdn Bhd</b>	<b>Penang Bridge</b>
<b>Linkedua (M) Berhad</b>	<b>Linkedua</b>
<b>Projek Lintasan Kota Sdn Bhd</b>	<b>The Ampang – Kuala Lumpur Elevated Highway</b>
<b>Metramac Corporation Sdn Bhd</b>	<b>KL-Seremban Expressway (Jalan Sungai Besi), East-West Link</b>
<b>Rapid KL (Putra)</b>	<b>Putra Rail (Kelana Jaya Line)</b>
<b>Kuala Lumpur City Centre (KLCC)</b>	<b>Suria KLCC, KLCC and Kuala Lumpur Convention Centre</b>

The concession above covers a period between 5 to 15 years

	RM million
Nav is	81.0
Minority shareholders	16.2
<b>Purchase consideration</b>	<b>97.2</b>
Equity stake acquired	70%
<b>Enterprise value</b>	<b>138.9</b>
<b>EBITDA (RM'm)</b>	
2005	19.40
2006 (E)	21.50
2007 (E)	25.00
<b>PAT (RM'm)</b>	
2005	11.18
2006 (E)	13.00
2007 (E)	15.00
<b>EV / EBITDA (times)</b>	
2005	7.2
2006 (E)	6.5
2007 (E)	5.6
<b>PER (times)</b>	
2005	12.4
2006 (E)	10.7
2007 (E)	9.3

Company	Country	EV / EBITDA (times)	PER (times)
Seni Jaya	Malaysia	1.25	13.89
Lamar Advertising	US	16.11	149.36
Clear Channel	US	11.86	26.42
Roadshow	Hong Kong	5.45	26.92
Dahe	China	7.40	16.77
<b>Big Tree Outdoor</b>	<b>Malaysia</b>	<b>6.46</b>	<b>10.68</b>

**At below comparable market multiples**

**SECTION 3**  
**PROPOSED ACQUISITION OF**  
**UPD AND THE RIGHT CHANNEL**

**One of the largest outdoor outfit**

- UPD Sdn Bhd (“UPD”) is owned by Utusan Melayu (Malaysia) Bhd group of companies (Utusan Group)
- Estimated revenue of RM9 m for 2006

**Owens over 2,400 panels nationwide**

- Owns over 2,400 active outdoor advertising panels located across the nation, giving wide coverage for advertisers
- Holds long term concession on STAR Light Railway Transit

**Strong presence in inner city**

- Owns good sites including inner city sites
- The strategic location of the sites complements BTO’s expressway and retail business

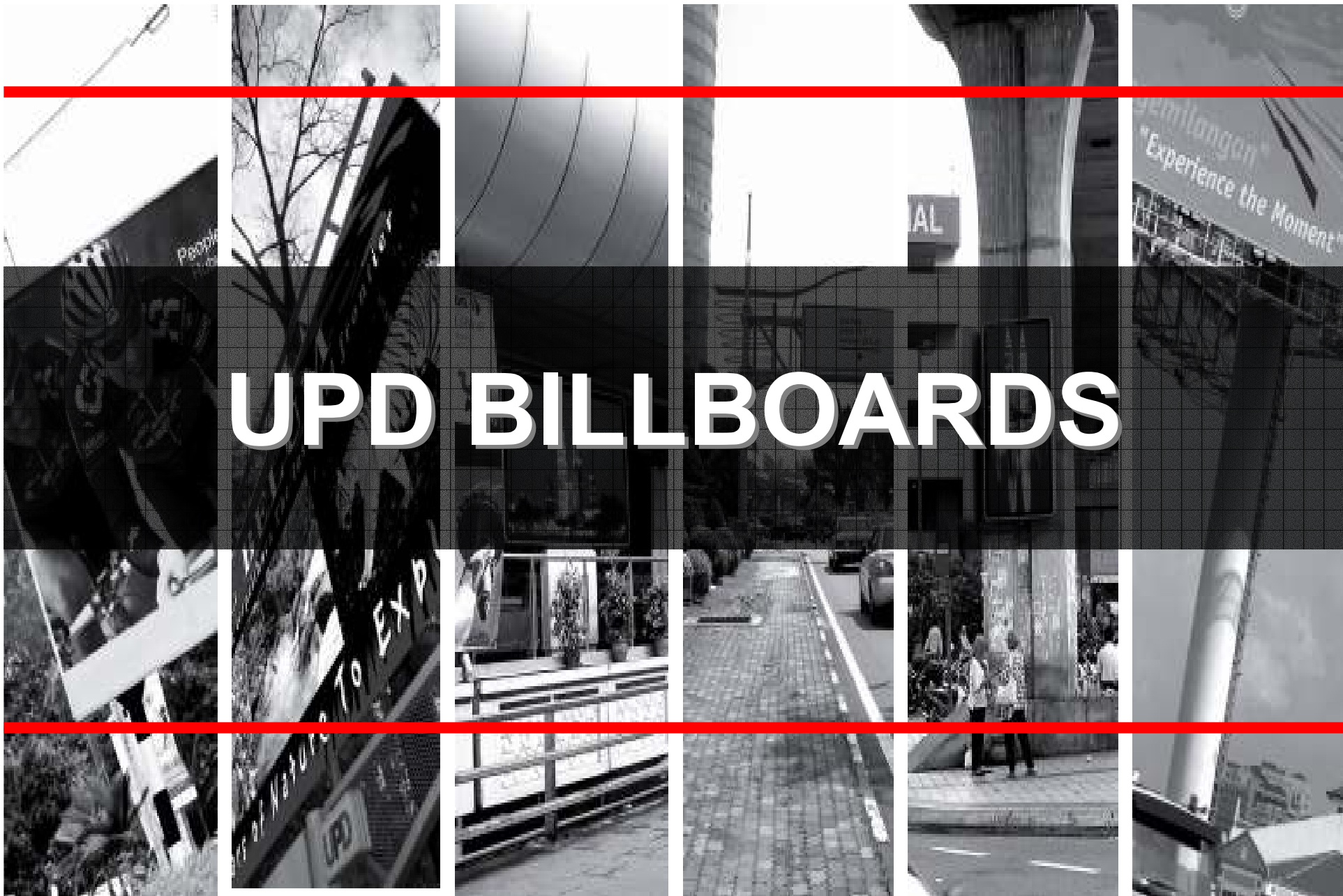
**Well positioned for turnaround**

- Whilst loss making, with its strong concession and ready revenue, early turnaround is expected by the management of BTO

**MPB believes that there is a strong potential from the acquisition of UPD from its existing revenue base.**

**UPD's STAR LRT sites and inner city sites in Klang Valley alone have the following annual revenue generating potential based on management's estimates:**

<u>Sites</u>	<b>RM'm</b>
STAR LRT sites	4.1
Klang valley inner city sites	5.1



# UPD BILLBOARDS







# UPD TRANSIT







# UPD STREET FURNITURE



FYE 31 Dec	RM '000	
	2004	2005
Revenue	18,582	9,149
Operating expenses	(18,942)	(6,534)
EBITDA after EI	3,745	225
PBT	1,060	(3,201)
PAT	1,060	(2,525)
Paid-up ordinary capital ('000)	2,128	2,128
Shareholders' deficit	(12,284)	(14,809)
Total borrowings ^	394	418
Gearing ratio (times)*	(0.03)	(0.03)

**Notes:**

^ Total external borrowings

\* Total external borrowings/ shareholders' fund

**Small outdoor company**

- The Right Channel (“TRC”) is a small outdoor outfit which is wholly owned by The New Straits Times Press (Malaysia) Berhad (“NSTP”)
- MPB owns 43.3% of NSTP

**Concessions on ERL trains and Alam Sentral**

- TRC owns concession over ERL train
- Also own concession on retail advertising panels at Alam Sentral shopping mall
- Have sites along LDP and inner city sites

**Already contributing small EBITDA**

- Currently registers small positive EBITDA
- Stands to benefit from consolidation of marketing and back-office



FYE 31 Dec	RM'000	
	2004	2005
Revenue	2,737	2,018
Operating expenses	(2,790)	(1,750)
EBITDA after EI	(1,472)	(301)
PBT	(2,137)	(1,096)
PAT	(2,137)	(1,940)
Paid-up ordinary capital ('000)	5,000	5,000
Shareholders' deficit	(2,478)	(4,418)
Total borrowings <sup>^</sup>	-	-

**Note:**

<sup>^</sup> Total external borrowings

**SECTION 4**

**PROPOSED TRANSACTION STRUCTURE AND VALUE**

- The summary of the total transaction is as follows:-

Company	No. of shares acquired	% acquired	Purchase Consideration (RM)
UPD	2,128,000	100	1.00
TRC	5,000,000	100	1.00
			<b>2.00</b>

- As part of the transaction, UPD and TRC shall repay shareholder advances (owing to Utusan and NSTP respectively) over a period of 2 years.
- In addition, there is a cap of the net liabilities position for UPD and TRC, inclusive of shareholders advances. Any amount above the net liabilities position will be settled by the respective vendors.

Company	Proposed limit on net liabilities
	RM million
UPD	11.0
TRC	3.5

	UPD	TRC
Equity stake acquired (%)	1.00	1.00
<b>Purchase consideration (RM)</b>	<b>1.00</b>	<b>1.00</b>
Limit on the net liabilities position of each company (RM'm)	11.0	3.5
<b>Implied Enterprise Value</b>	<b>11.0</b>	<b>3.5</b>
<b>EBITDA (RM'm)</b>		
2006 (E)	0.8	0.3
2007 (E)	5.0	1.4
<b>EV / EBITDA (times)</b>		
<b>2007 (E)</b>	<b>2.20</b>	<b>2.50</b>

**Post turnaround, EV/EBITDA for UPD and TRC of 2.2 and 2.5 respectively**

The proposed acquisitions of UPD and TRC are value enhancing to MPB based on the estimates for 2007 as follows:-

Proforma Based on 2007 Estimates							
RM'million	BTO	UPD	TRC	Total Outdoor	MPB	Total Combined	% Outdoor of MPB
Revenue	65.0	13.0	3.0	81.0	578.0	659.0	14.0%
EBITDA	25.0	5.0	1.0	31.0	177.0	208.0	17.5%
PATAMI	10.5*	3.0	0.7	14.2	95.0	109.2	14.9%

**Note:**

\* Based on 70% share

- **FRS3 Business Combinations could have an impact on earnings as a result of the acquisition of UPD & TRC**
- **A potential impact of FRS3 is the possible recognition of a portion of the goodwill arising from the acquisition as intangible assets. These intangibles are required to be amortised over a period of which the benefits are to be derived.**
- **MPB is currently assessing the impact of FRS3.**

**Consolidate leading position in Outdoor**

- Acquisition of UPD and TRC will consolidate Media Prima's position as the leading provider of out-of-home advertising solutions

**Streamlining back office functions**

- Using BTO as the "Anchor" entity, the consolidation will streamline the backroom functions and eliminate cost inefficiencies if BTO, UPD and TRC are operated as separate entities

**Acquisition of underperforming assets with potential upsides**

- UPD and TRC have many strategic yet underperforming assets giving room for potential upsides for the business
- Combining the marketing functions, contacts and management of BTO with UPD and TRC provides the impetus for turning around the underperforming assets

**Gives control over inner city rail concessions**

- Acquisition will result in the Outdoor Group controlling the inner city rail concessions of PUTRA, STAR and ERL
- Provides variety and increased exposure to advertisers

**Transaction at fair value – post acquisition at attractive multiple**

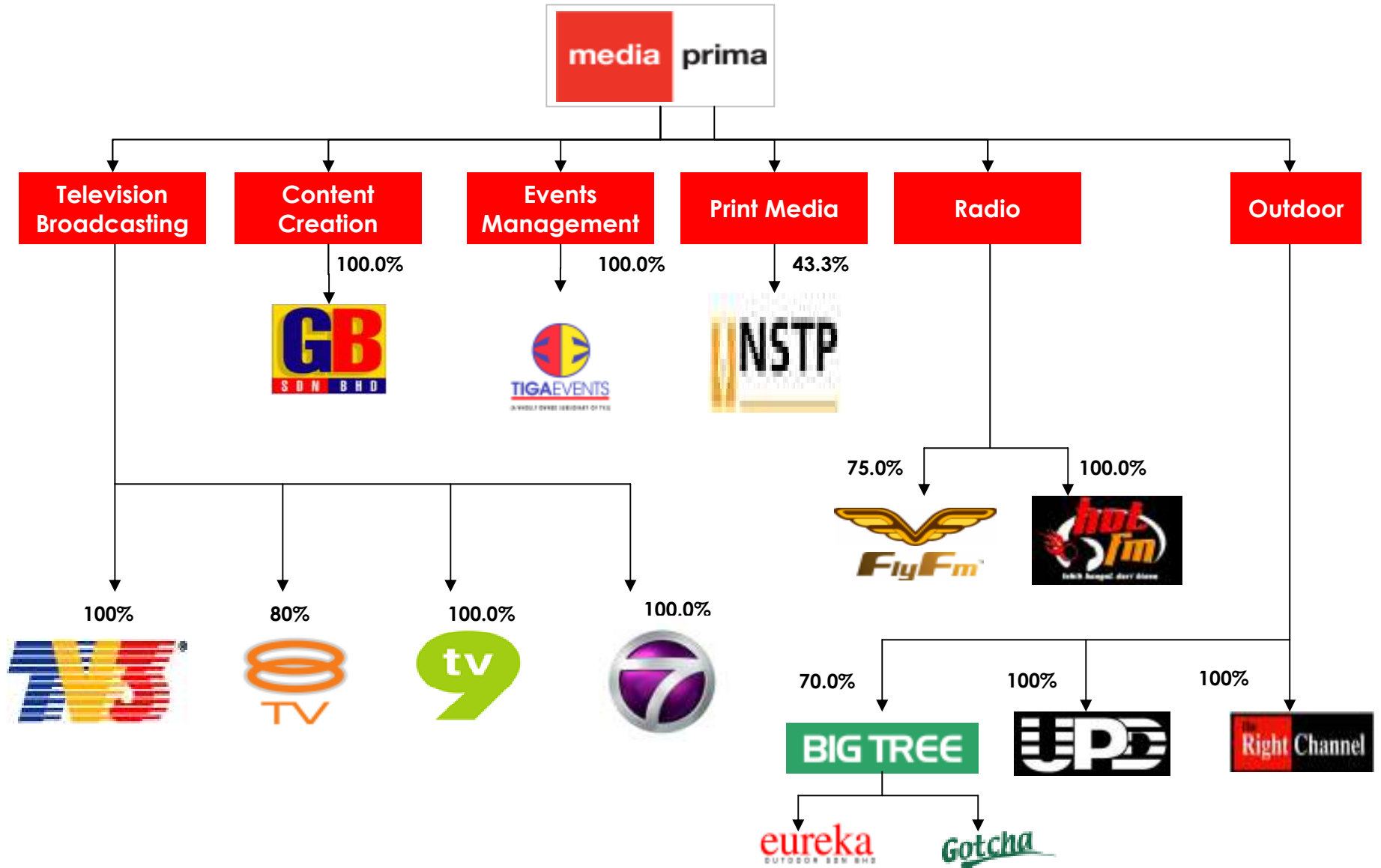
- Post acquisition EV/EBITDA for 2007 estimated at 2.20 and 2.50 respectively
- Comparable with multiples of other outdoor companies

**Minimum cash outflow from Media Prima**

- Purchase consideration at RM1 for each UPD and TRC.
- Settlement of liabilities to be made by UPD and TRC using their internally generated funds with payments over a 2 year period
- Will preserve Media Prima cash balance

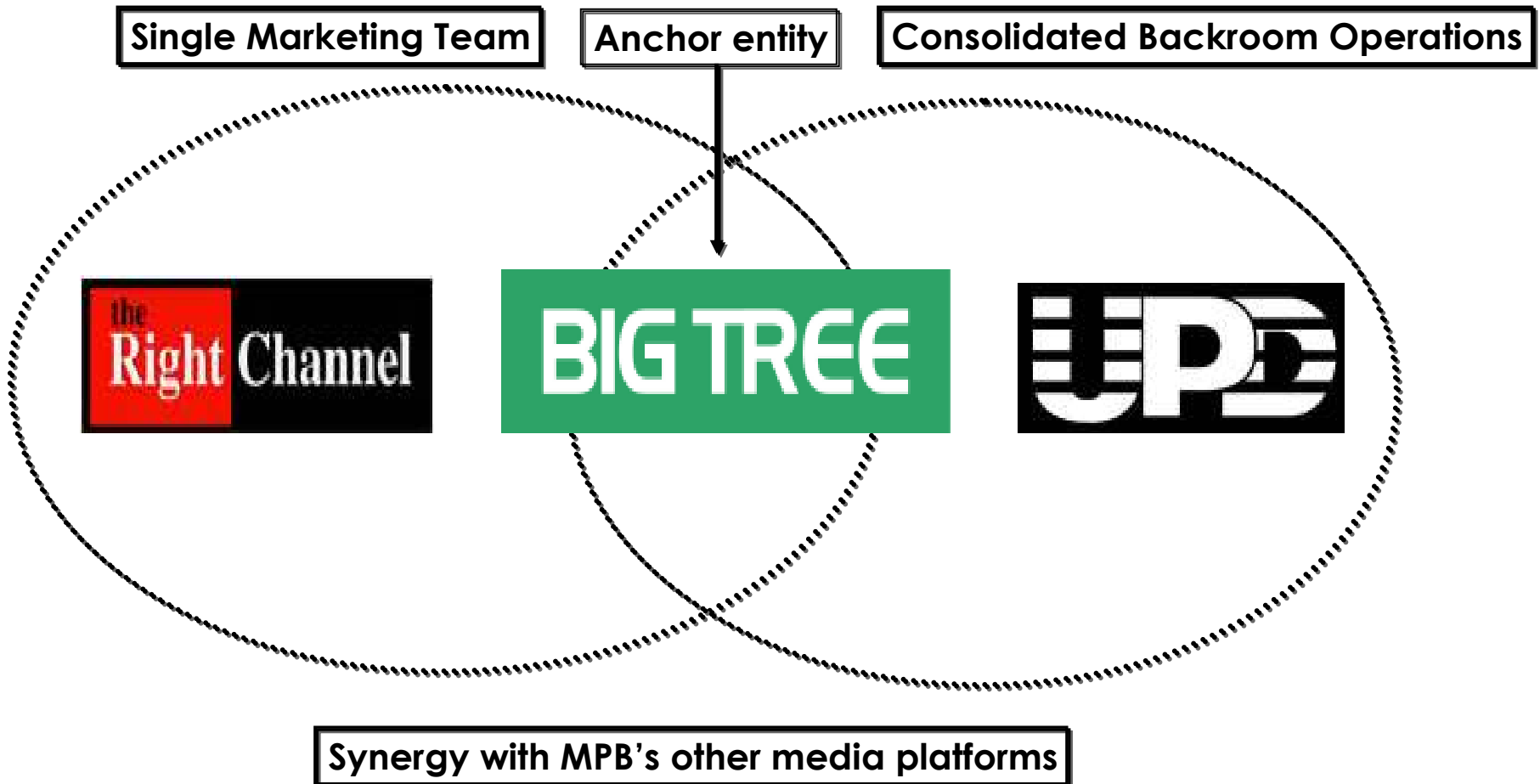
**Potential synergy with other MPB media assets**

- Potential synergy on cross-promotions and cross selling between BTO and other media assets within MPB.



SECTION 5  
CONCLUSION

Big Tree is the “anchor” in consolidating outdoor business - managing under performing assets to enhance value



- **With the acquisition, MPB will complete its traditional media platform line-up.**
- **BTO, UPD and TRC will enhance MPB's earnings and provide the ability for further expansion into the outdoor business.**
- **MPB's earnings will also be diversified, with the more stable earnings of BTO, UPD and TRC providing a balance with revenues from TV and Radio Networks.**
- **The proposed value for the acquisition of UPD and TRC is fair; it is earnings accretive with EV/EBITDA post acquisition in 2007 estimated to be comparable with the market.**

