

Plan to set Nu Metro on path to profit

Analysts generally applauded the R75m that Times Media Group secured for its loss-making cinema chain Nu Metro, but the market sent its shares down 2.43% to R20.49 on Monday.



Times Media - which owns Business Day among several other newspapers - announced on Monday that it had reached an agreement to sell Nu Metro and its cinema advertising sales unit Popcorn to private equity firm One Fifty Capital. The deal, worth R75m, is a result of the company exiting non-core businesses in a new turnaround strategy.

The cinema chain, which is the second-largest cinema operator in southern Africa, operating 17 cinema complexes with 162 screens across South Africa, and representing about a third of the local cinema market share, was earmarked as an asset for sale by investment holding group Blackstar when it acquired media group Avusa and converted into Times Media two years ago. It was accounted for as a discontinued operation in last year's results.

Nu Metro contributed a R3m loss on turnover of R414m, Times Media's result for the year ended June showed.

Afena Capital research head Khulekani Dlamini said in the absence of a profitable audience the cinemas were of less importance to Times Media.

Loss maker

"It was a loss maker and they got rid of it. With the advent of new technologies there is a lot of competition for eyeballs, there is decline in viewership and advertisers will shy away from the cinemas in that sense."

Times Media said in its annual report it intended selling Nu Metro because the "cinemas business lacks the required synergies and returns on investment in a media-focused group".

Media Monitoring SA director William Bird said: "It's a bit surprising to dump Nu Metro, which is a platform to market content when content in the next few years will become crucial."

"You look at MultiChoice buying up content - for them to dump is a little surprising."

One Fifty Capital commercial director Julian Kannigan issued a statement yesterday listing some of the new owner's plans to turn Nu Metro to profit.

Non-core asset

"As part of Times Media Group, Nu Metro was a non-core asset. We're taking a fresh approach by making this an 'owner-managed' business that is working hand-in-hand with Nu Metro's existing young and innovative management team."

Kannigan said the first step would be to move Nu Metro's head office "into the trendy, upcoming city neighbourhood of Braamfontein, Johannesburg. The new modern facility will boast state-of-the-art equipment, a trendy lunchtime cafe and is in walking distance of the Joburg Theatre."

One Fifty Capital will be deploying a Nu Metro application for iPhone, iPad, and Android.

"Customers will be able to preview movies, check show times, book tickets and even have their tickets electronically delivered, eliminating the hassle of queues at the cinema, all from their mobile devices and tablets.

"The use of social media has created a loyal culture of South African Nu Metro fans. Our app will please avid social media users by giving the option to share experiences on Facebook and Twitter as well as update friends as to when and where they'll be attending a movie," Kannigan said.

Source: Business Day, via I-Net Bridge

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