



TA SECURITIES

A MEMBER OF THE TA GROUP

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COMPANY UPDATE

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FBM KLCI: 1,525.92

Asia Media Group Berhad

Expansion Activities in High Gear

Wednesday, April 13, 2011

TP: RM0.34 (+25.9%)

Business Summary : Largest Transit-TV Network operator in Malaysia
Major Shareholders (%) : Wong SK Holdings Sdn Bhd (45.61)
Company Website : <http://www.asiamedia.net.my>
IR Contact : Kelly Ang (603 5882 7788)
Constituent of : na

Recommendation: Buy
Market Capitalisation (RMmn): RM61.6
Current Price: RM0.270
Market/ Sector: ACE Market/Media
Stock Code: 0159

TA Research Team Coverage

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Key Stock Statistics

FYE Dec 31		2011F	2012F
EPS	(sen)	5.2	6.2
PER	(x)	5.2	4.3
Gross div/ share	(sen)	na	na
NTA/share	(sen)	28.3	36.2
Book value/ share	(sen)	26.0	32.2
Issued capital	(mn shares)	228.0	228.0
52 weeks share price range	(RM)	na	na

Per Share Data

FYE Dec 31		2010	2011F	2012F
Book Value	(sen)	11.5	26.0	32.2
Cash Flow	(sen)	(1.0)	(14.8)	(7.8)
Earnings	(sen)	3.4	5.2	6.2
Dividend	(sen)	na	na	na
Payout Ratio		na	na	na
PER (x)	(x)	7.9	5.2	4.3
P/ Cash Flow	(x)	(0.6)	(0.0)	(0.1)
P/ Book Value	(x)	2.3	1.0	0.8
Dividend Yield	(%)	na	na	na
ROE	(%)	29.5	20.1	19.4
Net Gearing	(%)	na	(0.1)	0.0

P&L Analysis (RMmn)

FYE Dec 31		2010	2011F	2012F
Revenue		23.4	31.6	42.0
Operating Profit		7.8	12.1	14.7
Depreciation		(1.4)	(1.6)	(3.3)
Interest Expenses		(0.1)	(0.2)	(0.4)
Pre-tax Profit		7.7	11.9	14.2
Effective Tax Rate	(%)	na	na	na
Net Profit		7.7	11.9	14.2
Operating Margin	(%)	68.6	73.0	67.1
Pre-tax Margin	(%)	33.1	37.7	33.9
Net-Margin	(%)	33.1	37.7	33.9

Share Price relative to the FBM KLCI



Source: Bloomberg

Background

Asia Media Group Bhd is a newly listed company on the ACE Market of Bursa Malaysia. It is currently the market leader in the out-of-home digital media and advertising industry. The company operates the largest Transit-TV network in Malaysia.

Aggressive Expansion

Since listing early this year, Asia Media Group has been actively embarking on expanding its business. The group's two pronged expansion plan involves erecting seven transmission towers (inclusive of transmission equipments and network integrations) for its Digital Terrestrial Television Broadcasting (DTTB) services and expanding its geographical coverage.

On the local front:

Currently, the group operates and sells air-time on RapidKL Buses, Causeway Link, Plusliners, Nice and Nice++ buses on a prerecorded basis. However, the group now plans to expand its product offerings by providing live broadcast via its Transit-TV Network System using the DTTB technology to its LCD panels on moving transportations.

We understand that come 1HCY11, the group plans to roll-out its DTTB service in the Klang Valley by utilising its IPO proceeds to erect transmission towers in identified locations. Second in-line in its expansion plan would be Johor Bahru and Penang by 2012. The group then plans to penetrate Ipoh and Kuantan by 2013 and by 2015, the group hopes to have had a foothold in all the other states in Peninsula Malaysia.

For the next couple of years, we expect the group to undertake comparatively large capital expenditures to expand its operations and product offerings in the country. For FY11 and FY12, we forecast capital expenditures of RM28mn and RM25mn respectively.

Abroad:

Apart from its local expansion into second-tier cities, Asia Media is also actively pursuing its expansion into Singapore. The group aims to enter the Singaporean market within this year.

The group's expansion into Singapore will be done via an acquisition. The company has identified the targeted company and in the midst of finalising the terms. We believe that the company is expected to make the required announcement by next month.

For Asia Media's expansion into Indonesia, the group noted broadly that they have had preliminary discussions with several local partners. The group opines that it would likely be a joint-venture proposition, possibly into taxi as most of the professionals and executives commute in taxis within city. This plan would be secondary to the Singapore expansion plan as they would need more time in looking for the right partner and model as its plan to expand to Indonesia is only scheduled in 2012/2013.

Earnings Summary

FYE 31 Dec (RMmn)	2010	2011F	2012F	2013F
Revenue	23.4	31.6	42.0	56.1
Gross Profit	11.3	16.5	21.6	28.3
Profit/(Loss) from Operations	7.8	12.1	14.7	18.4
PBT	7.7	11.9	14.2	17.8
PAT	7.7	11.9	14.2	17.8
EBITDA	9.3	13.7	18.0	23.5
EBIT	7.8	12.1	14.7	18.4
EPS (sen)	3.4	5.2	6.2	7.8
Gross Dividend (sen)	0.0	0.0	0.0	1.6
Dividend Yield (%)	0.0	0.0	0.0	5.8
PER - based on current price (x)	7.9	5.2	4.3	3.5
ROE (%)	29.5	20.1	19.4	20.3
ROA (%)	24.9	17.9	16.8	17.2
NTA/Share (sen)	12.7	28.3	36.2	44.3

Other Business and Corporate Developments

In April 2011, the group has entered into two significant corporate partnerships. The first is a Media Partnership Agreements signed with content providers ie. Les' Copaque Production Sdn Bhd, Animasia Sdn Bhd and Asia Media Sdn Bhd for public service announcements, the Upin & Ipin and Bola Kampung animation series respectively.

The second is an advisory role with the Performance Management and Delivery Unit (PEMANDU) for the Digital Terrestrial Television Broadcasting System under the Economic Transformation Programme. We view this as a very positive step because this would inherently place Asia Media as the front runner in securing any future jobs that might be dished out by the government in due course.

Valuation

We maintain our target price at RM0.34/share using an FY11 PER of 6.5x and an EPS of 5.23sen.

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