



TA SECURITIES

A MEMBER OF THE TA GROUP

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RESULTS PREVIEW

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FBM KLCI: 1,556.42

Asia Media Group Berhad

Private Placement

Thursday, June 02, 2011

TP: RM0.45 (+83.7%)

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)

Recommendation: Buy
Market Capitalisation (RMmn): RM55.86mn
Current Price: RM0.245
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)	6.9	10.7
PER	(x)	3.5	2.3
Gross div/ share	(sen)	na	na
NTA/share	(sen)	30.6	43.9
Book value/ share	(sen)	27.7	38.4
Issued capital	(mn shares)	228.0	228.0
52 weeks share price range	(RM)	0.21 - 0.43	

Per Share Data

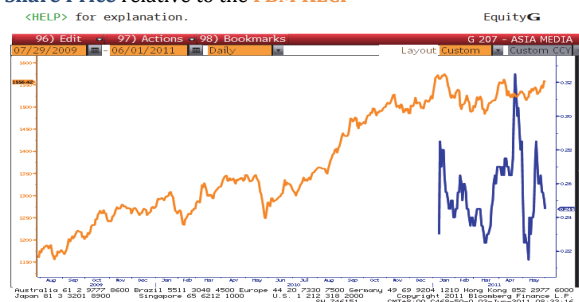
FYE Dec 31		2010	2011F	2012F
Book Value	(sen)	11.5	27.7	38.4
Cash Flow	(sen)	(1.0)	(11.7)	1.3
Earnings	(sen)	3.4	6.9	10.7
Dividend	(sen)	na	na	na
Payout Ratio		na	na	na
PER (x)	(x)	7.2	3.5	2.3
P/ Cash Flow	(x)	(0.6)	(0.0)	0.4
P/ Book Value	(x)	2.1	0.9	0.6
Dividend Yield	(%)	na	na	na
ROE	(%)	29.5	25.0	27.9
Net Gearing	(%)	na	(0.1)	(0.1)

P&L Analysis (RMmn)

FYE Dec 31		2010	2011F	2012F
Revenue		23.4	49.4	84.7
Operating Profit		7.8	16.0	24.8
Depreciation		(1.4)	(1.6)	(3.3)
Interest Expenses		(0.1)	(0.2)	(0.4)
Pre-tax Profit		7.7	15.8	24.4
Effective Tax Rate	(%)	na	na	na
Net Profit		7.7	15.8	24.4
Operating Margin	(%)	68.6	72.3	69.1
Pre-tax Margin	(%)	33.1	32.0	28.8
Net-Margin	(%)	33.1	32.0	28.8

Share Price relative to the FBM KLCI

<HELP> for explanation.



Source: Bloomberg

Asia Media Group Berhad has proposed to undertake a private placement of up to 35% of its issued and paid-up share capital of the company to bumiputera investors.

The main aim of the private placement is to comply with the bumiputera equity condition for its CASP Individual License, NSP Individual License and NFP Individual License granted by the Malaysian Communication and Multimedia Commission (MCMC). The license holder is required to have a bumiputera equity of not less than 30%. As of 12 May 2011, bumiputeras constitute 10.93% of the shareholdings of the company.

Dilution Effects

The group currently has 228mn shares outstanding and with the full placement of 35%, the outstanding share would increase to 307.8mn.

This would cause our estimated FY11 and FY12 EPS to dilute to 5.26sen and 7.93sen from 6.92sen and 10.71sen respectively. This is a dilution of 24% and 26% respectively. We have assumed an issue price of RM0.234/share for the private placement from the company announcement and an interest rate of 3% pa.

Theoretical New Target Price

Taking into account the full placement of 35%, our target price would be adjusted downwards to RM0.34/share from RM0.45/share currently.

Shareholdings

Dato' Ricky Wong, the CEO and founder of the group currently owns 45.61% of the company. Hence, assuming a full placement of 79.8mn new shares, Dato' Ricky Wong's shareholdings would decrease to 33.79%.

Issue Size & Utilisation of Proceeds

The placement would entail up to 79.8mn new shares which represents 35% of the existing paid-up capital of the company. The company plans to use the proceeds as capital expenditures and as working capital.

We believe that the proceeds would be utilised to purchase broadcast equipments, network equipments and integration of network system and broadcast centre for its Digital Terrestrial Television Broadcasting infrastructure for its nationwide expansion.

It is also in our opinion that based on the tentative allocation made for capital expenditure (RM2mn), we do not think that the proceeds would be used immediately for the purchase and erection of more transmission towers to serve second tier cities such as Johor Bahru, Kuantan and Ipoh. One transmission tower along with the network equipment/facilities would already costs RM2.3mn each. We suspect that the group would resort to borrowings as the company is in a net cash position.

Valuation and Recommendation

We maintain our Buy recommendation on Asia Media Group with an unchanged target price of RM0.45/share at this juncture.

We believe that this exercise is done out of necessity as the MCMC requires its license holders to have a bumiputera equity stake of at least 30%. The group has already been granted an extension to comply with this ruling and its operations relies heavily on these licenses as this is a monopolistic business.

We also note that the CEO/founder's equity stake would be diluted but we reckon that the management will take prudent steps to minimise the dilution as to be fair to its existing shareholders.

We believe that the group is still in its nascent growth stage and there is still much more upside potential for the company and for this stock.

Earnings Summary

FYE 31 Dec (RMmn)	2010	2011F	2012F	2013F
Revenue	23.4	49.4	84.7	112.1
Gross Profit	11.3	21.9	35.5	45.1
PBT	7.7	15.8	24.4	29.7
PAT	7.7	15.8	24.4	29.7
EBITDA	9.3	17.6	28.2	35.4
EBIT	7.8	16.0	24.8	30.3
EPS (sen)	3.4	6.9	10.7	13.0
Gross Dividend (sen)	0.0	0.0	0.0	2.6
Dividend Yield (%)	0.0	0.0	0.0	10.6
PER (x)	7.2	3.5	2.3	1.9
ROE (%)	29.5	25.0	27.9	26.7
ROA (%)	24.9	21.9	23.9	22.6
NTA/Share (sen)	12.7	30.6	43.9	56.6

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