



Asia Media Group Berhad

Proposed Rights Issue of Shares with Warrants

THIS REPORT IS STRICTLY FOR INTERNAL CIRCULATION ONLY*

TP: RM0.115 (-25.8%)

Last traded: RM0.155

SELL

TA Research Team Coverage

+603-2072-1277 ext:1635

benghooi@ta.com.my

www.taonline.com.my

Asia Media Group Berhad (Asia Media) has proposed to undertake renounceable rights issue of up to 752.4mn new shares in Asia Media on the basis of 1 rights share for every 1 existing Asia Media share held, together with up to 188.1mn warrants on the basis of 1 free new warrants for every 4 rights shares subscribed. The proposal is expected to be completed in 2QFY13.

The actual issue price will be fixed later but the indicative price of the rights share is assumed at RM0.13 per rights share. For warrant, based on the indicative exercise price of RM0.25/existing warrant, the exercise price of the existing warrants will likely be reduced to RM0.24/warrant.

The additional warrants to issued shall be identical in all respects with the outstanding warrants and shall be consolidated and form the same series with the outstanding warrants.

As part of the corporate exercise, Wong SK Holdings Sdn Bhd which hold 30% of the shares in Asia Media, will apply to the regulators for exemption to undertake a general offer.

The propose exercise will raise between RM19.6mn (minimum scenario) and RM97.8mn (maximum scenario). The proceeds raised is mainly intended for capex, i.e. for the purchase of equipment for setting up of Digital Terrestrial Television Broadcasting (DTTB) infrastructure, repayment of bank borrowings, working capital.

The group has already installed 5 transmission towers in Klang Valley and gap fillers may be installed to stabilize the broadcast signal in poor coverage area. Asia Media also intends to expand its DTTB coverage to Johor Bahru in 2013 and Penang in 2014.

Our View

The DTTB infrastructure allows delivery of real-time and more lively content to audience and hence, could attract more advertisers and command better ad rates. However, we are slightly negative on the proposal due to the significant dilution to the EPS. As the indicative price of RM0.13/rights share offers only slight discount to current share price, there is no real excitement for shareholders to subscribe to the rights shares given the uncertainty in the rollout of DTTB in Klang Valley which that been delayed for almost 2 years.

Share Information

Bloomberg Code	AMGB MK
Stock Code	0159
Listing	ACE Market
Share Cap (mn)	501.6
Market Cap (RMmn)	77.1
Par Value	0.10
52-wk Hi/Low (RM)	0.575/0.15
12-mth Avg Daily Vol ('000 shrs)	17574.6
Estimated Free Float (%)	70.0
Beta	1.3

Major Shareholders (%)

Wong Sk Holdings - 30.0

Forecast Revision

	FY12	FY13
Forecast Revision (%)	-	-
Net profit (RMmn)	17.0	22.8
Previous Rating	Sell (Maintained)	

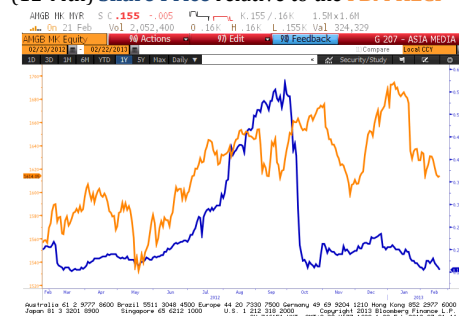
Financial Indicators

	FY12	FY13
Net Debt / Equity (%)	net cash	net cash
ROE (%)	22.3%	21.9%
ROA (%)	15.8%	18.1%
NTA/Share (RM)	0.18	0.11
Price/NTA (x)	0.9	1.4

Share Performance (%)

Price Change	AMGB	FBM KLCI
1 mth	(11.4)	(0.9)
3 mth	(21.7)	(0.3)
6 mth	(65.9)	(2.3)
12 mth	75.6	3.4

(12-Mth) Share Price relative to the FBM KLCI



Source: Bloomberg

Impact

We factor in the dilution effect based on assumptions that:

- i) No existing warrants are converted to subscribe for the rights shares
- ii) Full subscription of rights shares
- iii) Interest saving of 3% from the rights shares ;

which leads to 45% to dilution in EPS for FY13 and FY14.

Valuation

Based on 5x FY13 PE valuation, we adjust our target price from RM0.21/share to RM0.115/share. Maintain **SELL** call.

Earnings Summary

FYE: 31 Dec (RMm)		2010*^	2011^	2012F	2013F	2014F
Revenue		16.6	36.5	43.6	54.0	69.6
EBITDA		11.3	17.7	22.7	28.6	34.5
EBITDA margin	(%)	68.4	48.3	52.0	53.0	49.6
Pretax profit		10.3	15.0	17.0	23.2	28.8
Net profit		10.3	15.0	17.0	22.8	28.4
Core net profit		10.3	15.0	17.0	22.8	28.4
EPS	(sen)	2.0	3.0	3.4	2.3	2.8
Core EPS	(sen)	2.0	3.0	3.4	2.3	2.8
Core EPS growth	(%)	(20.6)	46.0	13.0	(32.9)	24.9
PER	(x)	7.6	5.2	4.6	6.8	5.5
Net DPS	(sen)	0.0	0.0	0.0	0.5	0.6
Net div yield	(%)	0.0	0.0	0.0	2.9	3.7
ROE	(%)	44.2	36.2	22.3	21.9	22.0

*Based on 15MFY10

^ Adjusted for 1 for 1 bonus issue of shares in 2012

Disclaimer

The information in this report has been obtained from sources believed to be reliable. Its accuracy and/ or completeness is not guaranteed and opinions are subject to change without notice. This report is for information only and not to be construed as a solicitation for contracts. We accept no liability for any direct or indirect loss arising from the use of this document. We, our associates, directors, employees may have an interest in the securities and/or companies mentioned herein.

This report has been prepared by TA SECURITIES HOLDINGS BERHAD for purposes of CMDP-Bursa Research Scheme ("CBRS") administered by Bursa Malaysia Berhad and will be compensated to undertake the scheme. TA SECURITIES HOLDINGS BERHAD has produced this report independent of any influence from the CBRS or the subject company.

For more information about CBRS and other research reports, please visit Bursa Malaysia's website at:
<http://www.bursamalaysia.com/market/listed-companies/research-repository/research-reports>

for TA SECURITIES HOLDINGS BERHAD^(14948-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)
Kaladher Govindan – Head of Research