



Asia Media Group Bhd

Potentially Lucrative Niche Media Segment

Fair Value: RM0.28 (+21.7%)

New Listing

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TA Research Team Coverage

+603-2072-1277 ext:1616

aarontan@ta.com.my

www.taonline.com.my

Asia Media Group Bhd is one of the few and leading Digital Out-of-Home (DOOH) Transit-TV Network System providers in Malaysia. The group is planning to raise RM22.54mn via an IPO at an issue price of RM0.23 per IPO Share. We derive a fair value of RM0.28 based on a discounted 7x media sector FY11 PER. We recommend investors to subscribe base on its niche market and first-mover advantage in this field.

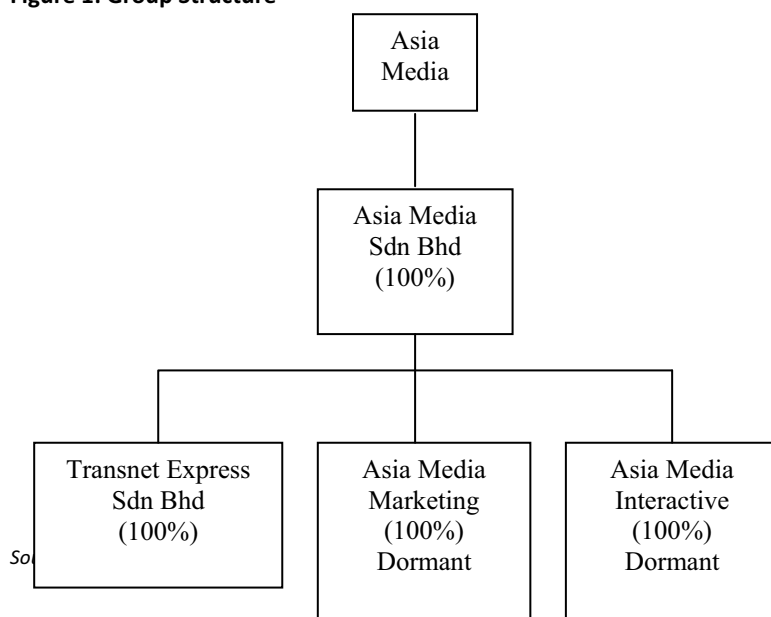
Salient Listing Terms

Asia Media Group's IPO consists of private placement of 90mn IPO Shares representing 39.47% of the enlarged issued and paid-up share capital and a public sale of 8mn IPO Shares representing 3.51% of the enlarged issued and paid-up share capital. The IPO price of RM0.23 is based on a historical annualised 6MFY10 PER of 7.7x. Upon listing, Asia Media Group would have a market capital of RM52.44mn on the Bursa Malaysia ACE Market.

Group Structure

Asia Media is an MSC Malaysia Status company which started its operations in October 2007 to operate Transit-TV Network System via its flagship channel that uses LCD-TV screens to deliver information such as entertainment programmes, advertisements, community messages and public bulletins in public transportations namely RapidKL Buses, Causeway Link Buses, Plusliner, Nice and Nice++.

Figure 1: Group Structure



SHARE INFO

Bloomberg Code	na
Bursa Name	na
Stock Code	na
Listing	ACE Market
Share Cap (m)	228.0
Market Cap @ RM0.23 (RMm)	52.4
Par Value (RM)	0.10
52-wk Hi/Lo (RM)	na
12-mth Avg Daily Vol (000' shrs)	na
Estimated Free Float (%)	43
Beta	1.49
Major Shareholders (%)	
	Dato' Wong Shee Kai - 45.61

RATIO & ANALYSIS

NTA Per Share (Post IPO)	RM0.17
Price to NTA (x)	1.4
Proforma ROE (%)	8.4
Proforma ROA (%)	8.0
Proforma Net Gearing (%)	Net Cash
Proforma Current Ratio (x)	11.9

INDICATIVE TIMETABLE

Opening	22-Dec-10
Closing	29-Dec-10
Balloting of Applications	31-Dec-10
Allotment of Shares	3-Jan-11
Listing	11-Jan-11

UTILISATION OF PROCEEDS

	RMmn	%
Capital Expenditure	16.0	71.0
Working Capital	5.0	22.2
Defray Listing Exp	1.5	6.8
Total Gross Proceeds	22.5	100.0

Core Business Activities

Asia Media basically has three main revenue generators:

- Air-Time sales;
- Programmes sponsorship; and
- Creative and production works.

(i) Air-Time Sales

Asia Media sells air-time which are 'slots of time' for advertisement to advertisers, content provider or anyone who wishes to convey messages via its Transit-TV Network System. Apart from 'slots of time' which are break time in between programmes on its network, Asia Media sells 'soft advertising time' which are slots which air concurrently with its programmes. The group's Transit-TV Network System operates 18 hours a day and seven days a week. Customers will have a chance to advertise every hour for at least nine times a day and 63 times a week.

(ii) Programme Sponsorship

Programme sponsorship is a value added service for advertisers to participate in the programmes aired by providing voting services, contest sponsorship, prize sponsorship, feedback/survey collection, ground events and banner advertising. This product mainly caters to anchor advertisers who wish to leverage on Asia Media's Transit-TV Network System to gain more publicity and goodwill instead of just utilising one of the 'slot of time' packages. Among the group's notable anchor advertisers are Nikon (M) Sdn Bhd, Nestle (M) Bhd, Kementerian Wilayah Persekutuan dan Kesejahteraan Bandar and Balai Seni Lukis Negara. Among the programmes sponsored in 2010 are the FIFA World Cup 2010, pre-Commonwealth Games, Commonwealth Games and Formula 1.

(iii) Creative and Production Works

Apart from selling air-time and programme sponsorship, Asia Media also provides creative solutions via its creative department with end-to-end solution from conceptualization to broadcasting of marketing campaigns, which includes assisting customers in producing their advertisements such as basic animation, filming and video shooting. The group engages external parties to provide ideas, proposals and expertise in producing more complex productions with additional technical effects on the production of technical works required by its customers from time to time.

New Services –Under development

(i) Digital Terrestrial Television Broadcasting (DTTB)

Asia Media's current Transit-TV Network System is based on a pre-recorded system. However, the group is currently developing a real-time driven contents and information targeted to mobile audiences. With this live broadcast, the group is able to deliver real-time advertising mixed with real time contents provided by the local TV stations.

(ii) Mobile Interactive

Asia Media plans to roll out its mobile interactive as part of the platform for advertising which is mostly via SMS advertising, multimedia messaging advertising, advertising within mobile games and mobile videos. This two-way communication medium is able to attract more attention and hence will benefit customers in terms of effectiveness and audience reach.

SWOT Analysis

Strengths

- First-mover Advantage

Asia Media being one of the first companies to establish a large-scale DOOH advertising network in Malaysia has managed to secure a comfortable amount of medium term contracts from some major bus companies.

- Only DOOH Transit Media Player in Malaysia with full fledged licenses. The group is the only DOOH transit media company in the country with full fledged CASP Individual License, NFP Individual License, NSP Individual License and ASP Class License. In comparison, Asia Media's competitors chiefly YTL Info Screen Sdn Bhd and Simfoni Maya Sdn Bhd are not in Register of Individual Licenses for the CASP Individual License, NFP Individual License and NSP Individual License.

As a full fledge CASP License Holder, the group is able to operate a nationwide 24-hour free-to-air (FTA) broadcasting, subscription broadcasting and terrestrial radio broadcasting, which differentiate the company from YTL Info Screen and Simfoni Maya Sdn Bhd. The other two FTA broadcasting license holders are Media Prima Bhd and Radio Televisyen Malaysia and the other two subscription broadcasting license holders are Astro All Asia Networks PLC and DE Multimedia Sdn Bhd.

Meanwhile, the NFP Individual License gives the group the rights to provide, construct and maintain telecommunication infrastructures and the NSP Individual License allow it to provide nationwide broadcasting and data services to all public transport and moving vehicles.

Weaknesses

- Niche Market

Asia Media operates in a very niche market; providing information distribution and advertising services to DOOH Transit-TV Network Systems in Malaysia. This however, could potential be risky because of the limited target audience, limited clients and limited avenue to diversify. Hence, this specialized market, although full of potential could potentially be an undoing of the company.

Opportunities

- Expansion of Malaysia's Public Transportation

Under the Government Transformation Programme, the Government is ready to invest and spend heavily on the public transportation system in Malaysia. This provides more avenue and opportunities for companies like Asia Media to expand their viewership and target audience in other modes of public transportation; one of it being the Klang Valley MRT system.

Threats

- Competition by Bigger Players

There will always be a threat of new competition from more established media companies, chiefly Media Prima Bhd which has a foothold in almost every media segment in the country. Although the initial startup cost might be high, we believe that a media conglomerate like Media Prima would definitely be able to fork out the initial investment and threaten Asia Media.

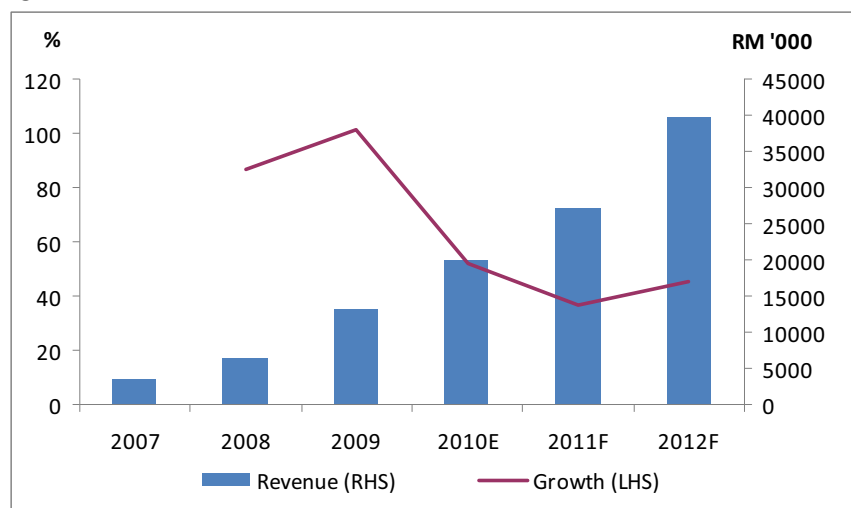
However, for the foreseeable near term, we believe that Asia Media would maintain its foothold on the DOOH Transit-TV Network System advertising field as it has already managed to brand itself well in this segment of the industry.

Financial Highlights

Topline

Asia Media has definitely grown leaps and bounds for the past few years. Its topline growth is a testament of its first mover advantage and we believe that the group still has more space to grow and moving forward, their diversity in product offering would sustain its double digit growth.

Figure 2: Revenue Trend

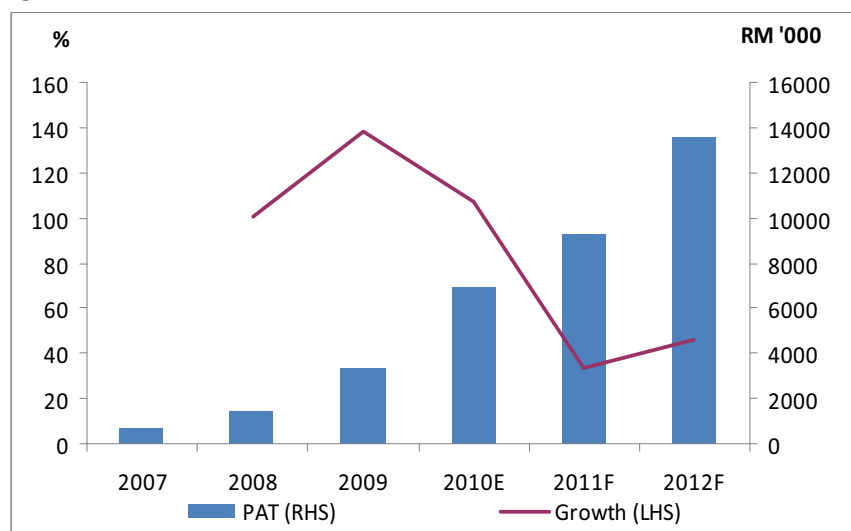


Source: Company, TA Research

Bottomline

In line with its robust topline growth, Asia Media's bottomline also registered double- to triple-digit growths since 2007. This exceptional growth shows that Asia Media is in its high growth period where there are bountiful opportunities yet to be discovered and to cash in upon.

Figure 3: PAT Trend



Source: Company, TA Research

Valuation

We derive a fair value of RM0.28/share by pegging an FY11 PER of 7x to a projected FY11 EPS of 4sen. Here, we tag a 50% discount to our house's media sector target PER of 14x to reflect Asia Media's limited business profile, small market capitalization and relatively new business model. Nevertheless, we recommend investors to subscribe given its healthy capital upside and growth prospects.

Earnings Summary

FYE Dec 31 ('000)	2007	2008	2009	2010E	2011F	2012F
Revenue	3501.0	6533.0	13150.0	19992.0	27369.5	39718.6
COGS	1708.0	3703.0	6267.0	9754.0	13619.1	18925.9
Gross Profit	1793.0	2830.0	6883.0	10238.0	13750.4	20792.7
EBITDA	969.0	2187.0	4234.0	8444.0	10672.5	15030.7
PBT	711.0	1412.0	3358.0	6956.0	9275.5	13583.7
Taxation	(6.0)	0.0	0.0	(6.0)	(6.5)	(7.5)
PAT	705.0	1412.0	3358.0	6950.0	9269.0	13576.2
Enlarged Shares	228000.0	228000.0	228000.0	228000.0	228000.0	228000.0
Gross EPS (sen)	0.3	0.6	1.5	3.1	4.1	6.0
Net EPS (sen)	0.3	0.6	1.5	3.0	4.1	6.0
GP Margin (%)	51.2	43.3	52.3	51.2	50.2	52.4
PBT Margin (%)	20.3	21.6	25.5	34.8	33.9	34.2
PAT Margin (%)	20.1	21.6	25.5	34.8	33.9	34.2

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Kaladher Govindan – Head of Research