

Company Update

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Asia Media Group Bhd

NOT RATED

Target	RM0.34
Previous	RM0.34
Price	RM0.28

Major Shareholder (%)

Wong SK Holdings	45.6
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Stock's Information

Market cap (RMm)	63.8m
Shares Capital (m)	228.0m
OSK 188 Ticker	AMEDIA
Industry	Media

Company Description

Asia Media Group is one of the leading DOOH transit TV companies in Malaysia, offering high-quality infotainment and targeted advertising through the use of digital electronic displayed in various outdoor premises.

Staying on Course

We recently visited Asia Media Group (Asia Media), which announced promising quarterly results early last month, to gather some updates on its recent developments. During the visit, we were briefed on its plan of diversifying away from mass-market advertising into the tourism segment. Meanwhile, its share price has performed well since our first update, up from RM0.27 to the recent high of RM0.30. At this juncture, we are maintaining our RM0.34 price target.

9MFY11 net profit exceeds earnings forecast. For 9MFY11, the company posted revenue of RM27.9m and net profit of RM11.7m, accounting 79.5% and 82.3% of our full-year FY11 revenue and earnings forecasts respectively. The group attributed the impressive earnings to improved contributions from the airtime (+64.2%) and programme sponsorship segments (+ >100%) while the creative & production segment (+>100%) had made a significant turnaround by coming out of the red. In addition, the constant growth of both existing and new clients has also strengthened the group by providing more sustainable sales.

Potentially venturing into the tourism segment. Apart from installing digital screens on public buses, the group has also considered installing digital screens on premium cabbies, which specifically cater for passenger pick-up services at hotels and airports. The contents aired on the cabbies' digital screens would be related to Malaysian tourism activities, giving foreign tourists a brief introduction to Malaysia. We believe the new segment could provide some steady earnings for the company, allowing it to potentially tie-up with the Ministry of Tourism to promote the local tourism industry.

Main Board transfer pending approval. The company is in the midst of transferring its listing to the Main Market, pending the approval from Bursa Malaysia. We believe the Main Market status could help enhance its corporate profile and attract added interests from public investors.

Issue of Bumiputera quota is resolved. To recap, the group was earlier given a 1-year deadline to meet the 30% Bumiputera shareholding quota stipulated by the Malaysian Communications and Multimedia Commission (MCMC) for holding three individual multimedia licenses, namely the NFP individual license, NSP individual license and CASP individual license. The deadline was extended for another year when it failed to comply with the quota requirement. As a long-term solution, the group has decided to park the licenses under one of its subsidiary companies, Maha Semarak SB which has a major Bumiputera shareholder holding a 30% stake.

Private placement is on. Despite not being required to fulfil the Bumiputera shareholding quota anymore, the company will maintain its private placement exercise in view of the hefty capex requirement of RM500m by 2015. Management guided that it will be looking for institutional funds, once the company transfers to the Main Market.

Earnings and price target remain unchanged. Trading at an undemanding PER valuation of 4.3x, we opine that the company still deserves better valuation given: (i) its new entry into the Digital Out-of-Home industry, which has an attractive 2004-2009 CAGR growth of 44.1% p.a., (ii) opportunities of expanding into other types of public transports, namely KL Monorail, LRT, KTM Komuter and wider RapidKL network routes, and (iii) organic mid-teen earnings growth in the next two years, thanks to its enlarged customer base and high-margin services in air time and programme sponsorship. All in all, we maintain our RM0.34 price target.

FYE Dec (RMm)	FY08	FY09	FY10	FY11f	FY12f
Revenue	6.5	13.2	23.4	35.1	40.4
Net Profit	1.4	3.4	7.7	14.2	15.7
% chg y-o-y	-	142.9	126.5	84.4	10.6
Consensus	-	-	-	12.5	24.4
EPS (sen)	1.1	2.6	5.9	6.2	6.9
Gross DPS (sen)	-	-	-	-	-
Gross dividend yield (%)	-	-	-	-	-
ROE (%)	19.7	32.4	37.6	24.3	21.2
ROA (%)	12.3	19.2	27.5	23.5	20.6
PER (x)	25.4	10.8	4.8	4.5	4.1
BV/share (RM)	0.1	0.1	0.2	0.3	0.3
P/BV (x)	2.8	2.8	1.4	0.9	0.9

*FY08-FY10 is based on 130m shares outstanding, FY11-12 is based on 228m shares outstanding

OSK Research Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated (NR): Stock is not within regular research coverage

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