



Asia Media Group Berhad

Three More DTTB Towers Coming Right Up

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TP: RM0.653(+11.6%)

Last traded: RM0.585

HOLD

3 more DTTB towers to begin commissioning by year end

Asia Media Group Berhad (Asia Media) is expected to begin commissioning of its highly anticipated Digital Out-of-Home (DOOH) Digital Terrestrial Television Broadcasting (DTTB) in the Klang Valley sometime next month or September this year, which is a slight delay from the initial plan in 1H12. Its two towers are located in USJ and Berjaya Times Square. Meanwhile, the other three towers located in Bukit Lanjang, Bukit Besi and Puchong are expected to begin commissioning by year end. Total cost for the five transmission towers is estimated at RM60mn, which is to be depreciated over the next 30 years.

DTTB expected to save cost

Currently, its DOOH media content is pre-recorded in a thumb drive or compact flash card which is then downloaded to media players installed in each transit vehicle. With the DTTB infrastructure in place, it eliminates this weekly procedure which is costly and time consuming. We are estimating some cost savings to take place next year since less human resources will be required to manage its DOOH media using the DTTB technology. The table below distinguishes between DOOH media and DOOH media utilizing DTTB technology.

DOOH	DTTB
Contents displayed through digital signages (i.e. LCD screens)	Allows for live broadcasting or transmission of contents through DOOH players.
Utilises a pre-recorded system in which contents are stored in a compact flash (CF) card or memory device and played through a video player.	Utilises transmission towers transmission of contents for live
Devices such as digital screens and video players have to be started-up manually at each advertisement site.	Contents are remotely controlled, monitored and manipulated from a single control centre or broadcast centre.
Do not require any licenses from MCMC to operate. Nevertheless, industry players which want to display contents which allow for interactive services with its audience must obtain the Application Service Provider (ASP) license.	Require additional individual Network Facilities Provider (NFP) license, individual Network Service Provider (NSP) license and individual Content Application Service Provider (CASP) license from MCMC.

Source: Frost & Sullivan

DTTB in Penang and Johor on hold

Share Information

Bloomberg Code	AMGB MK
Stock Code	AMEDIA
Listing	ACE Market
Share Cap (mn)	250.8
Market Cap (RMmn)	146.7
Par Value	0.10
52-wk Hi/Low (RM)	0.59/0.23
12-mth Avg Daily Vol ('000 shrs)	5.0
Estimated Free Float (%)	58.5
Beta	na

Major Shareholders (%)

Wong Sk Holdings	- 41.47
TA Unit Trust	- 2.38

Forecast Revision

	FY12	FY13
Forecast Revision (%)	(18.1)	2.8
Net profit (RMmn)	20.8	32.8
Previous Rating	Hold(Downgraded)	

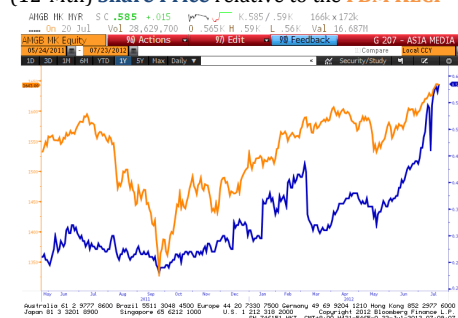
Financial Indicators

	FY12	FY13
Net Debt / Equity (%)	27.6%	4.6%
ROE (%)	31.7%	37.4%
ROA (%)	21.2%	29.1%
NTA/Share (RM)	0.28	0.42
Price/NTA (x)	2.1	1.4

Share Performance (%)

Price Change	AMGB	FBM KLCI
1 mth	36%	2.5%
3 mth	56%	3.7%
6 mth	58%	7.9%
12 mth	109%	5.0%

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



On its plan to roll out DTTB in Penang and Johor in FY13 and FY14 respectively, as previously indicated, the management said that its plans will be put on hold at this juncture as it intends to focus its capital in the Klang Valley where Rapid KL buses are expected to grow aggressively in the coming years.

Revenue expected to grow by 40% and 30% for FY13 and FY14

With the higher degree of content customization for advertisers, we are expecting the group to benefit from the increasing demand coupled with higher chargeable rates. We are maintaining the airtime utilization rate of 45% and 50% for FY13 and FY14 respectively. On the back of that and an average 34% growth for both its programme sponsorship and content segment, we derive a revenue growth of 40% and 30% for FY13 and FY14 respectively.

Outlook on the DOOH segment

According to Nielson Media Research, the DOOH media segment is said to be at its infancy stage in its industry life cycle as many are less than 5 years of age. Prior to 2007 there were only two other players and they were Simfoni Maya Sdn Bhd who collaborated with KTMB Intercity and YTL Info Screen Sdn Bhd with KLIA ERL to provide DOOH transit media. DOOH adex began picking up after the digital signage started becoming available in Rapid KL buses which was provided by none other than Asia Media. DOOH media adex CAGR grew by a whopping 75% between 2007 and 2010, which was significantly higher than that of OOH segment of 14% and the total industry adex of just 12%.

The strong growth, which is mainly due to the nascent stage of the DOOH media industry, is a great opportunity for Asia Media to tap into especially given its stronghold position in the DOOH market with a 74% market share. Furthermore Asia Media has more to benefit from the government's initiative to increase the usage of public transport by 20%-30% yearly targeting 30% of public transportation users by 2015.

Risk

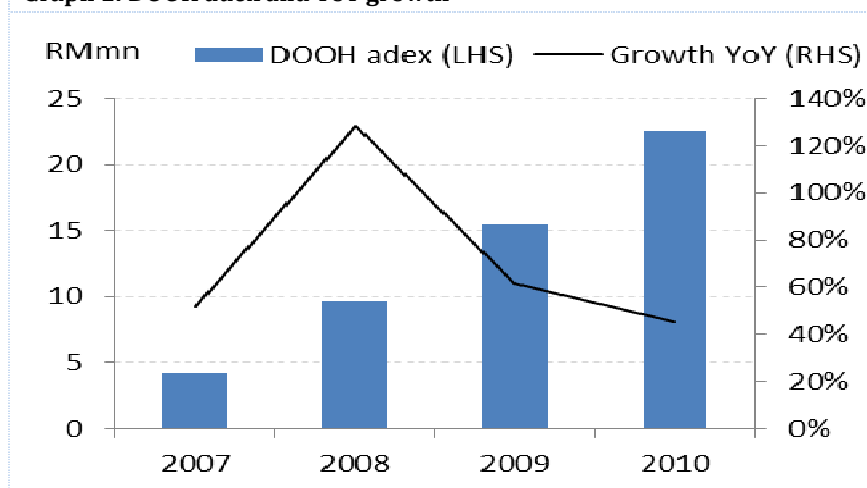
Despite the positive outlook on the company in the coming years especially with the rolling out of the DTTB technology, the group may still be susceptible to economic risk where corporates usually cut down on advertising expenditure. Organically, the group may face the risk of losing its concessionaire agreements, revocation of licenses and further delays in DTTB roll out.

Valuation and recommendation

After considering the delayed roll out of DTTB into the second half of this year, we have reduced our air time rate and utilization rate in FY12 while maintaining for FY13. Further adjustments were made to reflect lower cost expected following the roll out of DTTB in FY13 onwards coupled with a higher gross profit. With that we adjust our FY12/FY13/FY14 earnings by -18.1%/2.8%/3.7% respectively.

On the back of that, we derive a TP of RM0.65 (PE 5X) as we roll over our valuation to FY13. Due to the limited upside on the stock (11.6%) we are downgrading the stock to a Hold.

Graph 1: DOOH adex and YoY growth



Earnings Summary

FYE: 31 Dec (RMm)		2010*	2011	2012F	2013F	2014F
Revenue		16.6	36.5	45.4	63.6	82.9
EBITDA		11.3	17.7	25.1	38.2	47.8
EBITDA margin	(%)	68.4	48.3	55.3	60.0	57.7
Pretax profit		10.3	15.0	21.9	35.3	44.9
Net profit		10.3	15.0	20.8	32.8	41.8
Core net profit		10.3	15.0	20.8	32.8	41.8
EPS	(sen)	4.1	6.0	8.3	13.1	16.6
Core EPS	(sen)	4.1	6.0	8.3	13.1	16.6
Core EPS growth	(%)	58.9	46.0	38.3	57.8	27.5
PER	(x)	14.3	9.8	7.1	4.5	3.5
Net DPS		0.0	0.0	0.0	2.5	2.5
Net div yield		0.0	0.0	0.0	0.0	0.0
Core ROE		44.2	36.2	31.7	37.4	33.5

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