



Asia Media Group Berhad

Early Mover Advantage in DOOH

Tuesday, March 22, 2011

TP: RM0.34 (+47.8%)

Business Summary	: Largest Transit-TV Network operator in Malaysia
Major Shareholders (%)	: Wong SK Holdings Sdn Bhd (45.61)
	: Matrix Angle Sdn Bhd (3.99)
	: Transnet (JB) Sdn Bhd (3.99)
Company Website	: http://www.asiamedia.net.my
IR Contact	: William Liong (603 5882 7788)
Constituent of	: na

Recommendation:	Buy
Market Capitalisation (RMmn):	52.4
Current Price:	RM0.23
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)	5.2	6.2
PER	(x)	4.4	3.7
Gross div/ share	(sen)	na	na
NTA/share	(sen)	28.3	36.2
Book value/ share	(sen)	26.0	32.2
Issued capital	(mn shares)	228.0	228.0
52 weeks share price range	(RM)	na	na

Per Share Data

FYE Dec 31		2010	2011F	2012F
Book Value	(sen)	11.5	26.0	32.2
Cash Flow	(sen)	(1.0)	(14.8)	(7.8)
Earnings	(sen)	3.4	5.2	6.2
Dividend	(sen)	na	na	na
Payout Ratio		na	na	na
PER (x)	(x)	6.8	4.4	3.7
P/ Cash Flow	(x)	(0.5)	(0.0)	(0.1)
P/ Book Value	(x)	2.0	0.9	0.7
Dividend Yield	(%)	na	na	na
ROE	(%)	29.5	20.1	19.4
Net Gearing	(%)	na	(0.1)	0.0

P&L Analysis (RMmn)

FYE Dec 31		2010	2011F	2012F
Revenue		23.4	31.6	42.0
Operating Profit		7.8	12.1	14.7
Depreciation		(1.4)	(1.6)	(3.3)
Interest Expenses		(0.1)	(0.2)	(0.4)
Pre-tax Profit		7.7	11.9	14.2
Effective Tax Rate	(%)	na	na	na
Net Profit		7.7	11.9	14.2
Operating Margin	(%)	68.6	73.0	67.1
Pre-tax Margin	(%)	33.1	37.7	33.9
Net-Margin	(%)	33.1	37.7	33.9

Share Price relative to the FBM KLCI



Source: Bloomberg

We initiate coverage on Asia Media Group Berhad with a Buy conviction riding on its clear market dominance and early mover large scale advantage in the Digital-Out-of-Home (DOOH) industry. We attach a target price of RM0.34 using an FY11 target PER of 6.5x on an estimated FY11 EPS of 5.23sen.

1.0 Investment Highlights/Summary

Asia Media Group specializes in DOOH Transit-TV advertising via the group's flagship Transit-TV network channel that uses LCD-TV screens deployed on public transport in the Klang Valley and Johor Bahru, and on express busses, to display infotainment programmes, advertisements, community-driven messages and public service bulletins. We believe that investors should focus on the following three main areas, which we believe warrants our Buy call on this stock. These three reasons also explain why this company will have a very strong footing in this industry for the years to come.

1.1 Early Mover Large Scale Advantage

The Group is one of the first companies to establish DOOH Transit Media on a large scale in the Klang Valley and Johor Bahru and established an excellent rapport and clientele relationships with advertisers, clients and bus operators. Asia Media has also achieved a viewership rate of over half a million commuters daily.

1.2 Only DOOH Transit Media Player with Full Fledge Licenses

The Group is the only DOOH Transit Media operator in Malaysia to have full-fledge CASP Individual License, NFP Individual License, NSP Individual License and ASP Class License. (Refer Appendix B for detailed information)

1.3 Exclusive Agreements with Bus Companies

Asia Media has secured exclusive medium term agreements for the RapidKL, Causeway Link, Plusliner, Nice and Nice++ buses for its Transit-TV Network System. This would inadvertently create a high barrier-to-entry for competitors to penetrate this business segment of the OOH industry.

2.0 Investment Risks

From our perspective, we view Asia Media to be in a very strategic and advantageous business position. We do however acknowledge that there are some inherent risks involved with investing in this company. The three main risks are:

- Non-renewal risks pertaining to concession agreements with local transportation operators;
- Revocation and non-renewal of strategic licenses;
- Operational risks.

2.1 Concession Agreement Risks

Currently, Asia Media has secured mid-term exclusive concession agreements with a few bus operators namely RapidKL Buses, Causeway Link Buses, Plusliner, Nice and Nice++. However, there is no guarantee that this exclusive rights can and will be renewed after the agreed period has ended.

Among the many reasons could be an increase in competitors thus creating more options for these bus operators to choose from, potentially inferior service quality offered by Asia Media in comparison to other competitors and many others.

A worst case scenario could also be that these bus operators terminate the agreements (not without any penalties of course) before the agreement term is due. This would cause Asia Media to instantly lose their main source of earnings with extremely little time to obtain a stable source of income.

2.2 Revocation of Strategic Licenses/ Approvals/Rights

Asia Media's business essentially relies on a few core licenses and approvals from the Government, chiefly the Ministry of Multimedia and Communication (MCMC). (Refer to Appendix B for list of licenses and approvals). Hence, any revocation of their permits, approvals and business licenses may have adverse affects on its business operations and dealings.

Moreover, not only could a revocation of these licenses translate into a loss of business opportunities, it could potentially affect Asia Media's untarnished reputation in this industry adversely.

2.3 Operational Risks

One of the many reasons Asia Media is successful in this niche media market segment is due to its operational style and quality. However, there is no guarantee and certainty that the Group's operation can be protected indefinitely. Among its core operational merits are, maintaining a qualified team of

managers and technicians, ability to constantly market new products and offerings, adapting to potentially volatile operational expenses, and the acceptance of the Group's product offerings in the future.

Taking into consideration these key risk factors, we believe that going forward, Asia Media would be able to maintain its existing clients mainly because of its early mover advantage and significant amount of experience in this industry compared with other players, if any. In addition to that, given the limited players in this niche market, the Group would be able to continue fulfilling the requirements needed for the strategic licenses. Operational wise, we have faith that the competent management of the Group would be able to continue satisfying its clientele based on its efforts in expanding its business and geographical exposure currently.

3.0 Company Background/Overview

3.1 History

Asia Media Group Berhad was founded not too long ago in April 2008 and listed on the ACE Market of the Bursa Malaysia on 11 January 2011. The Group is an MSC Malaysia status company, involved in digital-out-of-home broadcasting via TransNet®, the Group's flagship Transit-TV network channel that uses LCD-TV screens deployed on public transport in the Klang Valley and Johor Bahru and on express busses to display infotainment programmes, advertisements, community-driven messages and public service bulletins.

The Group comprises four subsidiaries: Asia Media Sdn Bhd, Transnet Express Sdn Bhd, Asia Media Marketing Sdn Bhd and Asia Media Interactive Sdn Bhd.

Back in October 2007, the Group's 100%-owned subsidiary Asia Media Sdn Bhd, secured the mandate to operate a Transit-TV Network system on bus services operated by RapidKL. The company then went on to secure a similar concession for Causeway Link buses, and by end-2008, the Group's portfolio of public transport bus partners included RapidKL and Causeway Link, as well as Plusliner, Nice and Nice++ express buses. TransNet®, the Group Transit-TV Network System, uses LCD-TV screens to deliver content such as information, entertainment programmes, advertisements and public bulletins on public transport.

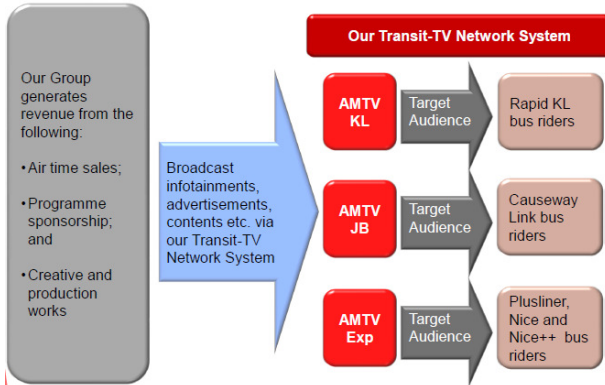
Asia Media Sdn Bhd was recognized as having the largest Transit-TV Network (for buses) in Malaysia by the Malaysian Book of Records in 2008, based on the number of LCD-TV's installed over the period September 2007 to March 2008. To date the company has installed 3,293 LCD-TV on 1,450 buses.

3.2 Key Areas of Operation

Asia Media has three key business areas:

- Air-Time Sales;
- Programme Sponsorship; and
- Creative & Production Works

Figure 1: Asia Media's Business Model



Source: Company, TA Securities

3.2.1 Air-Time Sales

Air-time sales comprise 'time slots' and 'soft advertising time'. 'Time slots' are breaks in between programmes during which advertisements are aired. These slots are sold to advertisers and content providers who wish to convey their messages via TransNet®, the Group's Transit-TV Network System on public transport. Similarly, the company also sells 'soft advertising time' where advertisements, content and messages are embedded and aired at the same time with the programmes.

The Transit-TV Network System operates 18 hours a day, seven days a week. Customers who purchase advertisement 'time slots' or 'soft advertising time' can advertise their products and services every hour for at least nine times a day, 63 times a week. The 18 hour period is basically split between two bands of nine hours per band. In every hour, around 30 minutes are allocated to content viewing and 30 minutes to advertisings.

3.2.2 Programme Sponsorship

Programme sponsorship is an alternative to time slots, where advertisers opt to become anchor advertisers and sponsor an entire programme to gain publicity and goodwill, instead of just advertising their products and services in one time slot. Programme sponsorship also includes activities such as viewers' choice/voting, contests, customers' feedback/surveys, ground events and banner advertisements.

Figure 2: Programme Sponsorships

Anchor Advertisers	Programme Sponsored
Nikon (M) Sdn Bhd	Animal & Plant Documentaries
Nestle (M) Bhd	Maggi Cooking Show
Kementerian Wilayah Persekutuan & Kesejahteraan Bandar	Wilayah Day programme
Balai Seni Lukjis Negara - Kementerian Kebudayaan, Kesenian & Pelancongan Malaysia	Traditional Art of Malaysia

Source: Company, TA Securities

3.2.3 Creative & Production Works

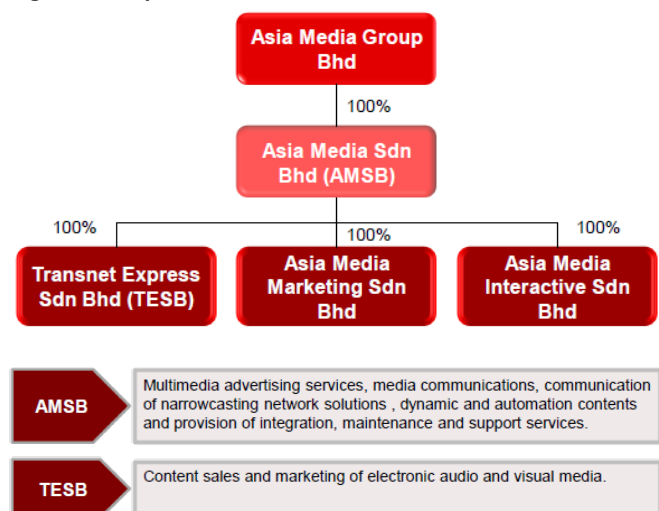
The in-house creative department provides end-to-end solutions to clients, from conceptualization, to broadcasting of marketing campaigns, which includes assisting customers in producing their advertisements. The department's processes range from pre-production to post production, which include filming/video shooting, two-dimensional and three-dimensional animation, advertisement editing and creative campaigns.

The creative department is also responsible for embedding advertisements in between programmes and on the content acquired from third parties without modifying the original content, in order to air the contents and advertisements via TransNet®

This business segment, although generates the most revenue but bottomline contribution remains minimal and margin is comparatively thin because it mainly engages external production houses to provide ideas, proposals and expertise in producing more complex productions with additional technical effects as required by customers.

3.3 Corporate Structure

Figure 3: Corporate Structure



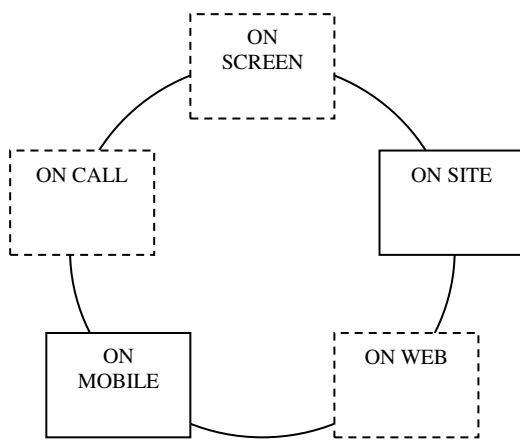
Source: Company, TA Securities

3.4 Main Products/Services

Expanding on its core business segments, (3.2 Key Areas of Operation), the Group plans to roll out its five-pronged distribution channel strategy to maintain its competitive edge and offer value added services to its customers. This strategy is dubbed the ‘Transit 5’ which will employ five different distribution channels bridging the gap between advertisers and public transport passengers to enhance the effectiveness of advertising on its network.

The Group has currently rolled-out its ‘on screen, ‘on web’ and ‘on call’ strategies. The next step to complete the five-pronged strategy would be to roll-out the ‘on site’ and ‘on mobile’ strategies.

Figure 4: Transit-5



Source: Company, TA Securities

3.4.1 On Screen

This forms the core business for a DOOH transit media provider and in Asia Media’s case, this is dependent on TransNet® to display information and entertainment programmes, advertisements, community-driven messages via the LCD-TV screen installed on buses.

The key is to take advantage of the ‘waiting’ and ‘travelling’ time on public transportation to capture the rider’s attention and to convey the message across effectively.

3.4.2 On Web

Asia Media uses this mode to reach out to the commuters beyond their normal travelling hours. Information such as advertisements, promotions, rewards and news can be effectively communicated across to these commuters as well as the internet users in general via its homepage and social media network such as Facebook®, Twitter® and YouTube®.

3.4.3 On Call

Asia Media has a dedicated customer care line to handle any enquiries, comments, feedback and complaints from passengers and clients provided in all of its advertising channels. The customer care line currently consists of a team of four available from 8:30am to 6:00pm, Mondays to Fridays, excluding public holidays. The customer care division plays a vital role in improving the quality of content and advertisements and provides a bridge between advertising customers and the audience to gauge and improve the effectiveness of advertising on the network.

3.4.4 On Site

On Site is Asia Media’s programme which is being developed in conjunction with RapidKL Buses to assist the promotion of public transport while increasing the publicity of advertising customers at the same time. This programme rewards and encourages more frequent public transport usage by getting the advertisers to sponsor items such as vouchers and sample products. Advertising customers increase their exposure by providing first-hand experience via trials or samples. The Group believes that the ‘on site’ programme will increase the effectiveness for advertising customers at a minimal additional cost.

The Group will establish ‘1 transit’ kiosks at the major RapidKL Bus stations. Regular travelers will be able to redeem their rewards at the Group’s 1 transit kiosk. The kiosks also serve as a means to carry out surveys and obtain market feedback on behalf of advertising customers.

3.4.5 On Mobile

The fifth strategy in the pipeline is On Mobile, where the Group is working with strategic mobile technology solution providers such as Globaltium Sdn Bhd and Just Mobile Sdn Bhd to develop a mobile WAP portal to act as a mobile platform for public transport passengers to receive relevant news and information while they are on the move. The mobile technology solution providers can also have their mobile contents or applications downloaded by public transport passengers via a GPRS enabled phone any time and any place.

3.5 Revenue and Gross Profit Breakdown

3.5.1 Revenue Breakdown

Asia Media has three main revenue drivers. By percentage of contribution, its creative and production arm contributes close to 50% of its topline on average. This is followed by the sale of air time and then the sale of programme sponsorships. However, it should be noted that although its creative and production arm generates the large chunk of the Group’s revenue, this service is merely a value added service to compliment its existing main services, which are the sale of air time and programme sponsorships.

Figure 5: Segmental Analysis by Business Segments

Proforma	2007		2008		2009		2010	
	RMmn	%	RMmn	%	RMmn	%	RMmn	%
Revenue	3.471	100	6.533	100	13.150	100	23.376	100
Air Time	0.750	21	1.808	28	3.674	28	5.510	24
Programme Sponsorship	0.600	17	2.128	33	4.156	32	5.671	24
Creative & Production	2.121	61	2.597	40	5.320	40	12.195	52
Cost of Sales	-1.708	100	-2.703	100	-6.267	100	-12.050	100
Air Time	0.000	0	0.000	0	0.000	0	0.000	0
Programme Sponsorship	-0.048	3	-0.468	17	-1.160	19	-1.140	9
Creative & Production	-1.660	97	-2.235	83	-5.107	81	-10.910	91
Gross Profit	1.793	100	3.830	100	6.883	100	11.326	100
Air Time	0.750	42	1.808	47	3.674	53	5.510	49
Programme Sponsorship	0.552	31	1.660	43	2.996	44	4.531	40
Creative & Production	0.491	27	0.362	9	0.213	3	1.285	11
Gross Profit Margin* (%)								
Air Time		100		100		100		100
Programme Sponsorship		92		78		72		80
Creative & Production		23		14		4		11

Source: Company, TA Securities

*before depreciation & amortisation

3.5.2 Gross Profit

In terms of gross profit, we note that the gross profit of air time sales equal the revenue generated by it. This is because the 30 minutes of advertising time available in an hour is fixed and the sunken costs are the costs of the LCD panels. Hence, whatever revenue which is generated by the air time will equal the gross profit.

In terms of margin, the creative and production segment contributes the lowest margin because they are mainly outsourced to third parties in order to maintain a low overhead cost (staffing costs) and to offer end-to-end advertising solutions to its clients. Air time and programme sponsorship command the highest margin due to its market dominance and efficient product offerings.

4.0 Management and Board

4.1 Datuk Wira Syed Ali Alhabshee

- Executive Chairman
- Obtained a Professional Diploma in Leadership & Management from the New Zealand Institute of Management and Post Graduate Diploma in Business Administration from the Society of Business Practitioners in Cheshire, England
- Appointed as a member of the Malaysia Senate (Dewan Negara) on 21 April 2003 and resigned as a Senator in April 2009

4.2 Dato' Ricky Wong Shee Kai

- Founder, Executive Director and CEO
- Obtained a BA (Hons) in Accounting & Finance with First Class Honours from Lancaster University, UK

- Worked as an account analyst with Ford Motor Company (UK), then as a General Manager of a telecommunications company

4.3 Encik Sabaruddin Ahmad Sabri

- Executive Director
- Well-known TV personality and journalist. Started career at the Malaysian National News Agency BERNAMA for nine years. Also served as the Deputy Editor for Utusan Malaysia. He was also a host for Radio Television Malaysia
- Was appointed as a Senior Private Secretary to the Malaysian Information Minister from 2003 to 2008

4.4 Dato' Hussian @ Rizal Bin A. Rahman

- Independent Non-Executive Director
- Obtained an MBA from Oxford Association of Management, Oxford, England
- Currently the ED/CEO of MobilityOne Ltd, listed on the AIM of London Stock Exchange

4.5 Yeong Siew Lee

- Independent Non-Executive Director
- Obtained a BSc. (Hons) in Accounting & Finance from University of Wales College Newport, UK and professional degree in Association of Chartered Certified Accountants, UK

4.6 Teh Sew Wan

- Non-Independent Non-Executive Director
- Holds an LCCI qualification
- Has more than 40 years of accounting experience

Figure 6: Financial Analysis

	RMmn			
	Unaudited as at 31.12.2010	PROFORMA as at 31.12.2010	PROFORMA After Public Issue	PROFORMA as at 15.02.2011
Current Asstes	5.53	5.53	28.07	23.41
Current Liabilities	4.45	4.44	4.44	2.92
Current Ratio (x)	1.24	1.25	6.32	8.02
Short Term Debt	0.82	0.82	0.82	0.82
Long Term Debt	0.41	0.41	0.41	0.41
Total Debt	1.23	1.23	1.23	1.23
Total Equity	23.28	26.28	48.82	47.28
Total Debt/Total Equity (x)	0.05	0.05	0.03	0.03
Cash Reserves	1.68	1.68	24.22	19.55
Net Cash	0.45	0.45	22.99	18.32
Shareholders' Funds	23.28	26.28	48.82	47.28
Net Assets/Share (RM)	0.10	0.12	0.21	0.21

Source: Company, TA Securities

5.0 Financial Review

Asia Media is a relatively new company, listed on 11 January 2011. At the moment, its current ratio is healthy with minimal debt. The Group has ample capacity to gear up should there be a need for future business expansion. Of course, it could also raise more equity for its regional expansion moving forward.

The Group's revenue chalked a CAGR of 60.8% from year 2007 to 2010. Gross profit also grew in tandem in the same period registering a CAGR of 58.6%. Since Asia Media is an MSC Status company with a tax exemption until 2011, with the company confident of extending the tax exemption status for another five years, its profit before tax will almost equal its profit after tax registering a four year CAGR of 81.8%.

6.0 Recent Developments

6.1 Expansion to Singapore

Come end-2011, the Group hopes to expand its digital transit-TV business to Singapore. It aims to duplicate the business model here to our neighbours in the island republic in hopes of gaining the same success there. Asia Media anticipates a successful venture in Singapore because almost 80% of the population commutes by public transportation daily. Currently, the Group is planning to invest around RM25mn to RM30mn for this expansion and expects earnings accretion by year 2012.

6.2 Expansion to Indonesia

The Group also has some medium term plan to penetrate the Indonesia market although this plan is secondary to the expansion plans for Singapore. The Group is in the midst of identifying strategic partners for its Indonesian expansion moving forward.

6.3 Digital Terrestrial Television Broadcasting (DTTB)

Currently, Asia Media operates its Transit-TV Network System using a pre-recorded system. However, moving forward (this year) the company would be rolling out its DTTB system come 2H11. Among the many advantages that this system has is that it is able to deliver real-time contents and information targeting mobile audiences. On 21 March 2010, the Group has obtained the CASP Individual License from the Ministry of Multimedia and Communication to roll out subscription broadcasting, terrestrial radio broadcasting and non-subscription based TV broadcasting.

The license is valid for a period of 10 years from 21 March 2010 to 20 March 2020. The proceeds from the recent IPO will be used to purchase transmission equipments, network facilities and integration of network system in the Klang Valley. The entire RM16mn will be utilized from the IPO proceeds to roll out the DTTB network infrastructure i.e. transmission equipment for transmission towers, network equipments and network facilities.

7.0 Industry Landscape and Overview*

7.1 Out-of-Home (OOH) Media Industry in Malaysia

The OOH media industry in Malaysia recorded a CAGR of 12.1% between 2005 and 2009. The industry grew from approximately RM125.6mn in 2005 to RM198mn in 2009. Despite the global financial crisis in 2008, OOH Adex in Malaysia recovered quickly in 2009, recording a growth rate of approximately 16.7% between 2008 and 2009. Advertisers suffered from low advertising budgets especially during the latter half of 2008 but with positive improvements in the economy in 2009, advertisers increased their advertising spending again in 2009 in anticipation of further recovery in 2010.

7.2 Digital Out-of-Home (DOOH) Transit Media Industry in Malaysia

DOOH broadcasting is one of the modern broadcast media, where content is broadcast to digital screens in public areas, including transit vehicles. The advancement of technology makes broadcasting through digital screens in all indoor and outdoor public places a reality. DOOH media is currently being adopted in shopping malls, office buildings, restaurants, transit vehicles and transit stations in major cities in Malaysia.

Over the years, the Adex contribution of the DOOH transit media industry to the OOH industry has grown. In 2005, DOOH transit media industry was estimated to make up 1.4% of the OOH media industry. In 2008, DOOH transit media industry was estimated to increase its contribution to OOH media industry by four times to about 5.4%. By 2009, DOOH transit media Adex contribution was estimated at approximately 7.8% of the OOH industry in Malaysia. This trend shows that the DOOH transit media industry is a growing industry and is increasingly gaining traction and recognition as an effective advertising medium.

7.3 Outlook for DOOH Industry in Malaysia

The DOOH transit media industry is expected to grow from about RM15.5mn in 2009 to an estimated RM62.5mn in 2014. The DOOH experienced healthy growth rates from 2007 to 2009, largely because the industry is still in its nascent stage and is still growing from a small Adex base contribution at the beginning of this period. This contributed to high year-on-year growth rates from 2007 to 2009. However as the industry develops, the year-on-year growth rates from 2010 to 2014 are expected to stabilize to an average of approximately 30%.

At present, within the DOOH media industry, it is estimated that there are approximately 20 industry players. Some examples of major players include Asia Media, Dana Intelek Sdn Bhd, Focus Media Network Sdn Bhd, Ganad Media Sdn Bhd, MKN At-life Sdn Bhd, Hi-Q Malaysia Sdn Bhd (PowerScreen), Point Cast (M) Sdn Bhd, Simfoni Maya Sdn Bhd and YTL Info Screen Sdn Bhd.

Within the DOOH media industry, Asia Media, YTL Info Screen Sdn Bhd and Simfoni Maya Sdn Bhd are three major players in the industry offering DOOH transit media services. YTL Info Screen Sdn Bhd and Simfoni Maya Sdn Bhd also install their digital screens in buildings and in indoor areas, competing with other players that provide DOOH advertising services in retail stores and office buildings.

**Source: IMR Report*

8.0 Competitive Analysis

Asia Media held approximately 6.6% market share in the OOH media industry in Malaysia in 2009 based on revenue, while all other players combined accounted for the remaining 93.4%. This segment includes all OOH print and digital media. The Group's market share in the OOH media industry has grown from approximately 2.1% in 2007 to around 6.6% in 2009.

9.0 Earnings Outlook

We are positive and bullish on Asia Media's future outlook and earnings. We expect topline to grow by 35.3% and 32.8% for FY11 and FY12 respectively. We are still assuming that the main chunk of the topline growth would come from its supporting arm, the creative and production segment. For FY11 and FY12, we expect the Group to chalk up an earnings growth of 54.1% and 19.4% respectively. This would mainly be attributable to the sale of air-time.

We believe that this growth would stem from two key areas. The first would be higher Adex from its existing clients and also new clients. Because Adex is a function of a company's sales, we expect consumer spending and also our country's growth to continue to sustain the growth in Adex. The second key area is ample room for expansion in its advertising slots. The Group intends to offer more programmes with embedded advertising such as infomercials and programme sponsorships. These additional advertising opportunities will increase the average revenue per hour. Hence, there is still room for growth and to take on new clients. This would then contribute positively to the Group's bottomline.

We have imputed utilisation rates of 42% and 54% for FY11 and FY12 respectively for the sale of air-time.

10.0 Dividend Policy

As of yet, the company do not have a dividend payout policy because the Group is still in the business expansion stage and earnings would be ploughed back for operational and capital expenditure uses.

However, the Group aims to pay out 20% of its earnings come 2013. Using our forecast figures in 2013, this would translate to an estimated gross dividend yield of 5%.

11.0 Valuation

We choose to value Asia Media by comparing it with two comparable peers with forward PER estimations. These two companies are Clear Media Ltd, a Hong Kong listed company, and China MediaExpress Holdings, a US listed company.

Clear Media Ltd is involved in OOH advertisings in bus shelters in China. The Group holds concession agreements to advertise in over 32,000 bus shelters throughout 30 key cities in China. Hence, we believe that this business model is closely linked to Asia Media's Transit Media industry involvement. Another company which has a direct business model link with Asia Media is China MediaExpress Holdings, which operates television advertising network on inter-city buses, connecting major cities in China.

We chose these two companies due to its regional operating locations in Asia, its similarity in business models and also its availability of forward PERs which is crucial in estimating the forward PER for Asia Media.

Using the market capital weighted average FY11 PER of the two companies, we derive a forward PER of 7.6x. However, we have attached a discount of 15% to reflect its relatively small market capital, its listing status on the ACE Market of the Bursa Malaysia and also its relatively small sales volume. We derive a final FY11 target PER of 6.5x.

12.0 Recommendation

We recommend investors to Buy Asia Media Group Bhd based on a target price of RM0.34 using an FY11 PER of 6.5x along with an FY11 EPS of 5.23sen.

We urge investors to buy into this company for the three aforementioned reasons. The potential for this industry and for this company to grow is endless. The DOOH transit media industry in Malaysia is still a nascent industry. In view of this, the industry is expected to continue showing high growth rates with increasing market demands for DOOH advertising services.

The Group's current revenue is solely derived from local markets and moving forward, Asia Media Group Berhad is expected to increase revenue via the increase in geographical coverage by expanding regionally.

Figure 7: Peer Comparison - Valuation

	Market	Market Cap (RMmn)	Est. FY11 PER (x)	Est. FY11 Sales (RMmn)	EV/EBITDA (x)	Est. FY11 Div. Yield (%)
Asia Media Group Bhd	Malaysia	52.0	6.5	31.6	3.8	na
Clear Media Ltd	Hong Kong	1052.0	12.4	553.5	7.7	na
China MediaExpress Holdings	US	1368.0	4.0	957.0	1.4	1.9

Market Cap Weighted Average FY11 PER 6.5x after attaching 15% discount

Source: TA Securities, Bloomberg

Appendix A - Financial Summary (FYE Dec 31)

Income Statement (RMmn)	2010	2011F	2012F	2013F	Balance Sheet (RMmn)	2010	2011F	2012F	2013F
Revenue	23.4	31.6	42.0	56.1	PPE	17.7	44.2	65.8	77.8
Purchase & other direct costs	(12.1)	(15.2)	(20.4)	(27.8)	Intangible Assets	2.2	2.2	2.2	2.2
Gross Profit	11.3	16.5	21.6	28.3	Others	5.7	5.6	5.6	5.6
Other Op Income	0.1	0.2	0.2	0.3	Non-Current Assets	25.6	52.0	73.7	85.6
Profit from Ops	11.4	16.6	21.8	28.6	Trade Receivables	3.0	3.9	5.2	6.9
Amotisation of Dev Costs	(0.0)	(0.0)	(0.0)	(0.0)	Cash & Bank Balances	1.0	9.2	4.3	9.1
Staff Costs	(1.1)	(1.5)	(1.9)	(2.6)	Others	1.6	1.6	1.6	1.6
Director's Remuneration	(0.3)	(0.4)	(0.5)	(0.7)	Current Assets	5.5	14.7	11.1	17.6
Depreciation of PPE	(1.4)	(1.6)	(3.3)	(5.1)	TOTAL ASSETS	31.1	66.7	84.8	103.2
Oher Operating Expenses	(0.7)	(1.0)	(1.3)	(1.8)	Shareholder's Fund	26.3	59.2	73.5	87.7
Profit/(Loss) from Operations	7.8	12.1	14.7	18.4	Share Capital	13.0	22.8	22.8	22.8
Finance Cost	(0.1)	(0.2)	(0.4)	(0.6)	Share Premium	0.0	11.2	11.2	11.2
PBT	7.7	11.9	14.2	17.8	Reserves	13.3	25.2	39.5	53.7
Tax	(0.0)	0.0	0.0	0.0	TOTAL EQUITY	26.3	59.2	73.5	87.7
PAT	7.7	11.9	14.2	17.8	Term Loan	0.4	2.4	5.4	8.4
Cash Flow Statement (RMmn)	2010	2011F	2012F	2013F	Deferred Tax Liabilities	0.0	0.0	0.0	0.0
PBT	7.7	11.9	14.2	17.8	Non-Current Liabilities	0.4	2.4	5.4	8.4
Depr & Amort	1.0	1.6	3.3	5.1	Trade payables	2.0	2.6	3.5	4.6
Finance Cost and Others	(4.8)	0.2	0.4	0.6	Term Loan	0.8	0.8	0.8	0.8
OP/(L) before changes in WC	3.9	13.7	18.0	23.5	Tax Liabilities	0.0	0.0	0.0	0.0
Changes in WC	(0.3)	(0.3)	(0.4)	(0.6)	Others	1.6	1.6	1.6	1.6
Tax & Interest	(0.0)	(0.2)	(0.4)	(0.6)	Current Liabilities	4.4	5.0	5.9	7.1
CFO	3.6	13.2	17.2	22.3	TOTAL LIABILITIES	4.9	7.5	11.3	15.5
Purchase of PPE	(5.9)	(28.0)	(25.0)	(17.0)	(Repayment term loan)/Drawdown	(0.5)	2.0	3.0	3.0
Additions in intangible assets	(0.1)	0.0	0.0	0.0	Financing from IPO	0.0	21.0	0.0	0.0
Others	1.4	0.0	0.0	0.0	Dividends Paid	0.0	0.0	0.0	(3.6)
CFI	(4.6)	(28.0)	(25.0)	(17.0)	Others	(0.1)	0.0	0.0	0.0
(Repayment term loan)/Drawdown	(0.5)	2.0	3.0	3.0	CFF	(0.6)	23.0	3.0	(0.6)
Financing from IPO	0.0	21.0	0.0	0.0	Beginning Cash	2.5	1.0	9.2	4.3
Dividends Paid	0.0	0.0	0.0	(3.6)	Net Addition/(Subtraction)	(1.6)	8.2	(4.8)	4.7
Others	(0.1)	0.0	0.0	0.0	Ending Cash	1.0	9.2	4.3	9.1

Appendix B - Approval, Major Licenses and Permit Obtained

(i) MSC Malaysia Status

Asia Media has been accorded with the MSC Malaysia Status on 10 October 2007. The MSC Malaysia Status granted shall not be transferable in anyway whatsoever without the written consent of MDeC.

(ii) Applications Service Providers (ASP) Class License

Asia Media has obtained the ASP Class License on 21 August 2009 issued by the MCMC which is renewable annually to conduct any one or all the application services as stipulated under the Section 44, 126 and 127 of the Communications and Multimedia Act 1998 such as audiotex hosting services provided on an opt-in basis, directory services, internet access services, messaging services, private payphones services, telegram services or such other applications services which are not exempt or subject to an individual license. The ASP Class License is necessary and pre-requisite for the Group to provide the programme sponsorship which involves the participant of audiences via mobile phone.

(iii) Content Applications Service Providers (CASP) Individual License

The Group has obtained the CASP Individual License on 21 March 2010 by MCMC to conduct the following:

- (a) Subscription broadcasting;
- (b) Terrestrial radio broadcasting; and
- (c) Non-subscription based TV broadcasting

The CASP Individual License is necessary and a prerequisite for the Group to roll out the DTTB in the future. The CASP Individual License is valid for tenure of ten (10) years from 21 March 2010 to 20 March 2020.

(iv) Network Services Providers (NSP) Individual License

Asia Media has obtained the NSP Individual License on 21 March 2010 by the MCMC to own or provide any network services. The NSP Individual License is necessary and a prerequisite for our Group to roll out the DTTB in the future. The NSP Individual License is valid for tenure of ten (10) years from 21 March 2010 to 21 March 2020.

(v) Network Facilities Providers (NFP) Individual License

The Group has obtained the NFP Individual License on 21 March 2010 by the MCMC to own or provide any network facilities. The NFP Individual License is necessary and a prerequisite for the Group to roll out the DTTB in the future. The NFP Individual License is valid for tenure of ten (10) years from 21 March 2010 to 21 March 2020.

(vi) Approval for utilization of the frequency band of 1,452 megahertz to 1,492 megahertz for digital multimedia services in Malaysia.

The Group has obtained the approval from MCMC on 31 May 2010 to provide our broadcasting services through three (3) digital multimedia services' channels within the frequency bands of 1,452 megahertz to 1,492 megahertz in Peninsular Malaysia. The approval is valid for a period of one (1) year from 31 May 2010 to 20 May 2011.

(vii) Film production and distribution license

Asia Media had obtained the film production and distribution license on 13 November 2009 and 12 March 2010 respectively by National Film Development Corporation Malaysia to produce and distribute film. The film production and distribution license is renewable annually.

(viii) Registration as a contractor

The Group was acknowledged by the Ministry of Finance on their registration as a contractor on 18 June 2010 for providing the following activities:

- (a) Electronic media (excluding printing activities); and
- (b) Billboard

The registration is renewable every three (3) years.

(ix) Printing and publishing permit

Asia Media has obtained the printing and publishing permit on 16 December 2009 by the Ministry of Home Affairs to print and publish monthly Bus TV Programme Guide in English. The programme guide contains information on the upcoming movies to be aired in the long journey bus and it serves as a guide for long journey bus passengers. The printing and publishing permit is renewable annually.

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