

Stock Idea

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Asia Media Group Bhd

NOT RATED

Target	RM0.34
Previous	-
Price	RM0.27

Major Shareholder (%)

Wong SK Holdings	45.6
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Stock's Information

Market cap (RMm)	61.5m
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.

Transforming Into Digital Media Player

Asia Media Group (Asia Media), one of the Malaysia's leading, digital-out-of-home (DOOH) Transit TV companies, offers high-quality infotainment and advertising content via its existing 3,000 LCD-TV screens installed in 1,500 buses operating in the market-centric hub of Klang Valley and Johor Bahru. Through partnerships with RapidKL, CausewayLink as well as Plusliner and Nice's large fleets, Asia Media's content reaches over 500,000 daily viewers travelling in Klang Valley and Johor Bahru. The company's earnings have grown from RM1.4m in FY08 to RM7.7m in FY10 and is projected to hit RM14.2m this year and RM15.7m next year.

Background. Asia Media, established in 2007, provides advertising services such as air time sales, programme sponsorships and creative and production works. In the same year, the company received its Multi Super Corridor (MSC) Malaysia status, which entitles the group to a 5-year tax exemption, which is extendable for another 5 years. The company was the only sole advertiser to be given the concession to deliver content and advertising on RapidKL buses within the Klang Valley. The group further expanded its services to Johor Bahru and to Causeway Link buses the following year. In Jan 2011, the company was listed on the ACE market. At the helm of the management is Dato' Ricky Wong, who owns 45.6% stake in Asia Media, and who is also executive director and group CEO.

Partaking in RM500m ETP project. Asia Media is expected to roll out its first Digital Terrestrial Television Broadcasting (DTTB) service in Klang Valley. The project, part of the Economic Transformation Programme (ETP), would cost about RM500m over the next 10 years. The group plans to expand its live broadcasting in Penang and Johor Bahru, followed by other states in Peninsular Malaysia within 2-3 years. The new technology would make a major impact on the company by i) reducing advertiser fatigue given its live, up-to-date and more varied contents, ii) delivering more targeted content according to the audience in each timeslot, and iii) huge cost savings on excessive manual costs on the old pre-recording system. It is also working towards enhancing its broadcasts to mobile devices such as mobile phone, laptop and personal digital assistant. To expand its network coverage, the company is in the midst of discussions with Syarikat Prasarana Negara, the major operator of Malaysia's public transport service, on expanding advertising to the LRT and KL Monorail, which augurs well for Asia Media's future growth.

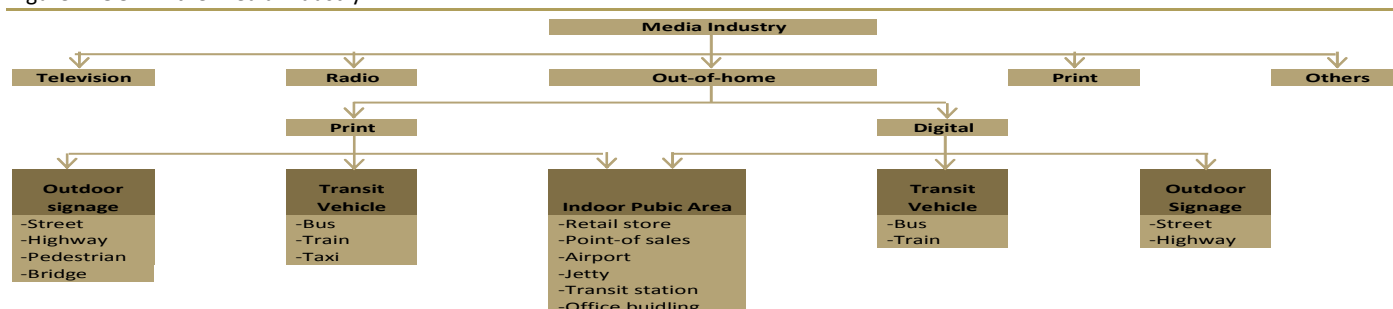
An undervalued media counter. Trading at an FY12 PER of 3.9x compared to our FY12 small-cap average of 6x, Asia Media truly deserves better valuation given: i) its new entry in DOOH transit media, which has an attractive CAGR growth of 44.1% p.a. in advertising expenditure, ii) opportunities of unlocking the potential value by expanding coverage into other public transports, namely, KL Monorail, LRT, KTM Komuter and wider RapidKL network routes, and iii) strong double-digit earnings growth in the next 2 years, thanks to its enlarged customer base as well as high-margin services in air time and programme sponsorship. Owing to its short business track record, we are valuing the stock based on 5x FY12 PER (20% discount to our FY12 small-cap average PER), giving us a fair value of RM0.34. Note that the company recently proposed a private placement to meet the 30% Bumiputera equity conditions stipulated by the Malaysian Communications and Multimedia Commission (MCMC). It currently already has 18% Bumiputera shareholding and might need to issue 12% more new shares to meet the required shareholding level. Hence, the fair value of Asia Media would be RM0.30 on a fully-diluted basis.

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)	24.5	10.4	4.6	4.4	3.9
BV/share (RM)	0.1	0.1	0.2	0.3	0.3
P/BV (x)	2.7	2.7	1.4	0.9	0.9

*FY08-FY10 is based on 130m share capital, FY11-12 is based on 228m share capital

Appendix I: Media Industry

Figure 1: OOH in the Media Industry



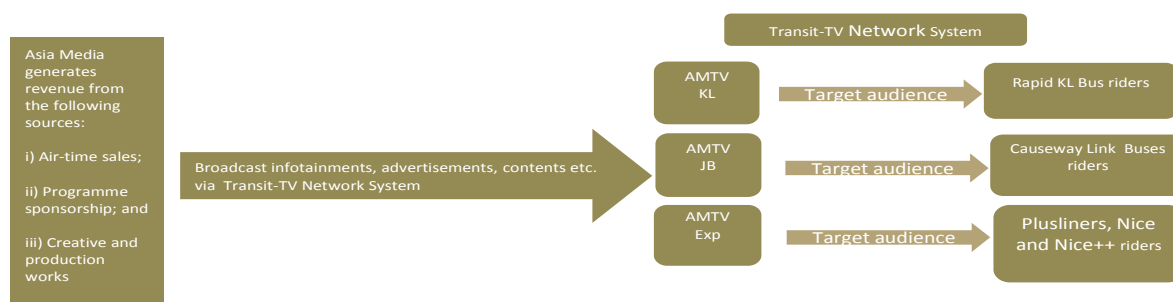
Source: Asia Media, OSK

The media industry comprises the television, radio, out of home (OOH) and print segments, and others (internet mobile and cinema). OOH media transmits content to viewers outside of their home, both at indoor and outdoor public areas. OOH can be presented in two forms: print and digital. The print OOH media is content that is printed for display in a public space, eg. a billboard, light box, floor or pillar or wall and banners. Digital OOH media refers to all digital signages that are displayed in public areas, including LCD screens, plasma screens and LCD or LED billboards. Asia Media operates within the OOH segment, specifically the transit vehicle, which is currently serving the buses.

According to Frost & Sullivan, DOOH is estimated to grow at a CAGR of 30.5% p.a and is expected to reach RM62.5m in 2014 while the OOH industry is expected to expand at a CAGR of 11.2% p.a. to RM331.9m from 2010-2014. The OOH media industry comprises players who own print or digital media platforms. The dominant players in the print OOH segment are established billboard players such as Bigtree Outdoor SB, Kurnia Outdoor SB, Ganad Media SB and Spectrum Outdoor Marketing SB. Within the DOOH transit media segment, the key players are Asia Media, Simfoni Maya SB and YTL Info Screen SB, which mainly provide digital media services to the three key public transportation channels, namely RapidKL, KTMB Intercity and KLIA ERL.

Appendix II: Principal activities

Figure 2: Asia Media's business model

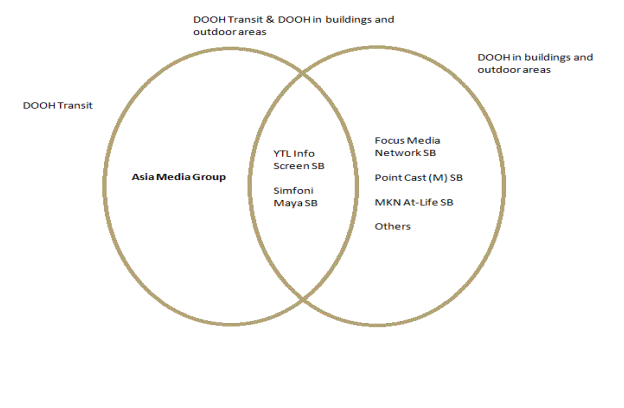


Source: Asia Media, OSK

- i) **Air-time sales:** Air-time sales comprise 'time slot' and 'soft advertising time'. 'Time slots' are breaks between programs during which advertisements are aired. These slots are sold to advertisers and content providers who wish to convey their messages on public transport. The Transit-TV Network System operates 18 hours a day, seven days a week. Customers who buy 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.
- ii) **Programme sponsorship:** Instead of just advertising their products and services in one time slot, advertisers can opt to become anchor advertisers and sponsor an entire programme to gain publicity and goodwill. The activities include viewers' choice/voting, contests, customer feedback/surveys, ground events and banner advertisements.
- iii) **Creative and production works:** The in-house creative department provides end-to-end solutions, including assisting customers to produce their advertisements. The services include filming/ video shooting, 2-dimensional & 3-dimensional animation, advertisement editing and creative campaigns. Asia Media also engages external production houses to provide ideas, proposals and expertise to customize to customers' needs. It also embeds advertisements in between programmes and acquires content from the third parties for its clients.

Appendix III: Market Share

Figure 3 : Competitive landscape of the DOOH media industry in Malaysia

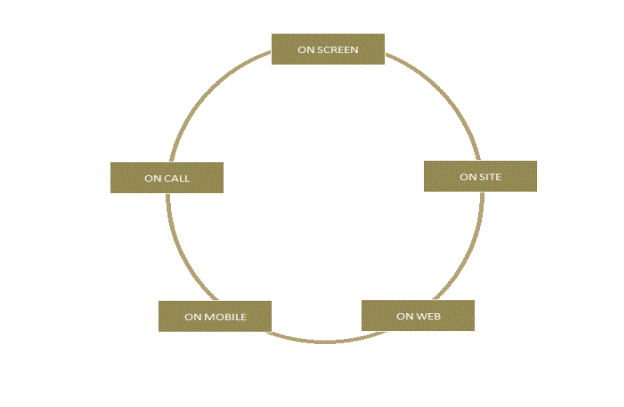


Source: Asia Media, OSK

According to Frost & Sullivan, Asia Media commanded about 6.6% of the total OOH media industry in 2009 (including all OOH print and digital media segments), a significant gain since 2007, where it had a market share of just 2.1%. Within the DOOH transit media segment, Asia Media is the largest player with 84.5% market share of the DOOH transit media industry in Malaysia in 2009. The remaining 15.5% is shared by Simfoni Maya SB and YTL Info Screen SB. (Both players are involved in DOOH media at indoor areas in addition to DOOH transit media while Asia Media is involved only in DOOH transit media).

Appendix IV: Market Strategy and Digital Media Systems

Figure 5: Five marketing strategies to enhance the effectiveness of advertising

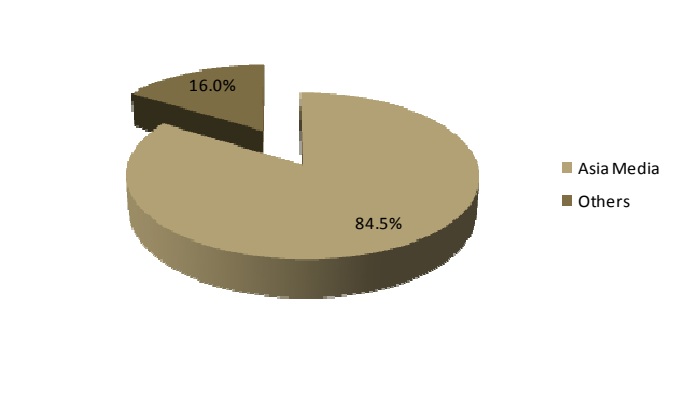


Source: Asia Media, OSK

“Transit 5” strategies: Going forward, the group will employ 5 different distribution channels, bridging the gap between advertisers and public transport passengers to enhance the effectiveness of advertising on its network. Currently, Asia Media has rolled out its “on screen”, “on web” and “on call” strategies and will soon introduce “on site” and “on mobile” strategies. Via “on site” strategy, Asia Media will collaborate with RapidKL by getting the advertisers to sponsor items like vouchers and sample products to encourage more frequent public usage while “on Mobile” strategy is a development on mobile WAP portal for public transport passengers to receive relevant news and information via their GPRS enabled phone.

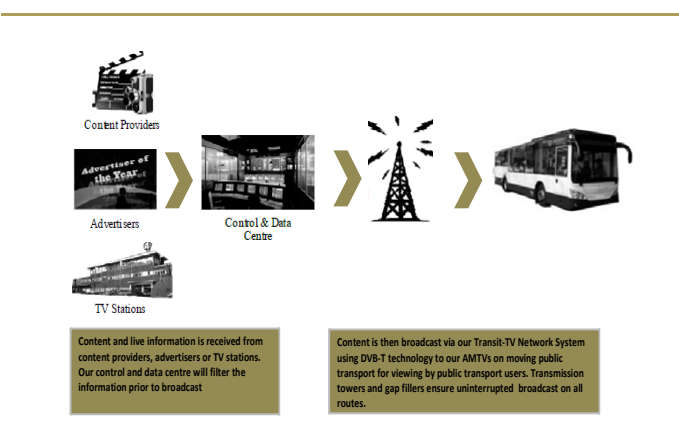
Introduction of new services: Digital Terrestrial Television Broadcasting (DTTB). DTTB, which is under the RM500m ETP project, is a type of infrastructure that employs digital broadcasting to transmit TV signals from terrestrial transmission towers to a conventional. Previously, Asia Media used a pre-recorded system whereby pre-recorded content is uploaded to the individual systems on each mode of transport, With DTTB, Asia Media would be able to: i) deliver real-time content and information to the targeted mobile audience via live broadcasts, ii) vary the content and advertisements throughout the day according to the audience in each timeslot, and iii) huge cost savings resulting from the elimination of excessive manual costs.

Figure 4 : Estimated market share in DOOH transit media sub-segment



Source: Asia Media, OSK

Figure 6: Illustration of DTTB System



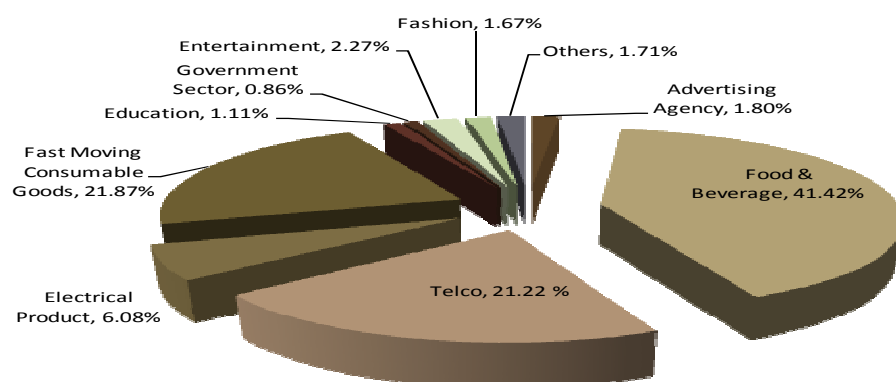
Source: Asia Media, OSK

Appendix V: Future Expansion Plans

- 1) **Expanding coverage:** The group aims to expand coverage of its Transit-TV Network System to other public transport such as KL Monorail, LRT and KTM Komuter in the near-term to reach out to more public transport users, hence, increase the exposure and publicity of its clientele. Apart of that, the group is also in the efforts to venture into other states, particularly, Melaka and Negeri Sembilan to expand its network coverage. Besides that, Asia Media intends to install advertising platform in major bus and train stations, which is in addition to the LCD-TV screen in buses and trains.
- 2) **Maximising average revenue per hour.** Management intends to offer more programmes with embedded advertising, such as strategic products or infomercials, as well as increase programme sponsorship. These additional advertising opportunities will increase the average revenue per hour by increasing advertising opportunities beyond the traditional timeslots.
- 3) **Expanding overseas.** Management plans to venture into Indonesia's market within 2 years due to the robust media industry growth at a CAGR of 23.3% from 2005-2009 as well as its large population and high dependency on uses of public transport.
- 4) **Introduction of new services: Mobile interactive.** Mobile interactive rollout forms another part of the advertising platform, which is predominantly SMS based, but also includes multimedia messaging advertising, advertising within mobile games and mobile videos. Advertisers will be able to advertise their products and services when the mobile users download content, mobile web pages or when the mobile user interacts with a telephoned-based service such as movie ticketing or directory assistance, where a full screen of advertisements will appear when any of the mentioned-services is requested. It will help enhance its existing programme sponsorships as it allows provision of additional services such as ringtone downloads, mobile games and subscription to content apart from the basic contests and voting activities.
- 5) **Extending DTTB Technology to more services and devices.** The group also plans to enhance its capability to broadcast information and entertainment to more devices apart from public transport such as mobile phones, personal computers and personal digital assistants.

Appendix VI: Customer base

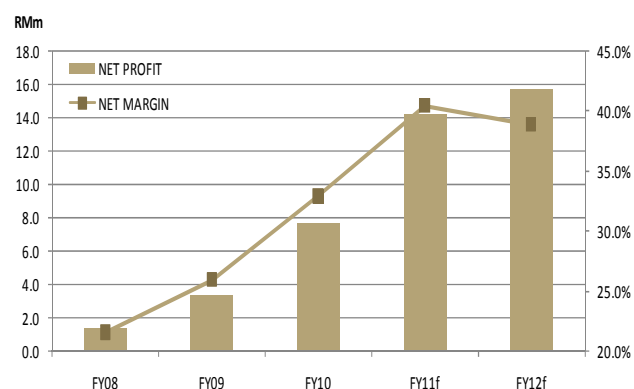
Figure 7: Major customers in 2010 (by categories)



Source: Asia Media, OSK

Appendix VII: Financial Performance

Figure 8 : Net profit



Source: Asia Media, OSK

Figure 9: Segmental analysis (by business segment)

Segmental analysis by business segments					
RMm	2008	2009	2010	2011f	2012f
Revenue	6.5	18.1	23.4	35.1	40.4
Air Time	1.8	8.7	5.5	5.7	6.6
Programme Sponsorship	2.1	4.1	5.7	11.1	12.0
Creative & Production	2.6	5.3	12.2	18.3	21.8
Cost of sales	-2.66	-6.2	-12.0	-19.7	-24.0
Air Time	0	0.0	0.0	-1.7	-2.0
Programme Sponsorship	-0.46	-1.1	-1.1	-2.5	-3.5
Creative & Production	-2.2	-5.1	-10.9	-15.5	-18.5
Gross margin (%)					
Air Time	27.7%	48.1%	23.5%	11.4%	11.2%
Programme Sponsorship	25.3%	16.6%	19.6%	24.5%	21.1%
Creative & Production	6.0%	1.1%	5.5%	8.0%	8.2%
Gross profit	3.8	11.9	11.4	15.4	16.3
Air Time	1.8	8.7	5.5	4.0	4.5
Programme Sponsorship	1.6	3.0	4.6	8.6	8.5
Creative & Production	0.4	0.2	1.3	2.8	3.3

Source: Asia Media, OSK

Appendix VIII: Valuations

Figure 10: Peer comparisons

	Price	Market Cap(RMm)	FY10 PER	FY11 PER	FY10 EPS Growth (%)	FY11 EPS Growth (%)	FY11 G.Div Yield (%)	FY10 ROE (%)	FY11 ROE (%)	P/NTA	Rating
Asia Media	0.27	61.6	4.6	4.4	126.4	5.1	-	37.6	24.3	2.3	NR
Media Prima	2.93	3,103.2	17.0	16.0	126.3	6.4	4.3	8.3	20.1	3.2	BUY
Star Publications	3.38	2,496.1	13.5	14.2	27.6	-4.8	5.7	17.9	16.3	2.2	NEUTRAL
Media Chinese International	1.19	2,006.9	12.1	10.5	22.5	15.3	5.7	14.4	15.0	2.1	BUY
Average (ex-Asia Media)			14.2	13.6				13.5	18.9		

*FY08-FY10 is based on 130m share capital, FY11-12 is based on 228m share capital

Source: Asia Media, OSK

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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