

Analyst: Kelvin Li

Main Board Listing – Research

雅仕維傳媒集團有限公司

Asiaray Media Group Limited (01993)

<b>Sole Sponsor</b>	:	BOCI
<b>Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager</b>	:	BOCI

**Sector** : Media

**Business** : A media company with focus on airport and metro line advertising

<b>Total share offer:</b> <u>110,000,000</u> shares (25% of the enlarged share capital)  <b>Public Offer:</b> 11,000,000 shares (10%) <b>Placing:</b> 99,000,000 shares (90%) <b>Greenshoe:</b> 16,500,000 shares	<b><u>Business of Asiaray Media ('The Group')</u></b>  The Group is an out-of-home media company with focus on airport and metro line advertising. The Group ranked the first among privately-owned media companies in Greater China in 2013 (in terms of revenue). The Group ranked the fourth among all media companies both in terms of all advertising revenue from airports and from metro lines in 2013.  The Group's media resources consist of advertising spaces in airports, metro lines, along side expressways and on commercial buildings in 33 cities in Greater China. As of 22 <sup>nd</sup> Dec 2014 ('Latest Applicable Date'), the Group had exclusive concession rights to mainstream media resources in 25 airports, non-exclusive concession rights to mainstream media resources in one airport, exclusive concession rights to mainstream media resources on 10 metro lines and 360 billboards in Greater China. The Group's customers included advertising agents and advertiser customers themselves, which included well-known brands/companies like Tencent, Samsung Electronics, BMW, Nissin Foods, Ermenegildo Zegna, H&M, SHKP, etc.
<b>Price:</b> HK\$5.85 – HK\$7.02 per share  <b>Total Market Capitalisation:</b> HK\$2,574 million – HK\$3,089 million  <b>Pro-forma fully diluted FY2013 P/E:</b> 19.9x-23.9x  <b>Adjusted NTA per share:</b> HK\$1.85-HK\$2.13  <b>Staffing:</b> 767 (as of 22 <sup>nd</sup> December 2014)	
<b>HK Public Offer period:</b> 31 <sup>st</sup> December 2014 - 7 <sup>th</sup> January 2015 noon  <b>Receiving bank:</b> Bank of China (Hong Kong)  <b>Share registrar:</b> Computershare Hong Kong Investor Services  <b>Listing date:</b> 15 <sup>th</sup> January 2015	

**Shareholders after Listing (assuming the Over-allotment Option is not exercised)**

• Media Cornerstone – wholly owned by Chairman & CEO Mr. Lam Tak Hing's family trust	55%
• Space Management – wholly owned by Chairman & CEO Mr. Lam Tak Hing	20%
• Public shareholders	25%
	<u>100%</u>

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### Use of Proceeds

Net proceeds from the offer are estimated to be HK\$636.3 million (based on an offer price of HK\$6.435).

	HK\$ million
For expansion of media resources for the new airport terminal at Hanzhou Xiaoshan International Airport, additional investments in Henan Airport Asiaray and additional media resources in the new terminal planned for Zhengzhou Xinzheng International Airport	268.9
For expansion of media resources for metro lines in Wuxi, Zhengzhou, Ningbo Metro Line No. 1 and Shenzhen Metro Line No. 4	243.1
For media resources for billboards and building solutions	60.4
For working capital	63.6

### Financial Highlights

	Year ended 31 <sup>st</sup> Dec			6 months ended	
	2011	2012	2013	30 <sup>th</sup> Jun 2013	30 <sup>th</sup> Jun 2014
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Revenue	717.5	953.1	1,211.3	559.9	612.1
Gross profit	99.1	223.9	364.5	160.6	221.2
Operating profit	(3.6)	98.2	203.8	91.5	123.8
<b>Profit attributable to shareholders</b>	<b>(18.1)</b>	<b>59.6</b>	<b>129.3</b>	<b>43.2</b>	<b>61.4</b>
Gross profit margin	13.8%	23.5%	30.1%	28.7%	36.1%
Operating profit/(loss) margin	(0.5%)	10.3%	16.8%	16.3%	20.2%
Net profit/(loss) margin	(2.5%)	6.3%	10.7%	7.7%	10.0%
	31/12/2011	31/12/2012	31/12/2013	30/6/2013	30/6/2014
Net debt to shareholders' equity	Net cash	Net cash	Net cash	N/A	Net cash

### Peer valuation comparison

	Asiaray Media (01993)		Clear Media (00100)		Sinomedia (00623)	
	FY2013	FY2014E	FY2013	FY2014E	FY2013	FY2014E
Gross profit margin	30.1%	N/A	59.1%	N/A	36.5%	33.2%
P/E ratio	19.9x-23.9x	N/A	21.4x	N/A	5.4x	4.9x
Market capitalisation	HK\$2,574-3,089 million		HK\$4,353 million		HK\$2,414 million	

Sources: Reuters

### Strengths/Opportunities

- ✓ Supported by continued urbanization on the Mainland, the PRC out-of-home advertising market is expected to maintain robust market growth in the coming years. It is expected to expand at CAGR of 18.4% (in terms of revenue) during 2013-2018.
- ✓ Since its establishment in 1993, the Group has developed into one of the leading media companies in the PRC and established solid business relationships with its advertiser customers.
- ✓ The Group has entered into cornerstone placing agreements with two investors, namely Great World HK (wholly owned by the LVMH Group-controlled private equity firm L Capital Asia) and Shandong Peninsula (a hedge fund). The two investors will subscribe for a combined US\$30 million in the IPO, which will represent a combined 8.21% of the enlarged share capital (assuming the over-allotment option is not exercised and IPO price at HK\$6.435). The cornerstone subscriptions will be subject to six-month lock-up restriction.

**Weaknesses/Threats**

- × Economic downturn and sharp slowdown in luxury goods consumption on the Mainland would drag on advertising spending among advertiser customers, which would hurt the Group's operations and financial results.
- × The PRC advertising market is highly competitive and fragmented. For instance, the Group ranked fourth in the Greater China airport advertising market with a market share of 7.47% in 2013 (in terms of revenue), while the top player had a market share of 10.68%.
- × The Group's profitability was volatile over the Track Record Period, with its gross profit margins fluctuating between 13.8% to 36.1%, which mainly due to change in concession fees the Group paid for addition of media resources.
- × The Group plans to price its IPO at 20x-24x FY13 P/E, which is in line with its close peer Clear Media. However, given the cyclical nature of the media industry and risk of continued slowdown in luxury goods spending on the Mainland (which would lead to lower advertising budgets among luxury goods retailers), the overall media segment is not attractive with such high valuation.

**Recommendation:        Unattractive**

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