

Recommendation: **STRONG BUY**

Stock Code: 3875

Bloomberg: MGB MK

Price: MYR2.23

12-Month Target Price: MYR2.90

Date: November 16, 2006

Board: Main

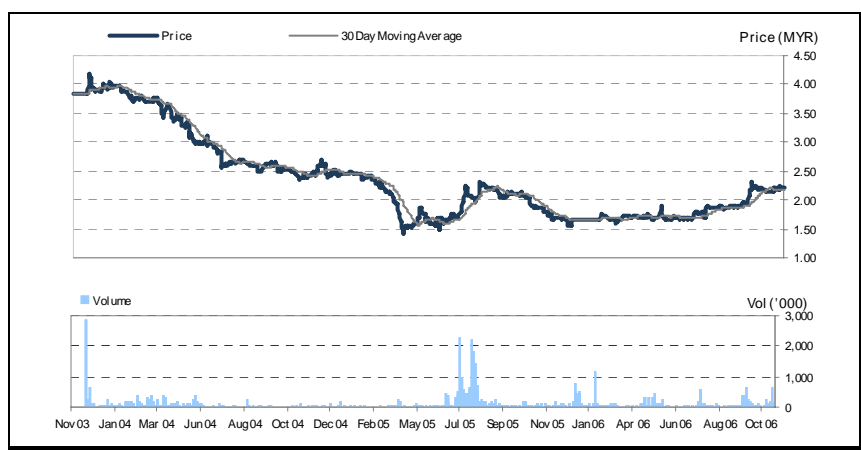
Sector: Trading/Services

GICS: Telecommunication Services/Alternative Carriers

Market Value - Total: MYR869.6 mln

Summary: MEASAT Global (MG) is Malaysia's sole satellite solutions provider, serving regional broadcasters and telecommunications companies. It currently operates two satellites with a third to be launched by end-2006.

Analyst: Alexander Chia, ACA



Recent Developments

- Measat Satellite Systems Sdn Bhd and Boeing Satellite Systems International Inc jointly announced that MG's MEASAT-3 communications satellite has been shipped from the Boeing manufacturing facility in El Segundo, California to the Baikonur Cosmodrome in Kazakhstan for a scheduled December launch.
- This follows on from launch service provider International Launch Services (ILS) successful launch of ARABSAT's BADR-4 on Nov. 9 and Eutelsat's HOTBIRD 8 satellites on Aug. 5 using the Proton Breeze M launch vehicles. The launch of MEASAT-3 has been delayed since the Feb. 28 launch failure of the ARABSAT 4A satellite.
- Following the launch, some in-orbit testing is expected which will take several weeks. MEASAT-3 is expected to be commercially available from early 2007 and is consistent with our present assumptions. We maintain our 2006 and 2007 earnings forecasts.

Recommendation & Investment Risks

- We are upgrading our recommendation to Strong Buy (from Buy) following the passing of the aforementioned significant milestones. Our 12-month target price is raised to MYR2.90 (from MYR2.24).
- We are revising our valuation methodology to one based purely on discounted cash flow (DCF), from previously using a blend of relative PER and DCF valuation methodologies. Our DCF estimate assumes 12.73% WACC and 0% terminal growth. Our target price is derived from applying a 25% discount to our DCF estimate of MYR3.86. We believe the use of DCF better reflects the fundamental valuation of the company and the reduced satellite construction risk as the MEASAT-3 launch countdown draws closer.
- Risks to our recommendation and target price include launch delay and launch failure. MEASAT-3 is already significantly behind schedule; further delays could impact investor sentiment and affect MG in terms of costs of lost business opportunities as well as diluting valuations. In our opinion, a launch failure would have a major negative impact on our projections and recommendation.

Earnings Outlook

- We expect earnings from MEASAT-3 to boost MG's net profit for 2007 by 44.1% to MYR48.9 mln.

Key Stock Statistics

FY Dec.	2005	2006E
Reported EPS (sen)	3.8	8.7
PER (x)	58.8	25.7
Dividend/Share (sen)	0.0	0.0
NTA/Share (MYR)	0.78	0.87
Book Value/Share (MYR)	3.82	3.91
No. of Outstanding Shares (mln)	389.9	
52-week Share Price Range (MYR)	1.58 - 2.31	
Major Shareholders:	%	
MEASAT Global Network Systems	59.6	
Telekom Malaysia	15.4	
KWAP	6.4	

Per Share Data

FY Dec.	2003	2004	2005	2006E
Book Value (MYR)	3.75	3.79	3.82	3.91
Cash Flow (sen)	14.1	18.1	18.8	23.6
Reported Earnings (sen)	-0.5	3.6	3.8	8.7
Dividend (sen)	0.0	0.0	0.0	0.0
Payout Ratio (%)	0.0	0.0	0.0	0.0
PER (x)	NM	61.9	58.8	25.7
P/Cash Flow (x)	15.9	12.3	11.9	9.5
P/Book Value (x)	0.6	0.6	0.6	0.6
Dividend Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	-0.1	1.0	1.0	2.2
Net Gearing (%)	24.0	36.0	37.7	48.2

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Profit & Loss

FY Dec. / MYR mln	2004	2005	2006E	2007E
Reported Revenue	129.6	132.3	137.4	276.0
Reported Operating Profit	35.4	32.2	26.0	82.3
Depreciation & Amortization	NA	NA	NA	NA
Net Interest Income / (Expense)	-11.6	-14.0	-19.4	-25.7
Reported Pre-tax Profit	21.9	16.4	20.9	55.5
Effective Tax Rate (%)	35.8	9.7	NM	12.0
Reported Net Profit	14.0	14.8	33.9	48.9
Reported Operating Margin (%)	27.3	24.4	18.9	29.8
Reported Pre-tax Margin (%)	16.9	12.4	15.2	20.1
Reported Net Margin (%)	10.8	11.2	24.7	17.7

Source: Company data, S&P Equity Research

Standard & Poor's Equity Research Services

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Glossary

Strong Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months, with shares rising in price on an absolute basis.

Hold: Total return is expected to closely approximate the total return of the KLCI or KL Emas Index respectively, over the coming 12 months with shares generally rising in price on an absolute basis.

Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months and share price is not anticipated to show a gain.

Strong Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months by a wide margin, with shares falling in price on an absolute basis.

S&P 12 Month Target Price – The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

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For residents of Malaysia. All queries in relation to this report should be referred to Alexander Chia, Lee Leng Hoe or Ching Wah Tam.

Recommendation and Target Price History

Date	Recommendation	Target Price
New	Strong Buy	2.90
28-Aug-06	Buy	2.24
19-Jul-06	Buy	2.14
31-May-06	Hold	1.85
16-May-06	Hold	1.88
2-Mar-06	Buy	1.88
28-Nov-05	Strong Buy	2.39
29-Jul-05	Strong Buy	2.78

