

MACQUARIE  
ACN 002 574 923

Macquarie Private Wealth

Snapshot

# Austar United Communications

## Business Description

Austar United Communications Limited (AUN) is a provider of subscription television services in Australia, providing satellite and cable network services to regional and rural Australia. AUN also offers mobile telephone and internet services. AUN is the largest subscription television operator in regional and rural Australia with the exclusive licence to deliver pay TV services to 2.4m homes, one-third of Australia's total homes.

## Strategy Analysis

Austar has moved over the past two to three years from beneath the spectre of financial distress caused by operating and cashflow losses on a highly geared balance sheet to a sound cash positive operating business with growth opportunities in its quasi monopoly market. By far the largest source of revenues is subscriptions. Pay per view services like box office movies represent further high margin revenue opportunities that successfully exploit the monopoly position that Austar occupies in its markets. With subscriber numbers now edging towards the 1m level AUN has built up a strong subscription base to deliver consistent and growing cashflows. Evidence suggests that in times of financial constraint consumers cut back on going out and cocoon themselves in the family home and look to pay TV as a cheaper form of entertainment. Austar United Communications reported NPAT of \$88.66m for the half-year ended 30 June 2011. Revenues from ordinary activities were \$351.75m, which is comparable with the same period last year. This is due to the impact of natural disasters in regional Australia earlier this year and increased promotions and credits offset by the continued growth in Television subscribers and an increase in average revenue per user (ARPU). Basic and Diluted EPS was 7 cents compared to 1.6 cents last year. Net operating cash flow was \$80.70m compared to \$83.41m last year. No dividend was declared. Total Television Subscribers remained comparable to 31 December 2010, and have increased by 17,102 compared to 30 June 2010. Subscriber churn averaged 1.52% per month for the current period.

27 January 2012

## Recommendation

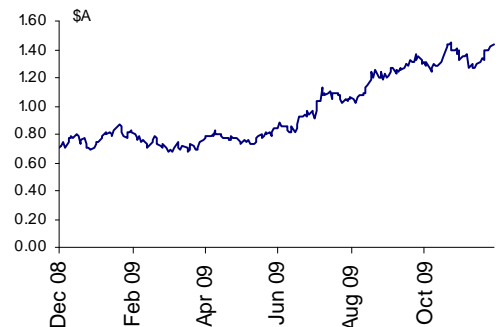
Recommendation: Neutral  
Relative to: All Ind (ex Fins)

## Investment Fundamentals

ASX code: AUN  
Stock price: \$1.19  
Market cap: \$1,519m

	Y/E 31/12/2012	2011e	2012e	2013e	2014e
Reported e	\$m	124.8	73.4	89.6	109.4
Adjusted e	\$m	62.9	73.4	89.6	109.4
EPS adjusted	¢	5.0	5.8	7.1	8.6
EPS growth	%	58.3	16.7	22.1	22.1
PE	x	24.1	20.7	16.9	13.9
PE relative	x	1.7	1.9	1.8	1.7
DPS	¢	0.0	0.0	0.0	
Yield	%				
Franking	%	0.0	0.0	0.0	

## Share Price



Source: ASX and Company accounts

## Segment Performance

Results by Industry	Revenue (%)	Return on Sales (%)	Return on Assets (%)	Annual Shareholders' Return	
				1 year	23.0%
Subscription services	100.0	100.0	100.0	3 year	17.0%
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	5 year	-0.8%
				10 year	14.0%
Results by Geography				Dividend Reinvestment Plan	No
Australia	100.0	100.0	100.0	Shareholder Discounts	No
<b>Total</b>	<b>100.0</b>				

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