



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.

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. The cyclical weakness in 2008/09 became a real test of the durability of the AUN service offer. 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 a net loss of \$74.74m for the year ended 31 December 2008. Revenue from ordinary activities were \$631.97m, up 11.3% from last year. Diluted EPS was \$(0.058) compared to \$0.059 last year. Net operating cash flow was \$201.38m compared to \$175.3m last year. No dividend was declared. Total television subscribers increased by 51,484 to 720,270 for the year. With additional product uptake and tier penetration, ARPU continued to grow, ending the fourth quarter at \$80.08. Management added that MyStar, which was launched in February 2008, exceeded all expectations. As at 31 December, MyStar had 72,719 subscribers, equal to 12% of residential subscribers.

28 July 2010

Recommendation

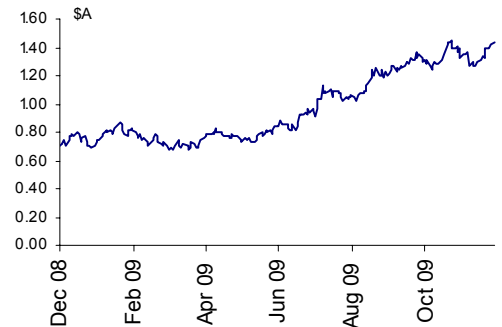
Recommendation: Outperform
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: AUN
Stock price: \$1.02
Market cap: \$1,279m

Y/E 31/12/2010	2010e	2011e	2012e	2013e
Reported e \$m	56.4	75.1	97.8	119.1
Adjusted e \$m	56.4	75.1	97.8	119.1
EPS adjusted ¢	4.5	6.0	7.8	9.5
EPS growth %	56.2	33.3	30.1	21.8
PE x	22.6	16.9	13.0	10.7
PE relative x	1.2	1.3	1.2	1.1
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	3 year
Subscription services	100.0	100.0	100.0	-1.0%	-14.0%
Total	100.0	100.0	100.0	5 year -1.0%	10 year -15.0%
Results by Geography				Dividend Reinvestment Plan	
Australia	100.0	100.0	100.0	Shareholder	No
Total	100.0			Discounts	No

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