

19 November 2021

Star Media Group

3QFY21 Above Expectations

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9MFY21 core LATAMI of RM22.8m came above our expectation but within consensus'. After adjusting for one-off reversal of compensation income, the group saw a 57% increase in LATAMI. With the lifting of lockdowns in 4QCY21, we believe the group will see an uptick in adex as well as the events segment. As for now, with no immediate earnings catalysts in place, we are keeping our UNDERPERFORM rating to the stock albeit with a higher TP of RM0.285.

9MFY21 above expectations. The group registered a LATAMI of RM22.8m which came above our full-year LATAMI expectation of RM40.35m (57%) but within consensus' RM32.8m. No dividend was declared as expected.

YoY, 9MFY21 revenue declined by 7% to RM135.6m from RM145.5m in 9MFY20 due to higher revenue recorded in 1QFY20 pre pandemic and lockdowns. The print and digital segment fell by 9% as the lower revenue in 1QFY21 dragged down the segment's YTD revenue. On the other hand, the radio segment grew by 34% thanks to higher revenue from commercial airtime. Moreover, the group saw a one-off reversal of compensation income of RM50.5m which was awarded in FY20 from the legal case with JAKS. Adjusting for this, 9MFY21 registered an improved core LATAMI of RM22.8m (57%).

QoQ, revenue remained flattish (-1%) due to a 2.3% increase in the print and digital segment revenue which was partially offset by the 19% drop in radio. This is in line with the radex data gathered by Nielson which shows radex slipping by 29% which we believe was due to the nationwide lockdown in 3QCY21. No surprise, the events and exhibitions remained weak due to the stringent lockdown in 3QCY21. All in, core LATAMI improved by 22% to a LATAMI of RM4m after adjusting for the above-mentioned one-off income reversal.

Strengthening digital initiatives. As the group is focused on expanding its digital transformation initiatives and strategies, they have launched several initiatives in 2021. For instance, "Subscribe and Win" campaign was created to increase online subscribers which resulted in mStar reaching a peak of 8.1m unique visitors in March as the campaign successfully drew more Malay consumers to the site. Moreover, the group launched e-Kuntum in 2Q which focuses on digital education, thus, driving interested student to the site. The group understands the need to invest in the digital space in order to keep pace with continuous change in market needs and therefore plans on introducing more fresh products and restructuring existing ones. For now, we believe media outlets could progressively gain traction once more when economic activity picks up, which we reckon would materialise in the later parts of 2HFY21.

Post results, we raise FY21E earnings by 30% on the back of the reopening of economic sectors in 4QCY21 which could see a surge in adex as well as events and exhibitions.

Maintain UNDERPERFORM with a higher TP of RM0.285 (previously RM0.280) based on a P/NTA of 0.3x (0.5SD below mean level). Although the group continues to report QoQ increase in its digital revenue, the digital initiatives have yet to offset the losses incurred in the print and digital segment which is currently being dragged down due to the weakness in the print segment. With no immediate earnings catalysts in place, we are keeping our UNDERPERFORM rating on the stock.

Key risks to our call include: (i) higher-than-expected adex revenue, and (ii) better-than-expected margins following various cost initiative plans.

UNDERPERFORM ↔

Price : **RM0.345**
Target Price : **RM0.285** ↑

Share Price Performance



KLCI	1,523.79
YTD KLCI chg	-6.4%
YTD stock price chg	-1.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	STAR MK Equity
Market Cap (RM m)	250.0
Shares Outstanding	724.8
52-week range (H)	0.48
52-week range (L)	0.32
3-mth avg daily vol	539,237
Free Float	38%
Beta	1.2

Major Shareholders

Malaysian Chinese Association	43.2%
Amanah Saham Nasional	7.7%
Employees Provident Fund	4.1%

Summary Earnings Table

FY Dec (RM m)	2020A	2021E	2022E
Turnover	196.4	202.8	213.3
EBIT	-16.3	-26.1	-6.8
PBT	-16.5	-27.0	-7.8
PATAMI	-19.7	-28.3	-4.6
Core PATAMI	-58.3	-28.3	-4.6
Consensus (NP)	-	-32.8	-10.3
Earnings Revision	-	30%	0%
EPS (sen)	-8.0	-3.9	-0.6
EPS growth (%)	-905.5	51.5	83.6
DPS (sen)	0.0	0.0	0.0
NTA/Share (RM)	1.04	0.98	0.95
PER (x)	N.M.	N.M.	N.M.
Price/NTA (x)	0.33	0.35	0.36
Net Gearing (x)	-0.4	-0.4	-0.4
Dividend Yield (%)	0.0	0.0	0.0

19 November 2021

Result Highlight								
	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
FYE Dec (RM m)	FY21	FY21	Chg	FY20	Chg	FY21	FY20	Chg
Turnover	46.2	46.7	-1.1%	48.2	-4.1%	135.6	145.5	-6.8%
EBIT (LBIT)	-54.4	-37.5	-45.2%	33.4	-262.9%	-105.7	3.6	-3071.2%
Core EBIT (LBIT)*	-3.6	-4.7	22.9%	-15.8	77.0%	-21.6	-44.7	51.6%
PBT	-54.7	-37.8	-44.8%	33.1	-265.1%	-106.5	2.6	-4127.0%
Taxation	-0.1	-0.1	2.9%	-6.3	98.4%	-0.3	-6.7	95.0%
Minority Interest	0.0	0.0	250.0%	0.0	-43.8%	0.0	0.0	-227.8%
PATAMI	-54.8	-37.9	-44.6%	26.9	-303.5%	-106.9	-4.0	-2568.7%
Core PATAMI (LATAMI)*	-4.0	-5.1	21.7%	-22.3	82.1%	-22.8	-52.5	56.5%
EPS (sen)	-0.6	-0.7	21.7%	-3.1	82.0%	-3.2	-7.1	55.9%
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
Core EBIT margin	-7.9%	-10.1%		-32.9%		-15.9%	-30.7%	
PBT margin	-118.3%	-80.8%		68.7%		-78.5%	1.8%	
Core PATAMI margin	-8.7%	-10.9%		-46.3%		-16.9%	-36.1%	
Effective tax rate	-0.2%	-0.3%		18.9%		-0.3%	252.8%	

Note:
 * Core adjustments account for: (i) reversal of compensation income (RM50.5m) in 3QFY21, (ii) allowances (and reversal) of credit loss (RM0.243m) in 3QFY21, (iii) impairment of asset (RM32.66m) in 2QFY21, (iv) impairment of asset (RM0.083m) in 1QFY21, (v) allowances (and reversal) of credit loss (RM0.108m) in 2QFY21, (vi) allowances (and reversal) of credit loss (RM0.399m) in 1QFY21, (vii) allowances (and reversal) of credit loss (RM0.384m) in 2QFY20 and (viii) allowances (and reversal) of credit loss (RM0.403m) in 1QFY20, (ix) allowances (and reversal) of credit loss (RM1.278m) in 3QFY20, (x) JAKS compensation income (RM50.5m) in 3QFY20

Source: Kenanga Research

Segmental Breakdown								
	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
Ex-Revenue (RM m)	FY21	FY21	Chg	FY20	Chg	FY21	FY20	Chg
Print and Digital	41.6	40.7	2.3%	42.7	-2.5%	117.4	128.4	-8.6%
Radio broadcasting	5.6	6.9	-19.1%	5.5	1.1%	18.8	14.0	34.4%
Event	0.0	0.0	-1600.0%	0.0	N.M.	1.2	3.0	-60.8%
Others	-1.0	-0.8	14.6%	0.0	N.M.	-1.8	0.0	13876.9%
Total	46.2	46.7	-1.1%	48.2	-4.1%	135.6	145.5	-6.8%
Profit Before Tax (RM m)								
Print and Digital *(i)	-54.8	-39.1	40.0%	-16.9	224.9%	-107.2	-46.7	129.2%
Radio broadcasting	0.1	1.4	-92.8%	-0.4	-125.8%	0.7	-3.5	-120.7%
Event	-0.3	-0.3	-13.2%	-0.8	-64.8%	-1.1	0.0	5850.0%
Others	0.3	0.3	-14.9%	0.6	-52.3%	1.0	2.4	-57.5%
Total	-54.7	-37.8	44.8%	-17.4	214.1%	-106.5	-47.9	122.3%
PBT margin								
Print and Digital	-131.7%	-96.2%		-39.5%		-91.3%	-36.4%	
Radio broadcasting	1.8%	19.6%		-6.9%		3.9%	-25.2%	
Event	-1840.0%	31800.0%		N.M.		-89.8%	-0.6%	
Others	-30.7%	-41.3%		N.M.		-56.2%	-18500%	
Total	-118.3%	-80.8%		-36.1%		-78.5%	-32.9%	

Source: Company, Kenanga Research

19 November 2021

Peer Table Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.			
Stocks Under Coverage																	
ASTRO MALAYSIA HOLDINGS BHD	0.965	5,032.0	N	01/2022	17.0%	-1.4%	1.9%	14.9%	9.4	9.3	8.1	4.4	3.9	44.9%	8.3%	1.22	OP
MEDIA CHINESE INTERNATIONAL	0.175	295.3	Y	03/2022	11.3%	22.8%	114.7%	204.8%	N.A.	140.6	46.1	0.4	0.4	0.3%	2.3%	0.185	MP
MEDIA PRIMA BHD	0.495	549.1	N	12/2021	28.3%	15.9%	963.8%	38.9%	N.A.	13.5	9.7	1.0	0.9	6.8%	0.0%	0.690	OP
STAR MEDIA GROUP BHD	0.345	250.0	Y	12/2021	3.3%	5.2%	51.5%	83.7%	N.A.	N.A.	N.A.	0.3	0.3	-3.7%	0.0%	0.285	UP
Simple Average					15.0%	10.6%	283.0%	85.6%	9.4	54.5	21.3	1.5	1.4	12.1%	2.6%		

Source: Kenanga Research

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19 November 2021

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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