

23 November 2022

# Star Media Group

## Radio Reborn a Cash Cow

By Jack Lai Yuan Khai | [jacklai@kenanga.com.my](mailto:jacklai@kenanga.com.my)

STAR's 9MFY22 results beat expectations as it continued to benefit from the reopening of the economy with improvement seen across its major media channels. We raise our FY22F and FY23F net profits by 29% and 64%, respectively. Upgrade to **OUTPERFORM** from **MARKET PERFORM** with an unchanged asset-based TP of RM0.335 as we believe value has emerged after the recent weakness in its share price.

**Beat our forecast.** STAR's 9MFY22 core net profit already met our full-year forecast and made up 79% of the full-year consensus estimate. The variance against our forecast came largely from reduced operating costs (-19.5% YoY excluding a one-off reversal of RM50.1m) and better-than-expected performance of the radio segment.

**YoY.** 9MFY22 revenue grew 17.2% as the reopening of the economy continued to benefit the group across most major segments. The print and digital segment remained marginally profitable, contributing RM0.5m vs. RM52.4m losses during 9MFY21. Radio continued to contribute the lion's share of earnings, growing >8x YoY as advertisers continued to be drawn to the platform following the return of normal travel. Elsewhere, the event segment remained marginally loss-making but losses narrowed 31.6% YoY.

Overall, the group continued its earnings momentum as PATAMI sustained >100% growth. Margins continued to benefit from the improved revenue across its major segments as well as improved cost optimisations.

**QoQ.** 3QFY22 revenue remained relatively flat, growing marginally by 0.8% QoQ. However, EBIT decreased 8.9% due to rising cost of print resulting from unfavourable MYR/USD exchange rate. Overall, PATAMI still grew 22.6% on a minor tax credit.

**Outlook.** The long-term outlook for the group remains mixed given the continued trend of advertisers favouring digital media over traditional channels. Nielsen statistics have shown that digital media is able to both draw and retain an increasing amount of overall advertising expenditure. The group's online publication still commands less than 1% of overall digital as of 3QCY22 and the transition continues to appear long and winding.

Conversely, the group's performance during 9MFY22 has shown that they have successfully capitalised on the improving advertiser sentiment following the reopening of the economy. If the group is able to maintain current levels of performance moving forward, its near-term prospects may be brighter as the improved advertiser sentiment is expected to continue into 4QFY22.

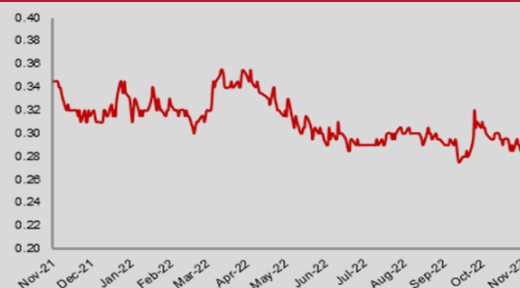
**Post results,** we raise our FY22F/FY23F net profit by 29%/64% to reflect the better margins and improved performance from the radio segment.

We continue to like STAR for its: (i) prime position to capitalise on rebounding advertising expenditure, (ii) leading position as the number one English newspaper in Malaysia, and (iii) online presence as the largest single website publication based on adex under our coverage. While long-term catalysts for the group may be limited, its performance during 9MFY22 is encouraging and we believe value has started to emerge.

**OUTPERFORM** ↑

Price : RM0.285  
Target Price : RM0.335 ↔

### Share Price Performance



KLCI	1,441.29
YTD KLCI chg	-8.1%
YTD stock price chg	-9.5%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	STAR MK Equity
Market Cap (RM m)	206.6
Shares Outstanding	724.8
52-week range (H)	0.36
52-week range (L)	0.28
3-mth avg daily vol	255,136
Free Float	37%
Beta	0.7

### Major Shareholders

Malaysian Chinese Association	43.2%
Amanah Saham Nasional	7.6%
Employees Provident Fund	4.1%

### Summary Earnings Table

FY Dec (RM m)	2021A	2022F	2023F
Revenue	187.1	211.6	226.6
EBIT	-148.8	16.5	20.9
PBT	-149.5	15.2	19.5
<b>Net Profit</b>	<b>-132.1</b>	<b>9.1</b>	<b>11.7</b>
<b>Core Net Profit</b>	<b>-7.9</b>	<b>9.1</b>	<b>11.7</b>
Consensus (NP)	-	8.8	11.5
Earnings Revision	-	29%	64%
Core EPS (sen)	-1.1	1.3	1.6
Core EPS growth (%)	-86.4	-215.5	28.5
NDPS (sen)	0.0	0.0	0.0
BVPS (RM)	0.86	0.85	0.85
PER (x)	-26.2	22.7	17.7
PBV (x)	0.33	0.33	0.34
Net Gearing (x)	-0.5	-0.3	-0.3
Net Div. Yield (%)	0.0	0.0	0.0

23 November 2022

**Upgrade to OUTPERFORM.** We maintain our TP of RM0.335 based on 0.4x P/NTA, in line with the sector's historical average. However, we upgrade its rating to OUTPERFORM as we believe the group has positive near-term prospects. We make no adjustment based on a 3-star ESG rating as appraised by us.

**Key risks to our call include:** (i) accelerated demise of the traditional media, (ii) high newsprint cost, (iii) unfavourable forex movements, (iv) non-renewal of operating licenses, and (v) slow pace of digitalisation.

Results Highlights								
	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
FYE Dec (RM'm)	FY22	FY22	Chg	FY21	Chg	FY22	FY21	Chg
Turnover	53.6	53.2	0.8%	46.2	16.0%	158.9	135.6	17.2%
EBIT	2.2	2.4	-8.9%	-54.4	104.0%	7.7	-105.7	107.3%
Core EBIT	2.3	2.6	-11.2%	-3.7	161.7%	7.9	-21.7	136.3%
PBT	1.9	2.1	-9.5%	-54.7	103.5%	7.1	-106.5	106.6%
Taxation	0.3	-0.4	174.3%	-0.1	362.6%	-0.6	-0.3	-67.0%
Minority Interest	0.0	0.0	-100.0%	0.0	-100.0%	0.0	0.0	182.6%
PATAMI	2.2	1.8	22.6%	-54.8	104.0%	6.5	-106.7	106.1%
Core PATAMI	2.6	2.0	27.8%	-4.1	163.8%	6.9	-22.8	130.4%
EPS (sen)	0.4	0.3	27.8%	-0.6	163.8%	0.6	-3.1	120.3%
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
Core EBIT margin	4.3%	4.9%		-118.3%		5.0%	-16.0%	
PBT margin	3.6%	4.0%		-8.8%		4.4%	-78.5%	
Core PATAMI margin	4.8%	3.8%		-0.2%		4.4%	-16.8%	
Effective tax rate	-13.4%	16.3%		72476.5%		8.0%	-0.3%	

Note: Core adjustments account for: (i) allowance of credit loss of RM0.128m in 9MFY22 and RM0.246 in 9MFY21 (ii) impairment of assets of RM32.7m in 9MFY21 and (iii) forex loss of RM0.411m during 9MFY22.

Source: Company, Kenanga Research

Segmental Breakdown								
	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
Ex-Revenue (RM'm)	FY22	FY22	Chg	FY21	Chg	FY22	FY21	Chg
Print and Digital	45.9	44.6	2.9%	117.4	-60.9%	133.9	117.4	14.0%
Radio broadcasting	7.7	8.6	-10.7%	18.8	-59.2%	24.8	18.8	31.7%
Event	0.0	0.0	N.A.	1.2	-100.0%	0.3	1.2	-74.4%
Others	-0.9	0.0	N.A.	-1.8	-48.3%	-1.0	-1.8	-46.8%
<b>Total</b>	<b>52.7</b>	<b>53.2</b>	<b>-1.0%</b>	<b>135.6</b>	<b>-61.2%</b>	<b>158.0</b>	<b>135.6</b>	<b>16.5%</b>
<b>Profit Before Tax (RM'm)</b>								
Print and Digital	0.3	-0.5	-170.8%	-52.4	-100.6%	0.5	-52.4	101.0%
Radio broadcasting	1.2	2.7	-55.1%	0.6	90.3%	6.1	0.6	863.3%
Event	-0.1	-0.2	-26.1%	-0.8	-81.6%	-0.5	-0.8	31.6%
Others	1.4	-0.7	-301.2%	188.1	-99.3%	1.0	188.12	99.5%
<b>Total</b>	<b>2.8</b>	<b>1.3</b>	<b>108.5%</b>	<b>135.6</b>	<b>-98.0%</b>	<b>7.1</b>	<b>135.6</b>	<b>94.8%</b>
<b>PBT margin</b>								
Print and Digital	0.7%	-1.0%		-44.6%		0.4%	-44.6%	
Radio broadcasting	15.6%	31.0%		3.3%		24.5%	3.3%	
Event	N.A.	N.A.		-67.1%		-178.8%	-67.1%	
Others	-147.4%	N.A.		-10353.1%		-105.6%	N.A.	
<b>Total</b>	<b>5.2%</b>	<b>2.5%</b>		<b>100.0%</b>		<b>4.5%</b>	<b>100.0%</b>	

Source: Company, Kenanga Research

23 November 2022

### Peer Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net. Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>MEDIA</b>																	
ASTRO MALAYSIA HOLDINGS BHD	MP	0.660	0.900	36.36%	3,441.6	N	01/2023	8.5	9.7	-6.2%	13.9%	7.7	6.8	2.6	35.4%	6.5	9.8%
MEDIA CHINESE INTERNATIONAL	MP	0.160	0.155	-3.13%	270.0	Y	03/2023	0.1	0.1	325.0%	23.5%	158.8	128.5	0.4	0.3%	0.6	3.8%
MEDIA PRIMA BHD	OP	0.430	0.640	48.84%	477.0	N	06/2023	5.6	6.4	12.3%	14.4%	7.7	6.7	0.7	9.6%	2.0	4.7%
STAR MEDIA GROUP BHD	OP	0.285	0.335	17.54%	206.6	Y	12/2022	1.3	1.6	215.2%	28.6%	22.7	17.7	0.3	1.4%	0.0	0.0%
<b>Simple Average</b>								<b>3.9</b>	<b>4.5</b>	<b>136.6%</b>	<b>20.1%</b>	<b>49.2</b>	<b>39.9</b>	<b>1.0</b>	<b>11.7%</b>		<b>4.6%</b>

Source: Bloomberg, Kenanga Research

23 November 2022

**Stock ESG Ratings:**

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	☆		
	Corporate Social Responsibility	★	★	☆		
	Management/Workforce Diversity	★	★	☆		
	Accessibility & Transparency	★	★	☆		
	Corruption-Free Pledge	★	★	☆		
	Carbon-Neutral Initiatives	★	★	★	★	
<b>SPECIFIC</b>	Content Moderation	★	★	☆		
	Customer Data Privacy	★	★	★		
	Cyber Security	★	★	☆		
	Digital Transformation	★	★	★	☆	
<b>OVERALL</b>		★	★	★		

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

**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.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**  
 Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
 Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

