

29 May 2024

Star Media Group

Remains in the Red

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STAR's 1QFY24 results disappointed mainly due to cost and topline weakness at the print segment that led to sustained losses. Furthermore, sluggish sales at the property segment did little to help earnings turnaround. We forecast higher losses in FY24F-25F, but maintain our TP of RM0.31 and UNDERPERFORM call.

Print segment continues to bleed. 1QFY24 core net loss of RM0.7m was below our full-year forecast of RM0.2m and the full-year consensus estimate of RM4.7m profit. The underperformance versus our forecast was mainly attributed to higher-than-expected losses at the print, digital & events segment.

Topline growth uplifted by the property segment. STAR's 1QFY24 topline growth (+3% YoY) was primarily propelled by the property development and investment segment. We attribute this to the launch of the Star Business Hub (SBH) project, combined with higher lease income from STAR's commercial assets. This more than offset revenue contraction at the other segments (i.e. print and radio).

To recap, the RM130m SBH project comprises warehouses, factories and offices complexes (4 semi-detached and 1 detached) at Bukit Jelutong, Shah Alam. It was launched in 2HFY23, with one semi-detached unit sold to-date. We believe the latter contributed in large part to segmental 1QFY24 pretax profit of RM1.3m at the property division.

However, YoY core net profit sunk into the red (1QFY23: RM1.1m profit) as the print segment sustained its pretax losses since 4QFY23. This was underpinned by weaker segmental revenue amidst higher opex. Furthermore, this was exacerbated by lower PBT contribution (-21% YoY) from the radio broadcasting segment.

High-cost base amidst anaemic topline. We are cautious of sustained core losses at the print segment on the back of topline and cost pressure. According to Nielson data, adex for The Star publication inched up 3% YoY in 1QFY24. However, this did not translate to corresponding topline growth for STAR's bread-and-butter print segment. Moreover, the group's cost base remains high despite cost optimization measures implemented in recent years. We believe that its opex burden emanates from expensive newsprint, wire fees, and manpower costs etc.

Forecasts. We project higher losses in FY24F-25F to reflect higher opex for the print segment.

Valuations. Our TP remains largely unchanged at RM0.31 based on 0.4x FY25F P/NTA after the earnings revision, and as we roll forward our valuation base year. This implies a 20% discount versus the historical sector average of its peers (0.5x) to reflect STAR's negative ROE versus sector leader MEDIA. There is no change to our TP based on ESG given a 3-star rating as appraised by us (see Page 4). Maintain **UNDERPERFORM**.

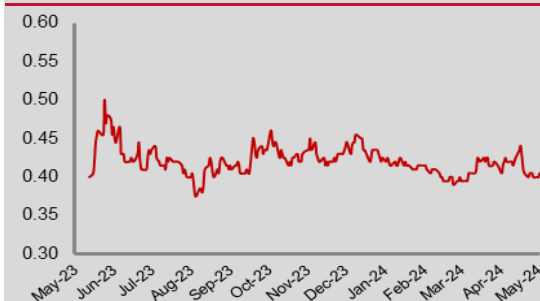
Investment case. We remain cautious on STAR due to: (i) continued adex market share decline for newspapers on the back of intense competition with new digital media, (ii) sustained glut in commercial properties allude to weak rental demand for office assets, and (iii) its high cost structure, which includes expensive newsprint costs that weigh on margins.

Key risks to our call include: (i) traction in efforts to transition to digital media and real estate monetization, (ii) earnings turnaround from successful cost cutting measures via its 5-year transformation journey, and (iii) surge in demand for its property development venture.

UNDERPERFORM ↔

Price : RM0.395
Target Price : RM0.31 ↔

Share Price Performance



KLCI	1,615.82
YTD KLCI chg	11.1%
YTD stock price chg	-9.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	STAR MK Equity
Market Cap (RM m)	286.3
Shares Outstanding	724.8
52-week range (H)	0.53
52-week range (L)	0.38
3-mth avg. daily vol.	1,128,339
Free Float	43%
Beta	0.2

Major Shareholders

Malaysian Chinese Association	43.2%
The Edge ComnSdnBhd	5.2%
Huaren Holdings Sdn	4.0%

Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Revenue	220.0	229.0	234.3
EBITDA	17.9	11.9	12.7
EBIT	2.1	-3.3	-2.7
PBT	8.3	-2.8	-2.3
Net Profit	2.9	-2.4	-2.0
Core Net Profit	-3.6	-2.4	-2.0
Consensus (NP)		4.7	6.3
Earnings Revision (%)		>-100	>-100
Core EPS (sen)	-1.3	-0.33	-0.3
Core EPS Growth (%)	-245.2	-74.8	-16.4
DPS (sen)	0.0	0.0	0.0
BVPS (RM)	0.87	0.78	0.78
PER (x)	-30.4	-120.8	-144.4
PBV (x)	0.5	0.5	0.5
Net Gearing (x)	Net	Net	Net
	Cash	Cash	Cash
Div. Yield (%)	0.0	0.0	0.0

29 May 2024

Results Highlights					
	1Q	4Q	QoQ	1Q	YoY
FYE Dec (RM m)	FY24	FY23	Chg	FY23	Chg
Revenue	53.30	55.07	-3.2%	51.99	2.5%
EBITDA	3.28	3.18	3.0%	5.13	-36.1%
Depreciation	(3.85)	(4.07)	-5.5%	(3.92)	-1.8%
Net Finance Costs	(0.09)	(0.11)	-18.1%	(0.08)	14.7%
EI	0.49	6.46	-92.4%	0.02	>100%
Pretax Profit	(0.17)	5.47	-103.0%	1.15	-114.4%
Taxation	(0.03)	0.03	-179.4%	(0.01)	145.5%
Minority Interest	0.00	0.00	nm	0.00	nm
Reported Net Profit	(0.19)	5.51	-103.5%	1.14	-117.0%
Core Net Profit	(0.68)	(0.96)	-28.8%	1.12	-160.9%
Core EPS (sen)	(0.11)	(0.13)	-19.8%	0.16	-167.3%
DPS (sen)	0.00	0.00	nm	0.00	nm
EBITDA margin	6.14%	5.77%		9.86%	
PBT Margin	-0.31%	9.93%		2.21%	
Effective tax rate	-16.27%	-0.62%		0.96%	
Core Net margin	-1.28%	-1.74%		2.16%	

Source: Kenanga Research

29 May 2024

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.
MEDIA																	
ASTRO MALAYSIA HOLDINGS BHD	UP	0.320	0.270	-15.6%	1,670.1	N	01/2025	3.7	4.1	-9.9%	11.2%	8.6	7.7	1.3	16.5%	1.0	3.1%
MEDIA CHINESE INTERNATIONAL	UP	0.120	0.100	-16.7%	202.5	Y	03/2024	(2.0)	(2.3)	-1625.0%	-11.6%	N.A.	N.A.	0.3	-5.1%	0.0	0.0%
MEDIA PRIMA BHD	UP	0.450	0.340	-24.4%	499.1	N	06/2024	2.7	3.4	-51.4%	27.0%	16.6	13.1	0.7	6.3%	1.5	3.3%
STAR MEDIA GROUP BHD	UP	0.395	0.314	-20.5%	286.3	Y	12/2024	(0.3)	(0.3)	33.3%	16.7%	N.A.	N.A.	0.4	-0.4%	0.0	0.0%
SECTOR AGGREGATE					2,658.0					-31.1%	14.1%	14.2	12.5	0.8	5.7%		1.6%

Source: Bloomberg, Kenanga Research

29 May 2024

Stock ESG Ratings:

	Criterion	Rating			
GENERAL	Earnings Sustainability & Quality	★	★	☆	
	Community & Investment	★	★	☆	
	Workforce Safety & Wellbeing	★	★	★	
	Corporate Governance	★	★	★	
	Anti-Corruption Policy	★	★	★	
	Emissions Management	★	★	★	☆
SPECIFIC	Content Management	★	★	★	
	Digitalisation & Innovation	★	★	★	☆
	Cybersecurity/Data Privacy	★	★	★	
	Diversity & Inclusion	★	★	★	
	Energy Efficiency	★	★	★	
	Supply Chain Management	★	★	★	
OVERALL		★	★	★	

☆ 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.**

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