Star Media Group Berhad

(6384 | STAR MK) Telecommunications and Media | Media

***Maintain* BUY**

Good momentum

***Revised* Target Price: RM0.38**

(Previously: RM0.36)

KEY INVESTMENT HIGHLIGHTS

- **Better-than-expected performance for 2HFY22**
- **Print and Digital and Radio segments lead the improvement in the Group's topline**
- **Maintain earnings estimate**
- **Maintain BUY with a revised TP of RM0.38**

Above expectations. Star Media Group Berhad's (Star) 6MFY22 core PATAMI of RM4.5m was more than projected, coming in at 61% of our full-year forecast and 66% of consensus'. The better-than-expected performance was mainly attributed to the higher-than-expected advertising spending following the resumption of economic activities. No dividend was announced for this quarter.

Topline performance. Star's 2QFY22 revenue of RM53.2m saw a significant improvement of +13.9%yoy owing to the revenue growth in the Print and Digital, and Radio segments of the Group. Star's topline increased by +17.9%yoy to RM105.3m in 1HFY22 from RM89.4m in 1HFY21. Furthermore, the Group's earnings are recovering in parallel with the revival of economic activity, with 1HFY22 core earnings showing a positive figure of RM4.5m compared to a loss of -RM19.1m in 1HFY21.

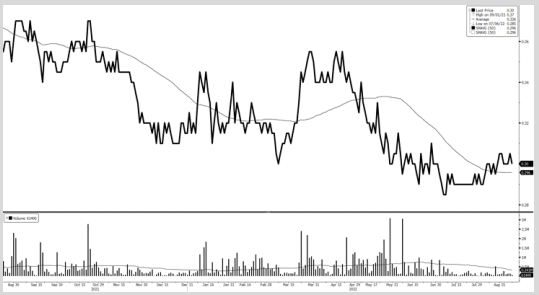
Print and digital. This segment's revenue climbed by 12%yoy, mainly due to the reopening of economic activities, which raised the demand for advertisements. The better performance for this segment was contributed by the print advertising, digital advertorial pillar and growth marketing. The Group managed to narrow down its LBT from -RM39.15m in 2QFY21 to -RM0.46m in 2QFY22.

Event and exhibition. This segment recorded a loss amounting to RM0.2m in 2QFY22 compared to a loss of RM0.3m in the same period last year. The Group improved performance in this division primarily via better cost management and capitalising on economies of scale.

Radio. The radio segment generated RM8.6m in revenue in 2QFY22, up from RM6.9m in 2QFY21. This segment's PBT was RM2.7m as compared to RM1.4m in 2QFY21, owing to greater revenue contribution from advertising airtime in the Malay segment.

RETURN STATISTICS	
Price @ 23rd Aug 2022 (RM)	0.30
Expected share price return (%)	+26.7
Expected dividend yield (%)	+6.3
Expected total return (%)	**+33.0**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	3.4	2.3
3 months	0.0	-0.9
12 months	-15.5	-13.2

KEY STATISTICS	
FBM KLCI	1,482.57
Syariah compliant	No
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	724.77
Estimated free float (%)	37.23
Market Capitalisation (RM'm)	217.43
52-wk price range (RM)	RM0.28 – RM0.38
Beta vs FBM KLCI (x)	0.87
Monthly velocity (%)	53.86
Monthly volatility (%)	13.32
3-mth average daily volume (m)	0.41
3-mth average daily value (RM'm)	0.12
Top Shareholders (%)	
Malaysian Chinese Association/The	43.23
Amanah Saham Nasional Bhd	7.59
Employees Provident Fund Board	4.11

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Maintain earnings estimates. We opine that the Group will retain its good momentum as the advertising market improves and the event and exhibition segment recovers. However, as the MYR weakens against the USD, the Group may face higher operational expenditures as well as a rise in newsprint prices. As a result, we are maintaining our earnings forecast for the time being. Meanwhile, we roll forward our valuation base year to FY23 and revise our target price to RM0.38 (previously RM0.36) which was derived by pegging P/BV of 0.38x to FY23 BVPS of 1.01sen.

Maintain BUY with revised TP of RM0.38. Moving forward, stronger economic growth in CY22/23 likely fuel consumption which consequently would lead to higher advertising expenditure (adex) and we opine that the Group will benefit from political campaigns as Malaysia GE15 is just around the corner. This would help cushion the losses of the print division which was badly hit as multiple lockdowns had impacted the physical distribution of newspapers. However, print adex may not return to the pre-pandemic level because of the dwindling print circulation. Nonetheless, we foresee a rebound in the event and exhibition segment in FY22 onwards as business events sector is finally allowed to operate. All in, we maintain our **BUY** call on the company.

INVESTMENT STATISTICS

Income Statement (RM'm)	FY2019A	FY2020A	FY2021A	FY2022F	FY2023F
Revenue	315.9	196.4	187.1	229.6	251.7
EBIT	17.8	-52.8	9.0	9.3	19.9
PBT/(LBT)	14.6	-16.5	-149.5	8.3	18.9
PATAMI/(LATAMI)	5.7	-19.7	-132.1	7.5	14.4
Core PATAMI/(LATAMI)	7.6	-57.4	-10.1	7.5	14.4
Core EPS (sen)	1.0	n.a.	n.a.	1.0	1.9
Dividend per share (sen)	2.0	n.a.	n.a.	1.0	1.9
Dividend yield (%)	6.5	n.a.	n.a.	3.3	6.3

Source: Company, MIDFR

STAR: 2QFY22 RESULTS SUMMARY

Income Statement (All in RM'm unless stated otherwise)	Quarterly			Cumulative		
	2QFY22	YoY	QoQ	1H2022	1H2021	YoY
Revenue	53.2	13.9%	2.1%	105.3	89.4	17.9%
EBITDA	6.4	238.5%	-10.9%	13.6	(5.1)	365.9%
Depreciation & amortisation	(3.8)	42.0%	6.6%	(7.8)	(13.2)	40.7%
EBIT	2.6	157.4%	-16.3%	5.8	(18.3)	131.7%
Finance cost	(0.2)	15.4%	3.4%	(0.5)	(0.6)	15.8%
Interest and investment income	1.7	6.6%	11.0%	3.3	3.2	2.9%
PBT/(LBT)	2.1	105.7%	-27.9%	5.1	(51.8)	109.9%
Taxation	(0.4)	-243.1%	25.7%	(0.8)	(0.2)	-246.4%
PAT/(LAT)	1.8	104.7%	-28.3%	4.3	(52.0)	108.3%
MI	(0.0)	0.0%	10.0%	(0.0)	(0.1)	47.9%
PATAMI/(LATAMI)	1.8	104.8%	-28.1%	4.3	(51.9)	108.3%
Core PATAMI/(LATAMI)	2.1	141.4%	-15.8%	4.5	(19.1)	123.7%
Core EPS	0.3	136.4%	-28.6%	0.6	(2.6)	122.8%
EBITDA margin (%)	12.0%	1.97	-0.99	12.9%	-5.7%	3.26
EBIT margin (%)	5.0%	1.50	-0.99	5.5%	-20.4%	1.27
Core PATAMI margin (%)	3.9%	1.36	-0.99	4.3%	-21.3%	1.20
Effective tax rate (%)	-16.3%	-61.44	0.99	-16.0%	0.5%	-36.06

Source: Company, MIDFR

SEGMENTAL REVENUE BREAKDOWN

Segment	2QFY22	YoY	QoQ	1H2022	1H2021	YoY
Print and digital	44.6	12.0%	3.1%	87.9	75.0	17.3%
Radio	8.6	24.5%	1.0%	17.1	13.2	29.3%
Event & exhibition	0.0	100.0%	-100.0%	0.3	1.2	-74.0%

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology