

22 August 2017 | 2Q17 Results Review

Star Media Group Berhad

Positive Dividend Surprises

INVESTMENT HIGHLIGHTS

- 2Q17 normalised earnings fall by more than -60%yoy to RM8.4m due to lower profit from print and digital segment
- A total of 36sen dividend declared in 2Q17
- Potentially loss-making 2H17
- Maintain NEUTRAL with an unchanged target price of RM2.46 per share

Another quarter of disappointment. Star Media Group Bhd (Star) 2Q17 normalised PATAMI came in at RM8.4m (-63.5%yoy). This was mainly attributable to the lower profit from the print and digital segment. The radio segment returns to the black subsequent to the streamlining exercise. On another note, Star would have reported a loss should we exclude Cityneon's earnings contribution.

Earnings falling behind expectations. Cumulatively, Star's 1H17 normalised earnings amounted to RM14.4m, a reduction of -62.4%yoy. This came in severely below ours and consensus expectations, accounting for merely 21.3% and 21.1% of full year FY17 earnings estimates respectively.

Table 1: PBT Segmental breakdown (RM'm)

Segment	1H17	1H16	Remarks
Print and digital	11.1	50.2	Lower advertising revenue caused by poor market sentiment
Radio broadcasting	1.6	-2.3	Costs savings arising from disposal of Red FM and Capital FM in 2016
Event, Exhibition, Interior and thematic (EIT)	27.6	18.3	Increase mainly contributed by Cityneon's exhibition and intellectual property rights
Event, Exhibition, Interior and thematic (EIT) – excludes Cityneon	0.1	0.3	Lower number of shows (1H17: 5 shows vs 1H16: 6 shows)
Television channel	-3.5	-4.5	Higher revenue and lower cost incurred

Source: Company, MIDFR

Maintain NEUTRAL
Unchanged Target Price (TP): RM2.46

RETURN STATS	
Price (21 August 2017)	RM2.38
Target Price	RM2.46
Expected Share Price Return	+3.4%
Expected Dividend Yield	+6.3%
Expected Total Return	+9.7%


STOCK INFO	
KLCI	1,771.62
Bursa / Bloomberg	6084 / STAR MK
Board / Sector	Main/ Media
Syariah Compliant	No
Issued shares (mil)	738.0
Market cap. (RM'm)	1,756.3
52-wk price Range	RM2.19 – RM2.65
Beta (against KLCI)	0.63
3-mth Avg Daily Vol	0.3m
3-mth Avg Daily Value	RM0.7m
Major Shareholders (%)	
MCA	42.46
ASB	15.99
EPF	6.43
LTH	5.39
Aberdeen	5.10

Cash reserve. The group's cash reserve reduced further to RM326.7m from RM499.6m as at 4Q16. This was mainly attributable to lower cash generated from operations. Nonetheless, the group remains active in acquiring more property, plant and equipment as well as television programme rights.

Dividend. The group announced first interim dividend of 6sen per share and special dividend of 30sen per share which has surpassed our full year FY17 expectations. We view that the special dividend is reflective of the RM214.1m (29sen per share) gain that arises from the disposal of Cityneon.

Impact. We are keeping both FY17 and FY18 earnings and dividend estimates unchanged at this juncture pending further details and guidance from the upcoming analyst briefings. That being said, there is a likelihood that FY17 and FY18 earnings estimates will be reduced significantly to the range of between RM10m to RM30m should there be no positive turnaround plan in the near-term.

Target price. We are maintaining our target price of **RM2.46** per share based on DDM valuation methodology (discount rate of 6.1%).

Maintain Neutral. Subsequent to the disposal of Cityneon, we do not expect any financially significant turnaround in the near-term. This is evident in the group's latest quarterly results announcement. Though the group has embarked on its next digital transformation plan via the introduction of dimsum.my, we view that the initiative may not be fruitful anytime soon. Nonetheless, we are pleasantly surprise by the announcement of 30sen special dividend which would augur well for Star's existing shareholders. As such, we would advice investors to maintain their respective shareholding in the group until the disbursement of the said dividend. We remain concerned on the future outlook of the group should there be no earnings accretive acquisition(s) in the pipeline. All factors considered, we are maintaining our **NEUTRAL** stance on Star. 

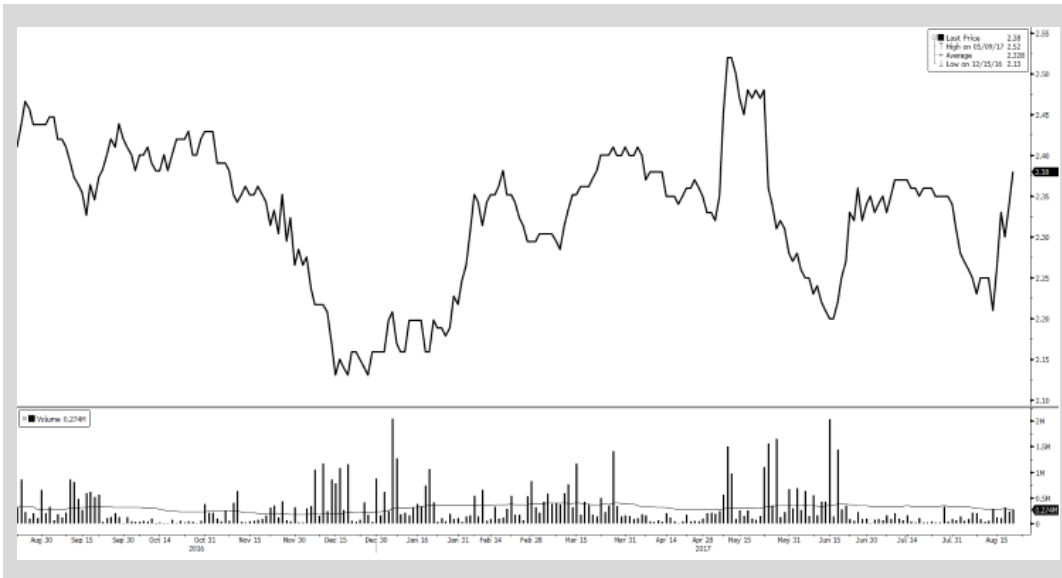
INVESTMENT STATISTICS

FYE 31 st Dec	FY15	FY16	FY17F*	FY18F*
Revenue (RM'm)	1,019.0	932.1	947.7	993.3
EBIT (RM'm)	176.0	151.2	95.2	121.9
Pretax Profit (RM'm)	170.1	146.2	87.0	113.5
Net Profit after MI (RM'm)	133.0	109.9	67.6	88.2
Normalised Net Profit after MI (RM'm)	132.9	67.2	67.6	88.2
Normalised EPS (sen)	18.0	9.1	9.2	12.0
Normalised EPS growth (%)	-5.4	-49.5	0.7	30.5
PER(x)	13.5	26.7	26.5	20.3
Dividend (sen)	18	18	18	15
Dividend Yield (%)	7.6	7.6	7.6	6.3

Source: Company, MIDFR

* Under Review

DAILY PRICE CHART



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Source: Bloomberg, MIDFR

STAR MEDIA GROUP: 2Q17 Results Summary

(All in RM'm unless stated otherwise)	Quarterly Results					
	2Q17	% YoY	% QoQ	2017	2016	%YTD
FYE 31st Dec						
Revenue	234.2	-12.1	27.9	417.3	465.3	-10.3
EBITDA	37.9	-48.3	23.0	68.4	109.8	-37.7
Depreciation and amortisation	-16.2	23.6	4.2	-31.6	-25.7	22.8
EBIT	21.7	-63.9	42.1	36.8	84.0	-56.2
Finance costs	-2.0	-31.7	-0.4	-4.0	-5.9	-31.8
Interest income	0.7	-41.5	-3.6	1.4	2.7	-48.1
Share of loss of associate	-0.1	-51.9	-74.5	-0.3	-0.3	15.1
PBT	20.4	-65.1	48.0	34.2	80.8	-57.7
Taxation	-3.3	-60.4	-25.6	-7.8	-16.0	-50.9
MI	-8.6	n.m.	n.m.	-11.2	-5.7	n.m.
PATAMI	8.5	-80.5	28.9	15.2	59.2	-74.4
Normalised PATAMI	8.4	-63.5	39.7	14.4	38.3	-62.4
Normalised EPS (sen)	1.1	-63.5	39.7	2.0	5.2	-62.4
		+/-ppts	+/-ppts			+/-ppts
EBITDA margin (%)	16.2	-11.3	-0.6	16.4	23.6	-7.2
EBIT margin (%)	9.3	-13.3	0.9	8.8	18.1	-9.2
Normalised PATAMI margin (%)	3.6	-5.0	0.3	3.5	8.2	-4.8
Effective tax rate (%)	16.4	1.9	-16.2	22.9	19.8	3.2

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.