

28 February 2018 | 4Q17 Results Review

Star Media Group Berhad

Sizeable cash reserve

INVESTMENT HIGHLIGHTS

- **4Q17 normalised earnings, excluding profit contribution from Cityneon, improved by +100.7%qoq to RM32.2m**
- **FY17 financial performance came in-line with ours and consensus expectations**
- **Group's dividend commitment remains intact, underpinned by sizeable cash reserve**
- **Maintain BUY with unchanged target price of RM1.80**

Sequential quarterly improvement. Star Media Group Bhd's (Star) 4Q17 normalised earnings, excluding the profit contribution from Cityneon, came in at RM32.2m. This represents an increase of +100.7%qoq as compared to RM16.0m achieved in 3Q17. Note that the exceptional items mainly consist of: i) impairment on goodwill (RM33.6m), ii) impairment on property, plant and equipment (RM69.3), iii) property, plant and equipment written off (RM17.9m) and; iv) mutual separation scheme / early retirement option expenses (RM56.4m). We opine that the improvement in earnings was mainly attributable to effective cost management initiatives.

FY17 financial performance well within expectations. Cumulatively, the group's FY17 normalised earnings, excluding the discontinued operation, amounted to RM36.1m. All in, the group's full year FY17 financial performance came in within ours and consensus expectations, accounting for 96.6% and 97.9% of FY17 full year earnings estimates respectively.

Table 1: Revenue breakdown (RM'm)

Segment	FY17	FY16	Remarks
Print and digital	449.1	549.6	Poor consumer and business sentiments have affected the overall adex
Radio broadcasting	40.7	42.2	Lower radio adex
Event, Exhibition, Interior and thematic (EET) – excludes Cityneon	9.6	13.7	Lower exhibitor's participation
Television channel	7.9	13.5	Cessation of operations in October 2017

Source: Company, MIDFR

Maintain BUY


Unchanged Target Price (TP): RM1.80

RETURN STATS	
Price (27 th February 2018)	RM1.32
Target Price	RM1.80
Expected Share Price Return	+36.4%
Expected Dividend Yield	+8.0%
Expected Total Return	+44.4%

STOCK INFO	
KLCI	1,871.41
Bursa / Bloomberg	6084 / STAR MK
Board / Sector	Main/ Media
Syariah Compliant	No
Issued shares (mil)	737.9
Market cap. (RM'm)	974
52-wk price Range	RM1.31 – RM2.22
Beta (against KLCI)	1.05
3-mth Avg Daily Vol	0.8m
3-mth Avg Daily Value	RM1.2m
Major Shareholders (%)	
MCA	42.46
PNB + associated funds	15.69
EPF	8.50
LTH	5.39

Impact. No change to our earnings estimates at this juncture.

Cash reserve remains sizeable. Star's cash reserve stands at RM480.3m. This represents a slight decrease of -4.0%yoy (4Q16: RM499.6m) subsequent to the distribution of dividend to shareholder. This reinforced our view that the group's dividend yield would remain attractive at approximately 8%. Note that we maintain our conservative dividend assumption as the bulk of the group's cash reserve has been allocated to acquire new earnings accretive business.

Maintain BUY. Despite the tough market condition and disposal of Cityneon, the group managed to show improvement in its 4Q17 results. This is in light of the group's effective cost management initiatives. We expect further cost optimisation in FY18 to support the group's bottomline in the near term. Coupled with sizeable cash reserve, we view that the group would still be able to provide an attractive dividend yield of 8%. Note that we have imputed a conservative dividend payment to cater for the group's investment opportunities to grow its earnings base. All factors considered, we are maintaining our **BUY** recommendation with unchanged target price of **RM1.80** per share based on dividend discount model (DDM) valuation methodology (discount rate of 6.1%). 

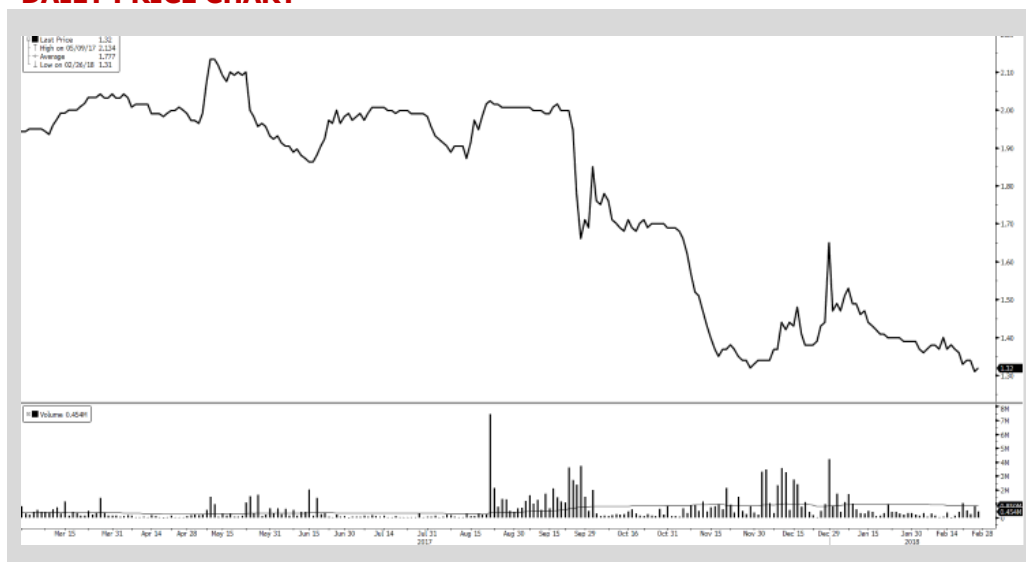
INVESTMENT STATISTICS

FYE 31 st Dec	FY16	FY17	FY18F	FY19F
Revenue (RM'm)	630.4	517.7	540.1	504.8
EBIT (RM'm)	126.6	41.6	61.1	65.9
Pretax Profit (RM'm)	123.0	39.8	52.7	57.3
Net Profit after MI (RM'm)	109.9	90.3	42.1	45.7
Normalised Net Profit after MI (RM'm)	68.5*	36.1*	42.1	45.7
Normalised EPS (sen)	9.3	4.9	5.7	6.2
Normalised EPS growth (%)	-48.5	-47.3	16.4	8.7
PER(x)	26.2	49.7	42.7	39.2
Dividend (sen)	18	42	11	11
Dividend Yield (%)	13.6	31.8	8.3	8.3

Source: Company, MIDFR

*Excludes contribution from Cityneon

DAILY PRICE CHART



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STAR MEDIA GROUP: 4Q17 RESULTS SUMMARY

<i>(All in RM'm unless stated otherwise)</i>	Quarterly			Cumulative		
FYE 31ST Dec	4Q17	% YoY	% QoQ	2017	2016	%YTD
Revenue	126.3	-17.6	-3.5	517.7	630.4	-17.9
EBITDA	-175.9	n.m.	n.m.	88.2	171.0	n.m.
Depreciation and amortisation	-11.3	4.9	-1.1	-46.6	-44.3	5.1
EBIT	-187.3	n.m.	n.m.	41.6	126.6	n.m.
Finance costs	-1.2	-12.7	0.6	-5.1	-7.7	-33.9
Interest income	0.8	9.9	-18.7	3.2	4.0	-18.8
PBT	-187.7	-564.2	-185.1	39.8	123.0	-67.6
Taxation	30.6	-523.0	-1443.0	23.1	-27.1	-185.4
PAT	-157.1	n.m.	n.m.	62.9	95.9	-34.4
Profit from discontinued operations	0.0	n.m.	n.m.	24.5	21.0	n.m.
MI	12.1	n.m.	n.m.	2.9	-7.0	n.m.
PATAMI	-145.0	-467.6	-163.0	90.3	109.9	-17.8
Normalised PATAMI	32.2	69.3	100.7	60.6	89.5	-32.2
Normalised PATAMI excluding profit from discontinued operations	32.2	209.6	100.7	36.1	68.5	-47.3
Normalised EPS (sen)	4.4	209.6	100.7	4.9	9.3	-47.3
		+/-ppts	+/-ppts			+/-ppts
EBITDA margin (%)	-139.3	-173.1	-162.8	17.0	27.1	-10.1
EBIT margin (%)	-148.2	-175.0	-159.9	8.0	20.1	-12.0
Normalised PATAMI margin (%)	25.5	13.1	13.2	11.7	14.2	-2.5
Effective tax rate (%)	16.3	-1.6	15.2	-58.0	22.0	-80.0

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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 <i>rise</i> 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 <i>fall</i> 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.