



Company report

AmInvestment Bank

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STAR MEDIA GROUP

(STAR MK EQUITY, STAR.KL)

6 Apr 2021

dimsum no more, to explore new ventures

BUY

(Upgraded)

Rationale for report: Company update

Price	RM0.43
Fair Value	RM0.53
52-week High/Low	RM0.48/RM0.25

Key Changes

Fair value	↑
EPS	↑

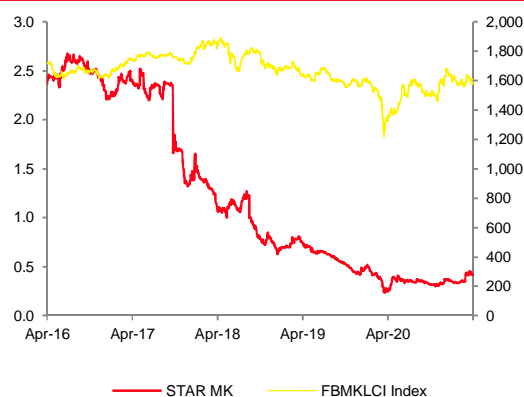
YE to Dec	FY20	FY21F	FY22F	FY23F
Revenue (RM mil)	196.4	221.2	201.5	198.3
Core net profit (RM mil)	(57.4)	(7.1)	(2.0)	4.1
FD Core EPS (sen)	(7.8)	(1.0)	(0.3)	0.6
FD Core EPS growth (%)	(775.0)	(87.7)	(71.8)	(307.3)
Consensus Net Profit (RM mil)	-	(18.1)	(7.6)	1.2
DPS (sen)	2.0	2.0	2.0	2.0
PE (x)	nm	nm	nm	75.8
EV/EBITDA (x)	1.8	nm	nm	nm
Div yield (%)	4.7	4.7	4.7	4.7
ROE (%)	(2.5)	(0.9)	(0.3)	0.6
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	728.9
Market Cap (RM mil)	309.8
Book Value (RM/share)	1.06
P/BV (x)	0.4
ROE (%)	(2.5)
Net Gearing (%)	-

Major Shareholders	MCA (43.2%) Skim Amanah Saham Bumiputera (7.7%) EPF (4.1%)
Free Float	34.8
Avg Daily Value (RM mil)	1.4

Price performance	3mth	6mth	12mth
Absolute (%)	21.4	32.8	73.5
Relative (%)	23.3	26.8	45.7



Investment Highlights

- We upgrade our UNDERWEIGHT recommendation on Star Media (Star) to BUY with a higher fair value of RM0.53/share, after pegging to a higher PB of 0.5x (previously RM0.27/share, pegged to a PB of 0.25x) as we believe that its prospects will improve following the cessation its video-on-demand (VOD) platform *dimsum's* operations by September 2021. The higher PB is in line with the sector ex- a peer's 3-year average historical PB of 0.5x.
- We also account for a 3% premium to its share price based on a 4-star ESG rating as appraised by us (Exhibit 3). We project narrower losses for FY21F–FY22F and expect to group to turn profitable in FY23F as we account for better margin assumptions for the print and digital segment following *dimsum's* cessation.
- The decision to wind down *dimsum's* operations was made following a strategic review by Star's management team as it has identified new opportunities to explore instead. The *dimsum* team will be redeployed to work on the group's current and new projects in the pipeline.
- We are positive on the group's move as we believe that *dimsum's* losses dragged Star's performance over the years, weighing down the group's print and digital segment which was already being impacted by the media sector's structural decline as customers switched to digital alternatives. We are hopeful that Star would be able to strengthen its core business and expand into other non-core ventures to diversify its revenue streams.
- Recall that *dimsum* was launched in November 2016 and has provided Asia-centric content to 1.1 million subscribers as at 31 December 2019. Besides Malaysia, Star had also introduced *dimsum* into Singapore and Brunei as part of its regional expansion plan.
- The group had also introduced various features to increase monetization on the VOD platform such as e-tuition and Watch & Shop, and had various partnerships and collaborations with VISA, Digi, and the Malaysian Budget Hotels Association, on top of the addition of various content partners by the group.
- While we are still cautious on Star's prospects due to the lack of diversification from traditional media segments, we anticipate the performance of its print, radio, and events segment to recover following an improved consumer sentiment leading to recovery in adex and as the country has begun its Covid-19 vaccination rollout. As at 31 December 2020, the group's net cash per share stood at RM0.48/share.

EXHIBIT 1: PB BAND CHART

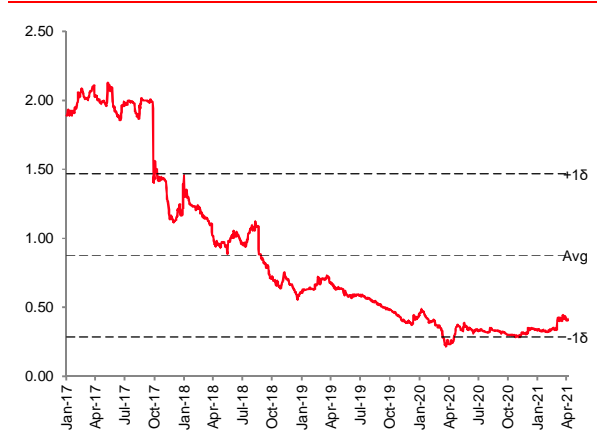


EXHIBIT 2: PE BAND CHART

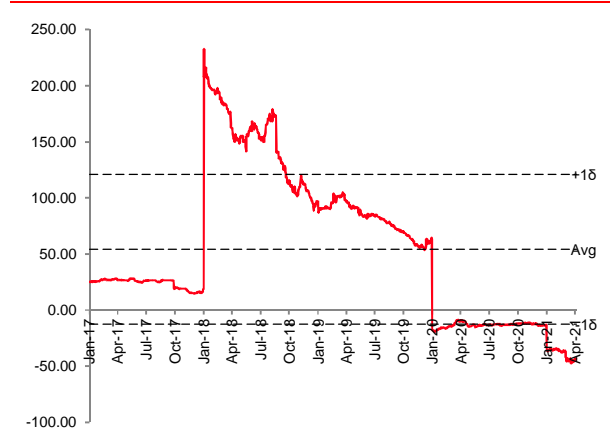


EXHIBIT 3: ESG RATING

Overall	★	★	★	★	
Energy efficiency	★	★	★	★	
Recycling & waste management	★	★	★	★	
Content management	★	★	★		
Digital transformation	★	★	★		
Customer reach and experience	★	★	★	★	
Corporate social responsibility	★	★	★	★	
Human capital development	★	★	★		
Board diversity	★	★	★	★	★
Accessibility & transparency	★	★			

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star.

Source: AmInvestment Bank Bhd

EXHIBIT 4: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue	315.9	196.4	221.2	201.5	198.3
EBITDA	41.6	(15.1)	24.5	30.6	37.9
Depreciation/Amortisation	(36.6)	(38.9)	(35.5)	(35.6)	(35.1)
Operating income (EBIT)	5.0	(54.0)	(11.0)	(5.0)	2.8
Other income & associates	8.7	-	-	-	-
Net interest	3.7	(0.2)	1.5	2.3	2.7
Exceptional items	(2.8)	37.7	-	-	-
Pretax profit	14.7	(16.5)	(9.4)	(2.7)	5.5
Taxation	(8.9)	(3.3)	2.4	0.7	(1.4)
Minorities/pref dividends	-	0.1	-	-	-
Net profit	5.7	(19.7)	(7.1)	(2.0)	4.1
Core net profit	8.5	(57.4)	(7.1)	(2.0)	4.1
Balance Sheet (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Fixed assets	277.9	255.5	256.4	245.5	234.5
Intangible assets	42.1	25.1	39.1	38.2	37.6
Other long-term assets	172.8	170.4	152.1	152.1	152.1
Total non-current assets	492.8	451.0	447.5	435.7	424.2
Cash & equivalent	385.3	353.2	435.2	447.3	462.0
Stock	22.8	15.7	16.3	14.2	13.3
Trade debtors	38.5	24.0	27.0	24.6	24.2
Other current assets	34.2	84.1	-	-	-
Total current assets	480.8	477.1	478.5	486.1	499.5
Trade creditors	1.5	1.1	1.1	0.9	0.9
Short-term borrowings	3.1	-	-	-	-
Other current liabilities	107.3	107.4	107.4	107.4	107.4
Total current liabilities	111.9	108.6	108.5	108.4	108.3
Long-term borrowings	18.3	16.5	17.3	17.3	17.3
Other long-term liabilities	26.8	25.1	25.1	25.1	25.1
Total long-term liabilities	45.1	41.6	42.4	42.4	42.4
Shareholders' funds	820.2	785.9	761.2	744.4	733.8
Minority interests	(1.8)	(1.9)	(1.9)	(1.9)	(1.9)
BV/share (RM)	1.11	1.06	1.03	1.01	0.99
Cash Flow (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Pretax profit	14.7	(16.5)	(9.4)	(2.7)	5.5
Depreciation/Amortisation	36.6	38.9	35.5	35.6	35.1
Net change in working capital	42.0	(28.4)	80.4	4.4	1.2
Others	6.4	(2.9)	0.8	(1.7)	(4.1)
Cash flow from operations	99.7	(9.0)	107.3	35.7	37.7
Capital expenditure	(2.4)	(3.0)	(1.7)	(1.5)	(1.5)
Net investments & sale of fixed assets	(9.8)	(9.2)	(10.6)	(9.6)	(9.5)
Others	41.7	11.9	3.2	3.9	4.0
Cash flow from investing	29.5	(0.3)	(9.1)	(7.2)	(6.9)
Debt raised/(repaid)	18.0	(4.8)	0.8	-	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(22.1)	(14.8)	(14.8)	(14.8)	(14.8)
Others	(22.0)	(3.8)	(1.7)	(1.6)	(1.3)
Cash flow from financing	(26.2)	(23.3)	(15.7)	(16.4)	(16.1)
Net cash flow	103.0	(32.7)	82.6	12.1	14.7
Net cash/(debt) b/f	282.3	385.3	352.6	435.2	447.3
Net cash/(debt) c/f	385.3	352.6	435.2	447.3	462.0
Key Ratios (YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue growth (%)	(19.5)	(37.8)	12.6	(8.9)	(1.6)
EBITDA growth (%)	(19.2)	(136.4)	(262.2)	24.7	23.7
Pretax margin (%)	4.6	(8.4)	(4.3)	(1.3)	2.8
Net profit margin (%)	1.8	(10.0)	(3.2)	(1.0)	2.1
Interest cover (x)	nm	(27,832.0%)	nm	nm	nm
Effective tax rate (%)	60.9	19.7	25.0	25.0	25.0
Dividend payout (%)	259.4	nm	nm	nm	356.8
Debtors turnover (days)	45	45	45	45	45
Stock turnover (days)	30	27	30	30	30
Creditors turnover (days)	2	2	2	2	2

Source: Company, AmInvestment Bank Bhd estimates

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