

# THE STAR MEDIA GROUP

Read. Listen. Watch. Think. Be Inspired

**Analyst Briefing**  
**Friday, 21 November 2014**

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# Agenda

1

**Quarter 3  
2014  
Overview**

2

**Quarter 3  
2014  
Group  
financials**

3

**Business  
Segments**

4

**Quarter 3  
2014  
highlights**

5

**Media  
Outlook  
for  
remaining  
2014**

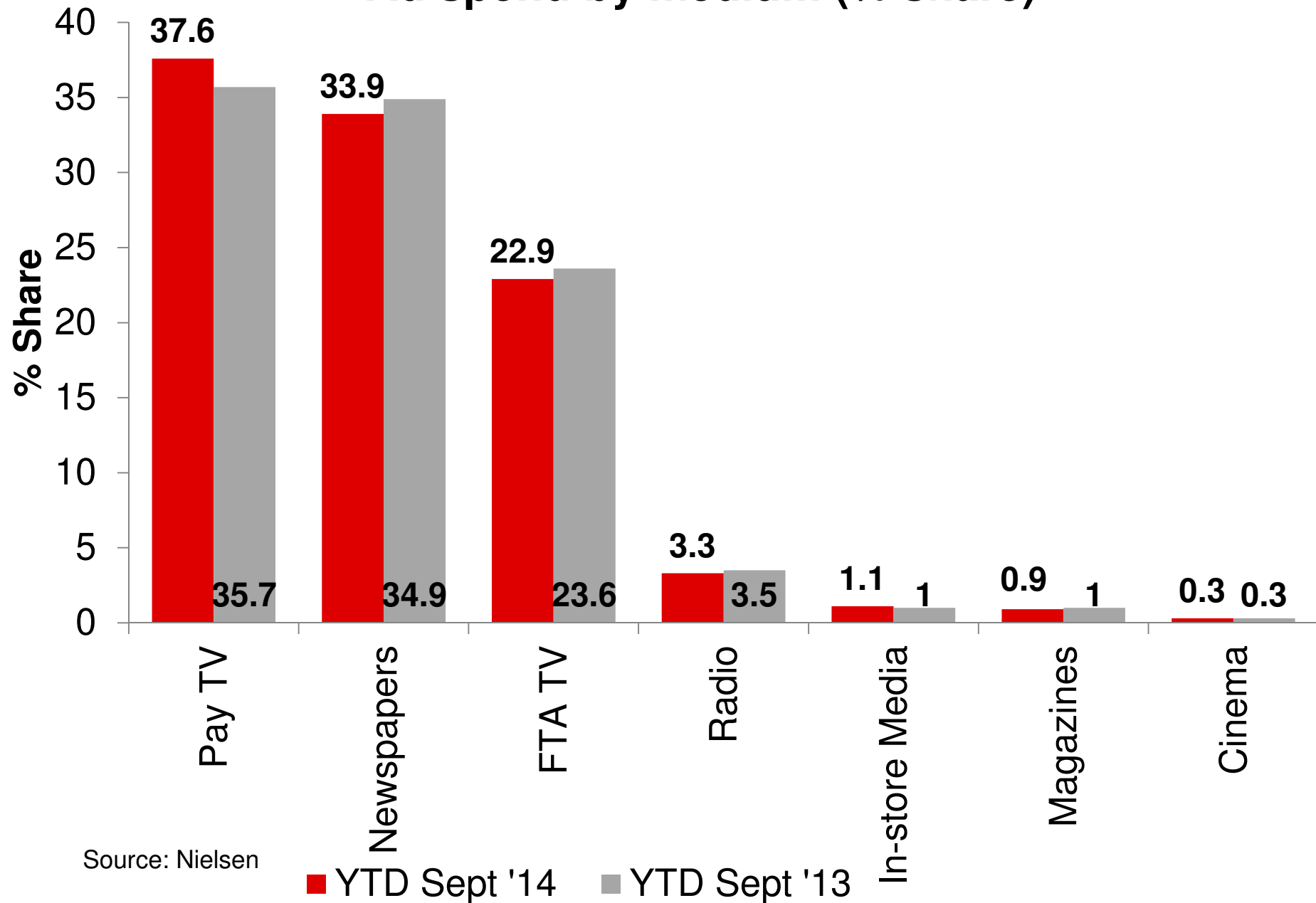
# 3Q14 Overview

- A challenging economic and business environment at industry and Group level
- Generally weak consumer sentiment
- Contributing factors:
  - Interest rate hike
  - Subsidy rationalization
  - Implementation of GST in April 2015
- Adex dipped on the back of loss of MH370 and downing of MH17



# Total Adex spend, YTD Sept 2014

## Ad spend by medium (% share)



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1

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2014  
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2

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2014  
Group  
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3

Business  
Segments

4

Quarter 3  
2014  
highlights

5

Media  
Outlook  
for  
remaining  
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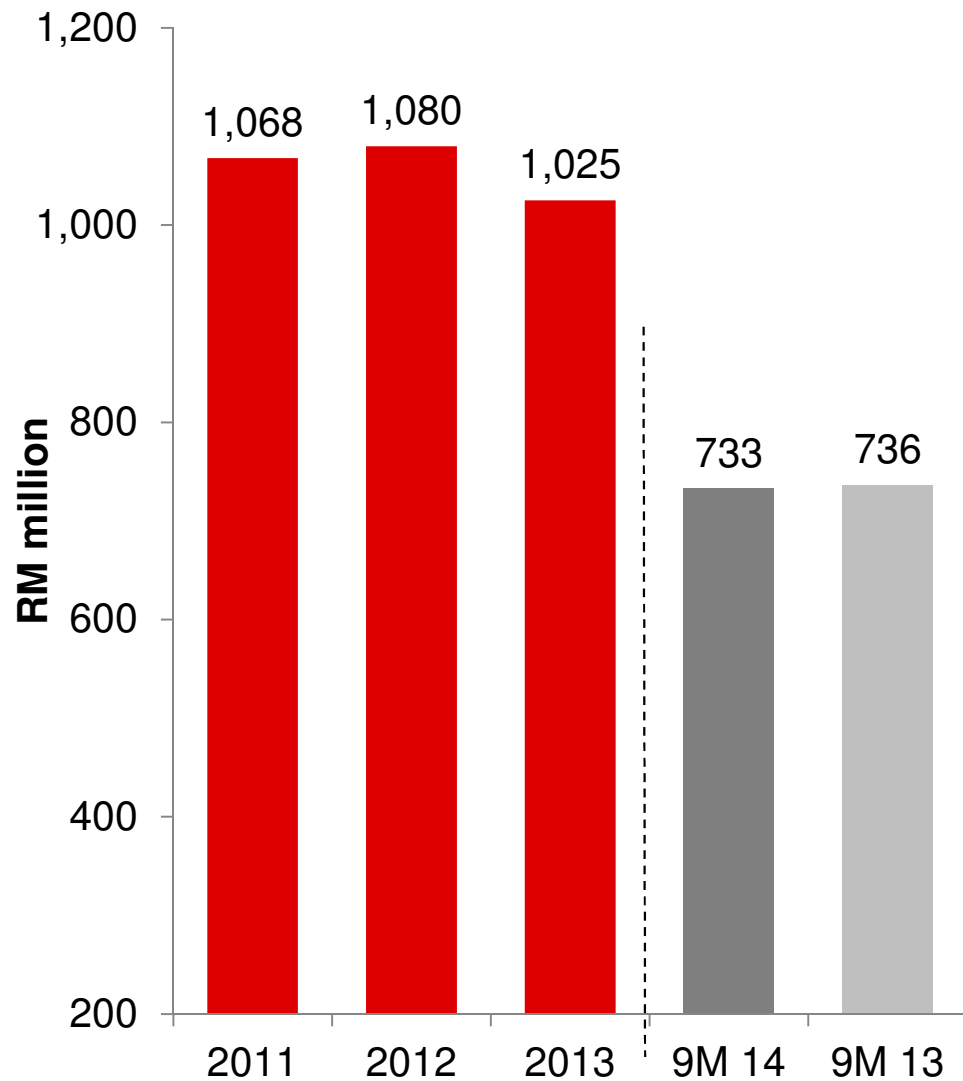
# Performance of The Star Group

| (RM million)                            | 3Q14          | 3Q13   | Var.           | 2Q14   | Var.<br>(3Q14 vs<br>2Q14) | 9M 14  | 9M 13  | Var.          |
|-----------------------------------------|---------------|--------|----------------|--------|---------------------------|--------|--------|---------------|
| <b>Revenue</b>                          | <b>247.18</b> | 264.22 | <b>(6.4)%</b>  | 274.52 | <b>(10.0)%</b>            | 732.85 | 736.16 | <b>(0.4)%</b> |
| <b>EBITDA</b>                           | <b>51.32</b>  | 63.27  | <b>(18.9)%</b> | 59.43  | <b>(13.6)%</b>            | 140.98 | 155.02 | <b>(9.1)%</b> |
| <b>PBT</b>                              | <b>46.69</b>  | 55.93  | <b>(16.5)%</b> | 52.78  | <b>(11.5)%</b>            | 121.12 | 132.02 | <b>(8.3)%</b> |
| VSS Expenses                            | -             | -      | -              | 1.92   | -                         | 11.50  | -      | -             |
| <b>Adjusted PBT<br/>(excluding VSS)</b> | <b>46.69</b>  | 55.93  | <b>(16.5)%</b> | 54.70  | <b>(14.6)%</b>            | 132.62 | 132.02 | <b>0.5%</b>   |
| <b>EBITDA Margin</b>                    | <b>20.8%</b>  | 23.9%  |                | 21.6%  |                           | 19.2%  | 21.1%  |               |
| <b>PBT Margin</b>                       | <b>18.9%</b>  | 21.2%  |                | 19.2%  |                           | 16.5%  | 17.9%  |               |
| <b>Adjusted PBT<br/>Margin</b>          | <b>18.9%</b>  | 21.2%  |                | 19.9%  |                           | 18.1%  | 17.9%  |               |

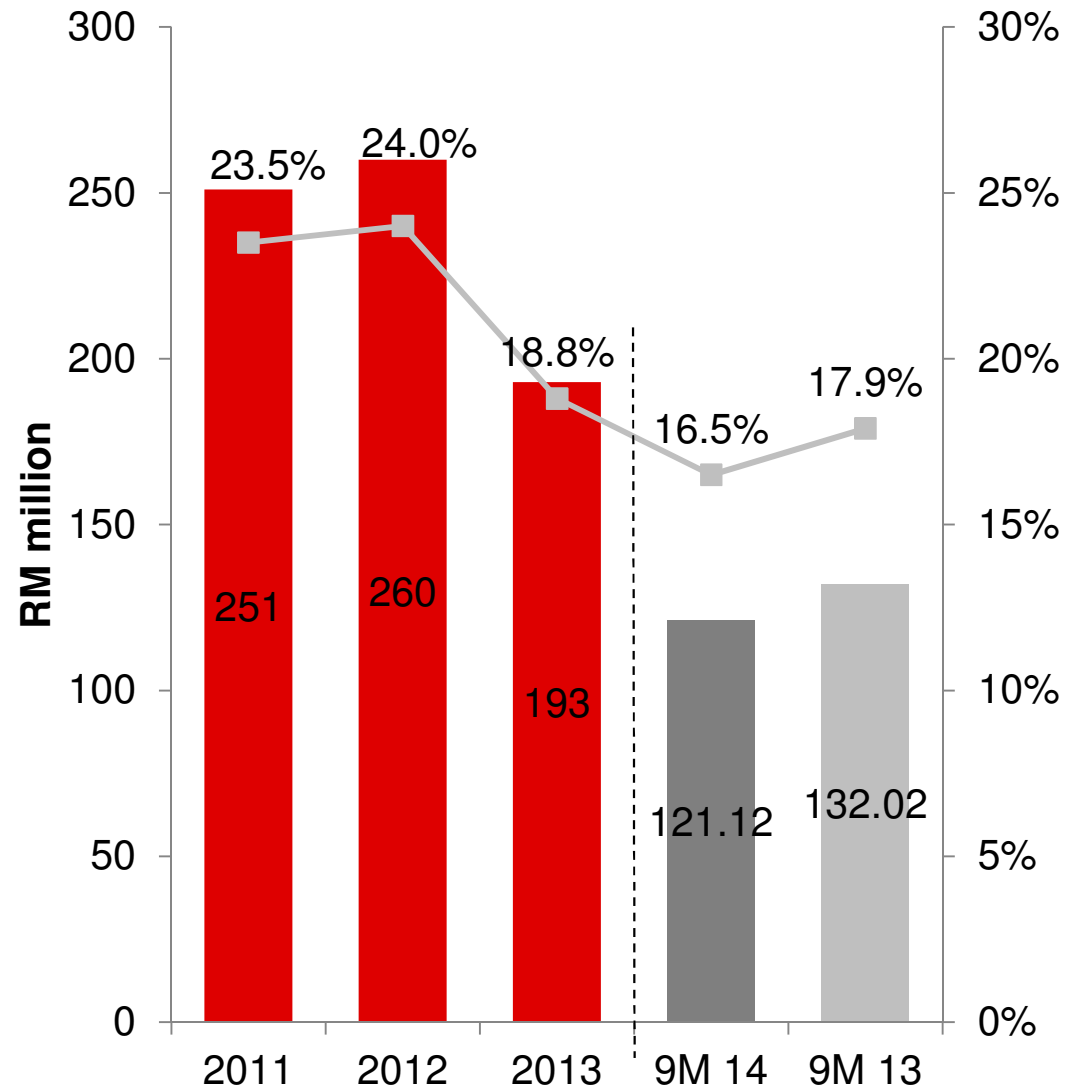
**PBT is better than 9M'13 after normalizing for VSS expenses**

# 9 Months highlights 2014

## Revenue



## PBT & PBT Margin



**Challenging environment resulting in dampened advertisement expenditure**

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Group  
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3

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Segments**

4

Quarter 3  
2014  
highlights

5

Media  
Outlook  
for  
remaining  
2014

# 3Q14 Business Segments

1.

- **Print and Online**

2.

- Event, Exhibition, Interior and Thematic

3.

- TV Channel

4.

- Broadcasting

# Performance of Star Publications (M) Bhd

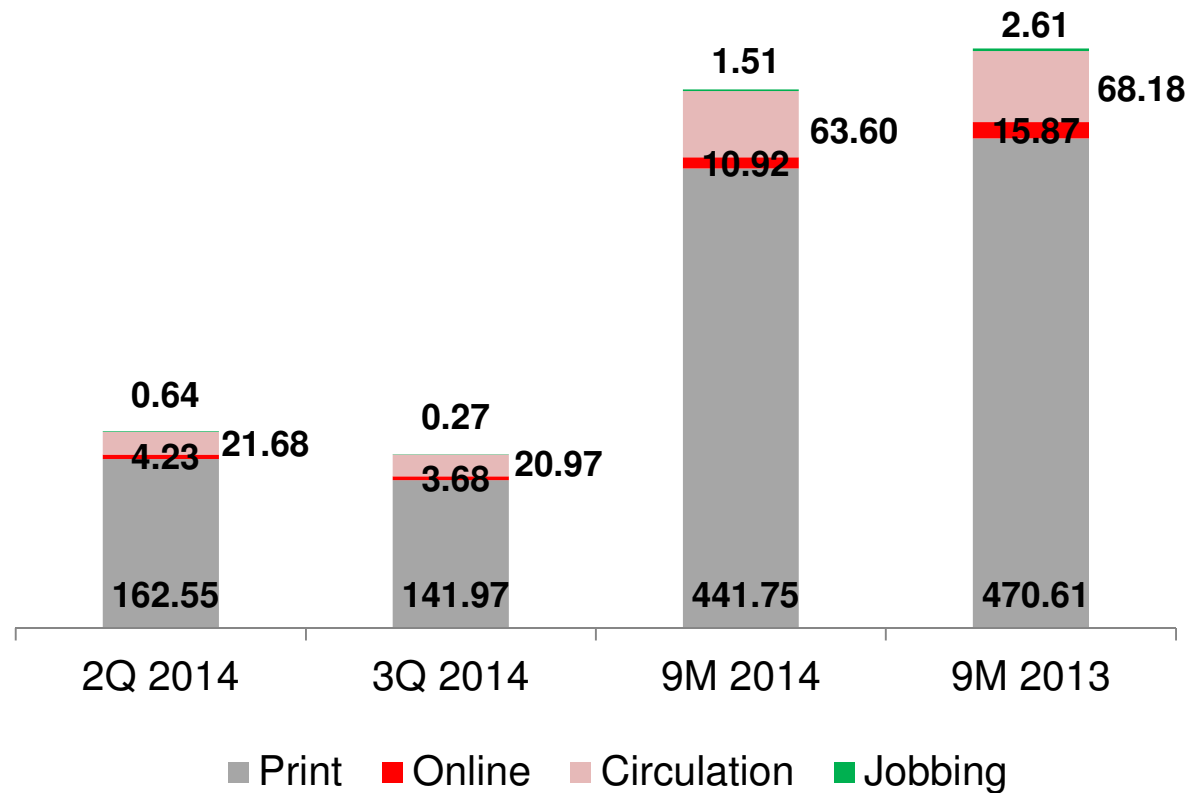
## Star Print and Star Online

| (RM million)                            | 3Q14          | 3Q13   | Var.           | 2Q14   | Var.<br>(3Q14 vs<br>2Q14) | 9M 14  | 9M13   | Var.           |
|-----------------------------------------|---------------|--------|----------------|--------|---------------------------|--------|--------|----------------|
| <b>Revenue</b>                          | <b>166.89</b> | 189.33 | <b>(11.9)%</b> | 189.10 | <b>(11.7)%</b>            | 517.78 | 557.27 | <b>(7.1)%</b>  |
| <b>EBITDA</b>                           | <b>48.16</b>  | 58.62  | <b>(17.8)%</b> | 51.26  | <b>(6.0)%</b>             | 127.22 | 159.99 | <b>(20.5)%</b> |
| <b>PBT</b>                              | <b>47.47</b>  | 60.78  | <b>(21.9)%</b> | 46.48  | <b>+2.1%</b>              | 115.72 | 152.33 | <b>(24.0)%</b> |
| VSS Expenses                            | -             | -      | -              | 1.92   | -                         | 11.50  | -      | -              |
| <b>Adjusted PBT<br/>(excluding VSS)</b> | <b>47.47</b>  | 60.78  | <b>(21.9)%</b> | 48.40  | <b>(1.9)%</b>             | 127.22 | 152.33 | <b>(16.5)%</b> |
| <b>EBITDA Margin</b>                    | <b>28.9%</b>  | 31.0%  |                | 27.1%  |                           | 24.6%  | 28.71% |                |
| <b>PBT Margin</b>                       | <b>28.4%</b>  | 32.1%  |                | 24.6%  |                           | 22.3%  | 27.3%  |                |
| <b>Adjusted PBT<br/>Margin</b>          | <b>28.4%</b>  | 32.1%  |                | 25.6%  |                           | 24.6%  | 27.3%  |                |

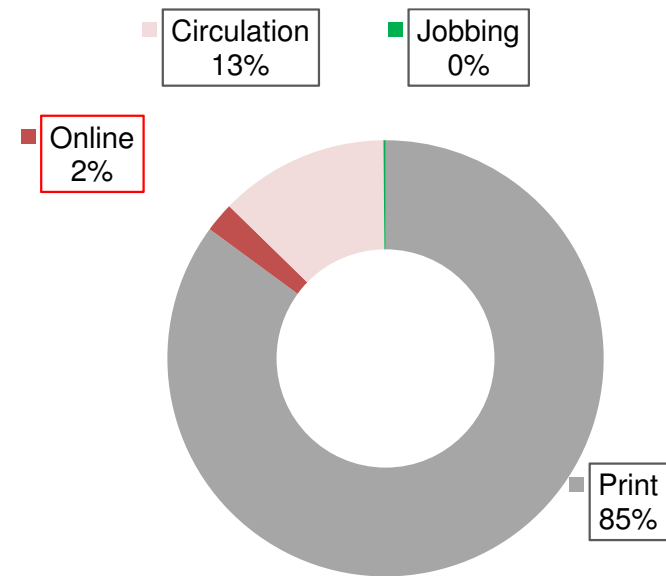
**Improvement in Q3 PBT vs Q2 14 due to cost saving measures**

# Breakdown of Revenue

## Q-on-Q and 9M-o-9M comparison



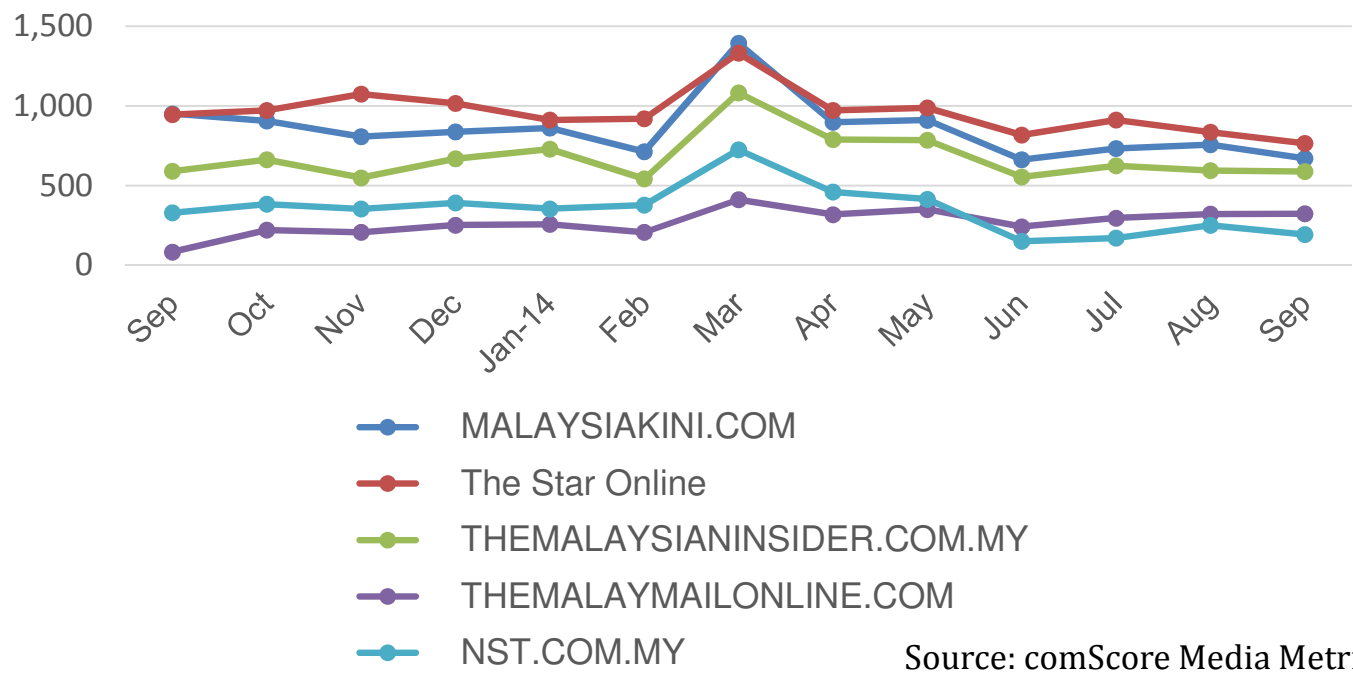
**3Q14 Rev – RM166.89 m**



**3Q2014 vs 2Q2014 Revenue dropped in all segments**

# Star Digital Performance Sep '13-Sep '14

Total Unique Visitors (000)



Source: comScore Media Metrix

The Star Online

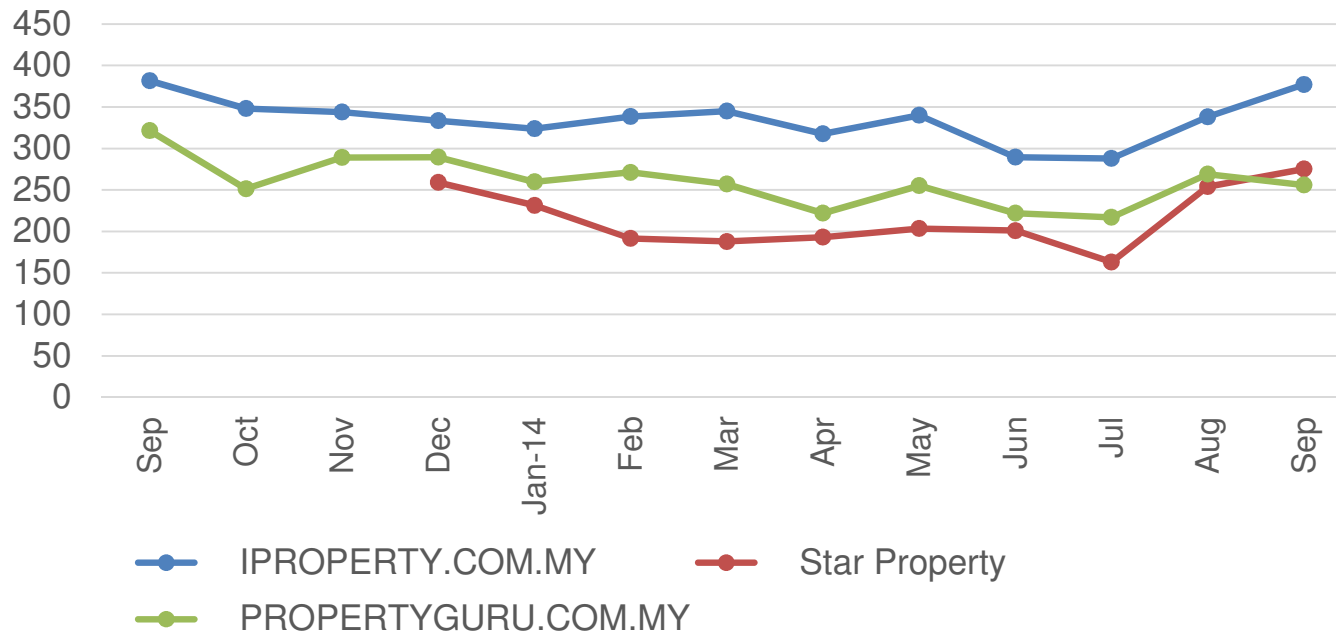
| Month   | UV    |
|---------|-------|
| Sep '13 | 947   |
| Oct     | 972   |
| Nov     | 1,075 |
| Dec     | 1,017 |
| Jan '14 | 912   |
| Feb     | 921   |
| Mar     | 1,331 |
| Apr     | 973   |
| May     | 987   |
| Jun     | 818   |
| Jul     | 911   |
| Aug     | 836   |
| Sep     | 766   |

Source: comScore Media Metrix

The Star Online maintains its leadership in local English news category in most of the months  
Achieved higher traffic than Malaysiakini in most of the months (11/13)

# Star Digital Performance Sep '13-Sep '14

Total Unique Visitors (000)



Property Vertical

| Month   | UV  |
|---------|-----|
| Dec '13 | 259 |
| Jan '14 | 231 |
| Feb     | 191 |
| Mar     | 188 |
| Apr     | 193 |
| May     | 203 |
| Jun     | 201 |
| Jul     | 163 |
| Aug     | 254 |
| Sep     | 275 |

Source: comScore Media Metrix

Star Property family (Propwall+iBilik+Starproperty.my) achieved number 2 position in property category in Sep '14

# 3Q14 Business Segments

1.

- Print and Online

2.

- **Event, Exhibition, Interior and Thematic**

3.

- TV Channel

4.

- Broadcasting

# Performance of I.Star Ideas Factory

## Perfect Livin'

| (RM million)         | 3Q14         | 3Q13  | Var.           | 2Q14  | Var.<br>(3Q14 vs<br>2Q14) | 9M14  | 9M13  | Var.          |
|----------------------|--------------|-------|----------------|-------|---------------------------|-------|-------|---------------|
| <b>Revenue</b>       | <b>8.51</b>  | 6.54  | <b>+30.1%</b>  | 13.18 | <b>(35.4)%</b>            | 23.90 | 19.28 | <b>+24.0%</b> |
| <b>EBITDA</b>        | <b>4.40</b>  | 1.99  | <b>+121.1%</b> | 6.75  | <b>(34.8)%</b>            | 10.77 | 7.72  | <b>+39.5%</b> |
| <b>PBT</b>           | <b>4.30</b>  | 2.48  | <b>+73.4%</b>  | 6.48  | <b>(33.6)%</b>            | 10.43 | 7.66  | <b>+36.2%</b> |
| <b>EBITDA Margin</b> | <b>51.7%</b> | 30.4% |                | 51.2% |                           | 45.1% | 40.0% |               |
| <b>PBT Margin</b>    | <b>50.5%</b> | 37.9% |                | 49.2% |                           | 43.6% | 39.7% |               |

perfect livin' '14

**Increased revenue from previous year due to 2 additional events in 2014**

# Performance of Cityneon Holdings Limited

## Cityneon

| (SGD million)                          | 3Q14          | 3Q13  | Var.           | 2Q14  | Var.<br>(3Q14 vs<br>2Q14) | 9M 14 | 9M 13  | Var.           |
|----------------------------------------|---------------|-------|----------------|-------|---------------------------|-------|--------|----------------|
| <b>Revenue</b>                         | <b>19.27</b>  | 18.11 | <b>+6.4%</b>   | 19.38 | <b>(0.6)%</b>             | 49.59 | 41.62  | <b>+19.1%</b>  |
| <b>EBITDA/<br/>(LBITDA)</b>            | <b>0.16</b>   | 0.74  | <b>(78.4)%</b> | 0.11  | <b>45.5%</b>              | 0.54  | (1.21) | <b>+144.6%</b> |
| <b>PBT/(LBT)</b>                       | <b>(0.06)</b> | 0.03  | <b>(300)%</b>  | 0.02  | <b>(360.9)%</b>           | 0.05  | (1.88) | <b>+102.7%</b> |
| <b>EBITDA/<br/>(LBITDA)<br/>Margin</b> | <b>0.8%</b>   | 4.1%  |                | 0.6%  |                           | 1.1%  | (2.9)% |                |
| <b>PBT/(LBT)<br/>Margin</b>            | <b>(0.3)%</b> | 0.2%  |                | 0.1%  |                           | 0.1%  | (4.5)% |                |

**Increased contribution due to better gross margins**

# 3Q14 Business Segments

1.

- Print and Online

2.

- Event, Exhibition, Interior and Thematic

3.

- **TV Channel**

4.

- Broadcasting

# Performance of Li TV Holdings Limited

## Li TV

| (USD million)               | 3Q14                  | 3Q13           | Var.           | 2Q14           | Var.<br>(2Q14 vs<br>1Q14) | 9M14           | 9M13           | Var.          |
|-----------------------------|-----------------------|----------------|----------------|----------------|---------------------------|----------------|----------------|---------------|
| <b>Revenue</b>              | <b>0.75</b>           | 0.87           | <b>(13.8)%</b> | 0.73           | <b>+2.7%</b>              | 2.30           | 1.86           | <b>+23.7%</b> |
| <b>LBITDA</b>               | <b>(0.54)</b>         | (0.37)         | <b>(45.9)%</b> | (0.48)         | <b>(12.5)%</b>            | (1.39)         | (1.51)         | <b>+7.9%</b>  |
| <b>LBT</b>                  | <b>(0.53)</b>         | (0.36)         | <b>(47.2)%</b> | (0.51)         | <b>(3.9)%</b>             | (1.44)         | (1.54)         | <b>+6.5%</b>  |
| <b><i>LBITDA Margin</i></b> | <b><i>(72.0)%</i></b> | <i>(42.5)%</i> |                | <i>(65.8)%</i> |                           | <i>(60.4)%</i> | <i>(81.2)%</i> |               |
| <b><i>LBT Margin</i></b>    | <b><i>(70.7)%</i></b> | <i>(41.4)%</i> |                | <i>(69.9)%</i> |                           | <i>(62.6)%</i> | <i>(82.8)%</i> |               |



**Revenue declined marginally due to lower regional revenue and projects completed in 3Q 2014**

# 3Q14 Business Segments

1.

- Print and Online

2.

- Event, Exhibition, Interior and Thematic

3.

- TV Channel

4.

- **Broadcasting**

# Performance of Radio Operations

## Star Radio Group

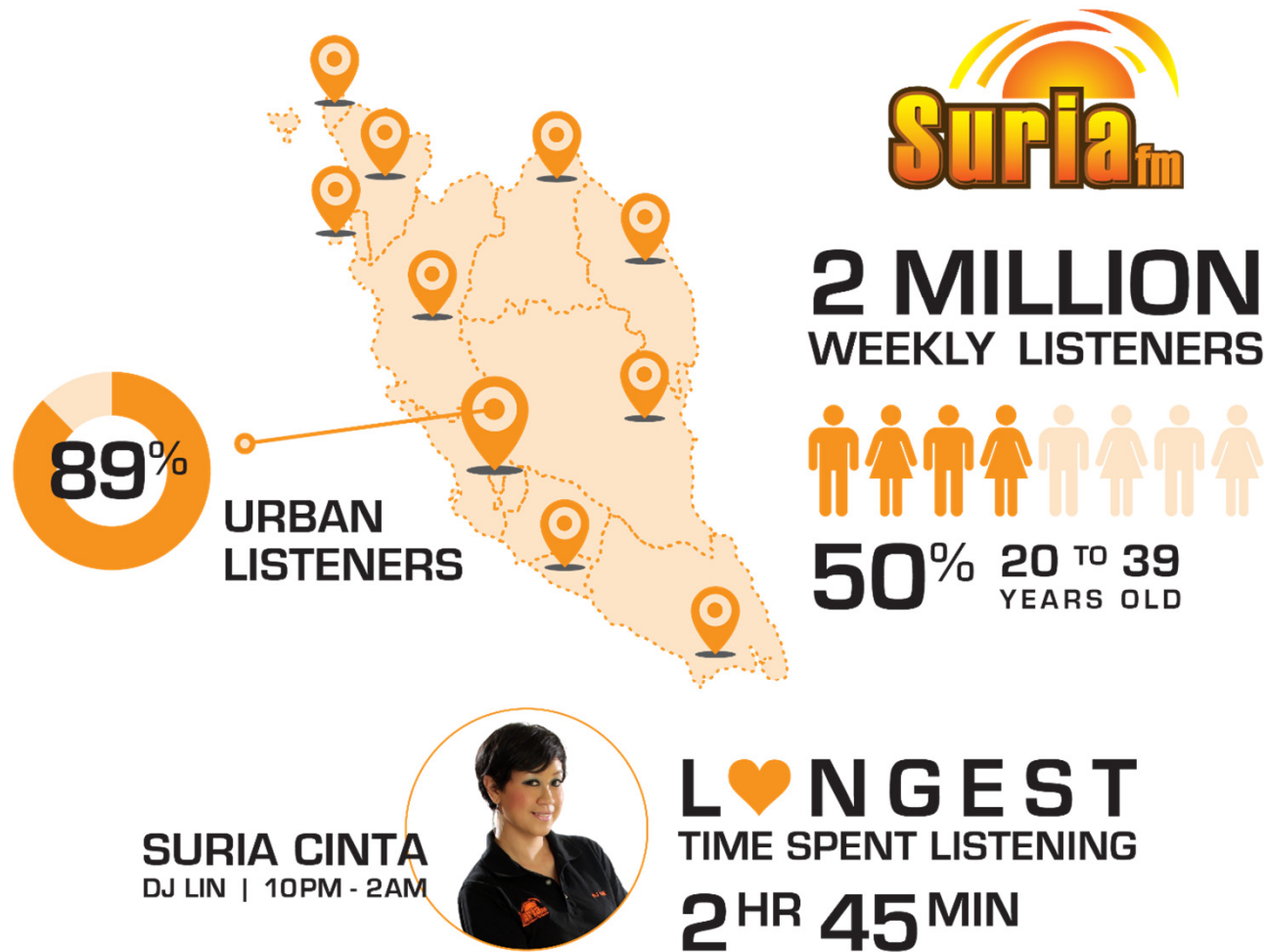
| (RM million)                    | 3Q14          | 3Q13  | Var.            | 2Q14   | Var.<br>(3Q14 vs<br>2Q14) | 9M14   | 9M13   | Var.          |
|---------------------------------|---------------|-------|-----------------|--------|---------------------------|--------|--------|---------------|
| <b>Revenue</b>                  | <b>13.38</b>  | 14.25 | <b>(6.1)%</b>   | 13.03  | <b>+2.7%</b>              | 38.49  | 38.94  | <b>(1.2)%</b> |
| <b>EBITDA/<br/>LBITDA</b>       | <b>1.49</b>   | 2.20  | <b>(32.3)%</b>  | 0.38   | <b>+292.1%</b>            | 2.58   | 1.31   | <b>+96.9%</b> |
| <b>LBT</b>                      | <b>(0.25)</b> | 1.02  | <b>(124.5)%</b> | (1.23) | <b>+79.7%</b>             | (2.62) | (2.46) | <b>(6.5)%</b> |
| <b>EBITDA/LBITDA<br/>Margin</b> | <b>11.1%</b>  | 15.4% |                 | 2.9%   |                           | 6.7%   | 3.4%   |               |
| <b>LBT Margin</b>               | <b>(1.9)%</b> | 7.2%  |                 | (9.4)% |                           | (6.8)% | (6.3)% |               |

(after inter company transaction eliminations)



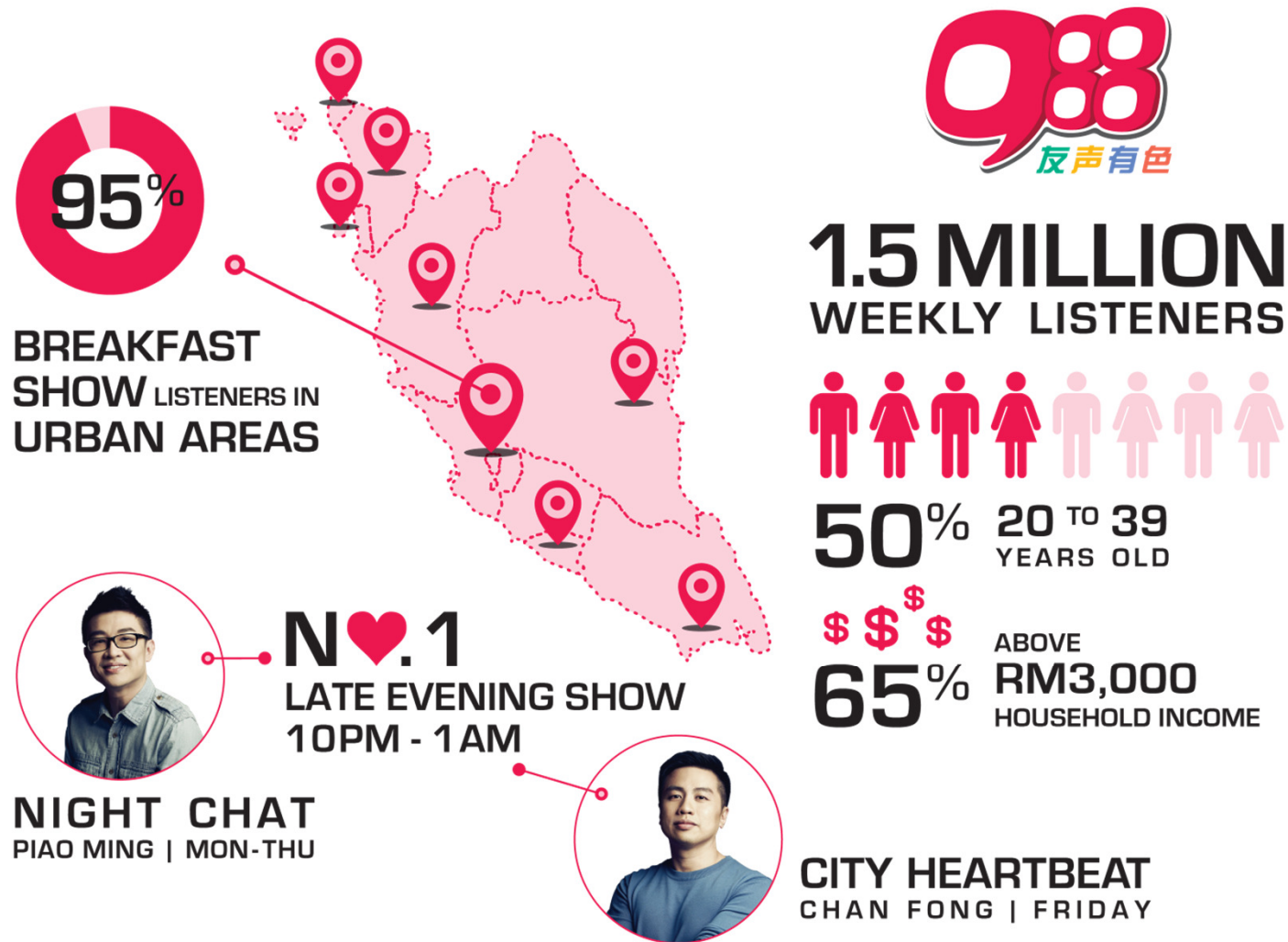
**MH17 incident dampened advertiser spending in 3Q 2014**

# Radio Digital Listenership – Suria



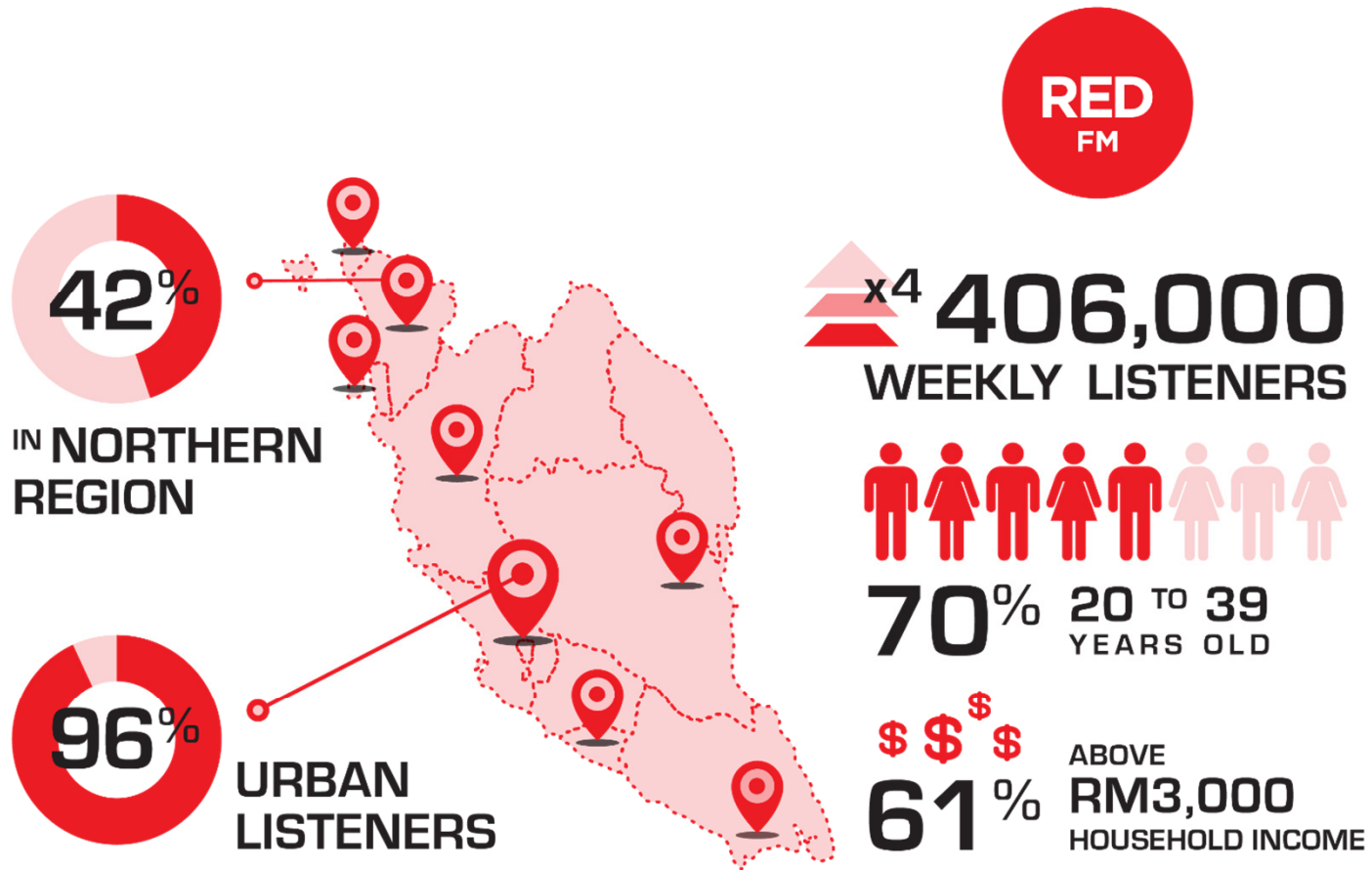
Source: GfK Radio Audience  
Measure (Oct14)

# Radio Digital Listenership –988



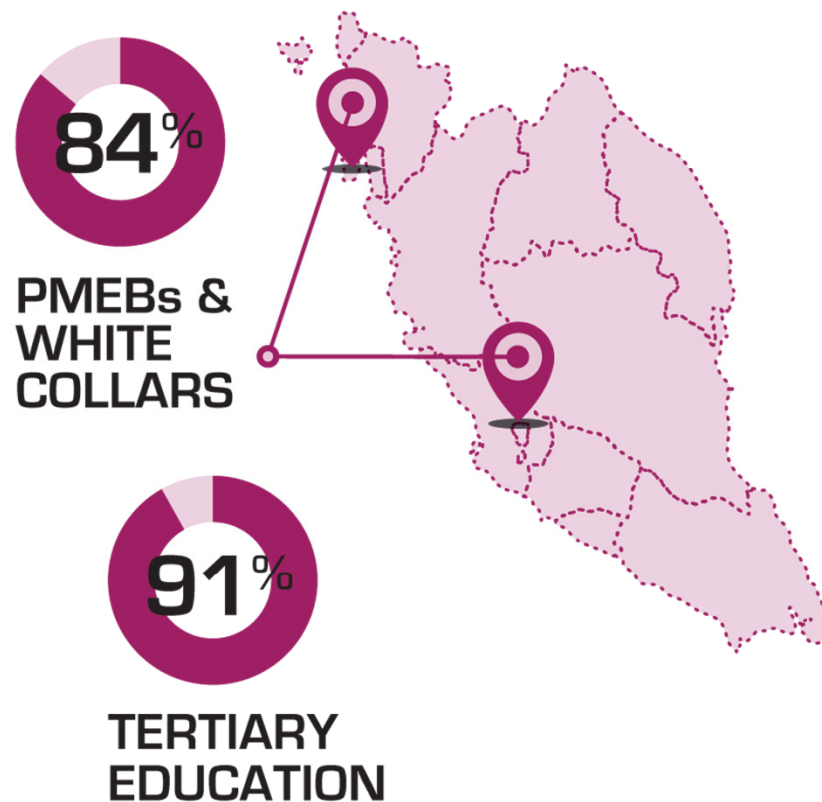
Source GfK Radio Audience  
Measure (Oct14)

# Radio Digital Listenership – Red



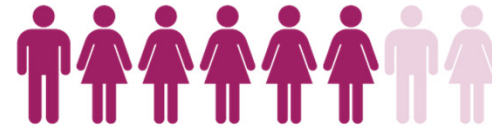
Source GfK Radio Audience  
Measure (Oct14)

# Radio Digital Listenership – Capital



*capital fm*

**56,000**  
WEEKLY LISTENERS



**80%** 20 TO 39  
YEARS OLD

**\$ \$ \$** ABOVE  
**86%** RM4,000  
HOUSEHOLD INCOME

**THE HIGHEST RATIO**  
AMONG ALL THE ENGLISH RADIO  
STATIONS IN THE COUNTRY

Source GfK Radio Audience  
Measure (Oct14)

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1

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2014  
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2

Quarter 3  
2014  
Group  
financials

3

Business  
Segments

4

Quarter 3  
2014  
highlights

5

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# Q3 highlights

**1.**

- Declared dividend first interim dividend 6 sen and 3 sen special dividend on 18 Aug

**2.**

- Continuous cost control initiatives

# Cost control initiatives

- Star Sarawak print run to be scaled down progressively
- Evaluating the usage of 42 gsm paper on quality and cost saving
- Rationalization of loss-making segments: Ceased publications of Shanghai, Faces and Red Tomato. Subsequent disposal of Red Tomato and Shanghai magazine.

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1

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2014  
Overview**

---

2

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2014  
Group  
financials**

---

3

**Business  
Segments**

---

4

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2014  
highlights**

---

5

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remaining  
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---

# Media landscape outlook for remaining 2014

1.

- Last push in early 2015 before GST kicks in

2.

- General weak economic & consumer sentiment which will affect advertisers' spending

# Goods & Services Tax (GST)

- Newspaper is zero rated
- Allowed to claim input tax (offset by higher output tax)
- Advertising, magazine and events are standard rated
- Total net impact is tax savings on expenses subject to sales / service tax currently



# GST in 2015

- The challenging economics environment is likely to continue in 2015 and the implementation of GST adds to the challenge.
- While the retail sector may see a spike in Q1 2015, prior to GST implementation, it will potentially slump in the few months after the GST implementation. The spike in Q1 2015 may happen with consumers hoarding goods to avoid paying the consumption tax.

# Moving forward – Strategies

1.

- Assessment of video which garners largest share of adex

2.

- Strengthening print and investing in digital

3.

- Focus on turning radio around

**THANK**  
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