

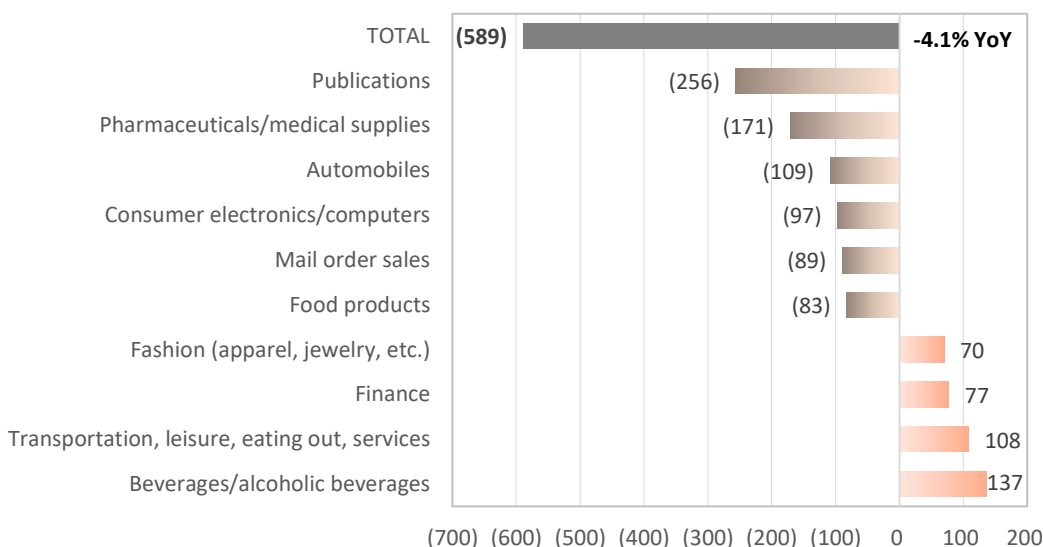
## Priority Group Content sales +24.6% YoY ABC TV Program Streaming (mainly on TVer) sales +22.1%

### SUMMARY

- 1H headline numbers were net sales +1.6% YoY, operating expenses +4.8% YoY, with OP turning to loss from ¥293mn → (¥992mn). As can be seen from the table on P2, net sales increased by ¥675mn, mainly driven by the ¥1,961mn (+24.6% YoY) increase in priority Content business (revival of events, etc. post COVID-19) offsetting the ¥917mn (-3.5% YoY) decline in Broadcasting due to the harsh environment for TV spot advertising revenues and the ¥275mn (-18.7% YoY) decline in At-home shopping due to special demand associated with COVID-19 subsiding, as well as delays in rolling out new e-commerce initiatives. ABC TV's strategic deployment of programming expenses (¥8,278mn, +5.3% YoY) to strengthen Content-related business also weighed on profits.
- The graph below shows that YoY changes in high-margin spot revenues were largely due to COVID-19 factors. While big-ticket automobiles were soft due to macro concerns over inflation/rising interest rates etc., and finance got a boost from announcements ahead of PM Kishida's new NISA (Nippon Individual Savings Account) program to start in Jan-2024, the normalization of behavior patterns since Golden Week resulted in demand for travel, leisure, eating out, etc. Unfortunately, the decline in areas that benefitted from special demand during stay-at-home orders, such as medical supplies, PC-related and mail-order sales, outweighed the pick-up in post-COVID demand areas.
- The Company revised down initial full-term guidance announced in May, lowering net sales by ¥2,000mn (-2.2%), mainly due to revising down Broadcasting by ¥1,600mn (-2.8%) and At-home shopping by ¥300mn (-8.6%). It lowered operating profit by ¥1,200mn (-48.0%), mainly due to revising down Broadcasting & Content by ¥900mn (-39.1%) and Lifestyle by ¥300mn (-50.0%), for the reasons mentioned above.

### 1H FY24/3 Factor Analysis for ABV TV Spot Revenues Trends by Industry Category

➔ YoY decline is largely explained by COVID-19 factors (JPY mn, amount YoY\*)



Source: compiled by SIR from company IR 2Q FY24/3 earnings reference materials. \*Note: SIR calculated amount change YoY by multiplying total 1H spot revenues by IR provided composition ratios and comparing the amounts YoY for each sector.

## 2Q Follow-up



### Focus Points:

A leading broadcaster covering the Kansai region, aiming to become a comprehensive content business group. It also aims to expand its e-commerce business through data utilization and DX.

### Key Indicators

Share price (24/1/11)	675
YH (23/9/26)	722
YL (23/11/14)	625
10YH (15/4/16)	1,276
10YL (16/6/24)	581
Shrs out. (mn shrs)	41.833
Mkt cap (¥ bn)	28.156
Shr equity ratio (9/30)	57.3%
24.3 P/E (CE)	28.2x
24.3 EV/EBITDA (CE)	4.6x
23.9 P/B (act)	0.41x
23.3 ROE (act)	2.0%
24.3 DY (CE)	1.78%

### 6M stock price (daily)



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This report was prepared by Sessa Partners on behalf of Asahi Broadcasting Group Holdings Corporation. Please refer to the legal disclaimer at the end for details.



**Asahi Broadcasting Group Holdings Corp. FY24/3 1H Results and Full-term Revisions Summary**

JPY mn, % [J-GAAP]	FY22/3 1H act	FY23/3 1H act	FY24/3 1H act	AMT YOY	PCT YOY	FY23/3 act	FY24/3 init CE	FY24/3 rev CE	AMT YOY	PCT YOY
Net sales	40,889	41,100	41,776	675	1.6	87,028	90,000	88,000	972	1.1
Operating expenses	39,654	40,806	42,768	1,962	4.8	84,434	87,500	86,700	2,266	2.7
ratio to sales (%)	97.0%	99.3%	102.4%			97.0%	97.2%	98.5%		
• Cost of sales	27,723	28,121	29,977	1,856	6.6	—	—	—	—	—
• SG&A expenses	11,930	12,684	12,790	105	0.8	—	—	—	—	—
Operating profit	1,234	293	(992)	(1,286)	—	2,594	2,500	1,300	(1,294)	(49.9)
OPM (%)	3.0%	0.7%	-2.4%			3.0%	2.8%	1.5%		
Ordinary profit	1,539	479	(832)	(1,311)	—	2,661	2,700	1,500	(1,161)	(43.6)
Profit ATOP	1,133	403	(673)	(1,077)	—	1,354	1,700	1,000	(354)	(26.1)
<b>Segment net sales</b>										
Broadcasting & Content	33,954	34,482	35,541	1,058	3.1	72,967	75,400	73,800	833	1.1
• Broadcasting	26,215	26,468	25,550	(917)	(3.5)	55,516	56,700	55,100	(416)	(0.7)
• Content	7,719	7,987	9,948	1,961	24.6	17,387	18,600	18,600	1,213	7.0
• Other	19	26	42	15	56.3	63	100	100	37	58.7
Lifestyle	6,934	6,617	6,234	(383)	(5.8)	14,061	14,600	14,200	139	1.0
• Housing	5,215	4,476	4,376	(100)	(2.2)	9,770	9,700	9,700	(70)	(0.7)
• At-home shopping	1,064	1,471	1,196	(275)	(18.7)	2,954	3,500	3,200	246	8.3
• Golf	410	484	488	4	0.9	939	950	950	11	1.2
• Other	244	184	173	(11)	(6.3)	397	450	350	(47)	(11.8)
<b>Segment OP</b>										
Broadcasting & Content	962	407	(733)	(1,141)	—	2,602	2,300	1,400	(1,202)	(46.2)
Lifestyle	412	118	(60)	(178)	—	433	600	300	(133)	(30.7)
eliminations	(140)	(232)	(198)	33	—	(441)	(400)	(400)	41	—

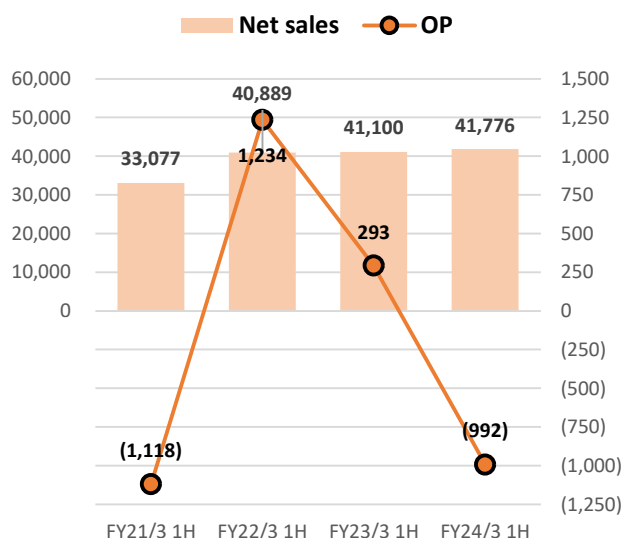
Source: compiled by SIR from IR 2Q FY24/3 Earnings Reference materials.



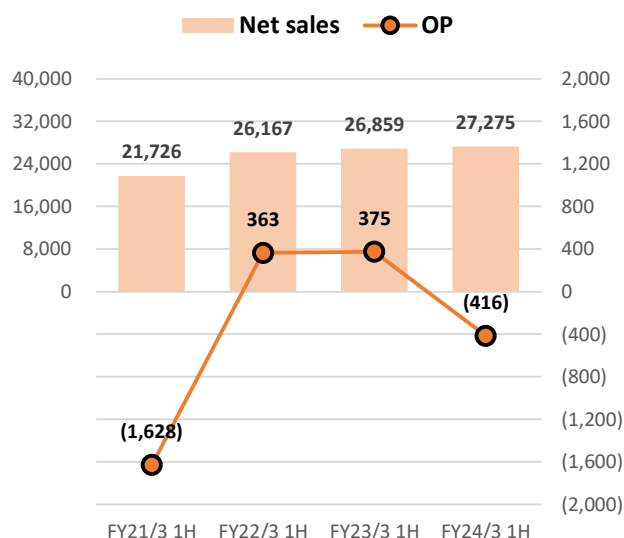
**Revised full-term FY24/3 consolidated guidance remains challenging**

Following 1H Broadcasting sales of ¥25,550mn, down ¥917mn (-3.5% YoY), revised guidance is for 2H Broadcasting sales of ¥29,550mn, up ¥502mn (+1.7% YoY). This may be achievable since it includes peak season New Year’s special holidays programming. However, following 1H At-home shopping sales of ¥1,196mn, down ¥275mn (-18.7% YoY), revised guidance is for 2H At-home-shopping sales of ¥2,004mn, up ¥521mn (+35.1% YoY), nearly doubling HoH. Finally, following 1H negative OPM of -2.4%, revised guidance is for 2H OPM of 5.0%, flat YoY.

**Asahi Broadcasting Group HD (JPY mn)**



**ABC TV (JPY mn)**





## Asahi Television Broadcasting Corporation (ABC TV) 1H Financial Results Summary

JPY mn, % [J-GAAP]	FY20/3 1H act	FY21/3 1H act	FY22/3 1H act	FY23/3 1H act	FY24/3 1H act	AMT YOY	PCT YOY
<b>Net sales</b>	28,311	21,726	26,197	26,859	27,275	415	1.5
• Broadcasting	—	20,317	23,463	23,317	22,551	(766)	(3.3)
• Spot Revenue	15,340	11,045	14,178	14,208	13,619	(589)	(4.1)
• Network (Time)*	6,581	6,202	5,858	5,581	5,435	(146)	(2.6)
• Local (Time)	3,251	2,673	2,859	2,985	2,745	(240)	(8.0)
• Program Streaming (mainly on TVer)	84	97	249	254	310	56	22.0
• Content	—	1,223	2,570	3,400	4,579	1,178	34.7
• Other	—	184	163	140	143	3	2.1
<b>Operating expenses</b>	28,185	23,354	25,833	26,484	27,691	1,207	4.6
<b>ratio to sales (%)</b>	99.6%	107.5%	98.6%	98.6%	101.5%		
• Cost of sales	17,930	14,596	16,285	16,588	18,110	1,521	9.2
• SG&A expenses	10,255	8,757	9,547	9,895	9,581	(314)	(3.2)
<b>Operating profit</b>	125	(1,628)	363	375	(416)	(791)	—
<b>OPM (%)</b>	0.4%	-7.5%	1.4%	1.4%	-1.5%		
Ordinary profit	158	(1,590)	420	604	(356)	(960)	—
Profit ATOP	14	(1,070)	261	339	(265)	(605)	—
<b>Program expenses</b>	9,121	7,272	7,834	7,862	8,278	416	5.3

Source: compiled by SIR from IR 2Q FY24/3 Earnings reference materials.

\*Note: Network (Time) revenue from FY22/3 onward is affected by application of the Revenue Recognition Standard.

**Broadcasting revenue** is mainly advertising revenue obtained through broadcasting (including revenue from TVer, a catch-up platform streaming past broadcasts).

**Content revenue** is revenue obtained from multifaceted production and development of content and IP, including videos and events (program sales to affiliates, content development derived from TV programs such as Virtual High School Baseball, etc.).



## 1H loss on maintaining strategic investments despite difficult environment

NEW HOPE 2nd STAGE Medium-Term Management Strategy lays out clear measures aimed at realizing objectives for priority areas in the Content and Lifestyle businesses. While these investments are pressuring ST earnings, it is notable that management is committed to achieving MTP targets. Content sales, including events and Internet development, totaled ¥4,579mn, up ¥1,178mn (+34.7% YoY). The increase in the number of distributed productions including the establishment of the new nationwide network Sunday 10pm drama slot, the increase in the number of streaming platforms for Virtual High School Baseball, and the strong performance of events and stage productions contributed.

## TV Viewership Ratings in the Kansai Region for Apr-Sep 2023

## [Individual (ALL)]

(Source: Video Research)

(\*April 3 to October 1, 2023)

	All Day (6:00-24:00)	Golden Time (19:00-22:00)	Prime Time (19:00-23:00)	Prime 2 (23:00-25:00)
1	ABC 3.4%	YTV 5.5%	ABC 5.3%	YTV 3.0%
2	YTV 3.3%	ABC 5.0%	YTV 5.2%	ABC 2.6%
3	KTV 3.0%	KTV 4.7%	KTV 4.7%	KTV 2.2%
4	MBS 2.8%	MBS 4.5%	MBS 4.4%	MBS 2.0%
5	NHK 2.5%	NHK 4.4%	NHK 3.9%	NHK 0.9%

■ABC (TV Asahi network) ■MBS (TBS network) ■KTV (Fuji TV network) ■YTV (Nippon TV network) ■NHK

## [Households]

(Source: Video Research)

	All Day (6:00-24:00)	Golden Time (19:00-22:00)	Prime Time (19:00-23:00)	Prime 2 (23:00-25:00)
1	ABC 6.1%	YTV 8.7%	ABC 9.1%	YTV 5.5%
2	YTV 5.9%	ABC 8.5%	YTV 8.4%	ABC 4.8%
3	KTV 5.4%	NHK 7.9%	KTV 7.4%	KTV 4.0%
4	MBS 5.0%	KTV 7.3%	MBS 7.1%	MBS 3.7%
5	NHK 4.7%	MBS 7.1%	NHK 7.0%	NHK 1.9%

■ABC (TV Asahi network) ■MBS (TBS network) ■KTV (Fuji TV network) ■YTV (Nippon TV network) ■NHK

Source: excerpt from company IR 2Q FY24/3 Earnings reference materials.



## Major Group Subsidiaries 1H Financial Results Summary

JPY mn, % [J-GAAP]		FY21/3 1H act	FY22/3 1H act	FY23/3 1H act	FY24/3 1H act	AMT CHG	PCT CHG
<b>① Broadcasting</b>							
• ABC Radio	Net sales	1,057	1,068	1,184	1,181	(3)	(0.3)
	OP	(91)	(45)	85	46	(39)	(45.9)
• sky-A	Net sales	1,486	1,732	2,002	2,056	54	2.7
	OP	274	38	28	(93)	(121)	—
<b>② Content</b>							
• ABC Frontier* <sup>1</sup>	Net sales	—	809	752	929	177	23.5
	OP	—	111	11	52	41	372.7
• ABC ANIMATION	Net sales	642	810	943	990	47	5.0
	OP	378	59	58	6	(52)	(89.7)
• MASH	Net sales	659	1,130	1,207	1,327	120	9.9
	OP	(15)	126	99	70	(29)	(29.3)
• DLE Group* <sup>2</sup>	Net sales	327	358	864	765	(99)	(11.5)
	OP	(350)	(202)	(223)	(292)	(69)	—
• SILVER LINK.* <sup>3</sup>	Net sales	—	1,137	703	861	158	22.5
	OP	—	37	(158)	(163)	(5)	—
<b>③ Lifestyle</b>							
• ABC Development	Net sales	4,774	5,471	4,700	4,581	(119)	(2.5)
	OP	154	493	107	211	104	97.2
• ABC GOLF CLUB	Net sales	371	436	489	509	20	4.1
	OP	(68)	(1)	28	20	(8)	(28.6)
• ABC FUN LIFE	Net sales	1,632	1,187	1,222	761	(461)	(37.7)
	OP	96	56	52	(220)	(272)	—

Source: compiled by SIR from IR 2Q FY24/3 Earnings reference materials.

\*Notes: 1) ABC Frontier split off subsidiary ABC ANIMATION in FY22/3. Figures are only available from FY22/3 onward. 2) DLE Group includes DLE, Churapps, AMIDUS., etc. Excerpts from DLE financial results.

3) SILVER LINK. added as a consolidated subsidiary from 3Q FY21/3. Prior figures are not presented.



## Major Group Subsidiary Short Business Descriptions

- **ABC Radio:** Radio broadcasting business
- **sky-A:** CS broadcasting
- **ABC Frontier:** Content licensing, music publishing, international operation, domestic business development
- **ABC ANIMATION:** Planning/production, overseas sales, and product sales etc. regarding animated content
- **MASH:** Event planning and production, promotions
- **DLE Group:** 1) DLE - Fast Entertainment Model, 2) Churapps - Game and app planning, development, and management, 3) AMIDUS. - Design, branding, and video production, label and agency business, among others
- **SILVER LINK.:** Planning and production of animated cartoons
- **ABC Development:** Planning/management of housing exhibition and Housing Design Center, advertising agency business, real estate business, insurance agency business, and web media business
- **ABC GOLF CLUB:** Golf course management
- **ABC FUN LIFE:** Mail order/online sales business, agency business



**Performance and Valuations:**  
SESSA Smart Charts

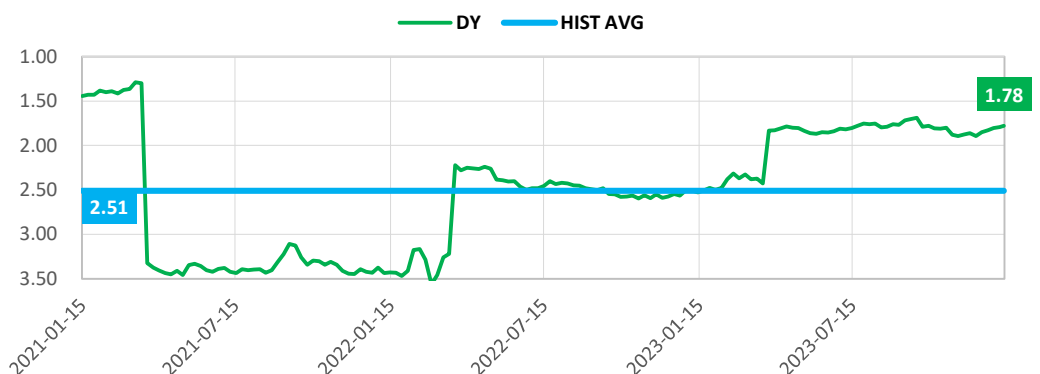
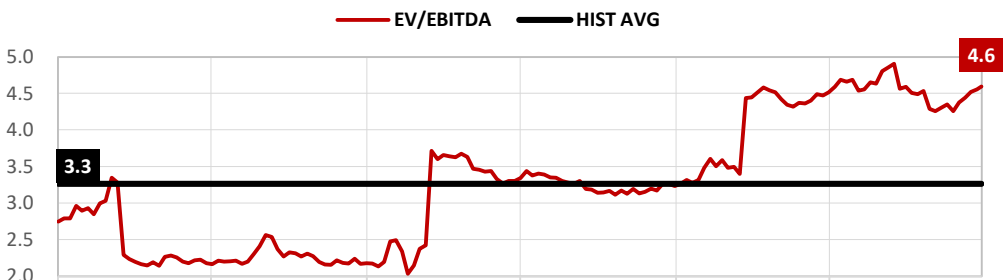
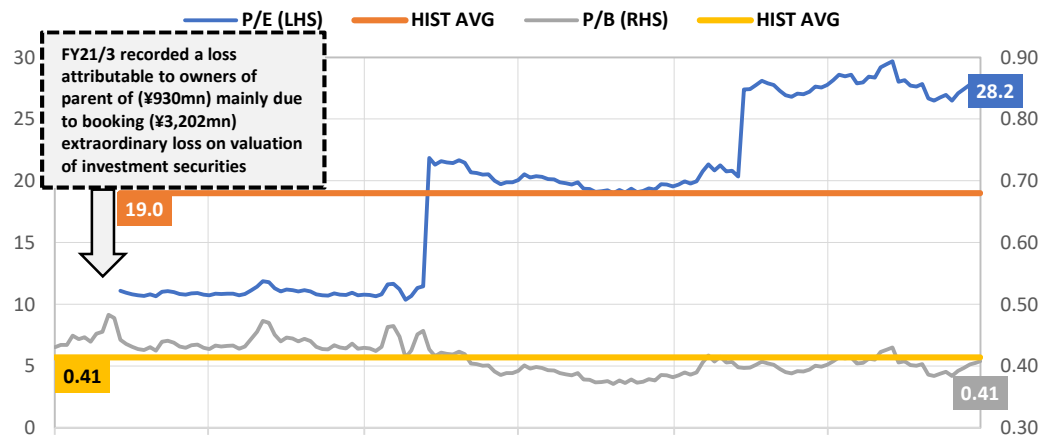
✓ As a result of the downward revision to full-term guidance, and difficult environment expected to continue in the 2H for ABC TV spot revenues, the current P/E of 28.2x and EV/EBITDA of 4.6x, both trading near the top of their respective ranges, suggest there is likely no near-term fundamental catalyst to spark a rally.

✓ However, 1) note there is a seasonal pattern for rallies in Jan-Mar, and 2) given sharp relative underperformance shown on the graph on the following page, as well as 3) potential for news flow 1 year ahead of start of the thematic driver of the Osaka-Kansai EXPO 2025 in Apr-2025, downside appears limited. Also, the 10-yr chart shows technical support around ¥580.



Analyst's view

**3-Year Weekly Share Price (13W, 26W, 52W MA) / Volume, and Valuations Trend**

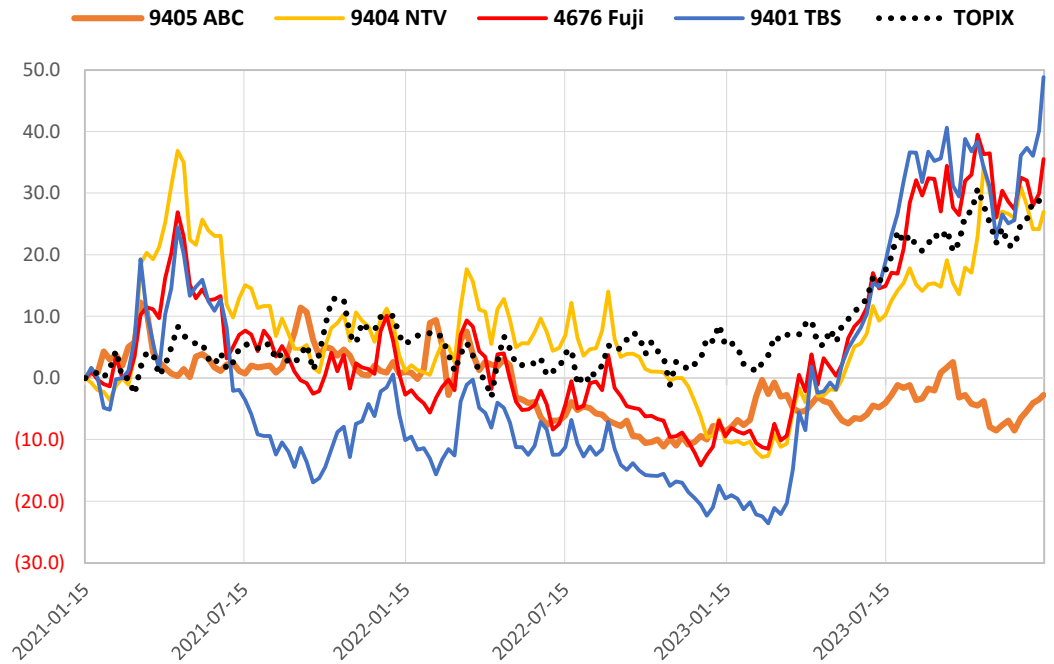


Source: created by SIR from SPEEDA price data. Calculations are based on company estimates.



✓ Despite the harsh environment for spot revenues, the stock market has begun to assign value to content libraries of TV broadcasters. ABC is likely lagging due to ST earnings pressure from strategic investments.

3-Year Weekly Relative Performance



Source: created by SIR from SPEEDA share price database.

Peer comps

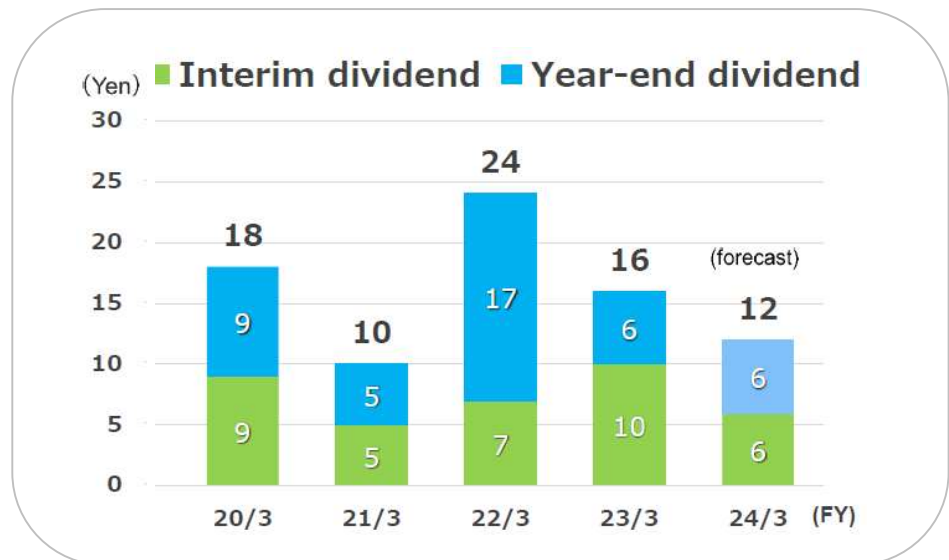
24.1.10 close	P/E (x)	P/B (x)	DY (%)
9405 ABC	28.2	0.41	1.78
9404 NTV	11.2	0.48	2.44
4676 Fuji	14.0	0.44	2.86
9401 TBS	14.3	0.60	1.39

Source: SPEEDA as of 1/10.



Shareholder Returns: Revised Dividend Policy 8/7

Regarding shareholder returns, the Company aims to achieve stable dividends based on profits of the core business, while always considering the balance between strengthening and maintaining the financial position, investing toward improved corporate value and implementing growth strategies. Regarding the dividend amounts, as disclosed on August 7, the Company plans to flexibly make decisions for continuous and stable dividend payment, targeting a dividend payout ratio of 30% for profit after deducting the amount equivalent to the effective statutory tax rate from consolidated operating profit, which indicates profit from the core business of the Group (deemed net profit). For the fiscal year ending March 31, 2024, the annual dividend forecast is 12 yen per share, including an interim dividend of 6 yen and a year-end dividend of 6 yen, year-end revised down from 8 yen in line with new CE.



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