

Priority Group Content sales +42.2% YoY Revival in event-related and strong animation contribution

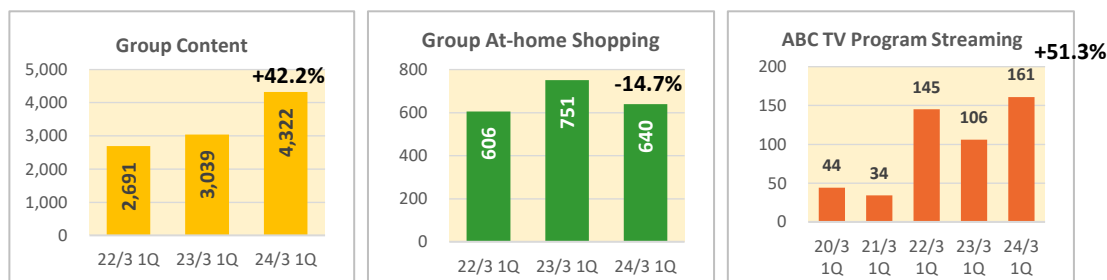
SUMMARY

Asahi Broadcasting Group HD announced consolidated 1Q financial results on Monday 8/7 at 15:00. Headline numbers were net sales +3.2% YoY, operating expenses +5.7% YoY, with the operating loss expanding from ¥228mn → ¥734mn. As can be seen from the table on P2, net sales increased by ¥632mn YoY, a function of the ¥794mn increase in Broadcasting & Content and ¥162mn decrease in Lifestyle. Within Broadcasting & Content, **Content sales increased ¥1,283mn (+42.2% YoY)**, attributed to the revival of events following COVID-19 being lowered to “Class 5” (the same as influenza), as well as increased contribution from animation, following production delays in China last year. This offset the decline in Broadcasting sales of ¥503mn (-3.8% YoY), mainly due to ongoing pressure on ABC TV mainstay spot revenue, declining ¥268mn (-3.6% YoY).

Within Broadcasting, **ABC TV program streaming revenue to mainly TVer increased +51.3% YoY**. For the new Sunday night 10pm nationwide slot started from April, Episode 1 of the new drama “The Birthday Mystery” aired on August 6 (catch-up streaming available on TVer). The decline in Lifestyle was mainly due to the ¥110mn decline in at-home shopping (-14.7% YoY), in part due to special demand associated with COVID-19 subsiding, as well as the delay in rolling out new initiatives. The ¥506mn expansion of the operating loss YoY is a function of the ¥1,137mn increase (+5.7% YoY) in operating expenses, **mainly due to the ¥1,014mn increase (+7.6% YoY) in cost of sales**. Results were broadly in line with internal plan, and initial guidance was left unchanged.

According to the Company, the main strategic investments are production investment (in program production itself) and securing human resources, production investment accounting for the majority. In terms of human resource investment, key personnel involved in production, such as producers and directors, as well as skilled personnel in promotion and sales are being acquired at the head office and Group companies according to their respective roles. **While these investments are pressuring ST earnings, it is notable that management is committed to achieving Medium-Term Management Strategy targets**. Regarding weak results for at-home shopping, in addition to the reactionary decline from special demand during the pandemic, start-up of new e-commerce initiatives is taking more time than initially planned. As the Company is focused on making up for delays to the plan, the pace of new business development has slowed somewhat, which requires leading investments. Although planning and due diligence are continuing, the earliest possible launch is expected to be in the first half of the next fiscal year.

Selected Sales Trends for ABC Group Medium-Term Priority Initiatives (JPY mn)



Source: compiled by SIR from company IR 1Q FY24/3 results reference materials.

1Q 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 (9/20)	697
YH (23/9/13)	704
YL (23/1/6)	630
10YH (15/4/16)	1,276
10YL (16/6/24)	581
Shrs out. (mn shrs)	41.833
Mkt cap (¥ bn)	29.241
Shr equity ratio (6/30)	57.2%
24.3 P/E (CE)	17.2x
24.3 EV/EBITDA (CE)	3.6x
23.6 P/B (act)	0.42x
23.3 ROE (act)	2.0%
24.3 DY (CE)	2.00%

6M stock price (daily)



Chris Schreiber CFA

Company Specialist

research@sessapartners.co.jp



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 Corporation 1Q FY24/3 Consolidated Financial Results Summary

JPY mn, % [J-GAAP]	FY21/3 1Q act	FY22/3 1Q act	FY23/3 1Q act	FY24/3 1Q act	AMT CHG	PCT CHG	ACH* Ratio
Net sales	15,353	19,854	19,606	20,238	632	3.2	22.5%
Broadcasting & Content	12,391	16,009	16,237	17,031	794	4.9	22.6%
• Broadcasting	—	13,308	13,185	12,682	(503)	(3.8)	22.4%
• Content	—	2,691	3,039	4,322	1,283	42.2	23.2%
• Other	—	9	12	26	14	114.5	26.0%
Lifestyle	2,961	3,844	3,369	3,207	(162)	(4.8)	22.0%
• Housing	—	2,944	2,279	2,226	(53)	(2.3)	22.9%
• Golf	—	191	252	254	2	0.8	26.7%
• At-home shopping	—	606	751	640	(110)	(14.7)	18.3%
• Other	—	102	86	85	(0)	(0.8)	18.9%
Operating expenses	16,026	19,233	19,834	20,972	1,137	5.7	24.0%
ratio to sales (%)	104.4%	96.9%	101.2%	103.6%			
• Cost of sales	10,587	13,034	13,406	14,421	1,014	7.6	NA
• SG&A expenses	5,439	6,199	6,428	6,551	123	1.9	NA
Operating profit	(672)	620	(228)	(734)	(505)	—	—
OPM (%)	-4.4%	3.1%	-1.2%	-3.6%			
Broadcasting & Content	(570)	353	(236)	(565)	(329)	—	—
Lifestyle	(19)	325	90	(63)	(153)	—	—
adjustments	(82)	(57)	(82)	(105)	(23)		
Ordinary profit	(511)	771	(40)	(598)	(558)	—	—
Profit ATOP	(353)	442	352	(428)	(780)	—	—

Source: compiled by SIR from IR 1Q FY24/3 results reference materials.

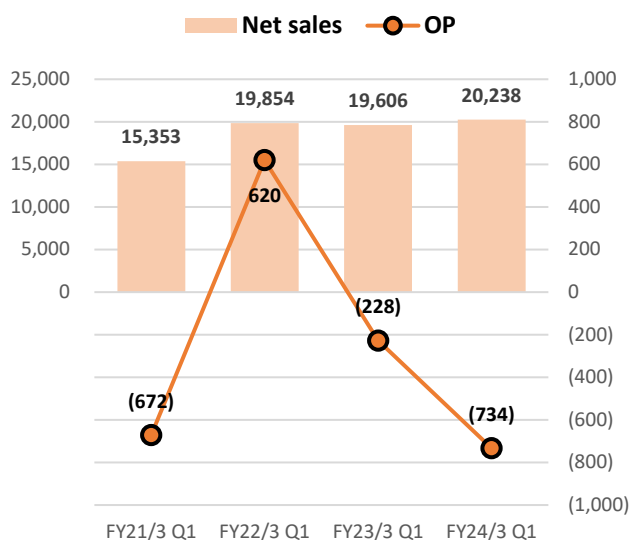
*Note: ACH ratio = rate of progress relative to full-term guidance.



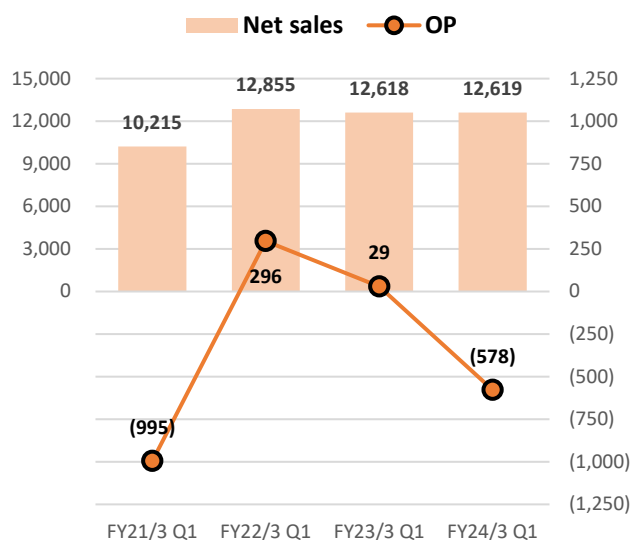
1Q loss expanded on maintaining strategic investments despite difficult environment

NEW HOPE 2nd STAGE Medium-Term Management Strategy lays out clear measures aimed at realizing objectives for priority areas in the Broadcasting & Content and Lifestyle businesses. While these investments are pressuring ST earnings, it is notable that management is committed to achieving MTP targets. Results were broadly in line with internal plan, and initial guidance was left unchanged.

Asahi Broadcasting Group HD (JPY mn)



ABC TV (JPY mn)





Asahi Television Broadcasting Corporation (ABC TV) 1Q FY24/3 Financial Results Summary

JPY mn, % [J-GAAP]	FY20/3 1Q act	FY21/3 1Q act	FY22/3 1Q act	FY23/3 1Q act	FY24/3 1Q act	AMT CHG	PCT CHG
Net sales	13,920	10,215	12,855	12,618	12,619	0	0.0
• Broadcasting Revenue	—	9,733	12,001	11,569	11,279	(290)	(2.5)
Spot	8,028	5,369	7,584	7,427	7,158	(269)	(3.6)
Network (Time)*	3,047	2,958	2,698	2,531	2,531	0	0.0
Local (Time)	1,572	1,223	1,394	1,365	1,271	(94)	(6.9)
Program streaming (mainly on TVer)	44	34	145	106	161	55	51.9
• Content Revenue	—	384	770	977	1,264	287	29.4
• Other	—	97	83	71	75	4	5.6
Operating expenses	13,729	11,211	12,558	12,588	13,197	608	4.8
ratio to sales (%)	98.6%	109.8%	97.7%	99.8%	104.6%		
• Cost of sales	8,503	6,815	7,684	7,624	8,340	715	9.4
• SG&A expenses	5,226	4,395	4,874	4,964	4,857	(107)	(2.2)
Operating profit	191	(995)	296	29	(578)	(607)	—
OPM (%)	1.4%	-9.7%	2.3%	0.2%	-4.6%		
Ordinary profit	221	(964)	329	235	(535)	(771)	—
Profit ATOP	127	(633)	210	111	(367)	(478)	—
Program expenses	4,351	3,279	3,827	3,725	4,020	294	7.9

Source: compiled by SIR from IR 1Q FY24/3 results 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.).



ABC TV gaining market share in the Kansai region

- According to the Company, the YoY decline trend of spot revenue has continued during the 2Q, however ABC TV's spot revenue is steadily gaining market share. There are signs of improvement of client demand in the Tokyo area, and the Company expects a recovery during the 2H. Regarding the new Sunday 10:00PM Prime Time Drama official slot on ABC TV and TV Asahi nationwide network, focused on high quality with original scripts, "At Least On Sunday Night" which aired starting April 30 won a Galaxy Award Monthly Award by Association of broadcast critics. It will take some time to raise the profile of the new drama slot, but it is a good start.

TV Viewership Ratings in the Kansai Region for Apr-Jun 2023

[Individual (ALL)]

(*April 3 to July 2, 2023)

(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 3.5%	YTV 5.7%	YTV 5.4%	YTV 3.0%
2	YTV 3.3%	ABC 5.0%	ABC 5.3%	ABC 2.7%
3	KTV 3.1%	KTV 4.8%	KTV 4.8%	KTV 2.3%
4	MBS 2.8%	MBS 4.6%	MBS 4.4%	MBS 2.0%
5	NHK 2.3%	NHK 4.4%	NHK 3.8%	NHK 0.8%

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

[Households]

(*April 3 to July 2, 2023)

(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 6.2%	YTV 8.9%	ABC 9.1%	YTV 5.5%
2	YTV 5.9%	ABC 8.6%	YTV 8.5%	ABC 5.0%
3	KTV 5.4%	NHK 7.8%	KTV 7.7%	KTV 4.2%
4	MBS 4.9%	KTV 7.4%	MBS 7.2%	MBS 3.7%
5	NHK 4.4%	MBS 7.2%	NHK 6.9%	NHK 1.9%

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

Source: excerpt from company IR 1Q FY24/3 results reference materials.



Major Group Subsidiaries 1Q Financial Results Summary

JPY mn, % [J-GAAP]		FY21/3 1Q act	FY22/3 1Q act	FY23/3 1Q act	FY24/3 1Q act	AMT CHG	PCT CHG
① Broadcasting							
• ABC Radio	Net sales	480	527	589	583	(6)	(1.0)
	OP	(60)	(43)	27	19	(8)	(29.6)
• sky-A	Net sales	698	828	1,022	1,031	9	0.9
	OP	311	(38)	22	(33)	(55)	—
② Content							
• ABC Frontier* ¹	Net sales	—	371	347	476	129	37.2
	OP	—	52	(6)	56	62	—
• ABC ANIMATION	Net sales	286	410	451	548	97	21.5
	OP	206	24	(30)	86	116	—
• MASH	Net sales	255	365	501	792	291	58.1
	OP	(26)	21	38	72	34	89.5
• DLE Group* ²	Net sales	133	247	366	380	14	3.8
	OP	(175)	(122)	(135)	(150)	(15)	—
• SILVER LINK. * ³	Net sales	—	75	260	567	307	118.1
	OP	—	(117)	(138)	(22)	116	—
③ Lifestyle							
• ABC Development	Net sales	2,014	3,052	2,387	2,326	(61)	(2.6)
	OP	13	361	65	109	44	67.7
• ABC GOLF CLUB	Net sales	139	204	256	260	4	1.6
	OP	(69)	(7)	26	13	(13)	(50.0)
• ABC FUN LIFE	Net sales	827	660	627	433	(194)	(30.9)
	OP	47	41	34	(133)	(167)	—

Source: compiled by SIR from IR 1Q FY24/3 results 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

MASH's positive performance was due to the acquisition of a new large event client. ABC Frontier's positive growth was due to licensing income (for pachinko machines) from program IP not available in the previous year. ABC ANIMATION's distribution income increased due to video streaming of past late-night animation works ("Lycoris Recoil", "Violet Evergarden", etc.). For ABC FUN LIFE, the new TV shopping program that was introduced in April has not yet taken root in the market, and this has resulted in lower sales, and the focus now is to raise name recognition, as well as to advance new product development.



Asahi Broadcasting Group Holdings Corporation FY24/3 Consolidated Financial Forecasts

JPY mn, % [J-GAAP]	FY21/3 act	FY22/3 act	PCT CHG	FY23/3 act	PCT CHG	FY24/3 init CE	PCT CHG
Net sales	78,344	85,100	8.6	87,028	2.3	90,000	3.4
Broadcasting & Content	61,850	71,348	15.4	72,967	2.3	75,400	3.3
• Broadcasting	—	56,130	—	55,516	(1.1)	56,700	2.1
• Content	—	15,170	—	17,387	14.6	18,600	7.0
• Other	—	47	—	63	33.9	100	57.0
Lifestyle	16,494	13,751	(16.6)	14,061	2.3	14,600	3.8
• Housing	—	9,825	—	9,770	(0.6)	9,700	(0.7)
• Golf	—	854	—	939	10.0	950	1.1
• At-home shopping	—	2,694	—	2,954	9.6	3,500	18.5
• Other	—	377	—	397	5.4	450	13.1
Operating expenses	75,650	80,897	6.9	84,434	4.4	87,500	3.6
ratio to sales (%)	96.6%	95.1%		97.0%		97.2%	
• Cost of sales	52,393	55,581	6.1	58,067	4.5	NA	—
• SG&A expenses	23,256	25,315	8.9	26,366	4.2	NA	—
Operating profit	2,694	4,203	56.0	2,594	(38.3)	2,500	(3.6)
OPM (%)	3.4%	4.9%		3.0%		2.8%	
Broadcasting & Content	2,020	3,654	80.9	2,602	(28.8)	2,300	(11.6)
Lifestyle	988	874	(11.5)	433	(50.5)	600	38.3
adjustments	(314)	(325)		(441)		(400)	
Ordinary profit	3,033	4,792	58.0	2,661	(44.5)	2,700	1.4
Profit ATOP	(930)	2,671	—	1,354	(49.3)	1,700	25.6

Source: compiled by SIR from IR 4Q FY23/3 results briefing materials.

Content and Lifestyle are the growth drivers of the Medium-Term Management Strategy NEW HOPE

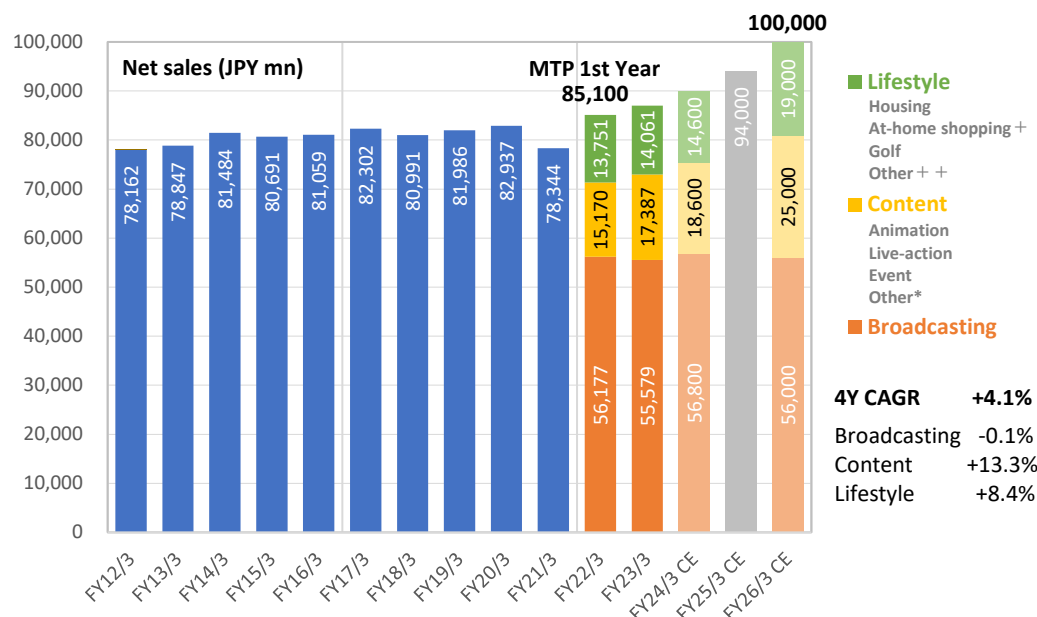
Among the fairly long menu of management initiatives currently underway, SIR believes the three most noteworthy are: 1) transition to a profitable and sustainable business group by taking all possible steps to strengthen Content across all genres, 2) promote expansion of mail-order and e-commerce through digital marketing and use of social media, leading to synergies and cross-selling opportunities throughout the Asahi Broadcasting Group, and 3) improve the Asahi Broadcasting Group brand as a blue-chip company by focusing on ESG and SDGs.

FY24/3 Capex and Depreciation/Amortization Initial Company Estimates

JPY bn	FY22/3		FY23/3		FY24/3 CE	
	consol.	ABC TV	consol.	ABC TV	consol.	ABC TV
Capital investments	¥8.4	¥6.5	¥7.9	¥0.8	¥4.8	¥2.9
Depreciation and amortization	¥3.2	¥1.5	¥3.7	¥1.7	¥3.9	¥1.9

Source: compiled by SIR from company IR 4Q FY23/3 results briefing materials.

ABC Group Medium-Term Mgt. Strategy NEW HOPE Rolling Plan 2023 Targets

Source: compiled by SIR from Medium-Term Mgt. Strategy NEW HOPE 2nd STAGE Rolling Plan 2023 IR materials.
Note: + Including TV mail order and e-commerce, ++ New business, etc., *Contracted production, etc.



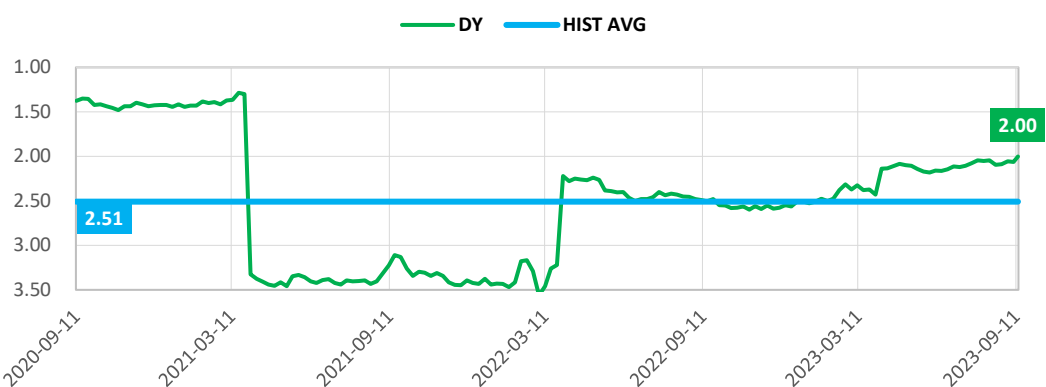
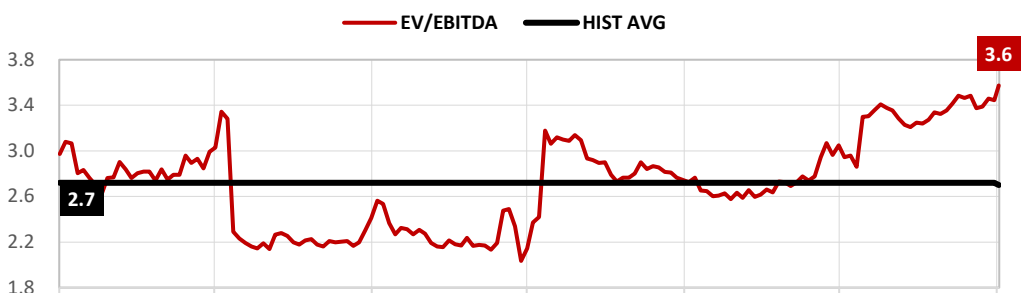
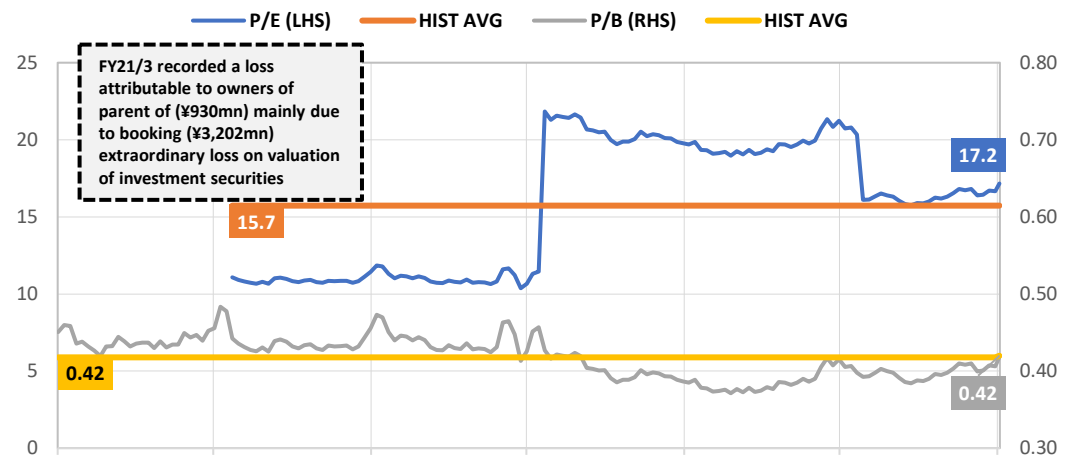
**Performance and Valuations:
SESSA Smart Charts**

- ✓ The current P/E on initial FY24/3 forecasts is trading near its historical average. EV/EBITDA is slightly elevated due to 1Q-end seasonality of the lower net cash balance on EV.
- ✓ As can be seen from the relative price chart on the next page, ABC is the only major TV broadcaster down over the last 3 years, which SIR believes reflects **ST earnings pressure from strategic investments**.
- ✓ However, considering rising margins going forward on the increasing weight of content and expanding TV shopping to e-commerce, SIR believes current valuations do not reflect the medium-term opportunity.



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.

✓ Asahi Broadcasting Group HD has the additional thematic driver of the Osaka-Kansai EXPO 2025 (in just 1½ years).

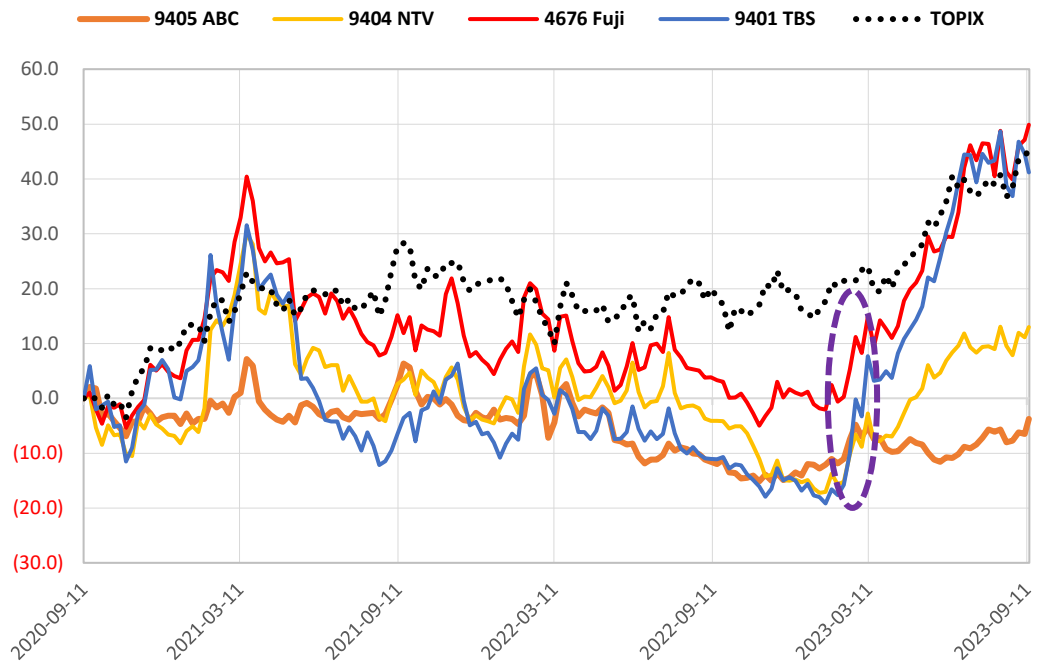
Peer comps

23.9.6 close	P/E (x)	P/B (x)	DY (%)
9405 ABC	17.2	0.42	2.00
9404 NTV	9.5	0.41	2.68
4676 Fuji	13.4	0.41	3.02
9401 TBS	17.3	0.49	1.72

Source: SPEEDA as of 9/13.



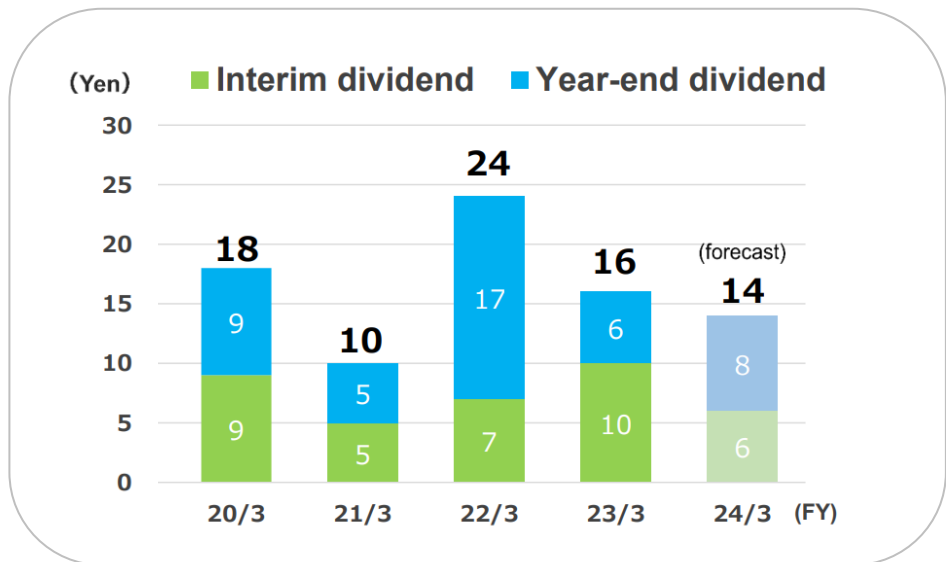
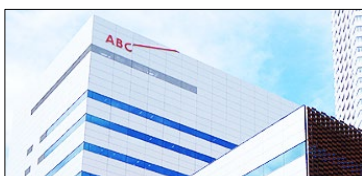
3-Year Weekly Relative Performance



Source: created by SIR from SPEEDA share price database.

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 14 yen per share, including an interim dividend of 6 yen and a year-end dividend of 8 yen, in line with initial guidance announced in May.



LEGAL DISCLAIMER

This report is intended to provide information about the subject company, and it is not intended to solicit or recommend investment. Although the data and information contained in this report have been determined to be reliable, we do not guarantee their authenticity or accuracy.

This report has been prepared by Sessa Partners on behalf of the concerned company for which it has received compensation. Officers and employees of Sessa Partners may be engaged in transactions such as trading in securities issued by the company, or they may have the possibility of doing so in the future. For this reason, the forecasts and information contained in this report may lack objectivity. Sessa Partners assumes no liability for any commercial loss based on use of this report. The copyright of this report belongs to Sessa Partners. Modification, manipulation, distribution or transmission of this report constitutes copyright infringement and is strictly prohibited.



Sessa Partners Inc.

#5a i-o Azabu, 2-8-14
Azabujyuban, Minato-ku, Tokyo
info@sessapartners.co.jp