

17 September 2020

# Astro Malaysia Holdings

## 1HFY21 Within Expectation

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1HFY21 CNP of RM227m (-36% YoY) and 1.5 sen interim dividend are deemed to be within expectation in anticipation of better performance in 2HFY21. A now stabilised television performance could see recovery from the resumption of local content productions and live international events. Maintain OP with a TP of RM0.830. Limited capital upside is made up by the attractive c.7% dividend yields.

**1HFY21 broadly within expectations.** Normalised PATAMI of RM227m made up 41% and 43% of our and consensus estimates, respectively. We deem this to be broadly within expectation as we anticipate 2HFY21 earnings to make up for the lull in the MCO-depressed 1HFY21 period. An interim dividend of 1.5 sen was declared (YTD: 2.5 sen), also as anticipated.

**YoY,** 1HFY21 turnover declined by 13% to RM2.14b mainly owing to poorer television revenue (-15%) from lower subscriptions and adex. YTD, TV ARPU registered at RM98/mth (from RM100/mth in 1HFY20). Radio advertising also fell greatly (-49%) as advertising appetite was suppressed during the economic downturn. On the flipside, the Home Shopping segment expanded (+38%), benefitting from a more homebound population and closure of retail outlets. EBITDA declined (-20%) in tandem with revenue. Subsequently, normalised 1HFY21 PATAMI fell to RM227m (-36%) from higher finance charges.

**QoQ,** 2QFY21 revenue which tipped slightly (+4%) saw a stable performance from the television segment, boosted by a 52% growth in Home Shopping revenue. This on top of lower content cost during the quarter, as content production was mostly paused due to MCO restrictions, led to better core PATAMI of RM120m (+12%).

**More to come.** With the easing of movement controls, the group looks to reinvigorate its customer acquisition strategies with local content production resuming. With heightened adoption of the Ultrabox (over 100k installed), the group is better positioned to implement newer customer experience and promote push video-on-demand consumption. The resumption of international and sports events (i.e. EPL) could also once again keep its viewers sticky and staying subscribed to ASTRO. Meanwhile on the freemium front, NJOI is progressively introducing more prepaid packs to retain more budget conscious viewers.

**Post-results,** we leave our FY21E/FY22E earnings relatively unchanged.

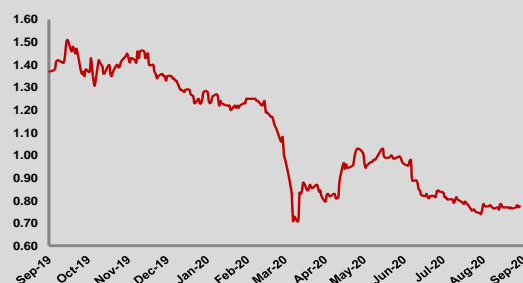
**Maintain OUTPERFORM with a TP of RM0.830.** Our TP is based on an unchanged 9.0x FY22E PER (1.5SD below the stock's 3-year mean). We believe we have sufficiently factored in impact of coming economic adversities to the group's performance. Though our TP offers little capital upside, this is made up by its solid dividend yields of c.7% (even at our TP) which could attract medium-term investors. This should comfort investors whom are also cautious of the upcoming content cost in FY22 and FY23 owing to the delay in global sporting events.

**Risks to our call include:** (i) lower-than-expected subscription, (ii) lower-than-expected adex revenue, and (iii) higher-than-expected content cost and operating expenses.

## OUTPERFORM ↔

**Price:** RM0.805  
**Target Price:** RM0.830 ↔

### Share Price Performance



KLCI 1,531.28  
YTD KLCI chg -3.6%  
YTD stock price chg -36.6%

### Stock Information

Shariah Compliant	No
Bloomberg Ticker	ASTRO MK Equity
Market Cap (RM m)	4,197.7
Shares Outstanding	5,214.5
52-week range (H)	1.51
52-week range (L)	0.71
3-mth avg daily vol:	4,064,951
Free Float	18%
Beta	1.1

### Major Shareholders

Pantai Cahaya Bulan Ventures Sdn Bhd	20.7%
All Asia Media Equities Limited	19.4%
Employees Provident Fund Board	8.1%

### Summary Earnings Table

FYE Jan (RM m)	2020A	2021E	2022E
<b>Turnover</b>	<b>4,912</b>	<b>4,721</b>	<b>4,708</b>
EBIT	1,072	922	783
PBT	863	719	630
<b>PATAMI</b>	<b>655</b>	<b>548</b>	<b>480</b>
<b>Core PATAMI</b>	<b>657</b>	<b>548</b>	<b>480</b>
Consensus (CNP)	-	522	495
Earnings Revision	-	0%	0%
Core EPS (sen)	12.6	10.5	9.2
Core EPS growth (%)	41.2	-16.5	-12.4
DPS (sen)	7.5	6.0	6.0
BV/Share (RM)	0.2	0.2	0.2
Core PER (x)	6.4	7.7	8.7
PBV (x)	4.9	3.8	3.3
Net Gearing (x)	3.7	2.4	1.7
Dividend Yield (%)	9.3	7.5	7.5



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## Results Highlight

	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
FYE Jan (RM m)	FY21	FY21	Chg	FY19	Chg	FY21	FY20	Chg
Revenue	1,091	1,053	3.6%	1,236	-11.8%	2,144	2,471	-13.2%
EBITDA	372	330	12.7%	437	-14.9%	702	881	-20.3%
EBIT	218	186	17.1%	269	-18.9%	404	553	-27.0%
PBT	187	97	93.1%	221	-15.2%	284	447	-36.4%
Taxation	-50	-24	-109.2%	-53	5.1%	-74	-110	32.6%
Minority Interest	-4	1	-488.9%	2	-333.3%	-3	8	-131.0%
<b>PATAMI</b>	<b>134</b>	<b>74</b>	<b>80.4%</b>	<b>169</b>	<b>-21.2%</b>	<b>208</b>	<b>346</b>	<b>-40.0%</b>
<b>Core PATAMI</b>	<b>120</b>	<b>107</b>	<b>12.1%</b>	<b>169</b>	<b>-29.0%</b>	<b>227</b>	<b>353</b>	<b>-35.7%</b>
Core EPS (sen)	2.3	2.1	12.1%	3.2	-29.0%	4.4	6.8	-35.7%
DPS (sen)	1.5	1.0		2.0		2.5	4.0	
EBITDA Margin	34.1%	31.3%		35.3%		32.7%	35.7%	
EBIT margin	20.0%	17.7%		21.7%		18.8%	22.4%	
PBT margin	17.2%	9.2%		17.9%		13.3%	18.1%	
Core PATAMI margin	11.0%	10.2%		13.7%		10.6%	14.3%	
Effective tax rate	26.8%	24.7%		24.0%		26.1%	24.6%	

Source: Company, Kenanga Research

## Segmental breakdown

	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
Revenue (RM m)	FY21	FY21	Chg	FY19	Chg	FY21	FY20	Chg
Television	919.2	920.4	-0.1%	1,080.4	-14.9%	1,839.6	2,171.8	-15.3%
Radio	27.1	37.2	-27.2%	65.5	-58.6%	64.3	125.0	-48.6%
Home-shopping	144.7	95.3	51.8%	90.5	59.9%	240.0	174.0	37.9%
Others	0.0	0.0	N.M.	0.0	N.M.	0.0	0.0	N.M.
Corporate Function	0.0	0.0	N.M.	0.0	N.M.	0.0	0.0	N.M.
<b>Total</b>	<b>1,091.0</b>	<b>1,052.9</b>	<b>3.6%</b>	<b>1,236.4</b>	<b>-11.8%</b>	<b>2,143.9</b>	<b>2,470.8</b>	<b>-13.2%</b>
<b>PBT (RM'm)</b>								
Television	182.3	88.0	107.2%	201.5	-9.5%	270.3	404.6	-33.2%
Radio	2.9	5.8	-50.0%	34.4	-91.6%	8.7	63.3	-86.3%
Home-shopping	7.7	0.6	1183.3%	-3.6	-313.9%	8.3	-8.1	-202.5%
Others	-5.9	-0.5	1080.0%	2.2	-368.2%	-6.4	0.5	-1380.0%
Corporate Function	-2.9	-2.5	16.0%	-10.8	-73.1%	-5.4	-18.5	-70.8%
Elimination	3.4	5.4	-37.0%	-2.9	-217.2%	8.8	5.5	60.0%
<b>Total</b>	<b>187.5</b>	<b>96.8</b>	<b>93.7%</b>	<b>220.8</b>	<b>-15.1%</b>	<b>284.3</b>	<b>447.3</b>	<b>-36.4%</b>
<b>PBT Margin</b>								
Television	19.8%	9.6%		18.7%		14.7%	18.6%	
Radio	10.7%	15.6%		52.5%		13.5%	50.6%	
Home-shopping	5.3%	0.6%		-4.0%		3.5%	-4.7%	
<b>Total</b>	<b>17.2%</b>	<b>9.2%</b>		<b>17.9%</b>		<b>13.3%</b>	<b>18.1%</b>	

Source: Company, Kenanga Research

## Segmental breakdown

	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
Revenue (RM m)	FY21	FY21	Chg	FY19	Chg	FY21	FY20	Chg
Subscription - TV	820.8	821.5	-0.1%	924.9	-11.3%	1,642.3	1,853.0	-11.4%
Advertising - TV	53.0	53.1	-0.2%	92.3	-42.6%	106.1	177.4	-40.2%
Advertising - Radio	27.1	37.2	-27.2%	65.5	-58.6%	64.3	125.0	-48.6%
Merchandise Sales	144.7	95.3	51.8%	90.4	60.1%	240.0	173.3	38.5%
Others	45.4	45.8	-0.9%	63.3	-28.3%	91.2	142.1	-35.8%
<b>Total</b>	<b>1,091.0</b>	<b>1,052.9</b>	<b>3.6%</b>	<b>1,236.4</b>	<b>-11.8%</b>	<b>2,143.9</b>	<b>2,470.8</b>	<b>-13.2%</b>
<b>TV household penetration</b>						75%	76%	
<b>TV customer base ('000)</b>						5,707	5,690	0.3%
<b>Pay TV ARPU (RM)</b>						98.00	100.00	-2.0%

Source: Company, Kenanga Research

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## Peer Table Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.			
Stocks Under Coverage																		
Astro Malaysia Holdings Bhd	0.805	4,197.7	N	01/2021	-3.9%	-0.3%	-16.5%	-12.4%	6.4	7.7	8.7	4.5	3.6	51.9%	7.5%	0.830	OP	
Media Chinese International	0.150	253.1	Y	03/2021	-44.2%	11.7%	-223.0%	102.1%	8.3	N.A.	300.0	0.4	0.4	-5.5%	0.0%	0.145	MP	
Media Prima Bhd	0.190	210.7	N	12/2020	-10.7%	0.8%	16.7%	45.4%	N.A.	N.A.	N.A.	0.4	0.4	-9.1%	0.0%	0.105	UP	
Star Media Group Bhd	0.345	250.0	Y	12/2020	-39.7%	11.1%	-813.7%	91.7%	34.8	N.A.	N.A.	0.3	0.3	-6.6%	0.0%	0.280	UP	
Simple Average					-24.6%	5.8%	-259.1%	56.7%	16.5	7.7	154.4	1.4	1.2	7.7%	1.9%			

Source: Kenanga Research

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**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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