

23 June 2021

Astro Malaysia Holdings

1QFY22 Within Expectation

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1QFY22 normalised PATAMI of RM147 came within our/consensus expectations, making up 23%/27% of full-year estimates, respectively. The reimplementing of MCO negatively impacted advertising sales, QoQ. However, YoY, we note a jump in sales by 21%. Subscription revenue continued its downtrend but was offset by a rise in home-shopping revenue. With the recent rise in share price, we downgrade our call to MP despite attaching a higher TP of RM1.20.

1QFY22 within expectations. A normalised PATAMI of RM147m was recorded in 1QFY22 which came within our/consensus' expectations at 23%/27%, respectively. However, the dividend of 1.5 sen per share which was declared came in below our expectation of 9.0 sen per share for the full year.

YoY, 1QFY22 revenue was flattish as it rose by a mere 1% to RM1.062b from RM1.05b due to increased revenue from advertising, merchandise sales and others but was offset by a decrease in subscription revenue. ARPU declined to RM97.20 from RM99.10 due to a 5.5% drop in subscription revenue which was impacted by the reimposition of MCO in 1QCY21. The decline in subscription revenue was offset by a 21% rise in advertising revenue which was mainly contributed by a 25% increase in television ad sales followed by a 15% rise in radio ad sales. On the other hand, home-shopping revenue jumped by 21% to RM115.2m due to the Hari Raya festive season and the growth was further accelerated due to consumers finding convenience in shopping online during MCO 2.0. Moreover, EBITDA margin improved by 3.9ppt to 35.2% due to lower content costs and impairment of receivables which was offset by higher other expenses such as merchandise costs and marketing and distribution costs. In addition to a significantly lower financing costs (-45%) due to lower interest rates, ASTRO's normalised PATAMI increased by 37% to RM147 which was also further bumped up by the higher EBITDA.

QoQ, revenue dropped by 4% as the stubborn pandemic impacted subscription revenue (-3%) and advertising sales (-16%). Moreover, radio advertising revenue declined by 7% as fewer vehicles on the road prompted advertisers to cut radex. Therefore, home-shopping was the only segment to see a positive jump QoQ due to the abovementioned reasons. That said, ASTRO registered a normalised PATAMI of RM147m, down by 5%.

Initiatives taken. ASTRO's Ultra and Ulti boxes are continuing to garner consumer's attention as an extra 70,000 units of these boxes have been installed in 1QFY22 showing positive demand. However, it is noted that the group's subscription revenue has continued to decline; thus, the group is taking proactive steps to improve their ARPU. For instance, the recent partnership with Walt Disney offers Disney+ Hotstar which commenced on 1 June 2021, may help to regain lost subscribers from 2QFY22 onwards. Moreover, the group has also launched a new stand-alone streaming service on 8 June 2021 called sooka which offers both free and paid content targeted at Malaysian millennials which may help to bump up the group's other revenue under the television segment.

Post-results, we leave our FY22E/FY23E earnings unchanged.

Downgrade to MARKET PERFORM with a higher TP of RM1.20 (previously RM1.12). Our TP is based on a valuation of 9.65x (previously 9.0x) FY23 PER (the stock's 3-year mean). With new streaming services in place and a target to get 15 SVOD services by 1QFY23, we believe the group may regain their lost subscribers. However, we are currently cautious of the upcoming content costs in 2QFY22 owing to global sporting events (e.g. Tokyo Olympics and Euro 2020).

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

MARKET PERFORM ↓

Price: RM1.25
Target Price: RM1.20 ↑

Share Price Performance



KLCI 1,574.02
YTD KLCI chg -3.3%
YTD stock price chg 38.1%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	ASTRO MK Equity
Market Cap (RM m)	6,518.1
Shares Outstanding	5,214.5
52-week range (H)	1.26
52-week range (L)	0.71
3-mth avg daily vol:	7,183,595
Free Float	35%
Beta	1.0

Major Shareholders

Pantai Cahaya Bulan Ventures Sdn Bhd	20.7%
All Asia Media Equities Limited	19.4%
E Asia Broadcast Network Systems NV	8.1%

Summary Earnings Table

FYE Jan (RM m)	2021A	2022E	2023E
Turnover	4,360	5,102	5,032
EBIT	876	960	971
PBT	693	812	833
PATAMI	540	632	649
Core PATAMI	534	632	649
Consensus (CNP)		540.9	573.8
Earnings Revision	-	0%	0%
Core EPS (sen)	10.2	12.1	12.5
Core EPS growth	-18.7%	18.4%	2.7%
DPS (sen)	8.0	9.0	9.5
BV/Share (RM)	0.2	0.2	0.3
Core PER (x)	12.2	10.3	10.0
PBV (x)	6.0	5.3	4.7
Net Gearing (x)	2.6	1.8	1.2
Dividend Yield (%)	6.4	7.2	7.6



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Results Highlight								
	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
	FY22	FY21	Chg	FY21	Chg	FY22	FY21	Chg
FYE Jan (RM m)	1,062	1,109	-4.3%	1,053	0.8%	1,062	1,053	0.8%
Revenue	374	367	1.9%	330	13.3%	374	330	13.3%
EBITDA	235	224	4.9%	186	26.3%	235	186	26.3%
EBIT	187	202	-7.4%	97	92.8%	187	97.0	92.8%
Taxation	-44	-50	12.0%	-24	-83.3%	-44	-24.0	-83.3%
Minority Interest	2	16	-90.8%	1	66.7%	2	0.9	66.7%
PATAMI	141	168	-16.0%	74	90.5%	141	74.0	90.5%
Core PATAMI	147	154	-4.5%	107	37.4%	147	107.0	37.4%
Core EPS (sen)	2.8	3.0	-4.5%	2.1	37.4%	2.8	2.1	37.4%
DPS (sen)	1.5	4.0		1.0		1.5	1.0	
EBITDA Margin	35.2%	31.1%		31.3%		35.2%	31.3%	
EBIT margin	22.1%	20.2%		17.7%		22.1%	17.7%	
PBT margin	17.6%	18.2%		9.2%		17.6%	9.2%	
Core PATAMI margin	13.8%	13.9%		10.2%		13.8%	10.2%	
Effective tax rate	23.5%	24.8%		24.7%		23.5%	24.7%	

Source: Company, Kenanga Research

Segmental breakdown								
	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
	FY22	FY21	Chg	FY21	Chg	FY22	FY21	Chg
Revenue (RM m)	1,061.5	1,108.8	-4.3%	1,052.9	0.8%	1,061.5	1,052.9	0.8%
Television	903.5	952.2	-5.1%	920.4	-1.8%	903.5	920.4	-1.8%
Radio	42.8	46.1	-7.2%	37.2	15.1%	42.8	37.2	15.1%
Home-shopping	115.2	110.5	4.3%	95.3	20.9%	115.2	95.3	20.9%
Others	0.0	0.0	N.A.	0.0	N.A.	0.0	0.0	N.A.
Corporate Function	0.0	0.0	N.A.	0.0	N.A.	0.0	0.0	N.A.
Total	1,061.5	1,108.8	-4.3%	1,052.9	0.8%	1,061.5	1,052.9	0.8%
PBT (RM m)	186.6	201.7	-7.5%	96.8	92.8%	186.6	96.8	92.8%
Television	163.1	174.4	-6.5%	88.0	85.3%	163.1	88.0	85.3%
Radio	17.8	21.8	-18.3%	5.8	206.9%	17.8	5.8	206.9%
Home-shopping	4.5	4.3	4.7%	0.6	650.0%	4.5	0.6	650.0%
Others	0.3	1.2	-75.0%	-0.5	-160.0%	0.3	-0.5	-160.0%
Corporate Function	-2.1	-2.4	-12.5%	-2.5	-16.0%	-2.1	-2.5	-16.0%
Elimination	3.0	2.4	25.0%	5.4	-44.4%	3.0	5.4	-44.4%
Total	186.6	201.7	-7.5%	96.8	92.8%	186.6	96.8	92.8%
PBT Margin	17.6%	18.2%		9.2%		17.6%	9.2%	
Television	18.1%	18.3%		9.6%		18.1%	9.6%	
Radio	41.6%	47.3%		15.6%		41.6%	15.6%	
Home-shopping	3.9%	3.9%		0.6%		3.9%	0.6%	
Total	17.6%	18.2%		9.2%		17.6%	9.2%	

Source: Company, Kenanga Research

Segmental breakdown								
	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
	FY22	FY21	Chg	FY21	Chg	FY22	FY21	Chg
Revenue (RM m)	1,061.5	1,108.8	-4.3%	1,052.9	0.8%	1,061.5	1,052.9	0.8%
Subscription - TV	776.7	797.5	-2.6%	821.5	-5.5%	776.7	821.5	-5.5%
Advertising - TV	66.5	83.9	-20.7%	53.1	25.2%	66.5	53.1	25.2%
Advertising - Radio	42.8	46.1	-7.2%	37.2	15.1%	42.8	37.2	15.1%
Merchandise Sales	113.9	110.5	3.1%	95.1	19.8%	113.9	95.1	19.8%
Others	61.6	70.8	-13.0%	46.0	33.9%	61.6	46.0	33.9%
Total	1,061.5	1,108.8	-4.3%	1,052.9	0.8%	1,061.5	1,052.9	0.8%
TV household penetration						74%	75%	
TV customer base ('000)						5,681	5,680	0.02%
Pay TV ARPU (RM)						97.20	99.10	-1.9%

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	1.25	6,518.1	N	01/2022	17.0%	-1.4%	18.4%	2.7%	12.2	10.3	10.0	6.0	5.3	51.4%	7.2%	1.20	MP
MEDIA CHINESE INTERNATIONAL	0.200	337.4	Y	03/2022	19.2%	37.9%	361.9%	43.7%	N.A.	23.8	16.6	0.5	0.5	2.0%	2.1%	0.190	MP
MEDIA PRIMA BHD	0.515	571.2	N	12/2021	28.3%	15.9%	963.5%	38.9%	N.A.	14.1	10.1	1.0	0.9	6.8%	0.0%	0.690	MP
STAR MEDIA GROUP BHD	0.390	282.7	Y	12/2021	3.2%	5.2%	30.8%	88.5%	N.A.	N.A.	N.A.	0.4	0.4	-5.3%	0.0%	0.280	UP
Simple Average					16.9%	14.4%	343.6%	43.5%	12.2	16.1	12.3	1.9	1.7	13.7%	2.3%		

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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