

22 September 2021

Astro Malaysia Holdings

1HFY22 Below Expectations

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1HFY22 normalised PATAMI of RM248m came below our/consensus expectations, making up 39%/44% of full-year estimates, respectively. Despite lower subscription revenue and merchandise sales coupled with high content costs, the group's core PATAMI rose by 9% due to lower depreciation expenses and net financing costs. With the recent fall in share price, we upgrade our call to OP despite attaching a lower TP of RM1.16 due to the adjustment in FY22E/FY23E earnings.

1HFY22 came below expectations. The group registered a normalised PATAMI of RM248m which came below our/consensus' expectations at 39%/44%, respectively. The negative deviation is mainly due to higher content costs in 2QFY22 (39%) vs. 2QFY21 (30%) as a result of the airing of EURO and Tokyo Olympics sporting events. Moreover, the dividend of 1.5 sen per share (cumulatively 3.0 sen per share) which was declared came in below our expectation of 9.0 sen per share for the full year.

YoY, 1HFY22 revenue fell by a mere 1% to RM2.1b as a 5% decrease in subscription revenue and 9% fall in merchandise sales were offset by rise in TV advertising (+25%), radio advertising (+18%) and programming rights. In tandem with the fall in subscription revenue, ARPU declined to RM97.40 from RM98.00 (-0.6%) as the prolonged lockdowns continued to take a toll on consumers' disposable income. It is noted that home-shopping revenue dropped by 8% as movement restrictions internationally disrupted supply chain, thus, making it hard to procure merchandises followed by local restrictions limiting delivery to red zone areas. Moreover, EBITDA margin dropped by 0.5ppt due to higher content costs arising from the sporting events. Despite the fall in revenue and EBITDA, the group's core PATAMI rose by 9% to RM248m due to lower depreciation and net financing costs.

QoQ, revenue remained flattish as the drop in radex (-24%) and home-shopping (-9%) was offset by higher sale of programming rights (27%) and a mere 0.3% increase in subscription revenue. Furthermore, total advertising declined by 9% as a result of the reimposition of nationwide lockdown in Malaysia in 2QFY22. That said, ASTRO registered a normalised PATAMI of RM101m, down by 31%.

Continuous collaborations with more OTT services. Astro has recently expanded its OTT aggregation with TVB Anywhere+ bringing more than 40,000 hours of Cantonese content for their viewers which was launched in 13 September 2021. Moreover, in coming months consumers will be able to enjoy Netflix on Astro via the Ultra and Ulti boxes. The group is moving in line with its goal of becoming an OTT aggregator by getting up to 15 SVOD services by FY23.

Post results, we decrease our FY22E/FY23E earnings by 14%/4% to account for the increase in content costs.

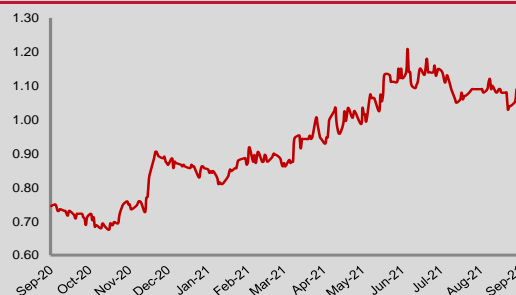
Upgrade to OUTPERFORM with a lower TP of RM1.16 (previously RM1.20). Our TP valuation is based on an unchanged FY23 PER of 9.65x (the stock's 3-year mean). With the easing of movement restrictions and SOPs coupled with the reopening of the economy, we believe this will improve the disposable income of consumers and cash flow of businesses, thus, allowing them to better respond to the increasing OTT services provided by ASTRO and advertise more on the group's platforms, respectively.

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: **RM1.05**
Target Price: **RM1.16** ↓

Share Price Performance



| | |
|---------------------|-------|
| KLCI | 20.7% |
| YTD KLCI chg | 19.4% |
| YTD stock price chg | 8.1% |

Stock Information

| | |
|----------------------|-----------------|
| Shariah Compliant | No |
| Bloomberg Ticker | ASTRO MK Equity |
| Market Cap (RM m) | 5,475.2 |
| Shares Outstanding | 5,214.5 |
| 52-week range (H) | 1.26 |
| 52-week range (L) | 0.71 |
| 3-mth avg daily vol: | 4,054,538 |
| 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 | 846 | 947 |
| PBT | 693 | 698 | 802 |
| PATAMI | 540 | 544 | 625 |
| Core PATAMI | 534 | 544 | 625 |
| Consensus (CNP) | | 554 | 576 |
| Earnings Revision | - | -14% | -4% |
| Core EPS (sen) | 10.2 | 10.4 | 12.0 |
| Core EPS growth | -18.7% | 1.8% | 14.9% |
| DPS (sen) | 8.0 | 8.0 | 9.5 |
| BV/Share (RM) | 0.2 | 0.2 | 0.3 |
| Core PER (x) | 10.3 | 10.1 | 8.8 |
| PBV (x) | 5.1 | 4.5 | 4.1 |
| Net Gearing (x) | 2.6 | 1.9 | 1.4 |
| Dividend Yield (%) | 7.6 | 7.6 | 9.0 |

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| Results Highlight | | | | | | | | |
|-----------------------|--------------|--------------|---------------|--------------|---------------|--------------|--------------|--------------|
| | 2Q | 1Q | QoQ | 2Q | YoY | 6M | 6M | YoY |
| | FY22 | FY22 | Chg | FY21 | Chg | FY22 | FY21 | Chg |
| FYE Jan (RM m) | 1,060 | 1,062 | -0.1% | 1,091 | -2.8% | 2,122 | 2,144 | -1.0% |
| Revenue | 310 | 374 | -17.1% | 372 | -16.7% | 684 | 702 | -2.6% |
| EBITDA | 173 | 235 | -26.3% | 218 | -20.5% | 408 | 404 | 1.1% |
| EBIT | 117 | 187 | -37.4% | 187 | -37.4% | 304 | 284 | 7.0% |
| Taxation | -30 | -44 | 33.0% | -50 | 41.0% | -74 | -74 | 0.7% |
| Minority Interest | -4 | 2 | -340.0% | -4 | -2.9% | -2 | -3 | 19.2% |
| PATAMI | 87 | 141 | -38.3% | 134 | -35.1% | 228 | 208 | 9.6% |
| Core PATAMI | 101 | 147 | -31.3% | 120 | -15.8% | 248 | 227 | 9.3% |
| Core EPS (sen) | 1.9 | 2.8 | -31.3% | 2.3 | -15.8% | 4.8 | 4.4 | 9.2% |
| DPS (sen) | 1.5 | 1.5 | | 1.5 | | 3.0 | 2.5 | |
| EBITDA Margin | 29.2% | 35.2% | | 34.1% | | 32.2% | 32.7% | |
| EBIT margin | 16.3% | 22.1% | | 20.0% | | 19.2% | 18.8% | |
| PBT margin | 11.0% | 17.6% | | 17.1% | | 14.3% | 13.2% | |
| Core PATAMI margin | 9.5% | 13.8% | | 11.0% | | 11.7% | 10.6% | |
| Effective tax rate | 25.2% | 23.5% | | 26.7% | | 24.2% | 26.1% | |

Source: Company, Kenanga Research

| Segmental breakdown | | | | | | | | |
|-----------------------|----------------|----------------|---------------|----------------|---------------|----------------|----------------|--------------|
| | 2Q | 1Q | QoQ | 2Q | YoY | 6M | 6M | YoY |
| | FY22 | FY22 | Chg | FY21 | Chg | FY22 | FY21 | Chg |
| Revenue (RM m) | 922.2 | 903.5 | 2.1% | 919.3 | 0.3% | 1,825.7 | 1,839.7 | -0.8% |
| Television | 32.7 | 42.8 | -23.6% | 27.0 | 21.1% | 75.5 | 64.2 | 17.6% |
| Radio | 105.3 | 115.2 | -8.6% | 144.7 | -27.2% | 220.5 | 240.0 | -8.1% |
| Home-shopping | 0.0 | 0.0 | N.M. | 0.0 | N.M. | 0.0 | 0.0 | N.M. |
| Others | 0.1 | 0.0 | N.M. | 0.0 | N.M. | 0.1 | 0.0 | N.M. |
| Corporate Function | 1,060.3 | 1,061.5 | -0.1% | 1,091.0 | -2.8% | 2,121.8 | 2,143.9 | -1.0% |
| PBT (RM m) | 102.6 | 163.1 | -37.1% | 182.3 | -43.7% | 265.7 | 270.3 | -1.7% |
| Television | 14.2 | 17.8 | -20.2% | 2.9 | 389.7% | 32.0 | 8.7 | 267.8% |
| Radio | 1.2 | 4.5 | -73.3% | 7.7 | -84.4% | 5.7 | 8.3 | -31.3% |
| Home-shopping | -0.4 | 0.3 | -233.3% | -5.9 | -93.2% | -0.1 | -6.4 | -98.4% |
| Others | -1.9 | -2.1 | -9.5% | -2.9 | -34.5% | -4.0 | -5.4 | -25.9% |
| Corporate Function | 1.7 | 3.0 | -43.3% | 3.4 | -50.0% | 4.7 | 8.8 | -46.6% |
| Elimination | 117.4 | 186.6 | -37.1% | 187.5 | -37.4% | 304.0 | 284.3 | 6.9% |
| PBT Margin | 11.1% | 18.1% | | 19.8% | | 14.6% | 14.7% | |
| Television | 43.4% | 41.6% | | 10.7% | | 42.4% | 13.6% | |
| Radio | 1.1% | 3.9% | | 5.3% | | 2.6% | 3.5% | |
| Home-shopping | 11.1% | 17.6% | | 17.2% | | 14.3% | 13.3% | |

Source: Company, Kenanga Research

| Segmental breakdown | | | | | | | | |
|---------------------------------|----------------|----------------|--------------|----------------|--------------|----------------|----------------|--------------|
| | 2Q | 1Q | QoQ | 2Q | YoY | 6M | 6M | YoY |
| | FY22 | FY22 | Chg | FY21 | Chg | FY22 | FY21 | Chg |
| Revenue (RM m) | 779.3 | 776.7 | 0.3% | 820.8 | -5.1% | 1,556.0 | 1,642.3 | -5.3% |
| Subscription - TV | 66.5 | 66.5 | 0.0% | 53.0 | 25.5% | 133.0 | 106.1 | 25.4% |
| Advertising - TV | 32.7 | 42.8 | -23.6% | 27.0 | 21.1% | 75.5 | 64.2 | 17.6% |
| Advertising - Radio | 105.3 | 113.9 | -7.6% | 144.7 | -27.2% | 219.2 | 239.8 | -8.6% |
| Merchandise Sales | 76.5 | 61.6 | 24.2% | 45.5 | 68.1% | 138.1 | 91.5 | 50.9% |
| Others | 1,060.3 | 1,061.5 | -0.1% | 1,091.0 | -2.8% | 2,121.8 | 2,143.9 | -1.0% |
| TV household penetration | | | | | | 73% | 75% | |
| TV customer base ('000) | | | | | | 5,667 | 5,707 | -0.70% |
| Pay TV ARPU (RM) | | | | | | 97.40 | 98.00 | -0.6% |

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. | | | |
| Stocks Under Coverage | | | | | | | | | | | | | | | | | |
| ASTRO MALAYSIA HOLDINGS BHD | 1.05 | 5,475.2 | N | 01/2022 | 17.0% | -1.4% | 1.9% | 14.9% | 10.3 | 10.1 | 8.8 | 4.8 | 4.3 | 44.9% | 7.6% | 1.16 | OP |
| MEDIA CHINESE INTERNATIONAL | 0.185 | 312.1 | Y | 03/2022 | 11.3% | 22.8% | 114.7% | 204.8% | N.A. | 148.6 | 48.8 | 0.5 | 0.4 | 0.3% | 2.2% | 0.185 | MP |
| MEDIA PRIMA BHD | 0.490 | 543.5 | N | 12/2021 | 28.3% | 15.9% | 963.8% | 38.9% | N.A. | 13.4 | 9.6 | 0.9 | 0.9 | 6.8% | 0.0% | 0.690 | OP |
| STAR MEDIA GROUP BHD | 0.340 | 246.4 | Y | 12/2021 | 3.3% | 5.2% | 30.9% | 88.6% | N.A. | N.A. | N.A. | 0.3 | 0.3 | -5.3% | 0.0% | 0.280 | UP |
| Simple Average | | | | | 15.0% | 10.6% | 277.8% | 86.8% | 10.3 | 57.4 | 22.4 | 1.6 | 1.5 | 11.7% | 2.4% | | |

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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