

Astro Malaysia Holdings

Margins Crimped in 1QFY23

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1QFY23 normalised PATAMI came in at RM119m, below both our and consensus expectations. Lower-than-expected ARPU and subscriber growth combined with increased content costs led to EBITDA margins tightening. We have adjusted our earnings estimates downwards for FY22/FY23 by 27%/8% as well as the dividend to 6.5 sen. Thus, we downgrade our call to MARKET PERFORM with a lower TP of RM1.00 (from RM1.29) based on DCF (WACC 7.9%, TG: 1%).

1QFY23 results came below expectations. ASTRO registered a normalised PATAMI of RM119m which came in below both our and consensus expectations at 20% and 22% of the full-year earnings estimates, respectively. The group declared a dividend of 1.25 sen which came below expectations.

YoY, 1QFY23 revenue dropped 9% to RM 962m due to a 6% decline in subscription revenue and a 53% drop in home-shopping revenue. Their radio segment grew slight by 14% but the segment contributed less than 5% of total revenue. Home-shopping revenue fell mainly due to the easing of COVID-19 restrictions enabling in-person shopping again as well as decreased consumer spending in general, attributable to a more cautious sentiment due to rising inflation. Subscription revenue fell 6% as TV household penetration fell from 75% to 71%. ARPU rose marginally by 0.2% as the remaining consumer base saw a slight increase in spending on premium packages. EBITDA margins tightened by 2.5ppt due to costs incurred from their broadband and increased marketing and research expenses. Overall, core PATAMI declined 19% to RM119m.

QoQ, EBITDA margin increased 3ppt as cost of content saw a 3% increase in EBITDA to RM315m. However, core PATAMI fell 9% as revenue decreased across all segments due to lower merchandise sales, subscription revenue and advertising revenue. Radio PBT fell 40% as advertising spending decreased compared to the holiday season the previous quarter.

High content costs. FY23 is expected to be a difficult year for ASTRO as tightening margins are expected moving forward. The number of high-profile sporting events such as the World Cup and the Commonwealth Games are expected to impose heavy licensing costs on ASTRO in FY23. Combined with decreased footfalls in F&B outlets which commonly license these events from ASTRO, the Group may struggle to maintain their margins if they are unable to sufficiently pass on the cost to subscribers. They also face competition from illegal channels as pirate TV boxes and internet piracy impact their subscriber numbers. Overall, per the Group's guidance, we have updated our content cost estimates to 35% of total revenue.

Post results, we decrease our FY23E and FY24E earnings by 27% and 8%, respectively. While we are still positive on growth via their on-demand and streaming services, the expected uptick in costs will extract a heavy toll on FY22E earnings. We have adjusted our overall subscriber growth for FY22 downward slightly from 20% to 16%, reflected in both FY22 and FY23 estimates.

Downgrade to MARKET PERFORM with a lower TP of RM1.00 (previously RM1.29). Based on our DCF assumptions of a WACC: 7.9% (which has also moved higher on a rising risk-free rate) and a TG of 1%, we value ASTRO at RM1.05. We remain cautious on ASTRO moving forward. If the 1QFY23 numbers are an indication of year-long performance, FY23 could be a difficult year for the group.

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

MARKET PERFORM

Price: **RM0.94** ↓
Target Price: **RM1.00** ↓

Share Price Performance



KLCI	1,457.88
YTD KLCI chg	-7.0%
YTD stock price chg	-1.1%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	ASTRO MK Equity
Market Cap (RM m)	4,901.6
Shares Outstanding	5,214.5
52-week range (H)	1.26
52-week range (L)	0.93
3-mth avg daily vol:	3,088,578
Free Float	36%
Beta	0.7

Major Shareholders

Pantai CahayaBulan Ventures SdnBhd	20.7%
All Asia Media Equities Limited	19.4%
E Asia Broadcast Network Systems NV	8.1%

Summary Earnings Table

FYE Jan (RMm)	2022A	2023E	2024E
Turnover	4,176	4,435	4,530
EBIT	754	775	880
PBT	591	629	756
PATAMI	461	433	590
Core PATAMI	475	433	590
Consensus (CNP)		514.2	480.3
Earnings Revision		-27%	-8%
Core EPS (sen)	9.1	8.3	11.3
Core EPS growth	-11.1%	-8.9%	36.2%
DPS (sen)	6.8	6.5	9.3
BV/Share (RM)	0.22	0.23	0.25
Core PER (x)	10.3	11.3	8.3
PBV (x)	4.4	4.0	3.7
Net Gearing (x)	2.3	1.5	1.3
Dividend Yield (%)	7.2	6.9	9.9

Results Highlight								
	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Jan (RM m)	FY23	FY22	Chg	FY22	Chg	FY23	FY22	Chg
Revenue	962	1,031	-6.7%	1,062	-9.4%	962	1,062	-9.4%
EBITDA	315	306	2.9%	374	-15.8%	315	374	-15.8%
EBIT	186	188	-0.9%	235	-20.8%	186	235	-20.8%
PBT	127	152	-16.7%	187	-32.1%	127	187	-32.1%
Taxation	-31	-27	-13.9%	-44	29.3%	-31	-44	29.3%
Minority Interest	-4	2	-362.5%	2	-380.0%	-4.2	2	-380.0%
PATAMI	100	127	-21.0%	141	-29.1%	100	141	-29.1%
Core PATAMI	119	130	-8.5%	147	-19.0%	119	147	-19.0%
Core EPS (sen)	2.3	2.5	-8.5%	3	-19.0%	2.3	3	-19.0%
DPS (sen)	1.3	2.3		2		1.3	2	
EBITDA Margin	32.7%	29.7%		35.2%		32.7%	35.2%	
EBIT margin	19.4%	18.2%		22.1%		19.4%	22.1%	
PBT margin	13.2%	14.8%		17.6%		13.2%	17.6%	
Core PATAMI margin	12.4%	12.6%		13.8%		12.4%	13.8%	
Effective tax rate	24.5%	17.9%		23.5%		24.5%	23.5%	

Source: Company, Kenanga Research

Segmental breakdown								
	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
Revenue (RM m)	FY23	FY22	Chg	FY22	Chg	FY23	FY22	Chg
Television	859.2	907.9	-5.4%	903.5	-4.9%	859.2	903.5	-4.9%
Radio	48.8	56.5	-13.6%	42.8	14.0%	48.8	42.8	14.0%
Home-shopping	54.0	66.9	-19.3%	115.2	-53.1%	54.0	115.2	-53.1%
Others	0.0	0.0	N.A.	0.0	N.A.	0.0	0.0	N.A.
Corporate Function	0.1	0.0	N.A.	0.0	N.A.	0.1	0.0	N.A.
Total	962.1	1,031.3	-6.7%	1,061.5	-9.4%	962.1	1,061.5	-9.4%
PBT (RM m)								
Television	110.3	133.7	-17.5%	163.1	-32.4%	110.3	163.1	-32.4%
Radio	26.1	43.3	-39.7%	17.8	46.6%	26.1	17.8	46.6%
Home-shopping	(9.8)	-4.9	100.0%	4.5	-317.8%	-9.8	4.5	-317.8%
Others	(0.5)	-0.3	66.7%	0.3	-266.7%	-0.5	0.3	-266.7%
Corporate Function	-1.9	-17.5	-89.1%	-2.1	-9.5%	-1.9	-2.1	-9.5%
Elimination	2.7	-2.0	-235.0%	3.0	-10.0%	2.7	3.0	-10.0%
Total	126.9	152.3	-16.7%	186.6	-32.0%	126.9	186.6	-32.0%
PBT Margin								
Television	12.8%	14.7%		18.1%		12.8%	18.1%	
Radio	53.5%	76.6%		41.6%		53.5%	41.6%	
Home-shopping	-18.1%	-7.3%		3.9%		-18.1%	3.9%	
Total	13.2%	14.8%		17.6%		13.2%	17.6%	

Source: Company, Kenanga Research

Segmental breakdown								
	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
Revenue (RM m)	FY23	FY22	Chg	1Q	Chg	FY23	FY22	Chg
Subscription - TV	730.6	741.8	-1.5%	776.7	-5.9%	730.6	776.7	-5.9%
Advertising - TV	62.9	90.0	-30.1%	66.5	-5.4%	62.9	66.5	-5.4%
Advertising - Radio	48.8	56.5	-13.6%	42.8	14.0%	48.8	42.8	14.0%
Merchandise Sales	54.0	66.9	-19.3%	113.9	-52.6%	54.0	113.9	-52.6%
Others	65.8	76.1	-13.5%	61.6	6.8%	65.8	61.6	6.8%
Total	962.1	1,031.3	-6.7%	1,061.5	-9.4%	962.1	1,061.5	-9.4%
TV household penetration						71%	75%	
TV customer base ('000)						5,561	5,681	-2.11%
Pay TV ARPU (RM)						97.40	97.20	0.2%

Source: Company, Kenanga Research

Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div.Yld. (%)	Target	Rating
	(RM)	Cap (RM'm)	Compliant	FYE	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.	Price (RM)		
STOCKS UNDER COVERAGE																		
ASTRO MALAYSIA HOLDINGS BHD	0.940	4,901.6	N	01/2023	6.2%	2.1%	-8.9%	36.2%	10.3	11.3	8.3	4.1	3.8	34.6%	6.9%	1.00	MP	
MEDIA CHINESE INTERNATIONAL	0.175	295.3	Y	03/2023	15.2%	7.0%	3525.0%	64.1%	738.2	20.4	12.4	0.4	0.4	2.1%	3.4%	0.190	MP	
MEDIA PRIMA BHD	0.420	465.9	N	12/2022	15.6%	8.3%	27.9%	25.8%	8.4	6.6	5.2	0.7	0.7	10.9%	4.8%	0.740	OP	
STAR MEDIA GROUP BHD	0.305	221.1	Y	12/2022	10.2%	7.1%	165.8%	25.0%	N.A.	42.5	34.0	0.3	0.3	0.8%	0.0%	0.335	MP	
Simple Average					11.8%	6.1%	927.5%	37.8%	252.3	20.2	15.0	1.4	1.3	12.1%	3.8%			

Source: Bloomberg, 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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