

# Astro Malaysia Holdings

## Pinch of MYR Weakness in FY24

By Ahmad Ramzani Ramlil [ahmadramzani@kenanga.com.my](mailto:ahmadramzani@kenanga.com.my)

**ASTRO's 1HFY23 results met expectations. It continued to struggle with falling subscribers while its home-shopping segment lost traction as the economy reopened. Its content cost is poised for a steep rise in FY24 on MYR weakness. We fine-tune up our FY23F net profit by 3% but lower FY24F's by 14%. We also cut our DCF-based TP by 10% to RM0.90 (WACC: 7.9%; TG: 1%). Maintain MARKET PERFORM.**

1HFY23 core net profit of RM223m came in within expectations at 52% and 47% of our full-year forecast and the full-year consensus estimates, respectively. A dividend of 1.0 sen brings the YTD total to 2.25 sen, on track to meet our full-year forecast of 6.5 sen.

**Results' highlights.** Its 1HFY23 revenue fell 11.2% YoY as the group saw contractions in their TV and home-shopping segments. TV revenue fell 7.1% following a 2.2% decrease in customer base while average revenue per user (ARPU) remained unchanged. Both the TV subscription and TV advertising segments contracted YoY, with their revenue falling by 6.7% and 15.5% respectively. Overall, earnings for the segment fell 13.4% YoY as margins were impacted by the fall in revenue as well as increased distribution costs, marketing expenses and licensing fees.

The group's home-shopping segment also saw a large fall in revenue post economy reopening. YoY, revenue fell by 54.1% as shoppers trended back towards in-person shopping. The segment has remained loss-making since 3QFY22 and fell further into the red this quarter as losses widened.

Overall, core PATAMI fell 10.1% YoY in line with the decrease in revenue. Their radio broadcasting segment did see better times as earnings grew 20% YoY but growth in the segment was offset by the contractions in TV and home-shopping. Margins narrowed slightly off on increased operating costs associated with the broadcasting.

**Outlook.** FY23 appears challenging for the group, still struggling with falling subscriptions (dubbed "churn" by the group) while ARPU stagnates. Looking forward, amidst the falling consumer sentiment, the group may face downtrading or even an increased churn rate as inflationary pressure and high interest rates squeeze consumer spending. Furthermore, 2HFY23 performance is expected to be hit by higher content costs associated with the World Cup and Commonwealth Games, eating into the bottom line. On a slightly brighter note, the group has seen an increase in pick-up rate for their broadband service (+40% YoY) but overall the contributions remain marginal and the road to competing as an ISP seems far off.

**Weak ringgit, rising costs.** While the group has already secured licensing contracts for FY23, the currently weaker ringgit could result in crimped margins in FY24. Given the group's licensed contents from foreign producers, the weaker MYR could result in an increase in content costs as royalties are denominated in foreign currencies. However, as the group secures its contents 12 months forward, we expect these effects to be felt from 2HFY24.

**Post results,** we fine-tune up our FY23F earnings by 3% but cut FY24F earnings by 13% to reflect higher content costs due to the weaker MYR.

Maintain **MARKET PERFORM** with a 10% lower TP of RM0.90 (WACC: 7.9%; TG: 1%) from RM1.00 previously. There is no adjustment to our TP based on ESG given a 3-star as appraised by us (see Page 3).

**Risks to our call include:** (i) competition from legal and illegal international streaming service providers, (ii) weak MYR resulting in high cost of imported contents, and (iii) regulatory risks.

## MARKET PERFORM ↔

**Price:** RM0.83  
**Target Price:** RM0.90 ↓

### Share Price Performance



KLCI 1,413.04  
YTD KLCI chg -9.9%  
YTD stock price chg -12.6%

### Stock Information

Shariah Compliant	No
Bloomberg Ticker	ASTRO MK Equity
Market Cap (RM m)	4,328.0
Shares Outstanding	5,214.5
52-week range (H)	1.10
52-week range (L)	0.83
3-mth avg daily vol:	1,695,318
Free Float	37%
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 (RM m)	2022A	2023F	2024F
<b>Turnover</b>	4,176	4,467	4,573
EBIT	754	807	808
PBT	591	648	650
<b>PATAMI</b>	<b>461</b>	<b>445</b>	<b>507</b>
<b>Core PATAMI</b>	<b>475</b>	<b>445</b>	<b>507</b>
Consensus (CNP)		477.5	539.8
Earnings Revision		+3%	-14%
Core EPS (sen)	9.1	8.5	9.7
Core EPS growth	-11.1%	-6.2%	13.9%
DPS (sen)	6.8	6.5	7.5
BV/Share (RM)	0.22	0.24	0.26
Core PER (x)	9.2	9.8	8.6
PBV (x)	3.9	3.5	3.2
Net Gearing (x)	2.3	1.9	1.8
Dividend Yield (%)	8.1	7.8	9.0

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## Results Highlight

	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
FYE Jan (RM m)	FY23	FY23	Chg	FY22	Chg	FY23	FY22	Chg
Revenue	921	962	-4.3%	1060.3	-13.1%	1,883	2,122	-11.2%
EBITDA	283	315	-10.1%	310	-8.6%	598	684	-12.5%
EBIT	167	186	-10.1%	173.3	-3.4%	354	408	-13.4%
PBT	127	127	0.2%	117	8.7%	254	304	-16.4%
Taxation	-33	-31	-4.5%	-29.5	-10.2%	-64	-74	13.5%
Minority Interest	-4	-4	9.5%	-3.6	-5.6%	-8.0	-2	-281.0%
PATAMI	99	100	-1.5%	87	13.2%	199	228	-12.9%
Core PATAMI	104	119	-12.6%	101	3.0%	223	248	-10.1%
Core EPS (sen)	2.0	2.3	-12.6%	2	3.0%	4.3	5	-10.1%
DPS (sen)	1.0	1.3		1.5		2.3	3	
EBITDA Margin	30.7%	32.7%		29.2%		31.8%	32.2%	
EBIT margin	18.2%	19.4%		16.3%		18.8%	19.2%	
PBT margin	13.8%	13.2%		11.0%		13.5%	14.3%	
Core PATAMI margin	11.3%	12.4%		9.5%		11.8%	11.7%	
Effective tax rate	25.6%	24.5%		25.2%		25.0%	24.2%	

Source: Company, Kenanga Research

## Segmental breakdown

	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
Revenue (RM m)	FY23	FY23	Chg	922.2	Chg	FY23	FY22	Chg
Television	836.3	859.2	-2.7%	922.2	-9.3%	1,695.5	1,825.7	-7.1%
Radio	37.6	48.8	-23.0%	32.7	15.0%	86.4	75.5	14.4%
Home-shopping	47.1	54.0	-12.8%	105.3	-55.3%	101.1	220.5	-54.1%
Others	0.1	0.0	N.A.	0.0	N.A.	0.1	0.0	N.A.
Corporate Function	0.0	0.1	-100.0%	0.1	-100.0%	0.1	0.1	0.0%
Total	921.1	962.1	-4.3%	1,060.3	-13.1%	1,883.2	2,121.8	-11.2%
PBT (RM m)								
Television	119.8	110.3	8.6%	102.6	16.8%	230.1	265.7	-13.4%
Radio	12.3	26.1	-52.9%	14.2	-13.4%	38.4	32.0	20.0%
Home-shopping	(8.4)	-9.8	-14.3%	1.2	-800.0%	-18.2	5.7	-419.3%
Others	(0.9)	-0.5	80.0%	-0.4	125.0%	-1.4	-0.1	-1300.0%
Corporate Function	1.6	-1.9	-184.2%	-1.9	-184.2%	-0.3	-4.0	92.5%
Elimination	2.8	2.7	3.7%	1.7	64.7%	5.5	4.7	17.0%
Total	127.2	126.9	0.2%	117.4	8.3%	254.1	304.0	-16.4%
PBT Margin								
Television	14.3%	12.8%		43.4%		13.6%	14.6%	
Radio	32.7%	53.5%		1.1%		44.4%	42.4%	
Home-shopping	-17.8%	-18.1%		11.1%		-18.0%	2.6%	
Total	13.8%	13.2%		0.0%		13.5%	14.3%	

Source: Company, Kenanga Research

## Segmental breakdown

	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
Revenue (RM m)	FY23	FY23	Chg	FY22	Chg	FY23	FY22	Chg
Subscription - TV	721.8	730.6	-1.2%	779.3	-7.4%	1,452.4	1,556.0	-6.7%
Advertising - TV	49.5	62.9	-21.3%	66.5	-25.6%	112.4	133.0	-15.5%
Advertising - Radio	37.6	48.8	-23.0%	32.7	15.0%	86.4	75.5	14.4%
Merchandise Sales	47.1	54.0	-12.8%	105.3	-55.3%	101.1	219.2	-53.9%
Others	65.1	65.8	-1.1%	76.5	-14.9%	130.9	138.1	-5.2%
Total	921.1	962.1	-4.3%	1,060.3	-13.1%	1,883.2	2,121.8	-11.2%
TV household penetration						70%	73%	
TV customer base ('000)						5,541	5,667	-2.22%
Pay TV ARPU (RM)						97.40	97.40	0.0%

Source: Company, Kenanga Research

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## Peer Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net. Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
MEDIA																	
ASTRO MALAYSIA HOLDINGS BHD	MP	0.830	0.900	8.43%	4,328.0	N	01/2023	8.5	9.7	-6.2%	13.9%	9.7	8.5	3.3	35.4%	6.5	7.8%
MEDIA CHINESE INTERNATIONAL	MP	0.155	0.155	0.00%	261.5	Y	03/2023	0.1	0.1	325.0%	23.5%	153.8	124.5	0.4	0.3%	0.6	3.9%
MEDIA PRIMA BHD	OP	0.415	0.640	54.22%	460.3	N	06/2023	5.6	6.4	12.3%	14.4%	7.4	6.5	0.7	9.6%	2.0	4.8%
STAR MEDIA GROUP BHD	MP	0.290	0.335	15.52%	210.2	Y	12/2022	1.0	1.0	188.6%	1.4%	30.0	29.6	0.3	1.1%	0.0	0.0%
Simple Average								3.8	4.3	129.9%	13.3%	50.3	42.3	1.2	11.6%		4.1%

Source: Bloomberg, Kenanga Research

## Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	☆		
	Corporate Social Responsibility	★	★	★		
	Management/Workforce Diversity	★	★	☆		
	Accessibility & Transparency	★	★	★	★	
	Corruption-Free Pledge	★	★	☆		
	Carbon-Neutral Initiatives	★	★	☆		
SPECIFIC	Content Moderation	★	★	★		
	Customer Data Privacy	★	★	★		
	Cyber Security	★	★	☆		
	Digital Transformation	★	★	★		
<b>OVERALL</b>		★	★	★		

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

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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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Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)