Astro Malaysia Holdings

World Cup Hangover

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ASTRO's FY23 results met our forecast but missed market expectation. While ARPU improved marginally, costs spiked in 4QFY23 due to World Cup licensing cost that clawed into the bottom line. We maintain our FY24F earnings but trim our TP by 3% to RM0.73 (from RM0.75). Maintain MARKET PERFORM.

Within our expectations. Its FY23 core net profit (excluding RM21m of net forex gains and a one-off, non-cash impairment of RM73.5m worth of goodwill and intangibles) met our expectations but missed consensus estimate by 15%.

No dividend was declared in 4QFY23, leaving the full-year dividend at 3.0 sen, missing our expectation of 5.2 sen. The group commented that this is a departure from its usual policy of 75% payout ratio due to a large, non-cash impairment of historical costs incurred by its subsidiaries.

YoY. Its FY23 revenue fell 9% following a decrease in subscription and home shopping revenue. While TV revenue fell 5.7% YoY, earnings were hit by the increased content costs in FY23 and contracted by a larger 25.2%. The group's subscription base also continued to contract, shrinking 1.8% YoY. Conversely, the radio segment maintained its momentum, with earnings growing 13.1% YoY following the reopening of the economy. However, any improvements were offset by the continued contraction of the home shopping segment which fell further into losses following a 51.9% contraction in revenue.

Overall, core net profits fell 28.8% as higher content costs associated with major sporting events hit earnings. Excluding radio, the group saw contractions across the board as it continued to struggle with costs and subscription numbers.

QoQ. Its revenue increased by 7% QoQ, largely due to a 7.5% increase in TV revenue. The group attributes this partially to sales of its World Cup passes as well as an uptick in adex during 4QFY23. However, its core net profit fell 43.3% as increased costs associated with the World Cup pressurised margins across the board.

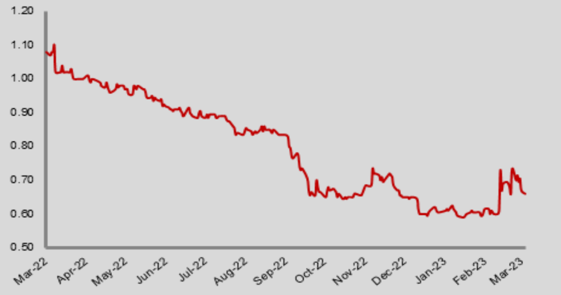
The key takeaways from its analyst briefing yesterday are as follows:

1. Regarding the rumours on a privatisation, the group "is not aware of any privatisation offer at the moment."
2. It maintains a cautious outlook moving forward. It is currently prioritising the transition over to its streaming service and aggregator business model and is pushing for adoption of its Ultra Box and Ulti Box. This initiative is expected to impact the group at the balance sheet level, due to higher capex with the adoption of new technology and higher depreciation on shorter life spans for its existing equipment.
3. The group is attempting to integrate additional apps into its aggregation services. Once it has secured the headline streaming services, the group is targeting to integrate lifestyle applications such as music streamers and fitness apps as well.
4. The group guided for stable margins moving forward (excluding extraordinary events) at about 28% at the EBITDA level under normal operating conditions

MARKET PERFORM ↔

Price:	**RM0.66**
Target Price:	**RM0.73** ↓

Share Price Performance



KLCI	1,396.60
YTD KLCI chg	-6.6%
YTD stock price chg	1.5%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	ASTRO MK Equity
Market Cap (RM m)	3,441.6
Shares Outstanding	5,214.5
52-week range (H)	1.10
52-week range (L)	0.58
3-mth avg daily vol:	11,940,960
Free Float	38%
Beta	0.6

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)	2023A	2024F	2025F
Turnover	3,800	4,061	4,108
EBIT	417	718	661
PBT	289	557	498
PATAMI	**259**	**435**	**389**
Core PATAMI	**337**	**435**	**389**
Consensus (CNP)	-	440.7	422.4
Earnings Revision	-	-	NEW
Core EPS (sen)	6.5	8.3	7.5
Core EPS growth	-29.0%	28.9%	-10.6%
DPS (sen)	3.0	6.3	5.6
BV/Share (RM)	0.23	0.25	0.27
Core PER (x)	0.1	7.9	8.9
PBV (x)	2.8	2.6	2.4
Net Gearing (x)	2.0	2.0	1.8
Dividend Yield (%)	4.5	9.5	8.5

Post results, we maintain our FY24F earnings and introduce our FY25 forecasts. We also maintain our dividend payout ratio estimate of 75% as the group has commented that the 4QFY23 non-payment was an exception.

Maintain MARKET PERFORM with a 3% lower TP of RM0.73 as we roll over our DCF valuation (WACC: 7.9%; TG: 1%). There is no adjustment based on a 3-star ESG rating as appraised by us (see page 4).

We continue to like **ASTRO** for: (i) being the largest player in the subscription TV space, (ii) its unique service as an over-the-top (OTT) streaming service aggregator, and (iii) growth potential as an internet service provider (ISP). However, we remain wary as the group continue to struggle with subscriber retention and declining ARPU. We cut our TP by 3% to RM0.73 (WACC: 7.9%; TG: 1%) from RM0.75 previously.

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.

Results Highlights

FYE Jan (RM m)	4Q FY23	3Q FY23	QoQ Chg	4Q FY22	YoY Chg	12M FY23	12M FY22	YoY Chg
Revenue	**991**	**926**	**7.0%**	**1,031**	**-3.9%**	**3,800**	**4,176**	**-9.0%**
EBITDA	182	265	-31.4%	306	-40.6%	1,045	1,286	-18.7%
EBIT	-67	130	-151.2%	188	-135.4%	417	754	-44.7%
PBT	43	-8	615.5%	152	-71.6%	289	591	-51.1%
Taxation	-26	11	-330.7%	-27	3.7%	-79	-130	39.7%
Minority Interest	-38	-3		2		-48.5	-0.3	
Net Profit	**55**	**6**	**843.1%**	**127**	**-56.8%**	**259**	**461**	**-43.8%**
Core Net Profit*	**41**	**73**	**-43.3%**	**130**	**-68.1%**	**337**	**474**	**-28.8%**
Core EPS (sen)	0.8	3.7	-78.4%	2.5	-68.1%	6.5	9.1	-28.8%
DPS (sen)	0.00	0.75		2.25		3.00	6.75	
EBITDA Margin	18.4%	28.6%		29.7%		27.5%	30.8%	
EBIT margin	-6.7%	14.0%		18.2%		11.0%	18.1%	
PBT margin	4.4%	-0.9%		14.8%		7.6%	14.1%	
Core PATAMI margin	4.2%	7.9%		12.6%		8.9%	11.4%	
Effective tax rate	60.7%	135.7%		17.9%		27.2%	22.0%	

**Core adjustments exclude: i) unrealised forex gain/(loss) of RM21m in 4QFY23 and (RM 91m) in 3QFY23 and ii) one-off impairment of goodwill and intangibles of RM73.5m in 4QFY23*
Source: Company, Kenanga Research

Segmental Breakdown

Revenue (RM m)	4Q FY23	3Q FY23	QoQ Chg	4Q FY22	YoY Chg	12M FY23	12M FY22	YoY Chg
Television	895.9	833.1	7.5%	907.9	-1.3%	3,424.5	3,629.7	-5.7%
Radio	53.3	52.3	1.9%	56.5	-5.7%	192.0	164.5	16.7%
Home-shopping	41.4	40.8	1.5%	66.9	-38.1%	183.3	381.2	-51.9%
Others	0.1	0.0	N.A.	0.0	N.A.	0.2	0.0	N.A.
Corporate Function	0.0	0.0	N.A.	0.0	N.A.	0.1	0.1	0.0%
Total	**990.7**	**926.2**	**7.0%**	**1,031.3**	**-3.9%**	**3,800.1**	**4,175.5**	**-9.0%**
PBT (RM m)								
Television*	54.6	109.5	-50.1%	133.7	-59.2%	394.2	526.7	-25.2%
Radio	33.3	20.7	60.9%	43.3	-23.1%	92.4	81.7	13.1%
Home-shopping	-11.4	-6.1	86.9%	-4.9	132.7%	-35.7	-0.4	8825.0%
Others	-42.6	0.2	-21400.0%	-0.3	14100.0%	-43.8	-0.1	
Corporate Function	4.3	-0.9	-577.8%	-17.5	-124.6%	3.1	-23.0	-113.5%
Elimination	5.1	-3.6	-241.7%	-2.0	-355.0%	7.0	5.8	20.7%
Total	**43.3**	**119.8**	**-63.9%**	**152.3**	**-71.6%**	**417.2**	**590.7**	**-29.4%**
PBT Margin								
Television	6.1%	13.1%		14.7%		11.5%	14.5%	
Radio	62.5%	39.6%		76.6%		48.1%	49.7%	
Home-shopping	-27.5%	-15.0%		-7.3%		-19.5%	-0.1%	
Total	**4.4%**	**12.9%**		**14.8%**		**11.0%**	**14.1%**	

**Excluding a pre-tax unrealised forex loss of RM128.3m on transponder lease liabilities in 3QFY23*
Source: Company, Kenanga Research

Segmental breakdown

Revenue (RM m)	4Q FY23	3Q FY23	QoQ Chg	4Q FY22	YoY Chg	12M FY23	12M FY22	YoY Chg
Subscription - TV	716.5	706.5	1.4%	741.8	-3.4%	2,875.4	3,061.2	-6.1%
Advertising - TV	72.5	57.9	25.2%	90	-19.4%	242.8	284.7	-14.7%
Advertising - Radio	53.3	52.3	1.9%	56.5	-5.7%	192.0	164.5	16.7%
Merchandise Sales	41.4	40.8	1.5%	66.9	-38.1%	183.3	379.9	-51.8%
Others	107.0	68.7	55.7%	76.1	40.6%	306.6	285.2	7.5%
Total	**990.7**	**926.2**	**7.0%**	**1031.3**	**-3.9%**	**3,800.1**	**4,175.5**	**-9.0%**
TV household penetration						69%	72%	
TV customer base ('000)						5,490	5,588	-1.75%
Pay TV ARPU (RM)						98.20	97.20	1.0%

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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
MEDIA																	
ASTRO MALAYSIA HOLDINGS BHD	MP	0.660	0.730	10.61%	3,441.6	N	01/2024	8.3	7.5	28.9%	-10.6%	7.9	8.8	2.5	34.9%	6.3	9.5%
MEDIA CHINESE INTERNATIONAL	MP	0.160	0.160	0.00%	270.0	Y	03/2023	0.6	0.6	2325.0%	-2.1%	27.8	28.4	0.4	1.4%	0.6	3.8%
MEDIA PRIMA BHD	OP	0.400	0.570	42.50%	443.7	N	06/2023	7.1	5.7	41.7%	-19.6%	5.7	7.1	0.7	12.0%	2.0	5.0%
STAR MEDIA GROUP BHD	OP	0.320	0.335	4.69%	231.9	Y	12/2023	1.1	1.3	12.5%	18.5%	28.6	24.2	0.3	1.2%	0.0	0.0%
Sector Aggregate					**4,387.1**					**32.6%**	**-11.3%**	**8.3**	**9.3**	**1.3**	**15.5%**		**4.6%**

Source: Bloomberg, Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	☆		
	Community & Investment	★	★	★		
	Workforce Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	☆		
SPECIFIC	Content Management	★	★	★		
	Digitalisation & Innovation	★	★	☆		
	Cybersecurity/Data Privacy	★	★	☆		
	Diversity & Inclusion	★	★	★		
	Energy Efficiency	★	★	★		
	Supply Chain Management	★	★	★		
	OVERALL	★	★	★		

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

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.***

Published by:

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