Astro Malaysia Holdings

Lowered Pricing for New Plans

By Kylie Chan Sze Zan I kyliechan@kenanga.com.my

UNDERPERFORM ↔

Price: RM0.295

Target Price: RM0.27 ↓

ASTRO's FY24 results met our expectations but trumped consensus. Earnings contraction was mainly due to the prevailing trends of TV subscriber churn and lower adex. Moving forward, ARPUs may come under pressure from introduction of new plans with lower floor pricing. We cut our FY24F earnings by 5%, lower our TP to RM0.27 (from RM0.33), and maintain our UNDERPERFORM call.

Met our expectations. Its FY24 core net profit of RM215.3m (-31% YoY) was within our expectation but exceeded the consensus estimate by 18%. Normalised FY24 PATAMI excludes the following:- (i) unrealized FX loss of RM99m due to mark-to-market revaluation of transponder lease liabilities, and (ii) impairment charge of RM74m (recognized in 4QFY23) on the IP and goodwill of a legacy media asset:

Unending churn cycle. Its FY24 revenue contracted by 8% YoY as ASTRO's subscriber base shrunk to 5.34m (-3% YoY) due to persistent churn (YoY: -153k). To a lesser magnitude, topline contraction was amplified by lower TV adex (-19% YoY).

The greater decline in bottom line was due to: (i) increased opex, and (ii) lumpy costs of RM52m for severance payments and benefits to employees under its voluntary separation scheme (VSS) in August. This effectively countered lower content costs, which had previously spiked in FY23 due to the Qatar World Cup.

Some bright spots in ARPU and radex. On a more encouraging note, ASTRO ended the year with higher ARPU of RM99.7 (4QFY23: RM98.20) following higher sales of bundled fiber offerings. Evidently, ASTRO's broadband subscriber base grew by a commendable 21% YoY. Additionally, adex recovered by 10% QoQ, driven by the radio segment, as advertising ramped up during Lunar New Year festivities.

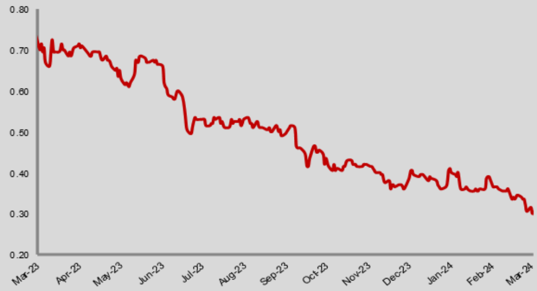
Key takeaways from its analyst briefing are as follows:

1. ASTRO is optimistic that its new plans with 'lower price floor' of RM40-RM60 per month will be well received. Moreover, these affordable new products will enable ASTRO to expand its market reach and broaden its addressable advertising market. The introduction of these plans takes into account the recent decline in average disposable incomes among Malaysians.

2. In spite of the introduction of cheaper packages, ASTRO is confident that its ARPU will remain resilient. This is underpinned by expectations of improving sales traction for its broadband bundles.

3. Whilst it is still early days, ASTRO is encouraged by the promising uptake for Sooka as awareness ramps up that may provide tangible contribution to earnings in the future.

Share Price Performance



KLCI	1,541.41
YTD KLCI chg	6.0%
YTD stock price chg	-25.3%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	ASTRO MK Equity
Market Cap (RM m)	1,539.6
Shares Outstanding	5,219.0
52-week range (H)	0.73
52-week range (L)	0.29
3-mth avg. daily vol.	6,213,045
Free Float	39%
Beta	0.6

Major Shareholders

Pantai CahayaBulan Ventures SdnBhd	19.7%
All Asia Media Equities Limited	19.4%
E Asia Broadcast Network Systems NV	8.1%

Summary Earnings Table

FYE Jan (RMm)	2024A	2025F	2026F
Turnover	3,342.7	3,196.9	3,086.5
EBIT	1,355.6	1,179.2	1,083.4
EBITDA	534.2	414.4	386.7
PBT	63.2	289.7	280.1
Net Profit (NP)	**42.3**	**193.9**	**215.7**
Core PATAMI	**215.3**	**193.9**	**215.7**
Consensus (NP)	-	182.0	199.6
Earnings Revision	-	-5%	-
Core EPS (sen)	4.1	3.7	4.1
Core EPS Growth	-0.3	-0.1	0.1
DPS (sen)	0.3	1.1	1.2
BV/Share (RM)	0.2	0.2	0.3
Core PER (x)	7.1	7.9	7.1
PBV (x)	1.4	1.2	1.1
Net Gearing (x)	2.7	2.1	1.6
Dividend Yield (%)	0.8	3.8	4.2

Pay-TV weighed by a barrage of challenges. ASTRO's pay-TV is facing competitive headwinds on multiple fronts. Firstly, when it comes to provision of international programming, it is subject to intense competition from over-the-top (OTT) streaming platforms (e.g. Netflix, and Disney+ Hotstar). Whereas within the local vernacular space, it is fighting for market share with domestic Free-to-Air television (FTA TV). Meanwhile, younger audiences are leaning towards social media, mobile apps, and websites for news and sports content. To top it off, the internet has enabled illicit activities such as: (i) unauthorized digital downloads of TV series and movies, and (ii) proliferation of illegal TV boxes.

Music streaming has superior AI edge. We anticipate future weakness in ASTRO's adex, given the sustained decline of its TV viewership. Moreover, both advertisers and customers may increasingly favour digital music streaming platforms such as Spotify and Apple Music. The latter leverages on artificial intelligence (AI) to offer personalized content and targeted commercials. Hence, this enhances the overall customer experience, whilst ensuring effective advertising.

Reduced forecasts. We cut our FY25F earnings by 5% to reflect lower ARPU following the introduction of cheaper packages. In addition, we introduce our FY26F numbers and cut our terminal growth rate assumption to 0% (from 1%). This is to reflect the deteriorating outlook on long-term earnings. As a result, our TP based on DCF is lowered by 19% to RM0.27 (from RM0.33). There is no adjustment based on a 3-star ESG rating as appraised by us (see page 4).

Investment case. We remain cautious on ASTRO due to: (i) fierce competition from OTT streaming platforms and FTA TV, (ii) bloated cost base that includes legacy expenses (e.g. ongoing payment of transponder lease costs to MEASAT Satellite), and (iii) competition from digital music streaming platforms that leverage on AI to offer personalized content and targeted commercials. Maintain **UNDERPERFORM**

Risks to our call include: (i) cord-cutting trends ease as consumer discretionary spending rebounds, (ii) robust legal enforcement effectively eliminates the proliferation of illegal set top boxes, and (iii) recovery in consumer and business sentiment propels a broad-based recovery in adex.

Results Highlights

FYE Jan (RM m)	4Q FY24	3Q FY24	QoQ Chg	4Q FY23	YoY Chg	12M FY24	12M FY23	YoY Chg
Revenue	819.9	828.5	-1.0%	949.3	-13.6%	3,342.7	3,616.8	-7.6%
EBITDA	**370.3**	**296.3**	25.0%	**87.8**	>100%	**1,355.6**	**1,336.9**	1.4%
Depreciation	(222.6)	(201.1)	10.7%	(260.6)	-14.6%	(821.4)	(853.1)	-3.7%
EBIT	**147.7**	**95.2**	55.1%	**(172.8)**	>100%	**534.2**	**483.8**	10.4%
Net Finance Costs	(27.5)	(99.5)	-72.4%	109.8	-125.0%	(298.0)	(128.0)	>100%
Exceptionals	(65.0)	(43.0)	51.2%	113.0	-157.5%	(173.0)	(55.3)	>100%
Pretax Profit	**55.3**	**(47.3)**	>100%	**50.0**	10.6%	**63.2**	**300.5**	-79.0%
Taxation	(10.8)	6.2	>-100%	(26.2)	-58.8%	(22.0)	(78.5)	-72.0%
MI	0.0	0.5	-100.0%	33.2	-100.0%	1.1	34.3	-96.8%
Reported Net Profit	**44.5**	**(40.6)**	>100%	**57.0**	-21.9%	**42.3**	**256.3**	-83.5%
Core Net Profit	**109.5**	**2.4**	>100%	**(56.0)**	>100%	**215.3**	**311.6**	-30.9%
Core EPS (sen)	2.1	0.1	>100%	0.8	>100%	4.1	6.0	-30.7%
DPS (sen)	0.0	0.0		0.0		0.3	3.0	
EBITDA Margin	45.2%	35.8%		9.2%		40.6%	37.0%	
EBIT Margin	18.0%	11.5%		-18.2%		16.0%	13.4%	
PBT Margin	6.7%	-5.7%		5.3%		1.9%	8.3%	
Core Net Margin	13.4%	0.3%		-5.9%		6.4%	8.6%	
Effective Tax Rate	-19.5%	-13.1%		-52.4%		-34.8%	-26.1%	

Source: Company, Kenanga Research

Note: Except for 3QFY24, all figures exclude contribution from the Home Shopping segment following its reclassification as discontinued operations.

Segmental Breakdown								
	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
Revenue (RM m)	**FY24**	**FY24**	**Chg**	**FY23**	**Chg**	**FY24**	**FY23**	**Chg**
Subscription - TV	648.5	666.3	-2.7%	716.5	-9.5%	2,687.8	2,875.4	-6.5%
Advertising - TV	45.0	46.0	-2.2%	64.0	-29.7%	169.0	209.0	-19.1%
Advertising - Radio	48	41.0	17.1%	49.0	-2.0%	171.0	177.0	-3.4%
Advertising - Digital	16	14.0	14.3%	15.0	6.7%	56.0	50.0	12.0%
Others	61.8	63.7	-3.0%	107.0	-42%	260.3	306.6	-15.1%
Total	**819.3**	**831.0**	-1.4%	**951.5**	-13.9%	**3,344.1**	**3,618.0**	-7.6%
Pay-TV Residential ARPU (RM)	99.7	99.8	-0.1%	98.2	1.5%			
TV Cust Base ('000) (YTD)	5,337.0	5,365.0	-0.5%	5,490.0	-2.8%			
Connected STBs (YTD)	1,075.0	1,086.0	-1.0%	1,123.0	-4.3%			
Content Costs (RM m)	274.0	277.0	-1.1%	438.0	-37.4%	1,107.0	819.0	35.2%

Source: Company, Kenanga Research

Note: Except for 3QFY24, all figures exclude contribution from the Home Shopping segment following its reclassification as discontinued operations.

Peer Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen) 1-Yr. Fwd.	Core EPS (sen) 2-Yr. Fwd.	Core EPS Growth 1-Yr. Fwd.	Core EPS Growth 2-Yr. Fwd.	PER (x) - Core Earnings 1-Yr. Fwd.	PER (x) - Core Earnings 2-Yr. Fwd.	PBV (x) 1-Yr. Fwd.	ROE 1-Yr. Fwd.	Net. Div. (sen) 1-Yr. Fwd.	Net Div Yld 1-Yr. Fwd.
MEDIA																	
ASTRO MALAYSIA HOLDINGS BHD	UP	0.295	0.330	11.9%	1,539.6	N	01/2025	3.9	3.9	-41.5%	1.0%	7.6	7.5	1.2	5.6%	0.0	0.0%
MEDIA CHINESE INTERNATIONAL	UP	0.125	0.100	20.0%	210.9	Y	03/2024	(2.0)	(2.3)	-1625.0%	-11.6%	N.A.	N.A.	0.3	-5.1%	0.0	0.0%
MEDIA PRIMA BHD	UP	0.435	0.340	21.8%	482.5	N	06/2024	2.7	3.4	-51.4%	27.0%	16.1	12.7	0.7	6.3%	1.5	3.4%
STAR MEDIA GROUP BHD	UP	0.405	0.314	22.5%	293.5	Y	12/2024	(0.0)	0.5	94.4%	1750.0%	N.A.	89.0	0.5	0.0%	0.0	0.0%
SECTOR AGGREGATE					**2,526.5**					**-50.9%**	**4.9%**	**12.8**	**12.2**	**0.8**	**6.0%**		**0.9%**

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:

KENANGA INVESTMENT BANK BERHAD (15678-H)
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my