Astro Malaysia Holdings

Marketing Costs Hike due to Astro One

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

UNDERPERFORM ↔

Price:	**RM0.235**
Target Price:	**RM0.20** ↓

ASTRO's 9MFY25 results disappointed on weak TV subscription revenues coupled with an uptick in 3QFY25 marketing costs to support the launch of ASTRO's new TV packs (Astro One). On a brighter note, quarterly adex recovered from its historical low in 2QFY25 and sequential subscriber base expanded for the first time since 3QFY21. We cut our FY25−26F earnings by 23%−24%, lower our TP by 14% to RM0.20 (from RM0.23) and maintain our UNDERPERFORM call.

Disappointed due to escalated marketing spend. Its 9MFY25 core net profit of RM52.7m (9MFY24: RM106m) underwhelmed, coming in at 46% and 58% of our full-year forecast and the full-year consensus estimate, respectively. The earnings miss versus our forecast was mainly due to higher-than-expected marketing costs to support the launch of its new Astro One product line-up.

YTD dragged by weak TV subscription revenues. 9MFY25 topline contraction (-8% YoY) was primarily attributed to lower subscription revenues (-7% YoY) due to subscriber churn. To a lesser extent, reduced adex (-17% YoY) exacerbated the YTD revenue decline.

Weaker YTD adex across the TV and radio segments was driven by: (i) soft consumer sentiment leading to lower advertising spend, and (ii) cost cutting initiatives by global brands.

The combination of topline weakness, coupled with higher costs (for broadband, content, licenses, copyright, royalties and selling & distribution expenses) led to the larger decline in 9MFY25 EBITDA (-37% YoY) and core net profit (-50.2% YoY).

Some bright spots in QoQ expansion of subs and adex. The bright spots include QoQ expansion in TV customer base (+1.5% QoQ) after consecutive sequential contraction since 3QFY21. We believe this may be due to favourable market response to the revamped TV plans (i.e. Astro One).

Additionally, adex jumped by 14% QoQ driven by broad-based expansion across all segments (TV, radio and digital). This marks a recovery after hitting a historical low in 2QFY25, based on our data dating back to 1QFY18. This possibly alludes to the easing boycotts of international brands arising from the Gaza conflict.

On a more pessimistic note, sequential ARPU dropped to RM99.20 (2QFY25: RM99.80) in 3QFY25, possibly due to increased subscribers signing up for lower-tier Astro One plans.

Key takeaways from its analyst briefing are as follows:

1. ASTRO recently launched three streamlined Astro One TV packs (Entertainment, Sports and Epic) with monthly subscription plans ranging from RM50 to RM200. The group does not rule out the possibility of further APRU dilution following the launch of these plans. Nevertheless, it's worth noting that the entry-level pricing of RM50 for Astro One is higher than the previous offering, which started at RM42 per month.

Share Price Performance

KLCI	1,603.20
YTD KLCI chg	10.2%
YTD stock price chg	-40.5%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	ASTRO MK EQUITY
Market Cap (RM m)	1,226.5
Shares Outstanding	5,219.0
52-week range (H)	0.44
52-week range (L)	0.21
3-mthavg. daily vol.	4,700,243
Free Float	42%
Beta	0.7

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 (RMm)	2024A	2025F	2026F
Turnover	3,342.7	3,093.5	3,086.5
EBIT	1,355.6	1,130.7	1,063.4
EBITDA	534.2	345.0	377.7
PBT	63.2	150.4	182.4
Net Profit (NP)	**42.3**	**120.3**	**136.8**
Core PATAMI	**215.3**	**100.3**	**136.8**
Consensus (NP)	-	182.0	106.2
Earnings Revision	-	-18%	-11%
Core EPS (sen)	4.1	1.9	2.6
Core EPS Growth	-0.3	-0.5	0.4
DPS (sen)	0.3	0.7	0.8
BV/Share (RM)	0.2	0.2	0.2
Core PER (x)	6.4	13.8	10.1
PBV (x)	1.2	1.2	1.1
Net Gearing (x)	2.7	2.2	1.8
Dividend Yield (%)	0.9	2.6	3.0

2. The group revealed that total action value from fines, settlements and prosecutions of sellers' Illicit streaming devices and illegitimate subscription gains totalled RM809k in 1HFY25. Additionally, in a recent piracy civil case against a local pub, the court awarded ASTRO RM75K in statutory damages without prior settlement.

Forecasts. We cut our FY25−26F earnings by 23%−24% to reflect increased marketing costs.

Valuations. Correspondingly, we lower our TP based on DCF by 14% to RM0.20 (from RM0.23). 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) potential hefty erosion in shareholders' funds of an estimated 63% if ASTRO is unsuccessful in its appeal against the IRB's additional assessments totalling RM735m, (ii) intense competition from OTT streaming platforms (for international content) and FTA TV (for vernacular content), (iii) its inflated cost base that includes legacy expenses (e.g. ongoing payment of transponder lease costs to the MEASAT satellite), and (iv) competition from digital music streaming platforms that leverage AI to offer curated content and targeted commercials. Maintain **UNDERPERFORM.**

Risks to our call include: (i) cord-cutting trends moderate as disposable incomes increase, (ii) effective legal enforcement eliminates the proliferation of illegal set-top boxes, and (iii) rebound in consumer and business sentiment catalyzing a recovery in pay TV adex.

Results Highlights

FYE Jan (RM m)	3Q FY25	2Q FY25	QoQ Chg	3Q FY24	YoY Chg	9M FY25	9M FY24	YoY Chg
Revenue	749.7	787.3	-4.8%	828.5	-9.5%	2,309.5	2,522.8	-8.5%
EBITDA	**178.3**	**223.8**	-20.3%	**296.3**	-39.8%	**687.7**	**985.3**	-30.2%
Depreciation	(175.4)	(177.3)	-1.1%	(201.1)	-12.8%	(554.2)	(598.8)	-7.4%
EBIT	**2.9**	**46.5**	-93.8%	**95.2**	-97.0%	**133.5**	**386.5**	-65.5%
Net Finance Costs	18.1	(2.3)	c	(99.5)	-118.2%	(34.2)	(270.6)	-87.4%
Exceptionals	46.0	28.0	64.3%	(43.0)	-207.0%	66.0	(108.0)	-161.1%
Pretax Profit	**67.0**	**72.2**	-7.2%	**(47.3)**	-241.6%	**165.2**	**7.9**	>100%
Taxation	(20.7)	(19.0)	8.9%	6.2	-433.9%	(48.7)	(11.2)	>100%
MI	0.7	1.5	-53.3%	0.5	40.0%	2.2	1.1	100.0%
Reported Net Profit	**47.0**	**54.7**	-14.1%	**(40.6)**	-215.8%	**118.7**	**(2.2)**	>100%
Core Net Profit	**1.0**	**26.7**	-96.3%	**2.4**	-58.3%	**52.7**	**105.8**	-50.2%
Core EPS (sen)	0.0	0.5	-96.1%	0.1	-64.0%	1.0	2.0	-51.3%
DPS (sen)	0.0	0.0		0.0		0.3	0.3	
EBITDA Margin	23.8%	28.4%		35.8%		29.8%	39.1%	
EBIT Margin	0.4%	5.9%		11.5%		5.8%	15.3%	
PBT Margin	8.9%	9.2%		-5.7%		7.2%	0.3%	
Core Net Margin	0.1%	3.4%		0.3%		2.3%	4.2%	
Effective Tax Rate	-30.9%	-26.3%		-13.1%		-29.5%	-141.8%	

Source: Company, Kenanga Research

Segmental Highlights

Revenue (RM m)	3Q FY25	2Q FY25	QoQ Chg	3Q FY24	YoY Chg	9M FY25	9M FY24	YoY Chg
Television	707.2	752.7	-6.0%	782.9	-9.7%	2,187.0	2,387.5	-8.4%
Radio	42.4	34.5	22.9%	45.6	-7.0%	122.3	135.2	-9.5%
Others	0.0	0.0	nm	0.0	nm	0.0	0.0	nm
Corporate Function	0.1	0.1	0.0%	0.0	nm	0.0	0.0	nm
Total	**749.7**	**787.3**	**-4.8%**	**828.5**	**-9.5%**	**2,309.3**	**2,522.7**	**-8.5%**
PBT (RM m)								
Television	51.6	56.2	-8.2%	(51.3)	>100%	113.8	(45.7)	>100%
Radio	14.7	14.4	2.1%	11.7	-23.1%	51.6	57.8	-10.7%
Others	(0.3)	(0.3)	0.0%	(0.9)	>-100%	-1.2	(1.5)	-20.0%
Corporate Function	(1.1)	(0.6)	83.3%	(9.1)	>100%	-6.6	-14.3	-53.8%
Elimination	2.1	2.5	-16.0%	6.5	>-100%	7.6	26.1	-70.9%
Total	**67.0**	**72.2**	**-7.2%**	**-43.1**	**-71.6%**	**165.2**	**22.4**	**>100%**
PBT Margin								
Television	7.3%	7.5%		-6.6%		5.2%	-1.9%	
Radio	34.7%	41.7%		25.7%		42.2%	42.8%	
Total	**8.9%**	**9.2%**		**-5.2%**		**7.2%**	**0.9%**	

Segmental Breakdown

Revenue (RM m)	3Q FY25	2Q FY25	QoQ Chg	3Q FY24	YoY Chg	9M FY25	9M FY24	YoY Chg
Subscription - TV	611.1	637.1	-4.1%	666.3	-8.3%	1,871.8	2,039.3	-8.2%
Advertising - TV	37.2	27.0	37.8%	46.0	-19.1%	94.2	124.0	-24.0%
Advertising - Radio	40	32.0	25.0%	41.0	-2.4%	113.3	123.0	-7.9%
Advertising - Digital	14	11.0	27.3%	14.0	0.0%	40.4	40.0	1.0%
Others	58.9	80.0	-26.4%	63.7	-8%	201.1	198.5	1.3%
Total	**761.2**	**787.1**	-3.3%	**831.0**	-8.4%	**2,320.8**	**2,524.8**	-8.1%
Pay-TV Residential ARPU (RM)	99.2	99.8	-0.6%	99.8	-0.6%			
TV Customer Base ('000) (YTD)	5,365.0	5,288.0	1.5%	5,365.0	0.0%			
Connected STBs (YTD)	806.0	827.0	-2.5%	1,086.0	-25.8%			
Content Costs (RM m)	262.0	275.0	-4.7%	277.0	-5.4%	798.0	833.0	-4.2%

Source: Company, Kenanga Research

Peer Comparison – Media

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RMm)	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	0.235	0.230	-2.1%	1,226.5	N	01/2025	1.9	2.6	-53.4%	36.4%	12.2	9.0	1.0	10.6%	1.0	4.3%
MEDIA CHINESE INTERNATIONAL	UP	0.120	0.110	-8.3%	197.7	Y	03/2025	(0.7)	(0.4)	59.0%	48.8%	N.A.	N.A.	0.4	-2.2%	0.7	5.8%
MEDIA PRIMA BHD	MP	0.465	0.460	-1.1%	515.8	N	06/2025	1.1	1.4	-65.7%	23.6%	41.9	33.9	0.7	1.7%	1.5	3.2%
STAR MEDIA GROUP BHD	MP	0.400	0.450	12.5%	289.9	Y	12/2024	1.6	1.2	1040.0%	-25.4%	25.4	34.1	0.4	1.7%	0.0	0.0%
SECTOR AGGREGATE					**2,229.9**					**-49.7%**	**38.2%**	**20.0**	**14.5**	**0.7**	**3.6%**		**3.3%**

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.***

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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