Astro Malaysia Holdings

Weighed by Weak ARPU and Churn

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UNDERPERFORM ↔

Price: **RM0.135**
Target Price: **RM0.125** ↓

ASTRO's 1HFY26 results underwhelmed, largely due to weaker TV subscription revenue, pressured by lower ARPU and probable subscriber churn. ARPU erosion was driven by strong uptake of the newly launched lower-priced ASTRO One entry-level packages. In addition, persistent adex weakness further weighed on earnings, as MNCs curtailed marketing spend amid soft macro conditions. We slashed our FY26F/FY27F earnings by 46%/17%, lower our TP to RM0.125 (from RM0.13), and maintain our UNDERPERFORM call.

Fell short of expectations. ASTRO's 1HFY26 core net profit of RM6.9m (-87% YoY) underwhelmed, accounting for 13% of our full-year forecast and 24% of the street's estimate. The variance versus our forecast was mainly driven by a higher-than-expected contraction in subscriber base and ARPU. Core earnings in 1HFY26 excludes post-tax unrealised forex gain (RM23m) from mark-to-market revaluation of transponder lease liabilities.

Persistent subs churn and weaker ARPU drags on earnings. 1HFY26r evenue contracted by 11% YoY, primarily due to a 9% YoY decline in TV subscription revenue. This was driven by a drop in ARPU to RM96.3 (1HFY25: RM99.8) and likely subscriber churn. Top-line weakness was further compounded by softer adex (-17% YoY) across all segments (i.e. TV, radio and digital) as subdued macro conditions prompted multinational companies to defer or re-allocate marketing spend.

Weak top-line performance in 1HFY26 drove the 87% YoY decline in bottom line, despite a reduction in content costs (-8% YoY) and lower finance charges.

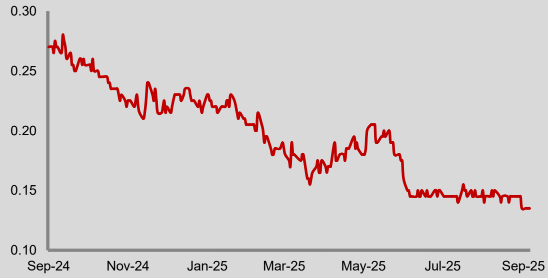
QoQ ARPU weakness on high take-up of new affordable plans. 2QFY26 Pay-TV gross adds increased 5% QoQ, driven by reconnections from former customers, which helped reduced sequential churn by 25%. As a result, net subscriber churn narrowed by c.60% on both QoQ and YoY basis. However, ARPU slipped QoQ to RM96.3 (1QFY26: RM98) weighed by strong take-up of the newly launched, lower-priced ASTRO One entry-level packages.

QoQ earnings down in spite of lower costs at TV segment. The sequential decline in earnings (-3% QoQ) was primarily driven by lower TV subscription revenue, which weighed on bottom line despite reduced set-top box and content costs in the TV segment. Earnings were further pressured by higher opex in the radio segment, stemming from internal restructuring as well as marketing and measurement initiatives.

Key takeaways from its analyst briefing are as follows:

1. ASTRO launched KULT, a digital marketing venture aimed at capturing a share of digital adex, which currently accounts for 70% of total industry adex. KULT enables advertisers and brands to customize campaigns across ASTRO's content ecosystem, spanning both proprietary and external digital channels (e.g. YouTube, TikTok, Meta). Leveraging first-party audience data and creator/influencer networks, one of KULT's key advantages lie in its ability to deliver measurable outcomes for advertisers. Since its launch three months ago, KULT has generated close to RM1m in revenue, underscoring strong initial demand traction.

Share Price Performance



KLCI	1,598.47
YTD KLCI chg	-2.7%
YTD stock price chg	-40.0%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	ASTRO MK EQUITY
Market Cap (RM m)	705.5
Shares Outstanding	5,225.8
52-week range (H)	0.29
52-week range (L)	0.13
3-mthavg. daily vol.	3,512,688
Free Float	42%
Beta	1.1

Major Shareholders

Pantai Cahaya Bulan Ventures Sdn Bhd	20.6%
All Asia Media Equities Limited	19.4%
E Asia Broadcast Network Systems NV	8.1%

Summary Earnings Table

FYE Jan (RM m)	2025	2026F	2027F
Turnover	3,075.9	2,933.6	2,889.0
EBIT	929.5	837.9	811.8
EBITDA	195.2	124.8	114.7
PBT	180.1	51.3	46.7
Net Profit (NP)	**129.1**	**38.4**	**35.0**
Core PATAMI	**66.1**	**15.4**	**35.0**
Consensus (NP)	-	54.4	56.1
Earnings Revision	-	-46%	-17%
Core EPS (sen)	1.3	0.3	0.7
Core EPS Growth	-0.7	-0.8	1.3
DPS (sen)	0.0	0.0	0.0
BV/Share (RM)	0.2	0.2	0.2
Core PER (x)	10.7	45.6	20.1
PBV (x)	0.6	0.6	0.5
Net Gearing (x)	2.3	2.0	1.7
Dividend Yield (%)	0.0	0.0	0.0

2. ASTRO continues to target small and medium enterprise (SME) advertisers, while being cognizant of their comparatively leaner adex budgets. To cater to this segment, ASTRO recently introduced bite-sized ad arrangements, offering SMEs the flexibility to sponsor a single episode of a TV series rather than committing to an entire season.
3. In 2QFY26, Astro Fibre's customer base expanded by 12% YoY, outpacing market leaders in subscriber net adds, supported by strong demand for its value-driven bundles.
4. In August, ASTRO achieved its first month of positive Pay-TV net adds since 2018, marking a significant milestone.

Forecasts. We cut our FY26F/27F earnings by 46%/17% to reflect lower ARPU and higher subscriber net losses.

Valuations. Correspondingly, our DCF-based TP is lowered to RM0.125 (from RM0.13). 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's earnings prospects due to: (i) intense competition from OTT streaming platforms (for international content), FTA TV (for vernacular content) and unauthorized TV boxes, (ii) its high cost base that includes legacy expenses (e.g. long-term payment of satellite transponder lease costs to MEASAT), and (iii) competition from AI-powered music streaming platforms that offer curated content and targeted commercials. Maintain **UNDERPERFORM.**

Risks to our call include: (i) cord-cutting and declining ARPU trends moderate as disposable incomes improve, (ii) effective legal enforcement eliminates the proliferation of illegal set-top boxes, (iii) rebound in consumer and business sentiment catalyzing a broad based expansion in adex to mitigate ASTRO's adex share erosion, and (iv) scale up and subsequent monetization of intellectual property (IP) library comprising original local content developed by Astro Shaw production studio.

Results Highlights

FYE Jan (RM m)	2Q FY26	1Q FY26	QoQ Chg	2Q FY25	YoY Chg	6M FY26	6M FY25	YoY Chg
Revenue	683.2	703.1	-2.8%	787.3	-13.2%	1,386.3	1,559.8	-11.1%
EBITDA	**212.8**	**211.8**	0.5%	**223.8**	-4.9%	**424.6**	**509.4**	-16.6%
Depreciation	(184.1)	(176.4)	4.4%	(177.3)	3.8%	(360.5)	(378.8)	-4.8%
EBIT	**28.7**	**35.4**	-18.9%	**46.5**	-38.3%	**64.1**	**130.6**	-50.9%
Net Finance Costs	(21.3)	(24.4)	-12.7%	(2.3)	>100%	(45.7)	(52.3)	-12.6%
Exceptionals	13.0	10.0	30.0%	28.0	-53.6%	23.0	20.0	15.0%
Pretax Profit	**20.4**	**21.0**	-2.9%	**72.2**	-71.7%	**41.4**	**98.2**	-57.8%
Taxation	(4.5)	(7.5)	-40.0%	(19.0)	-76.3%	(12.0)	(28.0)	-57.1%
MI	0.5	0.0	nm	1.5	-66.7%	0.5	1.5	-66.7%
Reported Net Profit	**16.4**	**13.5**	21.5%	**54.7**	-70.0%	**29.9**	**71.7**	-58.3%
Core Net Profit	**3.4**	**3.5**	-2.9%	**26.7**	-87.3%	**6.9**	**51.7**	-86.7%
Core EPS (sen)	0.0	0.0	-20.0%	0.5	-99.9%	0.0	1.0	-99.9%
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
EBITDA Margin	31.1%	30.1%		28.4%		30.6%	32.7%	
EBIT Margin	4.2%	5.0%		5.9%		4.6%	8.4%	
PBT Margin	3.0%	3.0%		9.2%		3.0%	6.3%	
Core Net Margin	0.5%	0.5%		3.4%		0.5%	3.3%	
Effective Tax Rate	-22.1%	-35.7%		-26.3%		-29.0%	-28.5%	

Source: Company, Kenanga Research

Segmental Highlights

Revenue (RM m)	2Q FY26	1Q FY26	QoQ Chg	2Q FY25	YoY Chg	6M FY26	6M FY25	YoY Chg
Television	655.0	670.0	-2.2%	752.7	-13.0%	1,325.0	1,479.8	-10.5%
Radio	28.1	33.0	-14.8%	34.5	-18.6%	61.1	79.9	-23.5%
Others	0.0	0.1	nm	0.0	nm	0.0	0.0	nm
Corporate Function	0.1	0.0	nm	0.1	0.0%	0.0	0.0	nm
Total	**683.2**	**703.1**	**-2.8%**	**787.3**	**-13.2%**	**1,386.1**	**1,559.7**	**-11.1%**
PBT (RM m)								
Television	17.0	8.2	107.3%	56.2	-69.8%	25.2	62.2	-59.5%
Radio	1.4	11.6	-87.9%	14.4	-23.1%	13.0	36.9	-64.8%
Others	(0.6)	(0.4)	50.0%	(0.3)	>100%	-1.0	(0.9)	11.1%
Corporate Function	(1.7)	(2.6)	-34.6%	(0.6)	>-100%	-4.3	-5.5	-21.8%
Elimination	4.3	4.2	2.4%	2.5	>-100%	8.5	5.5	54.5%
Total	**20.4**	**21.0**	**-2.9%**	**72.2**	**-71.6%**	**41.4**	**98.2**	**-57.8%**
PBT Margin								
Television	2.6%	1.2%		7.5%		1.9%	4.2%	
Radio	5.0%	35.2%		41.7%		21.3%	46.2%	
Total	**3.0%**	**3.0%**		**9.2%**		**3.0%**	**6.3%**	

Source: Company, Kenanga Research

Segmental Breakdown

Revenue (RM m)	2Q FY26	1Q FY26	QoQ Chg	2Q FY25	YoY Chg	6M FY26	6M FY25	YoY Chg
Subscription - TV	568.9	583.6	-2.5%	637.1	-10.7%	1,152.5	1,260.7	-8.6%
Advertising - TV	24.0	25.0	-4.0%	27.0	-11.1%	49.0	57.0	-14.0%
Advertising - Radio	26.0	30.0	-13.3%	32.0	-18.8%	56.0	73.3	-23.6%
Advertising - Digital	11.0	14.0	-21.4%	11.0	0.0%	25.0	26.4	-5.3%
Others	53.7	50.4	6.5%	80.0	-33%	104.1	142.2	-26.8%
Total	**683.6**	**703.0**	-2.8%	**787.1**	-13.1%	**1,386.6**	**1,559.6**	-11.1%
Pay-TV Residential ARPU (RM)	96.3	98.0	-1.7%	99.8	-3.5%			
TV Cust Base ('000) (YTD)	5,288.0	5,236.0	1.0%	5,288.0	0.0%			
Connected STBs (YTD)	827.0	874.0	-5.4%	827.0	0.0%			
Content Costs (RM m)	243.0	253.0	-4.0%	275.0	-11.6%	496.0	536.0	-7.5%

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	0.135	0.130	-3.7%	705.5	N	01/2026	0.5	0.8	-57.0%	49.3%	24.8	16.6	0.6	3.1%	0.0	0.0%
MEDIA CHINESE INTERNATIONAL	UP	0.095	0.090	-5.3%	154.1	Y	03/2026	(2.3)	(2.1)	-44.0%	11.6%	N.A.	N.A.	0.3	-7.7%	0.0	0.0%
MEDIA PRIMA BHD	MP	0.370	0.370	0.0%	410.4	N	06/2026	1.9	2.6	-3.2%	32.7%	19.2	14.5	0.6	2.9%	1.5	4.1%
STAR MEDIA GROUP BHD	UP	0.385	0.330	-14.3%	279.0	Y	12/2025	(0.1)	0.9	-104.4%	1380.0%	N.A.	43.6	0.4	-0.1%	0.0	0.0%
SECTOR AGGREGATE					**1,549.1**					**-86.5%**	**335.1%**	**159.7**	**36.7**	**0.5**	**0.3%**		**1.0%**

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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