Astro Malaysia Holdings

FY26 In-line, Signs of Stabilization

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MARKET PERFORM ↑

Price:	**RM0.08**
Target Price:	**RM0.08** ↓

ASTRO's FY26 results tracked our estimates and outperformed consensus. While ARPU compression and elevated costs weighed on earnings, Pay-TV gross adds grew for the 2nd consecutive quarter, alluding to early signs of a stabilizing subscriber base. We cut our FY27F earnings by 32%, and lower our TP to RM0.08 (from RM0.125), as we shift our valuation methodology to P/B (from DCF). We upgrade ASTRO to MARKET PERFORM (from UNDERPERFORM) as we believe value has emerged with current depressed valuations already reflecting earnings risks. Meanwhile, a potential recovery in subscriber base offers upside.

Met our expectations. ASTRO's FY26 core net profit of RM19m (-81% YoY) was in-line with our estimates, but exceeded consensus, accounting for 110% of our full-year forecast and 125% of the street's estimate.

Sizeable one-off items excluded from core earnings include net impairment charges (RM31.7m) and FX changes (RM75.7m).

Softer topline from weaker ARPU and adex. The decline in FY26 revenue (-9% YoY) was mainly driven by an 8% YoY contraction in TV subscription revenue. This was underpinned by a drop in ARPU to RM94.3 (FY25: RM98.5), alongside likely subscriber attrition.

The softer ARPU reflects strong uptake of the group's lower-priced ASTRO One entry-level packages, in line with its strategy to penetrate the mass market segment. On the bright side, Pay-TV gross adds grew 14% YoY in 4QFY26, marking the second consecutive quarter of growth, and pointing to early signs of a stabilizing subscriber base.

Top-line weakness was further compounded by a broad-based decline in adex (-15% YoY) across all segments (i.e. TV, radio and digital) as brands continue to shift away from traditional media. To a lesser extent, revenue was also weighed down by reductions in rental income and sales of programming rights.

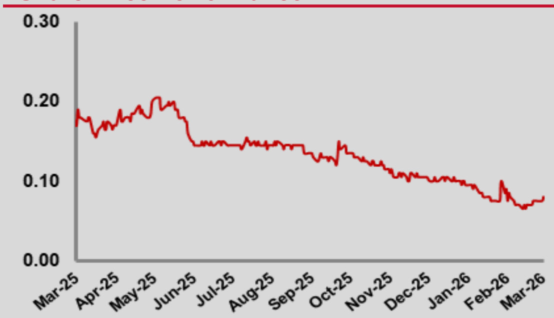
Elevated costs weigh on bottomline. Softer topline, coupled with escalated costs and the absence of prior year reversals in radio licence fees drove the contraction in EBITDA (-15% YoY) and earnings. Cost pressures mainly emanated from higher expenses related to staff, broadband, marketing & distribution, and internal restructuring. This more than offset cost tailwinds from lower content spend, alongside reduced set-top box, licence, copyright and royalty expenses within the TV segment.

4QFY26 profit slipped into the red as EBITDA margin plunged to 25% (4QFY25: 31%, 3QFY26: 25%) reflecting higher expenses for staff, broadband, license, as well as copyright & royalty fees.

Key takeaways from its analyst briefing are as follows:

1. Astro Shaw recently delivered Malaysia's highest-grossing local animated film to-date, *Papa Zola*, which generated over RM69m in gross box office (GBO) receipts. We understand ASTRO's share of GBO is c.15% for this title, reflecting its role as lead marketing and distribution partner, with the remainder allocated to cinemas and production partners. By contrast, for franchises where ASTRO assumes the role of lead stakeholder (eg. *Polis Evo),* the group can capture up to 90% of GBO.

Share Price Performance



KLCI	1,716.68
YTD KLCI chg	2.2%
YTD stock price chg	-20.0%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	ASTRO MK EQUITY
Market Cap (RM m)	418.1
Shares Outstanding	5,225.8
52-week range (H)	0.22
52-week range (L)	0.07
3-mthavg. daily vol.	12,287,060
Free Float	54%
Beta	1.4

Major Shareholders

Pantai Cahaya Bulan Ventures Sdn Bhd	20.6%
All Asia Media Equities Limited	19.4%
Amanah Saham Nasional	6.1%

Summary Earnings Table

FYE Jan (RM m)	2026	2027F	2028F
Turnover	2,794.8	2,879.6	2,887.5
EBIT	823.3	814.2	816.4
EBITDA	116.5	114.1	119.4
PBT	92.6	34.8	36.8
Net Profit (NP)	**63.1**	**23.8**	**25.2**
Core PATAMI	**19.2**	**23.8**	**25.2**
Consensus (NP)	-	94.3	17.4
Earnings Revision	-	-32%	NEW
Core EPS (sen)	0.4	0.5	0.5
Core EPS Growth	-0.8	0.2	0.1
DPS (sen)	0.0	0.0	0.0
BV/Share (RM)	0.2	0.3	0.3
Core PER (x)	21.7	17.6	16.6
PBV (x)	0.3	0.3	0.3
Net Gearing (x)	1.6	1.5	1.3
Dividend Yield (%)	0.0	0.0	0.0

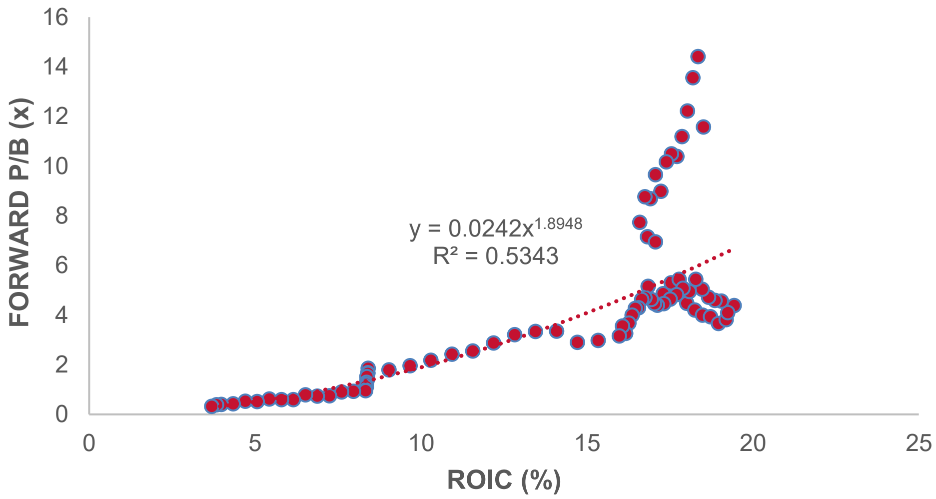
2. In FY26, six of the top ten highest-grossing local films were produced by Astro Shaw and its partners, generating combined GBO of RM111m. Beyond the box office, sponsorship revenue for ASTRO's feature films grew 3x YoY, supported by multi-year sponsorship agreements for the Astro Shaw Cinematic Universe and strategic brand collaborations.

Forecasts. We cut our FY27F earnings by 32% to reflect higher broadband costs, while introducing FY28F numbers.

Valuations. We transition ASTRO's valuation methodology from DCF to P/B, due to heightened earnings volatility and diminished cash flow predictability. ASTRO currently trades at 0.32x forward P/B on a 3.7% ROIC, with multiples having de-rated in line with declining returns.

We value ASTRO at 0.32x FY27F P/B, anchored to ROIC of 2.3% to arrive at a lower TP of RM0.08 (from RM0.125). This represents a premium to our theoretical power regression (R^2=0.53) derived multiple of 0.12x. We believe this premium is justified, as 0.32x has historically served as a support floor for the stock, while also reflecting residual value in ASTRO's core assets and intellectual property (IP) portfolio. There is no adjustment based on a 3-star ESG rating as appraised by us (see page 4).

Forward P/B and ROIC Regression*



Source: Bloomberg, Kenanga Research

* *High P/B multiples from Dec-18 to Jul-19 were driven by high share price of RM1.30-1.68 and suppressed book values due to significant retained earnings deficit*

Investment case. Since our downgrade of ASTRO to UNDERPERFORM (from MARKET PERFORM) in Dec-23, its share price has declined by 77.3% to current levels. In our view, this sharp correction has largely priced in earnings risks stemming from a structurally declining subscriber base. As such, we believe value is beginning to emerge.

Looking ahead, we see signs that both valuations and earnings may be nearing a trough, with subscriber attrition showing early signs of stabilization. At the same time, potential upside could be driven by ASTRO's increasing focus on expanding its IP portfolio, enabling monetization across multiple platforms, (eg. linear TV, digital channels, regional syndication, and international streaming partnerships). On this basis, we upgrade our call to **MARKET PERFORM** (from **UNDERPERFORM**).

However, earnings headwinds remain, particularly from ARPU compression as ASTRO pivots toward mass-market subscribers via affordable entry-level ASTRO One packages. This is compounded by: (i) intense competition from OTT platforms (for international content), FTA broadcasters (for vernacular content), and unauthorized TV boxes, (ii) a structurally high cost base, that includes legacy obligations such as long-term satellite transponder lease payments to MEASAT, and (iii) rising competition from AI-driven music streaming platforms offering personalized content and targeted advertising.

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, and (iii) rebound in consumer and business sentiment catalyzing a broad-based expansion in adex to mitigate ASTRO's TV adex share erosion.

Results Highlights								
	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Jan (RM m)	**FY26**	**FY26**	**Chg**	**FY25**	**Chg**	**FY26**	**FY25**	**Chg**
Revenue	712.9	695.6	2.5%	766.4	-7.0%	2,794.8	3,075.9	-9.1%
EBITDA	**181.1**	**204.8**	-11.6%	**236.9**	-23.6%	**823.3**	**966.3**	-14.8%
Depreciation	(181.3)	(165.0)	9.9%	(180.1)	0.7%	(706.8)	(734.3)	-3.7%
EBIT	**(0.2)**	**39.8**	>100%	**56.8**	>100%	**116.5**	**232.0**	-49.8%
Net Finance Costs	8.6	(30.7)	>100%	(43.9)	>100%	(67.8)	(78.1)	-13.2%
Exceptionals	28.7	5.0	>100%	2.0	>100%	43.9	26.2	67.6%
Pretax Profit	**37.1**	**14.1**	>100%	**14.9**	>100%	**92.6**	**180.1**	-48.6%
Taxation	(13.6)	(5.1)	>100%	(3.9)	>-100%	(30.7)	(52.6)	-41.6%
MI	0.5	0.2	>100%	(0.6)	>100%	1.2	1.6	-25.0%
Reported Net Profit	**24.0**	**9.2**	>100%	**10.4**	>100%	**63.1**	**129.1**	-51.1%
Core Net Profit	**(4.7)**	**4.2**	-211.9%	**8.4**	>-100%	**19.2**	**102.9**	-81.3%
Core EPS (sen)	(0.0)	0.0	-219.2%	0.2	>-100%	0.4	2.0	-81.3%
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
EBITDA Margin	25.4%	29.4%		30.9%		29.5%	31.4%	
EBIT Margin	0.0%	5.7%		7.4%		4.2%	7.5%	
PBT Margin	5.2%	2.0%		1.9%		3.3%	5.9%	
Core Net Margin	-0.7%	0.6%		1.1%		0.7%	3.3%	
Effective Tax Rate	36.7%	36.2%		26.2%		33.2%	29.2%	

Source: Company, Kenanga Research

Segmental Highlights								
	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
Revenue (RM m)	**FY26**	**FY26**	**Chg**	**FY25**	**Chg**	**FY26**	**FY25**	**Chg**
Television	669.3	658.0	1.7%	716.0	-6.5%	2,652.3	2,903.0	-8.6%
Radio	43.4	37.5	15.7%	50.2	-13.5%	142.0	172.5	-17.7%
Others	0.1	0.0	nm	0.2	-50.0%	0.0	0.0	nm
Corporate Function	0.1	0.1	0.0%	0.0	nm	0.0	0.0	nm
Total	**712.9**	**695.6**	**2.5%**	**766.4**	**-7.0%**	**2,794.3**	**3,075.5**	**-9.1%**
PBT (RM m)								
Television	28.5	4.6	>100%	(25.9)	>100%	58.3	87.9	-33.7%
Radio	15.7	7.3	>100%	36.9	-23.1%	36.0	88.5	-59.3%
Others	(0.7)	(0.2)	>-100%	(0.6)	>-100%	-1.9	(1.8)	5.6%
Corporate Function	(0.3)	(2.8)	>100%	0.3	>-100%	-7.4	-6.3	17.5%
Elimination	(6.1)	5.2	>-100%	4.2	>-100%	7.6	11.8	-35.6%
Total	**37.1**	**14.1**	**>100%**	**14.9**	**-71.6%**	**92.6**	**180.1**	**-48.6%**
PBT Margin								
Television	4.3%	0.7%		-3.6%		2.2%	3.0%	
Radio	36.2%	19.5%		73.5%		25.4%	51.3%	
Total	**5.2%**	**2.0%**		**1.9%**		**3.3%**	**5.9%**	

Source: Company, Kenanga Research

Segmental Breakdown								
	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
Revenue (RM m)	**FY26**	**FY26**	**Chg**	**FY25**	**Chg**	**FY26**	**FY25**	**Chg**
Subscription - TV	554.2	583.6	-5.0%	598.4	-7.4%	2,269.7	2,470.2	-8.1%
Advertising - TV	28.0	25.0	12.0%	30.0	-6.7%	98.0	113.0	-13.3%
Advertising - Radio	38.0	30.0	26.7%	45.0	-15.6%	127.0	158.3	-19.8%
Advertising - Digital	15.0	14.0	7.1%	18.0	-16.7%	53.0	58.4	-9.2%
Others	76.8	50.4	52.4%	74.3	3%	245.1	275.4	-11.0%
Total	**712.0**	**703.0**	1.3%	**765.7**	-7.0%	**2,792.8**	**3,075.3**	-9.2%
Pay-TV Residential ARPU (RM)	94.3	98.0	-3.8%	98.5	-4.3%			
TV Cust Base ('000) (YTD)	5,177.0	5,236.0	-1.1%	5,258.0	-1.5%			
Connected STBs (YTD)	918.0	874.0	5.0%	860.0	6.7%			
Content Costs (RM m)	257.0	253.0	1.6%	287.0	-10.5%	1,001.0	536.0	86.8%

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	0.080	0.080	0.0%	418.1	N	01/2027	0.3	0.7	-76.7%	127.3%	27.1	11.9	0.3	3.1%	0.0	0.0%
MEDIA CHINESE INTERNATIONAL	UP	0.085	0.085	0.0%	137.8	Y	03/2026	(2.7)	(2.3)	-63.6%	12.2%	N.A.	N.A.	0.3	-8.8%	0.0	0.0%
MEDIA PRIMA BHD	MP	0.350	0.370	5.7%	388.2	N	06/2026	1.2	1.8	-39.4%	53.0%	29.0	18.9	0.5	2.0%	1.5	4.3%
STAR MEDIA GROUP BHD	UP	0.320	0.330	3.1%	231.9	N	12/2026	(0.8)	0.8	-153.5%	198.4%	N.A.	38.7	0.3	-0.9%	0.0	0.0%
SECTOR AGGREGATE					**1,176.0**					**-130.9%**	**-198.7%**	**-52.7**	**53.5**	**0.4**	**-0.7%**		**1.1%**

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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