

07 June 2018 | 1QFY19 Results Review

Astro Malaysia Holdings Berhad

Major sporting events to serve as key earnings driver

INVESTMENT HIGHLIGHTS

- **1QFY19 normalised earnings remained resilient at RM178.7m, in-line with ours and consensus expectations**
- **Home-shopping business continue to improve, supported by 1.4m customers**
- **Higher net finance cost incurred was partially mitigated by lower tax expenses**
- **Maintain BUY with a revised target price of RM2.06**

Within expectation. Astro Malaysia Holdings Bhd's (Astro) 1QFY19 normalised earnings amounted to RM178.7m. During the quarter-in-review, Astro's 1QFY19 normalised earnings was mainly influenced by higher net finance cost as revenue stayed above RM1.3b. The higher net finance cost was mainly due to unfavourable unrealised forex movement arising from unhedged non-current balance sheet liabilities comprising finance lease liabilities and vendor financing. Fortunately, the increase in net finance cost was partially offset by lower tax expenses. All in, Astro's 1QFY19 financial performance came in within ours and consensus expectation, accounting for 25.5% and 26.3% of full year FY19 earnings estimates respectively.

Television. 1QFY19 segment revenue fell by -2.7%yoy to RM1,159.6m due to lower package take-up rate. This, however, was partially offset by increase in advertising, set-up fees revenue, sales of programming rights and production revenue. Coupled with higher licenses and copyright fees, higher marketing and distribution expenses, television EBITDA remained resilient at RM429.2m (-0.1%yoy).

Radio. The segment revenue decreased by -5.6%yoy to RM67.5m as unfavourable operating environment led to lower client advertising spends. Nonetheless, Astro managed to maintain its pole position across all four key languages. In light of lower revenue recorded, EBITDA decrease by -9.1%yoy to RM33.1m.

Home-shopping. The home-shopping segment revenue improved by +34.7%yoy to RM83.5m, mainly driven by higher number of products sold as a result of tactical campaigns executed during the period. This led to +54.0%yoy improvements in EBITDA.

Impact. No change to our earnings estimates at this juncture.

Maintain BUY

Revised Target Price (TP): RM2.06
(Previously RM2.83)

RETURN STATS	
Price (6 th June 2018)	RM1.83
Target Price	RM2.06
Expected Share Price Return	+12.6%
Expected Dividend Yield	+5.5%
Expected Total Return	+18.1%

STOCK INFO	
KLCI	1,777.13
Bursa / Bloomberg	6399 / ASTRO MK
Board / Sector	Main/ Services
Syariah Compliant	No
Issued shares (mil)	5,213.9
Market cap. (RM'm)	9,541.4
Price over NA	14.0x
52-wk price Range	RM1.31 – RM2.94
Beta (against KLCI)	1.01
3-mth Avg Daily Vol	12.9m
3-mth Avg Daily Value	RM24.3m
Major Shareholders (%)	
Pantai Cahaya Bulan Ventures	20.67
All Asia Media Equities Ltd	19.43
E Asia Broadcast	8.09
Employees Provident Fund	7.75
Usaha Tegas Entertainment System	4.52


Table 1: TV and radio operational statistics

	1QFY18	1QFY19	Growth
TV households (000s)	7,234	7,355	2%
TV Household penetration rate (%)	71	75	4pp
TV customer base (000s)	5,153	5,484	6%
Pay TV ARPU (RM)	100.8	99.6	-1%
Astro TV viewership share (%)	76	76	-
Share of TV adex (%)	39	44	5pp
Radio listenership (000s)	15.6	16.5	6%
Share of radio adex (%)	76	69	-7

Source: Company, MIDFR

Dividend. The group announced 1QFY19 dividend of 2.5sen per share. This is slightly below 1QFY18 quantum of 3.0sen per share. We view that the lower dividend payment was mainly attributable to lower free cash flow of RM338m as compared to RM399m a year ago.

Target price. We are rolling forward our valuation base year to FY20 and derive a revised target price of **RM2.06** per share (previously RM2.83 per share). Note that we reduced our target PER from 21.0x to a conservative 14.9x which is 1 standard deviation below its 3-year historical average. We reduced the target PER to account for the stock exclusion in the 30-stock FBM KLCI and evolving media landscape.

Maintain BUY. Despite various headwinds affecting the media industry, the group continues to record commendable performance via the expansion of its customer base through dual-model, i.e. premium and freemium market approach. At present, bulk of the income stream is still derived from subscription revenue as opposed to advertising revenue. The major sporting events would serve as an additional catalyst to further drive the group's. In addition, the group also expanded its revenue stream by tapping into the consumer market through its home shopping business venture and its digital initiatives. Moreover, its continuous cost management strategy has also kept the operating cost at bay. As a result, it has strong cash generation capability which enables the adoption of a progressive dividend policy. At present, the stock offers an attractive dividend yield of more than 5% which further elevates Astro's attractiveness. All factors considered, we maintain our **BUY** recommendation on the stock. 

INVESTMENT STATISTICS

FYE 31 st Jan	2017	2018	2019F	2020F
Revenue (RM'm)	5,612.6	5,530.8	5,884.7	5,993.0
EBIT (RM'm)	1,080.0	1,140.0	1,194.6	1,204.4
Pretax Profit (RM'm)	845.5	1,073.2	931.9	909.9
Net Profit (RM'm)	623.7	770.7	701.9	718.8
Normalised Net Profit (RM'm)	648.0	677.7	701.9	718.8
EPS (sen)	12.4	13.5	13.5	13.8
EPS growth (%)	-2.2	8.4	-0.1	2.4
PER(x)	22.5	20.8	20.8	20.3
Net Dividend (sen)	12.5	12.5	12.5	12.5
Net Dividend Yield (%)	4.5	4.5	4.5	4.5

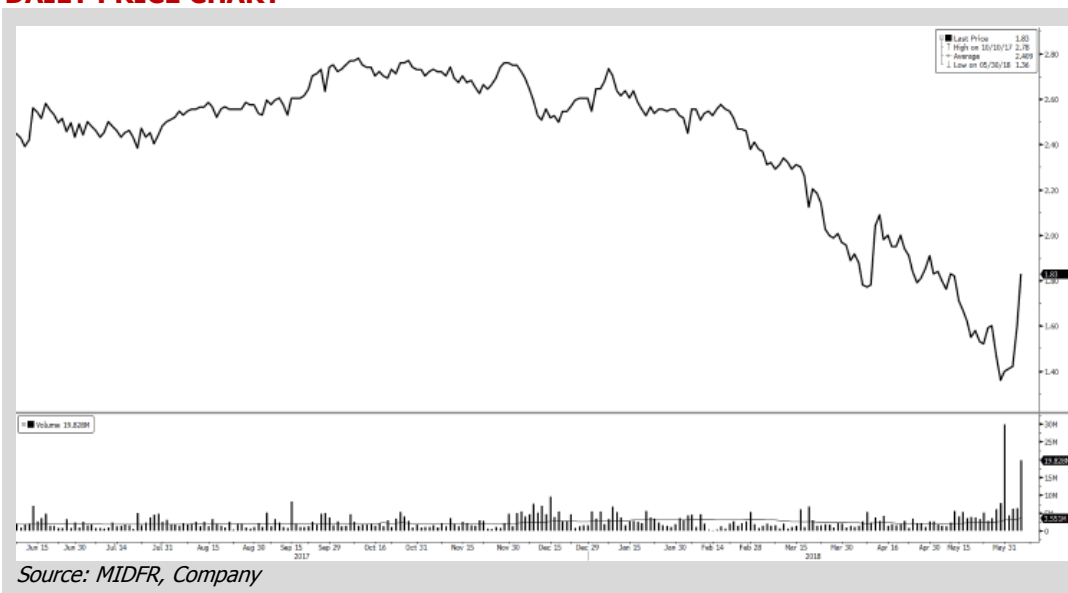
Source: Company, MIDFR

ASTRO MALAYSIA HOLDINGS: 1QFY19 RESULTS SUMMARY

FYE 31 st January	Quarterly Results				
	1QFY19	1QFY18	% YoY	4QFY18	% QoQ
Revenue	1,310.9	1326.1	-1.1	1,388.3	-5.6
EBITDA	544.9	552.0	-1.3	494.3	10.2
Depreciation and amortisation	-248.7	-251.5	-1.1	-283.6	-12.3
EBIT	296.2	300.5	-1.4	210.7	40.6
Finance costs	-74.2	-51.1	45.2	-66.1	12.3
Finance income	12.4	20.0	-38.0	114.8	-89.2
Investment income	0.5	0.1	n.m.	-0.9	n.m.
Impairment of investment	0.0	0.0	n.m.	0.0	n.m.
PBT	234.9	269.5	-12.8	258.5	-9.1
Taxation	-61.0	-77.1	-20.9	-77.9	-21.7
MI	0.8	3.5	-77.1	1.3	-38.5
PATAMI	174.7	195.9	-10.8	181.9	-4.0
Normalise PATAMI	178.7	187.9	-4.9	111.9	59.7
EPS (sen)	3.4	3.6	-4.9	2.1	59.7
			+/-ppts		+/-ppts
EBITDA margin (%)	41.6	41.6	-0.1	35.6	6.0
EBIT margin (%)	22.6	22.7	-0.1	15.2	7.4
PBT margin (%)	17.9	20.3	-2.4	18.6	-0.7
Normalised PATAMI margin (%)	13.6	14.2	-0.5	8.1	5.6
Effective tax rate (%)	26.0	28.6	-2.6	30.1	-4.2

Source: MIDFR, Company

DAILY PRICE CHART



Source: MIDFR, Company

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.