

29 March 2018 | 4QFY18 Results Review

## Astro Malaysia Holdings Berhad

**Maintain BUY**

*Fundamental remains intact*

**Revised Target Price (TP): RM2.83**

### INVESTMENT HIGHLIGHTS

- **FY18 normalised earnings grew by +4.6%yoy, in-line with expectation**
- **Improvement in EBITDA from television and home-shopping segments**
- **ARPU remains resilient at approximately RM100**
- **Maintain BUY with a revised target price of RM2.83**

**Shift in Astro package preference.** Astro Malaysia Holdings Bhd (Astro) reported 4QFY18 earnings of RM181.9m. After adjusting for unrealised forex gain (post tax) of RM70m, the normalised earnings amounted to RM111.9m. During the quarter-in-review, management commented that some of its customers are adjusting the Astro package which led to dilution in 4QFY18 revenue (-0.7%yoy). In addition, the group also incurred higher effective tax rate of 30.1% as compared to 23.9% in 4QFY17.

**Nonetheless, FY18 full year earnings within expectation.** Full year FY18 normalised earnings amounted to RM677.7m (+4.6%yoy) after excluding post-tax impact of unrealised forex gain of RM93m. This is despite there is a slight reduction in revenue of -1.5%yoy. The improvement in earnings was mainly attributable to higher operational efficiency contributed by lower content costs and lower cost to serve. This came in within ours but below consensus estimates, accounting for 96.6% and 91.5% of full year FY18 earnings respectively.

**Television.** FY18 segment revenue fell by -2.1%yoy to RM4.9m due to lower subscription and licensing revenue. This, however, is partially offset by higher production revenue. Nonetheless, EBITDA improved by +2.1%yoy as the group managed to reduce the content costs.

**Radio.** The segment revenue decreased marginally by -1.4%yoy to RM323.2m as unfavourable operating environment led to lower advertising spending. Nonetheless, Astro manage to maintain its pole position across all four key languages. Meanwhile, EBITDA came in -10.8%yoy lower to RM176.9m.

**Home-shopping.** The home-shopping segment revenue improved by +11% to RM290.0m, mainly driven by higher number of products sold. This is a result of tactical campaigns executed during the period. As a result, EBITDA improved by +45.7%yoy.

| RETURN STATS                        |               |
|-------------------------------------|---------------|
| Price (28 <sup>th</sup> March 2018) | RM2.02        |
| Target Price                        | RM2.83        |
| Expected Share Price Return         | +40.1%        |
| Expected Dividend Yield             | +6.2%         |
| <b>Expected Total Return</b>        | <b>+46.3%</b> |

| STOCK INFO                       |                 |
|----------------------------------|-----------------|
| KLCI                             | 1,857.9         |
| Bursa / Bloomberg                | 6399 / ASTRO MK |
| Board / Sector                   | Main/ Services  |
| Syariah Compliant                | No              |
| Issued shares (mil)              | 5,213.9         |
| Market cap. (RM'm)               | 10,532          |
| Price over NA                    | 20.2x           |
| 52-wk price Range                | RM2.01 – RM2.94 |
| Beta (against KLCI)              | 0.81            |
| 3-mth Avg Daily Vol              | 6.3m            |
| 3-mth Avg Daily Value            | RM15.7m         |
| Major Shareholders (%)           |                 |
| Pantai Cahaya Bulan Ventures     | 20.67           |
| All Asia Media Equities Ltd      | 19.43           |
| E Asia Broadcast                 | 8.09            |
| Employees Provident Fund         | 7.79            |
| Usaha Tegas Entertainment System | 4.52            |

**Table 1: TV and radio statistics**


|                                   | FY17  | FY18  | Growth |
|-----------------------------------|-------|-------|--------|
| TV households (000s)              | 7,207 | 7,321 | 2%     |
| TV Household penetration rate (%) | 71    | 75    | 4pp    |
| TV customer base (000s)           | 5,121 | 5,489 | 7%     |
| ARPU (RM)                         | 100.4 | 99.9  | -0.5%  |
| Astro TV viewership share (%)     | 77%   | 77%   | +0.2pp |
| Share of TV adex (%)              | 38    | 44    | 6pp    |
| Radio listenership (000s)         | 15.6  | 16.5  | 5.8%   |
| Share of radio adex (%)           | 73    | 74    | 1pp    |

Source: Company, MIDFR

**Impact.** We are fine tuning FY19F earnings slightly lower to RM701.9m as we reduce our ARPU assumption to better reflect the group's performance thus far.

**Dividend.** The group maintain its full year FY18 dividend payout at 12.5sen per share as compared to FY17. This translates into dividend yield of 6.2%.

**Target price.** We updated our target PER to 21.0x (previously 26.0x) which is the three year historical average PER. Pegging it to FY19EPS of 13.5sen, we are revising our target price to **RM2.83** (previously RM3.64).

**Maintain BUY.** Despite various headwinds affecting the media industry, the group continues to outperform by successfully expanding its customer base through dual-model, i.e. premium and freemium market approach. Based on the business model, bulk of the income stream is derived from subscription revenue as opposed to advertising revenue. 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. Due to the weakness in share price, the stock currently offers an attractive dividend yield of more than 6%. This further elevates Astro's attractiveness. All factors considered, we maintain our **BUY** recommendation on the stock. 

## INVESTMENT STATISTICS

| FYE 31 <sup>st</sup> 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)                       | 16.3    | 15.0    | 15.0    | 14.7    |
| Net Dividend (sen)           | 12.5    | 12.5    | 12.5    | 12.5    |
| Net Dividend Yield (%)       | 6.2     | 6.2     | 6.2     | 6.2     |

Source: Company, MIDFR

## ASTRO MALAYSIA HOLDINGS: 4QFY18 RESULTS SUMMARY

| <i>(All in RM'm unless stated otherwise)</i> | Quarterly Results |          |         | Cumulative |          |         |
|--|-------------------|----------|---------|------------|----------|---------|
|  | 4QFY18            | % YoY    | % QoQ   | FY2018     | FY2017   | % YoY   |
| <b>FYE 31<sup>st</sup> January</b>           |                   |          |         |            |          |         |
| Revenue                                      | 1,388.3           | -0.7     | -0.6    | 5,530.8    | 5,612.6  | -1.5    |
| EBITDA                                       | 494.3             | 83.5     | 18.2    | 2,210.6    | 2,171.7  | 1.8     |
| Depreciation and amortisation                | -283.6            | -6,695.3 | 65.8    | -1,070.6   | -1,091.7 | -1.9    |
| EBIT   | 210.7             | -23.0    | -14.8   | 1,140.0    | 1,080.0  | 5.6     |
| Finance costs                                | -66.1             | -27.0    | 1.4     | -236.7     | -271.6   | -12.8   |
| Finance income                               | 114.8             | 1,950.0  | 370.5   | 171.5      | 35.3     | 385.8   |
| Investment income                            | -0.9              | 12.5     | 125.0   | -1.6       | 1.8      | -188.9  |
| Impairment of investment                     | 0.0               | n.m.     | n.m.    | 0.0        | 0.0      | n.m.    |
| PBT  | 258.5             | 37.6     | 25.5    | 1,073.2    | 845.5    | 26.9    |
| Taxation                                     | -77.9             | 73.9     | 29.6    | -309.2     | -228.5   | 35.3    |
| MI   | 1.3               | -38.1    | 85.7    | 6.7        | 6.7      | 0.0     |
| PATAMI                                       | 181.9             | 25.4     | 24.1    | 770.7      | 623.7    | 23.6    |
| Normalise PATAMI                             | 111.9             | -32.6    | -17.3   | 677.7      | 647.7    | 4.6     |
| EPS (sen)                                    | 2.1               | -32.6    | -17.4   | 13.0       | 12.4     | 4.6     |
|  |                   | +/-ppts  | +/-ppts |            |          | +/-ppts |
| EBITDA margin (%)                            | 35.6              | 16.3     | 5.7     | 40.0       | 38.7     | 1.3     |
| EBIT margin (%)                              | 15.2              | -4.4     | -2.5    | 20.6       | 19.2     | 1.4     |
| PBT margin (%)                               | 18.6              | 5.2      | 3.9     | 19.4       | 15.1     | 4.3     |
| Normalised PATAMI margin (%)                 | 8.1               | -3.8     | -1.6    | 12.3       | 11.5     | 0.7     |
| Effective tax rate (%)                       | 30.1              | 6.3      | 1.0     | 28.8       | 27.0     | 1.8     |

Source: Company, MIDFR

## DAILY PRICE CHART



Martin Foo Chuan Loong  
martin.foo@midf.com.my  
+603 2173 8354

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(Bank Pelaburan)

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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. |