



## Astro Malaysia Holdings Berhad

(6399 | ASTRO MK) Telecommunications and Media | Media

### Core Business Under Threat

#### KEY INVESTMENT HIGHLIGHTS

- Core PATAMI of RM62mn (-51.2%yoy) came in below our expectations
- Subscription revenue and adex continues to deteriorate
- Higher risk of underperformance in 2H in view of macro headwinds and weak consumer sentiment
- Maintain its 75% dividend payout policy of normalised earnings
- Downgrade to NEUTRAL with a lower TP of RM0.62

**Q1FY24 core PATAMI below expectations.** Astro Malaysia Holdings Berhad's (Astro) 1QFY24 core PATAMI came in at RM62m, which made up 18% and 16% of our and consensus full year estimates respectively. Core earnings dropped -51.2%yoy due to softer subscription revenue and adex conditions as well as higher unrealised forex loss.

**Quarterly basis.** 1QFY24 revenue declined to RM891.1m (-7.4%yoy) due to the World Cup and other year-end festivities last quarter. In terms of segmentation, the television segment experienced a decline in revenue, reaching RM810.6m (-5.7%yoy) primarily attributable to a decrease in subscription revenue and advertising revenue. The TV and home shopping segment registered losses due to the ongoing battle with piracy and weak consumer sentiment. Growth in the TV segment remains an issue despite the growing total TV households. Conversely, the ARPU rose by +RM1.30 y-o-y to RM98.70, contributed by good take up of AstroFibre. The radio segment on the other hand, showed a decline in revenue of RM46.3m (-5.1%yoy), attributed to a drop in weekly radio listeners at 18.0m (-1%yoy).

**Adex.** Astro recorded 1QFY24 Adex of RM99mn, mainly supported by Ramadan and Raya festivals. Radex, TV Adex and Digital Adex share stood at 79%, 33% and 2% respectively. Astro Radio brands continued to rank No.1 across all languages, registering 18.0mn weekly listeners on FM and online.

**Dividends.** The Group remained cash generative and proactive in its capital management. The Board of Directors declared a first interim dividend of 0.25 sen per share and maintained its dividend payout policy of 75% of normalized PATAMI for the financial year.

### Downgrade to NEUTRAL

(Previously BUY)

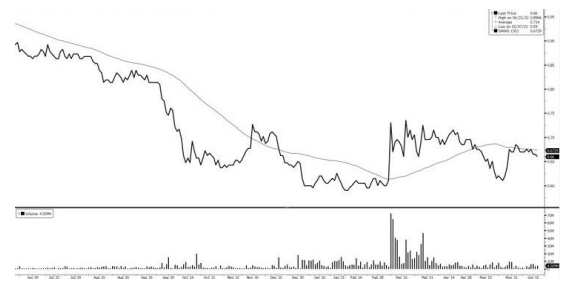
### Revised Target Price: RM0.62

(Previously RM0.89)

#### RETURN STATISTICS

Price @ 19 <sup>th</sup> June 2023 (RM)	0.66
Expected share price return (%)	-5.6%
Expected dividend yield (%)	7.6%
Expected total return (%)	2%

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	4.8	7.9
3 months	-5.0	-8.6
12 months	-29.8	-26.3

#### INVESTMENT STATISTICS

FYE Jan	2024E	2025F	2026F
Revenue	3,912.89	3,971.60	4,021.40
Operating Profit	597	585	574
Profit Before Tax	441	449	449
Core PATAMI	335	341	341
Core EPS	6.4	6.5	6.5
DPS	5.0	5.0	5.0
Dividend Yield	7.58%	7.58%	7.58%


#### KEY STATISTICS

FBM KLCI	1,387.33
Issue shares (m)	5,214.50
Estimated free float (%)	39.15
Market Capitalisation (RM'm)	3,441.57
52-wk price range (RM)	0.57 – 0.94
3-mth average daily volume (m)	8.02
3-mth average daily value (RM'm)	5.50
Top Shareholders (%)	
Pantai Cahaya Bulan Ventures Sdn	19.67
All Asia Media Equities Limited	19.43
East Asia Broadcast Network System	8.09

#### Analyst

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**More conservative earnings estimates.** Given the underperformance, we are inputting more conservative earnings estimates for Astro. In view of this, we are reducing FY24/25/26 earnings forecasts to RM335.1m/341.5m/341.3m respectively. This is mainly to account for the dwindling subscription revenue and advertising income.

**Downgrade to NEUTRAL.** We view that there is a higher risk of underperformance in the second half in view of the existing macro headwinds and challenging economic conditions. Inflationary pressures also have affected consumer sentiment and demand for the group's products. This is expected to have negative repercussions on Astro's earnings capability. On the bright side, we favour the group's commitment to its dividend policy which carries an attractive dividend yield of more than 7%. Given the unfavourable earnings outlook, we are downgrading our recommendation for Astro to **NEUTRAL** (from Buy) with a lower **target price** of **RM0.62** (from RM0.89). Our TP is derived from pegging the FY24F EPS of 6.4 sen against a three-year historical mean price to earnings of 9.7x. 

## ASTRO: 1QFY24 RESULTS SUMMARY

Income Statement (RM'm unless stated otherwise)	1QFY24	QoQ	YoY	4QFY23	1QFY23
Revenue	891.1	-10.1%	-7.4%	990.7	962.1
EBITDA	247.9	35.5%	-21.2%	183.0	314.7
Depreciation and amortisation	-124.4	-50.2%	3.2%	-249.6	-128.5
EBIT	123.5	-285.4%	-33.7%	-66.6	186.2
Finance cost	-109.0	-206.9%	-78.1%	102.0	-61.2
Finance income	6.1	-22.8%	205.0%	7.9	2.0
Share of post-tax results	-	n.m	n.m	0.0	-0.1
PBT	20.6	-52.4%	-83.8%	43.3	126.9
Taxation	-7.5	-71.5%	75.9%	-26.3	-31.1
MI	-2.8	n.m	n.m.	-37.7	-4.2
PATAMI	15.9	-70.9%	-84.1%	54.7	100.0
Core PATAMI	62.0	-348.0%	-51.2%	-25.0	127.1
Core EPS (sen)	1.2	-348.0%	-51.0%	-0.5	2.4
		+/-ppts	+/-ppts	+/-ppts	+/-ppts
EBITDA margin (%)	27.8%	9.3%	-4.9%	18.5%	32.7%
EBIT margin (%)	13.9%	7.1%	-5.5%	6.7%	19.4%
PBT margin (%)	2.3%	-2.1%	-10.9%	4.4%	13.2%
Core PATAMI margin (%)	7.0%	9.5%	-6.3%	-2.5%	13.2%
Effective tax rate (%)	-36.4%	-97.1%	-60.9%	60.7%	24.5%

Source: Company, MIDFR

## REVENUE BREAKDOWN

Segment	1QFY24	QoQ	YoY	4QFY23	1QFY23
Television	810.6	-9.5%	-5.7%	895.9	859.2
Radio	46.3	-13.1%	-5.1%	53.3	48.8
Home-shopping	34.2	-17.4%	-36.7%	41.4	54.0
Total Revenue	891.1	-10.1%	-7.4%	990.7	962.0

Source: Company, MIDFR

## PBT BREAKDOWN

Segment	1QFY24	QoQ	YoY	4QFY23	1QFY23
Television	(7.6)	-113.9%	-106.9%	54.6	110.3
Radio	25.2	-24.3%	-3.4%	33.3	26.1
Home-shopping	(7.3)	36.0%	25.5%	(11.4)	(9.8)
Others	10.3	131.0%	3333.3%	(33.2)	0.3
Total PBT	20.6	-52.4%	-83.8%	43.3	126.9

Source: Company, MIDFR

## OPERATIONAL STATISTICS

TV and Radio Segments	3MFY24	3MFY23	YoY
Total TV households in Malaysia ('000)	7,942	7,835.0	1.4%
TV household penetration rate (%)	69%	71%	( 2 p.p)
TV customer base ('000)	5,458	5,561.0	-1.9%
Pay TV ARPU (RM)	98.70	97.4	1.3%
Astro TV viewership share (%)	69%	71%	( 2 p.p.)
Radio listeners weekly (m)	18.0	18.2	-1.1%
Digital monthly unique visitors (mn)	7.8	11.3	-31.0%
Connected STBs ('000)	1,119	1,095.0	2.2%

Source: Company, MIDFR

## FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	4,175.5	3,800.1	3,912.9	3,971.6	4,021.4
EBIT	754.2	417.0	597.1	585.4	574.2
Pre-tax Profit	590.70	289.00	440.89	449.33	449.07
Normalised PATAMI	480.7	272.0	335.1	341.5	341.3

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
PPE	613.9	582.2	598.3	598.3	598.2
Others	3,192.6	3,779.6	3,931.7	3,896.3	3,876.7
Total Non-Current Asset	3,806.5	4,361.8	4,530.0	4,494.6	4,474.9
Cash and Bank Balances	165.2	159.4	144.9	122.5	83.2
Others	1,353.0	1,179.5	1,077.4	1,023.6	1,046.5
Total Current Asset	1,518.2	1,338.9	1,222.3	1,146.1	1,129.7
<b>Total Asset</b>	<b>5,324.7</b>	<b>5,700.7</b>	<b>5,752.3</b>	<b>5,640.7</b>	<b>5,604.6</b>

LT Borrowings	2,094.1	2,929.7	2,868.6	2,722.0	2,653.6
ST Borrowings	2,026.9	1,673.0	1,786.4	1,781.8	1,817.0
<b>Total Liability</b>	<b>4,121.0</b>	<b>4,602.7</b>	<b>4,655.0</b>	<b>4,503.8</b>	<b>4,470.6</b>

Share Capital	6,728.4	6,728.4	6,728.4	6,728.4	6,728.4
Other Equity	- 5,524.7	- 5,630.4	- 5,631.1	- 5,591.5	- 5,594.4
<b>Total Equity</b>	<b>1,203.7</b>	<b>1,098.0</b>	<b>1,097.3</b>	<b>1,136.9</b>	<b>1,134.0</b>

<b>Liability + Equity</b>	<b>5,324.7</b>	<b>5,700.7</b>	<b>5,752.3</b>	<b>5,640.7</b>	<b>5,604.6</b>
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Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
Pretax Profit	590.70	289.00	343.07	330.19	328.43
Cash flow from operation	1,284.60	1,307.70	1,634.22	1,486.60	1,477.36
Cash flow from investing	(306.20)	(465.80)	(463.33)	(520.15)	(442.36)
Cash flow from financing	(1,077.50)	(846.70)	(1,184.43)	(987.80)	(1,073.33)
Net decrease in Cash and Cash Equivalents	(99.10)	(4.80)	(13.53)	(21.35)	(38.33)
Effect of exchange rate changes	(0.60)	(1.00)	(1.00)	(1.00)	(1.00)
<b>Beginning cash flow</b>	<b>264.90</b>	<b>165.20</b>	<b>159.40</b>	<b>144.87</b>	<b>122.52</b>
<b>Ending cash flow</b>	<b>165.20</b>	<b>159.40</b>	<b>144.87</b>	<b>122.52</b>	<b>83.19</b>

Profitability Margins	2022A	2023A	2024E	2025F	2026F
EBIT	18.1	11.0	15.8	14.7	14.3
PBT	14.1	7.6	11.8	11.3	11.2
Normalised PATAMI	11.5	7.2	8.9	8.6	8.5

Source: Bloomberg, MIDFR

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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.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology