

09 December 2015 | 3QFY16 Results Review

## Astro Malaysia Holdings Bhd

*Resilient subscription-based business model*

### INVESTMENT HIGHLIGHTS

- **3QFY16 normalised earnings grew by +54.4%yoy to RM183.4m**
- **Growth is attributable to expansion in subscription revenue and profit margin**
- **Cumulative 9MFY16 normalised earnings came in better than expected**
- **Cumulative 11sen dividend declared**
- **Maintain BUY with revised TP of RM3.67 per share**

**Stellar 3QFY16 performance.** Astro Malaysia Holdings Bhd (Astro) reported 3QFY16 earnings of RM106.0m, a decrease of -6.4%yoy. The decline was mainly attributable to higher net unrealised forex losses. However, after excluding the net unrealised forex losses amounting to -RM77.4m, 3QFY16 normalised earnings posted double digit growth of +54.4%yoy to RM183.4m. This was mainly due to higher subscription revenue and expansion in profit margin.

**9MFY16 earnings better than expected.** The strong earnings growth in 3QFY16 boosted the group's 9MFY16 normalised earnings to RM513.1m, an increase of +35.2%yoy. This is after adjusting for 9MFY16 net unrealised forex losses of -RM101.5m. The normalised earnings came in above ours and consensus expectations, accounting for 82.5% and 80.6% of FY16 full year earnings estimates respectively.

**Revenue growth remains encouraging.** Astro's 9MFY16 revenue increased by +4.9%yoy to RM4,073.6m. The boost in 9MFY16 revenue was mainly due to: (i) Higher average revenue per user (ARPU) for Pay-TV residential subscribers of RM98.50 from RM99.30 previously; and (ii) Expansion in TV household penetration of 66% from 62% as at 9MFY15.

**Capital expenditure (Capex).** The group remains devoted to its capex commitment. For 9MFY16, capex remained relatively stagnant at RM199m as compared to RM200 spent for 9MFY15. The bulk of the capex was allocated to MEASAT-3B (M3B) platform and product or services upgrades.

**Dividend.** The group declared dividend of 4.25sen per share in 3QFY16. Coupled with 6.75sen of dividend declared in 1HFY16, cumulative 9MFY16 dividend declared amounted to 11sen per share.

**Maintain BUY**

**Revised Target Price (TP): RM3.67**  
(Previously RM3.58)

#### RETURN STATS


Price (8 <sup>th</sup> Dec 2015)	RM2.86
Target Price	RM3.67
Expected Share Price Return	+28.3%
Expected Dividend Yield	+4.2%
<b>Expected Total Return</b>	<b>+32.5%</b>

#### STOCK INFO

KLCI	1,669.24
Bursa / Bloomberg	6399 / ASTRO MK
Board / Sector	Main/ Services
Syariah Compliant	No
Issued shares (mil)	5,205.0
Par Value (RM)	0.10
Market cap. (RM'm)	1,886.3
Price over NA	22.5x
52-wk price Range	RM2.73 – RM3.39
Beta (against KLCI)	0.86
3-mth Avg Daily Vol	3.8m
3-mth Avg Daily Value	RM11.1m
Major Shareholders (%)	
Pantai Cahaya Bulan Ventures	20.71
All Asia Media Equities Ltd	19.47
E Asia Broadcast	8.11
JP Morgan Chase & Co	6.56

**Impact on earnings and dividend.** We maintain our revenue forecasts for FY16 and FY17. However, we tweaked upwards our profit margin assumption for FY16 and FY17 to better reflect the group's 9MFY16 financial performance. As a result, our earnings estimates for FY16 and FY17 are revised higher by +3.5% and +2.6% respectively. We also raised our dividend assumption for both FY16 and FY17 by +1sen each to 12sen and 13sen respectively.

**Target price.** Following our higher earnings assumption, we revised upward Astro's target price to **RM3.67** per share from RM3.58 per share previously. This is premised on FY17 EPS of 13.1sen against forward PER of 28x. Our PER assumption is based on the historical average low PER since its listing.

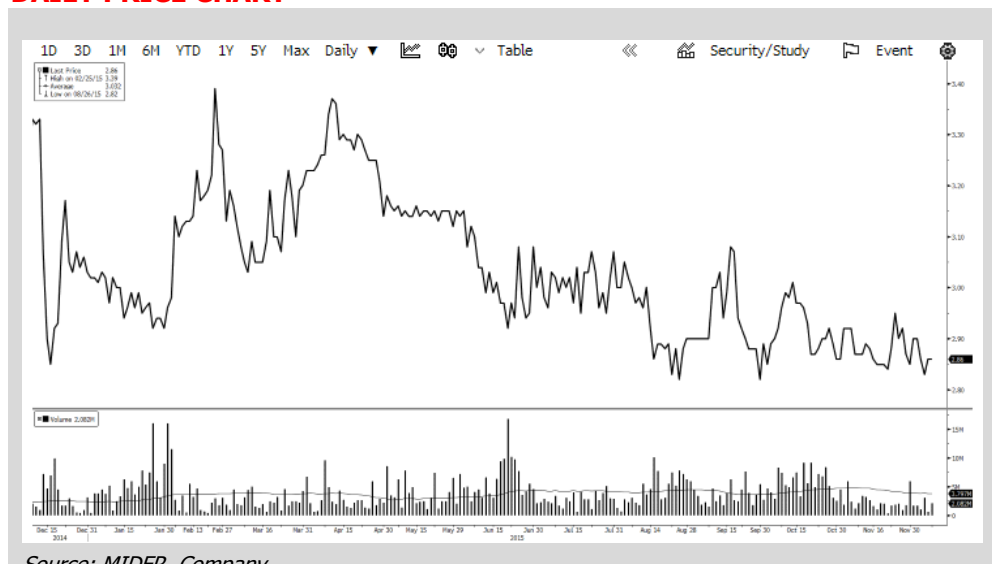
**Maintain BUY.** Despite various headwinds affecting the media industry, the group continues to outperform by successfully expanding its customer base through dual-model, i.e. premium and freemium market approach. Based on this business model, the income stream is mainly derived from subscription revenue as opposed to advertising revenue. Its continuous cost management strategy has also kept operating cost at bay. As a result, the business has strong cash generation capabilities which enable the adoption of a progressive dividend policy. Due to the current share price weakness, we believe it now offers an attractive dividend yield of approximately 4.0% which elevates Astro's attractiveness as a dividend-play stock. All factors considered, we are maintaining our **BUY** recommendation on the stock. 

## INVESTMENT STATISTICS

FYE Jan	FY14	FY15	FY16F	2017F
Revenue (RM'm)	4,790.7	5,231.4	5,660.3	6,076.3
EBIT (RM'm)	777.7	920.2	1,099.2	1,141.2
Pretax Profit (RM'm)	569.2	720.9	892.8	936.5
Net Profit (RM'm)	448.0	519.4	643.8	681.1
EPS (sen)	8.6	10.0	12.4	13.1
EPS growth (%)	-62.6	15.8	24.0	5.8
PER(x)	33.2	28.7	23.1	21.9
Net Dividend (sen)	8.0	11.0	11.0	12.0
Net Dividend Yield (%)	2.8	3.8	3.8	4.2

Source: Company, MIDFR

## DAILY PRICE CHART



Source: MIDFR, Company

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## ASTRO MALAYSIA HOLDINGS: 3QFY16 RESULTS SUMMARY

<i>(All in RM'm unless stated otherwise)</i>	Quarterly			Cumulative		
Financial Year Ending 31 <sup>st</sup> January	3Q16	% YoY	% QoQ	9M16	9M15	% YoY
Revenue	1,374.4	7.4	0.4	4,073.6	3,883.2	4.9
EBITDA	573.2	11.5	-0.4	1,703.8	1,274.2	33.7
Depreciation and amortisation	-303.5	-0.8	3.2	-886.4	-618.0	43.4
EBIT	269.7	29.6	-4.1	817.4	656.2	24.6
Finance costs	-146.9	130.3	30.8	-312.7	-185.8	68.3
Finance income	11.9	-8.5	-13.1	41.2	45.4	-9.3
Investment income	1.8	-169.2	12.5	5.3	3.3	60.6
PBT	136.5	-11.8	-25.9	551.2	519.1	6.2
Taxation	-33.1	-25.1	-32.7	-146.0	-143.1	2.0
MI	2.6	nm	nm	6.4	3.4	nm
PATAMI	106.0	-6.4	-22.8	411.6	379.4	8.5
Normalise PATAMI	183.4	54.5	25.2	513.1	379.4	35.2
EPS (sen)	3.5	54.3	25.2	9.8	7.3	35.0
		+/-ppts	+/-ppts			+/-ppts
EBITDA margin (%)	41.7	1.5	-0.3	41.8	32.8	9.0
EBIT margin (%)	19.6	3.4	-0.9	20.1	16.9	3.2
PBT margin (%)	9.9	-2.2	-3.5	13.5	13.4	0.2
Normalised PATAMI margin (%)	7.7	-1.1	-2.3	12.6	9.8	2.8
Effective tax rate (%)	24.2	-4.3	-2.4	26.5	27.6	-1.1

Source: MIDFR, Company

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.