Astro Malaysia Holdings Berhad

(6399 | ASTRO MK) Telecommunications and Media | Media

Maintain BUY

Weak Sales from Home-Shopping

Revised Target Price: RM1.03

(Previously: RM1.06)

KEY INVESTMENT HIGHLIGHTS

- **1HFY23 core PATAMI slightly below our expectation**
- **Economy reopens should encourage business activities**
- **Revenue from home shopping dropped -55.3%yoy**
- **Earnings estimates revised downward**
- **Maintain BUY with a revised TP of RM1.03**

1HFY23 earnings slightly below our expectation. Astro Malaysia Holdings Berhad (Astro) 1HFY23 core PATAMI of RM223m came in slightly below our expectation, making up 39% of our full year estimate. Nonetheless, it was in line with consensus expectation at 47% of full year estimate. The negative deviation was most likely caused by the decrease in advertising revenue, subscription revenue and merchandise sale. On a side note, Astro announced a second interim dividend of 1.0 sen per share for 2QFY23.

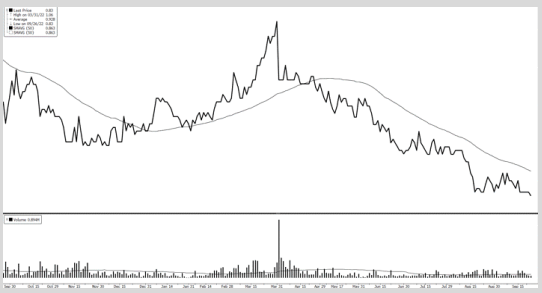
Quarterly. Revenue in 2QFY23 declined to RM921.1m (-13.1%yoy) while core PATAMI improved marginally to RM104m (+1.3%yoy) primarily due to the decrease in subscription revenue, merchandise sales, sales of programming rights, offset by lower financing cost. Segment-wise, the television segment's revenue moderated to RM836.3m (-9.3%yoy) mainly arising from a decrease in subscription revenue. Secondly, the radio segment's revenue continued to grow at RM37.6m (+15.0%yoy) due to the increasing number of Astro's radio weekly listeners at 18.0m (+5.9%yoy). This segment's performance was due to the recovery momentum during the transition to the endemic phase. Thirdly, the revenue from the home shopping arm, Go Shop slipped to RM47.1m (-55.3%yoy). This was subdued by consumer sentiment, more cautious spending and the return of customers to physical stores.

Cumulative earnings. 1HFY23 topline was lower by -11.2%yoy to RM1.9b from RM2.1b in 1HFY22. The drop in revenue was mainly due to decrease in merchandise sales, subscription revenue and advertising revenue. In tandem with the fall in revenue, the core earnings decreased by -13.2%yoy as EBITDA dropped due to the same reason.

Earnings estimates. As earnings missed our expectation, we revised our FY23 and FY24 earnings estimates downward between -6.7% to -7.7% to account for the near-term market volatility as the ongoing recovery in consumer sentiment remains uneven and heightened risk of economic slowdown due to inflationary pressure. This could hurt the home-shopping segment further as the consumer tends to be more cautious with their spending due to the inflationary pressure.

RETURN STATISTICS	
Price @ 26th September 2022 (RM)	0.83
Expected share price return (%)	+24.1
Expected dividend yield (%)	+8.4
Expected total return (%)	**+32.5**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-2.4	3.6
3 months	-8.3	-8.3
12 months	-17.8	-11.0

KEY STATISTICS	
FBM KLCI	1,413.04
Syariah compliant	No
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	5214.51
Estimated free float (%)	36.54
Market Capitalisation (RM'm)	4,328.04
52-wk price range	RM0.83 - RM1.10
Beta vs FBM KLCI (x)	0.74
Monthly velocity (%)	3.15
Monthly volatility (%)	13.45
3-mth average daily volume (m)	1.70
3-mth average daily value (RM'm)	1.47
Top Shareholders (%)	
Pantai Cahaya Bulan Ventures	20.67
ALL Asia Media Equities Limited	19.43
East Asia Broadcast Network System	8.09

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World Cup 2022 may be a catalyst for Astro. Astro Radio brands are ranked No.1 across all languages, registering 18.2m weekly radio listeners (FM and digital). Its 1HFY23, Radex and Digital Adex rose +16%yoy and 5%yoy respectively while total Adex stood at RM199m. Radex, TV Adex and Digital Adex share stood at 73%, 32% and 3% respectively. All in all, we are still sanguine on the prospect of Astro as we believe that the Adex environment would improve as the economy further reopens. Additionally, the upcoming FIFA World Cup QATAR 2022 campaign that would be held in November could bode well for its topline.

Maintain BUY with a revised TP of RM1.03. Corresponding to the downward revision in earnings, our target price is revised to **RM1.03** from RM1.06. Note that we roll forward our valuation base year to FY24. The revised target price is premised on pegging the revised FY24 EPS of 10.7sen against an unchanged target PER of 9.6x. We are positive on Astro due to improving Adex environment while World Cup 2022 could be a catalyst. All in all, we maintain our **BUY** call on Astro with an upside of +32.5%.

INVESTMENT STATISTICS

Income Statement	2020A	2021A	2022A	2023F	2024F
Revenue	4,911.8	4,359.7	4,175.5	4,192.5	4,274.0
EBIT	1,072.1	876.1	754.2	854.5	874.8
Pre-tax Profit	862.7	692.8	590.7	699.1	735.6
Net Profit	655.3	539.8	460.9	531.3	559.0
Normalised Net Profit	656.4	511.1	480.7	531.3	559.0
EPS (sen)	12.6	10.2	9.1	10.2	10.7
PER (x)	7.6	9.8	10.4	8.1	7.7
Net Dividend (sen)	7.5	8.0	6.8	7.0	8.0
Net Dividend Yield (%)	9.04	9.6	8.2	8.4	9.6

Source: Company, MIDFR

ASTRO: 2QFY23 RESULTS SUMMARY

Income Statement (RM'm unless stated otherwise)	2QFY23	QoQ	YoY	1HFY23	YoY
Revenue	921.1	-4.3%	-13.1%	1,883.2	-11.2%
EBITDA	352.4	-9.2%	-6.9%	740.5	-9.3%
Depreciation and amortisation	-185.0	-8.4%	9.8%	-386.9	5.3%
EBIT	167.4	-10.1%	-3.5%	353.6	-13.4%
Finance cost	-45.9	-25.0%	25.2%	-107.1	6.0%
Finance income	5.7	185.0%	9.6%	7.7	-19.8%
Share of post-tax results	0.0	-100.0%	-100.0%	-0.1	n.a
PBT	127.2	0.2%	8.3%	254.1	-16.4%
Taxation	-32.5	4.5%	-9.8%	-63.6	13.5%
MI	-3.8	-9.5%	-733.3%	-8.0	-481.0%
PATAMI	90.9	-0.8%	4.2%	182.5	-20.1%
Core PATAMI	104.0	-12.6%	1.6%	223.0	-13.2%
Core EPS (sen)	2.0	-12.4%	1.3%	4.3	-13.0%
		+/-ppts	+/-ppts		+/-ppts
EBITDA margin (%)	38.3%	-0.02	0.03	39.3%	0.01
EBIT margin (%)	18.2%	-0.01	0.02	18.8%	0.00
PBT margin (%)	13.8%	0.01	0.03	13.5%	-0.01
Core PATAMI margin (%)	11.3%	-0.01	0.02	11.8%	0.00
Effective tax rate (%)	25.6%	0.01	0.00	25.0%	0.01

Source: Company, MIDFR

TV AND RADIO OPERATIONAL STATISTICS

Key Statistics	1HFY23	1HFY22	YoY
Total TV households in Malaysia ('000)	7,862	7,744	1.5%
TV household penetration rate (%)	70%	73%	-3 p.p.
TV customer base ('000)	5,541	5,667	-2.2%
Pay TV ARPU (RM)	97.40	97.40	0.0%
Astro TV viewership share (%)	71%	72%	-1 p.p.
Radio listeners weekly (m)	18.0	17.0	5.9%
Digital monthly unique visitors (mn)	11.0	14.3	-23.1%
Connected STBs ('000)	1,110	1,065	4.2%

Source: Company, MIDFR

SEGMENTAL BREAKDOWN

Revenue	2QFY23	2QFY22	YoY
Television	836.3	922.2	-9.3%
Radio	37.6	32.7	15.0%
Home-shopping	47.1	105.3	-55.3%
PBT	**2QFY23**	**2QFY22**	**YoY**
Television	119.8	102.6	16.8%
Radio	12.3	14.2	-13.4%
Home-shopping	-8.4	1.2	>-100%

Source: Company, 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 *rise* 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 *fall* 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