Astro Malaysia Holdings Berhad

(6399 | ASTRO MK) Telecommunications and Media | Media

Maintain BUY

Softer Subscription and Commerce

Revised Target Price: RM0.95

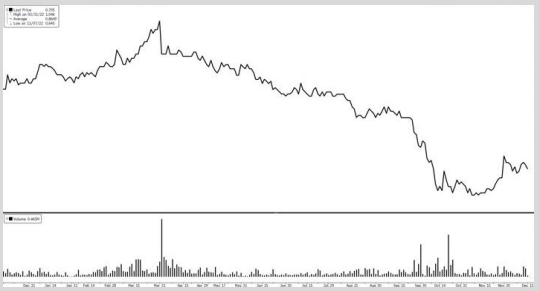
(Previously: RM1.03)

KEY INVESTMENT HIGHLIGHTS

- **9MFY23 core PATAMI came in below expectations**
- **Subscription and commerce were softer**
- **Revenue from home shopping dropped by -56.5%yoy**
- **Earnings estimates revised downward**
- **Maintain BUY with a lower TP of RM0.95**

RETURN STATISTICS	
Price @ 15th December 2022 (RM)	0.71
Expected share price return (%)	+33.8
Expected dividend yield (%)	+9.9
Expected total return (%)	**+43.7**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	8.5	7.3
3 months	-7.8	-17.0
12 months	-25.8	-25.0

KEY STATISTICS	
FBM KLCI	1,467.13
Syariah compliant	No
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	5,214.51
Estimated free float (%)	36.64
Market Capitalisation (RM'm)	3,676.23
52-wk price range	RM0.64 - RM1.1
Beta vs FBM KLCI (x)	0.63
3-mth average daily volume (m)	3.29
3-mth average daily value (RM'm)	2.34
Top Shareholders (%)	
Pantai Cahaya Bulan Ventures	20.67
ALL Asia Media Equities Limited	19.43
East Asia Broadcast Network System	8.09

9MFY23 earnings below expectations. Astro Malaysia Holdings Berhad (Astro) 9MFY23 core PATAMI of RM296.0m dropped -14.0%yoy. This is due to decline in merchandise sales and subscription revenue. The 9MFY23 core PATAMI of RM296.0m came in below our and consensus' expectation, recorded at 56% and 68% of our and consensus full year estimates. The negative deviation was primarily due to weaker than expected subscription revenue and merchandise sale. On a side note, Astro announced a third interim dividend of 0.75 sen per share on 3QFY23.

Quarterly. Revenue in 3QFY23 declined to RM926.2m (-12.6%yoy) and core PATAMI slipped to RM73m (-28.7%yoy). This is due to the decrease in merchandise sales, sales of programming rights, which was partially offset by an increase in advertising sales. Segment-wise, the television segment's revenue moderated to RM833.1m (-7.0%yoy) mainly arising from a decrease in subscription revenue. In contrary, the radio segment's revenue continued to grow at RM52.3m (+60.9%yoy) due to sustainable number of Astro's radio weekly listeners at 17.2m (-2.8%yoy). This segment's improvement was due to the recovery momentum in the transition to the endemic phase. Lastly, the revenue from the home shopping arm, Go Shop declined to RM40.8m (-56.5%yoy). The decline was primarily due to weaker consumer sentiment, more cautious spending and the return of customers to physical stores.

Adex Growth. Astro Radio brands stay leading on rank No.1 across all languages, registering 17.2m weekly radio listeners (FM and digital). Its 9MFY23, Radex and Digital Adex rose +29%yoy and 13%yoy respectively while total Adex stood at RM309m. Radex, TV Adex and Digital Adex share stood at 73%, 32% and 3% respectively. Additionally, the Group is airing the FIFA World Cup Qatar 2022, with all 64 matches live in 4K HDR and HD. The FIFA World Cup Qatar 2022 matches dominated the top 10 most viewed events on Astro. We expect that to boost earnings in 4QFY23.

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Maintain BUY with a revised TP of RM0.95. As earnings missed our expectation, we revised our FY23 and FY24 earnings estimates downward between -5.0% to -7.4% to account for the lower than expected subscription revenue and merchandise sale. Corresponding to the downward revision in earnings, our **target price** is revised to **RM0.95** from RM1.03. The revised target price is premised on pegging onto revised FY24 EPS of 9.9sen against an unchanged PER of 9.6x. We remain positive on Astro as its prospect stay intact to ride on better Adex environment that likely improve in coherent to the reopening of economy. Hence, we maintain our **BUY** call on Astro.

INVESTMENT STATISTICS

Income Statement	2020A	2021A	2022A	2023F	2024F
Revenue	4,911.8	4,359.7	4,175.5	4,054.3	4,092.9
EBIT	1,072.1	876.1	754.2	824.9	832.6
Pre-tax Profit	862.7	692.8	590.7	664.5	681.4
Net Profit	655.3	539.8	460.9	505.0	517.8
Normalised Net Profit	656.4	511.1	480.7	505.0	517.8
EPS (sen)	12.6	10.2	9.1	9.7	9.9
PER (x)	7.6	9.8	10.4	7.3	7.1
Net Dividend (sen)	7.5	8.0	9.9	7.0	7.0
Net Dividend Yield (%)	10.6	11.3	13.9	9.9	9.9

Source: Company, MIDFR

ASTRO: 3QFY23 RESULTS SUMMARY

Income Statement (RM'm unless stated otherwise)	3QFY23	QoQ (%)	YoY (%)	9MFY23	YoY (%)
Revenue	926.2	0.6	-12.6	2,809.4	-10.6
EBITDA	342.9	-2.7	-9.4	1,083.4	-9.0
Depreciation and amortisation	-212.9	15.1	3.8	-599.8	-4.0
EBIT	130.0	-22.3	-25.0	483.6	-14.6
Finance cost	-141.7	208.7	130.8	-248.8	76.5
Finance income	3.3	-42.1	-36.5	11.0	-15.4
Share of post-tax results	0.0	n.a	n.a	-0.1	n.a
PBT	-8.4	-106.6	-107.2	245.7	-44.0
Taxation	-11.4	-64.9	-61.5	-75.0	-27.0
MI	-2.8	-26.3	-566.7	-10.8	-930.8
PATAMI	5.8	-93.6	-93.3	188.3	-43.7
Core PATAMI	73.0	-29.8	-28.7	296.0	-14.0
Core EPS (sen)	1.4	-29.8	-28.9	5.7	58.8
		+/-ppts	+/-ppts		+/-ppts
EBITDA margin (%)	37.0	-1.24	1.32	38.6	0.69
EBIT margin (%)	14.0	-4.14	-2.32	17.2	-0.80
PBT margin (%)	-0.9	-14.72	-11.98	8.7	-5.20
Core PATAMI margin (%)	7.9	-3.41	-1.78	10.5	-0.40
Effective tax rate (%)	-135.7	-161.26	-160.93	30.5	7.08

Source: Company, MIDFR

TV AND RADIO OPERATIONAL STATISTICS

Key Statistics	9MFY23	9MFY22	YoY (%)
Total TV households in Malaysia ('000)	7,777	7,889	-1.4
TV household penetration rate (%)	72	70	(3 p.p)
TV customer base ('000)	5,633	5,501	2.4
Pay TV ARPU (RM)	97.40	97.40	0.0
Astro TV viewership share (%)	73	72	(1 p.p.)
Radio listeners weekly (m)	17.2	17.7	-2.8
Digital monthly unique visitors (mn)	14.7	10.3	42.7
Connected STBs ('000)	1,082	1,112	-2.7

Source: Company, MIDFR

SEGMENTAL BREAKDOWN

Revenue	3QFY23	QoQ (%)	YoY (%)	9MFY23	YoY (%)
Television	833.1	-0.4	-7.0	2528.6	-7.1
Radio	52.3	39.1	60.9	138.7	28.4
Home-shopping	40.8	-13.4	-56.5	141.9	-54.9
PBT	**3QFY23**	**QoQ (%)**	**YoY (%)**	**9MFY23**	**YoY (%)**
Television	211.4	76.5	66.1	441.5	12.3
Radio	59.1	380.5	823.4	97.5	153.9
Home-shopping	-24.3	-189.3	1925.0	-42.5	-1044.4

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