Astro Malaysia Holdings Berhad

(6399 | ASTRO MK) Telecommunications and Media | Media

Ride on Better ADEX

***Maintain* BUY**

***Revised* Target Price: RM0.89**

(Previously:RM0.95)

KEY INVESTMENT HIGHLIGHTS

- **FY23 core PATAMI missed our expectations**
- **Subscription and commerce were weaker**
- **Revenue from home shopping dropped by -51.9%yoy**
- **Earnings estimates revised downward**
- **Maintain BUY with a revised TP of RM0.89**

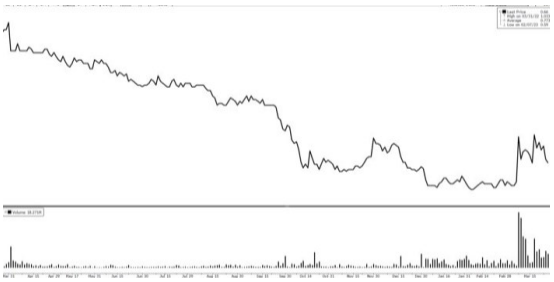
FY23 earnings missed expectations. Astro Malaysia Holdings Berhad's (Astro) FY23 core PATAMI of RM272.0m dropped -42.7%yoy. This was due to decline in merchandise sales, subscription revenue and advertising revenue. The FY23 core PATAMI came in below our and consensus' expectation, recorded at 54% and 74% of our and consensus full year estimates. The negative deviation be mainly attributed to deficient subscription revenue, advertising revenue, and merchandise sales, all of which did not meet our anticipated level.

Quarterly. Revenue in 4QFY23 declined to RM920.7m (-3.9%yoy) and core PATAMI slipped to RM55.0m (-42%yoy). The underlying cause was the decrement in subscription revenue, advertising revenue, and merchandise sales, which were counterbalanced by an increase in sales of programming rights. In terms of segmentation, the television segment experienced a decline in revenue, reaching RM895.9m (-1.3%yoy) primarily attributed to a decrease in subscription revenue and advertising revenue. On the other hand, the radio segment showed continuous growth with revenue of RM53.3m (+16.7%yoy), mainly due to the steady number of weekly radio listeners at 17.7m (+1.1%yoy). The improvement of this segment can be attributed to the recovery momentum in the transition to the endemic phase. Lastly, revenue from the home shopping arm, Go Shop, declined significantly to RM41.4m (-51.9%yoy) primarily due to weaker consumer sentiment, more cautious spending, and the resurgence of customers returning to physical stores.

Adex Growth. Astro Radio's brands have sustained its dominant position, garnering 17.7m weekly listeners through both FM and digital channels. Additionally, in FY2023, Radex and Digital Adex rose on yearly basis at growth rates of +17% and +7%, respectively, while the total Adex reached RM126m. Notably, Radex captured the majority share of 73%, followed by TV Adex at 34% and Digital Adex at 2%. The robust performances of the TV, radio, and digital platforms can be attributed to the year-end festivities and FIFA World Cup Qatar 2022.

RETURN STATISTICS	
Price @ 27th March 2023 (RM)	0.66
Expected share price return (%)	+34.9
Expected dividend yield (%)	7.6
Expected total return (%)	**+42.5**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	10.0	14.5
3 months	1.5	8.4
12 months	-38.3	-29.4

INVESTMENT STATISTICS

FYE Mar	2023A	2024F	2025F
Revenue	3,800	3,913	3,972
Operating Profit	417	792.6	804.3
Profit Before Tax	289	636	668
Core PATAMI	272	484	508
Core EPS	5.3	9.3	9.7
DPS	3.0	5.0	6.0
Dividend Yield	4.5%	7.6%	9.1%

KEY STATISTICS	
FBM KLCI	1,396.6
Issue shares (m)	5,214.50
Estimated free float (%)	37.81
Market Capitalisation (RM'm)	3,441.57
52-wk price range (RM)	0.57 - 1.1
3-mth average daily volume (m)	12.05
3-mth average daily value (RM'm)	7.89
Top Shareholders (%)	
Pantai Cahaya Bulan Ventures Sdn	20.67
All Asia Media Equities Limited	19.43
East Asia Broadcast Network System	8.09

Analyst
MIDF Research
research@midf.com.my

Maintain BUY. As earnings missed our expectation, we revised our FY24F earnings estimates downward by -46.1% to account for the lower than expected subscription revenue, advertising revenue as well as merchandise sale. Corresponding to the downward revision in earnings, our target price is revised to **RM0.89** from RM0.95. The revised target price is premised on pegging onto revised FY24 EPS of 9.3sen against an unchanged PER of 9.6x. We also introduce our FY25F estimates. Overall, we maintain a positive outlook on Astro as its prospects remain promising, with the potential to benefit from an improved Adex environment that is likely to be driven by the reopening of the economy. Hence, we maintain our **BUY** call on Astro with an upside of +42.5%.

ASTRO: 4QFY23 RESULTS SUMMARY

Income Statement (RM'm unless stated otherwise)	4QFY23	QoQ	YoY	FY23	YoY
Revenue	990.7	7.0	-3.9	3,800.1	-9.0
EBITDA	183.0	-30.9	-53.1	1,046.0	-18.7
Depreciation and amortisation	261.7	-222.9	229.6	-629.0	-18.2
EBIT	-66.6	-151.2	-135.4	417.0	-44.7
Finance cost	102.0	-172.0	356.3	-147.0	18.8
Finance income	7.9	139.4	88.1	19.0	11.8
Share of post-tax results	0.0	n.m	n.m	-0.1	n.m
PBT	43.3	-615.5	-71.6	289.0	-51.1
Taxation	-26.3	130.7	3.7	-79.0	39.2
MI	38.0	n.m	n.m.	49.0	n.m.
PATAMI	55.0	848.3	-55.4	259.0	-43.8
Core PATAMI	55.0	-24.7	-42.7	272.0	-42.7
Core EPS (sen)	1.1	-24.5	-42.5	5.2	-42.4
		+/-ppts	+/-ppts		+/-ppts
EBITDA margin (%)	18.5	-10.1	-19.3	27.5	0.0
EBIT margin (%)	143.0	223.3	194.8	-60.1	-0.2
PBT margin (%)	-25.4	35.6	67.6	-66.3	0.8
Core PATAMI margin (%)	-153.2	-44.2	-132.0	-35.3	-0.1
Effective tax rate (%)	7.7	10.1	18.3	-12.9	0.0

Source: Company, MIDFR

REVENUE BREAKDOWN

Segment	4QFY23	QoQ	YoY	FY23	YoY
Television	895.9	7.5%	-1.3%	3424.5	-5.7%
Radio	53.3	1.9%	-5.7%	192.0	16.7%
Home-shopping	41.4	1.5%	-38.1%	183.3	-51.9%
Total Revenue	990.7	7.0%	-3.9%	3799.9	-9.0%

Source: Company, MIDFR

PBT BREAKDOWN

Segment	4QFY23	QoQ	YoY	FY23	YoY
Television	54.6	-74.2%	-59.2%	266.0	-49.5%
Radio	33.3	-43.7%	-23.1%	92.4	13.1%
Home-shopping	-11.4	53.1%	-132.7%	-35.7	-8825.0%
Others	-33.2	n.m.	n.m.	-33.7	n.m.
Total PBT	43.3	-615.5%	-71.6%	289.0	-51.1%

Source: Company, MIDFR

OPERATIONAL STATISTICS

TV and Radio Segments	FY23	FY22	YoY
Total TV households in Malaysia ('000)	7,915	7,809	1.4%
TV household penetration rate (%)	69%	72%	(3 p.p.)
TV customer base ('000)	5,490	5,588	-1.8%
Pay TV ARPU (RM)	98.20	97.40	0.8%
Astro TV viewership share (%)	72%	72%	(1 p.p.)
Radio listeners weekly (m)	17.7	17.5	1.1%
Digital monthly unique visitors (mn)	8.4	14	-40.0%
Connected STBs ('000)	1,123	1,088	3.2%

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023A	2024F	2025F
Revenue	4,359.7	4,175.5	3,800.1	3,912.9	3,971.6
EBIT	876.1	754.2	417.0	792.6	804.3
Pre-tax Profit	692.80	590.70	289.00	636.36	668.22
Normalised PATAMI	511.1	480.7	272.0	483.6	507.8

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
PPE	598.8	613.9	582.2	598.3	598.3
Others	3,445.4	3,192.6	3,779.6	3,931.7	3,896.3
Total Non-Current Asset	4,044.2	3,806.5	4,361.8	4,530.0	4,494.6
Cash and Bank Balances	264.9	165.2	159.4	231.9	205.4
Others	1,476.1	1,353.0	1,179.5	990.4	940.8
Total Current Asset	1,741.0	1,518.2	1,338.9	1,222.3	1,146.1
Total Asset	**5,785.2**	**5,324.7**	**5,700.7**	**5,752.3**	**5,640.7**
LT Borrowings	2,995.7	2,094.1	2,929.7	2,868.6	2,722.0
ST Borrowings	1,640.8	2,026.9	1,673.0	1,786.4	1,781.8
Total Liability	**4,636.5**	**4,121.0**	**4,602.7**	**4,655.0**	**4,503.8**
Share Capital	6,728.4	6,728.4	6,728.4	6,728.4	6,728.4
Other Equity	- 5,579.7	- 5,524.7	- 5,630.4	- 5,631.1	- 5,591.5
Total Equity	**1,148.7**	**1,203.7**	**1,098.0**	**1,097.3**	**1,136.9**
Liability + Equity	**5,785.2**	**5,324.7**	**5,700.7**	**5,752.3**	**5,640.7**

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
Pretax Profit	862.70	692.80	590.70	664.49	636.36
Cash flow from operation	1,671.20	1,682.90	1,284.60	1,307.70	1,634.22
Cash flow from investing	-774.50	-534.10	-306.20	-465.80	-463.33
Cash flow from financing	-842.30	-1,178.70	-1,077.50	-846.70	-1,184.43
Net decrease in Cash and Cash Equivalents	54.40	-29.90	-99.10	-4.80	-13.53
Effect of exchange rate changes	0.70	-0.80	-0.60	-1.00	-1.00
Beginning cash flow	**240.50**	**295.60**	**264.90**	**165.20**	**159.40**
Ending cash flow	**295.60**	**264.90**	**165.20**	**159.40**	**144.87**

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBIT	20.1	18.1	11.0	20.3	20.3
PBT	15.9	14.1	7.6	16.3	16.8
Normalised PATAMI	11.7	11.5	7.2	12.4	12.8

Source: Bloomberg, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loess, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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