



Company report

ASTRO MALAYSIA

(ASTRO MK EQUITY, AAAN.KL)

10 Dec 2021

9MFY22 misses expectations

BUY

(Maintained)

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Rationale for report: Company results

Price	RM0.965
Fair Value	RM1.33
52-week High/Low	RM1.26/RM0.85

Key Changes

Fair value	↕
EPS	↔

YE to Jan	FY21	FY22F	FY23F	FY24F
Revenue (RM mil)	4,359.7	4,327.2	4,328.8	4,261.1
Core net profit (RM mil)	533.8	492.9	516.6	526.1
FD Core EPS (sen)	10.2	9.4	9.9	10.0
FD Core EPS growth (%)	(36.7)	(7.7)	4.8	1.0
Consensus Net Profit (RM mil)	-	528.2	570.7	646.1
DPS (sen)	8.0	7.5	7.5	8.0
PE (x)	9.2	10.2	9.7	9.7
EV/EBITDA (x)	4.4	4.0	4.3	4.3
Div yield (%)	8.4	7.8	7.8	8.3
ROE (%)	55.8	44.7	44.4	41.6
Net Gearing (%)	197.9	148.0	187.5	138.2

Stock and Financial Data

Shares Outstanding (million)	5,214.5
Market Cap (RMmil)	4,927.7
Book Value (RM/share)	0.21
P/BV (x)	4.6
ROE (%)	55.8
Net Gearing (%)	197.9

Major Shareholders	PCB Ventures Sdn (20.7%) All Asia Media Equities Limited (19.4%) East Asia Broadcast Network Systems (8.1%)
Free Float	36.1
Avg Daily Value (RMmil)	3.7

Price performance	3mth	6mth	12mth
Absolute (%)	(8.3)	(19.2)	(2.1)
Relative (%)	(1.9)	(14.2)	7.0



Investment Highlights

- We maintain BUY on Astro Malaysia Holdings (Astro) with a lower DCF-derived fair value of RM1.33/share (from RM1.79/share previously), which includes a 3% premium for our 4-star ESG rating (Exhibit 3).
- Excluding exceptional items, Astro's 9MFY22 core net profit of RM344mil missed expectations, accounting for only 67% of our earlier FY22F earnings and 65% of consensus estimates (vs. 71%–81% for 9M contribution over FY20–FY21 earnings).
- Hence, we cut our earnings forecast by 4% for FY22F and 6% for FY23F. This is due to lower assumptions for TV subscriptions and home shopping business dampened by lacklustre consumer spending and the prosperity tax impact in FY22.
- Meanwhile, the company declared a 3QFY22 DPS of 1.5 sen, which translates to 9MFY22 dividend of 4.5 sen (+13% YoY) and a payout ratio of 70%.
- YoY, the group's 9MFY22 core net profit dropped 9% from weaker television (TV) earnings and halving of home shopping pretax margin. These are the YoY highlights:
 - The TV segment's PBT fell 12% as spillover effects from intensified lockdowns led to decreased subscriptions and advertising revenue.
 - Home shopping PBT was reduced by 63% in tandem with a 10% decline in sales as consumers returned to physical stores following the easing of movement restrictions.
 - This was partly offset by radio's PBT improving by 6% as lower licence, copyright and royalty fees more than offset the lower revenue.
- QoQ, the group's 3QFY22 PBT climbed by 15% to RM134mil, mainly from lower TV content costs, partially offset by higher radio marketing expenses and normalisation of licence, copyright and royalty fees. Meanwhile, home shopping reversed to a 3QFY22 loss of RM1mil from an equivalent 2QFY22 pretax profit.
- We are cautiously optimistic on Astro's earnings momentum as the home shopping segment, currently loss-making, could continue to drag the overall performance.
- On a positive note, we expect a strong 4QFY22 rebound, similar to 1QFY22 earnings from an adex recovery underpinned by the relaxation of movement restrictions for fully vaccinated individuals.

- We continue to like Astro for its: (i) strength in vernacular content and high household penetration rate of 72% currently; (ii) move to expand offerings by aggregating streaming services via OTT partnerships and launching of its own Sooka online app; and (iii) attractive dividend yield of 8%.
- Currently, the stock trades at a FY22F PE of only 10x vs. a 3-year average of 12x.

EXHIBIT 1: EARNINGS SUMMARY

FYE 31 Jan (RM mil)	3QFY21	2QFY22	3QFY22	QoQ %	YoY %	9MFY21	9MFY22	YTD %
Revenue	1,107.0	1,060.3	1,022.4	(3.6)	(7.6)	3,250.9	3,144.2	(3.3)
Operating costs	(730.7)	(737.4)	(746.0)	1.2	2.1	(2,153.8)	(2,168.5)	0.7
EBITDA	376.3	322.9	276.4	(14.4)	(26.5)	1,097.1	975.7	(11.1)
Depreciation	(154.0)	(137.0)	(138.0)	0.7	(10.4)	(452.0)	(414.0)	(8.4)
Interest expense	(47.5)	(61.4)	(27.1)	(55.9)	(42.9)	(181.1)	(141.0)	(22.1)
Associates	(0.3)	0.2	0.0	(>100)	(>100)	(0.2)	0.1	(>100)
PBT	206.8	117.4	134.4	14.5	(35.0)	491.1	438.4	(10.7)
Tax	(40.6)	(29.6)	(29.3)	(1.0)	(27.8)	(114.8)	(102.8)	(10.5)
PAT	164.5	88.4	104.3	18.0	(36.6)	372.0	336.9	(9.4)
Adjustments for non-core items	(11.0)	(12.5)	(7.5)	(40.0)	(31.8)	8.0	7.5	(6.3)
Core Net Profit	153.5	100.9	96.8	(4.1)	(36.9)	380.0	344.4	(9.4)
Basic EPS (sen)	3.1	1.7	2.0	17.6	(35.5)	7.1	6.4	(9.9)
DPS (sen)	1.5	1.5	1.5	0.0	0.0	4.0	4.5	12.5
EBITDA margin (%)	34.0	30.5	27.0			33.7	31.0	
Effective tax rate (%)	19.6	25.2	21.8			23.4	23.4	
Core PATMI margin (%)	13.9	9.5	9.5			11.7	11.0	

Source: AmInvestment Bank Bhd, Company

EXHIBIT 2: SEGMENTAL BREAKDOWN

FY31 Jan (RM mil)	3QFY21	2QFY22	3QFY22	QoQ (%)	YoY (%)	9MFY21	9MFY22	YTD %
Television	946.1	922.2	896.1	(2.8)	(5.3)	2,785.7	2,721.8	(2.3)
Radio	50.2	32.7	32.5	(0.6)	(35.3)	114.5	108.0	(5.7)
Home shopping	110.7	105.3	93.8	(10.9)	(15.3)	350.7	314.3	(10.4)
Corporate function & elimination	-	0.1	-	n/a	n/a	-	0.1	n/a
Revenue	1,107.0	1,060.3	1,022.4	(3.6)	(7.6)	3,250.9	3,144.2	(3.3)
Television	176.7	102.6	127.3	24.1	(28.0)	447.0	393.0	(12.1)
Radio	27.6	14.2	6.4	(54.9)	(76.8)	36.3	38.4	5.8
Home shopping	4	1.2	(1.2)	(>100)	(>100)	12.3	4.5	(63.4)
Corporate function & elimination	(1.5)	(0.6)	1.9	(>100)	(>100)	(4.5)	2.5	(>100)
PBT/(LBT)	206.8	117.4	134.4	14.5	(35.0)	491.1	438.4	(10.7)
Pretax margin (%)								
Television	18.7	11.1	14.2			16.0	14.4	
Radio	55.0	43.4	19.7			31.7	35.6	
Home shopping	3.6	1.1	(1.3)			3.5	1.4	
Breakdown by business model								
Subscription	807.3	779.3	763.4	(2.0)	(5.4)	2,449.6	2,319.4	(5.3)
Advertising	127.2	99.2	94.2	(5.0)	(25.9)	297.6	302.7	1.7
Merchandise sales	110.3	104.2	93	(10.7)	(15.7)	348.7	311.1	(10.8)
Others	62.2	77.6	71.8	(7.5)	15.4	155.0	211.0	36.1
Revenue	1,107.0	1,060.3	1,022.4	(3.6)	(7.6)	3,250.9	3,144.2	(3.3)
Contribution to revenue (%)								
Subscription	72.9	73.5	74.7			75.4	73.8	
Advertising	11.5	9.4	9.2			9.2	9.6	
Merchandise sales	10.0	9.8	9.1			10.7	9.9	
Others	5.6	7.3	7.0			4.8	6.7	

Source: AmInvestment Bank Bhd, Company

EXHIBIT 3: ESG RATING

Overall	★	★	★	★	
Energy efficiency	★	★	★	★	
Recycling & waste management	★	★	★	★	
Content management	★	★	★	★	
Digital transformation	★	★	★		
Customer reach and experience	★	★	★	★	★
Corporate social responsibility	★	★	★	★	★
Human capital development	★	★	★	★	
Board diversity	★	★			
Accessibility & transparency	★	★	★	★	

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

Source: AmInvestment Bank Bhd

EXHIBIT 4: PB BAND CHART



EXHIBIT 5: PE BAND CHART



EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 31 Jan)	FY20	FY21	FY22	FY23	FY24
Revenue	4,911.8	4,359.7	4,327.2	4,328.8	4,261.1
EBITDA	2,081.1	1,590.7	1,655.9	1,684.1	1,602.5
Depreciation/Amortisation	(831.0)	(708.6)	(794.4)	(837.0)	(756.9)
Operating income (EBIT)	1,250.0	882.1	861.5	847.1	845.6
Other income & associates	0.1	(0.1)	0.0	0.0	0.0
Net interest	(203.4)	(183.2)	(146.5)	(183.0)	(174.7)
Exceptional items	(2.0)	6.0	0.0	0.0	0.0
Pretax profit	1,048.8	692.8	715.0	664.0	670.9
Taxation	(218.1)	(165.0)	(234.0)	(159.4)	(161.0)
Minority interests	10.7	12.0	11.9	11.9	11.8
Net profit	841.4	539.8	492.9	516.6	521.6
Core net profit	843.4	533.8	492.9	516.6	521.6
Balance Sheet (RMmil, YE 31 Jan)	FY20	FY21	FY22	FY23	FY24
PPE	720.5	598.9	601.2	492.1	390.8
Intangible assets	2,023.7	1,895.9	1,731.2	1,568.5	1,410.4
Other long-term assets	1,581.8	1,415.0	1,420.2	1,233.2	1,045.9
Total non-current assets	4,326.0	3,909.7	3,752.6	3,293.8	2,847.1
Cash & equivalent	338.1	264.9	230.0	314.7	570.4
Inventories	13.1	12.8	12.8	12.8	14.4
Trade receivables	358.4	248.8	301.4	301.5	387.4
Other current assets	1,034.1	1,034.1	892.8	827.4	827.3
Total current assets	1,743.7	1,560.6	1,437.0	1,456.3	1,799.5
Trade payables	557.9	557.9	557.9	555.9	551.7
Short-term borrowings	468.9	319.8	399.4	389.8	388.5
Other current liabilities	777.9	763.1	763.1	763.1	763.1
Total current liabilities	1,804.7	1,640.8	1,720.4	1,708.8	1,703.3
Long-term borrowings	2,130.1	2,077.9	1,499.6	2,176.2	1,985.6
Other long-term liabilities	1,324.8	917.8	917.8	917.8	917.8
Total long-term liabilities	3,455.0	2,995.7	2,417.4	3,094.0	2,903.4
Shareholders' funds	855.8	1,077.8	1,127.5	1,200.9	1,305.3
Minority interests & perpetual bond	83.0	70.9	59.0	47.0	35.3
BV/share (RM)	0.16	0.21	0.22	0.23	0.25
Cash Flow (RMmil, YE 31 Jan)	FY20	FY21	FY22	FY23	FY24
Pretax profit	1,048.8	692.8	715.0	664.0	670.9
Depreciation/Amortisation	831.0	708.6	794.4	837.0	756.9
Net change in working capital	(322.8)	13.2	(52.6)	(2.0)	(91.8)
Others	280.1	252.2	252.3	252.3	252.3
Cash flow from operations	1,837.1	1,666.8	1,709.1	1,751.3	1,588.3
Capital expenditure	(28.8)	(400.6)	(206.1)	(205.4)	(203.8)
Net investments & sale of fixed assets	0.0	0.0	0.0	0.0	0.0
Others	(738.6)	(135.1)	(324.8)	(326.5)	(329.8)
Cash flow from investing	(767.4)	(535.7)	(530.9)	(531.9)	(533.6)
Debt raised/(repaid)	(235.2)	(776.8)	(498.7)	(498.7)	(191.9)
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	(391.1)	(286.8)	(443.2)	(443.2)	(417.2)
Others	(0.0)	0.0	0.0	0.0	0.0
Cash flow from financing	(626.3)	(1,063.6)	(941.9)	(941.9)	(609.0)
Net cash flow	443.4	67.5	236.3	277.4	445.7
Adjustments	0.8	(0.8)	0.0	0.0	0.0
Net cash/(debt) b/f	240.5	295.6	264.9	230.0	314.7
Net cash/(debt) c/f	684.6	362.3	501.2	507.4	760.3
Key Ratios (YE 31 Jan)	FY20	FY21	FY22	FY23	FY24
Revenue growth (%)	(10.4)	(11.2)	(0.7)	0.0	(1.6)
EBITDA growth (%)	16.2	(23.6)	4.1	1.7	(4.8)
Pretax margin (%)	21.4	15.9	16.5	15.3	15.7
Net profit margin (%)	17.1	12.4	11.4	11.9	12.2
Interest cover (x)	6.1	4.8	5.9	4.6	4.8
Effective tax rate (%)	20.8	23.8	32.7	24.0	24.0
Dividend payout (%)	46.5	77.3	79.3	75.7	80.0
Receivable turnover (days)	26.6	20.8	25.4	25.4	33.2
Inventory turnover (days)	1.1	1.1	1.1	1.1	1.2
Payable turnover (days)	39.9	46.7	47.1	47.0	47.4

Source: Company, AmInvestment Bank Bhd estimates

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