



**AmInvestment Bank**

**Company report**

# ASTRO MALAYSIA

(ASTRO MK EQUITY, AAAN.KL)

16 Dec 2022

*Recovering adex and attractive dividend yield*

**BUY**

(Maintained)

**AmInvestment Bank**

Team Coverage

03-2070 2444

**Rationale for report: Company result**

Price	RM0.71
Fair Value	RM1.02
52-week High/Low	RM1.10/RM0.64

**Key Changes**

Fair value	⬇️
EPS	⬇️

YE to Jan	FY22	FY23F	FY24F	FY25F
Revenue (RM mil)	4,175.4	4,097.2	4,043.0	3,998.1
Core net profit (RM mil)	446.9	404.5	456.2	476.8
FD Core EPS (sen)	8.6	7.8	8.7	9.1
FD Core EPS growth (%)	(18.1)	(9.5)	12.8	4.5
Consensus Net Profit (RM mil)	-	436.0	468.6	452.2
DPS (sen)	6.8	5.9	6.6	6.9
PE (x)	8.3	9.2	8.1	7.8
EV/EBITDA (x)	4.0	4.4	3.5	3.5
Div yield (%)	9.5	8.2	9.3	9.7
ROE (%)	41.7	33.9	35.2	34.2
Net Gearing (%)	224.2	184.2	102.6	71.2

**Stock and Financial Data**

Shares Outstanding (million)	5,214.5
Market Cap (RM mil)	3,702.3
Book Value (RM/share)	0.22
P/BV (x)	3.3
ROE (%)	41.7
Net Gearing (%)	224.2

Major Shareholders	PCB Ventures (20.7%)
	All Asia Media Equities Limited (19.4%)
	East Asia Broadcast Network Systems (8.1%)

Free Float	36.5
Avg Daily Value (RM mil)	2.3

Price performance	3mth	6mth	12mth
Absolute (%)	(16.5)	(24.1)	(25.3)
Relative (%)	(16.5)	(24.5)	(24.5)



**Investment Highlights**

- We maintain BUY on Astro Malaysia (Astro) with a lower DCF-derived fair value (FV) of RM1.02/share (vs RM1.18/share previously). Our FV reflects a 3% premium for its 4-star ESG rating and it implies a FY24F PE of 12x, near our 5-year average of 13x.
- Astro's 9MFY23 core net profit (CNP) of RM295mil (excluding post-tax unrealised forex loss related to transponder-related lease liabilities of RM91mil) was below expectations as it accounted for 68% of our FY23F forecasts and consensus estimates.
- The deviation is due to weaker-than-expected contribution by TV and home shopping segment. Hence, we lower our earnings estimates for FY23F by 7% while fine-tuning FY24F-25F.
- Astro also declared DPS of 0.75 sen for 3QFY23 (3QFY22: 1.5 sen), bringing 9MFY23 total DPS to 3 sen (9MFY22: 4.5 sen). Management intends to maintain their dividend policy, i.e. minimum 75% pay-out of group's consolidated profits.
- YoY, Astro's 9MFY23 CNP fell 14% on weaker TV and home shopping earnings:-
  - TV's PBT shrank 46% YoY to RM211mil as TV revenue fell 7% due to decreased subscription revenue, TV ad revenue, as well as sales and programming rights together with higher broadband expenses.
  - Radio's PBT improved by 54% YoY to RM59mil in tandem with 28% YoY growth in radio revenue. The segment benefited from higher radex spend in line with Malaysia's transition to endemic.
  - Home shopping dipped further into the red to RM24mil as shoppers returned to physical stores following the easing of movement restriction orders.
- QoQ, Astro's CNP dropped by 30% to RM73mil in 3QFY23 mainly due to higher marketing expenses, content cost and broadband customer acquisition cost.

- In 4QFY23, we expect ad-spend to improve due to festivities in Dec 2022 (Christmas) and Jan 2023 (Chinese New Year). While subscription revenue would be higher due to FIFA World Cup and Premier League, margins may be compressed by higher content cost. Meanwhile, we think home shopping segment will continue to drag its earnings as shoppers return to physical stores.
- Over the long-term, we believe recovery will be spurred by value-for-money bundled packages and aggregated over-the-top (OTT) streaming with seamless navigation and broadband bundling. Astro would also benefit from the criminalisation of digital piracy in the Copyrights (Amendment) Act 2022, which was gazetted in Feb 2022. Reiterating our view, Astro won an anti-piracy case against a commercial establishment in Nov 2022, which sets a precedent that it is illegal for commercial premises to broadcast contents from unauthorised sources.

Astro has also taken steps to position themselves for a recovery in adex and consumer spending in FY24F, via the launch of addressable advertising in Jun 2022. It allows scaling to suit various industries and business sizes, making it possible for SMEs to access TV advertising.

- We continue to like Astro for its: (i) strength in vernacular content; (ii) attractive dividend yield of 8.2%; (iii) ongoing efforts to incorporate major streaming services into set-up boxes; and (iv) venture into internet service provider, Astro Fibre. Downside risks include macroeconomic headwinds which may dampen consumer and business sentiment.
- Astro is currently trading at an attractive 8.1x FY24F PE, 38% lower than its 5-year average of 13x

## EXHIBIT 1 QUARTERLY RESULTS

FYE 31 Jan (RM mil)	3QFY22	2QFY23	3QFY23	QoQ %	YoY %	9MFY22	9MFY23	YoY %
Revenue	1,022.4	921.1	926.2	0.6	(9.4)	3,144.2	2,809.4	(10.6)
<b>EBITDA</b>	<b>273.8</b>	<b>287.4</b>	<b>322.8</b>	<b>12.3</b>	<b>17.9</b>	<b>978.1</b>	<b>944.4</b>	<b>(3.4)</b>
EBIT	135.8	172.4	187.8	8.9	38.3	564.1	565.4	0.2
Exceptional Items	10.0	(5.0)	(67.0)	>100.0	(>100.0)	(10.0)	(91.0)	>100.0
<b>PBT</b>	<b>134.4</b>	<b>127.2</b>	<b>(8.4)</b>	<b>(&gt;100.0)</b>	<b>(&gt;100.0)</b>	<b>438.4</b>	<b>245.7</b>	<b>(44.0)</b>
Taxation	(29.3)	(32.5)	11.4	(>100.0)	(>100.0)	(102.8)	(52.2)	(49.2)
Minority interest	0.8	3.8	2.8	(26.3)	>100.0	(1.3)	10.8	(>100.0)
<b>Net Profit</b>	<b>105.9</b>	<b>98.5</b>	<b>5.8</b>	<b>(94.1)</b>	<b>(94.5)</b>	<b>334.3</b>	<b>204.3</b>	<b>(38.9)</b>
<b>Core Net Profit</b>	<b>95.9</b>	<b>103.5</b>	<b>72.8</b>	<b>(29.7)</b>	<b>(24.1)</b>	<b>344.3</b>	<b>295.3</b>	<b>(14.2)</b>
Basic EPS (sen)	2.0	1.9	0.1	(94.7)	(95.0)	6.4	3.9	(39.1)
DPS (sen)	1.5	1.0	0.8	(25.0)	(50.0)	4.5	3.0	(33.3)
EBITDA Margin %	26.8	31.2	34.9			31.1	33.6	
EBIT Margin %	13.3	18.7	20.3			17.9	20.1	
PBT Margin %	13.1	13.8	(0.9)			13.9	8.7	
Effective Tax Rate %	21.8	25.6	135.7			23.4	21.2	
Core Net Profit Margin %	9.4	11.2	7.9			11.0	10.5	
<b>Segmental Revenue</b>								
Television	896.1	836.3	833.1	(0.4)	(7.0)	2,721.8	2,528.6	(7.1)
Radio	32.5	37.6	52.3	39.1	60.9	108.0	138.7	28.4
Home-shopping	93.8	47.1	40.8	(13.4)	(56.5)	314.3	141.9	(54.9)
<b>Segmental PBT</b>								
Television	127.3	119.8	(18.7)	(>100.0)	(>100.0)	393.0	211.4	(46.2)
Radio	6.4	12.3	20.7	68.3	>100.0	38.4	59.1	53.9
Home-shopping	(1.2)	(8.4)	(6.1)	(27.4)	>100.0	4.5	(24.3)	(>100.0)
<b>PBT Margin</b>								
Television %	14.2	14.3	(2.2)			14.4	8.4	
Radio %	19.7	32.7	39.6			35.6	42.6	
Home-shopping %	(1.3)	(17.8)	(15.0)			1.4	(17.1)	
<b>Revenue Breakdown by Business Model</b>								
Subscription	763.4	721.8	706.5	(2.1)	(7.5)	2,319.4	2,158.9	(6.9)
Advertising	94.2	87.1	110.2	26.5	17.0	302.7	309.0	2.1
Merchandise sales	93.0	46.2	40.1	(13.2)	(56.9)	311.1	140.0	(55.0)
Others	71.8	66.0	69.4	5.2	(3.3)	211.0	201.5	(4.5)

Source: Company

**EXHIBIT 2 OVERVIEW ON ASTRO'S OPERATIONS**

	31/01/18	31/01/19	31/01/20	31/01/21	31/01/22	30/04/22	31/07/22	31/10/22
Total TV Households in Malaysia ('000)	7,321	7,439	7,559	7,680	7,809	7,835	7,862	7,889
TV Household Penetration	75%	77%	75%	74%	72%	71%	70%	70%
TV Customer Base ('000)	5,489	5,713	5,697	5,689	5,588	5,561	5,541	5,501
Pay TV ARPU (RM)	99.9	99.9	100.0	96.9	97.2	97.4	97.4	97.4
Radio Listeners Weekly (mil)	16.5	16.2	18.0	17.0	17.5	18.2	18.0	17.7

Source: Company

**EXHIBIT 3 PB BAND CHART**



**EXHIBIT 4 PE BAND CHART**



**EXHIBIT 5 ESG RATING**

<b>Overall</b>	★	★	★	★	
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: AmlInvestment Bank

## EXHIBIT 6 FINANCIAL DATA

Income Statement (RMmil, YE 31 Jan)	FY21	FY22	FY23F	FY24F	FY25F
Revenue	4,359.7	4,175.4	4,097.2	4,043.0	3,998.1
EBITDA	1,765.3	1,565.5	1,367.2	1,438.0	1,357.0
Depreciation/Amortisation	(896.9)	(826.5)	(677.6)	(689.4)	(631.6)
Operating income (EBIT)	868.4	739.0	689.6	748.6	725.4
Other income & associates	(0.1)	0.1	-	-	-
Net interest	(181.4)	(134.4)	(157.7)	(148.6)	(98.4)
<b>Exceptional items</b>	<b>6.0</b>	<b>(14.0)</b>	-	-	-
Pretax profit	692.8	590.7	532.0	600.0	627.0
Taxation	(165.0)	(130.1)	(127.7)	(144.0)	(150.5)
<b>Minorities/pref dividends</b>	<b>12.0</b>	<b>0.3</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>
Net profit	539.8	460.9	404.5	456.2	476.8
Core net profit	545.8	446.9	404.5	456.2	476.8
Balance Sheet (RMmil, YE 31 Jan)	FY21	FY22	FY23F	FY24F	FY25F
Fixed assets	598.9	613.9	529.3	395.3	269.3
Intangible assets	1,934.2	2,004.7	1,918.9	1,862.1	1,783.6
<b>Other long-term assets</b>	<b>1,511.2</b>	<b>1,187.9</b>	<b>1,050.5</b>	<b>912.7</b>	<b>774.7</b>
Total non-current assets	4,044.2	3,806.6	3,498.7	3,170.1	2,827.7
Cash & equivalent	264.9	165.2	699.8	1,372.1	1,419.2
Stock	12.8	19.6	13.3	13.1	12.9
Trade debtors	247.1	235.1	236.6	233.4	230.8
<b>Other current assets</b>	<b>1,216.2</b>	<b>1,098.3</b>	<b>1,098.3</b>	<b>1,098.3</b>	<b>1,098.3</b>
Total current assets	1,741.0	1,518.2	2,048.0	2,717.0	2,761.2
Trade creditors	326.3	490.0	334.1	328.7	324.7
Short-term borrowings	322.5	893.7	988.4	950.1	912.4
<b>Other current liabilities</b>	<b>992.0</b>	<b>643.1</b>	<b>606.0</b>	<b>1,126.7</b>	<b>1,023.9</b>
Total current liabilities	1,640.8	2,026.8	1,928.4	2,405.6	2,261.1
Long-term borrowings	2,690.7	1,815.9	2,018.6	1,796.1	1,536.1
<b>Other long-term liabilities</b>	<b>305.0</b>	<b>278.3</b>	<b>278.3</b>	<b>278.3</b>	<b>278.3</b>
<b>Total long-term liabilities</b>	<b>2,995.7</b>	<b>2,094.2</b>	<b>2,297.0</b>	<b>2,074.4</b>	<b>1,814.4</b>
Shareholders' funds	1,077.8	1,135.1	1,252.9	1,338.8	1,445.4
Minority interests	70.9	68.7	68.4	68.2	67.9
BV/share (RM)	0.21	0.22	0.24	0.26	0.28
Cash Flow (RMmil, YE 31 Jan)	FY21	FY22	FY23F	FY24F	FY25F
Pretax profit	692.8	590.7	532.0	600.0	627.0
Depreciation/Amortisation	896.9	826.5	677.6	689.4	631.6
Net change in working capital	13.2	(220.8)	(151.0)	(2.0)	(1.2)
<b>Others</b>	<b>75.6</b>	<b>86.7</b>	<b>130.4</b>	<b>105.0</b>	<b>48.2</b>
Cash flow from operations	1,678.6	1,283.1	1,188.9	1,392.3	1,305.7
Capital expenditure	(400.6)	(593.8)	(179.7)	(176.8)	(174.7)
Net investments & sale of fixed assets	5.9	0.9	-	-	-
<b>Others</b>	<b>(135.1)</b>	<b>288.2</b>	<b>(310.8)</b>	<b>(311.4)</b>	<b>(273.8)</b>
Cash flow from investing	(529.8)	(304.7)	(490.5)	(488.2)	(448.5)
Debt raised/(repaid)	(776.8)	(548.2)	297.4	297.4	(297.7)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(286.8)	(443.2)	(286.8)	(370.2)	(370.2)
<b>Others</b>	<b>(115.1)</b>	<b>(86.1)</b>	<b>(174.3)</b>	<b>(159.0)</b>	<b>(142.2)</b>
<b>Cash flow from financing</b>	<b>(1,178.7)</b>	<b>(1,077.5)</b>	<b>(163.7)</b>	<b>(231.8)</b>	<b>(810.1)</b>
<b>Net cash flow</b>	<b>(29.9)</b>	<b>(99.1)</b>	<b>534.6</b>	<b>672.3</b>	<b>47.0</b>
<b>Net cash/(debt) b/f</b>	<b>295.6</b>	<b>264.9</b>	<b>165.2</b>	<b>699.8</b>	<b>1,372.1</b>
Net cash/(debt) c/f	264.9	165.2	699.8	1,372.1	1,419.2
Key Ratios (YE 31 Jan)	FY21	FY22	FY23F	FY24F	FY25F
Revenue growth (%)	(11.2)	(4.2)	(1.9)	(1.3)	(1.1)
EBITDA growth (%)	(15.3)	(11.3)	(12.7)	5.2	(5.6)
Pretax margin (%)	15.9	14.1	13.0	14.8	15.7
Net profit margin (%)	12.4	11.0	9.9	11.3	11.9
Interest cover (x)	4.8	5.5	4.4	5.0	7.4
Effective tax rate (%)	23.8	22.0	24.0	24.0	24.0
Dividend payout (%)	77.3	76.4	75.4	75.4	75.5
Debtors turnover (days)	21	21	21	21	21
Stock turnover (days)	1	1	1	1	1
Creditors turnover (days)	37	36	37	30	30

Source: Company, AmlInvestment Bank Bhd estimates

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