

Astro Malaysia (ASTRO MK)

Resilient in the face of the FMCO

Maintain BUY call and MYR1.36 DCF-based TP

2QFY22/6MFY22 earnings were above our expectations but dividends were within our expectations. Positively, ASTRO's 2QFY22 revenue held firm QoQ despite the FMCO which severely weakened consumer sentiment. Earnings of future quarters ought to be better due to the number of new COVID-19 cases easing and non-recurrence of UEFA Euro Cup and Summer Olympics content cost. We maintain our earnings estimates, BUY call and MYR1.36 DCF-based TP on ASTRO.

Earnings outperformed; dividends in-line

2QFY22 core net profit of MYR101.2m brought 6MFY22 core net profit to MYR248.4m which was above our expectations at 59% of our FY estimate. Yet, 6MFY22 revenue of MYR2.1b was within our expectations at 50% of our FY estimate. The earnings outperformance was largely due to 6MFY22 content cost of MYR630m coming in 5% below our expectations. More importantly, the second interim DPS of 1.5sen brought 6MFY22 DPS to 3.0sen which was within our expectations at 50% of our FY estimate.

Fared well despite the FMCO

Despite the Full Movement Control Order (FMCO) taking effect on 1 Jun 2021 and negatively impacting ASTRO's operations for 2 months in 2QFY22, 2QFY22 TV subscription revenue was flattish QoQ and 2QFY22 ARPU was up 20sen QoQ to MYR97.4. This suggests to us that Pay-TV churn rate has troughed despite the FMCO. To be sure, ASTRO was not invulnerable as 2QFY22 radio adex and 2QFY22 home shopping revenue weakened QoQ.

Future quarters ought to be better

With the number of new COVID-19 cases in Malaysia easing, ASTRO hopes that the economy will return to some sense of normalcy and pave the way for its revenues, whether they are TV subscription, adex or home shopping, to recover. It is also poised to revise its subscription packages soon. Furthermore, the high-ish UEFA Euro Cup and Summer Olympics content cost will not recur for another 3-4 years. We maintain our earnings estimates and MYR1.36 DCF-based TP for now.

FYE Jan (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	4,912	4,360	4,212	4,330	4,452
EBITDA	1,723	1,472	1,304	1,443	1,418
Core net profit	656	534	419	503	507
Core FDEPS (sen)	12.6	10.2	8.0	9.6	9.7
Core FDEPS growth(%)	16.3	(18.7)	(21.7)	20.0	0.8
Net DPS (sen)	7.5	8.0	6.0	7.0	7.0
Core FD P/E (x)	9.5	8.3	13.1	10.9	10.8
P/BV (x)	7.3	4.1	4.6	4.1	3.7
Net dividend yield (%)	6.3	9.4	5.7	6.7	6.7
ROAE (%)	90.9	55.8	37.1	40.1	36.4
ROAA (%)	10.5	8.9	7.4	9.0	9.5
EV/EBITDA (x)	5.5	4.9	6.2	5.5	5.0
Net gearing (%) (incl perps)	339.1	239.2	201.0	174.6	107.6
Consensus net profit	-	-	545	573	584
MKE vs. Consensus (%)	-	-	(23.1)	(12.2)	(13.2)

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BUY

Share Price	MYR 1.05
12m Price Target	MYR 1.36 (+35%)
Previous Price Target	MYR 1.36

Company Description

Astro Malaysia is an integrated consumer media entertainment group in Malaysia with operations in Pay-TV, Radio, Publications and Digital Media.

Statistics

52w high/low (MYR)	1.25/0.72
3m avg turnover (USDm)	1.1
Free float (%)	35.5
Issued shares (m)	5,215
Market capitalisation	MYR5.5B
	USD1.3B

Major shareholders:

Krishnan Tatparanandam Ananda	41.3%
Khazanah Nasional Bhd.	20.7%
Harapan Terus Sdn. Bhd.	8.7%

Price Performance



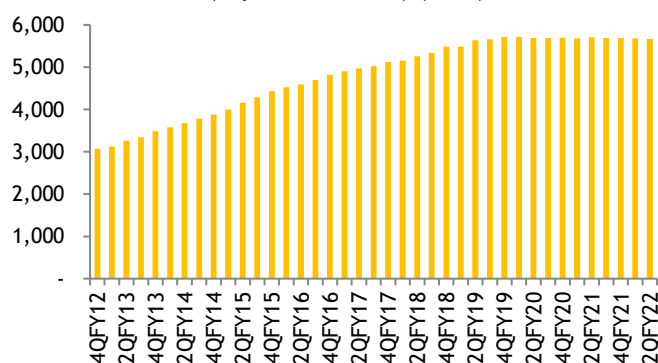
	-1M	-3M	-12M
Absolute (%)	(3)	(11)	29
Relative to index (%)	(3)	(8)	26

Source: FactSet

Value Proposition

- Integrated media group with operations in Pay-TV (90% of revenue), radio, publications and digital media.
- Largest Pay-TV operator with 5.7m subscribers - Pay-TV and subscription-free viewers (NJOI).
- Penetration rate in Malaysia is 74%. Growth driven by upgrading NJOI viewers to Pay-TV viewers.
- Challenge is to upsell HD products, diversify to IPTV and SVOD while managing content cost.
- That said, ASTRO is a lot more resilient than the adex-based media groups due to its stable subscriber base.
- Highly FCF generative. Capex is mostly maintenance and set-top-boxes (STB).

Number of viewers (Pay-TV and NJOI) ('000)

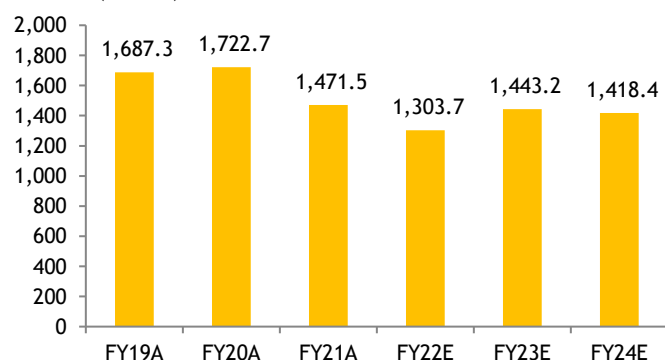


Source: Company

Financial Metrics

- Key financial metric is EBITDA because depreciation and amortisation are substantial at MYR600m-MYR700m p.a.
- Mismatch between net profit and FCF due to depreciation of STBs (3 years when useful life is often longer).
- Forecast FY22E EBITDA to ease 11% YoY on UEFA Euro Cup and Olympics content cost.
- Forecast FY23E EBITDA to recover 11% YoY on non-recurrence of UEFA Euro Cup and Olympics content cost.
- Net gearing high at >200% as at end-FY21 but net debt/EBITDA manageable at <2x.

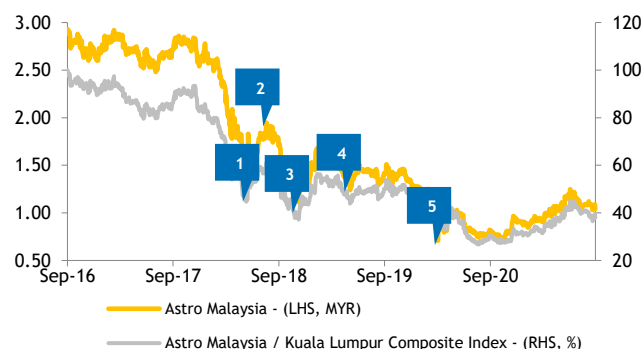
EBITDA (MYRm)



Source: Company, Maybank Kim Eng

Price Drivers

Historical share price trend



Source: Company, Maybank Kim Eng

1. YoY decline in TV subscription revenue continued to accelerate.
2. New Pakatan Harapan government zero-rated Goods & Services Tax, boosting consumer sentiment.
3. Regulatory concerns arose that the new Pakatan Harapan government may license more competitors.
4. YoY decline in TV subscription revenue continued to accelerate.
5. COVID-19 pandemic strikes Malaysia. To date, there are 2,112,175 cases and 23,744 deaths.

Swing Factors

Upside

- More Pay-TV subscribers - require six to twelve months to break-even but they drive long-term growth.
- More HD products subscribers - drive ARPU growth due to their high monthly subscription fees.
- Higher average revenue per user (ARPU) - all else being equal, higher ARPUs translate into higher margins.

Downside

- Higher content cost - ~30% of total cash expenses and vulnerable to fluctuations in the USDMYR exchange rate.
- Stronger MYR/USD exchange rate - STBs, satellite transponders and 2/3 of content cost are denominated in USD.
- More new competitors - concession ends in Feb 2022 but monopoly on direct-to-home services ended in Feb 2017.

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Figure 1: Summary Results Table

FY Jan (MYRm)	2Q22	2Q21	% YoY	1Q22	% QoQ	6MFY22	6MFY21	% YoY
Turnover	1,060.3	1,091.0	(2.8)	1,061.5	(0.1)	2,121.8	2,143.9	(1.0)
Operating expenses	(749.9)	(719.0)	4.3	(687.5)	9.1	(1,437.4)	(1,441.7)	(0.3)
EBITDA	310.4	372.0	(16.6)	374.0	(17.0)	684.4	702.2	(2.5)
Depreciation & amortisation	(137.0)	(153.7)	(10.9)	(139.1)	(1.5)	(276.1)	(298.4)	(7.5)
EBIT	173.4	218.3	(20.6)	234.9	(26.2)	408.3	403.8	1.1
Net interest expense	(37.8)	(49.0)	(22.9)	(40.2)	(6.0)	(78.0)	(94.6)	(17.6)
Associates	0.2	(0.2)	(200.0)	(0.2)	(200.0)	-	0.1	(100.0)
Exceptional items	(18.4)	18.4	(200.0)	(7.9)	133.3	(26.3)	(25.0)	5.3
Pre-tax profit	117.4	187.5	(37.4)	186.6	(37.1)	304.0	284.3	6.9
Tax	(29.6)	(50.3)	(41.2)	(43.9)	(32.6)	(73.5)	(74.2)	(0.9)
Minority interest	(0.6)	(3.5)	(82.9)	(1.5)	(60.0)	(2.1)	(2.6)	(19.2)
Net profit	87.2	133.7	(34.8)	141.2	(38.2)	228.4	207.5	10.1
Core net profit	101.2	119.7	(15.5)	147.2	(31.3)	248.4	226.5	9.7
	2Q22	2Q21	% YoY	1Q22	% QoQ	6M22	6M21	% YoY
EBITDA margin (%)	29.3	34.1	(4.8)	35.2	(6.0)	32.3	32.8	(0.5)
Tax rate (%)	25.2	26.8	(1.6)	23.5	1.7	24.2	26.1	(1.9)

Segmental Results Table

Turnover	1,060.3	1,091.0	(2.8)	1,061.5	(0.1)	2,121.8	2,143.9	(1.0)
- Television subscription	779.3	820.8	(5.1)	776.7	0.3	1,556.0	1,642.3	(5.3)
- Other television	142.9	98.4	45.2	126.8	12.7	269.7	197.3	36.7
- Radio broadcasting	32.7	27.1	20.7	42.8	(23.6)	75.5	64.3	17.4
- Home shopping	105.3	144.7	(27.2)	115.2	(8.6)	220.5	240.0	(8.1)
- Others	0.1	-	N/M	-	N/M	0.1	-	N/M
EBITDA	310.4	372.0	(16.6)	374.0	(17.0)	684.4	702.2	(2.5)
- Television	294.9	358.7	(17.8)	349.0	(15.5)	643.9	677.7	(5.0)
- Radio broadcasting	16.3	4.6	254.3	20.2	(19.3)	36.5	12.5	192.0
- Home shopping	2.6	9.8	(73.5)	5.7	(54.4)	8.3	11.6	(28.4)
- Others	(3.4)	(1.1)	209.1	(0.9)	277.8	(4.3)	0.4	N/M

Key statistics

Total subscribers - Pay TV & NJOI ('000)	5,667	5,707	(0.7)	5,681	(0.2)	5,667	5,707	(0.7)
MAT ARPU (MYR)	97.4	98.0	(0.6)	97.2	0.2	97.4	98.0	(0.6)

Source: Company

Results analysis

- 2QFY22 EBITDA was down 17% YoY largely due to:- (i) content cost rising 27% YoY to MYR356m on the UEFA Euro Cup and Summer Olympics; and (ii) lower TV subscription and home shopping revenue due to the FMCO.
- 2QFY22 EBITDA was also down 17% QoQ largely due to:- (i) content cost rising 30% QoQ to MYR356m on the UEFA Euro Cup and Summer Olympics; and (ii) lower radio adex and home shopping revenue due to the FMCO.

Figure 2: ASTRO DCF-based valuation

	MYRm	MYR/sh	Comments
DCF	7,614.7	1.46	10.2% WACC, g=0.0%
Investments	854.5	0.16	End-FY1/22E
Net debt ex-finance lease liabilities	(1,364.8)	(0.26)	End-FY1/22E
Total	7,104.4	1.36	

Source: Maybank Kim Eng

FYE 31 Jan	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
P/E (reported) (x)	11.3	8.5	13.1	10.9	10.8
Core P/E (x)	9.5	8.3	13.1	10.9	10.8
Core FD P/E (x)	9.5	8.3	13.1	10.9	10.8
P/BV (x)	7.3	4.1	4.6	4.1	3.7
P/NTA (x)	(5.4)	(5.2)	(7.3)	(8.9)	(11.7)
Net dividend yield (%)	6.3	9.4	5.7	6.7	6.7
FCF yield (%)	23.8	34.8	22.5	26.8	27.6
EV/EBITDA (x)	5.5	4.9	6.2	5.5	5.0
EV/EBIT (x)	8.9	8.3	11.3	9.4	8.9

INCOME STATEMENT (MYR m)

Revenue	4,911.8	4,359.7	4,211.8	4,330.2	4,452.5
EBITDA	1,722.7	1,471.5	1,303.7	1,443.2	1,418.4
Depreciation	(650.6)	(595.4)	(590.6)	(604.4)	(614.5)
EBIT	1,072.1	876.1	713.1	838.9	803.9
Net interest income / (exp)	(208.2)	(191.1)	(173.2)	(191.0)	(150.9)
Associates & JV	0.1	(0.1)	(0.1)	(0.1)	(0.1)
Exceptionals	(1.3)	8.0	0.0	0.0	0.0
Pretax profit	862.7	692.8	539.8	647.7	652.9
Income tax	(218.1)	(165.0)	(130.1)	(156.1)	(157.3)
Minorities	10.7	12.0	9.5	11.4	11.5
Reported net profit	655.3	539.8	419.2	503.0	507.0
Core net profit	656.3	533.8	419.2	503.0	507.0

BALANCE SHEET (MYR m)

Cash & Short Term Investments	338.1	264.9	213.0	271.6	326.5
Accounts receivable	664.0	568.0	548.8	564.2	580.1
Inventory	13.1	12.8	12.4	12.7	13.1
Property, Plant & Equip (net)	2,036.9	1,725.1	1,592.8	2,146.7	1,799.4
Intangible assets	2,023.7	1,934.2	1,934.2	1,934.2	1,934.2
Investment in Associates & JVs	2.2	2.1	2.0	1.8	1.7
Other assets	1,120.4	1,278.1	1,278.1	686.2	436.2
Total assets	6,198.4	5,785.2	5,581.2	5,617.5	5,091.2
ST interest bearing debt	478.7	322.5	944.1	724.9	277.6
Accounts payable	807.1	855.4	861.3	855.1	898.7
LT interest bearing debt	3,042.9	2,690.7	1,772.5	1,943.0	1,665.4
Other liabilities	931.0	768.0	758.0	722.0	747.0
Total Liabilities	5,259.7	4,636.5	4,335.5	4,245.2	3,588.4
Shareholders Equity	855.8	1,077.8	1,184.2	1,322.2	1,464.2
Minority Interest	83.0	70.9	61.5	50.1	38.6
Total shareholder equity	938.8	1,148.8	1,245.7	1,372.3	1,502.8
Total liabilities and equity	6,198.4	5,785.2	5,581.2	5,617.5	5,091.2

CASH FLOW (MYR m)

Pretax profit	862.7	692.8	539.8	647.7	652.9
Depreciation & amortisation	650.6	595.4	590.6	604.4	614.5
Adj net interest (income)/exp	221.6	198.6	173.2	191.0	150.9
Change in working capital	(297.9)	13.2	25.6	(22.0)	27.3
Cash taxes paid	(216.4)	(171.5)	(135.4)	(152.1)	(157.1)
Other operating cash flow	77.5	44.6	15.8	15.8	15.8
Cash flow from operations	1,671.2	1,682.9	1,533.9	1,598.0	1,644.4
Capex	(181.1)	(138.7)	(300.0)	(129.9)	(133.6)
Free cash flow	1,490.1	1,544.1	1,233.9	1,468.1	1,510.8
Dividends paid	(391.1)	(286.8)	(312.9)	(365.0)	(365.0)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(94.5)	(443.0)	(296.5)	(944.1)	(724.9)
Other invest/financing cash flow	(950.2)	(844.2)	(676.4)	(100.4)	(365.9)
Effect of exch rate changes	0.8	(0.8)	0.0	0.0	0.0
Net cash flow	55.1	(30.7)	(52.0)	58.6	54.9

FYE 31 Jan	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth ratios (%)					
Revenue growth	(10.4)	(11.2)	(3.4)	2.8	2.8
EBITDA growth	2.1	(14.6)	(11.4)	10.7	(1.7)
EBIT growth	5.7	(18.3)	(18.6)	17.6	(4.2)
Pretax growth	32.5	(19.7)	(22.1)	20.0	0.8
Reported net profit growth	41.6	(17.6)	(22.3)	20.0	0.8
Core net profit growth	16.4	(18.7)	(21.5)	20.0	0.8
Profitability ratios (%)					
EBITDA margin	35.1	33.8	31.0	33.3	31.9
EBIT margin	21.8	20.1	16.9	19.4	18.1
Pretax profit margin	17.6	15.9	12.8	15.0	14.7
Payout ratio	59.7	77.3	74.6	72.6	72.0
DuPont analysis					
Net profit margin (%)	13.3	12.4	10.0	11.6	11.4
Revenue/Assets (x)	0.8	0.8	0.8	0.8	0.9
Assets/Equity (x)	7.2	5.4	4.7	4.2	3.5
ROAE (%)	90.9	55.8	37.1	40.1	36.4
ROAA (%)	10.5	8.9	7.4	9.0	9.5
Liquidity & Efficiency					
Cash conversion cycle	(49.3)	(51.1)	(57.0)	(59.2)	(56.2)
Days receivable outstanding	53.6	50.9	47.7	46.3	46.3
Days inventory outstanding	1.7	1.6	1.6	1.6	1.5
Days payables outstanding	104.6	103.6	106.3	107.0	104.0
Dividend cover (x)	1.7	1.3	1.3	1.4	1.4
Current ratio (x)	1.0	1.1	0.7	0.6	0.6
Leverage & Expense Analysis					
Asset/Liability (x)	1.2	1.2	1.3	1.3	1.4
Net gearing (%) (incl perps)	339.1	239.2	201.0	174.6	107.6
Net gearing (%) (excl. perps)	339.1	239.2	201.0	174.6	107.6
Net interest cover (x)	5.1	4.6	4.1	4.4	5.3
Debt/EBITDA (x)	2.0	2.0	2.1	1.8	1.4
Capex/revenue (%)	3.7	3.2	7.1	3.0	3.0
Net debt/ (net cash)	3,183.5	2,748.2	2,503.6	2,396.4	1,616.5

Source: Company; Maybank

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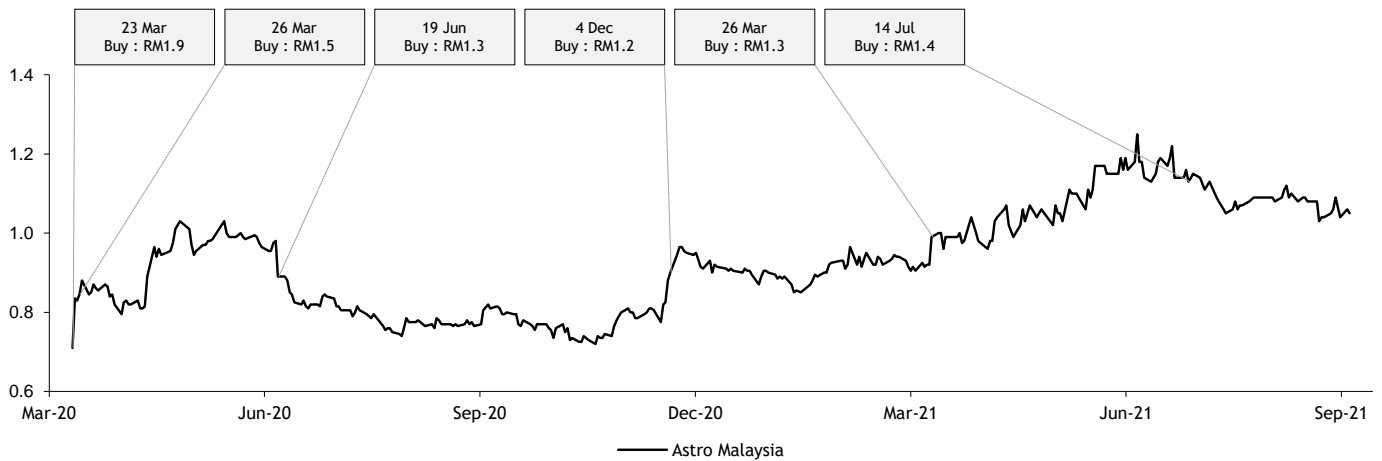
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