

COMPANY RESULTS

Astro Malaysia (ASTRO MK)

1QFY23: In Line; Lower Revenue Contribution From All Segments

Astro booked 1QFY23 core net profit of RM119m (-19% yoy; -9% qoq) as TV, adex and home shopping recorded a lower revenue base in the quarter. Accounting for 23% of our full-year forecast, the results are in line, in our view. We expect a stronger 2H as it coincides with World Cup 2022 – an opportunity to upsell for the TV and adex segments. Content cost is fully hedged for FY23. The stock offers an attractive dividend yield of 8%. Maintain HOLD with a target price of RM1.03.

1QFY23 RESULTS

Year to 31 Jan (RMm)	1QFY23	4QFY22	1QFY22	qoq % chg	yoy % chg
Revenue	962.1	1,031.3	1,061.5	(6.7)	(9.4)
-Subscription/others	796.7	818.1	838.3	(2.6)	(5.0)
-Adex	111.7	146.5	109.3	(23.8)	2.2
-Home shopping	53.7	66.7	113.9	(19.5)	(52.9)
Gross Profit	350.2	400.5	379.8	(12.6)	(7.8)
EBITDA	314.7	306.0	374.0	2.8	(15.9)
EBITDA Margin (%)	32.7	29.7	35.2	3.0	(2.5)
EBIT	188.4	192.0	231.6	(1.9)	(18.7)
PBT	126.9	152.3	186.6	(16.7)	(32.0)
Tax	(31.1)	(27.3)	(43.9)	13.9	(29.2)
Net Profit	100.0	126.6	141.2	(21.0)	(29.2)
Core Net Profit	119.0	131.0	147.0	(9.2)	(19.0)

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
TV ARPU (RM)	97.2	97.4	97.4	97.2	97.4
Household Penetration (%)	74	73	72	72	71

Source: Astro, UOB Kay Hian

RESULTS

- 1QFY23 results within expectations.** Astro Malaysia (Astro) delivered 1QFY23 core net profit of RM119m (-19% yoy, -9.2% qoq). The decline was due to: a) -2% yoy subscriber base, b) lower advertising revenue (-24% qoq), and c) lower home shopping revenue base. 1QFY23 earnings account for 23% for both our and the street's full-year forecasts respectively, and we deem the results to be within expectations.
- Stock offers attractive dividend yield of 8%.** The group declared a 1st interim dividend of 1.25 sen/share for the quarter (about 65% payout of headline net profit). We project FY23 net DPS of 7.4 sen/share, translating to a dividend yield of 8%. Management reiterated its commitment to pay out a minimum of 75% of net profit as dividends.

KEY FINANCIALS

Year to 31 Jan (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	4,360	4,176	4,363	4,225	4,061
EBITDA	1,471	1,286	1,344	1,367	1,364
Operating profit	876	754	833	868	883
Net profit (rep./act.)	540	460	514	539	559
Net profit (adj.)	534	475	514	539	559
EPS (sen)	10.2	9.1	9.9	10.3	10.7
PE (x)	9.2	10.3	9.5	9.1	8.8
P/B (x)	4.5	4.4	3.9	3.5	3.2
EV/EBITDA (x)	5.1	5.9	5.6	5.5	5.5
Dividend yield (%)	8.5	7.2	7.9	8.2	8.6
Net margin (%)	12.4	11.0	11.8	12.8	13.8
Net debt/(cash) to equity (%)	255.0	226.1	191.1	162.8	137.1
Interest cover (x)	8.0	7.9	8.6	8.6	9.3
ROE (%)	55.8	41.8	43.2	40.8	38.3
Consensus net profit	-	-	521	577	560
UOBKH/Consensus (x)	-	-	0.99	0.93	1.00

Source: Astro Malaysia, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM0.94
Target Price	RM1.03
Upside	+9.6%

COMPANY DESCRIPTION

Pay-TV operator.

STOCK DATA

GICS sector	Communication Services
Bloomberg ticker:	ASTRO MK
Shares issued (m):	5,214.5
Market cap (RMm):	4,875.6
Market cap (US\$m):	1,108.1
3-mth avg daily t'over (US\$m):	0.8

Price Performance (%)

52-week high/low RM1.25/RM0.935

1mth	3mth	6mth	1yr	YTD
(4.6)	(10.1)	(3.1)	(19.4)	(1.6)

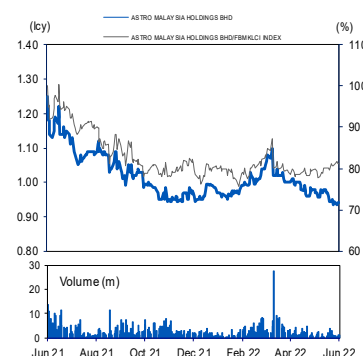
Major Shareholders

	%
Pantan Cahaya Bulan Ventures Sdn	20.7
All Asia Media Equities Limited	19.4
East Asia Broadcast Network MV	8.1

FY23 NAV/Share (RM) 0.24

FY23 Net Debt/Share (RM) 0.46

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- **1QFY23 revenue fell 9% yoy and 7% qoq to RM962m.** Astro experienced lower revenue contribution across all segments. TV subscription revenue fell 5% yoy and 3% qoq to RM796m. Subscriber base fell 2% yoy to 5.5m. Positively, 1QFY23 ARPU jumped slightly to RM97.4/month (4QFY22: RM97.2/month) as Astro managed to upsell its packages with better value packages.
- **Enterprise segment.** Astro experienced recovery in terms of higher take-up from the hospitality segment (with hotels resuming business and activities given the incoming international travellers). That said, the F&B segment continued to suffer from weak sentiment as opening hours were fixed at 11pm until May 22.
- **Soft consumer market affected home shopping segment.** GoShop revenue (-53% yoy; -19% qoq) saw the steepest decline among the segments owing to economic reopening and lower interest in online shopping as consumers opt for physical visits to stores instead.
- **Advertising revenue was sequentially weaker** owing to lower TV and radio advertising revenue with the festive Chinese New Year period in 4QFY22. The decline can also be attributed to businesses cutting back on advertising expenses given weak business sentiments. Management launched Astro addressable advertising in Jun 22 to offer targeted advertising based on AI-data analytics.
- **Astro launched the Astro Fibre plan** that allows customers to sign up for stand-alone broadband or content plus broadband bundles. On a low base, broadband customers went up 50% yoy. Astro believes that the bundle packages offered to customers will provide better value and encourage take-up in the longer run.
- **FY23 outlook.** Given that FY23 is a major sporting year, we expect higher content cost of 36-37% of revenue (which is fully hedged in terms of US\$/MYR). We expect a stronger 2HFY23 as Astro gears up for the Asian Games and the highly anticipated FIFA World Cup in Qatar.
- **Capex outlook.** For FY23, Astro expects infrastructure capex spending at around RM300m. Key investments in FY23 include: a) technology infrastructure across OOT & digital, TV and video-on-demand, b) customer experience, and c) product and service upgrade.

EARNINGS REVISION/RISK

- No changes to our earnings forecasts.

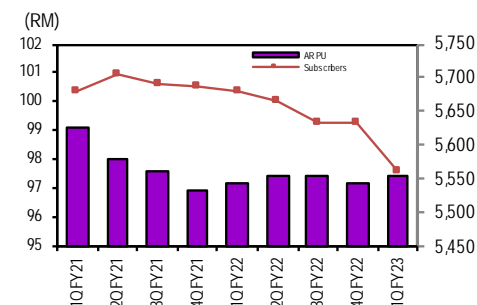
VALUATION/RECOMMENDATION

- **Maintain HOLD with a DCF-based target price of RM1.03** (WACC: 9.4%, terminal growth: -1%). Our target price implies 10x FY22F PE.
- **Key re-rating catalysts for the stock include:** a) higher-than-expected dividend payout for FY23, b) higher-than-expected pay-TV ARPU, and c) favourable regulatory outlook in light of the crackdown on piracy.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

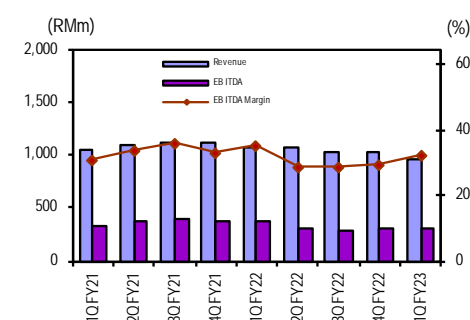
<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - Harvested 1.7m kWh of photovoltaic energy from 4,780 solar panels, saving 964 tCO₂e carbon, which is equivalent to planting 24,718 trees. This also helped reduce greenhouse gas emissions by 2% to 25,423 tCO₂e in FY21.
<ul style="list-style-type: none"> • Social <ul style="list-style-type: none"> - Broadcasted over 16,000 hours of public service announcements in FY21. - Produced and commissioned over 9,000 hours of content, worth over RM320m.
<ul style="list-style-type: none"> • Governance <ul style="list-style-type: none"> - Good company transparency along with an Anti-Bribery and Anti-Corruption Policy.

ARPU AND SUBSCRIBERS



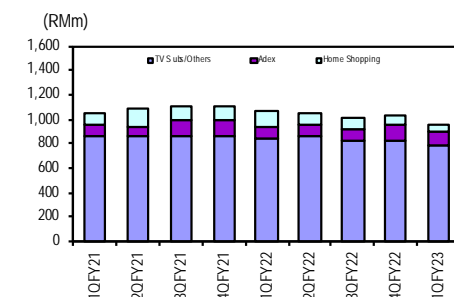
Source: Astro, UOB Kay Hian

REVENUE AND EBITDA



Source: Astro, UOB Kay Hian

REVENUE BREAKDOWN



Source: Astro, UOB Kay Hian

PROFIT & LOSS

Year to 31 Jan (RMm)	2022	2023F	2024F	2025F
Net turnover	4,176	4,363	4,225	4,061
EBITDA	1,286	1,344	1,367	1,364
Deprec. & amort.	532	511	499	481
EBIT	754	833	868	883
Net interest income/(expense)	(164)	(157)	(159)	(147)
Pre-tax profit	591	676	709	735
Tax	(130)	(162)	(170)	(177)
Minorities	0	0	0	0
Net profit	460	514	539	559
Net profit (adj.)	475	514	539	559

BALANCE SHEET

Year to 31 Jan (RMm)	2022	2023F	2024F	2025F
Fixed assets	1,563	1,532	1,498	1,443
Other LT assets	2,244	2,244	2,244	2,244
Cash/ST investment	165	314	450	614
Other current assets	1,353	1,379	1,360	1,337
Total assets	5,325	5,468	5,551	5,638
ST debt	894	894	894	894
Other current liabilities	1,133	1,148	1,096	1,043
LT debt	1,816	1,816	1,816	1,816
Other LT liabilities	278	278	278	278
Shareholders' equity	1,125	1,254	1,388	1,528
Minority interest	78	79	79	79
Total liabilities & equity	5,325	5,468	5,551	5,638

CASH FLOW

Year to 31 Jan (RMm)	2022	2023F	2024F	2025F
Operating	1,285	1,170	1,164	1,157
Pre-tax profit	591	676	709	735
Tax	(130)	(162)	(170)	(177)
Deprec. & amort.	532	511	499	481
Associates	0	0	0	0
Working capital changes	(116)	(11)	(33)	(30)
Other operating cashflows	408	157	159	147
Investing	(306)	(461)	(434)	(384)
Capex (maintenance)	(433)	(480)	(465)	(426)
Others	127	19	31	43
Financing	(1,078)	(562)	(594)	(609)
Dividend payments	(352)	(385)	(404)	(419)
Issue of shares	0	0	0	0
Proceeds from borrowings	(304)	0	0	0
Others/interest paid	(422)	(176)	(190)	(190)
Net cash inflow (outflow)	(99)	148	136	165
Beginning cash & cash equivalent	265	166	314	450
Changes due to forex impact	(1)	0	0	0
Ending cash & cash equivalent	166	314	450	614

KEY METRICS

Year to 31 Jan (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	30.8	30.8	32.4	33.6
Pre-tax margin	14.1	15.5	16.8	18.1
Net margin	11.0	11.8	12.8	13.8
ROA	8.3	9.5	9.8	10.0
ROE	41.8	43.2	40.8	38.3
Growth				
Turnover	(4.2)	4.5	(3.2)	(3.9)
EBITDA	(12.6)	4.5	1.7	(0.3)
Pre-tax profit	(14.8)	14.5	4.8	3.7
Net profit	(14.8)	11.7	4.8	3.7
Net profit (adj.)	(11.1)	8.2	4.8	3.7
EPS	(11.1)	8.2	4.8	3.7
Leverage				
Debt to total capital	69.2	67.0	64.9	62.8
Debt to equity	240.8	216.1	195.2	177.3
Net debt/(cash) to equity	226.1	191.1	162.8	137.1
Interest cover (x)	7.9	8.6	8.6	9.3

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