

Astro Malaysia Holdings

Partnering with Maxis

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ASTRO has entered into a strategic partnership with MAXIS to provide fibre broadband bundled with TV content. Overall, we are positive on this development as it provides ASTRO an opportunity to: (i) up-sell better TV packages and (ii) promote its home shopping segment. However, we expect meaningful earnings impact only in the longer term. Hence, we leave our OP call with our DCF-driven TP of RM2.00 unchanged for now.

Packaging a value-for-money deal. ASTRO and MAXIS have announced a strategic marketing partnership between both parties to offer bundled broadband with content. ASTRO will launch new bundles of MAXIS's 30 Mbps and 100 Mbps broadband and content packages which could save customers up to RM720 on a 24-month contract (*refer to overleaf*). Existing subscribers of either service appear to be able to seamlessly repackage their current plans to accommodate the new bundles.

A win-win situation. Overall, we are positive on this development as this allows both companies to leverage their individual strength and create new revenue streams by introducing new customers. MAXIS could see a potentially higher subscription for its Broadband segment from the better value proposition (broadband with content). Subsequently, ASTRO could tap into a wider customer base to address its gradually declining subscription revenue through: (i) up-selling better TV packages and (ii) promoting its home shopping segment (Astro's Go Shop) which is accessible in all its TV packages. Note that the shopping segment accounts for c.7% of Astro FY19 revenue. Meanwhile, we have good reason to believe that the TV Shopping trend is sustainable, as consumers are more adoptive of this medium of retailing. This is evident in Media Prima's commendable achievement with CJ WoW Shop.

Extending its partnership beyond MAXIS? The partnership appears timely in silencing ongoing market talks on a potential merger between both companies. It appears more idealistic for two companies to stay separate rather than merged, given MAXIS's bite size home fiber connection subscriber base at c.276k (as reported in 2Q19 results) in comparison to ASTRO TV customer base of c.5.7m YTD FY20. This arrangement would also allow ASTRO to stay flexible and potentially provide similar unique proposition to other telco players in the market.

Although the above-mentioned reasons are undoubtedly positive, we opt to stay conservative as the partnership is only at its initial stage. Furthermore, MAXIS's current home fiber connection base is relatively small compared to ASTRO. Hence, we make no changes.

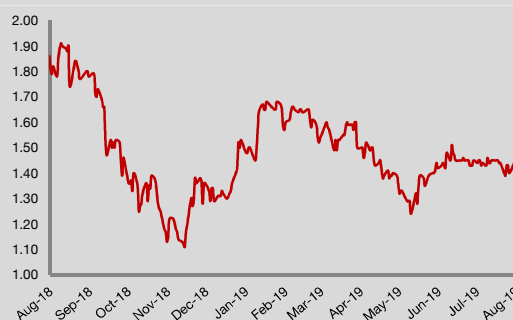
Maintain our OUTPERFORM and DCF-driven TP of RM2.00. Our target price (based on WACC: 10.8%, TG: 1%) implies FY20 PER of 14.7x (-1.5SD level to its 5-year mean). Among the media companies under our coverage, we think that ASTRO is currently trading at a cheap valuation of FY20E PER of 11x vs. our media coverage average of 15x. Moreover, we continue to like ASTRO for its attractive dividend yield (more than 7%) while earnings remain relatively resilient.

Risks to our call include: (i) lower-than-expected subscription and adex revenue, and (ii) higher-than-expected content cost and operating expenses.

OUTPERFORM ↔

Price : RM1.42
Target Price : RM2.00 ↔

Share Price Performance



KLCI 1,600.29
YTD KLCI chg -5.3%
YTD stock price chg 9.2%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	ASTRO MK Equity
Market Cap (RM m)	7,404.3
Shares Outstanding	5,214.3
52-week range (H)	1.91
52-week range (L)	1.05
3-mth avg daily vol:	2,007,508
Free Float	52%
Beta	1.3

Major Shareholders

Pantai Cahaya Bulan Ventures Sdn Bhd	20.7%
All Asia Media Equity Limited	19.4%
Employees Provident Fund Board	8.3%

Summary Earnings Table

FYE Jan (RM'm)	2019A	2020E	2021E
Turnover	5,479	5,368	5,372
EBITDA	1,740	1,890	1,908
EBIT	1,029	1,218	1,205
PBT	651	967	986
PATAMI	463	710	724
Core PATAMI	562	710	724
Consensus (CNP)	573	627	624
Earnings Revision	-	-	-
Core EPS (sen)	10.8	13.6	13.9
Core EPS growth (%)	-17.1%	26.3%	2.0%
DPS (sen)	9.0	11.0	11.0
BV/Share (RM)	0.13	0.16	0.18
Core PER (x)	13.2	10.4	10.2
PBV (x)	10.9	9.1	7.7
Net Gearing (x)	5.6	3.9	2.9
Dividend Yield (%)	6.3%	7.7%	7.7%



Bundled plans

A bundle that suits your needs



Add On Broadband

Existing Astro customers can add on Broadband and save up to RM720*

Maxis 30Mbps	RM89/month
Maxis 100Mbps	RM129/month

*Savings are subject to package selection. Price shown is exclusive of Govt. Tax.



Astro + Broadband

New customers can sign up for Astro & Broadband and save up to RM720*

Maxis 30Mbps	from RM128.95/month
Maxis 100Mbps	from RM168.95/month

*Savings are subject to package selection. Price shown is exclusive of Govt. Tax.

Maxis 30Mbps

SAVE UP TO RM120*
across 24 months

Family Pack + 30Mbps Home Broadband

Bundle price is from RM123.95*/month.
Broadband RM89 + Family Pack from RM39.95 - RM5 auto-debit

- Entertainment anytime, anywhere with Astro GO
- Cash Rebates up to RM120* with auto-debit
- 90 days access to HD service OR preview of Sports Pack's channels

SAVE UP TO RM240*
across 24 months

Value Pack + 30Mbps Home Broadband

Bundle price is from RM159*/month.
Broadband RM89 + Value Pack from RM80 - RM5 rebates - RM5 auto-debit

- Entertainment anytime, anywhere with Astro GO
- Cash Rebates up to RM120*
- Extra rebates up to RM120* with auto-debit

SAVE UP TO RM240*
across 24 months

Sports Pack Ala Carte + 30Mbps Home Broadband

Bundle price is from RM169.95*/month.
Broadband RM89 + Sports Pack from RM90.95 - RM5 rebates - RM5 auto-debit

- Entertainment anytime, anywhere with Astro GO
- Cash Rebates up to RM120*
- Extra rebates up to RM120* with auto-debit

SAVE UP TO RM480*
across 24 months

Super Pack + 30Mbps Home Broadband

Bundle price is from RM215*/month.
Broadband RM89 + Super Pack from RM146 - RM15 rebates - RM5 auto-debit

- Entertainment anytime, anywhere with Astro GO
- Cash Rebates up to RM360*
- Extra rebates up to RM120* with auto-debit

SAVE UP TO RM480*
across 24 months

Super Pack Plus + 30Mbps Home Broadband

Bundle price is from RM247*/month.
Broadband RM89 + Super Pack Plus from RM178 - RM15 rebates - RM5 auto-debit

- Entertainment anytime, anywhere with Astro GO
- Cash Rebates up to RM360*
- Extra rebates up to RM120* with auto-debit

Maxis 100Mbps

SAVE UP TO RM120*
across 24 months

Family Pack + 100Mbps Home Broadband

Bundle price is from RM163.95*/month.
Broadband RM129 + Family Pack from RM39.95 - RM5 auto-debit

- Entertainment anytime, anywhere with Astro GO
- Cash Rebates up to RM120* with auto-debit
- 90 days access to HD service OR preview of Sports Pack's channels

SAVE UP TO RM480*
across 24 months

Value Pack + 100Mbps Home Broadband

Bundle price is from RM189*/month.
Broadband RM129 + Value Pack from RM80 - RM15 rebates - RM5 auto-debit

- Entertainment anytime, anywhere with Astro GO
- Cash Rebates up to RM360*
- Extra rebates up to RM120* with auto-debit

SAVE UP TO RM480*
across 24 months

Sports Pack Ala Carte + 100Mbps Home Broadband

Bundle price is from RM199.95*/month.
Broadband RM129 + Sports Pack from RM90.95 - RM15 rebates - RM5 auto-debit

- Entertainment anytime, anywhere with Astro GO
- Cash Rebates up to RM360*
- Extra rebates up to RM120* with auto-debit

SAVE UP TO RM720*
across 24 months

Super Pack + 100Mbps Home Broadband

Bundle price is from RM245*/month.
Broadband RM129 + Super Pack from RM146 - RM25 rebates - RM5 auto-debit

- Entertainment anytime, anywhere with Astro GO
- Cash Rebates up to RM600*
- Extra rebates up to RM120* with auto-debit

SAVE UP TO RM720*
across 24 months

Super Pack Plus + 100Mbps Home Broadband

Bundle price is from RM277*/month.
Broadband RM129 + Super Pack Plus from RM178 - RM25 rebates - RM5 auto-debit

- Entertainment anytime, anywhere with Astro GO
- Cash Rebates up to RM600*
- Extra rebates up to RM120* with auto-debit

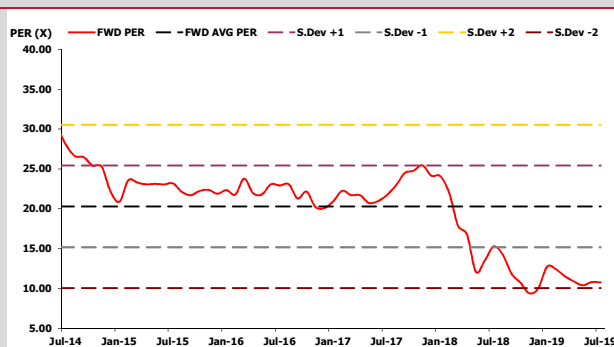
Source: Astro, Kenanga Research

16 August 2019

Income Statement						Financial Data & Ratios					
FYE Dec (RM m)	2017A	2018A	2019A	2020E	2021E	FYE Dec (RM m)	2017A	2018A	2019A	2020E	2021E
Revenue	5,613	5,531	5,479	5,368	5,372	Growth					
EBITDA	1,802	1,727	1,740	1,890	1,908	Revenue	2.5%	-1.5%	-0.9%	-2.0%	0.1%
Depreciation	(721)	(680)	(711)	(672)	(702)	EBITDA	-7.2%	-4.1%	0.8%	8.6%	1.0%
EBIT	1,080	1,047	1,029	1,218	1,205	EBIT	-3.1%	-3.1%	-1.8%	18.4%	-1.0%
Net Interest Exp	(236)	(65)	(279)	(251)	(220)	Pre-tax Income	1.9%	26.9%	-39.3%	48.6%	2.0%
Associate	2	(2)	1	1	1	Net Income	1.4%	23.6%	-39.9%	53.3%	2.0%
Exceptional Items	-	93	(99)	-	-	Profitability (%)					
PBT	846	1,073	651	967	986	EBITDA Margin	32.1%	31.2%	31.8%	35.2%	35.5%
Taxation	(229)	(309)	(190)	(261)	(266)	EBIT Margin	19.2%	18.9%	18.8%	22.7%	22.4%
Minority Interest	7	7	2	4	4	PBT Margin	15.1%	19.4%	11.9%	18.0%	18.4%
Net Profit	624	771	463	710	724	Net Margin	11.1%	12.3%	10.3%	13.2%	13.5%
Core Net Profit	624	678	562	710	724	Effective Tax	27.0%	28.8%	29.2%	27.0%	27.0%
Balance Sheet						ROE	100.3%	120.1%	69.5%	95.2%	81.8%
FYE Dec (RM m)	2017A	2018A	2019A	2020E	2021E	ROA	9.5%	11.8%	7.1%	11.6%	12.4%
Fixed Assets	1,818	2,401	2,233	2,030	1,807	DuPont Analysis					
Intangibles	2,045	2,039	2,092	1,933	1,804	Net Margin (%)	11.1%	12.3%	10.3%	13.2%	13.5%
Other FA	696	367	393	393	393	Assets Turnover (x)	0.9	0.8	0.8	0.9	0.9
Inventories	20	20	16	19	19	Leverage Factor (x)	10.8	10.3	10.6	9.4	7.4
Receivables	858	1,012	818	882	883	ROE (%)	100.3%	120.1%	69.5%	95.2%	81.8%
Other CA	452	776	424	424	424	Leverage					
Cash	376	234	283	338	366	Debt/Asset (x)	0.5	0.6	0.6	0.5	0.5
Total Assets	6,266	6,848	6,260	6,020	5,697	Debt/Equity (x)	5.5	6.1	6.1	4.3	3.3
Payables	1,626	1,652	1,467	1,544	1,325	Net Debt/(Cash)	3029.4	3731.6	3287.2	2782.2	2504.3
ST Borrowings	629	646	475	325	225	Net Debt/Equity (x)	4.9	5.7	5.6	3.9	2.9
Other ST Liability	24	105	38	38	38	Valuations					
LT Borrowings	2,776	3,319	3,096	2,796	2,646	Core EPS (sen)	12.0	13.0	10.8	13.6	13.9
Other LT Liability	580	472	505	505	505	DPS (sen)	12.5	12.5	9.0	11.0	11.0
Minority Int.	6	(0)	94	90	87	BV/share (RM)	0.12	0.13	0.13	0.16	0.18
Net Assets	623	654	585	721	872	Core PER (x)	11.9	10.9	13.2	10.4	10.2
Share Capital	6,716	6,727	6,728	6,728	6,728	Div. Yield (%)	8.8%	8.8%	6.3%	7.7%	7.7%
Reserves	(6,092)	(6,073)	(6,143)	(6,007)	(5,856)	PBV (x)	11.7	11.3	10.9	9.1	7.7
Equity	623	654	585	721	872						
Cashflow Statement											
FYE Dec (RM m)	2017A	2018A	2019A	2020E	2021E						
Operating CF	1,888	2,016	1,895	1,647	1,429						
Investing CF	(533)	(977)	(239)	(310)	(310)						
Financing CF	(1,660)	(1,078)	(1,639)	(1,275)	(1,043)						
Change in Cash	(304)	(39)	17	62	76						
Free Cash Flow	1,642	1,779	1,459	1,076	853						

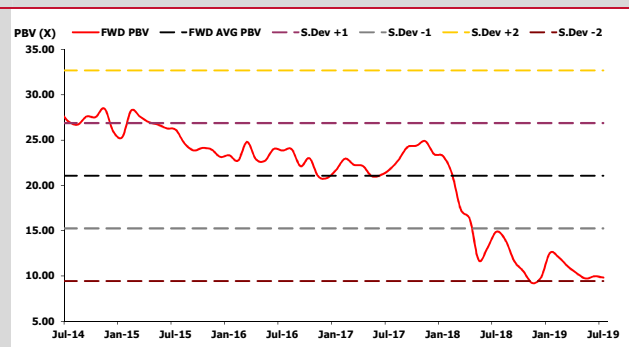
Source: Kenanga Research

Fwd PER Band



Source: Bloomberg, Kenanga Research

Fwd P/NTA Band



16 August 2019

Peer Comparison - Media

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.		
Stocks Under Coverage																	
ASTRO MALAYSIA HOLDINGS BHD	1.42	7,404.3	N	01/2020	-2.0%	0.1%	26.3%	2.0%	13.2	10.4	10.2	12.7	10.3	108.6%	7.7%	2.00	OP
MEDIA CHINESE INTERNATIONAL	0.170	286.8	Y	03/2020	-2.5%	-0.7%	6.6%	0.3%	10.5	9.8	9.8	0.4	0.4	4.2%	5.9%	0.165	UP
MEDIA PRIMA BHD	0.485	538.0	N	12/2019	-6.1%	1.1%	-130.2%	-176.5%	N.A.	N.A.	N.A.	0.7	0.7	-10.6%	0.0%	0.260	UP
STAR MEDIA GROUP BHD	0.605	446.4	Y	12/2019	-10.8%	8.6%	1.8%	12.6%	26.1	25.7	22.7	0.5	0.5	2.1%	3.3%	0.600	UP
Simple Average					-5.4%	2.3%	-23.9%	-40.4%	16.6	15.3	14.3	3.6	3.0	26.1%	4.2%		

Source: Bloomberg, Kenanga Research

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16 August 2019

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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