Astro Malaysia Holdings

Struggling to Stay Relevant

By Kylie Chan Sze Zan I kyliechan@kenanga.com.my

UNDERPERFORM ↔

Price: **RM0.34**
Target Price: **RM0.25** ↓

ASTRO's 1QFY25 results disappointed on a combination of continued pay-TV subscriber rout, ARPU pressure, weaker adex and high operating leverage drag on YoY bottomline. We cut our FY25-26F earnings forecasts by 37% and 29%, respectively, lower our TP by 7% to RM0.25 (from RM0.27) and maintain our UNDERPERFORM call.

Disappointed expectations. Its 1QFY25 core net profit of RM25.0m underwhelmed, coming in at only 13% of both our full-year forecast and the full-year consensus estimate. The variance versus our forecast was largely attributed to higher-than-expected fixed costs.

Topline and cost pressure. Its 1QFY25 revenue contracted by 10% YoY, mainly due to sustained subscriber churn of 149k that led to customer base contraction (-3% YoY). To a lesser extent, topline weakness was exacerbated by: (i) weaker adex (-12% YoY) for both pay-TV and radio, and (ii) lower ARPU of RM99.4 (1QFY24: RM98.7).

The combination of topline weakness, high operating leverage and increased taxes led to the greater decline in bottomline (-59% YoY). In particular, there was higher expense in 1QFY25 for broadband costs and license, copyright and royalty fees, etc. On the bright side, this was partially moderated by lower content costs (-7% YoY).

ARPU fairly resilient. On a less discouraging note, sequential ARPU contraction was relatively mild (-30 sen) despite the introduction of affordable entry level plans with prices starting from RM42 per month. We believe this was due to the sustained popularity of bundled ASTRO fiber offerings, which saw a 15% YoY increase in subscribers.

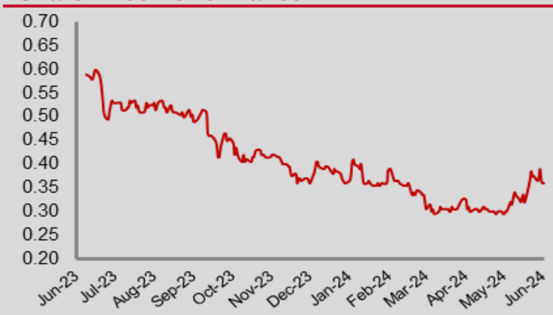
Key takeaways from its analyst briefing are as follows:

1. ASTRO guided that its content costs as a percentage of TV revenues will rise to around 37% in FY25 (FY24: 35%, FY23: 37%). This is on account of additional costs for the 2024 Paris Olympics, which is expected to remain escalated due to the depreciation of MYR versus USD. To recap, the spike in FY23 content costs was mainly attributed to broadcast rights for the 2022 Qatar FIFA World Cup.

2. Moving forward, over the next 2-3 years, ASTRO will continue with measures to rationalize its cost base. This is via additional savings for its customer relationship management (CRM) platform, coupled with reduction in other ancillary expenditure. Meanwhile, in the longer term over the next 10 years, ASTRO anticipates chunky savings on its long-term satellite lease contracts, following the removal of unrequired capacity.

3. To reduce expenses, ASTRO plans to pivot to digital marketing instead of mobilizing on-the-ground sales force. It will also digitalize and apply artificial intelligence (AI) tools on CRM, content management, and internal processes.

Share Price Performance



KLCI	1,585.38
YTD KLCI chg	9.0%
YTD stock price chg	-13.9%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	ASTRO MK Equity
Market Cap (RM m)	1,774.5
Shares Outstanding	5,219.0
52-week range (H)	0.61
52-week range (L)	0.29
3-mth avg. daily vol.	10,545,410
Free Float	42%
Beta	0.7

Major Shareholders

Pantai Cahaya Bulan Ventures Sdn Bhd	20.7%
All Asia Media Equities Limited	19.4%
E Asia Broadcast Network Systems NV	8.1%

Summary Earnings Table

FYE Jan (RMm)	**2024A**	**2025F**	**2026F**
Turnover	3,342.7	3,093.5	3,086.5
EBIT	1,355.6	1,150.7	1,083.4
EBITDA	534.2	365.0	397.7
PBT	63.2	142.4	203.8
Net Profit (NP)	**42.3**	**113.9**	**152.9**
Core PATAMI	**215.3**	**121.9**	**152.9**
Consensus (NP)	-	182.0	165.0
Earnings Revision	-	-37%	-29%
Core EPS (sen)	4.1	2.3	2.9
Core EPS Growth	-0.3	-0.4	0.3
DPS (sen)	0.3	0.7	0.9
BV/Share (RM)	0.2	0.2	0.2
Core PER (x)	8.2	14.5	11.6
PBV (x)	1.6	1.5	1.4
Net Gearing (x)	2.7	2.2	1.7
Dividend Yield (%)	0.7	1.9	2.6

4. Significant cost savings in recent quarters were derived from reductions in: (i) manpower costs via its recently completed staff voluntary separation scheme (VSS), and (ii) CRM costs for ASTRO's platform which have decreased by two-thirds.

Hopeful for lifeline from cost savings. We are wary of sustained topline pressure from both subscriber rout and ARPU pressure. To recap, in 4QCY23, ASTRO introduced entry-level plans with significantly lower pricing of RM42 per month. This was after considering the pessimistic Malaysian consumer climate, and to widen its addressable market. Moreover, we believe that its fixed costs remains high at this juncture, as according to ASTRO, both cost bases, legacy and new, are running concurrently. After having implemented various measures in recent years, we are concerned that future cost initiatives will be muted. This is because low-hanging fruits from optimization of manpower and CRM platform costs have largely been harvested.

Forecasts. We cut our FY25-26F earnings forecasts by 37% and 29%, respectively, to reflect higher overheads and content costs.

Valuations. Correspondingly, we lower our TP based on DCF by 7% to RM0.25 (from RM0.27).There is no adjustment based on a 3-star ESG rating as appraised by us (see page 4).

Investment case. We remain cautious on ASTRO due to: (i) intense competition from OTT streaming platforms (for international content) and FTA TV (for vernacular content), (ii) inflated cost base that includes legacy expenses (e.g. ongoing payment of transponder lease costs to MEASAT Satellite), and (iii) competition from digital music streaming platforms that leverage on AI to offer personalized content and targeted commercials. Maintain **UNDERPERFORM.**

Risks to our call include: (i) cord-cutting trends moderate asdisposable incomes increase, (ii) effective legal enforcement eliminates the proliferation of illegal set top boxes, and (iii) rebound in consumer and business sentiment catalyzes a recovery in adex.

Results Highlights

FYE Jan (RM m)	1Q FY25	4Q FY24	QoQ Chg	1Q FY24	YoY Chg
Revenue	772.5	819.9	-5.8%	856.9	-9.8%
EBITDA	**285.6**	**370.3**	-22.9%	**371.7**	-23.2%
Depreciation	(201.5)	(222.6)	-9.5%	(200.3)	0.6%
EBIT	**84.1**	**147.7**	-43.1%	**171.4**	-50.9%
Net Finance Costs	(50.0)	(27.5)	81.8%	(103.0)	-51.5%
Exceptionals	(8.0)	(65.0)	-87.7%	(46.0)	-82.6%
Pretax Profit	**26.0**	**55.3**	-53.0%	**22.4**	16.1%
Taxation	(9.0)	(10.8)	-16.7%	(7.5)	20.0%
MI	0.0	0.0	nm	0.0	nm
Reported Net Profit	**17.0**	**44.5**	-61.8%	**14.9**	14.1%
Core Net Profit	**25.0**	**109.5**	-77.2%	**60.9**	-58.9%
Core EPS (sen)	0.5	2.1	-76.8%	1.2	-60.4%
DPS (sen)	0.0	0.0		0.0	
EBITDA Margin	37.0%	45.2%		43.4%	
EBIT Margin	10.9%	18.0%		20.0%	
PBT Margin	3.4%	6.7%		2.6%	
Core Net Margin	3.2%	13.4%		7.1%	
Effective Tax Rate	-34.6%	-19.5%		-33.5%	

Source: Company, Kenanga Research

Note: Except for 1QFY24, all figures exclude contribution from the Home Shopping segment following the cessation of its operations in October 2023.

Segmental Highlights

Revenue (RM m)	1Q FY25	4Q FY24	QoQ Chg	1Q FY24	YoY Chg
Television	727.1	767.5	-5.3%	810.6	-10.3%
Radio	45.4	52.4	-13.4%	46.3	-1.9%
Others	0.0	0.0	nm	0.0	nm
Corporate Function	0.0	0.0	nm	0.0	nm
Total	**772.5**	**819.9**	**-5.8%**	**856.9**	**-9.8%**
PBT (RM m)					
Television	6.0	20.0	-70.0%	(7.6)	-178.9%
Radio	22.5	36.3	-38.0%	25.2	-23.1%
Others	(0.6)	1.3	>-100%	0.0	>100%
Corporate Function	(4.9)	(1.6)	>-100%	(2.4)	>-100%
Elimination	3.0	(0.7)	>-100%	12.7	>-100%
Total	**26.0**	**55.3**	**-53.0%**	**27.9**	**-71.6%**
PBT Margin					
Television	0.8%	2.6%		-0.9%	
Radio	49.6%	69.3%		54.4%	
Total	**3.4%**	**6.7%**		**3.3%**	

Source: Company, Kenanga Research

Note: Except for 1QFY24, all figures exclude contribution from the Home Shopping segment following the cessation of its operations in October 2023.

Segmental Breakdown

Revenue (RM m)	1Q FY25	4Q FY24	QoQ Chg	1Q FY24	YoY Chg
Subscription - TV	623.6	648.5	-3.8%	692.5	-9.9%
Advertising - TV	30.0	45.0	-33.3%	44.0	-31.8%
Advertising - Radio	41.3	48.0	-14.0%	42.0	-1.7%
Advertising - Digital	15.4	16.0	-3.8%	13.0	18.5%
Others	62.2	61.8	0.6%	65.4	-5%
Total	**772.5**	**819.3**	-5.7%	**856.9**	-9.8%
Pay-TV Residential ARPU (RM)	99.4	99.7	-0.3%	98.7	0.7%
TV Cust Base ('000) (YTD)	5,309.0	5,337.0	-0.5%	5,458.0	-2.7%
Connected STBs (YTD)	822.0	1,075.0	-23.5%	1,119.0	-26.5%
Content Costs (RM m)	261.0	274.0	-4.7%	279.0	-6.5%

Source: Company, Kenanga Research

Note: Except for 1QFY24, all figures exclude contribution from the Home Shopping segment following the cessation of its operations in October 2023.

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Peer Comparison – Media

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RMm)	Shariah Compliant	Current FYE	Core EPS (sen) 1-Yr. Fwd.	Core EPS (sen) 2-Yr. Fwd.	Core EPS Growth 1-Yr. Fwd.	Core EPS Growth 2-Yr. Fwd.	PER (x) - Core Earnings 1-Yr. Fwd.	PER (x) - Core Earnings 2-Yr. Fwd.	PBV (x) 1-Yr. Fwd.	ROE 1-Yr. Fwd.	Net Div. (sen) 1-Yr. Fwd.	Net Div. Yld. 1-Yr. Fwd.
MEDIA																	
ASTRO MALAYSIA HOLDINGS BHD	UP	0.340	0.250	-26.5%	1,774.5	N	01/2025	2.3	2.9	-43.4%	25.4%	14.5	11.6	1.5	9.9%	1.0	2.9%
MEDIA CHINESE INTERNATIONAL	UP	0.130	0.110	-15.4%	219.3	Y	03/2025	(2.3)	(2.1)	-26.2%	6.8%	N.A.	N.A.	0.4	-6.7%	0.7	5.4%
MEDIA PRIMA BHD	UP	0.460	0.320	-30.4%	510.2	N	06/2024	2.0	3.2	-63.5%	56.0%	22.7	14.5	0.7	5.4%	1.5	3.3%
STAR MEDIA GROUP BHD	UP	0.380	0.314	-17.4%	275.4	Y	12/2024	(0.3)	(0.3)	33.3%	16.7%	N.A.	N.A.	0.4	-0.4%	0.0	0.0%
SECTOR AGGREGATE					**2,779.5**					**-57.4%**	**45.0%**	**26.9**	**18.5**	**0.9**	**3.4%**		**2.9%**

Source: Bloomberg, Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	☆		
	Community & Investment	★	★	★		
	Workforce Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	☆		
SPECIFIC	Content Management	★	★	★		
	Digitalisation & Innovation	★	★	☆		
	Cybersecurity/Data Privacy	★	★	☆		
	Diversity & Inclusion	★	★	★		
	Energy Efficiency	★	★	★		
	Supply Chain Management	★	★	★		
	OVERALL	★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

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.***

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my