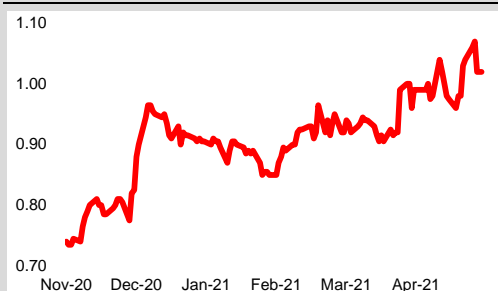


**DESCRIPTION**

A leading consumer media entertainment group, renowned as Malaysia's sole satellite TV service provider, with pay-tv, radio, publications and digital media broadcasting operations.

<b>12-Month Target Price</b>	RM1.16
<b>Current Price</b>	RM1.02
<b>Expected Share Price Return (%)</b>	13.7%

<b>Market</b>	Main
<b>Sector</b>	Media
<b>Bursa Code</b>	6399
<b>Bloomberg Ticker</b>	ASTRO MK
<b>Shariah-Compliant</b>	No

**SHARE PRICE CHART**

52 Week Range (RM)	0.71-1.10
3-Month Average Vol ('000)	4,770.7

**SHARE PRICE PERFORMANCE**

	1M	3M	6M
Absolute Returns	4.6	21.1	42.3
Relative Returns	6.4	16.9	29.9

**KEY STOCK DATA**

Market Capitalisation (RMm)	5,318.8
No. of Shares (m)	5,214.5

**MAJOR SHAREHOLDERS**

	%
Pantai Cahaya Bulan Ventures	20.7
All Asia Media Equities	19.4
East Asia Broadcast	8.1

**Eltricia Foong**

T 603 2268 3000

F 603 2268 3013

E eltriciafoong@publicinvestbank.com.my

**Disney Shutting Down TV Channels?**

According to a news report (ContentAsia), Disney is said to be considering shutting down the majority of its TV channels in Southeast Asia and Hong Kong later this year as it plans to shift its focus to the direct-to-customer business model. 18 channels are expected to be closed by Disney and this decision could affect Astro if it is no longer able to offer Disney content to customers on its pay-TV platform. In absence of new content to replace Disney, Astro's earnings could be affected due to a possible downward revision in ARPU. We note that Astro currently has over 190 channels but channels listed under the Fox banner are some of the key attractions to Astro's subscribers. Our earnings forecasts remain unchanged at this juncture though we see earnings risk in FY23F. We estimate that for every 1% decline in ARPU, earnings will fall by 1.5%. Given this uncertainty, we ascribe a 10% discount to our DCF valuation. Consequently, our TP is reduced to RM1.16. Given its relatively high dividend yield of c.7%, we maintain our **Outperform** rating.

§ **Disney to focus on direct-to-customer strategy.** Based on the news report, Disney is said to be shutting down its TV channels in Southeast Asia and Hong Kong as the group focuses on direct-to-customer strategy to grow its streaming services. The move may take effect from 1<sup>st</sup> Oct 2021. Channels that are set to be shuttered include Fox, Fox Crime, Fox Life, FX, Fox Action Movies, Fox Family Movies, Fox Movies, Star Movies China, Fox Sports, Fox Sports 2, Fox Sports 3, Star Sports 1, Star Sports 2, Disney Channel, Disney Junior, Nat Geo People and SCM Legend. We note that Disney Channel and Disney Junior have already been pulled out from Astro early this year. Only four Disney-owned linear channels will continue to be operational i.e Star Chinese Channel, Star Chinese Movies, National Geographic Channel and Nat Geo Wild. Should this be true, services offered by Disney's broadcasting partners like Astro would be affected.

§ **Future outlook.** The potential loss of Disney channels without any immediate replacement could affect Astro's ARPU and hence earnings in FY23F. Based on our estimate, every 1% reduction in its ARPU will lead to a 1.5% decline in earnings. However, we understand that Astro is looking to introduce new over-the-top (OTT) streaming service partnerships in the near term, apart from the existing HBO Go, iQiYi and Astro Go, with an aim to cater for the diverse Malaysian market. This may help to mitigate the impact of the change in Disney's business model. In addition, we opine that the Home-Shopping segment will be one of the main drivers going forward, as the group is looking to leverage on the enlarged customer base via better product offerings.

**KEY FORECAST TABLE**

FYE Jan (RMm)	2020A	2021A	2022F	2023F	2024F	CAGR
Revenue	4,911.8	4,359.7	4,645.7	4,628.7	4,672.3	2.3%
Pre-tax Profit	862.7	692.8	648.6	746.3	813.1	5.5%
Net Profit	655.3	539.8	493.0	567.2	618.0	4.6%
Core Net Profit	656.3	539.8	493.0	567.2	618.0	4.6%
EPS (Sen)	12.6	10.4	9.5	10.9	11.9	4.6%
P/E (x)	8.1	9.9	10.8	9.4	8.6	
DPS (Sen)	7.5	8.0	7.1	8.2	8.9	
Dividend Yield (%)	7.4	7.8	7.0	8.0	8.7	

Source: Company, PublicInvest Research estimates

## KEY FINANCIAL DATA

### INCOME STATEMENT DATA

FYE Jan (RM m)	2020A	2021A	2022F	2023F	2024F
Revenue	4,911.8	4,359.7	4,645.7	4,628.7	4,672.3
Gross Profit	1,895.6	1,619.8	1,639.0	1,691.3	1,755.8
Operating expenses	-784.5	-740.5	-821.8	-805.4	-813.0
Operating Profit	1,111.1	879.3	817.2	885.9	942.8
Net Finance Costs	-209.5	-183.2	-188.0	-159.0	-149.1
Pre-tax Profit	862.7	692.8	648.6	746.3	813.1
Taxation	-218.1	-165.0	-155.7	-179.1	-195.1
Effective Tax Rate	24.0%	24.0%	24.0%	24.0%	24.0%
Net Profit	655.3	539.8	493.0	567.2	618.0
Core Net Profit	656.3	539.8	493.0	567.2	618.0

### Growth

Revenue	-10%	-11%	7%	0%	1%
Gross Profit	-3%	-15%	1%	3%	4%
Net Profit	42%	-18%	-9%	15%	9%

Source: Company, PublicInvest Research estimates

### BALANCE SHEET DATA

FYE Jan (RM m)	2020A	2021A	2022F	2023F	2024F
Property, Plant & Equipment	720.5	598.8	536.9	530.4	609.1
Cash and Cash Equivalents	338.1	264.9	316.1	485.4	537.6
Receivables and prepayment	887.8	809.1	846.6	844.4	850.1
Other Assets	4,252.1	4,112.4	4,110.6	3,993.5	3,935.2
<b>Total Assets</b>	<b>6,198.5</b>	<b>5,785.2</b>	<b>5,810.1</b>	<b>5,853.7</b>	<b>5,932.0</b>
Payables	1,174.4	1,113.1	1,242.8	1,213.6	1,206.5
Borrowings	3,013.2	2,621.6	2,552.6	2,483.5	2,214.4
Deferred tax	122.4	113.7	113.7	113.7	113.7
Other Liabilities	1,032.7	859.0	700.1	700.1	900.1
<b>Total Liabilities</b>	<b>5,342.7</b>	<b>4,707.4</b>	<b>4,609.1</b>	<b>4,510.9</b>	<b>4,434.7</b>
Shareholders' Equity	855.8	1,077.8	1,201.1	1,342.8	1,497.3
<b>Total Equity and Liabilities</b>	<b>6,198.5</b>	<b>5,785.2</b>	<b>5,810.1</b>	<b>5,853.7</b>	<b>5,932.0</b>

Source: Company, PublicInvest Research estimates

### PER SHARE DATA & RATIOS

FYE Jan	2020A	2021A	2022F	2023F	2024F
Book Value Per Share (RM)	0.2	0.2	0.2	0.3	0.3
EPS (Sen)	12.6	10.4	9.5	10.9	11.9
DPS (Sen)	7.5	8.0	7.1	8.2	8.9
Payout Ratio (%)	59.7	77.3	75.0	75.0	75.0
ROA (%)	10.6	9.3	8.5	9.7	10.4
ROE (%)	76.6	50.1	41.0	42.2	41.3

Source: Company, PublicInvest Research estimates

## **RATING CLASSIFICATION**

### STOCKS

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### SECTOR

<b>OVERWEIGHT</b>	The sector is expected to outperform a relevant benchmark over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform a relevant benchmark over the next 12 months.

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**PUBLIC INVESTMENT BANK BERHAD (20027-W)**

9<sup>th</sup> Floor, Bangunan Public Bank

6, Jalan Sultan Sulaiman

50000 Kuala Lumpur

T 603 2268 3000

F 603 2268 3014

Dealing Line 603 2268 3129