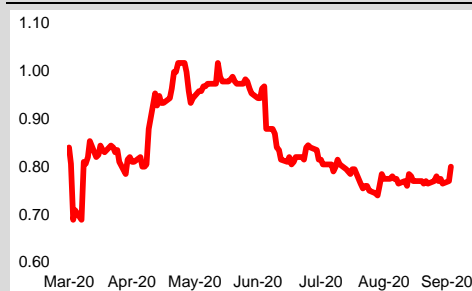


**DESCRIPTION**

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.

12-month Target Price	RM1.38
Current Price	RM0.805
Expected Return	71.4%

Market	Main
Sector	Media
Bursa Code	6399
Bloomberg Ticker	ASTRO MK
Shariah-Compliant	No

**SHARE PRICE CHART**

52 Week Range (RM)	0.71-1.61
3-Month Average Vol ('000)	4,053Ou.1

**SHARE PRICE PERFORMANCE**

	1M	3M	6M
Absolute Returns	3.9	-14.7	-15.4
Relative Returns	6.1	-18.2	-22.2

**KEY STOCK DATA**

Market Capitalisation (RMm)	4,197.7
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

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**Near-Term Outlook Hazy**

Astro posted a weaker 2QFY21 net profit of RM133.7m, down 21% YoY, largely dragged by a decrease in subscription and advertising revenue as well as higher merchandise costs. After adjusting for unrealized forex loss of RM19m, cumulative 1HFY21 core net profit came in at RM226.5m, accounting for 43% of our and consensus full year estimates. We deem the results to be broadly in-line with expectations however as we are expecting a better 2H given the resumption of business activities. While we maintain our earnings forecast, our TP for Astro is reduced to RM1.38 (RM1.55 previously) as we raise our WACC assumption to 9% (from 8.3%), mainly to factor in the increase in earnings and cash flow uncertainties, primarily due to weaker consumer spending. Our **Outperform** call on Astro is maintained nonetheless as Astro remains an attractive dividend play. On that note, Astro declared a second interim dividend of 1.5sen, bringing the total YTD dividend declared to 2.5 sen.

§ **2QFY21 revenue declined** by 11.8% YoY, as both TV and Radio segment recorded lower contribution. Nevertheless, the decline in subscription and advertising revenue was partially mitigated by the increase in sales from its home-shopping segment. Pay TV ARPU decreased to RM98, mainly due to the one-off RM40 rebate given to Astro's Sports Pack customers. Advertising revenue fell by 49.4% YoY to RM80m as advertisers held back on spending in the absence of Astro's live reality signature content amid the Movement Control Order (MCO). It is worth noting however that Go Shop recorded its best quarter yet, mainly boosted by stronger festive sales. We foresee the current growth momentum for Go Shop tapering off slightly in 2HFY21 as we expect consumer spending to be impacted upon expiry of the 6-month loan moratorium.

§ **Lower core net profit YoY.** 2QFY21 core net profit fell by 28.9% YoY to RM119.7m, mainly attributable to lower revenue recorded in the TV and Radio division as well as higher merchandise costs. However, lower content cost and impairment of receivables managed to partially cushion the negative impact. EBITDA margin declined by 4.6 ppts to 31.3% in 2QFY21.

§ **Outlook.** The gradual reopening of business activities is expected to have a positive impact on Astro's earnings moving forward. We are a little wary over the Group's near-term prospects amid the challenging economic conditions however, which may lead to down-trading by subscribers. On-going cost optimization initiatives will be able to partially mitigate the impact on lower revenue however.

**KEY FORECAST TABLE**

FYE Jan (RMm)	2019A	2020A	2021F	2022F	2023F	CAGR
Revenue	5,479.0	4,911.8	4,569.2	4,640.2	4,615.7	-1.5%
Pre-tax Profit	651.1	862.7	668.0	632.3	733.9	-4.0%
Net Profit	462.9	655.3	518.4	491.3	568.5	-3.5%
Core Net Profit	561.9	656.3	518.4	491.3	568.5	-3.5%
EPS (Sen)	8.9	12.6	9.9	9.4	10.9	-3.5%
P/E (x)	9.1	6.4	8.1	8.5	7.4	
DPS (Sen)	9.0	7.5	6.5	7.1	8.2	
Dividend Yield (%)	11.2	9.3	8.0	8.8	10.2	

Source: Company, PublicInvest Research estimates

**Table 1: Results Summary**

<u>FYE Jan (RM m)</u>	<u>2Q21</u>	<u>2Q20</u>	<u>1Q21</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>YTD 21</u>	<u>YTD 20</u>	<u>YoY chg (%)</u>	<u>Comments</u>
Revenue	1,091.0	1,236.4	1,052.9	-11.8	3.6	2,143.9	2,470.8	-13.2	Lower TV subscription and advertising revenue
Cost of sales	-702.9	-770.3	-686.1	-8.7	2.4	-1,389.0	-1,499.4	-7.4	
<b>Gross profit</b>	<b>388.1</b>	<b>466.1</b>	<b>366.8</b>	<b>-16.7</b>	<b>5.8</b>	<b>754.9</b>	<b>971.4</b>	<b>-22.3</b>	
Other operating expenses / income	-169.8	-197.4	-181.3	-14.0	-6.3	-351.1	-418.1	-16.0	
<b>Operating profit</b>	<b>218.3</b>	<b>268.7</b>	<b>185.5</b>	<b>-18.8</b>	<b>17.7</b>	<b>403.8</b>	<b>553.3</b>	<b>-27.0</b>	
Net finance income / (costs)	-30.6	-48.0	-89.0	-36.3	-65.6	-119.6	-106.2	12.6	
Associates	-0.2	0.1	0.3	-300.0	-166.7	0.1	0.2	-50.0	
<b>PBT</b>	<b>187.5</b>	<b>220.8</b>	<b>96.8</b>	<b>-15.1</b>	<b>93.7</b>	<b>284.3</b>	<b>447.3</b>	<b>-36.4</b>	
Taxation	-50.3	-52.9	-23.9	-4.9	110.5	-74.2	-110.1	-32.6	
Minority interest	-3.5	1.5	0.9	-333.3	-488.9	-2.6	8.4	-131.0	
<b>Net profit</b>	<b>133.7</b>	<b>169.4</b>	<b>73.8</b>	<b>-21.1</b>	<b>81.2</b>	<b>207.5</b>	<b>345.6</b>	<b>-40.0</b>	
<b>Normalised net profit</b>	<b>119.7</b>	<b>168.4</b>	<b>106.8</b>	<b>-28.9</b>	<b>12.1</b>	<b>226.5</b>	<b>352.6</b>	<b>-35.8</b>	After adjusting for unrealised forex loss of RM19m
EBITDA Margin	31.3%	35.9%	31.3%	-12.8	0.0	32.7%	35.7%	-2.9%	
PBT Margin	9.2%	18.3%	16.0%	-49.9	-42.5	13.3%	18.1%	-4.8%	
Net Profit Margin	7.0%	14.3%	11.3%	-50.9	-38.2	9.7%	14.0%	-4.3%	
Effective Tax Rate	24.7%	25.3%	29.7%	-2.2	-16.9	26.1%	24.6%	1.5%	
<b><u>Segment Revenue</u></b>									
Television	919.2	1,080.4	920.4	-14.9	-0.1	1,839.6	2,171.8	-15.3	Lower subscription revenue impacted by one-off RM40 Sports Pack rebate
Radio	27.1	65.5	37.2	-58.6	-27.2	64.3	125.0	-48.6	
Home shopping	144.7	90.5	95.3	59.9	51.8	240.0	174.0	37.9	Driven by festive spending and higher viewership
Corporate Function/Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	

Source: Company, PublicInvest Research estimates

**KEY FINANCIAL DATA**
**INCOME STATEMENT DATA**

FYE Jan (RM m)	2019A	2020A	2021F	2022F	2023F
Revenue	5,479.0	4,911.8	4,569.2	4,640.2	4,615.7
Gross Profit	1,944.7	1,895.6	1,686.3	1,621.1	1,696.2
Operating expenses	-1,023.1	-833.7	-806.0	-788.8	-784.7
Operating Profit	921.6	1,061.9	880.3	832.3	911.5
Net Finance Costs	-279.3	-209.5	-222.7	-210.2	-187.9
Pre-tax Profit	651.1	862.7	668.0	632.3	733.9
Taxation	-190.3	-218.1	-160.3	-151.8	-176.1
Effective Tax Rate	29.2%	25.3%	24.0%	24.0%	24.0%
Net Profit	462.9	655.3	518.4	491.3	568.5
Core Net Profit	561.9	656.3	518.4	491.3	568.5

**Growth**

Revenue	-1%	-10%	-7%	2%	-1%
Gross Profit	-14%	-3%	-11%	-4%	5%
Net Profit	-40%	42%	-21%	-5%	16%

Source: Company, PublicInvest Research estimates

**BALANCE SHEET DATA**

FYE Jan (RM m)	2019A	2020A	2021F	2022F	2023F
Property, Plant & Equipment	2,233.1	720.5	632.9	536.9	530.4
Cash and Cash Equivalents	283.5	338.1	500.5	766.6	671.8
Receivables and prepayment	988.5	887.8	841.1	850.8	847.5
Other Assets	2,754.5	4,252.0	4,144.4	4,012.4	3,895.3
<b>Total Assets</b>	<b>6,259.6</b>	<b>6,198.4</b>	<b>6,119.0</b>	<b>6,166.8</b>	<b>5,944.9</b>
Payables	1,669.5	1,423.2	1,372.1	1,422.1	1,384.6
Borrowings	3,521.6	3,311.8	3,180.7	2,849.6	2,518.5
Deferred tax	116.2	122.4	122.4	122.4	122.4
Other Liabilities	367.1	485.2	406.6	606.6	606.6
<b>Total Liabilities</b>	<b>5,674.3</b>	<b>5,342.6</b>	<b>5,081.7</b>	<b>5,000.7</b>	<b>4,632.1</b>
Shareholders' Equity	585.3	855.8	1,037.3	1,166.1	1,312.8
<b>Total Equity and Liabilities</b>	<b>6,259.6</b>	<b>6,198.4</b>	<b>6,119.0</b>	<b>6,166.8</b>	<b>5,944.9</b>

Source: Company, PublicInvest Research estimates

**PER SHARE DATA & RATIOS**

FYE Jan	2019A	2020A	2021F	2022F	2023F
Book Value Per Share (RM)	0.1	0.2	0.2	0.2	0.2
EPS (Sen)	8.9	12.6	9.9	9.4	10.9
DPS (Sen)	9.0	7.5	6.5	7.1	8.2
Payout Ratio (%)	101.4	59.7	65.0	75.0	75.0
ROA (%)	7.4	10.6	8.5	8.0	9.6
ROE (%)	79.1	76.6	50.0	42.4	43.7

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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