

PP14767/09/2012(030761)

Astro Malaysia Holdings Berhad

“TV and Radio Lift Earnings”

Results Review

- Actual vs. expectations.** Astro Malaysia Holdings Bhd (Astro) 1Q16 net profit of RM168 million (31% y-o-y) came in line with ours and consensus estimates respectively, accounting 26% of both sides full year forecast. The better-than-expected earnings performance in 1Q16 was driven by lower net finance costs and higher EBIT to RM58 million from RM64 million and RM266 million in 1Q16 from RM212 million 1Q15. EBIT margin broadened to 20% from 17% in 1Q15.
- Dividend.** Astro declared a first interim dividend of 2.75sen/share in 1Q16, translating to a dividend payout ratio of 85% slightly lower against 1Q15 payout ratio of 91% (1Q15: 2.25sen/share).
- Top line vs. Bottom line.** 1Q16 revenue gained to RM1.3 billion (6% y-o-y, -1% q-o-q) mainly driven by an increase in subscription by RM33 million and advertising by RM14 million respectively. The **Television Networks’** subscription has lifted Astro’s television revenue to RM1.2 billion (3% y-o-y) in 1Q16 underpinned by the jump in subscription, attributed by growths in both ARPU and number for Pay-TV residential subscribers by RM1.90 (from RM97.10 to RM99.00) and 34,100 new customers (from 3.47 million to 3.50 million) respectively. The Group’s revenue for the **Radio Networks’** segment grew by 41% y-o-y to RM204 million in 1Q16 (1Q15: RM145 million) thanks to strong listenership ratings and improving sales tactical campaign underpinned by the introduction of the youthful format to make it more attractive. As a result, Astro’s PBT for television segment soared by double digits by 16% y-o-y to RM204 million from RM145 million in 1Q15, and the radio segment’s PBT increased by 30% y-o-y to RM29 million from RM22 million in 1Q15. Note that, radio adex (Radex) market share in 1Q16 has

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HOLD (TP: RM3.24)

Current Price (RM)	RM3.01
New Target Price (RM)	RM3.24
Previous Target Price (RM)	RM 3.39
Previous Recomm.	HOLD
Upside to the Fair Value	8%
Dividend Yield (FY16)	2.9%

Stock Code	
Bloomberg	ASTRO MK

Stock & Market Data	
Listing	MAIN MARKET
Sector	Media
Shariah Compliance	Yes
Issued Shares	5,201.7mn
Market Cap	16,594mn
YTD Chg In Share Price	-0.66%
Beta (x)	0.88
52-week Hi/Lo (RM)	3.68 2.83
6M Average Volume (shares)	6.328mn
Estimated Free Float	40%

Major Shareholders	
Pantai Cahaya Bulan Ventures	20.72%
All Asia Media Equities Limited	19.48%
JP Morgan Chase & Co	6.57%

increased to 63% as against the corresponding quarter of 59%.

- Collaboration with Kantar Media!** Astro has chosen Kantar Media to organize and monitor audience measurement service by collecting data from its subscribers for the most popular channels and services that they tune to and plus report on viewership of the advertisement spots. Kantar Media is the world's leader in television audience measurement (TAM). Hence, with innovative service, DynamicTAM (DTAM) would measure viewership not only direct standard and high definition channels, but also sectioned viewership from services, such as time-shifted viewing, video-on-demand and interactive television which is still unmeasured to date. The DTAM would provide hand-full information that would allow advertisers make better media advertising decision and target specific consumers based on their viewing habits. Furthermore, DTAM would report on viewership of advertising spots across Astro and free-to-air (FTA) TV channels.
- Change to forecast.** We have done some house-keeping exercise and came-out with new FY16 and FY17 earnings forecast of RM634 million and RM661 million respectively. Our FY16 and FY17 earnings are forecast are expected to grow by 1% and 4% underpinned by i) better-than-expected subscribers take-up rate of HD services; ii) encouraging performance of its new home shopping service Go Shop; and iii) higher expansion in customer base which would increase ARPU in a long term performance.
- Valuation and Recommendation.** Due to our revision in earning forecast, we derive a new target price on Astro of RM3.24 pegged at 3-years PER of 27x and the stock is a HOLD lifted by i) Rio 2016 Olympic Games and ii) Astro Go Shop that will generate RM500 million in annual revenue by FY20.

Table 1: Peers Comparison

Company	Year Ended	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	Div Yield (%)	Target Price	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
Media Prima	Dec	1.44	14	15	11	11	1	1	4.1	11.1	1.80	Buy
Astro	Jan	3.01	13	15	25	20	23	25	85.8	3.1	3.24	Hold
MCIL	Mar	0.79	7	7	8	8	2	2.0	19.1	5.5	0.63	Hold
Star	Dec	2.45	20	21	13	12	2	1	9.7	3.7	2.47	Hold
Average			12	13	14	13	7	7				

Source: Bloomberg, M&A Securities

Results Review - Astro Malaysia Holdings Bhd

Table 2: Earnings Forecast

YE: Jan (RM million)	FY13	FY14	FY15	FY16F	FY17F
Revenue	4,265	4,791	5,231	5,607	6,029
Gross profit	1,655	1,769	1,890	2,075	2,231
EBIT	993	791	782	914	915
PBT	575	569	776	880	922
Net profit	420	448	551	634	661
EPS (sen)	22	9	11	12	13
PBT margin	13%	12%	15%	16%	15%
Net profit margin	10%	9%	11%	11%	11%
EBIT Margin	26%	19%	16%	17%	16%
PER (x)	13	33	32	25	25
P/BV (x)	28.0	30.2	23.9	21.2	17.5
DPS (sen)	4	9	11	9	10
Div Yield	1.2%	1.8%	3.5%	2.9%	3.0%

Source: Company, M&A Securities

Table 3: Results Highlight

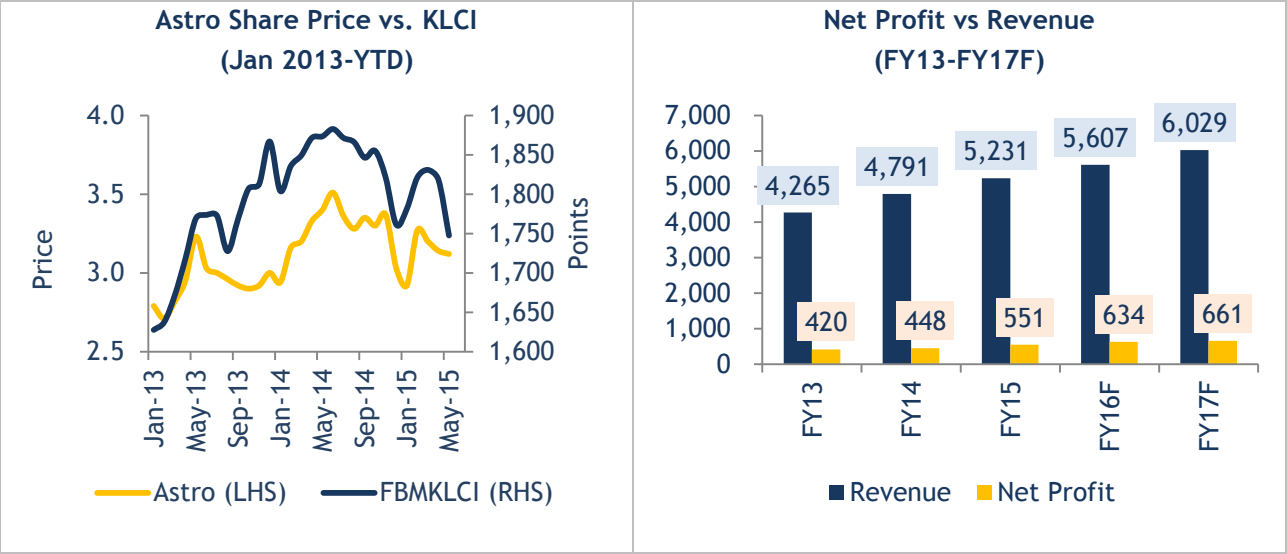
YE: Jan (RM million)	1Q16	1Q15	4Q15	q-o-q	y-o-y	3M16	3M15	y-o-y
Revenue	1,330	1,254	1,348	-1%	6%	1,330	1,254	6%
Gross Profit	516	457	514	0%	13%	516	457	13%
EBIT	266	212	264	1%	25%	266	212	25%
PBT	230	168	127	81%	37%	230	168	37%
Taxation	(64)	(39)	(64)	-1%	62%	(64)	(39)	62%
Net Profit	168	128	140	20%	31%	168	128	31%
EPS (sen)	3	3	3	19%	28%	3	3	28%
Gross Profit margin	39%	36%	38%			39%	36%	
PBT margin	17%	13%	9%			17%	13%	
Net profit margin	13%	10%	10%			13%	10%	
EBIT Margin	20%	17%	20%			20%	17%	
Effective tax rate	-28%	-23%	-50%			-28%	-23%	

Source: Company, M&A Securities

Table 4: Segmental

External Revenue (RM'mil)	3M16	3M15	y-o-y
<u>External Revenue</u>			
Television	1,231	1,197	3%
Radio	62	53	16%
<u>PBT</u>			
Television	204	145	41%
Radio	29	22	30%

Source: Bloomberg, M&A Securities



Source: Company, M&A Securities

M&A Securities

STOCK RECOMMENDATIONS

BUY	Share price is expected to be $\geq +10\%$ over the next 12 months.
TRADING BUY	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
HOLD	Share price is expected to be between -10% and $+10\%$ over the next 12 months.
SELL	Share price is expected to be $\geq -10\%$ over the next 12 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT	The sector is expected to outperform the FBM KLCI over the next 12 months.
NEUTRAL	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform the FBM KLCI over the next 12 months.

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