

Astro may lose to media piracy, says analyst

A RECENT study by Astro Malaysia Holdings Bhd on the impacts of piracy content in Malaysia has caused the media industry to lose RM2.3 billion revenue in 2019.

CGS-CIMB Securities Sdn Bhd analyst Kamarul Anwar views that the figure has only grown since cord-cutting has been amplified by the economic damage caused by the Covid-19 pandemic.

“In our view, piracy is a symptom of a larger socio-economic problem endemic to developing economies — the population’s weak purchasing power, which hampers their ability to procure discretionary items and services,” Kamarul said in a note yesterday.

He noted that Astro has the highest risk exposure to media piracy because it is anchored on a direct-to-consumer (D2C) model.

“Between the financial year of 2016 (FY1/16) and FY1/21, we estimate Astro lost 483,485 households or 14.8% of its pay-TV subscribers,” stated Kamarul.

Meanwhile, Media Prima Bhd is not directly affected by piracy as most of its income is derived from advertising sales.

“Its role in the global streaming landscape is providing content to third-party international video-streaming players,” he added.

Other media such as Star Media Group Bhd and Media Chinese International Ltd were also not affected by video piracy.

However, they are contending with uneconomical digital advertising sales, stiff competition from free news portals and the waning relevance of print media, says the analyst.

Nevertheless, CGS-CIMB made an ‘Add’ call on Astro with a target price (TP) of RM1.50 based on its strategy to integrate its pay-TV service with up to 15 third-party subscription-based video-on-demand (SVOD) services by end-FY1/23F.

“We believe this could be the one-two punch that could bring its lapsed subscribers back into its fold, referring to former Astro subscribers who can afford licensed media services yet choose not to for various reasons,” stated Kamarul.

However, it could be trickier as income pressure has become more evident in Malaysia over the past few years.

“Based on the Department of Statistics Malaysia, the average Malaysian household spent only RM13.60 per month on TV and video. That cannot even cover the RM18.30 per month

subscription for Disney+ Hotstar, which is one of the cheapest SVOD services around,” he said.

Notwithstanding the piracy, CGS-CIMB reiterates ‘Overweight’ on the media sector as the market is not pricing in broadcasters’ earnings recovery upside.

“We believe that Astro is doing its level best to win over those who have the means to procure licensed media services. Our FY1/22-FY24F forecasts for Astro are based on gradual year-on-year growth in subscribers from cord-cutters who are more financially stable,” he further said.

At the same time, the analyst is not expecting a streaming-integration strategy to swiftly take the company (Astro) back to its earnings peak.

On Media Prima, the analyst said its upside comes from having more SVOD services entering Malaysia as it supplies its content to international players.

CGS-CIMB Research also has an “Add” call to Media Prima at 88 sen TP at 1.5 times calendar year of 2022 price-to-book value based on two standard deviations above its mean.

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