

## GCEO's Statement



### **Dear Shareholders,**

*FY20 saw us intensifying efforts to improve customer service and experience with our new Ultra Box, newly revamped Astro GO user interface, introduction of content-broadband bundles and addition of streaming services iQIYI and HBO GO. As we journey towards continuous improvement, we are delighted to share that Astro was named Malaysia's Brand of the Year at the prestigious 2019 Putra Brand Awards. This recognition by Malaysian consumers affirms our position as the leading brand in Malaysia, even as competition for customers' time and attention intensifies.*

*Our success has been built on our extensive reach and deep engagement with Malaysians across TV, radio, digital and commerce. Underpinned by our strong content slate, we serve over 24 million individuals residing in 5.7 million homes across Malaysia, equating to a 75% penetration of Malaysian homes. With over 16.9 million weekly listeners, our Astro Radio brands continue to captivate Malaysians by retaining top positions across every language – Malay, Chinese, Tamil and English. Our popular digital brands including Gempak, Xuan and AWANI are visited by 11.6 million digital MUV. Go Shop, our 24/7 multilanguage, multiplatform home shopping proposition has over 2.2 million registered customers.*



**Henry Tan**  
Group Chief Executive Officer



## GCEO's Statement



*Astro introduced content packages bundled with high-speed broadband connectivity to cater to customers' needs*

**“In FY20, we strengthened our Pay-TV proposition by Reinvigorating customer experience, Refreshing content, Resetting customer service and Rewarding customers”**

Operating in these challenging times requires a shift in mindset. Astro embraces this to fully reap the new opportunities available by increasing our speed and quality of execution, including redesigning and streamlining key processes. In doing so, we are thankful to have the full support of our Board behind us. We executed our FY20 strategy well with a focus on strengthening our Pay-TV proposition through the four R's, namely Reinvigorating customer experience, Refreshing content, Resetting customer service and Rewarding customers, while simultaneously reaching more Malaysian households through NJOI, our freemium offering.

We see opportunities in fortifying our existing ecosystem through our expansion into natural ancillary businesses including strategic streaming partnerships, content-broadband bundles, home shopping and advertising to further diversify revenue streams within the fluid industry landscape.

### INDUSTRY LANDSCAPE

2019 will be remembered as the dawn of streaming wars as incumbent media players rolled out their new business-to-consumer (“B2C”) offerings. Globally, the Pay-TV industry is facing pressure as content consumption preference pivots towards Internet-Protocol based delivery, driven by the prevalence of higher speed broadband and impending 5G deployment. Back home, the convergence of Pay-TV and broadband driven by the implementation of the National Fiberisation and Connectivity Plan (NFCP) has boosted digital content consumption and accelerated the shift in viewing from household to individual as connectivity becomes more affordable. Although consumer preference for long-form content remains with the big screen, Pay-TV operators globally are investing heavily in online digital platforms while forming strategic alliances with streaming partners and extending content aggregation beyond linear channels to include streaming services to cater to the young.

Investor sentiment in the media industry remains relatively weak domestically and in the broader market, weighed down by structural challenges and over-the-top alternatives. However, valuation gaps are narrowing between digital-first companies and incumbents with huge vaults of original content and promising B2C offerings.

While increased connectivity unlocks opportunities, it also carries with it the damaging by-product of piracy. The trend is worrying as research shows consumers are increasingly accessing content via illegitimate means. This eliminates the government's access and means to reach out to the *rakyat* (public) and impedes efforts to unite Malaysians.

Piracy's impact on the media industry is estimated at over RM2 billion annually in leakages from the Malaysian economy. By stifling the promising local creative industry through revenue leakages, piracy has significantly undermined the industry's growth and represents an existential threat if left unchecked. According to a published survey by Asia Video Industry Association (AVIA), close to a quarter of Malaysian online users consume content using illicit streaming devices, with approximately two-thirds cancelling some, if not all, of their legitimate source of content and entertainment. As piracy freerides on the back of the new digital highway, strong government action is crucial to remedy the situation.

### FY20 FINANCIAL OVERVIEW

Our financial results remain resilient amid the challenging operating environment. Against the backdrop of softer consumer sentiment and impact from piracy, revenue decreased to RM4.9 billion as we focused on quality customer acquisition and retention in our core Pay-TV segment. Disciplined cost rationalisation initiatives led to an expansion of EBITDA margin by six percentage points to a healthy 35% and boosted PATAMI by 42% to RM655 million. Capital Expenditure ("Capex") totalling RM352 million was invested in enhancing customer journey and experience through technology platforms and system upgrades.

Our business remains highly cash generative with RM1.15 billion FCF generated in FY20, enabling us to reward shareholders with a full-year dividend of 7.5 sen per share, equating to 60% of consolidated profits and an attractive yield in excess of 6%. This marked a departure from our usual dividend policy as we prioritised liquidity conservation to strengthen our Group's balance sheet, which we felt was necessary due to the extenuating circumstances brought about by COVID-19. Astro continues to proactively cost optimise and pursue active capital management to further improve our balance sheet. This enables us to reinvest into our customers, grow adjacent businesses and pivot to capture new opportunities to serve Malaysians better.



*Our signature IPs continue to resonate among Malaysians*

“We commissioned and produced 11,300 hours of content in FY20, solidifying our position as the No. 1 content creator in Malaysia”

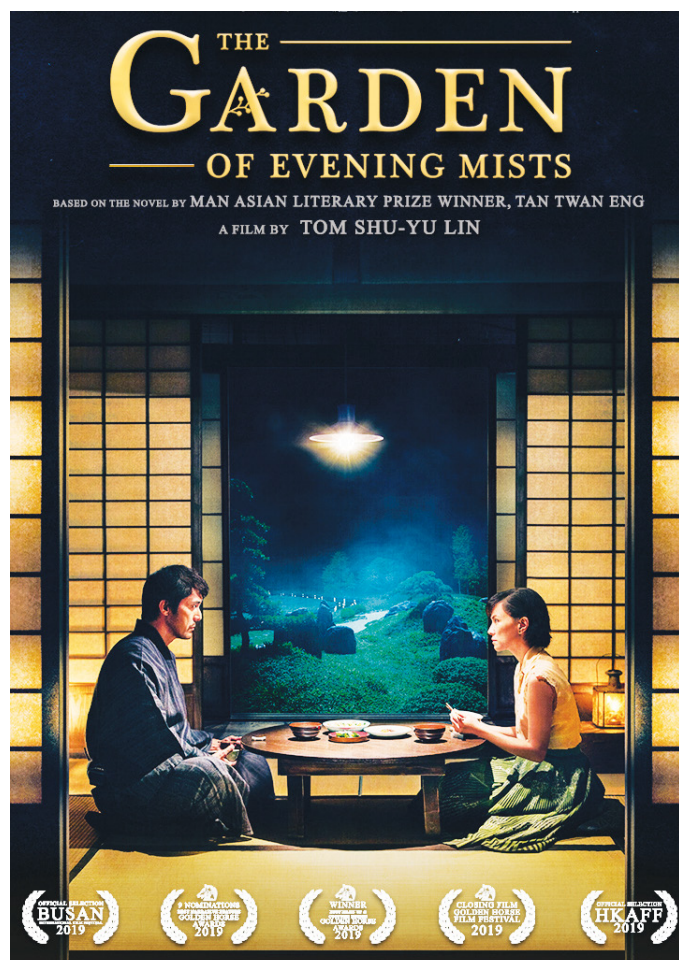
### CONTENT IS KEY

Content remains our ultimate differentiator. Over the years, we have honed our capabilities to ideate, develop and produce original content to cater to a very diverse Malaysian audience. We commissioned and produced 11,300 hours of content in FY20, solidifying our position as the No. 1 content creator in Malaysia.

Despite customers being spoilt for choice with a wide array of content available in the market, we are pleased to report that engagement hours remain solid, with our customers watching over four hours of Astro daily across TV, On Demand and Astro GO, reaffirming our relevance in this digital era. Within our base, we see more customers starting to use non-linear modes of consumption such as On Demand and Astro GO.



## GCEO's Statement



Award-winning film *TGOEM* is a distinctly Malaysian story boasting a stellar international cast and crew

### Powering the box office

We are delighted that local movies have cemented their position as staple box office hits. This validates our decision to champion local movies almost a decade ago, viewed then as a very risky endeavour. Fast forward to today, it is inspiring that local movies are besting even top international titles.

2019 was a watershed year for Malaysian animation as three local animation series emerged as box office winners. This includes *BoBoiBoy Movie 2*, our collaboration with leading animator Animonsta, which raked in RM30 million in ticket sales.

Our movies, including *Pusaka*, *Sangkar*, *Wira* and *Misteri Dilaila* grossed over RM75 million in cinemas, garnering a 50% share of the 2019 local box office. We will continue to produce and distribute more movies to fuel the rising demand for homegrown shows.

We also premiered our film *The Garden of Evening Mists* (“*TGOEM*”), Astro’s first English-language movie adapted from the award-winning novel of Malaysian author Tan Twan Eng, with screenplay by BAFTA award-winner Richard Smith. Directed by Tom Shu-Yu Lin, *TGOEM* received accolades for its beautiful portrayal of a post-World War 2 love affair, featuring a stellar international cast including Sinje Lee, Sylvia Chang and Hiroshi Abe. Winning one out of nine nominations at the prestigious 2019 Golden Horse Awards, *TGOEM* was screened at the recent Busan, Hong Kong and Taipei film festivals.

### Expanding premium local offerings

Underpinning our steady TV viewership share of 76% is our vernacular content. Customers spend the majority of their time watching vernacular content, which remains the primary anchor of our advertising revenue, with more than 75% derived from Astro’s vernacular channels. Our own originals, including *Sweet Dreams* and signatures, *Gegar Vaganza 2019*, *Maharaja Lawak Mega 2019* and *Classic Golden Melody 2019*, continue to evolve and command the highest viewership and largest following.

Astro retained its position as the preferred entertainment destination during the 2019 Hari Raya festive season, edging out FTA offerings, with our Malay drama series *Curi-Curi Cinta* emerging as Malaysia’s highest rated programme with over 3 million TV viewership.

The steady viewership and following among vernacular content assure advertisers of our ability to consistently reach and engage with customers, thus encouraging them to prioritise their advertising spend with Astro. Simultaneously, our content is also monetised through regional and global licensing deals, on-ground events, merchandising and commerce. With current spend on local and regional content accounting for approximately 40% of our total content investments, we will continue to invest in vernacular content, which is highly valued by Malaysians.



The new Astro Ultra Box comes with 4K UHD, Cloud Recording and a brand new user interface

## “World’s No. 2 Islamic kids IP, Omar & Hana continues to gain fans locally and globally”

### Kids animation on the rise

Our signature kids animation, *Didi & Friends* retained its position as the top preschool programme in Malaysia and continues to broaden its reach with a number of spin-off titles. Dubbed into multiple languages, *Didi & Friends* is now available beyond Malaysia and enjoys a growing international fanbase. On the digital front, *Didi & Friends* reached new highs this year, with the Malay-language channel retaining its position among the Top 5 YouTube channels in Malaysia with 1 billion digital views in FY20 and a fanbase of 3.2 million, up 100%. World’s No. 2 Islamic kids IP, *Omar & Hana* continues to gain fans locally and globally through content localisation and partnerships with regional and international players.

### WINNING OVER HOUSEHOLDS AND INDIVIDUALS

In the coming year, we will ramp up efforts to protect our premium Pay-TV customer base while continuing to grow ancillary businesses. Our aim is twofold. Firstly, to ensure Astro retains its position as the entertainment destination and gateway to homes through our Pay-TV, NJOI and broadband propositions. Secondly, to solidify our reach to individuals through streaming services, digital brands, radio and commerce.

### Deepening home engagement

The combination of our winning content and strong penetration of 75% of Malaysian homes through Pay-TV and NJOI puts us in an excellent position to engage, influence and win the hearts of Malaysians.

### Strengthening our premium Pay-TV proposition

Pay-TV ARPU increased to RM100.0 with strong customer engagement seen across all platforms – on average, they watch over four hours of Astro daily on TV, On Demand and Astro GO. Customers are particularly engaged with our On Demand library featuring over 51,000 titles, accessible via both Astro GO and our 1 million connected STBs rolled out to date.

We redefined our offering in November 2019 through the launch of the new Ultra Box, designed to provide the best TV experience to our customers by leveraging cloud technology, with features such as 4K UHD, Play From Start, unlimited recordings of their favourite programmes and seamless viewing across devices. The response to the Ultra Box has been excellent with over 60,000 deployed to date, and we anticipate this traction to continue. Complementing our Pay-TV proposition is our revamped Astro GO app, which mirrors the user experience of the Ultra Box for customers on-the-go.



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We are aggressively driving customer experience initiatives aimed at improving overall customer satisfaction, including enhancing our service levels to ensure digital relevance. To fortify our Pay-TV proposition, our Astro Rewards programme provides exclusive privileges to customers, including priority booking for sold-out concert events and merchandise discounts. We will continue to forge partnerships with key dealers and corporates to benefit our customers.

Over the medium-term, we are looking at options to introduce Astro as a pure streaming-based proposition, potentially extending our service to customers who consume via Smart TVs. We are also considering packages and propositions tailored specifically for mobile devices, catering to digital natives.

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**Step 2: GET TICKETS (Online only)**  
Select 4 seats & enter Promo Code on GSC.com.my to get your FREE tickets! \*Valid for shows up to 31/12/2019

**STEP 3: ENJOY THE SHOW!**

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*Rewarding our customers with exclusive privileges and offers such as free movie passes*

Building on our solid TV adex share of 43%, we are intending to introduce addressable advertising, allowing us to simultaneously serve different advertisements to different groups of customers watching the same content. By merging the best of TV's emotional persuasive power with the intelligence and targeting capability of digital, this premium offering represents a new monetisation opportunity for Astro. Originally slated to launch in FY21, this project has been deferred in view of interruptions to the deployment schedule arising from the COVID-19 situation.

### Boosting NJOI prepaid activation

Our freemium TV service NJOI is key to winning over the remaining households in Malaysia. By offering access to 29 free TV channels and 20 radio channels and the option to purchase other premium content on a prepaid basis, NJOI has emerged as a compelling proposition especially in light of the nationwide analogue switch-off (ASO) completed in October 2019, as customers were compelled to migrate away from analogue TV.

## “NJOI functions as a recruitment brand, acting as a pathway for potential Pay-TV upgrades”

Not only does NJOI strengthen our foothold into Malaysian homes, the extended reach also supports Astro's revenue diversification strategy by increasing our advertising and commerce reach. Notably, NJOI functions as a recruitment brand, acting as a pathway for potential Pay-TV upgrades.

We are working to improve customers' path to purchase by simplifying the prepaid top-up process. In FY20, we introduced e-wallet top-ups to complement our existing 30,000 touchpoints, including convenience stores, online banking and self-service channels. We are looking to establish more digital touchpoints, including partnering with e-commerce platforms and telcos, and to deepen our prepaid content menu to drive prepaid take-up.

### Driving connectivity with broadband bundles

Leveraging our extensive household reach, broadband is a natural ancillary for Astro as connectivity elevates customers' viewing

experience by enabling access to our vast content library of On Demand titles and advanced features on our Ultra Box such as Cloud Recording and Play From Start. Our strategic partnership agreement with Maxis announced in August 2019 enables us to offer value-for-money bundles featuring the best of Astro content and high-speed broadband with speeds ranging from 30Mbps to 800Mbps. Encouraged by this take-up, we are also exploring opportunities to collaborate with other local Internet Service Providers ("ISP") in this space.

### Broadening reach to individuals

We aspire to broaden our reach in the individuals space to mirror our household access and develop deeper relationships with our customers through our streaming services, radio and commerce offerings. Leveraging our emerging data analytics capabilities, we are increasingly able to provide personalised services to cater to the lifestyles of our customers.

NJOI offers subscription-free TV service with options to buy premium content



## GCEO's Statement

### Activating streaming partnerships

With the streaming wars now upon us, competition has accelerated with several content giants taking the aggressive step of withdrawing their content from other streaming platforms to market under their own B2C streaming services. Consumers, flooded with different over-the-top offerings, will soon require multiple subscriptions in order to access their preferred content on multiple platforms, potentially resulting in streaming fatigue and placing additional burden on their wallets.

This confusion in the marketplace presents a unique opportunity for Astro. Our strong brand presence, customer reach and position as the leading producer and aggregator of content make us the natural destination for both consumers and streaming partners. Partners can rely on our reach and engagement with consumers to distribute their offerings to Malaysians. In return, Astro customers will benefit from preferential rates for signing up to these streaming services. In addition to Astro GO, we have exclusive partnerships with HBO GO (home of Hollywood originals including *Game of Thrones*) and iQIYI (China's top video streaming service). We are also in talks with other global players to extend their streaming services to our customers.

### Engaging through radio and digital

Astro's strong radex share of 80% is predicated on our unparalleled reach across all age groups, with our radio brands maintaining their No. 1 position in every major language. We are reaching more Malaysians than ever, with 16.9 million weekly listeners tuning in an average of two hours daily, alongside 3.0 million monthly digital users. In 2019, we launched our one-stop radio app SYOK to deepen our digital engagement with individuals. SYOK aggregates all our radio brands in one app and offers a comprehensive selection of podcasts, original videos and live radio to grow our digidex and radex shares.

Anchoring our digidex are our top vernacular digital brands Gempak and Xuan. With 560 million digital views in FY20, Gempak retains its title as the top digital entertainment brand in Malaysia with a fan base of 6.8 million while Xuan, the No. 1 local Chinese digital entertainment brand, recorded 24 million digital views across its 1 million fanbase. Our stable of over 25 digital brands also includes AWANI, Ulagam and Rojak Daily, enabling us to engage with Malaysians through differentiated content offerings that appeal to different consumer segments. In FY20, we initiated integration of our TV, radio and digital media sales teams under one roof to provide total advertising solutions for clients.

**iQIYI | astro**

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*iQIYI app offers customers a wide selection of high-quality content*





*Astro Kem Badminton participants underwent a two-week intensive training in Tokyo with Japan's National Junior Team coaches and players*

### Redefining home shopping

Our home shopping business, Go Shop, continues to differentiate itself by leveraging Astro's production capabilities to curate immersive programmes that drive deep emotional engagement with customers. In FY20, we expanded Go Shop's signature lifestyle-centric programmes to include recipe-sharing sessions by local celebrity chefs, as well as celebrity and social influencer-led programmes. Alongside three dedicated Go Shop channels and multilingual content slots across Astro channels, Go Shop introduced a FTA channel, extending our reach to all Malaysians. Go Shop continues to resonate well with Malaysian consumers, where we saw growth in registered customers by 25% to 2.2 million and monthly active users ("MAU") of over 1 million on digital as of end of FY20 despite the softer economic sentiment which resulted in smaller basket sizes.

### SUSTAINABILITY

We are committed to sustainable business practices. Through careful allocation of our Capitals, we continue to grow our ecosystem to create shareholder value, support the local economy and leave a lasting positive impact on our community and environment to spur future value creation and growth.

As our business evolves towards serving the next generation of consumers alongside our loyal customers, we acknowledge the importance of having a nimble, agile and rightly skilled talent pipeline, underpinned by our young workforce with an average age of 34. Our diverse talent force, reflecting the demographics of our country, enables us to understand and serve Malaysians better than anyone else. Work is underway to reskill and upskill our talent pool, even as we continue to strategically hire to grow our adjacencies in the area of data analytics, streaming services and broadband.

Astro champions social inclusivity in line with our corporate values through numerous initiatives undertaken at the corporate level and by our foundation, Yayasan Astro Kasih. Across our business lines, Team Astro advocates long-term impactful endeavours guided by Yayasan's key pillars of lifelong learning, community development, sports and environment. Our flagship initiatives include Kampus Astro and Tutor TV, Astro Hostels and Astro Kem Badminton, all of which have had a sustained positive impact on the youth in our community.

## GCEO's Statement

### astro GO for all Malaysians

Now everyone can watch Astro on their mobile devices.



*Complimentary Astro GO access was well-received by Malaysians during the MCO period with over 250,000 new users recorded*

### IN CLOSING

As this goes to print, households and businesses globally continue to face unprecedented social and economic disruption brought about by the COVID-19 pandemic. Astro is no exception to this and is braced for a challenging FY21, with uncertainties prevailing until clarity emerges.

As an essential services provider, Astro continued to operate during the Movement Control Order (MCO). Having instituted our Business Continuity Plan, we remained focused on delivering uninterrupted service to the community while safeguarding the health and safety of our employees. At present, our teams remain split across different sites with some working from home.

We are working with our content and technology partners to support our customers, and Malaysians in general, during these trying times. Throughout the duration of the MCO, we prioritised

our community by offering complimentary viewing of selected content across Pay-TV, NJOI and Astro GO, and changing our content line up to keep Malaysians entertained and informed. This has resulted in improved engagement levels across the board. In particular, Astro GO was well-received by Malaysians with over 250,000 new users recorded.

Restrictions in place during the MCO spurred our talents' creativity and innovation, resulting in the emergence of new content formats, including home concerts by celebrities and virtual reality singing competitions recorded utilising a multitude of personal devices. Astro has been agile in adapting to the new normal, allowing us to deepen our engagement with customers and strengthen our value proposition throughout this experience. Our Board and Management continue to closely monitor and proactively manage the COVID-19 situation and its corresponding impact to our business and operations.

In our journey of continuous improvement, we will leverage our extensive reach and content creation capabilities to be the entertainment destination and gateway to Malaysians, both homes and individuals, enabled by our talents, data and technology.

FY20 has been a challenging yet fulfilling year for Astro with many firsts achieved. To our customers, thank you for your unwavering loyalty and belief, and for inspiring us to raise the bar in everything we do. I am also grateful for the solid support of our stakeholders including our shareholders, regulators, business partners, suppliers and community. On a personal note, I would like to thank each member of Team Astro for their dedication and determination to make Astro better, to rise up to each challenge and to challenge themselves with each success, especially to our Team Astro colleagues who diligently manned our proverbial fort during the MCO period.

**Henry Tan**

On behalf of Team Astro