Surya Citra Media Tbk (SCMA)
Embraces Turnaround Result

NH KORINDO SEKURITAS

Company Report | Apr 16, 2018

2017 Marked by Underperformance
SCMA posted 2017 net profit of IDR1.3 trillion or edging down by 11.4% y-y. The downturns in 1Q17, 3Q17, and 4Q17 ads revenues on yearly basis were attributable to the decline of 1.6% y-y in 2017 revenue. Another to the downturns in ads revenue, the upswing in 4Q17 business expenses—amortization expense, professional fee, and allowance for doubtful account— slid 4Q17 EBIT margin down to 27%.

Plan for Contents and Media Expansion
Receiving the approval from the shareholders, SCMA will issue 1.46 billion new shares with **the targeted proceeds of IDR3.57 trillion** through a private placement. The proceeds are equal to 10% of the total issued capital and paid-up capital. The proceeds are used for not only strengthening capital structure but also **funding any of acquisitions and cooperation for the contents and media expansion**.

Promising 2018
A number of special events, for example 2018 regional election, likely become positive catalysts for media industry in 2018. Particularly for SCMA, its **exclusive broadcast right of Asian Games** and its all-time high and prime-time audience share since December 2017 are key takeaways for improvement in 2018 revenues and overall performance.

Target Price of IDR3,200
We set the target price of IDR3,200 **with the estimated forward P/E of 30.0x** (the 4-year average). The target price implies a 2018E P/E of 34.3x. Now, SCMA is traded at a 2018E P/E of 29.1x.

Surya Citra Media Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Revenue	4,524	4,454	4,829	5,282
Revenue growth	*6.7%*	*-1.6%*	*8.4%*	*9.4%*
EBITDA	2,140	1,969	2,108	2,439
Net profit	1,503	1,331	1,499	1,717
EPS (IDR)	103	91	93	107
EPS growth	*-1.6%*	*-11.4%*	*2.4%*	*14.6%*
BVPS (IDR)	253	301	537	586
EBITDA margin	*47.3%*	*44.2%*	*43.6%*	*46.2%*
Net Profit Margin	*33.2%*	*29.9%*	*31.0%*	*32.5%*
ROE	*42.2%*	*32.8%*	*23.0%*	*19.0%*
ROA	*32.0%*	*26.1%*	*20.0%*	*17.2%*
ROIC	*39.0%*	*31.2%*	*22.2%*	*19.3%*
P/E	27.2x	27.2x	29.1x	25.4x
P/BV	11.0x	8.2x	5.0x	4.6x
EV/EBITDA	19.0x	18.3x	19.4x	17.0x
DPS (IDR)	83	58	50	61
Dividend yield	*3.0%*	*2.3%*	*1.8%*	*2.2%*

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Buy

Dec 2018 TP (IDR)	**3,200**
Consensus Price (IDR)	2,897
TP to Consensus Price	+10.5%
vs. Last Price	+18.1%

Shares data

Last Price (IDR)	2,710
Price date as of	Apr 12, 2018
52 wk range (Hi/Lo)	2,910 / 1,950
Free float	39.1%
Outstanding sh.(mn)	14,622
Market Cap (IDR bn)	39,040
Market Cap (USD mn)	2,839
Avg. Trd Vol - 3M (mn)	10.7
Avg. Trd Val - 3M (bn)	28.7
Foreign Ownership	21.4%

Trade, Services & Investment
Media, Television

Bloomberg	**SCMA.IJ**
Reuters	**SCMA.JK**

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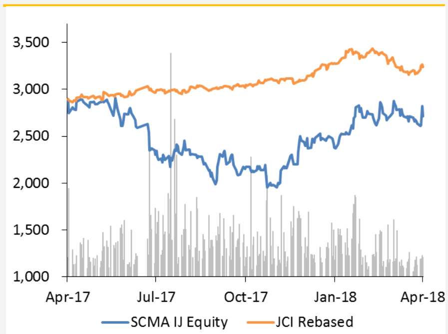
Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	9.3%	-1.5%	14.3%	-6.6%
Rel. Ret.	10.0%	1.5%	15.3%	-18.4%

SCMA at A Glance

SCMA currently is the market leader in Indonesia's free to air TV industry. It has two prominent TV stations, namely SCTV and Indosiar. The local soap opera is the key contributor to SCTV's audience share, while the talent show program is the key contributor to Indosiar's audience share. Another to the free-to-air TV, SCMA also has the supporting businesses such as production house and artists management.

Indonesia-based Media Industry in Asia Pacific's countries

Indonesia homes to the profit-making media industry, notably television media. Indonesia's large numbers of populations are key takeaway for industrialists in fast-moving consumer goods, cigarettes, and e-commerce sectors to make use the television as the main media for marketing their products. However, the paradigm shift in the marketing medium from television to digital media is the noteworthy fact.

Indonesia's large numbers of populations, low production cost, and low business cost are factors contributing to the higher margin ratio of Indonesia-based media industry compared to the margin ratios of its Asia Pacific's peers

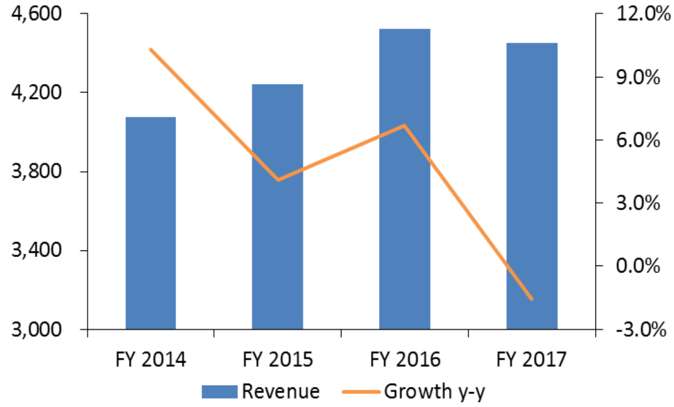
Asia Pacific Media Firms

Company	Market Cap (USD mn)	Total Asset (USD mn)	Sales Growth	Gross Margin	Operating Margin	EBITDA Margin	ROE	P/E	Dividend Yield
SCMA	2,839	396	-1.55%	58.8%	39.8%	44.2%	36.3%	29.3x	2.2%
MNCN	1,484	1,108	4.79%	62%	37.8%	43.9%	16.3%	13.1x	2.9%
VIVA	462	569	3.32%	N/A	25.4%	52.7%	7.0%	41.9x	N/A
Malaysia									
Astro Malaysia Hold-	2,662	1,756	-1.46%	41%	21%	40.0%	120.7%	13.4x	4.8%
Thailand									
BEC World PCL	738	440	-10.03%	17%	2%	35.3%	0.9%	356.5x	2.2%
MCOT PCL	234	214	-2.61%	-75%	-104%	-64.9%	-48.0%	N/A	N/A
Philippines									
ABS-CBN Corp	480	1,503	-2.24%	39%	10%	23.6%	10.4%	7.1x	3.2%
GMA Network Inc	413	324	21.46%	61%	30%	29.2%	24.0%	10.9x	11.4%
Manila Broadcasting	155	27	15.8%	40.2%	21.2%	24.6%	18.2%	46.3x	1.5%
India									
TV18 Broadcast Ltd	1,770	612	-61.88%	N/A	-2.6%	3.2%	0.5%	612.3x	N/A
China									
Hubei Broadcasting	1,019	1,454	5.05%	46%	12.7%	N/A	5.9%	19.1x	0.8%

Source: Bloomberg, NHKS research

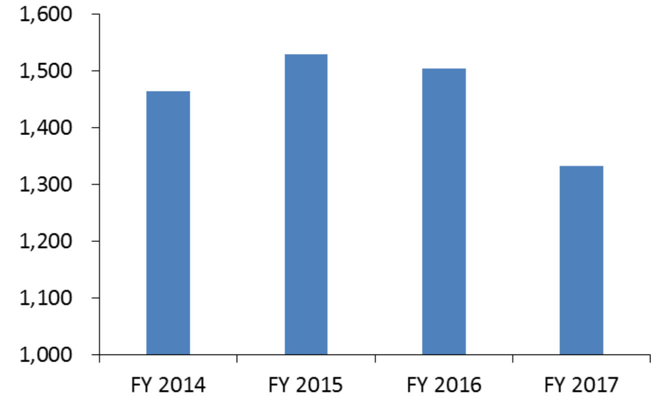
Operational Performance

Revenue (IDR bn) | 2014 - 2017



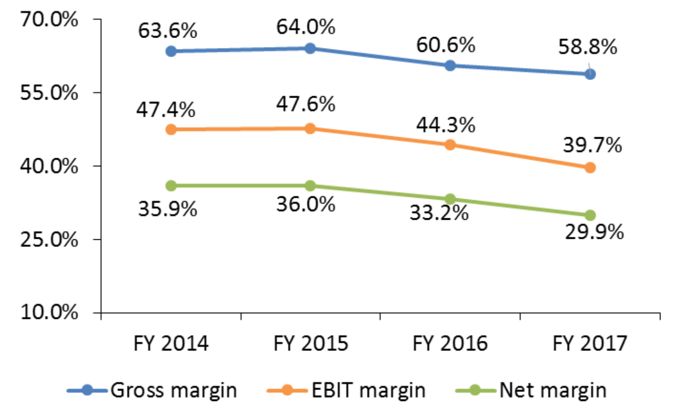
Source: Company, NHKS research

Net Profit (IDR bn) | 2014 - 2017



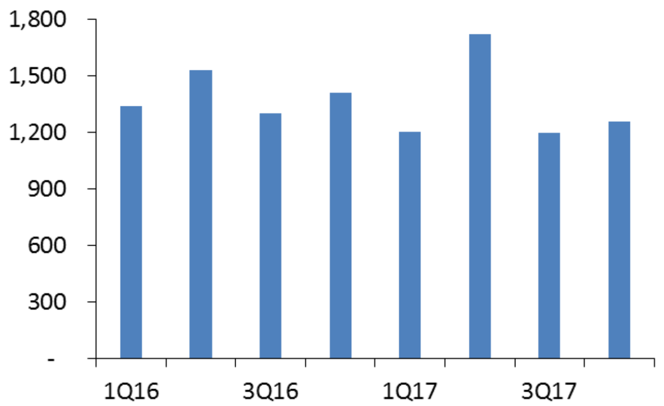
Source: Company, NHKS research

Margin Ratios | 2014 - 2017



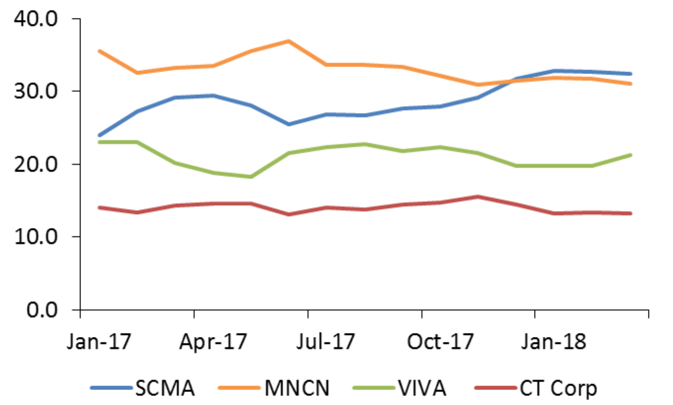
Source: Company, NHKS research

Revenue from Advertising (IDR bn) | 1Q16 - 4Q17



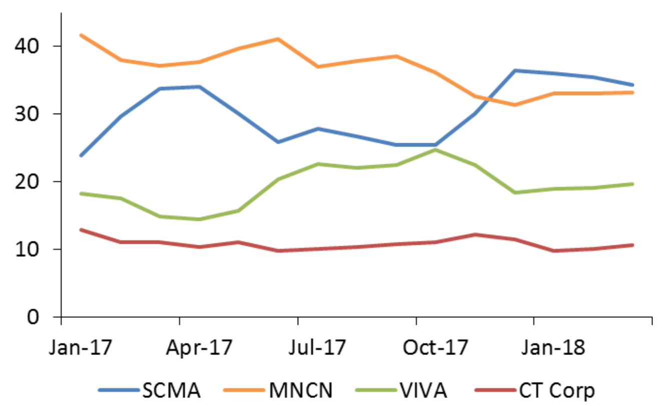
Source: Company, NHKS research

All Time Audience Share by Group | Jan '17 - Mar '18



Source: Company, NHKS research

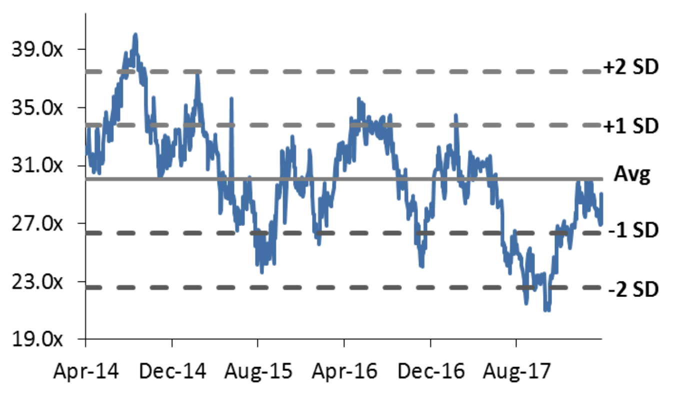
Prime Time Audience Share by Group | Jan '17 - Mar '18



Source: Company, NHKS research

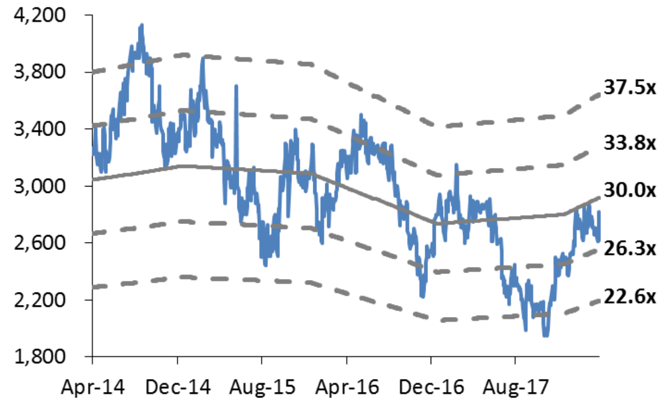
Multiple Valuation

Forward P/E band | Last 4 years



Source: NHKS research

Dynamic Forward P/E band | Last 4 years



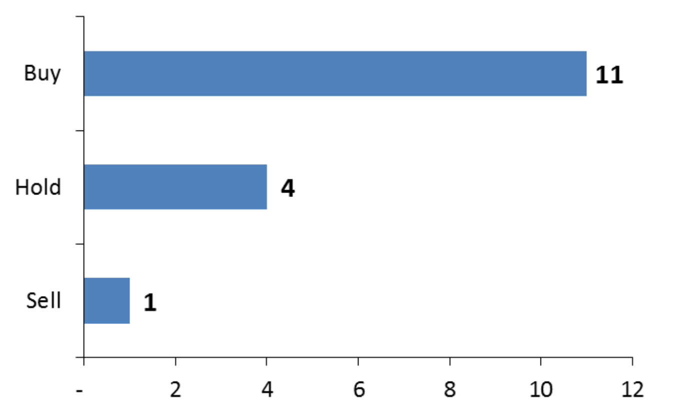
Source: NHKS research

Rating and target price

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
04/12/2018	Buy	3,200	2,710	2,897	+18.1%	+10.5%

Source: Bloomberg, NHKS research

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price

Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
   - Buy : Greater than +15%
   - Hold : -15% to +15%
   - Sell : Less than -15%

Summary of Financials

SCMA Summary		
Last Price (IDR)	**April 12, 2018**	**2,710**
Target Price (IDR)	**Dec 2018**	**3,200**
Analyst: Michael Tjahjadi	**Rating:**	**Buy**

INCOME STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Revenue	**4,524**	**4,454**	**4,829**	**5,282**
Growth (% y/y)	*6.7%*	*-1.6%*	*8.4%*	*9.4%*
COGS	(1,782)	(1,835)	(1,946)	(2,060)
Gross Profit	**2,742**	**2,619**	**2,883**	**3,222**
Gross Margin	60.6%	58.8%	59.7%	61.0%
Operating Expenses	(752)	(863)	(925)	(947)
EBIT	**2,003**	**1,770**	**1,979**	**2,298**
EBIT Margin	*44.3%*	*39.7%*	*41.0%*	*43.5%*
Depreciation	137	199	128	141
EBITDA	**2,140**	**1,969**	**2,108**	**2,439**
EBITDA Margin	*47.3%*	*44.2%*	*43.6%*	*46.2%*
Interest Expense	(23)	-	-	-
EBT	**2,024**	**1,782**	**2,023**	**2,346**
Income Tax	(510)	(464)	(527)	(631)
Minority Interest	(10)	14	3	3
Net Profit	**1,503**	**1,331**	**1,499**	**1,717**
Growth (% y/y)	*-1.6%*	*-11.4%*	*12.6%*	*14.6%*
Net Profit Margin	*33.2%*	*29.9%*	*31.0%*	*32.5%*

PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	42.2%	32.8%	23.0%	19.0%
ROA	32.0%	26.1%	20.0%	17.2%
ROIC	39.0%	31.2%	22.2%	19.3%
EBITDA/Equity	60.1%	48.6%	32.3%	27.0%
EBITDA/Assets	45.6%	38.6%	28.2%	24.4%
Cash Dividend (IDR bn)	1,214	848	802	974
Dividend Yield (%)	3.0%	2.3%	1.8%	2.2%
Payout Ratio (%)	79.3%	56.5%	65.0%	65.0%
DER	6%	2%	1%	1%
Net Gearing	28%	9%	6%	7%
LT Debt to Equity	0%	0%	0%	0%
Capitalization Ratio	5%	1%	1%	1%
Equity Ratio	77%	82%	90%	91%
Debt Ratio	4%	1%	1%	1%
Financial Leverage	132%	126%	115%	111%
Current Ratio	3.0x	3.6x	7.2x	6.6x
Quick Ratio	2.3x	2.6x	6.1x	5.4x
Cash Ratio	0.5x	0.3x	3.5x	2.6x
Par Value (IDR)	50	50	50	50
Total Shares (mn)	14,622	14,622	16,082	16,082
Share Price (IDR)	2,800	2,480	2,710	2,710
Market Cap (IDR tn)	40.9	36.3	43.6	43.6

BALANCE SHEET

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	455	234	2,801	2,114
Other Current Assets	2,497	2,475	2,942	3,240
Total Current Assets	**2,952**	**2,709**	**5,743**	**5,354**
Net Fixed Assets	967	1,029	1,043	1,057
LT Investments	99	99	99	99
Other Non Current Assets	803	1,549	2,704	3,895
Total Assets	**4,821**	**5,386**	**9,589**	**10,406**
Payables	246	298	250	258
ST debt	207	65	50	55
Other current liabilities	538	381	493	496
Total Current Liabilities	**990**	**743**	**794**	**809**
LT Debt	0	2	-	-
Other Non Current Liab.	124	235	161	166
Total Liabilities	**1,115**	**980**	**955**	**975**
Shareholders' Equity	**3,705**	**4,405**	**8,634**	**9,431**

VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	27.2x	27.2x	29.1x	25.4x
Price /Book Value	11.0x	8.2x	5.0x	4.6x
Price/Sales	9.0x	8.1x	9.0x	8.3x
PE/EPS Growth	-16.6x	-2.4x	12.3x	1.7x
EV/EBITDA	19.0x	18.3x	19.4x	17.0x
EV/EBIT	20.3x	20.4x	20.6x	18.1x
EV (IDR bn)	40,693	36,095	40,831	41,522
Sales CAGR (3-Yr)	7.0%	3.0%	4.4%	5.3%
EPS CAGR (3-Yr)	4.7%	-3.1%	-3.8%	1.3%
Basic EPS (IDR)	103	91	93	107
Diluted EPS (IDR)	103	91	100	107
BVPS (IDR)	253	301	537	586
Sales PS (IDR)	309	305	300	328
DPS (IDR)	83.0	58.0	49.9	60.6

CASH FLOW STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	1,501	1,331	1,499	1,717
Deprec & Amortization	137	199	128	141
Chg. In Working Capital	(253)	(280)	(402)	(287)
CFO	**1,385**	**1,251**	**1,225**	**1,571**
Capex	(149)	(171)	(142)	(155)
CFI	**(250)**	**(526)**	**(1,371)**	**(1,342)**
Dividends Paid	(1,214)	(848)	(802)	(974)
Net Borrowing (PMT)	(152)	(3)	(17)	5
CFF	**(1,368)**	**(1,000)**	**2,713**	**(915)**
Net Changes in Cash	**(233)**	**(276)**	**2,567**	**(686)**

DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	1,498	1,309	1,464	1,680
+Depr./Amor.	137	199	128	141
-CAPEX	(149)	(171)	(142)	(155)
-Incr. (Decr.) in Working Cap.	(253)	(280)	(402)	(287)
(Unlevered) FCFF	1,233	1,057	1,048	1,378
WACC				
Cost of Debt (Tax Adj.)	7.2%	5.5%	5.8%	6.2%
Cost of Equity (COE)	9.9%	9.6%	9.4%	10.1%
WACC (%)	9.9%	9.6%	9.4%	10.1%
RIM				
Spread (FROE-COE) (%)	34.1%	26.4%	24.6%	9.8%
Residual Income (IDR)	1,164	977	1,085	849
Equity Charge	340	354	414	869
EVA				
Invested Capital (IDR bn)	3,770	3,913	4,472	8,684
ROIC-WACC (%)	29.8%	23.9%	23.3%	9.3%
EVA (IDR bn)	1,124	935	1,043	806

OWNERSHIP

By Geography	%	Shareholders	%
Indonesia	78.6	PT Elang Mahkota Tek	60.8
United States	12.7	Capital Group Compan	3.7
Luxembourg	2.4	Matthews Intl Capital	2.0
Norway	2.0	Norges Bank	1.5