

Surya Citra Media Tbk (SCMA)

Reaps TV-Program Success

Company Report | Jun 26, 2018

Buy

Dec 2018 TP (IDR)	2,700
Consensus Price (IDR)	2,885
TP to Consensus Price	-6.4%
vs. Last Price	+21.6%

Shares data

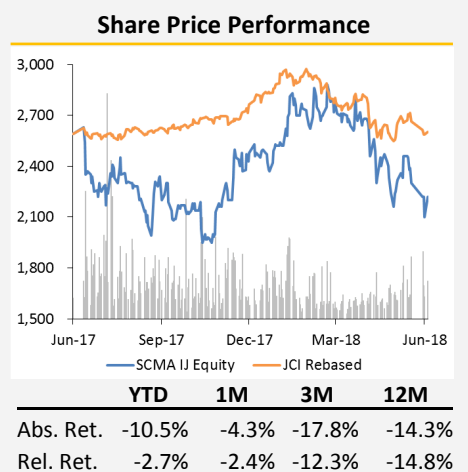
Last Price (IDR)	2,220
Price date as of	Jun 25, 2018
52 wk range (Hi/Lo)	2,880 / 1,950
Free float	39.1%
Outstanding sh.(mn)	14,622
Market Cap (IDR bn)	32,460
Market Cap (USD mn)	2,291
Avg. Trd Vol - 3M (mn)	9.2
Avg. Trd Val - 3M (bn)	22.3
Foreign Ownership	20.7%

Trade, Services & Investment Media, Television

Bloomberg	SCMA.IJ
Reuters	SCMA.JK

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Outstanding Financial Performance

SCMA posted the outstanding performance in 1Q18. It was portrayed by **the ads revenues growing by 15.1%** on yearly basis inevitably soared the 1Q18's net revenue by 15.0% y-y to IDR1.16 trillion. As such, **the net profit surged by 19.3% y-y to IDR359 billion.**

On the other side, the surge of 21.9% in program materials costs was a logical takeaway for the decline in gross margins from 59.4% in 1Q17 to 58.2% in 1Q18. However, the costs likely whittle away in 2Q18 along with the end of Champions League.

Leaning on Audience Share

The audience share settling at the highest position from December to April 2018 was an integral driver for the growth of 1Q18's ads revenue. The highest audience share was bolstered by SCMA's 3 local-soap-opera programs settling at the top 10 program series from January to mid of May 2018.

The decline in SCMA's audience share of May signified that the Ramadhan programs produced by MNCN were the preferred shows. Moreover, the 2018 World Cup aired by Trans Media likely whittles away SCMA's audience share until late 2Q18. However, **the Asian Games held in the mid of August** is a potent driver 3Q18 performance as SCMA reserves the license of Asian Games.

Target Price of IDR2,700

We set the target price of IDR2,700 **with the estimate of forward P/E at 25.3x** (1 SD below the 4-year average). The target price implies a 2018E P/E of 27.4x. Now, SCMA is traded at a 2018E P/E of 22.6x.

Surya Citra Media Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Net Revenues	4,524	4,454	4,987	5,412
<i>Net Revenues growth</i>	6.7%	-1.6%	12.0%	8.5%
EBITDA	2,140	1,969	2,173	2,391
Net profit	1,503	1,331	1,582	1,721
EPS (IDR)	103	91	98	107
<i>EPS growth</i>	-1.6%	-11.4%	8.0%	8.8%
BVPS (IDR)	253	301	305	335
EBITDA margin	47.3%	44.2%	43.6%	44.2%
Net Profit Margin	33.2%	29.9%	31.7%	31.8%
ROE	42.2%	32.8%	34.0%	33.4%
ROA	32.0%	26.1%	28.1%	28.0%
ROIC	39.0%	31.2%	32.3%	33.9%
P/E	27.2x	27.2x	22.6x	20.7x
P/BV	11.0x	8.2x	7.3x	6.6x
EV/EBITDA	19.0x	18.3x	16.3x	14.7x
DPS (IDR)	83	58	72	74
<i>Dividend yield</i>	3.0%	2.3%	3.3%	3.3%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

SCMA at A Glance

SCMA currently is one of the market leaders in Indonesia's free to air TV industry. It has two prominent TV stations, namely SCTV and Indosiar (IVM). The local soap opera is the key contributor to SCTV's audience share, while the talent show program is the key contributor to IVM'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 of 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.

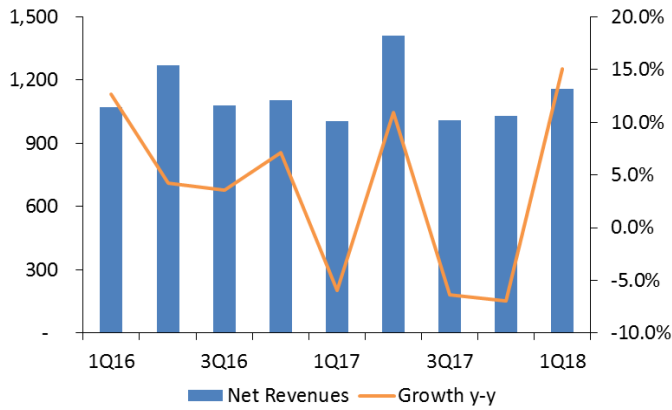
Asia Pacific Media Firms

Company	Market Cap (USD mn)	Total Asset (USD mn)	Sales Growth	Gross Margin	Operating Margin	EBITDA Margin	ROE	P/E	Dividend Yield
SCMA	2,291	396	-1.55%	58.8%	39.8%	44.4%	34.8%	23.4x	2.6%
MNCN	957	1,108	4.79%	62%	37.8%	44.2%	14.3%	9.4x	4.4%
VIVA	244	569	3.32%	N/A	25.4%	50.5%	1.6%	104.3x	N/A
Malaysia									
Astro Malaysia Hold-	2,048	1,756	-1.46%	41%	21%	39.9%	113.1%	11.0x	5.7%
Thailand									
BEC World PCL	480	440	-10.03%	17%	2%	32.0%	-4.7%	N/A	1.3%
MCOT PCL	190	214	-2.61%	-75%	-104%	-68.3%	-48.8%	N/A	N/A
Philippines									
ABS-CBN Corp	412	1,503	-2.24%	39%	10%	23.9%	10.6%	6.3x	3.6%
GMA Network Inc	340	296	-7.97%	58%	23%	24.1%	20.2%	12.4x	9.3%
Manila Broadcasting	141	35	-14.82%	41%	16%	19.2%	13.6%	58.3x	1.6%
India									
TV18 Broadcast Ltd	1,418	1,040	50.62%	N/A	-1%	3.9%	0.3%	1127.0x	N/A
China									
Hubei Broadcasting	822	1,454	5.05%	46%	13%	N/A	5.8%	15.8x	0.9%

Source: Bloomberg, NHKS research

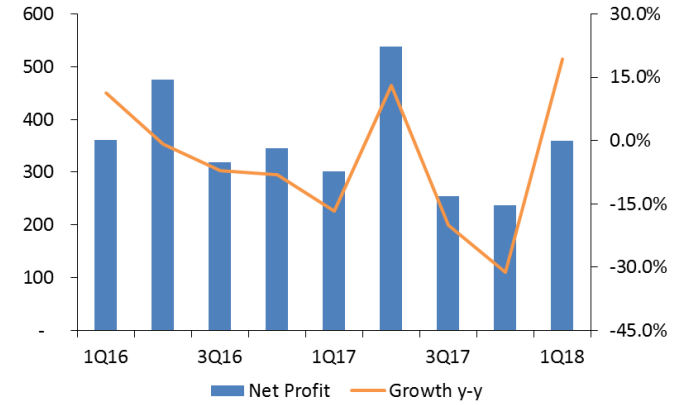
Operational Performance

Net Revenues (IDR bn) | 1Q16 - 1Q18



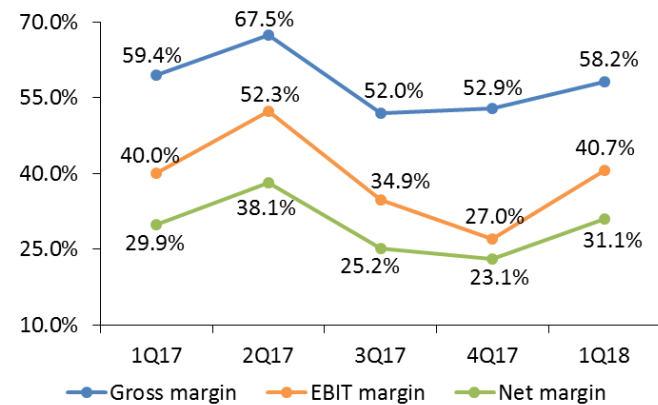
Source: Company, NHKS research

Net Profit (IDR bn) | 1Q16 - 1Q18



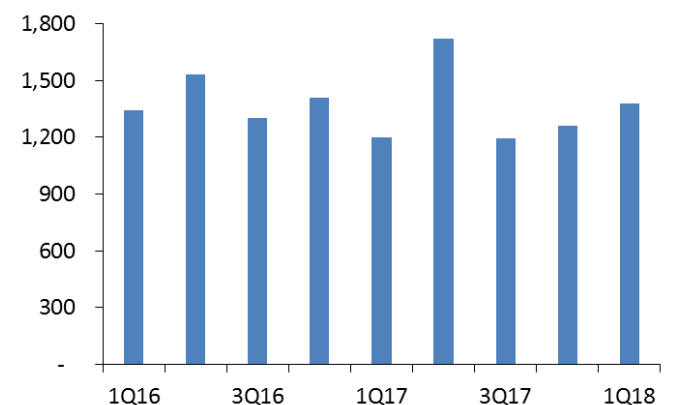
Source: Company, NHKS research

Margin Ratios | 1Q17 - 1Q18



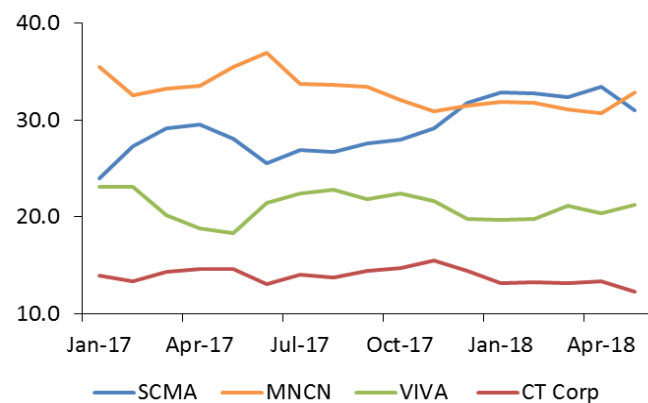
Source: Company, NHKS research

Revenue from Advertising (IDR bn) | 1Q16 - 1Q18



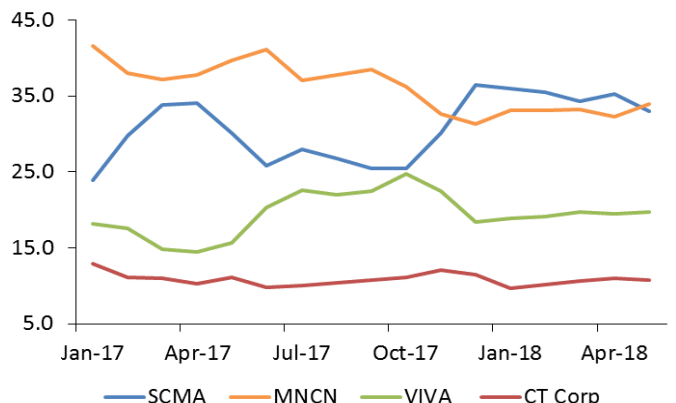
Source: Company, NHKS research

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



Source: Company, NHKS research

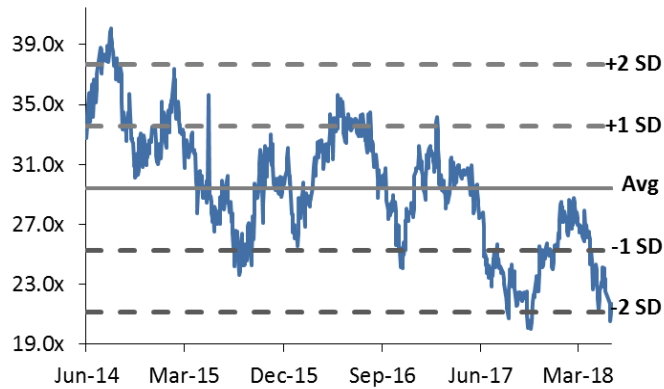
Prime Time Audience Share by Group | Jan '17 - May '18



Source: Company, NHKS research

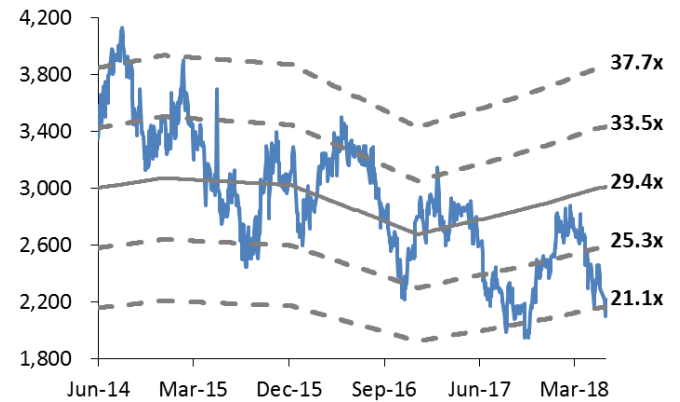
Multiple Valuation

Forward P/E band | Last 4 years



Source: NHKS research

Dynamic Forward P/E band | Last 4 years



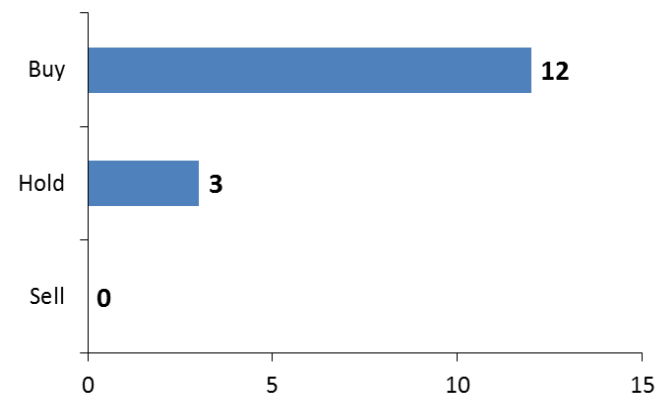
Source: NHKS research

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%
06/25/2018	Buy	2,700	2,220	2,885	+21.6%	-6.4%

Source: Bloomberg, NHKS research

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

- Period: End of year target price
- 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)	June 25, 2018	2,220
Target Price (IDR)	Dec 2018	2,700
Analyst: Michael Tjahjadi	Rating:	Buy

INCOME STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Revenues	4,524	4,454	4,987	5,412
Growth (% y/y)	6.7%	-1.6%	12.0%	8.5%
COGS	(1,782)	(1,835)	(2,060)	(2,239)
Gross Profit	2,742	2,619	2,927	3,173
Gross Margin	60.6%	58.8%	58.7%	58.6%
Operating Expenses	(752)	(863)	(891)	(931)
EBIT	2,003	1,770	2,057	2,267
EBIT Margin	44.3%	39.7%	41.2%	41.9%
Depreciation	137	199	116	124
EBITDA	2,140	1,969	2,173	2,391
EBITDA Margin	47.3%	44.2%	43.6%	44.2%
Interest Expense	(23)	-	-	-
EBT	2,024	1,782	2,099	2,314
Income Tax	(510)	(464)	(548)	(604)
Minority Interest	(10)	14	31	11
Net Profit	1,503	1,331	1,582	1,721
Growth (% y/y)	-1.6%	-11.4%	18.8%	8.8%
Net Profit Margin	33.2%	29.9%	31.7%	31.8%

BALANCE SHEET

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	455	234	434	611
Other Current Assets	2,497	2,475	2,757	3,033
Total Current Assets	2,952	2,709	3,190	3,644
Net Fixed Assets	967	1,029	1,050	1,073
LT Investments	99	99	101	101
Other Non Current Assets	803	1,549	1,538	1,583
Total Assets	4,821	5,386	5,879	6,401
Payables	246	298	359	355
ST debt	207	65	37	41
Other current liabilities	538	381	402	436
Total Current Liabilities	990	743	797	831
LT Debt	0	2	5	5
Other Non Current Liab.	124	235	171	171
Total Liabilities	1,115	980	974	1,007
Shareholders' Equity	3,705	4,405	4,905	5,394

CASH FLOW STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	1,501	1,331	1,582	1,721
Deprec & Amortization	137	199	109	124
Chg. In Working Capital	(253)	(280)	(199)	(246)
CFO	1,385	1,251	1,492	1,600
Capex	(149)	(171)	(129)	(148)
CFI	(250)	(526)	(184)	(194)
Dividends Paid	(1,214)	(848)	(1,164)	(1,186)
Net Borrowing (PMT)	(152)	(3)	(25)	4
CFB	(1,368)	(1,000)	(1,107)	(1,228)
Net Changes in Cash	(233)	(276)	200	177

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	79.4	PT Elang Mahkota 60.8
United States	11.9	Capital Group 3.9
Luxembourg	2.5	Matthews Internationa 2.5
Norway	2.0	Norges Bank 1.5

PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	42.2%	32.8%	34.0%	33.4%
ROA	32.0%	26.1%	28.1%	28.0%
ROIC	39.0%	31.2%	32.3%	33.9%
EBITDA/Equity	60.1%	48.6%	46.7%	46.4%
EBITDA/Assets	45.6%	38.6%	38.6%	38.9%
Cash Dividend (IDR bn)	1,214	848	1,164	1,186
Dividend Yield (%)	3.0%	2.3%	3.3%	3.3%
Payout Ratio (%)	0.0%	0.0%	0.0%	75.0%
DER	6%	2%	1%	1%
Net Gearing	28%	9%	6%	6%
LT Debt to Equity	0%	0%	0%	0%
Capitalization Ratio	5%	1%	1%	1%
Equity Ratio	77%	82%	83%	84%
Debt Ratio	4%	1%	1%	1%
Financial Leverage	132%	126%	121%	119%
Current Ratio	3.0x	3.6x	4.0x	4.4x
Quick Ratio	2.3x	2.6x	2.9x	3.2x
Cash Ratio	0.5x	0.3x	0.5x	0.7x
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	2,220	2,220
Market Cap (IDR tn)	40.9	36.3	35.7	35.7

VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	27.2x	27.2x	22.6x	20.7x
Price /Book Value	11.0x	8.2x	7.3x	6.6x
Price/Sales	9.0x	8.1x	7.2x	6.6x
PE/EPS Growth	-16.6x	-2.4x	2.8x	2.3x
EV/EBITDA	19.0x	18.3x	16.3x	14.7x
EV/EBIT	20.3x	20.4x	17.2x	15.5x
EV (IDR bn)	40,693	36,095	35,309	35,136
Sales CAGR (3-Yr)	7.0%	3.0%	5.5%	6.2%
EPS CAGR (3-Yr)	4.7%	-3.1%	-2.0%	1.4%
Basic EPS (IDR)	103	91	98	107
Diluted EPS (IDR)	103	91	106	107
BVPS (IDR)	253	301	305	335
Sales PS (IDR)	309	305	310	337
DPS (IDR)	83.0	58.0	72.4	73.8

DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	1,498	1,309	1,520	1,676
+Depr./Amor.	137	199	109	124
-CAPEX	(149)	(171)	(129)	(148)
-Incr. (Decr.) in Working Cap.	(253)	(280)	(199)	(246)
(Unlevered) FCFE	1,233	1,057	1,301	1,406
WACC				
Cost of Debt (Tax Adj.)	7.2%	5.4%	7.2%	6.5%
Cost of Equity (COE)	9.9%	10.1%	10.6%	10.6%
WACC (%)	9.9%	10.1%	10.6%	10.6%
RIM				
Spread (FROE-COE) (%)	34.1%	25.8%	25.3%	24.5%
Residual Income (IDR)	1,164	956	1,114	1,200
Equity Charge	340	375	468	522
EVA				
Invested Capital (IDR bn)	3,770	3,913	4,472	4,947
ROIC-WACC (%)	29.8%	23.3%	23.4%	23.2%
EVA (IDR bn)	1,124	913	1,045	1,149

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