

Wednesday, 14 February 2018

BUY
Maintain

Last price (IDR)	1,590
Target Price (IDR)	1,750
Upside/Downside	+10.1%
Previous Target Price (IDR)	1,750

Stock Statistics

Sector	Media
Bloomberg Ticker	MNCN IJ
No of Shrs (mn)	14,276
Mkt. Cap (IDRbn/USDmn)	22,699/1,663
Avg. daily T/O (IDRbn/USDmn)	32.7/2.4

Major shareholders (%)

Global Mediacom	63.8%
Estimated free float	40.8%

EPS Consensus (IDR)

	2017F	2018F	2019F
Danareksa	99.3	124.1	135.8
Consensus	107.6	120.6	126.4
Danareksa/Cons	(7.7)	2.9	7.5

MNCN relative to JCI Index



Source : Bloomberg



Adeline Solaiman

(62-21) 2955 5888 ext.3503

adeline.solaiman@danareksa.com

Media Nusantara (MNCN IJ)

Unaudited top and bottom line results: in-line

MNCN recorded +6.0% yoy and +5.1% yoy unaudited net profits and revenues growth in 2017, in-line with our estimates. The key revenues growth driver was advertising and content, a result of significant in-house production and library monetization. This also pushed down direct costs, which further improved MNCN's profitability in 2017. We reiterate our BUY call on the stock.

In-line 2017 top and bottom line numbers. MNCN recorded unaudited net profits in 2017 of IDR1.45tn (+6.0% yoy) with a slight improvement in the net margin at 20.5% (2016: 20.3%). The figure is 102.3% of our estimate, i.e. IN-LINE. At the top line, the 2017 unaudited revenues reached IDR7.1tn (+5.1% yoy), or 102.7% of our estimate, IN-LINE. This takes into account the one-off revenues from the Euro Cup in 2016. If these revenues are excluded (IDR230bn), then MNCN's 2017 revenues would be up by 8.9% yoy.

Key revenues growth driver in 2017: advertising and content. Advertising revenues in 2017 rose by +5% yoy to IDR6.7tn. Meanwhile, content revenues in 2017 climbed to IDR1.5tn before elimination, depicting impressive +50% yoy growth from 2016. The 4Q17 revenues jumped +15.6% yoy, despite dropping 3.5% qoq. This reflects significant in-house production and library monetization. MNCN's extensive production facilities supported the company's production capacity and now almost all the local content across MNCN's 4 FTA stations (RCTI, MNCTV, GTV, and iNews) is produced by MNCN's in-house production unit. MNC content enjoys multiple revenue streams, including pay-tv channel sales overseas and content licensing to regional OTT players. The content has massive potential for growth and the management is committed toward strengthening the company's content business.

Local content has lowered direct costs. Expansion of MNCN's in-house production capacity has also resulted in a decline in MNCN's direct costs (down by 9.3% yoy), further improving MNCN's profitability in 2017 (exhibit 5). Capex spent on investment in the past has proven to be the right strategy. In 2018, the company will continue to strengthen its leadership in the broadcast industry by diversifying advertising revenues to include virtual, digital mobile, and built-in advertising as well as content production, library monetization, and paid-channels.

Maintain BUY. We reiterate our BUY call on MNCN with a TP of IDR1,750, implying only 11x P/E 2018F, based on -1 STD 2010-2017 P/E Band. The stock looks cheap at 9.8x P/E 2018F. The risks to our call include: 1) audience share stagnating or worsening and 2) higher content and operating costs

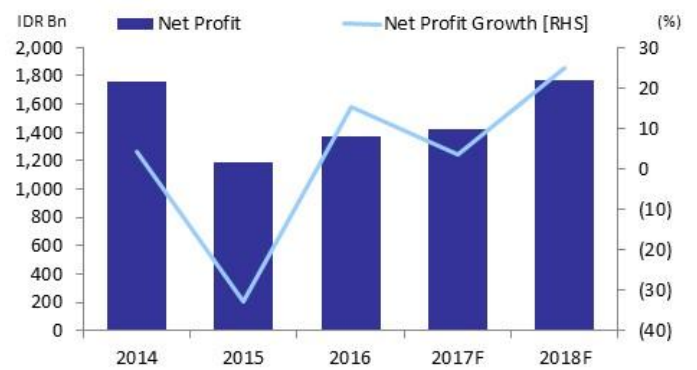
Key Financials

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (IDRbn)	6,445	6,730	6,887	7,266	7,702
EBITDA (IDRbn)	2,498	2,738	2,962	3,197	3,389
EBITDA Growth (%)	(10.1)	9.6	8.2	8.0	6.0
Net profit (IDRbn)	1,186	1,369	1,418	1,771	1,939
EPS (IDR)	83.1	95.9	99.3	124.1	135.8
EPS growth (%)	(32.7)	15.4	3.6	24.9	9.5
BVPS (IDR)	628.0	617.7	667.5	741.9	815.7
DPS (IDR)	60.3	41.2	47.9	49.7	62.0
PER (x)	19.1	16.6	16.0	12.8	11.7
PBV (x)	2.5	2.6	2.4	2.1	1.9
Dividend yield (%)	3.8	2.6	3.0	3.1	3.9
EV/EBITDA (x)	10.4	9.5	7.9	7.1	6.5

Source : MNCN, Danareksa Estimates .

Exhibit 1. REVENUE AND GROWTH

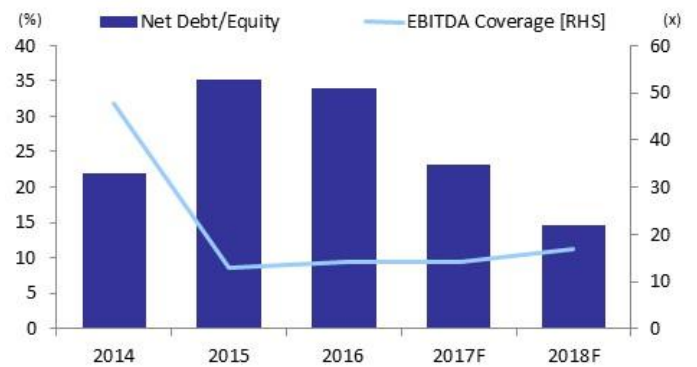

Source: Company, Danareksa Sekuritas estimates

Exhibit 2. NET PROFIT AND GROWTH


Source: Company, Danareksa Sekuritas estimates

Exhibit 3. MARGINS


Source: Company, Danareksa Sekuritas estimates

Exhibit 4. GEARING LEVEL


Source: Company, Danareksa Sekuritas estimates

Exhibit 5. 4Q17 unaudited results

(In IDRbn, unless otherwise stated)	4Q16	3Q17	4Q17	QoQ	YoY	2016	2017	YoY	A/F	2017F
Revenue	1,466	1,756	1,694	-3.5%	15.6%	6,730	7,076	5.1%	102.7%	6,887
Gross profit	895	1,130	1,198	6.0%	33.9%	3,856	4,443	15.2%	107.0%	4,152
Operating profit	443	714	952	33.3%	115.2%	2,332	2,914	25.0%	116.1%	2,510
Net profit	-74	347	329	-5.1%	N/A	1,369	1,451	6.0%	102.3%	1,418
Gross margin, %	61.0%	64.3%	70.7%			57.3%	62.8%			60.3%
Operating margin, %	30.2%	40.7%	56.2%			34.6%	41.2%			36.4%
Net margin, %	-5.1%	19.7%	19.4%			20.3%	20.5%			20.6%

Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Revenue	6,445	6,730	6,887	7,266	7,702
COGS	(2,861)	(2,875)	(2,735)	(2,864)	(3,013)
Gross profit	3,584	3,856	4,152	4,402	4,689
EBITDA	2,498	2,738	2,962	3,197	3,389
Oper. profit	2,194	2,332	2,510	2,677	2,869
Interest income	62	36	45	84	136
Interest expense	(196)	(194)	(208)	(190)	(192)
Forex Gain/(Loss)	(315)	44	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(65)	(66)	(25)	(25)	(25)
Pre-tax profit	1,681	2,153	2,322	2,546	2,788
Income tax	(404)	(670)	(778)	(637)	(697)
Minority interest	(91)	(114)	(126)	(138)	(151)
Net profit	1,186	1,369	1,418	1,771	1,939
Core Net Profit	1,501	1,324	1,418	1,771	1,939

Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Cash & cash equivalent	398	499	1,203	1,939	2,544
Receivables	3,395	3,054	3,300	3,481	3,690
Inventory	1,593	1,950	1,922	1,928	2,022
Other Curr. Asset	1,213	588	366	383	403
Fixed assets - Net	4,145	4,824	4,957	5,229	5,524
Other non-curr.asset	2,602	2,777	2,752	2,776	2,803
Total asset	14,475	14,240	15,047	16,282	17,533
ST Debt	117	3,464	743	735	735
Payables	603	435	494	517	544
Other Curr. Liabilities	320	300	333	310	329
Long Term Debt	3,649	252	2,851	2,893	2,893
Other LT. Liabilities	219	302	302	302	302
Total Liabilities	4,908	4,753	4,723	4,757	4,803
Shareholder's Funds	8,966	8,818	9,529	10,591	11,645
Minority interests	601	669	795	933	1,085
Total Equity & Liabilities	14,475	14,240	15,047	16,282	17,533

Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Net income	1,186	1,369	1,418	1,771	1,939
Depreciation and Amort.	304	406	451	520	520
Change in Working Capital	(31)	(177)	(158)	(168)	(281)
Other Oper. Cash Flow	660	1,069	253	79	70
Operating Cash Flow	2,119	2,667	1,964	2,203	2,249
Capex	(1,800)	(1,011)	(771)	(792)	(816)
Others Inv. Cash Flow	(260)	(139)	70	61	109
Investing Cash Flow	(2,060)	(1,150)	(701)	(731)	(707)
Net change in debt	575	(50)	(122)	34	0
New Capital	0	0	0	0	0
Dividend payment	(861)	(588)	(684)	(709)	(886)
Other Fin. Cash Flow	(506)	(779)	(105)	(43)	(31)
Financing Cash Flow	(792)	(1,417)	(912)	(718)	(917)
Net Change in Cash	(733)	100	351	754	625
Cash - begin of the year	1,132	398	499	1,203	1,939
Cash - end of the year	398	499	1,203	1,939	2,544

Exhibit 9. Key Ratios

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Growth (%)					
Sales	(3.3)	4.4	2.3	5.5	6.0
EBITDA	(10.1)	9.6	8.2	8.0	6.0
Operating profit	(15.7)	6.3	7.6	6.7	7.2
Net profit	(32.7)	15.4	3.6	24.9	9.5
Profitability (%)					
Gross margin	55.6	57.3	60.3	60.6	60.9
EBITDA margin	38.8	40.7	43.0	44.0	44.0
Operating margin	34.0	34.6	36.4	36.8	37.2
Net margin	18.4	20.3	20.6	24.4	25.2
ROAA	8.4	9.5	9.7	11.3	11.5
ROAE	13.3	15.4	15.5	17.6	17.4
Leverage					
Net Gearing (x)	0.4	0.3	0.2	0.1	0.1
Interest Coverage (x)	11.2	12.0	12.1	14.1	15.0

Source : MNCN, Danareksa Estimates

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