

Thursday, 20 December 2018

BUY
Maintain

Last price (IDR) 1,900
Target Price (IDR) 2,350
Upside/Downside +23,7%
Previous Target Price (IDR) 2,700

Stock Statistics

Sector Media
Bloomberg Ticker SCMA IJ
No of Shrs (mn) 14,622
Mkt. Cap (IDRbn/USDmn) 27,781/1,924
Avg. daily T/O (IDRbn/USDmn) 28.3/2.0

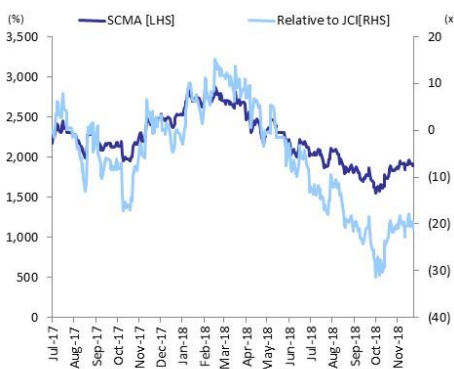
Major shareholders (%)

PT Elang Mahkota Teknologi 60.8
Public 39.1
Estimated free float 39.1

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	105.6	117.7	129.4
Consensus	103.4	112.9	123.6
Danareksa/Cons	2.1	4.3	4.6

SCMA relative to JCI Index



Source : Bloomberg



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Surya Citra Media(SCMA IJ)

Increasing its digital footprint

SCMA expects to acquire two companies in the beginning of 2019, namely Vidio.com and Kapan Lagi Youniverse. While margins will be under pressure for now, SCMA expects a 35-40% revenues contribution once fully grown. Furthermore, SCMA expects a decent topline in 1H19 due to the elections period, while margins may improve due to declining operational expenses. We also roll over our valuation, resulting in a lower target price of IDR2,350 due to lower top line growth.

Planned acquisition of KLY and Vidio. SCMA plans to expand into digital markets through the acquisition of Kapan Lagi Youniverse (KLY) and Vidio. KLY is expected to gain revenues from digital news and media advertisements, while Vidio will capture OTT markets using the Hotstar business strategy in India. To acquire KLY, SCMA will buy it from EMTEK and Media Corp (a subsidiary of Temasek) which currently hold 51% and 31% stakes, respectively, through issuing new shares. The details have not been announced yet. Both acquisitions are expected to be completed in 1Q19.

Paying now to get more. The acquisition costs may put pressure on SCMA's bottom line as the companies are not yet fully grown and therefore cannot make significant contributions to SCMA's top line. SCMA expects that the businesses will reach the mature stage in the next 3 years, providing an estimated 35-40% topline contribution when mature. Thus, we expect lower net profits growth from margins pressure next year.

Expecting decent topline growth. SCMA sees that the media business may have decent growth in 1H19 ahead of the elections. After the political uncertainty dissipates, the industry might pick up in 2H19. We expect the media industry to be stable as the social protection budget will increase in 2019, driving local FMCG, retail and online companies to spend more on Adex.

Rollover with a lower valuation. We roll over our valuation, resulting in a lower target price of IDR2,350, implying 19.1x 2019PE, given: 1) headwinds from the election period 2) lower margins due to additional expenses from new business. We remain positive on the company, however, as: 1) the higher social security budget in 2019 may drive ad expenditure, 2) costs should normalize, and 3) the company has sound plans to tap the digital market.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	4,524	4,454	4,899	5,291	5,662
EBITDA (IDRbn)	2,138	1,966	2,216	2,455	2,693
EBITDA Growth (%)	0.0	(8.1)	12.7	10.8	9.7
Net profit (IDRbn)	1,503	1,331	1,543	1,721	1,891
EPS (IDR)	102.8	91.1	105.6	117.7	129.4
EPS growth (%)	(1.3)	(11.4)	15.9	11.5	9.9
BVPS (IDR)	234.3	266.8	313.5	364.7	421.0
DPS (IDR)	(83.9)	(58.0)	(59.6)	(66.5)	(73.1)
PER (x)	18.1	20.5	17.7	15.8	14.4
PBV (x)	8.0	7.0	5.9	5.1	4.4
Dividend yield (%)	4.5	3.1	3.2	3.6	3.9
EV/EBITDA (x)	12.6	13.8	12.0	10.6	9.4

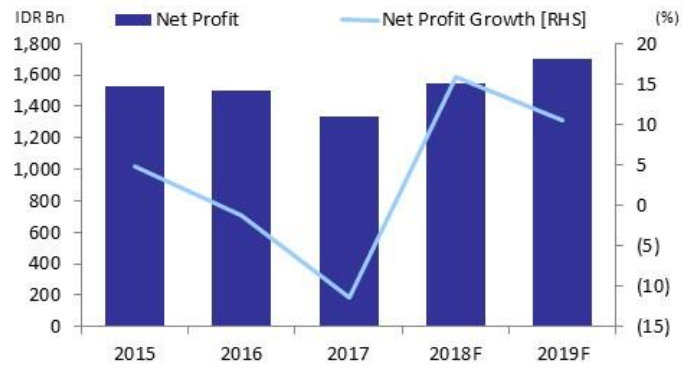
Source : SCMA, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



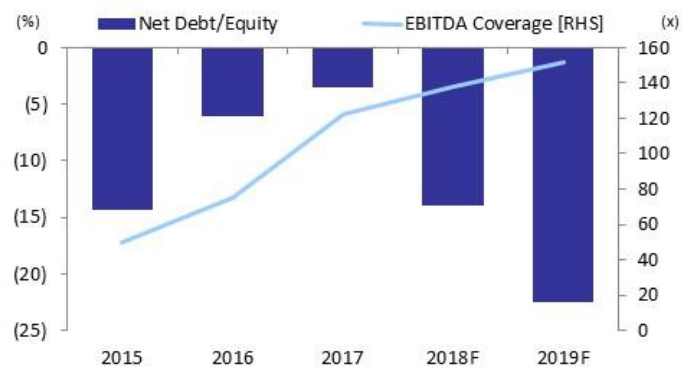
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



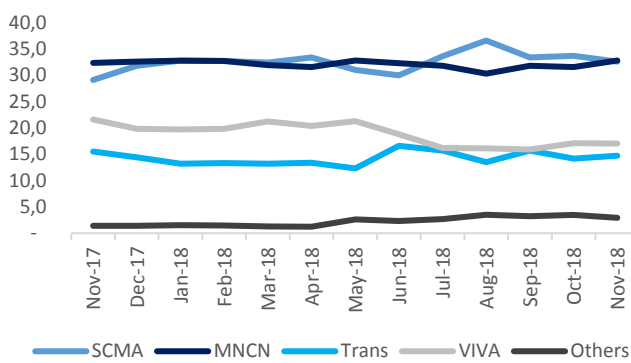
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



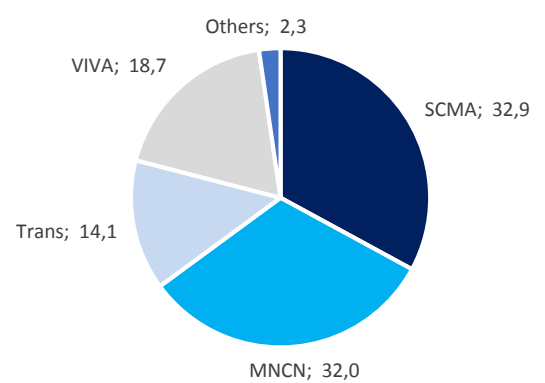
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. Audience share over the last one year



Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Average audience share (YTD)



Source: Company, Danareksa Sekuritas estimates

Exhibit 7. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	4,524	4,454	4,899	5,291	5,662
COGS	(1,782)	(1,835)	(1,998)	(2,137)	(2,264)
Gross profit	2,742	2,619	2,901	3,154	3,397
EBITDA	2,138	1,966	2,216	2,455	2,693
Oper. profit	2,003	1,779	2,011	2,230	2,449
Interest income	47	15	39	54	61
Interest expense	(29)	(16)	(16)	(16)	(16)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	2	4	3	2	2
Pre-tax profit	2,024	1,782	2,037	2,271	2,495
Income tax	(510)	(464)	(510)	(568)	(624)
Minority interest	(10)	14	16	18	20
Net profit	1,503	1,331	1,543	1,721	1,891
Core Net Profit	1,503	1,331	1,543	1,721	1,891

Exhibit 8. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	455	234	785	1,360	2,029
Receivables	1,534	1,556	1,671	1,774	1,866
Inventory	689	766	773	807	833
Other Curr. Asset	275	153	235	254	272
Fixed assets - Net	967	1,029	1,069	1,104	1,131
Other non-curr.asset	902	1,648	1,529	1,542	1,554
Total asset	4,821	5,386	6,063	6,841	7,685
ST Debt	230	77	75	75	75
Payables	385	437	437	455	468
Other Curr. Liabilities	375	229	313	337	361
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	125	237	167	171	175
Total Liabilities	1,115	980	991	1,038	1,079
Shareholder's Funds	3,427	3,901	4,584	5,333	6,156
Minority interests	279	504	488	470	450
Total Equity & Liabilities	4,821	5,386	6,063	6,841	7,685

Exhibit 9. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	1,503	1,331	1,543	1,721	1,891
Depreciation and Amort.	135	187	205	224	244
Change in Working Capital	(187)	(48)	(135)	(129)	(113)
Other Oper. Cash Flow	(76)	(23)	(9)	(22)	(30)
Operating Cash Flow	1,375	1,448	1,604	1,795	1,993
Capex	(144)	(249)	(245)	(259)	(272)
Others Inv. Cash Flow	(94)	(731)	158	42	49
Investing Cash Flow	(238)	(981)	(87)	(217)	(223)
Net change in debt	36	(153)	(2)	0	0
New Capital	0	0	0	0	0
Dividend payment	(1,216)	(848)	(872)	(973)	(1,069)
Other Fin. Cash Flow	(185)	313	(91)	(30)	(32)
Financing Cash Flow	(1,365)	(689)	(965)	(1,003)	(1,100)
Net Change in Cash	(228)	(221)	552	575	669
Cash - begin of the year	686	455	234	785	1,360
Cash - end of the year	455	234	785	1,360	2,029

Exhibit 10. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	6.8	(1.6)	10.0	8.0	7.0
EBITDA	0.0	(8.1)	12.7	10.8	9.7
Operating profit	(0.4)	(11.2)	13.0	10.9	9.8
Net profit	(1.3)	(11.4)	15.9	11.5	9.9
Profitability (%)					
Gross margin	60.6	58.8	59.2	59.6	60.0
EBITDA margin	47.3	44.1	45.2	46.4	47.6
Operating margin	44.3	40.0	41.1	42.2	43.3
Net margin	33.2	29.9	31.5	32.5	33.4
ROAA	32.0	26.1	27.0	26.7	26.0
ROAE	45.7	36.3	36.4	34.7	32.9
Leverage					
Net Gearing (x)	(0.1)	0.0	(0.1)	(0.2)	(0.3)
Interest Coverage (x)	70.2	110.9	125.3	139.0	152.6

Source : SCMA, Danareksa Estimates

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