

Wednesday, 14 August 2019

BUY
Maintain

Last price (IDR)	1,230
Target Price (IDR)	1,900
Upside/Downside	+54.5%
Previous Target Price (IDR)	2,350

Stock Statistics

Sector	Media
Bloomberg Ticker	SCMA JJ
No of Shrs (mn)	14,622
Mkt. Cap (IDRbn/USDmn)	17,985/1,255
Avg. daily T/O (IDRbn/USDmn)	15.5/1.1

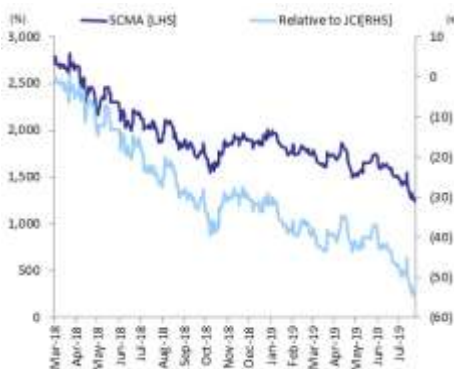
Major shareholders (%)

PT Elang Mahkota Teknologi	60.8
Public	39.1
Estimated free float	39.0

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	107.5	116.3	130.2
Consensus	105.2	113.7	124.9
Danareksa/Cons	2.2	2.3	4.2

SCMA relative to JCI Index



Source : Bloomberg



Ignatius Teguh Prayoga

(62-21) 29 555 824

ignatius.prayoga@danareksa.co.id



Andreas Kenny

(62-21) 2955 5888 ext.3509

andreas.kenny@danareksa.co.id

Surya Citra Media(SCMA JJ)

Earnings forecast cut to reflect higher costs

We roll over our valuation and lower our 2020F earnings growth forecast to 8.2%yoy from 11.6%yoy. We make adjustments for possible additional content costs and operational costs in relation to new business in 2019. We also take into account the attempt of KPI (the Indonesia Broadcasting Commission) to intervene in digital media although we see only a minimal impact on SCMA's digital content given it is in compliance with the current regulations. All in all, we remain positive with the solid performance of each channel depicted in steadily rising audience share and its digital content sold to Netflix. Nonetheless, we cut our target price from IDR 2,350 to IDR 1,900 with WACC of 12.2%.

Higher costs to put pressure on margins. As SCMA is looking at ways to improve the performance of new digital businesses, we expect an increase in operating costs growth to 18.0%yoy and 16.7%yoy for content costs. As a result, we reduce our 2019 operating margin forecast from 38.8% to 36.5% and our 2019 net profit margin forecast from 29.8% to 28.1%.

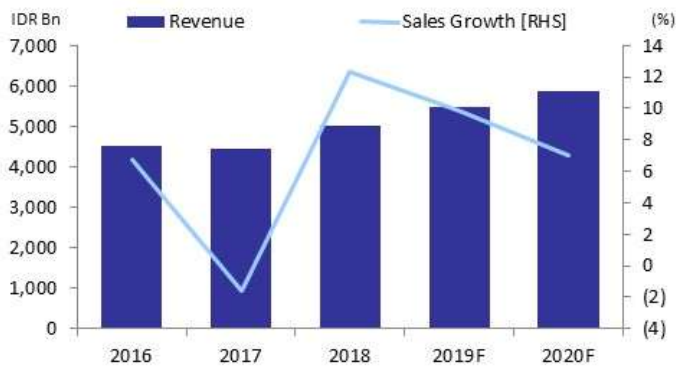
Intervention from KPI will only have a minimal impact on vidio.com. KPI is currently attempting to intervene in digital media such as Youtube and Netflix and other OTT platforms might be next. However, according to Kominfo, in the context of broadcasting, the available regulation only covers free-to-air broadcasting. However, should KPI's authority be extended to digital media, the digital content of SCMA might not be affected since the content follows the standards of movies shown in the cinema which are currently regulated by KPI. We are still watching the development of the broadcasting regulation that will be reviewed by Kominfo and KPI. We believe it would take some time before the regulation is issued as the new members of KPI have just been appointed.

TP reduced on the back of a lower valuation. We roll over our valuation, resulting in a lower target price of IDR1,900, implying 11.0x 2020PE, given: 1) additional operating and content expenses for digital media, 2) lower margins due to additional expenses from new business, 3) flat growth in the FTA business. We remain positive on the company's outlook, however, given: 1) additional advertisement revenues from startup companies and a change in the advertisement approach by consumer staple companies to FTA 2) the high audience share of both SCTV and IVM and 3) increasing revenues generation from digital media and new business.

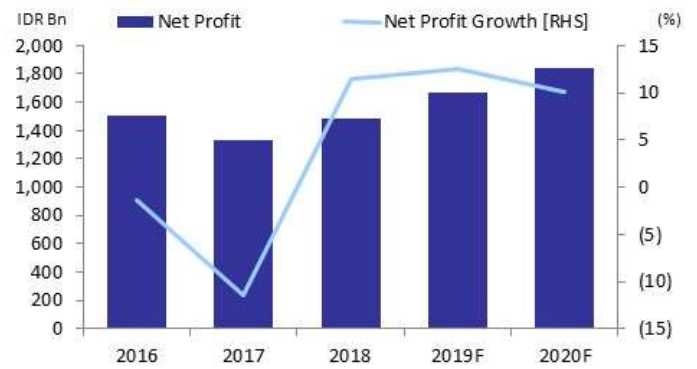
Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	4,454	5,002	5,646	6,253	6,743
EBITDA (IDRbn)	1,966	2,091	2,222	2,398	2,690
EBITDA Growth (%)	(8.1)	6.4	6.3	7.9	12.2
Net profit (IDRbn)	1,331	1,485	1,588	1,718	1,922
EPS (IDR)	91.1	101.5	107.5	116.3	130.2
EPS growth (%)	(11.4)	11.5	5.9	8.2	11.9
BVPS (IDR)	269.1	336.9	388.7	434.7	486.3
DPS (IDR)	58.0	55.0	65.0	70.3	78.6
PER (x)	20.5	18.4	17.3	16.0	14.3
PBV (x)	6.9	5.5	4.8	4.3	3.8
Dividend yield (%)	3.1	2.9	3.5	3.8	4.2
EV/EBITDA (x)	13.8	12.6	11.7	10.7	9.3

Source : SCMA, Danareksa Estimates

Exhibit 1. Revenues and Growth


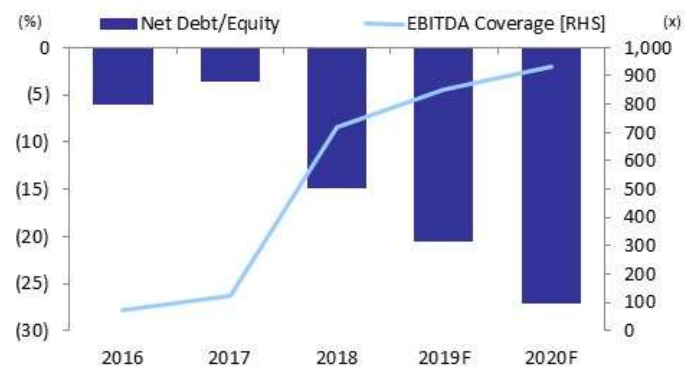
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth


Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins


Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level


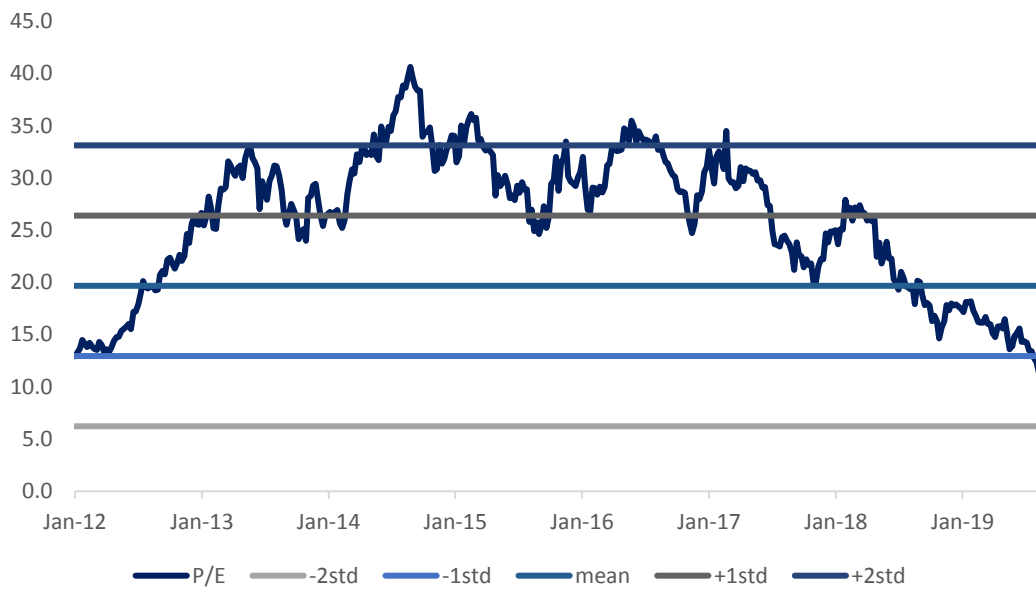
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. Changes in assumptions

		Before		After		Changes	
		2019F	2020F	2019F	2020F	2019F	2020F
Revenues	IDR bn	5,646	6,388	5,646	6,253	0.0%	-2.1%
Gross profits	IDR bn	3,211	3,601	3,127	3,464	-2.6%	-3.8%
Operating profits	IDR bn	2,188	2,444	2,058	2,222	-5.9%	-9.1%
Pretax profits	IDR bn	2,219	2,476	2,095	2,266	-5.6%	-8.5%
Net profits	IDR bn	1,682	1,877	1,588	1,718	-5.6%	-8.5%
Gross margin	%	56.9%	56.4%	55.4%	55.4%		
Operating margin	%	38.8%	38.3%	36.5%	35.5%		
Pretax margin	%	39.3%	38.8%	37.1%	36.2%		
Net margin	%	29.8%	29.4%	28.1%	27.5%		

Source: Company, Danareksa Sekuritas estimates

Exhibit 6. PE Band Chart



Source: Company, Danareksa Sekuritas estimates

Exhibit 7. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	4,454	5,002	5,646	6,253	6,743
COGS	(1,835)	(2,157)	(2,518)	(2,789)	(2,854)
Gross profit	2,619	2,845	3,127	3,464	3,889
EBITDA	1,966	2,091	2,222	2,398	2,690
Oper. profit	1,779	1,939	2,058	2,222	2,501
Interest income	15	25	40	48	40
Interest expense	(16)	(3)	(3)	(3)	(3)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	4	8	0	(1)	(2)
Pre-tax profit	1,782	1,969	2,095	2,266	2,536
Income tax	(464)	(494)	(524)	(567)	(634)
Minority interest	14	10	17	18	20
Net profit	1,331	1,485	1,588	1,718	1,922
Core Net Profit	1,331	1,485	1,588	1,718	1,922

Exhibit 8. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	245	994	1,588	1,975	2,513
Receivables	1,567	1,690	1,893	2,061	2,183
Inventory	766	956	993	1,100	1,125
Other Curr. Asset	159	153	271	300	324
Fixed assets - Net	1,052	1,071	1,085	1,123	1,158
Other non-curr.asset	1,661	1,726	1,654	1,674	1,689
Total asset	5,450	6,590	7,484	8,232	8,993
ST Debt	83	103	99	99	99
Payables	462	506	536	577	574
Other Curr. Liabilities	234	311	378	416	433
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	235	218	224	229	235
Total Liabilities	1,014	1,139	1,235	1,321	1,341
Shareholder's Funds	3,934	4,926	5,740	6,420	7,182
Minority interests	502	525	509	491	470
Total Equity & Liabilities	5,450	6,590	7,484	8,232	8,993

Exhibit 9. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	1,331	1,485	1,588	1,718	1,922
Depreciation and Amort.	187	152	164	176	189
Change in Working Capital	(40)	(249)	(276)	(254)	(156)
Other Oper. Cash Flow	(18)	42	(23)	(15)	(38)
Operating Cash Flow	1,460	1,430	1,453	1,625	1,917
Capex	(249)	(173)	(199)	(214)	(224)
Others Inv. Cash Flow	(744)	(40)	112	28	24
Investing Cash Flow	(994)	(213)	(87)	(186)	(200)
Net change in debt	(148)	20	(4)	0	0
New Capital	0	0	7	0	0
Dividend payment	(848)	(804)	(959)	(1,038)	(1,161)
Other Fin. Cash Flow	342	315	164	(15)	(17)
Financing Cash Flow	(654)	(469)	(793)	(1,053)	(1,179)
Net Change in Cash	(187)	748	573	387	538
Cash - begin of the year	455	245	994	1,588	1,975
Cash - end of the year	245	994	1,588	1,975	2,513

Exhibit 10. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	(1.6)	12.3	12.9	10.8	7.8
EBITDA	(8.1)	6.4	6.3	7.9	12.2
Operating profit	(11.2)	9.0	6.2	8.0	12.5
Net profit	(11.4)	11.5	7.0	8.2	11.9
Profitability (%)					
Gross margin	58.8	56.9	55.4	55.4	57.7
EBITDA margin	44.1	41.8	39.4	38.4	39.9
Operating margin	40.0	38.8	36.5	35.5	37.1
Net margin	29.9	29.7	28.1	27.5	28.5
ROAA	25.9	24.7	22.6	21.9	22.3
ROAE	36.2	33.5	29.8	28.3	28.3
Leverage					
Net Gearing (x)	0.0	(0.2)	(0.2)	(0.3)	(0.3)
Interest Coverage (x)	110.9	668.3	749.1	808.8	910.2

Source : SCMA, Danareksa Estimates

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