

Tuesday, 03 September 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 IJ  
No of Shrs (mn) 14,622  
Mkt. Cap (IDRbn/USDmn) 17,985/1,255  
Avg. daily T/O (IDRbn/USDmn) 15.5/1.1

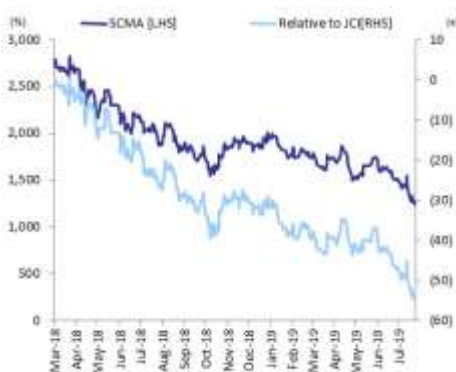
**Major shareholders (%)**

PT Elang Mahkota Teknologi 60.8  
Public 39.1

**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



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# Surya Citra Media (SCMA IJ)

## Gundala Electrifies Indonesian Cinema

**The highly anticipated film, Gundala: Negeri Ini Butuh Patriot, which had an estimated budget of around IDR40bn, performed strongly in its first day by selling 174.1k tickets and 705.1k come day four. We believe Gundala will sell more than 3-4mn tickets in total, meaning a profit of around IDR12.5bn to IDR38.8bn. The film is a launchpad for a marvel-esque Bumilangit Cinematic Universe (BCU) with 19 heroes and villains in store to be made into movies. We believe silver screen success can be replicated for Vidio.com original content and library to compliment a strong sports line-up to induce more paying subscribers.**

**Gundala sets the proverbial stone.** Gundala is proving itself to be a hit among the Indonesian public, a movie produced by Joko Anwar, Indonesia's premier film director and featuring popular actors and actresses ensuring top-draw cinematic quality. We watched the movie and note that the story line is quite well arranged, and of top-notch quality for an Indonesian movie. The movie lays the foundation for subsequent movies in the Bumilangit Cinematic Universe which sports 19 superheroes and villains, 6 of whom featured in Gundala.

**Pivotal to complementing SCMA's digital strategy.** Silver screen popularity means that people are willing to spend money to watch content for one time only. In this case SCMA fares better than MNCN as it has had 11 titles in the box office since 2015 vs 3 titles for MNCN. In the context of digital strategy, movie producing capabilities will be utilized to create original content for Vidio.com, paired with Liga1, BWF events and other sports along with its content libraries to attract paying subs. The number of paying subscribers surged from 5,000 earlier this year to almost 75,000 in a few months.

**Maintain BUY with a TP of IDR1,900.** We are positive on the company's outlook given: 1) the latest success to pave the way for other titles from BCU, 2) strong performance on the silver screen to be replicated for Vidio.com original content and to be added to the aforementioned platform, 3) FTA growth is within high single-digits 2H19 YTD, and 4) margins evolution for other newly-acquired businesses. Please note that this report marks transfer of coverage from Ignatius Teguh Prayoga to Andreas Kenny.

**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

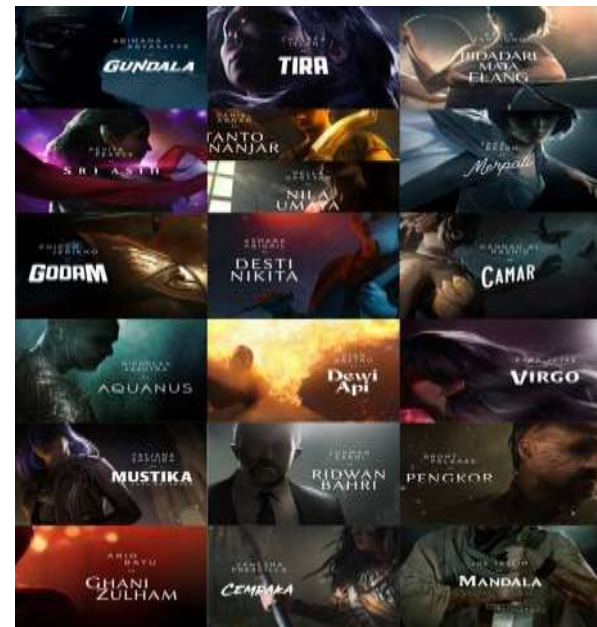
Source : SCMA, Danareksa Estimates

**Tickets sold may breach 3-4mn.** Gundala has performed very well with 174.1k tickets sold on the first day and 705.1k within just four days. The movie is the highest budget Indonesian movie with a budget of around IDR40bn implying 2.3mn ticket sales to break even. Our observation of 10 Box Office movies released in the period 2016-2019 indicates average ticket sales/day for these movies at around 100k-128.6k. This suggests the movie will be in the money by IDR12.5-38.8bn as a major Indonesian Box Office success in 2019.

**Exhibit 1. Selected Box Office Titles Performance**

**Exhibit 2. Selected BCU charaters**

Title	Year	1st Day 000 Tickets	Total mn Tickets	Avg/Day 000 Tickets	Avg to 1st Day
Warkop DKI Reborn part 1	2016	270	6.9	229	84.7%
Dilan 1990	2018	225	6.3	210	93.3%
Dilan 1991	2019	720	5.3	175	24.3%
Pengabdi Setan	2017	91	4.2	140	153.8%
Warkop DKI Reborn part 2	2017	300	4.1	136	45.3%
Ada Apa Dengan Cinta 2	2016	200	3.7	122	61.1%
Suzzana Bernapas Dalam Kubur	2018	207	3.3	112	53.8%
Ayat - Ayat Cinta 2	2016	200	2.8	93	46.7%
Danur 2 Maddah	2018	80	2.7	91	113.8%
Dua Garis Biru	2019	178	2.5	83	46.8%
<b>Total ALL</b>		<b>2,472</b>	<b>42</b>	<b>1,391</b>	<b>56.3%</b>
<b>Total EX. DILAN 1991</b>		<b>1,752</b>	<b>36</b>	<b>1,216</b>	<b>69.4%</b>



Source: Company, Danareksa Sekuritas

Source: Katadata

**Gundala is only the starter.** We watched the movie and note that the storyline is neatly managed and that the cinematic quality is top notch, if not the best for an Indonesian movie. We note that SCMA group and VIVA group (VIVA:IJ) have stamped their mark as well as BRI (BBRI:IJ) placing itself as the sponsor. True to being the starter, Gundala ends with a sneak peak of another character, namely Sri Asih played by Pevita Pearce. This implies another nemesis emerging for future installments.

There are more movies in store for the Bumilangit Cinematic Universe as the pipeline of movies may continue up to 2023 and possibly even 2025. A steady flow of new films will create a valuable content library to attract paying subscribers for Vidio.com, which, in turn, will be a positive for the valuation and capital raising efforts. The library will also complement its sports offerings especially as licensing OTT rights comes back to the SCMA group in 2020 (they are currently being licensed to a third party).

There is also the prospect for a spin-off series of the Bumilangit Cinematic Universe, exclusively for Vidio.com. The strategy will start to make sense once the BCU characters and movies gain a sizeable cohort, taking a mold from Marvel’s “Marvel Agent of S.H.I.E.L.D” which has been licensed to pay TV channels across the globe with a life of 6 seasons.

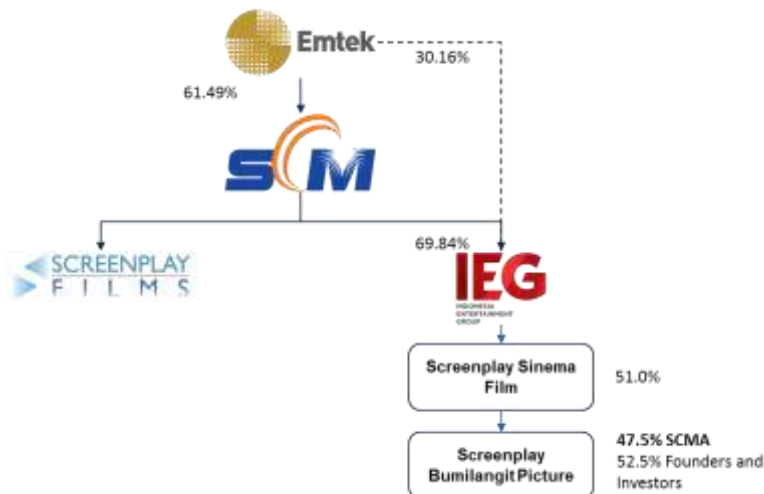
**Exhibit 3. Bumi Langit Cinematic Universe movie plan**



Source: VIVA:IJ via goodnewsfromindonesia.com

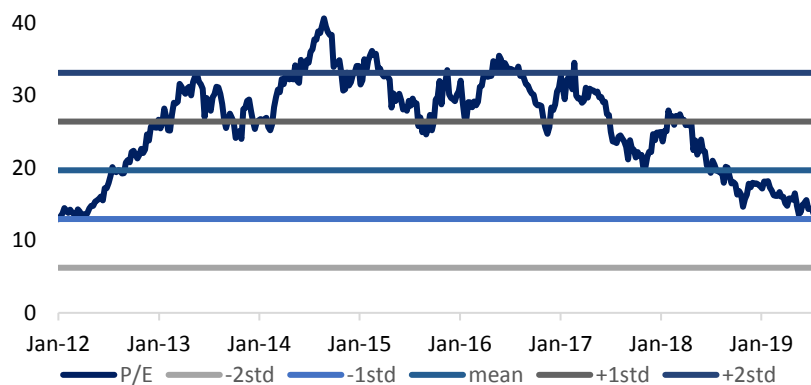
**To be booked under income from associates.** Dissecting the ownership structure of Screenplay Bumilangit Picture in context of SCMA’s financials, the company is put under an associate company, as ownership is under Screenplay Studio Film (SSF) which owns 47.5% of (SBP). Given this, results from the movie will translate into higher income from associates rather than as consolidated income. Worth noting is that SBP has IDR34.0bn of assets as of 1H19.

**Exhibit 4. SCMA’s ownership in Screenplay Bumilangit Produksi**



Source: Company 1H19 Financial Statement

**Exhibit 5. PE Band Chart**



Source: Company, Danareksa Sekuritas estimates

### Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
<b>Revenue</b>	<b>4,454</b>	<b>5,002</b>	<b>5,646</b>	<b>6,253</b>	<b>6,743</b>
COGS	(1,835)	(2,157)	(2,518)	(2,789)	(2,854)
<b>Gross profit</b>	<b>2,619</b>	<b>2,845</b>	<b>3,127</b>	<b>3,464</b>	<b>3,889</b>
<b>EBITDA</b>	<b>1,966</b>	<b>2,091</b>	<b>2,222</b>	<b>2,398</b>	<b>2,690</b>
<b>Oper. profit</b>	<b>1,779</b>	<b>1,939</b>	<b>2,058</b>	<b>2,222</b>	<b>2,501</b>
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)
<b>Pre-tax profit</b>	<b>1,782</b>	<b>1,969</b>	<b>2,095</b>	<b>2,266</b>	<b>2,536</b>
Income tax	(464)	(494)	(524)	(567)	(634)
Minority interest	14	10	17	18	20
<b>Net profit</b>	<b>1,331</b>	<b>1,485</b>	<b>1,588</b>	<b>1,718</b>	<b>1,922</b>
<b>Core Net Profit</b>	<b>1,331</b>	<b>1,485</b>	<b>1,588</b>	<b>1,718</b>	<b>1,922</b>

### Exhibit 7. 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
<b>Total asset</b>	<b>5,450</b>	<b>6,590</b>	<b>7,484</b>	<b>8,232</b>	<b>8,993</b>
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
<b>Total Liabilities</b>	<b>1,014</b>	<b>1,139</b>	<b>1,235</b>	<b>1,321</b>	<b>1,341</b>
Shareholder's Funds	3,934	4,926	5,740	6,420	7,182
Minority interests	502	525	509	491	470
<b>Total Equity &amp; Liabilities</b>	<b>5,450</b>	<b>6,590</b>	<b>7,484</b>	<b>8,232</b>	<b>8,993</b>

### Exhibit 8. 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)
<b>Operating Cash Flow</b>	<b>1,460</b>	<b>1,430</b>	<b>1,453</b>	<b>1,625</b>	<b>1,917</b>
Capex	(249)	(173)	(199)	(214)	(224)
Others Inv. Cash Flow	(744)	(40)	112	28	24
<b>Investing Cash Flow</b>	<b>(994)</b>	<b>(213)</b>	<b>(87)</b>	<b>(186)</b>	<b>(200)</b>
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)
<b>Financing Cash Flow</b>	<b>(654)</b>	<b>(469)</b>	<b>(793)</b>	<b>(1,053)</b>	<b>(1,179)</b>
<b>Net Change in Cash</b>	<b>(187)</b>	<b>748</b>	<b>573</b>	<b>387</b>	<b>538</b>
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 9. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
<b>Growth (%)</b>					
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
<b>Profitability (%)</b>					
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
<b>Leverage</b>					
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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