

Wednesday, 18 December 2019

BUY
Upgrade

Last price (IDR)	1,675
Target Price (IDR)	1,900
Upside/Downside	+13.4%
Previous Target Price (IDR)	1,400

Stock Statistics

Sector	Media
Bloomberg Ticker	MNCN JJ
No of Shrs (mn)	14,276
Mkt. Cap (IDRbn/USDmn)	23,912/1,708
Avg. daily T/O (IDRbn/USDmn)	61.3/4.4

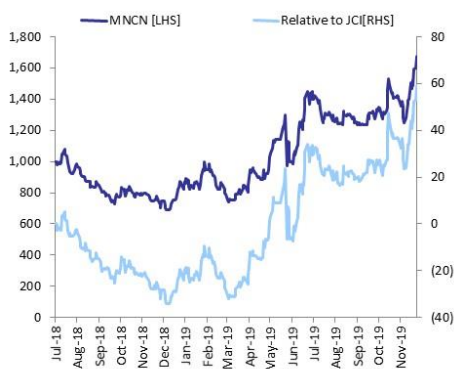
Major shareholders (%)

Global Mediacom Tbk	52.5
Public	43.1
Estimated free float	41.8

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	146.5	161.3	180.5
Consensus	150.9	169.7	180.2
Danareksa/Cons	(2.9)	(4.9)	0.2

MNCN relative to JCI Index



Source : Bloomberg

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Media Nusantara Citra (MNCN JJ)

Collabs and Digital to Drive Growth

Heading into 2020, FTA will face challenges as living cost increases might lead to lower ad spending. However, we still expect MNCN, which is spearheaded by RCTI, to book growth. In our estimate, the group's FTA revenues shall grow by 4.8% in 2020 as its tier-1 status may provide a cushion against adex cuts. The company's digital business will be the source of growth and recent government regulation will aid it and local OTT media services. We raise our digital revenues estimate by 18.8% to IDR856bn in 2020 and by 25.8% in 2021 to IDR1.1tn. Our earnings estimates are increased by 7.2% and 13.5% from our previous estimates, while our new TP of IDR1,900 is up from IDR1,400.

RCTI consolidates its Tier-1 position. As the station remained in the runner-up spot throughout 2019, the TV station will receive a higher billing commitment heading into 2020. Any challenges in the FTA industry's adex budget will first be felt by tier-2 players. In this case, GTV, MNCTV, and I-News might face a stern challenge. Despite taking into account these factors, we slightly raise our FTA revenues growth assumptions for MNCN to 4.8% in 2020 and to 4.5% in 2021.

Friendlier relations between SCMA and MNCN are evident in recent collaboration for digital content creation via a JV. This points to further synergy, which might span into other areas such as reducing discounts that have constricted growth in the past. In the open Q&A session, both sides seemed to be in-sync with each another.

RCTI+ as the growth driver. The Indonesian National Football team has a cohort of fans, meaning high TVR for TV stations. Starting next year, both MNCN TV stations and RCTI+ will air such programs, causing the Active Users figure to spike. YouTube revenues are also guided to double next year from the targeted USD10mn in 2019 given the addition of lengthier videos which facilitates more ads than shorter videos. We raise our digital revenues estimates by 18.8% and 25.8% to IDR856bn and IDR1.1tn for 2020 and 2021, meaning our consolidated revenues estimates are raised by 2.6% and 4.8% for the respective years.

Double-digit net income growth plus a 3.5% dividend yield. Heading into 2020, despite the macro challenges, we believe MNCN will book 15.8% yoy growth in 2020 net income. No shares buyback means the dividend might return, with the management providing guidance for a 40-50% dividend pay-out for 2020. We have factored in a 40%, implying a yield of 3.5%, not far off SCMA's yield.

TP raised to IDR1,900 from IDR1,400. We still expect MNCN to record decent growth driven by its digital business and benefitting from MNCN – SCMA cooperation. A higher dividend yield makes the stock even more attractive. Upside could also come from potential Non Pre Emptive Rights Issue exercise at our new TP push-up c.IDR100/share in our DCF TP. MNCN trades at 10.3x its 2020 earnings and 7.3x EV/EBITDA, or near its 3 year -0.5 STD on both metrics.

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	7,053	7,444	8,004	8,618	9,180
EBITDA (IDRbn)	2,234	2,740	3,145	3,512	3,840
EBITDA Growth (%)	9.9	22.6	14.8	11.7	9.3
Net profit (IDRbn)	1,022	1,531	2,091	2,303	2,577
EPS (IDR)	71.6	107.3	146.5	161.3	180.5
EPS growth (%)	(4.5)	49.9	36.5	10.1	11.9
BVPS (IDR)	632.2	691.1	806.3	909.0	1,008.9
DPS (IDR)	41.1	14.7	15.0	58.6	80.7
PER (x)	23.4	15.6	11.4	10.4	9.3
PBV (x)	2.6	2.4	2.1	1.8	1.7
Dividend yield (%)	2.5	0.9	0.9	3.5	4.8
EV/EBITDA (x)	12.2	10.2	8.5	7.3	6.4

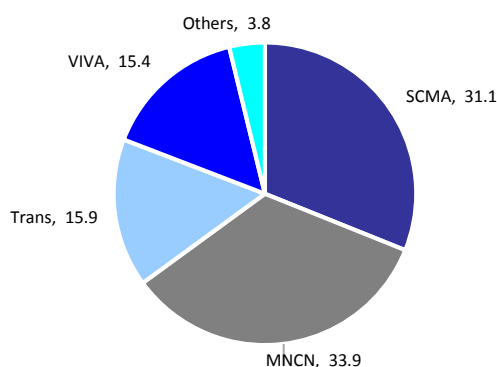
Source : MNCN, Danareksa Estimates

See important disclosure at the back of this report

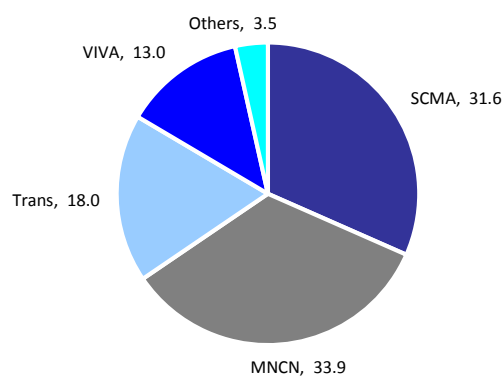
Exhibit 1. Earnings Revision

In IDR bn	Old			New			Difference		
	2019E	2020F	2021F	2019E	2020F	2021F	2019E	2020F	2021F
Revenue	8,004	8,400	8,756	8,004	8,618	9,180	0.0%	2.6%	4.8%
FTA	7,252	7,518	7,737	7,252	7,601	7,942	0.0%	1.1%	2.6%
Digital	601	721	850	601	856	1,070	0.0%	18.8%	25.8%
Others	151	161	169	151	161	169	0.0%	0.0%	0.0%
Gross Profit	5,019	5,264	5,493	5,019	5,482	5,916	0.0%	4.1%	7.7%
EBIT	3,145	3,304	3,437	3,145	3,512	3,840	0.0%	6.3%	11.7%
PBT	2,944	3,071	3,250	2,944	3,278	3,657	0.0%	6.8%	12.5%
Net Income	2,091	2,148	2,270	2,091	2,303	2,577	0.0%	7.2%	13.5%
Core NI	1,989	2,148	2,270	1,989	2,303	2,577	0.0%	7.2%	13.5%
Margins									
Gross Profit	62.7%	62.7%	62.7%	62.7%	63.6%	64.4%			
EBIT	39.3%	39.3%	39.2%	39.3%	40.8%	41.8%			
PBT	36.8%	36.6%	37.1%	36.8%	38.0%	39.8%			
Net Income	26.1%	25.6%	25.9%	26.1%	26.7%	28.1%			
Core NI	24.9%	25.6%	25.9%	24.9%	26.7%	28.1%			

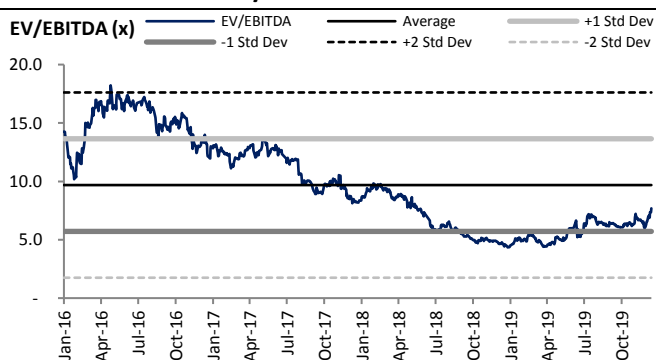
Source: Company, Danareksa Sekuritas

Exhibit 2. YTD Audience Share by Group


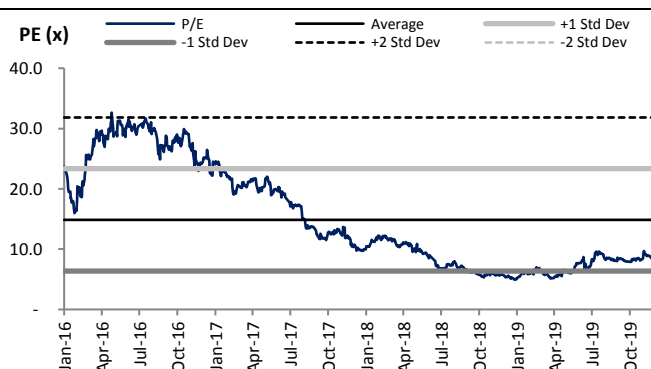
Source: Company, Danareksa Sekuritas

Exhibit 3. Nov19 Audience Share by Group


Source: Company, Danareksa Sekuritas

Exhibit 4. Forward EV/EBITDA Chart


Source: Company, Danareksa Sekuritas

Exhibit 5. Forward PE Chart


Source: Company, Danareksa Sekuritas

Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	7,053	7,444	8,004	8,618	9,180
COGS	(2,854)	(2,825)	(2,984)	(3,136)	(3,264)
Gross profit	4,198	4,619	5,019	5,482	5,916
EBITDA	2,234	2,740	3,145	3,512	3,840
Oper. profit	2,234	2,740	3,145	3,512	3,840
Interest income	20	29	29	59	67
Interest expense	(260)	(353)	(331)	(293)	(249)
Forex Gain/(Loss)	(31)	(300)	102	0	0
Income From Assoc. Co's	(10)	0	0	0	0
Other Income (Expenses)	31	(13)	0	0	0
Pre-tax profit	1,984	2,104	2,944	3,278	3,657
Income tax	(848)	(498)	(711)	(820)	(914)
Minority interest	(114)	(74)	(143)	(156)	(166)
Net profit	1,022	1,531	2,091	2,303	2,577
Core Net Profit	1,053	1,831	1,989	2,303	2,577

Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	469	720	1,460	1,642	1,705
Receivables	3,026	3,082	3,194	3,178	3,146
Inventory	2,359	2,757	2,785	2,885	2,981
Other Curr. Asset	568	511	552	576	602
Fixed assets - Net	5,307	5,542	5,983	6,440	6,818
Other non-curr.asset	3,032	3,461	3,661	3,761	3,861
Total asset	15,057	16,340	17,901	18,748	19,378
ST Debt	320	1,387	1,696	1,771	2,460
Payables	740	465	474	490	506
Other Curr. Liabilities	399	302	354	390	422
Long Term Debt	3,498	3,241	2,644	1,742	43
Other LT. Liabilities	299	303	303	303	303
Total Liabilities	5,256	5,697	5,471	4,695	3,734
Shareholder's Funds	9,025	9,866	11,511	12,977	14,403
Minority interests	776	777	919	1,075	1,241
Total Equity & Liabilities	15,057	16,340	17,901	18,748	19,378

Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	1,022	1,531	2,091	2,303	2,577
Depreciation and Amort.	0	0	0	0	0
Change in Working Capital	0	0	0	0	0
Other Oper. Cash Flow	240	323	302	233	182
Operating Cash Flow	1,261	1,855	2,393	2,536	2,759
Capex	0	0	0	0	0
Others Inv. Cash Flow	20	29	29	59	67
Investing Cash Flow	20	29	29	59	67
Net change in debt	0	0	0	0	0
New Capital	0	0	0	0	0
Dividend payment	0	0	0	0	0
Other Fin. Cash Flow	(260)	(353)	(331)	(293)	(249)
Financing Cash Flow	(260)	(353)	(331)	(293)	(249)
Net Change in Cash	1,022	1,531	2,091	2,303	2,577
Cash - begin of the year	499	469	720	1,460	1,642
Cash - end of the year	469	720	1,460	1,642	1,705

Exhibit 9. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	4.8	5.5	7.5	7.7	6.5
EBITDA	9.9	22.6	14.8	11.7	9.3
Operating profit	9.9	22.6	14.8	11.7	9.3
Net profit	(4.5)	49.9	36.5	10.1	11.9
Profitability (%)					
Gross margin	59.5	62.0	62.7	63.6	64.4
EBITDA margin	31.7	36.8	39.3	40.8	41.8
Operating margin	31.7	36.8	39.3	40.8	41.8
Net margin	14.5	20.6	26.1	26.7	28.1
ROAA	7.0	9.8	12.2	12.6	13.5
ROAE	11.5	16.2	19.6	18.8	18.8
Leverage					
Net Gearing (x)	0.3	0.4	0.2	0.1	0.1
Interest Coverage (x)	8.6	7.8	9.5	12.0	15.4

Source : MNCN, Danareksa Estimates

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