

Friday, 20 December 2019

BUY
Maintain

Last price (IDR) 1,400
Target Price (IDR) 1,725
Upside/Downside +23.2%
Previous Target Price (IDR) 1,600

Stock Statistics

Sector Media
Bloomberg Ticker SCMA IJ
No of Shrs (mn) 14,769
Mkt. Cap (IDRbn/USDmn) 20,676/1,478
Avg. daily T/O (IDRbn/USDmn) 32.3/2.3

Major shareholders (%)

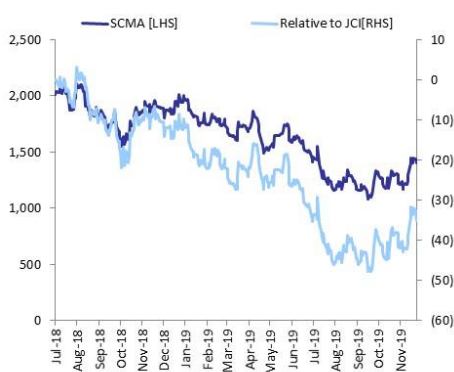
PT Elang Mahkota Teknologi 60.8

Estimated free float 38.5

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	85.5	95.4	110.9
Consensus	94.7	103.0	116.3
Danareksa/Cons	(9.7)	(7.3)	(4.7)

SCMA relative to JCI Index



Source : Bloomberg

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Surya Citra Media (SCMA IJ)

Staying Resilient

Next year may be arduous, as FTA will face a challenge as living cost increases may result in lower ad spending. For SCMA, safety is structural as its two TV stations are in first and third position, safeguarding it from potential FTA adex compression. Recent collaboration with MNCN will span to more than just a content production JV and encompass sales efforts, we believe. We have factored in cooperation in terms of sales as well, leading us to raise our FTA growth forecast by 0.7% and 1.7% in 2020 and 2021 with both TV stations maintaining their tier-1 status. Digital revenues will expand by 40.7% and 27.8%, but earnings will take a blow due to additional original content cost in Vidio.com. As such, our revised earnings is ahead by 1.9% and 4.6% vs our previous forecast. We have a higher TP of IDR1,725 vs IDR1,600 previously.

Tier-1 status to shelter the company from tempestuous times. By virtue of SCMA placing pole position and with Indosiar third, we believe the group will be more resilient against any possible adverse conditions in the adex market. Despite negative growth in 2015 and 2017 for adex, Tier-1 TV stations still posted positive growth, thus boding well for SCMA's prospects next year.

The recent collaboration in content with MNCN will also span to other areas, including sales efforts as both parties are seemingly willing to cooperate further, with sales being the most lucrative area for cooperation given the companies' market leadership positions. We assume there will be some combined sales initiatives; thus, we raise SCMA's FTA revenues growth by 0.7% in 2019 and by 1.7% in 2020.

Digital revenues to grow albeit with hefty losses. SCMA's main digital venture Vidio.com will record higher revenues growth at an estimated 149.4% and 79.8% in 2020 and 2021, leading to digital revenue of IDR488bn and IDR686bn in this period. One caveat of the accelerating revenues growth is the hefty content costs entailed, leading to widening net losses. We forecast net losses of IDR164bn and IDR118bn for 2020 and 2021, respectively.

Single-digit growth but the valuation is still enticing. Sizeable gains in FTA and the content business will be moderated by net losses in the digital business for 2020 and 2021. Our new figures indicate 1.8% and 16.2% normalized earnings growth in those years, which is more conservative than street estimates.

Maintain BUY TP bumped to IDR 1,725. We maintain our BUY call on SCMA with a slightly higher TP of IDR 1,725 as we up down our forecast. The stock is trading at a deep discount at 14.7x 2020F P/E, or hovering just above its 2-year -2 STD mainly driven by margin wider loss to be posted on their digital segment. The risks to our call include lower-than-expected GDP growth with higher inflation which would dampen purchasing power.

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	4,454	5,002	5,503	5,985	6,483
EBITDA (IDRbn)	1,929	2,097	1,793	2,007	2,329
EBITDA Growth (%)	(9.9)	8.7	(14.5)	11.9	16.1
Net profit (IDRbn)	1,331	1,485	1,263	1,409	1,638
EPS (IDR)	91.1	101.5	85.5	95.4	110.9
EPS growth (%)	(11.3)	11.5	(15.8)	11.6	16.2
BVPS (IDR)	266.8	312.7	354.7	398.8	452.4
DPS (IDR)	58.0	55.0	60.3	51.3	57.3
PER (x)	15.4	13.8	16.4	14.7	12.6
PBV (x)	5.2	4.5	3.9	3.5	3.1
Dividend yield (%)	4.1	3.9	4.3	3.7	4.1
EV/EBITDA (x)	10.5	9.4	11.4	10.0	8.4

Source : SCMA, Danareksa Estimates

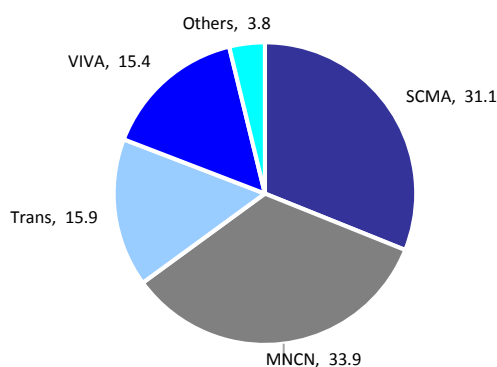
see important disclosure at the back of this report

Exhibit 1. Earnings Revision

In IDR bn	Old			New			Difference		
	2019E	2020F	2021F	2019E	2020F	2021F	2019E	2020F	2021F
Revenue	5,503	5,949	6,387	5,503	5,985	6,483	0.0%	0.6%	1.5%
FTA	4,965	5,260	5,455	4,965	5,295	5,550	0.0%	0.7%	1.7%
Digital	324	488	686	324	488	686	0.0%	0.0%	0.0%
Others	213	202	246	213	202	246	0.0%	0.0%	0.0%
Gross Profit	2,717	2,992	3,309	2,717	3,027	3,404	0.0%	1.2%	2.9%
EBIT	1,625	1,804	2,069	1,625	1,838	2,163	0.0%	1.9%	4.5%
PBT	1,635	1,822	2,099	1,635	1,857	2,195	0.0%	1.9%	4.6%
Net Income	1,263	1,383	1,566	1,263	1,409	1,638	0.0%	1.9%	4.6%
Core NI	1,384	1,383	1,566	1,384	1,409	1,638	0.0%	1.9%	4.6%
Margins									
Gross Profit	49.4%	50.3%	51.8%	49.4%	50.6%	52.5%			
EBIT	29.5%	30.3%	32.4%	29.5%	30.7%	33.4%			
PBT	29.7%	30.6%	32.9%	29.7%	31.0%	33.9%			
Net Income	23.0%	23.3%	24.5%	23.0%	23.5%	25.3%			
Core NI	25.2%	23.3%	24.5%	25.2%	23.5%	25.3%			

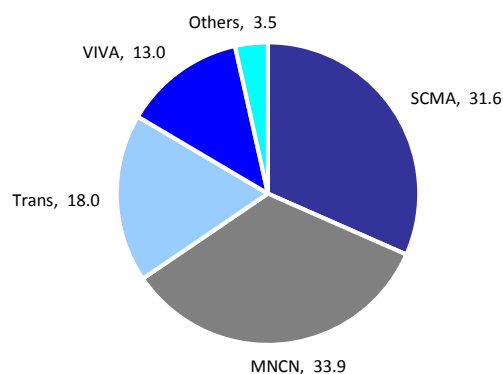
Source: Company, Danareksa Sekuritas

Exhibit 2. YTD Audience Share by Group



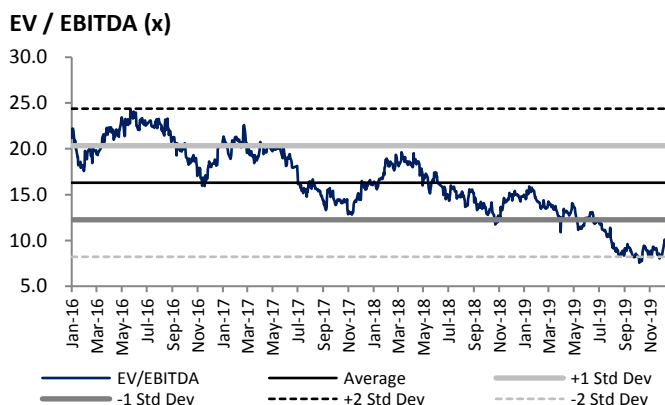
Source: Company, Danareksa Sekuritas

Exhibit 3. Nov19 Audience Share by Group



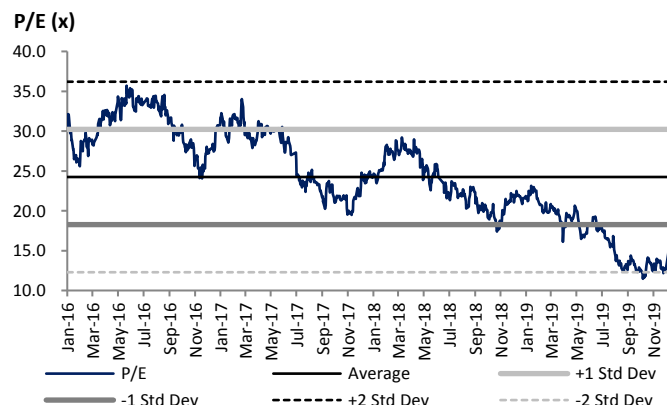
Source: Company, Danareksa Sekuritas

Exhibit 4. SCMA forward EV/EBITDA



Source: Company, Danareksa Sekuritas estimates

Exhibit 5. SCMA Forward P/E



Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	4,454	5,002	5,503	5,985	6,483
COGS	(1,835)	(2,157)	(2,786)	(2,957)	(3,079)
Gross profit	2,619	2,845	2,717	3,027	3,404
EBITDA	1,929	2,097	1,793	2,007	2,329
Oper. profit	1,779	1,939	1,625	1,838	2,163
Interest income	15	25	39	10	22
Interest expense	(16)	(3)	(3)	(3)	(3)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	11	9	10	11	13
Other Income (Expenses)	(7)	(1)	(35)	0	0
Pre-tax profit	1,782	1,969	1,635	1,857	2,195
Income tax	(464)	(494)	(407)	(472)	(557)
Minority interest	14	10	35	24	0
Net profit	1,331	1,485	1,263	1,409	1,638
Core Net Profit	1,331	1,485	1,263	1,409	1,638

Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	234	830	240	584	1,209
Receivables	1,556	1,555	1,828	1,897	1,914
Inventory	766	943	1,069	1,091	1,097
Other Curr. Asset	153	99	251	267	278
Fixed assets - Net	1,029	1,050	1,855	2,048	2,208
Other non-curr.asset	1,648	1,662	1,721	1,733	1,746
Total asset	5,386	6,138	6,964	7,619	8,452
ST Debt	65	16	0	0	0
Payables	437	486	659	667	696
Other Curr. Liabilities	241	301	340	360	370
Long Term Debt	2	0	0	0	0
Other LT. Liabilities	235	231	231	231	231
Total Liabilities	980	1,035	1,230	1,257	1,297
Shareholder's Funds	3,901	4,571	5,238	5,890	6,682
Minority interests	504	531	496	473	473
Total Equity & Liabilities	5,386	6,138	6,964	7,619	8,452

Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	1,331	1,485	1,263	1,409	1,638
Depreciation and Amort.	199	212	168	169	167
Change in Working Capital	(148)	(74)	(339)	(79)	7
Other Oper. Cash Flow	261	78	(86)	(7)	(19)
Operating Cash Flow	1,644	1,701	1,006	1,491	1,792
Capex	0	0	0	0	0
Others Inv. Cash Flow	(815)	(32)	29	(1)	8
Investing Cash Flow	(815)	(32)	29	(1)	8
Net change in debt	(140)	(50)	(17)	0	0
New Capital	0	0	360	0	0
Dividend payment	(848)	(804)	(891)	(758)	(846)
Other Fin. Cash Flow	187	5	(138)	(50)	(3)
Financing Cash Flow	(802)	(850)	(686)	(808)	(848)
Net Change in Cash	27	819	350	681	952
Cash - begin of the year	455	234	830	240	584
Cash - end of the year	234	830	240	584	1,209

Exhibit 9. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	(1.6)	12.3	10.0	8.8	8.3
EBITDA	(9.9)	8.7	(14.5)	11.9	16.1
Operating profit	(11.2)	9.0	(16.2)	13.1	17.7
Net profit	(11.3)	11.5	(14.9)	11.6	16.2
Profitability (%)					
Gross margin	58.8	56.9	49.4	50.6	52.5
EBITDA margin	43.3	41.9	32.6	33.5	35.9
Operating margin	40.0	38.8	29.5	30.7	33.4
Net margin	29.9	29.7	23.0	23.5	25.3
ROAA	26.1	25.8	19.3	19.3	20.4
ROAE	36.3	35.0	25.7	25.3	26.1
Leverage					
Net Gearing (x)	0.0	(0.2)	0.0	(0.1)	(0.2)
Interest Coverage (x)	110.9	668.3	560.1	633.7	745.6

Source : SCMA, Danareksa Estimates

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