

Wednesday, 30 May 2018

BUY
Maintain

Last price (IDR) 2,360
Target Price (IDR) 3,100
Upside/Downside +31.4%
Previous Target Price (IDR) 3,100

Stock Statistics

Sector Media
Bloomberg Ticker SCMA IJ
No of Shrs (mn) 14,622
Mkt. Cap (IDRbn/USDmn) 33,922/2,402
Avg. daily T/O (IDRbn/USDmn) 27.9/2.0

Major shareholders (%)

PT Elang Mahkota Teknologi 60.8
Estimated free float 39.1

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	108.8	120.4	132.8
Consensus	116.7	129.3	153.9
Danareksa/Cons	(6.8)	(6.8)	(13.7)

SCMA relative to JCI Index



Source : Bloomberg



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Surya Citra Media (SCMA IJ)

Big jump in 1Q18 advertising revenues

SCMA's 1Q18 revenues and net profits are inline, both numbers reaching 22.6% of our full year forecasts. SCMA's 1Q18 revenues are up an impressive 15.0% yoy, mainly thanks to higher advertising revenues. While the EBIT margin improved slightly in the period mainly on the back of efficiencies in salaries and allowances expenses, the gross margin was compressed due to higher program and broadcasting expenses. In the media sector, SCMA is our top pick.

In-line 1Q18 revenues and bottom line. The 1Q18 net profits reached IDR359bn, +19.3% yoy and +51.1% qoq, or reaching 22.6% of our full year forecast, in-line, and 20.6% of the consensus. At the top line, SCMA booked revenues of IDR1.2tn, +15.0% yoy and +12.4% qoq, or reaching 22.6% of our full year forecast and the consensus, in-line. Revenues from advertising were up sharply by 15.1% yoy and 9.7% qoq in 1Q18 to IDR1.4tn thanks to: 1) larger overall adex in 1Q18 mainly from local FMCG players and e-commerce companies, and 2) SCMA's higher audience share in 4Q17 that improved SCMA's bargaining power to increase its blended net rate card in 1Q18 compared to the previous year.

Slightly better EBIT margin despite gross margins compression in 1Q18. The 1Q18 gross margin narrowed slightly to 58.2% (1Q17: 59.4%; 4Q17: 52.9%), mainly on the back of slightly higher program and broadcasting expenses, especially related to Liga Dangdut that aired on IVM in 1Q18. On a positive note, however, the 1Q18 EBIT margin of 40.5% was still higher than it was last year (1Q17: 40.3%; 4Q17: 40.0%), mainly owing to efficiencies in salaries and allowances expenses. Meanwhile, SCMA recorded an IDR4.8bn share of profits from associated companies in 1Q18 (1Q17: no share), coming from: 1) Whisper Media Pte. Ltd (1Q18: IDR9.6bn of net profits); 2) PT Satu Indonesia Film (1Q18: IDR1.8bn of net losses); and 3) PT Whisper Media (1Q18: IDR0.02bn of net profits), in which companies' SCMA owns 50% stakes.

SCMA is our top pick in the sector; maintain BUY with an unchanged TP of IDR3,100. We will provide further details after the earnings call on Wednesday morning (30/05/2018). Post the release of the 1Q18 results, we maintain our BUY call on SCMA with an unchanged TP of IDR3,100, implying 28.5x P/E 2018F, slightly below its +1sd of 29.4x P/E 2018F. At the current level, we think SCMA shares have significant upside. The risks to our call include: 1) audience share stagnating, 2) higher content and operating costs, and 3) stiffer competition.

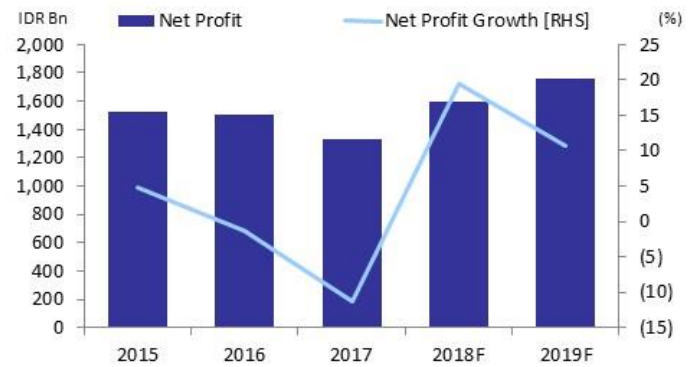
Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	4,524	4,454	5,122	5,480	5,864
EBITDA (IDRbn)	2,138	1,967	2,308	2,536	2,783
EBITDA Growth (%)	0.0	(8.0)	17.3	9.9	9.7
Net profit (IDRbn)	1,503	1,332	1,591	1,761	1,942
EPS (IDR)	102.8	91.1	108.8	120.4	132.8
EPS growth (%)	(1.3)	(11.4)	19.4	10.7	10.3
BVPS (IDR)	234.3	266.8	314.9	373.9	438.7
DPS (IDR)	83.9	58.0	61.5	61.5	68.0
PER (x)	22.7	25.6	21.4	19.3	17.5
PBV (x)	9.9	8.7	7.4	6.2	5.3
Dividend yield (%)	3.6	2.5	2.6	2.6	2.9
EV/EBITDA (x)	15.8	17.2	14.5	12.9	11.5

Source : SCMA, Danareksa Estimates

Exhibit 1. Revenues and Growth

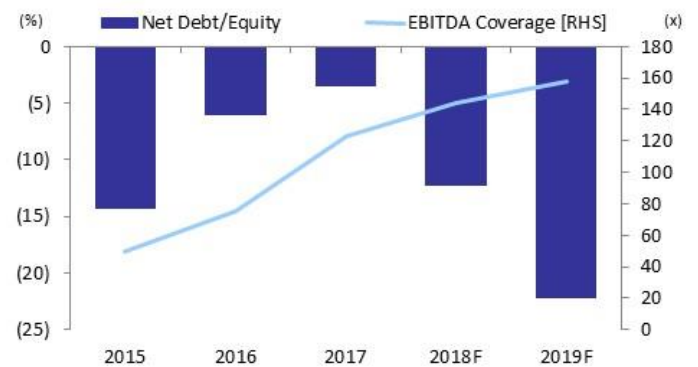

Source: Company, Danareksa Sekuritas estimates

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. SCMA's 1Q18 results

(In IDRbn, unless otherwise stated)	1Q17	4Q17	1Q18	QoQ, %	YoY, %	2018F	A/F
Revenues	1,005	1,029	1,157	12.4%	15.0%	5,122	22.6%
Gross profits	598	545	673	23.6%	12.6%	3,033	22.2%
Operating profits	405	288	469	62.6%	15.7%	2,103	22.3%
Pretax profits	400	295	479	62.5%	19.9%	2,101	22.8%
Net profits	301	238	359	51.1%	19.3%	1,591	22.6%
Gross margin, %	59.4%	52.9%	58.2%			59.2%	
Operating margin, %	40.3%	28.0%	40.5%			41.1%	
Pretax margin, %	39.7%	28.6%	41.4%			41.0%	
Net margin, %	29.9%	23.1%	31.1%			31.1%	

Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	4,524	4,454	5,122	5,480	5,864
COGS	(1,782)	(1,835)	(2,089)	(2,214)	(2,345)
Gross profit	2,742	2,619	3,033	3,267	3,519
EBITDA	2,138	1,967	2,308	2,536	2,783
Oper. profit	2,003	1,780	2,103	2,310	2,536
Interest income	47	15	12	28	42
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	1
Pre-tax profit	2,024	1,783	2,101	2,324	2,564
Income tax	(510)	(464)	(526)	(581)	(641)
Minority interest	(10)	14	16	18	20
Net profit	1,503	1,332	1,591	1,761	1,942
Core Net Profit	1,503	1,332	1,591	1,761	1,942

Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	455	234	700	1,396	2,179
Receivables	1,534	1,556	1,747	1,838	1,933
Inventory	689	766	809	835	862
Other Curr. Asset	275	153	246	263	281
Fixed assets - Net	967	1,029	1,079	1,122	1,157
Other non-curr.asset	902	1,648	1,536	1,548	1,560
Total asset	4,821	5,386	6,117	7,002	7,973
ST Debt	230	77	75	75	75
Payables	385	437	456	471	485
Other Curr. Liabilities	375	229	326	349	373
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	125	237	167	171	175
Total Liabilities	1,115	980	1,024	1,066	1,108
Shareholder's Funds	3,427	3,901	4,605	5,467	6,414
Minority interests	279	504	488	470	450
Total Equity & Liabilities	4,821	5,386	6,117	7,002	7,973

Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	1,503	1,332	1,591	1,761	1,942
Depreciation and Amort.	135	187	206	226	247
Change in Working Capital	(187)	(48)	(234)	(113)	(117)
Other Oper. Cash Flow	(76)	(23)	28	3	(10)
Operating Cash Flow	1,375	1,449	1,591	1,877	2,062
Capex	(144)	(249)	(256)	(269)	(281)
Others Inv. Cash Flow	(94)	(731)	123	16	30
Investing Cash Flow	(238)	(981)	(133)	(252)	(252)
Net change in debt	36	(153)	(2)	0	0
New Capital	0	0	0	0	0
Dividend payment	(1,214)	(848)	(899)	(899)	(995)
Other Fin. Cash Flow	(187)	313	(91)	(30)	(32)
Financing Cash Flow	(1,365)	(689)	(992)	(929)	(1,027)
Net Change in Cash	(228)	(220)	466	696	783
Cash - begin of the year	686	455	234	700	1,396
Cash - end of the year	455	234	700	1,396	2,179

Exhibit 9. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	6.8	(1.6)	15.0	7.0	7.0
EBITDA	0.0	(8.0)	17.3	9.9	9.7
Operating profit	(0.4)	(11.1)	18.1	9.9	9.8
Net profit	(1.3)	(11.4)	19.4	10.7	10.3
Profitability (%)					
Gross margin	60.6	58.8	59.2	59.6	60.0
EBITDA margin	47.3	44.2	45.1	46.3	47.5
Operating margin	44.3	40.0	41.1	42.2	43.3
Net margin	33.2	29.9	31.1	32.1	33.1
ROAA	32.0	26.1	27.7	26.8	25.9
ROAE	45.7	36.4	37.4	35.0	32.7
Leverage					
Net Gearing (x)	(0.1)	0.0	(0.1)	(0.2)	(0.3)
Interest Coverage (x)	70.2	110.9	131.0	143.9	158.0

Source : SCMA, Danareksa Estimates

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