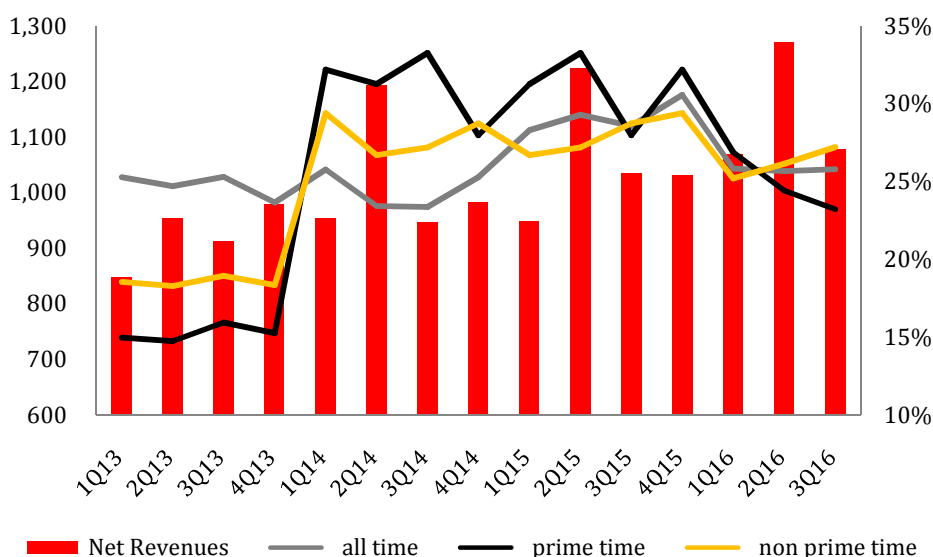


SCMA – SinemArt Collaboration

On the heels of SCMA's purchase of SinemArt Indonesia (formerly known as Prima Entertainment), **SCMA will officially launch 4 new Sinetrons** today taking over the entire prime time slot. With a total investment worth around USD 100mil, SCMA looks to take advantage of one of Indonesia's most prominent production houses with a host of top rated Sinetrons including *Anak Jalanan* (RCTI – SinemArt Production, MNCN IJ). Under SCMA's cost per rating point (CPP) scheme, future discounting rates for commercial advertisements will be based upon the success of new prime time shows given the decline of SCMA's audience share FY15. SCMA's audience share suffered declines in its all time audience share falling from an average of 29.2% to 25.4% for the years 2015 and 2016 respectively. With the launch of 4 new shows encompassing all age groups, SCMA's potential for growth looks strong given that SCMA's monetization ability has remained resilient despite the recent slump in audience share ratings.

Promising New Prime Time Sinetron Line-Up

With several BOD members from Elang Mahkota Teknologi (EMTK IJ) in attendance, SCMA conducted a press release to launch their new prime time lineup featuring *Anak Sekolah* premiering at 16:30 followed by *Anak Langit* airing at 18:30, *Orang-Orang Kampung Duku* at 20:30 and finally *Berkah Cinta* at 21:30. Based on the press release conducted, we noticed how SCMA would be targeting different age segments as reflected by the scheduling as *Anak Sekolah* and *Anak Langit* should be more appealing towards the younger age segment whereas *Berkah Cinta* with a more intense story line targets the higher age segment. Reflecting on SCMA'S January prime time share audience of 24.1%, potential improvement in prime time share figures is likely to result in stronger earnings growth as SCMA's quarterly earnings have historically been highly correlated with their audience share figures as displayed below.



Adrian Lorenzo

Equity Analyst

+62 21 392 5550 ext. 618

adrian.lorenzo@sinarmassekuritas.co.id

Stock Information

Sector	Media
Bloomberg Ticker	SCMA IJ
Market Cap (IDR Tn)	IDR 42.1
Share Out/ Float (M)	14,621/5,795
Current Price (IDR)	2,890
52 W Target Price (IDR)	3,480
Upside (%)	20.4

Share Price Performance

52 W High (06/02/16)	3,550
52 W Low (11/16/16)	2,130
52 W Beta	1.275
YTD Change (%)	3.6%

Relative Valuations

Trailing P/E	27.5x
Forward P/E	22.3x
P/BV	10.8x
EV/EBITDA	19.1x

Our Recommendation

Using history as our guide, a significant uptick in prime time audience share could potentially result in stronger earnings growth. In the near term, improvements in audience shares is likely to translate into a stronger earnings growth for the following quarter as rate card discounts are typically renegotiated every quarter. Potential improvements in audience shares, coupled with strong monetization ability makes SCMA a worthwhile investment despite currently trading at a premium PE 27.5x compared to its peers. **Based on this, we maintain our BUY recommendation (previous 2017 TP 3,370) for SCMA at IDR 3,480 (20.4% upside) indicating forward PE2017 at 22.3x as we expect prime time audience shares to catalyze FY17 earnings.**



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