

**2Q20 margin improvement.** In 2Q20, MNCN posted a lower revenue of IDR 1,951bn (-17.5% YoY/-3.2% QoQ). Revenue fell due to ads budget cut at around 20%-50% by many companies and postponed several big events such as Euro Cup, which was originally planned to take place in June-20. MNCN's GPM were relatively stable at 62.5% (-40 bps YoY/+130 bps QoQ) as the company continued to produce content. EBITDA margin improved to 45.1% (+20 bps YoY/+130 bps QoQ) due to OPEX efficiencies as G&A expenses fell to Rp 798.3 bn (-6.7% YoY/-14.7% QoQ). As a result, net income booked at IDR 1,008 bn (-17.4% YoY/+102.9% QoQ). Excluding unrealized gain/loss forex, core profit came in at IDR 1,043bn (-8.7% YoY/-19.3% QoQ). This bring MNCN's 1H20 revenue/net profit to IDR 3,967/1,008bn (-6.7%/-17.4% YoY), reaching 50.9%/53.9% of our estimates in FY20E.

**Rising optimism in digital segment.** In 1H20, MNCN digital revenue has performed well during stay-at-home policies, rose to IDR 409bn (+25.8% YoY/+5.3% QoQ) driven by significant increase in RCTI+ users and YouTube subs as they were last recorded at 10mn monthly active users (vs 9mn in 1Q20) and 90mn subscribers (vs. 71 mn subscribers in 1Q20) respectively. Going forward, RCTI+ is set to launch its talent search competition that will attract more viewers while MNCN has made a deal with Facebook to supply clips from MNCN's content library. That should provide more revenue stream for the company onwards. In line with company's target, we believe MNCN's digital and content revenue will contribute >40% of total revenue in FY22F (vs. 19.9% in 1H20).

**Adjusting our forecast due to soft performance in 1H20.** As a result of weaker economic activities and soft achievement in 1H20, we see longer -than-expected recovery for ads spending as most companies will focus on their earnings and profitability during current economic condition. To note, second quarter historically generate 28%-29%/23%-28% revenue/net income in FY17-FY19. Hence, we lower our revenue/net income estimates by -3.9%/-12.3% in FY20E.

**We upgrade our call to BUY rating on PT Media Nusantara Citra Tbk (MNCN), with a higher FY21F TP of IDR 1,180.** Our TP represents 23.5% potential upside, implying 6.4x FY21F PE. As of now, MNCN's share price is traded at undermanding valuation of 5.2x FY21F PE (-1SD from its 3 years avg. PE), which provides attractive risk and reward, in our view. Downside risks to our call are higher than expected ads budget cut and tighter competition with digital media.

Highlights (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	7,444	8,353	7,786	8,586	9,004
% growth	5.5%	12.2%	-6.8%	10.3%	4.9%
EBITDA	3,177	3,954	3,600	3,970	4,179
Net Profit	1,531	2,233	1,870	2,290	2,318
% growth	5.4%	45.8%	-16.3%	22.4%	1.2%
EBITDA Margin (%)	42.7%	47.3%	46.2%	46.2%	46.4%
Net Margin (%)	20.6%	26.7%	24.0%	26.7%	25.7%
Return on Equity (%)	15.6%	21.0%	14.9%	16.2%	14.3%
Return on Assets (%)	9.4%	12.5%	10.6%	12.0%	11.2%
EPS (IDR)	120	180	151	184	187

**Kharel Devin Fielim**

Research Associate

+62 21 392 5550 ext. 159

[kharel.fielim@sinarmassekuritas.co.id](mailto:kharel.fielim@sinarmassekuritas.co.id)**Stock Information**

Sector	Media
Bloomberg Ticker	MNCN IJ
Market Cap. (IDR tn)	13.6
Share Out./Float (mn)	14,276/8,223
Current Price	955
FY21F Target Price	1,180
Upside	23.5%

**Share Price Performance**

52W High (1/20/2020)	1,780
52W Low (3/19/2020)	750
52W Beta	1.1
YTD Change	-41.4%

**Relative Valuations**

Trailing P/E	5.8x
Forward P/E	6.0x
P/BV	0.9x

## MNCN 2Q20 Earnings Summary

Highlights (IDR Bn)	2Q19	1Q20	2Q20	QoQ	YoY	6M19	6M20	YoY	%DH	%Cons
Revenue	2,366	2,016	1,951	-3.2%	-17.5%	4,252	3,967	-6.7%	50.9%	47.5%
Gross profit	1,488	1,247	1,232	-1.2%	-17.2%	2,673	2,479	-7.3%		
EBITDA	1,078	895	893	-0.2%	-17.2%	1,909	1,787	-6.4%	49.7%	50.1%
Net Profit	635	333	675	102.9%	6.3%	1,220	1,008	-17.4%	53.9%	51.3%
Gross Margin	62.9%	61.8%	63.1%			62.9%	62.5%			
EBITDA Margin	45.6%	44.4%	45.7%			44.9%	45.1%			
Net Profit Margin	26.8%	16.5%	34.6%			28.7%	25.4%			

Source: Company Data, Sinarmas Investment Research

## Earnings Changes

(IDR Bn)	Previous		New		%Change	
	2020E	2021F	2020E	2021F	2020E	2021F
Revenue	8,101	8,863	7,786	8,586	-3.9%	-3.1%
Gross Profit	5,509	5,761	5,061	5,581	-8.1%	-3.1%
EBIT	3,105	3,297	2,807	3,182	-9.6%	-3.5%
EBITDA	3,694	3,992	3,600	3,970	-2.6%	-0.6%
Net Income	2,133	2,380	1,870	2,290	-12.3%	-3.8%

Source: Company Data, Sinarmas Investment Research

<b>Income Statement (IDR Bn)</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021F</b>	<b>2022F</b>
<b>Revenue</b>	<b>7,444</b>	<b>8,353</b>	<b>7,786</b>	<b>8,586</b>	<b>9,004</b>
Prog. & Broadcasting	(2,643)	(2,835)	(2,492)	(2,747)	(2,881)
Depreciation and Amortization	(182)	(195)	(234)	(258)	(270)
<b>Gross Profit</b>	<b>4,619</b>	<b>5,323</b>	<b>5,061</b>	<b>5,581</b>	<b>5,853</b>
Operating Expense	(1,879)	(2,064)	(2,103)	(2,295)	(2,373)
<b>Operating profit</b>	<b>2,740</b>	<b>3,259</b>	<b>2,959</b>	<b>3,286</b>	<b>3,480</b>
Gain/Loss on Foreign Exchange	(300)	112	(147)	(88)	(44)
Other income/Exp	(13)	(20)	(5)	(15)	(16)
<b>EBIT</b>	<b>2,427</b>	<b>3,351</b>	<b>2,807</b>	<b>3,182</b>	<b>3,420</b>
<b>EBITDA</b>	<b>3,177</b>	<b>3,954</b>	<b>3,600</b>	<b>3,970</b>	<b>4,179</b>
Finance Income (Exp)	(323)	(412)	(292)	(169)	(334)
<b>EBT</b>	<b>2,104</b>	<b>2,939</b>	<b>2,515</b>	<b>3,013</b>	<b>3,086</b>
Tax Expense	(498)	(587)	(534)	(589)	(622)
NCI	(74)	(119)	(111)	(135)	(145)
<b>Net Income</b>	<b>1,531</b>	<b>2,233</b>	<b>1,870</b>	<b>2,290</b>	<b>2,318</b>

<b>Balance Sheet (IDR Bn)</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021F</b>	<b>2022F</b>
Cash & Cash Equivalents	720	631	684	682	925
Trade Receivables	3,082	3,301	3,145	3,478	3,963
Other Current Assets	3,535	3,704	3,550	4,349	4,884
<b>Total Current Assets</b>	<b>7,337</b>	<b>7,637</b>	<b>7,379</b>	<b>8,509</b>	<b>9,772</b>
PPE	5,542	5,682	5,757	5,844	5,976
Other LT Assets	3,461	4,518	4,513	4,713	5,012
<b>Total Assets</b>	<b>16,340</b>	<b>17,836</b>	<b>17,649</b>	<b>19,065</b>	<b>20,761</b>
Payables	659	205	223	220	144
Short-Term Loans	1,317	1,656	215	162	135
Other Non-Current Liabilities	178	279	317	306	386
<b>Total Current Liabilities</b>	<b>2,154</b>	<b>2,139</b>	<b>755</b>	<b>687</b>	<b>665</b>
Long Term Loans	3,176	2,864	2,456	1,846	1,541
Long Term Liabilites	367	307	289	307	203
<b>Total Liabilities</b>	<b>5,697</b>	<b>5,311</b>	<b>3,500</b>	<b>2,840</b>	<b>2,409</b>
Share and APIC	4,030	4,030	4,030	4,030	4,030
Retained Earnings	8,669	10,693	12,157	14,103	16,074
NCI	777	896	1,055	1,185	1,340
Other	(2,833)	(3,093)	(3,093)	(3,093)	(3,093)
<b>Total Equity</b>	<b>10,642</b>	<b>12,526</b>	<b>14,150</b>	<b>16,225</b>	<b>18,351</b>
<b>Total Equity and Liabilites</b>	<b>16,340</b>	<b>17,836</b>	<b>17,649</b>	<b>19,065</b>	<b>20,761</b>

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2018	2019	2020E	2021F	2022F
<b>Net Income</b>	<b>1,531</b>	<b>2,233</b>	<b>1,870</b>	<b>2,290</b>	<b>2,318</b>
Depreciation	389	422	407	427	402
Change in NWC	(692)	(695)	319	(1,146)	(1,016)
Other	(97)	(67)	36	(30)	(54)
<b>CF From Operating</b>	<b>1,131</b>	<b>1,893</b>	<b>2,633</b>	<b>1,540</b>	<b>1,649</b>
Capital Expenditure	(637)	(533)	(462)	(486)	(510)
Chg. In LT Assets	(952)	(871)	(35)	(161)	(229)
Chg. In LT Liabilities	(46)	(56)	(18)	17	(105)
<b>CF From Investing</b>	<b>(1,635)</b>	<b>(1,460)</b>	<b>(515)</b>	<b>(630)</b>	<b>(844)</b>
Chg. In Share & APIC	(94)	-	-	-	-
Chg. In Bank Loans	809	(21)	(1,802)	(663)	(332)
Dividends Paid	(209)	(210)	(406)	(343)	(348)
Others	249	(293)	143	94	117
<b>CF From Financing</b>	<b>754</b>	<b>(523)</b>	<b>(2,065)</b>	<b>(912)</b>	<b>(562)</b>
Change in Cash	251	(89)	53	(2)	243
Beginning Cash	469	720	631	684	682
<b>Ending Cash</b>	<b>720</b>	<b>631</b>	<b>684</b>	<b>682</b>	<b>925</b>

Financial Ratios	2018	2019	2020E	2021F	2022F
<b>Profitability</b>					
ROE	15.6%	21.0%	14.9%	16.5%	15.1%
ROA	9.4%	12.5%	10.6%	11.6%	11.3%
EBITDA Margin	42.7%	47.3%	46.2%	45.0%	46.1%
Net Profit Margin	20.6%	26.7%	24.0%	26.9%	26.4%
<b>Liquidity &amp; Solvency</b>					
Current Ratio	0.3x	0.3x	0.2x	0.1x	0.1x
Debt to Equity Ratio	0.5x	0.4x	0.3x	0.2x	0.2x
Debt to Assets	0.3x	0.3x	0.2x	0.2x	0.1x
<b>Valuation</b>					
P/E	5.8x	9.0x	5.9x	5.4x	5.4x
PBV	1.0x	2.1x	1.0x	1.0x	0.9x

Source: Company Data, Sinarmas Investment Research

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