

3Q20 results: Soft achievement. In 3Q20, MNCN posted revenue at IDR 1.9bn (+2.3% QoQ/-1.2% YoY). GPM declined to 58.8% (-440 bps QoQ/-120 bps YoY) as company produced numerous shows such as Master Chef Indonesia and Movie Actor awards that can generate more non-time-consuming advertising. Operating margin dropped to 34.0% (-470 bps QoQ/-400 bps YoY) as company increased their employee expenses to make new digital features in RCTI+ and the development of E-TV Mall. As a result, NPATMI was down to IDR 417bn (-35.2% YoY/+102.9% QoQ). Excluding unrealized gain/loss forex, core profit came in at IDR 474bn (+8.8% QoQ/-8.9% YoY). In all, MNCN's 9M20 revenue/NPATMI were booked at IDR 5,962/1,374bn (-4.9%/-17.5% YoY), reaching 76.6%/73.5% of our estimates in FY20E.

Capturing ads spend recovery and unloading debt. We mentioned that the advertising budget have started to recover especially from FMCG companies, with UNVR and ICBP booked strong advertising growth by ~27%/~111% QoQ in 3Q20. Thus, in order to grab the ad spend recovery, company run their top quality content (Indonesian Idol and Master Chef Indonesia) and release new features namely "E-TV mall" which allow viewers to purchase e-voucher by scanning QRIS code that were being displayed in the TV. On the other hand, to capture the digital trend, the company will release new features in RCTI+ such as User Generated Content (UGC) and E-sports talent search that will attract more active users. To note, RCTI+ monthly active user (MAU) has reached 13mn in 9M20 and we estimate RCTI+'s MAU will reach 15mn/19mn in FY20E/FY21F driven by company new initiatives strategy. Thus, we forecast the topline will grow by 9.1% YoY in FY21F. On the bottom line, as MNCN generate fresh funds from private placements and sale of treasury shares with total amount of IDR661bn which will be used to deleverage its USD debt by USD 170mn/IDR2.5tn, it should help to reduce their finance cost and increase their NPATMI by +12.8% YoY.

We maintain our BUY rating on PT Media Nusantara Citra Tbk (MNCN), with a higher FY21F TP of IDR 1,250. Our TP represents 23.2% potential upside, implying 9.4x FY21F PE (+0.8 SD from its 3-years average PE). We continue to take MNCN as our top picks, driven by company's new initiative to capture ad spending and strong potential growth. In addition, the company is currently trading at undermanding valuation of 7.7x FY21F PE (-0.2 SD from its 3-years average PE), which provides attractive risk and reward, in our view. Downside risks to our call are slower-than-expected ads budget recovery and tighter competition with digital media.

Highlights (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	7,444	8,353	7,977	8,707	9,118
% growth	5.5%	12.2%	-4.5%	9.1%	4.7%
EBITDA	3,177	3,954	3,419	3,813	4,056
Net Profit	1,531	2,233	1,797	2,027	2,416
% growth	5.4%	45.8%	-19.5%	12.8%	19.2%
EBITDA Margin (%)	42.7%	47.3%	42.9%	43.8%	44.5%
Net Margin (%)	20.6%	26.7%	22.5%	23.3%	26.5%
Return on Equity (%)	15.6%	21.0%	14.3%	14.4%	15.4%
Return on Assets (%)	9.4%	12.5%	10.3%	11.0%	12.0%
EPS (IDR)	120	180	118	133	158

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Sector	Media
Bloomberg Ticker	MNCN IJ
Market Cap. (IDR tn)	15.3
Share Out./Float (mn)	15,275/8,073
Current Price	1015
FY21F Target Price	1250
Upside	23.2%

Share Price Performance

52W High (1/20/2020)	1,780
52W Low (9/24/2020)	695
52W Beta	1.3
YTD Change	-37.7%

Relative Valuations

Trailing P/E	5.8x
Forward P/E	9.3x
P/BV	0.9x

MNCN 3Q20 Earnings Summary

IDR Bn	3Q19	2Q20	3Q20	%QoQ	%YoY	9M19	9M20	%YoY	%DH	%Cons
Revenue	2,019	1,951	1,995	2.3%	-1.2%	6,271	5,962	-4.9%	76.6%	73.7%
Gross Profit	1,211	1,232	1,172	-4.8%	-3.2%	3,884	3,651	-6.0%		
Operating Profit (Loss)	768	755	679	-10.1%	-11.6%	2,459	2,213	-10.0%		
NPATMI*	520	436	474	8.9%	-8.9%	1,601	1,466	-8.4%		
NPATMI	507	644	417	-35.2%	-17.7%	1,665	1,374	-17.5%	73.5%	71.2%
GPM	60.0%	63.1%	58.8%			61.9%	61.2%			
OPM	38.0%	38.7%	34.0%			39.2%	37.1%			
NPATMI Margin*	25.8%	22.3%	23.8%			25.5%	24.6%			
NPATMI Margin	25.1%	33.0%	20.9%			26.6%	23.0%			

* Exclude Forex Gain (Loss)

Source: Company Data, Sinarmas Investment Research

Income Statement (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	7,444	8,353	7,977	8,707	9,118
Prog. & Broadcasting	(2,643)	(2,835)	(2,912)	(2,960)	(3,100)
Depreciation and Amortization	(182)	(195)	(199)	(261)	(274)
Gross Profit	4,619	5,323	4,866	5,485	5,744
Operating Expense	(1,879)	(2,064)	(1,964)	(2,222)	(2,288)
Operating profit	2,740	3,259	2,902	3,263	3,457
Gain/Loss on Foreign Exchange	(300)	112	(172)	(103)	(51)
Other income/Exp	(13)	(20)	(5)	(44)	(26)
EBIT	2,427	3,351	2,726	3,117	3,379
EBITDA	3,177	3,954	3,419	3,813	4,056
Finance Income (Exp)	(323)	(412)	(345)	(291)	(179)
EBT	2,104	2,939	2,382	2,826	3,200
Tax Expense	(498)	(587)	(479)	(679)	(633)
NCI	(74)	(119)	(106)	(120)	(151)
Net Income	1,531	2,233	1,797	2,027	2,416

Balance Sheet (IDR Bn)	2018	2019	2020E	2021F	2022F
Cash & Cash Equivalents	720	631	484	450	753
Trade Receivables	3,082	3,301	3,000	3,244	3,651
Other Current Assets	3,535	3,704	3,637	3,830	4,403
Total Current Assets	7,337	7,637	7,120	7,524	8,806
PPE	5,542	5,682	5,847	6,071	6,306
Other LT Assets	3,461	4,518	4,493	4,759	5,023
Total Assets	16,340	17,836	17,461	18,354	20,136
Payables	659	205	261	237	155
Short-Term Loans	1,317	1,656	215	162	135
Other Non-Current Liabilities	178	279	346	336	409
Total Current Liabilities	2,154	2,139	823	734	699
Long Term Loans	3,176	2,864	2,218	1,557	1,271
Long Term Liabilities	367	307	338	331	219
Total Liabilities	5,697	5,311	3,379	2,622	2,188
Share and APIC	4,030	4,030	4,030	4,030	4,030
Retained Earnings	8,669	10,693	12,095	13,818	15,871
NCI	777	896	1,050	1,149	1,311
Other	(2,833)	(3,093)	(3,093)	(3,265)	(3,265)
Total Equity	10,642	12,526	14,082	15,732	17,947
Total Equity and Liabilities	16,340	17,836	17,461	18,354	20,136

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2018	2019	2020E	2021F	2022F
Net Income	1,531	2,233	1,797	2,027	2,416
Depreciation	389	422	317	288	298
Change in NWC	(692)	(695)	445	(472)	(988)
Other	(97)	(67)	65	(99)	(18)
CF From Operating	1,131	1,893	2,623	1,745	1,708
Capital Expenditure	(637)	(533)	(462)	(486)	(510)
Chg. In LT Assets	(952)	(871)	(40)	(159)	(229)
Chg. In LT Liabilities	(46)	(56)	27	(6)	(114)
CF From Investing	(1,635)	(1,460)	(475)	(651)	(853)
Chg. In Share & APIC	(94)	-	-	-	-
Chg. In Bank Loans	809	(21)	(2,039)	(714)	(314)
Dividends Paid	(209)	(210)	(395)	(304)	(362)
Others	249	(293)	138	(109)	123
CF From Financing	754	(523)	(2,296)	(1,127)	(553)
Change in Cash	251	(89)	(147)	(33)	302
Beginning Cash	469	720	631	484	450
Ending Cash	720	631	484	450	753

Financial Ratios	2018	2019	2020E	2021F	2022F
Profitability					
ROE	15.6%	21.0%	14.3%	16.5%	15.1%
ROA	9.4%	12.5%	10.3%	11.6%	11.3%
EBITDA Margin	42.7%	47.3%	42.9%	45.0%	46.1%
Net Profit Margin	20.6%	26.7%	22.5%	26.9%	26.4%
Liquidity & Solvency					
Current Ratio (x)	0.3	0.3	0.2	0.1	0.1
Debt to Equity Ratio (x)	0.5	0.4	0.3	0.2	0.2
Debt to Assets (x)	0.3	0.3	0.2	0.2	0.1
Valuation					
P/E (x)	5.8	10.3	7.5	7.5	6.3
PBV(x)	1.0	2.4	1.2	1.2	1.1

Source: Company Data, Sinarmas Investment Research

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