

1Q18 in a nutshell. Based on Nielsen, the growth of total ad spending on TV and print in Indonesia were quite robust in 1Q18, accounted for IDR 34.7 tn (+8% YoY) from IDR 32.1 tn in 1Q17 despite having no major events in the first quarter. Newspaper and magazine adex has gradually declined every year whereas TV adex still managed to grow 12% YoY in 1Q18 into IDR 28.5 tn, representing 80% of total market share. For the first time, online service ads has surpassed other category spenders, increasing by 95% YoY into IDR 2.0 tn in 1Q18. Growth of TV adex in 1Q18 might be supported by rising consumer spending prior to nationwide regional election in June. Higher consumer spending might drive FMCG companies to spend more money to advertise their products, resulting in higher adex for media sector. As of 1Q18, Surya Citra Media (SCMA) posted strong revenue growth of 15.03% YoY into IDR 1.16 tn while Media Nusantara Citra (MNCN) and Visi Media Asia (VIVA) slightly declined with 0.45% YoY and 6% YoY into IDR 1.602 tn and IDR 6.25 tn respectively. We believe that result was due to SCMA's rising audience shares from 25.4% in 2016 to 27.9% in 2017, taking 2.5% of total market share rating, while MNCN loses 3.4% (from 36.9% in 2016 into 33.5% in 2017).

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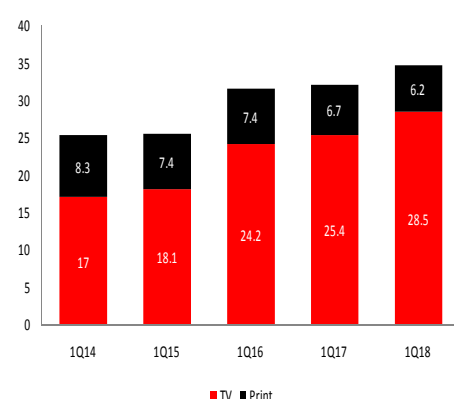
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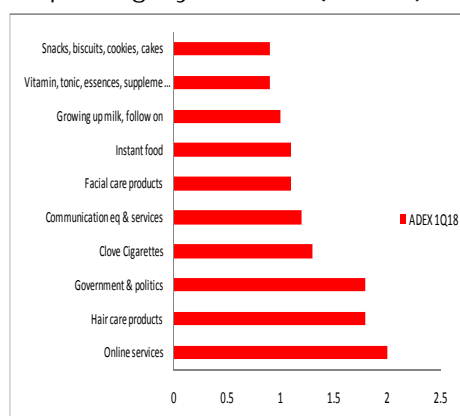
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TV & Print adex (IDR tn)



Top category in 1Q18 (IDR tn)

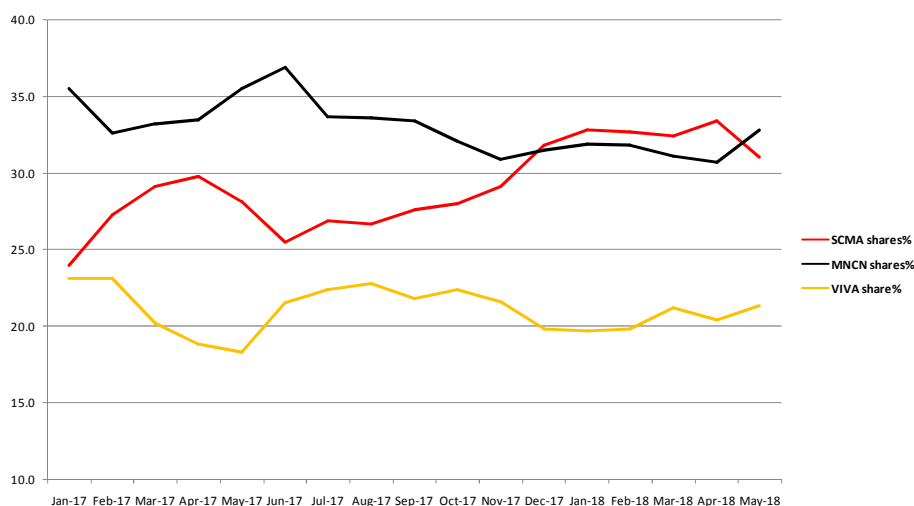


Source: Nielsen, Sinarmas Investment Research

Strong adex growth on welcoming festive season. We believe this year should treat media sector well as rising consumption and major events would lead to rising ad-spending. Several big events this year including, World Cup, Asian Games, Regional election and political campaign for 2019 presidential election will create an opportunity for media sector on the back of higher ads volume and rate card. After a strong entrance of 12% adex growth in the first quarter of 2018, we expect strong adex growth would continue until the end of 2018, supported by higher ad-spending from advertisers due to rising consumption. Latest research from media monitoring company shows that, during the Eid al-Fitr period (27 May-25 June), total advertising revenue based on gross rate card from all industry was recorded at IDR 11.74 tn, increasing by 18.41% compared with Eid al Fitr period in 2017. Among all 13 tv station that is being monitored, SCTV became the only tv station that experienced a decline during Eid al-Fitr, while others posted significant growth during that period. However, we might see a significant improvement for SCTV's performance in 3Q18 as SCTV has the broadcasting rights for Asian Games 2018 that will be held in mid August, which might boost its audience shares and rate card prices. Based on our recent discussion with the management, both SCMA and MNCN were positive that media sector would performed well until 2019 due to presidential election which might sustain the rising ad spending.

Tight competition in gaining audience shares. Since the beginning of 2017, SCTV's audience shares has risen rapidly and has overtaken RCTI spot as first place starting in December 2017. We believe this was due to acquisition of Sinemart house production by SCMA which produces high rated content. In 2018, from January to May, SCMA's audience shares was 32.7% YTD while MNCN 31.6% YTD and VIVA 20.5% YTD. However, during Eid al-Fitr period which was started in May, MNCN takes the lead again and gaining back their number one spot both in prime time and all time audience shares as their religious content managed to outperform other FTA tv station during sahur time. Entering the world Cup period in mid-June, we might see a significant rise in audience shares from TransTV, given that they hold the broadcasting rights for WC 2018. Moving forward to the next month after WC, SCMA should receive additional hikes in audience share given that SCMA has the airing rights for Asian Games 2018.

Media sector audience share 2017 - YTD



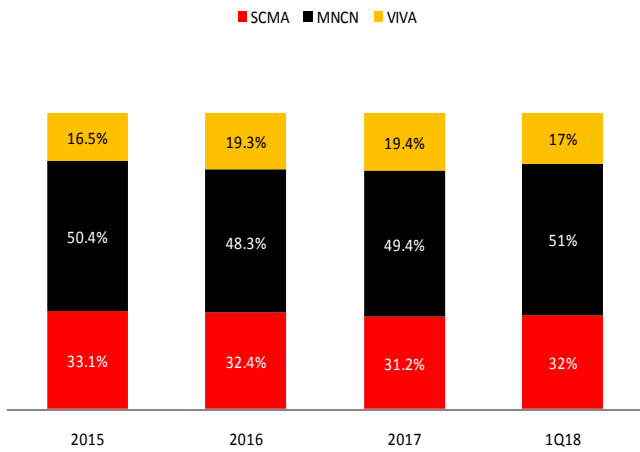
Source: Nielsen, Sinarmas Investment Research

Undemanding Valuation. Up to this point, media sector in our coverage (SCMA & MNCN) has already declined by 28.2% YTD while JCI index declined by 10.7% YTD. Both SCMA and MNCN are traded at the discount price, with SCMA now being traded at -2.0sd while MNCN at -2.3sd to its 3 years average PE ratio. This provides an attractive entry point for both media company in our coverage as both are traded below their fair price. We believe both SCMA and MNCN have underperformed the market due to lower growth of consumer spending during 2017 and will continue to be pressured by bearish market entering the year 2018.

OVERWEIGHT outlook for media sector. We reinitiate media sector with an OVERWEIGHT outlook as we expect both media companies under our coverage will manage to achieve strong YoY growth on the back of rising consumer spending due cyclical events such as Asian Games, World Cup, Regional and presidential election. Even though there is no direct influence to the media sector's performance, rising consumer spending might boost advertiser's power to push their product by increasing ad-spending, hence resulting in a higher rate card prices. Overall we remain positive towards both of our media company under our coverage as we believe both could utilize this year events as an opportunity to improve their performance.

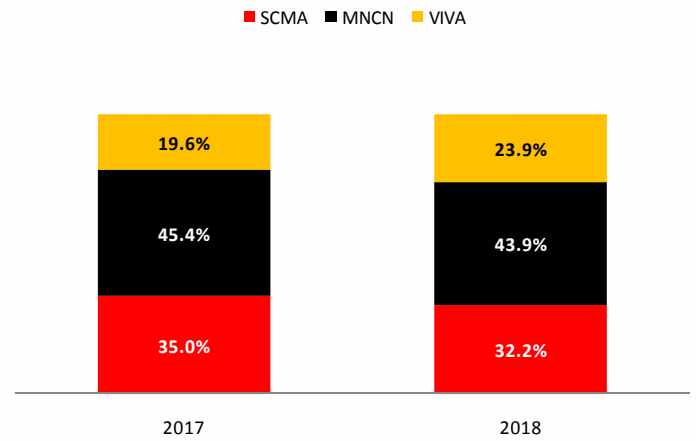
Ticker	Rating	CP	TP	% Chg	FY19F PE
SCMA	BUY	2,000	2,450	23%	23.7
MNCN	BUY	910	1,500	65%	12.9

Revenue share 2015-2018



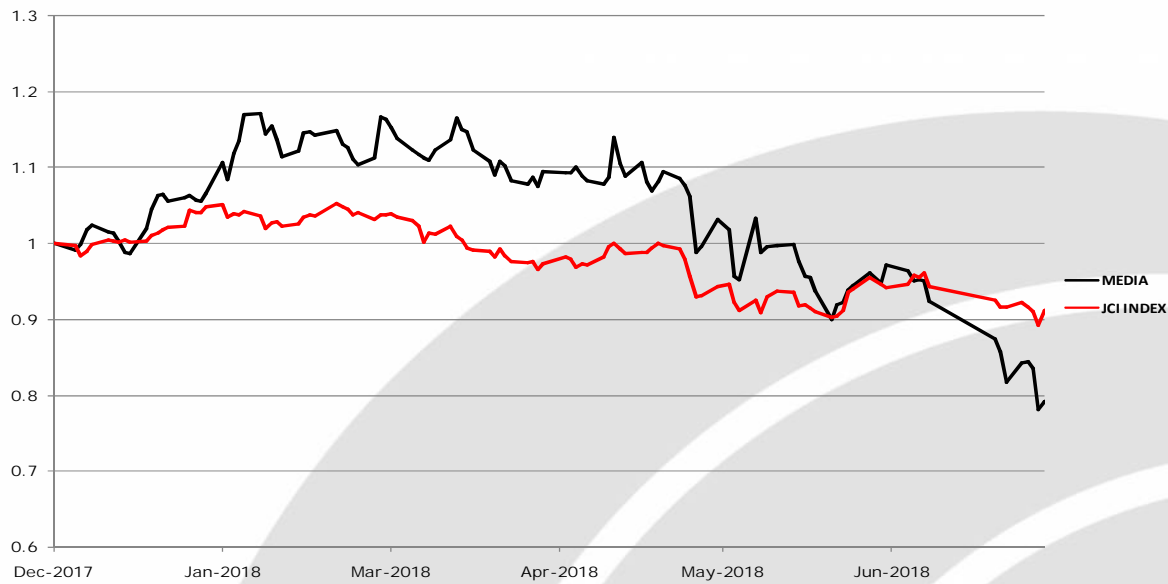
Source: Company data, Sinarmas Investment Research

Revenue share during Eid al-Fitr period



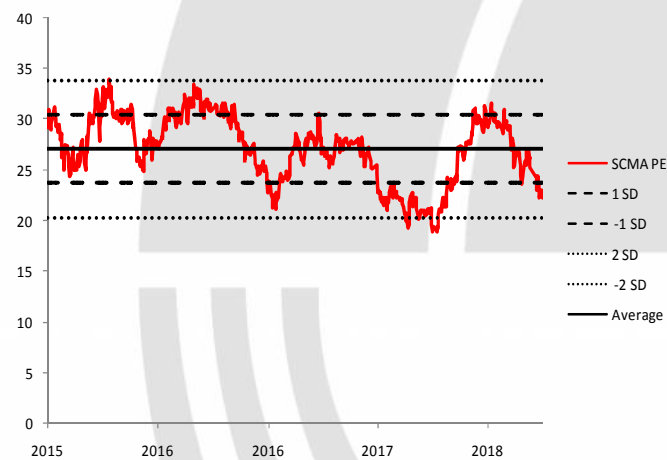
Source: Kontan, Sinarmas Investment Research

Media vs JCI (Indexed 29th Dec 2017)



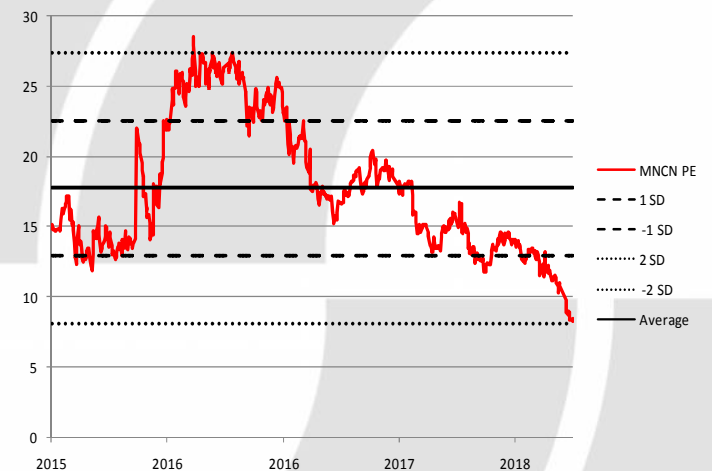
Source: Bloomberg, Sinarmas Investment Research

SCMA's PE Ratio 3 years movement



Source: Bloomberg Sinarmas Investment Research

MNCN's PE Ratio 3 years movement



Source: Bloomberg, Sinarmas Investment Research

1Q18 result. SCMA's 1Q18 revenue jumped to IDR 1.16 tn (+15.03% YoY) with net profit increasing by 19.2% YoY to IDR 359.2 bn. The increase in SCMA's revenue was driven by 15% YoY growth in advertising revenue which we believed was affected by SCMA's growing audience shares and intense competition between advertisers in welcoming the festive events, resulting in higher rate card price. SCMA's EBITDA margin and net profit margin were recorded at 40.84% (vs 40.06 in 1Q17) and 31.06% (vs 29.95% in 1Q17) respectively.

SCTV's sluggish results during Eid al-Fitr. SCTV placed third in term of total gross advertising revenue during Eid al-Fitr, declining 3.14% YoY to IDR 1.51 tn and being the only tv station that experienced a decline during Eid al-Fitr compared with the same period last year despite higher audience shares. At the same time, Indosiar was able to book a strong revenue growth of 28.6% YoY amounted to IDR 1.48 tn.

Asian Games 2018 should escalate SCMA's performance. Asian games that will be held in August should provide better opportunity for SCMA to reap more advertising revenue. Based on the management, the cost for broadcasting Asian Games 2018 is roughly around IDR 40 bn and is projected to generate IDR 200 bn revenue. With Asian Games and high audience shares in first and second quarter, the company projects 20-25% topline growth in 3Q18.

Aggressive target for virtual advertising. As one of SCMA digital business, Whisper media Pte contributed IDR 80 bn to SCMA's 2017 revenue from built in virtual advertising revenue. Through Whisper technology, advertisers can promote different products in different regions in Indonesia at the same time which open a new segment for SME's. Management set an optimistic target for Whisper this year, amounting to IDR 200 bn or 150% yoy increase by the end of 2018.

We reinitiate our coverage on PT Surya Citra Media Tbk. (SCMA) with BUY recommendation and FY19 target price at IDR 2,450 derived via PE multiples valuation at 23.7x equivalent to its 3 years historical average. Overall, we remain optimistic towards SCMA as we believe high audience share this year and being the official broadcaster for Asian Games 2018 would lead to strong YoY growth.

Highlights (IDR Bn)	2016	2017	2018E	2019F	2020F
Revenue	4,524	4,454	4,769	4,913	4,981
% growth	6.8%	-1.6%	7.1%	3.0%	1.4%
EBITDA	2,141.1	1,968.5	2,037.8	2,185.4	2,181.5
Net Profit	1,511.1	1,317.7	1,441.6	1,532.9	1,546.9
% growth	-1.5%	-11.3%	7.2%	6.3%	0.9%
EBITDA Margin (%)	47.3%	44.2%	42.7%	44.5%	43.8%
Net Margin (%)	33.2%	29.9%	29.9%	30.9%	30.7%
Return on Equity (%)	40.5%	30.2%	29.4%	28.3%	26.1%
Return on Assets (%)	31.1%	24.7%	24.3%	23.7%	22.0%
EPS (IDR)	103	91	98	104	105

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Stock Information

Sector	Media
Bloomberg Ticker	SCMA IJ
Market Cap. (IDR tn)	29.2
Share Out./Float (mn)	14,621/5,720
Current Price	IDR 2,000
52-week Target Price	IDR 2,450
Upside (%)	23.0%

Share Price Performance

52W High (08/02/17)	2,980
52W Low (05/16/18)	1,935
52W Beta	0.96
YTD Change (%)	-19.35%

Relative Valuations

Trailing P/E	21.0x
Forward P/E	17.23x
P/BV	6.86x
EV/EBITDA	14.37x

Income Statement (IDR Bn)	2016	2017	2018E	2019F	2020F
Revenue	4,524	4,454	4,769	4,913	4,981
Prog. & broadcasting	(1,782)	(1,835)	(1,952)	(1,914)	(1,933)
Operating exp	(738)	(840)	(876)	(913)	(970)
Other income/exp	0	(7)	(8)	(9)	(8)
Operating Profit	2,003	1,772	1,933	2,077	2,071
EBITDA	2,141	1,968	2,038	2,185	2,181
Profit/loss from JV	2	11	-	-	-
Finance income(exp)	18	(1)	(5)	(4)	(3)
EBT	2,024	1,782	1,927	2,073	2,068
Tax	(510)	(464)	(486)	(540)	(521)
Merging income	(2)	-	-	-	-
NCI	(10)	14	(14)	(15)	(15)
Net profit	1,501	1,331	1,427	1,518	1,531
Earnings per share (Rp.)	103	91	98	104	105

Balance Sheet (IDR Tn)	2016	2017	2018E	2019F	2020F
Cash & equivalents	455	234	486	959	1,475
Trade receivables	1,534	1,556	1,669	1,718	1,742
Other CA	964	919	1,006	1,040	1,059
Total Current Assets	2,952	2,709	3,161	3,718	4,276
PPE	967	1,029	1,080	1,108	1,133
Other LT assets	902	1,648	1,623	1,590	1,560
Total Assets	4,821	5,386	5,863	6,416	6,968
Payables	385	437	437	459	489
Short-term loans	207	65	63	62	60
Other current liabilities	398	241	277	301	310
Total Current Liabilities	990	743	777	822	860
Long term liabilities	125	237	237	235	235
Total Liabilities	1,115	980	1,015	1,057	1,095
Share & APIC	1,010	1,010	1,010	1,010	1,010
Retained earnings	2,388	2,871	3,300	3,755	4,214
NCI	279	504	520	574	629
Other	29	20	20	20	20
Total Equity	3,705	4,405	4,849	5,359	5,873
Total Equity & Liabilities	4,821	5,386	5,863	6,416	6,968

Cash Flow (IDR Tn)	2016	2017	2018E	2019F	2020F
Net Income	1,501	1,331	1,427	1,518	1,531
Depreciation & amortization	130	21	105	108	111
Chg. in NWC	(267)	(83)	(163)	(38)	(3)
CF from Operating	1,364	1,269	1,369	1,587	1,639
Capital Expenditure	(129)	(40)	(113)	(93)	(93)
Chg. in LT Assets	(147)	(789)	(18)	(11)	(13)
Chg in LT Liabilities	38	111	-	-	-
CF from Investing	(237)	(719)	(131)	(103)	(105)
Chg. in Share & APIC	0.3	-	-	-	-
Chg. in Bank Loans	(148)	(140)	(2)	(3)	(2)
Dividends Paid	(1,214)	(848)	(999)	(1,062)	(1,072)
Others	4	217	15	55	55
CF from Financing	(1,357)	(772)	(986)	(1,011)	(1,019)
Change in Cash	(231.0)	(221.2)	252.6	473.4	515.4
Beginning Cash	686	455	234	486	959
Ending Cash	454.7	233.5	486.1	959.5	1,474.9

Financial Ratio	2016	2017	2018E	2019F	2020F
Profitability					
ROE	40.5%	30.2%	29.4%	28.3%	26.1%
ROA	31.1%	24.7%	24.3%	23.7%	22.0%
EBITDA Margin	47.3%	44.2%	42.7%	44.5%	43.8%
Net profit margin	33.2%	29.9%	29.9%	30.9%	30.7%
Liquidity & Solvency					
Current Ratio	3.0	3.6	4.1	4.5	5.0
Debt to Equity	0.1	0.0	0.0	0.0	0.0
Debt to Assets	0.1	0.0	0.0	0.0	0.0
Valuation					
Price to Earning (PE)	27.2	27.2	25.1	23.6	23.4
Price to Book (PBV)	11.9	9.3	8.3	7.5	6.8
EV/EBITDA	19.1	18.6	17.6	16.2	16.0

1Q18 results. MNCN posted flat revenue growth with 0.45% decline YoY to IDR 1.602 tn while net profit declined by 34.6% YoY into IDR 274.05 bn from IDR 419 bn in the first quarter of 2017. We believe that the slight decrease in topline growth was due to RCTI's all time audience shares dropping that has been occurring since June 2017 and reached the lowest point of 12.1% in February 2018, which directly affected rate card prices in the first quarter. Furthermore, MNCN's bottomline was hampered by IDR 54.28 bn foreign exchange loss, derived from MNCN's syndicate loan of USD 250 mn which impacted by the weakening of rupiah against USD. Overall, MNCN's EBITDA margin and net profit margin was 39.8% (vs 38.8% in 1Q17) and 17.1% (vs 26% in 1Q17) respectively.

TVC robust growth during Eid al-Fitr period. During the Eid al-Fitr period, MNCN's FTA TVs performed adequately with RCTI leading in term of total advertising revenue, amounted for IDR 1.74 tn or increased by 7,86% YoY. RCTI's revenue growth was driven by good performance of TV programs during sahur (2.00AM-6.00AM) period as one of the religious drama series during sahur time, "The Guardian's Trust" / "Amanah Wali" managed to grab 22.9% audience share in May. Moreover, MNC tv and GTV also managed to booked strong growth of advertising revenue accounted for IDR 1.38 tn (+22.1% YoY) and IDR 960 bn (21.5% YoY) respectively.

Pushing up GTV revenue. MNCN plans to increase GTV local content by emphasizing more on reality shows and game shows as MNCN has just entered into a joint venture agreement with PT Triwarsana, a production house that focuses on reality shows and game shows. We believe that the shifting in GTV content to increase its local content and reduce foreign content would give positive impact as foreign contents are more costly compared to local, also management has seen reduced rating performance of foreign movies content due to availability in OTT platform.

We reinitiate our coverage on PT Media Nusantara Citra Tbk. (MNCN) with BUY recommendation and FY19 target price at IDR 1,500 derived via PE multiples valuation at 13.04x equivalent to -1sd to its 3 years historical average. Up to this point, MNCN share price has declined 29% YTD and are being traded at -2.4sd to its 3 years average PE ratio which gives an attractive entry point. Overall, we remain positive towards MNCN as we expect better result in upcoming quarters due to RCTI's resilient audience share and this year's festive events that could boost TV adex.

Highlights (IDR Bn)	2016	2017	2018E	2019F	2020F
Revenue	6,730	7,053	7,494	7,716	7,841
% growth	4.4%	4.8%	6.3%	3.0%	1.6%
EBITDA	2,630.6	3,097.4	3,306.4	3,368.3	3,363.7
Net Profit	1,368.7	1,453.3	1,541.0	1,667.3	1,672.3
% growth	15.4%	6.2%	6.0%	8.2%	0.3%
EBITDA Margin (%)	39.1%	43.9%	44.1%	43.7%	42.9%
Net Margin (%)	20.3%	20.6%	20.6%	21.6%	21.3%
Return on Equity (%)	14.4%	14.8%	14.4%	14.2%	13.0%
Return on Assets (%)	9.6%	9.7%	9.7%	9.9%	9.5%
EPS (IDR)	96	102	108	117	117

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Stock Information

Sector	Media
Bloomberg Ticker	MNCN IJ
Market Cap. (IDR tn)	12.9
Share Out./Float (mn)	14,276/5,980
Current Price	IDR 9,10
52-week Target Price	IDR 1,500
Upside (%)	65.0%

Share Price Performance

52W High (09/14/17)	1,825
52W Low (05/15/18)	850
52W Beta	1.28
YTD Change (%)	-29.2%

Relative Valuations

Trailing P/E	9.0x
Forward P/E	7.7x
P/BV	1.28x
EV/EBITDA	5.41x

Income Statement (IDR Bn)	2016	2017	2018E	2019F	2020F
Revenue	6,730	7,053	7,494	7,716	7,841
Prog. & broadcasting	(2,719)	(2,487)	(2,561)	(2,612)	(2,638)
Dep and Amor exp	(156)	(184)	(189)	(193)	(195)
Gross Profit	3,856	4,382	4,743	4,910	5,008
G&A	(1,524)	(1,716)	(1,891)	(2,025)	(2,146)
Operating Profit	2,332	2,666	2,852	2,885	2,862
Other income/exp	(21)	(11)	(141)	20	23
EBIT	2,311	2,655	2,711	2,905	2,885
EBITDA	2,631	3,097	3,306	3,368	3,364
Finance income(exp)	(158)	(240)	(226)	(216)	(189)
EBT	2,153	2,416	2,485	2,689	2,697
Tax	(670)	(848)	(823)	(890)	(893)
NCI	(114)	(114)	(121)	(131)	(131)
Net profit	1,369	1,453	1,541	1,667	1,672
Earnings per share (Rp.)	96	102	108	117	117

Balance Sheet (IDR Bn)	2016	2017	2018E	2019F	2020F
Cash & equivalents	499	469	653	1,255	1,797
Trade receivables	2,924	2,881	2,977	3,190	3,187
Other CA	3,215	3,369	3,605	3,691	3,764
Total Current Assets	6,638	6,718	7,234	8,135	8,748
PPE	4,824	5,307	5,641	5,867	6,059
Other LT assets	2,777	3,032	2,980	2,916	2,869
Total Assets	14,240	15,057	15,855	16,919	17,676
Payables	571	861	866	916	943
Short-term loans	3,429	297	279	533	702
Other current liabilities	199	302	294	338	349
Total Current Liabilities	4,199	1,459	1,438	1,787	1,994
Long term loans	252	3,387	3,252	2,862	2,303
Other long term liabilities	302	410	456	491	530
Total Liabilities	4,753	5,256	5,146	5,141	4,827
Share & APIC	4,126	4,124	4,124	4,124	4,124
Retained earnings	6,460	7,318	8,645	9,645	10,648
NCI	669	776	866	934	1,002
Other	(1,768)	(2,417)	(2,925)	(2,925)	(2,925)
Total Equity	9,487	9,801	10,710	11,778	12,849
Total Equity & Liabilities	14,240	15,057	15,855	16,919	17,676

Cash Flow (IDR Bn)	2016	2017	2018E	2019F	2020F
Net Income	1,369	1,453	1,541	1,667	1,672
Depreciation & amortization	247	487	454	483	502
Chg. in NWC	1,028	282	(335)	(204)	(34)
CF from Operating	2,643	2,222	1,660	1,946	2,140
Capital Expenditure	(898)	(915)	(733)	(655)	(653)
Chg. in LT Assets	(203)	(309)	(3)	10	6
Chg in LT Liabilities	83	108	46	35	39
CF from Investing	(1,018)	(1,116)	(690)	(610)	(608)
Chg. in Share & APIC	23	(2)	-	-	-
Chg. in Bank Loans	(76)	3	(154)	(135)	(390)
Dividends Paid	(588)	(596)	(215)	(667)	(669)
Others	(883)	(542)	(418)	68	68
CF from Financing	(1,524)	(1,136)	(786)	(735)	(990)
Change in Cash	101	(30)	184	602	542
Beginning Cash	398	499	469	653	1,255
Ending Cash	499	469	653	1,255	1,797

Financial Ratio	2016	2017	2018E	2019F	2020F
Profitability					
ROE	14.4%	14.8%	14.4%	14.2%	13.0%
ROA	9.6%	9.7%	9.7%	9.9%	9.5%
EBITDA Margin	39.1%	43.9%	44.1%	43.7%	42.9%
Net profit margin	20.3%	20.6%	20.6%	21.6%	21.3%
Liquidity & Solvency					
Current Ratio	0.6	0.2	0.2	0.2	0.2
Debt to Equity	0.4	0.4	0.3	0.3	0.2
Debt to Assets	0.3	0.2	0.2	0.2	0.2
Valuation					
Price to Earning (PE)	18.3	12.6	13.9	12.9	12.8
Price to Book (PBV)	2.8	2.0	2.2	2.0	1.8
EV/EBITDA	11.0	7.2	7.7	7.5	7.3

BUY: Share price may rise by more than 15% over the next 12 months.
ADD: Share price may range between 10% to 15% over the next 12 months.
NEUTRAL: Share price may range between -10% to +10% over the next 12 months.
REDUCE: Share price may range between -10% to -15% over the next 12 months.
SELL: Share price may fall by more than 15% over the next 12 months.

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