

Covid-19 impact. Since Indonesian Government announced Covid-19 as civil emergency and implemented large scale social distancing, many companies were forced to temporarily close their operation in order to prevent the spreading of Covid-19. We believe this decision gives negative impact on media industry as FMCG, Auto, E-commerce, and other companies are struggling to maintain production and earnings. Due to that, many companies will likely to reallocate their advertising budget to salaries and wages to prevent layoff. In addition, major events will be postponed, such as sports competition Liga1, Europe League, and others.

The industry has evolved. In the last 5 years, media industry grew by +7.3% CAGR. Free to Air (FTA) advertising dominated the media advertising budget by 58.5% of ad pie in 2019. However, we expect in the 2025F it will decline to 52.7% of ad pie. Print media will decline from 17.4% of ad pie in 2019 to 9.7% of ad pie in 2025F. Radio will remain stagnant at a mere 1.3% of ad pie in 2025F. The whole traditional media industry is being disrupted by digital ads.

Shifting to digital era. Based on APJII, digital usage in Indonesia has grown rapidly, from 88.1 million people in 2014 to 171 million in 2018 (+14.2% CAGR). This rapid growth was driven by several reasons: 1) Internet is getting cheaper 2) Smartphone and tablet become more affordable 3) Social media trend. We expect the number will continue to grow to 244 million in 2025F. Digital advertising budget recorded significant growth from IDR 8.6 trillion in 2018 to IDR 13.3 trillion in 2019 (+54.7% YoY) and we estimate Indonesia's digital ads will expand to IDR 80.3 trillion in 2025F (~43.3% CAGR).

Digital pathway. In order to capture the shifting trend, both MNCN and SCMA have improved their digital presence by having online news portal (MNCN: Okezone.com, Sindonews.com, and Inews.id, SCMA: Kapanlagi.com and Liputan6.com) and over the top (OTT) application (MNCN: RCTI+, SCMA: Vidio). In online news portal, MNCN has around 20.0 million and SCMA has around 44.6 million daily website viewers. In OTT application, RCTI+ has 5 million active users and Vidio has 27.5 million active users in 2019.

Increasing rate card price may lead to great disruption. Both MNCN and SCMA announced that they will increase their rate card by 25.0% in 2020. MNCN already implemented 10.0% hike in 1Q20 and SCMA will apply when the situation after pandemic is stable. However, we believe that both MNCN and SCMA will not mark up the remaining 15.0% due to: 1) Economic slowdown 2) Many companies reallocate their advertising budget to salaries and wages to prevent layoff 3) Digital ads will become more affordable than FTA ads.

We re-initiate our coverage on media sector with NEUTRAL call. In recent years, the sector has been showing a declining trend in media advertising budget shares, due to the digital transformation. However, we see that for MNCN and SCMA, each has a competitive advantage in terms of market share and digital application growth. MNCN and SCMA are currently traded at below 3-years average PE.

Ticker	Rating	CP	TP	%Chg	FY20E PE
SCMA	ADD	835	950	13.8%	14.0
MNCN	ADD	900	1,030	14.5%	6.0

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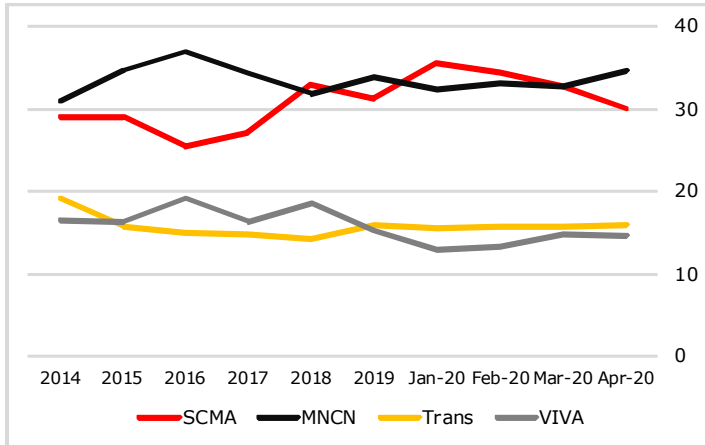
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Tight competition in audience share. In Free to Air (FTA) business, there are two big players, MNCN which owned RCTI, MNC TV, Global TV, and Inews TV and SCMA which owned Indosiar and SCTV. These two companies compete to gain audience share and rating by creating interesting content. The more audience share, the more companies want to advertise their product in their platform. MNCN focuses on reality show (Masterchef, The Voice, Indonesian Idol, and others) and SCMA focuses on the soap opera (Samudera Cinta, Anak Langit, and others) and sports event. Currently, MNCN has the biggest audience share in Indonesia.

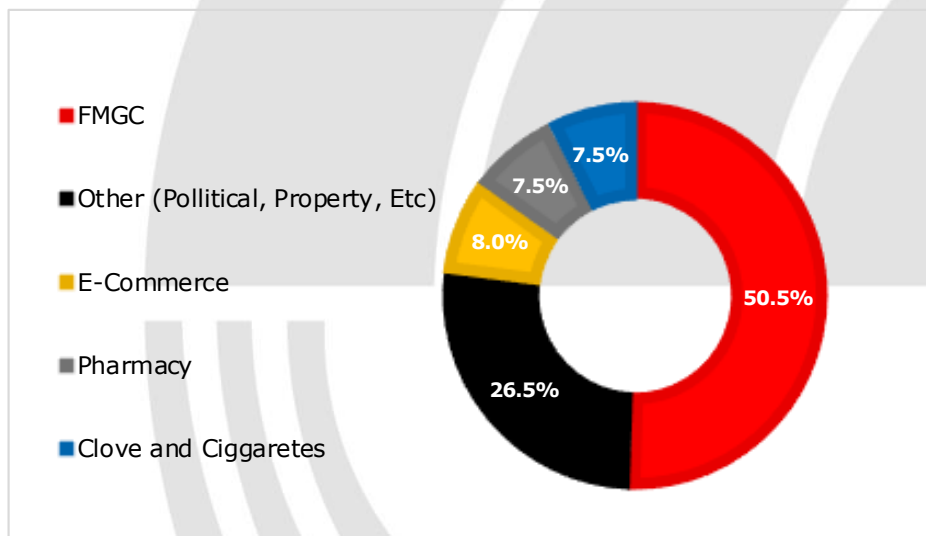
Figure 1: Average audience share in all time category



Source: Company Data, Sinarmas Investment Research

Covid-19 impact. Since Indonesian government announced Covid-19 as civil emergency, the government implemented large scale social distancing and work from home policy, which forces many companies to temporarily close their operation in order to prevent the spreading of Covid-19. We believe this decision gives negative impact on media industry as FMCG, Auto, E-Commerce, and other companies are struggling to maintain production and earnings. Consequently, many companies will likely to reallocate their advertising budget to salaries and wages to prevent layoff. Meanwhile, there is an increase in TV view duration from 4 hours 48 minutes to 5 hours 29 minutes that make high demand for content, but both MNCN and SCMA are struggling to produce it during Covid-19. In addition, many major events will be postponed, such as sports competition Liga1, Europe League, and others that lead the media companies to revise down their target revenue.

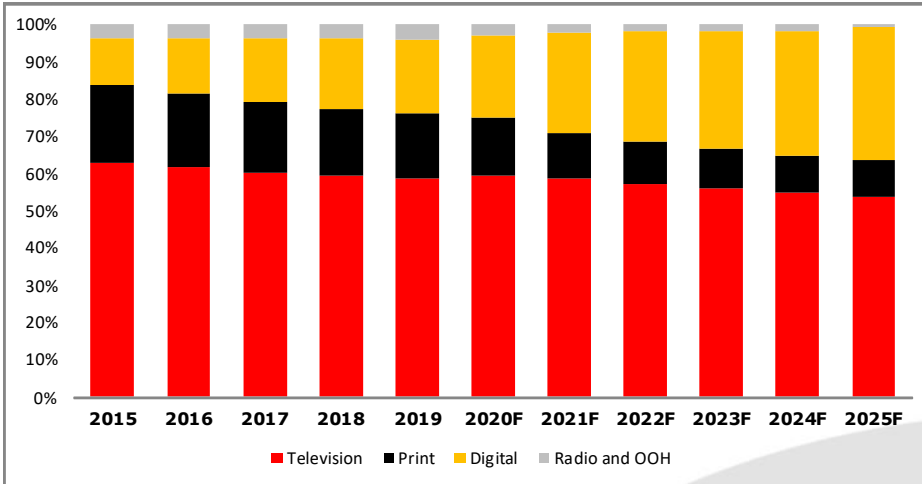
Figure 2: Advertising spender



Source: Company Data, Sinarmas Investment Research

The industry has evolved. In the last 5 years, media industry grew by +7.3% CAGR. Free to Air (FTA) advertising still dominates the media advertising budget by 58.5% of ad pie in 2019. However, we expect in the 2025F it will decline to 52.7% of ad pie. Print media will decline from 17.4% of ad pie in 2019 to 9.7% of ad pie in 2025F. Radio will remain stagnant at a mere 1.3% of ad pie in 2025F. Most of the companies reallocate their advertising budget to digital, which can be explained by several reasons: 1) Expensive traditional rate card 2) Decreasing TV audience 3) Rapid growth of internet user.

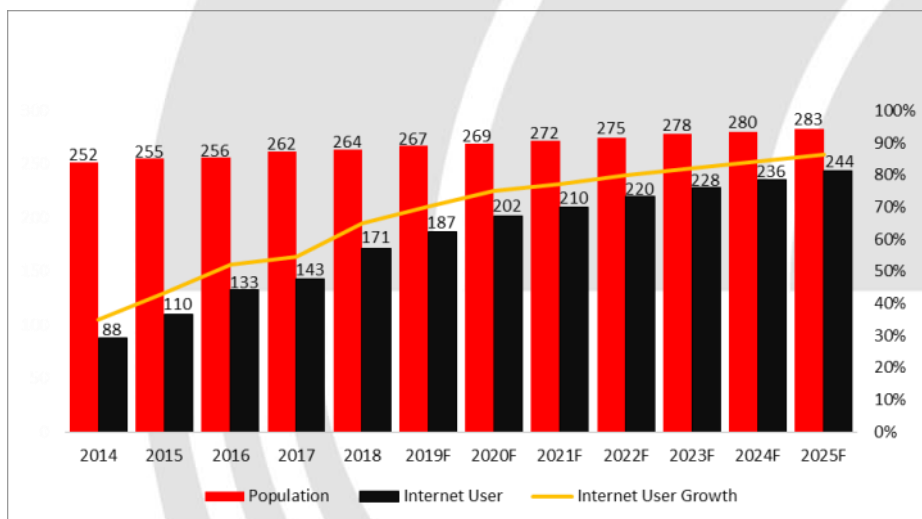
Figure 3: Media advertising allocation budget



Source: Company Data, Sinarmas Investment Research

Shifting to digital era. Based on APJII, internet user in Indonesia grew from 88.1 million people in 2014 (34.9% of the total population) to 171 million (64.7% of the total population) in 2018 (+14.2% CAGR). This rapid growth was driven by: 1) Internet became cheaper 2) Smartphone and tablet become more affordable 3) Social media trend. Accordingly, we forecast internet user will become 244 million in 2025F (86.2% of the total population). The time spent per day on internet also increased from 5 hours 6 minutes in 2015 to 8 hours 36 minutes per day in 2019. Based on Nielsen, digital advertising budget recorded significant growth from IDR 8.6 trillion in 2018 to IDR 13.3 trillion in 2019 (+54.7% YoY) and we estimate Indonesia’s digital ads will become around IDR 80.3 trillion in the 2025F (~43.27% CAGR).

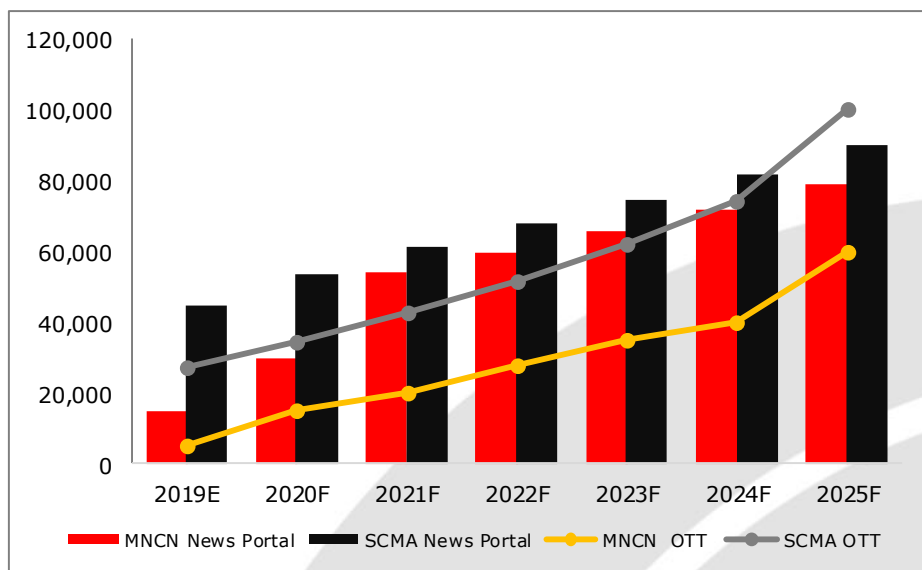
Figure 4: Indonesia’s internet user



Source: APJII, Sinarmas Investment Research

Digital pathway. In order to capture the shifting trend. Both MNCN and SCMA improve their digital presence by having online news portal (MNCN: Okezone.com, Sindonews.com, and Inews.id, SCMA: Kapanlagi.com and Liputan6.com) and over the top (OTT) application (MNCN: RCTI+, SCMA: Vidio). In online news portal, MNCN has around 20 million and SCMA has around 44.6 million daily website viewers. Meanwhile, in OTT application, each adopted different strategy. RCTI+ is a free app with low cost as they only re-run existing content in the library. Currently, RCTI+ has 5 million active users in 2019. Meanwhile, Vidio is free to watch only for live streaming local FTA but user will be charged IDR 50k/ month to access premium content such as K-drama, exclusive movies, and others. Currently, Vidio has 27.5 million active users in 2019. We expect both companies can compete to capture the digital advertising spending because 1) Competitive pricing 2) Livestreaming sports and e-sports competition 3) Unique features such as podcast, live chat streaming and will be used for talent search competition.

Figure 5: MNCN and SCMA digital platforms active user (thousand)



Source: Similiarweb, Sinarmas Investment Research

Increasing rate card price may lead to great disruption. Both MNCN and SCMA announced their plans to increase rate card by 25.0% in 2020. MNCN already implemented 10.0% hike in 1Q20 and SCMA will apply when the situation after pandemic is stable. However, we believe that both MNCN and SCMA will not mark up the remaining 15.0% due to: 1) Economic slowdown 2) Many companies reallocate their advertising budget to salaries and wages to prevent layoff 3) Digital ads will become more affordable than FTA ads.

Priced in. Since the disruption of digital era, MNCN's and SCMA's P/E have de-rated from 22.8x and 29.7x in 2015 to 5.2x and 11x in 2020. To note, MNCN and SCMA have dividend yield of 1.8% and 6.9%, respectively. However, we think it will be difficult for MNCN and SCMA to rerate back to their historical P/E because of many companies reallocate their traditional advertising budget to digital advertising that already dominated by big companies like Facebook, Google, Netflix, and others.

Maintaining position. SCMA's FTA stations have secured the first place (SCTV) and third place (IVM) in all time category. The reason SCMA can secure that position is due to high rating content generated by Sinemart and Screenplay (Samudera Cinta, Anak Langit, and others). SCMA dramatically leads the soap opera in Indonesia.

Covid-19 outbreak. Since Covid-19 and social distancing begins, many events like Liga 1 and Champion League have been postponed. In addition, collaboration shows with Lazada, Shopee, BukaLapak, and others have also been cancelled. During this pandemic, the viewer has increased, but SCMA is running out of fresh content. As a result, SCMA has to re-run its existing contents in library.

Aggressive moves into digital era. Vidio has around 45 million active users in 1Q20 and will continue to grow to around 100-110 million in 2025F. However, Company expects Vidio still booked a net loss because it produces its own contents and also relies on live streaming event (Football, E-sports, and others). Cost of programming recorded significant growth, reaching 49.5% of total revenue in 2019 (5-years average: 37.5% of total revenue). The cost of content and programs will continue to grow significantly in the future along with company's plan to produce better quality local content for Vidio.

Maintaining balance sheet. A healthy balance sheet puts SCMA in an advantageous position. With DER at 0.01x, the company will be better positioned to maintain the risk of a slowing down in the industry. SCMA maintains a positive net cash balance position, even though operating cashflow is depressed as content expands.

We reinitiate coverage on PT Surya Citra Media Tbk (SCMA), with a 52-week target price of IDR 950. We maintain our ADD recommendation for SCMA since share price is currently traded at an attractive valuation (13.7x FY20E P/E, below 3-years average PE). Our TP represents 13.8% potential upside, implying 14.0x FY20F PE. With healthy balance sheet and strong position in audience shares (top 3), we believe that SCMA can quickly recover once economy improves. In addition, we believe SCMA can mitigate the risk of slowing down in traditional advertising media as the company has strong potential growth in online news and OTT platform.

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Stock Information

Sector	Media
Bloomberg Ticker	SCMA IJ
Market Cap. (IDR tn)	12.1
Share Out./Float (mn)	14,774.7/4,908.4
Current Price	835
FY20F Target Price	950
Upside	13.8%

Share Price Performance

52W High (6/14/2019)	1,785
52W Low (3/20/2020)	600
52W Beta	1.3
YTD Change	41.8%

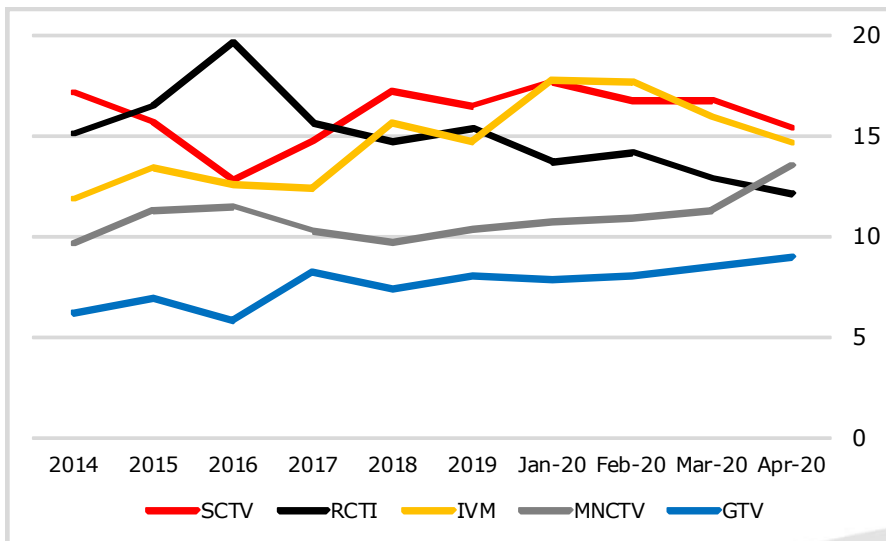
Relative Valuations

Trailing P/E	13.36
Forward P/E	10.8
P/BV	2.3

Highlights (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	5,277	5,523	5,293	6,087	6,609
% growth	18.5%	4.7%	-4.2%	15.0%	8.6%
EBITDA	2,032	1,533	1,369	1,635	1,639
Net Profit	1,485	1,070	971	1,010	1,056
% growth	11.5%	-27.9%	-9.2%	4.0%	4.6%
EBITDA Margin (%)	38.5%	27.8%	25.9%	26.9%	24.8%
Net Margin (%)	28.1%	19.4%	18.4%	16.6%	16.0%
Return on Equity (%)	27.2%	19.5%	16.9%	16.5%	16.3%
Return on Assets (%)	22.5%	15.9%	13.9%	13.4%	13.1%
EPS (IDR)	104	75	68	71	74

Maintaining position. Local content still captures the heart of audience in Indonesia, SCMA's FTA stations have secured the first place (SCTV) and third place (IVM) in all time category. The reason SCMA can secure that position is due to high rating content generated by Sinemart and Screenplay (Samudera Cinta, Anak Langit, and others). SCMA dramatically leads the soap opera in Indonesia.

Figure 6: Station TV breakdown in all time category



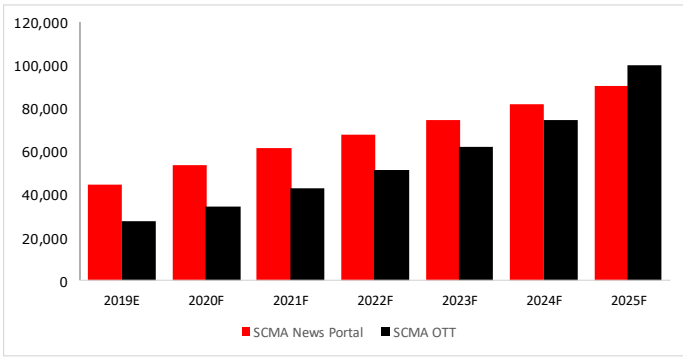
Source: Company Data, Sinarmas Investment Research

Covid-19 outbreak. Since Covid-19 and social distancing begins, SCMA expects in 2Q20 revenues likely to be down in the range of 30.5%-31.5% because many events like Liga 1 and Champion League have been postponed. In addition, collaboration shows with Lazada, Shopee, BukaLapak, and others have also been cancelled. During this pandemic, the viewer has increased, but SCMA is running out of fresh content. As a result, there has been a significant shift in production to reruns, which in March represented about 38.2% of SCMA's program schedule and in April reached 67.8% on both TVs.

Acquired house of influencer. In 2020, SCMA acquired 50.0% of Benson Media Kreasi with acquisition value of IDR 44 million that runs various types of business activities and inclusion in film studios, marketing influencers, promoter events, and e-sports events to help improve, strengthen position, and increase the growth of SCMA. We expect this acquisition will boost the revenue growth in the future.

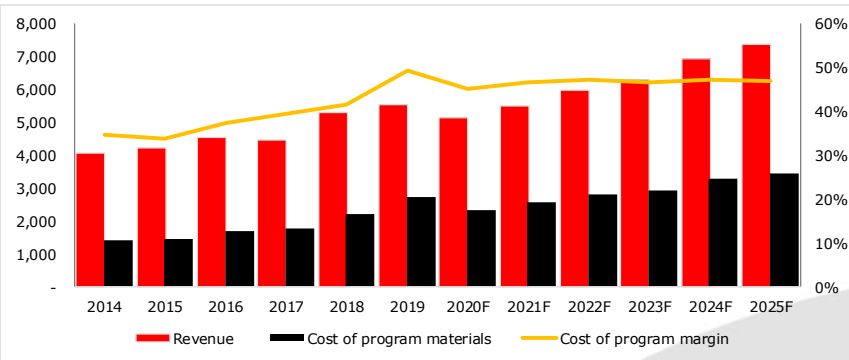
Aggressive moves into digital era. In the OTT platform, Vidio has around 45 million active users in 1Q20 and will continue to grow to around 100-110 million in 2025F. However, Company expects Vidio still booked a net loss because it produces its own contents and also relies on live streaming event (football, e-sports, and others). Cost of programming recorded significant growth, reaching 49.5% of total revenue in 2019 (5-years average: 37.5% of total revenue). This resulted in declining margin for SCMA. We estimate that the cost of content and programs will continue to grow significantly in the future along with company's plan to produce better quality local content for Vidio.

Figure 7: SCMA's digital platforms active user (thousand)



Source: Similiarweb, Sinarmas Investment Research

Figure 8: SCMA's cost of program margin (IDR billion)

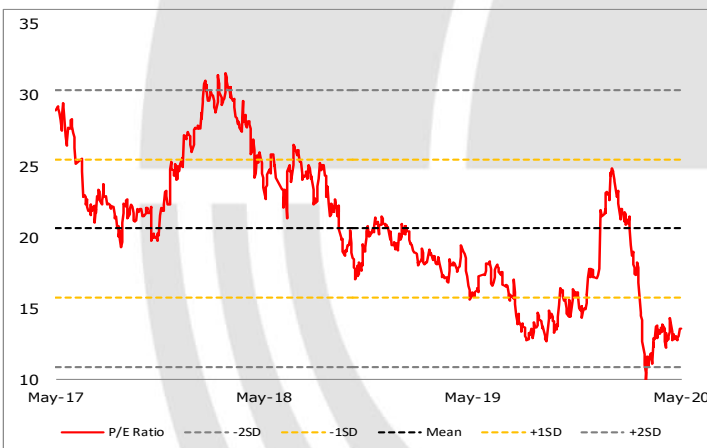


Source: Company Data, Sinarmas Investment Research

Maintaining balance sheet. A healthy balance sheet puts SCMA in an advantageous position. With DER at 0.01x, the company will be better positioned to maintain the risk of a slowing down the industry. SCMA maintains a positive net cash balance position, even though operating cashflow is decline for content production. In the future, it is estimated that the capex of SCMA will be in the range of IDR 200 billion to maintain building and equipment used in content production.

Traded in attractive valuation. During the Covid-19 pandemic, SCMA's share price decline to an attractive valuation, SCMA's share price has declined by 41.8% YTD, or trading at 13.7x FY20F P/E or -1 SD from its below 3-years average P/E. Supported by healthy balance sheet and strong position in audience shares (top 3), we resume our coverage on SCMA with an ADD rating and target price of IDR 950. Our TP representing 13.8% potential upside, pegged to 14.0x FY20 P/E, representing -1 SD from its 3-years average P/E.

Figure 9: SCMA P/E



Source: Bloomberg, Sinarmas Investment Research

Income Statement (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	5,277	5,523	5,293	6,087	6,609
COGS	(2,358)	(2,863)	(2,812)	(3,234)	(3,610)
Gross Profit	2,918	2,660	2,481	2,853	2,999
Operating Expense	1,094	1,330	1,193	1,492	1,543
Operating Profit	1,824	1,331	1,287	1,361	1,456
EBIT	1,833	1,330	1,287	1,361	1,456
EBITDA	2,032	1,533	1,369	1,635	1,639
Finance Income (Exp)	26	43	47	50	52
EBT	1,859	1,373	1,335	1,410	1,508
Tax Expense	(466)	(401)	(426)	(466)	(519)
NCI	91	99	63	65	67
Net Income	1,485	1,070	971	1,010	1,056

Balance Sheet (IDR Bn)	2018	2019	2020E	2021F	2022F
Cash & Cash Equivalents	994	545	1,002	1,114	1,316
Trade Receivables	1,690	1,781	1,701	1,959	2,126
Other Current Assets	1,109	1,234	1,107	1,270	1,381
Total Current Assets	3,792	3,559	3,809	4,344	4,822
PPE	1,071	1,502	1,642	1,641	1,727
Other LT Assets	1,726	1,656	1,541	1,542	1,531
Total Assets	6,590	6,717	6,992	7,526	8,080
Payables	586	572	617	677	772
Short-Term Loans	6	12	-	-	-
Other Current Liabilities	328	405	395	456	508
Total Current Liabilities	920	989	1,012	1,133	1,280
Long Term Liabilities	218	239	245	276	311
Total Liabilities	1,139	1,228	1,257	1,409	1,591
Share and APIC	1,010	1,175	1,175	1,175	1,175
Retained Earnings	3,552	3,802	4,039	4,339	4,676
NCI	644	583	596	677	712
Other	245	(71)	(74)	(74)	(74)
Total Equity	5,451	5,489	5,735	6,117	6,489
Total Equity and Liabilities	6,590	6,717	6,992	7,526	8,080

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2018	2019	2020E	2021F	2022F
Net Income	1,485	1,070	971	1,010	1,056
Depreciation	194	188	82	274	184
Change in NWC	(148)	(153)	242	(300)	(130)
Other	(70)	(64)	60	0	0
CF From Operating	1,460	1,042	1,355	983	1,110
Capital Expenditure	(234)	(571)	(174)	(226)	(223)
Chg. In LT Assets	(80)	83	7	(48)	(36)
Chg. In LT Liabilities	53	25	6	31	35
CF From Investing	(261)	(463)	(161)	(243)	(224)
Chg. In Share & APIC	235	(70)	0	0	0
Chg. In Bank Loans	-	5	(12)	0	0
Dividends Paid	(804)	(820)	(734)	(709)	(719)
Others	130	(142)	10	82	35
CF From Financing	(439)	(1,028)	(736)	(628)	(684)
Change in Cash	760	(449)	457	113	201
Beginning Cash	234	994	545	1,002	1,114
Ending Cash	994	545	1,002	1,114	1,316

Financial Ratios	2018	2019	2020E	2021F	2022F
Profitability					
ROE	27.2%	19.5%	16.9%	16.5%	16.3%
ROA	22.5%	15.9%	13.9%	13.4%	13.1%
EBITDA Margin	38.5%	27.8%	25.9%	26.9%	24.8%
Net Profit Margin	28.1%	19.4%	18.4%	16.6%	16.0%
Liquidity and Solvency					
Current Ratio	4.1x	3.6x	3.8x	3.8x	3.8x
Valuation					
Price to Earning (PE)	18.0x	18.8x	11.4x	12.0x	11.5x
Price to Book Value	5.5x	4.1x	2.2x	2.2x	2.1x

Source: Company Data, Sinarmas Investment Research

Maintaining cost efficiency. MNCN dominates the FTA market share with high rating talent show that generates high profit margin. In addition, 95% of its local content is in house production that reduces production cost from 41.5% of revenue in 2014 to 31.5% of revenue in 2019.

Bad things happen. During Covid-19 pandemic, many programs such as talent search, sports competition, and video collaboration with other companies in the Youtube channel have been postponed. Hence, we expect revenue will decline because that shows are being replaced with usual drama where the rate card is not high as reality show rate card.

Strategic moves into digital era. Digital ads are derived from the combination of YouTube channels, online portals (Okezone.com, Sindonews.com, and Inews.id), and OTT platform. Based on Socialblade and Similiarweb, MNCN's Youtube channels grew strongly from ±60 million subscribers in 2019 to ±70 million subscribers in 1Q20 (+16.7%), online portals from ±15 million viewers in 2018 to ±20 million viewers in 2019 (+33.3% YoY). MNCN has recently launched RCTI+ (OTT platform) since Sep 2019 and already has 5 million active users as of 2019. We expect that by 2025F, MNCN's Youtube channels will have 100-120 million subscribers, online news will have 60-70 million viewers, and OTT will have 50-60 million active users.

QRIS on FTA TV. MNCN is set to launch a new advertising initiative in May 2020, which will allow viewers to purchase products off from advertisement on its FTA channels during commercial breaks through QRIS. The QRIS ads will be charged with a premium rate card to the advertisers, and revenue share model is going to be implemented for every product that is being sold.

Debt impact. MNCN will be affected by USD appreciation. MNCN currently has around USD 221.25 million of debt. Assuming USD/IDR15,200 BI middle rate in the end of 2020 (prev: IDR 13,901 in 2019) and MNCN already hedged 50.0% of total debt in IDR 14,000-15,000. We expect there will be unrealized translation losses around IDR 150-200 billion from it.

We reinitiate coverage on PT Media Nusantara Citra Tbk (MNCN) with an ADD rating, and a 52-week target price of IDR 1,030, representing a 14.5% upside. MNCN's is traded at an attractive valuation, 4.6x FY20E P/E or -1 SD from 3-years average P/E. Our TP represents 14.5% potential upside because MNCN is the leader in terms of

Highlights (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	7,444	8,353	8,101	8,863	9,490
% growth	5.5%	12.2%	-3.0%	9.4%	7.1%
EBITDA	3,177	3,954	3,694	3,992	4,374
Net Profit	1,531	2,233	2,133	2,380	2,502
% growth	5.4%	45.8%	-4.5%	11.6%	5.1%
EBITDA Margin (%)	42.7%	47.3%	45.6%	45.0%	46.1%
Net Margin (%)	20.6%	26.7%	26.3%	26.9%	26.4%
Return on Equity (%)	15.6%	21.0%	17.0%	16.5%	15.1%
Return on Assets (%)	9.4%	12.5%	11.2%	11.6%	11.3%
EPS (IDR)	120	180	172	192	201

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Stock Information

Sector	Media
Bloomberg Ticker	MNCN IJ
Market Cap. (IDR tn)	12.7
Share Out./Float (mn)	14,276.1/6,217.9
Current Price	900
FY20F Target Price	1,030
Upside	14.5%

Share Price Performance

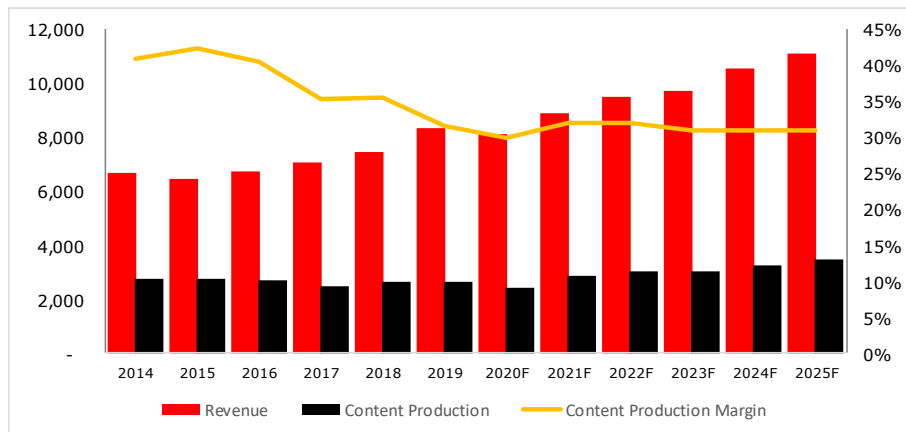
52W High (01/20/20)	1,780
52W Low (03/19/20)	750
52W Beta	1.2
YTD Change	44.5%

Relative Valuations

Trailing P/E	4.98
Forward P/E	5.71
P/BV	0.9

Maintaining cost efficiency. MNCN dominates the FTA market share with a high rating talent show like Masterchef, The Voice, and Indonesian Idol that contribute high margin, MNCN can charge a prime rate-card, many sponsorships, and built in advertising to the show. In addition, 95% of its local content is in house production and that reduces production cost from 41.5% of revenue in 2014 to 31.5% of revenue in 2019. We believe MNCN will continue to dominate the market share with high efficiency cost in the future.

Figure 10: MNCN's cost of program margin (IDR billion)



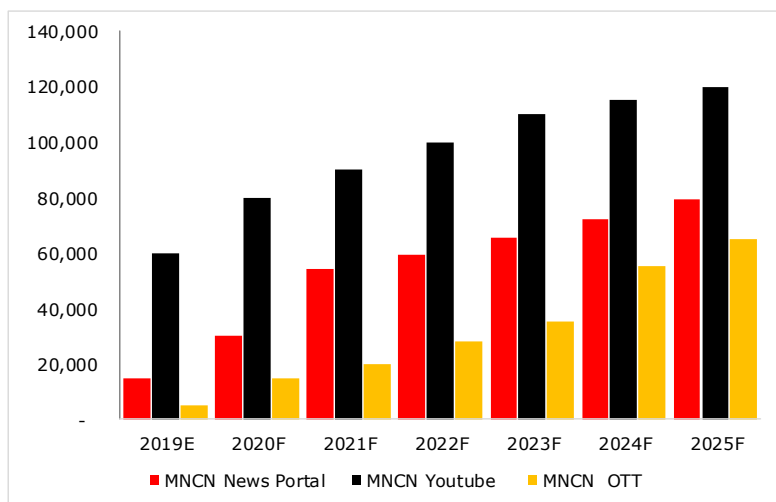
Source: Company Data, Sinarmas Investment Research

Bad things happen. During the Covid-19 pandemic, many programs such as talent search, sports competition, and video collaboration with other companies in the Youtube channel have been postponed. Hence, we expect revenue will decline because that shows are being replaced with usual drama where the rate card is not high as reality show rate card. Meanwhile, MNCN continues to produce content by shifting all outdoor site areas to its studio site since the company has the infrastructure in place.

Go international. MNCN has the in house production that produces animation called "Kiko" and "Zak" and the company is on progress to sold them to Disney Channel and Netflix. The company expect the content revenue will continue to grow by more than 5.0% in 2020.

Strategic moves into digital era. Digital ads are derived from the combination of YouTube channels, online portals (Okezone.com, Sindonews.com, and Inews.id), and OTT platform. Based on Socialblade and Similiarweb, MNCN's Youtube channels grew strongly from ±60 million subscribers in 2019 to ±70 million subscribers in 1Q20 (+16.7%), online portals from ±15 million viewers in 2018 to ±20 million viewers in 2019 (+33.3% YoY). MNCN has recently launched RCTI+ (OTT platform) since Sep 2019 and already has 5 million active users as of 2019. We expect that by 2025F, MNCN's Youtube channels will have 100-120 million subscribers, online news will have 60-70 million viewers, and OTT will have 50-60 million active users. MNCN aim the revenue stream from this segment to continue growing strongly in and contributes 40.0% of the revenue in the next 5 years.

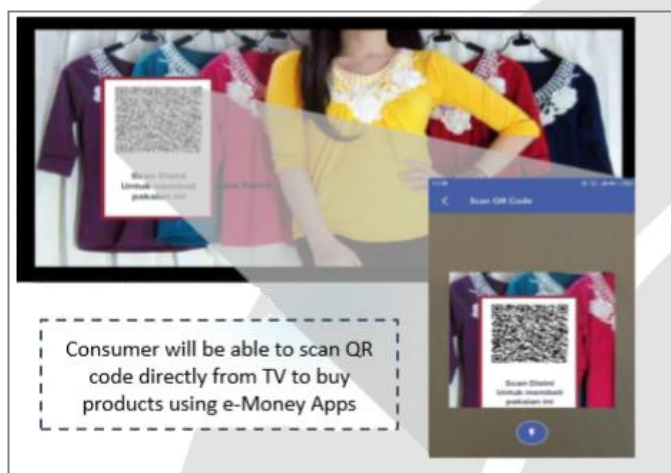
Figure 11: MNCN's digital platforms active user (thousand)



Source: Similiarweb, Sinarmas Investment Research

QRIS on FTA TV. MNCN is set to launch a new advertising initiative in May 2020, which will allow viewers to purchase products from advertisement on its FTA channels during commercial breaks through QRIS. Audiences at home will be able to proceed using any e-money app, such as Go-Pay, OVO, DANA, and others for its payment. The QRIS ads will be charged with a premium to the advertisers and revenue share model is going to be implemented for every product that is being sold. This innovation will help to boost MNCN advertising revenue.

Figure 12: QRIS advertising

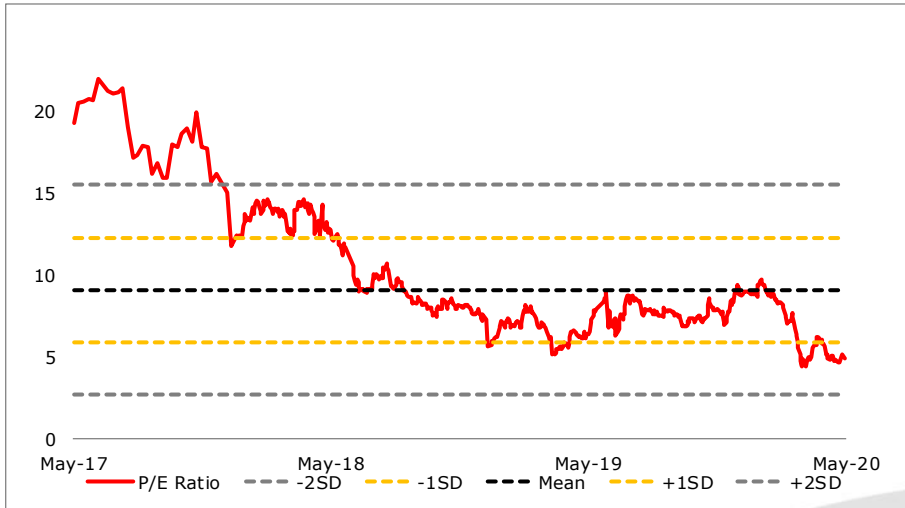


Source: Company Data, Sinarmas Investment Research

Debt impact. MNCN will be affected by USD appreciation. MNCN currently has around USD 221.25 million of debt. Assuming USD/IDR15,200 BI middle rate in the end of 2020 (prev: IDR 13,901 in 2019) and MNCN already hedged 50.0% of total debt in IDR 14,000-15,000. We expect there will be unrealized translation losses around IDR 150-200 billion from it. The figure accounts for approximately 10.0% of EBIT.

Traded in attractive valuation. During equity downturn caused by Covid-19, MNCN's share price has declined by 44.5% YTD, trading at 4.6x FY20E P/E or -1 SD from its 3-years average P/E. Supported by its market share and strong digital media growth, we resume our coverage on MNCN with an ADD rating and target price of IDR 1,030. Our TP offers 14.5% potential upside, pegged to 6.0x FY20E P/E, representing -1 SD from its 3-years average P/E.

Figure 13: MNCN's P/E



Source: Bloomberg, Sinarmas Investment Research

Income Statement (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	7,444	8,353	8,101	8,863	9,490
Prog. & Broadcasting	(2,643)	(2,835)	(2,430)	(2,836)	(3,037)
Depreciation and Amortization	(182)	(195)	(162)	(266)	(285)
Gross Profit	4,619	5,323	5,509	5,761	6,169
Operating Expense	(1,879)	(2,064)	(2,154)	(2,302)	(2,431)
Operating profit	2,740	3,259	3,355	3,459	3,738
Gain/Loss on Foreign Exchange	(300)	112	(245)	(147)	(74)
Other income/Exp	(13)	(20)	(5)	(15)	(16)
EBIT	2,427	3,351	3,105	3,297	3,648
EBITDA	3,177	3,954	3,694	3,992	4,374
Finance Income (Exp)	(323)	(412)	(291)	(168)	(333)
EBT	2,104	2,939	2,814	3,129	3,315
Tax Expense	(498)	(587)	(555)	(608)	(656)
NCI	(74)	(119)	(126)	(141)	(157)
Net Income	1,531	2,233	2,133	2,380	2,502

Balance Sheet (IDR Bn)	2018	2019	2020E	2021F	2022F
Cash & Cash Equivalents	720	631	621	764	946
Trade Receivables	3,082	3,301	3,273	3,590	4,177
Other Current Assets	3,535	3,704	3,693	4,489	5,148
Total Current Assets	7,337	7,637	7,587	8,844	10,271
PPE	5,542	5,682	5,757	5,844	5,976
Other LT Assets	3,461	4,518	4,531	4,729	5,046
Total Assets	16,340	17,836	17,875	19,416	21,293
Payables	659	205	218	227	152
Short-Term Loans	1,317	1,656	215	162	135
Other Non-Current Liabilities	178	279	314	316	407
Total Current Liabilities	2,154	2,139	747	704	694
Long Term Loans	3,176	2,864	2,456	1,846	1,541
Long Term Liabilities	367	307	282	317	214
Total Liabilities	5,697	5,311	3,485	2,867	2,449
Share and APIC	4,030	4,030	4,030	4,030	4,030
Retained Earnings	8,669	10,693	12,380	14,403	16,530
NCI	777	896	1,073	1,208	1,376
Other	(2,833)	(3,093)	(3,093)	(3,093)	(3,093)
Total Equity	10,642	12,526	14,391	16,549	18,844
Total Equity and Liabilities	16,340	17,836	17,875	19,416	21,293

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2018	2019	2020E	2021F	2022F
Net Income	1,531	2,233	2,133	2,380	2,502
Depreciation	389	422	407	427	402
Change in NWC	(692)	(695)	40	(1,103)	(1,230)
Other	(97)	(67)	26	(28)	(62)
CF From Operating	1,131	1,893	2,606	1,676	1,612
Capital Expenditure	(637)	(533)	(462)	(486)	(510)
Chg. In LT Assets	(952)	(871)	(43)	(160)	(238)
Chg. In LT Liabilities	(46)	(56)	(24)	33	(105)
CF From Investing	(1,635)	(1,460)	(530)	(613)	(853)
Chg. In Share & APIC	(94)	-	-	-	-
Chg. In Bank Loans	809	(21)	(1,802)	(663)	(332)
Dividends Paid	(209)	(210)	(445)	(357)	(375)
Others	249	(293)	161	100	129
CF From Financing	754	(523)	(2,086)	(920)	(578)
Change in Cash	251	(89)	(10)	143	181
Beginning Cash	469	720	631	621	764
Ending Cash	720	631	621	764	946

Financial Ratios	2018	2019	2020E	2021F	2022F
Profitability					
ROE	15.6%	21.0%	17.0%	16.5%	15.1%
ROA	9.4%	12.5%	11.2%	11.6%	11.3%
EBITDA Margin	42.7%	47.3%	45.6%	45.0%	46.1%
Net Profit Margin	20.6%	26.7%	26.3%	26.9%	26.4%
Liquidity & Solvency					
Current Ratio	0.3x	0.3x	0.1x	0.1x	0.1x
Debt to Equity Ratio	0.4x	0.3x	0.2x	0.2x	0.1x
Debt to Assets	0.3x	0.2x	0.2x	0.1x	0.1x
Valuation					
P/E	5.7x	0.9x	5.1x	5.2x	4.9x
PBV	0.1x	0.2x	0.9x	0.9x	0.8x

Source: Company Data, Sinarmas Investment Research

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