

1H20 soft earnings as expected. SCMA posted 1H20 revenue of IDR 2,361 bn (-14.6% YoY), reached 44.6%/47.1% of ours and consensus estimates. Revenue fell due to ads budget cut at around 20%-50% by many companies such as Coca-Cola, Unilever, and Traveloka. In 2Q20, television revenue declined by 33.2% YoY/27.9% QoQ, while digital and OOH revenue declined by 59.1% YoY/51.7% QoQ. SCMA's GPM improved to 61.5% (+770 bps YoY/+600 bps QoQ) supported by lower production cost (-47.5% YoY, -31.3% QoQ) as economic lockdown hindered content production, forcing SCMA to re-run its library content. OPM improved to 34.1% (+390 bps YoY/+30 bps QoQ) due to OPEX efficiencies as G&A expenses fell to Rp 257 bn (-23.4% YoY, -16.5% QoQ).

Post large social scale distancing. Given PSBB relaxation, sports competition and collaboration events have to resume (Premier league and Ruang Guru festival). In addition, SCMA should be able to start producing fresh contents (Jendela SMP and Pesantren Rock n' Dut). Consequently, in June-20 SCMA gained 31.2%/32.5% shares in all time/prime time category (+120 bps/+270 bps MoM).

Seizing golden opportunity. In 2Q20, Vidio has successfully doubled its subscribers, benefited from stay-at-home policies. Premium users jumped to around 600k-650k (vs. <400k premium users in 1Q20) and we expect it will reach 700k premium users by the end of FY20E, driven by their content quality and collaboration with many events. Management said Vidio would reach its breakeven point once it reaches 1.5 million premium users.

Earnings cut. Due to soft 1H20 performance, we revise down SCMA revenue and net income estimates by 12.2%/9.1% respectively. Due to weaker economic activities, we view that many companies will continue to reallocate their advertising budget toward digital as it is more affordable and effective.

We reiterate our NEUTRAL rating on PT Surya Citra Media Tbk (SCMA) with a slightly higher target price of IDR 1,340 as we roll-over our valuation to FY21F. We maintain our NEUTRAL recommendation, as we view that share price has been fairly valued after recent rally, currently trading at 18.6x FY21F P/E (close from its 3 years avg P/E). Our TP represents 9.8% potential upside, implying 20.6x FY21F P/E. Downside risks to our call are lower than expected ads budget cut and tighter competition with digital media.

Highlights (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	5,277	5,523	4,647	5,155	5,772
% growth	18.5%	4.7%	-15.9%	10.9%	12.0%
EBITDA	2,047	1,686	1,234	1,492	1,522
Net Profit	1,485	1,070	883	935	1,003
% growth	11.5%	-27.9%	-17.5%	5.9%	7.3%
EBITDA Margin (%)	38.8%	30.5%	26.5%	28.9%	26.4%
Net Margin (%)	28.1%	19.4%	19.0%	18.1%	17.4%
Return on Equity (%)	27.2%	19.5%	15.4%	15.4%	15.6%
Return on Assets (%)	22.5%	15.9%	13.0%	13.0%	13.0%
EPS (IDR)	104.1	75.0	68.0	65.7	70.5

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Sector	Media
Bloomberg Ticker	SCMA IJ
Market Cap. (IDR tn)	18.0
Share Out./Float (mn)	14,774.7/4,908.4
Current Price	1,220
FY20F Target Price	1,340
Upside	9.8%

Share Price Performance

52W High (1/20/2020)	1,625
52W Low (3/20/2020)	600
52W Beta	1.3
YTD Change	13.5%

Relative Valuations

Trailing P/E	20.1
Forward P/E	17.3
P/BV	3.4

SCMA 2Q20 Earnings Summary

Highlights (IDR Bn)	2Q19	1Q20	2Q20	QoQ	YoY	6M19	6M20	YoY	%DH	%Cons
Revenue	1,442	1,304	1,057	-18.9%	-26.7%	2,766	2,361	-14.6%	44.6%	47.1%
Gross profit	775	724	650	-10.2%	-16.2%	1,499	1,373			
Operating Profit	435	440	360	-18.2%	-17.2%	887	801			
Net Profit	382	312	289	-7.24%	-24.3%	782	601	-23.2%	61.9%	59.1%
Gross Profit Margin	53.8%	55.5%	61.5%			54.2%	58.2%			
Operating Margin	30.2%	33.8%	34.1%			32.1%	33.9%			
Net Profit Margin	26.5%	23.9%	27.4%			28.3%	25.4%			

Source: Company Data, Sinarmas Investment Research

Changes in Assumptions

	Previous			New			%Change		
	2020E	2021F	2022F	2020E	2021F	2022F	2020E	2021F	2022F
Revenue	5,293	6,087	6,609	4,647	5,155	5,772	-12.2%	-15.3%	-12.7%
Gross Profit	2,481	2,853	2,999	2,296	2,654	2,828	-7.5%	-7.0%	-5.7%
EBIT	1,287	1,361	1,456	1,152	1,218	1,338	-10.5%	-10.5%	-8.1%
EBITDA	1,369	1,635	1,639	1,234	1,492	1,522	-9.9%	-8.8%	-7.1%
Net Income	971	1,010	1,056	883	935	1,003	-9.1%	-7.5%	-5.0%

Source: Company Data, Sinarmas Investment Research

Income Statement (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	5,277	5,523	4,647	5,155	5,772
COGS	(2,358)	(2,863)	(2,351)	(2,502)	(2,944)
Gross Profit	2,918	2,660	2,296	2,654	2,828
Operating Expense	1,094	1,330	1,144	1,436	1,489
Operating Profit	1,824	1,331	1,152	1,218	1,338
EBIT	1,833	1,330	1,152	1,218	1,338
EBITDA	2,047	1,686	1,234	1,492	1,522
Finance Income (Exp)	26	43	47	50	52
EBT	1,859	1,373	1,199	1,267	1,391
Tax Expense	(466)	(401)	(374)	(395)	(453)
NCI	91	99	58	62	65
Net Income	1,485	1,070	883	935	1,003

Balance Sheet (IDR Bn)	2018	2019	2020E	2021F	2022F
Cash & Cash Equivalents	994	545	1,162	1,310	1,460
Trade Receivables	1,690	1,781	1,493	1,659	1,856
Other Current Assets	1,109	1,234	972	1,076	1,206
Total Current Assets	3,792	3,559	3,628	4,045	4,523
PPE	1,071	1,502	1,642	1,641	1,727
Other LT Assets	1,726	1,656	1,499	1,481	1,476
Total Assets	6,590	6,717	6,768	7,167	7,726
Payables	586	572	519	530	635
Short-Term Loans	6	12	-	-	-
Other Current Liabilities	328	405	330	353	414
Total Current Liabilities	920	989	849	882	1,049
Long Term Liabilities	218	239	205	213	254
Total Liabilities	1,139	1,228	1,054	1,096	1,303
Share and APIC	1,010	1,175	1,175	1,175	1,175
Retained Earnings	3,552	3,802	4,020	4,298	4,618
NCI	644	583	593	672	705
Other	245	(71)	(74)	(74)	(74)
Total Equity	5,451	5,489	5,714	6,071	6,423
Total Equity and Liabilities	6,590	6,717	6,768	7,167	7,726

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2018	2019	2020E	2021F	2022F
Net Income	1,485	1,070	883	935	1,003
Depreciation	194	188	82	274	184
Change in NWC	(148)	(153)	421	(236)	(161)
Other	(70)	(64)	60	-	-
CF From Operating	1,460	1,042	1,446	972	1,026
Capital Expenditure	(234)	(571)	(174)	(226)	(223)
Chg. In LT Assets	(80)	83	50	(30)	(42)
Chg. In LT Liabilities	53	25	(34)	9	40
CF From Investing	(261)	(463)	(159)	(247)	(225)
Chg. In Share & APIC	235	(70)	-	-	-
Chg. In Bank Loans	-	5	(12)	-	-
Dividends Paid	(804)	(820)	(665)	(656)	(683)
Others	130	(142)	7	79	33
CF From Financing	(439)	(1,028)	(669)	(578)	(650)
Change in Cash	760	(449)	618	147	151
Beginning Cash	234	994	545	1,162	1,310
Ending Cash	994	545	1,162	1,310	1,460

Financial Ratios	2018	2019	2020F	2021F	2022F
Profitability					
ROE	27.2%	19.5%	15.4%	15.4%	15.6%
ROA	22.5%	15.9%	13.0%	13.0%	13.0%
EBITDA Margin	38.8%	30.5%	26.5%	28.9%	26.4%
Net Profit Margin	28.1%	19.4%	19.0%	18.1%	17.4%
Liquidity and Solvency					
Current Ratio	4.2x	3.6x	4.3x	4.6x	4.4x
Valuation					
Price to Earning (PE)	18.0x	18.8x	11.5x	13.1x	12.2x
Price to Book Value	5.6x	4.1x	2.2x	2.3x	2.2x

Source: Company Data, Sinarmas Investment Research

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