

3Q20 margin declined as expected. In 3Q20, SCMA posted mild revenue recovery at IDR 1.2tn (+15.8% QoQ/-13.5% YoY), inline with higher advertising expense from FMCG's company under our coverage (+10% QoQ) during the quarter. On margin side, GPM/OPM normalized at 53.2%/30.9% (-830 bps/-320 QoQ) as company started to produce more mini series and new content. In all, it brings company's 9M20 NPATMI to IDR 3.6tn/914bn and achieving 103.5%/82.2% of ours/consensus.

Digital segment still on the bullish trend. In 3Q20, digital and out-of-home segment posted an outstanding result, booked first quarterly profit at IDR 44.6bn (vs loss Rp 55.6 in 3Q19) mainly driven by rapid growth from subscribers, doubled advertisement in the platform, and halted production cost. Vidio's subscribers are still showing strong growth momentum due to continued discount (~40%) on gold and platinum package and prolonged stay-at-home policies, bringing 9M20 premium users to ~800k-850k and ~65mn MAUs (vs. 600k and 60mn MAUs in 6M20). Therefore, we believe Vidio could reach 1.1mn/1.5mn subscribers by the end of FY20E/FY21F, due to company's well-known content paired with most complete platform features in Indonesia. Worth to noting, management aims to raise fund of IDR ~500bn for Vidio that will be used to produce more fresh content.

Revising our forecast. Due to solid 3Q20 performance, we believe SCMA can show strong growth, driven by its strong ability to capture the advertising recovery. Thus, we revised up our revenue by +2.9%/+6.1% and NPAT by +33.4%/+29.1% in FY20E/FY21F. However, we forecast company's margin will normalize back to pre-Covid level as company will ramp up content production amidst tighter competition in the streaming industry, to gain more subscribers as well as audience shares.

We reiterate our BUY call rating on PT Surya Citra Media Tbk (SCMA) with a higher target price of IDR 1,740. Our TP represents 15.2% potential upside. We value SCMA using the SOTP method (free-to-air at 14.2x FY21F PE, Vidio at IDR 1.87bn valuation, and 1.0x PBV for other assets (KLY, EYE, Liputan 6, and many more). We believe SCMA's digital platform potential is still yet not fairly priced in by the market and provides attractive risk and reward in our view. Downside risks to our call are slower than expected ads budget recovery and lower-than-expected Vidio users growth.

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Stock Information

Sector	Media
Bloomberg Ticker	SCMA IJ
Market Cap. (IDR tn)	22.9
Share Out./Float (mn)	14,774.7/4,908.4
Current Price	1,510
FY21F Target Price	1,740
Upside	15.2%

Share Price Performance

52W High (1/20/2020)	1,625
52W Low (3/20/2020)	600
52W Beta	1.3
YTD Change	10.3%

Relative Valuations

Trailing P/E	23.1
Forward P/E	20.7
P/BV	4.35

Highlights (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	5,277	5,523	4,780	5,468	5,993
% growth	18.5%	4.7%	-13.5%	14.4%	9.6%
EBITDA	2,032	1,533	1,620	1,661	2,025
Net Profit	1,485	1,070	1,178	1,207	1,480
% growth	11.5%	-27.9%	10.0%	2.5%	22.6%
EBITDA Margin (%)	38.5%	27.8%	33.9%	30.4%	33.8%
Net Margin (%)	28.1%	19.4%	24.6%	22.1%	24.7%
Return on Equity (%)	27.2%	19.5%	20.4%	19.4%	21.9%
Return on Assets (%)	22.5%	15.9%	17.3%	16.3%	18.4%
EPS (IDR)	104.1	75.0	82.8	84.8	104.0

SCMA 3Q20 Earnings Summary

IDR Bn	3Q19	2Q20	3Q20	%QoQ	%YoY	9M19	9M20	%YoY	%DH	%Cons
Revenue	1,379	1,057	1,224	15.8%	-11.3%	4,145	3,585	-13.5%	77.1%	73.9%
Gross Profit	634	650	651	0.2%	2.6%	2,133	2,024	-5.1%		
Operating Profit	310	360	378	5.0%	22.1%	1,197	1,179	-1.5%		
NPATMI	225	289	313	8.1%	39.0%	1,007	914	-9.3%	103.5%	82.2%
Gross Profit Margin	46.0%	61.5%	53.2%			51.5%	56.5%			
Profit Margin	22.5%	34.1%	30.9%			28.9%	32.9%			
Net Profit Margin	16.3%	27.4%	25.6%			24.3%	25.5%			

Source: Company Data, Sinarmas Investment Research

SCMA SOTP Valuation Summary

Ticker	Valuation	FY21F	Multiple	IDR Bn
FTA	PE	1,462	16	23,099
KLY,EYE, Liputan 6, Others	BV	275	1	275
Vidio	Price per subscribers	1,540	500	770
	MAU	75,000	200	1,500
Total SCMA Valuation				25,644
Outstanding Shares				14,775
Rounded TP				1,740

Source: Company Data, Sinarmas Investment Research

Changes in Assumptions

Description	Previous		New		%Change	
	2020E	2021F	2020E	2021F	2020E	2021F
Revenue	4,647	5,155	4,780	5,468	2.9%	6.1%
Gross Profit	2,296	2,654	2,531	2,722	10.2%	2.6%
EBIT	1,152	1,218	1,437	1,466	24.7%	20.4%
EBITDA	1,234	1,492	1,620	1,661	31.3%	11.3%
Net Income	883	935	1,178	1,207	33.4%	29.1%

Source: Sinarmas Investment Research

Income Statement (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	5,277	5,523	4,780	5,468	5,993
COGS	(2,358)	(2,863)	(2,249)	(2,746)	(2,872)
Gross Profit	2,918	2,660	2,531	2,722	3,121
Operating Expense	1,094	1,330	1,094	1,256	1,336
Operating Profit	1,824	1,331	1,437	1,466	1,785
EBIT	1,833	1,330	1,437	1,466	1,785
EBITDA	2,032	1,533	1,620	1,661	2,025
Finance Income (Exp)	26	43	46	48	48
EBT	1,859	1,373	1,483	1,514	1,833
Tax Expense	(466)	(401)	(385)	(388)	(454)
NCI	91	99	80	82	101
Net Income	1,485	1,070	1,178	1,207	1,480

Balance Sheet (IDR Bn)	2018	2019	2020E	2021F	2022F
Cash & Cash Equivalents	994	545	1,214	1,444	1,747
Trade Receivables	1,690	1,781	1,536	1,760	1,927
Other Current Assets	1,109	1,234	1,000	1,141	1,252
Total Current Assets	3,792	3,559	3,750	4,345	4,927
PPE	1,071	1,502	1,540	1,582	1,612
Other LT Assets	1,726	1,656	1,507	1,502	1,491
Total Assets	6,590	6,717	6,797	7,429	8,029
Payables	586	572	501	574	621
Short-Term Loans	6	12	-	-	-
Other Current Liabilities	328	405	316	387	404
Total Current Liabilities	920	989	817	961	1,025
Long Term Liabilities	218	239	196	234	248
Total Liabilities	1,139	1,228	1,013	1,195	1,273
Share and APIC	1,010	1,175	1,175	1,175	1,175
Retained Earnings	3,552	3,802	4,083	4,442	4,914
NCI	644	583	601	690	742
Other	245	(71)	(74)	(74)	(74)
Total Equity	5,451	5,489	5,785	6,233	6,757
Total Equity and Liabilities	6,590	6,717	6,797	7,429	8,029

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2018	2019	2020E	2021F	2022F
Net Income	1,485	1,070	1,178	1,207	1,480
Depreciation	194	188	183	231	240
Change in NWC	(148)	(153)	318	(221)	(214)
Other	(70)	(64)	60	-	-
CF From Operating	1,460	1,042	1,739	1,217	1,506
Capital Expenditure	(234)	(571)	(174)	(226)	(223)
Chg. In LT Assets	(80)	83	41	(41)	(36)
Chg. In LT Liabilities	53	25	(43)	38	13
CF From Investing	(261)	(463)	(177)	(229)	(246)
Chg. In Share & APIC	235	(70)	-	-	-
Chg. In Bank Loans	-	5	(12)	-	-
Dividends Paid	(804)	(820)	(896)	(848)	(1,008)
Others	130	(142)	15	89	52
CF From Financing	(439)	(1,028)	(893)	(759)	(957)
Change in Cash	760	(449)	669	230	304
Beginning Cash	234	994	545	1,214	1,444
Ending Cash	994	545	1,214	1,444	1,747

Financial Ratios	2018	2019	2020F	2021F	2022F
Profitability					
ROE	27.2%	19.5%	20.4%	19.4%	21.9%
ROA	22.5%	15.9%	17.3%	16.3%	18.4%
EBITDA Margin	38.5%	27.8%	33.9%	30.4%	33.8%
Net Profit Margin	28.1%	19.4%	24.6%	22.1%	24.7%
Liquidity and Solvency					
Current Ratio	4.2x	3.6x	4.6x	4.6x	4.9x
Valuation					
Price to Earning (PE)	18.0x	18.8x	9.5x	10.1x	8.3x
Price to Book Value	5.6x	4.1x	2.2x	2.2x	2.1x

Source: Company Data, Sinarmas Investment Research

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