

Surya Citra Media Tbk (SCMA)

Digital Segment as a Growth Driver

SCMA managed to record a net profit of IDR 911 Bn in 9M20 (-8.1% yoy, +12.2% qoq), supported by recovery in ads spending and lower programming costs. While Free to Air TV remained the largest contributor in revenues, Online Digital segment had experienced an impressive growth with huge income potential in the future.

9M20 Profit Only Slightly Down. Until September 2020, SCMA was able to book revenue of IDR 3.5 Trillion (-13.5% yoy, +15.8% qoq). Recovery in advertisement spending has played a key factor for SCMA to achieve a relatively quick turnaround in its financial performance. Moreover, the company also managed to reduce program and broadcasting costs by 22.4% yoy (IDR 1,560 Bn in 9M20 vs IDR 2,012 Bn in 9M19), which greatly helped its bottom line. Overall, SCMA's net profit was down by only 8.1% yoy to IDR 911 Bn in 9M20, from IDR 991 Bn during the same period last year. We see that this result is a great achievement considering the many challenges that the economy has seen since the start of the Covid-19 pandemic.

Still Depends on Free-to-Air TV. Advertising revenues from Free-to-Air broadcasting still contributed a significant portion of SCMA total income, with a 89.2% share (slightly down from 90.5% last year). The company's flagship channel, SCTV, currently sits at no.2 on prime time audience share with 13.6%, mainly driven by its popular soap operas (sinetron). Meanwhile, Indosiar was also able to remain as one of the most favorite channels with several key programs such as music contests and infotainments. All in all, programs under SCMA-owned tv channels made up to 7 out of the top 15 highest rating programs in Indonesia at the end of September.

Digital Media as a Key Growth Driver. During the Covid-19 pandemic, the online digital segment was able to book impressive growth. Revenues before elimination from this segment increased by 29.7% yoy. SCMA's online media, Kapan Lagi, currently has around 1.4 billion monthly pageviews. Furthermore, its OTT platform, Vidio.com, also recorded an impressive achievement with more than 60 millions monthly active users. With the trend moving towards digital media, we view that SCMA should put a greater emphasis on this segment, with nearly 20% of national Ads Spending are now pouring into online segment.

Recommend BUY with TP of IDR 1,800/share. We put a BUY call for SCMA on the back of its solid performance with huge potential growth from its digital segment. Our TP of IDR 1,800 implies 18.6x in 2021 Forward P/E or around its 3-year average. SCMA's strong balance sheet, highlighted by low debt level, is also a plus point during an economic slowdown.

Surya Citra Media Tbk | Summary (IDR bn)

in IDR bn	2019/12A	2020/12E	2021/12F	2022/12F
Sales	5,523	5,061	5,536	5,613
Sales growth	4.7%	-8.4%	9.4%	1.4%
EBITDA	1,559	1,736	1,961	2,011
Net profit	989	1,186	1,427	1,465
EPS (IDR)	68	80	97	99
EPS growth	-30.3%	20.0%	20.2%	2.7%
BVPS (IDR)	375	403	444	478
EBITDA margin	28.2%	34.3%	35.4%	35.8%
NPM	17.9%	23.4%	25.8%	26.1%
ROE	18.0%	19.9%	21.8%	20.8%
ROA	14.7%	16.8%	18.7%	18.0%
ROIC	17.1%	19.4%	21.2%	20.2%
P/E	20.9x	18.6x	18.6x	18.2x
P/BV	3.8x	3.7x	4.1x	3.8x
EV/EBITDA	13.3x	12.4x	13.3x	12.9x
DPS (IDR)	56	-	56	68
Dividend yield	4.0%	0.0%	3.1%	3.8%

Source: Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

BUY

Target Price (IDR)	1,800
Consensus Price (IDR)	1,695
TP to Consensus Price	+6.2%
vs. Last Price	+17.6%

Shares data

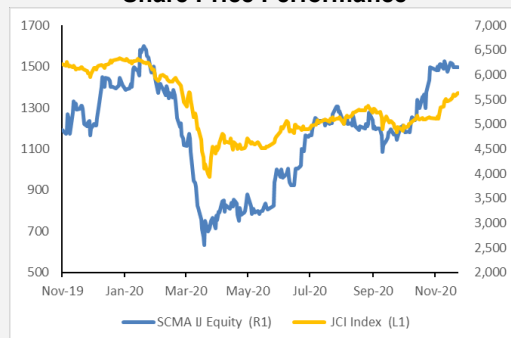
Last Price (IDR)	1,530
Price date as of	24 November 2020
52 wk range (Hi/Lo)	1,625 / 600
Free float (%)	33.0
Outstanding sh.(mn)	14,774
Market Cap (IDR bn)	22,162
Market Cap (USD mn)	1,557
Avg. Trd Vol - 3M (mn)	15.9
Avg. Trd Val - 3M (bn)	20.7
Foreign Ownership (%)	25.5

Media Services

Broadcasting

Bloomberg	SCMA IJ
Reuters	SCMA JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	7.9%	8.7%	24.6%	23.6%
Rel. Ret.	18.4%	-1.3%	18.0%	30.9%

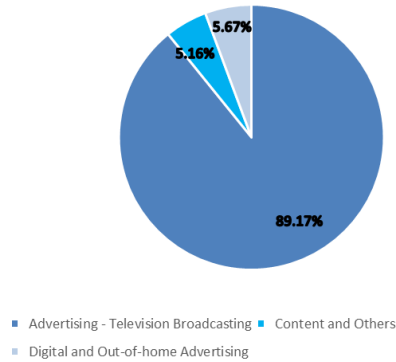
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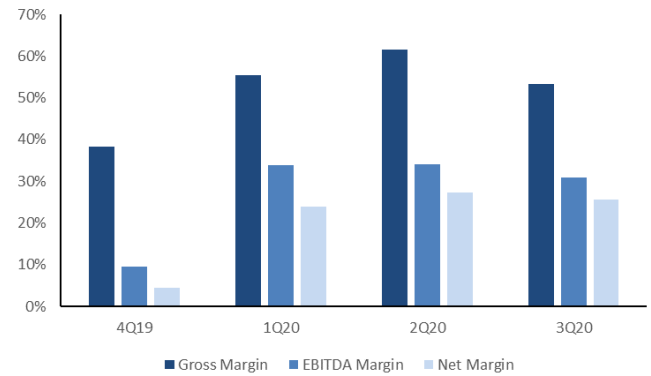
Performance Highlights

Revenue Breakdown | 9M20



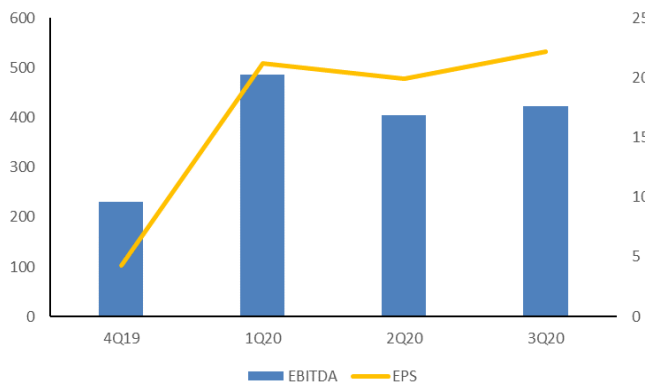
Source: Bloomberg, NHKSI Research

Profitability Margin | Quarterly



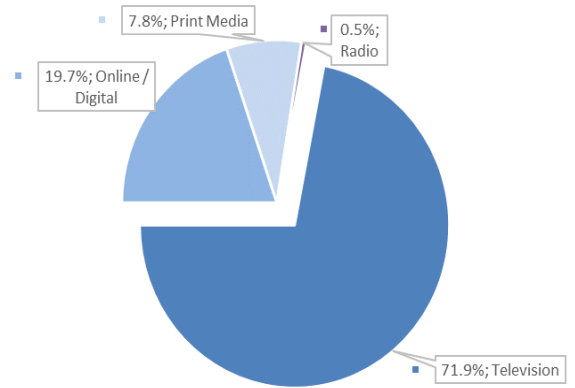
Source: Bloomberg, NHKSI Research

EPS and EBITDA Movement | Quarterly



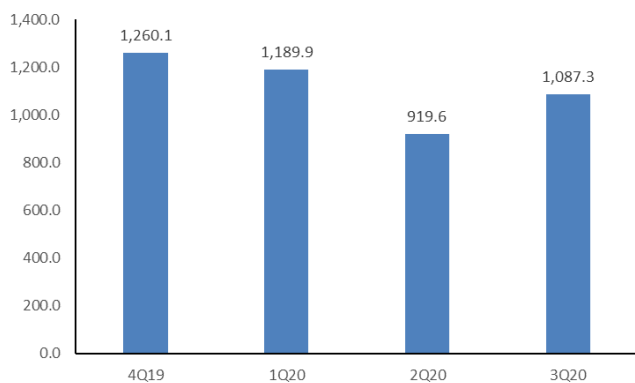
Source: Bloomberg, NHKSI Research

National Ads Spending by Media Segment | Jan—Jul 2020



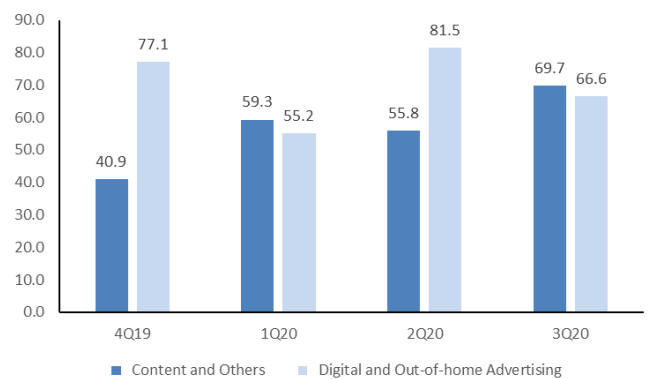
Source: Nielsen

SCMA Advertising Revenue (in IDR Bn) | Quarterly



Source: Bloomberg, NHKSI Research

SCMA Content & Digital Revenue (in IDR Bn) | Quarterly



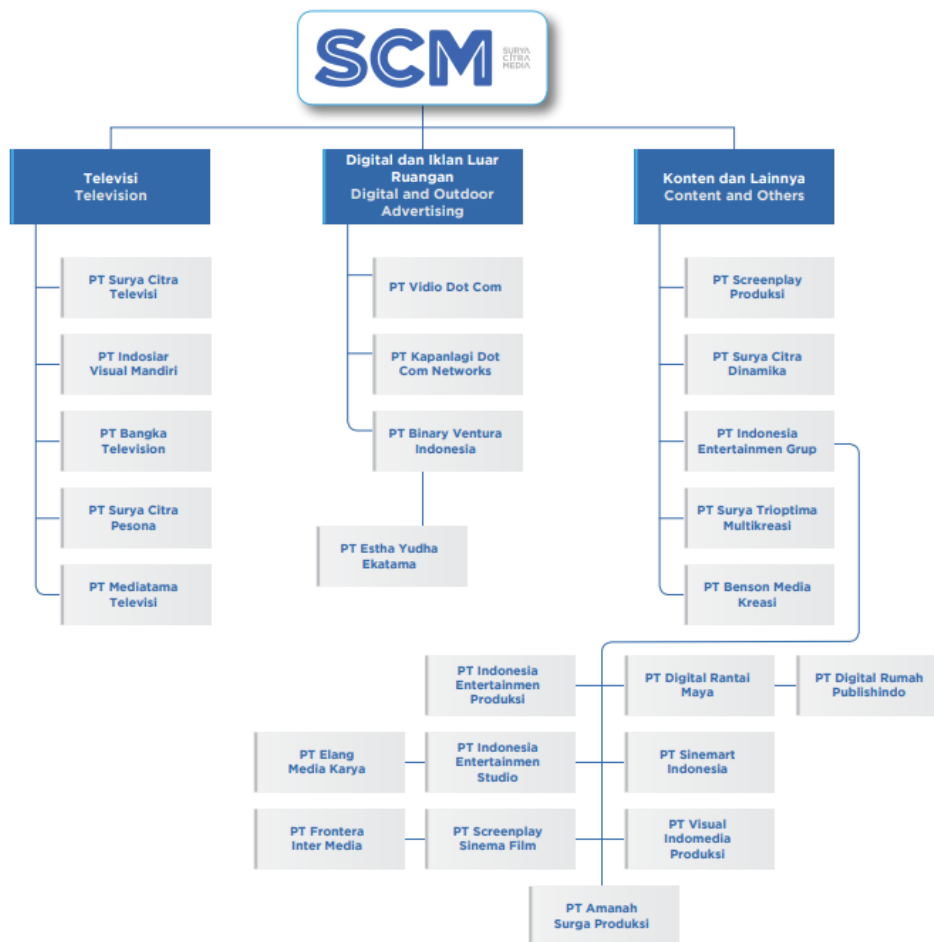
Source: Bloomberg, NHKSI Research



Company Background

PT Surya Citra Media Tbk (SCMA) was established in 1999, with commercial operation started in 2002 when it acquired 99.99% shares of PT Surya Citra Televisi. Its majority shareholder is PT Elang Mahkota Teknologi Tbk (EMTK). The company main line of business is Television Broadcasting with free to air channels such as SCTV and Indosiar. It also engaged in Digital Media (OTT and website) through its Kapan Lagi and Vidio banners. Moreover, SCMA has other media-related supporting businesses such as: In house production, content creation, film distribution, event organizer, and artist management.

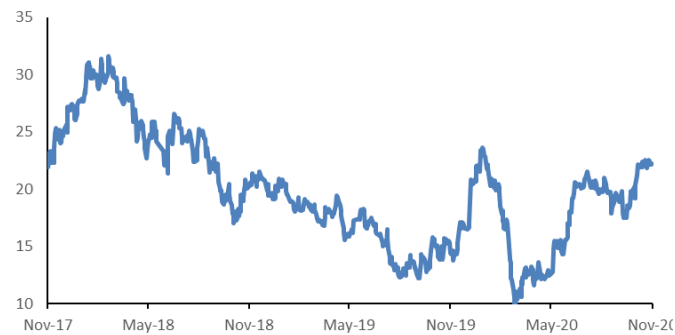
Line of Business and Subsidiaries



Source: Company Report

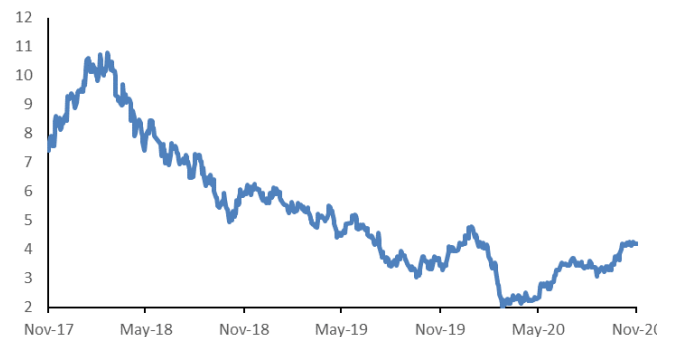
Multiple Valuation

Historical P/E Movement | Last 3 years



Source: Bloomberg, NHKSI research

Historical P/BV Movement | Last 3 years



Source: Bloomberg, NHKSI research

Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
25/11/2020	Buy	1,800	1,530	1,695	+17.6%	+6.2%

Source: NHKSI research

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKSI research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

- Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
- Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2019/12A	2020/12E	2021/12E	2022/12E		2019/12A	2020/12E	2021/12E	2022/12E
Net Sales	5,523	5,061	5,536	5,613	ROE	18.0%	19.9%	21.8%	20.8%
<i>Growth</i>	4.7%	-8.4%	9.4%	1.4%	ROA	14.7%	16.8%	18.7%	18.0%
COGS	(2,863)	(2,288)	(2,565)	(2,531)	ROIC	17.1%	19.4%	21.2%	20.2%
Gross Profit	2,660	2,773	2,971	3,082	Cash Dividend (IDR bn)	820	-	831	999
<i>Gross Margin</i>	48.2%	54.8%	53.7%	54.9%	Dividend Yield	4.0%	0.0%	3.1%	3.8%
Operating Expenses	(1,343)	(1,217)	(1,096)	(1,156)	Payout Ratio	82.9%	0.0%	58.2%	68.2%
EBIT	1,329	1,556	1,875	1,926	DER	0.2%	0.0%	0.0%	0.0%
<i>EBIT Margin</i>	24.1%	30.7%	33.9%	34.3%	Net Gearing	0.3%	0.0%	0.0%	0.0%
Depreciation	231	180	86	85	LT Debt to Equity	0.0%	0.0%	0.0%	0.0%
EBITDA	1,559	1,736	1,961	2,011	Capitalization Ratio	0.2%	0.0%	0.0%	0.0%
<i>EBITDA Margin</i>	28.2%	34.3%	35.4%	35.8%	Equity Ratio	81.7%	84.3%	85.9%	86.8%
Interest Expenses	-	-	-	-	Debt Ratio	0.2%	0.0%	0.0%	0.0%
EBT	1,371	1,592	1,914	1,965	Financial Leverage	101.2%	96.9%	98.2%	98.9%
Income Tax	(401)	(401)	(412)	(496)	Current Ratio	359.9%	481.4%	516.7%	552.5%
Minority Interest	19	7	8	8	Par Value (IDR)	50	50	50	50
Net Profit	989	1,186	1,427	1,465	Total Shares (mn)	14,622	14,775	14,775	14,775
<i>Growth</i>	-30.3%	20.0%	20.2%	2.7%	Share Price (IDR)	1,410	1,530	1,800	1,800
<i>Net Profit Margin</i>	17.9%	23.4%	25.8%	26.1%	Market Cap (IDR tn)	20.6	22.6	26.6	26.6

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2019/12A	2020/12E	2021/12E	2022/12E		2019/12A	2020/12E	2021/12E	2022/12E
Cash	545	1,178	1,092	1,335	Price /Earnings	20.9x	19.1x	18.6x	18.2x
Receivables	1,731	1,613	1,829	1,855	Price /Book Value	3.8x	3.8x	4.1x	3.8x
Inventories	925	759	908	896	Price/Sales	3.7x	4.5x	4.8x	4.7x
Total Current Assets	3,559	4,038	4,329	4,580	PE/EPS Growth	-0.7x	1.0x	0.9x	6.8x
Net Fixed Assets	1,502	1,464	1,657	1,828	EV/EBITDA	13.3x	12.7x	13.3x	12.9x
Other Non Current Assets	1,656	1,560	1,647	1,720	EV/EBIT	15.6x	14.2x	14.0x	13.5x
Total Assets	6,717	7,062	7,634	8,128	EV (IDR bn)	20,670	22,091	26,169	25,961
Payables	888	787	764	754	Sales CAGR (3-Yr)		4.4%	1.6%	0.5%
ST Bank Loan	12	-	-	-	EPS CAGR (3-Yr)		-3.7%	0.2%	14.0%
LT Debt	0	-	-	-	Basic EPS (IDR)	68	80	97	99
Total Liabilities	1,228	1,110	1,079	1,071	Diluted EPS (IDR)	68	80	97	99
Capital Stock & APIC	1,175	1,141	1,141	1,141	BVPS (IDR)	375	403	444	478
Retained Earnings	3,802	5,031	5,632	6,099	Sales PS (IDR)	378	343	375	380
Shareholders' Equity	5,489	5,953	6,555	7,057	DPS (IDR)	56	-	56	68
	-	0	(0)	(0)					

CASH FLOW STATEMENT					OWNERSHIP			
(IDR bn)	2019/12A	2020/12E	2021/12E	2022/12E	By Geography	% Shareholders	%	
Operating Cash Flow	1,301	1,409	1,512	1,550	Indonesia	74.5	Elang Mahkota Teknolog	61.1
Investing Cash Flow	(1,107)	(291)	(206)	159	United States	13.3	Surya Citra Media	5.9
Financing Cash Flow	(828)	(12)	(1,393)	(1,466)	Norway	2.4	Northern Trust Corp	5.7
Net Changes in Cash	(634)	1,106	(86)	244	Others	9.8	Others	27.4

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