

8 April 2021

Communications | Media

## Surya Citra Media (SCMA IJ)

## Neutral (from Buy)

### Downgrade On Valuations; D/G To Neutral

Target Price (Return): IDR1,960 (9.5%)  
Price: IDR1,790  
Market Cap: USD1,825m  
Avg Daily Turnover (IDR/USD) 24,027m/1.70m

• **D/G NEUTRAL from Buy, IDR1,960 TP from IDR2,400, 9.5% upside and c.2% yield.** Surya Citra Media posted decent 4Q20 results with 24% QoQ topline improvement to IDR1.5trn – signalling improving advertising spend (ad spend). Earnings fell QoQ on higher programming costs, coming in at IDR1.1trn in FY20. This was in line, at 97% of our and Street's estimates. However, valuation is no longer cheap at 20x PE, post share buybacks.

• **Decent results, low 2021F visibility.** Earnings fell QoQ but jumped YoY in 4Q20, as broadcasting and programming costs rose 63% QoQ on the resumption of content production after the halt in 2Q-3Q. Costs should normalise this year as SCMA catches up on its productions. Management has not provided any guidance on FY21, as advertising demand remains uncertain – especially with its biggest competitor, Media Nusantara Citra (MNCN IJ, BUY, TP: IDR1,640) holding >50% of the audience share. SCMA will likely come up with new programmes to boost its share.

• **Vidio still on full throttle.** SCMA's digital segment grew 54% YoY to IDR556bn, contributing 22% to total net revenue. Most of the segment's revenue is from Vidio. A blessing in disguise for SCMA during the recent movement restrictions, was the jump in OTT platform users. Monthly active users reached 72m in March, with 1.2m paying subs – of which, c.50% are not under any bundle with telco operators, and are full-paying customers. However, programming costs are likely to increase, given its target to produce 300 hours of content for Vidio, which is higher than 2020's.

• **Simulcast of analog and digital transmission.** Ahead of the analog switch off (ASO) implementation, after the 2-year target under the Omnibus Law, the Ministry of Communication and Information Technology reactivated multiplex licenses for SCTV, IVM and its station TV networks for all 12 provinces. SCMA is already conducting simulcast broadcast (parallel broadcast of analog and digital) in 20 cities across these 12 provinces. The ASO also creates uncertainty on competition as the additional frequencies may bring in new competitors.

• **No more buybacks.** After a round of buybacks of 14.4% of outstanding shares, SCMA has ended the exercise. Its expensive 20x PE no longer provides a justified upside, in our view, especially with its audience share still playing catch up with its competitor, and the visibility of ad spend recovery still low. Our new TP implies 25x 2021 PE, at the 5-year mean. We also lower our revenue and earnings estimates by -8% and -14% on the still-sluggish ad spend in 1Q and higher programming costs.

• **Upside risks:** Increasing audience share, resulting in higher ad allocation, and a strong 2Q20 from *Lebaran*. Downside risks: Lower-than-expected ad spend and higher programming costs.

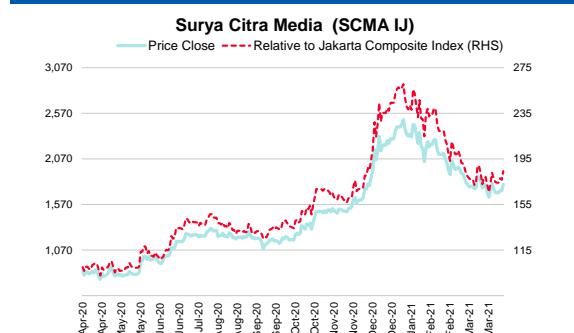
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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(21.8)	(0.8)	(26.0)	51.7	110.6
Relative	(22.8)	2.8	(24.1)	31.1	84.3
52-wk Price low/high (IDR)				750 – 2,500	



Source: Bloomberg

Forecasts and Valuation	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
Total turnover (IDRb)	5,523	5,101	5,615	6,005	6,425
Recurring net profit (IDRb)	968	1,083	1,146	1,287	1,305
Recurring net profit growth (%)	(30.5)	11.9	5.8	12.3	1.5
Recurring P/E (x)	27.32	24.42	23.08	20.56	20.26
P/B (x)	5.3	22.7	3.8	3.4	3.1
P/CF (x)	21.48	13.76	na	6.94	18.56
Dividend Yield (%)	2.8	na	1.7	1.8	2.0
EV/EBITDA (x)	17.57	16.14	13.93	11.57	11.05
Return on average equity (%)	20.3	35.3	28.3	17.5	15.9
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

## Financial Exhibits

<b>Asia</b>	<b>Financial summary (IDR)</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
Indonesia	Recurring EPS	65.51	73.29	77.55	87.08	88.36
Communications	DPS	50.25	-	31.09	32.62	36.43
<b>Surya Citra Media</b>	BVPS	336.82	78.75	469.52	527.98	583.91
SCMA IJ	Return on average equity (%)	20.3	35.3	28.3	17.5	15.9
Neutral						
	<b>Valuation metrics</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
<b>Valuation basis</b>	Recurring P/E (x)	27.32	24.42	23.08	20.56	20.26
25x PE multiple of FY21 EPS	P/B (x)	5.3	22.7	3.8	3.4	3.1
	FCF Yield (%)	3.0	6.8	(2.4)	13.7	4.6
<b>Key drivers</b>	Dividend Yield (%)	2.8	-	1.7	1.8	2.0
i. Ad rate increase;	EV/EBITDA (x)	17.57	16.14	13.93	11.57	11.05
ii. Fast-growing digital revenue.	EV/EBIT (x)	19.90	18.09	15.65	12.98	12.51
<b>Key risks</b>	<b>Income statement (IDRb)</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
i. Economic downturn;	Total turnover	5,523	5,101	5,615	6,005	6,425
ii. Execution risks;	Gross profit	2,660	2,609	3,024	3,284	3,459
iii. Legal risks.	EBITDA	1,507	1,636	1,768	1,975	2,022
	Depreciation and amortisation	(177)	(177)	(194)	(214)	(235)
<b>Company Profile</b>	Operating profit	1,331	1,459	1,574	1,761	1,787
SCMA is a media company with a unique integrated media ecosystem, offering end-to-end advertising solutions including traditional free-to-air TV (SCTV, Indosiar), content production (Sinemart), out-of-home (OOH) billboards (EYE), online media (KLY), video-streaming platforms (Vidio.com), and event management and social media campaigns (Samara Media). It is ultimately owned by the Sariatmadja family's Emtel Group (EMTK IJ, NR).	Net interest	(43)	(22)	(20)	(20)	(20)
	Pre-tax profit	1,288	1,431	1,554	1,742	1,767
	Taxation	(322)	(338)	(398)	(445)	(452)
	Reported net profit	968	1,083	1,146	1,287	1,305
	Recurring net profit	968	1,083	1,146	1,287	1,305
	<b>Cash flow (IDRb)</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
	Change in working capital	(229)	533	(1,778)	2,309	(120)
	Cash flow from operations	1,231	1,923	(435)	3,813	1,425
	Capex	(450)	(128)	(200)	(200)	(200)
	Cash flow from investing activities	(617)	(303)	(392)	(412)	(412)
	Dividends paid	(742)	0	(459)	(482)	(538)
	Cash flow from financing activities	(1,064)	(30)	4,610	(433)	(489)
	Cash at beginning of period	830	545	678	2,433	4,196
	Net change in cash	(449)	1,590	3,783	2,969	524
	Ending balance cash	380	2,135	4,461	5,402	4,720
	<b>Balance sheet (IDRb)</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
	Total cash and equivalents	545	678	2,433	4,196	4,693
	Tangible fixed assets	1,502	1,616	1,816	2,016	2,216
	Total assets	6,717	6,766	10,697	10,384	11,264
	Total long-term debt	0	8	0	0	0
	Total liabilities	1,228	2,870	1,945	1,978	2,043
	Total equity	5,489	3,895	8,752	8,405	9,222
	Total liabilities & equity	6,717	6,766	10,697	10,384	11,264
	<b>Key metrics</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
	Revenue growth (%)	10.4	(7.6)	10.1	6.9	7.0
	Recurrent EPS growth (%)	(30.5)	11.9	5.8	12.3	1.5
	Gross margin (%)	48.2	51.2	53.9	54.7	53.8
	Operating EBITDA margin (%)	27.3	32.1	31.5	32.9	31.5
	Net profit margin (%)	17.5	21.2	20.4	21.4	20.3
	Dividend payout ratio (%)	76.7	0.0	40.1	37.5	41.2
	Capex/sales (%)	8.1	2.5	3.6	3.3	3.1
	Interest cover (x)	(578)	(186)	(157)	(176)	(179)

Source: Company data, RHB

Figure 1: 4Q20 results review

	4Q19	3Q20	4Q20	QoQ	YoY	12M19	12M20	YoY	RHB%	Cons
<b>Net revenue</b>	1,378	1,224	1,516	23.9%	10.0%	5,523	5,101	-8%	95%	105%
<b>Gross profit</b>	527	651	585	-10.1%	11.0%	2,660	2,609	-2%	91%	53%
Gross margin	38%	53%	39%			48%	51%			
<b>Operating Expense</b>	(1,244)	(845)	(1,236)	46.2%	-0.7%	(2,949)	(3,642)	23%		
Broadcast and program exp	(851)	(573)	(931)	62.6%	9.4%	(2,012)	(2,492)	24%		
General and admin exp	(287)	(285)	(304)	6.5%	5.7%	(890)	(1,154)	30%		
Other operating income	5	15	11			8	34	332%		
Other operating expense	(111)	(2)	(12)			(55)	(30)	-45%		
<b>Operating Income</b>	134	378	280	-25.8%	109.4%	2,575	1,459	-43%	94%	98%
Operating margin	10%	31%	19%			47%	29%			
Other Income / (expense)	3	8	2	-79.5%	-44.6%	42	29	-33%		
Financing requirements	(1)	(0)	(7)			(2)	(8)			
Financing income	9	8	6			45	30			
Others	(5)	1	3			(0)	7			
<b>Income before tax</b>	137	387	227	-41.2%	65.7%	1,373	1,433	4%	92%	94%
Net tax expense										
<b>NPAT (to Parents)</b>	63	313	235	-24.9%	272.4%	1,070	1,148	7%	97%	97%
Net Margin	5%	26%	15%			19%	23%			

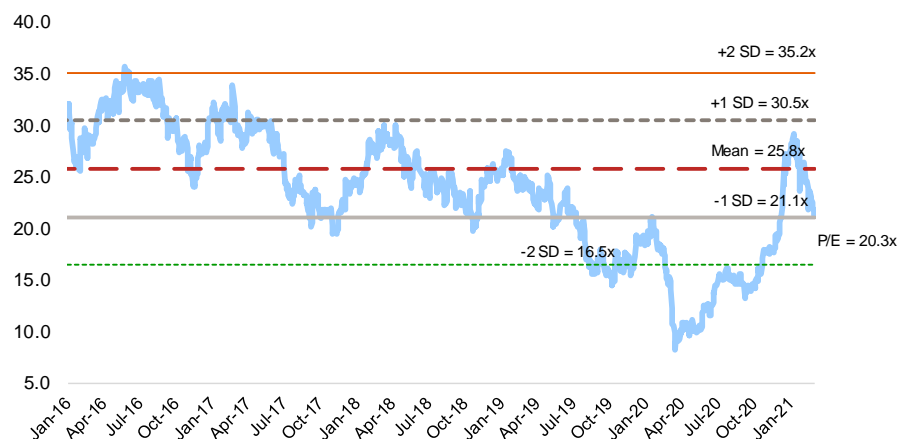
Source: Company data, RHB

Figure 2: Changes to estimates

	New		Old		Changes	
	2021F	2022F	2021F	2022F	2021F	2022F
Revenue	5,615	6,005	6,071	6,570	-8%	-9%
Gross profit	3,024	3,284	3,401	3,712	-11%	-12%
Operating profit	1,574	1,761	1,936	2,144	-19%	-18%
EBITDA	1,768	1,975	2,140	2,369	-17%	-17%
Net profit	1,205	1,346	1,409	1,566	-14%	-14%
Gross margin	54%	55%	56%	57%		
Operating margin	28%	29%	32%	33%		
EBITDA margin	31%	33%	35%	36%		
Net margin	21%	22%	23%	24%		

Source: RHB, Bloomberg

Figure 3: SCMA's P/E band



Source: RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2020-12-14	Buy	2,400	1,875
2020-11-05	Buy	1,750	1,510
2020-07-09	Buy	1,550	1,225
2020-05-04	Neutral	915	820
2020-04-15	Neutral	940	840
2019-11-05	Buy	1,870	1,185
2019-08-01	Buy	2,415	1,470
2018-08-28	Buy	2,800	2,070

Source: RHB, Bloomberg

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Analyst	Company
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