Company Update

PT Media Nusantara Citra Tbk (MNCN)

Media Industry

KB Valbury Sekuritas

Stepping into burgeoning digital ads

23 June 2022

Recommendations	: BUY

Stock	
Price on 22/06/2022 (Rp)	995
12M target price (Rp)	1,295
Capital gain potential	30%

Stock Data	
Outstanding shares	13,227,161,510
Market cap (Rp)	14,974,538,771,450
Weight VS IHSG (%)	0.30

Shareholders	(%)
Global Mediacom	52.67%
Management	0.08%
Public	47.25%
Outstanding Shares (unit)	13,227,161,510
Treasury stocks	1,822,626,200

Price Performance	
52-week high/low	Rp1,080 /Rp780

Capital gain/(loss) (in %)

1 month	3 month	6 month	1 Year	YTD
6.42	6.42	12.43	7.57	10.56

Summary of Financial Performance

In IDR bn	2021A	2022E	2023F
Revenue	9,622	10,388	11,214
Operating Income	3,438	3,906	4,287
OPM (%)	35.73%	37.60%	38.23%
EBITDA	4,075	4,319	4,675
EV to EBITDA (x)*	3.47	3.68	3.44
Net Income	2,377	2,706	2,971
NPM (%)	24.71%	26.05%	26.50%
EPS (Rp)	180	205	225
EPS Growth (%)	36.1%	13.8%	9.8%
Price Earnings (x)*	5.01	4.86	4.43
Price to Book (x)*	0.70	0.68	0.60
Price to Sales (x)*	1.24	1.27	1.17
Return on Equity (%)	14.02%	13.95%	13.50%
Return on Assets (%)	11.13%	11.20%	10.97%
Tot Debt/Equity (x)	0.21	0.20	0.19

**) based on market price (22/06/2022) at Rp995*
Sources :Company, Bloomberg and KB Valbury Sekuritas

Analyst(s)
Alfiansyah
Devi Harjoto

Laba bersih MNCN naik 55,1% YoY pada 1Q22 menjadi Rp619,1 miliar
Pertumbuhan iklan digital menjadi sumber pertumbuhan baru
Rekomendasi "BUY" dengan target harga Rp1.295 per saham

Margin terkontraksi ditengah pertumbuhan laba bersih

Laba bersih MNCN tumbuh 55,1% YoY pada 1Q22 menjadi Rp619,11 miliar (-10,9% QoQ). Adapun, pendapatan pada 1Q22 naik 21,7% YoY pada 1Q22 menjadi Rp2,61 triliun (+2,2% QoQ). Tetapi, GPM MNCN turun dari 61,9% pada 1Q21 menjadi 59,1% pada 1Q22 ditengah kenaikan beban langsung 30,8% YoY dari program dan konten. Kemudian, beban umum dan administrasi MNCN naik 15,8% YoY pada 1Q22 terutama dari kenaikan depresiasi dan amortisasi. Sehingga, margin operasional MNCN turun dari 37,6% pada 1Q21 menjadi 36,0% pada 1Q22. Sementara itu, MNCN membukukan penurunan beban keuangan 59,9% YoY pada 1Q22 menjadi Rp47,4 miliar. Kemudian, kerugian kurs pun berkurang dari Rp147,32 miliar pada 1Q21 menjadi Rp8,81 miliar pada 1Q22. Net gearing MNCN membaik dengan 0,09x pada 1Q22.

Iklan non-digital menjadi mesin pertumbuhan

Pertumbuhan pendapatan MNCN pada 1Q22 didorong oleh pendapatan iklan yang naik 25% YoY pada 1Q22 menjadi Rp1,96 triliun, terutama dari iklan digital yang tumbuh 102,1% YoY, seiring dengan pertumbuhan dari portfolio digital MNCN. Kontribusi iklan digital mencapai 22,2% pada 1Q22, dibandingkan 13,7% tahun lalu. Sedangkan, iklan non-digital hanya tumbuh 6,3% YoY pada 1Q22. Akan tetapi, kontribusi iklan non-digital masih yang terbesar dengan 59,0% pada 1Q22 tetapi turun dari 69,2% pada 1Q21. Akan tetapi, margin dari segmen periklanan menurun dari 66,8% pada 1Q21 menjadi 63,5% pada 1Q22. Sementara itu, margin dari segmen konten juga turun dari 29,6% pada 1Q21 menjadi 27,0% pada 1Q22. Kontribusinya juga menurun dari 16,1% pada 1Q21 menjadi 13,7% pada 1Q22.

Fokus pada pertumbuhan digital sebagai masa depan

Kami memperkirakan pendapatan MNCN dapat bertumbuh 5% YoY pada tahun ini, terutama didorong oleh pertumbuhan iklan digital, yang juga dapat mencapai 30%. Kami melihat iklan digital akan terus menjadi mesin pertumbuhan bagi MNCN, dengan peningkatan portfolio portal dan aplikasi digital juga kenaikan jumlah MAU terutama untuk RCTI+. Management menargetkan market share RCTI+ untuk AVOD dapat mencapai 18% pada 2024. MNCN juga telah meluncurkan "BuddyKu" sebagai aplikasi news aggregator yang mempunyai keunikan personalisasi topik berita. Adapun, untuk iklan non-digital, kami memperkirakan pertumbuhannya akan cenderung stabil pada 2022, ditengah dominasi MNCN untuk tayanangan prime time, terutama untuk sinetron "Ikatan Cinta". Selain itu, kami memandang perekonomian yang membaik dapat mendorong FMCG dan juga Unicorn untuk belanja iklan FTA. Sehingga, audience share untuk group MNCN kami perkirakan akan tetap stabil dikisaran 51-52% pada tahun ini.

Rekomendasi BUY ditengah dominasi audience share

Kami merekomendasikan BUY dengan target harga Rp1.295 per saham, yang merefleksikan valuasi 2022 PE pada 4,86x. Adapun, pertimbangan atas rekomendasi kami yakni 1) audience share yang kuat untuk MNC Group; 2) pertumbuhan pendapatan iklan dari segmen digital yang signifikan dari pertumbuhan aplikasi RCTI+ dan Vision+ portfolio yang luas untuk kanal digital lainnya; 3) perekonomian dan kepercayaan konsumen yang meningkat dapat mendorong belanja iklan TV dan 4) neraca yang kuat. Namun, kami menilai adanya resiko atas rekomendasi kami yakni 1) penurunan pendapatan iklan FTA ditengah ketidakpastian ekonomi yang tinggi; 2) peningkatan biaya produksi konten; 3) persaingan dengan layanan streaming digital lain dan stasiun TV lainnya setelah perpindahan ke digital.

FINANCIAL OVERVIEW

Income Statement (Rp bn)	CQ2021	CQ2022	YoY Change	4Q2021	1Q2022	QoQ Change
Revenue	**2,140**	**2,605**	*21.7%*	**2,549**	**2,605**	*2.2%*
Cost of Revenue	(816)	(1,067)	*30.8%*	(963)	(1,067)	*10.8%*
Gross Profit	**1,325**	**1,538**	*16.1%*	**1,586**	**1,538**	*(3.0%)*
Gross Margin (%)	*61.9%*	*59.0%*		*62.2%*	*59.1%*	
G&A expenses	(519)	(602	*15.8%*	(669)	(602)	*(10.0%)*
Operating Profit	**805**	**936**	*16.3%*	**917**	**936**	*2.1%*
Operating Margin (%)	***37.6%***	***35.9%***		***36.0%***	***35.9%***	
Non-Operating Income (Losses)	(282)	(62)	*(78.1%)*	20	(62)	*(412.8%)*
Pretax Income	**523**	**874**	*67.1%*	**937**	**874**	*(6.7%)*
Income Tax (Expense)/ Benefit	(102)	(177)	*74.3%*	(171)	(178)	*3.9%*
Profit for This Year	**421**	**697**	*65.4%*	**766**	**699**	*(9.1%)*
Net Profit (Losses)	**399**	**619**	*55.1%*	**695**	**620**	*(10.9%)*
Profit Margin (%)	***18.7%***	***23.8%***		***27.3%***	***23.8%***	

Sources : Company and KB Valbury Sekuritas

FINANCIAL TABLES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (Rp bn)	2020A	2021A	2022E	2023F	2024F
Revenue	**7,956**	**9,622**	**10,388**	**11,214**	**12,409**
Revenue growth yoy	-4.8%	20.9%	8.0%	7.9%	10.7%
- Cost of Goods Sold	3,051	3,992	4,047	4,346	4,631
Gross Income	**4,906**	**5,630**	**6,342**	**6,868**	**7,778**
- Operating Expenses	2,085	2,192	2,435	2,580	2,663
Operating Income	**2,820**	**3,438**	**3,906**	**4,287**	**5,115**
Op income growth yoy	-13.5%	21.9%	13.6%	9.8%	19.3%
- Non Operating Gains (Losses)	481	226	236	251	255
EBITDA	**3,327**	**4,075**	**4,319**	**4,675**	**5,346**
Pretax Income	**2,340**	**3,212**	**3,671**	**4,037**	**4,861**
- Income Tax Expense	469	636	738	816	992
Profit for This Year	1,871	2,577	2,933	3,221	3,868
- Minority Interests	124	199	227	249	299
Net Income	**1,748**	**2,377**	**2,706**	**2,971**	**3,569**
Net income growth yoy	-21.8%	36.0%	13.8%	9.8%	20.1%
EPS (IDR)	**132**	**180**	**205**	**225**	**270**
Dividends Per Share (IDR)	**8**	**8***	**25**	**34**	**108**

Sources: Company, Bloomberg and KB Valbury Sekuritas

**) Estimate*

KB Valbury Sekuritas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (Rp bn)	2020A	2021A	2022E	2023F	2024F
Total Current Assets	**8,316**	**9,750**	**10,003**	**10,494**	**11,051**
+ Cash & Near Cash Items	940	1,286	1,121	1,237	1,370
+ Short Term Investments	171	181	190	198	207
+ Accounts & Notes Receivable	2,935	3,054	3,205	3,341	3,494
+ Inventories	2,867	2,897	3,040	3,168	3,314
+ Other Current Assets	1,402	2,332	2,447	2,550	2,667
Total Long-Term Assets	**10,607**	**11,619**	**14,157**	**16,600**	**18,706**
+ Property, Plant & Equip, Net	5,863	6,699	8,174	9,161	10,146
Property, Plant & Equip	9,695	11,014	12,793	14,031	15,737
Accumulated Depreciation	3,831	4,315	4,619	4,870	5,591
+ Long Term Investments	1,344	1,198	1,751	2,532	3,229
+ Other Long Term Assets	3,401	3,722	4,232	4,906	5,331
Total Assets	**18,923**	**21,369**	**24,160**	**27,094**	**29,757**
Total Current Liabilities	**2,159**	**3,114**	**3,438**	**3,655**	**3,977**
+ Payables & Accruals	244	153	127	106	84
+ Short Term Borrowings	1,904	2,951	3,302	3,541	3,887
+ Other Short Term Liabilities	11	10	9	8	7
Total Long Term Liabilities	**2,302**	**736**	**736**	**783**	**905**
+ Long Term Borrowings	2,095	563	560	604	726
+ Other Long Term Borrowings	207	173	176	179	180
Total Liabilities	**4,461**	**3,850**	**4,175**	**4,438**	**4,882**
+ Share Capital & APIC	4,714	4,714	4,714	4,714	4,714
- Treasury Stock	2,972	2,974	2,974	2,974	2,974
+ Retained Earnings & Other Eq.	12,444	14,675	17,056	19,582	21,723
+ Other Equity	(28)	547	605	685	723
Total Shareholders Equity	**14,158**	**16,962**	**19,402**	**22,007**	**24,187**
+ Minority/Non Controlling Int.	304	557	584	649	688
Total Equity	**14,462**	**17,519**	**19,986**	**22,656**	**24,875**
Total Liabilities & Equity	**18,923**	**21,369**	**24,160**	**27,094**	**29,757**
Book Value Per Share (IDR)	**1,070**	**1,282**	**1,467**	**1,664**	**1,829**

Sources: Company, Bloomberg and KB Valbury Sekuritas

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year End Dec (Rp bn)	2020A	2021A	2022E	2023F	2024F
Net Income	1,748	2,377	2,706	2,971	3,569
+ Depreciation & Amortization	507	636	603	651	721
+ Other Non-Cash Adjustments	(846)	(313)	(296)	(320)	(354)
Cash From Operating Activities	**1,409**	**2,701**	**3,013**	**3,303**	**3,936**
+ Disposal of Fixed Assets	6	12	13	13	14
+ Capital Expenditures	(589)	(652)	(870)	(939)	(1,039)
+ Other Investing Activities	(619)	(10)	(510)	(675)	(425)
Cash From Investing Activities	**(1,201)**	**(650)**	**(1,367)**	**(1,600)**	**(1,449)**
+ Dividends Paid	0	(120)	(325)	(446)	(1,428)
+ Change in long Term Borr.	(758)	(1,396)	(1,487)	(1,141)	(926)
+ Change in capital stock	784	2	0	0	0
Cash From Financing Activities	**102**	**(1,705)**	**(1,812)**	**(1,587)**	**(2,354)**
Net Changes in Cash	**309**	**346**	**(165)**	**116**	**133**

Sources: Company, Bloomberg and KB Valbury Sekuritas

RATIO ANALYSIS

Year End Dec	2020A	2021A	2022E	2023F	2024F
Valuation Ratios					
Price Earnings*	8.55	5.01	4.86	4.43	3.69
EV to EBIT*	6.38	4.11	4.28	3.99	3.55
EV to EBITDA*	5.41	3.47	3.68	3.44	3.07
Price to Sales*	1.88	1.24	1.27	1.17	1.06
Price to Book*	1.05	0.70	0.68	0.60	0.54
Dividend Yield*	0.7%	0.9%**	2.5%	3.4%	10.8%
Profitability Ratios					
Gross Margin	61.66%	58.51%	61.05%	61.25%	62.68%
EBITDA Margin	41.82%	42.35%	41.58%	41.69%	43.08%
Operating Margin	35.45%	35.73%	37.60%	38.23%	41.22%
Profit Margin	21.96%	24.71%	26.05%	26.50%	28.76%
Return on Assets	9.23%	11.13%	11.20%	10.97%	11.99%
Return on Equity	12.34%	14.02%	13.95%	13.50%	14.76%
Leverage & Coverage Ratios					
Current Ratio	3.85	3.13	2.91	2.87	2.78
Quick Ratio	2.52	2.20	2.03	2.00	1.95
Interest Coverage Ratio (EBIT/I)	6.68	13.11	13.57	13.82	15.64
Tot Debt/Capital	0.21	0.23	0.23	0.24	0.26
Tot Debt/Equity	0.28	0.21	0.20	0.19	0.19
Others					
Asset Turnover	0.42	0.45	0.43	0.41	0.42
Accounts Receivable Turnover	2.71	3.15	3.24	3.36	3.55
Accounts Payable Turnover	32.59	63.01	81.79	105.61	148.31
Inventory Turnover	2.78	3.32	3.42	3.54	3.75

**) based on market price (22/06/2022) at Rp995*
***) Estimate*

Sources: Company, Bloomberg and KB Valbury Sekuritas

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