

A better year ahead

26 February 2024



<b>MNCN IJ</b>	<b>BUY</b>
Sector	Media
Price at 26 Feb 2024 (IDR)	330
Price target (IDR)	395
Upside/Downside (%)	19.7

**Stock Information**

Media Nusantara Citra Tbk conducts business activities in advertising-based media, as well as producing and distributing contents for television and other platforms. The company owns and operates 4 FTA TV stations, namely RCTI, MNCTV, GTV, and iNews, which dominate the market with the largest audience share.

Market cap (IDR bn)	5,207
Shares outstanding (mn)	15,049
52-week range (IDR)	356 -695
3M average daily vol. ('000)	70,217
3M average daily val. (IDR mn)	26,801

**Key Shareholders (%)**

Global Mediacom	46.3
Media Nusantara Citra	12.1
Public	41.6

**Stock Performance**



Source: Bloomberg

	<b>1M</b>	<b>3M</b>	<b>12M</b>
Performance	(12.2)	7.9	(44.9)

We expect MNCN to record better performance this year stemming from waning effect of ASO policy, strong consumer sentiment ahead Eid as well as more certainty over domestic politics that should prop up ads spending. MNCN is also touted in solid position to cater higher demand in ads, especially following its successful bid for Euro '24 exclusive rights, expected to boost audience share and subs sign up for SVOD-AVOD platforms. Assign our BUY call with a DCF-based target price of IDR395 per share on a 12-month view, implying 4.7x PE '24, while it is currently trading at 4.5x PE '24.

**Expect a rebound**

Conclusion of Analog Switch Off (ASO) that dragged down industry's performance throughout last year, coupled with strong consumer sentiment especially ahead of Eid, and certainty over general election should be growth drivers for media industry. Nevertheless, we expect MNCN's revenue to rebound this year, as we expect ads spending to start recovering. This will also be helped by the company's solid position to cater ads spending from FMCG and e-commerce especially on expectation of interest rate cuts in tech sector. In addition, RCTI's Euro '24 exclusive rights should boost its audience share and in 2Q24 which we expect to be above c. 35% during the event, or historically in-line with '21 event.

**Soft earnings, still impacted by ASO**

MNCN recorded a decline in 3Q23's earnings of 28.7% qoq to IDR124bn, bringing 9M23 net profit of IDR871bn, plunging by 47.4% yoy. This was driven by lower revenues 21.4%/17.5% qoq/yoy in 3Q23/9M23 which were dragged by both digital and non-digital segments impacted by Analog Switch Off (ASO) policy as well as soft ads spending across industry. As revenue growth contracted in 3Q23/9M23, MNCN's direct costs were also lowered by 30.4% qoq in 3Q23, driven by a decline in program and content expenses. Nevertheless, gross profit margin escalated by 716bps to 44.3% in 3Q23.

Despite its 9M23 soft performance, MNCN managed to maintain its dominant market position that commanded 45.7% of ads spending. Meanwhile, 9M23 all-time audience share declined by 7.9% yoy to 35.4%.

**Traction from Euro '24 rights**

To accelerate OTT scalability of monetization efforts, the company has integrated accessibility of RCTI+ and Vision+ on its both apps, aiming to enhance subs-base. Furthermore, Vision+ has enjoyed traction of consistent subs growth that stood at 12mn registered users, 2.52mn of which are paid subs. We expect the company's exclusive rights to broadcast Euro '24 should result in substantial subs growth for the SVOD Vision+ as well as RCTI+ for non-match, while it also provides an opportunity for higher monetization.

**Assign BUY call with target price of IDR415**

We assign our BUY call with a DCF-based target price of IDR415 per share (WACC: 13.8%; LT growth rate: -1%). Note that at our price target, it implies 4.7x of PE '24, while it is currently trading at 4.5x forward PE '24, which is below -1SD 5-year historical mean, or rather undemanding. Risks to our call included 1) prolonged pressure from a shift of ads spending to social media platform and OTTs; and 2) slower-than-expected monetization of AVOD and SVOD platforms. On the other hand, we identify potential upside risks stemming from 1) its dominant position esp. prime time share; and 2) controllable leverage profile.

**Exhibit 1 : Key Statistics**

Year end Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Revenue (IDR bn)	10,013	9,065	7,876	8,124	8,302
EBITDA (IDR bn)	4,197	3,727	2,452	2,688	2,828
Operating profit (IDR bn)	3,505	2,918	1,635	1,846	1,943
Net profit (IDR bn)	2,430	2,056	1,117	1,259	1,325
EPS (IDR)	161	137	74	84	88
EPS growth (%)	39	-15.4	-45.7	12.7	5.3
ROAA (%)	11.6	9.2	4.9	5.2	5.2
ROAE (%)	13.7	10.3	5.2	5.5	5.6
PER (x)	2.1	2.5	4.7	4.1	3.9
PBV (x)	0.3	0.3	0.2	0.2	0.2
EV/EBITDA (x)	1.9	2.0	2.5	2.4	2.3

Sources: Company, KBVS Research

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Exhibit 2: Financial Summary

MNCN 9M23 results

(IDR Bn)	9M23	9M22	YoY (%)	3Q23	3Q22	YoY (%)	2Q23	QoQ (%)	2023F	% 23F	BBG Cons	% of Cons
<b>Revenues</b>	<b>6,048</b>	<b>7,335</b>	<b>-17.5</b>	<b>1,602</b>	<b>2,061</b>	<b>-22.3</b>	<b>2,040</b>	<b>(21.4)</b>	7,876	76.8	7,868	76.9
Direct costs	(3,191)	(3,199)	-0.3	(892)	(883)	1.0	(1,281)	(30.4)				
<b>Gross profit</b>	<b>2,858</b>	<b>4,136</b>	<b>-30.9</b>	<b>710</b>	<b>1,178</b>	<b>-39.7</b>	<b>758</b>	<b>(6.3)</b>				
G&A	-1,569	-1,665	-5.8	-512	-505	1.4	-486	5.4				
<b>EBITDA</b>	<b>3,143</b>	<b>4,415</b>	<b>-28.8</b>	<b>806</b>	<b>1,274</b>	<b>-36.7</b>	<b>851</b>	<b>(5.2)</b>	2,452	128.2	2,583	121.7
<b>Operating profit</b>	<b>1,289</b>	<b>2,471</b>	<b>-47.8</b>	<b>198</b>	<b>672</b>	<b>-70.6</b>	<b>272</b>	<b>(27.2)</b>	1,635	78.8	1,632	79.0
Net other income/expenses	-108	-125	-14.1	-41	-2	2,281.8	-48	(13.4)				
<b>Pretax profit</b>	<b>1,181</b>	<b>2,345</b>	<b>-49.6</b>	<b>157</b>	<b>671</b>	<b>-76.7</b>	<b>224</b>	<b>(30.2)</b>				
Taxes	-225	-454	-50.5	-30	-122	-75.2	-36	(15.6)				
<b>Profit attributable</b>	<b>871</b>	<b>1,656</b>	<b>-47.4</b>	<b>124</b>	<b>454</b>	<b>-72.6</b>	<b>174</b>	<b>(28.7)</b>	1,117	77.9	1,074	81.1

**Margins (%)**

Gross margin	47.2	56.4		44.3	57.1		37.2	
Operating margin	21.3	33.7		12.4	32.6		13.3	
EBITDA margin	52.0	60.2		50.3	61.8		41.7	
Net Margin	14.4	22.6		7.8	22.0		8.6	

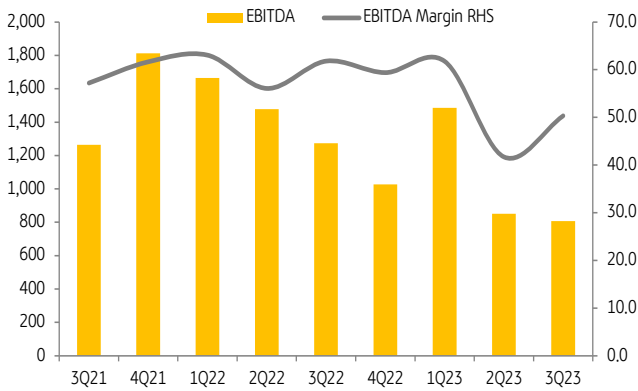
Source: Company, Bloomberg, KBVS Research

Exhibit 3: Forecasts

	KBVS			BBG			KBVS VS BBG (%)		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Revenue	7,876	8,124	8,302	7,868	7,766	8,541	0.1	4.6	(2.8)
Operating profit	1,635	1,846	1,943	1,632	1,774	2,070	0.2	4.1	(6.1)
EBITDA	2,452	2,688	2,828	2,583	2,643	2,915	(5.1)	1.7	(3.0)
Net profit	1,117	1,259	1,325	1,074	1,215	1,423	4.0	3.6	(6.9)

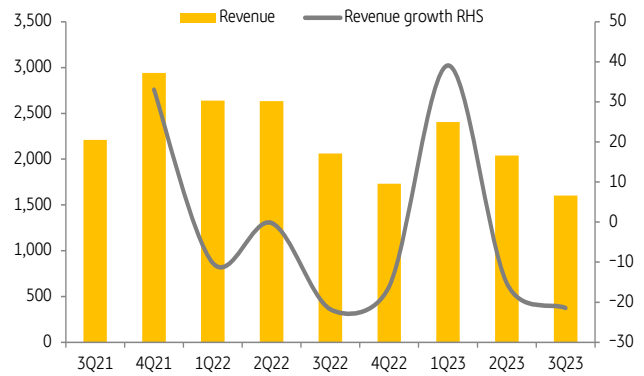
Source: Company, Bloomberg, KBVS Research

Exhibit 4: MNCN's EBITDA margin



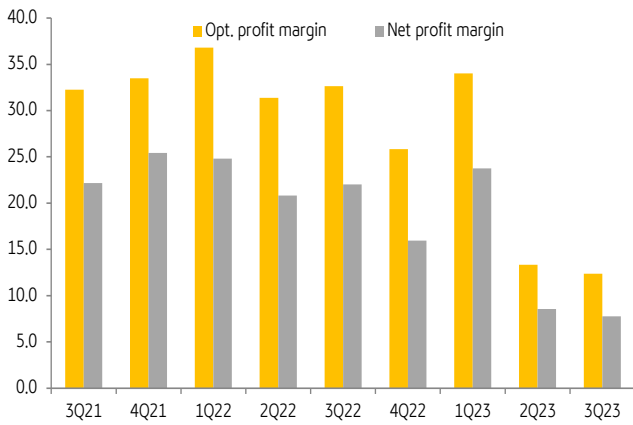
Source: Company, KBVS Research

Exhibit 5: Revenue and revenue growth



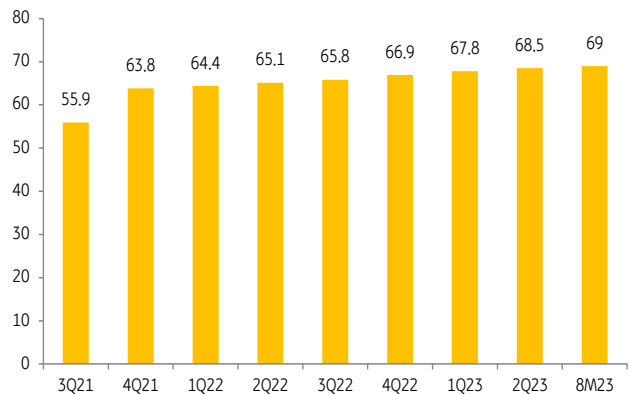
Source: Company, KBVS Research

Exhibit 6: MNCN's operating profit & net profit margins



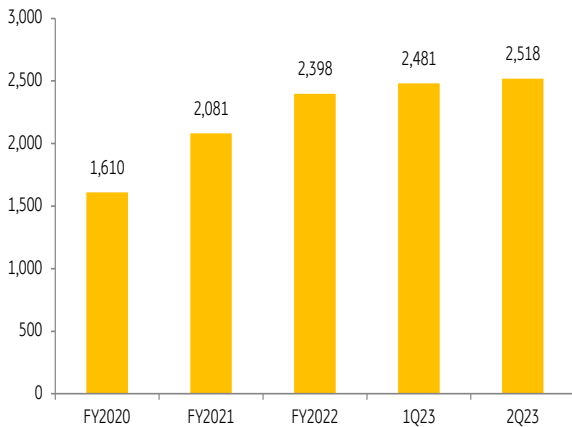
Source: Company, KBVS Research

Exhibit 7: RCTI+ monthly active users



Source: Company, KBVS Research

Exhibit 8: Vision+ subs growth (in thousand)



Source: Company, KBVS Research

Exhibit 9: Currently trading within P/E -2SD 5-year mean



Source: Company, Bloomberg

FINANCIAL TABLES

Exhibit 10: Profit & Loss summary

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
<b>Revenue</b>	<b>10,013</b>	<b>9,065</b>	<b>7,876</b>	<b>8,124</b>	<b>8,302</b>
Direct Costs	-4,243	-4,000	-4,138	-4,169	-4,194
<b>Gross profit</b>	<b>5,770</b>	<b>5,065</b>	<b>3,738</b>	<b>3,954</b>	<b>4,108</b>
G&A expenses	-2,264	-2,148	-2,103	-2,108	-2,164
<b>Operating profit</b>	<b>3,505</b>	<b>2,918</b>	<b>1,635</b>	<b>1,846</b>	<b>1,943</b>
<b>EBITDA</b>	<b>4,197</b>	<b>3,727</b>	<b>2,452</b>	<b>2,688</b>	<b>2,828</b>
Net finance income/ costs	(222)	(92)	(60)	(71)	(76)
Net other income/expenses	(4)	(44)	0	0	0
<b>Profit before income tax</b>	<b>3,280</b>	<b>2,782</b>	<b>1,575</b>	<b>1,775</b>	<b>1,868</b>
Tax benefit (expenses)	(650)	(538)	(354)	(399)	(420)
<b>Attributable profit</b>	<b>2,430</b>	<b>2,056</b>	<b>1,117</b>	<b>1,259</b>	<b>1,325</b>

Source: Company, KBVS Research

Exhibit 11: Balance sheet

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
<b>Current Assets</b>					
Cash and cash equivalents	1,288	1,308	1,338	1,922	2,310
Trade receivables	3,101	3,168	3,282	3,385	3,459
Other current assets	5,135	5,238	5,243	5,450	5,538
<b>Total Asset</b>	<b>9,524</b>	<b>9,713</b>	<b>9,863</b>	<b>10,757</b>	<b>11,307</b>
<b>Non-current assets</b>					
Fixed assets	6,262	6,349	6,536	6,845	7,436
Other non-current assets	5,089	6,359	6,534	6,623	6,682
<b>Total non-current assets</b>	<b>11,351</b>	<b>12,708</b>	<b>13,070</b>	<b>13,468</b>	<b>14,118</b>
<b>Total assets</b>	<b>20,875</b>	<b>22,422</b>	<b>22,933</b>	<b>24,225</b>	<b>25,424</b>
<b>Current liabilities</b>					
Trade payables	69	62	64	65	65
Accrued expenses	18	15	15	16	16
Short term debts	2,151	1,892	848	861	894
Other current liabilities	96	89	77	80	82
<b>Total current liabilities</b>	<b>2,334</b>	<b>2,058</b>	<b>1,005</b>	<b>1,022</b>	<b>1,057</b>
<b>Non-current liabilities</b>					
Long-term debts	563	278	235	311	318
Other non-current liabilities	220	176	189	193	199
<b>Total non-current liabilities</b>	<b>783</b>	<b>454</b>	<b>424</b>	<b>505</b>	<b>517</b>
<b>Shareholders' equity</b>	<b>17,758</b>	<b>19,909</b>	<b>21,504</b>	<b>22,698</b>	<b>23,850</b>
<b>Total liabilities and equity</b>	<b>20,875</b>	<b>22,422</b>	<b>22,933</b>	<b>24,225</b>	<b>25,424</b>

Source: Company, KBVS Research

**Exhibit 9: Cash flow**

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Net profit	2,405	2,062	1,117	1,259	1,325
Depreciation	900	1,146	1,142	1,161	1,244
Changes in working capital	(933)	(186)	(130)	(306)	(160)
<b>CF from operating activities</b>	<b>2,372</b>	<b>3,023</b>	<b>2,130</b>	<b>2,114</b>	<b>2,409</b>
Investment in fixed assets	(995)	(681)	(775)	(925)	(1,261)
Others	(648)	(1,823)	(728)	(635)	(633)
<b>CF from investing activities</b>	<b>(1,643)</b>	<b>(2,504)</b>	<b>(1,503)</b>	<b>(1,559)</b>	<b>(1,894)</b>
Dividends paid	(120)	-	-	(126)	(232)
Debt raised/ repaid	(1,284)	(543)	(1,090)	89	39
Others	1,024	44	494	65	65
<b>CF from financing activities</b>	<b>(381)</b>	<b>(499)</b>	<b>(596)</b>	<b>29</b>	<b>(127)</b>
<b>Change in cash flow</b>	<b>348</b>	<b>20</b>	<b>31</b>	<b>584</b>	<b>388</b>
<b>Cash and cash equivalents, beginning</b>	<b>940</b>	<b>1,288</b>	<b>1,308</b>	<b>1,338</b>	<b>1,922</b>
<b>Cash and cash equivalents, ending</b>	<b>1,288</b>	<b>1,308</b>	<b>1,338</b>	<b>1,922</b>	<b>2,310</b>

Source: Company, KBVS Research

**Exhibit 10: Ratio analysis**

Year End Dec	2021A	2022A	2023F	2024F	2025F
Gross profit margin (%)	57.6	55.9	47.5	48.7	49.5
Operating profit margin (%)	35.0	32.2	20.8	22.7	23.4
EBITDA margin (%)	41.9	41.1	31.1	33.1	34.1
Net profit margin (%)	24.3	22.7	14.2	15.5	16.0
ROAA (%)	11.6	9.2	4.9	5.2	5.2
ROAE (%)	13.7	10.3	5.2	5.5	5.6
ROIC (%)	9.3	12.0	8.7	11.2	9.0
Debt/ Equity (x)	0.1	0.10	0.05	0.05	0.05
Net debt/Equity (x)	0.1	0.04	-0.01	-0.03	-0.04
Net debt/ EBITDA (x)	0.3	0.2	-0.1	-0.3	-0.4
Sales/ Asset turnover (x)	0.5	0.4	0.3	0.3	0.3
Interest coverage (x)	16.0	27.9	24.9	24.9	25.6
EPS (IDR)	161.5	136.6	74.2	83.6	88.0
BV/Share (IDR)	1,180.0	1,322.9	1,429.0	1,508.3	1,584.8

Source: Company, KBVS Research

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