

Waiting for sunrise

20 February 2024



SURYA CITRA MEDIA

SCMA IJ	HOLD
Sector	Media
Price at 20 Feb 2024 (IDR)	156
Price target (IDR)	130
Upside/Downside (%)	6.5

Stock Information

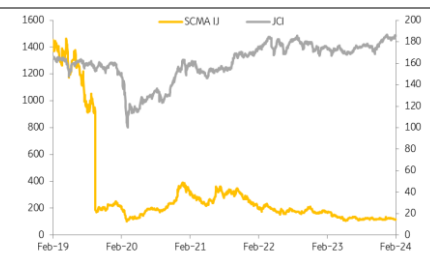
Surya Citra Media (SCMA) is one of the country's largest media companies through television channels, Surya Citra Televisi (SCTV) and Indosiar Visual Mandiri (IVM), also other broadcasting channels. The company is also expanding services for quality content creation, expert artist management, advertising, as well as management of broadcast and movie production.

Market cap (IDR bn)	13,075
Shares outstanding (mn)	73,971
52-week range (IDR)	141 -214
3M average daily vol. ('000)	63,150
3M average daily val. (IDR mn)	9,770

Key Shareholders (%)

Elang Mahkota Teknologi	61.0
Surya Citra Media	14.3
Public	24.7

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	(5.0)	0.7	(30.7)

SCMA is expected to witness a year of recovery in '24, especially in 1H24 stemming from higher ads spending on roll-out of general election program, strong consumer sentiment ahead of Eid and waning effect of ASO that dragged its performance last year. Furthermore, we expect SCMA to be able to cement its solid position in all-time audience share and OTT realm on moderate subs addition thanks to its competitive package pricing compared to peers. Assign HOLD call with a target price of IDR156.

Getting out of woods?

As Indonesia has officially ended analog TV broadcast as of last year, we expect waning impact of such policy should start bringing solid recovery to industry this year. Though it is mostly coming from low-base growth that seemed to be bottoming out last year. In addition, we anticipate strong domestic economy stemming from solid consumer sentiment ahead of Eid and certainty over general election should also result in more improvement in ads spending from FMCG and e-commerce, especially if interest rate cuts be implemented.

With an addition of Mentari and revamped EMTK-owned Moji, we are sanguine that SCMA should be able to maintain its leading position in all-time audience share at c.30%. For Mentari channel that is segmented for moms & kids gained an impressive average audience share of 7.6% in 9M23.

Signs of recovery

SCMA's net profit qoq skyrocketed to IDR167bn in 3Q23, which brought 9M23 net profit of IDR237bn. Strong bottom-line growth qoq was attributable to solid qoq revenue growth of 17.0%/ qoq in 3Q23 to IDR1.76tn as FTA started to recover at 19.8% qoq, followed by content revenue. Meanwhile, digital revenue was flattish qoq at IDR271bn in 3Q23, though it substantially increased +22.6% yoy in 9M23.

On costs, programming and broadcasting expenses grew 11.3% qoq in 3Q23 on sports programs, or relatively controllable as cost of program to revenue coming down qoq to 18.6%.

Well-positioned to capture OTT market

SCMA has been committed to continue investing in digital ads as well as developing new revenue channel through affiliated marketing and Vidio.com whose total subs is estimated at 27.7mn, 4mn which is paid subs as of Dec '23. The platform is positioned to be Indonesia's largest OTTs, compared to peers such as Netflix/Disney+ that hold c.12mn/3mn of subs. We expect Vidio.com will be able to cement its pole position as other OTTs have started to adjust its pricing, making it more appealing to subs.

Vidio's revenue escalated 40.1% yoy to IDR762.9bn in 9M23 thanks to growing paid subs c. at 4mn in Dec '23 and improving in ARPU, on more premium package shift. Despite higher revenue, Vidio's losses rose to IDR671.1bn on the back of investment in original series, sports IP, and technology.

Assign HOLD call with TP of IDR156

We assign our HOLD call on SCMA with a target price IDR156 per share. Note that at our target price, it implies 16.5x P/E '24 or below 5-year mean average, while it is currently trading at 23.0x forward P/E '24 or just in-line with +1 SD 5 year-mean or rather demanding. We note that impacts of analog switch off (ASO) that dragged broadcasting industry will continue to be waning this year, benefiting SCMA. In addition, through its OTT, Vidio.com, SCMA could maintain its leading market share of Indonesia's SVOD, in-line with growing demands and significant potential share from productive population. However, we highlight that continued expansion on Vidio.com that leads to higher costs on IP acquisition especially for sports broadcasting as well as longer-than-expected monetization from Vidio.com.

Exhibit 1 : Key Statistics

Year end Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Net Revenue (IDR bn)	5,930	7,133	6,468	7,002	7,522
EBITDA (IDR bn)	1,875	1,107	568	867	1,036
Gross profit (IDR bn)	3,044	2,702	2,206	2,550	2,800
Operating profit (IDR bn)	1,752	1,102	408	712	882
Net profit (IDR bn)	1,347	846	441	698	868
EPS (IDR)	18.2	11.4	6.0	9.4	11.7
ROAA (%)	19.9	8.5	4.0	5.8	7.0
ROAE (%)	18.1	9.6	4.8	7.0	8.0
PER (x)	9.7	15.5	29.7	18.8	15.1
PBV (x)	1.8	1.5	1.4	1.3	1.2
EV/EBITDA (x)	7.0	11.8	23.1	15.1	12.6

Sources: Company, KBVS Research

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Exhibit 2: Financial overview

SCMA 9M23 results

(IDR Bn)	9M23	9M22	YoY (%)	3Q23	3Q22	YoY (%)	2Q23	QoQ (%)	2023F	% 23F	BBG Cons	% of Cons
Revenues	4,790	4,952	-3.3	1,758	1,788	-1.7	1,503	17.0	6,468	74.1	6,777	70.7
FTA	3,709	4,022	-7.8	1,370	1,412	-3.0	1,143	19.8				
Digital, out of home	797	650	22.6	271	266	1.8	272	(0.5)				
Content	284	279	1.5	118	110	6.9	88	33.6				
Program & Broadcasting expenses	(3,184)	(2,707)	17.6	(1,166)	(1,089)	7.2	(1,048)	11.3				
Gross profit	1,607	2,245	-28.4	592	700	-15.4	455	30.0	2,206	72.9	2,365	67.9
G&A	-1,346	-1,179	14.2	-391	-419	-6.8	-461	(15.2)				
EBITDA	439	1,043	-57.9	222	308	-28.1	55	302.5	568	77.4	811	54.2
Operating profit	261	1,066	-75.6	201	281	-28.4	(6)	(3,679.1)	408	63.9	560	46.5
Net other income/expenses	46	-9	-595.2	18	-2	-962.1	16	13.3				
Pretax profit	307	1,057	-71.0	219	278	-21.4	10	2,017.3				
Taxes	-204	-315	-35.2	-81	-102	-21.2	-55	45.5				
Profit attributable	237	831	-71.5	167	214	-22.0	3	6,089.2	441	53.6	508	46.6
Margins (%)												
Gross margin	33.5	45.3		33.7	39.1		30.3					
Operating margin	5.4	21.5		11.4	15.7		-0.4					
EBITDA margin	9.2	21.1		12.6	17.2		3.7					
Net Margin	4.9	16.8		9.5	12.0		0.2					

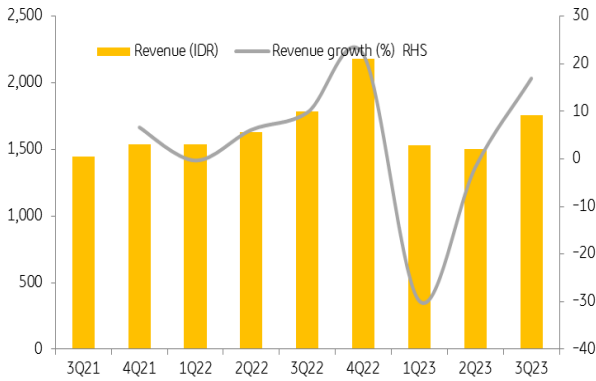
Source: Company, KBVS Research, Bloomberg

Exhibit 3: Forecast assumptions

	KBVS			BBG			KBVS VS BBG (%)		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Revenue	6,468	7,002	7,522	6,777	7,245	7,815	(4.6)	(3.4)	(3.8)
Gross profit	2,206	2,550	2,800	2,358	2,628	2,720	(6.5)	(3.0)	3.0
Operating profit	408	712	882	560	891	1,137	(27.2)	(20.0)	(22.4)
EBITDA	568	867	1,036	811	1,156	1,440	(30.0)	(25.0)	(28.1)
Net profit	441	698	868	508	783	970	(13.2)	(10.9)	(10.5)

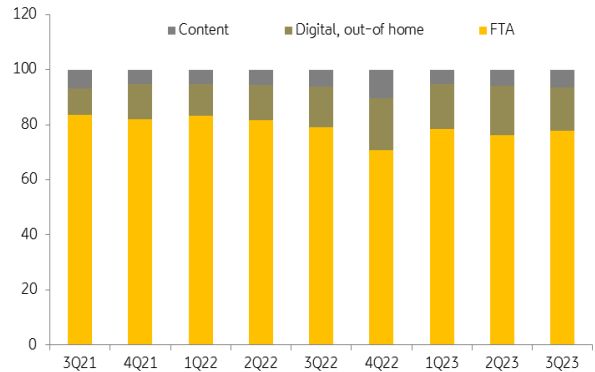
Source: KBVS Research, Bloomberg

Exhibit 4: Revenue and growth QoQ



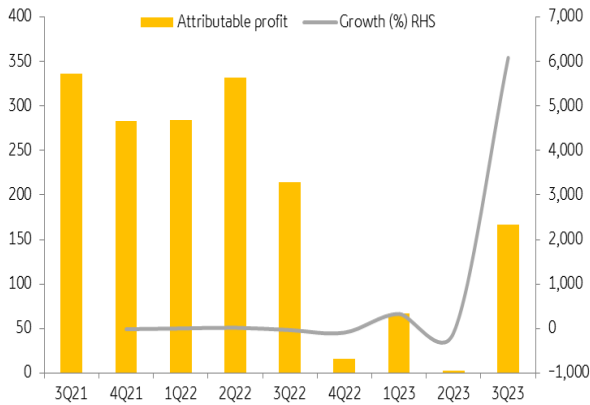
Source: Company, KBVS Research

Exhibit 5: Composition of revenue (%) on quarterly basis



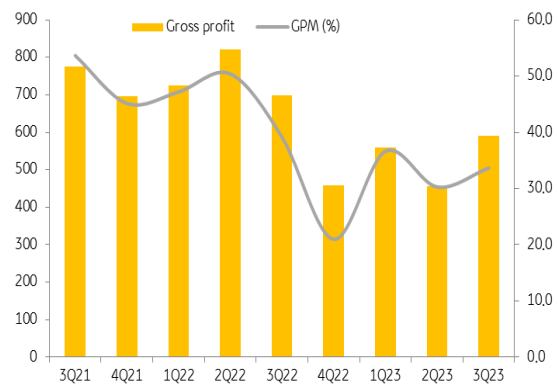
Source: Company, KBVS Research

Exhibit 6: Net profit growth QoQ



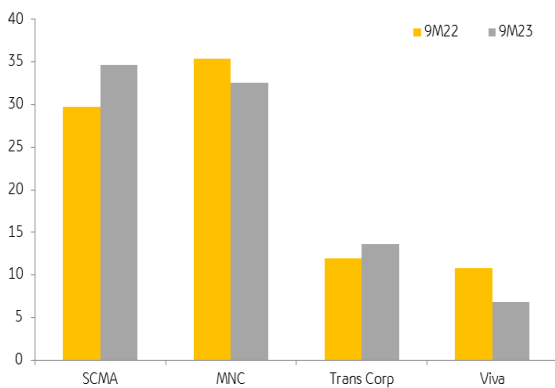
Source: Company, KBVS Research

Exhibit 7: Gross profit growth QoQ



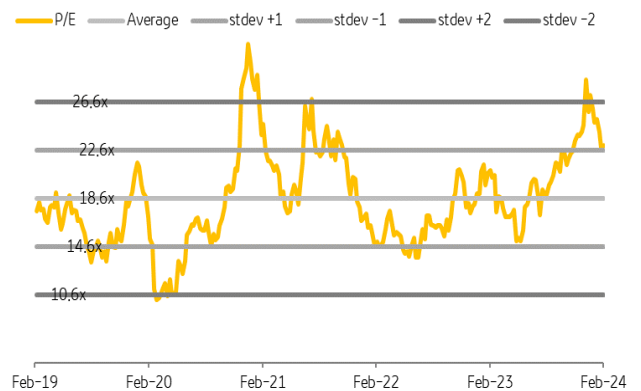
Source: Company, KBVS Research

Exhibit 8: SCMA's audience share enlarges in 9M23



Source: Company, KBVS Research

Exhibit 9: P/E currently trades in-line with its +1SD 5 year mean



Source: Company, KBVS Research

FINANCIAL TABLES
Exhibit 10: Profit & Loss summary

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Net Revenue	5,930	7,133	6,468	7,002	7,522
Costs	(2,887)	(4,430)	(4,262)	(4,452)	(4,721)
Gross profit	3,044	2,702	2,206	2,550	2,800
Operating profit	1,752	1,102	408	712	882
EBITDA	1,875	1,107	568	867	1,036
Net finance income/expenses	17	37	86	50	64
Profit before income tax	1,726	1,095	472	748	930
Tax income (expenses)	(388)	(415)	(118)	(187)	(233)
Attributable profit	1,347	846	441	698	868

Source: Company, KBVS Research

Exhibit 11: Balance sheet

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Current Assets					
Cash	3,232	2,276	4,018	3,420	4,119
Trade receivables	1,953	2,204	1,969	2,548	2,304
Other current assets	1,476	3,194	2,472	2,921	3,383
Total Asset	6,660	7,674	8,459	8,890	9,807
Non-current assets					
Fixed assets	1,547	1,629	1,694	1,728	1,763
Other non-current assets	1,707	1,826	1,798	1,814	1,829
Total non-current assets	3,253	3,455	3,492	3,542	3,592
Total assets	9,913	11,129	11,951	12,432	13,399
Current liabilities					
Trade payables	492	572	823	913	632
Taxes payables	175	91	113	97	116
Accrued expenses	560	669	1,036	745	1,144
Short term debts	1	295	9	9	10
Other current liabilities	469	473	539	570	485
Total current liabilities	1,698	2,100	2,520	2,333	2,388
Non-current liabilities					
Long-term debts	600	0	0	0	0
Other non-current liabilities	155	172	178	122	131
Total non-current liabilities	755	172	178	122	131
Shareholders' equity	6,388	7,608	8,004	8,631	9,412
Total liabilities and equity	9,913	11,129	11,951	12,432	13,399

Source: Company, KBVS Research

Exhibit 9: Cash flow

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Net profit	1,347	846	441	698	868
Depreciation & amortization	180	189	181	183	183
Changes in working capital	(148)	(1,856)	1,662	(1,216)	(164)
CF from operating activities	1,380	(821)	2,284	(335)	888
Investment in fixed assets	(247)	(272)	(246)	(217)	(218)
Others	(28)	(120)	29	(16)	(15)
CF from investing activities	(275)	(391)	(218)	(233)	(233)
Dividends paid	-	(158)	(44)	(70)	(87)
Debt paid/ repaid	(711)	(307)	(286)	2	(1)
Others	2,161	721	5	39	131
CF from financing activities	1,450	257	(325)	(29)	44
Change in cash flow	2,554	(956)	1,741	(597)	698
Cash and cash equivalents, beginning	678	3,232	2,276	4,018	3,420
Cash and cash equivalents, ending	3,232	2,276	4,018	3,420	4,119

Source: Company, KBVS Research

Exhibit 10: Ratio analysis

Year End Dec	2021A	2022A	2023F	2024F	2025F
Gross profit margin (%)	51.3	37.9	34.1	36.4	37.2
Operating profit margin (%)	29.6	15.4	6.3	10.2	11.7
EBITDA margin (%)	31.6	15.5	8.8	12.4	13.8
Net profit margin (%)	22.7	11.9	6.8	10.0	11.5
Receivables turnover (x)	3.1	3.4	3.1	3.1	3.1
Inventory turnover (x)	4.0	5.0	3.5	3.5	3.5
Payable turnover (x)	6.6	7.9	5.5	5.5	5.5
ROAA (%)	19.9	8.5	4.0	5.8	7.0
ROAE (%)	18.1	9.6	4.8	7.0	8.0
ROIC (%)	35.9	15.0	11.0	13.4	16.4
Debt/ Equity (x)	0.6	0.2	0.0	0.0	0.0
Net debt/Equity (x)	-0.4	-0.3	-0.5	-0.4	-0.4
Net debt/ EBITDA (x)	-1.4	-1.8	-7.1	-3.9	-4.0
Sales/ Asset turnover (x)	0.7	0.7	0.6	0.6	0.6
Interest coverage (x)	36.5	27.8	37.0	112.0	101.4
EPS (IDR)	18.2	11.4	6.0	9.4	11.7
BV/share (x)	100.9	119.7	125.1	134.9	147.1

Source: Company, KBVS Research

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