

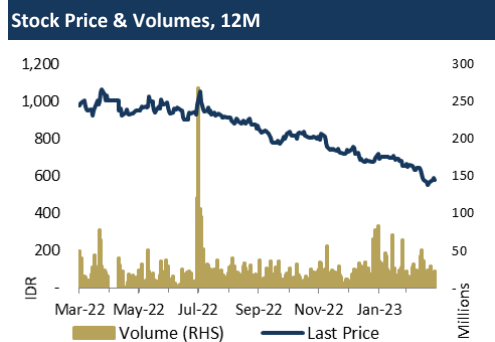
## BUY (Maintain)

**Target Price (IDR)** 900 (from 1,400)  
**Potential Upside (%)** 55.2

Price Comparison	
Cons. Target Price (IDR)	1,263
SSI vs. Cons. (%)	71.3

Stock Information	
Last Price (IDR)	580
Shares Issued (Mn)	15,050
Market Cap. (IDR Bn)	8,879
52-Weeks High/Low (IDR)	1,100/550
3M Avg. Daily Value (IDR Bn)	18.7
Free Float (%)	41.5
Shareholder Structure:	
Global Mediacom (%)	52.6
Publik (%)	47.3

Stock Performance					
(%)	YTD	1M	3M	12M	
Absolute	(20.3)	(9.2)	(19.2)	(39.5)	
JCI Return	(0.7)	(0.5)	(0.8)	(2.9)	
Relative	(19.6)	(8.7)	(18.4)	(36.6)	



**Company Background**  
 Media Nusantara Citra (MNCN) owns four FTA TV stations; RCTI, GTV, MNCTV, and iNews. In addition, the company has established a vertically integrated content production business, with more than 300 thousand hours of content and the largest talent management in Indonesia, with more than 400 talents under its management.

**Muhammad Farras Farhan**

+62 21 2854 8346

[farras.farhan@samuel.co.id](mailto:farras.farhan@samuel.co.id)

**Laurencia Hiemas**

+62 21 2854 8392

[Laurencia.hiemas@samuel.co.id](mailto:Laurencia.hiemas@samuel.co.id)

## All Hail Digital

**A sluggish quarter.** MNCN reported an IDR 400 billion net profit in 4Q22 (-12% qoq) on an IDR 1.7 trillion revenue (-0.16% qoq; its worst quarterly revenue in 4 years). Two of MNCN's three main business segments reported sluggish quarterly performance; its FTA revenue slipped -14% qoq to IDR 862 billion (45% of MNCN's 4Q22 revenue) and its content revenue slumped -27% qoq to IDR 630 billion (21% of MNCN's 4Q22 revenue). Meanwhile, its digital ads revenue went up +12% (33% of MNCN's 4Q22 revenue). Overall, in FY22, MNCN posted a net profit of IDR 2.1 trillion (-15.4% yoy) and an EBITDA of IDR 3.7 trillion (-8.5% yoy), slightly below our estimates (91%) and below consensus (88%).

**It's digital time.** In our opinion, media companies will face a challenging year in 2023, as consumer and tech companies might cut their advertising budgets given the rather bleak macroeconomic condition. Our research revealed that in FY22, FMCG companies cut their advertising budgets by -624 bps, whilst tech companies cut theirs by -1,123 bps, and we expect more cuts in the future, which could lead to rate cuts and hurt media companies' performance. Even with the upcoming election year (which should generate demand for FTA advertising from political parties), due to budget constraints, it may not be enough to support the FTA market in 2023. However, there's still hope for digital media; according to Statista, Indonesia's overall advertising expense could rise to USD 5.9 billion (+6.5% yoy) in 2023, with a potential for further growth to USD 6.6 billion in 2027. Although the figure is mainly composed of FTA (61%), we believe digital media will be the main growth driver, as digital media is projected to contribute approximately USD 2.3 billion (+12% yoy). MNCN, with its solid digital media business, might benefit from the situation since its digital media business will provide a better upside.

**2023 outlook.** We maintain our projections that MNCN will book a net profit of IDR 2.2 trillion (+10% yoy), and an EBITDA of IDR 3.7 trillion (+11% yoy) in 2023. Our rather modest projections were based on our thesis that FTA would continue to struggle while digital media might prevail and provide some upside.

**BUY, TP IDR 900.** We reiterate our BUY rating on MNCN, albeit with a lower TP of IDR 900, reflecting 4.98x FY23F P/E (-0.5 SD). We believe MNCN's current valuation is undemanding, making it an attractive pick in the struggling media sector. **Key Risks:** Lower-than-expected digital ads revenue, rate cut, political downturn.

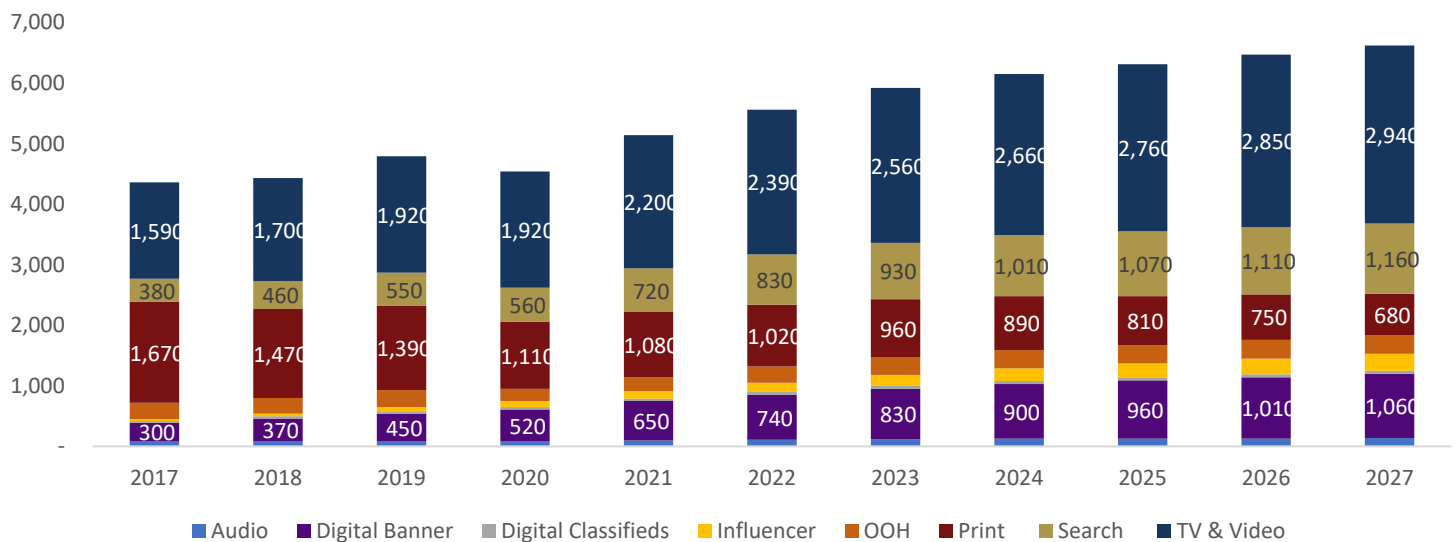
Forecast and Valuations (@ IDR 580 per share)					
Y/E Dec	21A	22A	23F	24F	25F
Revenue (IDR Bn)	10,013	9,065	9,775	10,716	11,851
EBITDA (IDR Bn)	4,555	3,400	3,771	4,145	4,589
EV/EBITDA (x)	2.2	2.6	2.3	2.1	1.8
Net Profit (IDR Bn)	2,768	2,056	2,265	2,512	2,813
EPS (IDR)	217	161	178	197	220
EPS Growth (%)	58.4	-25.7	10.2	10.9	12.0
P/E Ratio (x)	2.7	3.7	3.3	3.0	2.7
BVPS (IDR)	1,392	1,560	1,742	1,944	2,170
P/BV Ratio (x)	0.4	0.4	0.3	0.3	0.3
DPS (IDR)	54	14	12	13	15
Dividend Yield (%)	9.1	2.4	2.0	2.2	2.5
ROAE (%)	17.2	10.9	10.8	10.7	10.7
ROAA (%)	13.9	9.5	9.7	9.8	10.1
Interest Coverage (x)	17.4	25.4	31.3	39.0	50.8
Net Gearing (%)	0.2	0.1	0.1	0.0	0.0

Figure 1. EPS Growth Forecast

PT. Media Nusantara Citra Tbk. (MNCN IJ) (IDR Bn)	4Q21	3Q22	4Q22	QoQ (%)	YoY (%)	FY21A	FY22A	YoY
Revenue	2,940	2,061	1,730	(16.0)	(41.2)	10,013	9,065	(9.5)
Operating Profit	985	672	447	(33.6)	(54.6)	3,505	2,918	(16.8)
EBITDA	1,105	879	650	(26.0)	(41.1)	4,075	3,727	(8.5)
Net Profit	748	454	400	(11.9)	(46.5)	2,430	2,056	(15.4)
EBITDA Margin	37.6	42.7	37.6	(507) bp	2 bp	40.7	41.1	42 bp
Operating Margin	33.5	32.6	25.8	(681) bp	(766) bp	35.0	32.2	(283) bp
Net Margin	25.4	22.0	23.1	110 bp	(231) bp	24.3	22.7	(159) bp

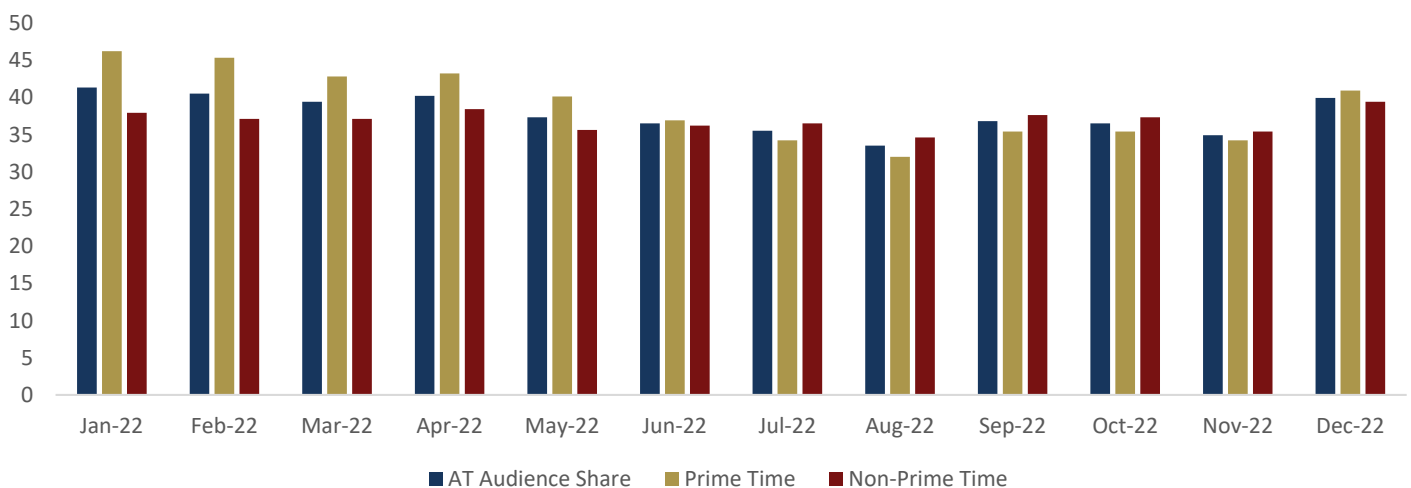
Source: Company, SSI Research

Figure 2. Advertising Expense Market Forecast



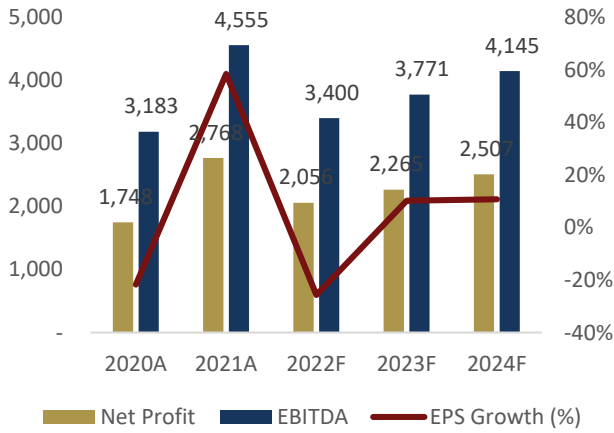
Source: Statista, SSI Research

Figure 3. MNCN's Monthly Audience Share



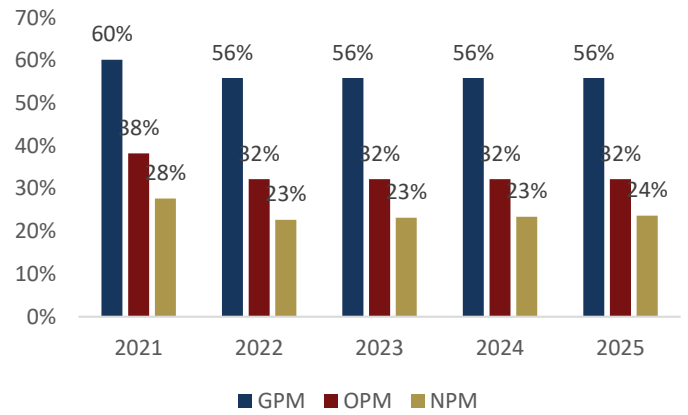
Source: Nielsen

Figure 4. EBITDA & EPS Growth



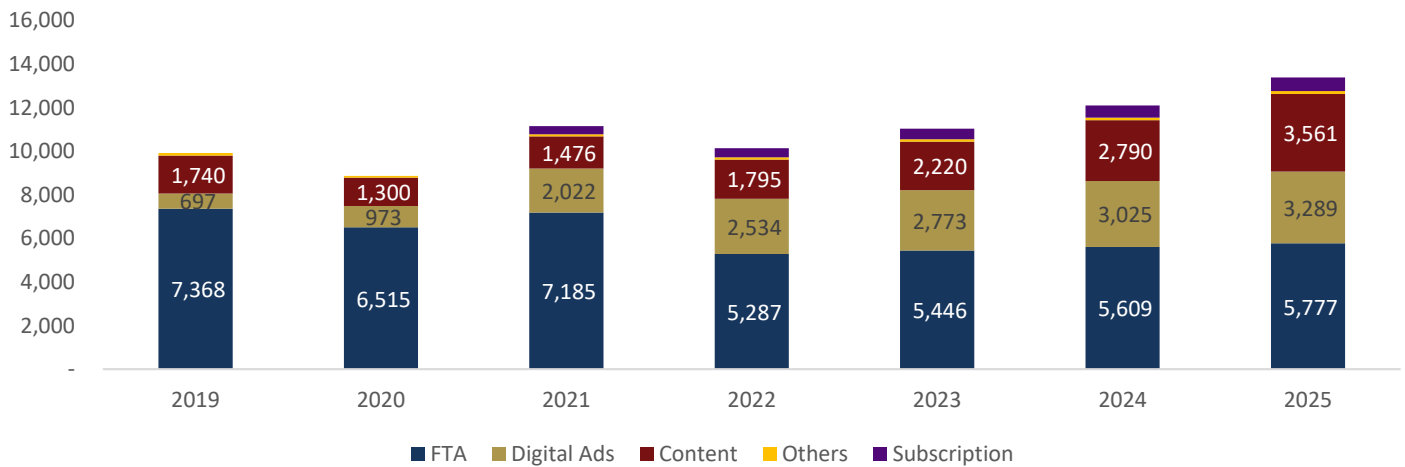
Source: Company, SSI Research

Figure 5. Profitability Margins



Source: Company, SSI Research

Figure 6. Revenue Segmental Breakdown



Source: Company, SSI Research

Figure 7. 5-Year P/E Band



Source: Bloomberg, SSI Research

## Key Financial Figures

Profit and Loss					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Revenue	10,013	9,065	9,775	10,716	11,851
Cost of revenue	(4,000)	(4,313)	(4,728)	(5,229)	(5,847)
<b>Gross Profit</b>	<b>5,065</b>	<b>5,462</b>	<b>5,987</b>	<b>6,622</b>	<b>7,405</b>
SGA Expense	(2,148)	(2,316)	(2,539)	(2,808)	(3,140)
<b>Operating Profit</b>	<b>2,918</b>	<b>3,146</b>	<b>3,449</b>	<b>3,814</b>	<b>4,265</b>
<b>EBITDA</b>	<b>4,555</b>	<b>3,400</b>	<b>3,771</b>	<b>4,145</b>	<b>4,589</b>
Other Income (Expense)	(4)	(44)	(3)	(10)	(7)
Finance Expense	(262)	(134)	(121)	(106)	(90)
<b>Pre-tax profit</b>	<b>3,603</b>	<b>2,782</b>	<b>3,065</b>	<b>3,398</b>	<b>3,805</b>
Income Tax	(636)	(538)	(592)	(657)	(735)
<b>Profit for Period</b>	<b>2,968</b>	<b>2,244</b>	<b>2,472</b>	<b>2,741</b>	<b>3,070</b>
Minority Interest	(199)	(188)	(207)	(229)	(257)
<b>Net Profit</b>	<b>2,768</b>	<b>2,056</b>	<b>2,265</b>	<b>2,512</b>	<b>2,813</b>

Balance Sheet					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Cash & equivalents	1,288	1,308	2,027	2,722	3,453
Receivables	3,054	3,523	3,799	4,165	4,606
Others	5,182	4,882	5,171	5,554	6,016
<b>Total Current Asset</b>	<b>9,524</b>	<b>9,713</b>	<b>10,997</b>	<b>12,440</b>	<b>14,074</b>
Net Fixed Asset	5,843	6,349	6,674	7,045	7,472
Other Non-Current Asset	4,028	4,514	4,514	4,514	4,514
<b>Total Asset</b>	<b>19,395</b>	<b>20,576</b>	<b>22,184</b>	<b>23,999</b>	<b>26,060</b>
ST. Bank loan	2,128	1,071	966	850	723
Payables	165	151	163	179	198
Other current Liability	42	836	836	836	836
<b>Total Current Liability</b>	<b>2,334</b>	<b>2,058</b>	<b>1,965</b>	<b>1,865</b>	<b>1,756</b>
LT. Debt	551	268	241	212	180
Other LT Liabilities	231	187	187	187	187
<b>Total Liabilities</b>	<b>3,117</b>	<b>2,513</b>	<b>2,393</b>	<b>2,264</b>	<b>2,124</b>
Minority Interest	503	797	797	797	797
<b>Total Equity</b>	<b>15,775</b>	<b>17,266</b>	<b>18,995</b>	<b>20,938</b>	<b>23,140</b>

Cash Flow					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Net Profit	2,768	2,056	2,265	2,512	2,813
D&A	726	483	625	696	775
Changes in Working Capital	(726)	47	(553)	(733)	(884)
<b>Operating Cash Flow</b>	<b>2,769</b>	<b>2,587</b>	<b>2,338</b>	<b>2,475</b>	<b>2,704</b>
Capital Expenditure	(1,642)	(1,204)	(1,335)	(1,468)	(1,625)
Others	926	23	-	-	-
<b>Investing Cash Flow</b>	<b>(716)</b>	<b>(1,181)</b>	<b>(1,335)</b>	<b>(1,468)</b>	<b>(1,625)</b>
Net - Borrowing	(1,273)	(1,340)	(132)	(144)	(160)
Other Financing	(432)	(46)	(152)	(168)	(188)
<b>Financing Cash Flow</b>	<b>(1,705)</b>	<b>(1,386)</b>	<b>(283)</b>	<b>(312)</b>	<b>(348)</b>
Net - Cash Flow	348	20	719	695	731
Cash at beginning	940	1,288	1,308	2,027	2,722
Cash at ending	1,288	1,308	2,027	2,722	3,453

Key Ratios					
Y/E Dec	21A	22A	23F	24F	25F
Gross Profit Margin (%)	50.6	60.3	61.3	61.8	62.5
Operating Margin (%)	29.1	34.7	35.3	35.6	36.0
EBITDA Margin (%)	45.5	37.5	38.6	38.7	38.7
Pre-Tax Margin (%)	36.0	30.7	31.4	31.7	32.1
Net Profit Margin (%)	27.6	22.7	23.2	23.4	23.7
Debt to Equity (%)	15.1	6.7	5.4	4.3	3.3
Net Gearing (x)	0.2	0.1	0.1	0.0	0.0

Major Assumption					
	21A	22A	23F	23F	25F
Rate Card Hike	10%	-26%	3%	3%	3%
Digital Segment Growth	108%	25%	9%	9%	9%
RCTI+ MAU	64.4	96.6	144.9	217.4	326.0
Vision+ Paid Subscriber (mn)	2,081	2,398	2,710	3,008	3,279

## Peers Comparison

Ticker	Market Cap (IDR Tn)	YTD Chg. (%)	Total Equity (IDR Tn) FY22	Total Assets (IDR Tn) FY22	ROE (%)		PBV (x)		PE (x)		EPS Growth (%)	
					23F	24F	23F	24F	23F	24F	23F	24F
SCMA	14.05	-31.34	11.15	12.16	17.16	18.78	1.64	1.54	9.84	9.22	22.6	6.72
FILM	7.66	-38.66	2.11	2.58	10.3	12.2	2.12	1.73	22.36	15.6	98.06	43.34
MNCN	8.73	-36.9	19.09	22.42	13.52	12.91	0.38	0.35	2.95	2.79	26.6	5.63
<b>Average</b>					<b>14.39</b>	<b>15.44</b>	<b>1.40</b>	<b>1.25</b>	<b>11.01</b>	<b>8.98</b>	<b>42.73</b>	<b>15.62</b>

Source: SSI Research, Bloomberg (valuation at last price)

Research Team			
Prasetya Gunadi	Head of Equity Research, Strategy, Banking, Digital Banks	prasetya.gunadi@samuel.co.id	+6221 2854 8320
Lionel Priyadi	Macro Equity Strategist	lionel.priyadi@samuel.co.id	+6221 2854 8854
Arga Samudro	Economist	alkosar.marga@samuel.co.id	+6221 2854 8144
Muhamad Alfatih, CSA, CTA, CFTe	Senior Technical Analyst	m.alfatih@samuel.co.id	+6221 2854 8129
William Mamudi, CFTe, CMT, CCT	Senior Technical Analyst	william.mamudi@samuel.co.id	+6221 2854 8382
Yosua Zisokhi	Cement , Cigarette, Paper, Plantation, Telco Infra, Chemicals	yosua.zisokhi@samuel.co.id	+6221 2854 8387
M. Farras Farhan	Media, Poultry, Oil & Gas, Technology	farras.farhan@samuel.co.id	+6221 2854 8346
Pebe Peresia	Automotive, Consumer Staples, Retail	pebe.peresia@samuel.co.id	+6221 2854 8339
Juan Oktavianus Harahap	Coal, Metal Mining	juan.oktavianus@samuel.co.id	+6221 2854 8846
Jonathan Guyadi	Banking, Healthcare, Telco	jonathan.guyadi@samuel.co.id	+6221 2854 8321
Adolf Richardo	Editor	adolf.richardo@samuel.co.id	+6221 2864 8397
Ashalia Fitri Yuliana	Research Associate	ashalia.fitri@samuel.co.id	+6221 2854 8389
Abraham Timothy	Research Associate	abraham.timothy@samuel.co.id	+6221 2854 8322
Daniel Aditya Widjaja	Research Associate	daniel.aditya@samuel.co.id	+6221 2854 8322
Laurencia Hiemas	Research Associate	laurencia.hiemas@samuel.co.id	+6221 2854 8392
Brandon Boedhiman	Research Associate	brandon.boedhiman@samuel.co.id	+6221 2854 8392

Equity Institutional Team			
Benny Bambang Soebagjo	Head of Institutional Equity Sales	benny.soebagjo@samuel.co.id	+6221 2854 8312
Ronny Ardianto	Institutional Equity Sales	ronny.ardianto@samuel.co.id	+6221 2854 8399
Anthony Yunus	Institutional Equity Sales	anthony.yunus@samuel.co.id	+6221 2854 8314
Widya Meidrianto	Institutional Equity Sales	widya.meidrianto@samuel.co.id	+6221 2854 8317
Fachruly Fiater	Institutional Sales Trader	fachruly.fiater@samuel.co.id	+6221 2854 8325
Lucia Irawati	Institutional Sales Trader	lucia.irawati@samuel.co.id	+6221 2854 8173
Alexander Tayus	Institutional Equity Dealer	alexander.tayus@samuel.co.id	+6221 2854 8319
Leonardo Christian	Institutional Equity Dealer	leonardo.christian@samuel.co.id	+6221 2854 8147

Equity Retail Team			
Joseph Soegandhi	Head of Equity	joseph.soegandhi@samuel.co.id	+6221 2854 8872
Damargumilang	Head of Equity Retail	damargumilang@samuel.co.id	+6221 2854 8309
Denzel Obaja	Head of Community & Partnership	denzel.obaja@samuel.co.id	+6221 2854 8342
Clarice Wijana	Head of Equity Sales Support	clarice.wijana@samuel.co.id	+6221 2854 8395
Gitta Wahyu Retnani	Equity Sales & Trainer	gitta.wahyu@samuel.co.id	+6221 2854 8365
Vincentius Darren	Equity Sales	darren@samuel.co.id	+6221 2854 8348
Michael Alexander	Equity Sales	michael.alexander@samuel.co.id	+6221 2854 8369
Sylviawati	Equity Sales	sylviawati@samuel.co.id	+6221 2854 8112
Wandha Ahmad	Equity Sales	wandha.ahmad@samuel.co.id	+6221 2854 8316
Handa Sandiawan	Equity Sales	handa.sandiawan@samuel.co.id	+6221 2854 8302
Wahyudi Budiyo	Dealer	wahyudi.budiyo@samuel.co.id	+6221 2854 8152

Fixed Income Sales Team			
R. Virine Tresna Sundari	Head of Fixed Income	virine.sundari@samuel.co.id	+6221 2854 8170
Rudianto Nugroho	Fixed Income Sales	rudianto.nugroho@samuel.co.id	+6221 2854 8306
Sany Rizal Keliobas	Fixed Income Sales	sany.rizal@samuel.co.id	+6221 2854 8337
Safitri	Fixed Income Sales	safitri@samuel.co.id	+6221 2854 8376
Nadya Attahira	Fixed Income Sales	nadya.attahira@samuel.co.id	+6221 2854 8305

**DISCLAIMER:** Analyst Certification: The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s) principally responsible for the preparation of this research has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations. This document is for information only and for the use of the recipient. It is not to be reproduced or copied or made available to others. Under no circumstances is it to be considered as an offer to sell or solicitation to buy any security. Any recommendation contained in this report may not be suitable for all investors. Moreover, although the information contained herein has been obtained from sources believed to be reliable, its accuracy, completeness and reliability cannot be guaranteed. All rights reserved by PT Samuel Sekuritas Indonesia.