

## BUY (Maintain)

**Target Price (IDR)** 2,500 (from 3,300)

**Potential Upside (%)** 30.2

### Price Comparison

**Cons. Target Price (IDR)** 2,331

**SSI vs. Cons. (%)** 557.6

### Stock Information

**Last Price (IDR)** 1,920

**Shares Issued (Mn)** 9,511

**Market Cap. (IDR Bn)** 17,691

**52-Weeks High/Low (IDR)** 3,100/610

**3M Avg. Daily Value (IDR Bn)** 13.8

**Free Float (%)** 27.1

### Shareholder Structure:

MD Global Investment (%) 50.50

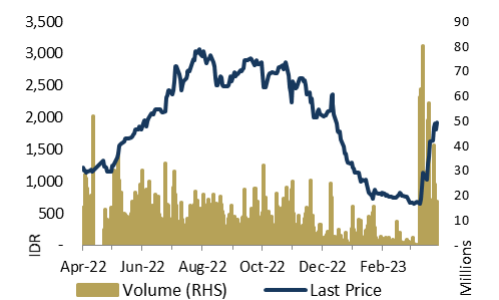
Public (%) 12.65

Morgan Stanley Plc (%) 14.62

### Stock Performance

(%)	YTD	1M	3M	12M
Absolute	(2.6)	156.6	44.7	52.5
JCI Return	(0.3)	2.8	2.8	(5.6)
Relative	(2.3)	153.7	41.9	58.1

### Stock Price & Volumes, 12M



### Company Background

MD Pictures Tbk (FILM) engages in the movie production business. The company produces movies on its own or in collaboration with other production houses. The company distributes its movies through cinema screens, free to air TV, home video and digital channels.

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## Finding Wonderland

**Great year as expected.** FILM posted a revenue of IDR 54 billion in 4Q22 (-24.4% yoy, -49.6% qoq), IDR 17 billion of which came from cinema revenue (+44,988% yoy, -72.5% qoq). The qoq drop in cinema revenue was mainly caused by the high base effect from the record-breaking 'KKN Di Desa Penari' released in 3Q22. Meanwhile, the company's EBITDA fell considerably in 4Q22 (IDR 20 billion; -63.1% yoy, -73.2% qoq) due to higher S&M expenses spent by the company to promote its new movies. Cumulatively, FILM managed to book a revenue of IDR 437 billion (+71.3% yoy) and an EBITDA of IDR 321 billion (+61.2% yoy) in FY22, with an EBITDA margin of 73.4%. On its bottom line, FILM managed to triple its net profit from the previous year to IDR 160 billion, reflecting an EPS growth of +375.2% yoy.

**Finding new rabbit holes.** Just like Alice in Wonderland, FILM is now exploring new rabbit holes to expand its business and find new opportunities. In our opinion, the long-awaited rights issue might be the key that will unlock FILM's potential by allowing the company to venture into new revenue streams. Should the rights issue succeed, FILM can use the funds to venture into two media business lines at once, OTT (through its own OTT platform, Mox) and FTA, with OTT as the main growth driver for the company and FTA as the cash cow. The two-pronged strategy should provide some significant upside for the company. The company is also partnering with new OTT players, such as Amazon Prime, commemorated with the launch of FILM's exclusive series, such as Tilik and Induk Gajah, on Amazon Prime. Despite its OTT-heavy strategy, FILM has no plans to hit the brakes on its cinema business; the company has just released two movies, Bismillah Kunikahi Suamimu and Sewu Dino, to theatres, with the latter expected to beat KKN's success.

**2023 outlook.** We maintain our FY23F revenue projection for FILM at IDR 690 billion (+58% yoy), supported by the strong growth of its digital business, though its cinema revenue might experience a slight decline due to the high-base effect in FY22 cinema. We also expect FILM to maintain its solid margins in FY23F, with projected GPM and EBITDA margins of 74%. On its bottom line, we project FILM to book substantial net profit growth of +75% yoy to IDR 280 billion in FY23F. Please note that we have yet to incorporate FILM's new strategy into our model, as the strategy will largely depend on the company's rights issue. Nevertheless, we believe FILM can continue operating at a large scale on internal cash alone, given its massive free cashflow (IDR 242 billion).

**BUY, TP IDR 2,500.** We reiterate our BUY rating on FILM, albeit with a lower DCF-based TP of IDR 2,500 (8.9% WACC, 5% Tg). **Main Risks:** Lower-than-expected cinema and digital revenue.

### Forecast and Valuations (@ IDR 1,920 per share)

Y/E Dec	21A	22A	23F	24F	25F
Revenue (IDR Bn)	255	437	690	953	1,259
EBITDA (IDR Bn)	199	321	513	702	924
EV/EBITDA(X)	89	54	33	24	18
Net Profit (IDR Bn)	34	160	280	398	537
EPS (IDR)	4	17	29	42	56
EPS Growth (%)	na	375	75	42	35
P/E Ratio (x)	528	111	64	45	33
BVPS (IDR)	132	162	190	230	283
P/BV Ratio (x)	14.1	11.6	9.9	8.1	6.6
DPS (IDR)	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-
ROAE (%)	2.6	11.4	16.7	20.0	22.0
ROAA (%)	2.5	10.9	16.1	19.3	21.3
Interest Coverage (x)	-	-	-	-	-
Net Gearing (x)	-	-	-	-	-

Figure 1. 4Q22 Results

PT MD Pictures Tbk. (FILM IJ) (IDR Bn)	4Q21	3Q22	4Q22	QoQ (%)	YoY (%)	12M21	12M22	YoY
Revenue	72	108	54	(49.6)	(24.4)	255	437	71.3
Operating Profit	27	36	(3)	(109.0)	(112.0)	68	193	185.0
EBITDA	54	74	20	(73.2)	(63.1)	199	321	61.2
Net Profit	11	30	6	(79.9)	(46.4)	34	160	375.2
EBITDA Margin (%)	75.1	68.9	36.6	-3,236 bps	-3,851 bps	78.0	73.4	-457 bps
Operating Margin (%)	37.5	33.2	(5.9)	-3,914 bps	-4,339 bps	26.6	44.2	1,762 bps
Net Margin (%)	15.6	27.7	11.0	-1,661 bps	-453 bps	13.2	36.6	2,342 bps

Source: Company, SSI Research

Figure 2. Top 15 Indonesia Movies of All Time (By Ticket Sales)

No	Film	Tahun Rilis	Jumlah Penonton
1	KKN Desa Penari	2022	10,061,033
2	Warkop DKI Reborn: Jangkrik Boss! part 1	2016	6,858,616
3	Pengabdi Setan 2: Communion	2022	6,390,970
4	Dilan 1990	2018	6,315,664
5	Miracle in Cell No 7	2022	5,858,329
6	Dilan 1991	2019	5,253,411
7	Laskar Pelangi	2008	4,719,453
8	Habibie & Ainun	2012	4,601,249
9	Pengabdi Setan	2017	4,206,103
10	Warkop DKI Reborn: Jangkrik Boss Part 2	2017	4,083,190
11	Ayat-ayat Cinta	2008	3,676,210
12	Ada Apa Dengan Cinta 2	2016	3,665,509
13	Suzzanna: Bernapas dalam Kubur	2018	3,346,185
14	Milea: Suara dari Dilan	2020	3,157,817
15	My Stupid Boss	2016	3,052,657

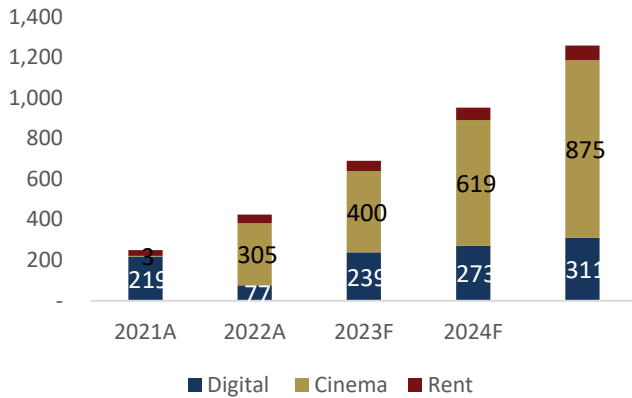
Source: [filmindonesia.or.id](http://filmindonesia.or.id)

Figure 3. DCF Valuation

DCF Valuation (IDRbn)	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal Value
EBIT	460	613	816	1,123	1,262	1,410	1,570	1,742	1,928	2,128	
EBIT (1-T)	352	468	623	858	964	1,078	1,200	1,331	1,473	1,626	
D&A	190	222	264	309	360	416	480	551	629	716	
Chg. In WC	(18)	(21)	(28)	(43)	(19)	(29)	(32)	(36)	(41)	(46)	
Capex	(199)	(265)	(356)	(383)	(432)	(485)	(543)	(605)	(672)	(746)	
Net FCF	325	404	503	741	872	980	1,105	1,241	1,389	1,551	41,587
Discount Factor	0.9	0.8	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.4	0.4
PV of FCFF	298	340	390	527	569	587	608	627	644	660	17,704
Sum of FCF	22,952										
Less: Total Debt	-										
Less: Minority Interest	(2)										
Plus: Cash	633										
Equity Value	23,584										

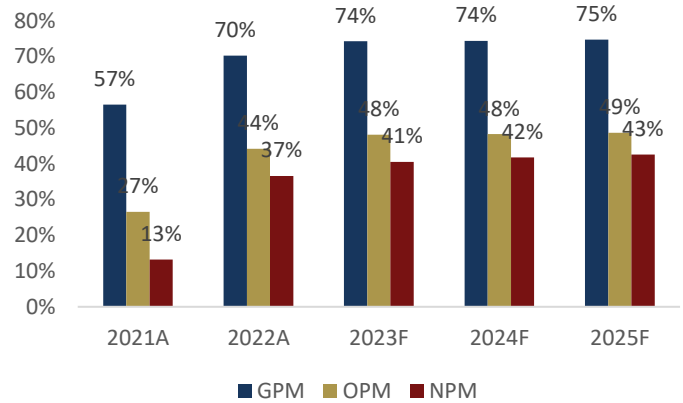
Source: SSI Research

**Figure 3. Revenue Breakdown**



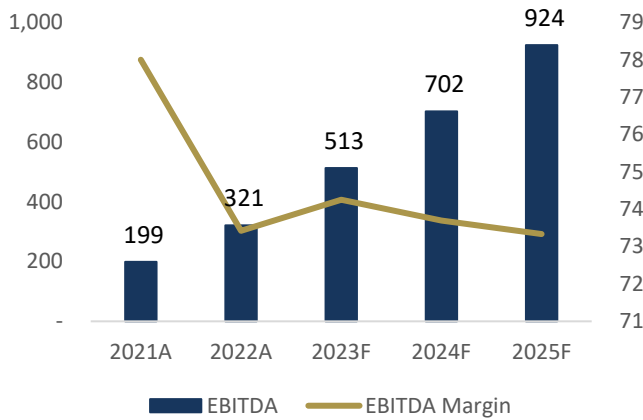
Source: Company, SSI Research

**Figure 5. Profitability Margins**



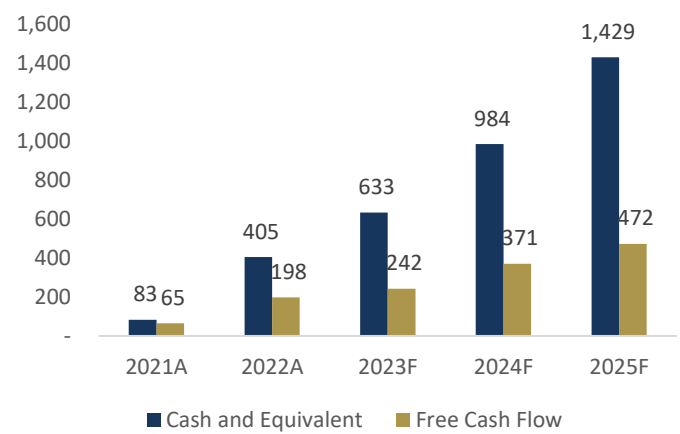
Source: Company, SSI Research

**Figure 6. EBITDA & EBITDA Margins**



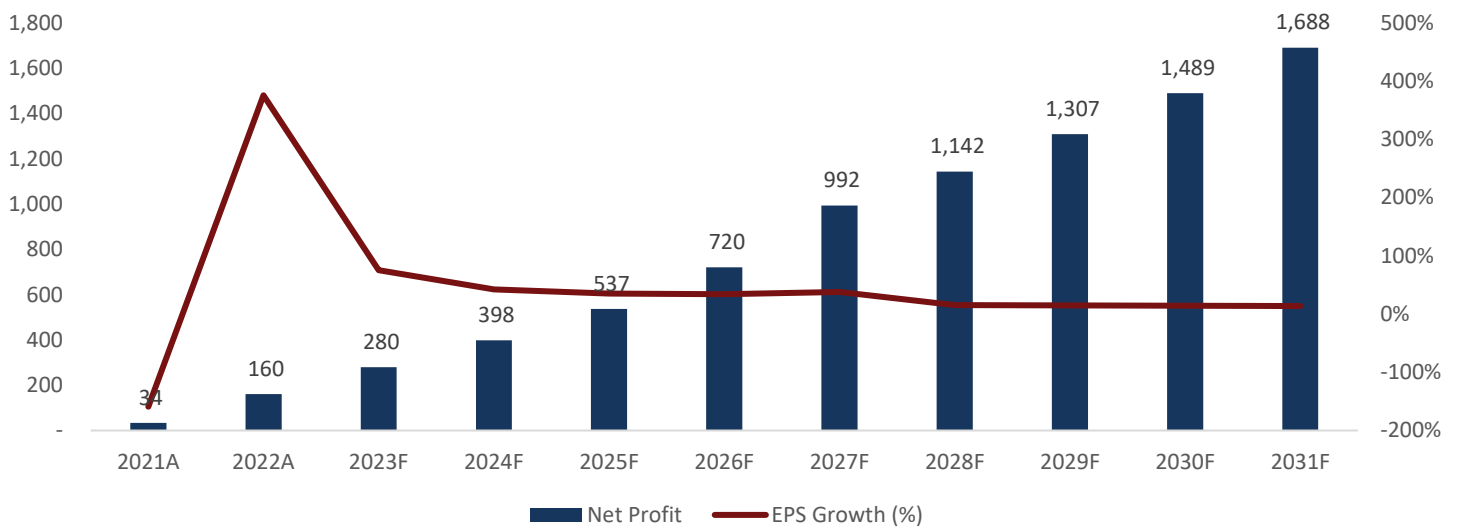
Source: Company, SSI Research

**Figure 7. Cash and Free Cash Flow Level**



Source: Company, SSI Research

**Figure 7. 10-Year Net Profit Forecast**



Source: Company, SSI Research

## Key Financial Figures

Profit and Loss					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Revenue	255	437	690	953	1,259
Cost of revenue	(111)	(130)	(178)	(244)	(318)
<b>Gross Profit</b>	<b>144</b>	<b>307</b>	<b>513</b>	<b>709</b>	<b>941</b>
SGA Expense	(77)	(114)	(180)	(249)	(329)
<b>Operating Profit</b>	<b>68</b>	<b>193</b>	<b>333</b>	<b>460</b>	<b>613</b>
<b>EBITDA</b>	<b>199</b>	<b>321</b>	<b>513</b>	<b>702</b>	<b>924</b>
Net Interest Income	8	5	24	38	59
Other Income (Expense)	(25)	6	1	10	14
<b>Pre-tax profit</b>	<b>50</b>	<b>204</b>	<b>357</b>	<b>509</b>	<b>685</b>
Income Tax	(20)	(48)	(84)	(120)	(162)
<b>Profit for Period</b>	<b>30</b>	<b>156</b>	<b>273</b>	<b>389</b>	<b>524</b>
Minority Interest	4	4	7	10	13
<b>Net Profit</b>	<b>34</b>	<b>160</b>	<b>280</b>	<b>398</b>	<b>537</b>

Balance Sheet					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Cash & equivalents	83	405	633	984	1,429
Receivables	68	53	71	98	129
Others	33	46	46	46	46
<b>Total Current Asset</b>	<b>184</b>	<b>504</b>	<b>751</b>	<b>1,129</b>	<b>1,605</b>
Net Fixed Asset	753	714	701	694	692
Other Non-Current Asset	373	397	419	436	481
<b>Total Asset</b>	<b>1,310</b>	<b>1,615</b>	<b>1,871</b>	<b>2,259</b>	<b>2,779</b>
ST. Bank loan	-	-	-	-	-
Payables	9	35	25	34	44
Other current Liability	33	33	33	33	33
<b>Total Current Liability</b>	<b>42</b>	<b>68</b>	<b>58</b>	<b>67</b>	<b>77</b>
LT. Debt	-	-	-	-	-
Other LT Liabilities	10	9	9	9	9
<b>Total Liabilities</b>	<b>51</b>	<b>77</b>	<b>66</b>	<b>76</b>	<b>86</b>
Minority Interest	6	2	2	2	2
<b>Total Equity</b>	<b>1,258</b>	<b>1,539</b>	<b>1,805</b>	<b>2,183</b>	<b>2,693</b>

Cash Flow					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Net Profit	34	160	280	398	537
D&A	124	128	166	190	222
Changes in Working Capital	-	-	-	-	-
<b>Operating Cash Flow</b>	<b>52</b>	<b>188</b>	<b>417</b>	<b>570</b>	<b>737</b>
Capital Expenditure	(12)	11	(15)	(21)	(28)
Others	26	(1)	(160)	(178)	(237)
<b>Investing Cash Flow</b>	<b>14</b>	<b>10</b>	<b>(175)</b>	<b>(199)</b>	<b>(265)</b>
Net - Borrowing	-	-	-	1	2
Other Financing	(104)	124	(14)	(20)	(27)
<b>Financing Cash Flow</b>	<b>(104)</b>	<b>124</b>	<b>(14)</b>	<b>(20)</b>	<b>(27)</b>
<b>Net - Cash Flow</b>	<b>(38)</b>	<b>322</b>	<b>228</b>	<b>351</b>	<b>445</b>
Cash at beginning	121	83	405	633	984
Cash at ending	83	405	633	984	1,429

Key Ratios					
Y/E Dec	21A	22A	23F	24F	25F
Gross Profit Margin (%)	56.6	70.3	74.3	74.4	74.8
Operating Margin (%)	26.6	44.2	48.2	48.3	48.7
EBITDA Margin (%)	78.0	73.4	74.3	73.7	73.3
Pre-Tax Margin (%)	19.8	46.8	51.8	53.4	54.4
Net Profit Margin (%)	13.2	36.6	40.6	41.8	42.6
Debt to Equity (%)	-	-	-	-	-
Net Gearing (%)	-	-	-	-	-

Major Assumptions					
	21A	22A	23F	24F	25F
Digital Growth	224%	-65%	212%	14%	14%
Movies Volume	1	6	8	11	14
Sponsorship Revenue	1.5	50.0	100	105	110

## Peers Comparison

Ticker	Name	Market Cap (USDbn)	EV/EBITDA		P/E		P/BV	
			2023	2024	2023	2024	2023	2024
FILM IJ Equity	MD PICTURES TBK PT	1,169	33.5	23.9	63.5	44.7	9.9	8.1
SCMA IJ Equity	Surya Citra Media PT	885	7.3	6.3	9.8	9.0	1.6	1.4
MNCN IJ Equity	MEDIA NUSANTARA CITRA PT	597	2.7	2.5	3.6	3.2	0.4	0.4
<b>Local Average</b>			<b>17.8</b>	<b>13.2</b>	<b>32.1</b>	<b>23.4</b>	<b>5.0</b>	<b>4.1</b>
NFLX US Equity	NETFLIX INC	150,621	21.2	17.2	29.5	23.5	6.1	4.9
DIS US Equity	WALT DISNEY CO/THE	183,450	15.2	12.7	24.7	18.4	1.8	1.7
CMCSA US Equity	COMCAST CORP-CLASS A	161,812	7.1	6.9	10.5	9.3	1.9	1.8
PGRE US Equity	PARAMOUNT GROUP INC	999	13.2	13.3	65.7	n.a	0.3	0.3
IQ US Equity	IQIYI INC-ADR	6,445	18.8	14.3	20.1	13.5	6.0	3.9
AMZN US Equity	AMAZON.COM INC	1,023,906	12.5	10.2	74.7	41.0	5.7	4.4
WBD US	WARNER BROS DISC	36,364	7.4	6.8	21.8	10.4	0.8	0.8
<b>Global Average</b>			<b>13.0</b>	<b>10.8</b>	<b>56.4</b>	<b>32.5</b>	<b>4.7</b>	<b>3.8</b>

Source: Company, SSI Research

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