

SELL (From HOLD)

Target Price (IDR) 130 (from 220)
Potential Upside (%) (18.8)

Price Comparison

Cons. Target Price (IDR)	313
SSI vs. Cons. (%)	41.5

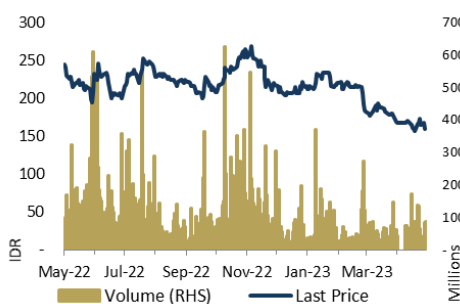
Stock Information

Last Price (IDR)	160
Shares Issued (Mn)	73,971
Market Cap. (IDR Bn)	11,390
52-Weeks High/Low (IDR)	278/154
3M Avg. Daily Value (IDR Bn)	12.4
Free Float (%)	24.3
Shareholder Structure:	
Elang Mahkota Teknologi (%)	61.1
Publik (%)	24.5
Saham Treasuri (%)	14.4

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	(25.2)	(8.9)	(30.0)	(37.4)
JCI Return	(2.5)	(2.1)	(3.2)	1.2
Relative	(22.7)	(6.8)	(26.8)	(38.6)

Stock Price & Volumes, 12M



Company Background

PT Surya Citra Media Tbk owns two national-scale FTA TV stations; SCTV and IVM. In addition, SCMA also owns a stake in Vidio.com, an OTT platform. SCMA also has other media businesses, including OOH (Out-Of-Home) business called EYE, a production house (Sinemart), and a news portal called KLY (Kapan Lagi Youniverse).

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It's All Downhill From Here

1Q23 review: Way short of estimates. SCMA booked a flat top line of IDR 1.5 trillion in 1Q23 (-0.4% yoy) on the back of lower FTA revenue (IDR 1.2 trillion, -6% yoy). Apart from the flat top line, SCMA also posted a lower GPM than in 1Q22 (37%, -1,100 bps), while its OPM plunged to 4% (-2,000 bps) due to the spike in opex of +36% yoy to IDR 495 billion and the reconciliation of FX-related expenses into its opex. Lastly, SCMA posted an EBITDA of IDR 122.7 billion (-72% yoy) and a bottom line of IDR 63 billion (-78% yoy), reaching 10% of our estimates and 5% of consensus.

FTA might decline further due to weak macro environment and analog switch-off (ASO). According to Nielsen, SCMA prevails in market share, with an audience share of 30.3% in April 2023 (post-ASO-related restatement). Despite the large audience share, we believe it is not reflective in terms of ads revenue, as most media companies might take a hit due to weak macro environment and the switch to digital media. Also, almost 78% of SCMA's revenue comes from traditional FTA revenue, while digital and OOH only contribute 16% of its total revenue (for comparison, the digital segment of MNCN [SCMA's direct competitor] contributes 26% of the company's top-line through RCTI+). Right now, SCMA is banking heavily on Vidio; however, considering the high production cost for OTT, we think SCMA's margins will deteriorate further to around 35% (GPM). Furthermore, the cost amortization of the World Cup license will also bring EBITDA margins down in the forthcoming quarters, so we see no short-to-midterm upside for the company.

Forecast downgrade due to potential headwinds. Considering the limited upside from FTA (due to lower audience retention after the 2022 World Cup) and the possibility of further decline in margins due to higher broadcasting and programming costs, we downgraded SCMA's 2023 earnings forecast to IDR 325 billion (-71.4%) and 2024 to IDR 364 billion (-72.9%). Our GPM forecast is 36%, relatively the same as the actual figure in 4Q22, when media revenue started to go down while broadcasting and programming costs spiked due to ASO. In line with our earnings forecast, we also reduced our EBITDA forecast by 61.9% to IDR 705 billion (2023) and 60.5% to IDR 762 billion (2024).

Downgrade to SELL, TP of IDR 130. In light of the decline in its FTA revenue and the possibility of further decline in margins, coupled with the limited upside from Vidio, we downgrade our rating for SCMA to SELL with a TP of IDR 130, reflecting 29.8x FY23F P/E (+0.5 SD of its 5-year P/E, 7x premium to its closest competitor, MNCN).

Main Upside: Higher-than-expected FTA growth. improved margins.

Forecast and Valuations (@ IDR 160 per share)

Y/E Dec	21A	22A	23F	24F	25F
Revenue (IDR Bn)	5,930	7,133	6,410	6,948	7,527
EBITDA (IDR Bn)	1,913	1,300	702	762	827
EV/EBITDA (x)	6.5	9.3	17.3	15.9	14.7
Net Profit (IDR Bn)	1,347	846	325	364	403
EPS (IDR)	18	11	4	5	5
EPS Growth (%)	17.4	(37.2)	(61.7)	12.0	10.9
P/E Ratio (x)	8.8	14.0	36.5	32.5	29.3
BVPS (IDR)	101	118	122	127	133
P/BV Ratio (x)	1.6	1.4	1.3	1.3	1.2
DPS (IDR)	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-
ROAE (%)	23.7	10.5	3.7	3.9	4.2
ROAA (%)	16.2	8.1	2.9	3.2	3.4
Interest Coverage (x)	37.3	32.7	36.0	39.0	42.3
Net Gearing (%)	NC	NC	NC	NC	NC

Figure 1. EPS Growth Forecast

PT Surya Citra Media Tbk. (SCMA IJ)								
(IDR Bn)	1Q22	4Q22	1Q23	QoQ (%)	YoY (%)	3M22	3M23	YoY (%)
Revenue	1,535	2,181	1,529	-30%	0%	1,535	1,529	0%
Operating Profit	361	36	65	81%	-82%	361	65	-82%
EBITDA	403	141	114	-19%	-72%	403	114	-72%
Net Profit	285	16	63	294%	-78%	285	63	-78%
Operating Margin (%)	24%	2%	4%	260	-1,927	24%	4%	-1,927
EBITDA Margin (%)	26%	6%	7%	99	-1,880	26%	7%	-1,880
Net Margin (%)	19%	1%	4%	339	-1,445	19%	4%	-1,445

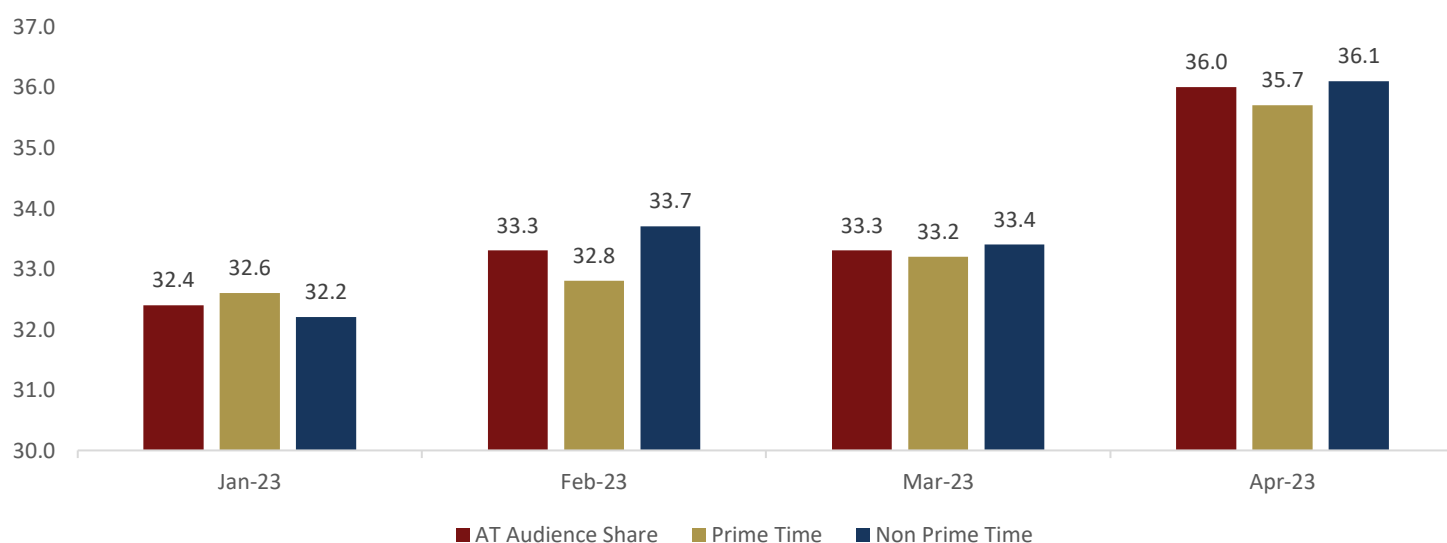
Source: Company, SSI Research

Figure 2. Forecast Changes

	New		Old		Change (%)	
	23F	24F	23F	24F	22F	23F
Revenue (IDR Bn)	6,410	6,948	6,914	7,463	(7.3)	(6.9)
Operating Profit (IDR Bn)	500	556	2,408	2,862	(79.2)	(80.6)
EBITDA (IDR Bn)	702	762	1,844	1,927	(61.9)	(60.5)
Net Profit (IDR Bn)	325	364	1,133	1,343	(71.4)	(72.9)
BVPS (IDR)	122	127	121	133	1.0	(4.4)
EV/EBITDA (x)	18.5	17.1	8.6	8.2	115.6	108.3
P/E Ratio (x)	39.2	35.0	11.0	9.3	257.3	278.0
P/BV Ratio (x)	1.4	1.4	1.4	1.3	(0.4)	5.3

Source: Company, SSI Research

Figure 3. SCMA's Monthly Audience Share (Post Restated)



Source: Nielsen

Figure 4. Revenue Mix and Growth

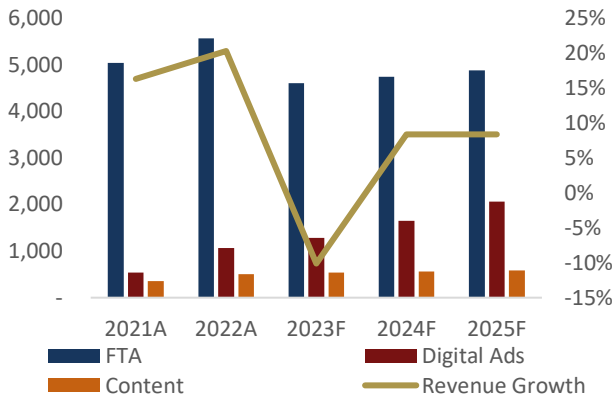
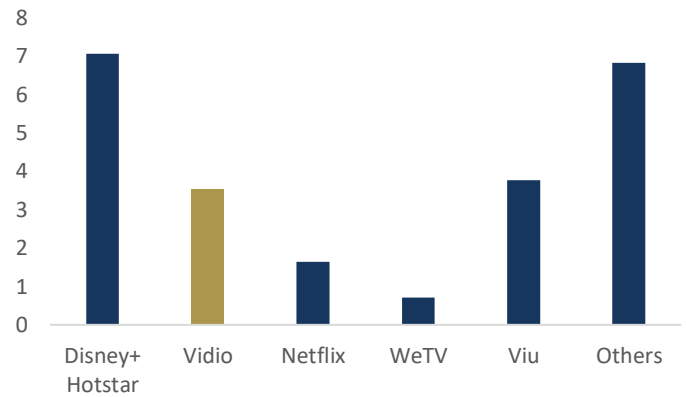


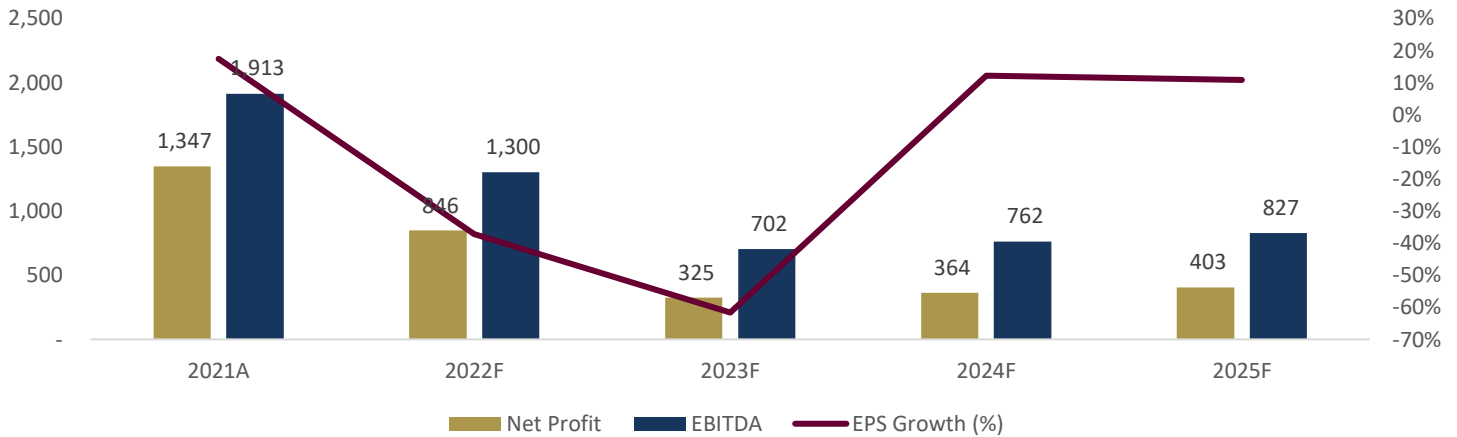
Figure 5. OTT Users Comparison (in millions)



Source: Company, SSI Research

Source: Company, SSI Research

Figure 6. Net Profit Forecast



Source: Nielsen

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	5,930	7,133	6,410	6,948	7,527
Cost of revenue	(2,887)	(4,430)	(4,076)	(4,404)	(4,758)
Gross Profit	3,044	2,702	2,334	2,544	2,769
SGA Expense	(1,291)	(1,600)	(1,834)	(1,988)	(2,154)
Operating Profit	1,752	1,102	500	556	616
EBITDA	1,913	1,300	702	762	827
Other Income (Expense)	-	-	-	-	-
Finance Expense	(51)	(40)	(20)	(20)	(20)
Pre-tax profit	1,726	1,095	508	571	634
Income Tax	388	415	193	216	241
Profit for Period	1,338	680	315	354	394
Minority Interest	9	166	9	9	9
Net Profit	1,347	846	325	364	403

Balance Sheet					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Cash & equivalents	3,232	2,331	2,972	3,317	3,686
Receivables	1,953	2,292	2,060	2,233	2,419
Others	1,476	3,006	2,919	3,000	3,088
Total Current Asset	6,660	7,629	7,951	8,550	9,193
Net Fixed Asset	1,547	1,664	1,540	1,422	1,309
Other Non-Current Asset	1,707	1,666	1,666	1,666	1,666
Total Asset	9,913	10,959	11,157	11,638	12,167
ST. Bank loan	1	295	295	295	295
Payables	1,436	1,581	1,455	1,572	1,698
Other current Liability	261	207	207	207	207
Total Current Liability	1,698	2,083	1,957	2,074	2,200
LT. Debt	606	3	3	3	3
Other LT Liabilities	149	164	164	164	164
Total Liabilities	2,452	2,250	2,123	2,240	2,367
Minority Interest	1,073	1,166	1,166	1,166	1,166
Total Equity	6,388	7,543	7,868	8,231	8,635

Cash Flow					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Net Profit	1,347	846	325	364	403
D&A	161	198	202	206	211
Changes in Working Capital	(183)	(1,507)	193	(137)	(148)
Operating Cash Flow	1,325	(462)	720	433	466
Capital Expenditure	(231)	(302)	(78)	(88)	(98)
Others	(25)	(433)	-	-	-
Investing Cash Flow	(256)	(736)	(78)	(88)	(98)
Net - Borrowing	(715)	(309)	-	-	-
Other Financing	2,165	519	-	-	-
Financing Cash Flow	1,450	209	-	-	-
Net - Cash Flow	2,519	(989)	642	345	369
Cash at beginning	677	3,232	2,331	2,972	3,317
Cash at ending	3,196	2,244	2,972	3,317	3,686

Key Ratios					
Y/E Dec	21A	22A	23F	24F	25F
Gross Profit Margin (%)	51.3	37.9	36.4	36.6	36.8
Operating Margin (%)	29.6	15.4	7.8	8.0	8.2
EBITDA Margin (%)	32.3	18.2	11.0	11.0	11.0
Pre-Tax Margin (%)	29.1	15.4	7.9	8.2	8.4
Net Profit Margin (%)	22.7	11.9	5.1	5.2	5.4
Debt to Equity (%)	8.1	3.4	3.3	3.2	3.0
Net Gearing (%)	(35.2)	(23.3)	(29.6)	(32.1)	(34.6)

Major Assumption					
	21A	22A	23F	24F	25F
AT Audience Share (%)	34.0	34.0	34.0	34.0	34.0
Vidio Subs Revenue (IDRbn)	476	774	1,173	1,540	1,944
Overall AdEx Growth (%)	12.5	6.3	6.4	4.4	4.0
Rate Card Hike (%)	26.4	10.5	2.0	3.0	3.0

Peers Comparison

Ticker	Market Cap (IDR Tn)	YTD Chg. (%)	Total Equity (IDR Tn)		ROE (%)		PBV (x)		PE (x)		EPS Growth (%)	
			FY22	FY22	23F	24F	23F	24F	23F	24F	23F	24F
SCMA	11.8	-35.0	9	11	16.5	18.5	1.4	1.3	8.9	7.2	18.0	22.3
FILM	15.8	44.4	2	2	16.7	20.0	9.9	8.1	64.0	45.0	75.0	42.0
MNCN	9.0	-36.2	20	22	12.6	11.5	0.4	0.4	3.5	3.2	167.5	184.5
Average					15.6	17.4	4.8	4.0	31.4	22.5	79.2	70.5

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

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