

BUY (Maintain)

Target Price (IDR) 7,000 (from 5,500)
Potential Upside (%) 63.6

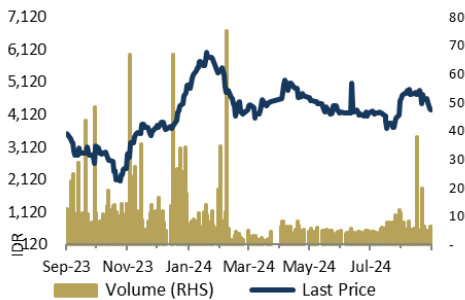
Stock Information

Last Price (IDR)	4,280
Shares Issued (Mn)	9,511
Market Cap. (IDR tn / USD bn)	40.7/2.6
52-Weeks High/Low (IDR)	6,250/2,040
3M Avg. Daily Value (IDR bn / USD mn)	27.6/1.8
Free Float (%)	31.3
Shareholders:	
MD Global Investments (%)	50.5
Manoj Dhamoo Punjabi & Family (%)	17.7
Morgan Stanley & Co Intl Plc (%)	14.6
Public (%)	17.2

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	6.1	(9.1)	0.2	19.0
JCI Return	7.2	6.0	14.1	12.4
Relative	(1.2)	(15.1)	(13.9)	6.6

Stock Price & Volumes, 12M



Background of Associated Companies

MD Pictures Tbk, established in 7 December 2002 and listed on 7 August 2018, is Indonesia's largest movie production house with business activities including filmmaking, either by itself or in collaboration with other studios. It also conducts marketing and sales activities through a network of cinemas, free-to-air TV, home videos and digital media.

Net Visi Media TBK (NETV), established on 18 May 2013 and listed on 26 January 2022, is a digital media company based in Indonesia. Focusing on entertainment, news and lifestyle content, NETV creates and distributes media content through platforms like free-to-air TV (1.5% audience share) and digital media channels.

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Love is in the Air

Attractive acquisition of 80% NETV with minimal cash outlay of IDR 599 bn. FILM's purchase of NETV, an Indonesian nationwide FTA TV station, is an attractive acquisition that allows for content distribution, broader viewership and potential venture into the lucrative OTT business. In this regard, FILM's growth strategy is to issue the first NPR of IDR 661.9 bn in new shares to PSG and TI, in exchange for 1.3% PSG ownership in FILM post-acquisition and TI of 0.4%. With this transaction, FILM will acquire 75% of Newton Capital Ltd's debt receivables in NETV valued at IDR 661.9 bn, and will then be converted into 13.2 bn shares at IDR 25/share (pre-reverse split). This is followed by a second NPR of 781 mn shares issued for expansions, working capital requirements and purchase 19.3% of NETV's existing shareholders (SLM, IIH, and TI). Cashwise, FILM plans to acquire 11.9 bn Series B shares of NETV for IDR 599.1 bn (USD 38.4 million), resulting in 28.7% ownership, implying IDR 50 purchase price, equal to IDR 25 pre-reverse split (current price: IDR 85). The rest of the transaction is funded by share swaps, bringing total ownership in NETV to 80%.

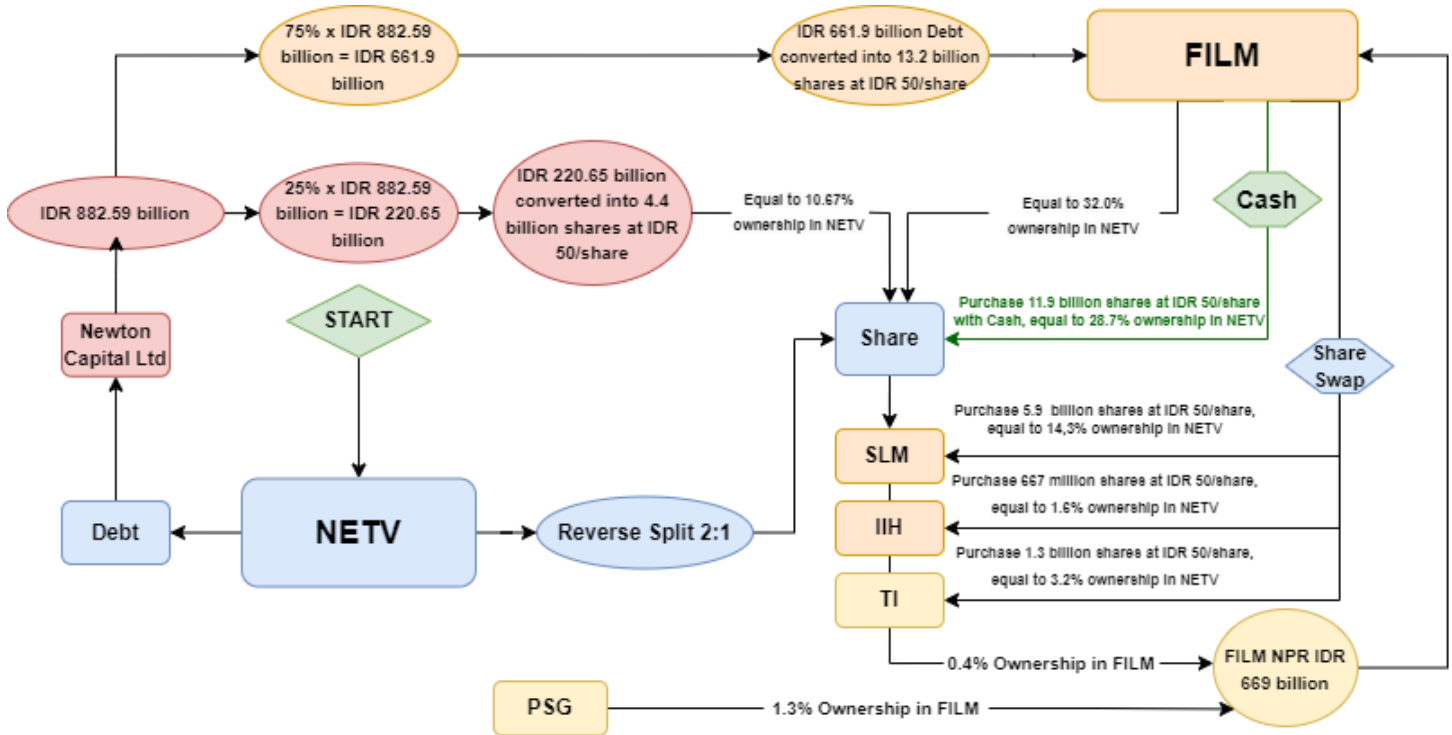
Plenty of synergies for growth creation in FILM and NETV going forward. With FILM now at the helm and NETV's debt-free balance sheet, operations are likely to experience significant changes and improvements in the future. The acquisition provides FILM access to directly roll out its contents through television; on the flipside, this should boost NETV's current 1.5% audience share and raise competitiveness against other FTA players. Additionally, acquiring NETV provides FILM with strategic advantages, paving the way for potential expansion into its own OTT platform, which would broaden viewership and drive future earnings growth.

Reiterate BUY and raise TP to IDR 7,000. Given that this growth-enhancing acquisition provides positive catalysts for equity investors, we maintain our BUY call on FILM with new TP of IDR 7,000 (DCF-based), factoring the potential FY25F FTA revenue of IDR 332 bn (USD 21.3 mn) and 35% higher EBITDA margin, in line with industry average from 1.4% at present. Further upside exists as our new TP has not factored in FILM's potential successful venture into OTT allowing for higher valuation. Downside risk: Acquisition plan is pending 50%+1 shareholders' approval on 4 October 2024 EGM.

Forecast and Valuations (@ IDR 4,280 per share)

Y/E Dec	22A	23A	24F	25F	26F
Revenue (IDR Bn)	437	370	490	990	1,340
EBITDA (IDR Bn)	321	243	317	652	884
EV/EBITDA (x)	143	188	143	70	51
Net Profit (IDR Bn)	160	97	145	253	340
EPS (IDR)	17	10	15	27	36
EPS Growth (%)	375	(40)	50	74	35
P/E Ratio (x)	289	478	319	183	136
BVPS (IDR)	162	171	215	241	277
P/BV Ratio (x)	30.0	28.4	22.6	20.1	17.5
DPS (IDR)	0	0	0	0	0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
ROAE (%)	11.4	6.1	7.9	11.7	13.8
ROAA (%)	10.9	5.8	7.5	10.9	12.6
Interest Coverage (x)	-	-	-	-	-
Net Gearing (x)	NC	NC	NC	NC	NC

Figure 1. FILM & NETV Deal Flowchart



Sources: Company, SSI Research

Figure 2. DCF Valuation

DCF Valuation (IDRbn)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	Terminal Value
EBIT	281	387	578	904	1,321	1,868	2,574	3,479	4,630	5,991	
EBIT (1-T)	220	302	451	705	1,031	1,457	2,008	2,714	3,611	4,673	
D&A	156	197	252	263	278	298	323	356	396	446	
Chg. In WC	(2)	(7)	(8)	(15)	(25)	(33)	(43)	(56)	(71)	(90)	
Capex	(339)	(461)	(118)	(163)	(213)	(274)	(347)	(434)	(538)	(663)	
Net FCF	35	31	577	791	1,070	1,447	1,941	2,580	3,398	4,366	145,179
Discount Factor	0.9	0.8	0.8	0.7	0.6	0.6	0.5	0.5	0.4	0.4	0.4
PV of FCFF	32	26	438	548	677	835	1,022	1,239	1,489	1,746	58,049
Sum of FCF	66,101										
(-) Total Debt	-										
(-) Minority Interest	0										
(+) Cash	880										
Equity Value	66,981										
Equity Value (IDRbn)	66,981										
Shares Outstanding	10										
Price per Share (IDR)	7,000										

Sources: Bloomberg, S&P Capital IQ, SSI Research

Figure 3. FILM Ownership Structure (%)

Entity	Pre-NETV Acquisition	Post-NETV Acquisition
MD Global Investments	50.5	49.6
Manoj Dhamoo Punjabi	17.8	17.5
Permata Surya Gitatama	-	1.3
Teladan Investama	-	0.4
Morgan Stanley and Co Intl Plc	14.6	14.4
Public	17.1	16.7
Total	100.0	100.0

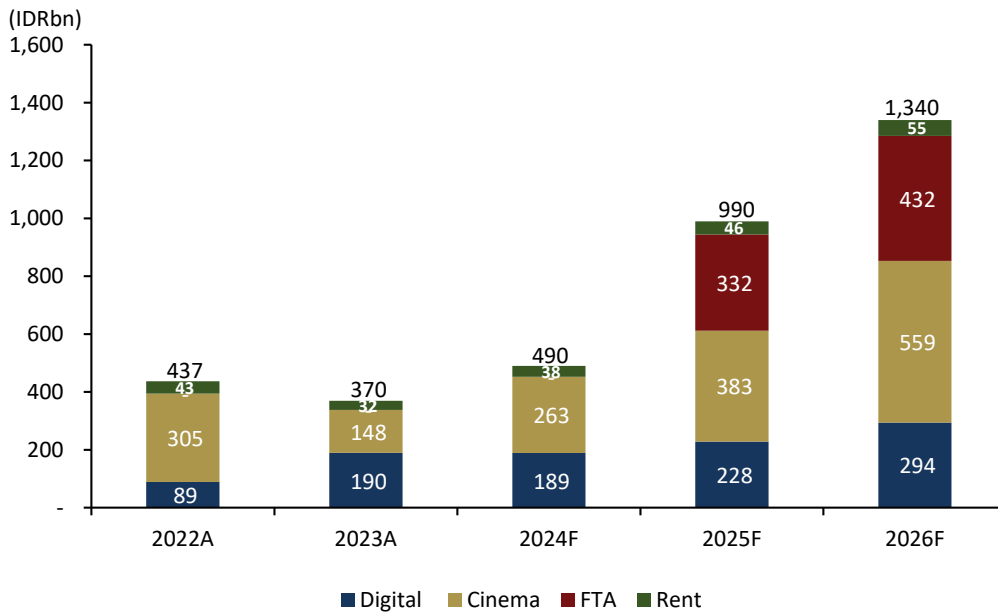
Sources: Company

Our DCF valuation yields TP of IDR 7,000 by utilizing WACC of 8.4% and terminal growth of 5%; in addition, we included new FTA revenue of IDR 332 bn (USD 21.3 mn) from NETV acquisition with EBITDA margin assumption of 35%, in-line with industry average

Step 1: Through a non pre-emptive rights issue, PSG and TI will become shareholders in FILM with IDR 661.9 bn (USD 424 mn) investment

Step 2: FILM will purchase NETV's debt of IDR 661.9 bn which will then be converted into 13.2 bn shares at nominal value of IDR 50

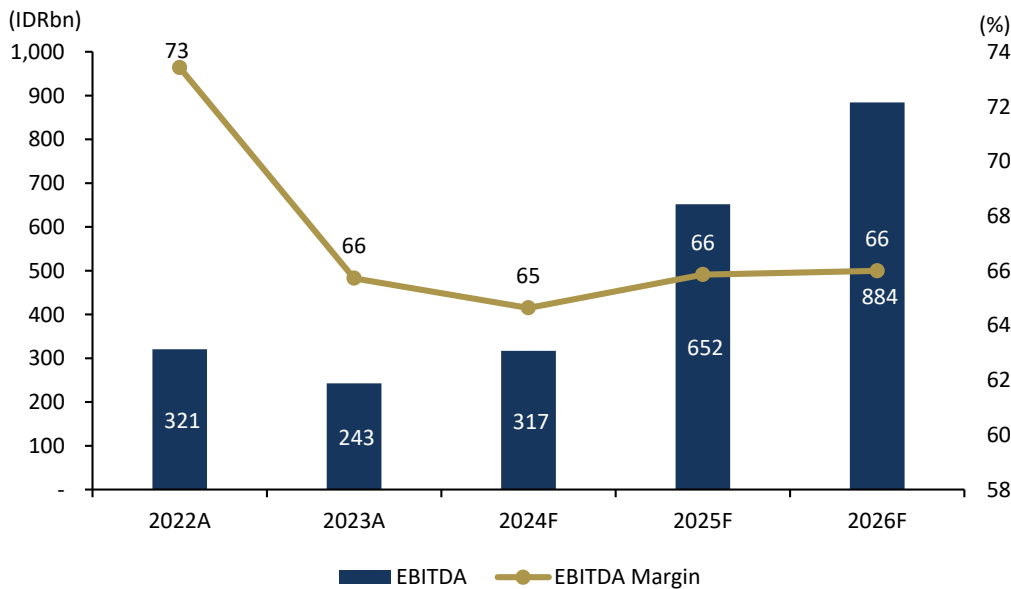
Figure 4. Revenue Breakdown



FY24F revenue of IDR 490 bn (+33% YoY), of which 54% of total revenue stemmed from cinema; NETV-related FTA revenue is expected to begin in FY25F, bringing total revenue to IDR 990 bn (+102% YoY)

Sources: Company, SSI Research

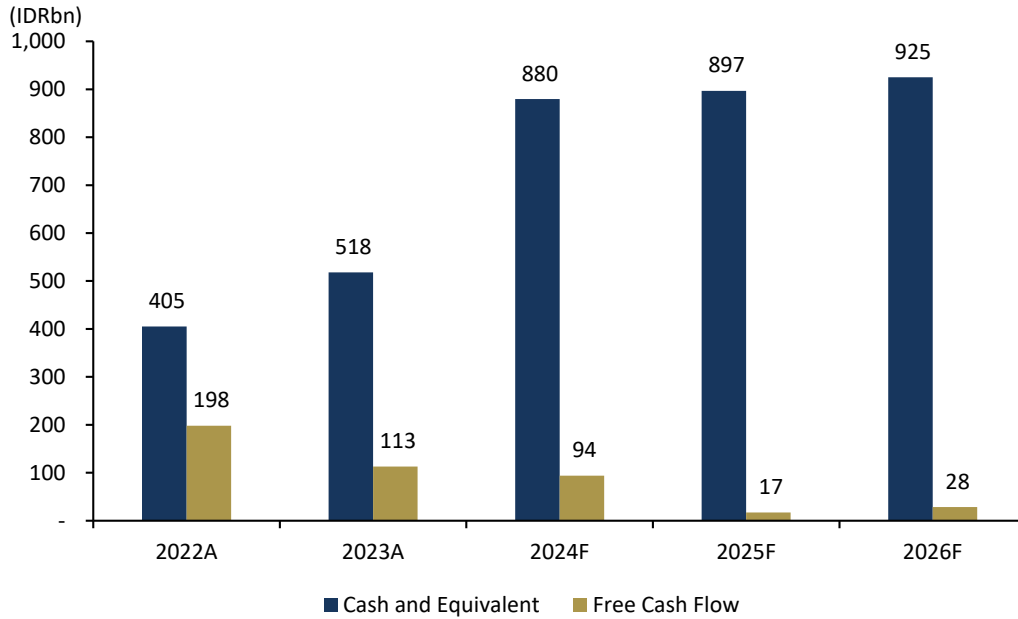
Figure 5. EBITDA & EBITDA Margin



FY24F EBITDA of IDR 317 bn (+30% YoY) before growing to IDR 652 bn (+106% YoY) in FY25F, thanks to FTA EBITDA of IDR 117 bn, with a blended EBITDA margin of 66%

Sources: Company, SSI Research

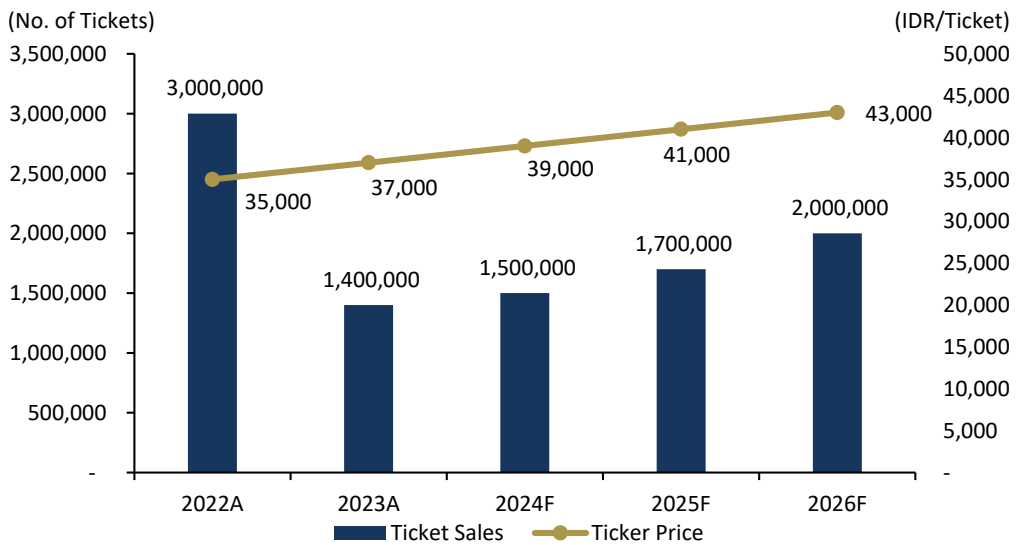
Figure 6. Cash & Free Cashflow



Positive free cashflow resulted from optimal capital structure, relatively low capex, and high margins

Sources: Company, SSI Research

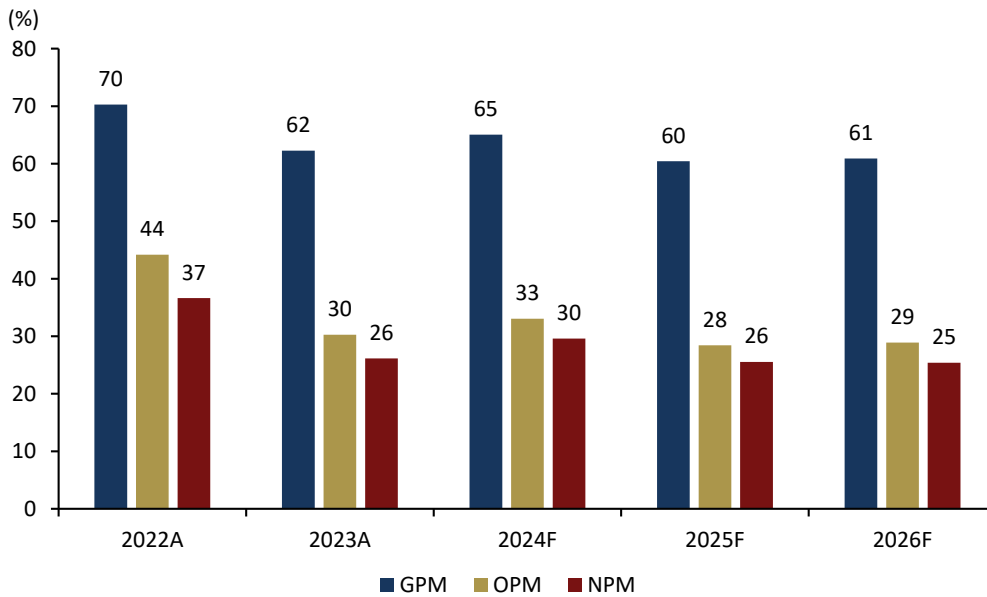
Figure 7. Cinema Ticket Sales & Price Assumptions



Ticket sales to grow at 11% CAGR for the next five years, driven by expanded content distribution and growing demand, as well as preference for high quality Indonesian movies

Sources: Company, SSI Research

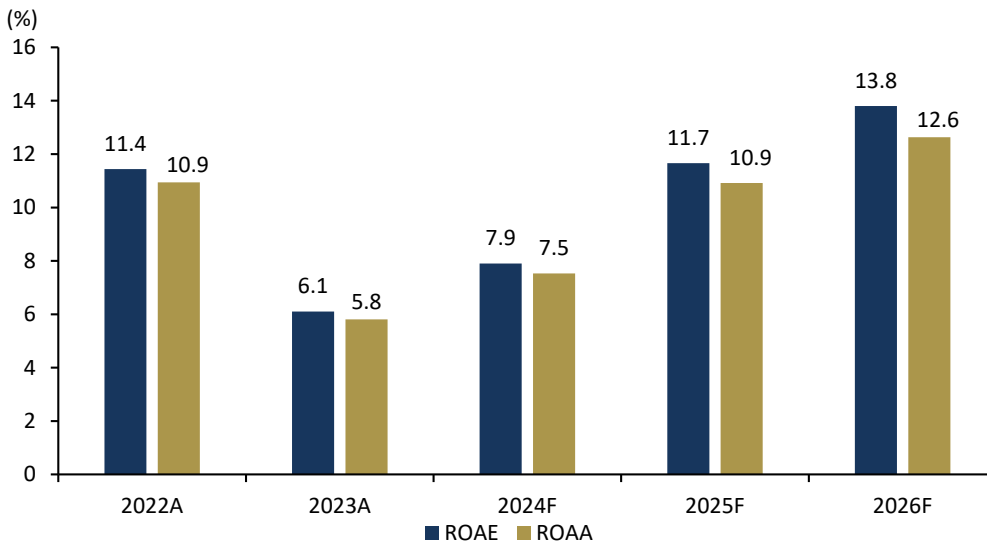
Figure 8. Profitability Margins



Favorable margins are attributable to expanded content distribution to OTT and FTA, which should yield higher blended margins

Sources: Company, SSI Research

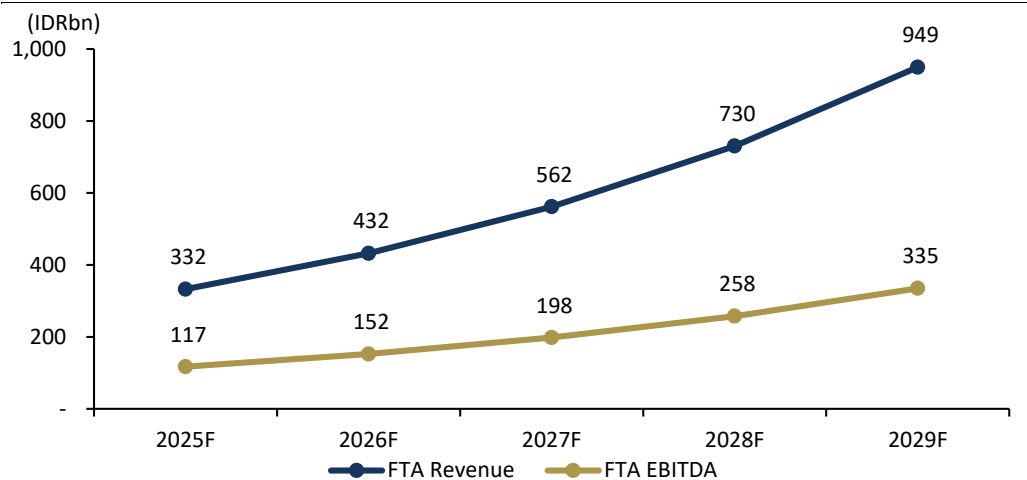
Figure 9. ROAA & ROAE



Favorable margins and optimal capital structure yield relatively attractive FY24F ROAE of 7.9% and ROAA of 7.5%, while additional FTA revenue should help boost FY25F ROAE and ROAA even further to 11.7% and 10.9%

Sources: Company, SSI Research

Figure 10. FTA Revenue & EBITDA



Sources: Company, SSI Research

The FTA segment is expected to start contributing in FY25 with revenue of IDR 332 bn, assuming 5% growth from NETV's annualized FY24F revenue; The FTA business is projected to book FY25F EBITDA of IDR 117 bn, reflecting 18% EBITDA margin, in line with the industry average

Figure 11. NETV Ownership Structure (%)

NETV Ownership Structure		
Entity	Pre-acquisition	Post Acquisition (Post Reverse Split)
SLM	59.6	2.6
IIH	7.7	0.6
SBR	8.7	2.5
TI	11.8	0.2
Public	12.2	3.4
NCL	0.0	10.7
FILM	0.0	80.1
Total	100.0	100.0

Sources: Company, SSI Research

NETV to issue 13.24 bn Series B shares at IDR 50 per share; FILM to purchase 11.98 bn of these shares for IDR 599.10 bn; NETV's rights issue indicates TERP of IDR 93; Newton Capital Ltd's remaining 25% debt receivables of IDR 220 bn will be converted to 4.4 bn shares, reflecting 10.7% ownership in NETV

Key Financial Figures

Profit and Loss					
Y/E Dec (IDR Bn)	22A	23A	24F	25F	26F
Revenue	437	370	490	990	1,340
Cost of revenue	(130)	(139)	(171)	(392)	(524)
Gross Profit	307	230	319	598	816
SGA Expense	(114)	(118)	(157)	(317)	(429)
Operating Profit	193	112	162	281	387
EBITDA	321	243	317	652	884
Net Interest Income	5	12	16	26	27
Other Income (Expense)	6	1	5	11	15
Pre-tax profit	204	125	183	319	429
Income Tax	(48)	(30)	(40)	(70)	(94)
Profit for Period	156	95	143	249	334
Minority Interest	4	1	2	4	6
Net Profit	160	97	145	253	340

FY25F EBIT is projected to reach IDR 281 bn (+74% YoY) reflecting 37% EBIT margin on the back of FTA addition; huge cash position should also boost net interest income to IDR 26 bn in FY25F

Balance Sheet					
Y/E Dec (IDR Bn)	22A	23A	24F	25F	26F
Cash & equivalents	405	518	880	897	925
Receivables	53	37	50	102	138
Others	46	74	98	198	268
Total Current Assets	504	629	1,028	1,197	1,331
Net Fixed Assets and Film Assets	1,018	997	1,023	1,205	1,469
Other Non-Current Assets	93	87	89	90	92
Total Assets	1,615	1,713	2,140	2,493	2,893
ST. Bank loan	-	-	-	-	-
Payables	35	31	38	87	116
Other current Liability	33	32	40	91	122
Total Current Liability	68	63	78	178	238
LT. Debt	-	-	-	-	-
Other LT Liabilities	4	4	4	5	5
Total Liabilities	77	84	98	199	259
Minority Interest	2	(0)	(0)	(0)	(0)
Total Equity	1,539	1,629	2,042	2,295	2,635

The IDR 661 bn of debt will not be booked post NETV acquisition, instead it would be converted into 11.98 bn shares in NETV with nominal value of IDR 50

Cash Flow					
Y/E Dec (IDR Bn)	22A	23A	24F	25F	26F
Net Profit	160	97	145	253	340
D&A	128	131	137	156	197
Changes in Working Capital	(100)	(106)	(24)	(52)	(46)
Operating Cash Flow	188	121	258	358	491
Capital Expenditure	11	4	(162)	(339)	(461)
Others	(1)	(12)	(2)	(2)	(2)
Investing Cash Flow	10	(8)	(164)	(340)	(463)
Net - Borrowing	124	-	267	-	-
Other Financing	(0)	-	(0)	(0)	(0)
Financing Cash Flow	124	-	267	(0)	(0)
Net - Cash Flow	322	113	362	17	28
Cash at beginning	83	405	518	880	897
Cash at ending	405	518	880	897	925

FY25F cashflow is expected to be negative due to the ST debt repayment; however, positive free cashflow will continue due to the business' high margin nature

Key Ratios					
Y/E Dec	22A	23A	24F	25F	26F
Gross Profit Margin (%)	70.3	62.3	65.0	60.4	60.9
Operating Margin (%)	44.2	30.3	33.0	28.4	28.9
EBITDA Margin (%)	73.4	65.7	64.6	65.9	66.0
Pre-Tax Margin (%)	46.8	33.8	37.3	32.2	32.0
Net Profit Margin (%)	36.6	26.2	29.6	25.5	25.4
Debt to Equity (%)	-	-	-	-	-
Net Gearing (%)	NC	NC	NC	NC	NC

Margins are anticipated to decline in FY25F as the FTA is in its early stages; however, in FY25-26F our margins could rise due to the implementation of OTT, offsetting the lower FTA margins

Major Assumptions					
	22A	23A	24F	25F	26F
Digital Growth (%)	(65)	131	6	21	29
Movies Volume (Units)	6	8	9	11	13
FTA Revenue (IDRbn)	-	-	-	332	432

Growth still stems from digital (21% of top-line) and cinema (46%); however, FTA top-line, expected to kick in FY25F, is projected to reach 34% of revenues

Peers Comparison

Company Ticker	Market Cap (USDmn)	EV/EBITDA		P/E		P/BV		P/S	
		2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F
FILM IJ Equity	2,643	119.8	58.7	253.2	135.1	24.4	20.9	90.5	44.7
SCMA IJ Equity	591	6.0	4.9	N/A	N/A	1.3	1.2	1.3	1.3
MNCN IJ Equity	320	2.2	1.9	1.9	1.8	0.2	0.2	0.6	0.6
Local Average		90.3	44.7	188.5	100.6	18.4	15.7	67.6	33.5
NFLX US Equity	300,995	28.8	23.9	36.4	30.5	12.9	10.6	7.8	6.9
DIS US Equity	163,912	12.1	11.4	18.3	17.5	1.6	1.5	1.8	1.7
CMCSA US Equity	153,235	6.5	6.5	9.5	9.0	1.8	1.6	1.2	1.3
PGRE US Equity	1,098	13.6	14.9	N/A	N/A	0.3	0.3	1.5	1.5
IQ US Equity	2,063	6.6	4.7	9.3	6.8	1.1	0.9	0.5	0.5
WBD US Equity	19,223	6.1	5.3	N/A	1,120.0	0.5	0.5	0.5	0.5
LGF/A US Equity	1,703	7.2	6.1	10.5	9.5	32.4	10.6	0.4	0.4
CNK US Equity	3,350	8.7	6.4	20.9	15.4	7.7	5.6	1.2	1.0
Global Average		18.3	15.8	24.1	54.3	7.0	5.8	4.4	4.0

Sources: Company, SSI Research

Compared to other media players, FILM, as reflected by strong public interest in the stock, offers greater growth opportunities from digital, FTA, and potentially OTT, justifying its high multiples

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