

# PT MNC Studios International Tbk (MSIN)

Company Update

September 3, 2018

## King of Drama Series

**The Largest Content Producer and Talent Management in Indonesia.** PT MNC Studios International Tbk (MSIN) is the largest content producer and talent management in Indonesia. MSIN is also a part of MNC Group which is the largest and integrated media group in Southeast Asia. MSIN is the main supplier of content for 4 MNC Group's FTA TV (RCTI, MNC TV, GTV & iNews). MSIN currently produces content such as Drama Series, Infotainment, Game Shows and Reality Shows, Movies and more.

**Aiming for IDR 1.6trn Revenue in 2018F.** MSIN's business performance in this year has already exceeded the company's target due to their top rating performance in its drama series production. As of July 2018, 4 drama series produced by MSIN rated at top 10 TV Program according to Nielsen. This condition eventually made MSIN's Revenue, EBITDA and Net Profit in 1H2018 successfully exceeded the company's 1H2018 target. In the 1H2018 MSIN's Revenue reach IDR 740bn, above 1H2018 target at IDR 727bn or increased by 45%yoy, while EBITDA reach IDR 176bn or up by 83%yoy, above target at IDR 146bn and Net Profit reach IDR 114bn, above target at IDR 95bn. Based on this achievement, MSIN aims to get IDR 1.6trn revenue by the end of 2018 or up by 44%yoy. To pursue this target, MSIN plans to produce 4 – 6 hours additional programs per day for RCTI and MNC TV in 2H2018 period.

**Movie Land Project Development in Lido for Long Term Strategy Expansion.** For long term strategy expansion, MSIN plans to allocate investment amounted IDR 275bn for Movie Land project development in Lido, Bogor. MSIN plans to use this area for shooting location of a variety of programs. MSIN also believes that this facility will also help the company to reduce production cost. Currently, MSIN is still finalizing the design plan. This project is expected to be finished at year 2020 and will be commercially operated at 2021.

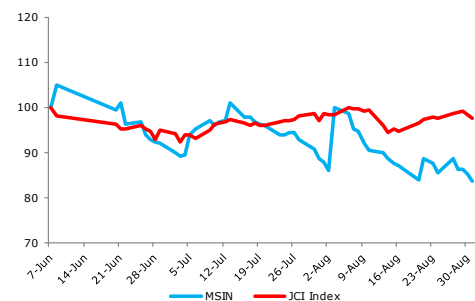
**Valuation.** In terms of Valuation, We view that MSIN is still cheap as Annualized PER of MSIN stands at 6.21x, still below PER industry average at 8.40x. This condition emphasize MSIN undervalue condition and space to grow.

Year to Dec.	Revenues (bn IDR)	OP (bn IDR)	Pre-tax (bn IDR)	NP (bn IDR)	EPS (IDR)	BPS (IDR)	PER (IDR)	EV/EBITDA (x)	PBR (x)	ROAE (%)
2015	523	27	29	21	-	-	-	-	-	11.3
2016	698	71	72	53	-	-	-	-	-	22.3
2017	1,112	157	162	121	-	-	-	-	-	34.7

## Not Rated

Current Price (IDR) (31/8)	448
<b>Target price (IDR)</b>	<b>N/A</b>
Upside/Downside (%)	N/A
52 Week High (IDR)	550
52 Week Low (IDR)	410
Major Shareholders:	
Media Nusantara Citra	70.01%
HSBC Fund Service	7.66%

## Stock Price Movement



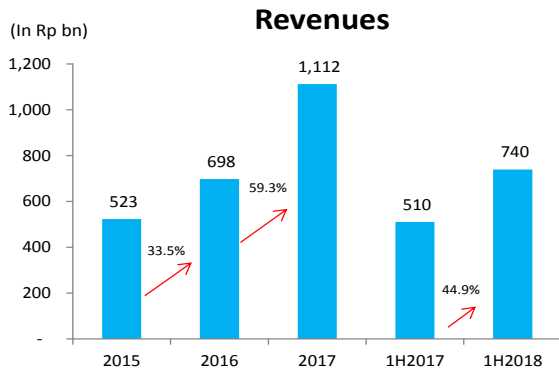
Source: Bloomberg, Shinhan Sekuritas Indonesia

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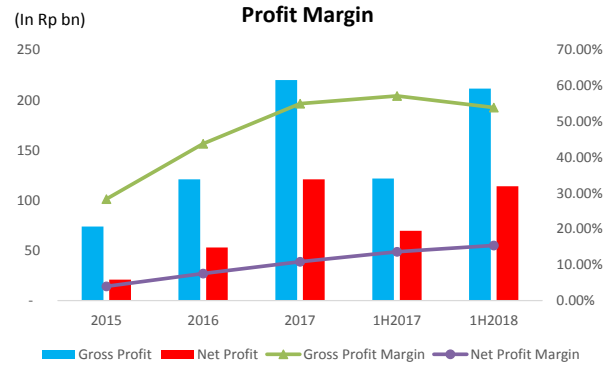
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### Strong Revenue growth



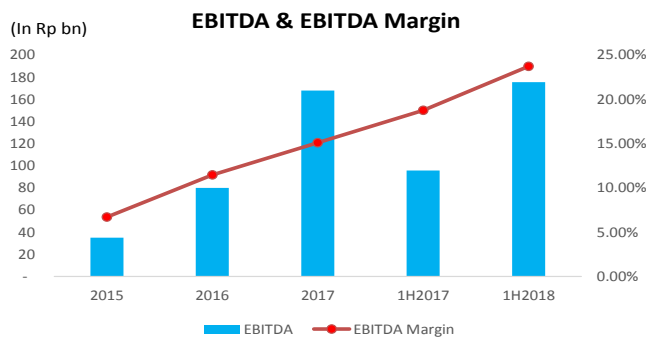
Source: Company, ShinhanSekuritas Indonesia

### Stable Profit Margin



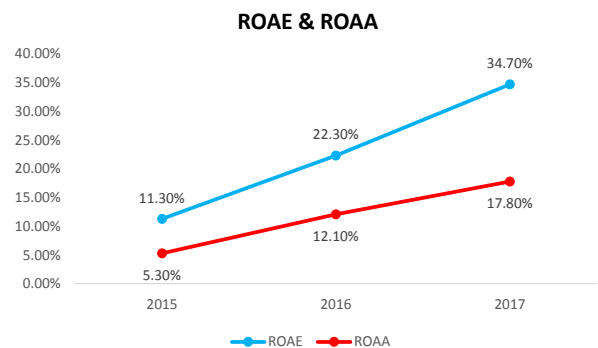
Source: Company, ShinhanSekuritas Indonesia

### Strong EBITDA & EBITDA Margin Growth



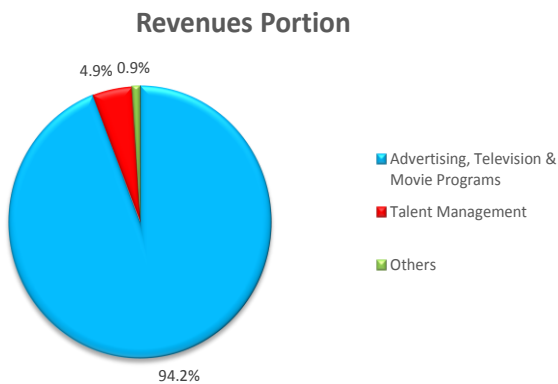
Source: Company, ShinhanSekuritas Indonesia

### Strong ROAE & ROAA Growth



Source: Company, ShinhanSekuritas Indonesia

### Content is The Main Revenue Driver



Source: Company, ShinhanSekuritas Indonesia

### Top Tier Rating in Drama Series Category

#### TV Programs July 2018

No	Station	Program	TVR	Share
1	RCTI	Cinta yang Hilang	5.1	20.0%
2	RCTI	Dunia Terbalik	4.6	20.5%
3	SCTV	Anak Langit	4.0	15.5%
4	SCTV	Orang Ketiga	3.8	20.2%
5	SCTV	Siapa Takut Jatuh Cinta	3.4	14.5%
6	RCTI	TOP Tukang Ojek Pengkolan	2.7	15.7%
7	SCTV	Seleb	2.7	13.4%
8	ANTV	Roy Kiyoshi Anak Indigo - Re-Run	2.3	14.3%
9	ANTV	Roy Kiyoshi Anak Indigo	2.3	9.5%
10	RCTI	Semua Indah Karena Cinta	2.2	15.0%

Source: Nielsen, ShinhanSekuritas Indonesia

### Income Statement

Year-end 31 Dec (Rpbn)	2015	2016	2017
Revenues	523	698	1,112
COGS	(450)	(577)	(892)
Gross profit	74	121	220
EBITDA	35	80	168
Operating expense	(46)	(50)	(63)
Operating profit	27	71	157
Pre-tax profit	29	72	162
Income tax - net	(8)	(19)	(41)
Net profit	21	53	121
EPS (Rp)	-	-	-

Source: Company, ShinhanSekuritas Indonesia

### Balance Sheet

Year-end 31 Dec (Rpbn)	2015	2016	2017
<b>Assets</b>			
Cash and equivalent	75	96	98
Receivables	269	215	252
Inventories	12	24	299
Others	9	38	58
<b>Total current assets</b>	366	374	706
Net fixed assets	25	25	69
Other assets	3	85	101
<b>Total assets</b>	395	484	876
<b>Liabilities and equities</b>			
Payables	200	181	441
Other Short-Term Liabilities	5	6	14
Total Current Liabilities	205	187	456
LT. debt	-	-	-
Other long term liabilities	5	7	11
<b>Total Liabilities</b>	210	194	467
Minority Interest	(0)	0	0
<b>Shareholders' equity</b>	184	289	409
BVPS (Rp)	N/A	N/A	N/A

Source: Company, ShinhanSekuritas Indonesia

### Valuation

Year-end 31 Dec (Rpbn)	2015	2016	2017
PER (x)	N/A	N/A	N/A
PBV (x)	N/A	N/A	N/A
EV/EBITDA (x)	N/A	N/A	N/A
EV/Revenues (x)	N/A	N/A	N/A
Dividend yield (%)	N/A	N/A	N/A

Source: Company, ShinhanSekuritas Indonesia

### Cashflow Analysis

Year-end 31 Dec (RpBn)	2015	2016	2017
<b>CFs from operation</b>			
Net profit	-	53	121
Change in NWC	-	(58)	(183)
<b>CFs from operation</b>	-	(5)	(62)
<b>CFs from investments</b>			
	-	(82)	(60)
<b>CFs from financing</b>			
	-	202	4
Net inc/(dec) in cash	-	21	1
<b>Cash at end period</b>	75	96	98

Source: Company, ShinhanSekuritas Indonesia

### Key Ratio Analysis

Year-end 31 Dec (RpBn)	2015	2016	2017
<b>Profitability</b>			
Gross margin	14.1%	17.4%	19.8%
Operating margin	5.2%	10.2%	14.1%
EBITDA margin	6.6%	11.5%	15.1%
Net Income margin	4.0%	7.6%	10.9%
ROAA	5.3%	12.1%	17.8%
ROAE	11.3%	22.3%	34.7%
<b>Growth</b>			
Revenue	N/A	33.4%	59.3%
Operating Profit	N/A	162.2%	119.8%
EBITDA	N/A	131.2%	110.4%
Net Income	N/A	154.0%	129.2%
<b>Solvability</b>			
Current ratio (x)	1.8	2.0	1.5
Quick ratio (x)	1.7	1.9	0.9
Debt to equity (x)	1.1	0.7	1.1
Interest coverage (x)	0.5	0.4	0.5

Source: Company, ShinhanSekuritas Indonesia



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