

PT MNC Studios International Tbk (MSIN)

Company Focus

September 21, 2018

Top Rated Content Producer

Background. PT MNC Studios International Tbk (MSIN) was legally established in 2000. MSIN previously known as PT Bhakti Media International. In 2016, MSIN received its first major capital injection in 2016, following the transfer of PT MNC Pictures and Star Media Nusantara from MNC Group to the company. Since then, MSIN become the largest content production and talent management company in Indonesia.

Gaining Reputation as Top Rated Content Producer. MSIN eventually become a top rated content producer in Indonesia as content productions coming from its key subsidiary, MNC Pictures successfully win audience market share in television industry. Currently, MSIN finest drama series "Cinta yang Hilang" and "Dunia Terbalik" ranking as #1 and #2 on Top Drama Series since June. Meanwhile, another hit drama series which has been aired in RCTI since 2015, "TOP Tukang Ojek Pengkolan" also seen at rank #5 on the same list.

Gaining Benefit from Market Leadership in National FTA TV. We also view that MSIN gain large benefit from MNC Group position which currently run four national FTA (Free-To-Air) TV which are RCTI, MNC TV, GTV and iNews. In the period of Jan-Aug 2018 FTA TV from MNC Group has already gained total average audience shares of 31.4% in Non-Prime Time and 34.5% in Prime Time. This leadership position eventually requires higher input of quality FTA TV contents. MSIN as a key subsidiary to MNCN, a holding company which runs MNC Group's FTA TV, eventually enjoys large benefit as these TV stations directly become captive buyer to buy and publish MSIN's various contents.

Benefit from Positive Content Performance in FTA TV leads to Stellar Performance in 8M2018. In 8M2018, MSIN managed to maintain its stellar financial performance supported by exceptional TV Rating performance in its Drama Series. In 8M2018, MSIN eventually managed to make IDR 1trn revenue, up by 44.3% YoY compared to 8M2017 revenue at IDR 694.7bn. The Revenue is also at 62.6% of SSI and MSIN forecast at IDR 1.6trn in 2018F. To keep this positive momentum, MSIN has already started to produce 4 – 6 additional programs on a daily basis for RCTI and MNC TV and it will start to air on non-prime time slots.

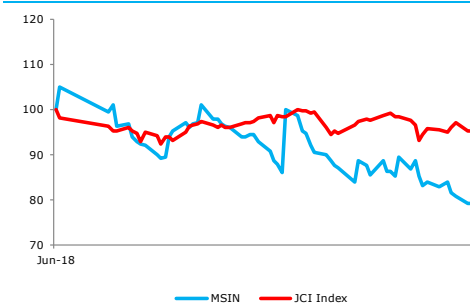
Valuation. On the back of MSIN's reputation as top rated content producer and big opportunity in market leadership in MNC Group's National FTA TV, we recommend Overweight in MSIN. We derived our TP at IDR 428 (15% upside) based on blended DCF by using 10% WACC and 5% Terminal Growth. Our TP also implies the 2018 PE at 7.2x which is below the regional PE at 13.0x.

Year to Dec.	Revenues (bn IDR)	OP (bn IDR)	Pre-tax (bn IDR)	NP (bn IDR)	EPS (IDR)	BVPS (IDR)	PER (x)	EV/EBITDA (x)	PBV (x)	ROAE (%)
2016	698	71	72	53	-	-	-	1.2	-	22.3
2017	1,112	157	162	121	-	-	-	2.2	-	34.7
2018F	1,600	231	232	170	54	223.4	7.2	6.5	1.7	30.5
2019F	1,963	305	305	224	71	285.6	5.5	5.2	1.4	27.8

Overweight

Current Price (IDR) (20/9)	372
Target price (IDR)	428
Upside/Downside (%)	15.0
52 Week High (IDR)	550
52 Week Low (IDR)	366
Major Shareholders:	
Media Nusantara Citra	70.01%
HSBC Fund Service	7.66%

Stock Price Movement



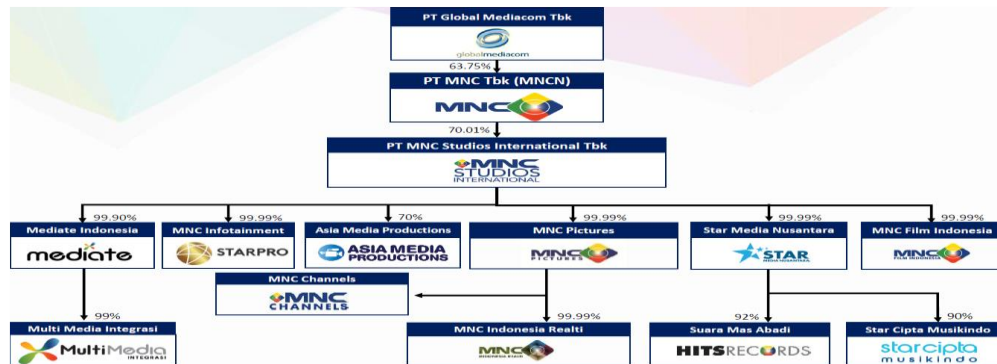
Source: Bloomberg, Shinhan Sekuritas Indonesia

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MSIN Ownership Structure



Source: Company

MSIN Top TV Series



Aired since 25 April 2015
1 Season – 1,300+ Episodes



Aired since 5 January 2017
1000+ Episodes



Aired since 14 May 2018
140 Episodes ~



Aired in May 2018
75 Episodes

Source: Company

MSIN Main Business Lines



Source: Company

MSIN also Produces Top Quality Movies



Upcoming: 25 October 2018



Released 16 August 2018



Released 5 July 2018



Released 22 February 2018

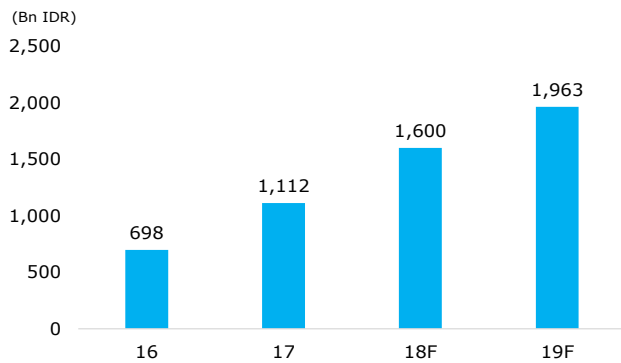
Source: Company

Top Tier Rating in Drama Series Category

No.	Program Name	Chn	TVR	SHR
1	CINTA YANG HILANG	RCTI	4.4	17.5
2	DUNIA TERBALIK	RCTI	4.2	20.5
3	ANAK LANGIT	SCTV	3.4	13.7
4	ORANG KETIGA	SCTV	3.2	18.2
5	TOP TUKANG OJEK PENGKOLAN	RCTI	2.7	15.2
6	SIAPA TAKUT JATUH CINTA	SCTV	2.6	11.0
7	KUN FAYAKUN	ANTV	2.4	10.7
8	INDRA KETUJUJH	ANTV	2.3	10.1
9	JODOH	ANTV	2.1	8.2
10	KARMA THE SERIES	ANTV	1.9	9.5

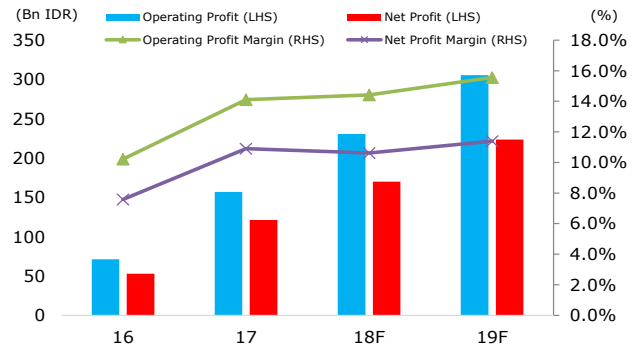
Source: Company

Strong Revenue Growth



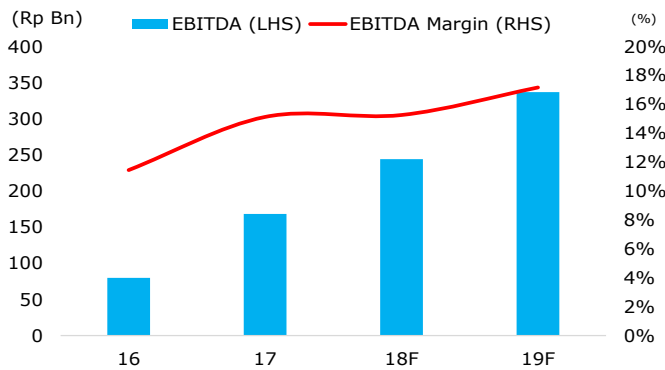
Source: Company, Shinhan Sekuritas Indonesia

Stable Profit Margin



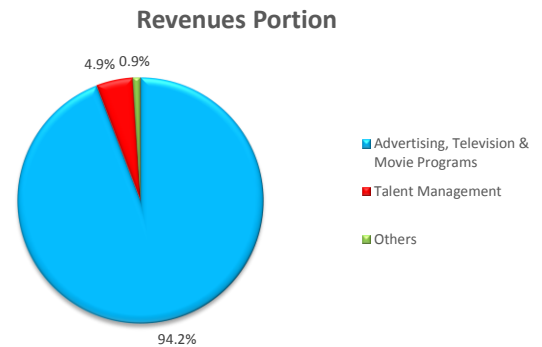
Source: Company, Shinhan Sekuritas Indonesia

Steady Growth of EBITDA & EBITDA Margin



Source: Company, Shinhan Sekuritas Indonesia

Content is MSIN's Primary Revenue Driver



Source: Company, Shinhan Sekuritas Indonesia

MNC Group FTA TV Audience Shares Non-Prime Time

Non - Primetime				
Month \ Channel	RCTI	MNCTV	GTV	INEWS
January	12.0	11.3	7.9	1.2
February	10.8	11.3	8.4	1.2
March	11.2	10.6	7.8	1.3
April	11.9	9.7	7.8	1.3
May	14.4	9.8	7.6	1.1
June	13.9	9.4	7.8	1.1
July	13.5	7.9	7.9	1.1
August	13.8	7.8	7.4	1.3
Average 2018	12.7	9.7	7.8	1.2

Source: Company

MNC Group FTA TV Audience Shares Prime Time

Primetime				
Month \ Channel	RCTI	MNCTV	GTV	INEWS
January	15.7	11.2	6.7	1.0
February	14.7	11.1	7.4	1.0
March	15.4	10.3	7.3	1.2
April	15.3	9.7	7.2	0.9
May	16.7	10.6	6.4	1.0
June	19.2	9.9	5.0	0.9
July	22.0	8.2	5.8	0.8
August	20.5	6.3	5.3	1.0
Average 2018	17.5	9.6	6.4	1.0

Source: Company

Income Statement

Year-end 31 Dec (Bn IDR)	2016	2017	2018F	2019F
Revenues	698	1,112	1,600	1,963
COGS	(577)	(892)	(1,278)	(1,546)
Gross profit	121	220	322	417
EBITDA	80	168	244	337
Operating expense	(50)	(63)	(91)	(112)
Operating profit	71	157	231	305
Pre-tax profit	72	162	232	305
Income tax - net	(19)	(41)	(62)	(81)
Net profit	53	121	170	224
EPS (Rp)	-	-	54	71

Source: Company, Shinhan Sekuritas Indonesia Estimates

Balance Sheet

Year-end 31 Dec (Bn IDR)	2016	2017	2018F	2019F
Assets				
Cash and equiv	96	98	217	221
Receivables	215	252	362	444
Inventories	24	299	428	517
Others	38	58	84	103
Total current assets	374	706	1,090	1,286
Net fixed assets	25	69	85	249
Other assets	85	101	112	125
Total assets	484	876	1,288	1,660
Liabilities and equities				
Payables	181	441	554	680
Other Short-Term Liabilities	6	14	16	20
Total Current Liabilities	187	456	570	700
LT. debt	-	-	-	45
Other long term liabilities	7	11	11	11
Total Liabilities	194	467	581	756
Minority Interest	0	0	0	0
Shareholders' equity	289	409	707	904
BVPS (Rp)	-	-	223	286

Source: Company, Shinhan Sekuritas Indonesia Estimates

Valuation

Year-end 31 Dec	2016	2017	2018F	2019F
PER (x)	0.0	0.0	7.2	5.5
PBV (x)	0.0	0.0	1.7	1.4
EV/EBITDA (x)	1.2	2.2	6.5	5.2
EV/Sales (x)	0.1	0.3	1.0	0.9

Source: Company, Shinhan Sekuritas Indonesia Estimates

Cashflow Analysis

Year-end 31 Dec (Bn IDR)	2016	2017	2018F	2019F
CFs from operation				
Net profit	53	121	170	224
Change in working capitals	(58)	(183)	(321)	(285)
CFs from operation	(5)	(62)	(151)	(61)
CFs from investments	(82)	(60)	(28)	(176)
CFs from financing	202	4	298	-
Net inc/(dec) in cash	21	1	204	(126)
Cash at end period	96	98	217	221

Source: Company, Shinhan Sekuritas Indonesia Estimates

Key Ratio Analysis

Year-end 31 Dec (Bn IDR)	2016	2017	2018F	2019F
Profitability				
Gross margin	17.4%	19.8%	26.1%	26.3%
Operating margin	10.2%	14.1%	14.4%	15.6%
EBITDA margin	11.5%	15.1%	15.3%	17.2%
Net Income margin	7.6%	10.9%	10.6%	11.4%
ROAA	12.1%	17.8%	15.7%	15.2%
ROAE	22.3%	34.7%	30.5%	27.8%
Growth				
Revenue	33.4%	59.3%	43.8%	22.7%
Operating Profit	162.2%	119.8%	47.0%	32.4%
EBITDA	131.2%	110.4%	45.1%	38.0%
Net Income	154.0%	129.2%	40.1%	31.6%
Solvability				
Current ratio (x)	2.0	1.5	1.9	1.8
Quick ratio (x)	1.9	0.9	1.2	1.1
Debt to equity (x)	0.7	1.1	0.8	0.8
Interest cov. (x)	0.4	0.5	0.5	0.5

Source: Company, Shinhan Sekuritas Indonesia Estimates



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