

## ANALISA SAHAM INDONESIA

September 8, 2020

- \* **The JCI trading range: 5,175pt - 5,325pt (Yesterday close: 5,230pt)**
- \* **Wall Street was closed for public holiday on Monday**
- \* **The JCI is expected to fluctuate to incline higher by support of recovery of USDIDR**

Morning,

The Jakarta Composite Index (JCI) today (8/9) is expected to be within the range of 5,175pt – 5,325pt, to fluctuate but incline higher but supported by the recovery of USDIDR close. Wall Street was closed yesterday on public holiday, while Dow and S&P500 stock index futures were some 1% higher within opening time this morning.

### Indonesia Consumer Sector

**Surya Citra Media (SCMA) 1H20: zero-debt, current earnings multiple reflects 2Q20 upheaval, maintain in the recommendation list , a BUY call with 12-M TP at IDR1,850/share**

Given the latest financial performance of SCMA, we maintain the counter in our recommendation list, both for trading and longer-term investments. We keep the BUY rating with a 12-M Target Price of IDR1,850/share, against yesterday closing of IDR1,200, implying an annual prospect of capital gain of 54%.

We use earnings multiple approach on the annualized earnings estimates to determine target price, given the company's zero debt, a relatively stable nature of the earnings stream, and the company's profile of revenue-elasticity during the 2Q20.

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We use earnings multiple of 22.8 times that was derived from the average of both the company's 5-years historical price-earnings-multiple (at 26.2 x) and the current's JCI weighted average earnings multiple (at 34.5x), discounted by 25% to factor in deterioration of business climate during the 2H, and arrived at the 12M-TP of IDR1,850.

As at June this year, SCMA reported total gross revenue of IDR2.9tr, representing a decline of 18% YoY, while during 2Q20 reflected a decline of 38% YoY, and - 34%QoQ. The main revenue of Television segment, during 1H20 underwent a decrease of 15% YoY to reach IDR2.1tr, while Digital and Out-of-Home advertising grew by 9% YoY to IDR206bn, and Content and others declined by 33% YoY to reach IDR640bn.

However, as cost of revenue being elastic, profitability during the 1H20 improved to 26.9% for operating margin (2Q20: 30.4%, 1H19: 24.3%), and net profit margin at 20.2% (2Q20: 24.4%, 1H19: 21.4%). With the strong balance sheet, the company still has reserve to absorb slightly worse-than-expected business climate deterioration, in our view.

At the other end, yesterday the WTI price closed lower by 1.3% at USD39.3/barrel as compared to the previous Saudi Arabia price cuts for supply to Asia. Meanwhile the USDIDR closed at IDR14.754 vs. IDR14.792 the previous one.

We advise the following recommendations, for both trading and longer-time investment purpose. **AALI, LSIP (sector of Agri, allocation suggestion Underweight), UNTR, ITMG, ADRO, PTBA (sector of Coal Mining, allocation suggestion Market-weight), GGRM, UNVR, ICBP (sector of Consumer, allocation suggestion Overweight), ASII (sector of Automotive, allocation suggestion Market-weight), and ACES, SCMA, MAPI (sector of Trade, allocation suggestion Overweight), and TKIM (sector of Basic Industry, allocation suggestion Market-weight).**

Cheers,

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