

MD Pictures

(FILM IJ)

The Future is Streaming

Not rated

Mirae Asset Sekuritas Indonesia

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FILM has produced >150 movie titles

One of the largest Indonesian movie production houses

- FILM produces local movies either on its own or co-produce with other houses. The marketing and selling of its movies are through cinemas, FTA TV, and digital channels. The company has grown to become one of the largest production houses in Indonesia. In 2019, FILM controlled 16% of the local film market share where it has produced and distributed more than 150 movie titles since its inception.

Beyond the big screen

FILM has moved aggressively beyond the big screen to monetize its content

- FILM has moved aggressively beyond the big screen to monetize its content in multiple revenue streams, including direct to OTT content, original series, ongoing library, and also film licensing. The company started developing its digital business since 2017. As a result, it generated 85.8% of the total distribution revenue from digital channels in 3Q21. The company also stated that it has secured multi-year licensing contracts with all major online platforms, including Disney+Hotstar, Viu, WeTV, Netflix, iFlix, MOX, MAXstream, and iTunes.
- We believe the upside on the OTT market is huge given the increasing online platforms expansions. According to research by Markets and Markets, Indonesia's OTT market size was valued at USD360mn in 2019 and is projected to reach USD4.45bn by 2027F. It is also further confirmed by the confidence of Chinese technology conglomerate Tencent Holdings that acquired 14.62% shares of FILM in 4Q21, showing the bright prospect of Indonesia's OTT platform market.

Expect to generate a steady cashflows.

The success of series production will open up recurring new seasons

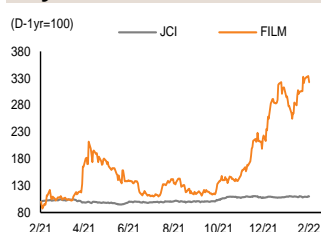
- The collaboration between FILM and WeTV Indonesia in producing WeTV Originals Series has proven to be a big success. FILM has showcased an extensive slate of Indonesian content for WeTV Indonesia by unveiling five new original series last year, three of which are second seasons to existing hit shows. Further, WeTV recent series titled *Layangan Putus* (translated: Kites Break Up) which was licensed by FILM was a good success for the company as it recorded 15mn viewers in just one day. We believe the positive feedback from viewers is good news for the company as it might create another season of the series for WeTV, which will generate a secured income and margin with steadier cashflows going forward.

Valuation

Consensus expects EBITDA of at least IDR500bn in 2022F

- Given consensus' expectation on 2022F EBITDA of at least IDR500bn, FILM's valuation is at 18.5x 2022F EV/EBITDA, slightly lower compared to other media and entertainment companies like Netflix and Disney which trade at c.22-25x 2022 EV/EBITDA.
- FILM currently has a solid balance sheet with zero debt and strong cash flow, given the increasing revenue from OTT platforms.

Key data



Share Price (2/3/22, IDR)	970	Market Cap (IDRbn)	9,225.9
Consensus NP (22F, IDRbn)	214.8	Shares Outstanding (mn)	9,511.2
NP Mirae Asset vs. consensus (22F, %)	N/A	Free Float (%)	12.4
EPS Growth (22F, %)	349.0	Beta (Adjusted, 24M)	0.6
P/E (22F, x)	41.1	52-Week Low (IDR)	246
Industry P/E (Current, x)	58.7	52-Week High (IDR)	1,040
Benchmark P/E (22F, x)	16.1		

Share performance

(%)	1M	6M	12M
Absolute	8.9	136.7	222.8
Relative	9.1	128.9	212.9

Earnings and valuation metrics

FY (Dec.)	FY16	FY17	FY18	FY19	FY20	9M21
Revenue (IDRbn)	80.7	153.7	293.9	250.2	122.4	183.0
Gross profit (IDRbn)	38.7	107.4	221.5	145.7	19.5	93.14
GPM (%)	48.0	69.9	75.3	58.2	16.0	50.9
Net Profit (IDRbn)	24.4	60.1	109.0	61.1	-56.8	21.9
NPM (%)	30.34	39.61	37.10	24.36	-46.55	11.99
EBITDA	70.4	122.3	202.3	167.4	58.3	140.2
Cash from Operations	-4.8	51.9	-2.2	5.0	-20.3	39.7
ROE (%)	28.08	49.44	14.65	4.44	-4.18	1.76

Note: Net profit refers to net profit attributable to controlling interests

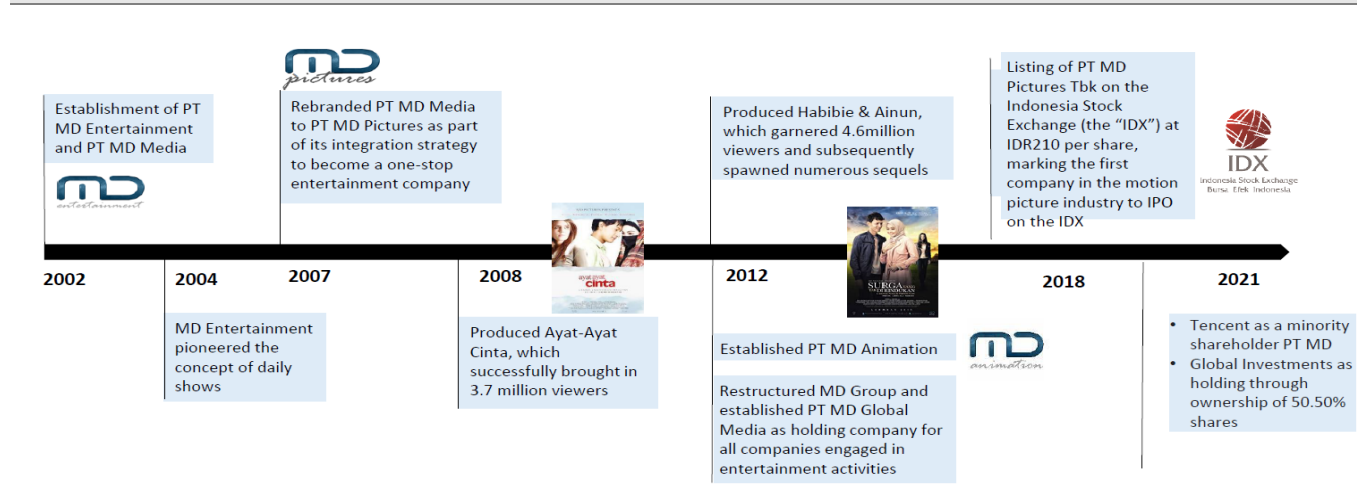
Source: Company data, Mirae Asset Sekuritas Indonesia Research

PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES AND DISCLAIMERS IN APPENDIX 1 AT THE END OF REPORT.

One of the largest Indonesian movie production houses

Established on August 1, 2002, MD Pictures is a production house that specializes in movie production. The company produces local movies either on its own or co-produce with other houses. The marketing and selling of its films are through cinemas, Free-To-Air (FTA) TV, and digital channels. FILM has grown to become one of the largest production houses in Indonesia. In 2019, FILM controlled 16% of the local film market share, where it has produced and distributed more than 150 movie titles since its inception.

Figure 1. MD Pictures' milestones



Source: Company data

Figure 2. Top performing movies on screen

BLOCKBUSTERS AND ACCOLADES

Company's concepts with high franchise value

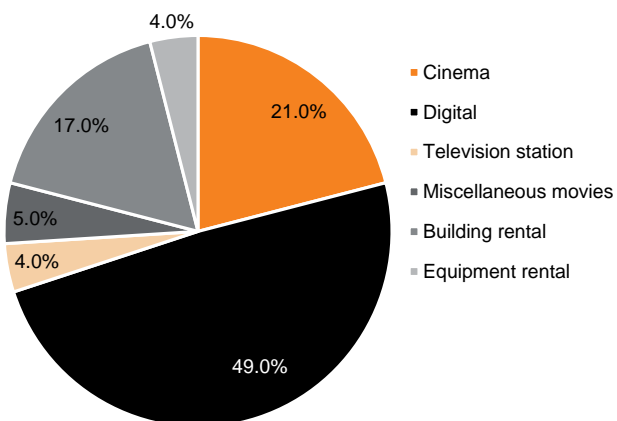


Source: FilmIndonesia.or.id, Company data

Beyond the big screen

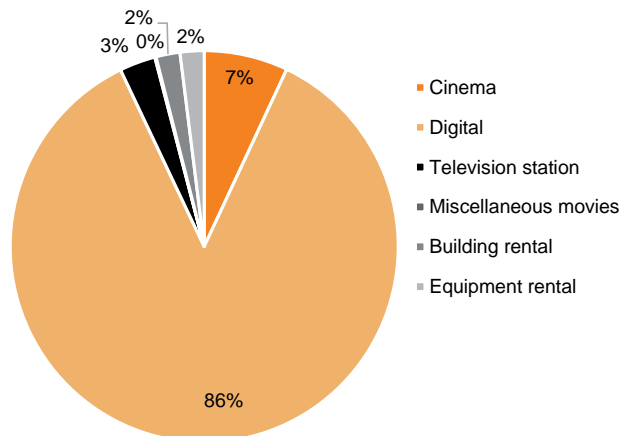
FILM has moved aggressively beyond the big screen to monetize its content in multiple revenue streams, including direct to OTT content, original series, ongoing library, and also film licensing. Over-the-top (OTT) services allow the company's content to move beyond the big screens and be monetized multiple times via various online distributors concurrently. Coupled with COVID-19 lockdown effect, Indonesians' viewing habits have changed recently into more digital. The growing OTT services market is also supported by the proliferation of smart devices, broadband, and internet connectivity, which is augmented by the emergence of advanced technologies like developed payment infrastructure and a dynamic local content ecosystem. The company started developing its digital business since 2017 and generated 85.8% of the total distribution revenue from digital channels in 3Q21.

Figure 3. Revenue breakdown (3Q20)



Source: Company data, Mirae Asset Sekuritas Indonesia research

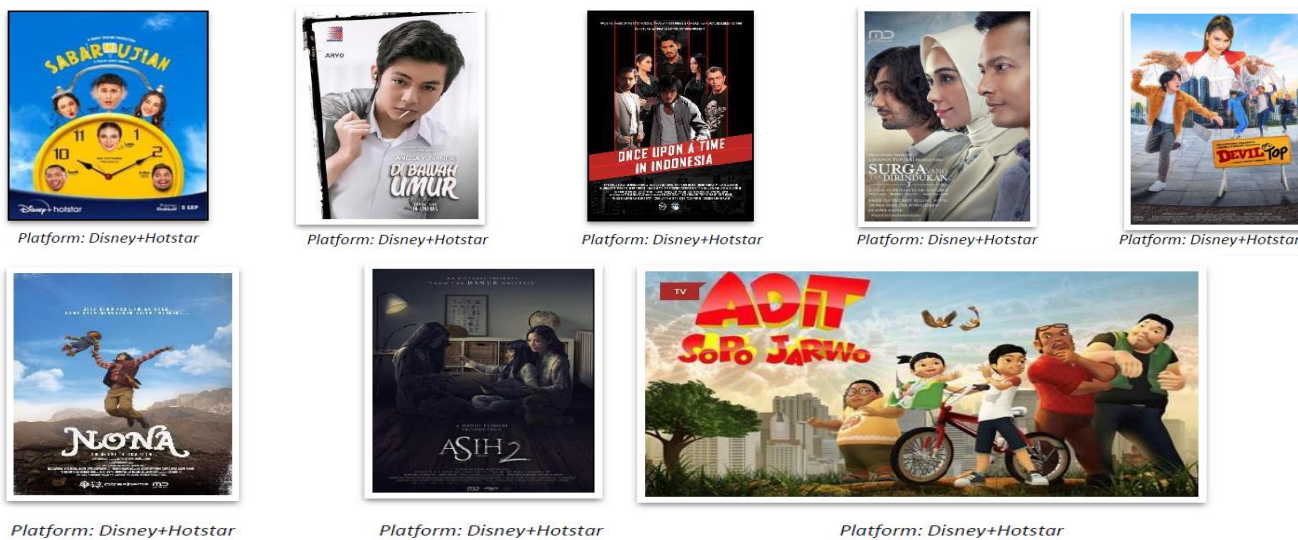
Figure 4. Revenue breakdown (3Q21)



Source: Company data, Mirae Asset Sekuritas Indonesia research

The company also stated that it has secured multi-year licensing contracts with all major online platforms, including Disney+Hotstar, Viu, WeTV, Netflix, iFlix, MOX, MAXstream, and iTunes.

Figure 5. Exclusive movies on Disney+ by MD Pictures



Source: Company data

Huge room for growth

Indonesia has a huge population of around 260mn people, yet many of them have been under-served by cinemas and streaming video platforms. The growth of SVOD in Indonesia, the most populous market in Asia after China and India, is encouraging but has a long way to go. Last year's cumulative subscribers still represented less than 20% of households, which therefore serve a huge upside potential.

We believe the upside on the OTT market is huge given the increasing online platforms expansions. According to research by Markets and Markets, Indonesia's over-the-top (OTT) market size in 2019 was valued at USD360mn, and is projected to reach USD4,450.61mn by 2027F. It is also projected to grow at a CAGR of 33.1% from 2020 to 2027F.

It is also further confirmed by the confidence of Chinese technology conglomerate Tencent Holdings that acquired 14.62% shares of FILM in 4Q21, showing the bright prospect of Indonesia's OTT platform market.

The success of series production will open up recurring new seasons

The collaboration between FILM and WeTV Indonesia in producing WeTV Originals Series has proven to be a big success. FILM has showcased an extensive slate of Indonesian content for WeTV Indonesia by unveiling five new original series last year, three of which are second seasons to existing hit shows. Further, FILM-licensed WeTV recent series titled *Layangan Putus* (translated: *Kites Break Up*) was a good success for the company as it recorded 15mn viewers in just one day.

We believe the positive feedback from viewers is good news for the company as it might create another seasons of the series for WeTV, which will generate a secured income and margin with steadier cashflows going forward.

For example, MD Pictures continues to bring fan-favorite new WeTV Originals projects; *Mozachiko*, *Tilik the Series*, *My Lecturer My Husband* (Season Two), *Kisah Untuk Geri* (Season Two) and *Antares* (Season Two). The company's original series titled *Kisah Untuk Geri* (translated: *A Story for Geri*) jumped straight to #1 on Tencent video top charts, with huge viral engagement on Instagram and TikTok.

We believe this is only one of the many opportunities for FILM going forward as many popular foreign platforms, which need local content for their platform, are expanding to Indonesia.

Figure 6. Mozachiko series



Source: WeTV

Figure 7. My Lecturer My Husband series



Source: WeTV

Figure 8. Kisah untuk Geri series



Source: WeTV

Figure 9. Antares series



Source: WeTV

Valuation

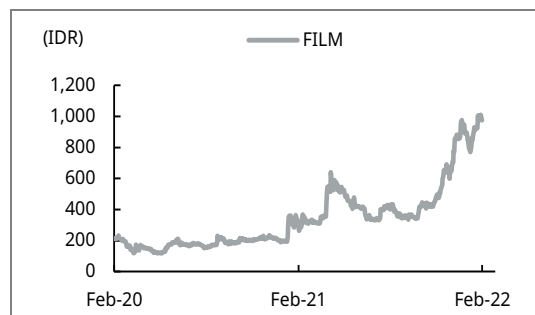
FILM is currently trading at 41x FY21F EV/EBITDA. Given consensus' expectation on 2022F EBITDA of at least IDR500bn, FILM's valuation is at 18.5x 2022F EV/EBITDA, slightly lower compared to other media and entertainment companies like Netflix and Disney which trade at c.22-25x 2022 EV/EBITDA. FILM currently has a solid balance sheet with zero debt and strong cash flow, given the increasing revenue from OTT platforms.

APPENDIX 1

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2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price
FILM JJ		Not rated	



Stock Ratings

Buy	: Relative performance of 20% or greater
Trading Buy	: Relative performance of 10% or greater, but with volatility
Hold	: Relative performance of -10% and 10%
Sell	: Relative performance of -10%

Industry Ratings

Overweight	: Fundamentals are favorable or improving
Neutral	: Fundamentals are steady without any material changes
Underweight	: Fundamentals are unfavorable or worsening

Ratings and Target Price History (Share price (—), Target price (—), Not covered (≡), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))

* Our investment rating is a guide to the relative return of the stock versus the market over the next 12 months.

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