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ANALYSIS OF STOCK VALUATION AND BUSINESS PERFORMANCE OF A DIGITAL MEDIA COMPANY IN INDONESIA BEFORE AND AFTER THE COVID-19 PANDEMIC (CASE STUDY: GLOBAL MEDIACOM)

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KEYWORDS
Digital Media;
Online Streaming;
Stock Valuation;
Absolute Valuation;
Relative Valuation

ABSTRACT
The rise of digital streaming and investing in Indonesia has been exacerbated by the COVID-19 pandemic. One company involved in this unprecedented scenario is PT Global Mediacom TBK (BMTR). The everchanging digital streaming landscape and its massive growth create both an opportunity and threat for the company's growth. The study aims to analyse stock valuation and performance of digital media in Indonesia pre-pots pandemic. To analyse this, the study utilized secondary data from the company's annual report and various secondary sources. The data is processed using absolute valuation method of Discounted Cash Flow valuation and relative valuation method of Price-to-Earnings Ratio, Price-to-Book Value and EV/EBITDA. Using the absolute valuation method, it is found that the company's stock is currently overvalued with an intrinsic value of Rp 169 in comparison to the actual price of Rp 278. One of the reasons for this is the company's high beta stock of 1.8 which could signal a higher risk but higher return. Using the relative valuation method, all the metrics found that BMTR stock is undervalued. Being constantly below the industry average. However, the financial analysis as well as the relative valuations has found that the company is the most stable out of all the Indonesian listed digital streaming companies. This demonstrates the excellent business performance of the company.

INTRODUCTION

Indonesia has a big and growing middle class with rising purchasing power as a result of economic growth and rising wages. Indonesia is the fourth most populated country in the world, with more than 270 million people, making it a sizable market for consumer goods and services. In terms of purchasing power parity (PPP), the World Bank reports that Indonesia is currently the seventh-largest economy (World Bank, 2023). The rising middle class has created an economy that allow for more spending of non-essential goods which includes online media.

The pandemic also made the growth of digital and online media significantly increased. Indonesia saw a 14.9% rise in internet users between 2020 and 2021, reaching a total of 203 million users (Kemp, 2022). According to a poll done in 2021 by the international consultancy firm Kepios, Indonesians watched television in both broadcast and streaming formats on average for 2 hours and 50 minutes. A study also revealed a 67% rise in online streaming among Indonesian consumers (Sihombing et al., 2022). Due to their widely available and diverse movie content, quick payment options, adaptable and affordable membership plans, and unquestionably improved viewing experiences, these internet streaming services thrive throughout this pandemic. As a result, the Compound Annual Growth Rate of Indonesia's entertainment and media market is expected to be at 8.7% from 2021-2025 (Andy, 2021).

PT Global Mediacom (IDX Stock Code: BMTR) was founded in 1981 and by 2021 they became the Southeast Asia's largest and most integrated media group. They are the parent company of both MNC Video Network (MVN) and Media Nusantara Citra (MNC), both of which are a part of the MNC group. The business also owns Indonesia's largest content library, which now has more than 300,000 hours of content and is growing by more than 20,000 hours annually. All of this content was made by the internal production companies MNC Pictures, MNC Animation, Star Hits, and MNC Film Indonesia.

The share prices of the company had a sharp decline during the beginning of the pandemic, as was the case for many other businesses, until recovering in the third quarter of 2020. This is consistent with research by Utomo and Hanggraeni (2021), which found that the stock market suffered during the early stages of the pandemic as the daily growth of covid-19 cases increased. Later, as lockdown measures were put in place and the number of covid-19 cases peaked, the stock market's decline stabilized.

In addition to the stock prices, Global Mediacom had a decline in revenue and net profitability despite an increase in viewers as a result of higher production costs brought on by the Covid-19 pandemic and the entry of new competition from abroad. Despite this issue, the company's OTT streaming service, Vision+, managed to amass 32 million Monthly Active Users and 1.6 million premium subscribers by the end of 2020, making it the largest local OTT streaming service in Indonesia

In theory, Global Mediacom has the biggest opportunity to capitalize on the growing market and bright prospects of the industry. Therefore, the objective of this research is to analyze and understand the stock valuation and business performance of the company to determine whether this is the case or not. In this research, the author will also compare Global Mediacom to other local companies that operates in the same industry which are PT Surya Citra Media (IDX Stock Code: SCMA) and PT Vision Media Baru (IDX Stock Code: VIVA).

RESEARCH METHOD

The research will be conducted in the following manner:

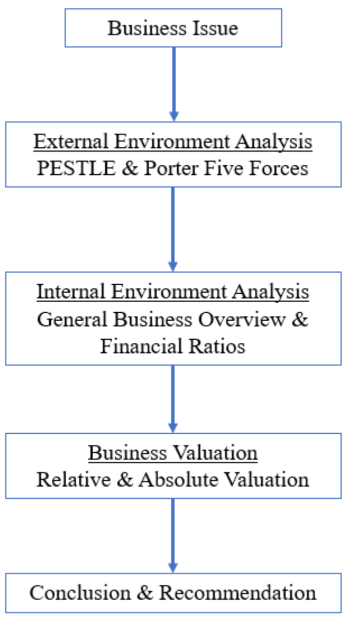

Figure 1. Research Design

This is causal research with a quantitative approach. The cause and effect we are looking for in this research is the relationship between the covid-19 pandemic and the Global Mediacom stock valuation and financial performance. The research will primarily be conducted using secondary data that is available to the public. The research will also be supplemented by synthesizing various scientific literature to support the claims being made. The following are the sources for data used in this research:

1) Annual reports and financial statements of BMTR and other media companies listed on the IDX from the period of 2017-2021 from their respective websites
2) Previous research from credible sources in the form of, but not limited to, article and books
3) Historical data on stock prices retrieved from trusted websites such as Yahoo Finances and Stockbit

The internal analysis will be conducted in two parts. First using the PESTLE and Porter's Five Forces which will yield the external factors affecting the business while understanding the economy and digital media market as a whole. The second part will be using the financial ratios to give an insight into the performance of the company and using this we can find the competitive advantage of Global Mediacom. For this we are using the data from the last five years of annual reports which are the period of 2017-2021.

The valuation section will be conducted using the absolute and relative valuation method. The absolute valuation methods will also be conducted by using a discounted cash flow to find the intrinsic value of the share. The relative valuation, as mentioned, will be utilizing the price multiples of the PE ratio, PB value and EV/EBITDA.

In the final section, the author will corroborate all the information and knowledge gathered from this research to create a conclusion. The conclusion will aim to understand the stock valuation and business performance of Global Mediacom while also giving a glimpse into the prospects of the digital media market of Indonesia.

RESULTS AND DISCUSSION

The results will be divided into two parts as mentioned in the methodology. The first part will consist of the external and internal business to analyse the business performance. The second part will consist of the valuation results to find the stock valuation.

External Analysis: PESTLE

Political

A regulation allowing media organizations to accept compensation from digital platforms or content aggregators that distribute their content is currently being developed in Indonesia (Teresia & Nangoy, 2023). With the passage of this new proposed regulation, BMTR—which also created its own content—would be able to sell that content to other platforms or content aggregators. Future revenue streams for BMTR would become more available due to the presence of digital platforms and aggregators.

Economical

The economy of Indonesia is currently growing moderately. The Asian Development Bank (2023) forecasts that the Indonesian economy will expand at a rate of 4.8% in 2023 and 5.0% in 2024. The expansion of Indonesia's streaming and OTT business is due to the country's current economic prosperity.

Social

In terms of social aspects, the pandemic has fostered an internet streaming culture. Women are driving the growth of OTT (over-the-top) watching online. Of all the Southeast Asian nations, Indonesia has the greatest percentage of female viewers. Furthermore, Indonesian women are more likely to be regular consumers, watching nearly 4 hours of OTT content every day (Kantar, 2022). Younger groups are more inclined to access OTT content, according to the same research. 52% of OTT users in Indonesia are members of Generation Z or younger Millennials, namely those between the ages of 16 and 34 (Kantar, 2022). Among Southeast Asian nations, this percentage is the highest.

Technological

The usage of streaming video services has significantly increased as a result of the COVID-19 epidemic. Additionally, a significant rise in the number of people accessing video-streaming platforms is anticipated as a result of the expanding affordability of high-speed internet plans in Southeast Asian nations (Changsong et al., 2021). The number of competitions has risen even before the outbreak. Southeast Asia has seen a significant increase in the popularity of streaming media platforms, both domestic and foreign, since 2017 (Li et al., 2019). As a result, Global Mediacom is up against rivalry from both domestic and foreign businesses.

Legal

The Press Law (Law No. 40/1999), the Electronic Information and Transactions Law (EIT Law), and the Broadcasting Law all regulate the media business in Indonesia, which includes print, electronic, and internet media (Satispi, 2018). These laws lay out clear rules and regulations for how electronic media should be used and broadcast. The Indonesian government has not really addressed digital streaming or over-the-top media, even with the primary regulations.

Environmental

Global Mediacom needs to be environmentally sustainable in order to thrive in the new social climate given the growing awareness of environmental issues. Think about the production aspect of building their platform and producing their content. The business must prioritize sustainability going forward.

Porter Five Forces

Competition Amongst Existing Firms

Competitive rivalry may be regarded as intense. This is a result of the vast number of rival domestic and foreign businesses. Since each platform has its own specialized library, competition to draw new users is fierce. The availability of specialist platforms also makes competition fiercer. With this in mind, Global Mediacom must carefully evaluate their position in the Indonesian media business. The fact that they have the greatest content library may not be enough to provide them an advantage in Indonesia's dynamic media market.

Bargaining Power of Buyers

Due to the relative ease of product switching made possible by the abundance of substitute items, the danger from customers is considerable. Consumers can easily migrate to another platform if there is no incentive for them to continue using the company's platform. International firms like Netflix frequently tease new shows that will only be accessible through their platform. Hollywood content, which is frequently in more demand than local content, can be used by foreign competitors like Netflix.

Bargaining Power of Suppliers

Due to their internal production of much of their material, suppliers pose no threat to them. They do collaborate with football associations to broadcast live games. Football organizations, however, have alliances with a variety of platforms, so they are not restricted to this content. However, the threat from suppliers is minimal because businesses develop a significant amount of material internally.

Threat of New Entrants

Due to the high cost of entry and large number of rivals, the threat of new entrants is moderate. In order for new entrants to succeed in the present media market, they would either need to come from an established huge corporation with access to a wealth of content or directly from film producers like MD Pictures. These two considerations would function as a primary disincentive for new entrants.

Threat of Substitute Products

The threat of substitute products is moderate. There are various forms of entertainment that currently exist in the market that could act as a substitute to the OTT content that BMTR is producing. The substitute products range from traditional broadcast television to live tv streaming services. With this in mind, BMTR also interacts with this market. However, the biggest substitute product that could affect the company's bottom line is pirated online content. Indonesia stands as one of the largest countries globally in terms of its consumption of pirated content (Farisi, 2021).

Internal Analysis

General Business Overview

Global Mediacom has been in operation for 32 years as of 2023. The company has continuously worked to realize all of its potential through a variety of cutting-edge techniques in order to continue its transformation and seize chances in the current digital world. The Company's four free-to-air TV managed to attain the largest audience share in the industry in 2022, with a combined audience share of 40.5% during prime time and 39.4% overall. The company offer the right content mix to ensure sustainable subscriber growth, the company has continually led Indonesia's subscription-based media entertainment market.

The company is currently at the forefront of the Indonesian media industry. The company owns the largest content library with 300,000 hours of content. Two of their platforms, RCTI+ and Vision+ has a cumulative 104 million monthly active users. This show that the company has a very strong business model and structure and expects to continually grow over the years to come.

Financial Ratio

Liquidity Ratio

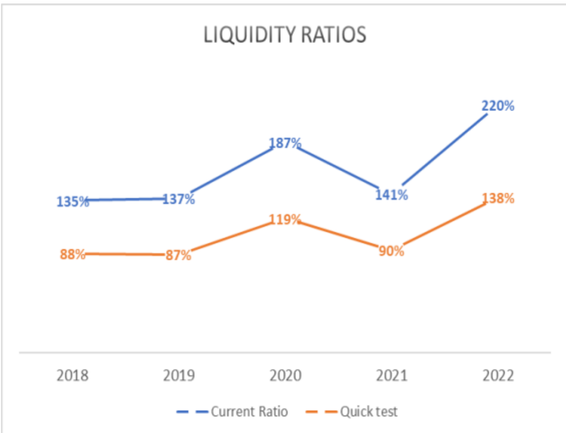

Figure 2. Liquidity Ratio

In the previous five years, the corporation has maintained a comparatively high liquidity ratio. If the corporation needed to pay off its present loans, it would not be in immediate jeopardy because of its large liquidity. The current and quick ratios of BMTR increased in 2020. This is due to a growth in the company's assets and a decrease in its liabilities from the prior year. The RCTI+, which was introduced at the end of 2019, can be primarily blamed for the growth in assets.

The company's repayment of both short-term and long-term loans was the main factor in the decrease in liabilities. The ratio fell once more in 2021 as rising current liabilities were matched by rising current assets. This is because the company borrowed short-term loans and bonds due in 2021 to pay for its different undertakings, including the opening of a gaming division and the development of two new games.

Activity Ratio

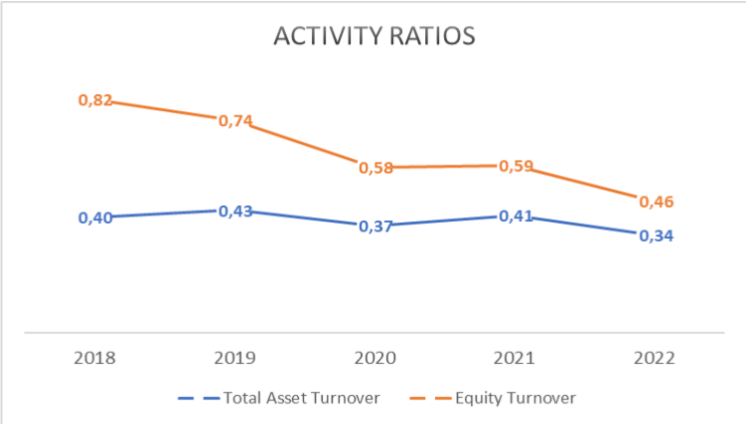

Figure 3. Activity Ratio

Both the company's overall asset turnover and equity turnover have decreased over time. The company may be having difficulties turning its assets and equity into profits, according to the company's falling ratios. The difference between the growth of assets and sales between 2019 and 2022 resulted in a decline in total asset turnover.

Since 2019, the company has steadily raised its overall assets while simultaneously seeing an increase in sales. However, the two variables increase in not in proportion with one another. The company's total assets were worth Rp 30 trillion in 2019, compared to Rp 12 trillion in sales. The company's total assets increased to Rp 35 trillion in 2022, although sales stayed at or slightly below Rp 12 trillion. The same problems arose in the equity turnover since in 2019 their equity was Rp 17 trillion while in 2022 it was Rp 26 trillion.

Solvency Ratio

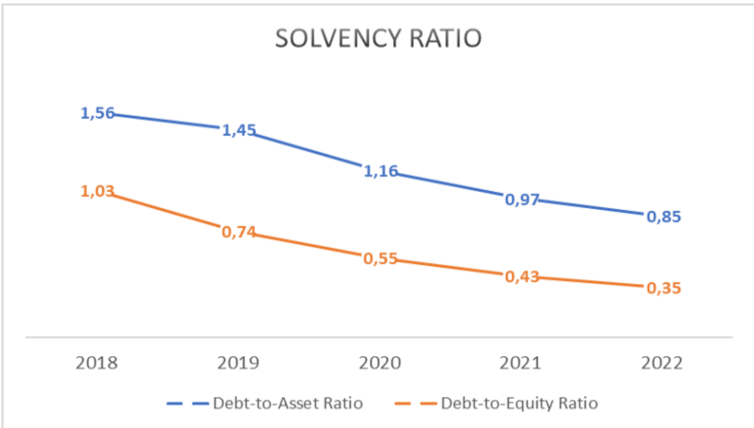

Figure 4. Solvency Ratio

Over the past five years, the company has steadily decreased both its debt-to-asset and debt-to-equity ratios. The steadily declining ratio over time suggests that the corporation is making good use of its debt financing. Although the company has continually increased its assets and equity, the liabilities have steadily decreased, which is why the solvency ratio mirrors the liquidity ratio. This shows that the business is using its debt financing wisely and promptly paying off any outstanding debt.

Profitability Ratio

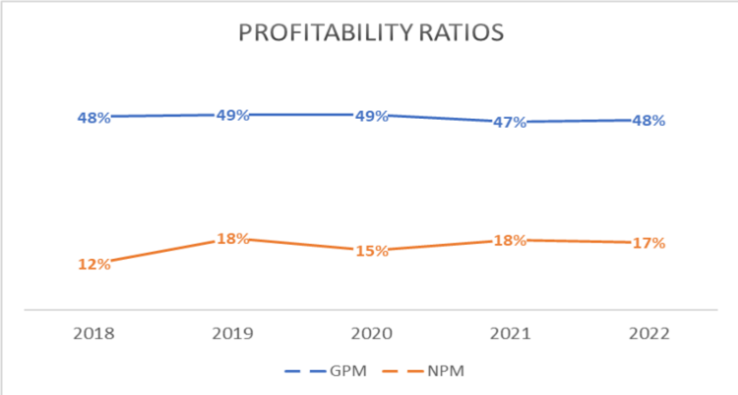

Figure 5. Profitability Ratio

Over the past five years of business, the company has kept a profit margin that is largely consistent and stable. This would suggest that the business manages costs consistently. The company's capacity to create steady earnings from its core business operations and effectively manage costs are both shown by the stable gross profit margin.

A steady profit margin indicates that the business has consistently upheld its earnings performance over a significant amount of time. It shows that the business has a solid and trustworthy business plan that enables it to produce steady profits despite changes in the market. This is highly encouraging because it demonstrates that the business was able to maintain its financial standing despite the Covid-19 pandemic.

DuPont Analysis

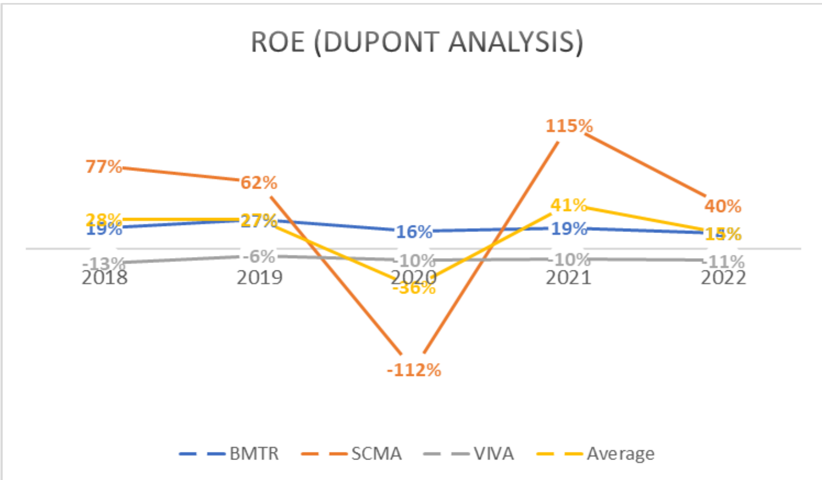

Figure 6. DuPont Analysis

For this analysis, the research is comparing it with other companies in the same industry. This is to create a benchmark for which to assess the resulting ROE. Even at the height of the COVID-19 pandemic in 2020, the company maintained its ROE. This demonstrated BMTR's ability to maintain steady business performance even in the face of uncertainty. With this in mind, BMTR has also managed to be relatively close to the industry average even before the pandemic, and while other companies were having trouble maintaining their ROE levels, BMTR was able to do so.

Stock Valuation

Absolute valuation

The WACC must be determined before the absolute valuation can be determined. A financial metric called WACC is used to estimate the typical cost of funding a company's operations and investments. It is used to determine the discount rate for assessing financial data and takes into account the costs related to both debt and equity capital.

Table 1. WACC Calculation Sources

Variable	Value	Remark	Source
Government Bond	6,59%	Government Bond 10 Years	phei.co.id
Risk Free Rate	4,26%	Government Bond Minus Country Default Spread	Damodaran
Country Default Spread	2,33%	Government Sovereign	Damodaran
Company Default spread	1,62%	BMTR Interest Coverage Ratio	Damodaran
Equity Risk Premium	9,23%	Indonesia Equity Risk Premium	Damodaran
Beta Stock	1,87	PEFINDO March 2023	Pefindo
Country Risk Premium	3,29%	Indonesia Country Risk Premium	Damodaran

Cost of Debt

Cost of Debt = Risk Free Rate + Country Default Spread + Company Default Spread

$$= 4.26\% + 2.33\% + 1.62\%$$
$$= 8.21\%$$

After Tax Cost of Debt = Cost of Debt (1-tax rate)

$$= 8.21\% \, (1 - 22\%)$$
$$= 6.49\%$$

Cost of Equity

Cost of Equity = Risk Free Rate + (Beta x Equity Risk Premium)

$$= 4.26\% + (1.87 \times 9.23\%)$$
$$= 21.52\%$$

Weighted Average Cost of Capital (WACC)

The WACC can be calculated as the following:

WACC = Cost of equity [Equity/ (Debt + Equity)] + After Tax Cost of debt [Debt/(Debt + Equity)]

Table 2. WACC Calculation

Firm's Debt (in Million IDR)	9.263.272
Firm's Equity (in Million IDR)	26.648.917
Tax Rate	22%
Weight of Debt	26%
Weight of Equity	74%
Estimated Cost of Debt	6,40%
Estimated Cost of Equity	21,5%
WACC	17,62%

Long Term Growth Rate

To find the long-term growth rate, the research is using the FCFF Growth rate formula from Damodaran (2012). The formula is the following:

Growth = b(ROC)
b= Retention Ratio
ROC = (Net Income+Interest Expense (1-tax rate)/(Total Debt + Total Equity
The long-term growth rate can be calculated as the following:

Table 3. Long-Term Growth Rate Calculation

Retention Ratio	1
Net Income	2.060.856
Interest Expense (In Million IDR)	536.733
Total Debt (In Million IDR)	9.263.272
Total Equity (In Million IDR)	26.648.917
Tax Rate	22%
ROC	6,9%
Long Term Growth Rate	6,9%

Discounted Cash Flow

Discounted Cash Flow (DCF) is a financial valuation technique employed to determine the worth of an investment or company by adjusting projected future cash flows to their present value. It considers the concept that the value of money decreases over time due to factors like inflation and the opportunity cost of capital.

Table 4. DCF Calculation

(In Million)	2022 A	2023 F	2024 F	2025 F	2026 F	2027 F	Terminal value	
Total revenue	12.233.495	12.344.088	12.455.681	12.568.282	12.681.902	12.796.549	**Long term grwth rate**	6.9%
EBITDA	4.931.472	4.970.924	5.010.691	5.050.777	5.091.183	5.131.912	**WACC**	17.62%
Depreciation and Amortization	1.647.194	1.678.582	1.710.567	1.743.163	1.776.379	1.810.228	**Terminal value**	14.343.188
EBIT	3.284.278	3.292.342	3.300.124	3.307.614	3.314.804	3.321.684	**PV of terminal value**	6.371.211
Tax Rate	22%	22%	22%	22%	22%	22%		
NOPAT	1.319.804	1.333.775	1.368.756	1.440.048	1.573.812	1.814.779	**Enterprise value**	10.528.949
Net Working Capital	5.960.659	5.664.962	5.938.924	6.211.978	6.485.139	6.759.246	**Net debt**	7.886.368

Changes in Net Working Capital	359.633	115.298	134.242	151.144	166.524	180.802	**Equity value**	2.642.581
CAPEX	2.023.776	1.866.947	1.901.381	1.936.457	1.972.187	2.008.581	**Shares outstanding**	16.583
FCFF	583.589	1.030.112	1.043.700	1.095.610	1.211.481	1.435.624	**Intrinsic value**	159
WACC	17,64%	17,64%	17,64%	17,64%	17,64%	17,64%	**Share price 2022**	278
Present Value of FCFF	583.589	875.789	754.408	673.289	632.962	637.701	**Margin of safety**	-74%
Sum of PV FCFF	4.157.738							

Based on the absolute valuation, we can see that the intrinsic value of BMTR shares is Rp. 169 in comparison to the actual end price of 2022 which is Rp. 278. This would indicate that the margin of safety is -65%. The intrinsic value being lower than the actual stock price means that company stock is relatively overvalued.

Relative valuation

Surya Citra Media (SCMA) and Visi Media Baru (VIVA) are the principal rivals of BMTR, both of which are active in the media sector, and will be taken into account for the comparable valuation. There aren't many publicly traded media companies in Indonesia, hence there is little comparable valuation rivalry. The businesses selected have all gone public before the research timeframe and are all roughly the same size as BMTR.

Price to Earnings Ratio

Table 5. BMTR PE Ratio

BMTR	2018	2019	2020	2021	2022
Market Price per share	242	348	290	260	278
Earnings per Share	59,7	94,6	59,3	84,9	72
PE Ratio	4,1	3,7	4,9	3,1	3,9

Table 6. SCMA PE Ratio

SCMA	2018	2019	2020	2021	2022
Market price per share	1.870	1.410	458	326	206
Earnings per Share	105,99	72,91	16,2	21,32	13,39
PE Ratio	17,64	19,34	28,27	15,29	15,38

Table 7. VIVA PE Ratio

VIVA	2018	2019	2020	2021	2022
Market price per share	131	75	50	50	50
Earnings per Share	-66,9	-33,5	-49,7	-54,1	-66,521
PE Ratio	-1,96	-2,24	-1,01	-0,92	-0,75

Table 8. Cumulative PE Ratio

PE RATIO	2018	2019	2020	2021	2022	2023F	Target Price
BMTR	4,05	3,68	4,89	3,06	3,86	3,43	313
SCMA	17,64	19,34	28,27	15,29	15,38		
VIVA	-1,96	-2,24	-1,01	-0,92	-0,75		
Industry Average	6,58	6,93	10,72	5,81	6,16	7,24	
Premium/Discount	-38%	-47%	-54%	-47%	-37%		
Multiples					3,91		

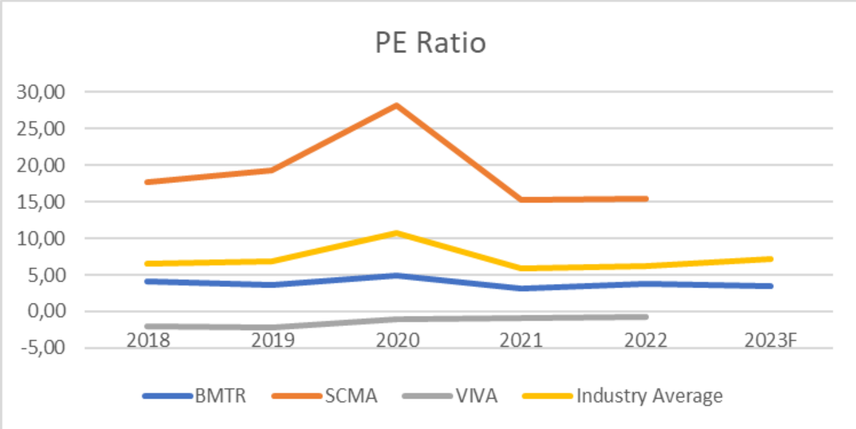

Figure 7. PE Ratio

The table and graph show that BMTR's PE ratio from 2018 to 2022 is below the industry average. It suggests that BMTR is undervalued in relation to the sector average. The forward PE Ratio is divided by the current PE Ratio, and the result is divided by the current share price to determine the target price for 2023. The current price of Rp 278 is more than the desired price of Rp 313, which is cheaper. This would suggest that the stock price of BMTR is undervalued.

Price-to-Book Value

Table 9. BMTR PB Value

BMTR	2018	2019	2020	2021	2022
Market Price per share	242	348	290	260	278
Book Value per Share	1.007	1.133	1.253	1.440	1.607
Total Equity	14.302.462	17.371.406	20.784.321	23878106	26648917
Shares Outstanding	14.198	15.334	16.583	16.583	16.583
PB Ratio	0,24	0,31	0,23	0,18	0,17

Table 10. SCMA PB Value

SCMA	2018	2019	2020	2021	2022
Market Price per share	1.870	1.410	458	326	206
Book Value per Share	74,54	74,54	61,6	118,04	137,79
Total Equity	5.451.250	5.488.600	3.896.586	7.461.176	8709300
Shares Outstanding	14.621	14.726	70.896	63.210	63207
PB Ratio	25,09	18,92	7,44	2,76	1,50

Table 11. VIVA PB Value

VIVA	2018	2019	2020	2021	2022
Market Price per share	131	75	50	50	50
Book Value per Share	102,79	69,73	13,02	-37,50	-59,09
Total Equity	1.692.400	1.147.987	214.435	-617.338	-972.846
Shares Outstanding	16.464	16.464	16.464	16.464	16.464
PB Ratio	1,27	1,08	3,84	-1,33347	-0,84618

Table 12. Cumulative PB Value Calculation

PB VALUE	2018	2019	2020	2021	2022	2023F
BMTR	0,24	0,31	0,23	0,18	0,17	
SCMA	25,09	18,92	7,44	2,76	1,50	
VIVA	1,27	1,08	3,84	-1,33	-0,85	
Industry Average	8,87	6,77	3,84	0,54	0,27	4,06
Premium/Discount	-97%	-95%	-94%	-66%	-37%	
Multiples					0,23	

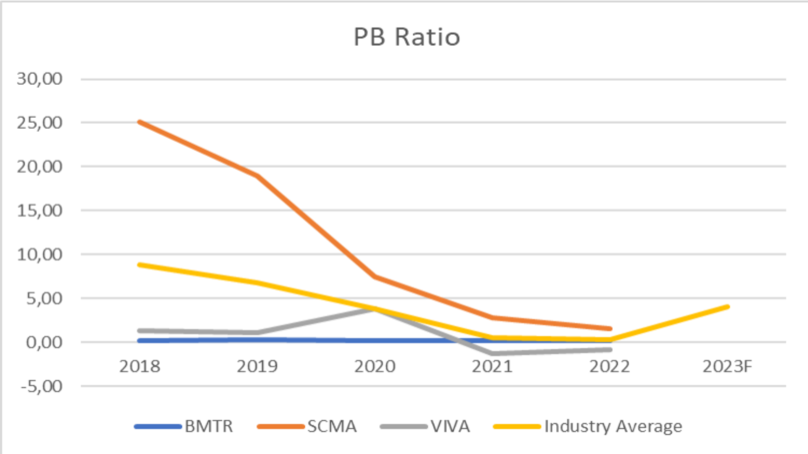

Figure 8.PB Value

EV EBITDA

Table 13. BMTR EV EBITDA

BMTR	2018	2019	2020	2021	2022
Enterprise Value	14.927.692	17.160.924	18.654.160	16.085.628	19.230.389
Market Value	3.435.916	5.336.232	4.809.070	4.311.580	4.610.074
Total cash	1.023.031	825.755	904.936	1.365.040	1376904
Long-term Debt	7.710.130	6.347.192	6.201.377	2.705.555	4.284.053
Minority interest	4.804.677	6.303.255	8.548.649	10.433.533	11.713.166
EBITDA	3.228.395	3.725.726	3.300.029	3.888.622	3.339.251
Shares Outstanding	14.198	15.334	16.583	16.583	16.583
EV/EBITDA	4,62	4,61	5,65	4,14	5,76

Table 14. SCMA EV EBITDA

SCMA	2018	2019	2020	2021	2022
Enterprise Value	27.210.507	21.038.742	33.744.711	19.201.825	12.022.960
Market Value	27.341.270	20.763.660	32.470.368	20.606.460	13.020.642
Total cash	993.506	544.543	677.880	3.232.180	2.330.540
Long-term Debt	218.204	239.155	1.327.841	754.567	166.826
Minority Interest	644.539	580.470	624.382	1.072.978	1.166.032
EBITDA	1.824.110	1.577.890	1.706.708	1.996.439	1.101.834
Shares Outstanding	14.621	14.726	70.896	63.210	63.207
EV/EBITDA	14,92	13,33	19,77	9,62	10,91

Table 15. VIVA EV EBITDA

VIVA	2018	2019	2020	2021	2022
Enterprise Value	5.354.506	2.082.524	1.811.908	1.720.014	1.724.690
Market Value	2.156.784	1.234.800	823.200	823.200	823.200
Total cash	32.328	22.235	39.436	16.750	10.420
Long-term Debt	2.675.467	305874	459073	336666	326.951
Minority Interest	554.583	564085	569071	576898	584.959
EBITDA	151.761	60.694	167.927	245.500	77.384
Shares Outstanding	16.464	16.464	16.464	16.464	16.464
EV/EBITDA	35,28	34,31	10,79	7,01	22,29

Table 16. Cumulative EV EBITDA Calculation

EV/EBITDA	2018	2019	2020	2021	2022	2023F
BMTR	4,62	4,61	5,65	4,14	5,76	
SCMA	14,92	13,33	19,77	9,62	10,91	
VIVA	35,28	34,31	10,79	7,01	22,29	
Industry Average	18,27	17,42	12,07	6,92	12,99	13,53
Premium/Discount	-75%	-74%	-53%	-40%	-56%	
Multiples					4,96	

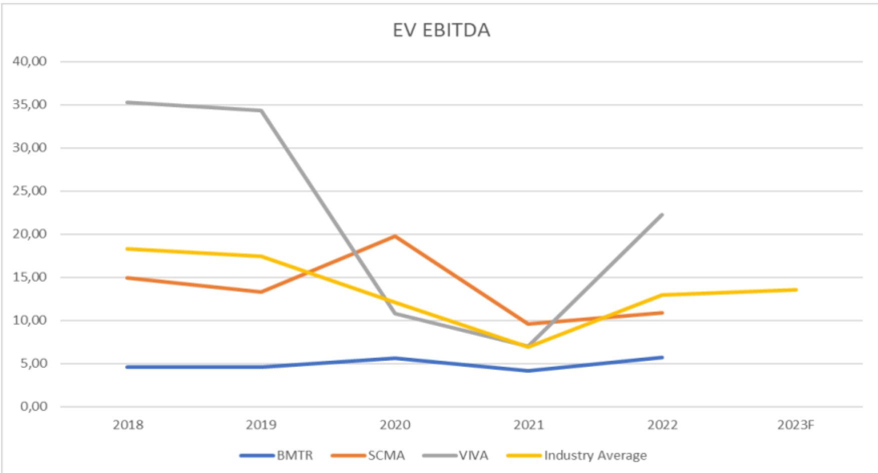

Figure 9. EV EBITDA

The industry average is consistently exceeded by the EV/EBITDA ratio. It would imply that the shares of the company are cheap in contrast to the sector average. In contrast to its rival, BMTR appears to be the steadiest business, according to the graph. It would imply that the business managed its EBITDA level over the period. This would suggest that BMTR management is stable in the eyes of investors. The EV EBITDA outcome is consistent with the PB value and PE ratio.

Discussion

Based on the absolute valuation, the company share price is overvalued. The intrinsic value as determined by the absolute valuation is Rp.169 which is below the current share price of Rp. 278.

With regards to the high Cost of Equity (COE) of BMTR, 21.43%, we must compare it to other companies in the same industry. In comparison to SCMA, BMTR COE is higher than SCMA COE which is 16%. Comparing it to companies abroad, the research is comparing it with Netflix (NFLX) and Warner Bros Discovery (WBD), which is the parent company of HBO, NFLX COE is 12,4% and WBD COE is 13.7%.

The main perceived reason for BMTR’s high COE is due to its high beta stock of 1.87. In comparison, SCMA beta stock is 1.32 while NFLX and WBD has a beta stock of 1.27 and 1.48 respectively. Beta is used to gauge the volatility of a stock's price relative to changes in the overall market, which indicates the degree to which a stock's price tends to move in response to fluctuations in the broader market (Levy, 1974). Companies in the media industry tend to have a higher beta by which it refers to the fact that they are over 1. Levy (1974) suggests that Companies with a beta of around 1.00 will be roughly as volatile as the market while those with lower coefficients will be more stable. This would suggest that the media industry is quite volatile. This may not necessarily be a bad implication for investors as Christoffersen and Simutin (2017) suggest that high beta strategies improve relative returns without affecting the alphas. This is, however, determinant on the long-term volatility of the stock market.

Based on the relative valuation, the company share price is undervalued. Based on the PE ratio, PB value and the EV/EBITDA ratio, the company is undervalued in comparison to the industry average. By looking at the statistics, BMTR however, has managed a consistent level on all the relative valuation. This would indicate that the company is very stable even during the Covid-19 pandemic.

Investors could use the contradictory outcomes as a point of comparison to determine which value has to be prioritized more. It is crucial to keep in mind that both valuations are predicated on assumptions. While relative value is based on market performance, absolute valuation is based on anticipated future cash flows. Investors should concentrate more on what they theoretically valued more when it comes to purchasing equities because both values have inherent dangers.

CONCLUSION

At the moment, Global Mediacom operates in a highly competitive and unstable market. Despite the growing popularity of online entertainment and the pandemic's accelerated technological development making the business they work in lucrative; they are at the mercy of their rivals. Their rivals include both domestic and foreign businesses with streaming services that cater to specific niches. Due to its membership in a vertically integrated multimedia conglomerate and ownership of Indonesia's largest content collection, the company enjoys a competitive edge.

The company is in a stable condition, according to the financial analysis of the business. The company was able to preserve its financial position despite the extraordinarily unstable economic time brought on by the pandemic, according to the profit margin and DuPont study. They can effectively manage their debt levels and debt financing, as seen by their liquidity and solvency ratios. The business has demonstrated a constant ability to grow its assets while lowering its obligations. According to the activity ratios, the issue is that their asset growth is surpassing their revenue growth. It is inferred that the business is having trouble properly converting its assets into sales, and it also may be unable to successfully entice new clients.

The company’s absolute valuation showed overvaluation. The absolute valuation yields an intrinsic value of Rp. 169, which is less than the share's current price of Rp. 278. With a margin of safety of -74%, this indicates that stock is currently risky. This is, however, might be due to the large beta stock the company has which indicates a risky rate but possibly a higher return.

The corporation was undervalued according to its relative valuation. According to the PE Ratio, BMTR's target price for 2023 is Rp 313—a decrease from the present price of Rp 278. Finding the forward PE ratio, dividing it by the current PE ratio, then multiplying the result by the current price yields the target price. The company consistently performs below the industry average, as evidenced by the historical PE ratio trend. The PB value, which likewise agrees with the PE ratio finding, supports the same conclusion. The company is currently undervalued, according to the PB value. The results of the previous two metrics are likewise similar to the EV/EBITDA ratio. Over a five-year period, BMTR's EV/EBITDA ratio has consistently lagged behind the sector average. All of these measurements also demonstrated BMTR consistency, which is another feature in common with them. While their rival's performance varies greatly from year to year, BMTR has been able to maintain a steady trend line.

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