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PRESENTATION

Operator

Good morning and good afternoon, ladies and gentlemen. Welcome to the conference call. Our Chairperson today is Mr. Hashim.

Mr. Hashim, please begin your call and I'll be standing by for the Q&A. Thank you.

Abdullah Hashim - CLSA - Analyst

Hello. Good afternoon, everyone. Thank you for joining us the call. First of all, I'd like to thank you, Pak Hary and Teddy for giving us an opportunity to host this call, to allow CLSA to host this call.

Without further ado, I'll hand it over to you, Pak Hary. Thank you.

Teddy Pun - PT Global Mediacom Tbk - Head of IR

Hello everyone. This is Teddy Pun, Head of IR for the Group. Thank you for joining MNC Group full-year 2014 earnings conference call. On the call today we have our Group President and CEO, Mr. Hary Tanoesoedibjo, as well as the CFOs for all three of our listed media companies.

Hary Tanoesoedibjo - PT Global Mediacom Tbk - Group President & CEO

Hello, this is Hary.

Teddy Pun - PT Global Mediacom Tbk - Head of IR

For the full-year 2014, MNC total revenue increased by 2% to IDR6.7 trillion from IDR6.5 trillion, of which advertising revenue accounted for 89% of total revenue, increased by 4% to IDR5.9 trillion.

Core EBITDA for 2014 was IDR2.78 trillion, an increase of 2% from IDR2.72 trillion, but the EBITDA margin remained stable at 42%. Despite muted revenue growth, the reason MCN managed to maintain EBITDA margins is because of the Company's ability to reduce to programming costs from the additional in-house production and increase of reruns of content from our library.

Net income for the full year was IDR1.76 trillion, an increase of 4% from IDR1.69 trillion. Earnings per share also increased by 4% to IDR126 per share.

At MSKY total revenue increased by 9% to IDR3.28 trillion from IDR3 trillion. The increase was driven by subscriber growth of 10%.

EBITDA was at IDR1.26 trillion for the full year with margins of 38%, a decline of 200 basis points due to rupiah depreciation.

The Company also recorded net loss of IDR154 billion for the year, an improvement from the net loss of IDR487 billion in 2013.

At Global Mediacom, total consolidated revenue for 2014 increased by 6% to IDR10.7 trillion from IDR10 trillion. Besides increases in advertising and Pay TV revenue, online-based media revenue increased by 115% to IDR621 billion from IDR289 billion. The strong growth was driven by LeTang, our mobile game company in China.

2014 EBITDA was IDR3.9 trillion, an increase of 2% from the year before, with margins of 37%. The Company booked net income of IDR705 billion, an increase of 14% from IDR620 billion in 2013.

Earnings per share was IDR52 per share in 2014.

There are three other points we would like to highlight during the opening remarks. First, RCTI is back to number one since January of this year. Despite being to number two in audience share in most of 2014, RCTI was ranked number one in revenue share.

Most importantly, RCTI was also by far the most-profitable TV station in all of Indonesia. The station alone generated IDR1.8 trillion in EBITDA, which is 30% higher than the number two TV station.

RCTI also had industry-leading EBITDA margins of 54%.

As you can see on page 6, you can also see the rough revenue breakdown of all the TV stations group in Indonesia. And what you can see there is that RCTI, in terms of revenue, is about 25% higher than the number two competitor.

And more importantly, power ratio, we've managed to achieve a 1.4 times power ratio, which is the highest within the entire industry.

Secondly, I also want to discuss about our in-house production capability within MNC Group. There is a lot of misconception in the market that MNC does not produce any in-house content. I want to clarify once again that this is not true.

In fact, we are the single largest in-house content producer in all of Indonesia. Every day we produce over 41 hours of in-house content in drama, news, variety shows, animations, to supply to all four of our TV stations and 19 Pay TV channels.

On page 7 you can see our production is an end-to-end strategy approach, which is supported by our three in-house production studios, as well as our talent management agency. This strategy allows us to control everything from cost of talent to production and to broadcasting.

First, we have Star Media Nusantara, which has over 300 artists in its stable. It is the largest talent management agency that is owned by a television broadcaster. Most of Indonesia's popular soap opera stars and singers are represented by SMN. By owning one of the country's largest talent management companies, this helps us to control talent costs, which are usually the largest component of production costs.

In addition to that, we also have three internal production houses. First, TV studio productions, such as RCTI productions. It produces all of our talent search formats, including Indonesian Idol, X Factor, MasterChef, Rising Star. These shows generate by far the most advertising revenue among



all the talent search programs in Indonesia. On average they generate around 3 times more revenue than any locally-produced programs produced by our competitor.

RCTI production also produces most of our daily variety shows, sitcoms, news programs, and others.

In addition, we also have MNC Pictures. It produces drama series, film TV, and movies. In fact, this year's Indonesia top grossing domestic film, Di Balik 98, was produced by MNC Pictures.

The Company also recently set up MNC Animation to focus on cartoons and kids' content. This new division is led by a Chief Creative Officer, who previously worked at Disney and Cartoon Network in the US.

In recent months MNC has also added a new script-writing talent from Bollywood, and is working closely with a Japanese production company to develop new variety game shows.

We strongly believe these new appointments and initiatives will significantly boost our in-house production content-creation capability, and set us further apart from our competition.

Finally, I would like to also announce that we have officially launched iNews TV, which previously was called SINDOtv. iNews TV stands for Indonesia news. This station will have a fresh take on news and sport, and will bring a very exciting new offering to Indonesian public when it comes to 24-hour news.

With that, it concludes our opening remarks. And Abdu, perhaps we can go into Q&A. Thank you.

QUESTIONS AND ANSWERS

Abdullah Hashim - CLSA - Analyst

Well, thank you very much, Teddy. I think we'll start the Q&A by asking a question ourselves.

One of the things we would like to ask is there's been a bit of a worry in terms of ad spend nationwide, because the economy seems to be going a bit slower than expected. I was hoping if you could shed some light into what do you think will ad spend will be this year for the industry, and what MNCN could achieve the same in terms of revenue growth? Thanks.

Hary Tanoesoedibjo - PT Global Mediacom Tbk - Group President & CEO

Okay. This is Hary. Allow me to answer your question. We still believe ad spend will be growing this year. But my sense, my sense, would be in the high-single digit.

I agree with you, the outlook for 2015 today is not as bright as what we thought last year. But ad spend is still growing around the high-single digit.

The challenge for a media company now is how we manage the costs, assuming ad spend is growing by, say, 8%, 9%. It's not as high like compared to three years ago. So the challenge how we can manage the costs.

That's why, as Teddy mentioned, we maximize the utilization of our library, because the good thing in our Group, now we have more than 200,000 hours of content in our library. More than 50%, close to 60% is non used, which carry a good catalog value, which we can rerun on our FTA. News is to recover, of course, what we run.

So we are targeting this year, we can maintain our programming costs hopefully flat, or hopefully less than, last year. So that is the situation.

Abdullah Hashim - CLSA - Analyst

Okay. Thank you very much. And I think I'll open the floor to questions. Operator.

Operator

(Operator Instructions). Rajesh Raman, HSBC.

Rajesh Raman - HSBC - Analyst

I had a few questions, firstly on MNCN. You mentioned that TV ad ex in your presentation, TV ad ex for the industry grew only 2%.

So I just wanted to get a sense of was that the rate of growth for the overall industry, ad ex as well? Or did TV lose market share with -- vis-a-vis other mediums? Basically, trying to understand what the overall industry ad ex growth was versus TV.

Secondly, on MNCN again, why has your overall debt levels gone up in 2014? As I can see your gearing has gone up 0.7 times net debt to EBITDA. And should we expect higher interest expenses for 2015?

And on CapEx if you could just guide on CapEx for both MNC and MSKY.

And finally on the operating metrics for MSKY, if we could get some operating numbers in terms of ARPU and subscribers for MSKY individually by product segment. Thank you.

Hary Tanoesoedibjo - PT Global Mediacom Tbk - Group President & CEO

Okay, your first question about the growth in ad spend. Basically, in our case, 2013 we had a few expensive projects like we carry, like Miss World in Indonesia. That's why we cannot just compare ad spend, basically advertising revenue 2013 compared to 2014 head to head, apple to apple like that there, because the nature of the program that we broadcast in 2013 was more expensive. Of course, that generates a higher revenue.

In 2014, all of the programs that we've got, [cash] is actually regular programs, other than the talent search that we do almost every year, like MasterChef, X Factor. But it's not relevant for me to compare, because actually we do that every year. So that explains why.

For RCTI alone, standalone the revenue was up by 3.8% in revenue in 2014 compared to 2013. But if you compare with other big television, our competitors, actually our [Group] was higher.

Best-performing television was, amazingly, ANTV owned by Bakrie. But they started with a very, very, small base. They managed to have a good program that they bought from India; it's not in ours. It's like Ramayan, something like that.

And then with regards to your question about the gearing, the gearing, yes, because last year we issued a syndicated loan, about \$250 million. That in [investigating]. Maybe I'd like to give you the overview.

MNCN is the only television group that has the biggest and the most sophisticated infrastructure for the broadcast. We modernized all our broadcast facilities for the four stations. The first three is basically our previous, our existing television, RCTI, I mentioned the global TV, with our HD-digital broadcast facility located in RCTI office complex. This is very important.

In the past we had three different locations. So the integration of the three was very difficult, even though they have the same, basically, type of program, which is entertainment. Now, we integrate all three into one location and we modernize the whole broadcast facility.



Secondly, we also had a new television called, Teddy mentioned already, iNews, which we focus on -- the nature of the content is on news. So we got to build also a new broadcast facility. So we almost complete our new center, which is very modern, so anybody, say, come to our office within the next two months, I can bring to see the whole set up of our broadcast facility for the three stations: RCTI, MNC TV, Global TV; and also, the new television, which is iNews.

All costs, about \$250 million. That is basically a very big amount, but it's very important for us. One, the quality of production will be better. Now, we have four divisions of production. One is to [studio bits]; second is drama; third is animation. The last one that we've just formed is sports, because sport normally we buy from third party and it's expensive. We want to produce our own sport.

The second benefit of this integration is cost saving. Starting second half of 2015, we would save quite a bit there. I would say from the programming, production-related costs from 5% to 10%, because everything is located in one location. In many cases, we can basically cut all the redundancies and that's why we can save a lot of costs.

So the impact of this modernization of our broadcast facility will be in the medium to long term. This year, it will be reflected in the second half and next year on what will be in the full year.

Thank you.

Rajesh Raman - HSBC - Analyst

Thanks, Pak Hary, that's very helpful. On the CapEx and on the operating metrics for MSKY, if you could provide some color.

Hary Tanoesoedibjo - PT Global Mediacom Tbk - Group President & CEO

The CapEx is almost finished, so -- for MSKY?

Rajesh Raman - HSBC - Analyst

Okay, so we should expect a lower CapEx for 2015?

Hary Tanoesoedibjo - PT Global Mediacom Tbk - Group President & CEO

You are asking about MSKY?

Rajesh Raman - HSBC - Analyst

Actually both, guidance for both if it's available.

Hary Tanoesoedibjo - PT Global Mediacom Tbk - Group President & CEO

MSKY is basically more on the migration of our CapEx. We still have, I think, about 300,000 set-top boxes MPEG2. There are [0.6 million] subscribers that we have to migrate from MPEG2 to MPEG4, and we have to do that.

Why? Once we do that, then we can have more capacity from our transponder. From today, we can only broadcast 130 channels and then that would increase to 170 channels. That's for MSKY.

For MNCN, the CapEx is very small. It's more on the OpEx, because we have a new television, iNews. But the good thing since we are a television Company, I believe, this year iNews will generate already good revenue, because we have all the facilities; we have the people; and everything.

Rajesh Raman - HSBC - Analyst

Thanks, Pak Hary.

Hary Tanoesoedibjo - PT Global Mediacom Tbk - Group President & CEO

My pleasure.

Operator

[Pankaj Suri], Nomura.

Pankaj Suri - Nomura - Analyst

A few questions from me; first to follow on the audience trend, clearly 1Q has been pretty strong for RCTI and the Group as a whole. So what are your expectations for the year ahead? Do you expect to sustain this momentum? That's number one.

Number two, a second question is on the consolidated cash flows on investing. So there's IDR1 trillion amount that has been invested in other financial assets. Some placements have been done there, so if you can please throw [out] some color what exactly are these investments related to.

Third question is on first quarter revenue trends, any color on that would be helpful as well.

The fourth question I wanted to ask was on SINDOtv. So your press release indicates IDR300 billion of revenues this year.

So my question is where does this revenue going to come from? Do you see SINDOtv taking over some of the revenues from your peers? Or can we even expect some cannibalization at probably MNCTV or GTV case?

These four questions from me.

Hary Tanoesoedibjo - PT Global Mediacom Tbk - Group President & CEO

Okay, on the audience share, impact for RCTI, I think there will be sustainable, because, why? RCTI is very strong with its regular programs. It's not like one-off project, [this] program. It is like the program once you perform, it tend to continue. Our performance in primetime is very strong.

Number two, with regards to your question about the cash flow, almost IDR1 trillion, basically, the majority of it is SINDOtv. The way we have the SINDOtv or iNews, we since seven years ago keep buying local TV.

Now, we have 46, which cover already almost 90% of the population. Then we combine them together and apply for a network license. And then we got the license; we got the permit. Then we can broadcast on a national scale similar to RCTI and others.

Why it's in the form of a financial instrument, because we restructure it in a form of convertible bond and exchangeable bond, because if we own it directly in the form of equity, it's very difficult for us to buy the local TV if we can; people know that MNC is buying, the price is very high.



So since it's completed already, we are going to convert this convertible bond and exchangeable bond this year. So this year, the majority, I think, is for IDR700 billion/IDR800 billion would be gone, and become equity, which is 100% ownership in SINDOtv, which is now called iNews, because the focus of the programming is news. So that's number two.

Number three about the revenue trend, I still believe we would book a higher revenue, in particular because we have the four televisions.

Basically, the five key businesses within MNC, the first three is the existing television, RCTI, MNCTV and Global TV. The fourth one is the news TV, which is iNews, which is our new television. The fifth one is the content business.

The content business, basically, there are three benefits with very big, basically, library. The first benefit: we use the library for the rerun. It doesn't reflect in the revenue. But what happened, that can reduce our programming costs.

The second benefit is the uses of the library for our PayTV channels, which [on that] also advertising revenue. Now we have 19 PayTV channels. We plan this year, for sure, we are going to launch at least two PayTV channels, so we are going to have 19 -- 21, I'm sorry.

And the third benefit of the library is we can monetize it by selling the library offices. We just formed a new division. We have somebody from an international media company to monetize our library. So I hope this can become also another revenue stream for MNCN.

And SINDOtv is a news television. Basically, it won't compete, of course, with RCTI or MNCTV or Global TV, because these three focus on entertainment. SINDOtv, which is now call iNews focuses on news.

The kind of revenue, the type of advertising is more like sponsorship. News is a bit different from regular entertainment TV. More than 50% of the revenues derive from sponsorship, just like TV1, another television -- news television owned by [Barclay] Group. And then Metro TV is another television that focuses on news.

The good thing about news, you cannot be so big. I'll give an example, TV1 revenue last year was about IDR1 trillion, so it's about \$80 million but the margin is very high because news is very cheap. The margin is more than 50%.

Likewise Metro TV, the revenue (inaudible) [IDR]1 trillion and the margin is also greater. So I hope this iNews can become also a good support for our performance for MNCN.

Thank you.

Pankaj Suri - Nomura - Analyst

Okay thanks, Pak, very, very clear. If I may just re-track to the first question that was asked during the call. So you've given us your expectations for the industry growth this year, which is around high-single digit. How should we see the revenue growth for MNCN this year?

Hary Tanoesoedibjo - PT Global Mediacom Tbk - Group President & CEO

We are targeting equal, similar to the market, basically. That is our indication, yes.

Pankaj Suri - Nomura - Analyst

Okay, thanks, Pak.



Operator

[Rio Muria, Eastspring Investment].

Rio Muria - *Eastspring Investments - Analyst*

Just two questions from me; can you update us on the situation with MNCTV court case?

And the second question, there is news that your Group is potentially acquiring Link Net owned by Lippo.

Hary Tanoesoedibjo - *PT Global Mediacom Tbk - Group President & CEO*

Okay on MNCTV legal case, it's not an MNC legal case. I think I have to repeat this again and again. It's now our case.

But whatever the decision by the Court or by the [Bania], by arbitration, of course, that would give an impact on us.

And the good thing, the arbitration's recent decision was very positive on our side in the sense that, basically, Berkah won the case. And it makes us much clearer.

So basically, I want to highlight our situation hasn't changed. We still own 75% of MNCTV and people can check also.

In fact, the registration, the list of the ownership and also the Board of Commissioners/Directors registered with the Ministry of Law and Human Rights is still basically registered with our Board. So that is very important. So we are still the legal owner of MNCTV, but for 75%.

On the Link Net, yes. I cannot disclose too much because Link Net is a public company and we are also a public Company. We are invited. We are invited to participate in the bidding process. That's basically something that I can disclose. Thank you.

Rio Muria - *Eastspring Investments - Analyst*

One additional question on MNCTV. Is there any potential for your Group to increase your stakes in MCNTV to 100% instead?

Hary Tanoesoedibjo - *PT Global Mediacom Tbk - Group President & CEO*

I hope it would happen very soon.

Rio Muria - *Eastspring Investments - Analyst*

Okay, thanks.

Hary Tanoesoedibjo - *PT Global Mediacom Tbk - Group President & CEO*

Thank you.

Operator

Vikas Agarwal, Deutsche Bank.

Vikas Agarwal - Deutsche Bank - Analyst

A couple of questions from my side. One on MSKY. The competition has increased significantly. How do you see the impact of the competition on MSKY subscribers? And what is the target growth of the subscribers for MSKY for 2015?

And second question is on the broadband business. Can you update on what the current status of the broadband business is? And when should we expect revenues to start for broadband?

And thirdly, you mentioned that we should expect a completion of the 100% stake in MNCTV soon. It would be helpful if you can give some timelines, whether it should we expect in first half or second half any such outcome. Thank you.

Hary Tanoesoedibjo - PT Global Mediacom Tbk - Group President & CEO

On the Pay TV industry, actually, if we say it is competitive, it's not really that competitive, because the penetration is still low. If you take the A&B segment of our result that would be I think around 20 million or so, out of the 60 million or so in Indonesia.

The total number of subscribers in Pay TV is still well below five million. So the upsell is still significant. That's one.

So the problem that I think people must realize on the Pay TV is piracy. Actually, it's not on the competition. Piracy. Piracy is an issue. Today, there is about 4 million or 5 million basically illegal subscribers in Indonesia. So that's why we work very closely with the police to take firm action to combat this piracy. So that one.

And also, how we can improve the performance of our Pay TV, we roll out our broadband so that we can offer a bundle package to -- we can upsell, basically. Because the concentration of the rollout is where we have a strong subscriber base, so we can upsell to our existing individual subscribers to subscribe our Internet service, this broadband company.

In order to strengthen more our Pay TV position, we also offer OTT, free OTT service for our existing subscriber where they can watch what they subscribe with no additional charge through OTT. Our investment is only \$300,000. We got a special package from (inaudible) on this case.

And on the broadband, yes, we are targeting to complete 700,000 homes pass this year, with a target penetration of 35%. That is our target. The industry penetration is about 29%. So if we have, say, 100,000 homes pass completed, it's about 29,000 subscribers. That's basically the industry. But we are targeting 35%. Why? Because we are focusing on our existing subscriber base belonging to individual. So that is the second one.

Number three, about the timeline of the potential acquisition of the 25%. I hope within this quarter, but it should not be more than the third quarter.

Vikas Agarwal - Deutsche Bank - Analyst

Sure. One last question, if I can ask. For this broadband business, and given that you've been invited for Link Net, so would not -- how would this existing broadband business, which you are developing, and the Link Net business affect all if it happens? How would these two come together or compete against each other? What would be the -- what is the broader objective or the view of the Company?

Hary Tanoesoedibjo - PT Global Mediacom Tbk - Group President & CEO

Of course, Link Net is the biggest broadband today. They have 1.4 plus million homes pass. So it would be ideal, at the right price, of course, if we can buy it out. So we will become the biggest broadband company, and, in turn, the biggest also Pay TV company. That would be very ideal. It's just a combination of Comcast and DirectTV. But I cannot comment much, because it's still in the early stage.



Vikas Agarwal - Deutsche Bank - Analyst

Sure. Thanks, Pak Hary.

Hary Tanoesoedibjo - PT Global Mediacom Tbk - Group President & CEO

Thank you.

Operator

Roshan Raj, Merrill Lynch, Singapore.

Roshan Raj - BofA Merrill Lynch - Analyst

Three questions. The first one, assuming what [was said] about the consumer act, the consumer sentiment being soft and spending possibly in the high single-digit for the industry, which of your three channels would possibly deliver better growth in such an environment? Some color there will be helpful.

Second, the SINDOtv to be launched as iNews, would you not incur some more initial start-up cost to brand it, market it? And as a result, should it not lead to the overall margins seeing some pressure in 2015?

And the third question, and I think this was asked before, so sorry if I missed it, on the ad spending on different platforms. Could you share some color as to if TV is still gaining the highest share of incremental ad spend in Indonesia? Thank you.

Hary Tanoesoedibjo - PT Global Mediacom Tbk - Group President & CEO

Your question with regards to which one would generate the highest growth among RCTI, MNCTV and Global TV. Logically speaking, the smallest TV will generate the highest growth because the base is small. For RCTI to grow 10% is a big amount in terms of the up-sold number. So it should be Global TV first and then MNCTV and then RCTI, in terms of the percentage of growth. But in terms of the absolute amount of growth, RCTI, of course, is the highest.

On the iNews TV, we are not a new player, so we have everything. We have the studio facility, we have the people. So we will generate a good EBITDA margin even in the first year. My target is in the 30%-something level.

In terms of the OpEx, it's very -- it's already -- the CapEx has been spent. So I want to underline. We [don't] need to invest much for the iNews TV because everything we have invested already.

So I told you that we've been doing this since seven years ago. So basically, for our book value of close to IDR1 trillion, say \$70-\$80 million, it includes not only the acquisition of the local TV, but also all the investment in the broadcast facility and others.

So it's a very cheap investment. I remember two years ago, for example, ANTV was up for sale. Even it was paid \$0.5 billion, they didn't sell. So this is a very cheap way to enter into this business by buying local TV, like iNews.

And number three, in terms of ad spend. The good thing -- ad spend on TV keeps increasing. I believe today it's more than 70%; I think about 72%. This is the last data that I read from [Hunting] News, and it was 72% of ad spend is on TV, compared to a few years back it was only 67%/68%.



So print suffered a lot. So of course, the increase in the TV ad spend, in terms of the percentage of the total ad spend is at the expense of print. The two platforms that increase the most is online and then television.

Teddy Pun - *PT Global Mediacom Tbk - Head of IR*

And just to add to that, ironically, we are now also seeing a lot of e-commerce companies being -- aggressively spending on TV. All the big names, you can name it, they're spending aggressively on TV. Travel companies, Lazada, [Toko], [PDX], etc.

Roshan Raj - *BofA Merrill Lynch - Analyst*

I see. That's very helpful. Thank you, Pak.

Hary Tanoesoedibjo - *PT Global Mediacom Tbk - Group President & CEO*

One thing I want to add maybe for everyone, so that there is no more questions on MNCTV legal case. We got a letter from the government, from the Ministry of Justice, stating our, basically, ownership in MNCTV for the 75%, and also our directorship in MNCTV. So it was dated April 6 2015, just two days ago.

Thank you.

Operator

Henry, Citigroup.

Unidentified Participant

I have three questions here. The first one is on the Play Media structure. I notice that BMTR currently owns convertible bonds as well in terms of the media ownership. Can you shed some light on the debt position, because I noticed that Play Media's debt is still not under BMTR? And when do you expect that to be reflected in BMTR's balance sheet?

And on Play Media still. Can you give us our -- can you give the subscribers target for end of year? So when you're targeting 750,000 and then a 35% penetration rate, does that mean that you are targeting direct subscribers of those? Because, if I'm not mistaken, the latest subscribers is still very, very small; less than 20,000.

Second question is on revenue trend. Can you give some light on first Q performance of MNCN as compared to first quarter last year?

And lastly, it's on EBITDA margin, because I notice MNCN's EBITDA margin is 42%. So my question is, what's dragging it down, because RCTI is having 54% EBITDA margin and MNCTV is about 40% and Global TV is about 35%. Thank you.

Hary Tanoesoedibjo - *PT Global Mediacom Tbk - Group President & CEO*

On the debt side of BMTR, it's about \$30 million; it's very small.

Do you know why the structure is through convertible bonds? Because we are in the process of putting a new [Holdco], which is wholly-owned by Global Mediacom called [Skyfisher Network]. It's [SFN], Skyfisher Network, to hold both the DTH Pay TV, which is same as SKY, and the broadband.



We are still basically in the process of unwinding this. Because if under the current structure it's not really integrated by having one Holdco for the broadband and the Pay TV. I think the integration, the cooperation between the two will be much better, because the broadband also offers IPTV.

And then the second part, which we got through the -- okay, the 700 - we are targeting to have 700 homes pass completed this year for Play Media. But the penetration of 35% will not be generated immediately, of course. The time lag is about six months, up to six months.

So if we can complete 700,000 today, this year, that means by June next year then we get 35% penetration. Yes, because we have to finish first the home pass and then we have to do the marketing. We have to convince our existing subscriber to basically upsell, to upgrade the service level, not just the Pay TV, but to include the Internet.

And then the guideline for the Q1 this year compared to last year, of course, we should improve compared to last year. But I cannot give you a very specific number, because under the regulation, we have to disclose it to the [OJK] and the [servicing share]. But RCTI is doing very well, that's something that I can underline. RCTI is doing very, very well.

And then your third question, the EBITDA margin, why it's 42%. You see MNCN is different from our competitor. Under MNCN, we have [RCTM] and [digital TV]. We have also the channel business here. We have also agency. We have agency called CMI. Agency business is very small in terms of margin; the margin's only 2%/3%.

Why we have this agency business? Basically, to be honest to you, it's not for the commercial purpose. It's more for intelligence. So that we can really read the market, which is not price and if my competitor hear this, but so that we really understand the pricing of what is happening in the market. That is basically the purpose of having agency.

We have, basically, agency company, so that's why that brings down the EBITDA margin. RCTI is more than 50%, you are correct. MNCTV is about 40%, you are correct. And then Global TV is 30-over-%-something, correct. SINDO/iNews, I think this share will generate also more than 30%.

So if we exclude, if we take out the other businesses, except channel, channel (inaudible) also high margin, then our EBITDA margin would improve significantly.

If we just take the three television, RCTI, MNCTV and Global TV, the EBITDA margin is about 48%; so down to 42% because of other businesses.

Last time I plan to dispose the agency, but I think it's not wise because then we do know what is going on. You asked me today: what is the market doing in the print; what is the market doing in the radio; what is the market doing in the local TV? I can answer because we have all the information. Thank you.

Unidentified Participant

Thanks a lot for this, Pak. Very clear, thanks.

Hary Tanoesoedibjo - PT Global Mediacom Tbk - Group President & CEO

My pleasure.

Operator

Reggy Susanto, Deutsche Bank.



Reggy Susanto - *Deutsche Bank - Analyst*

Congratulations on the launch of iNews TV and also for delivering very strong margins in the fourth quarter amid a very challenging industry environment.

Hary Tanoesoedibjo - *PT Global Mediacom Tbk - Group President & CEO*

Thank you.

Reggy Susanto - *Deutsche Bank - Analyst*

Just three questions from me. First question is more of a housekeeping question. In regards for iNews TV, will this be immediately tracked by Nielsen in terms of the ratings?

Second question is on the very strong ratings that MNCN has achieved over the past four months of the year. I think out of all the major companies, MNCN is the only one that is showing a very strong year-on-year increase, in terms of the ratings. Can you just maybe give more color on what has been the reason behind these very strong ratings that you've been able to generate?

And then the last question is on the new media initiatives that you guys have. Could you maybe talk more on the various new media initiatives, including the online games which, to my understanding as of now, hasn't really been focused on Indonesia but mainly in the overseas market? Thank you very much.

Hary Tanoesoedibjo - *PT Global Mediacom Tbk - Group President & CEO*

Okay. Thank you, Reggy. On the iNews, yes, this year Nielsen will cover within the report, yes. So I think we can see the audience generating of iNews, so that is for sure, because it's national television already.

Number two on the wide rating, the audience share of MNCN, in particular for RCTI improve, MNCTV also improved here. For RCTI, because the drama program during the primetime, we have about four to five every day, all perform very well. There is one drama, of course, (inaudible) is doing extremely well. That is one of the reasons RCTI performance was also very good.

On the MNCTV, because we changed some of the programming format, last time, we broadcast a lot of drama for the middle class and then we changed a little bit two titles. [We're] impressed with the music program, like (inaudible) [called KDI], which we did so well in the past and now we do it again. And it works very well also.

And then on the new media, the new media in Indonesia is still very small. Even though it's growing at a very high rate, but the number is very small. But our business is China is doing very well.

So the story is like this. Seven years ago, we bought Linktone, which is a value-added service company. It turned out to be wrong. The business has been declining. Four years ago, we migrated the business to online games from scratch.

Now it's doing very well. Last year alone, from our three games, we managed to have more than 230 million unique players and our revenue jumped fivefold with only three games and we develop our own games application. We just bought the IP.

This year, I think the revenue may triple to four times. It's doing very, very well, because we produce more games and we also expanded from just single-player game now to multiple-player game, so the revenue stream is much bigger.



Our plan, once the broadband rollout is already established in Indonesia, both the fixed broadband and mobile broadband and then the Internet connection is good, then we plan to also expand into Indonesia for our online game business.

The rest of the online is still very small, like the news portal and other, still very small. Thank you.

Reggy Susanto - *Deutsche Bank - Analyst*

Thank you, Pak; really appreciate it.

Hary Tanoesoedibjo - *PT Global Mediacom Tbk - Group President & CEO*

My pleasure.

Operator

Roland Haas, HB Capital, Jakarta.

Roland Haas - *HB Capital - Analyst*

I had a quick question. It's early days, but I would like to know what the plans are for JCDecaux. Could you give us some idea about the size of the market, the competitive landscape, expected margins as and when this goes ahead?

Hary Tanoesoedibjo - *PT Global Mediacom Tbk - Group President & CEO*

Okay. Thanks for the question. Yes, we signed a JV with JCDecaux, which is the biggest out-of-home company in the world. For us, this is, basically, not really the core business, but it's a nice to have, because most of the advertiser is the same. Like Unilever, they spend money on TV, on print, also on billboard; cigarette company, it's the same thing. So it's a 50/50 joint venture. The market is very big.

For the out-of-home market, it's big and growing bigger and bigger, but it's very difficult to quantify how big the market, because it's very fragmented.

But JCDecaux concept is very sophisticated, very advanced. They are more like street-related furniture type of out-of-home advertising business; like they have advertising on the bus stop, on the airport, so [many do]. Basically, they are very unique then, that's why we are keen to have a JV with them.

It's better that they have a JV with us and become our friend, because if we don't take that opportunity, they become our competitor, because they would have a JV with our competitor.

It's nice to have. For us, we can bundle the advertising, because most of the advertisers are the same.

Roland Haas - *HB Capital - Analyst*

Any idea about the margins?

Hary Tanoesoedibjo - *PT Global Mediacom Tbk - Group President & CEO*

The margin is also very high. The margin is very high. Normally, it's 40%/50% in this kind of business.



Roland Haas - *HB Capital - Analyst*

Okay. Thank you.

Hary Tanoesoedibjo - *PT Global Mediacom Tbk - Group President & CEO*

Thank you.

Operator

(Operator Instructions).

Abdullah Hashim - *CLSA - Analyst*

I just have a question, and I think maybe a lot of people on the line are interested to know. We understood that you are very patriotic; you love the country very much.

Was wondering, since you just started Perindo, I would like to understand more on your time commitments between the listed companies and political parties, if you could shed some light on that one.

Hary Tanoesoedibjo - *PT Global Mediacom Tbk - Group President & CEO*

Okay, thank you. So, this is a very easy question, in fact. Of course, I'm very committed to growing the business, because I am the founder of MNC Group, so it's I have basically a sentimental commitment attachment to the Group. So, everything is under control.

With all the [stellar] communication, technology, everything that we manage, even we don't have to meet, so I am very much committed. So, basically it's very easy to tell whether I'm really on the ground or not by asking me any question, I can answer about our media business. So, I am very committed; don't worry.

Abdullah Hashim - *CLSA - Analyst*

Okay, thank you, Pak.

Hary Tanoesoedibjo - *PT Global Mediacom Tbk - Group President & CEO*

Thank you.

Operator

Adrian Joezer, UBS.



Adrian Joezer - UBS - Analyst

So, just two questions from me. One is on the MNC Sky. I just want to know about the ARPU. It was IDR101,000 as of 2014, which was declining from IDR114,000 in 2013. I just want to give more clarifications because, actually, in the second quarter last year you raised the price by about 10%/15%.

On the second question, it's on Global Mediacom. So, if I look into the other expenses of the operating profit lines, I saw that Global Mediacom actually booked about IDR153 billion of loss in -- other losses in 2014 against IDR35 billion in the nine months. If I may know the details on this. Thank you.

Hary Tanoesoedibjo - PT Global Mediacom Tbk - Group President & CEO

Okay. The second one I'll let my CFO answer. So, I think you just looked at the standalone. Yes.

Okay, on the ARPU, we have two brands for our PT. One is Indovision, which is the premium brand. The basic charge is, I think, IDR170,000, so that is about \$14. Then we have also Top TV, which is the cheap brand. It's, I think, about IDR90,000. IDR90,000 is about \$7.

Why the ARPU is down, because the upselling is a bit slow. This is something that we have to push hard. You see? Our strategy is always let people subscribe the cheap brand, which is Top TV, and then -- but the package itself is just fairly standard.

And then we encourage them to upsell -- to upgrade to Indovision, and it works. But the speed is not as fast as before.

Today about 51% of our subscriber base is Indovision compared to two years ago, about 54%/55%, so it's a bit down. The number of the subscribers increased but the increase for Top TV is faster. So, it's the job now how we can upgrade the service level from Top TV to Indovision.

That explains why the overall ARPU is down a little bit, even though we increased the price last year by 10% to 15%.

You know we also offer OTT -- free OTT service to individual subscribers. This is -- we just launched this last month. This is for our strategy to upsell, basically.

For the Top TV, they don't get the OTT service. The handicap of the pay TV is basically people can only enjoy at home. They have to go home and Jakarta is fairly traffic-jammed. So, if they are outside they cannot enjoy it, what they are already paying.

That's why we offer OTT for our individual subscribers, so that they have convenience. Anytime, anywhere, if they want to watch they can; they can watch. This way it is also an incentive for the Top TV subscribers to upgrade to Indovision. So, basically this was a strategy to minimize the churn.

Your second question about the Global Mediacom standalone operating expenses, maybe my colleague can answer. Okay, he just said something to me. One of the reasons is the ESOP, the employee stock ownership plan, because under the new accounting principle, it has to be accounted for in the expenses, right? Maybe you can answer?

Unidentified Company Representative

Yes, actually it's non-cash expenses because, based on accounting principle, it has to be recorded, the difference between the fair value and the exercise price. So, that it is only the bookkeeping cost. It's not a cash cost -- cash expenses.

And for the other one, also the amortization of the goodwill, which is also a non-cash expenses. Thank you.



Adrian Joezer - UBS - Analyst

Thank you. So, just a follow-up, Hary, on the MSN Sky. So, you were saying that you want to upsell to Indonesia from Top TV. Just want to know how many percent of Top TV subscribers you think are addressable for these upselling opportunities. Thank you.

Hary Tanoesoedibjo - PT Global Mediacom Tbk - Group President & CEO

Well, basically almost all, because when people subscribe to Pay TV from 90,000 to 170,000 is on the IDR60,000/IDR70,000 different, only \$5 per month, but on top of that you get free OTT service, plus more channels with better quality, more exclusive channels.

I think it should be affordable for them. It's more, basically, our sales effort that we have to push it harder. Because we are [contacting] only the A and B segment. The A and B segment, they can afford it.

Adrian Joezer - UBS - Analyst

Thank you.

Operator

(Operator Instructions). Excuse me, Mr. Hashim, there is no further question at this point in time. Thank you.

Abdullah Hashim - CLSA - Analyst

Well, in that case -- sorry, go ahead.

Hary Tanoesoedibjo - PT Global Mediacom Tbk - Group President & CEO

Yes, I may have one thing. The superstar this year, from my personal assessment, looking at the whole business within the Group is the online games.

Online games, we performed extremely well this 2015, because we managed to buy the second-largest martial art library in China that -- and then we can use it for our online games.

Previously somebody bought the best one, previously have one game genre so much money. We bought the second-largest one, actually. Also, we expanded into multi-player games. It would make a lot of difference. Last year our revenue went fivefold. It was only contributed by a single-player game.

So, this is some, basically, highlight that I want to underline, because it's really surprising it's doing so well. Because last year alone we managed to have more than 230 million unique players, almost the size of the population of Indonesia. Thank you.

Abdullah Hashim - CLSA - Analyst

Well, that sounds fantastic, Pak. I think I look forward to playing your online games right after this.

Thank you very much for Pak Hary and MCN and for the opportunity. Thank you, Teddy.

Thank you, everyone, for joining the call. The link replay will be available online on our website at cls.com. Thank you, everyone, and bye, bye.



Hary Tanoesoedibjo - PT Global Mediacom Tbk - Group President & CEO

Thank you.

Teddy Pun - PT Global Mediacom Tbk - Head of IR

Thank you.

Operator

Thank you for joining to the call. Goodbye.

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