

Investment Consideration

Maintaining market domination

After acquiring 4 radio stations in Jakarta including 99.99% of Radio Merpati Dharmawangsa (HOT FM) in January 2017, and three radio stations under Ramako Group in June 2017. MARI's market share (excluding digital) grew to 46% in 3Q17 compared to 23% in 4Q16. MARI is also in the middle of developing their own digital platform in order to support the expansion in radio. We maintain our target of revenue growth during 2017-2018 with the additional revenue growth from new acquired radio stations reflected from 2018 onwards

Strong profit growth

Based on 9M17 result, We are adjusting our target for MARI's net profit and EBITDA margin growth 2017-2018F to 35% and 51%. As of 9M17, Net profit and EBITDA margin grew 34% and 48% which is below our previous forecast due to higher operating expenses. Broadcast and program expenses increased 56% yoy after the acquisition of four radio stations during 1H17. Historically, MARI's EBITDA margin growth has averaged more than 40% and net income margin growth more than 30%. The main factor for the strong growth yoy is MARI's stable expenses from GA expenses & operating costs (HR, research and marketing expenses) to support the programs which contribute on average 50% of MARI's total revenue growth. MARI doesn't require high capex as equipment is durable and revenue can easily more than cover these operating expenses.

Valuation: 25.5% upside, BUY

Due to the strong focus on radio expansion and digital platform expansion & resulting strong profit growth yoy, we have a target price within one year of IDR. 1500 putting the stock at a very reasonable 14.4x PER based on DCF valuation, which gives 25.5% potential upside, BUY.

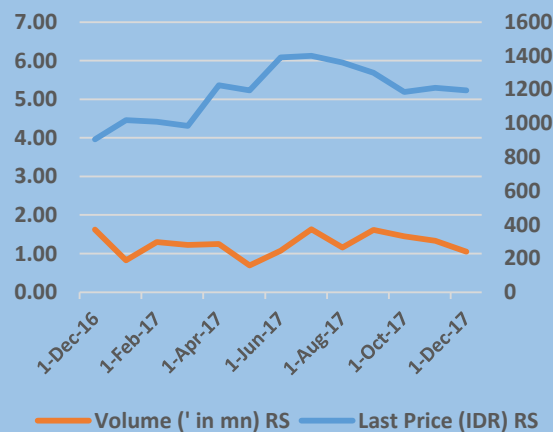
Profit & Loss (IDR. in billion)

	2013A	2014A	2015A	2016A	2017F	2018F
Net Revenue	80.42	95.05	101.99	111.65	120.80	152.49
operating expense	(44.18)	(56.09)	(51.50)	(56.07)	(62.82)	(76.25)
Operating Income	36.24	38.97	50.49	55.58	57.98	76.25
PBT	37.93	39.26	50.74	57.63	55.23	74.39
Taxes	(9.04)	(9.91)	(11.26)	(15.03)	(13.81)	(18.60)
NIAT	28.89	29.34	39.48	42.60	41.42	55.79
proforma adjustment	(11.51)	(13.10)	(7.27)	0.00	0.00	0.00
EPS	1902.05	1777.04	1174.87	81.98	77.28	104.09
Minority Interest	-	-	-	-	(0.83)	(1.12)
Net Profit	17.38	16.24	32.21	42.60	40.59	54.68
EBITDA	38.03	40.89	52.14	57.05	59.72	78.65

5 December 2017

Investment, Consultation
Services, Digital Media, Radio
Industry, Equity

Price **IDR. 1195**
Target Price **IDR. 1500**
JKSE Index **5998.195**



Stock Code
Bloomberg code **MARI IJ**
Market cap (IDR.bn) **627.69**
52-Week High (IDR) **1430**
52-Week Low (IDR) **890**
6-m Avg Daily. Val (IDR) **1308**
Free Float (%) **20.00**

Major Shareholders (%)
PT Beyond Media **30.10%**
PT Mahaka Media Tbk **17.40%**
PT Trimegah Sekuritas
Indonesia **15.10%**
Harry Zulnardy **17.23%**
PT Pratama Prima Utama **0.17%**
Public **20.00%**

USD/IDR-YE
2016A **13513**
2017F (Avg) **13397**

Key Indicators
Total Debt/ Equity (x) **0.37**
Current ratio (x) **3.35**

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Company Profile

PT Mahaka Radio Integra Tbk (MARI) was established on July 4th 2006, as a commercial radio broadcasting service. The company has three subsidiaries, PT Suara Irama Indah, PT Radio Attahiriyah and PT Radio Camar which operate commercial radio stations JAK 101 fm Jakarta, GEN 98.7 Jakarta, and GEN 103.1fm Surabaya. PT Mahaka Radio Integra was the first radio group to successfully list its shares on the Indonesia Stock Exchange on February 11th, 2016. The Majority of the company's shares are owned by PT Beyond Media which controls a 52.20% stake, followed by PT Mahaka Media Tbk with 17.40% Nusantara Radio Holdings Ltd, 10.23%, PT Pratama Prima Utama 0.17%, and the public 20.00%. MARI had the largest average audience share in Jakarta for 2016FY with 25% or 2.4 millions listeners. If MARI continues to be number one choice for listeners and clients, they can maintain their positive growth trend in the coming years.

Company Structure

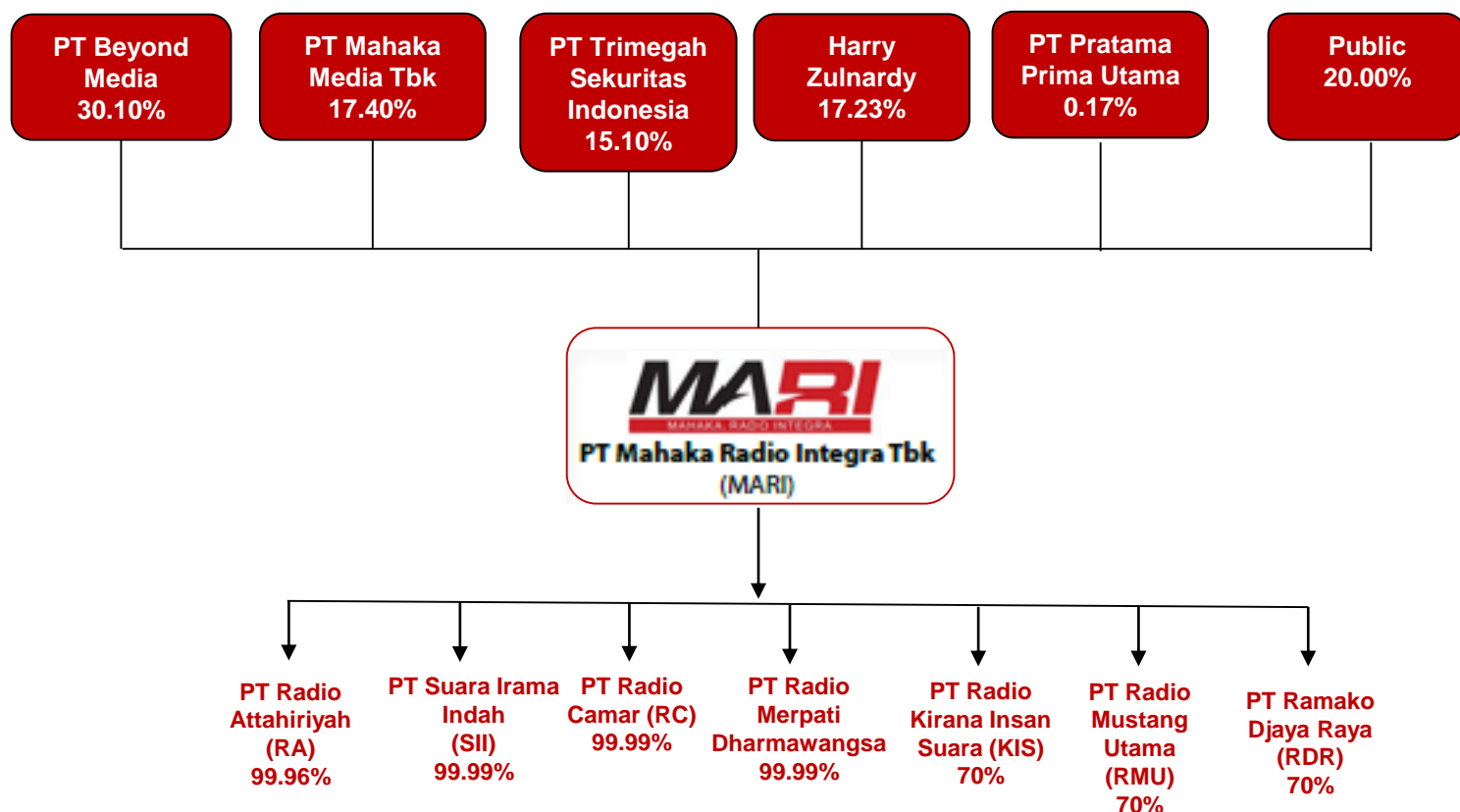


Chart: Total media spending share contribution in Indonesia, by Media yoy

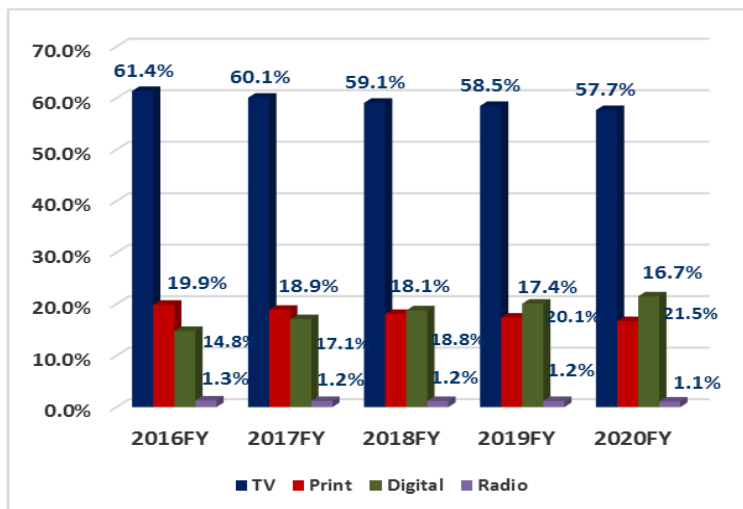


Chart: MARIS's average rate card

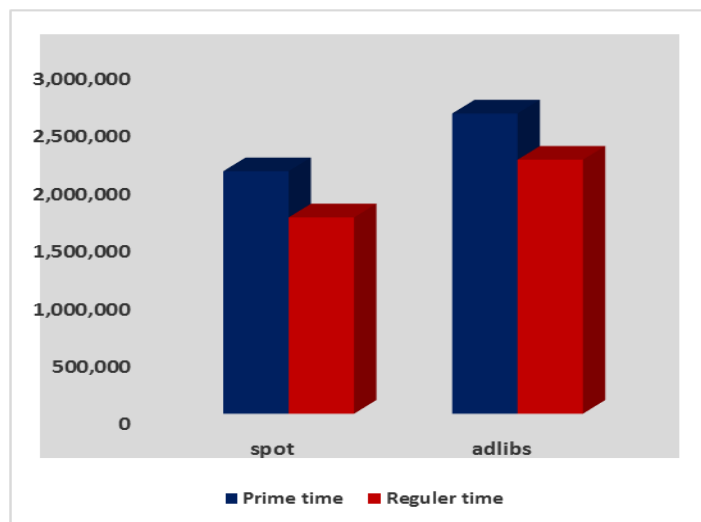


Chart: Shares contribution of MARI's segment to revenue yoy

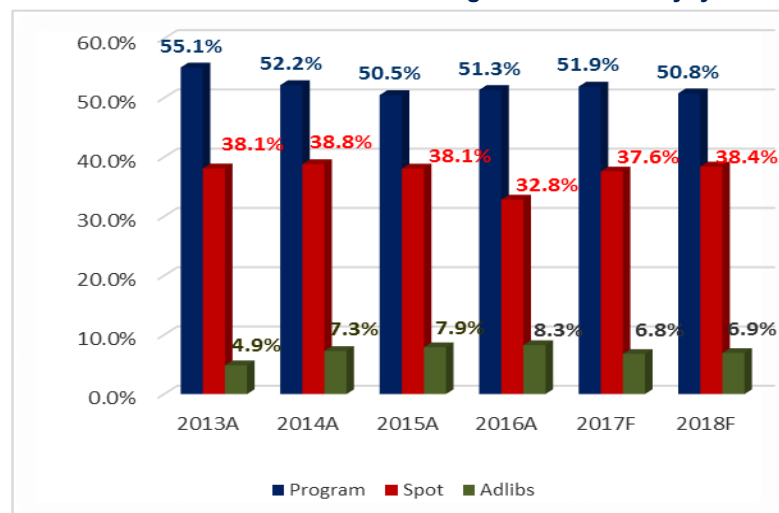


Chart: MARI's market share QoQ

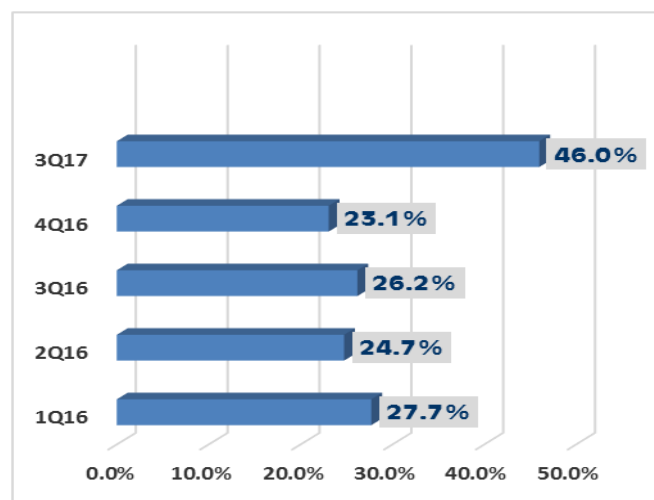
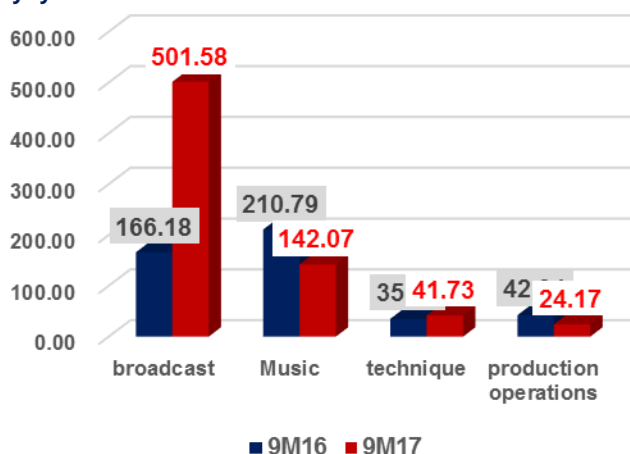


Table: profit and loss comparison in 1Q, 1H, and during 9M

Profit & Loss (IDR. in bn)	1Q16	1Q17	1H16	1H17	9M16	9M17
Net Revenue	21.8	22.6	55.0	58.1	78.0	88.7
operating expense	(10.3)	(10.9)	(26.3)	(29.3)	(38.1)	(47.4)
Operating Income	11.5	11.7	28.7	28.8	39.9	41.3
Net Profit	8.7	9.0	22.1	22.1	31.0	29.8
EBITDA	11.9	12.0	29.5	34.2	41.0	42.5

Chart: MARI's program and broadcast expenses during 9M17 yoy



Profit and Loss (IDR.bn)

Profit & Loss (In IDR Bn)	2013A	2014A	2015A	2016A	2017F	2018F
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Balance Sheet (IDR. in bn)

Balance sheet (IDR. in bn)	2013A	2014A	2015A	2016A	2017F	2018F
Cash and cash equivalent	19.44	16.19	18.65	50.35	1.10	18.06
Trade Account Receivable	64.04	64.34	60.67	51.31	72.48	91.50
Other current asset	88.09	60.11	50.16	54.12	55.57	54.90
Current Asset	171.56	140.64	129.49	155.78	129.15	164.46
Net Fixed Asset	4.86	3.81	3.47	3.48	5.21	7.62
other long term asset	10.00	21.21	23.31	51.60	157.04	152.49
Total non current Asset	14.86	25.02	26.78	55.08	162.25	160.12
Total Asset	186.42	165.66	156.27	210.86	291.40	324.57
Trade Account Payable	0.00	1.38	0.00	0.00	0.00	0.00
Short Term bank loans	72.00	56.00	40.00	8.95	46.38	40.00
Total current liabilities	110.20	97.91	63.11	29.48	58.46	49.15
Other Long term liabilities	12.61	14.05	4.89	6.14	38.94	38.94
Total long term/ non current liabilities	12.61	14.05	4.89	6.14	38.94	38.94
Total Liabilities	122.81	111.96	68.00	35.62	97.40	88.09
Minority interest	0.00	0.00	0.003	0.003	(0.288)	(0.307)
Total Equities	63.62	53.71	88.26	175.23	194.29	236.79
Total Liabilities and equity	186.42	165.66	156.27	210.86	291.40	324.57

Cash Flow (IDR. in bn)

Cash Flow (IDR. in bn)	2014A	2015A	2016A	2017F	2018F
+ Net Income	16.24	32.21	42.60	40.59	54.68
+Depreciation	1.92	1.66	1.47	1.74	2.41
- Change in WC	15.39	(21.19)	(28.22)	6.36	(27.65)
Cash From Operating Activities	33.55	12.68	15.84	48.69	29.43
capex	(0.87)	(1.32)	(1.48)	(3.48)	(4.81)
Other non current asset	(11.22)	(2.10)	(28.29)	(105.43)	4.54
cash from investing activities	(12.08)	(3.42)	(29.77)	(108.91)	(0.27)
other long term liabilities	1.44	(9.16)	1.25	32.80	0.00
Equity	(26.15)	2.35	44.37	(21.83)	(12.20)
cash from financing activities	(24.72)	(6.81)	45.62	10.97	(12.20)
Net Changes in Cash	(3.24)	2.46	31.70	(49.25)	16.96
Beginning Balance	19.44	16.19	18.65	50.35	1.10
Ending balance	16.19	18.65	50.35	1.10	18.06

Ratio Highlights

	2013 A	2014 A	2015 A	2016A	2017F	2018F
Growth (% YoY)						
Net Revenue		18.20%	7.30%	9.47%	8.20%	26.24%
OP		7.53%	29.57%	10.09%	4.32%	31.50%
EBITDA		7.52%	27.53%	9.40%	4.69%	31.70%
NP		-6.57%	98.34%	32.23%	-4.71%	34.69%
EPS		-6.57%	-33.89%	-93.02%	-5.74%	34.69%
Profitability						
Operating Margin(%)	45.06%	40.99%	49.50%	49.78%	48.00%	50.00%
EBITDA margin(%)	47.29%	43.02%	51.13%	51.09%	49.44%	51.58%
NET Profit margin(%)	21.62%	17.09%	31.59%	38.15%	33.60%	35.85%
ROA(%)	9.32%	9.80%	20.61%	20.20%	13.93%	16.85%
ROE(%)	27.33%	30.24%	36.50%	24.31%	20.92%	23.12%
Liquidity						
Current ratio (X)	1.56	1.44	2.05	5.28	2.21	3.35
cash ratio	0.18	0.17	0.30	1.71	0.02	0.37
Stability						
Debt/ equity (X)	1.93	2.08	0.77	0.20	0.50	0.37
Debt/ Asset (x)	0.66	0.68	0.44	0.17	0.33	0.27
Per Share data (Rp)						
EPS	1902	1777	1175	82	77	104
BVS	6961	5876	193	334	369	450

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

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