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Mahaka Radio Integra

Starting the year with a strong quarter

Sebastian Tobing
sebastian.tobing@trimegah.com

Core profit up by an impressive 49% YoY in 1Q16

MARI posted IDR 8.7bn core profit in 1Q, up 49% YoY and represents 21% of our previous FY16 estimate, versus last year's 1Q profit only 16% of FY15 actual profit. 1Q revenue of IDR21.8bn is up 15% YoY, a slower pace than the 18% revenue growth that we expected for FY16, but bear in mind that our FY16 revenue estimate included some contribution from planned new radio station that will be operational in 2H (albeit small) and according to company, 1Q is usually a slow quarter. Company expects revenue to pick up in 2Q due to holiday seasons.

Marketing cost is in check

In addition to impressive revenue growth, the other main contributor to company's strong profit growth is lower cost, particularly marketing cost. MARI posted only IDR 1.5bn of marketing cost in 1Q16, down 36% YoY and only 9% of our FY16 estimate. We raised our earnings estimate by 5% for 2016 given better than expected revenue numbers. Our earnings number is likely to be conservative if Mahaka Radio can keep its costs low, particularly marketing cost (we expect marketing cost to rise in 2H after company introduces a new radio station).

Next catalysts: FY15 dividend, digital business, new radio station

We expect MARI to announce IDR 8/share dividend in upcoming AGM, which albeit small (1% implied divd yield), is an indication of management's commitment to share profits with shareholders. We expect higher dividend yield of 5% to be distributed next year (for this year's earnings). The company should also be able to provide some update on its digital business and new radio station by end of 2Q.

Valuation: Raised TP by 5% to 1050, maintain Buy

We raised TP by 5% to 1050 after tweaking our earnings up slightly post strong 1Q result while maintaining 11.4% WACC and 5% LT growth rate assumptions. Despite very recent rally in share price, MARI still trades at 9.7x 2016PE, which we think is very reasonable given: 1) Strong earnings growth profile (19% CAGR in 2016-19), 2) Higher than average 5% dividend yield to be paid next year, and 3) Further upside if digital business can gain traction faster than expected. Also note that daily liquidity has improved in the past week.



Mahaka Radio Integra operates FM radio stations that broadcast in Jakarta and Surabaya. The company has the largest listenership in Indonesia.

BUY IDR 1,050

Company Update

Share Price	Rp790
Sector	Media
Price Target	Rp1,050 (33%)

Stock Data

Reuters Code	MARI.JK
Bloomberg Code	MARI.IJ
Issued Shares	525
Mkt Cap. (Rpbn)	415
Avg. Value Daily 3 Month (Rpmm)	176.8
52-Wk range	930 / 620

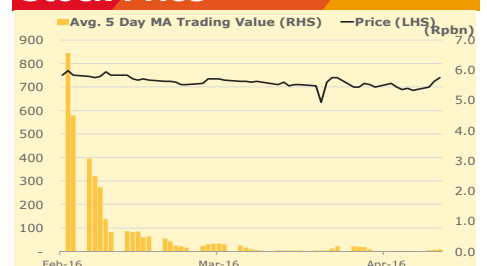
Major Shareholders

PT. Beyond Media	52.2%
PT. Mahaka Media Tbk.	17.4%
PT. Fajar Mentari	10.2%
Public	20.0%

Consensus

EPS	16F	17F
Consensus (Rp)	NA	NA
TRIM vs Cons. (%)	NA	NA

Stock Price



Company Data

Year end Dec	2014	2015	2016F	2017F	2018F
Revenue	95	102	119	142	169
Net Profit	29	39	43	49	59
EPS	64	86	82	93	113
Core Profit	30	37	43	49	59
Profit Growth (%)	-1%	24%	16%	13%	21%
Core EPS (Rp)	65	81	82	93	113
DPS (Rp)	168	-	8	41	47
Core P/E (x)	12.1	9.8	9.7	8.5	7.0
EV/EBITDA (x)	9.7	8.0	6.7	5.8	4.7
P/BV (x)	7.7	4.7	3.5	2.9	2.3
Div Yield (%)	19%	0%	1%	5%	6%

Figure 1. MARI's 1Q result summary

MARI	1Q15	1Q16	YoY	1Q16 / 1Q16E (%)	1Q16 / FY16E (%)
Net Revenue	18,904	21,793	15.3%	97.2%	18.0%
Opex	10,340	10,375	0.3%	87.7%	16.6%
Operating Profit	8,565	11,419	33.3%	107.9%	19.5%
Net Profit	5,867	8,746	49.1%	120.1%	21.9%
Core Profit	5,825	8,694	49.3%	89.0%	21.2%

Revenue details	1Q15	1Q16	YoY
Revenue	24,683	30,291	22.7%
Program	12,373	14,390	16.3%
Spot	9,796	11,334	15.7%
Adlibs	2,136	2,470	15.6%
Off-air events	139	92	-33.8%
Others	237	2,000	743.9%
Discounts	(5,782)	(8,498)	47.0%
Net revenue	18,904	21,793	15.3%

Source: Trimegah Research

Income Statement (Rpbn)

Year end Dec	2014	2015	2016F	2017F	2018F
Revenue	95	102	119	142	169
Revenue Growth (%)	18.2%	7.3%	17.1%	18.6%	19.3%
Opr. Profit	40	47	56	66	81
EBITDA	42	49	59	72	89
EBITDA Growth (%)	4.2%	17.8%	20.8%	22.4%	22.9%
Net Int Inc/(Exp)	9	7	5	3	3
Gain/(loss) Forex	0	0	0	0	0
Other Inc/(Exp)	(0)	3	(0)	(3)	(5)
Pre-tax Profit	39	51	55	63	76
Tax	(10)	(11)	(12)	(14)	(17)
Minority Int.	0	0	0	0	0
Extra. Items	0	0	0	0	0
Reported Net Profit	29	39	43	49	59
Core Net Profit	30	37	43	49	59
growth (%)	-1.5%	24.0%	16.1%	13.5%	21.4%
DPS	168	-	8	41	47
growth (%)	30.8%	-100.0%	NM	443.4%	14.2%
Dividend payout ratio	266.5%	0.0%	10.0%	50.0%	50.0%

Cash Flow (Rpbn)

Year end Dec	2014	2015	2016F	2017F	2018F
Core Net Profit	30	37	43	49	59
Depr / Amort	2	2	4	6	8
Chg in Working Cap	20	11	(7)	5	8
Others	(59)	(24)	(7)	(30)	(37)
CF's from oprs	(8)	25	32	29	38
Capex	1	1	37	27	15
Others	(2)	(3)	(75)	(54)	(30)
CF's from investing	(1)	(1)	(37)	(27)	(15)
Net change in debt	(16)	(27)	0	20	0
Others	21	5	(4)	(21)	(24)
CF's from financing	6	(22)	(4)	(1)	(24)
Net cash flow	(3)	2	(9)	1	(1)
Cash at BoY	19	16	19	10	11
Cash at EoY	16	19	10	11	9
Free Cashflow	(7)	27	70	56	53

Balance Sheet (Rpbn)

Year end Dec	2014	2015	2016F	2017F	2018F
Cash and equivalents	66	65	56	57	55
Other curr asset	75	65	88	102	122
Net fixed asset	4	3	37	58	65
Other asset	21	23	35	57	80
Total asset	166	156	216	274	322
ST debt	56	40	40	40	40
Other curr liab	42	23	54	63	75
LT debt	0	0	0	20	20
Other LT Liab	14	5	5	6	7
Minority interest	0	0	0	0	0
Total Liabilities	112	68	98	128	142
Shareholders Equity	54	88	118	145	180
Net cash (debt)	10	25	16	(3)	(5)
Total cap employed	37	45	72	97	112
Net Working capital	33	42	35	39	47
Debt	56	40	40	60	60

Key Ratio Analysis

Year end Dec	2014	2015	2016F	2017F	2018F
Profitability					
Opr Margin (%)	41.7%	46.4%	46.5%	46.7%	47.9%
EBITDA Margin (%)	43.7%	48.0%	49.5%	51.1%	52.6%
Core Net Margin (%)	31.4%	36.3%	36.0%	34.4%	35.0%
ROAE (%)	50.9%	52.2%	41.8%	37.1%	36.4%
ROAA (%)	16.9%	23.0%	23.1%	19.9%	19.9%
Stability					
Current ratio (x)	1.4	2.1	1.5	1.5	1.5
Net Debt to Equity (x)	(0.2)	(0.3)	(0.1)	0.0	0.0
Net Debt to EBITDA (x)	(0.2)	(0.5)	(0.3)	0.0	0.1
Interest Coverage (x)	(4.5)	(6.8)	(12.9)	(26.9)	(32.6)
Efficiency					
A/P (days)	9	0	0	0	0
A/R (days)	247	217	234	219	219
Inventory (days)	0	0	0	0	0
A/P (days)	147	173	203	188	166

Capital History

Date

11-Feb-2016

IPO @ Rp. 750

PT Trimegah Securities Tbk

Gedung Artha Graha 18th Floor
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190, Indonesia
t. +62-21 2924 9088
f. +62-21 2924 9150
www.trimegah.com

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