

2 March 2012

MCOT

Profit fell 26% short of estimate

Media
Neutral

EARNINGS RESULTS

Below estimate: MCOT reported a Bt132m net profit for 4Q11, down 65% YoY and 63% QoQ. It was 26% below our estimate, thanks to lower-than-modeled radio revenue and higher TV OPEX than expected. GM plunged to 46.5% (from 57% in 3Q11 and 54% in 4Q10). Gross profit undershot our estimate by 15%. MCOT announced a Bt1 DPS for 2H11 operations.

MCOT said in its MDA notes that because the Office of the Auditor General categorized BEC's one-off Bt405m payment to MCOT for 10-year concession renewal as directly relevant to its existing concession, MCOT retroactively change its recognition method for the BEC payment from one-time booking of Bt405m in 3Q11 to recognition over the 10-year concession extension period. As such, the firm subtracted Bt396m from the top-line of its 3Q11 income statement leaving just Bt9m booked for that quarter from the BEC payout and added Bt12m to the 4Q11 income statement.

Results highlights: Revenue tumbled by 30% YoY and 17% QoQ, due to the flooding, which prompted clients to slash ad spend. TV ad income plunged by 41% YoY and 22% QoQ, while radio ad revenue dipped 5% YoY but edged up 3% QoQ. Because MCOT ranks only third in terms of ad spend share, it was subjected to ad spend withdrawals ahead of BEC and Channel 7. Concerts and events were canceled or rescheduled to 1H12, due to the inundation. TV production expenses also rose with live news broadcasts of the flooding. Revenue from new media in 4Q11 jumped by 307% YoY and 68% QoQ.

Outlook: There will be program revamps in April and July 2012 focused on prime-time slots and news. MCOT plans to increase its proportion of in-house programs from 43% currently to 51% in FY13 with the aim of expanding its audience share to 16% in FY15 from 8-9% at the moment. It also targets Bt260m in revenue from new media, up 65% YoY. Management indicated a MoM ad revenue recovery in Jan and ad orders for Feb-March in excess of its targets. MCOT claims that the 1Q12 top-line should be flat YoY. The proposed Bt10bn project on 50 rai that the firm owns on Ratchadapisek Road does not yet have a JV partner.

What's changed? We maintain our FY12 net profit forecast unchanged.

Recommendation: Our HOLD rating stands.

BUALUANG RESEARCH

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HOLD (maintained)

Target Price: Bt30.00
Price (1/03/12): Bt29.75
MCOT TB / MCOT.BK

Key Ratios & Statistics

Market cap	Bt20.44bn		
12-mth price range	Bt24.20/Bt32.50		
3-mth avg daily volume	Bt10.32m		
# of shares (m)	687.1		
Est. free float (%)	22.7		
Foreign limit (%)	15.0		
Share price perf. (%)	1M	3M	12M
Relative to SET	(5.9)	(12.2)	0.6
Absolute	(4.5)	(13.2)	(3.7)

Financial summary

FY Ended 31 Dec	2010	2011	2012E	2013E
Revenues (Btm)	5,263	5,142	5,643	6,088
Net profit (Btm)	1,432	1,356	1,624	1,679
EPS (Bt)	2.07	1.97	2.36	2.44
BLS/Consensus (x)	n.a.	n.a.	0.96	0.99
EPS growth (%)	+2.4%	-4.7%	+19.7%	+3.4%
Core profit (Btm)	1,432	1,356	1,624	1,679
Core EPS (Bt)	2.08	1.97	2.36	2.44
Core EPS growth (%)	+9.0%	-5.3%	+19.7%	+3.4%
PER (x)	12.4	15.0	12.6	12.2
Core PER (x)	12.3	15.0	12.6	12.2
EV/EBITDA (x)	5.6	6.5	6.1	6.1
PBV (x)	2.3	2.7	2.6	2.6
Dividend (Bt)	1.90	2.00	2.39	2.48
Dividend yield (%)	7.4	6.8	8.0	8.3
ROE (%)	18.9	17.8	21.0	21.4
Net gearing (x)	Net cash	Net cash	Net cash	Net cash

CG Rating - 2011



Figure 1: 4Q11 results

FY Ended 31 Dec (Btm)	4Q11	4Q10	YoY %	3Q11	QoQ %	2011	2010	YoY %
Income Statement								
Revenue	1,096	1,570	(30)	1,313	(17)	5,142	5,263	(2)
Cost of sales and services	(586)	(724)	(19)	(572)	2	(2,175)	(2,134)	2
EBITDA	373	650	(43)	608	(39)	2,429	2,464	(1)
SG&A	(274)	(328)	(17)	(271)	1	(1,080)	(1,163)	(7)
EBIT	237	518	(54)	471	(50)	1,888	1,966	(4)
Interest expense	(2)	(2)	15	(3)	(1)	(10)	(9)	16
Other income / exp.	42	34	23	63	(33)	169	92	84
Equity earnings from affiliates	0	0	nm	0	nm	0	0	nm
Extra items	0	0	nm	0	nm	0	0	nm
EBT	276	550	(50)	531	(48)	2,047	2,050	(0)
Corporate tax	(141)	(166)	(15)	(162)	(13)	(671)	(604)	11
Minority interest	(3)	(7)	(53)	(9)	(61)	(20)	(23)	(12)
Net profit (loss)	132	377	(65)	361	(63)	1,356	1,423	(5)
Reported EPS	0.19	0.55	(65)	0.52	(63)	1.97	2.07	(5)
Core net profit	132	377	(65)	361	(63)	1,356	1,423	(5)
Key ratios								
Gross margin (%)	46.5	53.9		56.5		57.7	59.5	
EBITDA margin (%)	34.0	41.4		46.3		47.2	46.8	
EBIT margin (%)	21.6	33.0		35.8		36.7	37.4	
SG&A / Revenue (%)	25.0	20.9		20.6		21.0	22.1	
Tax rate (%)	50.9	30.2		30.5		32.8	29.4	
Net margin (%)	12.1	24.0		27.5		26.4	27.0	
Current ratio (x)	3.9	3.3		4.0		3.9	3.3	
Gearing ratio (x)	0.0	0.0		0.0		0.0	0.0	
Interest coverage (x)	95.2	239.8		n.m.		191.1	230.4	
Balance Sheet								
Cash & Equivalent	4,575	3,871	18	4,998	(8)			
Total assets	10,652	10,517	1	11,143	(4)			
ST debts & current portion	7	3	n.m.	6	4			
Long-term debt	6	5	n.m.	8	(16)			
Total liabilities	2,994	2,781	8	2,657	13			
Retained earnings	3,053	3,139	(3)	3,885	(21)			
Shareholders equity	7,595	7,682	(1)	8,427	(10)			
Minority interests	63	54	16	59	6			
BV (Bt)	11.1	11.3	(1)	12.4	(10)			

- The top-line was 2% lower than modeled, due to 8% less radio ad revenue than expected
- Gross profit was 15% below our estimate
- GM tumbled to 46.5%; we had modeled for 53%
- EBITDA was 16% below our estimate
- After-tax profit fell 43% short of our projection
- Net profit was 26% below our model

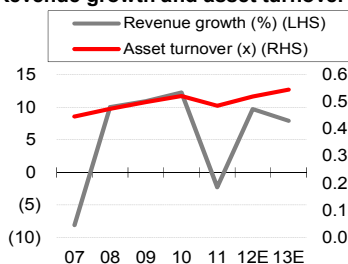
Source: Company data

Figure 2: Sales and gross profit breakdown by business

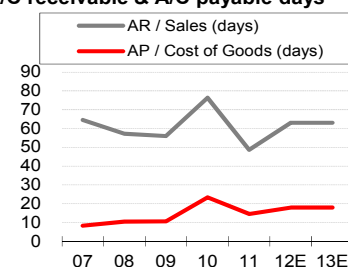
	4Q11	4Q10	% YoY	3Q11	% QoQ	FY11	FY10	% YoY
Total revenue	1,096	1,570	(30.2)	1,313	(16.5)	5,142	5,263	(2.3)
- TV	665	1,116	(40.5)	855	(22.2)	3,395	3,530	(3.8)
- Radio	231	244	(5.2)	225	2.8	876	899	(2.5)
- Concession	200	209	(4.3)	233	(14.2)	871	834	4.4
Total cost of services	(586)	(724)	(19.0)	(572)	2.5	(2,175)	(2,134)	1.9
- Cost of TV & radio	(556)	(697)	(20.2)	(543)	2.4	(2,063)	(2,018)	2.2
- Cost of concession	(30)	(27)	11.1	(29)	3.6	(112)	(116)	(2.8)
Gross profit	510	846	(39.7)	741	(31.2)	2,967	3,129	(5.2)
- TV & radio	340	664	(48.8)	537	(36.7)	2,209	2,411	(8.4)
- Concession	170	182	(6.6)	204	(16.7)	759	718	5.6
Gross margin (%)	46.5%	53.9%		56.5%		57.7%	59.5%	
- TV & radio	37.9%	48.8%		49.7%		51.7%	54.4%	
- Concession	85.0%	87.1%		87.6%		87.1%	86.1%	

Source: Company data

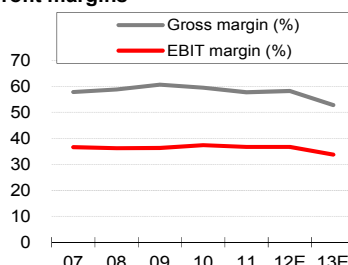
Revenue growth and asset turnover



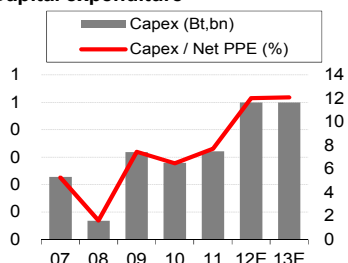
A/C receivable & A/C payable days



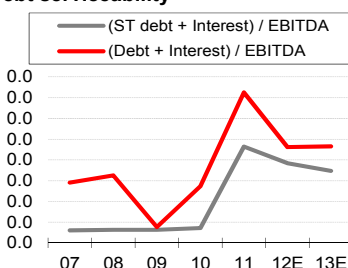
Profit margins



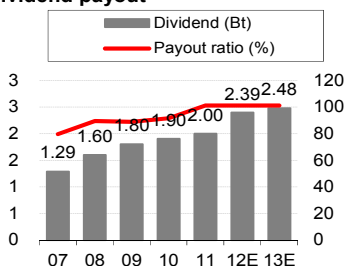
Capital expenditure



Debt serviceability



Dividend payout



	2009	2010	2011	2012E	2013E
PROFIT & LOSS (Btm)					
Revenue	4,688	5,263	5,142	5,643	6,088
Cost of sales and services	(1,846)	(2,134)	(2,175)	(2,360)	(2,878)
Gross profit	2,842	3,129	2,967	3,283	3,211
SG&A	(1,140)	(1,163)	(1,080)	(1,213)	(1,157)
EBIT	1,702	1,966	1,888	2,069	2,054
Interest expense	(1)	(1)	(11)	(10)	(9)
Other income/exp.	68	93	170	80	84
EBT	1,769	2,058	2,047	2,139	2,129
Corporate tax	(452)	(604)	(671)	(494)	(427)
After-tax profit (loss)	1,317	1,455	1,376	1,645	1,701
Minority interest	(4)	(23)	(20)	(21)	(22)
Equity earnings from affiliates	0	0	0	0	0
Extra items	76	0	0	0	0
Net profit (loss)	1,389	1,432	1,356	1,624	1,679
Reported EPS	2.02	2.07	1.97	2.36	2.44
Fully diluted EPS	2.02	2.08	1.97	2.36	2.44
Core net profit	1,313	1,432	1,356	1,624	1,679
Core EPS	1.91	2.08	1.97	2.36	2.44
EBITDA	2,185	2,464	2,429	2,628	2,631

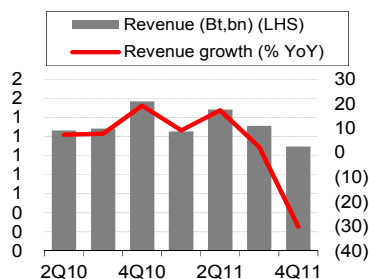
	2009	2010	2011	2012E	2013E
KEY RATIOS					
Revenue growth (%)	10.9	12.3	(2.3)	9.7	7.9
Gross margin (%)	60.6	59.5	57.7	58.2	52.7
EBITDA margin (%)	46.6	46.8	47.2	46.6	43.2
Operating margin (%)	36.3	37.4	36.7	36.7	33.7
Net margin (%)	29.6	27.2	26.4	28.8	27.6
Core profit margin (%)	28.0	27.2	26.4	28.8	27.6
ROA (%)	14.8	14.2	12.8	15.0	15.0
ROCE (%)	18.9	18.8	17.6	20.8	21.1
Asset turnover (x)	0.5	0.5	0.5	0.5	0.5
Current ratio (x)	4.5	3.3	3.9	3.8	3.5
Gearing ratio (x)	0.0	0.0	0.0	0.0	0.0
Interest coverage (x)	1,685.2	1,386.8	172.9	205.1	224.6

	2009	2010	2011	2012E	2013E
BALANCE SHEET (Btm)					
Cash & Equivalent	3,646	3,871	4,575	4,527	4,502
Accounts receivable	719	1,101	685	974	1,051
Inventory	4	4	5	5	6
PP&E-net	4,272	4,307	4,168	4,158	4,133
Other assets	96	239	246	354	476
Total assets	9,693	10,517	10,652	11,066	11,292
Accounts payable	54	137	87	116	142
ST debts & current portion	0	0	0	0	0
Long-term debt	0	5	6	2	3
Other liabilities	15	21	53	58	63
Total liabilities	2,202	2,781	2,994	3,137	3,307
Paid-up capital	3,435	3,435	3,435	3,435	3,435
Share premium	1,107	1,107	1,107	1,107	1,107
Retained earnings	2,914	3,139	3,053	3,303	3,337
Shareholders equity	7,457	7,682	7,595	7,845	7,879
Minority interests	34	54	63	84	106
Total Liab.&Shareholders' equity	9,693	10,517	10,652	11,066	11,292

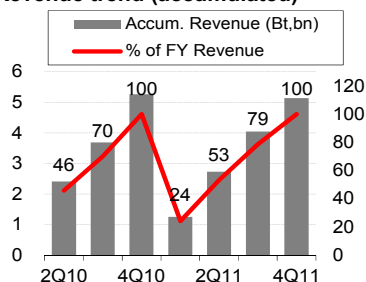
	2009	2010	2011	2012E	2013E
CASH FLOW (Btm)					
Net income	1,389	1,432	1,356	1,624	1,679
Depreciation and amortization	483	498	541	559	577
Change in working capital	(52)	(299)	365	(259)	(52)
FX, non-cash adjustment & others	(94)	122	133	(59)	(43)
Cash flows from operating activities	1,726	1,753	2,395	1,865	2,161
Capex (Invest)/Divest	(319)	(280)	(322)	(500)	(500)
Others	(41)	(807)	(1,011)	631	(263)
Cash flows from investing activities	(360)	(1,086)	(1,333)	131	(763)
Debt financing (repayment)	(0)	(1)	(3)	0	0
Equity financing	0	0	0	0	0
Dividend payment	(1,100)	(1,272)	(1,443)	0	(1,645)
Others	(1)	(1)	(12)	0	0
Cash flows from financing activities	(1,101)	(1,273)	(1,458)	0	(1,645)
Net change in cash	265	(607)	(396)	1,997	(247)

	2009	2010	2011	2012E	2013E
Free cash flow (Btm)	1,408	1,474	2,073	1,365	1,661
FCF per share (Bt)	2.05	2.14	3.02	1.99	2.42

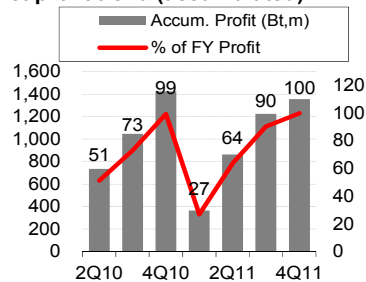
Revenue trend



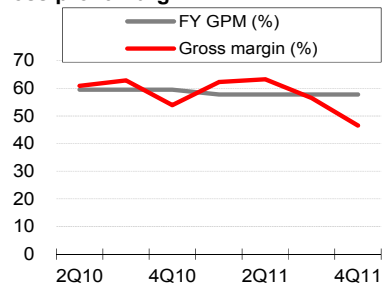
Revenue trend (accumulated)



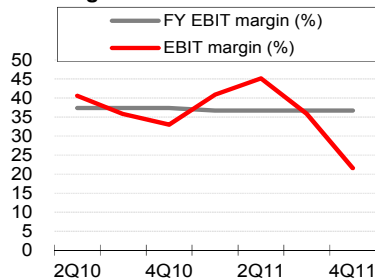
Net profit trend (accumulated)



Gross profit margin



EBIT margin



Financial tables

PROFIT & LOSS (Btm)	4Q10	1Q11	2Q11	3Q11	4Q11
Revenue	1,570	1,252	1,482	1,313	1,096
Cost of sales and services	(724)	(473)	(545)	(572)	(586)
Gross profit	846	779	937	741	510
SG&A	(328)	(267)	(268)	(271)	(274)
EBIT	518	512	669	471	237
Interest expense	(2)	(2)	(2)	(3)	(2)
Other income/exp.	34	25	38	63	42
EBT	550	535	705	531	276
Corporate tax	(166)	(168)	(200)	(162)	(141)
After-tax profit (loss)	384	367	504	369	136
Minority interest	(7)	(3)	(5)	(9)	(3)
Equity earnings from affiliates	0	0	0	0	0
Extra items	0	0	0	0	0
Net profit (loss)	377	364	499	361	132
Reported EPS	0.55	0.53	0.73	0.52	0.19
Fully diluted EPS	0.55	0.53	0.73	0.52	0.19
Core net profit	377	364	499	361	132
Core EPS	0.55	0.53	0.73	0.52	0.19
EBITDA	650	643	804	608	373

KEY RATIOS

	4Q10	1Q11	2Q11	3Q11	4Q11
Gross margin (%)	53.9	62.2	63.2	56.5	46.5
EBITDA margin (%)	41.4	51.4	54.3	46.3	34.0
Operating margin (%)	33.0	40.9	45.2	35.8	21.6
Net margin (%)	24.0	29.1	33.7	27.5	12.1
Core profit margin (%)	24.0	29.1	33.7	27.5	12.1
BV (Bt)	11.3	11.8	11.4	12.4	11.1
ROE (%)	19.6	18.1	25.6	17.1	7.0
ROA (%)	14.3	13.6	19.0	12.9	5.0
Current ratio (x)	3.3	3.7	3.5	4.0	3.9
Gearing ratio (x)	0.0	0.0	0.0	0.0	0.0
Interest coverage (x)	239.8	213.9	268.0	187.7	95.2

BALANCE SHEET (Btm)

	4Q10	1Q11	2Q11	3Q11	4Q11
Cash & Equivalent	3,871	3,978	3,835	4,998	4,575
Accounts receivable	1,101	1,148	901	789	685
Inventory	4	5	15	4	5
PP&E-net	4,307	4,285	4,213	4,217	4,168
Other assets	328	334	365	398	335
Total assets	10,517	10,740	10,489	11,143	10,652
Accounts payable	137	134	144	101	87
ST debts & current portion	3	5	6	6	7
Long-term debt	5	6	9	8	6
Other liabilities	986	969	951	1,002	1,410
Total liabilities	2,781	2,637	2,649	2,657	2,994
Paid-up capital	3,435	3,435	3,435	3,435	3,435
Share premium	3,139	3,504	3,247	3,885	3,053
Retained earnings	3,139	3,504	3,247	3,885	3,053
Shareholders' equity	7,682	8,046	7,789	8,427	7,595
Minority interests	54	57	50	59	63
Total Liab.&Shareholders' equity	10,517	10,740	10,489	11,143	10,652

Sources: Company data, Bualuang Research

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Score Range	Number of Logo	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Expected positive total returns of 15% or more over the next 12 months.

HOLD: Expected total returns of between -15% and +15% over the next 12 months.

SELL: Expected negative total returns of 15% or more over the next 12 months.

TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.