

# MCOT - MCOT

## Slight y-y earnings drop expected in 1QCY12

Bloomberg | Reuters  
MCOT.TB | MCOT.BK



Your Partner in Investment

Thailand Equities Research

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### Report type: Company Preview

#### Company Overview

MCOT is an operator of Modernine TV and has 62 radio network stations throughout the country. It has also granted broadcasting concessions to BEC and pay-TV True Visions.

- In 1QCY12, ad expenditures at MCOT-run Modernine TV dropped slightly y-y as the pace of the recovery from floods was slower than that of top market leaders like Channel 3 and Channel 7. However, the impact could be somewhat offset by lower effective tax rate. Overall we estimate MCOT will post a 1QCY12 net profit of Bt358.97mn, down a slight 1.49% y-y but up as much as 165.96% q-q.
- More positive impact from ad rate hikes at the beginning of the year would be felt in 2QCY12. In our view, a strong recovery is likely to take place in 2HCY12 helped by programming revamp, possible ad rate increases, the live broadcast of the 2012 London Olympics and a low base effect of 2HCY11's profits.
- We leave our CY12 net profit outlook for MCOT unchanged at Bt1,733.24mn but we may put our estimates under review following 1QCY12 results announcement. In our view, MCOT's valuation has been laggard compared with its peers in P/E terms but its dividend yields are higher than those of its counterparts. We maintain a 'BUY' stance with a target price of Bt35.25/share.

#### What is the news?

We expect MCOT to post a slight y-y drop in 1QCY12 net profit as the recovery of its ad expenditures from floods was slower than that of top market leaders.

#### How do we view this?

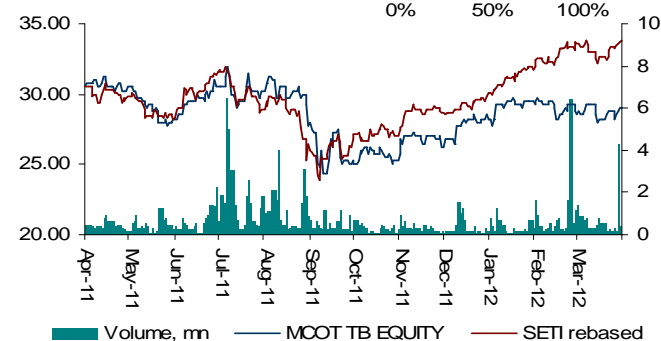
In our view, a strong recovery is likely to take place in 2HCY12.

#### Investment Actions?

We maintain a 'BUY' stance on MCOT with a target price of Bt35.25/share based on P/E of 14x.

#### MCOT

<b>Rating</b>	<b>1.00</b>	<b>Buy</b>
- Previous Rating	1.00	Buy
<b>Target Price (Bt)</b>	<b>35.25</b>	
- Previous Target Price (Bt)	35.25	
Closing Price (Bt)	29.00	
Expected Capital Gains (%)	21.6%	
Expected Dividend Yield (%)	7.4%	
<b>Expected Total Return (%)</b>	<b>28.9%</b>	
Raw Beta (Past 2yrs weekly data)	0.59	
Market Cap. (USD mn)	647	
Enterprise Value (USD mn)	519	
Market Cap. (Bt mn)	19,926	
Enterprise Value (Bt mn)	15,893	
3M Average Daily T/O (mn)	0.6	
52 week range	24.2 - 32	
Closing Price in 52 week range		



#### Major Shareholders

	(%)
1. Ministry of Finance	65.8
2. The Government Saving Bank	11.5
3. Thai NVDR Co., Ltd.	3.4

#### CG Report - 2011



#### Key Financial Summary

FYE	12/10	12/11	12/12F	12/13F
Revenue (Btmn)	5,263	5,142	5,783	6,121
Net Profit (Btmn)	1,423	1,356	1,733	1,839
EPS (Bt)	2.07	1.97	2.52	2.68
Net Profit, adj. (Btmn)	1,423	1,356	1,733	1,839
EPS, adj. (Bt)	2.07	1.97	2.52	2.68
P/E (X),adj.	14.0	14.7	11.5	10.8
BVPS (Bt)	11.15	11.15	11.67	12.54
P/B (X)	2.6	2.6	2.5	2.3
DPS (Bt)	1.80	2.00	2.14	2.28
Div. Yield (%)	6.2	6.9	7.4	7.9

Source: Bloomberg, PSR est.

\*All multiples & yields based on current market price

#### Valuation Method

P/E12 (14x)

Analyst

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### **Slight y-y earnings drop expected in 1QCY12**

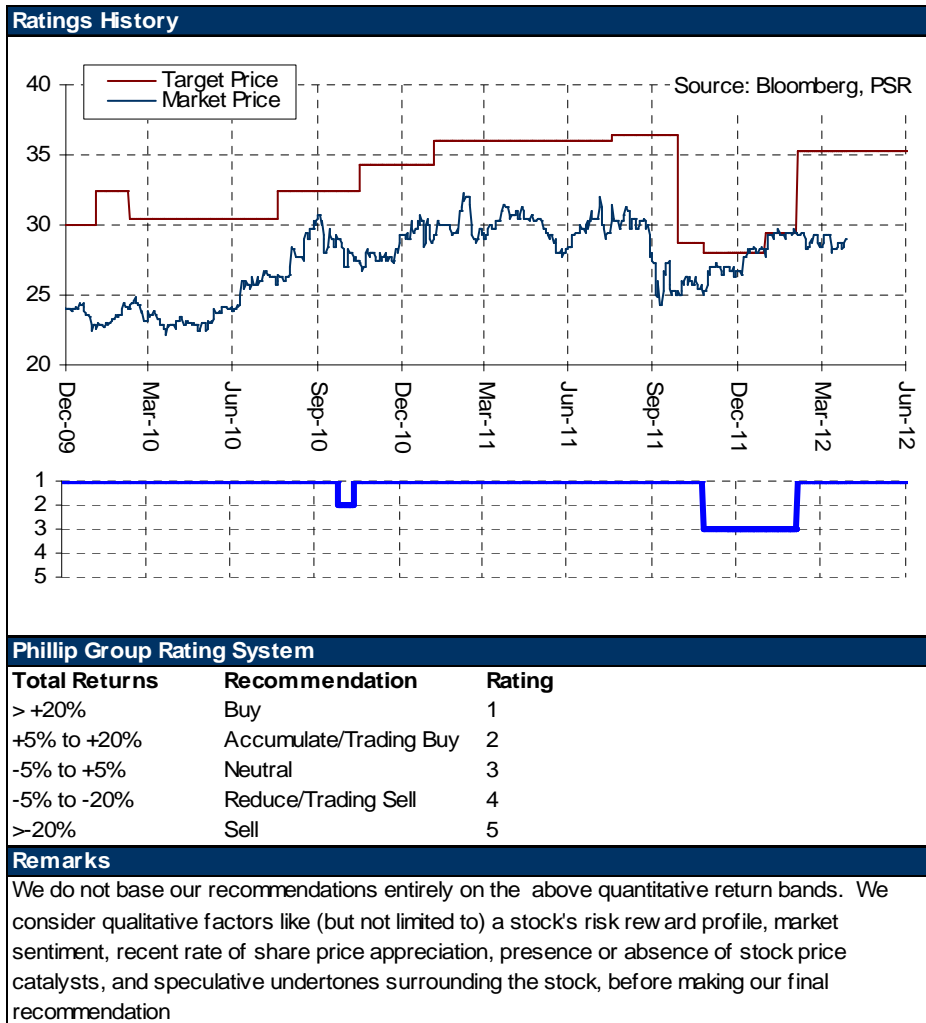
In 1QCY12, TV ad spending recovered by 19.63% q-q from severe floods in 4QCY12, according to the data compiled by the Nielsen Company (Thailand). On a y-y basis, spending on TV ads still rose by a slight 1.83%. Data also showed ad expenditures at MCOT-run Modernine TV followed the industry trend, up 36.99% q-q but still down 1.19% y-y as the initial phase of the recovery was led by top market leaders like Channel 3 and Channel 7. Note that MCOT's ad expenditure figures will normally come in lower than those compiled by the Nielsen Company. On this basis, we expect MCOT to see its TV revenue drop 6% y-y in 1QCY12. Radio revenue would be flat. Ad revenue is also projected to be down 4.70% y-y. Joint venture revenue is however forecast to be up 2% y-y. MCOT should also book an additional compensation of Bt12mn from BEC in exchange for a 10-year concession extension. Overall we expect its total revenue to fall 2.63% y-y to Bt1,218.64mn. Costs and administrative expenses should edge higher on the back of the government's pay rise and daily minimum wage hike policies but the impact could be offset by a drop in corporate income tax rate to 23%. We therefore estimate MCOT will post a 1QCY12 net profit of Bt358.97mn, down 1.49% y-y but up as much as 165.96% q-q.

### **Recovery seen in 2HCY12**

Normally the second quarter is seasonally better than the first quarter. More positive impact from ad rate hikes for nearly 40 TV programs at the beginning of the year would also be felt in 2QCY12, reflecting that ad rates remained unchanged for big ad spenders in Jan-Feb 2012. What remains to be seen is whether the 2QCY12 will be better than 2QCY11 when MCOT made a record profit. The live broadcast of the Euro 2012 to be held between Jun 8 and Jul 2, 2012 may however give little upside to earnings as MCOT will broadcast only three out of 32 matches but there will also be joint marketing activities with GRAMMY and MCOT's sports radio channels. In our view, a strong recovery is likely to take place in 2HCY12 helped by (i) the live broadcast of the 2012 London Olympics to be held between Jul 24 and Aug 12, 2012, (ii) a programming reshuffle in Jul 2012, (iii) a possible ad rate hike for some TV programs and (iv) a low base effect of 2HCY11's earnings especially in 4QCY11 when MCOT posted a net profit of only Bt134.97mn.

### **CY12 earnings view unchanged**

Even though 1QCY12 earnings may not yet return to positive y-y growth, we still leave our CY12 net profit outlook for MCOT unchanged at Bt1,733.24mn for the meantime until we get more information from the post-results analyst meeting after 1QCY12 earnings announcement. Over the past weeks, media stocks rallied sharply but MCOT stock still lagged behind its peers. Even if earnings may not yet return to positive y-y growth in 1QCY12, MCOT's current P/E levels however remain below those of its peers like BEC, RS, GRAMMY and WORK and its dividend yields are also higher than those of its counterparts. We maintain a 'BUY' stance on MCOT with a target price of Bt35.25/share based on a P/E of 14x.



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## Results Presentation

Score Range	Number of Logo
Less than 50	No logo given
50 - 59	
60 - 69	
70 - 79	
80 - 89	
90 - 100	

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