

MCOT - MCOT

2QCY12 profit seen down 11.12% y-y



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Bloomberg | Reuters
MCOT.TB | MCOT.BK

Thailand Equities Research
3 August 2012

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.

- We expect MCOT to report a 2QCY12 net profit drop of 11.12% y-y to Bt443.66mn on lower TV revenue and still high levels of costs and SG&A expenses.
- Based on 2QCY12 estimates, we forecast MCOT to post a 1HCY12 profit drop of 7.56% y-y. We also expect MCOT to pay a 1HCY12 dividend of Bt0.95/share.
- What remains to be seen is whether programming reshuffle in Jul 2012 especially news programs will score success after MCOT has produced its own news programs following the end of co-production contract with NBC.
- We keep our CY12 profit outlook for MCOT at Bt1,641.68mn. The estimated 1HCY12 profit accounts for 48.63% of our full-year target. At current levels, MCOT is still trading at a P/E discount to its peers but offers better dividend yields. We maintain a 'BUY' call on MCOT with a target price of Bt33.50/share.

What is the news?

We expect MCOT to report a 2QCY12 net profit decline of 11.12% y-y to Bt443.66mn as TV revenue would drop 8% y-y due chiefly to lower utilization of ad slots and declining project revenue. Radio and joint venture revenues would be flat. Costs and SG&A expenses would remain stubbornly high.

How do we view this?

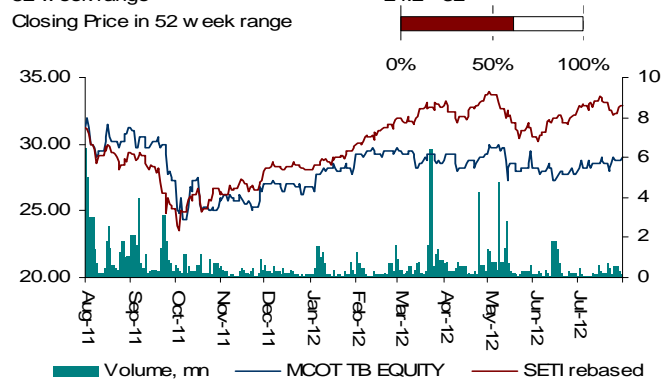
What remains to be seen is whether programming reshuffle in Jul 2012 especially news programs will score success as measured by viewer ratings and ad expenditures after MCOT has produced its own news programs following the end of co-production contract with NBC.

Investment Actions?

We maintain a 'BUY' call on MCOT with a target price of Bt33.50/share based on a P/E multiple of 14x. We also expect MCOT to pay a 1HCY12 dividend of Bt0.95/share.

MCOT

Rating	1.00	Buy
- Previous Rating	1.00	Buy
Target Price (Bt)	33.50	
- Previous Target Price (Bt)	33.50	
Closing Price (Bt)	29.00	
Expected Capital Gains (%)	15.5%	
Expected Dividend Yield (%)	6.9%	
Expected Total Return (%)	22.4%	
Raw Beta (Past 2yrs w weekly data)	0.57	
Market Cap. (USD mn)	633	
Enterprise Value (USD mn)	496	
Market Cap. (Bt mn)	19,926	
Enterprise Value (Bt mn)	15,716	
3M Average Daily T/O (mn)	0.5	
52 week range	24.2 - 32	



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	5,589	5,911
Net Profit (Btmn)	1,423	1,356	1,642	1,817
EPS (Bt)	2.07	1.97	2.39	2.64
Net Profit, adj. (Btmn)	1,423	1,356	1,642	1,817
EPS, adj. (Bt)	2.07	1.97	2.39	2.64
P/E (X), adj.	14.0	14.7	12.1	11.0
BVPS (Bt)	11.15	11.15	11.53	12.38
P/B (X)	2.6	2.6	2.5	2.3
DPS (Bt)	1.80	2.00	2.00	2.25
Div. Yield (%)	6.2	6.9	6.9	7.8

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

P/E12 (14x)

Analyst
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2QCY12 net profit seen down 11.12% y-y

TV ad spending in 2QCY12 grew 1.20% y-y and 7.63% q-q, according to data compiled by The Nielsen Company (Thailand). Ad expenditures at MCOT-run Modernine TV dropped 3.36% y-y but rose 6.99% q-q in line with improving industry conditions. In y-y terms, the decline reflected a decrease in ad utilization and lower project revenue. We expect MCOT to post an 8% y-y drop in TV revenue in 2QCY12. Radio revenue would be flat thanks to Euro 2012 activities with GRAMMY. Joint venture revenue would also be similar to a year ago but MCOT is expected to book additional compensation of Bt11.63mn from BEC in exchange for a 10-year concession extension against none in 2QCY11. On this basis, total revenue for the quarter is projected to be down 3.07% y-y to Bt1,264.67mn. Costs and SG&A expenses are forecast to rise 12.46% and 8.30% y-y respectively due to the impact of wage/pay hikes, consulting fees on human resources system and internet system as well as expenses for the new video wall in the news room. Tax expenses are expected to fall 33.62% y-y on lower effective tax rate in line with the government's corporate income tax cuts. Overall we estimate MCOT will post a 2QCY12 net profit drop of 11.12% y-y to Bt443.66mn.

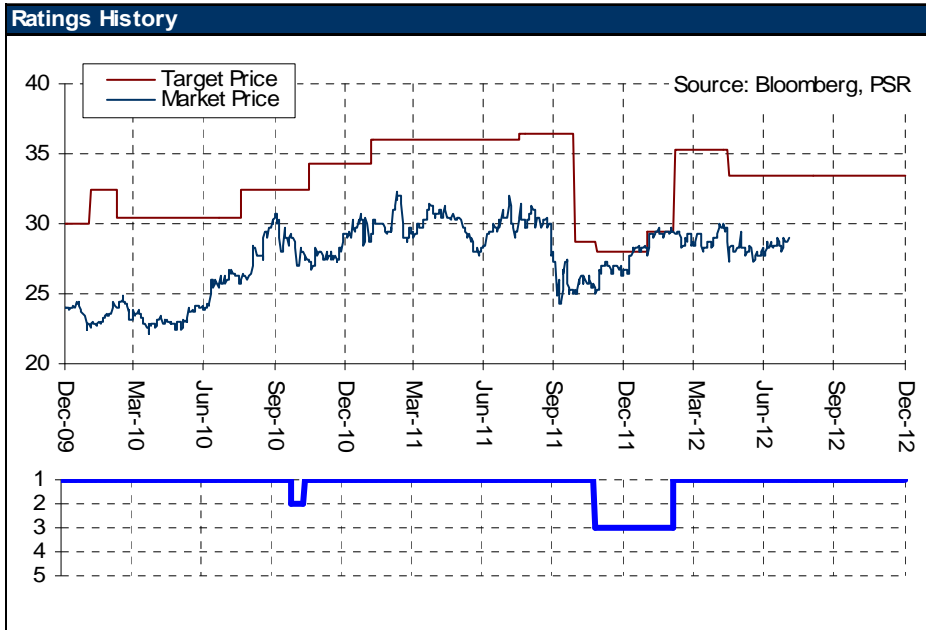
Based on 2QCY12 estimates, we forecast MCOT to post a 1HCY12 net profit drop of 7.56% y-y to Bt798.34mn. We also expect MCOT to pay a 1HCY12 dividend of Bt0.95/share.

What remains to be seen is whether programming reshuffle in Jul 2012 will score success

In programming reshuffle in Jul 2012, new programs were introduced, some programs were rescheduled and MCOT produced its own news programs following the expiry of co-production contract with NBC. MCOT raised ad rates for a few programs, which were replaced by new programs. What remains to be seen is whether programming reshuffle especially news programs will score success as measured by viewer ratings and ad expenditures after two highly money making weekday news programs 'Chao Khao Khon Kon Khao Chao' and 'Khao Khon Kon Khao' were replaced by its own-produced news programs 'Khui Khamong Khao Chao' and 'Klook Wong Khao' hosted by in-house news anchors following the end of co-production contract with NBC to unlock future growth opportunities.

CY12 net profit outlook unchanged at Bt1,641.68mn

We keep our CY12 profit outlook for MCOT at Bt1,641.68mn. The estimated 1HCY12 profit accounts for 48.63% of our full-year target. At current levels, MCOT is still trading at a P/E discount to its peers but offers better dividend yields. We maintain a 'BUY' call on MCOT with a target price of Bt33.50/share based on a P/E multiple of 14x.



Phillip Group Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate/Trading Buy	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce/Trading Sell	4
>-20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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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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