

MCOT

MCOT.TB / MCOT.BK

29 October 2012

Back on the radar—upgrade to BUY

Investment thesis

Following our visit to MCOT, we feel more positive about its fundamentals. Its operation has improved since September, while internal risks have diminished with a new president in place. Future upside will come from digital network provider and channel provider licenses, an outdoor media JV with the MRT and the project planned for a 50-rai plot at Ratchadapisek junction. We have upgraded MCOT from HOLD to BUY with a YE13 target price of Bt43, premised on: 1) diminished internal risks, 2) an improved operation in 4Q12 and beyond, 3) incremental value creation from projects and plans and 4) the cheapest PER and the highest dividend yield in the sector.

New president appointed

Mr Anek Permwongseni started working as president of MCOT on Oct 1, 2012. He will execute a five-year business plan which involves a radio frequency-return plan, a contingency plan for the expiry of TRUE Visions' satellite-platform concession in Sept 2014, a business plan for a terrestrial digital TV platform, revamps of TV and radio operations, plan to ramp up special project revenue and progress on the Ratchada junction project. We expect the share price to recover with the new president in place with a clear mandate.

Upside from multiplex provider licenses

MCOT plans to apply for one facility provider license and 2-3 multiplex provider licenses from the NBTC in Dec 2012. We estimate the investment in multiplexes and towers at Bt3-4bn (Bt1bn for towers). If the firm were to acquire two multiplex provider licenses and rental revenue were Bt2.5-3m/month/channel, we would estimate Bt840m-Bt1bn in annual revenue (12-13% of the top-line) in FY13-15. Assuming a net margin of 20%, the licenses would boost net profit by 9-11%.

Upside from five digital channel licenses

The firm plans to bid for five terrestrial digital TV channel licenses which it estimates will cost Bt500-600m per channel (Bt2.5-3bn in total). It targets a 3-5 year payback period. We expect the digital TV channels to start broadcasting in 2015 when the digital networks and towers are fully in place (90% population coverage in 2015). We estimate a net margin of at least 30%.

Upside from the outdoor media JV with MRT

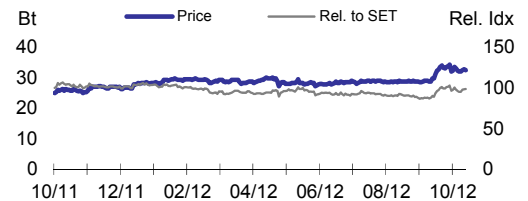
MCOT is negotiating with the MRT to form a JV to manage outdoor media (billboards) for MRT stations. We expect Cabinet to approve the project in 1H13.

Very cheap valuation and very high yield

The stock trades at an FY13 PER of 12x, the cheapest in the Media sector, and offers the highest dividend yield in the sector of 8%. Now that MCOT has a president, it should rise toward the Media mean PER of 19.5x.

Sector: Media Neutral
Rating: BUY
Target Price: Bt43.01
Price (26 October 2012): Bt32.50

Price chart

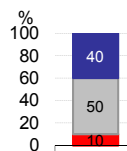


	1M	3M	12M
Share price perf. (%)			
Relative to SET	12.6	12.3	(3.4)
Absolute	16.4	19.5	33.7

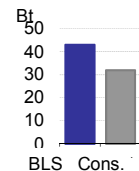
Key statistics

Market cap	Bt23.19bn	USD0.8bn
12-mth price range	Bt24.9/Bt34.3	
12-mth avg daily volume	Bt17.07m	
# of shares (m)	687.1	
Est. free float (%)	22.7	
Foreign limit (%)	15.0	

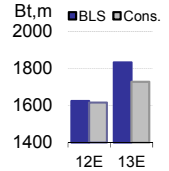
Consensus rating



BLS Target price vs. Consensus



BLS earnings vs. Consensus



Financial summary

FY Ended 31 Dec	2011	2012E	2013E	2014E
Revenues (Btm)	5,142	5,643	6,305	6,876
Net profit (Btm)	1,356	1,624	1,834	1,971
EPS (Bt)	1.97	2.36	2.67	2.87
EPS growth (%)	-4.7%	+19.7%	+12.9%	+7.5%
Core profit (Btm)	1,356	1,624	1,834	1,971
Core EPS (Bt)	1.97	2.36	2.67	2.87
Core EPS growth (%)	-5.3%	+19.7%	+12.9%	+7.5%
PER (x)	15.0	13.7	12.2	11.3
PBV (x)	2.7	2.8	2.7	2.7
Dividend (Bt)	2.0	2.4	2.7	2.9
Dividend yield (%)	6.8	7.4	8.3	8.9
ROE (%)	17.8	21.0	23.1	24.4

CG Rating

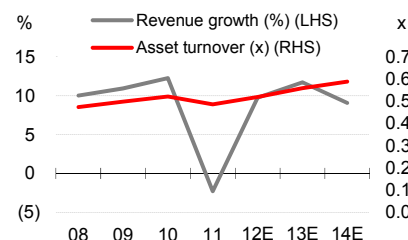


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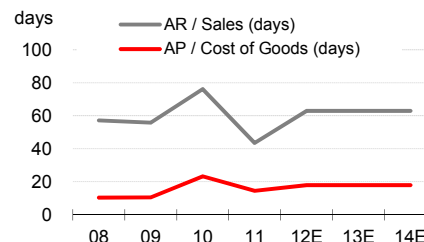
MCOT : Financial Tables – Year

PROFIT & LOSS (Btm)	2010	2011	2012E	2013E	2014E
Revenue	5,263	5,142	5,643	6,305	6,876
Cost of sales and services	(2,134)	(2,175)	(2,360)	(2,766)	(3,156)
Gross profit	3,129	2,967	3,283	3,539	3,721
SG&A	(1,163)	(1,080)	(1,213)	(1,293)	(1,307)
EBIT	1,966	1,888	2,069	2,247	2,414
Interest expense	(1)	(11)	(10)	(9)	(8)
Other income/exp.	93	170	80	84	88
EBT	2,058	2,047	2,139	2,322	2,494
Corporate tax	(604)	(671)	(494)	(466)	(500)
After-tax net profit (loss)	1,455	1,376	1,645	1,856	1,994
Minority interest	(23)	(20)	(21)	(22)	(23)
Equity earnings from affiliates	0	0	0	0	0
Extra items	0	0	0	0	0
Net profit (loss)	1,432	1,356	1,624	1,834	1,971
Reported EPS	2.07	1.97	2.36	2.67	2.87
Fully diluted EPS	2.08	1.97	2.36	2.67	2.87
Core net profit	1,432	1,356	1,624	1,834	1,971
Core EPS	2.08	1.97	2.36	2.67	2.87
EBITDA	2,464	2,429	2,628	2,824	3,010
KEY RATIOS					
Revenue growth (%)	12.3	(2.3)	9.7	11.7	9.1
Gross margin (%)	59.5	57.7	58.2	56.1	54.1
EBITDA margin (%)	46.8	47.2	46.6	44.8	43.8
Operating margin (%)	37.4	36.7	36.7	35.6	35.1
Net margin (%)	27.2	26.4	28.8	29.1	28.7
Core profit margin (%)	27.2	26.4	28.8	29.1	28.7
ROA (%)	14.2	12.8	15.0	16.2	16.9
ROCE (%)	18.8	17.6	20.8	22.8	24.0
Asset turnover (x)	0.5	0.5	0.5	0.6	0.6
Current ratio (x)	3.3	3.9	3.8	3.5	3.4
Gearing ratio (x)	0.0	0.0	0.0	0.0	0.0
Interest coverage (x)	1,386.8	172.9	205.1	245.7	294.4
BALANCE SHEET (Btm)					
Cash & Equivalent	3,871	4,659	4,516	4,569	4,694
Accounts receivable	1,101	615	974	1,088	1,187
Inventory	4	5	5	6	6
PP&E-net	4,307	4,168	4,158	4,133	3,992
Other assets	239	257	365	548	704
Total assets	10,517	10,652	11,066	11,504	11,842
Accounts payable	137	87	116	136	156
ST debts & current portion	0	0	0	0	0
Long-term debt	5	6	2	3	4
Other liabilities	21	53	58	65	71
Total liabilities	2,781	2,994	3,137	3,365	3,566
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	3,139	3,053	3,303	3,491	3,605
Shareholders equity	7,682	7,595	7,845	8,034	8,147
Minority interests	54	63	84	106	129
Total Liab.&Shareholders' equity	10,517	10,652	11,066	11,504	11,842
CASH FLOW (Btm)					
Net income	1,432	1,356	1,624	1,834	1,971
Depreciation and amortization	498	541	559	577	596
Change in working capital	(299)	435	(330)	(95)	(80)
FX, non-cash adjustment & others	122	62	(83)	(75)	(61)
Cash flows from operating activities:	1,753	2,395	1,770	2,241	2,426
Capex (Invest)/Divest	(280)	(322)	(500)	(500)	(400)
Others	(807)	(927)	631	(374)	(329)
Cash flows from investing activities	(1,086)	(1,249)	131	(874)	(729)
Debt financing (repayment)	(1)	(3)	0	0	0
Equity financing	0	0	0	0	0
Dividend payment	(1,272)	(1,443)	(1,374)	(1,645)	(1,857)
Others	(807)	(927)	631	(374)	(329)
Cash flows from financing activities	(1,273)	(1,458)	(1,374)	(1,645)	(1,857)
Net change in cash	(607)	(313)	528	(278)	(160)
Free cash flow (Btm)	1,474	2,073	1,270	1,741	2,026
FCF per share (Bt)	2.1	3.0	1.8	2.5	2.9
Key assumptions	2010	2011	2012E	2013E	2014E
Average TV loading factor (%)	110.0%	79.3%	90.3%	95.0%	98.0%
TV ad revenue (Btm)	3,530.2	3,395.4	3,761.0	4,376.2	4,901.3
Radio ad revenue (Btm)	898.8	876.1	900.0	927.0	954.8
Concession revenue (Btm)	833.8	870.9	982.0	1,001.6	1,021.7
SG&A/sales (%)	22.1%	21.0%	21.5%	20.5%	19.0%

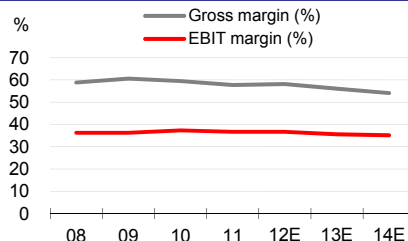
Revenue growth and asset turnover



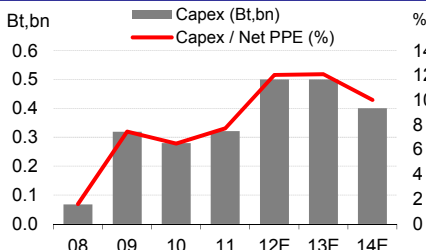
A/C receivable & A/C payable days



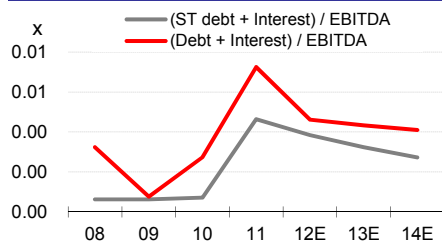
Profit margins



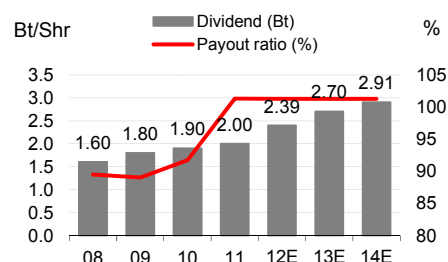
Capital expenditure



Debt serviceability



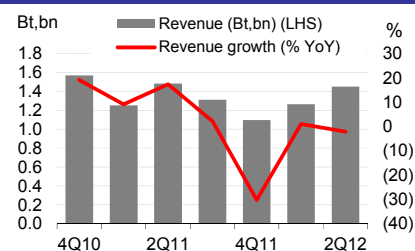
Dividend payout



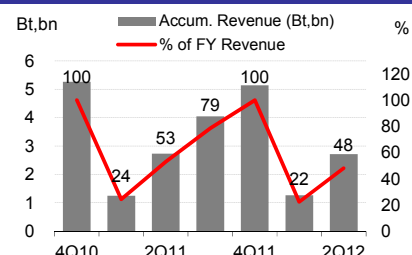
MCOT : Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	2Q11	3Q11	4Q11	1Q12	2Q12
Revenue	1,482	1,313	1,096	1,265	1,450
Cost of sales and services	(545)	(572)	(585)	(589)	(593)
Gross profit	937	741	512	676	857
SG&A	(268)	(271)	(275)	(264)	(299)
EBIT	669	471	237	412	558
Interest expense	(2)	(3)	(2)	(3)	(3)
Other income/exp.	38	63	42	47	54
EBT	705	531	276	457	609
Corporate tax	(200)	(162)	(141)	(101)	(163)
After-tax net profit (loss)	504	369	136	356	446
Minority interest	(5)	(9)	(3)	(1)	(3)
Equity earnings from affiliates	0.0	0.0	0.0	0.0	0.0
Extra items	0.0	0.0	0.0	0.0	0.0
Net profit (loss)	499	361	132	355	443
Reported EPS	0.73	0.52	0.19	0.52	0.65
Fully diluted EPS	0.73	0.52	0.19	0.52	0.65
Core net profit	499	361	132	355	443
Core EPS	0.73	0.52	0.19	0.52	0.65
EBITDA	804	608	373	547	695
KEY RATIOS					
Gross margin (%)	63.2	56.5	46.7	53.4	59.1
EBITDA margin (%)	54.3	46.3	34.0	43.3	47.9
Operating margin (%)	45.2	35.8	21.6	32.6	38.4
Net margin (%)	33.7	27.5	12.1	28.0	30.6
Core profit margin (%)	33.7	27.5	12.1	28.0	30.6
BV (Bt)	11.4	12.4	11.1	11.7	11.3
ROE (%)	25.6	17.1	7.0	17.8	23.0
ROA (%)	19.0	12.9	5.0	13.1	16.2
Current ratio (x)	3.5	4.0	3.9	4.3	3.1
Gearing ratio (x)	0.0	0.0	0.0	0.0	0.0
Interest coverage (x)	268.0	187.7	95.2	162.9	222.4
QUARTERLY BALANCE SHEET (Btm)					
Cash & Equivalent	3,835	4,998	4,659	4,754	4,492
Accounts receivable	901	789	615	618	676
Inventory	15	4	5	5	20
PP&E-net	4,213	4,217	4,168	4,092	4,203
Other assets	365	398	346	371	928
Total assets	10,489	11,143	10,652	10,833	10,916
Accounts payable	144	101	87	93	96
ST debts & current portion	6	6	7	6	6
Long-term debt	9	8	6	5	4
Other liabilities	951	1,002	1,410	1,341	1,314
Total liabilities	2,649	2,657	2,994	2,820	3,156
Paid-up capital	3,435	3,435	3,435	3,435	3,435
Share premium	3,247	3,885	3,053	3,408	3,164
Retained earnings	3,247	3,885	3,053	3,408	3,164
Shareholders equity	7,789	8,427	7,595	7,950	7,706
Minority interests	50	59	63	64	53
Total Liab.&Shareholders' equity	10,489	11,143	10,652	10,833	10,916
Key statistics	2Q11	3Q11	4Q11	1Q12	2Q12
Average TV loading factor (%)	99.0%	75.0%	48.0%	76.0%	90.0%
TV ad revenue (Btm)	1,026.6	854.7	664.8	819.3	975.7
Radio ad revenue (Btm)	226.9	225.0	231.3	196.5	234.4
Concession revenue (Btm)	228.1	233.3	200.2	248.8	240.0
SG&A/sales (%)	18.1%	20.6%	25.1%	20.8%	20.6%

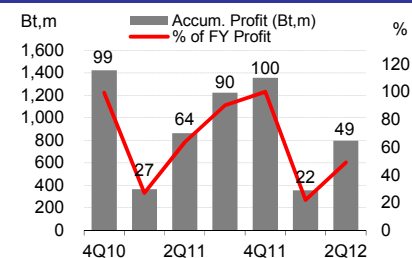
Revenue trend



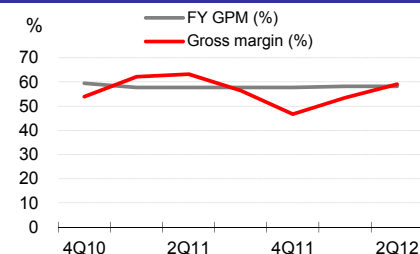
Revenue trend (accumulated)



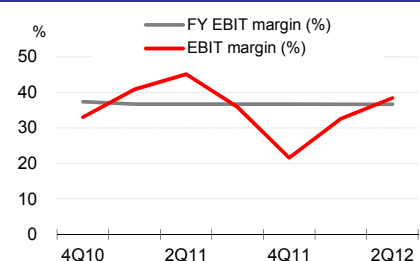
Net profit trend (accumulated)



Gross profit margin



EBIT margin



Company profile

MCOT Plc (MCOT) operates a free-to-air national terrestrial TV station, ModerNine, and 62 radio stations across the country. The firm also collects a percentage of the revenues generated by two TV operators that have MCOT-granted concessions—Bangkok Entertainment Plc (a subsidiary of BEC) and UBC (or TRUE Visions). Bangkok Entertainment operates the nationwide terrestrial TV station, Channel 3. Last year Bangkok Entertainment paid Bt165m in revenue share to MCOT. TRUE Vision runs a multi-channel pay TV business over fiber-optic cable and satellite. It pays 6.5% of its revenue to MCOT. In FY11 it paid Bt530m.

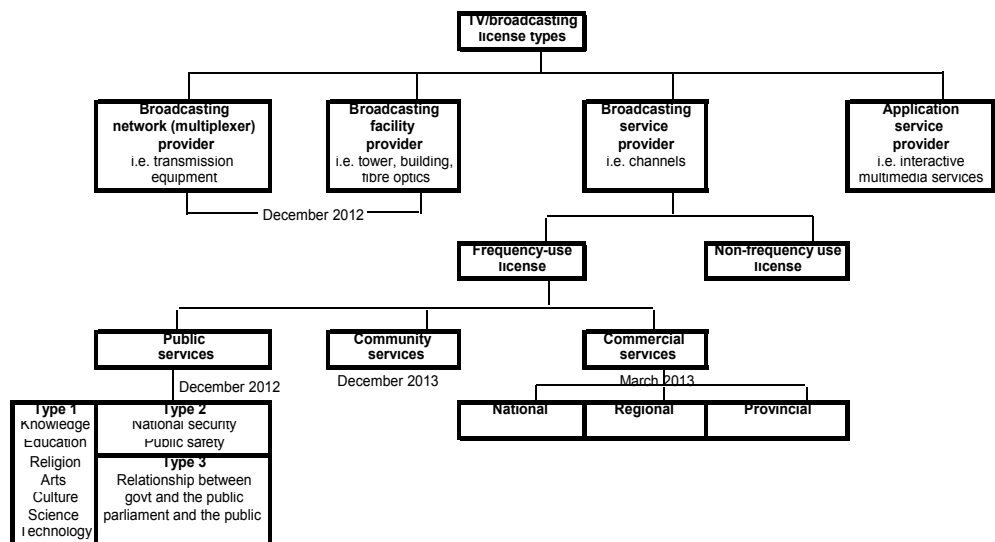
Outlook

Reduced internal risk with the new president: The board appointed Mr Anek Permwoongseni as the new president, effective Oct 1, 2012. The board fired his predecessor, Mr Tanawat Wansomin in October 2011 and the position has been vacant for the last year. Mr Anek was previously the secretary-general of the Office of the Education Council at the Education Ministry.

He has a five-year (2013-2017) business plan to execute. The radio frequency-return plan, the contingency plan for the expiry of TRUE Visions' satellite platform concession in Sept 2014, the plan for digital terrestrial TV (including acquiring multiplex and channel provider licensees), revamps of TV and radio operations, plan to ramp up state agency special project revenue and progress on the planned project on a 50-rai land plot at Ratchadapisek-junction.

The risks associated with MCOT have diminished substantially with a new president in place with a clear mandate to manage. Hence, its share price should recover soon.

Figure 1 : Types of TV/broadcasting licenses and their issuance timeframes



Sources: The NBTC, Company data, Bualuang Research estimates

The revival of Edutainment station concept: Mr Anek will re-position ModerNine TV as the Edutainment station. He aims to reduce the number of entertainment programs and increase the number of news and knowledge-based shows, increase in-house production (from 51% of total broadcasting time at YE12 to 70% at YE17) and expand non-TV revenue by organizing more marketing events rather than outsourcing them.

The new president's strong connection with government: The new president's connections with state agencies are strong. He closed deals with the Government Savings Bank and the Post and Telegraph Department (each worth Bt100-200m) to organize merchandising campaigns for them. Deals with the MRT, KTB and the Government Housing Bank are currently under negotiation. We expect revenue from special projects to jump in 2013.

Digital multiplex and facility provider licenses expected in Dec 2012: On Oct 10, the NBTC approved digital broadcasting license criteria, methods and regulations and technical standards and the radio frequency plan for digital TV. The commission plans to issue four digital license categories: 1) multiplex (network)/transmission equipment provider, 2) facility/tower provider, 3) broadcasting service/channel provider and 4) application service/interactive/multimedia service provider. It plans to issue five multiplex provider licenses and an unlimited number of facility provider licenses in Dec 2012. THE NBTC has set digital network rollout requirements for multiplex provider licensees—50% of population coverage in the first year of operation, 80% in the second year, 90% in the third year and 95% in the fourth year. Neither multiplex nor facility provider licenses require auctions.

MCOT to apply for 2-3 multiplex provider licenses: MCOT plans to apply for one facility provider license and 2-3 multiplex provider licenses in Dec 2012. Under the worst-case scenario, it would apply for only multiplex provider licenses, use some of its existing towers or rent towers from other operators, such as TPBS and the Public Relations Department. MCOT currently has 35 upcountry TV transmitters (including towers)—33 of which are under the BTO concession with BEC—and one Bangkok transmitter (including tower).

Figure 2 : Revenue and profit estimates of multiplex provider licenses

	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
No. of multiplexes	2	2	2	2	2	2	2	2
No. of digital TV channels served	28	28	28	28	28	28	28	28
Rental revenue/month/channel (Btm)	2.5	2.6	2.8	2.9	3.0	3.2	3.4	3.5
Rental revenue/annum (Btm)	840	882	926	972	1,021	1,072	1,126	1,182
% impact to total revenue	13.3%	12.8%	12.5%	12.3%	12.0%	12.0%	12.0%	12.1%
Assuming a 15% net margin	15%	15%	15%	15%	15%	15%	15%	15%
Incremental net profit (Btm)	126	132	139	146	153	161	169	177
% impact to net profit	6.9%	6.7%	7.2%	7.4%	7.3%	7.5%	7.9%	8.3%
Assuming a 20% net margin	20%	20%	20%	20%	20%	20%	20%	20%
Incremental net profit (Btm)	168	176	185	194	204	214	225	236
% impact to net profit	9.2%	9.0%	9.6%	9.8%	9.7%	10.0%	10.5%	11.1%

Sources: Company data, Bualuang Research

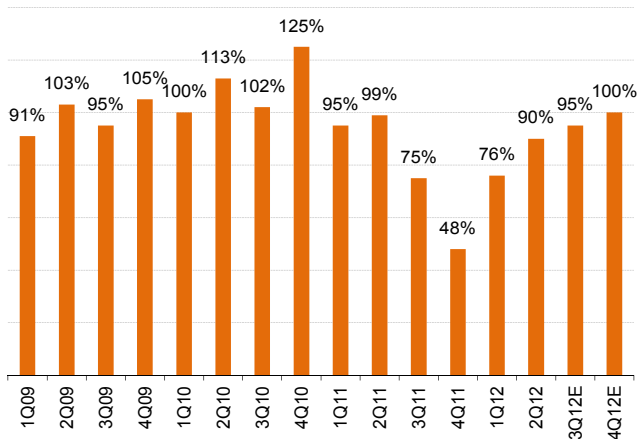
Upside from multiplex provider licenses: MCOT is currently negotiating with INTUCH, CAT, TBPS and TOT with a view to forming strategic partnerships for digital broadcasting in order to reduce the investment burden. We estimate the new investments in multiplexes and towers at Bt3-4bn, of which Bt1bn is for towers, the remainder for transmission equipment. Management guides that multiplex provider businesses in other countries typically earn a net margin of roughly 20% and have payback periods of 3-4 years per multiplex provider license.

Assuming that the firm were to acquire two multiplex provider licenses where one multiplex can cater to 14 standard digital channels and rental revenue of Bt2.5-3m/month/channel, we estimate Bt840m-Bt1bn in annual revenue, which would boost MCOT's annual top-line by 12-13%. If we conservatively assume a net margin of 15% for the business, it would boost net profit by 7-8%. Assuming a net margin of 20%, net profit would be boosted by 9-11%.

Commercial digital licenses expected in March 2013: Channel provider licenses will be categorized into frequency-use and non-frequency-use types. Channel frequency-use licenses will be sub-categorized into public, community and commercial. The NBTC plans to issue 48 channel provider licenses: 1) 24 commercial channel licenses (expected in March 2013), 2) 12 public channel licenses (expected in Dec 2012) and 3) 12 community channel licenses (expected in Dec 2013). Of the 24 commercial channels licenses, 10 will go to children/family and news/public channels (five each), 10 will be standard channels and four will be hi-definition channels. The commission has set a spectrum price range of Bt500m-Bt1bn for standard digital channels, depending on the content of the channel.

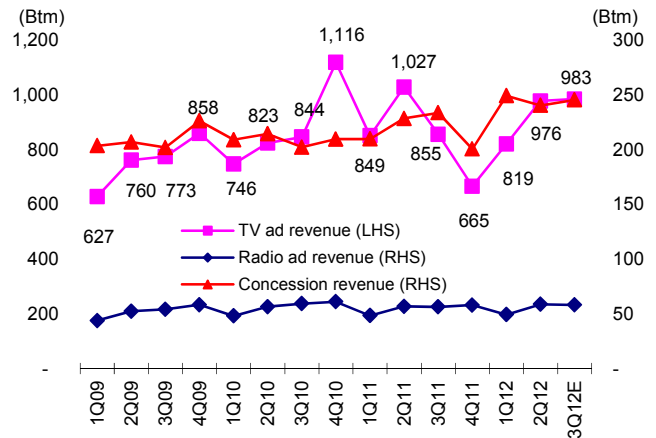
MCOT to bid for five digital channels: Management plans to bid for five standard digital TV channel licenses when they go up for auctioning—for news, sport, children/family, entertainment and public channels. MCOT estimates a license cost of Bt500-600m per channel (Bt2.5-3bn in total) and targets a 3-5 year payback period per channel. We assume that the digital TV channels will start broadcasting in 2015 when digital networks and towers are fully in place (90% population coverage in 2015). We estimate a net margin of at least 30%. Management indicated that a general standard digital TV channel would yield a mean net margin of 40-50%.

Figure 3 : MCOT's TV loading factor, quarterly



Sources: Company data, Bualuang Research

Figure 4 : MCOT's revenue breakdown



Sources: Company data, Bualuang Research

Improved TV operations: The firm is waiting till YE12 to evaluate the ratings for its 10 new TV programs under the July revamp. MCOT expects another program revamp in Jan next year. After pulling the *Nation's* news programs and replacing them with in-house shows, the ratings for the *Kui Kamong Khao Chao* morning news program have improved and its ads slots are fully booked. However, the ratings for the *Kui Klook Wong Khao* late night news show have dropped. Management said overall ratings and revenue have improved since Sept 2012. The average TV loading factor has been 100% since Sept, against 90% in 2Q12. We estimate a 100% average TV loading factor in 4Q12.

Modest YoY 3Q12 profit rise: We estimate a Bt387m 3Q12 net profit, up 7% YoY but down 13% QoQ. The QoQ drop is due to seasonality. The modest expected YoY rise was driven by TV ad revenue, but was mitigated by higher OPEX. We estimate that TV ad revenue rose by 15% YoY and 1% QoQ, which is above Nielsen's figure (up 12% YoY but flattish QoQ). We assume a 95% mean TV loading factor for 3Q12, against 75% in 3Q11 and 90% in 2Q12. August ad revenue remained solid with the Olympic Games and Sept ad revenue rose MoM on higher ratings for the morning news program. State agency ad spend flowed to MCOT in Sept. Radio ad revenue rose 3% YoY on the clustered sales strategy and marketing activities related to the Olympics. However, higher OPEX, such as news-related costs and marketing activities will make for YoY net profit growth of only 7%, we think.

4Q12 profit jump: MCOT's 4Q12 net profit is forecast at Bt439m, up by 232% YoY and 13% QoQ. The expected YoY jump is attributable the low 4Q11 profit base related to flooding last year. The QoQ rise is due to seasonality and TV ad revenue growth on a higher TV loading factor—100% against 95% in 3Q12—ad revenue from Thailand Futsal World Cup 2012 (MCOT has exclusive live broadcast rights for 26 matches) and higher state agency ad spend.

Ratchada junction project to make progress in FY13: The firm intends to build an 8-10 storey multimedia complex with broadcasting towers, a studio, offices and residential units. The next expansion phase might involve a community mall. The total investment cost has been scaled down from Bt10bn to Bt3-4bn. Management expects the business plan for the 50-rai project to be completed in 2013. The site is close to an MRT station, so MCOT has been discussing setting up a JV with MRT to develop a residential project. The project will require Cabinet approval.

Upside from the outdoor media JV with MRT: The firm is negotiating with the MRT to form a JV to manage outdoor media (billboards) for MRT stations. We expect a concrete business plan within the next few months. The project must be approved by Cabinet.

Diminished risk of lost concession revenue from TRUE Visions in FY14: TRUE Visions' satellite platformed pay-TV concession is due to expire in Sept 2014, while its cable-platformed pay-TV concession is due to expire in Sept 2020. MCOT is now in talks with TRUE Visions with regard to the plan to migrate TRUE Visions' pay-TV subscribers on its satellite-platformed concession to its cable-platformed concession. The BTO assets transferred to MCOT will be leased back to TRUE Visions.

We think that the risk of TRUE Visions switching to a pay-TV license issued by the NBTC and migrating its subscribers to the pay-TV license has diminished, given the scale of its network investment needs under a licensing regime against regulatory cost savings of only 2.5% (of total gross revenue). The current revenue-sharing rate between MCOT and TRUE Visions is 6.5% compared with the license-related fees of 4% (2% license fee and 2% public fund fee). Note that MCOT confirmed to us that neither TRUE Visions' cable-platformed or satellite-platformed pay-TV concessions specify the type of technology to be used, so there shouldn't be any legal problems with subscriber migration.

Recommendation

FY13 profit upgrade by 8%: We have upgraded our FY13 net profit forecast by 9% to Bt1.83bn to factor in a higher revenue growth expectation (from 8% to 12%) and a lower OPEX assumption. We assume ad rate increases for some prime-time programs (news and sitcoms) in FY13 in response to Channel 7's prime ad rate increases in October 2012. Moreover, by taking back more time-sharing slots and producing in-house content, we expect overall margin expansion in FY13.

New YE13 DCF-based target price of Bt43: Our DCF-based YE13 target price is Bt43, which reflects: 1) profit upgrades for FY13-15 and 2) the investment horizon roll-over from YE12 to YE13. Our DCF assumptions include WACC of 10% and a perpetual terminal growth rate of 2%. Our new DCF has not yet factored in incremental value creation from digital multiplex provider licenses, digital commercial licenses, the Ratchada junction project or the outdoor media JV with the MRT. Our new target price implies a PER of 16x.

Very cheap valuation and high yield: MCOT is the cheapest play in the Media sector—an FY13 PER of 12x (the sector mean is 19.5x)—and offers the highest dividend yield in the sector of 8%.

Unlocking its hidden asset values: The market has penalized MCOT for not having a president for a year and regulatory risks surrounding lost concession revenues and the NBTC's requirement that it return unused TV and radio frequency. We expect clear operational improvements in FY13. We have upgraded our rating to BUY.

Figure 5 : 3Q12 earnings preview

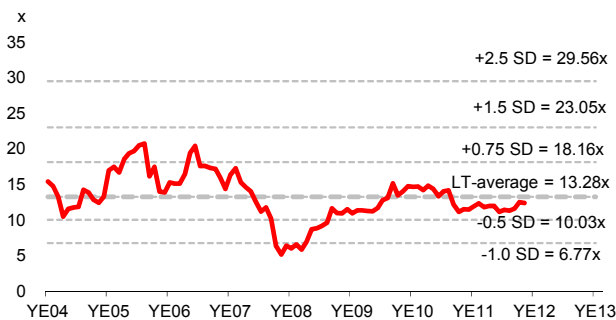
	3Q12E	3Q11	% YoY	2Q12	% QoQ	9M12E	9M11	% YoY
Total revenue	1,460	1,313	11.2	1,450	0.7	4,175	4,046	3.2
- TV	983	855	15.0	976	0.7	2,778	2,731	1.7
- Radio	232	225	3.1	234	(1.0)	663	645	2.8
- Concession	245	233	5.0	240	2.1	734	671	9.4
Total cost of services	(658)	(572)	15.0	(593)	10.8	(1,840)	(1,590)	15.7
- Cost of TV & radio	(626)	(543)	15.3	(563)	11.1	(1,747)	(1,508)	15.9
- Cost of concession	(32)	(29)	10.0	(30)	4.9	(92)	(82)	12.0
Gross profit	802	741	8.3	857	(6.3)	2,335	2,456	(4.9)
- TV & radio	589	537	9.8	647	(8.9)	1,693	1,867	(9.3)
- Concession	213	204	4.3	210	1.7	641	588	9.0
Gross margin (%)	55.0%	56.5%		59.1%		55.9%	60.7%	
- TV & radio	48.5%	49.7%		53.5%		49.2%	55.3%	
- Concession	87.0%	87.6%		87.3%		87.4%	87.7%	
SG&A	(321)	(271)	18.6	(299)	7.4	(884)	(805)	9.8
EBIT	481	471	2.3	558	(13.7)	1,451	1,651	(12.1)
Interest expense	(3)	(3)	3.7	(3)	3.7	(8)	(7)	3.3
Other income/exp.	44	63	(30.4)	54	(18.0)	145	127	13.9
EBT	523	531	(1.6)	609	(14.1)	1,588	1,771	(10.3)
Corporate tax	(131)	(162)	(19.3)	(163)	(19.6)	(394)	(530)	(25.6)
After-tax profit	392	369	6.1	446	(12.1)	1,194	1,241	(3.8)
Minority interest	(5)	(9)	(42.8)	(3)	73.6	(9)	(17)	(45.9)
Extra items	-	-		-		-	-	
Net profit	387	361	7.3	443	(12.7)	1,185	1,224	(3.2)
Reported EPS	0.56	0.52	7.3	0.65	(12.7)	1.72	1.78	(3.2)
Fully diluted EPS	0.56	0.52	7.3	0.65	(12.7)	1.72	1.78	(3.2)
Core net profit	387	361	7.3	443	(12.7)	1,185	1,224	(3.2)
Core EPS	0.56	0.52	7.3	0.65	(12.7)	1.72	1.78	(3.2)
EBITDA	621	608	2.2	695	(10.6)	1,864	2,056	(9.3)
Gross margin (%)	55.0	56.5		59.1		55.9	60.7	
EBITDA margin (%)	42.6	46.3		47.9		44.6	50.8	
Operating margin (%)	33.0	35.8		38.4		34.8	40.8	
Net margin (%)	26.5	27.5		30.6		28.4	30.3	
Core profit margin (%)	26.5	27.5		30.6		28.4	30.3	

Sources: Company data, Bualuang Research estimates

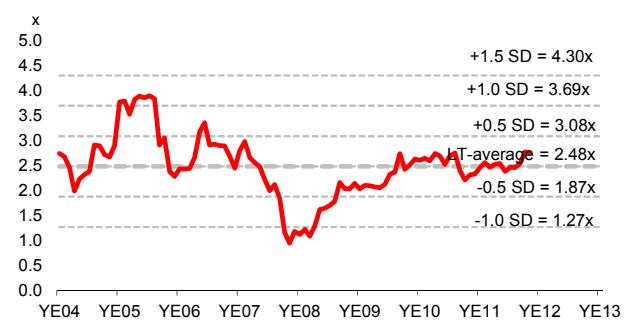
Regional Comparisons

	Bloomberg	Price	Market Cap	PER (x)	EPS Growth (%)		PBV (x)		ROE (%)		Div Yield (%)		
	Code	(local curr.)	equivalent (US\$)	2012E	2013E	2012E	2013E	2012E	2013E	2012E	2013E	2012E	2013E
Abs-Cbn Corp	ABSPM	PHP30.3	562	16.6	12.5	-41.2	22.5	2.1	2.0	24.5	28.4	12	17
Gma Network Inc	GMA7 PM	PHP8.3	677	16.6	15.4	38.8	10.2	4.0	3.8	23.0	24.9	8.0	4.0
Sun Tv Network Ltd	SUNTVIN	INR39.1	2,339	17.4	15.0	4.7	15.0	4.5	4.1	26.8	28.0	3.2	3.4
Zee Entertainment Enterprise	ZIN	INR14.2	3,285	25.6	21.1	17.9	20.9	4.6	4.0	18.6	19.5	11	13
Television Broadcasts Ltd	511HK	HKD59.0	3,334	14.9	14.3	10.3	3.7	3.4	3.1	23.8	22.8	4.1	4.3
Phoenix Satellite Television	2008 HK	HKD2.5	1,579	14.7	12.0	-1368.7	22.4	2.8	2.3	20.8	21.0	2.5	3.1
Nippon Television Network	9404 JP	JPY1036.0	3,428	10.2	9.5	8.0	8.3	0.6	0.5	5.5	6.1	2.9	3.0
Tokyo Broadcasting System	9401 JP	JPY740.0	1,767	65.5	14.8	-913	662.5	0.4	0.4	0.4	2.4	1.8	2.0
Tv Asahi Corp	9409 JP	JPY1064.0	1,342	13.5	12.9	5.5	4.7	0.4	0.4	3.2	3.3	1.9	2.1
Beijing Gehua Catv Network-A	600037 CH	CNY6.3	1,072	22.8	21.3	6.5	18	n.a.	n.a.	6.0	5.8	1.7	2.1
BEC World	BEC TB	THB59.75	3,891	25.9	22.6	30.7	14.7	13.7	12.3	58.6	59.5	3.7	4.3
GMM Grammy	GRAMMY TB	THB19.40	335	74.4	79.3	-77.9	-6.1	3.2	3.0	5.2	5.3	0.0	0.0
Major Cineplex Group	MAJOR TB	THB19.30	557	15.5	15.1	31.7	9.8	2.6	2.5	18.8	17.6	5.6	6.1
MCOT	MCOT TB	THB32.50	727	13.7	12.2	19.7	12.9	2.8	2.7	21.0	23.1	7.4	8.3
VGI Global Media	VGI TB	THB56.25	549	23.4	17.2	-13.5	36.1	11.6	10.9	82.9	65.6	3.9	5.2
Workpoint Entertainment	WORK TB	THB30.25	253	18.6	16.9	24.6	10.0	5.7	5.2	34.0	33.1	4.2	4.5
Simple average				24.4	19.5	-87.1	53.1	4.2	3.8	23.2	22.9	3.3	3.5

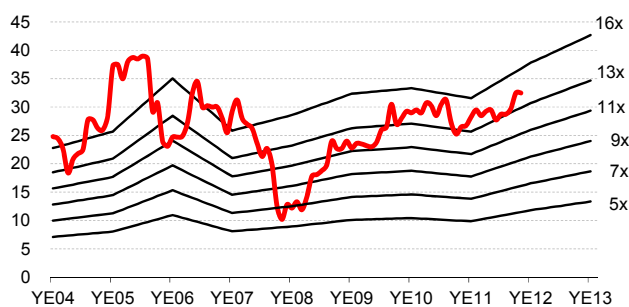
PER band versus SD



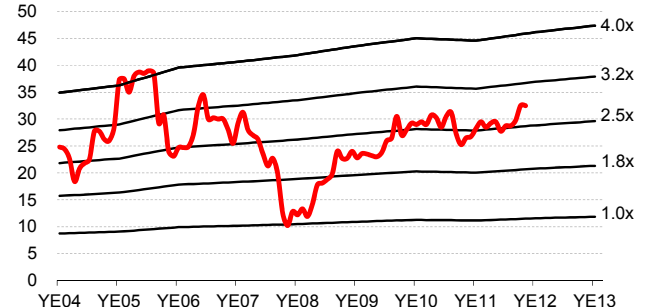
PBV band versus SD



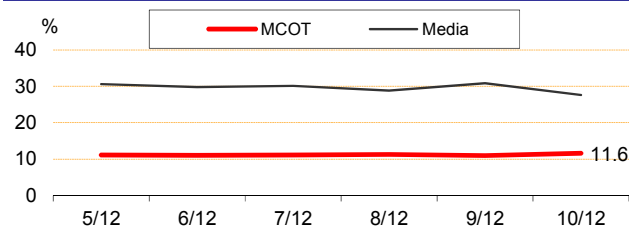
PER band and share price



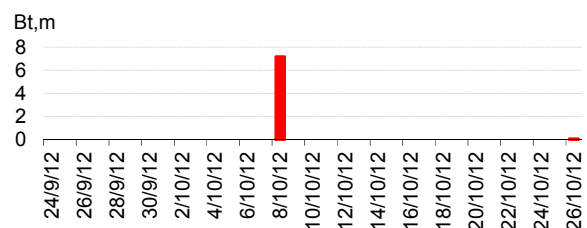
PBV band and share price



Foreign holding



Short selling activities during past four weeks







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

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- 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.