

MCOT - MCOT



Your Partner in Investment

3QCY12 net profit to grow fairly by 8.35% y-y

Bloomberg | Reuters
MCOT.TB | MCOT.BK

Thailand Equities Research
29 October 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 3QCY12 net profit to see slim growth of 8.35% y-y to Bt387.71mn. Total revenue would grow 15.64% y-y but operating cost and SG&A expense would increase at faster pace. However, benefit from lower effective tax rate seems to help underpin the bottom line.
- We expect to see robust growth in 4QCY12. Net profit and revenue are forecast to grow considerably when compared to exceptionally low base a year ago, impacted by severe floods. We therefore retain our CY12 net profit forecast unchanged at Bt1,641.68mn.
- For CY13, we expect net profit to grow 10.65% y-y to Bt1,816.60mn. After appointing new Director, we expect MCOT to revamp its TV program again as the recent programming in Jul appeared to score unfavorable outcome. Moreover, an increase in ad rate is also imminent, considering its peer which already moved ahead.
- We upgrade rating on MCOT shares to a 'BUY' with a CY13 target price of Bt37/share.

What is the news?

Total revenue is expected to increase 15.64% y-y. The TV business appears to remain being the largest contributor as MCOT generated more revenue from leased satellite channel and a broadcasting of the 2012 Olympics games. However, operating cost and SG&A expense seem to increase at faster pace than revenue, but a benefit from lower effective tax rate will help underpin the bottom line. Net profit is thus expected to grow fairly 8.35% y-y to Bt387.71mn in 3QCY12.

How do we view this?

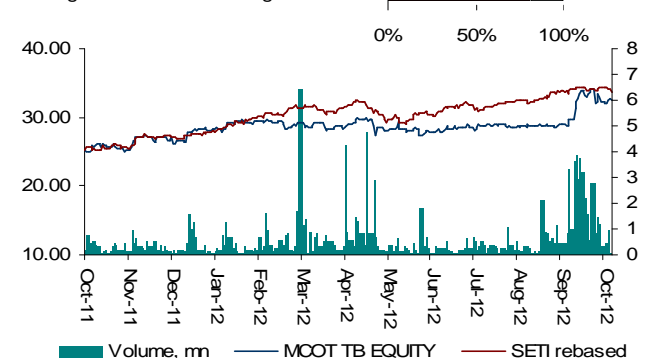
We expect net profit and revenue to grow considerably in 4QCY12 when compared to exceptionally low base a year ago, impacted by floods. We still keep our CY12 net profit forecast unchanged. For CY13, we project net profit to grow 10.65% y-y. We expect MCOT to revamp the TV program as well as looming increase in ad rate. We have scope to revise our project if there appears to be more clarity on the ad rate.

Investment Actions?

Rolling forward to CY13 valuation, our fair value of Bt37 is based on P/E of 14x. We upgrade rating on MCOT shares to a 'BUY' stance.

MCOT

Rating	1.00	Buy
- Previous Rating	2.00	Trading Buy
Target Price (Bt)	37.00	
- Previous Target Price (Bt)	33.50	
Closing Price (Bt)	32.50	
Expected Capital Gains (%)	13.8%	
Expected Dividend Yield (%)	6.9%	
Expected Total Return (%)	20.8%	
Raw Beta (Past 2yrs weekly data)	0.51	
Market Cap. (USD mn)	726	
Enterprise Value (USD mn)	586	
Market Cap. (Bt mn)	22,331	
Enterprise Value (Bt mn)	17,903	
3M Average Daily T/O (mn)	0.8	
52 week range	24.9 - 34.25	
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.	4.8

CG Report - 2011



(Excellent)

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.	15.7	16.5	13.6	12.3
BVPS (Bt)	11.15	11.15	11.53	12.38
P/B (X)	2.9	2.9	2.8	2.6
DPS (Bt)	1.80	2.00	2.00	2.25
Div. Yield (%)	5.5	6.2	6.2	6.9

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

P/E13 (14x)

Analyst
Siam Tiyanont
Securities Investment Analyst #17970
Tel. 662-2-635-1700 Ext. 483

3QCY12 net profit to grow 8.35% y-y

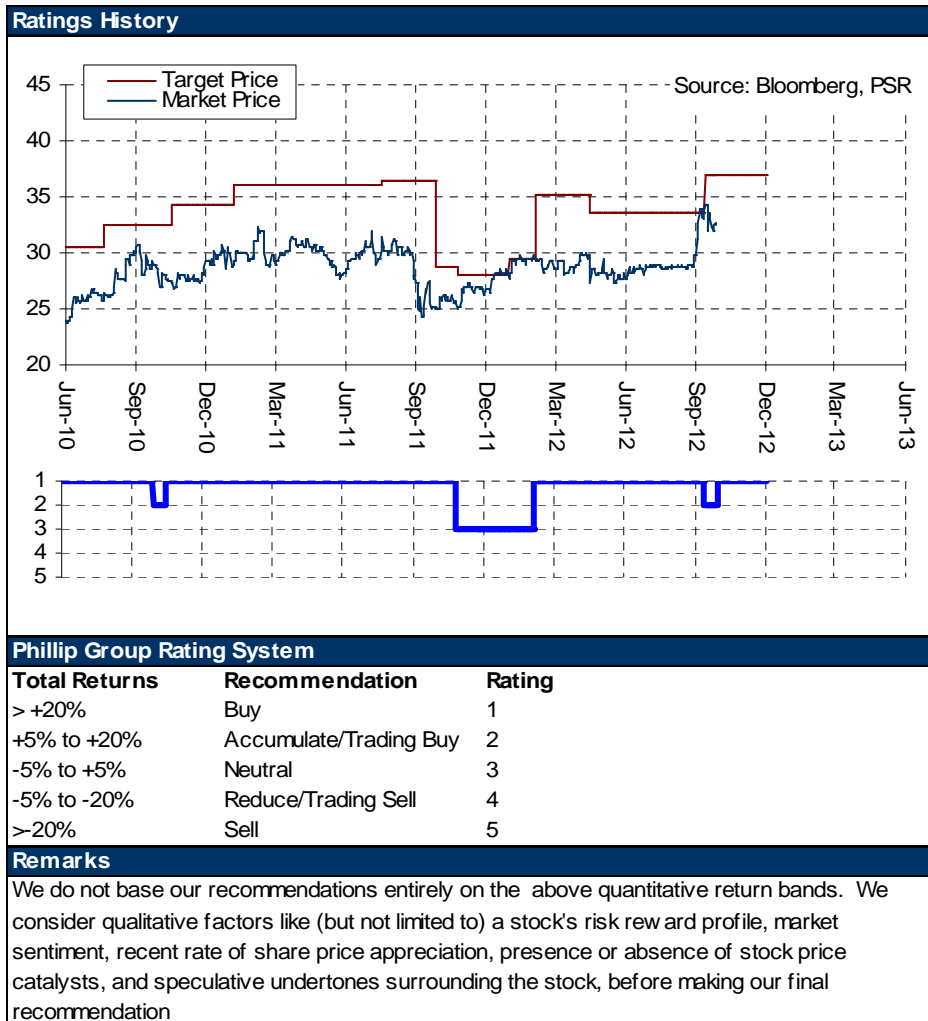
We expect 3QCY12 net profit growth of 8.35% y-y to Bt387.71mn. Revenue is forecast to grow further but operating cost and SG&A expense seem to increase at faster pace. On q-q basis, quarterly net profit would see a slight decline of 12.63%.

According to Nielsen's report, ad spending through MCOT rose 11.58% y-y, but declined a mere 0.31% q-q. Such the reduction is considered normal as a third quarter of year normally faced low season effect, while the slim decrease in 3QCY12 was underpinned by a broadcasting of the 2012 Olympics games. Revenue from the TV business is expected to grow 20% y-y and 5% q-q, outpacing Nielsen's forecast, as MCOT is likely to generate revenue given more revenue from GRAMMY on leasing satellite channel. The radio unit would generate slim revenue growth, partly contributed to an arranging of certain event activities. Joint-venture revenue would grow fairly while MCOT is expected to book additional compensation of Bt11.63mn from BEC in exchange for a 10-year concession extension against none in 3QCY11. On this basis, total revenue is forecast to grow 15.64% y-y to Bt1,507.89mn, and operating cost and SG&A expense would surge 20.52% and 27.19% respectively on leased satellite channel, an organizing of event activities for the radio business, and a switching to in-house production for TV news programs and others. Tax expense is expense to fall 16.55% on lower effective tax rate.

CY12 net profit forecast unchanged; rolling forward to CY13 valuation

The final quarter of year is normally high season in the media industry. Given exceptionally low revenue and net profit (Bt134.97mn in 4QCY11) a year ago due to severe floods, we expect to see notable growth both in revenue and net profit in 4QCY12. We project net profit at Bt1,641.68mn in CY12 versus.

For CY13, total revenue is expected to grow 5.76% y-y to Bt5,911mn and net profit is projected at Bt1,816.60mn. We expect MCOT to revamp its TV program after acquiring the succeeding Director, and the program revamped in Jul, didn't score success as measured by viewer ratings and ad expenditures. The own-produced news program 'Klook Wong Khao' still needs to fine tune as ad expenditures on this program were far lower when compared to the replaced 'Khao Khon Kon Khao' program. Adding to support factor to boost revenue growth is a forthcoming increase in ad rate, considering the Channel 7 which already adjusted up the rate in Oct'2012 and Channel 3 is expected to follow suit. We have scope to adjust our project once we see more clarity on the ad rate. Rolling forward to CY13 valuation and expected dividend of Bt2.25/share, we upgrade rating on MCOT shares to a 'BUY' with a CY13 target price of Bt37/share, based on P/E of 14x.



Research Department

Fundamental:

Name	Analyst Reg No.	Tel	Sector
Sasikorn Charoensuwan	Capital Market Investment Analyst #97446	6 2 635 1700 #480	Banking, Consumer Finance
Rutsada Tweesaengsakulthai	Securities Investment Analyst #17972	66 2 635 1700 #482	ICT, Energy, Health Care Services
Danai Tunyaphisitchai	Capital Market Investment Analyst #2375	66 2 635 1700 #481	Construction Materials, Property Development
Naree Apisawaittakan	Securities Investment Analyst #17971	66 2 635 1700 #484	Agro & Food, Electronics
Siam Tiyant	Securities Investment Analyst #17970	66 2 635 170 0#483	Transportation, Media & Publishing
Preeyanun Tripetchchuporn	Securities Investment Analyst #17973	66 2 635 1700 #488	Petrochemicals, Commerce, Tourism
Ornmongkol Tantitanatorn	Securities Investment Analyst #34100	66 2 635 1700 #491	Securities, Automotive, Energy, Packaging

Strategy:

Name	Analyst Reg No.	Tel
Teerada Charnyingyong	Securities Investment Analyst #9501	66 2 635 1700 #487
Chutikarn Santimetvirul	Derivatives Investment Analyst #37928	66 2 635 1700 #491
Werajak Jungkiatkajorn*		

Technical:

Name	Analyst Reg No.	Tel
Sasima Hattakitnikorn	Securities Investment Analyst #8328	66 2 635 1700 #490
Kanoksak Vutipan	Securities Investment Analyst #2423	66 2 635 1700 #485

Database & Production:

Name
Manunpat Yuenyongwatanakorn
Sutiporn Oupkaew

Translation:

Name
Chaiyot Ingkhasorarat
Naowarat Angurasuchon

*Assistant Analyst






Bangkok Offices

Head Office	11 st Fl., Unit 1102, 14 th Fl., Unit 1404 and 15 th Fl., Vorawat Bldg., 849 Silom Rd. Silom, Bangrak, Bangkok 10500 Tel : 0 2635 1700 , 0 2268 0999 Fax : 0 2635 1615
Srinakarindr	17 th Fl., Modernform Tower, 699 Srinakarindr Rd., Suan Luang, Suan Luang, Bangkok 10250 Tel : 0 2722 8344-53 Fax : 0 2722 8343
Viphavadi	15 th Fl., Lao Peng Nguan Tower 1, 333 Soi Chuaypuang, Viphavadi- Rangsit Rd., Ladyao, Chatuchak, Bangkok 10900 Tel : 0 2618 8400 Fax : 0 2618 8344 , 0 2618 8381
Yaowarat	19 th Fl., Kanchanadhat Bldg., 308 Yaowarat Rd., Jakawat, Sampantawong, Bangkok 10100 Tel : 0 2622 7833 , 0 2226 2777 Fax : 0 2622 7844
Bangkapi 1	8 th Fl., The Mall Office Tower-Bangkapi 3522 Lad Prao Rd., Klongchan Bangkapi, Bangkok 10240 Tel : 0 2363 3263 Fax : 0 2363 3275
Bangkapi 2	8 th Fl., The Mall Office Tower-Bangkapi 3522 Lad Prao Rd., Klongchan Bangkapi, Bangkok 10240 Tel : 0 2363 3469 Fax : 0 2363 3464
Hua Lumphong	4 th Fl., Tang Hua Pak Bldg., 320 Rama 4 Rd., Mahaprutharam, Bangrak, Bangkok 10500 Tel : 0 2639 1200 Fax : 0 2639 1340-1
Rangsit	G Fl., Room#PLZ.G.SHP065A Future Park Rangsit, 94 Paholyothin Rd., Prachathipat, Thunyaburi, Pathumthani 12130 Tel : 0 2958 5040 Fax : 0 2567 3311
Sindhorn	130-132 Sindhorn Tower 3 Building, 19 Floor, Wireless Rd., Lumpini, Pathumwan, Bangkok 10330 Tel : 0 2650 9717 Fax : 0 2657 9722
Siam Discovery	989 Siam Tower, 11st Floor, Unit A2, Rama 1 Rd., Pathumwan, Pathumwan, Bangkok 10330 Tel : 02 658 0776 Fax : 02 658 0773

Provincial Offices

Chaing Mai	313/15 Moo6 Chaing Mai – Lamphun Nong Hoi, Chaing Mai, Chaing Mai 50000 Tel 053-141969 Fax 053-141966
Khon Kaen	4 th Fl., Kow Yoo Hah Bldg., 359/2 Mittapap Rd., Nai Muang, Muang , Khon Kaen 40000 Tel : 0 4332 5044-8 Fax : 0 4322 5687
Khon Kaen – Rim Bueng	3 rd Fl., Arokaya Bldg., 52 Rop Bueng Rd., Nai Muang, Muang , Khon Kaen 40000 Tel : 0 4322 6026 Fax : 0 4322 6796
Phisanulok	2 nd Fl., Thai Sivarat Bldg., 59/15 Baromtrilokanad Rd., Naimuang, Muang, Phisanulok 65000 Tel : 0 5524 3646 Fax : 0 5524 5082
Had Yai	4 th Fl., Southland Rubber Bldg., 55 Ratyindee Rd., Had Yai, Had Yai, Songkla 90110 Tel : 0 7423 4095-99, 0 7423 0537-8 Fax : 0 7422 0908
Had Yai - Petkasem	3 rd Fl., Unit 3D, Redar Group Bldg., 607 Petkaseam Rd., Had Yai, Had Yai, Songkla 90110 Tel : 0 7422 3044 Fax : 0 7422 3620
Suratthani	62/9 Donnok Rd., Talad, Muang Suratthani, Suratthani 84000 Tel : 077 206 131 Fax : 077 206 151
Laemchabang	83/112, 114 Moo 9, Tungsukla, Sriracha, Chonburi 20110 Tel : 0 3849 0669 Fax : 0 3849 3125
Chumporn Investor Center	25/45 Krom Luang Chumporn Rd., Tatapao, Muang, Chumporn 86000 Tel : 0 7757 0652-3 Fax : 0 7757 0441

Results Presentation

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

The disclosure of the survey result of the Thai Institute of Directors Association (IOD) regarding corporate governance is made pursuant to the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative disclosure to the public and able to be accessed by a general public investor. The results, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that data. Phillip Securities (Thailand) of securities company does not confirm nor certify the accuracy of such survey result.

Overseas Offices

SINGAPORE	Phillip Securities Pte Ltd Raffles City Tower 250, North Bridge Road #06-00, Singapore 179101 Tel : (65) 6533 6001 Fax : (65) 6535 6631 Website: www.poems.com.sg
HONG KONG	Phillip Securities (HK) Ltd Exchange Participant of the Stock Exchange of Hong Kong 11/F United Centre 95 Queensway, Hong Kong Tel (852) 22776600 Fax (852) 28685307 Website: www.phillip.com.hk
MALAYSIA	Phillip Capital Management Sdn Bhd B-3-6 Block B Level 3 Megan Avenue II, No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur Tel (603) 21628841 Fax (603) 21665099 Website: www.poems.com.my
JAPAN	PhillipCapital Japan K.K. Nagata-cho Bldg., 8F, 2-4-3 Nagata-cho, Chiyoda-ku, Tokyo 100-0014 Tel (81-3) 35953631 Fax (81-3) 35953630 Website: www.phillip.co.jp
INDONESIA	PT Phillip Securities Indonesia ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A Jakarta 10220 – Indonesia Tel (62-21) 57900800 Fax (62-21) 57900809 Website: www.phillip.co.id
THAILAND	Phillip Securities (Thailand) Public Co. Ltd 15th Floor, Vorawat Building, 849 Silom Road, Silom, Bangrak, Bangkok 10500 Thailand Tel (66-2) 6351700 / 22680999 Fax (66-2) 22680921 Website www.phillip.co.th
CHINA	Phillip Financial Advisory (Shanghai) Co. Ltd No 550 Yan An East Road, Ocean Tower Unit 2318, Postal code 200001 Tel (86-21) 51699200 Fax (86-21) 63512940 Website: www.phillip.com.cn
FRANCE	King & Shaxson Capital Limited 3rd Floor, 35 Rue de la Bienfaisance 75008 Paris France Tel (33-1) 45633100 Fax (33-1) 45636017 Website: www.kingandshaxson.com
UNITED KINGDOM	King & Shaxson Capital Limited 6th Floor, Candlewick House, 120 Cannon Street, London, EC4N 6AS Tel (44-20) 7426 5950 Fax (44-20) 7626 1757 Website: www.kingandshaxson.com
UNITED STATES	Phillip Futures Inc 141 W Jackson Blvd Ste 3050 The Chicago Board of Trade Building, Chicago, IL 60604 USA Tel +1.312.356.9000 Fax +1.312.356.9005
AUSTRALIA	PhillipCapital Australia Level 37, 530 Collins Street, Melbourne, Victoria 3000, Australia Tel (613) 96298380 Fax (613) 96148309 Website: www.phillipcapital.com.au
SRI LANKA	Asha Phillip Securities Ltd Level 4, Millennium House, 46/58, Navam Mawatha, Colombo 2, Sri Lanka Tel: (+94) 11 2429 100 Fax: (+94) 11 2429 199 Email: apsl@ashaphillip.net
TURKEY	Hak Menkul Kıymetler A.Ş Dr.Cemil Bengü Cad. HAK Is Merkezi No:2 Floor :6A 34403 Çaglayan-ISTANBUL Tel: (+90) (212) 296 84 84 (pbx) Fax: (+90) (212) 233 69 29 - (+90) (212) 232 98 23 Emails: hakmenkul@hakmenkul.com.tr ; hakbilgi@hakmenkul.com.tr

The information contained herein is based on sources which Phillip Securities(Thailand) believes reliable. We do not guarantee its accuracy or completeness. Opinions and estimates expressed herein are subject to change without notice. This report is for information only and should not be construed as an offer or solicitation for the purchase or sale of any securities referred to herein. We accept no liability for any loss, direct or indirect, from the use of this document. The directors and/or employees of Phillip Securities and or its associates may have an interest in the securities mentioned in the securities mentioned herein.
