

## Buy (from Hold)

Share price: Bt33.25  
 Target price: Bt38.00 (from Bt34.00)

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### Stock Information

**Description :** The Company operates various mass media businesses such as Modemine TV Station, MCOT radio stations and The Thai News Agency with subsidiaries involving in the business of television program, documentary production and all types of entertainment business.

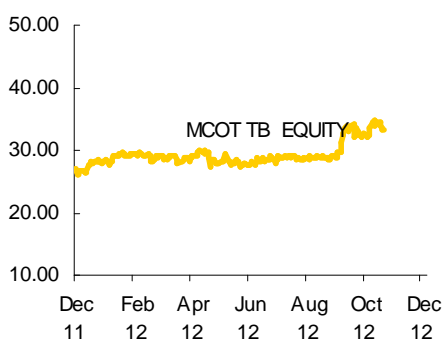
Ticker :	MCOT
Shares Issued (mn) :	687
Market Cap (Btmn) :	23,190
Market Cap (US\$m) :	743.20
3-mth Avg. Daily Turnover (Btmn) :	34.94
SET Index :	1,274.02
Free float (%) :	22.72

<b>Major Shareholders :</b>	%
The Ministry of Finance	65.80
Government Savings Bank	11.48

### Key Indicators

ROE – annualised (%)	23.6
Net cash (Btmn)	Net cash
NTA/shr (Bt)	12.1
Interest cover (x)	178.6

### Historical Chart



### Performance

52-week High/Low	Bt35.25/Bt25.00				
	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	3.1	15.7	16.7	27.9	24.3
Relative (%)	4.2	11.1	5.7	0.1	0.0

## MCOT PCL (MCOT)

### Upgraded profit and stock rating

We have a positive view on MCOT after the impressive 3Q12 result, as TV and new media revenues grew well, while the increasing level of in-house produced programs enhanced ad income. MCOT should also benefit from more projects produced for the government. We have revised up our earnings and TP to Bt38. MCOT offers an attractive dividend yield of 6-7%, with a limited downside risk. Trading on 13.2x PER, MCOT has the cheapest valuation in the media sector. We have upgraded from Hold to Buy.

**Better-than-estimate profit.** The net profit increased 8% QoQ and 33% YoY to Bt480mn and beat our expectation, driven mainly by stronger-than-estimated revenue growth (+8% QoQ and +24% YoY) from a rising portion of self-produced programs. The utilisation rate climbed from 75% in 3Q11 to 92%, with the added hike in ad rates and revenue from both private and government projects. New media revenue also grew well. The gross margin improved to 57.2% from 56.4% in 3Q11. MCOT also enjoyed a lower SG&A/sales portion and a reduced effective tax rate.

**Growth to continue into 4Q12.** We estimate ad revenue to expand continuously in 4Q12 in the high season with increasing utilisation. However, expenses will tend to increase significantly from higher staffing costs. We thus estimate the 4Q12 earnings to slightly drop QoQ, but grow significantly YoY on the low base of last year.

**Upgrade earnings projection.** The 9M12 net profit has reached 76% of our yearly projection. We see a positive outlook driven by increasing ratings on new programs and the program reshuffle adding more in-house productions from 47% to 51% in 2013. MCOT also has MOU contracts for public relations activities for many state enterprises and government units; such as the Government Savings Bank, the Ministry of Public Health and the National Housing Authority. MCOT expects revenues of at least Bt200mn from these projects. We have upgraded our FY12 and FY13 earnings by 3% and 4%, respectively. The 2012 profit is now estimated at Bt1.73bn (+28%) with 12% growth to Bt1.939bn in 2013.

**Upgrade TP to Bt38.** The financial status remains solid with net cash and a steady dividend payout of 6-7%. Given this earnings revision, our TP is upgraded to Bt38 from Bt34 and we have upgraded our rating from Hold to Buy.

### MCOT – Summary Earnings Table

FYE: Dec 31 (Btmn)	2010	2011	2012F	2013F	2014F
Revenue	5,263	5,142	5,802	6,356	6,886
EBITDA	2,556	2,598	2,842	3,061	3,301
Recurring Net Profit	1,423	1,356	1,730	1,939	2,111
Recurring Basic EPS (Bt)	2.07	1.97	2.52	2.82	3.07
EPS growth (%)	2.4	(4.7)	27.6	12.1	8.9
DPS (Bt)	1.90	2.00	2.20	2.35	2.50
PER	16.1	16.8	13.2	11.8	10.8
EV/EBITDA (x)	7.6	7.2	6.6	5.9	5.4
Div Yield (%)	5.7	6.0	6.6	7.1	7.5
P/BV(x)	3.0	3.0	2.9	2.7	2.6
Net Gearing (%)		Net cash	Net cash	Net cash	Net cash
ROE (%)	18.7	17.6	22.1	23.6	24.5
ROA (%)	14.1	12.8	15.9	17.0	17.5
Consensus Net Profit (Btmn)	-	-	1,612	1,727	1,844

Source: Company reports and KELIVE Research estimates.

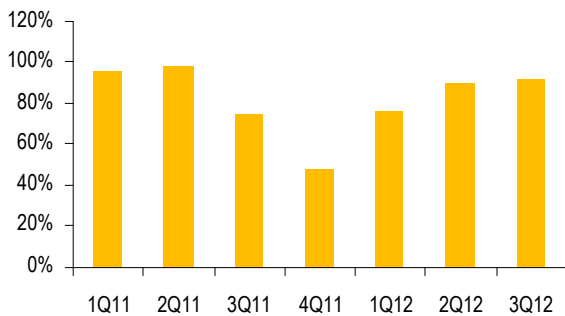
**Investment in digital TV.** MCOT plans to apply for a network and facility license for digital TV costing around Bt2.5-3bn and is looking for an investment partner. MCOT also expects to bid on 5 digital TV channels at around Bt2.5bn total (no one time payment). These projects are expected to happen next year in a best case. We see the possibility of a delay with the current lack of clear information.

**MCOT 3Q12 earnings results**

(Btmn)	3Q12	2Q12	QoQ	3Q11	YoY	Comment
Sales	1,515	1,450	4%	1,315	15%	
TV income	1,058	976	8%	855	24%	Beat forecast on Adex growth / utilisation / ad rates
Radio income	245	234	4%	225	9%	
Joint operations	201	228	(12%)	224	(10%)	
Additional income	12	12	1%	10	13%	
COGS	649	593	9%	573	13%	Rising from more in-house programs
Gross profit	866	857	1%	741	17%	
Gross margin (%)	57.2%	59.1%	N.A.	56.4%	N.A.	
SG&A	292	299	(2%)	270	8%	Lower SG&A-to-sales
EBITDA	745	743	0%	668	11%	
EBITDA margin (%)	47.9%	49.4%	N.A.	48.6%	N.A.	
Normalised profit	480	443	8%	361	33%	
Net profit	480	443	8%	361	33%	Better than expectation
EPS (Bt)	0.70	0.65	8%	0.52	33%	

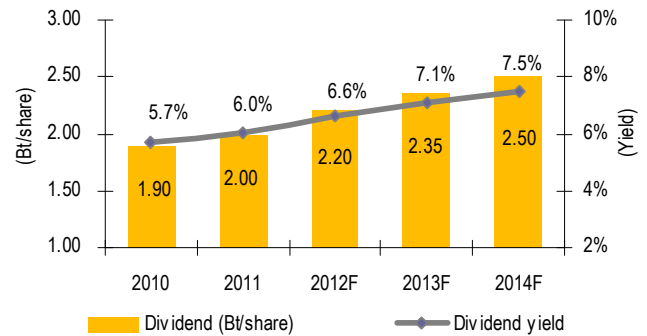
Source : Company reports and KELIVE Research estimates.

**Chart 1: TV Utilisation rate**



Source: Company reports.

**Chart 2: Dividend payment and yield**



Source: Company reports and KELIVE Research estimates.

**INCOME STATEMENT (Btmn)**

FY December	2011	2012F	2013F	2014F
Revenue	5,142	5,802	6,356	6,886
EBITDA	2,598	2,842	3,061	3,301
Depreciation & Amortisation	541	557	597	620
<b>Operating Profit (EBIT)</b>	<b>2,057</b>	<b>2,285</b>	<b>2,464</b>	<b>2,681</b>
Interest (Exp) / Inc	10	12	14	13
Associates	0	0	0	0
One-offs	0	0	0	0
<b>Pre-Tax Profit</b>	<b>2,047</b>	<b>2,273</b>	<b>2,451</b>	<b>2,668</b>
Tax	671	534	502	547
Minority Interest	20	8	9	10
<b>Net Profit</b>	<b>1,356</b>	<b>1,730</b>	<b>1,939</b>	<b>2,111</b>
<b>Recurring Net Profit</b>	<b>1,356</b>	<b>1,730</b>	<b>1,939</b>	<b>2,111</b>
Revenue Growth %	(2.3)	12.8	9.5	8.3
EBITDA Growth (%)	1.6	9.4	7.7	7.8
EBIT Growth (%)	(0.1)	11.1	7.9	8.8
Net Profit Growth (%)	(4.7)	27.6	12.1	8.9
Recurring Net Profit Growth (%)	(4.7)	27.6	12.1	8.9
Tax Rate %	32.8	23.5	20.5	20.5

**BALANCE SHEET (Btmn)**

FY December	2011	2012F	2013F	2014F
Fixed Assets	4,303	4,423	4,373	4,301
Other LT Assets	200	200	200	200
Cash / ST Investments	4,108	4,151	4,662	5,101
Other Current Assets	2,040	2,320	2,511	2,742
<b>Total Assets</b>	<b>10,652</b>	<b>11,094</b>	<b>11,746</b>	<b>12,344</b>
ST Debt	7	11	13	10
Other Current Liabilities	1,571	1,853	2,026	2,212
LT Debt	6	10	12	9
Other LT Liabilities	1,410	1,198	1,304	1,251
Minority Interest	63	71	80	90
Shareholders' Equity	7,595	7,952	8,311	8,773
<b>Total Liabilities-Capital</b>	<b>10,652</b>	<b>11,094</b>	<b>11,746</b>	<b>12,344</b>
Share Capital (mn)	3,435	3,435	3,435	3,435
Gross Debt / (Cash)	13	21	25	19
Net Debt / (Cash)	Net cash	Net cash	Net cash	Net cash
Working Capital	469	467	485	530

**CASH FLOW (Btmn)**

FY December	2011	2012F	2013F	2014F
Profit before taxation	2,047	2,273	2,451	2,668
Depreciation	541	557	597	620
Net interest receipts / (payments)	10	12	14	13
Working capital change	218	2	(17)	(46)
Cash tax paid	(671)	(534)	(502)	(547)
Others (inc. exceptional items)	(30)	(28)	(23)	(23)
<b>Cash flow from operations</b>	<b>2,116</b>	<b>2,281</b>	<b>2,518</b>	<b>2,685</b>
Capex	(409)	(676)	(547)	(547)
Disposals / (purchases)	0	0	0	0
Others	(1,097)	155	(610)	(390)
<b>Cash flow from investing</b>	<b>(1,506)</b>	<b>(521)</b>	<b>(1,157)</b>	<b>(937)</b>
Debt raised / (repaid)	820	(410)	205	(103)
Equity raised / (repaid)	9	8	9	10
Dividends (paid)	(1,443)	(1,374)	(1,580)	(1,649)
Interest payments	10	12	14	13
Others	(10)	(12)	(14)	(13)
<b>Cash flow from financing</b>	<b>(614)</b>	<b>(1,776)</b>	<b>(1,366)</b>	<b>(1,742)</b>
Change in cash	(5)	(16)	(4)	6

**RATES & RATIOS**

FY December	2011	2012F	2013F	2014F
Gross Margin %	57.7	57.6	57.7	57.8
EBITDA Margin %	48.9	47.5	46.8	46.5
Op. Profit Margin %	38.7	38.2	37.6	37.8
Net Profit Margin %	25.5	28.9	29.6	29.8
ROE %	17.6	22.1	23.6	24.5
ROA %	12.8	15.9	17.0	17.5
Net Margin Ex. EI %	25.5	28.9	29.6	29.8
Dividend Cover (x)	1.0	1.1	1.2	1.2
Interest Cover (x)	208.2	193.1	178.6	203.1
Asset Turnover (x)	0.5	0.5	0.5	0.6
Asset / Debt (x)	3.6	3.6	3.5	3.5
Debtors Turn (days)	63.4	46.0	46.0	46.0
Creditors Turn (days)	24.9	20.0	22.0	22.0
Inventory Turn (days)	3.2	3.6	4.5	4.5
Net Gearing %	Net cash	Net cash	Net cash	Net cash
Debt / EBITDA (x)	Net cash	Net cash	Net cash	Net cash
Debt / Market Cap (x)	Net cash	Net cash	Net cash	Net cash

Source: Company reports and KELIVE Research estimates.

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BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
EBITDA = EBIT, Depreciation And Amortisation	P.A. = Per Annum	YoY = Year-On-Year
EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
EV = Enterprise Value	PBT = Profit Before Tax	

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**THAI INSTITUTE OF DIRECTORS ASSOCIATION (IOD) CORPORATE GOVERNANCE REPORT RATING 2011**

						Score Range	Number of Logo	Description
ADVANC	BMCL	ICC	PS	ROBINS	THRE	90-100	▲▲▲▲▲	Excellent
AOT	CPN	IRPC	PSL	RS	TIP	80-89	▲▲▲▲	Very Good
BAFS	CSL	KBANK	PTT	SAT	TIPCO	70-79	▲▲▲	Good
BANPU	EASTW	KK	PTTAR ***	SC	TISCO	60-69	▲▲	Satisfactory
BAY	EGCO	KTB	PTTCH ***	SCB	TKT	50-59	▲	Pass
BBL	ERW	LPN	PTTEP	SCC	TMB	Lower than 50	No logo given	N/A
BCP	GRAMMY	MCOT	QH	SE-ED	TOP	*** PTTAR and PTTCH are now PTTGC		
BKI	HEMRAJ	NMG	RATCH	SIS				
▲▲▲▲▲								
ACAP	BWG	GC	LANNA	NINE	S&P	SPPT	THCOM	TSTH
AF	CENTEL	GFPT	LH	NKI	SABINA	SSF	THIP	TTA
AMANAHA	CGS	GLOW	LOXLEY	NOBLE	SAMCO	SSSC	TIC	TTW
AMATA	CIMBT	HANA	LRH	OCC	SCCC	STA	TK	TUF
AP	CK	HMPRO	LST	OGC	SCG	STANLY	TMT	TVO
ASIMAR	CM	HTC	MACO	OISHI	SCSMG	STEC	TNITY	TYM
ASP	CPALL	IFEC	MAJOR	PB	SEAFCO	SUSCO	TNL	UAC
AYUD	CPF	INET	MAKRO	PG	SPF	SVI	TOG	UMI
BEC	CSC	INTUCH	MBK	PHATRA	SICCO *	SYMC	TPC	UP
BECL	DELTA	IVL	MFC	PM	SINGER	SYNTEC	TRC	UP OIC
BFIT	DEMCO	JAS	MFEC	PR	SIRI	TASCO	TRT	UV
BH	DRT	KCE	MILL	PRANDA	SITHAI	TCAP	TRU	VNT
BIGC	DTAC	KEST **	MINT	PRG	SMT	TFD	TRUE	WACOAL
BJC	DTC	KGI	MK	PT	SNC	TFI	TSC	WAVE
BLA	ECL	KSL	MTI	PYLON	SPALI	THAI	TSTE	ZMICO
BROOK	FORTH	KWC	NBC	S&J	SPI			
BTS	GBX	L&E	NCH	** KEST is now MBKET, * SICCO has been delisted				
▲▲▲▲▲								
2S	BOL	DCC	IRC	MBAX	PHOL	SENA	TCP	TR
A	BROCK	DRACO	IRCP	M-CHAI	PICO	SHANG	TEAM	TTCL
AEONTS	B SBM	EASON	IT	MCS	PL	SIAM	TF	TTI
AFC	BTNC	EIC	ITD	MDX	POST	SIMAT	TGCI	TWFP
AGE	CCET	ESSO	JTS	MJD	PPM	SKR	THANA	TWZ
AH	CFRESH	FE	JUTHA	MOONG	PREB	SMIT	THANI	TYCN
AHC	CHARAN	FOCUS	KASET	MPIC	PRECHA	SMK	TICON	UBIS
AI	CI	FSS	KDH	MSC	PRIN	SMM	TIW	UEC
AIT	CITY	GENCO	KH	NC	PTL	SPC	TKS	UOBKH
AJ	CMO	GFM	KKC	NEP	Q-CON	SPG	TLUXE	UPF
AKR	CMR	GL	KMC	NNCL	QLT	SST	TMD	US
APRINT	CNS	GLAND	KTC	NSI	RASA	STAR	TNH	UT
APURE	CNT	GOLD	KWH	NTV	RCI	SUC	TNPC	UVAN
AS	CPI	GUNKUL	KYE	NWR	RCL	SVOA	TOPP	VARO
ASK	CPL	GYT	LALIN	OFM	ROJNA	SWC	TPA	VIBHA
BAT-3K	CRANE	HFT	LEE	PAF	RPC	SYNEX	TPAC	VNG
BGT	CSP	HTECH	LHK	PAP	SAUCE	TBSP	TPCORP	WG
BLAND	CSR	IFS	MATCH	PATO	SCBLIF	TCB	TPJPL	WORK
BNC	CTW	ILINK	MATI	PDI	SCP	TCC	TPP	YUASA

Source: Thai Institute of Directors (IOD)

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