

MCOT - MCOT

3QCY12 net profit tops forecast; promising growth outlook



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Thailand Equities Research
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Report type: Company Update

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.

- MCOT reported 3QCY12 net profit growth of 33.06% y-y to Bt479.78mn, driven by higher revenue and effective cost and expense control.
- We expect 4QCY12 earnings to grow remarkably, both revenue and net profit, when compared to exceptionally low base a year earlier due to severe flood.
- For CY13, MCOT plans to revamp the TV program with an increase in a number of in-house production programs. Furthermore, the company will enter into a bid for the terrestrial digital TV.
- We raise net profit forecast by 4.91% to Bt1,722mn for CY12 and further by 5.93% to Bt1,924mn.
- We re-rate P/E to 15x, given stronger profitability outlook, and upgrade MCOT to 'BUY' stance with a CY13 target price of Bt42/share.

What is the news?

Revenue in 3QCY12 grew 15.39% y-y, thanks to effective control in cost and SG&A expense, driving net profit higher by 33.06% y-y to Bt479.78mn. For 4QCY12, the growth momentum appears to be strong while the company plans to revamp the TV program in early 2013.

How do we view this?

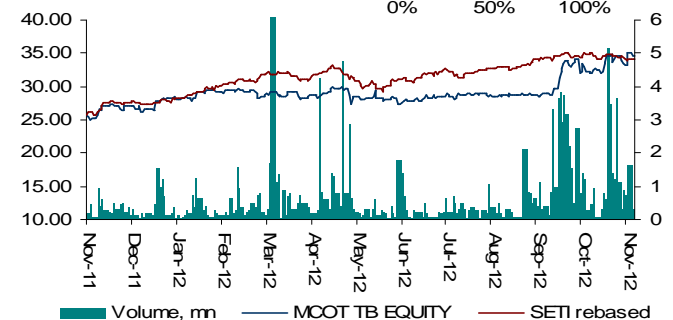
For 4QCY12, revenue and net profit are likely to grow remarkably when compared to exceptionally low base a year earlier due to severe flood. In 2013, MCOT plans to increase a number of in-house production programs to boost revenue growth. We thus raise net profit forecast by 4.91% for CY12 and 5.93% for CY13.

Investment Actions?

We re-rate P/E to 15x, given stronger profitability outlook, and upgrade MCOT to 'BUY' stance with a CY13 target price of Bt42/share.

MCOT

Rating	1.00	Buy
- Previous Rating	2.00	Trading Buy
Target Price (Bt)	42.00	
- Previous Target Price (Bt)	37.00	
Closing Price (Bt)	34.50	
Expected Capital Gains (%)	21.7%	
Expected Dividend Yield (%)	6.9%	
Expected Total Return (%)	28.6%	
Raw Beta (Past 2yrs w weekly data)	0.51	
Market Cap. (USD mn)	773	
Enterprise Value (USD mn)	632	
Market Cap. (Bt mn)	23,705	
Enterprise Value (Bt mn)	19,277	
3M Average Daily T/O (mn)	1.1	
52 week range	25 - 35.5	
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 (Btrm)	5,263	5,142	5,804	6,186
Net Profit (Btrm)	1,423	1,356	1,722	1,924
EPS (Bt)	2.07	1.97	2.51	2.80
Net Profit, adj. (Btrm)	1,423	1,356	1,722	1,924
EPS, adj. (Bt)	2.07	1.97	2.51	2.80
P/E (X), adj.	16.7	17.5	13.7	12.3
BVPS (Bt)	11.15	11.15	11.65	12.65
P/B (X)	3.1	3.1	3.0	2.7
DPS (Bt)	1.80	2.00	2.13	2.38
Div. Yield (%)	5.2	5.8	6.2	6.9

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

P/E13 (15x)

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3QCY12 net profit topped forecast

MCOT reported surprisingly higher net profit growth of 33.06% y-y to Bt479.78mn in 3QCY12 as a result of effective cost control.

For the quarter, total revenue grew 15.39% y-y to Bt1,515mn, driven by favorable growth across all business segments. TV revenue grew the most by 23.79% y-y, thanks to elevated ad utilization rate at 92% in response to rising popularity of new TV program and a 167% y-y increase in ad revenue from new media. Radio revenue grew 8.69% y-y, contributed to higher airtime sales with a complimentary promoting marketing activity. Joint-venture revenue stayed flat y-y and additional compensation from BEC in exchange for a 10-year concession extension was higher. Cost and SG&A expense grew moderately 13.25% and 8.40% y-y respectively because of effective cost control amid higher expenses from leasing satellite channel, and helicopter and VDO wall for the news program. Furthermore, a lower effective rate of 21.10% helped raise the bottom line growth.

4QCY12 earnings likely to grow remarkably on a year earlier flood-impacted low base and continued business recovery; CY13 plan to revamp TV program

Due to severe flood in 4QCY11, the media industry suffered badly as ad spending dropped drastically, coupled with incurred flood-related expense, which dragged revenue and net profit to as low as Bt1,096mn and Bt132.21mn, respectively.

For 4QCY12, a continued recovery with strong growth momentum from 3QCY12, we project revenue and net profit to grow remarkably.

MCOT plans to revamp its TV program in early 2013 and ad rate for new programs would be raised. Ad slot will also be adjusted to match with each time span. The company will also increase a number of in-house production programs to 51% from 45% in 2012. For the second half of 2013, MCOT will air more own-produced programs and programs that the company will buy rights to air in an effort to boost revenue and profit growth. Moreover, the company will continue to establish marketing activities to boost airtime sales.

Prepping to step into terrestrial digital TV

The National Broadcasting and Telecommunications Commission (NBTC) announced the deadline for the current TV stations to apply for non-frequency broadcasting license by Dec 16. According to the TV and radio frequency act, MCOT is eligible to operate TV stations for further 10 years and five years at no cost. Under the new system, license for the current operators comprises of four types: (1) infrastructure service that operators are able to submit a request form; (2) broadcasting network operator that the NBTC will carry out the beauty contest; (3) content provider that the authority will conduct the auction; and (4) application provider that there appears to be an absence of

regulations so far. At initial stage, the NBTC will divide terrestrial digital TV channels into 48 slots—12 channels to be devoted to public service, 12 channels to community service and 24 channels on commercial basis. Of the 24 channels, four will be high-definition and the rest standard-definition that the NBTC will conduct the auction, scheduled in Apr 2013. MCOT showed interest to enter into a bid for five channels.

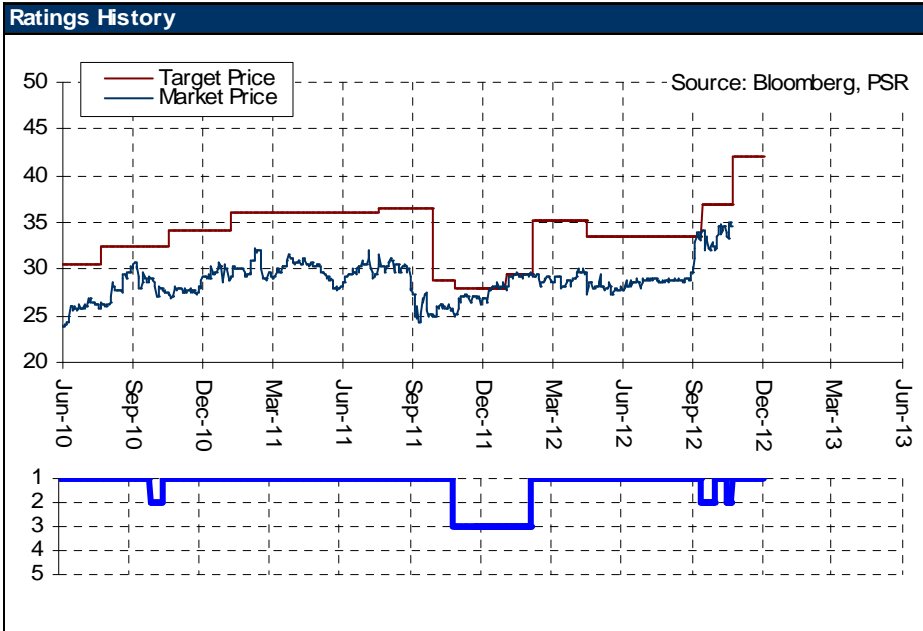
Aiming to increase value of current assets

MCOT assigned a working committee panel to work on asset management. Out of total 57 assets both in the metropolitan and the province, the most valuable asset is a 50-rai land plot at Ratchadapisek area where MCOT plans to build an office building and information center. We will keep track of the asset management.

CY12-CY13 earnings forecast upgraded

In the light of continued recovery in 4QCY12 operating performance, MCOT is expected to receive more public projects; some of which already sealed the contracts, which will help boost revenue growth. We therefore raise our earnings forecast with revenue estimate of Bt5,804mn and a 4.91% rise in our net profit projection to Bt1,722mn in CY12.

For CY13, we revise upwardly our revenue estimate to Bt6,186mn and raise our net profit projection by 5.93% to Bt1,924mn. We re-rate P/E to 15x, given stronger profitability outlook, and upgrade MCOT to 'BUY' stance with a CY13 target price of Bt42/share.



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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