

MCOT - MCOT

Ad rate hikes for 36 TV programs

Bloomberg | Reuters
MCOT TB | MCOT.BK



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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.

- TV ad spending in the first two months of 4QCY12 rose by 31.76% y-y, according to data compiled by The Nielsen Company (Thailand). Ad expenditures at MCOT-run Modernine TV during the same period jumped 43.09% y-y, reflecting the flooding impacts a year earlier.
- Thanks to a strong pickup in AdEx and the absence of a non-cash impairment charge related to a reduction in deferred tax assets due to a lower corporate tax rate, MCOT's 4QCY12 revenue and net profit were expected to be sharply higher than 4QCY11.
- MCOT raised ad rates for 36 TV programs at the start of this year and increased the proportion of its in-house programs. The industry growth outlook also remains favorable.
- We raise our CY13 net profit outlook for MCOT to Bt2,051mn. We also lift our CY13 target price for MCOT to Bt50.75/share as we revise upwards its P/E target to 17x to reflect better outlook underpinned by ad rate hikes and continued industry growth prospects. We reiterate an 'ACCUMULATE' rating on MCOT shares.

What is the news?

In the first two months of 4QCY12, ad expenditures at MCOT-run Modernine TV rose as high as 43.09% y-y due to a low base of comparison from the same period a year earlier when the overall ad industry was hit by the impact of flooding, according to data compiled by The Nielsen Company (Thailand). Growth was also expected to remain strong in Dec 2012. Due to the absence of a non-cash impairment charge related to a reduction in deferred tax assets due to a lower corporate tax rate as recorded in 4QCY11 and a strong pickup in AdEx, MCOT's 4QCY12 revenue and net profit were expected to be sharply higher than 4QCY11. MCOT also raised ad rates by 4.9%-25% for 36 TV programs at the start of this year and increased the proportion of its in-house programs.

How do we view this?

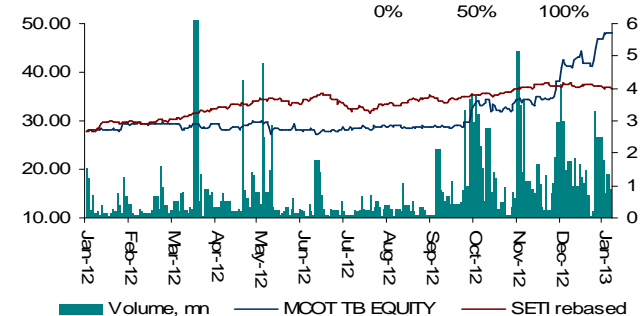
Strong revenue and earnings recovery was expected for MCOT in 4QCY12. To factor in the above ad rate hikes, we revise upwards our CY13 revenue and net profit forecasts for MCOT.

Investment Actions?

We lift our CY13 target price for MCOT to Bt50.75/share as we revise upwards its P/E target to 17x to reflect better outlook underpinned by ad rate hikes and continued industry growth prospects. We reiterate an 'ACCUMULATE' rating on MCOT shares.

MCOT

Rating	2.00	Accumulate
- Previous Rating	2.00	Accumulate
Target Price (Bt)	50.75	
- Previous Target Price (Bt)	42.00	
Closing Price (Bt)	48.25	
Expected Capital Gains (%)	5.2%	
Expected Dividend Yield (%)	5.2%	
Expected Total Return (%)	10.4%	
Raw Beta (Past 2yrs weekly data)	0.63	
Market Cap. (USD mn)	1,088	
Enterprise Value (USD mn)	945	
Market Cap. (Bt mn)	33,153	
Enterprise Value (Bt mn)	28,739	
3M Average Daily T/O (mn)	1.4	
52 week range	27 - 48.5	
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 - 2012



Key Financial Summary

FYE	12/10	12/11	12/12F	12/13F
Revenue (Btrmn)	5,263	5,142	5,804	6,529
Net Profit (Btrmn)	1,423	1,356	1,722	2,051
EPS (Bt)	2.07	1.97	2.51	2.99
Net Profit, adj. (Btrmn)	1,423	1,356	1,722	2,051
EPS, adj. (Bt)	2.07	1.97	2.51	2.99
P/E (X), adj.	23.3	24.5	19.2	16.1
BVPS (Bt)	11.15	11.15	11.65	12.84
P/B (X)	4.3	4.3	4.1	3.8
DPS (Bt)	1.80	2.00	2.13	2.50
Div. Yield (%)	3.7	4.1	4.4	5.2

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

P/E13 (17x)

Analyst
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AdEx at MCOT-run Modernine TV up as high as 43.09% y-y in first two months of 4QCY12, Nielsen data shows

Total ad spending in Thailand rose by 22.72% y-y to Bt20.2bn in Oct-Nov 2012, according to data compiled by the Nielsen Company (Thailand). Spending on TV ads during the same period grew 31.76% y-y to Bt11.8bn, accounting for 58% share of total ad spending, up from 56% in the same year-ago period. The strong growth reflected a low base of comparison in Oct-Nov 2011 when the impact of severe flooding cut into ad spending.

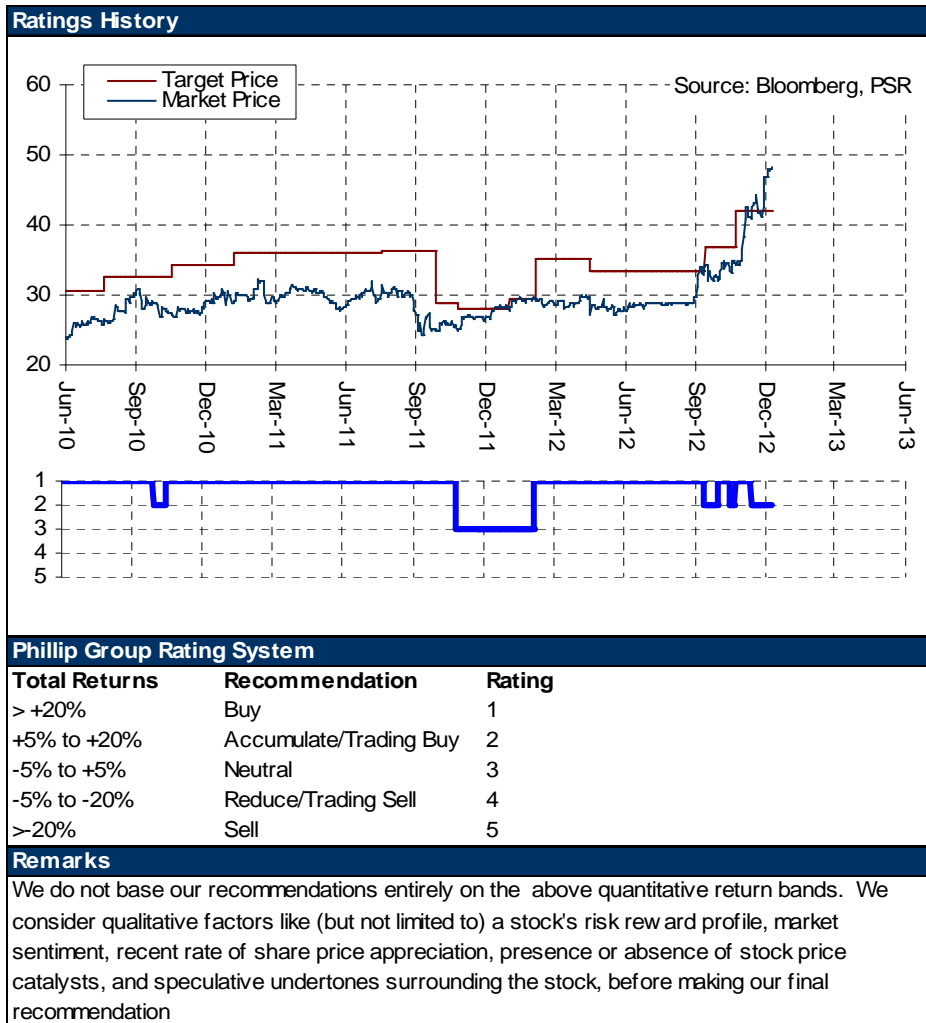
Looking at a breakdown of TV ad spending by channel, AdEx at unlisted Channel 7 grew the most among TV broadcasters at 44.22%, followed by MCOT-run Modernine TV at 43.09%, NBT, military-run Channel 5, and BEC-operated Channel 3 at 19.88% y-y. Growth was also expected to remain strong in Dec 2012. Thanks to a dramatic pickup in AdEx, MCOT was forecast to see strong revenue recovery in 4QCY12 compared to 4QCY11. In y-y terms, strong earnings rebound was also expected for MCOT in 4QCY12 helped by the absence of a non-cash impairment charge of Bt39.80mn related to a reduction in deferred tax assets due to a lower corporate tax rate as recorded in 4QCY11.

Ad rate hikes for 36 TV programs at start of CY13

Based on Jan 2013 programming lineup, MCOT raised ad rates by between 4.9%-25% or an average of 11% for 36 new and existing TV programs and increased the proportion of its in-house programs to drive future revenue growth. As ad spending remained under pressure from flooding impacts in the first half of CY12, earnings should continue to get a boost from ad spending recovery in 1HCY13 in addition to the above ad rate hikes. MCOT also plans to boost the number of government projects in CY13 after a slowdown in CY12. Management is aiming for revenue of around Bt800mn from government projects. MCOT lately signed a more than Bt100mn contract with Government Savings Bank to promote the celebration of the centennial anniversary of the bank's founding and a contract with the Mass Rapid Transit Authority (MRTA). Management has also guided that total ad spending in Thailand will grow by 10%-15% this year against an estimate of 11%-12% last year.

Earnings upgrade for CY13

To factor in ad rate hikes for 36 TV programs at the start of CY13 and the plan to gradually boost the proportion of in-house programs to 51% of the total by end-CY13 from 45% in CY12, we raise our CY13 top-line revenue outlook for MCOT to Bt6,529mn. The upward revenue revision prompts us to lift our CY13 net profit forecast for MCOT to Bt2,051mn from a previous view of Bt1,924mn. We also lift our CY13 target price for MCOT to Bt50.75/share as we revise upwards its P/E target to 17x from 15x to reflect better outlook underpinned by the above ad rate hikes and continued industry growth prospects. We reiterate an 'ACCUMULATE' rating on MCOT shares.



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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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