

Hold (unchanged)

Share price: Bt46.75
Target price: Bt48.00 (unchanged)

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Stock Information

Description: The Company operates various mass media businesses such as Modernine 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. In addition, it also operates joint operating agreements such as Bangkok Entertainment Co., Ltd. operating the television broadcasting for TV Channel 3, and True Visions PCL operating the business of membership-based cable TV under the name of True Visions.

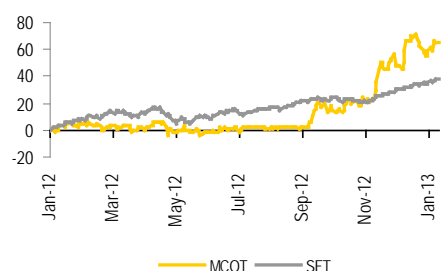
Ticker :	MCOT
Shares Issued (mn) :	687.10
Market Cap (Btmn):	32,122
Market Cap (US\$m):	1,076
3-mth Avg. Daily Turnover (Btmn):	53.54
SET Index:	1,461.41
Free float (%):	22.72

Major Shareholders :	%
The Ministry of Finance	65.80
Government Savings Bank	11.48

Key Indicators

ROE – annualised (%)	24.6
Net cash (Btmn):	Net Cash
NTA/shr (Btmn):	12.20
Interest cover (x):	256.3

Historical Chart



Performance

52-week High / Low	Bt48.50 / Bt27.00				
	1-mth	3-mth	6-mth	1-yr	Ytd
Absolute (%)	13.9	43.5	63.5	66.4	0.0
Relative (%)	8.2	28.5	32.9	21.2	-3.9

MCOT PCL (MCOT)

Earnings declining QoQ, but jumping YoY

The MCOT 4Q12 result is projected to decline QoQ on the seasonal increase in expenses, however, earnings should surge YoY from the low base and the ad rate hikes. We expect healthy growth this year driven from robust growth of the ad industry, ad rate increases and revenues from state enterprise advertising. We rate this a Hold for MCOT on the limited upside to our TP of Bt48. Nevertheless, our positive view on MCOT is maintained given the attractive yield of 5% and the upside potential from a program revamp, higher ad rates and digital TV.

Profit to drop QoQ, but grow YoY. We estimate the 4Q12 net profit to soften 6% QoQ to Bt453mn on the rising expenses in the final quarter. However, the profit is expected to surge 242% YoY from the low base of last year. The gross margin is projected to improve from 46.3% in 4Q11 to 60%, driven by higher ad rates, higher utilisation along with a lower tax rate. The 2012 earnings are forecast to grow 28% to Bt1.73bn (Bt2.52/share). The Channel 9 market share remained in 3rd place at 18.7%, inline with 2011.

Program reshuffle with new ad rates. We estimate the 2013 profit will expand by 16% to Bt2.011bn (Bt2.93/share), supported by the program reshuffle that increased the portion of in house produced programmes, coupled with a 5-25% increase in ad rates for prime time and non-prime time programs (around 50% of the total), effective earlier this year. Utilisation should remain strong based on tight ad demand. MCOT is projected to see around Bt800mn in revenues from advertising and marketing activities for the government or state enterprises, such as the Government Savings Bank, the Mass Rapid Transit Authority of Thailand, the State Railways of Thailand and the Thai Healthcare Department.

Uncertainty of digital TV bids. MCOT, now in alliance talks, is likely to get a network and facility license for digital TV in 2Q13. Bidding for digital TV stations is in August and MCOT believes it may not invest, if the license fee is above Bt500mn (for 15 years). The optimum fee should be not more than Bt300mn.

Expected Bt1.20 dividend with a Hold call. With a limited upside compared to our DCF- based TP of Bt48, we maintain our Hold rating. However, MCOT is expected to pay a 2H12 dividend of Bt1.20/share or a half-year yield of 2.6%. MCOT is trading on the lowest PER in the media sector. The program revamp, ad rate hikes, digital TV and the property development project (under study) could be upsides to our projection.

MCOT – Summary Earnings Table

FYE: Dec 31 (Btmn)	2010	2011	2012F	2013F	2014F
Revenue	5,263	5,142	5,802	6,578	7,132
EBITDA	2,556	2,598	2,842	3,153	3,441
Recurring Net Profit	1,423	1,356	1,730	2,011	2,219
Recurring Basic EPS (Bt)	2.07	1.97	2.52	2.93	3.23
EPS growth (%)	2.4	(4.7)	27.6	16.2	10.3
DPS (Bt)	1.90	2.00	2.20	2.40	2.60
PER	22.6	23.7	18.6	16.0	14.5
EV/EBITDA (x)	11.2	10.8	9.9	8.7	7.9
Div Yield (%)	4.1	4.3	4.7	5.1	5.6
P/BV(x)	4.2	4.2	4.0	3.8	3.6
Net Gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash
ROE (%)	18.8	17.8	22.3	24.6	25.7
ROA (%)	14.1	12.8	15.9	17.5	18.2
Consensus Net Profit (Btmn)	-	-	-	1,871	1,982

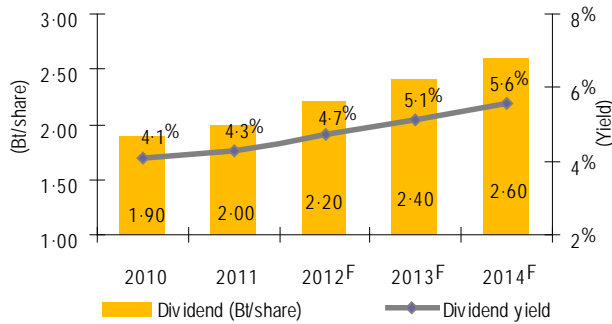
Source: Company reports and MBKET.

Table 1: MCOT 4Q12 preview

(Btmn)	4Q12F	3Q12	QoQ	4Q11	YoY	2012F	2011	YoY
Sales	1,573	1,515	4%	1,084	45%	5,802	5,142	13%
TV income	1,095	1,058	4%	665	65%	3,948	3,395	16%
Radio income	253	245	3%	210	20%	928	855	9%
Joint operations	219	201	9%	209	5%	885	871	2%
Additional income	5	12	(53%)	-	N.A.	41	21	94%
COGS	629	649	(3%)	582	8%	2,460	2,175	13%
Gross profit	944	866	9%	502	88%	3,342	2,967	13%
Gross margin (%)	60.0%	57.2%	N.A.	46.3%	N.A.	57.6%	57.7%	N.A.
SG&A	381	292	30%	278	37%	1,236	1,081	14%
EBITDA	760	745	2%	424	79%	2,842	2,598	9%
EBITDA margin (%)	53.0%	47.9%	N.A.	37.2%	N.A.	47.5%	48.9%	N.A.
Net profit	453	480	(6%)	132	242%	1,730	1,356	28%
EPS (Bt)	0.66	0.70	(6%)	0.19	243%	2.52	1.97	28%

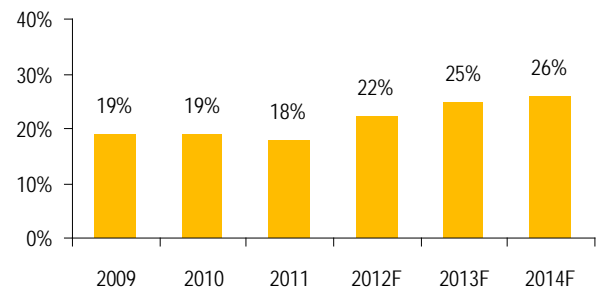
Source : Company reports and MBKET.

Chart 1: Dividend payment and yield



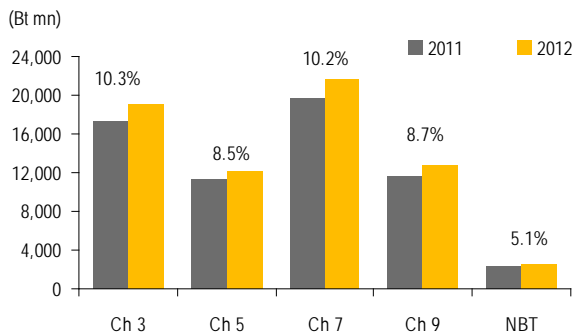
Source: Company reports and MBKET.

Chart 2: ROE



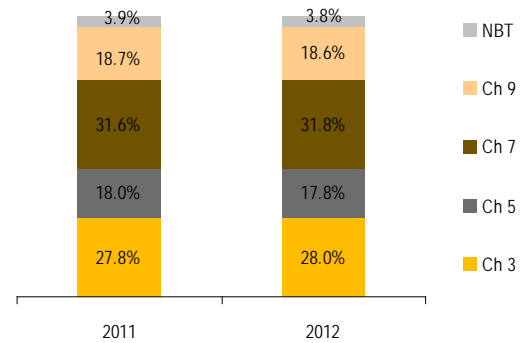
Source: Company reports and MBKET.

Chart 3: TV Adex



Source: The Nielsen company (Thailand).

Chart 4: Market share of TV station



Source: The Nielsen company (Thailand).

INCOME STATEMENT (Btmn)

FY December	2011	2012F	2013F	2014F
Revenue	5,142	5,802	6,578	7,132
EBITDA	2,598	2,842	3,153	3,441
Depreciation & Amortisation	541	557	603	631
Operating Profit (EBIT)	2,057	2,285	2,551	2,809
Interest (Exp) / Inc	10	12	10	6
Associates	0	0	0	0
One-offs	0	0	0	0
Pre-Tax Profit	2,047	2,273	2,541	2,803
Tax	671	534	521	575
Minority Interest	20	8	9	10
Net Profit	1,356	1,730	2,011	2,219
Recurring Net Profit	1,356	1,730	2,011	2,219
Revenue Growth %	(2.3)	12.8	13.4	8.4
EBITDA Growth (%)	1.6	9.4	11.0	9.1
EBIT Growth (%)	(0.1)	11.1	11.7	10.1
Net Profit Growth (%)	(4.7)	27.6	16.2	10.3
Recurring Net Profit Growth (%)	(4.7)	27.6	16.2	10.3
Tax Rate %	32.8	23.5	20.5	20.5

CASH FLOW (Btmn)

FY December	2011	2012F	2013F	2014F
Profit before taxation	2,047	2,273	2,541	2,803
Depreciation	541	557	603	631
Net interest receipts / (payments)	10	12	10	6
Working capital change	218	2	(52)	(28)
Cash tax paid	(671)	(534)	(521)	(575)
Others (inc.)	(30)	(20)	(19)	(16)
Cash flow from operations	2,116	2,289	2,561	2,822
Capex	(409)	(676)	(647)	(547)
Disposals / (purchases)	0	0	0	0
Others	(1,097)	155	(540)	(460)
Cash flow from investing	(1,506)	(521)	(1,187)	(1,007)
Debt raised / (repaid)	820	(410)	205	(103)
Equity raised / (repaid)	9	8	9	10
Dividends (paid)	(1,443)	(1,374)	(1,580)	(1,718)
Interest payments	10	12	10	6
Others	(10)	(12)	(10)	(6)
Cash flow from financing	(614)	(1,776)	(1,366)	(1,811)
Change in cash	(5)	(8)	9	4

Source: Company reports and MBKET Research.

BALANCE SHEET (Btmn)

FY December	2011	2012F	2013F	2014F
Fixed Assets	4,303	4,423	4,467	4,383
Other LT Assets	200	200	200	200
Cash / ST Investments	4,108	4,151	4,592	5,101
Other Current Assets	2,040	2,320	2,627	2,812
Total Assets	10,652	11,094	11,886	12,496
ST Debt	7	11	6	5
Other Current Liabilities	1,571	1,853	2,107	2,263
LT Debt	6	10	6	4
Other LT Liabilities	1,410	1,198	1,304	1,251
Minority Interest	63	71	80	90
Shareholders' Equity	7,595	7,952	8,383	8,883
Total Liabilities-Capital	10,652	11,094	11,886	12,496
Share Capital (mn)	3,435	3,435	3,435	3,435
Gross Debt / (Cash)	13	21	12	9
Net Debt / (Cash)	Net cash	Net cash	Net cash	Net cash
Working Capital	469	467	520	548

RATES & RATIOS

FY December	2011	2012F	2013F	2014F
Gross Margin %	57.7	57.6	57.8	58.3
EBITDA Margin %	48.9	47.5	46.6	46.9
Op. Profit Margin %	38.7	38.2	37.7	38.3
Net Profit Margin %	25.5	28.9	29.7	30.2
ROE %	17.6	22.1	24.4	25.4
ROA %	12.8	15.9	17.5	18.2
Net Margin Ex. EI %	25.5	28.9	29.7	30.2
Dividend Cover (x)	1.0	1.1	1.2	1.2
Interest Cover (x)	208.2	193.1	256.3	437.2
Asset Turnover (x)	0.5	0.5	0.6	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

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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
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THAI INSTITUTE OF DIRECTORS ASSOCIATION (IOD) CORPORATE GOVERNANCE REPORT RATING 2012

						Score Range	Number of Logo	Description
▲▲▲▲▲	ADVANC	BKI	GRAMMY	NUBLE	KS	SNC		
	AOT	BMCL	HEMRAJ	PHOL	SAMART	SYMC	90-100	▲▲▲▲▲
	ASIMAR	BTS	ICC	PS	SAMTEL	THAI	80-89	▲▲▲▲▲
	BAFS	CPN	IRPC	PSL	SAT	TIP	70-79	▲▲▲▲
	BANPU	CSL	KBANK	PTT	SC	TIPCO	60-69	▲▲▲
	BAY	DRT	KK	PTTEP	SCB	TISCO	50-59	▲▲
	BBL	EASTW	KTB	PTTGC	SCC	TKT	Lower than 50	▲
	BCP	EGCO	LPN	QH	SE-ED	TMB	TTA	No logo given
	BECL	ERW	MCOT	RATCH	SIM	TOP		
			NKI	ROBINS	SIS	TSTE		
▲▲▲▲	2S	BWG	ECL	ITD	MINT	PM	SPCG	THCOM
	ACAP	CENDEL	EE	IVL	MODERN	PR	SPI	THIP
	AF	CFRESH	EIC	JAS	MTI	PRANDA	SPPT	THRE
	AIT	CGS	ESSO	KCE	NBC	PRG	SSF	TIC
	AKR	CHOW	FE	KGI	NCH	PT	SSSC	TICON
	AMATA	CIMBT	FORTH	KSL	NINE	PYLON	STANLY	TIW
	AP	CK	GBX	LSE	NMG	S&J	STEC	TK
	ASK	CM	GC	LANNA	NSI	S&P	SUC	TLUXE
	ASP	CPALL	GFPT	LH	OCC	SABINA	SUSCO	TMT
	AYUD	CPF	GL	LRH	OFM	SAMCO	SM	TNITY
	BEC	CSC	GLOW	LST	OGC	SCCC	SYNTEC	TNL
	BFIT	DCC	GUNKUL	MACO	OISHI	SCG	TASCO	TOG
	BH	DELTA	HANA	MAKRO	PAP	SCSMG	TCAP	TPC
	BIGC	DEMCO	HMPRO	MBK	PDI	SFP	TCP	TRC
	BJC	DTAC	HTC	MBKET	PE	SITHAI	TFD	TRT
	BROOK	DTC	IFEC	MFC	PG	SMT	TFI	TRU
			INTUCH	MFEC	PJW	SPALI	THANA	TRUE
▲▲▲	AEONTS	BROCK	EASON	JMART	MAJOR	POST	SF	TEAM
	AFC	BSBM	BMC	JTS	MATCH	PPM	SGP	TF
	AGE	BTNC	EPCO	JUBILE	MATI	PREB	SIAM	TGCI
	AH	BUI	FNS	JUTHA	MBAX	PRECHA	SIMAT	THANI
	AHC	CCET	FOCUS	KASET	M-CHAI	PRIN	SINGER	TKS
	AI	CEN	FSS	KBS	MDX	PSAAP	SIRI	TMD
	AJ	CHUD	GENCO	KC	MJD	PTL	SKR	TMI
	ALUCON	CI	GFM	KDH	MK	Q-CON	SMIT	TNH
	AMANAH	CIG	GLOBAL	KIAT	MOONG	QLT	SMK	TNPC
	APCO	CITY	GOLD	KKC	MPIC	QTC	SOLAR	TOPP
	APCS	CMD	HFT	KTC	MSC	RASA	SPC	TPA
	APRINT	CNS	HTECH	KWC	NC	RCL	SPG	TPAC
	ARIP	CNT	HYDRO	KWH	NNCL	RICH	SSC	TPCORP
	AS	CPL	IFS	KYE	NTV	ROJNA	SST	TRPL
	ASIA	CRANE	IHL	LALIN	OSK	RPC	STA	TPP
	BGT	CSP	ILINK	LEE	PAE	SAM	SVDA	TR
	BLA	CSR	INET	LHBANK	PATO	SCBLIF	SWC	TTCL
	BNC	CTW	IRC	LHK	PB	SCP	SYNEX	TWFP
	BOL	DRACO	IRCP	LIVE	PICO	SEAFCD	TBSP	TYCN
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