

Hold (unchanged)

CGR Scoring Rating



Share price: Bt50.00
Target price: Bt50.00 (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.

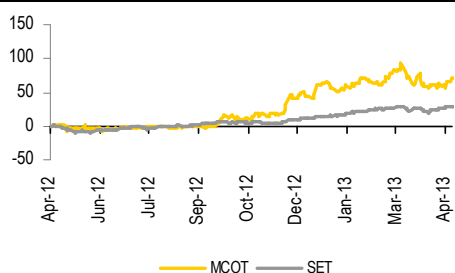
| | |
|-----------------------------------|----------|
| Ticker : | MCOT |
| Shares Issued (mn) : | 687 |
| Market Cap (Btmn): | 33,324 |
| Market Cap (US\$m): | 1,170 |
| 3-mth Avg. Daily Turnover (Btmn): | 58.23 |
| SET Index: | 1,597.86 |
| Free float (%): | 22.72 |

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

Key Indicators

| | |
|----------------------|----------|
| ROE – annualised (%) | 24.7 |
| Net cash (Btmn): | Net cash |
| NTA/shr (Btmn): | 12.0 |
| Interest cover (x): | 182.7 |

Historical Chart



Performance

| | | | | | |
|------------------|-----------------|-------|-------|------|------|
| 52-week High/Low | Bt56.75/Bt27.00 | | | | |
| | 1-mth | 3-mth | 6-mth | 1-yr | YTD |
| Absolute (%) | -3.8 | 6.4 | 49.3 | 70.9 | 6.4 |
| Relative (%) | -6.8 | -1.5 | 21.3 | 31.4 | -7.3 |

MCOT PCL (MCOT)

1Q13 profit to grow 18% YoY

We project the 1Q13 net profit growth at 18% YoY on the low base of last year, coupled with higher ad rates driving revenue upward. The 2Q13 earnings will grow further in the high business season with a full-quarter benefit from the new ad rates and project/marketing event revenues from the government. The advent of Digital TV could be both an upside driver and a risk. The MCOT dividend yield remains attractive at 5%. However, with a limited upside, we now recommend a Hold with a DCF- based TP of Bt50.00.

1Q13 earnings to rise 18% YoY. We project the 1Q13 net profit to drop 13% QoQ due to the seasonal impact, but to grow 18% YoY to Bt417mn on the low 1Q12 base (gradual recovery after the flood). The Channel 9 market share fell from 19.3% in 1Q12 to 17.2% in 1Q13. However, TV revenue is projected to rise 8% YoY after raising ad rates 5-25% earlier this year (effective March). We expect the gross margin to improve from 53.4% in 1Q12 to 56.8% in 1Q13. The SG&A-to-sales will likely to increase based on salary adjustments and marketing expenses.

2Q13 profit to strengthen. Earnings will grow further in 2Q13 in the high business season and also see the full affect for a full quarter of higher ad rates at Channel 9, along with additional revenues from the government / state-enterprise projects. We maintain our 2013 profit forecast at Bt2.011bn (EPS Bt2.93), growing 14%.

Digital TV can be an upside or a risk. In 2Q13, NBTC will allow TV producers to propose network and infrastructure licenses for Digital TV. MCOT has negotiated with TPBS, TOT, and the Royal Thai Army to share the infrastructure. The Digital TV license bidding may come in 4Q13 and MCOT will likely bid for both HD and SD variety channels. However, Digital TV will also bring higher competition, while ad rate hike potential may be limited for the existing free-TV stations.

Maintain Hold. MCOT has a net cash position and pays a consistent dividend. We expect a dividend yield this year of 5%. However, with a limited share price upside to our DCF-based TP of Bt50.00, we recommend a Hold.

MCOT – Summary Earnings Table

| FYE: Dec 31 (Btmn) | 2010 | 2011 | 2012 | 2013F | 2014F |
|-----------------------------|-------|----------|----------|----------|----------|
| Revenue | 5,263 | 5,142 | 5,729 | 6,402 | 7,016 |
| EBITDA | 2,556 | 2,598 | 2,872 | 3,134 | 3,432 |
| Recurring Net Profit | 1,423 | 1,356 | 1,759 | 2,011 | 2,219 |
| Net Profit | 1,423 | 1,356 | 1,759 | 2,011 | 2,219 |
| EPS (Bt) | 2.07 | 1.97 | 2.56 | 2.93 | 3.23 |
| EPS growth (%) | 2.4 | (4.7) | 29.7 | 14.3 | 10.3 |
| DPS (Bt) | 1.90 | 2.00 | 2.30 | 2.50 | 2.80 |
| PER | 24.1 | 25.3 | 19.5 | 17.1 | 15.5 |
| EV/EBITDA (x) | 12.1 | 11.6 | 10.4 | 9.4 | 8.4 |
| Div Yield (%) | 3.8 | 4.0 | 4.6 | 5.0 | 5.6 |
| P/BV(x) | 4.5 | 4.5 | 4.3 | 4.2 | 3.9 |
| Net Gearing (%) | | Net cash | Net cash | Net cash | Net cash |
| ROE (%) | 18.8 | 17.8 | 22.6 | 24.7 | 26.1 |
| ROA (%) | 14.1 | 12.8 | 16.1 | 17.4 | 18.2 |
| Consensus Net Profit (Btmn) | - | - | 1,759 | 1,955 | 2,094 |

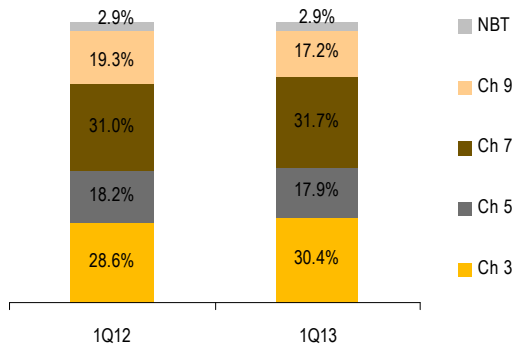
Source: Company reports and MBKET estimates.

Table 1: MCOT 1Q13 preview

| (Btmn) | 1Q13F | 4Q12 | QoQ | 1Q12 | YoY | 2013F | 2012 | YoY |
|-------------------|-------|-------|-------|-------|------|-------|-------|------|
| Sales | 1,333 | 1,499 | (11%) | 1,265 | 5% | 6,402 | 5,729 | 12% |
| TV income | 883 | 1,007 | (12%) | 819 | 8% | 4,458 | 3,860 | 15% |
| Radio income | 201 | 267 | (25%) | 197 | 2% | 971 | 942 | 3% |
| Joint operations | 238 | 214 | 11% | 237 | 0% | 926 | 880 | 5% |
| Additional income | 12 | 12 | (1%) | 12 | 0% | 47 | 47 | 0% |
| COGS | 576 | 591 | (3%) | 589 | (2%) | 2,694 | 2,422 | 11% |
| Gross profit | 757 | 908 | (17%) | 676 | 12% | 3,708 | 3,307 | 12% |
| Gross margin (%) | 56.8% | 60.6% | N.A. | 53.4% | N.A. | 57.9% | 57.7% | N.A. |
| SG&A | 286 | 332 | (14%) | 264 | 8% | 1,364 | 1,187 | 15% |
| EBITDA | 652 | 790 | (17%) | 594 | 10% | 3,134 | 2,872 | 9% |
| EBITDA margin (%) | 47.1% | 50.4% | N.A. | 45.3% | N.A. | 47.4% | 48.4% | N.A. |
| Normalised profit | 417 | 481 | (13%) | 355 | 18% | 2,011 | 1,759 | 14% |
| Net profit | 417 | 481 | (13%) | 355 | 18% | 2,011 | 1,759 | 14% |
| EPS (Bt) | 0.61 | 0.70 | (13%) | 0.52 | 18% | 2.93 | 2.56 | 14% |

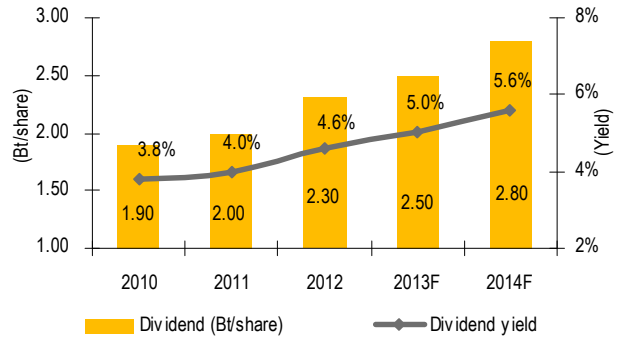
Source : Company reports and MBKET estimates.

Chart 1: Free-TV market share



Source: The Nielsen Company (Thailand)

Chart 2: Dividend payment and yield



Source: Company reports and MBKET estimates.

INCOME STATEMENT (Btmn)

| FY December | 2011 | 2012 | 2013F | 2014F |
|---------------------------------|--------------|--------------|--------------|--------------|
| Revenue | 5,142 | 5,729 | 6,402 | 7,016 |
| EBITDA | 2,598 | 2,872 | 3,134 | 3,432 |
| Depreciation & Amortisation | 541 | 542 | 576 | 611 |
| Operating Profit (EBIT) | 2,057 | 2,330 | 2,557 | 2,821 |
| Interest (Exp) / Inc | 10 | 10 | 14 | 15 |
| Associates | 0 | 0 | 0 | 0 |
| One-offs | 0 | 0 | 0 | 0 |
| Pre-Tax Profit | 2,047 | 2,319 | 2,543 | 2,806 |
| Tax | 671 | 551 | 521 | 575 |
| Minority Interest | 20 | 10 | 11 | 12 |
| Net Profit | 1,356 | 1,759 | 2,011 | 2,219 |
| Recurring Net Profit | 1,356 | 1,759 | 2,011 | 2,219 |
| Revenue Growth % | (2.3) | 11.4 | 11.7 | 9.6 |
| EBITDA Growth (%) | 1.6 | 10.5 | 9.1 | 9.5 |
| EBIT Growth (%) | (0.1) | 13.3 | 9.8 | 10.3 |
| Net Profit Growth (%) | (4.7) | 29.7 | 14.3 | 10.3 |
| Recurring Net Profit Growth (%) | (4.7) | 29.7 | 14.3 | 10.3 |
| Tax Rate % | 32.8 | 23.8 | 20.5 | 20.5 |

CASH FLOW (Btmn)

| FY December | 2011 | 2012 | 2013F | 2014F |
|------------------------------------|----------------|----------------|----------------|----------------|
| Profit before taxation | 2,047 | 2,319 | 2,543 | 2,806 |
| Depreciation | 541 | 542 | 576 | 611 |
| Net interest receipts / (payments) | 10 | 10 | 14 | 15 |
| Working capital change | 780 | 232 | 114 | 28 |
| Cash tax paid | (671) | (551) | (521) | (575) |
| Others (inc. exceptional items) | (30) | (20) | (25) | (27) |
| Cash flow from operations | 2,677 | 2,533 | 2,701 | 2,858 |
| Capex | (887) | (572) | (645) | (546) |
| Disposals / (purchases) | 0 | 0 | 0 | 0 |
| Others | (1,097) | (759) | (286) | (560) |
| Cash flow from investing | (1,984) | (1,330) | (931) | (1,106) |
| Debt raised / (repaid) | 736 | 177 | (89) | 44 |
| Equity raised / (repaid) | 9 | (4) | 11 | 12 |
| Dividends (paid) | (1,443) | (1,374) | (1,718) | (1,786) |
| Interest payments | 10 | 10 | 14 | 15 |
| Others | (10) | (10) | (14) | (15) |
| Cash flow from financing | (698) | (1,201) | (1,796) | (1,729) |
| Change in cash | (5) | 2 | (26) | 23 |

BALANCE SHEET (Btmn)

| FY December | 2011 | 2012 | 2013F | 2014F |
|----------------------------------|---------------|---------------|---------------|---------------|
| Fixed Assets | 4,303 | 4,250 | 4,319 | 4,253 |
| Other LT Assets | 678 | 760 | 760 | 760 |
| Cash / ST Investments | 4,192 | 4,610 | 5,067 | 5,541 |
| Other Current Assets | 1,479 | 1,627 | 1,729 | 1,929 |
| Total Assets | 10,652 | 11,248 | 11,875 | 12,483 |
| ST Debt | 7 | 6 | 20 | 8 |
| Other Current Liabilities | 1,571 | 1,952 | 2,168 | 2,395 |
| LT Debt | 6 | 5 | 16 | 6 |
| Other LT Liabilities | 1,410 | 1,247 | 1,328 | 1,288 |
| Minority Interest | 63 | 59 | 70 | 82 |
| Shareholders' Equity | 7,595 | 7,980 | 8,272 | 8,705 |
| Total Liabilities-Capital | 10,652 | 11,248 | 11,875 | 12,483 |
| Share Capital (mn) | 3,435 | 3,435 | 3,435 | 3,435 |
| Gross Debt / (Cash) | 13 | 10 | 36 | 14 |
| Net Debt / (Cash) | Net cash | Net cash | Net cash | Net cash |
| Working Capital | (92) | (325) | (439) | (466) |
| BVPS (Bt) | 11.05 | 11.61 | 12.04 | 12.67 |

RATES & RATIOS

| FY December | 2011 | 2012 | 2013F | 2014F |
|-----------------------|----------|----------|----------|----------|
| Gross Margin % | 57.6 | 57.7 | 57.9 | 58.0 |
| EBITDA Margin % | 48.9 | 48.4 | 47.4 | 47.4 |
| Op. Profit Margin % | 38.7 | 39.2 | 38.7 | 39.0 |
| Net Profit Margin % | 25.5 | 29.6 | 30.4 | 30.7 |
| ROE % | 17.8 | 22.6 | 24.7 | 26.1 |
| ROA % | 12.8 | 16.1 | 17.4 | 18.2 |
| Net Margin Ex. EI % | 25.5 | 29.6 | 30.4 | 30.7 |
| Dividend Cover (x) | 1.0 | 1.1 | 1.2 | 1.2 |
| Interest Cover (x) | 208.2 | 229.8 | 182.7 | 188.3 |
| Asset Turnover (x) | 0.5 | 0.5 | 0.5 | 0.6 |
| Asset / Debt (x) | 3.6 | 3.5 | 3.4 | 3.4 |
| Debtors Turn (days) | 60.9 | 44.6 | 45.0 | 44.0 |
| Creditors Turn (days) | 24.9 | 21.9 | 23.0 | 22.0 |
| Inventory Turn (days) | 3.1 | 4.9 | 7.0 | 7.0 |
| 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 MBKET estimates.

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| SELL | Return is expected to be below -10% in the next 12 months (excluding dividends) |

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| | | |
|--|--------------------------|---|
| Adex = Advertising Expenditure | FCF = Free Cashflow | PE = Price Earnings |
| 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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| | | | | | | 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 | SBJ | STEC | TK |
| | ASK | CM | LANNA | NSI | S&P | SUC | TLUXE | UP |
| | 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 | HTC | MBK | PDI | SFP | TCP | TRC |
| | BJC | DTAC | IFEC | MBKET | PE | SITHAI | TFD | TRT |
| | BROOK | DTC | INTUCH | MFC | PG | SMT | TFI | TRU |
| | | | | 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 | CHUO | 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 | TIPL |
| | ASIA | CRANE | IHL | LALIN | OSK | RPC | STA | TPP |
| | BGT | CSP | ILINK | LEE | PAE | SAM | SVDA | TR |
| | BLA | CSR | INET | LHBANK | PATO | SCBLIF | SWC | TTCL |
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