

# MCOT - MCOT

## Weak profit growth expected in 1QCY13

Bloomberg | Reuters  
MCOT TB | MCOT.BK



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.

- We forecast MCOT to report meager earnings growth of 5.05% y-y to Bt373mn in 1QCY13.
- The forecast assumes (1) TV revenue growth will be weak in 1QCY13 as programming reshuffle at the beginning of the year and ad rate hikes prompted advertisers to delay ad spending and caused TV revenue to turn negative in Jan 2013 before revenue gradually recovered and reached the peak of the quarter in Mar 2013, (2) radio revenue will be flat, (3) joint venture revenue will be down modestly and (4) SG&A expenses will edge up on sales-boosting activities and events.
- In 2QCY13, earnings are expected to be better than 1QCY13 as the second quarter is the traditional high season for ad industry. In addition to an increasing proportion of in-house programs, we believe the positive impact from ad rate hikes and new TV programs should provide a bigger boost to TV revenue over the remaining course of the year.
- We keep our CY13 net profit outlook for MCOT at Bt2,051mn. At current prices, we rate MCOT shares an 'ACCUMULATE' with a CY13 target price of Bt50.75/share based on a P/E multiple of 17x.

#### What is the news?

We forecast MCOT to report 1QCY13 total revenue growth of 4.81% y-y to Bt1,326mn based on assumptions that (i) higher revenue from new media business and ad budgets from government agencies will lead MCOT to eke out TV revenue growth of 7% y-y in 1QCY13 though data compiled by The Nielsen Company (Thailand) showed that AdEx at MCOT-run Modernine TV dropped 7.23% q-q and 7.44% y-y in 1QCY13, (ii) radio revenue will be flat y-y in line with the overall industry, and (iii) joint venture revenue will be down 4% y-y. Costs are expected to edge up modestly in 1QCY13 and SG&A expenses are forecast to be up 13% y-y on sales-boosting activities and events.

#### How do we view this?

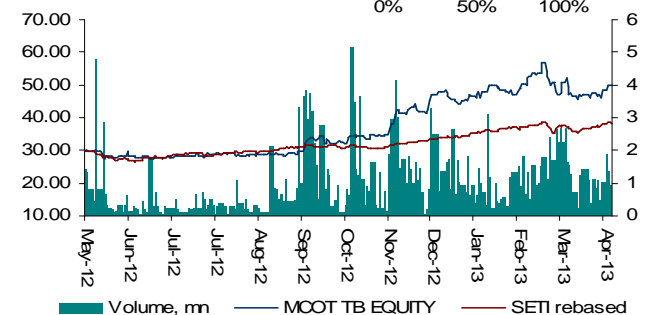
We forecast MCOT to report meager earnings growth of 5.05% y-y to Bt373mn in 1QCY13 as lower effective tax rate would offset weak revenue growth and mounting SG&A expenses. In 2QCY13, earnings are expected to be better than 1QCY13 due to high seasonality and more positive impact from programming reshuffle and ad rate hikes.

#### Investment Actions?

At current prices, we rate MCOT shares an 'ACCUMULATE' with a CY13 target price of Bt50.75/share based on a P/E multiple of 17x.

#### MCOT

<b>Rating</b>	<b>2.00</b>	<b>Accumulate</b>
- Previous Rating	2.00	Trading Buy
<b>Target Price (Bt)</b>	<b>50.75</b>	
- Previous Target Price (Bt)	50.75	
Closing Price (Bt)	49.75	
Expected Capital Gains (%)	2.0%	
Expected Dividend Yield (%)	5.0%	
<b>Expected Total Return (%)</b>	<b>7.0%</b>	
Raw Beta (Past 2yrs weekly data)	0.81	
Market Cap. (USD mn)	1,162	
Enterprise Value (USD mn)	1,013	
Market Cap. (Bt mn)	34,183	
Enterprise Value (Bt mn)	29,642	
3MAverage Daily T/O (mn)	1.2	
52 week range	27 - 56.75	
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.	4.1

#### CG Report - 2012



#### Key Financial Summary

FYE	12/11	12/12	12/13F	12/14F
Revenue (Btmn)	5,142	5,804	6,529	6,962
Net Profit (Btmn)	1,356	1,759	2,051	2,191
EPS (Bt)	1.97	2.56	2.99	3.19
Net Profit, adj. (Btmn)	1,356	1,759	2,051	2,191
EPS, adj. (Bt)	1.97	2.56	2.99	3.19
P/E (X),adj.	25.3	19.4	16.6	15.6
BVPS (Bt)	11.15	11.70	12.89	14.28
P/B (X)	4.5	4.3	3.9	3.5
DPS (Bt)	2.00	2.30	2.50	2.71
Div. Yield (%)	4.0	4.6	5.0	5.4

Source: Bloomberg, PSR est.

\*All multiples & yields based on current market price

#### Valuation Method

P/E13 (17x)

Analyst

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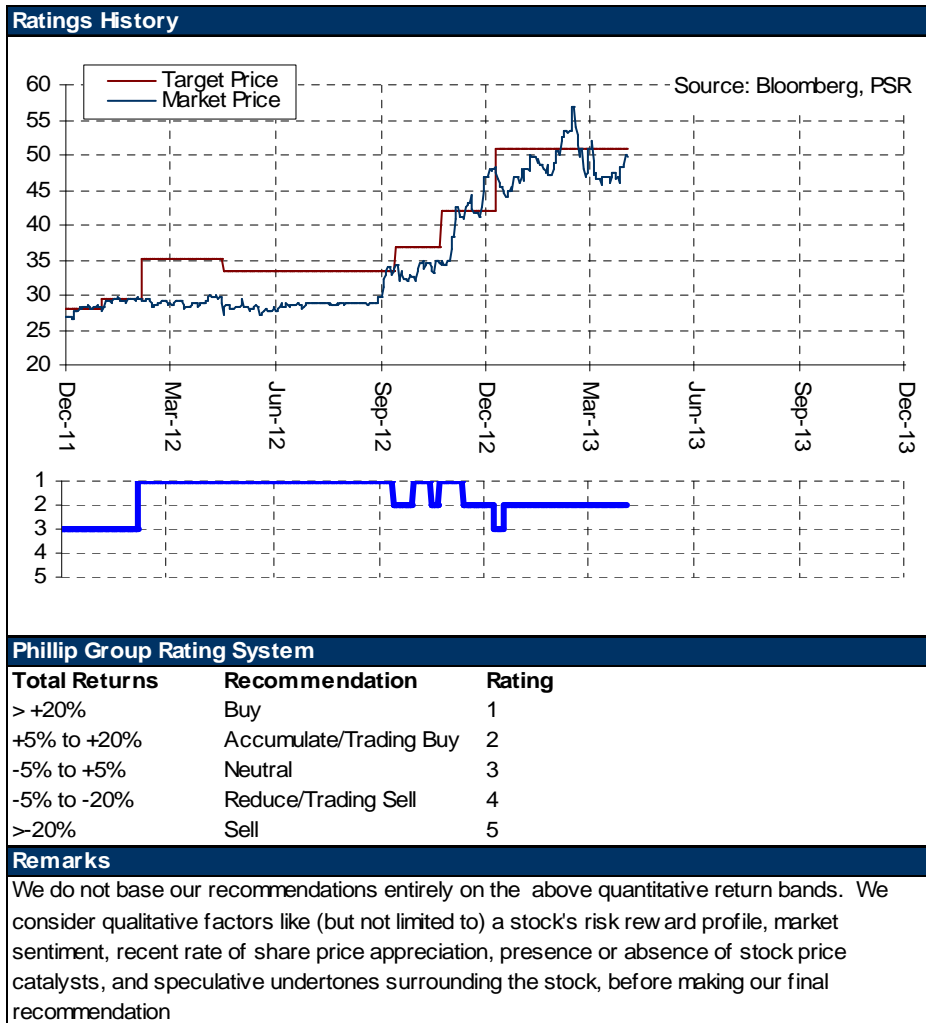
### **Weak profit growth expected in 1QCY13**

We expect MCOT to report meager earnings growth of 5.05% y-y to Bt373mn in 1QCY13 as lower effective tax rate would offset weak revenue growth and mounting SG&A expenses.

The forecast assumes that (1) 1QCY13 total revenue will grow a mere 4.81% y-y to Bt1,326mn based on assumptions that (i) rising revenue from new media business and ad budgets from government agencies will lead MCOT to eke out TV revenue growth of 7% y-y in 1QCY13 though data compiled by The Nielsen Company (Thailand) showed that AdEx at MCOT-run Modernine TV dropped 7.23% q-q and 7.44% y-y in 1QCY13, (ii) radio revenue will be flat y-y as Nielsen data showed spending on radio ads edged down a marginal 0.70% y-y in 1QCY13, (iii) joint venture revenue will be down 4% y-y, and (iv) compensation from BEC in exchange for a 10-year concession extension in 1QCY13 will be similar to 1QCY12, (2) operating costs will edge up modestly, (3) SG&A expenses will rise 13% y-y on sales boosting activities and events, and (4) effective tax rate will drift lower in line with the government's corporate income tax cuts. If we assume effective tax rate will be similar to a year ago, 1QCY13 earnings are expected to flat y-y.

### **CY13 profit outlook unchanged at Bt2,051mn**

TV revenue growth is expected to be weak in 1QCY13 as programming reshuffle at the beginning of the year and ad rate hikes prompted advertisers to delay ad spending and caused TV revenue to turn negative in Jan 2013 before revenue gradually recovered and reached the peak of the quarter in Mar 2013. Typically the second quarter is the traditional high season for ad industry. In addition to an increasing proportion of in-house programs, we believe the positive impact from ad rate hikes and new TV programs should provide a bigger boost to TV revenue over the remaining course of the year. We leave our CY13 revenue and net profit outlooks for MCOT unchanged at Bt6,529mn and Bt2,051mn respectively. Our CY13 target price for MCOT is also unchanged at Bt50.75/share, based on a P/E multiple of 17x. At current prices, we rate MCOT shares an 'ACCUMULATE.'



**Fundamental:**

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Naree Apisawaittakan	Securities Investment Analyst #17971	662 635 1700#484	Agro & Food, Electronics
Siam Tiyanont	Securities Investment Analyst #17970	662 635 1700#483	Transportation, Media & Publishing, Tourism
Ornmongkol Tantitanatorn	Capital Market Investment Analyst #34100	662 635 1700#491	Automotive, Energy, Packaging
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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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