

MCOT

MCOT.TB / MCOT.BK

9 May 2013

Expect a modest YoY profit rise for 1Q13

Investment thesis

We recommend overlooking the expected flattish 1Q13 numbers and focusing on improved 2Q13 earnings. Furthermore, value will be enhanced by facility and network provider licenses in 2Q13 and two commercial digital service provider licenses in 4Q13. Our BUY rating stands, premised on: 1) solid FY13 earnings, 2) scope for upside from digital TV licenses and 3) a moderate dividend yield of 5-6%.

Anticipate a modest YoY profit rise for 1Q13

We estimate a Bt370m net profit for 1Q13, up 4% YoY but down 23% QoQ. The expected modest YoY rise is due to slightly higher TV and radio revenues and the corporate tax cut, which should have outweighed the effect of a jump in SG&A related to higher marketing and events expenses. The QoQ profit drop is due to first-quarter seasonality.

TV ad revenue is estimated to have grown 5% YoY but dropped 15% QoQ (better than Nielsen's number of a 7% YoY drop in MCOT's 1Q13 ad spend). The January programming changes and ad rate rises (increases averaging 12% for 24 TV shows) wasn't well received in Jan-Feb because advertisers waited to see viewership numbers. However, ad revenue improved in March. Moreover, some major client contracts didn't expire till Feb or March. We estimate a mean TV loading factor of 77% (76% in 1Q12; 80% in 4Q12).

Radio ad revenue should post a 5% YoY rise (but drop 23% QoQ) on a heavier marketing effort. We expect that revenue from new media jumped by 59% YoY and 20% QoQ, led by sub-leasing income from C-band and Ku-band satellite transponders. SG&A rose 18% YoY (but dropped 6% QoQ) on heavier marketing spend. There was Bt60m in revenue from a government project—The Government Savings Bank's First Century—booked in 1Q13.

TV ad revenue to improve in 2Q13

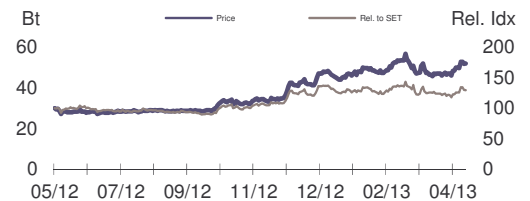
We expect 2Q13 TV ad revenue to improve by 15-20% QoQ and 1-5% YoY on high season and stronger TV viewership ratings. TV ad revenue will resume a normal level in May-June. Moreover, we expect more government projects on a QoQ basis. Despite diminished expectations for 1Q13 earnings, the firm maintains its FY13 target ranges of 15-20% for the top-line and 15-17% for ad revenue. We project an 18% revenue expansion for FY13.

Digital network provider license expected in 2Q13

The NBTC will issue digital facility and network provider licenses to MCOT in 2Q13. We estimate that two digital network provider licenses would add Bt6/share to its value, assuming Bt0.8-1bn/year in rental revenue, a 20% net margin and 9-10% boost to annual net profit.

Sector: Media Neutral
Rating: BUY
Target Price: Bt60.00
Price (8 May 2013): Bt52.00

Price chart

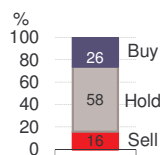


Share price perf. (%)	1M	3M	12M
Relative to SET	3.9	(3.3)	41.1
Absolute	13.7	4.5	74.8

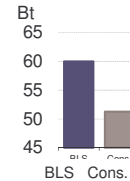
Key statistics

Market cap	Bt35.7bn	USD1.2bn
12-mth price range	Bt27.0/Bt56.8	
12-mth avg daily volume	Bt40m	USD1.4m
# of shares (m)	687	
Est. free float (%)	22.7	
Foreign limit (%)	15.0	

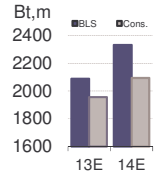
Consensus rating



BLS Target price vs. Consensus



BLS earnings vs. Consensus



Financial summary

FY Ended 31 Dec	2012	2013E	2014E	2015E
Revenues (Btm)	5,729	6,771	7,399	7,973
Net profit (Btm)	1,759	2,088	2,331	2,554
EPS (Bt)	2.56	3.04	3.39	3.72
EPS growth (%)	+29.7%	+18.7%	+11.6%	+9.6%
Core profit (Btm)	1,759	2,088	2,331	2,554
Core EPS (Bt)	2.56	3.04	3.39	3.72
Core EPS growth (%)	+29.7%	+18.7%	+11.6%	+9.6%
PER (x)	12.7	17.1	15.3	14.0
PBV (x)	2.8	4.2	4.0	3.8
Dividend (Bt)	2.3	2.7	3.1	3.3
Dividend yield (%)	7.1	5.3	5.9	6.4
ROE (%)	22.6	25.4	26.8	27.9

CG rating



Prasit Sujiravorakul

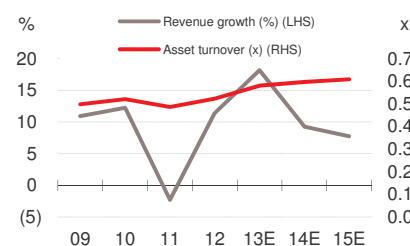
prasit@bualuang.co.th

+66 2 618 1342

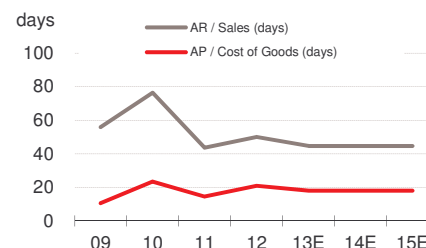
MCOT : Financial Tables – Year

PROFIT & LOSS (Btm)	2011	2012	2013E	2014E	2015E
Revenue	5,142	5,729	6,771	7,399	7,973
Cost of sales and services	(2,175)	(2,422)	(2,969)	(3,209)	(3,437)
Gross profit	2,967	3,307	3,803	4,190	4,536
SG&A	(1,080)	(1,186)	(1,388)	(1,480)	(1,555)
EBIT	1,888	2,121	2,415	2,710	2,981
Interest expense	(11)	(11)	(9)	(8)	(7)
Other income/exp.	170	210	220	228	236
EBT	2,047	2,319	2,626	2,930	3,210
Corporate tax	(671)	(551)	(527)	(587)	(643)
After-tax net profit (loss)	1,376	1,768	2,099	2,343	2,567
Minority interest	(20)	(10)	(11)	(12)	(13)
Equity earnings from affiliates	0	0	0	0	0
Extra items	0	0	0	0	0
Net profit (loss)	1,356	1,759	2,088	2,331	2,554
Reported EPS	1.97	2.56	3.04	3.39	3.72
Fully diluted EPS	1.97	2.56	3.04	3.39	3.72
Core net profit	1,356	1,759	2,088	2,331	2,554
Core EPS	1.97	2.56	3.04	3.39	3.72
EBITDA	2,429	2,663	2,975	3,289	3,579
KEY RATIOS					
Revenue growth (%)	(2.3)	11.4	18.2	9.3	7.8
Gross margin (%)	57.7	57.7	56.2	56.6	56.9
EBITDA margin (%)	47.2	46.5	43.9	44.5	44.9
Operating margin (%)	36.7	37.0	35.7	36.6	37.4
Net margin (%)	26.4	30.7	30.8	31.5	32.0
Core profit margin (%)	26.4	30.7	30.8	31.5	32.0
ROA (%)	12.8	16.1	17.9	18.8	19.5
ROCE (%)	17.6	22.4	25.2	26.5	27.6
Asset turnover (x)	0.5	0.5	0.6	0.6	0.6
Current ratio (x)	3.6	3.2	3.1	3.1	3.1
Gearing ratio (x)	0.0	0.0	0.0	0.0	0.0
Interest coverage (x)	172.9	189.2	264.7	331.4	411.9
BALANCE SHEET (Btm)					
Cash & Equivalent	4,192	4,610	5,068	5,533	6,033
Accounts receivable	615	786	828	905	975
Inventory	11	40	49	53	56
PP&E-net	4,168	4,091	3,978	3,851	3,707
Other assets	723	830	1,092	1,277	1,444
Total assets	10,652	11,248	12,053	12,743	13,421
Accounts payable	87	139	146	158	169
ST debts & current portion	0	0	0	0	0
Long-term debt	6	5	3	4	5
Other liabilities	53	62	73	80	86
Total liabilities	2,994	3,209	3,495	3,722	3,931
Paid-up capital	3,435	3,435	3,435	3,435	3,435
Share premium	1,107	1,107	1,107	1,107	1,107
Retained earnings	3,053	3,438	3,946	4,397	4,854
Shareholders equity	7,595	7,980	8,488	8,940	9,396
Minority interests	63	59	69	81	94
Total Liab.&Shareholders' equity	10,652	11,248	12,053	12,743	13,421
CASH FLOW (Btm)					
Net income	1,356	1,759	2,088	2,331	2,554
Depreciation and amortization	541	542	560	579	597
Change in working capital	429	(148)	(44)	(69)	(63)
FX, non-cash adjustment & others	31	(160)	(131)	(64)	(57)
Cash flows from operating activities	2,358	1,994	2,474	2,777	3,032
Capex (Invest)/Divest	(322)	(278)	(400)	(400)	(400)
Others	(890)	(663)	(653)	(441)	(407)
Cash flows from investing activities	(1,212)	(940)	(1,053)	(841)	(807)
Debt financing (repayment)	(3)	(5)	0	0	0
Equity financing	0	0	0	0	0
Dividend payment	(1,443)	(1,374)	(1,580)	(1,880)	(2,098)
Others	(890)	(663)	(653)	(441)	(407)
Cash flows from financing activities	(1,458)	(1,393)	(1,580)	(1,880)	(2,098)
Net change in cash	(313)	(340)	(160)	56	127
Free cash flow (Btm)	2,036	1,716	2,074	2,377	2,632
FCF per share (Bt)	3.0	2.5	3.0	3.5	3.8
Key assumptions	2011	2012	2013E	2014E	2015E
Average TV loading factor (%)	80.0%	83.0%	90.0%	94.0%	98.0%
TV ad revenue (Btm)	3,395	3,860	4,801	5,377	5,898
Radio ad revenue (Btm)	855	942	946	947	948
Concession revenue (Btm)	892	927	953	984	1,017
SG&A/sales (%)	21.0%	20.6%	20.5%	20.0%	19.5%

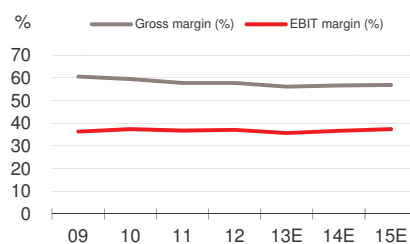
Revenue growth and asset turnover



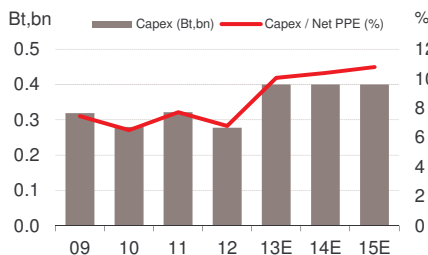
A/C receivable & A/C payable days



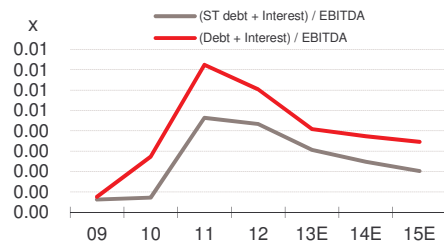
Profit margins



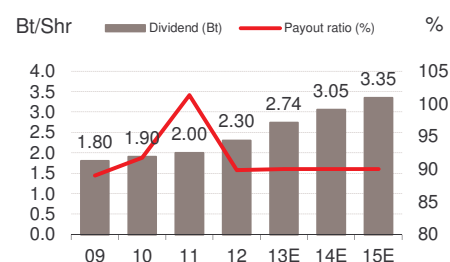
Capital expenditure



Debt serviceability



Dividend payout



MCOT : Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	4Q11	1Q12	2Q12	3Q12	4Q12
Revenue	1,096	1,265	1,450	1,515	1,499
Cost of sales and services	(590)	(589)	(593)	(649)	(591)
Gross profit	506	676	857	866	908
SG&A	(269)	(264)	(299)	(292)	(331)
EBIT	237	412	558	574	577
Interest expense	(2)	(3)	(3)	(3)	(3)
Other income/exp.	42	47	54	39	69
EBT	276	457	609	610	644
Corporate tax	(141)	(101)	(163)	(129)	(159)
After-tax net profit (loss)	136	356	446	482	485
Minority interest	(3)	(1)	(3)	(2)	(4)
Equity earnings from affiliates	0.0	0.0	0.0	0.0	0.0
Extra items	0.0	0.0	0.0	0.0	0.0
Net profit (loss)	132	355	443	480	481
Reported EPS	0.19	0.52	0.65	0.70	0.70
Fully diluted EPS	0.19	0.52	0.65	0.70	0.70
Core net profit	132	355	443	480	481
Core EPS	0.19	0.52	0.65	0.70	0.70
EBITDA	373	547	695	709	711

KEY RATIOS

Gross margin (%)	46.2	53.4	59.1	57.2	60.6
EBITDA margin (%)	34.0	43.3	47.9	46.8	47.4
Operating margin (%)	21.6	32.6	38.4	37.9	38.5
Net margin (%)	12.1	28.0	30.6	31.7	32.1
Core profit margin (%)	12.1	28.0	30.6	31.7	32.1
BV (Bt)	11.1	11.7	11.3	11.0	11.7
ROE (%)	7.0	17.8	23.0	25.6	24.1
ROA (%)	5.0	13.1	16.2	16.8	17.1
Current ratio (x)	3.6	4.3	3.1	2.4	3.2
Gearing ratio (x)	0.0	0.0	0.0	0.0	0.0
Interest coverage (x)	95.2	162.9	222.4	224.0	227.4

QUARTERLY BALANCE SHEET (Btm)

Cash & Equivalent	4,192	4,754	4,492	4,882	4,610
Accounts receivable	615	618	676	735	786
Inventory	11	5	20	28	40
PP&E-net	4,168	4,092	4,203	4,166	4,091
Other assets	813	371	928	923	919
Total assets	10,652	10,833	10,916	11,418	11,248
Accounts payable	87	93	96	127	139
ST debts & current portion	7	6	6	6	6
Long-term debt	6	5	4	5	5
Other liabilities	1,410	1,341	1,314	1,275	1,247
Total liabilities	2,994	2,820	3,156	3,864	3,209
Paid-up capital	3,435	3,435	3,435	3,435	3,435
Share premium	3,053	3,408	3,164	2,956	3,438
Retained earnings	3,053	3,408	3,164	2,956	3,438
Shareholders equity	7,595	7,950	7,706	7,499	7,980
Minority interests	63	64	53	55	59
Total Liab.&Shareholders' equity	10,652	10,833	10,916	11,418	11,248

Key statistics

	4Q11	1Q12	2Q12	3Q12	4Q12
Average TV loading factor (%)	48.0%	76.0%	90.0%	92.0%	80.0%
TV ad revenue (Btm)	665	819	976	1,058	1,007
Radio ad revenue (Btm)	210	197	234	245	267
Concession revenue (Btm)	221	249	240	212	226
SG&A/sales (%)	24.6%	20.8%	20.6%	19.3%	22.1%

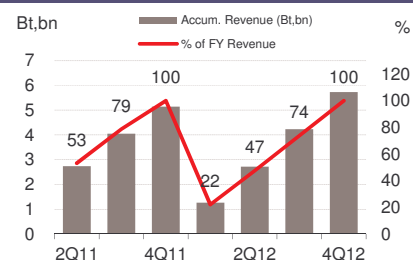
Company profile

MCOT Plc (MCOT) operates a free-to-air national terrestrial TV station, ModerNine, and 62 radio stations across the country. The firm also collects a percentage of the revenues generated by two TV operators that have MCOT-granted concessions—Bangkok Entertainment Plc (a subsidiary of BEC) and UBC (or TRUE Visions). Bangkok Entertainment operates the nationwide terrestrial TV station, Channel 3. Last year Bangkok Entertainment paid Bt173m in revenue share to MCOT. TRUE Vision runs a multi-channel pay TV business over fiber-optic cable and satellite. It pays 6.5% of its revenue to MCOT. In FY12 it paid Bt522m.

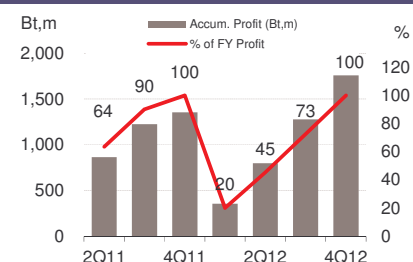
Revenue trend



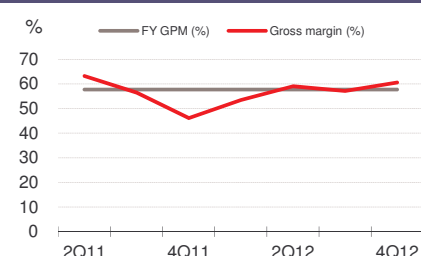
Revenue trend (accumulated)



Net profit trend (accumulated)



Gross profit margin



EBIT margin

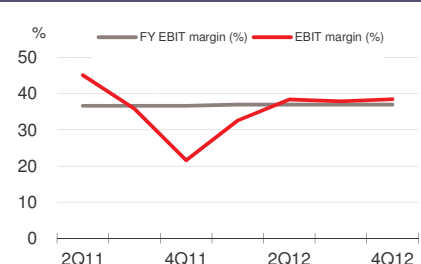
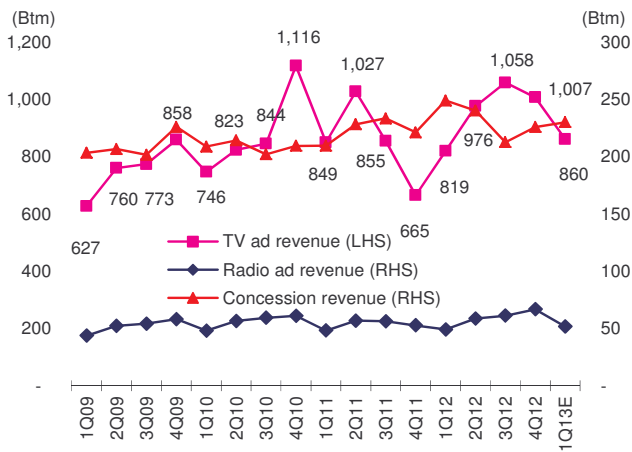
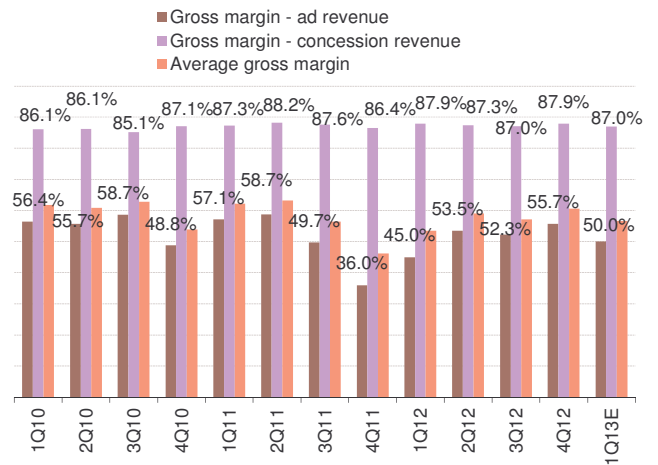


Figure 1 : Revenue breakdown, quarterly



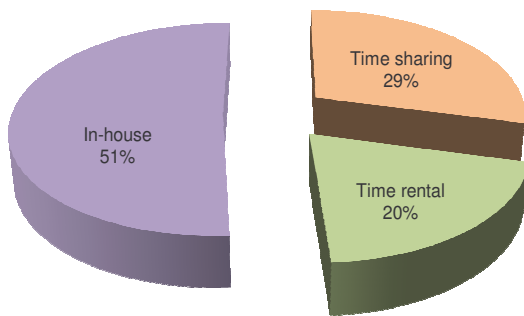
Sources: Company data, Bualuang Research

Figure 2 : Gross margin breakdown, quarterly



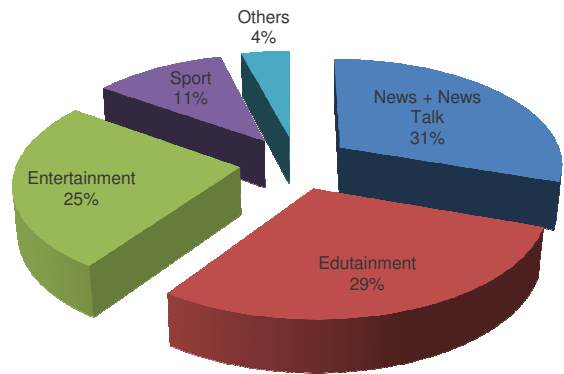
Sources: Company data, Bualuang Research

Figure 3 : MCOT's programming guidance for FY13



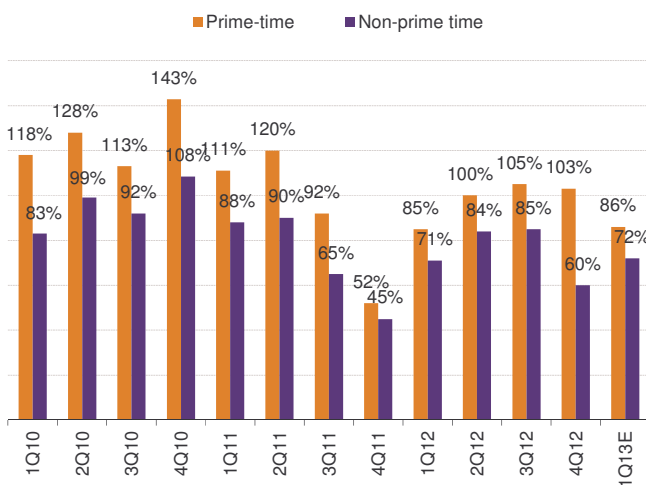
Source: Company data

Figure 4 : MCOT's current program type in 2H12



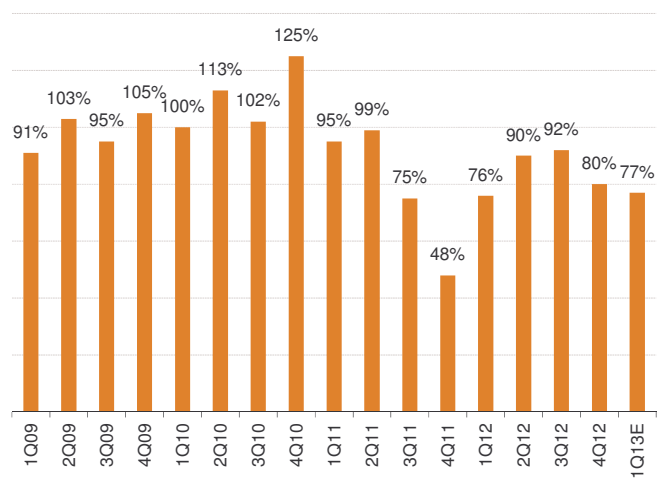
Source: Company data

Figure 5 : MCOT's TV loading factor, prime versus non-prime



Sources: Company data, Bualuang Research

Figure 6 : MCOT's average TV loading factor



Sources: Company data, Bualuang Research

Figure 7 : 1Q13 earnings preview

	1Q13E	1Q12	% YoY	4Q12	% QoQ
Total revenue	1,297	1,265	2.5	1,499	(13.5)
- TV	860	819	5.0	1,007	(14.5)
- Radio	206	197	5.0	267	(22.7)
- Concession	230	249	(7.6)	226	1.9
Total cost of services	(563)	(589)	(4.3)	(591)	(4.7)
- Cost of TV & radio	(533)	(559)	(4.5)	(564)	(5.4)
- Cost of concession	(30)	(30)	(0.7)	(27)	9.2
Gross profit	733	676	8.5	908	(19.3)
- TV & radio	533	457	16.6	710	(24.9)
- Concession	200	219	(8.5)	198	0.9
Gross margin (%)	56.6%	53.4%		60.6%	
- TV & radio	50.0%	45.0%		55.7%	
- Concession	87.0%	87.9%		87.9%	
SG&A	(311)	(264)	18.0	(331)	(6.1)
EBIT	422	412	2.4	577	(26.8)
Interest expense	(3)	(3)	6.7	(3)	6.4
Other income/exp.	50	47	6.6	69	(27.6)
EBT	470	457	2.8	644	(27.1)
Corporate tax	(94)	(101)	(6.8)	(159)	(40.9)
After-tax profit	376	356	5.6	485	(22.5)
Minority interest	(6)	(1)	439.6	(4)	53.1
Extra items	-	-	-	-	-
Net profit	370	355	4.2	481	(23.1)
Reported EPS	0.54	0.52	4.2	0.70	(23.1)
Fully diluted EPS	0.54	0.52	4.2	0.70	(23.1)
Core net profit	370	355	4.2	481	(23.1)
Core EPS	0.54	0.52	4.2	0.70	(23.1)
EBITDA	556	547	1.6	711	(21.8)
Gross margin (%)	56.6	53.4		60.6	
EBITDA margin (%)	42.9	43.3		47.4	
Operating margin (%)	32.6	32.6		38.5	
Net margin (%)	28.5	28.0		32.1	
Core profit margin (%)	28.5	28.0		32.1	

Sources: Company data, Bualuang Research estimates

Regional Comparisons

	Bloomberg Code	Price (local curr.)	Market Cap (US\$ equivalent)	PER (x)		EPS Growth (%)		PBV (x)		ROE (%)		Div Yield (%)	
				2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E
Abs-Cbn Corp	ABSPM	PHP43.8	823	15.0	18.8	6.8	-5.7	15	15	12.6	8.1	19	13
Gma Network Inc	GMA7 PM	PHP9.6	794	20.0	n.a.	44.1	n.a.	n.a.	n.a.	25.4	n.a.	n.a.	n.a.
Sun Tv Network Ltd	SUNTV IN	INR439.9	3,206	24.5	20.4	2.2	19.1	6.3	5.7	26.6	28.6	2.3	2.6
Zee Entertainment Enterprise	Z IN	INR245.7	4,359	32.9	27.3	22.6	20.4	6.1	5.3	19.3	20.1	0.9	1.0
Television Broadcasts Ltd	511HK	HKD61.3	3,457	14.9	14.2	3.8	4.9	3.3	3.1	22.9	22.3	4.3	4.5
Phoenix Satellite Television	2008 HK	HKD2.9	1,880	14.6	12.8	19.8	18.5	2.5	2.0	21.7	20.4	2.3	2.8
Nippon Television Network	9404 JP	JPY1718.0	4,584	18.0	15.4	2.1	15.8	0.9	0.9	5.3	5.9	1.7	1.9
Tokyo Broadcasting System	9401 JP	JPY1,546.0	2,977	32.9	25.4	-38.8	34.7	0.7	0.7	19	3.1	0.9	1.0
Tv Asahi Corp	9409 JP	JPY2,174.0	2,212	20.9	19.3	15.2	8.6	0.8	0.8	4.0	3.7	1.3	1.3
Beijing Gehua Catv Network-A	600037 CH	CNY6.5	119	21.7	19.4	8.7	13.1	n.a.	n.a.	5.7	6.0	1.7	1.9
BEC World	BEC TB	THB69.75	4,758	23.8	20.9	22.8	13.9	14.4	12.8	67.5	68.3	4.1	4.7
GMM Grammy	GRAMMY TB	THB23.80	430	n.m.	105.2	n.m.	n.m.	3.7	3.5	-6.4	4.8	0.0	0.5
Major Cineplex Group	MAJOR TB	THB24.40	739	20.7	18.9	28.8	9.9	3.3	3.2	16.3	17.4	4.5	4.9
MCOT	MCOT TB	THB52.00	1219	17.1	15.3	18.7	11.6	4.2	4.0	25.4	26.8	5.3	5.9
VGI Global Media	VGI TB	THB135.00	1,381	28.0	22.7	57.0	23.1	21.9	18.3	84.9	87.9	2.9	3.5
Workpoint Entertainment	WORK TB	THB63.75	559	26.9	23.7	50.7	13.7	9.9	8.7	41.2	40.4	2.9	3.3
Simple average				22.1	25.3	17.6	14.4	5.7	5.0	23.4	24.2	2.5	2.7

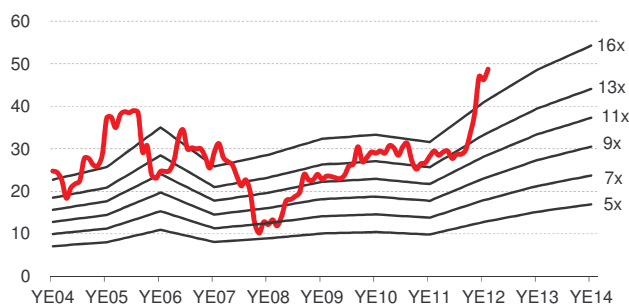
PER band versus SD (next 12 months)



PBV band versus SD (next 12 months)



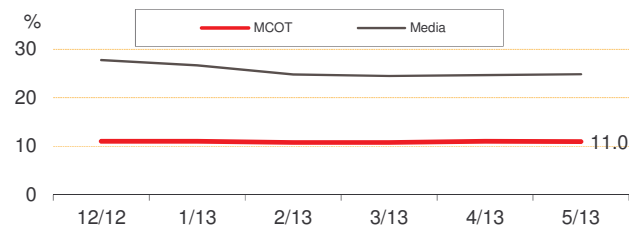
PER band and share price



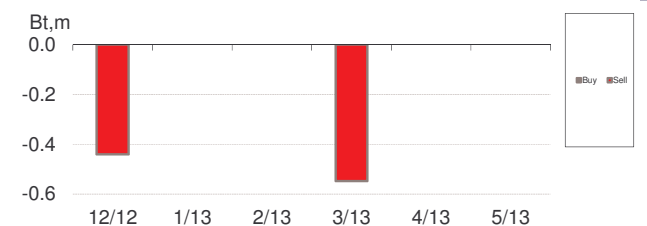
PBV band and share price



Foreign holding



Management trading activities during past six months



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DWs Underlying Stocks	Financial Advisor	Underwriter/ Co-underwriter
ADVANC, AOT, BANPU, BAY, BCP, BEC, BGH, BH, BIGC, BJC, BLA, BTS, CPALL, CPF, CPN, DTAC, EGCO, ESSO, GLOW, HMPRO, HEMRAJ, INTUCH, IRPC, IVL, JAS, KBANK, KK, KTB, LH, MAKRO, MINT, PS, PTT, PTTEP, PTTGC, ROBINS, SCB, SCC, SPALI, TCAP, THAI, TISCO, TOP, TMB, TPIPL, TRUE, TUF		

Score Range

90 – 100
80 – 89
70 – 79
60 – 69
50 – 59
Below 50

Score Range


No logo given

Description

Excellent
Very Good
Good
Satisfactory
Pass
N/A

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BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK
STOCK RECOMMENDATIONS

BUY: Expected positive total returns of 15% or more over the next 12 months.

HOLD: Expected total returns of between -15% and +15% over the next 12 months.

SELL: Expected negative total returns of 15% or more over the next 12 months.

TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.