

MCOT - MCOT

Results as expected, 2HCY13 earnings likely to see notable growth

Bloomberg | Reuters
MCOT TB | MCOT.BK



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Report type: Company Results

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.

- MCOT reported 1QCY13 net profit growth of 5.7% y-y, in line with expectation.
- The second quarter is normally a high season of the business. This, together with benefits from ad rate increase and a revamp of Channel 9's TV program, will likely propel earnings growth in 2QCY13 until the second half of the year.
- MCOT plans to apply for four licenses and enters into the bids for operating digital terrestrial TV. The bids are expected in Aug-Sep 2013, in case of no postponement.
- We maintain CY13 earnings outlook. At current share prices, we reiterate our 'ACCUMULATE' rating on MCOT with a target price of Bt50.75/share.

What is the news?

MCOT posted 1QCY13 net profit growth of 5.7% y-y to Bt374.79mn. Such slim growth was attributed to a mere 1.4% increase in total revenue as MCOT had yet reaped benefits from the ad rate increase and new TV programs took time to bear fruits (advertisers hold the decision until they see viewership rating). The rises in ad spending from the public sector and better performance in MCOT's new media business were the major revenue contributor in the quarter.

How do we view this?

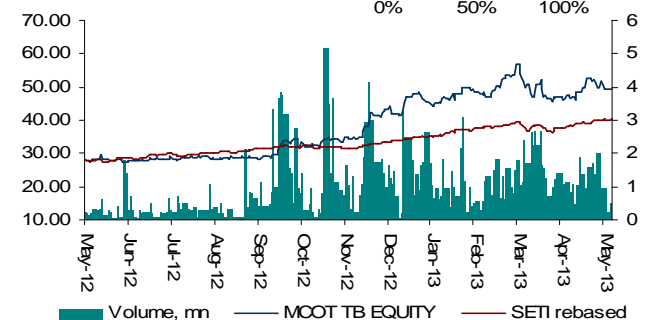
MCOT's 2QCY13 earnings are expected to pick up q-q on seasonal effect and benefits from the ad rate increase, including rising ad spending from advertisers after climbing viewership proves success of the programs. Nevertheless, earnings would grow at moderate pace when compared to exceptionally high base a year earlier as pent-up demand during the severe flood led to a huge ad spending in 2QCY12. Earnings growth momentum is expected to build up in the second half of the year.

Investment Actions?

We have an 'ACCUMULATE' rating on MCOT with a target price of Bt50.75/share, based on 17x P/E.

MCOT

Rating	2.00	Accumulate
- Previous Rating	2.00	Accumulate
Target Price (Bt)	50.75	
- Previous Target Price (Bt)	50.75	
Closing Price (Bt)	49.25	
Expected Capital Gains (%)	3.0%	
Expected Dividend Yield (%)	5.1%	
Expected Total Return (%)	8.1%	
Raw Beta (Past 2yrs weekly data)	0.78	
Market Cap. (USD mn)	1,135	
Enterprise Value (USD mn)	987	
Market Cap. (Bt mn)	33,840	
Enterprise Value (Bt mn)	29,298	
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



(Excellent)

Key Financial Summary

FYE	12/11	12/12	12/13F	12/14F
Revenue (Btrmn)	5,142	5,804	6,529	6,962
Net Profit (Btrmn)	1,356	1,759	2,051	2,191
EPS (Bt)	1.97	2.56	2.99	3.19
Net Profit, adj. (Btrmn)	1,356	1,759	2,051	2,191
EPS, adj. (Bt)	1.97	2.56	2.99	3.19
P/E (X),adj.	25.0	19.2	16.5	15.4
BVPS (Bt)	11.15	11.70	12.89	14.28
P/B (X)	4.4	4.2	3.8	3.4
DPS (Bt)	2.00	2.30	2.50	2.71
Div. Yield (%)	4.1	4.7	5.1	5.5

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

P/E13 (17x)

Analyst

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1QCY13 net profit meets expectation

MCOT reported 1QCY13 net profit growth of 5.7% y-y to Bt374.79mn, near our forecast of Bt373mn.

Total revenue increased a mere 1.4% y-y to Bt1,283mn. TV ad revenue saw moderate growth of 4.5% y-y on rising ad spending from the public sector and improved performance in the new media business, which was dragged by seasonal effect in advertising while advertisers held off advertisements until the rating of newly launched TV programs on Channel 9 revealed. Radio ad revenue ticked up 0.4% y-y, outperforming the industry of a 0.7% decline. Joint-venture revenue fell 8.3% y-y as MCOT booked approximately Bt30mn asset reversal. Operating cost decreased but SG&A jumped 26.8% y-y to Bt45mn as MCOT created the marketing campaign entitled 'MCOT on the road' in an effort to stimulate sales and introduce new programs. Other revenue jumped 123.6% y-y on a reversal of provision it set earlier and interest received.

Earnings likely on moderate growth in 2QCY13, a big leap seen in 2HCY13

Viewership of new programs MCOT launched in the first quarter gradually climbing in 2QCY13 which is expected to lure more advertisement in the period. This, together with high season in the advertising, is likely to help boost revenue growth in the second quarter. Even so, ad revenue growth would see moderate growth when compared to that of 2QCY12 as the pent-up demand from 1QCY12, due to the severe flood, pushed ad spending via MCOT remarkably higher in 2QCY12. Net profit is expected to be on par with revenue growth. Nevertheless, earnings are forecast to see a notable improvement in the second half of the year, potentially driven by rising ad spending from the public sector that MCOT would earn as much as Bt800mn this year (versus Bt430mn in the prior year). In 1QCY13, MCOT booked Bt150mn ad revenue earned from the public sector. Meanwhile, revenue growth momentum in the new media business segment is expected to keep going this year.

Keen to bid for licenses of operating digital terrestrial TV

MCOT is keen to apply for license and to enter into the bids for operating digital terrestrial TV, comprising of four types i) digital terrestrial TV infrastructures: transmitting antenna and stations; ii) network for digital terrestrial TV operators that MCOT which formed a consortium with Thai PBS, Channel 5 and Channel 11 (the Public Relations Department) applied for the license type 1 and license type 2 (NBTC has yet released license to any operator); iii) digital TV programs: MCOT plans to bid for three digital TV channels—variety HD program, variety SD program and kid program; iv) applications and service provider for mobile platform and others. MCOT signed MOU with five state enterprises — Ministry of Public Health, Ministry of Education, Ministry of Tourism and Sports, Royal Thai Police, and Parliament — and the company is in process to sign MOU with three state enterprises for running digital TV channel for the public.

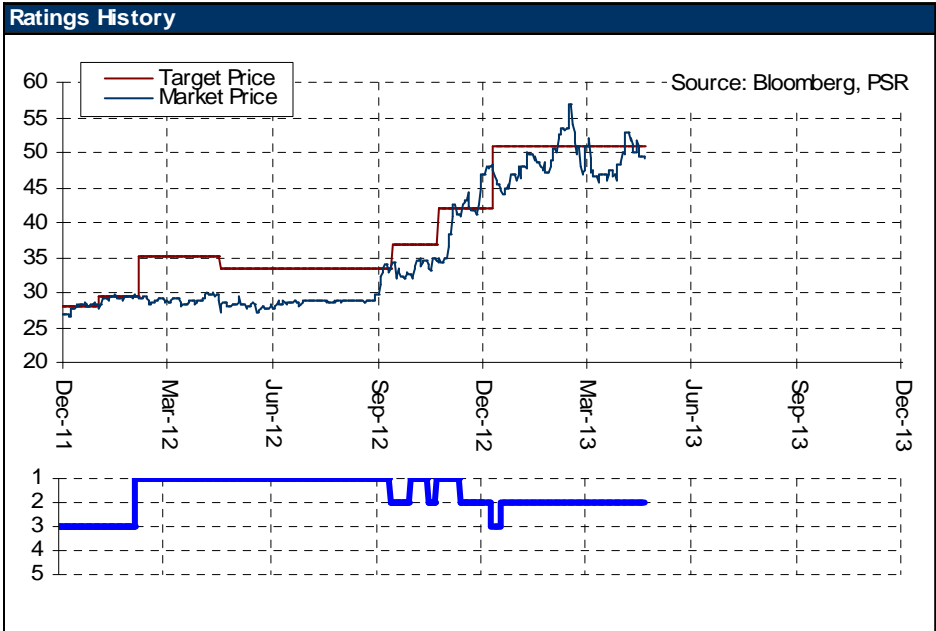
For digital TV for commercial basis, the NBTC plans to hold the auction in Aug-Sep but there is possibility of postponing indefinitely if there is a delay for issuing licenses for digital TV infrastructure, digital TV network and public TV digital channel.

Digital terrestrial TV open an opportunity for broadcasters to boost revenue and it is a double-edged sword the competition in the broadcasting industry will be fiercer.

CY13 earnings maintained

We keep our CY13 revenue and net profit projections unchanged at Bt6,529mn and Bt2,051mn, respectively. At current share prices, we reiterate an 'ACCUMULATE' rating on MCOT with a target price of Bt50.75/share.

MCOT (Bt mn)	1Q13	4Q12	1Q12	y-y +/-	q-q +/-
Total revenues	1,282.86	1,499.43	1,264.67	1.44%	-14.44%
From television and radio	1,053.88	1,273.58	1,015.87	3.74%	-17.25%
From joint operation	217.48	214.10	237.18	-8.31%	1.58%
Additional income from the agreement of understanding	11.50	11.75	11.63	-8.31%	-2.18%
Total cost of revenues	580.58	591.00	588.74	-1.39%	-1.76%
From television and radio	553.02	563.63	558.64	-1.01%	-1.88%
From joint operation	27.56	27.37	30.10	-8.44%	0.67%
Gross profit	702.27	908.43	675.93	3.90%	-22.69%
SG&A	334.43	331.28	263.68	26.83%	0.95%
Operation profit	367.85	577.15	412.26	-10.77%	-36.26%
Other income	105.38	69.63	412.26	-74.44%	51.33%
Other expenses	0.38	0.28	0.25	51.98%	36.79%
EBIT	472.84	646.50	459.14	2.98%	-26.86%
Interest expense	3.24	2.54	2.53	27.91%	27.55%
EBT	469.60	643.96	456.61	2.85%	-27.08%
Taxation	94.56	158.92	100.80	-6.20%	-40.50%
EAT	375.05	485.04	355.81	5.41%	-22.68%
Minorities	0.24	3.92	1.11	-78.11%	-93.80%
Net profit	374.79	481.12	354.69	5.67%	-22.10%
EPS (Bt)	0.55	0.70	0.52	5.67%	-22.10%
Cost of sales/sales	45.26%	39.42%	46.55%	-2.78%	14.82%
Selling & admin exp/sales	26.07%	22.09%	20.85%	25.03%	17.99%
Gross margin	54.74%	60.58%	53.45%	2.42%	-9.64%
Operating profit margin	28.67%	38.49%	32.60%	-12.04%	-25.50%
Net profit margin	29.22%	32.09%	28.05%	4.17%	-8.95%
Balance sheet (Bt mn)					
Assets	11,449.37	11,417.77	10,833.20	5.69%	0.28%
Liabilities	3,062.27	3,864.02	2,819.59	8.61%	-20.75%
Paid-up (m shrs) - Par Bt5	687.10	687.10	687.10	0.00%	0.00%
Equities	8,387.09	7,553.75	8,013.61	4.66%	11.03%
Debt/equity (x)	0.37	0.51	0.35	3.77%	-28.62%
Book value/share(Bt)	12.21	10.99	11.66	4.66%	11.03%



Phillip Group Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate/Trading Buy	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce/Trading Sell	4
> -20%	Sell	5

Remarks
 We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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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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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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