Maybank Kim Eng

Thailand

Company Update

5 July 2013

BUY (from Trading Buy)

CGR Scoring Rating

Share price: Bt40.75
Target price: Bt51.50 (from Bt50.00)

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Stock Information

Description: : The Company operates mass media businesses; Modernine TV, MCOT radio stations and the Thai News Agency with subsidiaries in television programming, documentary production and other entertainment businesses. In addition, it also operates joint operating agreements with Bangkok Entertainment Co., Ltd. operating television Channel 3 and True Visions PCL operating a cable TV operation under the name of True Visions.

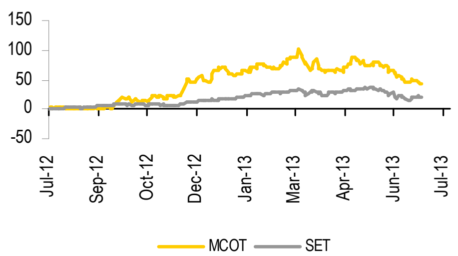
Ticker :	MCOT
Shares Issued (mn) :	687
Market Cap (Btmn):	27,999
Market Cap (US$mn):	899.52
3-mth Avg. Daily Turnover (Btmn):	43.02
SET Index:	1,430.88
Free float (%):	22.71

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

Historic Chart



Performance

52-week High/Low Bt56.75/Bt28.00

	1-mth	3-mth	6-mth	1-yrs	YTD
Absolute (%)	-16.8	-14.2	-15.1	41.7	-13.3
Relative (%)	-10.5	-8.4	-15.9	18.3	-15.7

MCOT PCL

Upside from network licenses

The granting of network licenses for digital TV broadcasting will be an upside for MCOT and we estimate revenues from network services at Bt400-600mn/year. The co-investment and share in the infrastructure by the four network licensees will reduce investment costs. MCOT has an attractive dividend yield of 6%. MCOT has underperformed the SET, trading on the cheapest valuation in the media sector. We have now upgraded our rating from Trading Buy to Buy with a 12 month TP to Bt51.50.

Has won a network license for digital TV. The broadcasting committee of the National Broadcasting and Telecommunications Commission (NBTC) has approved network (Multiplexer or Mux) licenses for terrestrial digital broadcasting for 4 state-controlled broadcasters. The Royal Thai Army (Channel 5), MCOT (Channel 9), The Public Relations Department (Channel 11) and TPBS, for a 15-year operational period. In the first year, the network must cover at least 50% of population before increasing to 80% in the 2nd year, 90% the 3rd year and 95% in the 4th year.

Single Network. The 4 network licensees have negotiated a co-investment scheme to share in the infrastructure, under a single network. This reduces investment costs by utilising the existing broadcast stations of TPBS and MCOT. The network fee for an SD channel is expected at Bt40-60mn/channel/year, while the fee for an HD channel will be around Bt120-180mn/channel/year. We estimate the network provider income at Bt400-600mn/year (serving 8-10 channels).

Improving performance in 2Q13. Advertising income will be driven by seasonal factors, with full effect of ad rate hikes and more income from the government projects. Expenses will decline to normal after some additional expenses from upcountry marketing were booked in 1Q13.

Upgrade to Buy. The share price has slipped 28% from the peak at Bt56.75 in the past 3 months, compared with the SET drop of 10% in the same period. MCOT is now trading on a PER of 13.9x, the cheapest in the media sector. Based on the TP rollover to 2Q14, the current price offers a 26% upside to our DCF-based TP of Bt51.50. We have upgraded MCOT from a Trading Buy to a Buy.

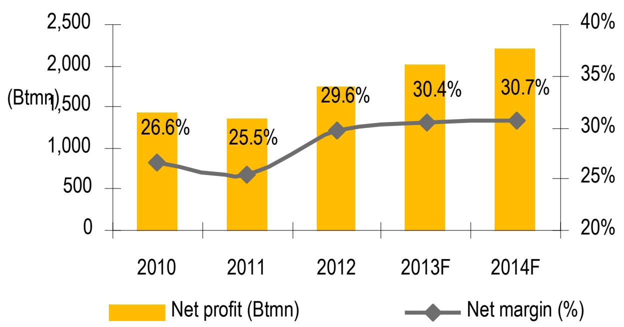
Risks. Higher competition with digital TV making rate hikes difficult for existing free-TV / changes in top management.

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
Recurring Basic 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	19.7	20.6	15.9	13.9	12.6
EV/EBITDA (x)	9.6	9.2	8.1	7.3	6.5
Div Yield (%)	4.7	4.9	5.6	6.1	6.9
P/BV(x)	3.6	3.7	3.5	3.4	3.2
Net Gearing (%)	Net cash	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)	-	-	-	1,960	2,151

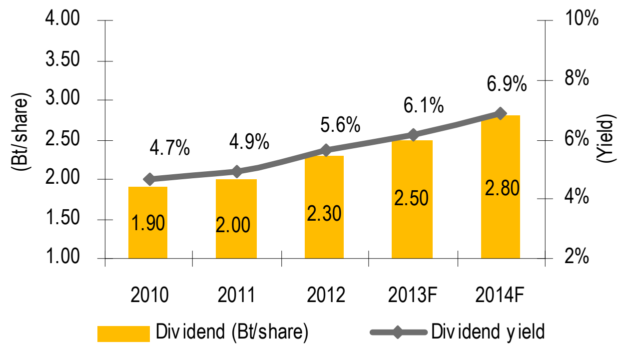
Source: Company reports and MBKET estimates.

Chart 1: Net profit and net margin



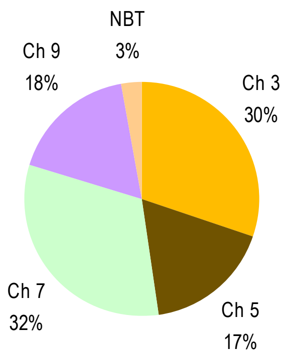
Source: Company reports and MBKET estimates.

Chart 2: Dividend payment and yield



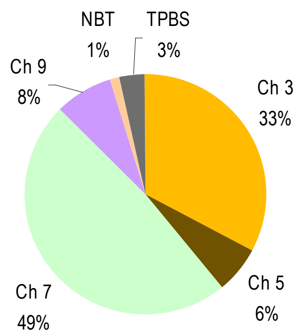
Source: Company reports and MBKET estimates.

Chart 3: TV ad market share in 5M13



Source: The Nielsen Company (Thailand).

Chart 4: TV audience share in 5M13



Source: The Nielsen Company (Thailand).

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

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

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

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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Capex = Capital Expenditure
CY = Calendar Year
DCF = Discounted Cashflow
DPS = Dividend Per Share
EBIT = Earnings Before Interest And Tax
EBITDA = EBIT, Depreciation And Amortisation
EPS = Earnings Per Share
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FCF = Free Cashflow
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FY = Financial Year
FYE = Financial Year End
MoM = Month-On-Month
NAV = Net Asset Value
NTA = Net Tangible Asset
P = Price
P.A. = Per Annum
PAT = Profit After Tax
PBT = Profit Before Tax
PE = Price Earnings
PEG = PE Ratio To Growth
PER = PE Ratio
QoQ = Quarter-On-Quarter
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THAI INSTITUTE OF DIRECTORS ASSOCIATION (IOD) CORPORATE GOVERNANCE REPORT RATING 2012

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		GRAMMY	NOBLE	RS	SNC	
ADVANC	BKI	HEMRAJ	PHOL	SAMART	SYMC	
AOT	BMCL	ICC	PS	SAMTEL	THAI	
ASIMAR	BTS	IRPC	PSL	SAT	TIP	
BAFS	CPN	KBANK	PTT	SC	TIPCO	
BANPU	CSL	KK	PTTEP	SCB	TISCO	
BAY	DRT	KTB	PTTGC	SCC	TKT	
BBL	EASTW	LPN	QH	SE-ED	TMB	
BCP	EGCO	MCOT	RATCH	SIM	TOP	TTA
BECL	ERW	NKI	ROBINS	SIS	TSTE	

Score Range	Number of Logo	Description
90-100	△△△△△	Excellent
80-89	△△△△	Very Good
70-79	△△△	Good
60-69	△△	Satisfactory
50-59	△	Pass
Lower than 50	No logo given	N/A

△△△△

		ECL	ITD	MINT	PM	SPCG	THCOM	TSC
2S	BWG	EE	IVL	MODERN	PR	SPI	THIP	TSTH
ACAP	CENTEL	EIC	JAS	MTI	PRANDA	SPPT	THRE	TTW
AF	CFRESH	ESSO	KCE	NBC	PRG	SSF	TIC	TUF
AIT	CGS	FE	KGI	NCH	PT	SSSC	TICON	TVO
AKR	CHOW	FORTH	KSL	NINE	PYLON	STANLY	TIW	UAC
AMATA	CIMBT	GBX	L&E	NMG	S&J	STEC	TK	UMI
AP	CK	GC	LANNA	NSI	S&P	SUC	TLUXE	UP
ASK	CM	GFPT	LH	OCC	SABINA	SUSCO	TMT	UPOIC
ASP	CPALL	GL	LRH	OFM	SAMCO	SVI	TNITY	UV
AYUD	CPF	GLOW	LST	OGC	SCCC	SYNTEC	TNL	VIBHA
BEC	CSC	GUNKUL	MACO	OISHI	SCG	TASCO	TOG	VNT
BFIT	DCC	HANA	MAKRO	PAP	SCSMG	TCAP	TPC	WACOAL
BH	DELTA	HMPRO	MBK	PDI	SFP	TCP	TRC	YUASA
BIGC	DEMCO	HTC	MBKET	PE	SITHAI	TFD	TRT	ZMICO
BJC	DTAC	IFEC	MFC	PG	SMT	TFI	TRU	
BROOK	DTC	INTUCH	MFEC	PJW	SPALI	THANA	TRUE	

△△△

		EASON	JMART	MAJOR	POST	SF	TEAM	UEC
AEONTS	BROCK	EMC	JTS	MATCH	PPM	SGP	TF	UIC
AFC	BSBM	EPCO	JUBILE	MATI	PREB	SIAM	TGCI	UMS
AGE	BTNC	FNS	JUTHA	MBAX	PRECHA	SIMAT	THANI	UOBKH
AH	BUI	FOCUS	KASET	M-CHAI	PRIN	SINGER	TKS	UPF
AHC	CCET	FSS	KBS	MDX	PSAAP	SIRI	TMD	US
AI	CEN	GENCO	KC	MJD	PTL	SKR	TMI	UT
AJ	CHUO	GFM	KDH	MK	Q-CON	SMIT	TNH	VARO
ALUCON	CI	GLOBAL	KIAT	MOONG	QLT	SMK	TNPC	WAVE
AMANAH	CIG	GOLD	KKC	MPIC	QTC	SOLAR	TOPP	WG
APCO	CITY	HFT	KTC	MSC	RASA	SPC	TPA	WIN
APCS	CMO	HTECH	KWC	NC	RCL	SPG	TPAC	WORK
APRINT	CNS	HYDRO	KWH	NNCL	RICH	SSC	TPCORP	
ARIP	CNT	IFS	KYE	NTV	ROJNA	SST	TPIPL	
AS	CPL	IHL	LALIN	OSK	RPC	STA	TPP	
ASIA	CRANE	ILINK	LEE	PAE	SAM	SVOA	TR	
BGT	CSP	INET	LHBANK	PATO	SCBLIF	SWC	TTCL	
BLA	CSR	IRC	LHK	PB	SCP	SYNEX	TWFP	
BNC	CTW	IRCP	LIVE	PICO	SEAFCO	TBSP	TYCN	
BOL	DRACO	IT	LOXLEY	PL	SENA	TCB	UBIS	

Source: Thai Institute of Directors (IOD)

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