

MCOT - MCOT

2QCY13 net profit seen up 2.09% y-y

Bloomberg | Reuters
MCOT.TB | MCOT.BK

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Report type: Trade Flash

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 expect MCOT to report 2QCY13 net profit growth of a mere 2.09% y-y to Bt453mn based on assumptions that quarterly revenue would edge up a modest 4.37% y-y.
- Our forecast suggests MCOT will pay a 1HCY13 dividend of Bt1/share.
- To reflect softer-than-forecast 1HCY13 revenue and earnings expectations, we trim our CY13 profit outlook for MCOT by 5.46% to Bt1,939mn but the new profit target still implies a growth of 10.25%. We also slash our CY13 target price for MCOT to Bt48/share but we rate MCOT shares a 'BUY' as the new target offers more than 20% upside from current trading levels.

What is the news?

Total ad spending in Thailand rose 0.68% y-y and 10.78% q-q to Bt29,022mn in 2QCY13, according to data compiled by The Nielsen Company (Thailand). Spending on TV ads grew 3.35% y-y and 6.90% q-q. AdEx at MCOT-run Modernine TV was up 12.35% q-q but down 2.81% y-y. Spending on radio ad jumped 1.52% y-y and 13.27% q-q. Radio is also one of MCOT's major businesses.

How do we view this?

Nielsen data showed TV AdEx at MCOT-run Modernine TV in 2QCY13 was lower than 2QCY12 but we believe MCOT's TV revenue would come in better than what the Nielsen reported as the decline would be somewhat offset by an increased proportion of its own produced TV programs and revenue from government projects.

We estimate MCOT will achieve 2QCY13 total revenue growth of 4.37% y-y to Bt1,513mn based on assumptions that TV revenue would be up 3% y-y, (ii) radio revenue would be up 5% y-y, outstripping the industry's average thanks to marketing activities, (iii) joint venture revenue would be up 12% y-y, reflecting underestimated revenues from True Visions a year ago. Costs and SG&A expenses would edge higher in 2QCY13 due to an increased proportion of its own produced TV programs. On this basis, we forecast MCOT will report 2QCY13 net profit growth of only 2.09% y-y to Bt453mn. Our forecast suggests MCOT will pay a 1HCY13 dividend of Bt1/share.

In 3QCY13, MCOT has reshuffled its programming lineup for low-rating TV programs in a bid to bolster revenue. In our view, the move would bode well for revenue in 2HCY13. MCOT also aims to boost revenue from events and seasonal programs i.e.

sub-license deal with CTH to broadcast 17 ESL football matches a year, starting this Aug as well as revenue from government agencies which normally spend ad budgets by year-end. We believe MCOT is likely to achieve its target of Bt800mn in revenue from government projects this year while we rule out ad rate hike in 2HCY13.

To reflect softer-than-forecast 1HCY13 revenue and earnings expectations, we trim our CY13 profit outlook for MCOT by 5.46% to Bt1,939mn from a previous view of Bt2,051mn but the new profit target still implies a growth of 10.25% y-y. Under the new estimate, we assume CY13 total revenue of Bt6,265mn.

Investment Actions?

Following earnings cut, we slash our CY13 target price for MCOT to Bt48/share based on a P/E multiple of 17x but we rate MCOT shares a 'BUY' as the new target offers more than 20% upside from current trading levels.

CG Rating - 2012



(Excellent)

Valuation Method

P/E'13 (17x)

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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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