

Buy (unchanged)

CGR Scoring Rating



Share price: Bt39.50
Target price: Bt48.00 (from Bt51.50)

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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.

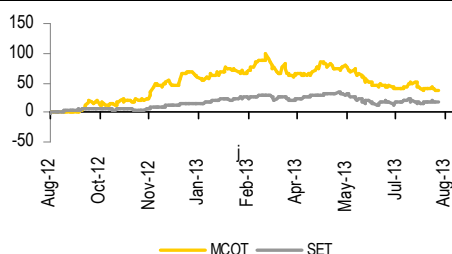
Ticker :	MCOT
Shares Issued (mn) :	687
Market Cap (Btmn) :	27,140
Market Cap (US\$m) :	866.86
3-mth Avg. Daily Turnover (Btmn) :	36.33
SET Index :	1,445.76
Free float (%) :	22.71

Major Shareholders :	%
The Ministry of Finance	65.80
Government Savings Bank	11.48

Key Indicators

ROE – annualised (%)	22.9
Net cash (Btmn) :	Net cash
NTA/shr (Bt) :	11.9
Interest cover (x) :	197.7

Historical Chart



Performance

52-week High/Low	Bt56.75/Bt28.50				
	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	-0.6	-20.2	-17.7	37.4	-16.0
Relative (%)	-0.2	-10.1	-13.3	16.4	-19.1

MCOT PCL (MCOT)

An earnings cut with 2H13 to improve

As the 1H13 profit accounts for just 41% of our yearly projection, we have cut our 2013-2014 forecast by 8-9%. However, we believe earnings will improve in 2H13, driven by higher programme ratings, more revenue from government programs and the contributions from the English Premiere League broadcasts. The digital TV network service revenue will begin to be recognised from 2015 onward. With our earnings downgrade, our DCF-based TP drops from Bt51.50 to Bt48. We reiterate a Buy call with the cheapest valuation in the sector at a PER of 14.6x and the highest dividend yield. We expect a 1H13 dividend at Bt1.10/share or 2.8% half-year yield.

Inline 2Q13 profit. The net profit was Bt445mn, up 19% QoQ on the seasonal impact and flat YoY. TV revenue dropped YoY due to the lower ratings on some new programmes leading to a declining market share. Costs increased with the number of in-house produced programmes rising to 52% from 47% last year. The gross margin slipped to 55.5% from 59.1% in 2Q12.

An earnings cut, but 2H13 profit will improve. We have cut our 2013-2014 earnings by 8-9% as the 1H13 profit is only 41% of our yearly projection. However, we expect earnings to improve in 2H13, supported by better ratings for the news and prime-time programs. MCOT will also recognise more ad spending from the government, expected at Bt500mn (vs. Bt300mn in 1H13) from the Thailand Village Fund Portal, Ministry of Commerce, Ministry of Agriculture and Bangkok Metropolitan Administration.

EPL to add more revenue. MCOT has the rights to broadcast 17 English Premiere League (EPL) matches in the 2013-2014 season. MCOT will share 50:50 revenue with CTH. MCOT also has the rights to broadcast the highlights and news for every match. MCOT is projected to earn almost Bt100mn this year from broadcasting 9 matches with 8 matches next year. The utilisation for the live broadcasting slot is now almost full.

Risks. Low programme ratings, higher competition with the advent of digital TV and the change in top management.

MCOT – Summary Earnings Table

FYE: Dec 31 (Btmn)	2010	2011	2012	2013F	2014F	
Revenue	5,263	5,142	5,729	6,030	6,397	
EBITDA	2,556	2,598	2,872	2,914	3,145	
Recurring Net Profit	1,423	1,356	1,759	1,854	2,017	
Net profit	1,423	1,356	1,759	1,854	2,017	
EPS (Bt)	2.07	1.97	2.56	2.70	2.94	
EPS growth (%)	2.4	(4.7)	29.7	5.4	8.8	
DPS (Bt)	1.90	2.00	2.30	2.40	2.50	
PER	19.1	20.0	15.4	14.6	13.5	
EV/EBITDA (x)	9.3	8.8	7.8	7.6	7.0	
Div Yield (%)	4.8	5.1	5.8	6.1	6.3	
P/BV(x)	3.5	3.6	3.4	3.3	3.2	
Net Gearing (%)		Net cash	Net cash	Net cash	Net cash	
ROE (%)		18.8	17.8	22.6	22.9	24.2
ROA (%)		14.1	12.8	16.1	16.1	16.9
Consensus Net Profit (Btmn)		-	-	1,945	2,125	

Source: Company reports and MBKET estimates.

To realise network revenues in 2015. With a network license, MCOT is expected to spend Capex of Bt1.5bn (over 4 years) investing in a network and infrastructure for digital TV broadcasting. MCOT is now negotiating with 3 other network providers for co-operation, which will save costs. We estimate network revenue around Bt400-500mn per year, which is expected to be recognised from 2015 onward.

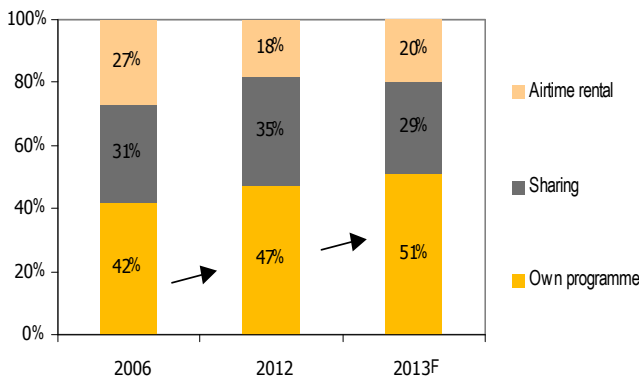
Digital TV bidding in Oct-Nov. MCOT is expected to bid for 3 digital TV channels (Variety HD, Variety SD and Kids SD or News SD, Variety SD and Kids SD), depending on the bid price. MCOT requires at least one channel as Channel 9 is an analog system will be shutdown by 2022.

MCOT 2Q13 results

(Btmn)	2Q13	1Q13	QoQ	2Q12	YoY	Comment
Sales	1,466	1,283	14%	1,450	1%	
TV income	946	857	10%	976	(3%)	Low rating of new programmes / smaller market share
Radio income	246	197	25%	234	5%	
Joint operations	263	217	21%	228	15%	
Additional income	12	11	1%	12	0%	
COGS	652	581	12%	593	10%	
Gross profit	814	702	16%	857	(5%)	
Gross margin (%)	55.5%	54.7%	N.A.	59.1%	N.A.	Rising costs from in-house productions
SG&A	311	335	(7%)	299	4%	
EBITDA	691	608	14%	743	(7%)	
EBITDA margin (%)	45.2%	43.8%	N.A.	49.4%	N.A.	
Net profit	445	375	19%	443	0%	In line with expectations
EPS (Bt)	0.65	0.55	19%	0.65	0%	

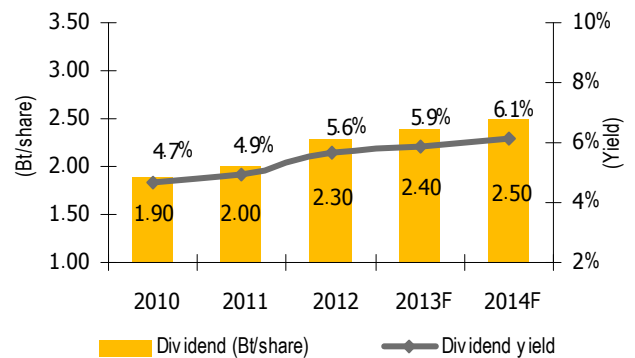
Source : Company reports and MBKET

Chart 1: TV programmes – Production type



Source: Company reports and MBKET estimates.

Chart 2: Dividend payments and yields



Source: Company reports and MBKET estimates.

INCOME STATEMENT (Btmn)

FY December	2011	2012	2013F	2014F
Revenue	5,142	5,729	6,030	6,397
EBITDA	2,598	2,872	2,914	3,145
Depreciation & Amortisation	541	542	562	589
Operating Profit (EBIT)	2,057	2,330	2,352	2,556
Interest (Exp) / Inc	10	10	12	10
Associates	0	0	0	0
One-offs	0	0	0	0
Pre-Tax Profit	2,047	2,319	2,340	2,546
Tax	671	551	480	522
Minority Interest	20	10	7	7
Net Profit	1,356	1,759	1,854	2,017
Recurring Net Profit	1,356	1,759	1,854	2,017
Revenue Growth %	(2.3)	11.4	5.2	6.1
EBITDA Growth (%)	1.6	10.5	1.5	7.9
EBIT Growth (%)	(0.1)	13.3	1.0	8.7
Net Profit Growth (%)	(4.7)	29.7	5.4	8.8
Recurring Net Profit Growth (%)	(4.7)	29.7	5.4	8.8
Tax Rate %	32.8	23.8	20.5	20.5

CASH FLOW (Btmn)

FY December	2011	2012	2013F	2014F
Profit before taxation	2,047	2,319	2,340	2,546
Depreciation	541	542	562	589
Net interest receipts / (payments)	10	10	12	10
Working capital change	780	232	172	-18
Cash tax paid	-671	-551	-480	-522
Others (inc. exceptional items)	-30	-20	-25	-17
Cash flow from operations	2,677	2,533	2,582	2,588
Capex	-887	-572	-647	-549
Disposals / (purchases)	0	0	0	0
Others	-1,097	-759	-216	-380
Cash flow from investing	-1,984	-1,330	-863	-929
Debt raised / (repaid)	736	177	-89	44
Equity raised / (repaid)	9	-4	7	7
Dividends (paid)	-1,443	-1,374	-1,649	-1,718
Interest payments	10	10	12	10
Others	-10	-10	-12	-10
Cash flow from financing	-698	-1,201	-1,731	-1,666
Change in cash	-5	2	-12	-8

BALANCE SHEET (Btmn)

FY December	2011	2012	2013F	2014F
Fixed Assets	4,303	4,250	4,335	4,296
Other LT Assets	678	760	760	760
Cash / ST Investments	4,192	4,610	4,997	5,291
Other Current Assets	1,479	1,627	1,649	1,748
Total Assets	10,652	11,248	11,741	12,095
ST Debt	7	6	9	14
Other Current Liabilities	1,571	1,952	2,145	2,227
LT Debt	6	5	7	11
Other LT Liabilities	1,410	1,247	1,328	1,288
Minority Interest	63	59	66	73
Shareholders' Equity	7,595	7,980	8,185	8,484
Total Liabilities-Capital	10,652	11,248	11,741	12,095
Share Capital (mn)	3,435	3,435	3,435	3,435
Gross Debt / (Cash)	13	10	16	24
Net Debt / (Cash)	Net cash	Net cash	Net cash	Net cash
Working Capital	-92	-325	-497	-479
BVPS (Bt)	11.05	11.61	11.91	12.35

RATES & RATIOS

FY December	2011	2012	2013F	2014F
Gross Margin %	57.6	57.7	56.7	57.5
EBITDA Margin %	48.9	48.4	46.0	46.9
Op. Profit Margin %	38.7	39.2	37.2	38.2
Net Profit Margin %	25.5	29.6	29.3	30.1
ROE %	17.8	22.6	22.9	24.2
ROA %	12.8	16.1	16.1	16.9
Net Margin Ex. EI %	25.5	29.6	29.3	30.1
Dividend Cover (x)	1.0	1.1	1.1	1.2
Interest Cover (x)	208.2	229.8	197.7	252.3
Asset Turnover (x)	0.5	0.5	0.5	0.5
Asset / Debt (x)	3.6	3.5	3.4	3.4
Debtors Turn (days)	60.9	44.6	47.0	45.0
Creditors Turn (days)	24.9	21.9	28.0	31.0
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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BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
EBITDA = EBIT, Depreciation And Amortisation	P.A. = Per Annum	YoY = Year-On-Year
EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
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THAI INSTITUTE OF DIRECTORS ASSOCIATION (IOD) CORPORATE GOVERNANCE REPORT RATING 2012

						Score Range	Number of Logo	Description
▲▲▲▲▲	ADVANC	BKI	GRAMMY	NUBLE	KS	SNC		
	AOT	BMCL	HEMRAJ	PHOL	SAMART	SYMC	90-100	▲▲▲▲▲
	ASIMAR	BTS	ICC	PS	SAMTEL	THAI	80-89	▲▲▲▲▲
	BAFS	CPN	IRPC	PSL	SAT	TIP	70-79	▲▲▲▲▲
	BANPU	CSL	KBANK	PTT	SC	TIPCO	60-69	▲▲▲
	BAY	DRT	KK	PTTEP	SCB	TISCO	50-59	▲▲
	BBL	EASTW	KTB	PTTGC	SCC	TKT	Lower than 50	▲
	BCP	EGCO	LPN	QH	SE-ED	TMB	TTA	No logo given
	BECL	ERW	MCOT	RATCH	SIM	TOP		
			NKI	ROBINS	SIS	TSTE		
▲▲▲▲	2S	BWG	ECL	ITD	MINT	PM	SPCG	THCOM
	ACAP	CENDEL	EE	IVL	MODERN	PR	SPI	THIP
	AF	CFRESH	EIC	JAS	MTI	PRANDA	SPPT	THRE
	AIT	CGS	ESSO	KCE	NBC	PRG	SSF	TIC
	AKR	CHOW	FE	KGI	NCH	PT	SSSC	TICON
	AMATA	CIMBT	FORTH	KSL	NINE	PYLON	STANLY	TIW
	AP	CK	GBX	LSE	NMG	S&J	STEC	TK
	ASK	CM	LANNA	NSI	S&P	SUC	TLUXE	UP
	ASP	CPALL	GC	LH	OCC	SABINA	SUSCO	TMT
	AYUD	CPF	GFPT	LRH	OFM	SAMCO	SM	TNITY
	BEC	CSC	GL	LST	OGC	SCCC	SYNTEC	TNL
	BFIT	DCC	GUNKUL	MACO	OISHI	SCG	TASCO	TOG
	BH	DELTA	HANA	MAKRO	PAP	SCSMG	TCAP	TPC
	BIGC	DEMCO	HMPRO	MBK	PDI	SFP	TCP	TRC
	BJC	DTAC	HTC	MBKET	PE	SITHAI	TFD	TRT
	BROOK	DTC	IFEC	MFC	PG	SMT	TFI	TRU
			INTUCH	MFEC	PJW	SPALI	THANA	TRUE
▲▲▲	AEONTS	BROCK	EASON	JMART	MAJOR	POST	SF	TEAM
	AFC	BSBM	BMC	JTS	MATCH	PPM	SGP	TF
	AGE	BTNC	EPCO	JUBILE	MATI	PREB	SIAM	TGCI
	AH	BUI	FNS	JUTHA	MBAX	PRECHA	SIMAT	THANI
	AHC	CCET	FOCUS	KASET	M-CHAI	PRIN	SINGER	TKS
	AI	CEN	FSS	KBS	MDX	PSAAP	SIRI	TMD
	AJ	CHUO	GENCO	KC	MJD	PTL	SKR	TMI
	ALUCON	CI	GFM	KDH	MK	Q-CON	SMIT	TNH
	AMANAH	CIG	GLOBAL	KIAT	MOONG	QLT	SMK	TNPC
	APCO	CITY	GOLD	KKC	MPIC	QTC	SOLAR	TOPP
	APCS	CMD	HFT	KTC	MSC	RASA	SPC	TPA
	APRINT	CNS	HTECH	KWC	NC	RCL	SPG	TPAC
	ARIP	CNT	HYDRO	KWH	NNCL	RICH	SSC	TPCORP
	AS	CPL	IFS	KYE	NTV	ROJNA	SST	TIPL
	ASIA	CRANE	IHL	LALIN	OSK	RPC	STA	TPP
	BGT	CSP	ILINK	LEE	PAE	SAM	SVDA	TR
	BLA	CSR	INET	LHBANK	PATO	SCBLIF	SWC	TTCL
	BNC	CTW	IRC	LHK	PB	SCP	SYNEX	TWFP
	BOL	DRACO	IRCP	LIVE	PICO	SEAFCD	TBSP	TYCN
			IT	LOXLEY	PL	SENA	TCB	UBIS

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