

MCOT - MCOT

2QCY13 net profit flat y-y, slightly below view

Bloomberg | Reuters
MCOT TB | MCOT.BK

Thailand Equities Research
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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 2QCY13 net profit of Bt444.59mn, flat y-y. The quarterly profit slightly lagged our forecast of Bt453mn.
- We forecast MCOT to pay a 1HCY13 dividend of Bt1/share.
- MCOT has joined hands with CTH to broadcast 17 English Premier League (EPL) football matches a year, starting Aug 2013 but the prospect of domestic economic slowdown, which could hurt ad spending in 2HCY13, remains a concern.
- We cut our CY13 profit outlook for MCOT by 4.7% to Bt1,848mn but the new profit target still represents a growth of 5.1% y-y. We lower our rating on MCOT shares to 'ACCUMULATE' with a CY13 target price of Bt44.75/share.

What is the news?

MCOT reported 2QCY13 net profit of Bt444.59mn, flat y-y. The quarterly profit slightly lagged our forecast of Bt453mn. The top-line figure came in 3.1% below our forecast as TV revenue shrank 3.0% y-y against our forecast for a growth of 2.5% as weak ratings for newly reshuffled TV programs eclipsed the positive impact of ad rate increases at the start of the year. Radio and joint venture revenues came in line with our estimates.

How do we view this?

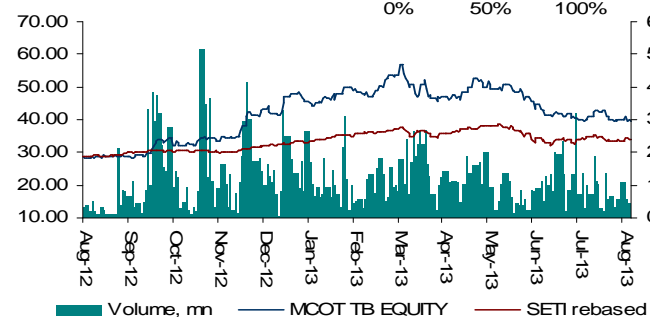
Following the end of hit dramas on Channel 3 and programming reshuffle on MCOT-run Modernine TV, its audience share later picked up to 7.5% in Jul 2013. If audience share remains on the rise, we think AdEx through MCOT-run Modernine TV should see a gradual improvement. MCOT has also joined hands with CTH to broadcast 17 English Premier League (EPL) football matches a year, starting Aug 2013 but the prospect of domestic economic slowdown, which could hurt ad spending in 2HCY13, remains a concern. We cut our CY13 profit outlook for MCOT by 4.7% to Bt1,848mn but the new profit target still represents a growth of 5.1% y-y.

Investment Actions?

We lower our rating on MCOT shares to 'ACCUMULATE' with a CY13 target price of Bt44.75/share based on a P/E multiple of 17x.

MCOT

Rating	2.00	Accumulate
- Previous Rating	1.00	Buy
Target Price (Bt)	44.75	
- Previous Target Price (Bt)	48.00	
Closing Price (Bt)	39.50	
Expected Capital Gains (%)	13.3%	
Expected Dividend Yield (%)	5.8%	
Expected Total Return (%)	19.1%	
Raw Beta (Past 2yrs weekly data)	0.86	
Market Cap. (USD mn)	867	
Enterprise Value (USD mn)	704	
Market Cap. (Bt mn)	27,140	
Enterprise Value (Bt mn)	22,364	
3M Average Daily T/O (mn)	0.9	
52 week range	28.5 - 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 (Btmn)	5,142	5,729	6,112	6,596
Net Profit (Btmn)	1,356	1,759	1,848	2,011
EPS (Bt)	1.97	2.56	2.69	2.93
Net Profit, adj. (Btmn)	1,356	1,759	1,848	2,011
EPS, adj. (Bt)	1.97	2.56	2.69	2.93
P/E (X), adj.	20.1	15.4	14.7	13.5
BVPS (Bt)	11.15	11.70	12.59	13.72
P/B (X)	3.5	3.4	3.1	2.9
DPS (Bt)	2.00	2.30	2.30	2.50
Div. Yield (%)	5.1	5.8	5.8	6.3

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

P/E13 (17x)

Analyst
Siam Tiyanont
Securities Investment Analyst #17970
Tel. 662-2-635-1700 Ext. 483

2QCY13 profit flat y-y, slightly below view

MCOT reported 2QCY13 net profit of Bt444.59mn, flat y-y. The quarterly profit slightly lagged our forecast of Bt453mn.

Total revenue edged up a marginal 1.1% y-y to Bt1,466mn in 2QCY13. The top-line figure came in 3.1% below our forecast as TV revenue shrank 3.0% y-y against our forecast for a growth of 2.5% as weak ratings for newly reshuffled TV programs eclipsed the positive impact of ad rate increases at the start of the year. Radio and joint venture revenues came in line with our estimates. Costs inched up 9.9% y-y as the proportion of its own produced TV programs climbed to 52% in 2QCY13 from 47% at end-CY12. SG&A expenses went up 4.1% y-y.

In 1HCY13, net profit grew 2.7% y-y to Bt819.4mn. MCOT is also expected to pay a 1HCY13 dividend of Bt1/share similar to 1HCY12.

Brighter outlook for 2HCY13

In 2QCY13, MCOT saw its audience share drop to 7.0% from 8.0%-8.5% as a result of hit dramas on BEC-run Channel 3. Following the end of hit dramas on Channel 3 and programming reshuffle on MCOT-run Modernine TV, its audience share later picked up to 7.5% in Jul 2013. If audience share remains on the rise, we think AdEx through MCOT-run Modernine TV should see a gradual improvement. MCOT also aims to boost revenue from events and seasonal programs i.e. cooperation with CTH to broadcast 17 English Premier League (EPL) football matches a year from Aug 2013 to May 2014. In addition to broadcasting revenue, MCOT can make highlight scoops and hold on-ground activities for its provincial radio stations. However, the prospect of domestic economic slowdown, which could hurt ad spending in 2HCY13, still bears close watching.

Plan to bid for three digital TV channels

The auction for digital terrestrial TV channels is expected to take place in Oct-Nov 2013. For this, MCOT is keen to bid for three channels but the company has yet conclusive idea for all three programs. Preliminary, MCOT set two options: (1) variety channel in HD and SD, and children's channel; or (2) variety channel in SD, news channel, and children's channel. With many broadcasters showing interest in the digital TV, the competition appears to be intensifying, implying quite high bidding prices. Digital terrestrial TV is expected to run commercially some time in 2015. Besides digital TV auction, MCOT already got a license for broadcasting network service provider since Jul 2013 and it is awaiting a license for broadcasting facility service provider. In 2014, MCOT plans to request for license for application service provider. There is a possibility MCOT will be granted all said licenses, eventually.

CY13 earnings downgraded

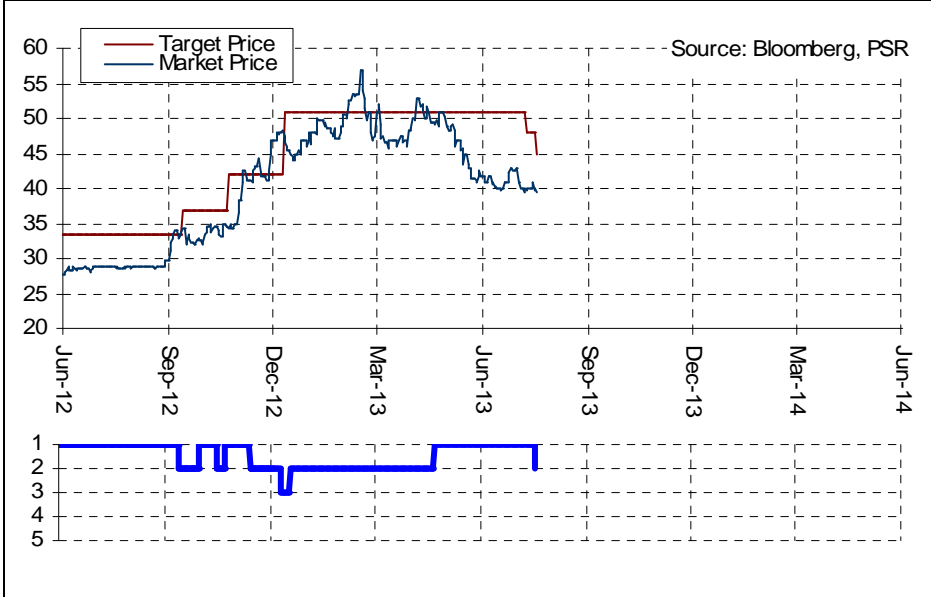
To reflect sluggish economic outlook in 2HCY13 and weak earnings performance in 1HCY13, we trim our CY13 revenue and net profit forecast down to Bt6,112mn and Bt1,848mn (earlier Bt1,939mn).

'ACCUMULATE' rating

MCOT is expected to pay CY13 dividend of Bt2.30/share. Tracking the downbeat earnings revision, we adjust our CY13 target price to Bt44.75, based on P/E of 17x. At current share prices, we downgrade rating on MCOT to 'ACCUMULATE'.

MCOT (Bt mn)	2QCY13	1QCY13	2QCY12	y-y +/-	q-q +/-	6MCY13	6MCY12	y-y +/-
Total revenues	1,466.42	1,282.86	1,450.04	1.13%	14.31%	2,749.28	2,714.71	1.27%
From television and radio	1,192.06	1,053.88	1,210.07	-1.49%	13.11%	2,245.94	2,225.94	0.90%
From joint operation	262.74	217.48	228.34	15.06%	20.81%	480.21	465.52	3.16%
Additional income from the agreement of understanding	11.63	11.50	11.63	NA	1.11%	23.12	23.25	N/A
Total cost of revenues	652.00	580.58	593.48	9.86%	12.30%	1,232.58	1,182.22	4.26%
From television and radio	623.69	553.02	563.12	10.76%	12.78%	1,176.71	1,121.77	4.90%
From joint operation	28.31	27.56	30.36	-6.76%	2.72%	55.87	60.46	-7.60%
Gross profit	814.43	702.27	856.55	-4.92%	15.97%	1,516.70	1,532.49	-1.03%
SG&A	311.14	334.43	299.02	4.05%	-6.96%	645.56	562.70	14.73%
Operation profit	503.29	367.85	557.53	-9.73%	36.82%	871.13	969.79	-10.17%
Other income	62.23	105.38	557.53	-88.84%	-40.94%	167.61	101.08	65.82%
Other expenses	0.34	0.38	0.27	25.00%	-12.53%	0.72	0.52	38.08%
EBIT	565.19	472.84	611.20	-7.53%	19.53%	1,038.02	1,070.34	-3.02%
Interest expense	3.23	3.24	2.51	29.00%	-0.06%	6.47	5.04	28.45%
EBT	561.95	469.60	608.70	-7.68%	19.67%	1,031.55	1,065.31	-3.17%
Taxation	115.92	94.56	162.55	-28.69%	22.59%	210.48	263.35	-20.08%
EAT	446.03	375.05	446.15	-0.03%	18.93%	821.08	801.96	2.38%
Minorities	1.44	0.24	2.88	-50.00%	492.59%	1.68	3.99	-57.83%
Net profit	444.59	374.79	443.26	0.30%	18.62%	819.40	797.95	2.69%
EPS (Bt)	0.65	0.55	0.65	0.30%	18.62%	1.37	1.16	17.59%
Cost of sales/sales	44.46%	45.26%	40.93%	8.63%	-1.76%	44.83%	43.55%	2.95%
Selling & admin exp/sales	21.22%	26.07%	20.62%	2.89%	-18.61%	23.48%	20.73%	13.28%
Gross margin	55.54%	54.74%	59.07%	-5.98%	1.45%	55.17%	56.45%	-2.27%
Operating profit margin	34.32%	28.67%	38.45%	-10.74%	19.69%	31.69%	35.72%	-11.30%
Net profit margin	30.32%	29.22%	30.57%	-0.82%	3.77%	29.80%	29.39%	1.40%
Balance sheet (Bt mn)								
Assets	10,864.09	11,449.37	10,915.54	-0.47%	-5.11%	10,864.09	10,915.54	-0.47%
Liabilities	2,949.44	3,062.27	3,156.15	-6.55%	-3.68%	2,949.44	3,156.15	-6.55%
Paid-up (m shrs) - Par Bt5	687.10	687.10	687.10	0.00%	0.00%	687.10	687.10	0.00%
Equities	7,914.66	8,387.09	7,759.39	2.00%	-5.63%	7,914.66	7,759.39	2.00%
Debt/equity (x)	0.37	0.37	0.41	-8.38%	2.06%	0.37	0.41	-8.38%
Book value/share(Bt)	11.52	12.21	11.29	2.00%	-5.63%	11.52	11.29	2.00%

Ratings History



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

Fundamental:

Name	Analyst Reg No.	Tel	Sector
Sasikom Charoensuwan, CFA, CAIA Rutsada Tweesaengsakulthai	Capital Market Investment Analyst#9744 Securities Investment Analyst#17972	662 635 1700#480 662 635 1700#482	Consumer, Commerce ICT, Energy, Health Care
Danai Tunyaphisitchai, CFA	Capital Market Investment Analyst #2375	662 635 1700#481	Construction Materials, Property Development
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
Adisorn Muangparnchon	Securities Investment Analyst #18577	662 635 1700#497	Banking, Securities & Finance, Insurance
Chantaramanee Tavivorakiat	Assistant Analyst		
Vichuda Siriployprakray	Assistant Analyst		

Strategy:

Teerada Charmyingyong	Securities Investment Analyst #9501	662 635 1700#487
Chutikarn Santimetvirul	Derivatives Investment Analyst #37928	662 635 1700#491
Werajak Jungkiatkajorn	Assistant Analyst	
Chonlada Lertsanguansinchai	Assistant Analyst	
Rittiporn Songsermsawad	Assistant Analyst	

Technical:

Sasima Hattakitnikorn	Securities Investment Analyst #8328	662 635 1700#490
Kanoksak Vutipan	Capital Market Investment Analyst #2423	662 635 1700#485






Database & Production:

Manunpat Yuenyongwatanakorn
Sutiporn Oupkaew
Mathurin Karnsompot

Translation:

Chaiyot Ingkhasorarat
Naowarat Angurasuchon

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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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Bangkok Offices

Head Office	15th Fl., Vorawat Bldg. Tel : 0 2635 1700 , 0 2268 0999
Srinakarindr	17th Fl., Modernform Tower Tel : 0 2722 8344-53
Viphavadi	15th Fl., Lao Peng Nguan Tower 1 Tel : 0 2618 8400
Yaowarat	19th Fl., Kanchanadhat Bldg. Tel : 0 2622 7833
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Bangkapi 2	9th Fl., The Mall Office Tower-Bangkapi Tel : 0 2363 3269
Hua Lumphong	4th Fl., Tang Hua Pak Bldg., 320 Rama 4 Rd. Tel : 0 2639 1200
Rangsit	G Fl., Room#PLZ.G.SHP065A Future Park Rangsit Tel : 0 2958 5040
Sindhorn	19th Fl., Sindhorn Tower 3 Building, Tel : 0 2650 9717
Siam Discovery	11st Floor, Unit A2, Siam Tower, Tel : 02 658 0776

Provincial Offices

Chaing Mai	313/15 Moo6 Chaing Mai – Lamphun Nong Hoi, Tel 053-141969
Khon Kaen	4th Fl., Kow Yoo Hah Bldg. Tel : 0 4332 5044-8
Khon Kaen - Rim Bueng	3rd Fl., Arokaya Bldg., Tel : 0 4322 6026
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Had Yai	4th Fl., Southland Rubber Bldg., Tel : 0 7423 4095-99110
Had Yai - Petkasem	3rd Fl., Unit 3D, Redar Group Bldg., Tel : 0 7422 3044
Suratthan	62/9 Donnok Rd., Tel : 077 206 131
Chumporn Investor Center	25/45 Krom Luang Chumporn Rd., Tel : 0 7757 0652-3

Overseas Offices

SINGAPORE	Phillip Securities Pte Ltd Raffles City Tower Tel : (65) 6533 6001 www.poems.com.sg
HONG KONG	Phillip Securities (HK) Ltd 11/F United Centre 95 Queensway, Tel (852) 22776600 www.phillip.com.hk
MALAYSIA	Phillip Capital Management Sdn Bhd, Block B Level 3 Megan Avenue II Tel (603) 21628841 www.poems.com.my
JAPAN	PhillipCapital Japan K.K. Nagata-cho Bldg., 8F, Tokyo Tel (81-3) 35953631 www.phillip.co.jp
INDONESIA	PT Phillip Securities Indonesia ANZ Tower Level 23B, Tel (62-21) 57900800 www.phillip.co.id
CHINA	Phillip Financial Advisory (Shanghai) Co. Ltd Ocean Tower Unit 2318 Tel (86-21) 51699200 www.phillip.com.cn
FRANCE	King & Shaxson Capital Limited 3rd Flr, 35 Rue de la Bienfaisance Tel (33-1) 45633100 www.kingandshaxson.com
UNITED KINGDOM	King & Shaxson Capital Limited 6th Flr, Candlewick House, Tel (44-20) 7426 5950 www.kingandshaxson.com
UNITED STATES	Phillip Futures Inc The Chicago Board of Trade Building Tel +1.312.356.9000
AUSTRALIA	PhillipCapital Australia Level 37, Collins Street, Melbourne, Tel (613) 96298380 Fwww.phillipcapital.com.au
SRI LANKA	Asha Phillip Securities Ltd Level 4, Millennium House, Tel: (+94) 11 2429 100 apsl@ashaphillip.net
TURKEY	Hak Menkul Kiyemetler A.Ş Dr.Cemil Bengü Cad. Tel: (+90) (212) 296 84 84 (pbx) hakmenkul@hakmenkul.com.tr
INDIA	PhillipCapital (India) Private Limited No. 1, C- Block, 2nd Floor, Modern Center , Jacob Circle, K. K. Marg, Mahalaxmi Mumbai 400011 Tel: (9122) 2300 2999 Website: www.phillipcapital.in
DUBAI	PhillipCapital (India) Pvt Ltd.601, White Crown Building Plot no 58, Sheikh Zayed Road P.O, Box 212291, Dubai UAE. Mahalaxmi Mumbai 400011 Tel: (9122) 2300 2999 Website: www.phillipcapital.in
CAMBADIA	Building No71, St 163, Sangkat Toul Svay Prey I, Khan Chamkarmorn, Phnom Penh, Kingdom of Cambodia Tel: (855) 23 217 942 Website: www.kredit.com.kh

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