

MCOT - MCOT

Court-ordered payments to Raisom to be booked in 3QCY13

Bloomberg | Reuters
MCOT TB | MCOT.BK

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.

- In 3QCY13, MCOT would book a provision of Bt55.78mn for court-ordered payments to Raisom for a return of a 30% ad fee discount and a share of revenue earned from extra ads broadcast by MCOT.
- MCOT will appeal to the Supreme Administrative Court against the Central Administrative Court's order for it to pay Bt55.78mn to Raisom.
- We cut our CY13 profit outlook for MCOT to factor in the above provision but we leave our CY14 view unchanged. Rolling forward our valuation to CY14, we set a target price of Bt49.75/share for MCOT based on a P/E multiple of 17x. We reiterate a 'BUY' call on MCOT.

What is the news?

On Jul 25, 2008, Raisom Co filed a lawsuit demanding MCOT to pay Bt253.03mn, plus 7.5% annual interest from the date of filing until settlements amounting to Bt215.20mn, for

1. a return of 30% ad fee discount it received from Raisom since 2006 for a total of Bt49.04mn.
2. a share of revenue earned from extra ads MCOT placed in the news programs for a total of Bt166.16mn.
3. an interest for a total of Bt37.83mn.

The Central Administrative Court ruled in favor of Rai Som by ordering MCOT to pay it Bt55.78mn with a 7.5% annual interest of Bt49.04mn within 90 days after the verdict was handed down. Details were as follows:

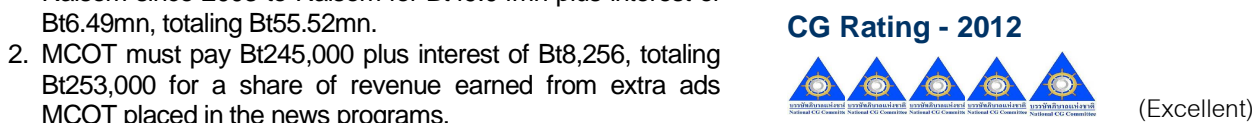
1. MCOT must pay a 30% ad fee discount it received from Raisom since 2003 to Raisom for Bt49.04mn plus interest of Bt6.49mn, totaling Bt55.52mn.
2. MCOT must pay Bt245,000 plus interest of Bt8,256, totaling Bt253,000 for a share of revenue earned from extra ads MCOT placed in the news programs.

How do we view this?

According to our inquiries with MCOT management, we learnt some information that MCOT will set provision of Bt55.78mn in 3QCY13, much lower than we mentioned in the previous report (Bt85.06mn payment and interest charges). As MCOT will appeal to the Supreme Court, interest charges of about Bt19mn, calculating from the accused date until completed (from July 26, 2008 to present), will be set later on. To reflect this, we cut our CY13 net profit projection to Bt1,792mn, representing a 1.89% y-y growth. However, net profit is projected to grow notably by 12.24% y-y to Bt2,011mn in CY14.

Investment Actions?

Rolling forward our valuation to CY14, we set a target price of Bt49.75/share for MCOT based on a P/E multiple of 17x. We reiterate a 'BUY' call on MCOT.



Valuation Method

P/E'14 (17x)

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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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