

### Report type: Company Preview

#### 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 forecast MCOT to report a 17.9% y-y drop in 3QCY13 net profit due chiefly to a provision for court-ordered payments to Raisom for a return of 30% ad fee discount and share revenue earned from extra ads broadcast by MCOT. Excluding this item, 3QCY13 profit is expected to be only 8.6% lower than 3QCY12.
- Earnings are poised for pickup in 4QCY13 helped by fourth-quarter high season effect, more positive impact from programming reshuffle in Jul 2013 and windfall from the broadcast of English Premier League football matches.
- We slash our CY13-14 profit forecasts for MCOT to Bt1,739mn and Bt1,881mn respectively. Rolling forward our valuation to CY14 and cutting P/E target to 15x to reflect slower earnings growth outlook, we set a target price of Bt41/share for MCOT. Despite earnings and target price downgrades, we keep a 'BUY' stance on MCOT as the new target still offers more than 20% upside from current trading levels.

#### What is the news?

The double whammy of slowing economic conditions and shrinking purchasing power dragged ad revenues from TV and radio businesses lower in 3QCY13. The positive impact from the programming reshuffle in Jul 2013 started to be felt before the end of 3QCY13. In 3QCY12, MCOT also reaped a windfall from the London 2012 Olympic Games but there was none in 3QCY13.

On this basis, we estimate MCOT will post a 17.9% y-y decline in 3QCY13 net profit to Bt394mn. The forecast assumes that (i) MCOT will report a 2.9% y-y drop in 3QCY13 total revenue to Bt1,472mn, (ii) an increasing proportion of in-house programs to 52% in 3QCY13 from 47% in 3QCY12 will push production costs and SG&A expenses higher, (iii) MCOT will book a Bt55.78mn provision for court-ordered payments to Raisom for a return of 30% ad fee discount and share revenue earned from extra ads broadcast by MCOT. Stripping out the above provision, 3QCY13 net profit is expected to be only 8.6% lower than 3QCY12.

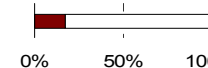
#### How do we view this?

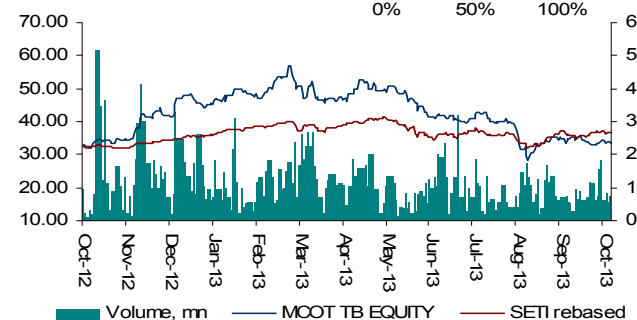
In q-q terms, earnings are poised for pickup in 4QCY13 helped by fourth-quarter high season effect, more positive impact from programming reshuffle in Jul 2013 and windfall from the broadcast of English Premier League football matches. However, the softer-than-expected 3QCY13 profit view gives us an excuse to slash our CY13-14 profit forecasts for MCOT to Bt1,739mn and Bt1,881mn respectively.

#### Investment Actions?

Rolling forward our valuation to CY14 and cutting P/E target to 15x to reflect slower earnings growth outlook, we set a target price of Bt41/share for MCOT. Despite earnings and target price downgrades, we keep a 'BUY' stance on MCOT as the new target still offers more than 20% upside from current trading levels.

#### MCOT

<b>Rating</b>	<b>1.00</b>	<b>Buy</b>
- Previous Rating	1.00	Buy
<b>Target Price (Bt)</b>	<b>41.00</b>	
- Previous Target Price (Bt)	49.75	
Closing Price (Bt)	33.50	
Expected Capital Gains (%)	22.4%	
Expected Dividend Yield (%)	6.9%	
<b>Expected Total Return (%)</b>	<b>29.3%</b>	
Raw Beta (Past 2yrs weekly data)	0.96	
Market Cap. (USD mn)	739	
Enterprise Value (USD mn)	592	
Market Cap. (Bt mn)	23,018	
Enterprise Value (Bt mn)	18,448	
3MAverage Daily T/O (mn)	0.8	
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.	3.4

#### CG Report - 2012



#### Key Financial Summary

FYE	12/11	12/12	12/13F	12/14F
Revenue (Btmn)	5,142	5,729	5,789	6,030
Net Profit (Btmn)	1,356	1,759	1,739	1,881
EPS (Bt)	1.97	2.56	2.53	2.74
Net Profit, adj. (Btmn)	1,356	1,759	1,739	1,881
EPS, adj. (Bt)	1.97	2.56	2.53	2.74
P/E (X),adj.	17.0	13.1	13.2	12.2
BVPS (Bt)	11.15	11.70	12.44	13.37
P/B (X)	3.0	2.9	2.7	2.5
DPS (Bt)	2.00	2.30	2.30	2.30
Div. Yield (%)	6.0	6.9	6.9	6.9

Source: Bloomberg, PSR est.

\*All multiples & yields based on current market price

#### Valuation Method

P/E14 (15x)

#### Analyst

Siam Tiyanont  
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### 3QCY13 profit seen down 17.9% y-y

We forecast MCOT to report a 17.9% y-y drop in 3QCY13 net profit due chiefly to a provision for court-ordered payments to Raisom for a return of 30% ad fee discount and share revenue earned from extra ads broadcast by MCOT. Excluding this item, 3QCY13 profit is expected to be only 8.6% lower than 3QCY12.

Data from The Nielsen Company (Thailand) showed AdEx at MCOT-run Modernine TV in 3QCY13 was down 2.5% y-y but flat q-q as slowing economic conditions and shrinking purchasing power prompted advertisers to delay ad budgets. The Nielsen figures support our forecast that MCOT would see a 5% y-y drop in TV revenue in 3QCY13 as the positive impact from the reshuffle of its super primetime program lineup in Jul 2013 started to be felt before the end of 3QCY13 and MCOT reaped a windfall from the London 2012 Olympic Games in 3QCY12 but there was none in 3QCY13. Our forecast also assumes that radio revenue will also be down 3.5% y-y but joint venture revenue will be up 8.9% y-y. Overall we expect MCOT to post a 2.9% y-y drop in 3QCY13 total revenue to Bt1,472mn. Costs and SG&A expenses would edge higher due to an increase in proportion of its in-house programs to 52% in 3QCY13 from 47% in 3QCY12. On a normalized basis, MCOT is forecast to report an 8.6% y-y dip in 3QCY13 operating profit to Bt438mn. MCOT is also expected to book a Bt55.78mn provision for court-ordered payments to Raisom for a return of 30% ad fee discount and share revenue earned from extra ads broadcast by MCOT. On a net profit basis, we estimate MCOT will achieve 3QCY13 net profit of Bt394mn, down 17.9% y-y.

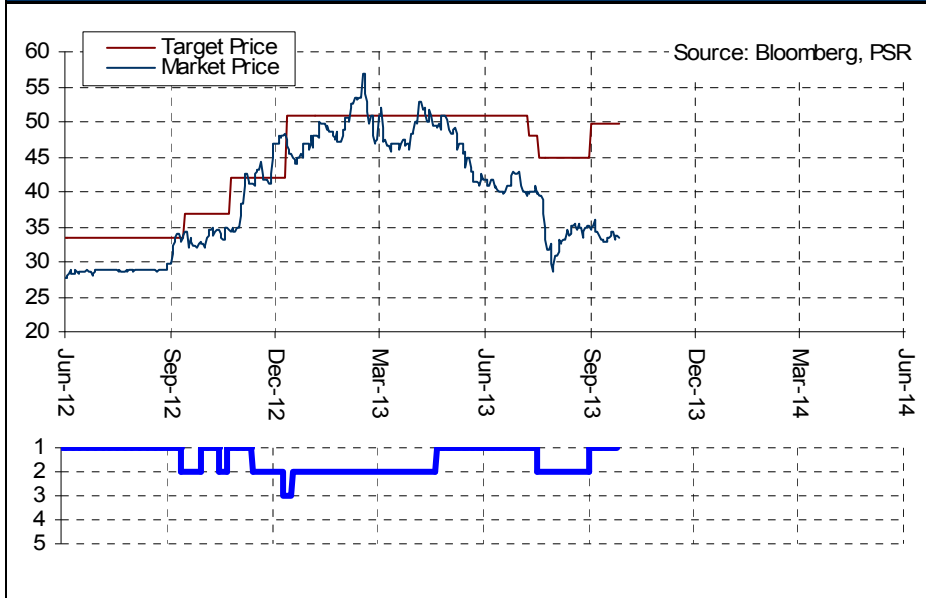
### Earnings downgrades for CY13-14

In q-q terms, earnings are poised for pickup in 4QCY13 helped by fourth-quarter high season effect, more positive impact from programming reshuffle in Jul 2013 and windfall from the broadcast of English Premier League football matches. MCOT has joined hands with CTH to broadcast 17 EPL football matches a year with the first season starting Aug 2013-May 2014. However, the softer-than-expected 3QCY13 profit view gives us an excuse to slightly trim our CY13 profit outlook for MCOT to Bt1,739mn from a previous estimate of Bt1,792mn. The new profit target implies a 1.1% y-y drop. We also cut our CY14 profit forecast for MCOT to Bt1,881mn from a previous view of Bt2,011mn. Under the new estimate, we assume MCOT will achieve CY14 total revenue of Bt6,030mn.

### 'BUY' rating with CY14 target price of Bt41/share.

Rolling forward our valuation to CY14 and cutting P/E target to 15x from 17x to reflect slower earnings growth outlook, we set a target price of Bt41/share for MCOT. Our forecast also suggests MCOT will pay a CY13 dividend of Bt2.30/share. Despite earnings and target price downgrades, we keep a 'BUY' stance on MCOT as the new target still offers more than 20% upside from current trading levels.

**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:**

<b>Name</b>	<b>Analyst Reg No.</b>	<b>Tel</b>	<b>Sector</b>
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Siam Tiyanont	Securities Investment Analyst #17970	662 635 1700#483	Transportation, Media & Publishing, Tourism
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<b>Score Range</b>	<b>Number of Logo</b>
Less than 50	No logo given
50 - 59	
60 - 69	
70 - 79	
80 - 89	
90 - 100	

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