

Under Review (from Buy)

CGR Scoring Rating 

Share price: Bt33.50
Target price: Under review (from Bt48)

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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.

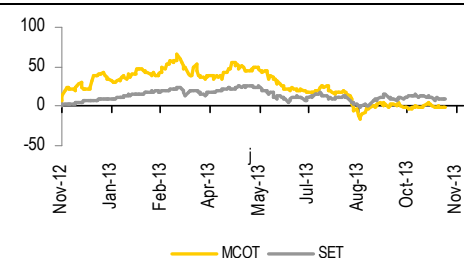
Ticker :	MCOT
Shares Issued (mn):	687
Market Cap (Btmn)	23,018
Market Cap (US\$m)	731.58
3-mth Avg. Daily Turnover (Btmn)	25.79
SET index	1,404.77
Free float (%)	22.71

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

Historic Chart



Performance

52-week High/Low	Bt 56.75/Bt 28.50				
	1-mth	3-mth	6-mth	1-yrs	YTD
Absolute (%)	1.5	-15.7	-32.3	0.0	-28.7
Relative (%)	5.5	-12.4	-22.1	-8.2	-29.4

MCOT PLC (MCOT)

Earnings below market estimates

3Q13 earnings summary. The net profit was below market estimates, dropping 15% QoQ and 21% YoY to Bt377mn due to a lower gross margin. MCOT booked more TV production costs, while ratings on the new programmes were below target, resulting in a declining market share for Channel 9. MCOT has also set a Bt55.8mn provisioning for litigation after the Administrative Court ruling on MCOT to pay compensation to the Rai Som Company. Note that MCOT has appealed to the Supreme Administrative Court. When excluding this item, the profit still contracted 5% QoQ and 12% YoY.

What's next? We expect earnings to recover QoQ on the back of the high season with the added benefit from live Premiere League programmes and more revenue from producing government programmes. However, costs are expected to increase from the higher in-house produced programmes. The 9M13 net profit represents just 65% of our yearly projection, so we will revise our earnings forecast downward after an analyst's meeting.

Recommendation. MCOT will realise additional revenues from being a digital TV network provider. We also expect MCOT to win at least 1 DTV channel after submitting applications for 3 channels; 1 Variety HD, SD, and Children's channel. However, we expect MCOT will be affected by higher competition that could hurt ad revenues. With an earnings downgrade possibility, we have put our recommendation under review, down from Buy.

Risks. Lower utilisation, losing the law suit and severe competition with the advent of digital TV.

MCOT– Summary Earnings Table

FYE: Dec 31 (Btmn)	2011	2012	2013F	2014F	2015F
Revenue	5,142	5,729	6,030	6,397	6,832
EBITDA	2,598	2,872	2,914	3,145	3,333
Recurring Net Profit	1,356	1,759	1,854	2,017	2,163
Net profit	1,356	1,759	1,854	2,017	2,163
EPS (Bt)	1.97	2.56	2.70	2.94	3.15
EPS growth (%)	(4.7)	29.7	5.4	8.8	7.2
DPS (Bt)	2.00	2.30	2.40	2.50	2.60
PER	17.0	13.1	12.4	11.4	10.6
EV/EBITDA (x)	7.3	6.4	6.2	5.6	5.2
Div Yield (%)	6.0	6.9	7.2	7.5	7.8
P/BV(x)	3.0	2.9	2.8	2.7	2.6
Net Gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash
ROE (%)	17.8	22.6	22.9	24.2	25.0
ROA (%)	12.8	16.1	16.1	16.9	17.4
Cons. Net Profit (Btmn)	-	-	1,815	1,950	2,120

Source: Company reports and MBKET estimates.

Figure 1: MCOT 3Q13 results

(Btmn)	3Q13	2Q13	QoQ	3Q12	YoY	Comment
Sales	1,529	1,466	4%	1,515	1%	
TV income	1,065	946	13%	1,058	1%	Lower market share / More government programmes
Radio income	248	246	1%	245	1%	
Joint operations	204	263	(22%)	201	2%	
Additional income	12	12	1%	12	0%	
COGS	754	652	16%	649	16%	More self-produced programmes
Gross profit	776	814	(5%)	866	(10%)	
Gross margin (%)	50.7%	55.5%	N.A.	57.2%	N.A.	
SG&A	350	311	12%	292	20%	Provisioning on litigation
EBITDA	608	691	(12%)	745	(18%)	
EBITDA margin (%)	38.5%	45.2%	N.A.	47.9%	N.A.	
Normalised profit	421	445	(5%)	480	(12%)	Excluding provisioning
Net profit	377	445	(15%)	480	(21%)	Below market expectations
EPS (Bt)	0.55	0.65	(15%)	0.70	(21%)	

Source : Company reports and MBKET

INCOME STATEMENT (Btmn)

FY December	2012	2013F	2014F	2015F
Revenue	5,729	6,030	6,397	6,832
EBITDA	2,872	2,914	3,145	3,333
Depreciation & Amortisation	542	562	589	597
Operating Profit (EBIT)	2,330	2,352	2,556	2,736
Interest (Exp) / Inc	10	12	10	6
Associates	0	0	0	0
One-offs	0	0	0	0
Pre-Tax Profit	2,319	2,340	2,546	2,730
Tax	551	480	522	560
Minority Interest	10	7	7	8
Net Profit	1,759	1,854	2,017	2,163
Recurring Net Profit	1,759	1,854	2,017	2,163
Revenue Growth %	11.4	5.2	6.1	6.8
EBITDA Growth (%)	10.5	1.5	7.9	6.0
EBIT Growth (%)	13.3	1.0	8.7	7.0
Net Profit Growth (%)	29.7	5.4	8.8	7.2
Recurring Net Profit Growth (%)	29.7	5.4	8.8	7.2
Tax Rate %	23.8	20.5	20.5	20.5

BALANCE SHEET (Btmn)

FY December	2012	2013F	2014F	2015F
Fixed Assets	4,250	4,335	4,296	4,249
Other LT Assets	760	760	760	760
Cash / ST Investments	4,610	4,997	5,291	5,854
Other Current Assets	1,627	1,649	1,748	1,837
Total Assets	11,248	11,741	12,095	12,700
ST Debt	6	9	14	52
Other Current Liabilities	1,952	2,145	2,227	2,388
LT Debt	5	7	11	41
Other LT Liabilities	1,247	1,328	1,288	1,308
Minority Interest	59	66	73	80
Shareholders' Equity	7,980	8,185	8,484	8,831
Total Liabilities-Capital	11,248	11,741	12,095	12,700
Share Capital (mn)	3,435	3,435	3,435	3,435
Gross Debt / (Cash)	10	16	24	92
Net Debt / (Cash)	Net cash	Net cash	Net cash	Net cash
Working Capital	(325)	(497)	(479)	(551)
BVPS	11.61	11.91	12.35	12.85

CASH FLOW (Btmn)

FY December	2012	2013F	2014F	2015F
Profit before taxation	2,319	2,340	2,546	2,730
Depreciation	542	562	589	597
Net interest receipts / (payments)	10	12	10	6
Working capital change	232	172	(18)	72
Cash tax paid	(551)	(480)	(522)	(560)
Others (inc. exceptional items)	(20)	(25)	(17)	(14)
Cash flow from operations	2,533	2,582	2,588	2,831
Capex	(572)	(647)	(549)	(550)
Disposals / (purchases)	0	0	0	0
Others	(759)	(216)	(380)	(520)
Cash flow from investing	(1,330)	(863)	(929)	(1,070)
Debt raised / (repaid)	177	(89)	44	(22)
Equity raised / (repaid)	(4)	7	7	8
Dividends (paid)	(1,374)	(1,649)	(1,718)	(1,815)
Interest payments	10	12	10	6
Others	(10)	(12)	(10)	(6)
Cash flow from financing	(1,201)	(1,731)	(1,666)	(1,830)
Change in cash	2	(12)	(8)	(69)

RATES & RATIOS

FY December	2012	2013F	2014F	2015F
Gross margin %	57.7	56.7	57.5	57.9
EBITDA Margin %	48.4	46.0	46.9	46.7
Op. Profit Margin %	39.2	37.2	38.2	38.3
Net Profit Margin %	29.6	29.3	30.1	30.3
ROE %	22.6	22.9	24.2	25.0
ROA %	16.1	16.1	16.9	17.4
Net Margin Ex. EI %	29.6	29.3	30.1	30.3
Dividend Cover (x)	1.1	1.1	1.2	1.2
Interest Cover (x)	229.8	197.7	252.3	469.3
Asset Turnover (x)	0.5	0.5	0.5	0.5
Asset / Debt (x)	3.5	3.4	3.4	3.4
Debtors Turn (days)	44.6	47.0	45.0	44.0
Creditors Turn (days)	21.9	28.0	31.0	31.0
Inventory Turn (days)	4.9	7.0	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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Adex = Advertising Expenditure	FCF = Free Cashflow	PE = Price Earnings
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
EV = Enterprise Value	PBT = Profit Before Tax	

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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	RS	SNC	90-100	▲▲▲▲▲	Excellent
AOT	BMCL	HEMRAJ	PHOL	SAMART	SYMC	80-89	▲▲▲▲	Very Good
ASIMAR	BTS	ICC	PS	SAMTEL	THAI	70-79	▲▲▲	Good
BAFS	CPN	IRPC	PSL	SAT	TIP	60-69	▲▲	Satisfactory
BANPU	CPN	KBANK	PTT	SC	TIPCO	50-59	▲	Pass
BAY	CSL	KK	PTTEP	SCB	TISCO	Lower than 50	No logo given	N/A
BBL	DRT	KTB	PTTGC	SCC	TKT	TTA		
BBL	EASTW	LPN	QH	SE-ED	TMB			
BCP	EGCO	MCOT	RATCH	SIM	TOP			
BECL	ERW	NKI	ROBINS	SIS	TSTE			
▲▲▲▲								
2S	BWVG	ECL	ITD	MINT	PM	SPCG	THCOM	TSC
ACAP	CENTEL	EE	IVL	MODERN	PR	SPI	THIP	TSTH
AF	CFRESH	EIC	JAS	MTI	PRANDA	SPPT	THRE	TTW
AIT	CGS	ESSO	KCE	NBC	PRG	SSF	TIC	TUF
AKR	CHOW	FE	KGI	NCH	PT	SSSC	TICON	TVO
AMATA	CHOW	FORTH	KSL	NINE	PYLON	STANLY	TNW	UAC
AMATA	CIMBT	GBX	L&E	NMG	S&J	STEC	TK	UMI
AP	CK	GC	LANNA	NSI	S&P	SUC	TLUXE	UP
ASK	CM	GFPT	LH	OCC	SABINA	SUSCO	TMT	UPOIC
ASP	CPALL	GL	LRH	OFM	SAMCO	SVI	TNITY	UV
AYUD	CPF	GLOW	LST	OGC	SCCC	SYNTEC	TNL	VIBHA
BEC	CSC	GUNKUL	MACO	OISHI	SCG	TASCO	TOG	VNT
BFIT	DCC	HANA	MAKRO	PAP	SCSMG	TCAP	TPC	WACOAL
BH	DELTA	HMPRO	MBK	PDI	SFP	TCP	TRC	YUASA
BIGC	DEMCO	HTC	MBKET	PE	SITHAI	TFD	TRT	ZMICO
BJC	DTAC	IFEC	MFC	PG	SMT	TFI	TRU	
BROOK	DTC	INTUCH	MFEC	PJW	SPALI	THANA	TRUE	
▲▲▲								
AEONTS	BROCK	EASON	JMART	MAJOR	POST	SF	TEAM	UEC
AFC	BSBM	BMC	JTS	MATCH	PPM	SGP	TF	UIC
AGE	BTNC	EPCO	JUBILE	MATI	PREB	SIAM	TGCI	UMS
AH	BUI	FNS	JUTHA	MBAX	PRECHA	SIMAT	THANI	UOBKH
AHC	CCET	FOCUS	KASET	M-CHAI	PRIN	SINGER	TKS	UPF
AJ	CEN	FSS	KBS	MDX	PSAAP	SIRI	TMD	US
AJ	CHUO	GENCO	KC	MUD	PTL	SKR	TMI	UT
ALUCON	CI	GFM	KDH	MK	Q-CON	SMT	TNH	VARO
AMANAH	CIG	GLOBAL	KIAT	MOONG	QLT	SMK	TNPC	WAVE
APCO	CITY	GOLD	KKC	MPIC	QTC	SOLAR	TOPP	WG
APCS	CMD	HFT	KTC	MSC	RASA	SPC	TPA	WIN
APRINT	CNS	HTECH	KWC	NC	RCL	SPG	TPAC	WORK
ARIP	CNT	HYDRO	KWH	NNCL	RICH	SSC	TPCORP	
AS	CPL	IFS	KYE	NTV	ROJNA	SST	TRIPL	
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	SYNEK	TWFP	
BOL	DRACO	IRCP	LIVE	PICO	SEAFCO	TBSP	TYCN	
		IT	LOXLEY	PL	SENA	TCB	UBIS	

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