

### T-Buy (unchanged)

CGR Scoring Rating 

Share price: Bt30.50  
Target price: Bt32.00 (unchanged)

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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.

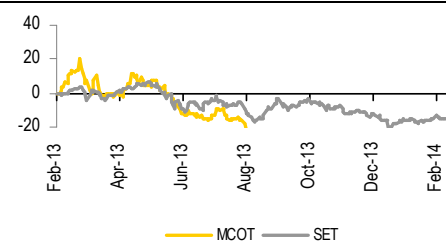
Ticker :	MCOT
Shares Issued (mn):	687
Market Cap (Btmn)	20,957
Market Cap (US\$m)	643.04
3-mth Avg. Daily Turnover (Btmn)	15.49
SET index	1,303.88
Free float (%)	22.71

<b>Major Shareholders :</b>	%
The Ministry of Finance	65.80
Government Savings Bank	11.48

#### Key Indicators

ROE – annualised (%)	22.1
Net cash (Btmn):	Net cash
NTA/shr (Bt):	12.2
Interest cover (x):	119.9

#### Historic Chart



#### Performance

52-week High/Low	Bt 56.75/Bt 27.00				
	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	9.9	2.5	7.0	-36.5	5.2
Relative (%)	8.6	6.8	4.7	-25.4	4.8

## MCOT PLC (MCOT)

### Weak TV income hurts 4Q13 result

**The 4Q13 earnings summary.** The net profit slipped 12% QoQ and 31% YoY to Bt331mn and below our expectation. TV revenues were lower than estimated on the back of a smaller audience share, some unsuccessful new programmes and fewer government projects. Costs and expenses went up with the greater portion of in-house produced programmes and extra expenses during the political demonstrations. The gross margin dropped to 48.5% from 60.6% in 4Q12. The 2013 net profit reached Bt1.527bn, down 13% YoY.

**What's next?** The earnings should remain weak in 1Q14 on the ad industry slowdown and fewer entertainment activities based on the slower economic growth and the political unrest. The government ad budget has been delayed during the caretaker government period. The production costs will tend to increase from a rising number of in-house programmes.

**Recommendation.** Based on the disappointing 2013 result, we are likely to review our earnings forecast for 2014. MCOT should benefit from operating a network for digital TV, which we estimate will have an additional profit of 4-7% of the bottom line. However, higher competition from the advent of DTV will pressure MCOT performance. MCOT announced a 2H13 dividend of Bt1.11/share (XD 10 March), or a half-year yield of 3.6%. We maintain a Trading Buy rating with our DCF-based TP of Bt32.00.

**Risks.** Lower utilisation, a law suit loss, political uncertainty affecting government project revenue and higher competition with the advent of DTV.

#### MCOT– Summary Earnings Table

FYE: Dec 31 (Btmn)	2011	2012	2013	2014F	2015F
Revenue	5,142	5,729	5,715	6,219	6,576
EBITDA	2,598	2,872	2,476	2,905	3,085
Recurring Net Profit	1,356	1,759	1,527	1,803	1,928
Net profit	1,356	1,759	1,527	1,803	1,928
EPS (Bt)	1.97	2.56	2.22	2.62	2.81
EPS growth (%)	(4.7)	29.7	(13.2)	18.1	6.9
DPS (Bt)	2.00	2.30	2.11	2.20	2.30
PER	15.5	11.9	13.7	11.6	10.9
EV/EBITDA (x)	6.5	5.7	6.7	5.8	5.3
Div Yield (%)	6.6	7.5	6.9	7.2	7.5
P/BV(x)	2.8	2.6	2.7	2.5	2.4
Net Gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash
ROE (%)	17.8	22.6	19.2	22.1	22.4
ROA (%)	12.8	16.1	13.6	15.0	14.4
Cons. Net Profit (Btmn)	-	-	1,720	1,810	1,905

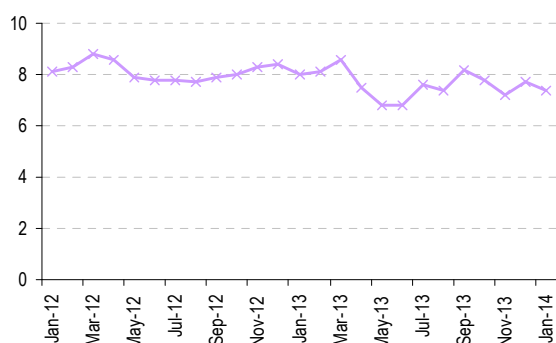
Source: Company reports and MBKET estimates.

Figure 1: MCOT 4Q13 results

(Btmn)	4Q13	3Q13	QoQ	4Q12	YoY	Comment
Sales	1,437	1,529	(6%)	1,499	(4%)	Smaller audience share, declining income from government projects
TV income	954	1,065	(10%)	1,007	(5%)	
Radio income	266	248	8%	267	(0%)	
Joint operations	205	204	0%	214	(4%)	
Additional income	12	12	0%	12	0%	Rising portion of in-house produced programmes
COGS	740	754	(2%)	591	25%	
Gross profit	696	776	(10%)	908	(23%)	
Gross margin (%)	48.5%	50.7%	N.A.	60.6%	N.A.	
SG&A	325	350	(7%)	332	(2%)	
EBITDA	569	608	(6%)	790	(28%)	
EBITDA margin (%)	38.3%	38.5%	N.A.	50.4%	N.A.	
Net profit	331	377	(12%)	481	(31%)	Below expectations
EPS (Bt)	0.48	0.55	(12%)	0.70	(31%)	

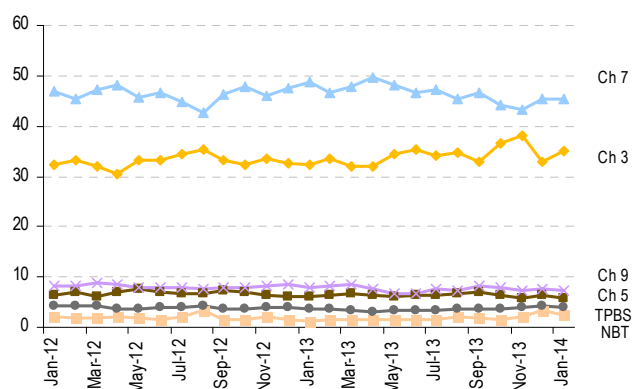
Source : Company reports and MBKET

Figure 1: Channel 9 audience share



Source: The Nielsen Company (Thailand)

Figure 2: Thai audience shares



Source: The Nielsen Company (Thailand)

**INCOME STATEMENT (Btmn)**

FY December	2012	2013	2014F	2015F
Revenue	5,729	5,715	6,219	6,576
EBITDA	2,872	2,476	2,905	3,085
Depreciation & Amortisation	542	539	628	659
<b>Operating Profit (EBIT)</b>	<b>2,330</b>	<b>1,937</b>	<b>2,277</b>	<b>2,426</b>
Interest (Exp) /Inc	10	13	19	12
Associates	0	0	0	0
One-offs	0	0	0	0
<b>Pre-Tax Profit</b>	<b>2,319</b>	<b>1,924</b>	<b>2,258</b>	<b>2,415</b>
Tax	551	396	452	483
Minority Interest	10	1	3	3
<b>Net Profit</b>	<b>1,759</b>	<b>1,527</b>	<b>1,803</b>	<b>1,928</b>
<b>Recurring Net Profit</b>	<b>1,759</b>	<b>1,527</b>	<b>1,803</b>	<b>1,928</b>
Revenue Growth %	11.4	(0.2)	8.8	5.7
EBITDA Growth (%)	10.5	(13.8)	17.3	6.2
EBIT Growth (%)	13.3	(16.9)	17.6	6.6
Net Profit Growth (%)	29.7	(13.2)	18.1	6.9
Recurring Net Profit Growth (%)	29.7	(13.2)	18.1	6.9
Tax Rate %	23.8	20.6	20.0	20.0

**BALANCE SHEET (Btmn)**

FY December	2012	2013	2014F	2015F
Fixed Assets	4,250	4,147	4,766	4,655
Other LT Assets	760	790	790	790
Cash / ST Investments	4,610	4,337	5,538	6,294
Other Current Assets	1,627	1,895	1,803	2,101
<b>Total Assets</b>	<b>11,248</b>	<b>11,168</b>	<b>12,897</b>	<b>13,840</b>
ST Debt	6	6	991	1,143
Other Current Liabilities	1,952	1,763	1,554	1,793
LT Debt	5	4	562	648
Other LT Liabilities	1,247	1,435	1,341	1,388
Minority Interest	59	61	64	67
Shareholders' Equity	7,980	7,899	8,385	8,801
<b>Total Liabilities-Capital</b>	<b>11,248</b>	<b>11,168</b>	<b>12,897</b>	<b>13,840</b>
Share Capital (mn)	3,435	3,435	3,435	3,435
Gross Debt / (Cash)	10	10	1,553	1,791
Net Debt / (Cash)	Net cash	Net cash	Net cash	Net cash
Working Capital	(325)	132	249	308
BVPS	11.61	11.50	12.20	12.81

**CASH FLOW (Btmn)**

FY December	2012	2013	2014F	2015F
Profit before taxation	2,319	1,924	2,258	2,415
Depreciation	542	539	628	659
Net interest receipts / (payments)	10	13	19	12
Working capital change	232	(456)	(117)	(60)
Cash tax paid	(551)	(396)	(452)	(483)
Others (inc. exceptional items)	(20)	(14)	(22)	(14)
<b>Cash flow from operations</b>	<b>2,533</b>	<b>1,610</b>	<b>2,314</b>	<b>2,529</b>
Capex	(572)	(465)	(1,247)	(548)
Disposals / (purchases)	0	0	0	0
Others	(759)	2,097	(2,114)	(300)
<b>Cash flow from investing</b>	<b>(1,330)</b>	<b>1,633</b>	<b>(3,361)</b>	<b>(848)</b>
Debt raised / (repaid)	177	(1,663)	818	(409)
Equity raised / (repaid)	(4)	2	3	3
Dividends (paid)	(1,374)	(1,580)	(1,318)	(1,512)
Interest payments	10	(12)	10	6
Others	(10)	12	(10)	(6)
<b>Cash flow from financing</b>	<b>(1,201)</b>	<b>(3,242)</b>	<b>(497)</b>	<b>(1,918)</b>
Change in cash	2	0	(1,543)	(237)

**RATES & RATIOS**

FY December	2012	2013	2014F	2015F
Gross margin %	57.7	52.3	55.5	55.9
EBITDA Margin %	48.4	41.4	44.8	45.1
Op. Profit Margin %	39.2	32.4	35.1	35.5
Net Profit Margin %	29.6	25.5	27.8	28.2
ROE %	22.6	19.2	22.1	22.4
ROA %	16.1	13.6	15.0	14.4
Net Margin Ex. EI %	29.6	25.5	27.8	28.2
Dividend Cover (x)	1.1	1.1	1.2	1.2
Interest Cover (x)	229.8	148.9	119.9	207.3
Asset Turnover (x)	0.5	0.5	0.5	0.5
Asset / Debt (x)	3.5	3.5	2.9	2.8
Debtors Turn (days)	44.6	52.3	45.0	44.0
Creditors Turn (days)	21.9	33.0	31.0	31.0
Inventory Turn (days)	4.9	7.6	7.6	7.6
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 2014**

▲▲▲▲▲ Excellent						Score Range	Number of Logo	Description
ADVANC	CIMBT	ICC	PG	S&J	SPALI	90-100	▲▲▲▲▲	Excellent
AOT	CK	INTUCH	PHOL	SAMART	SPI	80-89	▲▲▲▲▲	Very Good
ASIMAR	CPF	IRPC	PR	SAMTEL	SSI	70-79	▲▲▲▲	Good
BAFS	CPN	IVL	PRANDA	SAT	SSSC	60-69	▲▲▲	Satisfactory
BANPU	CSL	KBANK	PS	SC	SM	50-59	▲	Pass
BAY	DRT	KKP	PSL	SCB	SYMC	Lower than 50	No logo given	N/A
BBL	DTAC	KTB	PTT	SCC	TCAP			
BCP	EASTW	LPN	PTTEP	SCSMG	THAI			
BECL	EGCO	MCOT	PTTGC	SE-ED	THCOM	TKT	TRC	UV
BKI	ERW	MINT	QH	SIM	THRE	TM6	TRUE	VGI
BROOK	GRAMMY	NKI	RATCH	SIS	TIP	TMTY	TTW	WACOAL
BTS	HANA	NOBLE	ROBINS	SITHAJ	TISCO	TOP	TVO	
▲▲▲▲ Very Good								
ZS	BH	EE	JUBILE	MBK	PF	SINGER	THANI	TTCL
ACAP	BIGC	EIC	KBS	MBKET	PJW	SKR	TICON	TWFP
AF	BJC	ESSO	KCE	MFC	PM	SMT	TIPCO	TYM
AHC	BLA	FE	KGI	MFEC	PPM	SNP	TK	UAC
AIT	BMCL	FORTH	KKC	MODERN	PPP	SPCG	TLUXE	UMI
AKP	BWG	GBX	KSL	MTI	PREB	SPPT	TMILL	UMS
AMANAHA	CCEET	GC	KWC	NBC	PRG	SSF	TMT	UP
AMARIN	CENDEL	GFPT	L&E	NCH	PT	STANLY	TNL	UPOIC
AMATA	CFRESH	GL	LANNA	NINE	PYLON	STEC	TOG	UT
AP	CGS	GLOW	LH	NMG	QTC	SUC	TPC	VIBHA
APCO	CHOW	GOLD	LHBANK	NSI	RASA	SUSCO	TPCORP	VH
APCS	CM	GSTEL	LHK	NWR	SABINA	SYNTEC	TPIPL	VNG
ASIA	CNT	GUNKUL	LIVE	OCC	SAMCO	TASCO	TRT	VNT
ASK	CPALL	HMPRO	LOXLEY	OFM	SCCC	TCP	TRU	YUASA
ASP	CSC	HTC	LRH	OGC	SCG	TF	TSC	ZMICO
AYUD	DCC	IFEC	LST	OISHI	SEAFCO	TFD	TSTE	
BEC	DELTA	INET	MACO	PB	SFP	TFI	TSTH	
BFIT	DTC	ITD	MAJOR	PDI	SIAM	THANA	TTA	
▲▲▲ Good								
A	BGT	DNA	HYDRO	LALIN	PATO	SLC	TIES	UOBKH
AAV	BLAND	DRACO	IFS	LEE	PICO	SMT	TIW	UPF
AEC	BOL	EA	IHL	MATCH	PL	SMK	TKS	UWC
AEDNTS	BROCK	EARTH	ILINK	MATI	POST	SOLAR	TMC	VARO
AFC	BSBM	EASON	INOX	MBAX	PRECHA	SPC	TMD	VTE
AGE	CHARAN	BMC	IRC	MDX	PRIN	SPG	TMI	WAVE
AH	CHUO	EPCO	IRCP	PRINC	Q-CON	SRICHA	TNDT	WG
AI	CI	F&D	IT	MJD	QLT	SSC	TNCP	WIN
AJ	CIG	FNS	JMART	MK	RCI	STA	TOPP	WORK
AKR	CITY	FOCUS	JMT	MOONG	RCL	SUPER	TPA	
ALUCON	CMR	FPI	JTS	MPIC	ROJNA	SVOA	TPP	
ANAN	CNS	FSS	JUTHA	MSC	RPC	SWC	TR	
ARIP	CPL	GENCO	KASET	NC	SCBLIF	SYNEX	TTI	
AS	CRANE	GFM	KC	NIPPON	SCP	TBSP	TVD	
BAT-3K	CSP	GJS	KCAR	NNCL	SENA	TCCC	TM	
BCH	CSR	GLOBAL	KDH	NTV	SF	TEAM	TWZ	
BEAUTY	CTW	HFT	KTC	OSK	SGP	TGCI	UBIS	

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