

# MCOT

MCOT.TB / MCOT.BK

21 January 2016

## Frequency return reparation creates speculative trading opportunity

### Investment thesis

Although there is the issue of compensation from the NBTC for MCOT's the return of its portion of 2600MHz bandwidth, which is a positive factor for MCOT and paves the way for a speculative trading opportunity, we regard it as a one-time event. As the huge recompense will be invested as CAPEX for its recurring business and will not be returned to shareholders as special dividends, we think the incremental value to MCOT will be insignificant due to its currently unsuccessful TV business operations. Meanwhile, we are not seeing any core business gains and there is no sign of such on the horizon. Our rating is changed to HOLD (from SELL) due to the recent share price tumble and the narrower valuation gap. We cut core earnings forecasts 34% for FY15 (to Bt55m) and by 42% for FY16 (to Bt101m), respectively, to factor in weaker 4Q15 earnings and greater content costs in FY16.

### Huge remedy to stem from bandwidth returned to regulator

MCOT is willing to return more than 60MHz of its 2600MHz bandwidth in 2H16 (144MHz in total) to the NBTC for the next auction, which will likely take place in 1H17 and expects greater compensation from the NBTC. This is pending the new NBTC law, expected in mid-2016, which will require the NBTC to pay compensation for frequencies of state enterprise units returned to the NBTC. Management expects the proceeds of the compensation to be invested in its TV content or the acquisition of a broadcasting firm or investment in an IT firm to increase its competitiveness. The remaining portions of 2600MHz bandwidth will be used for its pay-TV business with Playwork Co., Ltd. through a 15-year contract through which MCOT will receive the revenue sharing and Playwork will be the entity that invests. The pay-TV business with Playwork is expected to start in 2016.

### Special dividend payout looks unlikely

We believe that the action of returning the 2600MHz frequency portions must have the approval of shareholders (including the Ministry of Finance) given that it falls into the category of an asset sale. With the clear purpose of using most of the compensation as CAPEX to strengthen its core business, a special dividend payout to shareholders is unlikely. We estimate that the compensation would be roughly Bt3-6bn (or Bt4-9/share) assuming that it is roughly 5-10% of the Bt60bn appraised value of the 60MHz of 2600MHz spectrum. However, because most of this amount will be invested as CAPEX for MCOT's current unsuccessful TV business, the incremental value from the compensation will not be as much as Bt4-9/share. We have not factored this into our model pending more clarity on this issue.

### Insights into 4Q15—core earnings dive

We estimate a Bt40m net loss for 4Q15, a reversal from Bt54m 4Q14 and Bt63m 3Q15 net profits. There will be a one-time Bt42m bad debt provision in 4Q15 arisen from three clients delaying their digital network rental payments. Excluding such a one-time item, core profit would be Bt2m, down 96% YoY and 68% QoQ. The YoY core earnings plunge comes thanks to the tumble in ad revenue (TV and radio). The QoQ core tumble is led by a jump in SG&A. The TV (excluding new media) and radio revenues will drop 20% YoY and 11% YoY, respectively.

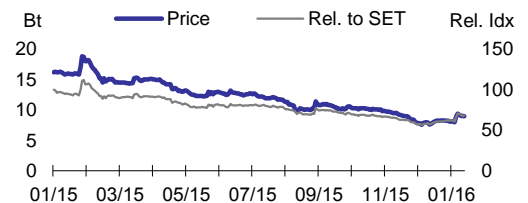
Sector: Media—NEUTRAL

Rating: HOLD

Target Price: Bt8.75

Price (20 January 2016): Bt8.95

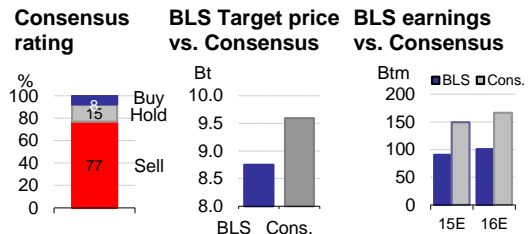
### Price chart



| Share price perf. (%) | 1M   | 3M     | 12M    |
|-----------------------|------|--------|--------|
| Relative to SET       | 12.3 | 0.0    | (26.0) |
| Absolute              | 11.1 | (11.8) | (44.8) |

### Key statistics

|                         |              |          |
|-------------------------|--------------|----------|
| Market cap              | Bt6.2bn      | USD0.2bn |
| 12-mth price range      | Bt7.2/Bt19.8 |          |
| 12-mth avg daily volume | Bt6m         | USD0.2m  |
| # of shares (m)         | 687          |          |
| Est. free float (%)     | 22.7         |          |
| Foreign limit (%)       | 15.0         |          |



### Financial summary

| FY Ended 31 Dec     | 2014   | 2015E  | 2016E  | 2017E  |
|---------------------|--------|--------|--------|--------|
| Revenues (Btm)      | 4,284  | 3,564  | 3,753  | 4,028  |
| Net profit (Btm)    | 504    | 90     | 101    | 119    |
| EPS (Bt)            | 0.73   | 0.13   | 0.15   | 0.17   |
| EPS growth (%)      | -67.0% | -82.1% | +11.5% | +18.3% |
| Core profit (Btm)   | 504    | 55     | 101    | 119    |
| Core EPS (Bt)       | 0.73   | 0.08   | 0.15   | 0.17   |
| Core EPS growth (%) | -68.2% | -89.2% | +84.5% | +18.3% |
| PER (x)             | 34.3   | 110.2  | 61.1   | 51.6   |
| PBV (x)             | 2.3    | 1.4    | 0.9    | 0.9    |
| Dividend (Bt)       | 0.6    | 0.1    | 0.1    | 0.1    |
| Dividend yield (%)  | 2.2    | 0.7    | 1.2    | 1.5    |
| ROE (%)             | 6.6    | 1.2    | 1.4    | 1.7    |

CG/Anti-Corruption



Prasit Sujiravorakul

Securities Fundamental Investment Analyst

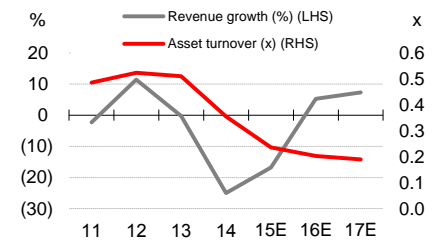
prasit@bualuang.co.th

+66 2 618 1342

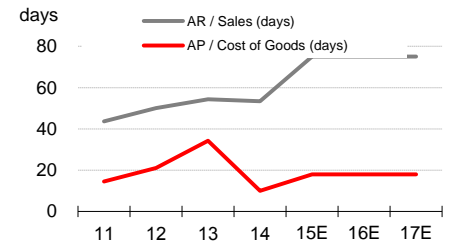
## MCOT: Financial Tables – Year

| PROFIT & LOSS (Btm)                         | 2013           | 2014           | 2015E          | 2016E          | 2017E          |
|---|----------------|----------------|----------------|----------------|----------------|
| Revenue                                     | 5,715          | 4,284          | 3,564          | 3,753          | 4,028          |
| Cost of sales and services                  | (2,727)        | (2,677)        | (2,665)        | (2,687)        | (2,661)        |
| <b>Gross profit</b>                         | <b>2,989</b>   | <b>1,607</b>   | <b>899</b>     | <b>1,065</b>   | <b>1,367</b>   |
| SG&A  | (1,264)        | (1,136)        | (984)          | (1,006)        | (1,228)        |
| <b>EBIT</b>                                 | <b>1,725</b>   | <b>471</b>     | <b>(84)</b>    | <b>60</b>      | <b>139</b>     |
| Interest expense                            | (14)           | (16)           | (20)           | (136)          | (191)          |
| Other income/exp.                           | 269            | 170            | 186            | 214            | 222            |
| <b>EBT</b>                                  | <b>1,980</b>   | <b>625</b>     | <b>82</b>      | <b>138</b>     | <b>170</b>     |
| Corporate tax                               | (396)          | (144)          | (41)           | (50)           | (63)           |
| <b>After-tax net profit (loss)</b>          | <b>1,584</b>   | <b>481</b>     | <b>41</b>      | <b>88</b>      | <b>107</b>     |
| Minority interest                           | (1)            | 23             | 14             | 13             | 12             |
| Equity earnings from affiliates             | 0              | 0              | 0              | 0              | 0              |
| Extra items                                 | (56)           | 0              | 36             | 0              | 0              |
| <b>Net profit (loss)</b>                    | <b>1,527</b>   | <b>504</b>     | <b>90</b>      | <b>101</b>     | <b>119</b>     |
| Reported EPS                                | 2.22           | 0.73           | 0.13           | 0.15           | 0.17           |
| <b>Fully diluted EPS</b>                    | <b>2.22</b>    | <b>0.73</b>    | <b>0.13</b>    | <b>0.15</b>    | <b>0.17</b>    |
| <b>Core net profit</b>                      | <b>1,583</b>   | <b>504</b>     | <b>55</b>      | <b>101</b>     | <b>119</b>     |
| Core EPS                                    | 2.30           | 0.73           | 0.08           | 0.15           | 0.17           |
| <b>EBITDA</b>                               | <b>2,264</b>   | <b>1,233</b>   | <b>707</b>     | <b>882</b>     | <b>994</b>     |
| <b>KEY RATIOS</b>                           |                |                |                |                |                |
| Revenue growth (%)                          | (0.2)          | (25.0)         | (16.8)         | 5.3            | 7.3            |
| Gross margin (%)                            | 52.3           | 37.5           | 25.2           | 28.4           | 33.9           |
| EBITDA margin (%)                           | 39.6           | 28.8           | 19.8           | 23.5           | 24.7           |
| Operating margin (%)                        | 30.2           | 11.0           | (2.4)          | 1.6            | 3.5            |
| Net margin (%)                              | 26.7           | 11.8           | 2.5            | 2.7            | 3.0            |
| Core profit margin (%)                      | 27.7           | 11.8           | 1.5            | 2.7            | 3.0            |
| ROA (%)                                     | 13.6           | 4.2            | 0.6            | 0.5            | 0.6            |
| ROCE (%)                                    | 19.1           | 6.5            | 0.9            | 0.8            | 0.8            |
| Asset turnover (x)                          | 0.5            | 0.4            | 0.2            | 0.2            | 0.2            |
| Current ratio (x)                           | 3.5            | 2.4            | 4.0            | 3.9            | 3.8            |
| Gearing ratio (x)                           | 0.0            | 0.0            | 0.7            | 1.0            | 1.4            |
| Interest coverage (x)                       | 121.0          | 29.6           | n.m.           | 0.4            | 0.7            |
| <b>BALANCE SHEET (Btm)</b>                  |                |                |                |                |                |
| Cash & Equivalent                           | 4,337          | 3,334          | 5,769          | 5,786          | 5,995          |
| Accounts receivable                         | 850            | 627            | 732            | 771            | 828            |
| Inventory                                   | 51             | 31             | 41             | 41             | 41             |
| PP&E-net                                    | 3,988          | 3,872          | 4,598          | 6,006          | 7,155          |
| Other assets                                | 859            | 4,657          | 5,671          | 6,825          | 8,232          |
| <b>Total assets</b>                         | <b>11,168</b>  | <b>12,989</b>  | <b>17,222</b>  | <b>19,857</b>  | <b>22,702</b>  |
| Accounts payable                            | 256            | 73             | 131            | 133            | 131            |
| ST debts & current portion                  | 0              | 0              | 0              | 0              | 0              |
| Long-term debt                              | 4              | 54             | 4,900          | 7,300          | 9,810          |
| Other liabilities                           | 115            | 2,319          | 2,139          | 2,252          | 2,417          |
| <b>Total liabilities</b>                    | <b>3,208</b>   | <b>5,534</b>   | <b>10,068</b>  | <b>12,684</b>  | <b>15,497</b>  |
| Paid-up capital                             | 3,435          | 3,435          | 3,435          | 3,435          | 3,435          |
| Share premium                               | 1,107          | 1,107          | 1,107          | 1,107          | 1,107          |
| Retained earnings                           | 3,357          | 2,885          | 2,597          | 2,630          | 2,674          |
| <b>Shareholders' equity</b>                 | <b>7,899</b>   | <b>7,427</b>   | <b>7,140</b>   | <b>7,173</b>   | <b>7,216</b>   |
| Minority interests                          | 61             | 28             | 14             | 1              | (11)           |
| <b>Total Liab.&amp;Shareholders' equity</b> | <b>11,168</b>  | <b>12,989</b>  | <b>17,222</b>  | <b>19,857</b>  | <b>22,702</b>  |
| <b>CASH FLOW (Btm)</b>                      |                |                |                |                |                |
| Net income                                  | 1,527          | 504            | 90             | 101            | 119            |
| Depreciation and amortization               | 539            | 762            | 792            | 823            | 855            |
| Change in working capital                   | 41             | 60             | (57)           | (38)           | (57)           |
| FX, non-cash adjustment & others            | (711)          | (345)          | (54)           | 11             | 23             |
| <b>Cash flows from operating activities</b> | <b>1,396</b>   | <b>982</b>     | <b>771</b>     | <b>896</b>     | <b>940</b>     |
| Capex (Invest)/Divest                       | (172)          | (196)          | (1,284)        | (1,993)        | (1,763)        |
| Others                                      | 2,185          | (1,543)        | (598)          | (288)          | (420)          |
| <b>Cash flows from investing activities</b> | <b>2,013</b>   | <b>(1,739)</b> | <b>(1,882)</b> | <b>(2,281)</b> | <b>(2,183)</b> |
| Debt financing (repayment)                  | (5)            | (6)            | 3,149          | 1,300          | 1,280          |
| Equity financing                            | 0              | 0              | 0              | 0              | 0              |
| Dividend payment                            | (1,580)        | (986)          | (378)          | (68)           | (75)           |
| Others                                      | 2,185          | (1,543)        | (598)          | (288)          | (420)          |
| <b>Cash flows from financing activities</b> | <b>(1,586)</b> | <b>(992)</b>   | <b>2,771</b>   | <b>1,232</b>   | <b>1,205</b>   |
| Net change in cash                          | 1,824          | (1,750)        | 1,660          | (152)          | (39)           |
| <b>Free cash flow (Btm)</b>                 | <b>1,224</b>   | <b>786</b>     | <b>(513)</b>   | <b>(1,097)</b> | <b>(823)</b>   |
| <b>FCF per share (Bt)</b>                   | <b>1.8</b>     | <b>1.1</b>     | <b>(0.7)</b>   | <b>(1.6)</b>   | <b>(1.2)</b>   |
| <b>Key assumptions</b>                      | <b>2013</b>    | <b>2014</b>    | <b>2015E</b>   | <b>2016E</b>   | <b>2017E</b>   |
| Average TV loading factor (%)               | 80.0%          | 60.0%          | 50.0%          | 55.0%          | 60.0%          |
| TV ad revenue (Btm)                         | 3,824          | 2,486          | 1,511          | 1,577          | 1,740          |
| Radio ad revenue (Btm)                      | 956            | 930            | 938            | 939            | 940            |
| Concession revenue (Btm)                    | 936            | 593            | 317            | 328            | 340            |
| SG&A/sales (%)                              | 22.1%          | 26.5%          | 27.6%          | 26.8%          | 30.5%          |

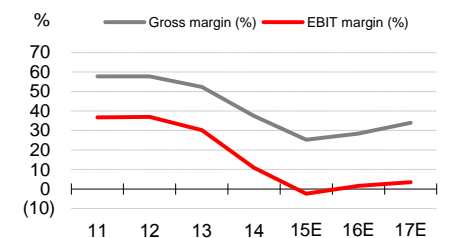
### Revenue growth and asset turnover



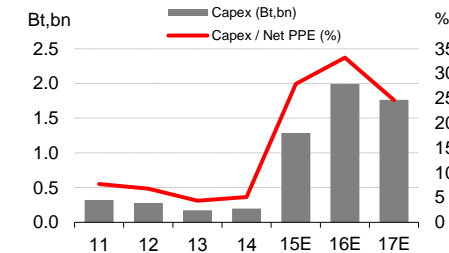
### A/C receivable & A/C payable days



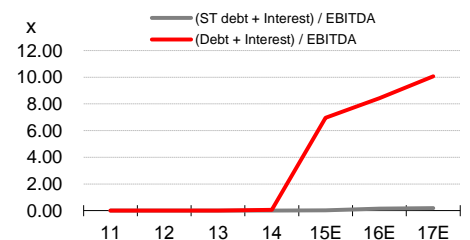
### Profit margins



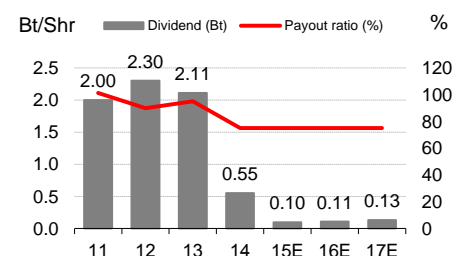
### Capital expenditure



### Debt serviceability



### Dividend payout



## MCOT: Financial Tables – Quarter

| QUARTERLY PROFIT & LOSS (Btm)   | 3Q14        | 4Q14        | 1Q15        | 2Q15        | 3Q15        |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| Revenue                         | 1,088       | 1,040       | 805         | 889         | 937         |
| Cost of sales and services      | (708)       | (728)       | (606)       | (643)       | (709)       |
| Gross profit                    | 380         | 312         | 199         | 246         | 227         |
| SG&A                            | (288)       | (286)       | (249)       | (251)       | (237)       |
| <b>EBIT</b>                     | <b>92</b>   | <b>26</b>   | <b>(49)</b> | <b>(5)</b>  | <b>(10)</b> |
| Interest expense                | (4)         | (4)         | (5)         | (5)         | (5)         |
| Other income/exp.               | 30          | 42          | 83          | 37          | 36          |
| <b>EBT</b>                      | <b>119</b>  | <b>64</b>   | <b>29</b>   | <b>28</b>   | <b>21</b>   |
| Corporate tax                   | (28)        | (19)        | (6)         | (12)        | (17)        |
| After-tax net profit (loss)     | 91          | 45          | 22          | 16          | 4           |
| Minority interest               | (1)         | 8           | 5           | 2           | 3           |
| Equity earnings from affiliates | 0           | 0           | 0           | 0           | 0           |
| Extra items                     | 0           | 0           | 0           | 21          | 56          |
| <b>Net profit (loss)</b>        | <b>90</b>   | <b>54</b>   | <b>27</b>   | <b>39</b>   | <b>63</b>   |
| Reported EPS                    | 0.13        | 0.08        | 0.04        | 0.06        | 0.09        |
| <b>Fully diluted EPS</b>        | <b>0.13</b> | <b>0.08</b> | <b>0.04</b> | <b>0.06</b> | <b>0.09</b> |
| <b>Core net profit</b>          | <b>90</b>   | <b>54</b>   | <b>27</b>   | <b>18</b>   | <b>7</b>    |
| Core EPS                        | 0.13        | 0.08        | 0.04        | 0.03        | 0.01        |
| <b>EBITDA</b>                   | <b>308</b>  | <b>239</b>  | <b>152</b>  | <b>201</b>  | <b>198</b>  |

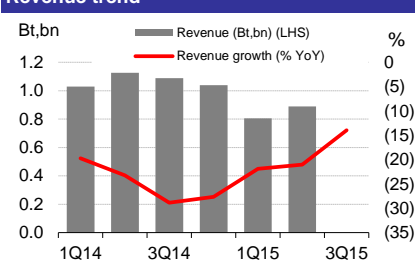
### KEY RATIOS

|                        |      |      |       |       |       |
|------------------------|------|------|-------|-------|-------|
| Gross margin (%)       | 34.9 | 30.0 | 24.8  | 27.7  | 24.3  |
| EBITDA margin (%)      | 28.3 | 23.0 | 18.8  | 22.6  | 21.1  |
| Operating margin (%)   | 8.5  | 2.5  | (6.1) | (0.5) | (1.1) |
| Net margin (%)         | 8.2  | 5.2  | 3.4   | 4.4   | 6.8   |
| Core profit margin (%) | 8.2  | 5.2  | 3.4   | 2.0   | 0.8   |
| BV (Bt)                | 10.8 | 10.9 | 10.9  | 10.9  | 11.0  |
| ROE (%)                | 4.9  | 2.9  | 1.5   | 2.1   | 3.4   |
| ROA (%)                | 2.7  | 1.7  | 0.9   | 1.3   | 2.1   |
| Current ratio (x)      | 2.0  | 2.4  | 2.5   | 2.4   | 2.3   |
| Gearing ratio (x)      | 0.0  | 0.0  | 0.0   | 0.0   | 0.0   |
| Interest coverage (x)  | 25.7 | 6.2  | n.m.  | n.m.  | n.m.  |

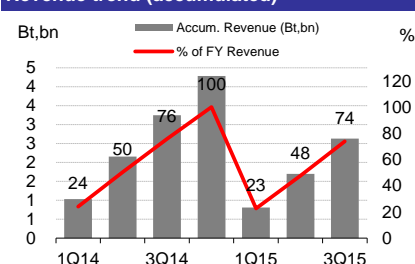
### QUARTERLY BALANCE SHEET (Btm)

|   |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|
| Cash & Equivalent                           | 3,646         | 3,334         | 3,372         | 2,558         | 2,683         |
| Accounts receivable                         | 668           | 627           | 530           | 497           | 729           |
| Inventory                                   | 50            | 31            | 27            | 38            | 30            |
| PP&E-net                                    | 3,944         | 2,707         | 2,613         | 2,549         | 2,458         |
| Other assets                                | 4,796         | 5,911         | 5,846         | 5,806         | 5,768         |
| <b>Total assets</b>                         | <b>13,487</b> | <b>12,989</b> | <b>12,804</b> | <b>12,028</b> | <b>12,053</b> |
| Accounts payable                            | 175           | 73            | 64            | 96            | 125           |
| ST debts & current portion                  | 16            | 32            | 33            | 36            | 36            |
| Long-term debt                              | 25            | 54            | 48            | 21            | 36            |
| Other liabilities                           | 3,693         | 3,637         | 3,565         | 2,942         | 2,794         |
| <b>Total liabilities</b>                    | <b>6,077</b>  | <b>5,534</b>  | <b>5,326</b>  | <b>4,512</b>  | <b>4,518</b>  |
| Paid-up capital                             | 3,435         | 3,435         | 3,435         | 3,435         | 3,435         |
| Share premium                               | 2,831         | 2,885         | 2,912         | 2,953         | 2,975         |
| Retained earnings                           | 2,831         | 2,885         | 2,912         | 2,953         | 2,975         |
| <b>Shareholders equity</b>                  | <b>7,374</b>  | <b>7,427</b>  | <b>7,455</b>  | <b>7,496</b>  | <b>7,518</b>  |
| Minority interests                          | 36            | 28            | 23            | 21            | 17            |
| <b>Total Liab.&amp;Shareholders' equity</b> | <b>13,487</b> | <b>12,989</b> | <b>12,804</b> | <b>12,028</b> | <b>12,053</b> |
| <b>Average TV loading factor (%)</b>        | <b>3Q14</b>   | <b>4Q14</b>   | <b>1Q15</b>   | <b>2Q15</b>   | <b>3Q15</b>   |
| Average TV loading factor (%)               | 84.0%         | 66.0%         | 53.0%         | 70.0%         | 62.0%         |
| TV ad revenue (Btm)                         | 631           | 548           | 387           | 418           | 446           |
| Radio ad revenue (Btm)                      | 250           | 279           | 204           | 240           | 242           |
| Concession revenue (Btm)                    | 121           | 103           | 112           | 122           | 116           |
| New media & digital network rev (Btm)       | 87            | 110           | 101           | 110           | 132           |

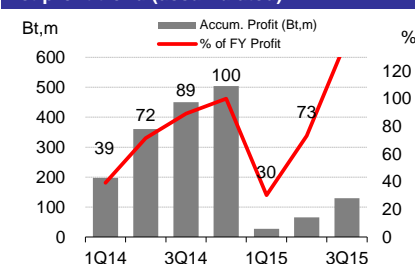
### Revenue trend



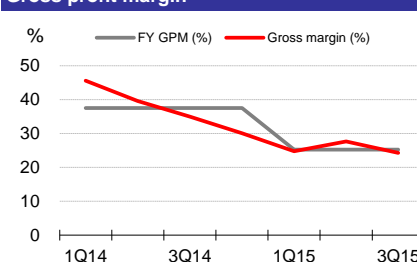
### Revenue trend (accumulated)



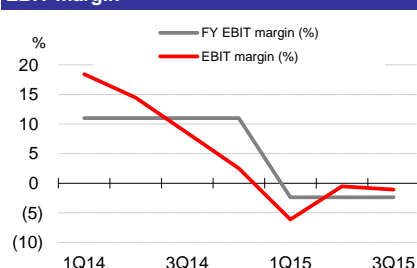
### Net profit trend (accumulated)



### Gross profit margin



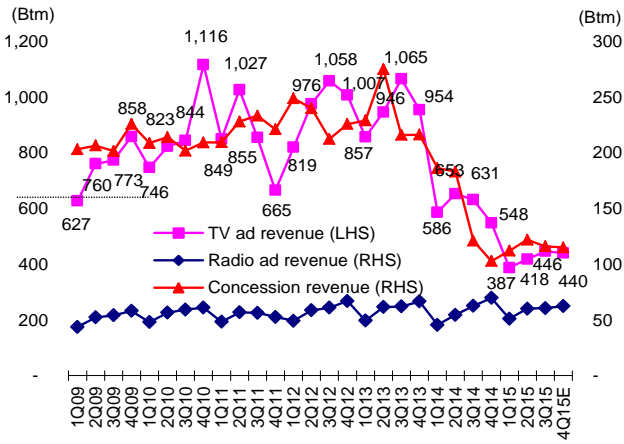
### EBIT margin



### Company profile

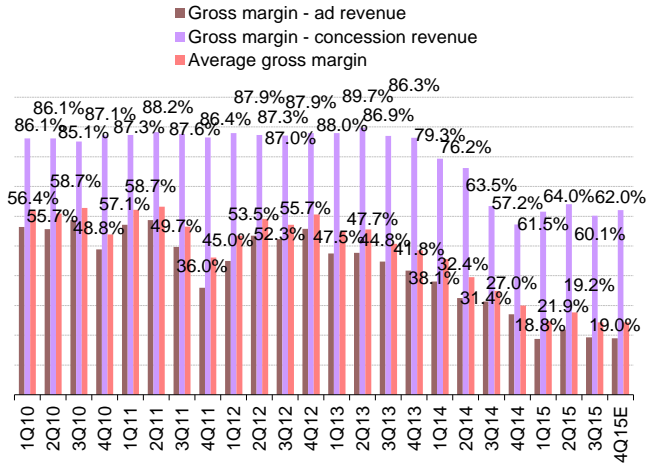
MCOT Public Company Limited (MCOT) operates a free-to-air national terrestrial TV station, ModerNine, and 62 radio stations across the country. The broadcaster also collects a percentage of the revenues generated by two TV operators that have MCOT-granted concessions—Bangkok Entertainment Public Company Limited (a subsidiary of BEC) and TRUE Visions. Bangkok Entertainment operates the nationwide terrestrial TV station, Channel 3. In FY14, it paid Bt191m in revenue share to MCOT. TRUE Visions runs a multichannel pay-TV business over fiber-optic cable and satellite. It pays 6.5% of its revenue to MCOT. In FY14, it paid Bt382m. For True Visions, its satellite-platformed concession with MCOT expired on Sept 30, 2014 while its cable-platformed concession with MCOT will expire on Dec 31, 2019. MCOT won two digital TV licenses from the NBTC in Dec 2013—HD Channel (Bt3.34bn) and Family Channel (Bt660m).

**Figure 1: Revenue breakdown, by quarter**



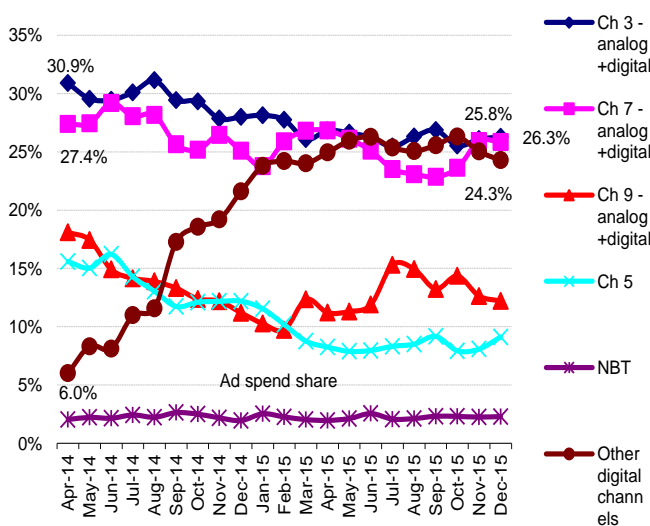
Sources: Company data, Bualuang Research

**Figure 2: Gross margin breakdown, by quarter**



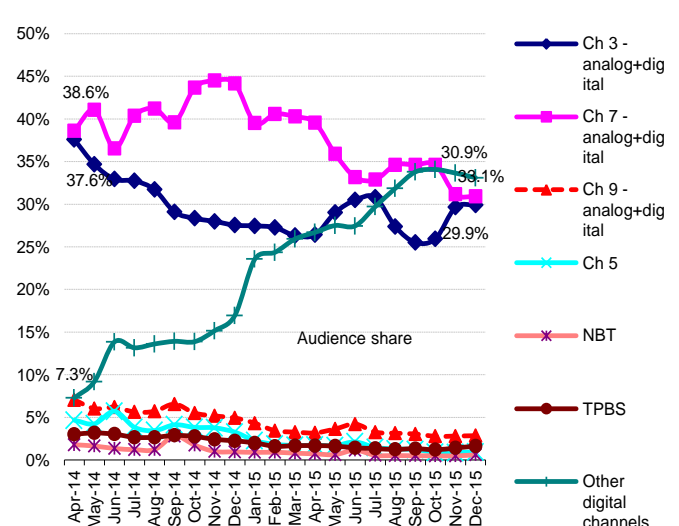
Sources: Company data, Bualuang Research

**Figure 3: Ad spend share (analog and digital), by month**



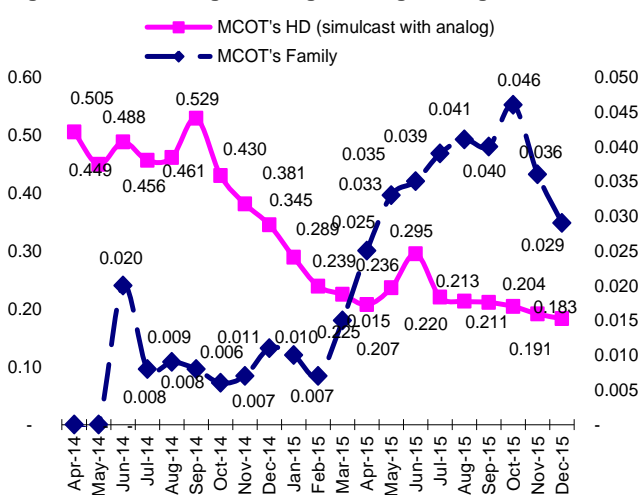
Source: The Nielsen Company

**Figure 4: Audience share (analog and digital), by month**



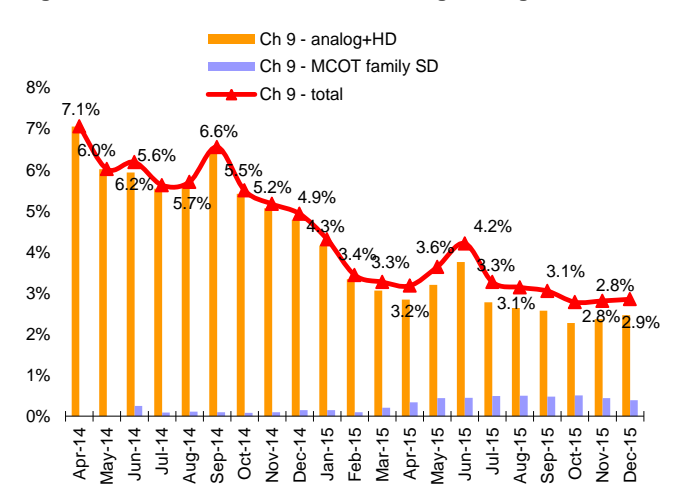
Source: The Nielsen Company

**Figure 5: MCOT's digital rating— analog and digital**



Source: The Nielsen Company

**Figure 6: MCOT's audience share— analog and digital**



Source: The Nielsen Company

**Figure 7: 4Q15 earnings preview**

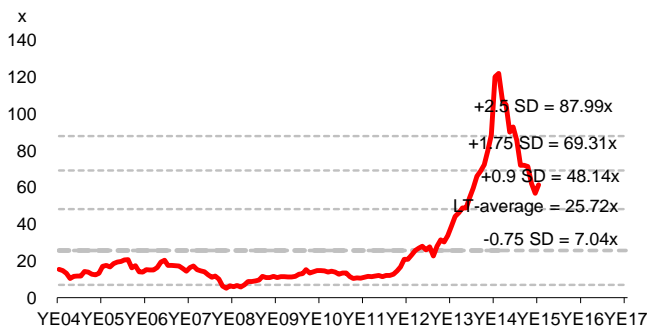
|                               | 4Q15E        | 4Q14         | % YoY         | 3Q15         | % QoQ          | FY15E          | FY14           | % YoY         |
|-------------------------------|--------------|--------------|---------------|--------------|----------------|----------------|----------------|---------------|
| <b>Total revenue</b>          | <b>934</b>   | <b>1,040</b> | <b>(10.1)</b> | <b>936</b>   | <b>(0.2)</b>   | <b>3,564</b>   | <b>4,284</b>   | <b>(16.8)</b> |
| - TV                          | 440          | 548          | (19.7)        | 446          | (1.3)          | 1,691          | 2,418          | (30.1)        |
| - New media                   | 48           | 73           | (34.2)        | 47           | 2.1            | 192            | 278            | (30.9)        |
| - Digital network             | 82           | 37           | 121.6         | 85           | (3.5)          | 281            | 66             | 325.8         |
| - Radio                       | 249          | 279          | (10.6)        | 242          | 3.0            | 935            | 929            | 0.7           |
| - Concession                  | 115          | 103          | 11.9          | 116          | (0.9)          | 465            | 593            | (21.6)        |
| <b>Total cost of services</b> | <b>(707)</b> | <b>(728)</b> | <b>(2.8)</b>  | <b>(709)</b> | <b>(0.3)</b>   | <b>(2,665)</b> | <b>(2,677)</b> | <b>(0.4)</b>  |
| - Cost of services            | (664)        | (683)        | (2.9)         | (663)        | 0.1            | (2,489)        | (2,507)        | (0.7)         |
| - Cost of concession          | (44)         | (44)         | (1.3)         | (46)         | (5.0)          | (177)          | (170)          | 3.6           |
| <b>Gross profit</b>           | <b>227</b>   | <b>312</b>   | <b>(27.3)</b> | <b>227</b>   | <b>(0.2)</b>   | <b>900</b>     | <b>1,607</b>   | <b>(44.0)</b> |
| - TV & radio & new media      | 74           | 216          | (66.0)        | 72           | 2.6            | 330            | 1,118          | (70.5)        |
| - Concession                  | 71           | 58           | 22.0          | 70           | 1.9            | 288            | 423            | (31.8)        |
| Gross margin (%)              | 24.3%        | 30.0%        |               | 24.3%        |                | 25.2%          | 37.5%          |               |
| - TV & radio & new media      | 10.0%        | 24.0%        |               | 9.8%         |                | 11.7%          | 30.8%          |               |
| - Concession                  | 62.0%        | 56.9%        |               | 60.3%        |                | 62.0%          | 71.3%          |               |
| SG&A                          | (248)        | (286)        | (13.4)        | (237)        | 4.3            | (984)          | (1,136)        | (13.4)        |
| <b>EBIT</b>                   | <b>(21)</b>  | <b>26</b>    | <b>n.m.</b>   | <b>(10)</b>  | <b>(104.9)</b> | <b>(85)</b>    | <b>471</b>     | <b>n.m.</b>   |
| Interest expense              | (5)          | (4)          | 18.3          | (5)          | 7.7            | (19)           | (15)           | 28.6          |
| Other income/exp.             | 30           | 42           | (28.8)        | 36           | (16.1)         | 186            | 169            | 9.7           |
| <b>EBT</b>                    | <b>4</b>     | <b>64</b>    | <b>n.m.</b>   | <b>21</b>    | <b>n.m.</b>    | <b>82</b>      | <b>625</b>     | <b>(86.9)</b> |
| Corporate tax                 | (6)          | (19)         | (68.4)        | (17)         | (64.4)         | (41)           | (144)          | (71.2)        |
| After-tax profit              | (2)          | 45           | n.m.          | 4            | n.m.           | 41             | 481            | (91.6)        |
| Minority interest             | 4            | 8            | (52.7)        | 3            | 21.1           | 14             | 23             | (37.1)        |
| Extra items                   | (42)         | -            | n.m.          | 56           | n.m.           | 35             | -              | n.m.          |
| <b>Net profit</b>             | <b>(40)</b>  | <b>54</b>    | <b>n.m.</b>   | <b>63</b>    | <b>n.m.</b>    | <b>90</b>      | <b>504</b>     | <b>(82.2)</b> |
| Reported EPS                  | (0.06)       | 0.08         | n.m.          | 0.09         | n.m.           | 0.13           | 0.73           | (82.2)        |
| Fully diluted EPS             | (0.06)       | 0.08         | n.m.          | 0.09         | n.m.           | 0.13           | 0.73           | (82.2)        |
| <b>Core net profit</b>        | <b>2</b>     | <b>54</b>    | <b>(95.6)</b> | <b>7</b>     | <b>(68.2)</b>  | <b>55</b>      | <b>504</b>     | <b>(89.1)</b> |
| Core EPS                      | 0.00         | 0.08         | (95.6)        | 0.01         | (68.2)         | 0.08           | 0.73           | (89.1)        |
| <b>EBITDA</b>                 | <b>189</b>   | <b>239</b>   | <b>(20.9)</b> | <b>198</b>   | <b>(4.2)</b>   | <b>740</b>     | <b>1,233</b>   | <b>(40.0)</b> |
| Gross margin (%)              | 24.3         | 30.0         |               | 24.3         |                | 25.2           | 37.5           |               |
| EBITDA margin (%)             | 20.3         | 23.0         |               | 21.1         |                | 20.8           | 28.8           |               |
| Operating margin (%)          | (2.2)        | 2.5          |               | (1.1)        |                | (2.4)          | 11.0           |               |
| Net margin (%)                | (4.2)        | 5.2          |               | 6.8          |                | 2.5            | 11.8           |               |
| Core profit margin (%)        | 0.3          | 5.2          |               | 0.8          |                | 1.5            | 11.8           |               |

Sources: Company data, Bualuang Research estimates

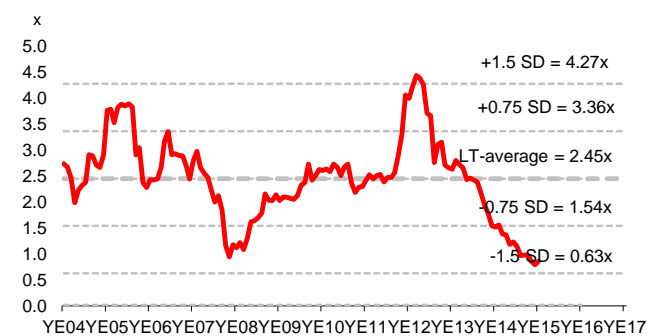
## Regional Comparisons

|                              | Bloomberg | Price         | Market Cap        | PER (x)     |             | EPS Growth (%) |             | PBV (x)    |            | ROE (%)     |             | Div Yield (%) |            |
|------------------------------|-----------|---------------|-------------------|-------------|-------------|----------------|-------------|------------|------------|-------------|-------------|---------------|------------|
|                              | Code      | (local curr.) | (US\$ equivalent) | 2015E       | 2016E       | 2015E          | 2016E       | 2015E      | 2016E      | 2015E       | 2016E       | 2015E         | 2016E      |
| Abs-Cbn Corp                 | ABS PM    | PHP55.0       | 978               | 17.2        | 12.4        | 10.2           | 42.7        | 1.7        | 1.5        | 9.7         | 12.6        | 1.4           | 1.7        |
| Gma Network Inc              | GMA7 PM   | PHP6.3        | 445               | 15.0        | 11.6        | 102.9          | 31.0        | n.a.       | n.a.       | 22.7        | 26.8        | 3.9           | 5.1        |
| Sun Tv Network Ltd           | SUNTV IN  | INR342.1      | 1,984             | 14.7        | 12.7        | 17.3           | 15.8        | 3.6        | 3.2        | 25.7        | 26.7        | 3.8           | 4.3        |
| Zee Entertainment Enterprise | Z IN      | INR384.3      | 5,432             | 36.4        | 28.7        | 22.5           | 27.8        | 6.4        | 5.5        | 20.7        | 22.2        | 0.7           | 0.8        |
| Television Broadcasts Ltd    | 511 HK    | HKD27.0       | 1,511             | 8.8         | 11.8        | 203.5          | -25.7       | 1.4        | 1.4        | 15.7        | 12.2        | 9.0           | 9.3        |
| Nippon Television Network    | 9404 JP   | JPY1,992.0    | 4,480             | 14.4        | 13.2        | 15.5           | 8.9         | 0.9        | 0.8        | 6.0         | 6.0         | 1.5           | 1.6        |
| Tokyo Broadcasting System    | 9401 JP   | JPY1,691.0    | 2,745             | 28.4        | 27.0        | -24.3          | 5.1         | 0.7        | 0.7        | 2.3         | 2.3         | 1.1           | 1.1        |
| Tv Asahi Corp                | 9409 JP   | JPY1,830.0    | 1,696             | 19.2        | 18.4        | -6.0           | 4.5         | 0.6        | 0.6        | 3.4         | 3.1         | 2.1           | 2.2        |
| Beijing Gehua Catv Network-A | 600037 CH | CNY15.6       | 3,290             | 22.9        | 18.8        | 27.6           | 26.3        | 2.6        | 2.3        | 11.2        | 11.8        | 1.5           | 1.5        |
| BEC World                    | BEC TB    | THB28.00      | 1,545             | 18.0        | 17.4        | -29.6          | 3.8         | 7.2        | 6.8        | 38.8        | 42.6        | 5.1           | 5.3        |
| GMM Grammy                   | GRAMMY TE | THB7.80       | 176               | n.m.        | n.m.        | n.m.           | n.m.        | 1.6        | 1.6        | -0.5        | -5.5        | 0.0           | 0.0        |
| Major Cineplex Group         | MAJOR TB  | THB28.75      | 708               | 19.0        | 17.8        | 23.7           | 7.0         | 3.8        | 3.6        | 20.6        | 20.9        | 4.5           | 4.8        |
| MCOT                         | MCOT TB   | THB8.95       | 170               | 68.1        | 61.1        | -82.1          | 11.5        | 0.9        | 0.9        | 1.2         | 1.4         | 1.1           | 1.2        |
| Plan B Media                 | PLANB TB  | THB6.75       | 653               | 58.8        | 41.2        | 44.3           | 42.7        | 8.5        | 7.7        | 22.8        | 19.6        | 0.9           | 1.2        |
| RS                           | RS TB     | THB8.75       | 243               | 123.7       | 27.1        | -81.2          | 356.2       | 4.9        | 4.5        | 4.0         | 17.6        | 0.5           | 2.2        |
| VGI Global Media             | VGI TB    | THB3.66       | 693               | 32.8        | 26.1        | -42.9          | 25.8        | 5.7        | 3.4        | 25.9        | 16.2        | 2.6           | 3.4        |
| Workpoint Entertainment      | WORK TB   | THB41.25      | 475               | 84.3        | 52.4        | 524.9          | 60.9        | 5.4        | 4.7        | 8.5         | 9.9         | 0.6           | 1.0        |
| <b>Simple average</b>        |           |               |                   | <b>36.4</b> | <b>24.9</b> | <b>45.4</b>    | <b>40.3</b> | <b>3.5</b> | <b>3.1</b> | <b>14.0</b> | <b>14.5</b> | <b>2.4</b>    | <b>2.7</b> |

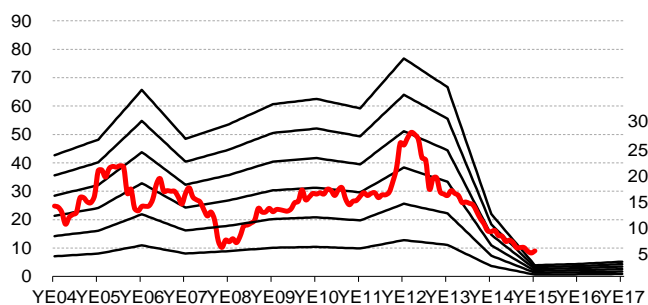
PER band versus SD (next 12 months)



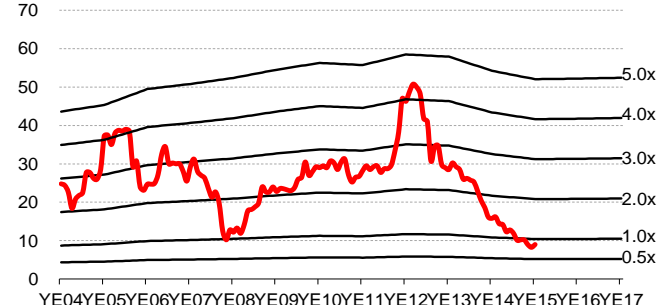
PBV band versus SD (next 12 months)



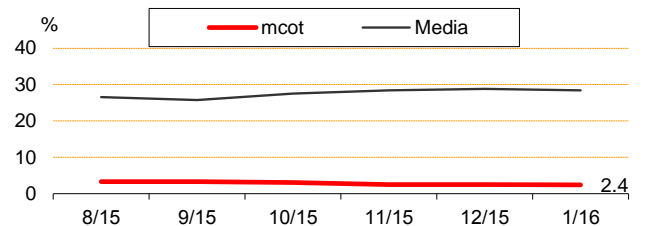
PER band and share price



PBV band and share price



Foreign holdings



BUALUANG SECURITIES PUBLIC COMPANY LIMITED (BLS) is a subsidiary of BANGKOK BANK PUBLIC COMPANY LIMITED (BBL). This document is produced based upon sources believed to be reliable but their accuracy, completeness or correctness is not guaranteed. The statements or expressions of opinion herein were arrived at after due and careful consideration to use as information for investment. Expressions of opinion contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. The use of any information shall be at the sole discretion and risk of the user.






BUALUANG SECURITIES PUBLIC COMPANY LIMITED MAY BE IN RELATIONSHIP WITH THE SECURITIES IN THIS REPORT. "Opinions, projections and other information contained in this report are based upon sources believed to be accurate including the draft prospectus, but no responsibility is accepted for any loss occasioned by reliance placed upon the contents hereof. Bualuang Securities Public Company Limited may from time to time perform investment, advisory or other services for companies mentioned in this report, as well as dealing (as principal or otherwise) in, or otherwise being interested in, any securities mentioned herein, This report does not constitute a solicitation to buy or sell any securities". Investors should carefully read details in the prospectus before making investment decision.

BUALUANG SECURITIES PUBLIC COMPANY LIMITED MAY ACT AS MARKET MAKER AND ISSUER OF DWs, AND ISSUER OF STRUCTURED NOTES ON THESE SECURITIES. The company may prepare the research reports on those underlying securities. Investors should carefully read the details of the derivative warrants and structured notes in the prospectus before making investment decisions.

BUALUANG SECURITIES PUBLIC COMPANY LIMITED IS OR MAY BE AN UNDERWRITER/CO-UNDERWRITER/JOINT LEAD IN RESPECT OF THE INITIAL PUBLIC OFFERING ("IPO") OF SECURITIES.

| Financial Advisor | Lead underwriter/<br>Underwriter/<br>Co-underwriter |
|-------------------|---|
|                   |   |

**CG Rating**

| Score Range | Score Range   | Description  |
|-------------|---|--------------|
| 90 – 100    |  | Excellent    |
| 80 – 89     |  | Very Good    |
| 70 – 79     |  | Good         |
| 60 – 69     |  | Satisfactory |
| 50 – 00359  |  | Pass         |
| Below 50    | No logo given   | N/A          |

**Anti-Corruption Progress Indicator**

| Level              | Description                          |
|--------------------|--------------------------------------|
| 5                  | Extended                             |
| 4                  | Certified                            |
| 3B                 | Established by Commitment and Policy |
| 3A                 | Established by Declaration of Intent |
| 2                  | Declared                             |
| 1                  | Committed                            |
| Partially progress | Partially progress                   |
| No progress        | No progress                          |

## CORPORATE GOVERNANCE REPORT DISCLAIMER

This research report was prepared by Bualuang Securities Public Company Limited and refers to research prepared by Morgan Stanley. Morgan Stanley does not warrant or guarantee the accuracy or completeness of its research reports. Morgan Stanley reserves copyright and other proprietary rights in the material reproduced in this report. Morgan Stanley is under no obligation to inform Bualuang Securities or you if the views or information referred to or reproduced in this research report change.

### Corporate Governance Report disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association (“IOD”) regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. Bualuang Securities Public Company Limited does not conform nor certify the accuracy of such survey result.

"Disclaimer: The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by the relevant institution as disclosed by the Office of the Securities and Exchange Commission, is made in order to comply with the policy and sustainable development plan for the listed companies. The relevant institution made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, [•] Securities Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment result."

## BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK

### STOCK RECOMMENDATIONS

**BUY:** Expected positive total returns of 15% or more over the next 12 months.

**HOLD:** Expected total returns of between -15% and +15% over the next 12 months.

**SELL:** Expected negative total returns of 15% or more over the next 12 months.

**TRADING BUY:** Expected positive total returns of 15% or more over the next 3 months.

### SECTOR RECOMMENDATIONS

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

**NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.