

MCOT

4QFY15 earnings seen red on doubtful debt provision

THAILAND | SET | MEDIA | COMPANY PREVIEW

BLOOMBERG MCOT TB | REUTERS MCOT.BK

01 February 2016

4QFY15 earnings likely to be in the red on delay of Mux lease payment

We expect MCOT to deliver net loss of Bt38mn in 4QFY15, worse compared to a Bt54mn profit the same period a year earlier, as the broadcaster is expected to set aside provision for doubtful debt due to delay of Mux payment by its lessee. Stripping out doubtful debt provision, MCOT would record core profit of Bt5mn.

Core revenue would be Bt946mn, flattish q-q (quite unusual as the fourth-quarter revenue normally topped that of the third quarter) but down y-y (in line with falling audience rating as several prime programs moved to other channels, thereby pushing TV ad revenue lower). Breaking down, ad revenue from TV and radio is expected to fall 11.4% despite a potential increase in radio ad revenue, and revenue from joint operations is likely to remain flat q-q but to grow y-y. Operating cost would stay level y-y but SG&A expense is expected to increase significantly as MCOT will likely set aside provision for doubtful debt due to the delay of Mux lease payment.

For 2015, we forecast an 81.9% slump in net profit to Bt91mn on our estimated revenue of Bt3,561mn (-16.9%). MCOT is expected to pay an interim dividend of Bt0.04 (FY15 DPS of Bt0.10).

FY16 core revenue to recover but cost will likely grow at faster pace

MCOT sets total revenue growth target at 14% to Bt4,242mn in 2016. Investment will be focused on piling up TV contents that MCOT has doubled its budget to Bt760mn from a year-earlier Bt300mn-Bt400mn in a bid to raise audience rating, which dropped from the fourth rank in January'15 to the eighth in December. Many digital TV broadcasters have increased their budgets on creating TV contents and this implies a fiercer competition in the country's advertising industry. MCOT plans to through Bt348mn on broadcasting network expansion, aiming to cover more than 90% of population, and we do not expect MCOT's broadcasting network operation service (BNO) will likely make profit this year. However, there would be positive factors for MCOT in the near term—if NBTC were to give up the remaining auction fee for a termination of digital TV license (more detail on report dated January 22) which is expected to be concluded around end-February, MCOT would return license of kid channel; with the pricey bidding for 900MHz and 1800MHz MCOT would receive massive compensation from a return of 60MHz bandwidth on 2600MHz spectrum to NBTC for future auctions in 1QFY17; and MCOT plans to develop its 50-rai loan at Ratchadapisek to commercial area, which would be concluded in the first half of 2016.

FY16 target price maintained at Bt9.20, 'ACCUMULATE' rating upgraded

According to guidance, the compensation from NBTC will largely accommodate investments in digital TV and horizon M&A, instead of paying dividend. Meanwhile, we expect MCOT to reverse its doubtful debt provision recorded in 4QFY15 after the lessee makes payment this year. We do not price in the potential compensation and any changes in digital TV industry and keep our FY16 total revenue forecast unchanged at Bt4,175mn (core revenue of B3,936mn and other revenue of Bt239mn), which would contribute to net profit of Bt182mn. Using DCF method, our target price is Bt9.20. We upgrade our rating on MCOT from 'NEUTRAL' to 'ACCUMULATE' stance.

Accumulate (Upgraded from Neutral)
 Closing Price(Bt) 8.75
 Target Price(Bt) 9.20 (+7.43%)

COMPANY DATA

O/S Shares (mn):	687
Market Cap. (Btmn):	6,012
Market Cap. (USDmn):	168
52-WK Hi/Lo (Bt):	19.8/7.2
3M Average Daily T/O (mn):	0.31
Par Value (Bt):	5.00

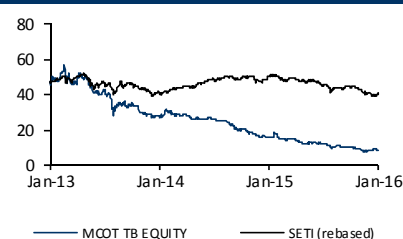
MAJOR SHAREHOLDERS (%) 09 October 2015

1. MOF	65.1
2. Government Savings Bank	11.5
3. Social Security Office	1.5

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
ABS	7%	-13%	-45%
REL TO SET INDEX	5%	-7%	-33%

PRICE VS SET INDEX



Source: Bloomberg, PSR

KEY FINANCIALS

FYE Dec	FY13	FY14	FY15E	FY16E
Sales(Btmn)	5,715	4,284	3,561	3,936
Net Profit(Btmn)	1,527	504	91	182
EPS (Bt)	2.22	0.73	0.13	0.27
P/E (X)	3.9	12.0	67.3	32.4
BVPS (Bt)	12.13	10.85	10.68	10.75
P/B (X)	0.7	0.8	0.8	0.8
DPS (Bt)	2.11	0.55	0.10	0.20
Dividend Yield (%)	24.1	6.3	1.1	2.3
ROE (%)	18.65	6.38	1.24	2.47

Source: Company, PSR Est.

**Multiples and yields are based on latest closing price

VALUATION METHOD

DCF (WACC: 10.38%, Terminal g: 2%)

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Corporate Governance -2015



ADVANC	BAFS	BCP	BIGC	BTS	CK	CPN	DRT	DTAC	DTC
EASTW	EGCO	GRAMMY	HANA	HMPRO	INTUCH	IRPC	IVL	KBANK	KCE
KKP	KTB	LHBANK	LPN	MCOT	MINT	MONO	NKI	PHOL	PPS
PS	PSL	PTT	PTTEP	PTTGC	QTC	RATCH	ROBINS	SAMART	SAMTEL
SAT	SC	SCB	SCC	SE-ED	SIM	SNC	SPALI	THCOM	TISCO
TKT	TMB	TOP	VGI	WACOAL					



AAV	ACAP	AGE	AHC	AKP	AMATA	ANAN	AOT	APCS	ARIP
ASIMAR	ASK	ASP	BANPU	BAY	BBL	BDMS	BECL	BKI	BLA
BMCL	BOL	BROOK	BWG	CENDEL	CFRESH	CHO	CIMBT	CM	CNT
COL	CPF	CPI	CSL	DCC	DELTA	DEMCO	ECF	EE	ERW
GBX	GC	GFPT	GLOBAL	GUNKUL	HEMRAJ	HOTPOT	HYDRO	ICC	ICHI
INET	IRC	KSL	KTC	LANNA	LH	LOXLEY	LRH	MACO	MBK
MC	MEGA	MFEC	NBC	NCH	NINE	NSI	NTV	OCC	OGC
OISHI	OTO	PAP	PDI	PE	PG	PJW	PM	PPP	PR
PRANDA	PREB	PT	PTG	Q-CON	QH	RS	S & J	SABINA	SAMCO
SCG	SEAFCO	SFP	SIAM	SINGER	SIS	SITHAI	SMK	SMPC	SMT
SNP	SPI	SSF	SSI	SSSC	SST	STA	STEC	SVI	SWC
SYMC	SYNTEC	TASCO	TBSP	TCAP	TF	TGCI	THAI	THANA	THANI
THIP	THRE	THREL	TICON	TIP	TIPCO	TK	TKS	TMI	TMILL
TMT	TNDT	TNITY	TNL	TOG	TPC	TPCORP	TRC	TRU	TRUE
TSC	TSTE	TSTH	TTA	TTCL	TTW	TU	TVD	TVO	TWFP
TWS	UAC	UT	UV	VNT	WAVE	WINNER	YUASA	ZMICO	



2S	AEC	AEONTS	AF	AH	AIRA	AIT	AJ	AKR	AMANAH
AMARIN	AP	APCO	AQUA	AS	ASIA	AUCT	AYUD	BA	BEAUTY
BEC	BFIT	BH	BIG	BJC	BJCHI	BKD	BTNC	CBG	CGD
CHG	CHOW	CI	CITY	CKP	CNS	CPALL	CPL	CSC	CSP
CSS	CTW	DNA	EARTH	EASON	ECL	EFORL	ESSO	FE	FIRE
FOCUS	FORTH	FPI	FSMART	FSS	FVC	GCAP	GENCO	GL	GLAND
GLOW	GOLD	GYT	HTC	HTECH	IEC	IFEC	IFS	IHL	IRCP
ITD	JSP	JTS	JUBILE	KASET	KBS	KCAR	KGI	KKC	KTIS
KWC	KYE	L&E	LALIN	LHK	LIT	LIVE	LST	M	MAJOR
MAKRO	MATCH	MATI	MBKET	M-CHAI	MFC	MILL	MJD	MK	MODERN
MOONG	MPG	MSC	MTI	MTLS	NC	NOK	NUSA	NWR	NYT
OCEAN	PACE	PATO	PB	PCA	PCSGH	PDG	PF	PICO	PL
PLANB	PLAT	PPM	PRG	PRIN	PSTC	PTL	PYLON	QLT	RCI
RCL	RICHY	RML	RPC	S	SALEE	SAPPE	SAWAD	SCCC	SCN
SCP	SEAOL	SIRI	SKR	SMG	SOLAR	SORKON	SPA	SPC	SPCG
SPPT	SPVI	SRICHA	SSC	STANLY	STPI	SUC	SUSCO	SUTHA	SYNEX
TAE	TAKUNI	TCC	TCCC	TCJ	TEAM	TFD	TFI	TIC	TIW
TLUXE	TMC	TMD	TOPP	TPCH	TPIPL	TRT	TSE	TSR	UMI
UP	UPF	UPOIC	UREKA	UWC	VIBHA	VIH	VPO	WHA	WIN
XO									

Results Presentation

Score Range

- < 50%
- 50-59%
- 60-69%
- 70-79%
- 80-89%
- 90-100%

Number of Logo

No logo given



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Industry Group

Name	Sector Name	Sector Index
Agro & Food Industry[AGRO]	Agribusiness	AGRI
	Food & Beverage	FOOD
Consumer Products[CONSUMP]	Fashion	FASHION
	Home & Office Products	HOME
	Personal Products & Pharmaceuticals	PERSON
Financials [FINCIAL]	Banking	BANK
	Finance & Securities	FIN
	Insurance	INSUR
Industrials [INDUS]	Automotive	AUTO
	Industrial Materials & Machinery	IMM
	Packaging	PKG
	Paper & Printing Materials	PAPER
	Petrochemicals & Chemicals	PETRO
	Steel	STEEL
Property & Construction[PROPCON]	Construction Materials	CONMAT
	Construction Services	CONS
	Property Development	PROP
	Property Fund & REITs	PF&REIT
Resources [RESOURC]	Energy & Utilities	ENERG
	Mining	MINE
Services [SERVICE]	Commerce	COMM
	Media & Publishing	MEDIA
	Health Care Services	HELTH
	Tourism & Leisure	TOURISM
	Professional Services	PROF
	Transportation & Logistics	TRANS
Technology [TECH]	Electronic Components	ETRON
	Information & Communication Technology	ICT

PSR Rating System

Capital Gain	Recommendation
> 15%	BUY
> 5% - 15%	ACCUMULATE / TRADING BUY
> 0% - 5%	NEUTRAL
0 <=	SELL

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

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