

# MCOT

MCOT.TB / MCOT.BK

9 May 2016

## Weaker core operation along the path

### Investment thesis

We believe that MCOT's earnings will fail to recover until it can deliver ratings rises for its HD and Family Channels. The lack of channel positioning and segmentation are the key reasons for the sustained weak ratings delivered by both channels. We expect its 1Q16 core operation to be in the red for the first time since its listing on the SET in 2004. There will be a downside risk to its 2016 earnings projection if the overall ad spend remains weak in 2H16 (as in 1H16). Given the heightened ad spend competition among digital TV operators, the expected higher discount rate given to clients to retain market share, its weaker content than digital peers and the share price tumble to its current lowest (which has resulted in a narrower valuation gap), we continue our HOLD rating on MCOT.

### Insights into 1Q16—core loss estimate

We assume a Bt36m net loss for 1Q16, a reversal from a Bt27m 1Q15 net profit but shallower by 49% QoQ. Excluding a Bt6m extra expense related to a change in accounting practice for digital TV licenses in 1Q16, we expect that it will deliver a core loss of Bt30m, a reversal from the core profit of Bt27m in 1Q15 and Bt4m in 4Q15. This is the first quarter for which MCOT will report a core loss since its listing on the SET. The core earnings deterioration is led by the tumble in ad revenue (sustained weak consumption and greater competition from digital players), despite the better controls on service costs and SG&A. Regarding such costs, only production expenses look set to rise while others will be lower. The lower SG&A is due to no sales rebates.

We expect its TV revenue to plunge 25% YoY and 32% QoQ and its radio revenue to inch up 1% YoY but drop 20% QoQ. Concession revenue will rise 3% YoY but be flattish QoQ. Digital network revenue should have risen 98% YoY and 3% QoQ, led by its new client channel (Parliament TV), which took effect in 3Q15. We assume a GM of 24% in 1Q16, against 24.8% in 1Q15 and 23.3% in 4Q15.

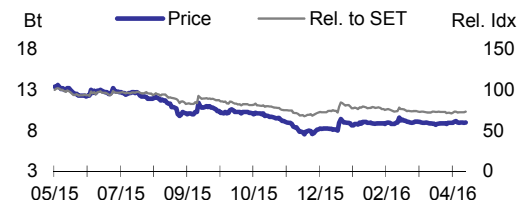
### YoY and QoQ ratings drop for HD Channel in first quarter

The average rating (4 years+ nationwide) for MCOT's HD Channel (simulcast with its analog channel) edged up slightly from 0.177 in Feb to 0.186 in March, while that for its Family Channel was stable at 0.030 since December 2015. The average rating for its HD Channel dropped from 0.251 in 1Q15 and 0.193 in 4Q15 to 0.185 in 1Q16 while that of its Family Channel was 0.031 in 1Q16, up from 0.011 in 1Q15 but down from 0.037 in 4Q15.

This has proven that MCOT's recent September program revamps at its HD Channel have failed to deliver the promised overall rating rise in 1H16 due to the heightened ad spend competition and its weaker content. We think that only a few TV shows under the September revamp were successful while most were not. The broadcaster will consider small program overhauls in 2016 if the ratings for those shows fail to rise in the next six months. We think that the lack of channels' clear positioning and segmentation is the key reason behind the rating drops for both channels.

**Sector: Media – NEUTRAL**
**Rating: HOLD**
**Target Price: Bt8.75**
**Price (4 May 2016): Bt9.00**

### Price chart

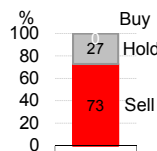


| Share price perf. (%) | 1M  | 3M    | 12M    |
|-----------------------|-----|-------|--------|
| Relative to SET       | 1.0 | (7.1) | (25.3) |
| Absolute              | 2.3 | 0.6   | (33.8) |

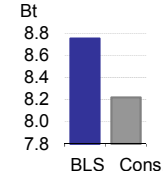
### Key statistics

|                         |              |          |
|-------------------------|--------------|----------|
| Market cap              | Bt6.2bn      | USD0.2bn |
| 12-mth price range      | Bt7.2/Bt14.2 |          |
| 12-mth avg daily volume | Bt3m         | USD0.1m  |
| # of shares (m)         | 687          |          |
| Est. free float (%)     | 22.7         |          |
| Foreign limit (%)       | 15.0         |          |

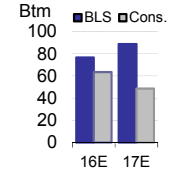
### Consensus rating



### BLS Target price vs. Consensus



### BLS earnings vs. Consensus



### Financial summary

| FY Ended 31 Dec     | 2015   | 2016E  | 2017E  | 2018E  |
|---------------------|--------|--------|--------|--------|
| Revenues (Btm)      | 3,572  | 3,704  | 4,031  | 4,328  |
| Net profit (Btm)    | 58     | 77     | 89     | 98     |
| EPS (Bt)            | 0.08   | 0.11   | 0.13   | 0.14   |
| EPS growth (%)      | -86.0% | +32.4% | +15.9% | +10.2% |
| Core profit (Btm)   | 57     | 101    | 100    | 100    |
| Core EPS (Bt)       | 0.08   | 0.15   | 0.15   | 0.15   |
| Core EPS growth (%) | -88.8% | +78.0% | -0.5%  | +0.1%  |
| PER (x)             | 172.1  | 80.8   | 69.7   | 63.2   |
| PBV (x)             | 1.3    | 0.8    | 0.8    | 0.8    |
| Dividend (Bt)       | 0.1    | 0.1    | 0.1    | 0.1    |
| Dividend yield (%)  | 0.6    | 1.2    | 1.4    | 1.5    |
| ROE (%)             | 0.8    | 1.0    | 1.2    | 1.3    |

**CG/Anti-Corruption**


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Securities Fundamental Investment Analyst

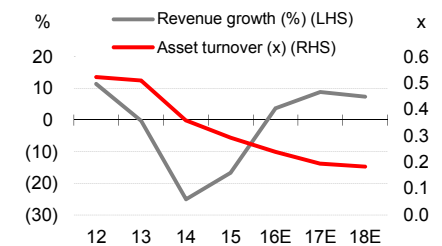
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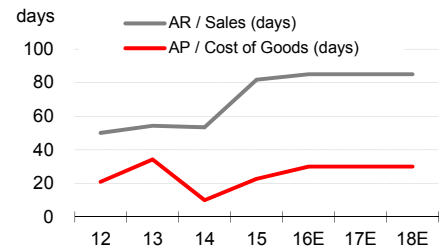
## MCOT: Financial Tables – Year

| PROFIT & LOSS (Btm)                         | 2014           | 2015          | 2016E          | 2017E          | 2018E          |
|---|----------------|---------------|----------------|----------------|----------------|
| Revenue                                     | 4,284          | 3,572         | 3,704          | 4,031          | 4,328          |
| Cost of sales and services                  | (2,677)        | (2,680)       | (2,640)        | (2,741)        | (2,903)        |
| <b>Gross profit</b>                         | <b>1,607</b>   | <b>892</b>    | <b>1,064</b>   | <b>1,290</b>   | <b>1,425</b>   |
| SG&A  | (1,136)        | (995)         | (1,067)        | (1,225)        | (1,394)        |
| <b>EBIT</b>                                 | <b>471</b>     | <b>(102)</b>  | <b>(3)</b>     | <b>65</b>      | <b>31</b>      |
| Interest expense                            | (16)           | (20)          | (90)           | (140)          | (185)          |
| Other income/exp.                           | 170            | 191           | 219            | 228            | 238            |
| <b>EBT</b>                                  | <b>625</b>     | <b>69</b>     | <b>127</b>     | <b>153</b>     | <b>84</b>      |
| Corporate tax                               | (144)          | (27)          | (39)           | (65)           | 5              |
| <b>After-tax net profit (loss)</b>          | <b>481</b>     | <b>42</b>     | <b>88</b>      | <b>88</b>      | <b>89</b>      |
| Minority interest                           | 23             | 14            | 13             | 12             | 11             |
| Equity earnings from affiliates             | 0              | 0             | 0              | 0              | 0              |
| Extra items                                 | (91)           | 1             | (24)           | (12)           | (3)            |
| <b>Net profit (loss)</b>                    | <b>413</b>     | <b>58</b>     | <b>77</b>      | <b>89</b>      | <b>98</b>      |
| Reported EPS                                | 0.60           | 0.08          | 0.11           | 0.13           | 0.14           |
| <b>Fully diluted EPS</b>                    | <b>0.60</b>    | <b>0.08</b>   | <b>0.11</b>    | <b>0.13</b>    | <b>0.14</b>    |
| <b>Core net profit</b>                      | <b>504</b>     | <b>57</b>     | <b>101</b>     | <b>100</b>     | <b>100</b>     |
| Core EPS                                    | 0.73           | 0.08          | 0.15           | 0.15           | 0.15           |
| <b>EBITDA</b>                               | <b>1,223</b>   | <b>709</b>    | <b>837</b>     | <b>934</b>     | <b>931</b>     |
| <b>KEY RATIOS</b>                           |                |               |                |                |                |
| Revenue growth (%)                          | (25.0)         | (16.6)        | 3.7            | 8.8            | 7.4            |
| Gross margin (%)                            | 37.5           | 25.0          | 28.7           | 32.0           | 32.9           |
| EBITDA margin (%)                           | 28.6           | 19.9          | 22.6           | 23.2           | 21.5           |
| Operating margin (%)                        | 11.0           | (2.9)         | (0.1)          | 1.6            | 0.7            |
| Net margin (%)                              | 9.6            | 1.6           | 2.1            | 2.2            | 2.3            |
| Core profit margin (%)                      | 11.8           | 1.6           | 2.7            | 2.5            | 2.3            |
| ROA (%)                                     | 3.5            | 0.5           | 0.5            | 0.4            | 0.4            |
| ROCE (%)                                    | 5.4            | 0.8           | 0.7            | 0.6            | 0.5            |
| Asset turnover (x)                          | 0.4            | 0.3           | 0.2            | 0.2            | 0.2            |
| Current ratio (x)                           | 2.5            | 2.4           | 3.9            | 3.8            | 3.8            |
| Gearing ratio (x)                           | 0.0            | 0.0           | 1.0            | 1.3            | 1.7            |
| Interest coverage (x)                       | 29.6           | n.m.          | n.m.           | 0.5            | 0.2            |
| <b>BALANCE SHEET (Btm)</b>                  |                |               |                |                |                |
| Cash & Equivalent                           | 3,334          | 2,532         | 5,742          | 5,941          | 6,455          |
| Accounts receivable                         | 627            | 800           | 863            | 939            | 1,008          |
| Inventory                                   | 31             | 26            | 28             | 29             | 30             |
| PP&E-net                                    | 3,872          | 3,580         | 5,041          | 6,246          | 7,227          |
| Other assets                                | 4,488          | 4,334         | 7,215          | 8,525          | 9,852          |
| <b>Total assets</b>                         | <b>12,746</b>  | <b>11,642</b> | <b>19,310</b>  | <b>22,138</b>  | <b>25,062</b>  |
| Accounts payable                            | 73             | 167           | 217            | 225            | 239            |
| ST debts & current portion                  | 32             | 35            | 0              | 0              | 0              |
| Long-term debt                              | 54             | 30            | 7,300          | 9,810          | 12,460         |
| Other liabilities                           | 2,226          | 1,552         | 1,667          | 1,814          | 1,947          |
| <b>Total liabilities</b>                    | <b>5,381</b>   | <b>4,260</b>  | <b>11,920</b>  | <b>14,744</b>  | <b>17,666</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                           | 2,794          | 2,813         | 2,834          | 2,850          | 2,864          |
| <b>Shareholders' equity</b>                 | <b>7,336</b>   | <b>7,355</b>  | <b>7,377</b>   | <b>7,393</b>   | <b>7,406</b>   |
| Minority interests                          | 28             | 26            | 13             | 1              | (10)           |
| <b>Total Liab.&amp;Shareholders' equity</b> | <b>12,746</b>  | <b>11,642</b> | <b>19,310</b>  | <b>22,138</b>  | <b>25,062</b>  |
| <b>CASH FLOW (Btm)</b>                      |                |               |                |                |                |
| Net income                                  | 413            | 58            | 77             | 89             | 98             |
| Depreciation and amortization               | 753            | 811           | 840            | 869            | 900            |
| Change in working capital                   | 60             | (74)          | (15)           | (69)           | (57)           |
| FX, non-cash adjustment & others            | (244)          | (504)         | 27             | 20             | 18             |
| <b>Cash flows from operating activities</b> | <b>982</b>     | <b>292</b>    | <b>929</b>     | <b>909</b>     | <b>958</b>     |
| Capex (Invest)/Divest                       | (196)          | (266)         | (1,993)        | (1,763)        | (1,568)        |
| Others                                      | (1,543)        | (262)         | (252)          | (350)          | (320)          |
| <b>Cash flows from investing activities</b> | <b>(1,739)</b> | <b>(528)</b>  | <b>(2,245)</b> | <b>(2,113)</b> | <b>(1,888)</b> |
| Debt financing (repayment)                  | (6)            | (26)          | 4,449          | 1,280          | 1,350          |
| Equity financing                            | 0              | 0             | 0              | 0              | 0              |
| Dividend payment                            | (986)          | (206)         | (55)           | (73)           | (84)           |
| Others                                      | (1,543)        | (262)         | (252)          | (350)          | (320)          |
| <b>Cash flows from financing activities</b> | <b>(992)</b>   | <b>(223)</b>  | <b>4,394</b>   | <b>1,207</b>   | <b>1,266</b>   |
| Net change in cash                          | (1,750)        | (459)         | 3,078          | 3              | 336            |
| <b>Free cash flow (Btm)</b>                 | <b>786</b>     | <b>26</b>     | <b>(1,064)</b> | <b>(854)</b>   | <b>(610)</b>   |
| <b>FCF per share (Bt)</b>                   | <b>1.1</b>     | <b>0.0</b>    | <b>(1.5)</b>   | <b>(1.2)</b>   | <b>(0.9)</b>   |
| <b>Key assumptions</b>                      | <b>2014</b>    | <b>2015</b>   | <b>2016E</b>   | <b>2017E</b>   | <b>2018E</b>   |
| Average TV loading factor (%)               | 60.0%          | 50.0%         | 52.0%          | 55.0%          | 57.0%          |
| TV ad revenue (Btm)                         | 2,486          | 1,270         | 1,796          | 1,849          | 2,098          |
| Radio ad revenue (Btm)                      | 930            | 945           | 946            | 835            | 836            |
| Concession revenue (Btm)                    | 593            | 525           | 328            | 340            | 353            |
| SG&A/sales (%)                              | 26.5%          | 27.8%         | 28.8%          | 30.4%          | 32.2%          |

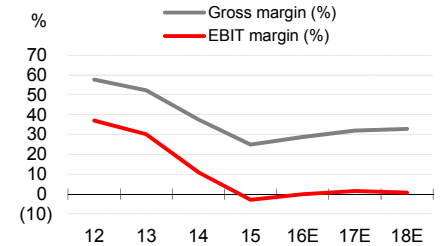
### Revenue growth and asset turnover



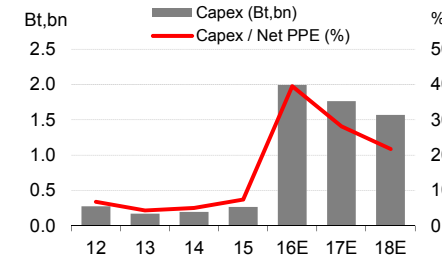
### A/C receivable & A/C payable days



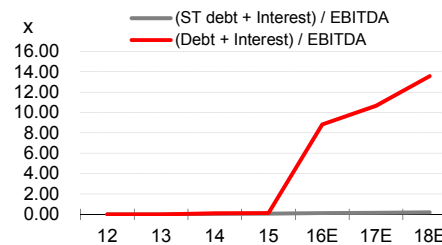
### Profit margins



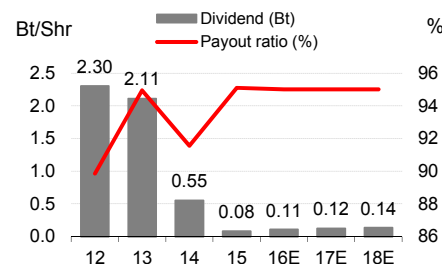
### Capital expenditure



### Debt serviceability



### Dividend payout



## MCOT: Financial Tables – Quarter

| QUARTERLY PROFIT & LOSS (Btm)   | 4Q14          | 1Q15        | 2Q15        | 3Q15        | 4Q15          |
|---------------------------------|---------------|-------------|-------------|-------------|---------------|
| Revenue                         | 1,040         | 805         | 889         | 937         | 941           |
| Cost of sales and services      | (728)         | (606)       | (643)       | (709)       | (722)         |
| Gross profit                    | 312           | 199         | 246         | 227         | 220           |
| SG&A                            | (286)         | (249)       | (251)       | (237)       | (258)         |
| <b>EBIT</b>                     | <b>26</b>     | <b>(49)</b> | <b>(5)</b>  | <b>(10)</b> | <b>(38)</b>   |
| Interest expense                | (4)           | (5)         | (5)         | (5)         | (4)           |
| Other income/exp.               | 42            | 83          | 37          | 36          | 34            |
| <b>EBT</b>                      | <b>64</b>     | <b>29</b>   | <b>28</b>   | <b>21</b>   | <b>(9)</b>    |
| Corporate tax                   | (19)          | (6)         | (12)        | (17)        | 9             |
| After-tax net profit (loss)     | 45            | 22          | 16          | 4           | 0             |
| Minority interest               | 8             | 5           | 2           | 3           | 4             |
| Equity earnings from affiliates | 0             | 0           | 0           | 0           | 0             |
| Extra items                     | (91)          | 0           | 21          | 56          | (76)          |
| <b>Net profit (loss)</b>        | <b>(37)</b>   | <b>27</b>   | <b>39</b>   | <b>63</b>   | <b>(72)</b>   |
| Reported EPS                    | (0.05)        | 0.04        | 0.06        | 0.09        | (0.10)        |
| <b>Fully diluted EPS</b>        | <b>(0.05)</b> | <b>0.04</b> | <b>0.06</b> | <b>0.09</b> | <b>(0.10)</b> |
| <b>Core net profit</b>          | <b>54</b>     | <b>27</b>   | <b>18</b>   | <b>7</b>    | <b>4</b>      |
| Core EPS                        | 0.08          | 0.04        | 0.03        | 0.01        | 0.01          |
| <b>EBITDA</b>                   | <b>230</b>    | <b>152</b>  | <b>201</b>  | <b>198</b>  | <b>159</b>    |

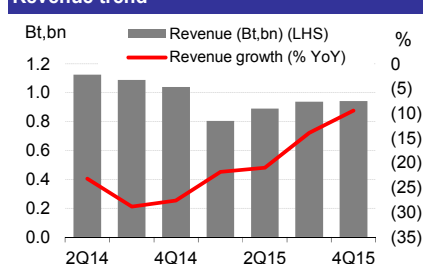
### KEY RATIOS

|                        |       |       |       |       |       |
|------------------------|-------|-------|-------|-------|-------|
| Gross margin (%)       | 30.0  | 24.8  | 27.7  | 24.3  | 23.3  |
| EBITDA margin (%)      | 22.1  | 18.8  | 22.6  | 21.1  | 16.9  |
| Operating margin (%)   | 2.5   | (6.1) | (0.5) | (1.1) | (4.1) |
| Net margin (%)         | (3.6) | 3.4   | 4.4   | 6.8   | (7.6) |
| Core profit margin (%) | 5.2   | 3.4   | 2.0   | 0.8   | 0.4   |
| BV (Bt)                | 10.7  | 10.9  | 10.9  | 11.0  | 10.7  |
| ROE (%)                | (2.0) | 1.5   | 2.1   | 3.4   | (3.9) |
| ROA (%)                | (1.2) | 0.9   | 1.3   | 2.1   | (2.5) |
| Current ratio (x)      | 2.5   | 2.5   | 2.4   | 2.3   | 2.4   |
| Gearing ratio (x)      | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Interest coverage (x)  | 6.2   | n.m.  | n.m.  | n.m.  | n.m.  |

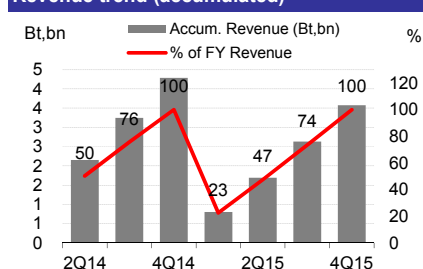
### QUARTERLY BALANCE SHEET (Btm)

|   |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|
| Cash & Equivalent                           | 3,334         | 3,372         | 2,558         | 2,683         | 2,532         |
| Accounts receivable                         | 627           | 530           | 497           | 729           | 800           |
| Inventory                                   | 31            | 27            | 38            | 30            | 26            |
| PP&E-net                                    | 2,707         | 2,613         | 2,549         | 2,458         | 2,416         |
| Other assets                                | 5,667         | 5,846         | 5,806         | 5,768         | 5,513         |
| <b>Total assets</b>                         | <b>12,746</b> | <b>12,804</b> | <b>12,028</b> | <b>12,053</b> | <b>11,642</b> |
| Accounts payable                            | 73            | 64            | 96            | 125           | 167           |
| ST debts & current portion                  | 32            | 33            | 36            | 36            | 35            |
| Long-term debt                              | 54            | 48            | 21            | 36            | 30            |
| Other liabilities                           | 3,544         | 3,565         | 2,942         | 2,794         | 2,696         |
| <b>Total liabilities</b>                    | <b>5,381</b>  | <b>5,326</b>  | <b>4,512</b>  | <b>4,518</b>  | <b>4,260</b>  |
| Paid-up capital                             | 3,435         | 3,435         | 3,435         | 3,435         | 3,435         |
| Share premium                               | 2,794         | 2,912         | 2,953         | 2,975         | 2,813         |
| Retained earnings                           | 2,794         | 2,912         | 2,953         | 2,975         | 2,813         |
| <b>Shareholders equity</b>                  | <b>7,336</b>  | <b>7,455</b>  | <b>7,496</b>  | <b>7,518</b>  | <b>7,355</b>  |
| Minority interests                          | 28            | 23            | 21            | 17            | 26            |
| <b>Total Liab.&amp;Shareholders' equity</b> | <b>12,746</b> | <b>12,804</b> | <b>12,028</b> | <b>12,053</b> | <b>11,642</b> |
| <b>Average TV loading factor (%)</b>        | <b>4Q14</b>   | <b>1Q15</b>   | <b>2Q15</b>   | <b>3Q15</b>   | <b>4Q15</b>   |
| Average TV loading factor (%)               | 66.0%         | 53.0%         | 70.0%         | 62.0%         | 65.0%         |
| TV ad revenue (Btm)                         | 549           | 387           | 418           | 446           | 427           |
| Radio ad revenue (Btm)                      | 279           | 204           | 240           | 242           | 257           |
| Concession revenue (Btm)                    | 103           | 112           | 122           | 116           | 115           |
| New media & digital network rev (Btm)       | 109           | 101           | 110           | 132           | 143           |

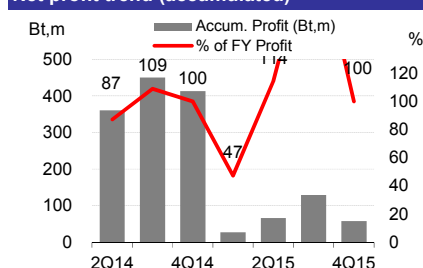
### Revenue trend



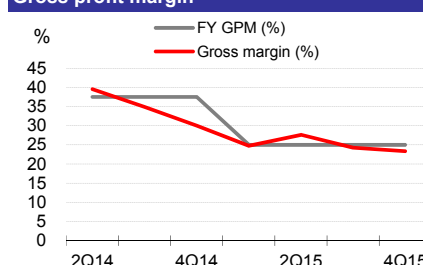
### Revenue trend (accumulated)



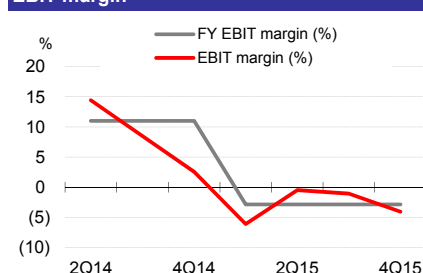
### Net profit trend (accumulated)



### Gross profit margin



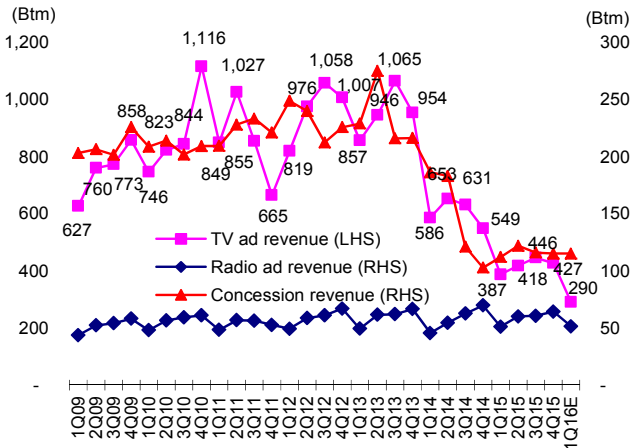
### EBIT margin



### Company profile

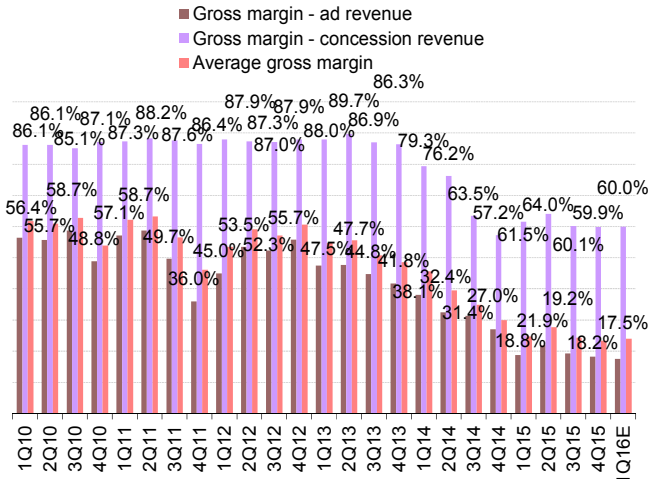
MCOT Public Company Limited (MCOT) operates a free-to-air national terrestrial TV station, ModerNine, and 62 radio stations across the country. The broadcaster also collects a percentage of the revenues generated by two TV operators that have MCOT-granted concessions—Bangkok Entertainment Public Company Limited (a subsidiary of BEC) and TRUE Visions. Bangkok Entertainment operates the nationwide terrestrial TV station, Channel 3. In FY15, it paid Bt201m 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 FY15, it paid Bt264m. 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**



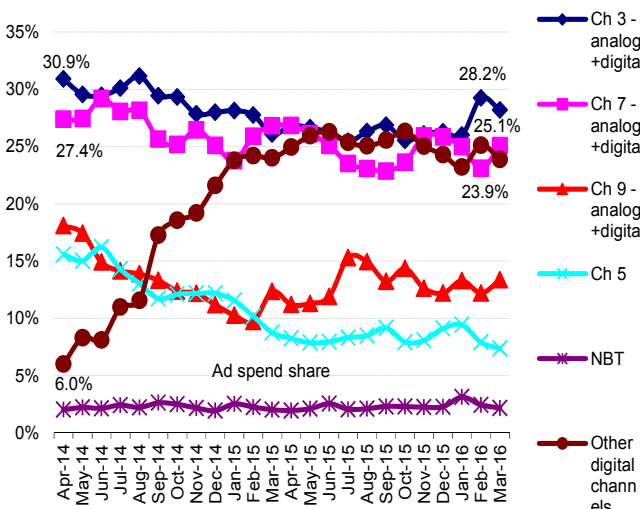
Sources: Company data, Bualuang Research

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



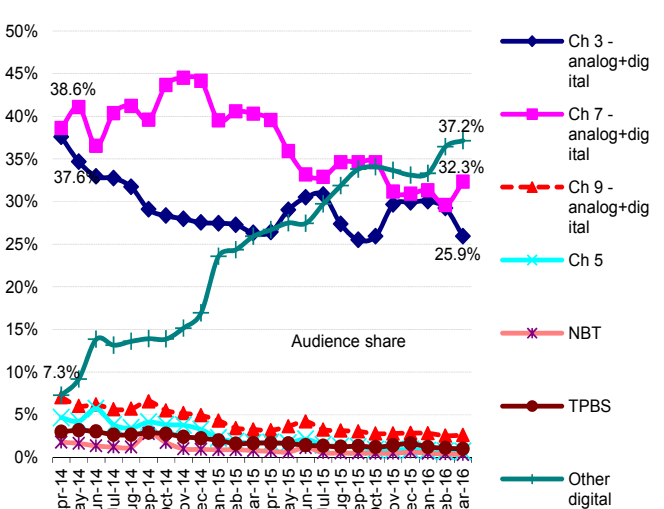
Sources: Company data, Bualuang Research

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



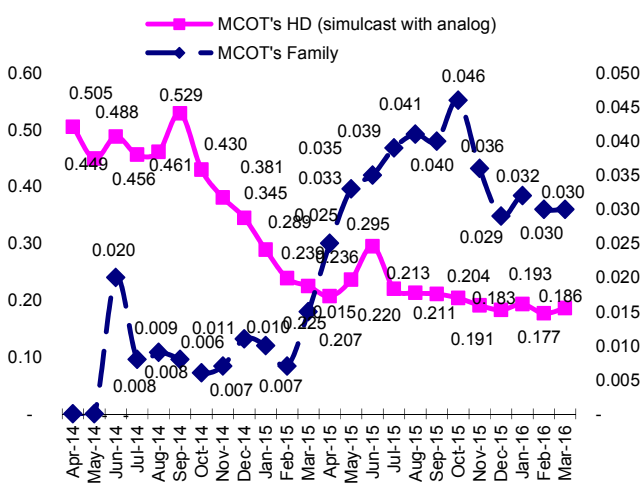
Source: The Nielsen Company

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



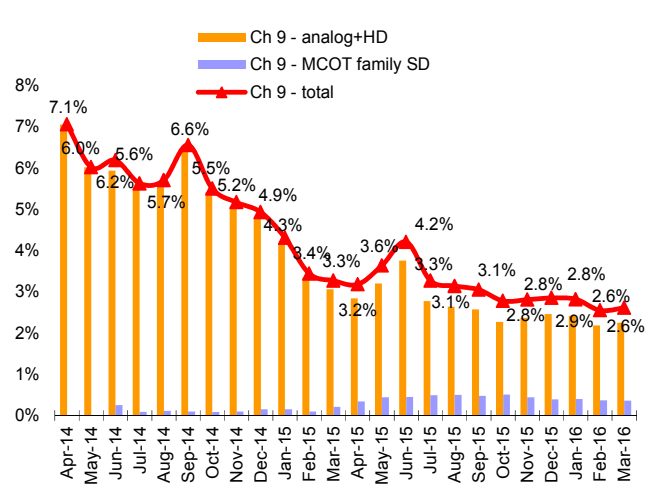
Source: The Nielsen Company

**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: 1Q16 earnings preview**

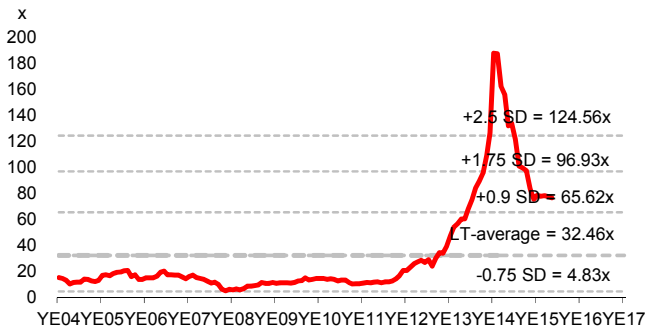
|                               | <b>1Q16E</b> | <b>1Q15</b>  | <b>% YoY</b> | <b>4Q15</b>  | <b>% QoQ</b>   |
|-------------------------------|--------------|--------------|--------------|--------------|----------------|
| <b>Total revenue</b>          | <b>757</b>   | <b>804</b>   | <b>(5.8)</b> | <b>942</b>   | <b>(19.6)</b>  |
| - TV                          | 290          | 387          | (25.0)       | 427          | (32.0)         |
| - New media                   | 52           | 53           | (1.9)        | 51           | 2.0            |
| - Digital network             | 95           | 48           | 97.9         | 92           | 3.3            |
| - Radio                       | 205          | 204          | 0.5          | 257          | (20.2)         |
| - Concession                  | 115          | 112          | 2.7          | 115          | -              |
| <b>Total cost of services</b> | <b>(576)</b> | <b>(606)</b> | <b>(4.9)</b> | <b>(722)</b> | <b>(20.2)</b>  |
| - Cost of services            | (530)        | (562)        | (5.8)        | (675)        | (21.5)         |
| - Cost of concession          | (46)         | (43)         | 6.6          | (46)         | (1.0)          |
| <b>Gross profit</b>           | <b>181</b>   | <b>199</b>   | <b>(9.0)</b> | <b>220</b>   | <b>(17.4)</b>  |
| - TV & radio & new media      | 17           | 82           | (78.7)       | 60           | (70.9)         |
| - Concession                  | 69           | 69           | 0.2          | 69           | 0.7            |
| Gross margin (%)              | 24.0%        | 24.8%        |              | 23.3%        |                |
| - TV & radio & new media      | 3.2%         | 12.7%        |              | 8.1%         |                |
| - Concession                  | 60.0%        | 61.5%        |              | 59.6%        |                |
| SG&A                          | (235)        | (249)        | (5.6)        | (258)        | (9.0)          |
| <b>EBIT</b>                   | <b>(53)</b>  | <b>(49)</b>  | <b>(8.2)</b> | <b>(38)</b>  | <b>(39.6)</b>  |
| Interest expense              | (5)          | (5)          | 9.1          | (4)          | 12.2           |
| Other income/exp.             | 33           | 83           | (60.1)       | 34           | (3.0)          |
| <b>EBT</b>                    | <b>(25)</b>  | <b>29</b>    | <b>n.m.</b>  | <b>(9)</b>   | <b>(192.3)</b> |
| Corporate tax                 | (10)         | (6)          | 56.9         | 9            | n.m.           |
| After-tax profit              | (35)         | 22           | n.m.         | 0            | n.m.           |
| Minority interest             | 5            | 5            | 2.5          | 4            | 34.8           |
| Extra items                   | (6)          | -            | n.m.         | (76)         | (92.1)         |
| <b>Net profit</b>             | <b>(36)</b>  | <b>27</b>    | <b>n.m.</b>  | <b>(72)</b>  | <b>49.2</b>    |
| Reported EPS                  | (0.05)       | 0.04         | n.m.         | (0.10)       | 49.2           |
| Fully diluted EPS             | (0.05)       | 0.04         | n.m.         | (0.10)       | (49.2)         |
| <b>Core net profit</b>        | <b>(30)</b>  | <b>27</b>    | <b>n.m.</b>  | <b>4</b>     | <b>n.m.</b>    |
| Core EPS                      | (0.04)       | 0.04         | n.m.         | 0.01         | n.m.           |
| <b>EBITDA</b>                 | <b>147</b>   | <b>152</b>   | <b>(3.3)</b> | <b>159</b>   | <b>(7.7)</b>   |
| Gross margin (%)              | 24.0         | 24.8         |              | 23.3         |                |
| EBITDA margin (%)             | 19.4         | 18.9         |              | 16.9         |                |
| Operating margin (%)          | (7.0)        | (6.1)        |              | (4.1)        |                |
| Net margin (%)                | (4.8)        | 3.4          |              | (7.6)        |                |
| Core profit margin (%)        | (4.0)        | 3.4          |              | 0.4          |                |

Sources: Company data, Bualuang Research estimates

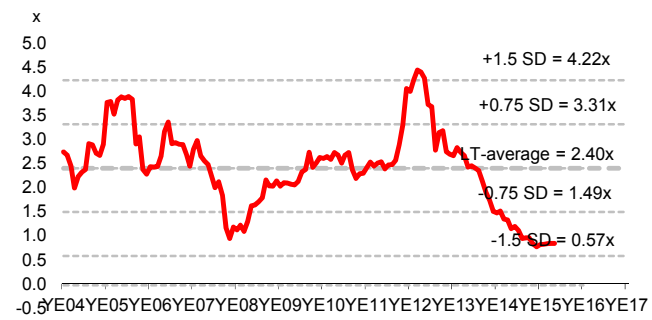
## Regional Comparisons

|                              | Bloomberg Code | Price (local curr.) | Market Cap (US\$ equivalent) | PER (x)     |             | EPS Growth (%) |            | PBV (x)    |            | ROE (%)     |             | Div Yield (%) |            |
|------------------------------|----------------|---------------------|------------------------------|-------------|-------------|----------------|------------|------------|------------|-------------|-------------|---------------|------------|
|                              |                |                     |                              | 2016E       | 2017E       | 2016E          | 2017E      | 2016E      | 2017E      | 2016E       | 2017E       | 2016E         | 2017E      |
| Abs-Cbn Corp                 | ABS PM         | PHP54.9             | 992                          | 11.6        | 14.7        | 46.0           | -21.6      | 1.6        | 1.5        | 12.9        | 9.8         | 1.4           | 2.3        |
| Gma Network Inc              | GMA7 PM        | PHP6.9              | 489                          | 11.8        | 17.6        | 42.5           | -33.9      | n.a.       | n.a.       | 29.0        | 19.8        | 5.8           | 6.0        |
| Sun Tv Network Ltd           | SUNTV IN       | INR351.4            | 2,081                        | 15.2        | 13.4        | 16.0           | 13.8       | 3.7        | 3.3        | 25.4        | 26.2        | 3.6           | 4.1        |
| Zee Entertainment Enterprise | Z IN           | INR403.1            | 5,817                        | 38.8        | 30.7        | 19.4           | 26.9       | 7.0        | 5.9        | 20.9        | 22.3        | 0.6           | 0.8        |
| Television Broadcasts Ltd    | 511 HK         | HKD29.1             | 1,640                        | 16.1        | 15.5        | 79.4           | 3.5        | 1.7        | 1.7        | 10.5        | 11.4        | 8.8           | 8.8        |
| Nippon Television Network    | 9404 JP        | JPY1,770.0          | 4,378                        | 12.5        | 11.7        | 18.2           | 6.6        | 0.8        | 0.7        | 6.2         | 6.2         | 1.9           | 1.9        |
| Tokyo Broadcasting System    | 9401 JP        | JPY1,475.0          | 2,634                        | 21.9        | 22.9        | -14.7          | -4.5       | 0.6        | 0.6        | 2.6         | 2.2         | 1.2           | 1.2        |
| Tv Asahi Corp                | 9409 JP        | JPY1,807.0          | 1,839                        | 17.1        | 16.3        | 3.9            | 5.0        | 0.6        | 0.6        | 3.7         | 3.6         | 2.1           | 2.2        |
| Beijing Gehua Catv Network-A | 600037 CH      | CNY15.6             | 3,346                        | 24.8        | 21.1        | 7.9            | 16.9       | 1.8        | 1.7        | 7.7         | 8.1         | 1.3           | 1.5        |
| BEC World                    | BEC TB         | THB25.00            | 1,423                        | 18.1        | 17.1        | -7.3           | 5.6        | 6.1        | 5.8        | 35.0        | 36.3        | 5.1           | 5.4        |
| GMM Grammy                   | GRAMMY TE      | THB8.55             | 200                          | n.m.        | 27.4        | n.m.           | n.m.       | 4          | 3          | -14.0       | 14.9        | 0.0           | 2.9        |
| Major Cineplex Group         | MAJOR TB       | THB31.50            | 800                          | 21.5        | 19.4        | 11.6           | 10.6       | 4.1        | 3.9        | 19.5        | 20.6        | 4.1           | 4.5        |
| MCOT                         | MCOT TB        | THB9.00             | 176                          | 80.8        | 69.7        | 32.4           | 15.9       | 0.8        | 0.8        | 1.0         | 1.2         | 1.2           | 1.4        |
| Plan B Media                 | PLANB TB       | THB6.60             | 659                          | 40.8        | 35.7        | 41.8           | 14.5       | 7.5        | 6.7        | 19.4        | 19.9        | 1.2           | 1.4        |
| RS                           | RS TB          | THB12.60            | 352                          | 43.7        | 29.8        | 138.1          | 46.5       | 6.9        | 6.2        | 16.4        | 22.2        | 1.4           | 2.0        |
| VGI Global Media             | VGI TB         | THB4.58             | 895                          | 32          | 30          | 25.3           | 6.8        | 4.2        | 2.8        | 16.3        | 11.0        | 2.8           | 3.0        |
| Workpoint Entertainment      | WORK TB        | THB38.25            | 454                          | 53.3        | 41.7        | 82.4           | 27.7       | 5.0        | 4.8        | 10.0        | 11.9        | 2.9           | 3.8        |
| <b>Simple average</b>        |                |                     |                              | <b>28.8</b> | <b>25.6</b> | <b>33.9</b>    | <b>8.8</b> | <b>3.5</b> | <b>3.2</b> | <b>13.1</b> | <b>14.6</b> | <b>2.7</b>    | <b>3.1</b> |

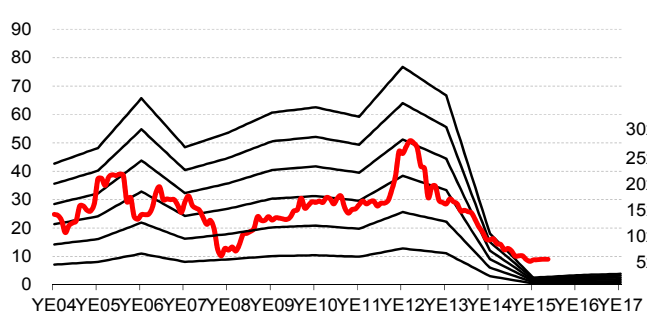
PER band versus SD (next 12 months)



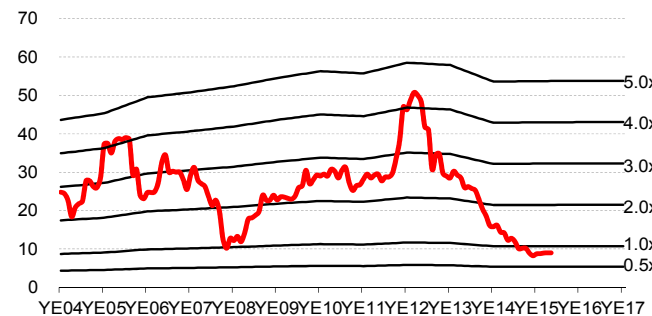
PBV band versus SD (next 12 months)



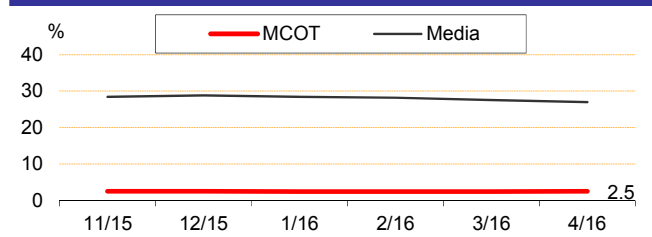
PER band and share price



PBV band and share price



Foreign holdings



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|                   |   |

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

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| 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                          |

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## 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.