

9 August 2011

MCOT

Media
Neutral

Anticipate a solid 2Q11 profit

Investment thesis: We have trimmed our FY11-12 core earnings forecasts by 5 and 6%, respectively, because of higher OPEX and SG&A expectations—the booking of additional consultancy fees and salary increases in 2H11 and greater new media business costs in FY12. The key long-term risk is higher regulatory expenses once the NBTC is established. Our preferred pick in the Media sector is currently BEC.

Anticipate solid 2Q11 earnings: We estimate a Bt430m net profit for 2Q11, up by 17% YoY and 18% QoQ. The strong expected bottom-line growth is underpinned by: 1) second-quarter high season, 2) election-related advertising, 3) higher TV ad revenue and solid radio ad revenues and 4) well-contained OPEX.

Strong ad revenue in 2Q11: TV ad revenue should post a rise of 12% YoY and 15% QoQ (above Nielsen's figure of 9% YoY), underpinned by both a greater TV loading factor and higher ad rates. The average TV loading factor is estimated at 100% for 2Q11, against 95% in 1Q11 and 113% in 2Q10; the prime-time loading factor should be in the 100-110% range and non-prime in the 90-95% range. Moreover, MCOT increased its ad rates by 5-25% for 14 prime-time programs, effective Jan 2011. Radio revenues should be posted stable YoY. We estimate that new media revenue rose to Bt50m in 2Q11 from Bt25m in 1Q11. There were also four events during the quarter—*Technology Road, Colombia 2011 FIFA, Mexico 2011 FIFA* and *Germany 2011 FIFA*—and seasonal shows—*The Star* and *The Trainers*.

OPEX expected to rise in 3Q11: Despite good OPEX control in 2Q11, SG&A might increase in 2H11 as a result of: 1) additional consultancy fees totaling about Bt100m (for ERP programs, internal organizational structure and blueprint design) and 2) a 5% broad salary increase (estimated at less than Bt100m). We also expect new media business costs to rise in FY12.

FY11-12 core earnings forecasts revised down: Given that MCOT has decided to book the Bt405m payment from BEC (for 10-year concession renewal through to 2020) as a one-off revenue item in 3Q11, we have revised up our FY11 net earnings forecast by 12%. However, we have trimmed our FY11-12 core profit projections by 5% and 6%, respectively, to reflect increased OPEX expectations. There are also long-term regulatory risks to MCOT's cost and revenue structure. As such, our DCF-derived YE11 target price declines 18% to Bt32.

BUALUANG RESEARCH

Prasit Sujiravorakul
prasit@bualuang.co.th
+662 618 1342

HOLD (downgraded)

Target Price: Bt32.00
Price (08/08/11): Bt29.75
MCOT TB / MCOT.BK

Key Ratios & Statistics

Market cap	Bt20.44bn
12-mth price range	Bt25.50/Bt32.50
3-mth avg daily volume	Bt23.41m
# of shares (m)	687.1
Est. free float (%)	22.7
Foreign limit (%)	15.0

Share price perf. (%)	1M	3M	12M
Relative to SET	1.8	(3.8)	(10.9)
Absolute	0.8	(3.3)	12.3

Financial summary

FY Ended 31 Dec	2010	2011E	2012E	2013E
Revenues (Btm)	5,546	5,965	6,434	6,593
Net profit (Btm)	1,423	1,855	1,767	1,882
EPS (Bt)	2.07	2.70	2.57	2.74
BLS/Consensus (x)	n.a.	1.10	1.01	n.a.
EPS growth (%)	+2.4%	+30.4%	-4.8%	+6.5%
Core profit (Btm)	1,672	1,572	1,767	1,882
Core EPS (Bt)	2.43	2.29	2.57	2.74
Core EPS growth (%)	+27.3%	-6.0%	+12.4%	+6.5%
PER (x)	12.4	11.0	11.6	10.9
Core PER (x)	10.6	13.0	11.6	10.9
EV/EBITDA (x)	5.1	5.9	5.2	4.8
PBV (x)	2.3	2.5	2.4	2.3
Dividend (Bt)	1.90	2.40	2.29	2.44
Dividend yield (%)	7.4	8.1	7.7	8.2
ROE (%)	18.9	23.5	21.5	22.3
Net gearing (x)	Net cash	Net cash	Net cash	Net cash

CG Rating - 2010



Company profile

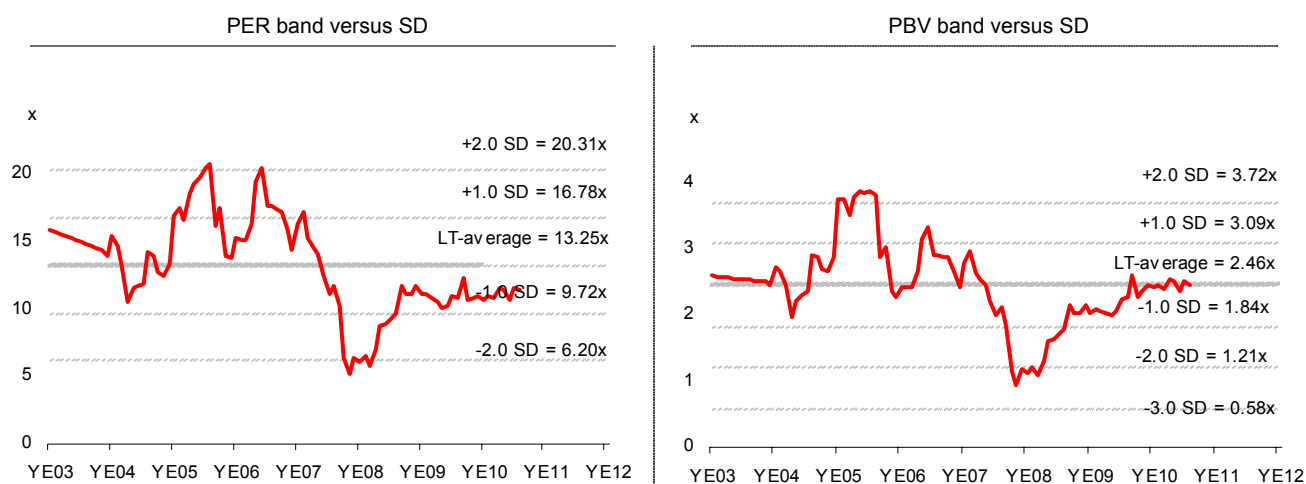
MCOT Plc (MCOT) operates a free-to-air national terrestrial TV station, ModerNine, and 62 radio stations across the country. The firm also collects a percentage of the revenues generated by two TV operators that have MCOT-granted concessions—Bangkok Entertainment Plc (a subsidiary of BEC) and UBC (or TRUE Visions). Bangkok Entertainment operates the nationwide terrestrial TV station, Channel 3. Last year Bangkok Entertainment paid Bt157m in revenue share to MCOT. TRUE Vision runs a multi-channel pay TV business over fiber-optic cable and satellite. It pays 6.5% of its revenue to MCOT. In FY10 it paid Bt529m.

Figure 1: 2Q11 earnings preview

	2Q11E	2Q10	% YoY	1Q11	% QoQ	1H11E	1H10	% YoY
Total revenue	1,423	1,319	7.8	1,252	13.7	2,674	2,466	8.4
- TV	978	873	12.0	849	15.1	1,827	1,619	12.8
- Radio	235	232	1.2	193	21.8	428	424	0.8
- Concession	210	214	(1.9)	209	0.3	419	423	(0.8)
Total cost of services	(511)	(498)	2.6	(473)	8.2	(984)	(937)	5.0
- Cost of TV & radio	(485)	(469)	3.5	(446)	8.8	(931)	(878)	6.0
- Cost of concession	(26)	(30)	(11.6)	(27)	(1.4)	(53)	(59)	(9.9)
Gross profit	911	821	11.0	779	17.0	1,690	1,529	10.5
- TV & radio	728	636	14.3	596	22.0	1,324	1,165	13.6
- Concession	184	184	(0.3)	183	0.5	366	364	0.7
SG&A	(306)	(306)	(0.2)	(267)	14.4	(573)	(538)	6.5
EBIT	605	514	17.7	512	18.3	1,117	991	12.7
Interest expense	(2)	(0)	n.m.	(2)	(16.4)	(4)	(2)	104.8
Other income/exp.	30	24	22.6	25	17.8	55	38	44.1
EBT	633	539	17.6	535	18.5	1,168	1,028	13.7
Corporate tax	(196)	(167)	17.5	(168)	17.2	(364)	(296)	22.8
After-tax profit	437	372	17.6	367	19.0	804	731	9.9
Minority interest	(7)	(5)	48.9	(3)	158.4	(10)	(9)	8.5
Net profit	430	367	17.2	364	18.0	794	723	10.0
Reported EPS	0.63	0.53	17.2	0.53	18.0	1.16	1.05	10.0
Fully diluted EPS	0.63	0.53	17.2	0.53	18.0	1.16	1.05	10.0
Core net profit	430	367	17.2	364	18.0	794	723	10.0
Core EPS	0.63	0.53	17.2	0.53	18.0	1.16	1.05	10.0
EBITDA	737	635	16.1	643	14.6	1,381	1,233	12.0
Gross margin (%)	64.1	62.2		62.2		63.2	62.0	
EBITDA margin (%)	51.8	48.2		51.4		51.6	50.0	
Operating margin (%)	42.6	39.0		40.9		41.8	40.2	
Net margin (%)	30.2	27.8		29.1		29.7	29.3	
Core profit margin (%)	30.2	27.8		29.1		29.7	29.3	

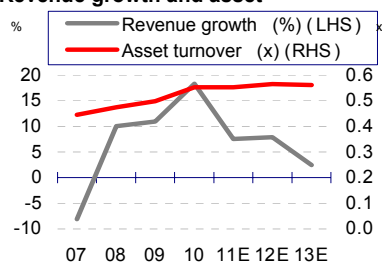
Sources: Company data and Bualuang Research estimates

Figure 2: Band comparisons versus SD

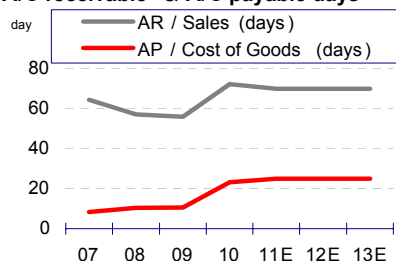


Sources: Company data, SET, and Bualuang Research estimates

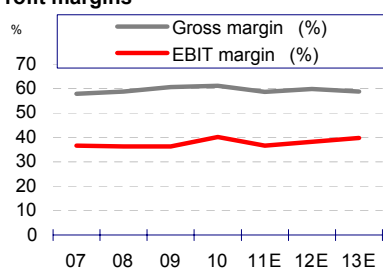
Revenue growth and asset



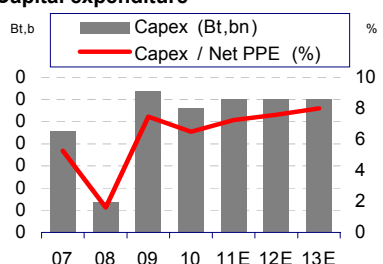
A/C receivable & A/C payable days



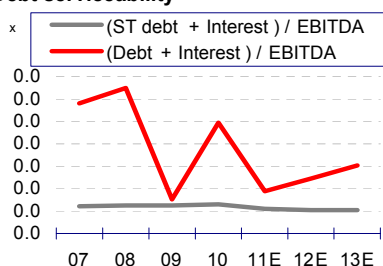
Profit margins



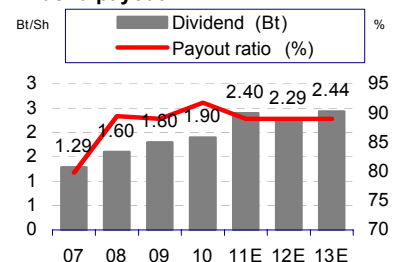
Capital expenditure



Debt serviceability



Dividend payout



	2009	2010	2011E	2012E	2013E
PROFIT & LOSS (Btm)					
Revenue	4,688	5,546	5,965	6,434	6,593
Cost of sales and services	(1,846)	(2,155)	(2,469)	(2,592)	(2,721)
Gross profit	2,842	3,391	3,496	3,842	3,872
SG&A	(1,140)	(1,166)	(1,312)	(1,383)	(1,253)
EBIT	1,702	2,225	2,183	2,459	2,619
Interest expense	(1)	(1)	(1)	(2)	(2)
Other income/exp.	68	93	98	103	108
EBT	1,769	2,317	2,280	2,560	2,726
Corporate tax	(452)	(622)	(684)	(768)	(818)
After-tax profit (loss)	1,317	1,695	1,596	1,792	1,908
Minority interest	(4)	(23)	(24)	(25)	(26)
Equity earnings from affiliates	0	0	0	0	0
Extra items	76	(249)	284	0	0
Net profit (loss)	1,389	1,423	1,855	1,767	1,882
Reported EPS	2.02	2.07	2.70	2.57	2.74
Fully diluted EPS	2.02	2.07	2.70	2.57	2.74
Core net profit	1,313	1,672	1,572	1,767	1,882
Core EPS	1.91	2.43	2.29	2.57	2.74
EBITDA	2,185	2,723	2,698	2,991	3,169

	2009	2010	2011E	2012E	2013E
KEY RATIOS					
Revenue growth (%)	10.9	18.3	7.6	7.9	2.5
Gross margin (%)	60.6	61.1	58.6	59.7	58.7
EBITDA margin (%)	46.6	49.1	45.2	46.5	48.1
Operating margin (%)	36.3	40.1	36.6	38.2	39.7
Net margin (%)	29.6	25.7	31.1	27.5	28.5
Core profit margin (%)	28.0	30.1	26.3	27.5	28.5
ROA (%)	14.8	14.2	17.2	15.5	16.0
ROCE (%)	18.9	18.8	23.3	21.3	22.0
Asset turnover (x)	0.5	0.6	0.6	0.6	0.6
Current ratio (x)	4.5	3.3	3.3	3.3	3.4
Gearing ratio (x)	0.0	0.0	0.0	0.0	0.0
Interest coverage (x)	n.m.	n.m.	n.m.	n.m.	n.m.

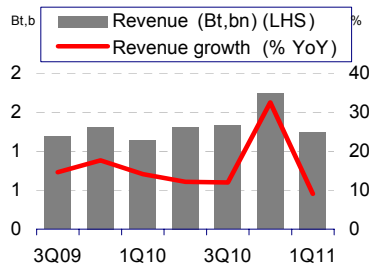
	2009	2010	2011E	2012E	2013E
BALANCE SHEET (Btm)					
Cash & Equivalent	3,646	3,871	4,596	4,785	5,287
Accounts receivable	719	1,101	1,144	1,234	1,265
Inventory	4	4	5	5	5
PP&E-net	4,272	4,307	4,136	3,951	3,751
Other assets	96	111	307	448	497
Total assets	9,693	10,389	11,232	11,541	11,949
Accounts payable	54	137	169	178	186
ST debts & current portion	0	0	0	0	0
Long-term debt	0	5	1	2	3
Other liabilities	15	21	30	32	33
Total liabilities	2,202	2,725	2,994	3,162	3,234
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	2,914	3,066	3,615	3,731	4,040
Shareholders' equity	7,457	7,608	8,157	8,273	8,582
Minority interests	34	56	80	106	132
Total Liab.&Shareholders' equity	9,693	10,389	11,232	11,541	11,949

	2009	2010	2011E	2012E	2013E
CASH FLOW (Btm)					
Net income	1,389	1,423	1,855	1,767	1,882
Depreciation and amortization	483	498	515	532	549
Change in working capital	(52)	(299)	(12)	(82)	(22)
FX, non-cash adjustment & others	(94)	156	16	(37)	5
Cash flows from operating activities	1,726	1,777	2,374	2,180	2,414
Capex (Invest)/Divest	(319)	(280)	(300)	(300)	(300)
Others	(41)	(839)	(225)	(242)	(108)
Cash flows from investing activities	(360)	(1,119)	(525)	(542)	(408)
Debt financing (repayment)	(0)	(1)	0	0	0
Equity financing	0	0	0	0	0
Dividend payment	(1,100)	(1,272)	(1,305)	(1,651)	(1,572)
Others	(1)	(1)	0	0	0
Cash flows from financing activities	(1,101)	(1,273)	(1,305)	(1,651)	(1,572)
Net change in cash	265	(615)	544	(13)	433

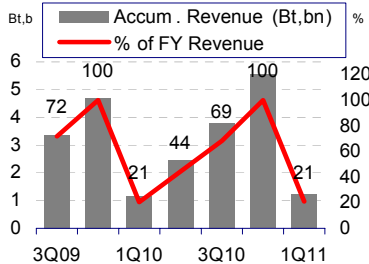
	2009	2010	2011E	2012E	2013E
Free cash flow (Btm)	1,408	1,498	2,074	1,880	2,114
FCF per share (Bt)	2.05	2.18	3.02	2.74	3.08

Sources: Company data, Bualuang Research estimates

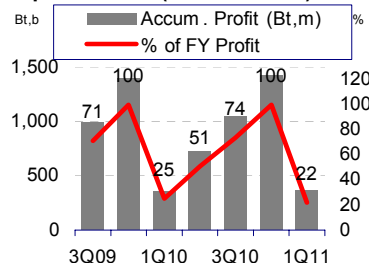
Revenue trend



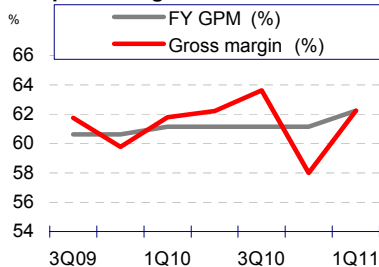
Revenue trend (accumulated)



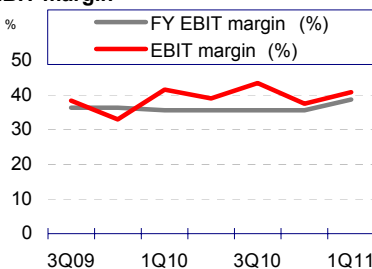
Net profit trend (accumulated)



Gross profit margin



EBIT margin



PROFIT & LOSS (Btm)

	1Q10	2Q10	3Q10	4Q10	1Q11
Revenue	1,147	1,319	1,334	1,746	1,252
Cost of sales and services	(438)	(498)	(485)	(733)	(473)
Gross profit	709	821	849	1,013	779
SG&A	(232)	(306)	(269)	(358)	(267)
EBIT	477	514	580	654	512
Interest expense	(2)	(0)	(0)	2	(2)
Other income/exp.	14	24	19	34	25
EBT	489	539	598	691	535
Corporate tax	(129)	(167)	(146)	(179)	(168)
After-tax profit (loss)	360	372	452	512	367
Minority interest	(4)	(5)	(7)	(8)	(3)
Equity earnings from affiliates	0	0	0	0	0
Extra items	0	0	(119)	(130)	0
Net profit (loss)	356	367	326	374	364
Reported EPS	0.52	0.53	0.47	0.54	0.53
Fully diluted EPS	0.52	0.53	0.47	0.54	0.53
Core net profit	356	367	445	504	364
Core EPS	0.52	0.53	0.65	0.73	0.53
EBITDA	598	635	704	786	643

KEY RATIOS

	1Q10	2Q10	3Q10	4Q10	1Q11
Gross margin (%)	61.8	62.2	63.6	58.0	62.2
EBITDA margin (%)	52.1	48.2	52.8	45.1	51.4
Operating margin (%)	41.6	39.0	43.4	37.5	40.9
Net margin (%)	31.0	27.8	24.4	21.4	29.1
Core profit margin (%)	31.0	27.8	33.4	28.9	29.1
BV (Bt)	11.4	10.9	11.4	11.3	11.8
ROE (%)	18.2	19.7	16.8	19.5	18.1
ROA (%)	14.2	14.9	13.0	14.2	13.6
Current ratio (x)	5.1	4.0	4.6	3.3	3.7
Gearing ratio (x)	0.0	0.0	0.0	0.0	0.0
Interest coverage (x)	n.m.	n.m.	n.m.	n.m.	n.m.

BALANCE SHEET (Btm)

	1Q10	2Q10	3Q10	4Q10	1Q11
Cash & Equivalent	3,772	3,368	4,010	3,871	3,978
Accounts receivable	788	823	827	1,101	1,148
Inventory	4	12	4	4	5
PP&E-net	4,309	4,338	4,277	4,307	4,285
Other assets	144	179	185	328	334
Total assets	9,999	9,866	10,029	10,517	10,740
Accounts payable	61	79	85	137	134
ST debts & current portion	0	1	1	3	5
Long-term debt	0	1	0	5	6
Other liabilities	1,061	1,032	984	986	969
Total liabilities	2,156	2,375	2,205	2,781	2,637
Paid-up capital	3,435	3,435	3,435	3,435	3,435
Share premium	3,263	2,907	3,233	3,139	3,504
Retained earnings	3,263	2,907	3,233	3,139	3,504
Shareholders equity	7,805	7,449	7,775	7,682	8,046
Minority interests	38	42	49	54	57
Total Liab.&Shareholders' equity	9,999	9,866	10,029	10,517	10,740

Sources: Company data, Bualuang Research

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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.

Score Range	Number of Logo	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

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.