

17 August 2011

MCOT

Above estimate

Media
Neutral

EARNINGS RESULTS

Above estimate: The 2Q11 net profit exceeded our estimate by 16% due to: 1) 5% higher-than-expected TV ad revenue and 2) 12% lower-than-modeled SG&A.

Results highlights: MCOT posted a Bt499m net profit, up a robust 32% YoY and 37% QoQ. Apart from the second-quarter being high season and election-related advertising income (estimated at less than Bt100m), the robust 2Q11 bottom-line growth was underpinned by: 1) higher TV ad revenue and 2) abnormally low SG&A—an 18% SG&A/sales ratio in 2Q11.

TV ad revenue rose by 25% YoY and 21% QoQ (which was significantly above Nielsen's figure of 9% YoY), driven by a strong average TV loading factor—99% against 95% in 1Q11 and 113% in 2Q10. There were seasonal programs in 2Q11—*The Star 7* and *The Trainers*—and various marketing events and activities—*General Election*, the *ABU ROBOCOM Thailand Championship 2011* and *9 Ent Surprise Trip*. Moreover, there were ad rate rises during Jan 2011. Radio ad income was flat. Revenue from new media came to Bt50m in 2Q11, driven by a new satellite TV channel called *Bangkok City Channel* and receipts from its 10 other satellite TV channels.

Outlook: The 50-rai plot that MCOT owns at Ratchadapisek-Rama IX junction, will be developed in two phases—first a digital high-definition TV studio, followed by convention hall. The project has a three- to five-year timeframe and a loose budget of Bt7-10bn. The firm will seek an investment partner for the venture. The first phase is scheduled for completion in FY12. This project requires the cabinet approval. Our chief concern is higher regulatory expenses in FY13—annual license, public fund and bidding frequency fees.

The NBTC is expected to be established in Sept. We estimate that MCOT would pay an annual license and public fund fees in the range of 2-4% of revenue. Moreover, the firm may have to submit a lump sum Bt4-5bn bidding fee for TV broadcasting bandwidth and about Bt100m in radio bandwidth bidding fees (for its six stations), on top of annual license and public fund fees. MCOT may also lose concession revenue from TRUE Visions—the satellite-platformed delivery component of TRUE Visions' pay-TV concession will end in Sept 2014 (the cable platform concession expires in 2019). We don't expect much income from the 50-rai project till FY15. So, MCOT's bottom-line could be hit by NBTC regulatory fees during FY13-14.

What's changed? We maintain our FY11 profit unchanged.

Recommendation: Our HOLD rating stands.

BUALUANG RESEARCH

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HOLD (maintained)

Target Price: Bt32.00
Price (16/08/11): Bt30.50
MCOT TB / MCOT.BK

Key Ratios & Statistics

Market cap	Bt20.96bn
12-mth price range	Bt25.75/Bt32.50
3-mth avg daily volume	Bt24.23m
# of shares (m)	687.1
Est. free float (%)	22.7
Foreign limit (%)	15.0

Share price perf. (%)	1M	3M	12M
Relative to SET	4.0	0.7	(6.7)
Absolute	3.4	0.8	18.4

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.	1.03	1.03	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	11.3	11.9	11.1
Core PER (x)	10.6	13.3	11.9	11.1
EV/EBITDA (x)	5.1	6.1	5.4	4.9
PBV (x)	2.3	2.5	2.5	2.4
Dividend (Bt)	1.90	2.40	2.29	2.44
Dividend yield (%)	7.4	7.9	7.5	8.0
ROE (%)	18.9	23.5	21.5	22.3
Net gearing (x)	Net cash	Net cash	Net cash	Net cash

CG Rating - 2010



Figure 1: 2Q11 results

FY Ended 31 Dec (Btm)	2Q11	2Q10	YoY %	1Q11	QoQ %	6M11	6M10	YoY %	6M11	vs. FY11E	
Income Statement											
Revenue	1,482	1,263	17	1,252	18	2,733	2,410	13	46		• Revenue was 4% higher than modeled, due to 5% higher TV ad revenue than expected
Cost of sales and services	(545)	(494)	10	(473)	15	(1,017)	(933)	9	41		• Gross profit was 3% above estimate
EBITDA	804	633	27	643	25	1,448	1,231	18	54		• SG&A was very well-contained—12% below estimate
SG&A	(268)	(256)	5	(267)	0	(535)	(488)	10	41		• EBITDA was 9% above our model
EBIT	669	512	31	512	31	1,181	989	19	54		• After-tax profit exceeded our expectation by 15%
Interest expense	(2)	(2)	17	(2)	4	(5)	(4)	15	328		• Net profit was 16% above our model
Other income/exp.	38	24	57	25	50	64	38	66	65		• Core profit exceeded our estimate by 16%
Equity earnings from affiliates	0	0	nm	0	nm	0	0	nm	n.m.		
Extra items	0	0	nm	0	nm	0	0	nm	0		
EBT	705	535	32	535	32	1,239	1,024	21	54		
Corporate tax	(200)	(152)	32	(168)	20	(368)	(281)	31	54		
Minority interest	(5)	(5)	nm	(3)	nm	(8)	(9)	nm	32		
Net profit (loss)	499	378	32	364	37	864	734	18	47		
Reported EPS	0.73	0.55	32	0.53	37	1.26	1.07	18	47		
Core net profit	499	378	32	364	37	864	734	18	55		
Key ratios											
Gross margin (%)	63.2	60.8		62.2		62.8	61.3				
EBITDA margin (%)	54.3	50.2		51.4		53.0	51.1				
EBIT margin (%)	45.2	40.6		40.9		43.2	41.1				
SG&A / Revenue (%)	18.1	20.3		21.4		19.6	20.2				
Tax rate (%)	28.4	28.4		31.3		29.7	27.5				
Net margin (%)	33.7	30.0		29.1		31.6	30.4				
Current ratio (x)	3.5	4.0		3.7		3.5	4.0				
Gearing ratio (x)	0.0	0.0		0.0		0.0	0.0				
Interest coverage (x)	268.0	240.7		n.m.		241.5	233.3				
Balance Sheet											
Cash & Equivalent	3,835	3,368	14	3,978	(4)						
Total assets	10,489	9,866	6	10,740	(2)						
ST debts & current portion	6	1	n.m.	5	37						
Long-term debt	9	1	n.m.	6	50						
Total liabilities	2,649	2,375	12	2,637	0						
Retained earnings	3,247	2,907	12	3,504	(7)						
Shareholders equity	7,789	7,449	5	8,046	(3)						
Minority interests	50	42	20	57	(11)						
BV (Bt)	11.4	10.9	5	11.8	(3)						

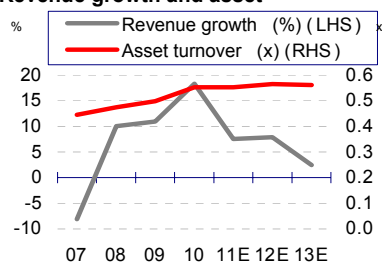
Source: Company data

Figure 2: Sales breakdown by business

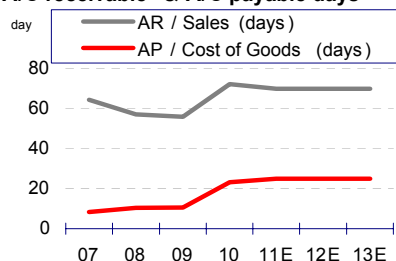
	2Q11	2Q10	% YoY	1Q11	% QoQ	1H11	1H10	% YoY
Total revenue	1,482	1,263	17.3	1,252	18.4	2,733	2,410	13.4
- TV	1,027	823	24.8	849	20.9	1,876	1,569	19.5
- Radio	227	226	0.5	193	17.6	420	418	0.4
- Concession	228	214	6.6	209	8.9	437	423	3.5
Total cost of services	(545)	(494)	10.2	(473)	15.2	(1,017)	(933)	9.0
- Cost of TV & radio	(518)	(465)	11.4	(446)	16.1	(964)	(874)	10.3
- Cost of concession	(27)	(30)	(9.6)	(27)	0.7	(53)	(59)	(8.9)
Gross profit	937	768	21.9	779	20.3	1,716	1,477	16.2
- TV & radio	736	584	26.0	596	23.4	1,332	1,113	19.7
- Concession	201	184	9.2	183	10.1	384	364	5.5
Gross margin (%)	63.2%	60.8%		62.2%		62.8%	61.3%	
- TV & radio	58.7%	55.7%		57.2%		58.0%	56.0%	
- Concession	88.2%	86.1%		87.3%		87.8%	86.1%	

Source: Company data

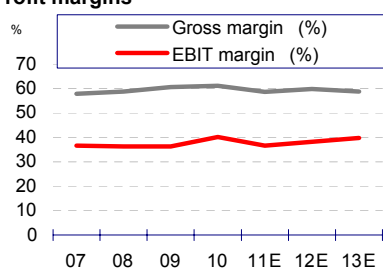
Revenue growth and asset



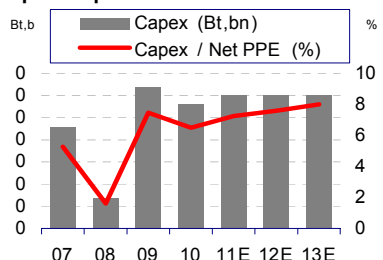
A/C receivable & A/C payable days



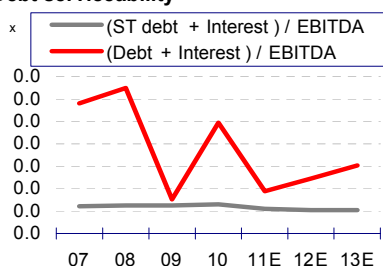
Profit margins



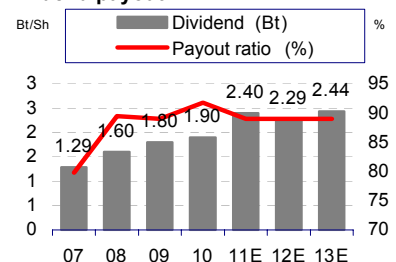
Capital expenditure



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

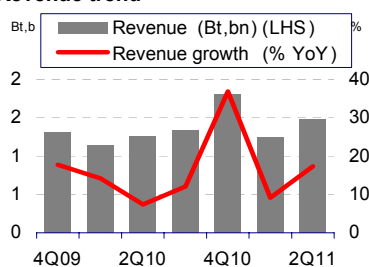
	2009	2010	2011E	2012E	2013E
CASH FLOW (Btm)					
Net income	1,389	1,423	1,855	1,767	1,882
Depreciation and amortization	483	498	515	532	549
Change in working capital	(52)	(299)	(12)	(82)	(22)
FX, non-cash adjustment & others	(94)	156	16	(37)	5
Cash flows from operating activities	1,726	1,777	2,374	2,180	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

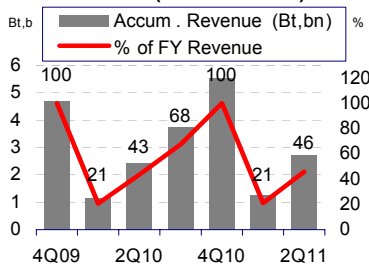
Sources: Company data, Bualuang Research estimates

Financial tables

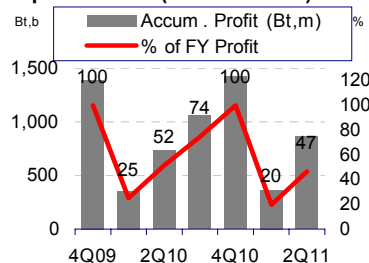
Revenue trend



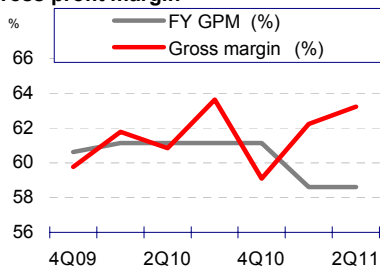
Revenue trend (accumulated)



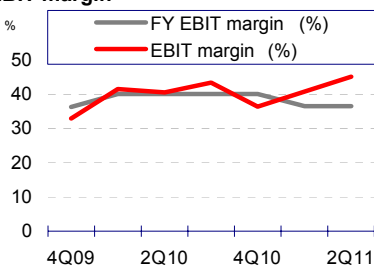
Net profit trend (accumulated)



Gross profit margin



EBIT margin



PROFIT & LOSS (Btm)

	2Q10	3Q10	4Q10	1Q11	2Q11
Revenue	1,263	1,334	1,802	1,252	1,482
Cost of sales and services	(494)	(485)	(737)	(473)	(545)
Gross profit	768	849	1,065	779	937
SG&A	(256)	(269)	(409)	(267)	(268)
EBIT	512	580	656	512	669
Interest expense	(2)	(0)	4	(2)	(2)
Other income/exp.	24	19	34	25	38
EBT	535	598	695	535	705
Corporate tax	(152)	(146)	(194)	(168)	(200)
After-tax profit (loss)	383	452	500	367	504
Minority interest	(5)	(7)	(8)	(3)	(5)
Equity earnings from affiliates	0	0	0	0	0
Extra items	0	(119)	(130)	0	0
Net profit (loss)	378	326	363	364	499
Reported EPS	0.55	0.47	0.53	0.53	0.73
Fully diluted EPS	0.55	0.47	0.53	0.53	0.73
Core net profit	378	445	493	364	499
Core EPS	0.55	0.65	0.72	0.53	0.73
EBITDA	633	704	788	643	804

KEY RATIOS

	2Q10	3Q10	4Q10	1Q11	2Q11
Gross margin (%)	60.8	63.6	59.1	62.2	63.2
EBITDA margin (%)	50.2	52.8	43.8	51.4	54.3
Operating margin (%)	40.6	43.4	36.4	40.9	45.2
Net margin (%)	30.0	24.4	20.1	29.1	33.7
Core profit margin (%)	30.0	33.4	27.3	29.1	33.7
BV (Bt)	10.9	11.4	11.3	11.8	11.4
ROE (%)	20.3	16.8	18.9	18.1	25.6
ROA (%)	15.3	13.0	13.8	13.6	19.0
Current ratio (x)	4.0	4.6	3.3	3.7	3.5
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)

	2Q10	3Q10	4Q10	1Q11	2Q11
Cash & Equivalent	3,368	4,010	3,871	3,978	3,835
Accounts receivable	823	827	1,101	1,148	901
Inventory	12	4	4	5	15
PP&E-net	4,338	4,277	4,307	4,285	4,213
Other assets	179	185	328	334	365
Total assets	9,866	10,029	10,517	10,740	10,489
Accounts payable	79	85	137	134	144
ST debts & current portion	1	1	3	5	6
Long-term debt	1	0	5	6	9
Other liabilities	1,032	984	986	969	951
Total liabilities	2,375	2,205	2,781	2,637	2,649
Paid-up capital	3,435	3,435	3,435	3,435	3,435
Share premium	2,907	3,233	3,139	3,504	3,247
Retained earnings	2,907	3,233	3,139	3,504	3,247
Shareholders equity	7,449	7,775	7,682	8,046	7,789
Minority interests	42	49	54	57	50
Total Liab.&Shareholders' equity	9,866	10,029	10,517	10,740	10,489

Sources: Company data, Bualuang Research

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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.