SELL

Transfer of Coverage

TP: Bt27.50

Upside: –10.6%

31 AUGUST 2011

MCOT Pcl (MCOT TB)

Direction unclear


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MCOT's growth path is opaque with a mediocre outlook. New media businesses are a cost burden in the trial stage with unclear success factors. The NBTC set-up is a near-term negative catalyst while long-term earnings risk lies with concession revenue ending from BEC, TrueVisions and True Cable. SELL and Switch to BEC.

Mediocre growth outlook

MCOT's earnings path is uninspiring in three areas. First, MCOT is enjoying far lower industry ad spend growth than BEC given its audience share of 9% versus BEC's 29%. Ad rate hikes also benefit MCOT less than BEC as MCOT has fewer self-produced programs. So, to play on the industry growth and ad rate hike angles, BEC is a far better choice. Second, MCOT is preparing itself for full industry liberalization but its new media businesses are still a cost burden without having convincing success factors. Third, concession revenues from TrueVisions (7% of MCOT's revenues) will end in 2014, True Cable (3%) in 2019 and BEC (3%) in 2020.

Not where the real value is – "content"

To ready itself for industry liberalization, MCOT has started new media businesses via two satellite TV channels. Its knowledge and English news programs show no signs of turning a profit in the next two years. MCOT is also mulling becoming a wholesaler on the digital TV platform post liberalization. We think the overall visibility of its business model is still unclear in terms of the path MCOT really wants to head in. MCOT's real weakness is that it isn't a key player as a content provider where the real value and franchise are.

Set-up of NBTC a negative catalyst

The NBTC is likely to be set up in two months and this will be a negative catalyst for MCOT. But the NBTC will likely take another year, say until 1H12, before it comes out with the media master plan. This is unlike the telecom master plan where the current regulator, the NTC, has already done most of the work so 3G can be implemented much faster. That said, MCOT is in a worse situation than BEC in media liberalization. MCOT must start paying free-TV license fees while BEC won't as it operates under a concession contract with MCOT. MCOT also isn't a strong content provider while BEC is so it can create its own value in most kinds of platforms.

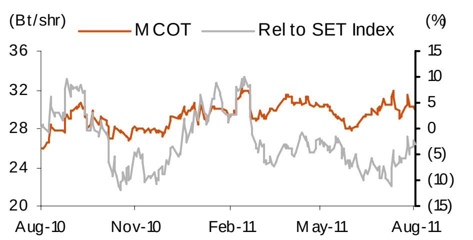
A case of the cheap staying cheap; SELL

3Q11F will be strong on the booking of the old-news, one-off Bt405m additional concession fee from BEC that will boost 2011F earnings growth to 28% y-y. But with MCOT's unclear long-term business direction and growth outlook with the possibility even of an earnings contraction, it's unjustified for it to trade far above the market PE of around 10.5x in 2012F. We are therefore a SELLer of MCOT with a DCF-based TP of Bt27.50. We also recommend a switch into BEC.

COMPANY VALUATION

Y/E Dec (Bt m)	2010	2011F	2012F	2013F
Sales	5,546	6,019	6,440	6,933
Net profit	1,423	1,815	1,644	1,557
Consensus NP	—	1,713	1,718	1,842
Diff from cons (%)	—	6.0	(4.3)	(15.5)
Norm profit	1,423	1,815	1,644	1,557
Norm EPS (Bt)	2.1	2.6	2.4	2.3
Norm EPS gr (%)	2.4	27.6	(9.4)	(5.3)
Norm PE (x)	14.9	11.6	12.8	13.6
EV/EBITDA (x)	8.0	7.5	6.9	7.2
P/BV (x)	2.8	2.7	2.6	2.6
Div. yield (%)	6.2	7.9	7.2	6.8
ROE (%)	18.9	23.4	20.7	19.4
Net D/E (%)	(19.3)	(20.9)	(23.3)	(9.9)

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 30 Aug 11 (Bt)	30.75
Market cap (US$ m)	704
Listed shares (m shares)	687
Free float (%)	23
Avg daily turnover (US$ m)	0.86
12M price H/L (Bt)	32.5/26.3
Sector	Entertainment
Major shareholder	Ministry of Finance 65.8%

Sources: Bloomberg, Company data, Thanachart estimates

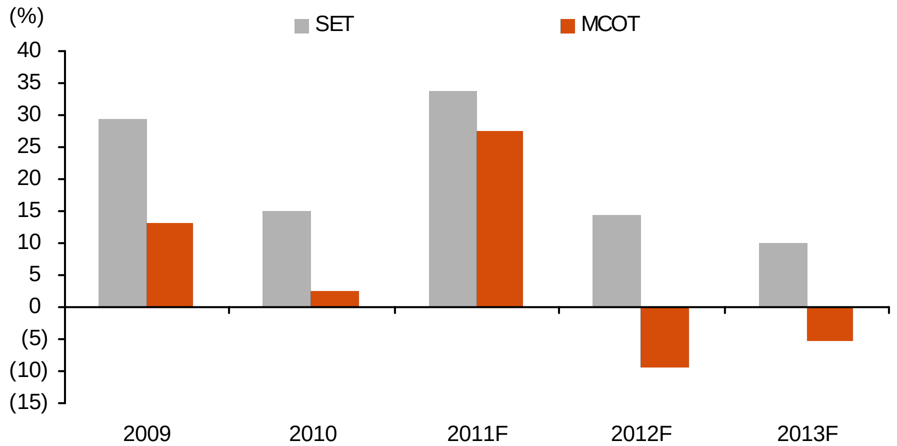
No reason to be in MCOT now; SELL

We don't believe MCOT Pcl (MCOT) has an exciting investment story and it isn't cheap enough for investors to be in so we rate it a SELL to a 2012F TP of Bt27.50/share based on DCF methodology using an 11.5% WACC. We recommend a Switch into a better media play BEC World (BEC TB, BUY, TP: Bt47.00). See our BEC report: "*De-rating at an end,"* dated 20 July 2011.

MCOT isn't cheap at a higher PE than the market

First, MCOT isn't cheap enough. With flat earnings growth over the next two years, MCOT isn't justified trading at 12.8x 2012F PE, higher than the SET which is at only 10.5x. Our house forecasts overall market earnings growth at 34% this year and 14% in 2012F.

Ex 1: Unjustified Trading Above SET PE With Mediocre Earnings Growth Outlook



Sources: SET, Company data, Thanachart estimates

Mediocre growth outlook

Second, MCOT's earnings growth outlook is mediocre with our forecasts at 28% in 2011, -9% in 2012 and -5% in 2013. The strong growth this year is also being driven by a one-off booking of Bt405m in additional concession fees from BEC. Three areas of MCOT's earnings path are uninspiring.

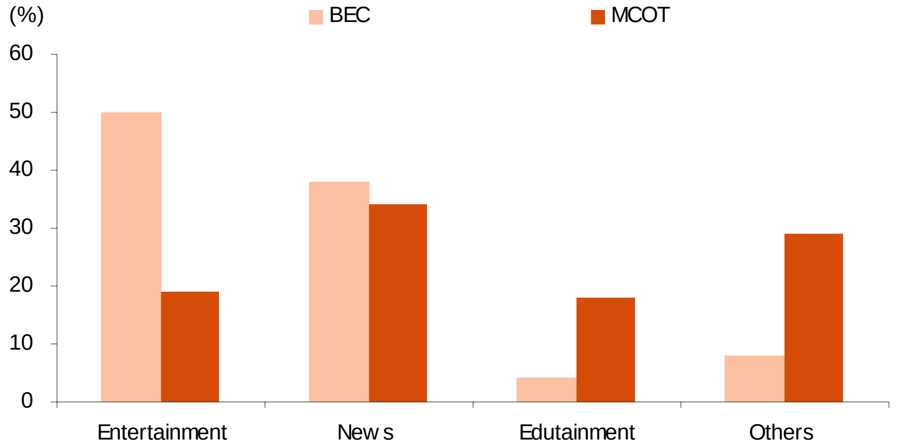
- MCOT is enjoying far lower industry ad spend growth than BEC given MCOT's audience share of 9% versus BEC's 29%. Ad rate hikes also benefit MCOT less than BEC as MCOT has fewer self-produced programs. The other way to look at it is that MCOT has a higher proportion of revenue sharing-based programs where the benefits of rate hikes have to be shared with content providers. With more self-produced programs, BEC is benefiting more from the higher operating leverage effect. MCOT also has a lower proportion of entertainment programs than BEC and entertainment programs normally generate higher revenues. So, in terms of the industry growth and ad rate hike angles, BEC is a far better play.
- MCOT is preparing itself ahead of full industry liberalization but its new media businesses are still a cost burden without convincing success factors.
- Concession revenues from TrueVisions (7% of MCOT's revenues) will end in 2014, from True Cable (3%) in 2019 and from BEC (3%) in 2020. Concession income now accounts for 12.5% of total revenues.

Ex 2: Revenue-sharing vs Self-produced Programs

Proportion of programs	MCOT	BEC
Revenue-sharing programs	34%	15%
Self-produced programs	37%	78%

Sources: Company data, Thanachart estimates

Ex 3: MCOT Has Less Entertainment And News Content



Sources: Company data, Thanachart estimates

Ex 4: Joint Operation Revenues Will Start To Decline From 2014

Concession with MCOT	Concession expiry	Revenue contribution to MCOT
TrueVisions	30 September 2014	7%
True Cable	31 December 2019	3%
BEC World (BEC)	26 March 2020	3%

Sources: Company data, Thanachart estimates

Risk of management change

MCOT is a listed state enterprise in which the Ministry of Finance holds a 66% stake. There is also the risk of a management change following the new government taking office. So, there is uncertainty over this issue which will have implications upon the company's long-term business direction.

NBTC a short-term negative catalyst

The soon-to-be-set-up (expected within two months) National Broadcasting and Telecommunications Commission (NBTC) will be a short-term negative catalyst for MCOT. Liberalization is likely to result in higher operating costs for MCOT as it will have to start paying license fees and share revenue with the Broadcasting and Telecommunications Research and Development Fund for the Public Interest ("The Broadcasting Fund"), while the industry will be opened up for more competition.

BEC is a better choice

Lastly, investors have a better choice to invest in, BEC. BEC is in a far superior market position and it has a stronger growth outlook. We forecast BEC's earnings growth at 7.5%, 21.6% and 9.1% in 2011-13. The earnings growth this year factors in a one-off Bt405m concession extension fee to MCOT. Please refer to our BEC report: *"De-rating at an end,"* dated 20 July 2011.

Set-up of the NBTC a negative catalyst

Liberalization will bring fiercer competition and create a higher cost burden

The NBTC will soon be set up, expected no later than October this year. However, please note that the master telecommunication plan looks likely to be implemented ahead of the broadcasting one. This is because the draft broadcasting master plan for free-territorial TV, satellite TV, cable TV and community radio has just been developed with less progress than the telecommunication plan since the groundwork for the telecom master plan was developed by the current National Telecommunications Commission (NTC). Therefore, we expect the broadcasting master plan to be completed at the earliest in the first half of 2012 with implementation toward 3Q12. The process could be speeded up if the soon-to-be-set-up NBTC uses most or the entire draft as the final master plan.

MCOT will see higher operating costs

With market liberalization, MCOT is expected to have to pay a license fee and share revenue from its broadcasting TV and radio businesses with the broadcasting fund. This is unlike BEC, which has a concession agreement with MCOT until the end of 2020, and which will have no additional operating costs post media industry liberalization. In our projection, we have assumed MCOT pays a 2% license fee and another 2% broadcasting fund fee from its total TV and radio broadcasting revenues from 2013 onwards. Note that 2% each for the license fee and broadcasting fund fee are the maximum rates specified by the Broadcasting and Telecommunications Services Act (B.E. 2551) ("the Act"). However, there is a clause in the Act saying that the license fee could have a discount applied or be exempted entirely if an operator can prove that its radio or TV broadcasting portions of informative programs for the public interest surpass the level specified by NBTC regulations. Regarding the current Act, an operator which grants the commercial licensing of TV and radio broadcasting must arrange airtime allocation for informative programs for the public interest at a portion no less than 25% of its total programs. Therefore, our 2% license fee assumption is conservative. A possible lowering of the license fee payment in line with the NBTC's regulations could provide upside to MCOT's earnings. Besides the higher operating costs, MCOT will also have to pay for TV and radio spectrum bids, which are expected to cost a billion baht or more. We thus forecast capex of Bt1.7bn for 2013 and Bt1.0bn for 2014. We assume the company will finance this capex via internal cash flow.

New developments aren't promising

Still in search of a new business model

MCOT has started to prepare itself ahead of full media liberalization, expected in 2013. It is exploring many business opportunities such as being a satellite TV producer, a KU-band spectrum wholesaler and setting up a regional broadcasting hub project. That said, we still don't see a clear direction or whole-hearted, concrete plans for those new businesses. It looks like some are still in the trial-and-error stages where the chances of success don't look so promising. At the same time, in the early years of investments, the new businesses will generate expenses but not enough revenues.

Satellite business isn't expected to generate profits for two years

As for the satellite TV business, MCOT has launched two satellite channels, namely MCOT 1 and ASEAN Network TV. Those two channels are not expected to turn a profit in the next two years.

Ex 5: MCOT's Satellite Channels

Satellite channel	Category
MCOT 1	News, fiction and non-fiction
ASEAN Network TV	English news, regional documentaries and culture

Source: Company data

Satellite spectrum wholesaler business

MCOT is now entering the business of being a wholesaler of satellite TV spectrum, both C-band and KU-band. MCOT rents spectrum in large volume from satellite operator Thaicom Pcl (THCOM) and re-rents it to small satellite TV operators. In our view, this is not a business with much in the way of value or excitement. It is a trading business where contribution to sales isn't expected to amount to more than 5% of total revenues. Neither will it be a key value-generating core business in the future. MCOT expects to see revenue contribution from KU-band rental start in 4Q11 but we still project losses to be made in the earlier quarters as utilization will only rise gradually.

A regional broadcasting hub?

For many years, MCOT has planned to develop its existing empty 50-rai land plot into a regional broadcasting transmission hub and it has started to discuss this plan again. MCOT expects the investment to come to Bt10bn and it will require budget approval from the cabinet under the Public Private Joint Venture Act. As the plan is not yet concrete, we don't include it in our forecast. But our view is that this project is a risky one. The investment is huge and income will be in the form of office space and equipment rental. The business model isn't clear in terms of how and why international news channels would want to choose to use MCOT's facility or how MCOT can entice them. Nor is there a clear outlook for the returns and the breakeven point of the investment.

The company expects this mega-project's capex at approximately Bt10bn, divided into two phases. Management said that in the first phase the project worth approximately Bt6bn-7bn would comprise a 30,000-sq m outdoor activity park, a 5,000-seat theater and a 59-floor high-rise office building and broadcasting tower to be completed within three years. MCOT has hired a property consultant to conduct market research and a feasibility study on sources of income, the combination of projects, including a decision on whether MCOT should manage the property. However, MCOT will firstly invest Bt40m in a multi-purpose hall in 4Q11 which is scheduled to be completed at the beginning of 2012.

Valuation Comparison

Ex 6: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth 11F (%)	EPS growth 12F (%)	PE 11F (x)	PE 12F (x)	P/BV 11F (x)	P/BV 12F (x)	EV/EBITDA 11F (x)	EV/EBITDA 12F (x)	Div yield 11F (%)	Div yield 12F (%)
Beijing Gehua	600037 CH	China	8.5	18.1	27.0	22.9	1.8	1.7	9.8	8.6	0.8	0.9
Phoenix Satellite	2008 HK	Hong Kong	10.0	68.2	24.5	14.6	3.9	3.3	10.1	7.7	2.6	2.9
Television Broad	511 HK	Hong Kong	21.1	5.3	13.5	12.8	3.1	2.8	7.6	7.3	4.7	5.0
Vodone Ltd	82 HK	Hong Kong	32.6	32.8	5.8	4.4	1.1	0.9	4.6	3.5	1.5	2.1
Entertainment Ne	ENIL IN	India	94.9	73.1	37.2	21.5	3.2	2.9	13.4	10.3	0.1	0.3
Ibn18 Broadcast	IBN18 IN	India	na	132.1	na	na	na	na	na	na	na	na
Sun TV Network	SUNTV IN	India	(6.0)	15.6	16.3	14.1	5.1	4.3	7.7	7.2	2.2	3.0
Television 18	TLEI IN	India	na	na	na	na	na	na	29.9	17.3	na	na
TV Today Network	TVTN IN	India	(8.4)	52.5	25.9	17.0	1.0	0.9	12.3	6.9	1.7	1.6
Zee Entertainment	Z IN	India	(20.1)	23.5	22.2	18.0	2.6	2.9	14.4	11.9	1.6	1.9
Zee News Ltd	ZEEN IN	India	(18.6)	55.2	24.2	15.6	1.9	1.7	8.2	6.0	2.0	3.1
Surya Citra Media	SCMA IJ	Indonesia	36.6	14.6	15.9	13.9	6.2	5.1	10.3	9.1	4.1	5.0
Media Prima Bhd	MPR MK	Malaysia	(26.8)	13.3	15.1	13.3	2.2	2.0	7.7	7.0	3.9	4.4
ABC-CBN Corp	ABS PM	Philippines	(23.3)	(31.8)	10.7	15.7	2.3	2.2	5.3	5.9	5.0	4.8
Gma Network Inc	GMA7 PM	Philippines	9.5	6.0	10.6	10.0	2.6	2.4	4.9	4.7	6.7	6.9
BEC World *	BEC TB	Thailand	7.5	21.6	22.0	18.1	10.2	9.7	10.1	9.1	4.5	5.5
GMM Grammy *	GRAMMY TB	Thailand	13.1	20.4	17.0	14.1	3.1	2.9	7.7	6.2	5.3	6.4
MCOT *	MCOT TB	Thailand	27.6	(9.4)	11.6	12.8	2.7	2.6	7.5	6.9	7.9	7.2
RS *	RS TB	Thailand	(4.9)	14.7	10.4	9.0	2.3	2.0	4.3	4.1	4.3	5.5
Average			**9.0**	**29.2**	**18.2**	**14.6**	**3.2**	**3.0**	**9.8**	**7.8**	**3.5**	**3.9**

Source: Bloomberg

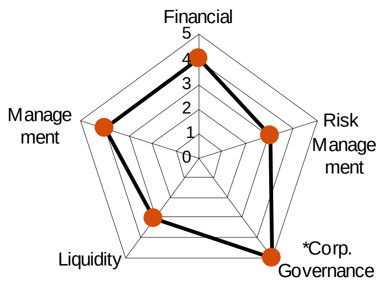
Note: * Thanachart estimates using normalized EPS growth

COMPANY DESCRIPTION

MCOT Public Company Limited (MCOT) was converted from the Mass Communication Organization of Thailand (a state enterprise) and listed on the Stock Exchange of Thailand in 2004. MCOT operates various mass media businesses including free terrestrial channel broadcasting under the name “Modernine TV”, satellite and cable TV, offering C-band and KU-band rental, and countrywide radio stations. MCOT also has joint operation agreements with BEC World Pcl (BEC) and TrueVisions.

Source: Thanachart

COMPANY RATING



Rating Scale	
Very Strong	**5**
Strong	**4**
Good	**3**
Fair	**2**
Weak	**1**
None	**0**

Source: Thanachart; *CG Awards

THANACHART’S SWOT ANALYSIS

S — Strength

- MCOT has a very strong balance sheet and enjoys a net cash position.
- MCOT has received government support including TV project offerings.

W — Weakness

- As 60% of its airtime comes from airtime rental and revenue sharing, MCOT has to share revenue with independent producers. Therefore, the company will benefit less in an industry upturn.
- Content mix doesn’t match with countrywide preferences, resulting in ad rate hikes.

O — Opportunity

- Fast-growing satellite TV and cable TV could support its wholesale business of C-band and KU-band rental to small satellite content providers.

T — Threat

- Liberalization will bring more competitors to the market and erode future profitability.
- Satellite and cable TV’s increasing market share will offer more choices to advertisers and could pose a threat to MCOT’s ad rate hikes, both on free TV and satellite TV going forward.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	35.50	27.50	-23%
Net profit 11F (Bt m)	1,713	1,815	6%
Net profit 12F (Bt m)	1,718	1,644	-4%
Consensus REC	**BUY: 10**	**HOLD: 8**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2011 earnings forecast is 6% above other brokers’ as we have factored in income of Bt405m from the concession extension fee from BEC in 3Q11.
- Our TP is 23% below the Street’s as we see higher operating costs from the additional licensing fee and revenue sharing with the broadcasting fund after media industry liberalization from 2013 onwards.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- If the cost of producing its own programs is higher than we currently estimate.
- The firm could face cost overruns due to the launch of new businesses such as own-production of satellite TV.

Source: Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2009A	2010A	2011F	2012F	2013F
Sales	4,797	5,546	6,019	6,440	6,933
Cost of sales	1,846	2,155	2,348	2,519	2,962
Gross profit	**2,951**	**3,391**	**3,671**	**3,921**	**3,971**
% gross margin	61.5%	61.1%	61.0%	60.9%	57.3%
Selling & administration expenses	1,140	1,415	1,534	1,641	1,767
Operating profit	**1,811**	**1,976**	**2,137**	**2,280**	**2,204**
% operating margin	37.8%	35.6%	35.5%	35.4%	31.8%
Depreciation & amortization	425	465	459	504	607
EBITDA	**2,235**	**2,441**	**2,596**	**2,784**	**2,811**
% EBITDA margin	46.6%	44.0%	43.1%	43.2%	40.6%
Non-operating income	68	93	494	109	118
Non-operating expenses	(1)	(1)	(1)	(1)	(1)
Interest expense	(0)	(0)	0	(0)	(55)
Pre-tax profit	**1,878**	**2,068**	**2,629**	**2,388**	**2,266**
Income tax	484	622	789	716	680
After-tax profit	**1,393**	**1,446**	**1,840**	**1,671**	**1,586**
% net margin	29.0%	26.1%	30.6%	26.0%	22.9%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	(4)	(23)	(25)	(27)	(29)
Extraordinary items	0	0	0	0	0
NET PROFIT	**1,389**	**1,423**	**1,815**	**1,644**	**1,557**
Normalized profit	**1,389**	**1,423**	**1,815**	**1,644**	**1,557**
EPS (Bt)	2.0	2.1	2.6	2.4	2.3
Normalized EPS (Bt)	2.0	2.1	2.6	2.4	2.3

2011F non-operating income includes additional concession income of Bt405m from BEC

BALANCE SHEET

FY ending Dec (Bt m)	2009A	2010A	2011F	2012F	2013F
ASSETS:					
Current assets:	5,235	5,882	6,212	6,583	7,360
Cash & cash equivalent	2,094	1,479	1,678	1,899	2,500
Account receivables	719	1,101	1,154	1,235	1,330
Inventories	4	4	5	5	6
Others	2,418	3,298	3,375	3,444	3,525
Investments & loans	90	90	90	90	90
Net fixed assets	4,272	4,307	4,355	4,358	5,558
Other assets	96	111	121	129	139
Total assets	**9,693**	**10,389**	**10,777**	**11,160**	**13,146**
LIABILITIES:					
Current liabilities:	1,165	1,760	1,714	1,933	2,210
Account payables	54	137	135	145	170
Bank overdraft & ST loans	0	0	0	0	0
Current LT debt	0	0	(0)	1	169
Others current liabilities	1,112	1,623	1,578	1,787	1,871
Total LT debt	**0**	**0**	**(0)**	**9**	**1,519**
Others LT liabilities	1,037	965	1,048	1,121	1,207
Total liabilities	**2,202**	**2,725**	**2,761**	**3,063**	**4,936**
Minority interest	34	56	81	109	138
Preferreds shares	0	0	0	0	0
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
Warrants	0	0	0	0	0
Surplus	0	0	0	0	0
Retained earnings	**2,914**	**3,066**	**3,393**	**3,446**	**3,530**
Shareholders' equity	7,457	7,608	7,935	7,988	8,073

Strong cash balance position with no debt now

Sources: Company data, Thanachart estimates

Cash flow from operations won't be enough to support capex for the broadcasting hub project

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2009A	2010A	2011F	2012F	2013F
Earnings before tax	1,878	2,068	2,629	2,388	2,266
Tax paid	(484)	(622)	(789)	(716)	(680)
Depreciation & amortization	425	465	459	504	607
Chg In working capital	(52)	(299)	(56)	(71)	(70)
Chg In other CA & CL / minorities	142	471	(122)	140	3
Cash flow from operations	**1,908**	**2,083**	**2,121**	**2,244**	**2,127**
Capex	(459)	(492)	(500)	(500)	(1,800)
ST loans & investments	(51)	(840)	0	0	0
LT loans & investments	0	0	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(21)	(94)	66	58	69
Cash flow from investments	**(530)**	**(1,427)**	**(434)**	**(442)**	**(1,731)**
Debt financing	0	0	(0)	11	1,678
Capital increase	0	0	0	0	0
Dividends paid	(1,100)	(1,272)	(1,488)	(1,591)	(1,473)
Warrants & other surplus	(12)	0	0	0	0
Cash flow from financing	**(1,112)**	**(1,272)**	**(1,488)**	**(1,581)**	**205**
Free cash flow	**1,449**	**1,591**	**1,621**	**1,744**	**327**

MCOT isn't justified trading at 13x 2012F PE, which is higher than the SET's 10x

VALUATION

FY ending Dec	2009A	2010A	2011F	2012F	2013F
Normalized PE (x)	15.2	14.9	11.6	12.8	13.6
Normalized PE - at target price (x)	13.6	13.3	10.4	11.5	12.1
PE (x)	15.2	14.9	11.6	12.8	13.6
PE - at target price (x)	13.6	13.3	10.4	11.5	12.1
EV/EBITDA (x)	8.5	8.0	7.5	6.9	7.2
EV/EBITDA - at target price (x)	7.5	7.1	6.6	6.1	6.4
P/BV (x)	2.8	2.8	2.7	2.6	2.6
P/BV - at target price (x)	2.5	2.5	2.4	2.4	2.3
P/CFO (x)	11.1	10.1	10.0	9.4	9.9
Price/sales (x)	4.4	3.8	3.5	3.3	3.0
Dividend yield (%)	5.9	6.2	7.9	7.2	6.8
FCF Yield (%)	6.9	7.5	7.7	8.3	1.5
(Bt)					
Normalized EPS	2.0	2.1	2.6	2.4	2.3
EPS	2.0	2.1	2.6	2.4	2.3
DPS	1.8	1.9	2.4	2.2	2.1
BV/share	10.9	11.1	11.5	11.6	11.7
CFO/share	2.8	3.0	3.1	3.3	3.1
FCF/share	2.1	2.3	2.4	2.5	0.5

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2009A	2010A	2011F	2012F	2013F
Growth Rate					
Net profit (%)	13.1	2.4	27.6	(9.4)	(5.3)
EPS (%)	13.1	2.4	27.6	(9.4)	(5.3)
Normalized profit (%)	13.1	2.4	27.6	(9.4)	(5.3)
Normalized EPS (%)	13.1	2.4	27.6	(9.4)	(5.3)
Dividend payout ratio (%)	89.0	91.8	92.0	92.0	92.0
Operating performance					
Gross margin (%)	61.5	61.1	61.0	60.9	57.3
Operating margin (%)	37.8	35.6	35.5	35.4	31.8
EBITDA margin (%)	46.6	44.0	43.1	43.2	40.6
Net margin (%)	29.0	26.1	30.6	26.0	22.9
D/E (incl. minor) (x)	0.0	0.0	(0.0)	0.0	0.2
Net D/E (incl. minor) (x)	(0.3)	(0.2)	(0.2)	(0.2)	(0.1)
Interest coverage - EBIT (x)	na	na	na	na	na
Interest coverage - EBITDA (x)	na	na	na	na	na
ROA - using norm profit (%)	14.8	14.2	17.1	15.0	12.8
ROE - using norm profit (%)	19.0	18.9	23.4	20.7	19.4
DuPont					
ROE - using after tax profit (%)	19.0	19.2	23.7	21.0	19.8
- asset turnover (x)	0.5	0.6	0.6	0.6	0.6
- operating margin (%)	39.1	37.3	43.7	37.1	33.5
- leverage (x)	1.3	1.3	1.4	1.4	1.5
- interest burden (%)	100.0	100.0	100.0	100.0	97.6
- tax burden (%)	74.2	69.9	70.0	70.0	70.0
WACC (%)	11.5	11.5	11.5	11.5	11.5
ROIC (%)	25.1	25.8	24.4	25.5	25.3
NOPAT (Bt m)	1,344	1,382	1,496	1,596	1,543

Sources: Company data, Thanachart estimates

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Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

For sectors, we look at two areas, ie, the sector outlook and the sector weighting. For the sector outlook, an arrow pointing up, or the word “Positive”, is used when we see the industry trend improving. An arrow pointing down, or the word “Negative”, is used when we see the industry trend deteriorating. A double-tipped horizontal arrow, or the word “Unchanged”, is used when the industry trend does not look as if it will alter. The industry trend view is our top-down perspective on the industry rather than a bottom-up interpretation from the stocks we cover. An “Overweight” sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. “Underweight” is used when we have SELLs on majority of the stocks we cover by market cap. “Neutral” is used when there are relatively equal weightings of BUYs and SELLs.

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