

# MCOT - MCOT

4QCY12 net profit seen impressive growth of

244.60% y-y

Bloomberg | Reuters  
MCOT.TB | MCOT.BK

## Report type: Company Preview

### Company Overview

MCOT is an operator of Modernine TV and has 62 radio network stations throughout the country. It has also granted broadcasting concessions to BEC and pay-TV True Visions.

- We expect 4QCY12 net profit to jump 244.60% y-y to Bt456mn, comparing to an extra low base a year ago due to flood impact.
- CY12 earnings are expected to see slight improvement and we expect a 2HCY12 dividend of Bt1.14/share.
- We project CY13 net profit at Bt2,051mn as MCOT will benefit from the recent ad rate hikes and an increased ratio of in-house production TV program. We rate the stock a 'TRADING BUY' with a target price of Bt50.75/share.

### What is the news?

Revenue from TV and radio is forecast to grow 53% and 22% y-y respectively on upbeat new media performance and marketing campaigns to increase radio ad revenue. Total revenue would grow 35.68% y-y to Bt1,487mn while operating cost and SG&A expense would increase at slower pace. This, together with a lack of deferred tax, unlike a year earlier of Bt39.80mn, would drive net profit growth higher by 244.60% y-y to Bt456mn.

### How do we view this?

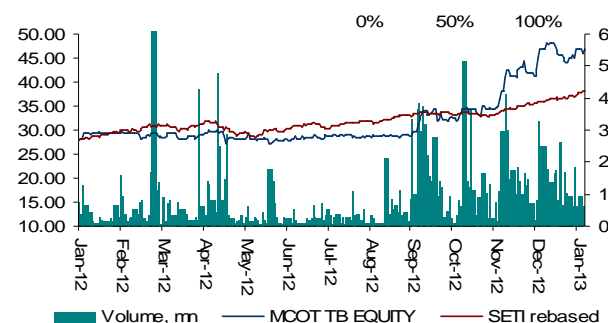
We expect MCOT to post slightly stronger-than-earlier net profit estimate on improving performance in 4QCY12. Thus, we expect the company to pay 2HCY12 dividend of Bt1.14/share. We keep our CY13 earnings outlook unchanged.

### Investment Actions?

We rate MCOT a 'TRADING BUY' with a target price of Bt50.75/share, based on P/E of 17x.

### MCOT

<b>Rating</b>	<b>2.00</b>	<b>Trading Buy</b>
- Previous Rating	2.00	Trading Buy
<b>Target Price (Bt)</b>	<b>50.75</b>	
- Previous Target Price (Bt)	42.00	
Closing Price (Bt)	47.00	
Expected Capital Gains (%)	8.0%	
Expected Dividend Yield (%)	5.3%	
<b>Expected Total Return (%)</b>	<b>13.3%</b>	
Raw Beta (Past 2yrs weekly data)	0.66	
Market Cap. (USD mn)	1,082	
Enterprise Value (USD mn)	939	
Market Cap. (Bt mn)	32,294	
Enterprise Value (Bt mn)	27,880	
3M Average Daily T/O (mn)	1.3	
52 week range	27 - 48.5	
Closing Price in 52 week range		



### Major Shareholders

	(%)
1. Ministry of Finance	65.8
2. The Government Saving Bank	11.5
3. Thai NVDR Co., Ltd.	4.8

### Key Financial Summary

FYE	12/10	12/11	12/12F	12/13F
Revenue (Btmn)	5,263	5,142	5,717	6,529
Net Profit (Btmn)	1,423	1,356	1,733	2,051
EPS (Bt)	2.07	1.97	2.52	2.99
Net Profit, adj. (Btmn)	1,423	1,356	1,733	2,051
EPS, adj. (Bt)	2.07	1.97	2.52	2.99
P/E (X),adj.	22.7	23.9	18.7	15.7
BVPS (Bt)	11.15	11.15	11.67	12.85
P/B (X)	4.2	4.2	4.0	3.7
DPS (Bt)	1.80	2.00	2.14	2.50
Div. Yield (%)	3.8	4.3	4.6	5.3

Source: Bloomberg, PSR est.

\*All multiples & yields based on current market price

### Valuation Method

P/E13 (17x)

### Analyst

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### Net profit seen growth of 244.60% y-y in 4QCY12

We expect MCOT to post net profit growth of 244.60% y-y to Bt456mn in 4QCY12. Much of notable increase would be largely attributable to exceptionally low base a year earlier due to flood impact.

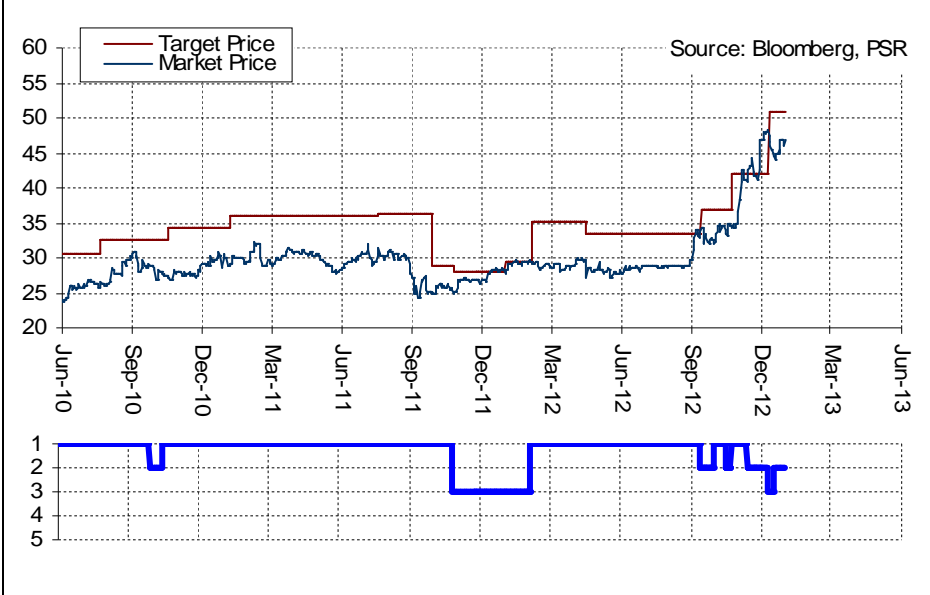
Total TV ad spending in the final quarter of 2012 slipped 6.46% q-q but increased 36.67% y-y, according to The Nielsen Company (Thailand). As MCOT-run Modernine TV ranked no. 3 among the free-TV channels in the country, TV ad spending earmarked to Modernine TV was trimmed at larger amount when compared to the country's top two free-TV channels. Even so, an increase in revenue of the new media segment appears to help mitigate the adverse impact from ad spending cut. As a result, TV revenue is expected to decline 4% q-q. In the radio ad industry, total ad spending grew 1.69% q-q and 15.75% y-y. As MCOT had set up marketing activities during late year, ad spending via MCOT-run radio would outperform the industry. We expect radio ad revenue to grow 5% q-q and 22% y-y. Revenue from its JV would fall 3% y-y while compensation from BEC in exchange for a 10-year concession extension would remain flat y-y. Total revenue would grow 35.68% y-y to Bt1,487mn in 4QCY12. Operating cost and SG&A expense would increase at slower pace by 7.51% q-q and 10.68% y-y as most of expenses were fixed items which will not vary upon revenue growth. Furthermore, an absence of a deferred tax, unlike a year earlier of Bt39.80mn, help spur the bottom line in 4QCY12.

For CY12, we project total revenue at Bt5,717mn, lower than an earlier forecast, but net profit would top our previous view of Bt1,722mn to Bt1,733mn. We expect a 2HCY12 dividend of Bt1.14/share, calculating to the annual dividend of Bt2.14/share.

### CY13 earnings outlook maintained

We keep our CY13 revenue and net profit forecast unchanged at Bt6,529mn and Bt2,051mn respectively, as MCOT raised the ad rates for the 36 TV programs since the start of 2013. In addition, MCOT will increase a ratio of its in-house production programs, targeting to reach 51% by end-2013 from 45% in 2012. Note that the broad industry had continued to suffer from the late 2011 severe flood in the first half of 2012. We are optimistic over a continued recovery in 1HCY13 and our target price of Bt50.75 is based on P/E of 17x. At the current share prices, we rate MCOT a 'TRADING BUY' stance.

**Ratings History**



**Phillip Group Rating System**

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate/Trading Buy	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce/Trading Sell	4
> -20%	Sell	5

**Remarks**

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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