

ABS-CBN Broadcasting Corp., ABS [PSE]

First Metro Rating
Neutral

Last Price
31.65

Industry
Broadcast Media

Sector
Communications

10% Organic Growth in 2012

CS Ulang
Analyst

Nov. 22, 2011

Stock Data

Price (Php)	31.65
Market Cap (Php bn)	24.09
Outstanding Shares (mn)	764
Book Value/Share (Php)	22.56
Price/Book (X)	1.40
PE 2012 earnings	9.48

10% Earnings Growth in 2012. ABS-CBN eyes Php2.6bn-Php2.8bn worth of earnings in 2012 over this year's expected Php2.4bn-Php2.6bn. "This is about our organic growth, 10% yearly earnings and just about what we expect in 2012 " ABS-CBN Comptroller Paz Balayan told IAG Research in an interview on the sidelines of the 3Q11 Analyst Briefing last week. Multinational corporate (MNC) advertising expenditures (adspend) are expected to improve, judging from the turnaround in ad minutes in October 2011 from negative growth in 9mo2011.

Php3bn 2011 Guidance is Unachievable.

The earnings guidance earlier given out by the company at Php3bn is now a challenge based on the anemic growth of advertising expenditures (adspend) during the period under review. "The entire industry was down," according to ABS-CBN Chief Finance Officer Rolando Valdehueza, referring to adspend which is expected to recover only next year.

Focus on New Programs, Php6bn Capex in 2012.

Capex for next year is Php6bn to further improve signal via transmitters and new programs at noontime and afternoon slots, where audience share was weak, but during primetime ABS-CBN is still no. 1 in audience share averaging 42% and leading GMA7 by 12 points. There was excess capacity. Mr Valdehueza, in an interview with IAG Research after the briefing said, "Ad placements were not even half of the 18 minute slot per hour in the afternoon, which is from 12 noon to 6pm. We could earn Php1bn more if we are able to load more," ABS CBN expects to do more locally produced shows to remedy such weakness, but that will entail more production costs, as seen in 3Q2011. Capex for 2011 is seen at Php5bn.

9mo2011 Weak on High Base Effect and Generally Weak MNC ad spend.

Consolidated net income sank 23% to Php2.2bn 9 months into the year from a high base in 2010 on lower revenues in the absence of an election year and related political advertisement.

For the nine months ended September 30, 2011, ABS-CBN generated consolidated revenues of P21.1b from advertising and consumer sales, P3.6bn or 15% lower year-on-year. Minus the revenues of P3.1bn from political advocacies and political advertisements in 2010, consolidated revenues decreased by 3% year-on-year on slower corporate advertising. Advertising revenues contributed 63% of total consolidated revenues while consumer sales made up the balance of 37%.

Reported net income was at P2.2bn for the first nine months of 2011, inclusive of the P825m gain in sale of Sky Cable Philippine Depository Receipts (PDRs), a 23% decline year-on-year. Removing the effects of this one-time gain in the nine months of 2011 and P3.1b revenues generated from political advocacies and political advertisements in 2010, net income would still be down by 4% year-on-year.

A key mitigant was consumer sales, comprised of the cable TV, sky broadband and global revenues. Consumer sales were only down 1% to Php7.8bn, but were actually up vs. the 1H2011. Saving consumer sales were cable TV revenues, higher 10% with subscribers' growth of +8% while broadband subscribers grew 21%. Global revenues thru The Filipino Channel were down only by 6% in \$ terms. Global viewers count was flat, down by 1% to 2.43m. Reported EBITDA hit P5.6bn in the nine months of 2011, or an 18% decline year-on-year. Stripping the one-time gain in the nine months of 2011 and discarding the P3.1bn revenues generated from political advocacies and political advertisements in 2010, EBITDA would still be down by 3% year-on-year.

Valuation.

PE is 9.4x earnings in 2012, the latter based on company guidance, but analysts were more pessimistic, predicting an EPS drop of Php0.15/share or 4% which put the PE at a higher 11x. In the absence of any indications of a big spur to ad spend next year and growing competition posed by a third TV station, TV 5, that could further shrink ABS-CBN's share of the adspend pie, we're not so bullish on media companies. We're neutral on ABS.

ABS-CBN Broadcasting Corp.

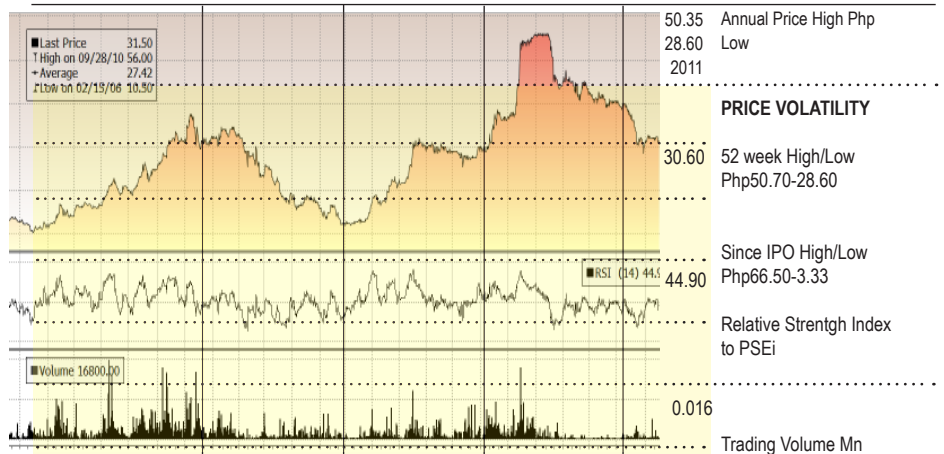
2010 Net Revenues Php mn
Php32,185

Mkt Cap Php Mn
Php24,091

Industry
Mining

ABS-CBN Broadcasting Corporation (ABS) is a Philippine information and entertainment media conglomerate. In the Philippines, ABS produces a wide variety of engaging world-class entertainment programs in multiple genres, and balanced credible news programs that are aired on free-to-air TV via Channels 2 (VHF) and 23 (UHF) and a regional network of TV and radio stations nationwide.

First Metro Rating Buy Last Price Php 31.65 Intrinsic Value/shr Transparency and Governance Competitive Edge



Growth Rates			
	2010	2009	2008
Net Revenue %	29.52	11.40	11.87
Operating Income %	103	58.87	-29.25
Earnings/share	89.26	23.41	9.41
Dividends %	25	6	83
Book Value/Share %	3.0%	4.03	-27.55
Stock Total Return %	103.76	85.35	-54.26
+/- Market	45.10	91.14	-45.98

Profitability Analysis			
	Current	5 Yr Average	Ind.
T12mo ROE %	14.92	12.27	9.76
Operating Margin %	12.19	10.70	18.96
Return on Asset %	6.35	5.70	5.25
Gross Margin %	45.62	62.44	57.76
Net Margin %	7.24	8.39	18.96

Financial Position		
	3Q-11 Php Mn	2Q-11 Php Mn
Cash & Cash Equivalents	7,486	7,165
Accounts and Notes Rec.	7,351	6,265
Inventories	166	184
Other Current Accounts	3,629	6,965
Total Current Assets	18,633	20,579
Total Assets	43,305	44,227
Liabilities and Shareholders' Equity	1,339	218
Total Current Liab.	9,924	11,974
Long-term Liab.	13,656	13,207
Total liabilities	23,581	25,181
Total Equity	19,725	19,046

Valuation Analysis			
	Current	Ind.	Mkt.
Price /T12moEPS	9.48	54.02	9.61
EV/T12moEBITDA	9.50	7.77	10.83
Price/T12moCash Flow	7.21	14.12	8.69
Dividend Yield %	na.	17.31	13.42
Price/Book	1.36	1.49	2.39
Price/ T12mo Sales/shr.	0.84	1.57	2.24

STOCK PERFORMANCE						
	2007	2008	2009	2010	10/31/2011	
Total Return %	64.51	-60.39	145.24	103.76	-24.91	
+/- Market	41.65	-46.29	70.65	45.20	4.67	
Dividend Yield %	1.38	6.73	3.15	2.45	2.0	
Market Cap Php Mn	25,047	9,549.9	22,218	34,417	23,623	

FINANCIALS						
	2007	2008	2009	2010	9mo2011	
Net Revenues Php Mn	19,940	22,307	24,849	32,185	21,125	
Net Income Php Mn (common)	1,267	1,383	1,702	3,179	2,240	
Earnings per Share	1.65	1.80	2.23	4.21	2.96	
Dividends/Shr. Php	0.45	0.83	0.90	1.11	2.10	
Shares Mn	770.70	779.6	779.6	779.6	764.2	
Book Value per Share	25.28	19.34	20.59	22.57	22.56	
Assets Php Mn	26,128	33,043	34,820	38,958	43,714	
Total Equity Php Mn	14,349	15,147	16,153	17,745	20,309	

PROFITABILITY						
	2007	2008	2009	2010	1Q2011	
Return on Assets %	8.82	-13.69	-5.15	62.72	72.2	
Return on Capital Employed %	14.10	12.65	14.11	21.75	142	
Net profit margin	6.35	6.20	6.85	9.88	7.24	
Gross profit margin	52.37	46.87	47.06	53.92	45.62	

FINANCIAL HEALTH						
	2007	2008	2009	2010	1Q2011	
Short-Term Borrowing	887	1,131	625	675	512	
Long-term Borrowing	4,928	7,583	8,338	8,967	12,101	

VALUATION						
	2007	2008	2009	2010	Current	
Price/T12moEPS	19.72	6.79	12.809	10.69	9.48	
Price/T12moSales/shr.	0.86	1.25	0.42	0.87	0.84	
Price/Book	1.77	0.63	1.38	1.99	1.36	

Quarterly Results				
Revenue Php Mn	Dec-10	Mr-11	Jun.-11	Sept-11
Most Recent Period	7,443	6,558	7,326	7,215
Prior Year Period	6,505	7,752	9,086	7,908
Revenue Growth %	Dec-10	Mr-11	Jun.-11	Sept-11
Most Recent Period	14.41	-15.4	-19.37	-8.72
Prior Year Period	0	46.59	42.02	18.73
Earnings Per Share Php	Dec-10	Mr-11	Jun.-11	Sept-11
Most Recent Period	0.368	1.292	0.928	0.745
Prior Year Period	0.462	1.421	1.545	0.838

Top Common Stockholders		
Name	In mn Shares	% to Total OS Capital Stock
Lopez Inc.	446.2	58.34%
ABS-CBN Holdings Corp.	271.0	35.43%
ABS-CBN Corp.	14.7	1.93%
Allmeda Lopez Augusto	0.249	0.03%
Others	32.06	4.27
Total	764.2	100.00%