BUY (Unchanged)	TP: Bt 15.00 (From: Bt 12.00)	4 JUNE 2021
Transfer Of Coverage	Upside : 11.9%	

BEC World Pcl (BEC TB)

More growth drivers

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After years of business restructuring in an attempt to make profits under its new, lower ad rate base, BEC turned a profit in 3Q20. We expect two strong turnaround years in 2021-22F before growth normalizes in 2023F. We reaffirm BUY with a higher TP of Bt15.

Thanachart Securities

Lifting our earnings and TP

We reaffirm our BUY call on BEC with a higher, rolled over to 2022F DCF-based 12-month TP of Bt15 (from Bt12). *First*, we see stronger earnings turnaround factors from its 60% stake divestment in loss-making BEC Tero, further cost reductions and rising utilization from program reshuffling. We boost our earnings estimates by 30-57% in 2021-23F. *Second*, we like it that, after years of restructuring, BEC has found a way to make profits under its new, lower ad rate base (Bt86,000 vs. 2014's peak of Bt215,000/min). *Third*, we believe BEC's valuation looks inexpensive in its full turnaround year of 2023F at 20x PE, which is already de-rated from pre-liberalization years at a 35x average.

Additional turnaround factors

BEC made consecutive losses during 2017-1H20 and turned a profit in 2H20. Turnaround factors have been years of cost cutting and utilization of its content via two new revenue sources – online OTT platforms and overseas content licensing. We estimate combined cost cutting of Bt5bn while content sales rose to Bt838m last year. Additional drivers from this year are the divestment of the loss-making BEC Tero, further cost cutting by another 10% p.a. in the next two years, a 20% p.a. rise in the two revenue sources over the same period, and rising utilization from TV program reshuffling. We estimate a Bt750m profit in 2021F, Bt1.1bn in 2022F and a normalized level of Bt1.4bn in 2023F.

Improving traditional business

TV ad spending (adex) has been resilient during the COVID period, falling 10% in 2020 vs. a 13% drop in the overall adex pool due to the work-from-home trend. We estimate TV adex to recover by 3/2/1% in 2021-23F. We believe BEC gained adex market share in mid-2Q21 when it started program reshuffling, which is still ongoing. We project utilization to improve from 63% in 2020 to 70/73/75% in 2021-23F. Program reshuffling includes more news timeslots after the come-back of popular news anchorman and previous key revenue contributor to BEC Sorayuth Suthassanachinda, replacing some re-run soaps with new ones, and cutting low-rating variety content. Early primetime soaps now enjoy higher ratings and almost full ad utilization.

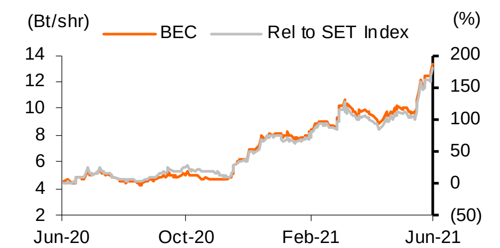
Growing content sales

Our 20% p.a. expectation for growth in content sales to OTT platforms and overseas content licensing is driven by growing numbers of soaps and expanding its markets beyond China to Japan, South Korea and Taiwan. Note that these revenue sources don't have content production costs as the soaps are the same ones broadcast on its Channel 3.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	5,861	6,351	6,890	7,285
Net profit	(214)	750	1,087	1,369
Consensus NP	—	662	953	1,101
Diff frm cons (%)	—	*13.3*	*14.1*	*24.3*
Norm profit	(146)	750	1,087	1,369
Prev. Norm profit	—	577	788	869
Chg frm prev (%)	—	*30.0*	*37.9*	*57.4*
Norm EPS (Bt)	(0.1)	0.4	0.5	0.7
Norm EPS grw (%)	na	na	44.9	25.9
Norm PE (x)	na	35.7	24.7	19.6
EV/EBITDA (x)	13.3	8.8	7.7	7.0
P/BV (x)	5.0	4.6	4.4	4.2
Div yield (%)	0.0	2.5	3.7	4.6
ROE (%)	na	13.4	18.3	22.0
Net D/E (%)	7.4	5.7	4.6	3.7

PRICE PERFORMANCE

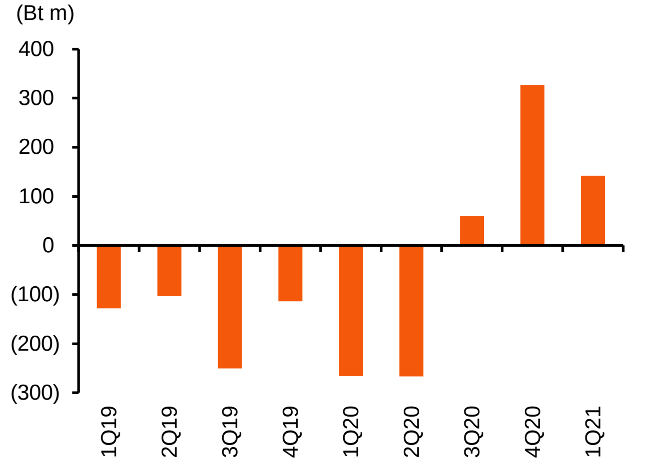


COMPANY INFORMATION

Price *as of* 4-Jun-21 (Bt)	13.40
Market Cap (US$ m)	856.9
Listed Shares (m shares)	2,000.0
Free Float (%)	49.3
Avg Daily Turnover (US$ m)	11.1
12M Price H/L (Bt)	13.40/4.24
Sector	MEDIA
Major Shareholder	Maleenont Family 33.4%

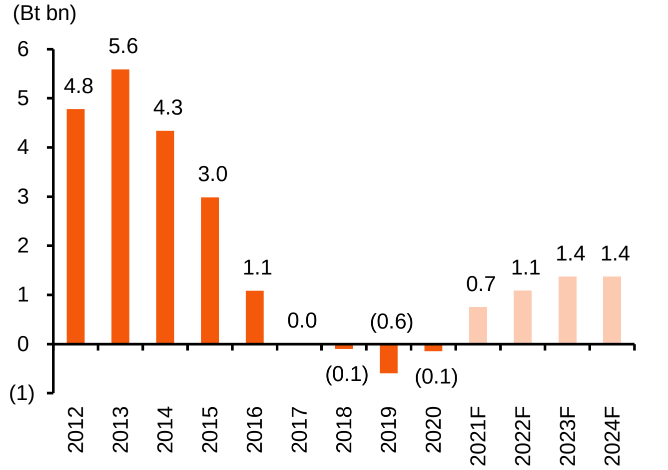
Sources: Bloomberg, Company data, Thanachart estimates

Ex 1: BEC Turned To A Normalized Profit In 3Q20



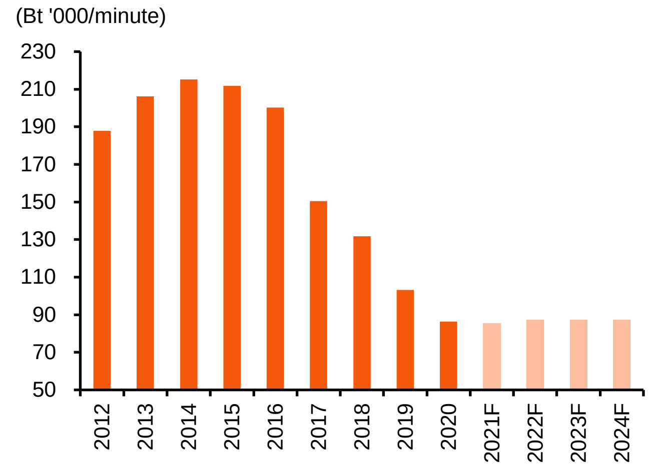
Source: Company data

Ex 2: Strong Normalized Profit Turnaround In 2021-22F



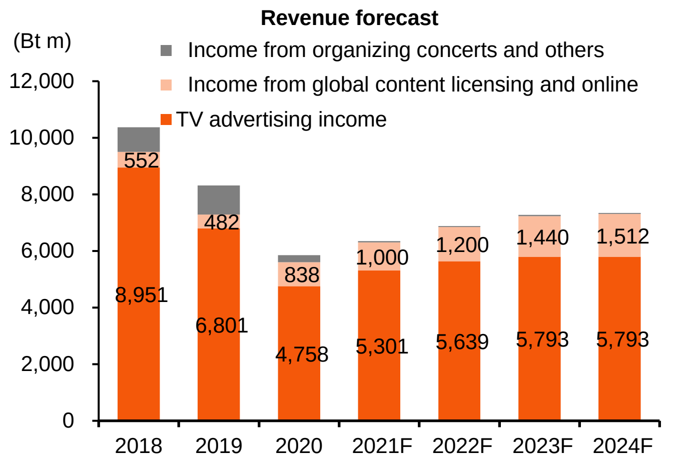
Sources: Company data, Thanachart estimates

Ex 3: Profit Turnaround Despite De-rated Ad Rate



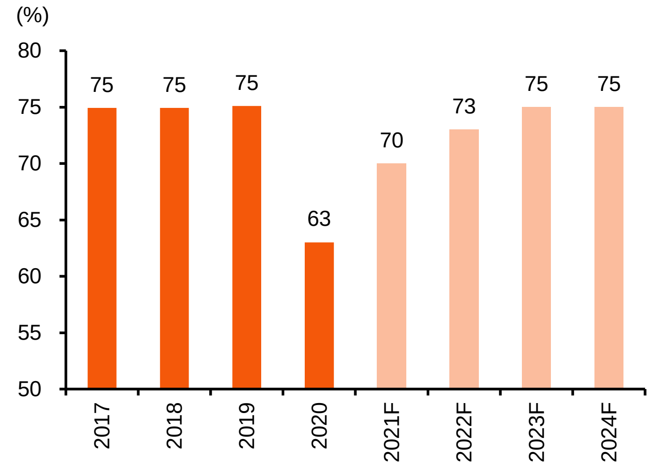
Sources: Company data, Thanachart estimates

Ex 4: Growing Content Sales Overseas And Online



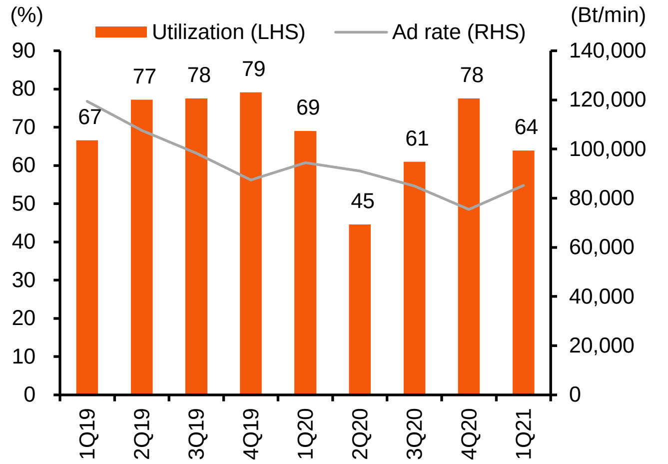
Sources: Company data, Thanachart estimates

Ex 5: Utilization Forecasts



Sources: Company data, Thanachart estimates

Ex 6: We Expect Improving Revenue Momentum…

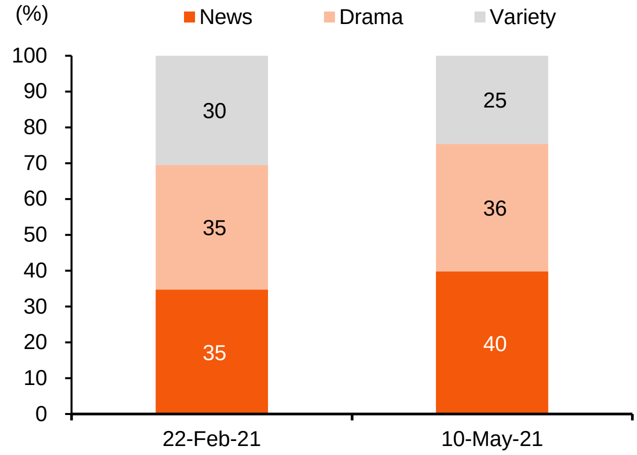


Sources: Company data, Thanachart estimates

Ex 7: …From Program Reshuffling in May 2021

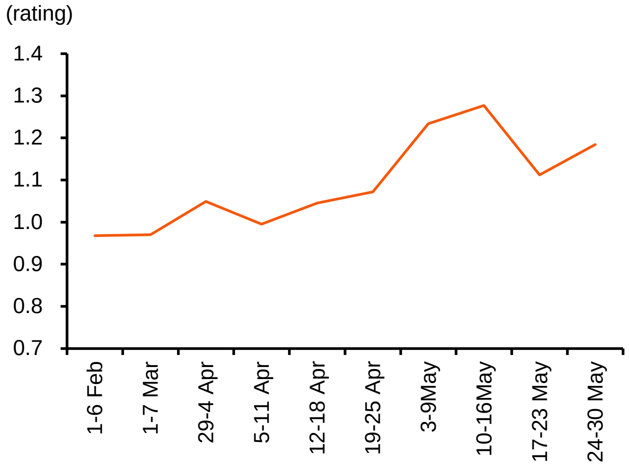
Source: Company data

Ex 8: Raising Popular News Content



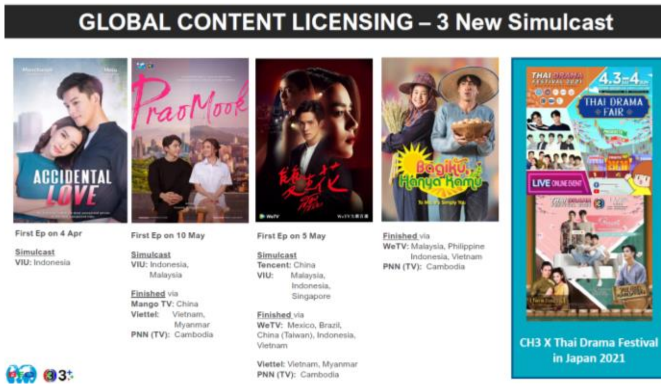
Source: Thanachart compilation

Ex 9: Improving TV Rating Post Program Reshuffle



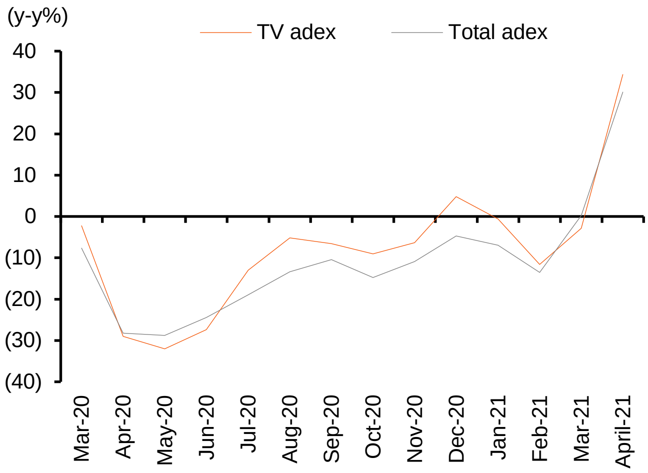
Source: TV Digital Watch complied data from Nielsen

Ex 10: 2Q21 Global Content Licensing And More In 2H21



Source: Company data

Ex 11: TV Adex Has Been Resilient Due To WFH Trend



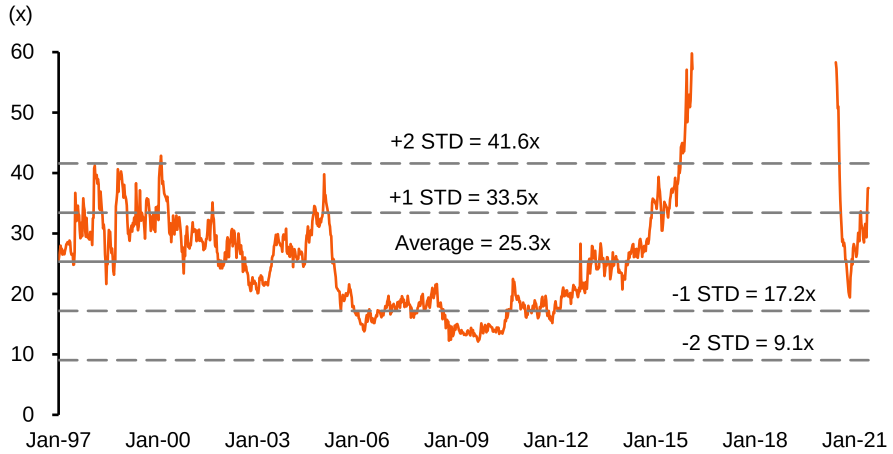
Source: Nielsen Thailand

WFH stands for work-from-home

Ex 12: TV Advertising Expenditure Growth Forecasts

Sources: Nielsen Thailand, Thanachart estimates

Ex 13: 2023F PE, Full Turnaround Year, Already De-rated From Pre-liberalization Period



Sources: Bloomberg, Thanachart estimates

Ex 14: Our Key Assumption Changes

	2020	2021F	2022F	2023F
Total revenue (Bt m)				
New	5,861	6,351	6,890	7,285
Old		6,359	6,803	6,977
Change (%)		*(0.1)*	*1.3*	*4.4*
Advertised minutes				
New	45,648	61,320	63,948	65,700
Old		60,225	60,225	60,225
Change (%)		*1.8*	*6.2*	*9.1*
Total operating costs (Bt m)				
New	5,927	5,346	5,467	5,510
Old		5,672	5,765	5,853
Change (%)		*(5.8)*	*(5.2)*	*(5.9)*
Contribution post divesting BEC TERO (Bt m)		**146**	**30**	**31**
Normalized profit (Bt m)				
New	(146)	750	1,087	1,369
Old		577	788	869
Change (%)		*30.0*	*37.9*	*57.4*

Sources: Company data, Thanachart estimates

Ex 15: 12-month DCF-based TP Calculation, Using A Base Year Of 2022F

(Bt m)		2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
EBITDA		3,520	3,875	3,883	3,860	3,885	3,894	3,904	3,914	3,924	3,934	3,940	—
Free cash flow		3,040	3,345	3,400	3,390	3,390	3,298	3,408	3,415	3,423	3,431	3,329	34,492
PV of free cash flow		3,032	2,721	2,494	2,243	1,979	1,729	1,604	1,443	1,299	1,169	971	10,063
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.3												
WACC (%)	10.9												
Terminal growth (%)	2.0												
Enterprise value - add investments	30,747												
Net debt (2021F)	329												
Minority interest	0												
Equity value	30,418												
# of shares (m)	2,000												
Target price/share (Bt)	**15**												

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 16: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth 21F (%)	EPS growth 22F (%)	PE 21F (x)	PE 22F (x)	P/BV 21F (x)	P/BV 22F (x)	EV/EBITDA 21F (x)	EV/EBITDA 22F (x)	Div. yield 21F (%)	Div. yield 22F (%)
Entertainment Ne	ENIL IN	India	na	na	na	41.2	1.0	1.0	68.1	5.7	0.6	0.8
Sun TV Network	SUNTV IN	India	1.9	10.7	14.7	13.3	3.4	3.0	8.5	7.1	3.9	4.3
Zee Entertainment	Z IN	India	84.5	16.1	14.3	12.3	1.9	1.7	8.8	7.7	1.8	2.1
Surya Citra Media	SCMA IJ	Indonesia	7.1	15.7	19.1	16.5	4.5	3.8	14.1	12.5	2.6	2.8
Media Nusantara	MNCN IJ	Indonesia	28.4	11.9	5.6	5.0	0.8	0.7	4.6	4.1	3.7	5.4
Beijing Gehua	600037 CH	China	196.6	14.3	28.1	24.6	1.1	1.0	6.2	5.6	1.2	1.4
Media Prima Bhd	MPR MK	Malaysia	na	55.4	19.6	12.8	0.9	1.0	4.0	3.7	0.0	0.0
BEC World*	BEC TB	Thailand	na	44.9	35.7	24.7	4.6	4.4	8.8	7.7	2.5	3.7
MAJOR Cineplex*	MAJOR TB	Thailand	na	34.1	23.9	17.8	2.7	2.5	13.6	10.7	2.5	4.5
Plan B Media*	PLANB TB	Thailand	44.6	173.3	122.5	44.8	4.6	4.3	9.6	8.0	0.3	1.2
RS Pcl*	RS TB	Thailand	34.6	31.6	33.9	25.8	9.9	9.0	15.3	11.9	2.4	3.3
VGI Global Media**	VGI TB	Thailand	322.2	58.0	70.5	44.6	4.2	4.0	46.8	34.1	1.1	1.7
Workpoint Ent'*	WORK TB	Thailand	na	na	na	na	2.6	2.6	18.8	15.8	0.0	0.2
Average			**90.0**	**42.4**	**35.3**	**23.6**	**3.2**	**3.0**	**17.5**	**10.4**	**1.7**	**2.4**

Source: Bloomberg

Note: * Thanachart estimates using normalized EPS growth

** VGI's fiscal year ends in March.

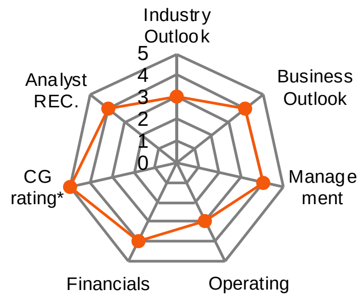
Based on 4-Jun-21 closing price

COMPANY DESCRIPTION

BEC World Pcl (BEC) is a diversified media holding company. The firm is involved in 1) the broadcasting and media businesses, including television broadcasting and news media, and 2) content sourcing, production and distribution.

Source: Thanachart

COMPANY RATING



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

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- BEC has a strong balance sheet.
- BEC has its own actors and actresses.
- Audience share is in second place behind Channel 7.

W — Weakness

- As investment opportunities are few and far between, BEC is still under-geared in our view.

O — Opportunity

- BEC, with its digital-TV channel and online platform, could generate more revenue, taking advantage of liberalization.

T — Threat

- Liberalization will bring more competitors to the market and could erode future profitability.
- The digital platform's increasing market share offers more choices to advertisers and could pose a threat to BEC's ad rate hikes going forward.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	11.77	15.00	27%
Net profit 21F (Bt m)	662	750	13%
Net profit 22F (Bt m)	953	1,087	14%
Consensus REC	**BUY: 9**	**HOLD: 0**	**SELL: 3**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2021-22F net profits are higher than the Bloomberg consensus estimates, likely as we have factored in further cost reductions, especially production costs.
- Our DCF-based TP is therefore above the consensus figure.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- The downside risk to our call would be if BEC's improving utilization is lower than we currently anticipate.
- If the cost of producing its own TV programs is higher than we currently estimate.
- if media disruption developments take place faster than we expect.
- if the domestic ad spending recovery is slower than we assume presently.
- A further downside risk would be if copyright and online revenue is less than our expectation.

Source: Thanachart

We project earnings to normalize in 2023F

Balance sheet still strong, on our estimates

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	8,310	5,861	6,351	6,890	7,285
Cost of sales	7,536	4,583	4,749	4,822	4,829
Gross profit	**774**	**1,278**	**1,602**	**2,067**	**2,456**
% gross margin	9.3%	21.8%	25.2%	30.0%	33.7%
Selling & administration expenses	1,482	1,344	597	644	681
Operating profit	**(708)**	**(66)**	**1,005**	**1,423**	**1,775**
% operating margin	-8.5%	-1.1%	15.8%	20.7%	24.4%
Depreciation & amortization	3,070	2,110	2,095	2,097	2,100
EBITDA	**2,363**	**2,044**	**3,100**	**3,520**	**3,875**
% EBITDA margin	28.4%	34.9%	48.8%	51.1%	53.2%
Non-operating income	97	47	32	34	36
Non-operating expenses	0	0	0	0	0
Interest expense	(127)	(117)	(100)	(99)	(101)
Pre-tax profit	**(738)**	**(135)**	**937**	**1,359**	**1,711**
Income tax	(62)	98	187	272	342
After-tax profit	**(676)**	**(233)**	**750**	**1,087**	**1,369**
% net margin	-8.1%	-4.0%	11.8%	15.8%	18.8%
Shares in affiliates' Earnings	28	(2)	0	0	0
Minority interests	52	90	0	0	0
Extraordinary items	199	(68)	0	0	0
NET PROFIT	**(397)**	**(214)**	**750**	**1,087**	**1,369**
Normalized profit	**(596)**	**(146)**	**750**	**1,087**	**1,369**
EPS (Bt)	(0.2)	(0.1)	0.4	0.5	0.7
Normalized EPS (Bt)	(0.3)	(0.1)	0.4	0.5	0.7

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	4,695	3,889	4,036	4,155	4,242
Cash & cash equivalent	2,816	2,598	2,630	2,630	2,630
Account receivables	1,459	1,117	1,218	1,321	1,397
Inventories	4	2	3	3	3
Others	416	171	185	201	213
Investments & loans	119	41	41	41	41
Net fixed assets	348	268	248	226	201
Other assets	6,192	5,321	5,831	5,912	6,158
Total assets	**11,354**	**9,519**	**10,157**	**10,334**	**10,643**
LIABILITIES:					
Current liabilities:	2,004	818	992	941	1,018
Account payables	818	474	520	528	529
Bank overdraft & ST loans	330	0	0	0	0
Current LT debt	0	0	0	0	0
Others current liabilities	855	344	471	413	488
Total LT debt	**2,998**	**2,999**	**2,959**	**2,911**	**2,865**
Others LT liabilities	634	293	385	401	415
Total liabilities	**5,636**	**4,110**	**4,335**	**4,252**	**4,297**
Minority interest	95	0	0	0	0
Preferreds shares	0	0	0	0	0
Paid-up capital	2,000	2,000	2,000	2,000	2,000
Share premium	1,167	1,167	1,167	1,167	1,167
Warrants	0	0	0	0	0
Surplus	(38)	(73)	(73)	(73)	(73)
Retained earnings	**2,494**	**2,315**	**2,727**	**2,988**	**3,251**
Shareholders' equity	5,623	5,409	5,821	6,082	6,345
Liabilities & equity	**11,354**	**9,519**	**10,157**	**10,334**	**10,643**

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	(738)	(135)	937	1,359	1,711
Tax paid	16	(97)	(189)	(269)	(342)
Depreciation & amortization	3,070	2,110	2,107	2,111	2,115
Chg In w orking capital	(37)	(0)	(55)	(95)	(75)
Chg In other CA & CL / minorities	(78)	(349)	115	(77)	64
Cash flow from operations	**2,234**	**1,528**	**2,916**	**3,028**	**3,473**
Capex	131	(55)	(100)	(100)	(100)
Right of use	0	(95)	(30)	(30)	(30)
ST loans & investments	26	0	0	0	0
LT loans & investments	177	78	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(1,825)	(1,345)	(2,376)	(2,023)	(2,192)
Cash flow from investments	**(1,490)**	**(1,416)**	**(2,506)**	**(2,153)**	**(2,322)**
Debt financing	(32)	(330)	(40)	(48)	(46)
Capital increase	0	0	0	0	0
Dividends paid	0	0	(337)	(827)	(1,105)
Warrants & other surplus	(64)	(0)	0	0	0
Cash flow from financing	**(96)**	**(330)**	**(378)**	**(875)**	**(1,151)**
Free cash flow	**2,365**	**1,473**	**2,816**	**2,928**	**3,373**

VALUATION

We estimate higher free-cash flow yields

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	na	na	35.7	24.7	19.6
Normalized PE - at target price (x)	na	na	40.0	27.6	21.9
PE (x)	na	na	35.7	24.7	19.6
PE - at target price (x)	na	na	40.0	27.6	21.9
EV/EBITDA (x)	11.6	13.3	8.8	7.7	7.0
EV/EBITDA - at target price (x)	12.9	14.9	9.8	8.6	7.8
P/BV (x)	4.8	5.0	4.6	4.4	4.2
P/BV - at target price (x)	5.3	5.5	5.2	4.9	4.7
P/CFO (x)	12.0	17.5	9.2	8.8	7.7
Price/sales (x)	3.2	4.6	4.2	3.9	3.7
Dividend yield (%)	0.0	0.0	2.5	3.7	4.6
FCF Yield (%)	8.8	5.5	10.5	10.9	12.6
(Bt)					
Normalized EPS	(0.3)	(0.1)	0.4	0.5	0.7
EPS	(0.2)	(0.1)	0.4	0.5	0.7
DPS	0.0	0.0	0.3	0.5	0.6
BV/share	2.8	2.7	2.9	3.0	3.2
CFO/share	1.1	0.8	1.5	1.5	1.7
FCF/share	1.2	0.7	1.4	1.5	1.7

Sources: Company data, Thanachart estimates

We forecast profitability levels to increase

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	(17.9)	(29.5)	8.4	8.5	5.7
Net profit (%)	na	na	na	44.9	25.9
EPS (%)	na	na	na	44.9	25.9
Normalized profit (%)	na	na	na	44.9	25.9
Normalized EPS (%)	na	na	na	44.9	25.9
Dividend payout ratio (%)	0.0	0.0	90.0	90.0	90.0
Operating performance					
Gross margin (%)	9.3	21.8	25.2	30.0	33.7
Operating margin (%)	(8.5)	(1.1)	15.8	20.7	24.4
EBITDA margin (%)	28.4	34.9	48.8	51.1	53.2
Net margin (%)	(8.1)	(4.0)	11.8	15.8	18.8
D/E (incl. minor) (x)	0.6	0.6	0.5	0.5	0.5
Net D/E (incl. minor) (x)	0.1	0.1	0.1	0.0	0.0
Interest coverage - EBIT (x)	na	na	10.1	14.4	17.6
Interest coverage - EBITDA (x)	18.6	17.5	31.1	35.6	38.5
ROA - using norm profit (%)	na	na	7.6	10.6	13.0
ROE - using norm profit (%)	na	na	13.4	18.3	22.0
DuPont					
ROE - using after tax profit (%)	na	na	13.4	18.3	22.0
- asset turnover (x)	0.6	0.6	0.6	0.7	0.7
- operating margin (%)	na	na	16.3	21.2	24.9
- leverage (x)	2.2	1.9	1.8	1.7	1.7
- interest burden (%)	120.8	724.6	90.4	93.2	94.4
- tax burden (%)	na	na	80.0	80.0	80.0
WACC (%)	10.9	10.9	10.9	10.9	10.9
ROIC (%)	(9.7)	(1.1)	13.8	18.5	22.3
NOPAT (Bt m)	(708)	(66)	804	1,138	1,420
invested capital (Bt m)	6,136	5,810	6,150	6,362	6,580

Sources: Company data, Thanachart estimates

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