BUY (Unchanged)

Change in Numbers

TP: Bt 17.00 (From: Bt 15.00)

Upside : 27.8%

5 JULY 2021

BEC World Pcl (BEC TB)

Improving momentum

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We expect BEC to report strong 2Q21F earnings despite the third COVID wave. Rising utilization, a better average ad rate from a new revenue mix and a lower cost base are the drivers. We lift our EPS estimates by 10-20% in 2021-23F and TP to Bt17. Reaffirm BUY.

Raising our earnings

We estimate BEC's 2Q21F earnings at Bt225m, up 59% q-q and turning around from a loss of Bt267m in 2Q20. The strong earnings despite the third COVID wave are due to BEC having gained market share from improving soap ratings and the come-back of popular news anchor Mr. Sorayut Sutha-sanajinda. Key earnings drivers are its utilization rate rising from 64% in 1Q21 to 67% in 2Q21F, a higher average ad rate from a higher news content mix and fewer soap re-runs, and a lower cost base from cost-cutting efforts. We boost our earnings estimates by 10-20% in 2021-23F and lift our DCF-based 12-month TP (2022F base year) to Bt17 (from Bt15). We reaffirm BUY on BEC for its strong earnings turnaround story. We also see the stock as inexpensive at 18x PE on its full turnaround year in 2023F, which is already de-rated from the pre-liberalization years at a 35x average.

Work-from-home beneficiary

TV ad spend (adex) gained revenue share from 57% in 2019 to 61% in 5M21 due to the COVID outbreak with the work-from-home trend. This was at the expense of out-of-home (OOH) media, including transit media. Total 5M21 adex in absolute terms was up by 5%, driven mainly by TV adex with 8% growth (vs. a 12% fall for OOH media). Due to the weak overall economy, we estimate total adex to fall 9% and TV adex to drop 7% in 2021F. BEC, however, should grow its advertising revenue by 5% y-y in 2021F. Aside from market share gains, we also estimate non-TV income sources of soap licensing, including simulcasting, and online revenue to increase to Bt1bn this year vs. Bt800m in 2019.

Improving business momentum

BEC's program strength lies in news, even before Mr. Sorayut's comeback, and soaps. BEC strategically spreads out news programs throughout the day using a few popular newsmen. With Mr. Sorayut's comeback and high demand for COVID news, BEC increased news timeslots to 37% of the total slots in 2Q21F vs. 35% in 1Q21. With a full-quarter Sorayut impact, we estimate that to rise to 40% in 3Q21F. Utilization of popular news program, "Rueng Lao Chao Nee", rose from 50-60% in 1Q21 to 65% in 2Q21F and should rise further on a full-quarter basis in 3Q21F. As for prime-time soaps, six fresh titles are to be aired in 2H21 and we expect more to be announced vs. 11 in 1H21 and just 16 in 2020, when there were more re-runs. One of the soaps, *Dare to Love*, starring two top-rated actresses, looks set to be a big hit with teaser viewership at 1.5m vs. a normal 0.5m level.

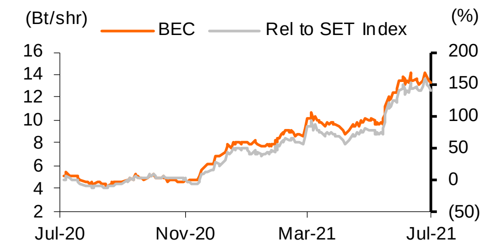
Simulcasting income looks solid

We see a lower risk to our Bt500m forecast for content licensing, including simulcasting, income this year. BEC has already announced ten soap sales which implies 60% of our forecast is secure. For the first time, simulcasts this year will be on Netflix.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	5,861	6,022	6,891	7,344
Net profit	(214)	898	1,195	1,515
Consensus NP	—	759	1,042	1,255
Diff frm cons (%)	—	*18.2*	*14.7*	*20.7*
Norm profit	(146)	898	1,195	1,515
Prev. Norm profit	—	750	1,087	1,369
Chg frm prev (%)	—	*19.7*	*9.9*	*10.7*
Norm EPS (Bt)	(0.1)	0.4	0.6	0.8
Norm EPS grw (%)	na	na	33.1	26.8
Norm PE (x)	na	29.6	22.3	17.6
EV/EBITDA (x)	13.2	8.1	7.3	6.6
P/BV (x)	4.9	4.5	4.3	4.1
Div yield (%)	0.0	3.0	4.0	5.1
ROE (%)	na	15.9	19.8	24.0
Net D/E (%)	7.4	(0.6)	2.0	0.7

PRICE PERFORMANCE



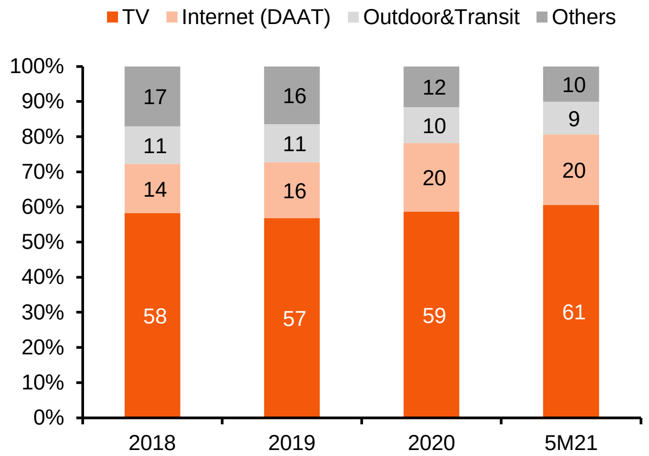
COMPANY INFORMATION

Price *as of* 5-Jul-21 (Bt)	13.30
Market Cap (US$ m)	828.4
Listed Shares (m shares)	2,000.00
Free Float (%)	49.34
Avg Daily Turnover (US$ m)	11.80
12M Price H/L (Bt)	14.20/4.24
Sector	MEDIA
Major Shareholder	Maleenont Family 45.5%

Sources: Bloomberg, Company data, Thanachart estimates

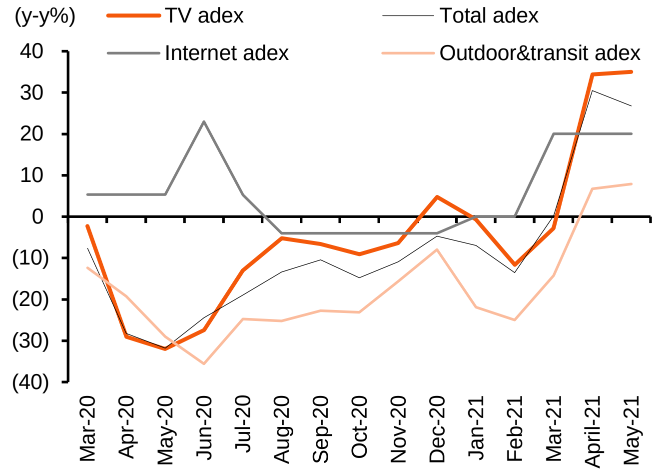
Thanachart Securities

Ex 1: TV Adex Share Rising During COVID Outbreak



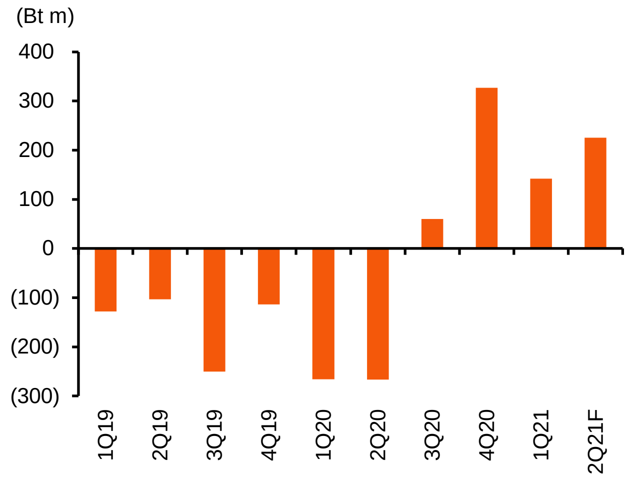
Source: Nielsen Thailand

Ex 2: TV Adex Has Been Resilient Due To WFH Trend



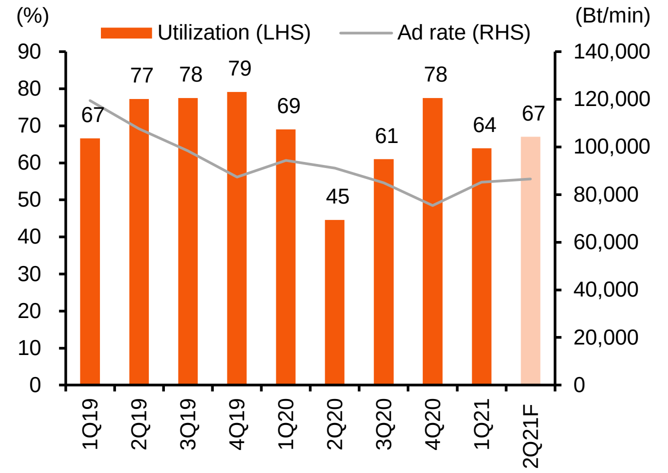
Sources: Company data, Thanachart estimates

Ex 3: BEC's Strong 2Q21F Earnings Despite Third Wave



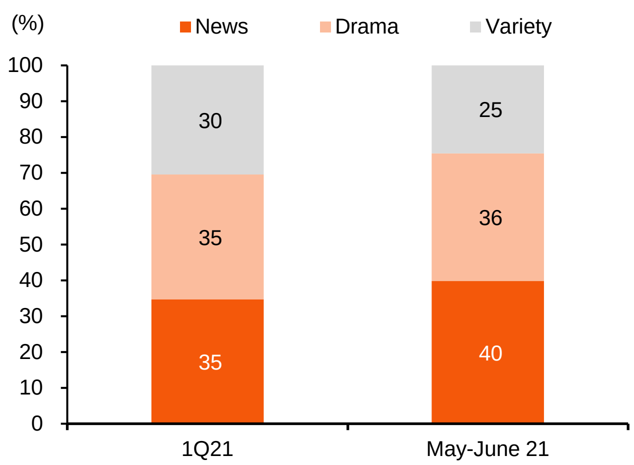
Sources: Company data, Thanachart estimates

Ex 4: Key Drivers Are Utilization And Ad Rate



Sources: Company data, Thanachart estimates

Ex 5: Higher News Content During COVID Outbreak



Source: Thanachart compilation

Ex 6: Popular Key Anchor Newsmen

Source: Company data

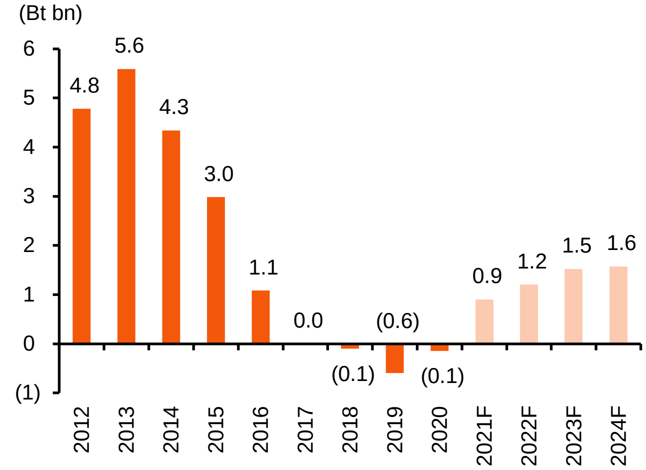
Ex 7: Some New Prime Time Dramas In May

Source: Company data

Ex 8: Six Fresh Dramas In 2H21 On Thai TV And Netflix

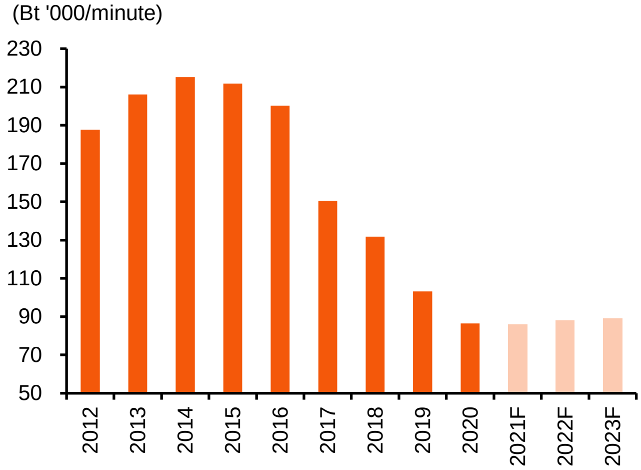
Source: Company data

Ex 9: Strong Normalized Profit Turnaround In 2021-22F



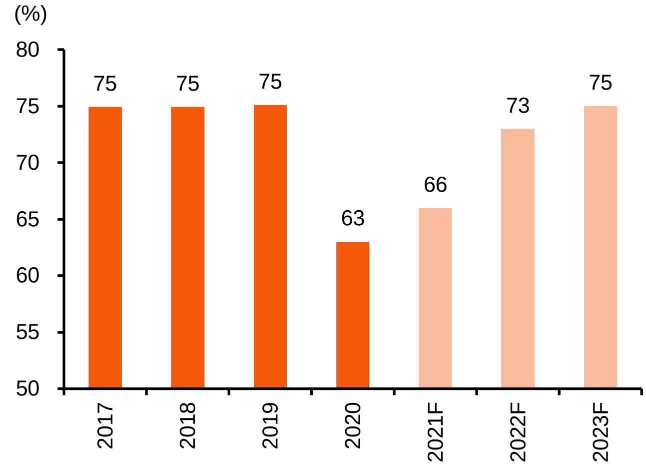
Sources: Company data, Thanachart estimates

Ex 10: Profit Turnaround Despite De-rated Ad Rate



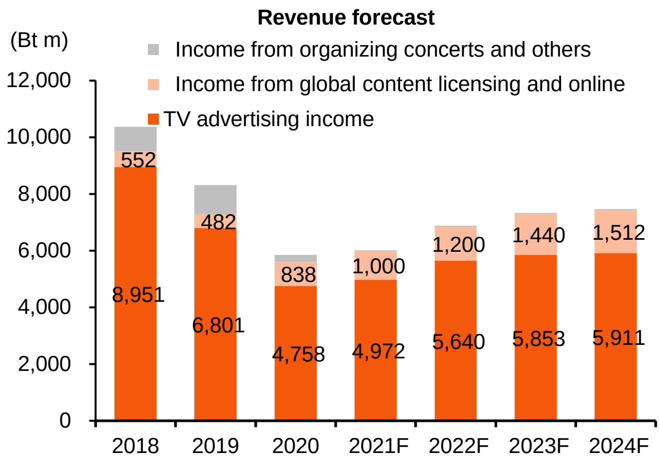
Sources: Company data, Thanachart estimates

Ex 11: Utilization Rate Forecast



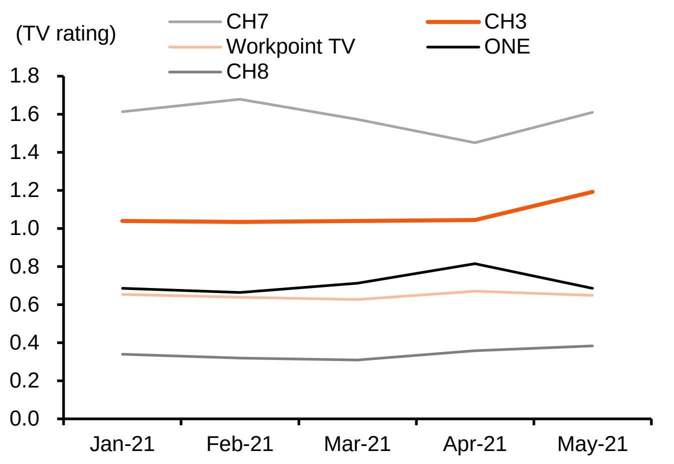
Sources: Company data, Thanachart estimates

Ex 12: Growing Content Sales Overseas And Online



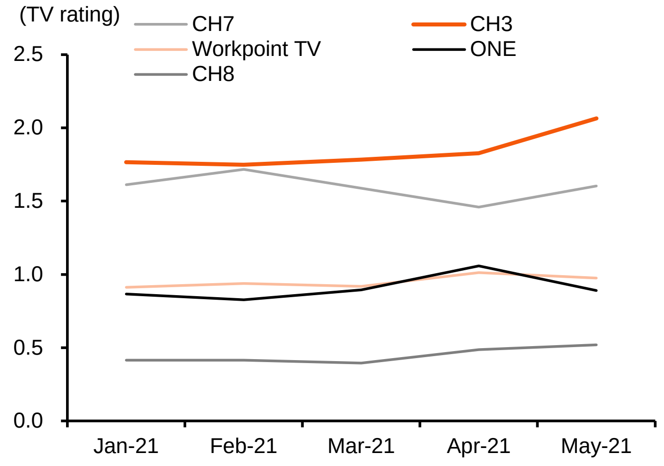
Sources: Company data, Thanachart estimates

Ex 13: TV Rating (Nationwide Age 4+)



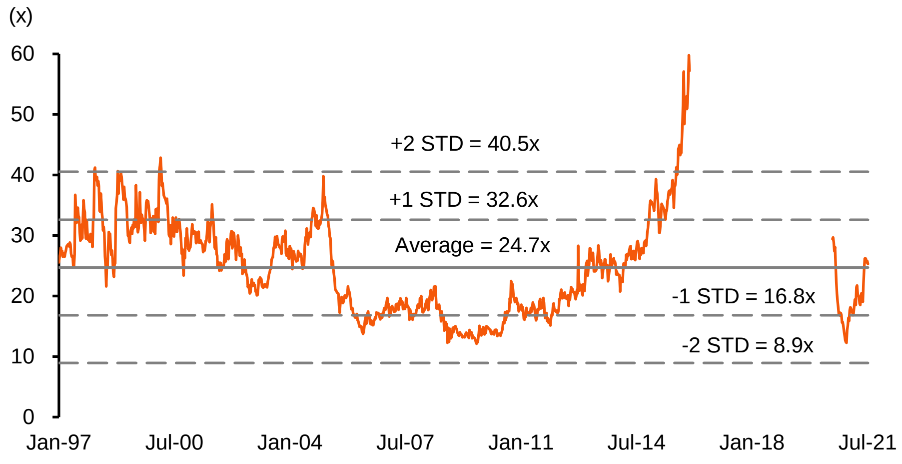
Source: Nielsen Thailand

Ex 14: TV Rating (Bangkok Age 15+)



Source: Nielsen Thailand

Ex 15: 2023F PE, Full Turnaround Year, Already De-rated From Pre-liberalization Period



Sources: Bloomberg, Thanachart estimates

Ex 16: Our Key Assumption Changes

	2020	2021F	2022F	2023F
Total revenue (Bt m)				
New	5,861	6,022	6,891	7,344
Old		6,351	6,890	7,285
Change (%)		*(5.2)*	*0.0*	*0.8*
Utilization				
New	63.4	66.0	73.0	75.0
Old		70.0	73.0	75.0
Change (%)		*(5.7)*	*0.0*	*0.0*
Total operating costs (Bt m)				
New	5,927	4,831	5,332	5,382
Old		5,346	5,466	5,510
Change (%)		*(9.6)*	*(2.5)*	*(2.3)*
Normalized profit (Bt m)				
New	(146)	898	1,195	1,515
Old		750	1,087	1,369
Change (%)		*19.7*	*9.9*	*10.7*

Sources: Company data, Thanachart estimates

Ex 17: 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		3,655	4,058	4,118	4,146	4,172	4,183	4,194	4,206	4,217	4,229	4,239	—
Free cash flow		3,176	3,530	3,646	3,677	3,697	3,709	3,718	3,726	3,735	3,744	3,752	38,883
PV of free cash flow		3,167	2,872	2,674	2,432	2,159	1,944	1,750	1,575	1,417	1,276	1,095	11,345
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.3												
WACC (%)	10.9												
Terminal growth (%)	2.0												
Enterprise value - add investments	33,705												
Net debt (2021F)	(33)												
Minority interest	0												
Equity value	33,738												
# of shares (m)	2,000												
Target price/share (Bt)	**17**												

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 18: 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	22.4	1.1	1.0	8.6	5.5	0.8	1.4
Sun TV Network	SUNTV IN	India	3.2	8.0	13.2	12.2	2.8	2.5	7.1	6.5	4.2	4.7
Zee Entertainment	Z IN	India	84.5	16.1	14.2	12.3	1.9	1.7	8.8	7.7	1.8	2.1
Surya Citra Media	SCMA IJ	Indonesia	7.2	16.4	20.9	18.0	5.4	4.7	15.7	13.9	3.0	2.8
Media Nusantara	MNCN IJ	Indonesia	24.0	15.3	5.3	4.6	0.7	0.6	4.8	4.5	2.7	3.8
Beijing Gehua	600037 CH	China	196.6	14.3	25.3	22.1	0.9	0.9	4.9	4.4	1.4	1.6
Media Prima Bhd	MPR MK	Malaysia	na	61.5	18.5	11.4	0.8	0.8	3.4	3.2	0.5	0.0
BEC World*	BEC TB	Thailand	na	33.1	29.6	22.3	4.5	4.3	8.1	7.3	3.0	4.0
MAJOR Cineplex*	MAJOR TB	Thailand	na	34.1	28.6	21.3	3.2	3.0	16.0	12.8	2.1	3.7
Plan B Media*	PLANB TB	Thailand	44.6	173.3	114.9	42.0	4.3	4.0	9.0	7.4	0.3	1.3
RS Pcl*	RS TB	Thailand	8.7	54.9	37.3	24.1	9.1	8.1	16.1	11.2	2.1	3.5
VGI Global Media**	VGI TB	Thailand	144.5	113.3	112.1	52.6	3.0	2.8	87.4	46.9	0.2	0.4
Workpoint Ent'*	WORK TB	Thailand	na	na	na	255.9	2.1	2.1	14.3	12.1	0.0	0.3
Average			**64.2**	**49.1**	**38.2**	**40.1**	**3.1**	**2.8**	**15.7**	**11.0**	**1.7**	**2.3**

Source: Bloomberg

Note: * Thanachart estimates using normalized EPS growth

** VGI's fiscal year ends in March.

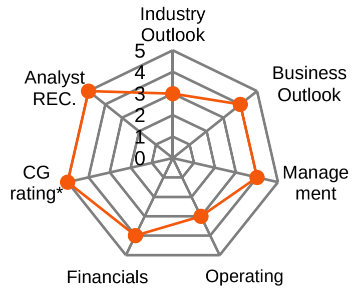
Based on 5-Jul-21 closing price

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 and radio broadcasting and news media; 2) content sourcing, production and distribution; and 3) production and sourcing of concerts, shows and campaign activities.

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)	14.97	17.00	14%
Net profit 21F (Bt m)	759	898	18%
Net profit 22F (Bt m)	1,042	1,195	15%
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

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	8,310	5,861	6,022	6,891	7,344
Cost of sales	7,536	4,583	4,235	4,687	4,696
Gross profit	**774**	**1,278**	**1,787**	**2,204**	**2,648**
% gross margin	9.3%	21.8%	29.7%	32.0%	36.1%
Selling & administration expenses	1,482	1,344	596	644	687
Operating profit	**(708)**	**(66)**	**1,191**	**1,559**	**1,962**
% operating margin	-8.5%	-1.1%	19.8%	22.6%	26.7%
Depreciation & amortization	3,070	2,110	2,094	2,096	2,097
EBITDA	**2,363**	**2,044**	**3,285**	**3,655**	**4,058**
% EBITDA margin	28.4%	34.9%	54.6%	53.0%	55.3%
Non-operating income	97	47	30	34	37
Non-operating expenses	0	0	0	0	0
Interest expense	(127)	(117)	(99)	(100)	(105)
Pre-tax profit	**(738)**	**(135)**	**1,122**	**1,494**	**1,893**
Income tax	(62)	98	224	299	379
After-tax profit	**(676)**	**(233)**	**898**	**1,195**	**1,515**
% net margin	-8.1%	-4.0%	14.9%	17.3%	20.6%
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)**	**898**	**1,195**	**1,515**
Normalized profit	**(596)**	**(146)**	**898**	**1,195**	**1,515**
EPS (Bt)	(0.2)	(0.1)	0.4	0.6	0.8
Normalized EPS (Bt)	(0.3)	(0.1)	0.4	0.6	0.8

Balance sheet still strong, on our estimates

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	4,695	3,889	4,263	4,455	4,555
Cash & cash equivalent	2,816	2,598	2,930	2,930	2,930
Account receivables	1,459	1,117	1,155	1,322	1,408
Inventories	4	2	2	3	3
Others	416	171	176	201	214
Investments & loans	119	41	41	41	41
Net fixed assets	348	268	199	128	57
Other assets	6,192	5,321	5,592	5,913	6,199
Total assets	**11,354**	**9,519**	**10,095**	**10,538**	**10,852**
LIABILITIES:					
Current liabilities:	2,004	818	911	926	1,007
Account payables	818	474	464	514	515
Bank overdraft & ST loans	330	0	0	0	0
Current LT debt	0	0	0	0	0
Others current liabilities	855	344	447	413	492
Total LT debt	**2,998**	**2,999**	**2,897**	**3,055**	**2,978**
Others LT liabilities	634	293	385	401	415
Total liabilities	**5,636**	**4,110**	**4,192**	**4,382**	**4,401**
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**	**2,809**	**3,062**	**3,357**
Shareholders' equity	5,623	5,409	5,903	6,156	6,451
Liabilities & equity	**11,354**	**9,519**	**10,095**	**10,538**	**10,852**

Sources: Company data, Thanachart estimates

We estimate higher free-cash flow yields

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	(738)	(135)	1,122	1,494	1,893
Tax paid	16	(97)	(227)	(295)	(378)
Depreciation & amortization	3,070	2,110	2,106	2,109	2,112
Chg In working capital	(37)	(0)	(48)	(117)	(86)
Chg In other CA & CL / minorities	(78)	(349)	101	(63)	66
Cash flow from operations	**2,234**	**1,528**	**3,055**	**3,127**	**3,607**
Capex	131	(55)	(50)	(50)	(50)
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)	(2,137)	(2,264)	(2,232)
Cash flow from investments	**(1,490)**	**(1,416)**	**(2,217)**	**(2,344)**	**(2,312)**
Debt financing	(32)	(330)	(102)	158	(76)
Capital increase	0	0	0	0	0
Dividends paid	0	0	(404)	(942)	(1,219)
Warrants & other surplus	(64)	(0)	0	0	0
Cash flow from financing	**(96)**	**(330)**	**(506)**	**(784)**	**(1,296)**
Free cash flow	**2,365**	**1,473**	**3,005**	**3,077**	**3,557**

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	na	na	29.6	22.3	17.6
Normalized PE - at target price (x)	na	na	37.9	28.5	22.4
PE (x)	na	na	29.6	22.3	17.6
PE - at target price (x)	na	na	37.9	28.5	22.4
EV/EBITDA (x)	11.5	13.2	8.1	7.3	6.6
EV/EBITDA - at target price (x)	14.6	16.8	10.3	9.3	8.4
P/BV (x)	4.7	4.9	4.5	4.3	4.1
P/BV - at target price (x)	6.0	6.3	5.8	5.5	5.3
P/CFO (x)	11.9	17.4	8.7	8.5	7.4
Price/sales (x)	3.2	4.5	4.4	3.9	3.6
Dividend yield (%)	0.0	0.0	3.0	4.0	5.1
FCF Yield (%)	8.9	5.5	11.3	11.6	13.4
(Bt)					
Normalized EPS	(0.3)	(0.1)	0.4	0.6	0.8
EPS	(0.2)	(0.1)	0.4	0.6	0.8
DPS	0.0	0.0	0.4	0.5	0.7
BV/share	2.8	2.7	3.0	3.1	3.2
CFO/share	1.1	0.8	1.5	1.6	1.8
FCF/share	1.2	0.7	1.5	1.5	1.8

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)	2.7	14.4	6.6
Net profit (%)	na	na	na	33.1	26.8
EPS (%)	na	na	na	33.1	26.8
Normalized profit (%)	na	na	na	33.1	26.8
Normalized EPS (%)	na	na	na	33.1	26.8
Dividend payout ratio (%)	0.0	0.0	90.0	90.0	90.0
Operating performance					
Gross margin (%)	9.3	21.8	29.7	32.0	36.1
Operating margin (%)	(8.5)	(1.1)	19.8	22.6	26.7
EBITDA margin (%)	28.4	34.9	54.6	53.0	55.3
Net margin (%)	(8.1)	(4.0)	14.9	17.3	20.6
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	(0.0)	0.0	0.0
Interest coverage - EBIT (x)	na	na	12.1	15.6	18.7
Interest coverage - EBITDA (x)	18.6	17.5	33.3	36.5	38.7
ROA - using norm profit (%)	na	na	9.2	11.6	14.2
ROE - using norm profit (%)	na	na	15.9	19.8	24.0
DuPont					
ROE - using after tax profit (%)	na	na	15.9	19.8	24.0
- asset turnover (x)	0.6	0.6	0.6	0.7	0.7
- operating margin (%)	na	na	20.3	23.1	27.2
- leverage (x)	2.2	1.9	1.7	1.7	1.7
- interest burden (%)	120.8	724.6	91.9	93.7	94.7
- 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)	16.4	21.3	25.0
NOPAT (Bt m)	(708)	(66)	952	1,248	1,569
invested capital (Bt m)	6,136	5,810	5,869	6,281	6,500

Sources: Company data, Thanachart estimates

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