BUY (Unchanged) | **TP: Bt 17.00** (Unchanged) | **26 JULY 2021**

Company Update | **Upside : 22.3%**

Thanachart Securities

BEC World Pcl (BEC TB)

Higher ratings

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BEC's TV ratings have continued to improve in July, led by the rising popularity of its key news programs and soaps. We expect BEC's earnings in 3Q21F to buck the lockdown trend with q-q growth and a full quarter of the better ratings. Reaffirm BUY call and TP of Bt17.

BEC, a hedge against the lockdown

We see BEC as a hedge against the weak economy during the lockdown. First, working-from-home should result in more TV eyeballs and TV adex continues to be more resilient compared with other ad types, except for digital ads. See Exhibits 1 and 2 for our TV adex breakdown and growth. Secondly, BEC is gaining in popularity vs. its TV peers. BEC's audience increased 9.2% q-q in 2Q21, vs. Ch.7's -7.7%, One's +1.7% and Workpoint's -2.7%. In addition, we expect 3Q21F to deliver q-q double-digit growth from the full-quarter effect of its higher TV rating.

TV ratings continue to improve

BEC's TV rating continued to improve in the second week of July to 1.19 points from 1.13 in 2Q21, 1.04 in 1Q21 and 1.18 in 2020. Of its TV ad income, 60-70% is estimated from soaps, 20% news, and the rest from variety. As for soaps, BEC's Ch 3 is gaining popularity against its top peer Ch.7 due to five days a week of new soaps vs. four for Ch.7. Another top peer, Channel One, has also seen the popularity of its soap content falling. In addition, BEC is enjoying a significant rating increase, after the comeback of popular news anchor Mr. Sorayuth Suthassanachinda. Its two key news programs ("Rueng Lao Chao Nee", anchored by Mr. Sorayuth and "Rueng Den Yen Nee") saw their TV ratings in July increase by 17% and 14%, respectively, from May-June.

Improving earnings momentum

We estimate BEC's 2Q21F earnings at Bt225m, up from a Bt267m loss in 2Q20 and increasing by 59% q-q. Key drivers have been higher utilization, 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. Stronger earnings in 3Q21F should be supported by a full quarter of program reshuffling and higher content sales recognition. Note that BEC did a major program reshuffle in May this year after the comeback of Mr. Sorayuth.

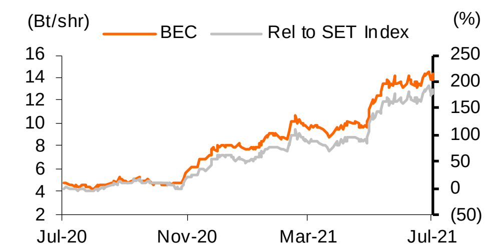
Reaffirming our BUY rating

We reaffirm our BUY call on BEC with a DCF-based (2022F base year) 12-month TP of Bt17. This is a strong earnings turnaround for a company that isn't being disrupted by the ongoing lockdown. We project its earnings to turn around from a Bt146m loss in 2020 to a profit of Bt898m in 2021F and Bt1.2bn in 2022F. Aside from improving TV revenue because of the reasons mentioned above, industry digital-ad spending has still been steady against the drop in the total ad spending pool (see Exhibit 1). BEC benefits here via its digital content revenue (10% of total revenue) which we forecast to grow by 17% this year with a high 80-90% net margin, vs. 5% growth in TV revenue. BEC has already secured 60% of its overseas content sales target of Bt500m, which represents 22% growth from last year.

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	—	812	1,085	1,349
Diff frm cons (%)	—	*10.5*	*10.1*	*12.3*
Norm profit	(146)	898	1,195	1,515
Prev. Norm profit	—	898	1,195	1,515
Chg frm prev (%)	—	*0.0*	*0.0*	*0.0*
Norm EPS (Bt)	(0.1)	0.4	0.6	0.8
Norm EPS grw (%)	na	na	33.1	26.8
Norm PE (x)	na	31.0	23.3	18.4
EV/EBITDA (x)	13.8	8.5	7.6	6.9
P/BV (x)	5.1	4.7	4.5	4.3
Div yield (%)	0.0	2.9	3.9	4.9
ROE (%)	na	15.9	19.8	24.0
Net D/E (%)	7.4	(0.6)	2.0	0.7

PRICE PERFORMANCE

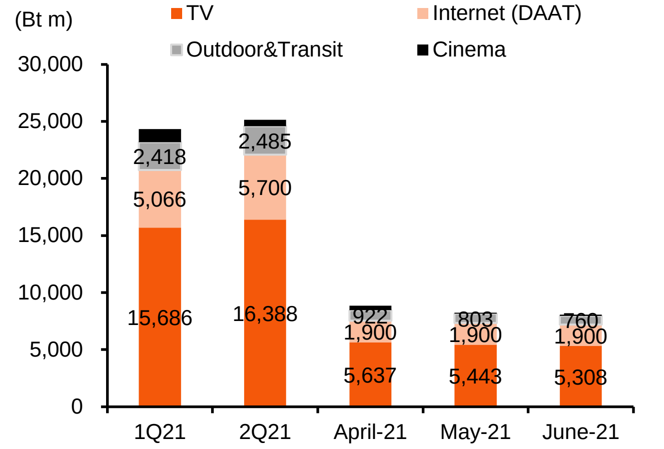


COMPANY INFORMATION

Price *as of* 23-Jul-21 (Bt)	13.90
Market Cap (US$ m)	844.7
Listed Shares (m shares)	2,000.00
Free Float (%)	49.34
Avg Daily Turnover (US$ m)	12.04
12M Price H/L (Bt)	14.60/4.24
Sector	MEDIA
Major Shareholder	Maleenont Family 45.5%

Sources: Bloomberg, Company data, Thanachart estimates

Ex 1: Advertising Expenditure (Adex) Breakdown



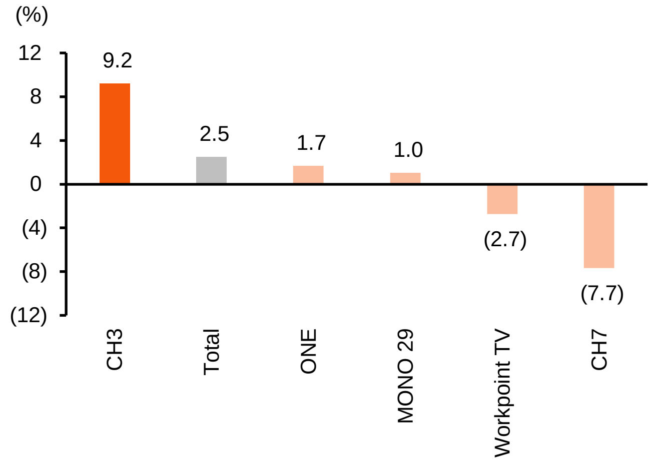
Source: Nielsen Thailand

Ex 2: Adex Growth y-y

(%)	1Q21	2Q21	Apr-21	May-21	Jun-21
Adex	(6.6)	23.6	30.5	26.8	14.2
TV	(5.1)	29.4	34.4	35.0	19.5
Internet	6.7	20.0	20.0	20.0	20.0
Outdoor & Transit	(20.3)	5.8	6.7	7.9	2.6
Cinema	(19.2)	128.0	na	na	(55.6)

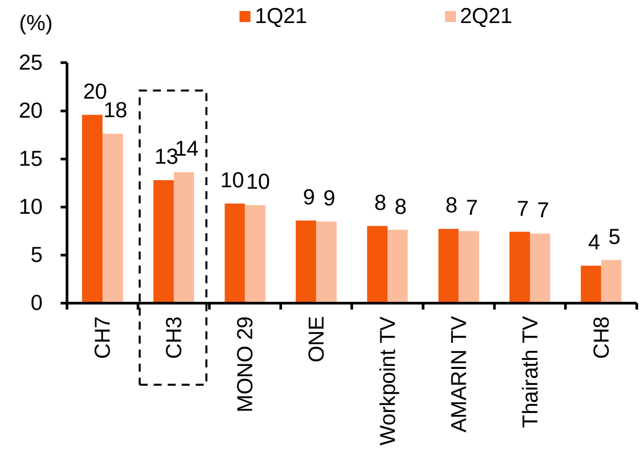
Source: Nielsen Thailand

Ex 3: TV Audience Growth q-q In 2Q21



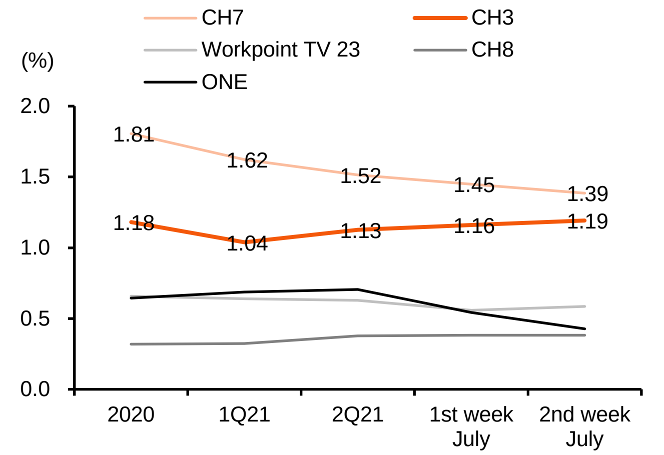
Source: Nielsen Thailand

Ex 4: TV Audience Market Share



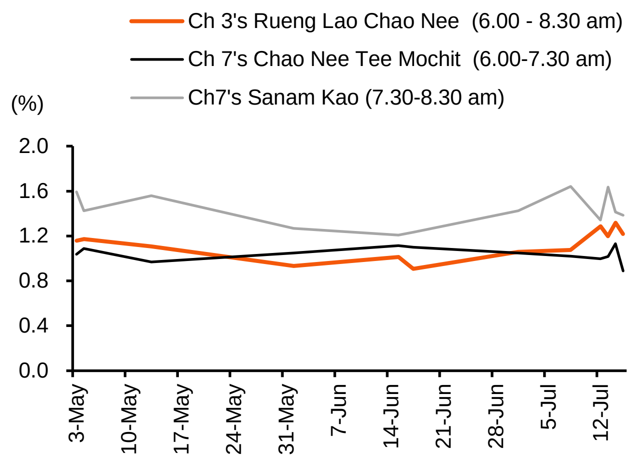
Source: Nielsen Thailand

Ex 5: BEC's TV Rating (Nationwide Age 4+) Rising



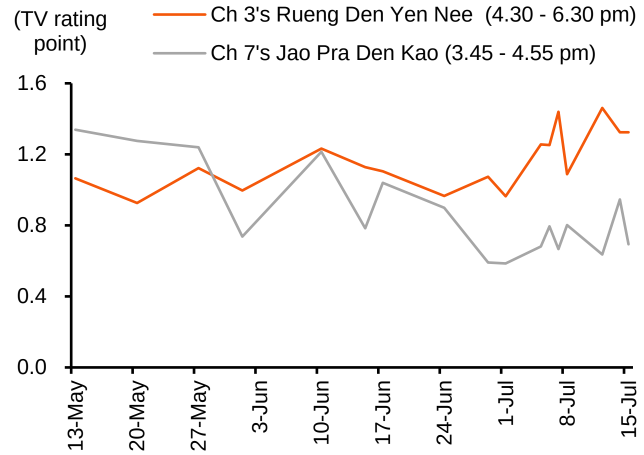
Source: Nielsen Thailand

Ex 6: Rising Ch3's Morning News Content…



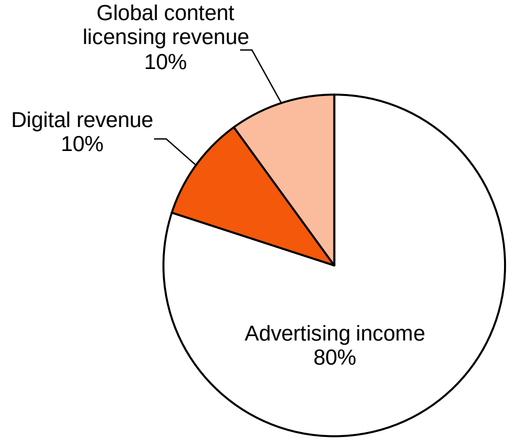
Sources: Nielsen Thailand, Thanachart compilation

Ex 7: …And Early Evening News



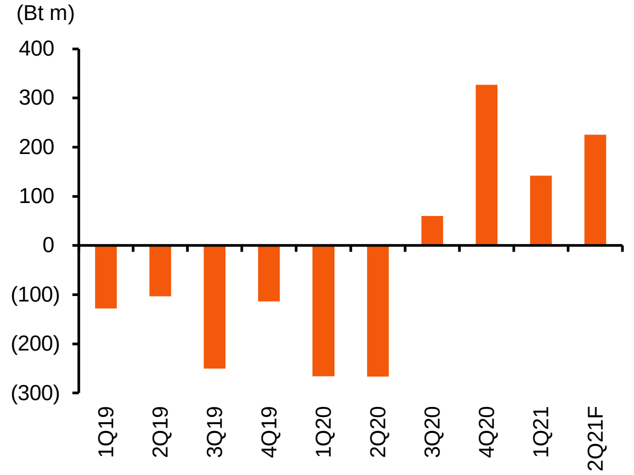
Sources: Nielsen Thailand, Thanachart compilation

Ex 8: BEC's 2021F Revenue Breakdown



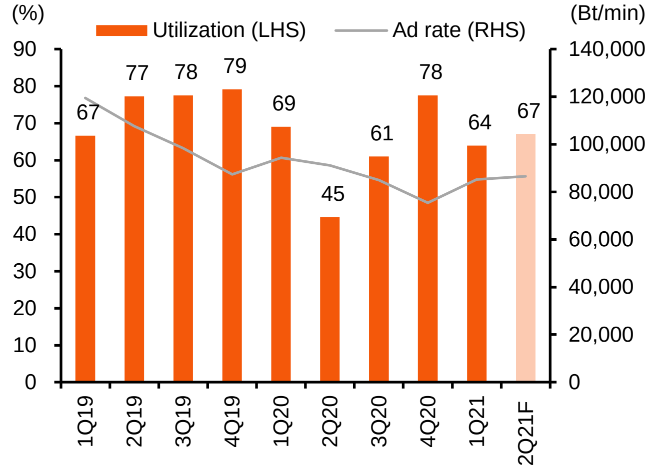
Sources: Company data, Thanachart estimates

Ex 9: BEC's Strong 2Q21F Earnings Despite Third Wave



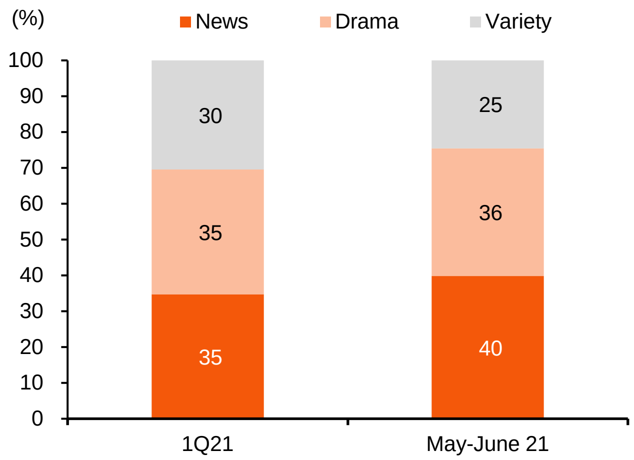
Sources: Company data, Thanachart estimates

Ex 10: Key Drivers Are Utilization And Ad Rate



Sources: Company data, Thanachart estimates

Ex 11: Higher News Content During COVID Outbreak



Source: Thanachart compilation

Ex 12: Popular Key Anchor Newsmen

Source: Company data

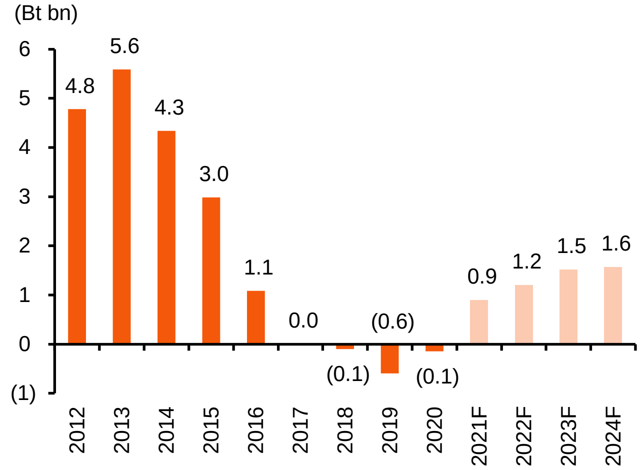
Ex 13: Top TV Rating Early Prime Time Drama

Source: Company data

Ex 14: Six Fresh Dramas In 2H21 On Thai TV And Netflix

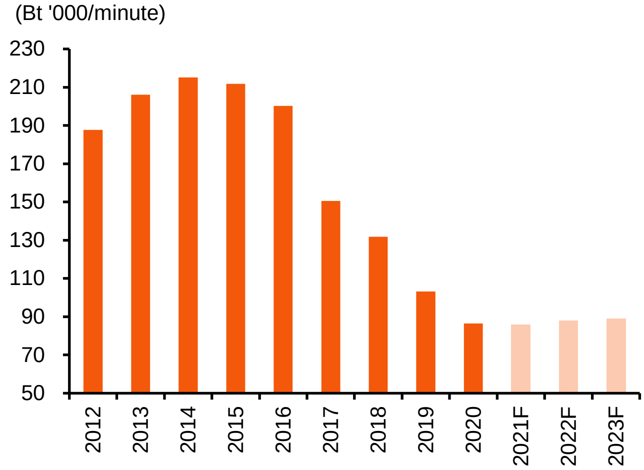
Source: Company data

Ex 15: Strong Normalized Profit Turnaround In 2021-22F



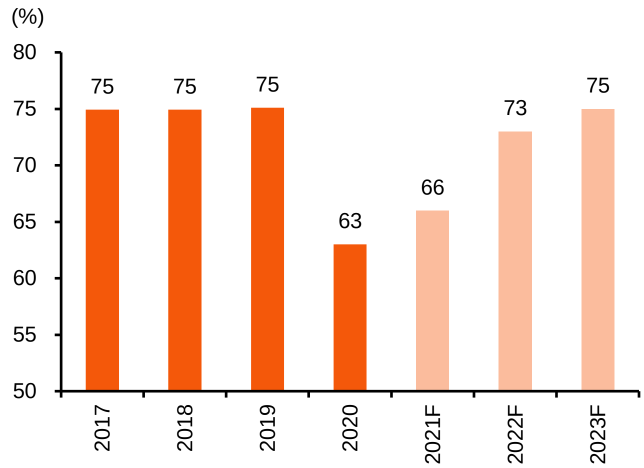
Sources: Company data, Thanachart estimates

Ex 16: Profit Turnaround Despite De-rated Ad Rate



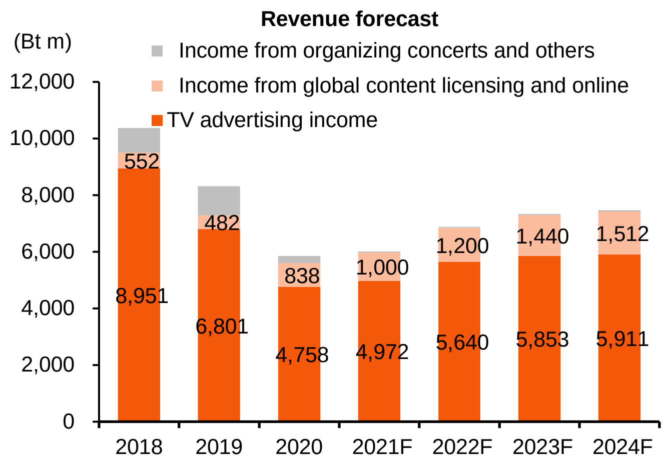
Sources: Company data, Thanachart estimates

Ex 17: Utilization Rate Forecasts



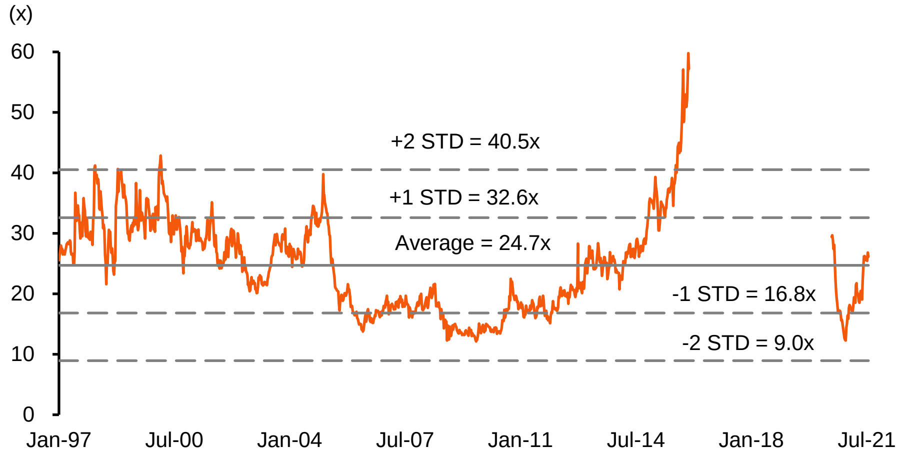
Sources: Company data, Thanachart estimates

Ex 18: Growing Content Sales Overseas And Online



Sources: Company data, Thanachart estimates

Ex 19: 2023F PE, Full Turnaround Year, Already De-rated From Pre-liberalization Period



Sources: Bloomberg, Thanachart estimates

Ex 20: 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 21: 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	24.5	1.2	1.1	10.4	6.1	0.7	1.3
Sun TV Network	SUNTV IN	India	2.9	7.9	13.4	12.4	2.8	2.6	7.2	6.6	4.2	4.6
Zee Entertainment	Z IN	India	82.5	16.2	13.5	11.7	1.8	1.6	8.3	7.3	1.9	2.2
Surya Citra Media	SCMA IJ	Indonesia	7.8	16.3	23.9	20.5	6.2	5.4	17.8	15.8	2.7	2.3
Media Nusantara	MNCN IJ	Indonesia	21.1	17.5	5.0	4.3	0.7	0.6	4.5	4.1	2.7	5.9
Beijing Gehua	600037 CH	China	196.6	14.3	24.7	21.6	0.9	0.9	4.6	4.2	1.4	1.6
Media Prima Bhd	MPR MK	Malaysia	na	61.5	21.0	13.0	0.9	0.9	3.9	3.7	0.4	0.0
BEC World*	BEC TB	Thailand	na	33.1	31.0	23.3	4.7	4.5	8.5	7.6	2.9	3.9
MAJOR Cineplex*	MAJOR TB	Thailand	na	34.1	23.2	17.3	2.6	2.5	13.2	10.4	2.6	4.6
Plan B Media*	PLANB TB	Thailand	na	na	na	47.8	4.0	3.7	9.1	7.0	0.0	1.2
RS Pcl*	RS TB	Thailand	8.7	54.9	34.2	22.1	8.4	7.5	14.8	10.3	2.3	3.8
VGI Global Media**	VGI TB	Thailand	144.5	113.3	107.3	50.3	2.9	2.7	83.7	44.9	0.2	0.4
Workpoint Ent'*	WORK TB	Thailand	na	na	na	246.0	2.0	2.0	13.6	11.5	0.0	0.3
Average			**66.3**	**36.9**	**29.7**	**39.6**	**3.0**	**2.8**	**15.4**	**10.7**	**1.7**	**2.5**

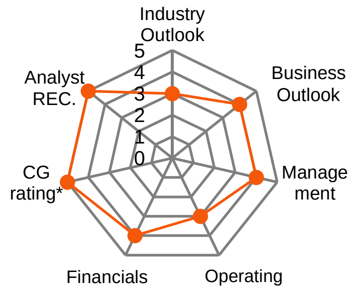
Source: Bloomberg
Note: * Thanachart estimates using normalized EPS growth
** VGI's fiscal year ends in March.
Based on 23-Jul-21 closing price

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)	15.27	17.00	11%
Net profit 21F (Bt m)	812	898	10%
Net profit 22F (Bt m)	1,085	1,195	10%
Consensus REC	**BUY: 9**	**HOLD: 0**	**SELL: 3**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2021-22F net profits are 10% 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 key downside risk to our call would be if BEC's improving utilization rate is lower than we currently anticipate.
- A secondary downside risk would be if the cost of producing its own TV programs is higher than we currently estimate.
- Another downside risk would be if media disruption developments take place faster than we expect.
- If the domestic ad spending recovery is slower than we assume presently, this would be another downside risk.
- Another downside risk would be if copyright and online revenue are lower than we expect.

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	6,022	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

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	31.0	23.3	18.4
Normalized PE - at target price (x)	na	na	37.9	28.5	22.4
PE (x)	na	na	31.0	23.3	18.4
PE - at target price (x)	na	na	37.9	28.5	22.4
EV/EBITDA (x)	12.0	13.8	8.5	7.6	6.9
EV/EBITDA - at target price (x)	14.6	16.8	10.3	9.3	8.4
P/BV (x)	4.9	5.1	4.7	4.5	4.3
P/BV - at target price (x)	6.0	6.3	5.8	5.5	5.3
P/CFO (x)	12.4	18.2	9.1	8.9	7.7
Price/sales (x)	3.3	4.7	4.6	4.0	3.8
Dividend yield (%)	0.0	0.0	2.9	3.9	4.9
FCF Yield (%)	8.5	5.3	10.8	11.1	12.8
(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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