

BUY (Unchanged)

Change in Numbers

TP: Bt 15.00

(From: Bt 17.00)

20 AUGUST 2021**Upside : 31.6%**

BEC World Pcl (BEC TB)

Overly punished

Despite the third COVID wave weakening ad spend, we expect BEC to still deliver q-q earnings growth throughout this year. We see its growth drivers remaining intact with 30% p.a. earnings growth in 2022-23F after some disruption in 2H21. The recent drop in its share price is a BUYing opportunity in our view. Reaffirm BUY.

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COVID hit but still 39% h-h earnings growth

The COVID crisis is hitting ad spend (adex). This, together with BEC's higher-than-expected SG&A expenses in 2Q21, leads us to cut our earnings by 11-15% in 2021-23F and our DCF-based 12-month TP (2022F base year) to Bt15 (from Bt17). But we see its recent share price drop as offering another chance to BUY. *First*, despite the COVID hit, we still expect BEC to deliver q-q earnings growth in both 3Q21F and 4Q21F, or 39% h-h growth. Market share gains have helped offset the negative COVID impact. *Secondly*, with its key earnings drivers intact, BEC remains a turnaround stock in our view with 28/34% EPS growth in 2022-23F. *Thirdly*, we believe BEC has completed its de-rating, trading at 23x in 2022F and 17x on a more normalized earnings level in 2023F vs. 35x pre-liberalization.

A strong turnaround stock

We see BEC as a strong turnaround stock, ending its three-year loss cycle of Bt146m in 2020 with Bt789m profit in 2021F, Bt1.0bn in 2022F and Bt1.35bn in 2023F. Key turnaround factors are content sales to new platforms, i.e., overseas content licensing and various digital platforms, a lower cost base from heavy cost cuts in the past three years, and rising TV utilization from improving programs and market share gains. Despite weakening ad income due to the COVID crisis, we project 39% h-h earnings growth in 2H21F driven by back-loaded content sales. Content sales should continue to grow in 2022-23F with an ad income recovery along with post-COVID economic rebound. We expect a 70-75% utilization rate in 2022-23F, up from 66% in 2021F and a higher ad rate of Bt85-86k/minute (from Bt80k) on lower discounts.

Sustained TV rating in August

The strength of BEC's soap content and popular news reporter team has helped sustain high TV ratings since its program reshuffle in May. BEC's TV rating (nationwide, age 4+) increased by 13% from 1Q21 to 1.17 TV rating point in the second week of August vs. Ch 7's -19%, One's -32%, Workpoint Entertainment Pcl's (WORK TB, SELL, Bt21.4) -12% and RS Pcl's (RS TB, BUY, Bt18.7) +9%.

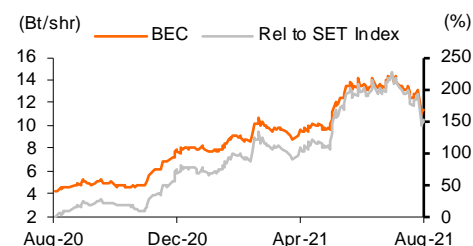
Maintaining strong content sales guidance

BEC is maintaining its content sales guidance of Bt1.0bn this year, a combined target for global content licensing (GCL) sales and content sales to digital platforms, with 1H21 revenue at 40% of its target. BEC simulcasted three soaps (one to China, two to other Asian countries) in 1H21 and has announced plans to simulcast 11 soaps in 2H21 along with more finished goods sales. Note that 4Q is the high season for GCL's revenue contribution.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	5,861	5,674	6,462	7,131
Net profit	(214)	789	1,013	1,353
Consensus NP	—	756	1,030	1,289
Diff frm cons (%)	—	4.4	(1.6)	4.9
Norm profit	(146)	789	1,013	1,353
Prev. Norm profit	—	898	1,195	1,515
Chg frm prev (%)	—	(12.1)	(15.2)	(10.7)
Norm EPS (Bt)	(0.1)	0.4	0.5	0.7
Norm EPS grw (%)	na	na	28.4	33.5
Norm PE (x)	na	28.9	22.5	16.9
EV/EBITDA (x)	11.3	7.2	6.6	5.9
P/BV (x)	4.2	3.9	3.8	3.6
Div yield (%)	0.0	3.1	4.0	5.3
ROE (%)	na	14.0	17.0	21.9
Net D/E (%)	7.4	(4.0)	(1.4)	0.2

PRICE PERFORMANCE

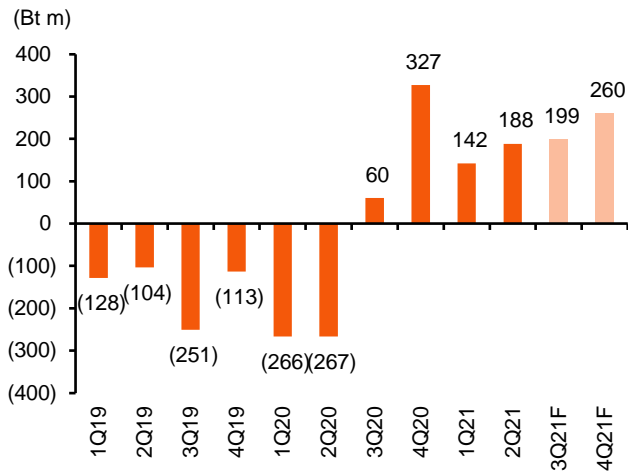


COMPANY INFORMATION

Price as of 20-Aug-21 (Bt)	11.40
Market Cap (US\$ m)	683.1
Listed Shares (m shares)	2,000.00
Free Float (%)	49.34
Avg Daily Turnover (US\$ m)	11.82
12M Price H/L (Bt)	14.20/4.24
Sector	Media
Major Shareholder	Maleenont Family 45.5%

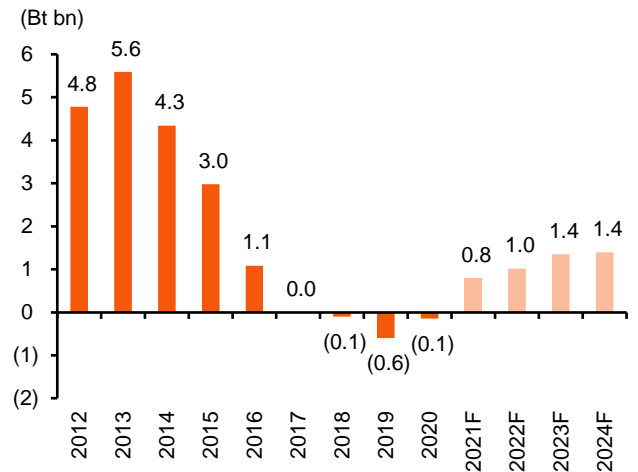
Sources: Bloomberg, Company data, Thanachart estimates

Ex 1: COVID Hit But Still 39% h-h Earnings Growth



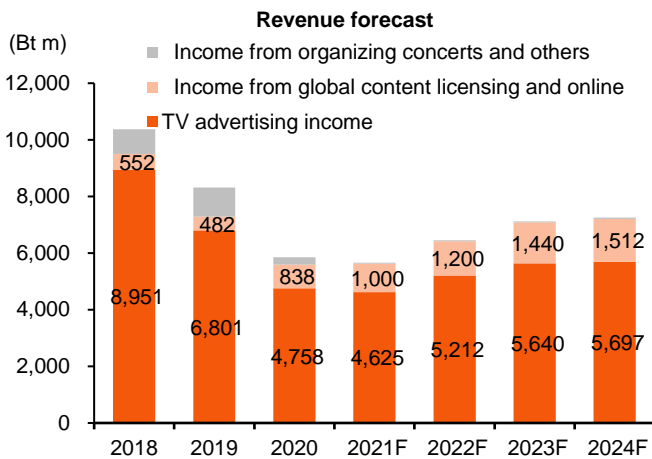
Sources: Company data, Thanachart estimates

Ex 2: We Estimate 30% p.a. EPS CAGR In 2022-23F



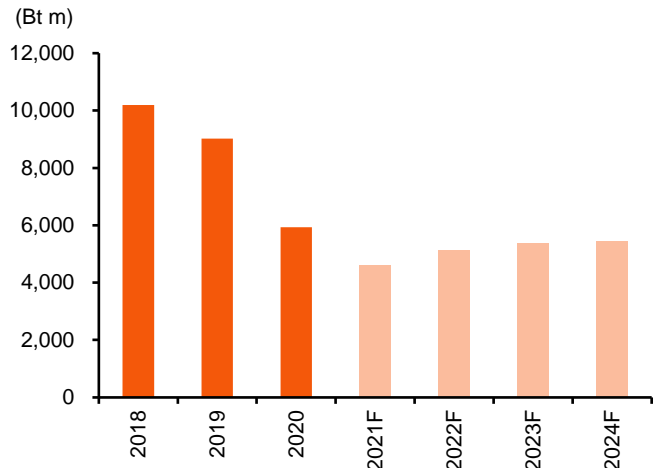
Sources: Company data, Thanachart estimates

Ex 3: Revenue Breakdown



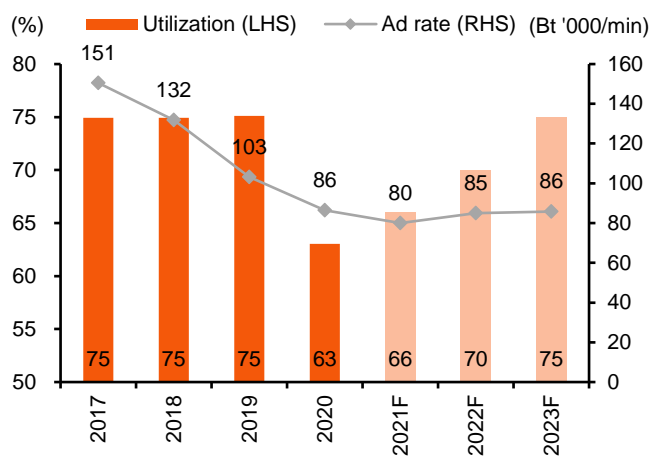
Sources: Company data, Thanachart estimates

Ex 4: New, Lower Cost Base



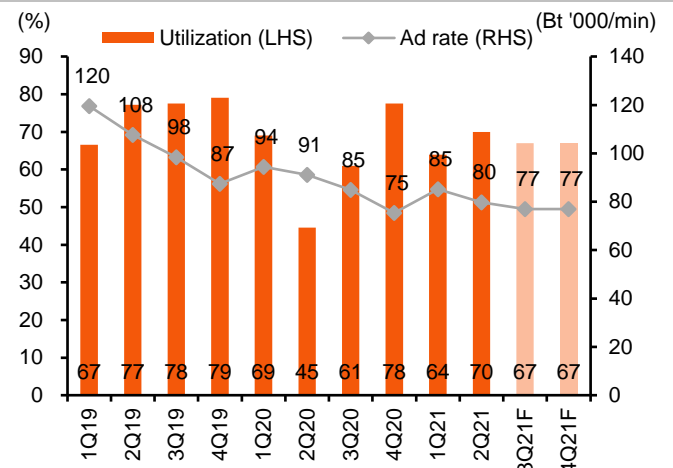
Sources: Company data, Thanachart estimates

Ex 5: Utilization And Ad Rate Forecasts



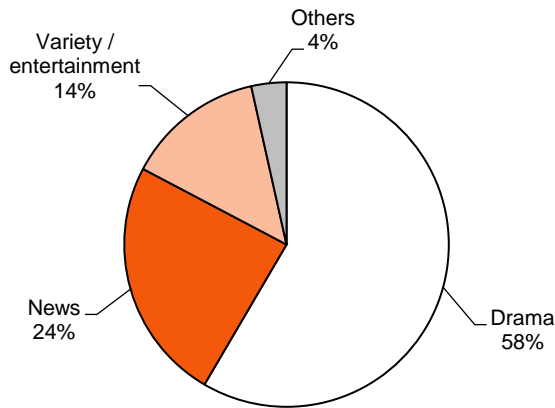
Sources: Company data, Thanachart estimates

Ex 6: Quarterly Utilization And Ad Rate



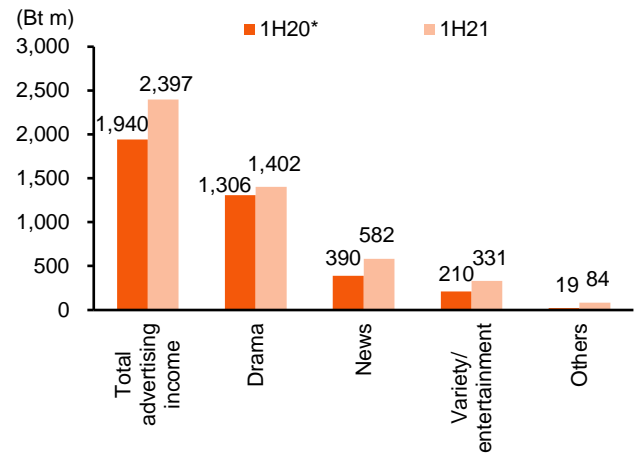
Sources: Company data, Thanachart estimates

Ex 7: Revenue Breakdown By Content In 1H21



Source: Company data

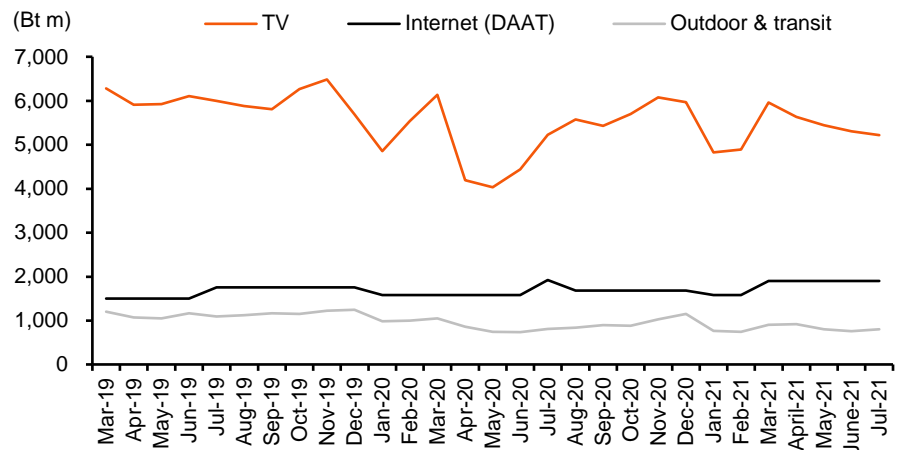
Ex 8: Improving Revenue In All Categories



Source: Company data

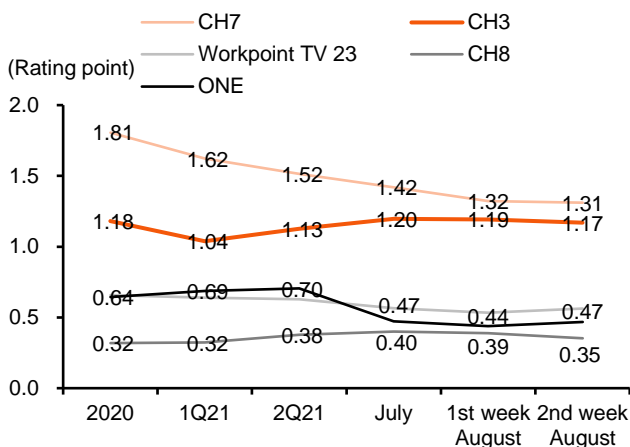
Note: *Revenue excludes contribution from BEC Tero JV

Ex 9: Advertising Expenditure



Source: Nielsen Thailand

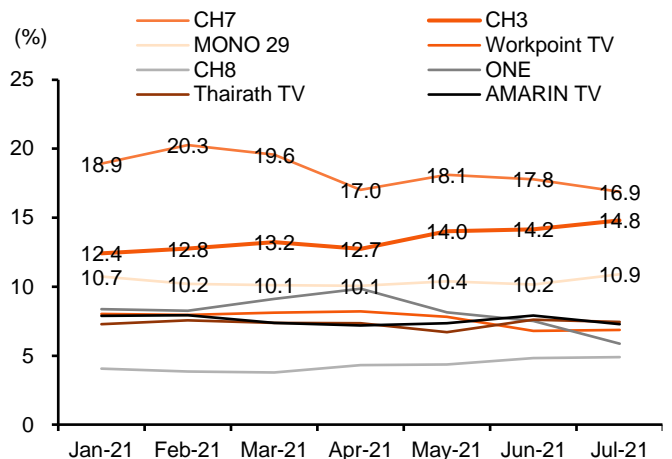
Ex 10: BEC's High, Sustained TV Rating Into August



Source: Nielsen Thailand

Note: Nationwide TV rating for age four plus

Ex 11: BEC Gaining Audience Market Share



Source: Nielsen Thailand

Ex 12: Current On Air Dramas

CURRENT ON-AIR DRAMA



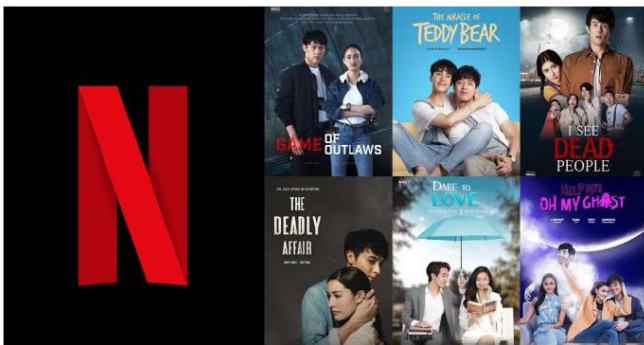
Source: Company data

Ex 13: Upcoming Dramas



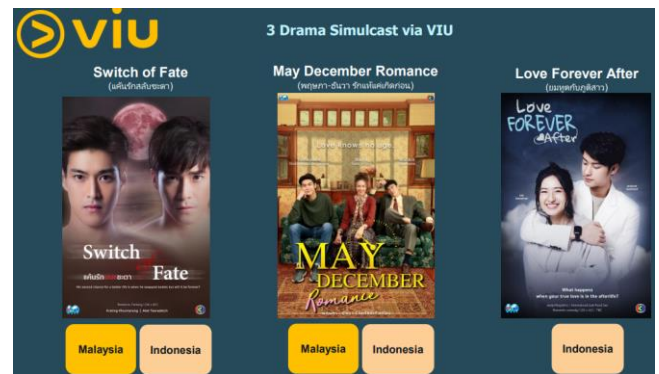
Source: Company data

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



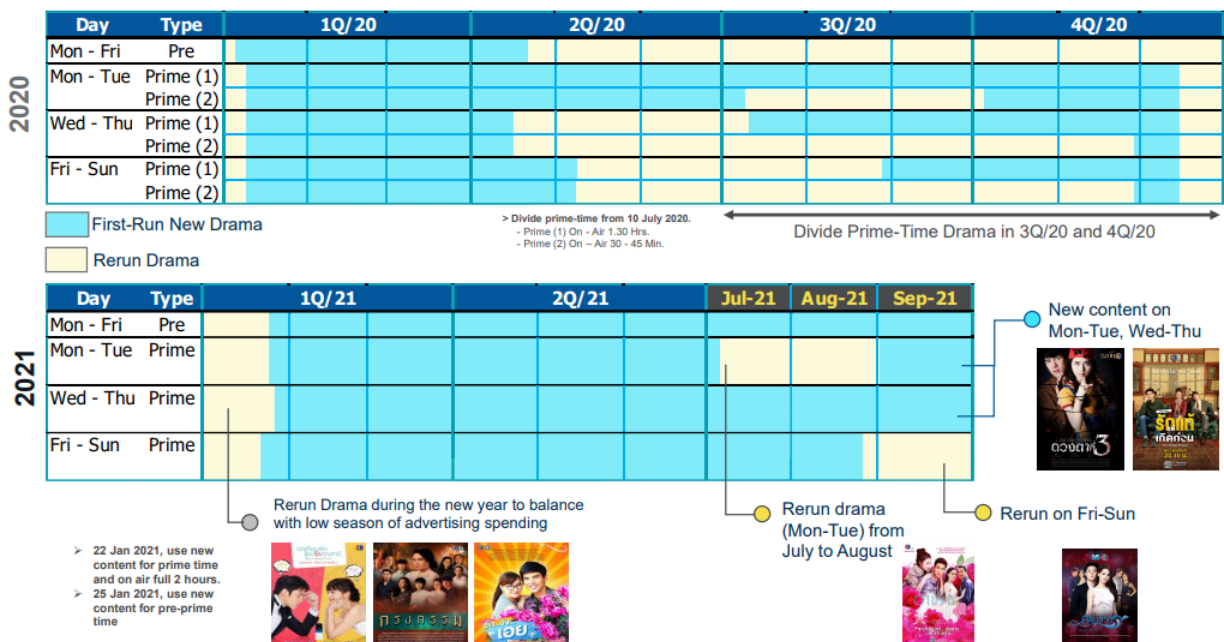
Source: Company data

Ex 15: Latest Announced Simulcast Soaps

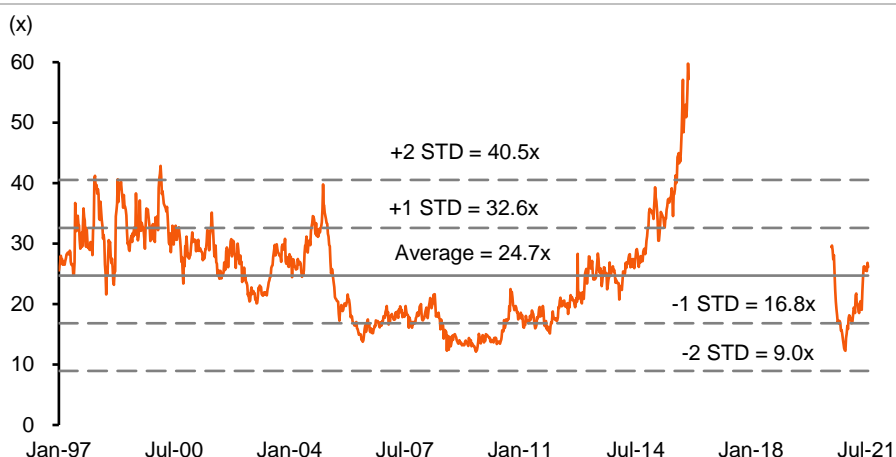


Source: Company data

Ex 16: BEC Increased Reruns q-q In 3Q21 Given Weak Advertising Spending



Source: Company data

Ex 17: 2023F PE, Full Turnaround Year, Already De-rated From Pre-liberalization Period

Sources: Bloomberg, Thanachart estimates

Ex 18: Key Earnings Revisions

	2019	2020	2021F	2022F	2023F
Total revenue (Bt m)					
New	8,310	5,861	5,674	6,462	7,131
Old			6,022	6,891	7,344
Change (%)			(5.8)	(6.2)	(2.9)
Advertising income (Bt m)					
New	6,801	4,758	4,625	5,754	5,811
Old			4,972	5,970	6,030
Change (%)			(7.0)	(3.6)	(3.6)
Utilization (%)					
New	75	63	66	70	75
Old			66	73	75
Change (%)			0.0	(3.0)	0.0
Ad rate (Bt/minute)					
New	103,225	86,450	80,000	85,000	85,850
Old			86,000	88,200	89,082
Change (%)			(7.0)	(3.6)	(3.6)
SG&A/sales (%)					
New	17.8	22.9	13.4	13.2	13.0
Old			9.9	9.4	9.4
Change (%)			3.5	3.8	3.6
Normalized profit (Bt m)					
New	(596)	(146)	789	1,013	1,353
Old			898	1,195	1,515
Change (%)			(12.1)	(15.2)	(10.7)

Sources: Company data, Thanachart estimates

Ex 19: 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	3,423	3,853	3,910	3,923	3,929	3,936	3,944	3,953	3,964	3,976	3,987	—
Free cash flow	3,003	3,341	3,479	3,501	3,457	3,463	3,369	3,377	3,286	3,197	3,107	32,198
PV of free cash flow	2,995	2,718	2,552	2,316	2,018	1,815	1,586	1,427	1,247	1,089	907	9,394
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.3											
WACC (%)	10.9											
Terminal growth (%)	2.0											
Enterprise value - add investments	30,065											
Net debt (2021F)	(236)											
Minority interest	0											
Equity value	30,301											
# of shares (m)	2,000											
Target price/share (Bt)	15.0											

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 20: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		PE		P/BV		EV/EBITDA		Div. yield	
			21F (%)	22F (%)	21F (x)	22F (x)	21F (x)	22F (x)	21F (x)	22F (x)	21F (%)	22F (%)
Entertainment Ne	ENIL IN	India	na	na	na	25.3	1.1	1.1	11.8	6.1	0.7	1.2
Sun TV Network	SUNTV IN	India	4.7	9.6	12.0	11.0	2.5	2.3	6.6	6.0	4.7	5.2
Zee Entertainment	Z IN	India	64.6	22.5	12.5	10.2	1.5	1.3	7.4	6.2	2.1	2.5
Surya Citra Media	SCMA IJ	Indonesia	13.3	14.0	21.3	18.7	5.8	4.9	16.3	14.4	2.6	2.4
Media Nusantara	MNCN IJ	Indonesia	18.1	16.8	5.1	4.3	0.7	0.6	4.0	3.6	3.9	6.2
Beijing Gehua	600037 CH	China	196.6	14.3	22.9	20.0	0.9	0.8	3.8	3.4	1.5	1.8
Media Prima Bhd	MPR MK	Malaysia	na	61.5	20.8	12.8	0.9	0.8	3.9	3.7	0.4	0.4
BEC World*	BEC TB	Thailand	na	28.4	28.9	22.5	3.9	3.8	7.2	6.6	3.1	4.0
MAJOR Cineplex*	MAJOR TB	Thailand	na	34.1	20.5	15.3	2.3	2.2	11.8	9.2	2.9	5.2
Plan B Media*	PLANB TB	Thailand	na	na	na	52.3	4.3	4.1	10.0	7.7	0.0	1.1
RS Pcl*	RS TB	Thailand	8.7	54.9	31.7	20.4	7.8	6.9	13.8	9.5	2.5	4.2
VGI Global Media**	VGI TB	Thailand	144.5	113.3	116.0	54.4	3.1	2.9	90.4	48.5	0.2	0.4
Workpoint Ent**	WORK TB	Thailand	na	na	na	263.2	2.1	2.1	14.8	12.5	0.0	0.2
Average			64.4	36.9	29.2	40.8	2.8	2.6	15.5	10.6	1.9	2.7

Source: Bloomberg

Note: * Thanachart estimates using normalized EPS growth

** VGI's fiscal year ends in March.

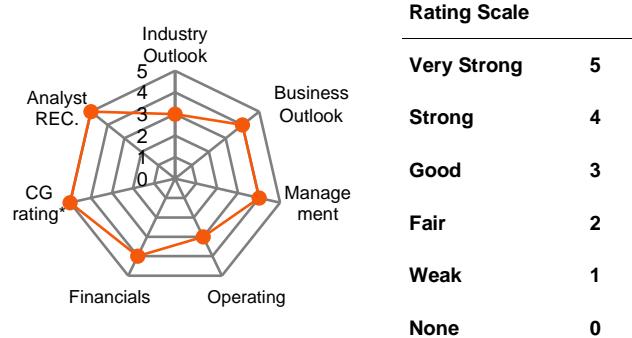
Based on 20-Aug-21 closing price

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



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.

O — Opportunity

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

W — Weakness

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

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)	14.45	15.00	4%
Net profit 21F (Bt m)	756	789	4%
Net profit 22F (Bt m)	1,030	1,013	-2%
Consensus REC	BUY: 9	HOLD: 1	SELL: 3

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2021-22F net profit estimates and DCF-based TP are generally in line with the Bloomberg consensus numbers.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- The downside risk to our call would be if copyright and online revenue is less than our expectation.
- 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.
- If copyright and online revenue is less than our expectation.

Source: Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	8,310	5,861	5,674	6,462	7,131
Cost of sales	7,536	4,583	3,860	4,284	4,452
Gross profit	774	1,278	1,814	2,178	2,680
% gross margin	9.3%	21.8%	32.0%	33.7%	37.6%
Selling & administration expenses	1,482	1,344	760	850	924
Operating profit	(708)	(66)	1,053	1,328	1,756
% operating margin	-8.5%	-1.1%	18.6%	20.5%	24.6%
Depreciation & amortization	3,070	2,110	2,094	2,096	2,097
EBITDA	2,363	2,044	3,148	3,423	3,853
% EBITDA margin	28.4%	34.9%	55.5%	53.0%	54.0%
Non-operating income	97	47	28	32	36
Non-operating expenses	0	0	0	0	0
Interest expense	(127)	(117)	(95)	(93)	(101)
Pre-tax profit	(738)	(135)	986	1,267	1,691
Income tax	(62)	98	197	253	338
After-tax profit	(676)	(233)	789	1,013	1,353
% net margin	-8.1%	-4.0%	13.9%	15.7%	19.0%
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)	789	1,013	1,353
Normalized profit	(596)	(146)	789	1,013	1,353
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

We project earnings to normalize in 2023F

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	4,695	3,889	4,186	4,360	4,508
Cash & cash equivalent	2,816	2,598	2,930	2,930	2,930
Account receivables	1,459	1,117	1,088	1,239	1,368
Inventories	4	2	2	2	2
Others	416	171	166	189	208
Investments & loans	119	41	41	41	41
Net fixed assets	348	268	199	128	57
Other assets	6,192	5,321	5,340	5,619	6,053
Total assets	11,354	9,519	9,766	10,149	10,659
LIABILITIES:					
Current liabilities:	2,004	818	844	856	966
Account payables	818	474	423	470	488
Bank overdraft & ST loans	330	0	0	0	0
Current LT debt	0	0	0	0	0
Others current liabilities	855	344	421	387	478
Total LT debt	2,998	2,999	2,694	2,847	2,945
Others LT liabilities	634	293	385	401	415
Total liabilities	5,636	4,110	3,922	4,104	4,326
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	2,749	2,951	3,239
Shareholders' equity	5,623	5,409	5,843	6,045	6,333
Liabilities & equity	11,354	9,519	9,766	10,149	10,659

Balance sheet still strong, on our estimates

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	(738)	(135)	986	1,267	1,691
Tax paid	16	(97)	(200)	(250)	(337)
Depreciation & amortization	3,070	2,110	2,106	2,109	2,112
Chg In working capital	(37)	(0)	(22)	(105)	(110)
Chg In other CA & CL / minorities	(78)	(349)	86	(60)	71
Cash flow from operations	2,234	1,528	2,957	2,961	3,426
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)	(1,885)	(2,222)	(2,379)
Cash flow from investments	(1,490)	(1,416)	(1,965)	(2,302)	(2,459)
Debt financing	(32)	(330)	(305)	153	98
Capital increase	0	0	0	0	0
Dividends paid	0	0	(355)	(811)	(1,065)
Warrants & other surplus	(64)	(0)	0	0	0
Cash flow from financing	(96)	(330)	(660)	(658)	(967)
Free cash flow	2,365	1,473	2,907	2,911	3,376

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	na	na	28.9	22.5	16.9
Normalized PE - at target price (x)	na	na	38.0	29.6	22.2
PE (x)	na	na	28.9	22.5	16.9
PE - at target price (x)	na	na	38.0	29.6	22.2
EV/EBITDA (x)	9.9	11.3	7.2	6.6	5.9
EV/EBITDA - at target price (x)	12.9	14.9	9.5	8.7	7.8
P/BV (x)	4.1	4.2	3.9	3.8	3.6
P/BV - at target price (x)	5.3	5.5	5.1	5.0	4.7
P/CFO (x)	10.2	14.9	7.7	7.7	6.7
Price/sales (x)	2.7	3.9	4.0	3.5	3.2
Dividend yield (%)	0.0	0.0	3.1	4.0	5.3
FCF Yield (%)	10.4	6.5	12.7	12.8	14.8
(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	0.4	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	1.5	1.5	1.7

Sources: Company data, Thanachart estimates

We estimate higher free-cash flow yields

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	(17.9)	(29.5)	(3.2)	13.9	10.4
Net profit (%)	na	na	na	28.4	33.5
EPS (%)	na	na	na	28.4	33.5
Normalized profit (%)	na	na	na	28.4	33.5
Normalized EPS (%)	na	na	na	28.4	33.5
Dividend payout ratio (%)	0.0	0.0	90.0	90.0	90.0
Operating performance					
Gross margin (%)	9.3	21.8	32.0	33.7	37.6
Operating margin (%)	(8.5)	(1.1)	18.6	20.5	24.6
EBITDA margin (%)	28.4	34.9	55.5	53.0	54.0
Net margin (%)	(8.1)	(4.0)	13.9	15.7	19.0
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	11.1	14.2	17.4
Interest coverage - EBITDA (x)	18.6	17.5	33.0	36.6	38.1
ROA - using norm profit (%)	na	na	8.2	10.2	13.0
ROE - using norm profit (%)	na	na	14.0	17.0	21.9
DuPont					
ROE - using after tax profit (%)	na	na	14.0	17.0	21.9
- asset turnover (x)	0.6	0.6	0.6	0.6	0.7
- operating margin (%)	na	na	19.1	21.0	25.1
- leverage (x)	2.2	1.9	1.7	1.7	1.7
- interest burden (%)	120.8	724.6	91.2	93.1	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)	14.5	18.9	23.6
NOPAT (Bt m)	(708)	(66)	843	1,062	1,405
invested capital (Bt m)	6,136	5,810	5,607	5,962	6,348

Sources: Company data, Thanachart estimates

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