BUY (Unchanged)

Change in Numbers

TP: Bt 14.00 (From: Bt 15.00)

Upside : 13.8%

26 OCTOBER 2021

Thanachart Securities

BEC World Pcl (BEC TB)

Profit warning

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With the third COVID wave weakening ad spend along with delays to selling content abroad, we expect BEC's 3Q21F earnings to drop 20% q-q and an unexciting pickup in 4Q21F. Nevertheless, we reaffirm our BUY call for its 2022-23F earnings turnaround of 44/33%.

Likely weak 3Q21F and 4Q21F

We estimate BEC's 3Q21F earnings at Bt151m. Although this is up 151% y-y from last year's low base, we consider it weak given a 20% q-q drop. We expect earnings in 4Q21F relatively flat at 5% q-q but drop 52% y-y. Key draggers are weak advertising income amid the COVID crisis and weaker-than-expected content exports, or global content licensing (GLC). We expect ad income (84% of revenue) to drop 14% q-q and 8% y-y to Bt1bn in 3Q21F and remain flat in 4Q21F. The lockdown has eased since September, but most key TV channels have continued to re-run their content in October, implying still weak ad spending momentum. BEC plans to maintain its re-run content into 4Q21 (at three days/week of prime-time drama).

Downside to content sales

We also expect disappointing GLC revenue. We earlier projected GLC revenue at Bt500m in 2021F vs. Bt409m in 2020. But we cut this to Bt235m this year due to the lower Chinese import quota for Thailand and a higher allocation to South Korea. This raises our concerns over competition given the strong reputation of Korean dramas and we lower our content sales projections by 17/14/14% due to our GLC cuts in 2021-23F. As GLC booking is normally back-loaded, it is the key reason for our flat 4Q21F earnings.

Still a recovery story in 2022-23F

Despite the 2H21F disappointment, we still see BEC offering a turnaround story. We expect its earnings to recover from a three-year loss to a Bt640m profit in 2021F and another 44/33% growth in 2022-23F. *First,* we assume ad income (83% of 2022F revenue) rebounds along with the economic recovery next year. We project a 70-75% utilization rate in 2022-23F (from 63% in 2021F) and a higher ad rate of Bt85-86k/minute (from Bt81k) on lower discounts. *Second*, content sales to digital platforms (12% of revenue) continue to grow 20% p.a. in 2022-23F after 34/40% growth in 2019-20F on growing internet viewers and an increased number of platforms. *Third*, we estimate GLC revenue (4% of the total) of Bt317m/381m in 2022-23F (vs. Bt235m in 2021F) on content sales recovery to Asean, Japan, China.

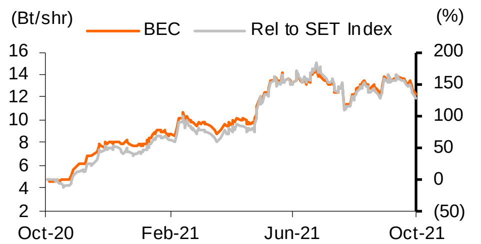
Still a BUY

We lower our earnings by 19/9/10% in 2021-23F and our DCF-based TP 12-month TP (2022F base year) to Bt14 from Bt15. The cut this year is from both lower ad income and reduced GLC sales while in later years it's mostly due to lower GLC sales. However, we maintain our BUY call as we still expect the company's business to turn around along with the economy over the next two years with the operating leverage effect. With PE forecast to fall from 27x in 2022 to 20x in a more normal year in 2023F, as a top-rated TV channel BEC looks inexpensive to us.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	5,861	5,364	6,259	6,896
Net profit	(214)	640	920	1,220
Consensus NP	—	707	958	1,277
Diff frm cons (%)	—	*(9.5)*	*(3.9)*	*(4.4)*
Norm profit	(146)	640	920	1,220
Prev. Norm profit	—	789	1,013	1,353
Chg frm prev (%)	—	*(18.9)*	*(9.2)*	*(9.8)*
Norm EPS (Bt)	(0.1)	0.3	0.5	0.6
Norm EPS grw (%)	na	na	43.8	32.6
Norm PE (x)	na	38.4	26.7	20.2
EV/EBITDA (x)	12.2	8.3	7.5	6.8
P/BV (x)	4.5	4.3	4.1	3.9
Div yield (%)	0.0	2.3	3.4	4.5
ROE (%)	na	11.5	15.7	20.0
Net D/E (%)	7.4	(0.1)	2.1	5.1

PRICE PERFORMANCE

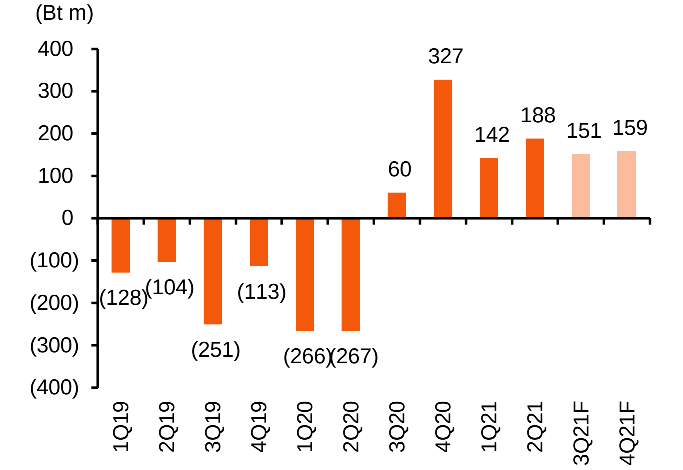


COMPANY INFORMATION

Price *as of* 26-Oct-21 (Bt)	12.30
Market Cap (US$ m)	742.8
Listed Shares (m shares)	2,000.00
Free Float (%)	49.34
Avg Daily Turnover (US$ m)	7.76
12M Price H/L (Bt)	14.60/4.62
Sector	MEDIA
Major Shareholder	Maleenont Family 45.5%

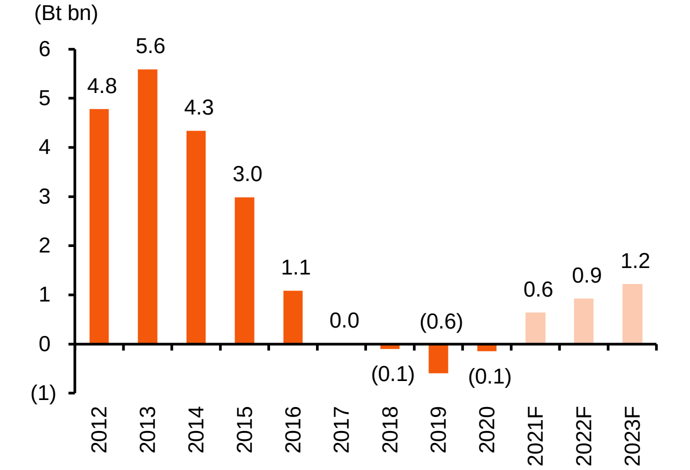
Sources: Bloomberg, Company data, Thanachart estimates

Ex 1: Likely weak 3Q21F and 4Q21F



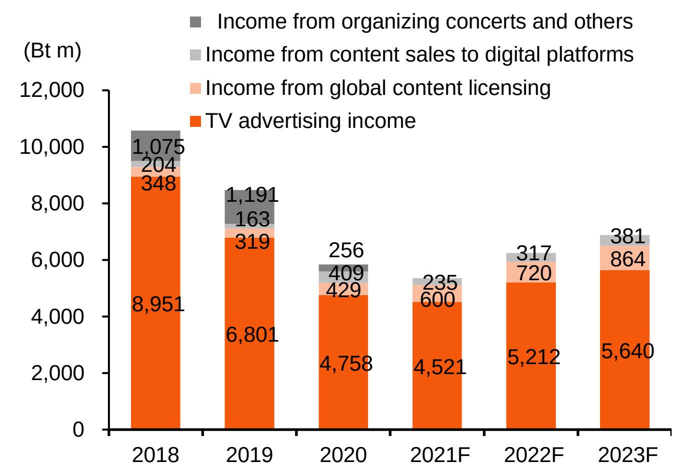
Sources: Company data, Thanachart estimates

Ex 2: 2022-23F Earnings Turnaround Of 44/33%



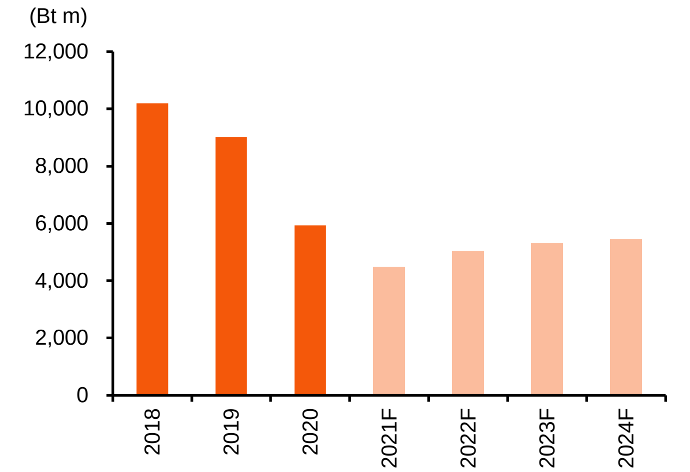
Sources: Company data, Thanachart estimates

Ex 3: Revenue Breakdown



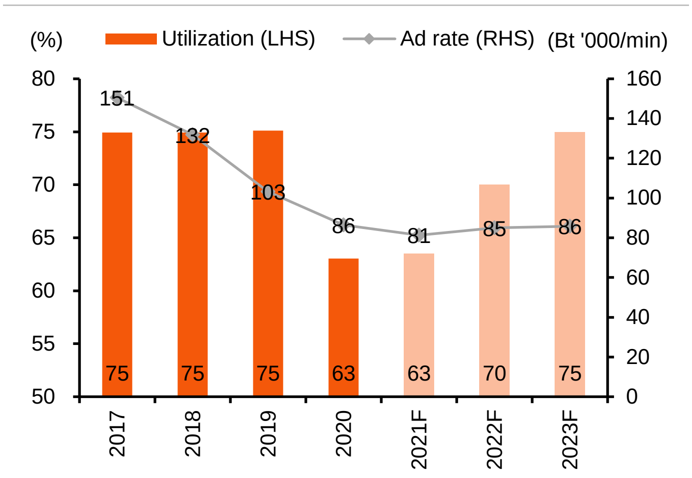
Sources: Company data, Thanachart estimates

Ex 4: New, Lower Cost Base



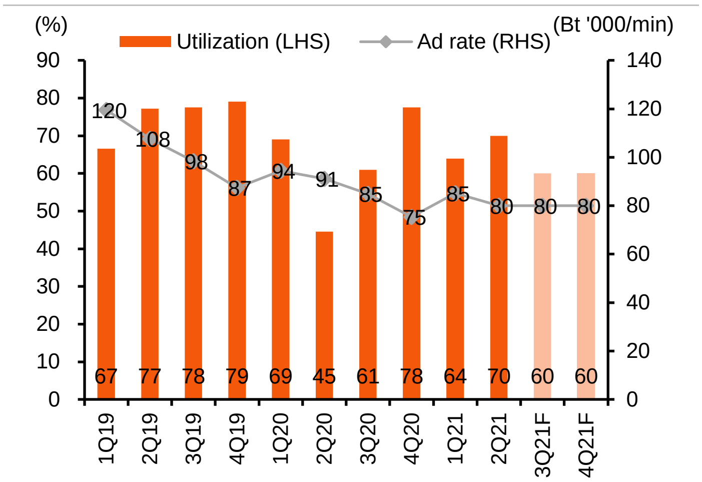
Sources: Company data, Thanachart estimates

Ex 5: Utilization And Ad Rate Forecasts



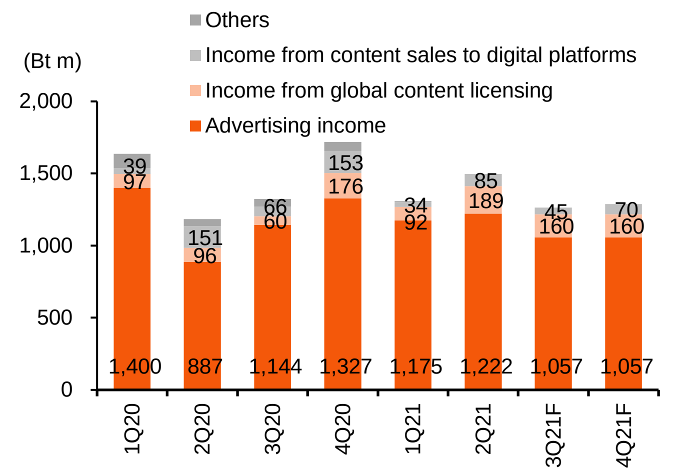
Sources: Company data, Thanachart estimates

Ex 6: Quarterly Utilization And Ad Rate



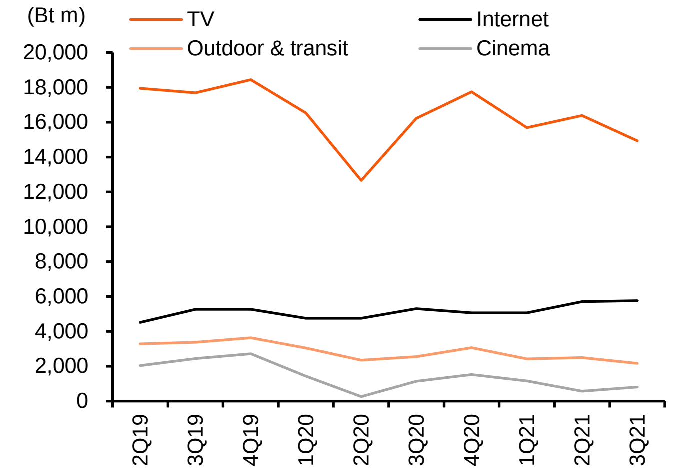
Sources: Company data, Thanachart estimates

Ex 7: Quarterly Revenue Breakdown



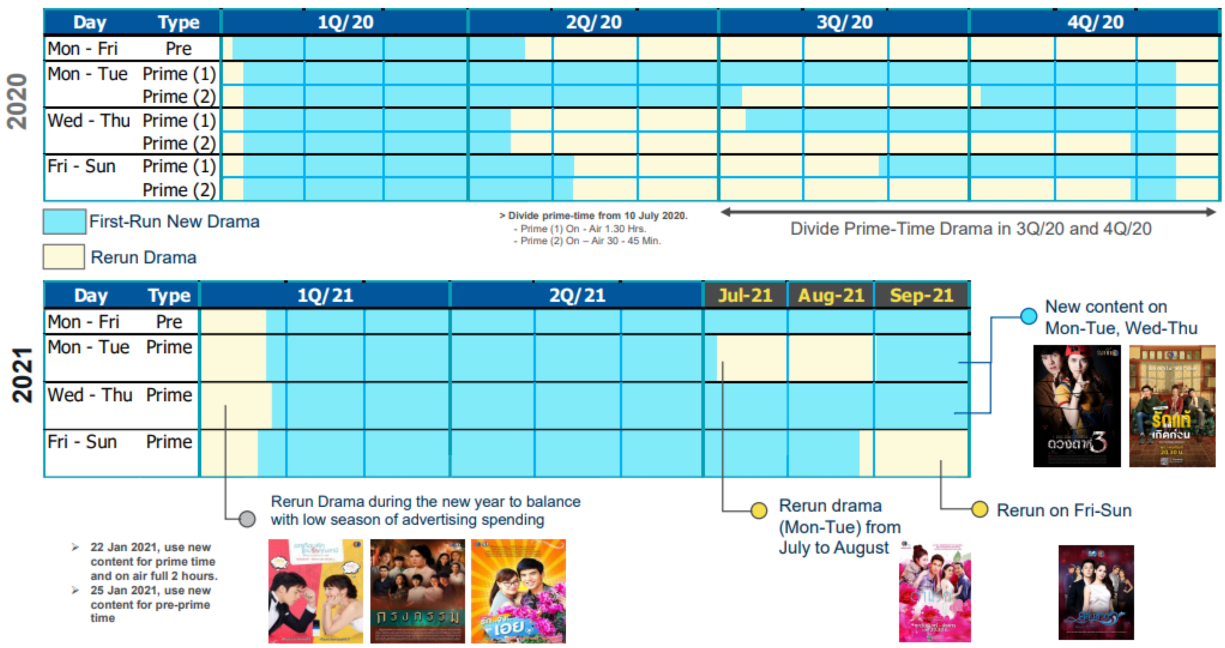
Sources: Company data, Thanachart estimates

Ex 8: Industry Advertising Expenditure



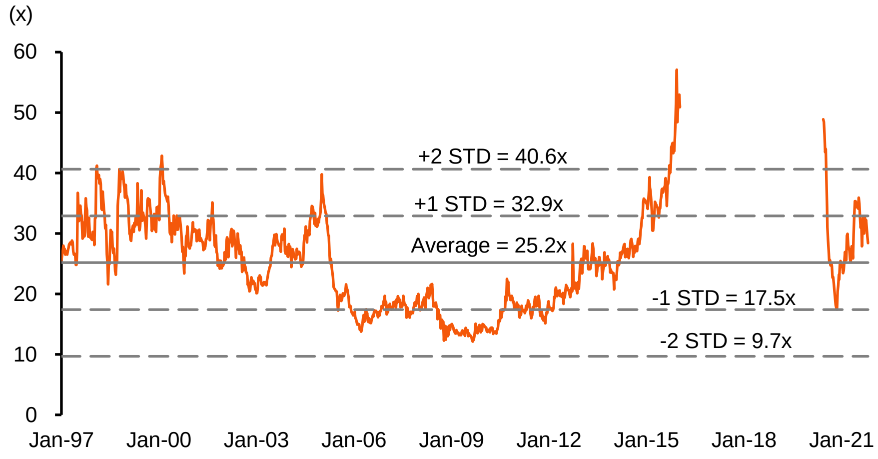
Source: Nielsen Thailand

Ex 9: BEC Increased Re-run q-q In 3Q21 To Match Weak Advertising Spending And Continue In 4Q21F



Source: Company data

Ex 10: 2023F PE, Full Turnaround Year, Already De-rated From Pre-liberalization Period



Sources: Bloomberg, Thanachart estimates

Ex 11: Key Earnings Revisions (Con't)

	2019	2020	2021F	2022F	2023F
Revenue (Bt m)					
New	8,310	5,861	5,364	6,259	6,896
Old			5,674	6,462	7,131
Change (%)			*(5.5)*	*(3.1)*	*(3.3)*
Content sales (Bt m)					
New					
Global content licensing	163	409	235	317	381
Content sales via digital platforms	319	429	600	720	864
Total content sales	**482**	**838**	**835**	**1,037**	**1,245**
Old					
Global content licensing	163	409	500	600	720
Content sales via digital platforms	319	429	500	600	720
Total content sales	**482**	**838**	**1,000**	**1,200**	**1,440**
Change (%)			*(16.5)*	*(13.6)*	*(13.6)*

Sources: Company data, Thanachart estimates

Ex 11: Key Earnings Revisions

	2019	2020	2021F	2022F	2023F
TV - Utilization (%)					
New	75.1	63.4	63.5	70.0	75.0
Old			66.0	70.0	75.0
Change (pp)			*(2.5)*	*0.0*	*0.0*
TV - Ad rate (Bt/minute)					
New	103,225	86,450	81,300	85,000	85,850
Old			80,000	85,000	85,850
Change (%)			*1.6*	*0.0*	*0.0*
Gross profit margin (%)					
New	9.3	21.8	29.4	32.1	35.4
Old			32.0	33.7	37.6
Change (%)			*(2.5)*	*(1.6)*	*(2.2)*
Normalized profit (Bt m)					
New	(596)	(146)	640	920	1,220
Old			789	1,013	1,353
Change (%)			*(18.9)*	*(9.2)*	*(9.8)*

Sources: Company data, Thanachart estimates

Ex 12: 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		3,301	3,678	3,734	3,803	3,823	3,845	3,868	3,894	3,922	3,953	3,985	—
Free cash flow		2,820	3,144	3,236	3,295	3,267	3,285	3,204	3,125	3,049	2,976	2,934	30,401
PV of free cash flow		2,812	2,558	2,374	2,180	1,907	1,722	1,508	1,321	1,157	1,014	856	8,870
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.3												
WACC (%)	10.9												
Terminal growth (%)	2.0												
Enterprise value - add investments	28,278												
Net debt (2021F)	(4)												
Minority interest	0												
Equity value	28,282												
# of shares (m)	2,000												
Target price/share (Bt)	**14.0**												

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 13: 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	25.8	1.1	1.1	12.4	6.4	0.7	1.2
Sun TV Network	SUNTV IN	India	5.7	9.8	13.9	12.7	2.9	2.7	8.2	7.3	4.0	4.5
Zee Entertainment	Z IN	India	63.1	23.2	23.3	18.9	2.8	2.5	14.7	12.4	1.1	1.4
Surya Citra Media	SCMA IJ	Indonesia	13.4	13.8	24.0	21.1	6.8	5.6	18.2	16.2	2.5	2.1
Media Nusantara	MNCN IJ	Indonesia	22.6	13.0	5.3	4.7	0.8	0.7	4.1	3.8	3.4	5.7
Beijing Gehua	600037 CH	China	44.1	58.8	45.0	28.1	0.8	0.8	4.2	3.4	0.8	1.2
Media Prima Bhd	MPR MK	Malaysia	na	33.1	15.0	11.4	1.0	0.9	3.5	3.3	0.0	0.0
BEC World*	BEC TB	Thailand	na	43.8	38.4	26.7	4.3	4.1	8.3	7.5	2.3	3.4
MAJOR Cineplex*	MAJOR TB	Thailand	na	34.1	24.1	18.0	2.7	2.6	13.7	10.8	2.5	4.4
Plan B Media*	PLANB TB	Thailand	na	na	na	55.4	3.9	3.7	10.4	8.5	0.0	0.9
RS Pcl*	RS TB	Thailand	(50.9)	146.1	66.3	27.0	8.0	7.1	25.9	15.2	1.2	3.2
VGI Global Media**	VGI TB	Thailand	144.5	113.3	121.7	57.1	3.2	3.1	94.9	50.9	0.2	0.4
Workpoint Ent'*	WORK TB	Thailand	na	na	na	286.6	2.3	2.3	16.5	13.8	0.0	0.2
Average			**34.6**	**48.9**	**37.7**	**45.7**	**3.1**	**2.9**	**18.1**	**12.3**	**1.4**	**2.2**

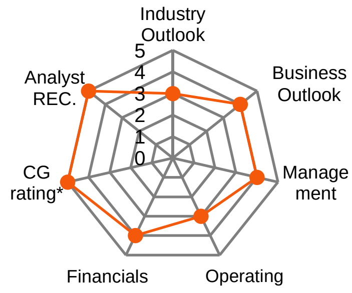
Source: Bloomberg
Note: * Thanachart estimates using normalized EPS growth
** VGI's fiscal year ends in March.
Based on 26-Oct-21 closing price

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)	14.90	14.00	-6%
Net profit 21F (Bt m)	707	640	-9%
Net profit 22F (Bt m)	958	920	-4%
Consensus REC	**BUY: 10**	**HOLD: 0**	**SELL: 3**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2021-22F net profits and DCF-based TP are below consensus as we are more conservative on content sales overseas estimates.

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

We project a 2022-23F earnings turnaround of 44/33%

Balance sheet still strong, on our estimates

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	8,310	5,861	5,364	6,259	6,896
Cost of sales	7,536	4,583	3,785	4,249	4,457
Gross profit	**774**	**1,278**	**1,579**	**2,010**	**2,439**
% gross margin	9.3%	21.8%	29.4%	32.1%	35.4%
Selling & administration expenses	1,482	1,344	724	811	865
Operating profit	**(708)**	**(66)**	**855**	**1,199**	**1,573**
% operating margin	-8.5%	-1.1%	15.9%	19.2%	22.8%
Depreciation & amortization	3,070	2,110	2,099	2,101	2,104
EBITDA	**2,363**	**2,044**	**2,955**	**3,301**	**3,678**
% EBITDA margin	28.4%	34.9%	55.1%	52.7%	53.3%
Non-operating income	97	47	39	45	50
Non-operating expenses	0	0	0	0	0
Interest expense	(127)	(117)	(94)	(94)	(98)
Pre-tax profit	**(738)**	**(135)**	**800**	**1,150**	**1,525**
Income tax	(62)	98	160	230	305
After-tax profit	**(676)**	**(233)**	**640**	**920**	**1,220**
% net margin	-8.1%	-4.0%	11.9%	14.7%	17.7%
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)**	**640**	**920**	**1,220**
Normalized profit	**(596)**	**(146)**	**640**	**920**	**1,220**
EPS (Bt)	(0.2)	(0.1)	0.3	0.5	0.6
Normalized EPS (Bt)	(0.3)	(0.1)	0.3	0.5	0.6

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	4,695	3,889	4,117	4,215	4,156
Cash & cash equivalent	2,816	2,598	2,930	2,830	2,630
Account receivables	1,459	1,117	1,029	1,200	1,322
Inventories	4	2	2	2	2
Others	416	171	157	183	201
Investments & loans	119	41	41	41	41
Net fixed assets	348	268	194	187	178
Other assets	6,192	5,321	5,532	5,735	6,172
Total assets	**11,354**	**9,519**	**9,885**	**10,179**	**10,547**
LIABILITIES:					
Current liabilities:	2,004	818	813	840	951
Account payables	818	474	415	466	488
Bank overdraft & ST loans	330	0	0	0	0
Current LT debt	0	0	0	0	0
Others current liabilities	855	344	398	375	462
Total LT debt	**2,998**	**2,999**	**2,926**	**2,958**	**2,945**
Others LT liabilities	634	293	385	401	415
Total liabilities	**5,636**	**4,110**	**4,124**	**4,200**	**4,311**
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**	**2,667**	**2,885**	**3,142**
Shareholders' equity	5,623	5,409	5,761	5,979	6,236
Liabilities & equity	**11,354**	**9,519**	**9,885**	**10,179**	**10,547**

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	(738)	(135)	800	1,150	1,525
Tax paid	16	(97)	(164)	(227)	(304)
Depreciation & amortization	3,070	2,110	2,111	2,115	2,120
Chg In working capital	(37)	(0)	29	(121)	(99)
Chg In other CA & CL / minorities	(78)	(349)	68	(58)	63
Cash flow from operations	**2,234**	**1,528**	**2,845**	**2,860**	**3,304**
Capex	131	(55)	(50)	(120)	(120)
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)	(2,072)	(2,140)	(2,378)
Cash flow from investments	**(1,490)**	**(1,416)**	**(2,152)**	**(2,290)**	**(2,528)**
Debt financing	(32)	(330)	(73)	32	(13)
Capital increase	0	0	0	0	0
Dividends paid	0	0	(288)	(702)	(963)
Warrants & other surplus	(64)	(0)	0	0	0
Cash flow from financing	**(96)**	**(330)**	**(361)**	**(670)**	**(977)**
Free cash flow	**2,365**	**1,473**	**2,795**	**2,740**	**3,184**

VALUATION

We estimate higher free-cash flow yields

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	na	na	38.4	26.7	20.2
Normalized PE - at target price (x)	na	na	43.8	30.4	22.9
PE (x)	na	na	38.4	26.7	20.2
PE - at target price (x)	na	na	43.8	30.4	22.9
EV/EBITDA (x)	10.6	12.2	8.3	7.5	6.8
EV/EBITDA - at target price (x)	12.1	13.9	9.5	8.5	7.7
P/BV (x)	4.4	4.5	4.3	4.1	3.9
P/BV - at target price (x)	5.0	5.2	4.9	4.7	4.5
P/CFO (x)	11.0	16.1	8.6	8.6	7.4
Price/sales (x)	3.0	4.2	4.6	3.9	3.6
Dividend yield (%)	0.0	0.0	2.3	3.4	4.5
FCF Yield (%)	9.6	6.0	11.4	11.1	12.9
(Bt)					
Normalized EPS	(0.3)	(0.1)	0.3	0.5	0.6
EPS	(0.2)	(0.1)	0.3	0.5	0.6
DPS	0.0	0.0	0.3	0.4	0.5
BV/share	2.8	2.7	2.9	3.0	3.1
CFO/share	1.1	0.8	1.4	1.4	1.7
FCF/share	1.2	0.7	1.4	1.4	1.6

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)	(8.5)	16.7	10.2
Net profit (%)	na	na	na	43.8	32.6
EPS (%)	na	na	na	43.8	32.6
Normalized profit (%)	na	na	na	43.8	32.6
Normalized EPS (%)	na	na	na	43.8	32.6
Dividend payout ratio (%)	0.0	0.0	90.0	90.0	90.0
Operating performance					
Gross margin (%)	9.3	21.8	29.4	32.1	35.4
Operating margin (%)	(8.5)	(1.1)	15.9	19.2	22.8
EBITDA margin (%)	28.4	34.9	55.1	52.7	53.3
Net margin (%)	(8.1)	(4.0)	11.9	14.7	17.7
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	0.1
Interest coverage - EBIT (x)	na	na	9.1	12.8	16.1
Interest coverage - EBITDA (x)	18.6	17.5	31.4	35.1	37.6
ROA - using norm profit (%)	na	na	6.6	9.2	11.8
ROE - using norm profit (%)	na	na	11.5	15.7	20.0
DuPont					
ROE - using after tax profit (%)	na	na	11.5	15.7	20.0
- asset turnover (x)	0.6	0.6	0.6	0.6	0.7
- operating margin (%)	na	na	16.7	19.9	23.5
- leverage (x)	2.2	1.9	1.7	1.7	1.7
- interest burden (%)	120.8	724.6	89.5	92.4	94.0
- 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)	11.8	16.7	20.6
NOPAT (Bt m)	(708)	(66)	684	960	1,259
invested capital (Bt m)	6,136	5,810	5,757	6,108	6,551

Sources: Company data, Thanachart estimates

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