

Plan B Media Pcl (PLANB TB) - SELL**News Update**

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Acquire AQUA's OOH media business

- It will further increase PLANB's monopoly power but...
 - ...the acquisition price looks high at 31-36x PE.
 - Even though we expect its strong earnings turnaround, ...
 - ...Its PE still looks expensive at 69x in 2022F.
- Yesterday, PLANB announced the acquisition of Aqua Corporation's out-of-home (OOH) media business at the price of Bt2.8bn. The payment will be made via;
- 1) Bt2.2bn cash from operating cash flow, bank facility and terms of payment.
 - 2) PLANB's newly-issued shares with the value of Bt606m (84m shares at Bt7.22/share) (EPS dilution is estimated at around 2%).
- The purpose of this deal is to 1) add Bt1.5bn OOH media revenue capacity, 2) consolidate the OOH market (PLANB's total revenue capacity of Bt9bn vs. the total Bt13bn OOH media ad spending), 3) optimize asset portfolio by reducing unattractive location and redesigning media packages, 4) achieve economies of scale and cost saving.
- PLANB expects Bt970m-1.2bn synergies in the first year after the acquisition. Out of this amount, Bt700-900m will come from revenue growth due to the new capacity and new media packages and pricing, Bt100-150m cost reduction from renegotiation with suppliers, partners and landlords, and 3) Bt170-180m reduction in working capital through divestment of some underperforming assets and lower organic capex.
- Even though we like this deal as it will further increase PLANB's monopoly power and sustain its long-term growth while its net D/E ratio is estimated at only 0.4x after the acquisition, the acquisition price looks high at 31-36x PE if we use Bt78-92m operating profit of AQUA's media business in the pre-COVID 2018-19. We however will find out more about the potential synergies from this deal.
- Even though we estimate PLANB's strong earnings turnaround this year and next year, we currently have a SELL rating on it due to an expensive valuation. The stock is trading at 69x PE in 2022F and 46x in 2023F compared to a pre-COVID average PE of 45x in 2016-19. We are also concerned about out-of-home media continuing to lose market share to online media.

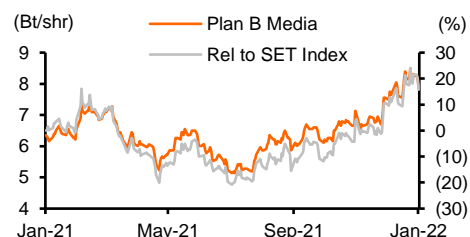
Key Valuations

Y/E Dec (Bt m)	2020	2021F	2022F	2023F
Revenue	3,724	4,198	4,744	5,528
Net profit	140	(63)	481	715
Norm net profit	140	(63)	481	715
Norm EPS (Bt)	0.0	(0.0)	0.1	0.2
Norm EPS gr (%)	(82.0)	na	na	48.7
Norm PE (x)	222.7	na	68.9	46.3
EV/EBITDA (x)	12.9	13.2	10.7	9.9
P/BV (x)	5.9	4.9	4.6	4.4
Div. yield (%)	0.0	0.0	0.7	1.7
ROE (%)	2.4	na	6.9	9.8
Net D/E (%)	(11.4)	(32.7)	(27.1)	(27.6)

Source: Thanachart estimates

Stock Data

Closing price (Bt)	7.90
Target price (Bt)	5.00
Market cap (US\$ m)	1,005
Avg daily turnover (US\$ m)	4.8
12M H/L price (Bt)	8.50/5.13

Price Performance

Source: Bloomberg

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