BEC World Pcl (BEC TB) - BUY, Price Bt14.70, TP Bt16.00

Results Comment

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1Q22 weak, in-line

- BEC reported net profit of Bt174m in 1Q22. Excluding extra item, normalized profit would be Bt146m, up slightly 3% y-y but drop 61% q-q. This was weak as expected, both ad income and content sales.
- TV advertising income (accounts for 88% of total revenue) dropped 20% q-q on seasonality and 7% y-y to Bt1,096m due to delay media spending amid Omicron Covid spread.
- Revenue of content sales to overseas (global content licensing) and online platform in 1Q22 (accounts for 12% of total revenue) increased 8% y-y but fail 34% q-q on seasonality to Bt145m. These revenue sources don't have content production costs as the soaps are the same ones broadcasting on its Channel 3.
- Despite total revenue dropped y-y, operating profit margin improved to 15.6% in 1Q22 vs. 14.4% in 1Q21. This was due to lower drama and foreign content amortization according to the cost control policy. Note, the margin drop q-q was due to falling mix of high-margin content sales in 1Q22
- 1Q22 norm profit accounted for 14% of our forecast. We expect improving earnings momentum driven by recovery of ad income and content sales. We maintain our earnings projection and TP.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Revenue	1,308	1,505	1,272	1,595	1,241
Gross profit	**335**	**457**	**378**	**721**	**366**
SG&A	146	207	186	227	173
Operating profit	188	250	192	495	193
EBITDA	**727**	**828**	**704**	**916**	**661**
Other income	11	12	10	15	14
Other expense	0	0	0	0	0
Interest expense	24	24	24	24	24
Profit before tax	**175**	**238**	**178**	**486**	**183**
Income tax	33	50	37	112	37
Equity & invest. income	0	0	0	0	0
Minority interests	(0)	0	(0)	(0)	(0)
Extraordinary items	(3)	(4)	1	(79)	28
Net profit	**139**	**185**	**143**	**295**	**174**
Normalized profit	**142**	**188**	**142**	**374**	**146**
EPS (Bt)	0.07	0.09	0.07	0.15	0.09
Normalized EPS (Bt)	0.07	0.09	0.07	0.19	0.07

Income Statement			**3M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	(22)	(5)	19	6,379	7,063
Gross profit	**(49)**	**9**	**17**	**2,135**	**2,515**
SG&A	(24)	18	21	829	883
Operating profit	(61)	2	15	1,306	1,632
EBITDA	**(28)**	**(9)**	**20**	**3,313**	**3,641**
Other income	(11)	26	30	46	51
Other expense					
Interest expense	(3)	(3)	30	78	67
Profit before tax	**(62)**	**5**	**14**	**1,273**	**1,616**
Income tax	(67)	11	15	255	323
Equity & invest. income					
Minority interests					
Extraordinary items					
Net profit	**(41)**	**25**	**17**	**1,019**	**1,293**
Normalized profit	**(61)**	**3**	**14**	**1,019**	**1,293**
EPS (Bt)	(41)	25	17	0.51	0.65
Normalized EPS (Bt)	(61)	3	14	0.51	0.65

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Cash & ST investment	3,057	3,588	4,017	4,718	5,183
A/C receivable	934	937	995	830	711
Inventory	2	2	2	0	0
Other current assets	65	110	144	159	47
Investment	0	0	0	0	0
Fixed assets	243	209	197	184	176
Other assets	5,424	5,094	4,678	4,431	4,422
Total assets	**9,727**	**9,941**	**10,033**	**10,323**	**10,538**
S-T debt	0	2,999	3,000	3,000	3,000
A/C payable	516	535	475	390	472
Other current liabilities	378	376	368	445	412
L-T debt	2,999	0	0	0	0
Other liabilities	281	285	292	295	300
Minority interest	0	0	0	0	0
Shareholders' equity	**5,552**	**5,746**	**5,898**	**6,193**	**6,354**
Working capital	420	404	522	440	239
Total debt	2,999	2,999	3,000	3,000	3,000
Net debt	**(58)**	**(588)**	**(1,017)**	**(1,718)**	**(2,183)**

Financial Ratios					
(%)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Sales growth	(20.1)	27.1	(3.8)	(7.1)	(5.1)
Operating profit growth	na	na	103.8	30.3	2.4
EBITDA growth	82.4	179.6	27.6	8.1	(9.0)
Norm profit growth	na	na	120.2	15.9	3.0
Norm EPS growth	na	na	120.2	15.9	3.0
Gross margin	25.6	30.4	29.7	45.2	29.5
Operating margin	14.4	16.6	15.1	31.0	15.6
EBITDA margin	55.6	55.0	55.4	57.5	53.3
Norm net margin	10.9	12.5	11.1	23.5	11.8
D/E (x)	0.5	0.5	0.5	0.5	0.5
Net D/E (x)	(0.0)	(0.1)	(0.2)	(0.3)	(0.3)
Interest coverage (x)	30.1	34.3	29.0	38.0	28.1
Interest rate	3.2	3.2	3.2	3.2	3.1
Effective tax rate	19.0	20.9	20.5	23.0	20.2
ROA	5.9	7.7	5.7	14.7	5.6
ROE	10.4	13.3	9.7	24.8	9.3

Sources: Company data, Thanachart estimates

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