BUY (Unchanged) | **TP: Bt 18.00** (From: Bt 16.00) | **18 MAY 2022**

Change in Numbers | **Upside : 21.6%**

Thanachart Securities

BEC World Pcl (BEC TB)

In recovery mode

We reaffirm our BUY call on BEC expecting it to stay in recovery mode. Key drivers are an industry rebound, strong content, rising utilization and a lower cost base. We estimate 29/24% EPS growth in 2022-23F and assign a higher TP of Bt18.

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Boosting our earnings

We reaffirm our BUY rating on BEC. *First*, we raise our earnings by 7/4/6% in 2022-24F and our DCF-based 12-month TP (2022F base year) to Bt18 (from Bt16). The upgrades come on the back of a reshuffle of its content with popular news programs replacing low-rating variety content on weekends. *Second*, we expect market share gains during the early period of industry recovery when ad rates remain low, as money is likely to go to the top channels first. *Third*, TV ad spend, after hitting a trough in 2020, is already in recovery mode. *Fourth*, we see BEC's valuation as inexpensive in its full turnaround year in 2023F trading at 22x PE vs. 29/24% normalized EPS growth in 2022-23F.

Stronger industry recovery momentum

Total ad spend (adex) fell 13/1% during the COVID years in 2020-21 with TV adex share rising to 59% of total adex from 57% in 2019. Total adex despite the Omicron wave grew by 3.4% y-y in 4M22 but TV adex share fell by 3.1% y-y. With strong reopening momentum ahead, we estimate total adex to grow 5.3/8.5% in 2022-23F with TV adex rising less strongly by 3% p.a. BEC has seen stronger business momentum with the low-season month April not weaker than the higher-season month in March.

Market share gains

Against our TV adex growth forecast of 3% p.a., we estimate BEC to see its ad income grow by 12/7% in 2022-23F. *First*, the top players tend to gain market share early on when the industry recovers. BEC is the second-largest player after non-listed Channel 7. *Second*, BEC already has the strongest news content among peers but the content has gained even better momentum this year and the latest reshuffle replaces lower-rating variety content with higher ad rate news content. *Third*, as a result of its top-rated news content, BEC stands to gain TV adex share during the Bangkok governor election this month and the potential general election to be held either this year or at the latest when the government's term ends in March 2023.

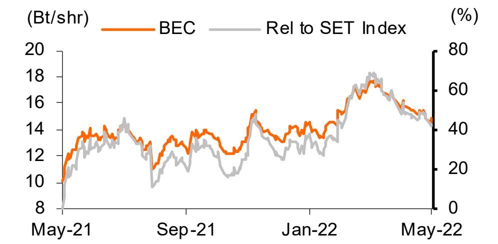
Rising utilization to boost margin

BEC turned a profit in 2021 despite relatively flat revenue because of a sharp fall in its cost base. This year, we expect its revenue to start recovering along with the economy and total adex. We estimate its utilization rate to rise to 74/76% in 2022-23F vs. 67% in 2021. We also expect its blended ad rate to have bottomed in 2021 and to recover by 2/4% in 2022-23F. Our expectation is for rising utilization and ad rates to boost EBIT margin to 22/24% in 2022-23F from 20% in 2021.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	5,680	6,448	7,113	7,308
Net profit	762	1,088	1,345	1,446
Consensus NP	—	1,098	1,323	1,477
Diff frm cons (%)	—	*(0.9)*	*1.7*	*(2.1)*
Norm profit	847	1,088	1,345	1,446
Prev. Norm profit	—	1,019	1,293	1,359
Chg frm prev (%)	—	*6.8*	*4.1*	*6.4*
Norm EPS (Bt)	0.4	0.5	0.7	0.7
Norm EPS grw (%)	na	28.5	23.6	7.5
Norm PE (x)	34.9	27.2	22.0	20.5
EV/EBITDA (x)	9.0	8.0	7.2	6.9
P/BV (x)	4.8	4.4	4.2	4.1
Div yield (%)	0.0	3.3	4.1	4.4
ROE (%)	14.6	16.8	19.5	20.3
Net D/E (%)	(27.7)	(33.4)	(37.0)	(38.8)

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 18-May-22 (Bt)	14.80
Market Cap (US$ m)	855.4
Listed Shares (m shares)	2,000.0
Free Float (%)	38.4
Avg Daily Turnover (US$ m)	6.1
12M Price H/L (Bt)	17.70/9.60
Sector	MEDIA
Major Shareholder	Maleenont Family 45.5%

Sources: Bloomberg, Company data, Thanachart estimates

Stronger industry recovery momentum

Adex in recovery mode

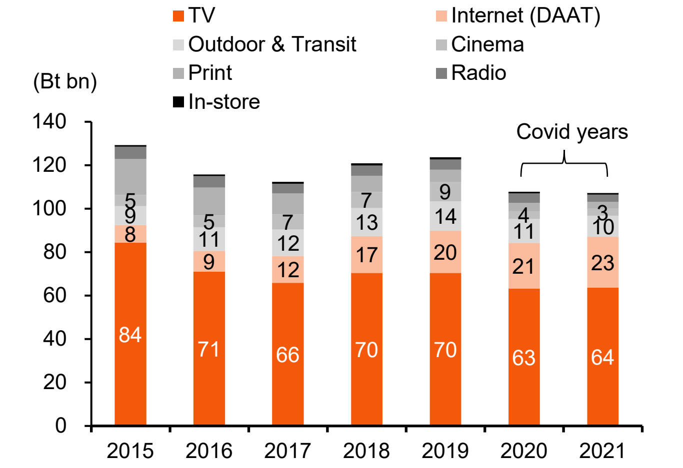
Total advertising expenditure (adex) fell 13/1% during the COVID years in 2020-21. Given our assumption of strong reopening momentum ahead, we expect total adex to grow by 5.3/8.5% in 2022-23F, or back to 91/100% of 2019's level. Ad spend of the food & beverage, personal care, pharmaceutical and telecom sectors, which together accounted for 35% of 2019's total adex pool, returned to pre-COVID level in 2021. Tourism, automotive, finance and media, which accounted for 29% of 2019's total adex pool, are the sectors where 2021's adex spend was still 35% below 2019's level. We expect these sectors to recover post-reopening and bring 2023F adex to the pre-COVID level.

April adex was flat m-m, despite it being the low-season month

TV adex, which accounted for 59% of 2021 total adex during COVID, fell less than the industry by 10% and grew slightly 1% in 2021. We believe TV adex already hit bottom post-TV liberalization in early 2014, dropping from Bt84bn in 2015 to Bt70bn in 2018 and coming in flat y-y in 2019. We therefore expect TV adex to also enjoy the recovery momentum of Thai economy; however, as more economic activities resume, we expect TV adex growth, which outperformed other media during the COVID crisis, to grow more slowly by 3/3% (vs. total adex's 5.3/8.5%). In 4M22, total adex despite the Omicron wave grew 3.4% y-y, but TV adex gave up some share gains falling by 3.1% y-y. Looking at April alone, total adex and TV adex were flat m-m. This suggests a stronger industry recovery as April is normally the low season, especially for TV adex, because of the long Songkran holiday. By quarter, 1Q is the lowest season, followed by 4Q and then 2Q, before peaking in 3Q.

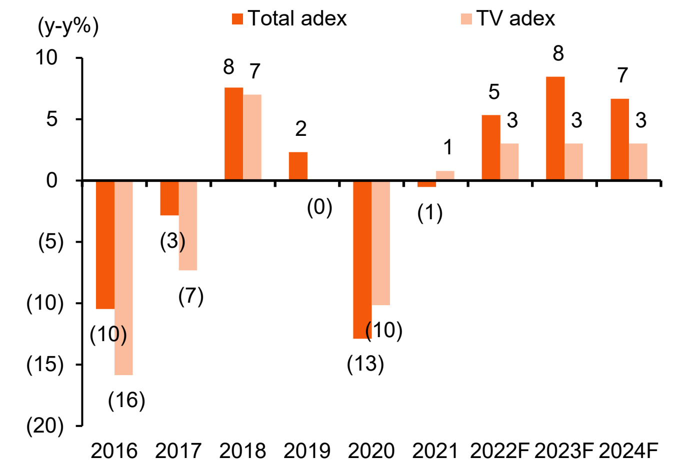
BEC has seen stronger business momentum with the low-season month of April no weaker than the higher-season month in March. To capture the TV adex recovery and with stronger seasonality, BEC cut reruns of its prime-time soap from three a week in 1Q22 to none in 2Q22. We thus expect BEC's earnings momentum to improve in 2Q22F with stronger momentum in 2H22F driven by TV ad income and content sales to OTT providers and overseas customers.

Ex 1: Adex Breakdown



Source: Nielsen Thailand

Ex 2: We Estimate A TV Adex 3/3% Recovery In 2022-23F



Sources: Nielsen Thailand, Thanachart estimates

Ex 3: Flat April Adex m-m, Despite The Low Season

(Bt m)	1Q22	y-y%	Apr-22	y-y%	m-m%
Total adex	**27,089**	**0.3**	**10,099**	**5.1**	**(1.2)**
TV	15,000	(4.5)	5,686	0.7	0.2
Internet	6,163	3.2	2,253	9.2	0.0
Outdoor& Transit	2,630	7.2	1,049	13.8	(3.0)
Cinema	1,736	43.7	502	30.7	(19.3)
Print	661	(15.6)	237	(1.7)	(2.5)
Radio	715	(3.2	286	1.4	4.0
In-store	184	15.7	86	21.1	19.4

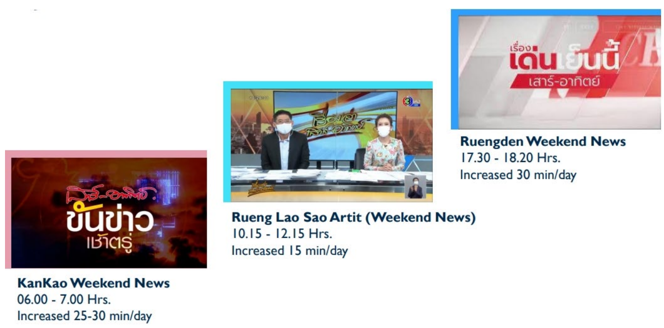
Source: Nielsen Thailand

Ex 4: Adex By Sector, Accounting For 60% of 2019's Level

	2019	2020	2021	4M22	y-y%
Food & beverage	18,308	16,829	18,175	6,354	(4)
Personal care	14,443	15,312	14,853	4,952	(6)
Media & marketing	13,374	11,611	11,727	1,966	27
Automotive	9,652	6,463	6,204	1,974	(18)
Travel	6,420	2,771	1,136	518	26
Finance	6,041	4,635	3,662	1,222	(6)
Pharmaceuticals	5,684	5,868	5,751	1,873	(6)
Telecommunication	5,048	4,739	4,218	1,077	(12)

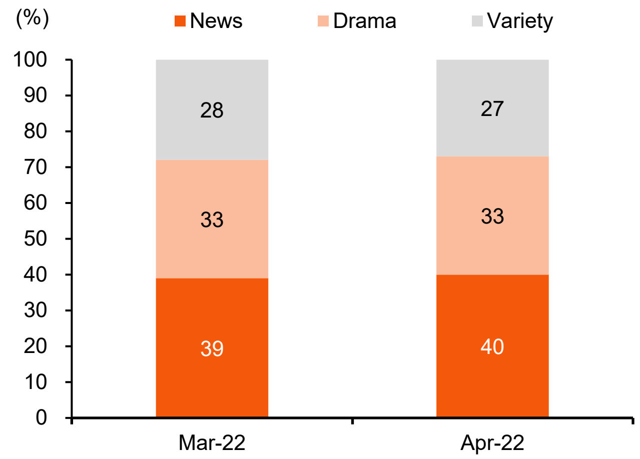
Source: Nielsen Thailand

Ex 5: Program Reshuffle in April Raised News Content…



Source: Company data

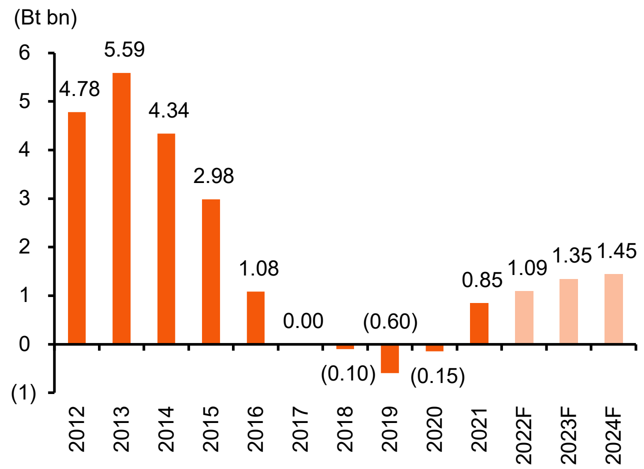
Ex 6: …And Cut Low-rating Variety Content



Source: Thanachart compilation

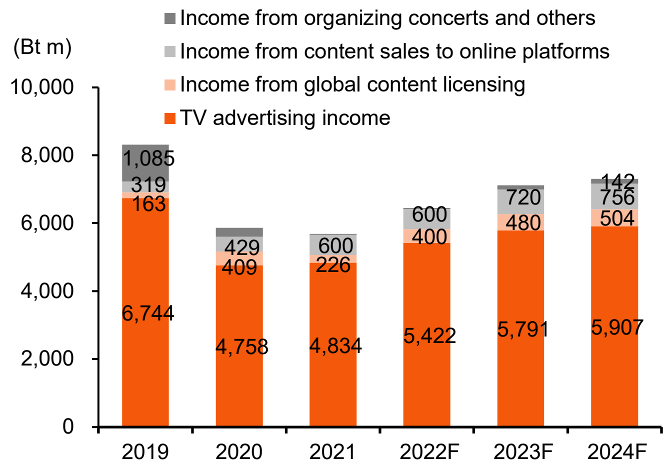
Note: percentage breakdown is based on timeslot

Ex 7: We Estimate 29/24% Earnings Growth In 2022-23F



Sources: Company data, Thanachart estimates

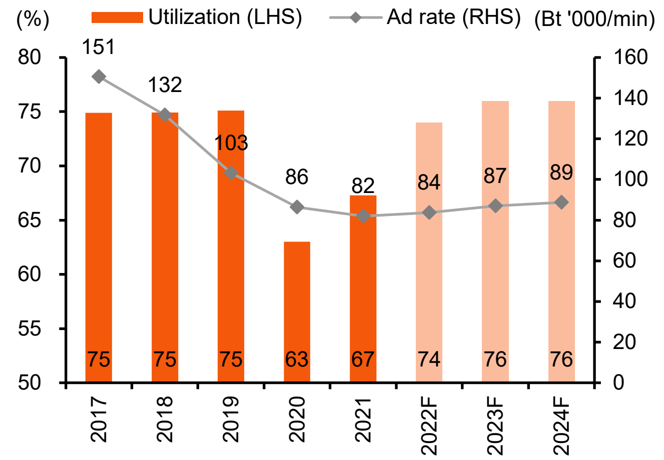
Ex 8: Our Revenue Forecasts



Sources: Company data, Thanachart estimates

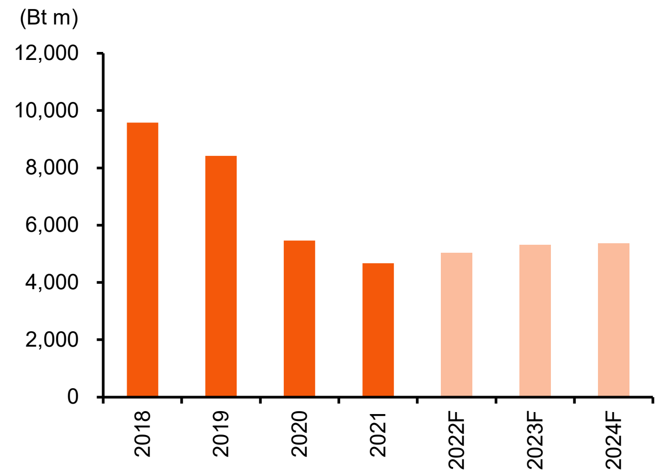
Note: 2019 included revenue from 60% JV BEC Tero which already divested in 4Q20

Ex 9: Our Utilization And Ad Rate Forecasts



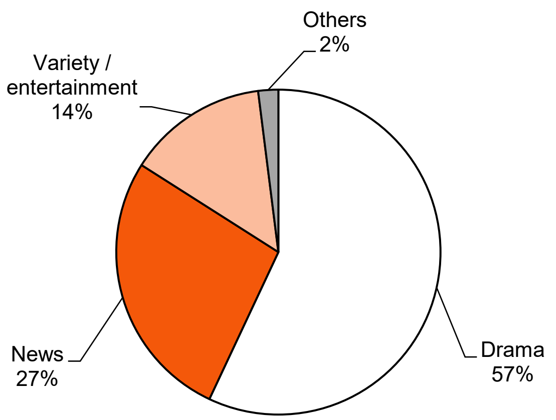
Sources: Company data, Thanachart estimates

Ex 10: New, Lower Cost Base



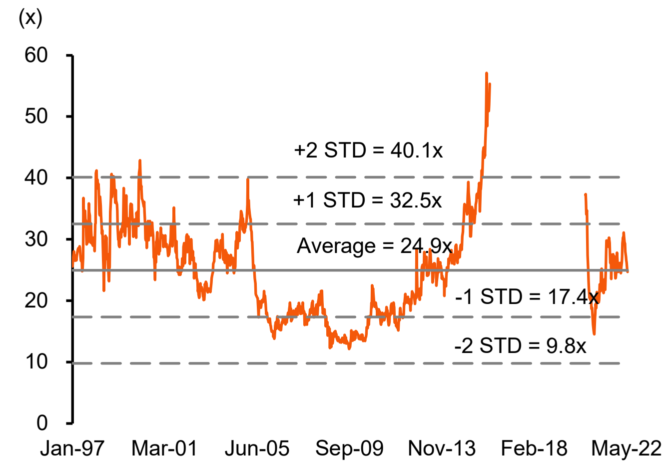
Sources: Company data, Thanachart estimates

Ex 11: Revenue Breakdown By Content In 2021



Sources: Company data, Thanachart estimates

Ex 12: 2023F PE De-rated From Pre-liberalization Level



Sources: Bloomberg, Thanachart estimates

Ex 13: BEC To Increase New Prime-time Soaps From 2Q22 Amid An Advertising Spending Recovery

Source: Company data

Ex 14: Our Key Assumption Changes

	2019	2020	2021	2022F	2023F	2024F
Advertising income (Bt m)						
New	6,744	4,758	4,834	5,422	5,791	5,907
Old				5,361	5,752	5,867
Change (%)				*1.1*	*0.7*	*0.7*
TV - Utilization (%)						
New	75.1	63.4	67.3	74.0	76.0	76.0
Old				72.0	75.0	75.0
Change (%)				*2.0*	*1.0*	*1.0*
Normalized profit (Bt m)						
New	(596)	(146)	847	1,088	1,345	1,446
Old				1,019	1,293	1,359
Change (%)				*6.8*	*4.1*	*6.4*

Sources: Company data, Thanachart estimates

Ex 15: 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	3,419	3,739	3,868	3,963	4,032	4,113	4,200	4,291	4,386	4,485	4,588	—
Free cash flow	2,936	3,128	3,354	3,429	3,505	3,570	3,639	3,712	3,787	3,866	3,948	41,803
PV of free cash flow	2,928	2,545	2,460	2,268	2,091	1,872	1,713	1,569	1,437	1,317	1,208	10,905
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.3											
WACC (%)	10.9											
Terminal growth (%)	2.0											
Enterprise value - add investments	33,365											
Net debt (2021)	(1,718)											
Minority interest	0											
Equity value	35,083											
# of shares (m)	2,000											
Target price/share (Bt)	**18.0**											

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 16: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth 22F (%)	EPS growth 23F (%)	PE 22F (x)	PE 23F (x)	P/BV 22F (x)	P/BV 23F (x)	EV/EBITDA 22F (x)	EV/EBITDA 23F (x)	Div. yield 22F (%)	Div. yield 23F (%)
Entertainment Ne	ENIL IN	India	na	104.0	40.1	19.7	1.2	1.2	8.0	6.3	0.8	1.9
Sun TV Network	SUNTV IN	India	8.7	7.9	10.0	9.3	2.1	1.9	5.7	5.0	4.9	5.9
Zee Entertainment	Z IN	India	45.7	31.7	19.9	15.1	2.2	1.9	12.5	10.1	1.4	1.7
Surya Citra Media	SCMA IJ	Indonesia	(6.3)	19.9	12.0	10.0	2.3	2.1	8.1	6.8	3.3	4.2
Media Nusantara	MNCN IJ	Indonesia	8.2	9.5	4.8	4.4	0.7	0.6	3.7	3.4	1.7	4.5
Beijing Gehua	600037 CH	China	40.0	33.3	43.7	32.8	1.0	1.0	6.2	5.5	0.7	0.9
Media Prima Bhd	MPR MK	Malaysia	31.8	16.2	8.8	7.5	0.9	0.9	2.8	2.7	4.0	4.3
BEC World*	BEC TB	Thailand	28.5	23.6	27.2	22.0	4.4	4.2	8.0	7.2	3.3	4.1
MAJOR Cineplex*	MAJOR TB	Thailand	na	10.6	17.4	15.7	2.5	2.4	10.5	9.3	4.6	5.1
Plan B Media*	PLANB TB	Thailand	na	48.7	67.2	45.2	4.5	4.3	10.4	9.6	0.7	1.8
RS Pcl*	RS TB	Thailand	117.6	79.1	57.2	31.9	6.9	6.4	22.4	13.5	1.4	2.5
VGI Global Media**	VGI TB	Thailand	na	na	na	85.8	1.9	1.9	72.4	33.2	0.0	0.2
Average			**34.3**	**35.0**	**28.0**	**25.0**	**2.6**	**2.4**	**14.2**	**9.4**	**2.2**	**3.1**

Source: Bloomberg

Note: * Thanachart estimates using normalized EPS growth

** VGI's fiscal year ends in March.

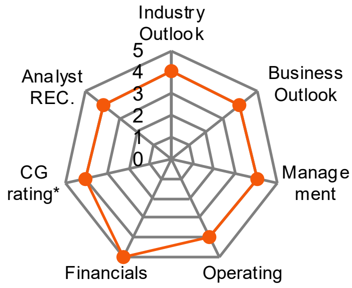
Based on 18-May-22 closing price

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)	17.29	18.00	4%
Net profit 22F (Bt m)	1,098	1,088	-1%
Net profit 23F (Bt m)	1,323	1,345	2%
Consensus REC	**BUY: 9**	**HOLD: 1**	**SELL: 2**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022-23F net profits and DCF-based TP are near the Bloomberg consensus numbers.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- The key downside risk to our call would be if copyright and online revenue comes in lower 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 29/24%

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	5,861	5,680	6,448	7,113	7,308
Cost of sales	4,583	3,789	4,157	4,429	4,481
Gross profit	**1,278**	**1,891**	**2,291**	**2,684**	**2,828**
% gross margin	21.8%	33.3%	35.5%	37.7%	38.7%
Selling & administration expenses	1,344	763	880	957	976
Operating profit	**(66)**	**1,128**	**1,411**	**1,727**	**1,852**
% operating margin	-1.1%	19.9%	21.9%	24.3%	25.3%
Depreciation & amortization	2,102	1,987	2,008	2,012	2,016
EBITDA	**2,036**	**3,115**	**3,419**	**3,739**	**3,868**
% EBITDA margin	34.7%	54.8%	53.0%	52.6%	52.9%
Non-operating income	47	47	46	51	53
Non-operating expenses	0	0	0	0	0
Interest expense	(117)	(97)	(97)	(97)	(97)
Pre-tax profit	**(135)**	**1,078**	**1,361**	**1,682**	**1,808**
Income tax	98	231	272	336	362
After-tax profit	**(233)**	**847**	**1,088**	**1,345**	**1,446**
% net margin	-4.0%	14.9%	16.9%	18.9%	19.8%
Shares in affiliates' Earnings	(2)	0	0	0	0
Minority interests	90	(0)	0	0	0
Extraordinary items	(68)	(86)	0	0	0
NET PROFIT	**(214)**	**762**	**1,088**	**1,345**	**1,446**
Normalized profit	**(146)**	**847**	**1,088**	**1,345**	**1,446**
EPS (Bt)	(0.1)	0.4	0.5	0.7	0.7
Normalized EPS (Bt)	(0.1)	0.4	0.5	0.7	0.7

Balance sheet still strong, on our estimates

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	3,889	5,708	5,465	5,882	6,116
Cash & cash equivalent	2,598	4,718	4,330	4,630	4,830
Account receivables	1,117	830	954	1,052	1,081
Inventories	2	0	0	0	0
Others	171	159	181	199	205
Investments & loans	41	70	70	70	70
Net fixed assets	268	184	180	246	234
Other assets	5,321	4,361	4,301	4,170	4,153
Total assets	**9,519**	**10,323**	**10,015**	**10,367**	**10,572**
LIABILITIES:					
Current liabilities:	818	3,835	820	940	932
Account payables	474	390	433	461	466
Bank overdraft & ST loans	0	0	0	0	0
Current LT debt	0	3,000	0	0	0
Others current liabilities	344	445	387	479	466
Total LT debt	**2,999**	**0**	**2,064**	**2,024**	**2,026**
Others LT liabilities	293	295	339	362	382
Total liabilities	**4,110**	**4,130**	**3,224**	**3,326**	**3,340**
Minority interest	0	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	(73)	(50)	(50)	(50)	(50)
Retained earnings	**2,315**	**3,076**	**3,675**	**3,925**	**4,115**
Shareholders' equity	5,409	6,193	6,792	7,042	7,232
Liabilities & equity	**9,519**	**10,323**	**10,015**	**10,367**	**10,572**

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	(135)	1,078	1,361	1,682	1,808
Tax paid	(97)	(246)	(264)	(340)	(359)
Depreciation & amortization	2,102	1,987	2,014	2,019	2,025
Chg In w orking capital	(0)	205	(81)	(70)	(24)
Chg In other CA & CL / minorities	(276)	128	(87)	77	(21)
Cash flow from operations	**1,593**	**3,153**	**2,942**	**3,368**	**3,429**
Capex	(55)	(21)	(120)	(195)	(120)
Right of use	(95)	75	(30)	(30)	(30)
ST loans & investments	0	0	0	0	0
LT loans & investments	78	(28)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(1,410)	(1,082)	(1,755)	(1,707)	(1,825)
Cash flow from investments	**(1,481)**	**(1,056)**	**(1,905)**	**(1,932)**	**(1,975)**
Debt financing	(330)	1	(936)	(40)	2
Capital increase	0	0	0	0	0
Dividends paid	0	0	(490)	(1,095)	(1,256)
Warrants & other surplus	(0)	22	0	0	0
Cash flow from financing	**(330)**	**23**	**(1,426)**	**(1,136)**	**(1,254)**
Free cash flow	**1,538**	**3,132**	**2,822**	**3,173**	**3,309**

VALUATION

We forecast higher free-cash flow yields

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	na	34.9	27.2	22.0	20.5
Normalized PE - at target price (x)	na	42.5	33.1	26.8	24.9
PE (x)	na	38.9	27.2	22.0	20.5
PE - at target price (x)	na	47.3	33.1	26.8	24.9
EV/EBITDA (x)	14.7	9.0	8.0	7.2	6.9
EV/EBITDA - at target price (x)	17.9	11.0	9.9	8.9	8.6
P/BV (x)	5.5	4.8	4.4	4.2	4.1
P/BV - at target price (x)	6.7	5.8	5.3	5.1	5.0
P/CFO (x)	18.6	9.4	10.1	8.8	8.6
Price/sales (x)	5.1	5.2	4.6	4.2	4.1
Dividend yield (%)	0.0	0.0	3.3	4.1	4.4
FCF Yield (%)	5.2	10.6	9.5	10.7	11.2
(Bt)					
Normalized EPS	(0.1)	0.4	0.5	0.7	0.7
EPS	(0.1)	0.4	0.5	0.7	0.7
DPS	0.0	0.0	0.5	0.6	0.7
BV/share	2.7	3.1	3.4	3.5	3.6
CFO/share	0.8	1.6	1.5	1.7	1.7
FCF/share	0.8	1.6	1.4	1.6	1.7

Sources: Company data, Thanachart estimates

We forecast profitability levels to increase

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(29.5)	(3.1)	13.5	10.3	2.8
Net profit (%)	na	na	42.9	23.6	7.5
EPS (%)	na	na	42.9	23.6	7.5
Normalized profit (%)	na	na	28.5	23.6	7.5
Normalized EPS (%)	na	na	28.5	23.6	7.5
Dividend payout ratio (%)	0.0	0.0	90.0	90.0	90.0
Operating performance					
Gross margin (%)	21.8	33.3	35.5	37.7	38.7
Operating margin (%)	(1.1)	19.9	21.9	24.3	25.3
EBITDA margin (%)	34.7	54.8	53.0	52.6	52.9
Net margin (%)	(4.0)	14.9	16.9	18.9	19.8
D/E (incl. minor) (x)	0.6	0.5	0.3	0.3	0.3
Net D/E (incl. minor) (x)	0.1	(0.3)	(0.3)	(0.4)	(0.4)
Interest coverage - EBIT (x)	na	11.7	14.6	17.9	19.1
Interest coverage - EBITDA (x)	17.5	32.2	35.3	38.7	39.9
ROA - using norm profit (%)	na	8.5	10.7	13.2	13.8
ROE - using norm profit (%)	na	14.6	16.8	19.5	20.3
DuPont					
ROE - using after tax profit (%)	na	14.6	16.8	19.5	20.3
- asset turnover (x)	0.6	0.6	0.6	0.7	0.7
- operating margin (%)	na	20.7	22.6	25.0	26.1
- leverage (x)	1.9	1.7	1.6	1.5	1.5
- interest burden (%)	724.6	91.8	93.4	94.6	94.9
- tax burden (%)	na	78.6	80.0	80.0	80.0
WACC (%)	10.9	10.9	10.9	10.9	10.9
ROIC (%)	(1.1)	15.3	25.2	30.5	33.4
NOPAT (Bt m)	(66)	886	1,129	1,382	1,482
invested capital (Bt m)	5,810	4,475	4,526	4,435	4,428

Sources: Company data, Thanachart estimates

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