Small Cap Research

Thanachart Securities

BUY

Initiation

TP: Bt 14.00

Upside : 35.9%

17 JUNE 2022

The One Enterprise (ONEE TB)

Of turf and trend

We initiate coverage on ONEE with a BUY call. While its turf among the top-five TV operators looks secure, ONEE is riding the online business growth trend. We estimate 5/25/17% EPS growth in 2022-24F and value ONEE with a 12-month TP of Bt14.

RATA LIMSUTHIWANPOOM
662 – 483 8297
rata.lim@thanachartsec.co.th

BUY with a Bt14 TP

ONEE is among the top-five Thai TV operators running Channel One31 and GMM25. It also sells content to online platforms. We initiate coverage on ONEE with a BUY call and a DCF-based 12-month TP, using a 2023F base year, of Bt14. *First*, ONEE has a solid position among the top-five TV operators which control around 80% of TV advertising spending (adex). And we expect TV adex to bottom out this year. *Second*, ONEE is strengthening its position on fast-growing online platforms by focusing more on content sales, which we expect to make up 35% of revenue this year vs. only 21% in 2019. *Third*, ONEE looks inexpensive to us trading at 24/19x PE multiples in 2022-23F. Its EPS growth of only 5% in 2022F is due to 20% dilution from last year's IPO. We estimate 25/17% EPS growth in 2023-24F.

Strong position in the TV industry

ONEE was ranked #4 in terms of TV rating in 1Q22, up from #6 in 2018. We believe its position is firmly within the top-five players and in the top three in the soap opera category, which has the largest share of TV adex. We expect TV adex to bottom this year with recovering post-COVID demand offsetting lower purchasing power caused by inflation. 5M22 TV adex fell 0.8% y-y and we forecast flat growth this year before growing 7/5% in 2023-24F which is the same growth rate we forecast for ONEE's revenue. We expect the growth for ONEE to come from rising utilization and we conservatively assume flat ad rate growth. We expect the TV business and online content EBIT to grow at 19% p.a. and account for 83% of total EBIT in 2024F.

Growing with the online trend

ONEE is the biggest player among TV operators in the online content business. ONEE has two online models. *First*, it sells or revenue shares its TV content to online (YouTube, Facebook, etc.) and over-the-top (OTT) platforms in Thailand and overseas. Most of its existing revenue still comes from this model. *Second*, ONEE plays the role of a content production house making original content for other local TV operators or platforms such as Netflix. This business is still in the early stages and we prefer to wait and see how it develops. We do not aggressively factor it into our numbers.

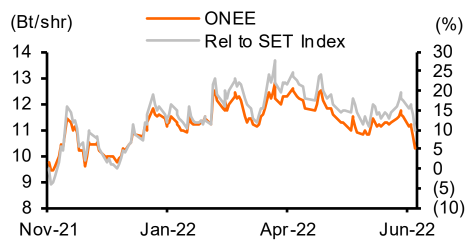
Other areas of growth

ONEE also has event management, artist management and radio businesses. These businesses are improving post-COVID from a resumption of entertainment activities. The businesses accounted for 14% of EBIT in 2021. We expect them to grow by 39/38/14% in 2022-24F and account for 17% of 2024F's total EBIT.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	5,347	6,246	7,099	7,872
Net profit	828	1,042	1,303	1,525
Consensus NP	—	1,043	1,251	1,422
Diff frm cons (%)	—	*(0.1)*	*4.2*	*7.3*
Norm profit	828	1,042	1,303	1,525
Prev. Norm profit	—	1,042	1,303	1,525
Chg frm prev (%)	—	*0.0*	*0.0*	*0.0*
Norm EPS (Bt)	0.4	0.4	0.5	0.6
Norm EPS grw (%)	26.4	4.5	25.1	17.1
Norm PE (x)	24.6	23.5	18.8	16.1
EV/EBITDA (x)	8.8	9.1	7.7	6.5
P/BV (x)	3.6	3.2	2.9	2.6
Div yield (%)	0.7	1.7	2.1	2.5
ROE (%)	18.5	14.4	16.3	17.1
Net D/E (%)	(31.4)	(42.4)	(49.2)	(56.6)

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 17-Jun-22 (Bt)	10.30
Market Cap (US$ m)	696.3
Listed Shares (m shares)	2,381.3
Free Float (%)	20.9
Avg Daily Turnover (US$ m)	3.9
12M Price H/L (Bt)	12.80/8.80
Sector	MEDIA
Major Shareholder	Ms. Poramaporn Prasarttong-Osoth, M.D. 40%

Sources: Bloomberg, Company data, Thanachart estimates

ONEE in a nutshell

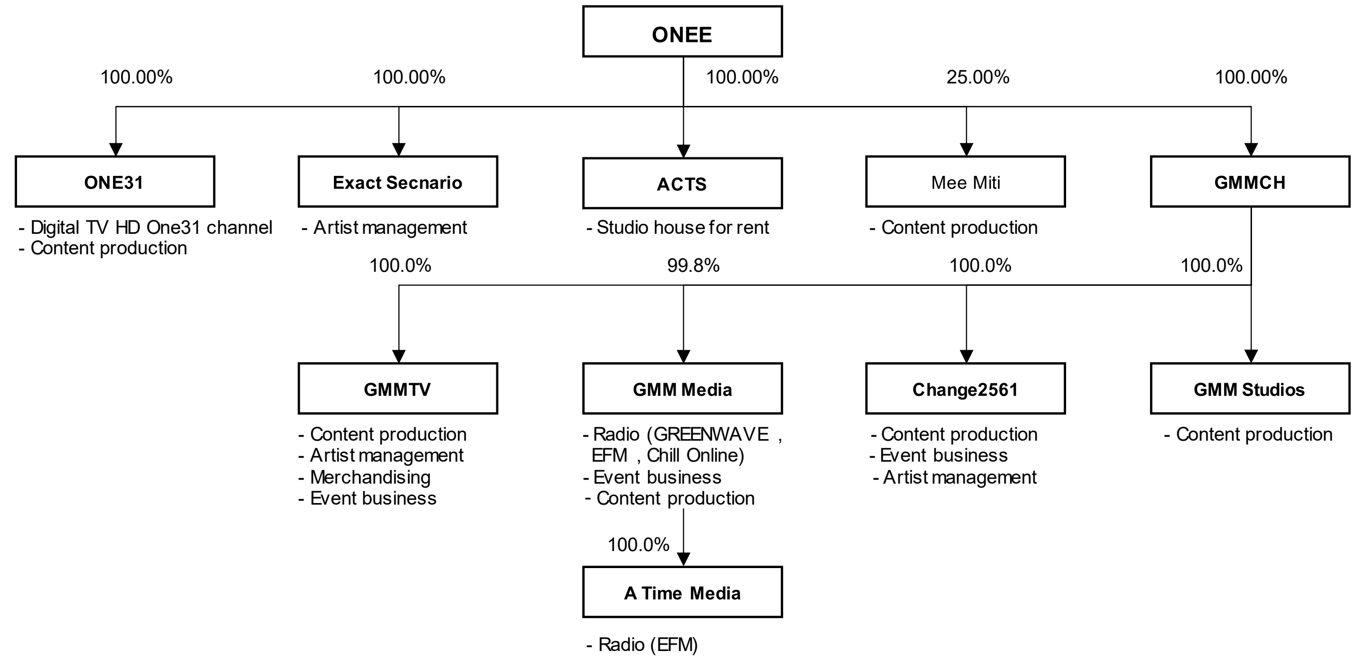
ONEE was established in 2013 as the digital TV arm of GRAMMY

The One Enterprise Pcl (ONEE) has a solid background originating from being a studio house that was started up as the non-listed Exact Co,. Ltd. in 1991 by Mr. Takonkiet Viravan. At that time, Exact rented airtime from TV Channel 5 and was a content producer for various TV stations.

In 2013, ONEE was established with a 100% stake held by GMM Grammy (GRAMMY TB, non-rated). ONEE was positioned as GRAMMY's flagship company for the operation of its content production business, including dramas, series, and other programs, with a focus on broadcasting via digital TV channels, as well as on FM radio frequency channels. ONEE won a 15-year high-definition (HD) digital TV (DTV) license from the Office of The National Broadcasting and Telecommunications Commission (NBTC) for Channel ONE 31, which premiered in May 2014.

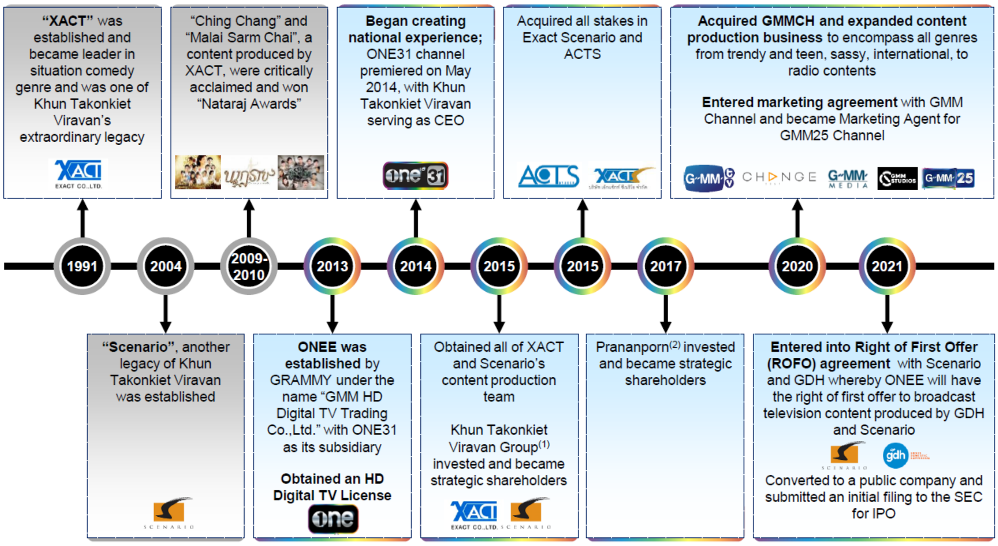
Mr. Thakonkiet with his lengthy experience and reputation as a TV soap opera director at GRAMMY, serves as ONEE's CEO and in 2015 also became a shareholder. Due to costly digital TV (DTV) license bid prices, all TV operators including ONEE incurred years of DTV operating losses. This resulted in ONEE undergoing several capital increases and ending up with Ms. Poramaporn Prasarttong-Osoth becoming the biggest shareholder with a 50% stake in 2017, followed by GRAMMY's 31% and Mr. Thakonkiet and group's 19%.

Ex 1: ONEE's Company Structure



Source: Company data

Ex 2: ONEE's History

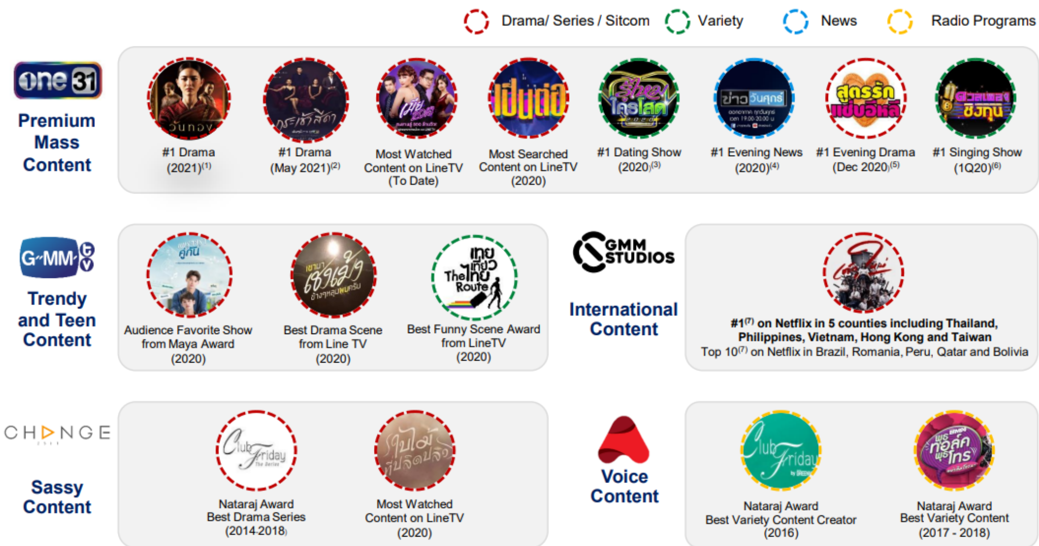


Source: Company data

Two digital TV channels cover a wide audience base

ONE31 channel is currently among the top-five Thai TV operators positioned to capture the premium mass market. It also operates the GMM25 channel, focusing on the younger generation, for GRAMMY with 30% revenue sharing to GRAMMY with a cap of Bt70m/year. Content on these TV channels is also sold as copyrights to online platforms and some to overseas operators. ONEE's 2021 revenue comprised TV advertising income (56%), online content sales (29%), radio (3%), event business (1%) and supporting businesses including artist management and selling merchandise (11%). Note that 2021 was a COVID year when the performances of its radio, production services and event businesses were hit severely.

Ex 3: ONEE's Channel Position And Its Popular Content



Source: Company data (Nielsen, LineTV, and Relevant News)

Note: (1) Based on the final episode NW15+ rating vs. other dramas from Jan-Apr 2021 (2) Based on the rating of the last three episodes that aired in May 2021 compared to other 20:00 – 21:00 dramas (3) Based on NW15+ ratings during 2020 (4) Based on 18:00-20:00 news shows' NW15+ ratings during 2020 (5) Based on 18:00-20:00 dramas' NW15+ ratings in Dec 2020 (6) Based on singing shows' NW15+ ratings during 4Q20 (7) For the month of May 2021

Of turf and trend; initiating with a BUY

We initiate coverage on shares of ONEE with a BUY rating and a DCF-based 12-month TP, using a 2023F base year, of Bt14/share.

Solid position among top-five operators in the TV business

First, ONEE has a solid position among the top-five TV operators which control around 80% of TV advertising spending (adex). It has a strong reputation in developing its own in-house soap content, which normally commands the biggest share of TV adex. This is also the key success factor for both existing and new industry online platforms. We expect TV adex to reach bottom this year and enter recovery mode from 2023F (please see more details in the next section).

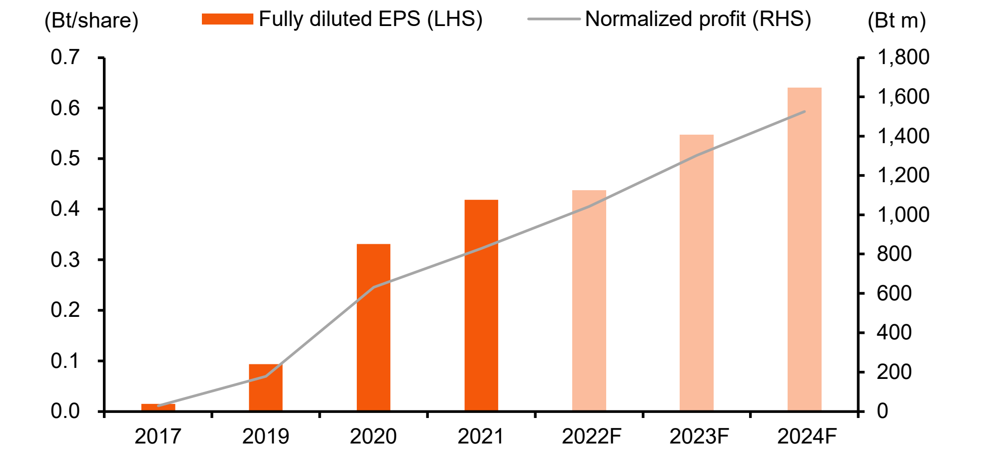
Strengthening its position on fast-growing online platforms

Second, ONEE is strengthening its position on fast-growing online platforms by focusing more on content sales and content production services. ONEE's content, especially that airing on the GMM 25 Channel, is a good fit for younger-generation demand on online platforms. Revenue from selling copyrights to the online and international market combined became the second-largest revenue contributor at 35% in 2022F vs. 21% in 2019.

Inexpensive valuation in our view with 25/17% EPS growth in 2023-24F

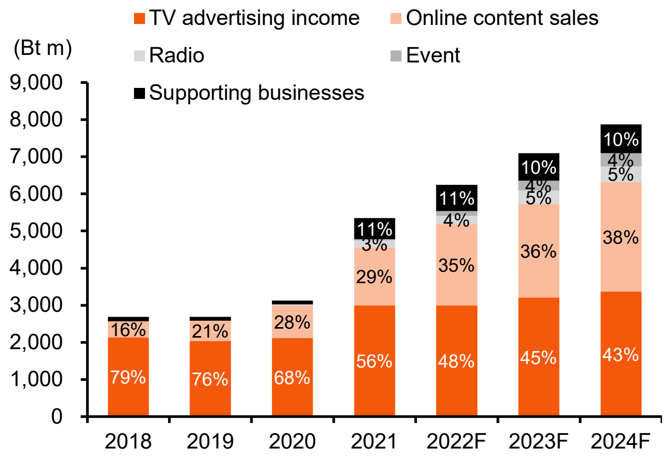
Third, ONEE looks inexpensive to us at trading 24/19x PE multiples in 2022-23F. Its EPS growth of only 5% in 2022F is due to 20% dilution from its 4Q21 IPO. We estimate 25/17% EPS growth in 2023-24F. Key profit drivers are growing online revenue, a turnaround of adex after the COVID years and improving other businesses, including radio, event management and artist management. We estimate its fair value using DCF methodology with a 2023F base year (WACC of 10.8-11.8%) at Bt14, implying a 26x 2023F PE.

Ex 4: 25/17% EPS Growth In 20023-24F



Sources: Company data, Thanachart estimates

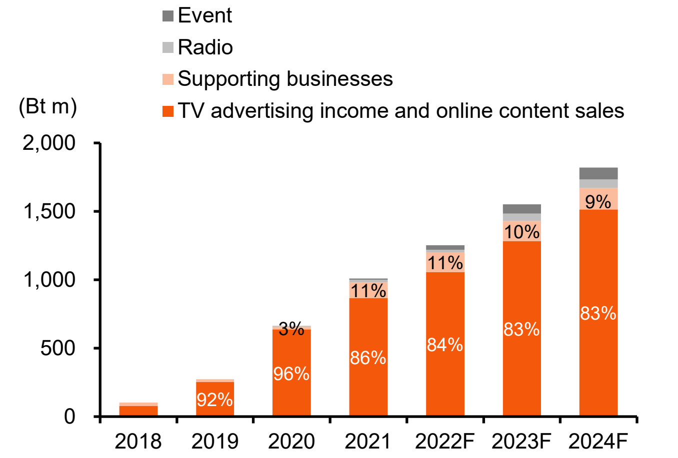
Ex 5: Revenue Forecasts



Sources: Company data, Thanachart estimates

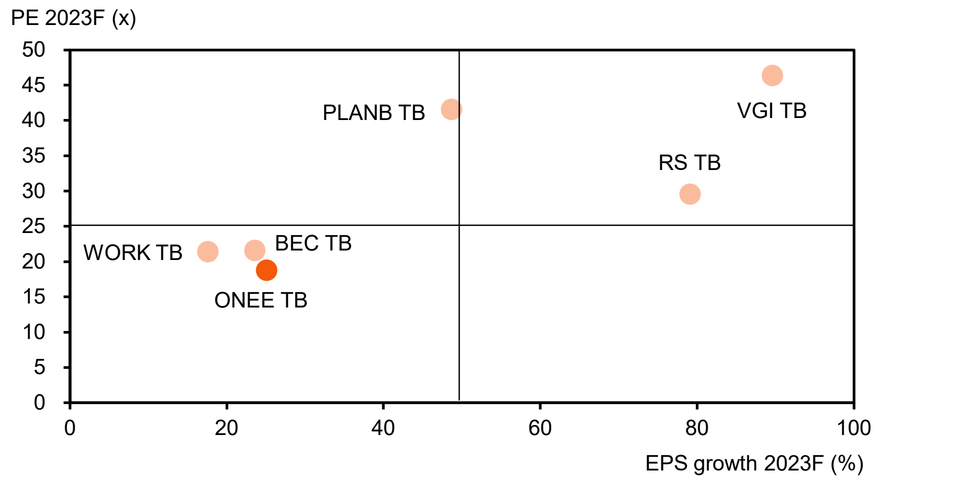
Note: Revenue jump in 2021 was due to additional revenue contributed by the acquisition in of GMMCH (100% stake), which has content production, radio, production services and supporting businesses, in November 2020.

Ex 6: EBIT Forecasts



Source: Thanachart estimates

Ex 7: PE Comparison Of Media Stocks



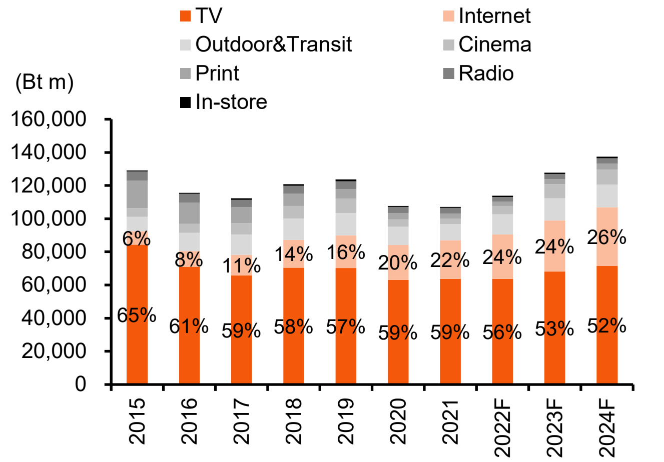
Sources: Bloomberg estimates for WORK; Thanachart estimates for ONEE, BEC, PLANB, RS, VGI

Strong position in a bottoming TV industry

TV adex looks to be reaching bottom

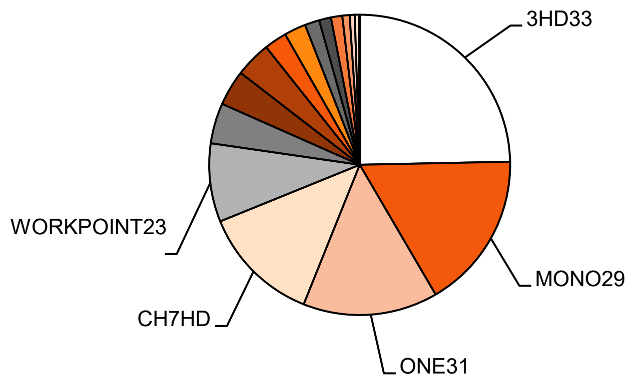
The Thai TV industry was liberalized in May 2014 and at the same time there was the transformation into the digital TV (DTV) era. From six analog free-terrestrial TV operators at the time, there are now 24 commercial DTV operators sharing a shrinking TV adex pie threatened by online ads. TV adex dropped from Bt84bn in 2015 to Bt70bn p.a. in 2018-19 and fell further to Bt63/64bn p.a. during the COVID years in 2020-21. Despite improving momentum in 1Q22 from a post-COVID spending resumption, we foresee a new headwind from inflationary pressure that could erode consumer purchasing power, so we expect only flat TV adex this year. 5M22 TV adex posted a slight drop of 0.8% y-y. We however expect inflation to ease next year with a stronger tourism turnaround that could create a multiplier effect on domestic demand and therefore ad spending. We estimate 7/5% TV adex growth in 2023-24F, which would bring it back to the 2019 pre-COVID level. Looking at total adex, online media looks set to continue to gain market share, and we estimate TV share of total adex to fall from 65% in 2015 and 59% in 2021 to 56% in 2022F and 52% in 2024F.

Ex 8: Advertising Expenditure (Adex)



Source: Nielsen
2017 was hit by hit by weak consumption and the mourning period
2020-21 was hit by the COVID outbreak

Ex 9: Top Five Controlled 80% Of TV Adex In 5M21

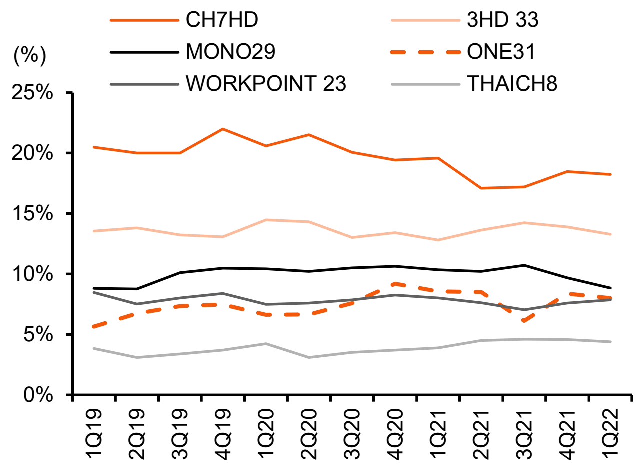


Source: Nielsen
Note: Data based on TVC on air excluding any promotional discounts

Ex 10: Improving TV Ratings

Source: Nielsen; TV ratings based on nationwide age 15+
(1) Rating for average all-day is from 6:00-24:00

Ex 11: Improving Viewership Share



Source: Nielsen

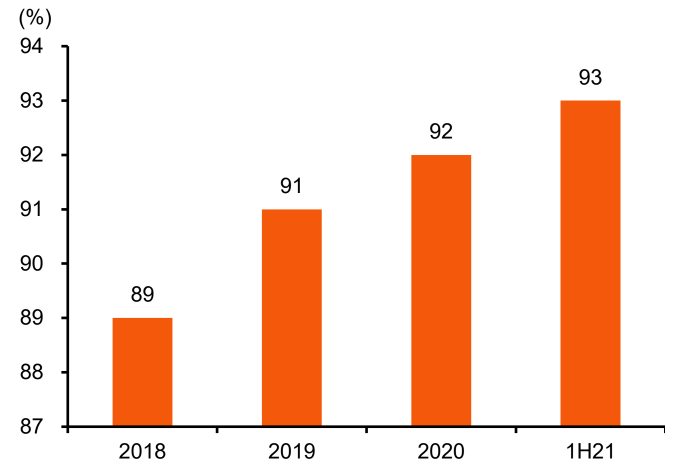
Solid position within the top-five TV adex pool

Despite liberalization, we believe the TV industry has stabilized with the top-five operators controlling 80% of the TV adex pool. 3HD 33, owned by BEC World (BEC TB, BUY, Bt14.5) and CH7HD remain the top two operators in the adex pool, followed by MONO29, ONEE's ONE31 and the WORKPOINT 23 channel. ONEE was ranked #4 in terms of its TV rating in 1Q22, up from #6 in 2018. We believe its position is firmly within the top-five players and in the top three in the soap opera category, which has the largest share of TV adex. We attribute ONEE's success in gaining market share to its strength in soap content ideas and popular variety shows. We believe Mr. Thakonkiet and his team have been the key success factor at ONEE with their strength in producing popular Thai soap operas and series that cater to mass audiences and a variety of different niches. ONEE has been successful in the past few years in developing and bettering itself in mass-market content as seen by the very high ratings for several of its soaps (see Exhibits 12 and 13).

Ex 12: ONEE's Popular Content

Sources: Company data, Nielsen

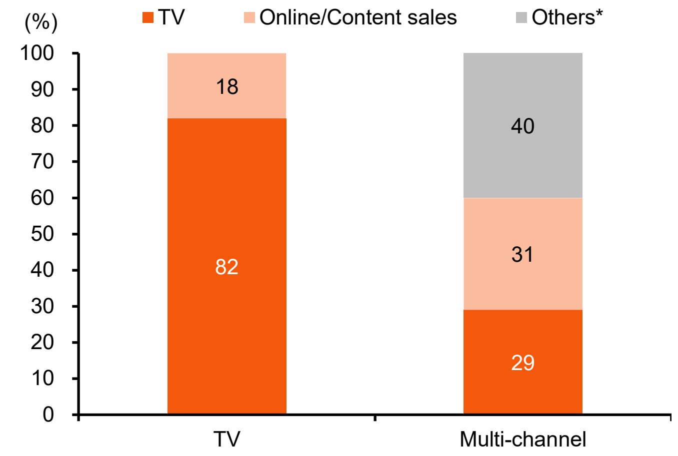
Ex 13: ONEE's Content Success Rate



Source: Company data

Note: Success rate is measured by the hours of content that make positive gross profit

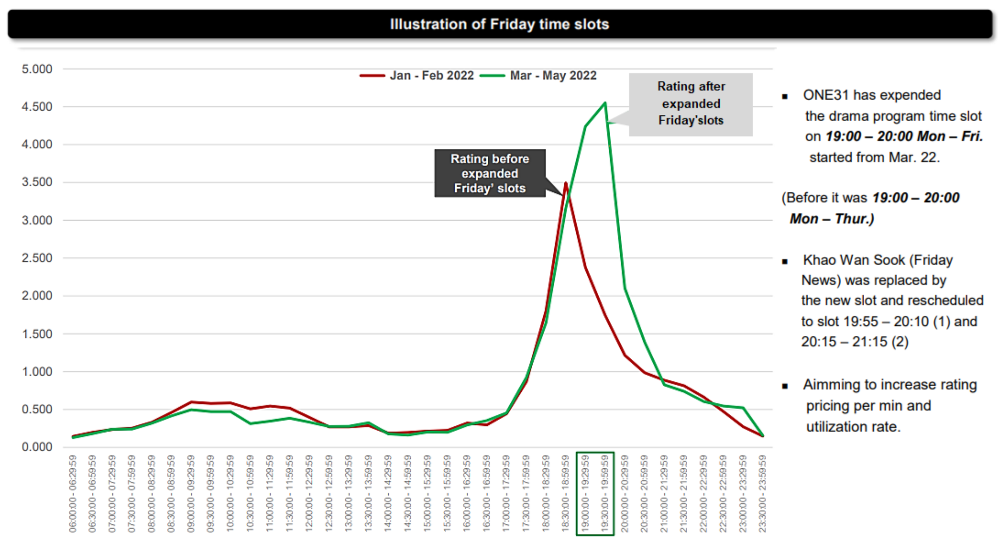
Ex 14: TV Vs. Multi-Channel Content



Source: Company data

Note: *Others includes merchandising, artist management and events

Ex 15: ONEE's TV Growth Strategy To Expand Drama Timeslot



Source: Company data

Improving program timeslots to boost TV ratings

This year, with some of Bt500m of November 2021 IPO proceeds, ONEE plans to enhance its production capabilities and increase production budget with the expectation of improving its programs in expensive primetime slots to increase audiences. For instance, from March this year it expanded its drama early primetime time slot from four to five days a week, and this has resulted a higher TV rating (see Exhibit 15).

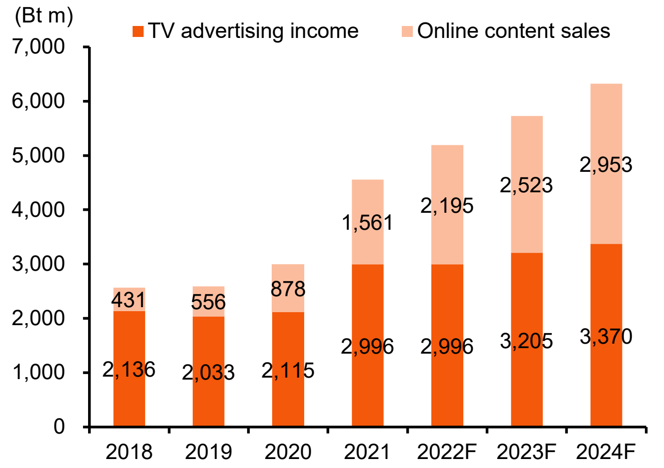
TV revenue should at least grow along with the industry

With its secure position among the top-five TV operators, we estimate ONEE's TV revenue to grow along with the industry at 0/7/5% in 2022-24F. We assume the growth comes mainly from a rising TV utilization rate while the average ad rate will likely remain flat given continued competition from online media.

We expect integrated EBIT to grow by 19% p.a. in 2022-24F

As ONEE monetizes its TV content via content sales to online platforms, we look at integrated EBIT which we expect to grow by 19% p.a. in 2022-24F. Despite flat revenue growth from the TV side, we expect integrated EBIT to continue to grow this year with growth from online content sales.

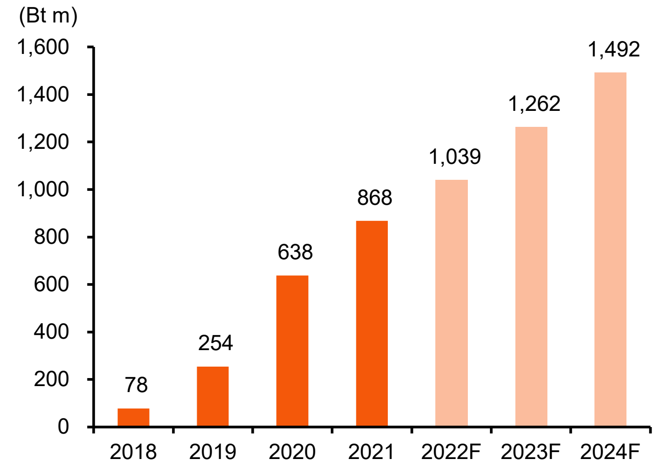
Ex 16: TV Advertising Income And Content Sales



Sources: Company data, Thanachart estimates.

Note: ONEE entered into a marketing agreement with the GMM Channel in late 2020 and became a marketing agent for the GMM25 Channel

Ex 17: EBIT Forecasts



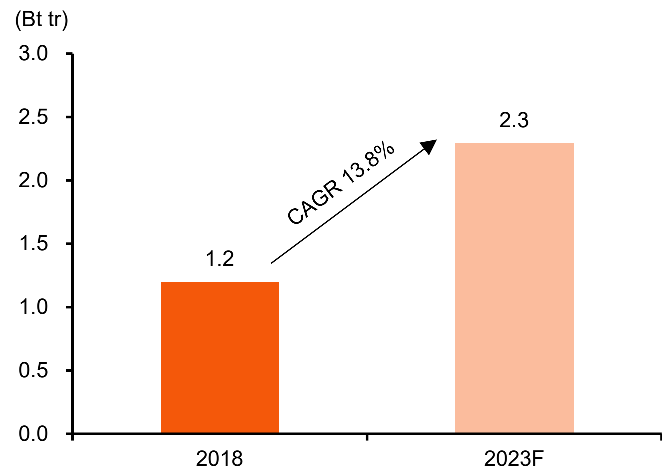
Sources: Company data, Thanachart estimates

Growing with the online trend

Strong online media growth

While TV is still the most accessible channel (95% of Thai households have access to a TV), online is the new economy for the media industry. According to PwC, global online media is expected to grow by 13.8% per annum from Bt1.2tr in 2018 to Bt2.29tr in 2023. Meanwhile, Thailand's digital spending is expected to grow at a stronger clip of 16% to Bt27bn in 2022, according to MI group.

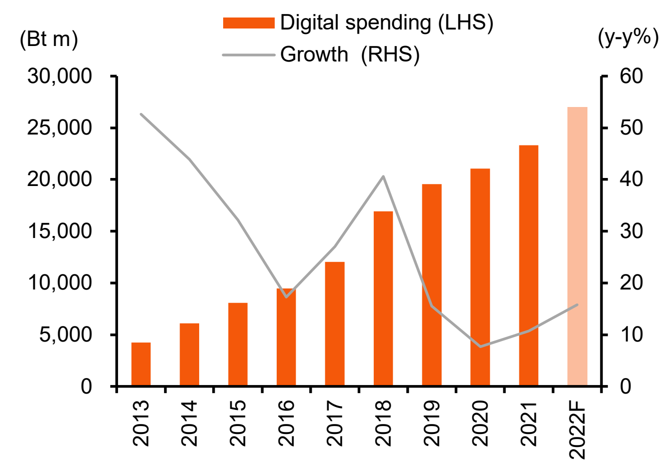
Ex 18: Global Online Media



Sources: ONEE, PwC Global Entertainment and Media Outlook (2019-2023).

Note: Data is based on a foreign exchange rate of Bt31.5/US$. CAGR is compound annual growth rate.

Ex 19: Thai Digital Spending



Sources: DATT 2012 – 2021 and 2022 projection by MI group

Online platforms compete for good content

With strong growth in online media, high rates of internet penetration and adoption of international smartphones, and its relatively large population, Thailand has emerged as one of the key destinations in Southeast Asia for online platform operators, which include over-the-counter (OTT) applications such as Netflix and WeTV and also social media platforms such as YouTube and Facebook.

59% of the Thai population watches content via OTT platforms

The COVID outbreak led to a change in people's viewing behavior towards online. A Nielsen survey in 1Q22 found that 59% of Thai viewers watch content via OTT platforms vs. only 29% in 2019. This has made the OTT market very active and fierce. There are currently more than 10 OTT players in Thailand with likely more to come. These players are battling for local content to attract audiences, as local content is the key driver of OTT usage, especially in the Thai market.

ONEE has two online business models

ONEE is the biggest player among TV operators in the online content business. It has two online business models.

Selling TV content to online and OTT platforms

First, it sells or revenue shares its TV content to online (YouTube, Facebook, etc.) and OTT platforms in Thailand and overseas. This is a way to better monetize its content. Most of its existing revenue is still from this model. There are currently eight OTT platforms (Disney + hotstar, Netflix, WeTV, Viu, TRUE ID, AIS Play and IQIYI) that ONEE sells content to. With rising demand for local content, ONEE expects the selling price for its exclusive content to increase by an average of 10% p.a. during 2018 to 1Q22. The content is the same as that aired on Channel One31 and GMM25 and ONEE therefore has no production costs.

Content production service

Second, ONEE plays the role of a content production house producing original content for other local TV operators or platforms such as Netflix. Examples of content are Netflix's original Thai series "The Stranded" and "Girl From Nowhere 2". ONEE plans to co-invest or co-produce three to five titles with global players. This business however is still in the early stages, and we prefer to wait and see how it develops and whether it becomes a success before factoring it into our numbers.

Ex 20: Examples Of ONEE's TV and OTT Customers Domestically And Internationally

Source: Company data

Ex 21: Examples Of Content Produced By ONEE For TV And Online Operators

Source: Company data

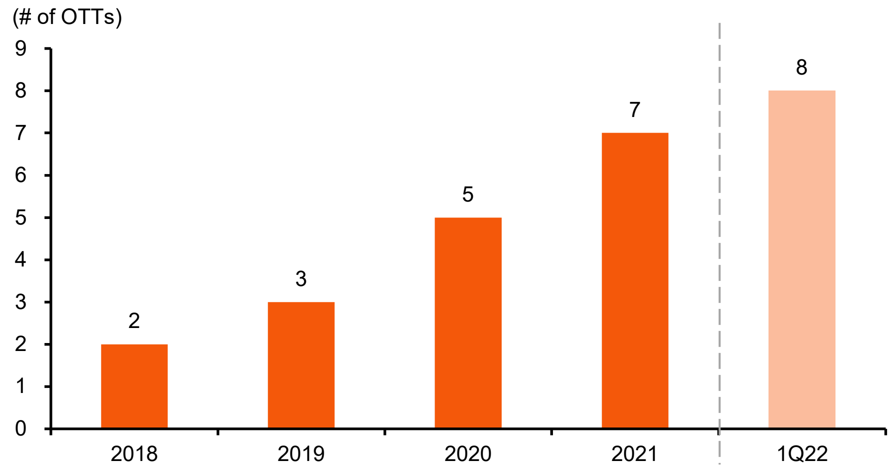
Ex 22: ONEE's Content Footprint

Source: Company data

Ex 23: ONEE's Key Success Content

Source: Company data

Ex 24: Number Of OTT Platforms That ONEE Sells Content To



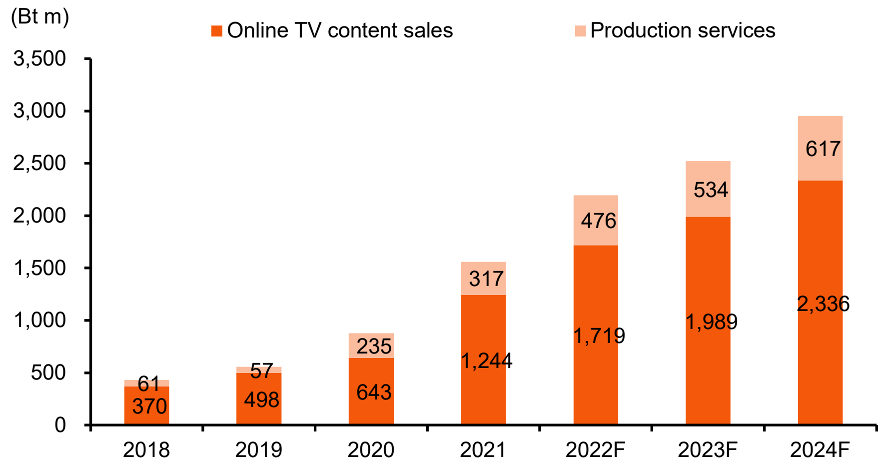
Source: Company data

The production house model could see hefty upside if it is successful

We believe that the first model of TV content sales, which relies on TV content, still has room to grow, despite the limited number of dramas produced each year given limited TV timeslots. This is because not all drama content can be sold to all OTT platforms and overseas operators at the current stage. With improving drama content to suit international tastes, they can be sold to larger and wider markets. We estimate revenue growth for content sales to online and overseas at 38/16/17% over 2022-24F.

The second model of being a production house can extend the level of growth, in our view. Online viewers can have a greater variety of content demand than TV viewers, and this also increases room for growth for ONEE. This model has several forms, including ONE having the right to content to air it on TV and elsewhere after negotiating with customers. Having said that, we do not aggressively factor in income from the production house business model because this competes with overseas players and Thai producers still need time to prove their success. We forecast revenue growth for this area at 50% this year due to the production hiccup during 2021's COVID lockdown. Then we expect 12/16% revenue growth in 2023-24F, driven by rising demand from local OTTs and TV operators.

Ex 25: Content Sales And Production Service Revenue Breakdown



Sources: Company data, Thanachart estimates

Other areas of growth

Other entertainment businesses will also likely see a recovery

ONEE also has event management, artist management, merchandise, and radio businesses. These businesses are improving in the post-COVID period from a resumption of entertainment activities. The businesses accounted for 14% of EBIT in 2021 and we expect them to grow by 39/38/14% in 2022-24F.

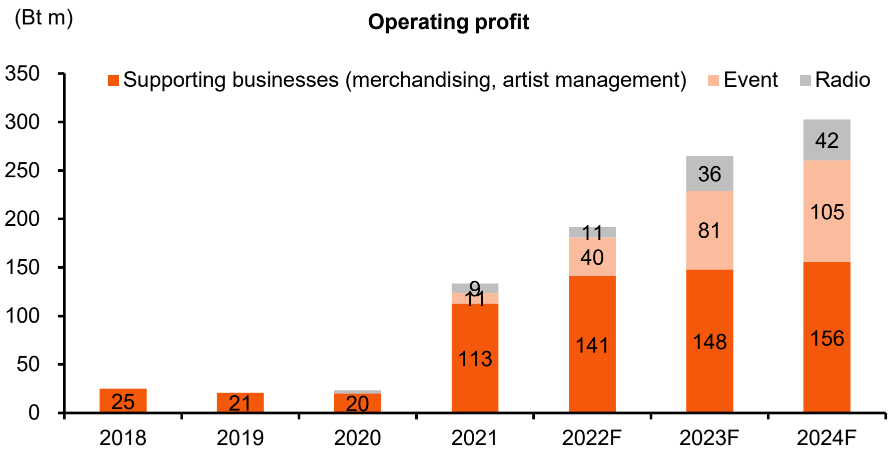
Artist management: This business acts as an agency, contacting and planning between artists and prospective clients. It currently has more than 200 artists, including leading stars such as Pong-Nawat Kulratanarak, Bright-Wachirawit Chivaree, Win-Methwin, etc.

Merchandise: Building on the popularity of programs and the stars themselves, ONEE works with artists to produce and sell souvenirs within Thailand and abroad. ONEE has expertise in overseeing marketing work both in Thailand and internationally, presently supporting orders for domestic and international demand from China, Japan, South Korea and Singapore.

Events: This takes the form of a variety of formats, from meet-and-greets between fans and artists, marathon races and festivals to and organizing national-level concerts.

Radio: Voice media is disseminated through radio broadcasting, online channels on the website, and via the company's apps. There are two FM radio stations (EFM 94 and Green Wave 106.5 FM) and one online radio station (Chill Online).

Ex 26: We Expect Event, Radio, Supporting Businesses To Turn Around Post-COVID



Source: Thanachart estimates

*Note that the jump in 2021 was due to additional revenue contributed from the acquisition in of GMMCH (100% stake), which comprises content production, radio, production service and supporting businesses, in November 2020.

Ex 27: 12-month DCF-based Valuation, Using A Base Year Of 2023F

(Bt m)	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal Value
EBITDA	2,671	2,987	3,200	3,524	3,797	4,022	4,260	4,534	4,841	5,166	3,437	—
Free cash flow	2,200	2,466	2,675	2,936	3,174	3,373	3,568	3,787	4,037	4,300	3,510	36,684
PV of free cash flow	2,194	2,009	1,967	1,948	1,860	1,776	1,688	1,610	1,542	1,476	1,033	10,791

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	1.3
WACC (%)	10.8
Terminal growth (%)	2.0
Enterprise value - add investments	29,894
Net debt (2022F)	(3,489)
Minority interest	0
Equity value	33,383
# of shares (m)	2,381
Equity value / share	**14**

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 28: 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	84.7	32.3	17.5	1.1	1.0	6.7	5.4	1.1	1.9
Sun TV Network	SUNTV IN	India	6.0	11.2	9.8	8.8	1.9	1.7	5.3	4.9	5.4	5.9
Zee Entertainment	Z IN	India	33.9	19.2	15.4	12.9	1.8	1.6	9.9	8.4	1.9	2.1
Surya Citra Media	SCMA IJ	Indonesia	(11.3)	18.7	11.8	10.0	2.1	1.9	8.3	7.0	3.2	4.1
Media Nusantara	MNCN IJ	Indonesia	6.2	10.3	5.1	4.6	0.7	0.6	4.0	3.7	3.4	5.0
Beijing Gehua	600037 CH	China	40.0	33.3	44.7	33.5	1.0	1.0	6.5	5.8	0.6	0.9
Media Prima Bhd	MPR MK	Malaysia	20.9	20.8	7.3	6.0	0.7	0.7	2.5	2.4	4.8	5.5
BEC World*	BEC TB	Thailand	28.5	23.6	26.6	21.6	4.3	4.1	7.8	7.1	3.4	4.2
MAJOR Cineplex*	MAJOR TB	Thailand	na	10.6	17.9	16.2	2.6	2.5	10.8	9.6	4.5	4.9
The One Enterprise*	ONEE TB	Thailand	4.5	25.1	23.5	18.8	3.2	2.9	9.1	7.7	1.7	2.1
Plan B Media*	PLANB TB	Thailand	na	48.7	61.9	41.6	4.2	4.0	9.6	8.8	0.8	1.9
RS Pcl*	RS TB	Thailand	117.6	79.1	53.0	29.6	6.4	5.9	20.9	12.6	1.5	2.7
VGI Global Media**	VGI TB	Thailand	na	89.6	87.9	46.4	1.9	1.9	34.1	26.5	0.2	1.6
Average			**27.4**	**36.5**	**30.6**	**20.6**	**2.5**	**2.3**	**10.4**	**8.5**	**2.5**	**3.3**

Source: Bloomberg

Note: * Thanachart estimates using normalized EPS growth

** VGI's fiscal year ends in March.

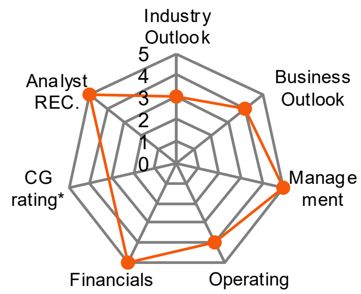
Based on 17-Jun-22 closing prices

COMPANY DESCRIPTION

The One Enterprise Public Company Limited is a diversified media holding company. The firm is involved in 1) the broadcasting and media businesses, including television and radio broadcasting media; 2) online content sales businesses; 3) event management and supporting business, including artist management and merchandising.

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

- Strong Thai soap operas and series that cover from the mass audience to a variety of different niches. Its content also matches younger-generation demand on online platforms
- ONEE's integrated business model of TV, online content sales, and artist management and merchandising enable it to reap benefits from its content.

W — Weakness

- Dependent on domestic consumption momentum
- Given its #4 TV rating ranking, ONEE's TV ad rate is still below leading peers'

O — Opportunity

- Growing online platforms

T — Threat

- The digital platform's increasing market share offers more choices to advertisers and could pose a threat to ONEE's TV ad rate hikes going forward.
- Slow economy.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	13.20	14.00	6%
Net profit 22F (Bt m)	1,043	1,042	0%
Net profit 23F (Bt m)	1,251	1,303	4%
Consensus REC	**BUY: 5**	**HOLD: 1**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022F net profit is in line with the Bloomberg consensus number but 2023F is 4% higher, which we attribute to us factoring in a stronger ad income recovery. Our TP is therefore higher than the Street's.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- The key downside risk to our call would be if online content sales revenue comes in lower than our expectation.
- If ONEE's improving TV 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.

Source: Thanachart

We project 2023-24F EPS growth of 25/17%

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	3,127	5,347	6,246	7,099	7,872
Cost of sales	1,540	2,637	3,182	3,592	3,941
Gross profit	**1,587**	**2,710**	**3,064**	**3,507**	**3,932**
% gross margin	50.8%	50.7%	49.1%	49.4%	49.9%
Selling & administration expenses	925	1,707	1,829	1,975	2,133
Operating profit	**662**	**1,003**	**1,235**	**1,532**	**1,799**
% operating margin	21.2%	18.8%	19.8%	21.6%	22.8%
Depreciation & amortization	812	1,078	1,109	1,127	1,146
EBITDA	**1,475**	**2,080**	**2,344**	**2,659**	**2,944**
% EBITDA margin	47.2%	38.9%	37.5%	37.5%	37.4%
Non-operating income	89	91	91	103	114
Non-operating expenses	0	0	0	0	0
Interest expense	(87)	(129)	(24)	(13)	(15)
Pre-tax profit	**664**	**965**	**1,302**	**1,622**	**1,898**
Income tax	38	137	260	324	380
After-tax profit	**627**	**828**	**1,042**	**1,298**	**1,518**
% net margin	20.0%	15.5%	16.7%	18.3%	19.3%
Shares in affiliates' Earnings	5	0	0	5	7
Minority interests	(0)	(0)	(0)	(0)	(0)
Extraordinary items	0	0	0	0	0
NET PROFIT	**631**	**828**	**1,042**	**1,303**	**1,525**
Normalized profit	**631**	**828**	**1,042**	**1,303**	**1,525**
EPS (Bt)	0.3	0.4	0.4	0.5	0.6
Normalized EPS (Bt)	0.3	0.4	0.4	0.5	0.6

ONEE had its IPO in November 2021 and used some of the proceeds to pay down debt

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	2,262	4,294	5,384	6,605	8,064
Cash & cash equivalent	413	2,462	3,225	4,157	5,358
Account receivables	1,153	1,145	1,335	1,517	1,682
Inventories	599	564	680	768	842
Others	96	123	144	164	182
Investments & loans	16	12	12	12	12
Net fixed assets	831	807	809	796	771
Other assets	4,445	4,192	4,090	3,983	3,871
Total assets	**7,555**	**9,305**	**10,294**	**11,397**	**12,718**
LIABILITIES:					
Current liabilities:	2,001	2,037	2,152	2,358	2,666
Account payables	786	931	1,133	1,279	1,404
Bank overdraft & ST loans	0	0	0	0	0
Current LT debt	593	311	0	8	43
Others current liabilities	623	795	1,019	1,071	1,219
Total LT debt	**2,975**	**0**	**0**	**0**	**0**
Others LT liabilities	476	423	545	608	662
Total liabilities	**5,452**	**2,460**	**2,698**	**2,966**	**3,328**
Minority interest	0	0	0	0	0
Preferreds shares	0	0	0	0	0
Paid-up capital	3,810	4,763	4,763	4,763	4,763
Share premium	0	2,817	2,817	2,817	2,817
Warrants	0	0	0	0	0
Surplus	0	0	0	0	0
Retained earnings	**(1,708)**	**(734)**	**17**	**851**	**1,810**
Shareholders' equity	2,102	6,845	7,596	8,430	9,390
Liabilities & equity	**7,555**	**9,305**	**10,294**	**11,397**	**12,718**

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	664	965	1,302	1,622	1,898
Tax paid	(29)	(134)	(257)	(323)	(377)
Depreciation & amortization	812	1,078	1,109	1,127	1,146
Chg In w orking capital	(338)	189	(104)	(124)	(115)
Chg In other CA & CL / minorities	290	141	199	36	134
Cash flow from operations	**1,400**	**2,240**	**2,250**	**2,339**	**2,685**
Capex	(382)	(117)	(150)	(150)	(150)
Right of use	(273)	59	(50)	(50)	(50)
ST loans & investments	0	0	0	0	0
LT loans & investments	2	4	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(2,167)	(795)	(685)	(745)	(754)
Cash flow from investments	**(2,821)**	**(849)**	**(885)**	**(945)**	**(954)**
Debt financing	1,641	(3,257)	(311)	8	35
Capital increase	0	3,770	0	0	0
Dividends paid	0	0	(290)	(469)	(566)
Warrants & other surplus	(5)	145	0	0	0
Cash flow from financing	**1,635**	**658**	**(602)**	**(461)**	**(530)**
Free cash flow	**1,018**	**2,122**	**2,100**	**2,189**	**2,535**

We expect ONEE's PE to fall in 2023F, supported by strong earnings growth

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	31.1	24.6	23.5	18.8	16.1
Normalized PE - at target price (x)	42.3	33.4	32.0	25.6	21.9
PE (x)	31.1	24.6	23.5	18.8	16.1
PE - at target price (x)	42.3	33.4	32.0	25.6	21.9
EV/EBITDA (x)	15.4	8.8	9.1	7.7	6.5
EV/EBITDA - at target price (x)	20.2	12.3	12.8	11.0	9.5
P/BV (x)	9.3	3.6	3.2	2.9	2.6
P/BV - at target price (x)	12.7	4.9	4.4	4.0	3.6
P/CFO (x)	14.0	9.1	10.9	10.5	9.1
Price/sales (x)	7.8	4.6	3.9	3.5	3.1
Dividend yield (%)	0.0	0.7	1.7	2.1	2.5
FCF Yield (%)	5.2	10.4	8.6	8.9	10.3
(Bt)					
Normalized EPS	0.3	0.4	0.4	0.5	0.6
EPS	0.3	0.4	0.4	0.5	0.6
DPS	0.0	0.1	0.2	0.2	0.3
BV/share	1.1	2.9	3.2	3.5	3.9
CFO/share	0.7	1.1	0.9	1.0	1.1
FCF/share	0.5	1.1	0.9	0.9	1.1

Sources: Company data, Thanachart estimates

2023-24F EPS growth comes from all businesses

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	16.1	71.0	16.8	13.7	10.9
Net profit (%)	253.9	31.2	25.7	25.1	17.1
EPS (%)	253.9	26.4	4.5	25.1	17.1
Normalized profit (%)	253.9	31.2	25.7	25.1	17.1
Normalized EPS (%)	253.9	26.4	4.5	25.1	17.1
Dividend payout ratio (%)	0.0	19.8	40.0	40.0	40.0
Operating performance					
Gross margin (%)	50.8	50.7	49.1	49.4	49.9
Operating margin (%)	21.2	18.8	19.8	21.6	22.8
EBITDA margin (%)	47.2	38.9	37.5	37.5	37.4
Net margin (%)	20.0	15.5	16.7	18.3	19.3
D/E (incl. minor) (x)	1.7	0.0	0.0	0.0	0.0
Net D/E (incl. minor) (x)	1.5	(0.3)	(0.4)	(0.5)	(0.6)
Interest coverage - EBIT (x)	7.6	7.8	51.8	120.2	122.0
Interest coverage - EBITDA (x)	16.9	16.2	98.3	208.7	199.6
ROA - using norm profit (%)	10.8	9.8	10.6	12.0	12.7
ROE - using norm profit (%)	35.3	18.5	14.4	16.3	17.1
DuPont					
ROE - using after tax profit (%)	35.0	18.5	14.4	16.2	17.0
- asset turnover (x)	0.5	0.6	0.6	0.7	0.7
- operating margin (%)	24.0	20.5	21.2	23.0	24.3
- leverage (x)	3.3	1.9	1.4	1.4	1.4
- interest burden (%)	88.4	88.2	98.2	99.2	99.2
- tax burden (%)	94.3	85.8	80.0	80.0	80.0
WACC (%)	10.8	10.8	10.8	10.8	10.8
ROIC (%)	19.5	16.4	21.0	28.0	33.6
NOPAT (Bt m)	624	860	988	1,226	1,439
invested capital (Bt m)	5,257	4,695	4,372	4,281	4,075

Sources: Company data, Thanachart estimates

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For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

Thanachart Securities Pcl.

Research Team
19 Floor, MBK Tower
444 Phayathai Road, Pathumwan Road, Bangkok 10330
Tel: 662 - 779-9119
Email: thanachart.res@thanachartsec.co.th

Pimpaka Nichgaroon, CFA
Head of Research
Tel: 662-779-9199
pimpaka.nic@thanachartsec.co.th

Pattarawan Wangmingmat
Senior Technical Analyst
Tel: 662-779-9105
pattarawan.wan@thanachartsec.co.th

Phannarai Tiyapittayarut
Property, Retail
Tel: 662-779-9109
phannarai.von@thanachartsec.co.th

Sarachada Sornsong
Bank, Finance
Tel: 662-779-9106
sarachada.sor@thanachartsec.co.th

Witchanan Tambamroong
Technical Analyst
Tel: 662-779-9123
witchanan.tam@thanachartsec.co.th

Adisak Phupiphathirungul, CFA
Retail Market Strategy
Tel: 662-779-9120
adisak.phu@thanachartsec.co.th

Nuttapop Prasitsuksant
Telecom, Utilities
Tel: 662-483-8296
nuttapop.pra@thanachartsec.co.th

Rata Limsuthiwanpoom
Auto, Industrial Estate, Media, Prop. Fund
Tel: 662-483-8297
rata.lim@thanachartsec.co.th

Siriporn Arunothai
Small Cap, Healthcare, Hotel
Tel: 662-779-9113
siriporn.aru@thanachartsec.co.th

Sittichet Rungrassameephat
Analyst, Quantitative
Tel: 662-483-8303
sittichet.run@thanachartsec.co.th

Chak Reungsinpinya
Strategy, Insurance, Paper
Tel: 662-779-9104
chak.reu@thanachartsec.co.th

Pattadol Bunnak
Electronics, Food & Beverage, Shipping
Tel: 662-483-8298
pattadol.bun@thanachartsec.co.th

Saksid Phadthananarak
Construction, Transportation
Tel: 662-779-9112
saksid.pha@thanachartsec.co.th

Yupapan Polpornprasert
Energy, Petrochemical
Tel: 662-779-9110
yupapan.pol@thanachartsec.co.th

Thaloengsak Kucharoenpaisan
Analyst, Retail Market
Tel: 662-483-8304
thaloengsak.kuc@thanachartsec.co.th