

# BEC WORLD PLC

No. 28/2024  
18 March 2024

## CORPORATES

<b>Company Rating:</b>	BBB
<b>Issue Ratings:</b>	
Senior unsecured	BBB
<b>Outlook:</b>	Stable

**Last Review Date:** 10/03/23

### Company Rating History:

Date	Rating	Outlook/Alert
10/03/23	BBB	Stable
07/03/22	BBB	Positive
27/03/20	BBB	Stable
11/03/19	A-	Stable
27/03/18	A	Stable
17/02/17	A+	Stable

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## RATIONALE

TRIS Rating affirms the company rating on BEC World PLC (BEC) and the ratings on its existing senior unsecured debentures at “BBB” with a “stable” rating outlook. The ratings reflect BEC’s leading position in the Thai television (TV) broadcasting industry, its capabilities in content production, and strong balance sheet. The ratings are, however, constrained by BEC’s reliance on TV advertising revenue, which continues to face challenges from an ongoing shift in audience viewing habits and the reallocation of advertising budgets more towards digital media.

## KEY RATING CONSIDERATIONS

### Persistent pressure on advertising revenue

Given the prevailing subdued consumer sentiment and the continued trend of audiences shifting towards digital media platforms, we anticipate that BEC will experience a further decrease in advertising revenue over the next 1-2 years. Typically, advertising spending correlates with economic conditions. The National Economic and Social Development Council (NESDC) has revised down its forecast for Thailand’s gross domestic product (GDP) growth in 2024 from 2.7%-3.7% to 2.2%-3.2%. This is likely to result in continued cautious and selective advertising spending.

Although TV remains an important mass medium, its impact is diminishing relative to the growing attraction of digital media. A structural shift in audience viewing habits, coupled with the abundance of content available on digital platforms, will continue to prompt the reallocation of advertising budgets. Digital platforms offer cost-effective solutions and advanced targeting capabilities, making them particularly appealing to advertisers, especially during economic slowdowns.

Our baseline forecast projects that BEC’s advertising revenue will continue declining by a low- to mid-single-digit percentage over the next two years. We view that the company’s content lineup plans and strategic management of its prime-time slots could partially mitigate an overall slowdown in advertising rates and utilization over the forecast period.

### Modest growth in GCL and digital revenue

While the rising popularity of over-the-top (OTT) platforms contributes to a decline in BEC’s advertising income, it also provides the company with opportunities to monetize its content and partially offset the decrease in advertising revenue. Moreover, revenue generated from global content licensing (GCL) and digital platform business typically entails minimal additional costs, which should help support BEC’s profitability if the company is able to consistently grow its revenue base.

During 2024-2026, we project BEC’s revenue from GCL and digital platform business to be THB660-THB700 million per annum, compared with THB669 million in 2023. The forecast is based on our expectation of continued growth in the “3Plus” platform, propelled by the launch of new drama series and various events and activities that could boost both subscriber numbers and advertising revenue on the platform. We also anticipate steady revenue streams from content sales to international markets. However, we do not foresee significant revenue growth from content sales to streaming platforms. This is primarily because many streaming platforms are focusing on improving

profitability, leading to reductions in content acquisition budgets. Some platforms prioritize their budgets on producing their own original contents.

### Challenges to sustain profitability

Under our base case, we anticipate BEC's annual revenue will range from THB4.4-THB4.6 billion during 2024-2026, compared to THB4.7 billion in 2023. The key to sustaining profitability in the near term lies in BEC's ability to optimize costs in response to softening revenue. Prime-time drama series have traditionally been pivotal to BEC's programming, commanding significantly higher advertising rates compared to other TV programs, but also at significantly higher cost. In recent years, BEC has been able to rationalize its expenses in response to weak advertising demand by incorporating rerun content and managing the airtime of its prime-time drama series.

We project the adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) margin to decline to 11%-14%, from 15.5% in 2023, which will translate into EBITDA of THB520-THB620 million per annum (the amortization of content rights is treated as an operating cost and has not been added back in our EBITDA calculation). Our projection assumes that BEC will continue receiving steady dividend income from the movie business.

Over the longer term, BEC needs to reduce its reliance on TV advertising revenue and focus on improving its earnings capability from other sources to counteract the secular decline in the linear TV industry.

### Adequate liquidity from ample cash reserves

BEC's strong balance sheet, modest capital expenditure, as well as prudent dividend policy should continue to support the company's credit profile in the foreseeable future. At the end of 2023, BEC reported a cash and cash equivalents balance of THB3.8 billion against adjusted debt of THB2.3 billion. BEC has planned capital expenditure of around THB720 million in total during 2024-2026.

We assess BEC as having adequate liquidity over the next 12 months. Sources of funds comprise cash and cash equivalents of THB3.8 billion at the end of 2023 and funds from operations (FFO) estimated at around THB480 million. The uses of funds comprise capital expenditure of THB400-THB450 million and a dividend payment of THB120 million.

### BASE-CASE ASSUMPTIONS

TRIS Rating's base-case assumptions for BEC's operations in 2024-2026 are as follows:

- Revenues of THB4.4-THB4.6 billion per annum.
- EBITDA margin in the 11%-14% range.
- Capital expenditure of THB720 million in total.

### RATING OUTLOOK

The "stable" outlook reflects our expectation that BEC will sustain its leading position in the TV broadcasting industry and maintain its strong balance sheet. The outlook also considers ongoing revenue streams from the GCL and digital platform businesses which could partially offset the decline in advertising revenue from the linear TV platform.

### RATING SENSITIVITIES

A rating upgrade could occur if the company's operating performance consistently surpasses our expectations with robust revenue and profit growth, resulting in an annual EBITDA sustained at a level exceeding THB1 billion. Conversely, a rating downgrade scenario could emerge if BEC's operating performance continues to deteriorate, primarily due to a decline in advertising revenue that is not adequately offset by growth in other revenue sources, resulting in a continual weakening of earnings.

### COMPANY OVERVIEW

BEC was incorporated in 1969 and started broadcasting Channel 3 TV in March 1970 under an agreement with MCOT PLC (MCOT). The broadcasting agreement for Channel 3 ended in March 2020. Currently, BEC operates one digital TV channel, Channel 33, under a 15-year license, which will end in April 2029. BEC's current strategy is "Single Content, Multiple Platforms" with the aim to leverage its content through various platforms including digital platforms and global content licensing. BEC was listed on the Stock Exchange of Thailand (SET) in July 1996. The Maleenont family is the major shareholder, holding 40% of the company's outstanding shares.

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS**
*Unit: Mil. THB*

	-----Year Ended 31 December-----				
	2023	2022	2021	2020	2019
Total operating revenues	4,664	5,136	5,717	5,900	8,387
Earnings before interest and taxes (EBIT)	458	802	1,168	25	(189)
Earnings before interest, taxes, depreciation, and amortization (EBITDA)*	721	1,082	1,500	433	414
Funds from operations (FFO)*	603	870	1,327	240	172
Adjusted interest expense	113	116	99	124	141
Capital expenditures	117	192	66	133	38
Total assets	9,441	9,617	10,323	9,519	11,354
Adjusted debt	0	0	0	769	1,169
Adjusted equity	6,147	6,241	6,193	5,409	5,718
<b>Adjusted Ratios</b>					
EBITDA margin (%)	15.5	21.1	26.2	7.3	4.9
Pretax return on permanent capital (%)	5.2	8.7	12.8	0.3	(1.7)
EBITDA interest coverage (times)	6.4	9.3	15.1	3.5	2.9
Debt to EBITDA (times)	0.00	0.00	0.00	1.8	2.8
FFO to debt (%)	n.m.	n.m.	n.m.	31.20	14.68
Debt to capitalization (%)	0.00	0.00	0.00	12.4	17.0

\* Amortization of content rights is treated as an operating cost.

n.m.= Not meaningful

**RELATED CRITERIA**

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

**BEC World PLC (BEC)**

<b>Company Rating:</b>	BBB
<b>Issue Ratings:</b>	
BEC255A: THB1,245.30 million senior unsecured debentures due 2025	BBB
BEC275A: THB754.70 million senior unsecured debentures due 2027	BBB
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

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