

SECTOR UPDATE

Media – Thailand

Earnings Hit Bottom; Positive On Cinema Players Going Forward

We believe the earnings of Thai media players, including TV broadcasters and cinemas, have already bottomed out. However, yoy earnings of TV broadcasters might not have recovered due to weak TV adex, which still pressured advertising income per minute and utilisation rate. Therefore, we maintain MARKET WEIGHT on the sector. Nevertheless, we recommend cinema players instead as we believe 2023 earnings would surge on a robust number of movies.

WHAT'S NEW

- 1Q23 results recap: Earnings plunged to levels seen during the peak of the pandemic.** Media companies under our coverage (Bec World (BEC), One Enterprise (ONEE), and Major Cineplex (MAJOR)) posted a combined net profit of Bt126m (-72% yoy, -66% qoq) in 1Q23, in line with our estimates. On a yoy basis, MAJOR's earnings outperformed its peers in 1Q23 by 191% yoy due to higher revenue from a higher number of movies and gross margin from better cost control. Nevertheless, MAJOR's earnings declined by 8% qoq due to the high base from revenue recognition from Avatar and Black Panther. BEC's earnings came in at Bt3.7m (-98% yoy, -97% qoq), mainly pressured by lower advertising income from softer TV advertising expenditure (adex). Also, ONEE's earnings dropped to Bt52m (-79% yoy, -64% qoq). The yoy earnings drop was due to an absence of popular content while its qoq earnings fell as well due to soft revenue in many businesses, such as advertising, copyright, and production.
- Anticipate 2Q23 earnings of TV broadcaster players to increase qoq, but still not remarkable.** We believe the earnings bottomed out and expect to see some qoq improvement in 2Q23 due to the easing of many restrictions and seasonal effect. Nevertheless, we remain cautious on earnings on a yoy basis, especially TV broadcaster players. In terms of TV adex, Nielsen reported TV adex of Bt5.2b in Apr 23 (-7% mom and yoy) due to the long holiday in Thailand, but it would see some improvement in May and Jun 23. However, as there were economic concerns and a slow recovery of TV adex in Apr 23, we still have a cautious perspective on TV adex going forward.
- Cinema players will be notable in 2Q23.** Thanks to films' on-season and many outstanding movie sequels, such as Guardians of the Galaxy Vol. 3, Transformers: Rise of the Beasts, and Fast X, we project MAJOR's outlook to be notable in 2Q23. We have found combined revenue generation of these three movie sequels in the past of around Bt625m in Thailand. Our analysis also indicates a correlation between admission revenue and revenue reported from box office of 90% over the last five years and over the last 22 quarters. Therefore, admission revenue should be strong in this quarter. Moreover, there are other incredible box offices that can support admission revenue, such as The Flash: Flashpoint, Spider-Man: Across the Spider Verse, and The Little Mermaid. In addition, MAJOR has been generating revenue ytd from blockbuster movies of Bt335m, including Fast X at Bt170m, Guardians of the Galaxy Vol. 3 at Bt125m, and The Little Mermaid at Bt40m. The combined revenue has already exceeded 1Q23's revenue from Ant-Man and the Wasp, John Wick: Chapter 4, and Avatar 2: The Way of Water of Bt304m.

PEER COMPARISON

Company	Ticker	Rec.	Last Price (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US\$m)	PE			EPS				
							2022 (x)	2023F (x)	2024F (x)	2022-24F CAGR (%)	2023F PEG (x)	2023F P/B (x)	2023F Yield (%)	2023F ROE (%)
Bec World	BEC TB	SELL	8.75	5.9	(32.6)	500	42.1	37.1	23.2	34.6	2.8	4.1	2.2	7.5
Major Cineplex Group	MAJOR TB	BUY	15.60	23.0	47.4	399	55.4	15.6	12.2	112.9	0.1	2.2	6.4	12.4
The One Enterprise	ONEE TB	HOLD	5.35	6.0	12.1	364	17.0	15.2	9.9	31.1	1.3	1.6	2.6	11.2
Sector						1,263	39.1	24.0	15.9			2.8	3.7	10.1

Source: UOB Kay Hian

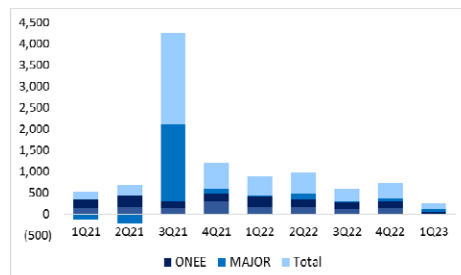
MARKET WEIGHT (Maintained)

TOP PICK

Company	Rec	Share price (Bt)	Target price (Bt)
MAJOR	BUY	15.50	23.00

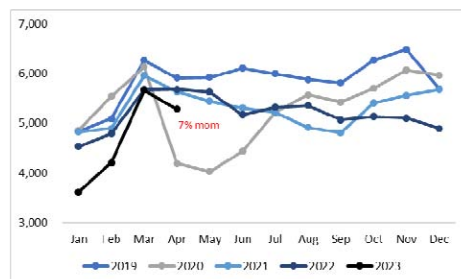
Source: UOB Kay Hian

NET PROFIT OUTLOOK IN 1Q23



Source: BEC, ONEE, MAJOR, UOB Kay Hian

TV ADEX REVENUE



Source: Nielsen, UOB Kay Hian

TV ADEX BY SEASONALITY

Year	Q1	Q2	Q3	Q4
2017	17,624	17,356	17,269	13,901
2018	16,242	18,269	17,957	17,913
2019	16,199	17,947	17,691	18,452
2020	16,533	12,656	16,218	17,742
2021	15,686	16,388	14,941	18,644
2022	15,000	16,485	15,749	15,139
Total	97,284	99,101	99,825	99,791

Source: Nielsen, UOB Kay Hian

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- Update on MPIC divestment.** MAJOR completed the transfer of all ordinary shares held in M Pictures (MPIC) to Mr.Khanngoen Nuanua on 26 May 23 with around 1.2b shares, representing 92% of total issued shares. We expect to see potential earnings upside from the divestment in 2Q23 and expect gain from the divestment of around Bt200m as the selling price is expected to be around Bt0.54/share and book value is expected to be lower than Bt0.35/share. Looking forward after the MPIC divestment, we have a neutral perspective on this issue. Although MAJOR gains less revenue from MPIC, the fixed cost will be lower at Bt60m-80m per year.

- MAJOR has attractive valuation.** We found some reasons behind the plunging of share prices. The market was concerned on political uncertainties and some policies from the Move Forward Party, winner of the recent election and forming Thailand's next government, could impact Thai media players. The party has proposed to collect 1% of ticket sales and streaming platforms in order to support and sponsor Thai film production. We believe this could affect MAJOR in terms of operation in the short term. However, it could benefit the company in the long run as movie quality might increase. Nevertheless, we still adore MAJOR and believe the valuation is attractive and share price dropped to levels near the pandemic's peak. Additionally, we expect MAJOR's earnings to be outstanding in 2Q23.

- Perspective on Netflix's password-sharing crackdown on Thai media players.** Netflix's password-sharing restriction has rolled out in Thailand. Each user outside households using the same accounts has to pay extra Bt99b per month. On the plus side, Netflix's revenue will surge. However, from our perspective, we see weak growth in the number of subscribers will have to pay more; otherwise, subscribers might shift to other platforms which are cheaper. Media players especially BEC and ONEE would be indirectly impacted as the companies distribute the programmes through this online channel.

ACTION

- Maintain MARKET WEIGHT on the media sector with MAJOR as our top pick.** We are neutral on sector earnings for 1H23, especially for TV broadcasting companies. We believe TV adex would not see a recovery soon as the economic downturn will lead to a decline in TV adex spending by many agencies. We recommend investors to switch to stocks that face lower risk from adex, such as MAJOR. We recommend MAJOR for its strong fundamentals, strong recovery and expected solid net profit of Bt887m (+239% yoy) for 2023.

VALUATION/RECOMMENDATION

- BEC: Maintain SELL with a target price of Bt5.90.** Our target price is based on 25x 2023F PE, in line with the domestic media industry's 2023F PE mean. Despite share price shrinking 26% since our downgrade recommendation on 10 Feb 23 over concerns of weak TV adex, we downgrade BEC to SELL as we believe the TV media industry is not attractive in 2023 due to many economic headwinds and unclear recovery of TV adex.

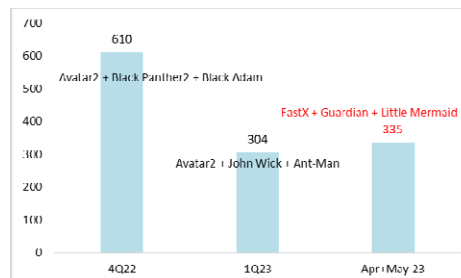
- ONEE: Maintain HOLD with a target price of Bt6.00.** Our target price is based on 17x 2023F PE, in line with the domestic media industry's 2023F PE -1SD. ONEE's share price has fallen 50% since our downgrade recommendation on 10 Feb 23 on concerns of weak TV adex. Despite share price having declined, we still recommend HOLD as we believe the TV media industry is not attractive in 2023 due to a sluggish economy and 2023 earnings growing moderately by 13% yoy.

- MAJOR: Maintain BUY on MAJOR with a target price of Bt23.00.** Our target price is based on 23x 2023F PE and +1SD to its five-year PE mean. We like MAJOR as we expect it to see strong earnings growth of 264% yoy in 2023. Moreover, we believe the strong line-up of movies in 2023 would support MAJOR's share price as well.

SECTOR CATALYSTS

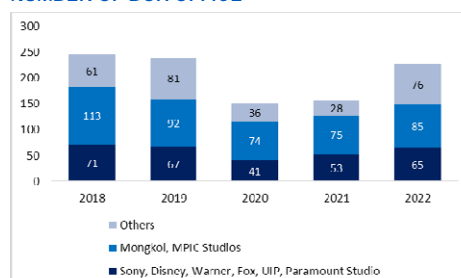
- More blockbuster movies, growth in cinema advertising income, recovery in the economy that could accelerate consumer spending and better gross domestic products.

BLOCKBUSTER REVENUE



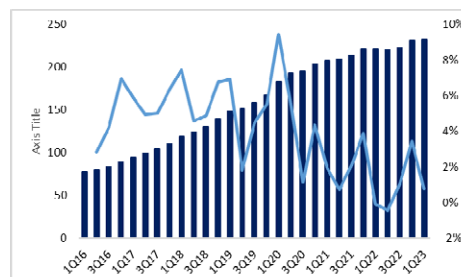
Source: MAJOR, UOB Kay Hian

NUMBER OF BOX OFFICE



Source: MAJOR, UOB Kay Hian

QUARTERLY NUMBER AND GROWTH OF NETFLIX SUBSCRIBERS WORLDWIDE



Source: Statista, UOB Kay Hian

PLAN AND PRICES OF STREAMING IN THAILAND

Platform	ราคาเดือน	ความละเอียด	การแชร์จอ	อุปกรณ์รองรับ	หมายเหตุ
Netflix	99 บาท หรือ 169 บาท หรือ 349 บาท หรือ 419 บาท	HD (720p) หรือ Full HD (1080p) หรือ 4K Ultra HD (2160p)	1 หรือ 2 หรือ 4	มือถือ, แท็บเล็ต	จำนวน 99 บาท/คน สำหรับสมาชิกในครอบครัว (เฉพาะสมาชิกใหม่)
Disney+ / Hotstar	99 บาท หรือ 159 บาท หรือ 289 บาท หรือ 2,290 บาท	HD (720p) หรือ 4K Ultra HD (2160p)	1 หรือ 4	มือถือ, แท็บเล็ต	โปรโมชั่นสมาชิกครอบครัว 29 มี.ย. 66 ราคาจะเพิ่มขึ้นโดยอัตโนมัติ
HBO GO	149 บาท หรือ 3 หรือ 299 บาท	Full HD (1080p) หรือ 4K Ultra HD (2160p)	3	มือถือ, แท็บเล็ต	
Prime Video	149 บาท	Full HD (1080p)	3	มือถือ, แท็บเล็ต	
Apple TV+	199 บาท	4K Ultra HD (2160p)	6	มือถือ, แท็บเล็ต	

Source: Work Point Today

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