

### Report type: Company Preview

#### Company Overview

BEC operates Channel 3 TV station under concession from MCOT lasting until 2020. There are also subsidiaries engaging in media and entertainment businesses.

- We expect BEC to achieve new record quarterly net profit of Bt1,294mn in 2QCY12, up 26.88% y-y thanks to higher total revenue and lower effective tax rate.
- For 1HCY12, we forecast BEC to report a profit growth of 29.32% y-y. We also expect BEC to pay a 1HCY12 dividend of Bt1/share.
- Strong momentum in ad spending is likely to continue on the back of continued domestic economic expansion and windfalls from the London 2012 Olympic Games in London in 3QCY12.
- We keep our CY12 net profit outlook for BEC at Bt4,667.55mn. What remains to be seen is how much the imminent ad rate hike will give a boost to revenue. Our target price is also unchanged at Bt49/share. We lower our rating on BEC to 'REDUCE' from 'NEUTRAL' as we believe much of strong earnings expectations for 2QCY12 have already played into the recent share price surge.

#### What is the news?

In our view, ad revenue growth driven by the Euro 2012, big concerts and higher copyright revenue would lead BEC to achieve 2QCY12 total revenue growth of 14.69% y-y. BEC should also benefit from falling tax expenses on lower effective tax rate. Overall we expect BEC to post 2QCY12 profit growth of 26.88% y-y.

#### How do we view this?

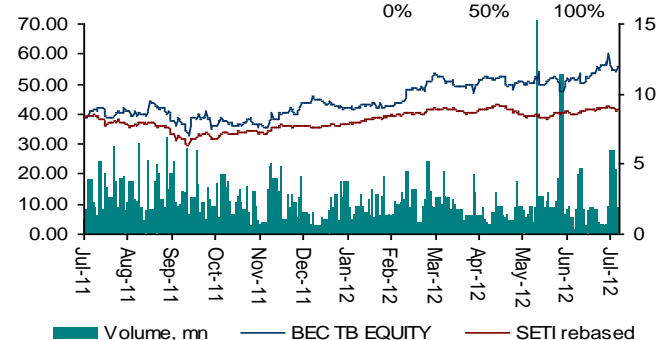
Strong momentum in ad spending is likely to continue on the back of continued domestic economic expansion and windfalls from the London 2012 Olympic Games in London in 3QCY12.

#### Investment Actions?

We keep our CY12 net profit outlook for BEC at Bt4,667.55mn. Our target price is also unchanged at Bt49/share based on three-year trailing P/E average of 21x. We believe much of strong earnings expectations for 2QCY12 have already played into the recent share price surge. On balance, we lower our rating on BEC to 'REDUCE' from 'NEUTRAL' as the stock is currently running far ahead of fundamentals.

#### BEC World

<b>Rating</b>	<b>4.00</b>	<b>Reduce</b>
- Previous Rating	3.00	Neutral
<b>Target Price (Bt)</b>	<b>49.00</b>	
- Previous Target Price (Bt)	49.00	
Closing Price (Bt)	55.00	
Expected Capital Gains (%)	-10.9%	
Expected Dividend Yield (%)	4.2%	
<b>Expected Total Return (%)</b>	<b>-6.7%</b>	
Raw Beta (Past 2yrs weekly data)	0.66	
Market Cap. (USD mn)	3,469	
Enterprise Value (USD mn)	3,262	
Market Cap. (Bt mn)	110,000	
Enterprise Value (Bt mn)	103,614	
3M Average Daily T/O (mn)	2.3	
52 w week range	31.75 - 60	
Closing Price in 52 w week range		



#### Major Shareholders

	(%)
1. Maleenon Family	51.0
2. Chase Nominees Ltd. 42	9.5
3. HSBC (Singapore) Nominees Pte Ltd.	3.8

#### Key Financial Summary

FYE	12/10	12/11	12/12F	12/13F
Revenue (Btmn)	11,714	12,804	14,439	14,998
Net Profit (Btmn)	3,303	3,530	4,668	5,045
EPS (Bt)	1.65	1.77	2.33	2.52
Net Profit, adj. (Btmn)	3,358	3,530	4,668	5,045
EPS, adj. (Bt)	1.68	1.77	2.33	2.52
P/E (X),adj.	32.7	31.1	23.6	21.8
BVPS (Bt)	3.93	3.71	4.05	4.18
P/B (X)	14.0	14.8	13.6	13.2
DPS (Bt)	1.65	1.75	2.30	2.50
Div. Yield (%)	3.0	3.2	4.2	4.5

Source: Bloomberg, PSR est.

\*All multiples & yields based on current market price

#### Valuation Method

P/E12 (21x)

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**2QCY12 profit seen up 26.88% y-y**

In 2QCY12, ad expenditures at BEC-run Channel 3 rose 6.84% q-q and 7.62% y-y, according to data compiled by The Nielsen Company (Thailand) as it was the biggest beneficiary of the live broadcast of the Euro 2012. Channel 3 joined hands with GRAMMY to be the main broadcaster of the Euro 2012. On this basis, we expect BEC to report 2QCY12 ad revenue growth of 9% y-y and q-q to Bt3,454mn. Show/concert revenue should also see strong growth as there were four big concerts and shows in 2QCY12 including Lady Gaga The Born This Way Ball Live in Bangkok 2012. Copyright revenue would also continue to grow at a healthy pace after four straight quarters of sequential growth thanks to the sale of movie copyrights in overseas markets. We forecast BEC to post 2QCY12 total revenue growth of 14.69% y-y to Bt3,795mn. Costs are also projected to rise by 16.95% y-y with much of the increase coming from concerts/shows. SG&A expenses are expected to follow revenue higher by 8.32% but effective tax rate should drift lower in line with the government's corporate income tax cuts. Tax expenses are accordingly forecast to fall 13.70% y-y. Overall we estimate BEC will achieve new record quarterly net profit of Bt1,294mn in 2QCY12, up 26.88% y-y and 17.21% q-q, breaking a record of Bt1,104.02mn set in 1QCY12.

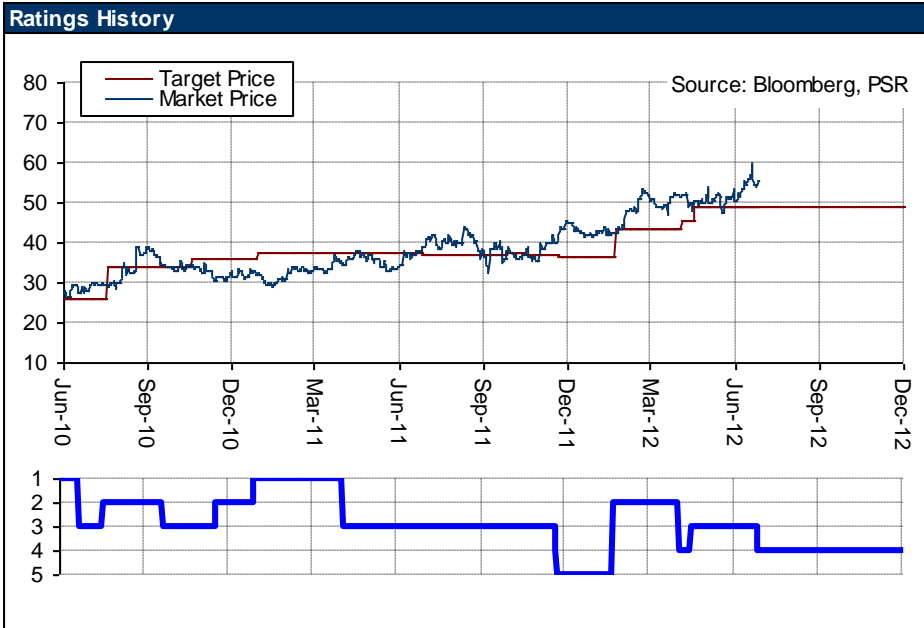
Based on 2QCY12 forecasts, we expect BEC to achieve 1HCY12 total revenue growth of 10.60% y-y to Bt7,183mn. First-half net profit is forecast to grow 29.32% y-y to Bt2,398.02mn. We also expect BEC to pay a 1HCY12 dividend of Bt1/share.

**Strong momentum in ad spending likely to continue**

Strong momentum in ad spending is likely to continue in 3QCY12. The London 2012 Olympic Games in London to be held between Jul 27 and Aug 12, 2012 will be another banner period for TV ad spending as ad spenders will increase their ad budgets during that period. The bottom-line at BEC should get further boost from the popular seasonal programs including the likes of Thailand's Got Talent Season 2 and The Voice planned to go on air in Sep. Continued domestic economic growth should keep ad spending rolling on down the road to boost sales. Due to the near full utilization of ad airtime, management said in an interview with the media that BEC planned to raise ad rates by 7-22% depending on each program and timeslot. What remains to be seen is how much the ad rate hike will give a boost to revenue.

**CY12 net profit outlook unchanged at Bt4,667.55mn**

We keep our CY12 net profit outlook for BEC at Bt4,667.55mn. Our target price is also unchanged at Bt49/share based on three-year trailing P/E average of 21x. We believe much of strong earnings expectations for 2QCY12 have already played into the recent share price surge. On balance, we lower our rating on BEC to 'REDUCE' from 'NEUTRAL.'



**Phillip Group Rating System**

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate/Trading Buy	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce/Trading Sell	4
> -20%	Sell	5

**Remarks**  
 We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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