



## MANAGEMENT DISCUSSION AND ANALYSIS FY2019

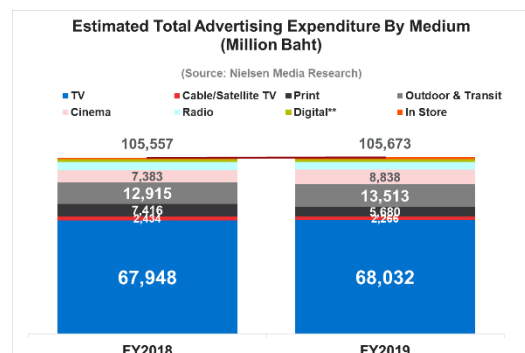
February 21, 2020

### Executive Summary

#### Economic Overview and Market Situation

The Thai economy in the 2019 had been under continuous pressure and there were no clear signs of recovery. The export and tourism sectors slowed down, amid the effect of the baht appreciation and the global economy slowdown from the US-China trade war throughout the year. In addition, the investment of Private and government sectors tended to slow down. Although private consumption expanded from the government's stimulus measures but it could not smoothly drive the economy. It could however slightly help to support domestic spending during the end of the year.

Nielsen Media Research ("Nielsen") reported that advertising expenditures (AdEx) for the year 2019 were Baht 105,673 million, an increase of Baht 116 million or 0.1% from the year 2018 at Baht 105,557 million. TV group continued to dominate in media spending and accounted for about 66.5%.



\*\* Since June 2019, Digital/Internet spending data increased from 60 to 200 websites

The media with the most increases were Cinema, which increased Baht 1,455 million or 19.7%, Outdoor & Transit, which increased Baht 598 million or 4.6%, and TV which increased Baht 84 million or 0.1%. However, in 2019, there were media which saw decreases in advertising spending from 2018 such as Print decreasing 23.4% and TV-Cable/Satellite decreasing 6.9%. The overall TV + Cable/Satellite group was at Baht 70,298 million, a decline of Baht 84 million or 0.1% from Baht 70,298 million in year 2018.

However, the figures were believed to be overestimated since it included Home Shopping advertising value whose actual price was significantly lower than Rate Card which used by Nielsen.

In the year 2019, there were seven digital TV channels, including 13Family (Channel13), MCOT Family (Channel14), Spring News (Channel19), Bright TV (Channel20), Voice TV (Channel21), NOW (Channel26) and 3SD (Channel 28) which had returned their broadcasting licenses and

### **Important changes in the Year 2019**

In the year 2019, the BEC group saw changes in both internal and external factors which will affect long-term operations.

#### **1. The Return of Digital Television**

**Licenses** As of April 11, 2019, website of Royal Thai Government Gazette announce order of Head of NCPO (National Council for Peace and Order) 4/2019, The Measures to Solve the Problems in Television and Telecommunications Business Operations. The Order's Article 10 provided an opportunity for the licensees to return the license. On May 10, 2019, BEC-Multimedia Co., Ltd. (BECM), the subsidiary company of Company sent a written notification to the NBTC to request the return of licenses of Channel 13 Family and Channel 28SD reasons being high competition in the digital TV business from too many channels, lower ad spending, as well as a change of audience behavior that turned to watch various programs on online platforms. BEC therefore decided to return the licenses of 13Family and 28SD. After going through various procedures, the approval of the return of the licenses was granted. BEC-Multimedia Co., Ltd. had terminated the broadcasting of Channel 3Family and

stopped broadcasting from during August to September.

In addition, Nielsen reported that the sectors which used the highest advertising budgets in 2019 were the Food & Beverage sector with a total value of Baht 18,335 million, followed by Personal Care & Cosmetic sector with a total value of Baht 14,443 million, and the Media & Marketing sector with a total value of Baht 13,505 million which grew as much as 31% from Direct sales.

Channel 28SD on September 30, 2019 and received the compensation after the deduction of the 4th spectrum license fee and others from NBTC, on October 1, 2019.

#### **2. Appointment of New Senior**

**Management**, on 18 April 2019, Mr. Ariya Banomyong took the position of "President" to improve and develop the business to meet the changes in the industry. The emphasis is to monetize businesses that can be extended from the core business and create new businesses, which will help the company to adapt to market conditions and changing consumer behavior.

#### **3. Expand of Global Content Licensing**

**Business.** In the year 2019, BEC Group has expanded the global content licensing. In September 2019, the Company had simulcast a TV Drama series "My Love from The Star" (Thai Version) to an OTT Platform in Taiwan and distributed finished products to other countries. This was the second time which the Company had simulcast to foreign countries after the success of the first simulcast in 2018. In addition, there was a platform expansion through the sales of Drama series to

Netflix for the first time in order to introduce Channel 33 contents to the Asian markets including, initially, two popular series such as "Thong Ek: The Herbal Master" and "Love Destiny". Additionally in 2019, the Company also entered into

new market through cooperation with TRA Media (South Korea) and JKN Global Media (Thailand) Plc and sold eight Channel 33 drama series rights to two cable television stations TVA Plus and Smile Plus with nationwide coverage in South Korea.

## Consolidated Performance Summary

STATEMENT OF INCOME	FY18		FY19		YoY	
	M.TH.B	%	M.TH.B	%	(+/-)	%
<b>Total Revenues</b>	<b>10,125.7</b>	100.0%	<b>8,310.2</b>	100.0%	(1,815.5)	-17.9%
Advertising income	8,643.4	85.4%	6,743.5	81.1%	(1,899.9)	-22.0%
Income from copyright and other services	1,040.3	10.3%	953.3	11.5%	(87.0)	-8.4%
Income from organizing concerts and shows	368.5	3.6%	557.0	6.7%	188.5	51.1%
Sales of goods	73.5	0.7%	56.4	0.7%	(17.1)	-23.3%
<b>Total Cost</b>	<b>(8,786.5)</b>	-86.8%	<b>(7,535.9)</b>	-90.7%	(1,250.6)	-14.2%
Cost of sales and services	(8,477.6)	-83.7%	(7,055.3)	-84.9%	(1,422.3)	-16.8%
Cost of organizing concerts and shows	(308.8)	-3.0%	(480.6)	-5.8%	171.7	55.6%
<b>Gross Profit</b>	<b>1,339.2</b>	13.2%	<b>774.3</b>	9.3%	(564.9)	-42.2%
Selling and admin expenses	(1,548.1)	-15.3%	(1,482.3)	-17.8%	(65.8)	-4.2%
Other income	110.7	1.1%	97.2	1.2%	(13.5)	-12.2%
Net Gain from spectrum license reimbursement	-	0.0%	344.3	4.1%	344.3	100.0%
Provision for Long-term Employee Benefits expenses according to the draft of Labor Protection Act	(134.8)	-1.3%	-	0.0%	(134.8)	-100.0%
Doubtful debt from termination of joint venture agreement in the joint venture	-	0.0%	(145.6)	-1.8%	145.6	100.0%
Share of profit (loss) of associates held by subsidiary	17.7	0.2%	28.0	0.3%	10.3	58.5%
Finance costs	(168.7)	-1.7%	(126.9)	-1.5%	(41.8)	-24.8%
<b>Profit before income tax expense</b>	<b>(384.0)</b>	-3.8%	<b>(511.1)</b>	-6.2%	(127.1)	-33.1%
Income tax (expense) revenue	72.1	0.7%	61.8	0.7%	(10.3)	-14.2%
Profit for the period	(311.9)	-3.1%	(449.3)	-5.4%	(137.3)	-44.0%
<b>Net Profit attributable to BEC World</b>	<b>(330.2)</b>	-3.3%	<b>(397.2)</b>	-4.8%	(67.0)	-20.3%
Non-controlling interests	18.2	0.2%	(52.1)	-0.6%	(70.4)	-385.7%
<b>EBITDA</b>	<b>3,451.0</b>	34.1%	<b>2,351.6</b>	28.3%	(1,099.4)	-31.9%

### Revenue

Total revenue of BEC Group for the year 2019 was at Baht 8,310.2 million, a decrease of Baht 1,815.0 million or a 17.9% decline from year 2018 at Baht 10,125.7 million

BEC Group's advertising income for the year 2019 was at Baht 6,743.5 million, a decrease of Baht 1,899.9 million or 22% from the year 2018 at Baht 8,643.4 million. The decrease in advertising income was mainly from the high competition and being under constant pressure from the Thai economy in 2019 during which advertisers' advertising budgets were constrained. Advertising income from radio business also decreased while

the advertising income, largely from the advertising sales of Channel 3, remained the main contribution of the total revenue of BEC group and accounted for around 81.1% of total revenue compared with 85.4% in the previous year.

Income from copyrights and other services for the year 2019 was at Baht 953.3 million, a decrease of Baht 87.0 million or 8.4% from the year 2018 at Baht 1,040.3 million.

Income from organizing concerts and shows for the year 2019 was at Baht 557.0 million which increased by Baht 188.5 million or 51.1% from the year 2018 at Baht 368.5 million in line with the

increase in number and scale of activities during the year. BEC's shows and events in 2019 included Disney On Ice, Walking with Dinosaurs 2019, The Lion King, Miss Thailand World 2019, and concert arrangement for Ed Sheeran Divide World Tour 2019, Westlife The Twenty Tour, and Backstreet Boys DNA World Tour.

### **Expenses**

Total expenses of BEC Group for year 2019 was at Baht 7,535.9 million, a decrease of Baht 1,250.6 million or 14.2% from year 2018 at Baht 8,786.5 million.

Cost of sales and services for year 2019 was at Baht 7,055.3 million, a decrease of Baht 1,422.3 million or 16.8% from year 2018 at Baht 8,477.6 million. The lower cost of sales and services was due to the ongoing cost management, adjustment of TV programs, and rerun of Drama series. Moreover, there was lower license amortization adjustment from the impact under Section 44 and had included compensation expenses from organization downsizing.

The cost of concerts and shows for year 2019 was at Baht 480.6 million, an increase of Baht 171.7 million or 55.6% from higher number and size of events during the year.

### **Gross Profit**

Gross Profit for year 2019 was at Baht 774.3 million, a decrease of Baht 564.9 million or 42.4% from year 2018 at Baht 1,339.2 million with gross profit for year 2019 of 9.3%

While BEC group's selling and administrative expenses had continuously decreased during the year, the selling and administrative expenses for year 2019 was at Baht 1,482.3 million, a decrease

of Baht 65.8 million or 4.2% from year 2018 at Baht 1,548.1 million in spite of the compensation expenses from organization downsizing from the return of two digital TV licenses 13Family and 28SD channels.

After the termination of broadcasting on October 1, 2019, NBTC approved a compensation payment in the amount of Baht 1,129.5 million (Before the deduction of the 4th spectrum license fee including VAT, withholding tax, and others). The subsidiary of the Company had already received the net cash compensation on October 1, 2019 and the difference between the book value and the compensation was recognized as net revenue from the return of the spectrum license in the amount of Baht 344.3 million in the income statement.

In December 2019, BEC-Tero Entertainment Public Company Limited, a subsidiary of the Company has terminated its joint venture agreement in Forever BEC-Tero Company Limited with Forever Group Company Limited and had set aside allowance for doubtful debt in the amount of Baht 145.6 million.

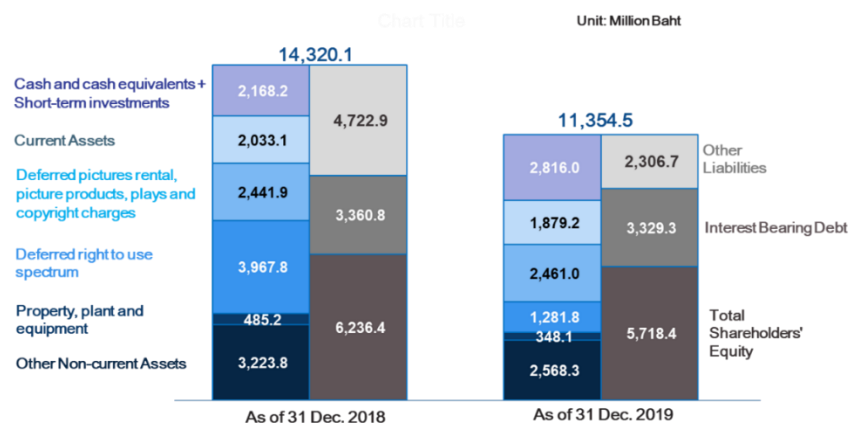
### **Finance costs**

Financial cost for year 2019 was at Baht 126.9 million, a decrease of Baht 41.8 million or 24.8% from year 2018 at Baht 168.7 million due to the lower interest-bearing debt.

### **Conclusion**

In conclusion, BEC Group reported consolidated Net loss attributable to BEC World of Baht 397.2 million, with net cash flow from operation of Baht 2,441.7 million and Cash and cash equivalents of Baht 2,816.0 million as at ending Year 2019.

## Statement of Financial Position



### Assets

As at December 31, 2019, BEC group had total assets of Baht 11,354.5 million which decreased by Baht 2,965.5 million or 20.7% from Baht 14,320.1 million as of December 31, 2018, mainly from the decrease in the deferred right to use spectrum from returning the broadcasting licenses of Channel 3Family and Channel 28SD and the reduction of license fees for installment 5 and 6 of all 3 channels according to Sections 44.

Total current assets increased by 11.8% to Baht 4,695.3 million mainly from cash and cash equivalent and short-term investments on its consolidated balance sheet totaling Baht 2,816.0 million, an increase of Baht 647.8million or 29.9% from the year ending 2018 at Baht 2,168.2 million. The Company received a compensation from NBTC after the termination of broadcasting of Channel 3Family and Channel 28SD on September 30, 2019 in the amount of Baht 1,129.5 million. This compensation, after the deduction of the 4<sup>th</sup> spectrum license fee and others, was recorded as other receivable from the return of the licenses in amount of Baht 856.06 million.

Total non-current assets decreased by Baht 3,459.5 million or 34.2% to Baht 6,659.2 million. The decrease was mainly from lower deferred rights to use spectrum totaling of Baht 2,685.9 million or 67.7% declined from December 31,

2018 at Baht 3,967.8 million to Baht 1,281.8 million as of December 31, 2019 from the return of broadcasting licenses of Channel 3Family and Channel 28SD and the reduction of license fees for installment 5 and 6 of all 3 channels according to Sections 44 during the year 2018. In addition, the deferred rights to use property decreased by Baht 132.2 million and property, plant and equipment decreased by Baht 137.1 million while deferred pictures rental, picture products, plays and copyright charges, deposit on pictures copyright, and prepaid plays production together decreased by Baht 431.6 million. Deferred tax assets increased by Baht 170.4 million, mainly due to unutilized tax losses.

### Liabilities

As at December 31, 2019, BEC group had total liabilities of Baht 5,636.0 million, a decrease of Baht 2,447.6 million or 30.3% from end of year 2018 at Baht 8,083.7 million, mainly from the decrease of accrued rights to use spectrum resulted from Sections 44 by Baht 2,193.6 million. Current liabilities decreased from lower trade and other payables by Baht 17.7 million, lower accrued expenses by Baht 106.5 million, and lower other current liabilities by Baht 68.7 million from lower revenue department accounts payable.

Interest-bearing debt decreased by Baht 31.4 million from Baht 3,360.8 million as at ending year 2018 to Baht 3,329.3 million as at ending year 2019, mainly from bank overdrafts and short-term

borrowings from financial institutions which decreased by Baht 27.9 million. Approximately 90% of the interest-bearing debt was the 5-year debenture amounting to Baht 3,000 million issued in 2017 with a coupon rate of 3.14%.

### **Shareholders' equity**

As at December 31, 2019, BEC group had total shareholders' equity of Baht 5,718.4 million baht

(total shareholders' equity of Parent Company was at Baht 5,623.3 million and for non-controlling interest was at Baht 95.1 million) which decreased by Baht 517.9 million from 31 December 2018 at Baht 6,236.4 million. Moreover, the decrease in total shareholders' equity was mainly due to the decrease in retained earnings of Baht 397.2 million from net loss for the year.

## **Statement of Cash Flows**

---

For the statement of cash flows for the year ended December 31, 2019, BEC Group had net cash from operating activities of Baht 2,441.7 million with cash provided from operation of Baht 2,750.0 million which decreased by 23.9% from the end of December 31, 2018. This was mainly from a decrease on revenue being partially offset by cost reduction and cash from tax refund.

Net cash used from investing activities was Baht 1,830.6 million, which decreased by Baht 266.4 million or 12.7% from the year ending 2018 at Baht 2,097.1 million, with cash received from the return of the licenses of Baht 1,129.5 million and cash payment for right to use spectrum of Baht 545.6 million. Cash used for pictures rental, picture products, plays and copyright charges increased by Baht 254.2 million or 11.6% from the

end of December 31, 2018 at Baht 2,184.7 million to Baht 2,439 million as of December 31, 2019.

In addition, the BEC group had a lower net cash flow from financing activities by Baht 62.1 million, most of which were from the decrease in bank overdrafts and short-term borrowings from financial institutions which decreased by Baht 27.9 million.

When combined with cash and cash equivalents at the beginning of the period, BEC Group had consolidated cash and cash equivalents at the end of the year 2019 of Baht 2,665.3 million. Including short-term investments, BEC Group reported consolidated cash and cash equivalents and short-term investments totaling Baht 2,816.0 million.

## **Management's Perspective and Future Operating Strategies**

---

For the year 2020, the Thai economy continues to face high uncertainty from both external factors, such as the slowdown of the global economy and trade wars, and domestic factors, such as stagnant GDP growth and the concerns over the Covid-19 epidemic affecting investor confidence and tourism. These factors have adversely affected tourism industry which provides major income to Thailand and, in turn, affects the advertising spending.

In December 2019, the Board of Directors (BOD) approved BEC's new vision, mission, and corporate values to reflect with the group's new strategy, placing greater focusing on customers and the drive to shift the business to new streams of revenue and profitability. The BOD validated the vision to become "Thailand's leading content and entertainment platform", recognizing BEC is no longer simply a TV operator. The management team strives to rebuild BEC World as a forward-thinking and lean organization, leveraging Ch.3 creative DNA to deliver fresh and new content for today's users, and technology to deliver innovative and effective media, across all screens, beyond Thailand.



In the year 2020, BEC will use six strategic pillars as follows,

- 1. New Media:** Direct-To-Consumer (D2C) will enable brands to turn viewers, whether on TV or online, via Call Center, QR scanning, App, to become potential buyers. Our media will drive conversion: sales, leads, traffic, depending on the brand's objectives.
- 2. Global Distribution:** Continuing our international expansion, with focus on China and Indochina, targeting to double revenue from last year.
- 3. Digital:** Revamping and rebranding CH33 online platform to CH3 Plus, consolidating all Ch.3 content into one destination (drama, news, variety, movies, originals), both live and re-run watching. Beyond that CH3 Plus will be one of the channels for D2C (Direct-To-Consumer) connecting TV and online. We will also launch a Point system to reward viewers, both on TV and online, enabling BEC to know its users.
- 4. New Content:** BEC announced its content strategy, focusing first on a "New Prime Time" from 18:00 - 22:35 hrs, broken down into three slots:
  - 1) 18:00 - 19:00 new variety programs for workers on the way home,
  - 2) 19:00 - 20:00 more focus on drama for the family audience and
  - 3) 20:00 - 22:30 for the more urban core drama audience.Looking at Nielsen's data, 18:00-22:35 is the highest peak of TV viewers, with 19:00-20:00 having the highest number of viewers within a day.
- 5. From Artist to Talent Management:** Better leverage our artist's talent beyond acting by expanding their screen presence through new programs, merchandising, and export them overseas.
- 6. Data:** Data is an important tool in understanding consumers. There will be a collection of audience data to be able to adapt the content to consumers' needs and our customers' demand.

The above action plan includes risk diversification and revenue source diversification in order to respond to the fast-changing industry conditions and to enable BEC group to grow sustainably. We have set a target to adjust the revenue structure of the Company by 2023 to increase non-TV spot advertising income to 35% from currently under 20% via new media and businesses.

Please be informed accordingly.

Best regards,

A handwritten signature in black ink, appearing to be 'Piriya-dit Choophungart'.

(Piriya-dit Choophungart)

Chief Financial Officer

BEC World Public Company Limited

## Key Financial Ratios

Financial Ratios	FY2018	FY2019
Current Ratio (Times)	<b>1.85</b>	<b>2.34</b>
EBITDA to Revenue (%)	<b>34.08%</b>	<b>28.30%</b>
Net Profit to Revenue (%)	<b>-3.26%</b>	<b>-4.78%</b>
Book Value Per Share (Baht/Share)	<b>3.12</b>	<b>2.86</b>
Earning Per Share (Baht/Share)	<b>-0.17</b>	<b>-0.20</b>
Return on Total Assets (%)	<b>-2.68%</b>	<b>-3.98%</b>
Return on Equity (%)	<b>-5.29%</b>	<b>-6.78%</b>
Total Debt to Equity	<b>1.30</b>	<b>0.99</b>
Interest Bearing Debt to Equity (Times)	<b>0.54</b>	<b>0.58</b>
Net Interest Bearing Debt to Equity (Times)	<b>0.19</b>	<b>0.09</b>
Net Interest Bearing Debt to EBITDA (Times)	<b>0.35</b>	<b>0.22</b>

Note :

Current ratio	=	Current assets divided by current liabilities
EBITDA to sales revenue	=	EBITDA divided by sales revenue
Net profit on sale revenue	=	Net profit divided by sales revenue
Book Value Per Share	=	Total Shareholders' Equity divided by number of shares
Earning Per Share	=	Profit(Loss) attribute to equity holders of the parent divided by number of shares
Return on total assets	=	Net profit divided by average total assets
Return on equity	=	Net profit divided by average total shareholder's equity
Interest Bearing Debt to Shareholders' Equity	=	Interest Bearing Debt divided by shareholder's equity
Net Interest Bearing Debt to Equity	=	Interest Bearing Debt net from cash and cash equivalent and current investments divided by shareholder's equity
Net Interest Bearing Debt to EBITDA	=	Interest Bearing Debt net from cash and cash equivalent and current investments divided by EBITDA
EBITDA	=	Earning Before Interest, Tax, Depreciation and Amortization