



MANAGEMENT DISCUSSION AND ANALYSIS 2Q/2022

August 11, 2022



BEC Group reported net profit attributable for the first half of 2022 performance at Baht 346.9 million, increasing 7.2% YoY from the first half of 2021 at Baht 323.5 million

Business Overview 2Q/22

- BEC World Public Company Limited or (“BEC Group”, “The Company”) reported net profit attributable to the Company in 2Q/22 at Baht 173.1 million, close to the previous quarter at Baht 173.8 million but decreasing 6.3% YoY from 2Q/21 at Baht 184.7 million from the decrease in income from copyright and other services from the previous year. The Company's gross profit margin was at 30.3% in 2Q/22. The Company continued to be profitable from 3Q/20 to this quarter.
- In 2Q/22 advertising spending for television media increased from 1Q/22, but the impact of inflation which continued to increase from rising energy and commodity prices amid rising production costs affected the purchasing power of consumers and caused advertisers to slow down the use of advertising budget and adopt a wait and see strategy to assess the situation towards the end of 2Q/22. However, The Company was optimistic that the situation would improve in 3Q on account of softening energy prices and the gradual recovery of the tourism industry.
- In 2Q/22, revenue from Global Content Licensing business and Digital Platform business amounted to Baht 163.0 million, accounting for 12.1% of revenues from operation.
- On April 22, 2022, the Annual General Shareholder Meeting of the Company for the year 2022 approved the dividend payment to shareholders at Baht 0.25 per share, amounting to Baht 500 million, which was paid on May 19, 2022.
- On May 11, 2022, The Company successfully issued and offered debentures totaling Baht 2,000 million, (Debenture No. 1/2022 Tranche 1 and Tranche 2) for refinancing of the existing debentures No. 1/2017 amounting to Baht 3,000 million which matured on May 31, 2022. The remaining Baht 1,000 million was paid by cash from operating activities.
- Cash and Cash equivalents in the statement of financial position decreased 18% or decreasing by Baht 847.1 million to Baht 3,871.1 million as at 2Q/22 from Baht 4,718.2 million as at December 31, 2021, due to the dividend payment and partial debenture repayment totaling Baht 1,500 million. The Company had a net cash flow from operating activities of Baht 1,584.0 million for the first half of 2022.

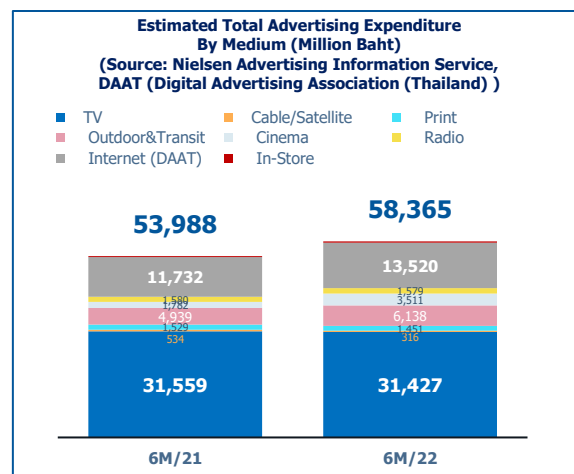


Economic Overview and Market Situation

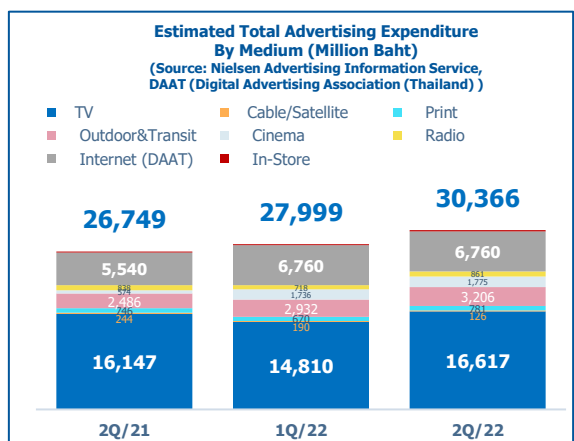
The Thai economy in 2Q/22 continued to face uncertainty from global factors including the prolonged conflict between Russia and Ukraine which affected commodity prices especially in the energy and food sectors and risks from US tightening monetary policy leading to higher financial costs. Capital was moved out of developing countries and resulted in lower liquidity in the global financial system while the risk from China's strict Zero Covid policy which had affected the Thai export sector.

A major domestic risk since the beginning of 2022 was energy price which represented the main cost of production and transportation rapidly increased and led to high inflation. In June 2022, the inflation rate reached 7.66% compared to the same period last year. Although, on May 1, 2022, the Test & Go measure was lifted to stimulate the tourism sector, the recovery was still slow. This was partly due to the decline in Chinese tourists due to the Zero Covid policy causing a lock down in several major cities in China.

Nielsen Media Research ("Nielsen") reported the estimated advertising expenditures (AdEx) for the first half of 2022 ("1H/22") at Baht 58,365 million increasing Baht 4,377 million or 8.1% YoY from the first half of 2021 ("1H/21"). The media with the most increase from 1H/21 was from the Cinema media which increased 97.0% YoY and In-Store media which increased 27% YoY after COVID-19 pandemic situation had lessened this year.



The total advertising spending of TV group (TV + Cable/Satellite TV) was at Baht 31,743 million decreasing Baht 350 million or decreasing 1.1% YoY mainly from the decline in advertising spending for the Cable/Satellite TV. However, TV group continued to dominate in media spending and accounted approximately 54.4% of the total spending.



AdEx in 2Q/22 was at Baht 30,366 million, increasing Baht 3,617 million or increasing 13.5% YoY from 2Q/21 at Baht 26,749 million and increasing Baht 2,367 million or increasing 8.5% QoQ from 1Q/22. The total TV group continued to dominate in media spending and accounted approximately 55.1% of the total spending.

The media with the highest increase in 2Q/22 was Cinema media, which increased 209.2% YoY from 2Q/21 and increasing 2.2% QoQ from 1Q/22, while In-Store media increase 37.9% YoY from 2Q/21 and increasing 31.1% QoQ from 1Q/22. The media with the highest decline was Cable/Satellite TV decreasing 48.8% YoY from 2Q/21 and decreasing 33.7% QoQ from 1Q/22.

In addition, the total advertising spending of TV group was at Baht 16,731 million increasing 2.1% YoY from 2Q/21 and increasing 11.6% QoQ from 1Q/22.

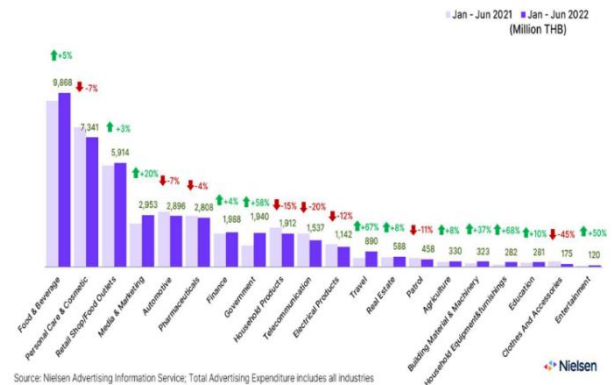
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The top three industries with the highest advertising spending in 1H/22 compared to 1H/21 were:

1. Food & Beverage Industry, with spending of Baht 9,868 million or increasing 5% YoY
2. Personal Care and Cosmetic Industry, with spending of Baht 7,341 million or decreasing 7% YoY
3. Retail Shop/Food Outlets Industry, with spending of Baht 5,914 million increasing 3% YoY



SIGNIFICANT DEVELOPMENTS IN 2Q/22

In 2Q/22, BEC Group had significant business developments as follows.

1. Global Content Licensing Business had simulcast the following drama series:
 - "The Miracle of Teddy Bear" via Netflix based on the Date on Broadcasting (DOB) business model to 25 countries in Asia
 - "Love and Deception" via VIU in Indonesia
 - "My Romance from Far Away" via VIU in Malaysia, Indonesia, and Singapore
2. BEC Group held a signing ceremony for a memorandum of understanding for academic cooperation between the Company and the representatives from 11 universities through the exchange of academic knowledge and the assignment of students to work as interns in the Company. This would enable both to develop curriculum and academic cooperation together and to foster talented personnel for the entertainment industry
3. On June 9, 2022, the "3Plus x Gulf Star of The Year" activity was held. This was an engagement activity for Fandom in CH3Plus Premium with the Star of The Year 2021 award ceremony and Mini Fan Meeting event with Gulf Kanawut, the winner of the Star challenge. In addition, the event "3Plus Line Up 2022: We Belong Together" under the slogan "Anywhere Any Device" was also organized. It would reveal the line-up content that would be broadcast on the CH3Plus and exclusive content that would be broadcast on CH3Plus only. Additionally, the Company launched a new feature "3Plus Points", which allows CH3Plus Premium subscribers to complete in various tasks and to collect points in order to redeem special privileges.
4. On June 19, 2022, a pre-production Thai ritual ceremony was organized for 3 upcoming dramas which would be produced by BEC Studio including "Undercover Kitchen", "The Scammer Games", and "The Office Games". These titles would be the first three drama contents under the In-House Production of BEC Group.
5. Issuance and offering of Debentures up to Baht 2,000 million to institutional investors and/or high net worth investors.

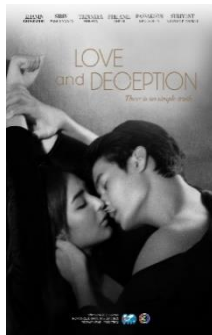
On May 11, 2022, the Company successfully issued and offered debentures totaling Baht 2,000 million, which was unsubordinated, unsecured and with debenture holders' representative. There would be interest payment every 6 months throughout the tenors of the debentures, with two tranches as follows:

Tranche 1: 3-year tenor, Interest Rate 4.20% p.a., Issued amount Baht 1,245.3 million



Tranche 2: 5-year tenor, Interest Rate 5.10% p.a., Issued amount Baht 754.7 million

The debentures had been rated by TRIS Rating Co., Ltd. with a rating of “BBB” with a “Positive” outlook. The cash proceeds from the issuance and offering of the debentures was used to refinance the existing debentures No. 1/2017 (Baht 3,000 million) which matured on May 31, 2022, totaling Baht 2,000 million and the remaining Baht 1,000 million was paid by cash from operating activities.



Drama Simulcast in 2Q/22



Academic Cooperation Memorandum Signing Ceremony between the Company and representatives of 11 universities



Pre-production Thai ritual ceremony for 3 Dramas that will be produced by BEC Studio



3Plus x Gulf Star of The Year

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Consolidated Performance Summary

STATEMENT OF INCOME (Consolidated)	2Q/22		2Q/21		1Q/22		YoY		QoQ	
	M.TH.B	%	M.TH.B	%	M.TH.B	%	(+/-)	%	(+/-)	%
Revenues from Operation*	1,348.3	100.0%	1,504.7	100.0%	1,240.9	100.0%	(156.5)	-10.4%	107.4	8.7%
Advertising income	1,179.4	87.5%	1,222.3	81.2%	1,096.0	88.3%	(42.9)	-3.5%	83.3	7.6%
Income from copyright and other services	168.9	12.5%	282.4	18.8%	144.9	11.7%	(113.6)	-40.2%	24.0	16.6%
Total Cost	(940.1)	-69.7%	(1,047.7)	-69.6%	(875.1)	-70.5%	(107.6)	-10.3%	65.0	7.4%
Cost of sales and services	(940.1)	-69.7%	(1,047.7)	-69.6%	(875.1)	-70.5%	(107.6)	-10.3%	65.0	7.4%
Gross Profit	408.1	30.3%	457.0	30.4%	365.8	29.5%	(48.9)	-10.7%	42.3	11.6%
Selling and Admin Expenses	(175.6)	-13.0%	(207.2)	-13.8%	(172.8)	-13.9%	(31.6)	-15.3%	2.8	1.6%
Other income	12.0	0.9%	12.2	0.8%	13.8	1.1%	(0.2)	-1.9%	(1.8)	-12.9%
Non-Recurring Item - Loss on valuation of investments in non-marketable equity securities	-	0.0%	(2.6)	-0.2%	-	0.0%	(2.6)	-100.0%	-	0.0%
Reverse (Impairment loss) in accordance with Financial Reporting Standard No. 9	7.0	0.5%	(1.0)	-0.1%	27.6	2.2%	(8.0)	-803.4%	20.5	74.5%
Finance costs	(33.6)	-2.5%	(24.1)	-1.6%	(23.5)	-1.9%	9.4	39.2%	10.0	42.7%
Profit before income tax expense	218.0	16.2%	234.3	15.6%	210.8	17.0%	(16.3)	-7.0%	7.2	3.4%
Income tax expense	(44.9)	-3.3%	(49.6)	-3.3%	(37.0)	-3.0%	(4.7)	-9.5%	7.9	21.2%
Profit for the period	173.1	12.8%	184.7	12.3%	173.8	14.0%	(11.6)	-6.3%	(0.7)	-0.4%
Net Profit attributable to BEC World	173.1	12.8%	184.7	12.3%	173.8	14.0%	(11.6)	-6.3%	(0.7)	-0.4%
Non-controlling interests	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	75.0%

*Revenues from Operation (excluding other income) for analysis in the Management Discussion and Analysis.

REVENUE

BEC Group's advertising income in 2Q/22 was at Baht 1,179.4 million, decreasing 3.5% YoY from 2Q/21 at Baht 1,222.3 million but increasing 7.6% QoQ from 1Q/22 at Baht 1,096.0 million from introduction of new contents. The decline in advertising income in 2Q/22 from 2Q/21 was from the continuously declining advertising budget throughout 2Q/22. Meanwhile, inflation rate continued to increase throughout the quarter, especially in June 2022, as inflation rate reached 7.66%. This was the highest in 13 years and affected consumer purchasing power causing the advertisers to slow down the use of advertising budget and adopt a wait and see strategy to assess the situation towards the end of 2Q/22.

Income from copyright and other services consisted mainly of two businesses, including revenue from Global Content Licensing Business and Digital Platform Business. Income from copyright and other services in 2Q/22 was at Baht 168.9 million decreasing 40.2% YoY from 2Q/21 but increasing 16.6% QoQ from 1Q/22. The revenue from Global Content Licensing business in 2Q/22 was at Baht 65.6 million decreasing Baht 19.8 million or decreasing 23.2% YoY from 2Q/21 but increasing Baht 11.3 million or increasing 20.9% QoQ from 1Q/22 due to higher Simulcast drama r in this quarter. The revenue from Digital Platform business in 2Q/22 was at Baht 97.4 million decreasing Baht 91.5 million or decreasing 48.4% YoY from 2Q/21 but increasing Baht 10 million or increasing 11.4% QoQ from 1Q/22. The decline of digital platform revenue in 2Q/22 from 2Q/21 was from the selling plan in this year in which the majority of licensing contents to local platforms would occur in the second half of 2022. The combined revenue of the two businesses in 2Q/22 amounted to Baht 163.0 million or accounting for 12.1% of revenue from operation.

BEC Group's revenue from operation for 2Q/22 was at Baht 1,348.3 million decreasing 10.4% YoY from 2Q/21 but increasing 8.7% QoQ from 1Q/22. In addition, the advertising income of Channel 33 remained the main source of income for the BEC Group, accounting for 87.5% of the revenues from operation.

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COST

Cost of sales and services for 2Q/22 was at Baht 940.1 million, decreasing 10.3% YoY from 2Q/21 at Baht 1,047.7 million thanks to the ongoing cost control. Cost of sales and services increased by 7.4% QoQ from 1Q/22 at Baht 875.1 million from the increase in usage of First-Run dramas content during 2Q/22.

GROSS PROFIT

BEC Group's gross profit in 2Q/22 was at Baht 408.1 million, decreasing Baht 48.9 million or decreasing 10.7% YoY from 2Q/21 but increasing Baht 42.3 million or increasing 11.6% QoQ from 1Q/22 from increasing revenue. Gross profit margin of BEC Group in 2Q/22 was at 30.3%

BEC Group's selling and administrative expenses in 2Q/22 were at Baht 175.6 million, decreasing Baht 31.6 million or decreasing 15.3% YoY from 2Q/21 but slightly increasing 2.8% QoQ or increasing 1.6% QoQ from 1Q/22 mostly from higher selling expenses from increasing use of advertising.

NON-RECURRING ITEM

In 2Q/22 BEC group had reversed impairment in accordance with Financial Reporting Standard No. 9 of Baht 7 million, while in 1Q/22 was at Baht 27.6 million, a significant decrease in line with the reduction of the long outstanding account receivable.

FINANCIAL COST

BEC group's financial cost in 2Q/22 was at Baht 33.6 million, increasing Baht 9.4 million or increasing 39.2% YoY from 2Q/21 and increasing Baht 10.0 million or increasing 42.7% QoQ from 1Q/22. This increase was from the Company's issuance of a new debenture amounting to Baht 2,000 million on May 11, 2022, including Tranche 1: Three-year tenor, 4.20% p.a. at Baht 1,245.3 million and Tranche 2: Five-year tenor, 5.10% p.a. at Baht 754.7 million. Proceed was used to partially refinance the existing debentures of Baht 3,000 million (Fixed Rate at 3.14% per year) which matured on May 31, 2022. There was an overlap period between the maturity of the existing debenture and the new tranches as well as higher interest rates for the new debentures.

INCOME TAX EXPENSES

Income tax expenses of BEC Group in 2Q/22 was at Baht 44.9 million, decreasing Baht 4.7 million or decreased 9.5% YoY from 2Q/21 according to the decrease in profit, but increasing Baht 7.9 million or increased 21.2% QoQ from 1Q/22.

CONCLUSION

In conclusion, BEC Group report a consolidated net profit attributable to BEC World of Baht 173.1 million or decreasing 6.3% YoY from 2Q/21 and decreasing 0.4% QoQ from 1Q/22. Moreover, BEC Group had a net cash from operation of Baht 1,584.0 million and Cash and Cash equivalents of Baht 3,871.1 million as at ending 2Q/22



DRIVING BUSINESS FOR BEC GROUP'S SUSTAINABILITY

BEC Group values performance together with sustainable growth for Environment, Social and Governance (ESG). In 2Q/22, the Company carried out various activities related to ESG as follows:

Environmental Aspect

- BEC Group staff participated in the "Kick off, Bangkok Governor challenges the media to plant a million trees" according to Mr. Chadchart Sittipunt's (Bangkok Governor) green city campaign for "One Million Trees Planting Project, to create green spaces and dust filtrations for Bangkok" at Chaloen Phra Kiat Park in Bang Bon district.



Social and Community Aspect

- Building on the success of "Mommy I Love You" Drama by arranging a Special Live talk with M.D. Ananya Sinrachatanant from Yuwaprasart Waithayopatum Child and Adolescent Psychiatric Hospital, Department of Mental Health on the topic "How to tell your child, when your father has a new partner, who is male?". This helps promote family relationships and openness to LGBTQ+ society.
- BEC Group expanded its' "Channel 3 Volunteer to Do Good Project" by donating products sold in the Channel 3 Store to organizations that contribute to society such as the Border Patrol Police Headquarters which would delivers the products to teachers and students of the Border Patrol Police School, Queen Sirikit National Institute of Child Health which would delivers the products to doctors, nurses, and patients, and the Foundation For The Blind in Thailand under the Royal patronage of H.M. the Queen to be used as teaching materials and other school activities.



Governance Aspect

- In early July 2022, BEC World Public Company Limited was certified by the Thai Private Sector Collective Action against Corruption (CAC) to assure that BEC Group has standards and commitment to establish a robust organizational structure to achieve the principles of Good Governance, Transparency, and Comprehensive Anti-Corruption Policies.



Best regards,

(Piriya-dit Choophungart)
Executive Vice President, Finance & Accounting
BEC World Public Company Limited