



## MANAGEMENT DISCUSSION AND ANALYSIS 3Q/2022

November 11, 2022



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***BEC Group report net profit attributable for first nine-months of 2022 performance at Baht 458.2 million, with net cash from operation of Baht 2,271 million and Cash and Cash equivalents of Baht 4,002 million as at ending 3Q/22***

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### **Business Overview 3Q/22**

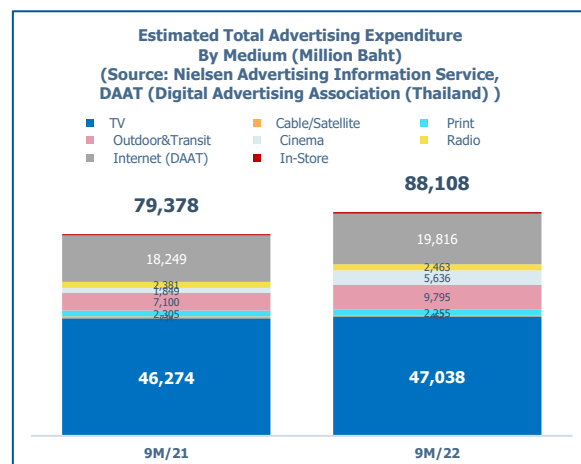
- In 3Q/22, advertising spending for television media decreased from 2Q/22 as a result of flood in urban and agricultural areas in many provinces in September and continuing into October 2022. Inflation remained high from rising energy and commodity prices amid rising production costs, which affected 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 3Q/22.
- BEC World Public Company Limited or (“BEC Group”, “The Company”) reported a net profit attributable to the Company in 3Q/22 at Baht 111.3 million, decreasing 35.7% QoQ from 2Q/22 at Baht 173.1 million and decreasing 22.1% from 3Q/21 YoY at Baht 142.9 million from lower income from copyright and other services from the same period in the previous year. The Company has a gross profit margin of 29.6% in 3Q/22.
- In 3Q/22, revenue from Global Content Licensing business and Digital Platform business amounted to Baht 172.7 million, accounting for 13.3% of revenues from operation.
- Cash and Cash equivalents in the statement of financial position decreased 15.2% or decreasing Baht 716.2 million to Baht 4,002 million as of ending 3Q/22 from Baht 4,718.2 as at December 31, 2021 due to the dividend payment and debenture repayment totaling Baht 1,500 million. The Company had a net cash flow from operating activities of Baht 2,271 million for the first nine-months of 2022.



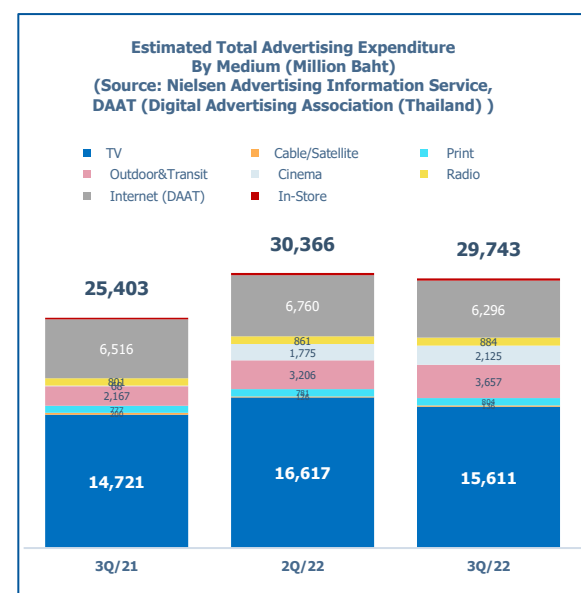
### Economic Overview and Market Situation

The Thai economy in 3Q/22 remained fragile due to many factors with the global economy showing signs of an apparent slowdown while Thailand's trading partner such as the United States has entered into a recession causing the Thai export sector to expand slowly. Additionally, the domestic factors such as high inflation pressured domestic purchasing power and consumption as well as impacted the investment cost of the businesses. Financial costs were on the rising trend from interest rates increases by the central banks. Moreover, floods in urban and agricultural areas were prevalent in many provinces during September and October on the back of the slowdown in the government's economic stimulus measures notwithstanding the expected domestic economic boost from the tourism and services industry during the end of the year since Thailand has been fully open to tourists and PRC had started allowing its citizens to travel.

According to Nielsen Media Research ("Nielsen"), the estimated advertising expenditures ("AdEx") in 9M/22 was at Baht 88,108 million, increasing 11.0% YoY from 9M/21. The media with the most increase from 9M/21 was from the Cinema media increasing by 204.8% YoY and Outdoor & Transit increasing 38.0%. The total TV (TV+Cable/Satellite TV) media spending was at Baht 47,490 million, increasing 1.0% YoY although Cable/Satellite significantly decreased by 38.4% YoY for the first-nine months of 2021. The TV group was still the main advertising media and had the most market share of about 53.9%.



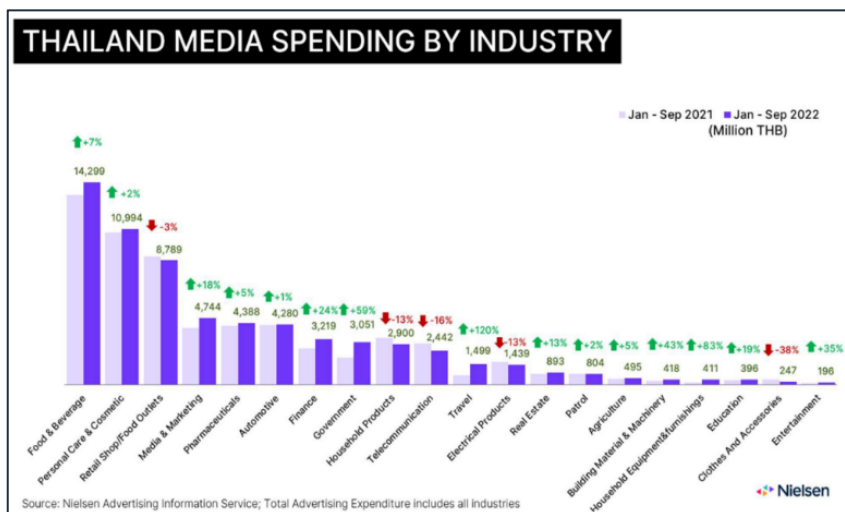
While the AdEx in 3Q/22 was at Baht 29,743 million, increasing Baht 4,340 million or increasing 17.1% YoY from 3Q/21 at Baht 25,403 million but decreasing Baht 623 million or decreasing 2.1% QoQ from 2Q/22 at Baht 30,366 million. The TV group was still the main advertising media and had the most market share of about 52.9%. The media with the highest increase in 3Q/22 was the Cinema media, increasing 3,025% YoY from 3Q/21 and increasing 19.7% QoQ from 2Q/22 as the COVID-19 pandemic situation had lessened this year. The media with the most decrease was the Cable/Satellite media, decreasing from Baht 200 million in 3Q/21 or decreasing 32.0% to Baht 136 million in this quarter, but increasing 7.9% QoQ from 2Q/22 at Baht 126 million. The total TV (TV + Cable/ Satellite TV) media spending was at Baht 15,747 million, increasing 5.5% YoY from 3Q/21 at Baht 14,921 million but decreasing 5.9% QoQ from 2Q/22 at Baht 16,743 million.





The top three industries with the highest advertising spending in first nine-months of 3Q/22 compared to the first nine-months of 3Q/21 were:

1. Food & Beverage Industry, with spending of Baht 14,299 million or increasing 7% YoY
2. Personal Care and Cosmetic with spending of Baht 10,994 million or increasing 2% YoY
3. Retail Shop/Food Outlets with spending of Baht 8,789 million or decreasing 3% YoY



### Significant Developments In 3Q/22

In 3Q/22, The company has developed important business as follows.

1. On July 26, 2022, the Company reported to Stock Exchange of Thailand (SET) for the establishment of a joint venture between BEC World Public Company Limited and Major Joint Film Company Limited, which is an expert in the production of Thai movie. The capital of the Joint Venture is Baht 39.40 million. The Company uses the working capital to invest in an amount of Baht 19.7 million, in which the Company has invested 50% of total capital in Joint Venture.

#### 2. Global Content Licensing

The titles of drama simulcast were:

- The Deadly Affair via Netflix
- Bad Romeo via Netflix, Viu and Tencent
- Suptar 2550 via Netflix



3. On September 14, 2022, "Memorable Meal with PON" activity, which was a CH3Plus's Fandom event, was held during which members who were in the Top 10 spenders for most hearts voted will be able to attend an exclusive lunch and afternoon tea workshop with Pon Natascha.



# BEC WORLD PUBLIC COMPANY LIMITED

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4. On October 10, 2022, the Company broadcasted a special program to promote the upcoming of “CH3’s 2023 attractive dramas”, to emphasize that BEC Group is focused on producing content that will satisfy audiences of all ages and platforms. Next year, there will be a revamp on the News program, collaboration with new producers for variety shows production, and many big budget dramas. There was a launch of the line-up of new dramas and new variety shows. In addition, the first movie business that BEC Group cooperated with M Pictures and Raruek Production, “Buaphan Fan Yap” Starring "Ann Thongprasom" and "Gulf Kanawut", will also be in cinemas on November 24, nationwide.



Upcoming New Dramas for year 2023



Movie “Buaphan Fan Yap”

## Consolidated Performance Summary

STATEMENT OF INCOME (Consolidated)	3Q/22		3Q/21		2Q/22		YoY		QoQ	
	M.THB	%	M.THB	%	M.THB	%	(+/-)	%	(+/-)	%
Revenues from Operation*	1,301.7	100.0%	1,272.1	100.0%	1,348.3	100.0%	29.6	2.3%	(46.5)	-3.4%
Advertising income	1,128.2	86.7%	1,062.7	83.5%	1,179.4	87.5%	65.5	6.2%	(51.2)	-4.3%
Income from copyright and other services	173.5	13.3%	209.4	16.5%	168.9	12.5%	(35.9)	-17.1%	4.6	2.8%
<b>Total Cost</b>	<b>(917.1)</b>	<b>-70.4%</b>	<b>(893.9)</b>	<b>-70.3%</b>	<b>(940.1)</b>	<b>-69.7%</b>	<b>23.1</b>	<b>2.6%</b>	<b>(23.1)</b>	<b>-2.5%</b>
Cost of sales and services	(917.1)	-70.4%	(893.9)	-70.3%	(940.1)	-69.7%	23.1	2.6%	(23.1)	-2.5%
<b>Gross Profit</b>	<b>384.7</b>	<b>29.6%</b>	<b>378.2</b>	<b>29.7%</b>	<b>408.1</b>	<b>30.3%</b>	<b>6.5</b>	<b>1.7%</b>	<b>(23.4)</b>	<b>-5.7%</b>
Selling and Admin Expenses	(229.4)	-17.6%	(185.9)	-14.6%	(175.6)	-13.0%	43.5	23.4%	53.8	30.6%
Other income	8.0	0.6%	10.4	0.8%	12.0	0.9%	(2.4)	-23.2%	(4.0)	-33.4%
Non-Recurring Item - Loss on valuation of investments in non-marketable equity securities	(0.1)	0.0%	-	0.0%	-	0.0%	0.1	0.0%	0.1	0.0%
Reverse (Impairment loss) in accordance with Financial Reporting Standard No. 9	3.2	0.2%	1.1	0.1%	7.0	0.5%	(2.1)	-194.0%	3.8	54.4%
Finance costs	(28.3)	-2.2%	(24.3)	-1.9%	(33.6)	-2.5%	4.1	16.7%	(5.2)	-15.6%
<b>Profit before income tax expense</b>	<b>138.1</b>	<b>10.6%</b>	<b>179.5</b>	<b>14.1%</b>	<b>218.0</b>	<b>16.2%</b>	<b>(41.4)</b>	<b>-23.1%</b>	<b>(79.9)</b>	<b>-36.6%</b>
Income tax expense	(26.9)	-2.1%	(36.6)	-2.9%	(44.9)	-3.3%	(9.8)	-26.7%	(18.1)	-40.2%
Profit for the period	111.3	8.5%	142.9	11.2%	173.1	12.8%	(31.6)	-22.1%	(61.8)	-35.7%
<b>Net Profit attributable to BEC World</b>	<b>111.3</b>	<b>8.5%</b>	<b>142.9</b>	<b>11.2%</b>	<b>173.1</b>	<b>12.8%</b>	<b>(31.6)</b>	<b>-22.1%</b>	<b>(61.8)</b>	<b>-35.7%</b>
Non-controlling interests	0.0	0.0%	0.0	0.0%	0.0	0.0%	-	0.0%	(0.0)	-42.9%

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

## REVENUE

BEC Group’s advertising income in 3Q/22 was at Baht 1,128.2 million, increasing 6.2% YoY from 3Q/21 at Baht 1,062.7 million but decreasing 4.3% QoQ from 2Q/22 at Baht 1,179.4 million, which was in line with the estimated advertising expenditures (AdEx) reported by Nielsen Media Research. The decline in advertising



income in this quarter from the previous quarter was a result of the flooding in urban and agricultural areas in many provinces during September and October 2022. In addition, inflation continued to remain high leading to lower demand for advertising minutes.

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 3Q/22 was at Baht 173.5 million decreasing 17.1% YoY from 3Q/21 but increasing 2.8% QoQ from 2Q/22. The revenue from Global Content Licensing business in 3Q/22 was at Baht 94.1 million increasing 99.0% YoY from 3Q/21 and increasing 43.5% QoQ from 2Q/22 thanks to higher sales of licensing drama in this quarter. Revenue from Digital Platform business in 3Q/22 was at Baht 78.6 million decreasing 50.5% YoY from 3Q/21 and decreasing 19.3% QoQ from 2Q/22, a Global OTT platform player have postponed the purchase of contents from the global economic slowdown. The combined revenue of the two businesses in 3Q/22 amounted to Baht 172.7 million or accounting 13.3% of revenues from operation.

BEC Group's revenue from operation for 3Q/22 was at Baht 1,301.7 million increasing 2.3% YoY from 3Q/21 but decreasing 3.4% QoQ from 2Q/22. In addition, the advertising income of Channel 33 remained the main source of income for the BEC Group, accounting for 86.7% of the revenues from operation.

### **COST**

Cost of sales and services for 3Q/22 was at Baht 917.1 million, increasing 2.6% YoY from 3Q/21 at Baht 893.9 million from the use of more First-run dramas when compared to the same period last year but decreased 2.5% QoQ from 2Q/22 at Baht 940.1 million. This could be attributed to the adjustment in strategy to broadcast re-run dramas during September 2022 in order to reduce costs and adapt to the situation where advertising spending had slowed down against the flood problems in many provinces.

### **GROSS PROFIT**

BEC Group's gross profit in 3Q/22 was at Baht 384.7 million, increasing Baht 6.5 million or increasing 1.7% YoY from 3Q/21 but decreasing Baht 23.4 million or decreasing 5.7% QoQ from 2Q/22 according to the decrease in revenue. Gross profit margin of BEC Group in 3Q/22 was at 29.6%.

BEC Group's selling and administrative expenses in 3Q/22 was at Baht 229.4 million, increasing Baht 43.5 million or increasing 23.4% YoY from 3Q/21 and increasing Baht 53.8 million or 30.6% QoQ from 2Q/22 mostly from higher administrative expenses and the use of advertising media and dramas marketing.

### **FINANCIAL COST**

BEC group's financial cost in 3Q/22 was at Baht 28.3 million, increasing Baht 4.1 million or increasing 16.7% YoY from 3Q/21 on account of the higher interest rates of the Company's new debentures of Baht 2,000 million issued on May 11, 2022. The financial cost, however, decreased by Baht 5.2 million or decreasing 15.6% QoQ from 2Q/22 as there was an overlapping period before the maturity of the existing debenture (matured on May 31, 2022) with the new tranches.

### **INCOME TAX EXPENSES**

Income tax expenses of BEC Group in 3Q/22 was at Baht 26.9 million, decreasing Baht 9.8 million or decreased 26.7% YoY from 3Q/21 and decreasing Baht 18.1 million or decreased 40.2% QoQ from 2Q/22 in line with the decrease in profit.

### **CONCLUSION**

In conclusion, BEC Group reported a consolidated net profit attributable to BEC World of Baht 111.3 million or decreasing 22.1% YoY from 3Q/21 at Baht 142.9 million and decreasing 35.7% QoQ from 2Q/22 at Baht 173.1 million. Moreover, BEC Group had a net cash from operation of Baht 2,271 million and Cash and Cash equivalents of Baht 4,002 million as at ending 3Q/22.

### **DRIVING BUSINESS FOR BEC GROUP'S SUSTAINABILITY**

BEC Group gives importance to business operations together with sustainable growth for Environment, Social and Governance (ESG). In 3Q/22, the Company carried out various activities related to ESG as follows:

#### Social Aspect

- BEC Group' Human Resources Department and BEC News Department jointly organized a training program "CH3 Young Journalist Project No. 1/2565". This is a project to share knowledge and skills from experienced professional journalist. The project received a lot of attention and only 15 people had been selected for the first training program. This project gave the opportunity for people who are interested in the profession to work with professionals as well as the cultivation of social responsibility by presenting quality TV programs, Drama series and News programs to give inspiration and create values for the Thai society on a sustainable basis.



Best regards,



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