

BEC WORLD PLC

No. 20/2025
19 March 2025

CORPORATES

Company Rating:	BBB
Issue Ratings:	
Senior unsecured	BBB
Outlook:	Stable

Last Review Date: 18/03/24

Company Rating History:

Date	Rating	Outlook/Alert
10/03/23	BBB	Stable
07/03/22	BBB	Positive
27/03/20	BBB	Stable
11/03/19	A-	Stable
27/03/18	A	Stable
17/02/17	A+	Stable

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RATIONALE

TRIS Rating affirms the company rating on BEC World PLC (BEC) and the ratings on its existing senior unsecured debentures at “BBB” with a “stable” outlook. The ratings reflect BEC’s leading position in the Thai television (TV) broadcasting sector and its strong balance sheet with substantial cash reserves. The ratings, however, are constrained by the persistent decline in BEC’s revenues, which is a structural trend caused by the company’s reliance on TV advertising that faces subdued economic conditions and shifting audience preferences towards digital media.

KEY RATING CONSIDERATIONS

Advertising revenue to continue declining

Weak economic conditions combined with an audience shift toward digital media lead us to project a continued decline in BEC’s advertising revenue by a mid- to high-single digit percentage, reaching THB2.8-THB3.1 billion over the next two years.

In the past three years, BEC’s advertising revenue has decreased by approximately 10% annually on average. Advertising expenditure generally correlates with economic conditions. Increasing global economic uncertainties coupled with persistently weak domestic growth have further dampened consumer confidence. These factors will continue to deter brand advertising appetite and slow down the launch of new products, which typically necessitate mass communication.

Moreover, TV’s influence as a mass medium is waning as audiences migrate towards on-demand digital content. This transition is expected to further drive the reallocation of advertising budgets. Digital platforms offer cost-effective solutions and advanced targeting capabilities, making them particularly attractive to advertisers, especially during economic downturns.

GCL and digital platform revenue projected to maintain

The widespread popularity of over-the-top (OTT) platforms offers opportunities for the company to monetize its content and partially offset the decrease in advertising revenue. Our baseline forecast estimates revenue from BEC’s global content licensing (GCL) and digital platform business to be THB600-THB650 million per year during 2025-2027.

We expect that more than half of this revenue will be derived from the digital platform business, particularly the “3Plus” platform. BEC developed its own “3Plus” digital platform to align with the growing trend of digital media consumption. Various events and activities associated with new drama series launches are expected to enhance both advertising and subscription revenue.

However, BEC’s policy to slow down investment in the productions of new drama series could impact the quantity of content available for sale and revenue generation. Additionally, many streaming services have cut budgets for content acquisition as they focus on enhancing profitability. Some platforms have also prioritized budgets for producing their own original content.

Attempts for new earnings sources

To reduce reliance on declining advertising revenue, BEC has been seeking to generate income from new sources. The company started a movie business

through a joint partnership with Major Cineplex Group PLC (MAJOR). Since establishment, the joint venture has produced 1-2 movies annually. It is expected that BEC will receive dividends from the movie business of THB30-THB50 million yearly, contributing directly to the company's EBITDA.

Additionally, BEC began its events and artist management business in 2024, reporting revenue of THB177 million. We consider this business to be closely linked with the success and popularity of BEC's drama series. BEC also plans to debut a girl group in an effort to expand the scope of its music business. These activities aim to monetize the value of its artists and complement its entertainment ecosystem. While these new businesses are still in their early phases, successful execution could help strengthen BEC's business and revenue prospects.

Profitability maintained through cost reductions

We anticipate that cost optimization will remain a crucial strategy for BEC to maintain profitability in the near term, a practice that has been implemented in recent years to counteract declining advertising revenue. Prime-time drama series have traditionally been central to BEC's programming, commanding significantly higher advertising rates compared with other TV programs, but also at significantly higher cost. In recent years, BEC has been able to rationalize its expenses in response to weak advertising demand by incorporating rerun content and reducing the airtime of its prime-time drama series. However, this approach may not be sustainable in the longer term. BEC's business strength will erode if the company relies increasingly on rerun content and corporate restructuring to maintain profit amid declining TV advertising revenue.

We project BEC's annual revenue to decline further, from THB3.9 billion to THB3.7 billion during 2025-2027. We project the EBITDA margin to improve slightly to 17% in 2025, up from 16% in 2024, before declining to 12% in 2027. As a result, annual EBITDA is projected to continue declining from THB650 million to THB430 million during the forecast period (the amortization of content rights is treated as an operating cost and has not been added back in our EBITDA calculation). The EBITDA forecast takes into account BEC's recent organization restructuring which will help with employee cost saving.

Ample cash reserves

BEC's strong balance sheet, conservative capital expenditure, and prudent dividend policy should continue to support the company's credit profile. At the end of 2024, BEC reported a cash and cash equivalents balance of THB4.4 billion against adjusted debt of THB2.2 billion. BEC has planned capital expenditure of around THB400-THB450 million in total during 2025-2027. Over the next 12 months, BEC's uses of funds will include debenture repayments amounting to THB1.2 billion, capital expenditure of around THB200 million, and dividend payment of THB80 million. Such substantial cash reserves provide BEC with a cushion to mitigate the impact of earnings challenges in the coming years, as it navigates the declining TV industry.

BASE-CASE ASSUMPTIONS

TRIS Rating's base-case assumptions for BEC's operations in 2025-2027 are as follows:

- Revenues to decline from THB3.9 billion to THB3.7 billion per annum.
- EBITDA margin to decline from 17% to 12%.
- Capital expenditure of THB400-THB450 million in total.

RATING OUTLOOK

The "stable" outlook reflects our expectation that BEC will maintain its strong balance sheet and sustain its market position in the TV broadcasting industry. The outlook also considers ongoing revenue streams from the GCL and digital platform businesses as well as prospects in events and artist management which could partially offset the decline in advertising revenue from the linear TV platform.

RATING SENSITIVITIES

A rating upgrade could occur if the company's operating performance consistently surpasses our expectations, resulting in an annual EBITDA sustained at a level exceeding THB1 billion. Conversely, the rating/outlook could be revised downward if BEC's operating performance continues to decline with prolonged weak earnings, or if BEC's cash reserves deplete due to large investments or dividend payments, which will erode its credit buffer.

COMPANY OVERVIEW

BEC was incorporated in 1969 and started broadcasting Channel 3 TV in March 1970 under an agreement with MCOT PLC. The broadcasting agreement for Channel 3 ended in March 2020. Currently, BEC operates one digital TV channel, Channel 33, under a 15-year license, which will end in April 2029. BEC was listed on the Stock Exchange of Thailand (SET) in July 1996. The Maleenont Family is the major shareholder, holding 40% of the company's outstanding shares. At the end of 2024, BEC's

total revenues was THB4.3 billion. Advertising revenue contributed 81%, the GCL and digital platform businesses 15%, and events and artist management 4%.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2024	2023	2022	2021	2020
Total operating revenues	4,262	4,664	5,136	5,717	5,900
Earnings before interest and taxes (EBIT)	428	458	802	1,168	25
Earnings before interest, taxes, depreciation, and amortization (EBITDA)*	672	721	1,082	1,500	433
Funds from operations (FFO)*	522	603	870	1,327	240
Adjusted interest expense	116	113	116	99	124
Capital expenditures	108	117	192	66	133
Total assets	9,205	9,441	9,617	10,323	9,519
Adjusted debt	0	0	0	0	769
Adjusted equity	6,072	6,147	6,241	6,193	5,409
Adjusted Ratios					
EBITDA margin (%)	15.8	15.5	21.1	26.2	7.3
Pretax return on permanent capital (%)	4.9	5.2	8.7	12.8	0.3
EBITDA interest coverage (times)	5.8	6.4	9.3	15.1	3.5
Debt to EBITDA (times)	0.0	0.0	0.0	0.0	1.8
FFO to debt (%)	n.m.	n.m.	n.m.	n.m.	31.2
Debt to capitalization (%)	0.0	0.0	0.0	0.0	12.4

* Amortization of content rights is treated as an operating cost.

n.m.= Not meaningful

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

BEC World PLC (BEC)

Company Rating:	BBB
Issue Ratings:	
BEC255A: THB1,245.30 million senior unsecured debentures due 2025	BBB
BEC275A: THB754.70 million senior unsecured debentures due 2027	BBB
Rating Outlook:	Stable

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