

TV Thunder PCL (TVT)

Golden era for content provider

BUY

TP: Bt3.30

Closing price: Bt2.80

Upside/downside +18%

- ▶ Ready to move forward with net cash after successful IPO.
- ▶ We project 49% EPS CAGR during FY2015-16, driven by new TV show and additional made to order content.
- ▶ Initiate coverage with a BUY recommendation and 2015 target price of Bt3.30.

Digital TV brings great opportunity

TVT is a top content provider in Thailand and the increase in free TV channels from 6 to 27 channels since 25 Apr 2014 has brought great opportunities for the company with an increase in made to order content. This will help increase the proportion of service revenue from 25% last year to around 40% in 2015 and make the company less dependent on advertising spending which is sensitive to economic conditions. After successfully listing on MAI on 8 May 2015, the company is cash-rich and ready to expand any time an opportunity arises. At present, the company is constructing three studios that are expected to finish within April 2016 to enhance its ability to support higher content production from next year onward.

Expect exponential 49% CAGR of EPS during 2015-16

For 2015-16, we expect TVT to post strong EPS CAGR of 49%. This would be supported by: 1) At least seven new made to order shows this year, bringing its total to at least 14. 2) Successful new foreign format series on Channel 3, *Hidden Single Thailand* which will broadcast 13 episodes this season with additional advertising revenue booked in 2Q15-3Q15. The company is also scheduled to broadcast the third season of *Dance Your Fat Off*, a total of 10 episodes, during Aug-Oct 2015. 3) Expected improvement in profitability after an increase in made to order content allows the company to cancel non-profitable formats from 2014. Together with anticipated slight YoY growth in advertising spending, mainly from digital TV, gross profit margin is expected to increase to 32% from 30% last year. Net profit margin should also improve from a reduction in interest expense.

Initiate coverage with a BUY recommendation

Based on the PEG ratio method with a CAGR of EPS estimate of 49% and 2015 EPS estimate of Bt0.102, the fair value of TVT will be Bt5.00. However, to be conservative, we derived a 2015 target price of Bt3.30 based on the historical PE of the media sector during 2 Jan 13 to 3 July 15, which averaged 32x. TVT is currently trading at a PE of 27x, The current share price of Bt2.80 offers an upside of 18% to our target. BUY.

Sector	Media & Publishing
Paid-up shares (shares mn)	800
Market capitalization (Bt bn)	2.24
Free float (%)	26.62
12-mth daily avg. turnover (Bt mn)	131.75
12-mth trading range (Bt)	3.16/1.75

Major shareholders (%)

Wannapinyo Family	66.4
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Financial Highlights

(Year to Dec)	2013	2014	2015E	2016E
Revenue (Btmn)	468	433	585	706
Net Profit (Btmn)	56	34	82	101
EPS (Bt)	0.19	0.06	0.10	0.13
EPS Growth (%)	28%	-70%	79%	24%
P/E (x)	n.a.	n.a.	27	22
P/BV (x)	n.a.	n.a.	3	3
DPS (Bt)	0.05	0.27	0.04	0.05
Div. Yield (%)	n.a.	n.a.	1%	2%
ROE (%)	21%	13%	12%	14%

Source: SET, AWS estimates

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Well known TV Thunder has been around more than two decade

TV Thunder was set up 30 Nov 1992. Over the last two decades the company has launched a variety of content including drama series, talk shows, and game shows in both foreign and its own formats. Its most famous TV show is *Master Key*, which has been broadcast on analog Channel 3 for over a decade. Some of its other successful shows are *Take Me Out (Thailand)*, *Luang Ta Ma Ha Chon* (sitcom series), *Dance Your Fat Off* and recently *Hidden Single Thailand*. (See Figure1)

Figure 1: TVT's shows in 2015

Content	Type	Broadcast time	Content	Type	Time delivery
Advertising Revenue			Service Revenue		
<u>Master Key</u> 	Contest Show	On Ch3 HD Mon - Fri, 10.10-10.35 A.M.	<u>Variety 3 Parties</u> 	Talk Show	On PPTV HD 2Q14-2Q15
<u>Luange Ta Ma Ha Chon</u> 	Sitcom Series	On Ch3 HD Sat, 8.45-9.15 A.M.	<u>Variety Baeber</u> 	Variety Talk Show	On Thairath TV 1Q15 onwards
<u>Family Fighting</u> 	Game Show	On Ch9 Tue, 8.20-8.50 P.M.	<u>Who's Asking</u> 	Game Show	On Thairath TV 1Q15 onwards
<u>Take Me Out Thailand</u> 	Dating Game	On Ch3 Sat, 2.00-2.45 P.M.	<u>The Price is Right</u> 	Game Show	On True4U 3Q15-4Q15
<u>Hidden Single</u> 	Game Show	On Ch3 Sat, 5.30-7.00 P.M. During 18 Apr - 25 Jul 15		Drama Series	On Ch3 3Q15
<u>Dance Fat Off</u> 	Contest Show	On Ch3 Sat, 5.30-7.00 P.M. During 1 Aug - 3 Oct 15		Drama Series	On Ch3 4Q15

Source: Company data, compiled by AWS

Popular content attracts advertising revenue

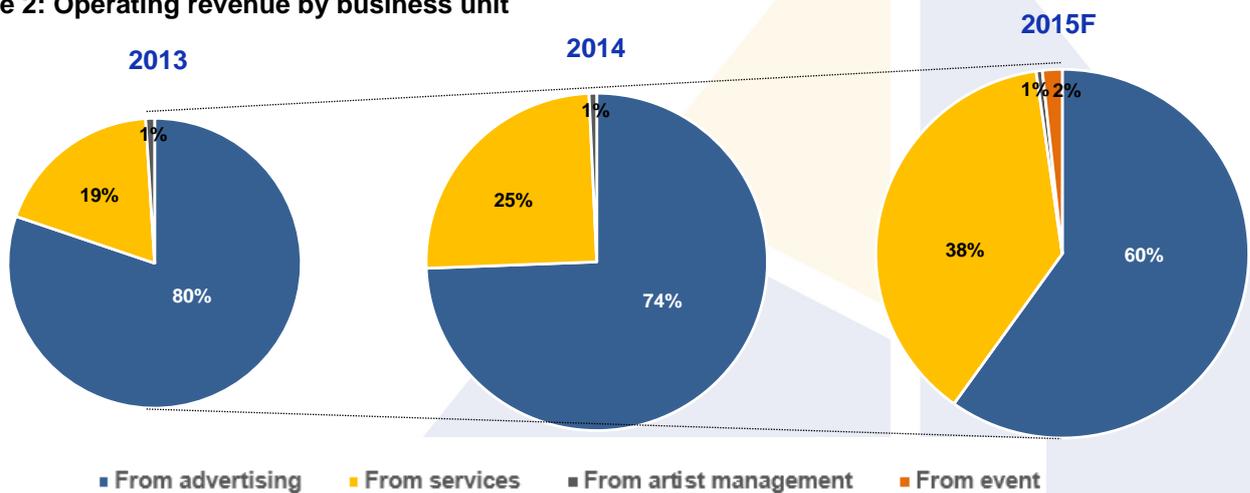
More opportunities means more bargaining power

TVT is a leading expert content provider in Thailand among other content production houses such as JSL, Polyplus, Kantana. Currently, most of the company's revenue comes from advertising and it broadcasts its own content or foreign formats on channel to sell ad time. Most of this advertising revenue has come from broadcasting on Channel 3 especially *Master Key* (more than ten years) and *Take Me Out Thailand* (more than three years) which generate recurring income all year. The company is now applying a new strategy and launching foreign format shows with seasonal content, scheduled to broadcast during primetime every year. These shows include *Dance Your Fat Off* and the popular *Hidden Single Thailand*. The popular content will attract advertising revenue to the company.

Emerging digital TV channels help boost service revenue

Another major source of revenue for TVT is services. Service revenue comes from delivering content made to order. Without its own channel TVT can provide content to the majority of the current 24 digital channels, excluding NBT (non-commercial TV), BrightTV and Loca, compared to the past where it only had the four existing analog channels to work with. Content backlog on hand for delivery in 2H15 is at least five shows for Chanel 3, True4U and Thairath TV. Before the 27 digital channels officially launched on 25 Apr 2014, TVT's service revenue accounted for 20% of total operating revenue. After the launch of digital TV, service revenue contributed 25% of operating revenue last year. The management targets this to reach 40% within 2015-16. An increase in the proportion of service revenue helps TVT diversify its risk as it depends less on advertising spending which is sensitive to economic sentiment. TVT prices made to order content using cost plus a satisfactory margin method to keep profitability at an acceptable level.

Figure 2: Operating revenue by business unit



Source: SET, AWS estimates

Strong financial status
with very low D/E

Move forward along value chain with strong financial status

TVT successfully listed on MAI 8 May 2015. After the capital increase, the company is cash-rich with a low D/E of less than 0.5x after repaying all financial debt and also saves on interest expense almost Bt4mn from last year. TVT is seeking opportunities and new partners to emphasize its lead position as a content provider. The company is now ready to make more deals along the content production chain to expand business and improve its productivity any time an opportunity arises. The company has also used proceeds from its IPO to construct three studios, which are expected to be completed within Apr 2016. The new studios will support an increase in content production, save the company rental costs for outside studios and are also expected to help improve profit margin in the long run from economy of scale.

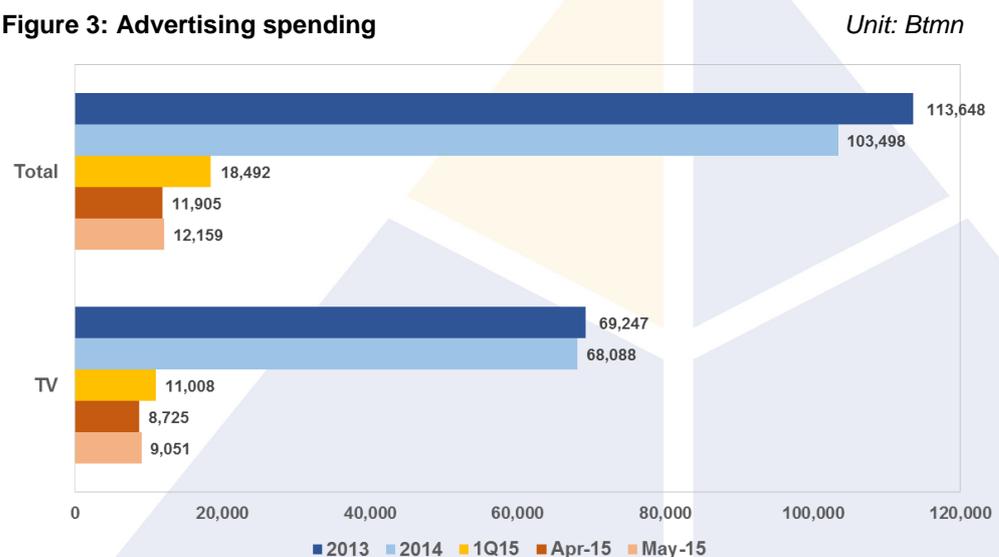
Advertising industry
should have already
passed the bottom in
2014

Industry outlook

In 2014, the advertising industry suffered from a huge drop in advertising spending of 9% YoY to Bt103bn. The YoY decline was due to the local political turmoil throughout most of 1H14 and the economic slowdown. Although the advertising industry is expected to shine this year driven by Thailand's GDP growth, it is unlikely to recover fully back to the normal levels of 2013. NESDB predicts Thailand's GDP growth to range between 3.0-4.0% in 2015, improving from 0.9% in 2014. Media Agency Association of Thailand (MAAT) projects advertising spending to grow 4.7% YoY mainly from digital TV, digital and transit media.

Though the poor economy and slow advertising spending in 1H15 has made the 2H15 outlook less certain, TVT is trying to increase demand for its made to order content this year, which will help reduce its dependence on advertising spending.

Figure 3: Advertising spending



Source: The Nielsen Company (Thailand), MAAT

Expect 2Q15 earnings to grow an impressive 179%QoQ and 141% YoY

2Q15 earnings should shine

We expect TVT's 2Q15 earnings to surge 179% QoQ and 141% YoY to Bt14.4mn, supported by new seasonal content *Hidden Single Thailand*, which showed nine episodes during the quarter. The new show will give the company additional advertising revenue aside from its usual content, *Master Key* and *Take Me Out (Thailand)*. TVT also received additional revenue from selling *Hidden Single's* content to LINE TV which will be booked in 2Q15 earnings. Revenue from services in 2Q15 also improved from the previous quarter as the company began to deliver made to order content *Variety Baeber* for Thairath TV since April 2015. We expect gross margin for 2Q15 to be around 34%, down from 39% in 1Q15 as TVT has higher cost as it rented airtime to broadcast *Hidden Single*. Meanwhile, the company repaid debt after IPO so its financial cost from funded debt will decrease. As a result, net profit margin should improve in 2Q15.

Bright earnings outlook for 2015 and good prospects in medium term

We project operating revenue to increase 35% YoY in 2015 and decelerate to still solid growth of 21% YoY in (see Figures 3 &4).

Bright earnings outlook for 2015-16

- 1) At least seven new made to order shows this year, bringing its total to at least 14 on hand this year. Management targets at least 20 made to order shows for 2016 supported by its new studios that are expected to begin operations in April 2016. These will enhance TVT's ability to take on more job orders next year. In our assumption we assume TVT will get at least three new made to order shows to be shown once a week all year in 2016.
- 2) Successfully broadcasting new foreign format *Hidden Single* on Channel 3 for a total of 13 episodes with additional advertising revenue during 2Q15-3Q15. After *Hidden Single's* last episode, the company is scheduled to broadcast the third season of *Dance Your Fat Off*, a total of 10 episodes during Aug-Oct 2015.
- 3) An increase in made to order content with a negotiable profit margin would allow TVT to cancel non-profitable formats from 2014. Moreover, MAAT projects advertising spending to grow from last year, mainly from digital TV. All together, we expect gross profit margin to improve to 32% from 30% last year. Net profit margin should also improve from a reduction in financial cost of almost Bt4mn.

We project earnings to grow 139% YoY in 2015 and decelerate to growth of 24% YoY in 2016 (see Figures 4 & 5).

Figure 4: Operating revenue outlook

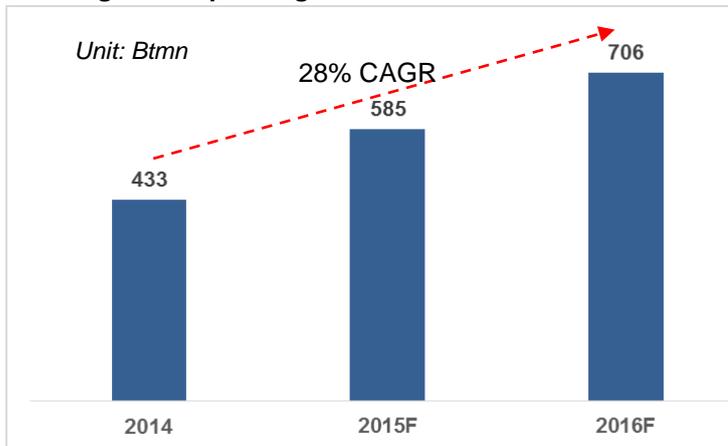
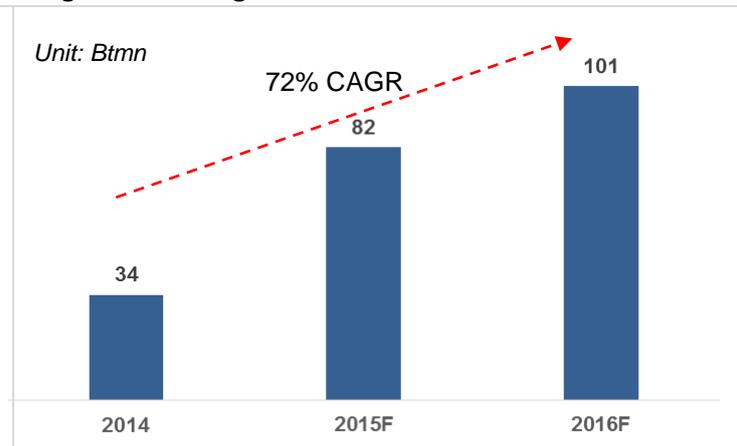


Figure 5: Earnings outlook



Source: Company data, AWS estimates

Recommend BUY with 2015 target price of Bt3.30/share

Initiate with a BUY recommendation, 2015 fair value of Bt3.30

TVT is among the biggest beneficiaries of digital TV in Thailand as a content provider. The company's 2015 operations should shine with significant improvements in its new content to several channels. We expect TVT to post an exponential 49% CAGR of EPS during 2015-16. Based on the PEG ratio method with a CAGR of EPS estimate of 49% and 2015 EPS estimate of Bt0.102, the fair value of TVT will be Bt5.00. Based on forward PE method with the media sector average at 38x, given our 2015 EPS estimate of Bt0.102, the share price should trade at Bt3.90. However, to be conservative we based our 2015 target price for TVT on the historical PE of the media sector during 2 Jan 13 to 3 July 15, with an average 32x, and arrived at Bt3.30. The current share price of Bt2.80 offers an upside of 18% to our target. BUY.

Figure 6: Peers comparison

	Close Price	Net profit (Btmn)			Net profit Growth (%)			EPS (Bt)			Forward PER		
		3-Jul-15	FY14	FY15E	FY16E	FY14	FY15E	FY16E	FY14	FY15E	FY16E	FY15E	FY16E
Digital TV Operators (DTT)													
BEC	38.0	4,415	3,967	4,269	-21%	-10%	8%	2.21	2.00	2.15	19	18	
WORK *	38.8	21	167	392	-92%	702%	135%	0.07	0.40	0.94	97	41	
RS	11.4	371	545	679	-6%	47%	25%	0.38	0.49	0.64	23	18	
MCOT	12.7	504	373	410	-67%	-26%	10%	0.73	0.54	0.60	23	21	
GRAMMY	13.4	(2,314)	(1,085)	(101)	80%	53%	91%	-1.65	-0.13	n.a.	n.a.	n.a.	
MONO	3.2	39	(42)	286	-92%	-208%	779%	0.01	-0.01	0.07	n.a.	44	
											Avg DTT	41	29
Content Provider													
TVT *	2.8	34	82	101	-39%	139%	24%	0.06	0.10	0.13	27	22	
Out of Home Media (OOH)													
VGI * (Year to Mar)	5.1	838	1,122	1,309	-27%	34%	17%	0.15	0.16	0.19	32	27	
PLANB	5.9	207	425	627	24%	106%	47%	0.08	0.13	0.18	47	34	
MAJOR *	32.8	1,086	1,371	1,437	3%	26%	5%	1.22	1.54	1.61	21	20	
											Avg OOH	33	27
											Avg Media	38	27

Source: Bloomberg, * AWS estimates

Concerns

- 1) Advertising expenditure is sensitive to economic sentiment and unexpected shocks such as political unrest. Slower than expected economic growth will slow advertising and event marketing spending and also the company's revenue.
- 2) Risk from a decline in the popularity of existing content which are recurring income for the company.
- 3) Demand for made to order content next year may not be as much as expected.

Key Financial Ratios	2013	2014	2015E	2016E
Operating Revenue Growth (%)	-13%	-8%	35%	21%
Net Profit Growth (%)	28%	-39%	139%	24%
EPS Growth (%)	28%	-70%	79%	24%
Gross Profit Margin (%)	29%	30%	32%	31%
Operating Profit Margin (%)	14%	11%	17%	18%
EBITDA Margin (%)	19%	15%	20%	23%
Net Profit Margin (%)	12%	8%	14%	14%
Effective tax rate (%)	23%	19%	20%	20%
ROA (%)	15%	8.7%	11%	12%
ROE (%)	21%	13%	12%	14%
Net Debt to Equity (x)	0.03	0.30	-	-
EPS (Bt)	0.19	0.06	0.10	0.13
BVPS (Bt)	0.88	0.42	0.85	0.93
DPS (Bt)	0.05	0.27	0.04	0.05
Dividend Payout Ratio	27%	472%	40%	40%
P/E (x)	n.a.	n.a.	27.4	22.1
P/BV (x)	n.a.	n.a.	3.3	3.0
Div. Yield (%)	n.a.	n.a.	1%	2%
Income Statement				
Unit: Btmn	2013	2014	2015E	2016E
Operating Revenue	468	433	585	706
Total Revenue	475	434	586	707
COGS	330	305	399	487
Gross Profit	138	128	186	219
SG&A	71	82	85	94
Operating Profit	67	46	101	125
EBITDA	88	65	119	159
Interest Expenses	0.3	3.8	0.8	-
Tax	17	10	20	25
Net Profit	56	34	82	101
EPS (Bt)	0.19	0.06	0.10	0.13
Statement of Financial Position				
Unit: Btmn	2013	2014	2015E	2016E
Cash & Short-term investments	71	67	320	299
Account Receivable	147	81	109	132
Inventory	16	13	17	21
Total Current Assets	256	174	459	465
Net PP&E	116	106	188	256
Total Non-Current Assets	132	218	301	368
Total Assets	388	392	760	833
Short-Term Borrowings	7	20	-	-
Account Payable	83	41	54	66
Total Current Liabilities	113	72	65	77
Long-Term Borrowings	1	55	-	-
Total Non-Current Liabilities	11	66	12	13
Total Liabilities	124	138	77	89
Paid-up Capital	30	150	200	200
Capital Surplus	-	-	330	330
Retained Earnings	188	79	128	189
Total Equity	264	254	683	744
Total Liabilities and Equity	388	392	760	833
Revenue Breakdown				
	2013	2014	2015E	2016E
Revenue from advertising	376	322	350	385
Revenue from services	88	108	221	308
Others	5	3	13	13

Source: SET, AWS Estimates

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (IOD) in 2013.



BAFS	EGCO	IRPC	KTB	PTTEP	SAT	SIM	TOP
BCP	GRAMMY	IVL	MINT	PTTGC	SC	SPALI	
BTS	HANA	KBANK	PSL	SAMART	SCB	TISCO	
CPN	INTUCH	KKP	PTT	SAMTEL	SE-ED	TMB	



AAV	BIGC	DELTA	HMPRO	NBC	PJW	SAMCO	SVI	TOG
ACAP	BKI	DRT	ICC	NCH	PM	SCC	TCAP	TRC
ADVANC	BLA	DTAC	KCE	NINE	PPS	SINGER	TF	TRUE
ANAN	BMCL	DTC	KSL	NKI	PR	SIS	THAI	TSTE
AOT	BROOK	EASTW	LANNA	NMG	PRANDA	SITHAI	THANI	TSTH
ASIMAR	CENTEL	EE	LH	NSI	PS	SNC	THCOM	TTA
ASK	CFRESH	ERW	LHBANK	OCC	PT	SNP	TIP	TTW
ASP	CIMBT	GBX	LOXLEY	OFM	QH	SPI	TIPCO	TVO
BANPU	CK	GC	LPN	PAP	RATCH	SSF	TK	UAC
BAY	CNT	GFPT	MACO	PE	ROBINS	SSI	TKT	VGI
BBL	CPF	GUNKUL	MC	PG	RS	SSSC	TNITY	VNT
BECL	CSL	HEMRAJ	MCOT	PHOL	S&J	STA	TNL	WACOAL



2S	BEAUTY	CSS	IHL	MFEC	PPM	SKR	TBSP	TSC	ZMICO
AF	BEC	DCC	INET	MJD	PPP	SMG	TEAM	TSC	
AH	BFIT	DEMCO	IRC	MODERN	PREB	SMK	TFD	TTCL	
AHC	BH	DNA	IRCP	MONO	PRG	SMPC	TFI	TUF	
AIT	BJC	EA	ITD	MOONG	PRIN	SMT	THANA	TVD	
AJ	BJCHI	ESSO	KBS	MPG	PTG	SOLAR	THIP	TWFP	
AKP	BOL	FE	KGI	MTI	QLT	SPC	THREL	UMI	
AKR	BTNC	FORTH	KKC	NC	QTC	SPCG	TIC	UP	
AMANAHA	BWG	FPI	KTC	NTV	RCL	SPPT	TICON	UPF	
AMARIN	CCET	GENCO	L&E	NUSA	SABINA	SST	TIW	UPOIC	
AMATA	CGD	GL	LRH	NWR	SALEE	STANLY	TKS	UT	
AP	CGS	GLOBAL	LST	NYT	SCBLIF	STEC	TLUXE	UV	
APCO	CHOW	GLOW	MAJOR	OGC	SCCC	STPI	TMI	UWC	
APCS	CI	GOLD	MAKRO	OISHI	SCG	SUC	TMT	VIH	
AQUA	CKP	HOTPOT	MATCH	PACE	SEAFCO	SWC	TNDT	WAVE	
ARIP	CM	HTC	MBK	PATO	SEAOIL	SYMC	TPC	WHA	
AS	CMR	HTECH	MBKET	PB	SFP	SYNEX	TPCORP	WIN	
ASIA	CSC	HYDRO	MEGA	PDI	SIAM	SYNTEC	TRT	WINNER	
AYUD	CSP	IFS	MFC	PICO	SIRI	TASCO	TRU	YUASA	

Source: Thai Institute of Directors (IOD)

Score	Range Number of Logo	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

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Asok	159 Sermmitr Tower, 17th FL. Room No.1703, Sukhumvit 21 Road, Klong Toey Nua, Wattana, Bangkok 10110	02-261-1314-21	02-261-1328
Pinklao	7/3 Central Plaza Pinklao Office Building Tower B, 16th Flr., Room No.1605-1606 Baromrajachonnanee Road, Arunamarin, Bangkoknoi, Bangkok 10700	02-884-7333	02-884-7357, 02-884-7367
Chaengwattana	99/99 Moo 2 Central Plaza Chaengwattana Office Tower, 22nd Flr., Room 2204 Chaengwattana Road, Bang Talad, Pakkred, Nonthaburi 11120	02-119-2300	02-8353014
Chaengwattana 2	9/99 Moo 2 Central Plaza Chaengwattana Office Tower, 22nd Flr., Room 2203 Chaengwattana Road, Bang Talad, Pakkred, Nonthaburi 11120	02-119-2388	02-119-2399
Mega Bangna	39 Moo6 Megabangna, 1st Flr., Room 1632/7 Bangna-Trad Road, Bangkaew Bangplee, Samutprakarn 10540	02-106-7345	02-105-2070
Rayong	356/18 Sukhumvit Road, Nuen-Phra Sub District, Muang District, Rayong Province 21000	038-808200	038-807200
Khonkaen	26/9 Srijanmai Road, Tamboonnaimuang, Khon Khaen 40000	043-334-700	043-334-799
Chonburi	44 Vachiraprakarn Road, Bangplasoi, Muang Chonburi, Chonburi 20000	038-274-533	038-275-168
Chaseongsao	233-233/2 Moo2 1st Flr., Sukprayoon Road, Na Meung Sub-District, Meung District, Chachoengsao 24000	038-981-587	038-981-591

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