Thailand Company Focus

JKN Global Media Public Company Limited

Bloomberg: JKN TB | Reuters: JKNm.BK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

7 Sep 2018

BUY

(Initiating Coverage)

Last Traded Price (6 Sep 2018): Bt10.50 (**SET :** 1,693.94)

Price Target 12-mth: Bt15.20 (45% upside)

Potential Catalyst: Strong earnings growth

Analyst

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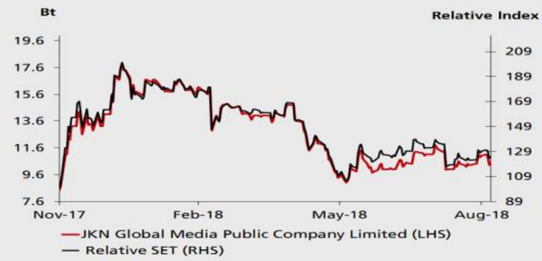
Price Relative



Forecasts and Valuation

FY Dec (Btm)	2016A	2017A	2018F	2019F
Revenue	842	1,154	1,372	1,564
EBITDA	678	945	1,135	1,304
Pre-tax Profit	214	240	319	559
Net Profit	164	188	255	447
Net Pft (Pre Ex.)	164	188	255	447
EPS (Bt)	0.30	0.35	0.47	0.69
EPS Pre Ex. (Bt)	0.30	0.35	0.47	0.69
EPS Gth (%)	23	14	36	46
EPS Gth Pre Ex (%)	23	14	36	46
Diluted EPS (Bt)	0.30	0.35	0.47	0.69
Net DPS (Bt)	0.0	0.0	0.12	0.21
BV Per Share (Bt)	1.02	3.38	3.71	6.08
PE (X)	34.6	30.2	22.2	15.2
PE Pre Ex. (X)	34.6	30.2	22.2	15.2
P/Cash Flow (X)	7.3	24.9	4.8	5.9
EV/EBITDA (X)	9.5	6.2	4.9	3.8
Net Div Yield (%)	0.0	0.0	1.1	2.0
P/Book Value (X)	10.3	3.1	2.8	1.7
Net Debt/Equity (X)	1.4	0.1	CASH	CASH
ROAE (%)	35.2	15.8	13.3	15.1
Consensus EPS (Bt):			0.53	0.61
Other Broker Recs:		B: 5	S: 0	H: 0

ICB Industry : Consumer Services
ICB Sector: Media
Principal Business: Operates content management and distribution in Thailand and international markets.

Source of all data on this page: Company, Bloomberg Finance L.P.

First mover in the media space

- Local leader in distributing foreign copyrighted content
- Expect net profit CAGR of 29% (FY18F-21F), driven by firm sales growth and better margins
- Initiating coverage with BUY rating and TP of Bt15.20, pegged to 22x FY19F

Thailand's leader in foreign content distribution. JKN has distributed various foreign copyrighted content in Thailand for years, including series, dramas, movies, documentaries, etc. from Asia and the US. JKN's content targets a wide range of audience. In the past few years, the company's growth has been mainly driven by the popularity of Indian drama series, for which it has derived first-mover advantages by introducing them to the Thai audience – a strategy that JKN will maintain in bringing in potential hit content.

Robust growth outlook with 3-year earnings CAGR of 29%. JKN's earnings are expected to hit new highs in the coming years. The robust growth will be driven by i) solid revenue growth of 20%/15% in FY18F/FY19F from continuously growing popularity of Indian series, new markets and new initiatives, ii) better economies of scale as we expect to see lower amortisation of programme rights in 2019, which should normalise from 2020 onwards and will boost its margins from 43.3% in FY18F to 53% in FY19F, and iii) lower SGA to sales from better cost leverage. As such, we believe that JKN will deliver solid earnings growth of 36%/75% in FY18F/FY19F, respectively.

Initiating coverage: BUY with TP of Bt15.20. Our Bt15.20 TP is based on 22x FY19F PE (fully diluted) and offers potential upside of 45%. We like JKN for its strong profit growth in the next three years, driven by rising sales and wider margins. Hence, we initiate coverage with a BUY call.

Valuation:

Our TP of Bt15.20 is pegged to 22x FY19F PE (fully diluted), at a premium to the peer average of 20x, which we believe is justified given its high 3-year CAGR (FY18F-FY21F) of 29%.

Key Risks to Our View:

Low entry barriers, direct purchases between customers and suppliers, customer concentration risk and change in audience preference.

At A Glance

Issued Capital (m shrs)	540
Mkt. Cap (Btm/US$m)	5,670 / 173
Major Shareholders (%)	
Jakrajutatip's Family (%)	59.3
Media King Capital Ltd (%)	12.6
Prayong Vanichsuwan (%)	9.5
Free Float (%)	22.2
3m Avg. Daily Val (US$m)	1.7

SWOT Analysis

Strengths	Weakness
• Leader in foreign copyrighted content distributor in Thailand and the first to introduce Indian series to the Thailand market • Offers a wide range of copyrighted content including series, movies, news, variety shows, documentaries, comedy shows, etc. • Operates one own satellite channel (Dramax) to promote its content and build its fan base • Experienced management team with competent production team	• Heavy reliance on selection of copyrighted content
Opportunities	**Threats**
• Ability to tap the continuous popularity of Indian series and expand its client base • Expand its distribution network into new markets, especially CLMV • Introduce new types of contents into its target markets • Opportunities to improve its profitability from better economies of scale and cost control • New partnership with BEC Pcl to distribute its TV series in global markets • Developing own content to diversity its revenue	• Low-entry barrier is a risk, as entering this business require neither intensive capital nor any advanced technology • Possibility of JKN's customers establishing direct contact with production houses to purchase copyrighted content • The company faces customer concentration risk, as more than 90% of its revenue stem from its four key customers • The risk of rapid change in audience preferences and taste from time to time

Source: DBSVTH

Company Background

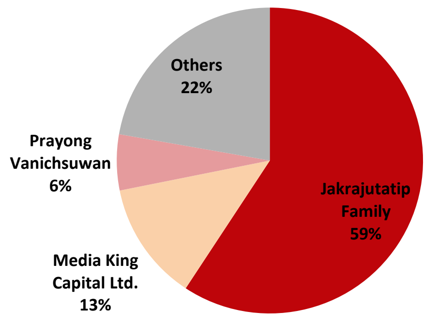
Corporate History. JKN Global Media Public Company Limited (JKN) was established in 2013 and listed on MAI through an Initial Public Offering (IPO) on 30 November 2017. JKN currently has a paid-up capital of Bt270m (540m shares with a par value of Bt0.5) and a current market capitalisation of c.Bt5.9bn.

Recently, JKN issued warrants (JKN-W1) of 108m units which entitle the holder to exercise the right to purchase ordinary shares four times (every six months from 15 December 2018 to 8 May 2020) at an exercise price of Bt15 per share.

JKN operates as a content management and distribution company. It provides content to various media platforms including television, home video, publishing, video on demand, etc.

Major shareholders. JKN was founded by Mr. Jakkaphong Jakrajutatipand which remains as a major shareholder of the company with an interest of 71.85% (including family member and indirect stake). Its free float stands at only 22.22% of the total shares outstanding.

JKN: Current major shareholders

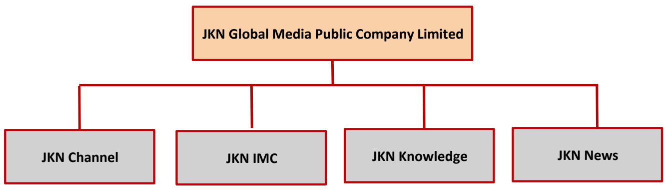


Source: Bloomberg Finance L.P., Company

JKN's subsidiaries. JKN has four subsidiaries (99.99%-owned subsidiaries):

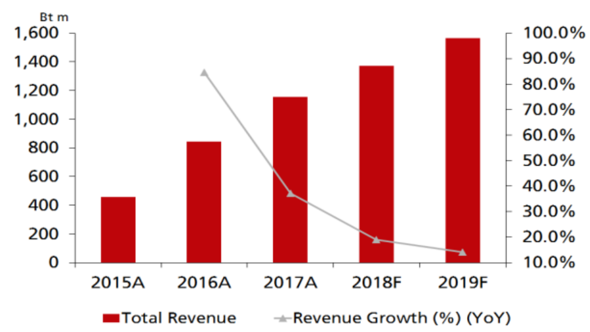
- JKN Channel Company Limited: Engaging in over-the-air advertisement through JKN DRAMAX Chanel (operated by JKN)
- JKN IMC Company Limited: Engaging in over-the-air advertisement through other channels
- JKN Knowledge Company Limited: Exploring the personal and corporate training business
- JKN News: Exploring the news production business of CNBC Thailand

JKN: Company structure

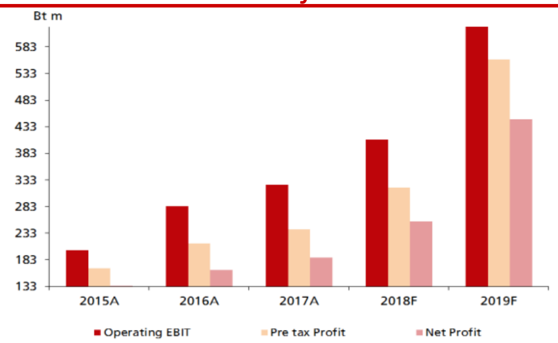


Source: Company

Sales Trend



Profitability Trend

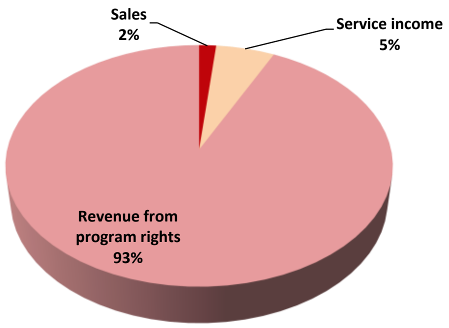


Source: Company, DBSVTH

Business overview

JKN is engaged in the business of entertainment and media which can be divided into three main business units (excluding other income): i) copyright of TV content distribution and management business (c.93% of revenue), ii) service business (c.6%), and iii) product sales (c.1%).

JKN: Revenue breakdown (FY17)



Source: Company

i) **Copyright of TV content distribution and management business (Bt1.1bn in 2017 or c.93% of revenue).** JKN's main business revolves around the copyright of TV content distribution and such as foreign series, movies and documentaries and then process the content by adding Thai audio dubs before selling them to customers. Its business model is a B2B model via the distribution of copyrighted TV content to public media-related operators, including TV station operators (both digital and satellite TV), home entertainment operators and VOD producers. Customers could broadcast the content via one or multi-platforms, depending on the package agreed with the company.

JKN's copyrighted content are divided into various categories:

- **JKN Originals (c.1% of total content value):** Content related to documentaries on the Thai's royal family
- **Asian Fantasy (c.63% of total content value):** Content related to series, dramas and movies from the Asian region, i.e. South Korea, India, the Philippines, China, etc.
- **Hollywood hits (c.25% of total content value):** Content related to series and movies mainly from the US
- **I-Magic The Project (c.6% of total content value):** Content related to historical, natural, biography documentaries
- **Kids Inspired (c.4% of total content value):** Content related to foreign animation
- **Music Star Parade:** Content related to foreign concerts
- **News:** Content related to news and variety shows
- **Super Show:** Contents related to comedy shows and other programmes

JKN's key customers are TV channels such as Channel 8 (R.S. Pcl.), Bright TV Channel and Channel 3 (BEC World Pcl.). The company will recognise revenue from the distribution business once it delivers the content to its customers. Normally, the content will be divided into batches for delivery to customer.

For accounting purpose, once the company receives the rights to distribute the copyrighted content, it will record such rights as intangible assets in its balance sheet, with deprecation carried out on a straight-line basis – ranging from c.2-5 years, depending of the rights of the distribution period.

JKN: Well-known contents

Source: Company

ii) **Service business (Bt64m in 2017 or c.6% of revenue).** JKN has a licence from The National Broadcasting and Telecommunications Commission (NBTC) to operate one satellite channel called Dramax. JKN will receive revenue from selling airtime to customers which could be segmented into three categories (based on period of time): i) TVC and spot, ii) scoop, and iii) direct sale.

iii) **Product sales (Bt17m in 2017 or c.1% of revenue).** JKN also sells home entertainment products (including related goods), which the company outsources the production to third parties.

JKN: Royal-related documentary and goods

Source: Company

Competitive Strengths

- **Steady stream of copyrighted content.** Generally, JKN will enter into agreements of 2-5 years with the content owners (the licensors) via three main forms of contracts:
  - **Exclusive content:** Under this scheme, the company will have the exclusive right to distribute copyright content in specific countries and platforms
  - **Output deal:** Under this scheme, the company will have a right that is similar to the "exclusive content" scheme but is enhanced with the option of right of first refusal. This means that once JKN selects a new content from the licensor, the licensor cannot sell the content before JKN decides against buying such content within a specific period of time. Currently, the company has four output deal agreements with four tier-1 channels in India and two leading channels in the Philippines
  - **General licensing:** Under this scheme, the company will have the right to distribute copyrighted content in specific countries and platforms (but with no exclusivity).

With the exclusive content agreement and output deal agreement, the company will have more bargaining power relative to customers in terms of setting the price, coupled with the fact that exclusive copyrights are an attractive proposition. Also, for output deal agreements, the company can secure new content from the licensors.

JKN: Upcoming potential hit program

Source: Company

- **Various content to serve customers' needs.** JKN offers a lot of content types including series, dramas, movies, documentaries, animation series, variety shows, comedy shows, etc. (mainly from Asia and the US). The wide range of content will enable JKN to target customers in several market segments and platforms in view of the diversified needs of the Thai audience.

Building a fan base using its own channel "Dramax". JKN has its own satellite channel for selling air time (service income). At the same time, the company also uses its Dramax Channel to air new content for testing the audience market as well as to build a fan base for its new content. We believe this will be a good platform to promote the new content of JKN without incurring additional costs.

- **Experienced and competent management team.** JKN is run by a competent management team led by its founder, major shareholder and CEO, Mr. Jakkaphong Jakrajutatipand. Mr. Jakkaphong has more than 10 years' experience in the entertainment and media industry. Also, the CEO has a strong relationship with the licensors. This is another key factor that will continue to boost JKN's growth prospects going forward.

Growth Strategies

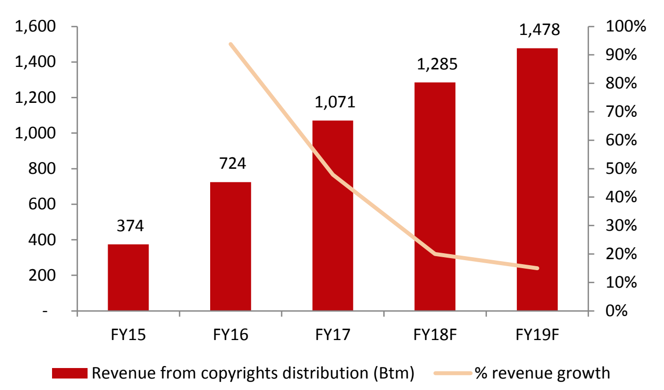
JKN's strategy revolves around distributing quality and hit copyrighted content to attract more customers, expanding into new markets and cooperating with potential partners. Also, as most of its costs are relatively independent of revenue, an increase in topline will lead to better margins for JKN. As a result, we expect JKN's earnings to rise in the coming years.

- **Indian series will remain one of the key growth drivers.** JKN has distributed various types of foreign content to the Thai market for years and in the past few years, the introduction of hit Indian series to the Thai market has been the key success factor for JKN. With its cautious stance in content selection with regard to the output deal agreement with key Indian channels as well as its efficient promotion efforts, we believe Indian series will remain a key growth driver of the company (currently Indian series account for c.60% of its revenue) to achieve its targeted revenue growth of 20%/15% in FY18F/FY19F. JKN is under negotiating with new potential channel to expand its customer base for Indian series.

Furthermore, in 2018, the company obtained the exclusive right to distribute Indian series to more markets (CLMV) on top of Thailand, with no major additional costs. The company has recently signed the sales contracts with its customers in Cambodia and Myanmar amounting to USD3.5-3.6m. Hence, we believe the exclusive rights in new markets will be another catalyst for boosting its revenue in 2018 and beyond.

In the meantime, to reduce its risk on relying too much on Indian series, the company has embarked on efforts to promote Philippines series to the Thai market. Now, the company is negotiating with two more channels for Philippines series (from only one customer). The company expects to see strong growth for its Philippines series over the mid-term.

JKN: Revenue from copyrights distribution



Source: Company

- **Partnering with BEC Pcl.** In June 2018, JKN entered into an agreement with a new partner, BEC (2nd TV station in Thailand) to distribute 70 series (aired from 2013-2017) of BEC in other countries (except for some countries that BEM currently distributes by itself, including China, Macau, Hong Kong, Cambodia, PDR, Myanmar and Vietnam). JKN believes this will be another key growth driver for the company given the proven quality of BEC's TV series and stars.

Also, JKN will only bear the costs for the translation of transcripts in English (one-time expense) and minor selling expenses, while the company will enjoy a 30% share of revenue. Hence, besides helping to boost its revenue growth, the majority of the revenue from such deals will go to its bottomline and thus, enhance its profitability. We expect the company's net margin to improve from 16.2% in 2017 to 18.6% and 28.5% in 2018F and 2019F, respectively.

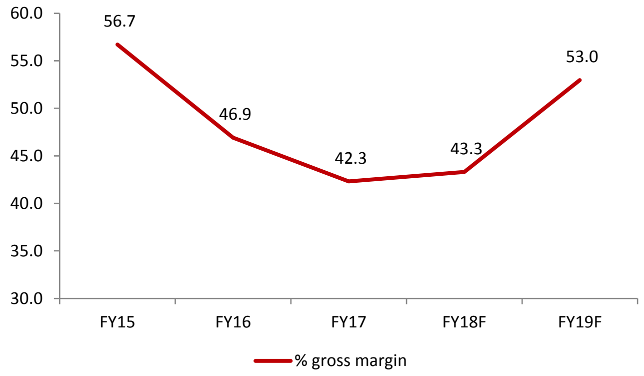
JKN: BEC contents

Source: Company

- **Benefits from better economies of scale.** According to the accounting standard adopted, once the company receives the right to distribute the copyrighted content from licensors, it will record the right as an intangible asset on its balance sheet that will be amortised on a straight-line basis, depending of the period of the right that could range from c.2-5 years (most contracts will last c.3 years).

Mostly of JKN's costs consist of amortisation expenses for intangible assets which will vary year by year, depending on the historical purchase of content rights. Hence, if JKN grows its topline, it will enjoy the immense benefits of better economies of scale. In addition, we note that JKN had purchased a huge amount of copyrighted content in 2016 (c.Bt965m), with this figure declining to Bt777m and Bt800m in FY17 and FY18F, respectively. As the 2016 purchases will be fully amortised in 2018, we expect to see a drop in amortisation expenses from 2019F onwards. Hence, we expect its gross margin to strongly improve from 42.3% in 2017 to 43.3% in 2018F and 53.0% in 2019F.

JKN: Gross margins



Source: Company, DBSVTH

JKN: New initiatives (CNBC)

Source: Company

- **New projects from content development.** Its success in content development will be another catalyst for the company to deliver better revenue growth. JKN has licensed global business and economic content from CNBC for translation into the Thai language as well as received the permission to produce programmes in the format prescribed by CNBC by Thai TV hosts. In Phase I, the company will distribute the content (after translation) to TV channels (already started), but in Phase II the company will develop CNBC content by itself and sell the content to its customers (expected to start from 2019).

JKN also has another huge content development project for Indian series, where the company will outsource the production to an Indian production house. The Indian series will revolve around the famous and classic tale of Ramayana. The company is in negotiations with a potential customer over the details of production, as it plans to have a co-star from the latter to join the planned TV series. However, the company will adopt a cautious stance for this project in view of its high investment budget (c.Bt400m) and to ensure that its returns would be attractive. The company expects its investment to be partially offset by sale of the copyright of the series to potential customers, which will be agreed on before the commencement of production. Production is expected to start in 2019 and the series is expected to be aired from 2020.

Financial analysis

Impressive earnings growth. We expect JKN's earnings growth to be solid in the coming years, increasing by 36% in 2018F and 75% in 2019F, driven by an increase in sales and improving margins.

- **Recap of 1H18 results.** 1H18 earnings came in at Bt139m (+53% y-o-y). The strong turnaround was mainly driven by i) 33% increase in revenue, thanks to the increasing popularity of its copyrighted content that is led by Indian series, and ii) lower SGA to sales, from 15.3% in 1H17 to 12.7% in 1H18, thanks to good cost control and cost-leverage benefits.

- **Cash conversion cycle (CCC).** The company has a high Days Sales Outstanding (DSO) due to its business nature. Based on the information below, its DSO has increased considerably since 2016, along with the increase in sales. The main reason for the sharp increase in DSO is a higher purchase amount per customer that resulted in slower payments from customers. However, JKN has reaffirmed that its account receivables can be collected but would only take a longer time since its customers would need to maintain a good relationship with the company that is a leader in the content distributor space in Thailand. The longer DSO has also resulted in a longer cash conversion cycle for the company.

JKN: Cash conversion cycle

Unit: Days	2016	2017	1H18
Days Sales Outstanding (DSO)	145.85	164.42	222.85
Days Inventory Outstanding (DIO)	3.79	8.37	6.82
Days Payable Outstanding (DPO)	53.37	44.94	37.98
Cash Conversion Cycle	96.27	127.85	191.69

Source: Company, DBSVTH

- **Intangible assets stood at Bt1,287m at end-2017, accounting for c.41% of total assets.** Most of the intangible assets pertain to the distribution rights of copyrighted content, which constitutes the main business of the company. Generally, the rights are amortised according to the tenure of the rights, which can range from c.2-5 years (average of three years). The company targets to purchase programme rights of c.800m p.a. in 2018 and 2019. We believe that intangible assets will continue to form the highest proportion of its assets and capex going forward.

- **JKN-W1.** In May 2018, the Board of Directors approved the issue of 107,997,631 warrants (JKN-W1) to existing shareholders on the basis of one warrant for every five shares. The warrant exercise price is Bt15 per share and can be exercised periodically (every six months) until 8 May 2020. The company plans to use the cash receipts from the exercise of warrants as another source of funds to support day-to-day operations, payment of programme rights, and repayment of debt.

Key Risks

- **Low entry barriers.** As entering this business requires neither intensive capital nor any advanced technology, the company might face the risk of new competitors coming into the industry. Hence, it has to ensure a steady supply of content and retain a good relationship with production houses to continue renewing its exclusive distribution and output deal agreements with production houses.

- **Customers establish direct contact with licensors**. There is the possibility of JKN's customers establishing direct contact with production houses to purchase copyrighted content. This risk could be mitigated by JKN's efforts to strengthen its relationships with its existing suppliers and build relationships with new players. Also, JKN enjoys an advantage over TV channels in terms of bargaining power, as JKN is likely to buy copyrighted content in bulk while the latter will buy in smaller quantities.
- **Customer concentration risk.** More than 90% of the company's revenue comes from distribution of copyrighted content that mainly revolve around its four key customers. Hence, losing one of these customers will directly affect the company's revenue and earnings.

- **Change in audience preferences.** The business also faces the risk of rapid change in audience preferences and taste from time to time. Hence, the company needs to keep up with all the changes in trend to produce creative content that will appeal to a large part of its audience.

CRITICAL DATA POINTS TO WATCH

Critical Factors

Indian series remain key growth driver. With its cautious stance in content selection with regard to the output deal agreement with key Indian production houses as well as its efficient promotion efforts, we believe Indian series will remain a key growth driver which will enable the company to achieve its targeted revenue growth of 20%/15% in FY18F/FY19F. Plus, from 2018, JKN obtained the exclusive rights to distribute Indian series to more markets (CLMV), on top of Thailand. Hence, we believe the exclusive rights in new markets will be another catalyst for boosting its revenue in 2018 and beyond.

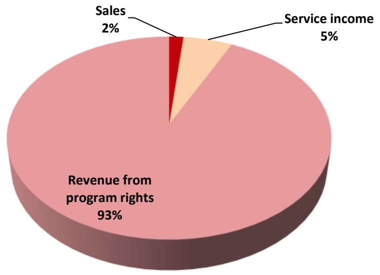
In the meantime, the company has embarked on efforts to promote Philippines series to the Thai market. Now, the company is negotiating with two more channels for Philippines series (from only one customer). The company expects to see strong growth for its Philippines series over the mid-term.

Partnering with BEC Pcl. In June 2018. JKN entered into an agreement with a new partner, BEC (2nd TV station in Thailand) to distribute 70 series of BEC in other countries (except for some countries that BEM currently distributes by itself). Under the partnership, JKN will only bear the costs for the translation of transcripts in English, while the company will enjoy a 30% share of revenue. Hence, the majority of the revenue from such deals will go to its bottomline and thus, enhance its profitability. We expect the company's net margin to improve from 16.2% in 2017 to 18.6% and 28.5% in FY18F and FY19F, respectively.

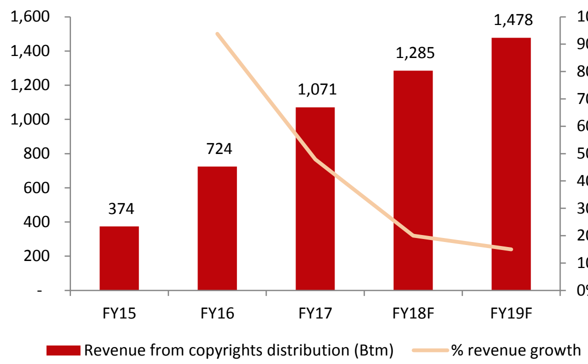
Benefits from better economies of scale. Mostly of JKN's costs consist of amortisation expenses for intangible assets which will vary year by year, depending on the historical purchase of content rights. We note that JKN had purchased a huge amount of copyrighted content in 2016 (c.Bt965m), with this figure declining to Bt777m and Bt800m in FY17 and FY18F, respectively. As the 2016 purchases will be fully amortised in 2018, we expect to see a drop in amortisation expenses from 2019F onwards. Hence, we expect its gross margin to surge from 42.3% in 2017 to 43.3% in 2018F and 53.0% in 2019F.

New projects from content development. Its success in content development will be another catalyst for the company to deliver better revenue growth. JKN received the permission to produce programmes in the format prescribed by CNBC by Thai TV hosts which the company will develop CNBC content by itself and sell the content to its customers (expected to start from 2019). JKN also has another huge content development project for Indian series, where the company will outsource the production to an Indian production house. Production is expected to start in 2019 and the series is expected to be aired from 2020.

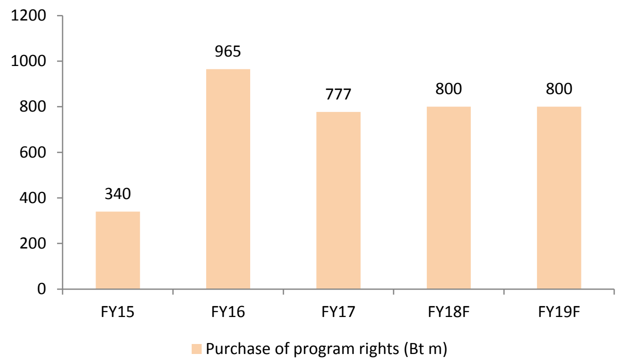
2017 sales breakdown by business



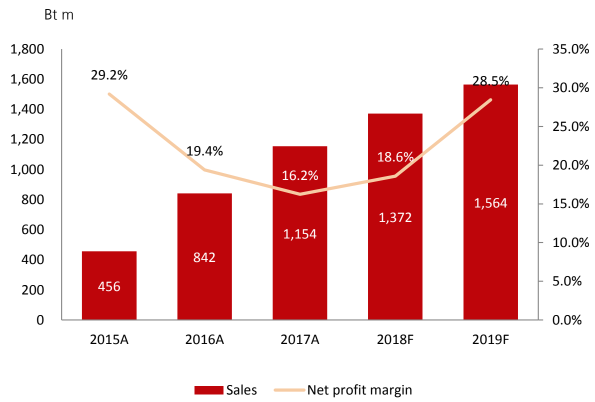
Revenue from copyrights distribution



Purchase of program rights



Revenue and net margin



Source: Company, DBSVTH

Balance Sheet:

JKN had a moderate net gearing of 0.6x as at end-FY17. Most of the company's current debt is related to its investment in programme rights. The company has also recently issued JKN-W1 warrants (whose last exercise date is in May 2020) to fund potential huge projects in the coming years. JKN expects to kick off its dividend payment in 2018. According to management policy, the minimum dividend payout ratio is 40%

Share Price Drivers:

Surge in revenue growth. It can expect to see a jump in revenue if it can create new customer bases, enter into new markets and launch new initiatives. Such positives will increase investor confidence in the company and act as potential share price catalysts.

Successful content development. If the company is able to create hits out of its own content development programme, this would improve its profitability and boost its share price.

Rising margins. JKN's margins will rise significantly in 2019, due to the lower amortisation of programme rights (which forms the bulk of its costs) in 2019. Its amortisation expenses should also normalise from 2020 onwards. Thus, JKN's earnings will improve from 2019 and the resulting profit uptrend will also contribute to the potential re-rating of the share price.

Key Risks:

Low entry barriers. As entering this business requires neither intensive capital nor any advanced technology, the company might face the risk of new competitors entering the industry.
Customers establish direct contact with licensors. There is the possibility that JKN's customers establishing direct contact with production houses to purchase copyrighted content.
Customer concentration risk. More than 90% of the company's revenue comes from distribution of copyrighted content that mainly revolve around its four key customers. Hence, losing one of these customers will directly affect the company's revenue and earnings.
Change in audience preferences. The business also faces the risk of rapid change in audience preferences and taste from time to time.

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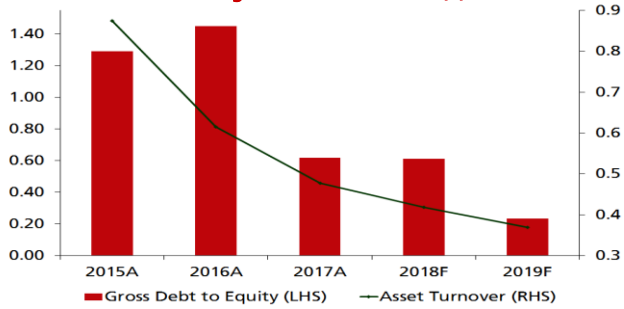
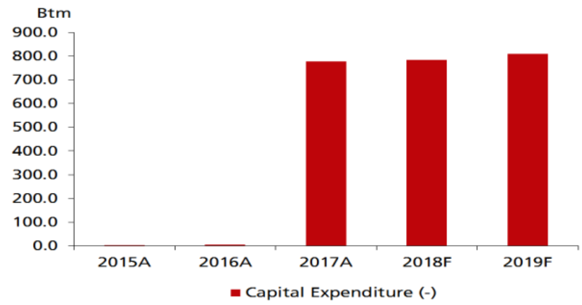
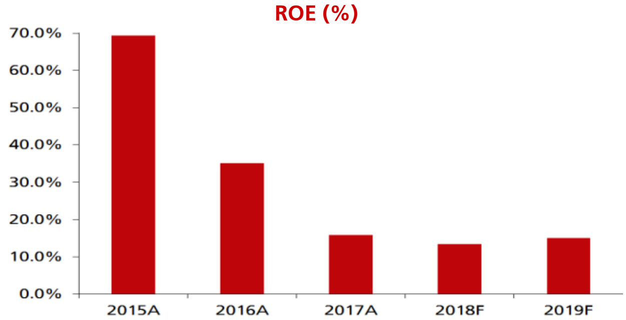
Leverage & Asset Turnover (x)



Capital Expenditure

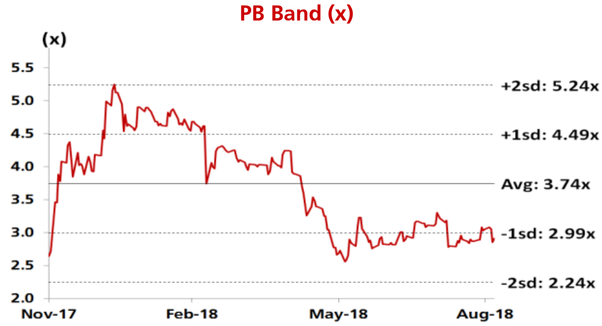


ROE (%)



Forward PE Band (x)

PB Band (x)



Source: Company, DBSVTH

Key Assumptions

FY Dec	2015A	2016A	2017A	2018F	2019F
Sales (Bt m)	456	842	1,154	1,372	1,564
Gross margin (%)	56.7	46.9	42.3	43.3	53.0
SGA/Sales (%)	12.6	13.2	14.3	13.5	13.3
Effective tax rate	20%	23%	22%	20%	20%
Net profit margin (%)	29.2	19.4	16.2	18.6	28.5

Segmental Breakdown

FY Dec	2015A	2016A	2017A	2018F	2019F
Revenues (Btm)					
Sales	0.06	38.57	18.64	22.36	22.36
Service income	82.49	79.23	64.41	64.41	64.41
Revenue from program rights	373.57	723.90	1,070.71	1,284.85	1,477.57
Total	456.12	841.69	1,153.75	1,371.62	1,564.35
(%)					
Sales	0.0%	4.6%	1.6%	1.6%	1.4%
Service income	18.1%	9.4%	5.6%	4.7%	4.1%
Revenue from program rights	81.9%	86.0%	92.8%	93.7%	94.5%
Total	100%	100%	100%	100%	100%

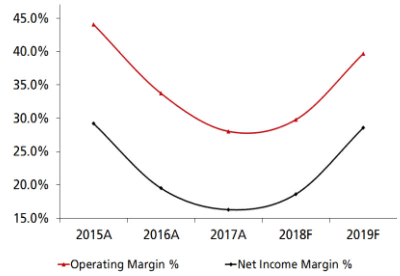
Source: Company, DBSVTH

Income Statement (Btm)

FY Dec	2015A	2016A	2017A	2018F	2019F
Revenue	456	842	1,154	1,372	1,564
Cost of Goods Sold	(198)	(447)	(666)	(778)	(736)
Gross Profit	**259**	**395**	**488**	**594**	**829**
Other Opng (Exp)/Inc	(57.7)	(111)	(165)	(185)	(208)
Operating Profit	**201**	**284**	**324**	**409**	**621**
Other Non Opg (Exp)/Inc	1.12	4.68	1.83	2.17	7.82
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(34.7)	(74.6)	(85.1)	(91.7)	(69.2)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	**167**	**214**	**240**	**319**	**559**
Tax	(34.0)	(49.9)	(52.6)	(63.8)	(112)
Minority Interest	0.0	0.0	0.0	0.0	0.0
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	**133**	**164**	**188**	**255**	**447**
Net Profit before Except.	133	164	188	255	447
EBITDA	323	678	945	1,135	1,304
Growth					
Revenue Gth (%)	N/A	84.5	37.1	18.9	14.1
EBITDA Gth (%)	nm	110.2	39.3	20.1	14.9
Opg Profit Gth (%)	nm	41.3	14.0	26.3	51.9
Net Profit Gth (Pre-ex) (%)	nm	23.0	14.4	36.0	75.3
Margins & Ratio					
Gross Margins (%)	56.7	46.9	42.3	43.3	53.0
Opg Profit Margin (%)	44.1	33.7	28.0	29.8	39.7
Net Profit Margin (%)	29.2	19.5	16.3	18.6	28.6
ROAE (%)	69.4	35.2	15.8	13.3	15.1
ROA (%)	25.6	12.0	7.8	7.8	10.5
ROCE (%)	36.2	19.5	11.7	10.5	12.2
Div Payout Ratio (%)	0.0	0.0	0.0	25.0	30.0
Net Interest Cover (x)	5.8	3.8	3.8	4.5	9.0

Source: Company, DBSVTH

Margins Trend

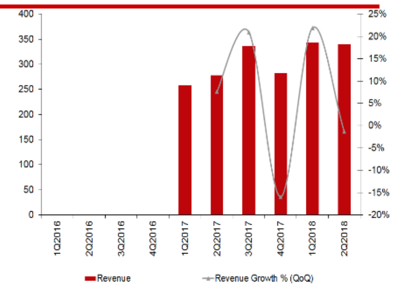


Quarterly / Interim Income Statement (Btm)

FY Dec	1Q2017	2Q2017	3Q2017	4Q2017	1Q2018	2Q2018
Revenue	258	278	336	282	344	339
Cost of Goods Sold	(141)	(160)	(177)	(188)	(190)	(210)
Gross Profit	**117**	**118**	**159**	**94.7**	**154**	**129**
Other Oper. (Exp)/Inc	(38.0)	(44.1)	(21.6)	(60.9)	(47.6)	(39.3)
Operating Profit	**78.8**	**73.5**	**137**	**33.8**	**106**	**90.1**
Other Non Opg (Exp)/Inc	0.75	0.88	0.53	(0.3)	1.85	12.8
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(18.0)	(21.0)	(23.0)	(23.1)	(19.7)	(15.4)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	**61.6**	**53.4**	**115**	**10.4**	**88.6**	**87.5**
Tax	(15.6)	(16.4)	(21.4)	0.74	(18.0)	(19.1)
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit	**46.0**	**37.0**	**93.6**	**11.1**	**70.6**	**68.5**
Net profit bef Except.	46.0	37.0	93.6	11.1	70.6	68.5
EBITDA	214	236	315	179	279	288
Growth						
Revenue Gth (%)	nm	7.6	21.0	(15.9)	21.8	(1.3)
EBITDA Gth (%)	nm	10.4	33.6	(43.2)	55.9	3.2
Opg Profit Gth (%)	nm	(6.8)	87.1	(75.4)	214.6	(15.3)
Net Profit Gth (Pre-ex) (%)	nm	(19.7)	153.2	(88.1)	533.6	(3.0)
Margins						
Gross Margins (%)	45.3	42.4	47.4	33.5	44.8	38.1
Opg Profit Margins (%)	30.6	26.5	40.9	12.0	30.9	26.5
Net Profit Margins (%)	17.8	13.3	27.9	3.9	20.5	20.2

Source: Company, DBSVTH

Revenue Trend

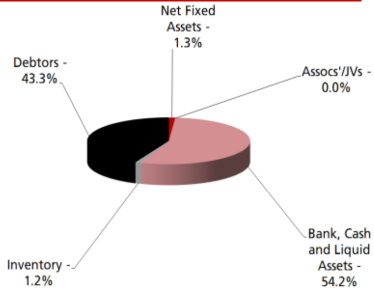


Balance Sheet (Btm)

FY Dec	2015A	2016A	2017A	2018F	2019F
Net Fixed Assets	3.05	6.56	22.2	3.14	10.3
Invts in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other LT Assets	528	1,267	1,379	1,357	1,486
Cash & ST Invts	107	43.3	925	1,374	2,777
Inventory	0.0	9.27	21.3	17.8	16.9
Debtors	373	299	740	618	705
Other Current Assets	32.5	70.2	51.0	60.6	69.4
Total Assets	1,044	1,696	3,139	3,430	5,064
ST Debt	496	410	1,122	523	523
Creditor	46.1	87.3	79.6	95.4	90.5
Other Current Liab	112	260	93.9	96.4	101
LT Debt	0.0	385	6.72	700	400
Other LT Liabilities	4.58	5.18	9.76	10.3	10.8
Shareholder's Equity	384	549	1,826	2,005	3,938
Minority Interests	0.0	0.0	0.0	0.0	0.0
Total Cap. & Liab.	1,044	1,696	3,139	3,430	5,064
Non-Cash Wkg. Capital	247	31.5	639	505	599
Net Cash/(Debt)	(389)	(751)	(203)	151	1,853
Debtors Turn (avg days)	149.3	145.9	164.4	180.7	154.3
Creditors Turn (avg days)	109.5	426.3	656.4	593.7	567.3
Inventory Turn (avg days)	N/A	29.6	120.0	132.6	105.9
Asset Turnover (x)	0.9	0.6	0.5	0.4	0.4
Current Ratio (x)	0.8	0.6	1.3	2.9	5.0
Quick Ratio (x)	0.7	0.5	1.3	2.8	4.9
Net Debt/Equity (X)	1.0	1.4	0.1	CASH	CASH
Net Debt/Equity ex MI (X)	1.0	1.4	0.1	CASH	CASH
Capex to Debt (%)	0.4	0.7	68.9	64.1	87.7

Source: Company, DBSVTH

Asset Breakdown

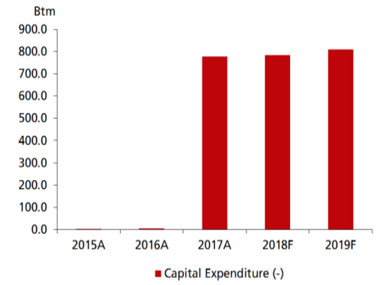


Cash Flow Statement (Btm)

FY Dec	2015A	2016A	2017A	2018F	2019F
Pre-Tax Profit	167	214	240	319	559
Dep. & Amort.	121	390	619	724	676
Tax Paid	(34.0)	(49.9)	(52.6)	(63.8)	(112)
Assoc. & JV Inc/(loss)	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	(267)	221	(579)	212	30.6
Other Operating CF	34.0	1.54	(0.3)	0.0	0.0
Net Operating CF	**20.8**	**776**	**228**	**1,192**	**1,154**
Capital Exp.(net)	(1.8)	(5.4)	(778)	(784)	(810)
Other Invts.(net)	0.0	0.0	0.0	0.0	0.0
Invts in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	(206)	(1,041)	33.2	24.1	(127)
Net Investing CF	**(208)**	**(1,046)**	**(744)**	**(760)**	**(937)**
Div Paid	0.0	0.0	0.0	(76.6)	(134)
Chg in Gross Debt	178	292	315	697	(300)
Capital Issues	0.0	0.0	0.0	0.0	1,620
Other Financing CF	37.3	0.0	1,086	(599)	0.0
Net Financing CF	**215**	**292**	**1,400**	**21.3**	**1,186**
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	28.0	22.2	884	453	1,403
Opg CFPS (Bt)	0.53	1.03	1.49	1.81	1.73
Free CFPS (Bt)	0.04	1.43	(1.0)	0.76	0.53

Source: Company, DBSVTH

Capital Expenditure



Valuation

BUY; TP of Bt15.20, based on PE valuation method

- **Strong 3-year net profit CAGR of 29% from FY18F-FY21F.** We expect JKN's sales and gross margin to jump from 2019 onwards, thanks to the following key drivers: i) higher sales driven by the continuous delivery of hit Indian programmes, entry into new markets and launch of new initiatives that were mentioned earlier, ii) wider margins from lower programme rights amortisation, and iii) lower SGA to sales from higher cost leverage.

We estimate JKN's gross profit margins and net profit margins to come in at 42.3% and 18.6% in FY18F, and 53.0% and 28.5% in FY19F, respectively. We expect JKN's net profit to rise 36% to Bt255m in FY18F and 75% to Bt447m in FY19F.

- **Attractive valuation.** Our TP is based on the PE valuation method, which is suitable for companies with earnings growth.

The stock is trading at 14.9x FY19F PE, with an attractive PE-to-growth (PEG) ratio of 0.5x. Our TP of Bt15.20 (45% upside) is pegged to 22x FY19F PE, which we believe is justified given its high 3-year CAGR (FY18F-FY21F) of 29%.

- The stock offers a potential total return of 50%, comprising 45% potential upside to our target price and an attractive dividend yield of 2.0%. Therefore, we have a BUY recommendation for JKN.

- **Sensitivity analysis.** We believe sales growth would be a key driver for JKN's earnings, with a sensitivity analysis of sales growth being shown in the table below. For our TP of Bt15.20, we assume 15% sales growth in FY19F.

Sensitivity analysis: Sales growth x Target Price

	% growth of revenue from copyrights distribution				
	5%	10%	15%	20%	25%
15.2	8.9	11.9	15.2	18.9	23

Source: Company, DBSVTH

Regional peer: Media

BB Ticker	Name	Market Cap US$m	PE (x) 18F	PE (x) 19F	P/BV (x) 18F	P/BV (x) 19F	EV/EBITDA (x) 18F	EV/EBITDA (x) 19F	Div Yield (%) 18F	ROE (%) 18F
ABS PM Equity	ABS-CBN CORP	375	7.2	5.7	0.5	0.5	3.3	2.8	3.9	8.4
GMA7 PM Equity	GMA NETWORK INC	345	9.5	8.3	2.6	2.5	3.6	3.3	-	27.1
SUNTV IN Equity	SUN TV NETWORK LTD	3,876	19.0	16.6	5.4	4.7	10.3	9.1	2.5	29.1
Z IN Equity	ZEE ENTERTAINMENT	6,434	28.9	24.5	5.2	4.5	18.3	15.7	0.8	19.0
511 HK Equity	TELEVISION BROADCASTS LTD	1,283	21.0	15.7	1.5	1.5	11.7	9.8	5.4	6.9
BEC TB Equity	BEC WORLD PUBLIC CO LTD	444	63.5	28.6	2.2	2.2	4.0	3.7	1.9	2.8
GRAMMY TB Equity	GMM GRAMMY PCL	197	n.a.	n.a.	8.3	8.3	11.4	10.4	-	(11.7)
MAJOR TB Equity	MAJOR CINEPLEX GROUP PCL	673	21.9	19.4	3.4	3.2	10.8	9.9	4.6	15.4
MCOT TB Equity	MCOT PCL	194	n.a.	n.a.	1.0	1.1	15.0	10.9	-	(22.3)
RS TB Equity	RS PCL	544	30.6	22.4	7.8	6.6	12.4	9.8	2.1	33.6
VGI TB Equity	VGI GLOBAL MEDIA PCL	1,953	48.1	39.5	6.4	6.0	34.4	29.2	1.4	16.5
WORK TB Equity	WORKPOINT ENTERTAINMENT	534	24.5	20.2	3.6	3.3	10.8	9.6	2.7	15.4
	Average (simple)		**27.4**	**20.1**	**4.0**	**3.7**	**12.2**	**10.4**	**2.3**	**11.7**

Source: Bloomberg Finance L.P., DBSVTH

Regional peer: Commerce

BB Ticker	Name	Market Cap US$m	PE (x) 18F	PE (x) 19F	P/BV (x) 18F	P/BV (x) 19F	EV/EBITDA (x) 18F	EV/EBITDA (x) 19F	Div Yield (%) 18F	ROE (%) 18F
002024 CH Equity	SUNING.COM CO LTD-A	17,144	20.0	46.2	1.5	1.5	20.0	26.6	1.3	6.4
COM7 TB Equity	COM7 PCL	698	28.3	23.6	8.8	7.6	21.1	17.7	2.3	32.1
IT TB Equity	IT CITY PCL	28	12.2	10.6	1.4	1.3	2.7	2.4	6.0	11.1
JMART TB Equity	JAYMART PCL	203	19.6	11.4	2.0	1.9	18.1	12.7	3.8	9.0
MWG VN Equity	MOBILE WORLD INVESTMENT CORP	1,618	13.4	11.2	4.4	3.4	8.9	7.4	1.4	40.2
	Average (simple)		**18.7**	**20.6**	**3.6**	**3.1**	**14.2**	**13.4**	**3.0**	**19.7**

Source: Bloomberg Finance L.P., DBSVTH

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BUY (>15% total return over the next 12 months for small caps, >10% for large caps)
HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return i.e. > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

Completed Date: 7 Sep 2018 11:31:09 (THA)
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