

**DISCOUNTED CASH FLOW VALUATION OF  
GMM GRAMMY PUBLIC COMPANY LIMITED**

The image features a large, faint watermark of the Mahidol University logo in the background. The logo is circular, with a blue outer ring containing Thai text. Inside the ring is a yellow emblem depicting a traditional Thai architectural structure, possibly a stupa or a similar religious monument, with intricate details and a tiered top. The text 'PATJARIN CHANON' is centered over the logo.

**PATJARIN CHANON**

**A THEMATIC PAPER SUBMITTED IN PARTIAL  
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Patjarin Chanon

## **DISCOUNTED CASH FLOW VALUATION OF GMM GRAMMY PUBLIC COMPANY LIMITED**

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M.M. (CORPORATE FINANCE)

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### **ABSTRACT**

This Valuation Report offers a comprehensive analysis of GMM Grammy Public Company Limited, a leading media and entertainment company in Thailand. The assessment employs the Discounted Cash Flow (DCF) method to determine the fair market value of the company, considering its historical performance and future growth prospects.

Significantly, the company experienced a Compound Annual Growth Rate (CAGR) of negative 7.13% from 2017 to 2022, indicative of challenges faced during this period. From 2023-2028, GMM Grammy anticipates a positive turnaround with a CAGR of 3.04%. The Terminal Growth Rate is conservative at 2.38%. The Weighted Average Cost of Capital (WACC) is determined at 5.29 %, incorporating the cost of equity and debt.

According to the discounted cash flow (DCF) valuation, the expected value per share is 11.25 Thai Baht, indicating an undervaluation of 36% compared to the current stock price of 7.25 Baht as of November 2023. This implies a potential investment opportunity for stakeholders.

**KEY WORDS:** GRAMMY/ DISCOUNTED CASH FLOW/ Thai Entertainment Industry

45 pages

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## LIST OF ABBREVIATIONS

CAGR	Compound Annual Growth Rate
CAPM	Capital Asset Pricing Model
CF	Cash Flow
DCF	Discounted Cash Flow
E&M	Entertainment and Media
EBIT	Earning before interest and tax
GDP	Gross Domestic Product
GMM Grammy	GMM Grammy Public Company Limited
GRAMMY	Stock Symbol of GMM Grammy Public Company Limited
IPO	Initial Public Offering
Kd	Cost of Debt
Ke	Cost of Equity
K-POP	Korean popular music
PP&E	Property, Plant and Equipment
PwC	PricewaterhouseCoopers International Limited
SDGs	Sustainable Development Goals
SET	The Stock Exchange of Thailand
THB	Thai Baht
TIBD	Total Interest-Bearing Debt
T-POP	Thai popular music or Thai pop music
WACC	Weighted Average Cost of Capital
Wd	Weight of Debt
We	Weight of Equity
YoY	Year-over-Year

## **CHAPTER I**

### **BUSINESS DESCRIPTION**

GMM Grammy Public Company Limited is widely acknowledged as the preeminent entertainment institution and media conglomerate in Thailand. Firstly, this chapter will examine and offer visual representations of GMM Grammy data, including an overview of the company's operations (1.1), nature of businesses (1.2), revenue structure (1.3), shareholder structure (1.4), dividend policy (1.5), future strategy (1.6), and historical price performance of GRAMMY in the Stock Exchange of Thailand (SET) (1.7).

#### **1.1 Business Overview**

GMM Grammy Public Company Limited is recognized as Thailand's leading media conglomerate and entertainment institution. GMM Grammy Public Company Limited provides a comprehensive service in the entertainment sector by producing a high-quality creation on an international level, with the aim of delivering boundless and extensive enjoyment. It focuses on artists and music industry performances. GMM Grammy was founded in 1983 as “Grammy entertainment” with the objective of promoting the growing period of the music and television industry in Thailand. During that period, the music industry placed significant emphasis on developing and promoting high-quality Thai Pop compositions. The implementation of copyright protection was launched by GMM Grammy in 1993. Grammy Entertainment PCL was officially listed on the Stock Exchange of Thailand in 1995, aligning with the commencement of its operations in the featured film industry. Subsequently, Grammy changed its name to GMM Grammy Public Company Limited in 2001.

## 1.2 Nature of Business

GMM Grammy operates full range of services in the entertainment business by producing a wide range of works of excellence at a global level. Its primary focus involves the presentation of the music industry and its associated artists. The Company exhibits a consistent track record of exceptional performance over an extended duration, demonstrating a commitment to ongoing development across various business sectors. There are five business areas according to Figure 1.1 including: Music Business (1.2.1), Home Shopping Business (1.2.2), Movie Business (1.2.3), Satellite Television Business (1.2.4), and Media Business (1.2.5).



**Figure 1.1 Five business sectors under GMM Grammy Group**

Source: (GMM Grammy Public Company Limited, 2022)

### 1.2.1 Music Business

The company operates under a comprehensive framework known as the "Servicing Entire Music Business" concept, encompassing a range of services, including artist selection, music creation, marketing, copyright management, distribution, concerts, festivals, and artist management. Additionally, the company runs an educational institution to nurture the talents of vocalists, instrumentalists, and performers (GMM Grammy Public Company Limited, 2022). GMM Grammy utilizes digital music distribution platforms to stimulate the expansion of the worldwide music industry, encompassing Thailand. It engages in the comprehensive production of music, encompassing artist selection, songwriting, arrangement, photography, and video editing. The establishment offers employment opportunities, organizes musical concerts, showcases live performances, and facilitates brand presentations.

GMM Grammy is responsible for administrating copyright payments on behalf of entrepreneurs, specifically in relation to music and partner labels. The organization specializes in coordinating musical performances and festivals, with a particular emphasis on pioneering showcases and inventive strategies for promoting these events. In addition, YGMM Co., Ltd. is an enterprise formed by a collaborative effort between GMM Grammy Plc. and YG Entertainment. The former holds a majority stake of 51% in the joint venture, supported by a registered capital of 200 million baht (GMM Grammy Public Company Limited, 2022).

The revenue from the Music sector is generated by GMM Grammy Plc., GMM Music Publishing International Co., Ltd., GR Vocal Studio Co., Ltd., Fan TV Co., Ltd, and revenues from Digital Music and Showbiz Business under GMM Grammy Plc.

### **1.2.2 Home Shopping Business**

GMM Grammy maintains a home shopping program named 'GMM O Shopping', providing dependable information and high-quality products from domestic and international markets. The program is disseminated via digital television, satellite television, and web platforms. The organization is transitioning towards social commerce by utilizing various platforms such as Facebook, YouTube, TikTok, and Line Official. This strategic move allows clients to engage in continuous shopping experiences through both telephone and internet channels (GMM Grammy Public Company Limited, 2022).

GMM Grammy places a strong emphasis on providing products that are guaranteed to be of high quality. To meet the diverse needs of its customers, the company has expanded its product line to encompass several categories, such as home convenience, kitchenware, electrical appliances, food supplements, skincare products, exercise equipment, clothes, and electronic devices. The company's primary objective is to expand its range of products and provide high-quality television content to effectively capture consumers' interest and engagement. Utilizing their proficiency in the entertainment field, the organization employs skilled moderators and unique product demonstrations to exert influence on consumer purchase decisions.

The revenue from Home Shopping is generated by GMM O Shopping Co., Ltd. And GMM Goods Co., Ltd.

### **1.2.3 Movie Business**

The revenue from Movie sectors is generated by GDH 559 Co., Ltd., Nam Dee Mai Ngam Co., Ltd., and Joint Venture Destiny the Movie. The movie business is conducted through its subsidiary, GDH 559 Co., Ltd. (GDH), in which the company maintains a majority ownership stake of 51%. The company's primary objective is to create high-quality films and television programs that encompass a wide range of subject matter, all while upholding the distinctive aesthetic of GDH (GMM Grammy Public Company Limited, 2022). In the year 2022, three films were launched, including 'FAST & FEEL LOVE', 'OMG! Oh My Girl', and 'Love Destiny The Movie'. A collaborative effort between GDH and Broadcast Thai Television Co., Ltd., garnered favorable reactions from both local and global viewers, ultimately achieving the status of the highest-grossing Thai film across the country. GDH is responsible for distributing and promoting the film One for The Road.

The company generates revenue through many channels, which encompass movie screenings in cinemas, the sale of film rights to agencies, partnerships with home entertainment business operators, the licensing of broadcasting rights, sponsorships, as well as the distribution and advertising of movies. The success of the corporation can be linked to the proficiency of its people and the accomplishments of its film productions.

### **1.2.4 Satellite Television Business**

Z Trading Co., Ltd, generates the revenue from this sector. The satellite television business is segmented into three primary sections and is conducted through a subsidiary known as G Broadcast. The service offers Over the Air (OTA) functionality for a range of satellite TV channels and other providers (GMM Grammy Public Company Limited, 2022). In 2022, the firm obtained a license for an Application Live TV, known as GMMZ TV, which exclusively offers services through GMMZ's receiver box. Z Trading Co., Ltd. is responsible for manufacturing and distributing receiver boxes designed for satellite TV, digital terrestrial TV, and internet TV. Additionally, the



company endeavors to expand its product portfolio to include other household electrical appliances to enhance convenience.

### **1.2.5 Media Business**

The media business of the Company is conducted through its entirely owned subsidiary, GMM Channel Co., Ltd. This company operates a digital television station on the GMM25 channel. The entity in question holds a license to utilize radio broadcast frequencies to deliver digital television services within the scope of national business services. In addition to The One Enterprise Public Company Limited, which serves as the Company's joint venture and flagship entity, it functions as a marketing agent responsible for content production and customer acquisition.

The objective is to allocate advertising time for the GMM25 Channel. At present, the Company engages in a content production enterprise through its partnerships with business entities, wherein it possesses a 25.09% stake in The One Enterprise Public Company Limited ("ONEE"), while Scenario Company Limited owns an additional 8.47% stake is an affiliated organization. The One Enterprise Public Company Limited is positioned as the main entity in the domain of generating and manufacturing material that is of high quality, informative, and entertaining, aiming to satisfy its target consumers' diverse requirements.

The revenue from the Media sector is generated by GMM Channel Co., Ltd. GMM Grammy Plc., Exact Co., Ltd., GMM Goods Co., Ltd., and other subsidiaries.

## **1.3 Revenue Structure**

GMM Grammy can generate revenue from five main business sectors: Music, Home shopping, Movie, Satellite Television, Media and Others. According to Management Discussion and Analysis for the Quarter 2/2023, the operating revenue, amounting to THB 1,451.2 million, experienced a significant increase of 312.4 million baht, representing a growth rate of 27.4% year-on-year (YoY). The primary factor contributing to this growth was the higher revenue generated by the movie and the music business division, according to Table 1.1.



**Table 1.1 GMM Grammy Plc Revenue Structure 2Q2023**

Revenue Breakdown	2Q2023		2Q2022		YoY %
	THB mn	%	THB mn	%	
Music	834.2	57.5%	614.2	53.9%	35.8%
Home Shopping	345.6	23.8%	339.1	29.8%	1.9%
Movie	184.0	12.7%	79.1	6.9%	132.6%
Set-top-box and Broadcasting	40.0	2.8%	52.7	4.6%	-24.1%
Other	47.4	3.3%	53.7	4.7%	-11.7%
<b>Total Operating Revenue</b>	<b>1,451.2</b>	<b>100.0%</b>	<b>1,138.8</b>	<b>100.0%</b>	<b>27.4%</b>

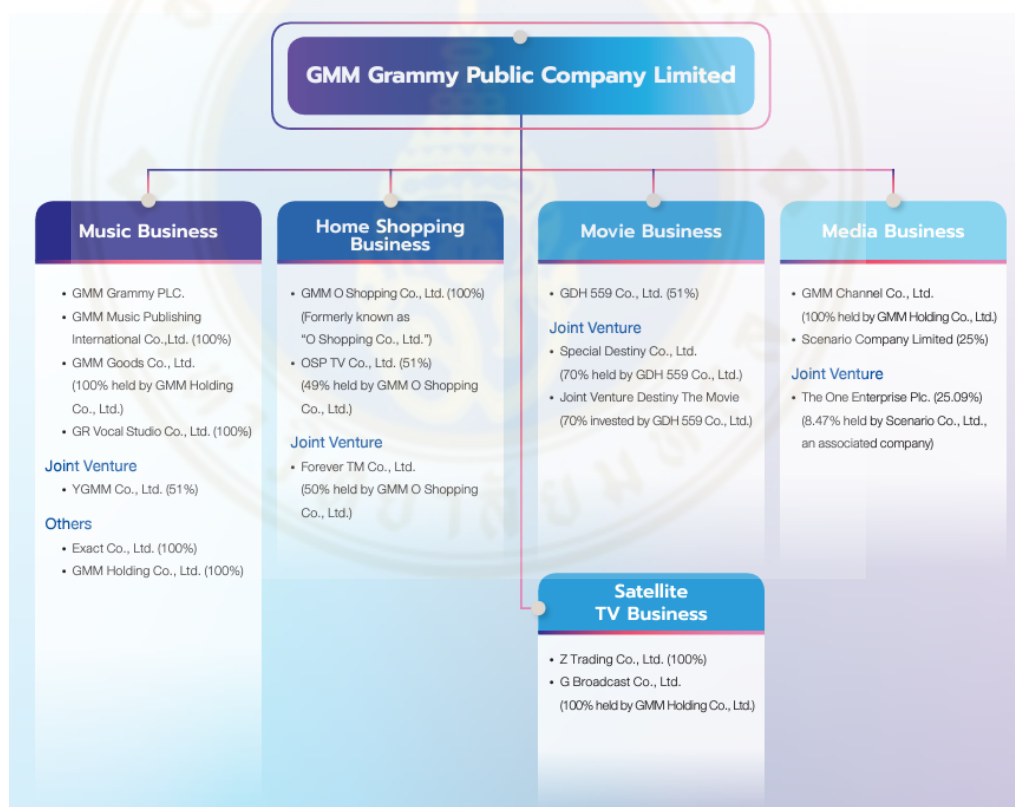
Source: (GMM Grammy Public Company Limited, 2023)

During the second quarter of 2023, the music business division achieved a total revenue of THB 834.2 million, representing a significant proportion of 57.5% of the overall operating revenue. The primary factor for this expansion may be attributed to the realm of entertainment and talent representation, wherein concerts and festivals have played a substantial role in driving this growth. Home shopping sector experienced a year-on-year growth of 1.9%, mainly attributed to the heightened sales of Health Care and Cosmetic products (GMM Grammy Public Company Limited, 2022).

However, the revenue generated by the movie industry experienced a significant year-on-year growth of 132.6%. This growth can be attributed to the combined revenue generated by the movie “Home for Rent” and the streaming series offered by Netflix. In addition, the organization derived income from overseas copyright broadcasts. As for the set-top-box and broadcasting sector, it declined 24.1% year-on-year (YoY) because of the culmination of technological advancements and the increasing popularity of Smart TVs. The company identifies a potential market niche within Smart Home products. In addition, the media sector, along with other sectors, incorporated advertising earnings derived from the digital television enterprise on the GMM 25 channel, and royalties obtained from other digital platforms.

## 1.4 Shareholding Structure

GMM Grammy has a policy of investing in firms that align with the Company's objectives, vision, and growth strategy. Consequently, the Company strategically allocates investments towards affiliated enterprises and provides operational assistance to the Group's subsidiaries, with the aim of establishing a robust framework and enhancing long-term economic efficacy (GMM Grammy Public Company Limited, 2022). The Grammy Organization categorizes its operations into five primary domains based on Figure 1.2, including (1) Music Business, (2) Home Shopping Business, (3) Movie Business, (4) Satellite TV Business, and (5) Media Business. And in Table 1.2 presents lists of major shareholders of GMM Grammy Public Company Limited.



**Figure 1.2 Shareholding Structure and The Company Group Structure**

Source: (GMM Grammy Public Company Limited, 2022)

**Table 1.2 List of Major Shareholders**

Rank	Shareholders	No. of Shares	% Holding
1.	Fah Damrongchaitham Co., Ltd.*	426,774,344	52.049
2.	Mr. Thaveechat Jurangkool	134,635,723	16.420
3.	Mr. Nuttapol Jurangkool	81,122,700	9.894
4.	Mrs. Hathairatn Jurangkool	51,573,500	6.290
5.	Mr. Komol Juangroongruangkit	22,720,000	2.771
6.	UOB KAY HIAN (HONG KONG) LIMITED - Client Account	17,932,520	2.187
7.	Bangkok Bank Public Company Limited	12,278,693	1.497
8.	Thailand Securities Depository Company Limited for depositors	5,216,651	0.636
9.	Mr. Takonkiet Viravan	5,059,236	0.617
10.	Bualuang Equity RMF (BERMF)	4,830,400	0.589
	<b>Total</b>	<b>762,143,767</b>	<b>92.950</b>

Source: (GMM Grammy Public Company Limited, 2022)

## 1.5 Dividend Policy

Based on the Company's separated financial statements, GMM Grammy has a policy of paying dividends to shareholders at a rate of not less than 40% of the net profit after corporate income tax each year. GMM Grammy was discontinued paying dividends in the second half of 2011 as a cash reserve for ongoing projects in accordance with the organization's business strategy. Following that, dividend payments to shareholders have ceased.

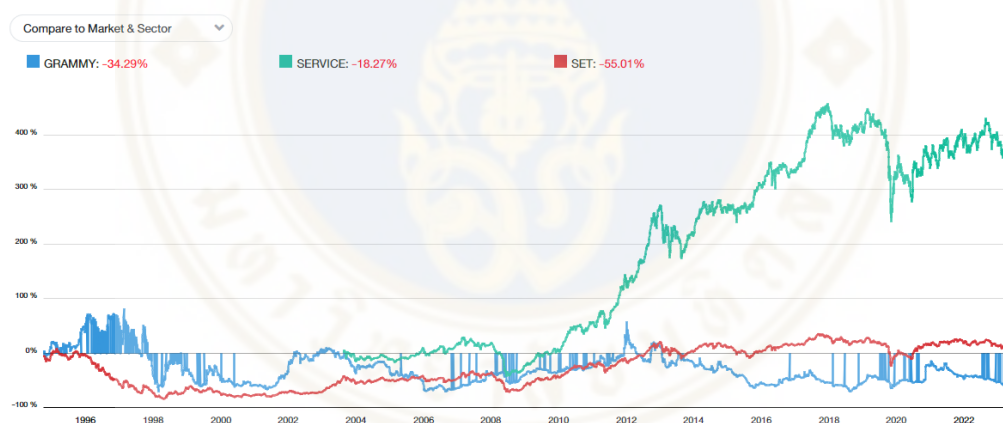
## 1.6 Strategy Driving Business for Sustainability

The GMM Grammy aims to become a leading leader in integrated entertainment enterprises and promote sustainable engagement with customers through various media. Its objectives include providing artistic originality, innovation, and development of music, films, news, entertainment, commercial media, and artists. The company also aims to develop business models for expanding commercial opportunities

at local and global levels. GMM Grammy's long-term goal is to establish itself as a leading organization for outstanding content creation both domestically and internationally (GMM Grammy Public Company Limited, 2020).

The company is dedicated to creating sustainability for stakeholders and the community throughout its value chain. It operates under sound governance principles, cares for the environment, and considers stakeholder expectations. The company's policies and strategies for sustainable development are integrated into every operation step, covering the economy, society, and environment. The Board of Directors plays a crucial role in setting these policies, and the company selects nine goals from seventeen of the United Nations Sustainable Development Goals (SDGs) as a sustainable development strategy.

## 1.7 GMM GRAMMY's Historical Stock Price



**Figure 1.3 Historical Trading of GRAMMY compared to market and sector**

Source: (SETSMART, 2023)

GMM Grammy Public Company Limited has the stock symbol - “GRAMMY” in the Stock Exchange of Thailand (SET). GRAMMY is in the Service industry and Media and Publishing sector. GRAMMY was first traded on February 17, 1995.

Historical trading of GRAMMY Stock price was illustrated in Figure 1.3. Initially, GRAMMY was traded at 17.76 Baht and experienced the highest price at 35.51 Baht on July 7, 1997. The lowest price was 5.60 Baht on January 3, 2019, when the COVID-19 happened. GRAMMY Stock price amounts to 8.35 Baht as of October 15, 2023.



## **CHAPTER II**

### **MACROECONOMIC ANALYSIS**

By developing and promoting local talent and providing them with a platform to demonstrate their abilities and creativity, GMM Grammy has played a significant role in forming the Thai entertainment industry. The business has also been at the center of technology development, employing cutting-edge tactics to reach a larger audience and adjust to changing consumer preferences. In addition to promoting Thai culture abroad, its efforts to become global have provided avenues for cooperation with foreign artists, significantly enhancing the entertainment industry. This chapter will present about Entertainment Industry (2.1), Thai Entertainment Industry (2.2), and provide Macroeconomic Analysis of Entertainment Industry (2.3) by providing an overview of Korean Entertainment Industry and Thai Entertainment Industry (2.4) and Competition Analysis (2.5) of Domestic Peers (2.5.1) and International Peers in Korea (2.5.2).

## **2.1 Entertainment Industry**

### **2.1.1 Global Entertainment Industry**

According to research by PricewaterhouseCoopers (PwC), the entertainment and media industry is expected to experience significant growth, reaching a value of \$825 billion by the year 2023. This is a notable increase from its valuation of \$717 billion in 2019. The growth trend in 2020 was significantly disrupted by the global coronavirus epidemic, although it is worth noting that certain industries showed more resilience and performed relatively better than others. Nevertheless, it is anticipated that the media and entertainment business will continue to substantially develop in the future, characterized by a "K-shaped bifurcated recovery." According to projections, the media and entertainment sector is expected to see a compound annual growth rate of 2.8% until 2024 (PwC, 2023). It is anticipated that earnings from subscription video on



demand will surpass those generated by the box office, reaching twice its size by 2024. The growth rate of advertising expenditure is projected to be lower than that of consumer expenditure in the next years. Specifically, the annual growth rate of digital advertising spending is anticipated to be 4.8% through the year 2024.

The mobile advertising sector is projected to have significant growth, with an estimated share of around 81% (equivalent to nearly \$130 billion) of the total internet advertising market by 2023. The anticipated growth of television advertising revenue in the foreseeable future is expected to be minimal, while radio advertising is projected to experience slightly more significant growth in comparison (PwC, 2023). The publishing business is currently facing a fall in advertising revenue and a decrease in readership because of the heightened accessibility to free online material. According to projections, the consumer magazine advertising market is anticipated to see a reduction from \$15.6 billion in 2019 to \$13.9 billion in 2023, exhibiting a compound annual decline rate of approximately 3 percent. It is anticipated that trade publications would recover their financial losses by maximizing digital advertising revenue, with an estimated increase from \$2 billion in 2019 to \$2.4 billion in 2023.

The broadcast television industry is going to experience substantial transformations due to the increasing interactivity and customization of television content for viewers. It is anticipated that the tendency towards online consumption of television will continue to exist; nevertheless, advertisers will keep on allocating funds towards TV advertising owing to its enduring performance. According to projections, the broadcast TV advertising sector is expected to experience no compound annual growth by 2023. Additionally, cable networks are anticipated to witness a modest growth rate of only 0.6% during the same period.

Based on estimations, employment growth for radio and television broadcast announcers will decrease by 5%. However, broadcast, and sound engineering technicians are anticipated to have employment growth that exceeds the average rate through 2028. The proliferation of internet radio stations has the potential to generate novel prospects for individuals working in the broadcasting industry, owing to their comparatively reduced initial investment requirements and ability to effectively engage with their intended target demographic and listening audience.



According to Figure 2.1, media and entertainment market achieved an estimated value of 2.32 trillion U.S. dollars in 2022, reflecting a growth rate of 5.4 percent compared to previous year. In 2023, there is an anticipated decrease in growth; however, it is projected that the dollar figures will ultimately reach 2.78 trillion by the conclusion of 2027.



**Figure 2.1 Value of the entertainment and media market worldwide from 2018 to 2027 (in trillion U.S. dollars)**

Source: (Guttmann, 2023)

The entertainment and media sector comprises a wide range of broadcasting mediums, including newspapers, magazines, television, radio, as well as popular forms of entertainment such as movies, music, and books.

The compound annual growth rate (CAGR) of global entertainment and media expenditure has been projected between 2022 and 2026, with sector-specific estimations. According to the projections, the sector expected to see the highest compound annual growth rate is data consumption, with a rate of 26 percent (Guttmann, 2023). Following closely is the virtual reality industry, which is anticipated to increase by 24 percent within the specified timeframe. In contrast, it is expected that the publishing of newspapers and magazines will experience a yearly decline of two percent during this timeframe.

## 2.2 Thai Entertainment Industry

Through the analysis conducted by PwC Thailand, it is projected that the revenues generated by the Thai entertainment and media (E&M) industry will rise to 601 billion Baht by 2025. This increase will be mainly driven by a compound annual growth rate of 4.45% covering the period from 2021 to 2025. Despite experiencing a 6% decline in the previous year due to the COVID-19 epidemic, it is anticipated that the industry's overall revenue would surpass 500 billion Baht, thereby contributing to its growth (PwC, 2023). According to the Global Entertainment & Media Outlook 2021-2025 report by PwC, it is projected that the overall spending in the entertainment and media industry will see a compound annual growth rate (CAGR) of 4%, resulting in a value of 505 billion Baht in the year 2021.

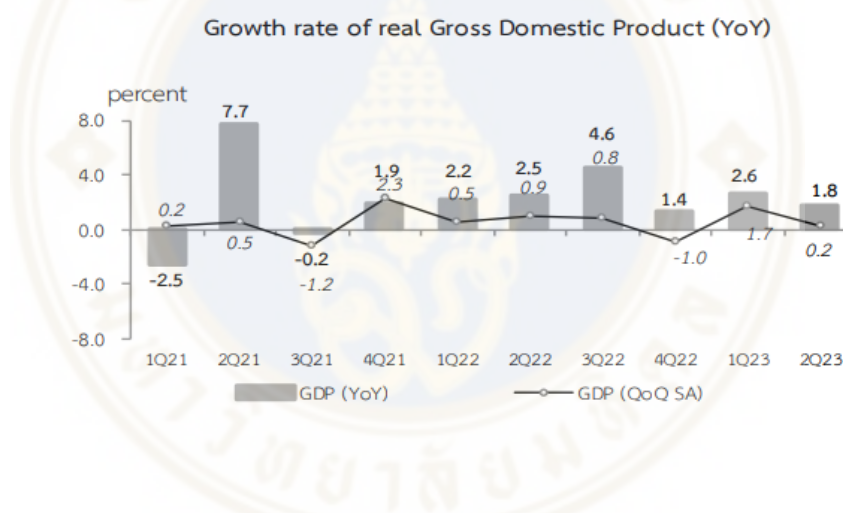
The three areas that have experienced the most rapid growth this year are cinema, with a growth rate of 47%, amounting to 7.8 billion Baht, followed by music, radio, and podcasts, which have grown by 27% to reach 11.9 billion Baht, and out-of-home advertising, which has seen a growth rate of 24% resulting in 5 billion Baht in revenue (PwC, 2023). The traditional television and home video segment, as well as the books section, are projected to experience significant vulnerability, with anticipated negative growth rates of -3% and -2%, respectively.

The recovery in expenditure for the Thai entertainment and media industry is consistent with the worldwide expenditure trend, which is projected to increase by 7% compared to the previous year, reaching 68 billion Baht. This growth is anticipated to maintain a compound annual growth rate (CAGR) of 4.61% for the following five years. The COVID-19 epidemic has had a significant impact on the E&M (Entertainment and Media) business, leading to notable transformations. One of the key changes observed is the growing preference among consumers for utilizing streaming platforms and mobile devices for content consumption and gaming purposes.

The increasing prevalence of Thai internet users is expected to result in a notable surge in the success of streaming firms in the coming year, contingent upon customers dedicating a greater portion of their time to online platforms. Telecommunication operators will encounter heightened levels of competition, necessitating their ability to adapt and provide services or content at the anticipated pace in order to establish a competitive edge.

## 2.3 Macroeconomic Analysis and Entertainment Industry

Based on data provided by the Office of the National Economic and Social Development Council (2023) in Figure 2.2, it can be observed that Thailand experienced a growth in its Gross Domestic Product during the second quarter of 2023, amounting to a 1.8% increase. This growth rate represents a deceleration compared to the previous quarter, where the country's GDP had risen by 2.6% in the first quarter of 2023 (National Accounts Division, 2023). The expansion can be primarily attributed to the continuous growth in household expenditure, despite a slowdown in gross fixed capital formation. The decline in government expenditure in 2022 can be attributed to the greater amount of healthcare spending. The overall export performance experienced a deceleration due to a decline in merchandised exports. However, there was a notable increase in service receipts, driven mainly by a rise in the number of foreign tourists.



**Figure 2.2 Growth rate of the real Gross Domestic Product (YoY)**

Source: (National Accounts Division, 2023)

The sector, including art, entertainment, and recreation experienced a growth rate of 1.2% in the specified period, slightly lower than the growth rate of 1.7% observed in the first quarter of 2023 according to Table 2.1 (National Accounts Division, 2023). This decrease can be attributed to an increase in the involvement of creative, arts, and entertainment activities, as well as activities related to libraries and archives, sports facility activities, and other forms of amusement activities.

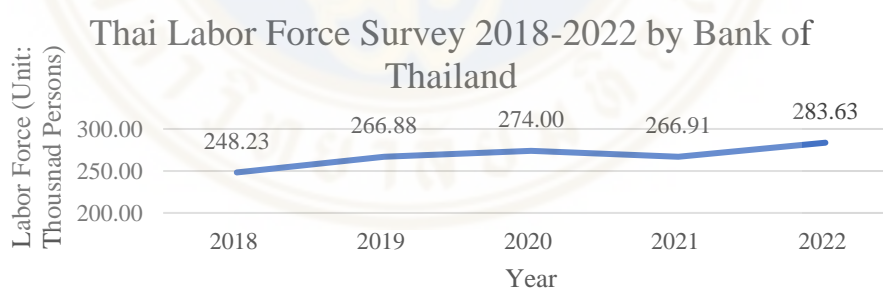
**Table 2.1 The comparison of Real Gross Domestic Product Growth on Production Side (YoY) between Arts entertainment and recreation sector with the GDP of Thailand**

Unit: Percent

Real GDP Growth on Production side	2022						2023		
	Q1	Q2	H1	Q3	Q4	H2	Q1	Q2	H1
Arts, entertainment, and recreation	-3.2	-1.2	-2.2	1.7	1.6	1.7	1.7	1.2	1.5
Gross Domestic Product (GDP)	2.2	2.5	2.3	4.6	1.4	2.9	2.6	1.8	2.2

Source: (National Accounts Division, 2023)

GMM Grammy Plc has the potential to have a significant influence on the macroeconomic conditions of Thailand through a variety of mechanisms. The impact of GMM Grammy Plc on the macroeconomy can be observed in its measurable contribution to Thailand's Gross Domestic Product (GDP). The company's various business ventures, which cover music production, television, and digital media, yield significant financial returns. The revenues include many sources such as advertising, sales of media content, and associated sectors, all of which contribute to the overall national gross domestic product (GDP).



**Figure 2.3 Thai Labor Force Survey 2018 – 2022**

Source: Own calculation and (Bank of Thailand, 2023)

Additionally, GMM Grammy holds a prominent position as a major employer within the Thai context, providing employment opportunities to a diverse group of professionals across the entertainment and media industries as it shown in Figure 2.3 (Bank of Thailand, 2023). This encompasses a variety of roles inside the company, such as artists, technologists, marketers, administrative employees, and other

positions. The company's provision of employment possibilities has a significant role in reducing unemployment rates and exerting a direct influence on the financial resources and overall well-being of numerous individuals residing in Thailand.

The content produced by GMM Grammy, with a particular focus on the music and entertainment business, exhibits a strong global appeal. This situation allows the corporation to engage in international trade by exporting its products and services to foreign markets. As a result, the revenue derived from international trade has the potential to enhance Thailand's export profits and exert a favorable impact on the country's balance of trade.

The entertainment services provided by GMM Grammy serve as a significant source of both enjoyment and cultural enrichment for the populace of Thailand. Consequently, individuals frequently spend a proportion of their earnings towards expenditures connected to amusement. Expenditure allocated towards concert tickets, music, and related items has the potential to generate economic activity, so exerting an indirect influence on the macroeconomy.

GMM Grammy maintains a continual focus on technological advancements and content generation as a strategic approach to sustain competitiveness within the dynamic entertainment and media industry. This investment not only serves to augment the company's internal capacities, but also has the potential to foster innovation and propel technological progress within the industry. These developments make a significant contribution to the overall economy by cultivating an environment that encourages innovation and creativity.

Furthermore, GMM Grammy plays a crucial role in promoting and preserving Thai culture and arts. The produced content exemplifies the abundance and variety of Thai traditions and artistic manifestation. The preservation and enhancement of national culture not only contributes to its longevity but also has a significant influence on the tourism industry. The cultural content produced by GMM Grammy has the potential to attract tourists, so making a positive contribution to the tourism sector and subsequently benefiting the economy.

GMM Grammy, via its profitable operations and participation in several economic attempts, serves as a source of government tax revenue. The generated revenue has the potential to be allocated towards the financing of public services, the



advancement of infrastructure, and other crucial government efforts that contribute to the welfare of the broader population.

## **2.4 Korean Entertainment Industry and Thai Entertainment Industry**

The Korean and Thai entertainment industries are significant and profitable sectors within the Asian entertainment landscape. Both industries have become famous for their outstanding productions, talented artists, and passionate supporters. In recent years, an increasing level of collaboration has been observed between the entertainment industries of Korea and Thailand. This phenomenon can be attributed, at least partially, to the increasing presence of Korean entertainment media in Thailand and, inversely, the rising popularity of Thai entertainment content in Korea.

The mutual partnership between the entertainment industries of Korea and Thailand yields beneficial results for both sectors. The promotion of Korean and Thai entertainment content to a broader audience facilitates the dissemination of cultural products from their respective countries. Additionally, this platform allows Korean and Thai artists to engage in collaborative projects with creative partners, promoting mutual learning and growth. When considering the economic advantages, the economic benefits of the partnership between the Korean and Thai entertainment sectors are significant. An instance of collaboration between Korean and Thai enterprises in the production of films and television series generates employment opportunities in both countries.

In 2021, GMM Grammy announced a joint venture with YG Entertainment, one of the largest entertainment companies in South Korea, and its subsidiaries named YGMM Co., Ltd. The registered capital of YGMM Co., Ltd amounts to 200 million Baht (Bloomberg, 2023). The company will prioritize its efforts towards the entertainment industry, specifically providing consultation services for concerts, theaters, and acting. GMM Grammy has a majority share of 51% in the company, with the remaining 49% owned by YG Entertainment. This prospective collaboration has the potential to encourage additional captivating initiatives between the countries, therefore creating enhanced prospects for individuals desiring to enter the exciting world of idol culture.

## **2.5 Competition Analysis**

Undertaking a competition analysis is a key component of constructing a business strategy since it involves evaluating and understanding the benefits and drawbacks of attributes possessed by comparable companies operating within the market. This procedure yields significant insights and confers numerous advantages for businesses. In this section, the selected competitors from both domestic and international peers will be identified regarding GMM Grammy Plc.

### **2.5.1 Domestic Peers**

#### **BEC World Public Company Limited**

BEC World Public Company Limited specializes in content creation and entertainment distribution across multiple channels, including traditional television and online channels. The subsidiary known as Bangkok Entertainment Co., Ltd. is engaged in the operation of analog terrestrial television channels as well as the management of digital platforms for internet and mobile phone-related enterprises. BEC Corporation Co., Ltd., a subsidiary, has just introduced the CH3Plus Digital platform as its designated content producer and provider. The company's international content licensing enterprise includes the distribution of copyrights for material in foreign markets. The initial public offering (IPO) of BEC occurred in 1996, and the company afterward implemented a dividend policy that entails distributing a minimum of 90% of its yearly net profit to its shareholders. However, this policy may be subject to exceptions in cases involving substantial projects. The proposed dividend payment for the 2022 performance, amounting to 0.16 baht per share and totaling 320 million baht, was put out during the meeting of the Board of Directors (BEC WORLD PUBLIC COMPANY LIMITED, 2022). The release of funds will be sourced from accumulated profits, with the register of stakeholders eligible for the dividend distribution being disclosed on the 10th of May 2023, followed by the actual payment occurring on the 25th of May 2023.

BEC World Public Company Limited holds a registered capital of Baht 2,000 million, with Baht 2,000 million fully paid up. This capital is divided into 2,000 million ordinary shares, each with a par value of Baht one. It is important to note that



the Company made an adjustment to its par value, reducing it from Baht 10 per share to Baht 1 per share on 26 December 2003.

### **RS Public Company Limited**

RS Public Company Limited, founded in 1976, is a Thai public company listed on the Stock Exchange of Thailand with a registered capital of 560 million baht. As of 31 December 2022, the company has 972,496,946 shares. It operates in three main businesses: commerce, media, music, and other businesses. Commerce contributes approximately 50% of total revenue, with activities under RS LiveWell Company Limited and RS Mall Company Limited. RS Connect Company Limited has expanded its commerce business into direct sales (RS Public Company Limited, 2021). The company also owns Channel 8, a TV media operated by RS Multimedia Company Limited, and radio media through the station COOL Fahrenheit 93FM by Coolism Company Limited. RS also operates content and music development businesses, generating copyright revenue from intellectual property use. The company also has related businesses, such as content creation, event organizer, and smart marketing platform operated by Fourth Apple Company Limited. RS has expanded into online content creation and development, developed "Popcoin," a smart marketing platform, and invested in Chase Asia Company Limited, operating in NPL asset management and personal loan business. The company consistently seeks to invest in new businesses to create a strong and growing business ecosystem.

### **Workpoint Entertainment Public Company Limited**

Workpoint Entertainment Public Company Limited was founded on September 11, 1989, by Mr. Phanya Nirunkul and Mr. Prapas Cholsaranon with the objective of producing entertainment works for television and other media with an initial registered capital of THB 2 million. On September 29, 2004, the Company completed a change into a Public Limited Company, with a registered capital of THB 200 million. As of December 2021, the registered capital of the Company amounted to THB 452.09 million (Workpoint Entertainment Public Company Limited, 2022). The Company has experienced a gradual expansion of its commercial operations, resulting in the establishment of four key business categories: 1) TV program business; 2) event organizing company; 3) concert and stage plays business; and 4) merchandising and service business.

The Company maintains a policy of distributing dividends to shareholders, amounting to at least 70 percent of the net profit after deducting juristic person income tax, as reflected in its separate financial statements. This policy is applicable when the Company does not require the use of said funds, provided that such dividend payments do not significantly impact on the Company's regular operations.

### **2.5.2 International Peers (Korean Company)**

#### **SM ENTERTAINMENT**

SM Entertainment, founded by Head Producer Lee Soo Man in 1995, is Asia's leading entertainment company. The company implemented methodical procedures for casting, training, production, and management, while also demonstrating the ability to identify music and cultural trends, resulting in the discovery of distinctive material. SM Entertainment has effectively entered the international market by employing globalization and localization techniques via the utilization of culture technology (Bloomberg, 2023). In 1997, it emerged as the pioneering Korean entertainment company to venture into global markets, spearheading the phenomenon known as the Korean Wave. SM Entertainment has effectively expanded its presence in North America, South America, and Europe, while concurrently maintaining its stronghold in Asia. The promotion of Korea's distinct culture is facilitated by several means, such as the global popularity of K-POP, the dissemination of the Korean alphabet, and the promotion of Korean food. Additionally, efforts are made to encourage the use of Korean brand items. SM Entertainment has prioritized the significance of culture as a catalyst for the country's economy, actively advocating the slogan "Culture First, Economy Next." The company's objective is to establish a dominant position in the entertainment sector, with the ultimate goal of positioning Korea as both a "Cultural Powerhouse" and an "Economic Powerhouse." This strategic focus is centered on fostering worldwide economic expansion through disseminating and promoting Korean culture.

#### **YG ENTERTAINMENT**

YG Entertainment Inc. is primarily employed in the entertainment industry and is headquartered in South Korea. The company is involved in manufacturing and distributing music recordings, managing artists, identifying, and developing emerging

talents, and organizing live performances. The Company is involved in the manufacturing and selling of merchandise and cosmetics, as well as the development of ads. The organization conducts its operations in both domestic and international markets. YG possesses a total of 18,677,299 common stocks and listed stocks (MarketWatch, 2023).



## **CHAPTER III**

### **VALUATION**

This chapter aims to determine the appropriate target price of GMM Grammy Public Company Limited by applying the discounted cash flow Valuation Method. Prior to conducting the valuation, it is necessary to engage in historical financial statements (3.1) and revenue forecasting for the period from 2023 to 2028. Subsequently, the pro forma income statement (3.2 and 3.3) could be derived by integrating the revenue projection with the forecasted costs and expenses (3.4). The forecasting revenue and fixed assets are used to estimate depreciation and capital expenditure (3.5). This section provides the key assumptions including terminal growth rate (3.6), cost of capital (3.7), and WACC (3.8) underlying the implementation of discounted cash flow (DCF) valuation (3.9) and sensitivity analysis (3.10). After forecasting its future cash flows and discounting them back to their present value, the intrinsic value of GMM Grammy's stock is estimated to determine a target price for a stock based on the expected future cash flows. The valuation conclusion (3.11) and recommendations (3.12) will offer a final assessment of the value of a business, asset, or investment and provides actionable recommendations based on the derived valuation.

### **3.1 Historical Financial Statements**

To determine average growth of GMM Grammy's past financial performance, the Compound Annual Growth Rate (CAGR) is applied to analyze the historical statement and project its expected future returns before projecting the revenue growth in 2023-2028. It estimates the investment's average yearly growth during five years of 2017 to 2022.

According to Table 3.1, the Compound Annual Growth Rate (CAGR) of GMM Grammy was negative as GMM Grammy experienced a decline in value over the given period. It indicates a negative growth rate in GMM Grammy's revenue from 2017

to 2022 (GMM Grammy Public Company Limited, 2022). At that time, increased competition in the entertainment industry within the media landscape contributed to declining revenue. Rapid technological changes and new entrants also have affected GMM Grammy's market share.

**Table 3.1 GMM Grammy Public Company Limited Yearly Financial Statement from 2017-2022 with the CAGR**

Unit: THB mn (Million Baht)	2017	2018	2019	2020	2021	2022	CAGR
Total Operating revenues	7,595.30	6,870.50	6,602.20	4,971.60	3,835.40	5,221.60	-7.22%
<i>Sales growth</i>		-9.5%	-3.9%	-24.7%	-22.9%	36.1%	
Dividend Income	4.00	-	-	-	3.30	9.59	
Other income	101.07	106.60	31.83	60.51	52.18	88.58	
<b>Total Revenue</b>	<b>7,700.37</b>	<b>6,977.10</b>	<b>6,634.03</b>	<b>5,032.11</b>	<b>3,890.88</b>	<b>5,319.77</b>	<b>-7.13%</b>
Cost of sales and services	4,917.13	4,364.71	4,025.04	3,134.37	2,176.10	3,179.74	
<i>Cost of Sales&amp;Service to Total Revenue</i>	64%	63%	61%	62%	56%	60%	61%
<b>Gross Profit</b>	<b>2,783.24</b>	<b>2,612.39</b>	<b>2,608.99</b>	<b>1,897.74</b>	<b>1,714.78</b>	<b>2,140.04</b>	
Selling And Administrative Expenses	3,036.92	2,214.26	2,118.26	1,964.87	1,732.09	1,916.20	
<b>EBIT</b>	<b>(253.68)</b>	<b>398.13</b>	<b>490.72</b>	<b>(67.13)</b>	<b>(17.31)</b>	<b>223.83</b>	
Share of profit from joint ventures and associates	(315.43)	(198.52)	(11.43)	405.40	270.83	175.10	
Finance income	-	-	6.20	3.55	1.90	1.86	
Finance cost (Interest Expense)	(166.67)	(33.62)	(21.22)	(40.75)	(60.03)	(73.60)	
<b>Profit (Loss) Before Tax</b>	<b>6.95</b>	<b>173.24</b>	<b>464.29</b>	<b>(136.69)</b>	<b>519.96</b>	<b>199.98</b>	
Tax	(50.74)	79.63	98.14	(13.43)	(3.46)	44.77	
<b>Net Profit (Loss)</b>	<b>(43.79)</b>	<b>252.87</b>	<b>562.43</b>	<b>(150.12)</b>	<b>516.50</b>	<b>244.75</b>	

Source: Own calculation and (GMM Grammy Public Company Limited, 2022)

Since 2017, changes in how people consume media, including shifts in television viewership, music consumption habits, and other entertainment preferences, had affected to GMM Grammy's revenue streams in Media sectors. Moreover, during pandemic situations, economic downturns and uncertainties have impacted consumer spending on entertainment and discretionary items, affecting GMM Grammy's financial performance. Artists and performers faced challenges during the pandemic due to canceled tours and events. Streaming services may have seen increased demand, while traditional revenue channels like physical sales or live events could have declined. However, the entertainment industry showed signs of recovery in 2022, allowing for the return of live events, including concerts, festivals, and theatrical performances. This had been a significant source of revenue for GMM Grammy.

The Cost of Sales and Services to total revenue is higher than 50%, and the average cost of sales and services from 2017 to 2022 is 61%. In addition, the company generated the lower total operating sales, that is the highest proportion of the total revenue.

GMM Grammy's total revenue in 2022 surged to THB 5,319.77 million that showed an increase of 36.1% compared to the previous year. The rise of tourism, the implementation of effective Covid-19 controls measures, the revival of consumption indices, and the recovery of economic activity have significantly contributed to the observed positive outcomes. The growth in revenue within the music industry was primarily fueled by the artist management and showbiz sectors. Regarding the digital music industry, it remains a steadily expanding source of revenue for the company.

### 3.2 Sales Breakdown

**Table 3.2 Operating Revenue Breakdown of GMM Grammy from 2017-2022 with CAGR**

Unit: Million Baht	2017	2018	2019	2020	2021	2022	CAGR
Music	2,963.5	3,737.9	4,014.3	2,758.7	1,816.1	3,043.1	0.5%
Home Shopping	1,940.9	2,305.7	1,693.7	1,531.9	1,316.6	1,364.6	-6.8%
Movie	402.3	412.6	464.9	356.7	239.1	446.1	2.1%
Set-top-box and Broadcasting	237.4	240.4	279.5	211.8	273.1	198.1	-3.6%
Media and Other	2,051.3	173.9	149.7	112.7	190.5	169.6	-39.3%
<b>Total Operating Revenue</b>	<b>7,595.3</b>	<b>6,870.5</b>	<b>6,602.2</b>	<b>4,971.6</b>	<b>3,835.4</b>	<b>5,221.6</b>	<b>-7.2%</b>
<i>sales growth</i>		-9.5%	-3.9%	-24.7%	-22.9%	36.1%	

Source: Own calculation and (GMM Grammy Public Company Limited, 2022)

**Table 3.3 The proportion of Operating Revenue Breakdown of GMM Grammy from 2017-2022**

% Sales Breakdown	2017	2018	2019	2020	2021	2022
<b>Music</b>	39%	54%	61%	55%	47%	58%
Home Shopping	26%	34%	26%	31%	34%	26%
Movie	5%	6%	7%	7%	6%	9%
Set-top-box and Broadcasting	3%	3%	4%	4%	7%	4%
Media and Other	27%	3%	2%	2%	5%	3%
<b>Total Operating Revenue</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Own calculation and (GMM Grammy Public Company Limited, 2022)



As reported in Tables 3.2 and 3.3, the highest proportion of sales is in the music business sector, which could generate over 50% of the total operating sales. In 2022, the music sector experienced significant changes, with a greater emphasis on online platforms for music distribution. This marked the beginning of the digital music era, with music corporations worldwide adopting similar economic strategies. The company reclassified audio and video masters' costs as intangible assets in the copyrights category, based on consistent revenue from online platforms. The music business, which includes distribution and sale of digital music, rights administration, artist management, and the entertainment industry, generated a total revenue of THB 3,043.1 million in 2022, representing 58.3% of operational revenue. This growth was primarily driven by talent management and showbiz. The music business group has shown recovery and returned to pre-crisis operations, with the digital music industry now being the primary source of revenue within the music sector.

In the third quarter of 2023, the company's operating revenue increased by THB 677.5 million, or 19.7%, to THB 4,121.3 million Compared to the same period in 2022. Most of the increased revenue was driven by the music business division, which accounted for 61.9% of the total operating revenue. The year-over-year (YoY) metric is used to evaluate the performance of GMM Grammy in 2023 compared to its performance in previous years and it is applied for predicting the performance of the upcoming quarter. Subsequently, the projected revenue distribution for each sector can be determined based on year-over-year (YoY) comparison.

**Table 3.4 Comparison Year over Year GMM Grammy's Sales Breakdown from 1Q-4Q 2023**

<b>Comparison YoY%</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>
Music	75.4%	35.8%	16.4%	20%
Home Shopping	9.6%	1.9%	-4.1%	-3%
Movie	27.1%	132.6%	-69.5%	-30%
Set-top-box and Broadcasting	-15.9%	-24.1%	-27.5%	-30%
Media and Other	-36.7%	-11.7%	-0.9%	-1%

Source: Own calculation and (GMM Grammy Public Company Limited, 2023)

According to the previous comparison in each quarter, the Year over Year (YoY) for the fourth quarter in 2023 is assumed to be increased by 20% in the music business with the decrease in home shopping sector by 3% based on Table 3.4. The movie and set-top-box and broadcasting sector will drop to 30%, and media and other businesses will decline by 1%.

**Table 3.5 Total Operating Revenue Breakdown for 2023**

Unit: Million Baht	2023											
	1Q2023	%	2Q2023	%	3Q2023	%	4Q2023	%	9M	%	FY2023	%
Music	878.8	63.3%	834.2	57.5%	838.4	65.4%	1,449.12	74.3%	2,551.40	61.9%	4,000.52	66%
Home Shopping	350.1	25.2%	345.6	23.8%	335.5	26.2%	345.71	17.7%	1,031.20	25.0%	1,376.91	23%
Movie	72.8	5.2%	184	12.7%	51.2	4.0%	99.40	5.1%	308.00	7.5%	407.40	7%
Set-top-box and Broadcasting	42.9	3.1%	40	2.8%	33.7	2.6%	33.60	1.7%	116.60	2.8%	150.20	2%
Media and Other	43.4	3.1%	47.4	3.3%	23.3	1.8%	23.66	1.2%	114.10	2.8%	137.76	2%
<b>Total Operating Revenue</b>	<b>1,388.00</b>	<b>100%</b>	<b>1,451.20</b>	<b>100%</b>	<b>1,282.10</b>	<b>100%</b>	<b>1,951.49</b>	<b>100%</b>	<b>4,121.30</b>	<b>100%</b>	<b>6,072.79</b>	<b>100%</b>

Source: Own Calculation and (GMM Grammy Public Company Limited, 2023)

The forecasting of operating revenue in each sector for the remaining quarter is calculated by multiplying the revenue in 2022 with the percentage change from the Year over Year (YoY) forecasting in Table 3.5. Then, the total operating revenue for 2023 can be calculated from combining the whole number from each quarter. According to Table 8, the music business will account for THB 4,000.52 million, and the home shopping will amount to THB 1,376.91 million. The revenue of Movie and set-top-box and broadcasting business amount to THB 407.40 million and THB 150.20 million, respectively. While the media and other business will generate revenue of THB 137.76 million. And the percentage breakdown for each sector contributes 66% to the total operating revenue. Home shopping follows at 23%, while the movie sector, set-top-box and broadcasting, and media and other business each represent 7%, 2%, and 2%, respectively.

**Table 3.6 Thailand Real GDP growth 2017-2028**

Real GDP growth (Annual percent change)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Thailand	4.2%	4.2%	2.1%	-6.1%	1.5%	4.6%	2.7%	3.2%	3.1%	3.0%	3.0%	3.0%

Source: (IMF, International Monetary Fund, 2023)

The assumption is that the proportion of each sector in sales breakdown for 2024 to 2028 is going to remain the same as the percentage in 2023. Meanwhile, the forecasted total operating revenue is assumed to increase in relation to the real GDP growth. It can be calculated by multiplying total operating revenue by the percentage of real GDP growth rate of that year as it shown in Table 3.6 (IMF, International Monetary Fund, 2023). As for each revenue of the business sector can be forecasted by multiplying the assuming proportion with the forecasted total operating revenue for each year. Therefore, the CAGR of each sector accounted for 3.1% based on Table 3.7.

**Table 3.7 GMM Grammy's Sale Breakdown Projection 2023-2028**

Unit: Million Baht	Projection						2023-2028
	2023	2024	2025	2026	2027	2028	CAGR
Music	4,000.5	4,128.5	4,256.5	4,384.2	4,515.7	4,651.2	3.1%
Home Shopping	1,376.9	1,421.0	1,465.0	1,509.0	1,554.2	1,600.9	3.1%
Movie	407.4	420.4	433.5	446.5	459.9	473.7	3.1%
Set-top-box and Broadcasting	150.2	155.0	159.8	164.6	169.5	174.6	3.1%
Media and Other	137.8	142.2	146.6	151.0	155.5	160.2	3.1%
<b>Total Operating Revenue</b>	<b>6,072.79</b>	<b>6,267.12</b>	<b>6,461.40</b>	<b>6,655.24</b>	<b>6,854.90</b>	<b>7,060.55</b>	<b>3.1%</b>
<i>sales growth</i>	16.3%	3.2%	3.1%	3.0%	3.0%	3.0%	

Source: Own Calculation

### 3.3 Pro Forma Income Statement

Total revenue consists of total operating revenue and dividend income that the company received from the Rojukiss International Public Policy Company Limited, one of the joint ventures. The dividend income for nine months in 2023 amounts to THB 3.6 million. In the fourth quarter of 2023, dividend income is assumed to increase 0.5x compared to dividend income in 9 months of 2023. Therefore, dividend income in 2023 will amount to THB 5.4 million. The forecast dividend income is assumed to remain at THB 5 million from 2024 to 2028. At the same time, the other income is also assumed to be 45 million Baht from 2024 to 2028. The revenue forecast from 2024 to 2028 is illustrated in Table 3.8.

**Table 3.8 Forecasting operating Revenue Breakdown of GMM Grammy from 2023-2028 with CAGR**

Unit: THB mn (Million Baht)	9M	Projection							CAGR
	2023	3M 2023	2023	2024	2025	2026	2027	2028	
Total Operating revenues	4,121.30	1,951.49	6,072.79	6,267.12	6,461.40	6,655.24	6,854.90	7,060.55	3.06%
<i>Sales growth</i>			16.3%	3.2%	3.1%	3.0%	3.0%	3.0%	
Dividend Income	3.60	1.80	5.40	5.00	5.00	5.00	5.00	5.00	
Other income	29.45	14.73	44.18	45.00	45.00	45.00	45.00	45.00	
<b>Total Revenue</b>	<b>4,154.35</b>	<b>1,968.02</b>	<b>6,122.37</b>	<b>6,317.12</b>	<b>6,511.40</b>	<b>6,705.24</b>	<b>6,904.90</b>	<b>7,110.55</b>	<b>3.04%</b>
Cost of sales and services	2,389.42	1,200.49	3,734.64	3,853.44	3,971.95	4,090.20	4,211.99	4,337.43	
<i>Cost of Sales&amp;Service to Total Revenue</i>	58%	61%	61%	61%	61%	61%	61%	61%	
<b>Gross Profit</b>	<b>1,764.94</b>	<b>767.53</b>	<b>2,387.72</b>	<b>2,463.68</b>	<b>2,539.45</b>	<b>2,615.04</b>	<b>2,692.91</b>	<b>2,773.11</b>	
Selling And Administrative Expenses	1,499.94	730.42	2,272.30	2,344.58	2,416.69	2,488.64	2,562.74	2,639.06	
<b>EBIT</b>	<b>264.99</b>	<b>37.10</b>	<b>115.42</b>	<b>119.09</b>	<b>122.75</b>	<b>126.41</b>	<b>130.17</b>	<b>134.05</b>	
Share of profit from joint ventures and associates	78.90		128.28	128.28	128.28	133.28	133.28	133.28	
Finance income	1.40		-	-	-	-	-	-	
Finance cost (Interest Expense)	(84.96)	(84.96)	(169.91)	(179.91)	(189.91)	(199.91)	(209.91)	(219.91)	
<b>Profit (Loss) Before Tax</b>	<b>97.26</b>		<b>73.78</b>	<b>67.45</b>	<b>61.12</b>	<b>59.77</b>	<b>53.54</b>	<b>47.41</b>	
Tax	53.00		23.08	23.82	24.55	25.28	26.03	26.81	
<b>Net Profit (Loss)</b>	<b>150.26</b>		<b>96.87</b>	<b>91.27</b>	<b>85.67</b>	<b>85.05</b>	<b>79.57</b>	<b>74.22</b>	
Corporate income tax			20%	20%	20%	20%	20%	20%	
<b>Cost of sales&amp; service to revenue</b>	58%	61%	61%	61%	61%	61%	61%	61%	
<b>SG&amp;A to revenue</b>	36%	37%	37%	37%	37%	37%	37%	37%	

Source: GMM Grammy Public Company Limited and Own calculation

In terms of the sales growth of total revenue, it is assumed that it is related to the real GDP growth as well as the total operating revenue. The estimated total revenue of GMM Grammy will increase by the percentage of the real GDP growth rate of that year.

### 3.4 Cost and Expense Forecast

The average percentage of cost of sales and service to revenue for 2017-2022 accounted for 61 %, so the proportion of cost and services to revenue for the forecasting year is assumed to remain the same at 61%. While the average proportion of selling and administrative expenses to the revenue from 2017-2022 is 37%, and the proportion for the forecasting year is estimated to remain constant at 37%. Then, the forecasting of cost of sales and services and the selling and administrative expenses can be calculated according to Table 3.9.

**Table 3.9 GMM Grammy, Cost and Expenses Projection 2023-2028**

Unit: THB mn (Million Baht)	9M	Projection							CAGR
	2023	3M 2023	2023	2024	2025	2026	2027	2028	
<b>Total Revenue</b>	<b>4,154.35</b>	<b>1,968.02</b>	<b>6,122.37</b>	<b>6,317.12</b>	<b>6,511.40</b>	<b>6,705.24</b>	<b>6,904.90</b>	<b>7,110.55</b>	<b>3.04%</b>
Cost of sales and services	2,389.42	1,200.49	3,734.64	3,853.44	3,971.95	4,090.20	4,211.99	4,337.43	
<b>Cost of sales&amp; service to revenue</b>	58%	61%	61%	61%	61%	61%	61%	61%	61%
<b>SG&amp;A to revenue</b>	36%	37%	37%	37%	37%	37%	37%	37%	37%

Source: (GMM Grammy Public Company Limited, 2022) and Own calculation

The cost of sales for an entertainment company can be relatively high due to several factors inherent to the industry, including production cost, compensation for Artists and Performers, Rights and Licensing, Live Events and Performances, and Marketing Expenses (GMM Grammy Public Company Limited, 2022). As for the GMM Grammy in 2023, it organized a total of 10 concerts and music festivals, including 14 shows, with 2 co-organized concerts with RS Music as a Special Project from the establishment of the joint venture "JV Across the Universe." were (1) GRAMMY X RS: 90's Versary Concert and (2) GRAMMY X RS: 2K Celebration, both of which received positive responses. Because of this, the cost of sales and service for GMM Grammy is high proportion related to the increasing revenue and company's performances.



### 3.5 Depreciation and Capital Expenditure Forecast

**Table 3.10 Historical Depreciation and Capital Expenditure of GMM Grammy 2017 – 2022**

Unit: THB mn (Million Baht)	2017	2018	2019	2020	2021	2022	9M 2023
<b>Working Capital</b>							
A/C RECEIVABLES	763.21	1,125.37	1,165.29	912.38	816.42	1,132.09	1,026.36
INVENTORY	146.37	195.19	183.28	213.25	221.42	290.54	312.49
A/C PAYABLES	1,194.41	1,245.17	1,245.82	1,334.63	1,252.59	1,546.67	1,461.75
<b>WORKING CAPITAL</b>	<b>(284.83)</b>	<b>75.40</b>	<b>102.75</b>	<b>(209.00)</b>	<b>(214.76)</b>	<b>(124.04)</b>	<b>(122.91)</b>
<i>WORKING CAPITAL NEEDS</i>		(360.23)	(27.35)	311.75	5.76	(90.71)	
AC RECEIVABLE DAYS	37	60	64	67	78	79	
INVENTORY DAYS	11	16	17	25	37	33	
AC PAYABLE DAYS	89	104	113	155	210	178	
<b>CASH CYCLE</b>	<b>(41)</b>	<b>(28)</b>	<b>(32)</b>	<b>(64)</b>	<b>(95)</b>	<b>(65)</b>	
<i>CASHFLOWS (Key items only)</i>							
Net Profit	(43.79)	252.87	562.43	(150.12)	516.50	244.75	150.26
Depreciation	124.41	92.23	91.24	174.89	274.33	339.07	642.07
Depreciation / Fixed Asset		0.16	0.16	0.18	0.24	0.32	
<i>Annual depreciation % of total revenue</i>	<i>1.6%</i>	<i>1.3%</i>	<i>1.4%</i>	<i>3.5%</i>	<i>7.1%</i>	<i>6.4%</i>	
<i>Net Working Capital</i>	<i>(284.83)</i>	<i>75.40</i>	<i>102.75</i>	<i>(209.00)</i>	<i>(214.76)</i>	<i>(124.04)</i>	
Change Working Capital		360.23	27.35	(311.75)	(5.76)	90.71	1.14
<b>CAPEX</b>		<b>83.79</b>	<b>59.22</b>	<b>485.14</b>	<b>(152.38)</b>	<b>351.66</b>	<b>69.55</b>
<i>Capex % to total revenue</i>	<i>0.00%</i>	<i>1.20%</i>	<i>0.89%</i>	<i>9.64%</i>	<i>-3.92%</i>	<i>6.61%</i>	<i>1.67%</i>
<b>Free Cashflow to Firm</b>		<b>1,014.02</b>	<b>766.68</b>	<b>267.72</b>	<b>95.42</b>	<b>1,050.04</b>	<b>1,030.75</b>
Fixed Asset (PPE)	287.15	278.71	246.70	556.94	130.24	142.82	(69.55)
Fixed Asset (PPE) growth		-3%	-11%	126%	-77%	10%	
Intangible	296.96	315.55	333.87	781.02	806.26	1,062.10	
Fixed Asset (PPE+intangible)	584.11	594.26	580.57	1,337.96	936.49	1,204.92	(69.55)

Source: GMM Grammy Public Company Limited and Own calculation

According to Table 3.10, Working capital represents the operational liquidity and short-term financial health of a company. For GMM Grammy, it is calculated by subtracting current liabilities that is account payable from current assets which concludes account receivable and inventory. Meanwhile, depreciation from 2017-2022 increased to THB 339.07 million in 2022 and 642.07 in the 9 months of 2023. To support increased production, it contributed to a higher depreciation expense (GMM Grammy Public Company Limited, 2020).



In terms of assessing a company's capital expenditures, it is calculated by deducting the value of property, plant, and equipment for the current period from the value of PP&E for the prior period and subsequently adding the amount of depreciation.

**Table 3.11 GMM Grammy's Historical Working Capital 2017-2023 (9M)**

Unit: THB mn (Million Baht)	2017	2018	2019	2020	2021	2022	9M 2023
<b>Working Capital</b>							
A/C RECEIVABLES	763.21	1,125.37	1,165.29	912.38	816.42	1,132.09	1,026.36
INVENTORY	146.37	195.19	183.28	213.25	221.42	290.54	312.49
A/C PAYABLES	1,194.41	1,245.17	1,245.82	1,334.63	1,252.59	1,546.67	1,461.75
<b>WORKING CAPITAL</b>	<b>(284.83)</b>	<b>75.40</b>	<b>102.75</b>	<b>(209.00)</b>	<b>(214.76)</b>	<b>(124.04)</b>	<b>(122.91)</b>
<i>WORKING CAPITAL NEEDS</i>		<i>(360.23)</i>	<i>(27.35)</i>	<i>311.75</i>	<i>5.76</i>	<i>(90.71)</i>	
AC RECEIVABLE DAYS	37	60	64	67	78	79	
INVENTORY DAYS	11	16	17	25	37	33	
AC PAYABLE DAYS	89	104	113	155	210	178	
<b>CASH CYCLE</b>	(41)	(28)	(32)	(64)	(95)	(65)	

Source: Own Calculation and (GMM Grammy Public Company Limited, 2022)

The forecasting of working capital is calculated by using cash cycle projection, including account receivable day, inventory day, and account payable day. For the year 2023, since it has only 9 months of financial statements, it is assumed that accounts receivable, inventory, and accounts payable are going to increase by 0.25x in the remaining 3 months. Then, the cash cycle is calculated as shown in Table 3.11 for the historical year and Table 3.12 for the forecasting year.

**Table 3.12 GMM Grammy's Projecting Working Capital 2023-2028**

Unit: THB mn (Million Baht)	9M 2023	Projection						
		3M 2023	2023	2024	2025	2026	2027	2028
<b>Working Capital</b>								
A/C RECEIVABLES	1,026.36	256.59	1,282.95	1,307.87	1,331.78	1,371.73	1,412.88	1,455.27
INVENTORY	312.49	78.12	390.61	377.69	363.18	373.99	385.13	385.13
A/C PAYABLES	1,461.75	365.44	1,827.19	1,894.98	1,963.22	2,021.66	2,081.86	2,081.86
<b>WORKING CAPITAL</b>	<b>(122.91)</b>	<b>(30.73)</b>	<b>(153.63)</b>	<b>(209.42)</b>	<b>(268.26)</b>	<b>(275.94)</b>	<b>(283.85)</b>	<b>(241.46)</b>
<i>WORKING CAPITAL NEEDS</i>			<i>29.59</i>	<i>86.51</i>	<i>237.53</i>	<i>122.30</i>	<i>74.43</i>	<i>(26.80)</i>
AC RECEIVABLE DAYS			77	75	75	75	75	75
INVENTORY DAYS			38	33	33	33	33	33
AC PAYABLE DAYS			179	180	180	180	180	180
<b>CASH CYCLE</b>			(63)	(72)	(72)	(72)	(72)	(72)

Source: Own Calculation and (GMM Grammy Public Company Limited, 2022)

The cash cycle for 2024-2028 is estimated by using the average number from 2020-2023, which are 75 days for account receivable days, 33 days for inventory days, and 180 days for account payable days. The cash cycle for the forecasting year is assumed to be constant until 2028. Working capital for the forecasting year is calculated by using the numbers of cash cycle days in the projection.

**Table 3.13 GMM Grammy's Historical Cash Flow (only Key items) 2017-2023 (9M)**

Unit: THB mn (Million Baht)	2017	2018	2019	2020	2021	2022	9M 2023
<b>CASHFLOWS (Key items only)</b>							
Net Profit	(43.79)	252.87	562.43	(150.12)	516.50	244.75	150.26
Depreciation	124.41	92.23	91.24	174.89	274.33	339.07	642.07
Depreciation / Fixed Asset		0.16	0.16	0.18	0.24	0.32	
Annual depreciation % of total revenue	1.6%	1.3%	1.4%	3.5%	7.1%	6.4%	
Net Working Capital	(284.83)	75.40	102.75	(209.00)	(214.76)	(124.04)	
Change Working Capital		360.23	27.35	(311.75)	(5.76)	90.71	1.14
<b>CAPEX</b>		<b>83.79</b>	<b>59.22</b>	<b>485.14</b>	<b>(152.38)</b>	<b>351.66</b>	<b>69.55</b>
Capex % to total revenue	0.00%	1.20%	0.89%	9.64%	-3.92%	6.61%	1.67%
<b>Free Cashflow to Firm</b>		<b>1,014.02</b>	<b>766.68</b>	<b>267.72</b>	<b>95.42</b>	<b>1,050.04</b>	<b>1,030.75</b>
Fixed Asset (PPE)	287.15	278.71	246.70	556.94	130.24	142.82	(69.55)
Fixed Asset (PPE) growth		-3%	-11%	126%	-77%	10%	
Intangible	296.96	315.55	333.87	781.02	806.26	1,062.10	
Fixed Asset (PPE+intangible)	584.11	594.26	580.57	1,337.96	936.49	1,204.92	(69.55)

Source: Own Calculation and (GMM Grammy Public Company Limited, 2022)

**Table 3.14 GMM Grammy's Projecting Cash Flow (only Key items) 2023-2028**

Unit: THB mn (Million Baht)	9M	Projection						
	2023	3M 2023	2023	2024	2025	2026	2027	2028
<b>CASHFLOWS (Key items only)</b>								
Net Profit	150.26	-	96.87	91.27	85.67	85.05	79.57	74.22
Depreciation	642.07	5.00	647.07	597.07	547.07	497.07	447.07	397.07
Annual depreciation % of total revenue			10.6%	10.6%	10.6%	10.6%	10.6%	10.6%
Net Working Capital			-74.04	-24.04	25.96	75.96	125.96	175.96
Change Working Capital	1.14	92.18	50.00	50.00	50.00	50.00	50.00	50.00
<b>CAPEX</b>	<b>69.55</b>	<b>69.55</b>	<b>139.09</b>	<b>154.09</b>	<b>169.09</b>	<b>184.09</b>	<b>199.09</b>	<b>214.09</b>
Capex % to total revenue	1.67%	3.53%	4.11%	4.11%	4.11%	0.10%	0.10%	0.10%
<b>Free Cashflow to Firm</b>	<b>1,030.75</b>	<b>203.83</b>	<b>974.67</b>	<b>944.07</b>	<b>913.47</b>	<b>882.85</b>	<b>852.37</b>	<b>822.02</b>
Fixed Asset (PPE)	(69.55)		141.39	139.98	138.58	137.19	135.82	134.46
Fixed Asset (PPE) growth			-1%	-1%	-1%	-1%	-1%	-1%
Intangible			1.00	1.00	1.00	1.00	1.00	1.00
Fixed Asset (PPE+intangible)	(69.55)		142.39	140.98	139.58	138.19	136.82	135.46

Source: Own Calculation and (GMM Grammy Public Company Limited, 2022)

Based on Table 3.13, the 9 months of 2023 of GMM Grammy announced the depreciation at THB 642.07 million and it is assumed to increase by THB 5 million in the remaining period of 2023. The estimated Capital Expenditures are shown in Table 3.14. From 2024-2028, the depreciation value is estimated to decrease by THB 50 million for each year. In terms of Capital Expenditures, it was THB 69.55 million for 9 months of 2023 and the assumption is that the remaining half year of depreciation will be the same rate making the total capital expenditure in 2023 account for THB 139.09 million. Then, the estimation is that the capital expenditure in the following year will increase THB 15 million for each year.

### 3.6 Terminal Growth Rate

In this valuation, the average inflation rate, and the Compound Annual Growth Rate (CAGR) are used as the terminal growth rate for GMM Grammy. According to Table 3.15, the compound annual growth rate of total revenue from 2023 to 2028 is 3.04 % representing the average annual growth rate over a specific period.

**Table 3.15 Grammy Sales Breakdown Projection with CAGR**

Unit: THB mn (Million Baht)	9M	3M	Projection						CAGR
	2023	2023	2023	2024	2025	2026	2027	2028	
Total Operating revenues	4,121.30	1,951.49	6,072.79	6,267.12	6,461.40	6,655.24	6,854.90	7,060.55	3.06%
<i>Sales growth</i>			16.3%	3.2%	3.1%	3.0%	3.0%	3.0%	
Dividend Income	3.60	1.80	5.40	5.00	5.00	5.00	5.00	5.00	
Other income	29.45	14.73	44.18	45.00	45.00	45.00	45.00	45.00	
<b>Total Revenue</b>	<b>4,154.35</b>	<b>1,968.02</b>	<b>6,122.37</b>	<b>6,317.12</b>	<b>6,511.40</b>	<b>6,705.24</b>	<b>6,904.90</b>	<b>7,110.55</b>	<b>3.04%</b>

Source: GMM Grammy Public Company Limited and Own calculation

However, CAGR alone might not reflect the expected long-term growth rate of a company. And inflation can have various impacts on the entertainment industry, affecting both the supply and demand sides of the market. As shown in Table 3.16, the average inflation rate from 2023 to 2028 is 1.7% according to IMF data. Therefore, the terminal growth rate is 2.38% based on Table 3.16, calculating from the average between the average inflation rate from 2023 to 2028 and CAGR of total revenue from 2023 to 2028. The inflation rate represents the expected increase in general price levels,

while CAGR reflects the nominal growth of an investment. By averaging these two rates, the valuation will strike a balance between real adjusted for inflation and nominal growth, providing a more comprehensive estimate of the terminal growth rate.

**Table 3.16 Terminal Growth Rate Calculation**

<b>Inflation rate</b>	2023	2024	2025	2026	2027	2028	<b>Avg.</b>
Thailand	0.6%	1.8%	2.0%	1.9%	2.1%	1.9%	1.7%
CAGR 2023-2028	3.04%						
<b>Terminal Growth rate</b>	2.38%						

Source: (IMF, International Monetary Fund, 2023) and Own calculation

## 3.7 Cost of Capital

### 3.7.1 Cost of Equity

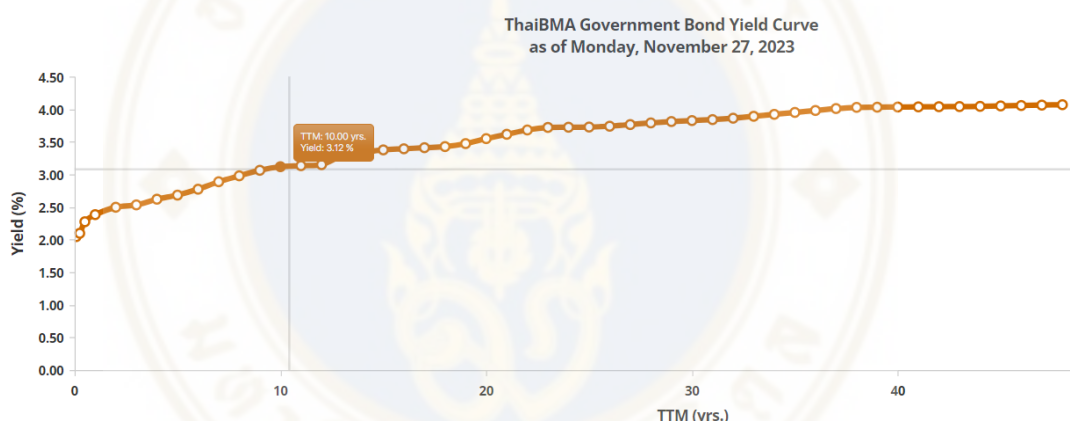
The cost of equity is calculated by using the Capital Asset Pricing Model (CAPM) which consists of a risk-free rate, company's beta, and the market risk premium. The market risk premium was 7.43 % as of July 14, 2023 (Damodaran, 2023). GMM Grammy's beta was 0.41, as reported by SETSMART (SETSMART, 2023). Its beta value is lower than 1, indicating that the stock is less volatile than the market, which can be attributed to various aspects of GMM Grammy's operational and market dynamics.

Firstly, the nature of GMM Grammy's business in the entertainment industry, particularly its focus on T-POP and the media sector, is less sensitive to broad market fluctuations. This sector-specific resilience contributes to the stock's lower beta, as entertainment companies with a strong local focus often experience different volatility patterns compared to the broader market.

Furthermore, GMM Grammy's operational diversification, balancing between its music and media segments, may provide a hedge against sector-specific risks, contributing to a lower beta. Also, the company's primary focus on the Thai market means its stock movements are more influenced by local economic and sector-specific factors rather than global market trends. The perception of GMM Grammy as a stable investment, coupled with potentially lower trading volumes, can result in lower

volatility, further contributing to its low beta. While GMM Grammy's stock is a lower-risk investment in terms of market volatility, it is still subject to company-specific and industry-related risks.

In terms of risk-free rate, the government bond yields are not always perfectly risk-free. Because there is always a small risk that the government could default on its debt. Additionally, the risk-free rate can also be affected by other factors, such as inflation and economic growth. To avoid the fluctuation, the average of 10-year Thai government bond yields from 2017 to 2023 is used as a risk-free rate for calculating WACC and 10-Year Thailand Government as of November 27, 2023, is shown in Figure 3.1 (ThaiBMA, 2023). Using the average government bond yields is a more conservative approach than using the latest rate, as it will smooth out any year-to-year fluctuations in interest rates.



**Figure 3.1 10 Year Thailand Government Bond Yields**

Source: (ThaiBMA, 2023)

**Table 3.17 10 Year Government Bond Yields from 2017 – 2023**

ThaiBMA 10 Year Government Bond yields Curve							
31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	27-Nov	
2017	2018	2019	2020	2021	2022	2023	Average
2.54%	2.51%	1.49%	1.28%	1.90%	2.64%	3.12%	<b>2.21%</b>

Source: (ThaiBMA, 2023)

According to Table 3.17, the long-term government bond yields declined in 2019, and then increased to 2.64% by the end of 2022 (ThaiBMA, 2023). And the latest

10 Year bond rate at 2023 is 3.12% as of November 27, 2023. Therefore, the average of 10 Year Thai Government Bond Yields from 2017 to 2023 is 2.21% and it is applied to be a risk-free rate for calculating WACC. The Cost of Equity was 5.26 % according to Table 3.18 and the formula of CAPM Model as follows:

$$\text{Cost of Equity} = \text{Risk-Free Rate} + (\text{Beta} \times \text{Market Risk Premium})$$

**Table 3.18 GMM Grammy Cost of Equity**

<b>Weight of Debt (Wd)</b>	<b>29.47%</b>
<b>Weight of Equity (We)</b>	<b>70.53%</b>
Risk Free Rate	2.21%
Market risk premium	7.43%
BETA	0.41
<b>Cost of Equity (Ke)</b>	<b>5.26%</b>

Source: Own Calculation

### 3.7.2 Cost of Debt

As of Table 3.19, the current interest-bearing debt and long-term interest-bearing debt in 2023 for 9 months are THB 810.05 and 1,218.02 million, respectively. Total interest-bearing debt accounted for THB 2,028.08 million. The remaining quarter is assumed to increase by 0.25x from the previous 9 months in 2023, making total interest-bearing debt in 2023 THB 2,535.09 million according to table 3.20 (GMM Grammy Public Company Limited, 2022).

**Table 3.19 GMM Grammy's Historical leverage 2017-2023 (9M)**

Unit: THB mn (Million Baht)	2017	2018	2019	2020	2021	2022	9M 2023
<b>LEVERAGE</b>							
Cash and Non-operating Assets	905.44	539.81	572.07	727.68	563.25	764.16	591.54
CURRENT INTEREST BEARING DEBT	59.48	94.66	7.83	205.88	1,250.46	688.22	810.05
LONG TERM INTEREST BEARING DEBT	579.97	486.05	309.32	930.04	514.41	1,494.80	1,218.02
<b>TOTAL INTEREST BEARING DEBT</b>	<b>639.45</b>	<b>580.71</b>	<b>317.15</b>	<b>1,135.92</b>	<b>1,764.88</b>	<b>2,183.02</b>	<b>2,028.08</b>

Source: Own calculation and (GMM Grammy Public Company Limited, 2022)



**Table 3.20 GMM Grammy's Projecting leverage 2023-2028**

Unit: THB mn (Million Baht)	Projection						
	3M 2023	2023	2024	2025	2026	2027	2028
<b>LEVERAGE</b>							
Cash and Non-operating Assets	147.88	739.42	744.42	749.42	754.42	759.42	764.42
CURRENT INTEREST BEARING DEBT	202.51	1,012.56	1,017.56	1,022.56	1,027.56	1,032.56	1,037.56
LONG TERM INTEREST BEARING DEBT	304.51	1,522.53	1,527.53	1,532.53	1,537.53	1,542.53	1,547.53
<b>TOTAL INTEREST BEARING DEBT</b>	<b>507.02</b>	<b>2,535.09</b>	<b>2,545.09</b>	<b>2,555.09</b>	<b>2,565.09</b>	<b>2,575.09</b>	<b>2,585.09</b>

Source: Own calculation

Current interest-bearing debt and long-term interest-bearing debt in the fourth quarter of 2023 were assumed to increase by 0.25x from the first three quarters. Therefore, current interest-bearing debt and long-term interest-bearing debt in 2023 accounted for THB 1,012.56 and 1,522.53 million, respectively. For the forecasting years, current interesting bearing debt and long-term interest-bearing debt are going to increase THB 5 million from 2024 to 2028.

### 3.8 WACC

**Table 3.21 WACC Calculation of GMM Grammy**

Weight of Debt (Wd)	29.47%
Weight of Equity (We)	70.53%
Risk Free Rate	2.21%
Market risk premium	7.43%
BETA	0.41
Cost of Equity (Ke)	5.26%
Cost of Debt (Kd)	6.70%
Tax	20.00%
After Tax Cost of Debt	5.36%
<b>WACC</b>	<b>5.29%</b>

Source: Own Calculation

The weight of debt and weight of equity can be calculated by using the number of Debt value or total interest-bearing debt in 2023 and equity value or Market Cap as of November 24, 2023, according to SETSMART. WACC is a financial metric that represents the average cost of a company's debt and equity capital. The formula for calculating WACC is as follows:



to firm can be determined by employing the prescribed formula. In terms of tax rate, In Thailand, with the corporate tax rate being 20%, this rate is applied to the Earnings Before Interest and Taxes (EBIT) to determine the tax expense, which is then used to adjust the cash flows for tax implications. Then, the tax rate in 2023 is THB 23.08 million and increase to THB 26.81 million in 2028 because of an increase in profitability which can affect its higher tax rate. Higher profits lead to higher taxable income.

The terminal value in financial modeling is a key concept used to estimate the value of a business beyond the forecast period. And it can be derived using the following formula:

$$\text{Terminal Value} = \text{CF}_5 * (1 + \text{terminal growth}) / (\text{WACC} - \text{terminal growth})$$

The firm has a Present value of firm at THB 11,757.14 million and then subtract it by total interest-bearing debt, so the present value of equity amount to THB 9,222.05 million. After dividing by number of shares of 819.95 million, the estimated share value is 11.25 baht per share, which is higher than the lasted stock price as of November 27, 2023, at 7.25 baht per share.

### **3.10 Sensitivity Analysis**

To assess the impact of changes in these key variables on the DCF valuation, sensitivity analysis is used to evaluate the impact of changes in the WACC and terminal growth rate on the estimated share value. In the DCF Model, we assumed that the terminal growth rate will be at a conservative rate of 2.38 % from 2023 to 2028. The estimated share price from the valuation is 11.25 baht per share. Based on Table 3.23, if the terminal growth rate decreases to 1.88% with the same rate of WACC at 5.29%, the share value will drop to 9.67 baht per share, which is still higher than the latest stock price as of November 27, 2023.

**Table 3.23 GMM Grammy's share price sensitivity analysis**

EST. Share price	11.25	Terminal growth rate %									
		0.38%	0.88%	1.38%	1.88%	2.38%	2.88%	3.38%	3.88%	4.38%	
1.29%		41.06	90.29	-407.46	-61.57	-33.01	-22.41	-16.88	-13.49	-11.20	
2.29%		19.12	25.67	39.44	86.77	-391.80	-59.24	-31.78	-21.59	-16.27	
4.29%		8.86	10.08	11.73	14.06	17.61	23.68	36.42	80.22	-362.68	
WACC %	5.29%	6.85	7.57	8.49	9.67	11.25	13.49	16.91	22.75	35.01	
	6.29%	5.51	5.98	6.55	7.25	8.13	9.27	10.79	12.95	16.24	
	8.29%	3.83	4.07	4.34	4.66	5.03	5.47	6.00	6.65	7.46	
	9.29%	3.26	3.44	3.65	3.88	4.14	4.45	4.81	5.23	5.74	
	10.29%	2.81	2.95	3.10	3.28	3.47	3.70	3.95	4.25	4.59	

Source: own calculation

However, if the WACC increases to 8.29 % with the conservative terminal growth rate at 2.38%, the estimated share price will drop to 5.03 baht, which is lower than the current stock price. It can be indicated that the company's valuation is highly sensitive to changes in the cost of capital. A higher WACC would result in a lower present value of future cash flows, signaling increased risk or reduced expectations of future performance.

### 3.11 Valuation conclusion

While the stock market reflects the aggregate of public information and investor sentiment, it may not fully account for the depth of individual analysis and specialized insights into a company's strategic position. Specifically, for GMM Grammy, the comprehensive analysis that underpins the negative CAGR might reveal. Beyond the high-level knowledge that increased competition has affected the company, a more nuanced understanding of exactly how GMM Grammy's competitors have eroded its market share, and the strategic missteps the company has made, could be factors the market has not fully considered. While it is known that technological changes have influenced the industry, a deeper evaluation of how these changes have specifically impacted GMM Grammy's business operations, and what it means for its future revenue streams, might not be reflected in the current stock price. In addition, the market might not fully appreciate detailed revenue projections based on past financial performance and the company's responses to the challenges it has faced.

**Table 3.24 Comparison of GMM Grammy's current stock price and the estimated share price**

<b>Estimated Share Value</b>	<b>11.25</b>		
Stock Price as of Nov 27, 2023	7.25	<i>Undervalued</i>	<i>36%</i>
Stock Price as of Dec 23, 2023	6.35	<i>Undervalued</i>	<i>44%</i>

Source: Own calculation

Upon completing a Discounted Cash Flow (DCF) valuation of GMM Grammy, the result reveals an intriguing insight into the company's financial potential. As of the end of 2023, the estimated target price for GMM Grammy's shares is 11.25 baht per share according to Table 3.24.

The current trading price of GMM Grammy's stock, as observed on November 27, 2023, stands at 7.25 baht per share. This presents a significant discrepancy when juxtaposed with the DCF derived target price. The DCF model indicates that the stock is undervalued by approximately 36%. Moreover, compared to the price on December 23, 2023, of 6.35 baht per share, the target price is undervalued by 44%. A substantial undervaluation signals a mismatch between the market's perception of the company's financial health and its intrinsic value as suggested by its future cash flow prospects.

### **3.12 Recommendation**

Given the results of the DCF analysis, a compelling case emerges for considering an investment in GMM Grammy's stock. The underpricing of 36% is not just a mere numerical figure but a potential indicator of an investment opportunity. It is crucial to recognize that stock markets can sometimes lag in accurately reflecting a company's fundamental value, especially in cases where the market has not fully factored in future growth prospects or operational efficiencies. Undervaluation can be an opportunity; therefore, the suggestion is to buy the stock, as it has the potential to appreciate in price as the market recognizes its true value.

The recommendation to buy GMM Grammy's stock is predicated on the belief that the market will eventually adjust to reflect the company's true intrinsic value.

The stock's current undervaluation offers an attractive entry point for investors, allowing them to capitalize on the potential upside as the price adjusts upwards to align with the DCF valuation.

In terms of Long-term Prospects, GMM Grammy's growth potential, especially in the evolving landscape of the Thai entertainment industry, supports the expectation of a future appreciation in its stock value. This growth might be fueled by the company's strategic initiatives in both its core music sector and the expanding media sector.

In conclusion, based on the DCF valuation, The target price of 11.25 baht per share indicates that GMM Grammy's stock has the potential to rise to this value in the future, making it a potentially good investment at its current price of 7.25 baht per share as of November 27, 2023. Moreover, GMM Grammy presents as an undervalued stock with potential for price appreciation. The recommendation to buy is made with an optimistic outlook on the company's ability to realize its future cash flows, thereby closing the gap between its current market price and the estimated intrinsic value.



## **CHAPTER V**

### **INVESTMENT RISKS AND DOWNSIDE POSSIBILITIES**

GMM Grammy, a prominent player in the Thai entertainment industry, is best known for its substantial influence in the music sector, particularly in the realm of T-POP. As the largest entertainment company in Thailand, GMM Grammy has diversified its portfolio to include various media sectors. However, the core of its revenue generation remains deeply rooted in the music industry (4.1). Recently, a noticeable growth has been observed in its media sector (4.2), albeit being the smallest in terms of revenue contribution. This chapter aims to analyze the investment risks and downside possibilities associated with GMM Grammy, with a specific focus on the competitive landscape of the Thai entertainment industry.

#### **4.1 Investment Risks in the Music Sector**

##### **4.1.1 Market Saturation and Competition**

The music industry in Thailand, especially the T-POP genre, is experiencing heightened competition. With numerous artists and labels vying for market share, GMM Grammy faces the risk of market saturation, leading to potential declines in its music revenue. This saturation also pushes the company to invest continually in talent and marketing, which can strain its financial resources (PwC, 2023).

##### **4.1.2 Technological Disruption**

The rise of digital platforms and streaming services has revolutionized music consumption. GMM Grammy's traditional revenue streams, primarily from physical sales and downloads, are vulnerable to shifts in consumer preferences towards streaming services. Adapting to these technological changes requires substantial investment and poses a risk if not executed effectively.

### **4.1.3 Intellectual Property Challenges**

In the music industry, intellectual property rights are crucial. GMM Grammy's dependency on its music catalog and artist contracts subjects it to risks related to copyright infringement and contract negotiations. Legal disputes or loss of key artists can significantly impact its revenue and brand reputation.

## **4.2 Growth and Risks in the Media Sector**

### **4.2.1 Emerging Market Opportunities**

The growing revenue from GMM Grammy's media sector indicates potential for diversification. However, this growth comes with challenges. The media landscape is rapidly evolving, with shifts towards digital media and online content consumption. Adapting to these changes requires not only capital investment but also strategic foresight.

### **4.2.2 Competitive Pressure**

The media sector in Thailand is highly competitive, with several established players and new entrants. GMM Grammy's smaller presence in this sector compared to its music business means it must strive harder to gain market share. This competitive pressure could lead to increased marketing and operational costs, impacting on its profit margins.

### **4.2.3 Regulatory Risks**

The media industry is often subject to government regulations and censorship. Changes in policies or regulatory landscapes could affect GMM Grammy's operations, content distribution, and revenue generation strategies. While GMM Grammy has established a formidable presence in the Thai entertainment industry, particularly in the music sector, it is not immune to the challenges and risks that come with a rapidly changing market environment. The company's continued growth in the media sector offers a promising avenue for diversification which is fraught with competitive and operational risks. GMM Grammy must navigate these complexities to sustain its growth and maintain its market position.

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