

The Daily Dispatch

Friday Special Feature

November 20, 2020

BTS management's stock listing is a sign K-Pop is no passing fady

By: Steven Borowiec—CNA (*Published on October 25, 2020*)



South Korean boy band BTS are pictured performing from South Korea during the 2020 MTV Video Music Awards, where they won Best Pop
AFP/-

The leadership of Big Hit Entertainment gathered on Thursday (Oct 15) for a ceremony to mark the company's debut on the stock market.

Even watching via livestream, the anticipation in the air was obvious as Big Hit founder and CEO Bang Si-hyuk stepped up to the podium to express his hopes for the company's future.

Big Hit was the most anticipated stock market debut in years in South Korea. They are the agency behind K-pop sensation BTS and are about to become far richer, with the company garnering a massive vote of public confidence in the form of share purchases.

Big Hit has been gaining momentum for some time, building up to BTS's latest triumph, "Dynamite," an English-language single that broke the record for most-viewed new video on YouTube.

BTS is not just a cultural phenomenon but a growing commercial force as well.

The international business media parses the group's each move and the "BTS effect" on the economy with a rigour

customarily reserved for corporate conglomerates, like Samsung.

According to Forbes, the group accounted for a staggering US\$4.65 billion of South Korea's GDP last year.



The flotation of BTS' label Big Hit Entertainment will make its founder a billionaire
AFP/Jung Yeon-je

While BTS is the company's core business, they are working to develop new artists, and have business and education projects in line with their brand of "music for healing."

A FORCE TO BE RECKONED WITH

Shares in Big Hit made an explosive debut on South Korea's main stock exchange last week, rising to the daily limit of 30 per cent. By the end of the day, Big Hit's market value was more than 8.7 trillion won (US\$7.63 billion), with all BTS members having earned about US\$15 million in shares.

While attempting to grasp just how impressive these numbers are, it is useful to go back a short way in Big Hit's history. Bang, a music producer who earned the name "Hitman," founded the company in 2005, a time when the music industry was still scrambling for a way to make up for the loss of revenue from declining physical album sales.

Success didn't come immediately. Like other industries in South Korea, entertainment is dominated by a few big players that use their clout to attract top talent, and it took

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years before Big Hit made its mark.

BTS debuted in 2013 after around three years of training, and didn't blow up into superstardom until around 2016, with their second Korean studio album "Wings."

Bang has said that fortuitous timing is a big part of how BTS built their massive global audience, that with its message of kindness and self-love, "BTS touched something that wasn't being addressed in the US at the time".



Fans show their support for K-pop act BTS. (Photo: AFP/Ed JONES)

Although BTS has the deft choreography and chiselled good looks of typical K-pop acts, what sets them apart are their stories and message.

The group has openly appealed to young people, including in a speech at the United Nations, to "speak yourself" and "love yourself" while openly sharing their own tribulations and self-doubt.

And perhaps like no other musical act, BTS has harnessed the power of social media to spread their messages through direct interaction with fans.

CAN K-POP BE SUSTAINABLE?

Now that Big Hit has ridden BTS to the top of the music industry, the question is how long they can stay there, and in relation to that, whether Big Hit is a sustainably wise investment.

Boy bands are not known for longevity; even the most successful pop groups tend to rule the airwaves for a few

years before fading when their young fans move on to the next cute thing.

The K-pop industry is exceptionally fickle, with a group's every move tirelessly tracked by media and fans, as members are expected to maintain a pristine image.

Even small missteps could lead to serious reputational damage, and reduced fan support. And for all its recent strength, BTS showed vulnerability this week when Chinese netizens took exception to comments made by group leader RM about the Korean War.

RM made an apparently benign expression of gratitude to South Korean and US veterans of the war, saying, "We will always remember the history of pain that our two nations shared together and the sacrifices of countless men and women."

Some Chinese observers, however, interpreted RM's words as disrespectful to Chinese soldiers who perished in the 1950 to 1953 conflict, and called for a boycott of BTS in response.

There is also the looming question of what happens when BTS members have to complete their mandatory military service, which lasts around two years, though some in the South Korean government have floated the possibility of allowing the members to fulfill their duties while continuing with the group in some manner.

THE BTS ARMY

But there is something more durable in BTS than in previous boy groups and this is the inspired dedication from its fans.

BTS fandom, called ARMY, is a broad and thriving ecosystem of people of various ages, genders and nationalities who share merchandise and translations of the group's works while tracking the group's online statistics at a level so granular that data scientists are taking notice.

Perhaps the most valuable aspect of ARMY is the community it provides. Even before the coronavirus pandemic, BTS fans found a common passion and gathered on online forums to connect with each other.

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Investors at a brokerage office to subscribe to shares of Big Hit Entertainment in Seoul AFP/Jung Yeon-je

For most of this year, at a time when people in so many countries are sheltering in place, unable to normally interact with friends or classmates, those bonds have become even more valuable, shown through the high numbers of participants in BTS streaming events

BETTING ON ONE HORSE

Plenty of analysts have pointed to the extent to which Big Hit relies on BTS – the group generates nearly 90 per cent of the company's revenue – as a red flag, meaning that if the company can't find another hit once BTS fades or disbands, things may fall apart.

Despite this, what investors are clearly lining up for is access to this community, based on the expectation and belief that the millions who love BTS do so not just as a passing fad or matter of taste, but as part of what gives their lives meaning.

For investors, this built-in community means a reliable market for whatever Big Hit does next.

While at the podium for the stock debut, Bang pledged that his company would work toward becoming “the world’s top entertainment and lifestyle platform”.

The company’s future, and whether this current bonanza is sustainable, will depend on Big Hit’s ability to accomplish its founder’s bold promise.

With BTS’s established fan base, the company is in a strong position to branch out in various directions, such as having

the band’s more stylish members helm their own fashion brands.

Like hip-hop producer Doctor Dre did with headphones, Big Hit could market branded electronic products – the options to diversify are certainly there.

Maybe Bang won’t be able to double the company revenue every year forever, as he has for the past several years, but my bet is that Big Hit’s stock smash hit is more a sign of things to come than a one hit wonder.

Steven Borowiec is a journalist based in Seoul.

Source:

Steven Borowiec (2020) ‘Commentary: BTS management's stock listing is a sign K-Pop is no passing fady’, *CNA*. Available at:

<https://www.channelnewsasia.com/news/commentary/bts-stock-k-pop-army-shares-13329080>

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TODAY'S TOP NEWS

AC Energy on track to surpass renewable target

AC Energy Philippines Inc. may exceed its 2025 target of achieving 5,000 MW capacity with more projects expected to come online next year. ACN CEO Eric Francia said the company, is constructing projects in the Philippines, Australia, India and Vietnam which will have the capacity to generate 1,500 MW of electricity next year.

Saudi pharma firm eyes \$30M investment in PH

A pharmaceutical firm from Saudi Arabia is looking to invest \$30 million to set up a manufacturing facility in the country, the PEZA said. PEZA director general Charito Plaza, in a Viber message to reporters, said Basha'er Addawa has signified intent to invest in manufacturing operations in the country.

Dominguez joins call for climate justice

The Department of Finance (DOF) has joined the call for climate justice, saying that the Philippines continues to bear the brunt of the impact of climate change despite being among the world's lowest carbon emitters.

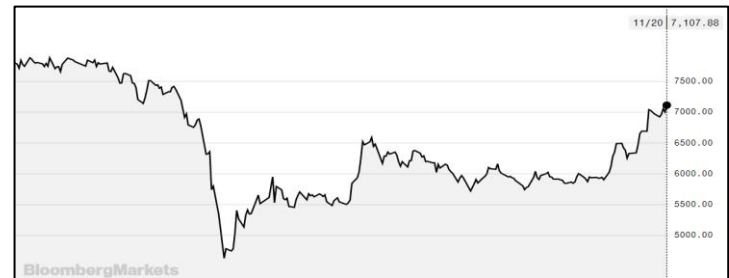
PH cuts key interest rate in surprise to economists

The Bangko Sentral ng Pilipinas lowered its benchmark rate Thursday by 25 basis points to 2 per cent, as only five of 18 analysts in a Bloomberg survey expected. Thirteen had forecast the rate to remain on hold. The latest move brought the total rate reduction this year to 200 basis points.

PHL recovery to lag Asia Pacific

Asia- Pacific economies will likely lead the global recovery in 2021, with the Philippines viewed as a laggard due to the outsized impact of the coronavirus on the economy, according to Moody's Analytics. Philippines and India will have the "deepest holes to climb out of" in the region due to the extent of the damage done to their economies.

Philippine Stock Market Update



Previous Close:

6,997.62

1 Yr Return:

-8.19%

Open:

7,024.23

YTD Return:

-8.99%

52-Week Range:

4,039.15 - 7,898.06

Source:

Bloomberg

Foreign Exchange

As of Nov. 19, 2020

US Dollar	Philippine Peso
1	48.46

BVAL Reference Rates

As of Nov. 19, 2020

Tenor	Rate
1Y	1.777
3Y	2.312
5Y	2.756
7Y	2.946
10Y	2.985
20Y	4.063

Daily Quote

"Nothing in life is to be feared, it is only to be understood. Now is the time to understand more, so that we may fear less."

-- Marie Curie

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MORE LOCAL NEWS

Ovialand sells equity to businessman JJ Atencio

Januarius Holdings, Inc., the holding company of businessman Januario Jesus Gregorio B. Atencio III, has taken a 13% stake in housing developer Ovialand, Inc. which seeks to expand its business nationwide over the next 10 years.

Swedish retailer Ikea opens 500 Philippine jobs

Swedish furnishing retailer Ikea plans to hire nearly 500 employees for its first Philippine store in Pasay City, which it said will be the largest Ikea branch in the world. Ikea Philippines will run online operations by the second quarter next year, ahead of its physical opening at the Mall of Asia Complex.

TCC eyes majority stake in BPICTL

Tokyo Century Corp. (TCC) is taking majority ownership of Bank of the Philippine Islands' (BPI) leasing firm, which is a joint venture with the foreign firm. TCC's board of directors on Nov. 9 decided to increase its stake in BPI Century Tokyo Lease & Finance Corp. (BPICTL) to 51% from 49% previously.

PH seen to fully recover by end of Duterte's term

It will likely take the Philippines up to the end of President Duterte's term in 2022 to revert to prepandemic economic growth levels, according to debt watcher Moody's Analytics.

Meralco telco unit launches home broadband service

Manila Electric Co. (Meralco), the country's largest electricity distributor, announced a major expansion plan for its telecommunications unit Radius Telecoms as internet demand rises during the COVID-19 pandemic.

Januarius acquires stake in Laguna developer

Januario Jesus Gregorio Atencio III, a former housing executive who has been in the industry for more than two decades, on Thursday said he is buying a minority stake in a Laguna-based property developer.

Tarlac Electric seeks SEC approval for sale of shares

Tarlac Electric Inc. has filed its registration statement with the Securities and Exchange Commission (SEC) for the sale of 1.75 million common shares as its primary offer. In its documents, the company said it will sell shares at an offer price of P345 apiece, for a total of P603.75 million.

Alsons to sell P3b in commercial papers in 2021

Alsons Consolidated Resources Inc. said on Tuesday it is planning to sell up to P3 billion worth of commercial papers by the first quarter of next year. In a disclosure, Alsons said its board approved last November 13 the issuance of these commercial papers, to be issued in one or more tranches.

LandBank's P5b debt papers oversubscribed by 5x

THE recently-listed P5b maiden offering of sustainability bonds by the Land Bank of the Philippines was met with robust demand during the offer period. "Amidst the backdrop of a recovering economic environment, we are pleased with the strong investor confidence in LandBank's stable financial position," LBP and CEO Cecilia C.

DBP inks agreements for seed distribution

A top official of the Development Bank of the Philippines (DBP) announced the state-run bank has signed an agreement with the Philippine Rice Research Institute (PhilRice) for the implementation of a program designed to enhance the delivery and distribution of seeds to rice farmers through digital technology.

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TODAY'S TOP ASIAN NEWS

Buffett's Japan wager paying off

Warren Buffett's US\$6 billion investment in Japanese trading companies is paying off amid the global rotation into value stocks. Shares of the five commodity-centric Japanese conglomerates in which Mr Buffett's Berkshire Hathaway announced its stake purchase in August have all climbed at least 8 per cent so far in November.

Asia overtakes US in corporate climate disclosure

European companies are the leaders in corporate disclosure on greenhouse gas emissions but Asia overtook the United States to claim second place in 2019, according to an analysis of more than 2,000 of the largest companies by Arabesque.

Japan's consumer prices fall at fastest pace

Japan's core consumer prices fell in October at their fastest pace annual in nearly a decade as the boost from last year's sales tax hike petered out, heightening fears of a return to deflation for an economy still dealing with Covid-19.

Asean needs more economic integration for recovery

Asean nations should press on with fostering closer economic relations within the group and beyond, putting the region at the forefront of the global recovery from the Covid-19 crisis, Singapore's Minister for Trade and Industry Chan Chun Sing said yesterday.

Roxy-Pacific to buy Guillemard residential site

SINGAPORE - Property and hospitality group Roxy-Pacific Holdings' wholly-owned subsidiary RL East will fork out \$93 million to acquire a freehold residential development site near the Aljunied and Mountbatten MRT stations.

TODAY'S TOP GLOBAL NEWS

Global crude market finds support from CH demand

China, the global oil market's lifeline this year, has stepped up purchases from exporters like Russia, the United States and Angola in recent weeks, while buyers elsewhere pare orders as coronavirus infections surge and fresh lockdowns are put in place.

US tax authority prevails in dispute with Coca-Cola

A United States court mostly sided with tax authorities in a dispute with Coca-Cola over how the soda giant reports income from some overseas markets, according to a ruling this week.

BuzzFeed acquires news website HuffPost

BuzzFeed on Thursday bought news website HuffPost from Verizon Communications Inc VZ.N. The deal brings two once-hot digital properties - viewed as the future of news media but which have suffered from competition for ad dollars from Alphabet's GOOGL.O Google and Facebook FB.O - under the control of one of HuffPost's co-founders.

Turkey's central banker aggressively raises key rate

Turkey's central bank on Thursday, November 19, aggressively raised its main interest rate after a major economic team shake-up that included President Recep Tayyip Erdogan's son-in-law giving up his finance ministry brief.

Fear for jobs as UK retailers go into administration

UK fashion chains Peacocks and Jaeger have gone into administration, their owners announced on Thursday, putting 4,700 jobs at nearly 500 shops under threat. Parent company the EWM group, which had been searching for a buyer, said administrators had been appointed, although no redundancies or store closures had yet been confirmed.