



L-WAVE ENT 6/2015

26 February 2015

Subject: Report of changes and analysis on Company's 2014 operating results  
To: President of the Stock Exchange of Thailand

The Company would like to submit the report on changes on the Operating Results of 2014.

Findings from the audited consolidated financial statements of Waves Entertainment PLC are as follows:

#### **MD&A 2014**

Wave began its transformation into becoming a leading "Lifestyle & Entertainment" Company. The expansion into the Lifestyle Sectors of Food, Retail, and Education, taps into opportunities of a growing Thai middle-class, and the onset of AEC. The acquisition of 2 new businesses, "Wall Street English" in May, and "Jeffer Restaurant" in December, resulted in a significant increase in total revenue and operating profit compared to the previous year. Net income for the year 2015 was THB 76.06M, a 881% increase over the prior year. This performance translates into net profit per share of THB 2.35, a rise of THB 2.11 for an increase of 879% YoY.

#### **Income from sales and services**

2014 Group revenue was at THB 634.26M, a 124% increase over the previous year. 2014 revenue comprised of television programs production and distribution, revenue from concert and events, revenue from sub-lease, revenue from DVD sales and newly acquired businesses in 2014. Details of revenue are as follows:

1) Revenue from Language Institute Service of THB 464.33M

The Group's purchase of the Wall Street English Institute in May 2014 resulted in revenue recognition starting from the same month. Revenue is recognized under the service-rendered revenue basis on student contracts in accordance to the current generally accepted accounting standards. The respective cash sale for the same 8-month period was THB 490.57M, or a monthly average of THB 61.32M.

2) Revenue from Television Production and Distribution of THB 64.60M.

TV Production revenues decreased by THB 114.61M or 64% due to postponement of one production-service show into early 2015, leaving only "Jood Nut Phob" .

3) Revenue from Restaurant of THB 57.42M

As the Group completed the acquisition of Jeffer restaurant on 4 December 2014, revenue recognition started only for the month of December in 2014.

#### 4) Revenue from Concert and Events of THB 41.79M

Concert Revenues decreased by THB 15.67M or 27% due to political and economic downturn directly impacting the first half of 2014, leaving only 2 concerts being "The Palace and Friends" and "Yesterday Once More" for the second half year compared to 5 concerts in 2013.

#### 5) Other revenue of THB 6.11M

Other income comprises of rental sub-lease income of THB 6.05M, dropping THB 0.29M or 4% from prior year due to non-renewal from economic impact, and revenue from DVD sales of THB 0.06M, decreasing THB 1.03M or 94% due to sharp demand drop on consumer DVDs.

#### **Selling and Servicing Costs:**

The Group incurred total costs of THB 449.03M, an increase of THB 248.22M or 124% over the previous year which is attributed to the 2 new business acquisitions during the year. Within the total amount, THB 424.39M was servicing cost, rising by THB 224.57M or 112% from the previous year. Selling costs was THB 24.64M, a rise of THB 23.65M or 2,399% from a year prior, which was primarily from restaurant business.

#### **Selling and Administrative Costs:**

The Group incurred THB 295.37M selling and administrative costs, which is an increase of THB 219.55M or 290%, mostly comprising costs to acquire the 2 new businesses such as financial and advisory, loan, marketing and personnels costs. The figure includes amortization of THB 87.55M intangible assets over the period of 3 to 5 years in line with the current generally accepted accounting standards.

#### **Share of profits in associate companies:**

The Group has recorded share of profit from investments in the Thai Solar Energy PLC (TSE), under which all 10 plants had successfully commenced COD to generate and supply electricity to EGAT at full capacity since mid 2014 year, resulting in an income recognition of THB 154.28M to the Group, or an increase of THB 158.18M over loss recognition from a year prior. This amount, however, signified a THB 35.61M drop when compared to the first 9-month profit of THB 189.89M due to the recognition of impairment on the Solar Thermal plant in the last quarter at the amount of THB 250M.

#### **Financial Status:**

##### **Assets:**

The Group's Total Assets as of 31 December 2014 was THB 2,495.21M, rising THB 1,966.99M or 372%. The increase is attributed to the THB 183.85M rise in current assets and THB 1,783.14M in non-current assets.

##### **Details of significant Assets are as follows:**

- **Cash, cash-equivalents and short-term investments**

Assets of the Group in the form of cash, cash equivalents and highly liquid short-term investments amount to THB 168.76M (7% of total assets), rising THB 75.52M or 81% compared to previous year, primarily caused by the acquisition of 2 new businesses.

- **Accounts Receivables - Net:**

Net accounts receivables for the year 2014 was THB 73.55M, 3% of total assets, increasing THB 7.49M. Change was caused by a THB 28.29M drop in net trade receivables from TV production this year, and an occurrence of THB 35.78M other receivables compared to prior year from THB 24.38M pre-paid expenses and THB 11.40M accrued income.

- **Inventory:**

Inventory amounted to THB 27.01M, or 1% of total assets, an increase of THB 26.97M over the prior year. Of this amount, THB 19.61M was restaurant inventory and THB 7.40M was text books, both of which were from the 2 newly acquired businesses.

- **Television Programmes and Concerts Production in Progress:**

A television programme was in progress amounted to THB 34.76M, or 1% of total assets, increasing from last year by THB 32.07M which are scheduled for early 2015 launch.

- **Investments in Associate Company:**

The Company has increased its investment in TSE via subscription of 22 million newly issued IPO shares at THB 3.90 per share, for a total of THB 85.80M in accordance to the Board of Directors' Resolution number 4/2014 dated 14 May 2014. The Group has recognized share of profits on its investment in TSE at THB 154.28M, resulting in total TSE investment of THB 553.49M, a rise of THB 240M over the prior year.

- **Equipments:**

Equipment amounted to THB 154.93M, up by THB 142.43M over the prior year namely from the increase in office equipment and decoration at THB 126.23M and construction in progress of restaurant branches and vehicles of THB 16.20M.

- **Intangible Assets:**

Intangible assets amounted to THB 87.55M, amortized over the period of 3 to 5 years in line with accepted accounting standards. Depreciation and amortization in 2014 was THB 13.75M, leaving a balance of THB 73.80M or 3% of total assets comprising THB 19.40M copyrights, THB 28.72M computer programmes, THB 24.91M customer relationship under English academy and THB 0.78M others.

- **Goodwill:**

Goodwill accounted for THB 1,256.45M or 50% of total assets, reflecting the future value of the 2 newly acquired businesses to be received. The goodwill amount is divided into THB 726.08M English academy and THB 530.37M restaurant business. The goodwill will be test on an annual basis in line with the current accepted accounting standards.

- **Deferred Income Tax Credit:**

Deferred income tax credit of THB 9.11M, an increase of THB 1.50M from last year and is calculated based on unutilized tax losses with high possibility of adequate future income to utilize this tax credit.

- **Other Non-Current Assets:**

Other non-current assets amounted to THB 80.38M, up by 69.43M or 634% increase, mostly are deposit of rental and services to landlord.

### **Liabilities:**

As of 31 December 2014, the Company had total liability of THB 1,956.73M, increasing THB 1,890.92M from the previous year. The increase was due to long-term loans from financial institutions to finance the 2 new businesses for the amount of THB 1,273.19M; advanced payment from WSE students of THB 256.55M and long-term investment creditor as a part of payment to the business purchase agreement of THB 223.05M and lastly accrued expenses, trade creditors and others of THB 138.13M.

### **Equity:**

As of 31 December 2014, the Company's total equity was THB 538.47M, up THB 76.06M (16%) due to operating profit for the year. Details of the equity was as follows:

- Equity of THB 538.47M, or 22% of total assets,
- Total liabilities of THB 1,956.73M, or 78% of total assets,

### **Significant financial ratios:**

- D/E of 3.63 times increasing from 0.14 times in the previous year,
- Book value of total assets of THB 16.62 per share, up from THB 14.27 in previous year.
- Earning of THB 2.35 per share, up from THB 0.24 per share in previous year

### **Cash Flows:**

In 2014, the Company and subsidiaries had an increase in cash and cash-equivalents of THB 75.52M. Cash flow from operation was THB 39.85M, cash flow from investment was THB 1,242.27M, cash flow from financing was THB 1,270.82M, details of each are as follows:

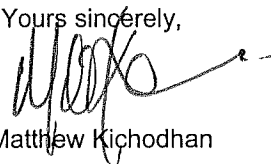
Operating cash flow was THB 39.85M for an increase of THB 23.05M over the prior year due to better operating results from 2 new businesses acquisition,

Investment cash flow of THB 1,242.27M, up from a year prior due to the acquisition of the 2 new businesses, additional investment in TSE and equipments

Financing cash flow of THB 1,270.82M was up from previous year due to the long-term loans to acquire the 2 new businesses from 2 banks under the THB 1,335.22M business purchase agreements. The Group repaid THB 62.03M loan during the year 2014 and THB 2.34M under the financial lease agreement

Please be informed accordingly.

Yours sincerely,



Mr. Matthew Kichodhan

Chairman and CEO