

**MEDIA INDUSTRY AND BUSINESS IMPACT ANALYSIS**

Advertising spending reported a decline of 1.4% QoQ and 11.3% YoY to 26,185mn<sup>1</sup> in second quarter of 2017 (April-June 2017). Overall advertising spending was weighed down by TV sector (Analogue TV, Digital TV and Cable TV) which has the highest market share at 66.3% contracting 1.7% QoQ and 13.7% YoY to THB 17,359mn, followed by Traditional media (Newspaper, Magazines and Radio) which has 13.1% market share or THB 3,418mn, declined by 4.8% QoQ and 25.5% YoY. Nevertheless, Outdoor media - our focus segment- recorded THB 1,525mn in advertising expenditure, an increase of 3.8% QoQ and 11.0% YoY, benefiting from a shift in people's behavior to spend more time outside and its strength as being a media which is able to build on brand awareness amongst a wide audience which made it more attractive to media customers.

MACO outperformed the overall industry, delivering a solid operating revenue of THB 199mn, an increase by 4.9% QoQ and 9.6% YoY. The Company reported net profit of THB 51mn, increased by 36.9% QoQ and 26.0% YoY. For more details of the Company's performance, please see *2Q 2017 performance analysis*.

Despite the lower-than-expected recovery of advertising spending during the first half of 2017, the Company expects to see an improvement in advertising spending during the remaining of 2017, encouraging by signs of growth cylinders including consumption and exports growth subsequently led a GDP expansion of 3.3%<sup>2</sup> in the first quarter of 2017. The Bank of Thailand has also indicated more optimism by revising upwards their GDP growth forecast for 2017 to 3.5% from 3.2% that was estimated at end of 2016.

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<sup>1</sup> The Nielsen Company (Thailand) Co.,Ltd.

<sup>2</sup> The Bank of Thailand

**IMPORTANT EVENTS IN 2Q 2017**

- On 16 May 2017, MACO’s Board of Directors approved the acquisition of Eye On Ads Company Limited, a wholly-owned subsidiary of MACO, to acquire 70.0% of COMASS Company Limited (“COMASS”) with a total investment of THB 355mn. With 19 years of experience, COMASS secured a strategic network which mostly located in Central Business District area in Bangkok and upcountry. Currently, COMASS network is comprising of 113 static billboard covering 23 provinces and 7 LED screens in 5 provinces of Thailand with total media capacity of THB 200mn. The acquisition made MACO to become the leader in Outdoor media segment which that has total media capacity of more than THB 1,400mn and media spaces of more than 140,000 sq.m. The Company completed such transaction on 30 June 2017.

**COMASS (Mega Static Billboard)**



**COMASS (LED Screen)**



- The Securities and Exchange Commission of Thailand (SEC) has reported the acquisition of the Company’s securities by BTS Group Holdings Public Company Limited (“BTS”) of 0.34% of the Company’s total shares in 30 May 2017 and 1.32% of the Company’s total shares in 30 June 2017. As of 30 June 2016, BTS held 7.0% in MACO and together with VGI Global Media Public Company Limited (“VGI”), BTS’s subsidiary, resulting in a total holding of 40.7%.

**DIVIDEND PAYMENTS**

- On 1 August 2017, MACO’s Board of Directors approved the interim dividend payment from the Company’s performance as of 1 January 2017 to 30 June 2017 at the rate of THB 0.018 per share (a total of THB 60mn) to the shareholders of the Company whose name appeared on 17 August 2017 (Record Date). The dividend will be paid to shareholders on 30 August 2017.

**2Q 2017 CONSOLIDATED P&L SNAPSHOT**

**CONSOLIDATED P&L SNAPSHOT**

THB (mn)	2Q 2016	1Q 2017	2Q 2017	QoQ (%)	YoY (%)
Operating Revenue	181	190	199	4.9%	9.6%
Cost of sales	79	89	87	-1.7%	10.4%
Gross profit	102	101	112	10.8%	9.1%
Selling, General & Administrative Expense	53	66	64	-2.9%	22.5%
EBITDA	57	59	66	11.4%	15.1%
<b>Net profit from operation</b>	<b>41</b>	<b>37</b>	<b>51</b>	<b>38.2%</b>	<b>24.9%</b>
<b>Net profit (exc. Minority Interest)</b>	<b>40</b>	<b>37</b>	<b>51</b>	<b>36.9%</b>	<b>26.0%</b>

Gross profit margin	53.0% <sup>1</sup>	53.2%	56.1%		
EBITDA margin	31.7%	31.3%	33.2%		
NPAT margin (from operation)	22.4%	19.4%	25.6%		
NPAT margin (exc. Minority Interest)	22.3%	19.6%	25.6%		

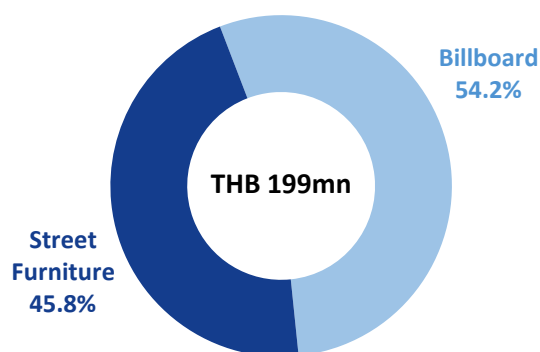
<sup>1</sup> Gross profit margin in 2Q 2016 was calculated from operating revenue excluding extraordinary revenue of THB 13mn

**2Q 2017 PERFORMANCE ANALYSIS**

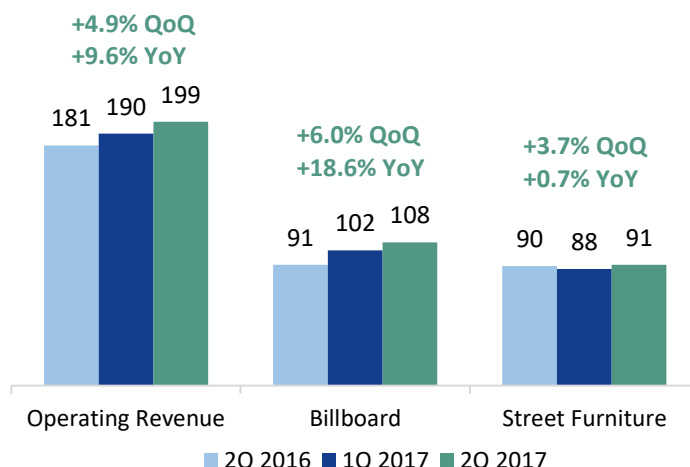
In 2Q 2017, the Company was witnessed a notable improvement of the performance in terms of revenue and cost-saving compared to last quarter. However, Overall performance on a year-over-year basis was affected by the change in structure of revenue, cost and expenses after the consolidation of Multi Sign Company Limited (“Multi Sign”) made in October 2016, which consequently led to an increase in the mentioned items compared to the same period last year.

In 2Q 2017, the Company’s **operating revenue** was THB 199mn, increased by 9.6% YoY from THB 181mn. The growth was mainly due to the aforementioned consolidation and a higher occupancy across all our products. **Billboard revenue**, which contributed 54.2% of the operating revenue, increased by 18.6% to THB 108mn while **Street Furniture revenue**, contributed the remaining 45.8%, slightly increased by 0.7% to THB 91mn.

**2Q 2017 REVENUE CONTRIBUTION (THB mn)**



**2Q 2017 REVENUE BY SEGMENTS (THB mn)**

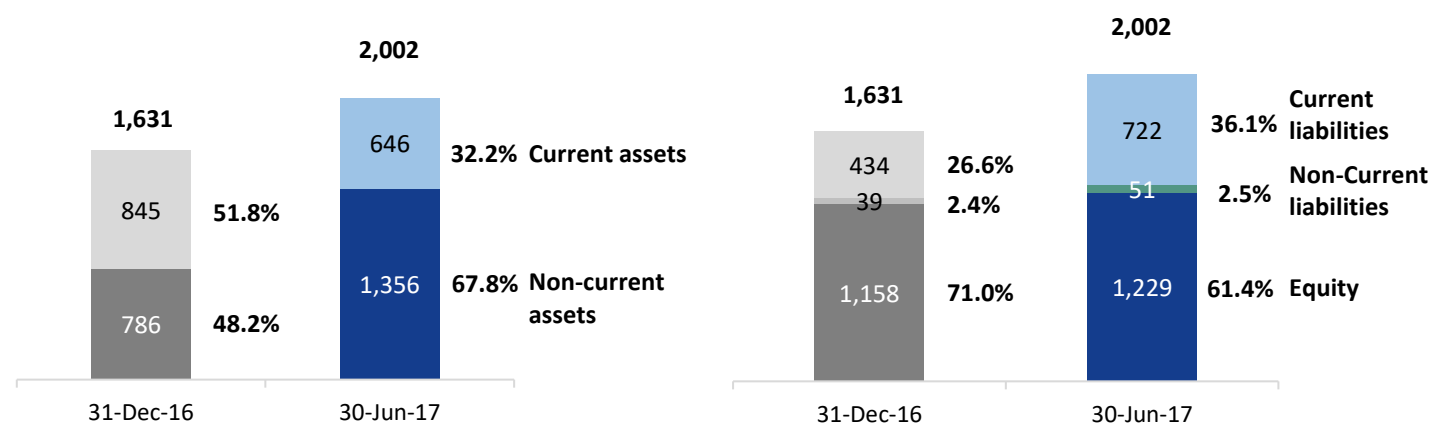


**Cost of sale** grew by 10.4% YoY from THB 79mn to THB 87mn, mainly due to the consolidation of Multi Sign coupled with an increase in media cost in line with higher revenue. **Selling, General and Administrative** increased by 22.5% YoY from THB 53mn to THB 64mn, primarily due to the consolidation of Multi Sign.

In this quarter, the Company recognised non-recurring items comprising of 1) COMASS's acquisition related expenses of THB 2mn and 2) Net gain from deferred tax adjustment of THB 4mn. As a result, **net profit from operation** increased by 24.9% to THB 51mn from THB 41mn in the same period last year.

## FINANCIAL POSITION

MACO started the consolidation of COMASS's statements of financial position since 30 June 2017 (the date on which the transaction has been completed), therefore, the movement of financial position was primarily attributed to aforementioned acquisition.



## ASSETS

ASSETS BREAKDOWN	31 DECEMBER 2016		30 JUNE 2017	
	(THB mn)	% out of total asset	(THB mn)	% out of total asset
Cash & cash equivalents and Current investments	484	29.7%	261	13.0%
Trade & other receivables	276	16.9%	254	12.7%
Building and equipment	176	10.8%	469	23.4%
Goodwill and Intangible assets	437	26.8%	709	35.4%
Other assets	258	15.8%	309	15.5%
<b>Total assets</b>	<b>1,631</b>	<b>100.0%</b>	<b>2,002</b>	<b>100.0%</b>

**Total assets** as of 30 June 2017 stood at THB 2,002mn, an increase of THB 307mn or 22.7% from THB 1,631mn as of 31 December 2016. **Total current assets** were THB 646mn, decreasing by 23.6% or THB 199mn. The decrease was primarily attributable to 1) lower cash, cash equivalents and current investments of THB 224mn, which mainly due to a several investments comprising of a purchase of 74 billboards, an investment in 21 LED screens as well as the investment in COMASS and 2) lower of trade and other receivables of THB 23mn (see *Trade and other receivables section*). The decrease was offset by the increment in 1) prepaid expenses of THB 31mn and 2) other current assets of THB 15mn.

**Total non-current assets** stood at THB 1,356mn, an increase of 72.5% or THB 570mn primarily due to 1) the increase in building and equipment of THB 293mn, which mainly from an increase in work in process of LED screens installation of THB 109mn, the recognition of billboard structure of THB 143mn as well as the recognition of COMASS's assets after consolidated of THB 48mn and 2) the increase in the difference between the price paid by the Company and the target company's book value of THB 278mn after the acquisition of COMASS.

**Trade and other receivables** were THB 254mn, a reduction of THB 23mn or 8.2% from THB 276mn as of 31 December 2016. The Company gives 90 days credit terms to customers. The average credit terms paid by customers was 80 days as of 30 June 2017 and 77 days as of 31 December 2016.

AGEING OF TRADE RECEIVABLES (THB mn)	31 DECEMBER 2016	30 JUNE 2017
Not yet due	134	116
Up to 3 months	47	65 <sup>1</sup>
3 - 6 months	-	1
6 - 12 months	-	1
Over 12 months	14	11
<b>Total</b>	<b>195</b>	<b>194</b>
Allowance for doubtful debt	14	11

<sup>1</sup> Trade receivables aged up to 3 months was included with media agency client receivable of THB 17mn which has been paid in July 2017.

## LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES AND EQUITY BREAKDOWN	31 DECEMBER 2016		30 JUNE 2017	
	(THB mn)	% out of total liabilities and equity	(THB mn)	% out of total liabilities and equity
Trade & other payables	327	20.1%	404	20.2%
Accrued expenses	91	5.6%	72	3.6%
Other current liabilities	16	1.0%	246	12.3%
Non-current liabilities	39	2.4%	50	2.5%
<b>Total liabilities</b>	<b>473</b>	<b>29.0%</b>	<b>772</b>	<b>38.6%</b>
Shareholders' equity	1,159	71.0%	1,229	61.4%
<b>Total liabilities and equity</b>	<b>1,631</b>	<b>100.0%</b>	<b>2,002</b>	<b>100.0%</b>

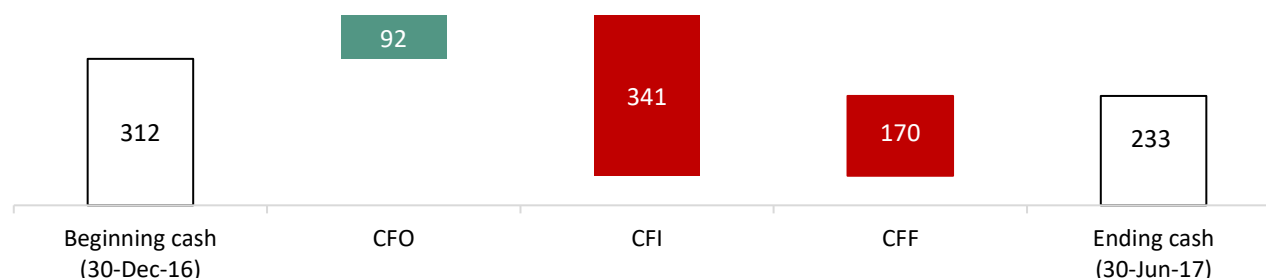
**Total liabilities** were THB 772mn, increasing by 63.4% or THB 300mn from THB 473mn as of 31 December 2016 mainly from 1) an increase in short-term loan from financial institutions of THB 235mn to finance COMASS's acquisition and 2) an increase in trade and other payables of THB 77mn owing to the payable for investment purchase of COMASS of THB 90mn. The increase was partially offset by a decrease in the partial of trade payables paid by the Company and accrued dividend.

**Total equity** was THB 1,229mn growing by THB 71mn or 6.1%. This was attributed to an increase in unappropriated retained earnings from 1Q and 2Q 2017 performance.

## CASH FLOW

As of 30 June 2017, the Company had **net cash from operating activities** of THB 92mn primarily from cash from operating activities of THB 118mn which was mainly offset by cash paid for corporate income tax and interest expenses of THB 27mn and THB 2mn, respectively. **Net cash used in investing activities** was THB 341mn, mainly from cash paid to invest in COMASS of THB 225mn and cash paid to invest in other assets of THB 271mn which comprising of the investment in LED screen project and the purchase of billboard structures. Such cash used in abovementioned was offset by cash received from sales of current investment of THB 174mn and cash received from repayment of short-term loans to related parties of THB 8mn. **Net Cash from financing activities** was THB 170mn. The key components are cash received from long-term loans from financial institution of THB 235mn used for aforementioned investment, nevertheless, the increase was offset by dividends paid of THB 58mn and a repayment of long-term loan from financial institution and finance lease of THB 6mn.

## THREE-MONTH CASH FLOW SNAPSHOT





**KEY FINANCIAL RATIOS**

	2Q 2016	2Q 2017	2Q 2017 <sup>1</sup>		2Q 2016	2Q 2017	2Q 2017 <sup>1</sup>
<b>Profitability Ratios</b>				<b>Liquidity Ratios</b>			
Gross profit <sup>2</sup>	(%) 53.0%	56.1%	56.1%	Current ratio	(times) 5.5	0.9	0.8
Operating EBITDA	(%) 31.7%	33.2%	33.2%	Quick ratio <sup>6</sup>	(times) 5.5	0.9	0.8
Net profit (from operatio	(%) 22.4%	25.6%	25.6%	Account receivable turnover	(times) 2.5	2.9	3.0
Net profit (after MI)	(%) 22.3%	25.6%	25.6%	Average collection period <sup>7</sup>	(days) 77	80	76
Return on equity <sup>3</sup>	(%) 23.7%	11.2%	11.2%	Payable days	(days) 77	250 <sup>8</sup>	194 <sup>8</sup>
<b>Efficiency Ratios</b>				<b>Leverage Ratios</b>			
Return on assets <sup>4</sup>	(%) 22.4%	9.8%	11.3%	Liability to Equity	(times) 0.2	0.6	0.6
Return on fixed assets <sup>5</sup>	(%) 145.2%	45.5%	49.4%	Debt to equity	(times) 0.0	0.3	0.3
Asset turnover	0.8	0.5	0.6				

<sup>1</sup> Excludes the impacts of COMASS's statement of financial position consolidation

<sup>2</sup> Calculated from operating revenue

<sup>3</sup> Net Profit (Annualised) / Average Total Shareholders' equity (average of outstanding at end of the same period in the previous year and at end of this quarter)

<sup>4</sup> Earnings before interest and tax (Annualised) / Average Total Assets (average of outstanding at end of the same period in the previous year and at end of this quarter)

<sup>5</sup> Earnings before interest and tax (Annualised) / Net Average Non-current Asset (average of outstanding at end of the same period in the previous year and at end of this quarter)

<sup>6</sup> (Current Assets – Inventory) / Average Current Liabilities at the end of this quarter

<sup>7</sup> Trade receivables (average of outstanding at end of the same period in the previous year and at end of this quarter) / Operating Revenue (Annualised)

<sup>8</sup> Higher outstanding of payable days were due to an increase in payable for investment purchases in MTS and COMASS of THB 220mn and THB 90mn, respectively.

**MANAGEMENT OUTLOOK**

The Company reported operating revenue of THB 199mn, an increase of 4.9% QoQ and 9.6% YoY, and net profit of THB 51mn, increased by 36.9% QoQ and 26.0% YoY. The Company's solid performance was stemming in turn from the restructuring efforts over the past year, which includes an improvement in utilisation rate of all products, an investment in new media products and a reduction of internal cost in order to become more competitive amidst the ever-changing environment.

During the second quarter, the Company made a further step to complete our strategy to create nationwide media coverage by acquiring COMASS. With more than 19 years' experience in outdoor media, COMASS is one of the leading outdoor media company with a total network of 120 billboards located in Bangkok and upcountry area. Moreover, COMASS has convertible billboards that MACO can upgrade them into digital screens which will potentially increase the Company's investment return. Following this acquisition, MACO has secured its leadership in outdoor media with more than THB 1,400mn of media capacity and 140,000 sq.m. of media space.

Going forward, MACO is aiming to fulfill the outdoor media network nationwide following the allocation of advertising spending and urbanisation trend into provincial cities in upcountry, to convert existing billboards in prime locations of CBD area from static billboard to digital screens, as well as to develop the integration between outdoor and online media by leveraging our partnership with VGI and Rabbit Group in order to respond our customers' demands and create value added to the Company.



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Tamonwan Narintavanich  
(Chief Financial Officer)