

MEDIA INDUSTRY AND BUSINESS IMPACT ANALYSIS

Thailand's economic recovery remained on track and is poised to continue in 2018. The Thai GDP expanded by 3.8% in the first 9 month of 2017, (following the growth of 3.3% in the first 9 month of 2016)¹. The growth supported by a marked upturn in exports which rose by 5.3% YoY as well as continued recovery in private consumption which expanding by 3.1% YoY.

Nevertheless, Thailand's advertising industry reported a decline of 6.0% YoY to THB 101,445mn in 2017², mainly due to an ongoing postponement of festivities subsequent to the mourning period over the passing of His Majesty King Bhumibol Adulyadej and the shrinkage of advertising spending in a conventional media sectors. The TV sector with the highest market share at 64.8%, fell 7.4% YoY to THB 65,786mn and Traditional media (Newspaper, Magazines and Radio) with a 13.9% market share, declined by 21.7% YoY to THB 14,125mn. Meanwhile, Outdoor media– segment which MACO focuses on – bucked the trend, increased by 12.8% YoY to THB 6,391mn.

In recent years, advertising industry has witnessed the shift in the media landscape brought by the change in people's lifestyles and the way people consume media after the increasing popularity of mobile phones (or smartphones). Advertisers have adjusted their budget allocation from conventional media such as TV, Newspaper, Magazine and Radio to other potential sectors to capture this ever changing lifestyle. Hence, it is expected that expenditure on TV sector and traditional media have peaked and they will be surpassed by OOH media (Outdoor, Transit and In-store media) and digital/online spending in a near term.

To capture the key components of industry growth, OOH and digital/online media, MACO has strengthen our media portfolio through 1) nationwide network expansion, 2) digitizing our media assets, and 3) integrating media inventory with Online services through Rabbit Group. Rabbit Group is a lifestyle solutions company that owning an extensive database of users and data analytics capability. The synergy with Rabbit Group enables MACO to provide deeper services with targeted and measurable advertising.

With the above-mentioned developments, we once again reported biggest quarterly revenue and profit in corporate history in 4Q 2017 (3 quarters consecutively), with record high revenue of THB 282, an increase by 45.8% YoY and the high quarterly profit of THB 73mn. Consequently, we recorded the biggest annual revenue and profit in the company history in 2017, with revenue of THB 932mn and profit of THB 221mn. For more details of the Company's annual performance, please see *2017 performance analysis*.

¹ The Bank of Thailand

²The Nielsen Company (Thailand) Co.,Ltd.

IMPORTANT EVENTS IN 2017

- On 30 March 2017, Eye On Ads Company Limited, a wholly-owned subsidiary of MACO, acquired the lease rights and 74 billboards from Out of Home Media Company Limited (“OHM”) (32 billboards) and Outdoor Construction Company Limited (“ODC”) (42 billboards) at the total value of THB 160mn. The acquisition has improved the asset management’s efficiency and reduced cost and risk of depending on the sole major leasers.



- On 30 June 2017, Eye On Ads Company Limited, a wholly-owned subsidiary of MACO, successfully acquired 70% 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 comprises of 113 static billboards 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.

COMASS (Mega Static Billboard)



COMASS (LED Screen)



- The Company has started the process towards digitisation by converting static billboards of Multi Sign Company Limited (“Multi Sign”), which are mainly located in CBD areas in upcountry, to digital screens. Subsequently, the Company has begun the full operation of 21 screens 1 July 2017.

CBD LED Network



- On 6 November 2017, the Company reported the results of the sale of securities, warrant of MACO No. 1 (MACO-W1) with number of exercised warrants of 96mn units and exercise price of THB 2 per share. Subsequently, 98mn additional listed shares begin trading on SET on 9 November 2017, resulting in an increase in paid-up common stock to THB 3,439mn shares.

DIVIDEND PAYMENTS

- Interim cash dividend 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) paid on 30 August 2017.
- On 9 February 2018, MACO’s Board of Directors resolved to approve the cash dividend payment from the operating results of 2H 2017 at THB 0.018 per share (a total of THB 62mn) to the shareholders of the Company whose name appeared on 15 March 2018 (Record Date). The dividend will be paid to shareholders on 18 May 2018. Hence, the total dividend payment from 2017 operations will be equal to THB 122mn (subject to the resolution of Annual General Meeting of Shareholders, which will be held on 25 April 2018).

2017 CONSOLIDATED P&L SNAPSHOT

CONSOLIDATED P&L SNAPSHOT

THB (mn)	2016	2017	YoY (%)
Operating revenue	735	932	26.9%
Cost of sales	330	390	18.1%
Gross profit	405	542	34.1%
Selling, general & administrative expenses	281	292	3.8%
EBITDA	173	348	101.4%
Net profit from operation	104	226	118.2%
Net profit (exc. Minority Interest)	102	221	116.5%
Gross profit margin	55.1%	58.2%	
EBITDA margin	23.5%	37.3%	
NPAT margin (from operation)	14.1%	24.3%	
NPAT margin (exc. Minority Interest)	13.9%	23.7%	

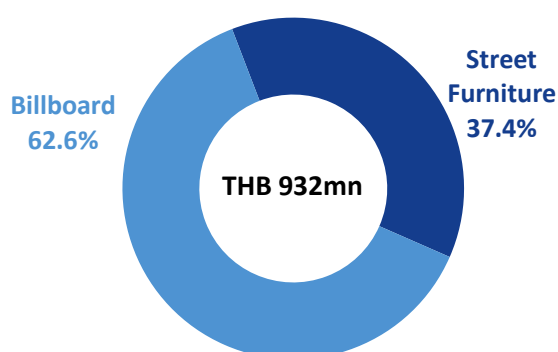
2017 PERFORMANCE ANALYSIS (YoY)

2017 was a year of high record revenue and profitability. The Company has added new growth engines through both organic and inorganic expansion which enable MACO to achieve an outstanding top and bottom line performance compared to the same period last year. The growth drivers are including of;

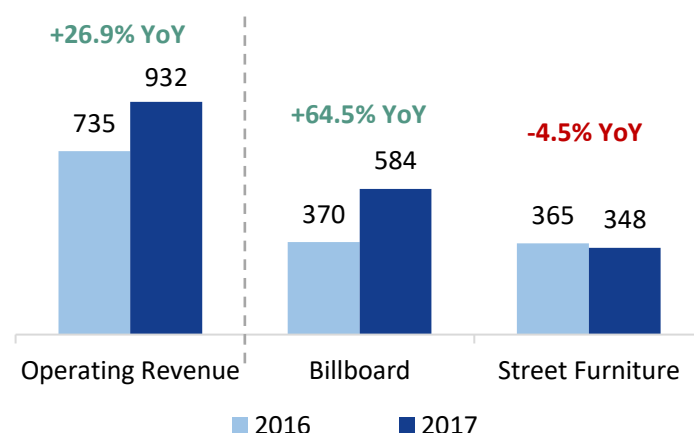
- 1) The consolidation of outdoor media operators, namely in Multi Sign and COMASS, which started in October 2016 and July 2017, respectively. The acquisition has increased MACO’s media network and expanded its presence nationwide. The expansion increased MACO media capacity by more than 55% from THB 900 (pre-consolidation) to THB 1,400mn.
- 2) The launch of 1st phase of CBD LED Network, which consists of 21 LED billboards across 19 provinces. This rollout has transitioned MACO from a pure static media operator to a digital-static integrated media operator in order to capture the ever changing of modern lifestyle media.

Owing to the above-mentioned factors, the Company’s **Operating revenue** increased by 26.9% from THB 735mn in 2016 to THB 932mn. **Billboard revenue**³, saw a significant increase of 64.5% YoY to THB 584mn. **Street Furniture revenue**, slightly decreased by 4.5% YoY to THB 348mn. In this year, Billboard revenue contributed 62.6% of total revenue whilst Street Furniture revenue contributed the remaining 37.4%.

2017 REVENUE CONTRIBUTION (THB mn)



2017 REVENUE BY SEGMENTS (THB mn)

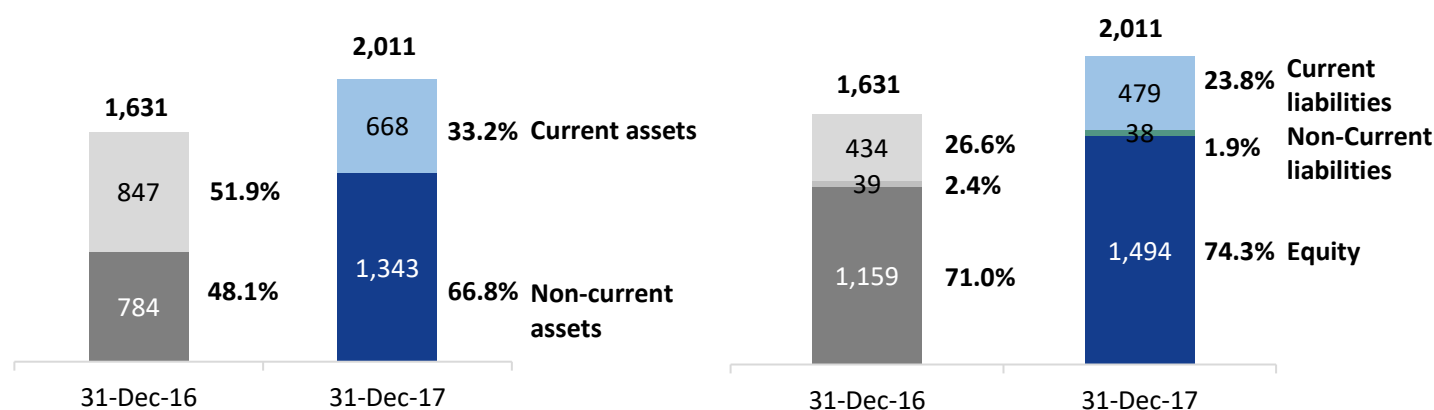


³ Billboard revenue includes static and digital billboard revenue and made to order revenue

Cost of sales grew by 18.1% from THB 330mn in 2016 to THB 390mn, mainly due to the aforementioned consolidation and cost of LED screens. As operating revenue increased more than cost of sale, Gross profit margin grew to 58.2% from 55.1% last year.

Selling, General and Administrative expenses ("SG&A") increased slightly by 3.8% YoY from THB 281mn to THB 292mn, primarily due to the consolidation. SG&A to sales ratio decreased significantly from 38.3% in 2016 to 31.3%. As a result, **net profit attributable to the equity holders of the Company** increased by 116.5% to THB 221mn from THB 102mn last year and **net profit margin attributable to the equity holders of the Company** increased to 23.7% from 13.9% in 2016.

FINANCIAL POSITION (THB mn)



ASSETS

ASSETS BREAKDOWN	31 DECEMBER 2016		31 DECEMBER 2017	
	(THB mn)	% out of total assets	(THB mn)	% out of total assets
Cash & cash equivalents and Current investments	484	29.7%	203	10.1%
Trade & other receivables	290	17.8%	357	17.7%
Building and equipment	176	10.8%	471	23.4%
Goodwill and Intangible assets	437	26.8%	710	35.3%
Other assets	244	15.0%	270	13.5%
Total assets	1,631	100.0%	2,011	100.0%

Total assets as of 31 December 2017 stood at THB 2,011mn, an increase of THB 380mn or 23.3% from THB 1,631mn as of 31 December 2016. **Total current assets** were THB 668mn, decreasing by 21.2% or THB 180mn. This was primarily attributable to the decrease in cash, cash equivalents and current investments of THB 281mn, which mainly due to a several investments comprising of a purchase of 74 billboards, an investment in 21 LED screens, an investment in COMASS and dividend payment. The decrease was offset by the increase in 1) trade and other receivables of THB 69mn (see *Trade and other receivables section*), 2) prepaid expenses of THB 21mn, and 3) other current assets of THB 14mn.

Total non-current assets stood at THB 1,343mn, an increase of 71.3% or THB 559mn primarily due to 1) the increase in building and equipment of THB 295mn, which mainly from the recognition of billboard structure of THB 147mn, an increase in work in process of LED screens installation of THB 139mn and the recognition of COMASS's assets after consolidation of THB 43mn and 2) the increase in the differences between the price paid by the Company and the targeted company's book value of THB 282mn after the acquisition of COMASS.

Trade and other receivables were THB 345mn, an increase of THB 69mn or 25.1% 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 69 days as of 31 December 2017 and 77 days as of 31 December 2016.

AGEING OF TRADE RECEIVABLES (THB mn)	31 DECEMBER 2016	31 DECEMBER 2017
Not yet due	132	124
Up to 3 months	47	89
3 - 6 months	-	-
6 - 12 months	-	-
Over 12 months	13	13
Total	193	227
Allowance for doubtful debt	13	11

LIABILITIES AND SHAREHOLDERS' EQUITY

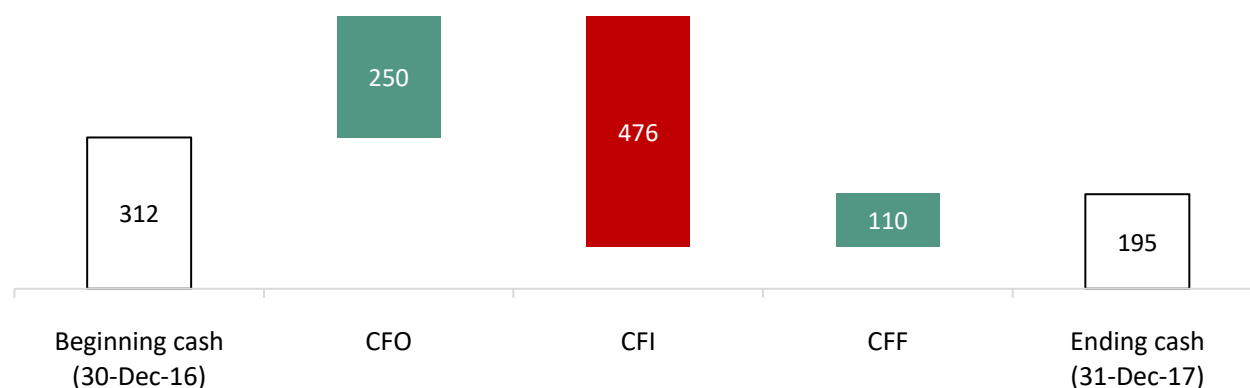
LIABILITIES AND EQUITY BREAKDOWN	31 DECEMBER 2016		31 DECEMBER 2017	
	(THB mn)	% out of total liabilities and equity	(THB mn)	% out of total liabilities and equity
Short term loans from financial institutions	-	0.0%	230	11.4%
Trade & other payables	336	20.6%	164	8.2%
Accrued expenses	77	4.7%	57	2.8%
Other current liabilities	21	1.3%	28	1.4%
Non-current liabilities	39	2.4%	38	1.9%
Total liabilities	473	29.0%	517	25.7%
Shareholders' equity	1,159	71.0%	1,494	74.3%
Total liabilities and equity	1,631	100.0%	2,011	100.0%

Total liabilities were THB 517mn, increasing by 9.4% or THB 44mn from THB 473mn as of 31 December 2016 mainly from an increase in 1) short-term loan from financial institution of THB 230mn to invest in CBD LED network and 2) other current liabilities of THB 7mn. The increase was partially offset by 1) a decrease in trade and other payables of THB 162mn owing to the payment on investment purchase of Multi Sign and COMASS, 2) a decrease in dividend payable of subsidiaries of THB 21mn and 3) a decrease in current portion of long-term loan from financial institution of THB 9mn.

Total equity was THB 1,494mn rose by THB 355mn or 28.9%. This was attributed to an increase in 1) share premium of THB 182mn from the exercise of convertible securities, MACO-W1, 2) unappropriated retained earnings of THB 120mn, and 3) non-controlling interests of the subsidiaries of THB 23mn. As of 31 December 2016, total equity included with equity attributable to owners of the Company of THB 1,426mn and non-controlling interests of the subsidiaries of THB 67mn.

CASH FLOW

As of 31 December 2017, the Company had **net cash from operating activities** of THB 250mn primarily from cash from operating activities of THB 307mn and interest income of THB 4mn which was mainly offset by cash paid for corporate income tax and interest expenses of THB 56mn and THB 5mn, respectively. **Net cash used in investing activities** was THB 476mn, mainly from cash paid to invest in COMASS of THB 315mn, cash paid to invest in other assets of THB 346mn which comprising of the investment in LED screen project and the purchase of billboard structures, and cash paid for purchase of current investments of THB 30mn. Such cash used in abovementioned was offset by cash received from sales of current investment of THB 194mn, cash received from repayment of short-term loans to related parties of THB 12mn, and cash received from sales of equipment of THB 11mn. **Net Cash from financing activities** was THB 110mn. The key components are cash received from long-term loans from financial institution of THB 230mn used for aforementioned investment and cash received from exercised warrants of THB 192mn (96mn units with exercise price of THB 2 per share. The increase was offset by cash paid to settle payables for investment in Multi Sign of THB 176mn, dividends paid of THB 123mn, and a repayment of long-term loan from financial institution and finance lease of THB 13mn.

TWELVE-MONTH CASH FLOW SNAPSHOT

KEY FINANCIAL RATIOS

		2016	2017		2016	2017
Profitability Ratios				Liquidity Ratios		
Gross profit ¹	(%)	55.1%	58.2%	Current ratio	(times)	2.0
Operating EBITDA	(%)	23.5%	37.3%	Quick ratio ⁶	(times)	2.0
Net profit (from operation)	(%)	14.1%	24.3%	Account receivable turnover	(times)	2.4
Net profit (after MI) ²	(%)	13.9%	23.7%	Average collection period ⁷	(days)	77
Return on equity ³	(%)	11.1%	17.4%	Payable days	(days)	124
Efficiency Ratios				Leverage Ratios		
Return on assets ⁴	(%)	11.5%	15.6%	Liability to Equity	(times)	0.4
Return on fixed assets ⁵	(%)	87.1%	87.6%	Debt to equity	(times)	0.0
Asset turnover	(times)	0.6	0.5			

¹ Calculated from operating revenue

² Net Profit attributable to equity holders of the Company/ operating revenue

³ Net Profit (Annualised) / Average Total Shareholders' equity (average of outstanding at end of the previous year and at end of this year)

⁴ Earnings before interest and tax (Annualised) / Average Total Assets (average of outstanding at end of the previous year and at end of this year)

⁵ Earnings before interest and tax (Annualised)/ Net Average Non-current Asset (average of outstanding at end of the previous year and at end of this year)

⁶ (Current Assets – Inventory) / Average Current Liabilities at the end of this year

⁷ Trade receivables (average of outstanding at end of the previous year and at end of this year) / Operating Revenue (Annualised)

*In 2017, the equity attributable to owners of the Company increased significantly from THB 1,115mn in 2016 to THB 1,426mn as a result of the improvement of profitability and the exercise of 96mn units of MACO-W1 (Total of THB 192mn).

MANAGEMENT OUTLOOK

MACO has expanded in new acceleration OOH media platform and is entering into a major growth phase throughout 2017. After Multi Sign's acquisition back in October 2016, we once again strengthen our billboard network by acquiring 70% of COMASS with total investment value of THB 335mn in June 2016. This transaction increased MACO's network to 2,300 advertising panels and media capacity to THB 1,400mn. The Company is also transitioning our static media assets to a digital platform in upcountry. Last year, we converted 21 existing billboards in prime locations from static billboard to digital screens. Receiving better-than-expected feedbacks from clients, MACO exceeded the LED billboard occupancy's target of 50% to 70%. With the solid strategy we implemented throughout 2017, it subsequently reflected into our financial performance. The Company delivered highest top-line and bottom-line results in the Company's history for 3 consecutive quarters, 2Q to 4Q 2018.

Going forward, we expect 2018 to be another year of impressive growth for MACO. This will be driven by the full year consolidation of COMASS, the expansion of LED billboards to 50 screens (35 screens as of 9 February 2018), and the expansion of existing static billboards. Moreover, the advertising spending is expected to significantly improve in 2018, aided by an ongoing healthy economic growth and positive momentum of advertising industry in November and December 2017. Hence, we expect the total revenue to increase by 20-25% from the previous year.



Tamonwan Narintavanich

(Chief Financial Officer)