



For the year ended December 31, 2017

February 21, 2018

Management Discussion and Analysis

RS Public Company Limited

## Overall Business

In 2017, Health and Beauty business (H&B) of the Company enjoyed historically high revenue and profit growth, experiencing six times the growth from 2016. The outlook for continuous growth remains, despite the overall stagnation of the economy. The Company focuses on sales via a variety of its media channels, including digital television, satellite television channels, radio station, and online media. These channels are considered to be a strength and primary competency that the Company has developed all along, exceeding that of their main competitors in the market. Moreover, the customer database, which has grown each month, has been managed effectively and more systematically. The Company also developed an after-sales system to promptly meet customers' needs, and it can also help increase sales. The introduction of more products, both by the Company itself as well as by its partners, as well as the launching of promotions that are suitable for the target market, have significantly increased sales in the past year. Such growth is likely to continue.

Overall television industry in 2017 experienced yet another contraction when compared to the same period in 2016, with exception of Digital TV sub-segment which saw a growth. If considering advertising expenditures (ADEX) through new digital TVs, according to the survey conducted by AGB Nielsen Media Research (Thailand), ADEX used in 2017 compared with those in 2016 decreased by 5,208 million baht. However, it increased by 1,514 million baht or 7.4 percent as consistent with shares of viewers of new digital TVs which increased to 46.7 percent in December 2017 compared with 43.7 percent in December 2016. The Company's digital TV or "Channel 8" has improved from the same period in 2016 thanks to its higher viewership rating by 30 percent from news programs, sports programs, international and Thai drama series. The rating in December increased to 0.65 up from 0.51 in December 2016 (viewers aged 4+ in 24 hours' period), resulting in higher 2017 advertisement booking in Channel 8.

## Summary of 2017 Performance

The consolidated financial statements of the Company for the year ended December 31, 2017 show net profit attributable to the parent company in the amount of 332.9 million baht from a net loss of 102.1 million baht given the increase in 2 main businesses, including revenue from Health and Beauty business and from Channel 8. Gross profit margin increased to 38.8 percent compared to 22.3 percent in 2016. Cost-to-sales ratio decreased due to the efficient cost management of Health and Beauty business.

Unit: million baht	Year 2017		Year 2016		Change	
	amount	%	amount	%	(y-y)	(q-q)
Revenue	3,501.7	100.0	2,998.6	100.0	503.1	16.8%
Gross margin	1,358.2	38.8	667.6	22.3	690.6	103.4%
Operating profit	426.1	12.2	(164.8)	-5.5	590.9	358.6%
Net profit/(loss)	332.9	9.5	(102.1)	-3.4	435.0	425.9%
Earnings per share	0.3443		(0.1043)			

## Revenue

Revenue from sales and services in the third quarter in 2017 in the amount of 995.7 million baht on a net basis which increased from the same quarter in the previous year and from the previous quarter by 317.5 and 138.1 million baht or 46.8 percent and 16.1 percent respectively. This can be explained according to the following business segments.

Unit: million baht	Year 2017		Year 2016		Change	
	amount	%	amount	%	(y-y)	(q-q)
Revenue from health and beauty business	1,389.1	39.7	227.7	7.6	1,161.4	509.9%
Revenue from media business	1,703.5	48.6	1,694.8	56.5	8.7	0.5%
Revenue from music business	254.5	7.3	320.0	10.7	(65.5)	-20.5%
Revenue from event business	154.6	4.4	748.7	25.0	(594.2)	-79.4%
Revenue from other services	-	-	7.3	0.2	(7.3)	-100.0%
Total revenue and services income	3,501.7	100	2,998.6	100	503.1	16.8%

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## Revenue from Health and Beauty Business

Revenue from health and beauty business comprised the revenue from skincare products under the brand “Magique”, haircare products under the brand “Revive” and food supplement products under the brand “S.O.M.”. The revenue in 2017 is 1,389.1 million baht, an increase from the same quarter in 2016 by 1,161.4 million baht or 509.9 percent. The Company exercises its key strength effectively through its own digital television, satellite television channels, radio station and online media at [www.shop1781.com](http://www.shop1781.com) and @Shop1781 (LINE SHOP). In addition, growing customer database every month has been managed in a systematic manner and the Company has also developed an after-sales system to help increase sales. The expansion in numbers of the Company’s own products and partner’s products is to maximize the Company’s telesales channels. As a result, the 2017 sales volume had increased continuously in line with the Company’s plan.

## Revenue from Media Business

Revenue from the media business consisted of revenues from television and radio businesses. In 2017, the Company earned 1,703.5 million baht from the overall media business which increased by 8.7 million baht or 0.5 percent from 2016. However, the revenue from Channel 8 increased while the revenue from satellite television and radio decreased due to shrinkage of overall industry.

**Television Media Business:** The revenue from television business consisted of revenue from Digital Terrestrial Television (DTT) channel in Standard Definition Category including “Channel 8” and from satellite television channels, namely, “Channel 2” and “Sabaidee TV”.

Overall, revenue from the television media business in 2017 increased slightly due to the increase in revenue from Channel 8, which was able to secure long-term contracts and sell more for advertising time slot throughout the year. This was due to its highly popular programming, including those in the news category that are among the highest ranking shows, led by morning news and evening news, as well as other popular news programs following the concept “Easy to Watch, Easy to Understand”. Sport programs include “8 Max Muay Thai” and “The Champion”. In addition, the channel benefited from gaining the license to broadcast live

international-level boxing. Another important feature included foreign series namely “Siya Ke Ram” and “Sankat Mochan Mahabali Hanumaan”. Channel 8 edited the content to be more concise, along with sound dubbing and localization of the music to better align with Thai tastes. As such, viewership reached over 3 million people, creating a fever pitch and smashing rating records among foreign series. As for new Thai drama series in 2017, there were eight shows, including “Rabam Fai”, “Chaloei Suek”, “Ngao Saneha”, “Game Payabaht”, “Plerng Rak Fai Man”, “Sai Yom Si”, “Jai Luang” and “Ngao Arthan”. Channel 8 also boosted the richness of its programming with a range of variety shows such as “Krua Lan Thung”, “Supta Talat Taek”, “Eung Teung Siew” and “The Guest Tee Sanit Khon Dang”. Given the diversity of the popular programs, Channel 8 enjoyed being among the top ranks in the country’s ratings, based on the research conducted by AGB Nielsen Media Research (Thailand).

**Radio Media Business:** Revenue from the radio media business was derived from “COOLfahrenheit”. Overall, revenue from the radio media business this year decreased 9.6 percent from the previous year. This is attributed to effects of the contracting radio media industry. Nevertheless, from the survey result of AGB Nielsen Media Research (Thailand), COOLfahrenheit retains its popularity, enjoying a number one ranking in the Easy Listening category and a number two ranking nationwide. This comprised a large re-branding effort that transformed it into a complete digital music station, delivering listeners content via on air and online platforms. COOLfahrenheit marks the first and only station at this time to calibrate its online results in a transparent and accurate manner. This has helped the listener base reach over 5 million people. Also, the station has been able to use advertising budgets on online media, which is growing. In 2017, activities for listeners such as “COOL Music Alive”, “COOL Outing”, “Ink Eat Around The World”, “Ink Eat All Around Year 7” and “COOLfahrenheit Music Fest Once Upon a Teen 2” continue to remain popular.

### **Revenue from Music Business**

Revenue from the music business comprises revenue from the digital business, copyright collection and artist management. This year, the Company earned 254.5 million baht in total revenue, a decrease of 65.5 million baht from last year or 20.5 percent. This was due to the changing behavior of consumers who are increasingly accessing music via online channels. Revenue increased as a result of users who listen to music via online sources such as YouTube, Joox or Spotify. However, the increase was not sufficient to offset the loss of revenue from traditional channels. However, after the restructuring of the business and efficient cost controls, the music business was able to better generate profits compared to 2016.

### **Revenue from Event Business**

Revenue from the contract productions business comprises revenue from organizing concerts and marketing activities for various media owned by the Company. The revenue in 2017 amounted to 154.6 million baht, a decrease of 594.2 million baht from the previous year or 79.4 percent. This was due to the fact that, in 2016, there was revenue from a one-time large-scale production that had a relatively higher value as well as a concert “Love Laugh Cry with 9 Men”. In 2017, main revenue was from in-house concerts namely “Sabaidee Si Mum Mueang”, “Sabaidee Sanjon”, “Sabaibee Saap Sing Isan Talad Taek” “Siang Sawan On Tour” and “Channel 8 Phob Phoen”.

### **Cost of Sales and Services**

Cost of sales and services of 2,143.5 million baht decreased from the same period in 2016 by 187.5 million baht or 8.0 percent. This was mainly due to drop in revenue from satellite television, radio businesses and one-time large-scale production business in 2016.

### **Selling and Administrative Expenses, Other Expenses and Finance Costs**

Selling and administrative expenses of 932.1 million baht increased from the same period in 2016 by 99.7 million baht or 12.0 percent. This was mainly due to the increase of revenue ratio of health and beauty business. However, cost-to-sale ratio decreased due to the efficient cost management.



Financial costs of 90.5 million baht, rose by 7.1 million baht or 8.5 percent. This was derived mainly from a long-term loan for DTT license fee payment installments.

### **Outlook**

In 2018, the health and beauty products business plans to expand more into the commercial segment in order to most effectively manage advertising time slot of the Company's media channels, introducing an even wider variety of products. This includes personal, home and lifestyle products. The Company has negotiated with many of its business allies to advertise and sell quality products through the telesales channel of the Company. As for health and beauty products, there will be an expansion in the product types for a more comprehensive offering, from products that address specific issues to those that better fulfill consumer demand.

The Company has developed an after-sales service team to steadily boost orders and sales. It will also strengthen its online channel, with the unveiling of new features in this area. In 2018, Channel 8, which experienced great success with an average 0.65 percent rating this past December, expects to see its news programs and new foreign series, following the widely successful "Sankat Mochan Mahabali Hanumaan" series, to be even more well received by audiences. New type of variety show with rich content is also expected to bolster ratings and meet the goals of the revised advertising rate schedule in 2018.

(Darm Nana)

Director and Chief Financial Officer

Authorized to sign on behalf of the Company