

**MEDIA INDUSTRY**

The Thai advertising market has been shaped by major changes over the past few years. Traditional media such as television, newspaper, magazine and radio has been in steady decline, while Out-of-Home (“OOH”) and online/digital media have become the go-to choice when it comes to advertising today.

The expansion of OOH and online media is mainly driven by lifestyle changes, such as urbanites nowadays tending to spend more time outside their homes; the rapid increase of the number of Internet users; the ongoing expansion of the e-Commerce market; and the growing recognition of these media as effective advertising and marketing tools.

Within the OOH media landscape, the trend has shifted from solely focusing on OOH media platform to an integrated platform that combines offline and online media. This new approach has proven effective in helping advertisers reach specific target audiences rather than bluntly and broadly communicating to the masses. As a result, advertisers can meet their objectives in creating awareness, engagement and conversion more effectively. In this exciting environment, companies that are able to adapt themselves are more likely to survive and outperform their counterparts.

In anticipation of such developments, VGI was the first company in the market to seize the opportunity to transform itself to become a provider of Offline-to-Online (“O2O”) Solutions. Now it is the leading company offering all-rounded advertising services that enable advertisers to effectively reach their target audience throughout the entire customer journey. During 2017/18, VGI has started launching new products under its O2O Solutions campaign, which has proven itself to contribute positively to the performance of the company. We expect to see continued growth from O2O Solutions across all business units for the remainder of the year.

**IMPORTANT EVENTS IN 1Q 2018/19**

**MAY 2018**

- On 23 May 2018, VGI unveiled a new vision: “Pioneering Solutions for Tomorrow.” Having expanded its business offerings from the traditional offline OOH media to embrace an integrated offline and online platform, VGI envisions itself as the industry’s leading provider of O2O Solutions; ultimately aiming to optimise customer engagement and deliver a seamless customer experience.



## JULY 2018

- On 5 July 2018, the Company appointed Mr. Nelson Leung as the Chief Executive Officer. During the past year, Mr. Leung has been invaluable in bringing about the integration of Offline-to-Online (“O2O”) Solutions and driving VGI’s development. Going forward under Mr. Leung’s leadership, VGI will continue to have industry-leading management to consistently deliver optimal value for VGI’s stakeholders.
- On the same date, the shareholders meeting has also approved the sale of 75% of VGI Global Media (Malaysia) Sdn. Bhd. (“VGM”) for THB 360mn to Master Ad Public Company Limited (“MACO”). This transaction is expected to be completed within 3Q 2018/19. The restructuring enables the Company to focus on building the most robust O2O ecosystem in Thailand and designates MACO as the international business expansion vehicle for VGI.
- VGI successfully acquired 23% in Kerry Express (Thailand) Limited (“Kerry”) with a total investment of THB 5,901mn. Kerry is the country’s leader in parcel delivery. Currently, Kerry’s services channel covers 1) Business-to-Business (B2B), 2) Business-to-Customer (B2C) and 3) Customer-to-Customer (C2C) with more than 800,000 parcels delivered daily. This acquisition is a significant step for VGI to establishing an O2O ecosystem covering Advertising, Payment and Logistics business. Acquiring industry-leading logistics capabilities through Kerry, will facilitate an improved, physically connected ecosystem that creates a better customer experience overall.



- On 19 July 2018, the Company announced an incorporation of a new joint venture, BV Media Ads Limited (“BVTV”). BVTV is a 50:50 joint venture between VGI and Bangkok Broadcasting & TV Company Limited (“Channel 7”). VGI and Channel 7 will bundle their offline and online media including influencer campaigns from famous stars into new media packages under the joint venture’s influential platforms. The Company expects to increase the variety of our O2O Solutions products and services going forward.

## AUG 2018

- VGI’s warrant number 1 (“VGI-W1”) has already expired on 1 August 2018. The Company has received total proceeds from the exercise of VGI-W1 warrants of THB 8,618mn<sup>1</sup>, or around 72% of maximum proceeds. The cash received was utilised for the acquisition of Kerry, while the remaining balance is expected to be used for the subscription of shares in the announced rights offering of MACO and expansion of the digital and online-related businesses.

<sup>1</sup> In 1Q 2018/19, VGI recorded receivables from exercise of warrants of THB 7,121mn as of 30 June 2018.

**1Q 2018/19 SNAPSHOT & ANALYSIS**
**CONSOLIDATED P&L SNAPSHOT**

THB (mn)	1Q 2017/18	4Q 2017/18	1Q 2018/19	QoQ (%)	YoY (%)
Operating revenue	852	1,128	1,077	-4.6%	26.5%
Cost of sales	356	406	392	-3.5%	10.1%
Gross profit	496	722	685	-5.1%	38.2%
EBITDA	352	524	507	-3.2%	43.9%
Adjusted EBITDA <sup>1</sup>	361	535	542	1.3%	50.3%
EBIT	251	413	384	-7.1%	53.0%
Interest expenses	23	17	15	-10.2%	-33.5%
Tax	55	66	82	23.8%	50.4%
Net profit <sup>2</sup>	175	288	261	-9.3%	49.4%
Adjusted net profit <sup>3</sup>	192	305	304	-0.6%	58.4%

Gross profit margin	58.2%	64.0%	63.6%
EBITDA margin	41.4%	46.4%	47.1%
Adjusted EBITDA margin	42.3%	47.4%	50.3%
Net profit margin	20.5%	25.5%	24.3%
Adjusted net profit margin	22.5%	27.1%	28.2%

<sup>1</sup>Adjusted for share of investment in JV and associates and non-recurring expenses.

<sup>2</sup>As shown in financial statement, excluding minority interest.

<sup>3</sup>Net profit excludes minority interest, is adjusted for amortisation of PPA in MACO, non-recurring expenses and share of investment in JV and associates.

**PERFORMANCE ANALYSIS (1Q 2018/19 vs 1Q 2017/18)**

VGI posted solid performance for the start of the fiscal year 2018/19, maintaining steady growth momentum. In 1Q 2018/19, the VGI reported a further increase in revenue of 26.5% YoY or THB 225mn from THB 852mn in the same period last year to THB 1,077mn. The strong growth is driven by the robust performance across its Out-of-Home (“OOH”) business segments.

**REVENUE BREAKDOWN (THB MN)**

	1Q 2017/18	1Q 2018/19	YoY (%)	% Contribution to total revenue	
				1Q 2017/18	1Q 2018/19
OOH media	755	997	32.1%	88.6%	92.5%
Transit	519	620	19.5%	60.9%	57.6%
Outdoor	170	284	67.4%	19.9%	26.4%
Office and Other	66	93	40.0%	7.8%	8.6%
Digital Services	97	80	-17.2%	11.4%	7.5%
<b>Total revenue</b>	<b>852</b>	<b>1,077</b>	<b>26.5%</b>	<b>100.0%</b>	<b>100.0%</b>

The **OOH media segment** recorded broad revenue growth across all product groups. 1Q 2018/19’s revenue in OOH media segment rose considerably by 32.1% YoY, representing a contribution of 92.5% to total revenue or THB 997mn. The growth in OOH media revenue resulted from synergies from the O2O Solutions, a higher utilisation rate, digital billboards products as well as the full quarter consolidation of Co-Mass Company Limited (“Co-Mass”) in the Outdoor media segment.

Within the OOH media, **Transit media** revenue increased by 19.5% YoY to THB 620mn. The sharp rise in revenue growth is attributable to a higher utilisation rate, particularly from digital media and merchandising spaces. In addition, Transit segment also benefitted from synergies of O2O Solutions campaigns on 10 selected BTS stations, which generated additional revenue of THB 80mn.

Meanwhile, our **Office Building and Other media** segment revenue grew solidly, increasing by 40.0% YoY to THB 93mn. The revenue growth in the first quarter was mainly from a higher utilisation rate as well as price increases. In addition, the Company also recognised revenue from new media under the Other Media segment.

The **Outdoor media segment**, saw extraordinary growth of 67.4% YoY, or THB 114mn reaching THB 284mn in 1Q 2018/19. The increase was mainly due to ongoing revenue recognition of 35 digital billboards, which was rolled out in July 2017. In addition, this segment also benefitted from the full year consolidation of Co-Mass, which was acquired in June 2017. (Please find more details on the Outdoor media segment in 2Q 2018 MACO’s management discussion and analysis <http://maco.listedcompany.com/misc/mdna/20180806-maco-mdna-2q2018-en.pdf>)

**Digital services business** contributed 7.5 % of total revenue or THB 80mn, decreasing by 17.2% YoY or THB 17mn, mainly due to a decrease in project management fees.

Revenue growth was also accompanied by an increase in **cost of sales** which came to THB 392mn, an increase of THB 36mn or 10.1% YoY. The increase was primarily attributable to an increase in the Transit media concession fee from 5% to 10% in May 2017 (revenue sharing scheme, which increases by 5% every 5 years since May 2012), costs related to the launch of 35 digital billboards and full year consolidation of Co-Mass by MACO. **Cost-to-sales ratio**, however, decreased to 36.4% from 41.8% primarily due to sales growth outpacing cost growth and improved operational efficiencies. Consequently, **gross profit** was up 38.2% YoY from THB 496mn to THB 685mn. **Gross profit margin** considerably increased to 63.6% (prior year: 58.2%).

In view of the steady expansion of VGI as a whole, **selling, general and administrative expenses ("SG&A")** increased by 25.2% YoY or THB 65mn from THB 257mn to THB 322mn. The ratio of SG&A to revenue slightly decreased to 29.9% (prior year: 30.2%).

EBITDA was bolstered in particular by the positive performance and climbed considerably to 43.9% YoY from THB 352mn to THB 507mn, while **adjusted EBITDA** increased significantly by 50.3% YoY from THB 361mn to THB 542mn.

**Interest expense** decreased by THB 8mn from THB 23mn to THB 15mn in 1Q 2018/19.

Given the further improvement in operating activities, the **Tax expense** also increased by THB 28mn from THB 55mn to THB 82mn in this quarter.

As a result of the aforementioned improved operating activities, VGI Group generated total **net profit** of THB 261mn (prior year: THB 175mn), an increase by 49.4% YoY. At the same time, **adjusted net profit** climbed 58.4% YoY from THB 192mn to THB 304mn.

**FINANCIAL POSITION**

In this quarter, there were 2 significant changes in the Company's financial position, 1) the impact from exercise of warrants to newly issued ordinary shares and 2) the restatement of excess of acquisition costs and net assets of Co-Mass, a subsidiary of MACO. More details are as follows:-

- On 29 June 2018, the warrant holders exercised 1,017mn shares to purchase newly issued ordinary shares of THB 7.00 per share. The Company received the cash from this exercise of THB 7,121mn on 2 July 2018 and registered the increase in its issued and paid up share capital on 3 July 2018. Therefore, the Company recorded receivables of THB 7,121mn from the exercise of warrants as "Other receivables from exercise of warrants" and recorded equity under "Equity from exercise of warrants" in the statement of financial position as of 30 June 2018.
- The Company restated the consolidated financial position as at 31 March 2018 to reflect the fair value of Co-Mass's assets after the measurement of fair value of Co-Mass's identifiable assets was completed. The restatement involved eliminating the "estimated amount by which costs of the acquisition of investment exceed identifiable net assets of Co-mass" of THB 281mn in non-current assets, which was replaced by 1) goodwill of THB 262mn and an intangible assets of THB 36mn in non-current assets, 2) deferred tax liabilities of THB 7mn in non-liabilities, and 3) non-controlling interests of Co-mass of THB 9mn in equity.

**ASSETS**

ASSETS BREAKDOWN	31 MARCH 2018 (Restated)		30 JUNE 2018	
	(THB mn)	% out of total	(THB mn)	% out of total
Cash & cash equivalents and short-term investments	1,905	19.8%	1,990	11.8%
Trade & other receivables	1,078	11.2%	1,165	6.9%
Other receivables from exercise warrants	65	0.7%	7,121	42.2%
Equipment – net	1,615	16.8%	1,735	10.3%
Investment in JVs, associates and other long-term investments	1,421	14.7%	1,389	8.2%
Goodwill	1,748	18.2%	1,748	10.4%
Other assets	1,799	18.7%	1,739	10.3%
<b>Total assets</b>	<b>9,632</b>	<b>100.0%</b>	<b>16,886</b>	<b>100.0%</b>

**Total assets** as of 30 June 2018 stood at THB 16,886mn, an increase of THB 7,254mn or 75.3% from THB 9,632mn as of 31 March 2018. **Total current assets** were THB 10,956mn, increasing by 195.7% or THB 7,250mn, primarily from 1) an increase in other receivables from exercise warrants of THB 7,055mn, 2) an increase in trade & other receivables of THB 87mn (see further details in trade and other receivable section) and 3) an increase in cash & cash equivalents and short-term investments of THB 85mn.

**Total non-current assets** stood at THB 5,930mn, slightly increasing by 0.1% or THB 4mn due to 1) an increase in equipment – net of THB 119mn, mainly from the new digital screens on the BTS network of THB 69mn and property, plant and equipment from MACO's subsidiary of THB 50mn, 2) an increase in long-term loans to associated company of THB 51mn. However, the increase was partially offset by a decrease in 3) advance payments to Work-in-Process of THB 79mn, 4) other non-current assets of THB 69mn and 5) loss from investment in JVs and associates companies of THB 34mn.

**Trade and other receivables** were THB 1,165mn, an increase of THB 87mn. The increase was in-line with higher sales in 2017/18. The Company gives 60 – 90 days credit terms to customers. For accounts receivables of more than 120 days, the Company has a policy for allowance for doubtful accounts, which also considers the customers' payment history and credit-worthiness. As of 30 June 2018, the allowance for doubtful accounts was THB 35mn.

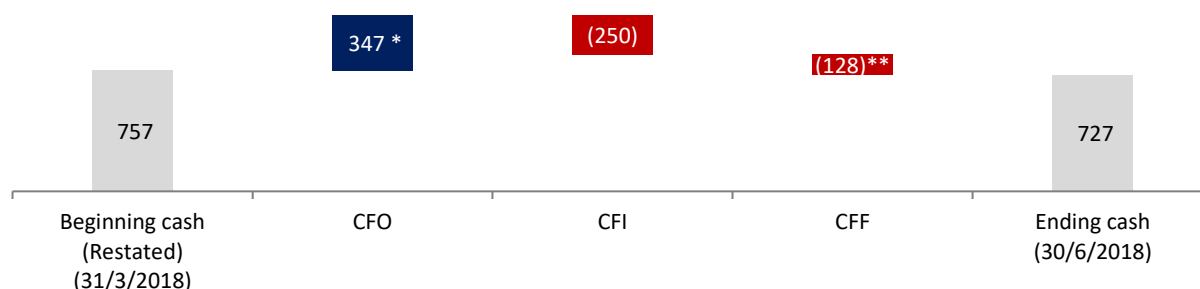
AGEING OF TRADE RECEIVABLES (THB mn)	31 MARCH 2018 (Restated)	30 JUNE 2018
Not yet due	647	619
Up to 6 months	164	241
Over 6 months	22	22
<b>Total</b>	<b>833</b>	<b>883</b>
% of total receivables	77.3%	75.8%
Allowance for doubtful debt	36	35
% of total receivables	3.4%	3.0%

**LIABILITIES AND SHAREHOLDERS' EQUITY**

LIABILITIES AND EQUITY BREAKDOWN	31 MARCH 2018 (Restated)		30 JUNE 2018	
	(THB mn)	% out of total	(THB mn)	% out of total
Short term loans	230	2.4%	275	1.6%
Trade & other payables	285	3.0%	340	2.0%
Accrued expenses	571	5.9%	495	2.9%
Current portion of long-term loans from financial institutions	44	0.5%	46	0.3%
Other current liabilities	918	9.5%	969	5.7%
Long term loan	1,489	15.5%	1,477	8.7%
Other non-current liabilities	169	1.8%	172	1.0%
<b>Total liabilities</b>	<b>3,706</b>	<b>38.5%</b>	<b>3,773</b>	<b>22.3%</b>
Shareholders' equity	5,926	61.5%	13,113	77.7%
<b>Total liabilities and equity</b>	<b>9,632</b>	<b>100.0%</b>	<b>16,886</b>	<b>100.0%</b>

**Total liabilities** were THB 3,773mn, an increase of THB 66mn or 1.8% from THB 3,706mn as of 30 June 2018 mainly from an increase in 1) trade and other payables of THB 55mn, 2) short term loans, long term loans and current portion of long term loans of THB 47mn, 3) corporate income tax payable of THB 40mn and 4) advances received from cardholders THB 17mn. However, the increase was partially offset by a decrease in 5) accrued expenses of THB 77mn, including property tax of THB 64mn and loan repayment of THB 12mn.

**Total equity** was THB 13,113mn, increasing by THB 7,188mn or 121.3%, due mainly to an increase in share capital received in advance from exercise of warrants of THB 7,055mn and retained earnings of THB 261mn.

**LIQUIDITY AND CASH FLOW (THB mn)**


\*After tax and net tax refund (THB -40mn) and interest expense (THB -15mn)

\*\*Included translation adjustment of (THB 0.1mn)

For the three months ended 30 June 2018, **cash and cash equivalents** was THB 727mn, a decrease of 3.9% or THB 30mn. Cash from operating activities was THB 403mn, increasing by 51.2% or THB 136mn. After deducting cash paid for corporate income tax net of tax refund of THB 40mn (3M 2017/18: THB 38mn) and cash paid for interest expenses of THB 15mn (3M 2017/18: THB 20mn), **net cash from operating activities** was THB 347mn. **Net cash used in investing activities** was THB 250mn. The key components are cash paid for a purchase of current investments of THB 115mn, cash paid for LED billboards and the system upgrade for LCD screens in trains and LCD screens in office buildings and other of THB 58mn, long-term loan to related party of THB 52mn, an investment in Meru Utama Sdn Bhd of THB 44mn. However, this offset by an increase in interest income and dividend income of THB 13mn and THB 9mn, respectively. **Net cash used in financing activities** was THB 128mn mainly from cash paid for purchases Multi Sign Company Limited by MACO of THB 163mn, dividends paid of THB 65mn<sup>2</sup> and loan repayment of THB 11mn. However, this offset by an increase in proceeds from other receivables from exercise of warrants of THB 65mn and short term loan of THB 45mn.

<sup>2</sup> Included dividend paid by a MACO's to non-controlling interests and shareholders of THB 48mn and THB 17mn, respectively.

**FINANCIAL RATIOS**

Profitability Ratios		1Q 2017/18	1Q 2018/19	Liquidity Ratios		31-Mar-18	30-Jun-18
Gross profit	(%)	58.2%	63.6%	Current ratio	(times)	1.8	5.2
Operating EBITDA	(%)	41.4%	47.1%	Quick ratio	(times)	1.2	4.5
Cash-to-net profit	(%)	82.8%	90.5%	Account receivable turnover	(times)	4.1	4.2
Net profit (excl. NCI)	(%)	20.0%	23.2%	Average collection period	(days)	88.4	86.8
Return on equity	(%)	35.4%	13.5%	Payable days	(days)	97.6	107.2
<b>Efficiency Ratios</b>				<b>Leverage Ratios</b>			
Return on assets	(%)	8.5%	7.4%	Liability to equity	(times)	0.6	0.3
Return on fixed assets	(%)	60.1%	72.7%	Debt to equity	(times)	0.3	0.1
Assets turnover	(times)	0.4	0.3				

## Remark:

- On 29 June 2018, the warrant holders exercised 1,017mn warrants to purchase newly issued ordinary shares at THB 7.00 baht per share. The Company registered the increase in its issued from the exercise of warrants on 3 July 2018. Hence, the Company recorded "Equity from exercise of warrants" in statements of financial position as of 30 June 2018.
- Financial ratios were calculated based on The Stock Exchange of Thailand's formula.

**MANAGEMENT OUTLOOK**

This year, VGI celebrates our 20<sup>th</sup> anniversary unveiling a new vision: "Pioneering Solutions for Tomorrow". We have expanded our business offerings from the traditional offline Out-of-Home ("OOH") media to embrace an integrated offline and online platform. Now, we envision ourselves as a unique market leader in Thailand providing fully integrated Offline-to-Online ("O2O") Solutions, creating a seamless ecosystem and delivering meaningful customer experience.

Currently, our ecosystem comprises of 1) Advertising platform including Transit, Office, Outdoor and Airport, 2) Payment and digital services platform under our subsidiary – Rabbit Group and 3) Logistics platform or last-mile delivery services under Kerry Express (Thailand) Limited and Demo Power (Thailand) Company Limited. VGI's considerable and growing data pool will serve as the key to unlocking synergies between the aforementioned entities.

Having these 3 platforms, the Company's focus has shifted from relying solely on adspend to capturing greater market share of marketing budget as well as riding on the growth of the e-Commerce. While previously VGI was characteristically sensitive to the cyclical patterns of Thailand's advertising environment, we expect our new foundation for growth to make us more competitive and resilient.

VGI got off a good start to the new fiscal year of 2018/19, steadily continuing the growth trend established in the last few quarters. During first quarter, VGI reported an increase in revenue from THB 852mn to THB 1,077mn, or an increase of 26.5% YoY. For 2018/19 as a whole, the Company maintains its revenue target in the range of THB 4,400mn to THB 4,600mn and expects the net profit margin of 20 – 25%.

.....

Chitkasem Moo-Ming  
(Chief Financial Officer)