

MEDIA INDUSTRY

Outdoor media has presently become the go-to choice for advertising. It's popularity due mainly to changes in people's lifestyle as well as the shift in media consumption towards online and digital. In the past, people received their news, information and advertising mostly in their homes from traditional media such as TV, newspaper, magazine and radio, now people are becoming more mobile and spending more outside of their homes. Most of this time is spent commuting in their cars, on the street, in office buildings and in shopping malls. These changes have resulted in the significant growth of outdoor and online advertising and the decline of traditional media, as brands and clients allocate more of their advertising budget towards the out-of-home sector, in order to benefit from and keep abreast of these trends.

Master Ad Public Company Limited ("MACO") is well-positioned to benefit from such changes. MACO is one of the biggest outdoor media players in Thailand, with a media network covering a variety of formats from mega to small billboards nationwide, to advertising panels on structural pillars of BTS SkyTrain stations and flyovers, both in the heart of and across Bangkok. Nevertheless, with increasing popularity comes intensifying competition. Many media companies expanded their media network continuously through M&A and converting static panels to digital screens (digitalisation), which can deliver more flexibility and scalability for advertisers to deliver messages to target audience.

After all this time, MACO has been taking numerous steps to accommodate the growth of out-of-home media. These steps include an investment in Trans.Ad Solutions Co., Ltd. ("Trans.Ad"), – a multimedia display systems provider – and Roctec Technology Limited ("Roctec") – a provider of multimedia & communications systems, system integrations and total network infrastructure. These acquisitions are expected to enhance MACO's media management's capabilities under our digitalisation strategy both in Thailand and overseas. Moreover, MACO has acquired the remaining shares of Multi Sign, taking our stake to 100%. These measures have altogether supported the encouraging performance recorded this quarter, with recorded revenue at THB 473mn, or a solid increase of 80.6% YoY and net profit of THB 68mn, which rose by 13.5% YoY.

IMPORTANT EVENTS IN 3Q 2018

July

- On 18 July 2018, shareholders at Extraordinary General Meeting (EGM) resolved to approve the acquisition of 75% in VGI Global Media (Malaysia) Sdn. Bhd (“VGM”) with a total investment value of THB 360mn. This transaction is expected to complete within the 4th quarter of 2018. VGM is a holding company investing in media companies in the mass transit, airports, cinemas, highways, major supermarkets and office buildings advertising segments. The expected benefits from the transaction are 1) increasing exposure to new opportunities in overseas markets, especially in South East Asia countries where the advertising market is still immature, 2) enhancing the variety of our media portfolio and expand our media coverage and 3) supporting the business operation of MACO in Malaysia, and 4) strengthening overall bargaining power from increased economies of scale.

VGM Business Overview*

	Transit	Airport	Cinema & Retail	Outdoor	Other
Entity	Titanium Compass (TCSB) PT Avabanindo Perkasa (AVA)	Meru Utama (MUSB)	Focus Media (Network) (FMN) Point cast (M) (PCSB)	Redberry Outdoors (RBO) Ten Plus Recourses (TPSB)	Puncak Berlian (PBSB) Redberry Media (RMSB) Nova Berry (NBSB)
Business/Concession	TCSB: Holds 10-year advertising concession in the MRT SBK Line in Malaysia AVA: Holds 20-year advertising concession for MRT system in Indonesia (North – South Line)	MUSB: Holds 7 years concession for manage advertising space in KL International airport 1 and 2 and Senal Airport	FMN: Operates advertising in 3 cinema chains and digital media business in office building PCSB: Operates the media at payment cashiers in major hypermarket stores throughout Malaysia	RBO: Operates media on 918 buses and billboards on highway TPSB: Manages digital billboard (E-bunting) in Malaka state, Malaysia	PBSB: Investment Holding Company RMSB: Investment Holding Company NBSB: No operation at the present
Network	TCSB: 31 MRT stations 58 trains 232 carriages AVA: 13 MRT stations 16 trains 96 carriages	MUSB: 354 static panels 3 aero trains 114 panels of link bridge 285 digital screen	FMN: 37 cinema locations 302 cinema halls 2 large LCD screens PCSB: 52 supermarkets	RBO: 11 static billboards 918 buses in KL and Penang TPSB: 45 street bunting panels	

*More commentary on the VGM transaction can be found in Report on <http://maco.listedcompany.com/newsroom/270620181831240885E.pdf>, <http://maco.listedcompany.com/newsroom/270620181831360124E.pdf> and <http://maco.listedcompany.com/misc/PRESN/20180719-maco-vgm-and-tranad-transaction.pdf>.

Transit Media in MRT Network ,SBK Line, Malaysia



Airport Media in KLIA 1-2 , Malaysia



- On 24 July 2018, through Eye On Ads Company Limited (“Eye On Ads”), a wholly-owned subsidiary of MACO acquired 81.65% of Trans.Ad Solutions Co., Ltd. (“Trans.Ad”) with a total investment value of THB 388mn. Trans.Ad is the multimedia display systems provider with a proven track record in producing and installing digital media for BTS’s train and platform screen doors.
- On 26 July 2018, Trans.Ad used the funds received from Eye On Ads to further invest in 89% of Roctec Technology Limited (“Roctec”). Roctec is a provider of multimedia & communications systems, system integrations and total network infrastructure based in Hong Kong. Roctec has an enviable track record as systems controller and media manager of MTR Hong Kong. MACO expects that the investment in Trans.Ad and Roctec will support the expansion of our digital media network domestically and internationally.

Trans.Ad Products and Services*



Roctec Products and Services*



*More commentary on the Trans.Ad transaction can be found in Report on <http://maco.listedcompany.com/newsroom/090720182008370772E.pdf> and <http://maco.listedcompany.com/misc/PRESN/20180719-maco-vgm-and-tranad-transaction.pdf>

August

- The company offered 688mn newly issued ordinary shares at the offering price of THB 2 per share to the existing shareholders of the company via a Rights Offering (RO) at an offering ratio of every 5 existing ordinary shares for 1 newly issued ordinary shares. The company received RO proceeds of THB 1,376mn, which was used to acquire the remaining shares of Multi Sign, invest in Trans.Ad and reserve to invest in VGI Global Media (Malaysia) Sdn. Bhd. (“VGM”)
- The company issued and allocated the warrants to purchase the ordinary shares of MACO No. 2 (MACO-W2) warrants at no cost, to the existing shareholders who have subscribed for and been allocated with the newly issued ordinary shares. The details are as follows;

Key terms and conditions	
Trading date	14 September 2018
Number of listed warrants (unit: warrants)	1,375,542,814
Exercise ratio (warrant: common stock)	1 : 1
Exercise price (baht per share)	2.10
Term of warrants	3 years
Exercise period	Quarterly
First exercise date	30 September 2020
Last exercise date	27 August 2021

DIVIDEND PAYMENTS

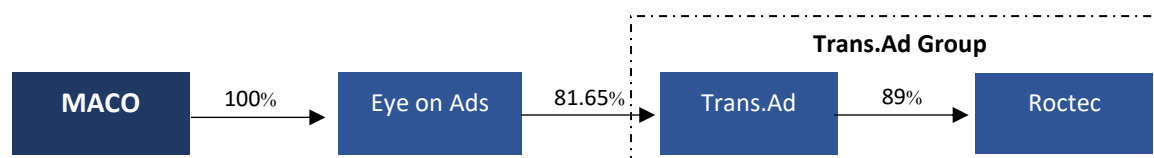
- On 12 September 2018, the Board of Directors Meeting has resolved to approve the interim dividend payment from the operating results of 1H 2018 of THB 0.018 per share (totaling THB 74mn). The dividend was paid to shareholders on 10 October 2018.

3Q 2018 CONSOLIDATED P&L SNAPSHOT
CONSOLIDATED P&L SNAPSHOT

THB (mn)	3Q 2017	2Q 2018	3Q 2018	QoQ (%)	YoY (%)
Operating revenue	262	280	473	68.9%	80.6%
Cost of sales	106	103	263	156.3%	148.1%
Gross profit	156	177	210	18.3%	34.6%
Selling, general and administrative expenses	79	106	124	17.5%	58.1%
EBITDA	108	113	127	13.0%	17.6%
Net profit from financial statement	65	62	74	20.6%	14.1%
Net profit (exc. Minority Interest)	60	62	68	9.2%	13.5%
Gross profit margin	59.5%	63.3%	44.3%		
EBITDA margin	41.3%	40.2%	26.9%		
NPAT margin (from financial statement)	24.9%	22.0%	15.7%		
NPAT margin (exc. Minority Interest)	22.9%	22.3%	14.4%		

3Q 2018 PERFORMANCE ANALYSIS (YoY)

In 3Q 2018, the Company reported a consolidated **Operating revenue** of THB 473mn. This represented a significant increase of 80.6% YoY from THB 262mn in 3Q 2017. The revenue comprised of **advertising services revenue** of THB 262mn, and **system integration and total solution services revenue** of THB 211mn arising from the recently-acquired Trans.Ad Solutions Co., Ltd. ("Trans.Ad") multimedia display systems provider and Roctec Technology Limited (referred as "Trans.Ad") Group".



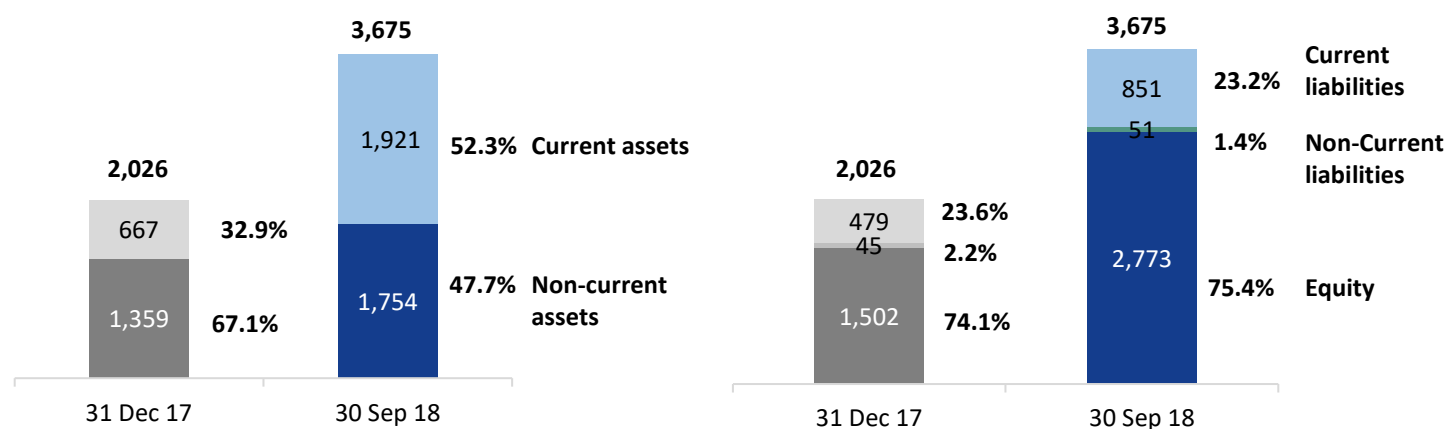
Cost of sales increased by 148.1% from THB 106mn in 3Q 2017 to THB 263mn in this quarter. The cost of sales was divided into **cost of advertising services** of THB 106mn and **cost of system integration and total solution services** of THB 157mn. The increase was mainly driven by the abovementioned consolidation. Cost from Trans.Ad Group are naturally higher from computers, software and installation expenses than MACO's core business in media.

Selling, general and administrative expenses ("SG&A") rose by 58.1% YoY from THB 79mn to THB 124mn mainly from the aforementioned consolidation. In this quarter, the company recognised a non-recurring item from acquisition-related expenses of Trans.Ad Group of THB 2mn.

Net profit attributable to the equity holders of the Company increased by 13.5% to THB 68mn from THB 60mn in the same period last year. However, as the nature of Trans.Ad Group's business is generally lower margin than MACO's core business, net profit margin slightly decreased to 14.4% from 22.9% in 3Q 2017. Nevertheless, we believe that MACO will benefit from economies of scale through Trans.Ad Group and Trans.Ad Group will support our media digitalisation strategy.

FINANCIAL POSITION (THB mn)

Changes in financial position in this quarter was mainly resulting from the consolidation of Trans.Ad Group's financial statements since 1 Aug 2018 as well as proceeds from Rights Offering ("RO") of THB 1,376mn.


ASSETS

ASSETS BREAKDOWN	31 DECEMBER 2017		30 SEPTEMBER 2018	
	(THB mn)	% out of total assets	(THB mn)	% out of total assets
Cash and cash equivalents and current investments	203	10.0%	1,073	29.2%
Trade and other receivables	345	17.0%	632	17.2%
Building and equipment and investment properties	506	25.0%	618	16.8%
Goodwill and Intangible assets	726	35.8%	1,005	27.3%
Other assets	246	12.1%	347	9.5%
Total assets	2,026	100.0%	3,675	100.0%

Total assets as of 30 September 2018 were THB 3,675mn, an increase of THB 1,649mn or 81.3% from THB 2,026mn from 31 December 2017. **Total current assets** stood at THB 1,921mn, which rose by 187.9% or THB 1,254mn. The increase was primarily attributed to 1) an increase in cash and cash equivalents of THB 877mn mainly from RO proceeds at THB 1,376mn, and 2) an increase in trade and other receivables of THB 287mn.

Total non-current assets were THB 1,754mn, an increase of 29.0% or THB 395mn, mainly from 1) an increase in the differences between the price paid by the company and the targeted company's book value of THB 294mn after the acquisition of Trans.Ad Group, and 2) an increase in building and equipment of THB 84mn from abovementioned acquisition.

Trade and other receivables stood at THB 632mn, which rose by 83.2% or THB 287mn from THB 345mn as of 31 December 2017. The Company gives 90 days credit terms to customers. The average credit terms paid by customers was 182 days as of 30 September 2018 and 69 days as of 31 December 2017. The excess 90 days average collection period as of 30 September 2018 because of Trans.Ad group consolidation, which some of its customers are government agencies that their nature credit terms not less than 90 days.

AGEING OF TRADE RECEIVABLES (THB mn)	31 DECEMBER 2017	30 SEPTEMBER 2018
Not yet due	124	241
Up to 3 months	89	172
3 - 6 months	0	30
6 - 12 months	0	19
Over 12 months	13	15
Total	227	477
Allowance for doubtful debt	11	6

LIABILITIES AND SHAREHOLDERS' EQUITY

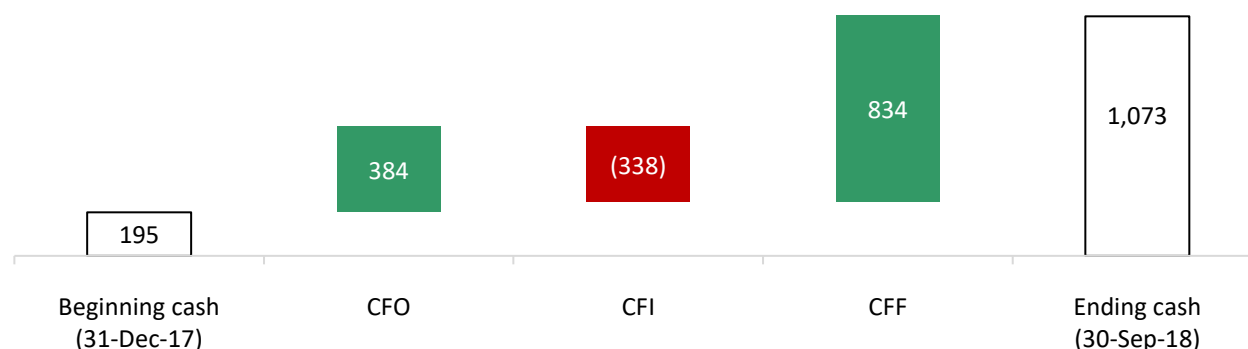
LIABILITIES AND EQUITY BREAKDOWN	31 DECEMBER 2017		30 SEPTEMBER 2018	
	(THB mn)	% out of total liabilities and equity	(THB mn)	% out of total liabilities and equity
Short term loans from financial institutions	230	11.3%	0	0.0%
Trade and other payables	157	7.8%	432	11.8%
Accrued expenses	78	3.8%	98	2.7%
Deferred Incomes	0	0.0%	312	8.5%
Other current liabilities	14	0.7%	9	0.2%
Non-current liabilities	45	2.2%	51	1.4%
Total liabilities	524	25.9%	902	24.6%
Shareholders' equity	1,502	74.1%	2,7773	75.4%
Total liabilities and equity	2,026	100.0%	3,675	100.0%

Total liabilities were THB 902mn, increasing by 72.1% or THB 378mn from THB 524mn as of 31 December 2017. This was largely from 1) an increase in deferred income of THB 312mn from deposits paid by customers who use system integration and total solution services of Trans.Ad Group and 2) an increase in trade and other payables of THB 275mn, mainly from the consolidation of Trans.Ad Group. The increase, however, was primarily offset by a decrease in short term loans from financial institutions of THB 230mn which was repaid fully this quarter.

Total equity was THB 2,773mn, which rose by THB 1,270mn or 84.6%. This was attributed to an increase in premium on shares of THB 1,307mn which was from the RO of 688 million shares, amounting to THB 1,376mn. As of 30 September 2018, total equity attributable to owners of the Company stood at THB 2,666mn and non-controlling interests of the subsidiaries at THB 106mn.

CASH FLOW

As of 30 September 2018, the company had **net cash from operating activities** of THB 384mn primarily from cash from operating activities of THB 445mn which was mainly offset by cash paid for corporate income tax and interest expenses of THB 67mn and THB 5mn, respectively. **Net cash used in investing activities** was THB 338mn. The key components were 1) net cash paid for investments in Trans.Ad Group THB 190mn and 2) acquisition of equipment of 104mn from digital billboards installment. **Net cash from financing activities** was THB 834mn, mainly cash from RO proceeds of THB 1,376mn which was partially offset by cash used for 1) repayment of short term loans from financial institutions of THB 230mn, 2) cash payment for the remaining price of the shares of Multi Sign of THB 207mn, and 3) cash dividend payment of THB 105mn.

9 MONTHS CASH FLOW SNAPSHOT


KEY FINANCIAL RATIOS

		3Q 2017	3Q 2018		3Q 2017	3Q 2018	
Profitability Ratios				Liquidity Ratios			
Gross profit ¹	(%)	59.5%	44.3%	Current ratio	(times)	0.9	2.3
EBITDA	(%)	41.3%	26.9%	Quick ratio ⁶	(times)	0.9	1.0
Net profit (from FS)	(%)	24.9%	22.0%	Account receivable turnover	(times)	3.0	1.9
Net profit (after MI) ²	(%)	22.9%	14.4%	Average collection period ⁷	(days)	70	182
Return on equity ³	(%)	15.7%	13.4%	Payable days	(days)	103	186
Efficiency Ratios				Leverage Ratios			
Return on assets ⁴	(%)	13.1%	12.0%	Liability to Equity	(times)	0.6	0.4
Return on fixed assets ⁵	(%)	65.7%	66.7%	Debt to equity	(times)	0.4	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 same period in the previous year and at end of this quarter)

⁴ 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)

⁵ 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)

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

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

MANAGEMENT OUTLOOK

The Company expects that performance in the remaining quarter will be robust, being mainly driven by synergies with our group, an increase in media utilisation rate as well as a higher-than-previously-expected advertising spending, as a result of the improving overall sentiment from the upcoming general election.

Strengthening our overseas footprint is one of our key strategies, especially in Malaysia and Indonesia. We expect to complete our investment in 75% of VGI Global Media (Malaysia) Sdn. Bhd ("VGM") within the 4th quarter of this year. This investment will be our vehicle to achieve this strategy. By nurturing both domestic and international expansion, the group expects to benefit from diversified and enhanced future performance.



Tamonwan Narintavanich

(Chief Financial Officer)