

QUARTERLY BUSINESS REVIEW – 2Q 2019

- Consolidated revenue increased by 161.5% YoY to THB 690mn
 - Advertising revenue decreased by 0.8% YoY to THB 262mn
 - System integration services revenue was recorded at THB 428mn
- EBITDA increased by 14.7% to THB 115mn
- Net profit excluding minority interest was THB 39mn
- Interim dividend payment of THB 0.012 per share to be paid on 6 September 2019

KEY BUSINESS UPDATE

THAILAND

- MACO has successfully installed 180 Lightboxes and 42 LED Screens of Street Furniture media under 22 BTS stations allowing MACO to offer higher visual impact advertising and more creative content for brands. Street Furniture media has already started commercialisation in June 2019. The Company expects to see more revenue generated from this media going forward.

BTS Street View Light box series



BTS Street View Digital

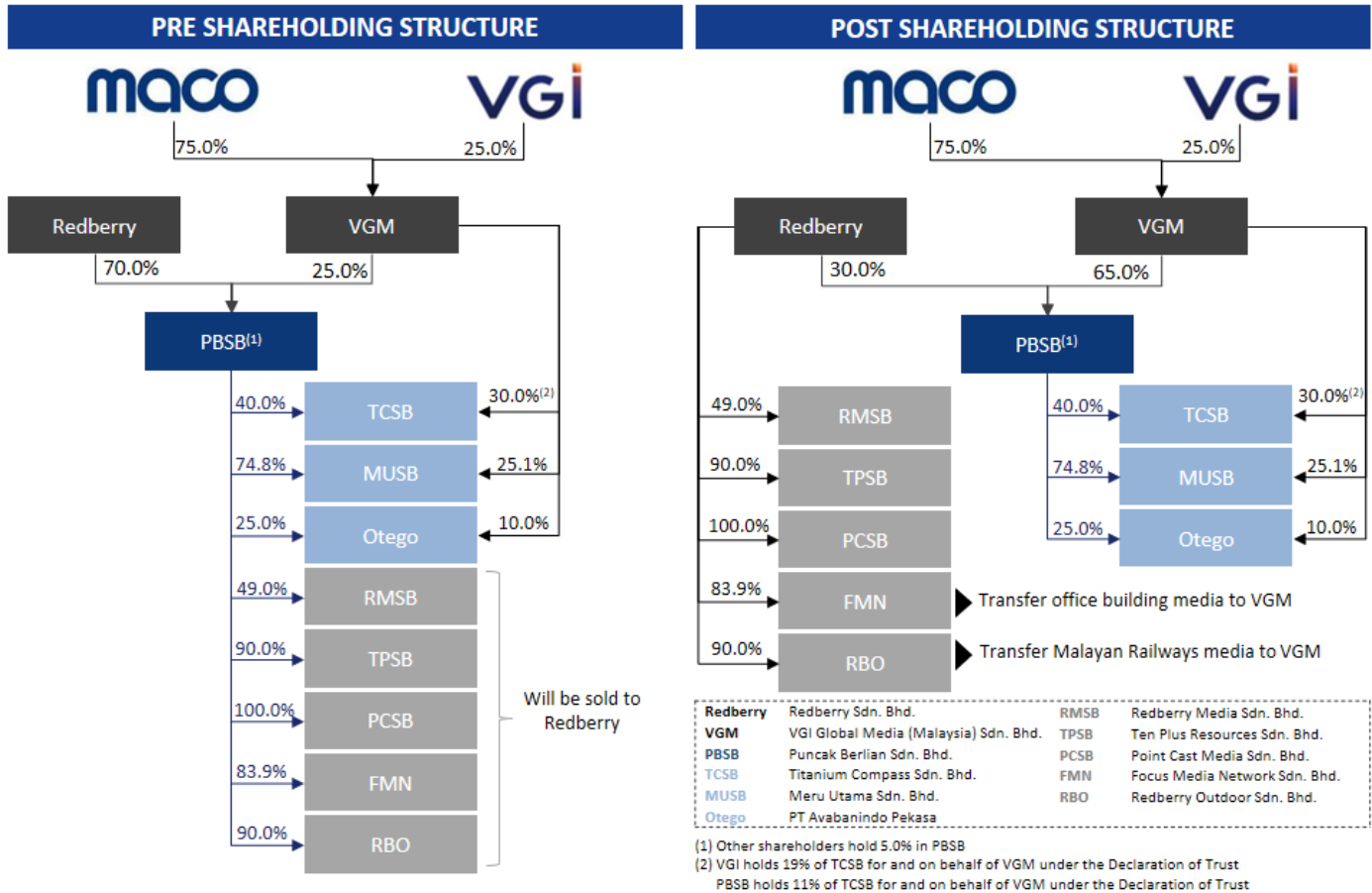


- On 31 July 2019, MACO has acquired 30.0% remaining shares of Co-Mass Company Limited (“COMASS”) with total investment of THB 160mn, thereby increasing MACO’s stake in COMASS to 100.0%. As a result, MACO fully controls COMASS, allowing us to utilise COMASS’s assets efficiently.

MALAYSIA

- MACO, through VGI Global Media (Malaysia) Sdn. Bhd. (“VGM”) is in process of acquiring an additional 40.0% in Puncak Berlian Sdn. Bhd. (“PBSB”), resulting in a total shareholding of 65.0%. PBSB is a holding company, which engages in the Out-of-Home (“OOH”) media business in various segments, including Transit, Office, Aviation and Modern Trade in Malaysia and Indonesia. This acquisition is a strategic step for MACO to gain control over PBSB, enabling us to maximise the selling capacity of PBSB’s network and develop marketing channels in overseas markets efficiently. This transaction is expected to complete within August 2019.
- Once the acquisition takes place, PBSB shall sell some of its subsidiaries, including Focus Media Network Sdn. Bhd. (“FMN”), Redberry Outdoor Sdn. Bhd. (“RBO”), Redberry Media Sdn. Bhd., Point Cast Media Sdn. Bhd. and Ten Plus Resources Sdn. Bhd. to Redberry Sdn. Bhd. PBSB will also transfer its media operation in office under FMN and Malaysian Railways under RBO to VGM.

- PBSB will maintain its shareholding in Titanium Compass Sdn. Bhd.– Transit media in Malaysia, Meru Utama Sdn. Bhd.– Aviation media in Malaysia and PT Avabanindo Pekasa (“Otego”) – Transit media in Indonesia. With MACO and VGI’s expertise, we believe we are well positioned to capture growth and bolster our leadership in OOH media business in overseas markets.


BUSINESS OVERVIEW AFTER THE RESTRUCTURING

	Transit	Aviation	Office Building
Company	Titanium Compass Sdn Bhd. (TCSB) PT Avabanindo Perkasa (Otego) VGI Global Media Malaysia (VGM)	Meru Utama Sdn. Bhd. (MUSB)	VGI Global Media Malaysia (VGM)
Business	TCSB : Advertising space operator in MRT SBK Line in Malaysia Otego : Advertising space operator in MRT Jakarta, Red line (North – South) in Indonesia VGM : Advertising space operator in Malayan Railways in Malaysia	MUSB : Advertising space operator in KL International airport 1 and 2 and Senai Airport	VGM : Advertising space operator in office building in Malaysia
Network	TCSB : 31 stations, 58 trains Otego : 13 stations, 16 trains VGM : 11 stations, 13 trains	MUSB : 642 static panels 223 digital screens	VGM : 80 office building 294 Digital screens

INDONESIA

- In April 2019, Otego has already commercialised advertising in all 13 stations and 16 trains of MRT Jakarta, red line (North – South). The line is located in the prime area of Jakarta city, which is expected to capture an audience of more than 130,000 people per day by the end of this year.

Advertising at MRT Jakarta – Red line (North –South)

DIVIDEND PAYMENT

- The Board of Directors meeting held on 7 August 2019 approved the payment of the interim dividend for the first half of the Company’s performance to shareholders for a total of THB 52mn, at a rate of THB 0.012 per share to shareholders named at book closing on 23 August 2019 (Record Date). The payment date of the interim dividend will be on 6 September 2019.

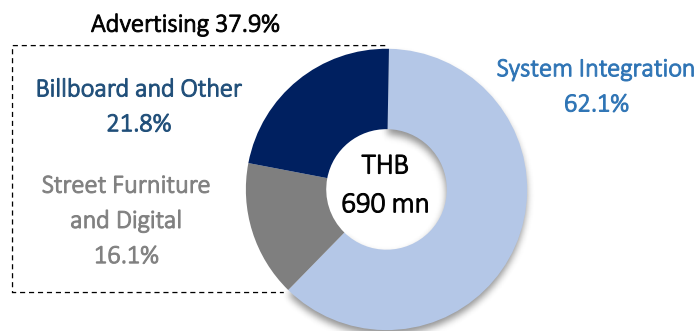
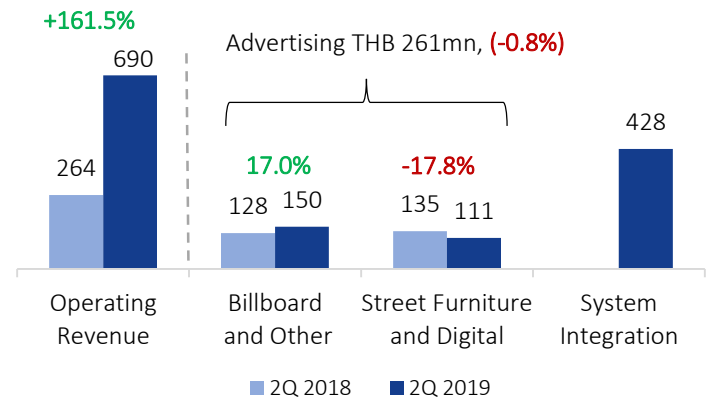
2Q 2019 CONSOLIDATED P&L SNAPSHOT

THB (mn)	2Q 2018	1Q 2019	2Q 2019	QoQ (%)	YoY (%)
Operating revenue	264	689	690	0.1%	161.5%
Cost of sales	103	457	429	-6.2%	317.1%
Gross profit	161	232	261	12.6%	62.2%
Selling, general & administrative expenses	98	152	185	21.8%	89.0%
EBITDA	100	103	115	11.4%	14.7%
Net profit from operation	49	39	38	-2.9%	-22.3%
Net profit (exc. Minority Interest)	62	33	39	19.0%	-36.9%
Gross profit margin	61.0%	33.7%	37.9%		
EBITDA margin	37.9%	14.9%	16.6%		
NPAT margin from operation	18.5%	5.7%	5.5%		
NPAT margin (exc. Minority Interest)	23.7%	4.8%	5.7%		

* The Company restates the financial performance starting from 1 August 2018 after the measurement of fair value of Trans.Ad Group's identifiable assets was completed.

2Q 2019 PERFORMANCE ANALYSIS (YoY)

In 2Q 2019, the Company reported a consolidated **operating revenue** of THB 690mn, a significant increase of 161.5% YoY from THB 264mn in 2Q 2018. The revenue comprised Billboard and Other revenue of THB 150mn, Street Furniture and Digital revenue of THB 111mn and System Integration Services revenue of THB 428mn. The revenue growth mainly resulted from the consolidation of Trans.Ad Solutions Company Limited and Roctec Technology Limited, collectively called "Trans.Ad Group", which was acquired in August 2018.

Revenue contribution

Revenue by segment (THB mn)


Cost of sales increased by 317.1% from THB 103mn in 2Q 2018 to THB 429mn. This was mainly due to the aforementioned consolidation. Trans.Ad Group’s cost structure is characteristically higher than MACO’s core business which is advertising, as a result of higher expenses from hardware and software.

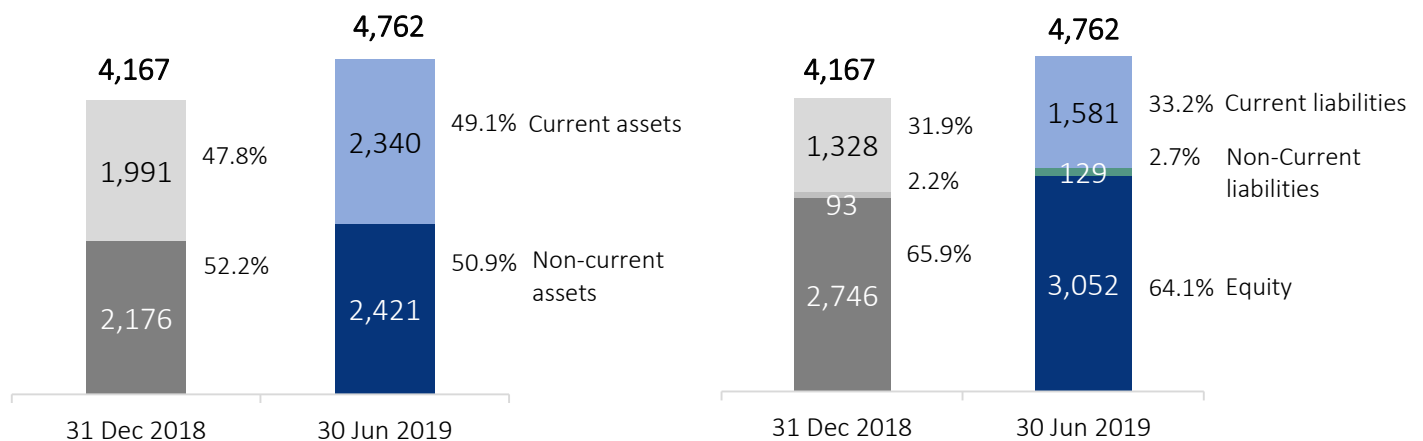
Selling, General and Administrative expenses (“SG&A”) grew by 89.0% YoY from THB 98mn to THB 185mn primarily due to the consolidation of Trans.ad Group. In addition, the Company recorded a non-recurring expense from long-term employees of THB 5mn according to The Labor Protection Act (No.7) 2019. However, SG&A to sales ratio decreased significantly from 37.1% in 2Q 2018 to 26.8% in this quarter due to revenue increasing at a higher rate than expenses.

Net profit attributable to the equity holders of the Company decreased by 36.9% from THB 62mn to THB 39mn with a decline of **Net profit margin** to 5.7% from 23.7% in 2Q 2018. The lower-than-expected net profit’s performance was mainly from the adverse impact from unexpected event in Malaysia, where a government-linked sector that is one of our major clients in airport advertisement has cut back its spending due to the country’s sluggish economy, leading to cancellations of some of our long-term contracts. To resolve this situation, we are in the process of acquiring additional 40.0% in PBSB, allowing MACO to gain control over PBSB in order to maximise the selling capacity across PBSB’s network and develop marketing channels in overseas markets efficiently.

FINANCIAL POSITION

In this quarter, the Company restated the consolidated financial position as at 31 December 2018 to reflect the fair value of Trans.Ad Group’s assets after the measurement of fair value of Trans.Ad Group’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 Trans.Ad Group” of THB 274mn in non-current assets, which was replaced by 1) intangible assets of THB 192mn and goodwill of THB 143mn in non-current assets, 2) non-controlling interests of Trans.Ad Group of THB 42mn in equity, 3) deferred tax liabilities of THB 32mn in non-liabilities and 4) unappropriated retained earnings of THB 13mn.

(THB mn)



ASSETS

ASSETS BREAKDOWN	31 DECEMBER 2018		30 JUNE 2019	
	(THB mn)	% out of total	(THB mn)	% out of total
Cash & cash equivalents and Current investments	653	15.7%	822	17.3%
Trade & other receivables	926	22.2%	947	19.9%
Property, plant and equipment	613	14.7%	841	17.7%
Goodwill and Intangible assets	1,043	25.0%	1,013	21.3%
Other assets	932	22.4%	1,139	23.9%
Total assets	4,167	100.0%	4,762	100.0%

* The Company restates the financial performance starting from 1 August 2018 after the measurement of fair value of Trans.Ad Group's identifiable assets was completed.

Total assets as of 30 June 2019 was reported at THB 4,762mn, an increase of THB 595mn or 14.3% from THB 4,167mn as of 31 December 2018. **Total current assets** were THB 2,340mn, which rose by 17.5% or THB 349mn. This was primarily attributable an increase in 1) cash and cash equivalents of THB 179mn, 2) short-term loans to related parties of THB 112mn, 3) Prepaid expenses of THB 34mn and 4) Trade and other receivables of THB 21mn. **Total non-current assets** stood at THB 2,421mn, an increase of 11.3% or THB 246mn primarily due to an increase in property, plant and equipment of THB 228mn mainly from the renovation of Street Furniture media and increase in advance for acquisition of COMASS and PBSB of THB 50mn.

Trade and other receivables were THB 947mn, an increase of 2.2% or THB 21mn from THB 926mn as of 31 December 2018. The Company gives 90 days credit terms to customers. The average collection period as at the end of this quarter was 86 days compared to 139 days as of 31 December 2018.

AGEING OF TRADE RECEIVABLES (THB mn)	31 DECEMBER 2018	30 JUNE 2019
Not yet due	273	262
Up to 3 months	145	130
3 - 6 months	67	30
6 - 12 months	13	29
Over 12 months	11	18
Total	509	469
Allowance for doubtful debt	6	7

LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES AND EQUITY BREAKDOWN	31 DECEMBER 2018		30 JUNE 2019	
	(THB mn)	% out of total	(THB mn)	% out of total
Short term loans from financial institutions	260	6.2%	326	6.9%
Short term loans from related parties	39	0.9%	93	1.9%
Trade and other payables	504	12.1%	684	14.4%
Accrued expenses	23	0.5%	37	0.8%
Deferred Incomes	444	10.7%	396	8.3%
Other current liabilities	58	1.4%	44	0.9%
Non-current liabilities	93	2.2%	129	2.7%
Total liabilities	1,421	34.1%	1,710	35.9%
Shareholders' equity	2,746	65.9%	3,052	64.1%
Total liabilities and equity	4,167	100.0%	4,762	100.0%

* The Company restates the financial performance starting from 1 August 2018 after the measurement of fair value of Trans.Ad Group's identifiable assets was completed.

Total liabilities were THB 1,710mn, increasing by 20.3% or THB 289mn from THB 1,421mn as of 31 December 2018 mainly from increase in 1) trade and other payables of THB 180mn, 2) short-term loans from financial institutions of THB 66mn, 3) short-term loans from related parties of THB 53mn and 4) long-term loans from financial institutions of THB 30mn. However, an increase was primarily offset by a decrease in deferred revenue of THB 48mn.

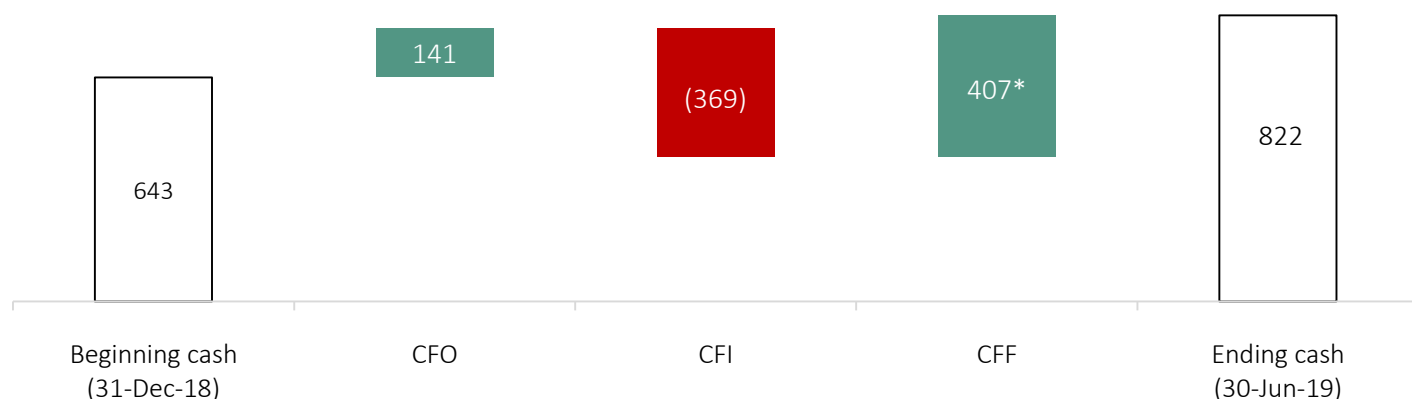
Total equity was THB 3,052mn rose by THB 306mn or 11.1%. This was attributed to an increase in premium on shares of THB 308mn which was from the rights offering (RO) subscription of 205mn shares, amounting to THB 328mn. As of 30 June 2019, total equity included with equity attributable to owners of the Company of THB 2,812mn and non-controlling interests of the subsidiaries of THB 239mn.

CASH FLOW

As of 30 June 2019, the Company had **net cash from operating activities** of THB 141mn primarily from cash from operating activities of THB 186mn which was partly offset by cash paid for corporate income tax of THB 45mn. **Net cash used in investing activities** was THB 369mn, mainly from cash paid for 1) acquisition of equipment of THB 210mn from expansion of media capacity, 2) short-term loans to related parties of THB 122mn and 3) advance payment for acquisition of COMASS and PBSB of THB 50mn. However, this offset partly by an increase in cash received from sales of current investments of THB 10mn. **Net cash received from financing activities** was THB 405mn. The key components are cash received from 1) RO proceeds of THB 328mn and capital increasing in VGI Global Media (Malaysia) Sdn. Bhd. for acquisition in PBSB of THB 18mn, 2) short-term loans from financial institutions of THB 66mn, 3) short-term loans from related parties of THB 46mn and 4) long-term loans from financial institutions of THB 38mn. However, these was partially offset by dividends paid of THB 91mn.

SIX-MONTH CASH FLOW SNAPSHOT

(THB mn)



*Included translation adjustment of THB 2mn

KEY FINANCIAL RATIOS

		2Q 2018	2Q 2019			31-Dec 2018	31-Jun 2019
Profitability Ratios				Liquidity Ratios			
Gross profit ¹	(%)	61.0%	37.9%	Current ratio	(times)	1.5	1.5
Operating EBITDA	(%)	37.9%	16.6%	Quick ratio ⁶	(times)	1.5	1.5
Net profit (from operation)	(%)	18.5%	5.5%	Account receivable turnover	(times)	2.6	4.2
Net profit (after MI) ²	(%)	23.7%	5.7%	Average collection period ⁷	(days)	139	86
Return on equity ³	(%)	21.9%	10.5%	Payable days	(days)	157	134
Efficiency Ratios				Leverage Ratios			
Return on assets ⁴	(%)	15.0%	9.1%	Liability to Equity	(times)	0.5	0.6
Return on fixed assets ⁵	(%)	57.1%	43.2%	Debt to equity	(times)	0.1	0.1
Asset turnover	(times)	0.6	0.8				

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)

MANAGEMENT OUTLOOK

In June 2019, the Company began commercial sales of our new digital Street Furniture under on columns under BTS stations. This is well-ahead of our initial target of 3Q 2019. Going forward, we expect to see additional revenue from the above-mentioned product with its ability to offer advertising with higher visual impact and more creative content.

For our oversea markets, we are in process of increasing our stake in PBSB from 25.0% to 65.0%, which is expected to be completed within August 2019. This would help us to gain control over the operation in PBSB, which will allow MACO to maximise selling capacity across PBSB's existing network and for us to develop marketing channels more efficiently. Otego – the transit media operator in Indonesia, has started commercial sales of advertising on the MRT Jakarta through static media packages. This has been fully booked for all 13 stations. We therefore foresee an improved situation in our oversea markets during the second half of 2019.

We reiterate a full year forecasted revenue growth rate of 30 – 35%, or in the range of THB 2,300 – 2,400mn with our recent acquisitions. Net profit margins will however, decline from double-digit to single-digits. Despite challenges in the overseas market, we are optimistic of long-term growth and we believe there are good potential business opportunities in the ASEAN market – which is one of the fast growing regions in the world. We expect our strategy of expanding our businesses in overseas markets to be a source of strength to MACO in the future.

Tamonwan Narintavanich
(Chief Financial Officer)