



Management Discussion and Analysis of the Company's Performance
for the year ended 31 December 2019

1. Overview of operating results of the Company and its subsidiaries

| <i>Baht Million</i> | <i>2018</i> | <i>2019</i> | <i>+ / (-)</i> | <i>+ / (-) %</i> |
|----------------------------------|---------------|---------------|----------------|------------------|
| <i>Total revenues</i> | 1,422.61 | 1,710.75 | 288.14 | 20.25% |
| <i>EBIT</i> | 354.24 | 412.93 | 58.69 | 16.57% |
| <i>Finance cost</i> | 67.37 | 94.72 | 27.35 | 40.60% |
| <i>Income tax expenses</i> | 59.19 | 65.40 | 6.21 | 10.49% |
| <i>Net profit</i> | 227.68 | 252.81 | 25.13 | 11.04% |
| <i>Net profit ratio (ROS)</i> | 16.00% | 14.78% | | |
| <i>Earnings per share (Baht)</i> | 0.37 | 0.42 | 0.05 | 13.51% |

Total Revenue

For the year ended 31 December 2019, the Company and its subsidiaries earned a total revenue of THB 1,710.75 million, an increase of THB 288.14 million or 20.25% from last year. The total revenue of each operating segments for the year ended 31 December 2019 of the Company and its subsidiaries had changed from the previous period of last year as follows (1) Revenue from sales of program rights increased 24.59% (2) Revenue from advertising and media services decreased 13.37% and (3) Revenue from sales of products decreased 73.40%.

Net profit

For the year ended 31 December 2019, the Company and its subsidiaries had net profits of THB 252.81 million, an increase of THB 25.13 million or 11.04% from last year. Although the total revenue for the year ended 31 December 2019 increased 20.25% from last year, the Company had continuously increased its content acquisition to support the growth of the business since 2017 and the fact that the Thai Baht value appreciated against US Dollar, the Company had loss on exchange rate, resulting in a decrease in net profit ratio (ROS) from 16.00% in 2018 to 14.78% in 2019. The total expense to total revenue ratio increased from 13.32% in 2018 to 17.46% in 2019.

2. Summary of operating results by business type

| Baht Million | 2018 | 2019 | + / (-) | + / (-) % |
|--|---------------|---------------|----------------|-----------------|
| 1. Content Business | | | | |
| Revenue from contracts with customers - program rights | 1,317.74 | 1,641.82 | 324.08 | 24.59% |
| - Domestic sales | 933.24 | 1,123.83 | 190.59 | 20.42% |
| - Export sales | 384.50 | 517.99 | 133.49 | 34.72% |
| Cost of program rights | 834.39 | 966.52 | 132.13 | 15.84% |
| Gross profit of content business | 483.35 | 675.30 | 191.95 | 39.71% |
| Gross profit margin | 36.68% | 41.13% | | |
| 2. Advertising and Media Business | | | | |
| Revenue from contracts with customers - services | 50.03 | 43.34 | (6.69) | (13.37%) |
| Cost of services | 30.80 | 28.89 | (1.91) | (6.20%) |
| Gross profit of advertising and media business | 19.23 | 14.45 | (4.78) | (24.86%) |
| Gross profit margin | 38.44% | 33.34% | | |
| 3. Product sales Business | | | | |
| Revenue from contracts with customers - sales | 36.47 | 9.70 | (26.77) | (73.40%) |
| Cost of product sales | 13.66 | 3.67 | (9.99) | (73.13%) |
| Gross profit of product sales business | 22.81 | 6.03 | (16.78) | (73.56%) |
| Gross profit margin | 62.54% | 62.16% | | |
| Total Gross profit | 525.39 | 695.78 | 170.39 | 32.43% |
| Total Gross profit margin | 37.41% | 41.05% | | |

Content Business

For the year ended 31 December 2019, the Company had revenue from program rights of THB 1,641.82 million which was composed of domestic sales amounting to THB 1,123.83 million and export sales about THB 517.99 million or accounted for 68.45% and 31.55% of total revenue from program rights, an increase of THB 324.08 million or 24.59% from last year, resulting from the Company has increased distribution channels to export content since the second quarter of 2018.

| <i>Million Baht</i> | <i>2018</i> | <i>2019</i> | <i>+ / (-)</i> | <i>+ / (-) %</i> |
|---|-----------------|-----------------|----------------|------------------|
| <i>Cabsat</i> | 163.27 | 163.22 | (0.05) | (0.03%) |
| <i>Cabsat, VOD</i> | 5.60 | 296.66 | 291.06 | 5,197.50% |
| <i>DTT</i> | 383.11 | 289.83 | (93.28) | (24.35%) |
| <i>DTT, Cabsat</i> | 432.66 | 240.89 | (191.77) | (44.32%) |
| <i>DTT, Cabsat, VOD</i> | 121.41 | 21.76 | (99.65) | (82.08%) |
| <i>DTT, Cabsat, VOD, Home, Cinema</i> | - | 0.46 | 0.46 | 100.00% |
| <i>DTT, Cabsat, Home, Cinema</i> | - | 1.74 | 1.74 | 100.00% |
| <i>DTT, VOD</i> | 20.85 | - | (20.85) | (100.00%) |
| <i>VOD</i> | 180.15 | 608.72 | 428.57 | 237.90% |
| <i>VOD, Home</i> | 10.55 | 18.22 | 7.67 | 72.70% |
| <i>Home</i> | 0.14 | - | (0.14) | (100.00%) |
| <i>Ancillary</i> | - | 0.32 | 0.32 | 100.00% |
| <i>Revenue from program rights by platform</i> | 1,317.74 | 1,641.82 | 324.08 | 24.59% |

Considering revenue from program rights based on type of platform given to the customer, the rights to distribute content via broadcast on cable satellite TV stations (Cabsat) was turnaround because the customers want to buy more ready-made contents to manage the airtime in their own channels. As a result of the consumer habit has changed from watching on television to internet (online), the revenue from right which broadcast on internet or video system (VOD) increased. In addition, the revenue from right which distributed through digital TV or DTT had decreased because some customers of the Company returned their digital TV licenses.

Costs of program rights business mainly consist of amortization, dubbing and translation costs. For the year ended 31 December 2019 and 2018, costs of program rights business totaled THB 966.52 million and THB 834.39 million, respectively, an increase of 15.84%. Due to the Company had invest in its content amounting to THB 776.15 million during 2018 and THB 1,189.04 million during this year to support the business growth of both domestic sales and export sales, the amortization of rights had increased and accordingly, its cost of program rights increased compared to last year.

The Company earned gross profits from program rights business for the year ended 31 December 2019 and 2018 in a total of THB 675.30 million and THB 483.35 million, respectively, an increase of 39.71%. The gross profit margin for the year ended 31 December 2019 and 2018 was 41.13% and 36.68%, respectively.

In addition, the Company has an outstanding backlog as of 31 December 2019 of THB 278.04 million.

Advertising and Media Business

For the year ended 31 December 2019, the Company and its subsidiaries earned service income totaled THB 43.34 million, a decrease of THB 6.69 million or 13.37% from last year. As a result of the condition of sales agreement with the customer, there is only one customer in the first half of this year.

However, for the second half of the year the Group sold more advertising time due to the subsidiary related to the business operation of producing and broadcasting business news programs under the brand JKN-CNBC, which started broadcasting in July 2019 through digital television stations and online. Moreover, another subsidiary who acts as an advertising agency advertising had started operating and able to serve more customers to the group.

Product Sales Business

For the year ended 31 December 2019, the Company earned revenue from product sales in total of THB 9.70 million, a decrease of THB 26.77 million or 73.40% from last year due to there was no production since 2017 to reduce cost of managing inventories.

Other Income

Other income of the Company and its subsidiaries consists of agent fee income, interest income, gain on exchange rate and gain on short-term investment. For the year ended 31 December 2019, other income totaled THB 15.89 million, a decrease of THB 2.48 million. The mainly reason is the Company had gain on exchange rate in last year that was in line with the Thai Baht value depreciated against US Dollar during the second quarter of 2018. As a result, the Company has increased distribution channels to export content, resulting in gain on exchange rate arising. While the Thai Baht appreciation has risen since the beginning of this year, there is loss on exchange rate for this period.

Expenses

Selling and service Expenses

| <i>Baht Million</i> | <i>2018</i> | <i>2019</i> | <i>+ / (-)</i> | <i>+ / (-) %</i> |
|--|--------------|--------------|----------------|------------------|
| <i>Expense from Event</i> | 20.79 | 10.57 | (10.22) | (49.16%) |
| <i>Advertising and marketing expenses</i> | 25.70 | 29.91 | 4.21 | 16.38% |
| <i>Others</i> | 5.22 | 7.08 | 1.86 | 35.63% |
| <i>Selling and service expenses</i> | 51.71 | 47.56 | (4.15) | (8.03%) |

For the year ended 31 December 2019, selling and service expenses decreased THB 4.15 million or 8.03% from last year because there were advertising events with the customers who is operate the digital TV station to promote its contents in last year while there were no these events in this year since the content is well-known and popular.

Administrative Expenses

| <i>Baht Million</i> | <i>2018</i> | <i>2019</i> | <i>+ / (-)</i> | <i>+ / (-) %</i> |
|--|---------------|---------------|----------------|------------------|
| <i>Employee and executive expenses</i> | 86.79 | 131.82 | 45.03 | 51.88% |
| <i>Advisor expenses</i> | 11.53 | 14.05 | 2.52 | 21.86% |
| <i>Loss on exchange rate</i> | - | 34.88 | 34.88 | 100.00% |
| <i>Reserve for Doubtful Debts</i> | 0.52 | 21.65 | 21.13 | 4,063.46% |
| <i>Others</i> | 38.97 | 48.78 | 9.81 | 25.17% |
| <i>Administrative expenses</i> | 137.81 | 251.18 | 113.37 | 82.27% |

Administrative expense for the year ended 31 December 2019 totaled THB 251.18 million, an increase of THB 113.37 million or 82.27% from last year. This was due to (1) Rise of the employee and executive expenses of THB 45.03 million or 51.88% which consistent with an increases in number of employee in order to support the growth of the business (2) Rise of allowance for doubtful accounts, the Company setup THB 21.13 million for doubtful debts during this period (As at 28 February 2020, the Company received payment from the customer who had been set up an allowance for doubtful debts of THB 12.70 million and received payment by post dated checks in the amount of THB 25.60 million), and (3) Rise of loss on exchange rate of THB 34.88 million due to the fact that the Thai Baht value appreciated against US Dollar and the Company had the foreign trade receivables about USD 24.11 million.

Financial Costs

For the year ended 31 December 2019, the Company had financial costs in total of THB 94.72 million, an increase of THB 27.35 million or 40.60% from last year according to the rise of balance of debentures.

3. Summary of financial position of the group

| <i>Baht Million</i> | <i>31-Dec-18</i> | <i>31-Dec-19</i> | <i>+ / (-)</i> | <i>+ / (-) %</i> |
|---|------------------|------------------|----------------|------------------|
| Assets | | | | |
| <i>Cash, Cash equivalents and current investments</i> | 138.76 | 117.10 | (21.66) | (15.61%) |
| <i>Trade and other accounts receivable</i> | 1,117.59 | 1,816.20 | 698.61 | 62.51% |
| <i>Other current assets</i> | 82.73 | 90.57 | 7.84 | 9.48% |
| <i>Advance payment for purchased program rights</i> | 655.21 | 411.82 | (243.39) | (37.15%) |
| <i>Program rights</i> | 1,181.01 | 1,447.10 | 266.09 | 22.53% |
| <i>Other non-current assets</i> | 75.90 | 122.87 | 46.97 | 61.88% |
| Total assets | 3,251.20 | 4,005.66 | 754.46 | 23.21% |
| Liabilities | | | | |
| <i>Short-term loan from financial institutions</i> | 93.95 | 300.00 | 206.05 | 219.32% |
| <i>Current portion of debentures</i> | - | 893.34 | 893.34 | 100.00% |
| <i>Other current liabilities</i> | 198.17 | 180.97 | (17.20) | (8.68%) |
| <i>Debentures - net of current portion</i> | 885.00 | 395.00 | (490.00) | (55.37%) |
| <i>Other non-current liabilities</i> | 20.02 | 21.28 | 1.26 | 6.29% |
| Total liabilities | 1,197.14 | 1,790.59 | 593.45 | 49.57% |
| Total shareholders' equity | 2,054.06 | 2,215.07 | 161.01 | 7.61% |
| Total liabilities and shareholders' equity | 3,251.20 | 4,005.66 | 754.46 | 23.21% |

Total Assets

The Company and its subsidiaries had total assets as at 31 December 2019 of THB 4,005.66 million, an increase of THB 754.46 million from 31 December 2018 or 23.21%, due to as follows:

- (1) Trade and other accounts receivable increased THB 698.61 million or 62.51%. This is in accordance with the increase of the revenue of the Company. Moreover, the balance of trade accounts receivable which was overdue by over 6 months was THB 510.75 million, it has been collected in total of THB 264.86 million and the trade accounts receivable which was overdue by lower 6 months has been collected in total of THB 95.98 million (up to 28 February 2020). Although the balance of trade accounts receivable increased from the balance as at 31 December 2018, the management still believes that the Company could collect debt from the main customers based on the past experience.

Moreover, the Company had 4 of 6 major overseas customers that have been verified the existence and considered the ability to make debt repayment from a local financial institution in order to provide debt repayment insurance. At the present, it is in the process of making

contract to the debt repayment insurance with those financial institution and it is causing the Company to become more confident about debt repayment from debtors.

- (2) Advance payment for purchased program rights decrease THB 243.39 million or 37.15% because of the payment for reservation in content rights to support the growth of the business amounting to THB 1,052.21 million and the acquisition of program rights by transfer from this account amounting to THB 1,295.60 million. The balance of this account can be categorized as follow: (1) Advance payment for extend the program rights amounting THB 15.22 million (2) Advance payment for reserve the program rights to sale in Thailand amounting to THB 81.91 million and (3) Advance payment for reserve the program rights to export sales amounting to THB 314.69 million to support the growth of the export sales of program rights of the Company.
- (3) Program rights increased THB 266.09 million or 22.53%. During this year, the Company had invested by purchase the content rights of THB 1,189.04 million that can be categorized as follow: (1) acquisition for extend the program rights amounting THB 73.89 million (2) Acquisition the program rights to sale in Thailand amounting to THB 115.30 million and (3) Acquisition the program rights to export sales amounting to THB 999.85 million. Moreover, the amortization expense was THB 929.56 million and there was the reversal of impairment loss about THB 7.01 million.
- (4) Other non-current assets increased THB 46.97 million or 61.88%. As a result of rise of equipment account of the subsidiary related to the business operation of producing and broadcasting business news programs under the brand JKN-CNBC, which started broadcasting in July 2019 through digital television stations. In addition, the increase in computer software accounts for the operation and management of the Group of the company.

Total Liabilities

The Company and its subsidiaries had total liabilities as at 31 December 2019 of THB 1,790.59 million, an increase of THB 593.45 million or 49.57% which consist of the rise of debentures about THB 403.34 million for use as working capital.

Shareholders' equity

As at 31 December 2019, the Company and its subsidiaries had total shareholders' equity of THB 2,215.07 million, an increase of THB 161.01 million. The increase was due to the normal operating profit of the Company and its subsidiaries amounting to THB 252.81 million. Moreover, the Company has paid dividend from the profit for the year 2018 of Baht 0.17 per share of 540,000,000 ordinary shares, or a total of Baht 91.80 million. Moreover, the Company set aside a statutory reserve about THB 2.63 million in this year and it has fully been set aside as legal required.

Liquidity and capital adequacy

As at 31 December 2019 and 31 December 2018, the current ratio of the Company and its subsidiaries are 1.47 times and 4.58 times, respectively, and the quick ratio are 1.41times and 4.30 times, respectively. The main reason of the reduction of those ratios is the company and its subsidiaries have debenture which is to be redeemed within July 2020 then this debenture has to be categorized as current liabilities. As a above reason, the current ratio and quick ratio decreased.

Moreover, the D/E ratio as at 31 December 2019 and 31 December 2018 are 0.81 times and 0.58 times, respectively, due to the increase of debentures that was used as working capital.