

BUSINESS HIGHLIGHTS 2019/20


- VGI, an Offline-to-Online (“O2O”) Solutions provider, delivered another excellent performance, achieving its full-year target with all-time high net profit of THB 1,424mn.
- VGI Digital Lab’s revenue exceeded its 1st year target, driving growth in the Company’s Digital Services segment by 117.5%.
- Following deconsolidation of Master Ad Public Company Limited, VGI recognised net gain from extraordinary items of THB 143mn
- Net profit margin reaching 35.6%, while operating profit margin was 32.0% in 2019/20.

KEY BUSINESS AND STRATEGIC UPDATES

1) IMPACT FROM COVID-19 PANDEMIC, OUR ACTIONS & SOCIAL RESPONSIBILITIES

The impact of COVID-19 pandemic is unprecedented. At times such as this, our goal is to make a meaningful impact that matters to every stakeholder and community. First and foremost, our priority is the health and safety of our staff. As such, we have set a KPI that none of our employees shall contract the virus. In addition, we have utilised all of our business platforms to support information sharing and fulfilled our social responsibility by joining the BTS group in contributing a vital fund of THB 60mn to the “White gown warriors fighting against COVID-19” campaign of the Medical Association of Thailand under the Royal Patronage to provide life insurance with 1 year coverage to over 380,000 medical personnel and healthcare workers. Meanwhile, we have also done our best to ensure our Company’s financial stability.


Our actions



STAFF

- Implement a work-from-home policy from the beginning of the pandemic as well as provided COVID-19 insurance for all employees.
- Conduct temperature screening before entry into the office.
- Provide daily supplies of face masks and alcohol gel.
- Disinfect our office spaces on a bi-weekly basis.





FINANCIAL STABILITY

- Ensure that the Company has sufficient liquidity:-
- Allow customers to postpone their booking to minimise cancellations.
- Focus on reduction of expenses and postpone the use of CAPEX for new investments and build on the new existing initiatives.




Social responsibilities and activities through our platforms



ADVERTISING

- Offered free media space to government agencies and non-profit organisations to raise awareness about COVID-19.





PAYMENT

- In support of Thai Red Cross Society, we have offered our payment platform as the channel for donations to fund the manufacturing of protective and medical equipment.
- Moreover, in collaboration with Rabbit Rewards, we have given out Rabbit options to customers purchasing the COVID-19 insurance through Rabbit Finance.





LOGISTICS

- Through Kerry, we have supported taxi drivers to work as delivery drivers as well as offered free delivery for any essential supply sent to medical staff and hospitals.

2) KEY DEVELOPMENTS IN 2019/20

ADVERTISING

Established new online agency business unit – VGI Digital Lab – to grab the trend of online advertising

- In January 2019, the Company launched VGI Digital Lab to be the data-driven digital marketing arm of VGI. This new business unit focuses on creating online/digital marketing campaigns based on the Group’s Data Management Platform (DMP) to deliver precisely targeting and higher end conversion performance for our clients. During its first year of operation, VGI Digital Lab was able to deliver strong performance, exceeding its revenue target at THB 150mn.

Partnered with the largest online marketing and data technology platform in China

- On 31 May 2019, the Company established a joint venture named V-Click Technologies Company Limited (“V-Click”). V-Click is the joint venture between VGI, iClick Interactive Asia Group Limited (“iClick”) and other investors. Leveraging the digital strengths and extensive local networks of iClick and VGI, V-Click helps provide its clients with comprehensive insights and ability to deepen their engagement with the lucrative Chinese outbound traveler market through a comprehensive suite of digital marketing technology, based on iClick’s 780 million consumer profiles.



Changed the status of an investment in Master Ad Public Company Limited (“MACO”)

- On 30 January 2020, MACO had issued 1,080mn newly issued shares to Plan B Media Public Company Limited (“PlanB”), raising a total transaction value of THB 1,553mn. Following the transaction, VGI has diluted its shareholding in MACO from 33.17% to 26.55%. In addition, the Company also reduced the number of representatives in MACO’s Board of Directors to 2 out of 7 persons; thus, it has no longer have control in MACO. This resulted in the change in status of an investment in MACO from a subsidiary to an associate. Therefore, the deconsolidation of MACO from VGI financial performance was effective on 30 January 2020 onwards.
- For the Group’s direction going forward, VGI continues to focus on strengthening its O2O Solutions as well as enhancing synergies across its subsidiaries and associate companies. MACO focuses on international expansion and being the proprietor of Outdoor domestic assets, while its domestic media assets has been managed by PlanB.

Realised considerable synergies with PlanB by launching new media packages

- After the acquisition in PlanB in March 2019, VGI and PlanB has already tapped into considerable synergies by launching new media packages such as Bangkok Takeover, Street Combo and Bangkok Combo. The packages were the combination of VGI, PlanB and MACO media such as digital screens at BTS SkyTrain and Metro network as well as Street furniture media, which allowed advertisers to communicate and drive brand impact to consumer in the heart of Bangkok area and main route with massive traffic. With PlanB’s media, engagement marketing and VGI’s O2O Solutions, both companies will be able to create new media packages that are powerful and measurable, which in turn will allow us to capture the market share beyond Out-of-Home (“OOH”) market.

Bangkok Takeover and Bangkok Combo & Street Combo



PAYMENT

Partnered with Thailand's consumer product leader – SAHA Group

- On 21 August 2019, VGI set up established a joint venture named SLV Retail Company Limited ("SLV") with SAHA Lawson Company Limited – Japan's convenience store chain and SAHA Pathana Inter-Holding Public Company Limited – Thailand's largest consumer product provider, collectively called 'SAHA Group'. After 7 months of the establishment, SLV has already opened 12 Lawson 108 convenience stores along our mass transit platform as well as offering Rabbit card and Rabbit LinePay as an option for cashless payments.

Continued to experience strong user growth

- The number of Rabbit cards issued reached 13.0mn cards, an increase of 18.0% from March 2019.
- Rabbit LinePay users reached 7.3mn users, representing an increase of 33.2% from March 2019.

LOGISTICS

Delivered the better experience for consumers through synergies Kerry Express (Thailand) Company Limited ("Kerry")

- Almost 2 years after the acquisition in Kerry, the Company has launched various synergies products together such as more than 600,000 of Smart Samplings, over 500,000 pieces of Parcel Stickers and media on 400 trucks. Moreover, VGI and Kerry have continued to enhance their delivery services with the launch of Kerry parcel shops on 4 BTS stations – Siam, Sala Daeng, Phrom Phong and Thong Lo. Kerry has provided more convenience through BTS Express Service which allows over a million BTS passengers to drop off their parcels from within the station send to other BTS stations (and anywhere within 200 meters around those BTS stations) within 3 hours.

3) AWARDS AND ACHIEVEMENTS

- As a validation of VGI's success in transitioning to O2O Solutions, the Company was awarded the Thailand's Top Corporate Brands for achieving the highest corporate brand, along with 4 Business Excellence accolades from the SET Awards 2019, including Outstanding CEO Award, Outstanding Young Rising Star CEO Award, Outstanding Company Performance Award and Outstanding Investor Relations Award.

Awards



Top Corporate Brands Awards



SET Awards 2019: Outstanding awards for CEO, Young Rising Star CEO, Company Performance and Investor Relations

The only media company, which included in SET50 Index

- VGI sets another remarkable record as the only company within the Thai media industry to be listed in the Stock exchange of Thailand SET50 Index of January – June 2020. Our entry into the SET 50 Index is a reflection of investor confidence in our robust business foundation. During 2019/20, our share price peaked at THB 10.30 per share, while our market capitalisation reached a new high, recording THB 88,693mn.

VGI PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION & ANALYSIS 2019/20

1 JUN 2020

2019/20 SNAPSHOT & ANALYSIS

CONSOLIDATED P&L SNAPSHOT

THB (mn)	2018/19 (Restated)	2019/20	YoY (%)
Operating revenue	3,611	4,000	10.8%
Cost of sales	1,461	1,948	33.3%
Gross profit	2,150	2,052	-4.5%
EBITDA	1,672	1,523	-8.9%
EBIT	1,360	1,177	-13.5%
Interest expenses	56	74	31.2%
Tax	260	214	-17.5%
Net profit from operation	1,101	1,281	16.3%
Net profit*	1,101	1,424	29.3%

Gross profit margin	59.5%	51.3%
EBITDA margin	46.3%	38.1%
Net profit from operation	30.5%	32.0%
Net profit margin	30.5%	35.6%

*As shown in financial statement, excluding minority interest.

REVENUE BREAKDOWN (THB mn)

THB (mn)	2018/19 (Restated)	2019/20	YoY (%)	% Contribution to total revenue	
				2018/19 (Restated)	2019/20
OOH media	3,081	2,848	-7.6%	85.3%	71.2%
Transit	2,405	2,184	-9.2%	66.6%	54.6%
Office and Other	412	371	-9.9%	11.4%	9.3%
Outdoor	265	294	11.1%	7.3%	7.4%
Digital services	529	1,151	117.5%	14.7%	28.8%
Total revenue	3,611	4,000	10.8%	100.0%	100.0%

PERFORMANCE ANALYSIS (2019/20 vs 2018/19)

2019/20 has been a very lucrative year for VGI. Our revenues have reached at THB 4,000mn with recorded-breaking net profit of THB 1,424mn, respectively, achieving our full-year target guidance. This success was shaped by the consistent implementation of our strategy to provide an Offline-to-Online (“O2O”) Solutions spanning across Advertising, Payment and Logistics platforms, which started since 2017. The Company also completed the deconsolidation of Master Ad Public Company Limited (“MACO”) from its financial performance, which resulted from MACO’s status change from a subsidiary to an associate company, effective since 30 January 2020. Therefore, part of our 2018/19 Outdoor media revenue, which was directly managed by MACO, and the revenue from Trans.Ad Group, under our Digital services segment, was restated from our profit and loss statement. Going forward, the Company will only recognise MACO’s financial performance as share of profit (loss) from the investment.

OOH media segment revenue decreased by 7.6% YoY, a contribution of 71.2% of total revenue or THB 2,848mn. Within OOH media, **Transit media** revenue decreased by 9.2% YoY to THB 2,184mn, while **Office and Other media segment** revenue decreased by 9.9% YoY to THB 371mn. The decrease was mainly resulted from a digital transformation impact on BTS stations and lower utilisation rate of Office media. Moreover, the pandemic, which started since early of 2020, has a looming impact to the overall advertising industry causing companies to be more efficient on their advertising. **Outdoor media segment** revenue grew by 11.1% YoY to THB 294mn. The growth was mainly from higher utilisation rate of street furniture media, which VGI was acting as assets manager since 2014. Nevertheless, this contract had been expired since December 2019. Going forward, all of MACO’s domestic media assets will be managed by Plan B Media Public Company Limited. Therefore, the Company would no longer present this business segment in our analysis starting from 1Q 2020/21 onwards.

Digital services segment contributed 28.8% of total revenue or THB 1,151mn, significantly grew by 117.5% YoY. The growth was mainly driven by the revenue recognition of online advertising managed by VGI Digital Lab, which is a comprehensive online media agency focuses on creating online/digital marketing campaigns based on the Group’s Data Management Platform (DMP). During its first year of operation, VGI Digital Lab successfully generated revenue surpassing its revenue target at THB 150mn. In addition, the growth in this segment also attributable to an organic growth from project management fees, commission fee and higher lead generation revenue under Rabbit Group.

In 2019/20, **cost of sales** stood at THB 1,948mn in 2019/20, increasing by 33.3% YoY. This increase was primarily due to the higher cost of project management and online advertising under the Digital services segment, in which the cost structure is naturally higher than the traditional OOH media. This was the main driver in increasing in Cost-to-Sales ratio to 48.7% from 40.5% in prior year. Overall **gross profit** declined 4.5% YoY from THB 2,150mn to THB 2,052mn while the **gross profit margin** decreased to 51.3% (prior year: 59.5%).

Selling, general and administrative expenses (“SG&A”) increased significantly by 40.2% YoY to THB 1,304mn. The increase was primary from one-time expenses which comprised of 1) impairment of investment and assets and 2) provision of bad debts. Therefore, SG&A to revenue ratio increased significantly to 32.6% (prior year: 25.8%). However, excluding the aforementioned one-time expenses, the SG&A from normal operation increased by 2.8% YoY to THB 956mn from THB 930mn. While, SG&A from normal operation to revenue ratio decreased to 23.9% in this year.

During this year, the Group recorded **share of profit from investments in joint ventures and associates** of THB 131mn. The positive result was mainly due to the recognition of share of profit from Kerry, which has a strong growth from the rise of e-Commerce in Thailand.

Net gain from extraordinary items was THB 143mn, consisting of 1) gain on change in status of investment in MACO of THB 550mn and was partially offset by 2) provisions of bad debt and non-performing of investment and assets of THB 407mn. These consequently led to an increase in **net profit** by 29.3% YoY to THB 1,424mn and **net profit margin** of 35.6% (prior year: 30.5%). **Net profit from operation** reached THB 1,281mn, an increase of 16.3%, the deconsolidation will also bolster the Company’s profitability in the long-term as already reflected in **net profit margin from operation** of 32.0% in 2019/20.

FINANCIAL POSITION

ASSETS

ASSETS BREAKDOWN	31 MARCH 2019		31 MARCH 2020	
	(Restated)			
	(THB mn)	% out of total	(THB mn)	% out of total
Cash & cash equivalents and short-term investments	2,516	11.0%	730	4.3%
Trade & other receivables	1,528	6.7%	1,061	6.2%
Equipment – net	1,982	8.7%	1,142	6.7%
Investment in JVs, associates and other long-term investments	12,004	52.7%	11,851	69.4%
Goodwill	1,943	8.5%	236	1.4%
Other assets	2,800	12.3%	2,057	12.0%
Total assets	22,773	100.0%	17,077	100.0%

On 30 January 2020, the Company completed the deconsolidation of Master Ad Public Company Limited (“MACO”) following the change in MACO’s status from a subsidiary to an associate company. Accordingly, MACO was deconsolidated from VGI’s statement of financial position in 2019/20. This transaction has led to significant changes in terms of assets, liabilities and equity.

Total assets as of 31 March 2020 stood at THB 17,077mn, a decrease of THB 5,696mn or 25.0% from THB 22,773mn as of 31 March 2019.

Total current assets were THB 2,607mn, decreasing by 49.2% or THB 2,527mn, primarily from a decrease in 1) cash & cash equivalents and short-term investment of THB 1,786mn and 2) trade & other receivables of THB 468mn (see further details in trade and other receivable section).

Total non-current assets stood at THB 14,470mn, decreasing by 18.0% or THB 3,169mn, due to a decrease in 1) goodwill of THB 1,707mn, 2) equipment – net of THB 840mn, 3) intangible assets of THB 793mn and 4) investment in JVs, associates companies and other long-term investments of THB 153mn.

Trade and other receivables were THB 1,061mn, decreasing by 30.6% or THB 468mn. 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 31 March 2020, the allowance for doubtful accounts was THB 198mn. Average collection period as at end of this year was 97 days.

AGING OF TRADE RECEIVABLES (THB mn)	31 MARCH 2019	31 MARCH 2020
	(Restated)	
Not yet due	783	596
Up to 6 months	278	253
Over 6 months	122	129
Allowance for doubtful debt	19	195
Total	1,164	784
% of total trade and other receivables	76.1%	74.0%

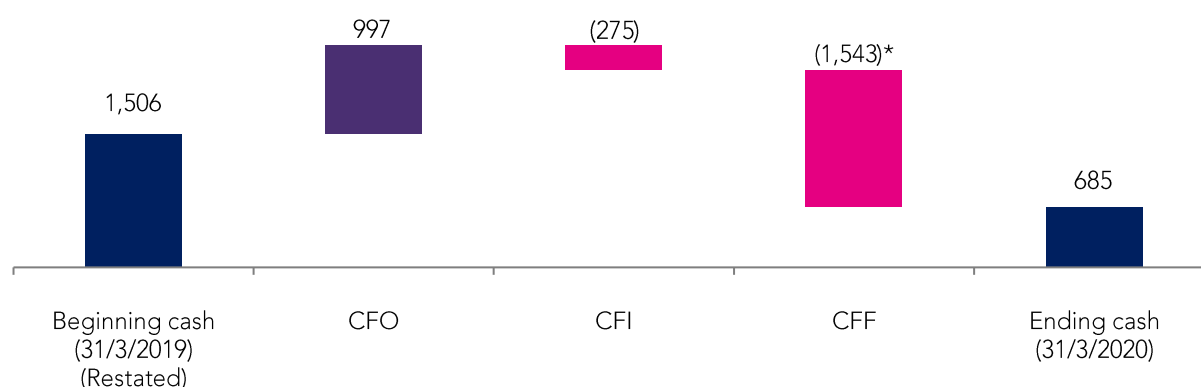
LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES AND EQUITY BREAKDOWN	31 MARCH 2019 (Restated)		31 MARCH 2020	
	(THB mn)	% out of total	(THB mn)	% out of total
Short term loans	1,739	7.6%	450	2.6%
Trade & other payables	498	2.2%	464	2.7%
Accrued expenses	883	3.9%	561	3.3%
Current portion of long-term loans from financial institutions	50	0.2%	239	1.4%
Other current liabilities	1,265	5.6%	945	5.5%
Long term loan	1,439	6.3%	1,200	7.0%
Other non-current liabilities	292	1.3%	140	0.8%
Total liabilities	6,166	27.1%	3,999	23.4%
Shareholders' equity	16,607	72.9%	13,078	76.6%
Total liabilities and equity	22,773	100.0%	17,077	100.0%

Total liabilities were THB 3,999mn, a decrease of THB 2,167mn or 35.1% from THB 6,166mn as of 31 March 2019 mainly from a decrease in 1) short term and long term loans of THB 1,528mn, 2) accrued expenses of THB 322mn, 3) unearned revenue of THB 206mn and 4) deferred tax liabilities of THB 161mn.

Total equity was THB 13,078mn, decreasing by THB 3,529mn or 21.3%, mainly due to a decrease in 1) non-controlling interest of MACO of THB 2,619mn, 2) other components of shareholders' equity of THB 1,975mn. However, the decrease was offset by 3) premium on share capital of THB 537mn, mainly from the exercise of VGI-W2 and 2) retained earnings of THB 458mn.

LIQUIDITY AND CASH FLOW (THB mn)



*Included translation adjustment of THB -7mn

Following Master Ad Public Company Limited ("MACO")'s deconsolidation, all items of MACO have been removed from VGI's cash flow statement. This has led to changes in the Company's cash flow from operations, investments and financing activities.

For the twelve months ended 31 March 2020, **net cash from operating activities** was THB 997mn. **Net cash used in investing activities** was THB 275mn. The key components were from 1) cash of subsidiaries from loss of control of THB 702mn, 2) cash used in capital expenditures of THB 521mn, 3) cash paid for purchase of investment in joint ventures, associates and other long-term investments of THB 466mn. However, this was offset by 3) cash received from sales of current investments of THB 963mn and 4) dividend income of THB 479mn. **Net cash used in financing activities** was THB 1,543mn. The key components were cash paid for 1) dividend payment of THB 957mn, 2) repayment of short term loans of THB 954mn. These were offset by 3) cash received from exercise of warrants of THB 500mn.

VGI PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION & ANALYSIS 2019/20

1 JUN 2020

FINANCIAL RATIOS

Profitability Ratios		2018/19 (Restated)	2019/20	Liquidity Ratios		31 MAR 2019 (Restated)	31 MAR 2020
Gross profit	(%)	59.5%	51.3%	Current ratio	(times)	1.2	1.0
Operating EBITDA	(%)	46.3%	38.1%	Quick ratio	(times)	0.8	0.9
Cash-to-net profit	(%)	130.5%	83.8%	Account receivable Turnover*	(times)	2.7	3.8
Net profit (excl. NCI)	(%)	29.6%	33.1%	Average collection Period*	(days)	135.0	97.1
Return on equity	(%)	12.2%	10.8%	Payable days*	(days)	97.8	75.4
Efficiency Ratios				Leverage Ratios			
Return on assets	(%)	6.8%	7.9%	Liability to equity	(times)	0.4	0.3
Return on fixed assets	(%)	81.5%	144.8%	Debt to equity	(times)	0.2	0.1
Assets turnover	(times)	0.2	0.2				

Remark: financial ratios were calculated based on The Stock Exchange of Thailand's formula.

*Excluding account receivables and account payables of Master Ad Public Company Limited as of 31 March 2019, account receivable, average collection period and payable days were 3.3 times, 111.7 days and 78.1 days, respectively.

MANAGEMENT OUTLOOK

For 2020/21, we expect to see negative impact on our Advertising business, though our online agency is expected to continue to grow solidly thanks to the increase demand for online advertising. As for Payment, although both offline and online payments are expected to be affected by lower ridership and restrictions on retail operations, online payment is still believed to be the preferred method of consumers. Lastly, our Logistics business through Kerry Express (Thailand) Company Limited is expected to remain resilient due to the change in consumer behaviour. Despite the uncertain outlook resulting from the COVID-19 pandemic, we will strive to maintain our strong financial position by focusing on reduction of expenses and postponement of new investments.

In light of continual uncertainty surrounding COVID-19 and the constantly evolving measures, it is difficult to assess the impact of the pandemic on our financial performance comprehensively. Therefore, the Company is unable to provide a prudent financial guidance for 2020/21 at this time. However, we aim to provide the guidance when the effects can be concretely estimated.

Regardless of the crisis that has begun since early 2020, payment of cash dividend at THB 0.016 per share from the operating results of 2H 19/20 has been approved by the Board of Directors. The payment is still subject to the approval of the shareholders' meeting.

Finally, we would like to take this opportunity to extend our best wishes to everyone as we continue to battle against COVID-19. We hope that soon Thailand will safely get through this difficult time.

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Chitkasem Moo-Ming
(Chief Financial Officer)
VGI Public Company Limited