

### Quarter 2/2021 Key Highlights

Commerce business experienced pressure from weakened purchasing power due to the pandemic situation; however, overall revenue remained flat QoQ as entertainment business was recovered

In 2Q21, the pandemic situation from the 3<sup>rd</sup> wave of the COVID-19 has been intensified, affecting the Thai economy and weakening the purchasing power of consumers, while pressuring on the Company's commerce business.

Total revenue in 2Q21 was flat QoQ as the decline in commerce business was offset by recovered entertainment business driven by rebounded advertising spending and by revenue from content licensing to online platforms. However, total revenue delivered 19.1% growth YoY.

### **Minimized the impact on commerce business by immediate shift in marketing strategies and plan**

The Company focused on quick moves to change marketing strategies and action plans following the situation to minimize short term impact on sale; for example, introducing smaller package size to reach consumers with limited spending and launching Thai herbal medicine product to meet the high demand of consumers during COVID-19 situation. Also, the data analytics was deployed to increase sales efficiency while there were ongoing product development as well as expanding new sales channels to grow the market potential.

- Premium collagen food supplement under "Well U" brand distributed through Exclusive Distribution Network (EDN) and retail agents, a main distribution channel.
- Functional drink under "CAMU C" brand, targeting the mass market with a focus on health-conscious trend. CAMU C had been launched in April 2021 and available at 7-eleven and traditional trade channel nationwide

Continues to expand and complete Entertainmerce model to enhance competitiveness over the long term.

- Invested in Fourth Apple Co., Ltd., an expert for online marketing and content & influencer marketing, with 70% stake to strengthen Entertainmerce model with digital skills.
- Collaborated with Plan B Media Public Co. Ltd., a leading out-of-home media operator, to establish a joint venture (JV) to develop and market products for the mass market.

**Declined net profit as a result of temporary slowdown in commerce and higher SG&A on new branding assets investment.**

Slowdown in commerce business, higher SG&A from new product launches and one-time expenses from organizational restructuring resulted in 61.8% decrease QoQ and 50.6% decrease YoY and net profit for 2Q21 recorded 53.6 million baht. Given uncertain pandemic situation, the Company immediately shift its marketing strategies to maintain revenue growth as well as focusing on cost efficiency to enhance profitability in the second half of the year

**The revised 2021 guidance reflects the impact of the prolonged COVID-19 pandemic situation.**

The Company has revised the revenue guidance for 2021, but target revenue to grow in the range of 10-15% YoY. Although the pandemic situation remains uncertain, the Company continues to expand its business through Entertainmerce model and enhance its capability and competitive advantage over the long term.

## Summary of Quarter 2Q21 Performance

The third wave of the COVID-19 pandemic emerged in early April and been escalated throughout 2Q21. As a result, Thai GDP 2Q21 forecast was revised down to 0.7%\* decline YoY. In particular, private consumption continued to show weakened signs. Although there have been measures from the government to stimulate the economy, consumers remain cautious on their spending while the COVID-19 was uncontrollable. Also, as COVID-19 situation has been ongoing for over 16 months, and the number of infections continues to rise, the purchasing power of consumers is much weaker when compared to the prior outbreak in 2020. Therefore, the new wave is expected to have greater adverse impact on business sector than the previous year.

\*Source: Krungsri Research

Unit: million baht	Quarter2/2021		Quarter2/2020		Quarter1/2021		Change	
	amount	%	amount	%	amount	%	(y-y)	(q-q)
Revenue from sales and services	992.4	100%	833.1	100%	992.2	100%	19.1%	0.0%
Commerce business	564.7	56.9%	586.2	70.4%	660.5	66.6%	-3.7%	-14.5%
Entertainment business	427.7	43.1%	246.9	29.6%	331.7	33.4%	73.2%	28.9%
- Media	383.0	38.6%	221.2	26.5%	254.8	25.7%	73.2%	50.3%
- Music&Others	44.7	4.5%	25.8	3.1%	76.9	7.8%	73.3%	-41.9%
Cost of sales and services	458.6	46.2%	394.3	47.3%	432.0	43.5%	16.3%	6.2%
Gross margin	533.8	53.8%	455.2	54.6%	560.2	56.5%	17.3%	-4.7%
Selling and administrative expenses	469.5	47.3%	293.1	35.2%	387.3	39.0%	60.2%	21.2%
Operating profit	64.3	6.5%	162.1	19.5%	172.8	17.4%	-60.3%	-62.8%
Finance costs	15.8	1.6%	9.5	1.1%	11.1	1.1%	66.7%	42.4%
Net profit/(loss)	53.6	5.4%	108.6	13.0%	140.2	14.1%	-50.6%	-61.8%

### Revenue

Revenue from sales and services for 2Q21 recorded 992.4 million baht, flat QoQ but increasing by 18.2% YoY, mainly from growth media business following the recovery in media ad-spending and the increase of content licensing revenue to online platforms. This can be explained according to the following business segments.

#### Revenue from Commerce Business

Revenue from commerce business consists of revenue from the selling of products under the Company's own brand and partners' product, at the ratio of approximately 50:50 for each. The Company has been focusing on product development and sourcing a variety of new products to better meet the needs of consumers. In this situation where consumers' purchasing power is weak due to economic contraction, the Company has implemented various strategies to mitigate such impacts, such as:

- Shift marketing strategies to reach consumers with limited purchasing power, such as introducing smaller package size and offering better value-for-money bundling, while focusing on marketing products in need under the current situation, such as the traditional Thai medicine "Fah Talai Jone" under the brand "Thong-Ek" and dietary supplements that promote and maintain health.

- Employ data analytic technology for better understanding of customers' need and be able to offer right products, services and promotions for each target as well as boost the efficiency of the telesales team to generate repeat purchases and promote cross-selling.
- Develop and launch new products to capture emerging demands during the situation of heightened health concern, such as Functional Drink for the mass market segment as well as expand product lines and sales channels to diversify revenue streams and build sustainable long-term growth for commerce business.

Revenue from commerce business in 2Q21 was 564.7 million baht, decreasing by 14.5% QoQ and 3.7% YoY as a result of the declined in all product categories, especially in health and beauty segment which was affected by weakened purchasing power. In addition, the CAMU C healthy drink, launched in 2Q21 and on sale ramp up period, has been affected by measures to prevent and control the COVID-19 as the convenience stores experienced slowdown in sales and visitors. As a result, sales of CAMU C is still under target.

#### **Revenue from Entertainment Business**

Media - Revenue from media business was 383.0 million baht, increasing by 50.3% QoQ and 73.2% YoY as TV business began to recover from successful content revamp for series, news and sport programs, which contributed to higher audience ratings in this quarter. In addition, increase in media business was also a result of higher revenue from content licensing to online platforms following audience lifestyles in the digital era.

Moreover, variety of media platform, including television, radio and online media, remain a key foundation of the Entertainment model. These enable the Company to differentiate with the strength of its distribution channels and to maintain continuous growth of the commerce business.

Music and Others – Revenue from music and other businesses in the 2Q21 was 44.7 million baht, decreasing by 41.9% QoQ due to extra revenue in 1Q21 but increasing by 73.3% YoY mainly from higher streaming services through online channels. In 2Q21, all events and concerts remained under suspension in accordance with COVID-19 prevention measures.

#### **Cost of Sales and Services**

Cost of sales and services in 2Q21 was 458.6 million baht, increasing by 6.2% QoQ and 16.3% YoY due to higher TV production cost for fresh content in 2Q21, offsetting by decrease in cost of sales following lower sale.

#### **Gross Margin**

The Company's gross profit was 533.8 million baht, decreasing by 4.7% QoQ due to higher cost of media business and decline in commerce revenue, but increasing 21.6% YoY from continuous growth in revenue over the year. Gross profit margin in 2Q21 was at 53.8% declining from 56.5% in the previous quarter due to increase in TV production cost as well as lower proportion of commerce revenue which contributes higher gross profit margin.

### Selling and Administrative Expenses, and Finance Costs

Selling and administrative expenses amounted to 469.5 million baht, increasing by 21.2% QoQ and 60.2% YoY. These were mainly due to branding investments for new products and extra expenses on organization restructuring. SG&A to sales was 47.7%; however, SG&A to sale ratio is expected to decline in the next quarter from sales growth of new products and new SKUs under existing brands which lead to better economies of scale for branding asset investment.

Finance costs of 15.8 million baht, increasing by 42.4% from QoQ and 66.7% YoY due to increasing interest expense following higher interest bearing debt for investment in Chase Asia Co., Ltd.,

### Net Profit

Net profit 2Q21 was 53.6 million baht, decreasing by 61.8% QoQ as a result of decline in commerce revenue caused by the COVID-19 pandemic as well as higher SG&A from new product launches. In addition, the Company recorded the profit sharing from investment in Chase Asia Co., Ltd in the amount of 10.5 million baht for 2Q21.

### Sustainability development

The Company has prepared the sustainability development report as a part of One Report since 2020 to demonstrate our commitment to accurate and transparent disclosure of significant information and sustainable development results to our stakeholders. The contents cover operations in the areas of the environment, society and corporate governance and the progress of development during each year will be disclosed as a part of quarterly management discussion and analysis which has include the progress from 1 January to 30 June 2021.

### **Sustainability policy and management goals**

A commitment to operating in accordance with the principles of Good Corporate Governance is the core driving force for sustainable development. The goal is clear: to achieve balanced growth in terms of economic, environmental, social and corporate governance measures, considering the responsibility and mutual value creation among the Company and all stakeholders throughout the business chain. Also, the readiness for real enhancement through sustainable development is by integrating sustainability into various management issues, making it a part of the operations in all areas. It should also cover all business groups and be consistent with the Company's business strategy, both in the short and long term.

### **Defining the scope for sustainability issues**

In 2020-2021, the company had been focusing on sustainability under "Wellbeing Partner" concept, which is accordance with main businesses, and had defined key sustainability issues as follows;

**Economic:** Focus on customers' satisfaction and development of innovation through partners

**Social:** Develop internal knowledge base and sharing system to enhance employee's capability

**Environment:** Preservation of natural resources and waste management

## E : Environment

“Paper Mache.. Separate, Exchange and Conserve” Project is to promote sorting used paper from the source and to raise awareness among the employees consuming papers; moreover, raising paper recycling rate and the quality of recycled paper. Since launch of the project from October to June 2021, 5,820 kg of used paper has been through the recycle process (from the target of 10,000 kg.) which is equivalent to saving 99 trees and reduce 3,958 kg. of greenhouse gas. The company continues to run this project further and also expand the next phase to food waste management and plastic reduction.

## S : Social

To relieve impact from COVID-19 as a community member, the company has been joining with Chatujak district office, Bangkok Metropolitan Administration to give away 1,000 sets of Andrographis paniculata herbal extract under “Thong Eak” brand, developed by Lifestar Co.,Ltd, personal masks and alcohol gel for people in the community. Moreover, 21,000 bottles of water and 200 blankets were provided for Local Quarantine center (LQ) of Bangkok Metropolitan Administration which shelters COVID-19 patients before transferring to a hospital.

“RS Self-isolation Care Box”. When the pandemic situation was getting intense and home isolation is allowed for the patient with no severe symptom. The company had prepared “RS Self-Isolation Care Box, including herbal medicine and necessity kit such as of Andrographis paniculata herbal extract under “Thong Eak” brand, thermometer, Paracetamol medicine, personal mask and alcohol gel. Total of 1,000 sets has been offered to department of medial service to distribute to COVID-19 patient.

“Media for help” Our media business works as a medium for people who need support with the following projects;

- “CH8 fight COVID-19” to promote raising fund to support operation of medical team under COVID-19 situation.
- “Cool help promoting businesses”- Coolfahrenheit, radio media, supports small business affected from pandemic by help promoted their products and services on the radio program.

The company also prioritizes health and safety of our employees and had partnered with Social Security Office to provide vaccination for all employees. Moreover, the booster vaccine shot had been arranged and pre-booked for the employee at the company's expense.

## G : Governance

### “RS anti-corruption project”

The Company signed the declaration of intent of “Private sector collective action coalition against corruption, CAC” and began to provide a training for board of directors and the executives as well as established the working team and aimed to get certified within 2022.

## Outlook on the performance and financial position in the future

The epidemic situation continues to be prolonged causing greater impact to business than the previous year.

The second half of this year is challenging period as COVID-19 situation remains uncertain and prolonged, affecting the Thai economy in the tourism and service sectors as well as private consumption and investment. The impact on broad base then effects on the labor market, resulting in a decrease in household income while household debt is high. Consumers are more cautious in their spending. Based on these factors, the GDP growth forecast has been revised down to 1%<sup>1</sup> and the prolonged effect on purchasing power that was lingering over 16 months, the Company's business in the second half of this year is expected to experience a higher level of pressure than in the previous year.

### Revenue guidance for 2021 (Unit: Million Baht)

Total Revenue	4,000 – 4,400
Commerce business	2,800 – 3,000
● Exiting Products	2,500 – 2,700
● New Products	250 - 300
Entertainment business	1,200 – 1,400
GPM (%)	50-55%
NPM (%)	10-12%

### **Revised down revenue target but still expecting 10-15% growth**

RS is determined to pursue its “Entertainmerce” model to fully thrive the commerce business by continuously developing new products, strengthening distribution channels from the entertainment business and expanding through collaboration with business partners. The Company has revised the total revenue guidance to the range of 4.0 to 4.4 billion baht, representing 10-15% growth from last year and reflecting the impact of the COVID-19 pandemic situation.

**Commerce business:** targeting growth rate over 10% from last year, driven by various forces, as follows:

- Continuous development of new products including functional drink, pet food and innovative health product to the mass market with products plan to launch in the second half of the year, including:
  - Dietary supplement health products, focusing on products that benefit from health-conscious demand under pandemic situation.
  - Pet food products to meet the needs of pet lovers through Specialty Stores and Traditional Trade
  - Hemp-related supplemental food and beverage which are under license acquiring process through partners. The first hemp-related SKU expects to be launched in 4Q21.
- Rapid shift in strategies following the evolved situation – redesign product and packaging size to be reachable for consumers with weaken purchasing power , rearrange and modify sales channels, and use of

<sup>1</sup> Source: Kasikorn Research

data analytics to optimize sales and design appropriate marketing campaigns to increase competitiveness and generate sales growth

**Entertainment business** - revenue target is flat YoY despite the shrinking of advertising spending in the industry. The Company will continue to focus on the quality of content in order to outperform the industry's growth. Also, the rising of demand for online streaming leads to a business opportunities to generate income from licensing existing content in the inventory as well as sale revenue from producing new contents to online platform .

**Expand business to complete Entertainmerce model, enhancing capability and competitiveness over the long term**

Implementing strategies to expand businesses both vertical and horizontal to complete ecosystem through partnership, which both creates business value and enhances competitiveness. In addition, the Company plans to expand its digital business toward Digital Entertainmerce in near future.

- Invested in Specialty holding Co., Ltd, with a 33% stake; Specialty Group is a specialist in R&D and manufacturing of herbal dietary supplements and cosmetics, and they will help enhance the Company's ecosystem, especially in the commerce business, strengthening upstream to downstream production capacity, enabling access to key raw materials and reducing costs in the long run.

**Deploy cost management to enhance profitability**

Given the negative external factors affecting revenue in the short term, the Company has placed importance on efficient cost management by re-running popular content to reduce media production costs. Other efforts include investments into upstream businesses to reduce the costs of goods production as well as postponing some marketing expenses in order to lower SG&A to acceptable level.

(Mr. Wittawat Wetchabutsakorn)

Director and Chief Financial Officer

Authorized to sign on behalf of the Company