

Quarter 3/2021 Key Highlights

The impact of the Covid-19 pandemic remains protracted and resulted in declining revenue, while the Company had been focusing on cost efficiency.

The intensified COVID-19 pandemic led to stringent lockdown measures which had weakened consumer purchasing power further, putting pressure on the commerce business revenue. At the same time, advertising had contracted, causing the entertainment business to slowdown comparing to the previous quarter. As a result, total revenue in 3Q21 decreased 14.1% QoQ. With cost and expenses control measures, selling and administrative expenses decreased by 8.3% QoQ.

Expand online channels across all business units

The Company focuses on online channel expansion to raise revenue contribution from online, while minimize impact from Covid-19 during lockdown.

- Commerce business- Launched RS Mall Application and Virtual Mall as innovative sale channels and touch points, as well as set 10% target for commerce revenue contribution from online channels by the end of 2022.
- Entertainment business - Generated additional revenue from content licensing through OTT (Over-the-top) platforms, both domestically and internationally such as We TV, AIS Play, Youtube, following consumers' digital trend.

Complete Entertainment model with investment in comprehensive manufacturing business, enhances its capability and competitiveness over the long run.

Invested in Specialty Holding Company Limited with a 33% stake: Specialty Group is a leading manufacturer of herbal supplements and cosmetics with an expertise in the global standard R&D. With this upstream expansion, Specialty enable RS to access high quality raw materials, reduce cost of product and complete the commerce's ecosystem for long term growth. The investment transaction is expected to be completed in December 2021 while profit recognized under equity method will be booked from 1Q22 onwards.

3Q21 earnings weakened as a result of short term impact while the situation has been eased and expected recovery in 4Q21. However, the total revenue for 2021 is expected to be under the guidance.

Due to adverse effect on the revenue, the Company's profit was at breakeven in 3Q21. As the Covid-19 situation has been eased in 4Q21, the Company expects significant recovery in 4Q21 in both the commerce and entertainment businesses. However, total revenue for 2021 is likely to be under the guidance set at 4 billion baht.

Introducing "Digital Entertainment" by deploying "Smart Marketing Platform", launching in January 2022.

"Smart Digital Marketing Platform" had been developed to enhance the effectiveness of marketing communication and help elevating RS's commerce and entertainment businesses into digital era, as well as to complete the Entertainment Ecosystem. Further detail on "Smart marketing platform" to be distributed on 15 November 2021.

Summary of Quarter 3Q21 Performance

The Covid-19 situation in Thailand became severe in 3Q21. Extreme measures had been applied such as temporary business closures, travel restrictions, work from home and curfew at night time, affected the economy and weakening consumers' purchasing power further. As a result, Thai GDP 3Q21 forecast was revised down to 3.5%* decline YoY. However, economic activity has shown signs of recovery in September 2021 after the relaxation of control measures. This led to positive trend on consumer confidence and purchasing power which would support the economic recovery during the rest of the year

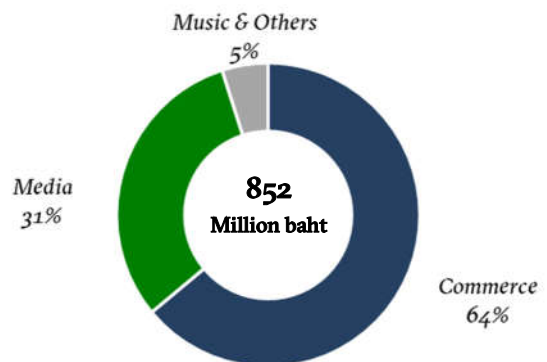
*Source: Fiscal Policy Office

Unit: million baht	Quarter3/2020		Quarter2/2021		Quarter3/2021		เปลี่ยนแปลง	
	amount	%	amount	%	amount	%	(y-y)	(q-q)
Revenue from sales and services	938.4	100%	992.4	100%	852.4	100%	-9.2%	-14.1%
Commerce business	643.6	68.6%	564.7	56.9%	541.5	63.5%	-15.9%	-4.1%
Entertainment business	294.8	31.4%	427.6	43.1%	310.9	36.5%	5.5%	-27.3%
- Media	255.3	27.2%	383.0	38.6%	267.5	31.4%	4.8%	-30.1%
- Music&Others	39.5	4.2%	44.7	4.5%	43.3	5.1%	9.7%	-3.0%
Cost of sales and services	440.3	46.9%	458.6	46.2%	448.8	52.7%	1.9%	-2.1%
Gross profit	498.1	53.1%	533.8	53.8%	403.6	47.4%	-19.0%	-24.4%
Selling and administrative expenses	327.7	34.9%	469.5	47.3%	430.7	50.5%	31.4%	-8.3%
Operating profit	170.4	18.2%	64.3	6.5%	(27.1)	-3.2%	-115.9%	-142.1%
Finance costs	9.0	1.0%	15.8	1.6%	15.9	1.9%	76.1%	0.4%
Net profit/(loss)	130.6	13.9%	53.6	5.4%	(0.3)	0.0%	-100.3%	-100.6%

Revenue

Revenue from sales and services for 3Q21 recorded 852.4 million baht, decreasing by 14.1% QoQ and 9.2% YoY, mainly from a drop in commerce and entertainment revenue caused by the Covid-19 pandemic situation in this quarter. This can be explained according to the following business segments.

Revenue Breakdown



Commerce Business

Revenue from commerce business consists of revenue from the selling of products under the Company's own brand and partners' product. 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 and expanded to online channel to mitigate such impacts, such as:

- Launched RS Mall Application and V-AVENUE by AIS 5G with exclusive promotion on over 600 items to capture demand from changing shopping behaviors in this New Normal era, setting the target for online sales contribution at 10% of total commerce's revenue by 2022.
- Ongoing marketing strategies toward smaller package size to reach consumers with limited purchasing power during Covid-19 situation, as well as offering tactical campaign to increase value for consumers.
- Keep focusing on being a Wellbeing Partner by developing health related products such as food supplements and herbal medicines to meet the needs of consumers during pandemic situation.

Revenue from commerce business in 3Q21 was 541.5 million baht, decreasing by 4.1% QoQ and 15.9% YoY as a result of declining revenue from exiting products that were affected by the prolonged and weaker purchasing power. In addition, revenue of new products, targeting mass market, was impacted by the more stringent measures to prevent and control the spread of Covid-19. However, as the measures were eased in late 3Q21, the commerce's revenue is expected to recover from 4Q21 onwards.

Entertainment Business

Media - Revenue from media business in 3Q21 was 267.5 million baht, decreasing by 30.1% QoQ as advertising in the media industry has contracted due to limited marketing activities, but increasing 4.8% YoY.

However, the selective popular contents on our inventory was re-broadcasted to reduce production cost while maintaining high TV rating. In addition, the Company also focuses on new revenue source by distributing content licensing to leading online platforms both domestically and internationally such as We TV and AIS Play, following digital trend of audiences toward streaming platform.

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 3Q21 was 43.3 million baht, decreasing by 3.0% QoQ but increasing by 9.7% YoY. The Company continues to focus on increasing revenue from online streaming channels, following the listeners' trend in the New Normal era. It also works to create new content on social media channels with a fan base of over 40 million accounts, and plans to further develop KOL Influencer marketing in the near future.

Cost of Sales and Services

Cost of sales and services in 3Q21 was 448.8 million baht, decreasing by 2.1% QoQ due to a lower production costs from re-broadcasting TV series, but increased 1.9% YoY.

Gross Margin

The Company's gross profit was 403.6 million baht, decreasing by 24.4% QoQ and 19.0% YoY due to declining revenue affected by weakened purchasing power and the Covid-19 pandemic situation. As a result, the gross profit margin in this quarter was at 47.4%, decreased from 53.8% in the previous quarter.

Gross profit of commerce business was 321.3 million baht, decreasing by 11% QoQ and 25% YoY due to a decline of commerce revenue. As a result, the gross profit margin of commerce business was at 59.3% declining from 64.0% in the previous quarter.

Gross profit of entertainment business was 82.3 million baht, decreasing by 53.0% QoQ but increasing by 22% YoY. The decrease was mainly from the contraction in overall advertising expenditures caused by the impact of the Covid-19 pandemic situation. As a result, the gross profit margin of entertainment business was at 26.5% declining from 40.3% in the previous quarter.

Selling and Administrative Expenses, and Finance Costs

Selling and administrative expenses amounted to 430.7 million baht, decreasing by 8.3% QoQ due to reduction in marketing activities of the commerce business from the previous quarter in accordance with the Covid-19 pandemic situation. Comparing to last year, selling and administrative expense increased 31.4% YoY due to branding investments for new products, while SG&A to sales ratio stood at 50.6%. However, SG&A to sales ratio is expected to decrease to its normal level under 35% in 2022 from new SKUs under existing brands which lead to better economies of scale and sales growth of commerce business.

Financial costs 3Q21 was 15.9 million baht at the same level as previous quarter but increasing by 76.1% YoY due to increasing interest expense following higher interest bearing debt for investment in Chase Asia Co., Ltd since 1Q21.

Net Profit

The Company recorded net loss 3Q21 of 0.3 million baht as a result of the severe and prolonged of Covid-19 pandemic situation resulting in decline in the Company's core business revenue, while the selling and administrative expenses of investing in new product branding remained at a high level despite declining SG&A QoQ. In addition, the Company recognized the profit under equity method from the investment in Chase Asia Co., Ltd in the amount of 29 million baht for 3Q21.

Outlook on the performance and financial position in the future

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. Key business developments and plan for the rest of 2021 are as follows;

- New products development: Pet care products, targeting premium mass group, will be launched with dry food for dogs and cats as the first product. Over 50 SKUs of pet food are planned and focusing on pet wellbeing with varieties of formulas suitable for each species, age and activity. The main distribution channels are modern trade, specialty stores and online channels. More varieties of pet products are in the pipeline for launch in 2022.
- Hemp seed oil extract, the first hemp-related product, will be launched in 4Q21, then 7 more SKUs to be followed in 2022. Investment in Specialty group is a key for hemp product development as they provide competitive advantage for RS to access raw materials as well as a required license for hemp products.
- Introduce “Digital Entertainmerce” by deploying “Smart Digital Marketing Platform” to enhance the effectiveness of marketing communication and help elevate RS's commerce and entertainment businesses into digital, as well as to complete the Entertainmerce Ecosystem.

In addition, the Company expects its business recovery in 4Q21 from the easing of the Covid-19 pandemic situation. Economic activities began to return to normal with the relaxing of lockdown measures, more widespread vaccination rates and improved consumer confidence. These are positive factors for the Company's core businesses during the rest of the year. Commerce business has seen recovery in U-Shape as domestic consumption gradually recovers. For entertainment business, TV and radio media has seen significant recovery as brands raise their advertising budgets to capture sale revenue after the Covid-19 situation.

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 September 2021.

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 September 2021, 7,280 kg of used paper has been through

the recycle process (from the target of 10,000 kg.) which is equivalent to saving 124 trees and reduce 4,950 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.

E : Economy

“AIS 5G x RS Mall” Visit V-Avenue.Co, the first virtual shopping mall which the Company had joined with AIS to deploy 5G network connectivity to provide virtual shopping experience for Thais.

S : Social

“RS way” To share knowledge and new idea for entrepreneurs during Covid-19 situation, Mr. Surachai Chetchotisak, RS’s CEO, initiated contents on grooming new businesses and getting through hard time especially in current situation with his life time experience “RS way”.

“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.
- “RS Mall donation for local hospital” To donate a portion of RS Mall revenue from every purchase across all channels to funding medical equipment for local hospital across Thailand.

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.

(Mr. Wittawat Wetchabutsakorn)

Director and Chief Financial Officer

Authorized to sign on behalf of the Company