

Management Discussion and Analysis For the Year 2021

2021 HIGHLIGHTS

- Total operating revenue was THB 3,835.4mn, decreased by THB 1,136.1mn or 22.9% YoY. Total revenue was THB 4,215.4mn, decreased by THB 816.6mn or 16.2% YoY.
- Gross profit was THB 1,659.3mn. The gross profit margin increased from 37.0% in 2020 to 43.3%.
- Shared profit from investment in joint ventures and associates was THB 270.8mn.
- In 2021, net profit attributable to the company's shareholders was THB 497.1mn, increased by 383.4% YoY. Due to the recognition of extraordinary gain from financial assets and disposal of investment in a joint venture together with more effective cost control.

KEY BUSINESS UPDATES

- In September 2021, a fully integrated artist development company YG"MM (YGMM), the joint venture between the company and YG Entertainment Inc., has announced an audition for selecting trainee artists, receiving worldwide interests from 93 countries with over 60,000 applicants. Artists who pass the audition will be trained to develop their potential in Thailand and build on being an artist of YG"MM.
- In November 2021, "O2KISS Company Limited (O2KISS)", a joint venture company between "O Shopping Company Limited", a subsidiary of the Company and "Rojukiss International Public Company Limited", jointly launched a dietary supplement brand "Qi" (Chi) launched by 3 superstars of 3 generations with the campaign "3 Chi brothers", leading the team by Bird Thongchai McIntyre, together with Kong Saharat Sangkapreecha and Tor Thanapob Leeratanakajorn. Presented with a superb slogan 'Good Chi, Good Life' meeting the needs of consumers' holistic health care in the New Normal era.
- In December 2021, adapting to the future of the music business and to creating value-added, the company entered the Music NFT market, collaborating with 4 giant platforms, namely Bitkub, Coral, East NFT, and Zipmex. The Company's Music NFT is divided into 4 categories for each platform - (1) Special Collection – targeting groups who are just beginning to enter the world of NFT, focusing on ease of access for the mass audience. (2) Rare Collection – This is a limited and unseen item divided into Limited Item and Limited Movement. (3) Epic Collection – items of a special moment that represents a precious memory that is not replicated again. (4) Legendary Collection – The products and works of the country's legendary artists with a history, rarity, and some of them are the only pieces in the world.

OPERATING RESULTS

Consolidated PL (Unit: THB mn)	2021	2020	YoY %
Total operating revenues	3,835.4	4,971.6	-22.9%
Fair value gain on other financial assets	89.6	-	N/A
Gain on deemed disposal of investment in joint venture	234.9	-	N/A
Other revenues	55.5	60.5	-8.3%
Total revenues	4,215.4	5,032.1	-16.2%
Cost of sales and services	2,176.1	3,134.4	-30.6%
SG&A	1,732.1	1,964.9	-11.8%
Loss from sales of investment in Joint Venture	-	437.7	-100.0%
Total expenses	3,908.2	5,537.0	-29.4%
Profits (loss) from operating activities	307.3	(504.9)	160.9%
Share of profits from JVs and associates	270.8	405.4	-33.2%
Finance income (cost)	(58.1)	(37.2)	-56.3%
Profit (loss) before income tax income (expenses)	520.0	(136.7)	480.4%

Income tax expenses	(4.5)	(12.9)	64.8%
Profit (loss) for the period	515.4	(149.6)	444.5%
Profit attributable to non-controlling interests of the subsidiaries	18.3	25.8	-29.1%
Profit (loss) attributable to equity holders of the Company	497.1	(175.4)	383.4%
Gross profit margin (%)	43.3	37.0	17.1%
SG&A to revenue (%)	41.1	47.7	-13.9%
Net profit margin (%)	11.8	(3.5)	438.3%

Revenue Breakdown	2021		2020		YoY %
	THB mn	%	THB mn	%	
Music	1,816.1	47.4%	2,758.7	55.5%	-34.2%
Home Shopping	1,316.6	34.3%	1,539.3	31.0%	-14.5%
Movie	239.1	6.2%	356.7	7.2%	-32.9%
Set-top-box and Broadcasting	273.1	7.1%	211.8	4.3%	29.0%
Other	190.5	5.0%	105.2	2.1%	81.1%
Total Operating Revenue	3,835.4	100.0%	4,971.6	100.0%	-22.9%

Music Business comprises the sale of digital music and publishing rights, artist management, showbiz, artist products and physical music, and other business. In 2021, the operating revenue from the music business amounted to THB 1,816.1mn, accounted for 47.4% of operating revenue, decreased by 34.2% YoY. The measures to prevent the spread of COVID-19 have directly affected the Company's business operations, therefore, revenue from concerts and music festivals was not reported this year. Meanwhile, revenue from Digital music and Rights management rose from the previous year. Despite the spread of Covid-19, revenue from Digital music continued to grow and contributed the most to the revenue in Music Business, accounting for over 50%.

Home Shopping Business in 2021, Home shopping business reported revenue of THB 1,316.6mn, a decrease of 14.5% YoY, due to the economic impact of the COVID-19 pandemic situation and the increasing competition of the e-commerce industry.

Movie Business revenue was amounted to THB 239.1mn, decreased by 32.9% YoY. In 2021, the box office income was from only one movie, "The Medium". The decrease was mainly due to reported income from the movie rights in streaming platforms during 2020 being higher than 2021.

Set-top-box and Broadcasting Business revenue in 2021 was THB 273.1mn, increased by 29.0% YoY, thanks to work from home measures which caused consumers to spend more time indoors. Thus, creating a positive impact on the business as seen in Set-top-box's increased sales.

Investments Business Share of profit from investments in joint ventures and associates was THB 270.8mn, decreased by 33.2% YoY. Prior to restructuring investments of the Company's joint ventures in November 2020, the Company recognized share of profits from "The One Enterprise Public Company Limited" and "GMM Channel Holding Company Limited". However, in 2021, after restructuring investments, the Company no longer recognizes the share of profits from "GMM Channel Holding Company Limited".

Other Business revenue in 2021 amounted to THB 190.5mn, increased by 81.1% YoY, mainly resulting from higher advertising revenue shared from GMM25 digital TV business. While, in 2020, the shared revenue was reported in December only.

Cost of Sales and Services in 2021 was THB 2,176.1mn, decreased by 30.6% YoY, due to lower costs in relation to declining revenue. The cost of sales and services accounted for 56.7% of total operating revenue, decreased from 63.0% in 2020.

Gross Profit in 2021 was THB 1,659.3mn, decreased by THB 177.8mn compared to the previous year. However, the gross profit margin increased from 37.0% in 2020 to 43.3%, owing to the Company's ability to minimize costs.

SG&A Expenses in 2021 amounted to THB 1,732.1mn, decreased by 11.8% YoY due to more effective cost controls in relation to lower revenue. Together with the Loss from sales of investment in a joint venture in 2020 amounted to THB 437.7mn, the total SG&A expenses of the Company have lowered significantly by THB 670.5mn or 27.9% YoY.

Net profit attributable to equity holders of the Company in 2021 amounted to THB 497.1mn, increased by 383.4% YoY, from a net loss of THB 175.4mn in 2020. The reported loss in 2020 was due to accounting transactions associated with changes in investment of the Company's joint venture.

FINANCIAL POSITION

Unit: THB mn	31-Dec-21	%	31-Dec-20	%
Cash and cash equivalents	563.3	11.1%	727.7	17.2%
Other current assets	1,795.4	35.5%	1,321.8	31.2%
Non-current assets	2,700.2	53.4%	2,192.3	51.7%
Total assets	5,058.8	100.0%	4,241.8	100.0%
Current liabilities	2,809.6	55.5%	2,057.0	48.5%
Non-current liabilities	766.9	15.2%	1,227.0	28.9%
Total liabilities	3,576.5	70.7%	3,284.0	77.4%
Shareholders' equity	1,482.4	29.3%	957.8	22.6%
Total liabilities and shareholders' equity	5,058.8	100.0%	4,241.8	100.0%
Net interest-bearing debt to equity ratio (x)	1.19		1.19	

Total Assets at the end of 2021 were THB 5,058.8mn, increased by THB 817.0mn from the end of the previous year. The increase mainly resulted from the increase of other current financial assets by THB 629.4mn along with the increase of investment in joint ventures by THB 578.6mn. Hence, cash and cash equivalents, account receivables, and other receivables decreased.

Total Liabilities Interest-bearing debt at the end of 2021 was THB 1,764.9mn, increased from THB 1,135.9mn at the end of 2020, mainly due to the increase in short-term loans from the bank by THB 750.0mn. Although, trade and other payables, and unearned income decreased. Total liabilities increased by THB 292.5mn from the end of the previous year to THB 3,576.5mn.

Total Equity amounted to THB 1,482.4mn, increased by THB 524.5mn from the previous year, resulting from profit earned during the year. The interest-bearing debt to equity ratio remains the same at 0.19x. However, without the impact of the TFRS 16 Leases standard the ratio will be 0.96x.

Cash Flow used in operating activities at the end of 2021 has amounted to THB 100.7mn, cash flow used in investing activities amounted to THB 621.2mn, and cash flow from financing activities amounted to THB 559.8mn. Net cash decreased from all activities equals THB 164.4mn. At the end of 2021, cash and equivalents amounted to THB 563.3mn. Overall, the liquidity and cash flow status at the end of 2021 was reasonably maintained, demonstrating a firm financial position of the Company.

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