

**Quarter 1/2022**  
**May 17, 2022**

**Management Discussion and Analysis**  
**RS Public Company Limited**

**Industry/Sector: Services/Commerce**

## **Key Highlights 1Q22**

The entertainment business enjoyed significant recovery, thanks to higher revenue from content licensing and strong growth in television business. As a result, total revenue rebounded QoQ.

Although the first quarter is low season for overall advertising media business, the Company's entertainment business enjoyed significant recovery from the previous quarter, thanks to increased revenue from content licensing to online platforms following audience lifestyles in the digital era, as well as from successful content revamp, fresh programs throughout the quarter. Meanwhile, the commerce business remains affected by COVID-19, which flared up again and continued to spread more widely and weakening consumer purchasing power. In conclusion, total revenue delivered 14.8% growth QoQ at the amount of 844.5 million baht.

**Commerce business strategies shifted to increase the proportion of in-house brand sales, focusing on Lifestar products, through all our distribution channels, in order to raise the gross profit margin.**

The Company has continuously shifted its marketing strategies and plans to align to rapidly changing external situation, such as focusing on selling in-house brand products on RS Mall channel to raise long-term gross margins. Reducing costs and increasing efficiency is another main focus. By adjusting the formulation of some products to lower the cost but offering better taste, maintaining same quality and nutrients. As a result, the gross profit margin of the commerce business increased to 59%. Efficient expense management has been implemented by focusing on online marketing resulted in the selling and administrative expenses decreased by 10.4% QoQ

1Q22 results showed strong net profit recovery from the growth of the entertainment business and effective management of sales and administrative expenses.

The apparent recovery of our entertainment business, which outperformed overall advertising media industry, as well as the efforts to control costs and expenses effectively, the Company delivered net profit of 55.0 million baht in 1Q22 – a rebound from the previous quarter's loss.

**Ready to launch varieties of products, including hemp products, from 2Q22 onwards, and the return of activities and concerts will drive earnings to continue recovering during the rest of the year.**

The Company plans to continuously launch new products in 2Q22, including dietary supplements under the well u and Vitanature+ brands, and ready-to-market products derived from hemp extracts and CBD under the CAMU C brand, such as "CAMU C Plus with Hemp", the first vitamin C drink mixed with hemp leaf extract, and "CAMU C CBD Shot", a functional drink with CBD extract, the market's first CBD extract in beverage market. In addition, the return of events and concerts after the easing of the Covid-19 situation as well as the listing of the Popcoin business on Bitkub, are also expected to benefit the Company's performance, which continues to recover from 2Q22 onwards.

**Expansion of the commerce platform to the direct sales business by investing in ULife; the transaction has been completed, while ULife's P&L will be consolidated from 2Q22.**

The acquisition and entire business transfer of ULife has been completed in early May 2022, and the Company will be consolidated revenue and profit of ULife since May 2022 onwards. Synergy from ULife among the business group will lead to market and channels expansion; moreover, new business opportunities could be raised by boosting sales, building up and strengthening current business partners, and attracting new business partners.

## Summary of Quarter 1/2022 Performance

Although the Thai economy in the first quarter of 2022 was showing positive signs from the improving export and tourism sectors after restriction on international travel had been eased. On the other hand, the economy remained sluggish due to lingering pressures of the COVID-19 situation. The new Omicron wave appeared and has been spreading more widely. Coupled with higher production and living costs, which are fully affected by rising energy prices. In addition, the first quarter is the low season for consumer spending after the festive season during new year festival. As a result, consumer confidence declined, and consumers remain cautious about their spending.

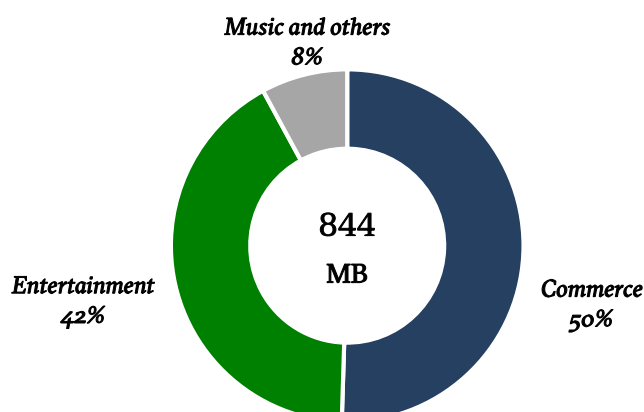
However, the Omicron epidemic is expected to have a short-term impact and will become endemic. An increased proportion of vaccinations among the population has reduced the severity of the disease and the impact of the outbreak. All such factors are helping the economy gradually return to normal state during the rest of the year.

Unit: million baht	Quarter 1/2021		Quarter 4/2021		Quarter 1/2022		Change	
	amount	%	amount	%	amount	%	(y-y)	(q-q)
Revenue from sales and services	992.2	100%	735.9	100%	844.5	100%	-14.9%	14.8%
Commerce business	660.5	66.6%	496.7	67.5%	426.8	50.5%	-35.4%	-14.1%
Entertainment business	331.7	33.4%	239.3	32.5%	417.7	49.5%	25.9%	74.6%
- Media	254.8	25.7%	173.5	23.6%	352.1	41.7%	38.2%	103.0%
- Music&Others	76.9	7.8%	65.8	8.9%	65.5	7.8%	-14.8%	-0.4%
Cost of sales and services	432.0	43.5%	464.8	63.2%	432.1	51.2%	0.0%	-7.0%
Gross profit	560.2	56.5%	271.1	36.8%	412.4	48.8%	-26.4%	52.1%
Selling and administrative expenses	387.3	39.0%	390.8	53.1%	350.0	41.4%	-9.6%	-10.4%
Operating profit	172.8	17.4%	(119.7)	-16.3%	62.3	7.4%	-63.9%	N/A
Finance costs	11.1	1.1%	16.2	2.2%	16.3	1.9%	46.3%	0.5%
Net profit/(loss)	140.2	14.1%	(66.1)	-10.9%	55.0	6.5%	-60.8%	N/A

## Revenue

Revenue from sales and services for 1Q22 recorded 844.5 million baht, increasing by 14.8% QoQ due to the apparent recovery of our entertainment business from increasing content licensing and advertising revenue. When compared to the same period last year, total revenue decreased by 14.9% YoY mainly from a drop in commerce revenue caused by the prolonged of COVID-19 pandemic situation and higher living cost affected consumer purchasing power. This can be explained according to the following business segments.

## Revenue Structure



## Commerce Business

Revenue of commerce business consists of revenue from the selling of products under the Company's own brand and partners' product. The Company strives to develop and select new products to offer a variety of products to better meet customer needs. To respond to health-conscious trends under the COVID-19 pandemic, the Company diversified its portfolio of products and shift its marketing strategies for long-term growth and to increase its margins. Details on the Company's movements are outlined below.

- Marketing strategies shift by focusing on promoting the Lifestar in-house brand through the Company's distribution channels and limit access of products from partners with direct competition to in-house brands, in order to rising commerce business margins over the long term. As a result, the proportion of in-house to partners in 1Q22 was 50:50, compared to 36:64 in 4Q21 and raised commerce GPM 1Q22 to 59.2% from 55.4% in the previous quarter.
- New formula of the CAMU C offering better taste, maintaining same quality and nutrients, while lowering costs, which has improved margins; such products are available at 7-Eleven nationwide.
- Continuous development of hemp products, both in dietary supplements and beverages, to leverage and generate income from consumers with interest in hemp-related health products.

Revenue from commerce business 1Q22 was 426.8 million baht, decreasing by 14.1% QoQ and 35.4% YoY as a result of the COVID-19 pandemic spread more widely since the beginning of the year. Work from home measure remained affecting telesales team efficiency. In addition, the consumers was cautious on spending from rising cost of living and low season for consumers goods after the festive season during new year.

## Entertainment Business

Media - Revenue from media business in 1Q22 was 352.1 million baht, increasing by 103.0% QoQ and 38.2% YoY driven by higher revenue from content licensing to online platforms following audience lifestyles in the digital era, along with revenue from the new original series "Jenny Klang Wun Krub Klang Kuen Ka", broadcasted via the AIS Play application. In addition, the recovery in media advertising revenue was due to successful contents revamp for series, news and sport programs, and fresh programs throughout the quarter.

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 business and others – Revenue from music and others business in 1Q22 recorded 65.5 million baht, at the same level as previous quarter but decreasing by 14.8% YoY due to one-time revenue from streaming services through online channels in 1Q21

However, music business continued to grow from content development of new formats through social media of RS Group to generate revenue from over 40 million accounts of social media base as well as revenue from music consumption through digital systems in the format of online streaming via leading platforms in line with recent trends of listening to music from streaming which is consistently growing. The Company also plans major events and concerts for the remainder of the year after the epidemic situation improves.

## **Cost of Sales and Services**

Cost of sales and services in 1Q22 was 432.1 million baht, decreasing by 7.0% QoQ and flat YoY due to an increased proportion of in-house product sales, which incurred lower costs than partner products, along with the reversal of the allowance for obsolete inventories. Offsetting by, increasing costs of entertainment business was due to the production of fresh programs throughout the quarter.

## **Gross Profit**

Gross profit in 1Q22 was 412.4 million baht, increasing by 52.1 % QoQ mainly due to a significant recovery in entertainment revenue from the television business. However, if compared to the same period last year, gross profit decreased by 26.4% YoY. This was a result of the decrease in commerce business revenue from the slowdown in consumer purchasing power. The gross profit margin in 1Q22 at 49.5%, increased from 36.8% in the previous quarter.

Commerce business recorded gross profit was 252.7 million baht, decreasing by 8.1% QoQ and 42.3% YoY from lower commerce revenue. Meanwhile, the gross profit margin of commerce business was at 59.2% increasing from 55.4% in the previous quarter due to higher proportion of in-house brand sales.

Entertainment business recorded gross profit was 159.7 million baht, significant increased from previous quarter and increasing by 30.6% YoY due to the recovery in television business from increasing in advertising revenue and content licensing income. As a result, the gross profit margin of entertainment business was at 38.2% increasing from -1.6% in the previous quarter.

## **Selling and Administrative Expenses, and Finance Costs**

The Company recorded the selling and administrative expenses in 1Q22 of 350.0 million baht, decreasing by 10.4% QoQ and 9.6% YoY due to reduction in marketing activities of the commerce business and focus on efficient expense management through online marketing. As a result, SG&A to sales was at 41.4% declining from 53.1% in the previous quarter.

Financial costs in 1Q22 was 16.3 million baht, at the same level as previous quarter but increasing by 46.3% YoY due to increasing interest expense following higher interest bearing debt for investment in Chase Asia Co., Ltd.

## **Net Profit**

For 1Q22, the Company recorded a net profit of 55.0 million baht, a rebound from the previous quarter's loss, thanks to the apparent recovery of our entertainment business and enhanced efficiency of costs and SG&A expenses. In addition, the Company recognized the profit under equity method from the investment in Chase Asia Co., Ltd in 1Q22 at the amount of 23.9 million baht.

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

RS is committed to conducting its business under Entertainment Model to accelerate growth of the commerce business leveraging on continuous development of new products and strengthening distribution channels from the entertainment business as well as expanding through collaboration with business partners. Key business developments and plan for the rest of 2022 are as follows;

- Continuous new product development to reinforce being “Your Wellbeing Partner” with consumers, with plans to launch more new products, including dietary supplements that focus on scientific innovation under the well u brand and dietary supplements that combine herbal extracts under the Vitanature+ brand, as well to expand into new distribution channels.
- Launch hemp products under the CAMU C brand, namely, “CAMU C Plus with Hemp”, the first Vitamin C beverage with hemp extract, gaba, camu camu extract, and 200% Vitamin C. Also, “CAMU C CBD Shot” the market’s first CBD extract-infused functional shots. There are two formulas to serve different benefits to varied needs of the health-loving premium mass segment.
- Expand commerce platform by acquiring ULife's direct sales business. The transaction will be completed in May and the Company will consolidated ULife's revenue and profit from May 2022 onwards.
- Upcoming big events and concerts, including K-Pop events after the easing of measures to control the spread of Covid-19

## **Sustainable Development**

The Company has prepared the Sustainable Development Report as a part of the One Report since 2020 to demonstrate its commitment in disclosing important information to stakeholders with accuracy, completeness and transparency. The content covers environment, social and governance undertaking and progresses are reported during the year as a part of the quarterly Management Discussion and Analysis. This report covers developments from 1 January to 31 March 2021.

### **Evaluation and Identification of Sustainability Issues**

During 2021-2022, the Company undertakes its sustainability efforts under the concept “Fulfilling good quality of life for people in the society” in line with the organization’s business conduct. Material sustainability issues were identified per following

**Economic aspect** focusing on customer satisfaction and co-development of innovation with partners

**Social aspect** focusing on a systematic knowledge management and talent development

**Environmental aspect** focusing on efficient utilization of resources and a systematic waste management.

### **E : Environment**

“Paper Mache... Separate, Exchange and Conserve” Project This project encourages people to separate paper from the starting point and getting users of such paper to recognize the value of used resources, and to increase the country’s paper recycling rate and quality. The project started since October 2020 and as of 31 March 2021, over 11,860 kilograms of accumulative used paper underwent a recycling process. In additional, the Company has develop waste management further to “RS net Zero” Project

“RS net Zero” Project aims to reduce plastic waste from the Company’s head office with target to originate no plastic waste. In the beginning of this project, PET bottle no.1 will be collected and recycled to be used for other environmental activities with stakeholders.

#### **E : Economy**

**Thailand Marketing Day: Marketing the Unknown:** Mr. Surachai Chetchotsak, CEO, had participated in the event as one of key speakers among other top corporate executive. The event provided knowledge sharing for marketers and entrepreneur to equip them with knowledge, new viewpoint, inspiration and continue operating business during crisis. This is one of knowledge sharing projects which the Company is delivering wisdom to social and to promote its sustainable development.

#### **S : Social**

**“We Change by Chatuchak – Pai Kayak Rak Khlong”** The Company joined forces with a network of people, government and private sectors to conserve and restore the landscape of canals in Chatuchak District to support the development of community-based tourism and stimulate local economies through a kayaking activity to collect garbage from Lat Phrao Canal, Bang Khen Canal to Prem Prachakorn Canal to help make the canals clean and beautiful as well as foster a good mindset in water resource conservation and restoration. A total of 1,915 pieces of garbage with a total weight of 115 kilograms were collected including general waste, hazardous waste and waste that can be recycled. Note that the Company has a plan to initiate and continue projects that promote cohabitation between the organization and communities in accordance with its core mission “Inspire people and fulfill their happiness” under the concept “We live well, they live well”

**“Channel 8 News Sharing to Help Affected People from Forest Fire Smog”** From its concerns over smog situation from forest fires in Chiang Mai that toxic smog covered various areas affecting quality of life, people’s health and regional economy of the north. Channel 8 sent news reporters and team to help affected people by offering necessary supplies such as leaf blowers, PM2.5 masks, rakes and other useful items while talking, asking and giving moral support to those affected by the forest fire. Note that the Company, as a media operator and news agency, also played a PR role to push for solving the root causes as well as build awareness and understanding on the issue of smog and pollution for the general people in the society to fully realize the impacts. This multi-dimensional execution incentivizes villagers to participate in the project which is considered crucial for sustainable problem-solving.

#### **G : Governance**

“RS ready to comply with PDPA” to operate business under Personal Data Protection Act. 2019. The Good Governance and Sustainable Development committee had appointed Data Protection working group and began to provide knowledge on data privacy to the employees who will apply to their work function and everyday life.

(Mr. Wittawat Wetchabutsakorn)

Director and Chief Financial Officer

Authorized to sign on behalf of the Company