

### **Key Highlights 2Q22**

Entertainment business saw significant recovery after the COVID-19 measures were relaxed, thanks to revenue from event sponsorship. Commerce business remained sluggish from weakening purchasing power, offset by additional revenue from ULife being consolidated since May 2022.

The relaxation of COVID-19 controls was a key trigger for entertainment business to resume its event sponsorship and ticketing revenue, while media advertising revenue continued to improve QoQ from seasonality. Commerce business remained under pressure from weakening purchasing power and high inflation rate; however, revenue from ULife platform had been added to commerce business segment since May 2022. In conclusion, total revenue 2Q22 was 827.7 million Baht, decreased -2% QoQ.

**Shift in commerce business strategies on RS Mall platform to focus in-house brand to raise the gross profit margin, led to 66% of commerce business gross margin for 2Q22**

Strategies shift for commerce business on RS Mall was to limit marketing activities of partners' products with direct competition to in-house products and to focus on marketing in-house brand. This shift would help raising long term gross profit margin for commerce. Moreover, recognizing revenue from ULife, direct selling business which deliver high gross margin, also help raise commerce business gross margin. As a result, the gross profit margin of the commerce business increased to 66.0% in 2Q22 from 56.8% in the previous quarter.

Soften 2Q22 results as net profit declined from decrease in commerce revenue as well as higher financial cost from M&A investment

Net profit 2Q22 decreased from weak commerce revenue under economic pressure and from higher interest expense to funding investment in ULife, offset by better efficiency in SG&A control. In conclusion, net profit 2Q22 was 13.1 million Baht, decreased -76%QoQ. Excluding special expenses on ULife investment transaction (i.e. advisor fee), normalized net profit 2Q22 was 17.5 million Baht, decreased -69%QoQ.

**Accelerate 2H2022 performance with revenue from events and large size concerts, consolidating ULife, and new product launches through all platform**

Revenue from local events and international concerts would be another driver after the easing of COVID-19 control, as well as full quarter revenue recognition of ULife. Variety of new products are expected to launch in 2H22, including dietary supplements under the well u and Vitanature+ brands, new SKUs of functional drink under the CAMU C brand, wet pet food under Lifemate brand. These developments expect to deliver high growth for the Company's performance in 2H22.

**Revised revenue guidance down -15%, but expects to deliver 18%YoY revenue growth**

Revised revenue projection 2022 is 4,200 million Baht, -15% under previous projection, but revenue 2022 expected to grow 18%YoY. The revision was due to lower-than-expected commerce revenue following pressure on consumer spending, while entertainment revenue expected to be slightly under previous projection.

### **Summary of Quarter 2Q2022 Performance**

Thai economy in 2Q22 was showing positive signs from the improving private sector consumption and investment following lower concern on COVID-19 situation which increased economic activities and recovery in tourism. However, the economic recovery was still vulnerable and plagued by rising inflation affecting price of consumer goods and energy. These factors was pressuring consumer confident and spending power to be more careful in their spending.

Unit: million Baht	Quarter 2/2021		Quarter 1/2022		Quarter 2/2022		Change	
	amount	%	amount	%	amount	%	(y-y)	(q-q)
Revenue from sales and services	992.4	100%	844.5	100%	827.7	100%	-16.6%	-2.0%
Commerce business	564.7	56.9%	426.8	50.5%	399.2	48.2%	-29.3%	-6.5%
Entertainment business	427.6	43.1%	417.7	49.5%	428.6	51.8%	0.2%	2.6%
- Media	383.0	38.6%	352.1	41.7%	346.7	41.9%	-9.5%	-1.5%
- Music&Others	44.7	4.5%	65.5	7.8%	81.8	9.9%	83.1%	24.9%
Cost of sales and services*	458.6	46.2%	432.1	51.2%				
Cost of sales and services (after reclassification)	471.0	47.5%	442.6	52.4%	427.8	51.7%	-9.2%	-3.3%
Gross profit	521.4	52.5%	402.0	47.6%	399.9	48.3%	-23.3%	-0.5%
Selling and admin expenses*	469.5	47.3%	350.1	41.5%				
Selling and admin expenses (after reclassification)	457.1	46.1%	339.7	40.2%	380.2	45.9%	-16.8%	11.9%
Operating profit	64.3	6.5%	62.3	7.4%	19.7	2.4%	-69.4%	-68.4%
Finance costs	15.8	1.6%	16.2	1.9%	23.3	2.8%	47.1%	43.8%
Net profit/(loss)	53.6	5.4%	55.0	6.5%	13.1	1.6%	-75.6%	-76.2%

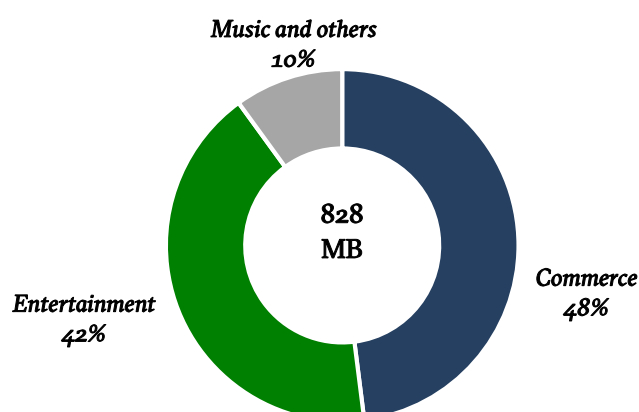
In 2Q22, research and development expenses and supply chain related expense were reclassified from SG&A to cost of sales and services.

This reclassification was adjusted in P&L from the period of 1Q2021.

## Revenue

Revenue from sales and services for 2Q22 recorded 827.7 million Baht, decreasing by -2%QoQ and -16.6%YoY. Despite continuous recovery of entertainment business, revenue from commerce business declined as RS Mall platform was affected by economy and weakening consumer spending. 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 through 2 main platform; ULife, a direct selling platform, and RS Mall, distributing the Company's own brand and partners' product via multi-platform. The Company strives to develop and select new products to offer a variety of products to better meet customer needs. Details on the Company's commerce business movements in 2Q22 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 raise commerce business margins over the long term. As a result, the proportion of in-house to partners in 2Q22 was 64:36, compared to 50:50 in 1Q22 and raised commerce GPM 1Q22 to 66.1% from 56.8% in the previous quarter.
- Being among the first group of hemp-related product developer to launch the first hemp beverage under brand "CAMU C Plus with Hemp," with gaba, Camu Camu extract, and 200% Vitamin C; such a product is available at all branches of 7-Eleven since Jun 2020.
- Nurturing ULife to grow as a modern direct selling business. The investment transaction has been completed and began to recognize revenue from ULife since May 2022. This is to pursue the company's strategy to expand high potential commerce platform.

Revenue from commerce business 2Q22 was 399.2 million Baht, decreasing by -6.5% QoQ and -29.3% YoY as a result of continuous affect from COVID-19 and a rising concern on inflation pressure on consumer spending as well as shift in strategy to limit access of products from partners and mainly focus on promoting in-house brand. As a result, revenue on selling partners' product significantly reduced, but the shift in strategy would raise gross profit margin and net profit over the long term.

## **Entertainment Business**

Media - Revenue from media business in 2Q22 was 346.7 million Baht, decreasing by -1.5% QoQ and -9.5% YoY due to lower revenue from content licensing to online platforms, offset by higher advertising revenue from seasonality.

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 2Q22 recorded 81.8 million Baht, increasing by 24.9%QoQ and 83.1% YoY from resuming on events sponsorship and activities as well as from agency service revenue, following the easing of COVID-19 controls. Moreover, music business continued to grow from content development of new formats through social media of RS Group 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. Revenue from managing music intellectual property rights also grew following resumed operation of service businesses (Karaoke, pub, restaurants).

## **Cost of Sales and Services**

Cost of sales and services in 2Q22 was 427.8 million Baht, decreasing by -3.3% QoQ and -9.2 YoY following decrease in commerce sale revenue and from an increased proportion of in-house product sales, which incurred lower costs than partner products. Offsetting with higher cost of services from entertainment business, this was due to cost for events and the production of fresh programs throughout the quarter.

From 2Q2022 onwards, research and development expense and supply chain related expense were reclassified from SG&A to cost of sales and services. This reclassification was adjusted in P&L from the period of 1Q2021.

## **Gross Profit**

Gross profit in 2Q22 was 399.4 million Baht, decreasing by -0.5%QoQ and -23.3%YoY mainly due to decline in commerce business revenue from weakening consumer purchasing power. The gross profit margin was at 48.3%, increased from 47.6% in the previous quarter.

Commerce business recorded gross profit was 263.7 million Baht, increasing by 8.8% QoQ from recognizing ULife revenue which incurred high gross margin, offset by lower commerce revenue. Meanwhile, the gross profit margin of commerce business was at 66.0% increasing from 56.8% in the previous quarter due to higher proportion of in-house brand sales.

Entertainment business recorded gross profit was 136.3 million Baht, decreasing by -14.7%QoQ from lower content licensing revenue as well as higher cost for event. As a result, the gross profit margin of entertainment business was at 31.8% decreasing from 38.2% in the previous quarter.

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

The Company recorded the selling and administrative expenses in 2Q22 of 380.2 million Baht, increasing by 12.0% QoQ from SG&A realized from ULife. Excluding ULife, SG&A decreased by -9.6%QoQ due to reduction in marketing expense of the commerce by deploying online channel and media. Compared to the same period previous year, SG&A decreased -20.8%YoY from high marketing expense for launching new brand in previous year. SG&A to sales was at 45.9% declining from 40.2% in the previous quarter.

Financial costs in 2Q22 was 23.3 million baht, increasing by 43.8%QoQ and 47.1% YoY due to increasing interest expense following higher interest bearing debt for investment in ULife, drawn down in late Apr 2022.

## **Net Profit**

For 2Q22, the Company recorded a net profit of 13.1 million baht, decreasing by -76.2%QoQ and -75.6%YoY due to decline in commerce revenue following sluggish economy, as well as higher financial cost from investment in ULife. In addition, the Company recognized the profit under equity method from the investment in Chase Asia Co., Ltd in 2Q22 at the amount of 9.4 million baht, decreasing from the previous quarter due to higher bad debt reserve.

## Revised guidance 2022

	Revised Guidance2565	%YoY
Total revenue	4,200	21%
Commerce business	2,200	-4%
Entertainment business	2,000	64%
- Media (TV and Radio)	1,300	22%
- Popcoin and online media	100	N/A
- Music	250	20%
- Concert and event	350	N/A

### Revised revenue guidance down -15%, but expects to deliver 18%YoY revenue growth

Entertainment business as a key revenue drivers when Commerce business to continuously develop and launch new consumer spending remains under pressure and affects products into main platform with over 30 SKUs under 4 brands; commerce business to underperform.

- Concert and event: Accelerate additional revenue from local and international concerts as well as event sponsorship which are allowed to resume after the easing of COVID-19 controls. In additional, music business is seeing high growth from managing intellectual property rights.
  - TV and Radio media: Expects advertising spending to remain flat from 1H2022 as weakening consumer spending putting pressure on the marketing budget of brands
- dietary supplements under the well u and Vitanature+ brands, new formula of functional drink under the CAMU C brand and wet pet food under the Lifemate brand. ULife also expects to support high growth in commerce business with its new product development and consumer base expansion.

RS group is also looking for business partners for expansion through M&A to extend and strengthen Entertainmerce model, while expanding sale channel and platform as well as diversifying products and services to complete RS group ecosystem and raise the efficiency among its group.

## 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 30 June 2022.

### 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 30 June 2022, over 13,520 kilograms of accumulative used paper underwent a recycling process.

“RS net Zero” Project aims to reduce plastic waste from the Company’s head office with target to originate no plastic waste. The project began in May 2022 and collect over 120 kilograms of accumulative plastic. The plastic from this project will be recycled to be used for other environmental activities with stakeholders.

#### E : Economy

“Happy Homie, Chemical-Free & Environmentally friendly household essential”. ULife, the direct sales business under RS Group, unveiled a new array of household and kitchen items under Happie Homie brand, targeting modern homemakers, to simplify household chores and ultimately bring joy to the family. The product line showcased an expertise in household essentials innovation from dishwashing liquid, laundry detergents, and fabric softeners.

#### S : Social

“Introduces RS Diversity, Equity and Inclusion Policy” ‘RS Diversity: The Celebration of Differences & A showcase of endless possibilities’ further reinforces and solidifies RS Group’s stance in diversity and inclusion with additional welfare and policies that support gender diversity within the company, as the executives provide opportunities to every employee to showcase their abilities and create an inclusive workplace for all.

#### 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