

## Management Discussion and Analysis for the Quarter 2/2022

### 2Q2022 BUSINESS OVERVIEW

For the second quarter of 2022, GMM Grammy PLC. total revenues were THB 1,191.4 million, an increase of THB 178.6 million or 17.6% YoY. Total operating revenue was THB 1,138.8 million, an increase of THB 131.9 million or 13.1% YoY. Due to an improved service income and revenues from publishing rights due to the government policy to relax the COVID-19 measures, the company has resumed activities with more mass gatherings. The result is better for showbiz businesses and artist management businesses, including the sale of publishing rights. The digital music business showed steady growth from the previous quarter. The company's music business tends to grow steadily.

The company had a gross profit of THB 403.8 million, representing a margin of 35.5%, which decreased from the same period last year of THB 81.2 million or 16.7% YoY. Due to the music business having more investment in production, the cost of sales and services in this quarter was higher than the proportion of revenue increased.

The company has shared profit from investments in joint ventures, and associates were THB 35.8 million, mainly from the operating results of the joint venture company, the One Enterprise PLC.

For the second quarter of 2022, the company's net profit attributable to the company's shareholders was THB 23.6 million, an increase from the same period last year with a net loss of THB 15.0 million, representing an increase of THB 38.7 million, or an increase of 257.3%.

### KEY BUSINESS UPDATES

- In April 2022,
  - "GMM SHOW" (GMM Show), the organizer under 'GMM Grammy' (GMM Grammy), organized the first event of the year 2022, "NangLay Beach Party and Music Festival" Cha-am, Phetchaburi, which was held on April 30, 2022. More than 10,000 people attended the event, and the response was impressive. For the second half of the year, the Company is preparing many concerts and music festivals with over 10,000 main audiences per event.
  - "Fast & Feel Love" movie from the GDH was released and ready to be shown on Netflix Thailand on July 6, which the film is the opening film of the festival "NEW YORK ASIAN FILM FESTIVAL 2022". In addition, the lead actor is Yaya Urassaya, who received the "Screen International Rising Star Award" as well.
- In May 2022,
  - For Destiny Token reservations from May 23 - June 20 via the Kubix application, a company in the Kasikorn Bank Group. Which is issued by Special Destiny Company Limited, which is held 70% by GDH 559 Company Limited (GDH) together with Broadcast Thai Television Company Limited (BTV) holding 30%. The Offering was sold out ahead of schedule with a total amount of 16,087 tokens, and the total funding value is THB 265 million, the investment period not over two years. And holders of all types of Destiny Token will be entitled to receive a return on investment of 2.99% per year and will also have a chance to receive a special return of 2.01% per year if Love Destiny: The Movie earns 1,000 million or more. (Referring to movie revenue as announced on [www.thailandboxoffice.com](http://www.thailandboxoffice.com)).
  - GMM O Shopping Company Limited, a subsidiary of the Company, disposed of the total investment in O2KISS Company Limited ("O2KISS"), which is the subsidiary's joint venture, to Rojukiss International Public Company Limited ("KISS"). The total amount of the transaction is THB 5 million, to improve the flexibility of doing business for both parties.

2Q2022 and 1H2022 OPERATING RESULTS

| Consolidated PL (Unit:THB mn)   | 2Q2022         | 2Q2021         | YoY%          | 1H2022         | 1H2021         | YoY%           |
|---|----------------|----------------|---------------|----------------|----------------|----------------|
| Total operating revenues  | 1,138.8        | 1,006.9        | 13.1%         | 2,135.9        | 1,988.7        | 7.4%           |
| Fair value gain on other financial assets                                   | 6.0            | 0.0            | 100.0%        | 6.0            | 0.0            | 100.0%         |
| Dividend income   | 0.0            | 0.0            | 0.0%          | 0.0            | 209.5          | -100.0%        |
| Community Verified icon   | 46.6           | 5.8            | 697.5%        | 56.7           | 20.0           | 183.5%         |
| <b>Total revenues</b>   | <b>1,191.4</b> | <b>1,012.8</b> | <b>17.6%</b>  | <b>2,198.6</b> | <b>2,218.2</b> | <b>-0.9%</b>   |
| Cost of sales and services  | 735.0          | 521.9          | 40.8%         | 1,390.0        | 1,043.1        | 33.3%          |
| SG&A  | 446.1          | 435.6          | 2.4%          | 874.4          | 856.4          | 2.1%           |
| Fair value loss on other financial assets                                   | 18.0           | 160.1          | -88.8%        | 200.8          | 0.0            | 100.0%         |
| <b>Total expenses</b>   | <b>1,199.1</b> | <b>1,117.6</b> | <b>7.3%</b>   | <b>2,465.3</b> | <b>1,899.5</b> | <b>29.8%</b>   |
| <b>Profit (loss) from operating activities</b>                              | <b>(7.7)</b>   | <b>(104.8)</b> | <b>92.6%</b>  | <b>(266.7)</b> | <b>318.7</b>   | <b>-183.7%</b> |
| Share of profits from JVs and associates                                    | 35.8           | 89.0           | -59.8%        | 96.1           | 155.4          | -38.1%         |
| Finance income (cost)   | (16.2)         | (13.8)         | 17.6%         | (32.8)         | (26.5)         | 24.0%          |
| <b>Profit (loss) before income tax income (expenses)</b>                    | <b>11.9</b>    | <b>(29.6)</b>  | <b>140.2%</b> | <b>(203.4)</b> | <b>447.6</b>   | <b>-145.4%</b> |
| Income tax income (expenses)  | 11.3           | 23.9           | -52.8%        | 70.8           | (49.8)         | 242.1%         |
| <b>Profit (loss) for the period</b>   | <b>23.2</b>    | <b>(5.7)</b>   | <b>509.8%</b> | <b>(132.5)</b> | <b>397.8</b>   | <b>133.3%</b>  |
| Profit (loss) attributable to non-controlling interests of the subsidiaries | (0.5)          | 9.4            | -104.8%       | (2.5)          | 14.6           | -117.2%        |
| <b>Profit (loss) attributable to equity holders of the Company</b>          | <b>23.6</b>    | <b>(15.0)</b>  | <b>257.3%</b> | <b>(130.0)</b> | <b>383.2</b>   | <b>133.9%</b>  |
| <b>Earnings per share</b>   | <b>0.03</b>    | <b>(0.02)</b>  |               | <b>(0.16)</b>  | <b>0.47</b>    |                |
| Gross profit margin (%)   | 35.5%          | 48.2%          |               | 34.9%          | 47.5%          |                |
| SG&A to revenue (%)   | 37.4%          | 43.0%          |               | 39.8%          | 38.6%          |                |
| Net profit margin (%)   | 2.0%           | -1.5%          |               | -5.9%          | 17.3%          |                |

| Revenue Breakdown              | 2Q2022         |               | 2Q2021         |               | YoY %        | 1H2565         |               | 1H2564         |               | YoY %       |
|--------------------------------|----------------|---------------|----------------|---------------|--------------|----------------|---------------|----------------|---------------|-------------|
|                                | THB mn         | %             | THB mn         | %             |              | THB mn         | %             | THB mn         | %             |             |
| Music                          | 614.2          | 53.9%         | 443.9          | 44.1%         | 38.4%        | 1,115.2        | 52.2%         | 900.5          | 45.3%         | 23.8%       |
| Home Shopping                  | 339.1          | 29.8%         | 353.7          | 35.1%         | -4.1%        | 658.4          | 30.8%         | 698.1          | 35.1%         | -5.7%       |
| Movie                          | 79.1           | 6.9%          | 93.5           | 9.3%          | -15.4%       | 136.4          | 6.4%          | 145.6          | 7.3%          | -6.3%       |
| Set-top-box and Broadcasting   | 52.7           | 4.6%          | 66.2           | 6.6%          | -20.5%       | 103.7          | 4.9%          | 126.4          | 6.4%          | -18.0%      |
| Other                          | 53.7           | 4.7%          | 49.6           | 4.9%          | 8.3%         | 122.3          | 5.7%          | 118.1          | 5.9%          | 3.5%        |
| <b>Total Operating Revenue</b> | <b>1,138.8</b> | <b>100.0%</b> | <b>1,006.9</b> | <b>100.0%</b> | <b>13.1%</b> | <b>2,135.9</b> | <b>100.0%</b> | <b>1,988.7</b> | <b>100.0%</b> | <b>7.4%</b> |

Operating Revenue

For the second quarter of 2022, the Company had operating revenue of THB 1,138.8 million, an increase of 131.9 million baht from the same period last year, or 13.1% YoY. The key growth driver is digital music, which accounts for over 50% of the total music business. Which can be divided into revenue structure according to the company's business as follows:

1.1 Music Business comprises with the sales of digital music and publishing rights, artist management, showbiz, artist products and physical music, and other supporting businesses.

In 2Q2022, the operating revenue from music business amounted to THB 614.2 million, accounting for 53.9% of the operating revenue, increased by 38.4% YoY. Most were increased from the three businesses 1.)

sales of digital music and publishing rights 2.) Artist Management and 3.) Showbiz. Due to the government's policy to relax the COVID-19 measures, the company has resumed activities that have more mass gatherings. As a result, the company's music business has recovered as the business is closer to normal.

**1.2 Home Shopping Business** revenue in 2Q2022, Home shopping business reported revenue of THB 339.1 million, accounting for 29.8% of the operating revenue, a decreased of 4.1% YoY due to higher competition in home shopping sector and e-commerce. The company distribution channels are expanding to social commerce to meet consumer behavior in the Next Normal era via Facebook, YouTube, TikTok and Line official etc.

**1.3 Movie Business** revenue in 2Q2022 revenue amounted to THB 79.1 million, accounting for 6.9% of operating revenue, a decrease of 15.4% YoY. The Company realized Box Office revenue from one movie, "Fast & Feel Love" which the film is the opening film of the festival "NEW YORK ASIAN FILM FESTIVAL 2022" In addition, the lead actor is Yaya Urassaya, and received the "Screen International Rising Star Award" as well.

**1.4 Set-top-box and Broadcasting Business** revenue in 2Q2022 was THB 52.7 million, accounting for 4.6% of the operating revenue, a decreased of 20.5% YoY, due to the decrease in set-top box sales volume. Compared to 2021, the Company was favorably benefitted by the intense Work-from-home policy and achieved abnormally high revenue.

**1.5 Other Business** comprises a share of advertising revenue from the digital TV business on GMM 25 channel, revenue from content royalties and old dramas from various digital platforms.

Revenue in 2Q2022 amounted to THB 53.7 million and accounted for 4.7% of the operating revenue or increased by 8.3% YoY. Due to the company has more a share of revenue from GMM25 channel.

**Cost of Sales and Services** in 2Q2022 was THB 735.0 million, an increase of THB 213.1 million or 40.8% YoY. In line with the growth in the operating revenue. In addition, the music business has more investment in content production. As a result, the cost of sales and services in this quarter was higher than the proportion of revenue increased.

**Investments in Joint Ventures** Share of profit from investments in joint ventures and associates was THB 35.8 million, representing decreased of THB 53.2 million or 59.8% YoY as the revenue of joint ventures and associates dropped due to COVID-19 impact.

**Net Profit (Loss)** the operating results, for 2Q2022, the Company had a net profit attributable to the Company's shareholders was THB 23.6 million, an increase from the same period last year with a net loss of THB 15.0 million, representing an increased of THB 38.7 million, or an increased of 257.3% and a net profit margin (NP) of 2%

## FINANCIAL POSITION

| Financial Position                                | 30-Jun-22      | %             | 31-Dec-21      | %             |
|---|----------------|---------------|----------------|---------------|
| Cash and cash equivalents                         | 643.0          | 12.1%         | 563.3          | 11.1%         |
| Other current assets                              | 1,968.9        | 37.0%         | 1,795.4        | 35.5%         |
| Non-current assets                                | 2,709.2        | 50.9%         | 2,700.2        | 53.4%         |
| <b>Total assets</b>                               | <b>5,321.1</b> | <b>100.0%</b> | <b>5,058.8</b> | <b>100.0%</b> |
| Current liabilities                               | 2,960.3        | 55.6%         | 2,809.6        | 55.5%         |
| Non-current liabilities                           | 1,023.2        | 19.2%         | 766.9          | 15.2%         |
| <b>Total liabilities</b>                          | <b>3,983.5</b> | <b>74.9%</b>  | <b>3,576.5</b> | <b>70.7%</b>  |
| Shareholders' equity                              | 1,337.6        | 25.1%         | 1,482.4        | 29.3%         |
| <b>Total liabilities and shareholders' equity</b> | <b>5,321.1</b> | <b>100.0%</b> | <b>5,058.8</b> | <b>100.0%</b> |
| Net interest-bearing debt to equity ratio (x)     | 1.45           |               | 1.19           |               |

**Total Assets** at the end of 2Q2022 amounted to THB 5,321.1 million, an increase of THB 262.3 million from the previous year or 5.2% YoY. Important items are trade and other receivables increased by THB 170.8 million, inventories increased by THB 148.4 million, and cash or equivalent items increased by THB 79.8 million. At the same time, other current financial assets decreased by THB 200.8 million due to valuation losses in the fair value adjustment of investment in Rojukiss International PLC.

**Total Liabilities** at the end of 2Q2022, the interest-bearing debt was THB 1,933.4 million, an increase from the previous year of THB 167.6 million, mainly from long-term loans from related parties and unearned income. The total liabilities were THB 3,983.5 million, an increase of 407 million baht from the previous year or 11.4% YoY.

**Total Shareholders' equity** at the end of 2Q2022 amounted to THB 1,337.6 million, a decreased from the previous year of THB 144.8 million, or a decreased by 9.8%, from the end of 2021 due to quarterly loss. Net interest-bearing debt to equity ratio slightly increased to 1.45x.

**Cash Flow** in 2Q2022, the company used in operating activities amounted to THB 107.1 million, while net cash flow from investing activities amounted to THB 29.9 million, and net cash flow from financing activities amounted to THB 158.3 million. As a result, net cash flow in this quarter increased from all activities, equaling THB 79.8 million, and cash and equivalents amounted to THB 643.0 million as of June 30, 2022.

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